

Recent Economic Developments

- Monthly Economic Report, November 22 2019 -

December 12, 2019

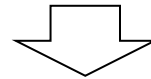
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<Assessment of the current state of the Japanese economy>

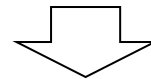
September

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



October

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



(Changed)

November

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

(Unchanged)

<Assessment of the current state of the Japanese economy>

	September	October	November
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.	Industrial production is in a weak tone recently. ()	Unchanged
Corporate profits	Corporate profits hold firm at a high level.	Unchanged	Corporate profits are in a weak tone, mainly among manufacturers, although they remain at a high level. ()
Firms' judgments on business conditions	Firms' judgments on current business conditions show increased cautiousness, mainly among manufacturers.	Firms' judgments on current business conditions continue increasing cautiousness, mainly among manufacturers. ()	Unchanged
Employment situation	Employment situation is improving steadily.	Unchanged	Employment situation is improving.
Prices	Consumer prices are rising moderately in recent months.	Consumer prices are rising at a slower tempo recently.	Unchanged

Note: denotes upward revision and denotes downward revision.

<Short-term prospects>

September

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, attention should be given to the effects of the intensified tension 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 oil price hikes and fluctuations in the financial and capital markets also need attention.

October

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, attention should be given to situations in overseas economies including the tension over trade issues, the prospect of the Chinese economy and the outcome of the UK leaving the EU, the effects of fluctuations in the financial and capital markets, and the situations of the consumer sentiment after the consumption tax increase. Also, full attention should be given to the economic impact of the series of natural disasters including Typhoon No. 19 of 2019.

November

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, attention should be given to situations in overseas economies including the tension over trade issues, the prospect of the Chinese economy and the outcome of the UK leaving the EU, the effects of fluctuations in the financial and capital markets, and the situations of the consumer sentiment after the consumption tax increase.

<Policy stance>

(Monthly Economic Report, November 22, 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 ~ 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 continue to pay careful attention to the economic trend after the consumption tax rate hike and implement the FY2019 budget including the temporal and special measures steadily.

The Government will swiftly develop a new economic stimulus package to accelerate the provision of support for the daily lives and businesses of those affected, and the restoration and reconstruction of the areas affected by the successive natural disasters including Typhoon No. 15 and No. 19 of 2019, to take all possible measures in advance to address concerns that the Japanese economy will get worse in case the downside risks originated from the overseas economies materialize, and to achieve sustainable economic growth led by private sector demand after the 2020 Tokyo Olympics and Paralympics.

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.

- GDP: Jul. – Sep. 2019 (Second Preliminary) -

- Ø The real GDP (Gross Domestic Product) for the Jul.-Sep. 2019 period (Second preliminary) increased by 0.4% (or at an annualized 1.8%) from the previous quarter.
- Ø While net exports contributed negatively due to slowdown in overseas economies, private consumption, business investment and public demand increased steadily, indicating the Japanese economy is recovering at a moderate pace supported by solid domestic demand.
- Ø Attention should be given to the situations of the consumer sentiment after the consumption tax hike, the restoration and reconstruction of the areas affected by typhoons, and situations in overseas economies including the tension over trade issues.

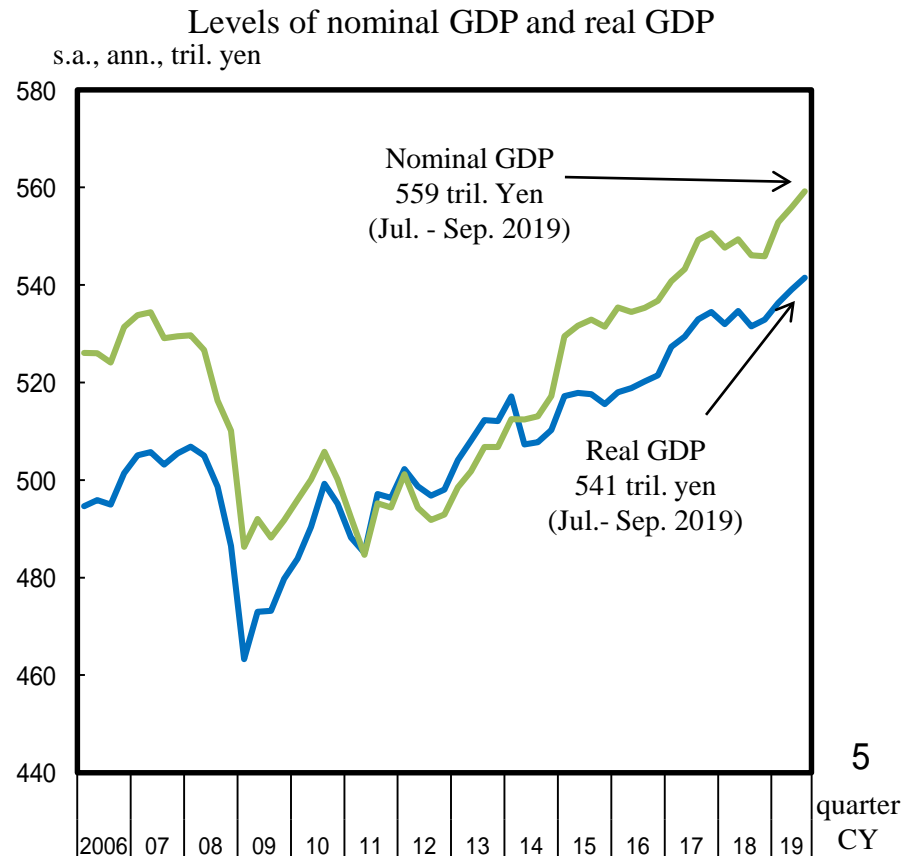
Changes and contributions to changes in real GDP

