

# **Recent Economic Developments**

**September 26, 2018**

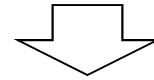
**Cabinet Office  
Government of Japan**

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<Assessments of the current state of the Japanese economy>

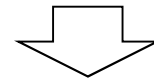
June

The Japanese economy is recovering at a moderate pace.



July

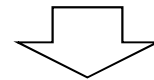
The Japanese economy is recovering at a moderate pace.



**(Unchanged)**

August

The Japanese economy is recovering at a moderate pace.



**(Unchanged)**

September

The Japanese economy is recovering at a moderate pace.

**(Unchanged)**

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

	June	July	August	September
Private consumption	Private consumption is picking up.	Unchanged	Unchanged	Unchanged
Business investment	Business investment is increasing moderately.	Unchanged	Unchanged	Business investment is increasing. (↑)
Exports	Exports are picking up.	Unchanged	Exports are pausing recently. (↓)	Unchanged
Industrial production	Industrial production is increasing moderately.	Unchanged	Unchanged	Unchanged
Corporate profits	Corporate profits are improving.	Unchanged	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are improving.	Firms' judgments on current business conditions are almost flat. (↓)	Unchanged	Unchanged
The employment situation	The employment situation is improving steadily.	Unchanged	Unchanged	Unchanged
Prices	Consumer prices are rising moderately in recent months.	Unchanged	Consumer prices are rising at a slower tempo recently.	Unchanged

Note: ↑ denotes upward revision and ↓ denotes downward revision.

## <Short-term prospects>

June

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.

July

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 risks including the effects of situations over trade issues on the world economy, the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

(Changed)

August

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 effects of situations over trade issues on the world economy, the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets. Furthermore, sufficient attention should be given to the economic impacts of the Heavy Rain in July 2018.

(Changed)

September

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 effects of situations over trade issues on the world economy, the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets. Furthermore, sufficient attention should be given to the economic impacts by the successive natural disasters.

(Changed)

## <Policy stance>

(September)

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 2018", the "Growth Strategy 2018", the "Regulatory Reform Work Plan", the "Basic Policies for Overcoming Population Decline and Vitalizing Local Economy in Japan 2018", 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 Revolution as two wheels of a cart, the Government will steadily implements the "New Economic Policy Package" and the "Basic Design for Human Resources Development Revolution".

And the Government will smoothly enforce the Act on Arrangement of Relevant Act on Promoting the Work Style Reform.

In addition, the Government implements the FY2017 supplementary budget and the FY2018 budget swiftly and steadily.

The Government will exert every effort for the provision of support for the daily lives of those affected by the successive natural disasters and the restoration and reconstruction of the affected areas.

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.

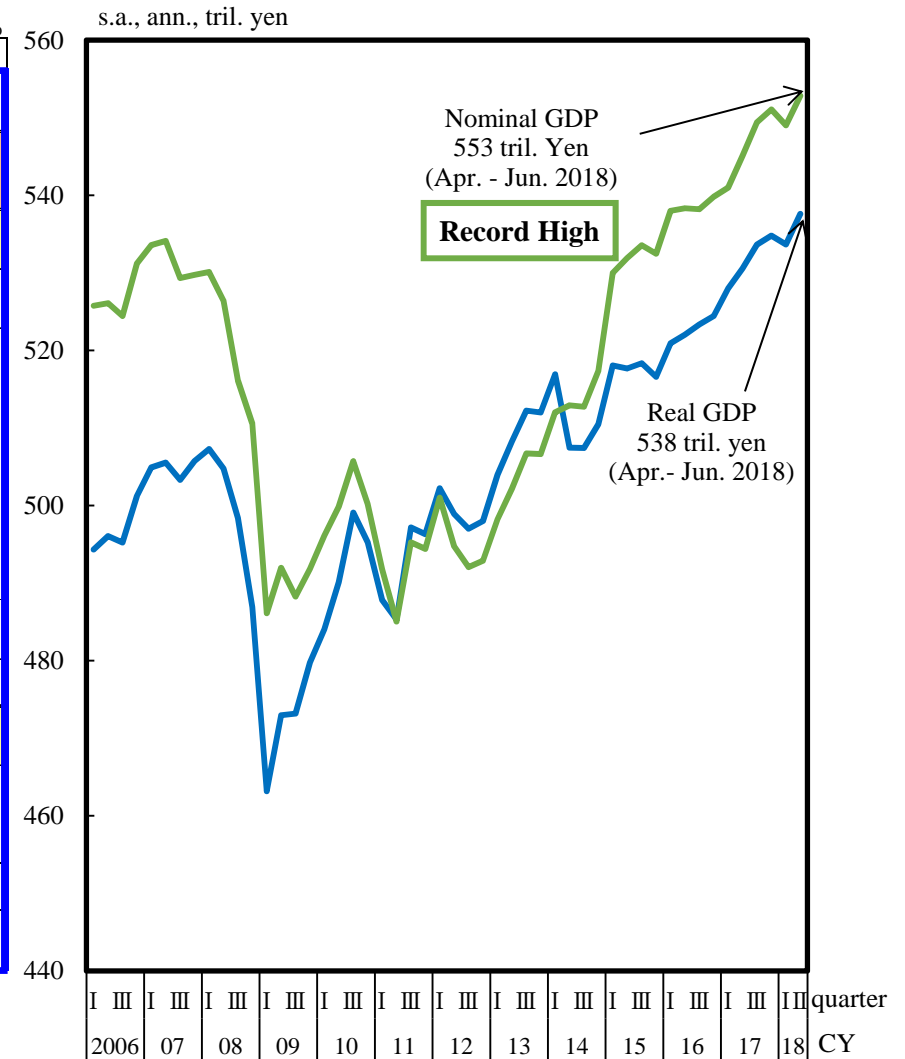
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

# GDP: Apr. – Jun. 2018 (Second Preliminary)

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

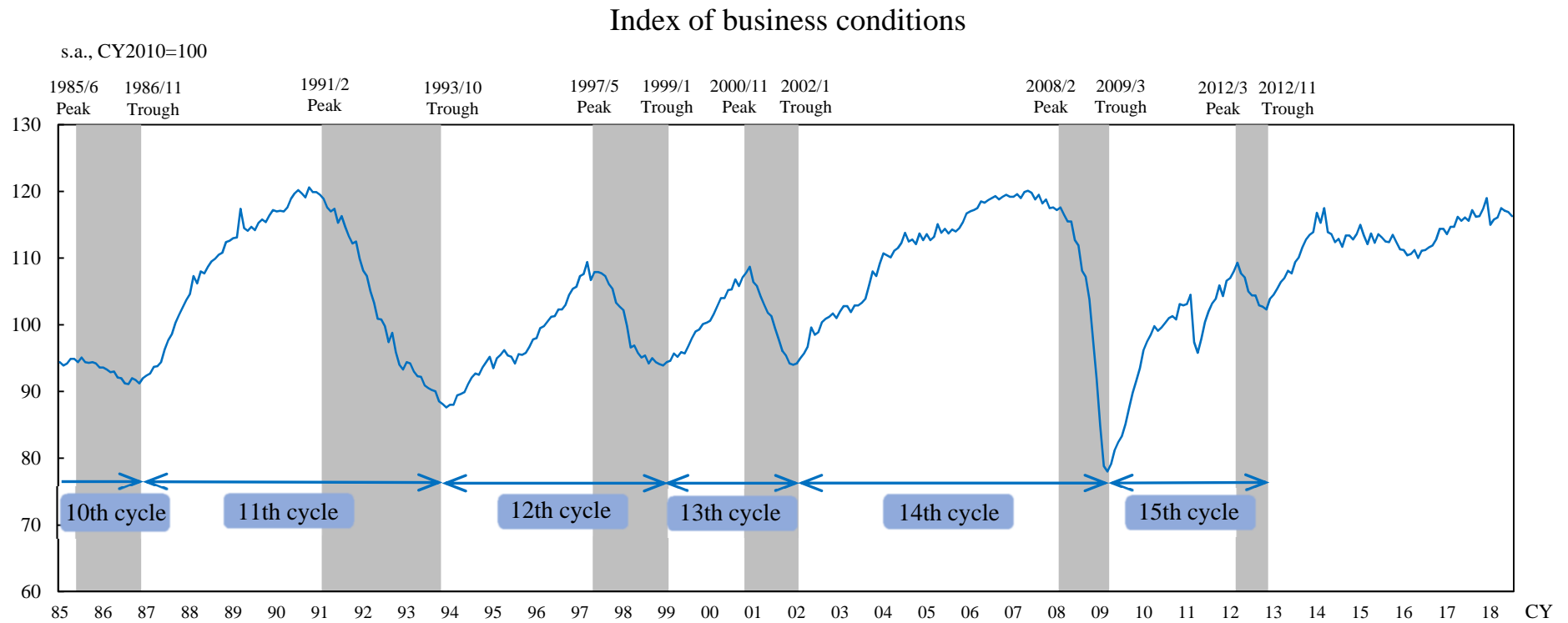
	FY2016	FY2017	2017			2018	
			II Apr. - Jun.	III Jul. - Sep.	IV Oct. - Dec.	I Jan. - Mar.	II Apr. - Jun.
Real GDP growth rate [at annual rate]	1.2	1.6	0.5 [2.0]	0.6 [2.3]	0.2 [0.9]	-0.2 [-0.9]	<b>0.7</b> <b>[3.0]</b>
Domestic Demand (Contributions)	(0.4)	(1.2)	(0.8)	(0.0)	(0.4)	(-0.3)	(0.9)
Private Demand (Contributions)	(0.3)	(1.0)	(0.4)	(0.1)	(0.4)	(-0.3)	(0.8)
Private Consumption	0.3	0.8	0.8	-0.7	0.3	-0.2	0.7
Private Non-Resi. Investment	1.2	3.1	0.2	1.3	0.9	0.7	3.1
Private Residential Investment	6.2	-0.4	1.3	-1.4	-3.0	-2.5	-2.4
Changes in Private Inventories (Contributions)	(-0.3)	(0.1)	(-0.1)	(0.4)	(0.2)	(-0.2)	(0.0)
Public Demand (Contributions)	(0.1)	(0.2)	(0.3)	(-0.1)	(-0.0)	(-0.0)	(0.0)
Public Investment	0.9	1.4	5.3	-2.8	-0.6	-0.4	0.0
Net Exports (Contributions)	(0.8)	(0.4)	(-0.3)	(0.6)	(-0.1)	(0.1)	(-0.1)
Exports	3.6	6.3	0.2	2.1	2.1	0.6	0.2
Imports	-0.8	4.1	1.9	-1.5	3.3	0.2	0.9
Nominal GDP growth rate	1.0	1.7	0.8	0.8	0.3	-0.4	0.7

