

# **Recent Economic Developments**

**February 2, 2018**

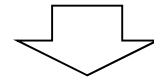
**Cabinet Office  
Government of Japan**

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## <Assessments of the current state of the Japanese economy>

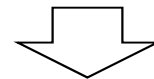
November

The Japanese economy is on a moderate recovery.



December

The Japanese economy is on a moderate recovery.



**(Unchanged)**

January

The Japanese economy is recovering at a moderate pace.

**(Upward revision)**

# <Assessments of the current state of the Japanese economy>

	November	December	January
Private consumption	Private consumption is picking up moderately.	Unchanged	Private consumption is picking up. ( )
Business investment	Business investment is picking up.	Business investment is increasing moderately. ( )	Unchanged
Exports	Exports are picking up.	Unchanged	Unchanged
Industrial production	Industrial production is picking up.	Industrial production is increasing moderately. ( )	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	The employment situation is improving steadily. ( )
Prices	Consumer prices are flat.	Unchanged	Unchanged

Note: ( ) denotes upward revision.

## <Short-term prospects>

November

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.

December

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.

**(Unchanged)**

January

The economy is expected to continue recovering, 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.

**(Changed)**

## <Policy stance>

(January)

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". Moreover, in order to tackle the enormous challenge of the declining birthrate and aging population by promoting Supply System Innovation and Human Resources Development as two wheels of a cart, the Government will steadily implements the "New Economic Policy Package" decided in last December. About work style reform, based on "The Action Plan for the Realization of Work Style Reform" decided in last 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.

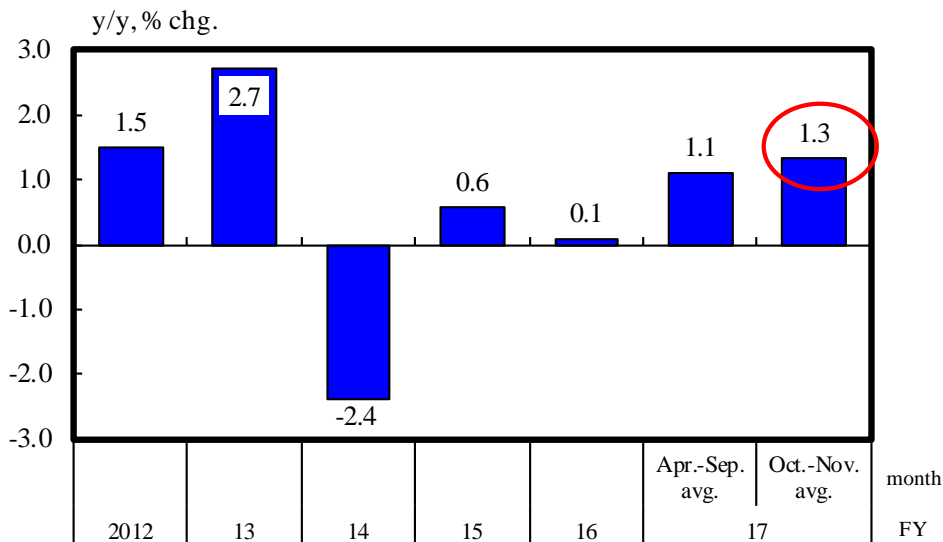
The Government continuously pursues to expand the economic virtuous cycles which cover local areas, SMEs and small-scale businesses, through directing growing corporate profits towards investment, wage increase and further improvement in the employment situation.

The Government decided the FY2018 budget and the FY2017 supplementary budget on last December 22nd.

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

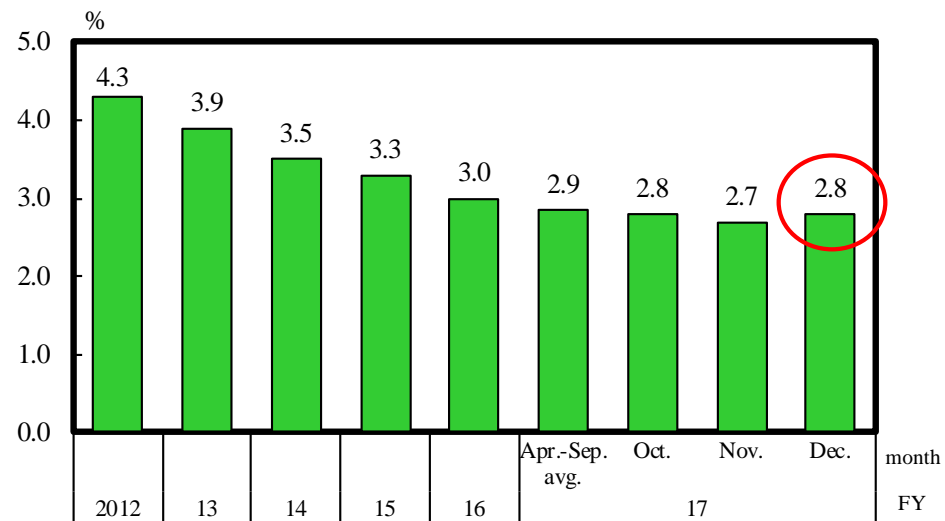
# Economic Recovery: Household Sector

## Synthetic consumption index (real)



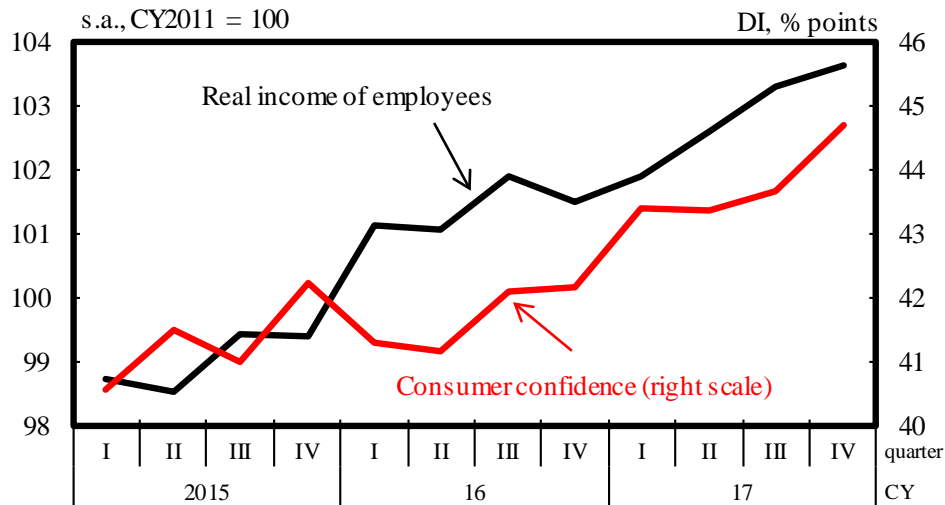
Source: Cabinet Office.

