

Recent Economic Developments

April 25, 2019

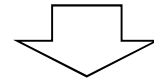
**Cabinet Office
Government of Japan**

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<Assessments of the current state of the Japanese economy>

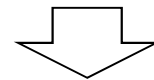
February

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.



(Changed)

April

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

(Unchanged)

<Assessments of the current state of the Japanese economy>

	February	March	April
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, while weakness can be seen in some areas.	Industrial production is almost flat and weakness is seen in some sectors. (↓)	Unchanged
Corporate profits	Corporate profits improvement appears to be pausing, although they remain at a high level.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are almost flat.	Unchanged	Firms' judgments on current business conditions show cautiousness, mainly among manufactures. (↓)
The employment situation	The employment situation is improving steadily.	Unchanged	Unchanged
Prices	Consumer prices are flat recently.	Consumer prices are flat.	Consumer prices are rising moderately in recent months.

Note: ↓ denotes downward revision.

<Short-term prospects>

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.

April

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>

(April)

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.

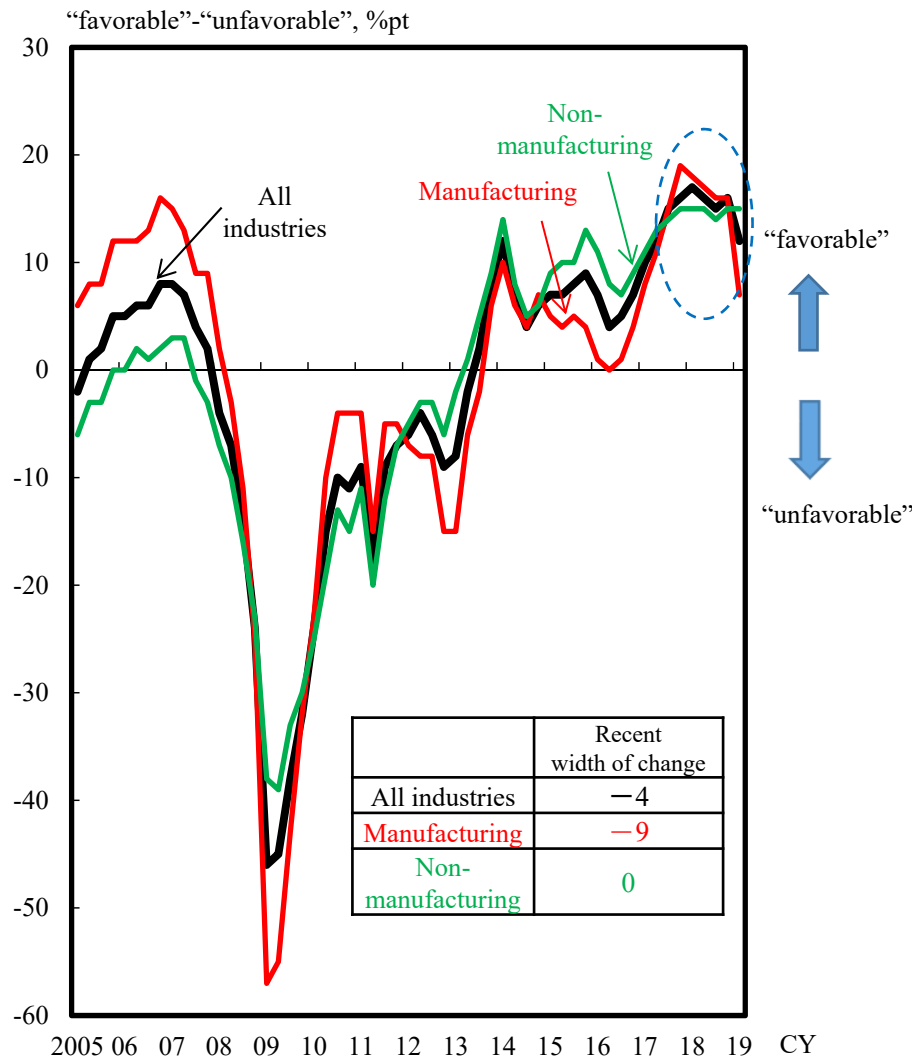
The Government will implement the FY2018 first and second supplementary budget and the FY2019 budget including the temporal and special measures swiftly and steadily.

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.

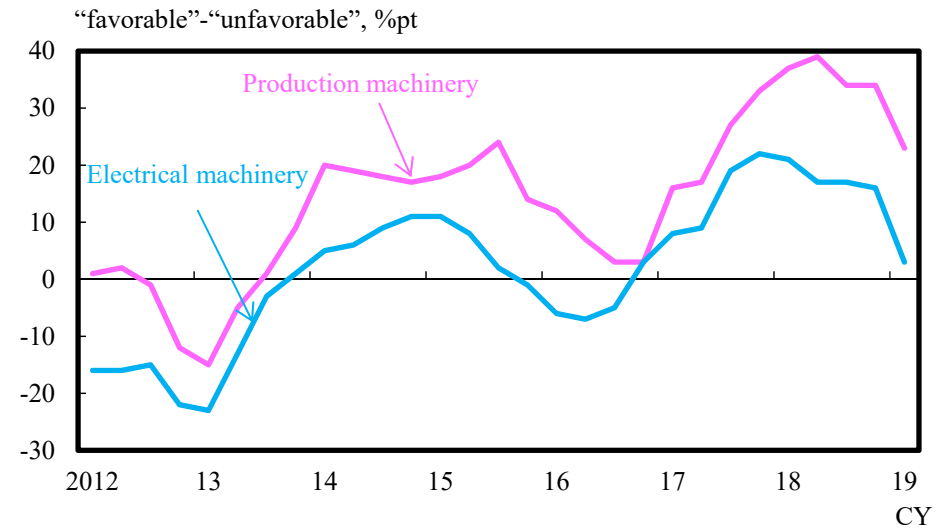
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