(seasonally adjusted)

	FY2017	FY2018	2018		2019			%
			Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	
Real GDP growth rate [at annual rate]	1.9	0.3	-0.6 [-2.4]	0.3 [1.0]	0.6 [2.6]	0.5 [2.0]	0.4 [1.8]	
Domestic Demand (Contributions)	(1.5)	(0.4)	(-0.5)	(0.7)	(0.3)	(0.8)	(0.6)	
Private Demand (Contributions)	(1.4)	(0.2)	(-0.4)	(0.6)	(0.2)	(0.4)	(0.4)	
Private Consumption	1.1	0.1	-0.2	0.2	0.2	0.6	0.5	
Private Non-Residential Investment	4.3	1.7	-3.4	3.0	-0.2	0.9	1.8	
Private Residential Investment	-1.4	-4.9	0.4	1.1	1.1	0.5	1.6	
Changes in Private Inventories (Contributions)	(0.2)	(0.0)	(0.3)	(0.0)	(0.1)	(-0.1)	(-0.2)	
Public Demand (Contributions)	(0.1)	(0.2)	(-0.1)	(0.1)	(0.0)	(0.4)	(0.2)	
Public Investment	0.5	0.6	-2.4	-0.7	2.0	1.6	0.9	
Net Exports (Contributions)	(0.4)	(-0.1)	(-0.1)	(-0.4)	(0.4)	(-0.3)	(-0.2)	
Exports	6.5	1.6	-1.8	1.2	-2.1	0.5	-0.6	
Imports	3.9	2.2	-1.3	3.8	-4.1	2.1	0.3	
Nominal GDP growth rate [at annual rate]	2.0	0.1	-0.6 [-2.4]	0.0 [-0.1]	1.3 [5.2]	0.6 [2.2]	0.6 [2.4]	

Note: Quarterly data is quarter-to-quarter change.

Source: Cabinet Office.

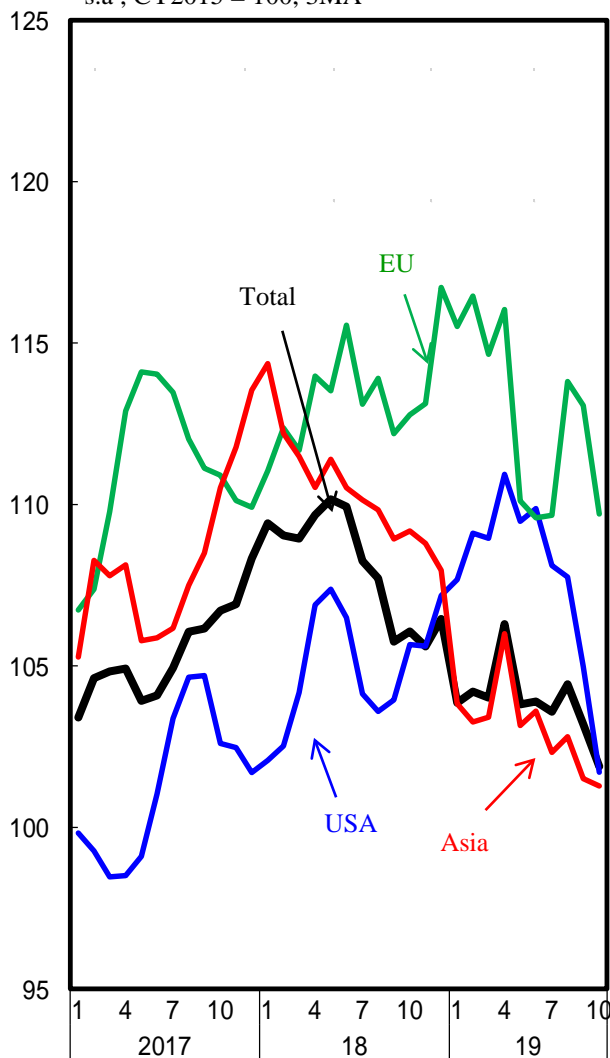


- Exports & Industrial Production -

Exports are in a weak tone. Affected by these external economic weaknesses, industrial production is in a weak tone, too. Electronic parts and devices, especially items related to smartphones, are showing movements of picking up.

