

# **Recent Economic Developments**

- Monthly Economic Report, December 20 2019 -**
- Monthly Economic Report, January 22 2020 -**

**January 28, 2020**

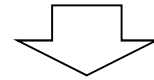
**Cabinet Office  
Government of Japan**

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<Assessment of the current state of the Japanese economy>

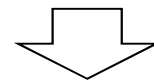
November

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



December

The Japanese economy is recovering at a moderate pace, while weakness mainly among manufacturers is increasing further, as exports are continuing in a weak tone.



January

The Japanese economy is recovering at a moderate pace, while weakness mainly among manufacturers is increasing further, as exports are continuing in a weak tone.

**(Changed)**

**(Unchanged)** 1

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

	November	December	January
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	Business investment shows weakness in some components, although it is on the increase at a moderate pace. (↓)
Exports	Exports are in a weak tone.	Unchanged	Unchanged
Industrial production	Industrial production is in a weak tone recently.	Industrial production is in a weak tone further. (↓)	Unchanged
Corporate profits	Corporate profits are in a weak tone, mainly among manufacturers, although they remain at a high level. (↓)	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions continue increasing cautiousness, mainly among manufacturers.	Unchanged	Unchanged
Employment situation	Employment situation is improving.(↓)	Unchanged	Unchanged
Prices	Consumer prices are rising at a slower tempo recently.	Unchanged	Unchanged

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

## <Short-term prospects>

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.

December

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 situations over trade issues, the prospect of the Chinese economy and 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.

January

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 situations over trade issues, the prospect of the Chinese economy, the UK leaving the EU, and the state of affairs over the Middle East region, 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, January 22, 2020)

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", 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.

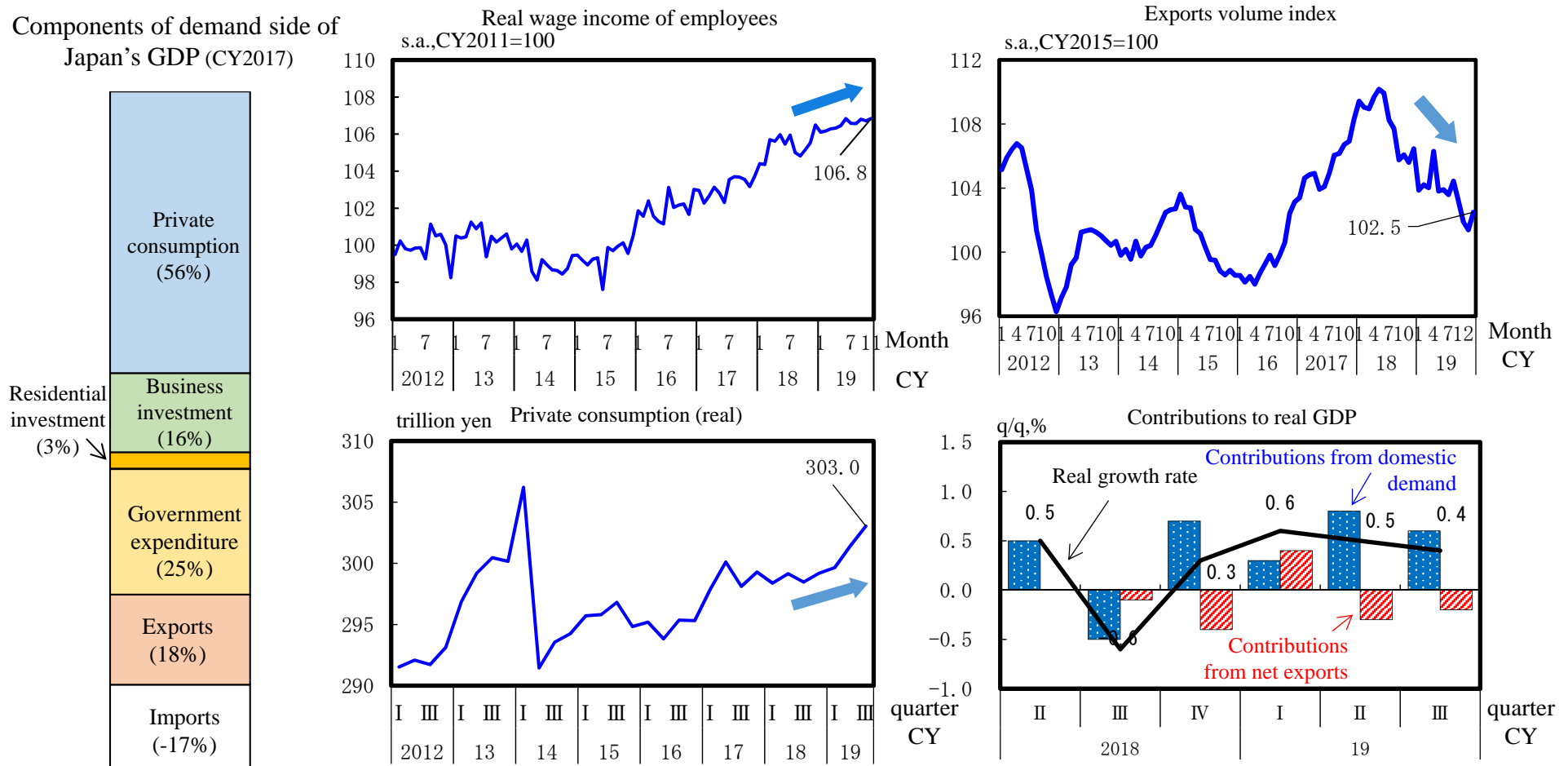
Furthermore, the Government will continue to pay careful attention to the economic trend after the consumption tax rate hike and implement the FY2019 budget including the temporal and special measures steadily.

