

Economy Watchers Survey

February 2016

OVERVIEW OF THE MONTH

The DI for current economic conditions in February fell by 2.0 points from the previous month to 44.6.

The household activity-related DI went down mainly because retail sales declined. The corporate activity-related DI decreased as the DIs for the manufacturing and nonmanufacturing sectors dropped. The employment-related DI also went down.

The DI for future economic conditions in February declined by 1.3 points from the previous month to 48.2.

The household activity-, corporate activity- and employment-related DIs dropped.

On a seasonally adjusted basis, the DI for current economic conditions dropped by 3.9 points from the previous month to 44.6 while the DI for future economic conditions fell by 3.7 points from the previous month to 45.7.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has recently shown weakness due to concerns mainly about the consumption trend amid unstable financial market moves including the yen's appreciation and a stock market decline. As for the future, while expectations are seen on spring goods sales and loan interest rate falls, we must continuously take note of impacts that insecurity about the future as well as financial and capital market trends would exert on business and household confidence.

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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>

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"> Our customers have increasingly requested the early construction of new houses in their inquiries to us. This is because they have taken into account financial institutions' interest rate cuts under the negative interest rate policy and the next consumption tax increase. (Chugoku: Housing dealer)
C	<ul style="list-style-type: none"> I do business on a shopping street. Many of the visitors to the shopping street are elderly people, but they are visiting less frequently under the dramatic temperature changes seen this year. (Kinki: Shopping street) As the number of cold days increased, sales improved for winter goods including food products for hot pots and boiling. The number of visitors to our store increased slightly from the previous month, contributing to sales. (Shikoku: Supermarket)
D	<ul style="list-style-type: none"> The first important recent change is a consumption decline accompanying weak stock prices. Customers say they would refrain from buying anything they can do without now. Many customers say they would consider buying luxury and fashionable products after the economy becomes stable. (Hokuriku: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Business orders are increasing. Orders are coming from new customers, leading to domestic production capacity shortages. (Kyushu: Textile industry)
C	<ul style="list-style-type: none"> Shipments for both public and private sector construction are falling year on year. (Okinawa: Ceramic, clay and stone products manufacturer)
D	<ul style="list-style-type: none"> Cargo traffic has deteriorated under the recent economic conditions including the yen's appreciation and wild fluctuations in stock prices. In particular, cargo traffic has worsened for exports including machine tools. (Hokuriku: Transporter)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Job applicants are failing to increase while mismatches still exist between job applicants and offers. (Tohoku: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> As spring weather has been forecast to come earlier than usual, we expect to see robust sales of spring clothing. (Shikoku: Clothing store) Although no expectations can be placed on group tour demand, we can expect to see growth in bookings by independent tourists. In particular, we place great expectations on demand for long- and short-term tours during the holiday-studded Golden Week, as this year it includes two three-day holiday periods and can be transformed into a 10-day holiday period by taking two extra days off. (Northern Kanto: Travel agency)
C	<ul style="list-style-type: none"> The yen's appreciation and the stock market weakness at present may greatly affect the future economy. The future international environment and situational changes may also have great influences on the economy. (Southern Kanto: Supermarket)
D	<ul style="list-style-type: none"> The current exchange rate and weak stock prices make us insecure about the future. (Southern Kanto: Travel agency)

	<ul style="list-style-type: none">As the future course of the world economy is uncertain, our customers are defensive and feel anxious about the consumption tax increase next year. (Chugoku: Shopping street)
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Corporate activity

B	<ul style="list-style-type: none">If financial and capital markets are stable, the opening of the Hokkaido Shinkansen bullet train line, continuously robust tourism demand and weak crude oil prices may contribute to improving the economy. (Hokkaido: Financial business)
C	<ul style="list-style-type: none">The future course is unlikely to improve. Nevertheless, gasoline prices have fallen to the advantage of our company, preventing transportation companies from requesting price hikes. However, cargo traffic has remained slack. (Kyushu: Transport)Local small and medium-sized companies feel no brisk economy. Rather, there are many economic destabilization factors including weak stock prices and the stalling Chinese economy, making it hard for these companies to overcome difficulties on their own. (Chugoku Electrical machinery equipment manufacturer)
D	<ul style="list-style-type: none">While our business is declining seasonally, business contracts for continuation are decreasing further. (Southern Kanto: Publishing, printing & allied industries)

Employment

C	<ul style="list-style-type: none">As the new business year starts, job applicants will increase to some extent. However, labor shortages will grow even more serious in construction, healthcare, wholesale and retail, and services industries. (Tohoku: Employment security office)
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