Nominal and real GDP



Source: Cabinet Office.

# Economic Expansion Period



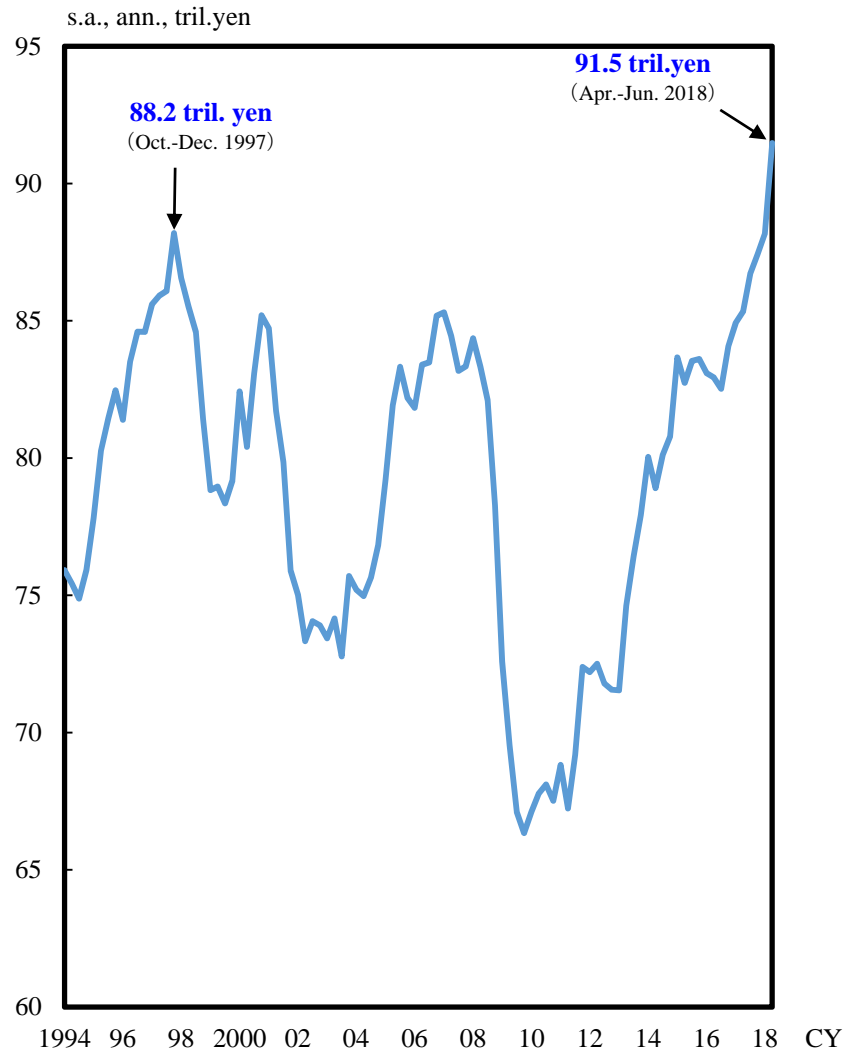
Note: Shaded areas indicate recession periods.

## 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	70 months	2012 Dec. –

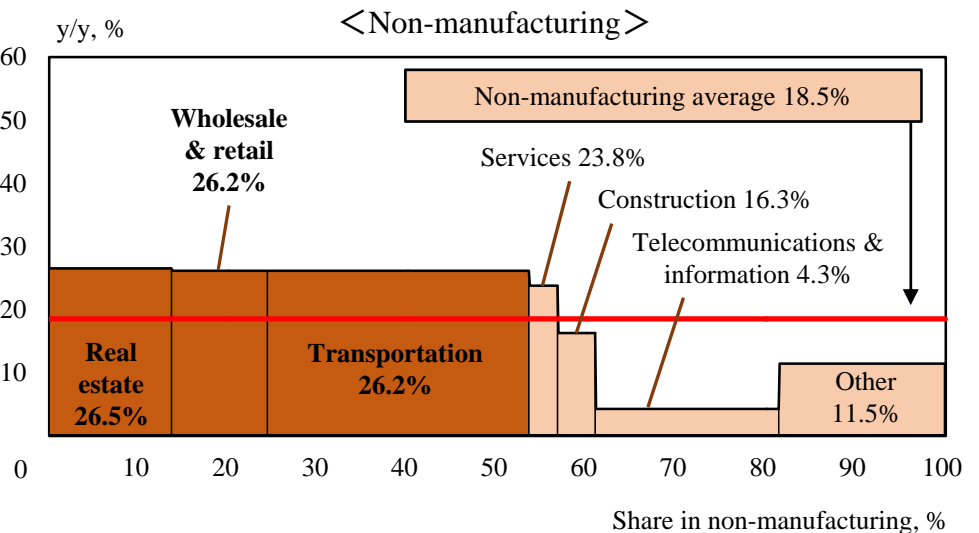
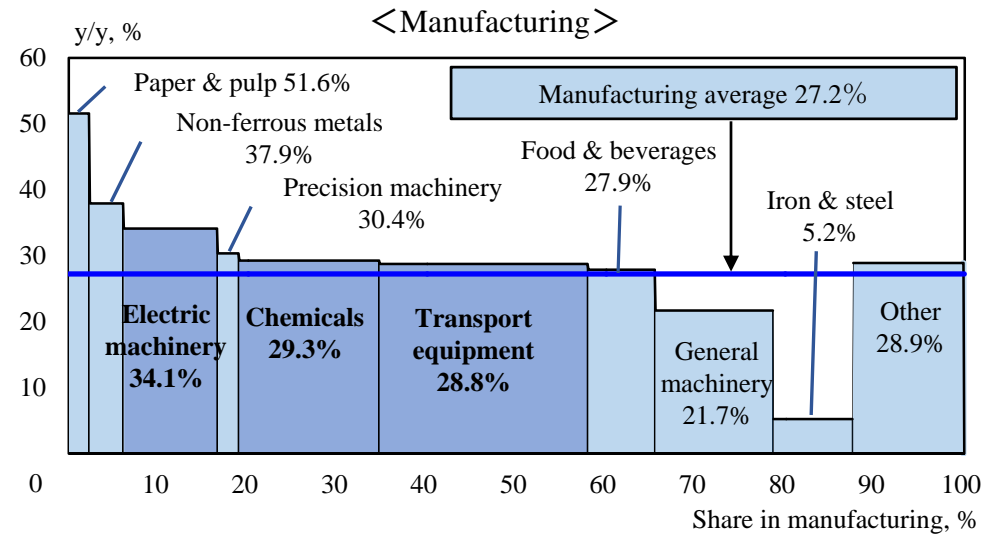
# Business Investment

Business investment in nominal GDP



Source: Cabinet Office.

