

Recent Economic Developments

October 4, 2017

Cabinet Office

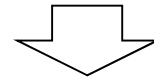
Government of Japan

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<Assessments of the current state of the Japanese economy>

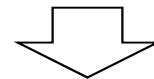
July

The Japanese economy is on a moderate recovery.



August

The Japanese economy is on a moderate recovery.



(Unchanged)

September

The Japanese economy is on a moderate recovery.

(Unchanged)

<Assessments of the current state of the Japanese economy>

	July	August	September
Private consumption	Private consumption is picking up moderately.	Unchanged	Unchanged
Business investment	Business investment is picking up.	Unchanged	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>

July

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.

August

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(Unchanged)

September

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(Unchanged)

<Policy stance>

(September)

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", and 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". Moreover, with regard to human resources development, the Government has set up the "Council for Designing 100-Year Life Society", which will advance discussion to compile an interim report by the end of this year, followed by a basic design scheduled for release in the first half of next year. About work style reform, based on "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.

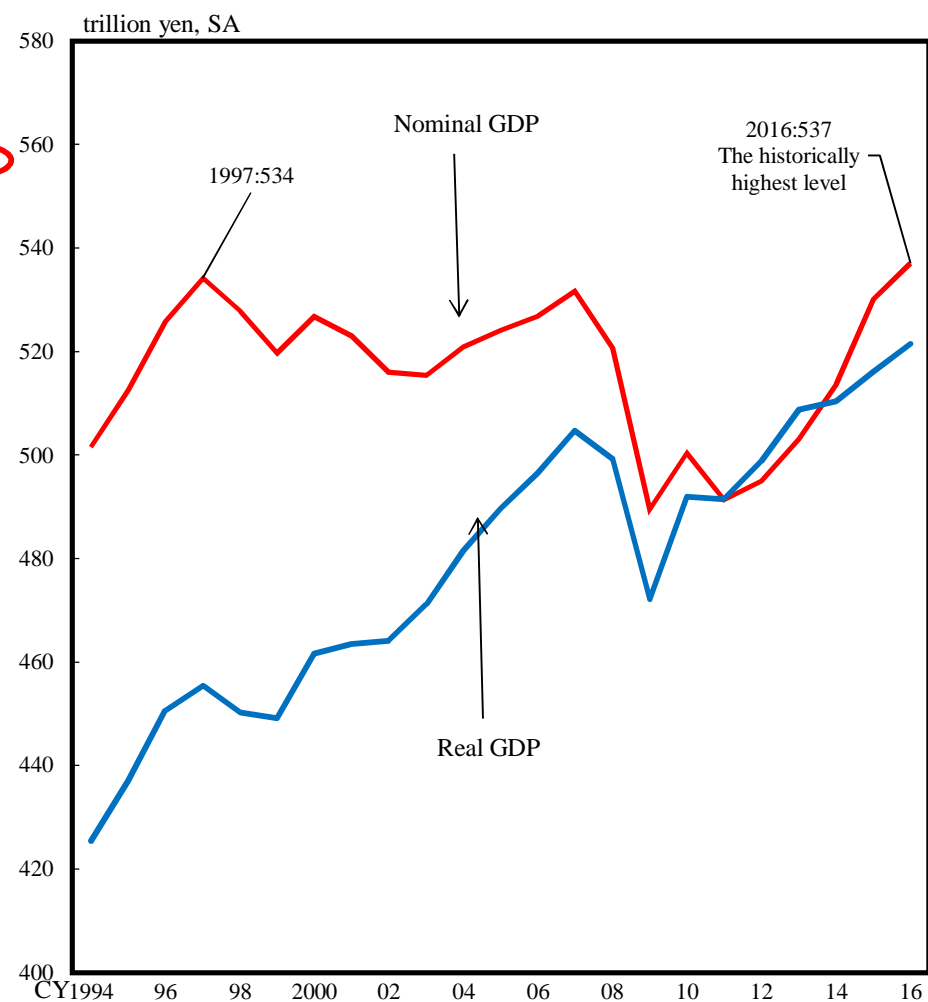
GDP: Apr-Jun 2017 (second preliminary)

Real GDP growth rate in the second quarter of 2017 increased by 0.6%, 2.5%(s.a.a.r.).

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

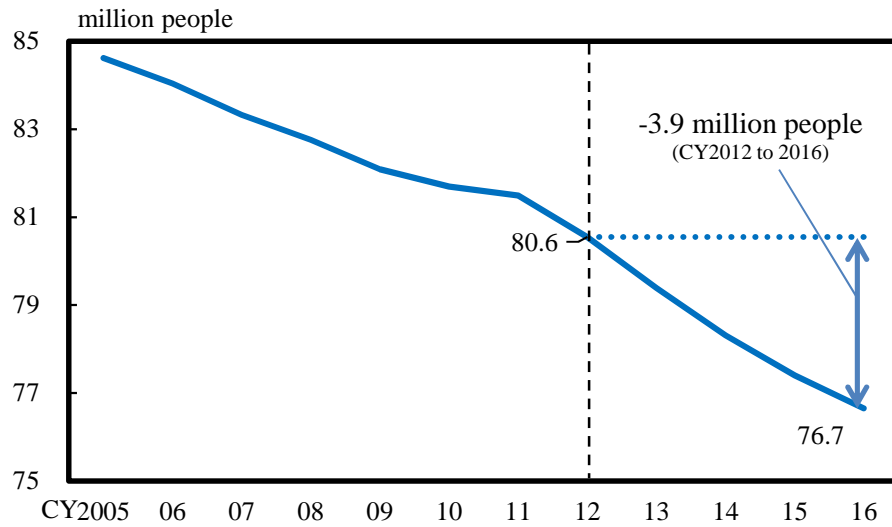
	2016				2017	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Real GDP growth rate [at annual rate]	0.5 [2.1]	0.5 [2.0]	0.2 [0.9]	0.4 [1.6]	0.3 [1.2]	0.6 [2.5]
Domestic Demand (Contributions)	(0.2)	(0.4)	(-0.2)	(0.1)	(0.2)	(0.9)
Private Demand (Contributions)	(-0.1)	(0.8)	(-0.2)	(0.2)	(0.2)	(0.6)
Private Consumption	0.3	0.1	0.4	0.1	0.4	0.8
Private Non-Resi. Investment	-0.1	1.4	-0.3	2.0	0.5	0.5
Private Residential Investment	1.0	3.2	2.8	0.2	1.0	1.3
Change in Private Inventories (Contributions)	(-0.3)	(0.4)	(-0.5)	(-0.2)	(-0.1)	(-0.0)
Public Demand (Contributions)	(0.3)	(-0.3)	(-0.0)	(-0.1)	(0.0)	(0.4)
Public Investment	0.0	-0.6	-0.9	-2.4	0.4	6.0
Net Exports(Contributions)	(0.4)	(0.1)	(0.4)	(0.3)	(0.1)	(-0.3)
Exports	-0.0	-0.9	2.1	3.1	1.9	-0.5
Imports	-2.0	-1.2	-0.2	1.4	1.3	1.4
Real GNI growth rate [at annual rate]	0.9 [3.6]	0.2 [0.9]	-0.1 [-0.3]	0.1 [0.3]	0.1 [0.6]	0.8 [3.1]
Nominal GDP growth rate	0.9	0.2	-0.0	0.5	-0.1	0.7
GDP Deflator <Year-over-year>	<0.9>	<0.4>	<-0.1>	<-0.1>	<-0.8>	<-0.4>

Nominal and real GDP

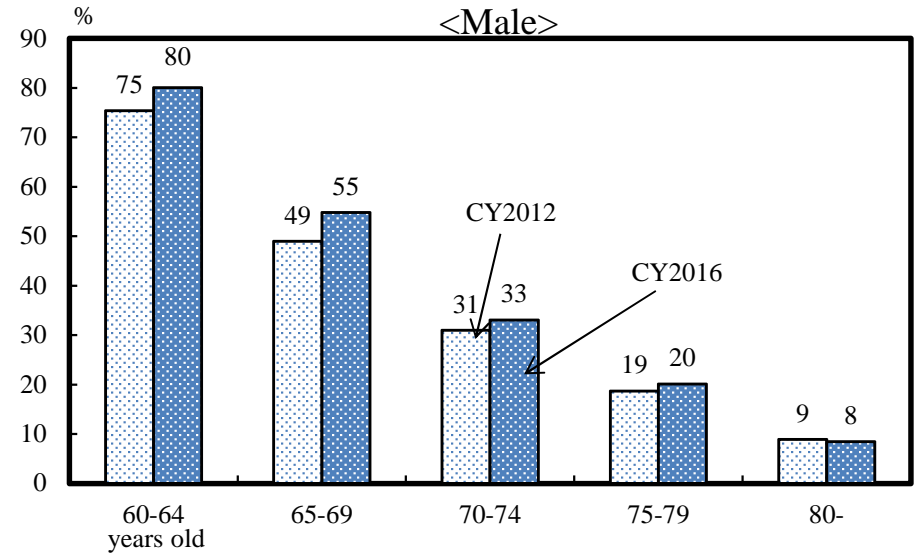


Human resources in Japan (1)

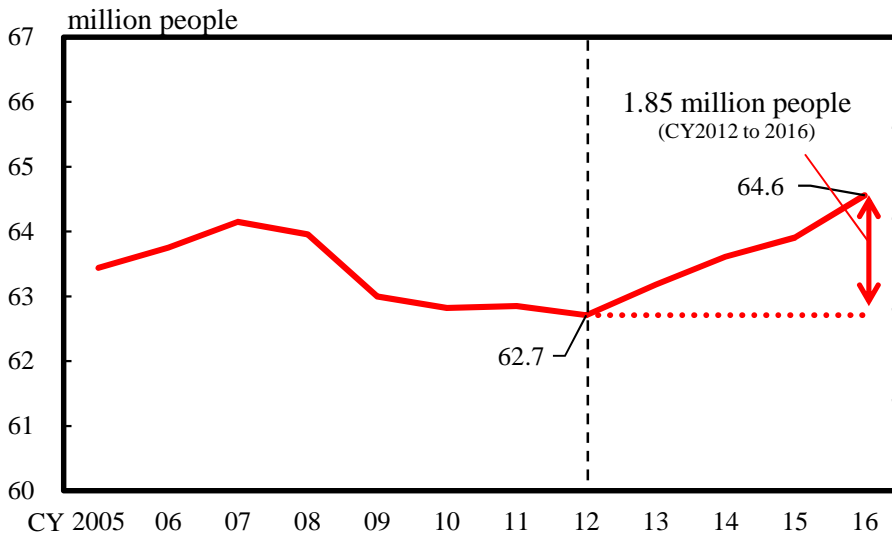
Working age population (from 15 to 64 years old)



