

Recent Economic Developments

July 27, 2017

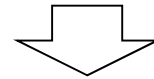
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

May

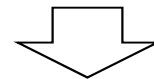
The Japanese economy is on a moderate recovery, while delayed improvement in part can be seen.



June

The Japanese economy is on a moderate recovery.

(Changed)



July

The Japanese economy is on a moderate recovery.

(Unchanged)

<Assessments of the current state of the Japanese economy>

	May	June	July
Private consumption	Private consumption remains in pickup as a whole.	Private consumption is picking up moderately.	Unchanged
Business investment	Business investment shows movements of picking up.	Business investment is picking up.	Unchanged
Exports	Exports are picking up.	Unchanged	Unchanged
Industrial production	Industrial production is picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are improving.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are improving.	Unchanged	Unchanged
The employment situation	The employment situation is improving.	Unchanged	Unchanged
Prices	Consumer prices are flat.	Unchanged	Unchanged

<Short-term prospects>

May

The economy is expected to recover, supported by the effects of the policies, while employment and income situation is improving. However, attention should be given to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

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July

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<Policy Stance>

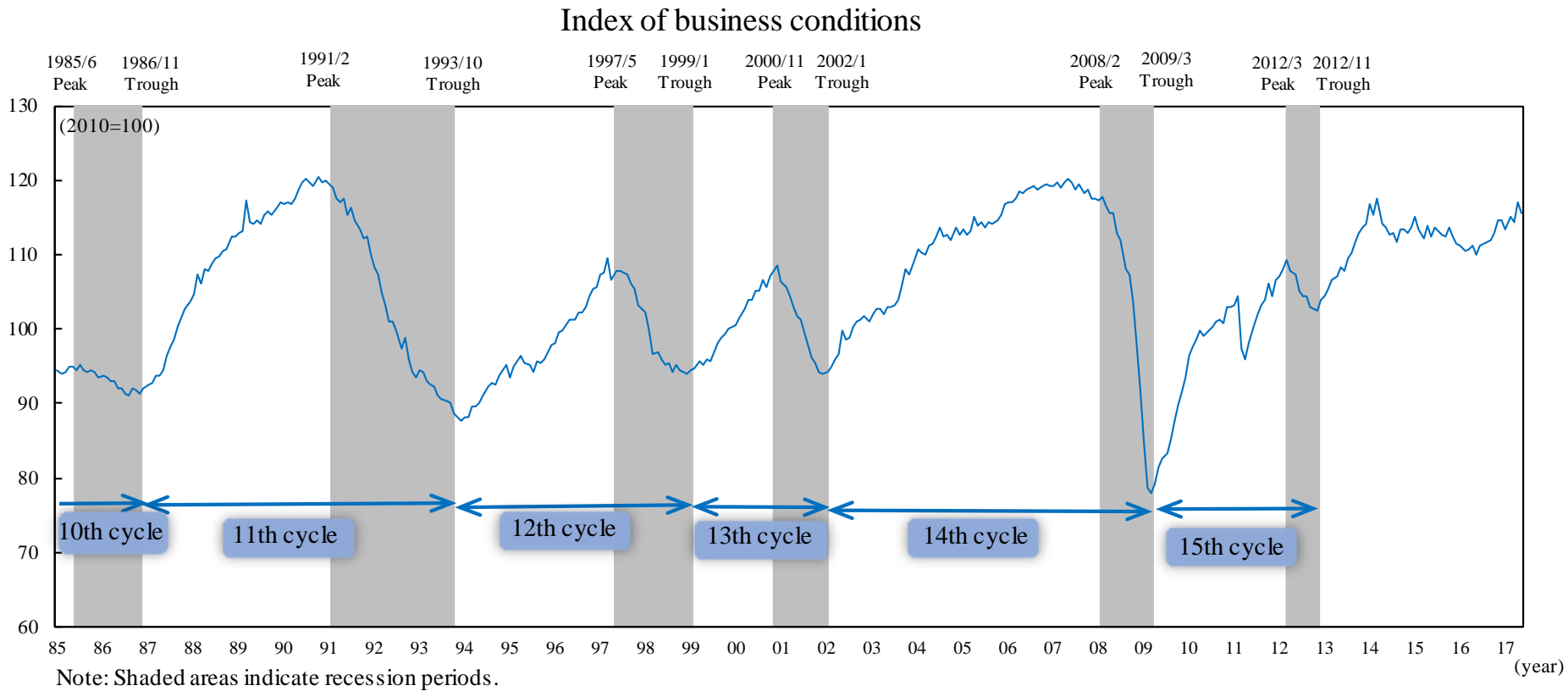
(July)

The Government will make its utmost efforts to ensure the economy overcomes deflation and achieve economic revitalization and fiscal consolidation simultaneously, in addition to make effort toward the reconstruction and revitalization from the Great East Japan Earthquake and the restoration and reconstruction from the 2016 Kumamoto Earthquake. To this end, the Government steadily implements the “Basic Policies for Economic and Fiscal Management and Reform 2017”, the “Growth Strategy 2017”, the “Regulatory Reform Work Plan”, the “Basic Policies for Overcoming Population Decline and Vitalizing Local Economy in Japan 2017”, and the “Japan’s Plan for the Dynamic Engagement of All Citizens”. About work style reform, based on the “The Action Plan for the Realization of Work Style Reform” decided in March, the Government will promptly try to revise the Acts regarding establishing a Sophisticated Professional System and revising the Discretionary Working System for Management-related Work, in addition to submit bills to the Diet at an early date. And the Government implements “Economic Measures for Realizing Investment for the Future” and the FY2016 supplementary budget swiftly and steadily in order to overcome deflation completely and pave the way for steady economic growth. The Government also implements the FY2017 budget swiftly and steadily.

The Government continuously pursues to expand the economic virtuous cycles which cover local areas, SMEs and small-scale businesses, through directing growing corporate profits towards investment, wage increase and further improvement in the employment situation by these measures.

The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

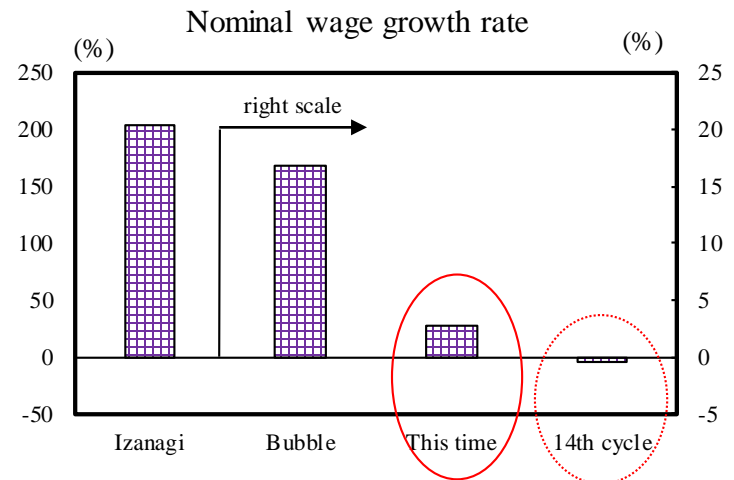
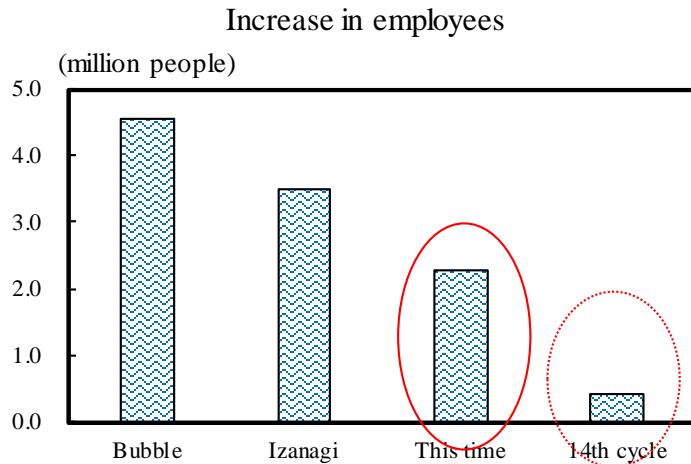
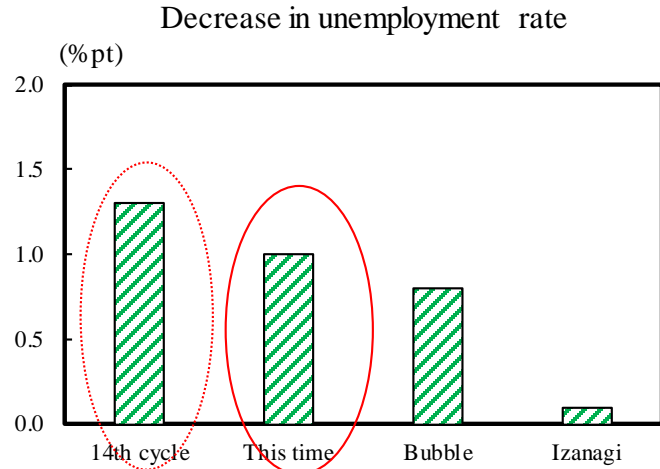
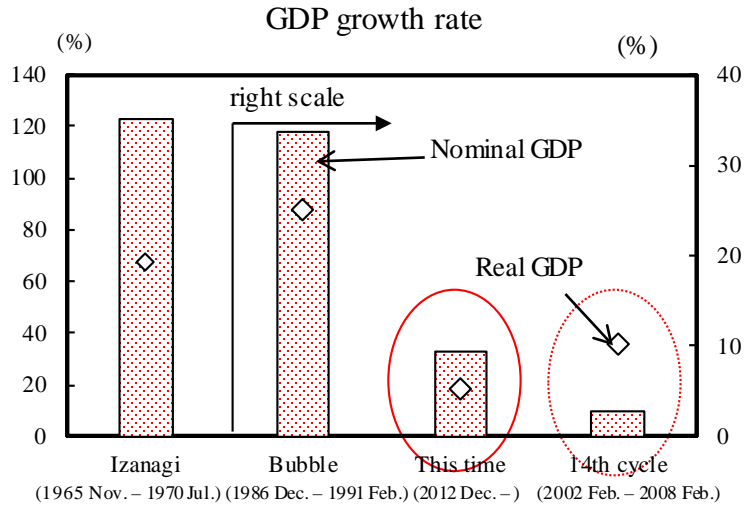
Economic Expansion Period



