

# **Recent Economic Developments**

**~ Monthly Economic Report, June 2019 ~**

**June 24, 2019**

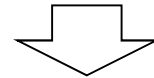
**Cabinet Office  
Government of Japan**

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<Assessments of the current state of the Japanese economy>

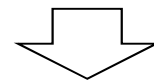
April

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.



June

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

**(Changed)**

**(Unchanged)**

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

	April	May	June
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is increasing.	Business investment is on the increase at a moderate pace, while weakness is seen recently in machinery investment. (↓)	Unchanged
Exports	Exports are in a weak tone recently.	Exports are in a weak tone.	Unchanged
Industrial production	Industrial production is almost flat and weakness is seen in some sectors.	Industrial production is in a weak tone recently. (↓)	Unchanged
Corporate profits	Corporate profits improvement appears to be pausing, although they remain at a high level.	Unchanged	Corporate profits hold firm at a high level. (↑)
Firms' judgments on business conditions	Firms' judgments on current business conditions show cautiousness, mainly among manufacturers.	Unchanged	Unchanged
The employment situation	The employment situation is improving steadily.	Unchanged	Unchanged
Prices	Consumer prices are rising moderately in recent months.	Unchanged	Unchanged

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

## <Short-term prospects>

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.

June

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>

(Monthly Economic Report, June 18, 2019)

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 will decide the "Basic Policy on Economic and Fiscal Management and Reform 2019", the "Action Plan of the Growth Strategy" 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 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.

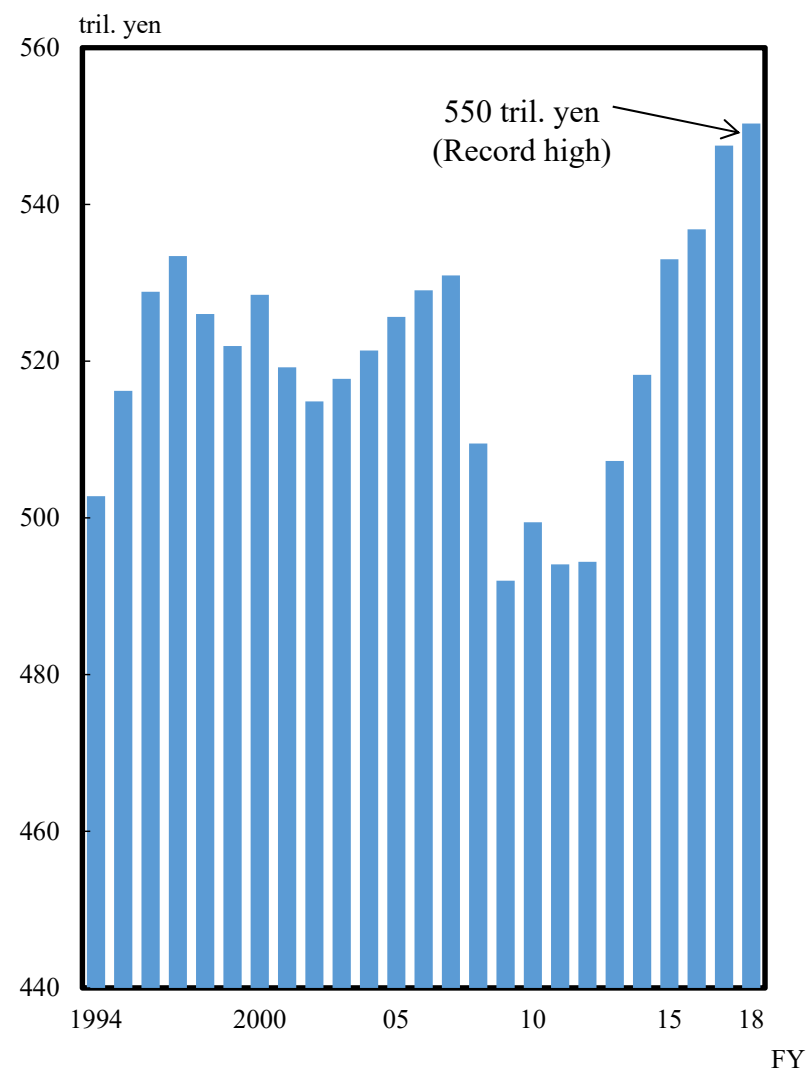
The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

# GDP: Jan. – Mar. 2019 (Second Preliminary Estimates)

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

	FY2017	FY2018	2018				2019
			I Jan. - Mar.	II Apr. - Jun.	III Jul. - Sep.	IV Oct. - Dec.	I Jan. - Mar.
Real GDP growth rate [at annual rate]	1.9	0.7	-0.1 [-0.4]	0.6 [2.3]	-0.6 [-2.6]	0.5 [1.8]	<b>0.6</b> <b>[2.2]</b>
Domestic Demand (Contributions)	(1.5)	(0.8)	(-0.2)	(0.6)	(-0.5)	(0.8)	(0.1)
Private Demand (Contributions)	(1.3)	(0.8)	(-0.1)	(0.6)	(-0.4)	(0.7)	(0.1)
Private Consumption	1.1	0.4	-0.1	0.6	-0.3	0.3	-0.1
Private Non-Residential Investment	4.5	3.5	1.0	2.6	-2.6	2.7	0.3
Private Residential Investment	-0.7	-4.3	-2.3	-2.0	0.8	1.4	0.6
Changes in Private Inventories (Contributions)	(0.1)	(0.1)	(-0.2)	(-0.0)	(0.2)	(0.1)	(0.1)
Public Demand (Contributions)	(0.1)	(-0.0)	(-0.0)	(-0.0)	(-0.1)	(0.1)	(0.0)
Public Investment	0.5	-3.9	-1.1	-0.7	-2.0	-1.5	1.2
Net Exports (Contributions)	(0.4)	(-0.1)	(0.0)	(-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 [1.4]	-0.6 [-2.6]	0.5 [2.0]	0.8 [3.4]

