

Recent Economic Developments

February 6, 2019

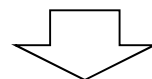
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

November

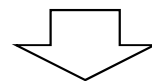
The Japanese economy is recovering at a moderate pace.



December

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(Unchanged)



January

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(Unchanged)

<Assessments of the current state of the Japanese economy>

	November	December	January
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is increasing.	Unchanged	Unchanged
Exports	Exports are almost flat.	Unchanged	Exports are in a weak tone recently. (↓)
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	Consumer prices are flat recently.

Note: ↓ denotes downward revision.

<Short-term prospects>

November

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.

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

<Policy stance>

(January)

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.

Futhermore, 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 implement the FY2018 first supplementary budget swiftly and steadily, and work for early passage of the FY2018 second supplementary budget, the FY2019 budget including the temporal and special measures 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.

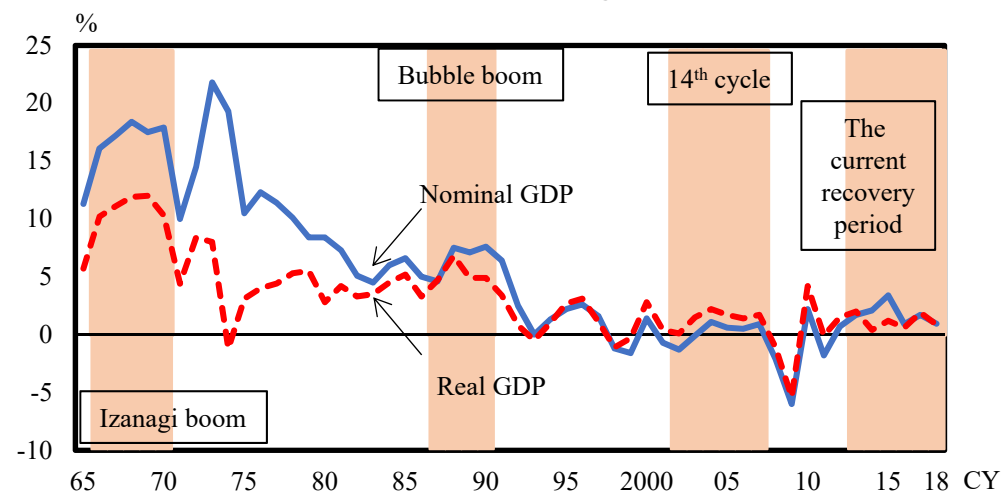
The Government presented the "Fiscal 2018 Economic Outlook and Basic Stance for Economic and Fiscal Management " (January 28th, Cabinet decision).

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

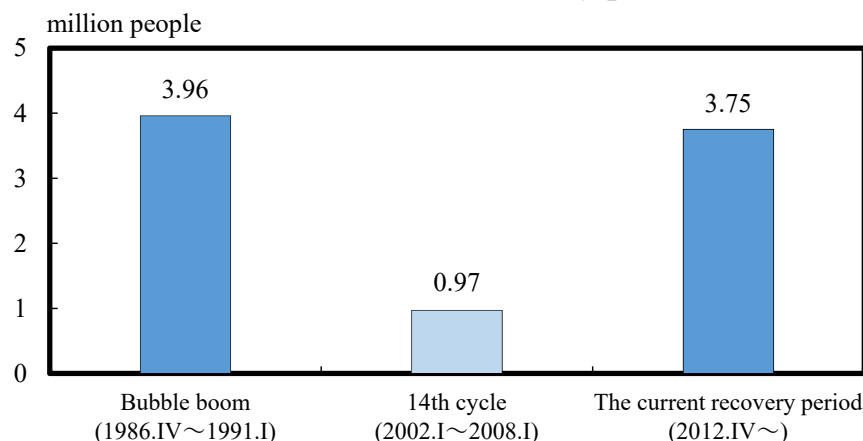
The recovery has continued for 74 months (※), and becomes the longest expansion in history.

※The length of the economic expansion period is officially determined by the Economic and Social Research Institute (ESRI), based on further accumulation of data and the discussion of experts.

