

Recent Economic Developments

March 26, 2018

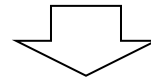
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

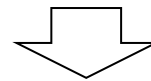
January

The Japanese economy is recovering at a moderate pace.



February

The Japanese economy is recovering at a moderate pace.



March

The Japanese economy is recovering at a moderate pace.

(Unchanged)

(Unchanged)

<Assessments of the current state of the Japanese economy>

	January	February	March
Private consumption	Private consumption is picking up. (↑)	Unchanged	Unchanged
Business investment	Business investment is increasing moderately.	Unchanged	Unchanged
Exports	Exports are picking up.	Unchanged	Unchanged
Industrial production	Industrial production is increasing moderately.	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 steadily. (↑)	Unchanged	Unchanged
Prices	Consumer prices are flat.	Unchanged	Consumer prices are rising moderately in recent months.

Note: ↑ denotes upward revision.

<Short-term prospects>

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.

February

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(Unchanged)

March

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(Unchanged)

<Policy stance>

(March)

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 submit bills to the Diet at an early date, and try to pass the bills. In addition, the Government implements the FY2017 supplementary budget swiftly and steadily. And the Government works for early passage of the FY2018 budget and the related bills.

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.

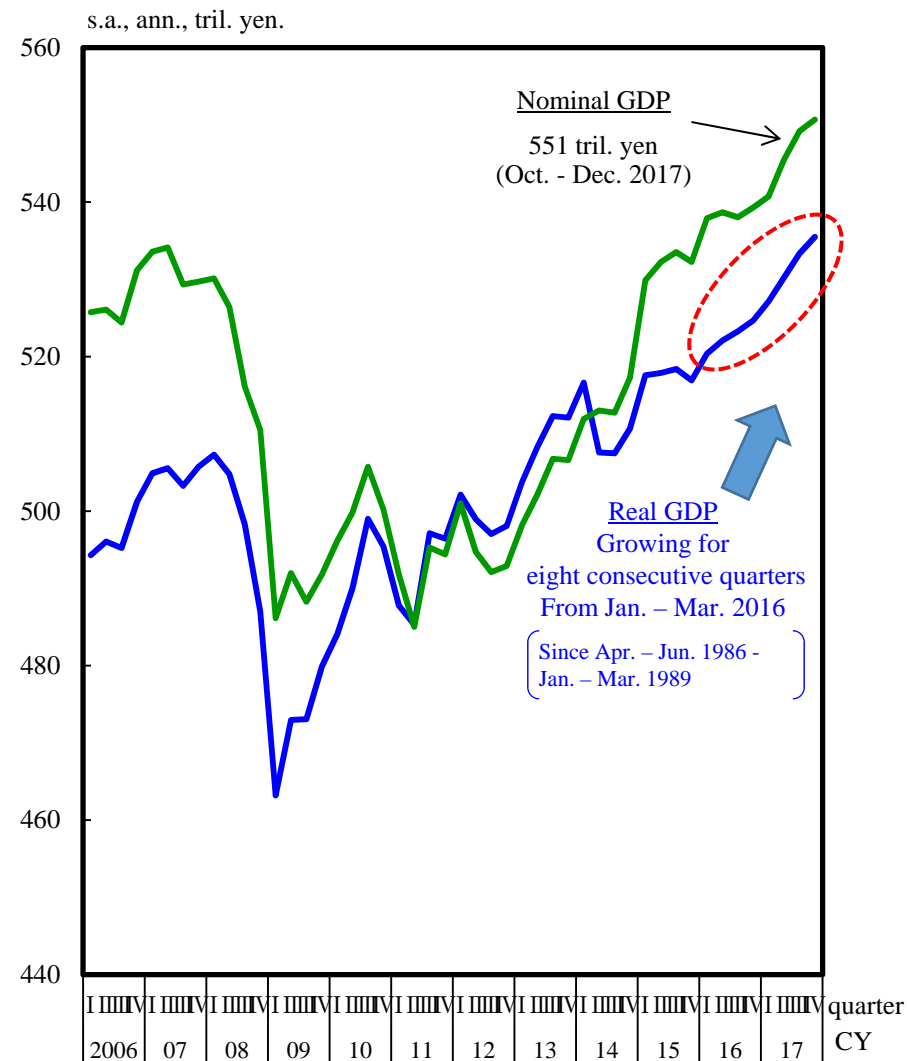
GDP: Oct. – Dec. 2017 (Second Preliminary)

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

	2016	2017	2016					2017
			Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	
Real GDP growth rate [at annual rate]	0.9	1.7	0.3 [1.1]	0.5 [1.9]	0.6 [2.4]	0.6 [2.4]	0.4 [1.6]	
Domestic Demand (Contributions)	(0.4)	(1.2)	(-0.1)	(0.4)	(0.9)	(0.1)	(0.4)	
Private Demand (Contributions)	(0.1)	(1.1)	(0.1)	(0.4)	(0.6)	(0.2)	(0.4)	
Private Consumption	0.1	1.1	0.0	0.3	0.9	-0.6	0.5	
Private Non-Resi. Investment	0.6	3.0	1.5	0.2	1.2	1.0	1.0	
Private Residential Investment	5.6	2.6	0.8	1.2	0.9	-1.7	-2.6	
Changes in Private Inventories	(-0.2)	(-0.1)	(-0.2)	(0.1)	(-0.1)	(0.4)	(0.1)	
Public Demand (Contributions)	(0.2)	(0.1)	(-0.1)	(0.0)	(0.3)	(-0.1)	(-0.0)	
Public Investment	-0.1	1.2	-1.9	-0.2	4.8	-2.6	-0.2	
Net Exports (Contributions)	(0.6)	(0.6)	(0.4)	(0.1)	(-0.3)	(0.5)	(-0.0)	
Exports	1.3	6.8	2.7	2.0	0.0	2.1	2.4	
Imports	-1.9	3.6	0.6	1.7	1.9	-1.2	2.9	
Nominal GDP growth rate	1.2	1.5	0.2	0.3	0.9	0.7	0.3	
GDP Deflator <Year on Year>	<0.3>	<-0.2>	<-0.1>	<-0.8>	<-0.3>	<0.2>	<0.1>	

