

Recent Economic Developments

~ Monthly Economic Report, May 2019 ~

June 3, 2019

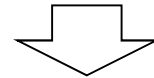
Cabinet Office
Government of Japan

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<Assessments of the current state of the Japanese economy>

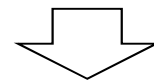
March

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



April

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



May

The Japanese economy is recovering at a moderate pace while weakness in exports and industrial production continues.

(Unchanged)

(Changed)

<Assessments of the current state of the Japanese economy>

	March	April	May
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is increasing.	Unchanged	Business investment is on the increase at a moderate pace, while weakness is seen recently in machinery investment. (↓)
Exports	Exports are in a weak tone recently.	Unchanged	Exports are in a weak tone.
Industrial production	Industrial production is almost flat and weakness is seen in some sectors.	Unchanged	Industrial production is in a weak tone recently. (↓)
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.	Firms' judgments on current business conditions show cautiousness, mainly among manufactures. (↓)	Unchanged
The employment situation	The employment situation is improving steadily.	Unchanged	Unchanged
Prices	Consumer prices are flat.	Consumer prices are rising moderately in recent months.	Unchanged

Note: ↓ denotes downward revision.

<Short-term prospects>

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.

May

Weakness remains for the time being, but the economy is expected to continue recovering, supported by the effects of the policies, while employment and income situation is improving. However, further attention should be given to the effects of situations over trade issues on the world economy, while 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 also need attention.

<Policy stance>

(May)

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 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.

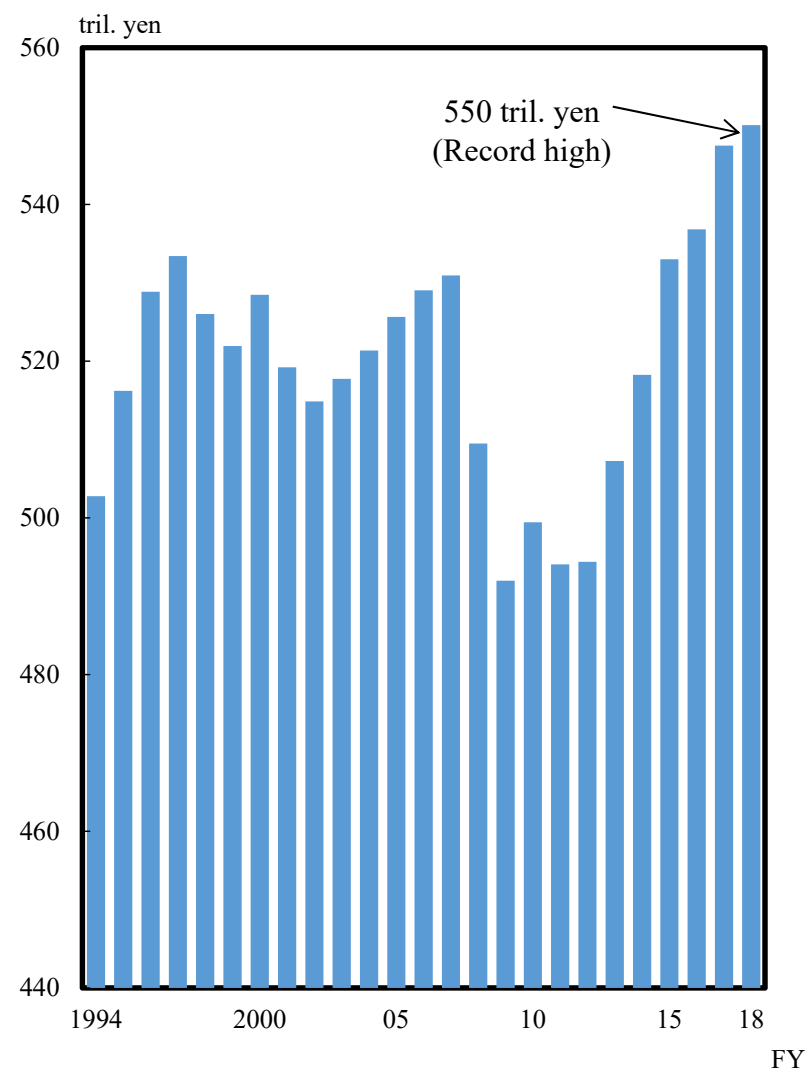
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

GDP: Jan. – Mar. 2019 (First Preliminary)

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

	FY2017	FY2018	2018				2019
			I	II	III	IV	I
			Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.
Real GDP growth rate [at annual rate]	1.9	0.6	-0.1 [-0.3]	0.5 [2.2]	-0.6 [-2.5]	0.4 [1.6]	0.5 [2.1]
Domestic Demand (Contributions)	(1.5)	(0.7)	(-0.1)	(0.6)	(-0.4)	(0.7)	(0.1)
Private Demand (Contributions)	(1.3)	(0.8)	(-0.1)	(0.6)	(-0.4)	(0.6)	(0.1)
Private Consumption	1.1	0.4	-0.1	0.6	-0.3	0.2	-0.1
Private Non-Resi. Investment	4.5	3.2	1.2	2.4	-2.5	2.5	-0.3
Private Residential Investment	-0.7	-4.2	-2.4	-2.1	0.8	1.4	1.1
Changes in Private Inventories (Contributions)	(0.1)	(0.2)	(-0.2)	(-0.0)	(0.1)	(0.1)	(0.1)
Public Demand (Contributions)	(0.1)	(-0.0)	(-0.0)	(-0.0)	(-0.0)	(0.1)	(0.0)
Public Investment	0.5	-3.8	-1.3	-0.7	-1.9	-1.4	1.5
Net Exports (Contributions)	(0.4)	(-0.1)	(0.1)	(-0.1)	(-0.2)	(-0.3)	(0.4)
Exports	6.4	1.3	1.0	0.7	-2.0	1.2	-2.4
Imports	4.1	2.0	0.7	1.0	-1.0	3.0	-4.6
Nominal GDP growth rate [at annual rate]	2.0	0.5	-0.2 [-0.8]	0.3 [1.2]	-0.6 [-2.5]	0.5 [1.9]	0.8 [3.3]

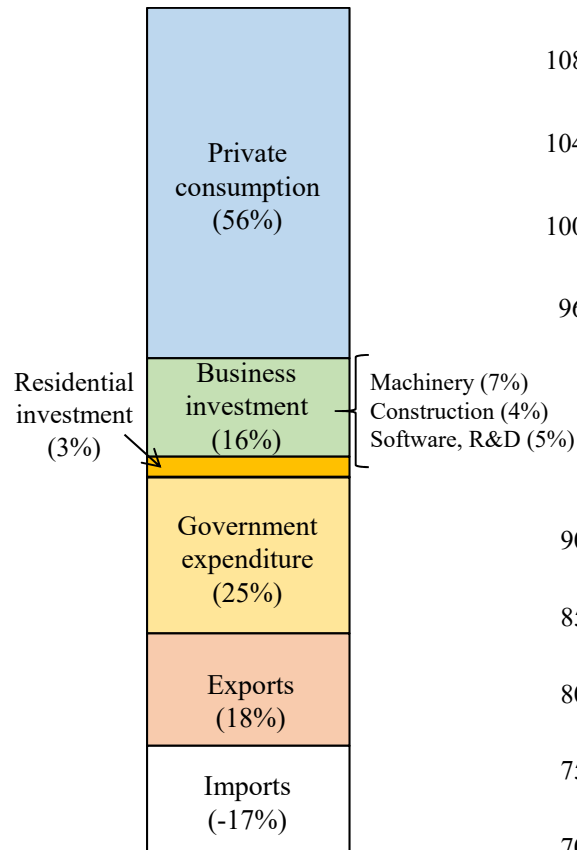
Nominal GDP



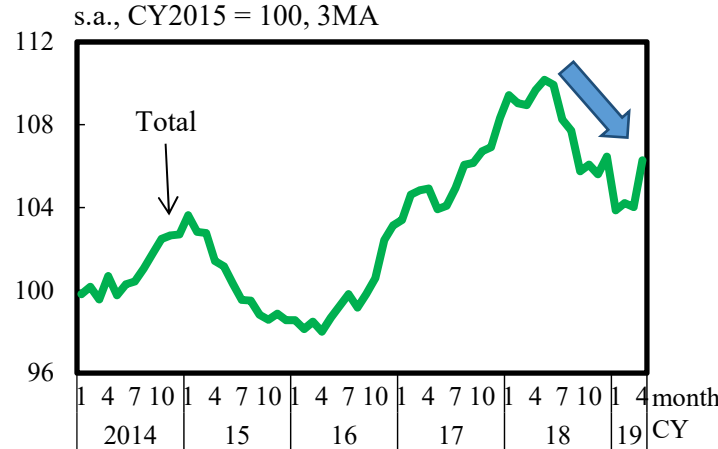
Note: Quarterly data is quarter-to-quarter change.
Source: Cabinet Office.