Nominal and Real GDP growth rate



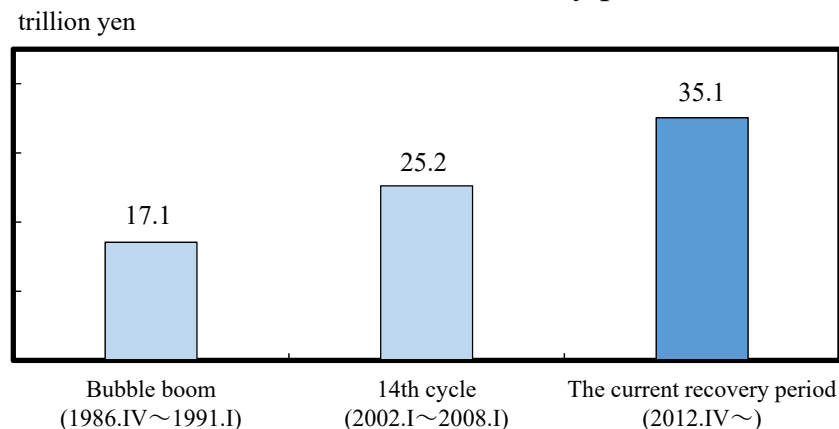
Increase in the number of employed persons in each economic recovery period



GDP growth rate in each economic recovery period (ann., %)

	Period	Nominal	Real
The current recovery period	2012.12~ (74 months※)	1.8	1.2
14 th cycle	2002.2~2008.2 (73 months)	0.4	1.6
6 th cycle (Izanagi boom)	1965.11~1970.7 (57 months)	18.4	11.5
11 th cycle (Bubble boom)	1986.12~1991.2 (51 months)	7.0	5.3

Increase in corporate profits in each economic recovery period



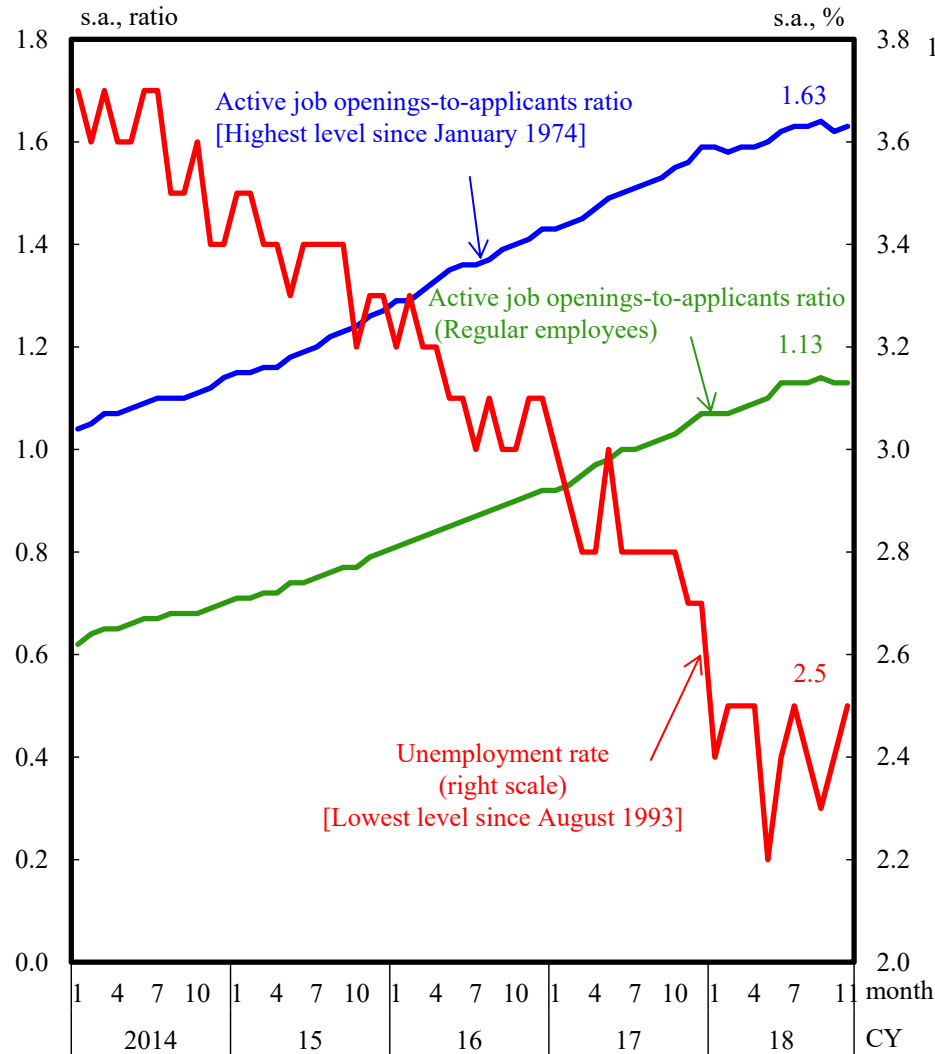
※The length of the economic expansion period is officially determined by the Economic and Social Research Institute (ESRI), based on further accumulation of data and the discussion of experts.

Source: Cabinet Office.

