

Economy Watchers Survey

June 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in June fell 0.2 points from the previous month to 47.5, posting a fall for the second consecutive month.

The household activity-related DI remained unchanged, despite the continuing effects of tax reductions and subsidies for the purchase of environmentally friendly vehicles, mainly due to slowing growth of home electric appliances sales, a reaction to the last-minute rise in demand just before the change in flat screen televisions to be covered by the “eco points” program. The corporate activity-related DI fell, in spite of a recovery of orders received and shipping volumes, mainly due to the slowing-down of the recovery in some sectors and a strong downward pressure on sales prices. The employment-related DI rose, mainly due to an increase in job offers by some companies, though employers remained cautious about hiring new employees, especially regular ones.

The DI for future economic conditions in June fell 0.4 points from the previous month to 48.3.

The DI for future economic conditions fell, mainly in the household activity-related DI, especially due to concerns about cautious attitudes among potential home buyers, as seen in their growing orientation to lower-price properties, as well as concerns about weakening effects of tax reductions and subsidies for the purchase of environmentally friendly vehicles.

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"> • The payment of child allowances is encouraging parents to spend more, to a limited degree. (Tohoku; Supermarket) • The number of cars rented increased to 106% of the level a year earlier. More tourists take rental cars than last year. (Okinawa: Other services (Car-rental))
C	<ul style="list-style-type: none"> • We expected that with some employers having paid bonuses, an increasing number of people would be seen in amusement areas, only to find more young football fans in the uniform. Since the football World Cup started, streets instead have been less busy, with unexpected negative impacts. (Tokai: Bar) • Customers were discouraged from visiting us mainly due to heavy rains, which greatly dampened down sales at products fairs and those of presents for Father's day. Cultural events, in contrast, attracted many visitors. Not a few of them came twice or more, boosting sales of goods. As the preview of Chugen (midyear) gifts was also successful, we are foreseeing a promising summer gift season. (Kyushu: Department store)
D	<ul style="list-style-type: none"> • In this unusually hot and humid rainy season, sales of air conditioners are picking up. But poor performance has been seen among electric goods covered by the "eco points" program, such as televisions with a digital terrestrial broadcasting tuner and refrigerators, which sold well last year. It seems unlikely they will reach the level a year earlier in sales. (Northern Kanto: Electric appliance retailer) • The spread of foot-and-mouth disease is forcing an increasing number of events to be cancelled or postponed. Asked to refrain from holding any event on a voluntary basis until the epidemic is eradicated, we are in a tough situation. (Kyushu: Theme park)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Our business has recovered to approximately 90% of the level before the Lehman Crisis. We feel rather confident about most recent conditions of business, though there remains uncertainty about future economic conditions, especially those in Europe. (Chugoku: Transportation equipment)
C	<ul style="list-style-type: none"> • We are receiving more orders than in the same month last year, but are seeing the growth of orders slowing down compared with those received several months ago. (Tokai: Electrical machinery, equipment & supplies) • Most of the small and medium enterprises applying for loans are not raising funds for capital investment but for refinancing the repaid part of a loan they took, that is, just maintaining the current state of things. (Kyushu: Financial business)
D	<ul style="list-style-type: none"> • Receiving only a small number of orders, with a falling unit price on top of that, we are seeing many elements of a deflationary spiral. A recovery could only be expected in the distant future. (Southern Kanto: Transport)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • The number of new job offers increased 17.4% from the previous year, up from the same month a year earlier for the fourth consecutive month. The number of monthly effective offers also increased 12.7% from the last year, up from the same month a year earlier for the fourth consecutive month. (Hokkaido: Employment security office)

C	<ul style="list-style-type: none"> Many companies still have excess personnel, striving to make adjustments by, for instance, intra-group transfers. That has left many employers reluctant to hire new employees, whether mid-career workers or new graduates. (Shikoku: Private-sector job placement service)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Orders received for coming months show that in value terms domestic tours for July stand at 110% of the level a year earlier, while overseas ones stand at 108%, and that domestic tours for August stand at 85%, with overseas ones at 104%. Domestic travel remains rather weak, but overseas travel is doing well, so future conditions will be slightly better. (Hokkaido: Travel agency)
C	<ul style="list-style-type: none"> Sales are weak for a bonus season. As an unusually hot summer is forecast, we should carry stocks of seasonal goods. But with uncertainties remaining about the future, we are not confident enough in business to do anything to overcome consumers' reluctance to spend. (Northern Kanto: General retailer [home electric appliances]) Visitors and orders received are recovering in number, but in value terms, the total sales and the unit price are both falling. (Chugoku: Housing dealer)
D	<ul style="list-style-type: none"> As the subsidy program for purchasers of eco-cars expires in September, car sales will decline. (Shikoku: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> Major advertising agencies see their sales increasing, and local agencies have also got a glimpse of recovery, especially in TV advertisements. (Tohoku: Advertising agencies association)
C	<ul style="list-style-type: none"> The dollar is hovering around 90 yen, a major element that hinders our business, which is highly dependent on foreign markets, from seeing orders from overseas growing. We would like the rate to go back to 95 yen to the dollar. (Hokuriku: Machinery & equipment) Supported by demand mainly from Asia, outputs remain strong, but raw material prices are soaring. We are striving to pass on the increase in costs to the steel price, but are concerned about a further rise in price, which leaves future prospects as uncertain as ever. (Chugoku: Steel industry)
D	<ul style="list-style-type: none"> A slight recovery seems probable, but we are not competitive with our current selling prices, so any increase in sales is unlikely. As cuts in sales prices would lead to a decline in profits and a vicious cycle, all we can do is reconsider ingredients and materials and do something to differentiate ourselves from competitors. (Kinki: Food and kindred products)

Employment

C	<ul style="list-style-type: none"> A slightly larger number of new jobs are on offer than the previous month, but most of them are part-time and contract jobs. The share of regular worker jobs on offer has failed to rise. It will take some more time before improvements in the employment environment are felt. (Tokai: Employment security office) Although the number of new applicants for employment decreased slightly, there seems to be a tendency that those who once gave up hopes of being employed reconsidered. The number of middle-aged and older applicants is increasing for the position of part-time worker. In terms of regular worker jobs, the ratio of job offers to applicants remains small, and an early improvement is unlikely. (Kinki: Employment security office)
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