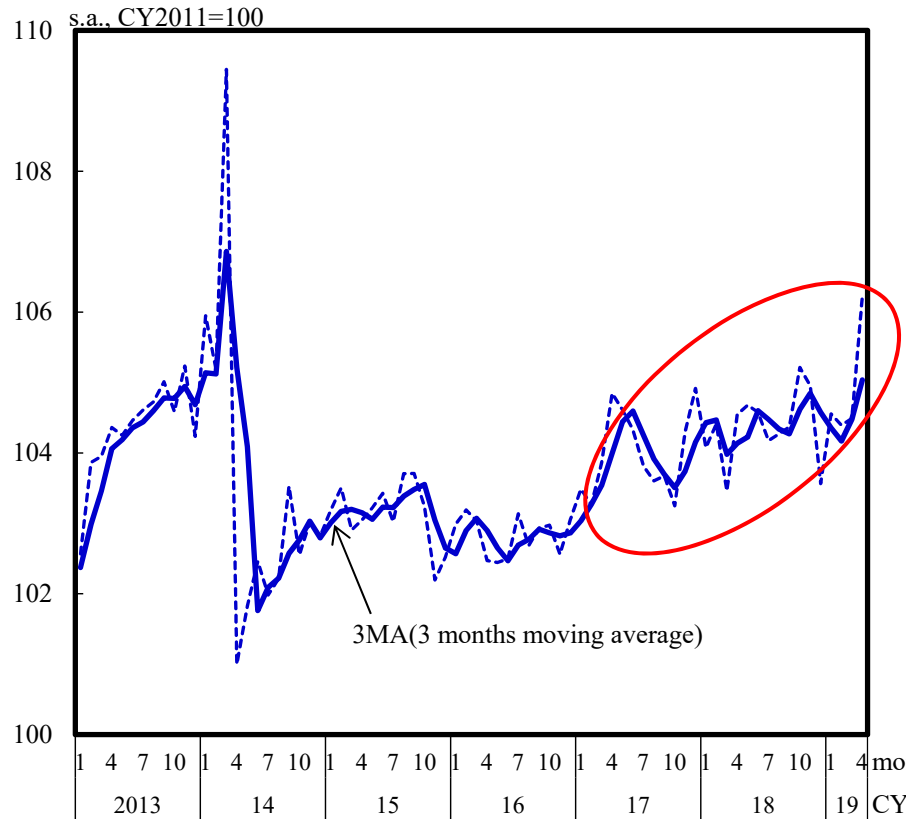
Nominal GDP



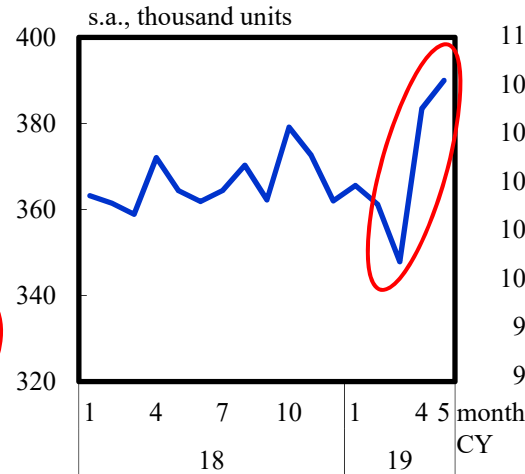
Note: Quarterly data is quarter-to-quarter change.  
Source: Cabinet Office.

# Private Consumption

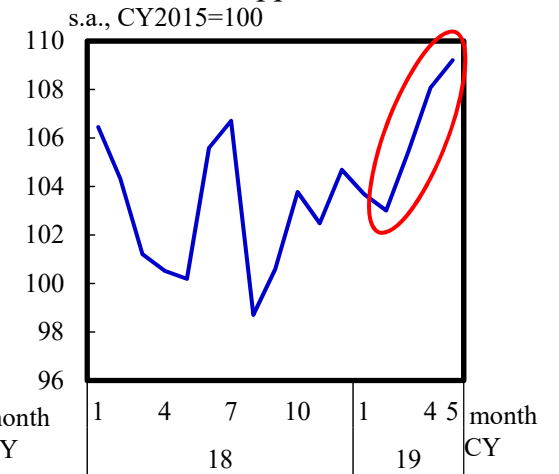
Synthetic consumption index(Real)



New automobile sales volume

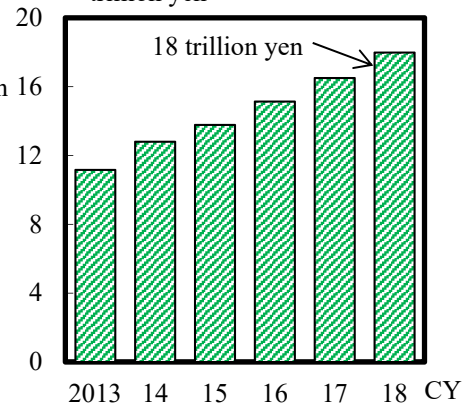


Sales of home electric appliances

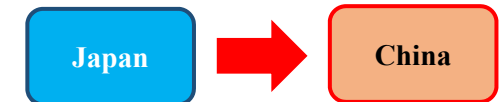


E-commerce market in Japan

Market size of the Japanese e-commerce trillion yen



Chinese demand in the Japanese e-commerce market (in 2018)

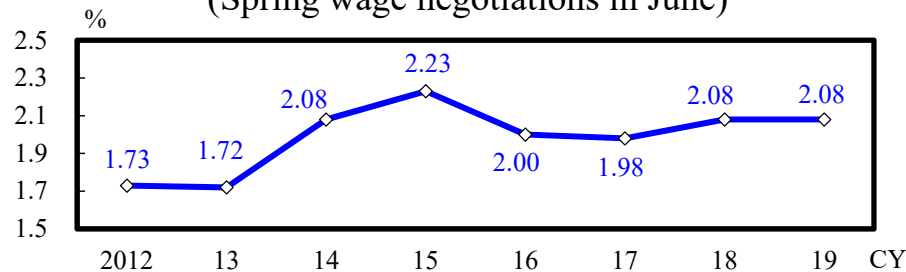


1.5 trillion yen

Mainly purchased items

- Cosmetics
- Foods
- Manga (Comics), Anime (Animations)
- Clothes
- Baby products etc.