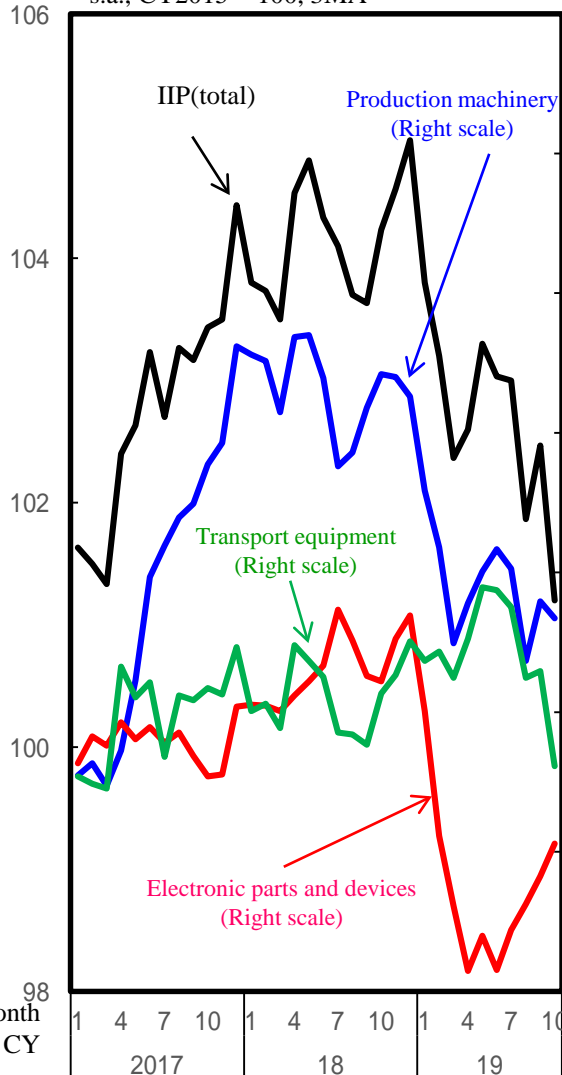
Exports volume index by region

s.a., CY2015 = 100, 3MA



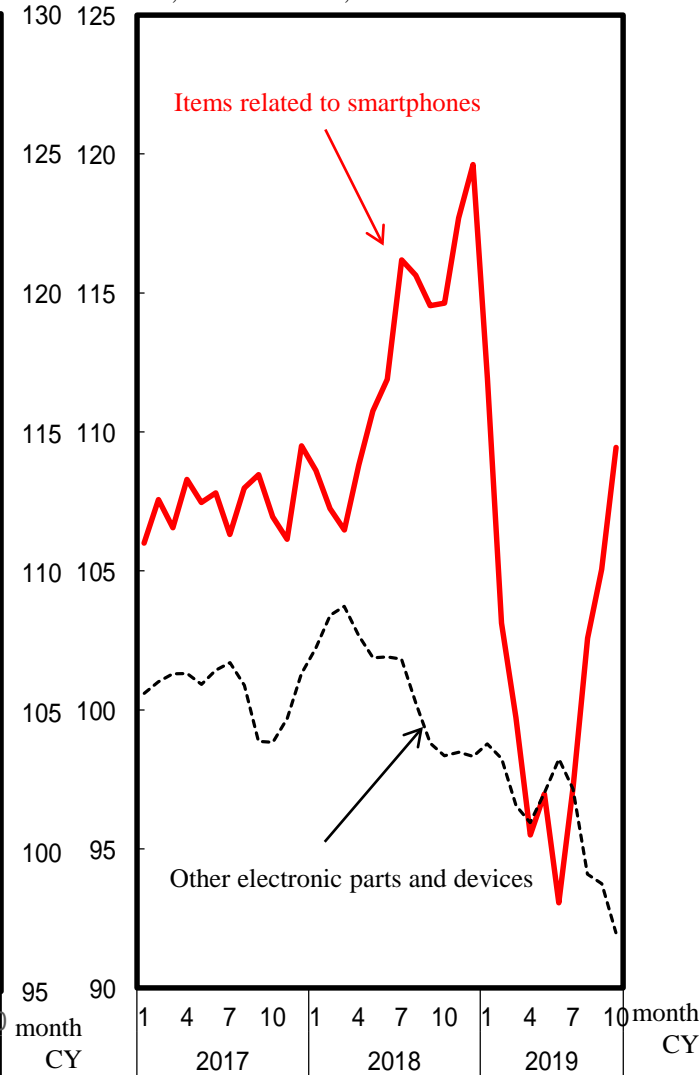
Production by industry

s.a., CY2015 = 100, 3MA



Production volume by item (Electronic parts and devices)

s.a., CY2015 = 100, 3MA



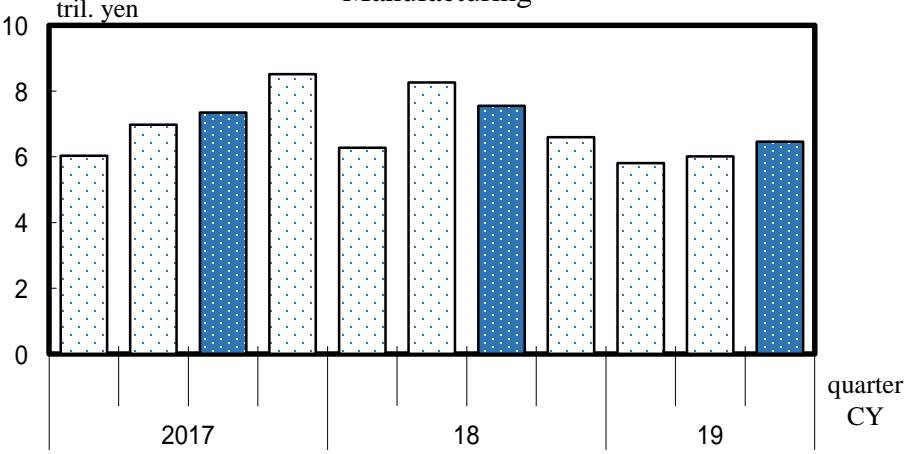
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry.

