

“Street Business Sentiment,” improved for the first time in two months

“Economy Watchers Survey”, also known as the “Street Business Sentiment” survey, is conducted by sending questionnaire to approximately 2,000 “Watchers”, who are sensitive to economies and able to observe local business sentiment such as taxi drivers, retailers, manufacturers, forwarders and advertisement agencies, etc. October 2018 Current Condition DI of “Street Business Sentiment” improved for the first time in two months mainly with recovery in household activity. On the other hand, Future DI deteriorated for two consecutive months mainly with slow corporate activity.

Point 1

Current Conditions DI improved by +0.9 MoM, improved for the first time in two months

Future Conditions DI declined for two consecutive months

- According to October 2018 “Street Business Sentiment,” Current Conditions DI (seasonally adjusted) improved by +0.9 MoM to 49.5 points, improved for the first time in two months. By sector, the household-related DI significantly improved as foods and services which dropped affected by natural disasters in September showed a strong recovery. On the other hand, corporate activity-related DI deteriorated with fall in non-manufacturing and employment-related DI deteriorated, too.
- Future Conditions DI decreased by -0.7 points MoM to 50.6 points, dropped for two consecutive months. By sector, corporate activity showed relatively large fall due to concern over US-China trade friction. Furthermore, employment-related DI also declined.

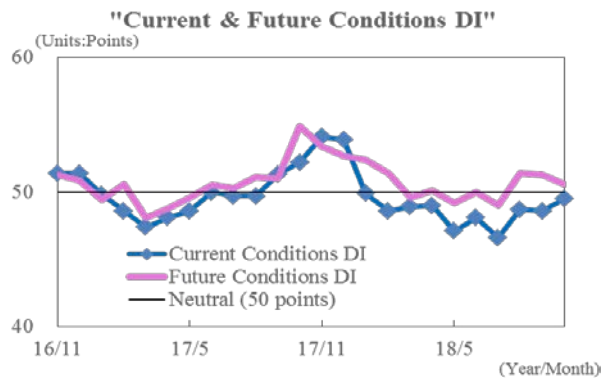
Point 2

Analysis of Watchers’ comment

Positive comments increased on economies

- According to SMAM’s original analytics utilizing text mining* that analyzes “Street voice” more objective, economic sentiment is showing some recovery as positive watchers’ comments on current conditions increased.
- However, it seems watchers are still cautious about the economies as the number of words related to “savings” and “concern” increased due to (1) uncertainty over natural disasters and the international affairs and (2) increase in volatility of stock prices.

* 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 November 2016 to October 2018. Seasonally adjusted.

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

- Current Conditions DI of October “Street Business Sentiment” declined for two consecutive months. However, we believe that watchers’ expectations are still maintained as Future Conditions DI is still over 50 points, the neutral level of judging economic conditions.
- Japan’s Cabinet Office maintained its assessment of “Street Business Sentiment” as “the economy has continued moderate recovery”. However, for the future, they noted “concerns over cost increase and development of trade issue exist”. US-China negotiation over trade friction and trend of oil prices and stock price are to be watched, going forward.

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