Rank of the length of the expansion period

Rank	Period	
1	73 months	2002 Feb. – 2008 Feb.
2	57 months	1965 Nov. – 1970 Jul., “Izanagi”
3	51 months	1986 Dec. – 1991 Feb., “Bubble”

Features of This Expansionary Phase



GDP: Jan-Mar 2017 (The Second Preliminary)

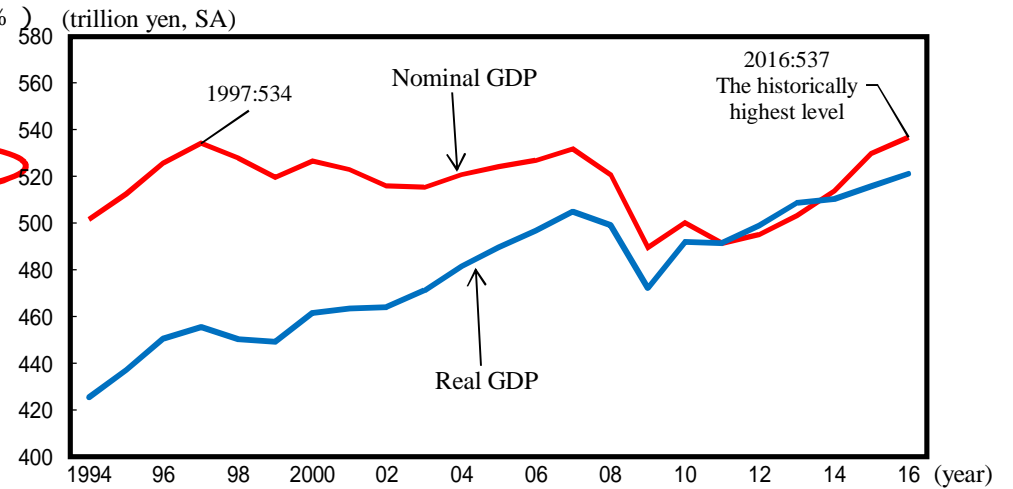
Real GDP growth rate in the first quarter of 2017 increased by 0.3%, 1.0%(s.a.a.r.).
Nominal GDP growth rate in the first quarter of 2017 increased by -0.3%, -1.2%(s.a.a.r.).

Changes and contributions to changes in real GDP (Seasonally adjusted)

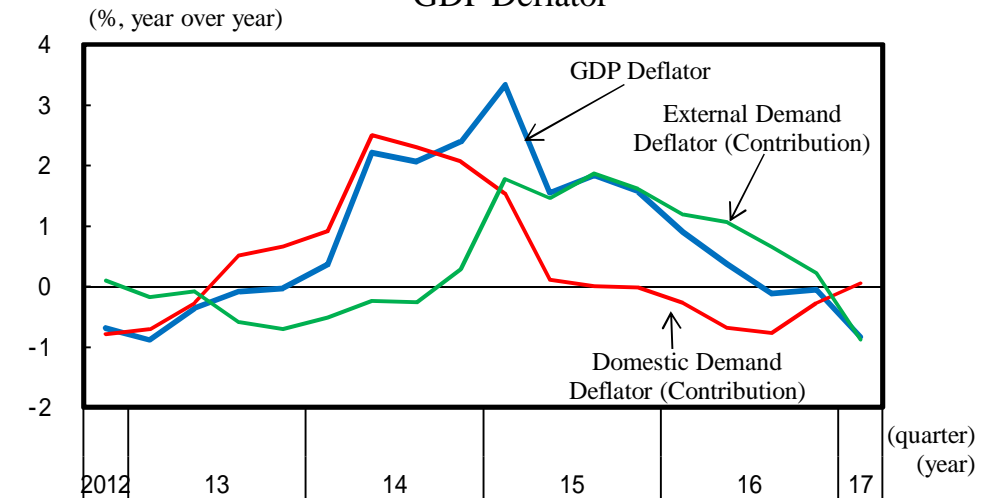
(changes from the previous quarter, %)

	2016				2017
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Real GDP growth rate [at annual rate]	0.6 [2.5]	0.4 [1.6]	0.3 [1.0]	0.3 [1.4]	0.3 [1.0]
Domestic Demand (Contributions)	(0.2)	(0.5)	(-0.1)	(-0.0)	(0.1)
Private Demand (Contributions)	(-0.1)	(0.7)	(-0.1)	(0.1)	(0.1)
Private Consumption	0.3	0.2	0.4	0.0	0.3
Private Non-Resi. Investment	-0.1	1.3	-0.2	1.9	0.6
Private Residential Investment	1.2	3.1	2.6	0.2	0.3
Change in Private Inventories (Contributions)	(-0.3)	(0.3)	(-0.3)	(-0.2)	(-0.1)
Public Demand (Contributions)	(0.3)	(-0.2)	(-0.0)	(-0.1)	(-0.0)
Public Investment	-0.3	0.7	-1.3	-3.0	-0.1
Net Exports(Contributions)	(0.5)	(-0.1)	(0.4)	(0.4)	(0.1)
Exports	0.5	-1.4	1.9	3.4	2.1
Imports	-2.0	-1.1	-0.2	1.3	1.4
Real GNI growth rate [at annual rate]	0.9 [3.5]	0.3 [1.0]	0.0 [0.0]	-0.1 [-0.2]	-0.1 [-0.4]
Nominal GDP growth rate	0.9	0.2	0.1	0.4	-0.3
GDP Deflator <Year-over-year>	<0.9>	<0.4>	<-0.1>	<-0.0>	<-0.8>