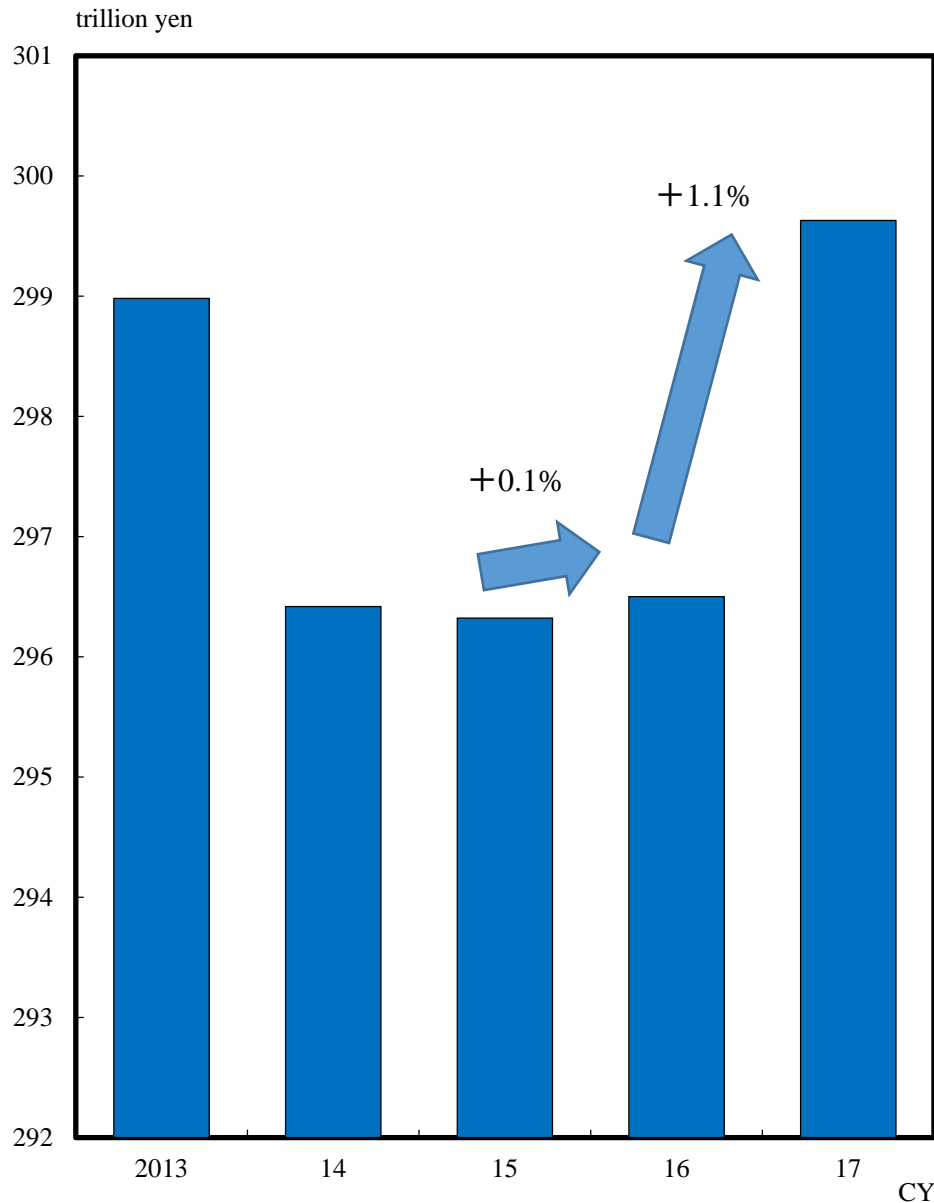
Source: Cabinet Office

Nominal and real GDP



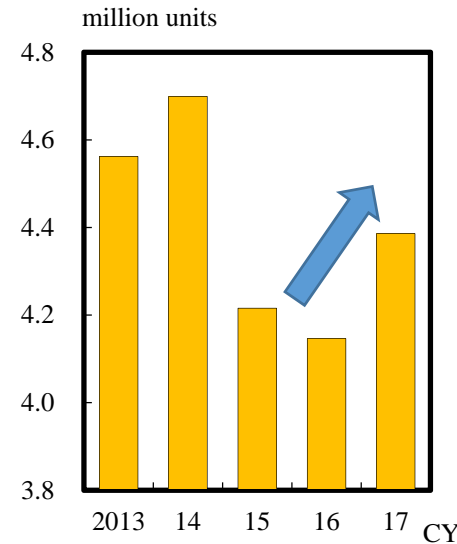
Economic Recovery 1: Household Sector

Private Consumption (Real)

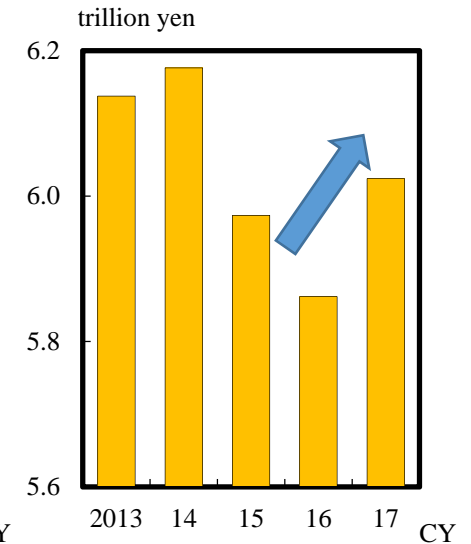


Source : Cabinet Office

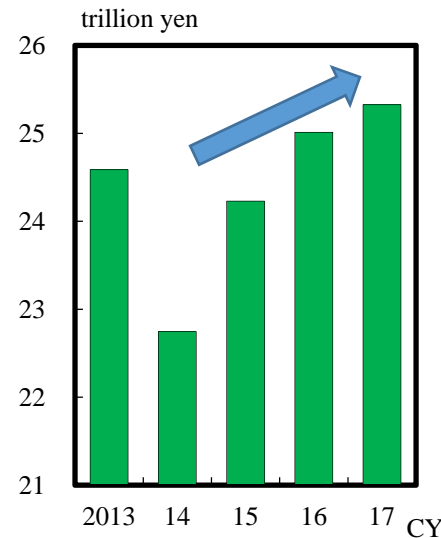
New Car Sales



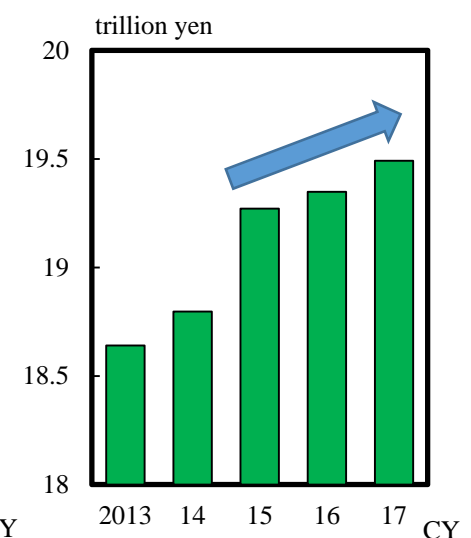
Home Electronic Appliances



Tourism



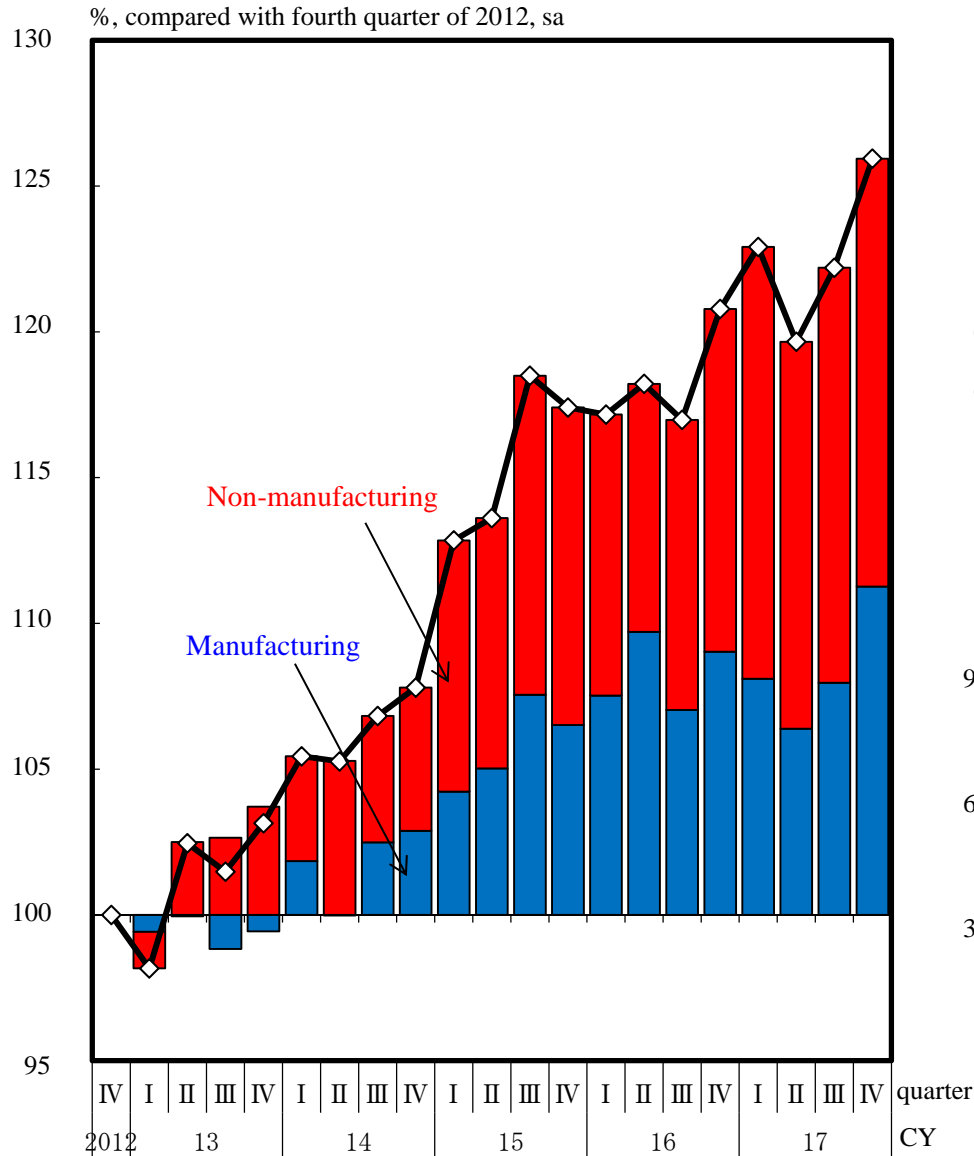
Eating-Out



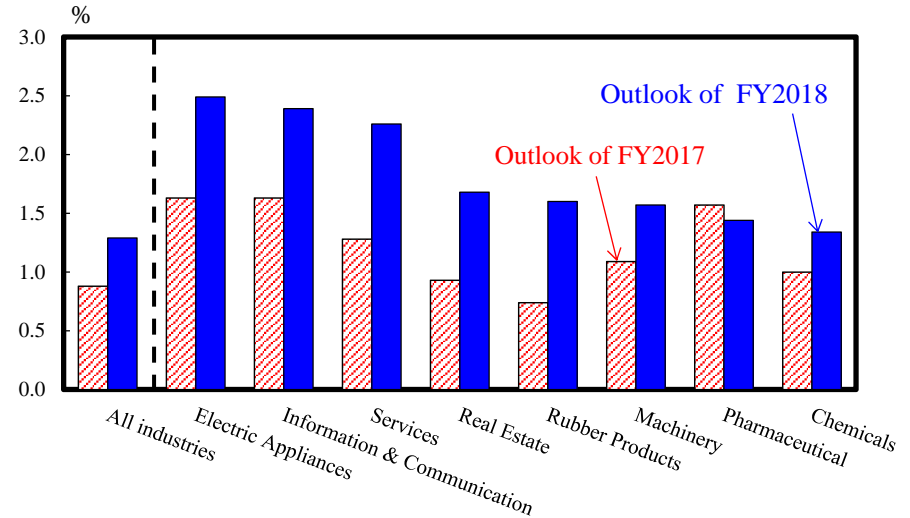
Sources: Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry
Japan Tourism Agency, Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association