- Features of Demand Side of Japan's GDP -

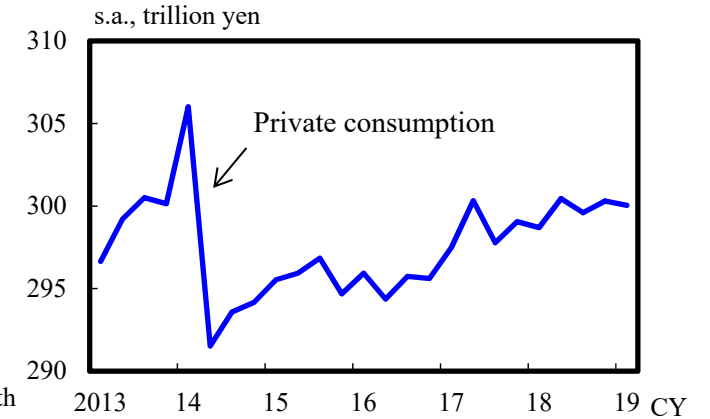
Components of demand side of Japan's GDP (CY2017)



Exports are weakening due to the slower Chinese growth

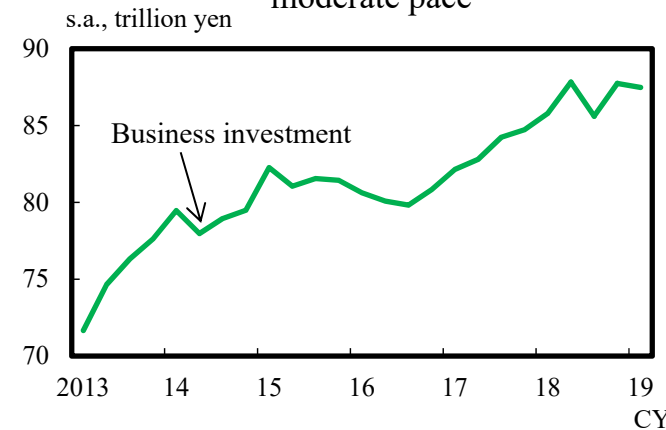


Private consumption is picking up.

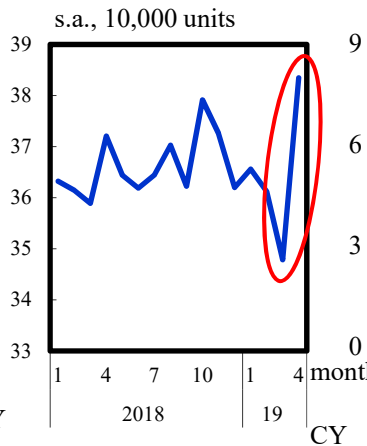


Latest consumption in April

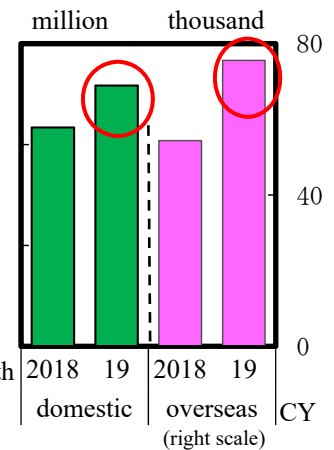
Business investment is on the increase at a moderate pace



New automobile sales volume



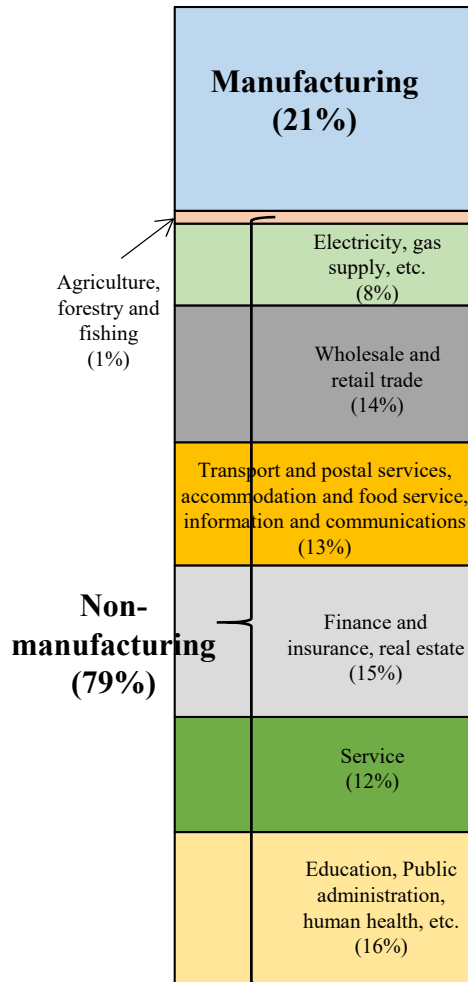
Number of travelers in GW



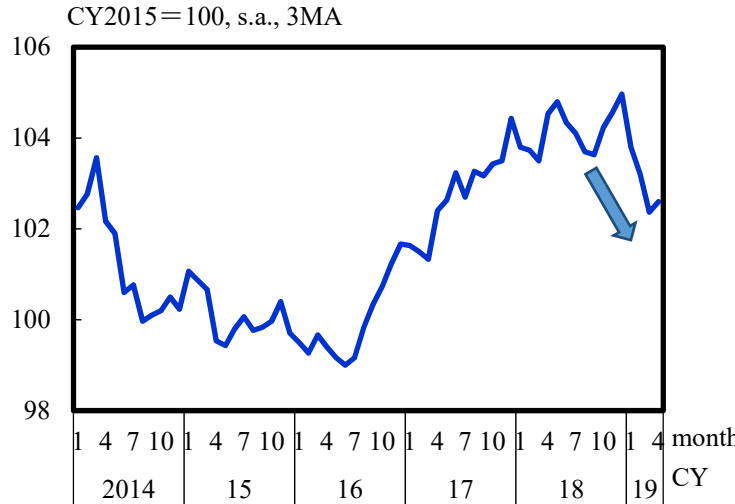
Sources: Ministry of Finance; Cabinet Office; Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association; Japan Railways Group; Immigration services agency.

