

## “Sakura Report” shows improving economy

“Sakura Report” is released by Bank of Japan (BOJ) quarterly as the “Regional Economic Report,” which consists of an analysis of regional economic and financial conditions based on the information by all regional branches of the Bank. “Sakura” is a Japanese word for cherry blossoms and the report is named after the pink color cover. In addition to the general economic assessments of the nine regions (Hokkaido, Tohoku, Hokuriku, Kanto/Koshinetsu, Tokai, Kinki, Chugoku, Shikoku and Kyushu/Okinawa), summary of Capex, private consumption expenditure and employment/wage are contained in the report. In contrast, “Summary of Commentary on Current Economic Conditions” by Federal Reserve District compiled by the US Federal Reserve Board is known as “Beige Book” for its beige color of the book cover.

### Point 1

#### Economic assessment of Hokuriku has improved

The assessments of Tokai and Hokuriku regions were “The economy has been expanding moderately” and those of the rest of regions were “The economy has continued its moderate recovery trend”

- BOJ released the “Sakura Report” on 10<sup>th</sup> of April 2017. The latest report revised economic conditions assessment upward from the previous report of January for Hokuriku region. Main reasons were (i) increase in production of electronic spare parts/devices and semiconductor manufacturing equipment and (ii) steady recovery of consumer spending.
- According to the assessments from regions across Japan, Tokai and Hokuriku regions reported that their “economy has been expanding moderately”, and the other seven regions noted that “the economy has continued its moderate recovery trend or the economy has been recovering moderately”.

Economic conditions assessment of Sakura Report

	2016				2017	
	Jan	Apr	Jul	Oct	Jan	Apr
Hokkaido	⇒	⇒	⇒	⇒	⇒	⇒
Tohoku	⇒	↘	⇒	⇒	↗	⇒
Hokuriku	⇒	⇒	⇒	⇒	⇒	↗
Kanto/Koshinetsu	⇒	⇒	⇒	⇒	↗	⇒
Tokai	↗	⇒	⇒	↘	↗	⇒
Kinki	↘	⇒	⇒	⇒	⇒	⇒
Chugoku	⇒	⇒	↘	↗	⇒	⇒
Shikoku	⇒	⇒	⇒	⇒	⇒	⇒
Kyushu/Okinawa	⇒	⇒	↘	↗	⇒	⇒

(Note) ↗ and ↘ denote that the rate of economic improvement or deterioration has changed since the last survey.

⇒ indicates that the rate of improvement or deterioration is unchanged since the last survey.

(Source) SMAM, based on BOJ data.

## Point 2

### Voices of surveyed companies were added from this report “Selective consumption” such as a little treat on special occasion is prevailing

- From this “Sakura Report”, voices of surveyed companies on a no-name basis for both overall assessment and assessments of components by each region were included. This enabled to make backgrounds of economic assessments more concrete than before.
- Voices of surveyed companies pointing out tendency of selective consumption such as a little treat on special occasion while budget-minded for the day-to-day expenditure, were often heard. Also, many voices were heard expressing consumptions on clothing are sluggish nation-wide.
- It seems that production and export of smartphone related and auto related products are buoyant supported by overseas economic recovery.

## Future Outlook

### Recovery trend of production and export continues and improvement of employment and income will underpin consumption

- According to the assessment of “Sakura Report”, private consumption is either “picking up moderately” or “picking up steadily”. As to employment and income, there are reports on nation-wide labor shortage mainly for sectors such as construction and retailer and driver of taxi and transport industry. Meanwhile, many voices were heard from surveyed companies that they were securing human resources by improving labor conditions such as increasing bonus and hourly wage of part-time employees. We expect that the Japanese economy will continue to recover as recovery trend of production and export will continue and improvement of employment and income environment will underpin consumption.

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