Economic Recovery 2: Business investment

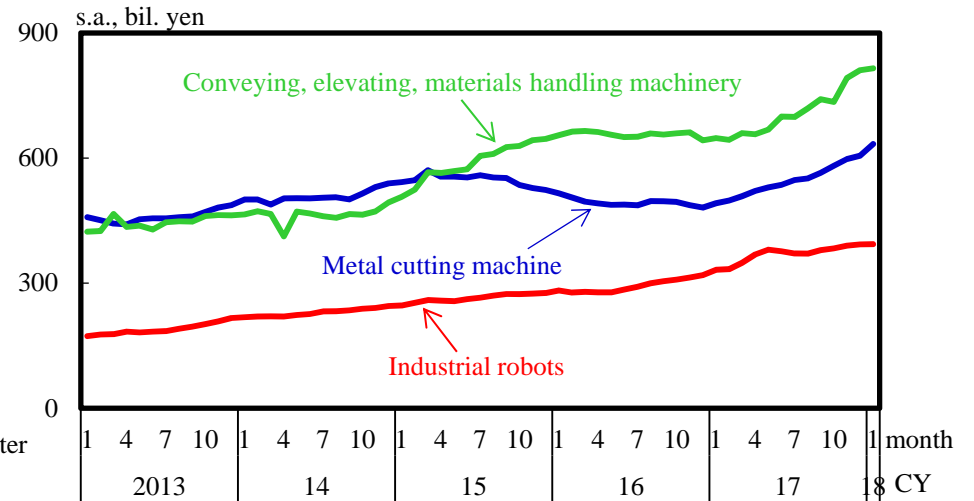
Business Investment (by industry)



Forecasted growth rate of industries by firms

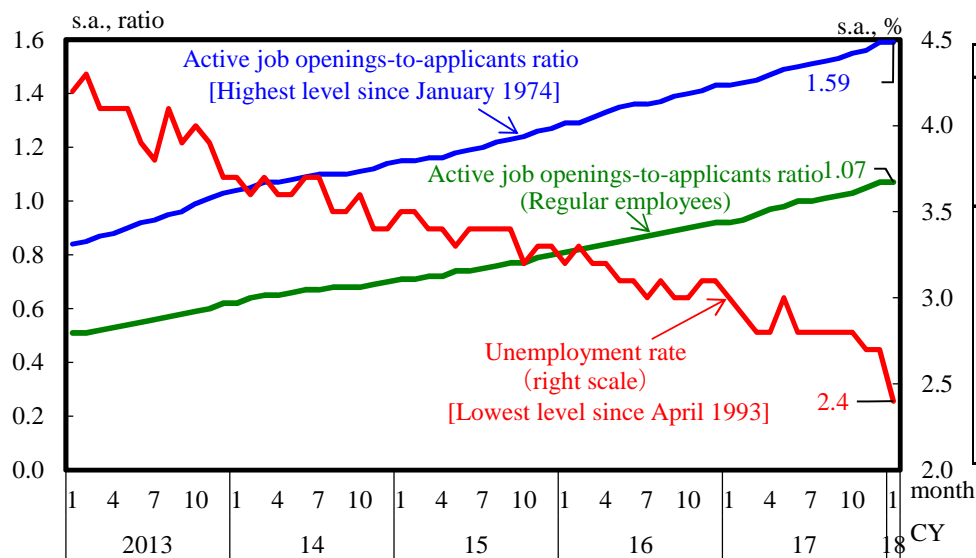


The order backlog of machinery related to factory automation



Economic Recovery 3: Employment situation 1

Unemployment rate and active job openings-to-applicants ratio



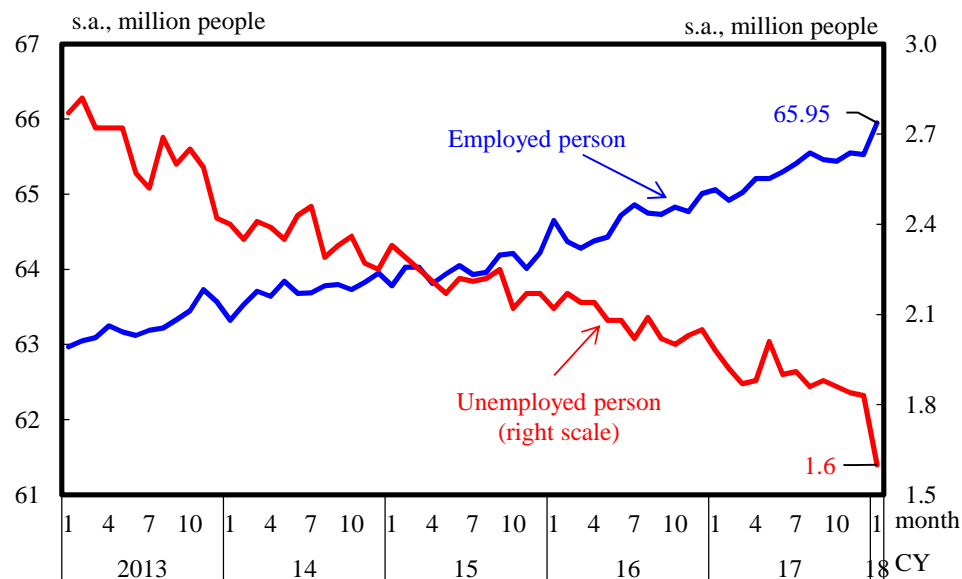
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare

Spring wage negotiations

		CY	2012	2013	2014	2015	2016	2017	2018
First Result	Increase in wages (Excluding bonus) (%)		1.79	1.74	2.16	2.43	2.08	2.06	2.16
	Increase in pay scale (So-called "base-up") (%)		-	-	-	0.8	0.47	0.43	0.77
Final Result	Increase in wages (Excluding bonus) (%)		1.72	1.71	2.07	2.2	2.0	1.98	
	Increase in pay scale (So-called "base-up") (%)		-	-	-	0.69	0.44	0.48	
	Bonus (Number of months)		4.37	4.49	4.78	4.84	4.86	4.81	
	Bonus (Thousand yen)		1,421	1,451	1,539	1,552	1,532	1,535	

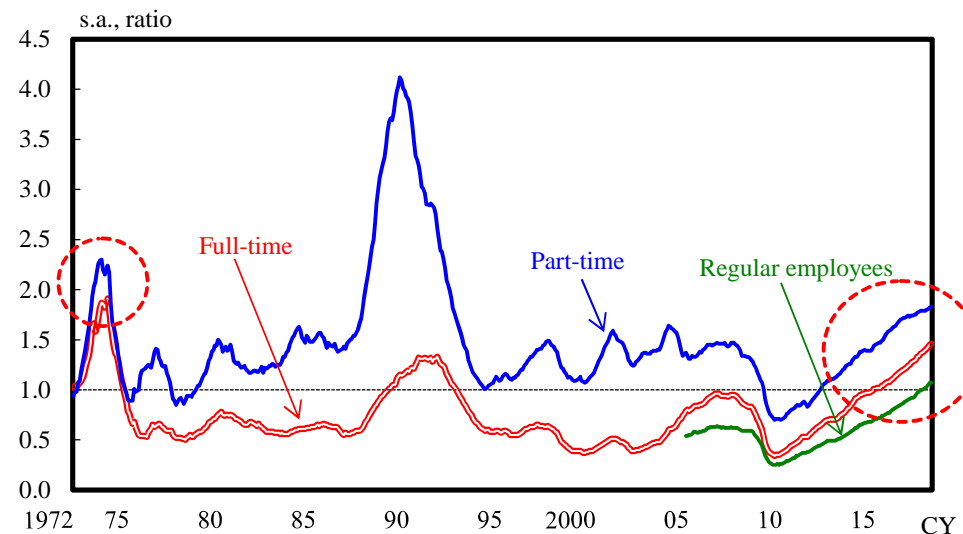
Source: Japanese trade union confederation

