

# **Recent Economic Developments**

**May 29, 2018**

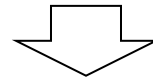
**Cabinet Office  
Government of Japan**

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

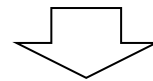
March

The Japanese economy is recovering at a moderate pace.



April

The Japanese economy is recovering at a moderate pace.



**(Unchanged)**

May

The Japanese economy is recovering at a moderate pace.

**(Unchanged)**

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

	March	April	May
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 rising moderately in recent months.	Unchanged	Unchanged

## <Short-term prospects>

March

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.

April

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**(Unchanged)**

May

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**(Unchanged)**

## <Policy stance>

(May)

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 will decide the "Basic Policies for Economic and Fiscal Management and Reform 2018 (provisional)", the "Growth Strategy 2018 (provisional)", the "Regulatory Reform Work Plan (provisional)", and the "Basic Policies for Overcoming Population Decline and Vitalizing Local Economy in Japan 2018 (provisional)". In addition, the Government steadily implements 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 Revolution as two wheels of a cart, the Government will steadily implements the "New Economic Policy Package" decided in last December. And the Government will compile a basic design for Human Resources Development Revolution. 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.

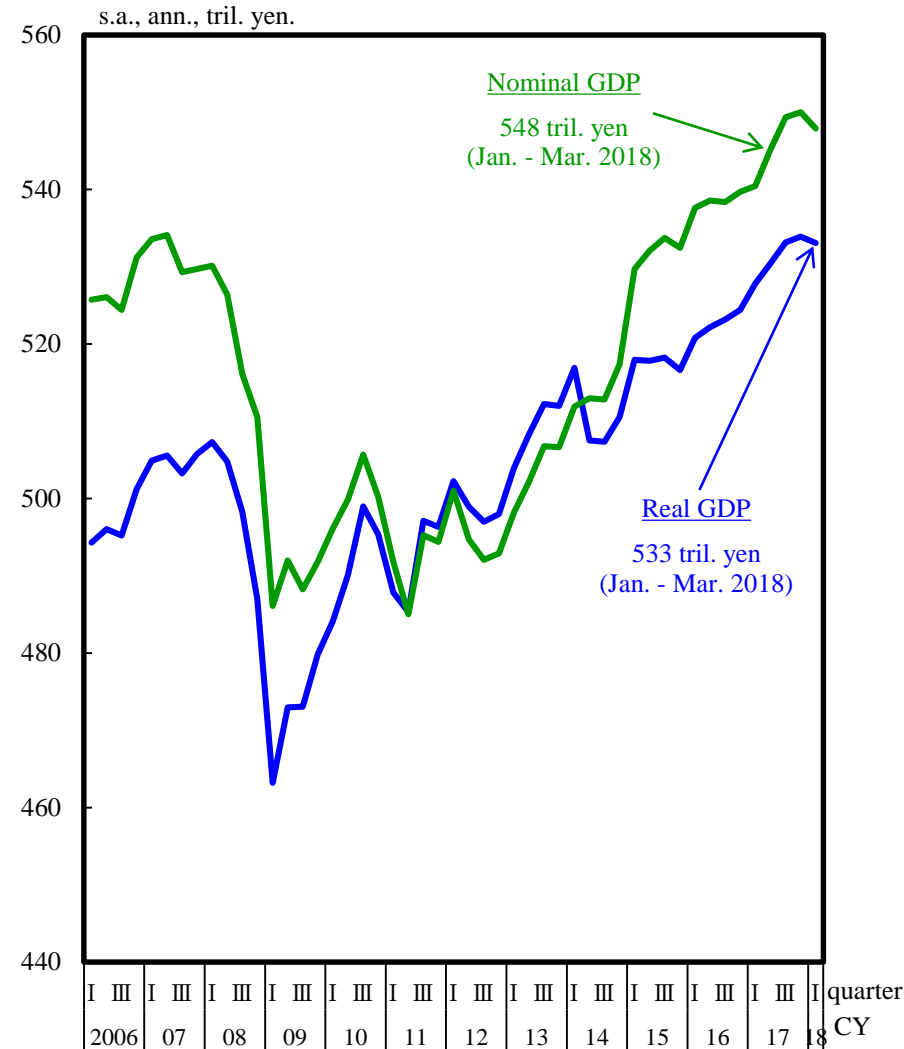
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

# GDP: Jan. – Mar. 2018 (First Preliminary)

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

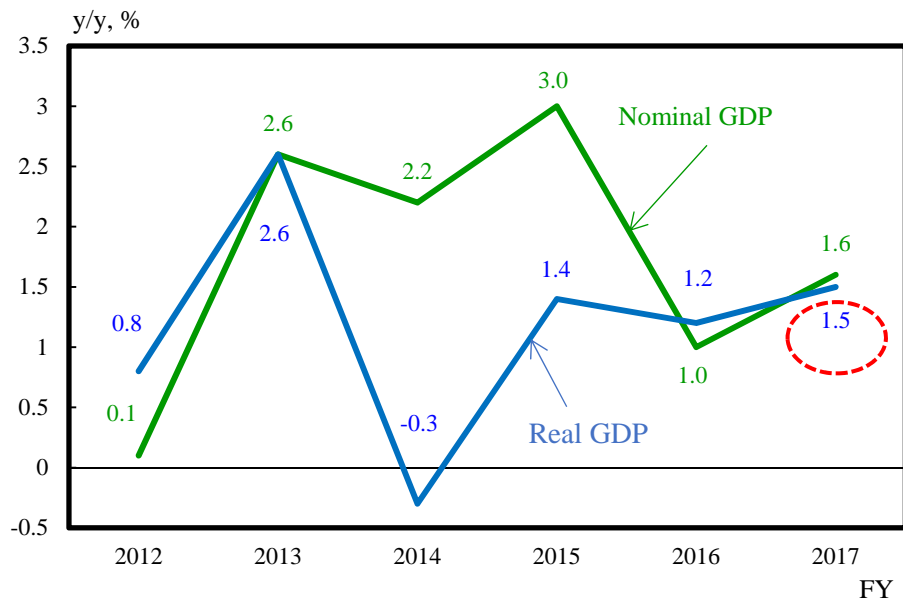
	FY2016	FY2017	2017				2018
			I	II	III	IV	I
			Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.
Real GDP growth rate [at annual rate]	1.2	1.5	0.7 [2.6]	0.5 [2.0]	0.5 [2.0]	0.1 [0.6]	<b>-0.2</b> <b>[-0.6]</b>
Domestic Demand (Contributions)	(0.4)	(1.1)	(0.6)	(0.8)	(-0.0)	(0.2)	(-0.2)
Private Demand (Contributions)	(0.3)	(1.0)	(0.5)	(0.5)	(0.1)	(0.3)	(-0.2)
Private Consumption	0.3	0.8	0.5	0.7	-0.7	0.2	0.0
Private Non-Resi. Investment	1.2	3.0	0.6	0.8	1.0	0.6	-0.1
Private Residential Investment	6.2	-0.3	1.2	0.9	-1.6	-2.7	-2.1
Changes in Private Inventories	(-0.3)	(0.1)	(0.1)	(-0.1)	(0.4)	(0.1)	(-0.1)
Public Demand (Contributions)	(0.1)	(0.2)	(0.1)	(0.3)	(-0.1)	(-0.0)	(0.0)
Public Investment	0.9	1.5	0.0	4.7	-2.6	-0.4	0.0
Net Exports (Contributions)	(0.8)	(0.4)	(0.1)	(-0.3)	(0.5)	(-0.1)	(0.1)
Exports	3.6	6.2	2.1	-0.1	2.0	2.2	0.6
Imports	-0.8	4.0	1.6	1.8	-1.3	3.1	0.3
Nominal GDP growth rate	1.0	1.6	0.1	0.9	0.8	0.1	-0.4
GDP Deflator <Year on Year>	<-0.2>	<0.1>	<-0.8>	<-0.3>	<0.1>	<0.1>	<0.5>

