

Monthly Report of Prospects for Japan's Economy

January 2016

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

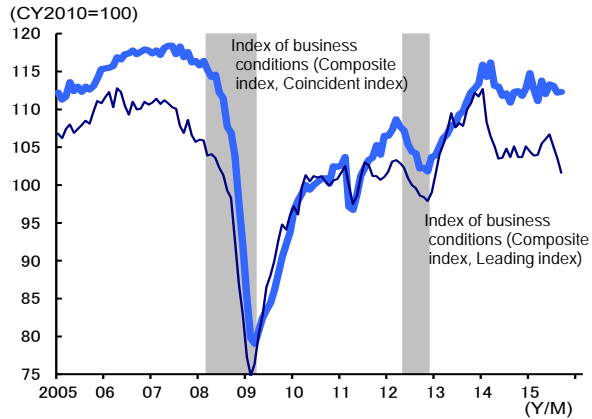
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the December 2015 issue of the original Japanese version.

The general situation of Japan's economy – On a moderate recovery trend, yet with some weak figures

Figure 1-1 Economic Activity

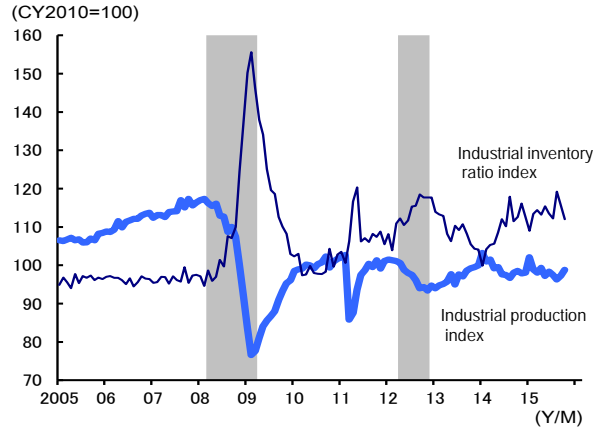
The leading index of business conditions fell for 3 months in a row, reflecting the decline in the consumer sentiment, and other factors.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

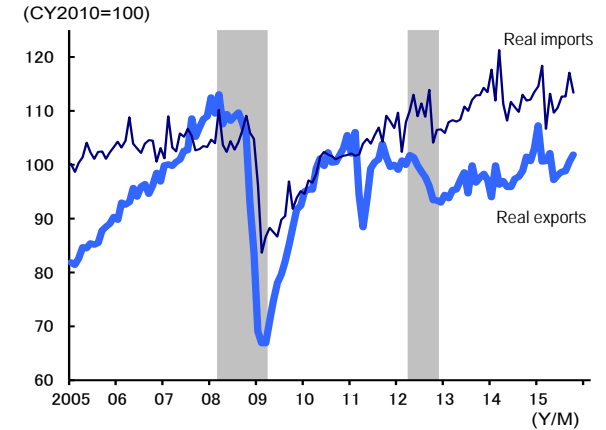
Production activity seems to have shown signs of recovery. Industrial production increased and the inventory ratio fell, both for 2 months running.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

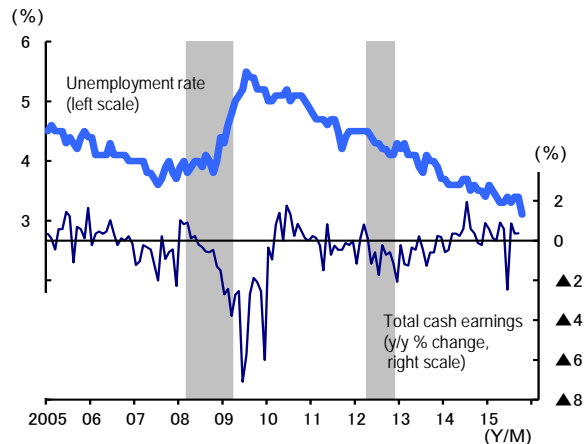
Exports have picked up at a moderate pace. Imports decreased for the first time in 5 months.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate fell to the lowest level since July 1995. Total cash earnings continued to increase year-on-year.

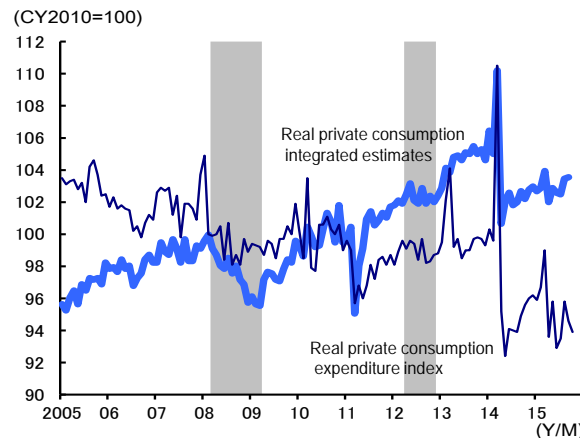


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 Private Consumption Expenditure

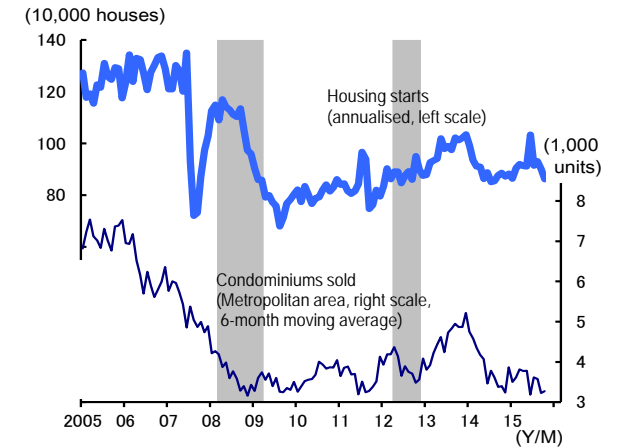
Real private consumption expenditure has lacked momentum, having declined for 2 months in a row.