## Unemployment rate



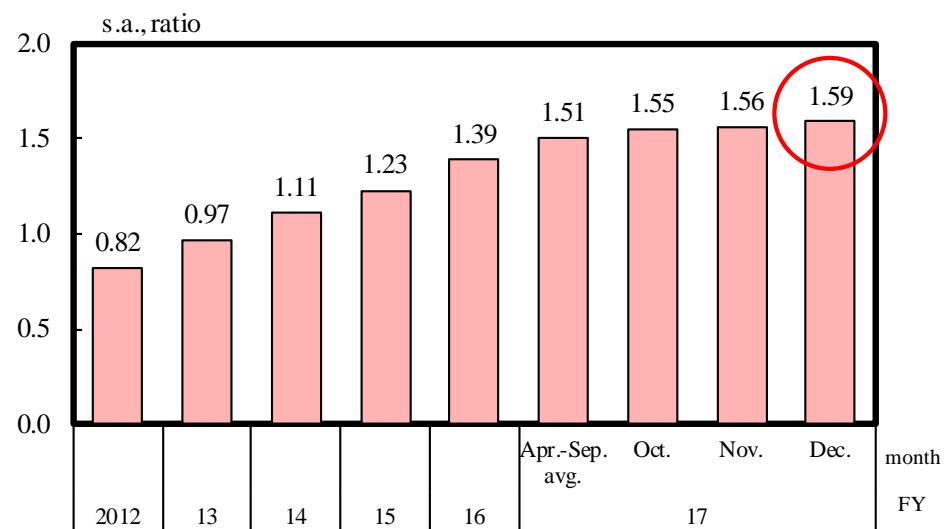
Source: Ministry of Internal Affairs and Communications.

## Real income of employees and consumer confidence



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

## Active job openings-to-applicants ratio

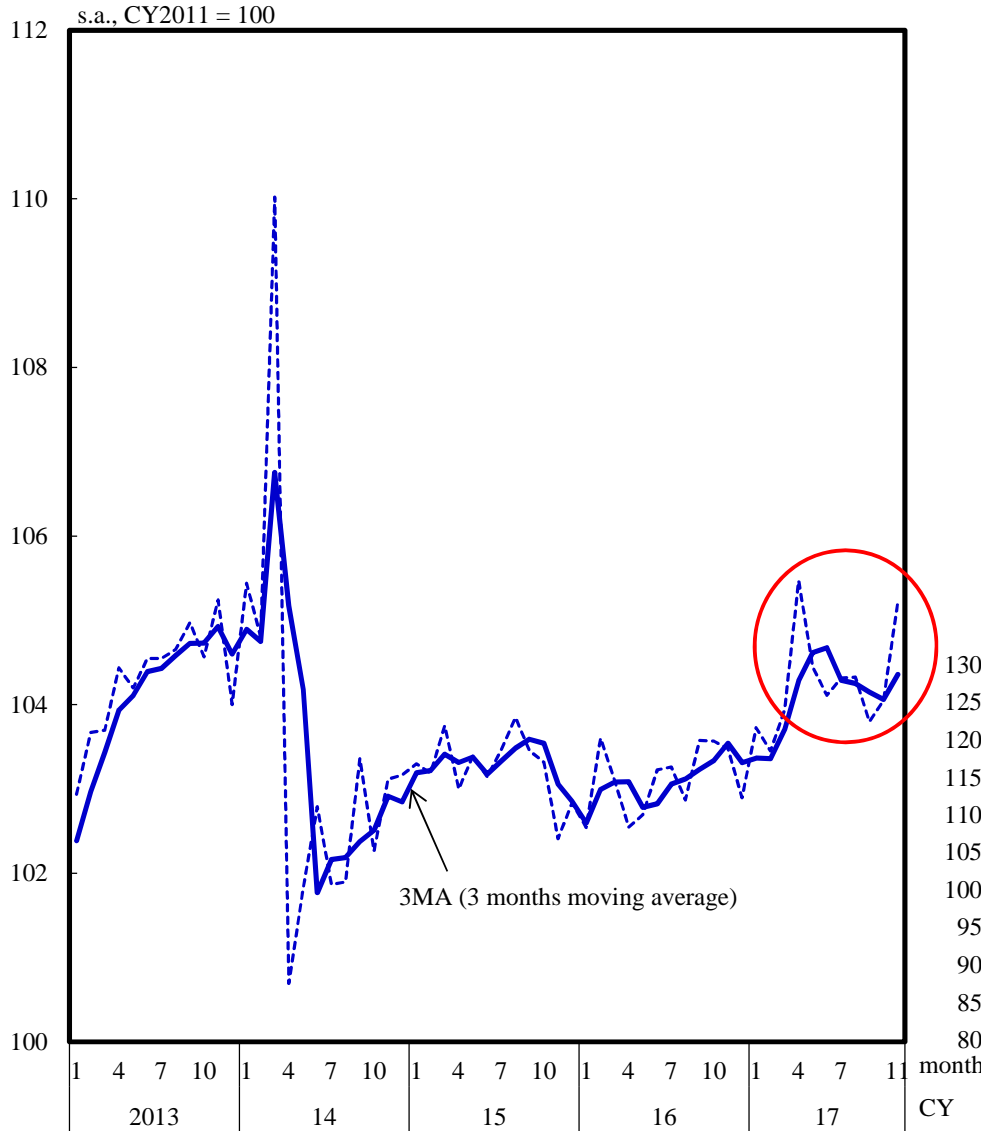


Source: Ministry of Health, Labour and Welfare.

