

# **Recent Economic Developments**

**March 28, 2019**

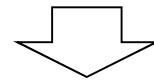
**Cabinet Office  
Government of Japan**

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<Assessments of the current state of the Japanese economy>

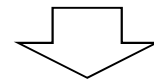
January

The Japanese economy is recovering at a moderate pace.



February

The Japanese economy is recovering at a moderate pace.



March

The Japanese economy is recovering at a moderate pace while weakness is seen recently in exports and industrial production in some sectors.

**(Unchanged)**

**(Changed)**

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

	January	February	March
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is increasing.	Unchanged	Unchanged
Exports	Exports are in a weak tone recently.	Unchanged	Unchanged
Industrial production	Industrial production is increasing moderately.	Industrial production is increasing moderately, while weakness can be seen in some areas. ( ↓ )	Industrial production is almost flat and weakness is seen in some sectors. ( ↓ )
Corporate profits	Corporate profits are improving.	Corporate profits improvement appears to be pausing, although they remain at a high level. ( ↓ )	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 flat recently.	Unchanged	Consumer prices are flat.

Note: ↓ denotes downward revision.

## <Short-term prospects>

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.

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

March

Weakness remains for the time being in some areas, but 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 prospect of the Chinese economy, the uncertainty of situations and policies in overseas economies and the effects of fluctuations in the financial and capital markets.

## <Policy stance>

(March)

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 implement the FY2018 first and second supplementary budget swiftly and steadily, and work for early passage of 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.

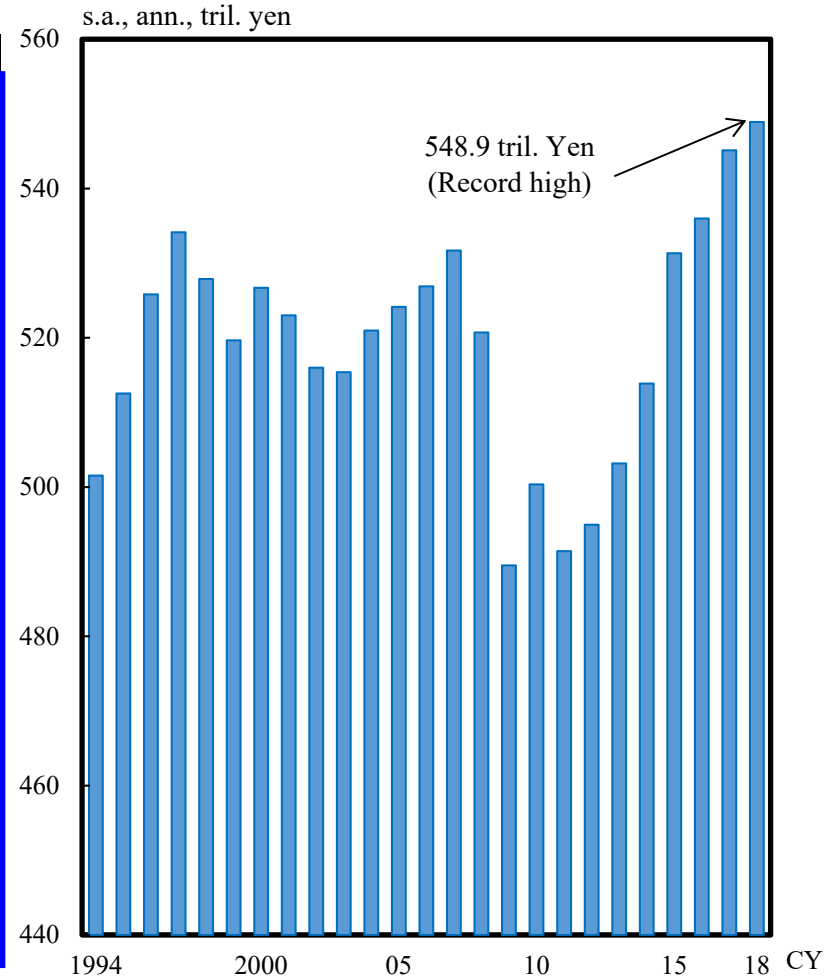
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

