

Recent Economic Developments

November 1, 2018

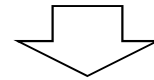
**Cabinet Office
Government of Japan**

Contact for inquiries:
Directorate General for Economic Research
+81-3-6257-1567

<Assessments of the current state of the Japanese economy>

August

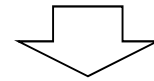
The Japanese economy is recovering at a moderate pace.



September

The Japanese economy is recovering at a moderate pace.

(Unchanged)



October

The Japanese economy is recovering at a moderate pace.

(Unchanged)

<Assessments of the current state of the Japanese economy>

	August	September	October
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is increasing moderately.	Business investment is increasing. (↑)	Unchanged
Exports	Exports are pausing recently.	Unchanged	Exports are almost flat. (↓)
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 almost flat.	Unchanged	Unchanged
The employment situation	The employment situation is improving steadily.	Unchanged	Unchanged
Prices	Consumer prices are rising at a slower tempo recently.	Unchanged	Unchanged

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

<Short-term prospects>

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.

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)

October

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.

(Unchanged)

<Policy stance>

(October)

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" and so on.

Moreover, in order to establish the social security system oriented to all generations under which people of all generations can live at ease and work, the Government will promote comprehensive reform of the system including the labor system.

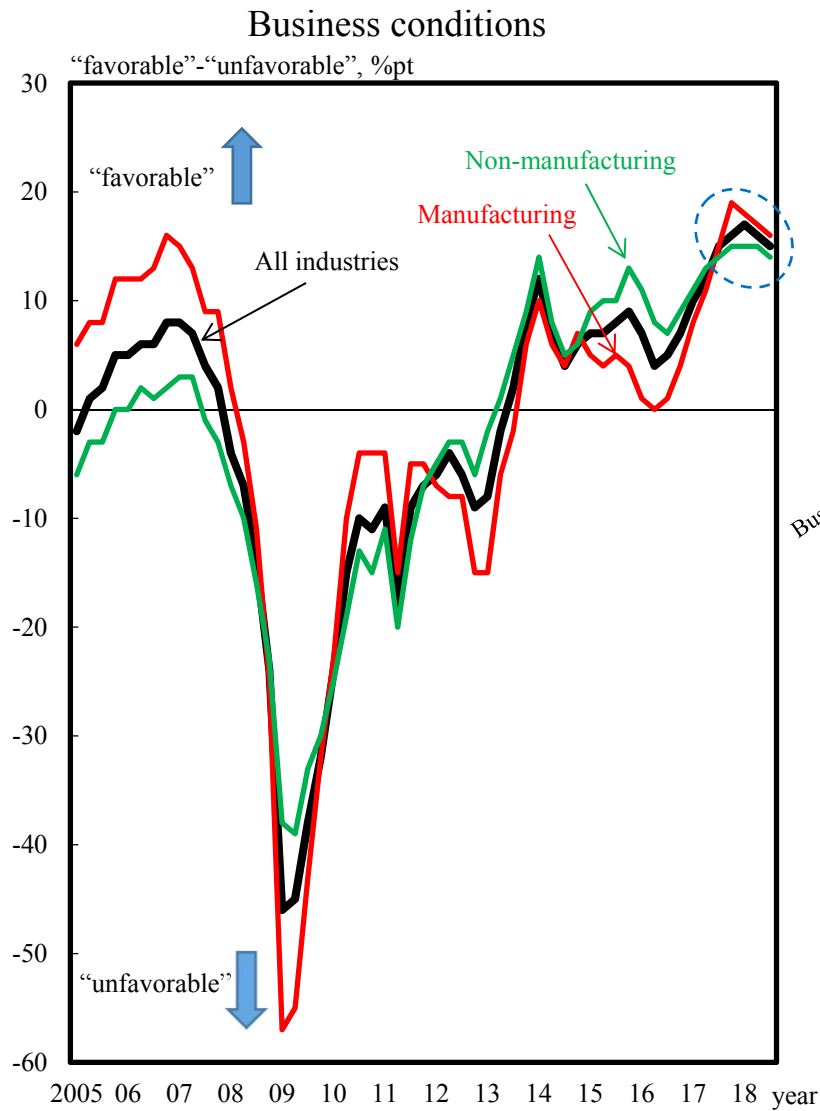
Furthermore, looking ahead to the consumption tax rate hike planned for October 1, 2019, the Government will take all possible measures towards economic and fiscal management.

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.