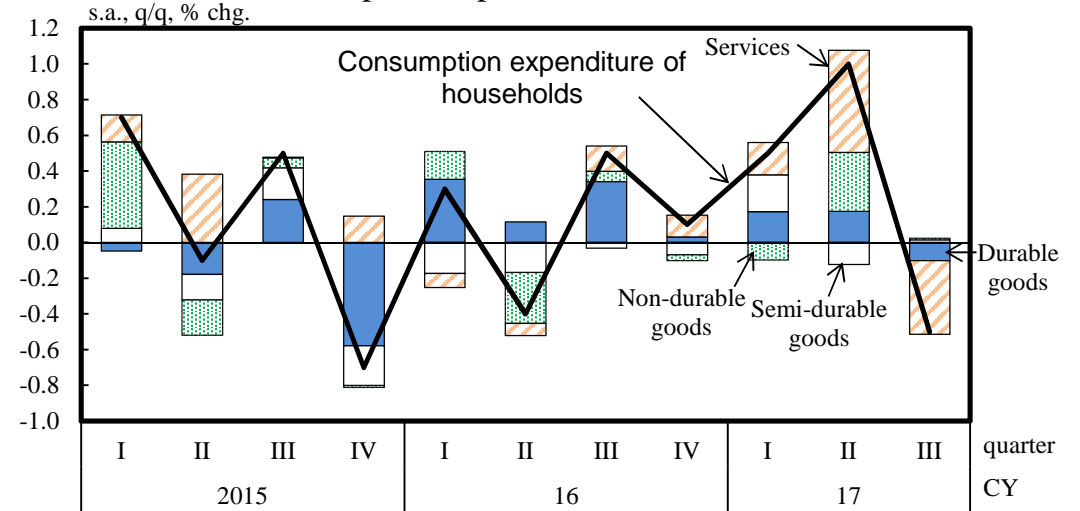


# Private consumption

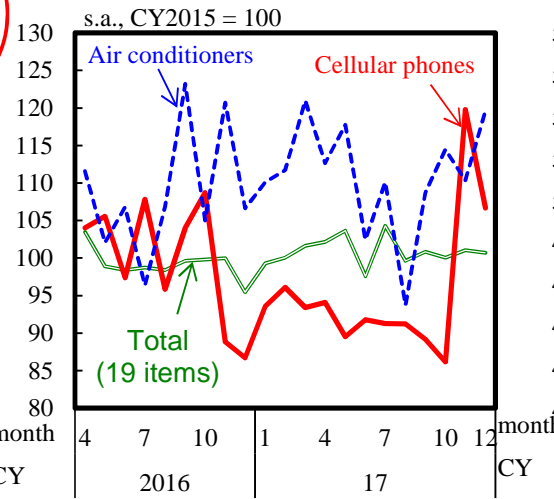
## Synthetic consumption index (Real)



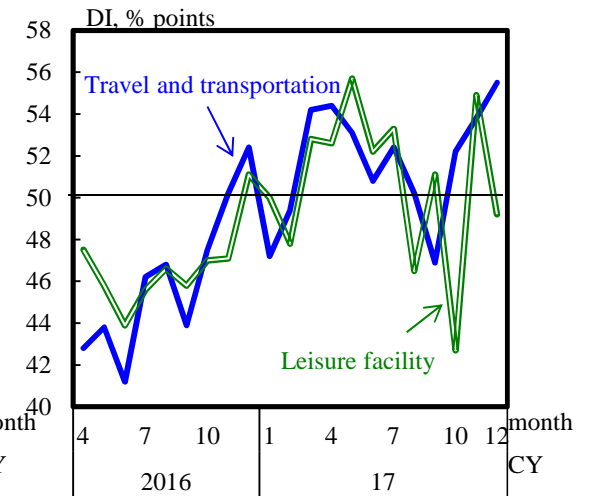
## Consumption expenditure of households