The number of employed persons and unemployed persons



Source: Ministry of Internal Affairs and Communications

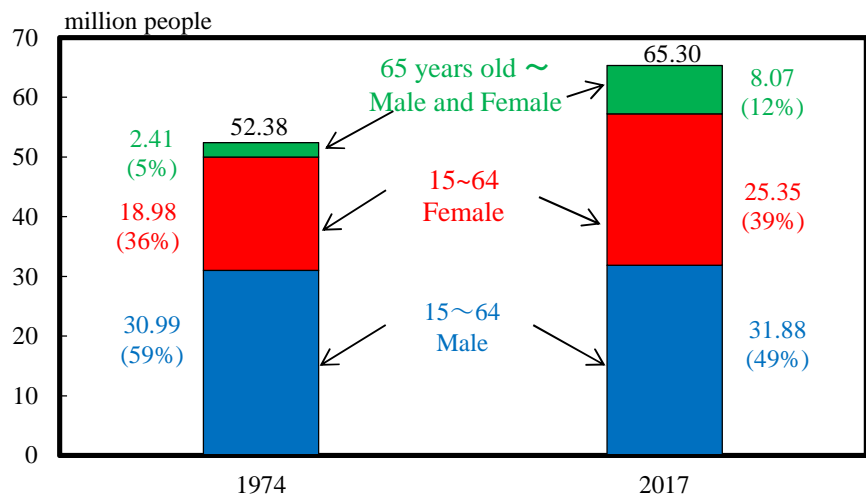
Active job openings-to-applicants ratio (long-term)



Source: Ministry of Health, Labour and Welfare

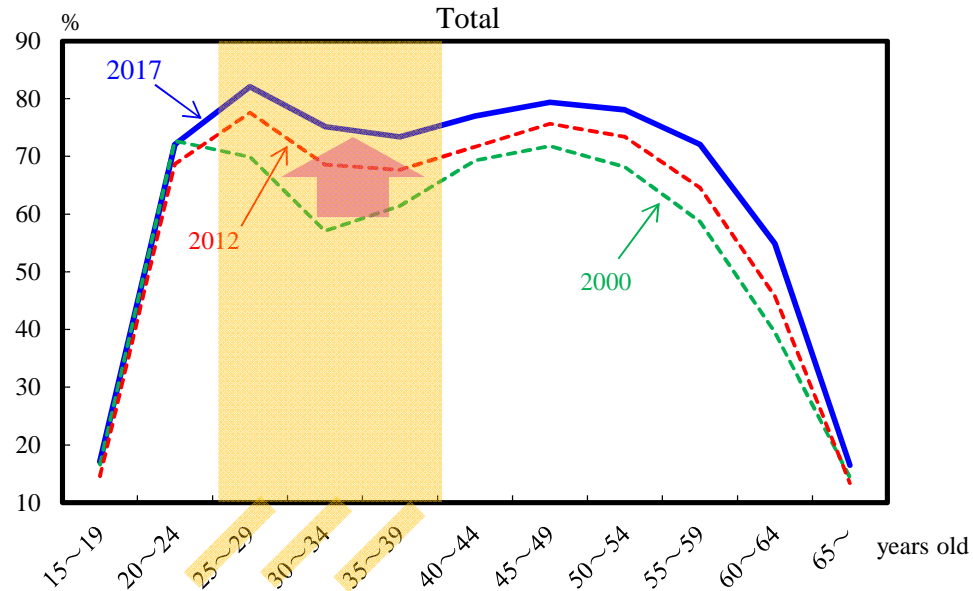
Economic Recovery 3: Employment situation 2