Nominal and Real GDP

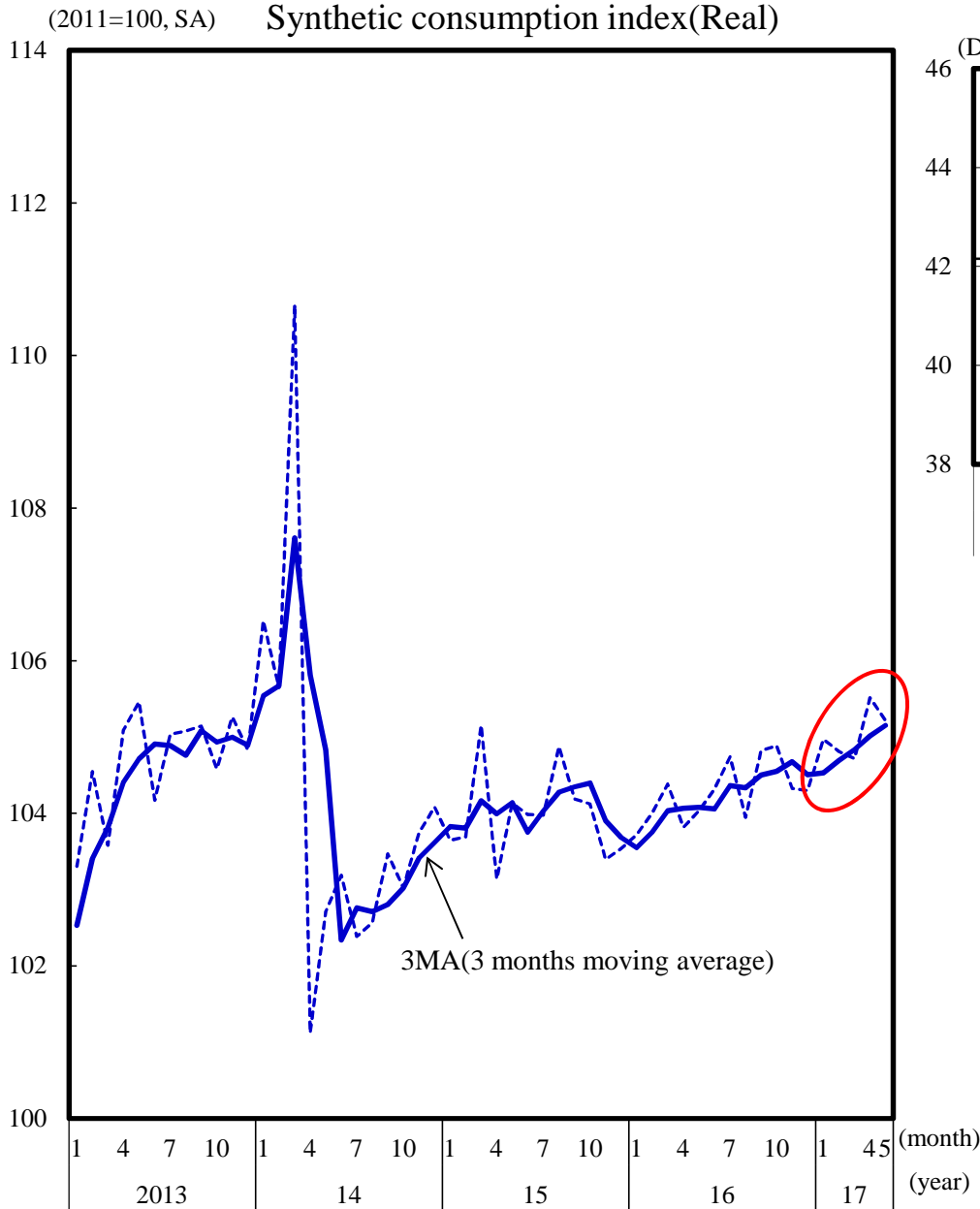


GDP Deflator

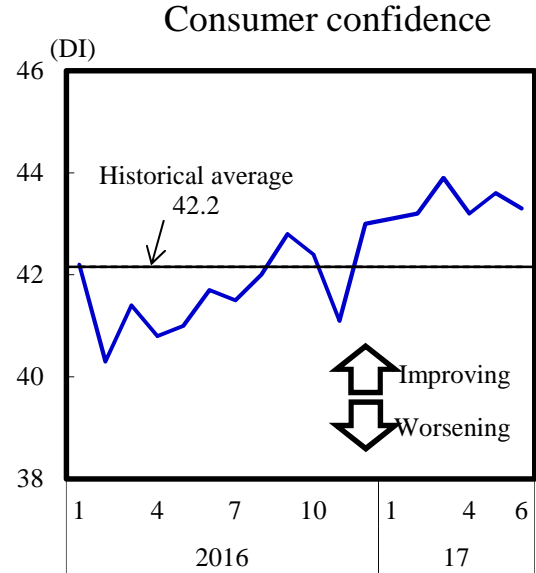


(Source) Cabinet Office, "National Accounts"

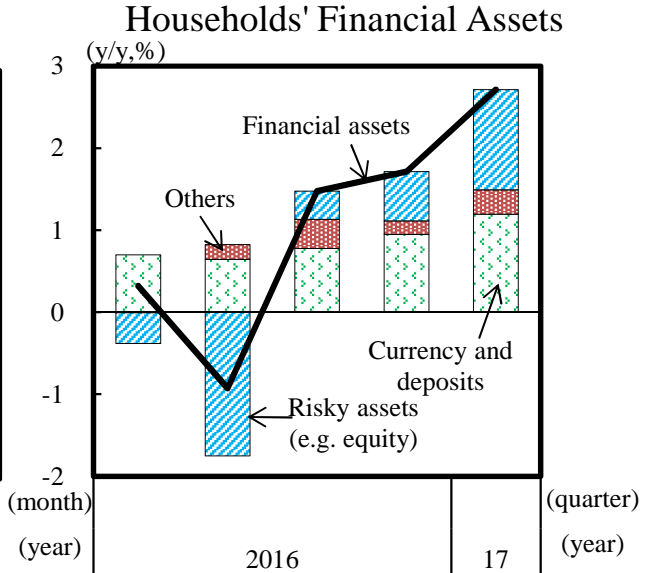
Private consumption



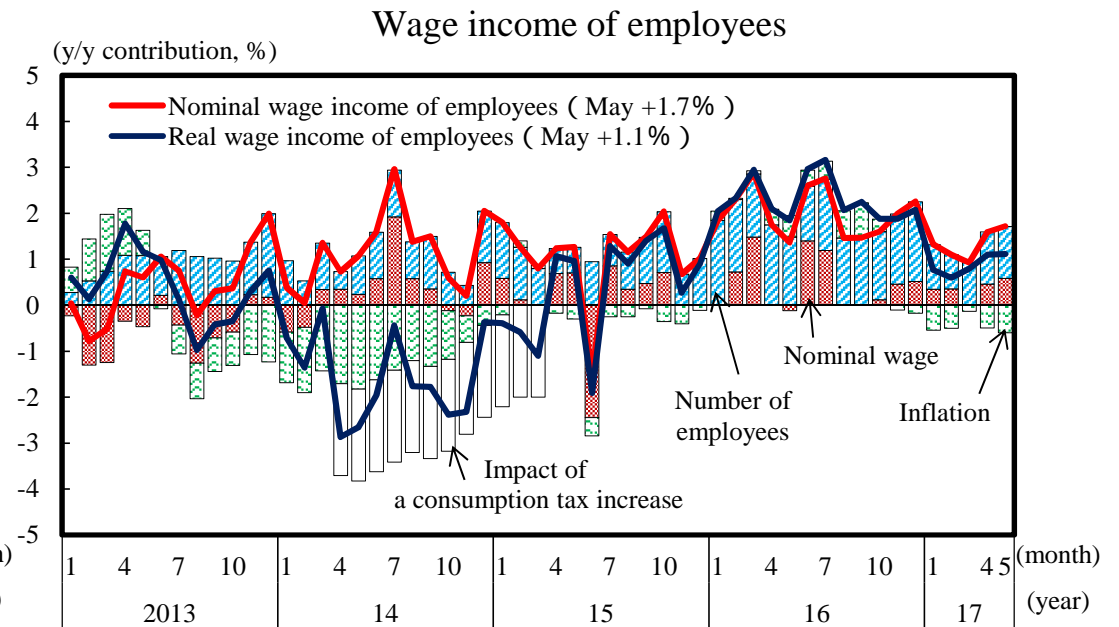
(Source) Cabinet Office



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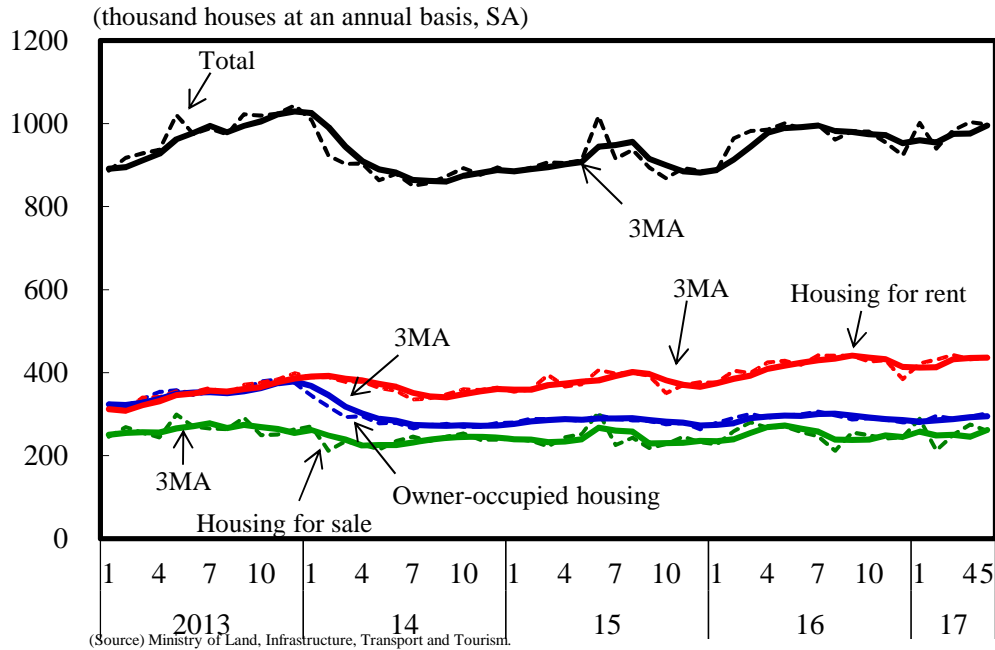
(Source) Bank of Japan



