

# **Recent Economic Developments**

**- Monthly Economic Report, July 2019 -**

**August 1, 2019**

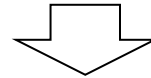
**Cabinet Office  
Government of Japan**

Contact for inquiries:  
Directorate General for Economic Research  
+81-3-6257-1567

<Assessment of the current state of the Japanese economy>

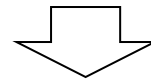
May

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.



July

The Japanese economy is recovering at a moderate pace while weakness continues mainly in exports.

**(Unchanged)**

**(Changed)**

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

	May	June	July
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is on the increase at a moderate pace, while weakness is seen recently in machinery investment.	Unchanged	Unchanged
Exports	Exports are in a weak tone.	Unchanged	Unchanged
Industrial production	Industrial production is in a weak tone recently.	Unchanged	Industrial production is flat recently while weakness continues in some sectors. ( )
Corporate profits	Corporate profits improvement appears to be pausing, although they remain at a high level.	Corporate profits hold firm at a high level.( )	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show cautiousness, mainly among manufacturers.	Unchanged	Firms' judgments on current business conditions show cautiousness further, mainly among manufacturers.( )
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>

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.

July

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, July 23, 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 decided the "Basic Policy on Economic and Fiscal Management and Reform 2019 ~ A New Era of Reiwa: Challenges toward Society 5.0 ~", the "Action Plan of the Growth Strategy" and so on June 21st. Hereafter, the Government will strengthen economic growth by boosting potential growth rate and expand virtuous cycle of growth and distribution based on these policies. Moreover, in order to create a society in which everyone plays an active role and feels secure, the Government will establish the social security system for all generations. 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.

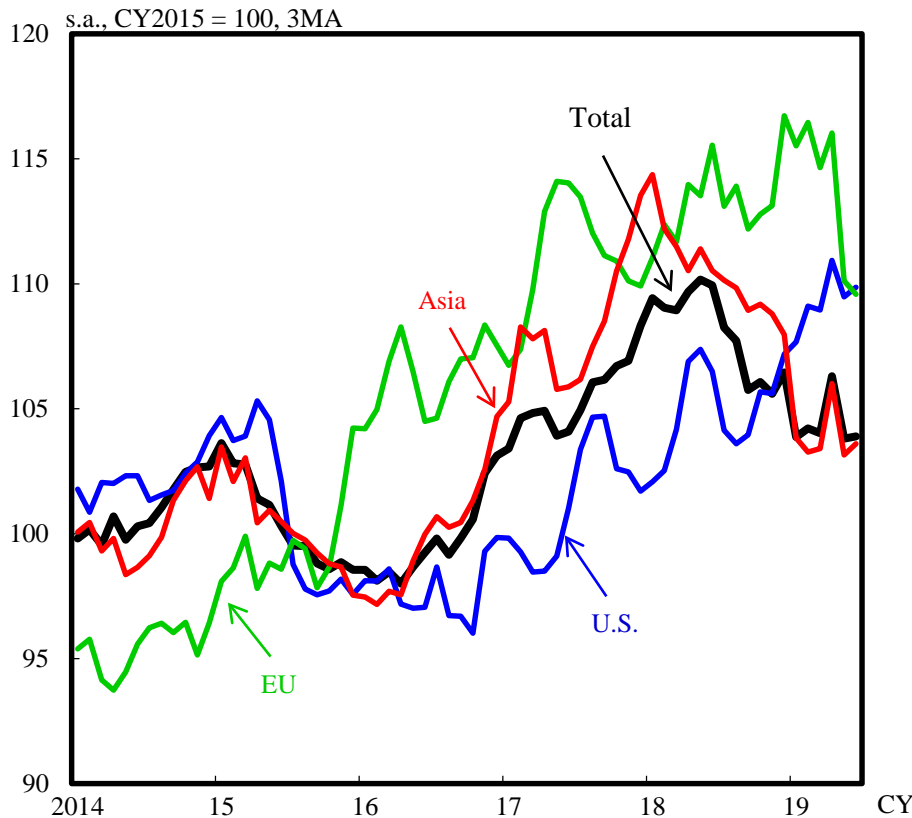
The Government will implement the FY2018 supplementary budget and the FY2019 budget including the temporal and special measures swiftly and steadily.