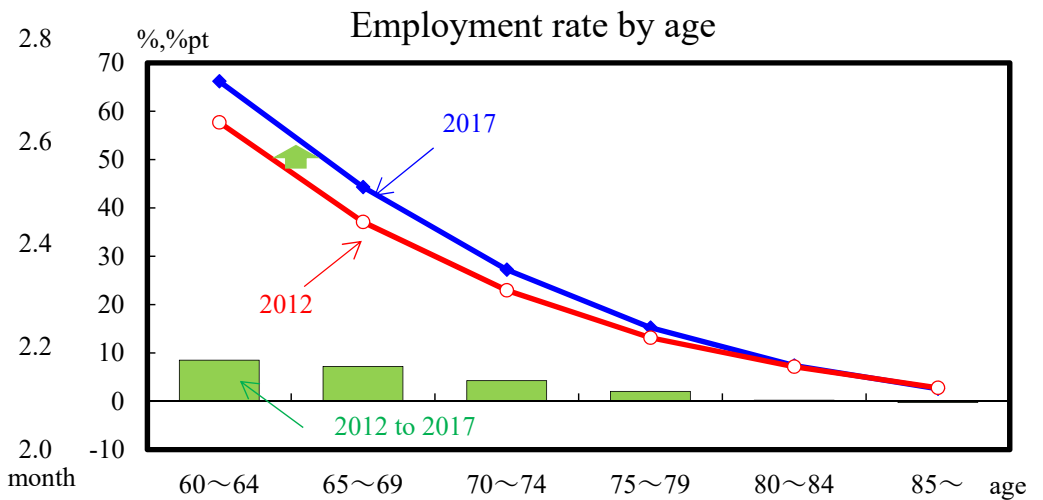
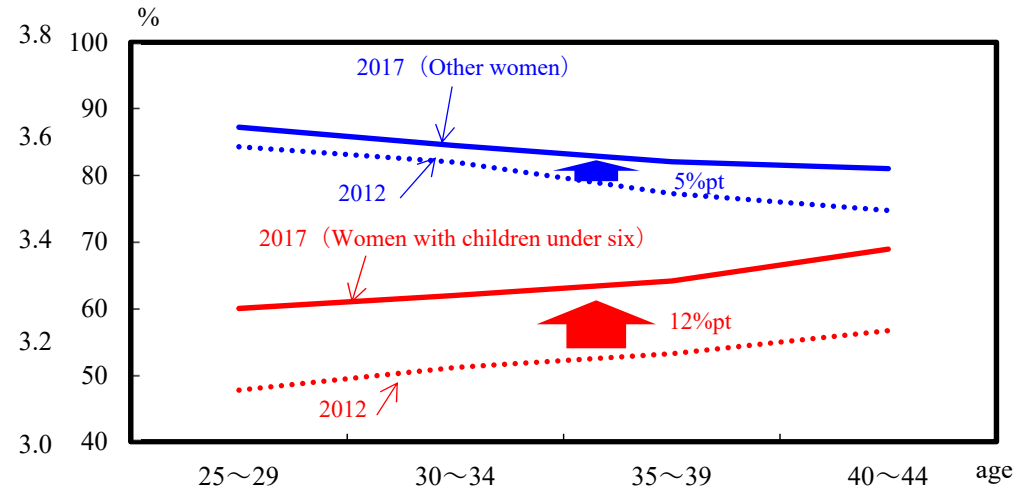
Sources: Ministry of Internal Affairs and Communications; Ministry of Finance.

— Employment situation — As the employment situation steadily improves, more women and elderly people participate in the labor market.