- Corporate profits & Employment -

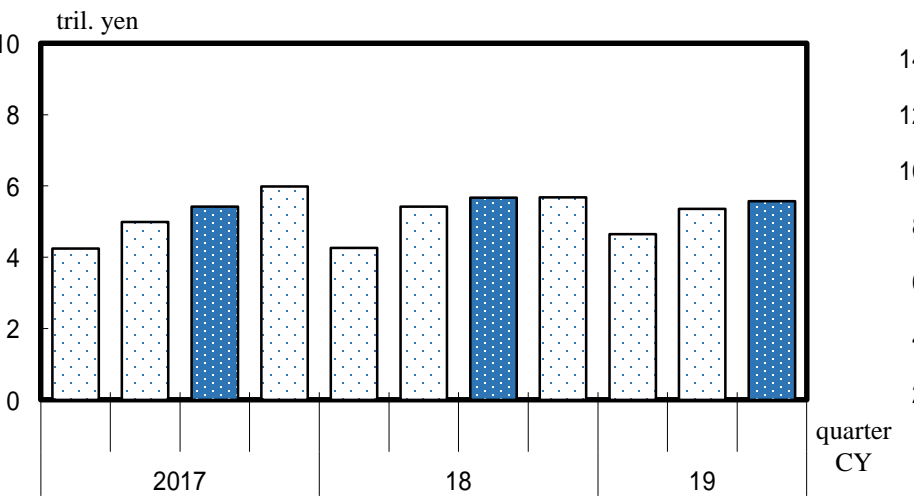
Corporate profits are in a weak tone, mainly among manufacturers, although they remain at a high level. Although labor supply and demand are tightening, it is necessary to keep an eye on the future of the manufacturing industry that can be affected by overseas economic trends.

Ordinary profits of listed companies

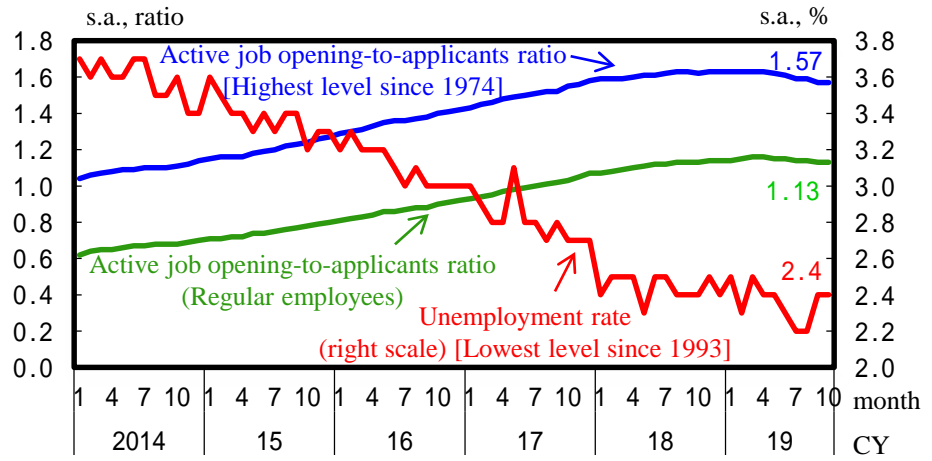
Manufacturing



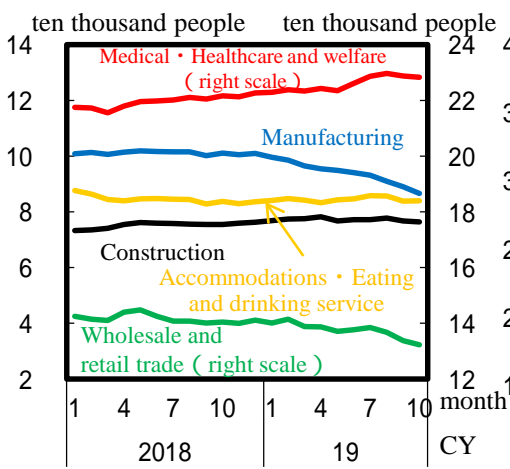
Non-manufacturing



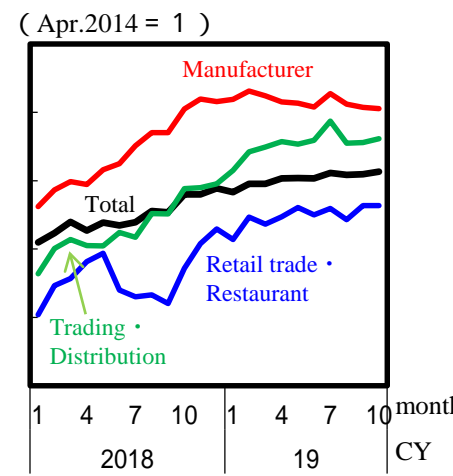
Unemployment rate and active job opening-to-applicants ratio



New job openings in public job-placement offices



Job openings index for career change



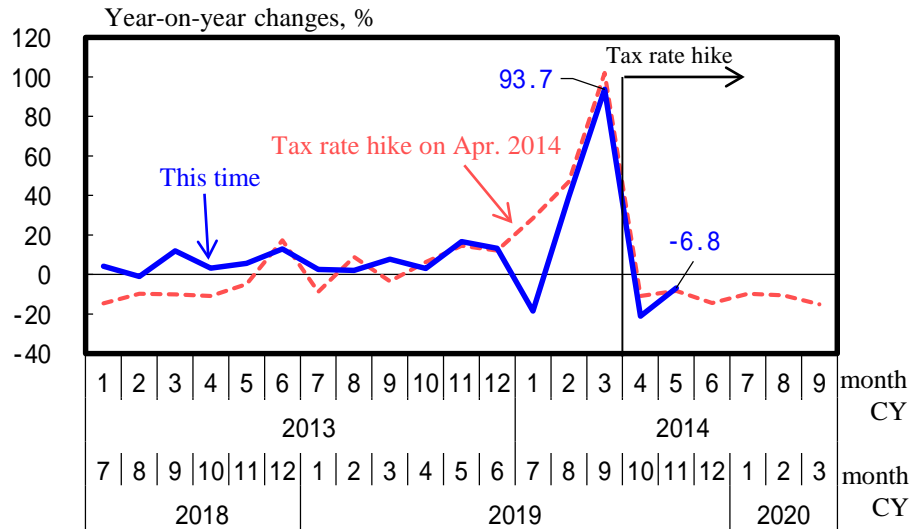
Sources: Nikkei needs.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Persol Career Co.,Ltd.

