

Recent Economic Developments

December 7, 2017

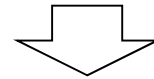
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

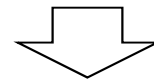
September

The Japanese economy is on a moderate recovery.



October

The Japanese economy is on a moderate recovery.



(Unchanged)

November

The Japanese economy is on a moderate recovery.

(Unchanged)

<Assessments of the current state of the Japanese economy>

	September	October	November
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>

September

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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(Unchanged)

November

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(Unchanged)

<Policy stance>

(November)

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, the Government will work to formulate a new economic policy package at the beginning of December to specify the initiatives of the two pillars of Human Resources Development and Supply System Innovation. In addition, the Government will compile the FY2017 supplementary budget to properly deal with additional fiscal demand including disaster response. 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 Act 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.

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.

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

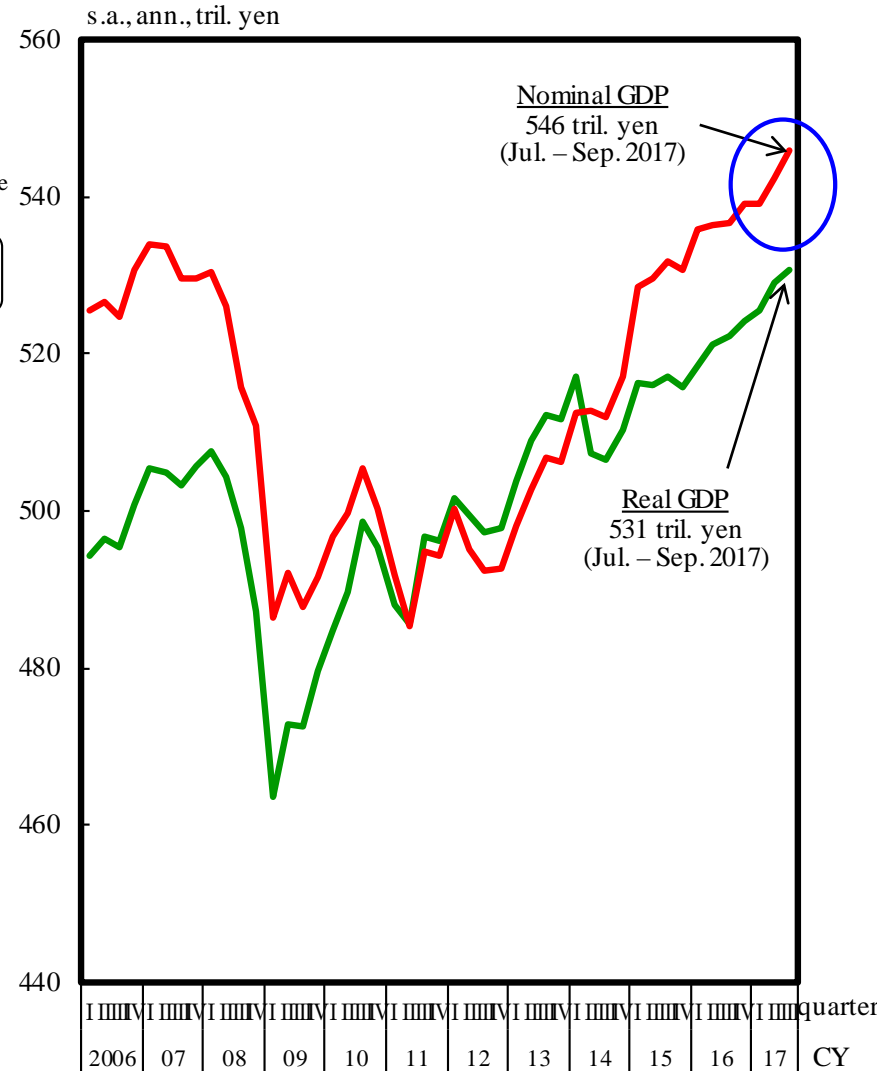
GDP: Jul. – Sep. 2017 (First Preliminary)

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

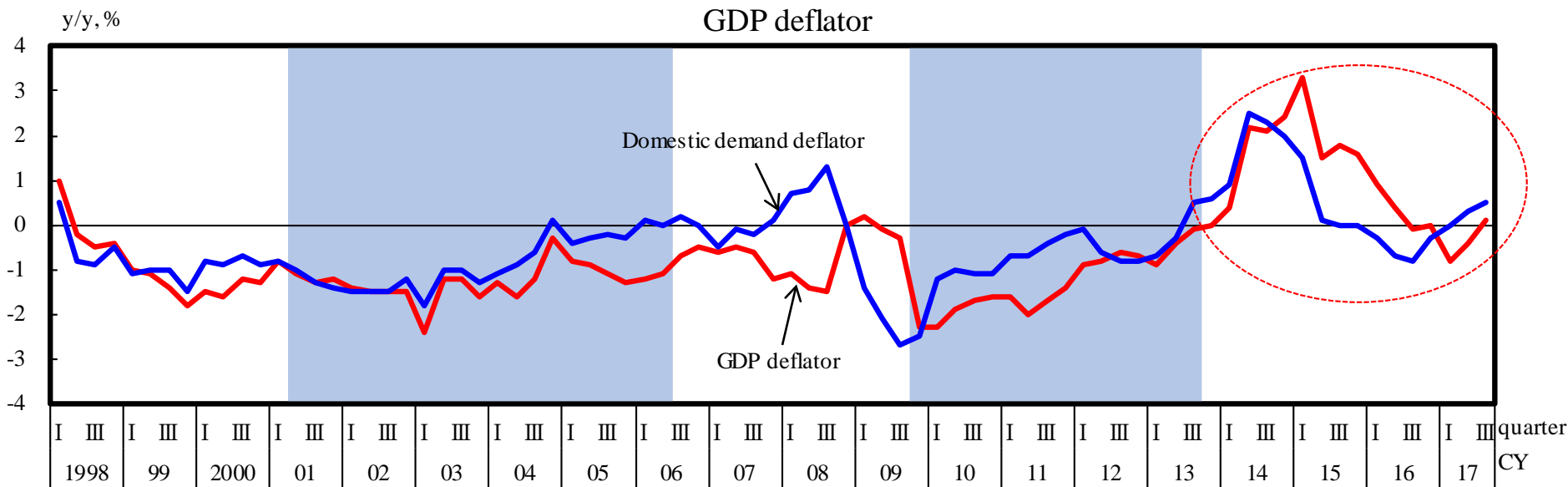
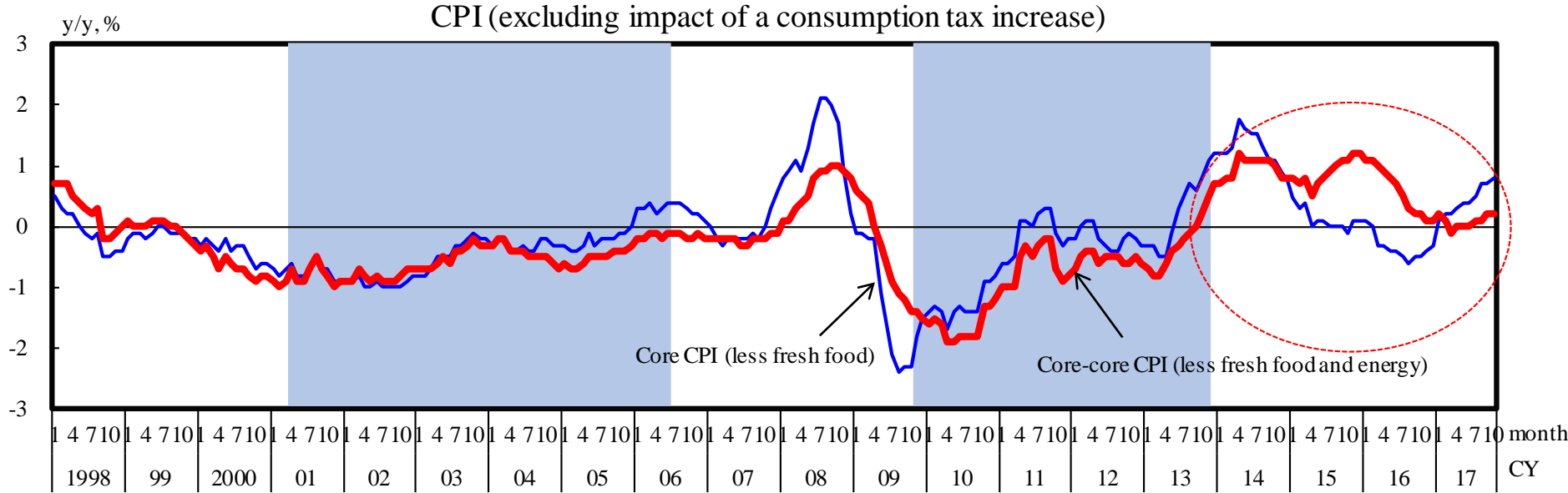
	changes from the previous quarter, %			
	2016	2017		
	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.
Real GDP growth rate [at annual rate]	0.4 [1.6]	0.3 [1.0]	0.6 [2.6]	0.3 [1.4]
Domestic Demand (Contributions)	(0.1)	(0.1)	(0.9)	(-0.2)
Private Demand (Contributions)	(0.2)	(0.1)	(0.5)	(0.0)
Private Consumption	0.1	0.4	0.7	-0.5
Private Non-Resi. Investment	1.9	0.5	0.5	0.2
Private Residential Investment	0.3	0.9	1.1	-0.9
Changes in Private Inventories (Contributions)	(-0.2)	(-0.2)	(0.0)	(0.2)
Public Demand (Contributions)	(-0.1)	(0.0)	(0.4)	(-0.2)
Public Investment	-2.7	0.1	5.8	-2.5
Net Exports (Contributions)	(0.3)	(0.1)	(-0.2)	(0.5)
Exports	3.0	1.9	-0.2	1.5
Imports	1.2	1.4	1.4	-1.6
Nominal GDP growth rate	0.5	-0.0	0.6	0.6
GDP Deflator <Year on Year>	<-0.0>	<-0.8>	<-0.4>	<0.1>