Composition and growth of business investment (FY2018 Plan)



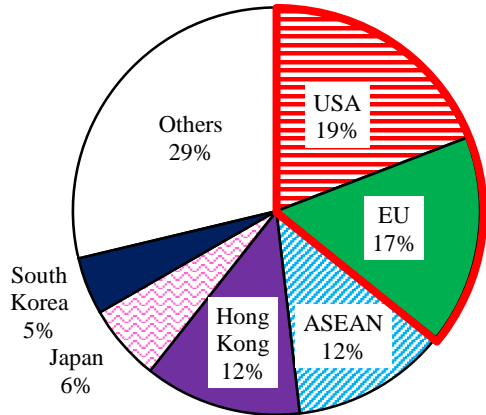
Source: Development Bank of Japan.



# Effects of trade conflicts between the United States and China

## Export of China

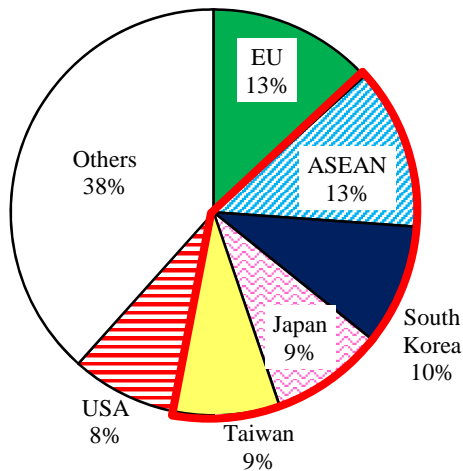
Value of Exports(2017) : 2.3 trillion US\$



Electrical Machinery & Equipment, etc. (mobile phone, etc.)	26.3%
Machinery & Mechanical Appliance, etc. (computer, etc.)	16.8%
Textile & Textile Article	11.3%
Base Metal & Article of Base Metal (Steel products, Aluminium, etc.)	7.3%
Furniture, Toy, etc.	7.1%
Chemical or Allied Industry Product	5.0%

## Import of China

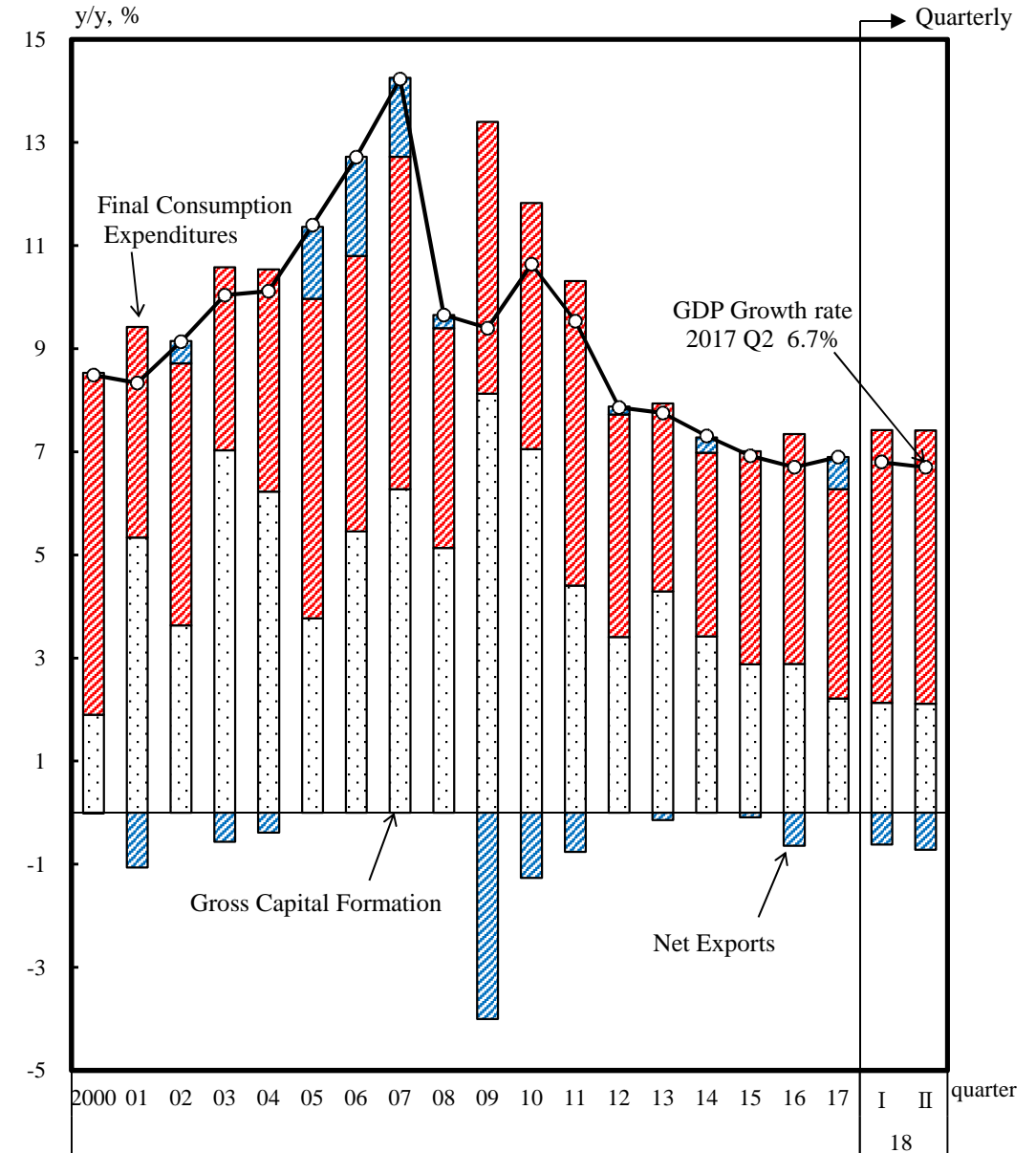
Value of Imports(2017) : 1.8 trillion US\$



Electrical Machinery & Equipment, etc. (IC, etc.)	24.8%
Mineral Product (Crude Petroleum Oil, etc.)	20.5%
Machinery & Mechanical Appliance, etc. (Industrial machinery, etc.)	9.2%
Chemical or Allied Industry Product (Medical & Pharmaceutical Product, etc.)	7.2%
Vehicle, Aircraft, Vessel, etc.	5.9%
Optical Instrument & Apparatus, etc.	5.5%
Base Metal & Article of Base Metal (Copper, Steel product, etc.)	5.2%

Source: General Administration of Customs, China.

## Real GDP growth of China



Source: National Bureau of Statistics, China.

# Natural Disasters since June 2018

As of Sep. 25

## Hokkaido Eastern Iburi Earthquake, Sep. 6

- ▶ New Chitose Airport: Terminal works normally after Sep. 8.
- ▶ Hokkaido Shinkansen: Trains are operated normally after Sep. 7.

