

## “April Economy Watchers Survey– Possible Recovery this Summer”

### April Economy Watchers Survey

On May 12, the Cabinet Office announced its April Economy Watchers Survey. The current conditions DI (on the direction of business environment) fell 16.3 ppt m-o-m to 41.6, while the future conditions DI rose by 15.6 ppt m-o-m to 50.3. For the March survey, current conditions DI recorded historical high since inception (Jan. 2000) due to rush demand before the consumption tax hike and on the contrary, future conditions DI recorded the biggest decline of 20.0 ppt (from Dec. 2013 for 3 months) since inception due to the concern over subsequent pullback from the rush demand after April.

Amongst the activity-related DIs, the household activity-related DI exhibited the largest disparity between current and future conditions DI (herein after expressed as m-o-m (ppt): current→future) which was -19.8→+18.5. As to the household activity-related DI, the disparity was prominent especially in the retail with -28.8→+24.5 as they deal in the consumption of goods. Other than retail were; food & beverage +0.7→+14.6, services -8.4→+9.5 and housing -5.6→+6.7 all of which the disparity were relatively modest. From the beginning of this year, lots of positive news on the eating-out industry were heard which seemed to be reflected in the modest disparity of food & beverage DIs.

As to the remaining activity-related DIs, corporate activity-related DI was -9.9→+10.9. The manufacturing was -7.0→+10.2 and non-manufacturing was -12.1→+11.6. Although, non-manufacturing showed relatively large disparity, we think this is within the expectation since the corporations learned the lesson from consumption tax hike in 1997 not to be too opportunistic on the rush demand. Even the employment-related DI exhibited a modest disparity of -6.9→+7.3 which we think is the sign of favourable labor market environment being maintained.

April Economy Watchers Survey (M-o-M Change of DIs)

	Current conditions DI (A)	Future conditions DI (B)	Disparity (B)-(A)
<b>Household activities-related</b>	<b>-19.8</b>	<b>+ 18.5</b>	<b>38</b>
Retail	-28.8	+ 24.5	53
Department Store	-53.1	+ 40.4	94
Supermarket	-28.8	+ 24.8	54
Electrical appliance retail	-64.1	+ 36.5	101
Automobile	-25.1	+ 26.3	51
Food & beverage	+ 0.7	+ 14.6	14
Services	- 8.4	+ 9.5	18
<b>Corporate activity-related</b>	<b>- 9.9</b>	<b>+ 10.9</b>	<b>21</b>
Manufacturing	- 7.0	+ 10.2	17
Non-manufacturing	-12.1	+ 11.6	24
<b>Employment related</b>	<b>- 6.9</b>	<b>+ 7.3</b>	<b>14</b>

(Note) Conditions DIs are month on month percentage points change comparing Apr. to Mar.

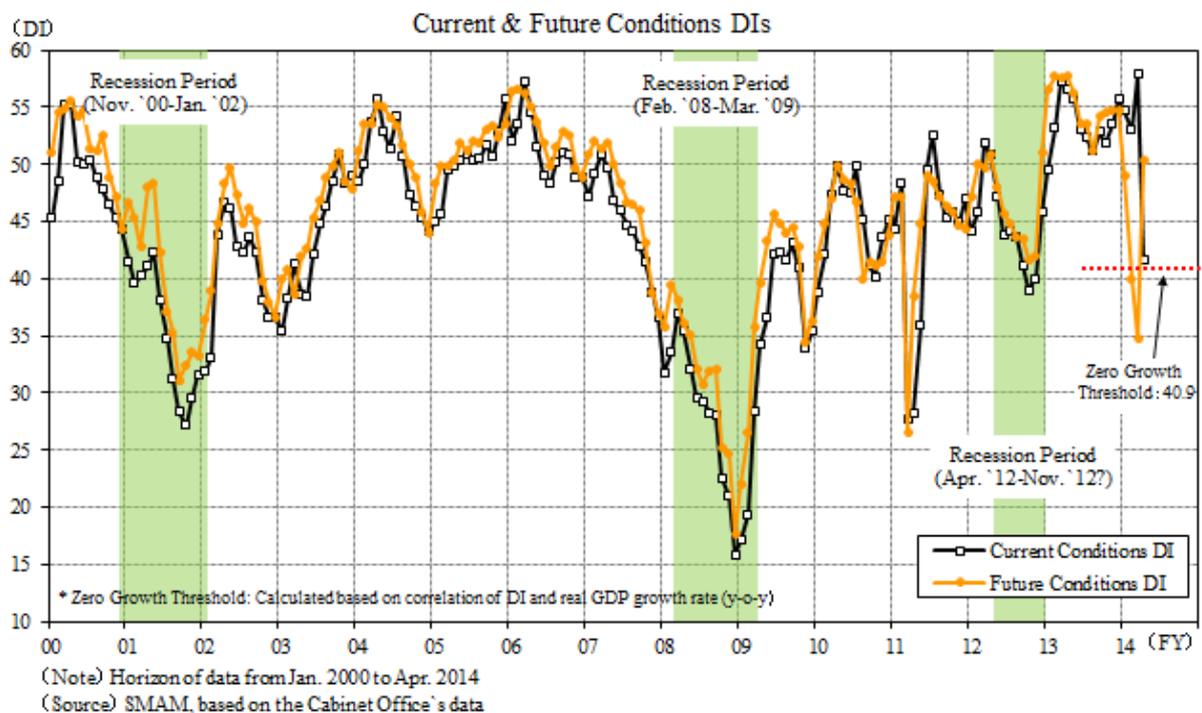
(Source) SMAM, based on the Cabinet Office's data



## Future Outlook & Focus

This time, the focus was on the magnitude of future conditions DI's improvement. It turned out that the magnitude of improvement of future conditions DI was almost on a par to that of the dip of current conditions DI and future conditions DI also surpassed the 50 threshold. The background of this could be the respondents' high expectations on the return of economy back to its growth trajectory after this summer and also they were prepared composedly against the subsequent pullback from the rush demand right after the consumption tax hike. Such a magnitude of the improvement of future conditions DI was beyond my expectation.

The household income has not increased that much to cover both prices and tax hikes which remains as a risk to decelerate the pace of economic recovery. However, I expect that the subsequent pullback from the rush demand created by the consumption tax hike will almost play out before this summer and after that the economy will gradually recover in tandem with the modest recovery of consumer expenditures if external shock, considerably detrimental to the economy, will not happen. I expect that the real GDP growth y-o-y will turn into positive at the latest from the latter half of this fiscal year.



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