- Business Conditions – “Tankan” Survey

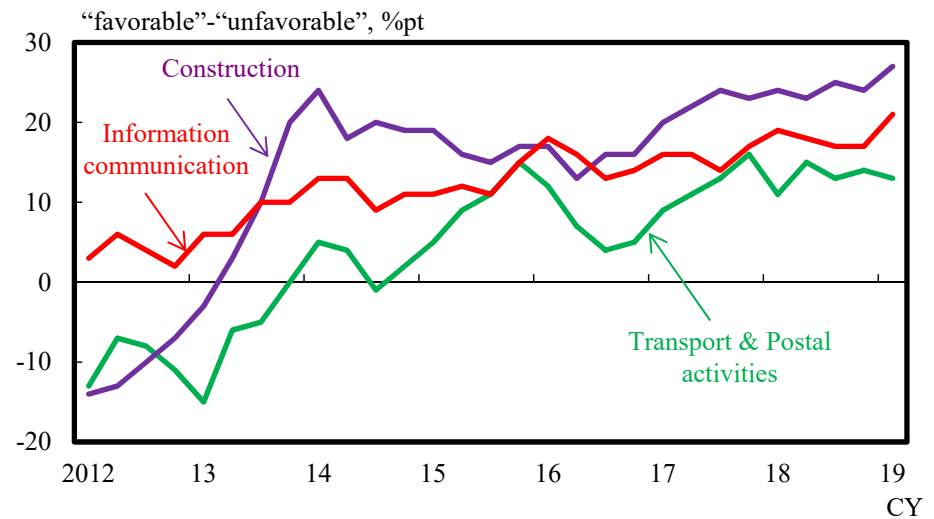
Business conditions



Business conditions (Manufacturing)



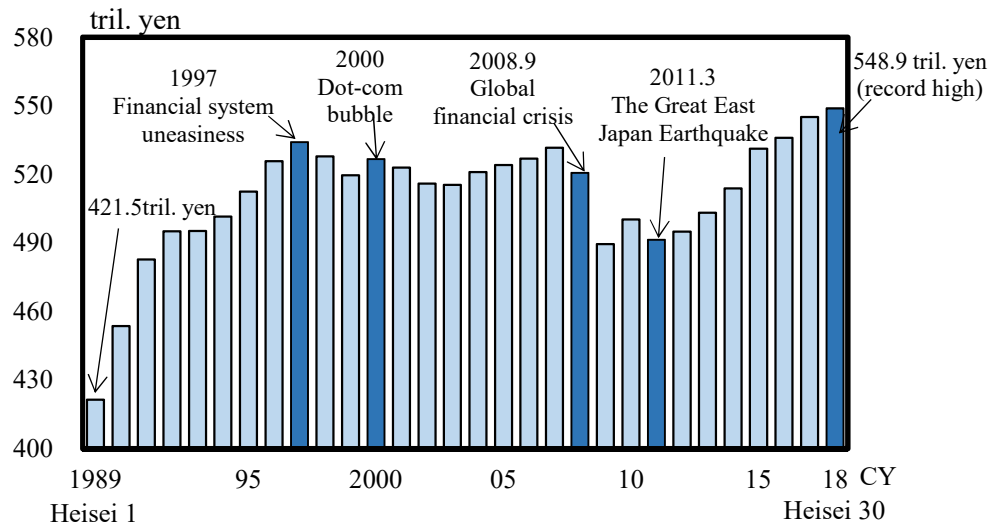
Business conditions (Non-manufacturing)



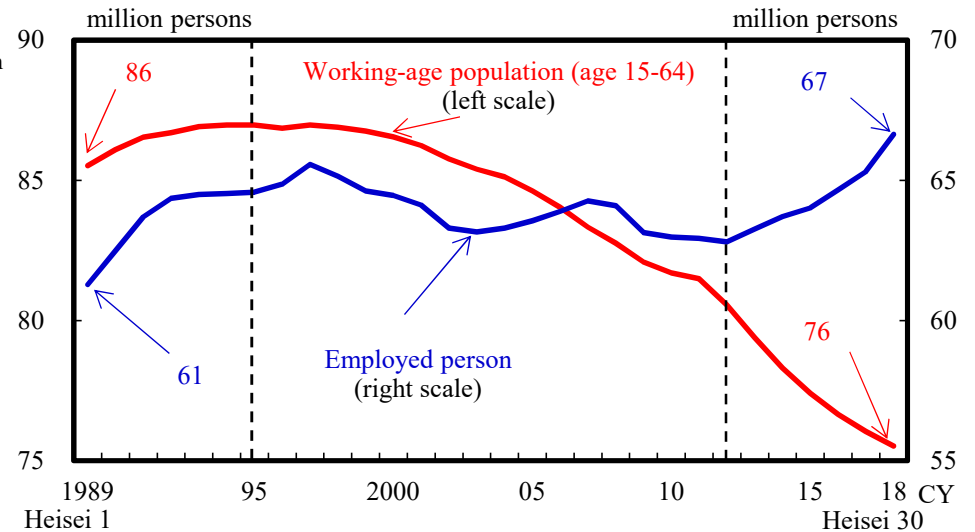
Source: Bank of Japan.