## The Heavy Rain Event of July 2018, Jun. 28 to Jul. 8

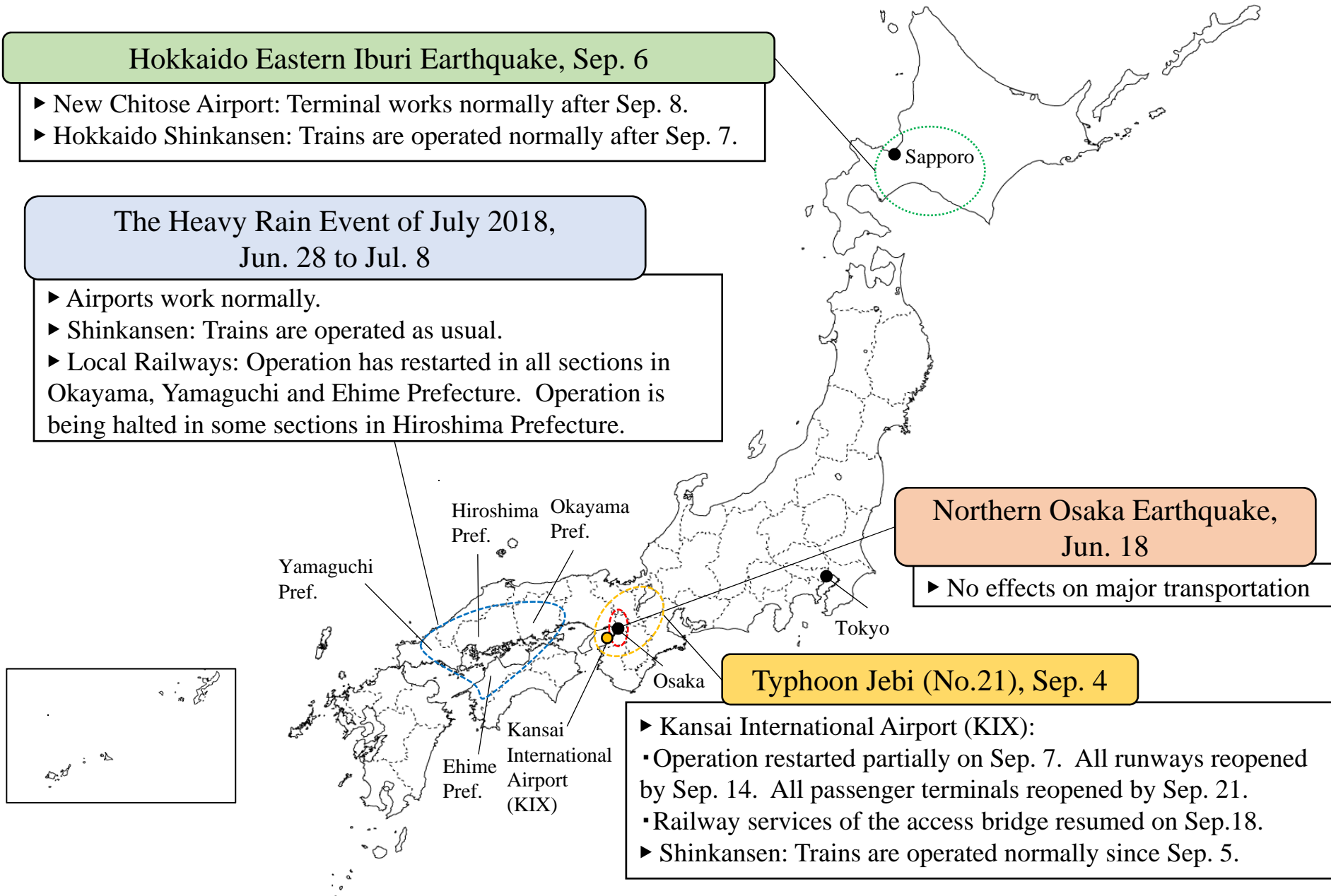
- ▶ Airports work normally.
- ▶ Shinkansen: Trains are operated as usual.
- ▶ Local Railways: Operation has restarted in all sections in Okayama, Yamaguchi and Ehime Prefecture. Operation is being halted in some sections in Hiroshima Prefecture.

## Northern Osaka Earthquake, Jun. 18

- ▶ No effects on major transportation

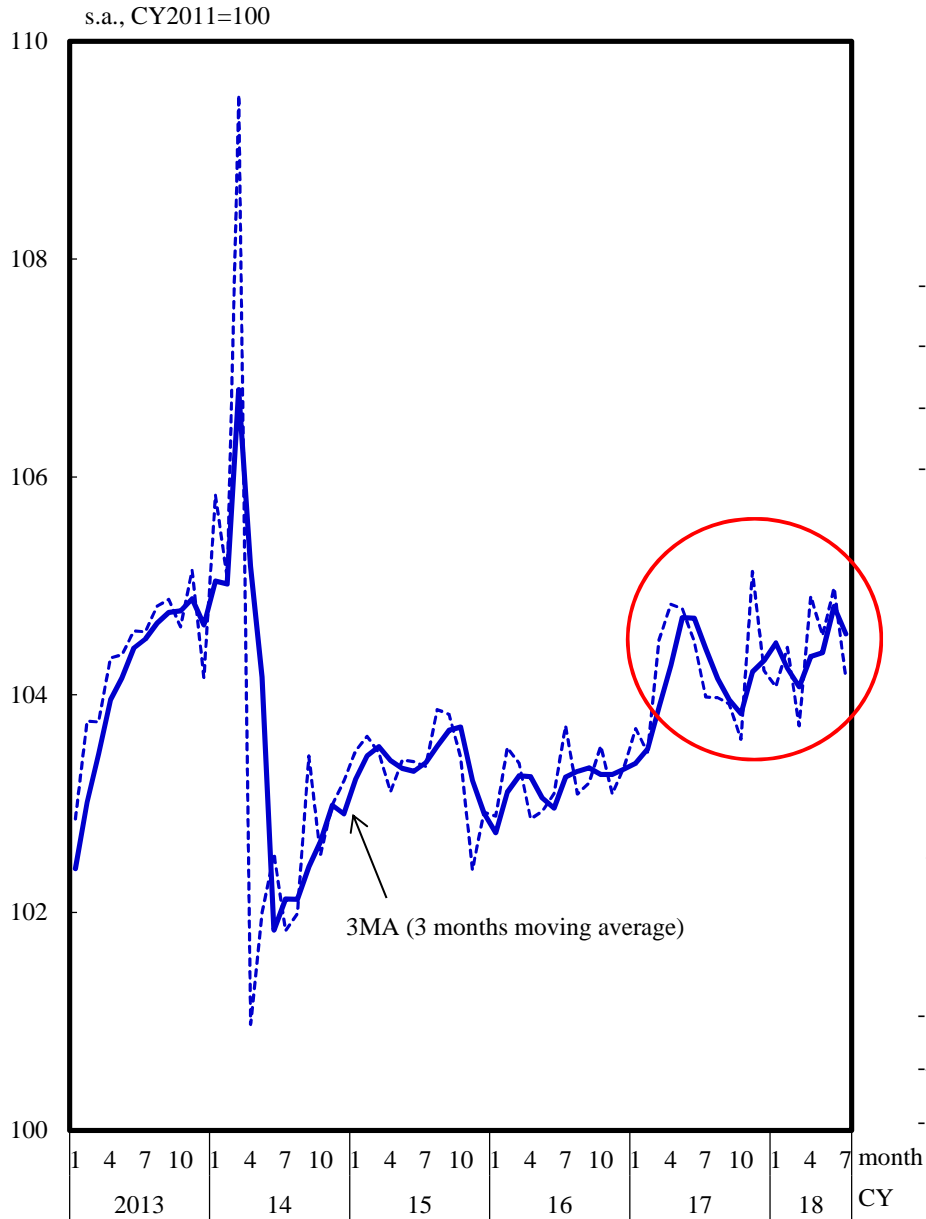
## Typhoon Jebi (No.21), Sep. 4

- ▶ Kansai International Airport (KIX):
  - Operation restarted partially on Sep. 7. All runways reopened by Sep. 14. All passenger terminals reopened by Sep. 21.
  - Railway services of the access bridge resumed on Sep.18.
- ▶ Shinkansen: Trains are operated normally since Sep. 5.



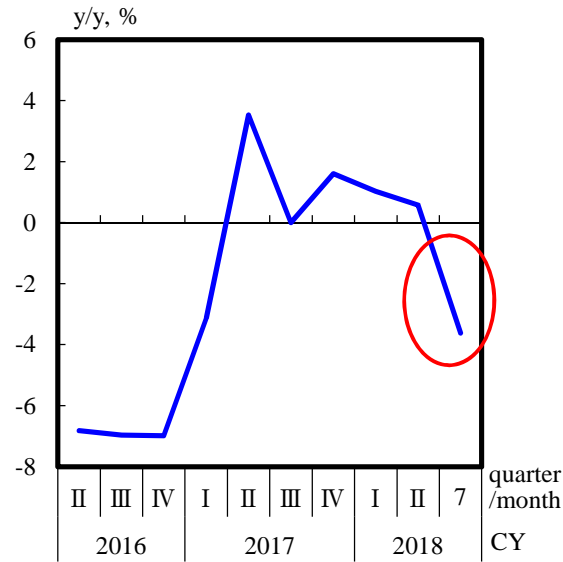
# Private Consumption

## Synthetic consumption index (Real)



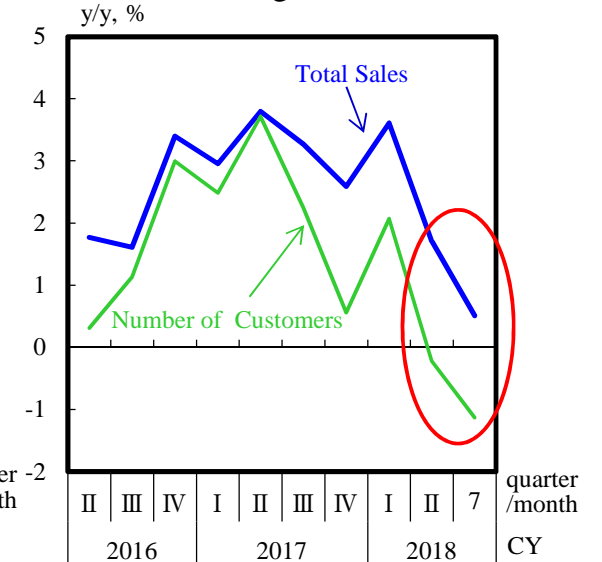
Source: Cabinet Office.

