

Recent Economic Developments

- Monthly Economic Report, September 2019 -

September 30, 2019

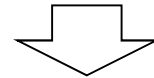
Cabinet Office
Government of Japan

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

<Assessment of the current state of the Japanese economy>

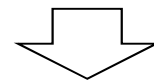
July

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



August

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September

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

(Unchanged)

(Unchanged)

<Assessment of the current state of the Japanese economy>

	July	August	September
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 flat recently while weakness continues in some sectors.	Unchanged	Unchanged
Corporate profits	Corporate profits hold firm at a high level.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show increased cautiousness, mainly among manufacturers.	Unchanged	Unchanged
Employment situation	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>

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.

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September

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<Policy stance>

(Monthly Economic Report, September 19, 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 strengthen economic growth by boosting potential growth rate and expand virtuous cycle of growth and distribution based on 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. 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, the Government will take all possible measures towards economic and fiscal management ensuring that the consumption tax rate hike on October 1, 2019 will not affect the recovery trend of the economy.

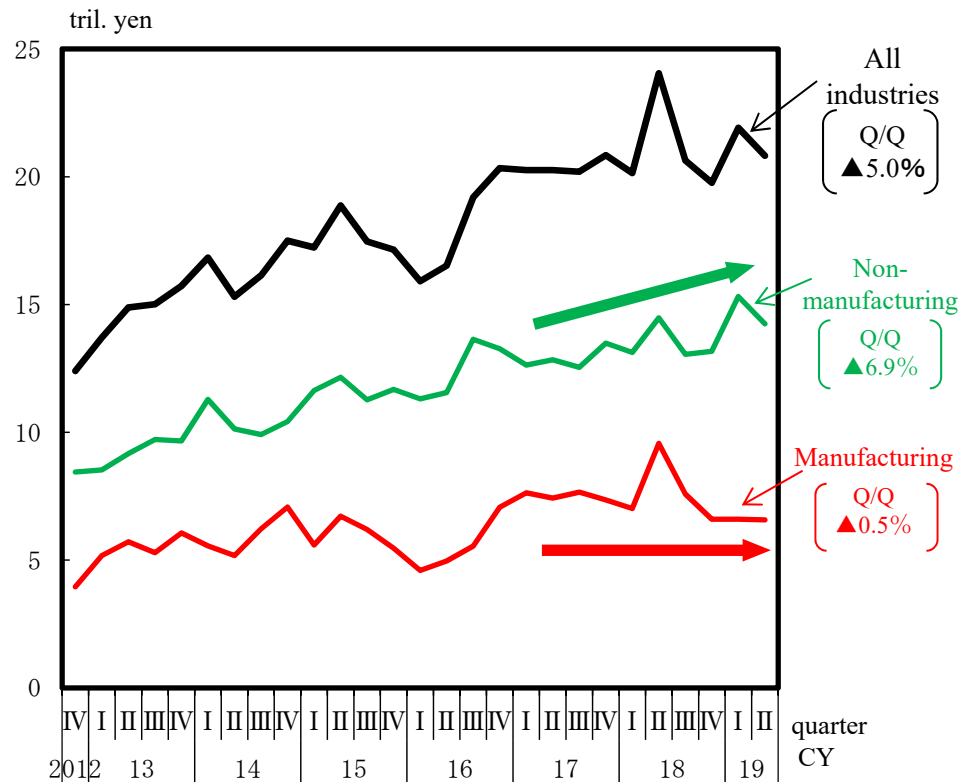
The Government will implement the FY2018 supplementary budget and the FY2019 budget including the temporal and special measures swiftly and steadily.

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.

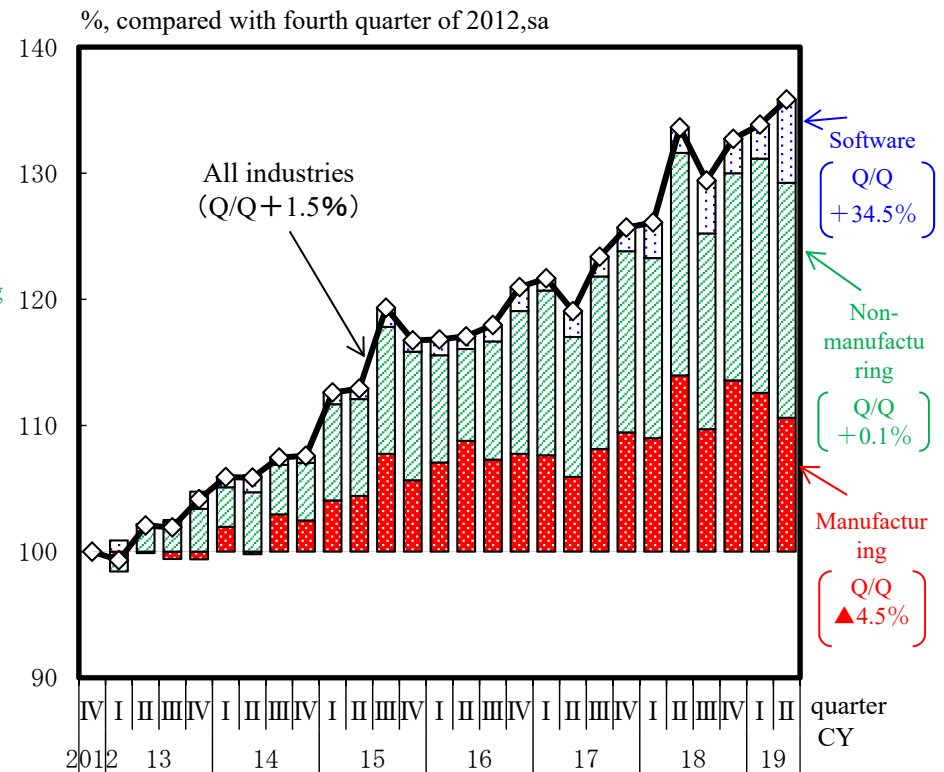
—Corporate Profits and Business Investment—