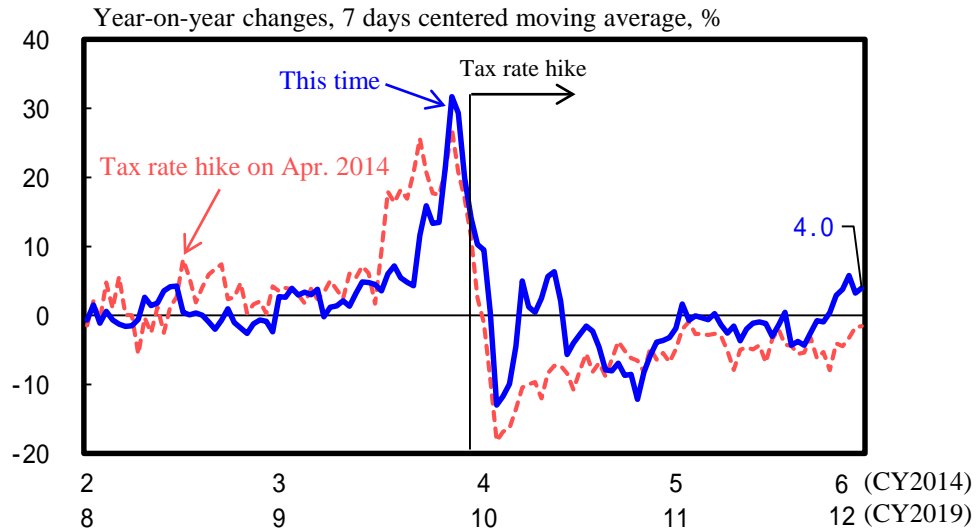
- Private Consumption -

In October, sales of home electric appliances and automobiles decreased due to the impact of reactionary downturn and typhoons. On the other hand, sales at supermarkets have been increasing steadily due to policy effect. Attention should be given to the impact of consumer confidence.

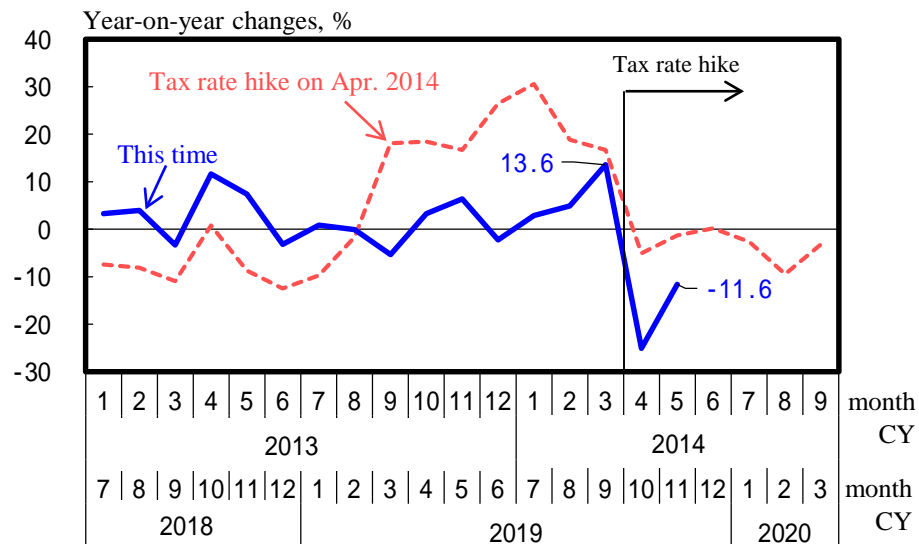
Sales of 5 home electric appliances



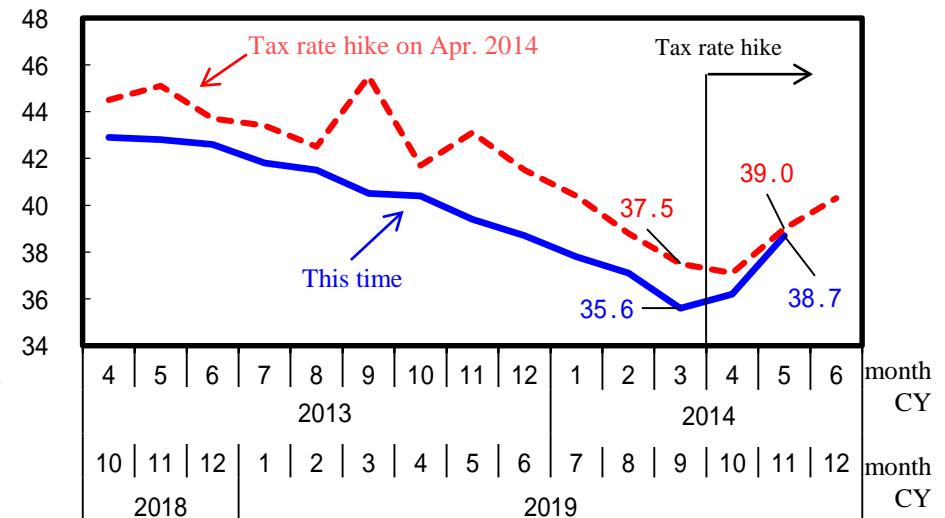
Sales at supermarkets



New automobile sales



Consumer confidence index



Sources: GfK Japan; Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association; Nowcast Corporation; Cabinet Office.

Notes: 5 home electric appliances include television, air conditioner, refrigerator, computer and washing machine. Automobiles include light motor vehicles.

