

Economy Watchers Survey

June 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in June rose 13.6 points from the previous month to 49.6 for the third straight month of increase.

The household activity-related DI rose, due mainly to a growing willingness to make purchases among consumers amid a gradual recovery of their confidence dampened by the Great East Japan Earthquake, as well as brisk sales of energy-saving, eco-friendly, Cool Biz, and other seasonal goods amid heat waves and electricity-saving campaigns.

The corporate activity-related DI rose, mainly due to a production recovery on the gradual resolution of supply shortages and delivery delays for raw materials and equipment, despite the impact of rising costs amid raw-material price spikes.

The employment-related DI rose thanks to such factors as an increase in job offers that accompanied a production recovery in the manufacturing sector.

The DI for future economic conditions in June went up 4.1 points from the previous month to 49.0 for the third straight month of rise.

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

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy, though remaining in a severe situation under the impact of the Great East Japan Earthquake, has indicated recovery moves.”

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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>	
A	<ul style="list-style-type: none"> While the sales volume of small televisions has increased just before Japan's complete switch to terrestrial digital broadcasting, the sales volume of electric fans among seasonal goods has expanded greatly, with some models sold out, under rising temperatures and the growing consciousness of electricity conservation. (Chugoku: Electric appliance retailer) Sales have improved substantially from March, while failing to reach the levels seen last year. (Kinki: Travel agency)
B	<ul style="list-style-type: none"> As consumer confidence has stabilized three months after the Great East Japan Earthquake, demand for seasonal goods has been gradually increasing. (Hokkaido: Shopping area) Goods related to energy saving, ecological conservation and the Cool Biz campaign are selling well. Consumers still restrict non-urgent consumption while the mood of voluntary restraint on consumption has diminished. (Kinki: Department store) A rapid temperature rise in late June stimulated robust sales of goods related to chilling and cooling. Particularly since the electricity conservation request, electric fans, cool underwear, antiperspirants, and the like have sold well. (Kinki: Supermarket) Sales have got on the rebound path as vehicle supply from automakers has recovered. (Hokkaido: Auto dealer) Although the procurement of building and other materials had been difficult since the Great East Japan Earthquake, housing sales are increasing as their delivery schedules have grown more certain. (Chugoku: Housing supplier)
C	<ul style="list-style-type: none"> More-than-usual precipitation and lower-than-usual temperatures dampened demand for summer goods, affecting overall sales. (Shikoku: Supermarket)
D	<ul style="list-style-type: none"> Tourists from other prefectures have remained at very low levels due to harmful rumors related to the Fukushima Daiichi nuclear power plant accident. (Tohoku: Resort hotel)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> Rubble-removing, thermal power plant-related and other post-disaster reconstruction-related orders have been expanding. (Tohoku: Construction business)
B	<ul style="list-style-type: none"> Orders have increased as production at customer automakers has recovered rapidly. (Chugoku: Iron and steel industry) Supply from parts makers has improved, paving the way for expanding output. (Shikoku: General machinery and instruments manufacturer) While orders and sales have grown smoothly, raw-material price spikes and slack product-sales prices have led to a profit fall despite a revenue increase. (Shikoku: Iron and steel industry) As capital investment demand has emerged following a recess on the Great East Japan Earthquake, domestic orders in particular have been increasing. (Hokuriku: General machinery and instruments manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> New job offers turned upward in June, expanding their growth. (Tokai: Employment security office) Automobile-related companies recovered full-blown production, resuming the recruitment of special term employees. (Tokai: Temporary staff service) The number of inquiries about employment adjustment subsidies and the like has declined. (Northern Kanto: Employment security office)

C	<ul style="list-style-type: none"> Job offers are increasing from the levels seen last year, but the growth has slowed down. However, job offers in medical and welfare areas have been steady. (Kyushu: Newspaper company [Job advertisements])
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> An economic recovery is expected to continue on the back of post-disaster reconstruction demand until the end of this year. But the economy could go in an unexpected direction depending on electricity shortages and future developments regarding the Fukushima Daiichi nuclear plant problem. (Tohoku: Shopping area) As the mood of voluntary restraint has gradually eased, the goods-supply arrangements before the earthquake have been restored. (Chugoku: Convenience store) The economy will basically recover unless low temperatures or bad weather conditions continue. (Hokkaido: Department store) Room reservations mainly by individual tourists have recovered for the June–September period. The problem is how to secure last-minute reservations for the period ahead. (Hokuriku: Tourist hotel)
C	<ul style="list-style-type: none"> Demand is now brisk for cooling-related products against the backdrop of electricity conservation. But such demand will not continue for very long. Consumers have basically remained frugal. No factor indicates improvements in consumption. (Northern Kanto: department store) As consumer frugality works in line with electricity conservation, consumers may continue to refrain from wasteful spending. (Hokuriku: Supermarket)
D	<ul style="list-style-type: none"> Television replacement demand toward the planned shift to terrestrial digital broadcasting will diminish along with air conditioner demand. (Chugoku: Electric appliance retailer)

Corporate activity

A	<ul style="list-style-type: none"> Orders have recovered to the levels seen last year. But we doubt that production will go well under the 15% electricity consumption cut. We are now in a very difficult situation. (Northern Kanto: Transportation-equipment manufacturer)
B	<ul style="list-style-type: none"> Moves for post-disaster reconstruction will accelerate. (Chugoku: Iron and steel industry)
C	<ul style="list-style-type: none"> We remain unable to pass fuel and raw-material price hikes on to our product prices. (Tokai: Food manufacturer) Although overseas sales of our products are on a recovery trend, domestic demand is still sluggish. The business situation for us may remain severe. (Chugoku: General machinery and instruments manufacturer)

Employment

B	<ul style="list-style-type: none"> As job offers have been gradually increasing, we see a few employment recovery signs. (Chugoku: Temporary staff service)
C	<ul style="list-style-type: none"> Job offers related to post-disaster reconstruction in the construction industry have increased, while other job offers, including those in the tourism industry, are likely to take more time to recover. (Tohoku: Employment security office) Since the Great East Japan Earthquake, many companies have held down personnel costs and have been less willing to hire new employees. (Northern Kanto: Job information magazine publisher)