

First break in improvement of “Street Business Sentiment” in 6 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. Seasonal adjustment will be made at the time of announcement of survey in December every year.

Point 1

Current Conditions DI was flat MoM at 51.4 points

Corporate activity- and Employment related DIs continued to improved, while Household activity-related DI deteriorated

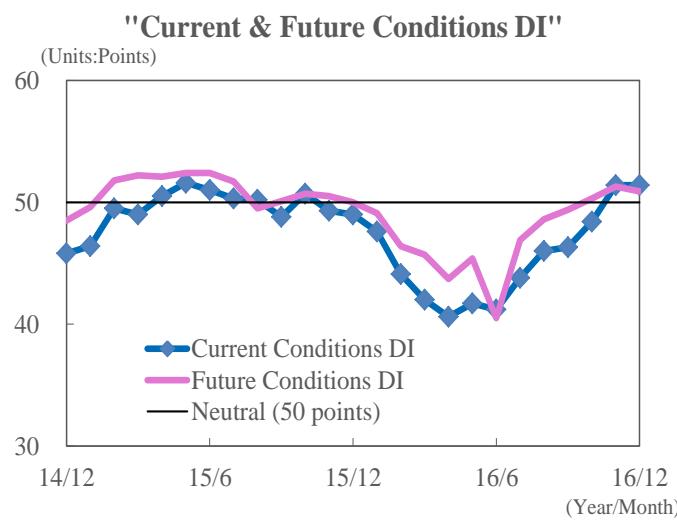
- According to the December 2016 “Economy Watchers Survey”, the “Current Conditions DI (Seasonally adjusted)” which reflects “Street Business Sentiment” was flat from last month to 51.4 points. While Corporate activity- and Employment related DIs continued to improve, Household activity-related DI deteriorated by -0.8 points MoM affected by fall in Retail related DI.
- Voices were heard such as “Sales did not increase entering year-end gift season, as number of customers decreased and sales per customer were lower” by operator of general retailer (Kyushu region) which pointed out sluggish sales. On the other hand, positive comments were made on expectation of recovery of luxury goods’ consumption as “We see increase in purchase of big-ticket items by high-net-worth individuals as stock prices rose” by operator of department store (South Kanto region) and “Sales were higher compared to the previous year partly because of higher bonus paid out by companies” by operator of general restaurant (Kyushu region).

Point 2

Future Conditions DI decreased for the first time in 6 months

Cautious about cost rise due to crude oil price hike and weaker JPY

- The “Future Conditions DI (Seasonally adjusted)”, the statistics indicating the perspectives in two to three months decreased by -0.4 points to 50.9 points from last month for the first time in 6 months.
- Watchers’ positive future expectation was suppressed by their concern over cost rise due to higher crude oil price and weaker JPY which was reflected in their voices such as (i) “We have concern over word and deed of US president-elect who will be inaugurated in January 2017. Transfer of cost rise of imported goods due to weaker JPY and higher crude oil price to merchandize price is expected in regional areas.” (supermarket operator in Tohoku region) and (ii) “Sharp rise of diesel fuel by higher crude oil procurement price due to OPEC’s crude oil output reduction agreement and weaker JPY, put pressure on company management.” (transportation operator in Shikoku region).



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

US President Donald Trump will be inaugurated soon! Focus should be on his policies and how they will be implemented

- Consumption of big-ticket items were stimulated by stock price rise and weaker JPY due to expectation on US President-elect Donald Trump's policies. Both Current and Future Conditions DIs are solid keeping above neutral levels despite temporal stagnation of consumer sentiment due to cost rise by weaker JPY. Mr. Trump will be inaugurated as the US president on 20th of January 2017 at last. Although some of his policies were announced already in the past, we need to focus on what kind of policies will be announced actually and put in place after his inauguration as the US president.

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