

Economy Watchers Survey

December 2019

OVERVIEW OF THE MONTH

The DI for current economic conditions in December (seasonally adjusted) went up by 0.4 point from the previous month to 39.8.

The household activity-related DI went down as the housing-related DI decreased, though the retail-related DI increased. The corporate activity-related DI went up as the DI for the manufacturing sector increased. The employment-related DI decreased.

The DI for future economic conditions in December (seasonally adjusted) went down by 0.3 point from the previous month to 45.4.

The corporate activity- and household activity-related DIs rose though the household activity-related DI fell.

On a not seasonally adjusted basis, the DI for current economic conditions rose by 1.5 points from the previous month to 40.7 and the DI for future economic conditions fell by 1.0 point from the previous month to 44.5.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has shown weak movement in its recovery. A reactionary decline in demand after a last-minute increase before the consumption tax increase is observed in some sectors. As for the future, while there are concerns observed about situations overseas, expectations for recovery are emerging.

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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"> Sales in October and November fell on a year-on-year basis as a consequence of the consumption tax increase. We expect to see a year-on-year increase in December. Business is trending toward recovery, overcoming impact of the tax increase. (Southern Kanto: Department store) Customer traffic and spending per customer have generally returned to the level a year ago. (Shikoku: Electrical appliance retailer)
D	<ul style="list-style-type: none"> The construction boom of new hotels, now underway especially in the city, is producing some surplus of guest rooms, which is generally pushing down the average daily rate. For this year-end party season, the banquet section is also seeing weakness in bookings, especially for small-scale parties. A few corporate customers say they have given up holding a year-end party as many of their employees decline to attend now that they are no longer obliged to. (Kinki: City hotel) Consumers have got thrifter after the consumption tax increase. They don't buy things on impulse. As it is warmer this winter, popular foodstuffs for <i>nabemono</i>, one-pot dishes cooked at the table, such as Chinese cabbages, sell only poorly. (Chugoku: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Upward trends in business are observed in some semiconductor-related equipment, with increases of orders received. However, no significant improvement is seen in orders for automobile-related equipment. (Kyushu: Machinery & equipment)
C	<ul style="list-style-type: none"> In December, a larger amount of freight has been handled for drug stores and DIY centers on a year-on-year basis for the first time after the consumption tax increase. However, not so large an increase in freight volume has been seen as at the end of an ordinary year. (Tokai: Transport)
<i>Employment</i>	
D	<ul style="list-style-type: none"> Job offers we receive from employers are decreasing, especially in the manufacturing sector. (Chugoku: Temporary manpower company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Toward the Tokyo Olympics, we expect a great lift in consumer sentiment and positive impact it would make on sales of Olympics-related goods. (Shikoku: Supermarket)
C	<ul style="list-style-type: none"> Despite ebbing impact of the consumption tax increase, there is no positive factor found. The current state of things seems to stay on for some time. (Hokuriku: High street shop [book]).
D	<ul style="list-style-type: none"> Consequences of the consumption tax increase are gradually appearing. The number of reservations made by customers suggests they are gradually tightening their purse strings. Seeing a growing polarization of customers, we fear the middle layer might be disappearing. (Tohoku: Standard class restaurant) Going into the off season, together with the decision of a Korean airline to suspend flights to Japan, we expect a decline in the number of customers coming to play. (Kyushu: Golf course)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> We have made great success in winning new contracts for private-sector construction projects that extend into the next fiscal year. With a series of tenders to be invited for public engineering works carried out as an action for bearing deficits in the Treasury, we also have great prospects of acquiring more contracts. (Hokkaido: Construction)
C	<ul style="list-style-type: none"> Protracted trade disputes between the United States and China have wiped out the likelihood that demand might pick up quickly. Together with distributors' inventory staying at a high level, a factor pushing down market prices, future prospects are uncertain. (Chugoku: Iron & steel industry)
<i>Employment</i>	
C	<ul style="list-style-type: none"> The state of labor shortage has remained and we have not seen a sign of improvement. Thus we do not expect change in business conditions. (Tohoku: Job placement office)