## Home appliances

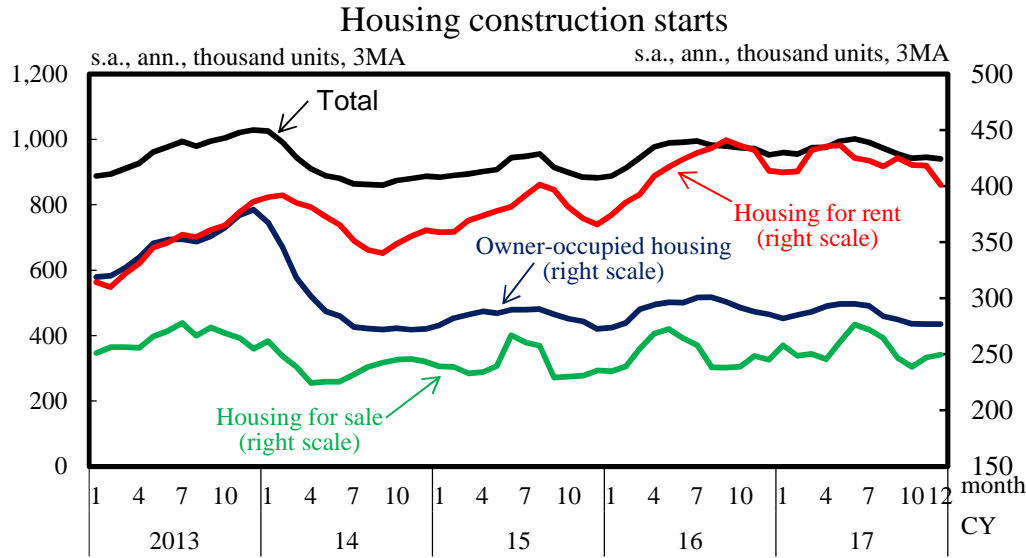


## Economy watchers survey

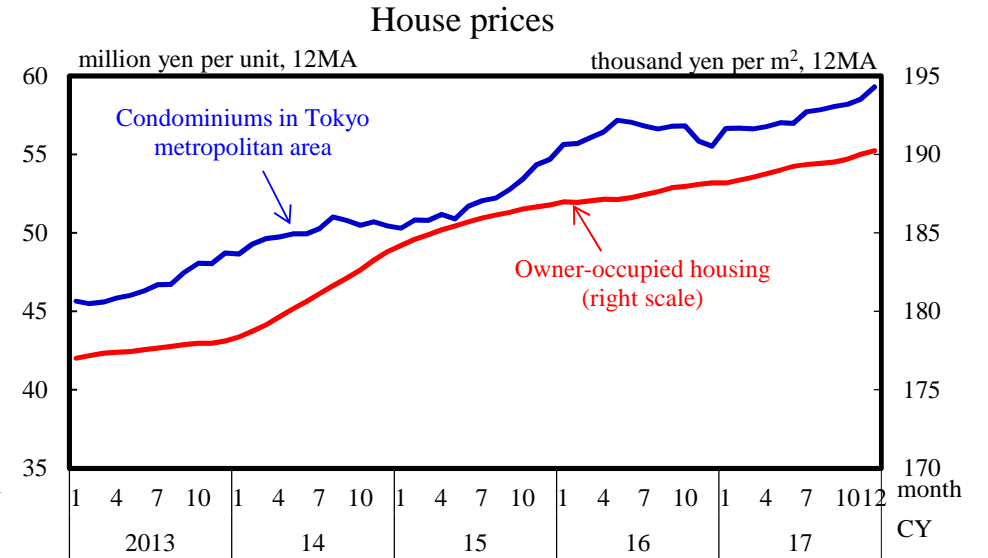




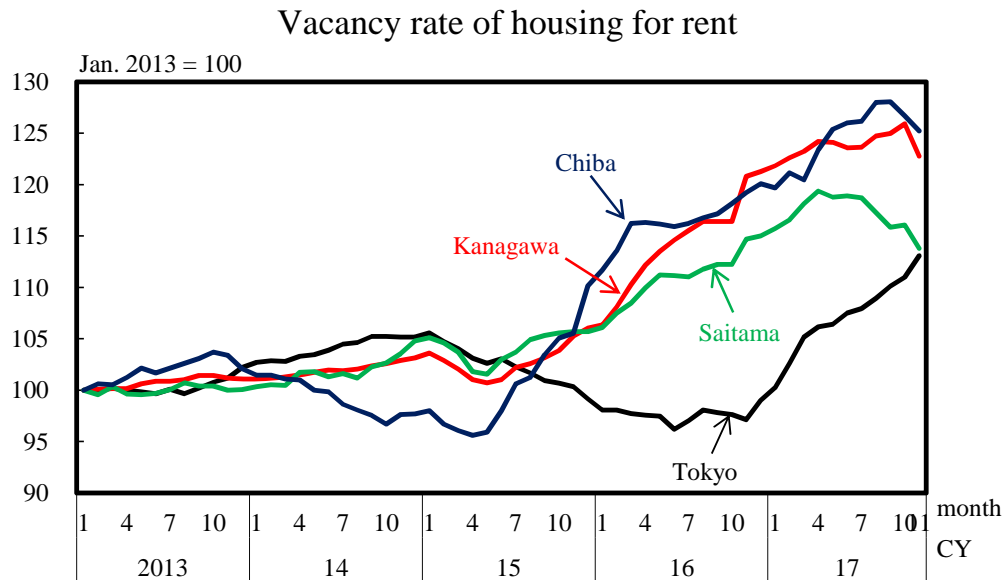
# Housing construction / Public investment



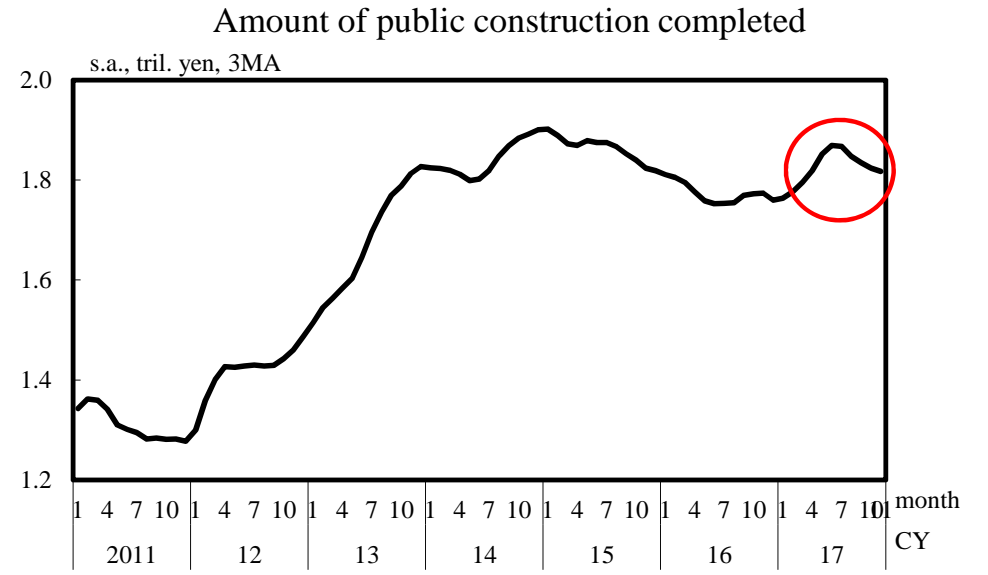
Source: Ministry of Land, Infrastructure, Transport and Tourism.



Note: Owner-occupied housing is calculated using the amount of construction cost and the total floor space.  
Sources: Ministry of Land, Infrastructure, Transport and Tourism; Real Estate Economic Institute.



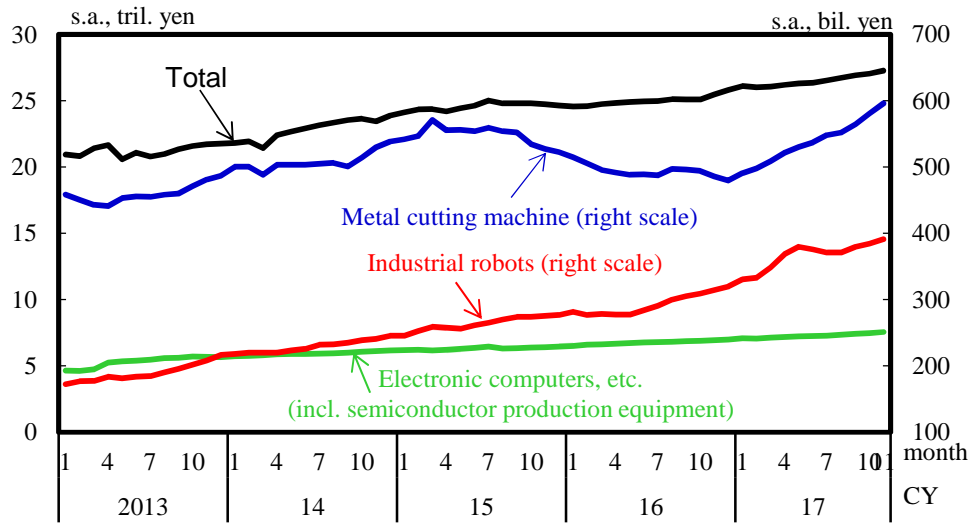
Source: TAS Corp.



