

Recent Economic Developments

April 25, 2018

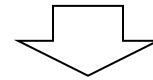
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

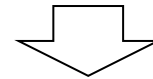
February

The Japanese economy is recovering at a moderate pace.



March

The Japanese economy is recovering at a moderate pace.



(Unchanged)

April

The Japanese economy is recovering at a moderate pace.

(Unchanged)

<Assessments of the current state of the Japanese economy>

	February	March	April
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.	Consumer prices are rising moderately in recent months.	Unchanged

<Short-term prospects>

February

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.

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(Unchanged)

April

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(Unchanged)

<Policy stance>

(April)

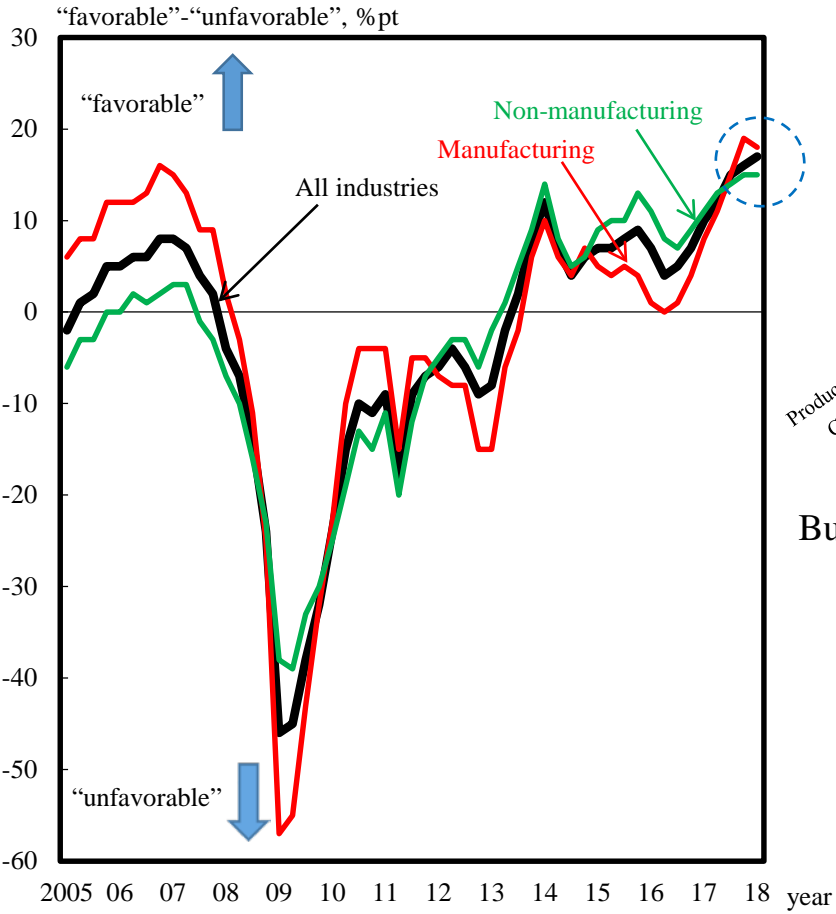
The Government will make its utmost efforts to ensure the economy overcomes deflation and achieve economic revitalization and fiscal consolidation simultaneously, in addition to make effort toward the reconstruction and revitalization from the Great East Japan Earthquake and the restoration and reconstruction 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, the Government will try to pass the related bills during the current session of the Diet. In addition, the Government implements the FY2017 supplementary budget and the FY2018 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.

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

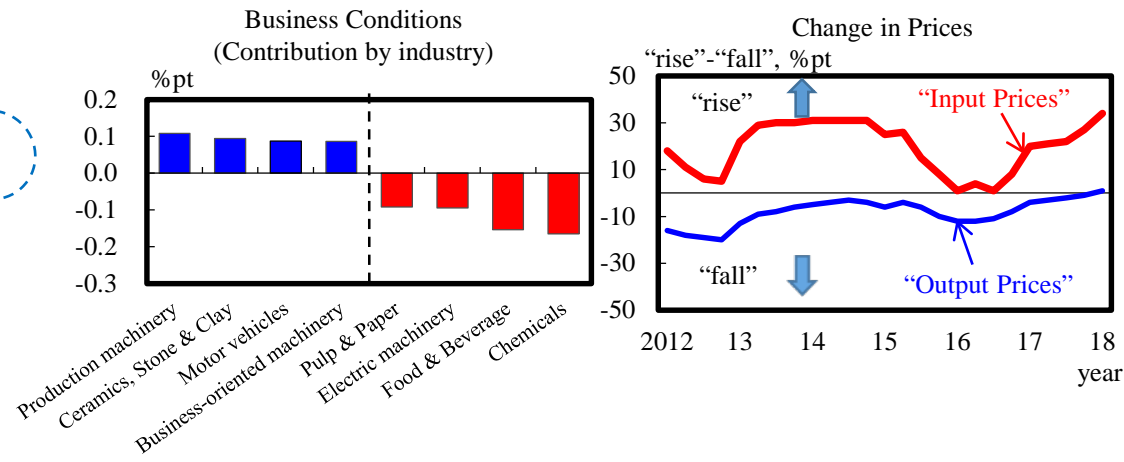
Business Conditions – “Tankan” Survey

Business Conditions

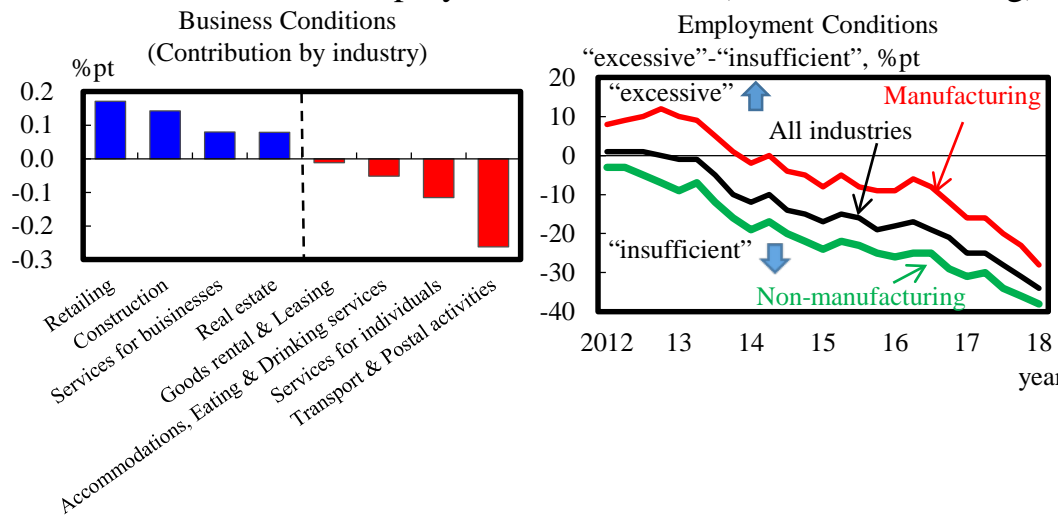


Source: Bank of Japan

Business Conditions and Change in Prices (Manufacturing)



