
Mizuho Economic Outlook & Analysis

February 6, 2017

*Premium Friday should push up
personal consumption by approximately
¥200 billion to ¥300 billion*

< Summary >

- ◆ The implementation of “Premium Friday” will start in February 2017. The Premium Friday campaign is an initiative for encouraging people to leave work early on the last Friday of each month, designed to stimulate consumer spending by reviewing work styles and uplifting consumer confidence.
- ◆ However, the effect of Premium Friday pushing up consumption is likely to be limited. As indicated by the results of several questionnaire surveys, few companies have decided to introduce Premium Friday at the present stage. Furthermore, there is a strong inclination among consumers to relax at home.
- ◆ Travel consumption is expected to benefit greatly from the Premium Friday campaign. However, at a stage in which the spread of the campaign is limited, demand creation in this area is only estimated to be around ¥200 billion to ¥300 billion. To boost travel consumption further, wider implementation of the Premium Friday campaign and the associated review of work styles among Japanese companies and consumers are necessary.

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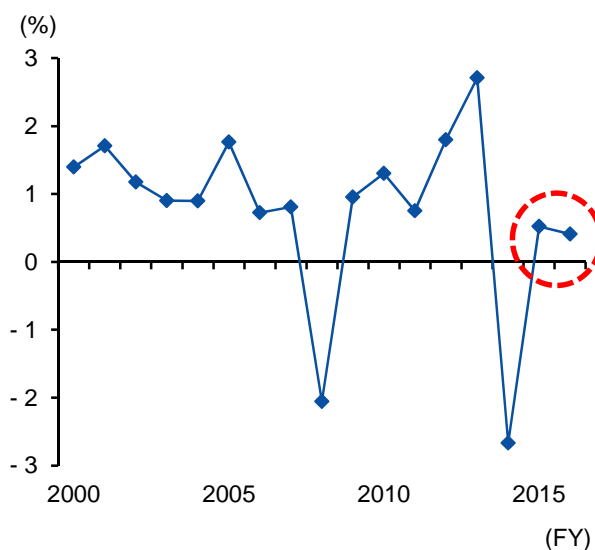
1. The implementation of “Premium Friday” will start in February 2017

Personal consumption in Japan still lacks strength even though it is picking up out of the slump after the consumption tax hike in April 2014. Looking at real private consumption in gross domestic product (GDP) statistics shown in **Chart 1**, private consumption in FY2015 grew a meager 0.5% year-on-year (y-o-y), though it recovered from the sharp fall of 2.7% in FY2014. Similarly in the April-September first half of FY2016, the growth of private consumption remained lackluster, increasing by only +0.4%.

Under these circumstances, in order to consolidate the steps of the recovery of personal consumption, the introduction of Premium Friday was decided as part of the “10 strategic public-private joint projects” under the *Japan Revitalization Strategy 2016*. Premium Friday is the joint public-private initiative to promote the review of work styles and life styles by encouraging people to leave work early on the last Friday of each month, with sponsoring companies advancing the finishing time of work to let their employees go home early and the Ministry of Economy, Trade and Industry acting as the coordinator of the campaign. It is designed to improve consumer confidence and raise the level of personal consumption as a result. Companies supporting the Premium Friday campaign are encouraged to take the initiative in creating an environment that should enable their employees to finish their work by 3 p.m. at the latest on the last Friday of each month. The first date will be Friday, February 24, 2017. The implementation of the second and subsequent rounds of the campaign have yet to be determined pending further consideration.

This paper examines the Premium Friday’s effect of pushing up personal consumption, based mainly on the results of a variety of questionnaire surveys.

Chart 1: Changes in real private consumption



Note: Real private consumption in FY2016 was computed based on figures for April-September.

Source: Made by MHRI based on Cabinet Office, *System of National Accounts*.

2. Little hope for Premium Friday lifting up personal consumption, at least for now

Let us examine the results of the questionnaire surveys on Premium Friday¹.