Composition of employees : Increase in female and elderly



Source: Ministry of Internal Affairs and Communications

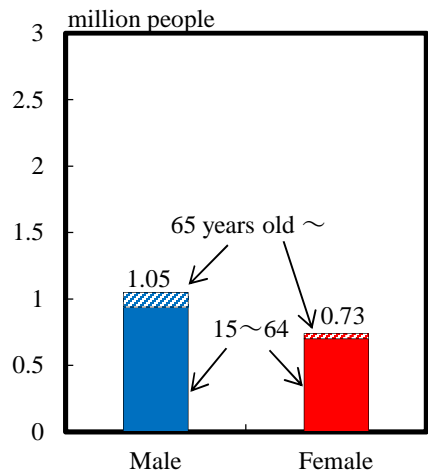
Female labor participation rate



Source: Ministry of Internal Affairs and Communications

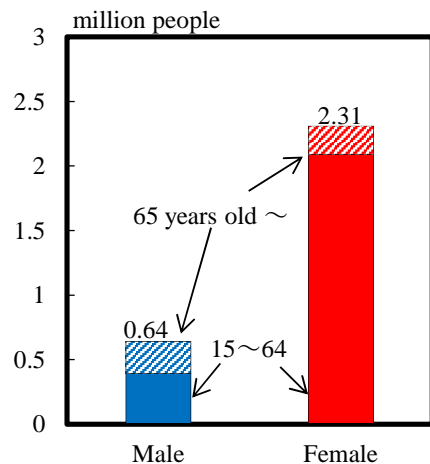
Not in work population

Number of unemployed persons

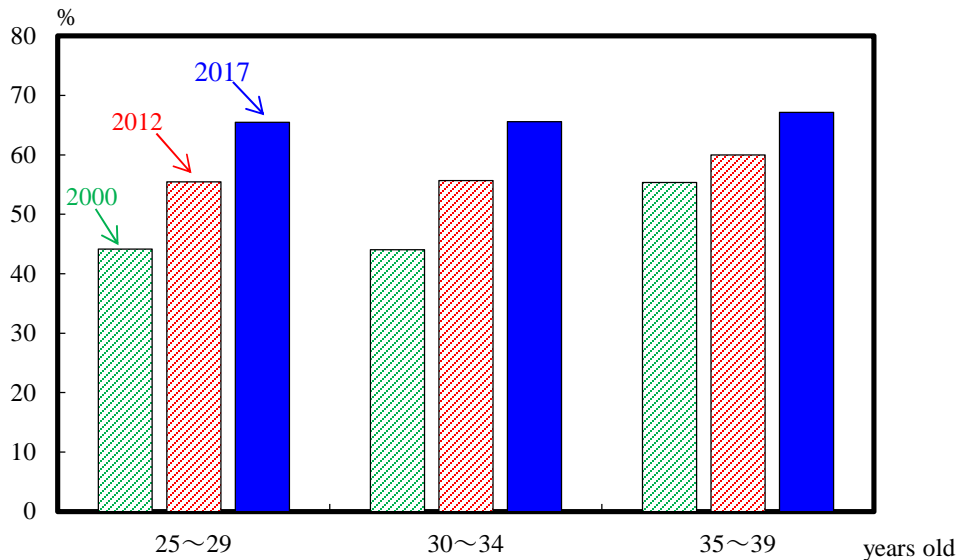


Source: Ministry of Internal Affairs and Communications

Not in labour force persons who want to work



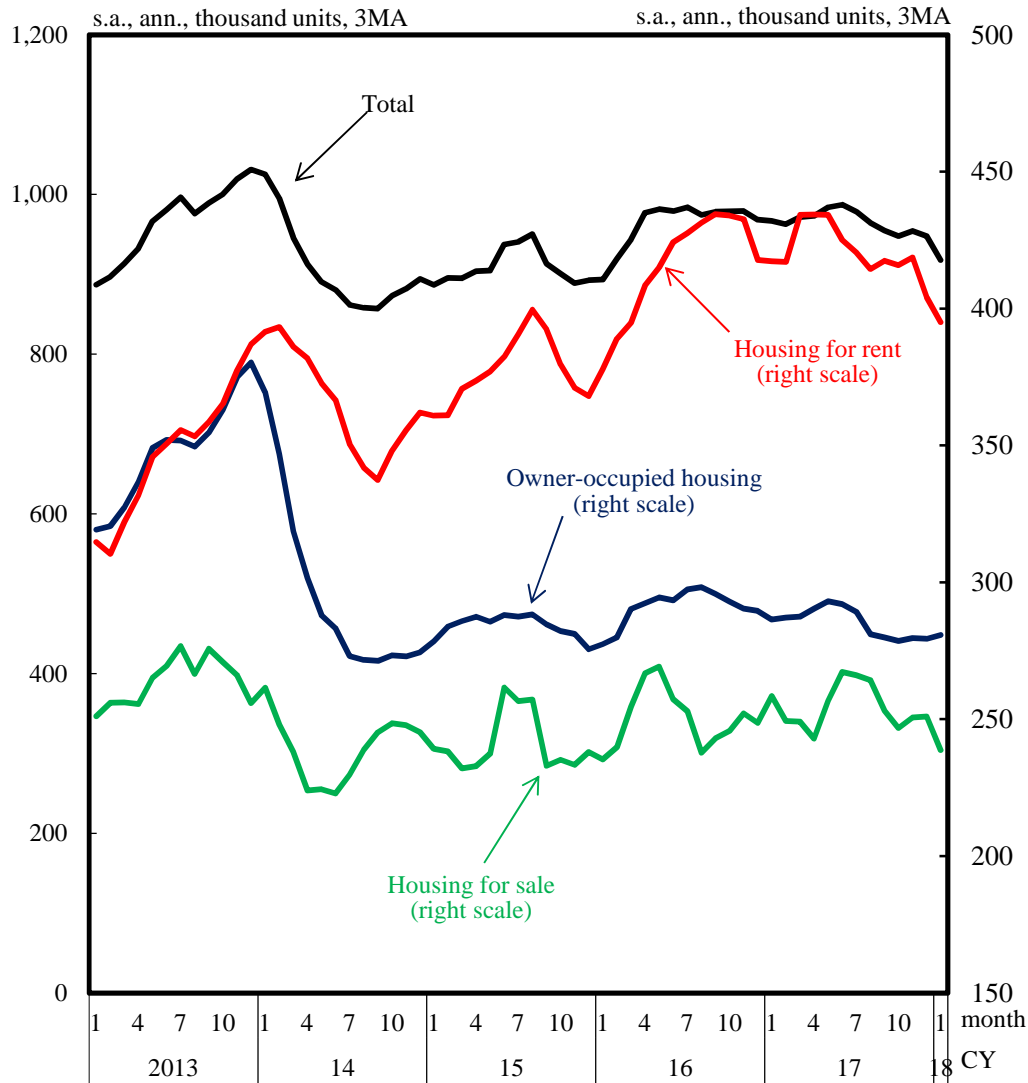
Labor participation rate of married female



