

Economy Watchers Survey

December 2018

OVERVIEW OF THE MONTH

The DI for current economic conditions in December (seasonally adjusted) went down by 3.0 points from the previous month to 48.0.

The household activity-related DI went down mainly because the housing-related DI decreased. The corporate activity-related DI went down as the DI for the manufacturing sector decreased. The employment-related DI decreased.

The DI for future economic conditions in December (seasonally adjusted) went down by 3.7 points from the previous month to 48.5.

The household activity-, corporate activity-, and employment-related DIs all decreased.

On a not seasonally adjusted basis, the DI for current economic conditions fell by 0.8 points from the previous month to 48.2 and the DI for future economic conditions fell by 3.4 points from the previous month to 47.0.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continued moderate recovery, though with a pause seen. As for the future, there are concerns observed about situations overseas and moves of the financial and capital markets.

Released on January 11, 2019 (in Japanese) by the Director-General for Economic Assessment and Policy Analysis, Cabinet Office
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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"> The number of customers has been growing since early December. Spending per customer is increasing with strong sales of 4-K TVs, recorders, and tuners. (Hokkaido: Electrical appliance retailer) |
| C | <ul style="list-style-type: none"> Customers had been in a wait-and-see attitude until the Outline of the Tax Revision was announced. The proposed revision includes some policy measures that should make houses more affordable after the consumption tax increase, such as mortgage loan tax credit, together with the Eco Point program, a factor that seems to make potential home buyers reluctant to act at the moment. (Tokai: Housing sale company) |
| D | <ul style="list-style-type: none"> In the daytime, we have as many customers as usual. At night, though it is in the midst of the year-end party season, business is rather stagnant, except at the weekend. In fact, even at the weekend, we see fewer customers than in usual years. (Hokuriku: Taxi driver) We have many warm days, and poor sales of winter clothing. We have also fewer high-value orders for art works and jewelry than last year. (Kinki: Department store) |
| <i>Corporate activity</i> | |
| D | <ul style="list-style-type: none"> After the fall of stock prices at the year-end, assets effects are disparaging. Demand has got weaker for purchase of real estate and moves between rented apartments at the year-end. (Kinki: Real estate) |
| E | <ul style="list-style-type: none"> Despite increasing materials prices and labor costs, product prices are difficult to raise, leaving us in financially tough conditions. (Koshinetsu: Food and kindred products) |
| <i>Employment</i> | |
| C | <ul style="list-style-type: none"> Little has changed in difficulties of recruitment. Unable to diversify their recruitment channels, SMEs are put at a disadvantage, a factor that slows down the economy. (Tohoku: Temporary manpower company) |

2. Future conditions

| <i>Household activity</i> | |
|---------------------------|---|
| B | <ul style="list-style-type: none"> Orders remain strong for clothing for the coming season. More customers look forward when coming to buy something, a sign of change for the better into the future. (Hokkaido: Clothing shop) |
| C | <ul style="list-style-type: none"> Accommodations rely heavily on inbound tourists. With severe labor shortage and the difficulty in passing cost increases on to customers, business conditions are getting tougher. (Tokai: City hotel) |
| D | <ul style="list-style-type: none"> In addition to falling stock prices amid the uncertainty of international situations, we expect that a decline in sales to inbound tourists this month should be followed by a slowdown in consumption among wealthy customers of Japan. (Southern Kanto: Department store) People feel concerned about the uncertainty of intentional situations. With the consumption tax increase more often coming up in conversation, consumers seem to brace themselves with greater thriftiness. (Kinki: Supermarket) |
| <i>Corporate activity</i> | |
| D | <ul style="list-style-type: none"> In the building cleaning sector, labor shortage should continue and get even severer, with rapid increases of wage per hour. (Southern Kanto: Other services [building maintenance]) Stock prices, falling not only in the United States but globally, should be influenced by the trade conflict and possible interest-rate hikes in the United States. (Kyushu: Fabricated metal products) |
| <i>Employment</i> | |
| D | <ul style="list-style-type: none"> Despite labor shortage getting severer in some sectors, others with a higher rate of vacancies already filled rather intend to reduce personnel. The mismatch between job seekers and offers is growing further. (Tokai: Temporary manpower company) |