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications.

Figure 1-6 Housing Investment

Housing starts have weakened. Condominium sales continued to seesaw.



Source: The Ministry of Land, Infrastructure and Transport, Real Estate Economic Institute Co., Ltd.

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Sense of a standstill has been felt, reflecting the slowdown in overseas economies

◆ The real GDP change rate in Q3 last year was revised upwards to an annualised 1.0 per cent

The real GDP change rate in the July-September period 2015 was revised upwards to plus 1.0 per cent on an annualised quarter-on-quarter change basis in the second preliminary estimates, from minus 0.8 percent in the first ones (on a national accounts basis). This revision was due to the upswing in business fixed investment and private inventory changes. However, this narrowing in the negative contribution of inventory changes seems to suggest the delay in the progress in inventory adjustment through increasing demand. Therefore, pressure for inventory adjustment will likely continue to be a weighing factor on the economic activity.

◆ Shipments of capital goods and machinery orders have lacked momentum

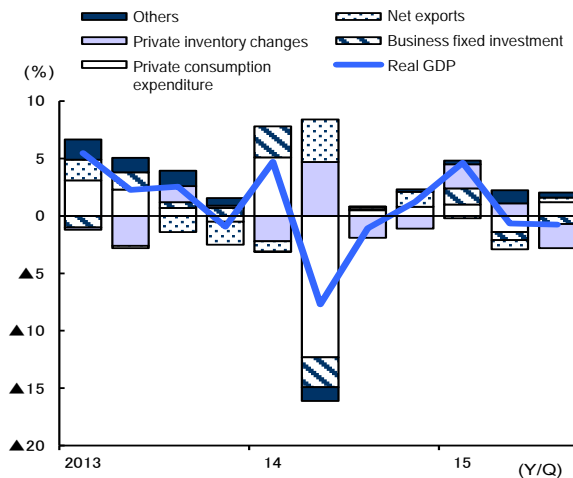
Based on monthly statistics, in the corporate sector, shipments of capital goods and

machinery orders have lacked momentum, although corporate profits continue to be buoyant. Real exports of goods to China and other Asian countries, mainly those of capital goods, have been stagnant, reflecting the slowdown in the economies of these countries. This situation appears to worsen business sentiment in Japanese enterprises and make their attitudes to investment more cautious. In addition, the pace of inventory adjustment has been slow, although the progress in adjustment thus far seems to have eased the decline in production to some degree.

◆ Household consumption expenditure has also lacked momentum

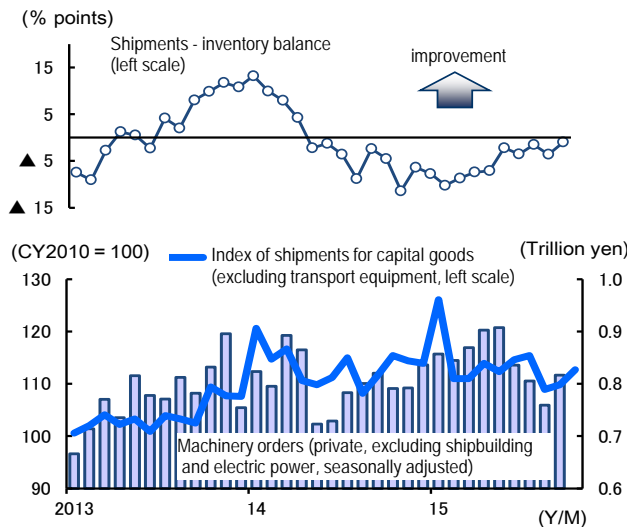
In the household sector, income continues to pick up moderately, against the background of favourable corporate profit environments and labour shortages. However, real household consumption expenditure decreased last October for the second month in a row, under the circumstances that consumer sentiment has not shown any improvement due to the increase in food prices and other factors.

Figure 2-1 Real GDP Change Rate by Demand Item <the first preliminary estimates, on an annualised q/q change basis, seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

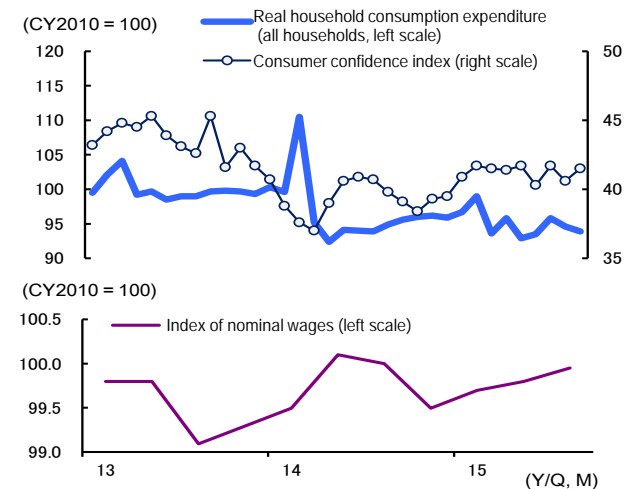
Figure 2-2 Shipments - Inventory Balance, Shipments of Capital Goods and Machinery Orders



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Economy, Trade and Industry.