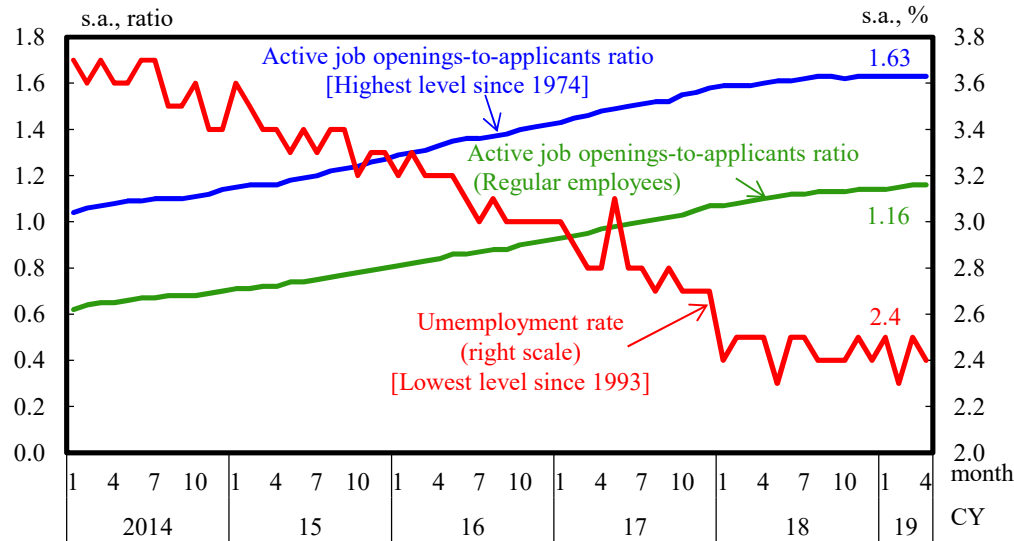
Increase in wages (Spring wage negotiations in June)



Sources: Cabinet Office; Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association; GfK Japan; Ministry of Economy, Trade and Industry; Japanese Trade Union Confederation (Rengo).

# Employment situation

## Unemployment rate and active job openings-to-applicants ratio



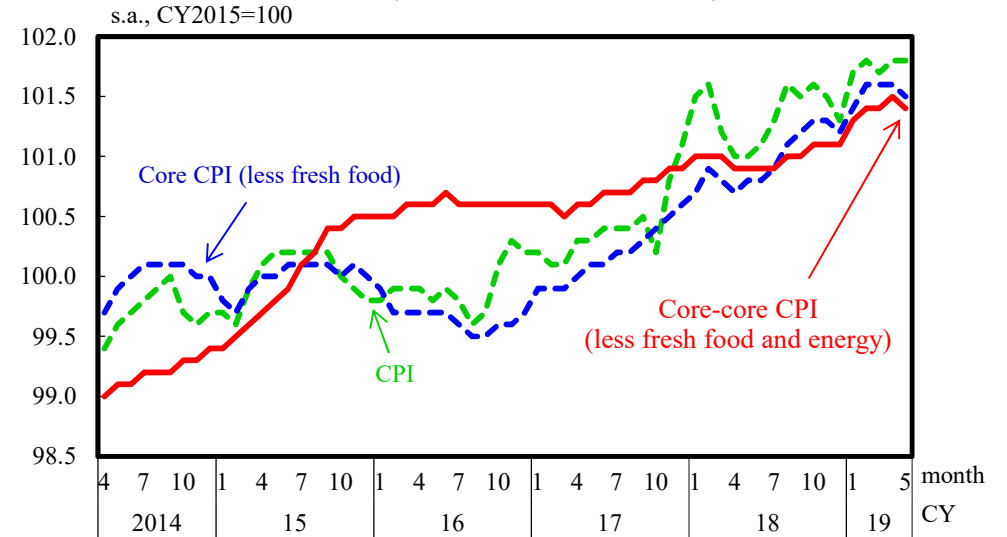
## Summer bonus ( Survey by Nikkei )

	Total	Manufacturing	Non-manufacturing
<b>2019</b>	<b>+0.05%</b> (850k yen)	<b>+0.12%</b> (900k yen)	<b>+0.56%</b> (640k yen)
2018	+4.62%	+4.91%	+3.00%
2017	▲2.75%	▲3.02%	▲0.41%

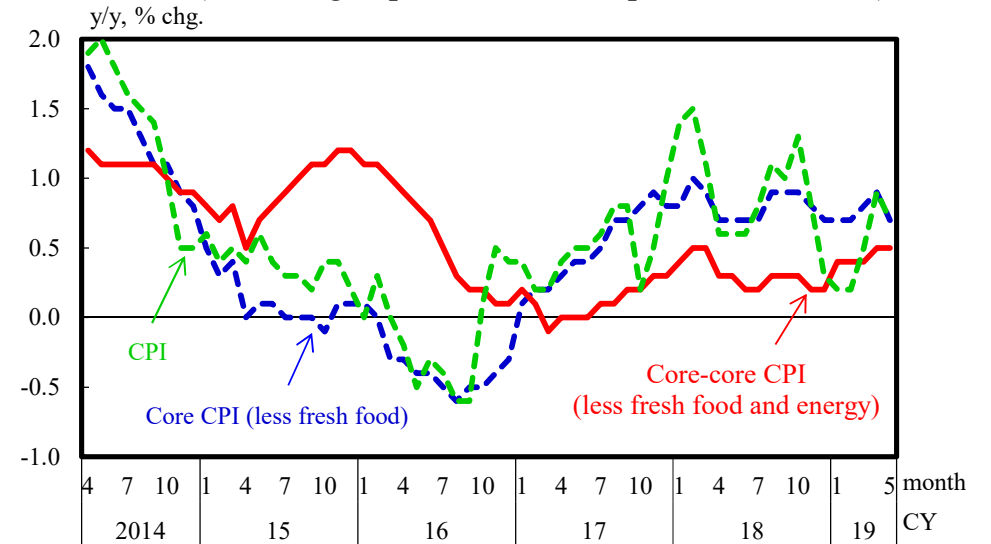
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Nihon Keizai Shimbun,inc.