Positive growth
in seven consecutive
quarters
(for the first time
since 2001)

Nominal and real GDP



Toward Overcoming Deflation: Change of Phase (1)

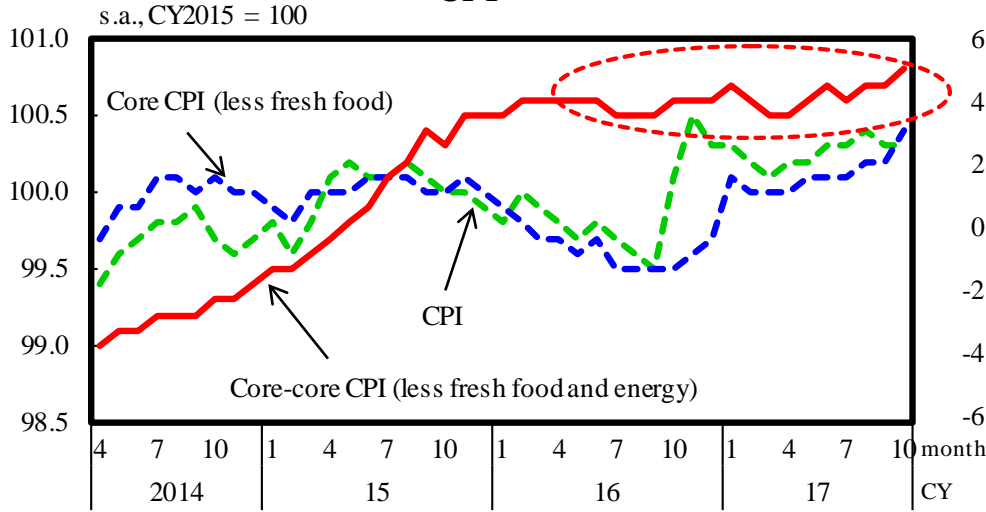


Note: Shaded areas indicate the periods when the term "deflation" was used in the Monthly Economic Report.

Sources: Ministry of Internal Affairs and Communications; Cabinet Office.

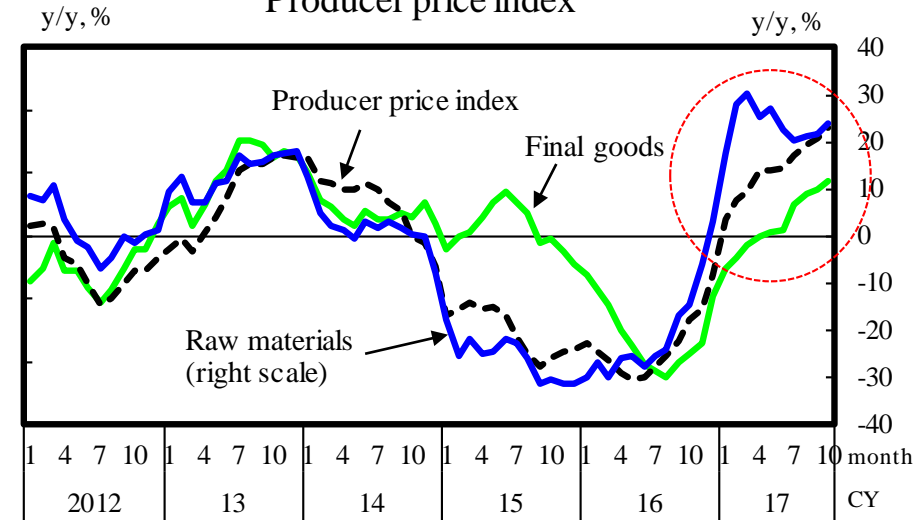
Toward Overcoming Deflation: Change of Phase (2)

CPI



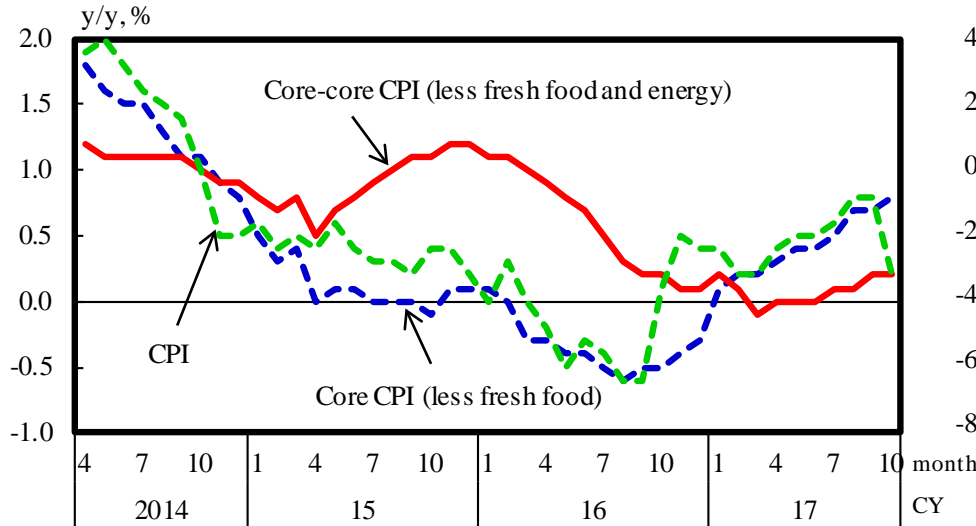
Source: Ministry of Internal Affairs and Communications.

