

# Economy Watchers Survey

## May 2013

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in May went down 0.8 points from the previous month to 55.7 for the second straight month of decline.

The household activity-related DI went down, due mainly to a slump in sales of clothing owing to low temperatures early in the month, and sluggish sales of restaurants after Golden Week, despite strength in sales of luxury goods and a large turnout during the holiday season.

The corporate activity-related DI rose, owing mainly to an increase in revenues and earnings mostly in the manufacturing industry, an effect produced mainly by ongoing correction of excessive appreciation of the yen so far.

The employment-related DI declined mainly owing to sluggish growth in job offers observed in some sectors.

The DI for future economic conditions in May went down 1.6 points from the previous month to 56.2, the first drop in two months.

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 falls in stock prices, though correction of excessive appreciation of the yen so far is producing effects, and expectations are observed on effects of the government's policies, such as some increases in the summer bonus. 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 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>B</b>	<ul style="list-style-type: none"> <li>Luxury goods, especially foreign brand products and high-class watches, continue to sell well. No increase is observed in sales of clothing due to drastic changes in temperature in May, but sundries, especially seasonal goods, such as hats and umbrellas, sell well, pushing up total revenues. (Tohoku: Department store )</li> <li>Blessed with good weather, there was a large turnout during Golden Week, which continued all through the month. (Shikoku: Shopping street)</li> <li>Early in the month, sales of spring and summer goods were rather sluggish partly due to lower temperatures. As temperatures started to rise from the middle of the month, sales of clothing, housing products, and food all went up above the previous-year level. (Kyushu: Supermarket )</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>As consumers spent much during Golden Week, refraining from going out after the holiday season, we saw a drastic decline in sales then, with a sharp decrease of customers coming to us. (Tokai: General restaurant)</li> <li>Sales are sluggish especially in clothing and housing goods, staying below the previous-year level this month again, at 97 percent of the sales for last year. Negative impact of a large-scale shopping mall opening last month is decreasing, while unseasonable weather is causing significant negative effects. (Tokai: Supermarket)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>With temperatures generally staying lower from around Golden Week, sales of clothing remain quite sluggish. (Southern Kanto: Supermarket)</li> <li>Despite a rather good start seen in sales of summer goods and quite a large turnout during Golden Week, both traffic and the number of customers visiting the street have been on a sharp decline since Mother's Day. (Shikoku: Shopping street)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>More orders for auto parts are coming than planned at the beginning of the term. Export environments are also improving. (Tohoku: Machinery &amp; equipment)</li> <li>Slight pick-ups are seen in orders received and sales. The number of inquiries is also on an upward trend, though only slightly. (Hokkaido: Metal products manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>With depreciation of the yen, orders for automobile-related products arguably seem to be on a recovery trend, though we cannot expect so much, considering the expected acceleration of progress in local production and sales overseas. Generally, businesses are not so aggressive yet in making capital investment. ([Kinki: Transportation machinery and tool manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Collecting freight at later hours, action we took to meet cargo shippers' requests, weighs heavily on us. With reorganization going on more rapidly between shippers, some are turning to low-cost freight agents. Rise in fuel prices adds pressure on business. (Shikoku: Transport)</li> </ul>
<i>Employment</i>	

B	<ul style="list-style-type: none"> <li>With automobile production on an upward trend, job offers are on the increase, as well. (Tokai: Outsourcing business)</li> </ul>
C	<ul style="list-style-type: none"> <li>There is no increase of job offers either in recruitment service or temporary staffing, below the level of the same month last year. Offers from emergency job programs are also on the decrease. (Hokuriku: Private employment agency)</li> </ul>
D	<ul style="list-style-type: none"> <li>With fewer job offers, we see no briskness in business. (Shikoku: Temporary staffing company)</li> </ul>

## **2. Future conditions**

### *Household activity*

B	<ul style="list-style-type: none"> <li>As there are many manufactures in this area who operate mainly in export business and are earning more with depreciation of the yen, improved confidence can be expected among consumers in the season of the summer bonus. (Tokai: Department store)</li> </ul>
C	<ul style="list-style-type: none"> <li>Despite much talk of briskness of the economy, such as increased summer bonuses, no change is observed in behaviors of customers in stores. As prices of ingredients for some products are rising with depreciation of the yen, shoppers are unlikely to turn more active. (Hokkaido: Supermarket)</li> </ul>
D	<ul style="list-style-type: none"> <li>With stock prices, once a symbol of an expected pickup of the economy, falling sharply, while prices of imported goods rise along with depreciation of the yen, an adverse effect on consumers' life, there is some concern that households may reduce their spending. (Kinki: General restaurant)</li> </ul>

### *Corporate activity*

B	<ul style="list-style-type: none"> <li>We expect raised prices of raw materials for iron and power rates as a result of the depreciation of the yen can be offset by increased orders received. (Chugoku: Metal products manufacturer)</li> </ul>
C	<ul style="list-style-type: none"> <li>With expected rises in prices of materials as a result of the depreciation of the yen, no sharp increase in sales is likely. It is difficult to tell whether business will be turning for the better or worse in two or three months. (Tokai: Electric machinery and apparatus manufacturer)</li> </ul>
D	<ul style="list-style-type: none"> <li>Any recovery is yet to be seen in terms of orders from our main customers, and the outlook for spot orders is quite unpredictable as well. As we import many of the materials we use, and their prices are on the rise, we also see our profitability on a downward trend. (Shikoku: Iron and steel industry)</li> </ul>

### *Employment*

B	<ul style="list-style-type: none"> <li>A gradual growth has been seen since April in needs of employers for people in mid-career and their demand for temporary workers. Steady demand comes especially from some types of manufactures and service industries. We hope for further growth in demand. (Kyushu: Private employment agency)</li> </ul>
C	<ul style="list-style-type: none"> <li>Now that stock prices are falling as a reaction to their rapid rise and the depreciation of the yen so far, we are slightly cautious. For the time being, we will wait and see how things progress. (Tokai: Employment security office)</li> </ul>
D	<ul style="list-style-type: none"> <li>Some companies seem to feel anxious about cost pressure added in and after July by raised power rates and any rise in prices of raw materials caused by the depreciation of the yen. (Tohoku: Employment security office)</li> </ul>