# Prices

## CPI (Consumer Price Index)



## CPI (excluding impact of a consumption tax increase)

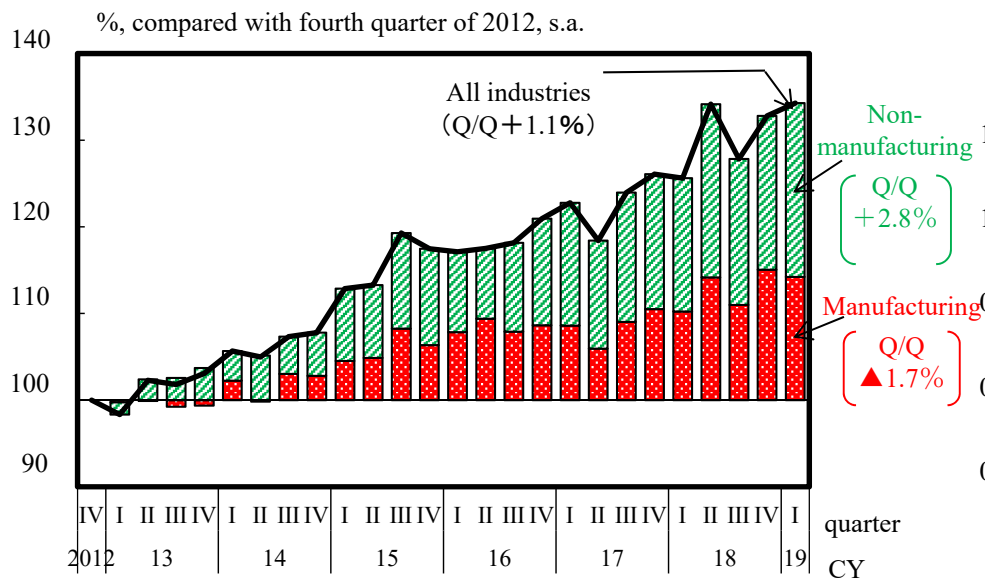


Sources: Ministry of Internal Affairs and Communications; Bank of Japan.



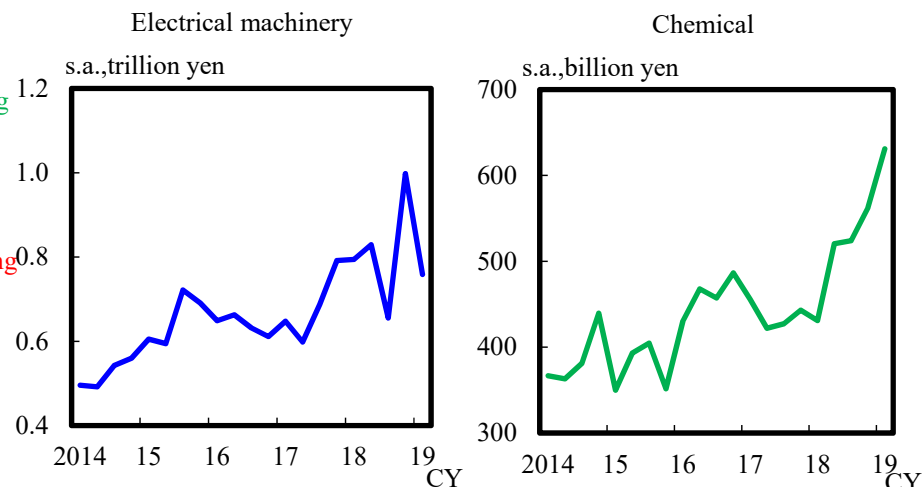
# Business Investment

Structures and machinery investment



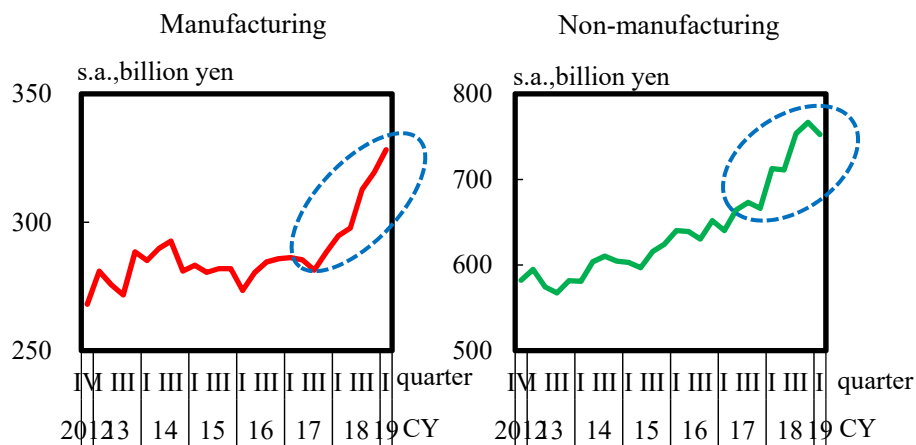
Structures and machinery investment by industry

Manufacturing

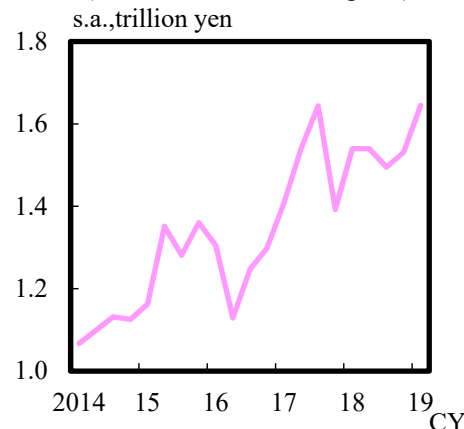


Non-manufacturing

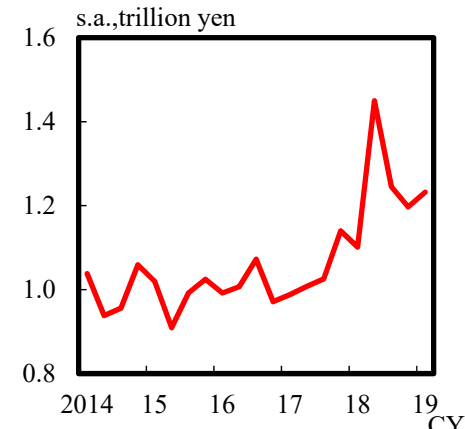
Software investment



Services (Goods rental and leasing etc.)