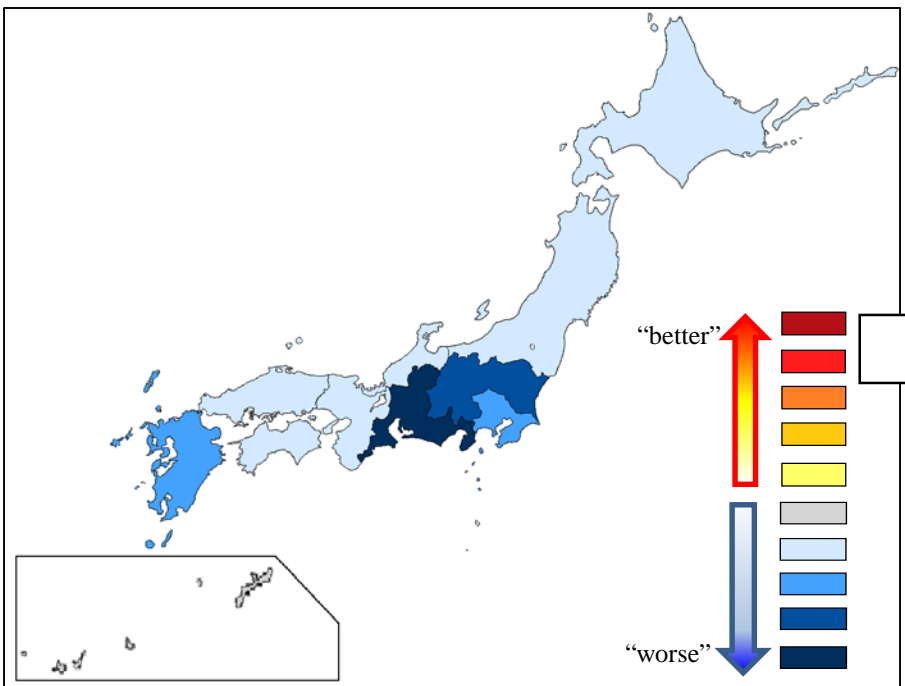
Business Conditions and Employment Conditions (Non-manufacturing)



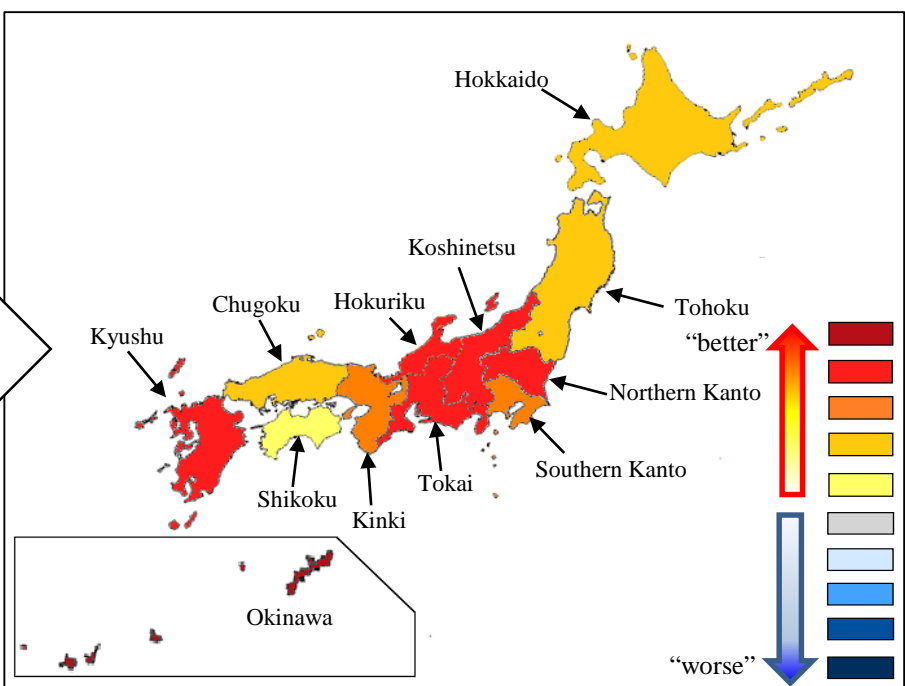
Regional Economy(1) Comparison between pre-Abenomics and the Current Situation

All of the areas' economic situations have been improved in five years.