- Features of Supply Side of Japan's GDP -

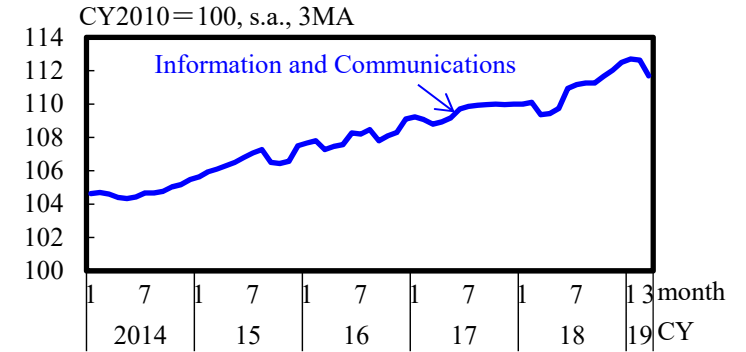
Components of supply side of Japan's GDP (CY2017)



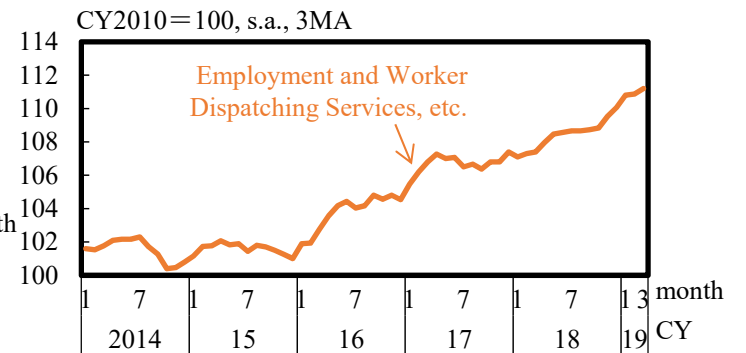
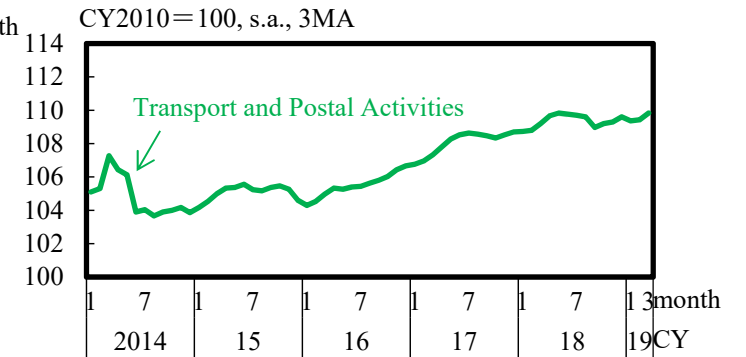
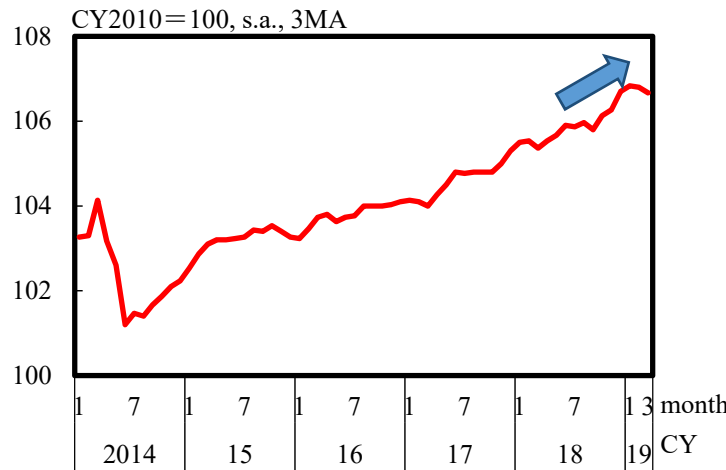
Indices of Industrial Production



ITA by industry



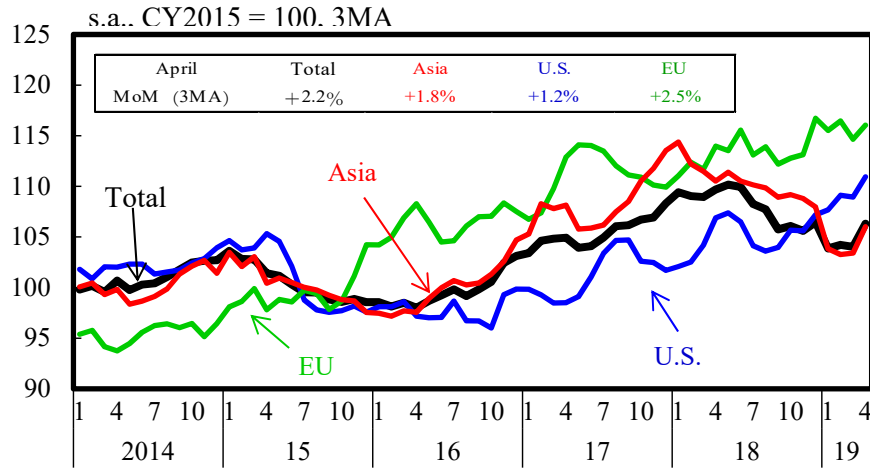
Indices of Tertiary Industry Activity (ITA)



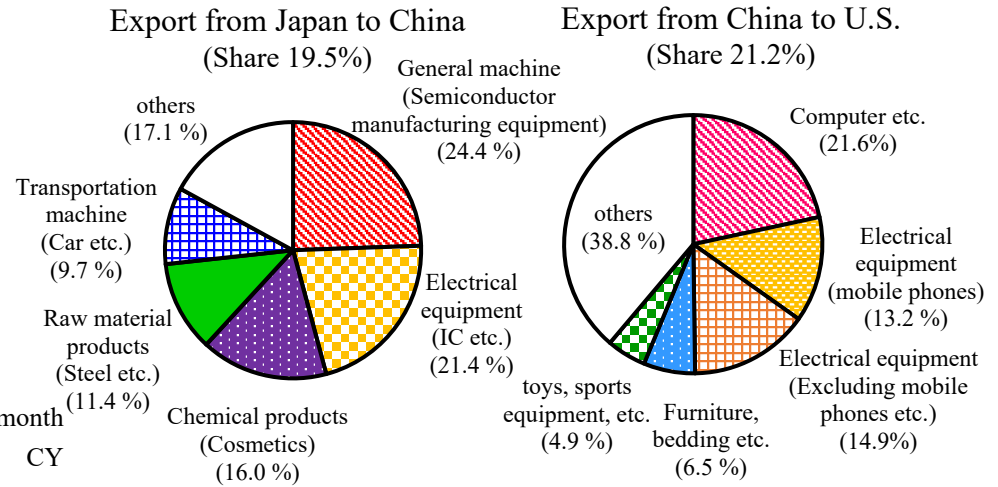
Sources: Cabinet Office; Ministry of Economy, Trade and Industry.

- Exports - Exports are in a weak tone. Additional tariffs and countermeasures have been imposed between the U.S. and China, and attention should be given to these impacts.