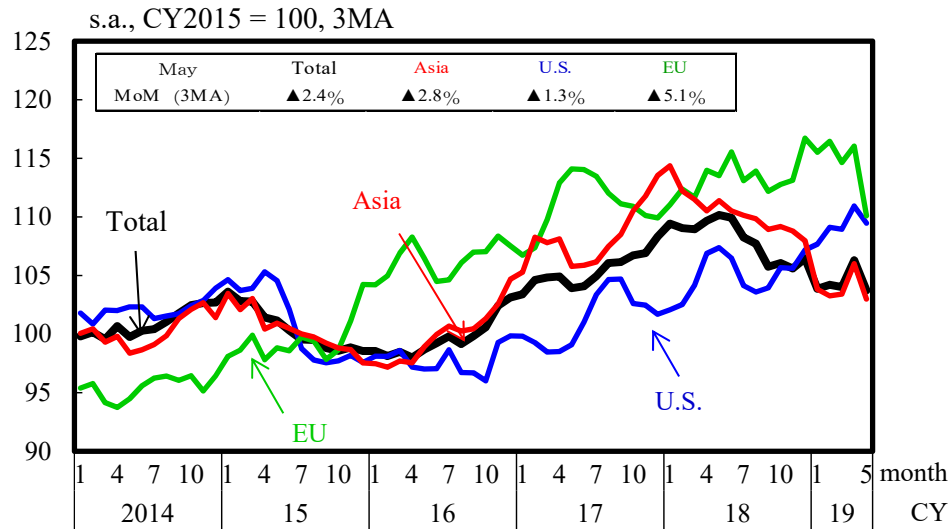
Transport and postal activities



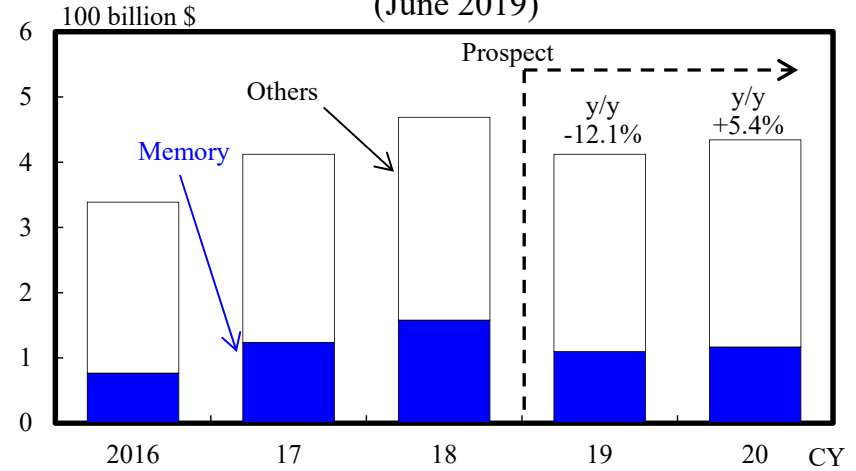
Source : Ministry of Finance

# Exports

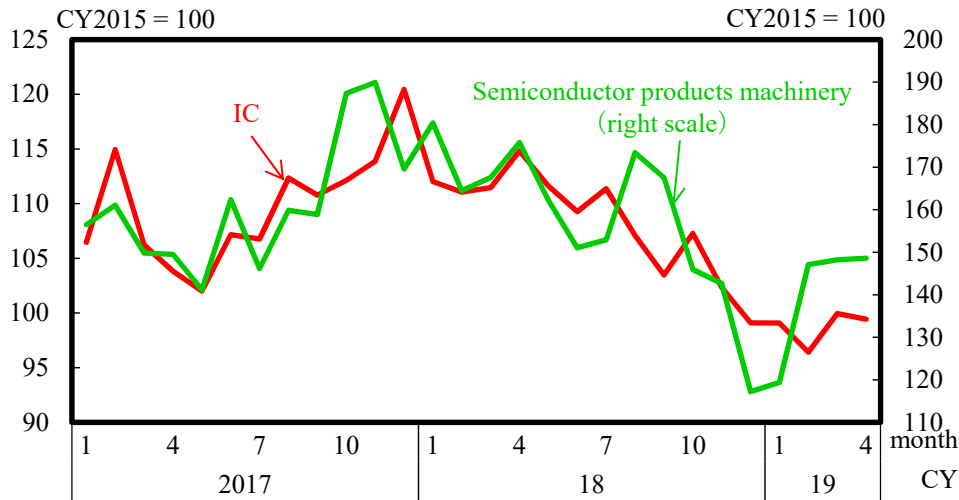
Exports volume index by region



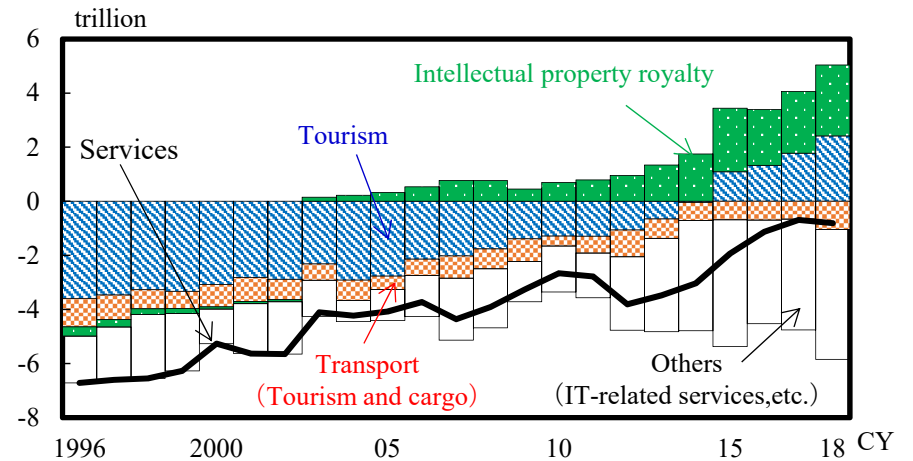
Shipment of semiconductors in the global market (WSTS)  
(June 2019)