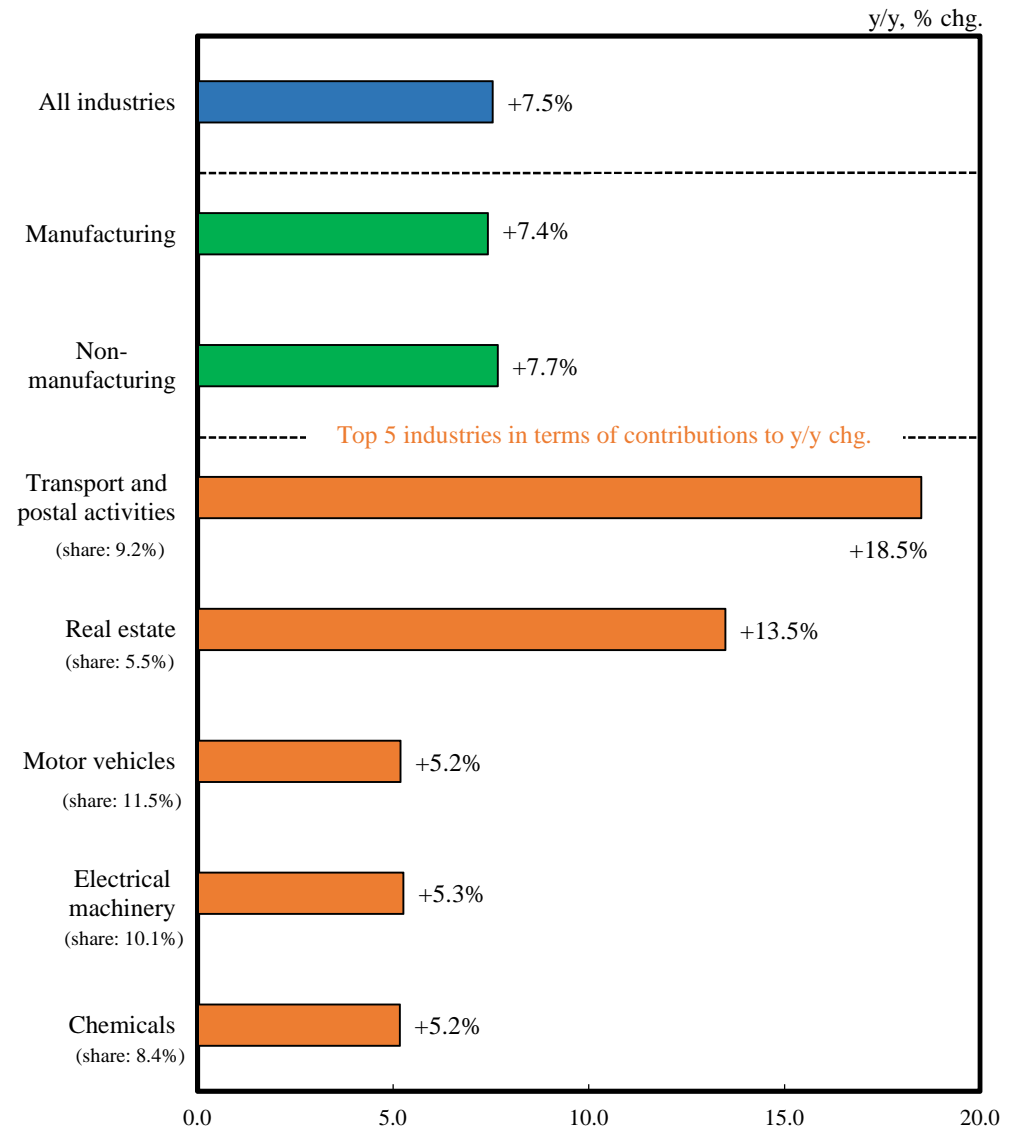
Source: Ministry of Land, Infrastructure, Transport and Tourism.

# Business investment

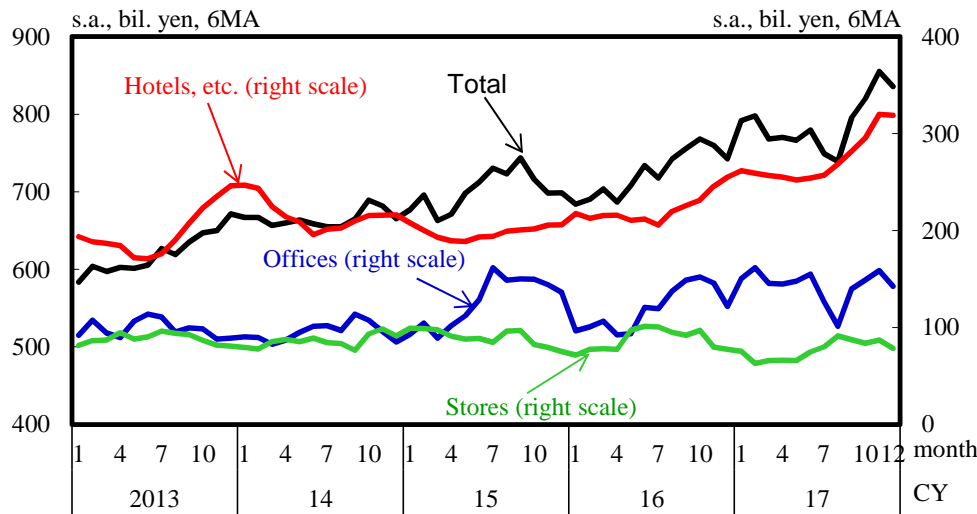
## Total order backlog in machinery orders



