

# Economy Watchers Survey

May 2014

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in May rose 3.5 points from the previous month to 45.1 for the first increase in two months.

The household activity-related DI went up due mainly to a slowdown in the demand drop as a reaction to a last-minute rise before the consumption tax increase.

The corporate activity-related DI dropped, due mainly to a pause seen in growth in order receipts and production.

The employment-related DI rose, due primarily to job offer growth in many sectors.

The DI for future economic conditions in May went up 3.5 points from the previous month to 53.8 for the second consecutive month of increase.

Regarding future economic conditions, the household activity-, corporate activity-, and employment-related DIs rose mainly due to expectations that the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase will fade away, with summer bonuses expanding.

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 some weak movements are now seen due to a reaction to a last-minute rise in demand before the consumption tax increase. Concerning future economic conditions, the economy is expected to recover at a moderate pace.

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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>While we see more or less impact of the consumption tax increase, the number of visitors has changed little from a year earlier. Customers looked more prudent than usual during the holiday-studded Golden Week. In the second half of this month, however, they appeared to have forgotten the tax increase. (Tokai: Department store)</li> <li>Advanced tour orders for summer vacations are robust. While we are concerned that consumers have little money in their wallets after a last-minute spending increase in March before the consumption tax increase, consumers who refrained from travelling due to a inconvenient combination of holidays during the Golden Week are signing up for tours in anticipation that bonuses will grow. (Kinki: Travel agency)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>We feel we have tided over a reaction to the consumption tax increase. Spending per customer remains unchanged from a year earlier, indicating that consumers have no reluctance to buy. But customers have refrained or shied away from buying cigarettes. The number of visitors is some 2% less than a year earlier. (Okinawa: Convenience store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>We see a greater impact of the consumption tax increase than in the previous month. Our overall sales volume is limited to some 80% of the year-before level. Television and personal computer sales are limited to 90% and refrigerator and air conditioner sales to 75%. Particularly, white goods sales are sluggish. (Tohoku: Electric appliance retailer)</li> <li>After a demand fall as a reaction to a last-minute increase before the consumption tax increase was seen in April, demand recovered gradually from early May. But demand has fallen short of restoring to the levels seen before the consumption tax increase. (Shikoku: Convenience store)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Our sales volume is limited to less than 40% of the year-before level, indicating sluggish sales for all types of vehicles. (Hokkaido: Auto dealer)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Exports are generally firm, despite demand gaps between models. Domestic sales remain little affected by the consumption tax increase, falling within expectations. (Tokai: Electric machinery and apparatus manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>According to materials and parts suppliers, order receipts generally plunged after the consumption tax increase but thereafter might have been recovering slightly, though falling short of restoring to normal levels completely. (Hokuriku: Precision machinery and tool manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Due to a demand decline after the consumption tax increase, orders for condominium lighting equipment and for electric appliances have decreased. (Kinki: Electric machinery and apparatus manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Since April, the economic situation, though affected by the consumption tax increase, has started to stabilize. Job offers for new business operations, busy periods and other purposes have been increasing gradually. (Shikoku: Temporary staffing company)</li> <li>Job offers from companies are firm. Inquiries and job offers from new customers are increasing. (Okinawa: Temporary staffing company)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Positive job offers are expected from amusement, restaurant services, data-processing software and other sectors for the future. (Chugoku: Job advertisement magazine producer)</li> </ul>

**2. Future conditions**

<i>Household activity</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>Ahead of bonus sales campaigns, such products as 4K televisions and highly functional air conditioners are attracting attention from customers. As customers from overseas are increasing in the beginning of the summer leisure season, we expect to see rises both in sales volume and spending per customer. (Southern Kanto: Electric appliance retailer)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>The impact of the consumption tax increase at present is less than expected. If basic wage and bonus hikes produce effects in the future, the economy will improve. (Northern Kanto: Supermarket)</li> <li>The sales trend clearly indicates the impact of the consumption tax increase from April. But sales have been recovering day by day. Recovery will become full thanks to the effect of bonus hikes in and after June. (Kinki: City hotel)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>While products are popular, a growing number of customers are cautiously considering purchasing cars. Customers are refraining from buying cars due to some mental factors rather than an actual cost hike through the consumption tax increase. We cannot expect any major change even in the coming bonus season. (Chugoku: Auto dealer)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>As economic sentiment declined in April and May after peaking in March, we expect distribution to increase in two to three months, though there are concerns about the consumption tax increase. (Southern Kanto: Transporter)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Our production has been leveling off as a gradual decline in order receipts over the past two months has been offset by robust exports to China. As we have received inquiries about raw materials price and transportation cost hikes, our business conditions are likely to remain severe. (Southern Kanto: Chemical industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>The environment for auto parts exports to North America will not change greatly. But exports to emerging countries are likely to decrease slightly as signs of decline have emerged in their economies. (Tohoku: Ordinary machinery and instrument manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Interviews with local companies indicate that many of them plan to increase their recruitment of new graduates in 2015 from usual levels and are accelerating their recruitment operations. (Kyushu: Newspaper company [Job advertisements])</li> </ul>