## Nominal and real GDP

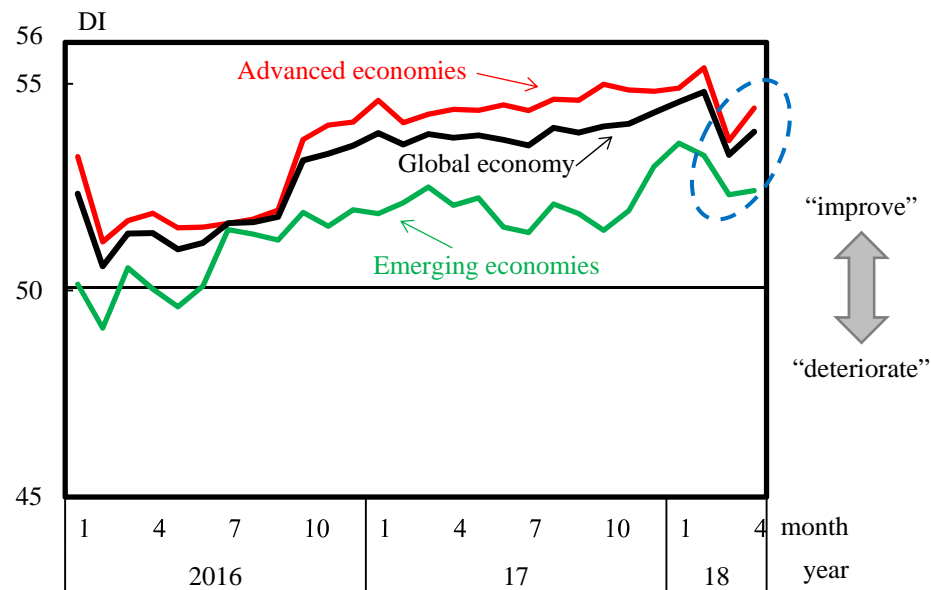


# Continuous recovery in Japanese and overseas economies

## GDP growth rate

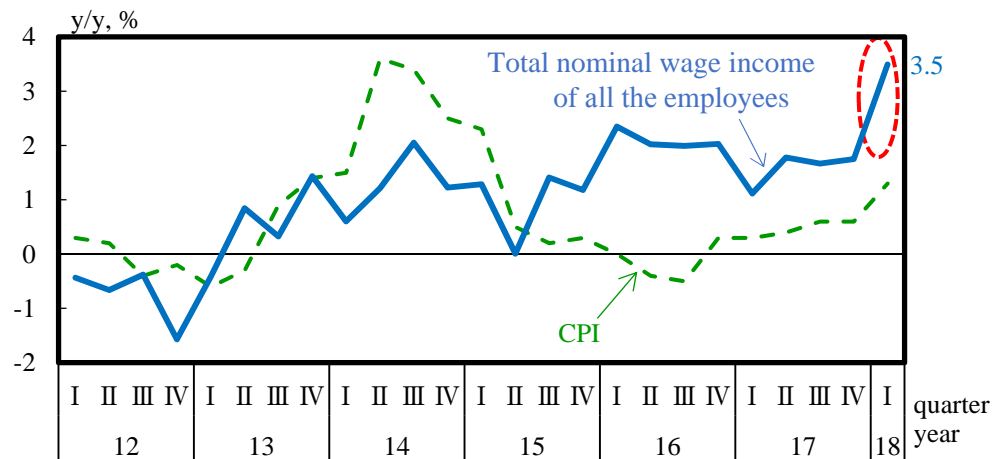


## Global manufacturing purchasing managers' index



Source: IHS Markit

## Total nominal wage income of all the employees



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

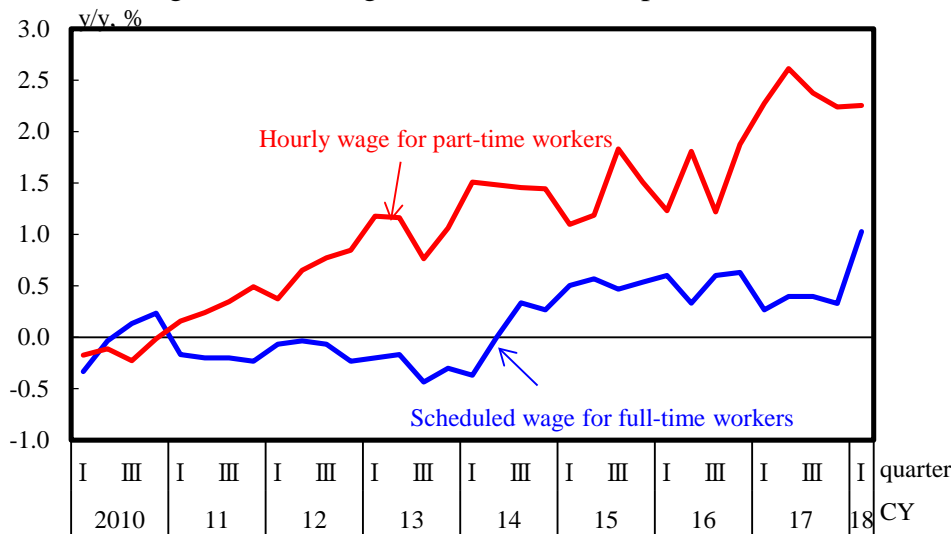
## Outlook for global real GDP growth rate

	2016 (Actual)	2017 (Actual)	2018	2019
IMF	3.2%	3.8%	<b>3.9%</b>	<b>3.9%</b>
OECD			<b>3.9%</b>	<b>3.9%</b>

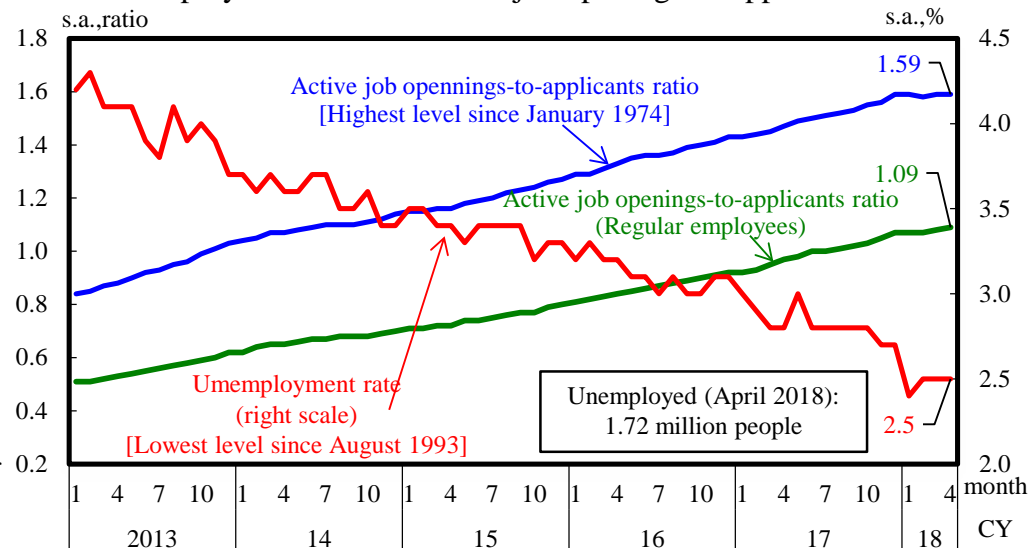
Sources: IMF "World Economic Outlook Database, April 2018"; OECD "Interim Economic Outlook" (March 2018).  
 Note: 2016 and 2017 data are from IMF "World Economic Outlook Database, April 2018"