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

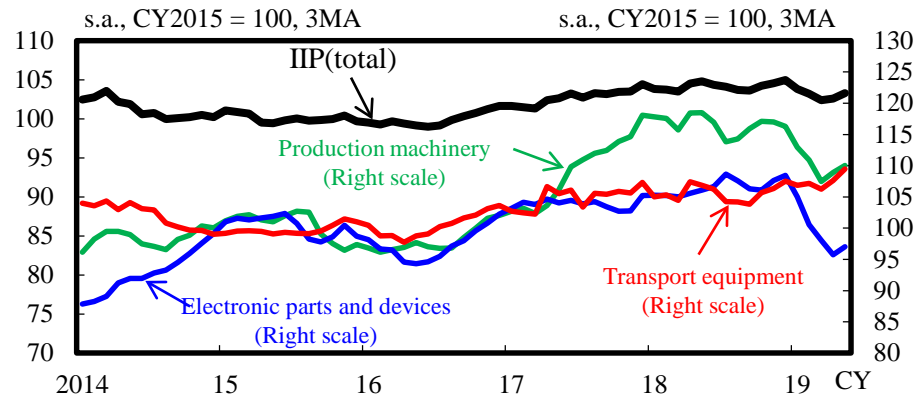
## - Recent Developments in Exports and Industrial Production -

- Ø Exports are in a weak tone, affected by the various factors including the slowdown of the Chinese economy and a soft patch in the demand for IT-related goods at global level.
- Ø Against the backdrop of subdued exports, some sectors of industrial production, such as production machinery and electronic parts, remain weak. On the other hand, among the production for domestic markets, transport equipment such as automobiles and construction machinery have been increasing, supported by solid domestic demand.

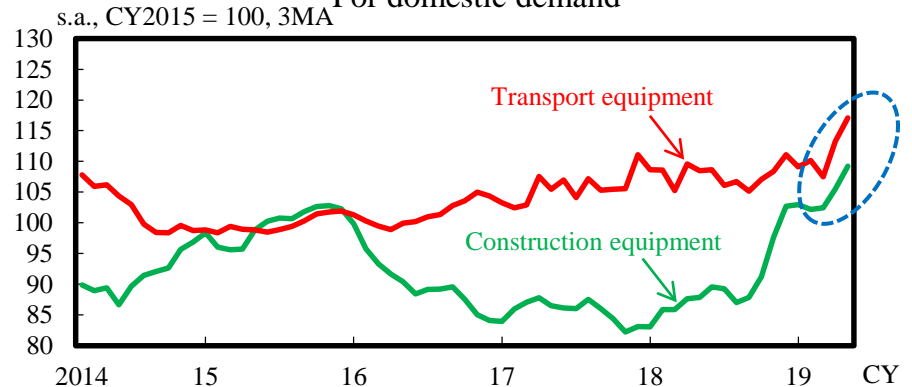
Exports are in a weak tone



Industrial production has been flat recently although weakness continues in some sectors



