

“Street Business Sentiment”, Current Conditions DI revised upward

“Economy Watchers Survey”, also known as the “Street Business Sentiment” survey, is conducted by sending questionnaire to approximately 2,000 observers, called “Watchers”, who engage in economic sensitive businesses such as taxi drivers, convenience store managers, restaurant operators, etc. September 2017 “Street Business Sentiment” saw an improvement in Current Condition DI from the previous month, recovering above 50 points which is a threshold to judge economic conditions. In addition, we will introduce the result of in-house text mining analysis of voices on the street.

Point 1

Current Conditions DI has improved Future conditions DI declined marginally

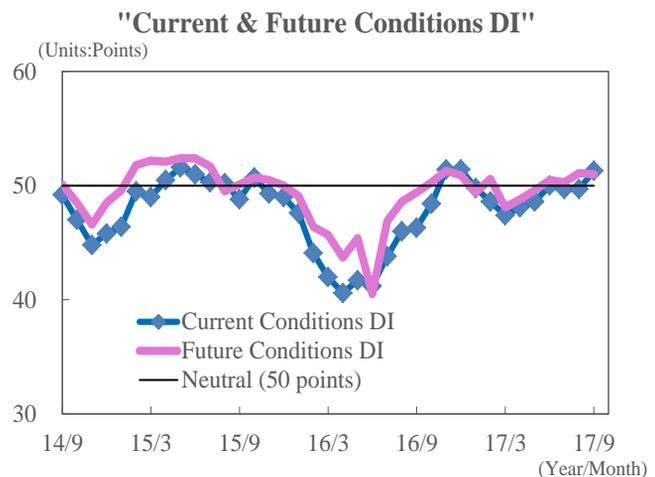
- According to the September 2017 “Street Business Sentiment”, the “Current Conditions DI (Seasonally adjusted)” which reflects “Street Business Sentiment” rose +1.6 points from last month’s 49.7 points to 51.3 points. The household activity-related DI significantly improved by + 2.3 points MoM as the retail related sharply increased by + 3.8 points MoM due to strong sales of autumn clothing. In addition, the employment-related DI maintained its high level only decreasing marginally (- 0.4 points).
- Future Conditions DI decreased - 0.1 points MoM to 51.0 points. The corporate activity-related DI improved by + 0.5 points MoM, while, the household activity-related DI decreased by - 0.1 points MoM. The employment-related DI did not change from the previous month.

Point 2

Analysis of Watchers’ comment by in-house text mining method Number of “Negative” comments on Current Conditions DI decreased

- We have made an objective analysis of voices on the street using in-house text mining analysis methodology*. The analysis found that frequency of negative comments related to bad weather such as long rain and unseasonable weather. Meanwhile, words related to election and uncertainty over North Korean situation have increased. Regarding the voices on future outlook, words related to savings marginally increased, however, we believe that the impact to consumption is limited as business sentiment stays above 50 point level.

* Text mining is the analysis of data contained in natural language text. Typical methodology is to measure frequency of word used to statistically analyze and visualize characteristics of text, aiming at finding valuable data and information contained



(Note) Data period is from September 2014 to September 2017. Seasonally adjusted.

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

- Japan's Cabinet Office revised upward its basic assessment from "Street Business Sentiment has been improving" to "Street Business Sentiment has been improving steadily". As for future outlook, assessment was unchanged as "While there are still concern over shortage of labor and overseas environment, expectation on order receipt and capital expenditure remain high". The corporate activity-related and household activity-related DIs are expected to remain strong as (1) demand of expensive products is rising due to strong equity market in and out of Japan and (2) expanding Inbound Tourism Consumption. On the other hand, early improvement is expected as labor shortage still remains as a concern.

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