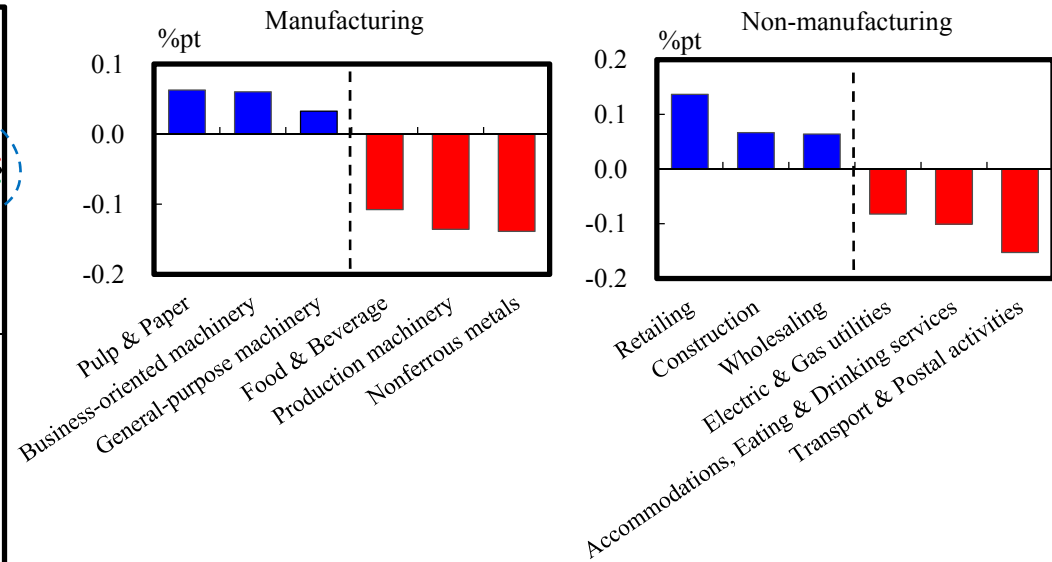
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

Business Conditions – “Tankan” Survey (September 2018)

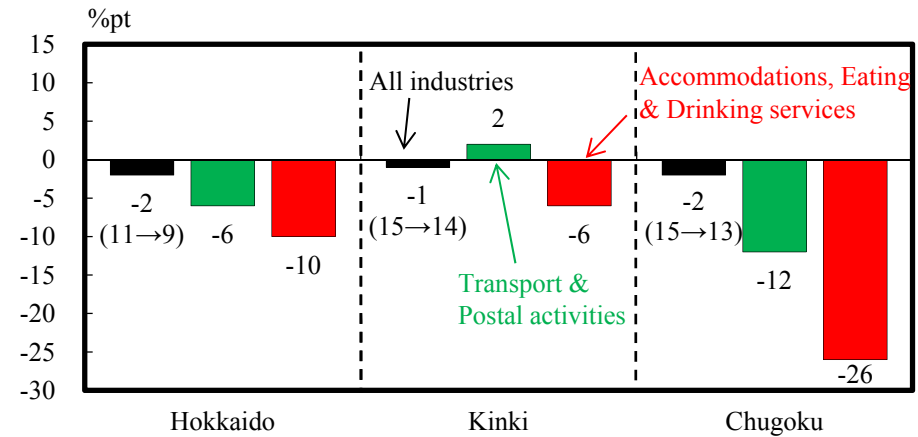


Source: Bank of Japan.

Business conditions (contribution by industry)

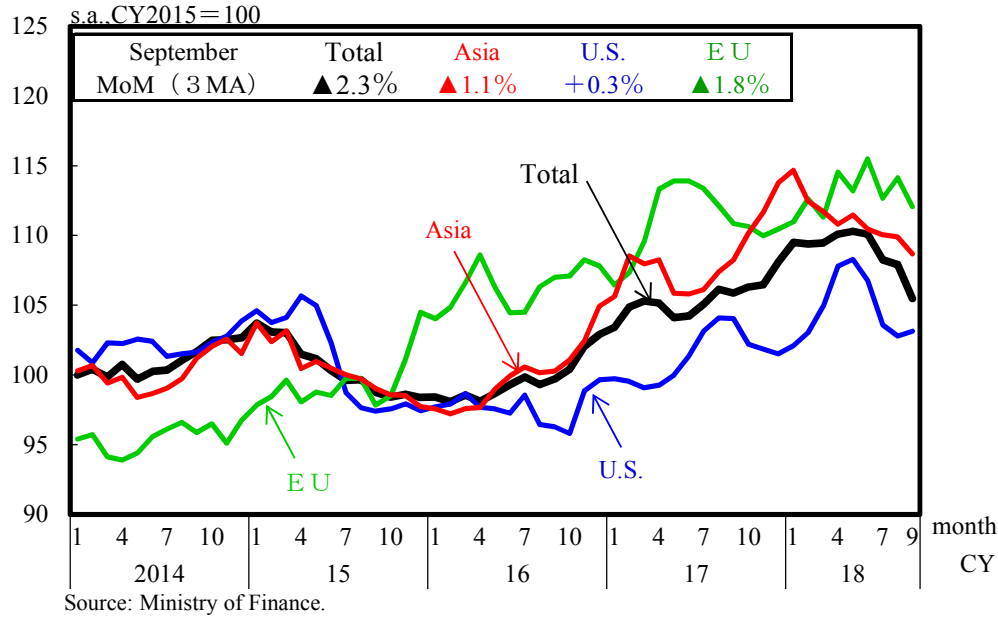


Business conditions (changes from the previous period by region)