November, 2012



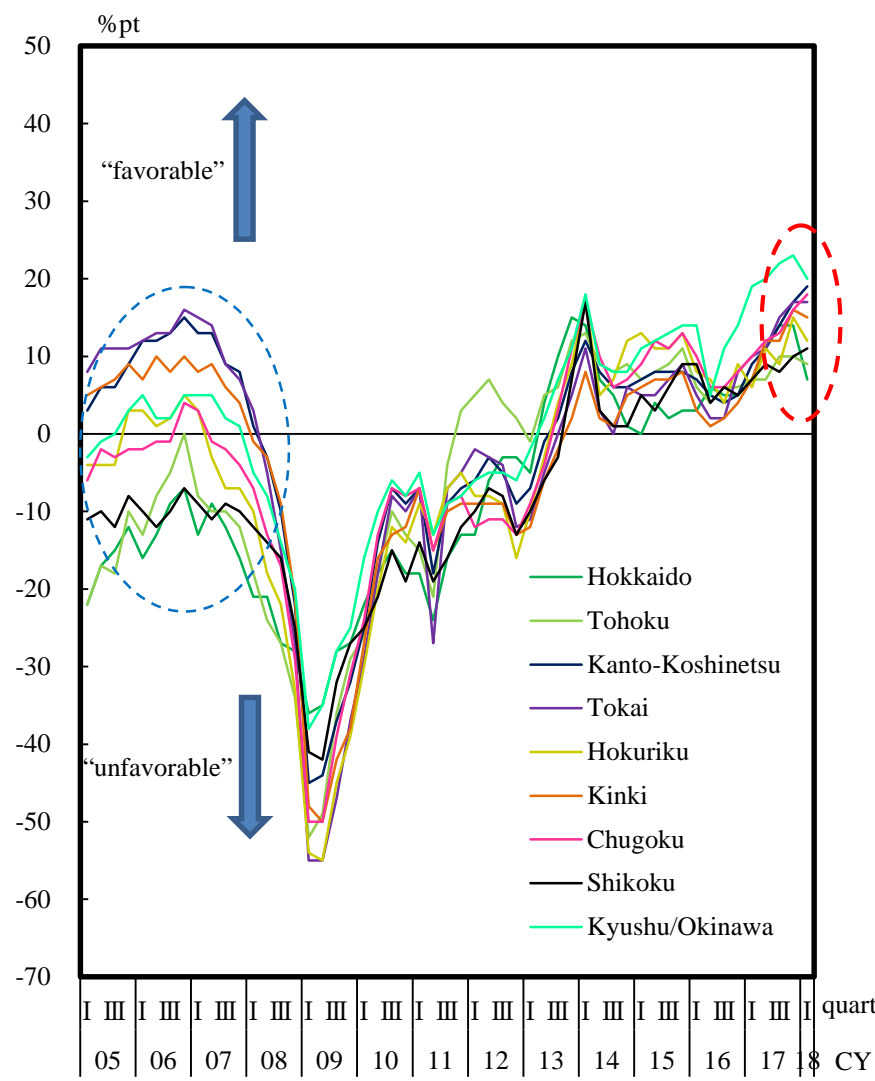
February, 2018



Source: "Regional Economic Report," Cabinet Office

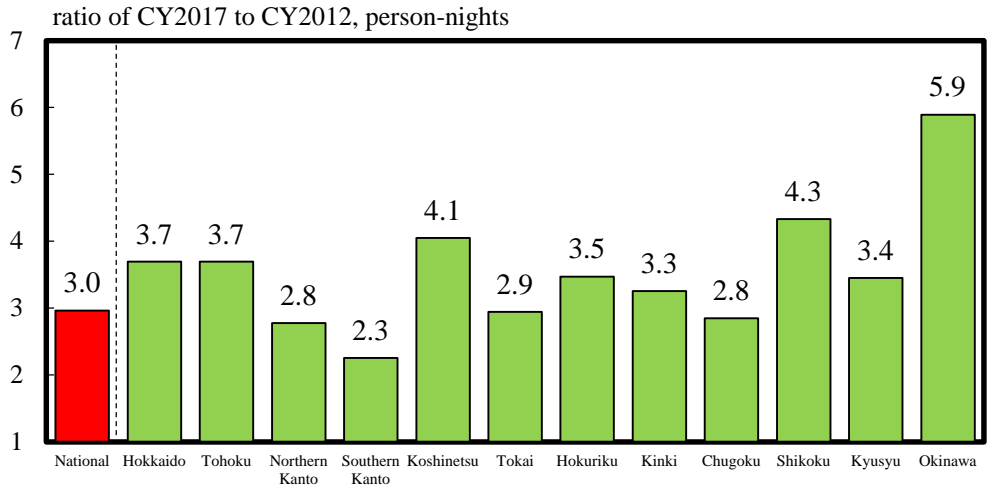
Regional Economy(2) Signs of recoveries of regional economies

Business confidences are improving and being converged. (“Tankan” survey)



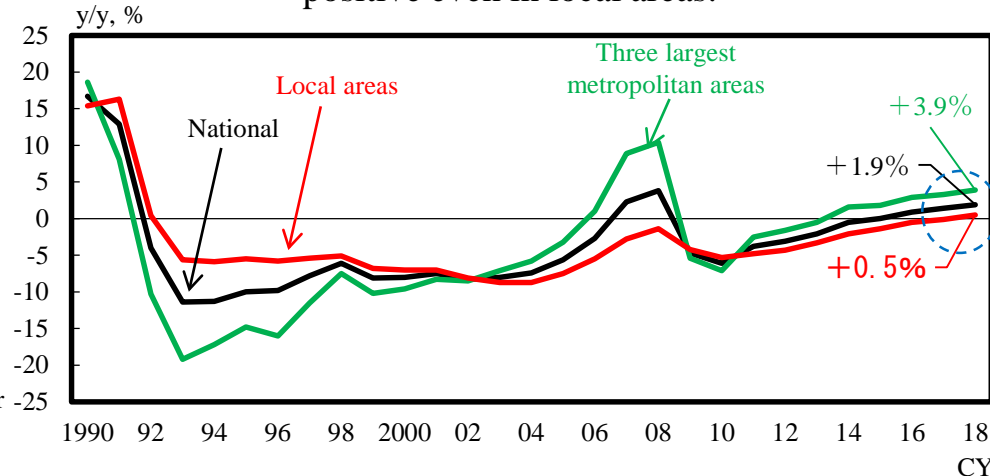
Source: Bank of Japan

Inbound travellers are drastically increasing.
(Changes in the total number of stays of foreign guests)



Source: Japan Tourism Agency

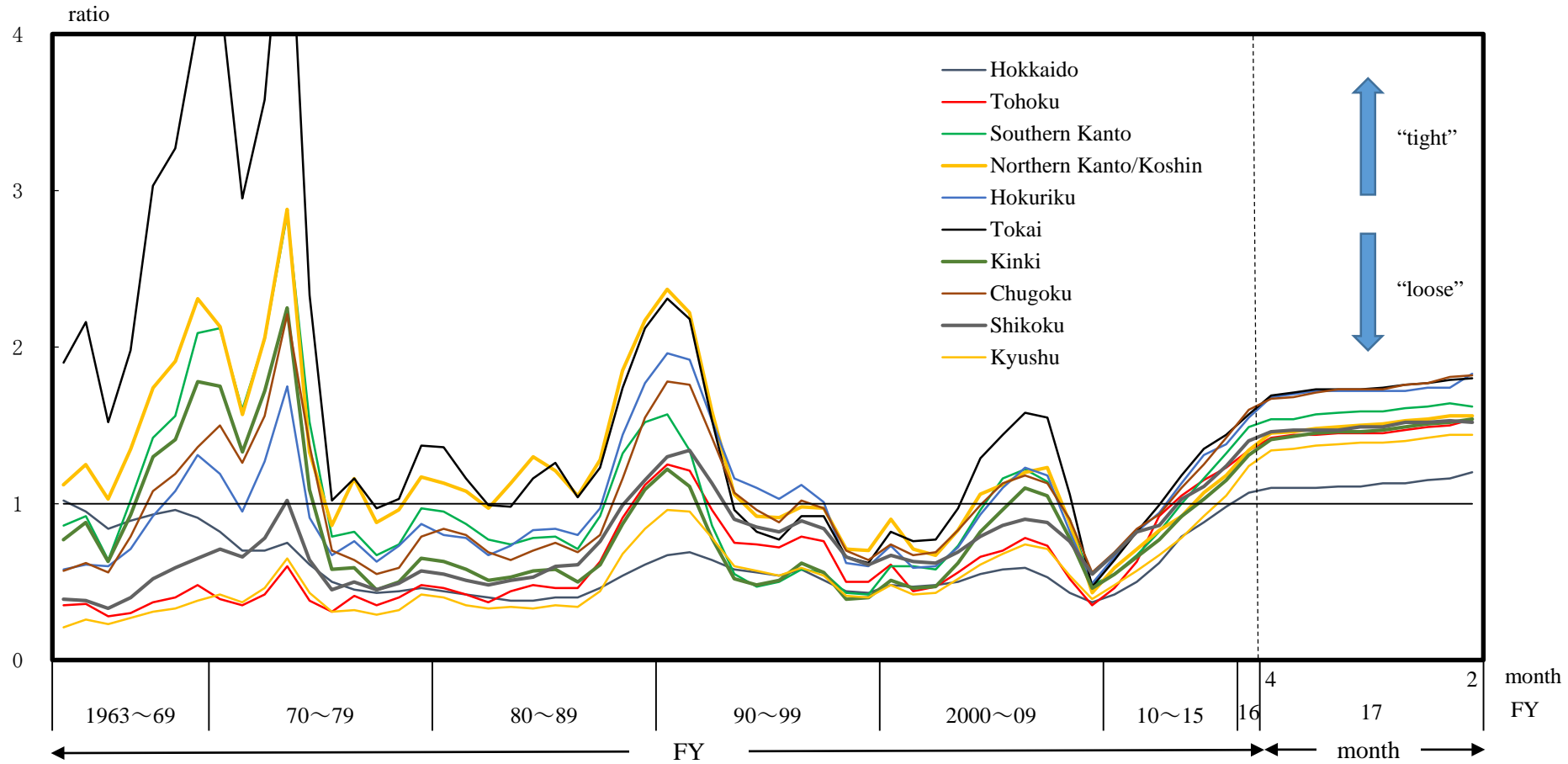
The growth rate of land price of business districts turned positive even in local areas.



Source: Ministry of Land, Infrastructure, Transport and Tourism
Note: Three largest metropolitan areas include Tokyo, Osaka and Nagoya.

