

# Economy Watchers Survey

May 2016

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in May fell by 0.5 points from the previous month to 43.0.

The household activity-related DI went down mainly because the housing-related DI decreased. The corporate activity-related DI decreased mainly because the DI for the manufacturing sector dropped. The employment-related DI went up.

The DI for future economic conditions in May rose by 1.8 points from the previous month to 47.3

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

On a seasonally adjusted basis, the DI for current economic conditions rose by 0.6 points from the previous month to 40.6 and the DI for future economic conditions by 1.7 points to 44.6.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continuously shown weakness, with downside pressure lingering on economic confidence due to the Kumamoto Earthquake. As for the future, while concerns remain about the price trend with raw material prices rising even amid the failure of sales prices to be raised, expectations are seen on reconstruction from the Kumamoto Earthquake and on growth in summer bonuses and capital investment.

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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>	· As temperatures have been higher than in the previous year, summer goods have been selling well since around mid-May. (Southern Kanto: Home electric appliance retail store)
<b>D</b>	· The number of visitors has continued to decrease. Furthermore, purchase volume per visitor has begun to decline. Customers are apparently refraining from wasteful spending, and tightening up on household spending. (Hokuriku: Supermarket)
<i>Corporate activity</i>	
<b>B</b>	· Order receipts at an automotive parts maker that is one of our customers have been relatively firm. (Tokai: Finance industry)
<b>D</b>	· Fuel costs are rising. (Tohoku: Agriculture, forestry and fishing)
<i>Employment</i>	
<b>B</b>	· Employers' recruitment activities are brisker than usual, indicating their eagerness to secure good students early. Many companies that had recruited only contract employees are recruiting regular employees from this year. (Hokkaido: School [University])
<b>C</b>	· Although there have been many job offers from the services sector recently, many of them failed to match job applicants who have been limited. (Hokuriku: Temporary staffing company)

**2. Future conditions**

<i>Household activity</i>	
<b>B</b>	· Given a forecast of unusually warm weather, we place expectations on sales of summer goods. As Olympic-related demand is about to peak, we will give priority to TVs and related appliances. (Kyushu: Home electric appliance retail store)
<b>D</b>	· Since a year ago, fresh food sales have been increasing faster than the number of visitors. Meanwhile, drinking water, food and beer sales, which depend on prices, have continued to decline, indicating that consumers are buying them at retail stores offering slightly lower prices. Such trend indicates a deflationary tone. Consumer confidence is apparently still slack. So we expect a slightly worse situation for the future. (Hokkaido: Convenience store)
<i>Corporate activity</i>	
<b>B</b>	· Interviews with customers about future business plans indicate that many companies are aggressively investing in equipment and human resources. (Kyushu: Business consultant)
<b>D</b>	· The economy cannot be expected to pick up sharply. As diesel oil prices are gradually increasing, we expect to see an increase in fuel and other costs. (Hokuriku: Transport)
<i>Employment</i>	
<b>B</b>	· Inquiries about the recruitment of new graduates are abundant, indicating that at least the number of regular employees is insufficient. This may be a sign that the situation is getting better. (Hokuriku: Newspaper publishing company [Job placement ads])
<b>C</b>	· The mismatch between job offers and applicants is likely to remain in the future. (Tohoku: Temporary staffing company)

**Related to the 2016 Kumamoto Earthquake****1. Current conditions**

<i>Household activity</i>	
<b>C</b>	· Although adverse effects of the Kumamoto Earthquake had been feared, this region has not seen any plunge as sharp as expected, but has retained economic firmness. (Kyushu: Taxi driver)
<b>D</b>	· Since the Kumamoto Earthquake, tour sales have been sluggish due to the cancellation of reservations in Kyushu. Even since the holiday-studded Golden Week, tour orders have remained below year-before levels. We see some impact of the Ise-Shima Summit. (Kinki: Travel agency)
<i>Corporate activity</i>	
<b>C</b>	· We had seen some impacts of the Kumamoto Earthquake on some automotive parts makers. Recently, however, their order receipts have been recovering. (Southern Kanto: Financial industry)
<b>D</b>	· As the impacts of the Kumamoto Earthquake are still lingering, production at complete vehicle manufacturers has yet to recover. (Tokai: Transportation machinery and tool manufacturer)
<i>Employment</i>	
<b>C</b>	· We see some impacts of the Kumamoto Earthquake. However, the number of job offers has yet to increase. (Kyushu: Private employment agency)

**2. Future conditions**

<i>Household activity</i>	
<b>C</b>	· We expect gradual recovery from the impacts of the Kumamoto Earthquake: (Kyushu: Clothing retailer)
<b>D</b>	· Apparently due to signs of business decline at companies, tour orders for the future are limited to some 60% of the year-before level. Tour orders from individuals are slow and limited. Due to the impacts of the Kumamoto Earthquake, trips to Kyushu have declined sharply, making it difficult to switch to other destinations. We are concerned about summer holiday tourism demand. (Northern Kanto: Travel agency)
<i>Corporate activity</i>	
<b>C</b>	· Public works have begun to include those for reconstruction from the Kumamoto Earthquake. An increase is expected in factory equipment repairs. Meanwhile, both domestic and foreign tourists have declined substantially. Private consumption has been weak. (Kyushu: Financial industry)
<b>D</b>	· As the impacts of the Kumamoto Earthquake still remain on automobile and other industries, this situation in which we cannot be optimistic is likely to continue. Tablet computer shipments will decline substantially. South Korean smartphone production will decrease greatly. (Chugoku: Nonferrous metal producer)
<i>Employment</i>	
<b>C</b>	· Slumping industries will move in the direction of improvement on progress in reconstruction from the Kumamoto Earthquake. However, the overall picture will remain unchanged. (Kyushu: Employment security office)