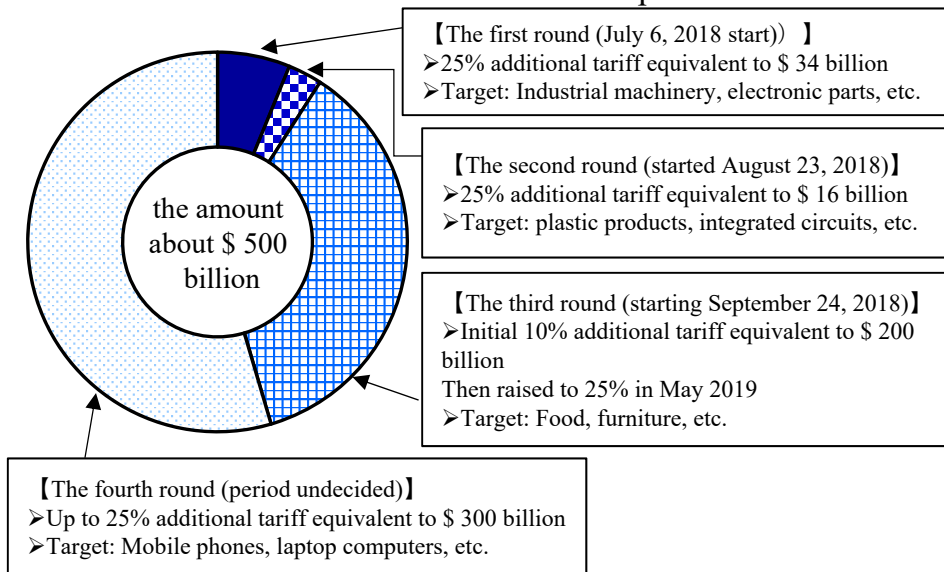
Exports volume index by region



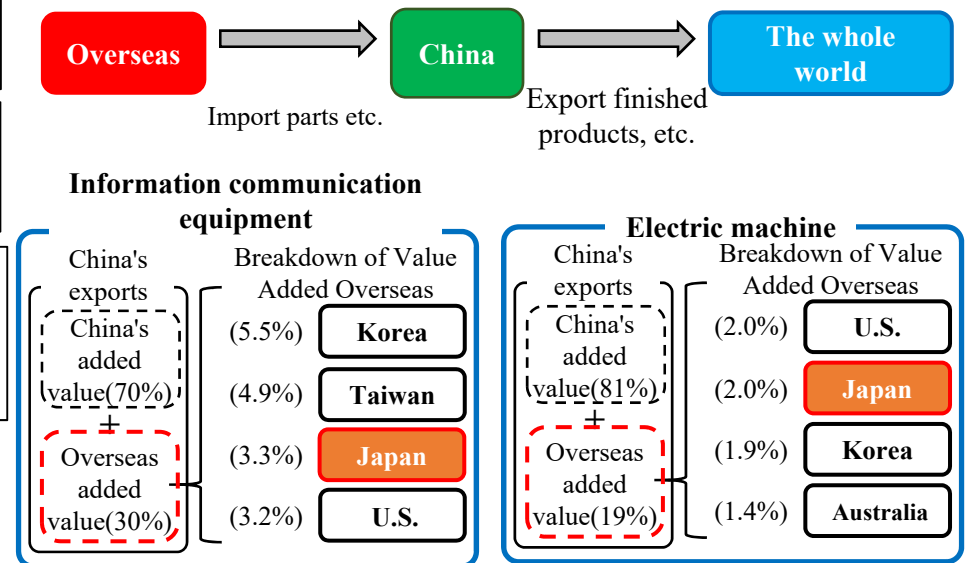
Japan-China-U.S. trade structure (2018)



Additional tariff measures on U.S. imports to China



Composition of added value included in main items exported by China



Sources: Ministry of Finance; U.S. Department of Commerce, OECD "Trade in Value Added" (December 2018).

- Industrial Production Industrial production is in a weak tone recently.
& Corporate Profits - Corporate profits improvement appears to be pausing, although they remain at a high level.

Production by main goods

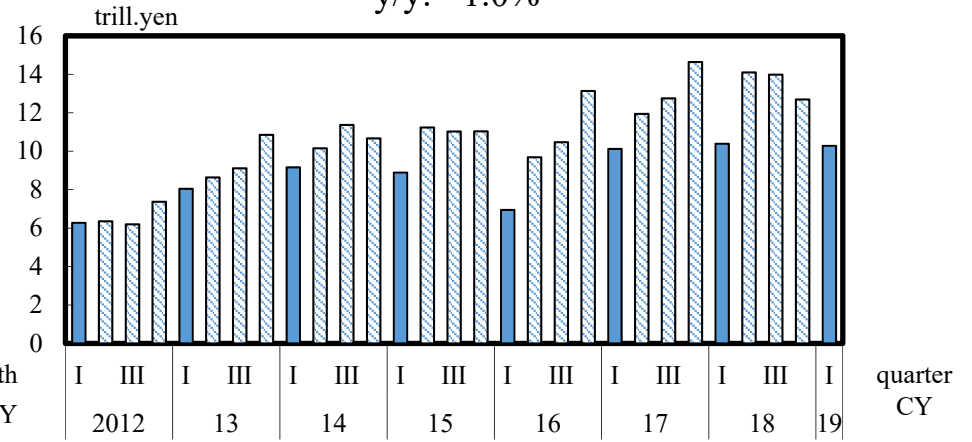
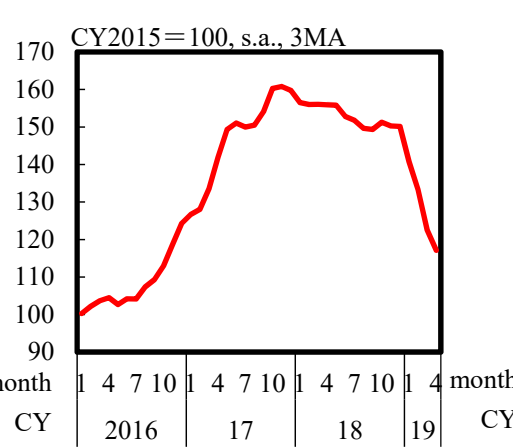
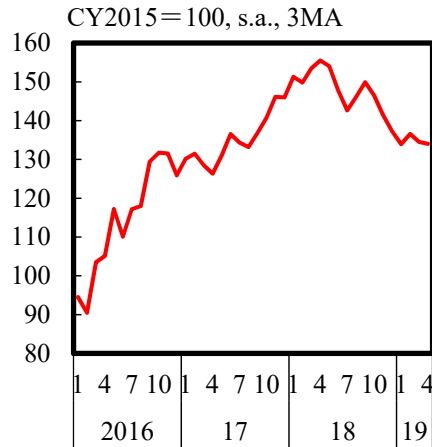
Current profits of the listed companies

Semiconductor products machinery

Industrial robots

2019 Jan-Mar

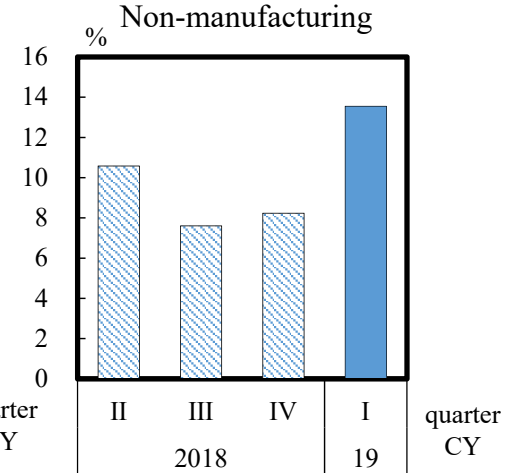
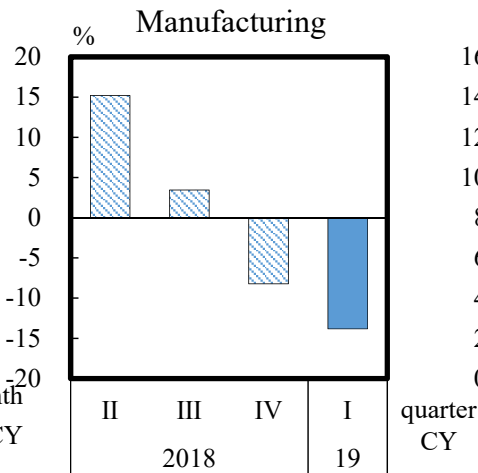
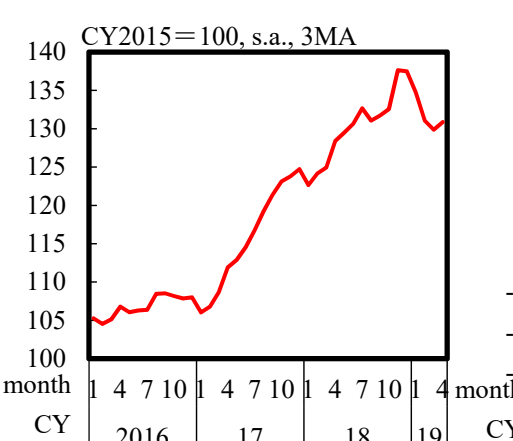
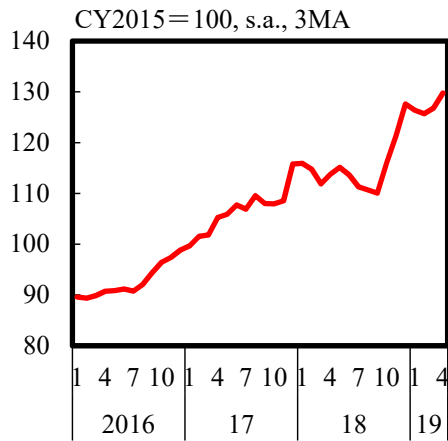
y/y: -1.0%



