

Economy Watchers Survey

June 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in June went down 2.7 points from the previous month to 53.0 for the third straight month of decline, though still standing at a high level.

The household activity-related DI went down, due mainly to fewer customers visiting restaurants and service-related businesses with the beginning of the rainy season, despite continued strength in sales of luxury goods.

The corporate activity-related DI went down, owing to cost increases mainly due to rising purchase prices, resulting from correction of excessive appreciation of the yen, as well as cautiousness seen among customers amid fluctuations in stock prices and foreign exchange rates.

The employment-related DI went down, owing mainly to cautiousness of employers in offering jobs amid fluctuations in stock prices and foreign exchange rates.

The DI for future economic conditions in June went down 2.6 points from the previous month to 53.6 for the second straight month of decline, though still standing at a high level.

Regarding future economic conditions, there were concerns about cost increases owing mainly to rising purchase prices and electricity rates, as well as a sense of uncertainty about the future amid fluctuations in stock prices and foreign exchange rates, despite observed continued expectations of effects of the government's policies. 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 slowing the tempo of recovery.”

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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"> With positive effects from a stable climate and temperature, the number of customers coming to buy clothing, a sector that has been struggling, is picking up at last. (Hokkaido: Department store) At a clearance sale, luxury goods priced ¥10 million or higher sell well. Sales of jewelry and other luxury items are strong partly because many customers would like to buy before a raise in the consumption tax rate. (Kinki: Department store) Sales of home appliances, mainly air conditioners and refrigerators, are picking up. With raised electricity rates, sales have also begun to rise in energy-saving types of appliances. (Kinki: Electric appliance retailer)
C	<ul style="list-style-type: none"> All sections performed well all through the last month, while in June, the accommodation, banquet and restaurant sections all see lower sales on a year-on-year basis. (Kinki: City hotel)
D	<ul style="list-style-type: none"> As the month of May ended and the rainy season has come, we see fewer customers come to us. No recovery can be expected before the summer holiday season. (Northern Kanto: General restaurant)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> With strong sales of condominiums and single-family homes in metropolitan areas, demand for furniture is also going up. (Hokkaido: Furniture manufacture) Orders have begun to come from customers both in Japan and overseas. (Hokuriku: Machinery & equipment) Thanks partly to ongoing correction, though only gradually, of the excessive appreciation of the yen, the domestic industry sees demand conditions improving. Automobile production maintains greater steadiness than forecast, with resilience also observed in the sector of construction materials. (Chugoku: Iron and steel industry) It seems that the market is beginning to accept an upward trend in product prices driven by depreciation of the yen, though increased costs cannot be passed on to prices in full. (Shikoku: Food manufacturer)
C	<ul style="list-style-type: none"> Requests for estimates and other inquiries are coming, while material prices are expected to go up with depreciation of the yen. I doubt whether sufficient revenues and profits can be earned to cover increased material prices. We have to remain cautious in passing increased costs on to prices. (Chugoku: Electric machinery and apparatus manufacturer)
D	<ul style="list-style-type: none"> I am perplexed by recent wild fluctuations in the foreign exchange and stock markets. Without a sense of economic stability, businesses have difficulty in taking action, leaving some waiting for the time being to see whether they should make capital investments. (Tokai: Accounting firm) As the yen remains weak, prices are going up not only in fuel oil and pulp, but also in film and other processed goods, leaving product prices below cost. (Shikoku: Pulp, paper & paper products manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Companies are keen to hire new employees, and more of them give priority to direct and/or long-term employment. (Tohoku: Temporary staffing company)

C	<ul style="list-style-type: none"> • Every year in June, many temporary workers, the second largest number after March, see their employment contract expire. With many contracts running out also in June this year, there seems to be a large decline in the number of temporary workers. (Southern Kanto: Temporary staffing company) • A sense of instability in stock prices and foreign exchange rates is beginning to influence business. (Kinki: Temporary staffing company)
D	<ul style="list-style-type: none"> • With more temporary work contracts left expired at the term end, as well as restrictions added by the Dispatched Worker Act, revised last autumn, I feel uneasy about business. (Shikoku: Temporary staffing company)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Some of the corporations headquartered in the center of Tokyo are beginning to feel effects of Abenomics. Some of their branch offices are replacing cars they use on lease with more fuel-efficient hybrid vehicles, a sign of the economy also beginning to pick up in large provincial cities. (Tohoku: Auto dealer) • If Abenomics gets successfully under way, wages will start to go up in the summer. (Southern Kanto: Department store)
C	<ul style="list-style-type: none"> • In addition to expected rises in prices of imported raw materials due to depreciation of the yen, and raised daytime electricity rates, there are plans to raise prices of fats and oils, including cooking oil and mayonnaise, in August. Under such circumstances, quick recovery of consumption is unlikely. (Tohoku: Supermarket) • Wild fluctuations in stock prices and foreign exchange rates have put a damper on expectations of economic recovery. Challenges households have to address at the moment can be found in their sense of caution regarding the sharp increase in raw material prices and a raise in the consumption tax rate. (Shikoku: Shopping street)

Corporate activity

B	<ul style="list-style-type: none"> • In addition to the weaker yen and rising stock prices, strong performance of exporters is expected to have a positive influence on wages, with a gradual improvement in consumption. (Kinki: Other non-manufactures [clothing wholesaler])
C	<ul style="list-style-type: none"> • In addition to fewer orders we receive, sharp increases in raw material prices, electricity rates, and costs of outsourced processing are lowering profitability. (Kinki: Textile industry) • With expectations of improvements in market conditions gradually withering, the management of SMEs are hesitant to make bold capital investments. (Northern Kanto: Business consultant)
D	<ul style="list-style-type: none"> • As for external conditions of this industry, materials and fuel prices remain high with the depreciation of the yen, and requests for a price increase are coming even from suppliers of materials whose prices have been left unchanged so far. (Hokuriku: Food manufacturer) • Depreciation of the yen and other factors will further push up material prices, while the increases will not be fully passed on to sales prices of products, weighing on profitability. (Kinki: Chemical industry)

Employment

C	<ul style="list-style-type: none"> • Business sentiment is improving among constructors and manufactures of exported goods, while it is deteriorating among companies negatively affected by rising import prices. (Tohoku: Employment security office) • With unstable prospects for the future as seen in wild fluctuations of stock prices, recovery of local economies remains uncertain. (Northern Kanto: Job advertisement magazine producer)
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