

## “Street Business Sentiment” Improved

“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

#### Current Conditions DI rose after two-month dips

#### Housing and food sectors of Household activity-related DI saw improvement

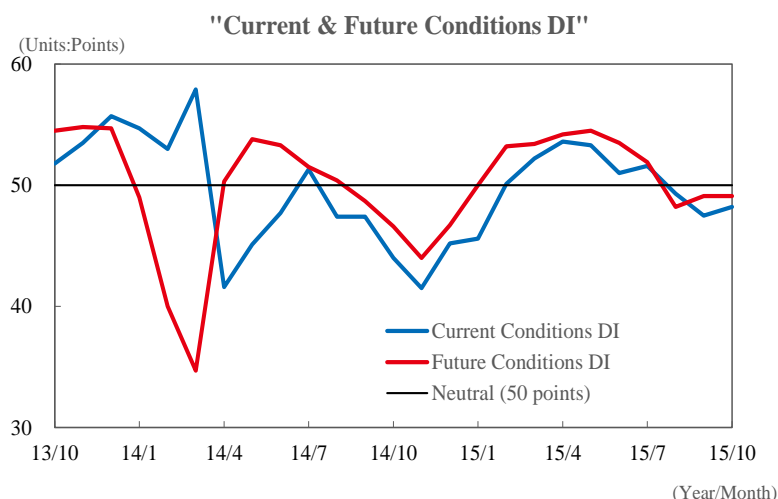
- According to the October “Economy Watchers Survey” (survey period: Oct. 25th to Oct. 31st), the “Current Conditions DI” rose 0.7 points from last month to 48.2 points. The index rose after two-month dips. Housing and food sectors of Household-related DI as well as Corporate activity DI saw improvement. However, the index stayed below the neutral level of 50 points for three months in a row.
- A retail shop owner in Tohoku region said that “the premium gift vouchers in circulation have been dramatically pushing up the average sales per customer. Due to this effect, regular priced items and gift related goods have been selling well”. On the other hand, some concerns were heard over the impact of China’s economic slowdown.

### Point 2

#### Future Conditions DI remained flat

#### Underpinned by expectations on a good year-end sales season

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months remained the same as last month (flat at 49.1 points). The rise in food and retail sectors of Household-related DI has offset falling Corporate activity and Employment related DIs.
- Another watcher (department store operator in Tokai region) answered with expectation on the increase of consumption towards the year-end that “increase of bonus mainly by large enterprises and strong demand of luxury items and inbound consumption are expected to continue”. On the other hand, some concerns were heard over the future impact of China’s economic slowdown.



(Note) Data period is from October 2013 to October 2015.

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

## Moderate improvement of “Street Business Sentiment” by wage hike and rebound of stock prices is expected

### ■ Some concerns were heard over the spreading of the insufficient piling scandal

According to this period’s survey, we can witness strong future outlook of household related activities and expectation of a good year-end sales season supporting the business sentiment, while concerns over the Chinese economy and the weaker yen’s effect on prices were still heard. Some pointed out a negative impact to condominium sales due to the scandal of manipulated piling work data.

### ■ Rebound of stock prices will also underpin future business sentiment

Improvement of business sentiment underpinned by household related activities is expected as wages are increasing. The stock market rally since October also seems to support the business sentiment. Uncertainty over the Chinese economy is likely to subside gradually with the implementation of economic packages by the government. “Street Business Sentiment” which rose this month is expected to gradually improve ahead.

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