Private consumption - Interviews about sales condition -

<Home electric appliances>

In October, sales declined by 20% year-on-year. In early November, sales were at the same level as the previous year owing to the increasing number of customers. It is assumed that the effect of reactionary downturn will disappear in December.

<Automobile>

In October, new automobile sales dropped significantly year-on-year due to the impact of the typhoons and the positive performance last year.

<Travel>

We concerned about the consumption on domestic travel due to the impact of the typhoons. At present, there is little consumption tax effect, and the number of overseas travelers is larger than the previous year.

<Eating out>

In October, sales declined due to the impact of the typhoons and the consumption tax hike.

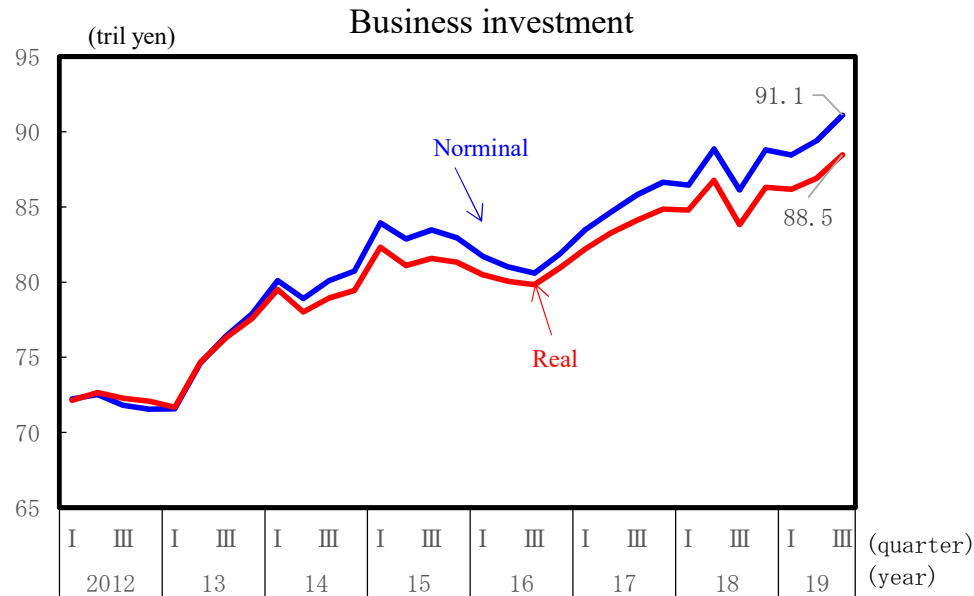
<Supermarkets>

In the first week of October, the sales of alcoholic beverages declined due to the impact of the consumption tax hike. From the second week of October, there has been little reactionary downturn as a whole, though decline in sales due to the effects of typhoons was seen.

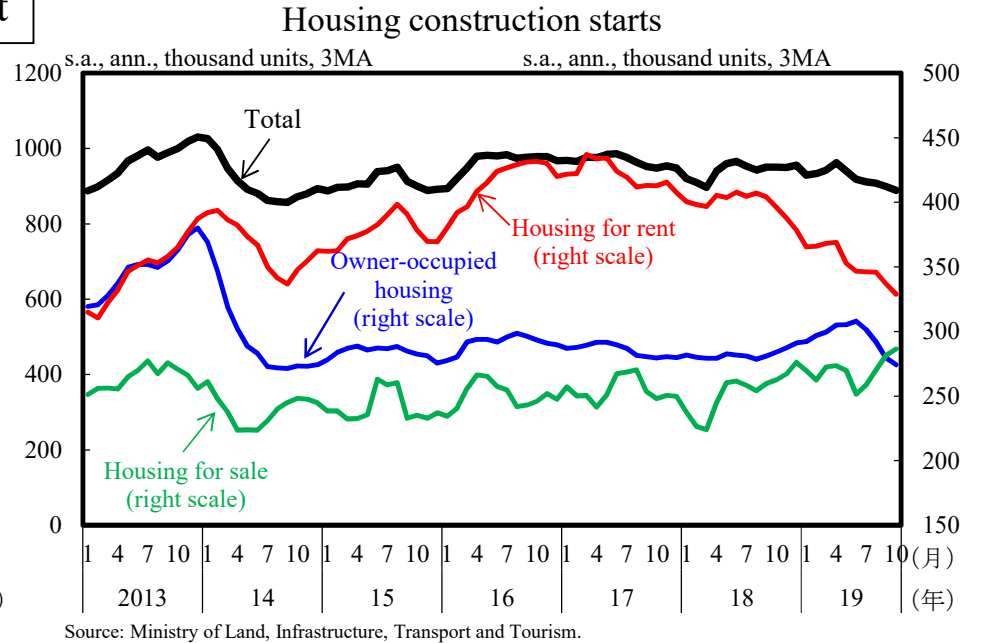
<Convenience stores>

The sales in October were better than expected due to the implementation of the point reward program for cashless payments. As of cigarettes, the impact of the consumption tax hike is smaller than that of the cigarette tax hike in October 2018, and the sales have already picked up.