- Corporate profits reached a record high in FY2018. Although the manufacturing has been sluggish due to weak external demand, the non-manufacturing is solid and has maintained a high level overall.
- As a result of corporate profits trend, business investment is on the increase at a moderate pace. While weakness is seen in machinery investment of manufacturing, nonmanufacturing hold firm, and software investment is growing at a high rate.

Ordinary profit



Business Investment

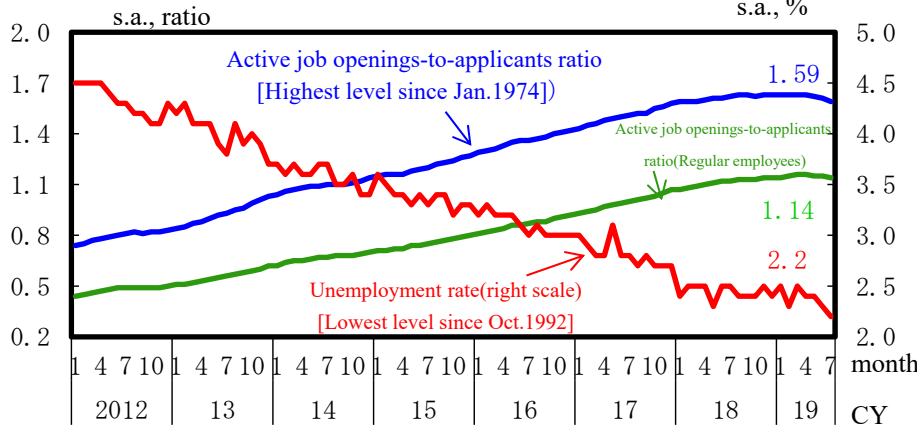


Source: Ministry of Finance

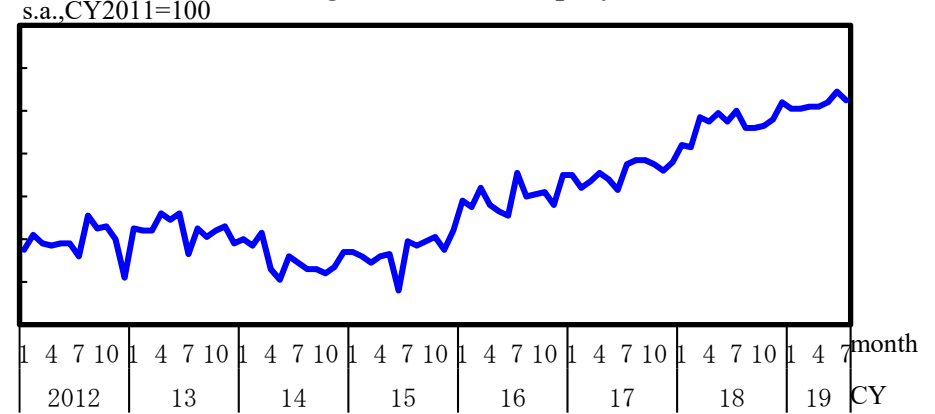
— Employment situation and Private consumption —

- Employment situation is improving steadily. Active job openings-to-applicants ratio is in the highest level since Jan.1974, and unemployment rate is in the lowest level since Oct.1992(2.2%). The number of employees is increasing by 3.97 million(1.31 million in regular workers) from 2012 to 2018, especially for women and elderly people.
- The wage increase of the highest level in this century continues for six years, and real wage income of employees increases at a moderate pace. The individual private consumption is picking up, supported by an improvement in employment and income conditions.

