

“Street Business Sentiment” shows impact of global stock market plunge

“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 fell below 50 points for the first time in seven months

Affected by the worries of China’s economic slowdown

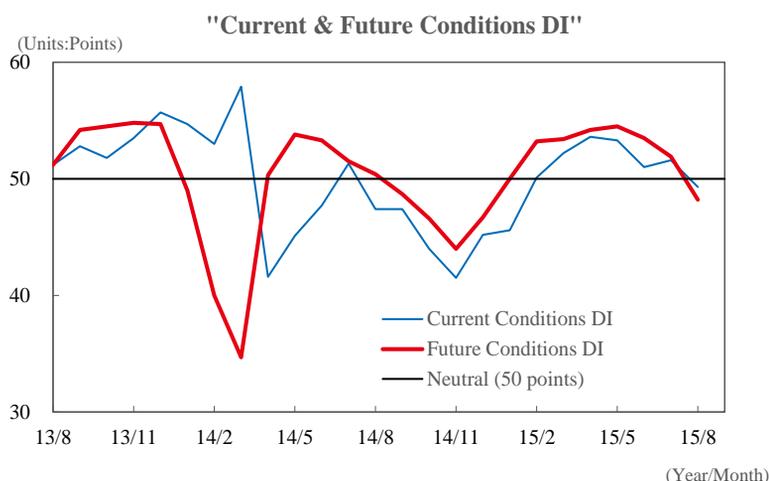
- According to the August “Economy Watchers Survey” (survey period: Aug. 25th to Aug. 31st), the “Current Conditions DI” dropped 2.3 points from last month to 49.3 points. The index dropped below the neutral level of 50 points for the first time in seven months. A global stock market plunge occurred on worries of China’s economic slowdown to result in a drop of the consumer sentiment.
- A retail shop owner in the southern Kanto region said that “there is a sense of stagnation because the upward trend in sales has disappeared. I would not call it a economic slowdown yet, but stock prices have dropped due to the slow down in the Chinese economy”.

Point 2

Future Conditions DI also fell below the neutral level for the first time in eight months

Worries about a global stock price plunge

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months was 48.2 points, a drop of 3.7 points from the previous month, bringing the index below the neutral level of 50 points for the first time in eight months. Similar to the Current Conditions DI, the global plunge in stock prices seem to have an impact on the index.
- Another watcher (electronic retail store operator in the southern Kanto region) answered in a worried tone that “it is not clear how the sudden drop in global stock prices will effect the year end sales. Especially, there may be a strong breaking effect on inbound consumption”.



(Note) Time Horizon: August 2013 - August 2015.

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

As the stock market settles down, wage hikes underpin the rise in economic sentiment

■ As the stock market settles down, the downturn should bottom out

According to this period's survey, we can witness the growing concern over Chinese slowdown led to the global stock price plunges. The Chinese economy, due to ample room for economic stimulus, is viewed to avoid a major negative turn and as the stock market settles down, it is hoped that a further drop in the market sentiment will not occur.

■ Expectations of consumption expansion during Silver Week

The Consumer Sentiment is expected to recover due to wage hikes and prices (e.g. gasoline prices, etc.) stabilising. In September, there will be a large holiday called the "Silver Week" where large growth in consumer spending (e.g. leisure, etc.) is expected, resulting in a recovery of the Watchers' economic sentiments.

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