Producer price index



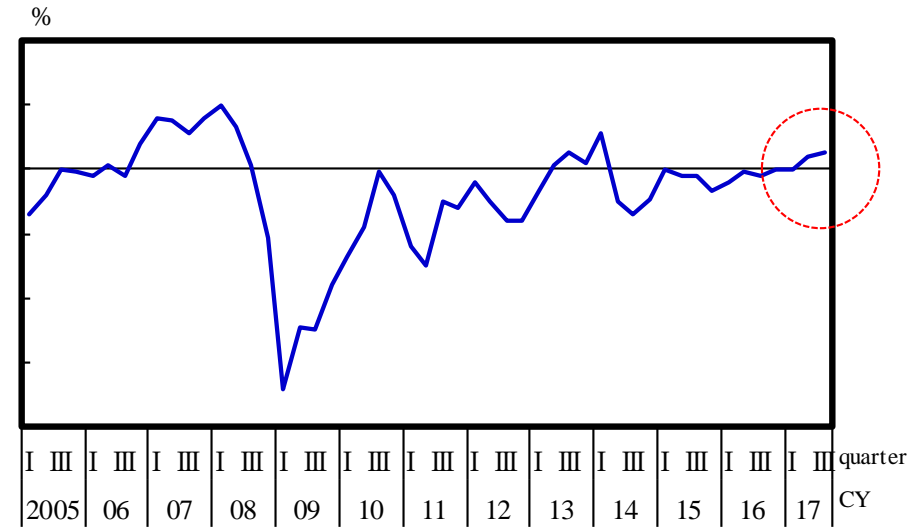
Note: Figures excluding impact of a consumption tax increase.
Source: Bank of Japan.

CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications.

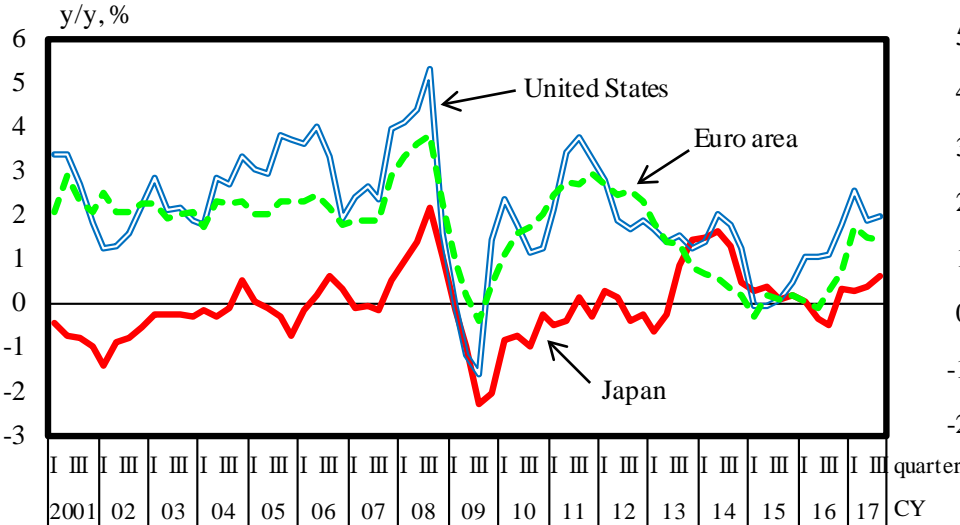
Output gap



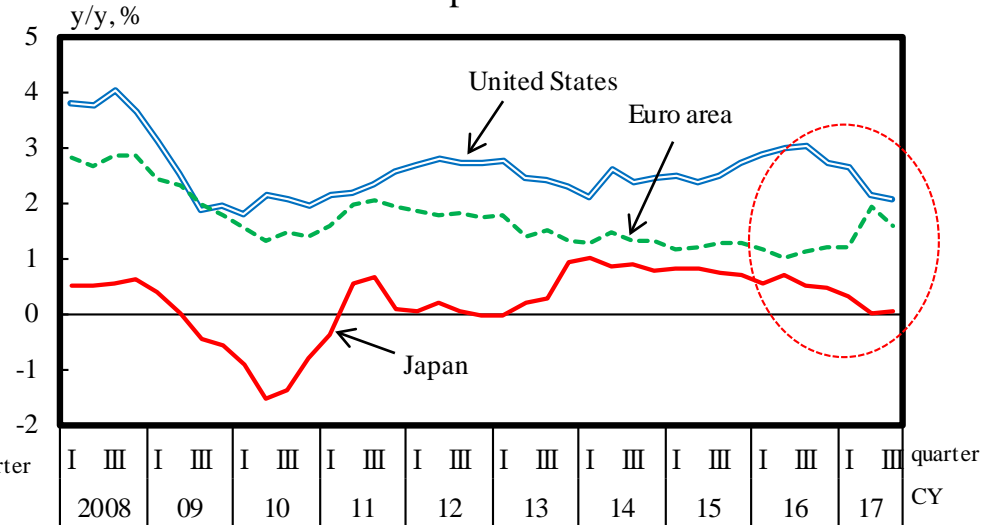
Source: Cabinet Office.

Toward Overcoming Deflation: Change of Phase (3)