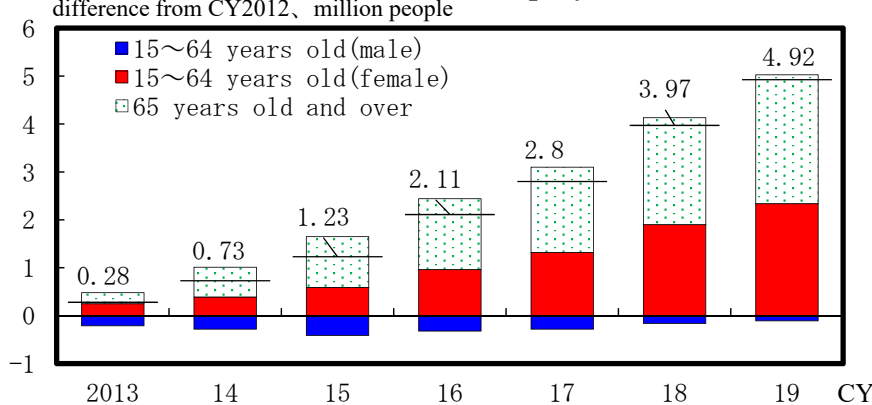
Unemployment rate and active job openings-to-applicants ratio



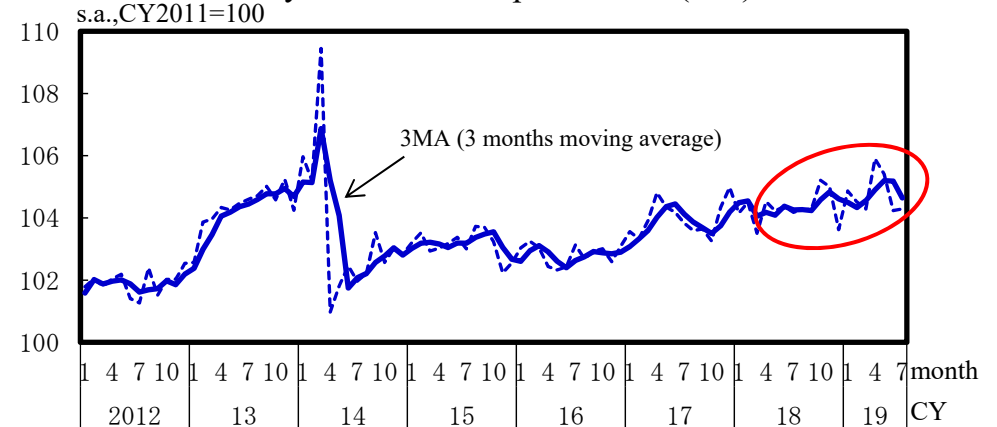
Real wage income of employees



The number of employees



Synthetic consumption index (real)

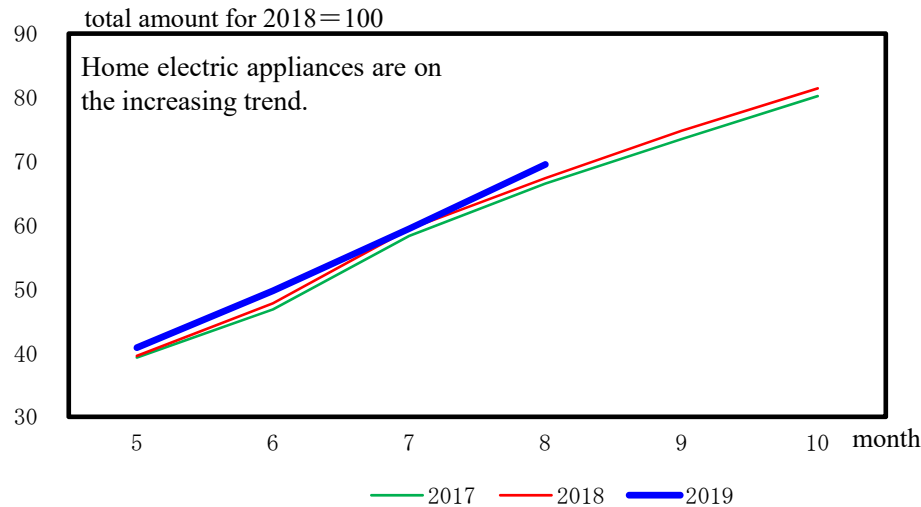


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

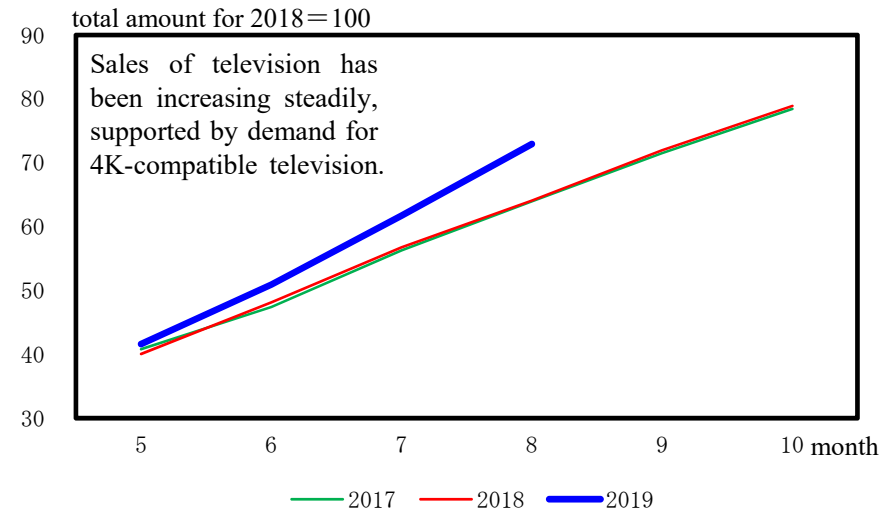
— Private consumption
(Home appliance)—

Home electric appliances are on the increasing trend. In August, sales of air conditioner recovered from the decrease due to bad weather in July. Sales of television which is less affected by weather has been increasing steadily.