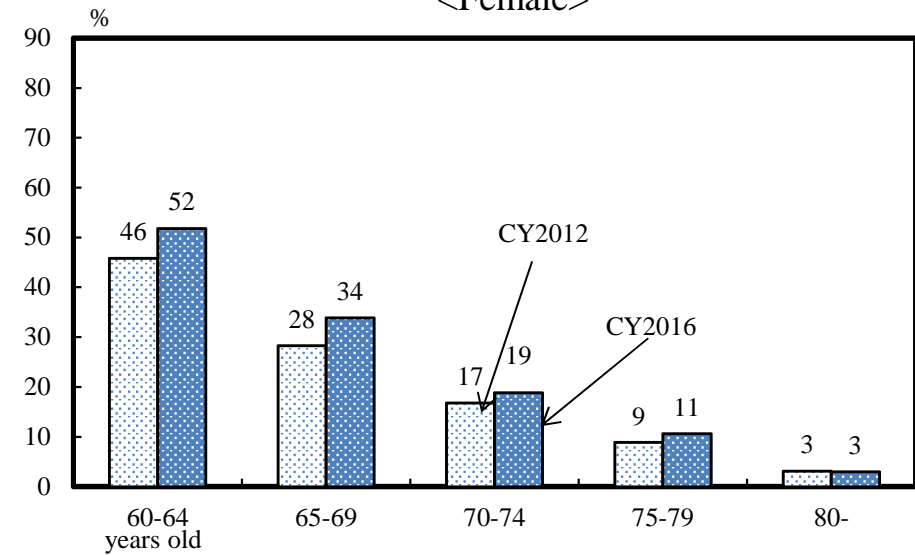
Labor participation rate of the elderly (by age)



Employed person

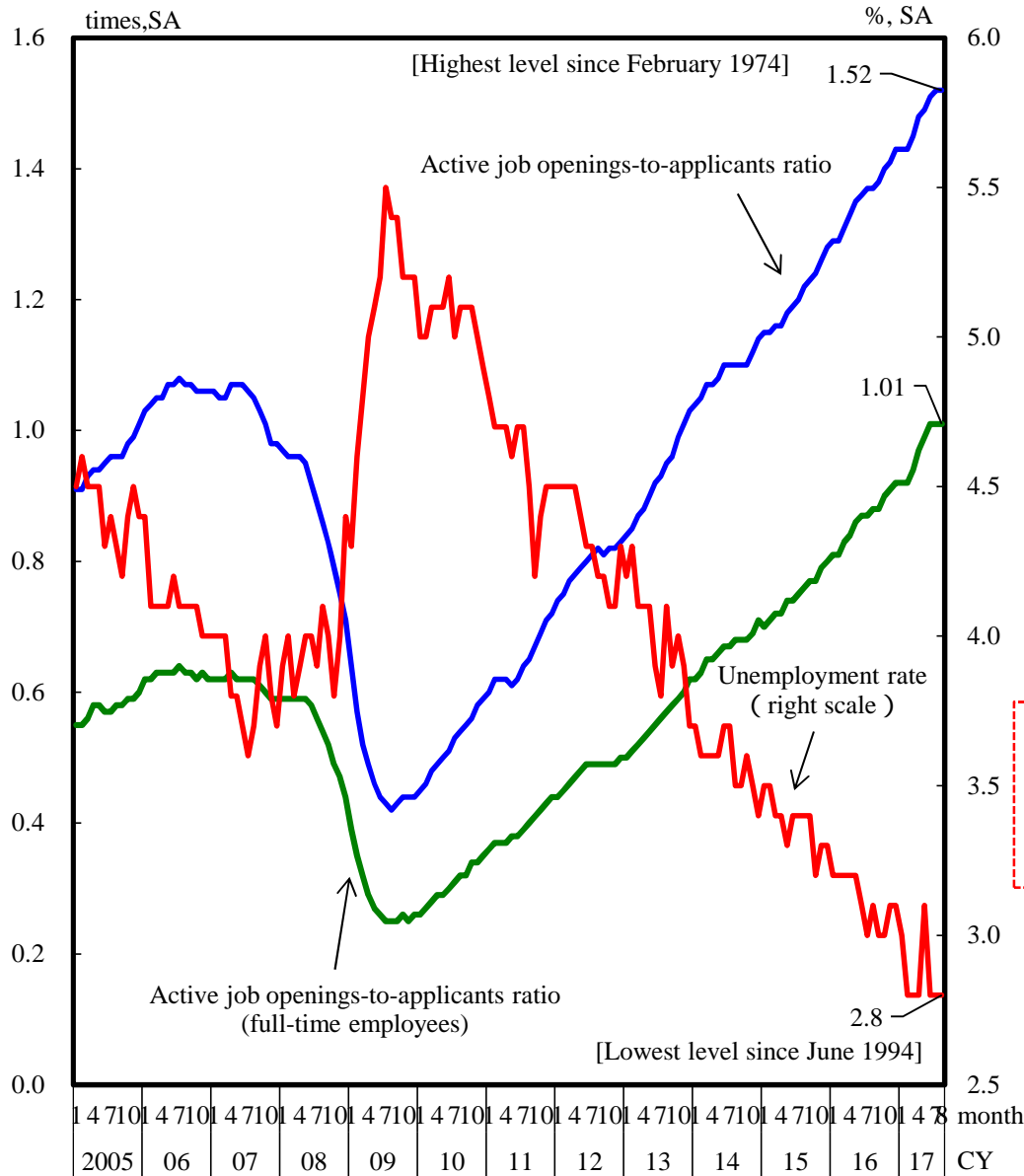


<Female>



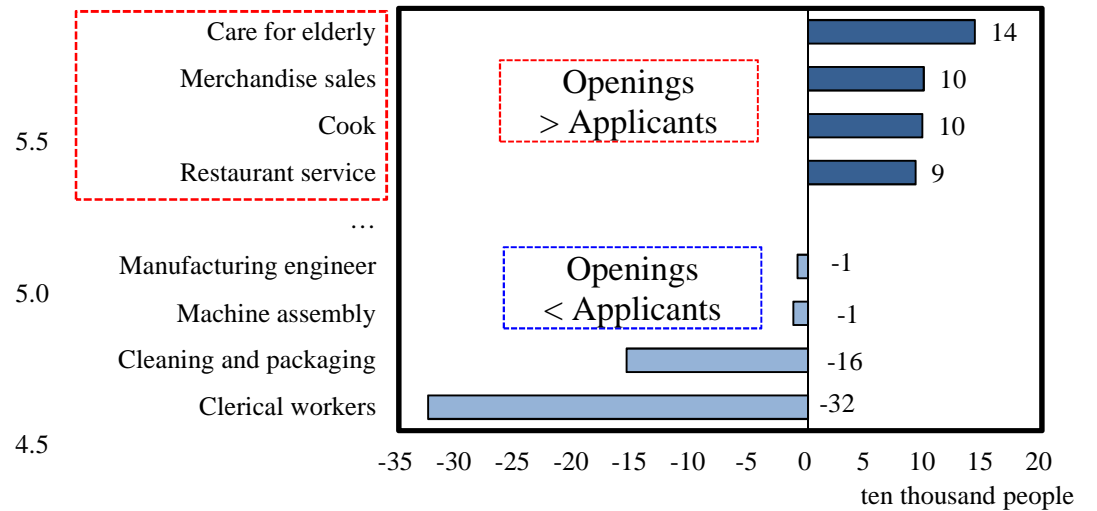
Human resources in Japan (2)

Unemployment rate and active job openings-to-applicants ratio



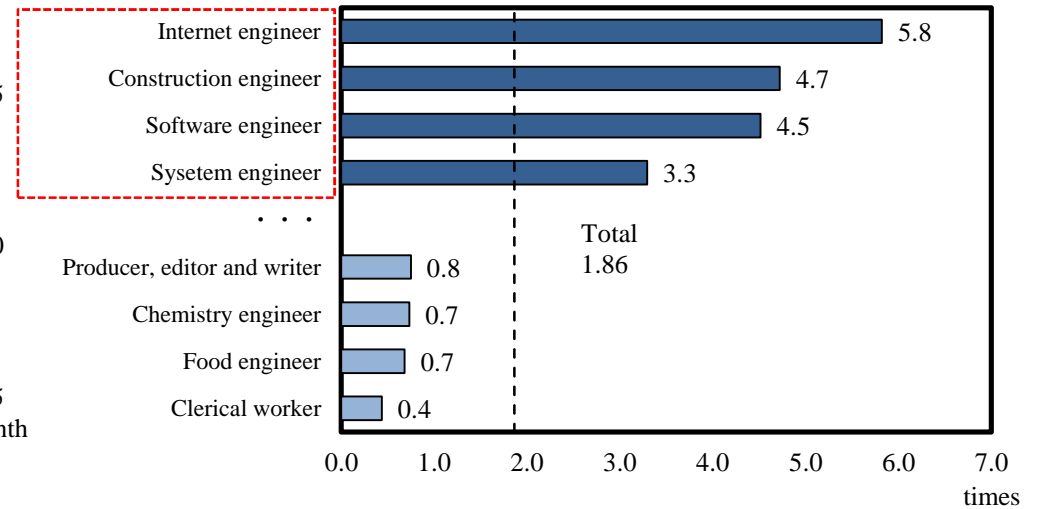
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Difference between active job openings and applicants in "Hello Work" (public employment service centers) [Apr.-Jun. 2017 average]



Source: Ministry of Health, Labour and Welfare.