Regional Economy(3) Labor market

Labor markets of regional areas are tightened.
(Active job openings-to-applicants ratio by region)

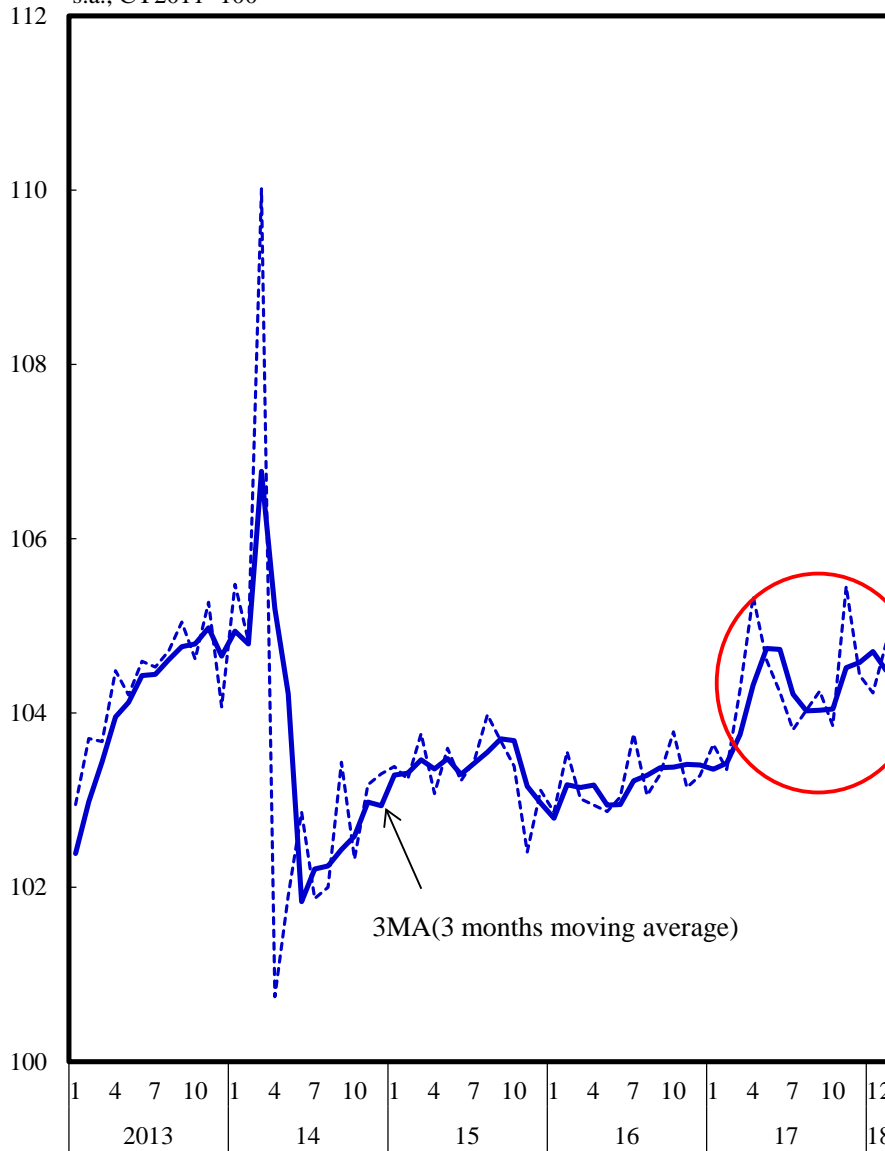


Source: Ministry of Health, Labour and Welfare

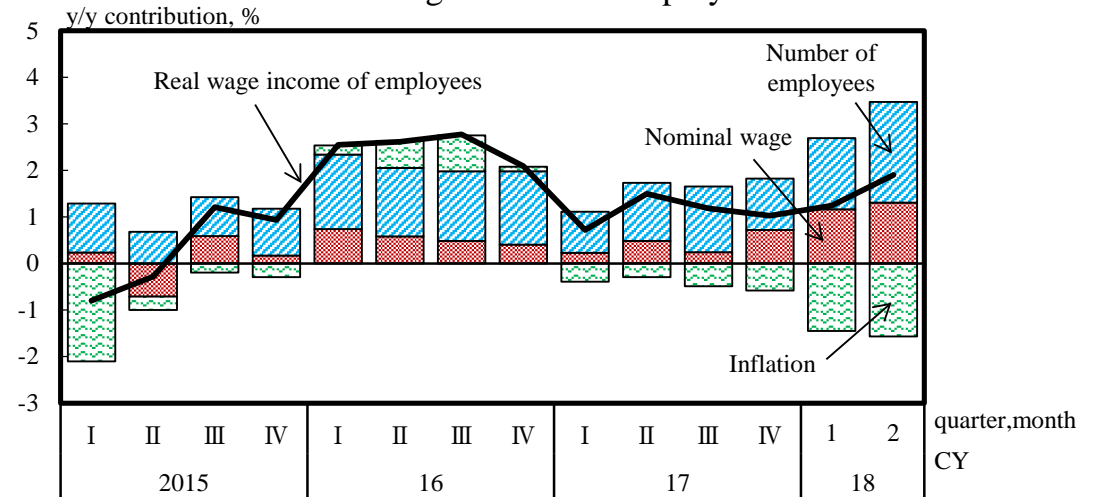
Private Consumption

Synthetic consumption index (Real)

s.a., CY2011=100



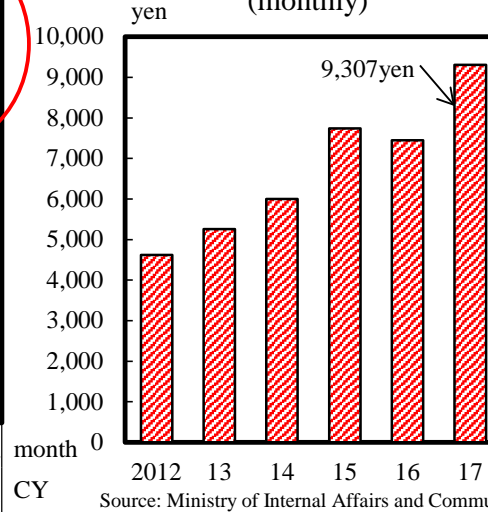
Real wage income of employees



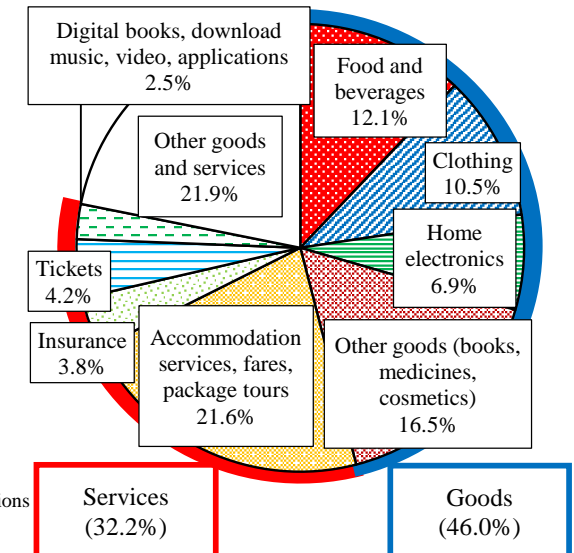
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Cabinet Office