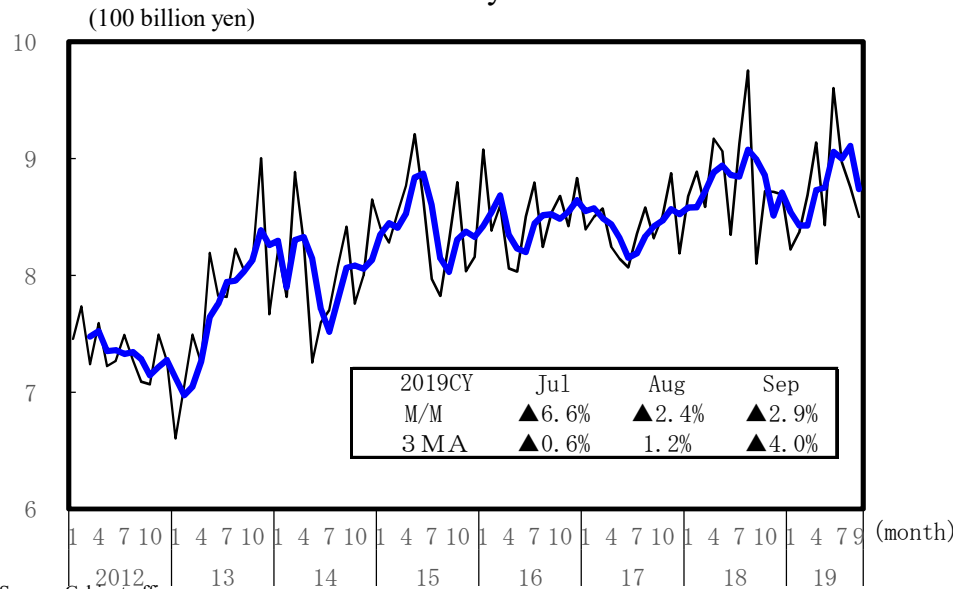
Business investment is on the increase at a moderate pace, while weakness is seen in machinery investment



