

## “Street Business Sentiment” Future Conditions DI 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 dropped

**All three DIs dropped, deterioration of food sector of Household-related DI and non-manufacturers of Corporate activity DI stood out**

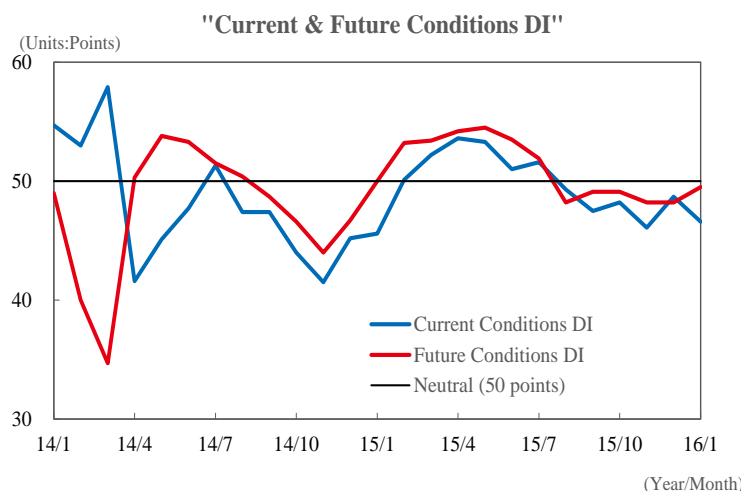
- According to the January “Economy Watchers Survey” (survey period: 25<sup>th</sup> Jan. to 31<sup>st</sup> Jan.), the “Current Conditions DI” dropped 2.1 points from last month to 46.6 points. All three DIs, namely Household-related DI, Corporate Activity DI and Employment-related DI, dropped. Deterioration of food sector of Household-related DI and non-manufacturers of Corporate activity DI stood out.
- A tourist spot operator in North Kanto region pointed out the effect of warm winter saying “nearby ski resort could not start operation till middle of January as snow didn’t fall during New Year’s holidays in this area which affected neighboring lodging facilities”. On the other hand, some concerns were heard as “not much freight movement can be expected as exports slowed down due to the poor Chinese economy” (forwarding agent of Hokuriku region).

### Point 2

#### Future Conditions DI saw improvement

**Both Household-related DI and Corporate activity DI rose**

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months rose 1.3 points to 49.5 points from last month. While Employment related DI dropped marginally, Household-related and Corporate activity DIs saw improvement.
- A watcher (department store operator in Tokai region) answered that “we believe inbound tourism consumptions, selected brand items and jewelry will continue to lead overall sales, despite likely decrease in clothing sales”. Some voices were also heard as “room reservation demand is expected to increase in February due to Chinese New Year and will gradually increase towards tourist season of March and April” by hotel operator in South Kanto region.



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

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

## Warm winter, concern over China's slowdown and Japanese equity market plunge affected the sentiment

### ■ Positively affected by fuel price fall

According to this period's survey, we can witness fall in fuel price has somewhat underpinned Corporate activity DI. However, we can observe concerns over negative impact of warm winter and China's slowdown for both Current and Future DIs. Some voices referred also to the negative impact of Japanese equity market plunge.

### ■ Expectation on Capex increase and wage growth along the progress of labor shortage

Although both Current and Future DIs of Employment related DI dropped from the previous month to 54.8 points and 54.4 points respectively, they are above the neutral level of 50 points. Acceleration of the pace of economic recovery is expected if expansion of Capex and wage growth were to be materialized along the progress of labor shortage.

### ■ Disclaimer

#### Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter "SMAM"), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM's judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM's authorization, or from disclosing this material to a third party.

Registered Number: Kanto Local Finance Bureau (KINSHO) No.399

Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and

Type II Financial Instruments Firms Association

© Sumitomo Mitsui Asset Management Company, Limited