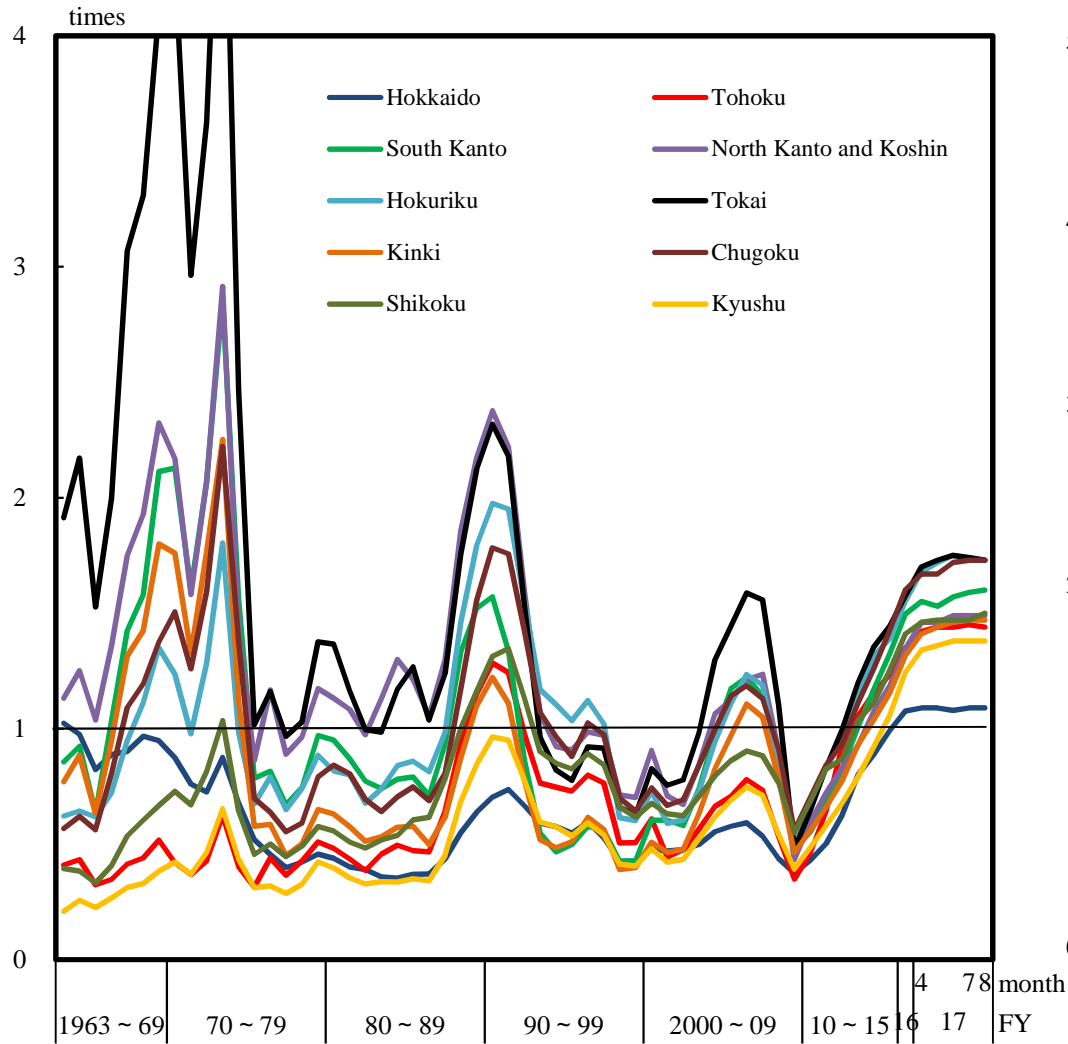
Job openings-to-applicants ratio in a private employment agency [Apr.-Jun. 2017 average]



Source: Recruit Career Co., Ltd.

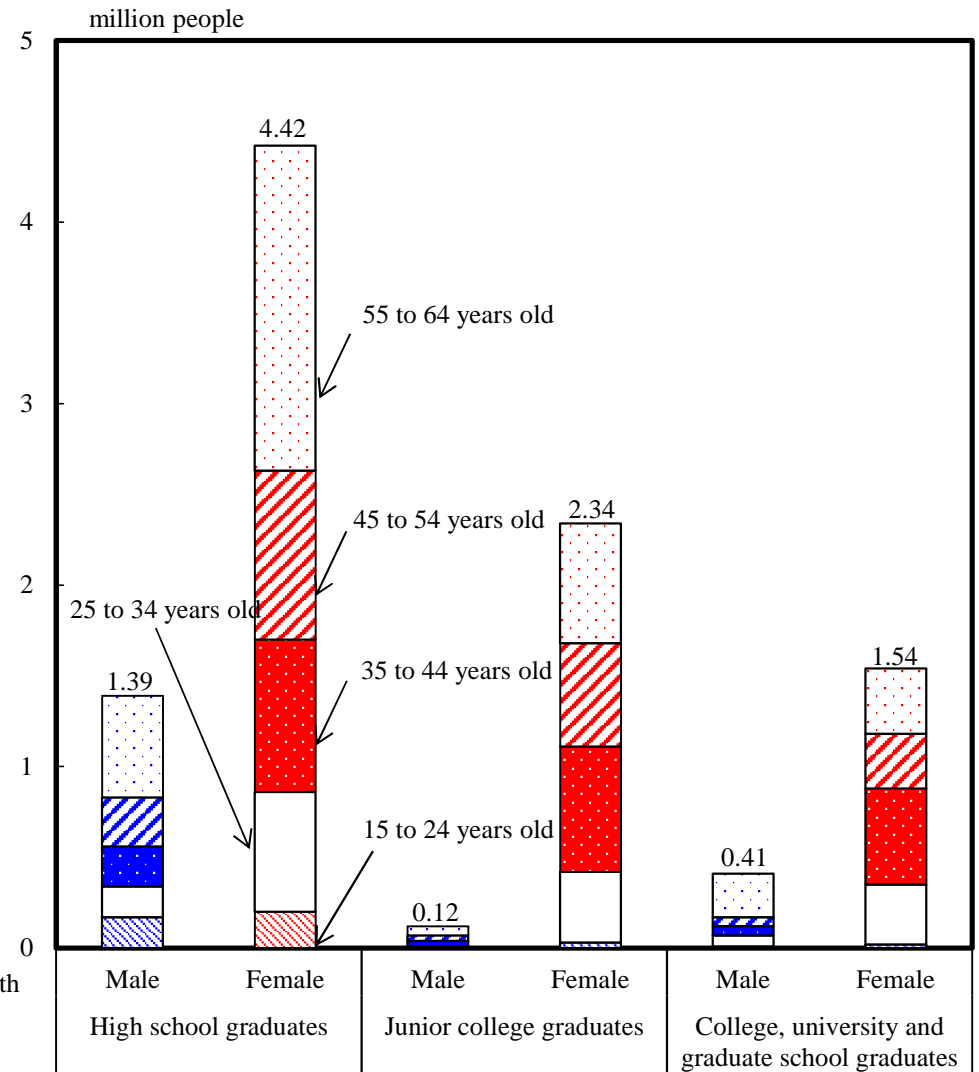
Human resources in Japan (3)

Active job openings-to-applicants ratio by region



Source: Ministry of Health, Labour and Welfare.

Not in labor force under 65 years old classified by educational attainment

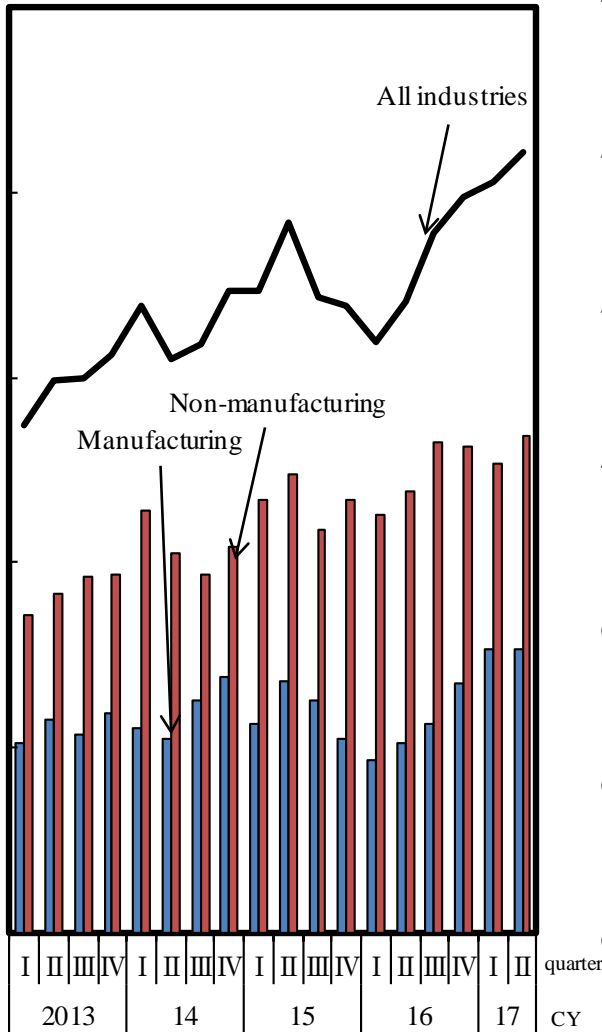


Source: Ministry of Internal Affairs and Communications.

Profits, business investment and labor costs

Current profits

trillion yen, SA



Labor share

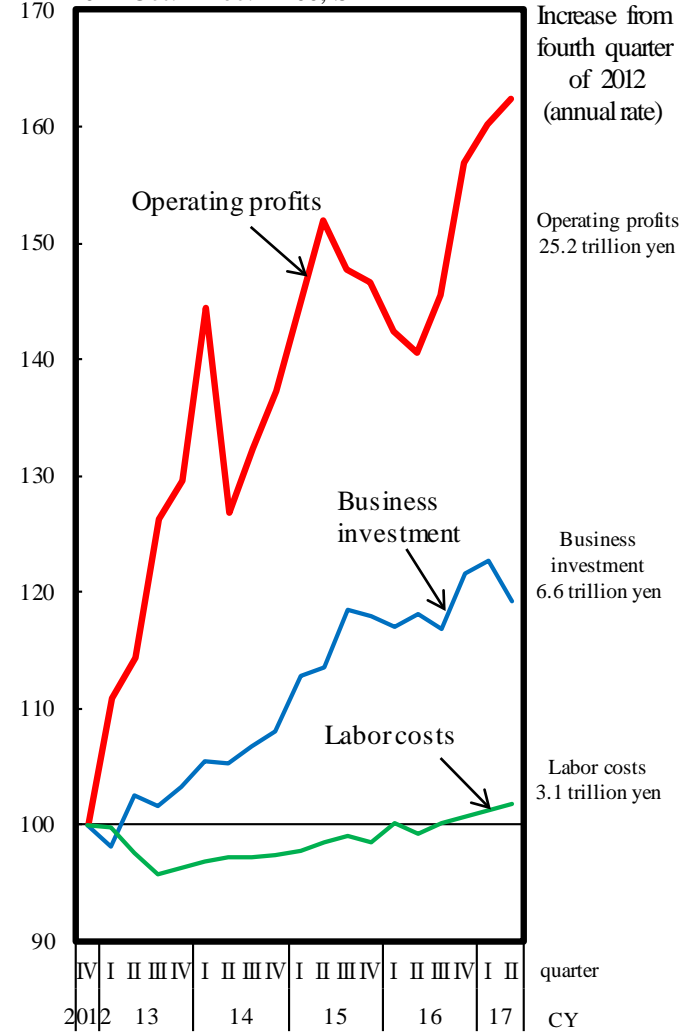
Labor share = Labor costs / Value added
(Labor costs + Operating profits etc.)



