

Economy Watchers Survey

April 2016

OVERVIEW OF THE MONTH

The DI for current economic conditions in April fell by 1.9 points from the previous month to 43.5.

The household activity-related DI went down mainly because the services-related DI decreased. The corporate activity-related DI decreased as the DIs for the manufacturing and non-manufacturing sectors dropped. The employment-related DI went down.

The DI for future economic conditions in April declined by 1.2 points from the previous month to 45.5.

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

On a seasonally adjusted basis, the DI for current economic conditions dropped by 1.6 points from the previous month to 40.0 and the DI for future economic conditions by 2.4 points from the previous month to 42.9.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continuously shown weakness due to a decline in economic confidence stemming from the Kumamoto Earthquake, as well as concerns mainly about the consumption trend. As for the future, while expectations are seen on tourism demand and capital investment growth, concerns about the future are frequently voiced in regard to the Kumamoto Earthquake. Given this, we must take note of impacts that future trends would exert on business and household confidence.

Released on May 12, 2016 (in Japanese)
by the Director-General for Economic Assessment and Policy Analysis, Cabinet Office
Nagata-cho 1-6-1, Chiyoda-ku, Tokyo 100-8914
Telephone: 03-6257-1576
Internet: <http://www.cao.go.jp>

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"> Amid the cherry blossom season, lodging demand mainly from foreigners has remained robust. Our hotel's occupancy rate has risen to the ceiling and unit price hikes have expanded revenues by 10% year on year. In line with this, breakfast demand has substantially increased. However, revenues from parties are limited to the year-before level and cannot be described as robust. (Kinki: Urban hotel) We see slightly better conditions including an increase in demand just before the March end of the previous fiscal year and customers' active moves in the lead up to a consumption tax increase. Negative interest rates have supported the housing market. (Tokai: Housing dealer)
D	<ul style="list-style-type: none"> Middle-income earners have a severe attitude about consumption and are still strongly conscious of economizing in the absence of growth in disposable income. They have grown more cautious about buying anything other than the minimum necessary things. Due to the yen's appreciation and weak stock prices, sales of luxury goods mainly to wealthy people have been slow. Conditions have remained severe for us. (Hokuriku: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Orders in Japan and the North American market are growing. (Hokuriku: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> A wait-and-see attitude has continued due to wild market fluctuations including the yen's appreciation and stock price falls. (Tohoku: Finance industry)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Recruitment activities have remained brisk as companies have fixed their plans for recruitment of new graduates and mid-career workers for the current fiscal year. (Southern Kanto: Private employment agency) We have received massive orders for temporary staff but had difficulties in matching job offers and seekers due to job seeker shortages. (Chugoku: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
A	<ul style="list-style-type: none"> At a time when tourism demand is continuing to grow, the effect of the newly opened Hokkaido Shinkansen bullet train line is expected to gain momentum from the summer tourism season. Local organizations' increasing events and campaigns to attract tourists are expected to further boost tourism demand. (Hokkaido: Tourist spot)
D	<ul style="list-style-type: none"> Even at present, many customers complain that their living is difficult. In addition, they seem to be worried about the consumption tax's planned increase to 10%. So, it is difficult to expect better economic conditions. (Tohoku: Taxi driver)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Effects of negative interest rates will gradually come out. Housing loan borrowers, including child-rearing parents, will consume savings from interest rate cuts. Companies will see lower interest rate costs improving earnings and have gradually been increasing opportunities to consider capital investment. Economic conditions will improve slightly.

	(Chugoku: Finance industry)
C	<ul style="list-style-type: none"> Foreign exchange market trends greatly influence economic sentiment. The yen will remain strong over the next two to three months, forcing the economy to slump. (Tokai: Chemical industry)
Employment	
C	<ul style="list-style-type: none"> Companies are expected to remain ambitious to recruit more people. However, human resources shortages will continue. (Southern Kanto: Temporary staffing company)
D	<ul style="list-style-type: none"> A mileage scandal at a large automaker that is one of the largest employers in this prefecture may threaten the survival of its cooperation partners in the southern and western parts of the prefecture. This means that an employment decline is inevitable, forcing consumer activity to slump. (Chugoku: Newspaper company [Job advertisements])

Related to the 2016 Kumamoto Earthquake

1. Current conditions

Household activity	
D	<ul style="list-style-type: none"> The Kumamoto Earthquake has had great adverse effects. Almost all ordinary individual customers have cancelled trips. They postponed trips rather than changing destinations. Educational tour customers are changing schedules and destinations. Some people are refraining from making pleasure tours after the earthquake, worsening the situation for us considerably. (Kinki: Travel agency)
Corporate activity	
D	<ul style="list-style-type: none"> As automotive parts makers suspended production due to the Kumamoto Earthquake, our processing operations have declined. (Tokai: Transportation equipment manufacturer)
Employment	
D	<ul style="list-style-type: none"> Job offers are more sluggish than in the previous quarter. Due to the Kumamoto Earthquake, some companies are refraining from recruiting workers. (Kyushu: Temporary staffing company)

2. Future conditions

Household activity	
D	<ul style="list-style-type: none"> As fears about the future are coupled with a mood of voluntary restraint following the Kumamoto Earthquake, economic conditions will slightly worsen. (Hokkaido: High-end restaurant)
Corporate activity	
D	<ul style="list-style-type: none"> The Kumamoto Earthquake has had no direct impact on us. Given stagnant production at major companies, however, we expect some adverse effects. (Tohoku: Transportation equipment manufacturer)
Employment	
D	<ul style="list-style-type: none"> The Kumamoto Earthquake has led some companies to cancel job offers. We fear that adverse effects of the disaster will emerge in transportation, wholesale and retail sectors. (Kyushu: Employment security office)