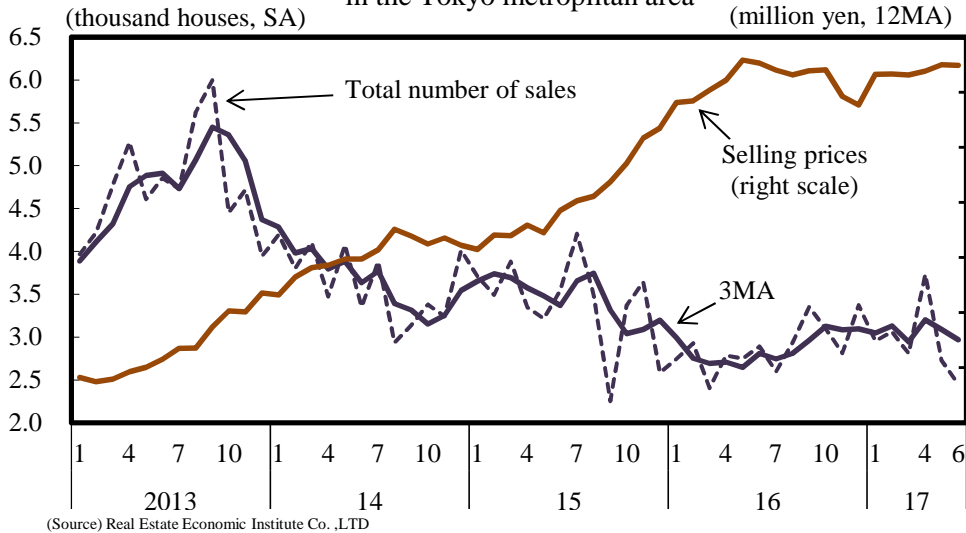
(Sources) Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Cabinet Office

Housing Construction

Housing construction starts

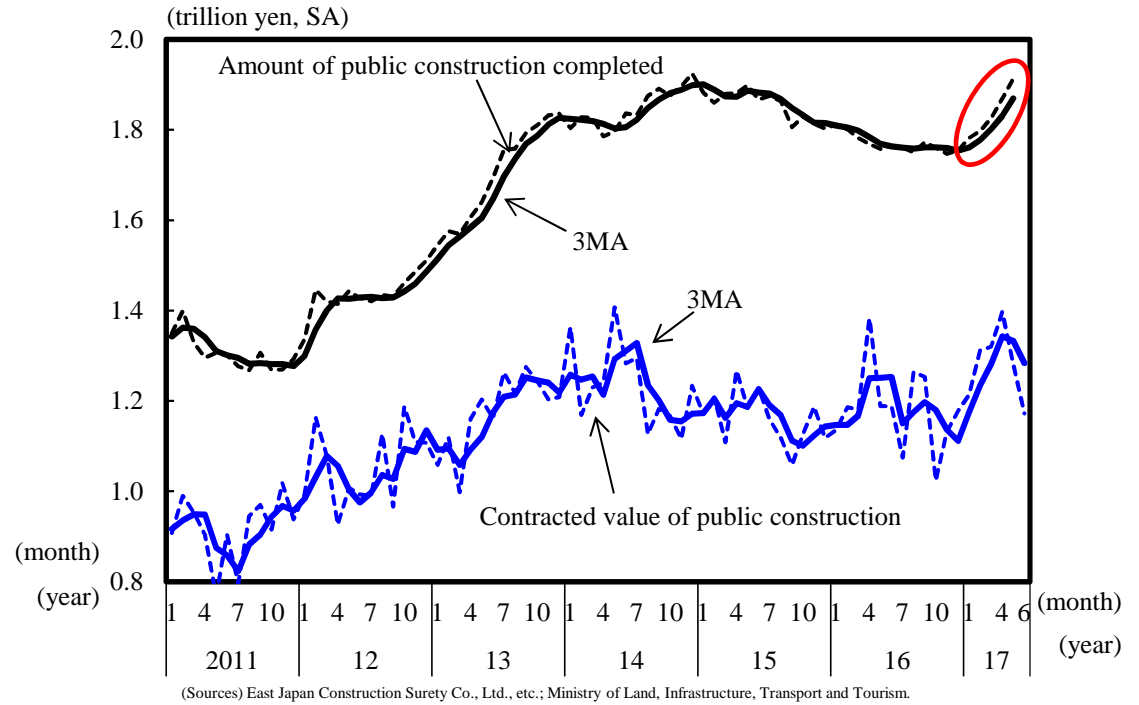


The total number of sales and selling prices of condominiums in the Tokyo metropolitan area

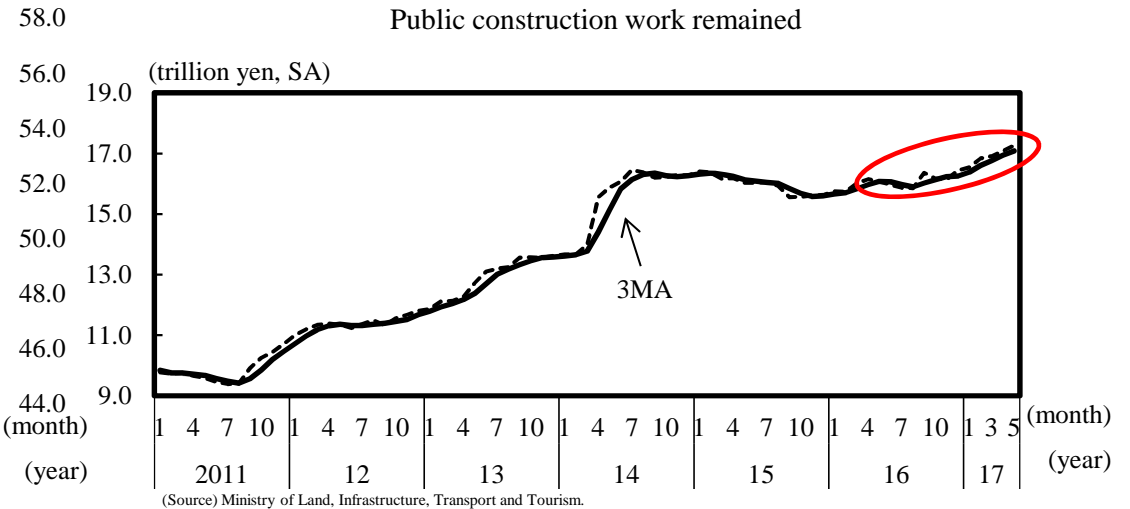


Public Investment

Amount of public construction completed and contracted value of public construction