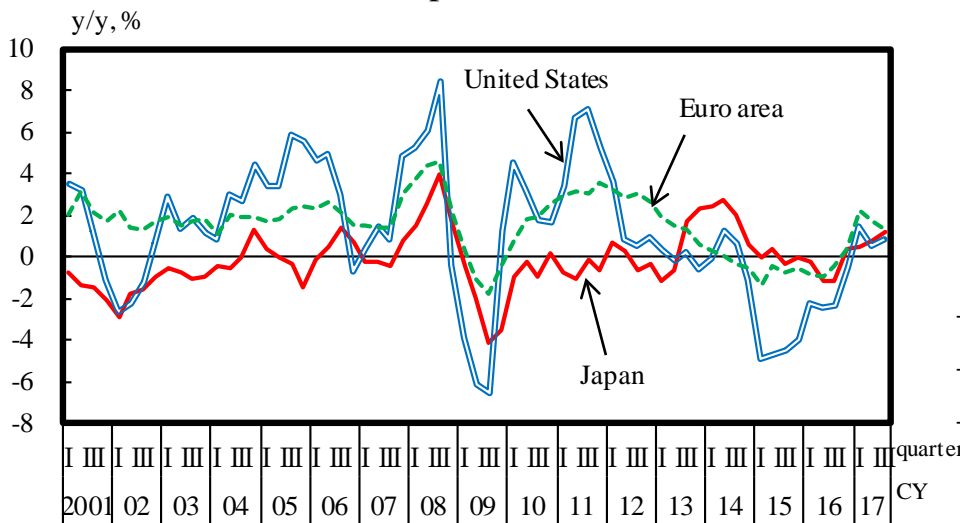
CPI



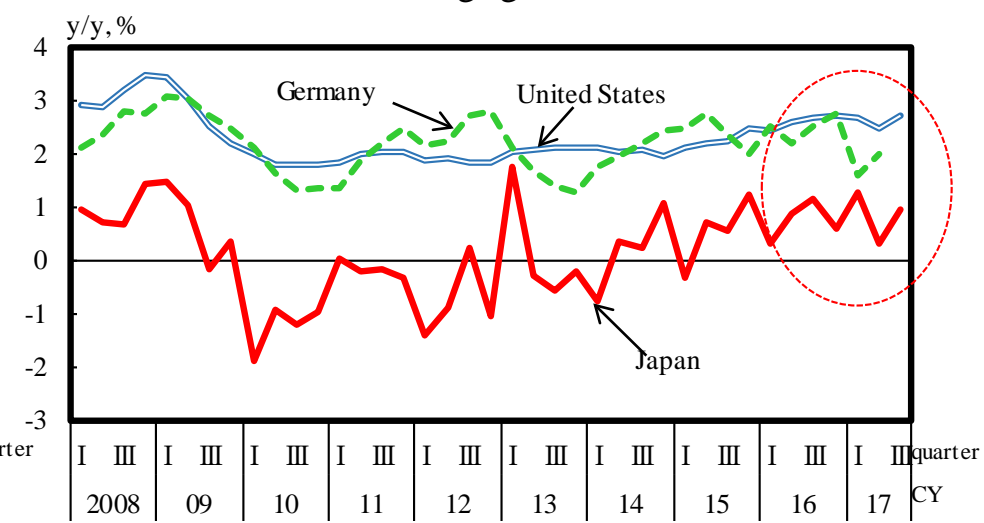
Service prices in CPI



Goods prices in CPI

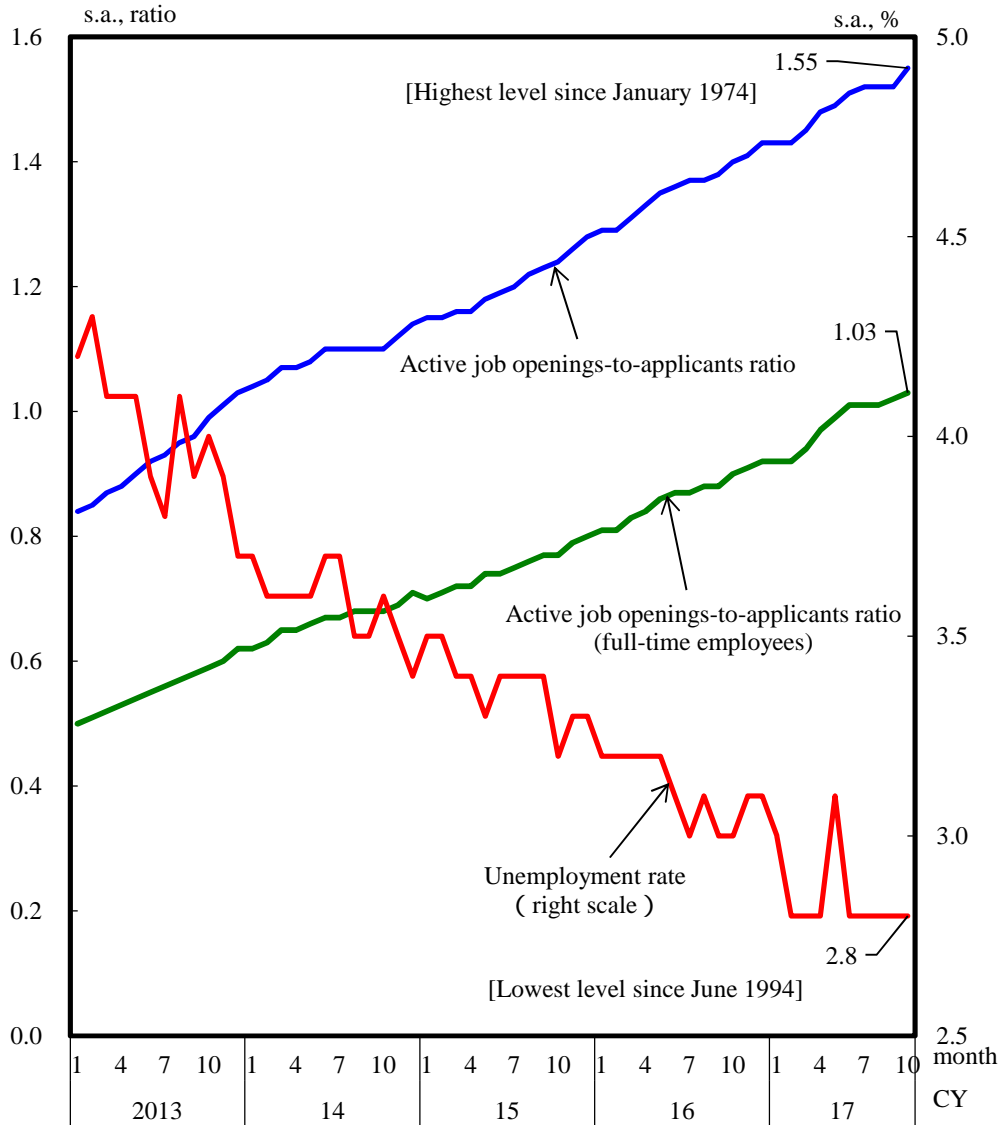


Wage growth



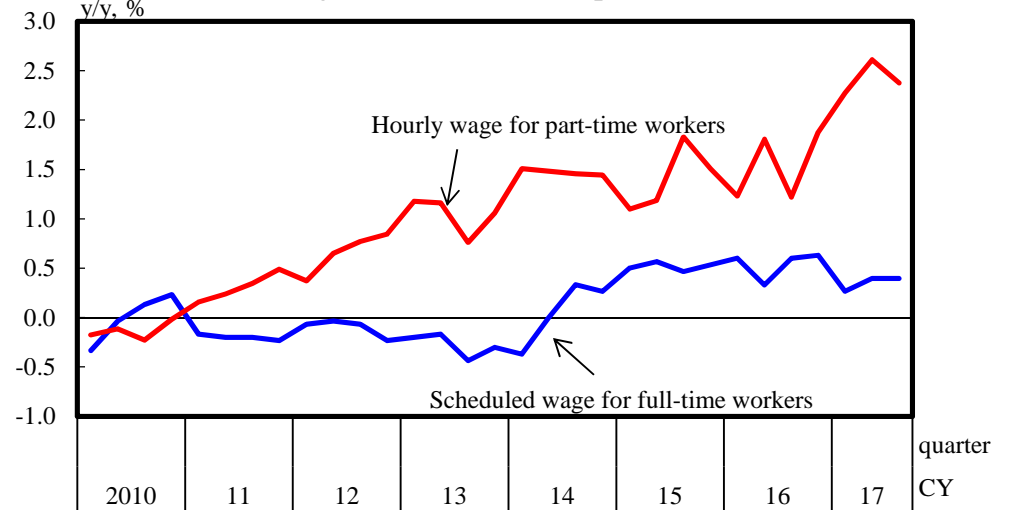
Labor Market

Unemployment rate and active job openings-to-applicants ratio



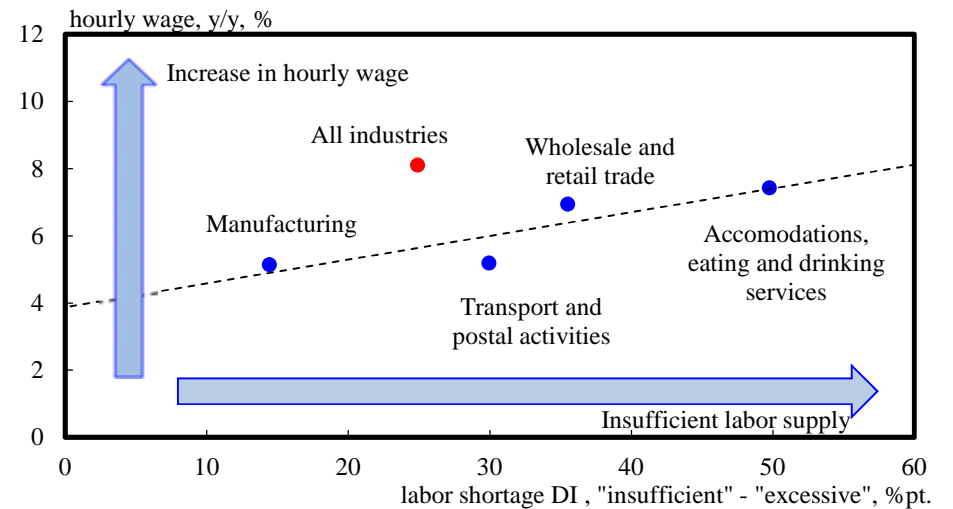
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Nominal wages for full-time and part-time workers



Source: Ministry of Health, Labour and Welfare.