# Employment situation

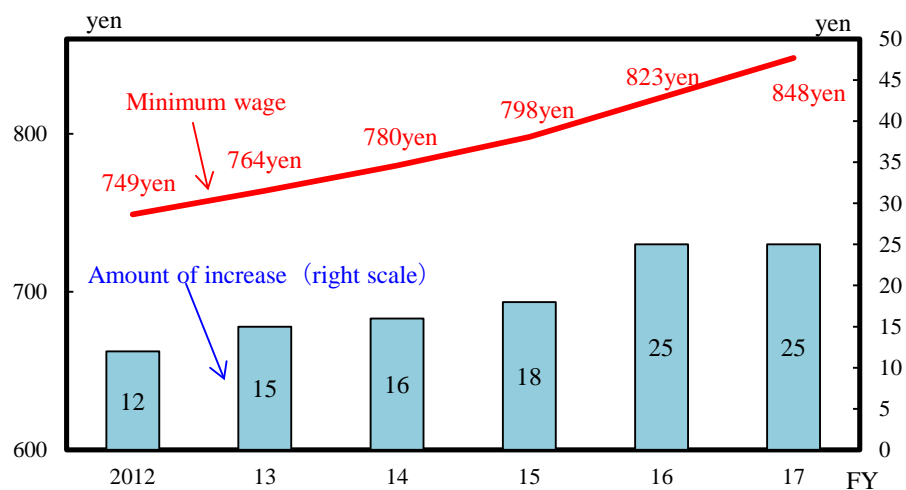
Average nominal wages for full-time and part-time workers



Unemployment rate and active job openings-to-applicants ratio



Minimum wage per hour

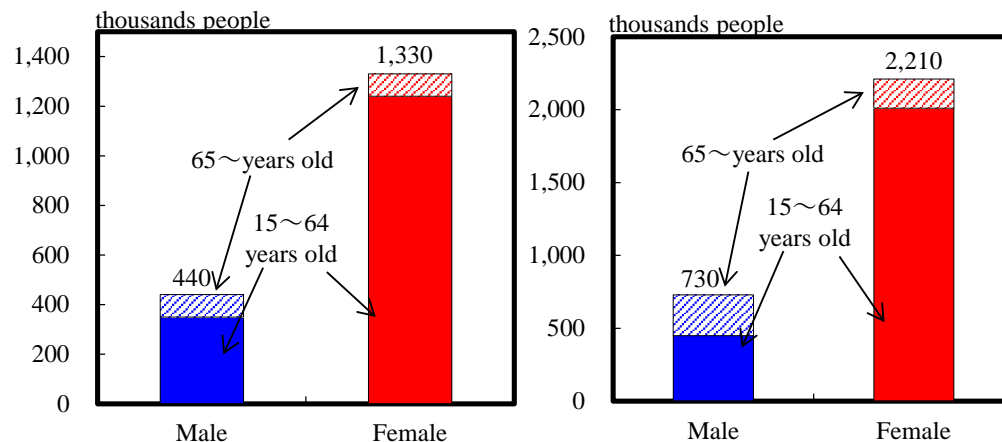


Source: Ministry of Health, Labor and Welfare

Labor force participation is expected to rise further

Part-time workers who wish to work additional hours : 1.77 million

Population not in labour force, who wish to work and are ready to work : 2.94 million