— Heisei Era 30 years (1989-2018) I : Domestic Economy —

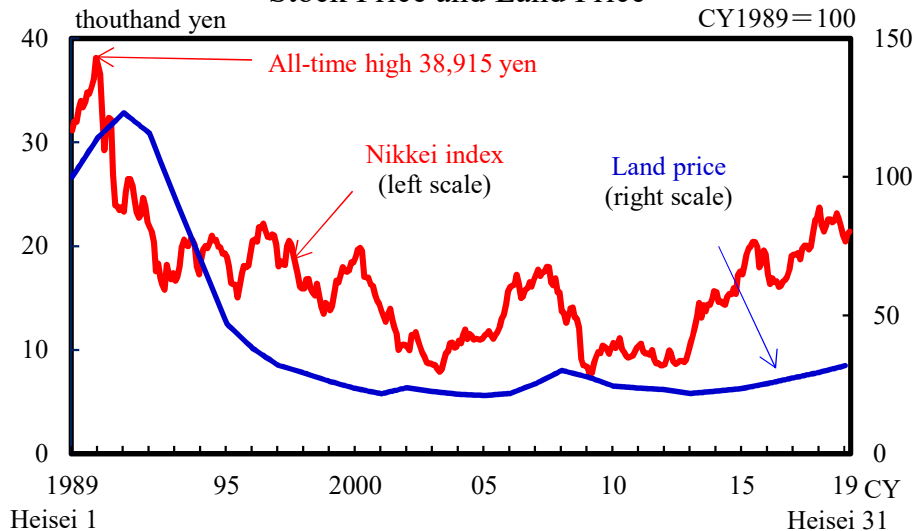
Nominal GDP



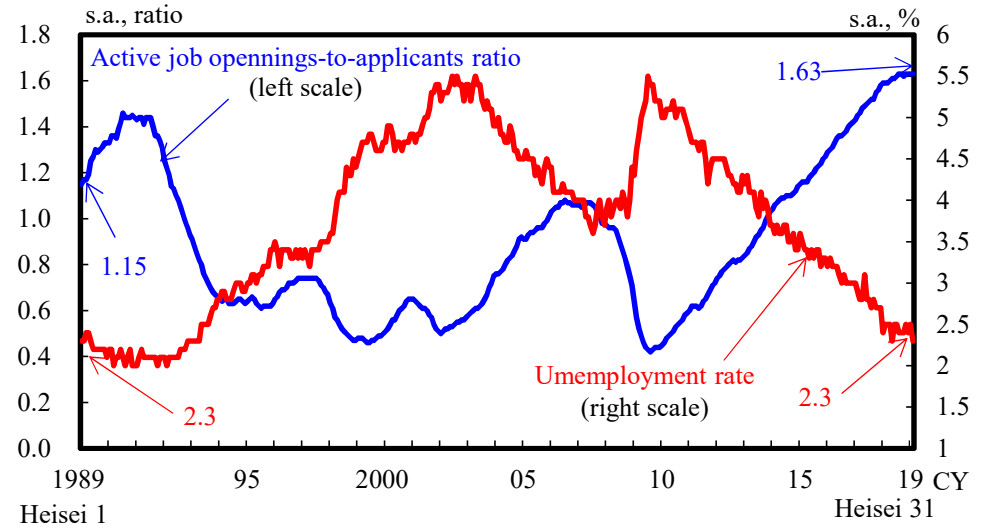
The number of working-age population and employed persons



Stock Price and Land Price



Active job openings-to-applicants ratio and unemployment

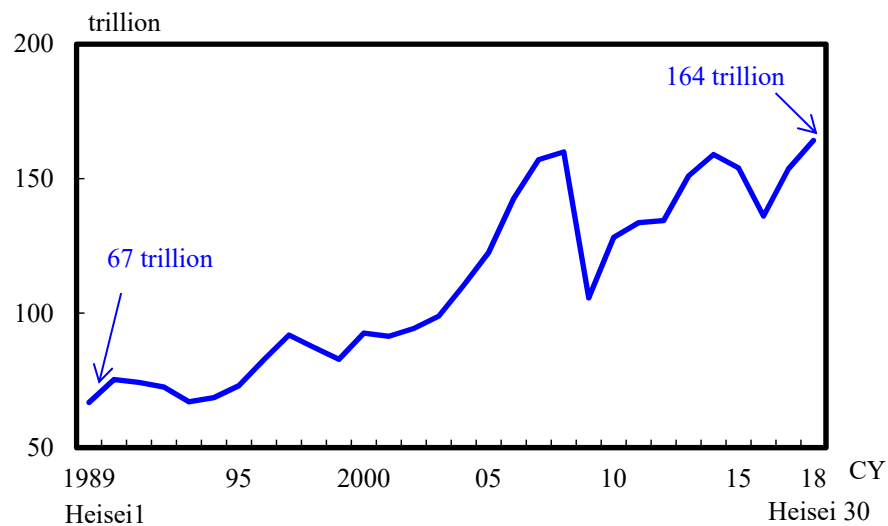


Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Land, Infrastructure, Transport and Tourism; Bloomberg.
Notes: 1. Heisei Era is Jan. 8, 1989 ~ Apr. 30, 2019.

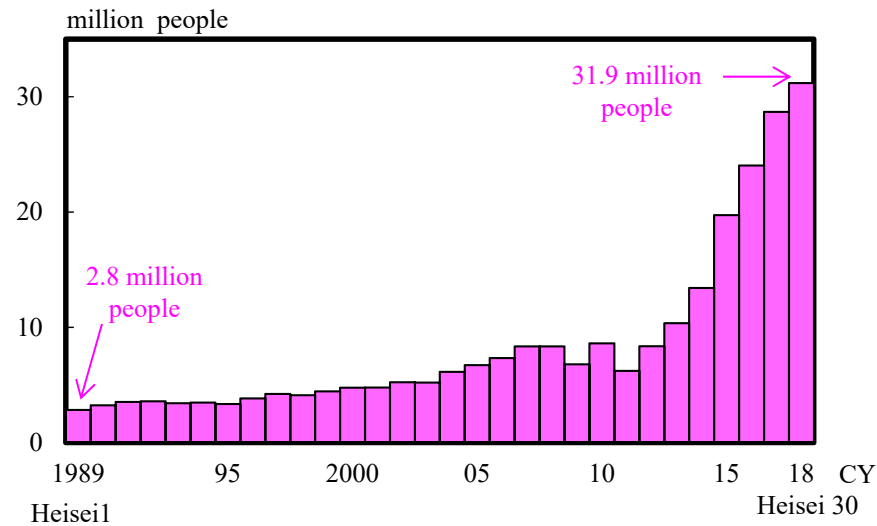
2. Land price is the commercial land price published by Ministry of Land, Infrastructure, Transport and Tourism.