# GDP: Oct. –Dec. 2018 (Second Preliminary)

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

Nominal GDP

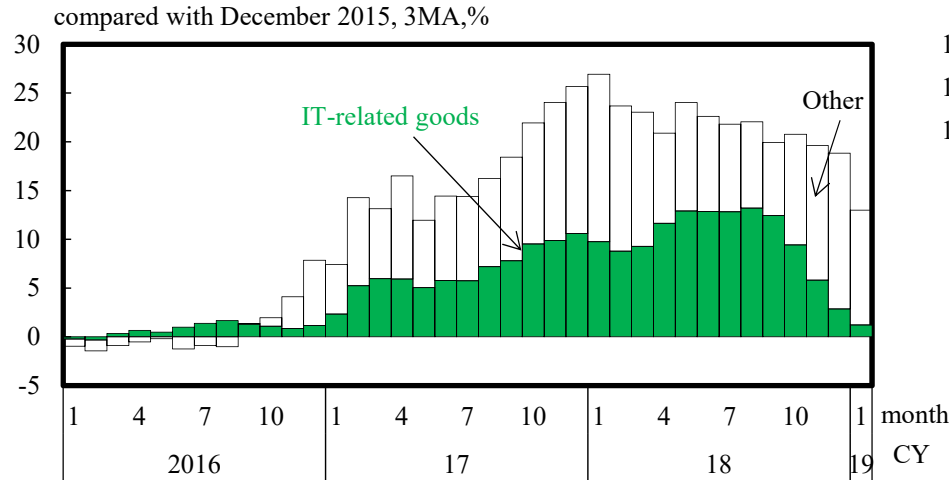
	CY2017	CY2018	2017	2018				%
			IV Oct. - Dec.	I Jan. - Mar.	II Apr. - Jun.	III Jul. - Sep.	IV Oct. - Dec.	
Real GDP growth rate [at annual rate]	1.9	0.8	0.4 [1.6]	-0.1 [-0.4]	0.5 [1.9]	-0.6 [-2.4]	<b>0.5</b> <b>[1.9]</b>	
Domestic Demand (Contributions)	(1.3)	(0.8)	(0.4)	(-0.2)	(0.6)	(-0.5)	(0.8)	
Private Demand (Contributions)	(1.2)	(0.8)	(0.4)	(-0.2)	(0.6)	(-0.4)	(0.7)	
Private Consumption	1.1	0.4	0.5	-0.2	0.6	-0.2	0.4	
Private Non-Resi. Investment	3.9	3.9	0.7	1.0	2.5	-2.6	2.7	
Private Residential Investment	2.1	-5.7	-3.2	-2.0	-2.0	0.6	1.1	
Changes in Private Inventories (Contributions)	(-0.0)	(0.2)	(0.1)	(-0.1)	(-0.1)	(0.1)	(0.0)	
Public Demand (Contributions)	(0.1)	(-0.0)	(0.0)	(-0.0)	(-0.0)	(-0.1)	(0.1)	
Public Investment	0.7	-3.2	-0.1	-0.7	-0.7	-2.3	-1.7	
Net Exports (Contributions)	(0.6)	(0.0)	(0.0)	(0.1)	(-0.1)	(-0.1)	(-0.3)	
Exports	6.8	3.1	2.2	0.4	0.4	-1.4	1.0	
Imports	3.4	3.3	2.3	0.0	1.3	-0.7	2.7	
Nominal GDP growth rate	1.7	0.7	0.2	-0.3	0.4	-0.5	0.4	



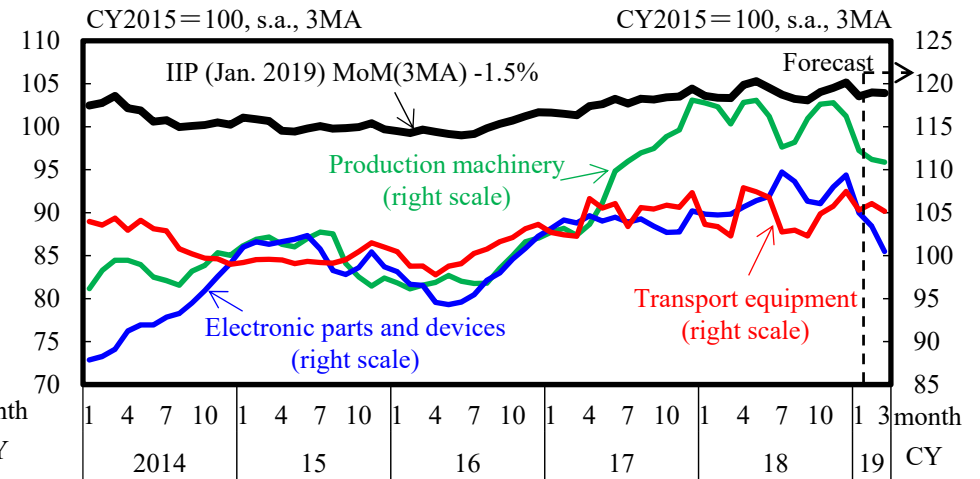
Source: Cabinet Office.