Note: Shaded areas indicate recession periods

Operating profits, business investment and labor costs

2012 Oct. – Dec. = 100, SA



Increase from fourth quarter of 2012 (annual rate)

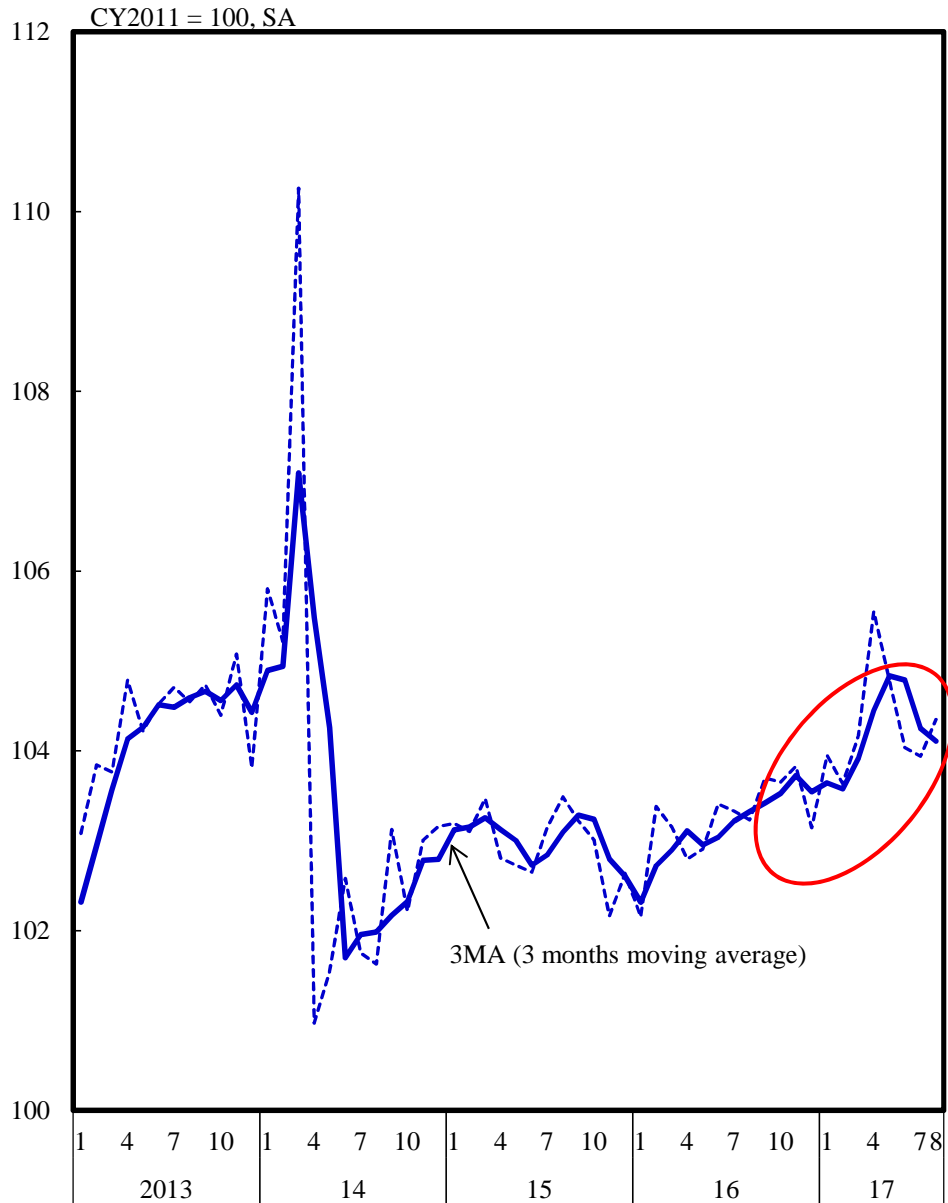
Operating profits 25.2 trillion yen

Business investment 6.6 trillion yen

Labor costs 3.1 trillion yen

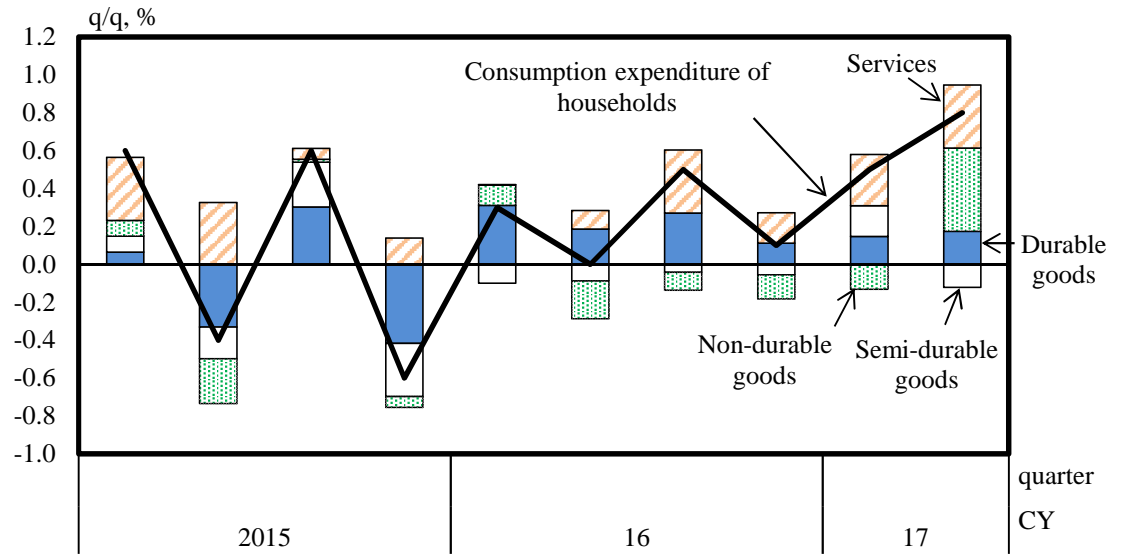
Private consumption

Synthetic consumption index (Real)



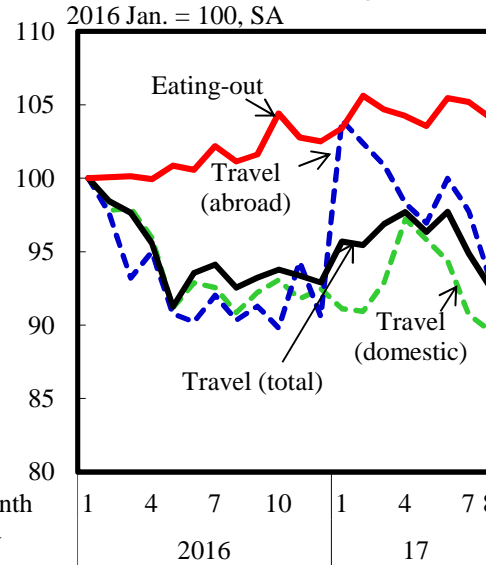
Source: Cabinet Office.

Consumption expenditure of households



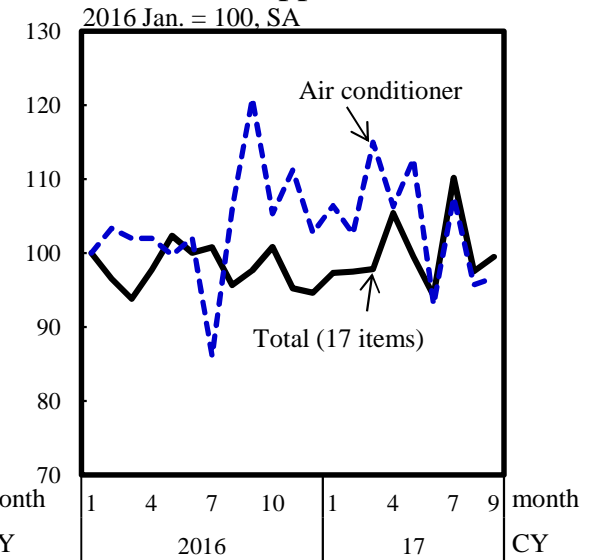
Source: Cabinet Office.

Travel and eating-out



Sources: Japan Food Service Association; Railway Passenger Association.

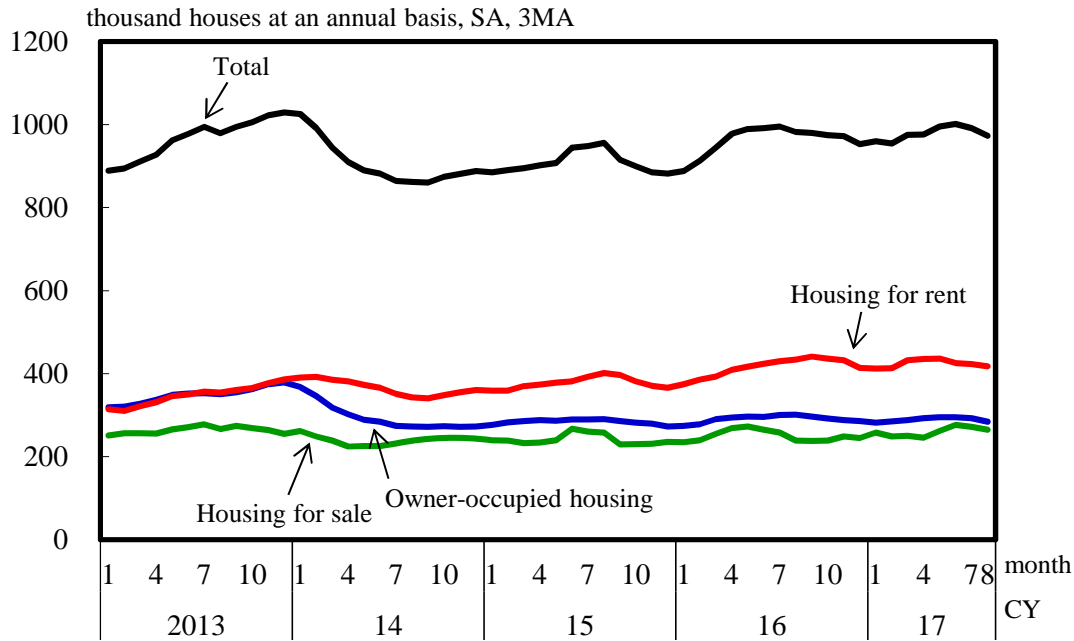
Home appliances



Source: GfK.