— Heisei Era 30 years (1989-2018) II: Globalization of Japanese Economy —

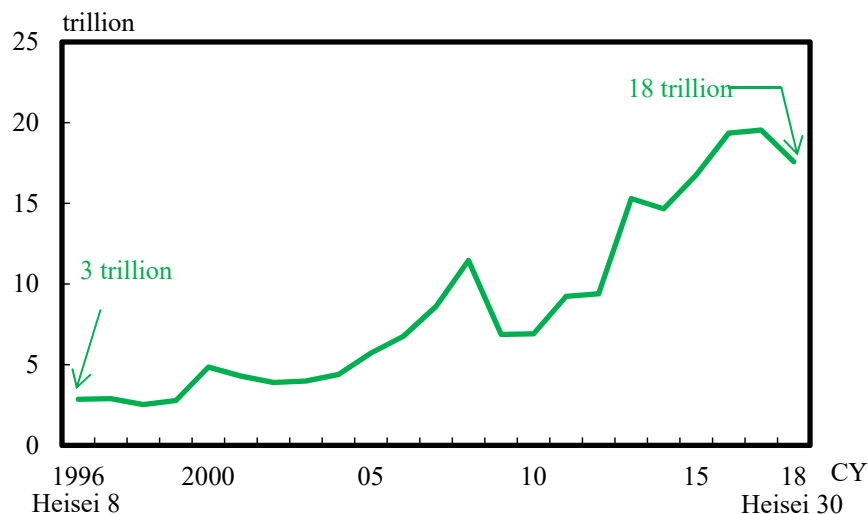
Trading Value of Japan (2.5 times)



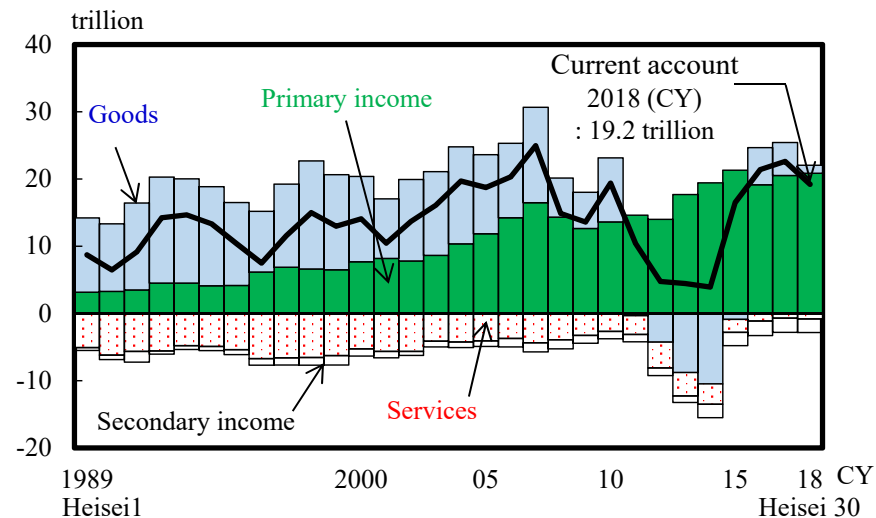
Number of visitors arrival to Japan (10 times)



Japan's foreign direct investment (6 times)



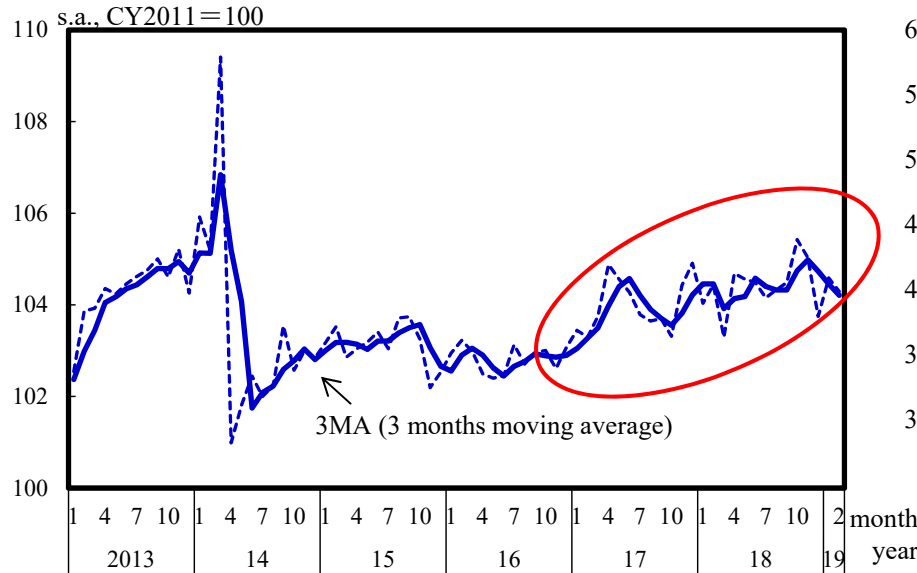
Current account



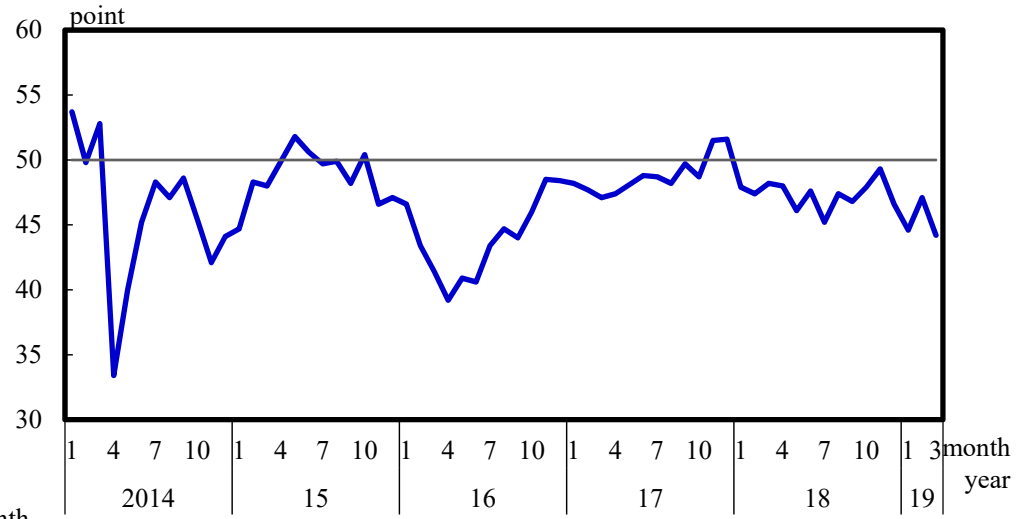
Sources: Ministry of Finance; Japan National Tourism Organization; Bank of Japan.
 Note: Heisei Era is Jan. 8, 1989 ~ Apr. 30, 2019.