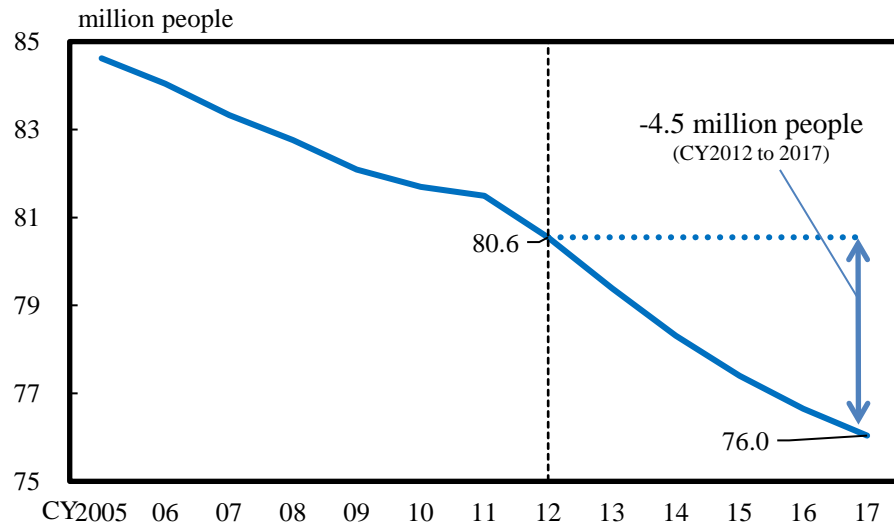


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare

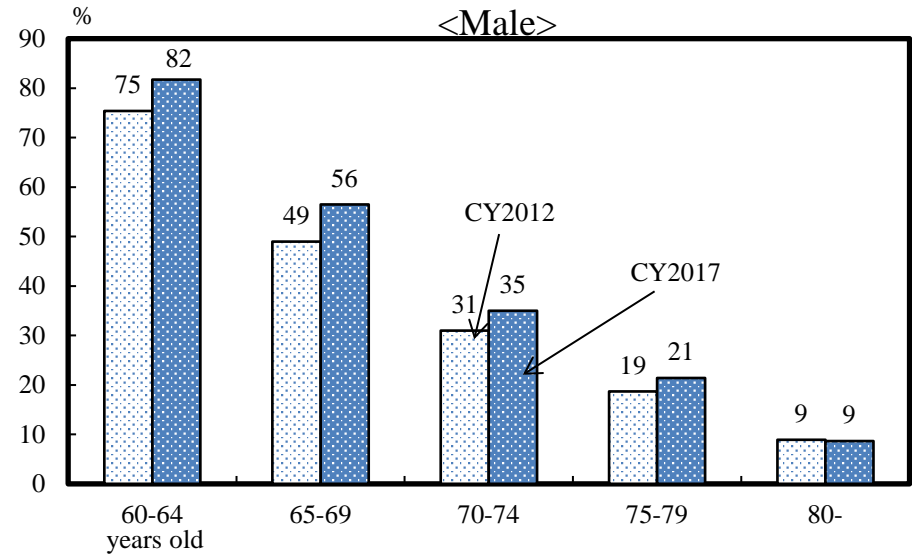


# Human resources in Japan

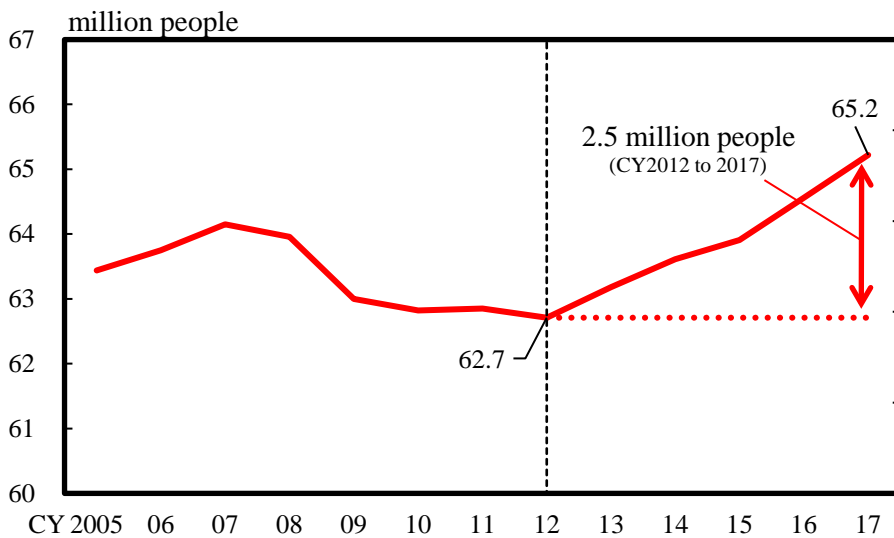
Working age population (from 15 to 64 years old)



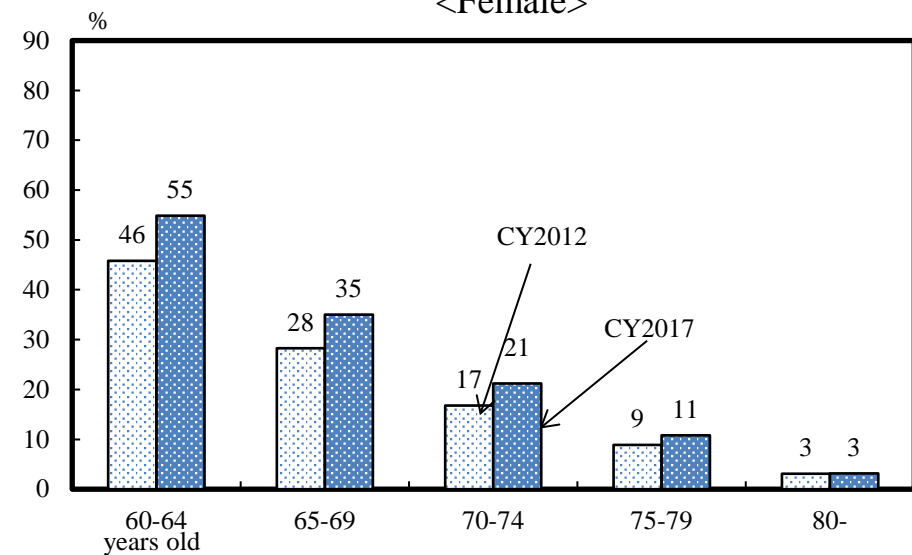
Labor participation rate of the elderly (by age)



Employed person



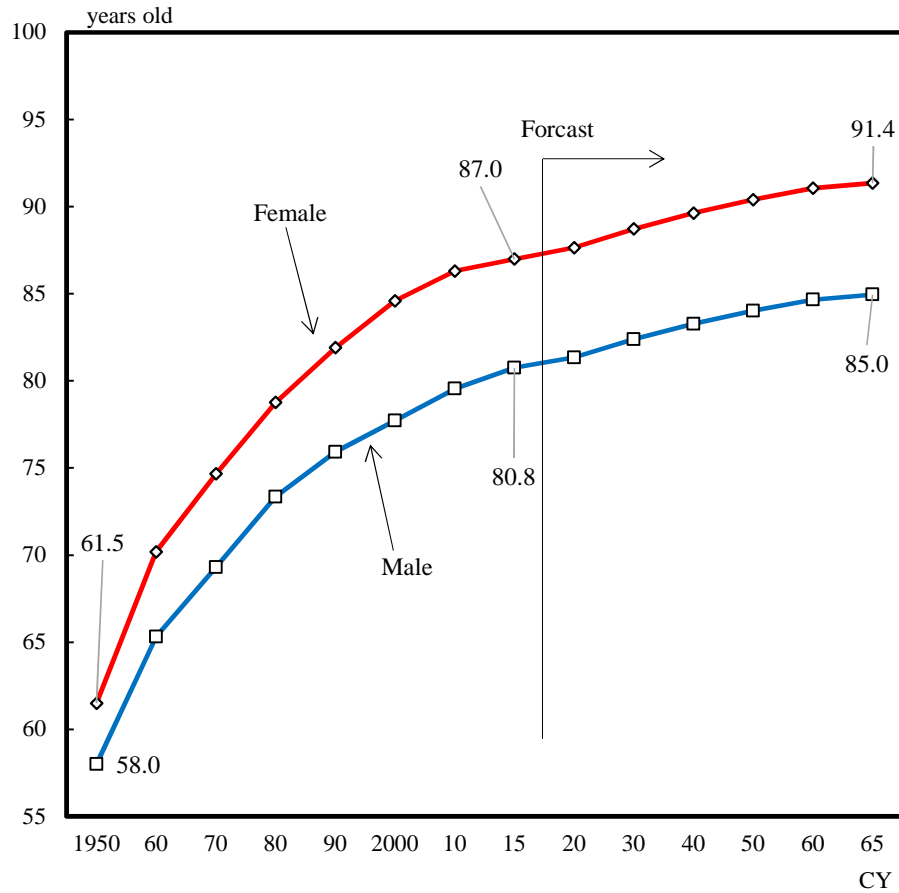
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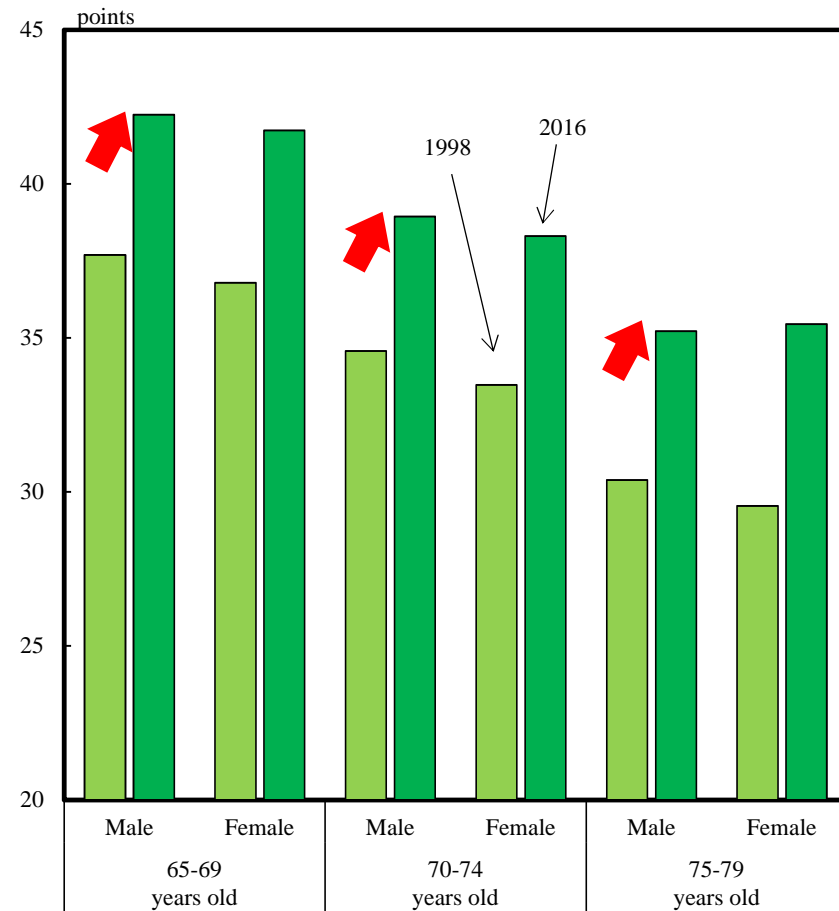
Source: Ministry of Internal Affairs and Communications.