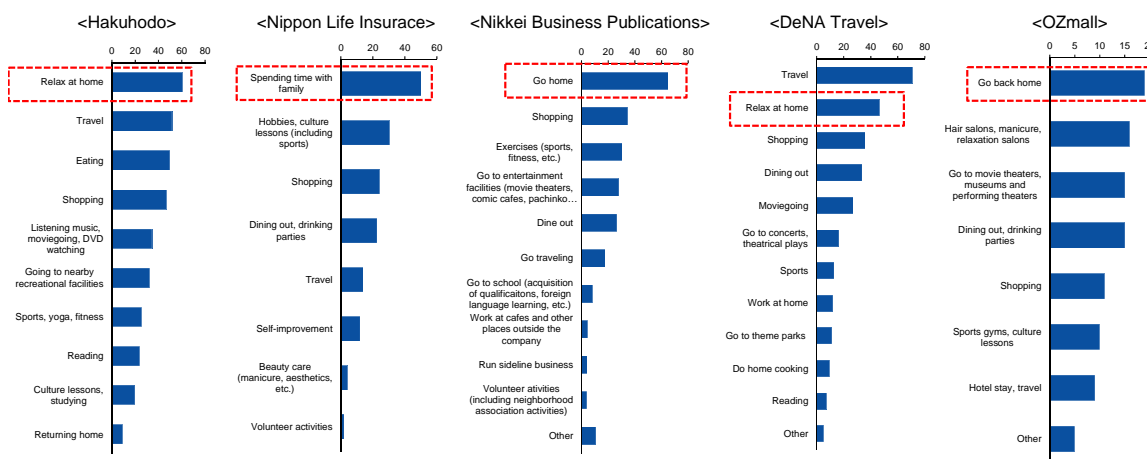
A survey by DeNA Travel Co., Ltd. on whether Premium Friday has been introduced by respondents’ employers or at their workplaces, shows that 2.2% said it “has already been introduced”

or it “is set to be introduced,” while an OZmall survey indicates that 3% of respondents replied that Premium Friday “will be implemented” at their companies, both showing the considerably low percentages for the Premium Friday introduction. The majority of respondents said their employers have “no plans to introduce Premium Friday” or they “don’t know.” The survey results suggest that only a fraction of companies are ready to introduce Premium Friday at the moment.

Even if Premium Friday is implemented to allow company employees to leave work early, it may not help turn up consumers’ motivation to spend. The results of several questionnaire surveys, summarized in **Chart 2**, show that when respondents were asked as to “how they plan to spend the extra leisure time of Premium Friday,” “relax at home” and similar responses took up the first and second places in each of the five surveys shown. This apparently indicates that even when people can leave work early on the last Friday of each month, many of them would like to give priority to getting rid of daily fatigue and/or spending more time with their families.

Given the above survey results, since only a limited number of companies are introducing the Premium Friday at the present stage and many consumers appear unlikely to go out even when they can leave work early, the Premium Friday’s effect of stimulating consumption is expected to be limited. To realize the greater effect of creating consumption by the Premium Friday, it is necessary to stimulate consumer confidence much further by increasing the number of companies that introduce Premium Friday and further broaden the campaign and other initiatives by service providers.

Chart 2: Results of questionnaire surveys on how to spend the Premium Friday



Note: Figures in the chart indicate %. Multiple replies are allowed, except for the OZmall survey, which allows only a single reply.

Source: Made by MHRI based on various press releases and other materials.

3. The only hopes are for higher spending on service consumption, particularly on travel

At the moment, Premium Friday's effect of pushing up overall consumption seems limited. The only area that is promising going forward is consumption of services.

According to the *Annual Report on the Japanese Economy and Public Finance 2010* (July 2010), a White Paper published by the Cabinet Office, "households of active company employees are under severe time constraints mainly for service consumption, as they have long working hours," offering an analysis that an increase in the number of non-working days during the holiday-studded Golden Week and a higher rate of the used portion of employees' annual paid leave should help raise the level of service consumption. It is readily understandable that if Premium Friday shortens working hours on the last Friday of each month, it will help increase leisure time and people will have greater room to spend on services.

The results of the questionnaire surveys shown in **Chart 2** indicate that apart from "Relax at home" and other similar replies, consumers are eager for service consumption. In fact, items related to service consumption, including "dining-out," "sports," "entertainment," such as going to the movies, and "travel," rank high among the responses regarding how to spend the Premium Friday. Though not service consumption, "shopping" also is included in the higher-ranking responses.

In service consumption, particularly strong expectations are placed on travel. In the case of travel, since average spending per travel is very high compared with dining-out or movies and other entertainment items, travel offers a higher likelihood of having a larger effect of pushing up consumption than other spending items. In the results of the questionnaire surveys by DeNA Travel Co., Ltd. and Hakuholdo Inc., travel ranks at the top of the list and second, respectively. Since going traveling requires a certain length of time, if leaving work early on Premium Friday generates more leisure time, then that may prove a factor helping enhance the willingness of going traveling.