Housing construction

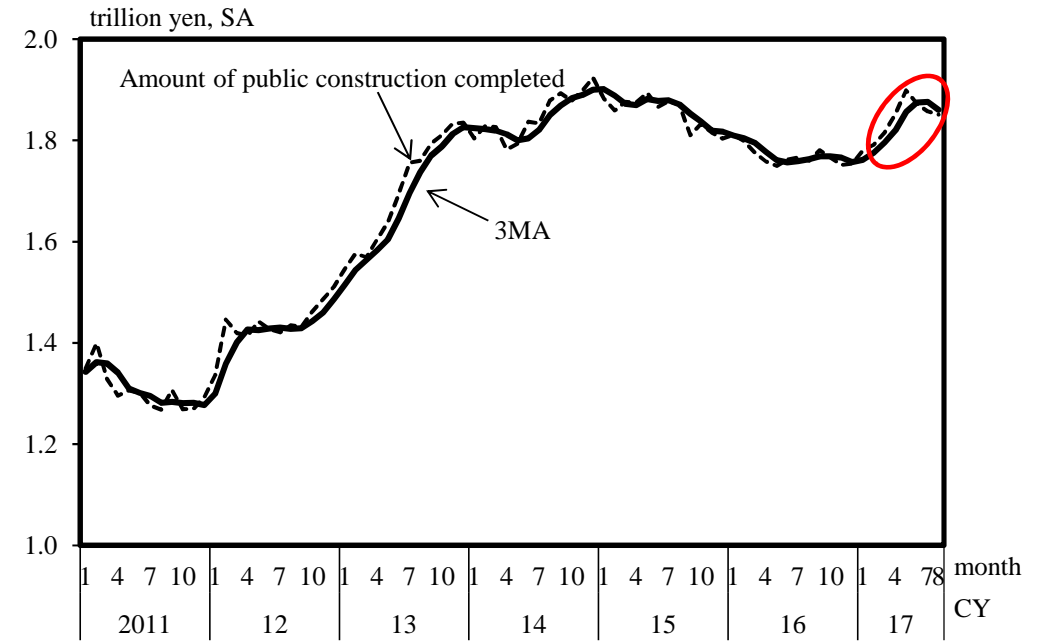
Housing construction starts



Source: Ministry of Land, Infrastructure, Transport and Tourism.

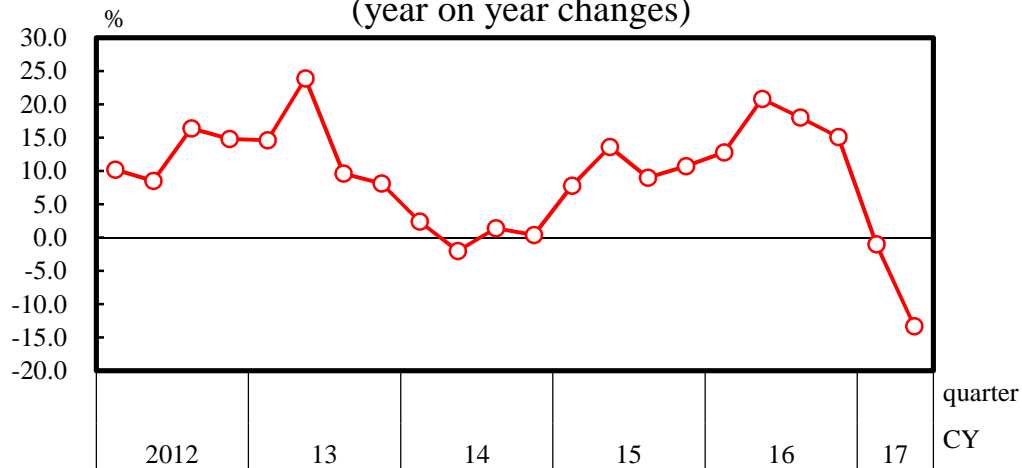
Public investment

Amount of public construction completed



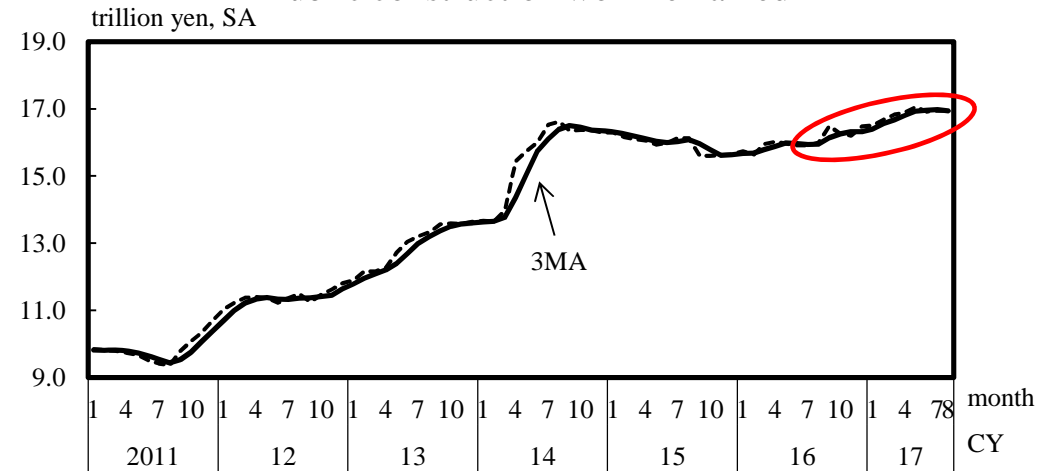
Sources: East Japan Construction Surety Co., Ltd., etc.; Ministry of Land, Infrastructure, Transport and Tourism.

New loans for constructing apartment rooms (year on year changes)



Source: Bank of Japan.

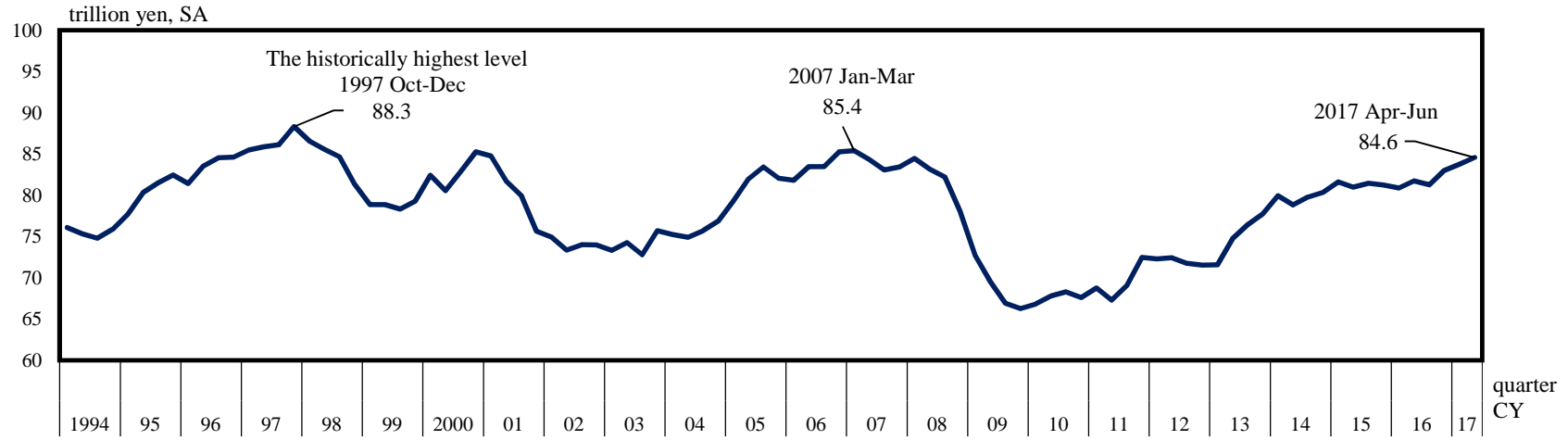
Public construction work remained



Source: Ministry of Land, Infrastructure, Transport and Tourism.

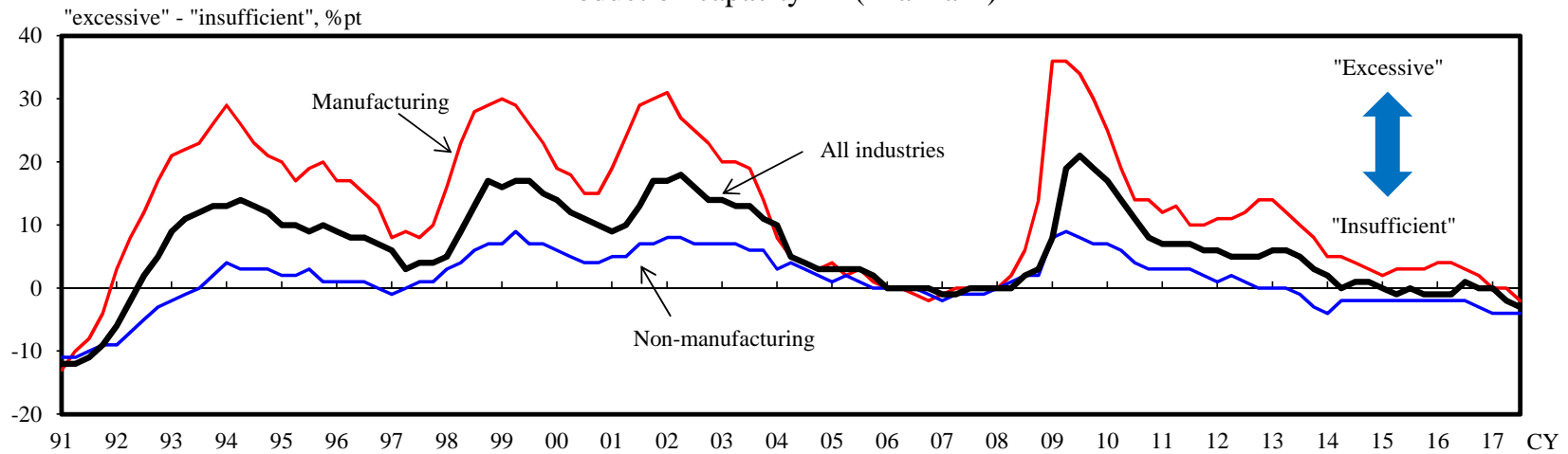
Business investment

Private non-residential investment in nominal GDP



Source: Cabinet Office.

