

## “Economy Watchers Survey” shows consumption recovery

“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, and 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 the economic sentiment whether is favorable or not is 50 points.

### Point 1

### Household DI rose to over 50 points for the first time after consumption tax hike

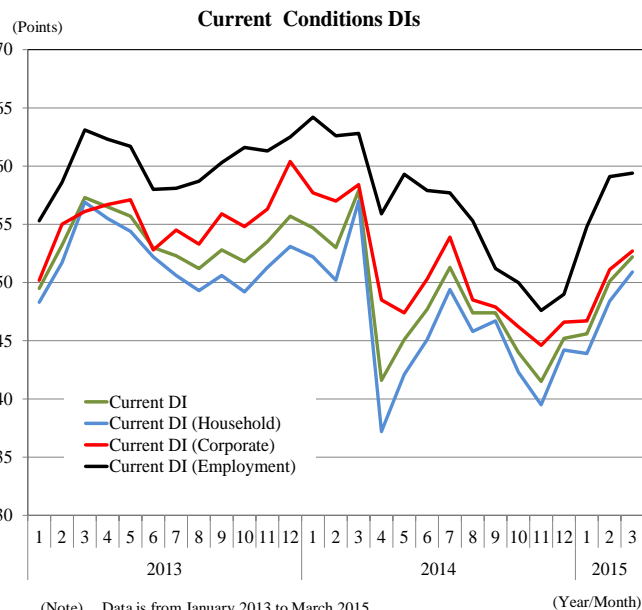
“Inbounds tourism consumption” and low gasoline price helped to rise

- According to the March “Economy Watchers Survey” (period from 25th to 31th March), the “Current conditions DI (Diffusion Index)” improved by 2.1 points m-o-m to 52.2 points and surpassed the neutral point of 50 for two consecutive months. The Household DI exceeded 50 points for the first time after the consumption tax hike in last April, along with the mild recovery of the Corporate activity-related DI and the Employment DI maintaining at over 50 points. In the Household DI, eating-out and services favorably surged and retail added slightly.
- One of the watchers from an urban hotel operator in Kyushu region answered, “Inbound tourism consumption pushed up the consumption expenditures as the number of visitors is growing from China, Korea and Southeast Asian countries.” Another watcher of a textile maker in Kyushu region replied, “Due to low gasoline price and weak JPY, orders are coming back to us instead of Chinese makers.”

### Point 2

### Upbeat Future conditions DIs Supported by wages gain

- The “Future conditions DI”, which indicates future economic sentiment in two to three months later improved by 0.2 points m-o-m to 53.4 points and was at and above the neutral of 50 points for three consecutive months. In the “Future conditions DI”, Household and Employment gained favourably, while Manufacturers slid to under 50 points after two month improvement.
- Another watcher from a department store operator in Tokai region answered on the expectation for consumption recovery, “Many good news such as pay scale increase and summer bonus increase are likely to stimulate the consumer sentiment. Some of the wage gains are likely to be consumed and the economy is picking up.”



(Note) Data is from January 2013 to March 2015.  
 (Source) SMAM, based on Cabinet Office data.

## Business confidence is improving alongside upbeat corporate earnings, wages gain and consumption recovery

### ■ Expanding “Inbound tourism consumption”

The March “Economy Watchers Survey” showed an acceleration of “Inbound tourism consumption.” The consumption expenditures by the foreign visitors are spreading to a variety of goods such as electric appliances, Japanese cakes and organic cosmetics, while the outlets where the visitors purchase are also expanding to 100-yen shops and convenience stores from duty-free shops.

### ■ Wages gain will support consumption recovery

Corporate earnings are expected to continue to renew all-time high underpinned by weak JPY and low crude oil price. The business confidence seems to continue to recover as upbeat corporate earnings lead to higher wages gain than the previous year and then to stimulate the consumption.

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