

# Economy Watchers Survey

## December 2014

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose by 3.7 points from the previous month to 45.2.

The household activity-related DI went up mainly because retail sales increased.

The corporate activity-related DI rose as DIs for the manufacturing and non-manufacturing sectors increased.

The employment-related DI expanded due primarily to an increase in job offers.

The DI for future economic conditions in December went up 2.7 points from the previous month to 46.7.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs increased due mainly to expectations on economic measures and fuel price drops, despite continued concerns over price hikes.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has shown some weakness in its recovery. For the future, expectations on economic measures and fuel price drops are seen, despite continued concerns over price hikes.

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### **III. 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 lead-up to the year-end, sales of beef, fish sausages and other materials for New Year's dishes are expanding. The impacts of heavy snow early this month have been limited to the minimum. (Tokai: Supermarket)</li> <li>As sales to foreigners grew after the expansion of duty-free goods in October, such sales this month are increasing 3.5-fold year on year. Sales to cash customers, though having slumped around Christmas Day, have recovered to the year-before level. We expect to see a revenue increase for this month. (Kinki: Department store).</li> <li>As it has grown colder, with snowfall, since early December, winter goods have sold well. Thanks to this, sales are slightly better than three months ago. Bonus payments and Christmas sales might have helped expand sales in December. (Hokuriku: Shopping street).</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>December sales were sluggish due to weak bonus payments, a drop in rice revenues at farming households, higher prices of goods and a larger number of snowy days. (Tohoku: Supermarket).</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>After a large shopping mall opened in late November, our store's sales declined by 20–30%. As the number of visitors plunged by nearly 40%, the sales drop can be viewed as smaller than indicated by the number of visitors. But the shock of the new mall is grave. Such impact has fallen within expectations. If the impact continues, however, our store's survival may be endangered. (Chugoku: Department store)</li> </ul>

<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Order and sales prices for shipbuilding have recovered slightly due to the yen's depreciation. (Shikoku: Iron &amp; steel)</li> <li>We feel that the tourism industry sees increasing tourists from other prefectures as well as from foreign countries. (Okinawa: Accounting firm)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Although prices of yarn and other imported raw materials have soared due to the yen's depreciation, each firm has failed to pass the hike on to product prices, being plagued with difficulties. (Southern Kanto: Textile industry)</li> </ul>

<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>While the number of job offers is increasing year on year, healthcare/welfare and temporary staffing industries account for a large portion of job offers and contribute to the job offer growth. Given the absence of remarkable growth in job offers from other industries, we cannot conclude that the employment environment is improving. (Southern Kanto: Employment security office)</li> </ul>

#### **2. Future conditions**

<i>Household activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>As uncertainties about the future have declined on the decision to postpone the next consumption tax increase, consumption will turn upward. (Kinki: Supermarket)</li> </ul>

<b>C</b>	<ul style="list-style-type: none"><li>• Since the consumption tax increase, consumers might have changed their ways of looking at goods. They buy only what they really need. They don't buy anything else. (Northern Kanto: Shopping street)</li><li>• As far as the yen's depreciation continues, inbound customers make reservations. Hence, our business outlook is very good. (Kyushu: Urban hotel)</li></ul>
<b>D</b>	<ul style="list-style-type: none"><li>• As food makers have announced plans to raise their product prices one after another after the turn of the year in the wake of electric rate hikes, customers are tightening purse strings more and more. (Hokkaido: Supermarket)</li></ul>

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***Corporate activity***

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<b>B</b>	<ul style="list-style-type: none"><li>• Thanks to economic measures after the general election and fuel price drops, we expect an economic recovery. (Kyushu: Transport)</li></ul>
<b>C</b>	<ul style="list-style-type: none"><li>• As prices of many goods are rising, wages must be raised to turn the economy upward. Decisions on future operations could be made after spring wage negotiations. (Tokai: Chemical industry)</li></ul>
<b>D</b>	<ul style="list-style-type: none"><li>• As the yen is predicted to continue weakening and imports account for 60–70% of our raw materials, our profitability is expected to deteriorate. (Hokuriku: Food manufacturer)</li></ul>

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***Employment***

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<b>C</b>	<ul style="list-style-type: none"><li>• As the number of companies offering internship for students planning to take jobs upon graduation is 1.5 times more than usual, we feel that companies are very eager to recruit new graduates. (Tohoku: Temporary staffing company)</li></ul>
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