Export volume of IT-related goods



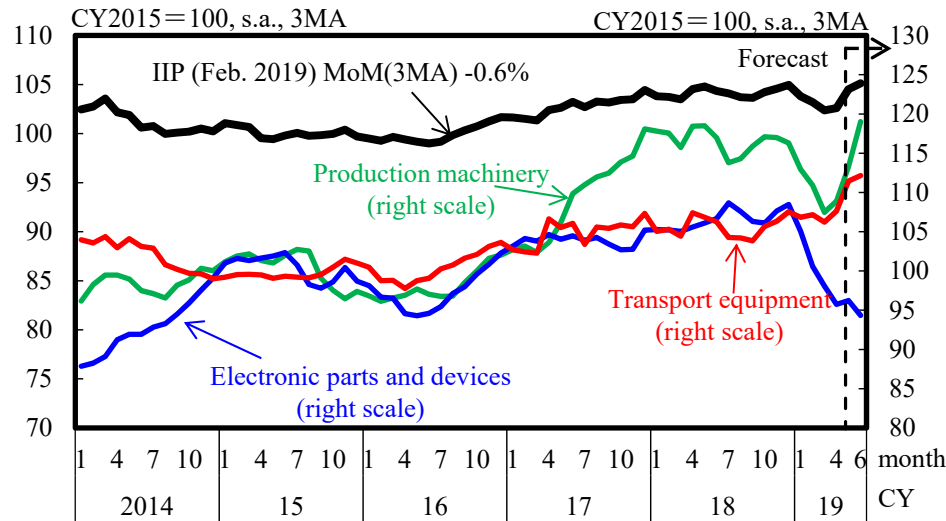
Balance of service



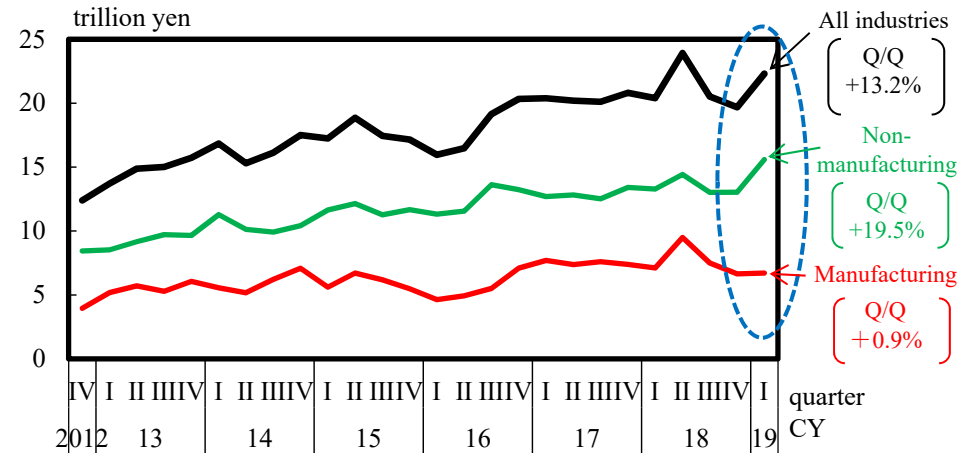
Sources: Ministry of Finance; Bank of Japan; World Semiconductor Trade Statistics.

# Industrial Production and Corporate Profits

Production by industry

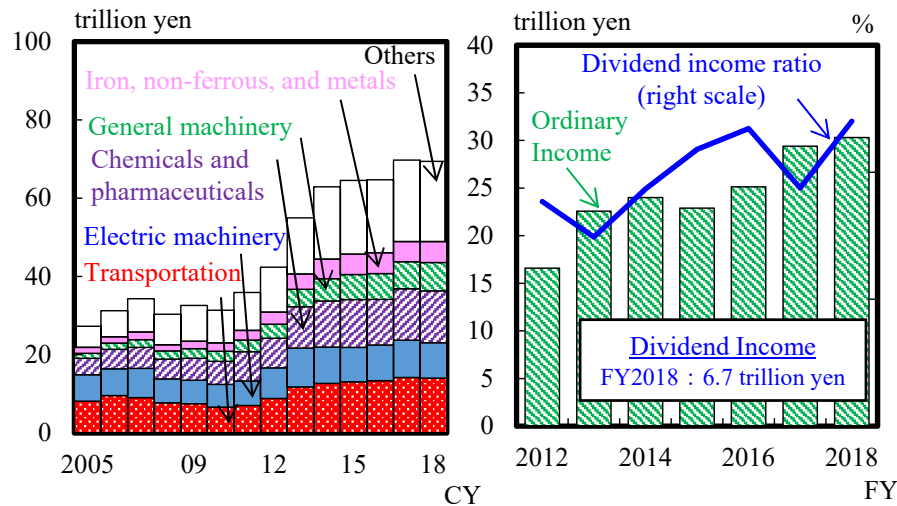


Corporate profits holds firm at a high level



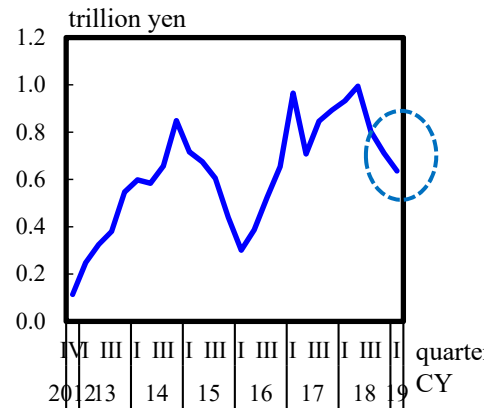
Corporate profit and overseas investment profit (Manufacturing)