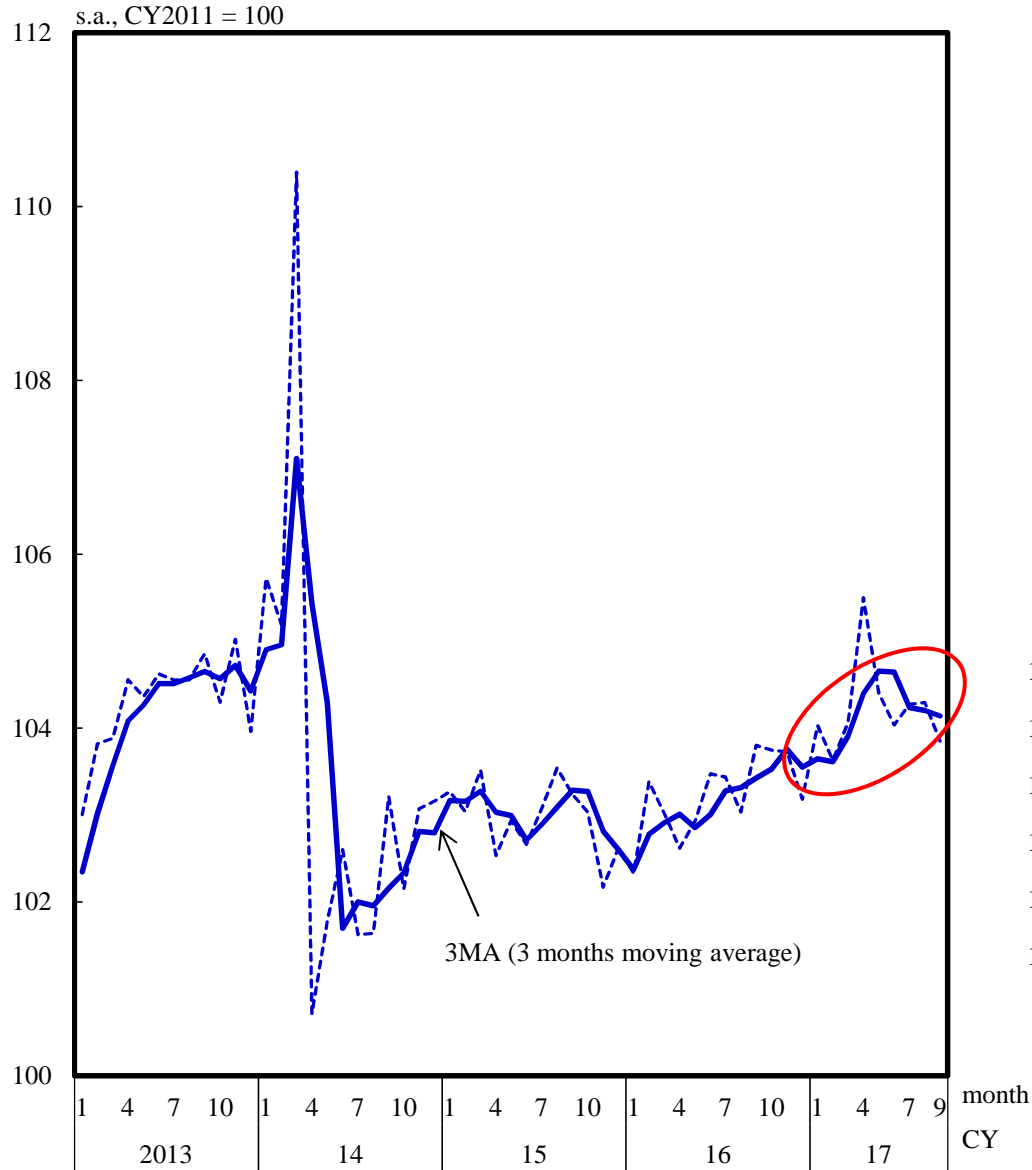
Hourly wage and labor shortage DI for part-time workers



Note: Changes from the first quarter in CY 2012.
Source: Ministry of Health, Labour and Welfare.

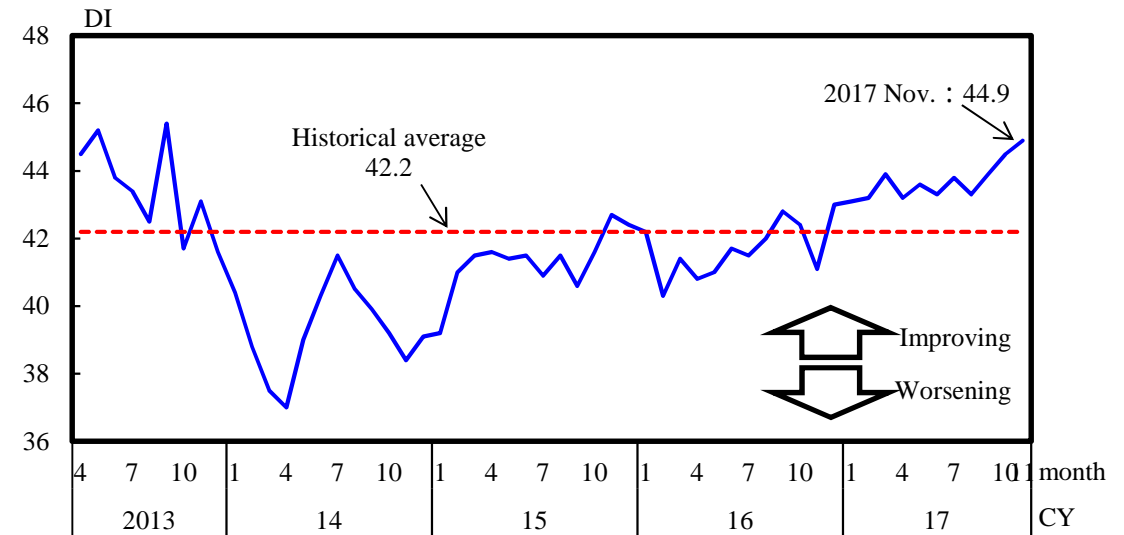
Private consumption

Synthetic consumption index (real)



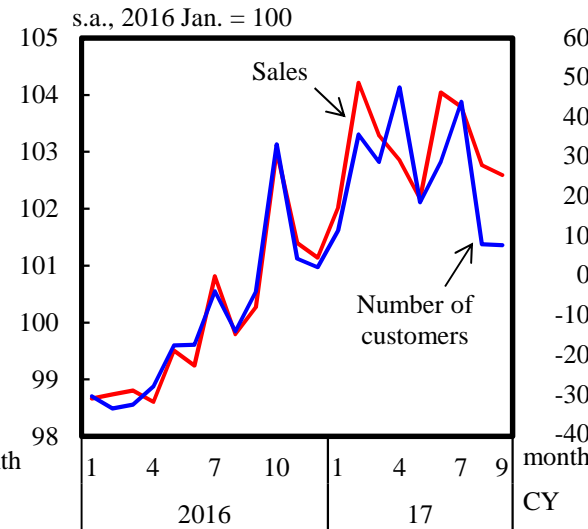
Source: Cabinet Office.

Consumer confidence



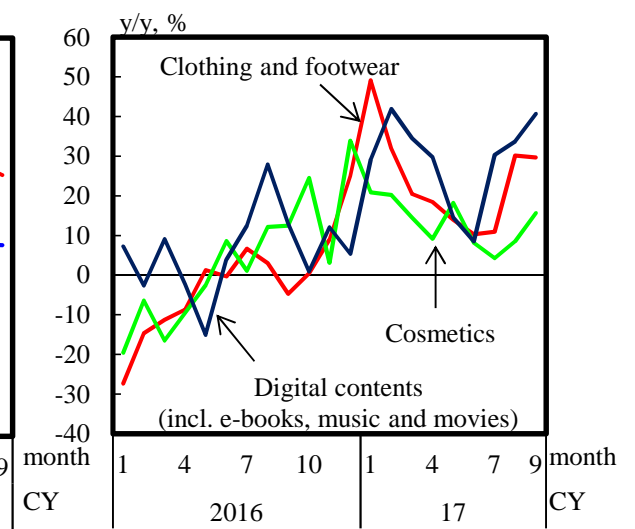
Source: Cabinet Office.

