

Economy Watchers Survey

January 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in January went down 1.0 point from the previous month to 54.7 the first drop in three months, though it is still standing at a high level.

The household activity-related DI fell, owing mainly to stagnant sales after the New Year holidays, especially at eating and drinking places, despite increased sales especially in luxury goods, cars, and home appliances mainly with a last-minute rise in demand before a consumption tax increase.

The corporate activity-related DI went down, owing mainly to a slowdown in growth of new orders and output among some businesses.

The employment-related DI rose, owing mainly to increased job offers in many sectors.

The DI for future economic conditions in January fell 5.7 points from the previous month to 49.0, for the second straight month of decline.

Regarding future economic conditions, the household activity-, corporate activity-, and employment-related DIs for future economic conditions all decreased despite continuing expectations for a last-minute rise in demand before a consumption tax increase mainly because there were concerns about a possible decline in demand after the tax increase as a reaction.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy is recovering at a moderate pace. However, concerning future economic conditions, some influence of a consumption tax increase, including a possible decline in demand as a reaction to the last-minute rise before the tax increase, is expected.”

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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"> In terms of sales of new cars, dealers see double the usual number of customers coming to them with a last-minute rise in demand before a consumption tax increase, resulting in a doubling of sales in terms of units. (Southern Kanto: Auto dealer)
B	<ul style="list-style-type: none"> The accessory section sees a great rise in spending per customer, 120% of the level a year before, thanks partly to a last-minute rise in demand before a consumption tax increase. (Southern Kanto: Department store) With a consumption tax increase drawing near, there are large sales increases of expensive refrigerators, washing machines, air-conditioners, TVs, and personal computers. (Chugoku: Electric appliance retailer)
C	<ul style="list-style-type: none"> Strong sales of expensive goods are offset by sluggishness of low-price products, leaving total sales almost unchanged. (Tohoku: General retail store (Camera)) Amid the pickup of the economy, consumers are turning to more expensive goods, and businesses offering fast food or daily necessities see little difference. (Tokai: Convenience store)
D	<ul style="list-style-type: none"> Little change is seen in general conditions. However, looking more closely, we find, for instance, less spending per customer among regulars, or a decrease in the number of customers coming between Mondays and Wednesdays, signs of thrift emerging among consumers. (Hokkaido: High-end restaurant) On a year-on-year basis, downward trends are observed in the number of customers, as well as spending per customer and sales. Consumers seem to be in no mood for making non-urgent, non-essential trips, at least. (Hokuriku: Travel agency)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Sales are picking up, only slightly, in volume terms. Especially, high-quality products are beginning to show strength of sales, a possible sign of the end of deflation. (Tokai: Food manufacturer)
C	<ul style="list-style-type: none"> Prices are rising, and seem to continue rising, in most ingredients. With difficulty in raising product prices at the moment, profit margins are falling. (Southern Kanto: Food manufacturer) Sales are not so weak, but soaring material prices make profitability difficult to secure. (Tokai: Chemical industry) Into this month, we find a slight slowdown in growth of freight before a consumption tax increase this April, though there is virtually little difference in general conditions from three months ago. (Hokuriku: Transport)
E	<ul style="list-style-type: none"> Sales in volume terms are almost the same as last year, but prices of ingredients and others have risen seven to eight percent, which we have yet to successfully pass on to product prices. (Northern Kanto: Food manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> From machinery-related industries, a conspicuously large number of job offers are coming for production line workers for large-sized and compact cars. Among retailers, offers from clothing and food businesses, among others, are growing. There also seems to be a rather steady growth in job offers related to housing construction, including extensions and

	<p>reconstruction, for a period before and after the New Year. (Northern Kanto: Temporary staffing company)</p> <ul style="list-style-type: none"> • There remains an upward trend of new job offers, with a gradually rising share of job offers for regular employees. However, the sufficiency rate remains below the level last year, suggesting that terms and conditions of jobs on offer are not favorable. (Southern Kanto: Employment security office)
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2. Future conditions

Household activity

A	<ul style="list-style-type: none"> • We have plans for bargain sales and other events to encourage consumers to stock up before a consumption tax increase, and have great expectations that they will deliver a sales increase. We are also going to launch bargain sales in April and beyond. (Kinki: Shopping street)
B	<ul style="list-style-type: none"> • With a consumption tax increase imminent, we see more independent tourists making bookings. Spending per tourist is also rising, going beyond the ordinary-year level. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> • After a consumption tax increase in April, consumers will naturally be reluctant to buy, or, for us, reluctant to eat out. (Tohoku: General restaurant) • Seeing conditions in the coming two or three months, we expect decreased sales of fashion items after a consumption tax increase in April, and, as a result, slight declines in the total revenue from this month. (Hokuriku: Department store)
E	<ul style="list-style-type: none"> • New car sales benefitted from a larger-than-expected last-minute rise in demand before a consumption tax increase. As a reaction, tough conditions will come in April and beyond. (Kyushu: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> • With a last-minute rise in demand before a consumption tax increase, among others, increases are expected in the number of ad inserts in February and March. However, there are worries about conditions in April and beyond. (Kinki: Newspaper sales agent (advertising))
C	<ul style="list-style-type: none"> • The fuel price has risen by ¥10.6 per liter from a year ago, offsetting increases of freight. (Tokai: Transport)
D	<ul style="list-style-type: none"> • Any decline in domestic demand after a consumption tax increase, combined with the slowdown of economic growth in China, might result in appreciation of the yen, a negative impact on exports. (Chugoku: Iron and steel industry)

Employment

C	<ul style="list-style-type: none"> • What impact a consumption tax increase will have on conditions is unforeseeable, but businesses have their own forecasts for deciding how many to hire, and, therefore, there should be no change over three months. Any lingering impact might make conditions worse. (Southern Kanto: Private employment agency)
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