

“Street Business Sentiment”, Future Conditions DI Dropped

“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 includes perspective for 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

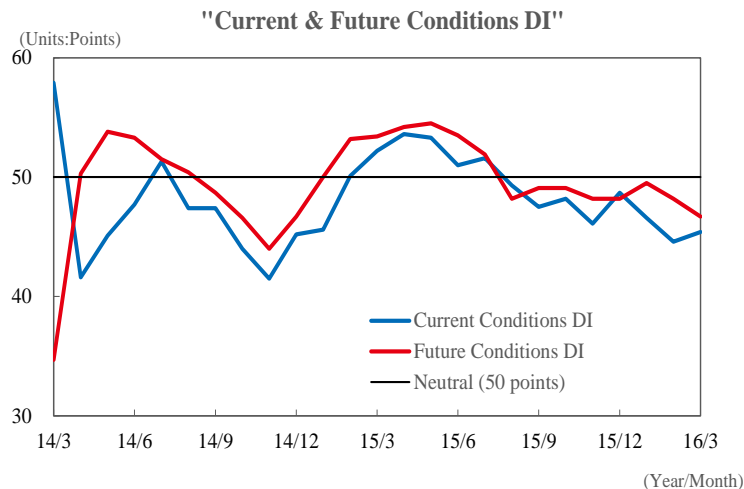
Current Conditions DI rose for the first time in three months Below 50 points for eight consecutive months

- According to the March 2016 “Economy Watchers Survey” (survey period: 25th Mar. to 31st Mar.), the “Current Conditions DI” moderately rose 0.8 points from last month to 45.4 points staying below neutral level of 50 points for eight consecutive months. Employment-related DI dropped, while Household-related DI and Corporate Activity DI improved for the first time in three months.
- A transportation machinery industry company in Tokai region made a positive comment expressing that capex of their clients are increasing. On the other hand, some concerns were heard as “we have seen a gap in dispatching fee level between large companies and small & medium-sized ones” (comment from temporary employment agency of Kinki region).

Point 2

Future Conditions DI dropped further Household-related and Corporate Activity DIs dropped

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months declined 1.5 points to 46.7 points from last month, staying below neutral level of 50 points for eight consecutive months.
- A watcher of clothing specialty store in North Kanto region answered that “customers are expressing one after another their concerns over future outlook and lack of discretionary money to spend”. Another voices of concern were heard as “uncertainty is building up in domestic market despite its solid economy, while overseas markets are shrinking due to weak market condition because of crude oil price fall” by a general machinery equipment manufacturing industry in Shikoku region.



(Note) Data period is from March 2014 to March 2016.

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

■ Stock price fall and JPY appreciation will affect overall sentiment

According to this period's survey, we continue to witness corporate and household behaviors turning deliberate to some extent, due to JPY appreciation and stock price fall caused by unstable financial market from the beginning of this year. On negative interest rate, while positive comments are heard from housing suppliers, beneficiaries from lower interest rates, some are skeptical about the policy saying "there is a significant negative impact on sentiment because of interest rates staying below zero". It will take time to see how the negative rate policy would affect the economy. For the time being, we expect Japan's government and central bank will take some measures aiming at stabilizing the financial market.

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