Note: Shipments - inventory balance = $\frac{y}{y}$ in index of shipments - $\frac{y}{y}$ in index of inventory

Figure 2-3 Real Household Consumption Expenditure and Index of Nominal Wages



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

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The pace of pickup in Japan's exports has been slow, while "inbound demand" has bolstered the total

◆ Imports other than mineral fuels have been firm

Japan's monthly trade balance turned to surplus last October for the first time in 7 months, due to the considerable fall in the value of imports of crude oil. The fall in the value of imports of mineral fuels was caused by their cheaper prices and the increase in their inventories. This piling up in inventories was contributed to by the decrease in demand for electricity during late summer last year due to shorter lingering summer heat as well as stagnant domestic production activity.

However, imports other than mineral fuels have been picking up. If the fall in the crude oil price is checked and domestic production recovers more visibly, imports will also likely pick up further.

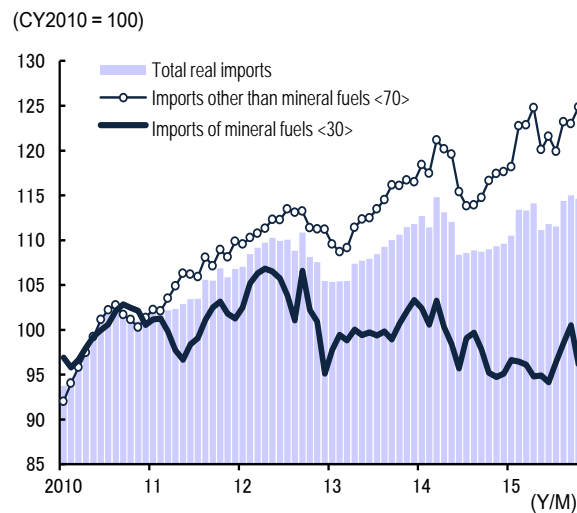
◆ Exports will likely continue to lack momentum, against the background of a slowdown in the Chinese economy and other factors

Although Japan's exports have shown signs of pickup, the pace of the recovery has

been slow. Examining the trend by product, the decline in exports of general machinery has been especially weighing down on the total exports. This is because demand for machinery for the shale oil and gas-related investments has decreased in the US reflecting the fall of crude oil price, and demand for machine tools to produce various parts for smartphones has slowed down in Asia. The decrease in exports of general machinery has led to the increase in its inventory.

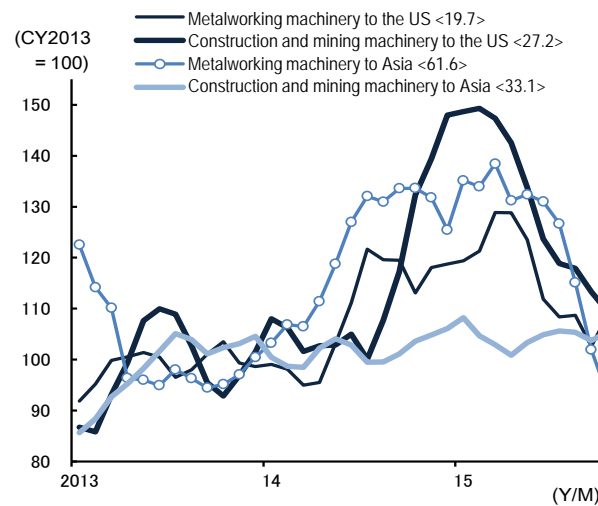
Looking ahead, in addition to solid exports of services including buoyant "inbound demand" produced by the increasing number of foreign tourists to Japan, the depreciation of the yen will bolster Japan's total exports as positive elements. However, the deceleration in the economies in emerging countries such as China will likely continue to be a weighing down factor. Thus, it is unlikely that Japan's exports will regain momentum strong enough to boost the economy for the time being.

Figure 3-1 Japan's Real Imports
<seasonally adjusted,
3-month moving average>



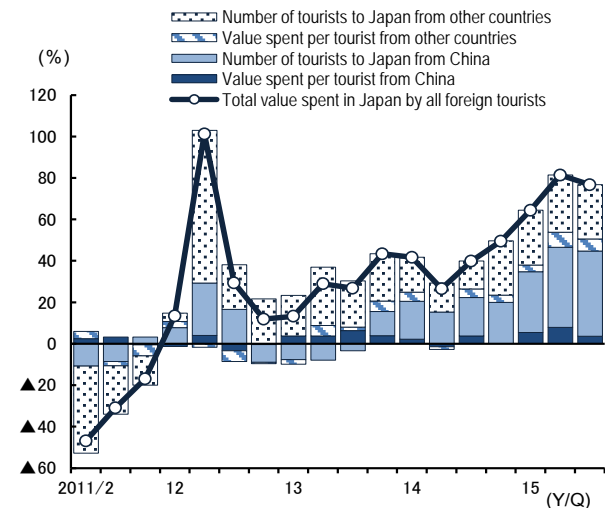
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.
Note: Figures in the angle brackets show the shares in FY2014.

Figure 3-2 Nominal Value of Exports of
Metalworking Machinery and
Construction and Mining Machinery
<seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.
Note: Figures in the angle brackets show the shares in CY2014.

Figure 3-3 Value Spent in Japan by
Foreign Tourists by Country
<year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of Japan Tourism Agency.

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Business fixed investment will likely pick up, albeit moderately, reflecting firm corporate profits

◆ Corporate profits continue to be firm

Concerning the corporate sector, based on the Financial Statements Statistics of Corporations by Industry, current profits in enterprises in the July-September quarter last year continued to be at around their highest level thus far on an aggregate basis, while sales proceeds were still stagnant during that period.

