

Japan's "Economic Recovery" alongside Record-high Economic Indicators

Japan has been experiencing a long lasting moderate economic recovery since so called Abenomics (Economic reform policies under the Abe Cabinet) was introduced in December 2012. Recently, renewal of record-highs of various economic indicators such as stock price and other data are observed. On the other hand, few consumption trend related data such as tourism is showing weakness. We will try to forecast future trend of Japan's "Economic Recovery" by analyzing these data in this report.

Point 1

Various economic indicators are renewing their record-highs Inbound tourism consumption is strong

- Nikkei 225 rose for 16 consecutive days from 2nd October 2017 to 24th October 2017, renewing longest historical record of continuous rise. Previous longest historical record was 14 consecutive days (21st Dec., 1960 to 11th Jan., 1961) which was recorded when the Ikeda Cabinet announced "Income Doubling Plan".
- Also, number of foreign visitors to Japan (Jan.-Sep. 2017) was 21.19 million surpassed 20 million with much faster pace compared to the previous year when it first surpassed 20 million in single year. It is expected to be around 28 million this year which is more than 5 times of 50.21 million when "Visit Japan" campaign started in 2003. As a result, inbound tourism consumption is continuing to be strong. Inbound tourism consumption (Jan.-Sep. 2017) was JPY 3.3 trillion which had surpassed JPY 3 trillion much faster compared to the pace of previous year.

Point 2

Temporal drop of consumption Double digit fall of visitors to tourist spots due to bad weather

- On the other hand, many of tourist spots had experienced drop in their visitor numbers due to bad weather caused by typhoons during weekend in October. Visitor numbers of major tourist spots such as Yoshinogari Historical Park (Saga prefecture), Kenroku-en Garden (Ishikawa prefecture) and Goryokaku Tower (Hokkaido) saw double digit fall (YoY) of -21.6%, -12.3% and -15.9%, respectively. This was reflected in -0.5 point fall of Household related Current DI of Economy Watchers Survey of October confirming temporal drop of consumption.

Future Outlook

Trend of "Economic Recovery" is expected to be maintained

- We believe that drop of private consumption due to bad weather is temporal as employment number growth and trend of consumption are strong. We expect prolonged moderate "Economic Recovery" due to weather improvement in future and consumption recovery by asset effect supported by higher stock price. We need to keep our eyes on possible renewal of record-highs of economic indicators to be announced in future.

■ 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

