

Economy Watchers Survey

October 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 3.4 points from the previous month to 44.0 for the first drop in two months.

The household activity-related DI decreased mainly because retail sales declined.

The corporate activity-related DI went down as both manufacturing and nonmanufacturing sectors weakened.

The employment-related DI dropped to a still high level of 50.0 due primarily to a pause in job offer growth in some sectors.

The DI for future economic conditions in October went down 2.1 points from the previous month to 46.6 for the fifth consecutive decline.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs fell due mainly to concerns over price rises through energy and other price hikes.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy, though having shown some weakness recently, is continuing to recover at a moderate pace. For the future, however, concerns over price rises through energy and other price hikes are seen.

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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"> The share for sales to foreigners in total sales this month rose from a little more than 4% in the previous year to slightly over 10%. While a sales decline attributable to the consumption tax increase continues, a rapid increase in sales to foreigners has resulted in an overall sales rise. (Kinki: Department store) As was the case last month, sales plunged temporarily due to typhoons and rain. But overall clothing sales were brisk. (Shikoku : Clothing store)
C	<ul style="list-style-type: none"> Although reservations were brisk in October, some 1,500 reservations were cancelled due to typhoons' approaching on weekends including consecutive holidays, leading sales in the month to slip below the year-before level. (Okinawa: Other services (Car-rental)) As half a year has passed since the consumption tax increase, customers are still cutting back on consumption or looking for stores offering lower prices. (Chugoku: Auto dealer)
D	<ul style="list-style-type: none"> Visitors declined sharply this month as typhoons came on two consecutive weekends when we have many visitors. Although the number of sales items and sales per customer remained unchanged or increased slightly from the year-before levels, the number of visitors declined about 10% from a year earlier. (Southern Kanto: Supermarket) Over the past two to three months, we had apparently seen signs of a recovery from a slump after the consumption tax increase. But we now see a substantial setback. Irrespective of bad weather conditions, sales volume for jewelry, watches and other luxury items has declined substantially. We frequently hear consumers have begun to feel the impact of the consumption tax increase in their day-to-day lives. (Tokai: Department store)

<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> As workload has risen close to our capacity limit, we are continuing a selective order acceptance policy to receive only appropriately priced orders. (Tohoku: General contractor)
E	<ul style="list-style-type: none"> As raw material price hikes have grown severer, we now structurally fail to get profit, with production resulting in losses. (Northern Kanto: Food manufacturer)

<i>Employment</i>	
C	<ul style="list-style-type: none"> Although job offers have increased slightly, companies are cautious about recruiting job seekers we introduce. The number of job seekers we introduce to employers has been increasing. But the number of those recruited by companies has been leveling off. (Kyushu: Private employment agency) The overall number of job offers remains almost unchanged from three months ago. (Southern Kanto: Private employment agency)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> As new vehicle launches and model changeovers are planned, we expect a sales increase. (Shikoku: Auto dealer) Television replacement demand will grow during year-end bonus sales campaigns before digital terrestrial broadcasting' conversion to analog is terminated in March 2015. (Kinki:

	Electric machinery and apparatus manufacturer)
C	<ul style="list-style-type: none"> Given the stock price trend, still-high fuel prices and slackening consumer confidence amid talks about another consumption tax increase, economic conditions are expected not to change for the better but to remain unchanged from the present. (Tokai: Department store) As a recovery in sales of daily necessities including mainstay food products has become slower, we expect the situation to remain severe. (Kyushu: Supermarket)
D	<ul style="list-style-type: none"> Overseas tour reservations are failing to grow. Since Japanese people are sensitive to media reports, we are concerned over the Ebola fever outbreak, which is expected not to end soon, as well as the moves of the Islamic State rebel group. We also worry about unstable stock prices and media reports on economic stagnation. (Kinki: Travel agency)
E	<ul style="list-style-type: none"> Consumers will grow more reluctant to buy due to psychological insecurity accompanying the consumption tax's planned increase to 10%, price hikes for daily necessities, and kerosene and other fuel prices that are high and expected to remain high toward winter. (Tohoku: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> Economic conditions will improve thanks to the yen's depreciation and U.S. Christmas sales. (Kinki: Chemical industry)
D	<ul style="list-style-type: none"> As we feel that a round of proactive capital investment has ended in Japan, Europe and the United States, we expect no major orders. (Hokuriku: General machinery and equipment manufacturer)
E	<ul style="list-style-type: none"> While product prices have remained unable to be revised, raw material price hikes are accelerating more and more. If the situation remains unchanged, we will suffer a profit decline. If we cannot revise prices, the situation will grow even severer. (Chugoku: Food manufacturer)

Employment

C	<ul style="list-style-type: none"> Demand for part-timers toward this year-end will be more than usual. But overall demand for workers will come to a pause as business administrators' confidence slackens in line with a plunge in demand for construction workers towards winter. (Hokkaido: Temporary staffing company)
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