Unemployment rate and active job openings-to-applicants ratio



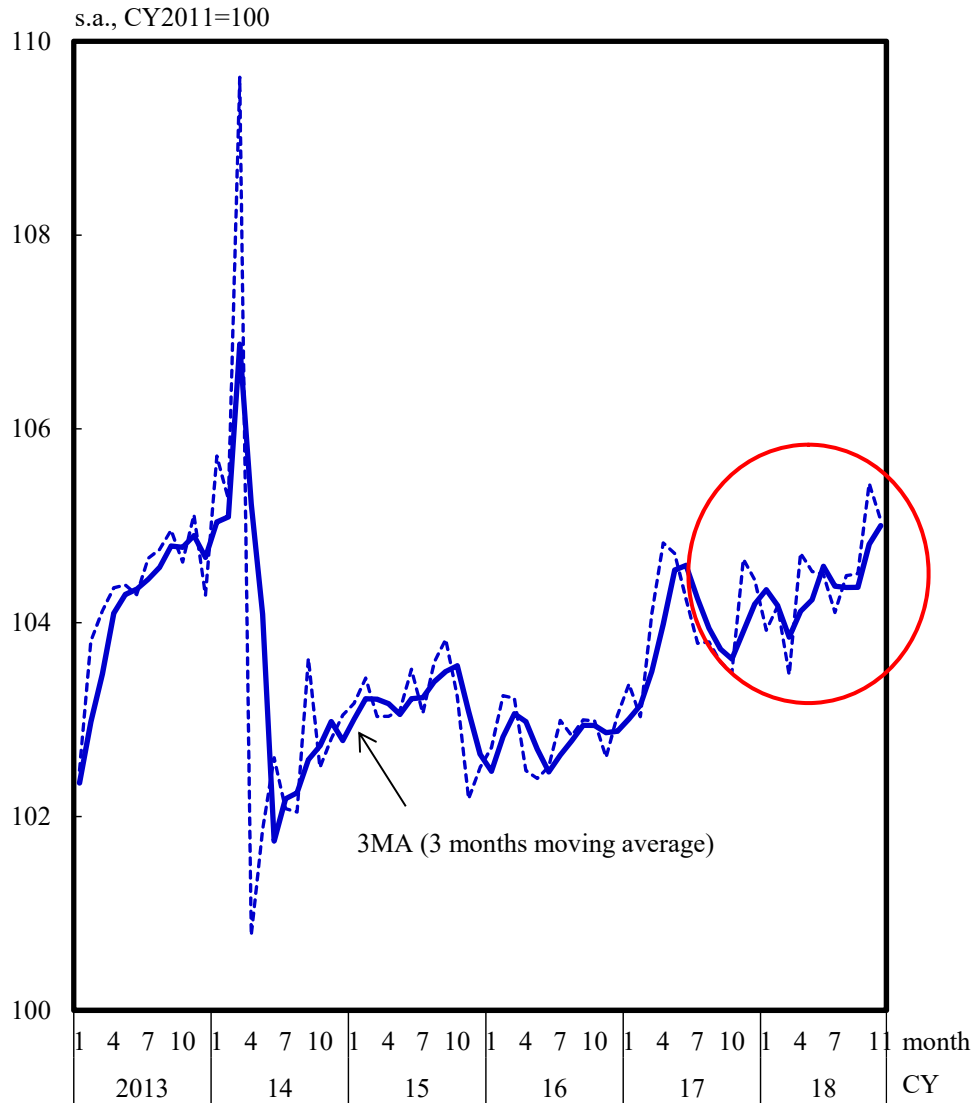
Women's employment rate and childcare



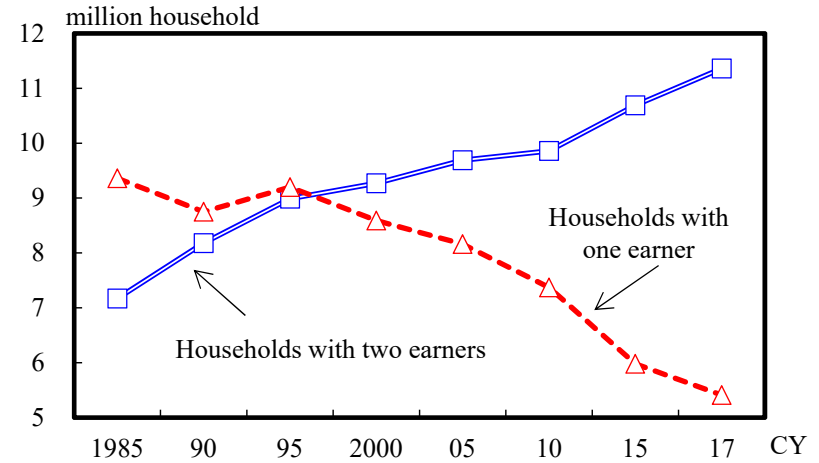
Sources: Ministry of Internal Affairs and Communications "Labour Force Survey", "Employment Status Survey"; Ministry of Health, Labour and Welfare "Employment Referrals for General Workers".

—Private Consumption— Private Consumption is picking up. Households with two earners tend to increase, and their consumption on education, cooked meals and eating out has increased.

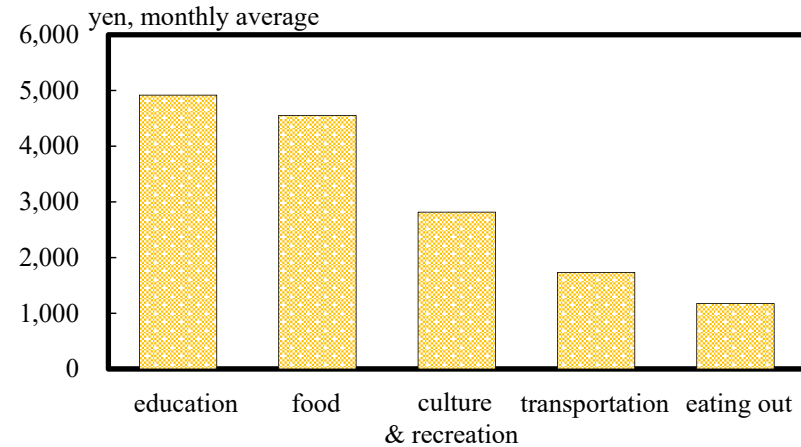
Synthetic consumption index (Real)



