

“Street Business Sentiment” continues to improve

“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 improved to 52.5 points Housing and Retail related improved

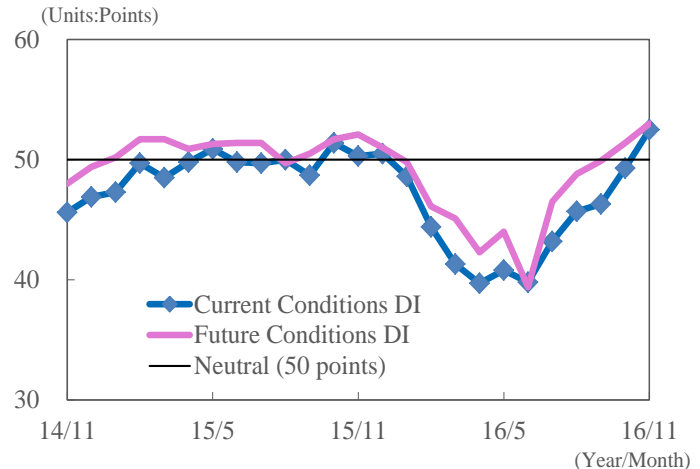
- According to the November 2016 “Economy Watchers Survey”, the “Current Conditions DI (Seasonally adjusted)” which reflects “Street Business Sentiment” rose 3.2 points from last month to 52.5 points. This is the highest level since March 2014 before consumption tax hike and has surpassed neutral level for the first time since December 2015. While Employment related DI which was already at high level fell 0.1 points MoM, Housing related and Retail related DIs have improved +6.2 points and + 4.8 points both MoM, respectively.
- Voices were heard such as “Women’s dresses started to sell with the fall in temperature. This year’s sales is better than last year’s warm winter” by department store operator (Hokuriku region) which indicated satisfactory sales of winter items with falling temperature. Also, positive comments were made on strong equity market after the US presidential election such as “Business confidence is positive due to good sentiment created by strong equity market” by operator of general store (Tokai region).

Point 2

Future Conditions DI has improved further Expectation on recovery of inbound tourism consumption

- The “Future Conditions DI (Seasonally adjusted)”, the statistics indicating the perspectives in two to three months improved +1.6 points to 53.0 points from last month.
- Watchers expectation toward recovery of inbound tourism consumption led by weaker JPY alongside with stronger stock market after the US presidential election result, were heard such as (i) “We are seeing stronger stock market and weaker JPY as signs of recovery” (department store operator in South Kanto region) and (ii) “We are expecting increase in number of foreign visitors to Japan thanks to weaker JPY” (urban hotel operator in Kinki region). In addition, some watchers expressed their expectation on currently strong new car sales (which was heard during interview of Current Conditions DI) to continue in future.

“Current & Future Conditions DI”



(Note) Data period is from November 2014 to November 2016.
Seasonally adjusted.

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

Focus should be on whether stronger stock market and weaker JPY can continue and the trend of new car sales

- Japanese financial market temporarily reacted by weaker stock market and stronger JPY right after the announcement of US presidential election result on 8th November 2016, however, quickly turned around to stronger stock market and weaker JPY, soon after. Although financial market has reacted positively driven by mere expectation on US president-elected Mr. Donald Trump's policy, business sentiment of street seems to be improving affected by the positive expectations. Japan's Cabinet Office assessed that "Street Business Sentiment has been improving steadily" based on survey results this time. We need to keep our eyes on (i) continuation of stronger stock market and weaker JPY, (ii) trend of new car sales in future and (iii) impact of Japanese government's economic measures going forward.

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