Outward direct investment outstanding Ordinary income and dividend income

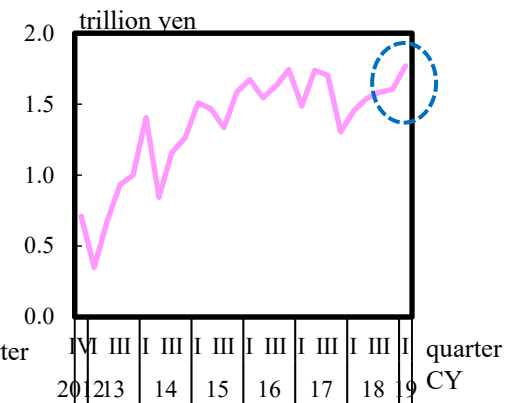


Trends in operating income in major industries

Electrical machinery



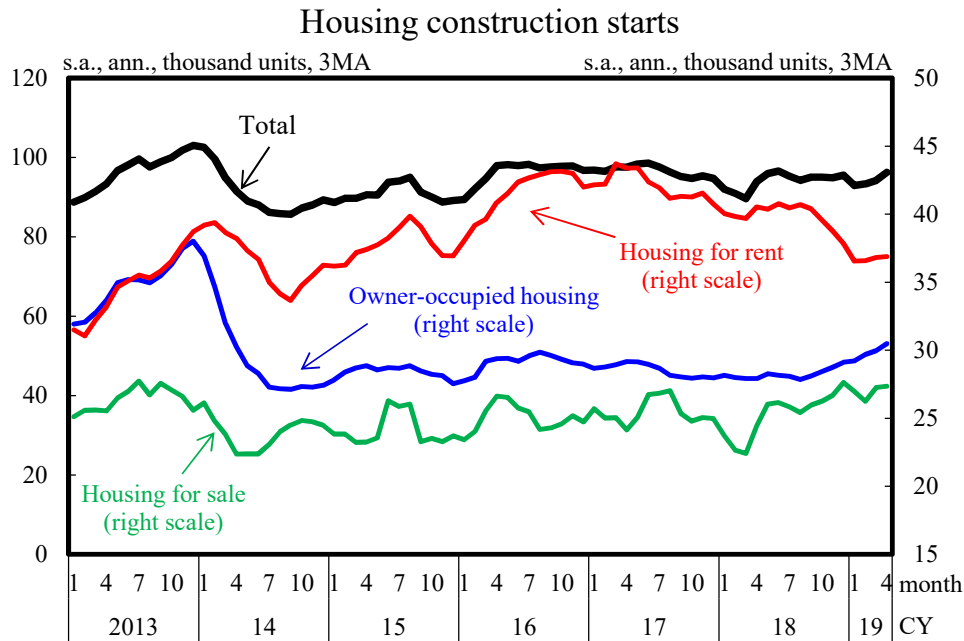
Construction



Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; Bank of Japan.

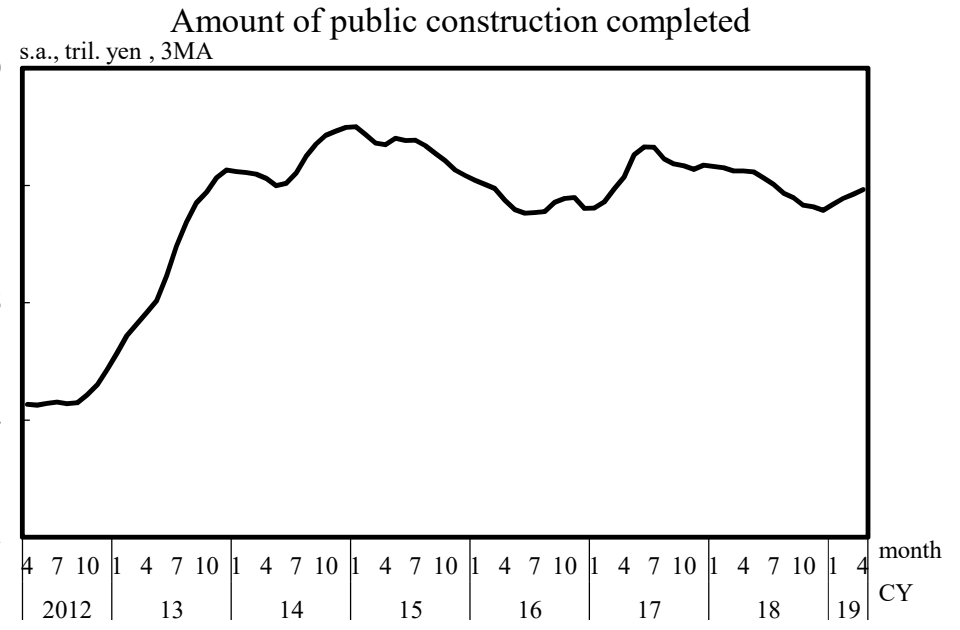
# References

# Housing Construction



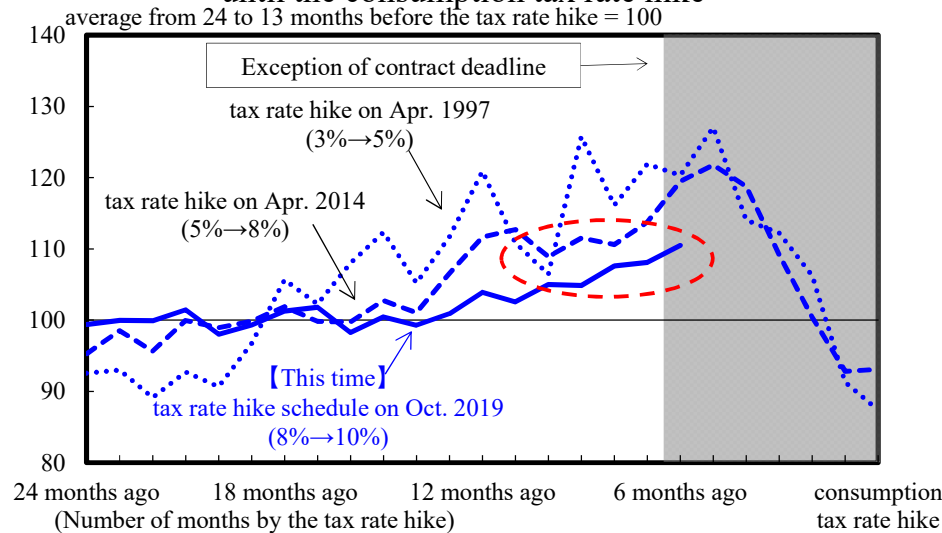
Source: Ministry of Land, Infrastructure, Transport and Tourism.

# Public Investment



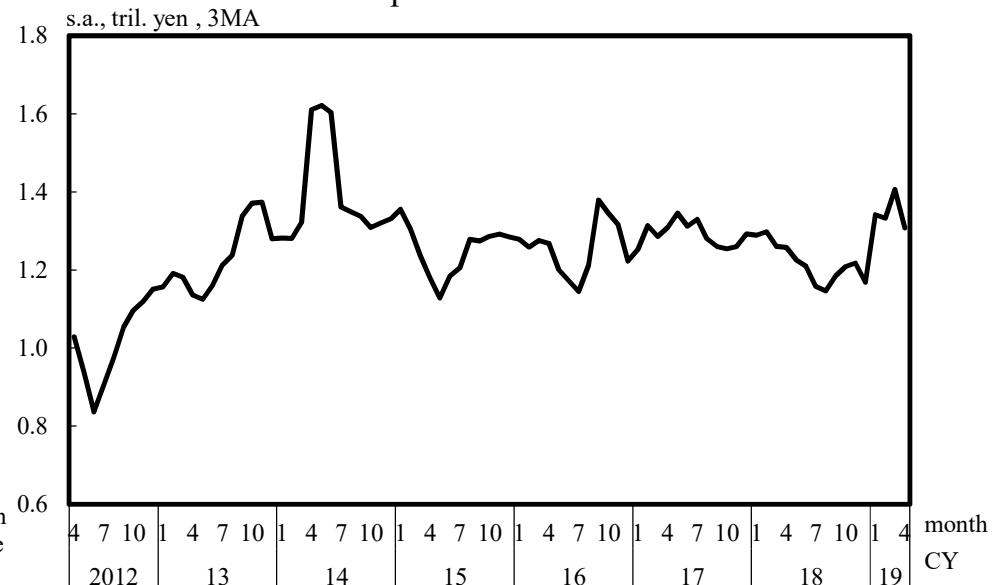
Source: Ministry of Land, Infrastructure, Transport and Tourism.