Households with two earners of working-age generation are increasing

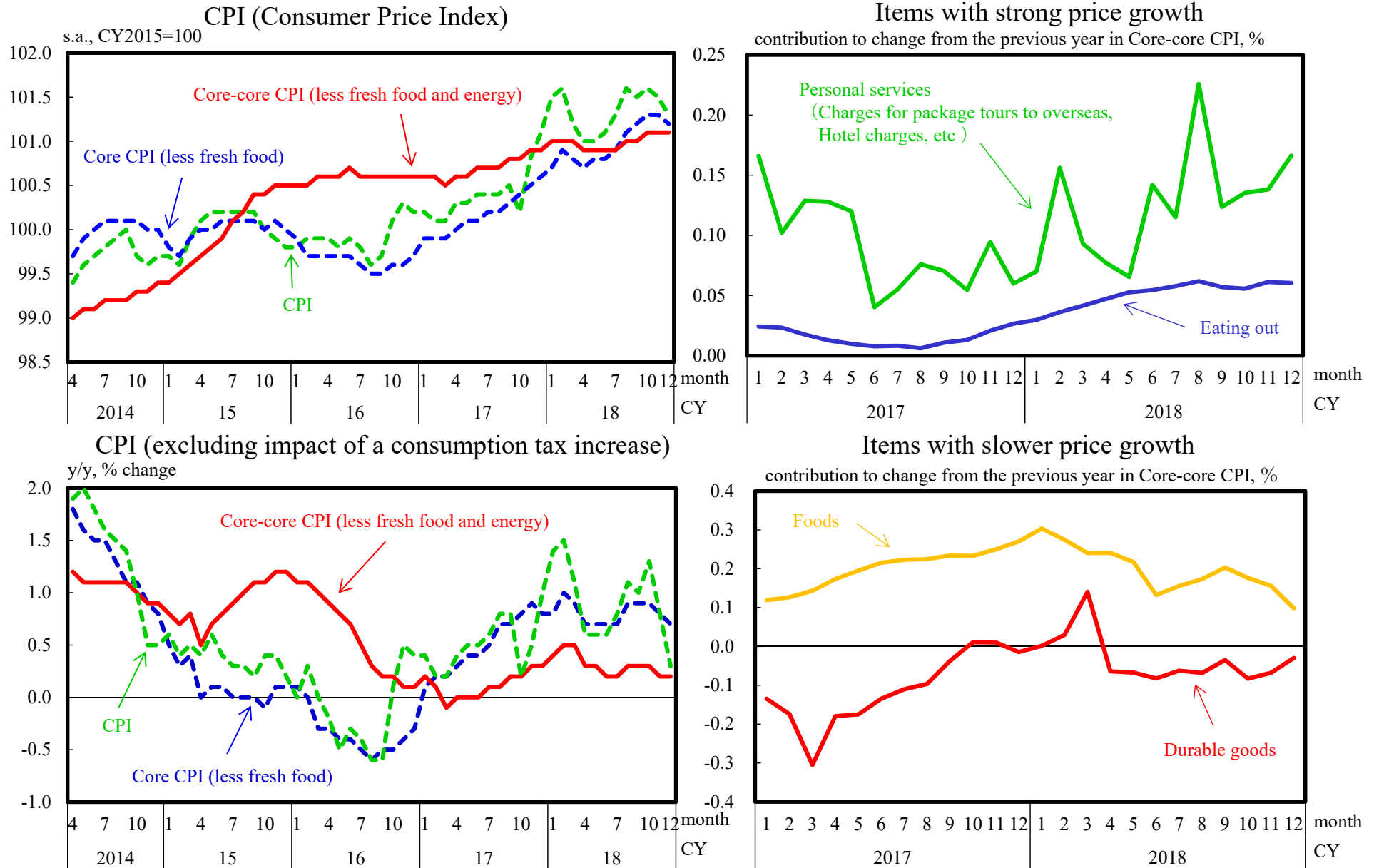


Increase in consumption when a one-earner couple becomes dual-earning



Sources: Cabinet Office; Keio University; Ministry of Internal Affairs and Communications.