Source: Ministry of Internal Affairs and Communications

Housing construction

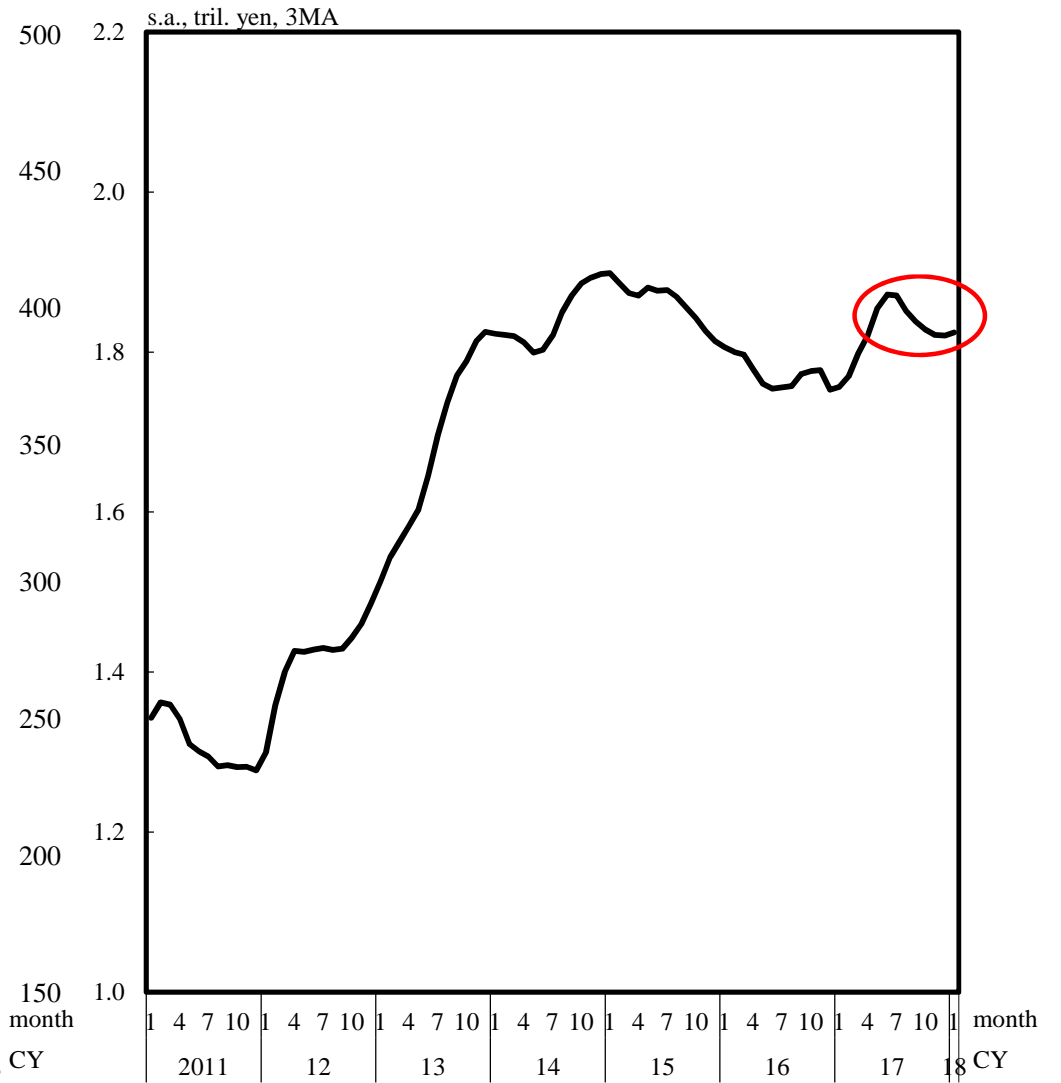
Housing construction starts



Source: Ministry of Land, Infrastructure, Transport and Tourism

Public investment

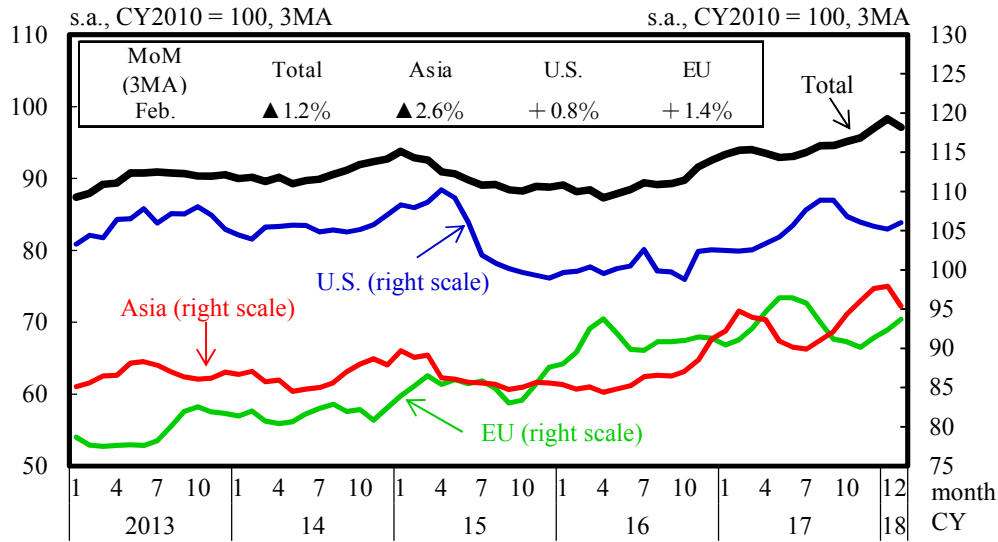
Amount of public construction completed



Source: Ministry of Land, Infrastructure, Transport and Tourism

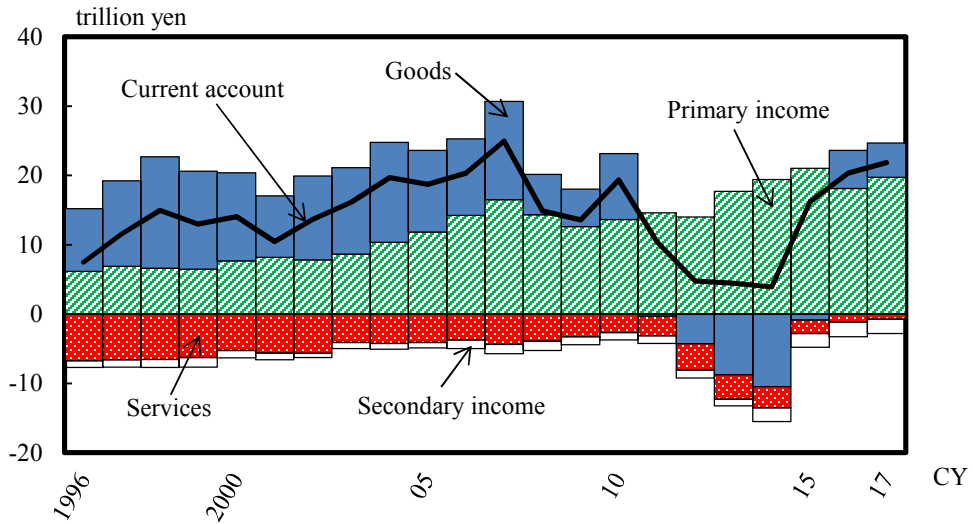
Exports

Exports volume index by region



Source: Ministry of Finance

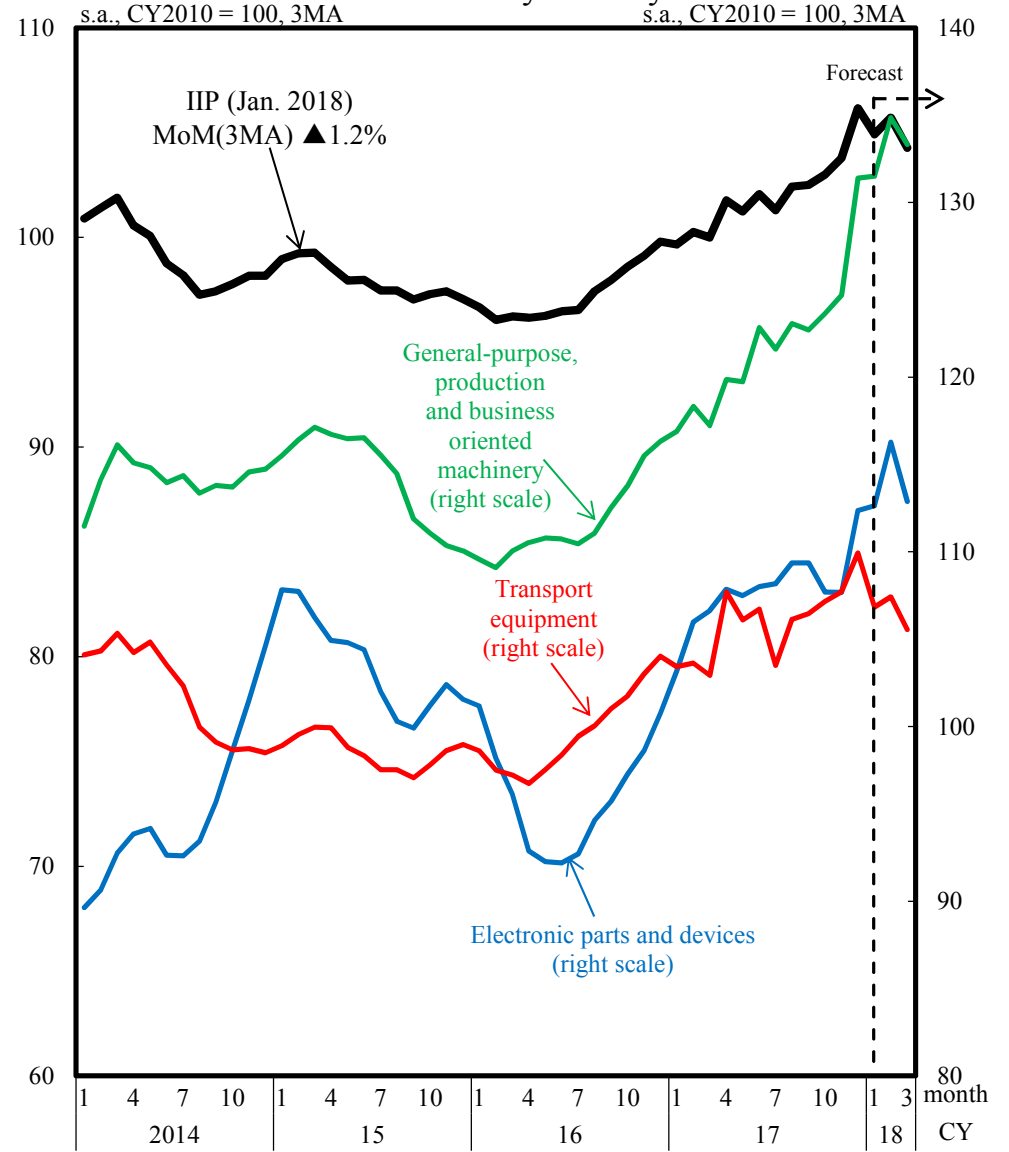
Current account



Source: Ministry of Finance, Bank of Japan

Industrial Production

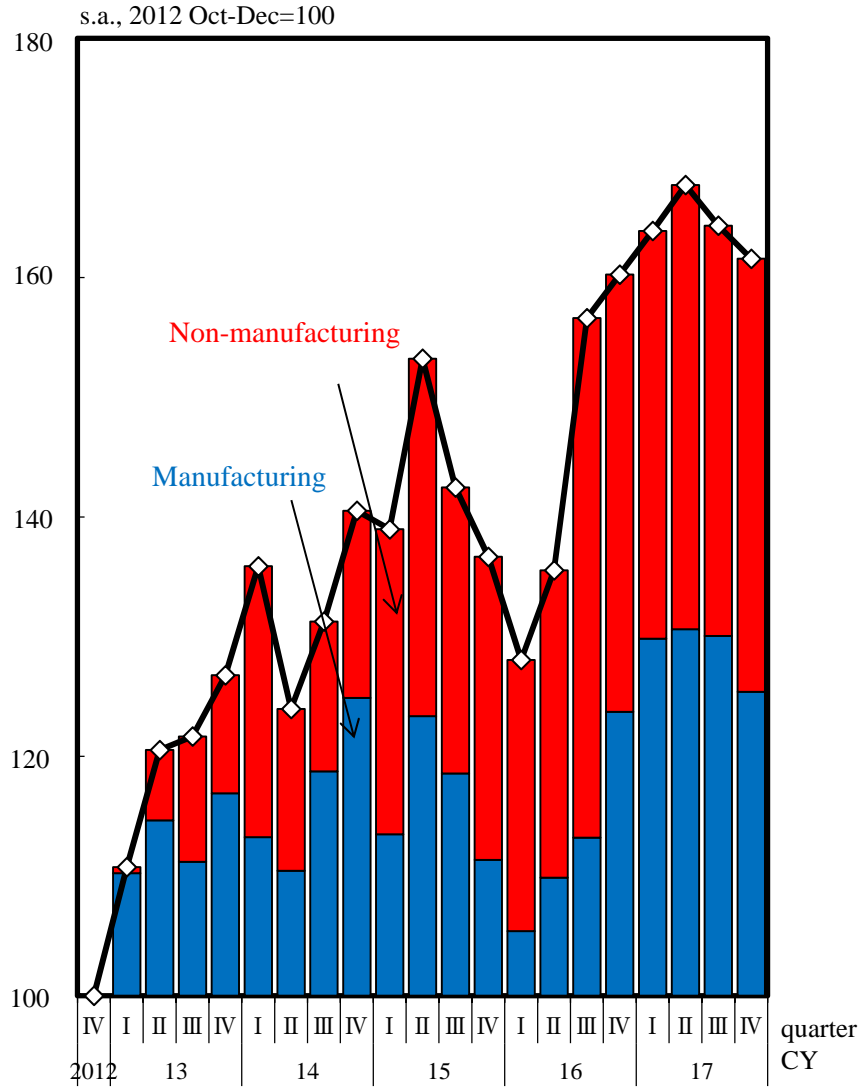
Production by industry



Source: Ministry of Economy, Trade and Industry

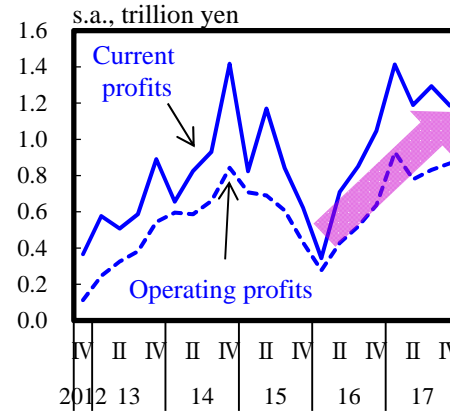
Corporate profits

Current profits

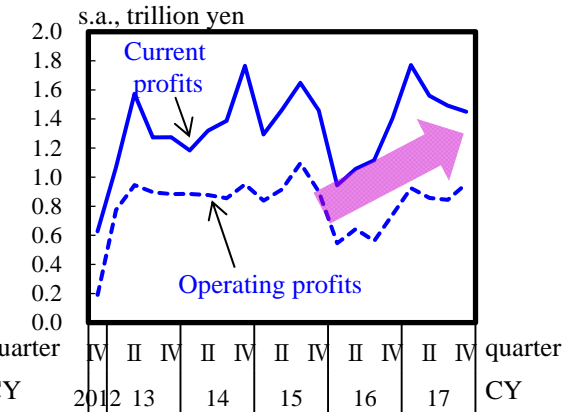


Industries increasing in profit
(Manufacturing)