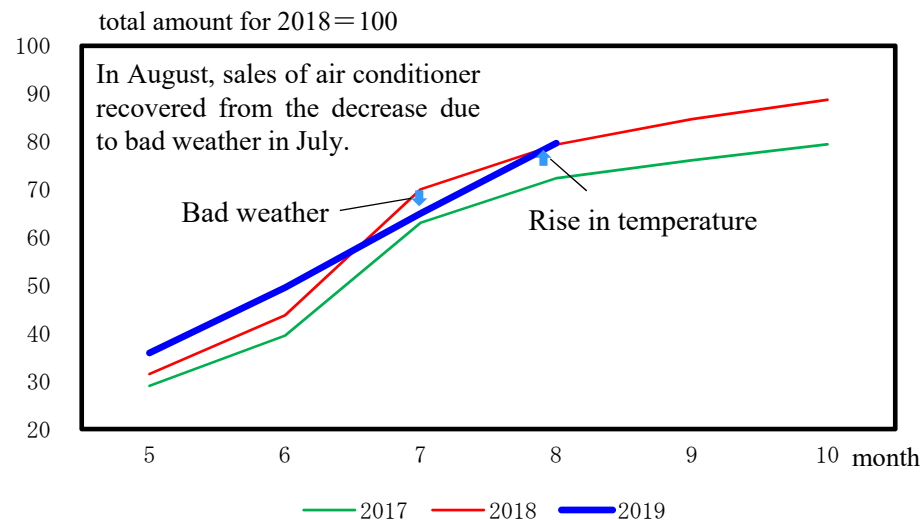
Sales of home electric appliances(cumulative sum)



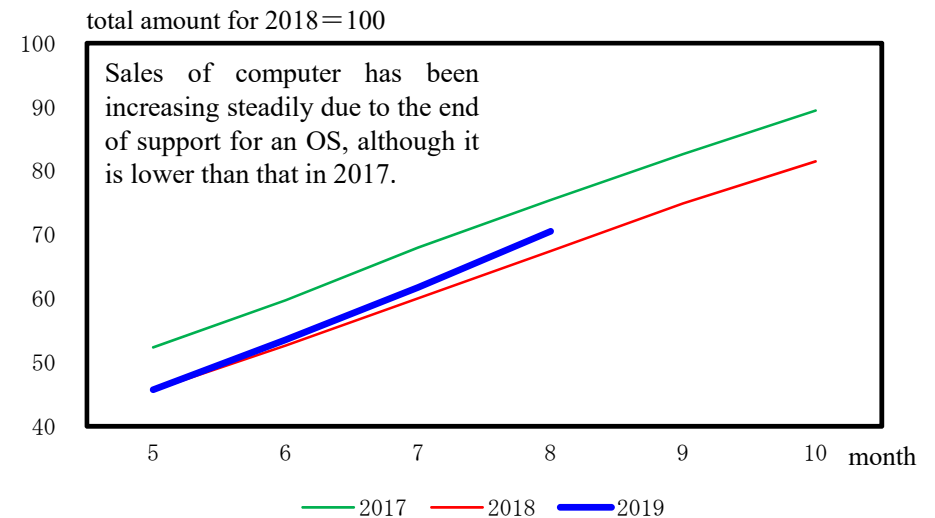
Sales of television(cumulative sum)



Sales of air conditioner(cumulative sum)



Sales of computer(cumulative sum)



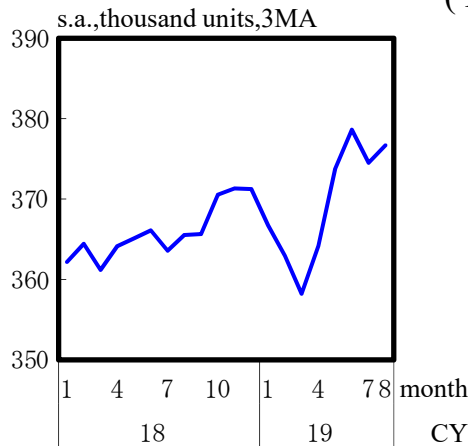
Sources: GfK Japan.

Notes: Weight of sales of home electric appliances(Share of each item in total sales of 19 items); air conditioner=16.6%, television=10.5%, computer=10.0%

— Private consumption (automobiles) & Housing construction starts —

New automobile sales is on the increasing trend.
Housing construction starts in a weak tone, but order of Owner-occupied housing has already been showing movements of picking up.