—Private Consumption— Private consumption is picking up.

Synthetic consumption index(real)

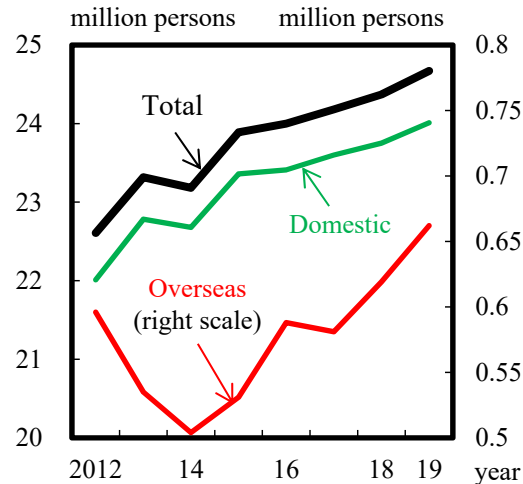


Business confidence in Economic Watchers Survey (household activity-related Diffusion Index, current conditions)

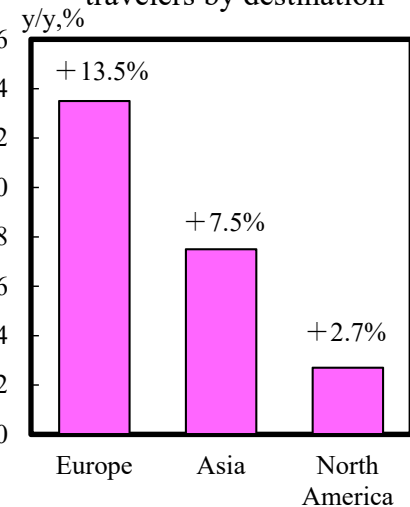


Travel demand during the “Golden Week”