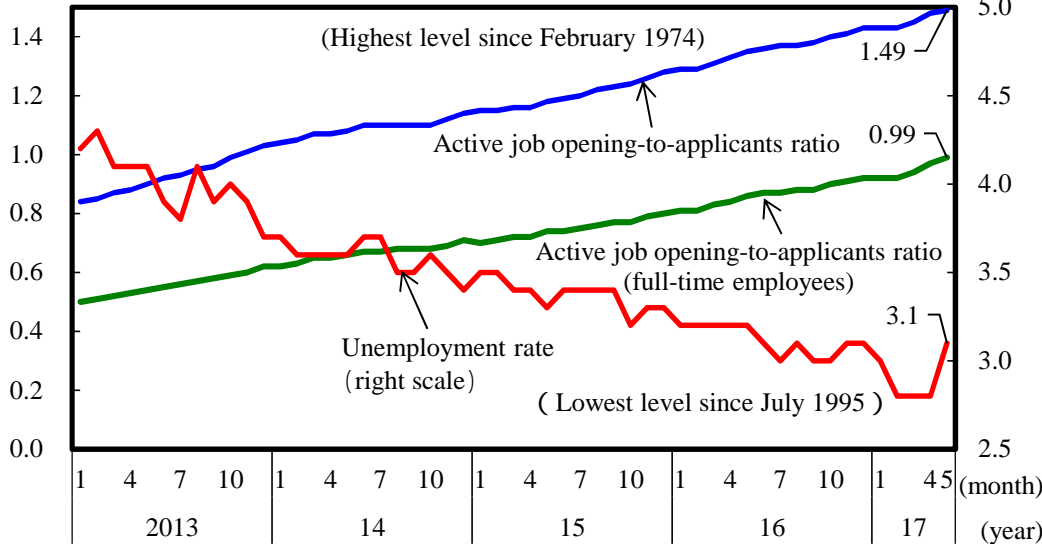


Public construction work remained



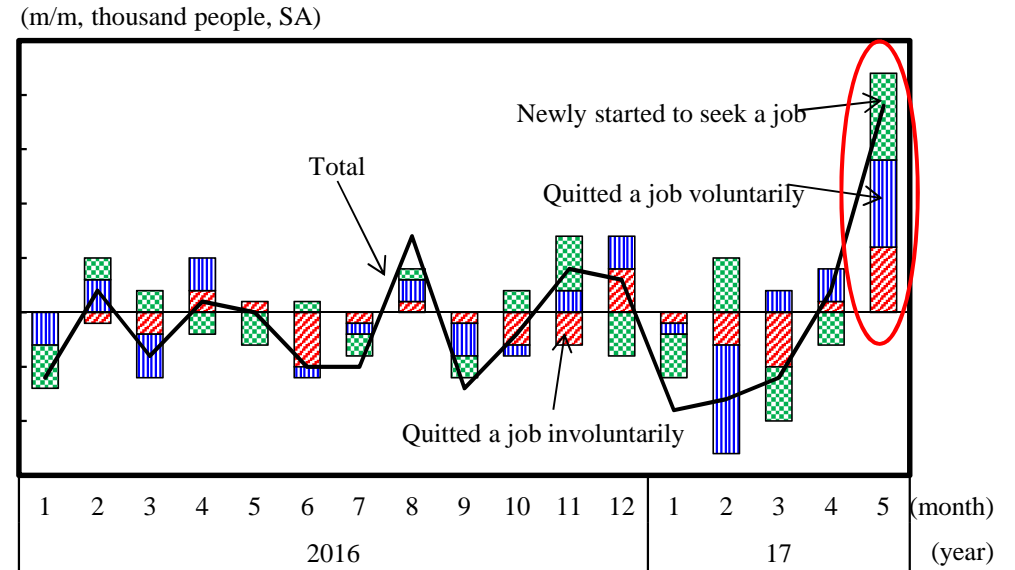
Employment Situation

Unemployment rate and active job opening-to-applicants ratio
(times, SA) (%)



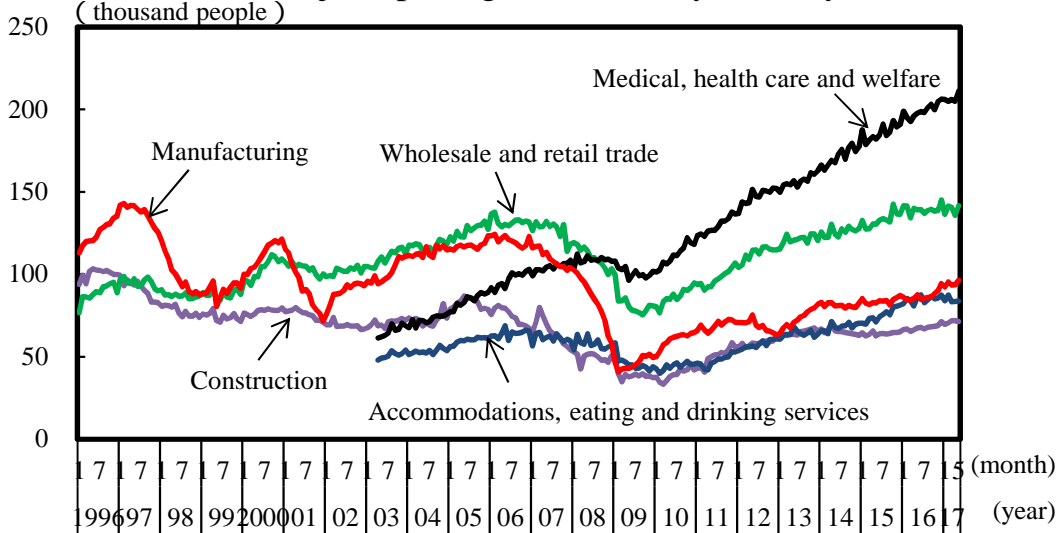
(Sources) Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare

Unemployed persons by reason for seeking a job



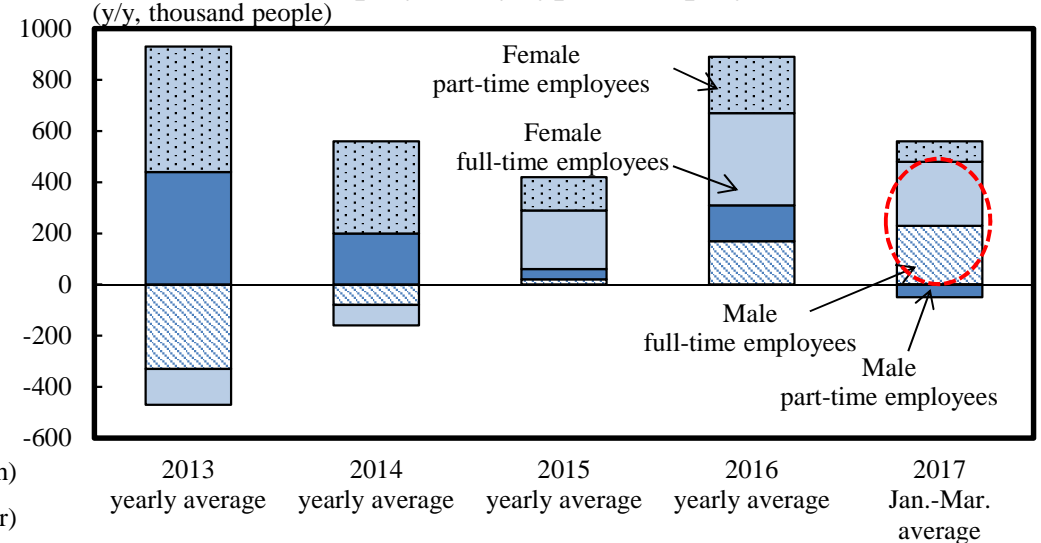
(Source) Ministry of Internal Affairs and Communications

New job openings classified by industry



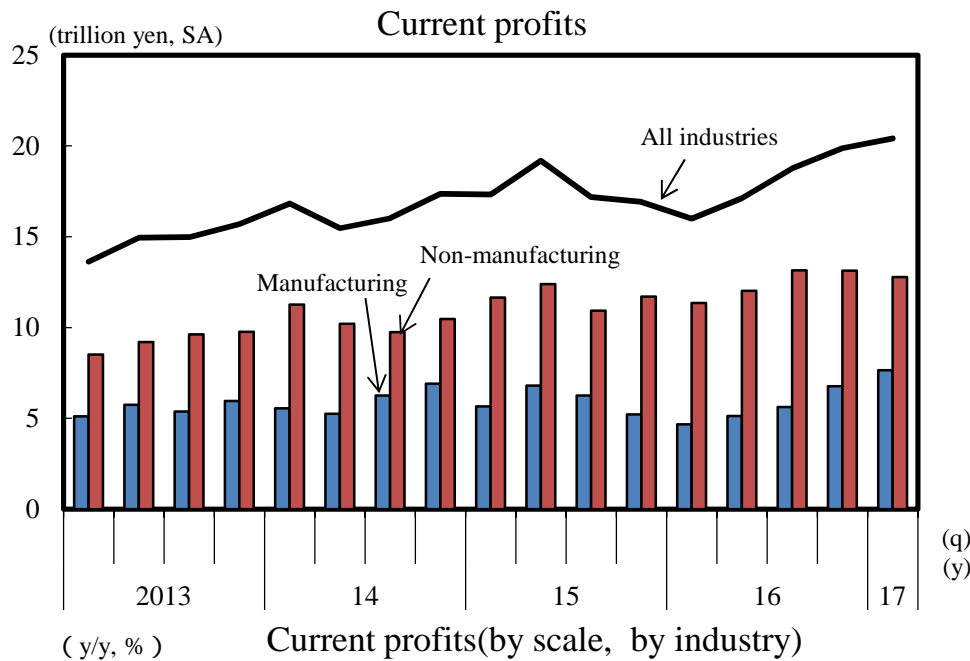
(Source) Ministry of Health, Labour and Welfare