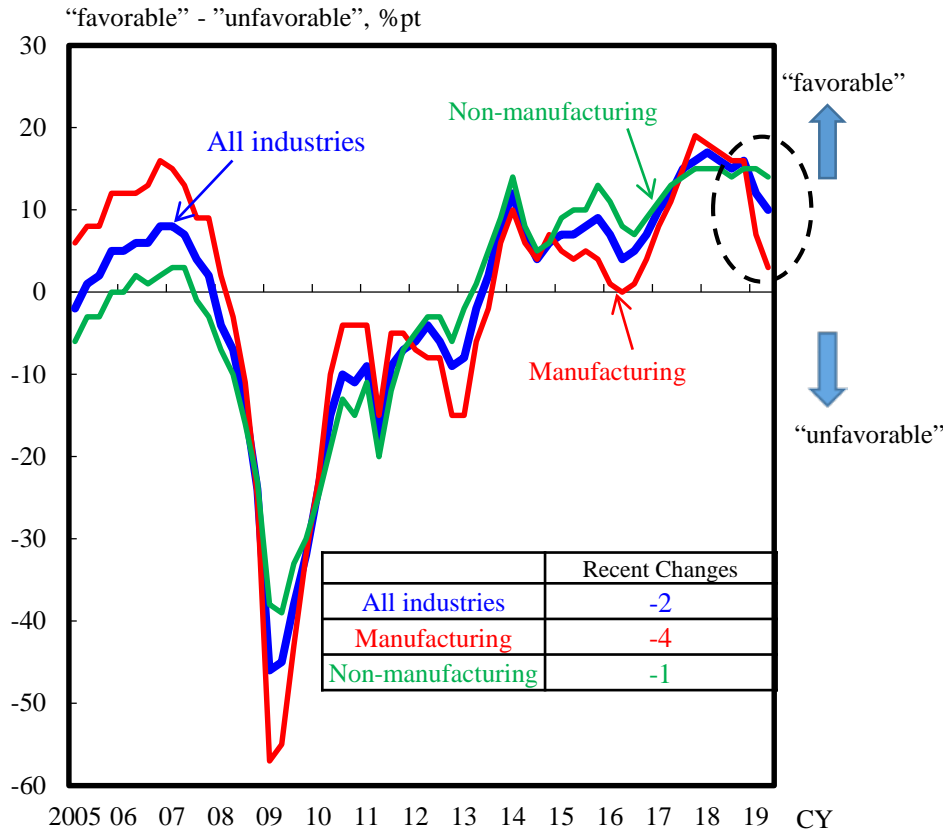
For domestic demand



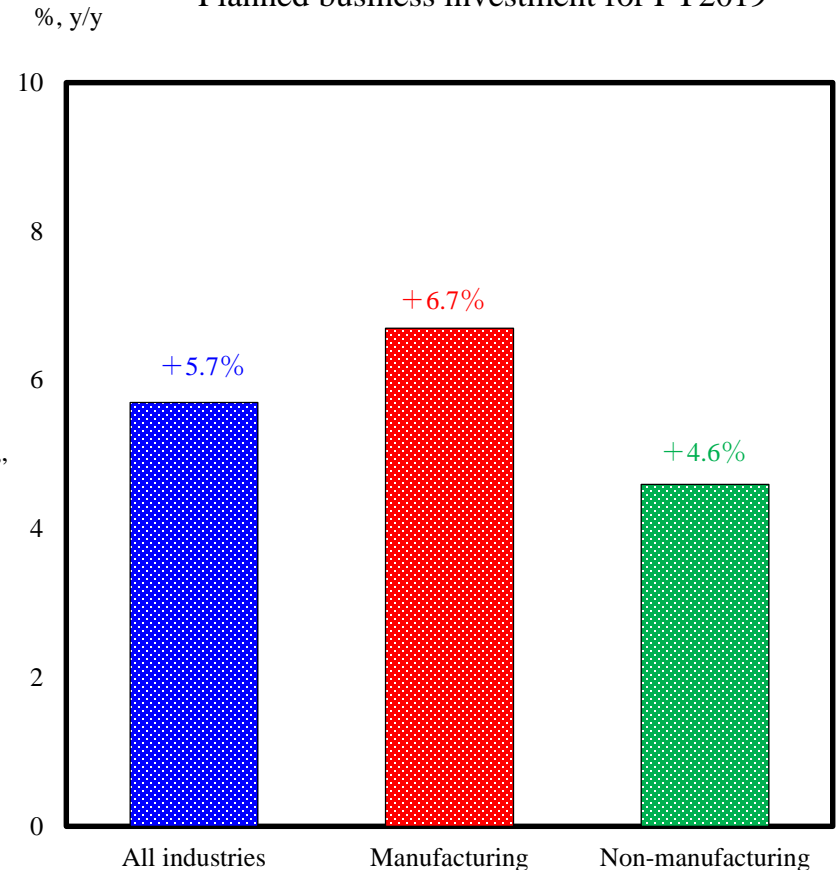
## — Business Sentiment and Investment Plans —

- Firms' judgment of current business conditions has deteriorated, mainly among manufacturers that are more susceptible to slowdown of exports, while “favorable” still exceeds “unfavorable” as a whole.
- On the other hand, firm’s investment appetite is solid, as indicated by nearly 6% increase (year-on-year) in the planned investment for FY2019.

Firms' judgment of business conditions



Planned business investment for FY2019

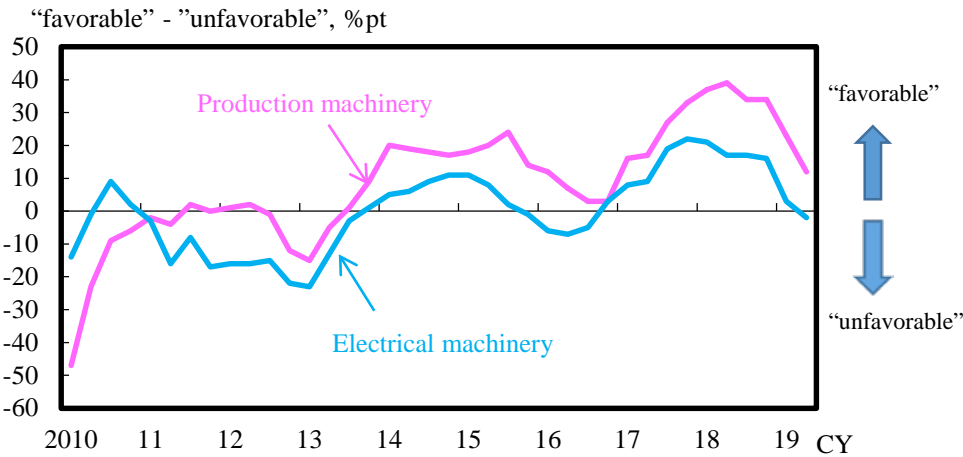


**Firms' judgment of current business conditions indicates increased cautiousness, mainly among manufacturers, while firm's judgement of production capacity continues to show capacity shortages.**