## Travel



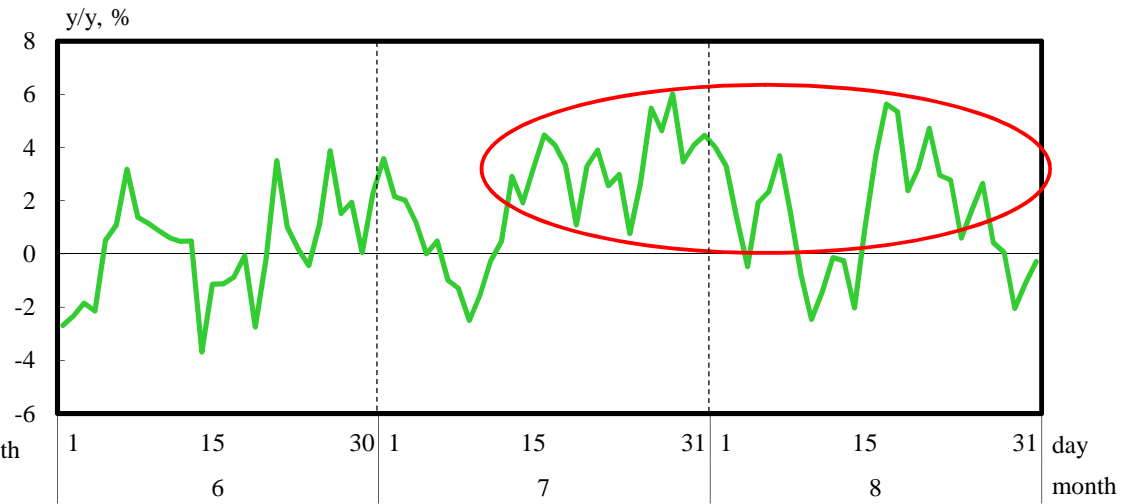
Source: Railway Passenger Association.

## Eating-out



Source: Japan Food Service Association.

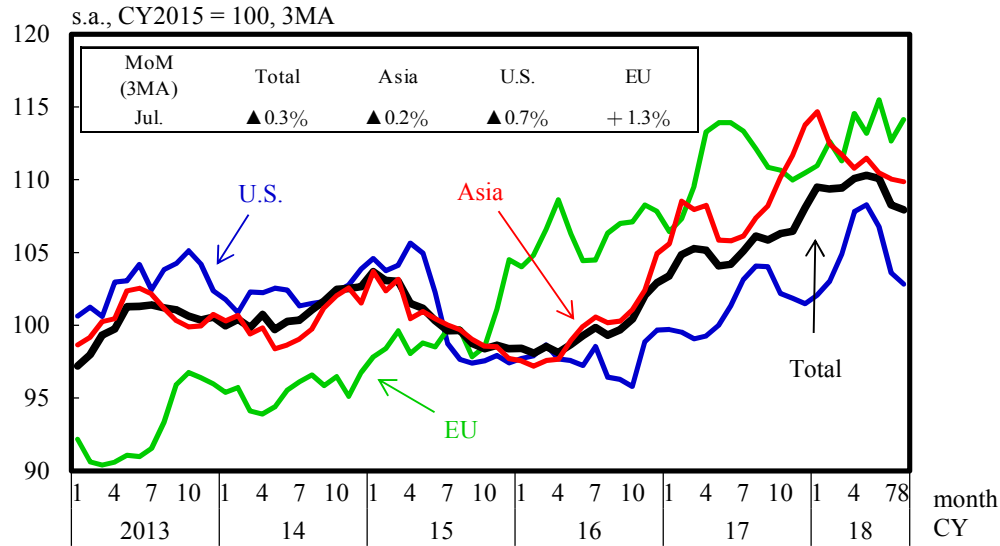
## Daily sales of food, daily necessities



Source: Nikkei CPI Now.

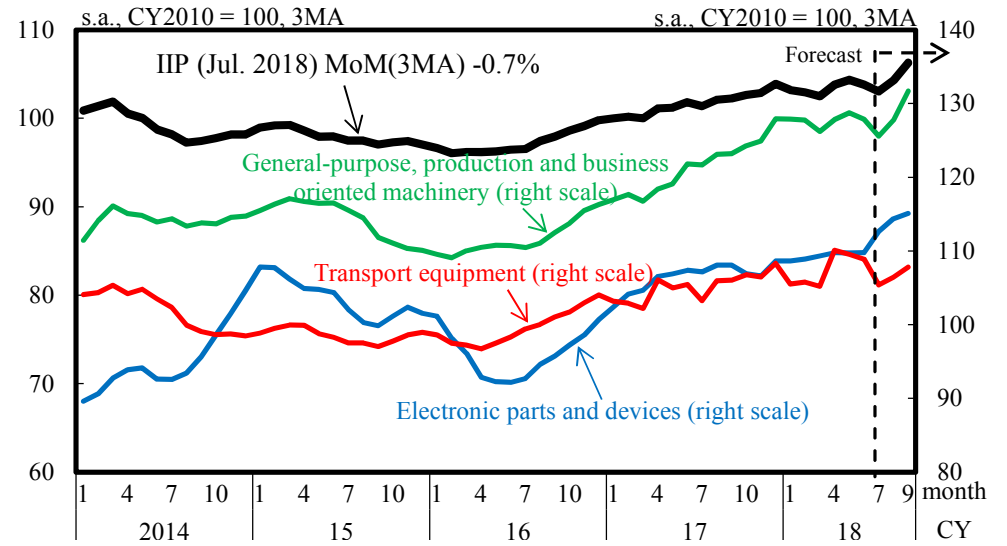
# Exports, Industrial Production and Corporate Profits

## Exports volume index by region



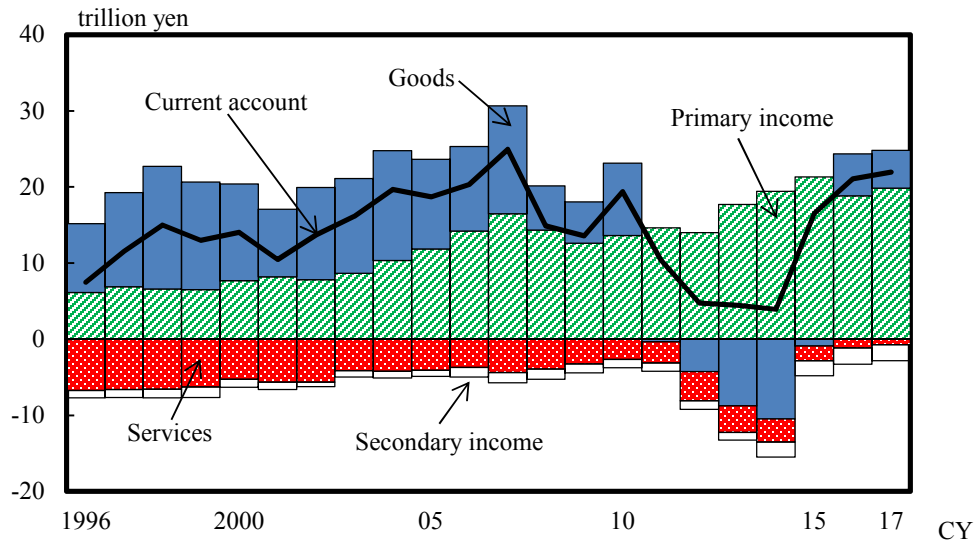
Source: Ministry of Finance.