The latest improvement in the ratio of current profits to sales appears to be against the background of a cost reduction effect thanks to the fall in the crude oil price. This is seen as a positive contribution of a fall in "variable costs", while the rise in "personnel expenses" has played a role in curbing the ratio.

◆ The pace of increase in business fixed investment will likely be more moderate, compared with that in buoyant corporate profits

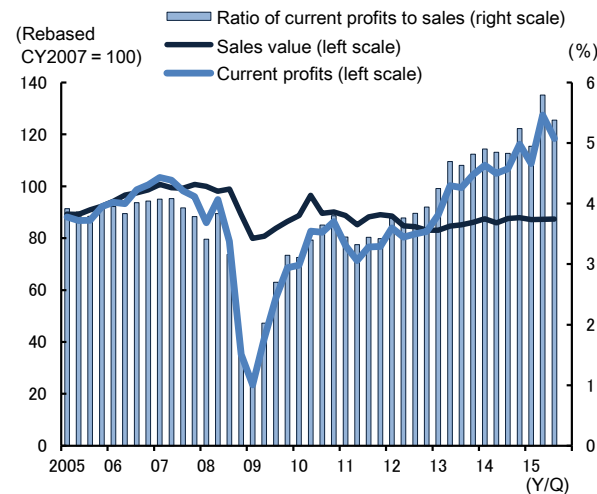
Based on the Financial Statements Statistics of Corporations by Industry, business fixed investment in all enterprises (excluding financial institutions and software

investment) increased in the July-September period last year from the previous quarter for the first time in 2 quarters. Thus, firm business fixed investment was confirmed in the demand side statistics.

On the other hand, the supply side statistics such as machinery orders weakened. Therefore, there was worry that enterprises had postponed a certain part of their investment, due to sluggish exports, prolonged inventory adjustment, heightened uncertainties such as slowing Chinese economy, and so on.

Judging from both favourable and unfavourable figures, it is likely that business fixed investment will pick up, against the background of buoyant corporate profits and increased demand for investment for rationalisation, saving, and research and development. Yet, the pace of pickup will likely be more moderate than anticipated, due to future uncertainties surrounding overseas economies.

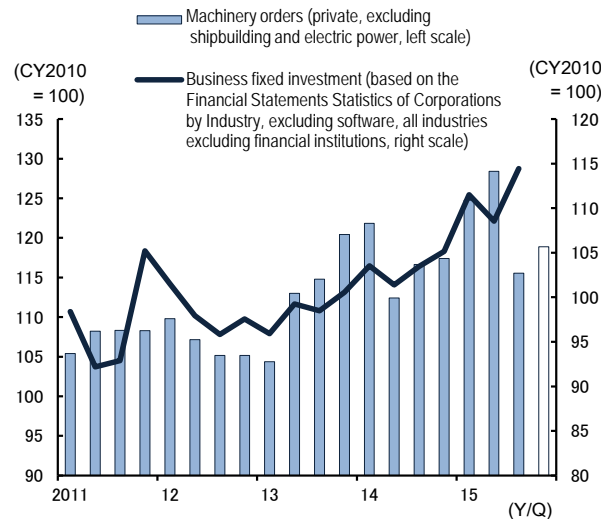
Figure 4-1 Sales Value and Ratio of Current Profits to Sales <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.

Note: All industries excluding financial institutions.

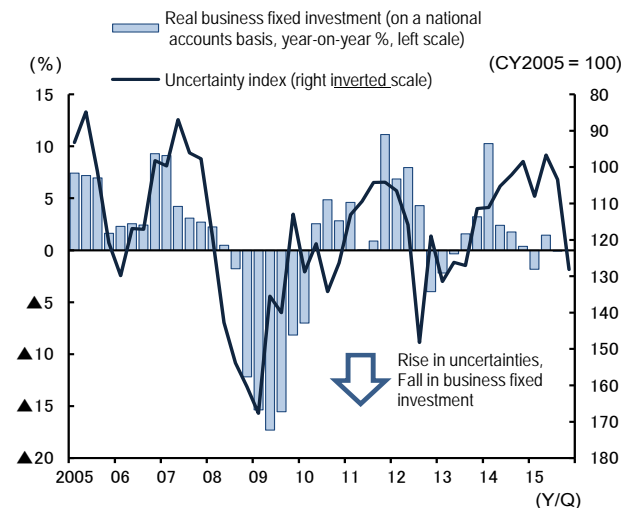
Figure 4-2 Values of Machinery Orders and Business Fixed Investment



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Finance.

Note: The latest figure in machinery orders is a forecast of the Cabinet Office.

Figure 4-3 Real Business Fixed investment and Uncertainty Index



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, Bloomberg L.P.

Note: The uncertainty index is based on TOPIX, and the latest is for the average of October and November figures.

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Private consumption expenditure will be affected positively by wage rises and cheaper oil

◆ The pace of recovery in private consumption expenditure has remained slow, reflecting the deceleration in real compensation for employees

The pace of recovery in private consumption expenditure has still been slow. This seems to be against the background that real compensation for employees has been very slow to increase. While the number of employees is on the rise, nominal wages per employee have been slow to rise, because enterprises have been still cautious about raising wages which leads to an increase in fixed costs. In addition, although the core CPI has decelerated in recent months, the rise in the price of food has made consumer sentiment worsen. This is because the pace of rise in the CPI for food excluding fresh food has been much faster than that of nominal wages. Also, food is quite often purchased by consumers and, therefore, its price change is felt acutely by them as if it were a realisation of the price situation as a whole.