— Consumer prices — **Consumer prices are flat as a whole in recent months, though prices in personal services and eating out have risen.**

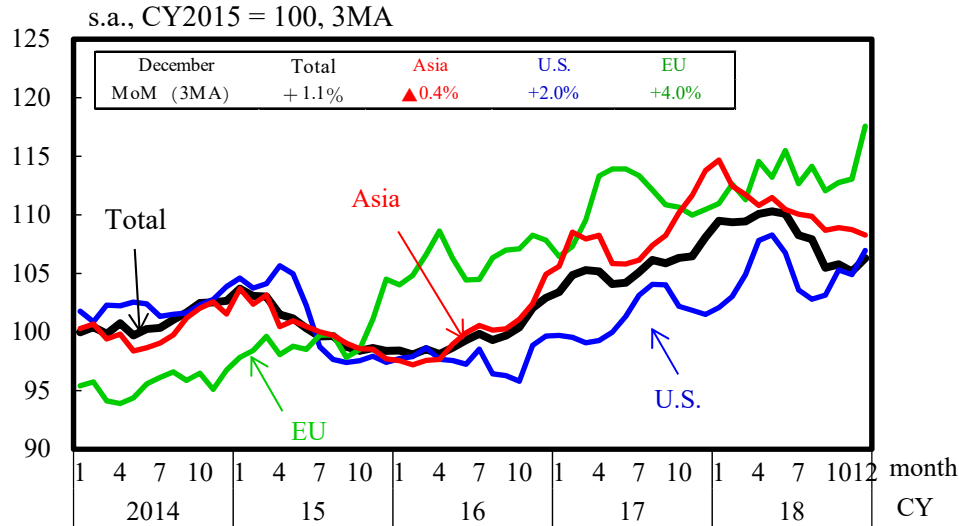


Note: Personal services exclude mobile phone charges.
Source: Ministry of Internal Affairs and Communications.

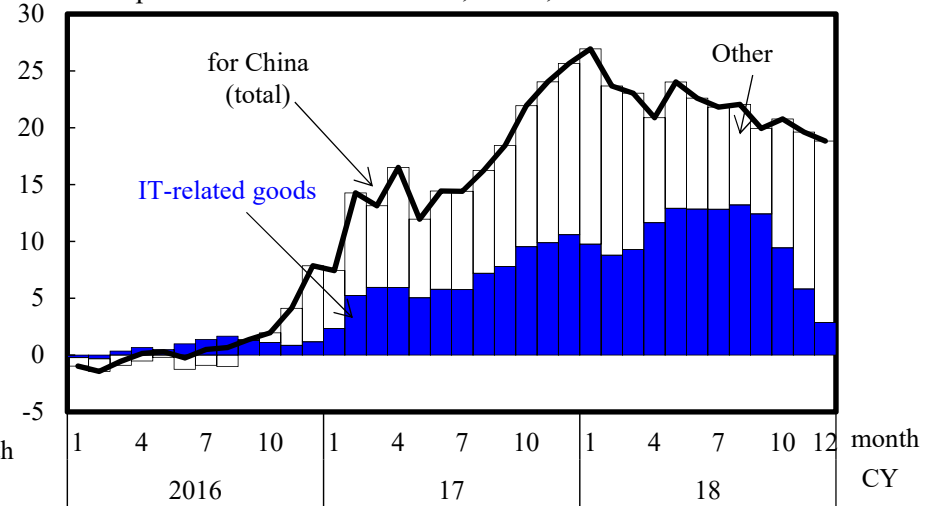
— Exports —

**Exports are in a weak tone in recent months mainly due to IT-related goods.
Exports to China are weaker and machine tools orders have decreased.**