Shovel trucks

Cosmetics

Operating profits by industry(y/y)

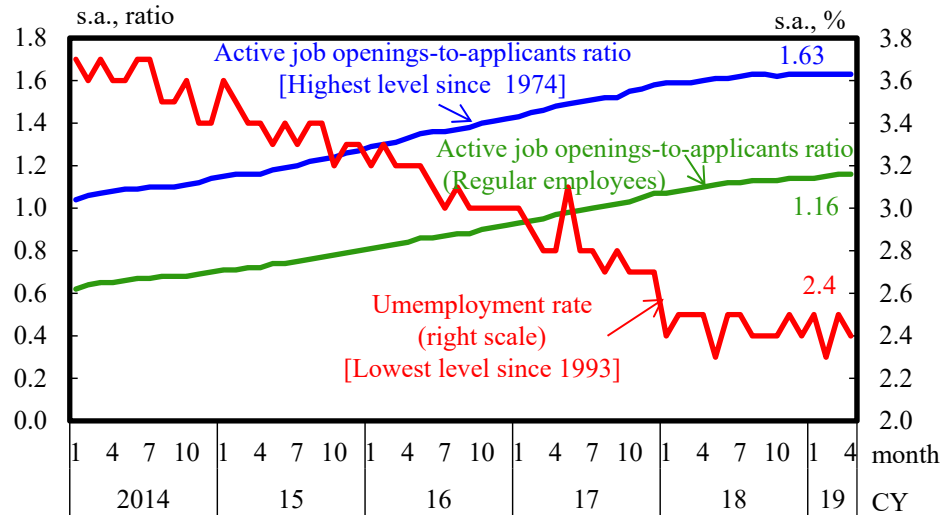


Sources: Ministry of Economy, Trade and Industry; Nikkei NEEDS-Financial QUEST.

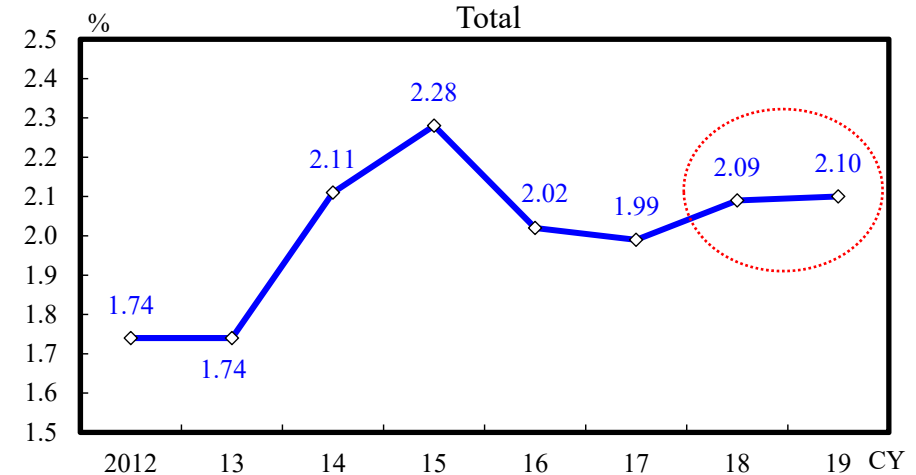
- Employment & Income -

The employment situation is improving steadily, and employment rates are rising, especially for women, young people and elderly people. Increase in wage has continued.

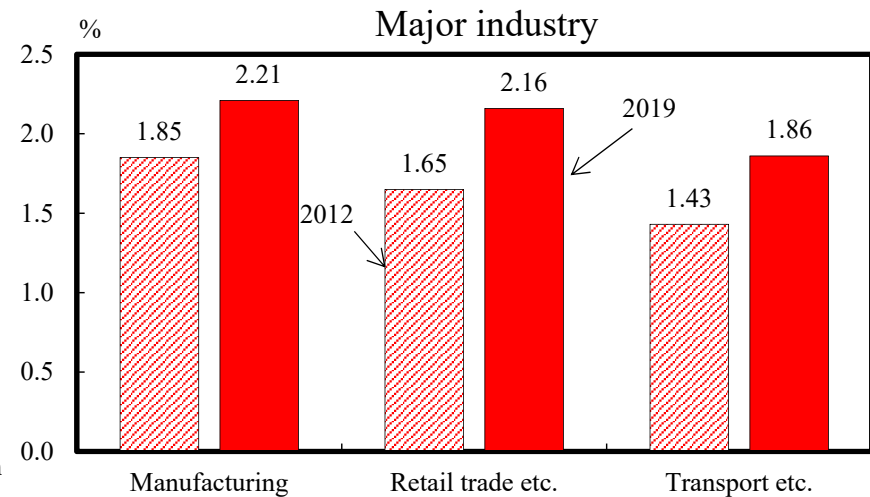
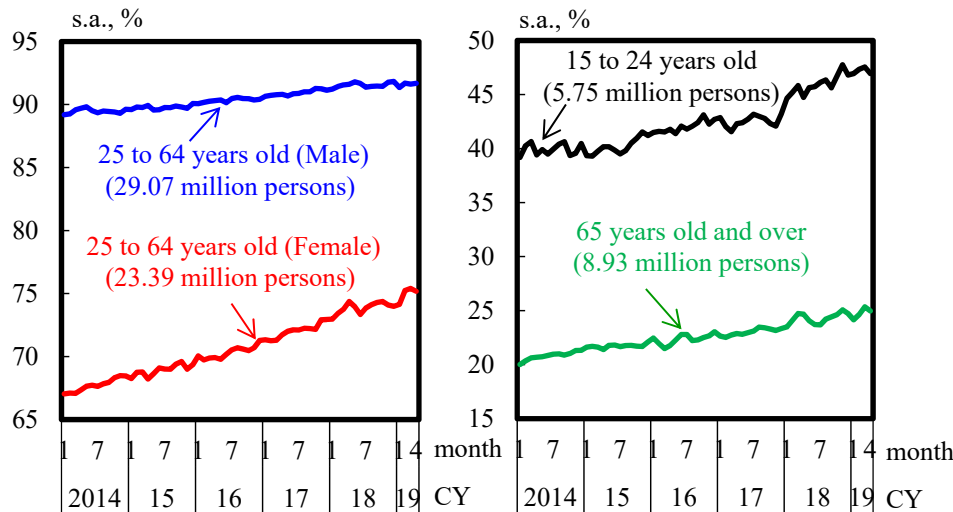
Unemployment rate and active job openings-to-applicants ratio



Increase in wages (Spring wage negotiations in May)



Employment rate (by age group)

