

“Street Business Sentiment” improved for 2 straight months

“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 improved for the second month in a row Below 50 points for 13 consecutive months, Household-related DI declined but Corporate Activity and Employment-related DIs have improved

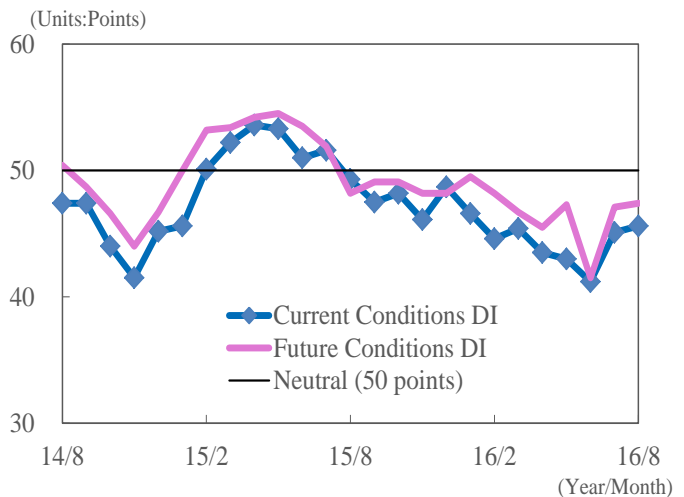
- According to the August 2016 “Economy Watchers Survey”, the “Current Conditions DI” rose 0.5 points from last month to 45.6 points, still staying below neutral level of 50 points but marginally improved from the previous month. Household-related DI declined mainly due to worsening Retail sales, however, Corporate Activity and Employment-related DIs have improved.
- Voices were heard such as (i) “average price of goods purchased by customer has fallen compared to the previous year as consumers are saving money due to uncertainty over future economic outlook” by supermarket operator (Chugoku region), (ii) “we can feel the appetite for investment in IT related business as inquiry, number of business talks and number of orders are increasing” by operator of IT services (North Kanto region) and (iii) “number of job losers have declined and number of job offers have increased. Job offers for regular workers are gradually increasing, too” by officer of employment security office (North Kanto region).

Point 2

Future Conditions DI has marginally improved, too Sentiment is expected to improve by implementation of economic package

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months improved 0.3 points to 47.4 points from last month. It is an improvement for two consecutive months. Similar to the “Current Conditions DI”, Household-related DI worsened whereas Corporate Activity and Employment-related DIs improved.
- A watcher (department store in Tokai region) expressed concern that “high-income earners might reduce their consumption as there are not much factors motivating consumers to purchase goods and there are uncertainty over currency and stock price in the future”. On the other hand, some voices were heard as “future economy will be slightly better as supplementary budget is implemented and disaster restoration related works will gain momentum” by a construction machinery leasing company in Hokkaido region.

“Current & Future Conditions DI”



(Note) Data period is from August 2014 to August 2016.

(Source) SMAM, based on Bloomberg L. P. data.

Focus should be on recovery of consumer sentiment due to implementation of large-scaled economic package

- According to this period's survey, we can witness marginal improvement of both Current and Futures DIs, however, both are still below neutral level of 50 points. Stalled Household-related DI was an outstanding negative factor of slow improvement.
- Going forward, further monetary easing by BOJ and implementation of large-scaled economic package are expected. We need to watch whether consumer sentiment will gradually improve affected by these policies.

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