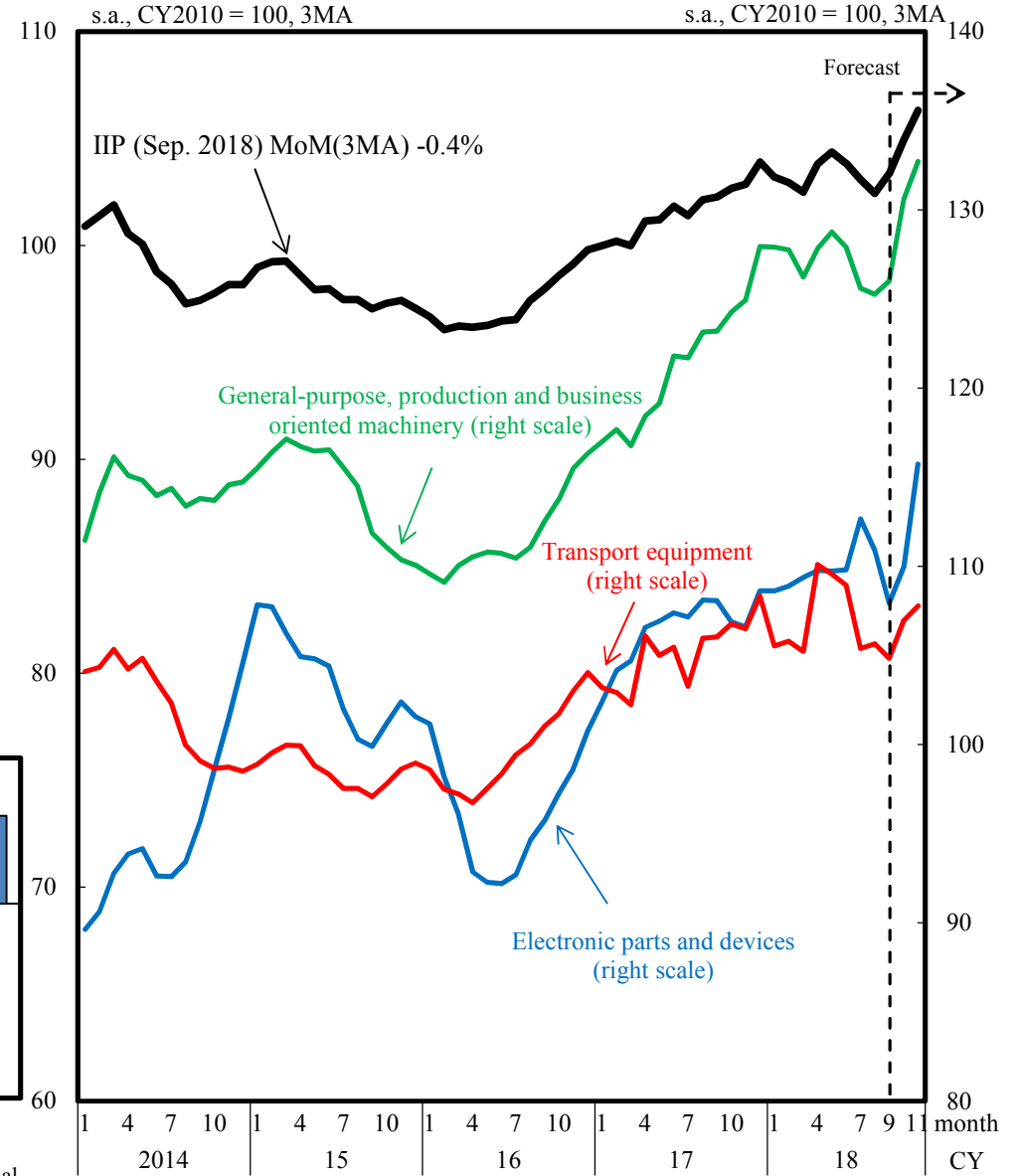


Exports and Production

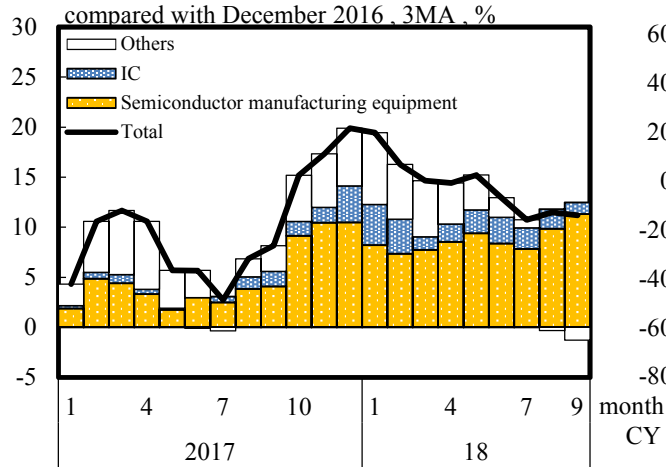
Exports volume index by region



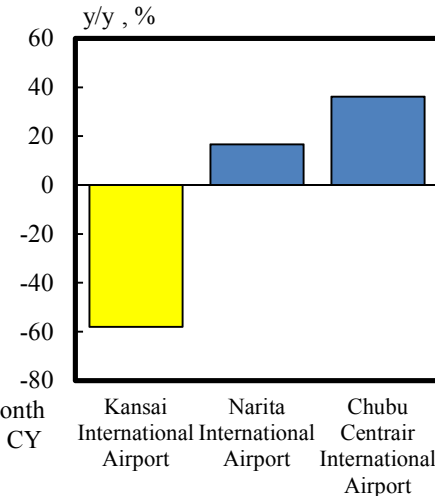
Production by industry



Exports of IT-related goods for Asia

