

## “Street Business Sentiment” shadowed by weak JPY

“Economy Watchers Survey” is a business sentiment survey conducted by Japan’s Cabinet Office every month. The so-called “Street Business Sentiment Survey” is the research by approximately 2,000 observers called “Watchers” who engage in economic sensitive business such as taxi drivers, convenience store managers, restaurant operators and so on. The survey examines economic sentiment at this time in comparison with that of three months ago and that of 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 worsened two months in a row but remained above 50 points

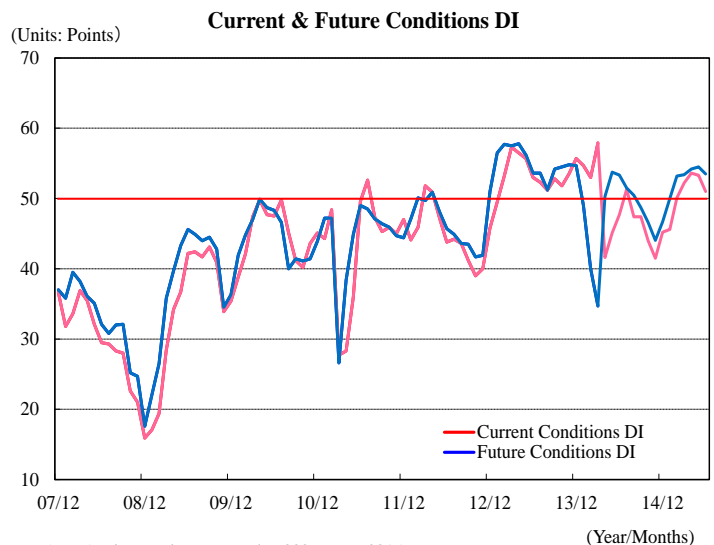
##### Reflected concern over higher imported goods prices in JPY

- According to June “Economy Watchers Survey” (period from 25th to 30th June), the current conditions DI (Diffusion Index) lowered by 2.3 points m-o-m to 51.0 points, worsened for two months in a row but still surpassing the neutral point of 50 for five consecutive months. The household activity-related DI and the employment DI decreased. Some watchers answered with concern over negative effect on merchandise sales due to a increase of imported goods prices by weaker JPY and the bad weather.
- A watcher of a retailer in Tokai region replied, “ Higher imported material prices by weaker JPY further accelerate prices of goods. We could not help but raise goods prices only to discourage the shoppers.”

### Point 2

#### Future conditions DI worsened for the first time in seven months “Premium shopping vouchers” will stimulate consumption

- “The future conditions DI”, which indicates future economic sentiment in two to three months later worsened by 1.0 points m-o-m to 53.5 points. The household activity-related DI shed on the ground of concern over inflation caused by weaker JPY. On the other hand, some watchers replied, “consumption is likely to increase on expectations of upbeat foreign visitors’ consumption and higher summer bonus.”
- Another watcher from a shopping mall operator from Kyushu region answered with solid confidence regardless of slower future DIs, “We expect consumer spending to increase for the coming three months because of accelerating sales to foreign tourists and a launch of sales with premium shopping voucher.”



(Note ) Time Horizon: December 2007 - June 2015

(Source) SMAM, based on Japan’s Cabinet Office and Bloomberg

## More positive factors to lift consumer sentiment, but keep an eye on bad weather and overseas risks

### ■ Sales of “Premium shopping vouchers” and bonus increase to arouse consumption

The supplementary budget for FY2014 distributed JPY 248.3 billion to support local municipalities to issue premium shopping vouchers. Since this May, a number of shopping vouchers have been sold by municipalities. Residents with those vouchers benefit to buy local products at attractive prices. The private consumption is expected to increase by the sales with shopping vouchers, higher summer bonus as well as accelerating sales to foreign visitors.

### ■ Solid corporate earnings growth, while weather and overseas risks should be focused

Corporate earnings for April to June period are scheduled to be announced in later July. On the whole, the earnings are expected to remain solid due to weaker JPY. Business sentiment is expected to improve further as corporate earnings expansion is expected to spill over to wage growth. However, we must keep our eyes on negative impact of bad weather caused by El Nino and market volatility led by China and Greece.

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