The expected number of travelers

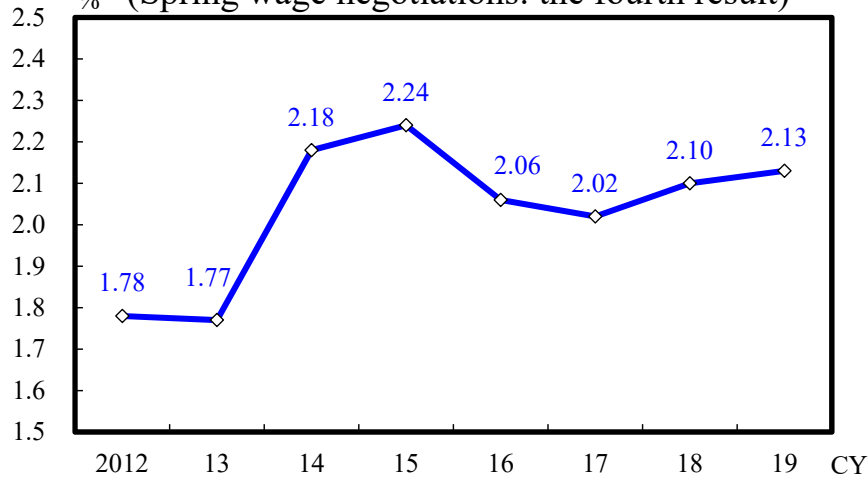


The expected number of travelers by destination



Increase in wages

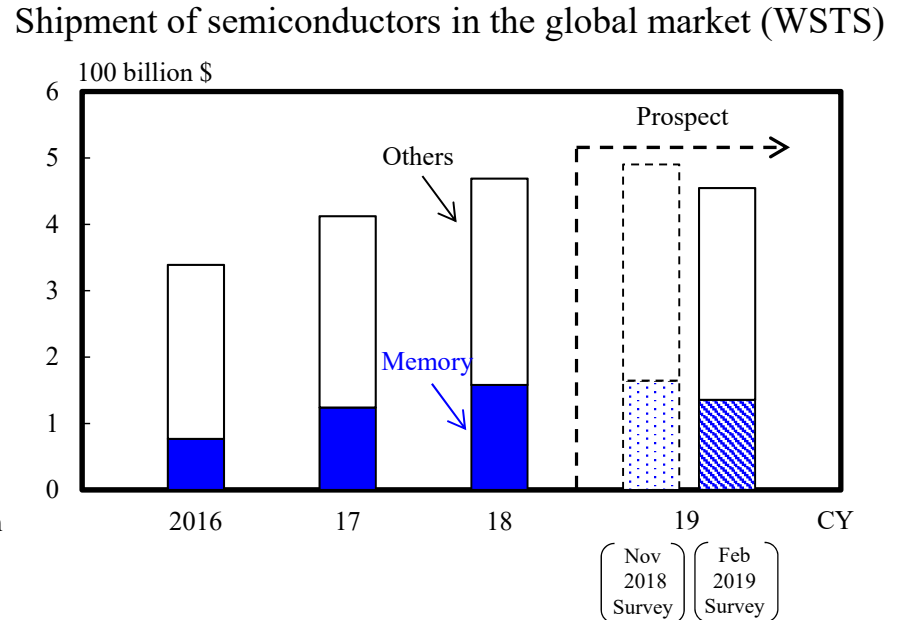
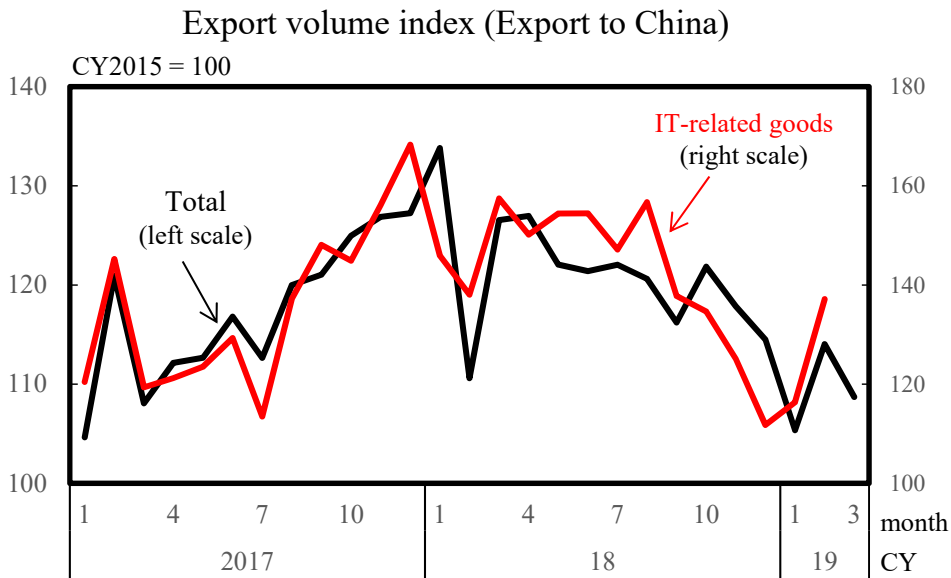
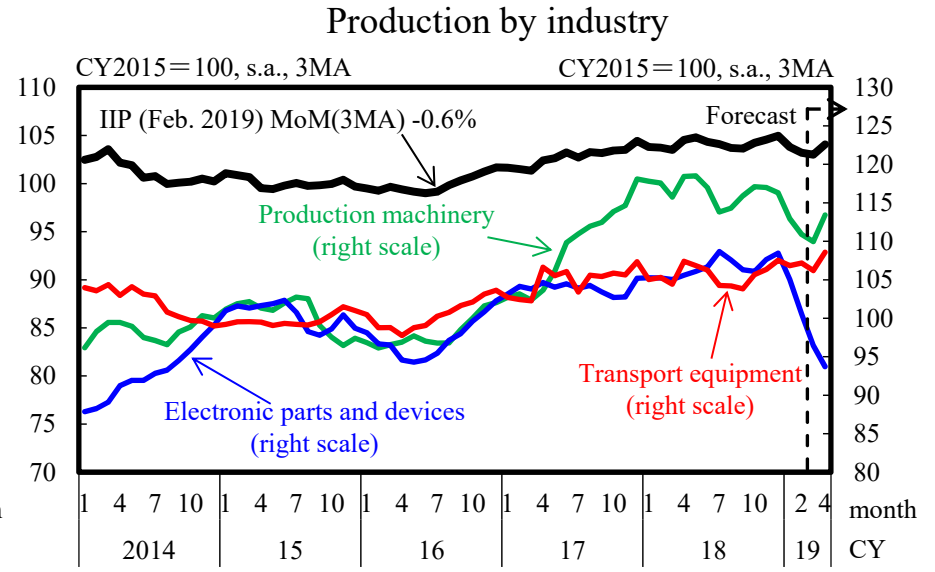
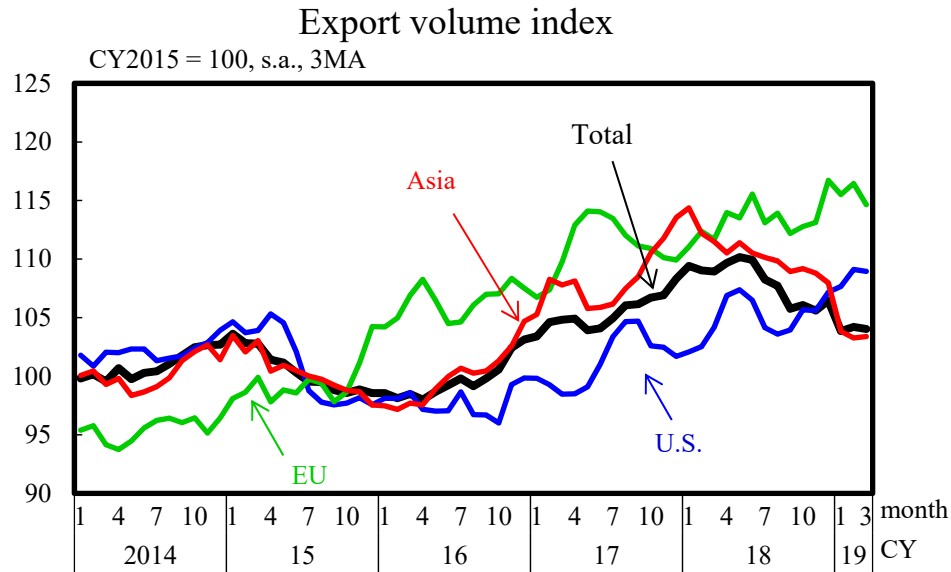
(Spring wage negotiations: the fourth result)



Sources: Cabinet Office; JTB; Japanese Trade Union Confederation (Rengo).

