

Economy Watchers Survey

July 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 2.3 points from the previous month to 49.8, posting a rise for the first time in three months.

The household activity-related DI rose thanks to strong sales of summer goods, especially air conditioners, which are covered by the “eco points” program, boosted by intense heat this summer, and due to the last-minute rise in demand for passenger automobiles along with the immediate termination of the subsidies program for the purchase of environmentally friendly vehicles, despite continuation of tax reductions for purchasers of such cars. The corporate activity-related DI rose, in spite of strong downward pressure on the sales price, mainly due to a recovery of orders received and shipping volumes. The employment-related DI fell, despite an increase in job offers by some companies, as employers remained cautious about hiring new employees, especially regular employees.

The DI for future economic conditions in July fell 1.7 points from the previous month to 46.6.

The DI for future economic conditions fell in all the household activity-related, corporate activity-related and employment-related DIs, mainly due to concerns about effects of the termination of the subsidies program for the purchase of environmentally friendly vehicles on sales and production of automobiles and on employment, as well as concerns about impacts of the rising yen on exports.

From the reasons mentioned above, the assessment of the Economy Watchers indicated in this survey can be summarized as “while in a difficult situation, the economy is showing movements of picking up.”

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**SUMMARY OF CHARACTERISTIC REASONS FOR THE
ASSESSMENT OF THE ECONOMY**

(Assessments) **A**, Better; **B**, Slightly better; **C**, Unchanged; **D**, Slightly worse; **E**, Worse

1. Current conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> • Air conditioners sell well in the fierce heat. As analog TV broadcasting comes to an end in less than a year, digital TV sales are also picking up. (Northern Kanto: General retailer [home electric appliances]) • Overseas travel is on a recovery trend, spurred by effects of the rising yen and a reaction to voluntary restraint last year from going overseas amid the spread of the new strain of influenza. (Hokuriku: Travel agency)
C	<ul style="list-style-type: none"> • Sales picked up in ice creams and beverages thanks to a heatwave in late July, but that was a mere temporary upswing due to the weather. Prices are falling in lunch boxes and others, with no economic recovery felt. (Kinki: Convenience store) • Sales three months ago stood at 96% of the level same month last year, and sales this month are hovering around the same figure. July sees the second largest monthly sales in a year, helped mainly by mid-year gift (Chugen) and summer clearance sales. Performance of the Chugen campaign has had an especially strong impact on sales of the month. This July is passing without any major drop of sales in basic Chugen gift items. (Kyushu: Department store)
D	<ul style="list-style-type: none"> • After the rainy season, our roof-top beer garden attracted an increasing number of customers, reaching a record high for July. But it was the only section that succeeded in drawing customers, and the in-house restaurant and hotel departments saw increasingly severe conditions. (Tohoku: Urban hotel) • We are suffering from unseasonable weather this month. Earlier this month, a long spell of rainy weather discouraged customers from visiting us, while since the end of the rainy season, the temperature has been so high day and night that customers are reluctant to come out to us, whether in the daytime or at night. (Tokai: General retailer [book store])
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • We hear our customers associated with major auto makers say overtime hours are on the rise. (Tokai: Financial business) • Cases of consultation on debt restructuring are on the decline. (Hokuriku: Judicial scrivener)
C	<ul style="list-style-type: none"> • Our clients, even those who have a long business history with us, put more of their contracts out to tender, or request a further price cut, showing harsher attitudes in dealing with us. (Tohoku: Telecommunication business) • We have orders even beyond our capacity, but prices for orders received are on a declining trend, while material prices are rising. The situation is severe due to requests from customers demanding very low prices. (Kyushu: Electrical machinery, equipment & supplies)
D	<ul style="list-style-type: none"> • Many companies have issued a smaller summer bonus than last year. Business sentiment seems to be on a recovery trend among large companies, while small and medium enterprises are still operating in severe conditions. (Tokai: Accounting office)
<i>Employment</i>	

B	<ul style="list-style-type: none"> The number of new job offers rose from the same month of the previous year for six consecutive months. New jobs increased 20 percent in the manufacturing industry, a key sector. Improved conditions in automobile-related industries have led to increasing overtime hours at local parts factories and job-offer applications sent in to us. (Chugoku: Employment security office)
C	<ul style="list-style-type: none"> A move to recovery can be seen when compared to last year, though employment remains at a low level, fluctuating within a range near the bottom. (Hokkaido: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> With the withdrawal on July 27 of the state of emergency that had been declared in Miyazaki Prefecture due to foot-and-mouth disease, events have got started in anticipation of complete eradication of the epidemic. Everything should be getting better, heading toward restoration. (Kyushu: Shopping street)
C	<ul style="list-style-type: none"> With the forecast of this hot weather continuing well into early autumn, the worry is that it might dampen autumn clothing sales. (Shikoku: Clothing store) Orders we have at hand indicate that our operation rate in August will be a little higher than the same month last year, but we have less reservations for September. The decline seems to come from lack of a long national and weekend holiday this September like the one we had last year. (Okinawa: Resort hotel)
D	<ul style="list-style-type: none"> With the termination in September of the subsidies program for the purchase of environmentally friendly vehicles, the only thing left for us to rely on is tax reductions for such vehicles. But as a significant part of the demand has been already eaten up ahead of time, we expect a slight decline in coming months. (Hokkaido: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> Products for construction machinery to be exported to China are doing especially well, and we are going to construct a new assembly line and add to the number of employees in order to increase production. (Northern Kanto: Machinery & equipment)
C	<ul style="list-style-type: none"> The gap should be further widening between companies in a slump and those with an improving performance. Businesses have resumed capital expenditure only in a partial manner, with not much effect expected on the local economy. (Northern Kanto: Business consultant) For some products, an increase in production is planned for the coming months, while for others, especially those produced for overseas markets, we expect conditions to be severe with the strengthening yen. (Hokuriku: Precision machinery and tool manufacturer)
D	<ul style="list-style-type: none"> Our customers will scale down their production plans, affected by the termination of the subsidies program for the purchase of environmentally friendly vehicles (Kyushu; Transportation equipment)

Employment

C	<ul style="list-style-type: none"> Despite an increase in offers of part-time jobs, such as contract workers in the service sector, there are no prospects of a rise in offers of regular employee jobs. (Southern Kanto: Employment security office) What will become of the manufacturing sector after the termination of the subsidies program for the purchase of environmentally friendly vehicles remains to be seen, with much still left uncertain. (Tokai: Job advertisement magazine producer)
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