

Economy Watchers Survey

September 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in September fell 2.4 points from the previous month to 41.2 for the second straight month of decline.

The household activity-related DI dropped, due mainly to a delay in the launch of autumn goods under lingering summer heat and the adverse effects of the Senkaku Islands problem on such areas as travel.

The corporate activity-related DI declined, due mainly to a continued decrease in order receipts at enterprises caused by such factors as an overseas economic deceleration.

The employment-related DI fell, due primarily to sluggish job offers mainly from manufacturers.

The DI for future economic conditions in September fell 0.1 points from the previous month to 43.5 for the fifth straight month of decline.

Regarding future economic conditions, expectations on such developments as a last-minute demand expansion in the lead up to the planned consumption tax hikes are seen, while there are future uncertainties attributable mainly to fears of a consumer confidence deterioration as the consumption tax hikes approach and of adverse effects that the Senkaku Islands problem and other issues will exert on economic activity. Under such conditions, the household activity-related DI for future economic conditions rose, while the corporate- and employment-related DIs dropped.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy has recently been weakening."

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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>	
C	<ul style="list-style-type: none"> As hot days have continued into September, a very large number of customers say they are reluctant to buy autumn goods. Furthermore, the number of tourists has decreased rapidly due to the Senkaku Islands problem. We have seen a steep fall in the number of people walking on the street. Consumer sentiment has been declining more and more. (Hokkaido: Shopping street) Consumers are interested in autumn goods, but under the influence of hot summer days that continued beyond the middle of September they have stopped short of buying them. As temperatures have fallen since September 20, however, autumn goods have begun to sell gradually. But sales have yet to recover to the usual pace for this season. (Southern Kanto: Department store) Under the unseasonable weather, particularly the lingering severe summer heat, autumn goods have failed to sell well. It is difficult for us to secure sufficient sales. (Hokuriku: Clothing retailer)
D	<ul style="list-style-type: none"> While the effects of the subsidy program for eco-friendly car purchases have tended to wane since July, any decline in sales is still small thanks to slightly brisk sales of hot-selling minicars and minivans. (Tohoku: Auto dealer) Due to the Senkaku Islands problem, Chinese people have begun to cancel group tours (Kinki: City hotel) Under the influence of the territorial problems, the number of Japanese tourists visiting South Korea has halved from a year earlier, and group and other tourists have cancelled or postponed their trips to China. Business trips to the two countries have also declined substantially. (Kyushu: Travel agency)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> Only a few of our trading partners are achieving business performance improvements. (Tohoku: Telecommunications company)
D	<ul style="list-style-type: none"> Sales in Europe have failed to grow smoothly. Enterprises' cost-cutting efforts are affecting us. (Tokai: Electrical machinery and equipment manufacturer) As Japan's relations with China have deteriorated over the Senkaku Islands problem, transportation between the two countries is declining. (Tokai: Transporter) As the export environment has remained severe due to the yen's extraordinary strength and overseas market deterioration (particularly in Europe), our order receipts have declined substantially from a year before. In the domestic market as well, we have difficulties in winning orders. Demand has been strong for cuts in processing costs for exports and domestic sales. (Hokuriku: Textile industry)
E	<ul style="list-style-type: none"> Due to the electrical machinery industry slump, we see no sign of business recovery. (Chugoku: Iron & steel)
<i>Employment</i>	
C	<ul style="list-style-type: none"> New job offers have decreased slightly in the manufacturing sector due mainly to the yen's appreciation, while increasing in wholesale, retail, healthcare and welfare sectors thanks primarily to openings of new stores or facilities. Overall, new job offers have leveled off. (Hokuriku: Employment security office) Although new job offers post a year-on-year increase of 14.6%, job offer growth in the key

	industries of manufacturing and construction has been slow. We cannot say the economy is picking up. (Kyushu: Employment security office)
D	<ul style="list-style-type: none"> Large manufacturing enterprises' job offers are declining. (Kinki: Private employment agency)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We feel that the number of people visiting us is increasing apparently due to the passage of the consumption tax hike bill. We anticipate that the increasing visitors will lead to housing orders. (Shikoku: Housing sales company) Economic conditions will improve on the emergence toward the year-end of various orders including those for drinking parties, year-end parties, and New Year's dishes. (Kyushu: High-end restaurant)
C	<ul style="list-style-type: none"> Due to anxiety about the future under an electricity rate hike and other factors, consumer sentiment has failed to improve. Such sentiment could deteriorate further due to such factors as an unseasonably warm winter. (Tokai: Department store)
D	<ul style="list-style-type: none"> Due to Japan's problems with China and South Korea, the number of Japanese tourists visiting China and South Korea is likely to decrease. Although overseas trips have become brisk to some extent, we expect to see signs of decline. (Tokai: Travel agency) Since the passage of the consumption tax hike bill, customers have reduced their purchases in terms of both volume and value. This trend is likely to continue for the immediate future. (Shikoku: Supermarket)

Corporate activity

C	<ul style="list-style-type: none"> As seen in the previous month, many shop owners say the economy is receding. Travel agencies have seen cancellations of trips to China and South Korea due to political fears and a decline in new reservations. They say this trend is likely to be prolonged. (Northern Kanto: Newspaper sales agent [advertising])
D	<ul style="list-style-type: none"> Our customer manufacturers that have expanded into China have suspended business operations there due to violent anti-Japanese demonstrations. This has prompted them to suspend equipment investment in Japan. Even for expected deals, we are uncertain when orders will be made. (Southern Kanto: General constructor) In addition to the absence of domestic demand growth, we now expect a decline in exports to China and South Korea due to the deterioration of the international situation. News has come about a cut in the production of automobiles for China, cooling business confidence in this region rapidly. (Tokai: Iron & Steel) Economic recovery expectations have halved as extraordinary demand for reconstruction after the March 2011 disaster has waned. Our order receipts have declined slightly, destabilizing our business operations. As we are worried about the yen's strength and the China trend, we are uncertain about our future course. (Chugoku: Electrical machinery and equipment manufacturer)

Employment

C	<ul style="list-style-type: none"> While enterprises seemingly grow eager to employ new workers, the tense diplomatic situation and the yen's strength have serious impacts on the local economy dependent on export-oriented industries. We can't say what will happen. (Chugoku: Private employment agency)
D	<ul style="list-style-type: none"> We are worried about the impact of such factors as China's policy toward Japan. Enterprises and others operating in China will be affected. (Kyushu: Employment security office)