Eating-out



Source: Japan Food Service Association.

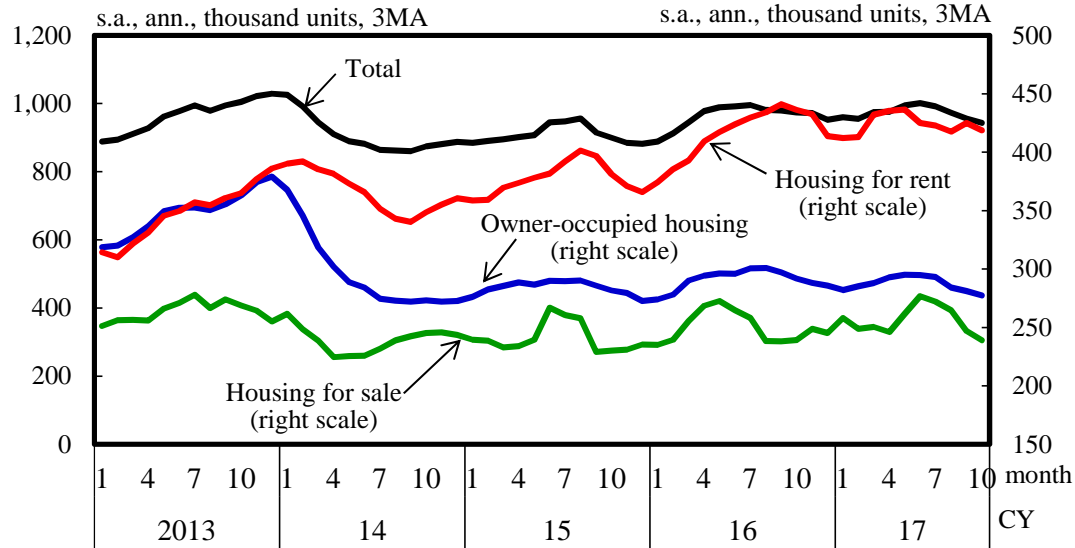
Online expenditures



Source: Ministry of Internal Affairs and Communications.