**Due to China's economic slowdown, exports are in a weak tone and weakness is seen in production of some sectors.**

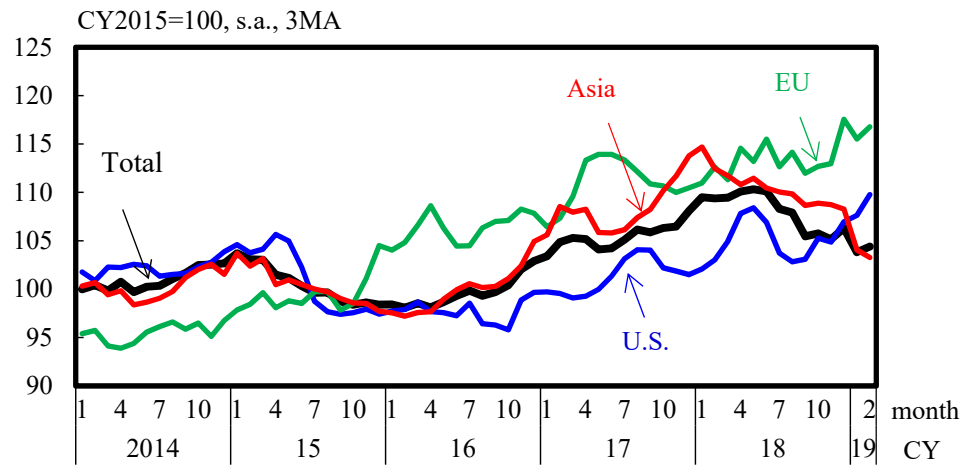
Exports volume index for China



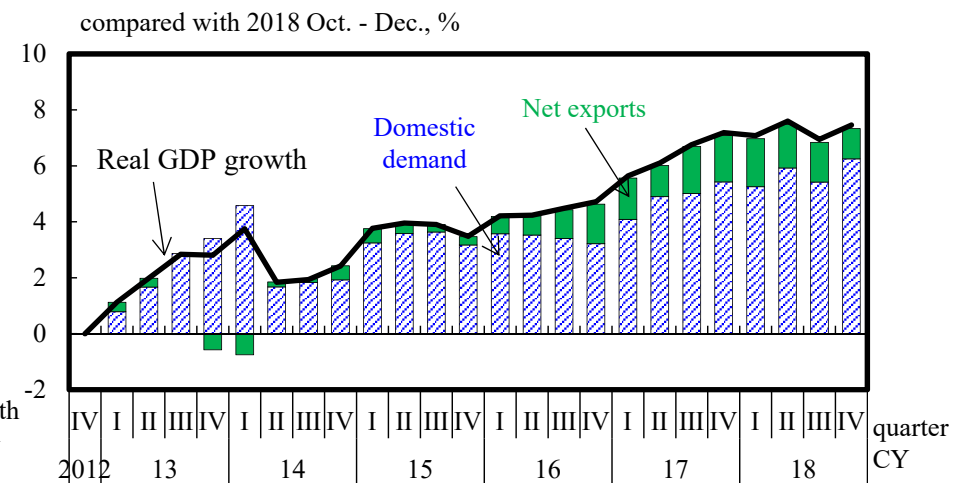
Production by industry



Exports volume index



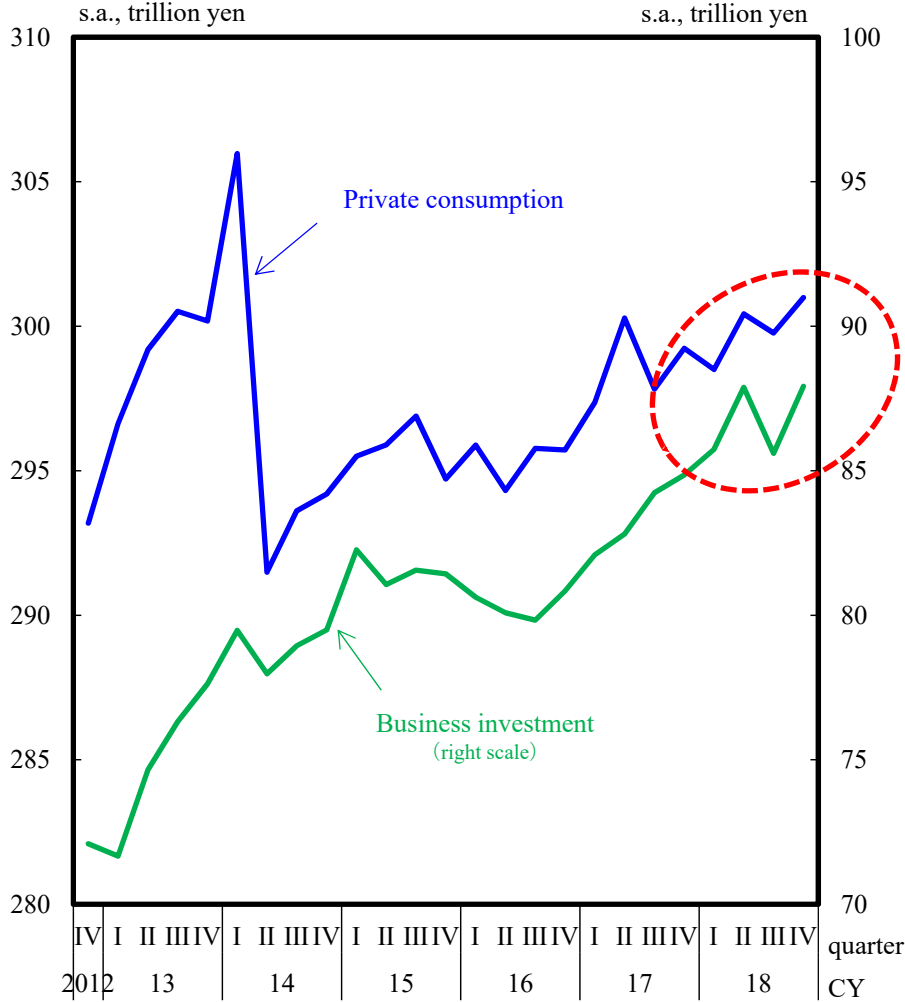
Contribution to real GDP growth



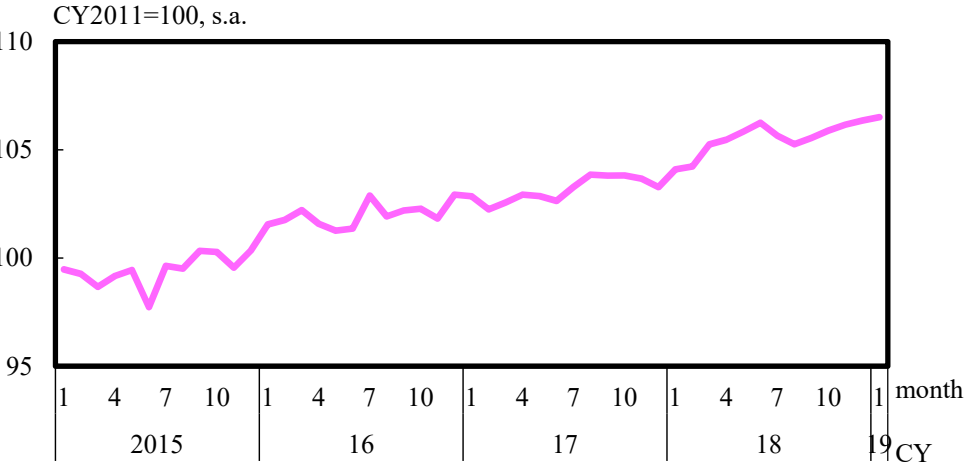