Employees by type of employment



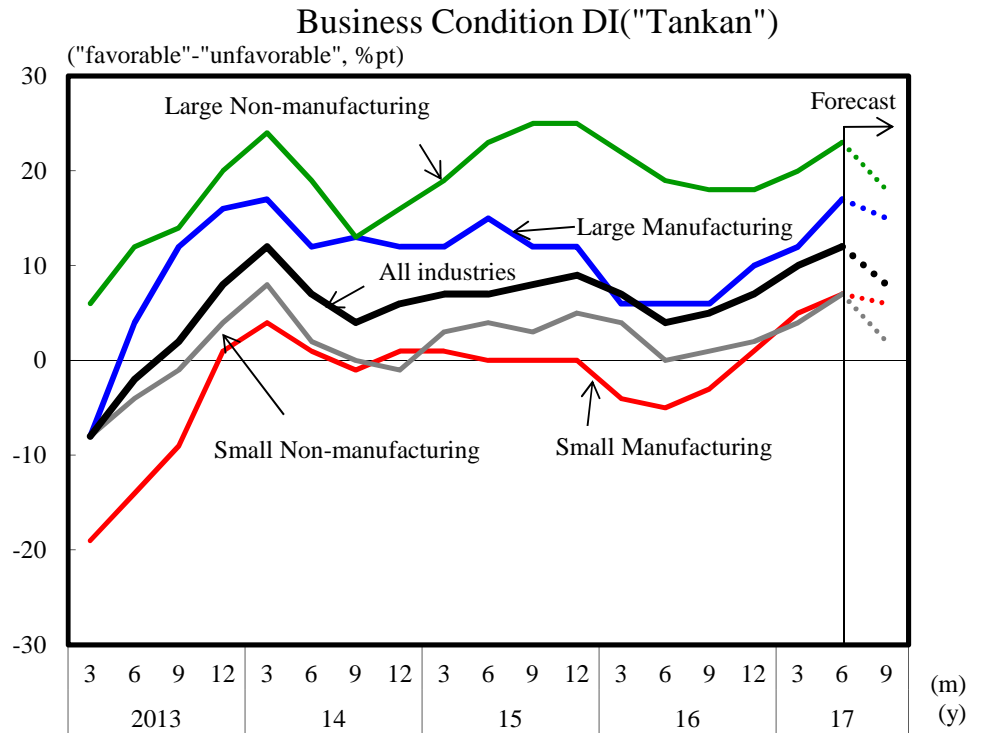
(Source) Ministry of Internal Affairs and Communications