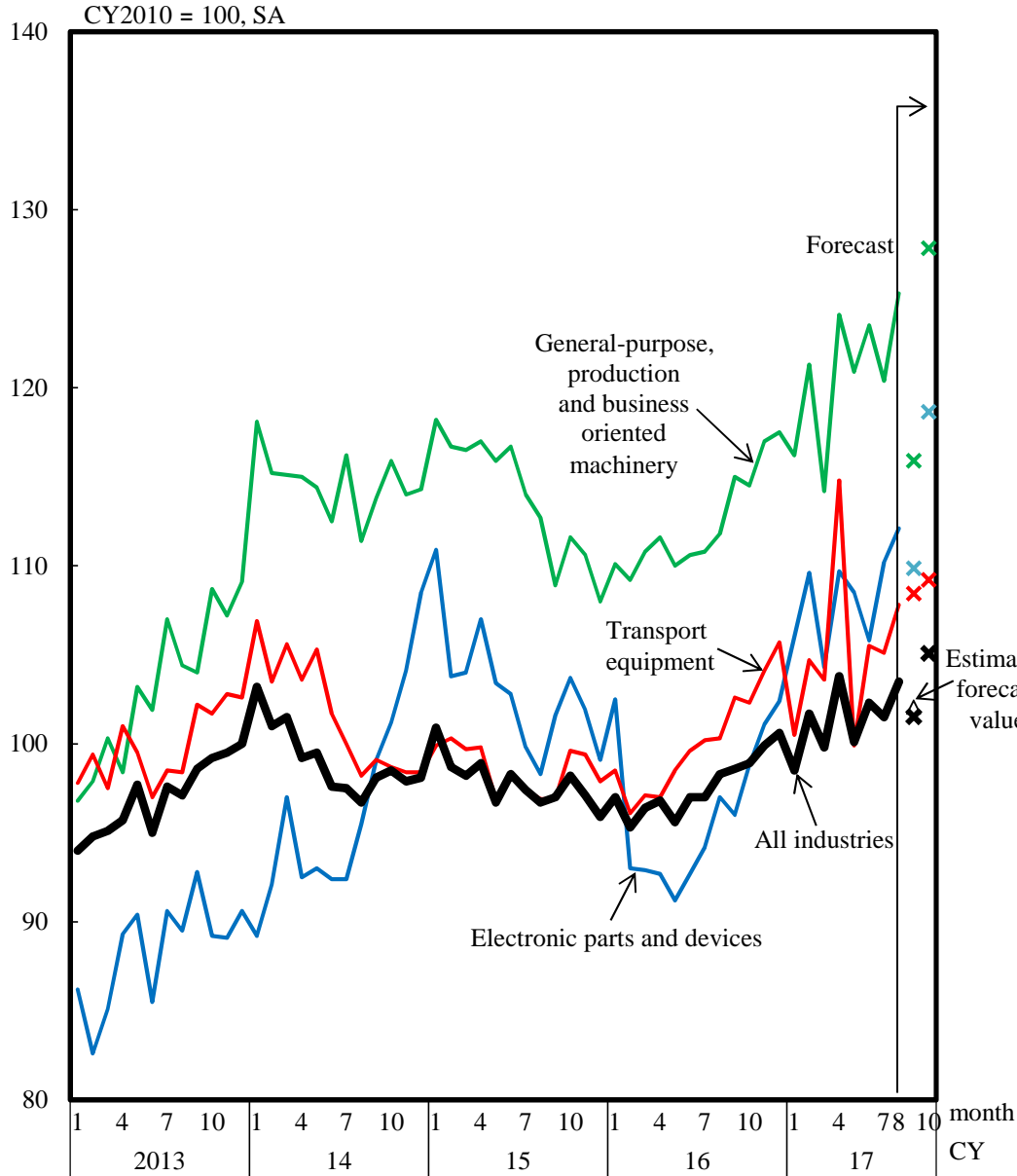
Production capacity DI ("Tankan")



Source: Bank of Japan.

Industrial production

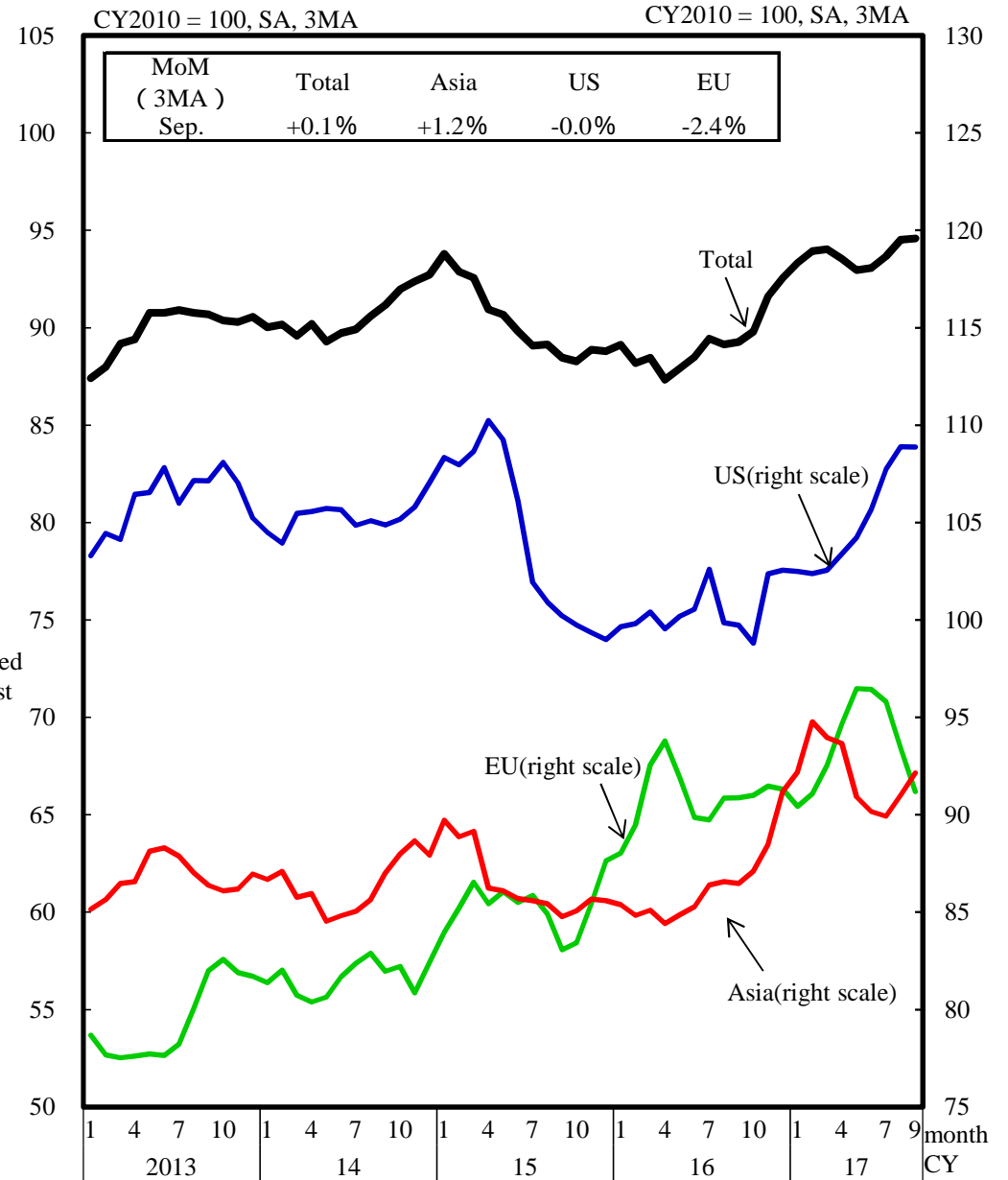
Production by industry



Source: Ministry of Economy, Trade and Industry.

Exports

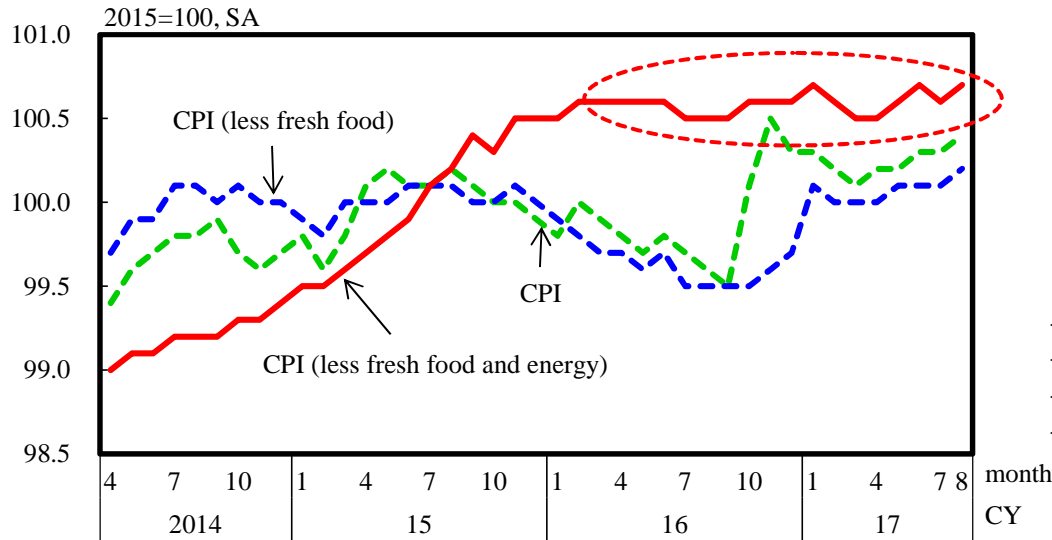
Exports volume index by region



Source: Ministry of Finance.