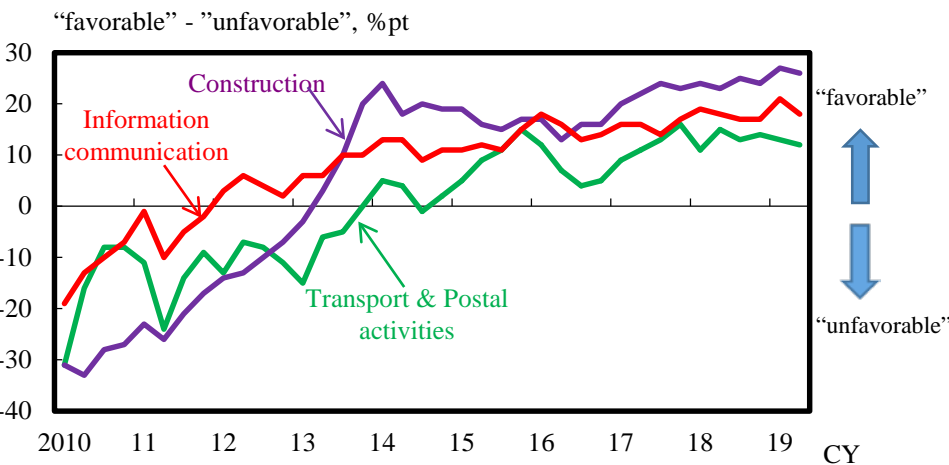
**— Business Sentiment —  
“Tankan” survey**