Corporate profits

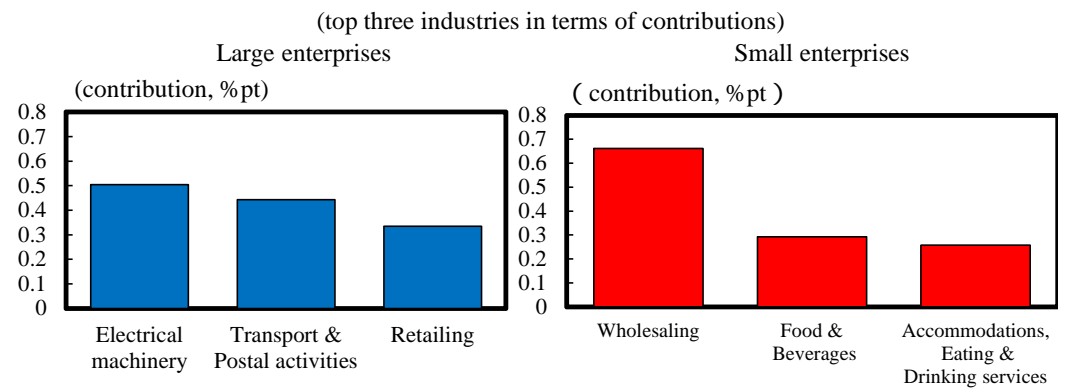


(Source) Ministry of Finance

Business condition

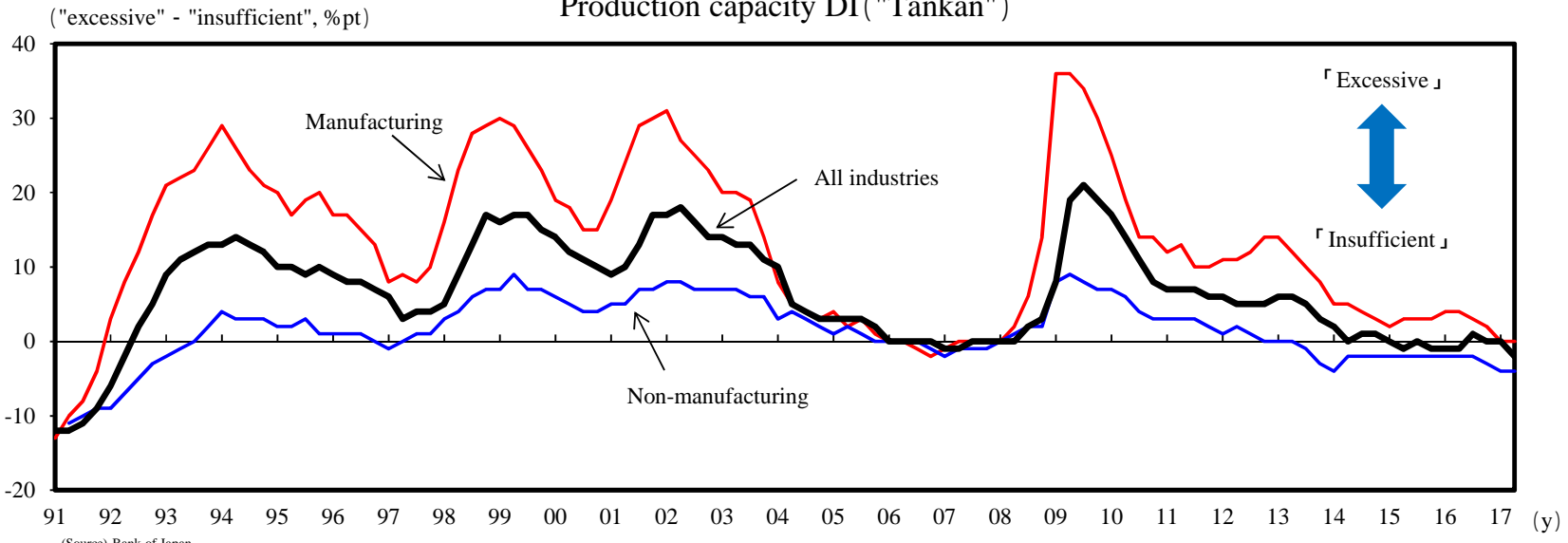


Business Condition DI by industry

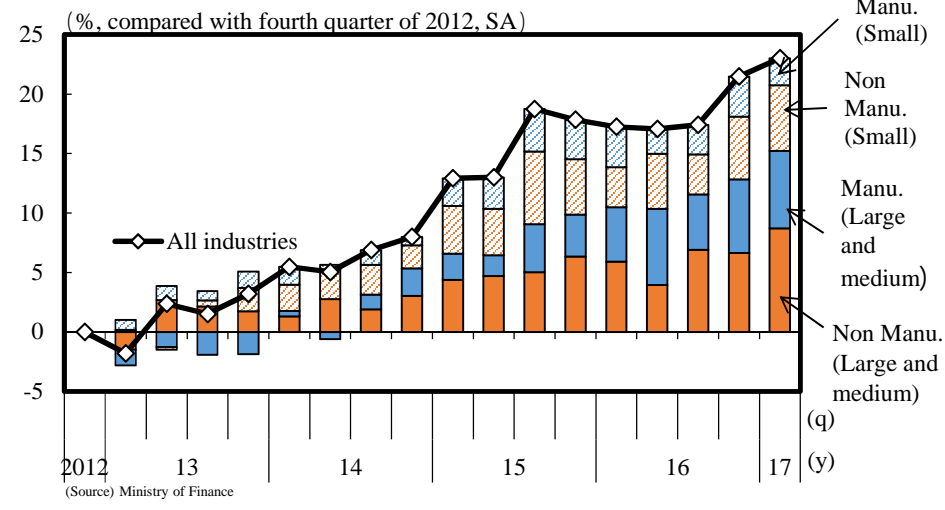


(Source) Bank of Japan

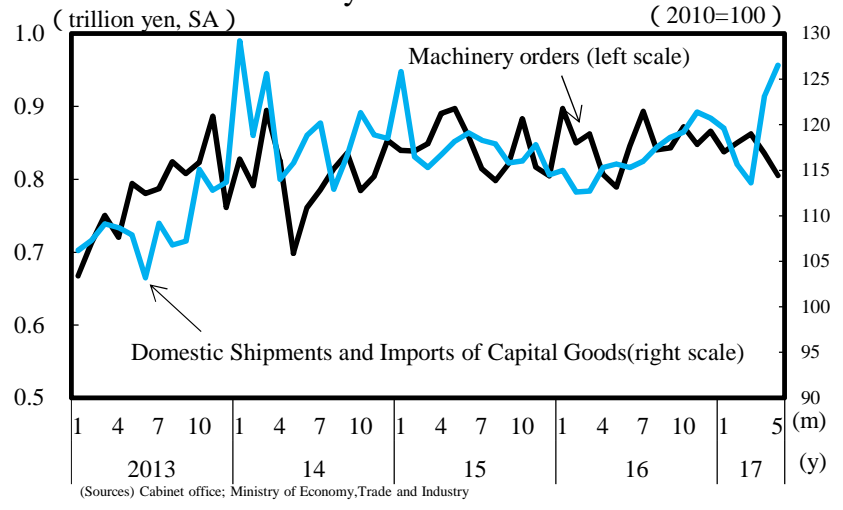
Business investment



Business Investment (by scale, by industry)