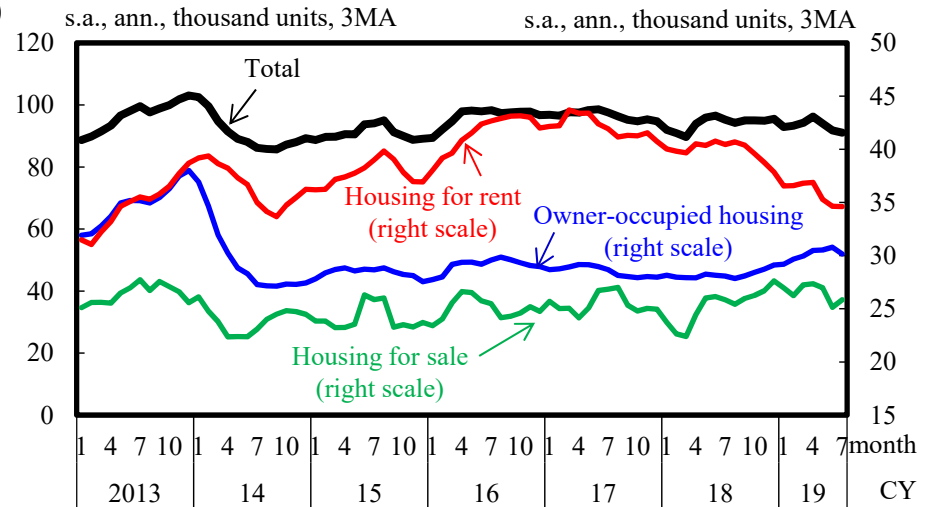
New automobile sales



Comments on automobile sales (Economy Watchers Survey in August)

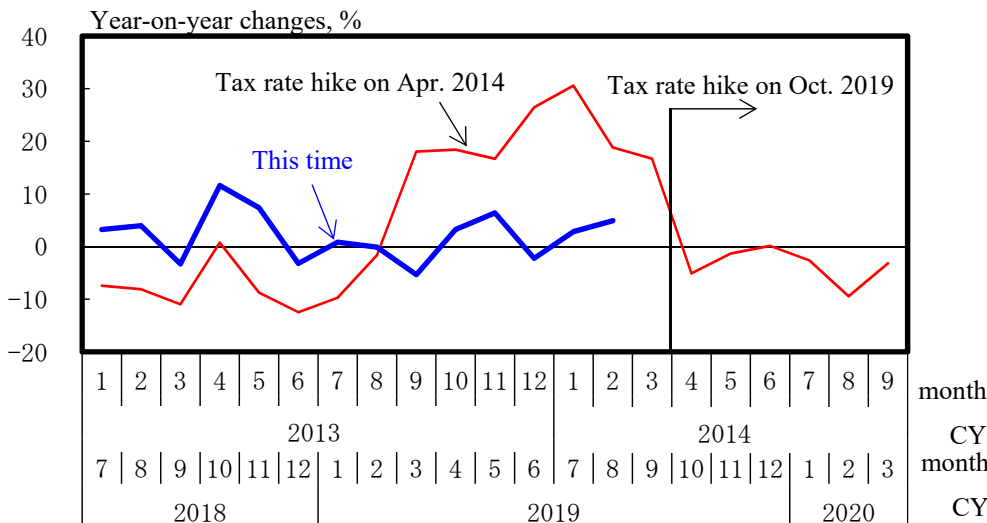
- We see little change in the number of customers. Nor is any last-minute increase in demand observed before the consumption tax increase. (Tohoku: Automobile shop)
- Customers are more aware of the consumption tax increase when considering what to buy. (Hokkaido: Electrical appliance retailer)

Housing construction starts



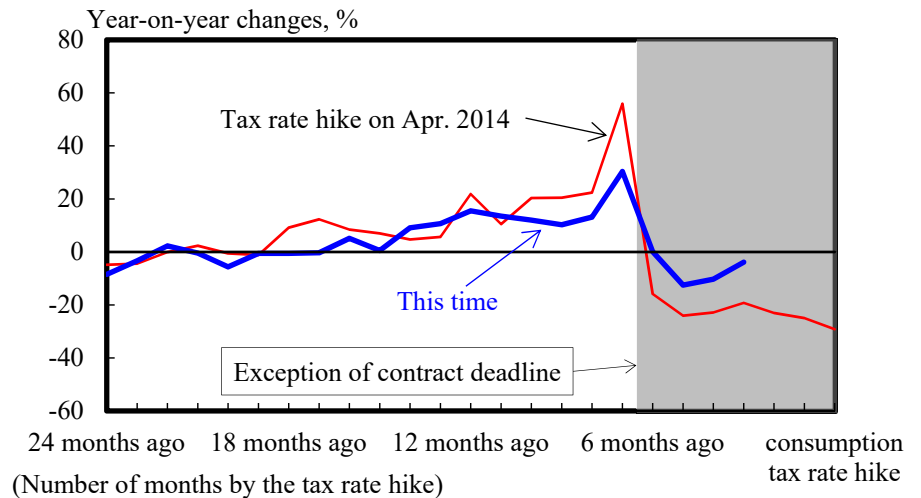
Source: Ministry of Land, Infrastructure, Transport and Tourism

New automobile sales (Year-on-year changes)



Sources: Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association
Notes: Automobiles include light motor vehicles.