Electrical machinery

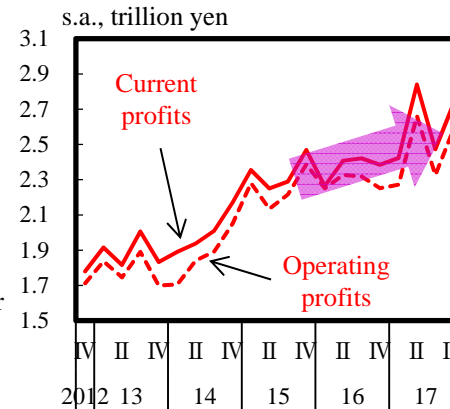


Motor vehicles

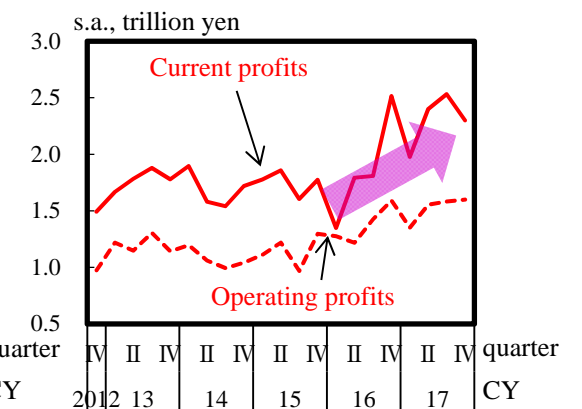


Industries increasing in profit
(Non-manufacturing)

Transport & Information communication



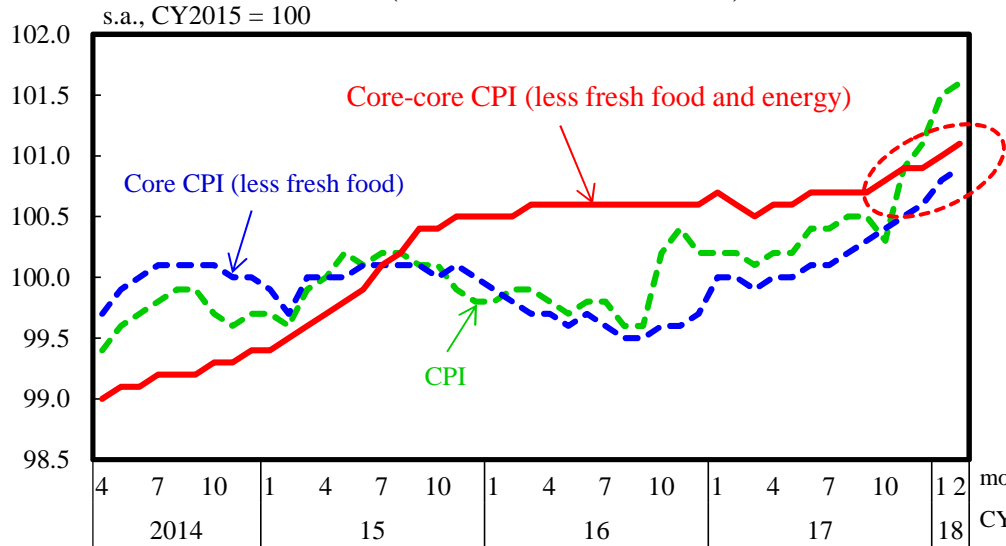
Wholesaling



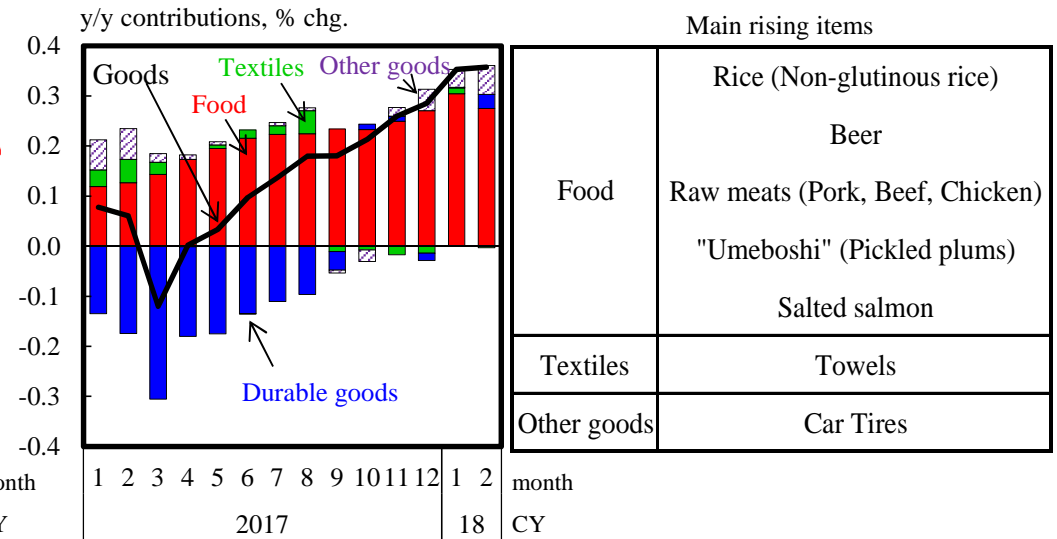
Source: Ministry of Finance

Prices

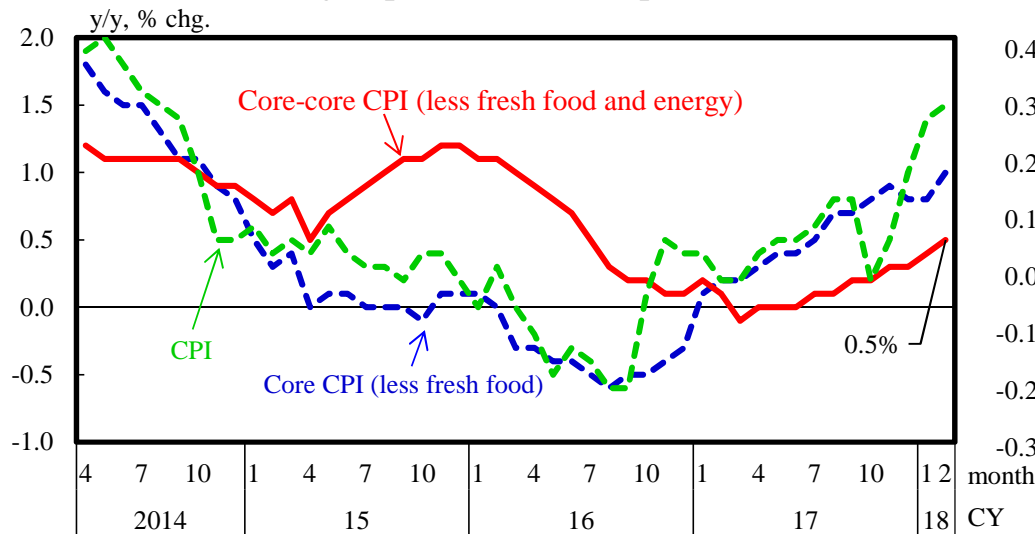
CPI (Consumer Price Index)