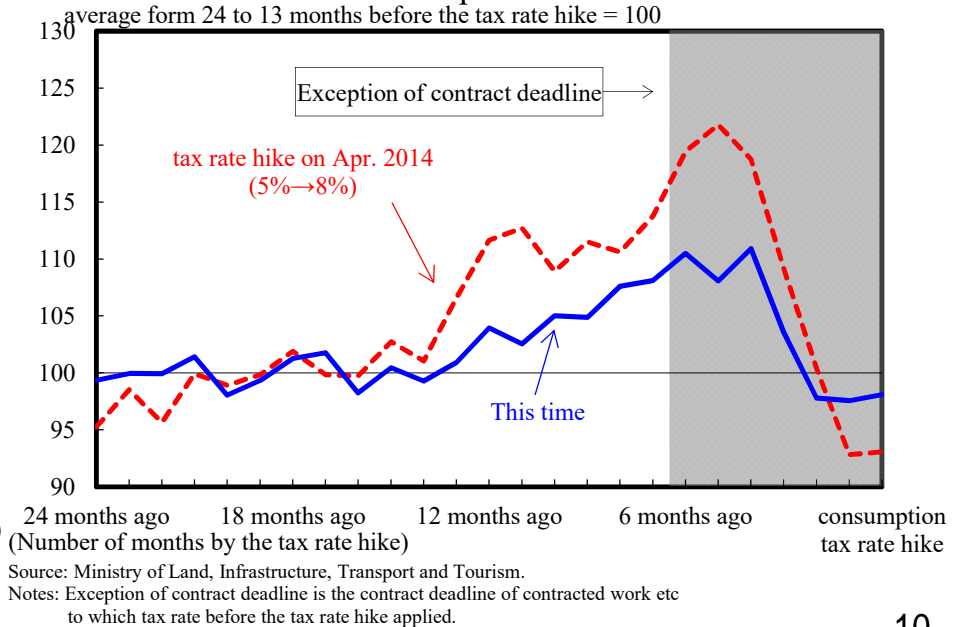
Housing investment is in a weak tone



Machinery Orders

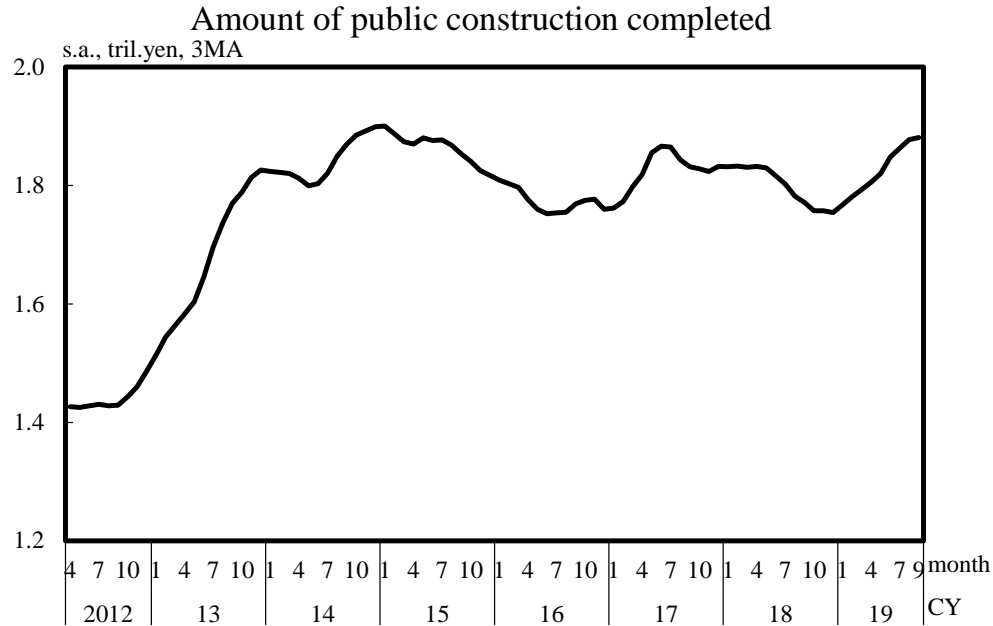


Owner-occupied housing construction starts until the consumption tax rate hike

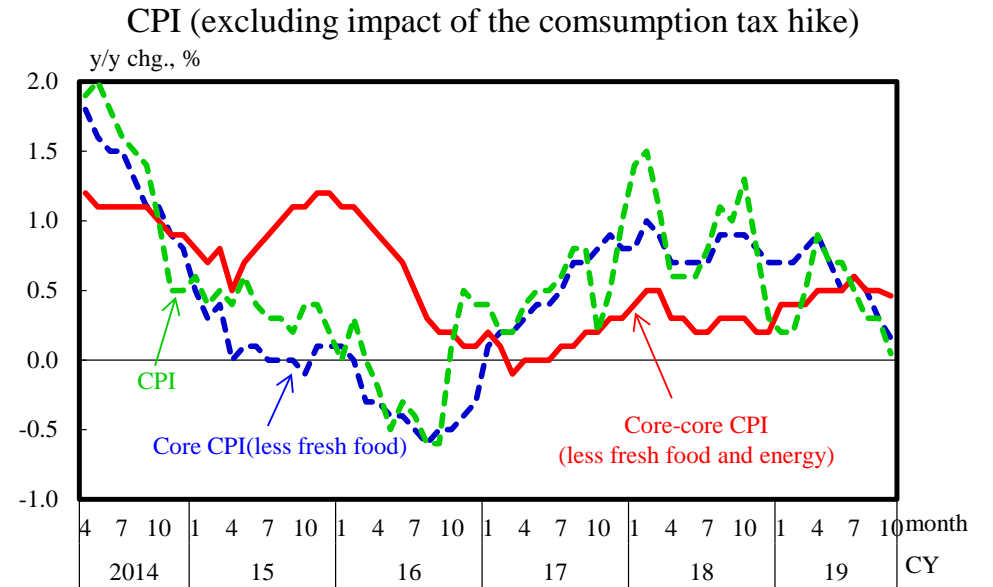


Notes: The thick lines are 3-month moving average.

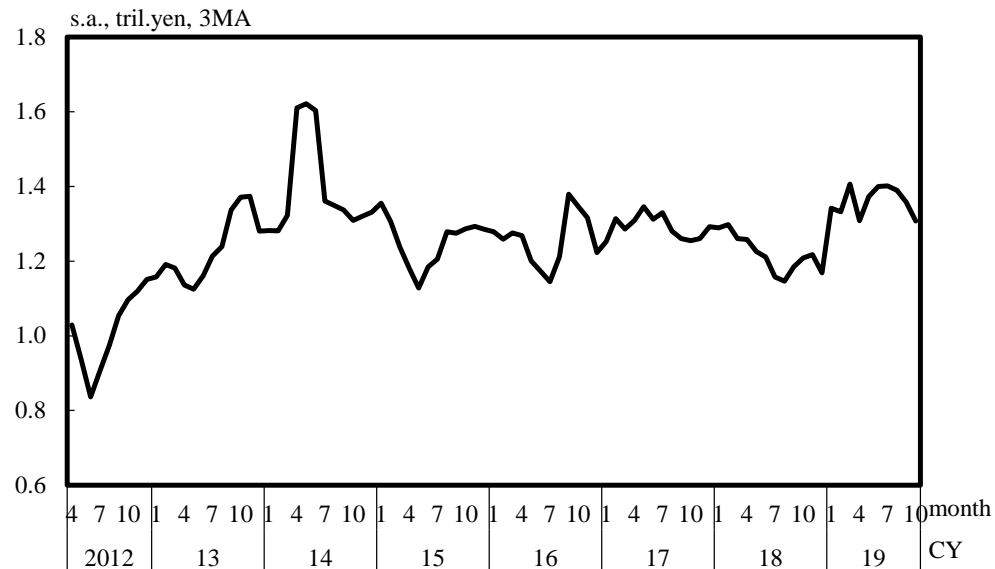
Public investment shows steady performance



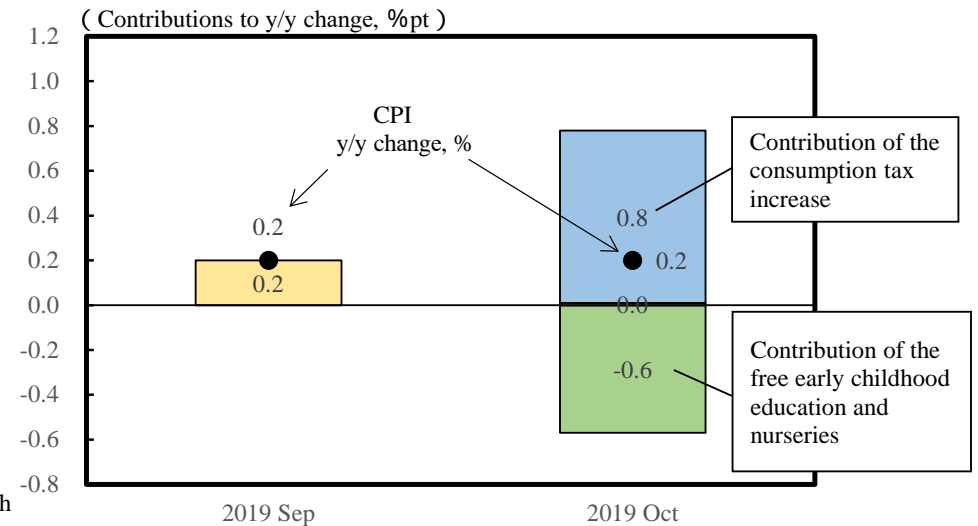
Consumer prices are rising at a slower tempo recently



Amount of public works orders received



CPI (Contributions to y/y change)



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

Sources: Ministry of Internal Affairs and Communications, Cabinet office.