# Longevity in Japan

Average life span



Scores of the elderly's physical strength test

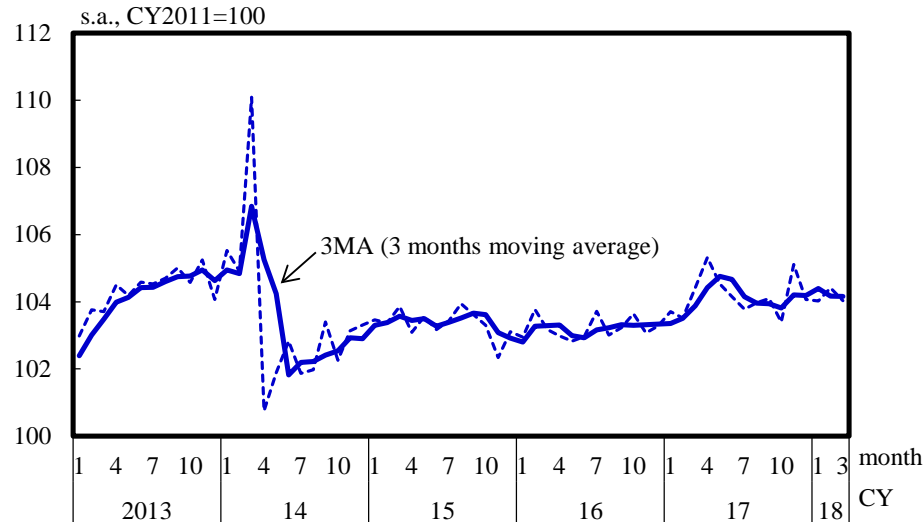


Sources: National Institute of Population and Social Security Research; Ministry of Education, Culture, Sports, Science and Technology

Note: Scores above are averages of 6 physical strength tests.

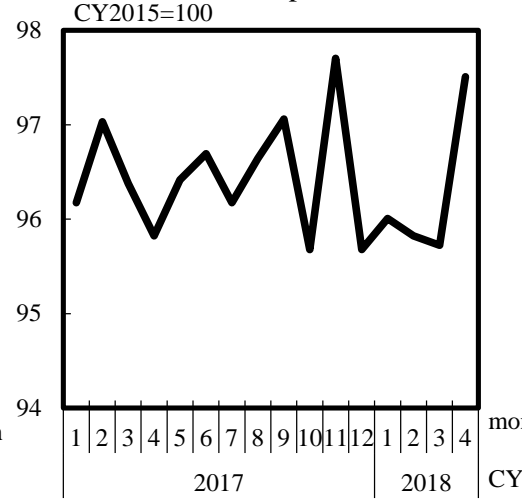
# Private Consumption

## Synthetic consumption index (Real)



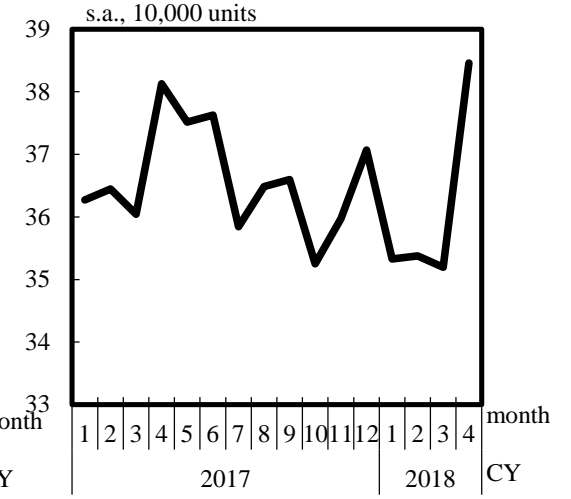
Source: Cabinet Office

## Sales at Department Store



Source: Japan Department Stores Association

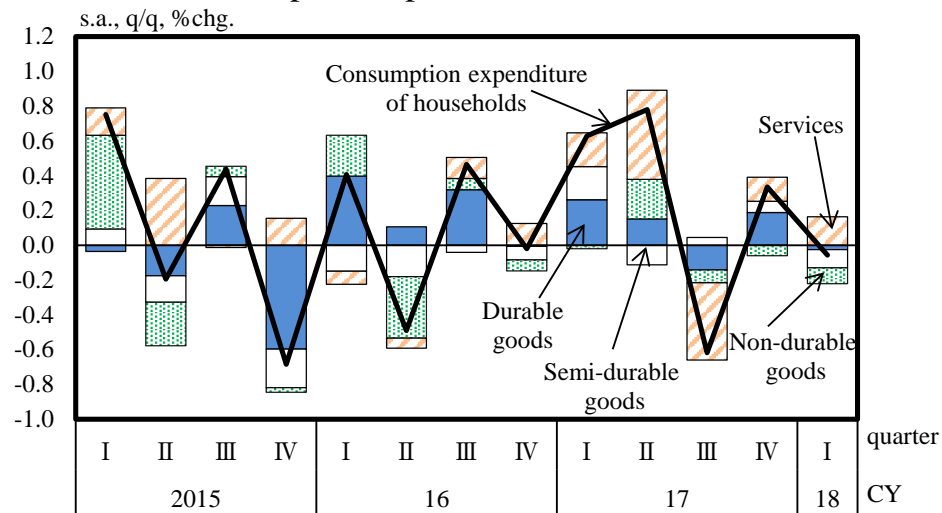
## New automobile sales volume



Sources: Japan Auto Dealers Association, Japan Light Motor Vehicle and Motorcycle Association

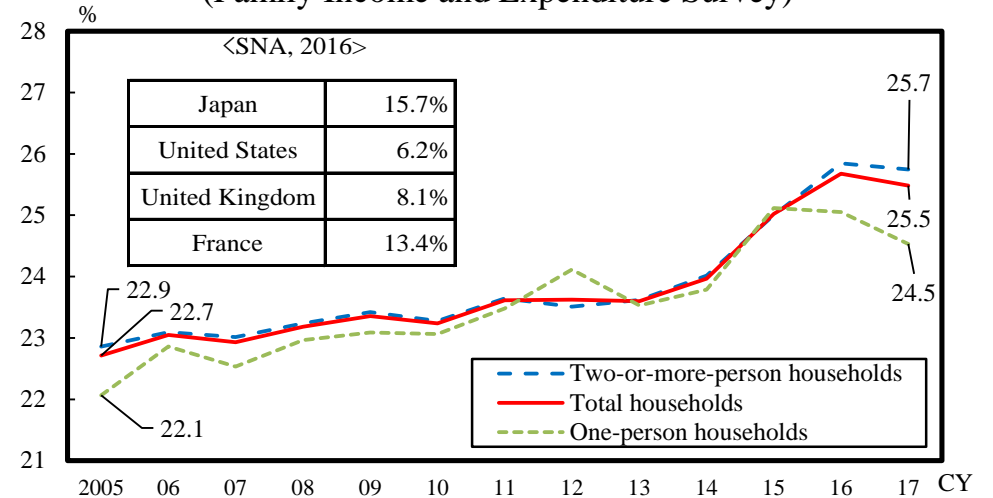
Note: Automobiles including light motor vehicle.