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; Cabinet office.

**The Japanese economy is recovering at a moderate pace, as private consumption and business investment are on the rise.**

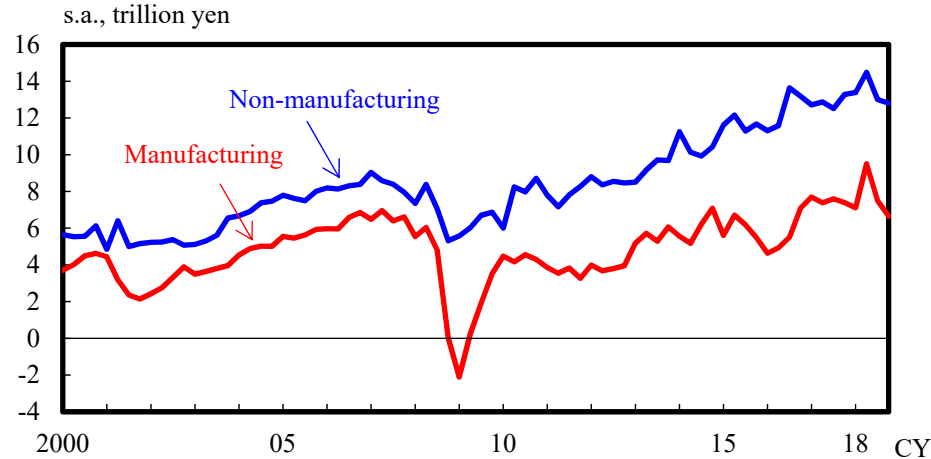
Private consumption and business investment



Real wage income of employees



Corporate profits



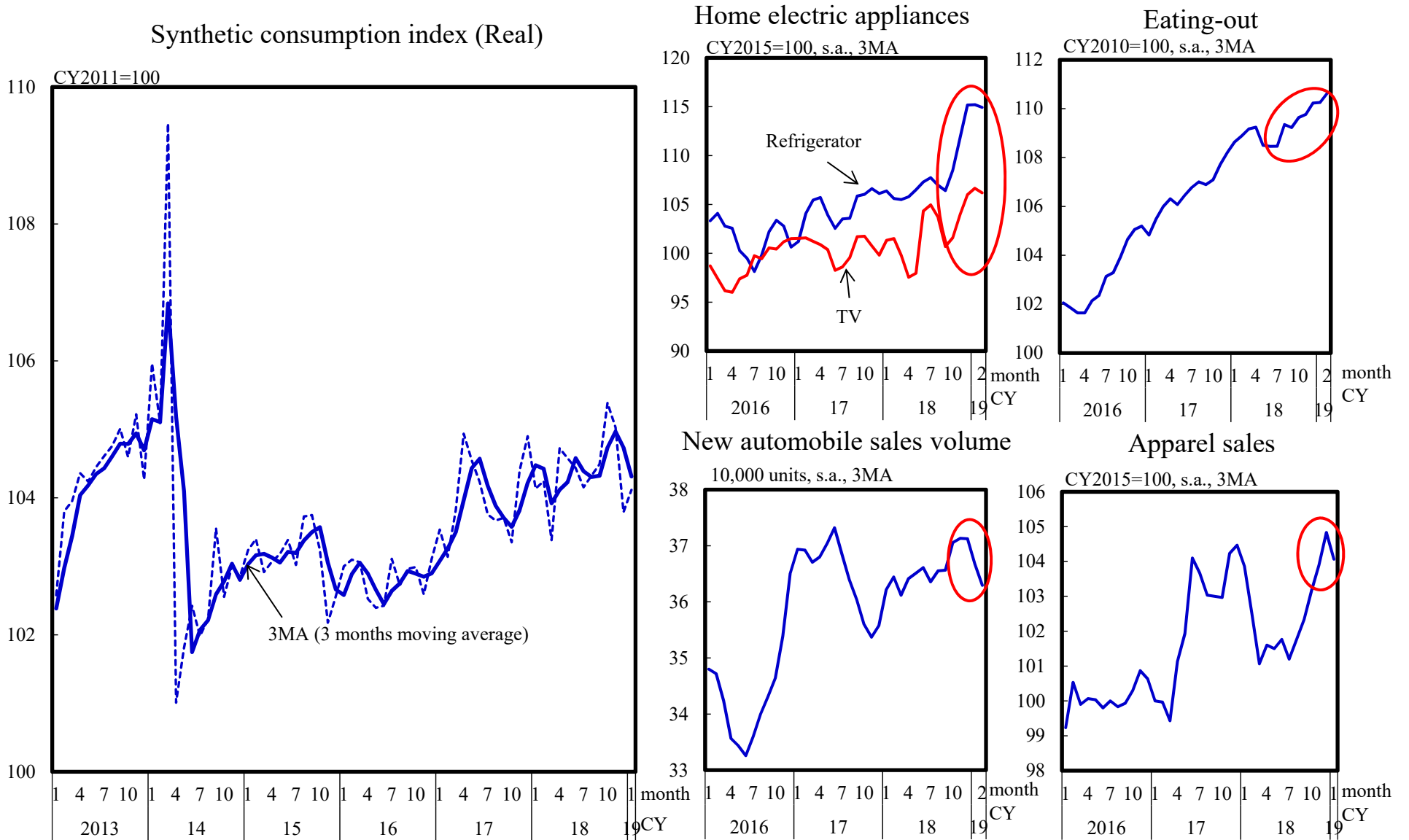
Sources: Cabinet Office; Ministry of Finance.



