

“Sakura Report”, two regions were revised upward

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

Point 1

Overall regional economy continues to grow steadily

Chugoku and Kyushu/Okinawa revised upward while Tokai revised downward

- BOJ released the latest “Sakura Report” on 17th October 2016, which revised economic conditions assessment for three regions from the previous assessment (July 2016). Chugoku region was revised upward based on the assessment that downward pressure on production had weakened and Kyushu/Okinawa region was also revised upward as impact of Kumamoto Earthquake had eased. On the other hand, assessment of Tokai region was revised downward due to some signs of weaker private consumption.
- Nation as a whole, except for Tokai region “whose economy had been expanding moderately at a somewhat reduced pace”, the other eight regions noted that the economy had continued to recover moderately. It seems that regional economies as a whole will continue to grow steadily

Point 2

Production is affected by slowdown of emerging market economy in some way

Business fixed investment is increasing in most regions

- As for assessment from demand side, production saw increase in four regions, however, that of Kanto/Koshinetsu region was noted that “it had shown somewhat weak movement recently” and Shikoku region that “the pick-up had paused”, due to negative effect of slowdown of emerging market economy.
- As for domestic demand, while overall assessment of business fixed investment was reported as “increasing”, Kyushu/Okinawa region was noted that “it was declining, although it remained at a relatively high level”.

“BOJ's Sakura Report (October 2016)”

Region	Changes	Region	Changes
Hokkaido	→	Tohoku	→
Hokuriku	→	Kanto/Koshinetsu	→
Tokai	←	Kinki	→
Chugoku	↗	Shikoku	→
Kyushu/Okinawa	↗		

(Note) "Changes": changes from the previous assessment in July 2016.
(Source) SMAM, based on BOJ's data.

Private Consumption is expected to recover due to improving employment/income once weather factors settle down

- As for private consumption, five regions noted that “relatively weak developments had been seen in some indicators”, however, it seems that it was growing steadily as a whole. For the assessment this time, weaker trend was noted mainly due to irregular weather. Consumer sentiment seems to have been affected by typhoon and temperature fluctuation, however, it is expected to recover as a trend once these factors are removed.
- As for employment and income situation, all regions reported that “it was improving”. Employment environment is good, as the latest jobs-to-applicants ratio (August 2016) was 1.37 times which is at the highest level since 1991. Japanese economy is expected to be underpinned by recovery in consumption supported by good employment/income environment going forward.

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