## Consumption expenditure of households



Source: Cabinet Office

## Engel's coefficient (Family Income and Expenditure Survey)

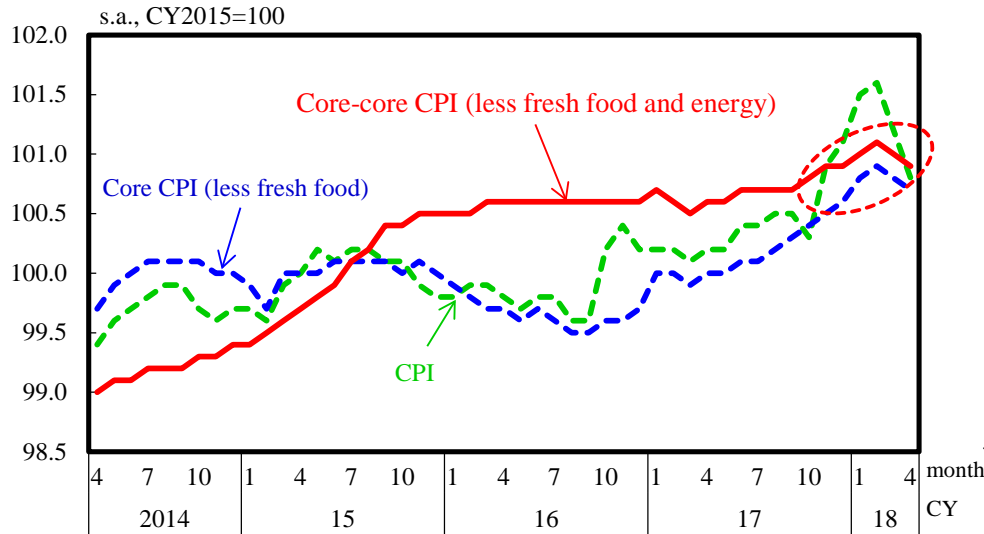


Sources: Ministry of Internal Affairs and Communications; Cabinet Office; Bureau of Economic Analysis; Office for National Statistics; Institut National de la Statistique et des Etudes Economiques.

Notes: Engel's coefficient is the proportion of income spent on food. Engel's coefficients of SNA exclude eating out and alcohol.

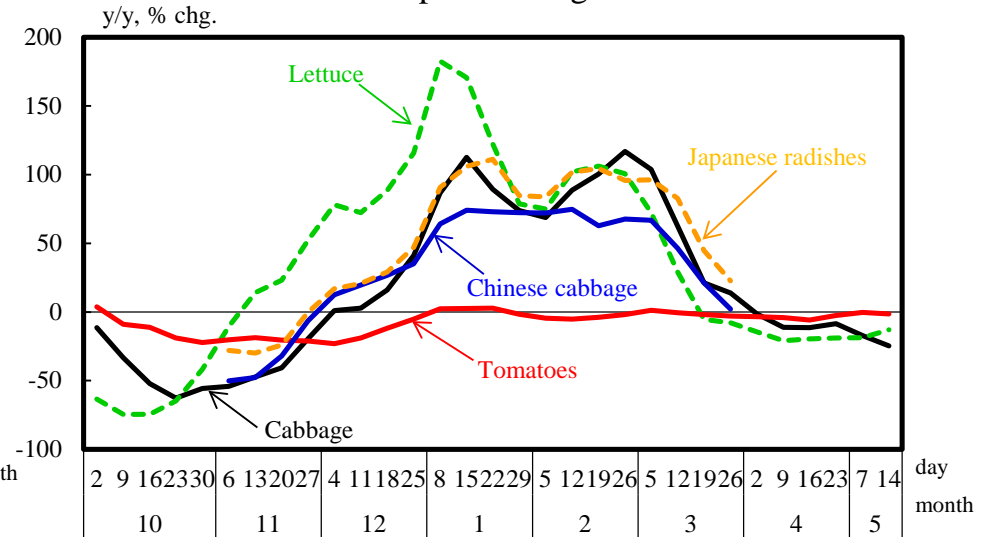
# Price

## CPI (Consumer Price Index)



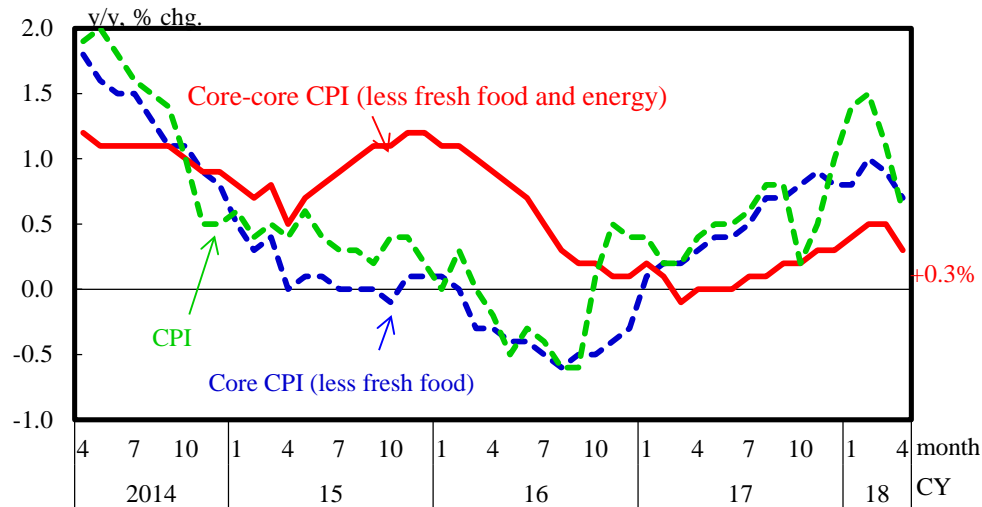
Source: Ministry of Internal Affairs and Communications