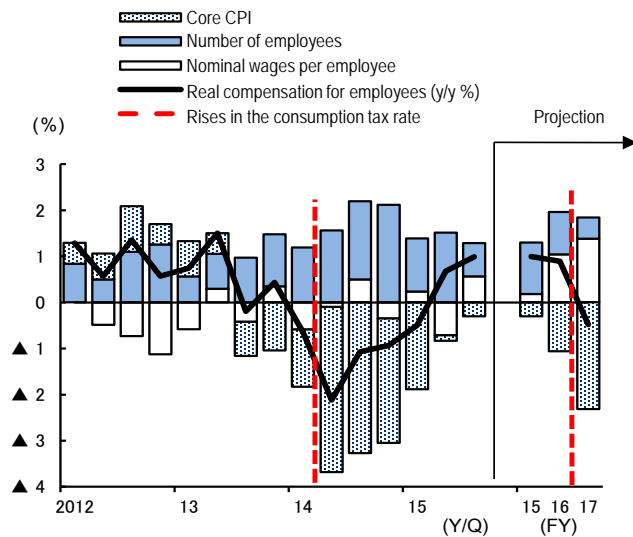
◆ Slow pace of recovery in private consumption expenditure will likely continue

Looking ahead, the recovery trend in private consumption expenditure will likely be kept over the FY2016 to March 2017, because firm corporate profits will continue to bolster the improvement in employment and income environments. Also, a further worsening of consumer sentiment will be avoided because the pace in the rise in food prices will decelerate due to the nearing of the end of the boosting effect of the weaker yen.

However, the pace of pickup in compensation for employees and private consumption expenditure will remain moderate. One of the reasons for this is that the increase in employment has tended to be unevenly distributed to the brackets with lower wage levels. The main types where employment has been increased most are female and/or elderly part-time jobs, and, by industry, jobs in nonmanufacturers.

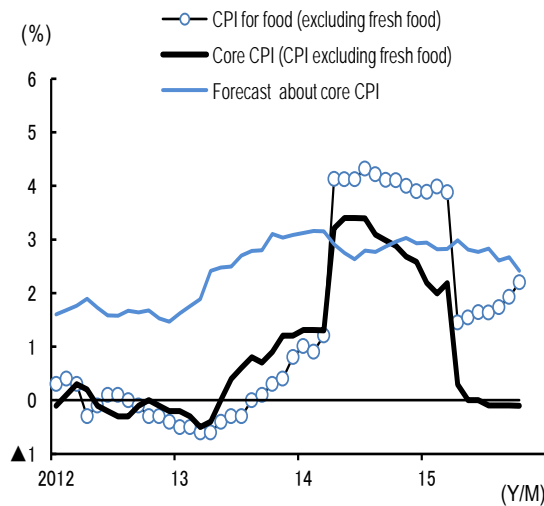
Looking ahead further, it is predicted that private consumption expenditure in real terms in FY2017 will decline considerably due to the decrease in real income caused by the rise in the consumption tax rate from 8 to 10 per cent in April 2017.

Figure 5-1 Contributions to the Year-on-Year Change Rate in Real Compensation for Employees



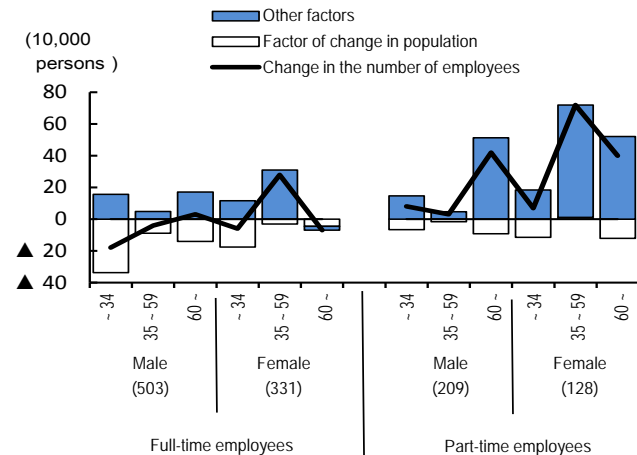
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, and so on.

Figure 5-2 Core Consumer Price Index and Its Forecast of Consumers <year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications.

Figure 5-3 Details in Change in the Number of Employees <from January 2013 to October 2015>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.

Note: The figures in parentheses are median estimates of annual income (units of 10,000 yen, in Q3 2015).

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Effects of economic measures will likely bolster the economic activity in FY2016

◆ The supplementary budget for FY2015 will support the economic activity in FY2016

Amid limited strength for the economic recovery, the supplementary budget for FY2015 was compiled and approved in a cabinet meeting in December last year. Its scale is 3,321 billion yen, which is estimated to boost the real GDP growth rate by 0.4 percentage points, on the assumption that about 70 per cent of the total amount will contribute as a boost with public works being its main driving force. Judging from the labour shortage in construction-related industries, the boosting effect will materialise in several years to come, with that in FY2016 being the main portion.

◆ The scheduled rise in the consumption tax rate to 10 per cent in April 2017 will also be a fluctuating factor

The changes in demand and prices caused by the scheduled rise in the consumption tax rate from 8 to 10 per cent in April 2017 will be a fluctuation factor. First of all, it is estimated that the scale of a last minute surge in demand this time will

be smaller than that in the consumption tax rise in April 2014. Although durable goods such as household appliances and automobiles will be the main items subject to rushed demand, those which were purchased in a rush before the consumption tax rise last time (mainly refrigerators and air conditioners) will not be purchased again this time, taking their service life into account.