(Including Hawaii, Guam and Saipan)

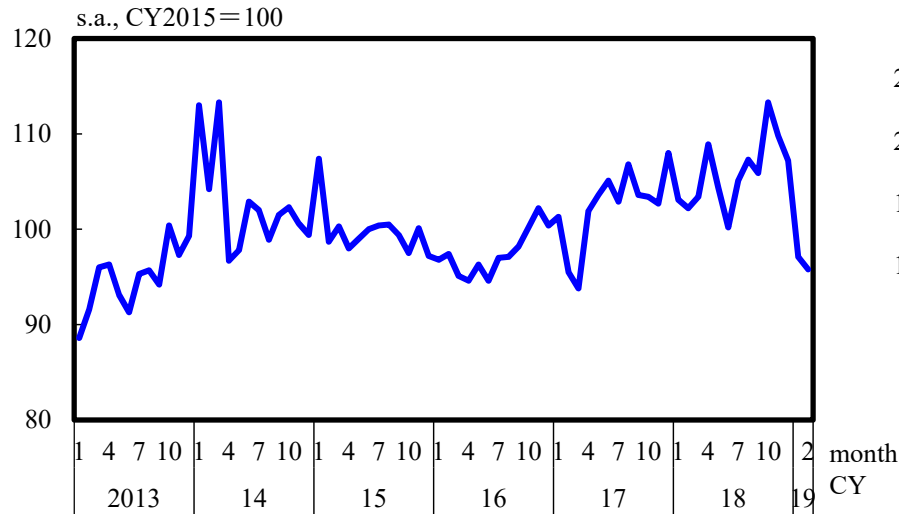
— Export and Industrial production — Exports are in a weak tone. Industrial production is almost flat and weakness is seen in some sectors.



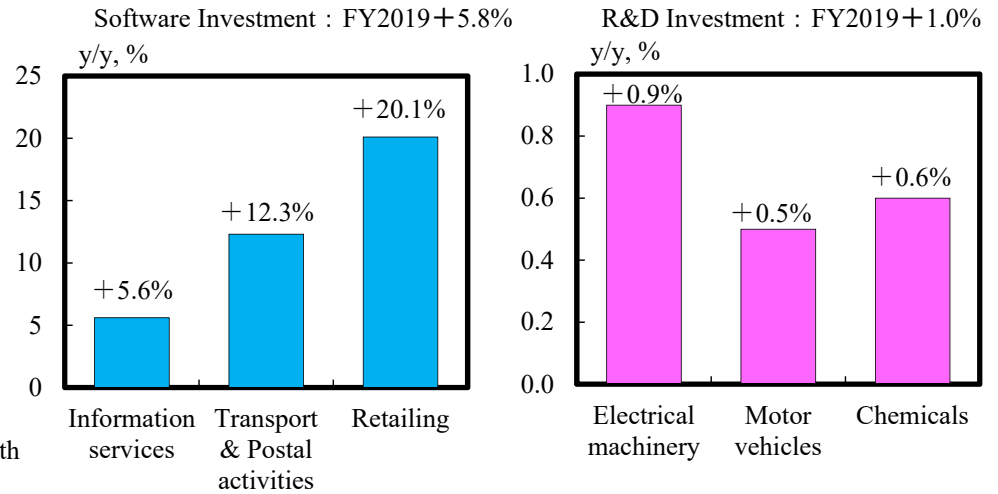
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; World Semiconductor Trade Statistics.

—Business Investment— Business investment is increasing. Although machinery investment shows some weak movements, software and R&D investment is expected to increase.

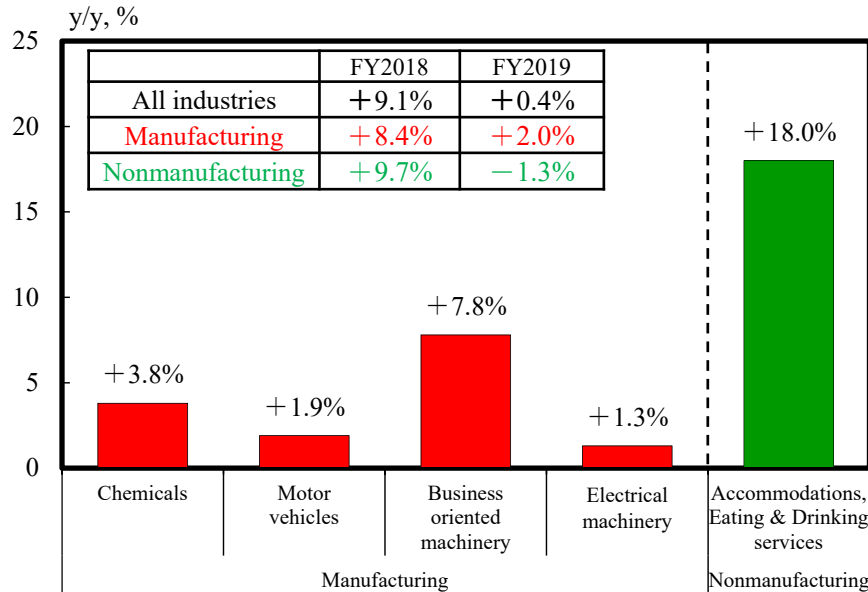
Machinery investment



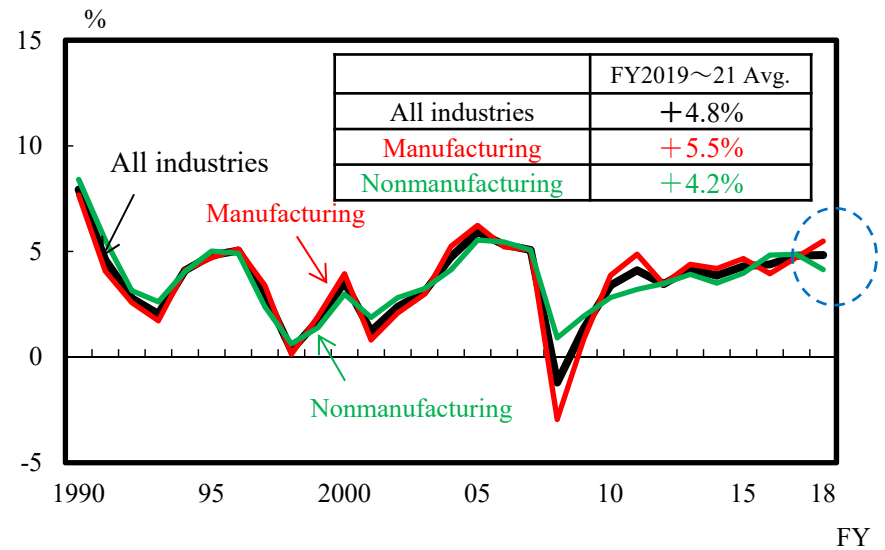
Software and R&D investment plans (“Tankan” Survey)