## Retail price of vegetables



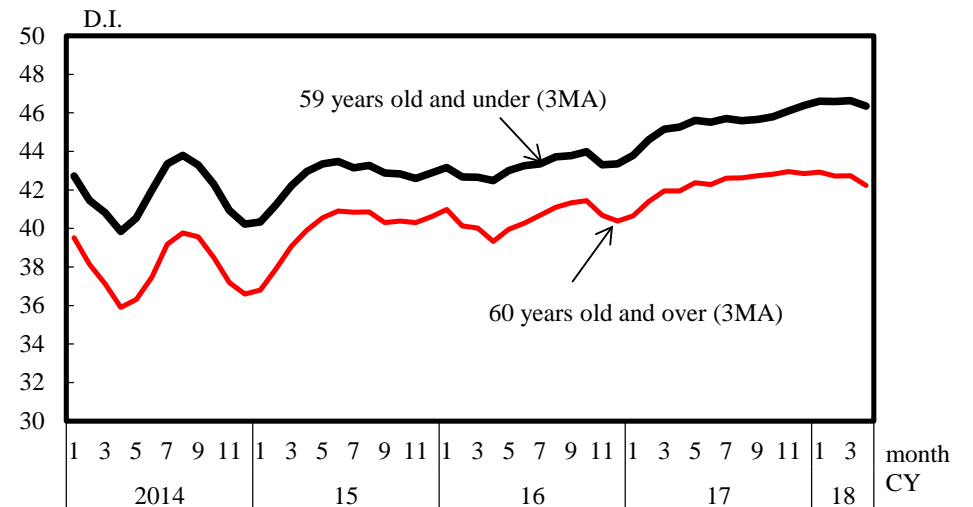
Source: Ministry of Agriculture, Forestry and Fisheries

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



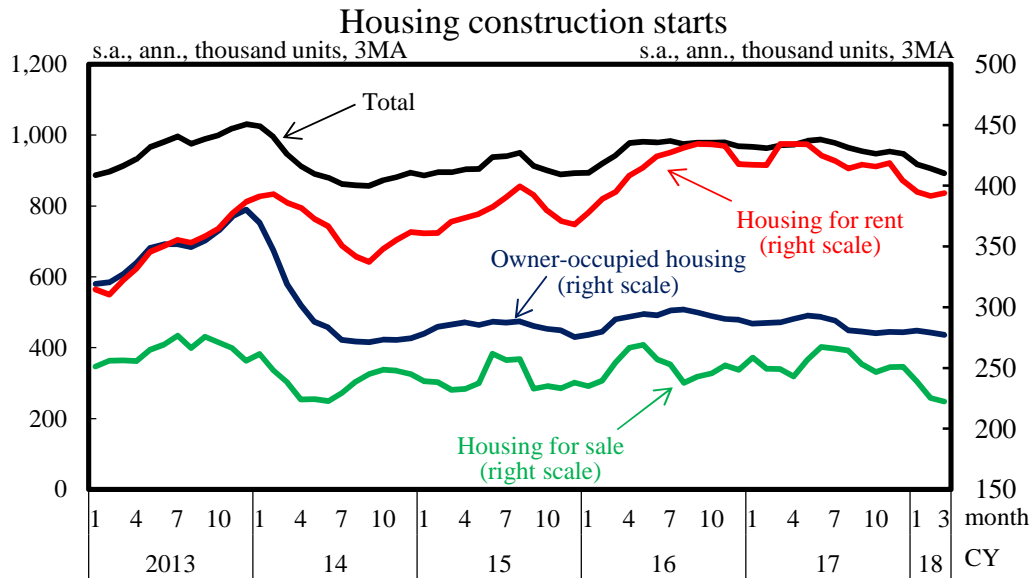
Source: Ministry of Internal Affairs and Communications

## Consumer confidence



Source: Cabinet Office

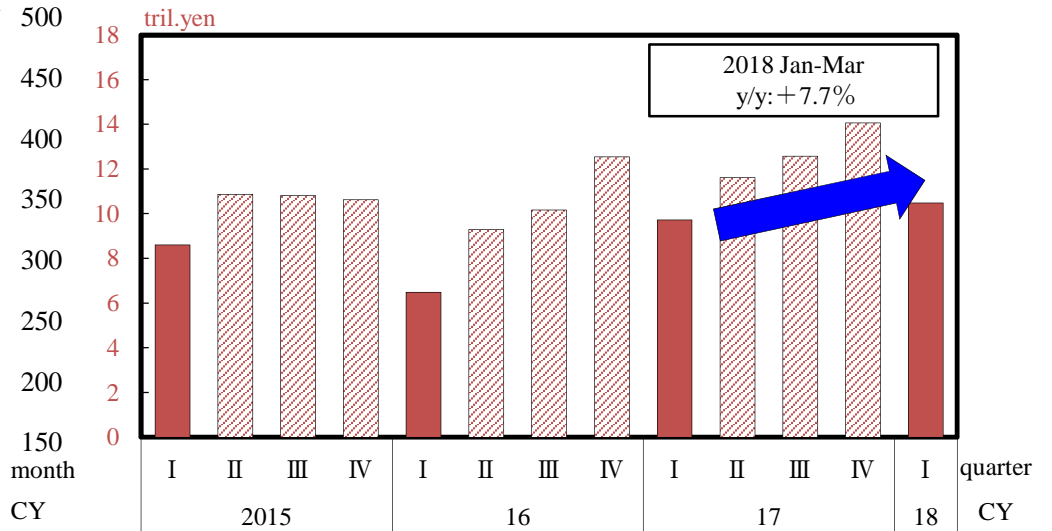
## Housing construction



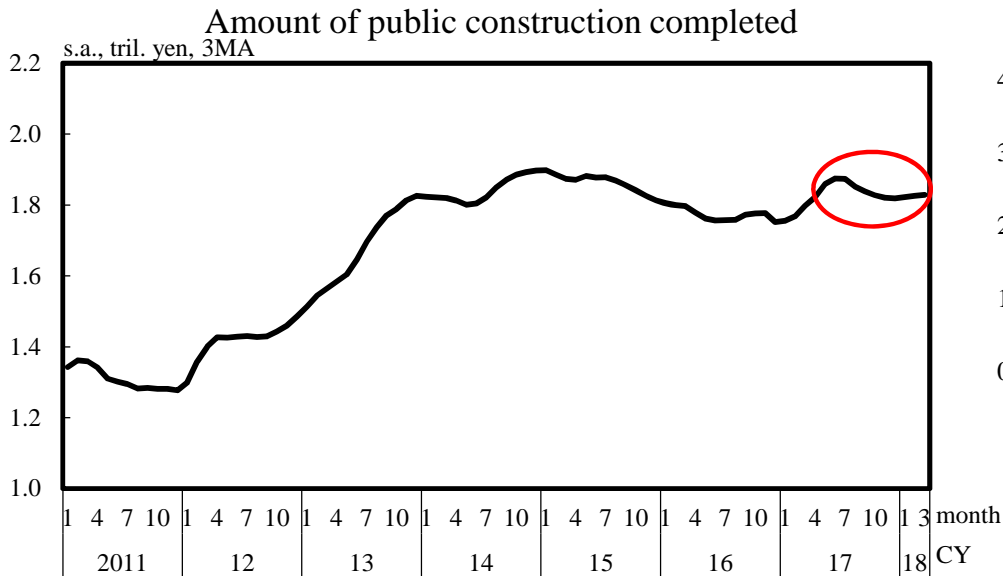
Source: Ministry of Land, Infrastructure, Transport and Tourism