Expenditure on goods and services ordered over the Internet

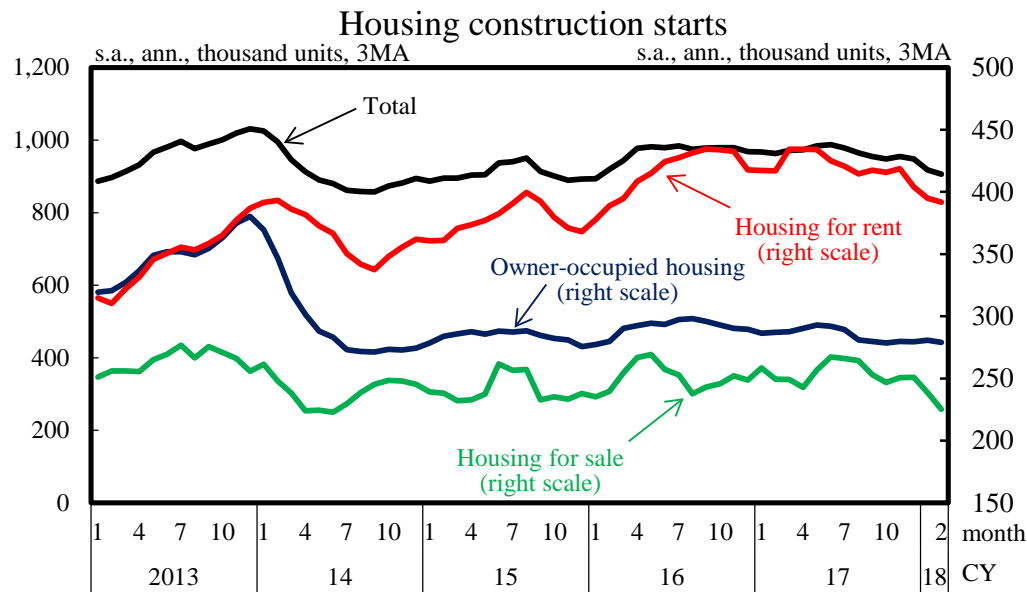
Total expenditure per household (monthly)



Composition by item (2017 average)

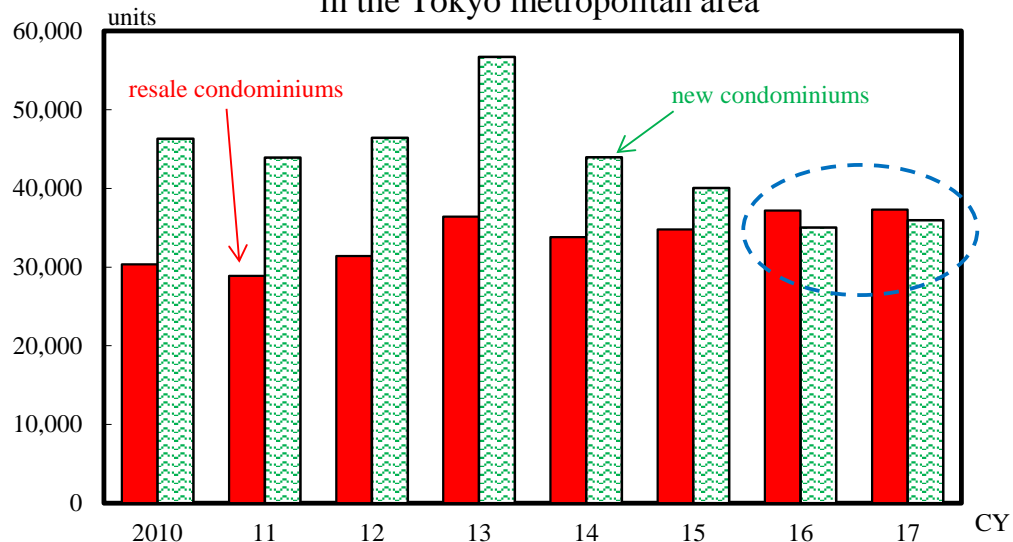


Housing construction



Source: Ministry of Land, Infrastructure, Transport and Tourism

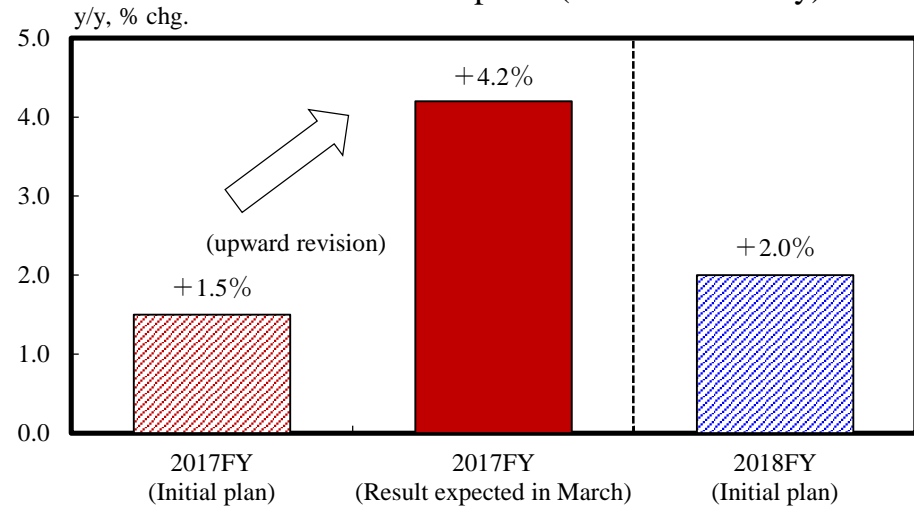
The total number of sales of new and resale condominiums in the Tokyo metropolitan area



Sources: Real Estate Economic Institute Co., LTD. ; Real Estate Information Network for East Japan

Business investment

Business investment plans (“Tankan” survey)

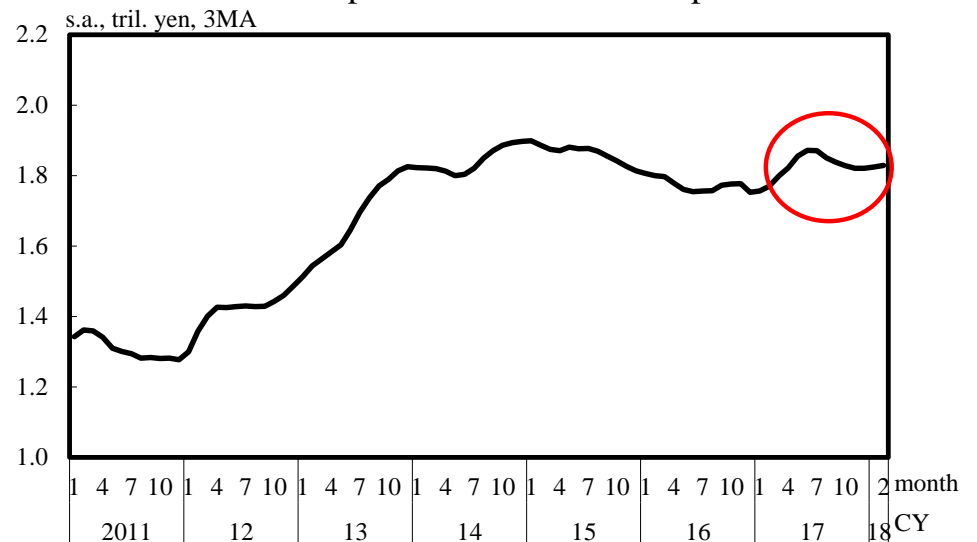


Note: Including software and R&D investment and excluding land purchasing expenses.

