

# Economy Watchers Survey

## February 2018

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in February (seasonally adjusted) went down by 1.3 points from the previous month to 48.6.

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

The DI for future economic conditions in February (seasonally adjusted) went down by 1.0 point from the previous month to 51.4.

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 0.7 points from the previous month to 48.4 and the DI for future economic conditions fell by 0.2 points from the previous month to 52.6.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continued moderate recovery, despite a sense of standstill due to the weather and other factors. As for the future, while concerns over labor shortages and cost increases exist, growth mainly in orders and capital investment is continuously expected.

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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>B</b>	<ul style="list-style-type: none"> <li>In heavy snow in February, annual winter events and Chinese New Year helped. However, in this region, overall business confidence is weak, especially with a large number of businesses having gone bankrupt. Some 30% of them failed owing to the labor shortage as young people flee to neighboring urban areas, where wages are rising. (Hokkaido: High street shop [souvenirs])</li> <li>More families are found among tourists from Asian countries. Among Japanese guests, group tourists have increased thanks to a popular serial drama. (Kyushu: High-class restaurant)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Seeing vegetables getting more expensive, families are complaining they must be thriftier. (Kinki: Supermarket)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Heavy snowfall is a major factor that caused a decline of customers. Another seems to be the PyeongChang Olympic Games. (Tohoku: Department store)</li> </ul>
<i>Corporate activity</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>We are receiving more orders than last year for delivering goods new students and employees need to start living by themselves, such as white goods, and air purifiers which hay fever sufferers seek before the pollen season. However, the margin is shrinking as fuel and other costs are increasing. (Northern Kanto: Transport)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Prices of materials we purchase, plastics, are rising, and profitability is declining. (Tokai: Chemical industry)</li> </ul>
<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>With no growth in the number of registered workers, we are unable to meet requests from clients. (Hokuriku: Temporary manpower company)</li> </ul>

**2. Future conditions**

<i>Household activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Subscription for tours in Japan during the spring vacation season and Golden Week, and booking for overseas travels in summer, have got started, and we have already received more applications than the same time last year. (Tohoku: Travel agent)</li> <li>Orders for spring and summer suits have started increasing earlier than usual. We are also receiving more inquiries for school uniforms. (Kinki: Clothing shop)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Instability of stock prices is one of the reasons we expect continued tough conditions for sales of luxury goods. (Shikoku: Department store)</li> <li>We are worried about competition with large-scale construction projects for workers, and consequent rises in wages and shortages in labor. (Okinawa: Housing sale company)</li> </ul>
<i>Corporate activity</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>As clients in the financial sector continue efforts for cost reduction amid the lingering negative interest rate, we expect cuts in advertisement expenditure. Almost the same could be said for many other clients as their spending for advertisement is on a downward trend amid fierce competition. (Shikoku: Ad agency)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Despite strength in orders from customers in Japan, demand overseas shows large fluctuations, and how the exchange rate will move is uncertain. (Koshinetsu: Machinery &amp; equipment)</li> </ul>
<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>Many businesses are faring quite well, but prospects will be clouded if they fail to solve the problem of the labor shortage. (Kinki: Temporary manpower company)</li> </ul>