— Private Consumption —

Private consumption is picking up.

Sales of home electric appliances are rising and outlays for eating-out are increasing moderately.

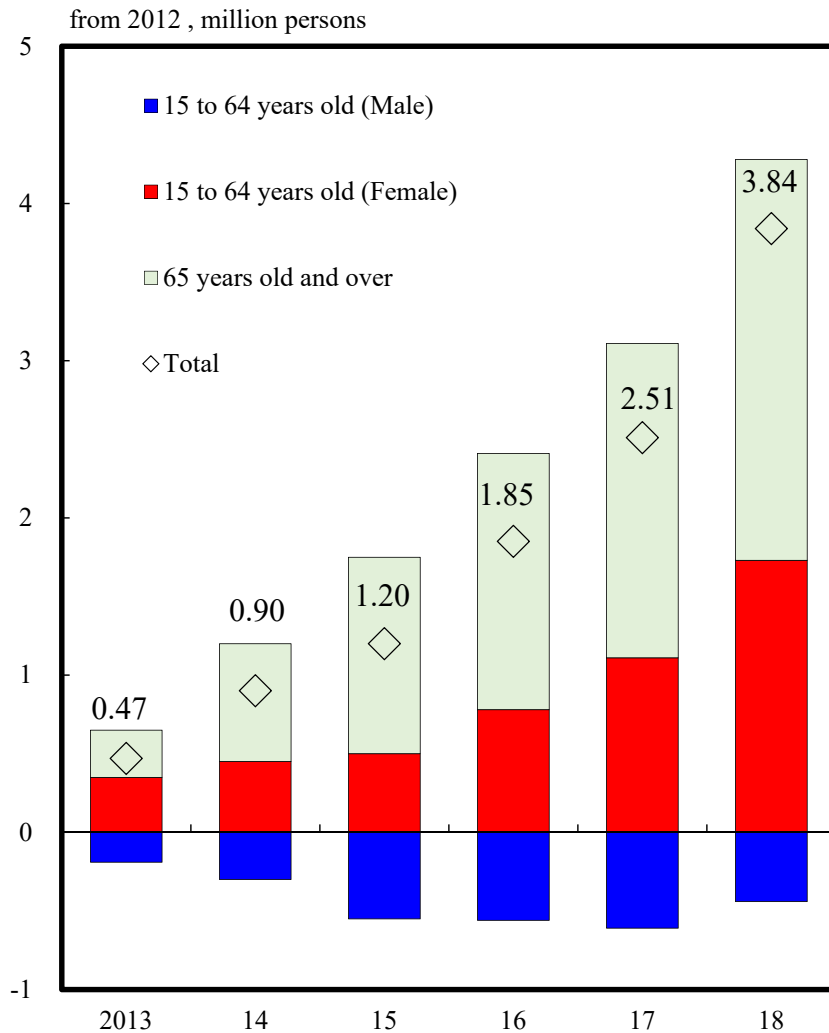


Sources: Cabinet Office; Gfk Japan; Japan Food Service Association; Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association; Ministry of Economy, Trade and Industry.

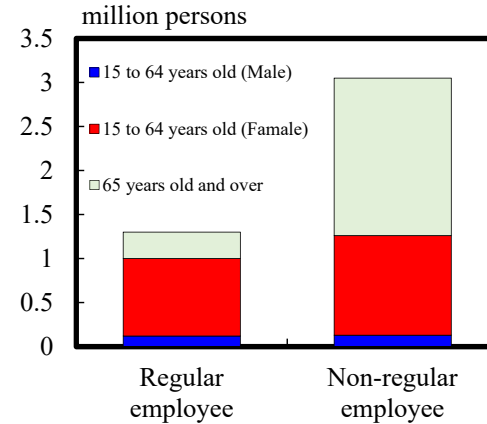
Notes: Automobiles include light motor vehicles. Apparel sales include fabric and accessory sales.