Order trends of Owner-occupied housing



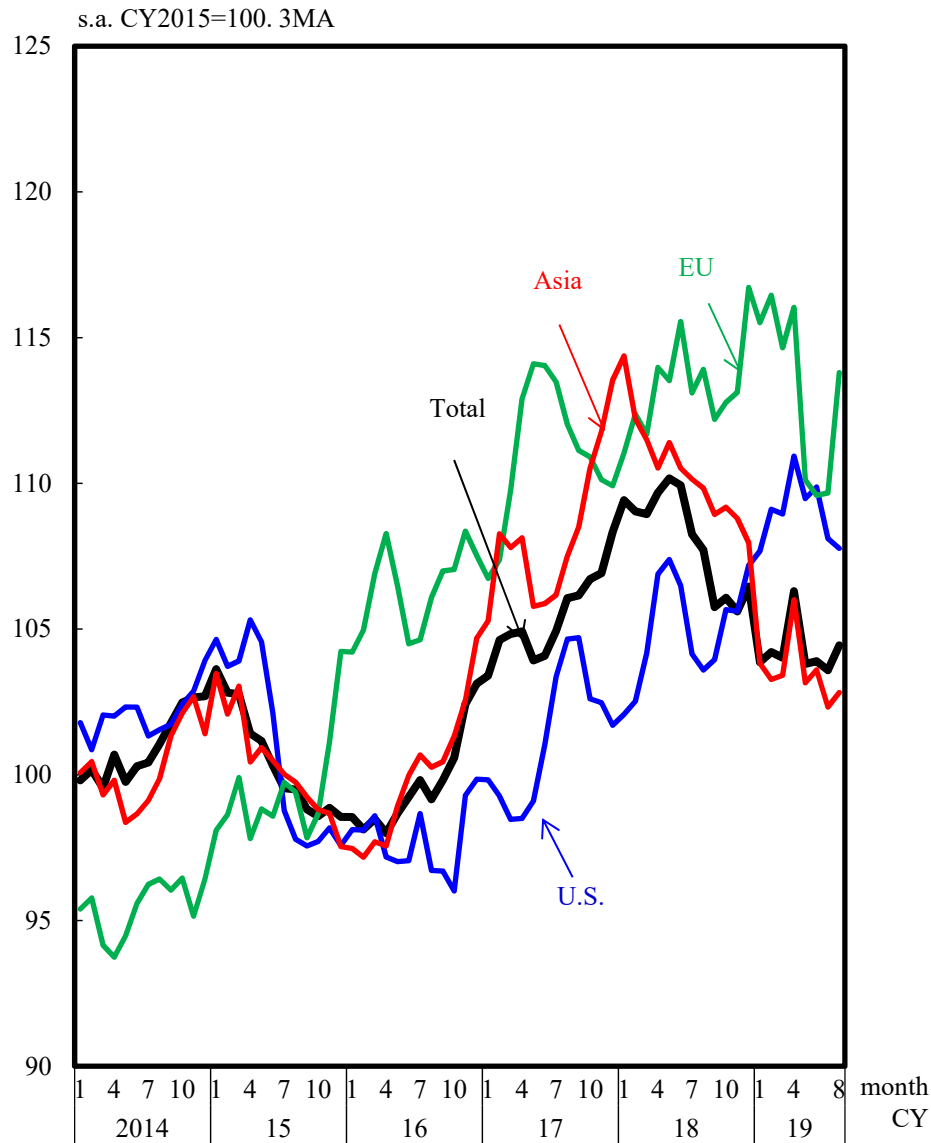
Source: IR information of each company

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

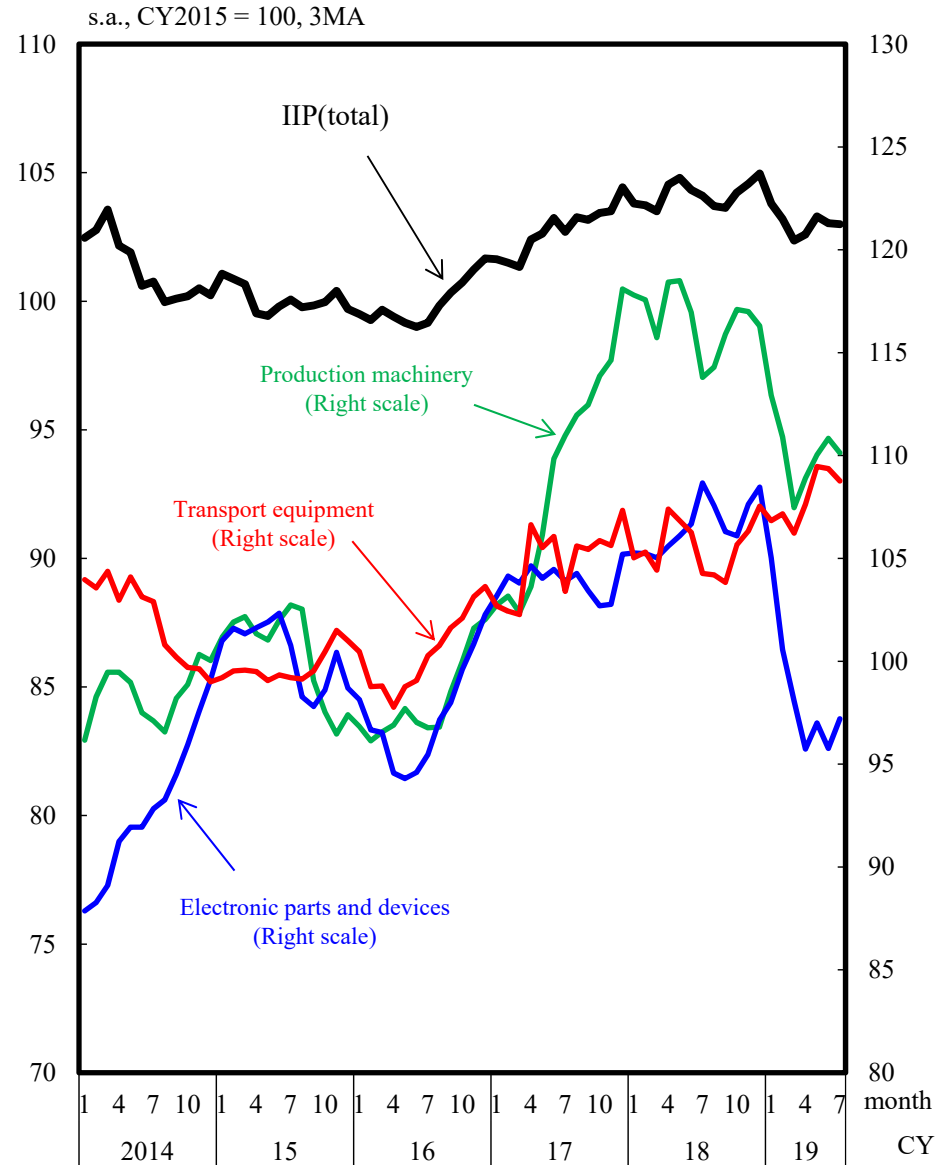
**- Export
& Industrial Production -**

Due to the global economic slowdown such as Chinese economy, Exports are in a weak tone centering on to Asia. As a result, Industrial production has been flat recently, as it is subject to external demand.

