

Economy Watchers Survey

August 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in August went down 1.1 points from the previous month to 51.2 for the fifth straight month of decline, though it is still standing at a high level.

The household activity-related DI went down, owing mainly to the decreased number of customers visiting convenience stores and service-related businesses in the heat wave and torrential rains, despite strength in sales of luxury goods and new-model cars.

The corporate activity-related DI went down, owing mainly to a sense of respite some companies see in increases in new orders and production, due in part to summer holidays.

The employment-related DI went up mainly with increased job offers from the construction industry.

The DI for future economic conditions in August went down 2.4 points from the previous month to 51.2, the first drop in two months, though it is still standing at a high level.

Regarding future economic conditions, there were expectations of effects of the government's policies, and a last-minute rise in demand before a consumption tax increase, among others, on the one hand, and concerns about deterioration of sentiment due to price increases of electricity and others, as well as a consumption tax increase on the other hand. Under such conditions, the household activity-, corporate activity-, and employment-related DIs for future economic conditions all decreased.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is moderately recovering."

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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"> With effects of new models bringing in more customers, sales are strong, greater than last year, when the subsidies program for the purchase of environmentally friendly vehicles was in place. (Tohoku: Auto dealer)
B	<ul style="list-style-type: none"> In fierce summer heat, sales of air-conditioners and refrigerators are strong. In addition to the heat wave, an increase in the consumption tax due next year seems to lead those who have bought a new house to come to buy home appliances. (Tohoku: Electric appliance retailer) In July, we saw weakness in clothing sales. In August, we see summer clothes selling well in the fierce heat. Luxury goods also show a remarkable growth in sales for the first time in months. (Tokai: Department store) Sales per customer remain high. Summer goods sell well in the fierce heat, and a longer period of Bon holidays has also helped. (Shikoku: Supermarket)
C	<ul style="list-style-type: none"> The weather has been unsettled, with torrential rain over limited areas, for instance. Business has been hit hard, as we see few customers coming in the rain. Now that it is late summer, we see steady sales of seasonal goods for early autumn, and weakness in sales of summer clothing, probably due to lower temperature than usual, a drag on performance. (Tohoku: Department store)
D	<ul style="list-style-type: none"> With the decreased number of customers coming from construction sites, as well as the heat wave, we see fewer customers than last year, resulting in a decline in sales by three or four percent from three months ago. (Chugoku: Convenience store) We see a large decline in the number of customers coming to play compared to last year, probably a significant effect of fierce heat this summer. (Shikoku: Golf course)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> With increased new orders, we have added temporary workers. Overtime hours are also increasing. (Kinki: Metal products manufacturer) As carmakers are increasing production of finished automobiles, mainly at their factories overseas, we saw orders for parts grow 20 percent between April and July. (Tokai: Transportation machinery and tool manufacturer)
C	<ul style="list-style-type: none"> Increased public works expenditures have led to increase in contracts our customers have been granted. Accordingly, our sales, especially consumable materials, are going strong. (Hokkaido: Other non-manufacturers [Iron and steel products distributor])
D	<ul style="list-style-type: none"> Many of our customers have taken a long summer holiday this month; our factory operates at a very low capacity. (Southern Kanto: Publishing, printing & allied industries) We see decline in freight we are asked to transport by customers, with more requests for reduction of charges, instead. (Kyushu: Transport)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Businesses, especially constructors and nursing care providers, remain keen to hire. As if led by them, the restaurant business and other service industries are getting active in hiring. (Hokkaido: Job advertisement magazine producer)
C	<ul style="list-style-type: none"> Non-manufacturers, expecting recovery of the economy, are keen to hire, while manufacturers, seeing material prices rising with the weaker yen, remain cautious.

	(Chugoku: Newspaper publishing company [Job placement ads])
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Long-awaited new models of cars are put on the market in October. With an increase in the consumption tax next year in view, the market will become more vibrant. (Tokai: Auto dealer) • Expectations are high for increased sales, especially those of luxury goods, and tangible movements toward a growth strategy under Abenomics. (Kyushu: Department store)
C	<ul style="list-style-type: none"> • As increases in electricity rates and other prices are likely to get consumers more defensive, as tough conditions as this month are expected. (Tohoku: Department store) • Increased food prices and consumers' shift to thrift weigh down sales per customer, and we expect tough conditions to continue for the time being. (Chugoku: Convenience store)
D	<ul style="list-style-type: none"> • Consumers, expecting an increase in the consumption tax to come in next fiscal year, are unlikely to loosen their purse strings. (Northern Kanto: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> • Before the consumption tax increase, a last-minute increase in demand will probably take place. Some companies are considering purchasing consumer durables and other expensive machines earlier than originally planned. (Tokai: Accounting firm) • As the final decision of whether to increase the consumption tax is announced this autumn, there will be movements taking place among some customers toward buying expensive products before the end of the year. (Kinki: Other services [Store development])
C	<ul style="list-style-type: none"> • With the exchange rate standing at the current level, at over 95 yen, we would be able to maintain certain price competitiveness, offsetting some of the 2014 Problem for the shipbuilding industry. (Chugoku: Transportation machinery and tool manufacturer)
D	<ul style="list-style-type: none"> • Our customers have begun to see new projects adopted, though there is little momentum growing. Partly because of a probable increase in the consumption tax, ups and downs seem to continue. (Southern Kanto: Plastic products manufacturer) • Soaring electricity rates, fuel expenses, and materials cost will continue pushing up prices of products. Consumers will feel less appetite for spending, and we will see some slump for the time being. (Kyushu: Transport)

Employment

B	<ul style="list-style-type: none"> • Gradual increase in job offers coming from manufacturers suggests a trend toward improvement. (Hokuriku: Employment security office)
C	<ul style="list-style-type: none"> • With stability achieved in the government, businesses have turned moderate in sentiment. It is expected that the current good conditions will continue with stability in the number of job offers. (Okinawa: Temporary staffing company)