

Economy Watchers Survey

July 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in July went down 0.7 points from the previous month to 52.3 for the fourth straight month of decline, though it is still standing at a high level.

The household activity-related DI went down, due mainly to a sense of respite in growth of sales of luxury goods, as well as sluggish summer clearance sales, especially at department stores, despite strength in sales of beverages, among others, in the heat wave.

The corporate activity-related DI went up, owing mainly to increases in new orders received and production, despite rising purchase prices, resulting from correction of excessive appreciation of the yen.

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

The DI for future economic conditions in July was unchanged from the previous month at 53.6, still standing at a high level.

Regarding future economic conditions, there were concerns about price increases of electricity, food, and fuel, among others, on the one hand, and observed continued expectations of effects of the government's policies on the other hand. Under such conditions, the household activity-related DI for future economic conditions decreased, while the corporate activity- and employment-related DIs for future economic conditions increased.

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>	
B	<ul style="list-style-type: none"> Favorable weather that continued from early this month brought greater sales than last year, led by summer-season products, such as beverages and ice cream. A new trend seen among consumers is a shift from lower-priced miscellaneous liquor and low-malt beer to higher-priced beer, which is selling better than before. (Hokkaido: Convenience store)
C	<ul style="list-style-type: none"> Last month, with a clearance sale that we held earlier than usual, we achieved significantly greater sales than planned, while we see a larger decline in sales than expected this month, a poor result. (Chugoku: Department store)
D	<ul style="list-style-type: none"> The weather is unstable, and we are especially annoyed by torrential rains in the evening, the time of the day when we see the largest number of customers. The summer festival, the main event of the city, was also ruined by heavy rain, with no one seen walking in the shopping street. (Northern Kanto: Shopping street) After continued great performance, sales of select bands overseas are on a decline due to price rises repeated amid depreciation of the yen. (Southern Kanto: Department store) Sales have failed to grow this month. It has been very hot since early in the month, with fewer customers coming to us. The shopping street as a whole is also seeing a smaller number of customers, and very severe conditions have continued. (Southern Kanto: Clothing store) Sales have declined in products whose prices were raised in July, such as bread and canned tuna. (Tokai: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> As weakness of the yen is taking hold, popularity among consumers is shifting to products produced entirely in Japan. Local wineries are seeing steady growth in sales. (Northern Kanto: Food manufacturer) With effects of the weaker yen, an increasing number of negotiations are underway for large-scale business in the Middle East. (Shikoku: Machinery & equipment)
C	<ul style="list-style-type: none"> We are not in environments where businesses can make profits as fixed costs are increasing with volatile fuel prices and raw material expenses remaining at a high level. (Hokkaido: Other services [Construction equipment lease]) Despite rising purchase prices of raw materials, we have difficulty in raising prices of products. Without adjustment of product prices, our revenues will go below a breakeven line, and we will not be able to stay in business. (Shikoku: Pulp, paper and paper-processed products manufacturing industry)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Job advertisements are increasing on a year-on-year basis in all industries, with the construction and nursing care sectors at the top. (Hokkaido: Job advertisement magazine producer)
C	<ul style="list-style-type: none"> Stores of national chains, major restaurants, and shops in the service sector have come in swarms to start business in a place which used to be a busy corner of a shopping street, with what seems to be overheating in the recruitment of workers available in the evening or night-time. A shortage of labor is becoming evident. (Hokkaido: Job advertisement magazine producer)

	<ul style="list-style-type: none"> • More companies are eager to acquire capable people, and the trend is being slowly reflected by job advertisements in newspapers as well. Automakers are gradually starting to recruit fixed-term employees. We also hear they have already begun to interview prospective mid-carrier recruits below the surface. (Kinki: Newspaper publishing company [Job placement ads])
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • With rising prices of petroleum products, both households and companies are seeing costs start to increase earlier than income. Nevertheless, consumption is boosted by strong expectations for economic policies of the present administration. (Hokkaido: General retail store [Souvenirs])
C	<ul style="list-style-type: none"> • With a delayed end to the rainy season and a forecast of lingering summer heat, it is expected that consumers will be slower to come to buy autumn clothing. (Tohoku: Clothing store) • Seeing gasoline, food, and daily necessities getting more expensive, consumers cannot afford to eat out. As an increase in the consumption tax rate is also expected, anxieties about the future have an influence on them in terms of eating out. (Chugoku: General restaurant)
D	<ul style="list-style-type: none"> • The price of gasoline has significantly increased, and the trend is expected to continue, which unavoidably influences sales of new cars. (Shikoku: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> • Effects of Abenomics are gradually spreading, and sentiment of corporate managers and proprietors will also improve slowly. (Southern Kanto: Telecommunications company) • Momentum is not yet being felt among manufactures operating in Japan for domestic users, while, with increasing exports, export-related companies continue to feel busy. (Chugoku: Iron and steel industry) • Orders for public works are appearing at last, and requests for estimates are also increasing. Last-minute orders before an increase in consumption tax are gradually increasing. With a growing number of large projects, such as reconstruction of government buildings and redevelopment around stations, there will be modest improvements in business. (Kyushu: General contractor)
C	<ul style="list-style-type: none"> • There is no change in business sentiment as increasing purchase costs with the depreciation of the yen continue weighing on profits. (Kinki: Textile industry)
D	<ul style="list-style-type: none"> • Prices of paper, ink, and other materials have risen around 15 percent. It seems impossible to pass the price increases on to customers, and business is likely to get worse. (Tohoku: Publishing, printing & allied industries)

Employment

B	<ul style="list-style-type: none"> • With the establishment of a stable government, a sense of security has spread among companies. Despite some causes for concern, such as price rises, there is no change in the attitude of companies regarding employment, and it will improve. (Chugoku: Temporary staffing company)
C	<ul style="list-style-type: none"> • Business sentiment is recovering among export-oriented manufacturers and constructors, while some sectors are feeling the impact of rising prices of imported raw materials with the depreciation of the yen. (Kyushu: Employment security office)