## Business investment plans for FY2017 ("Tankan" survey)

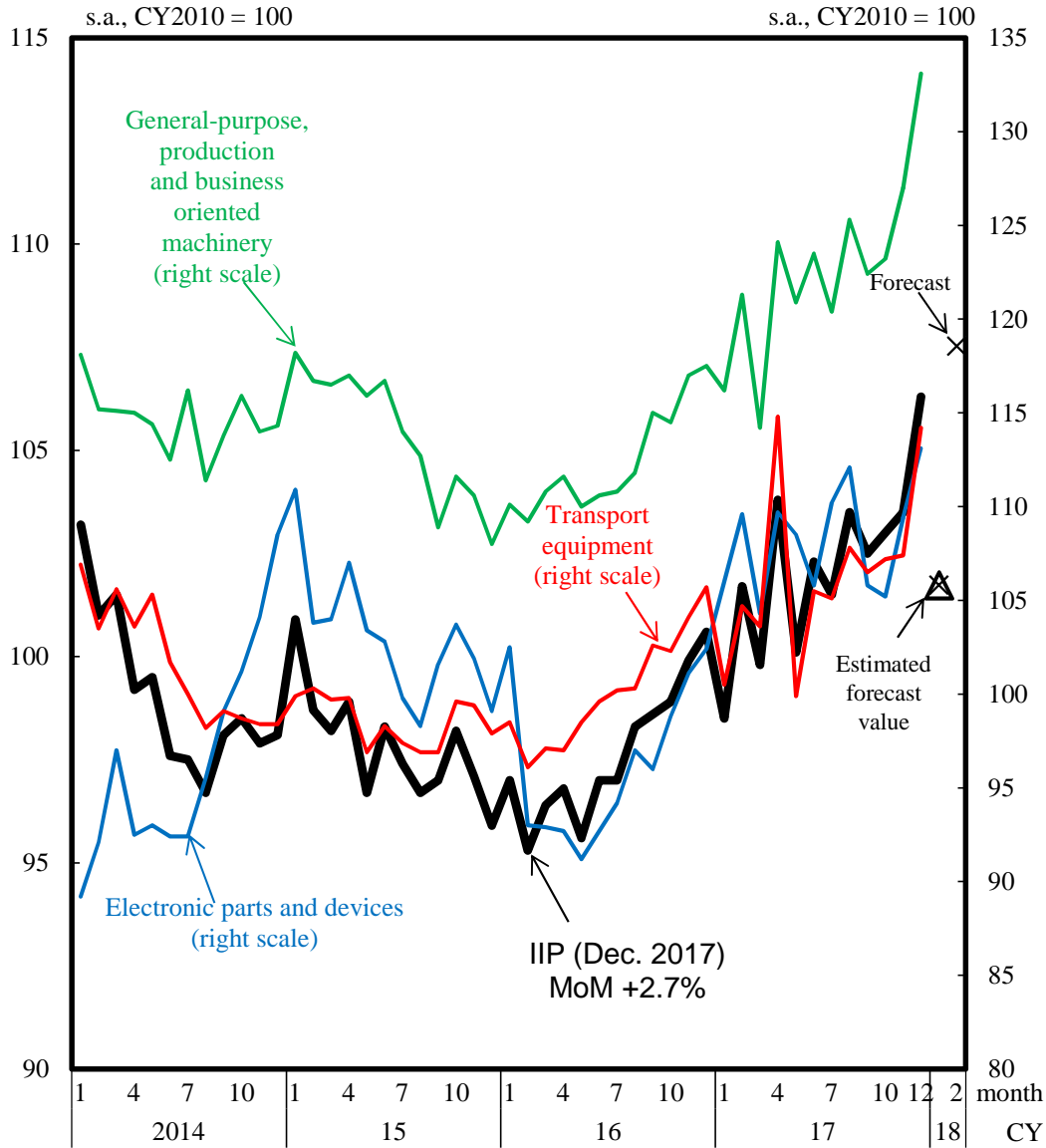


## Construction starts (estimated construction costs)



# Industrial Production

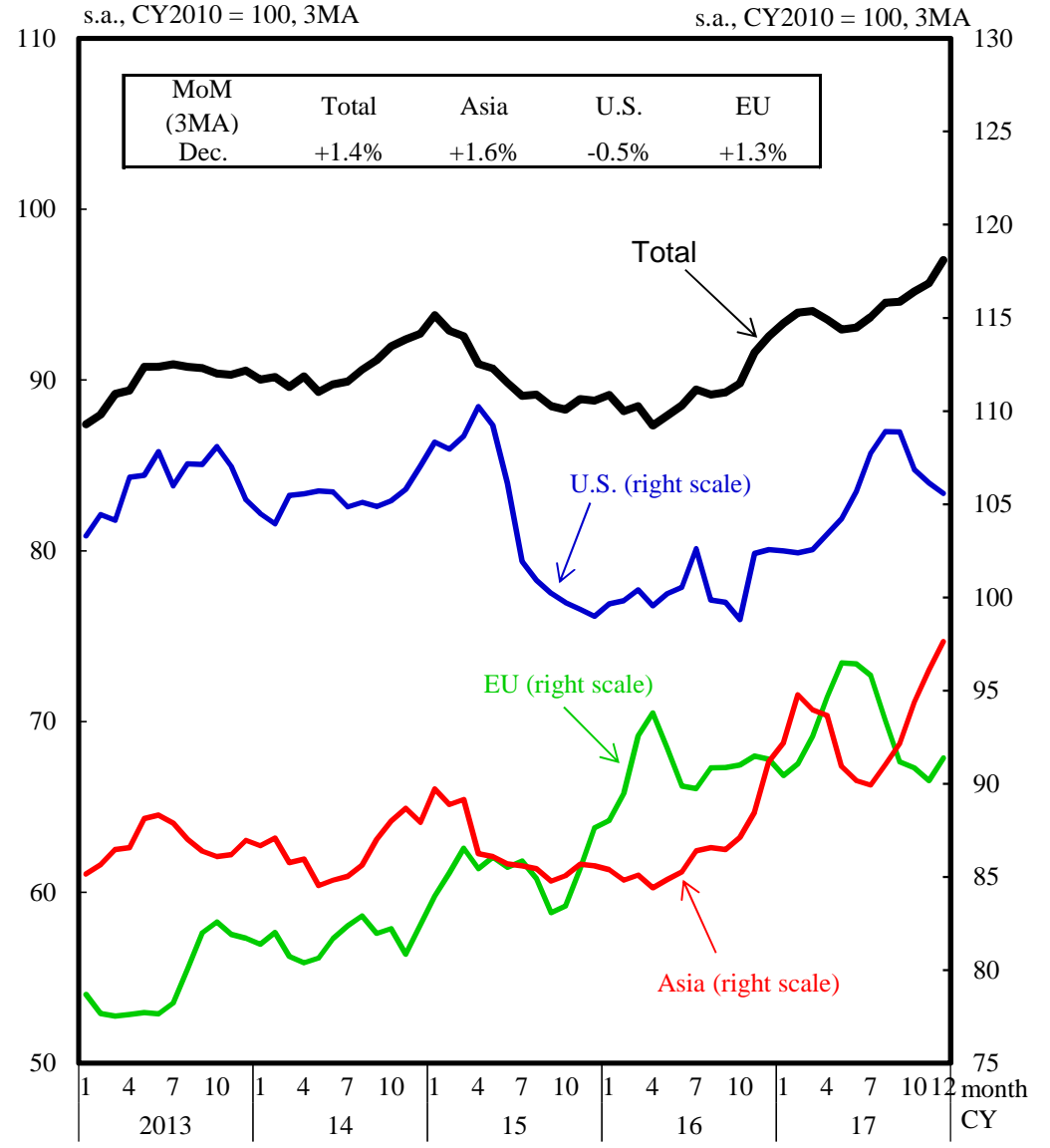
## Production by industry



Source: Ministry of Economy, Trade and Industry.