**Business sentiment**

**Manufacturing**

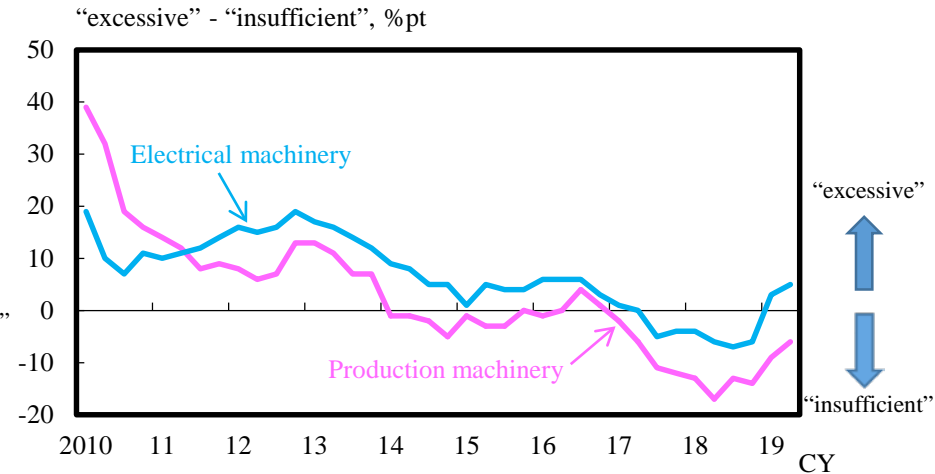


**Non-manufacturing**

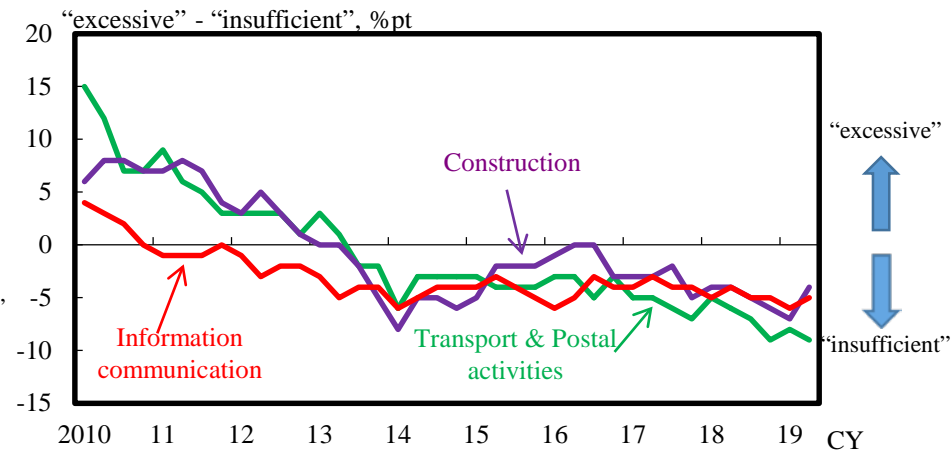


**Production capacity**

**Manufacturing**



**Non-manufacturing**







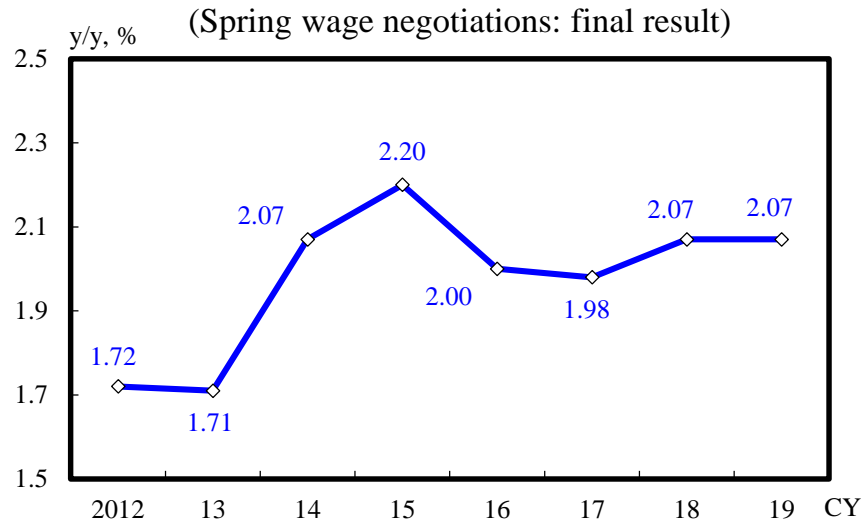
**Private consumption is picking up, supported by an improvement in employment and income conditions. Sales of new vehicles and home electric appliances, such as refrigerators and TV sets, have been increasing steadily.**

**—Private Consumption—**

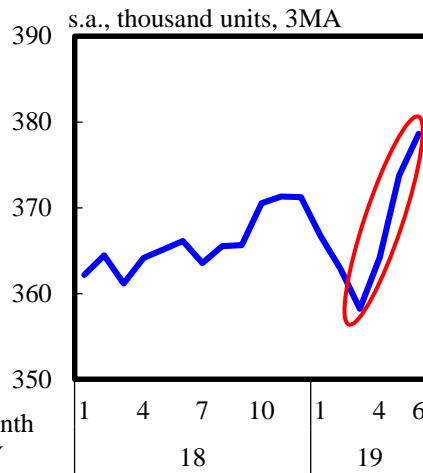
Synthetic consumption index(real)