Taking the above mentioned element into consideration, based on consumption functions, it is estimated that a last minute surge in demand will push up the growth rate of private consumption expenditure in FY2016 by 0.7 percentage points. However, it is also projected that private consumption expenditure in FY2017 will be pushed down in turn, by 1.6 percentage points, by a reactionary fall after the surge and reduced real purchasing power caused by the rise in consumer prices.

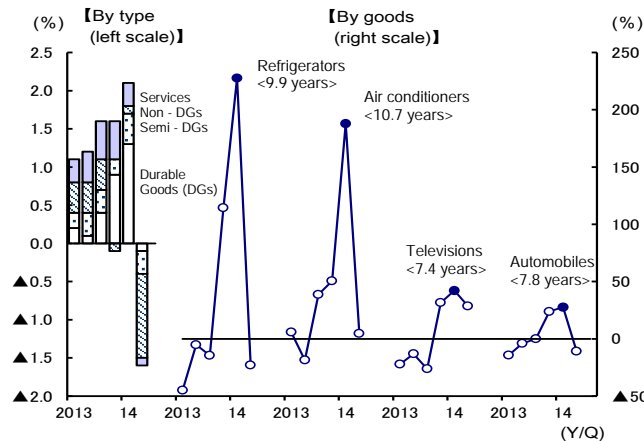
Meanwhile, if the reduced tax rate of 8% is applied to food excluding alcoholic beverages and eating out, the rate of decrease in private consumption expenditure in FY2017 is estimated to be eased by 0.2 percentage points.

Figure 6-1 Items in Supplementary Budget for FY 2015 and Estimated Effect to Real GDP Growth Rate

	(Billion yen)
Urgent measures to realise a "Society in Which All Citizens are Dynamically Engaged"	1,164
• To realise the "desirable birth rate of 1.8" and "no one forced to leave their jobs for nursing care"	<395>
• Support for pensioners	<362>
• To promote investments and realise revolution in productivity	<240>
• To strengthen added-value creativity in local communities	<167>
Measures to realise TPP-related policies	340
Measures to accelerate the reconstruction in the disaster-hit areas and to promote disaster prevention and reduction	1,338
Other Measures	479
The Total	3,321
Estimated boosting effect on the GDP growth rate	0.4 % points

Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, Prime Minister of Japan and his Cabinet, and so on.

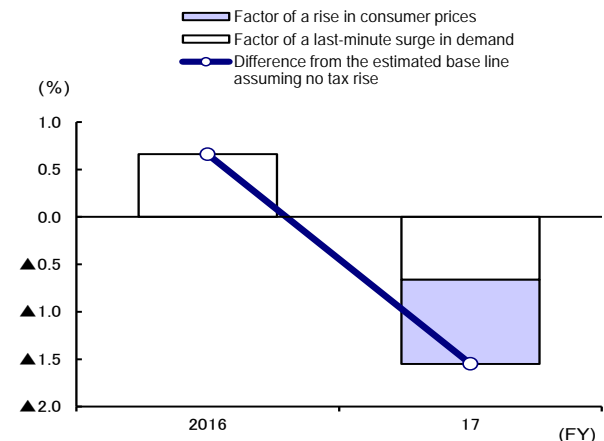
Figure 6-2 Change in Private Consumption Expenditure before and after the Consumption Tax Rise in April 2014 <year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications.

Note: The figures in angle brackets show service life (years) of each type of durable goods.

Figure 6-3 Estimated Effect of the Consumption Tax Rise in April 2017 (8% to 10%) on the Change Rates in Private Consumption Expenditure



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Bank of Japan, The Ministry of Internal Affairs and Communications.

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Achieving the core CPI goal set by the BoJ will likely take time

◆ The changes in consumer prices vary considerably with items

The core consumer price index (CPI), which excludes fresh food, decreased year-on-year for 3 months in a row. The detailed observation shows that the changes in consumer prices vary considerably with items. The energy price continues its significant fall due to the substantial drop in the crude oil price. Also, the cost of rent and utilities, which has fair price rigidity and is hard to change in response to the improvement in the macroeconomic supply-demand situation, has decelerated.

However, the consumer prices of items other than the above mentioned have accelerated their pace of increase of late. This acceleration has been contributed to by factors such as the rise in costs of imports because of the weaker yen, the improvement in the macroeconomic supply-demand environments compared with those before the start of Abenomics, and the increase in inflation expectations which is implied by the upward shift of the intercept in the Phillips curve. Judging from these aspects, it is likely that the prices of these items will continue their solid increase

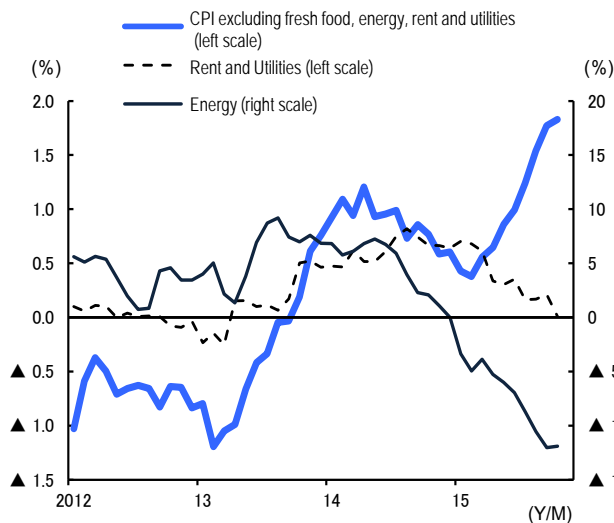
even after the boosting effect of the weaker yen nears its end.

