

# Economy Watchers Survey

June 2016

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in June fell by 1.8 points from the previous month to 41.2.

The household activity-related DI went down mainly because the services-related DI decreased. The corporate activity-related DI decreased mainly because the DI for the non-manufacturing sector dropped. The employment-related DI also decreased.

The DI for future economic conditions in June fell by 5.8 points from the previous month to 41.5

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

On a seasonally adjusted basis, the DI for current economic conditions dropped by 0.7 points from the previous month to 39.9 and the DI for future economic conditions by 4.9 points to 39.7.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continuously shown weakness due to concerns mainly about corporate activity amid the yen's appreciation and stock price drops against the backdrop of uncertainties about overseas economies. As for the future, while expectations are seen on reconstruction from the Kumamoto Earthquake and on an increase in public works, we must take note of great concerns mainly about overseas economies, and financial and capital market trends, which have been triggered primarily by the UK's vote to exit from the EU.

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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>B</b>	<ul style="list-style-type: none"> <li>In the bonus season, large durable consumer goods are selling well. Sales volume stands at 120% of the year-before level for televisions, 100% for refrigerators and 200% for air conditioners supported by hot weather, accounting for large shares of sales this month. This month's sales are 120% of the year-before level, indicating robust sales. (Northern Kanto: Home electric appliance retail store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The Kumamoto Earthquake still affects accommodation reservations. (Kyushu: Tourist hotel)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Anyway, the number of visitors is small. Visitors have continued to buy goods in small lots only to meet shortages and minimize purchases. (Northern Kanto: General retailer [vegetables and fruits])</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Under the yen's continuous appreciation, foreign tourists on group tours have declined sharply, resulting in a sales decrease. (Hokkaido: Tourist hotel)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Orders are brisk for new wet-type business goods and face masks, with sales growing. (Shikoku: paper and paper-processed products manufacturing industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>The yen's appreciation on the foreign exchange market is gradually affecting earnings. While foreign currency-denominated exports directly affect profit, yen-denominated exports' prices in overseas markets rise due to the yen's appreciation, reducing their competitiveness and orders. Whether such impact has arisen is not known. (Hokuriku: General machinery and equipment manufacturer)</li> <li>While global demand has so far declined due primarily to China's economic slump, the yen's appreciation has plunged the domestic economy into stagnation, with no exit seen. (Kyushu: Financial industry)</li> </ul>
<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>Requests are increasing from companies plagued with remarkable labor shortages. In an increasing number of cases, however, we cannot send personnel matching customer requests. (Southern Kanto: Temporary staffing company)</li> </ul>

**2. Future conditions**

<i>Household activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Due to the Kumamoto Earthquake, visitors and sales have been less than usual. Two months after the earthquake, however, the number of visitors is recovering. Efforts made since the earthquake to secure access from Kumamoto and provide information to tourists will bear fruit as long vacations begin. (Kyushu: Tourist spot)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Despite the decision to postpone a consumption tax increase, how the economy will perform is uncertain due to the U.K.'s decision to exit from the EU. As it is difficult to foresee the future, consumption will slacken. We will be more insecure than at present. (Southern Kanto: General restaurant)</li> <li>Effects of economic fluctuations will emerge and expand in the future. Although we were relieved to see an increase in the number of foreign tourists coming to Japan, no such increase</li> </ul>

	can be expected under the yen's appreciation to the present level. (Kinki: Tourist hotel)
<b>E</b>	<ul style="list-style-type: none"> <li>Due to consumer confidence-affecting factors, including the yen's appreciation and stock price drops triggered by the U.K.'s decision to exit from the EU, consumption is expected to further decelerate. (Southern Kanto: Department store)</li> </ul>

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***Corporate activity***


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<b>B</b>	<ul style="list-style-type: none"> <li>As construction gains momentum, operating rates for people, goods and machines will rise. As public works orders have been front-loaded, we are concerned about a lack of orders in autumn. However, we can expect the government to quickly form a large supplementary budget. (Hokkaido: General contractor)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>As the yen is appreciating further in response to the U.K.'s decision to exit from the EU, we are concerned about adverse effects on export-oriented and other industries. (Northern Kanto: Finance industry)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Global turmoil will continue in the immediate future due to the U.K.'s decision to exit from the EU. If the yen's appreciation is prolonged, corporate earnings will deteriorate, with people growing insecure due to stock price drops, leading the economy to slacken for a while. (Tokai: Chemical industry)</li> </ul>

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***Employment***


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<b>D</b>	<ul style="list-style-type: none"> <li>As the U.K.'s decision to exit from the EU triggered Europe's destabilization, which will spill over to the rest of the world, with corporate earnings deteriorating due to the yen's rapid appreciation, companies may hold down recruitment. The situation will deteriorate slightly in two to three months and further in one year. (Kinki: Private employment agency)</li> </ul>
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