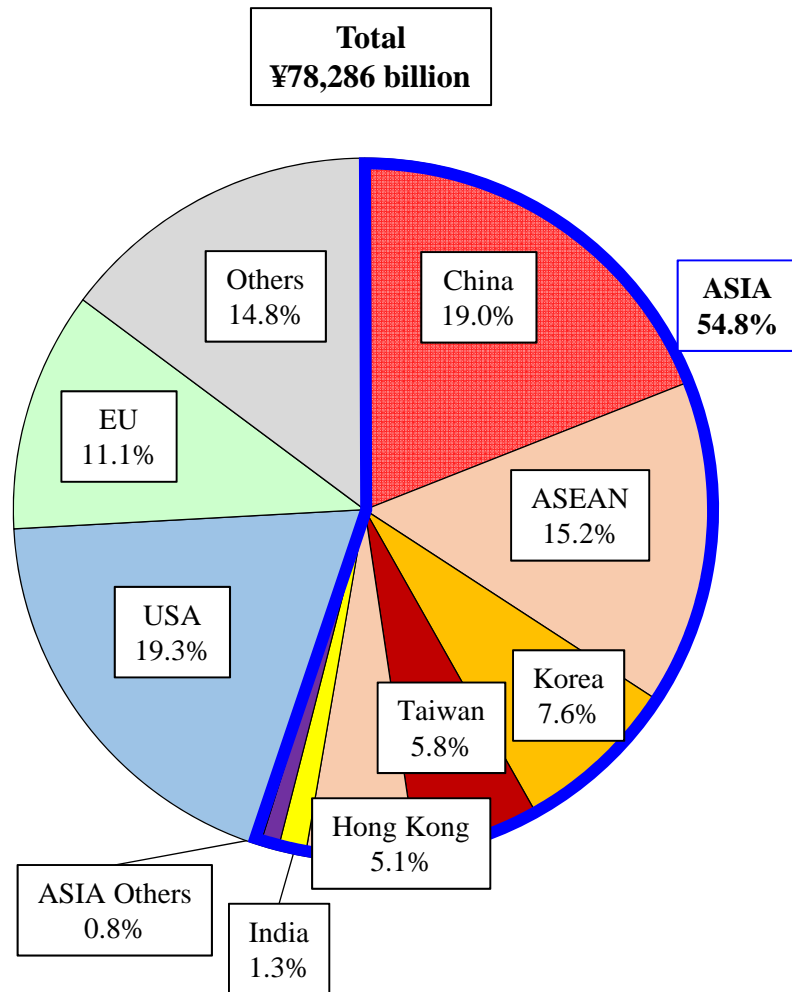


Export value by airport (September 2018)



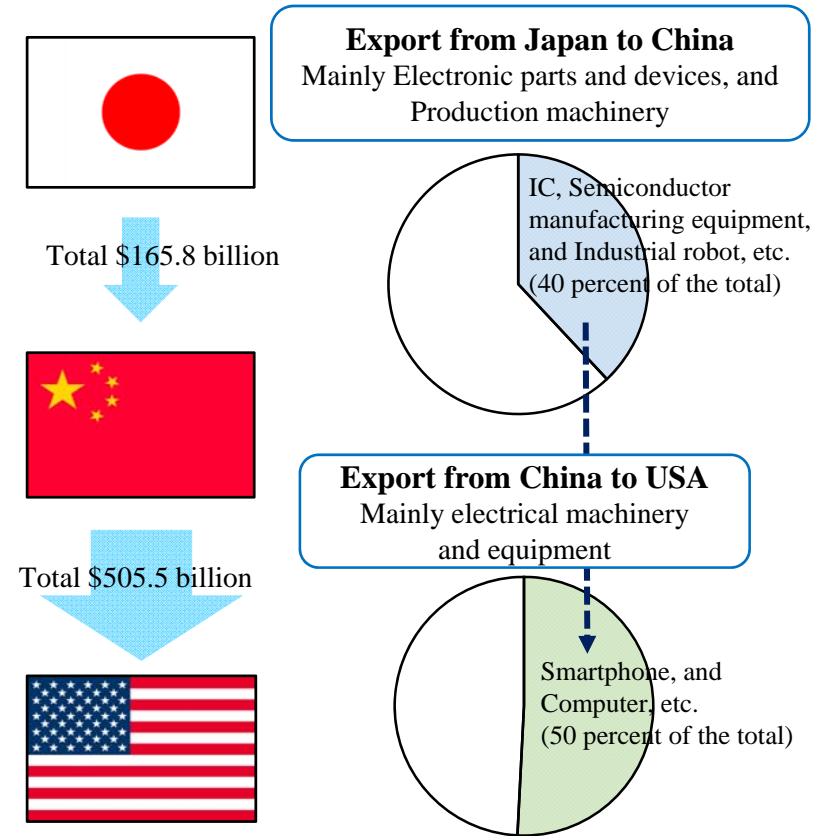
Exports of Japan

Export structure of Japan (2017)



Source: Ministry of Finance.