Exports volume index by region

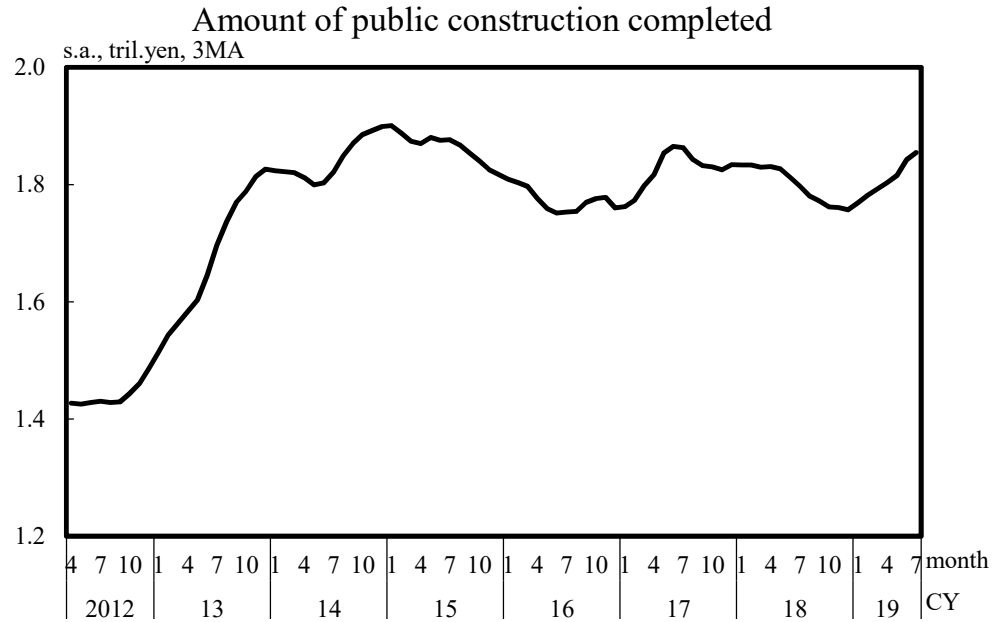


Production by Industry

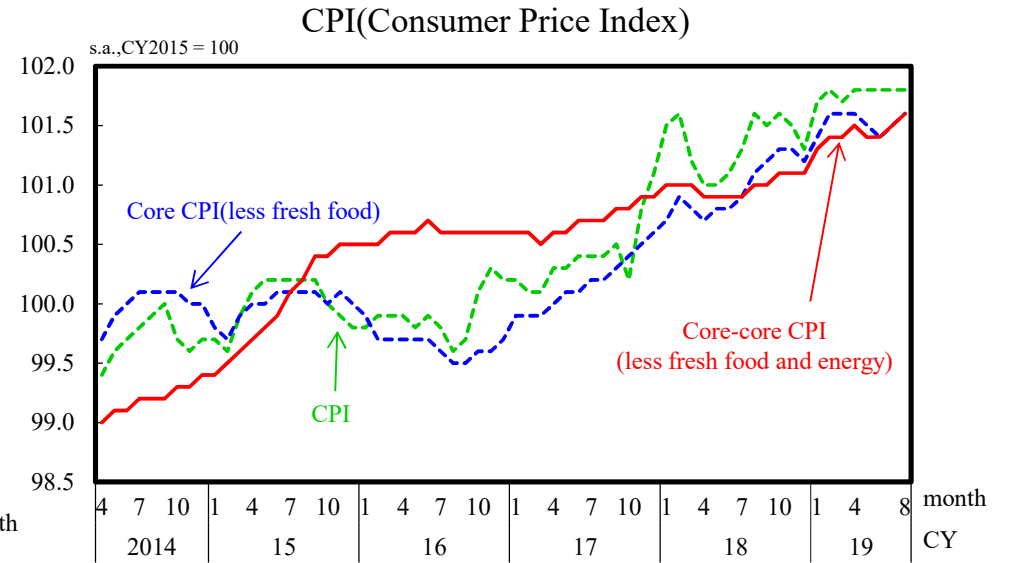


Sources: Ministry of Finance; Ministry of Economy, Trade and Industry

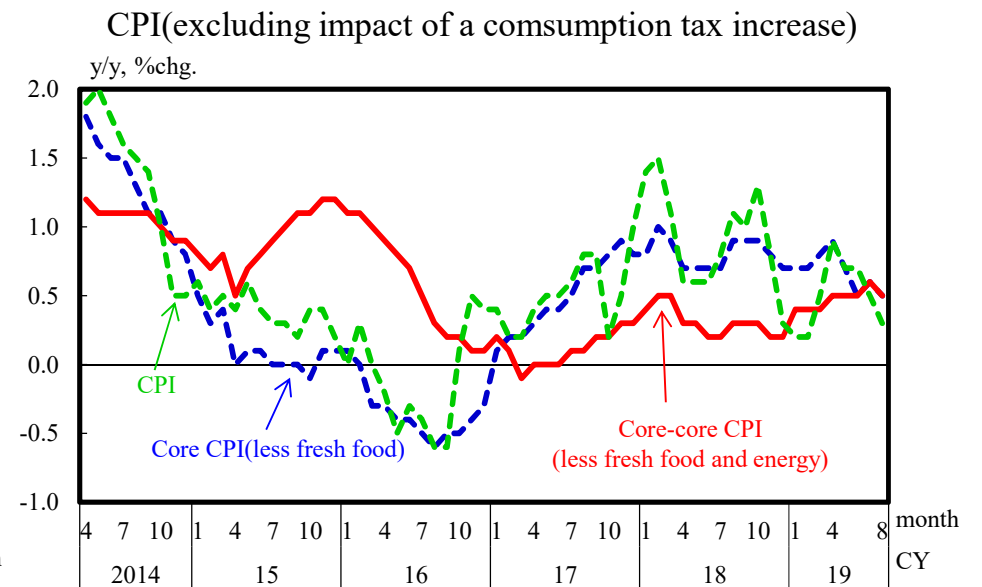