## Production by industry



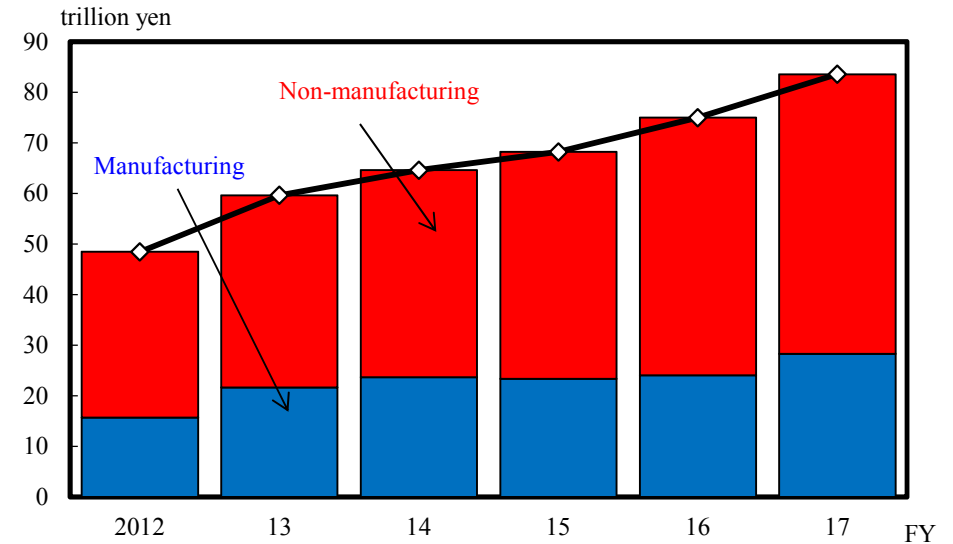
Source: Ministry of Economy, Trade and Industry.

## Current account



Sources: Ministry of Finance; Bank of Japan.

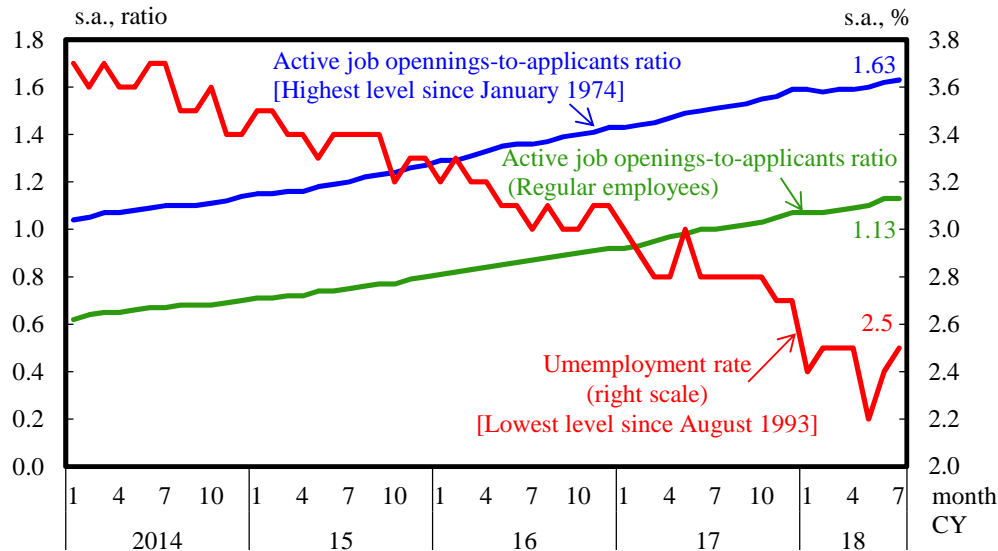
## Current profits



Source: Ministry of Finance.

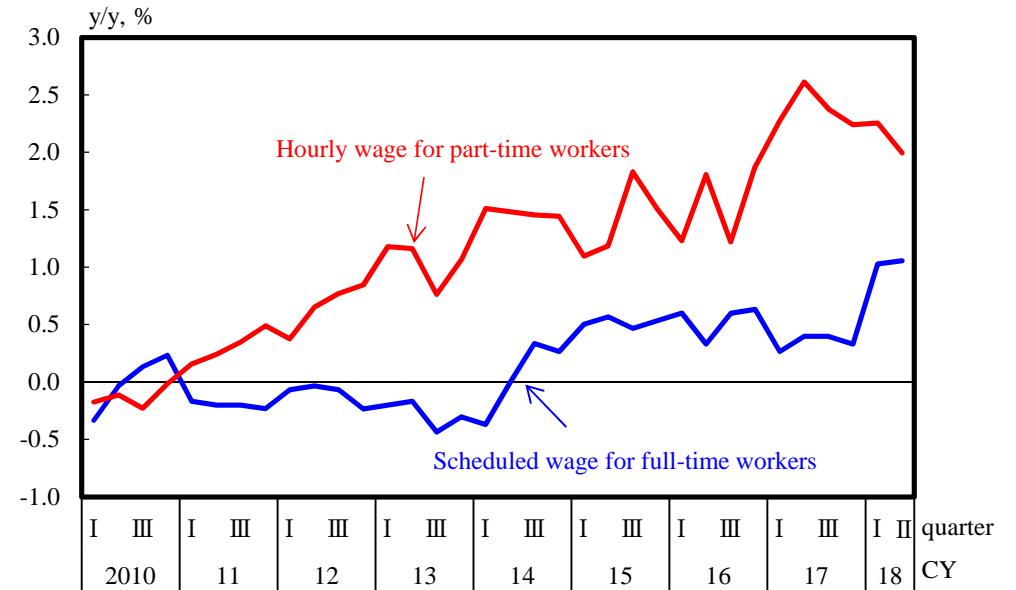
# Employment situation

## Unemployment rate and active job openings-to-applicants



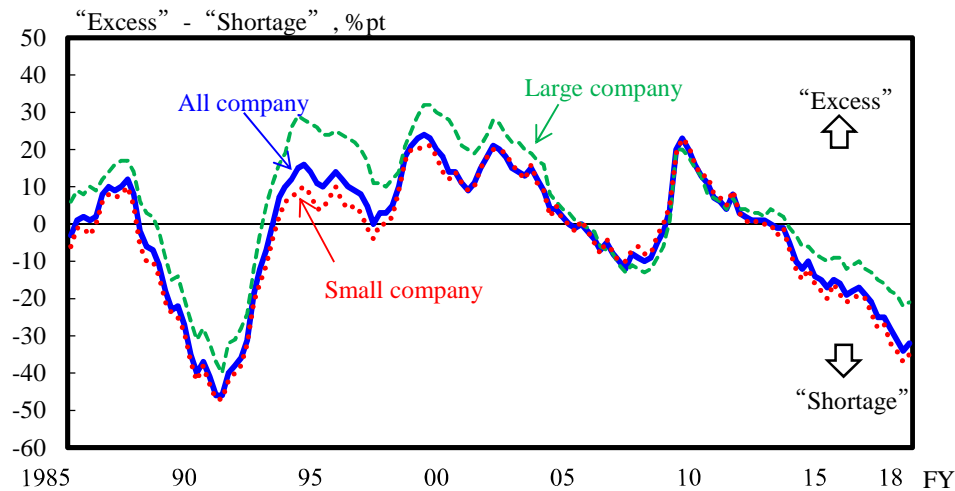
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

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



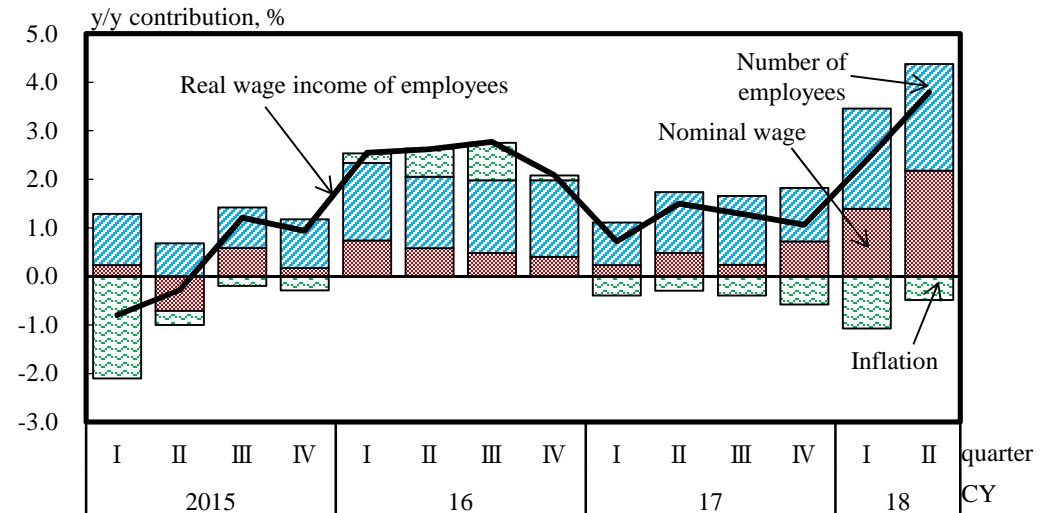
Source: Ministry of Health, Labour and Welfare.

