

Economy Watchers Survey

July 2016

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose by 3.9 points from the previous month to 45.1.

The household activity-related DI went up mainly because the retail- and services-related DIs increased. The corporate activity-related DI increased mainly because the DI for the non-manufacturing sector rose. The employment-related DI also increased.

The DI for future economic conditions in July rose by 5.6 points from the previous month to 47.1

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

On a seasonally adjusted basis, the DI for current economic conditions rose by 3.3 points from the previous month to 43.2 and the DI for future economic conditions by 6.9 points to 46.6.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has signs of recovery as financial and capital markets have restored stability. As for the future, while concerns mainly about overseas economies, and financial and capital market trends continue to exist, expectations are seen on economic measures.

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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"> As a clearance sale started on July 1 at all stores, sale and other goods have been selling well since early this month. Backed by good weather, late summer and early autumn goods with regular price tags that launched earlier than usual have also been selling robustly. (Kinki: Department store) Overseas tours are selling better than expected. (Southern Kanto: Travel agency) As the number of travelers has begun to rally in the summer vacation season after a steep decline following the Kumamoto Earthquake, we are recovering from reputational damage. (Kyushu: Tourist spot)
C	<ul style="list-style-type: none"> We see the year-on-year increase in the number of visiting customers and growth in sales as temporary. These may be due to the heat wave, and not represent any economic recovery. (Shikoku: Convenience store)
D	<ul style="list-style-type: none"> Luxury good sales are decelerating. One factor behind the deceleration is a reverse asset effect of stock price drops. Wealthy customers are refraining from buying luxury goods, affecting mainly luxury watch sales. Another factor is the yen's appreciation, which has decelerated consumption by inbound foreign tourists. While purchases by foreign tourists are increasing, they are buying lower-priced goods. As a result, sales are falling. (Southern Kanto: Department store)

<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Orders are brisk. Given future plans, we are secure. (Southern Kanto: General contractor)
C	<ul style="list-style-type: none"> Orders have remained abundant. We reject orders that cannot be postponed. As for construction, engineers are continuing to work at their full capacity. (Chugoku: General contractor) After slightly brisk orders and sales in the April-June quarter, July sees a pause. Apparently due to the yen's appreciation and stock price falls triggered by the UK's vote to exit from the EU, purchasers in the market seem to be cautious. In the future, the housing market is expected to gradually restore stability under the low interest rate policy. (Chugoku: Wood and wood products company)
D	<ul style="list-style-type: none"> Restaurant sales are falling year on year as the effects of the opening of the Hokuriku Shinkansen bullet train line have faded away. Beer sales are reportedly poor. (Hokuriku: Financial business)

<i>Employment</i>	
B	<ul style="list-style-type: none"> New and effective job offers are increasing. Manufacturing and other companies are increasingly offering full-time jobs. (Northern Kanto: Employment security office)
D	<ul style="list-style-type: none"> There is a growing number of cases in which job offers fail to meet requirements of job applicants or produce employment agreements. (Tokai: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Stock prices have recovered as European political insecurity has calmed down. The government's decision on economic stimulus measures will help improve consumer sentiment. (Kinki: Department store) The travel agency industry will enter the autumn travel season in two to three months. While domestic travel demand may be robust, overseas travel demand including group tour demand is slackening. Tourists will increasingly shift from overseas tours to domestic ones. So, we will be slightly better off thanks to domestic tour demand. (Southern Kanto: Travel agency) We can expect positive effects of special demand involving the Kumamoto Earthquake through the summer vacation. From September, we may be able to maintain the present conditions as harmful rumors fade away. However, we cannot predict any impact of global economic deterioration. (Kyushu: Department store)

C	<ul style="list-style-type: none"> As rivals do, we are increasing discounts, gifts and other customer-attracting measures to boost the number of visiting customers. These measures are unlikely to lead to economic recovery. (Hokkaido: Automotive equipment store)
D	<ul style="list-style-type: none"> Consumers are refraining from spending money due to the yen's appreciation and their insecurity about the future course of the economy, reversing a year-before trend. Overall sales are falling year on year. As both corporate and individual customers remain stagnant, with average spending per customer failing to rise, we cannot expect any economic recovery. (Southern Kanto: City hotel)

Corporate activity

B	<ul style="list-style-type: none"> Although August usually sees an order plunge, orders at one division are unusually growing. As the trend is likely to continue for one or two more months, we place expectations on the division. (Northern Kanto: Chemical industry) Although the UK's vote to exit from the EU triggered temporary yen rises and stock price declines that plunged the market into confusion, the market will restore stability in the future. As housing starts are increasing year on year thanks to the effects of the low interest rate policy, our order receipts and sales are likely to slightly improve in the next two to three months. (Chugoku: Wood and wood products company)
C	<ul style="list-style-type: none"> Construction order receipts have met our initial projection. The present trend will continue for two or three months. (Tohoku: General contractor)
D	<ul style="list-style-type: none"> The UK's vote to exit from the EU has led to the yen's appreciation, which will gradually affect export-oriented industries. (Chugoku: Transporter)

Employment

B	<ul style="list-style-type: none"> Although this month's new job offers declined from a year earlier, companies have strong ambitions to recruit workers mainly for full-time jobs. Job offers are likely to continue increasing. (Southern Kanto: Employment security office)
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