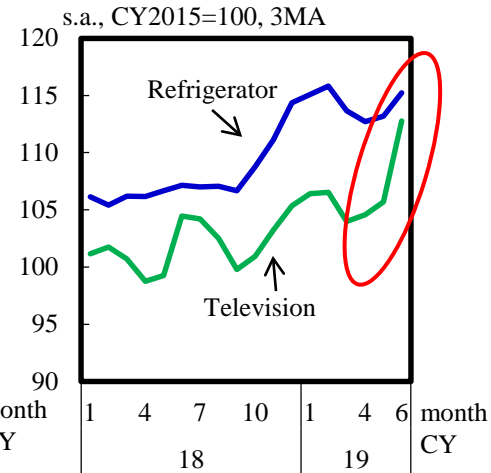
Wage growth



New automobile sales

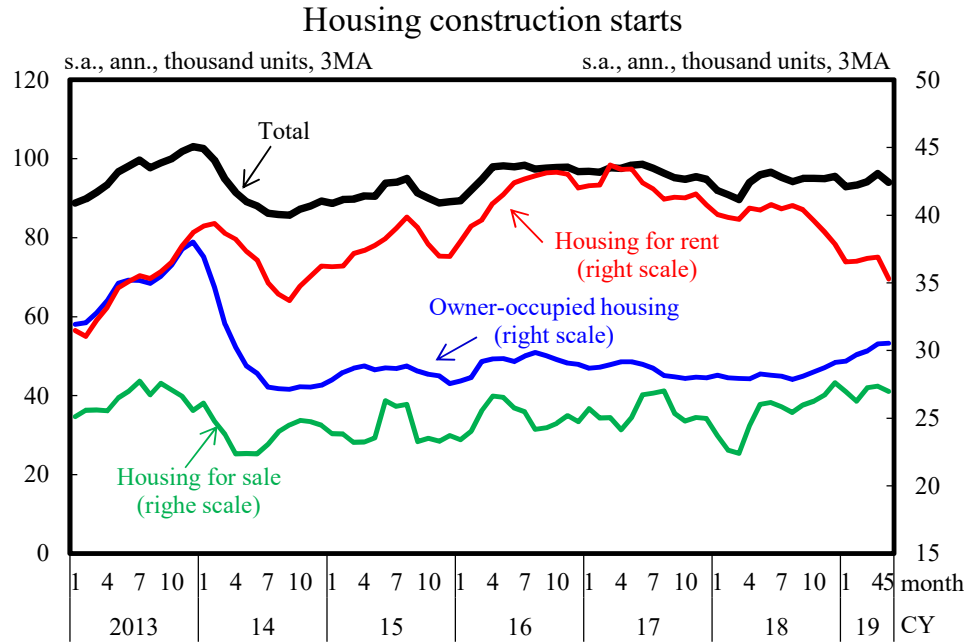


Sales of home electric appliances

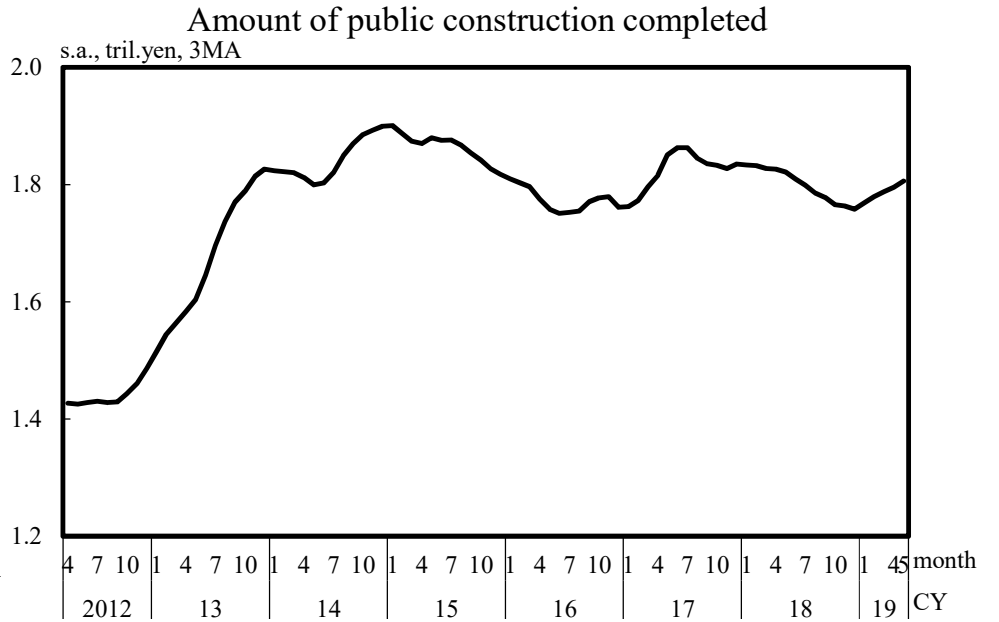


# References

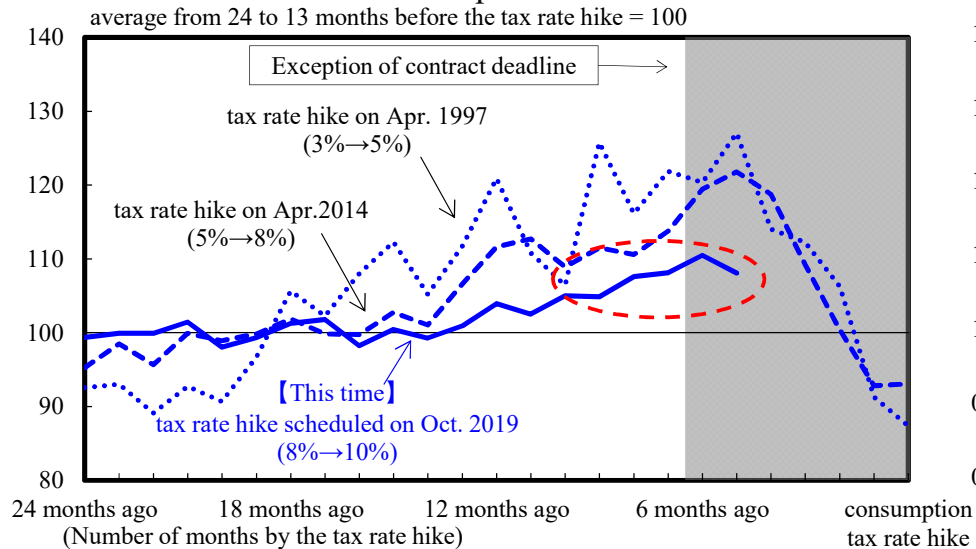
### Housing investment is almost flat



### Public investment has shown a steady undertone

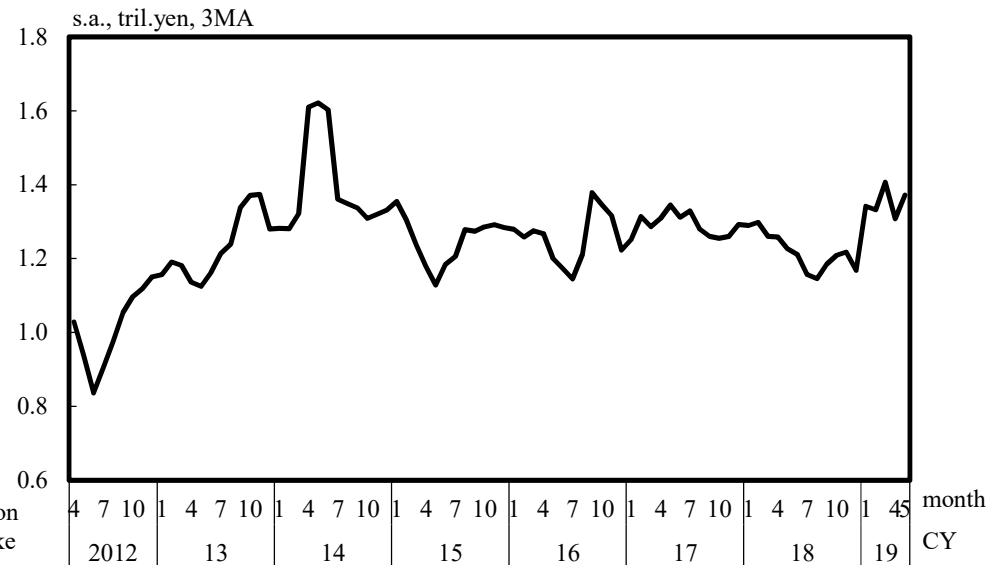