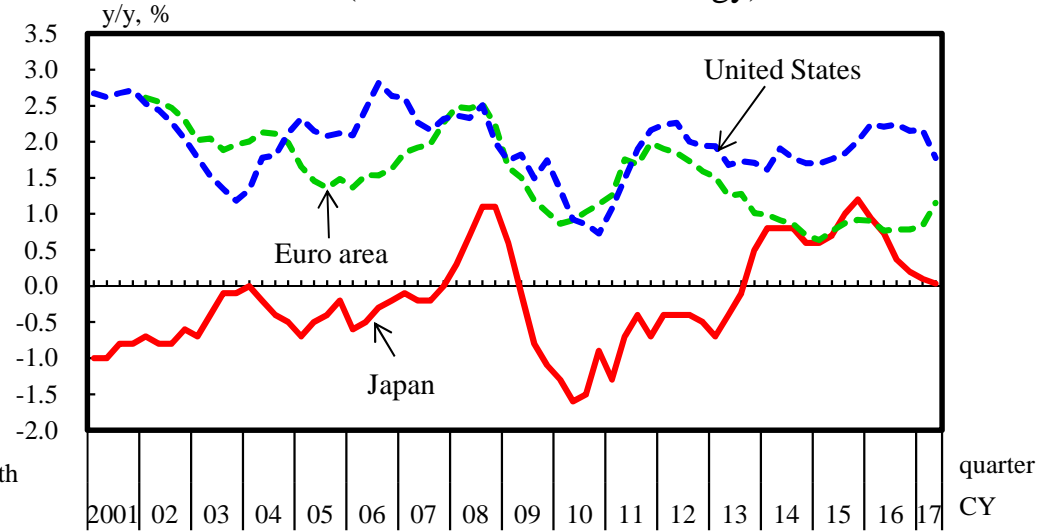
Prices

CPI (Consumer Price Index)



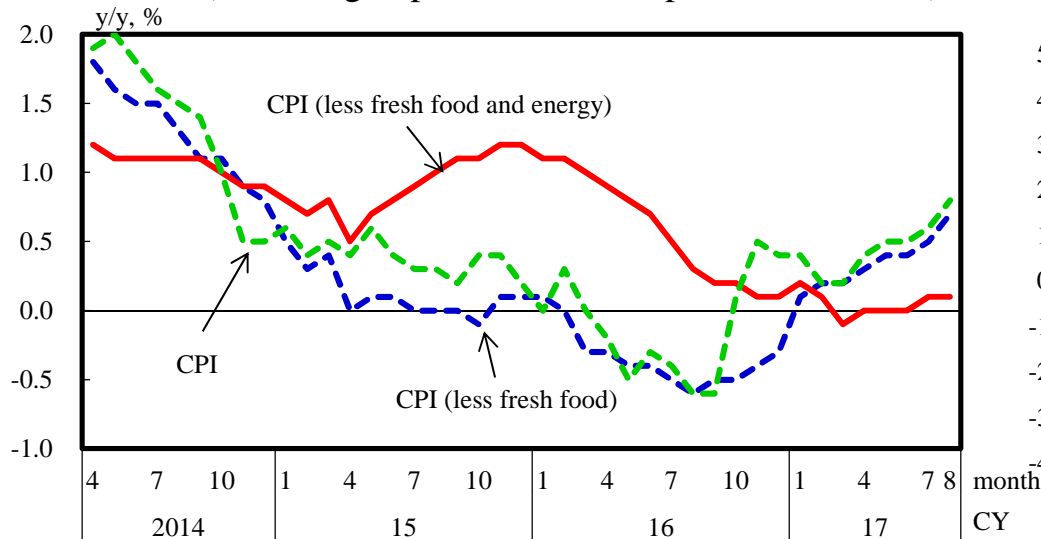
Source: Ministry of Internal Affairs and Communications.

CPI (less fresh food and energy)



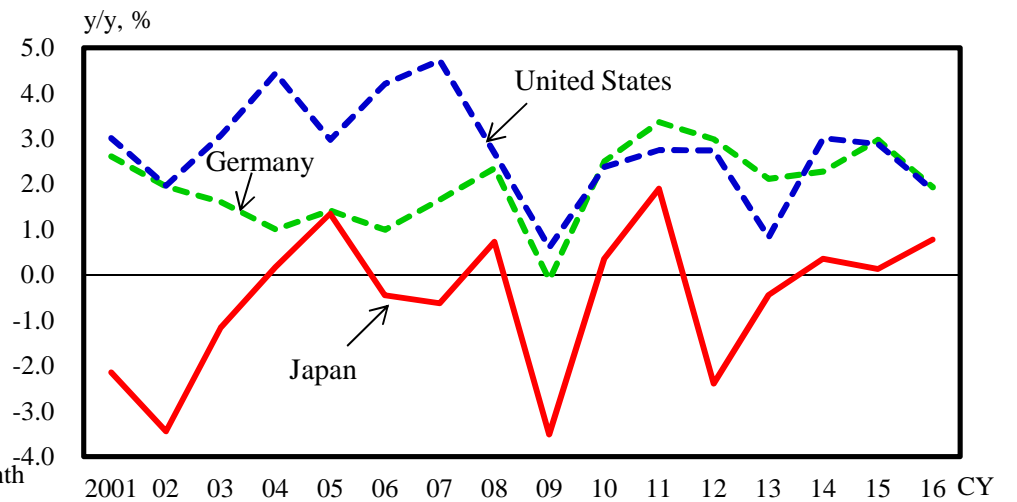
Sources: Ministry of Internal Affairs and Communications; Bureau of Labor Statistics; Eurostat
 United States: All items less food and energy, Euro area: Overall index excluding energy and unprocessed food, Japan: excluding impact of a consumption tax increase.

CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications.

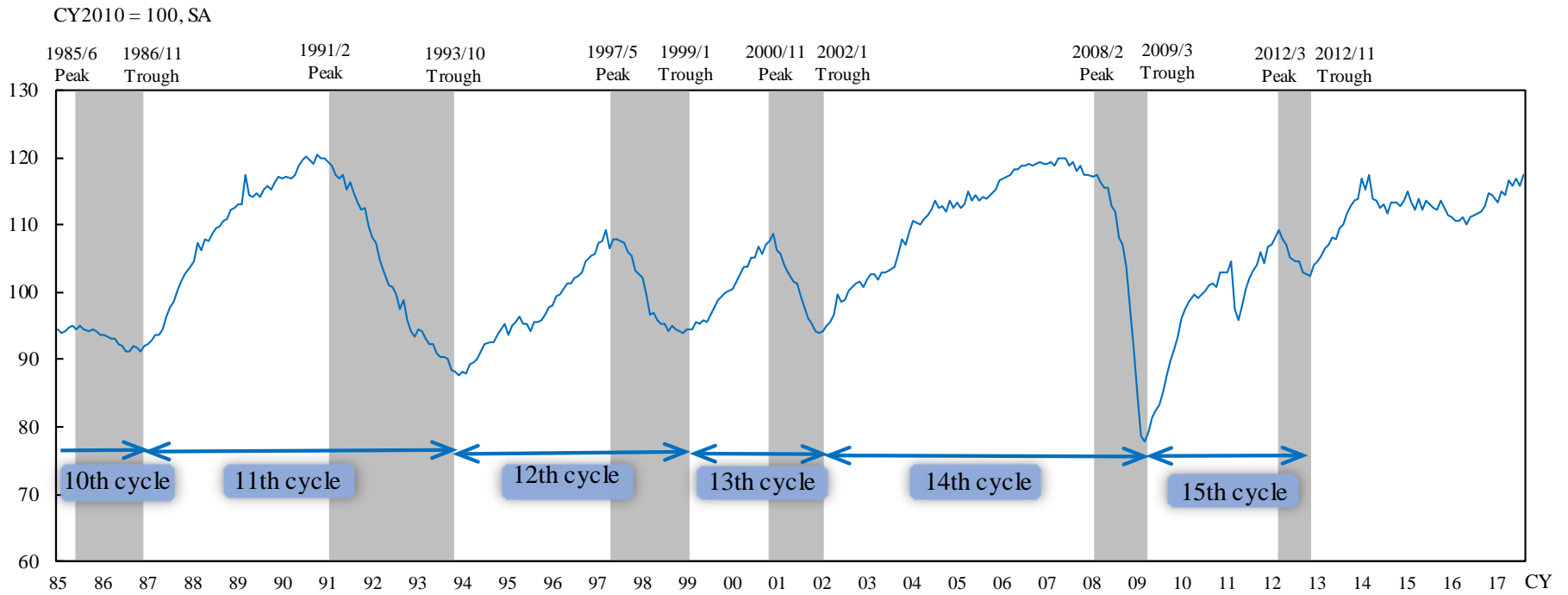
Wage



Source: OECD.stat.

