

# Economy Watchers Survey

## August 2011

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in August dropped 5.3 points from the previous month to 47.3, falling for the first time in five months.

The household activity-related DI declined, due mainly to a reactionary fall after last-minute demand for such products as televisions, a decreased number of customers under unseasonable weather and sluggish consumption of some farm and livestock products, despite recovering consumer confidence after a downturn following the Great East Japan Earthquake.

The corporate activity-related DI dropped, due mainly to the yen's steep appreciation affecting profitability, although orders were increasing and production was recovering.

The employment-related DI fell because of employers' cautious attitude on recruitment under such unfavorable factors as the yen's further appreciation, although the manufacturing sector increased job offers upon production recovery.

The DI for future economic conditions in August went down 1.4 points from the previous month to 47.1 for the second straight month of decline.

The DIs for future economic conditions dropped in all the household, corporate and employment sectors, due mainly to uncertainties among consumers and businesses about the future and fears of business environment deterioration under such unfavorable factors as the yen's further appreciation, despite expectations of corporate production recovery.

Because of the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is slowing the tempo of recovery amid the lingering impact of the Great East Japan Earthquake."

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### **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>B</b>	<ul style="list-style-type: none"> <li>Lodging reservations, which had been sluggish, have been growing smoothly since early this month. Sales at the food and beverage division have exceeded year-before levels (Chugoku: Tourist hotel)</li> <li>As a mood of voluntary restraint following the Great East Japan Earthquake has passed, we are returning to normal. (Kyushu: Shopping area)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Our business situation in August is generally severe. Particularly, the end of special demand for home electric appliances toward the full shift to terrestrial digital broadcasting has apparently dampened overall demand. (Hokkaido: Department store)</li> <li>As temperatures have fallen suddenly with rainy days increasing since mid-August after heat waves, sales of summer goods have declined. (Tohoku: Supermarket)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Business conditions had been rather good until the Bon Festival in mid-August. Since then, however, customers have declined remarkably. Human traffic in this shopping area has decreased. (Kyushu: Other restaurant [Japanese-style pub])</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Since analog broadcasting was terminated, demand for home electric appliances, including TVs, has come to a standstill. (Hokkaido: Electric appliance retailer)</li> <li>Due to harmful rumors regarding the spread of radioactive substances, the sales volume of peaches and other seasonable fruits declined 15% from a year earlier. The beef sales volume also dropped 20% under the impact of shipment suspension. (Tohoku: Supermarket)</li> </ul>
<i>Corporate activity</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>Since early this month, rubble disposal services as ordered by local governments and private sector companies have expanded along with preliminary orders for post-disaster reconstruction projects. (Tohoku: General contractor)</li> <li>After a standstill following the Great East Japan Earthquake, auto production and other business operations have entered a full swing to recover delays in the first half of this year, so we have been growing busier. (Northern Kanto: Ordinary machinery and instrument manufacturer)</li> <li>Supply shortages attributable to component procurement difficulties accompanying the Great East Japan Earthquake have almost been solved. Production has been smooth, with orders and sales increasing. (Shikoku: Ordinary machinery and instrument manufacturer)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>Our overall business operations have rallied on a recovery of auto and other industries. But our profit has been squeezed as we have remained unable to fully pass iron ore and coal price spikes on to steel product sales prices. In addition, the profitability of sales for exports has deteriorated on the yen's appreciation. (Chugoku: Iron &amp; steel)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Component procurement orders have shifted overseas and failed to return to Japan since the Great East Japan Earthquake. (Tohoku: Metal industry cooperative)</li> <li>Due to the yen's appreciation, our customers have begun to ask us to cut costs. (Southern Kanto: Precision machinery and tool manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Temporary staffing services for manufacturers have grown more brisk. As demand for such services are growing in a wide range of industries, including the auto-related sector, we have begun to have difficulties in providing human resources. (Kinki: Temporary staffing company)</li> </ul>

<b>C</b>	<ul style="list-style-type: none"> <li>While new job offers have increased generally, offers from manufacturing industries have hit a ceiling. (Hokuriku: Public employment security office)</li> <li>While job offers have increased due to reconstruction and electricity conservation demand after the Great East Japan Earthquake, the yen's extreme appreciation has prompted a growing number of companies to become cautious about future recruitment. (Chugoku: Temporary staffing company)</li> </ul>
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## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>Due to winter electricity conservation in the future, demand for thermal goods will increase. (Kinki: Department store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>We see no mainstay products to replace those related to terrestrial digital broadcasting. (Tohoku: Home electric appliance retailer)</li> <li>In the absence of bright signs, we expect the severe situation to remain in the future. (Kinki: Department store)</li> <li>Consumers are still highly concerned about radioactive contamination of food. They remarkably give priority to production areas and refrain from making purchases (Kinki: Supermarket)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Amid vague fears about the age we are living in and consciousness about conservation of electricity and consumption, we see no favorable factor for consumption. (Shikoku: Supermarket)</li> </ul>

### ***Corporate activity***

<b>A</b>	<ul style="list-style-type: none"> <li>Particularly in the automotive sector, the expansion of production will enter a full swing to recover production delays caused by the Great East Japan Earthquake. (Kanto: Ordinary machinery and instrument manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The yen's present appreciation will bring about significant impacts, including the cancellation, reduction and revision of capital investment plans. (Northern Kanto: Electrical machinery equipment manufacturer)</li> <li>Although reconstruction demand following the Great East Japan Earthquake is likely to enter a full swing in the future, the economy may take some time to recover under the great pressure of the yen's appreciation. (Kinki: Chemical industry)</li> <li>As exchange risks accompanying the yen's appreciation are feared, we expect to continue having a hard time making a profit. (Chugoku: Ordinary machinery and instrument manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>While automotive and other transportation-related sectors are vigorous, semiconductor-related sectors have been plagued with a slowdown or stall. Trends of orders differ from sector to sector. (Tohoku: Metal industry cooperative)</li> </ul>

### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>As a growing number of people are restoring jobs thanks to an increase in job offers from manufacturing industries and those for post-disaster reconstruction, the number of new job seekers will continue to decline. (Tohoku: Public employment security office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>As far as the future outlook is uncertain, a mismatch will continue between companies' dependence on non-regular employees for employment adjustment and job seekers' demand for regular employee positions. (Shikoku: Public employment security office)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Given the yen's steep appreciation as a destabilizing factor, each business establishment has remained cautious about recruitment. No substantial increase can be expected in job offers. (Chugoku: Public employment security office)</li> </ul>