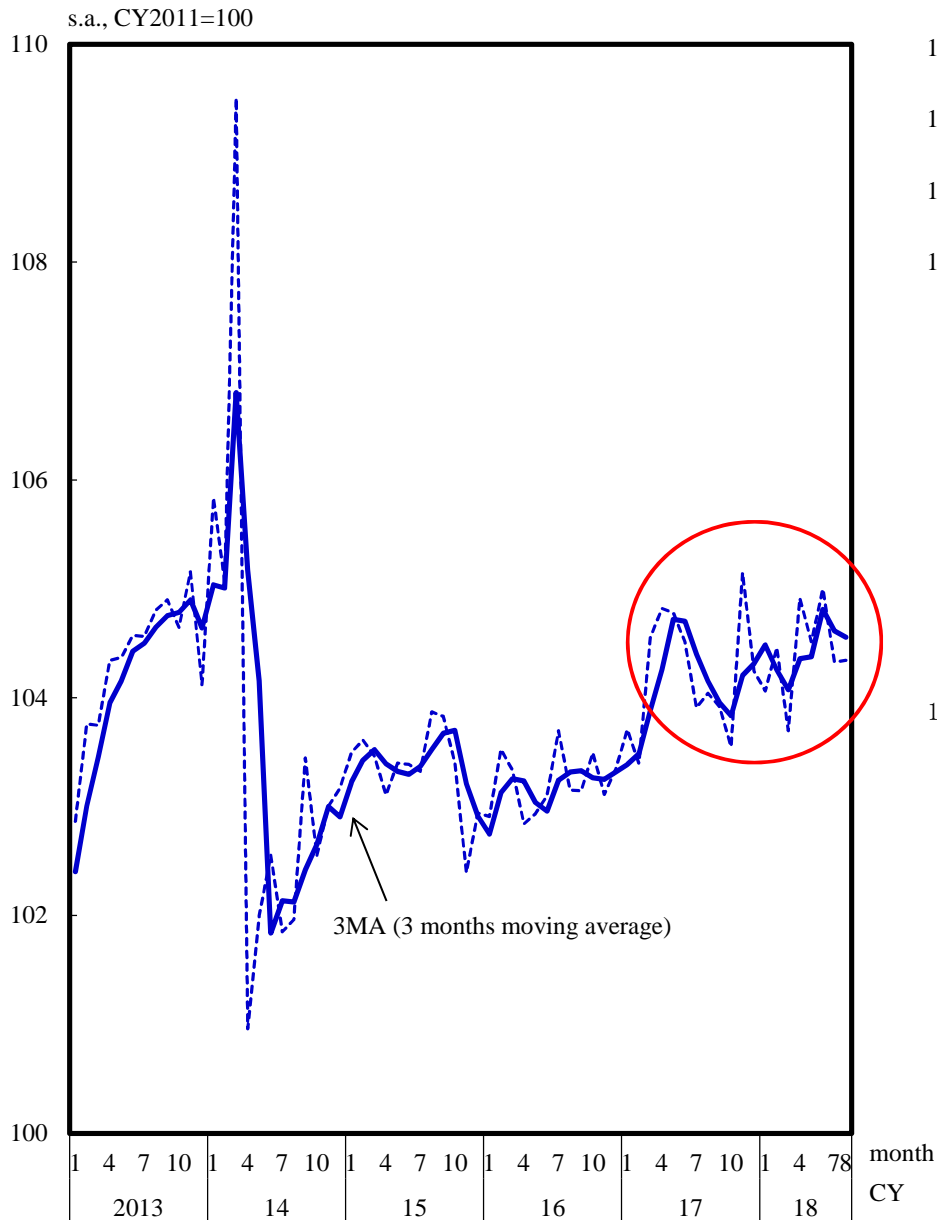
Export structure in Japan, USA, and China (2017)



Sources: Ministry of Finance; U.S. Department of Commerce.

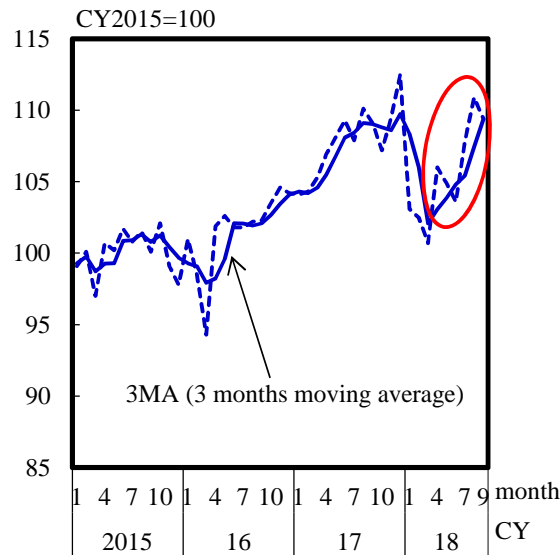
Private Consumption

Synthetic consumption index (Real)



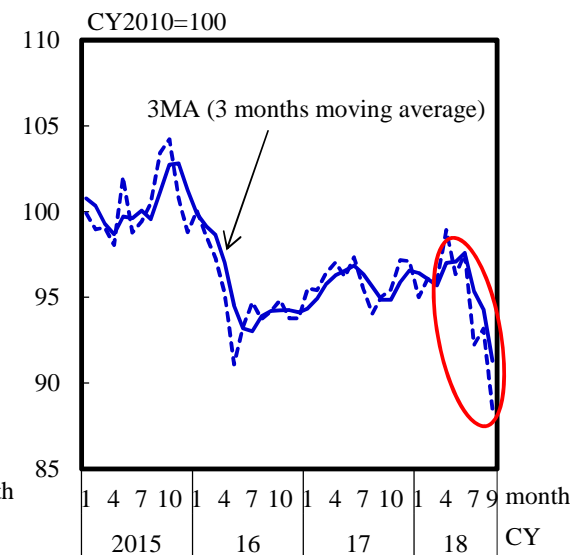
Source: Cabinet Office.