Business investment plans (“Tankan” Survey)



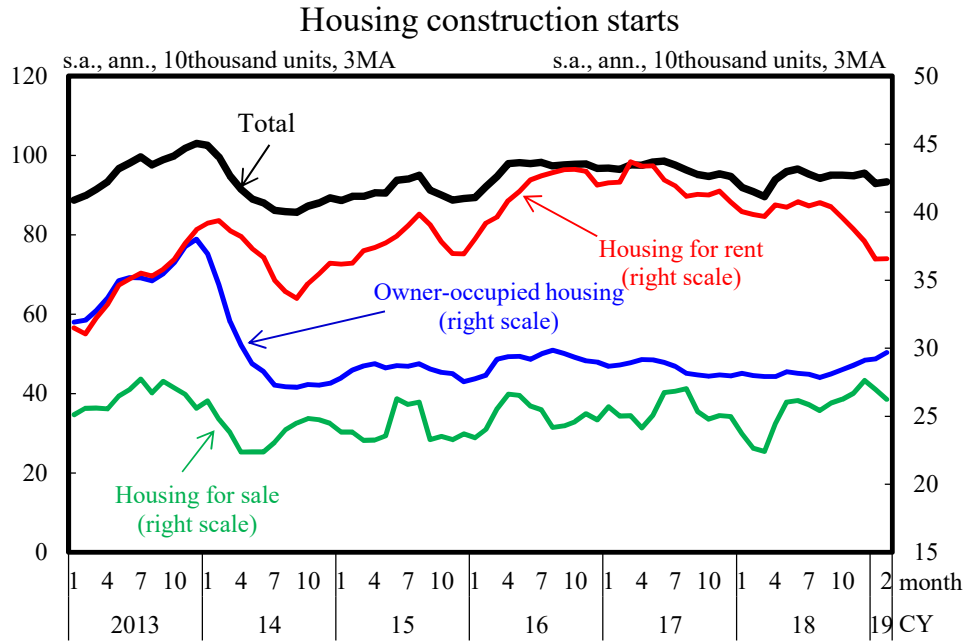
Business investment plans for next 3 years



Source: Cabinet Office; Ministry of Economy, Trade and Industry; Bank of Japan.

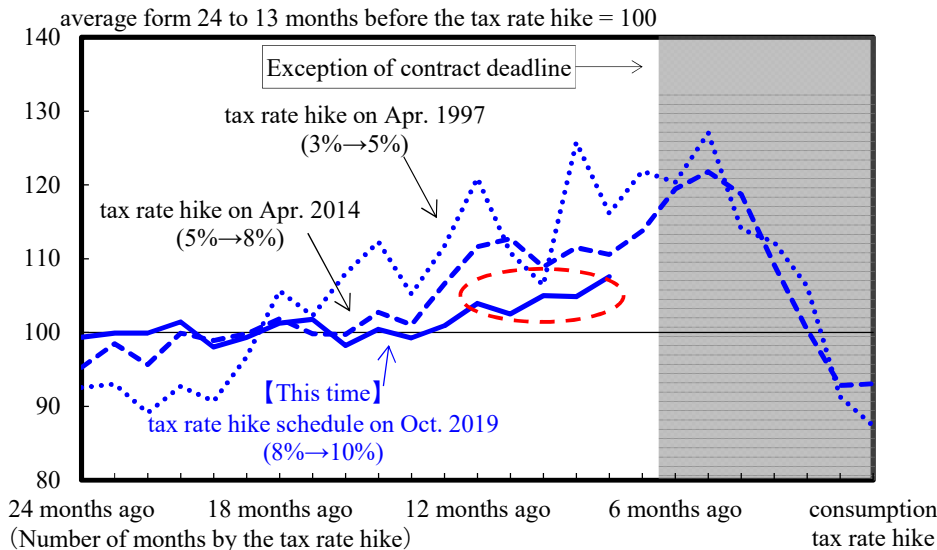
References

Housing Construction



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

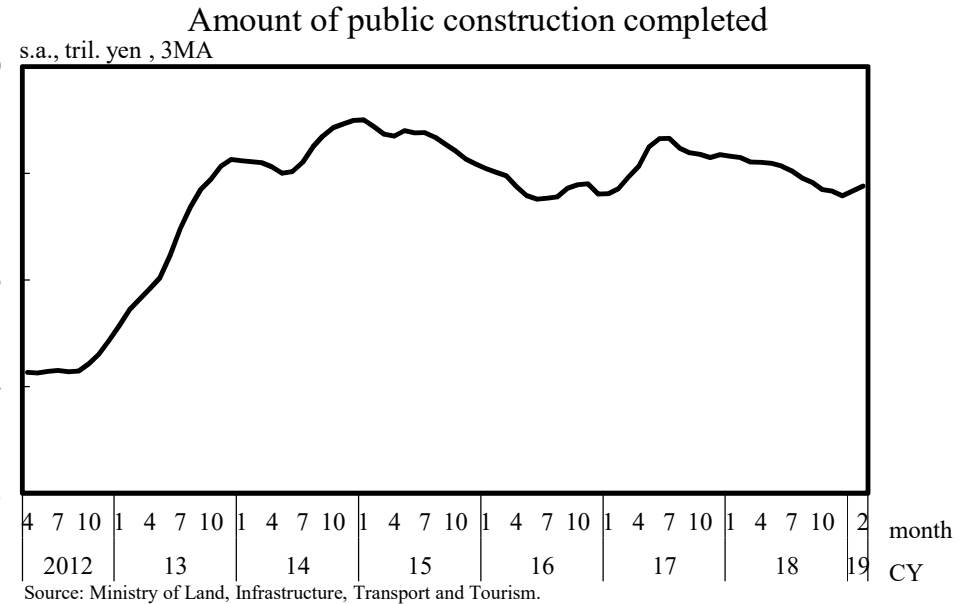
Owner-occupied housing construction starts until the consumption tax rate hike



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

Notes: Exception of contract deadline is the contract deadline of contracted work etc to which tax rate before the tax rate hike applied.

Public Investment



Prices

