

Economy Watchers Survey

April 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in April rose 0.6 points from the previous month to 28.3 for the first increase in two months.

The household activity-related DI rose, mainly due to a fading mood of voluntary restraint and a growing willingness to make purchases among some consumers, although a shortage of goods received, sluggish consumption under a downturn in consumer confidence, and fewer visitors in the restaurant business, travel industry, and accommodation sectors exerted downward pressure on sales in the aftermath of the Great East Japan Earthquake.

The corporate activity-related DI fell, mainly due to continued production interruptions under supply shortages and delayed deliveries of raw materials and equipment, and under cost increases resulting from price hikes, despite post-disaster reconstruction demand and increased orders for production covering output falls at disaster-damaged companies in some industries.

The employment-related DI dropped, mainly due to involuntary furloughs and other employment adjustment moves, and some companies' review or postponement of recruitment and job offers.

The DI for future economic conditions in April went up 11.8 points from the previous month to 38.4 for the first rise in three months.

The DI for future economic conditions rose in all the household activity-related, corporate activity-related and employment-related DIs, mainly because post-disaster reconstruction demand and a consumer confidence recovery were expected even amid uncertainties among consumers and businesses about the future, and amid employment adjustment moves.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has remained in a severe situation, affected by the Great East Japan Earthquake.”

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by the Director-General for Economic Assessment and Policy Analysis,
Cabinet Office
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970
Telephone: 03-3581-1392
Internet: <http://www.cao.go.jp>

III. SUMMARY OF CHARACTERISTIC REASONS FOR THE ASSESSMENT OF THE ECONOMY

National

(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 impact of the Great East Japan Earthquake has run its course and the buying trend has grown more stable. The declaration of an end to rolling blackouts has led to a better direction. (Southern Kanto: Shopping area)
C	<ul style="list-style-type: none"> In the first half of the month, sales were sluggish, mainly due to consumers' conspicuous refrainment from making purchases under the impact of the Great East Japan Earthquake. Since the middle of the month, however, sales have been brisk, mainly due to consumers' returning to making purchases. (Kinki: Department store) A mood of voluntary restraint has spread, mainly due to the Great East Japan Earthquake in March. Particularly from March to April, consumers have moved little, losing their willingness to make purchases. (Kyushu: Shopping area)
D	<ul style="list-style-type: none"> While the delivery of goods has been stable, a mood of voluntary restraint has been seen. We feel that consumers are avoiding wasteful spending. (Hokkaido: Supermarket) As the mood of voluntary restraint is still strong, sales have yet to recover the level before the Great East Japan Earthquake. (Northern Kanto: High-end restaurant) While temperatures have risen since early April, we have seen fairly good sales of spring clothing. (Southern Kanto: General retail shop [clothing/sundries]) Visitors have declined more and more since the termination of the eco-point system for electrical appliances. The average unit price has trended down. (Tokai: Electric appliance retailer) As the procurement of building, housing and other materials has become difficult since the Great East Japan Earthquake, construction has failed to make progress. We have not been able to make future plans. (Chugoku: Architect office)
E	<ul style="list-style-type: none"> Under the impact of the Great East Japan Earthquake, the supply of new vehicles has stopped, forcing sales to remain stagnant. As delivery schedules are uncertain, we cannot smoothly negotiate with customers about new vehicle orders. (Hokkaido: Auto dealer). As the impact of the Great East Japan Earthquake has led delivery to be suspended for cigarettes, which had driven overall sales, our sales have declined rapidly. Visitors have decreased. (Tokai: Convenience store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Output has increased due to a production realignment within our group under the impact of the Great East Japan Earthquake. (Chugoku: Ceramic, stone and clay product manufacturer)
C	<ul style="list-style-type: none"> Soaring prices and falling supply of raw materials under the impact of the Great East Japan Earthquake has affected production. (Kyushu: Food manufacturer)
D	<ul style="list-style-type: none"> Our plant has suspended operation for the past several days as supply from parts manufacturers in the Tohoku region has been halted under the impact of the Great East Japan Earthquake. (Chugoku: Machinery & equipment)
E	<ul style="list-style-type: none"> Just after the March 11 Great East Japan Earthquake, there were many applications for operating funds for the immediate future. Since early April, however, we have seen a growing number of requests for changes in terms and conditions for existing loans. (Southern Kanto: Finance business)

Employment

C	<ul style="list-style-type: none"> As the recruitment environment has grown uncertain since the disaster, employers have changed recruitment schedules, held off recruitment due to concern about future economic conditions, or prolonged recruitment processes. (Kinki: Private employment agency).
D	<ul style="list-style-type: none"> Under the impact of the Great East Japan earthquake, job offers have declined along with recruitment. (Okinawa: Job information magazine publisher)

2. Future conditions**Household activity**

B	<ul style="list-style-type: none"> The number of visitors is expected to rise again as the distribution of goods is normalized. (Tohoku: Convenience store) Sales will increase gradually as consumers ease their cautious attitude about making purchases. (Kyushu: Convenience store) As last-minute demand for flat-screen televisions emerges toward the termination of analogue broadcasting, sales will increase slightly. (Hokkaido: Electric appliance retailer)
C	<ul style="list-style-type: none"> Future conditions will change dramatically depending on reconstruction after the Great East Japan Earthquake and developments of the Fukushima Daiichi nuclear power station issue. (Tokai: Department store) After the East Japan Earthquake, lodging reservations by non-group tourists have increased back to the average level for the holiday-studded Golden Week period. But reservations by group tourists are less. Our business environment may remain tough until summer vacations. (Hokuriku: Tourist inn)
D	<ul style="list-style-type: none"> Possible rolling blackouts in the summer are a matter of concern because they could considerably affect sales (Southern Kanto: Drug store).
E	<ul style="list-style-type: none"> The future business environment will become very tough as consumer confidence declines with prices of building materials rising. (Hokkaido: housing supplier)

Corporate activity

B	<ul style="list-style-type: none"> Demand for steel for post-disaster reconstruction is expected to recover gradually along with steel production for automobiles. (Chugoku: Iron & steel)
E	<ul style="list-style-type: none"> The Great East Japan Earthquake will surely bring about rolling blackouts and other adverse spillover effects one after another. There are too many bad factors. (Southern Kanto: Publishing, printing & allied industries) Under the impact of the Great East Japan Earthquake, it has become difficult to take delivery of materials for ongoing construction. This could prolong construction periods and affect cash flow, bringing about economic deterioration. (Kyushu: General constructor)

Employment

C	<ul style="list-style-type: none"> Job offers for post-disaster reconstruction have increased in the construction industry. In a wide range of other industries, job offers have increased for disaster-affected people. (Tohoku: Employment security office) As no solution is in sight to the parts procurement problem, a growing number of companies will apply for compensation benefits for absence from work and employment adjustment subsidies. (Tokai Employment security office)
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