# Exports

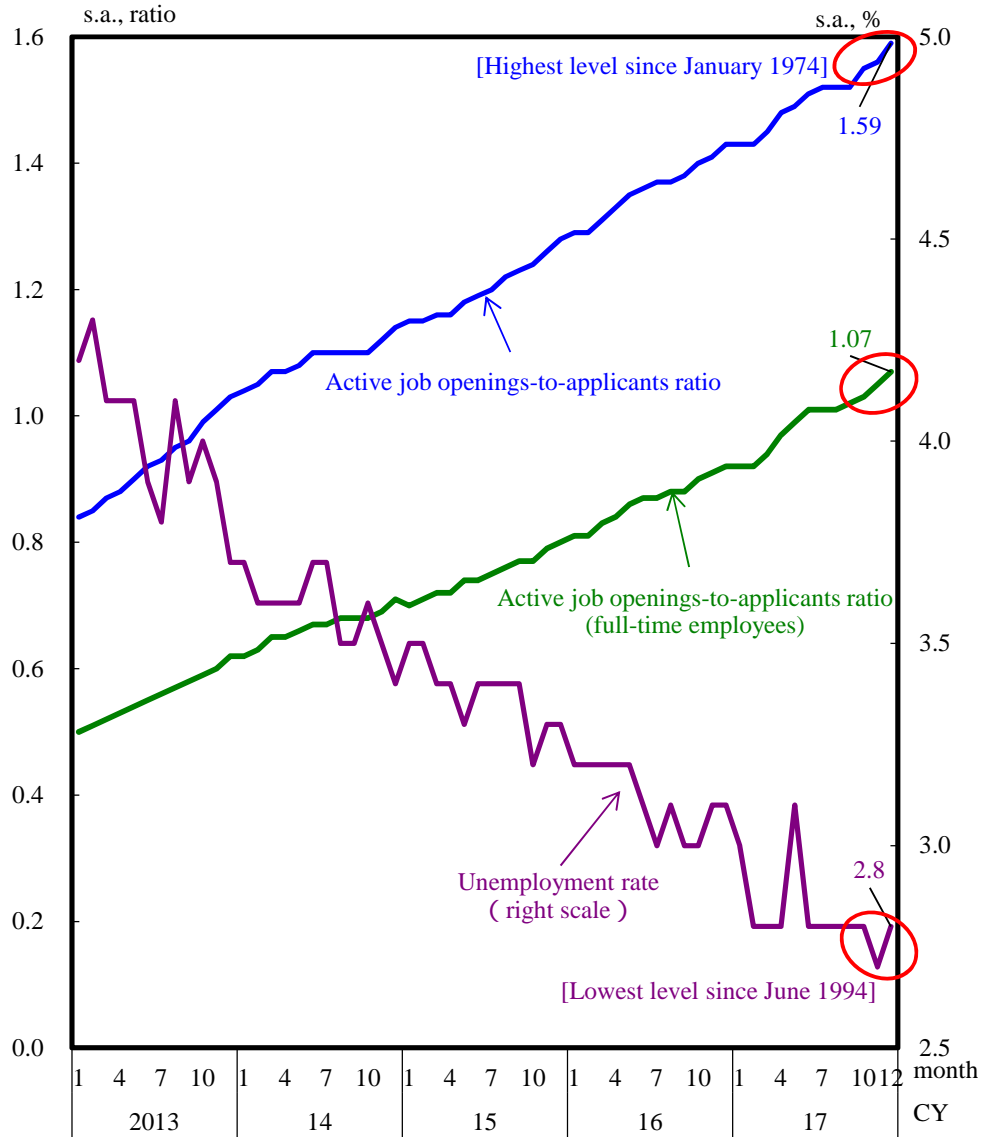
## Exports volume index by region



Source: Ministry of Finance.

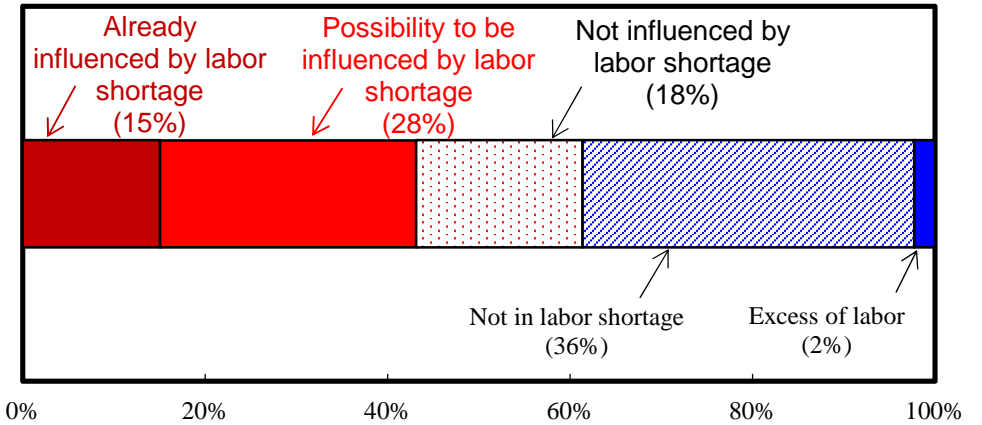
# Employment situation

Unemployment rate and active job openings-to-applicants ratio

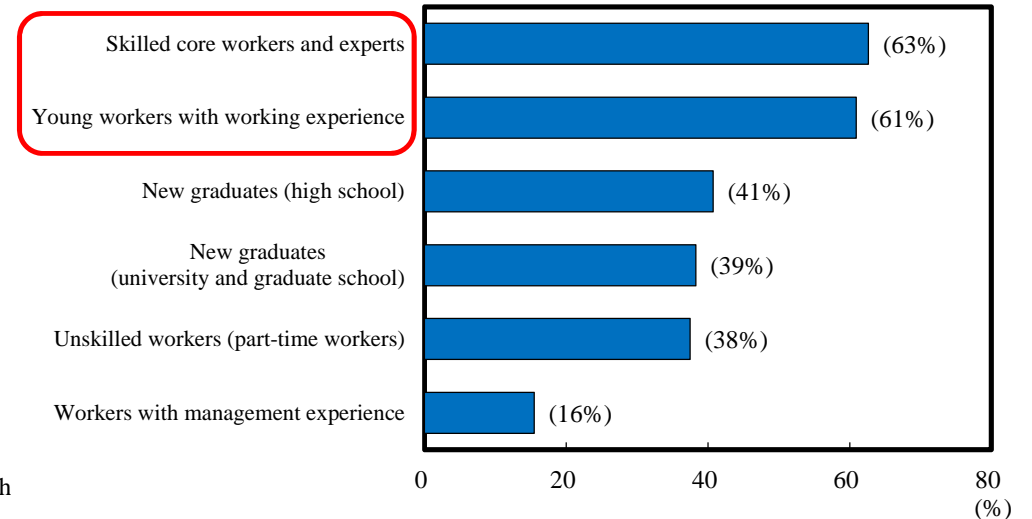


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Influence of labor shortage on business management (Survey of SMEs)



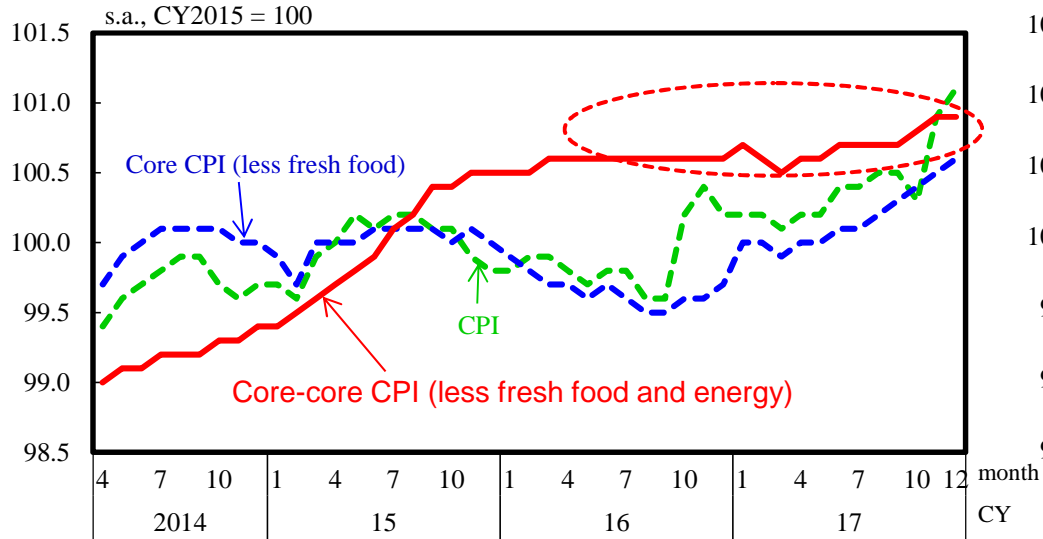
Workers required by companies in labor shortage (Survey of SMEs)



Source: The Japan Chamber of Commerce and Industry.

