

Economy Watchers Survey

December 2016

OVERVIEW OF THE MONTH

The DI for current economic conditions in December (seasonally adjusted) remained unchanged from the previous month at 51.4.

The household activity-related DI went down mainly because the retail-related DI decreased. The corporate activity-related DI increased mainly because the DI for the non-manufacturing sector rose. The employment-related DI increased.

The DI for future economic conditions in December (seasonally adjusted) went down by 0.4 points from the previous month to 50.9.

While the household activity- and corporate activity-related DIs decreased, the employment-related DI increased.

On a not seasonally adjusted basis, the DI for current economic conditions rose by 2.6 points from the previous month to 51.2 and the DI for future economic conditions went down by 0.1 points to 49.0.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy is steadily picking up. As for the future, while continued growth in capital investment and job offers is expected, concerns mainly over fuel price and other cost hikes exist.

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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 stock prices have risen, wealthy consumers' purchases of luxury goods are increasing. Particularly, special brand sales are expanding. Middle income earners are likely to purchase what they want regardless of the price, after careful selection. (Southern Kanto: Department Store) In this busy month, sales are exceeding the year-before level. This is partly attributable to increased bonuses. (Kyushu: General restaurant)
C	<ul style="list-style-type: none"> As the number of visiting customers has remained unchanged, we feel no pickup. (Hokuriku: General retailer [office equipment])
D	<ul style="list-style-type: none"> Although sales usually increase in the year-end gift season, our revenue has failed to increase due to the smaller number of visiting customers and lower purchases per customer. Our business conditions have remained sluggish. (Kyushu: General retailer [tea])
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> As automakers' production is robust, orders are stable at automotive parts manufacturers among our customers. (Tokai: Financial business)
C	<ul style="list-style-type: none"> While engineering employees are working at their full capacity, orders are robust, with order backlogs secured for the next one year. (Chugoku: General contractor)
<i>Employment</i>	
C	<ul style="list-style-type: none"> A large number of full-time employees are being recruited. Whether offered jobs are for full-time positions or not is a key point for job seekers. Their parents also pay attention to this point. (Northern Kanto: School [Professional training school])

2. Future conditions

<i>Household activity</i>	
A	<ul style="list-style-type: none"> As ambitions for investment grow in a mood in which stock prices are likely to rise further, we expect housing-related consumption to increase. Economic conditions are likely to improve in the future. (Hokkaido: Housing dealer)
B	<ul style="list-style-type: none"> Since the new U.S. president was elected, stock prices have been rising with the yen depreciating. If the current trend continues, mainly wealthy consumers' ambitions for buying luxury goods may grow. (Kinki: Department store)
C	<ul style="list-style-type: none"> We are concerned about remarks by the U.S. president-elect set to assume the presidency in January. In rural regions, costs for manufactured imports will rise due to the yen's depreciation and rising crude oil prices, with cost hikes being passed on to prices. As gasoline, kerosene and vegetable price hikes since the previous month take some time to affect consumption, the present conditions are likely to remain for the immediate future. (Tohoku: Supermarket)
D	<ul style="list-style-type: none"> As the yen's depreciation boosts prices of crude oil and other industrial materials and imports amid a severe situation for family budgets including income that is levelling off or falling, consumers may further tighten their purse strings. We are concerned that consumers will become patient and refrain from purchasing goods they want. (Hokkaido: Shopping street)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> When we visited customers for year-end and New Year greetings, we found that companies with robust earnings were considering capital investment including new construction orders. We have received some inquiries from them. (Southern Kanto: General contractor)

D	· As passing expected steel price hikes on to our products is delayed, our earnings will decline. (Kinki: Metal products manufacturer)
E	· Diesel oil prices will increase due to rising crude oil procurement costs following an Organization of the Petroleum Exporting Countries agreement to cut production and the yen's depreciation, affecting our business. (Shikoku: Transporter)
<i>Employment</i>	
A	· Job offers are robust and will retain the upward trend, despite some fluctuations. (Tokai: Employment security office)