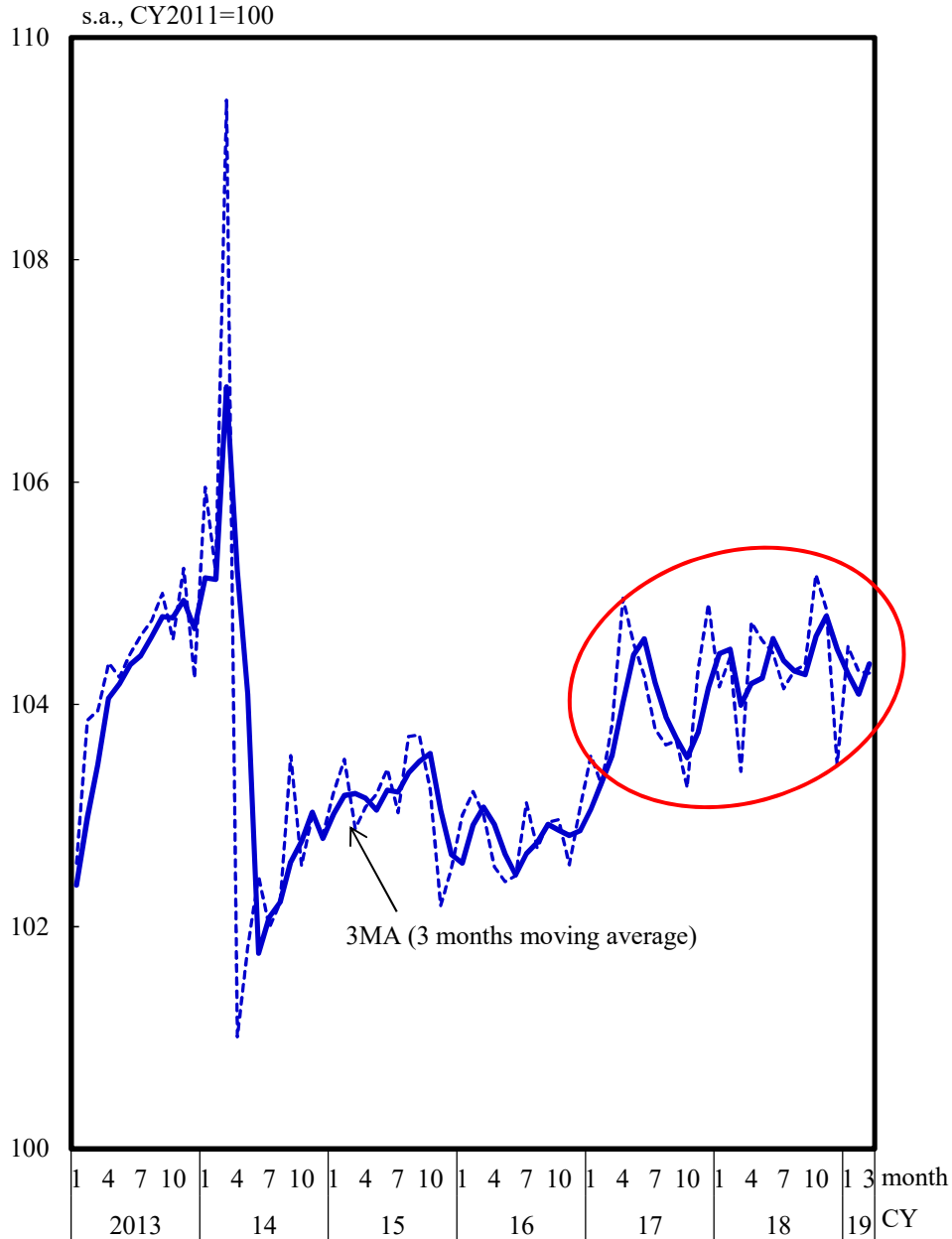


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Japanese Trade Union Confederation (Rengo).

References

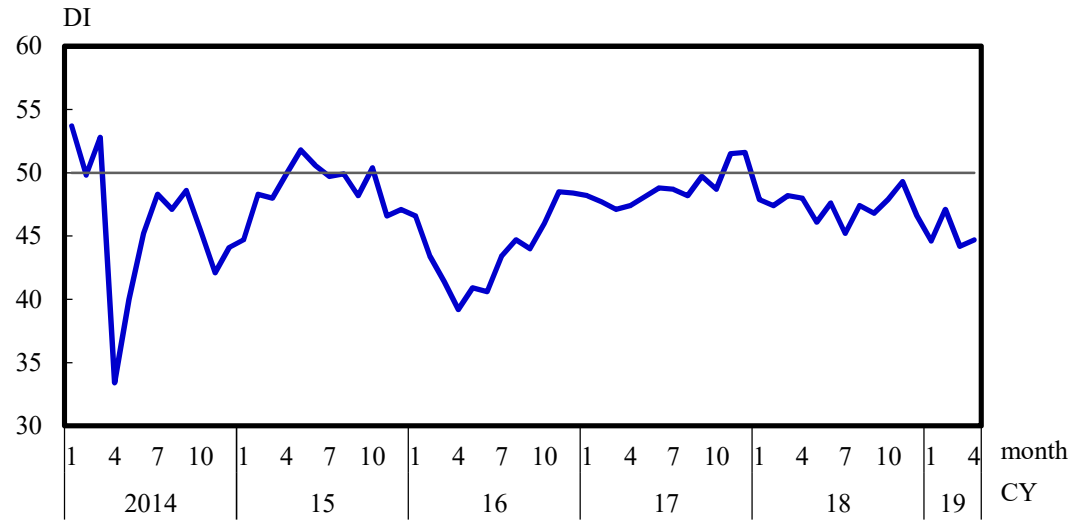
Private Consumption

Synthetic consumption index (Real)



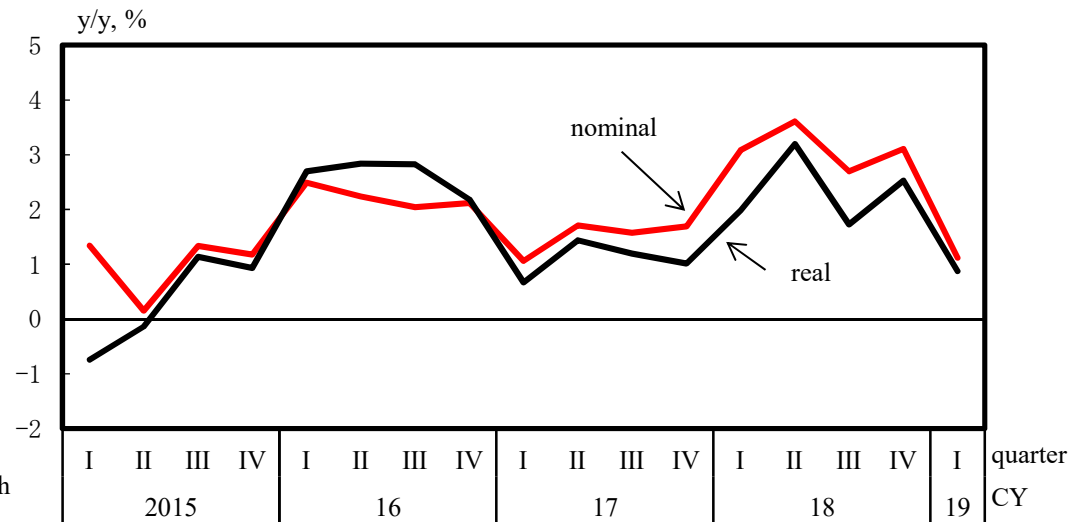
Source: Cabinet Office.

