

Economy Watchers Survey

September 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in September remained unchanged from 47.4 in the previous month.

The household activity-related DI rose mainly because a demand drop as a reaction to a last-minute rise before the consumption tax increase eased in a wide range of sectors. The corporate activity-related DI went down as the manufacturing sector weakened. The employment-related DI dropped, due primarily to a pause in job offer growth in some sectors.

The DI for future economic conditions in September went down 1.7 points from the previous month to 48.7 for the fourth consecutive decline.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs fell due mainly to concerns over energy 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. For the future, however, concerns over 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>	
A	<ul style="list-style-type: none"> In addition to a recovery in luxury goods, cosmetics and other sales that had declined due to a demand drop as a reaction to a last-minute rise before the consumption tax increase, we see robust clothing sales for both men and women as temperature drops have triggered brisk sales of autumn goods such as sweaters and jackets. (Southern Kanto: Department store) Autumn wear sales are brisk, including those under brands for young people that have scored double-digit growth. Among foods products, those exhibited at local product fairs and fresh food products are selling well. Inbound sales, though accounting for only a small portion of overall sales, are doubling year on year. (Okinawa: Department store)
B	<ul style="list-style-type: none"> Shops just after their renewal opening in the lead up to the completion of the Hokuriku Shinkansen bullet train line are enjoying robust sales exceeding year-before levels. Other shops near the shops just after their renewal opening are also benefiting from the robust sales. (Hokuriku: Department store) Thanks to a 2-degree year-on-year rise in temperatures as well as the rising number of tourists, goods other than magazines and cigarettes are selling remarkably well. With no fall seen in per-customer consumption, we expect brisk sales for this month. (Okinawa: Convenience store)
C	<ul style="list-style-type: none"> The supply of condominiums for sale has remained short as condo sales have been postponed due to a remarkable rise in construction costs. (Kinki: Other housing-related sectors [information magazine]) Due partly to weather factors, fresh food sales have failed to increase in line with price hikes. Some customers seem very sensitive to prices. As prices are being raised generally, we anticipate difficult business conditions for the future. (Kyushu: Supermarket)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> Orders have been brisk for radioactive decontamination, large-scale construction, prefectural seawall construction and other projects. (Tohoku: General contractor)
C	<ul style="list-style-type: none"> As September has seen many cooler-than-expected days, transportation of heating devices, exterior equipment, garden supplies and other winter goods has been increasing. As fuel prices have remained high, however, our profit is thin. (Northern Kanto: Transporter)
<i>Employment</i>	
C	<ul style="list-style-type: none"> New job offers have leveled off. While job offers are increasing in the manufacturing sector, job offer trends differ from sector to sector. Job offers cannot be described as stable. (Hokuriku: Employment security office) In manufacturing and some other sectors, earning and hiring interest have grown. But no such momentum is felt in other sectors. (Chugoku: Private employment agency)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> At present, we are developing arrangements to accept foreign tourists. As foreign tourists are expected to visit our store in and after October, we project that sales will cease deteriorating and roughly retain the present level. (Hokkaido: Department store) A much-awaited car will be launched in December. As visitors and new car sales increase, our company as a whole may become vigorous after a long silence. (Kyushu: Auto dealer)
C	<ul style="list-style-type: none"> The number of visitors will remain slack. As price hikes in each category of goods have been announced, we expect a spate of price hikes for the future. If fuel prices increase further, with electricity rates raised again, customers will further tighten their purse strings. (Hokkaido: Supermarket) We are entering a heating season. If fuel prices remain high, consumers will stay thrifty. (Tohoku: Convenience store) While domestic travel applications are expected to smoothly increase in autumn, we are concerned that overseas travel demand may plunge sharply if the yen remains weak. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> Travel cost quotation requests come, but fall short of leading to reservations. Reservations are mostly for regular customers' annual group tours, with the number of new customers limited. (Southern Kanto: Travel agency)

Corporate activity

B	<ul style="list-style-type: none"> As the yen retains a downward trend, we expect to improve earnings thanks to a foreign exchange profit if export volume remains unchanged year on year. (Tokai: Electrical machinery and equipment manufacturer)
C	<ul style="list-style-type: none"> We have learned that semiconductor shipments will deteriorate substantially in the future. Automobile-related sales are slightly better. From the viewpoint of production volume, manufacturers like our company do not grow unless the electrical machinery sector becomes vigorous. (Kyushu: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> We see no factor to boost the economy. If overall economic conditions remain unchanged, materials producers like our company will go in the direction of deterioration due primarily to rising raw materials prices. (Chugoku: Chemical industry)

Employment

C	<ul style="list-style-type: none"> While job offers are growing slightly, the growth has decelerated from several months earlier. Apparently fewer companies are feeling labor shortages than in the past. (Northern Kanto: Employment security office)
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