

“Street Business Sentiment”, Sentiment Gloomed

“Economy Watchers Survey” is a business sentiment survey conducted by Japan’s Cabinet Office every month, also known as the “Street Business Sentiment” survey. Approximately 2,000 observers, called “Watchers”, who engage in economic sensitive businesses such as taxi drivers, convenience store managers, restaurant operators, etc., participate in this survey. The survey examines economic sentiment at the time of survey in comparison with that of three months ago and that of two to three months in the future. The neutral level of this index, to judge whether the economic sentiment is favorable or not, is 50 points.

Point 1

Current Conditions DI dropped further

Below 50 points for seven consecutive months. All three DIs dropped

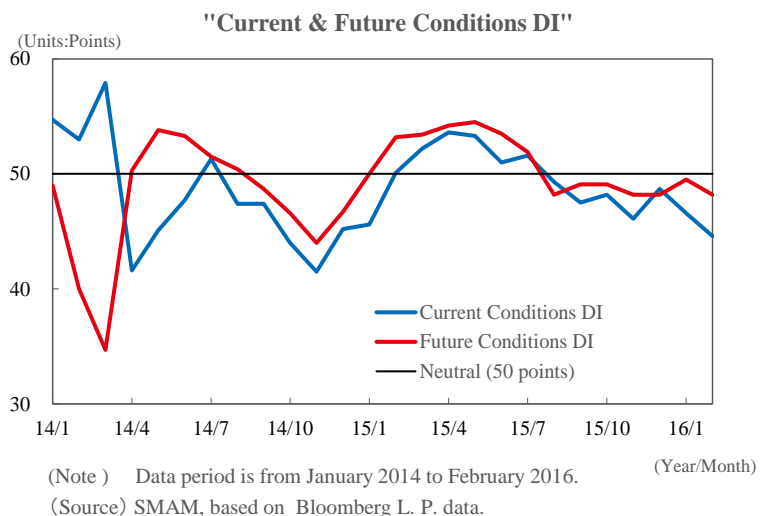
- According to the February 2016 “Economy Watchers Survey” (survey period: 25th Feb. to 29th Feb.), the “Current Conditions DI” dropped 2.0 points from last month to 44.6 points staying below neutral level of 50 points for seven consecutive months. All three DIs, namely Household-related DI, Corporate Activity DI and Employment-related DI, dropped.
- A transporting company in Hokuriku region pointed out that movement of freight, especially related to exporting machine tools, slowed due to JPY appreciation and volatile stock price. On the other hand, some concerns were heard as “apparently costumers’ purchasing will is declining as Nikkei 225 index has sharply fallen in February” (department store operator of Chugoku region).

Point 2

Future Conditions DI dropped, too

All three DIs dropped

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months declined 1.3 points to 48.2 points from last month. All three DIs dropped.
- A watcher (textile company in Tokai region) answered that “there is a concern over possible export slowdown as domestic market is subdued and JPY has strengthened”. Some voices were also heard as “there is an uncertainty because of unstable foreign exchange market and stock price fall” by a travel agent in South Kanto region.



Sentiment was negatively affected by stock price fall and stronger JPY, opinions are divided on negative interest rate

■ Possible concerns over unstable financial market

According to this period's survey, we can witness corporate and household behaviors are turning deliberate to some extent due to unstable financial market caused by JPY appreciation and stock price fall. In addition, extreme changes in temperature seem to have negatively affected sales of seasonal goods. In terms of employment, positive comments were heard in Kanto region, while some voices were heard on weakening labor market in local regions.

■ Opinions are divided on negative interest rate

On negative interest rate, positive comments are heard such as “younger generation customers are very active” by a housing supplier, while conflicting opinions are heard as “there is a possibility of consumption slowdown due to uncertainty over business sentiments because of negative interest rate” by an electronics retail store operator.

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