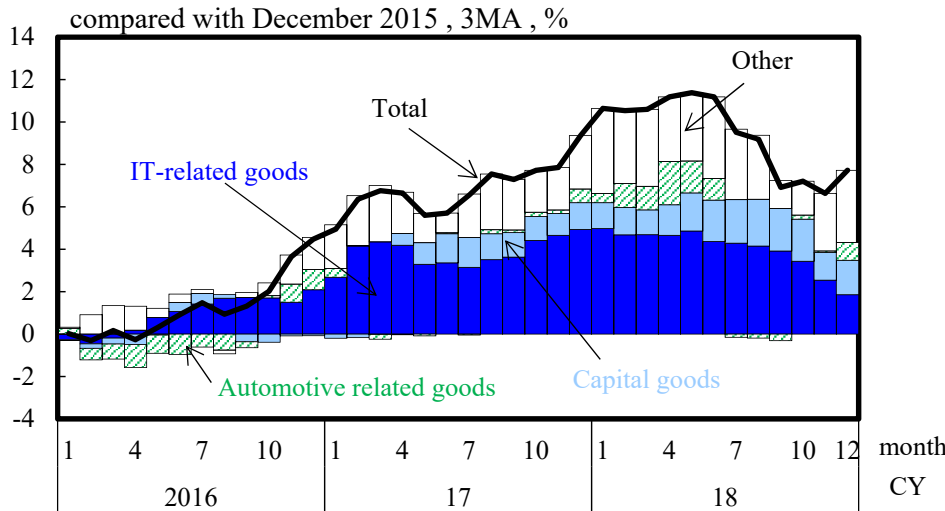
Exports volume index by region



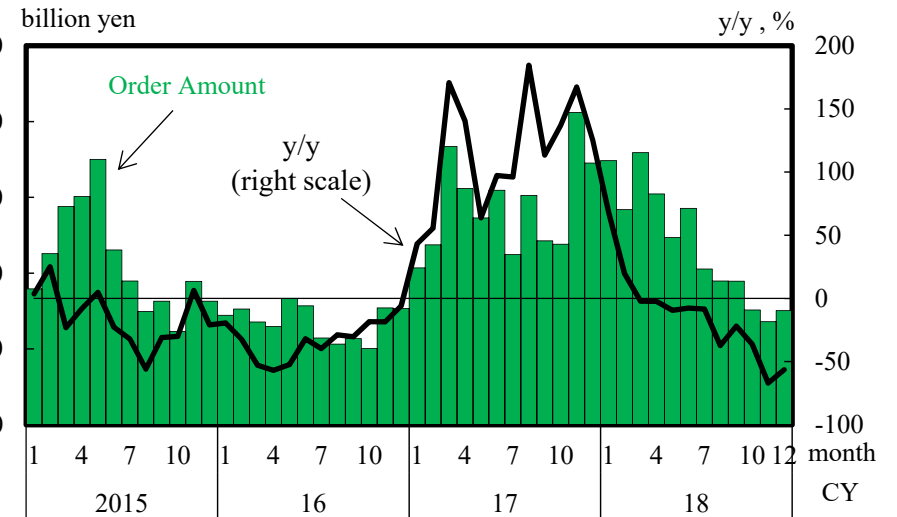
Exports volume index for China compared with December 2015, 3MA, %



Exports volume index by goods compared with December 2015, 3MA, %



Machine tools orders from China

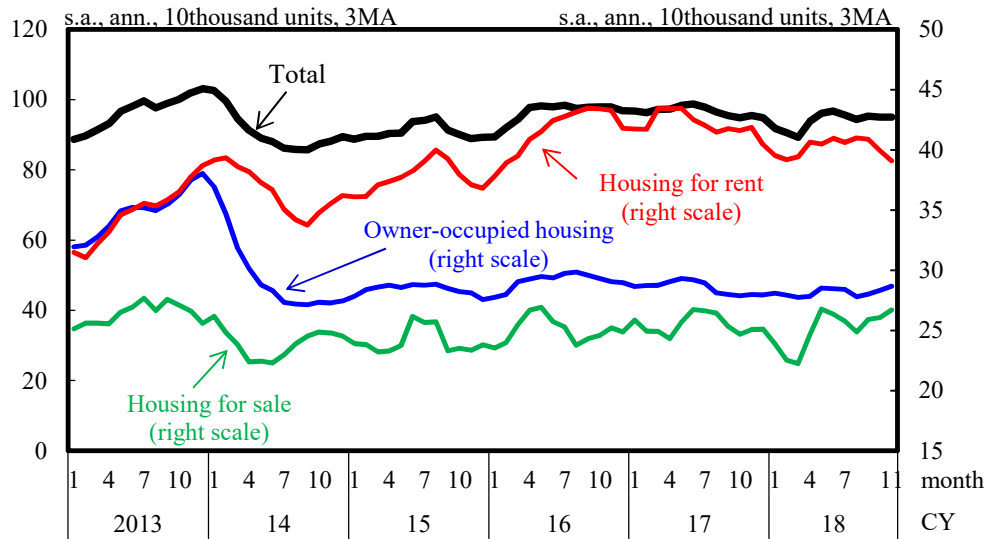


Sources: Ministry of Finance; Japan Machine Tool Builders' Association.