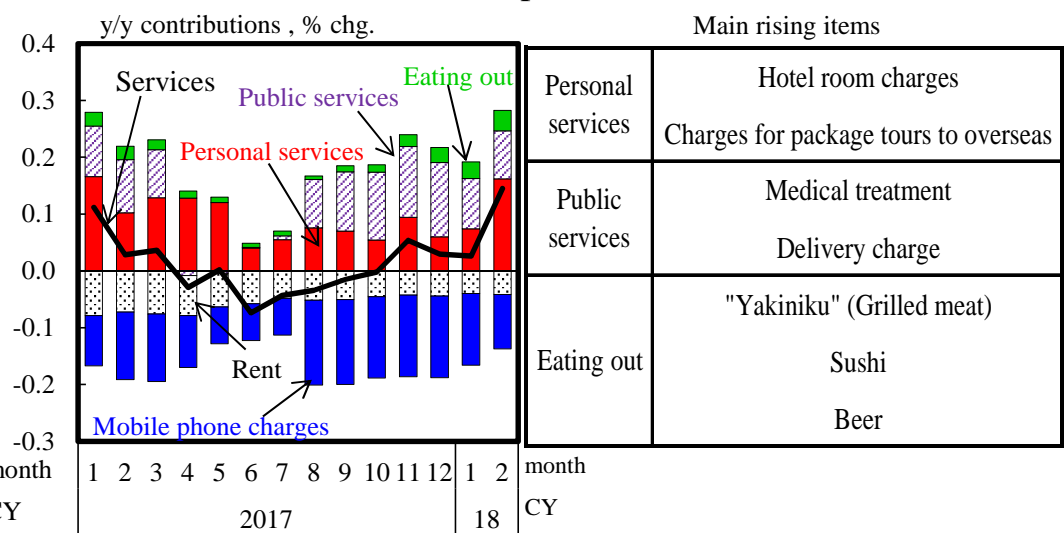
Goods prices in CPI (less fresh food and energy)



CPI (excluding impact of a consumption tax increase)

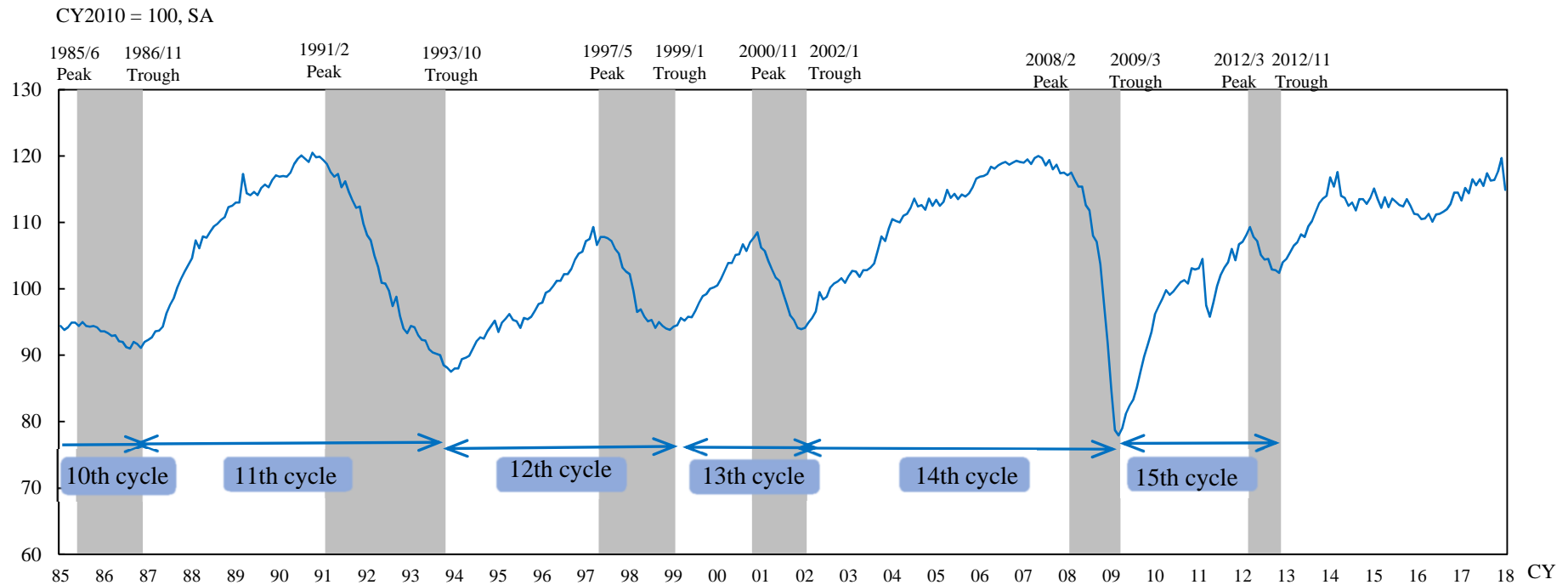


Services prices in CPI



(Reference 1) Economic Expansion Period

Index of business conditions

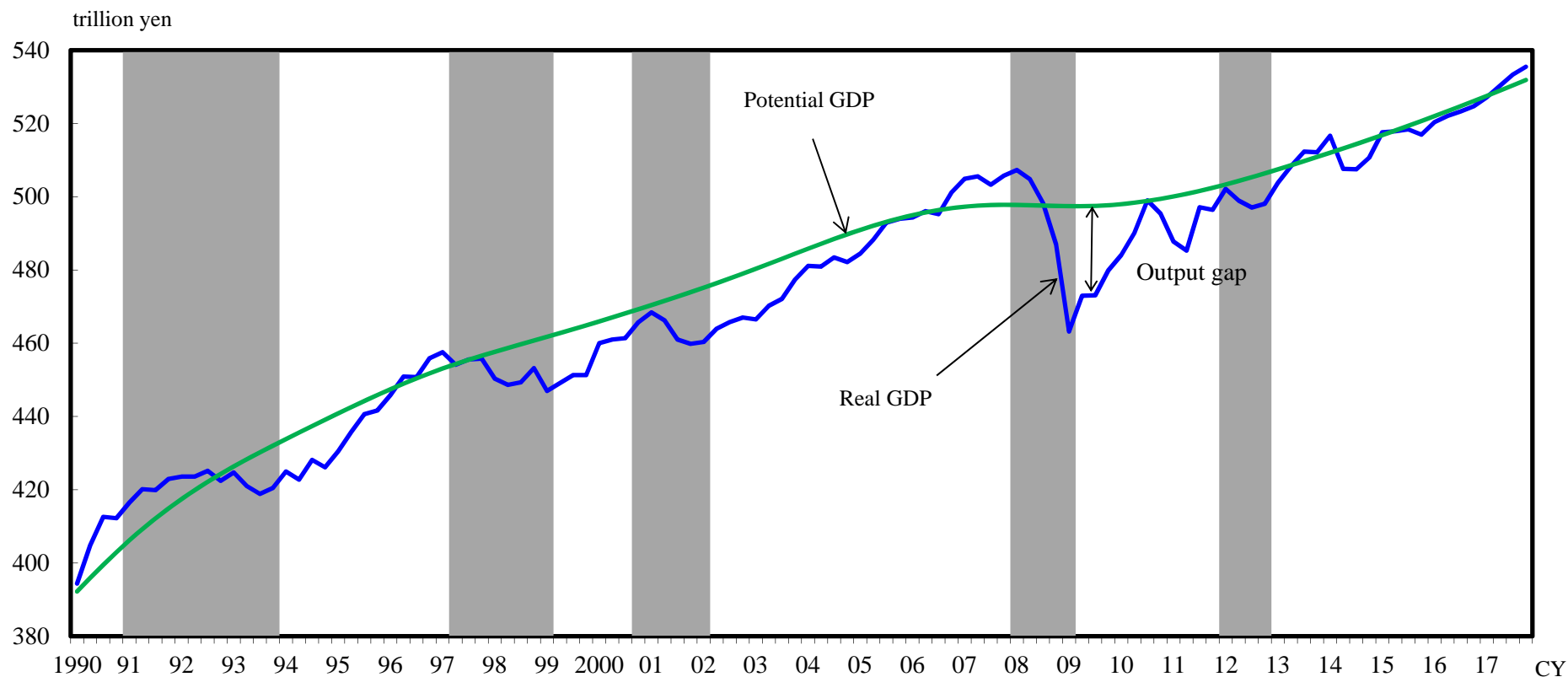


Note: Shaded areas indicate recession periods.

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	64 months	2012 Dec. –

(Reference 2) Output gap



Note: Shaded areas indicate recession periods.

year, quarter, %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017			
												I	II	III	IV
Potential GDP growth rate	0.3	0.0	▲0.0	0.2	0.5	0.7	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Real GDP growth rate	1.7	▲1.1	▲5.4	4.2	▲0.1	1.5	2.0	0.4	1.4	0.9	1.7	1.9	2.4	2.4	1.6
Output gap	1.5	0.3	▲5.1	▲1.3	▲1.9	▲1.1	▲0.0	▲0.6	▲0.2	▲0.3	0.4	▲0.1	0.2	0.6	0.7