Business confidence in Economic Watchers Survey (Household Activity-related Diffusion Index, Current Conditions)



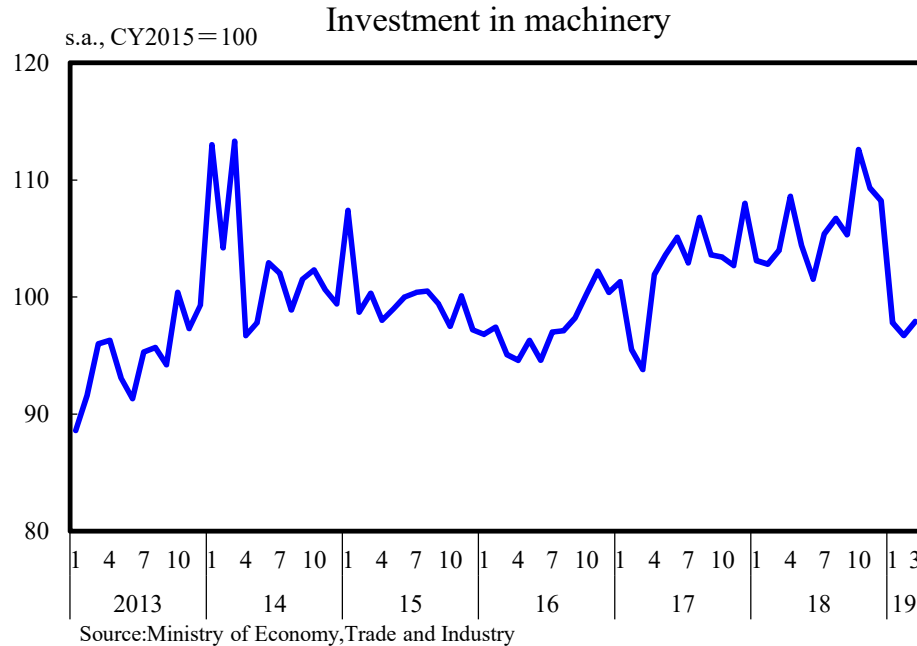
Source: Cabinet Office.

Real wage income of employees

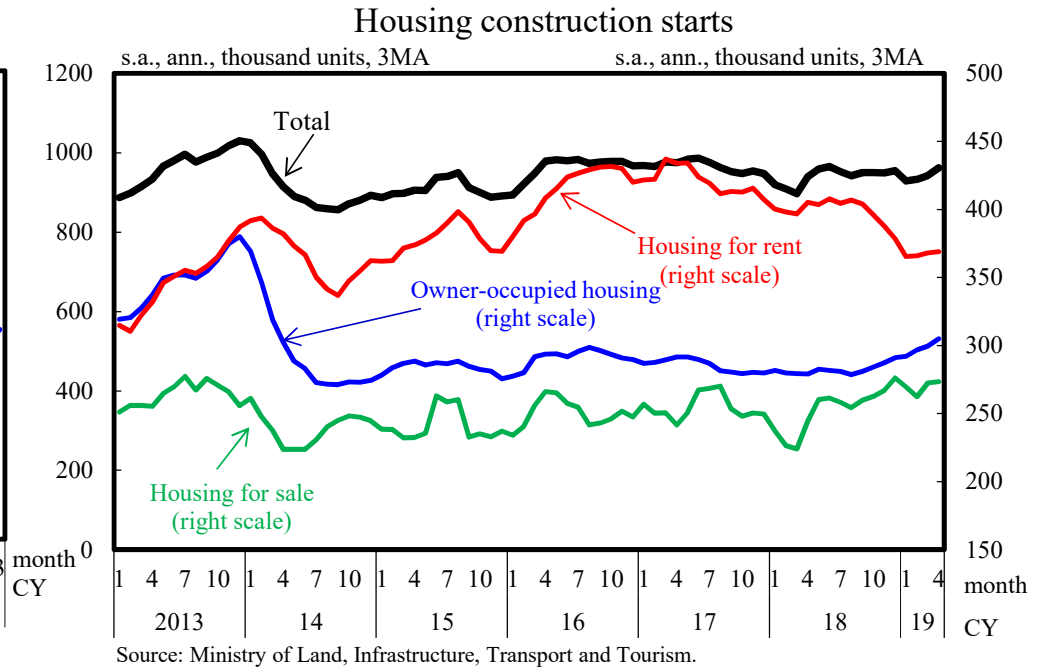


Sources: Ministry of Internal Affairs and Communications;
Ministry of Health, Labour and Welfare; Cabinet Office.