Economic Expansion Period

Index of business conditions

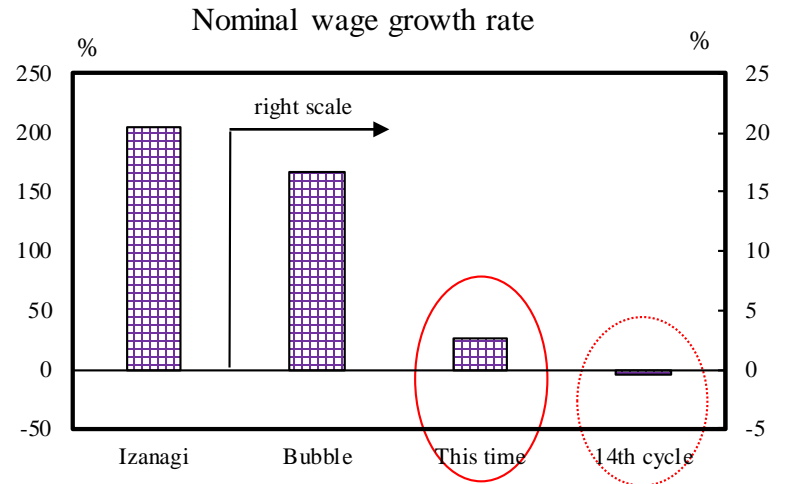
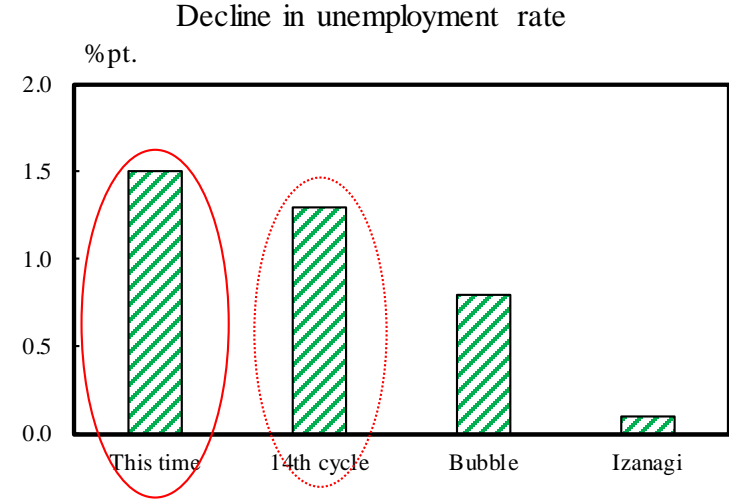
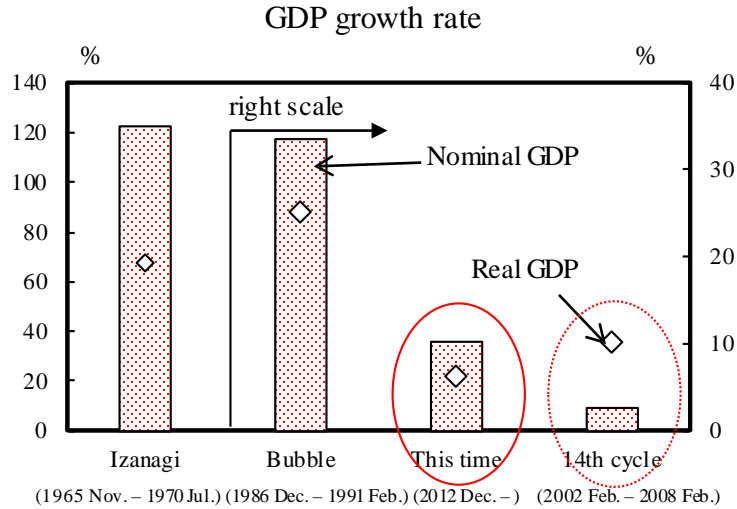


Note: Shaded areas indicate recession periods.

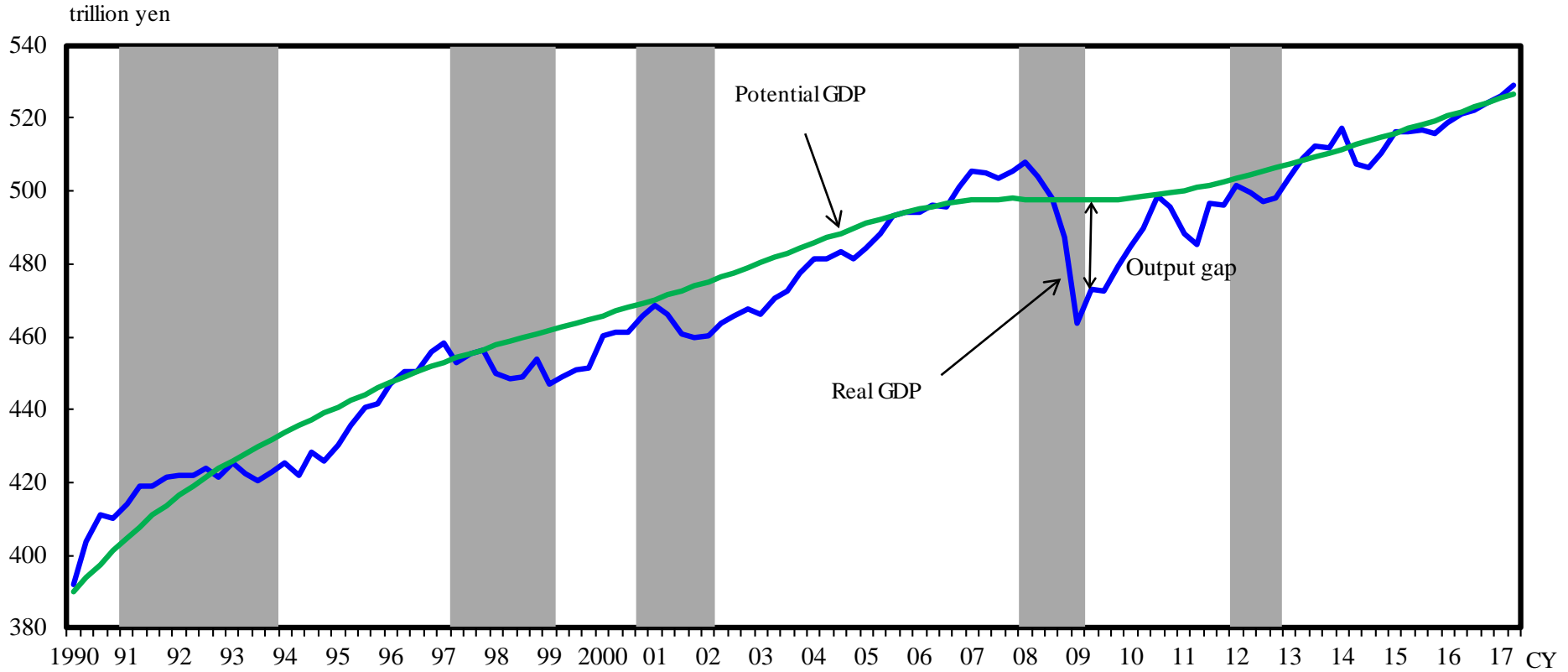
Rank of the length of the expansion period

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”
This time	58 months	2012 Dec. –

Features of This Expansionary Phase



Output gap

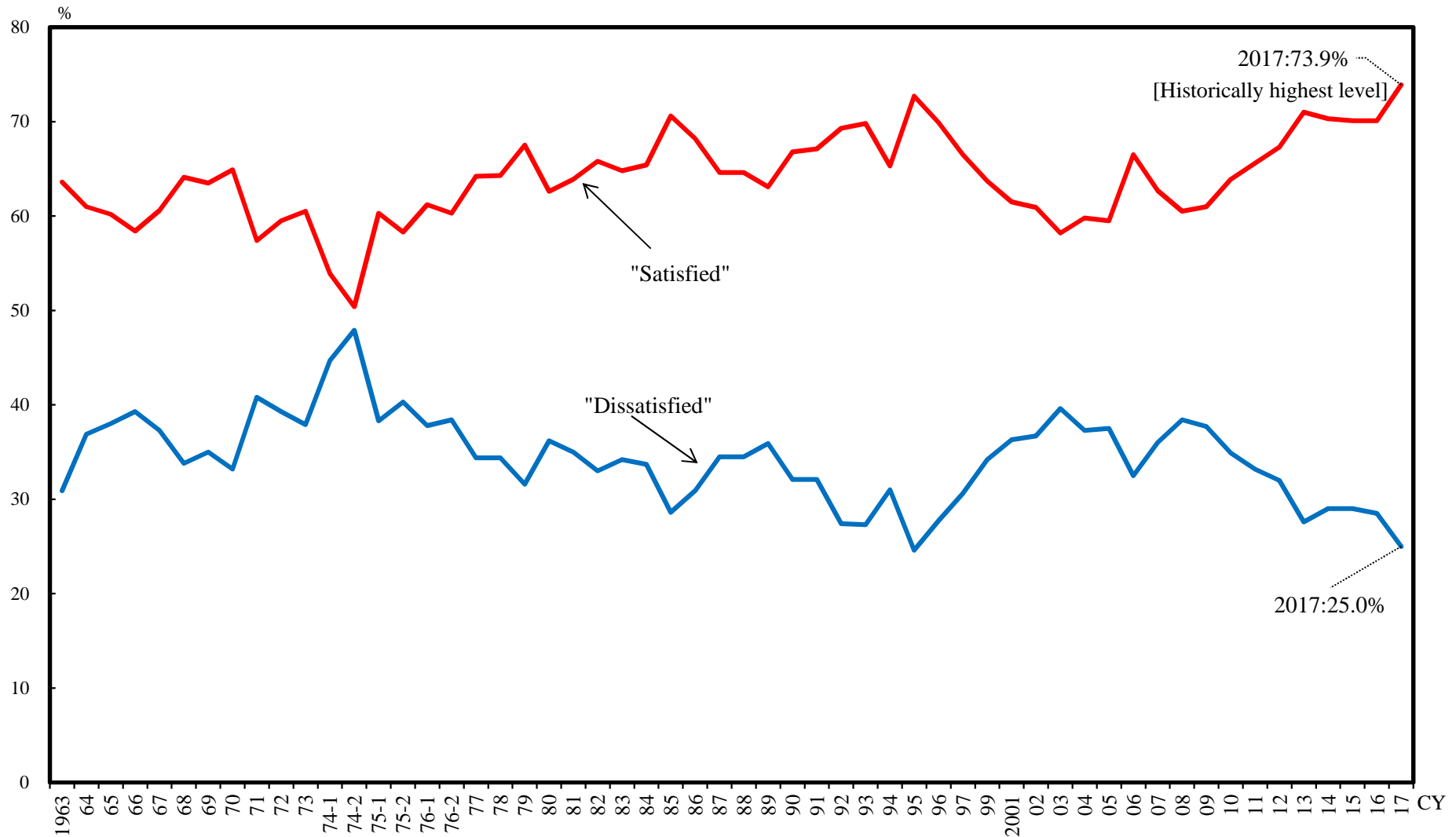


Note: Shaded areas indicate recession periods.

	year, quarter, %	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
														I	II
The last estimation	Potential GDP growth rate	1.0	0.7	0.3	0.0	▲0.0	0.2	0.5	0.7	0.8	0.8	0.9	0.9	1.0	1.0
	Real GDP growth rate	1.7	1.4	1.7	▲1.1	▲5.4	4.2	▲0.1	1.5	2.0	0.3	1.1	1.0	1.2	2.5
	Output gap	▲0.6	0.1	1.4	0.3	▲5.1	▲1.3	▲1.9	▲1.1	0.1	▲0.5	▲0.3	▲0.2	0.1	0.5

Life satisfaction of people

Ratio of people answering "satisfied" or "dissatisfied" with their lives



Source: Cabinet Office.