### Owner-occupied housing construction starts until the consumption tax rate hike



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

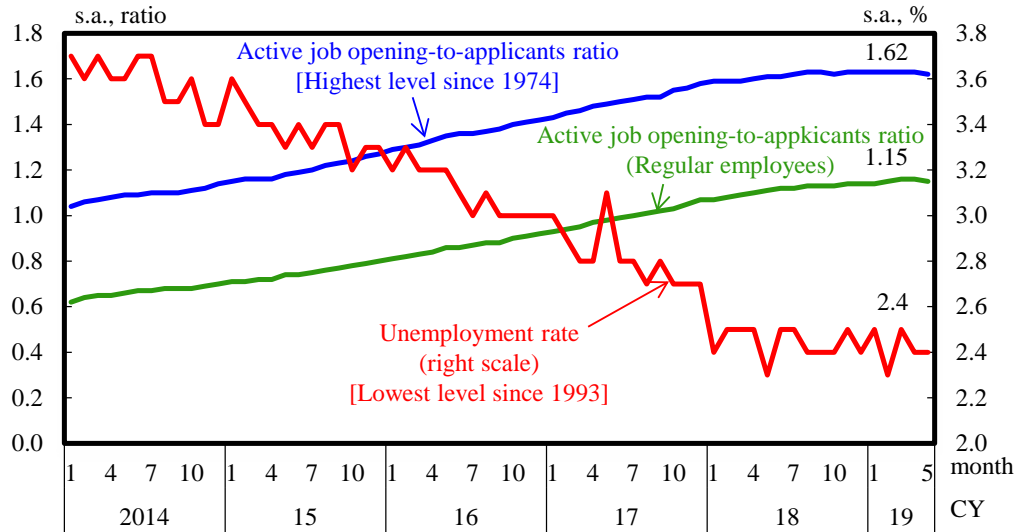
### Amount of public works orders received



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

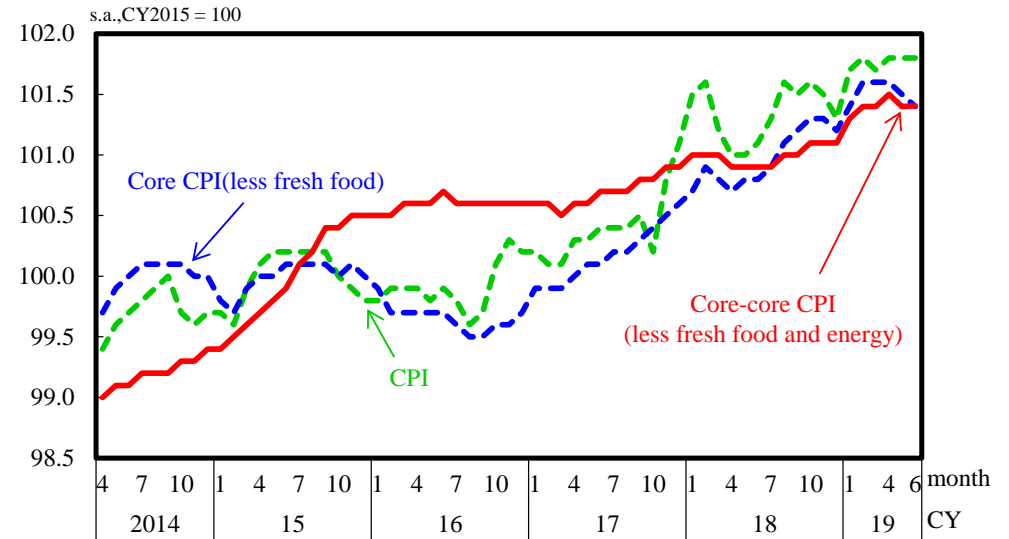
The employment situation is improving steadily.  
 Meanwhile, the sense of a labor shortage is at a high level.