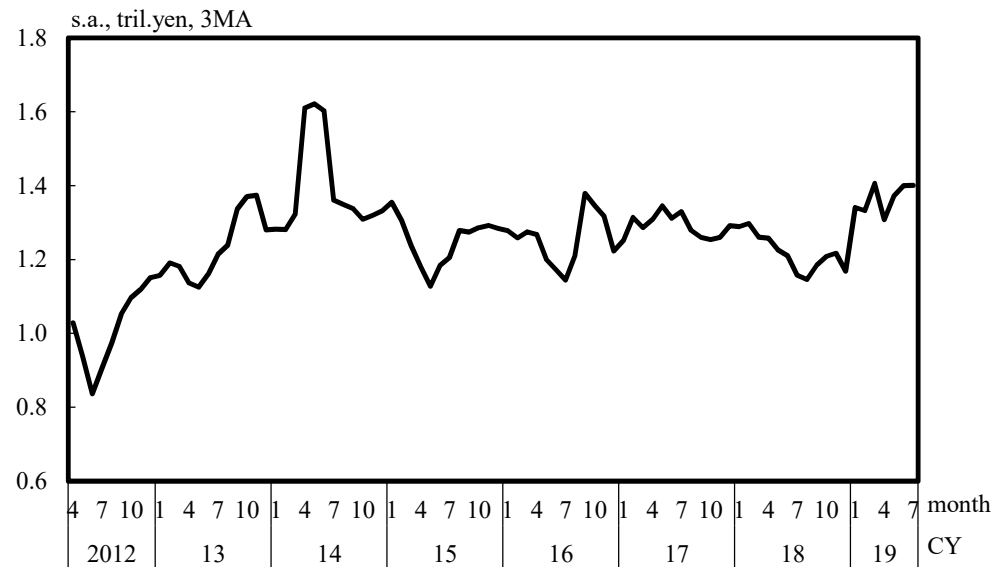
Public investment is intensified



Consumer prices are rising moderately in recent months



Amount of public works orders received



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

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