

## “Street Business Sentiment”, overwhelming pessimism has subsided

“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

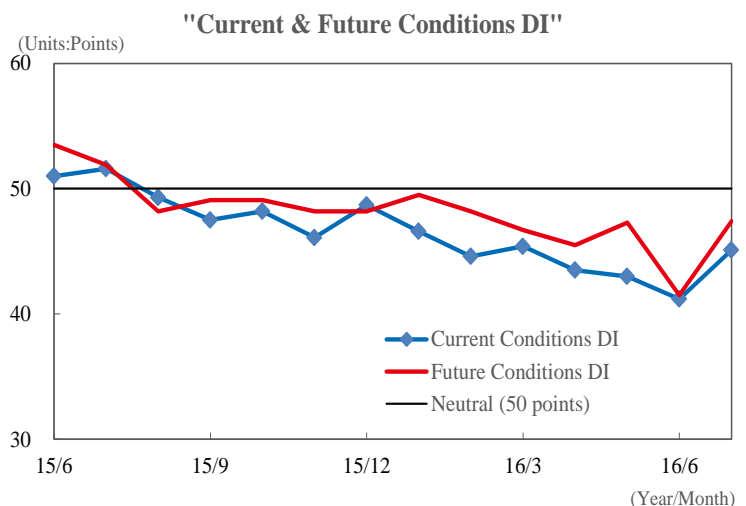
## Current Conditions DI improved for the first time in 4 months Below 50 points for 12 consecutive months, but most items have improved

- According to the July 2016 “Economy Watchers Survey”, the “Current Conditions DI” which reflects current business sentiment, rose 3.9 points from last month to 45.1 points staying below neutral level of 50 points for twelve consecutive months. All the items of DIs except Housing have improved.
- Voices were heard from a sightseeing spot in Kyushu region pointed out that business is recovering from reputational damage as number of visitors have increased from the sharp drop after Kumamoto Earthquake entering summer vacation seasons. Some encouraging voices were heard regarding employment environment as “new openings and effective job offers are increasing and manufacturers are increasing permanent job recruitment” (Employment security office of North Kanto region).

### Point 2

## Future Conditions DI has improved, too Sentiment is expected to improve due to implementation of economic package

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months improved 5.6 points to 47.1 points from last month. All three DIs improved.
- A watcher (department store in Kyushu region) expressed their concern that “it is impossible to assess impact of global economic slowdown”. On the other hand, some voices were heard as “consumer sentiment has moderately improved as stock prices recovered due to settlement of political uncertainty in Europe and decision of economic package implementation made by the Japanese government” by a department store in Kinki region.



(Note) Data period is from June 2015 to July 2016.

(Source) SMAM, based on Bloomberg L. P. data.

# Overwhelming pessimism has subsided. Focus should be on impact of large-scaled economic package

- According to this period's survey, we can witness significant improvement of both Current and Futures DIs, however, both are still below neutral level of 50 points. Business sentiment has not yet fully recovered but that overwhelming pessimism caused by i) JPY appreciation since the beginning of this year with lowering Japanese stock price, ii) Kumamoto Earthquake and iii) Brexit has just subside.
- Going forward, further easing by BOJ and implementation of large-scaled economic package worth more than JPY 28 trillion, aimed to boost industrial and structural reforms, are expected. We need to watch whether consumer sentiment reflected in DIs, that stayed below neutral level for a while, will gradually improve by these policies.

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