## Employment conditions



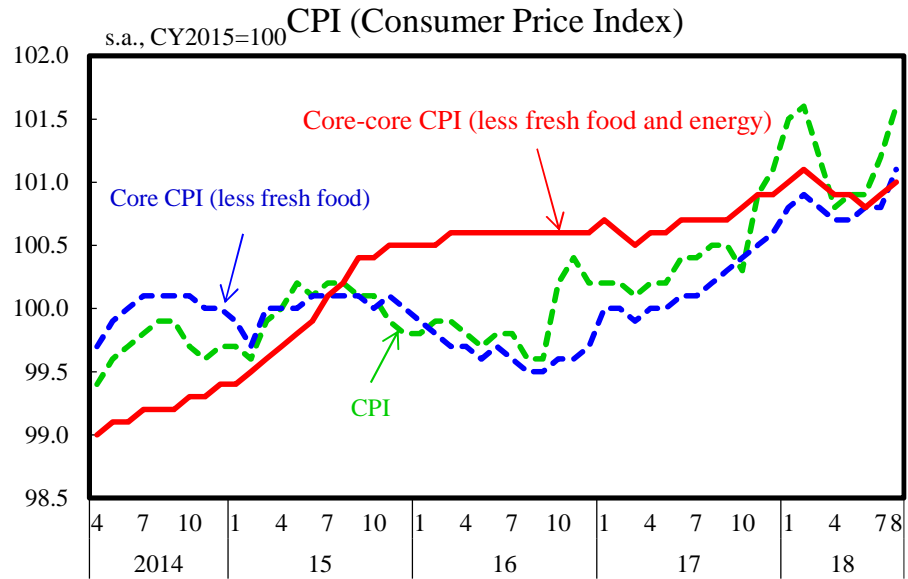
Source: Bank of Japan.

## Real wage income of employees

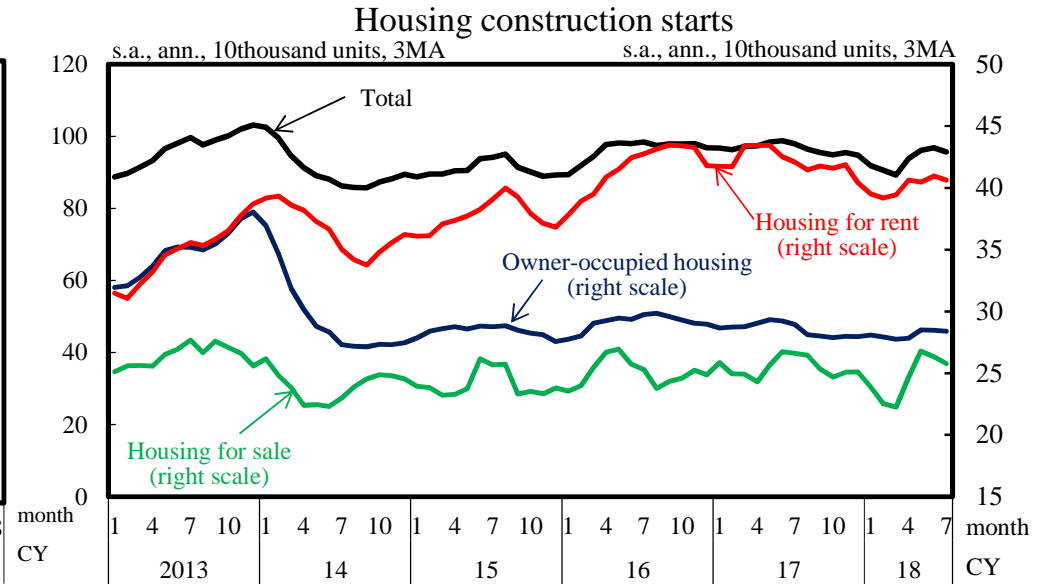


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Cabinet Office.

## Prices

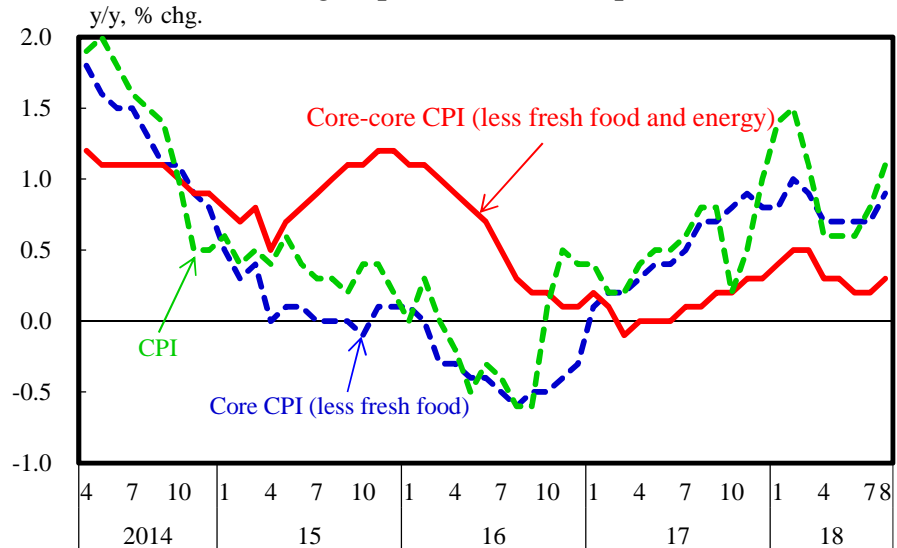


## Housing construction



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

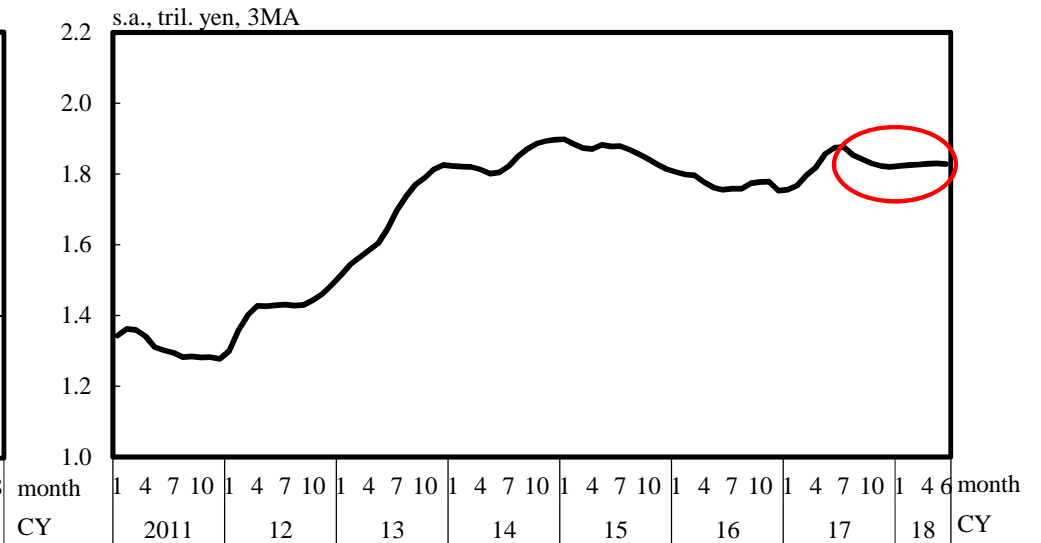
## CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications.

