

## “Street Business Sentiment” continues to be subdued

“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 on declining trend since January 2017

#### Cautious stance was expressed on falling visitor number and sales volume and on consumption

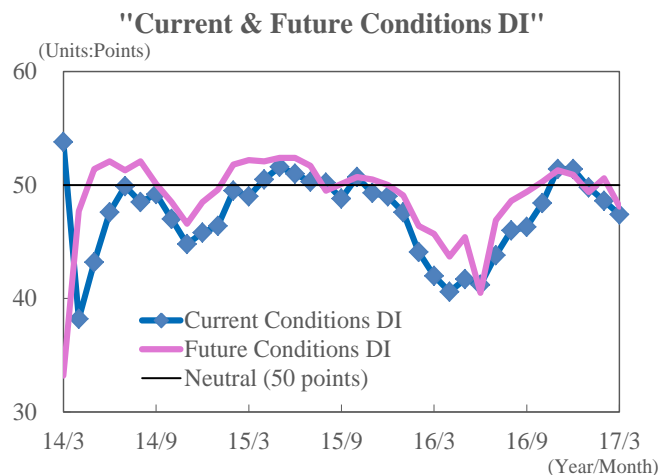
- According to the March 2017 “Economy Watchers Survey”, the “Current Conditions DI (Seasonally adjusted)” which reflects “Street Business Sentiment” fell 1.2 points from last month to 47.4 points, continued to decline from January 2017. Main reasons for decline were sharp fall of food and beverage and housing under the household activity-related DI. All the other DIs (the corporate activity-related, the employment-related) declined, too.
- Voices were heard such as “Visitor number and sales volume have been declining for the past few months compared to the previous year” by supermarket operator (Chugoku region) and “Time spent for business negotiation on condominium sales is getting longer and contract conclusion rate is declining” by house selling company (Hokkaido region) which indicate customer’s cautious stance on consumption is still continuing.

### Point 2

#### Future Conditions DI fell below neutral level of 50

#### Cautious voices were heard on price hike and people cutting down on their spending

- The “Future Conditions DI (Seasonally adjusted)”, the statistics indicating the perspectives in two to three months fell -2.5 points to 48.1 points again despite last month’s rise. The employment-related DI fell sharply in addition to fall of food and beverage and retail DIs.
- Cautious voices were heard on price hike of various goods and services and continuation of budget-minded sentiment due to it such as (i) “Price hike of papers such as toilet roll and salad oil are expected. More people are expected to cut down on their spending going forward” (supermarket operator in Hokuriku region) and (ii) “Rise in power rates and imported raw material prices due to currency fluctuation are expected. Consumer behavior to only buy necessary things is likely to continue for some time as people can not expect rise in disposable income” (supermarket operator in North Kanto region).



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

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

### Steady consumption is expected despite continuation of cautious consumer sentiment for the time being

- Both Current Conditions and Future Conditions DIs deteriorated falling below neutral level of 50. The assessment of economic conditions in February 2017 by the Cabinet Office was “the economy is picking up, though with a pause continuing to be seen”. Although people’s cautious behavior on consumption is likely to continue for the time being, steady consumption is expected as wage is rising moderately due to shortage of labor force.

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