

Today's Topic **Business Outlook Survey (Oct.–Dec. 2015)**

**Positive for 2 consecutive quarters, but lower growth rate due to China's slowdown**

**Point 1 Business sentiment is positive for 2 consecutive quarters**  
Differs by size of enterprise

- According to Oct.–Dec. 2015 Business Outlook Survey released by Ministry of Finance and Cabinet Office on 10<sup>th</sup> December, Business Sentiment Index (BSI) which shows the business outlook of Large enterprises (All industries) was 4.6. “Rising” was more than “Falling” for 2 consecutive quarters. However, BSI was lower than previous 9.6 (Jul.-Sep. 2015) affected by lower economic growth of emerging countries such as China.
- Comparing by size of enterprises, Large and Medium-sized companies were positive, while Small ones continued to be negative at -7.7. The rate of negative growth, however, is on an improving trend.

**Enterprises' Business Sentiment Index (All Industries, %)**

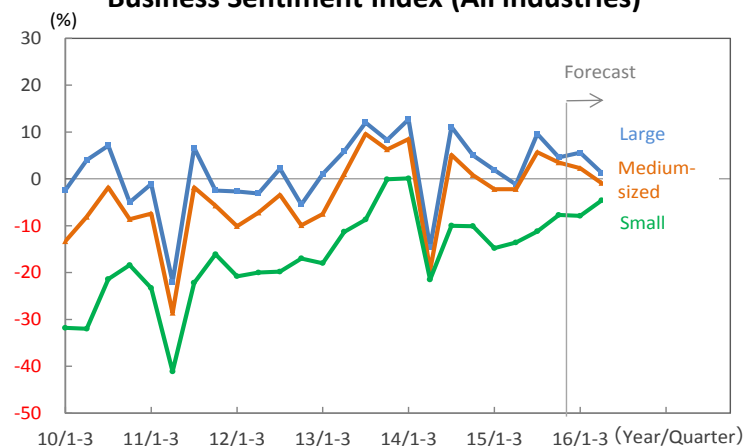
	Jul.-Sep. 2015 Previous Survey	Oct.-Dec. 2015 Current	Jan.-Mar. 2016 Forecast
Large (Previous Forecast)	9.6	4.6 (7.7)	5.6 (7.0)
Medium-sized (Previous Forecast)	5.7	3.5 (8.0)	2.3 (5.4)
Small (Previous Forecast)	-11.2	-7.7 (-1.4)	-7.9 (-4.5)

(Note) Business Sentiment Index is calculated by subtracting composition ratio of enterprises which answered "Falling" compared to the previous quarter, from that of "Rising". Neutral is 0%.  
(Source) SMAM, based on Ministry of Finance data.

**Point 2 Domestic demand related sectors as Foods and Transportation were buoyant**  
Sense of labor shortage is increasing across sectors

- Taking a closer look at Oct.–Dec. 2015 BSI by sector, domestic demand related sectors such as “Foods”, “Lumber & woods”, “Whole sellers” and “Retailers” were buoyant. It is assumed that higher sales price, increasing inbound tourism consumption and delivery of premium gift vouchers were the reasons. On the other hand, export orientated sectors such as “Production machinery”, “Electrical machinery” and “Information & communication machinery” significantly deteriorated.
- In general, a sense of labor shortage is increasing as BSI of “Employment and worker dispatching services” was very strong at 60.0 in this survey. Notably, Medium and Large sized non-manufacturers in sectors like “Accommodations” and “Retailers” are sensing shortage in labor.

**Business Sentiment Index (All industries)**



(Note) 1. Data period is from Jan.-Mar. 2010 to Apr.-Jun. 2016.  
2. Beyond Jan.-Mar. 2016 are forecasts as of December 2015.  
(Source) SMAM, based on Ministry of Finance data.

**Future Outlook Focus is on whether the cautious business outlook of Large enterprises will improve or not; Capex is expected to increase.**

- Jan.–Mar. 2016 BSI forecast of Large enterprises (All industries) showed a moderate improvement of 5.6. Although Apr.–Jun. 2016 BSI is forecasted to be negative, we assume it will turn positive as compilation of supplementary budget and improvement in exports are expected.
- Capex of All industries in FY2015 was revised upward to 7.5% from 6.1% in the previous survey. This upward trend is expected to continue into FY2016. Focus is on whether Large enterprises’ business outlook would improve and eventually spread to Small enterprises.

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