

## “Sakura Report”, three regions were revised upward

“Sakura Report” is released by Bank of Japan (BOJ) quarterly as the “Regional Economic Report,” which consists of an analysis of regional economic conditions. “Sakura” is a Japanese word for cherry blossoms and the report is named after the pink color cover. In addition to the general economic conditions of the nine regions (Hokkaido, Tohoku, Hokuriku, Kanto/Koshinetsu, Tokai, Kinki, Chugoku, Shikoku and Kyushu/Okinawa), summary of business fixed investment, private consumption and employment/income are contained in the report. Meanwhile, “Summary of Commentary on Current Economic Conditions” by Federal Reserve District compiled by the US Federal Reserve Board (FRB) is known as “Beige Book” for its beige color of the book cover.

### Point 1

#### Overall regional economy continues to grow steadily

##### Three regions (Tohoku, Kanto/Koshinetsu, Tokai) revised upward

- BOJ released the latest “Sakura Report” on 16<sup>th</sup> January 2017, which revised economic conditions assessment upward for three regions (Tohoku, Kanto/Koshinetsu, Tokai) from the previous assessment (October 2016). All three regions revised private consumption assessment upward, while Tohoku and Kanto/Koshinetsu regions upgraded their assessments on production as well, citing that the effects of the slowdown in emerging economies had eased.
- Nation as a whole, the Tokai region reported that its “economy had been expanding moderately”, and the other eight regions noted that “the economy had continued its moderate recovery trend”. It seems that regional economies as a whole is growing steadily.

### Point 2

#### Private consumption improved in a number of areas

##### Impact of stock price fall and irregular weather in summer subsided

- Assessing from demand side, as for private consumption, the Kinki region noted that “relatively weak developments had been seen in some indicators”. Overall, however, two regions reported that it was “recovering”, three regions noted that it was “picking up”, and four regions reported that it had “been steadily increasing”.
- Especially, as for department store sales, there continued to be reports pointing out some weakness, mainly in sales of high-end products and apparel. However, as the effects of stock prices decline and irregular weather in summer subdued, there also were reports that sales were “picking up”, or “moving on a solid trend”. Meanwhile, as for automobile sales, many regions noted that they were “picking up”, assisted in part by the introduction of new models.

“BOJ's Sakura Report (January 2017)”

Region	Changes	Region	Changes
Hokkaido	➡	Tohoku	➡
Hokuriku	➡	Kanto/Koshinetsu	➡
Kinki	➡	Tokai	➡
Chugoku	➡	Shikoku	➡
Kyushu/Okinawa	➡		

(Note) “Changes”: changes from the previous assessment in October 2016.  
 (Source) SMAM, based on BOJ's data.

## Japanese economy is expected to remain solid thanks to improvement in employment/income environment going forward

- It is reported that background of private consumption recovery was due to “improvement in employment and income situation” in Hokkaido, Hokuriku and Kinki regions. As for employment/income, all regions continued to report that it is “improving” from the previous assessment due to tightening of labor supply and demand situation. Meanwhile, for production, four regions including Hokuriku and Kinki reported that it was “increasing” and Tohoku noted that it was “picking up”, as the impact of the slowdown in emerging economies which had been pointed out since July 2015 has eased. We must keep our eyes on government policies and actions led by Mr. Donald Trump who will be officially inaugurated as US President on 20<sup>th</sup> January, while, Japanese economy is expected to show a solid growth supported by improving employment/income environment going forward.

### ■ 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