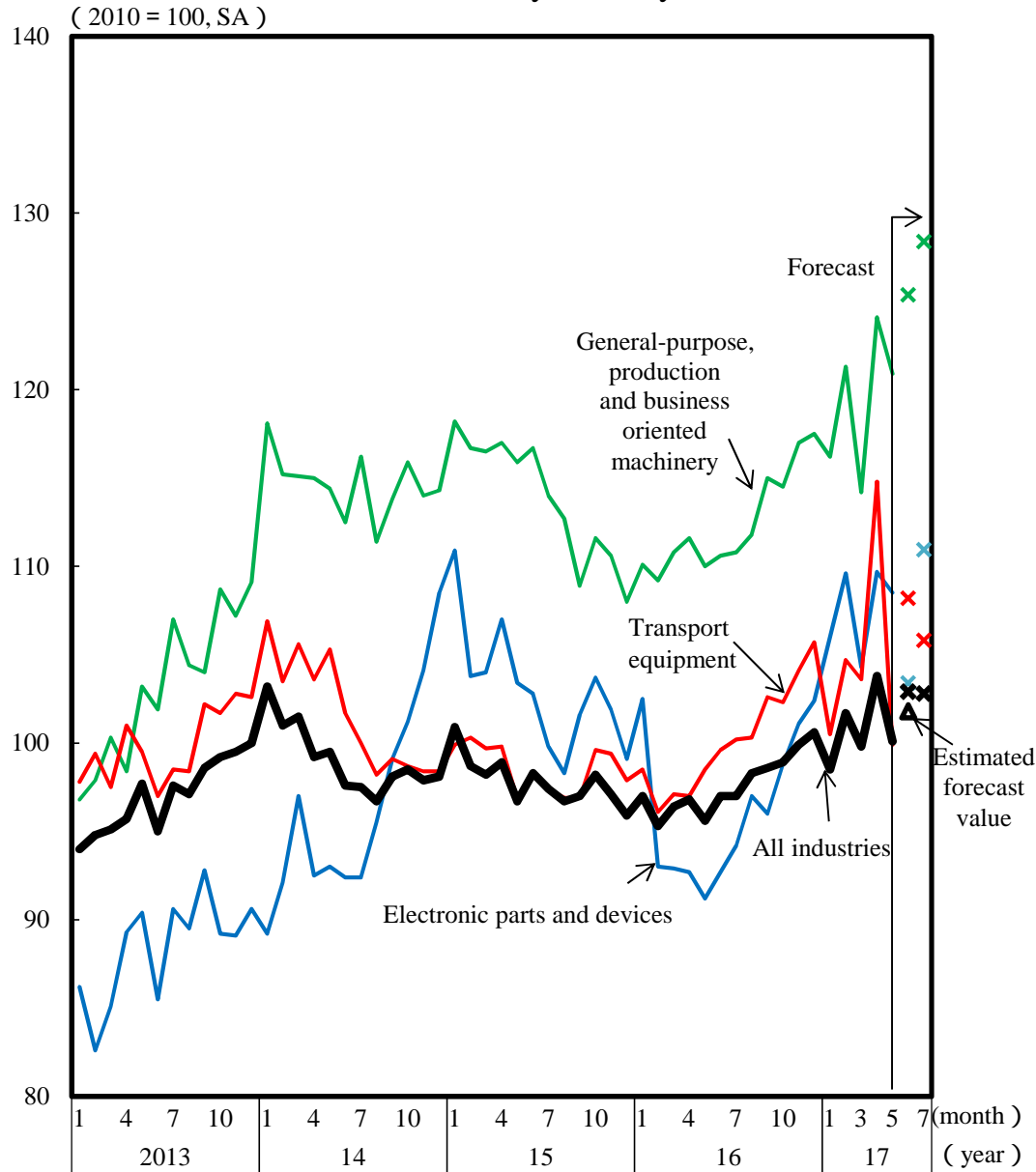


Domestic capital goods shipments and import and machinery orders



Industrial Production

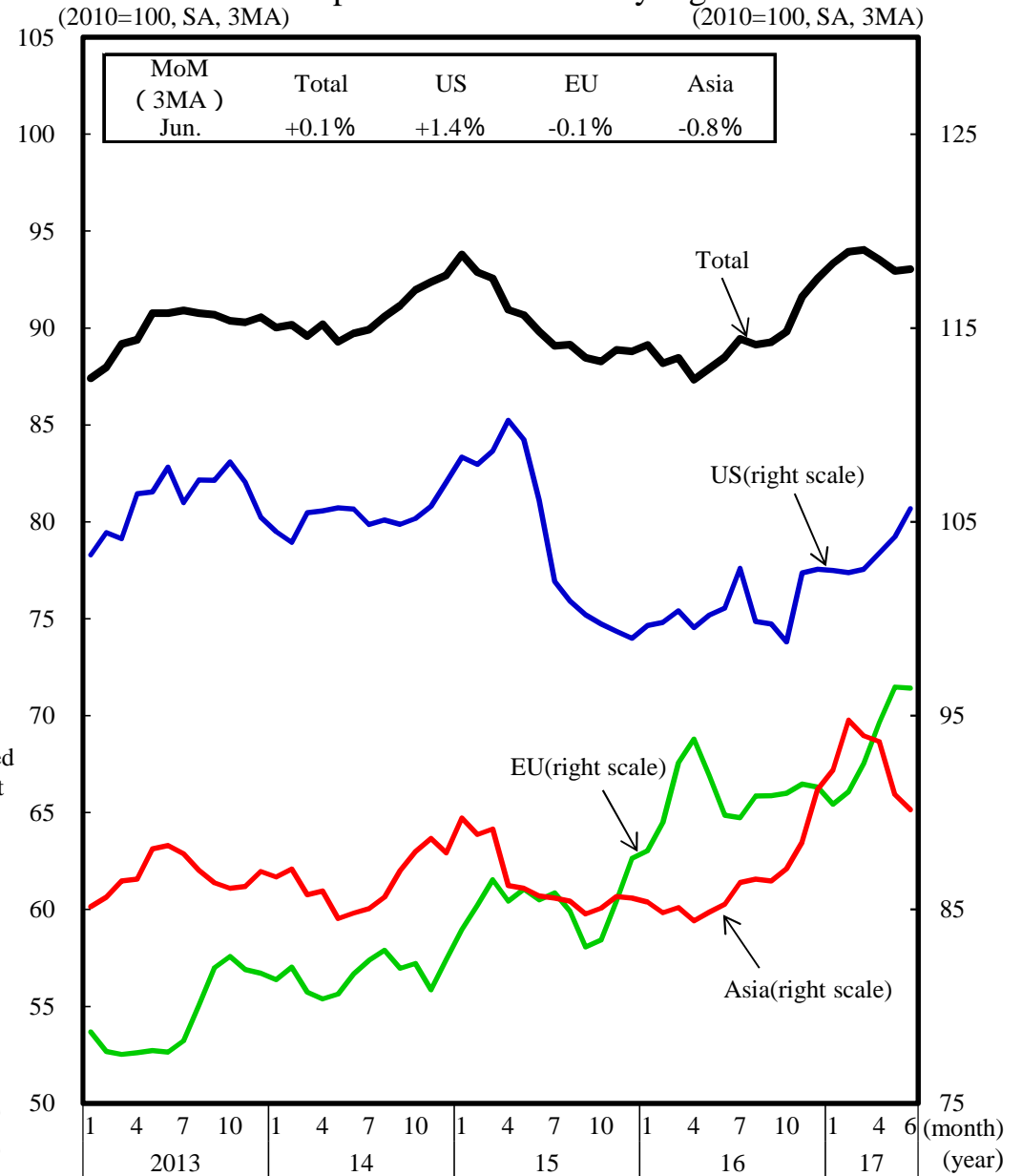
Production by industry



(Source) Ministry of Economy, Trade and Industry

Exports

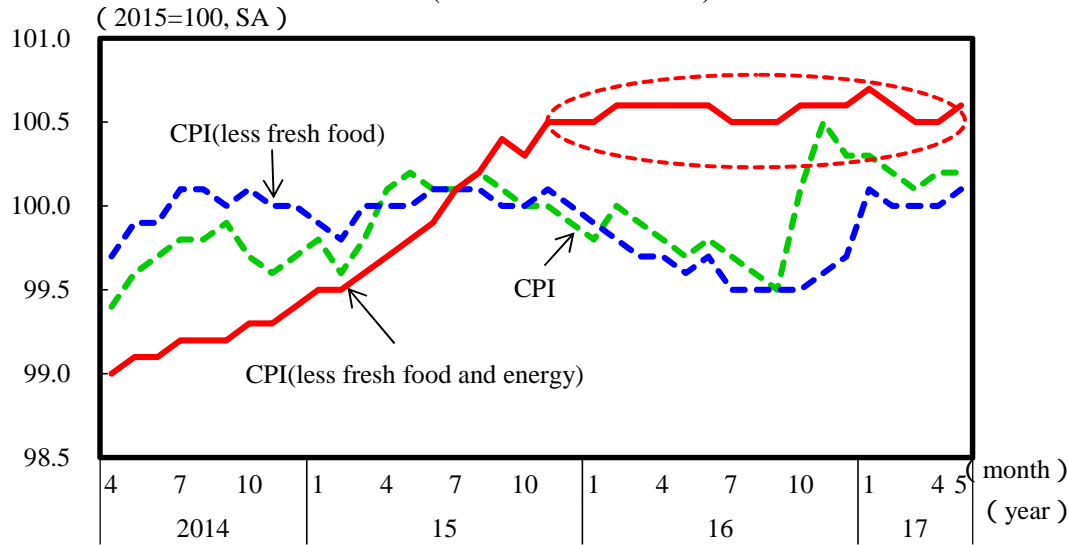
Exports volume index by region



(Source) Ministry of Finance

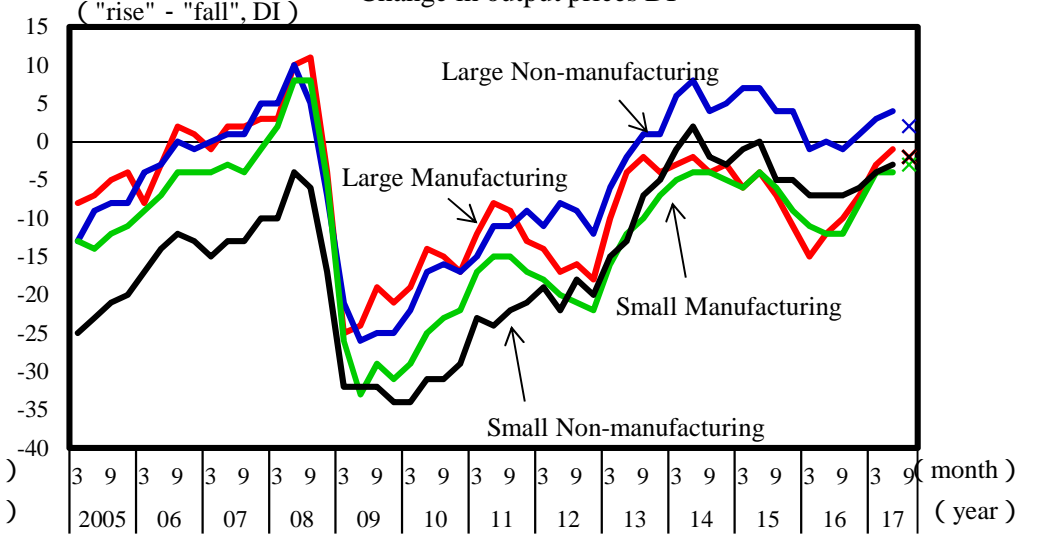
Prices

CPI(Consumer Price Index)



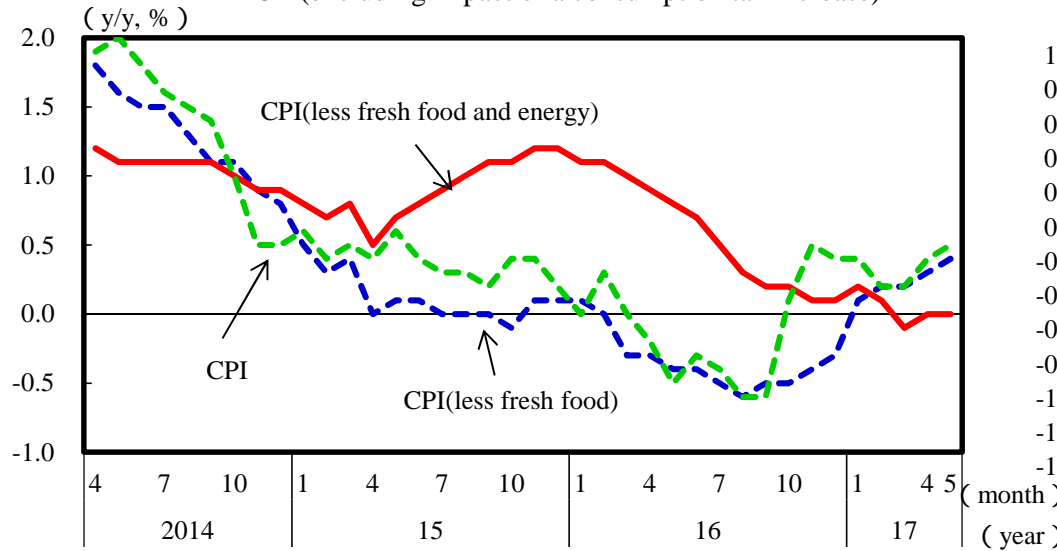
(Source) Ministry of Internal Affairs and Communications

Change in output prices DI



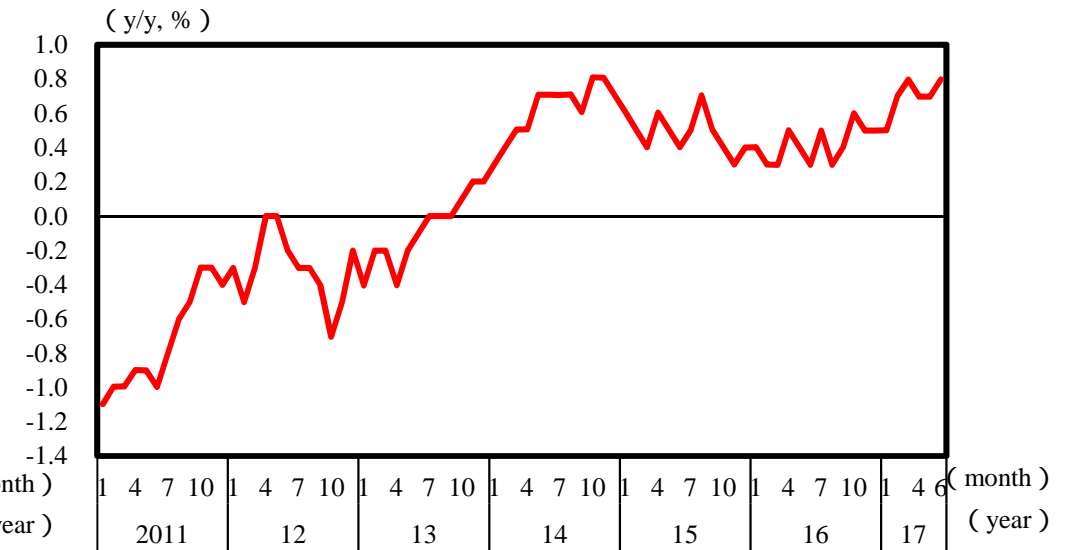
(Source) Bank of Japan

CPI(excluding impact of a consumption tax increase)



(Source) Ministry of Internal Affairs and Communications

Services Producer Price Index



(Source) Bank of Japan