Let us estimate the Premium Friday's effect of pushing up travel consumption alone. The results of questionnaire surveys on "travel destination" conducted by Hakuholdo Inc. and DeNA Travel Co., Ltd. show that the higher percentages of consumers favor "domestic travel for 1.5 days and one night" (destinations include Hokkaido and Okinawa) and "overseas travel for 2.5 days and two nights" (destinations include South Korea and Taiwan).

Based on these results, we estimate an amount of travel consumption to be generated by an increase in the number of travelers going on an overnight domestic trip and a two-night overseas trip, using a number of assumptions. The method for estimation is summarized below (for details, see the bottom note²).

- (1) Calculate per-capital travel spending amount using the survey on travel and tourism trends by the Japan Tourism Agency;
- (2) Calculate the number of people generating opportunities for travelling (for a period of one year)

with the use of the questionnaire survey results and a number of assumptions, including whether Premium Friday will become established; and

- (3) Calculate the amount of travel consumption by multiplying the per-capita travel spending amount by the number of people generating opportunities for travel.

Chart 3 shows the amount of travel consumption increase estimated by the above method. If the Premium Friday fails to become established, the increase in the amount of travel consumption would only be around 0.2 trillion to 0.3 trillion yen (or equivalent to about 0.09% of nominal private consumption).

However, if Premium Friday becomes established, its impact of pushing up the amount of travel consumption would expand to around 0.5 trillion to 0.6 trillion yen (or equivalent to about 0.2% of nominal private consumption). Given that this effect of boosting consumption comes from travel consumption alone, these numbers are not so small. If Premium Friday becomes widespread across Japan, it may be possible that travel consumption will underpin personal consumption to a certain extent.

Chart 3: Estimated effect of pushing up travel consumption

(¥100 million)

Assumption ①	No. of people generating opportunities for travelling	Premium Friday fails to become established		Premium Friday becomes established	
Assumption ②	Overseas travel	Mainly personal travel	Mainly package tour	Mainly personal travel	Mainly package tour
Effect of pushing up travel consumption		2,195	2,637	4,975	5,976

Note 1. The number of people generating opportunities for travelling is estimated for the two cases of Premium Friday failing to be established and becoming established.

2. Overseas travel is assumed for two cases of mainly personal travel and mainly package tours because the difference between personal travel and package tours lead to very different amounts to be counted in domestic consumption.

Source: Made by MHRI based on various data and materials

4. Aside from travel, dining out may significantly push up consumption

Aside from travel, entertainment, dining out and shopping can also be expected to push up consumption. Though it is difficult to calculate an estimated amount of consumption being pushed up by these items, we examine which sector can be particularly expected to give a boost to consumption.

Chart 4 shows consumption expenditures by day of the week in the *National Survey of Family Income and Expenditure* (Ministry of Internal Affairs and Communications). The chart ranks the higher spending items through the indexation of expenditures on Fridays against “100 for expenditures on the days of the week other than Fridays” on each consumption item. According to the chart, spending on dining out on Fridays is 56% higher than the same spending on other days of the week. It is easy to imagine that spending on company drinking parties and dinner with friends increase as the following day is most likely a non-working day. On top of that, the monthly average expenditure per household on dining out is also larger than the expenditure on other higher spending items. In addition,

the *Family Income and Expenditure Survey* (Ministry of Internal Affairs and Communications) indicates that the expenditure on dining out “on the last Friday of the month” is estimated to be 12% higher than the expenditure on dining out “on Fridays other than the last Friday of the month.” Based on the above, if the Premium Friday becomes established to allow people to leave work early, demand for dining out can be expected to underpin personal consumption.

Since the average expenditure on “clothing” and “barbers and beauty care” is also relatively large, increased spending on these items may contribute to boosting personal consumption to a certain extent.

Chart 4: Average expenditure per household by item on Fridays (worker household, 2014)

Item	Expenditure on Fridays	
	Other days of week =100	Monthly average (In yen)
Telephone and telefax goods	199	356
Insurance	187	2,629
Expenses for hospitalization, delivery	162	108
Dining out	156	14,965
House management and repair	135	1,209
Transportation expenses	133	4,046
Clothing	126	8,586
Alcoholic beverages	124	2,892
Home-use fabrics	124	346
Automobile-related expenses	122	11,272
Electricity, gas and other fuels	121	661
Water bills, etc.	118	46
Footwear	117	1,242
Automobile purchases	116	6,360
Glassware, dining table devices and home-use implements	114	632
Accommodation services	114	1,294
Barbers, beauty care	112	6,507
Medical expenses	111	5,771
Newspapers, books and stationery	107	1,973
Other entertainment items and products, gardening and pet supplies	107	3,298

⇒ On the last Friday of each month, expenditures rose 12% over other Fridays.