## Corporate Profits

Current profits of the listed companies



## Public investment

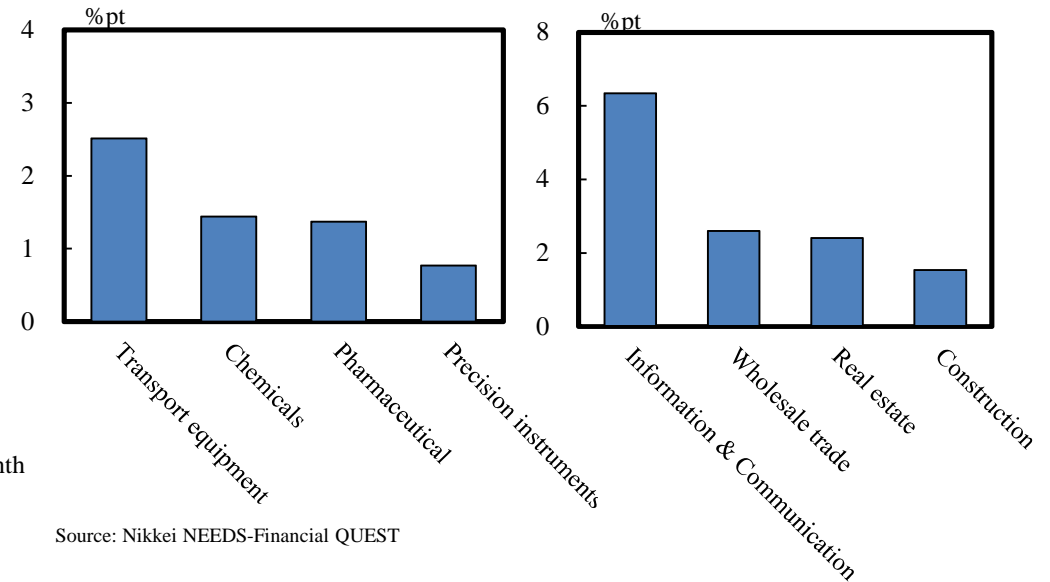


Source: Ministry of Land, Infrastructure, Transport and Tourism

## Contributions to changes in current profits

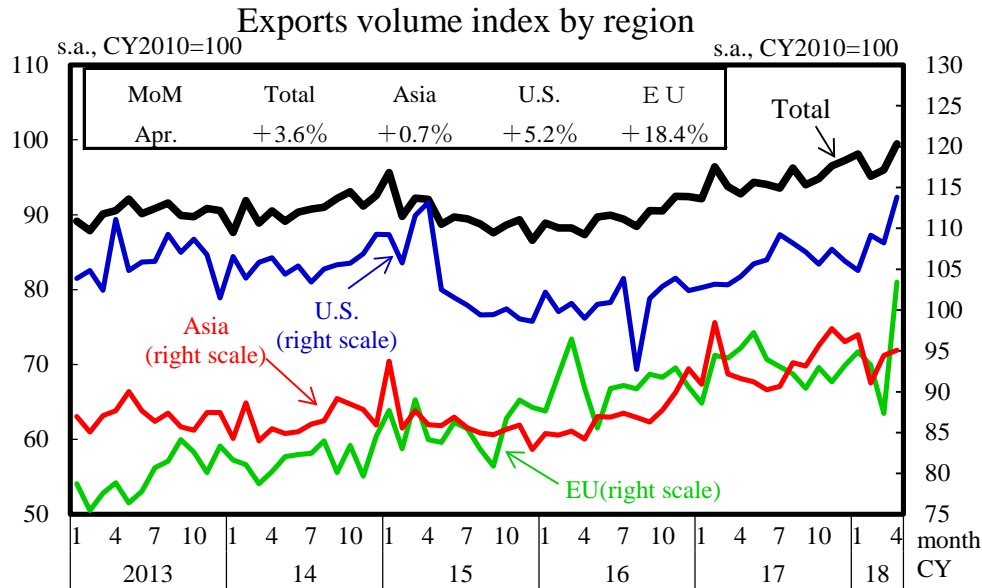
Manufacturing  
(y/y:+6.1%)

Non manufacturing  
(y/y:+10.4%)

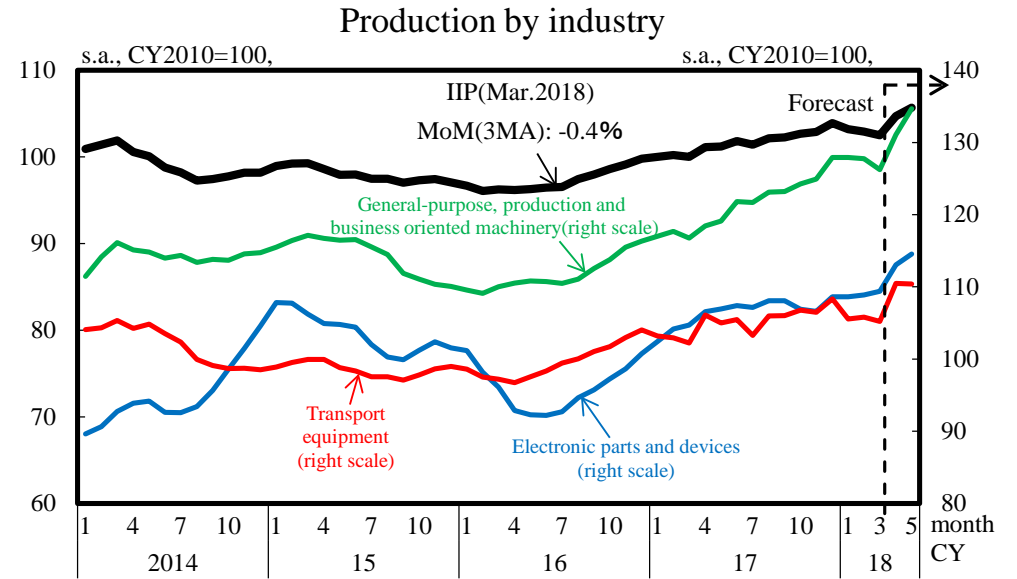


Source: Nikkei NEEDS-Financial QUEST

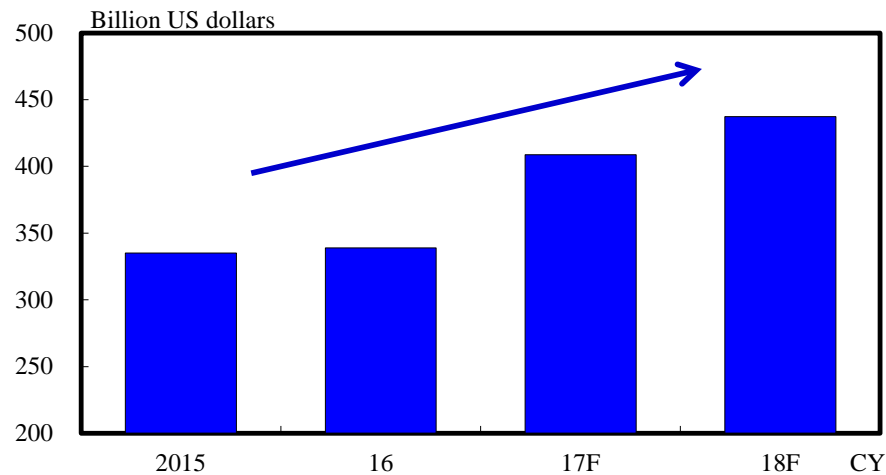
## Exports



## Industrial Production



## Semiconductor Market Forecast



## Business investment