References

Housing Construction

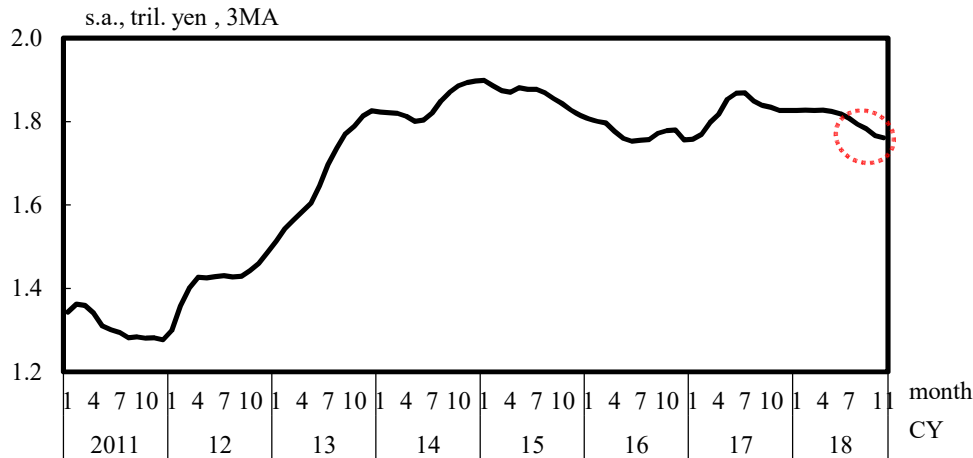
Housing construction starts



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

Public Investment

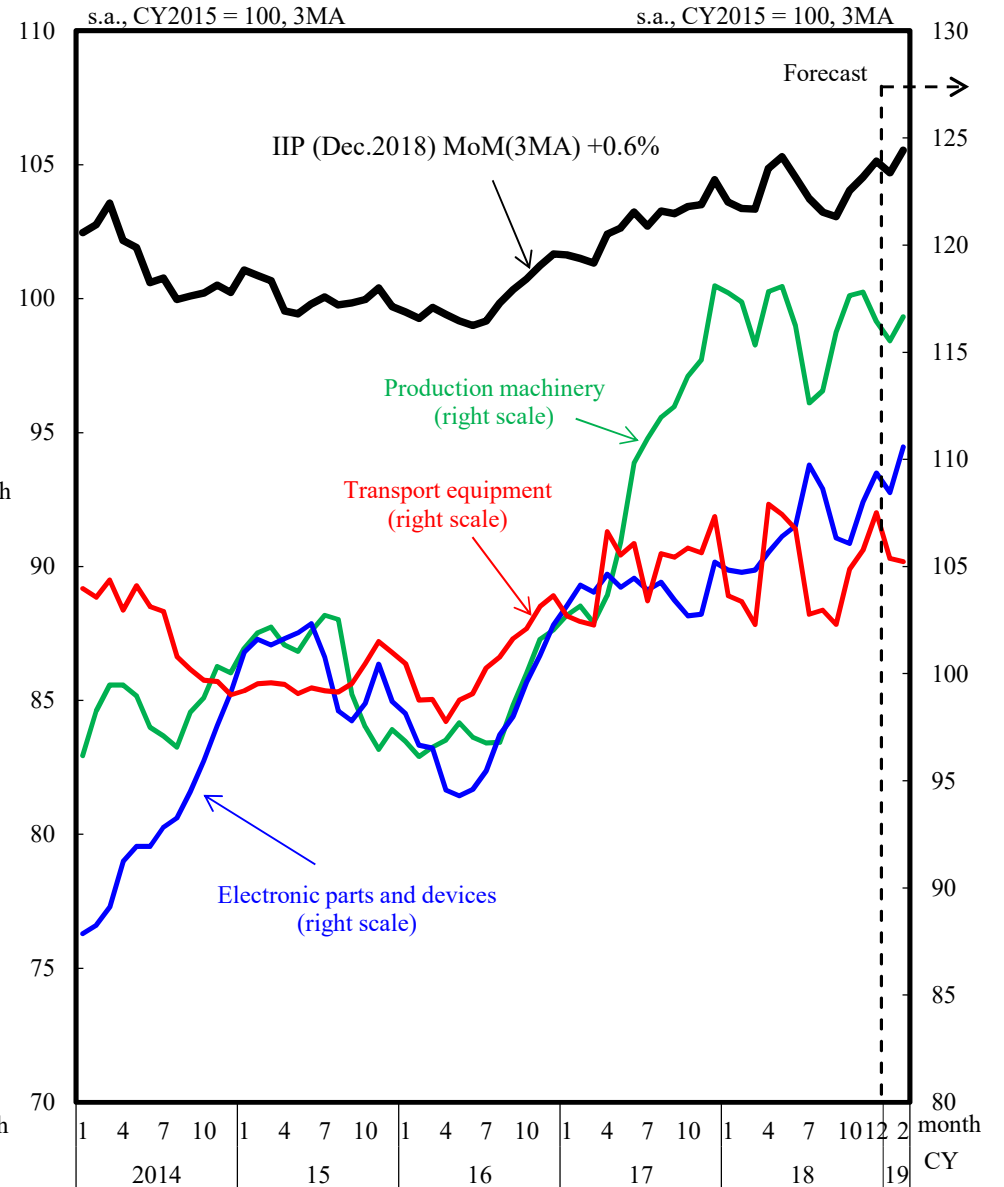
Amount of public construction completed



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

Industrial Production

Production by industry



Source: Ministry of Economy, Trade and Industry.