# The employment situation is improving steadily, and the number of employed persons has been increasing significantly.

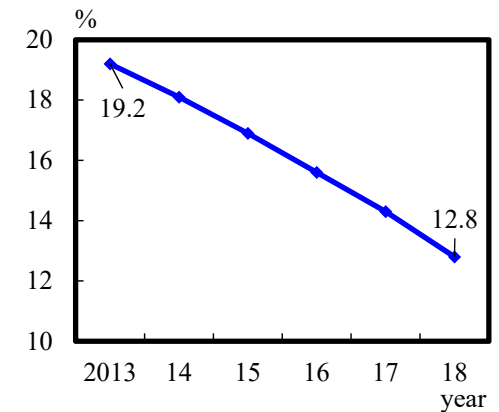
Increase in the number of employed persons



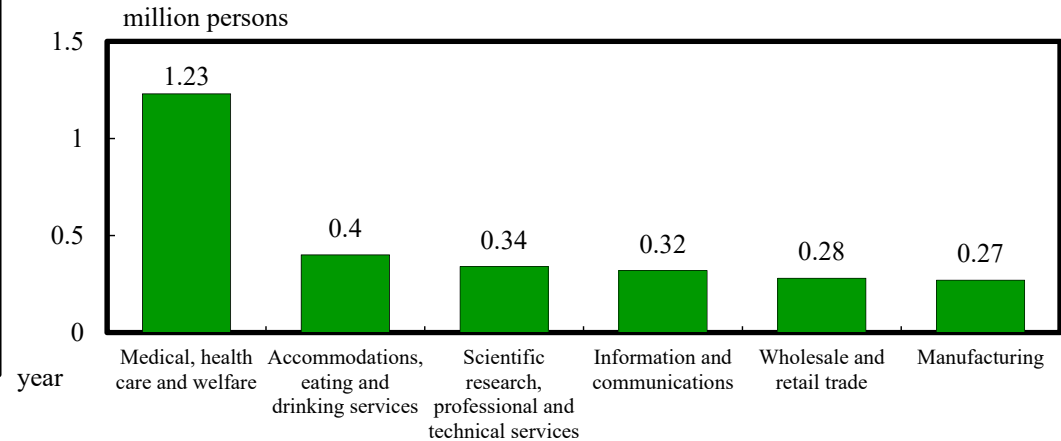
Increase in the number of employees by type of employment (From 2012 to 2018)



Rate of non-regular employees who could not obtain a job as a regular employee



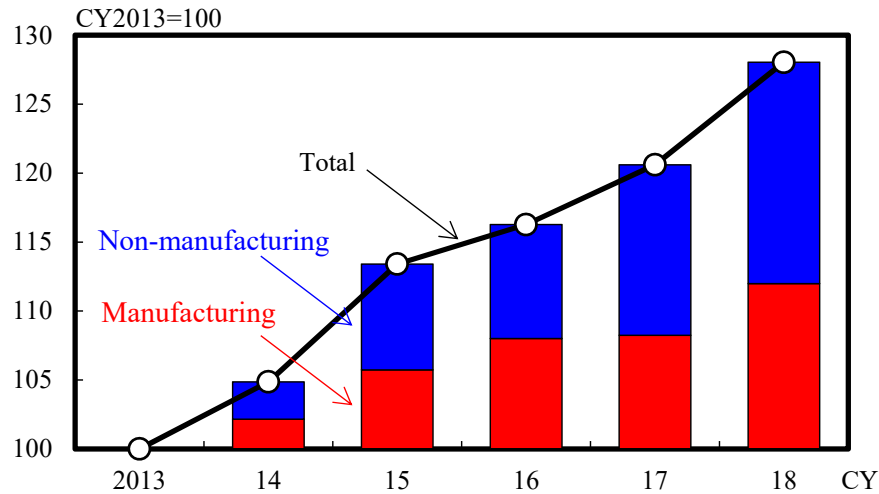
Increase in the number of employed persons by industry (From 2012 to 2018)



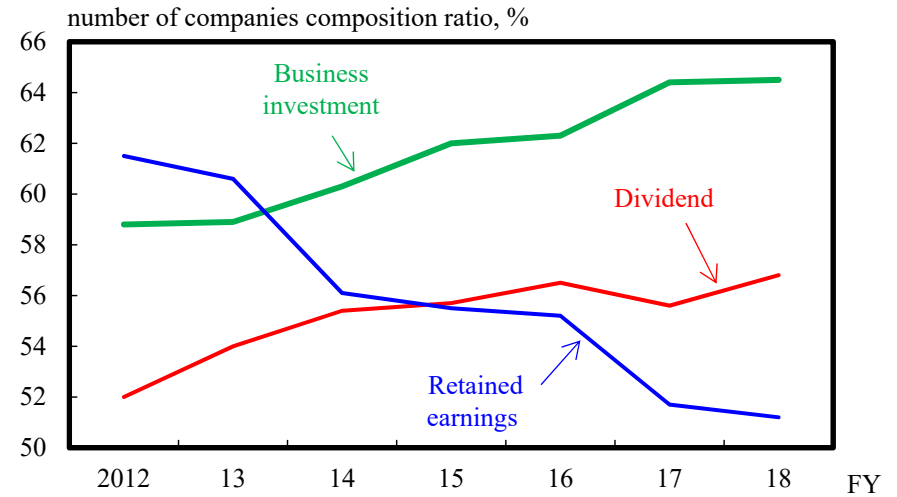
Source: Ministry of Internal Affairs and Communications.