Source: Bank of Japan

Public investment

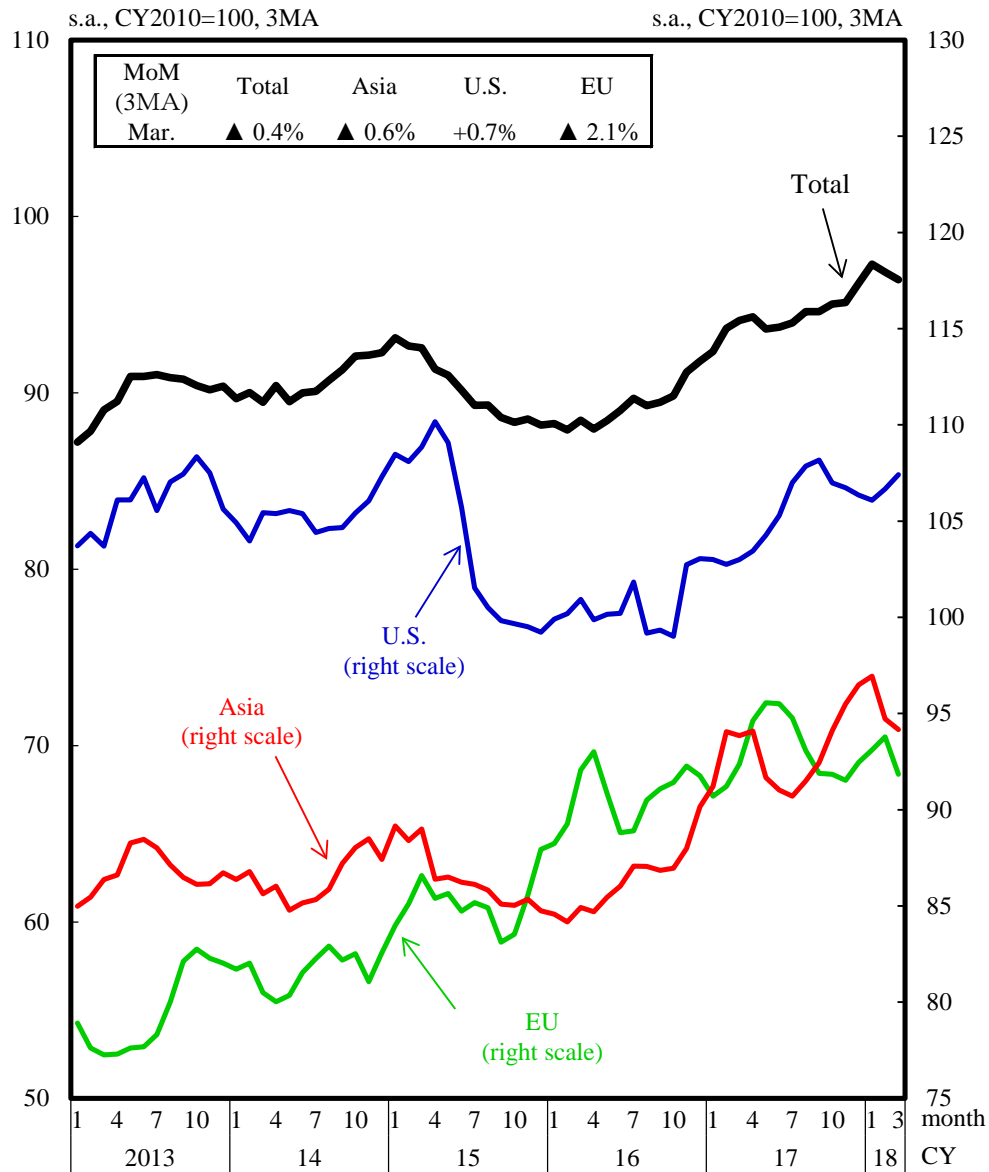
Amount of public construction completed



Source: Ministry of Land, Infrastructure, Transport and Tourism

Exports

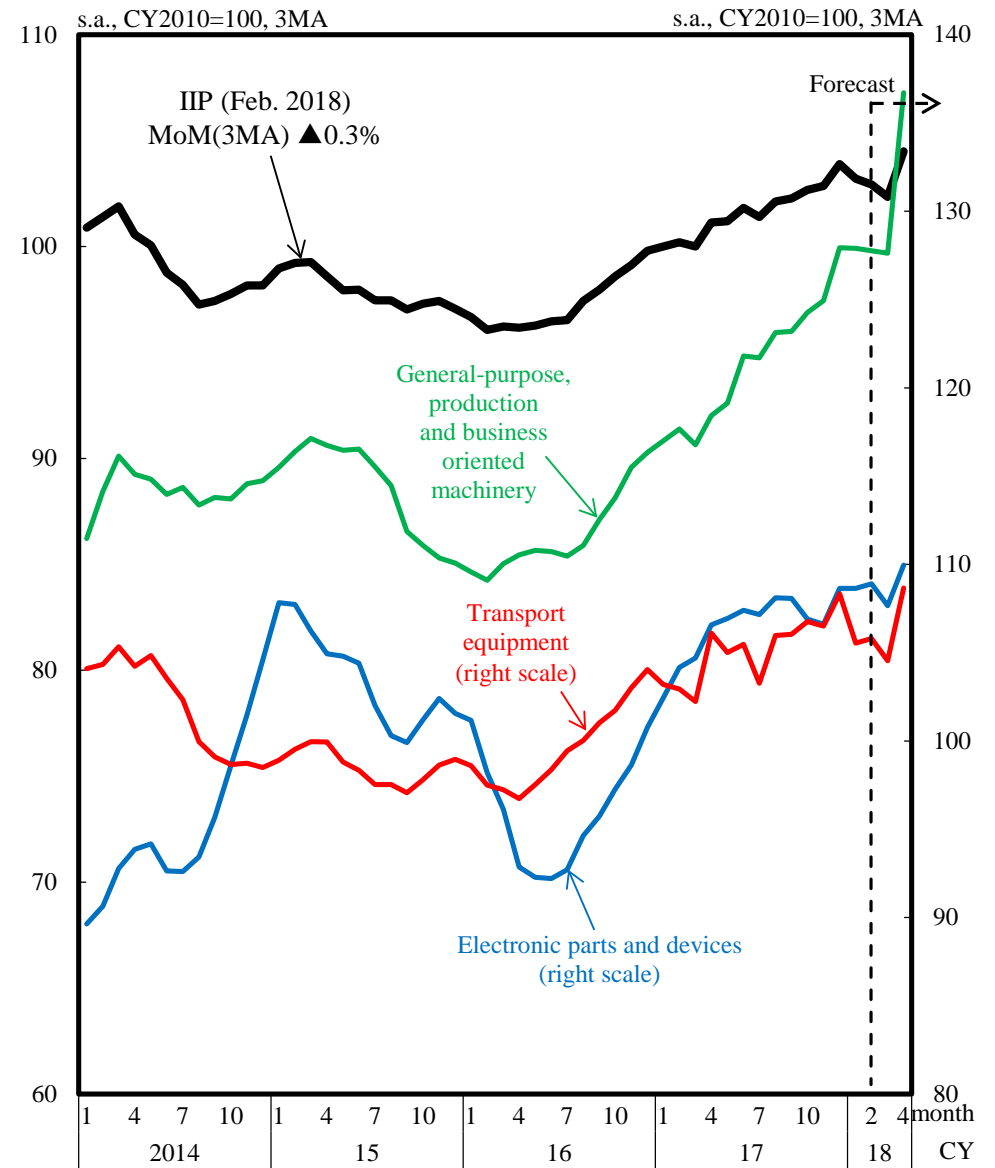
Exports volume index by region



Source: Ministry of Finance

Industrial Production

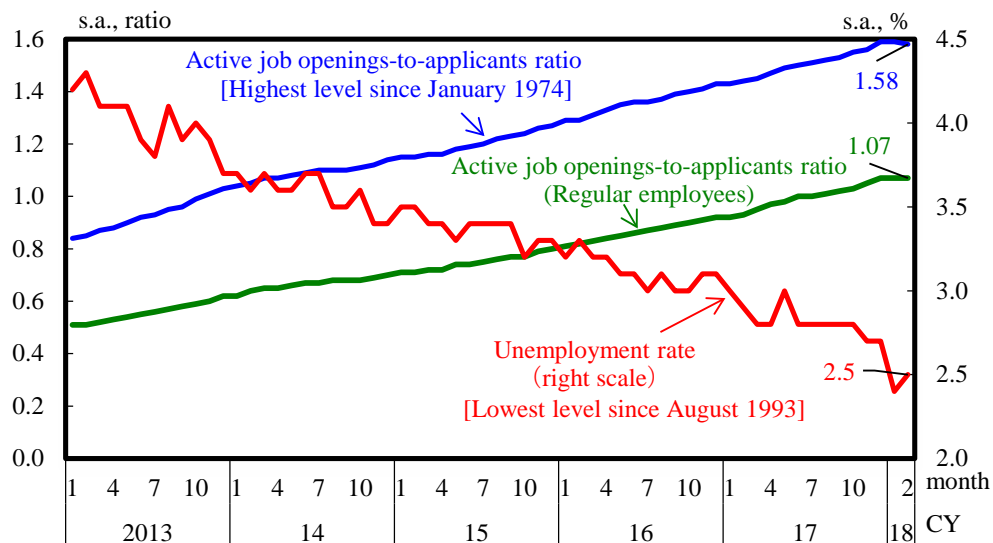
Production by industry



Source: Ministry of Economy, Trade and Industry

