

Economy Watchers Survey

June 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in June fell 3.4 points from the previous month to 43.8 for the third straight month of decline.

The household activity-related DI declined, due mainly to sluggish sales of seasonal goods caused by unseasonable weather conditions accompanying typhoons as well as the arrival of the rainy season, and to a pause in order receipts for passenger cars.

The corporate activity-related DI decreased, due mainly to a decline in order receipts at enterprises caused chiefly by the yen's appreciation.

The employment-related DI dropped, due primarily to a pause in growth in job offers mainly from manufacturers.

The DI for future economic conditions in June fell 2.4 points from the previous month to 45.7 for the second straight month of decline.

The household activity-, corporate activity- and employment-related DIs for future economic conditions decreased because of uncertainties stemming from such factors as fears of summer electricity supply disruptions, a reactionary decline in demand due to the termination of subsidies for eco-friendly car purchases, and a downturn in consumer confidence due to a consumption tax increase, despite expectations of reconstruction demand following the Great East Japan Earthquake.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has been so far picking up moderately, but is now showing some weak movements.”

Released on July 9, 2012 (in Japanese)
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"> This month, tourists and other visitors are increasing approximately 30% from a year earlier, about half of whom are local guests and half come from further afield, reflecting post-disaster reconstruction support. They came mainly from the construction sector, but also from the public sector and organizations. In particular, guests from the Kanto region, where an overnight stay is possible, are increasing. (Tohoku: Tourist hotel)
C	<ul style="list-style-type: none"> Due to a change in the timing of clearance sales and unseasonable weather conditions, both sales amounts and the number of customers have been decreasing, but spending per customer is recovering. (Kyushu: Department store)
D	<ul style="list-style-type: none"> Inquiries about car sales have been decreasing due to the winding down of the subsidies program for eco-friendly car purchases, and the volume of car sales has followed a downward trend. (Northern Kanto: Auto dealer) Since the Great East Japan Earthquake last year, summer goods related to electricity conservation have sold well, but this year we have not seen any movement to buy the additional goods. (Southern Kanto: Supermarket) Sales have been up and down, but a direct hit with Typhoon No. 4 has caused them to deteriorate rapidly. In addition, as some brand shops in the clothing section are delaying price reductions of summer clothing, starts of bargain sales are being decentralized. (Kinki: Department store) With the impact of bad weather conditions and typhoons on every weekend, sales mainly of beverages, ice cream, and fast food have been drastically declining compared to the previous year. Sales in the last week after the rainy season remain at the previous year's level, but have not covered the plunge in sales affected by the bad weather conditions, leading to deterioration in earnings. (Okinawa: Convenience store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> With the start of full-fledged decontamination work, the volume of orders received has doubled. The situation is on an upward trend, although there are a lot of issues, including a shortage of engineers, laborers, and lodgings. (Tohoku: General contractor)
C	<ul style="list-style-type: none"> Tourism business, including foreign tourists' visits, has almost recovered to the level seen before the Great East Japan Earthquake. (Hokkaido: Finance industry)
D	<ul style="list-style-type: none"> Despite expectations of demand for post-disaster reconstruction, there are fears of electricity supply disruptions. Due to concerns about the electricity shortage problem this summer, our customers have begun considering a change of business operators. (Chugoku: Electrical machinery and equipment manufacturer) With the impact of the yen's appreciation, major customers have partly shifted their orders of cast steel from our company to overseas. (Shikoku: Iron & steel)
E	<ul style="list-style-type: none"> Orders have gone overseas, not to the primary subcontractors of automobile parts in Japan, which are our valued customers, and their factories in Japan have received much fewer orders for work. Consequently, orders received by our company have dramatically decreased. (Southern Kanto: Metal products manufacturer)
<i>Employment</i>	
C	<ul style="list-style-type: none"> The number of requests for temporary staffing services remains unchanged. Job offers from manufacturers are fewer than usual. Job offers remain firm for sales posts in the distributor/retailer sector, and for posts in the healthcare and nursing care sector, but matching job offers and seekers is difficult. (Chugoku: Temporary staffing company)

D	<ul style="list-style-type: none"> There is no positive factor. A subcontractor of a major semiconductor manufacturer decided to withdraw from the prefecture, and amid concerns over massive unemployment there seems to be no company to hire the dislocated workers. (Kyushu: Temporary staffing company)
----------	---

2. Future conditions

Household activity

C	<ul style="list-style-type: none"> This summer is a season of conserving electricity. The long-term forecast for the next three months predicts a season of the average level. However, due to electricity conservation from July to September, if rolling blackouts are implemented, conditions of retailers will become much worse. Also, unless it is getting hot to some extent, we cannot have a positive outlook for clearance sale goods in July. (Hokkaido: Department store) As discussions on the consumption tax increase become a major topic, it is expected to have more than a little impact on consumer confidence. Also, this summer, due to such measures as generally delayed clearance sales compared to the average year, we cannot have a clear business outlook. (Northern Kanto: Department store)
D	<ul style="list-style-type: none"> Mainly due to a year-on-year decrease in bonus payments and moves for a consumption tax increase, consumer confidence is again becoming cautious toward conservation consciousness. Increasing pressure from major retailers to cut prices seems to be an anticipation of such movements. Generally, the environment surrounding consumption is becoming increasingly severe. (Kinki: Supermarket)
E	<ul style="list-style-type: none"> We are worried that growth in sales thanks to the effects of subsidies for eco-friendly car purchases will immediately diminish after the termination of the subsidies. (Tokai: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> Discussions on the consumption tax increase become a major topic among our client companies. As everybody expects immediate last-minute demand, in this respect, the economy is expected to slightly turn around for the better. (Kinki: Business consultant) Regarding construction work related to demand for post-disaster reconstruction, as full scale business will begin, especially for community renovation, we expect an increase in orders. (Tohoku: General contractor)
D	<ul style="list-style-type: none"> As subsidies for eco-friendly car purchases are expected to end in July or August, there will be a reactionary decline in sales after the termination, possibly leading to a negative impact on the domestic economy. (Chugoku: Iron & steel)
E	<ul style="list-style-type: none"> As production cost in Japan cannot win the competition against overseas production cost, business conditions in Japan are expected to become increasingly severe. (Kinki: Electrical machinery and equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> In the Kansai region, due to a decision to resume operation of the Ohi nuclear power plant, fears of electricity supply disruptions this summer has somewhat eased, which will be one factor to stimulate companies' willingness to produce goods. (Kinki: Newspaper company [Job advertisements])
D	<ul style="list-style-type: none"> We are worried about concerns over electricity supply capacity this summer and uncertainties over the economy after the consumption tax increase bill will be passed. (Hokuriku: Temporary staffing company)