◆ It will take time to achieve the goal set by the BoJ

In order to achieve the goal set by the BoJ of the "continuously stable core CPI inflation rate at a pace of 2 per cent year-on-year," it is necessary for the pressure for price rises to spread to items such as rent and utilities.

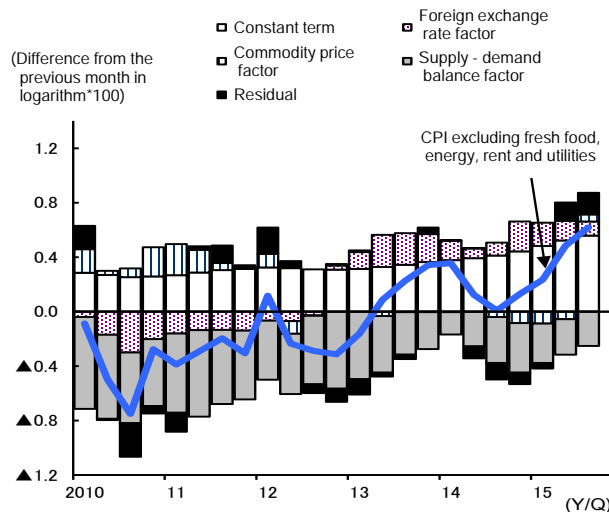
As for rent, which has a relatively heavy weight in the total weight in the core CPI, there is a strong correlation between rent and land prices in residential areas. Therefore, in order for the pressure for rises on rent to strengthen, it is necessary for the increasing trend in land prices to materialise and last, in addition to the improvement in the macroeconomic supply-demand environments and the increase in inflation expectations. The land price index for residential areas in urban districts on a national basis continues its moderate year-on-year decline of late. Taking this situation into consideration, it will likely take quite some time for rent on a CPI basis to show a year-on-year increase and to approach a 2 per cent rise.

Figure 7-1 Consumer Price Index (CPI) by Item <year-on-year % change>



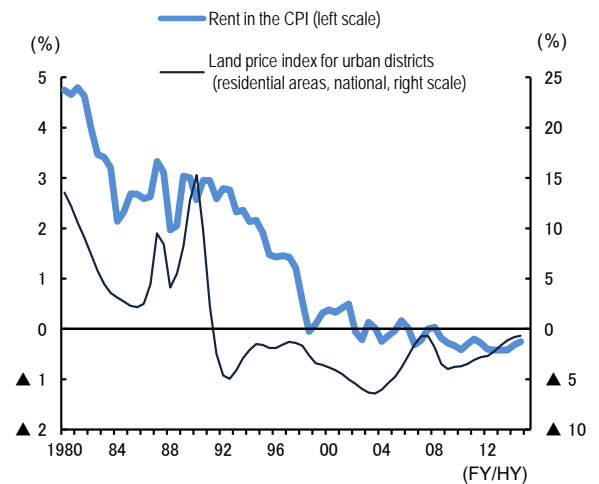
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.
Note: Rent and utilities exclude electricity and gas charges.

Figure 7-2 Contributions to the Year-on-Year Change Rate in CPI excluding Fresh Food, Energy, and Rent and Utilities



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, and so on.

Figure 7-3 CPI for Rent and Land Price Index for Urban Districts



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, Japan Real Estate Institute.

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Prospects for Japan's economy - Projected real GDP change; 1.2% in FY2016 and 0.0% in FY2017

◆ Amid limited strength for the economic recovery, the economic activity in FY2016 will likely be bolstered by the effects of economic measures, yet that in FY2017 will likely have no growth

(1) The real GDP change rate in the July-September period 2015 was revised upwards to plus 1.0 per cent on an annualised quarter-on-quarter change basis in the second preliminary estimates, from minus 0.8 percent in the first ones (on a national accounts basis). This revision was mainly due to the upswing in business fixed investment and private inventory changes. However, private consumption expenditure was revised downwards. Also, this narrowing in the negative contribution of inventory changes seems to suggest the delay in progress in inventory adjustment through increasing demand. Therefore, pressure for inventory adjustment will likely continue to be a weighing factor on the economic activity.

(2) In spite of the above mentioned revision, the basic forecast on the trajectory of the economy does not need any alteration. That is, the "autonomous economic expansion mechanism" has not faltered and is expected to continue to work. This can be judged from the following: 1) the favourable environments for the increase in business fixed investment have been maintained, including continued buoyant corporate profits and low interest rates, 2) the income and employment environments for households continue to improve moderately, thanks to increased corporate profits and the tendency of a shortage of workers, and so on.

However, though, the pace of economic growth is predicted to be moderate on the whole. This trend has been mainly affected by the various structural changes at home and abroad which have taken place in the economy and its environments. These changes have made the strong expansion of private consumption expenditure, conventional investment in machinery and buildings, and exports of goods unable to be counted on.

(3) Under these circumstances, it is estimated that real GDP in the second half of FY2015 will be slow to grow. This is because persistent pressure for inventory adjustment will continue to be a weighing factor, and exports and

business fixed investment are predicted to lack momentum. As a result, it is projected the real GDP growth rate in FY2015 as a whole will be 1.0 per cent.

Looking ahead further, in FY2016 to March 2017, it is expected that Japan's economy will return to its firm recovery trajectory, as inventory adjustment nears its end, with its "autonomous expansion mechanism" continuing to work. Also, the boosting effects of the favourable factors will bolster the economic activity during the period, such as the implementation of the supplementary budget for FY2015 and a last minute surge in demand before the scheduled rise in the consumption tax rate from 8 to 10 per cent in April 2017. Accordingly, it is projected that the real GDP growth rate in FY2016 will be slightly up from the previous fiscal year to 1.2 per cent.