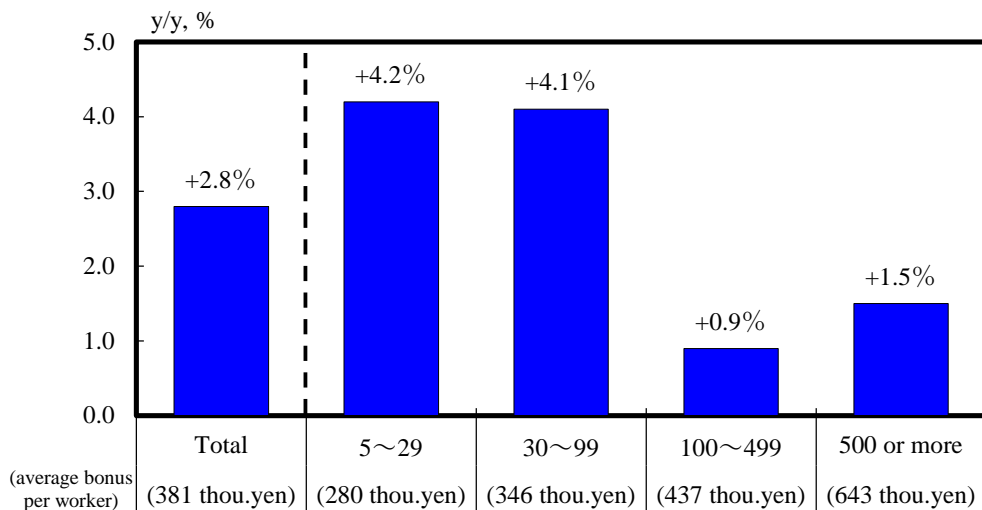
Employment situation

Unemployment rate and active job openings-to-applicants ratio



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

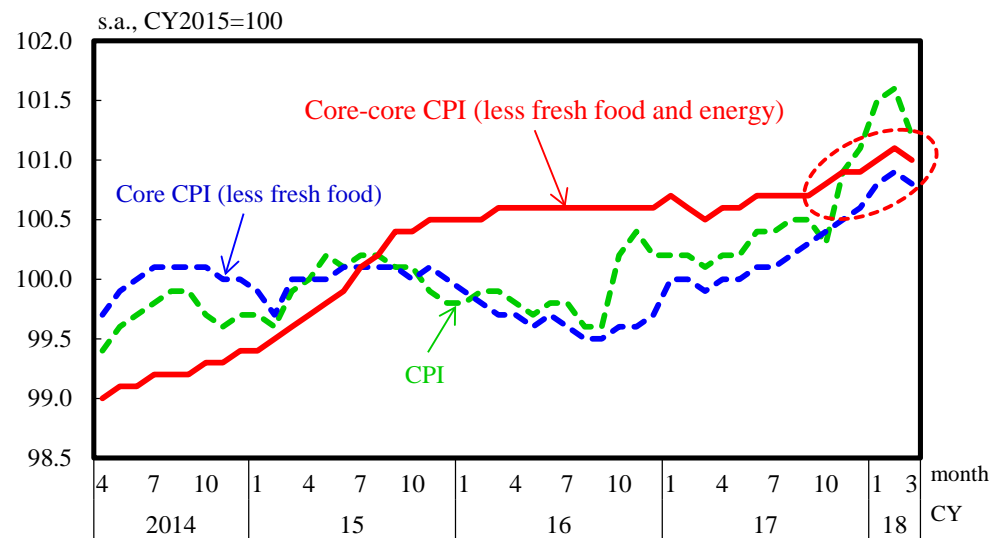
Winter bonus in 2017
(Classified by the number of employees)



Source: Ministry of Health, Labour and Welfare

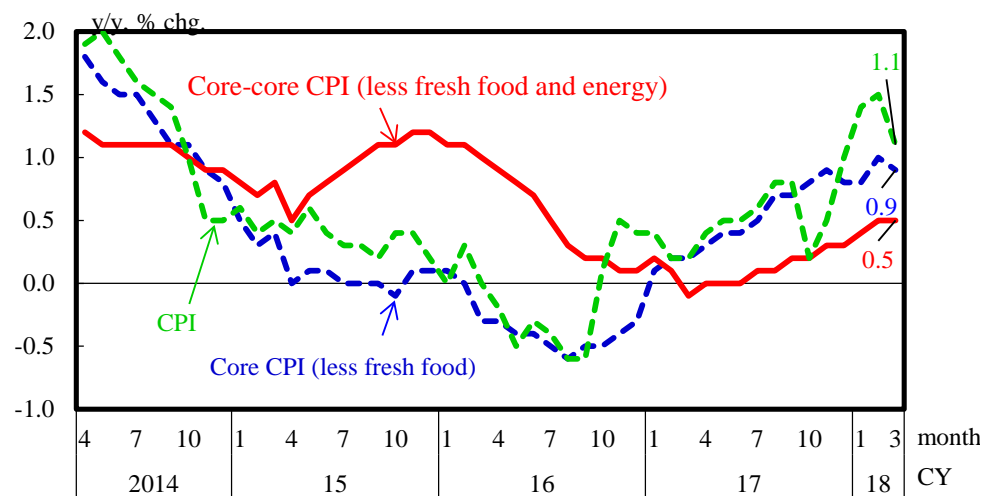
Price

CPI (Consumer Price Index)