— **Business Investment** — **Business investment is increasing. Investment in structures is expected to increase moderately.**

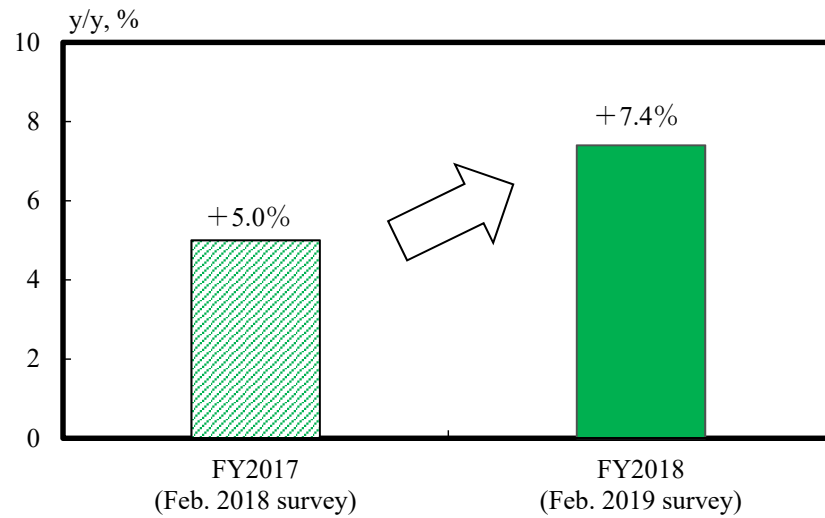
Business investment



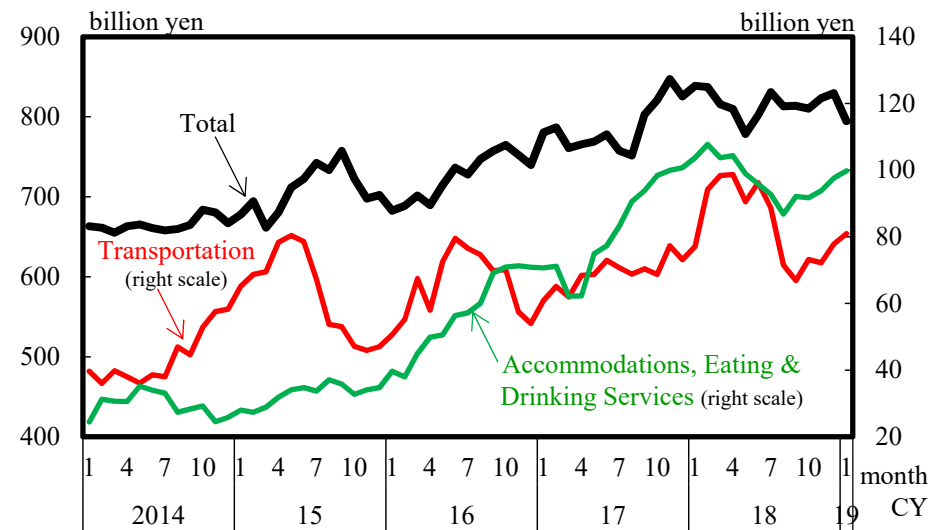
Stance of profit allocation



Business investment plan



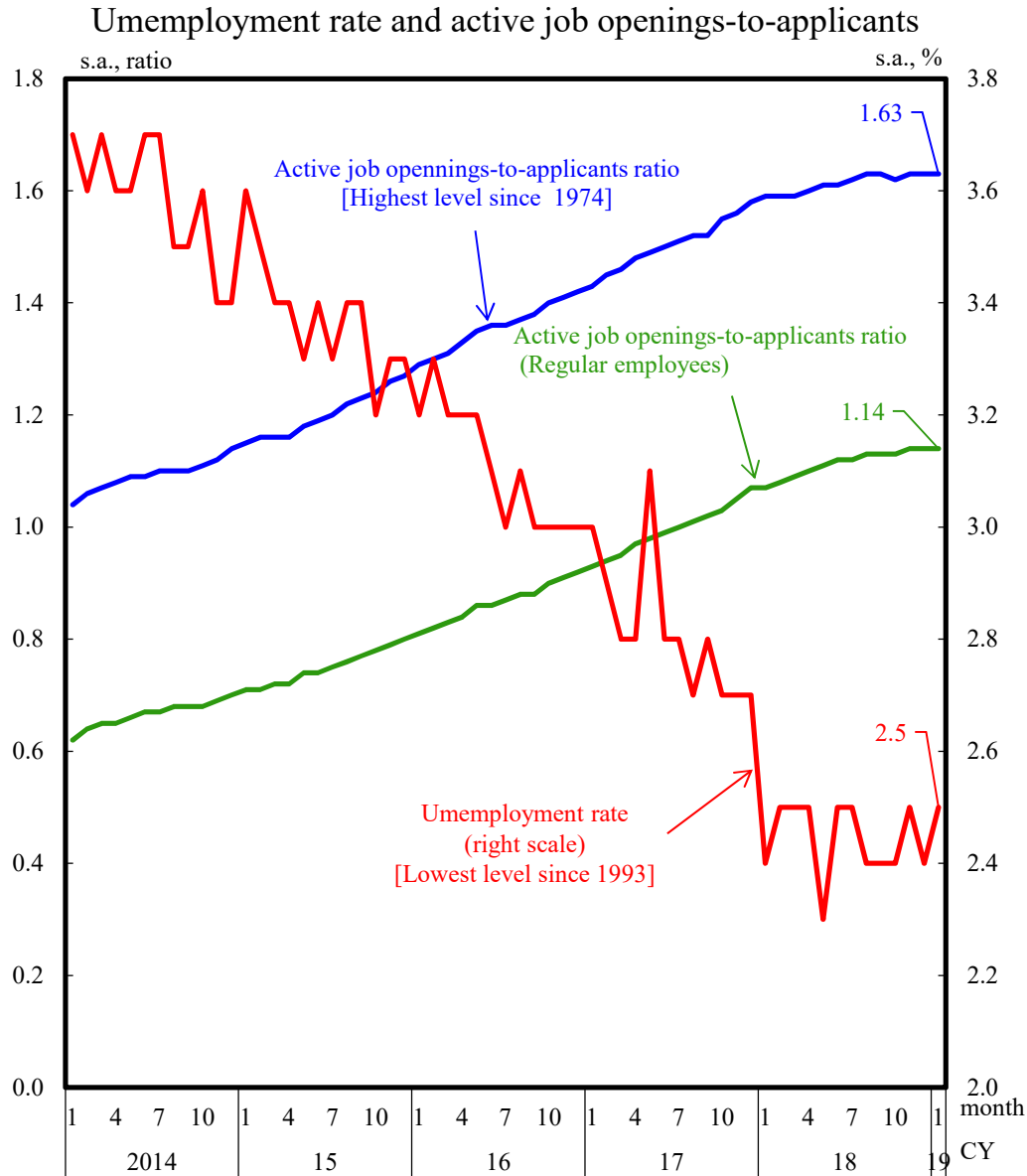
