

# Economy Watchers Survey

## February 2015

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose by 4.5 points from the previous month to 50.1.

The household activity-related DI increased mainly because retail sales expanded. The corporate activity-related DI went up as both the DIs for manufacturing and non-manufacturing sectors rose. The employment-related DI expanded due chiefly to an increase in job offers.

The DI for future economic conditions in February went up by 3.2 points from the previous month to 53.2.

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

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continued the moderate recovery despite weakness seen in some sectors. For the future, expectations on wage increases and fuel price drops are seen, despite 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>A</b>	<ul style="list-style-type: none"> <li>February usually sees a shift from winter goods to spring goods. While winter goods sales end, spring goods fail to sell well due to low temperatures. But this year's February sees growing purchases by foreign tourists at urban stores, mirroring the recent trend. Cosmetics and sundry goods are selling briskly. (Kinki: Department store)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>As gasoline price drops serve as a buffer against electric rate hikes, consumers are in slightly better financial shape. (Hokkaido: Supermarket)</li> <li>As the stock price average has surpassed 18,000, wealthy people's appetite for spending is being stimulated. Particularly, paintings, precious metals and other asset goods are selling well along with hobby goods. In addition, we see demand from inbound foreigners. (Southern Kanto: Department store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>While the number of visitors has remained unchanged, their purchase volume has been declining. As processed food prices are rising one after another, customers are growing more conservative. (Tohoku: Supermarket).</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>We have entered pricing negotiations at last and expect to pass cost hikes on to prices. Although sales volume may decline, prices are likely to rise to levels to secure profit. (Northern Kanto: Food manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>While import prices have risen due to the yen's depreciation, it is difficult to pass the rise on to our product prices. We are failing to secure profit. Fundraising is also difficult. We are planning to refrain from conducting capital investment and to focus on securing internal reserves. (Chugoku: Electric machinery and apparatus manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Job offers have clearly been increasing. Particularly, a rise in job offers from manufacturers has been remarkable. As labor shortages have remained in the welfare field, overall labor shortages are growing more serious. (Tokai: Newspaper publishing company [Job placement ads])</li> </ul>

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

*Household activity*

<b>B</b>	<ul style="list-style-type: none"> <li>· In this region, many manufacturers, including automakers, are operating. If the current conditions continue, basic wages at these companies are likely to increase through Shunto spring wage negotiations to expand disposable income and consumption. (Tokai: Supermarket)</li> <li>· Gasoline prices are stable at relatively low levels. This may be combined with a growing sense of elation toward spring to encourage consumers to go on trips, including long ones. This is expected to lead to personal consumption. (Tohoku: Urban hotel)</li> <li>· We heard that local governments will sell premium gift tickets under a central government program. We expect to see a temporary sales increase under the program. (Kyushu: Shopping Street)</li> <li>· As the Hokuriku Shinkansen bullet train line is about to open, on March 14, campaigns for Hokuriku tours have increased in the Tokyo metropolitan area, along with television and magazine features on the Hokuriku region, leading to growing expectations in the whole of the hotel industry. We can expect an increase in tourist stays and conventions and the synergy effects of neighboring public facility renewal. (Hokuriku: Urban hotel)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>· The book-closing month of March is the final month when we can expect a last-minute rise in auto demand before an auto tax increase. For popular models, delivery is failing to come in time. Sales depend on how sales fronts can respond to the demand rise. Given the possibility of a demand decline after the termination of the auto tax cut, we cannot be optimistic about the future (Tokai: Auto dealer)</li> </ul>
<b>Corporate activity</b>	
<b>B</b>	<ul style="list-style-type: none"> <li>· Production in China has clearly become difficult. Even if we transfer only a small ratio of output at Chinese plants back to Japan, the total amount will be massive. (Kyushu: Textile industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>· Paper costs are likely to rise in March. We are worried about whether we could offset the reported 10% hike somehow. (Northern Kanto: Publishing, printing and allied industries)</li> </ul>
<b>Employment</b>	
<b>B</b>	<ul style="list-style-type: none"> <li>· Given the momentum of wage hikes and the remaining-high ratio of job offers to applicants, we can expect pay hikes for temporary staff workers through temporary staffing fee rises spreading from the Tokyo metropolitan region. (Shikoku: Temporary staffing company).</li> </ul>