

“Street Business Sentiment” improved by weather restoration

“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. That examines economic sentiment at the time of survey in comparison with that of three months ago, and involves an outlook in coming two to three months. 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 to 49.3 points

All items except Housing related have improved

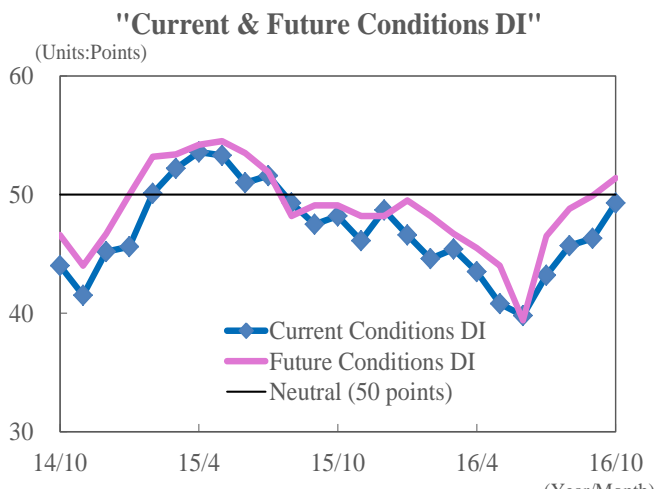
- According to the October 2016 “Economy Watchers Survey”, the “Current Conditions DI” (seasonally adjusted) rose 3.0 points from last month to 49.3 points. In terms of items of DIs, Retail and Services improved significantly by +4.8 points and +2.3 points (both MoM) respectively. Except for Housing, all items improved for this month.
- Voices which appreciated restoration of good weather were often heard as “thanks to a good weather, number of customers visiting shops have increased which positively impacted household goods shops and restaurants” by shopkeeper on the street (Tohoku region). Meanwhile, voices were heard expressing buoyant service industries such as “although October usually is a busy month, the number of party of tourists including foreign visitors have increased significantly. We are experiencing extremely high pace of reservation through internet for recent past ” by an operator of hotel (North Kanto region).

Point 2

Future Conditions DI continued to improve

Surpassed 50 points for the first time since December 2015

- The “Future Conditions DI (seasonally adjusted)”, the statistics indicating the perspectives in two to three months improved 1.5 points to 51.4 points from last month. It surpassed 50 points for the first time since December 2015.
- A watcher (telecommunications company in Hokuriku region) expressed expectation as “expecting increase of business inquiry from customers as the year-end shopping season has arrived”. Also, other voices were heard such as “order volume of semiconductor devices and medical instruments are expected to continue increasing going forward” by a metal industry cooperative association in Tohoku region.



(Note) Data period is from October 2014 to October 2016. DIs since May 2016 are seasonally adjusted.

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

Expectation on pick up of consumption on the back of 2016 year-end sales season and arrival of cold winter season

- Consumer sentiment was negatively impacted by series of bad weather and natural disaster, however, said impact is getting weaker in the recent past. With regard to vegetables which saw sharp price rise, price of carrot and potato seems to continue to stay high, while, that of other vegetables are expected to fall back to around the price level of average years. As season seems to have entered into winter as temperature lowered sharply entering November, we expect consumption of goods typical to winter season and that of year-end shopping season will increase going forward.

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