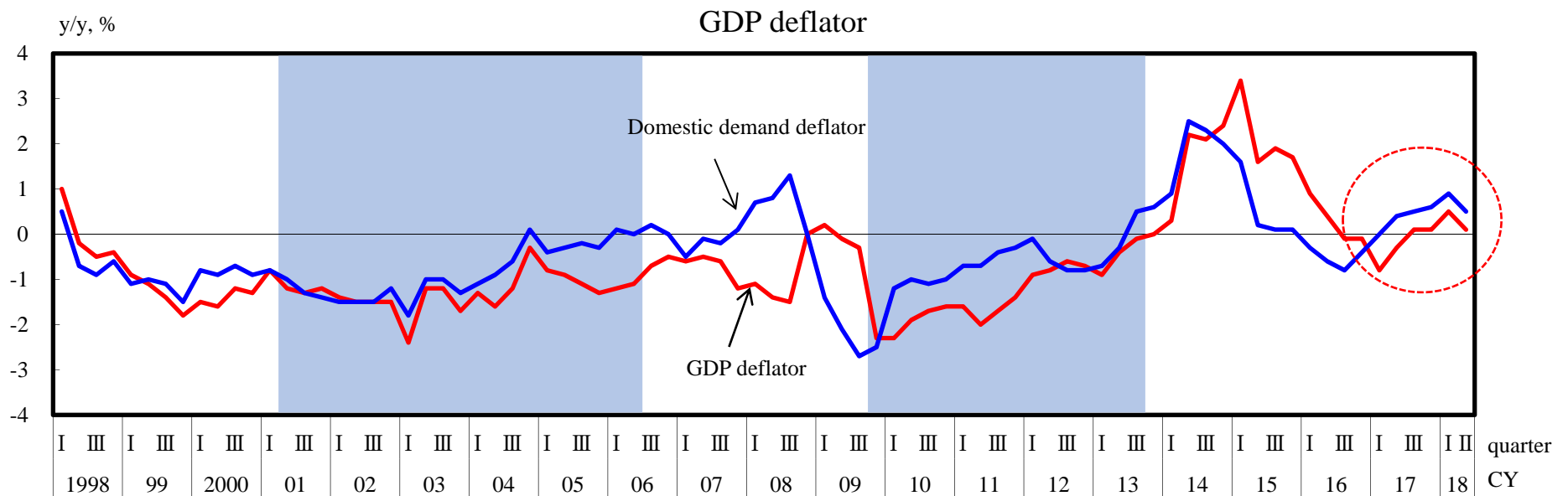
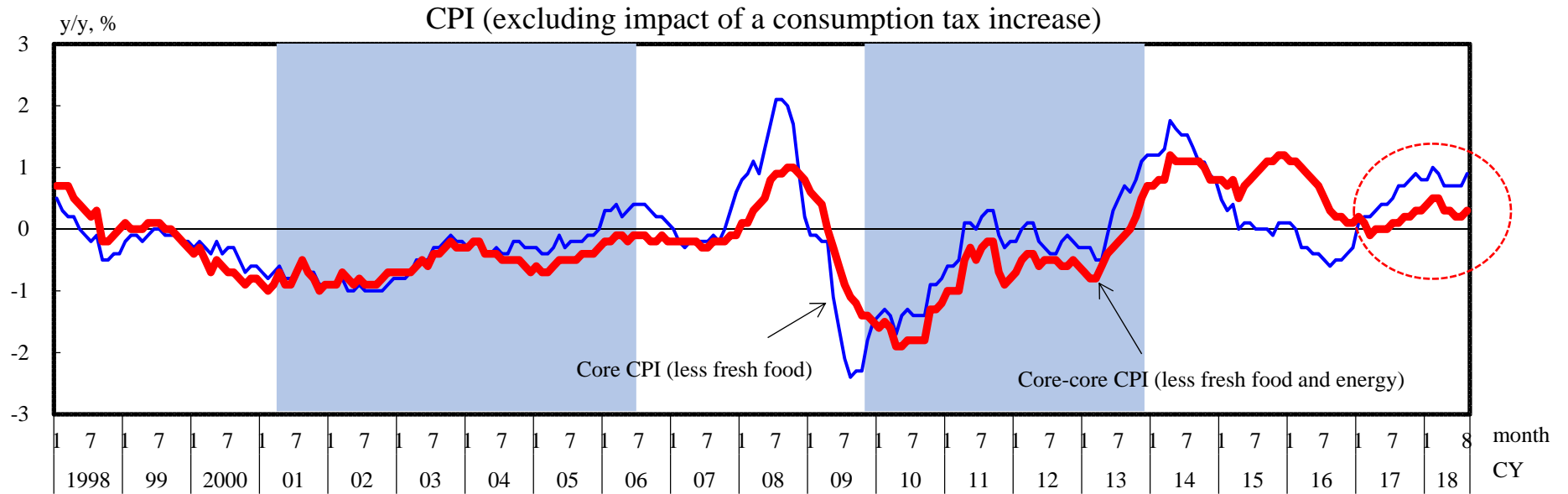
## Public investment

### Amount of public construction completed



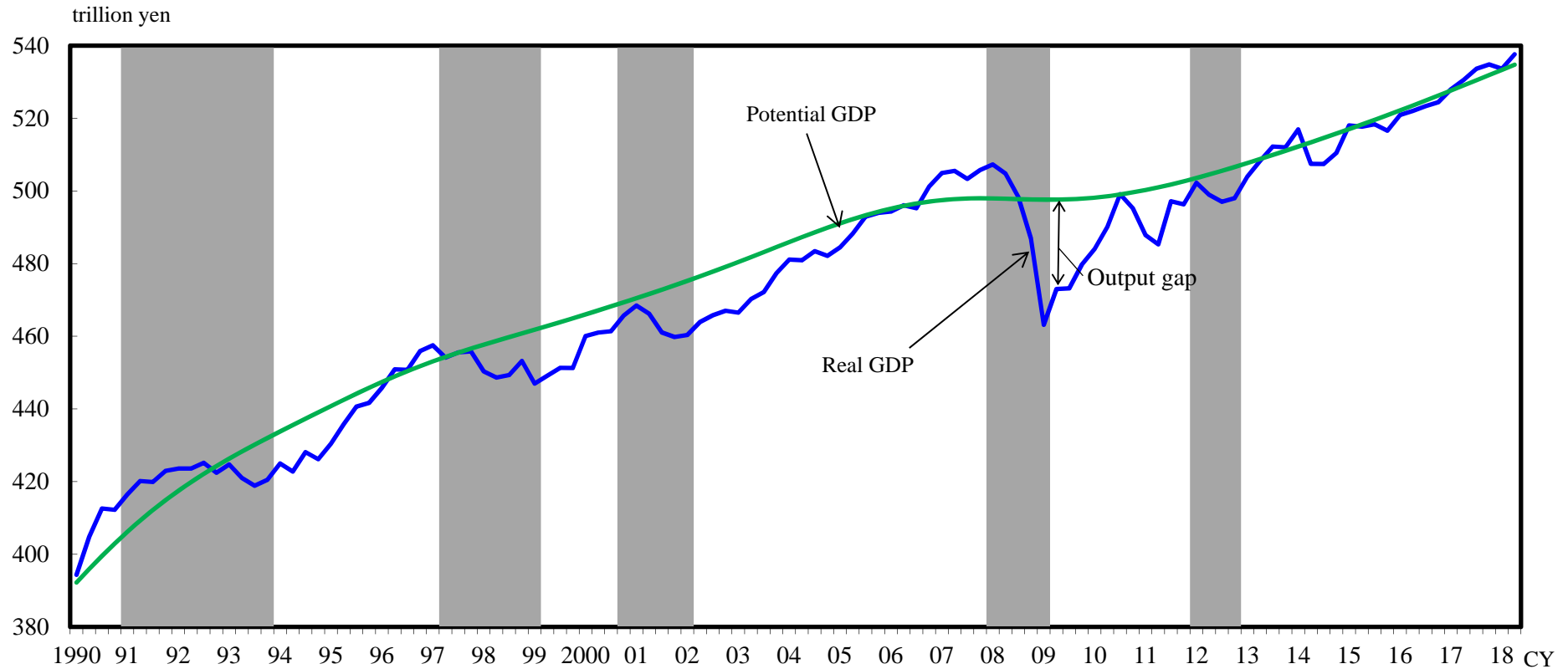
Source: Ministry of Land, Infrastructure, Transport and Tourism.

## (Reference 1) Prices



Note: Shaded areas indicate the periods when the term “deflation” was used in the Monthly Economic Report by the Cabinet Office.  
Sources: Ministry of Internal Affairs and Communications; Cabinet Office.

## (Reference 2) Output gap



Note: Shaded areas indicate recession periods.

year, quarter, %	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
											I	II
Potential GDP growth rate	0.0	-0.0	0.2	0.5	0.7	0.9	0.9	1.0	1.0	1.1	1.1	1.1
Real GDP growth rate	-1.1	-5.4	4.2	-0.1	1.5	2.0	0.4	1.4	1.0	1.7	-0.9	3.0
Output gap	0.3	-5.1	-1.3	-1.9	-1.2	-0.0	-0.7	-0.2	-0.3	0.4	0.1	0.5

Source: Cabinet Office.