Automobile sales



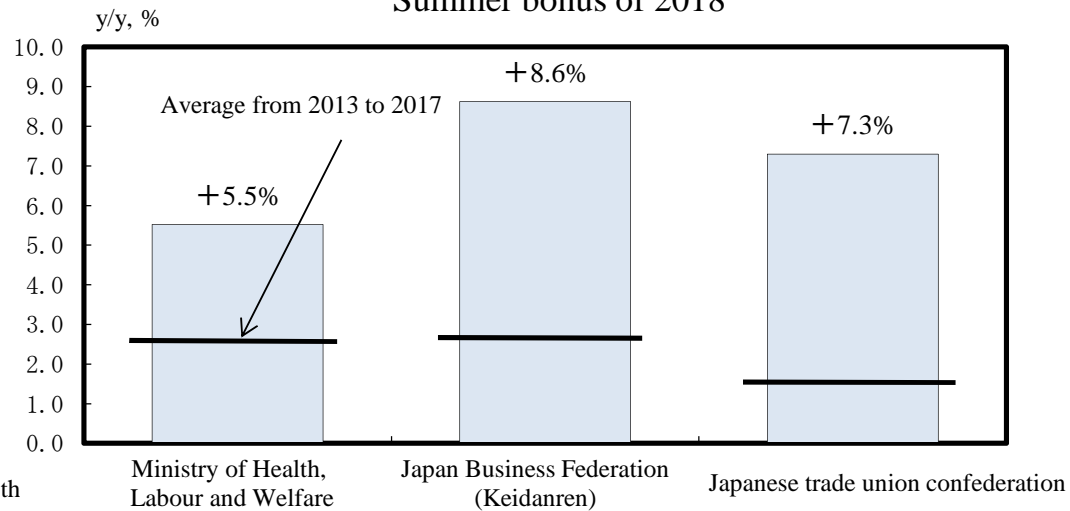
Source: Ministry of Economy, Trade and Industry.

Travel



Source: Railway Passenger Association.

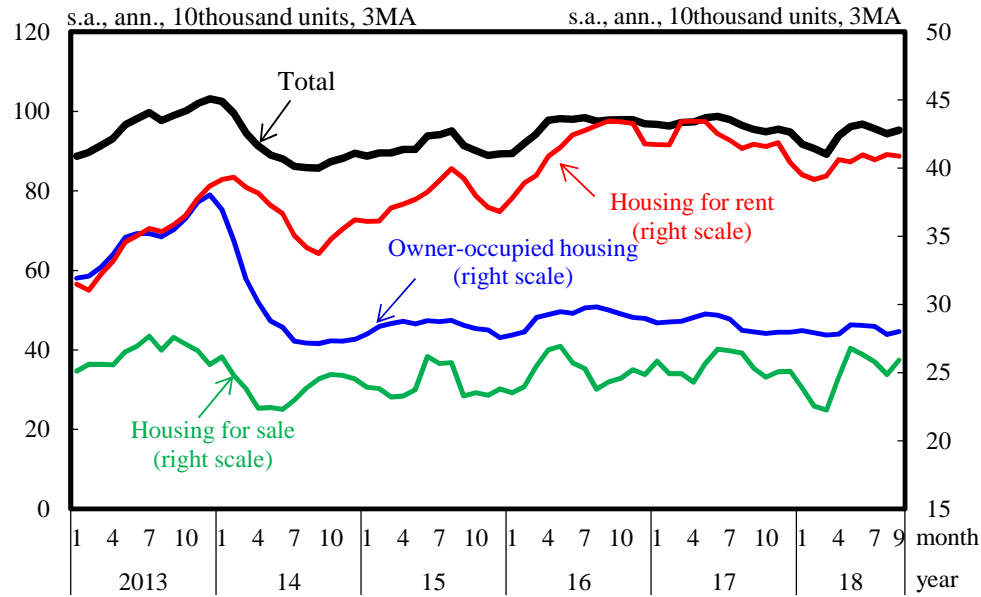
Summer bonus of 2018



Sources: Ministry of Health, Labour and Welfare; Japan Business Federation; Japanese trade union confederation.

