

## “Sakura Report” shows improving economy

“Sakura Report” is released by Bank of Japan (BOJ) quarterly as the “Regional Economic Report,” which consists of an analysis of regional economic and financial conditions based on the information by all regional branches of the Bank. “Sakura” is a Japanese word for cherry blossoms and the report is named after the pink colour cover. In addition to the general economic conditions of the nine regions (Hokkaido, Tohoku, Hokuriku, Kanto/Koshinetsu, Tokai, Kinki, Chugoku, Shikoku and Kyushu/Okinawa), summary of Capex, private consumption expenditure and employment/wage are contained in the report. In contrast, “Summary of Commentary on Current Economic Conditions” by Federal Reserve District compiled by the US Federal Reserve Board is known as “Beige Book” for its beige colour of the book cover.

### Point 1

#### 3 regions upgraded: Kinki, Tokai and Hokuriku

#### First time up-revision since consumption tax hike in April 2014

- BOJ released the “Sakura Report” on April 13. The latest report revised economic conditions assessment upward from the previous report of January for three regions such as Kinki (including Osaka and Kyoto), Tokai (Toyota group companies’ location) and Hokuriku (a new bullet train line launched lately). The upward revision was the first time since the survey after consumption tax hike in last April. The business conditions of the other six regions remained unchanged at “The economy has been recovering moderately”. Also, the report shows the sign of weakening negative impact by the tax hike, as the word of “the consumption tax hike” was removed from the assessment comment of all regions. In addition, recovery of production and improvement in employment/wage were seen in many of the regions.

### Point 2

#### Increase in Exports contributed to lift Production

#### Private Consumption is also recovering

- Upbeat exports contributed to boost production led by mainly weak Yen. The increase in exports of auto, electronic parts and devises raised the business assessment upward in Tokai and Kinki regions.
- As to private consumption expenditure, the report shows “Picking up moderately” for Hokuriku, Tokai, Shikoku and Kyushu/Okinawa regions and “Has been firm as a whole, amid improvement” for Tohoku, Kanto/Koshinetsu, Kinki and Chugoku regions on the back of steady improvement of employment and wages.

Economic conditions assessment of Sakura Report

	2014				2015	
	Jan	Apr	Jul	Oct	Jan	Apr
Hokkaido	↗	↔	↔	↔	↘	↔
Tohoku	↔	↔	↔	↘	↔	↔
Hokuriku	↗	↗	↔	↔	↔	↗
Kanto/Koshinetsu	↔	↔	↔	↔	↔	↔
Tokai	↗	↔	↔	↔	↔	↗
Kinki	↔	↔	↔	↔	↔	↗
Chugoku	↗	↔	↔	↔	↔	↔
Shikoku	↗	↔	↔	↔	↔	↔
Kyushu/Okinawa	↔	↔	↔	↔	↔	↔

(Note) ↗ and ↘ denote how the pace of economy improved or deteriorated from the last survey.  
↔ indicates the pace of economy remained unchanged from the last survey.

(Source) SMAM, based on BOJ and Nomura data.

## Full-fledged recovery of Private Consumption is expected following improvement in corporate earnings and employment

### ■ Large supermarket chains plan to increase Capex

Recovery of consumption reflects Capex plan for large supermarket operators. Major ten supermarket companies on a whole plan to increase the capital expenditure for FY2015 notably. The sign of improvement in consumer sentiment encourages the large retailers to invest in store refurbishment on the back of consumption recovery brought by wage growth and wealth effect from rising stock prices.

### ■ Virtuous cycle for economic recovery will be continuing

Earnings of major corporations are expected to continue to renew all-time high underpinned by weak JPY and low crude oil price. In addition, higher wages gain than the previous year is expected this year. The virtuous cycle, that the corporate earnings expansion leads to wage gain and boosts consumption, has finally started to accelerate.

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