

Economy Watchers Survey

January 2015

OVERVIEW OF THE MONTH

The DI for current economic conditions in January rose by 0.4 points from the previous month to 45.6.

The household activity-related DI went down mainly because restaurant sales decreased. The corporate activity-related DI rose due primarily to an increase in the DI for the non-manufacturing sector. The employment-related DI expanded due chiefly to an increase in job offers.

The DI for future economic conditions in January went up by 3.3 points from the previous month to 50.0.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs increased due mainly to expectations on fuel price drops and wage increases, despite concerns over price hikes.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has shown some weakness in its recovery. For the future, expectations on fuel price drops and wage increases are seen, despite concerns over price hikes.

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by the Director-General for Economic Assessment and Policy Analysis, Cabinet Office
Nagata-cho 1-6-1, Chiyoda-ku, Tokyo 100-8914
Telephone: 03-6257-1576
Internet: <http://www.cao.go.jp>

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"> As gasoline and kerosene prices have dropped, customers seem at ease with apparent room to increase spending on other goods. (Hokkaido: Beauty shop) Vehicle sales for the January–March quarter usually rise for seasonal reasons. Even if such reasons are taken into account, we feel that economic conditions are better than they were in October. Last-minute purchases before April's mini-vehicle tax hike may also be contributing to the sales expansion. (Tokai: Auto dealer).
C	<ul style="list-style-type: none"> Despite gasoline price drops, consumer confidence remains slack as clothing and food prices have risen due to the yen's rapid depreciation. (Northern Kanto: Auto dealer)
D	<ul style="list-style-type: none"> As prices have increased from three months ago for various products, particularly ramen noodles and other flour products, customers have grown thrifty and are purchasing less in terms of volume. (Tohoku: Supermarket) While domestic tour applications are brisk, overseas tour applications, including those for Europe, have declined rapidly due to the yen's depreciation and frequent overseas terror attacks. (Shikoku: Travel agency)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> While cargo traffic has remained unchanged, fuel price drops have contributed to a gradual improvement in the balance sheet for the logistics division. (Kyushu: Transporter)
C	<ul style="list-style-type: none"> Until last December, we had been receiving orders from European and American markets as well as the domestic market. But each market has seen slackening ambitions for capital spending. (Hokuriku: General machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> While sales have been robust, we have remained unable to pass cost hikes on to product prices, with profitability deteriorating substantially. (Kinki: Metal products manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> New job offers are increasing again after marking time in the previous month. In particular, regular job offers are growing. (Southern Kanto: Employment security office)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> A consumption tax hike has been postponed and basic wages are likely to increase widely as in the previous year. As real income growth is expected to contribute to expanding consumption, we expect to see a bright mood when the cherry-blossom viewing season arrives. (Kinki: Supermarket) As prices are falling for crude oil as a major energy source for the domestic market, leisure spending is expected to increase. As the yen has continued a downward trend, inbound travelers from abroad are increasing reservations for the cherry-blossom season from late March to April more rapidly than in the previous year. (Kinki: Urban hotel)
C	<ul style="list-style-type: none"> As imported goods and other costs are expected to increase in March, we plan to raise sales prices. As consumers are expected to have sterner eyes on prices, it will become more difficult for us to secure profit. (Southern Kanto: Supermarket)

	<ul style="list-style-type: none"> Given the consumption trend in and tourists' stable flow into this prefecture, we expect to see a stable economy for this prefecture. (Okinawa: Convenience store)
D	<ul style="list-style-type: none"> Rural consumers have seen no income growth. While gasoline prices have declined, food and other price hikes are increasing burdens on consumers. (Chugoku: Shopping street)

Corporate activity

B	<ul style="list-style-type: none"> The yen's depreciation is likely to encourage manufacturers to shift production back to Japan, leading to a capital investment increase. (Kyushu: Metal products manufacturer)
C	<ul style="list-style-type: none"> This area has many local industries affected by price hikes for fuel and imported materials through the yen's depreciation. As local economic conditions have remained slack, our business is failing to make expected progress. (Tohoku: Other non-manufacturing business [Drink and food wholesaler])
D	<ul style="list-style-type: none"> While raw materials prices have been raised, we are failing to pass cost hikes on to sales prices. (Northern Kanto: Publishing, printing and allied industries)

Employment

B	<ul style="list-style-type: none"> As companies start their full-fledged recruitment of new graduates from now on, we enter the most vigorous season of the year. (Chugoku: Job advertisement magazine producer)
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