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



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

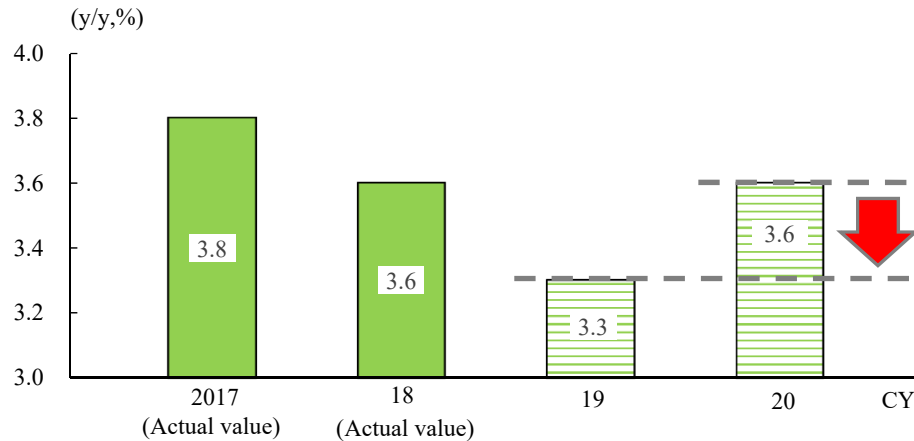
## Amount of public works orders received



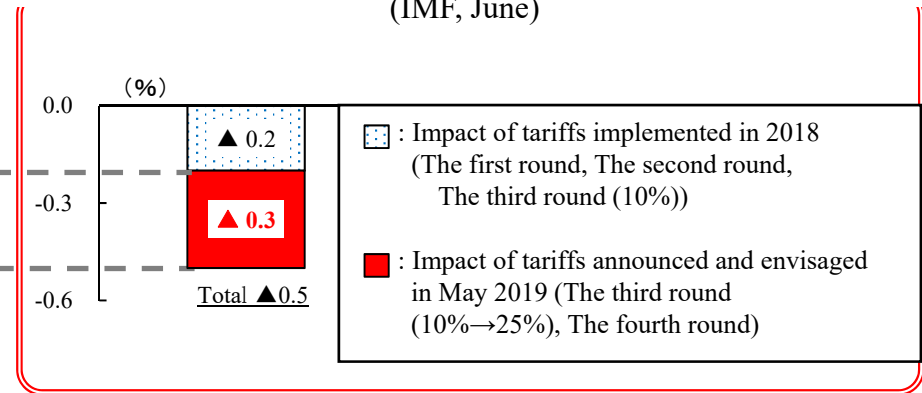
Source: Ministry of Land, Infrastructure, Transport and Tourism.

# World Economy

Global real GDP growth outlook (IMF, April)

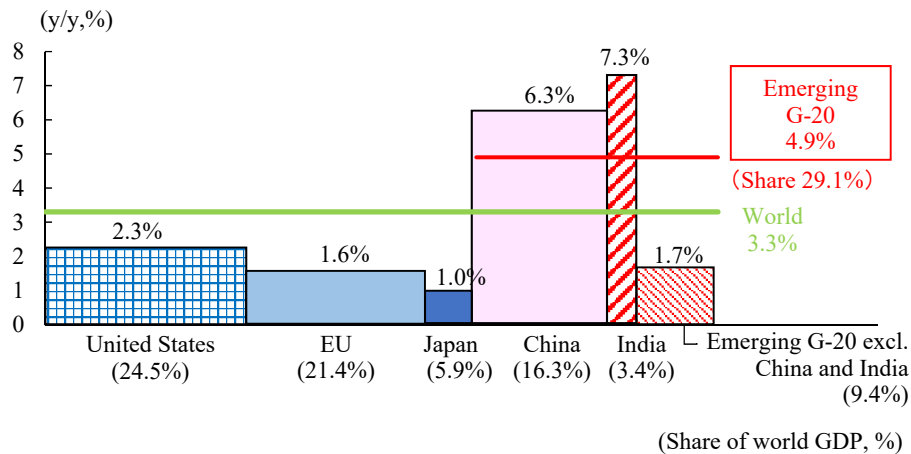


Impact of U.S.-China trade tension on global real GDP in 2020 (IMF, June)

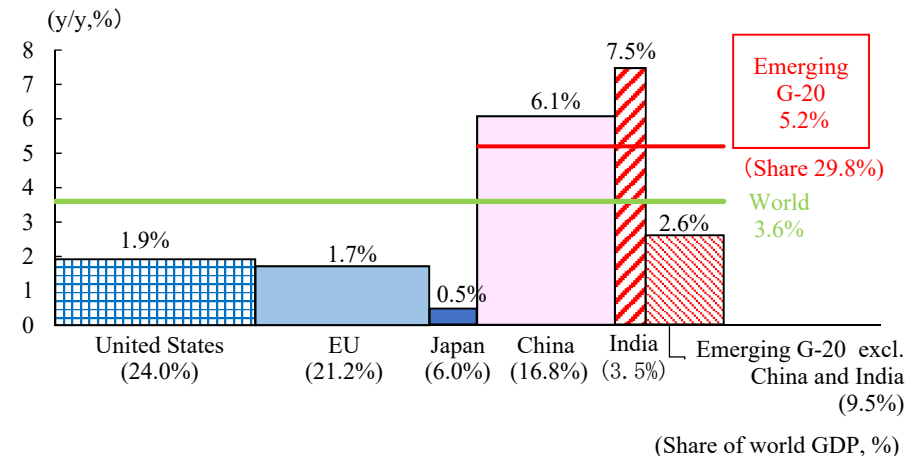


Real GDP growth outlook for major countries and regions (IMF, April)

2019



2020



Sources: IMF "World Economic Outlook Database" (April 2019); IMF "G20 Surveillance Note" (June 2019).