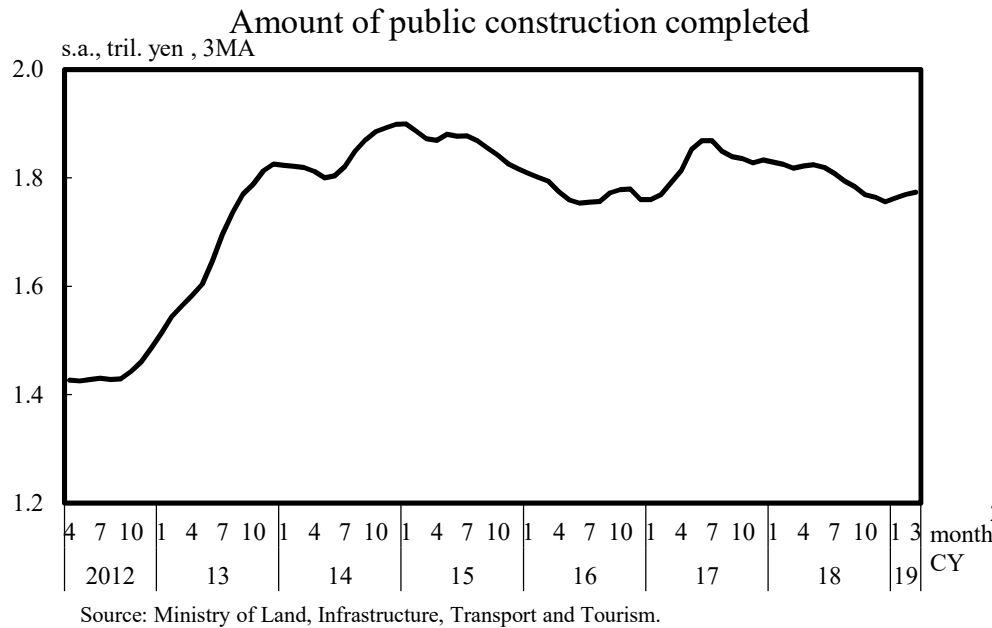
Business Investment



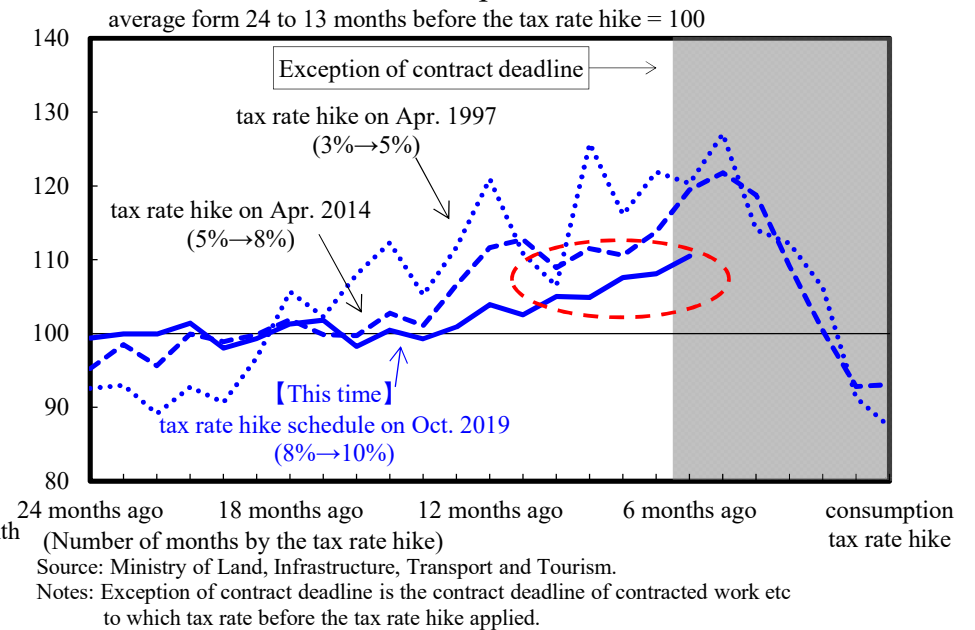
Housing Construction



Public Investment

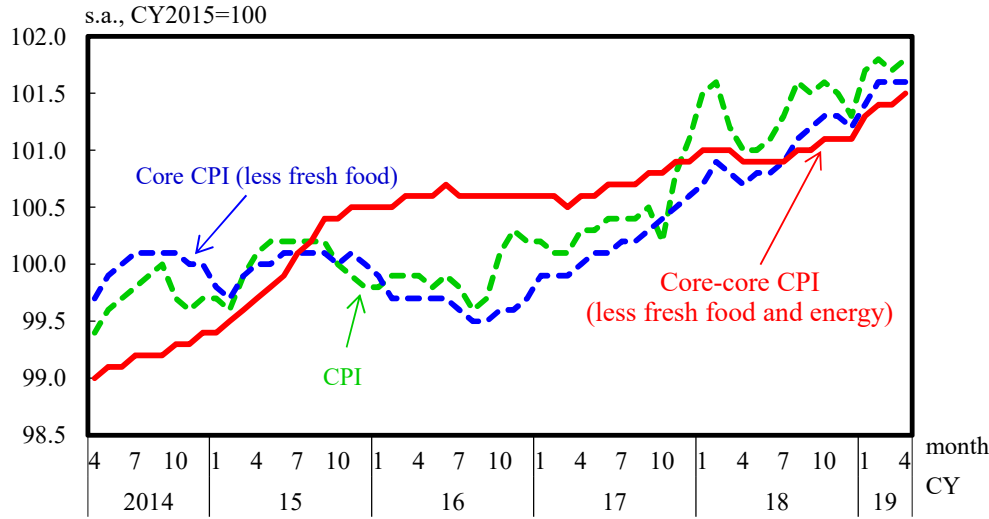


Owner-occupied housing construction starts until the consumption tax rate hike

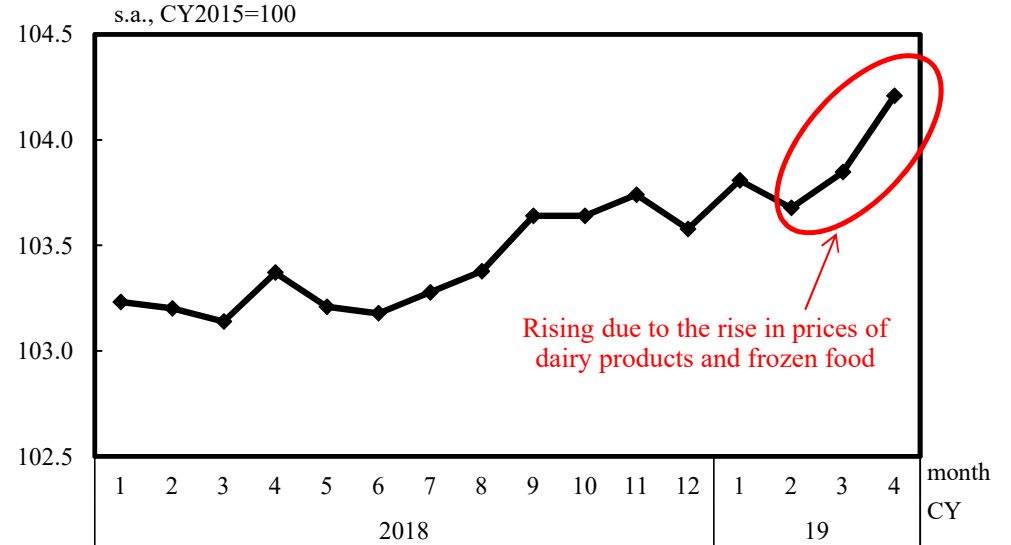


Prices

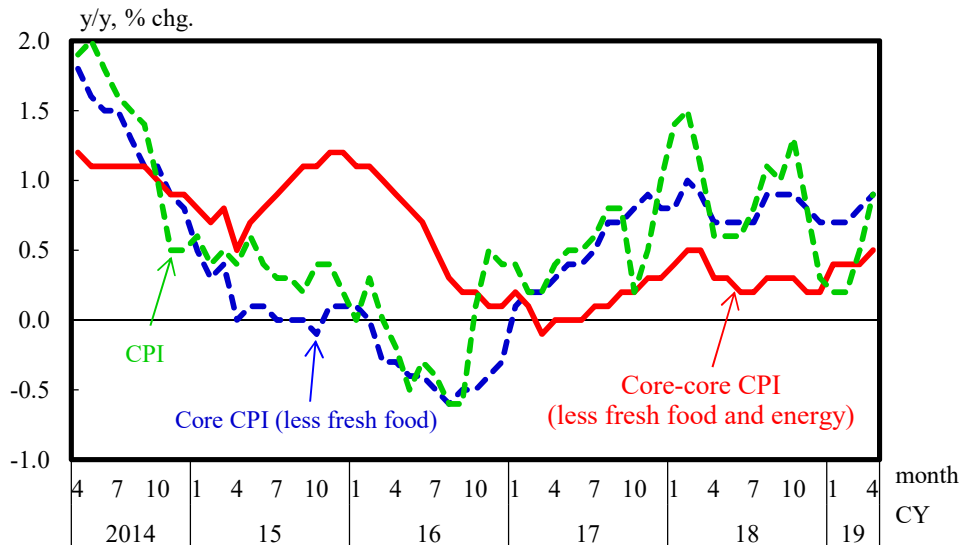
CPI (Consumer Price Index)



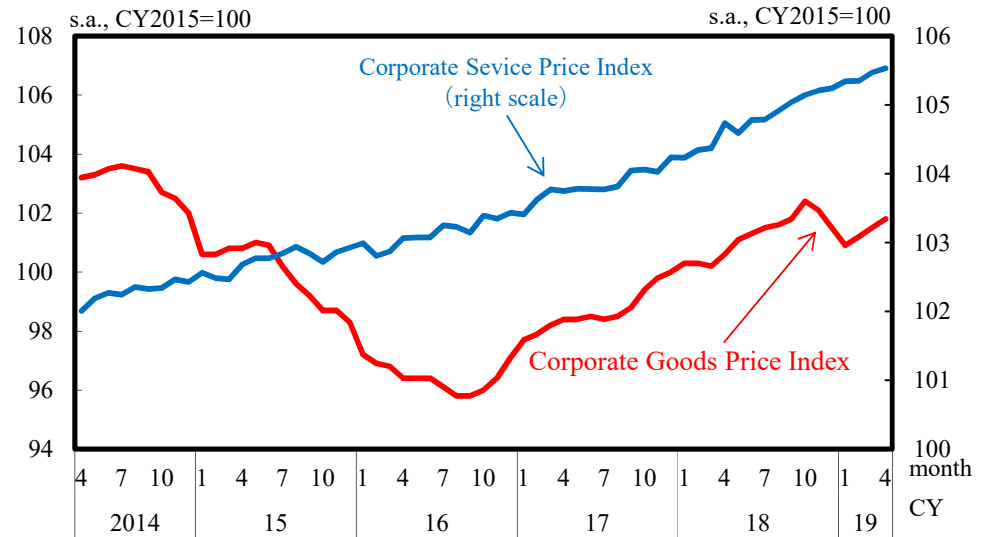
Food price (less fresh food and meals outside the home) is rising recently.



CPI (excluding impact of a consumption tax increase)



Corporate goods and service prices are rising due to increases of crude oil and labor costs.



Source: Ministry of Internal Affairs and Communications.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.