Housing construction

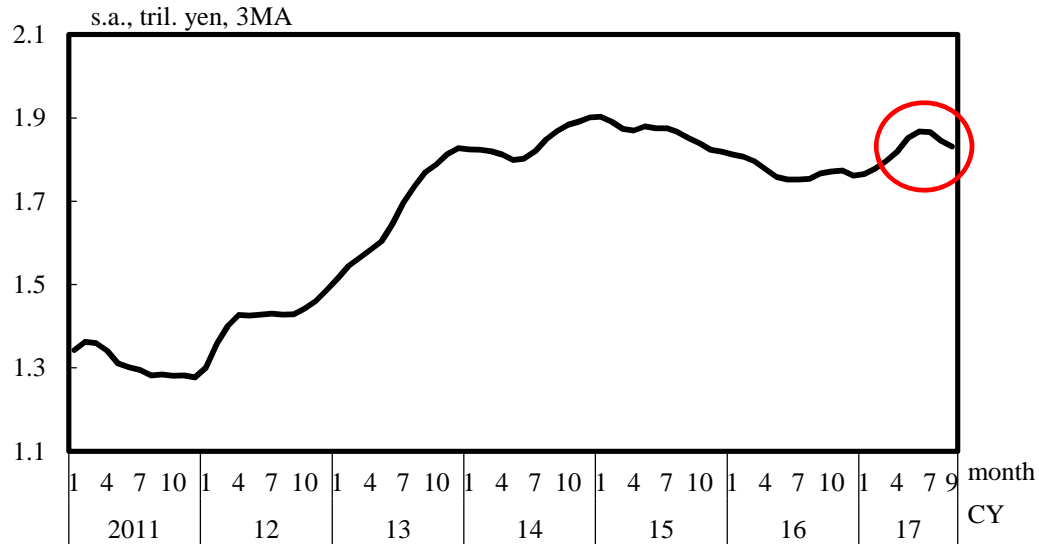
Housing construction starts



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

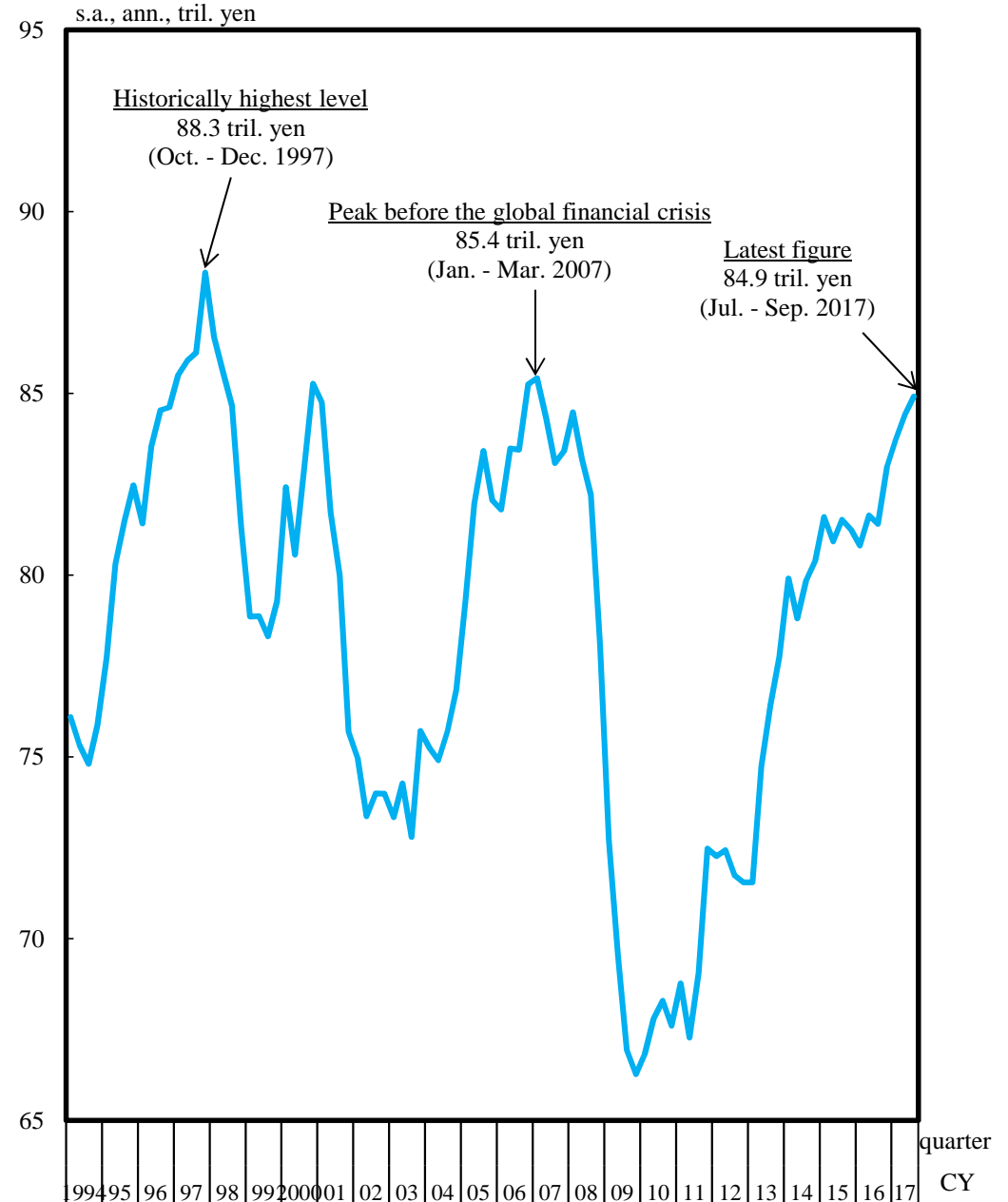
Public investment

Amount of public construction completed



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

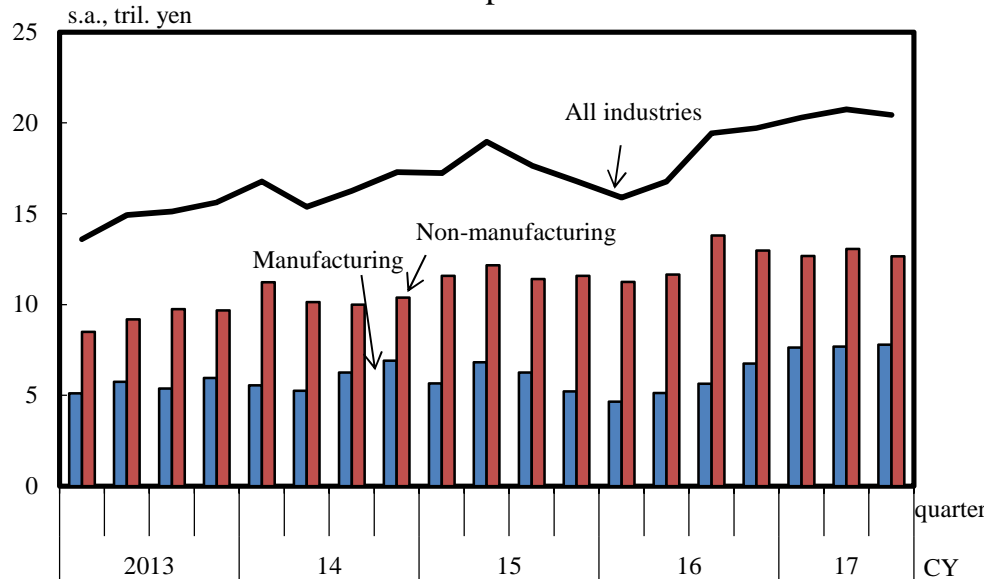
Business investment



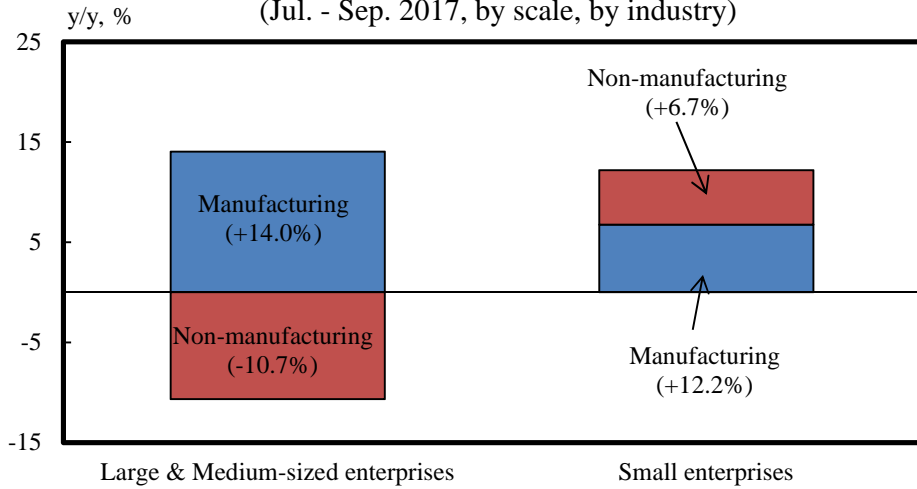
Source: Cabinet Office.

Corporate profits

Current profits



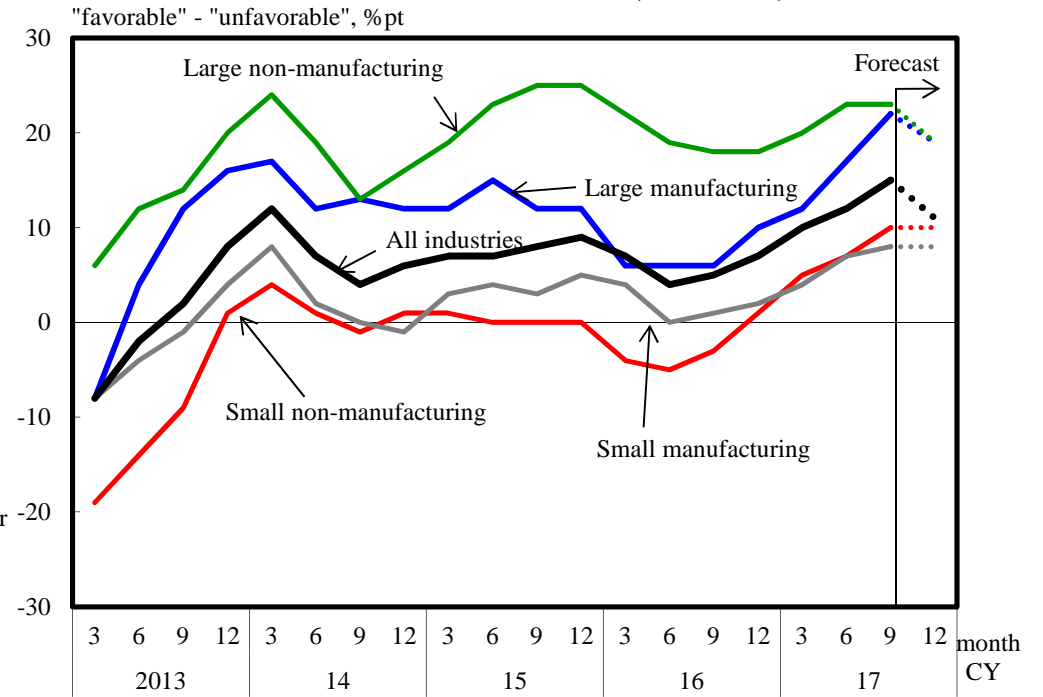
Contributions to year-on-year change in current profits (Jul. - Sep. 2017, by scale, by industry)



Source: Ministry of Finance.

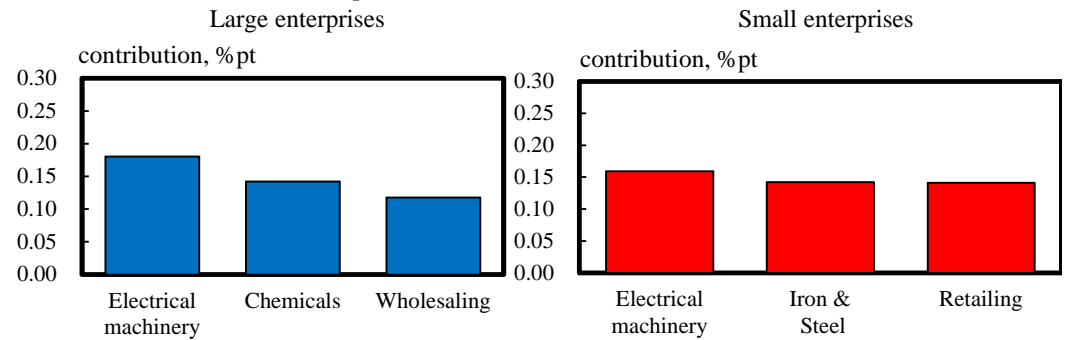
Business condition

Business condition DI ("Tankan")



Business condition DI (by industry)

