

Improvement of “Street Business Sentiment”, spreading nationwide

“Economy Watchers Survey” is a business sentiment survey conducted by Japan’s Cabinet Office every month. The so-called “Street Business Sentiment Survey” is the research by approximately 2,000 observers called “Watchers” who engage in economic sensitive business such as taxi drivers, convenience store managers, restaurant operators and so on. The survey examines economic sentiment at this time in comparison with that of three months ago and that of two to three months later. The neutral level of this index to judge whether the economic sentiment is favorable or not is 50 points.

Point 1

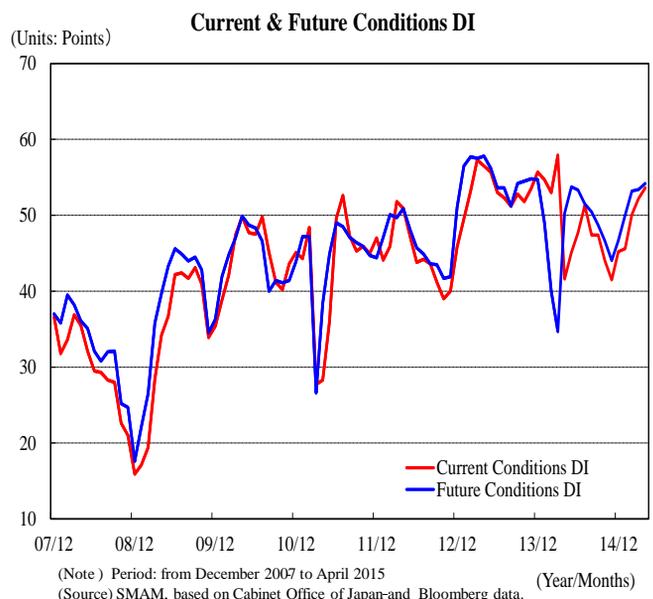
Current DI: all regions surpassed 50 for the first time after the tax hike Hokuriku region saw a sharp rise of DI as new bullet train line has started operation

- According to the April “Economy Watchers Survey” (period from 25th to 30th April), the current conditions DI (Diffusion Index) improved by 1.4 points m-o-m to 53.6 points for five consecutive months and surpassed the neutral point of 50 for three consecutive months. Ten out of eleven regions except Okinawa saw improvement and the index of all regions surpassed the neutral point of 50 for the first time after the consumption tax hike. Especially, Hokuriku region saw a sharp rise of DI, with 4.8 points up to 59.9 as the new bullet train line pushed up.
- A taxi driver in Hokuriku region answered “Visitors for business and travel both have been increasing since Hokuriku Shinkansen (a new bullet train) started its operation.” A theme park operator of Kinki region replied “More people are visiting us these days. I suppose that even an employee in a small company might loosen his/her budget spurred by the news that large auto makers raised wage.”

Point 2

Future DI also continued to improve Growing expectation on positive effect of foreign visitors’ consumption

- “The future conditions DI”, which indicates future economic sentiment in two to three months later improved by 0.8 points m-o-m to 54.2 points for five consecutive months and was at and above the neutral point of 50 for four consecutive months. All the future DIs such as the household activity-related DI, the corporate DI and the employment DI-increased in the month.
- Another watcher from a supermarket operator from Kinki region answered “Consumer sentiment will improve steadily thanks to wage and bonus growth as well as wealth effect like a stock price rising” and a proprietor in a shopping street in Kyushu region replied “I am looking forward to Chinese travelers as a sightseeing ship from China is scheduled to stop at the neighbour port from this spring”.



Growing expectation on economic recovery by virtuous cycle of upbeat corporate earnings, wage growth and consumption recovery

■ “Inbound tourism consumption” will underpin domestic consumption

The business sentiment is improving across the country thanks to the increase in the number of foreign visitors and the expectation on wage growth. The consumption expenditure by foreign visitors (estimated by Japan Tourism Agency) for Jan.-Mar. 2015 increased substantially by 64% y-o-y to JPY 706.6 billion. The “Inbound Tourism Consumption” is expected to underpin the consumption as some answers show business confidence in the “Economy Watchers Survey”.

■ Expectation on consumption recovery and wages gain led by upbeat corporate earnings

As of May 13th, approx. 70% of the March fiscal year end companies reported their business results for FY2014. Their net profits are expected to increase by 13% y-o-y in the guidance for FY2015 (surveyed by The Nikkei newspaper). Further improvement in the consumption is expected as growing expectation on wages and bonus gain push up the confidence led by upbeat corporate profits.

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