Unemployment rate and active job opening-to-applicants ratio

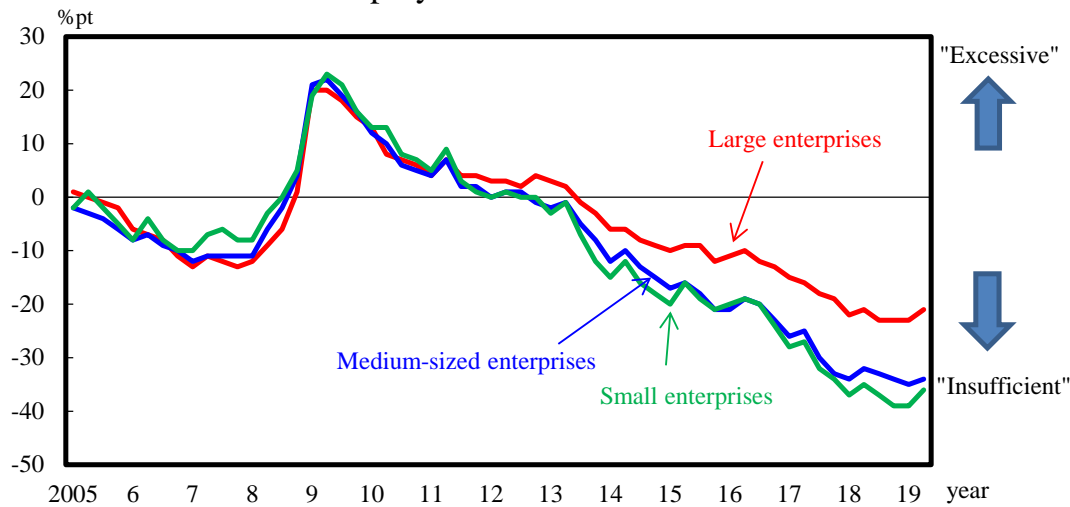


Consumer prices are rising moderately in recent months

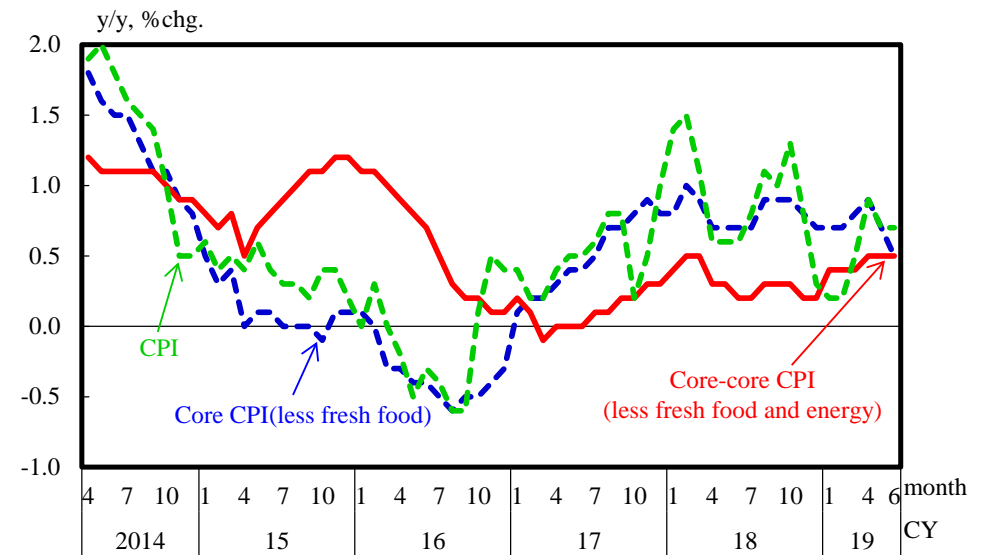
CPI(Consumer Price Index)



Employment conditions



CPI(excluding impact of a consumption tax increase)



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

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