However, real GDP growth in the April-June period 2017, the first quarter of FY2017, will see a considerable decline from the previous quarter due to the reactionary fall in demand to the last minute surge before the consumption tax rise. Although the economic activity is predicted to return to its recovery trend again under the continued "autonomous expansion mechanism", the pace of recovery will likely remain moderate, affected also by the reduction in the real purchasing power due to the rise in consumer prices. Therefore, it is projected that real GDP in FY2017 as a whole will have no growth from the previous fiscal year.

◆ The rate of increase in the core CPI will likely accelerate gradually, as the downward effect of the cheaper crude oil nears its end

(4) It is predicted that the pace of increase in the core CPI which excludes fresh food will accelerate in FY2016, as the downward pressure on the year-on-year change rate stemming from the cheaper crude oil peters out gradually. The pickup in domestic demand will also contribute to boosting prices. The rate of year-on-year increase in the core CPI during FY2017 is projected to be up to 2.5 per cent, affected also by the rise in the consumption tax rate in April 2017.

Figure 9 Projections for GDP Growth and Main Indicators of Japan (as of December 8, 2015)

	(seasonally adjusted, annualised % changes from the previous quarter)											(% changes from the previous fiscal year)			
	CY2015		CY2016				CY2017				CY2018	FY2014	FY2015	FY2016	FY2017
	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	(Actual)	(Projection)	(Actual)	(Projection)
	(Actual)	(Projection)					(Projection)					(Actual)	(Projection)	(Actual)	(Projection)
Real GDP	1.0	0.3	1.4	0.3	1.8	1.8	3.0	▲ 4.1	0.6	0.3	0.8	▲ 1.0	1.0	1.2	0.0
Private Consumption Expenditure	1.5	1.0	2.1	▲ 0.3	0.8	1.4	5.9	▲ 12.5	1.4	0.6	0.8	▲ 2.9	0.4	1.2	▲ 1.7
Housing Investment	8.1	2.0	1.1	3.6	4.7	5.8	5.5	▲ 12.0	▲ 8.5	▲ 1.0	3.5	▲ 11.7	3.8	3.8	▲ 2.8
Business Fixed Investment	2.3	0.9	1.9	2.8	3.3	3.5	5.8	▲ 2.1	1.5	2.8	2.9	0.1	1.4	2.8	2.0
Private Inventories (percentage points contribution)	(▲ 0.8)	(▲ 0.6)	(0.0)	(0.0)	(0.6)	(0.4)	(▲ 0.8)	(1.2)	(▲ 0.5)	(▲ 0.2)	(0.0)	(0.6)	(0.2)	(0.0)	(0.1)
Government Consumption Expenditure	1.1	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.1	1.1	0.6	0.7
Public Investment	▲ 5.8	0.0	▲ 0.8	3.0	9.8	5.0	2.3	1.2	0.0	▲ 11.2	▲ 8.7	▲ 2.6	0.5	3.1	▲ 0.7
Net Exports (percentage points contribution)	(0.5)	(▲ 0.2)	(▲ 0.4)	(▲ 0.4)	(▲ 0.7)	(▲ 0.7)	(▲ 1.2)	(2.5)	(0.0)	(0.1)	(▲ 0.0)	(0.6)	(0.0)	(▲ 0.4)	(0.4)
Exports of Goods and Services	11.1	3.2	2.7	3.0	3.2	3.4	3.5	3.5	3.7	3.9	3.9	7.8	1.4	3.6	3.6
Imports of Goods and Services	7.0	4.3	4.6	5.0	6.7	6.9	9.5	▲ 9.3	3.6	3.2	4.2	3.3	1.3	5.8	1.7

	(% changes from the same quarter of the previous year)											(% changes from the previous fiscal year)			
	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	FY2014	FY2015	FY2016	FY2017
Nominal GDP	3.5	3.5	1.8	1.7	2.0	1.6	2.4	2.0	2.0	1.7	1.5	1.5	2.7	1.9	1.8
GDP deflator	1.8	2.2	1.2	0.9	1.0	0.4	0.5	1.4	1.7	1.8	2.1	2.5	1.7	0.7	1.8
Consumer Price Index (excluding fresh food)	▲ 0.1	0.1	0.6	0.7	1.1	1.3	1.4	2.4	2.5	2.5	2.5	2.8	0.2	1.1	2.5
(excluding fresh food and consumption tax)	▲ 0.1	0.1	0.6	0.7	1.1	1.3	1.4	1.4	1.5	1.5	1.5	0.8	0.1	1.1	1.5
Unemployment Rate (%)	3.4	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.5	3.3	3.2	3.1
Exchange Rates (JY/US\$)	122	122	124	123	123	124	123	122	121	120	118	110	122	123	120
Import Price of Crude Oil (US\$/barrel)	58	47	53	58	60	63	66	67	67	67	67	91	55	62	67

Source: The Cabinet Office; The Ministry of Internal Affairs and Communications; The Ministry of Economy, Trade and Industry; The Ministry of Finance.

The projection figures are based on those of The Japan Research Institute, Ltd.

Note 1: "▲" indicates minus.

2: It is estimated that the supplementary budget for FY2015 (the amount of 3.3 trillion yen) will boost the real GDP growth rate by 0.4 percentage points.

3: It is assumed that the consumption tax rate will be raised from 8% to 10% in April 2017, with the reduced tax rate of 8% applied to food excluding alcoholic beverages and eating out.