Housing Construction

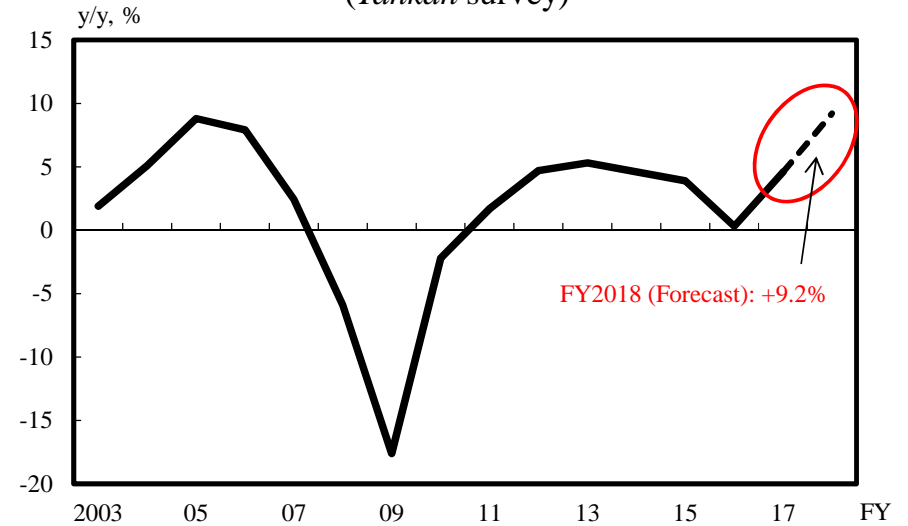
Housing construction starts



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

Business Investment

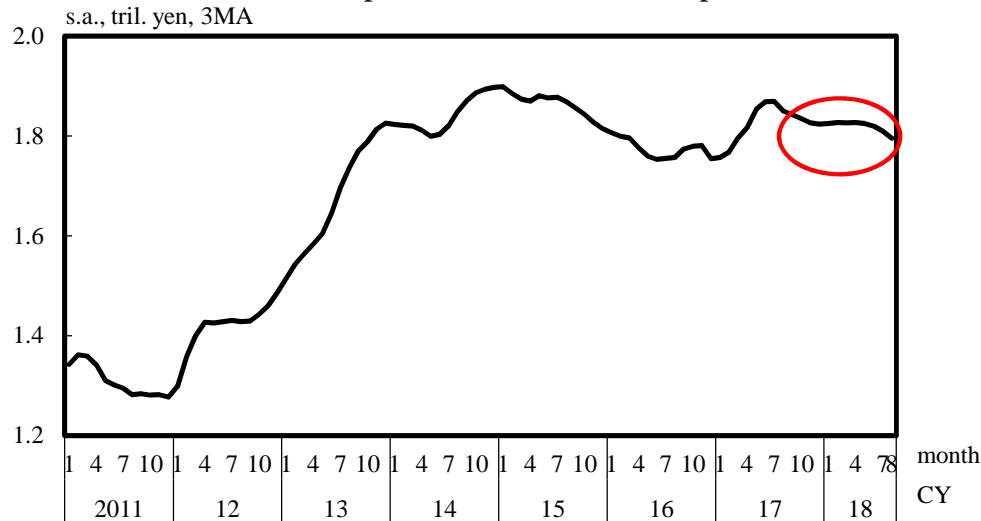
Business investment (Tankan survey)



Source: Bank of Japan.

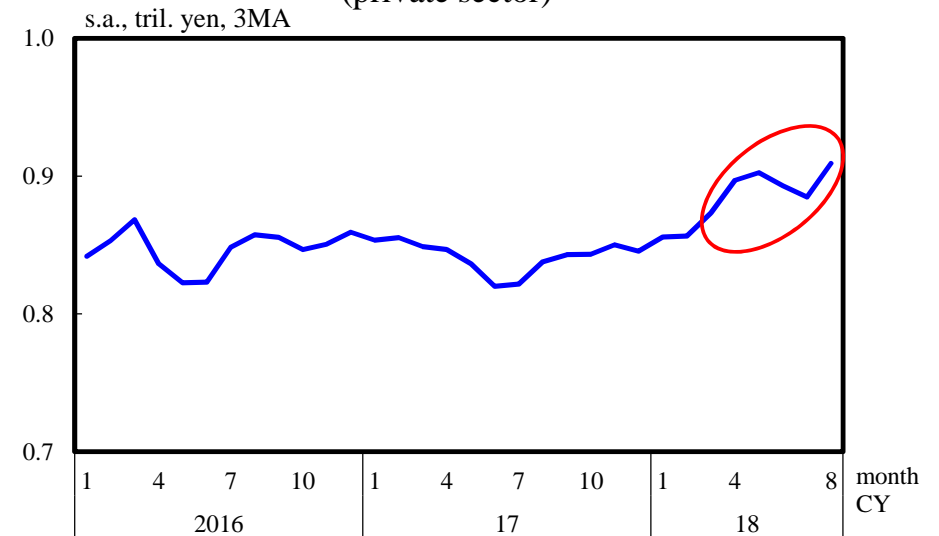
Public investment

Amount of public construction completed



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

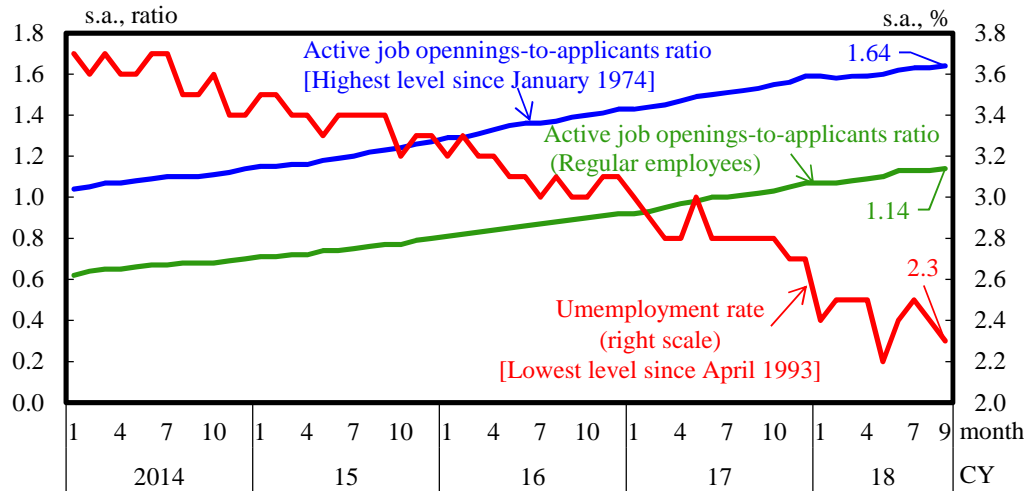
Machinery orders (private sector)



Source: Cabinet Office.

