

“Street Business Sentiment”, subdued consumption continues

“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

Unexpected fall of Current Conditions DI for 2 consecutive months Subdued consumption continues as both number of customers and average sale per customer declined

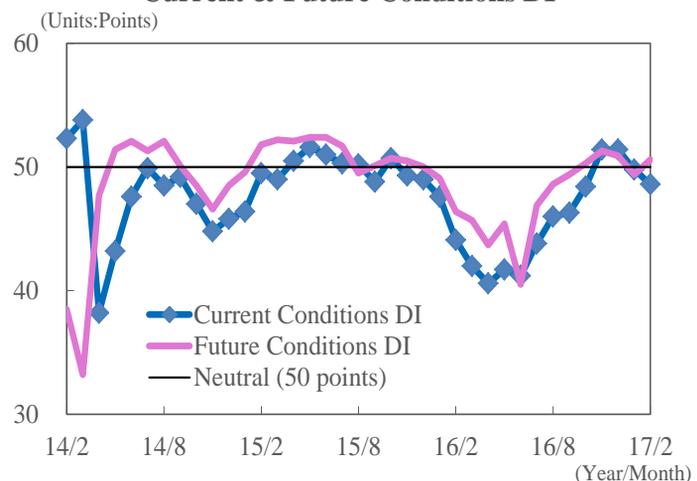
- According to the February 2017 “Economy Watchers Survey”, the “Current Conditions DI (Seasonally adjusted)” which reflects “Street Business Sentiment” fell 1.2 points from last month to 48.6 points for 2 consecutive months. Retail related DIs which saw a moderate recovery in the previous month declined sharply by -3.1 points MoM. All of other DIs except Service related DIs deteriorated.
- Voices were heard such as “We do not see notable change in customer price sensitivity judging from purchasing behavior. Also, business is getting severe as number of customers itself is declining alongside with decline in average sale per customer” by department store operator (Tohoku region) which indicates customer’s cautious stance on consumption. While, Premium Friday introduced in February this year seems not positively affecting the economy as “Reaction from customers were not that great despite the special plans we had offered” by department store operator (Hokuriku region).

Point 2

Future Conditions DI improved for the first time in three months Positive voices were heard

- The “Future Conditions DI (Seasonally adjusted)”, the statistics indicating the perspectives in two to three months improved +1.2 points to 50.6 points from last month for the first time in 3 months.
- Positive voices were heard such as (i) “We seek to use Premium Friday starting from this February as a trigger to appeal a little more expensive goods to customers on the last Friday of every month and hope it will be accepted by customers” (supermarket operator in South Kanto region) and (ii) “Business will not see a sharp decline and will show slightly positive growth for sometime, despite influence of the new US president’s economic policies, if extreme protectionism policy is not introduced.” (electric machinery equipment manufacturer in Tokai region).

“Current & Future Conditions DI”



(Note) Data period is from February 2014 to February 2017. Seasonally adjusted.

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

Waiting for clarification of uncertainty such as announcement of specific policies of new Trump administration

- Based on survey result this time, the Cabinet Office announced its near term basic assessment of Japanese economy as “Although economic recovery continues, some lull can still be observed”. Also stated that “In future, increase in received order and job offer are expected to continue in tandem with subsiding overseas uncertainty”. So far, speculations on new Trump administration have been driving economic recovery expectations. Although not much details of each policies were presented by US president Trump at the Congress speech, basic policies were addressed in line with his campaign commitments. Going forward, we expect a more detailed announcement of specific economic policies to eliminate uncertainty of the administration's policy.

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