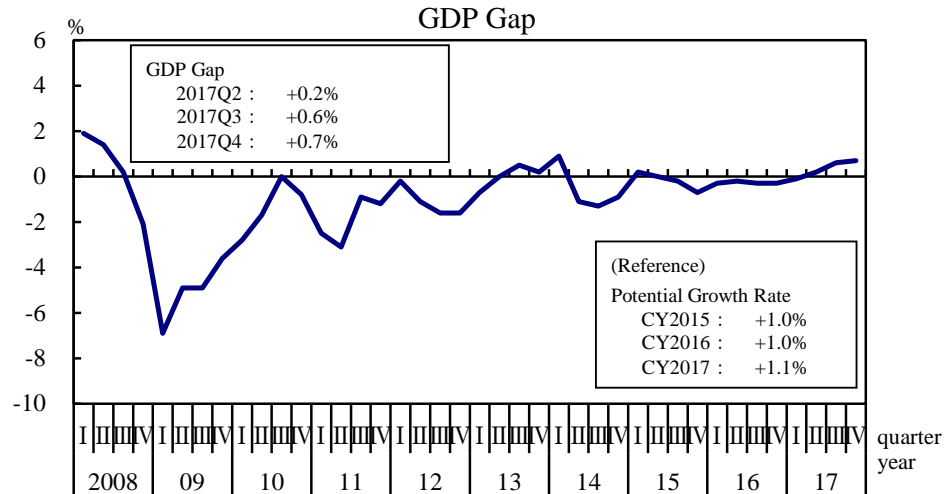
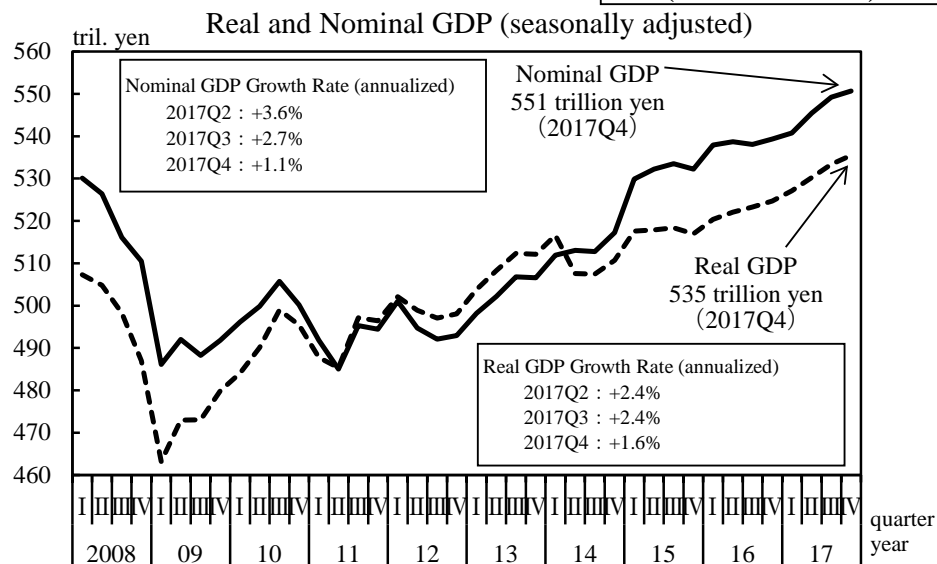
Source: Ministry of Internal Affairs and Communications

CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications

(Reference 1) Recent Economic Indicators



Source: Cabinet Office

Note: The GDP Gap is estimated by Cabinet Office.

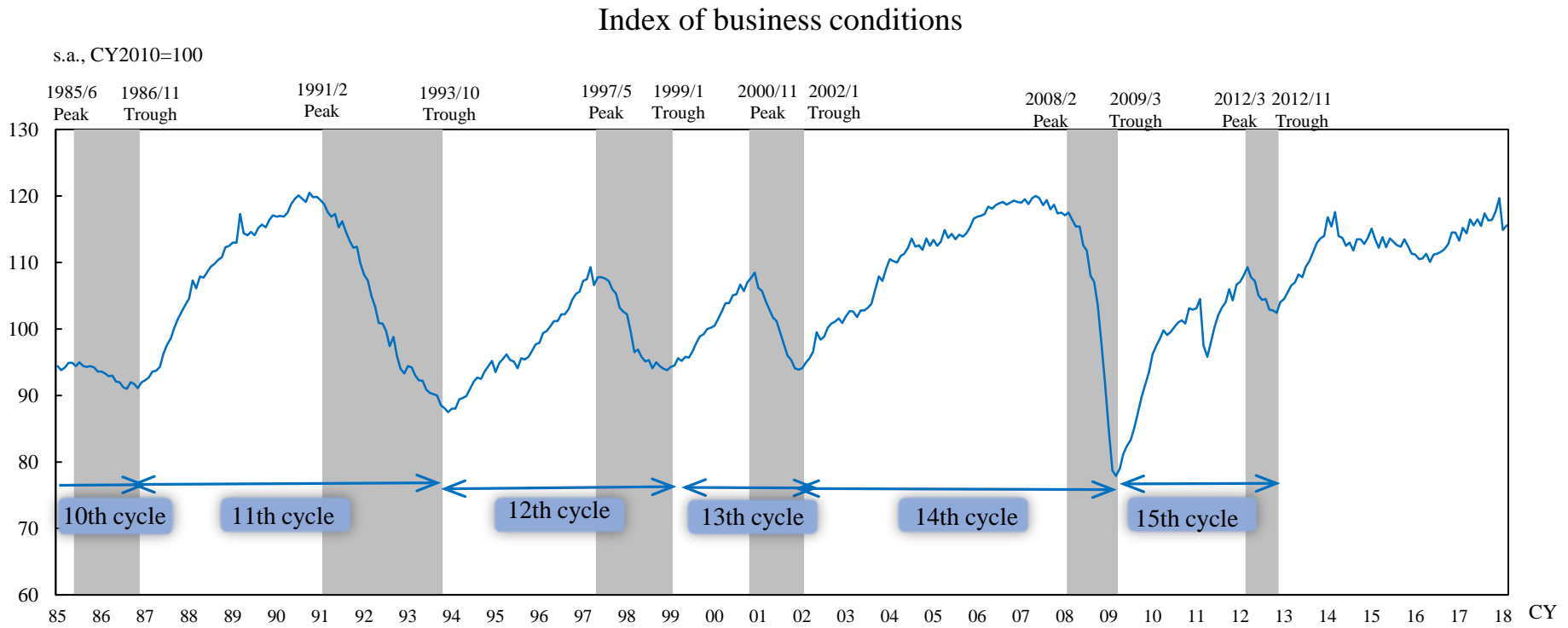
Fiscal 2018 Economic Outlook

(): contribution to changes

	FY2016 Actual %	FY2017 Forecast %(Approx.)	FY2018 Projection %(Approx.)
Real GDP	1.2	1.9	1.8
Domestic Demand	(0.4)	(1.6)	(1.6)
Private Demand	(0.3)	(1.3)	(1.5)
Private Consumption	0.3	1.2	1.4
Private Housing	6.2	1.1	0.6
Non-resi Investment	1.2	3.4	3.9
Public Demand	(0.1)	(0.3)	(0.1)
Government Consumption	0.5	1.0	0.8
Public Investment	0.9	2.6	-1.2
Net Exports of Goods and Services	(0.8)	(0.3)	(0.1)
Exports of Goods and Services	3.4	4.8	4.0
Imports of Goods and Services	-1.1	3.3	3.4
Nominal GDP	1.0	2.0	2.5
GDP deflator	-0.2	0.2	0.8
Consumer price index	-0.1	0.7	1.1

Source: "The Fiscal 2018 Economic Outlook and Basic Stance for Economic and Fiscal Management,"
Cabinet Office (Jan. 2018)

(Reference 2) Economic Expansion Period



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	65 months	2012 Dec. –