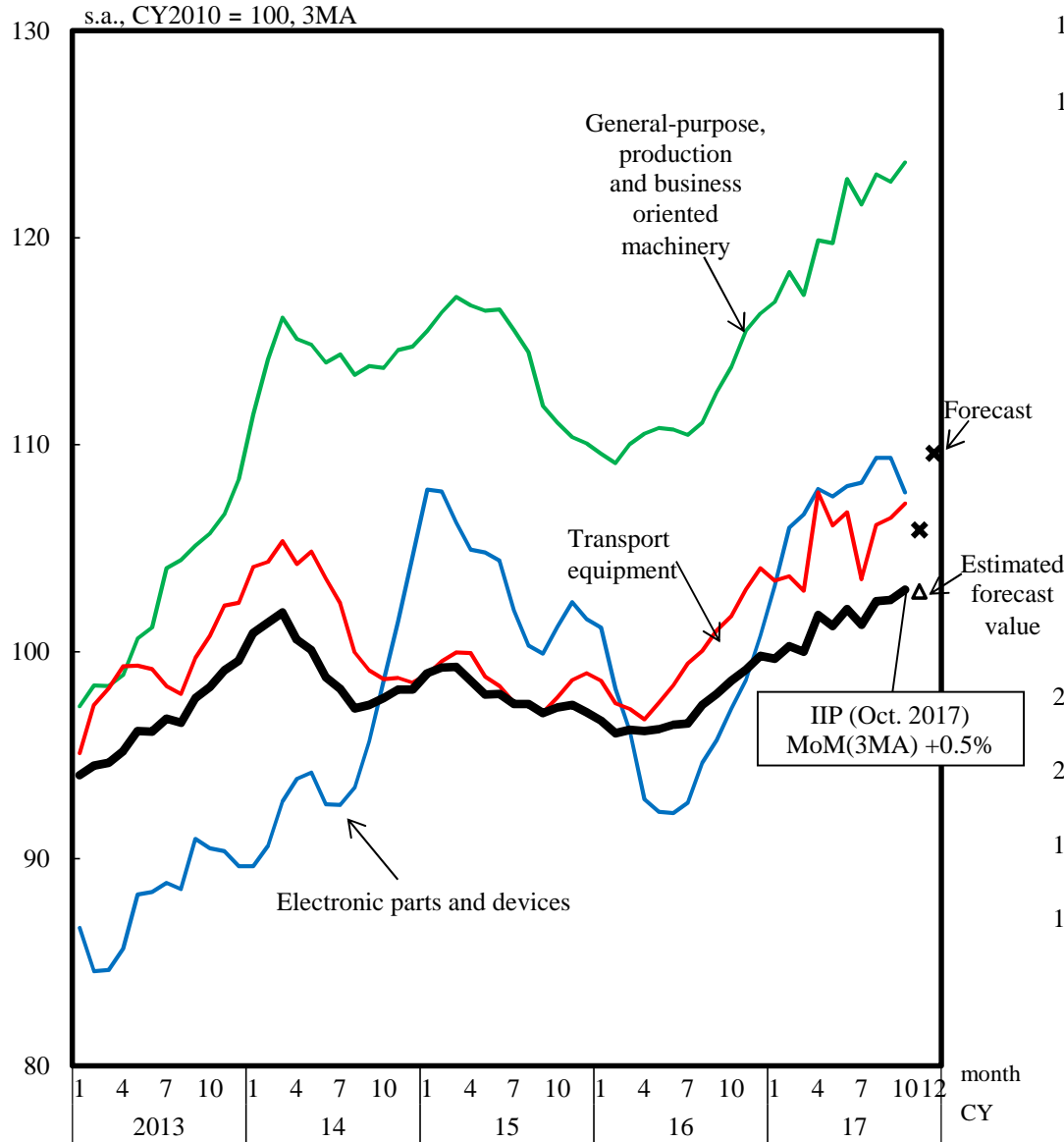
(Top three industries in terms of contributions)



Source: Bank of Japan.

Industrial production

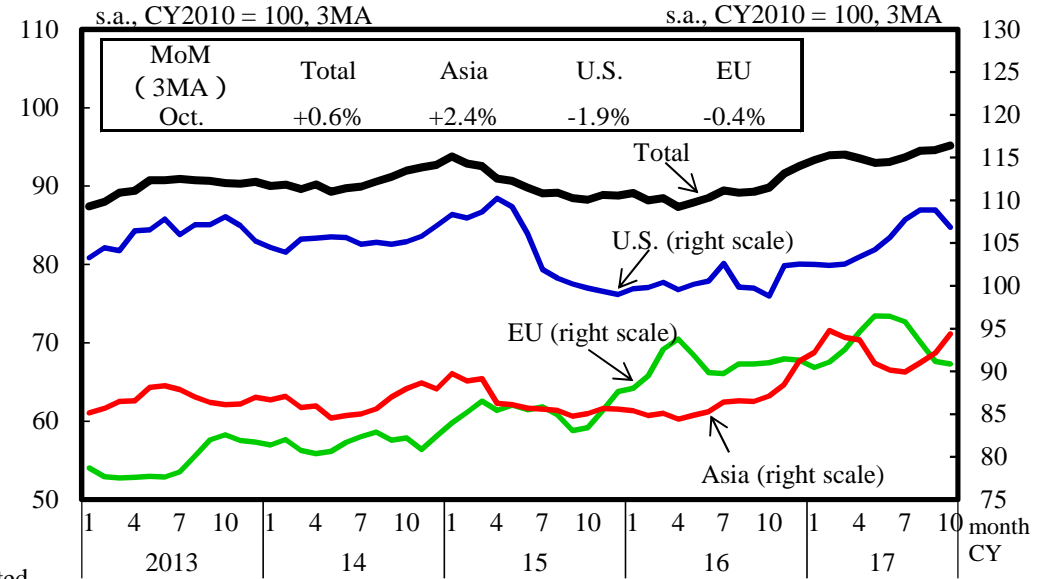
Production by industry



Source: Ministry of Economy, Trade and Industry.

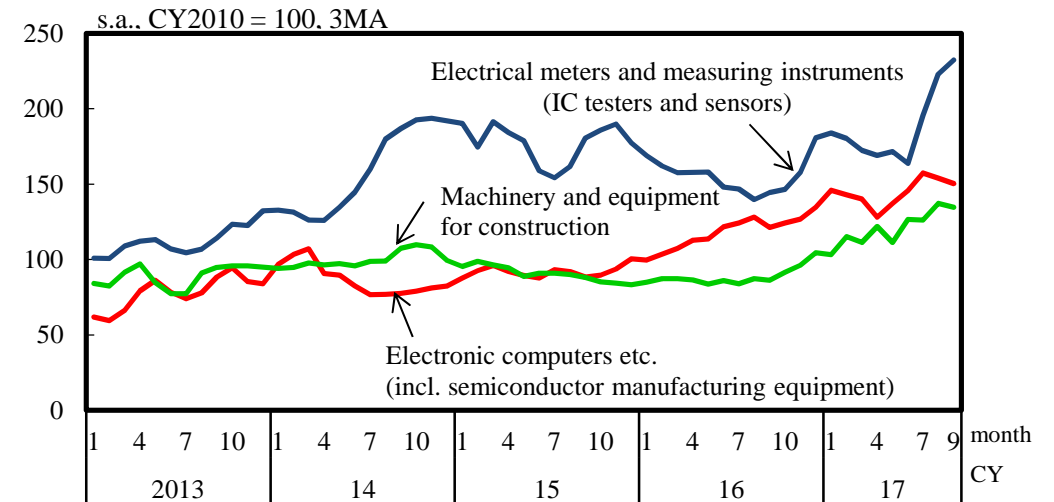
Exports

Exports volume index by region



Source: Ministry of Finance.

Machinery orders for exports



Note: Values of machinery orders for exports in CY 2016 are as follows.

Electronic computers etc. : 1.9 tril. yen, Machinery and equipment for construction: 1.1 tril.yen,
Electrical meters and measuring instruments: 240 bil. yen.

Source: Cabinet Office.