Note: Red-letter figures are calculated based on two-or-more-person households in the *Family Income and Expenditure Survey*.

Source: Made by MHRI based on the Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure* and *Family Income and Expenditure Survey*.

5. Whether Premium Friday will build momentum for the establishment of a new consumption style should be closely watched

As Premium Friday is not yet widely established at the moment, its effect of pushing up travel and other service consumption may not be so significant. However, the Premium Friday initiative itself is by no means all negative.

The previous measures implemented to stimulate personal consumption were mostly one-off measures, such as fixed-amount benefits, subsidies and/or tax cuts for “eco car” purchasers, the eco-point system for home electronics, and merchandise coupons to help revitalize local economies. While these measures helped significantly push up personal consumption temporarily, large fallbacks in spending emerged in many cases after the expiration of these measures, inviting criticisms as

dole-out measures. By contrast, the Premium Friday initiative, instead of doling out transient benefits, encourages companies to make their independent efforts, and should lead to a genuine expansion of consumption if such efforts are sustained.

Needless to say, problems remain to be addressed. Most companies still take a wait-and-see stance on whether to adopt Premium Fridays, and in order to do so, they would be required to make changes to their workplaces to keep their business operations running. For employees as well, concerns are being voiced that their overtime work may increase, as they are encouraged to leave work early on the last Friday of each month. The Premium Friday initiative may rather increase burdens on people employed in the retail and food service industries providing services to consumers. A sense of unfairness may also grow as the Premium Friday initiative is said to offer few benefits to small and medium-sized companies with a growing sense of labor shortage or to non-regular employees working by the hour. Perhaps partly reflecting such views about the Premium Friday initiative, the results of a questionnaire survey conducted by Nikkei Business Publications indicate that consumers who believe Premium Friday will become established are surprisingly few.

However, the role Premium Friday will play is by no means small as it will help add momentum toward establishing a new consumption style with a gradual progress in effort to deal with the above-mentioned problems and the broadening review of work styles as well as life styles. The Premium Friday initiative is expected to be continued after February 2017. It is hoped that the Premium Friday initiative will be improved as it gradually spreads.

¹ The overview of the questionnaire surveys (the timing of the surveys and those surveyed) used in this paper is as follows:

Hakuhodo: October 27-28, 2016; 800 males and females in their 20s to 50s.

Nippon Life Insurance: December 1-18, 2016; 9,283 males and females of all ages (the survey topic was not limited to the Premium Friday).

Nikkei Business Publications: December 15-19, 2016; 1,787 males and females of all ages.

DeNA Travel: January 11-15, 2017; 509 males and females aged between 25 and 69.

OZmall: January 10-25, 2017; 1,300 females of all ages.

² Details of the estimates of the increases in travel consumption are as follows:

The four scenarios were established: (1) the two cases where the Premium Friday becomes established and fails to become established, and (2) the two cases where overseas travelers go mainly on personal travel and mainly on package tours.

The procedures for the estimation are as follows:

- (1) Based on the Japan Tourism Agency's Travel and Tourism Consumption Trend Survey, we calculated the unit cost per capital for "an overnight domestic travel" and "two-night overseas travel," respectively. As for overseas travel, we estimated the unit cost for personal travel and package tours separately, and then estimated the unit cost for overseas travel of mainly personal travel and overseas travel of mainly package tours, respectively. More specifically, in the case of mainly personal travel, we calculated the weighted average of the unit cost on the basis of the ratio of 7 to 3 between personal travel and package tours. We did the reverse in case of mainly package tours.
- (2) We established the number of people generating opportunities for travelling by referring to various questionnaire surveys. We assumed that 14% of regular employees travel when Premium Friday fails to become established and that 32% of regular employees travel when Premium Friday becomes established. We took the number of regular employees from the Ministry of Internal Affairs and Communications' *Labour Force Survey*.
- (3) By using the results of various questionnaire surveys as a reference, we set the ratio of domestic travel and overseas travel at two to one for the number of people generating opportunities for travelling.
- (4) We calculated the four patterns for the effect of pushing up travel consumption by multiplying the per-capita unit

cost by the number of people generating opportunities for travelling.