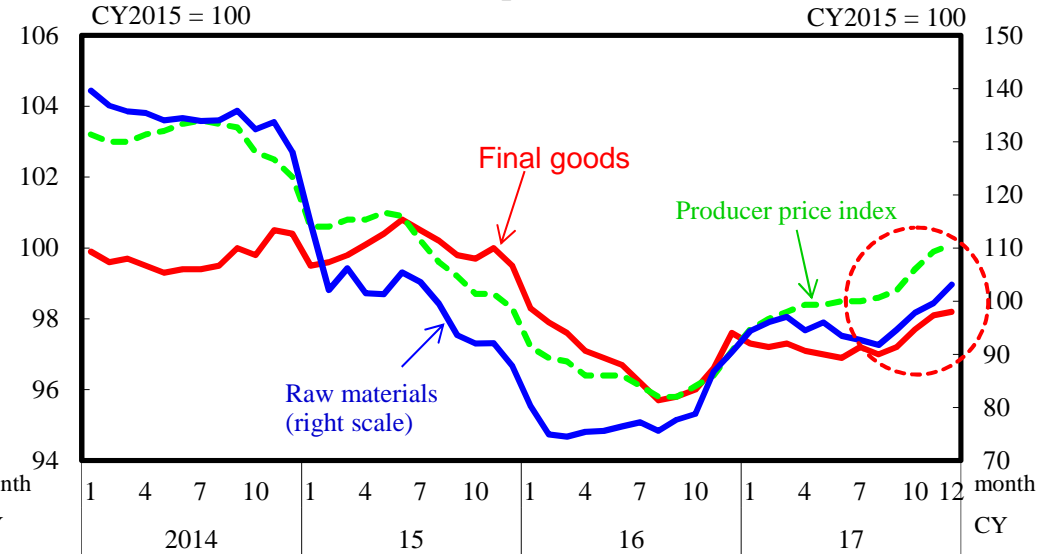
# Prices

## CPI (Consumer Price Index)



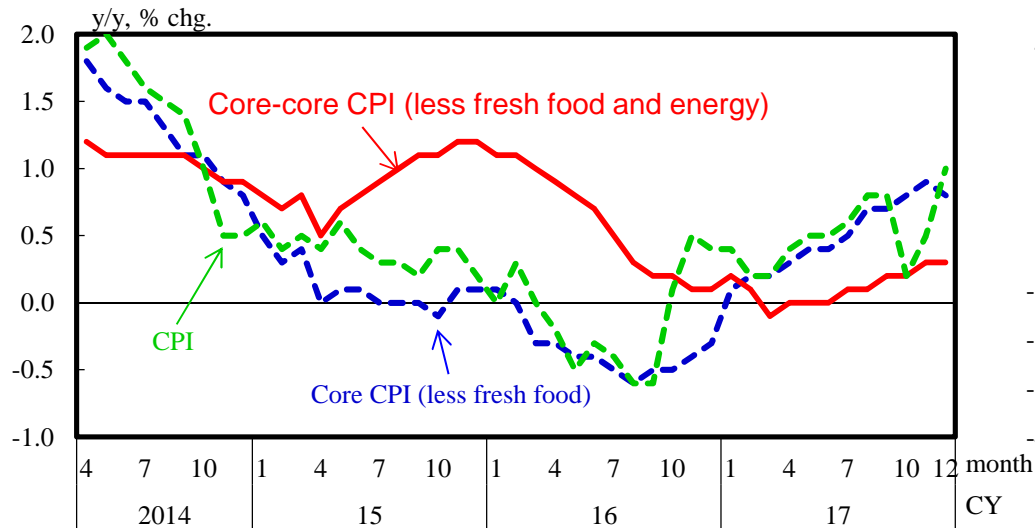
Source: Ministry of Internal Affairs and Communications.

## Producer price index



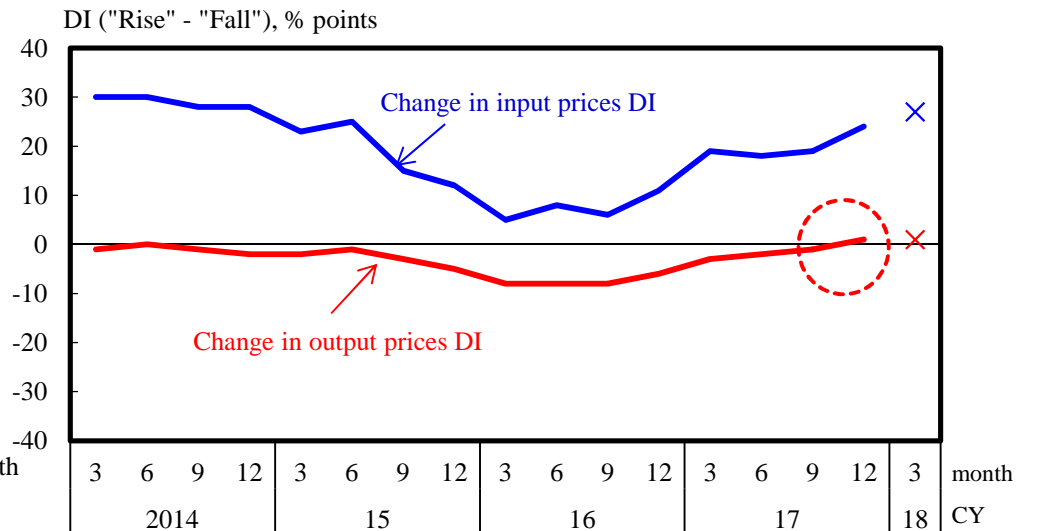
Note: Figures excluding impact of a consumption tax increase.  
Source: Bank of Japan.

## CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications.

## Changes in input and output prices DI



Source: Bank of Japan.