



SMAM

Bright sign in “Street Business Sentiment”

“Economy Watchers Survey” is a business sentiment survey conducted by Japan’s Cabinet Office every month. This survey is also called “Street Business Sentiment Survey” covering approximately 2,000 workers called “Watchers” engaged in industries sensitive to the economic activities such as taxi drivers, convenience store managers, restaurant operators and so on. The survey examines current economic sentiment in comparison with that of three months ago and forecasts future sentiment two to three months later. The neutral level of this index to judge whether the economic sentiment is favorable or not is 50 points.

Point 1

Current conditions DI improved for the first time in five months DIs of household activities, corporate activities and employment gained

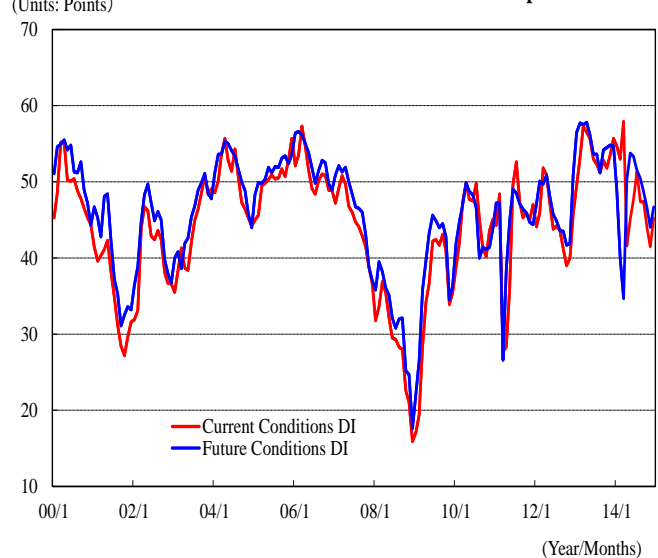
- According to the December “Economy Watchers Survey” (period from 25 to 31 December 2014), the current conditions DI (Diffusion Index) improved by 3.7 points m-o-m to 45.2 points for the first time in five months. The household activity-related DI rose by 4.4 points m-o-m with improvement of all sub categories (eating-out, housing, retail consumption and service). The corporate activity-related DI and the employment-related DI have also improved.
- One of voices heard on the street was, quote “Sales to foreign inbound visitors have been increasing since the relaxation of the duty free items’ range in October. The sales sharply increased by 3.5 times this month on y-o-y basis. I will see an increase in sales this month as cash sales of domestic customers are also on recovery. (according to a surveyed department store in Kinki region)”, unquote.

Point 2

Future conditions DI also improved for the first time in seven months Positive effect of postponing consumption tax increase and government’s stimulative economic package is expected

- “The future conditions DI”, which indicates two to three months’ future economic sentiment improved by 2.7 points m-o-m for the first time in seven months to 46.7 points. All of the categories (household, corporate and employment) of the future conditions DIs improved this time.
- At the survey, retailers’ voices of expressing concerns on possible price raising due to weaker yen were heard on the street, quoting “Shopping customers may reduce consumption on the scheduled price raising by food manufacturers in the new year. (according to a surveyed supermarket in Hokkaido region)”. On the other hand, positive voice was also heard, quoting “Economic recovery is expected by the stimulus package released after the elections and by the drop in fuel prices (according to a surveyed transportation service provider in Kyushu region)”.

Current & Future Conditions DI Since Inception



(Note) Time Horizon: January 2000 - December 2014

(Source) Prepared by SMAM based on data from Japan’s Cabinet Office and Bloomberg



In FY 2015, Japanese economy is expected to recover driven by the recovery of consumer spending and export

■ Business sentiment is to improve further supported by strong corporate earnings

Companies with business year end in December will start announcements of their business results in late January to February. Further improvement of business sentiment is expected as the trend of corporate earnings' increase would continue as a result of weakening yen.

■ 1.5% economic growth rate is forecasted for FY 2015

1.5% real GDP growth is forecasted by the government for the coming FY 2015. In addition to the steady growth of export, recovery in consumer spending is expected thanks to the improvement in employment market and increase in wages.

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