

Economy Watchers Survey

July 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 3.6 points from the previous month to 51.3 for the third straight increase.

The household activity- and corporate activity-related DIs went up due mainly to a slowdown in the demand drop as a reaction to a last-minute rise before the consumption tax increase in a wide range of sectors.

The employment-related DI dropped, due primarily to a pause in job offer growth in some sectors.

The DI for future economic conditions in July went down 1.8 points from the previous month to 51.5 for the second consecutive decline, though standing still at a high level.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs fell due mainly to concerns with fuel and other price hikes, despite expectations that the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase will fade away.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy is continuing to recover at a moderate pace, while the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase is fading away.

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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"> • Cosmetics sales are recovering smoothly. After sales stood at 70% of the year-before level in April, at 80% in May and at 90% in June, some stores' sales recovered to the year-before levels. Sales of basic cosmetics and other frequently used products have fully recovered. Sales of accessories and other ornament-related products have also risen back smoothly. The impact of the consumption tax increase has almost faded away. (Kinki: Department store) • In a favorable development from three months ago, the hotel capacity utilization rate is likely to far exceed the year-before level. Though affected by Typhoon No. 8, our capacity-utilization rate has been high. (Okinawa: Tourist hotel)
B	<ul style="list-style-type: none"> • In particular, sales of refrigerators, washers and other daily necessities, as well as TVs, have recovered to the year-before levels. Air-conditioner sales were slightly slack in the first half of this month in this prefecture due to a slightly cooler summer. In the whole of the Tohoku region, however, the impact of the consumption tax increase on sales after seasonal adjustment is almost completely diminishing. (Tohoku: Home electric appliance retail store) • At talks with owners of our trading partner companies, positive remarks are increasing, indicating economic brightness. Some owners hope to expand stores, demonstrating an unprecedented trend. (Hokkaido: General retailer)
C	<ul style="list-style-type: none"> • As sales promotion measures and events have failed to increase customers, we have maintained sales at year-before levels. We see no impact of pricing on the number of customers. (Northern Kanto: Supermarket)
D	<ul style="list-style-type: none"> • Real wage hikes have failed to catch up with rises in gasoline prices and electricity rates, and price hikes for daily necessities that have accompanied the consumption tax increase. As sales have declined substantially, we are concerned about a future economic slump. (Tokai: General retailer) • Just after the consumption tax increase in April, we were faring well with no large sales fall seen under favorable weather. This month, however, sudden lightning storms and unusually high temperatures have discouraged customers from going shopping. (Kyushu: Shopping street)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> • A temporary decline in sales of our products for transportation machinery after the consumption tax increase in Japan fell within expectations, while global sales have remained robust. (Chugoku: Nonferrous metal producer).
D	<ul style="list-style-type: none"> • Fuel, fertilizer, agricultural material and other prices have continued to rise rapidly, affecting our business operations. (Tohoku: Agriculture, forestry and fisheries)
<i>Employment</i>	
D	<ul style="list-style-type: none"> • Classified advertisement sales have slipped slightly below the year-before level. In particular, sales to restaurant and retail industries were slack. Sales also dropped to temporary staffing and transportation industries, which account for a large share of classified ad sales. (Hokkaido: Newspaper company) • The number of job offers per issue decreased by 50 from the same month last year. (Hokuriku: Job information magazine publisher)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Given a relatively brisk summer sale, we expect that consumer confidence will improve further when autumn and winter goods are launched. (Southern Kanto: Department store) Sales under July bonus sales campaigns indicate the diminished impact of bulk buying before the consumption tax increase. We expect slight sales gains from August through October. (Kyushu: Home electric appliance retail store)
C	<ul style="list-style-type: none"> A sense of stagnation after the consumption tax increase is easing. In the meantime, price hikes for various food products have forced us to raise prices. We are concerned about price hikes' adverse impact on sales. (Hokuriku: Convenience store) Sales volume is likely to continue plunging until the year-end. (Shikoku: Auto dealer)
D	<ul style="list-style-type: none"> A delayed end to the rainy season and a shorter summer period are affecting our sales. The El Nino phenomenon has made it difficult to predict weather conditions in the coming winter. (Kinki: Home electric appliance retail store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Orders are increasing in a recovery from a plunge after a last-minute demand rise before the consumption tax increase. Particularly, early autumn deals including those related to semiconductor manufacturing are expanding. (Tohoku: Metal industry cooperative association)
C	<ul style="list-style-type: none"> Diesel oil prices have remained high and are unlikely to drop. Meanwhile, transportation fare hikes have failed to make hoped-for progress. (Tokai: Transport)
D	<ul style="list-style-type: none"> Although our OEM (original equipment manufacturing) contract partner for housing equipment had attempted to expand bathtub sales, actual sales have been 30% less than planned. As a reaction to the consumer tax hike has been greater than expected according to the partner, we cannot avoid a production cut. (Chugoku: Metal products manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> While the number of job offers has increased gradually, growth has become moderate and is expected to come to a standstill. (Northern Kanto: Employment security office)