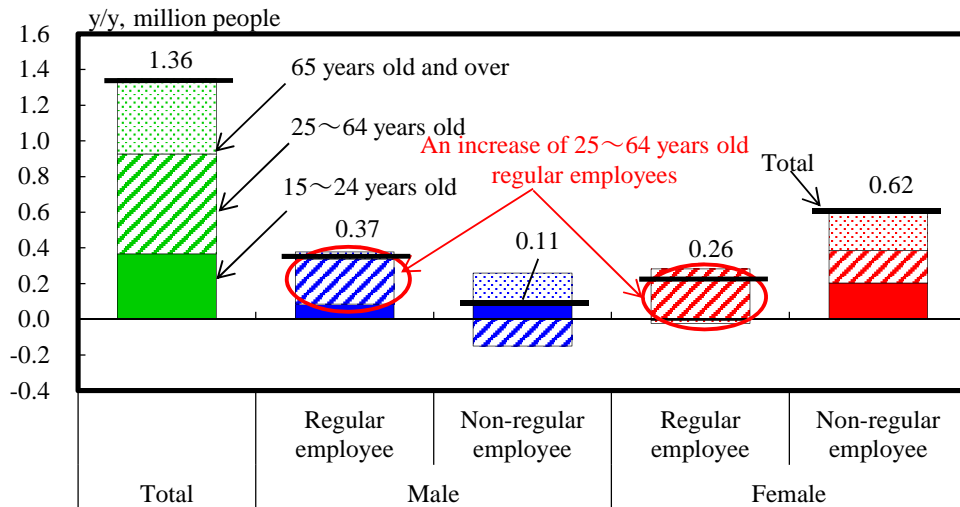
Employment situation

Unemployment rate and active job openings-to-applicants



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

Year-on-year increase of the number of employees (Average from April to September)

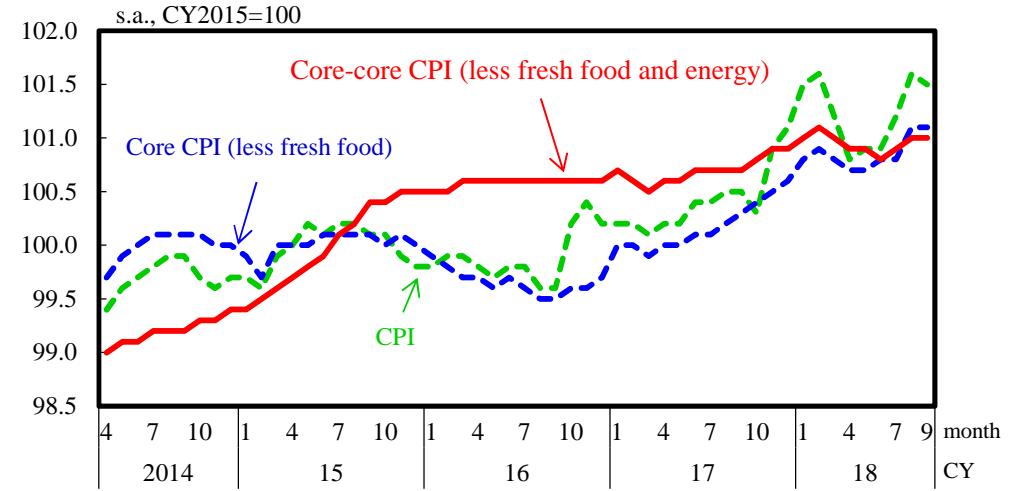


Note: Employees exclude executives.

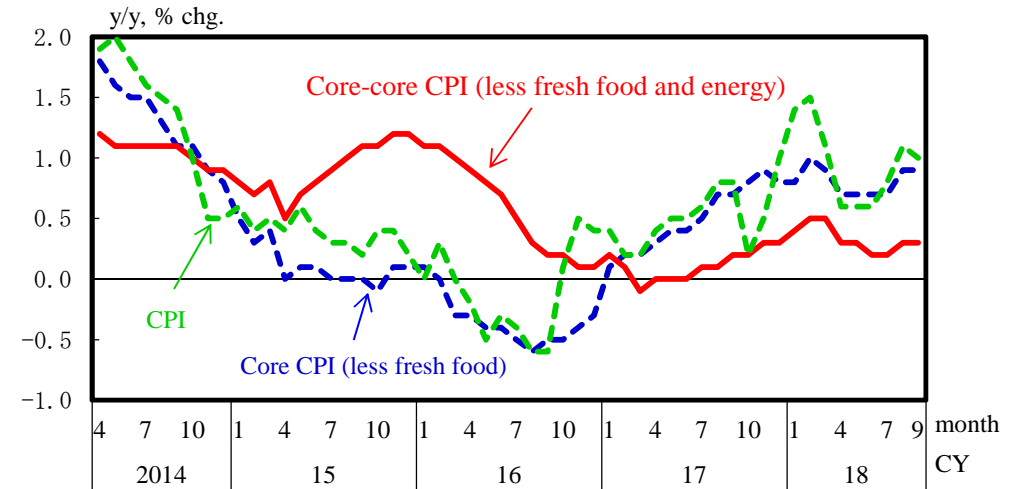
Sources: Ministry of Internal Affairs and Communications.

Prices

CPI (Consumer Price Index)



CPI (excluding impact of a consumption tax increase)



Source: Ministry of Internal Affairs and Communications.