Investment in structures



Sources: Ministry of Finance; Cabinet Office; Ministry of Land, Infrastructure, Transport and Tourism.

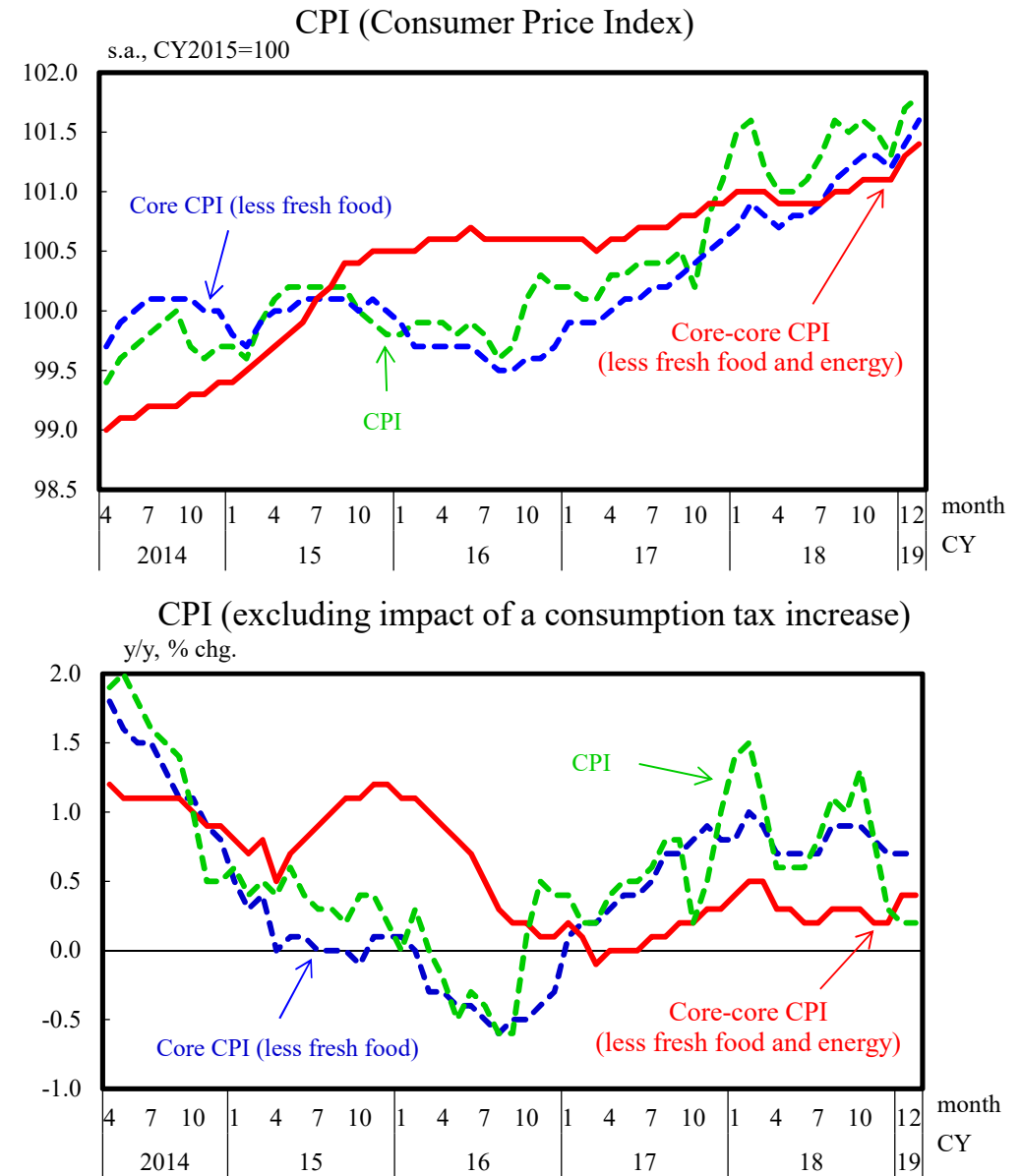
# References

## Employment situation



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

## Prices



Source: Ministry of Internal Affairs and Communications.