The Government will steadily implement "Comprehensive Economic Measures to Create a Future with Security and Growth" to accelerate the restoration and reconstruction of the areas affected by the successive natural disasters, to overcome the downside risks originated from the overseas economies certainly, and to achieve sustainable economic growth led by private sector demand. The Government will work for early passage of the FY2019 supplementary budget, the FY2020 budget and the related bills. The Government presented the "Fiscal 2020 Economic Outlook and Basic Stance for Economic and Fiscal Management" (January 20th, Cabinet decision).

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.

## — Domestic Demand and Net Exports —

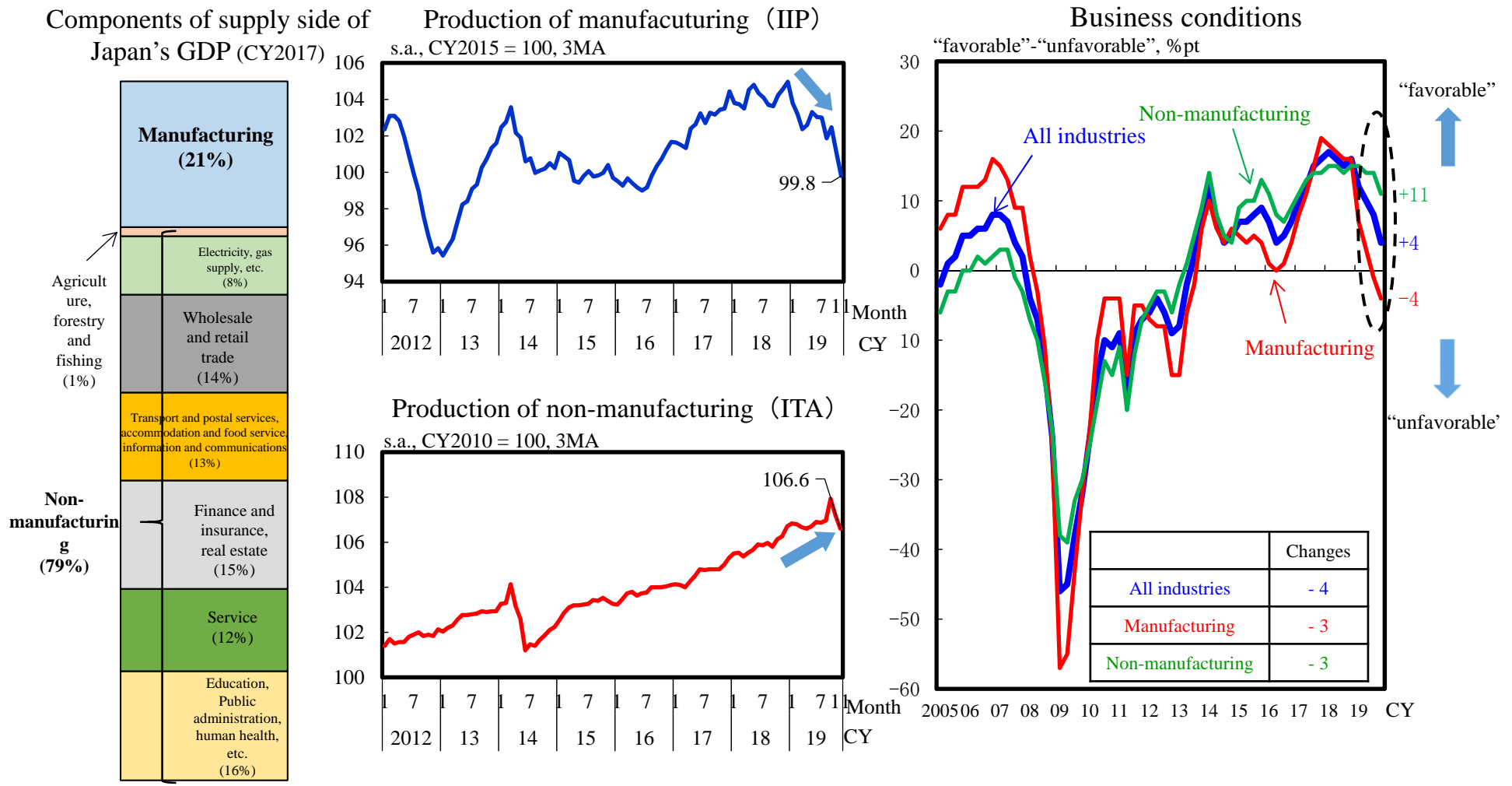
- Domestic demand such as private consumption is on the increase at a moderate pace in 2019 supported by moderate increase of the real wage income of employees.
- On the other hand, exports have been in a weak tone throughout the year due to the slowdown in overseas economy. Overall, the Japanese economy continues to recover at a moderate pace, supported by domestic demand.



Source: Cabinet Office, Ministry of Finance

# — Manufacturing and Non-manufacturing —

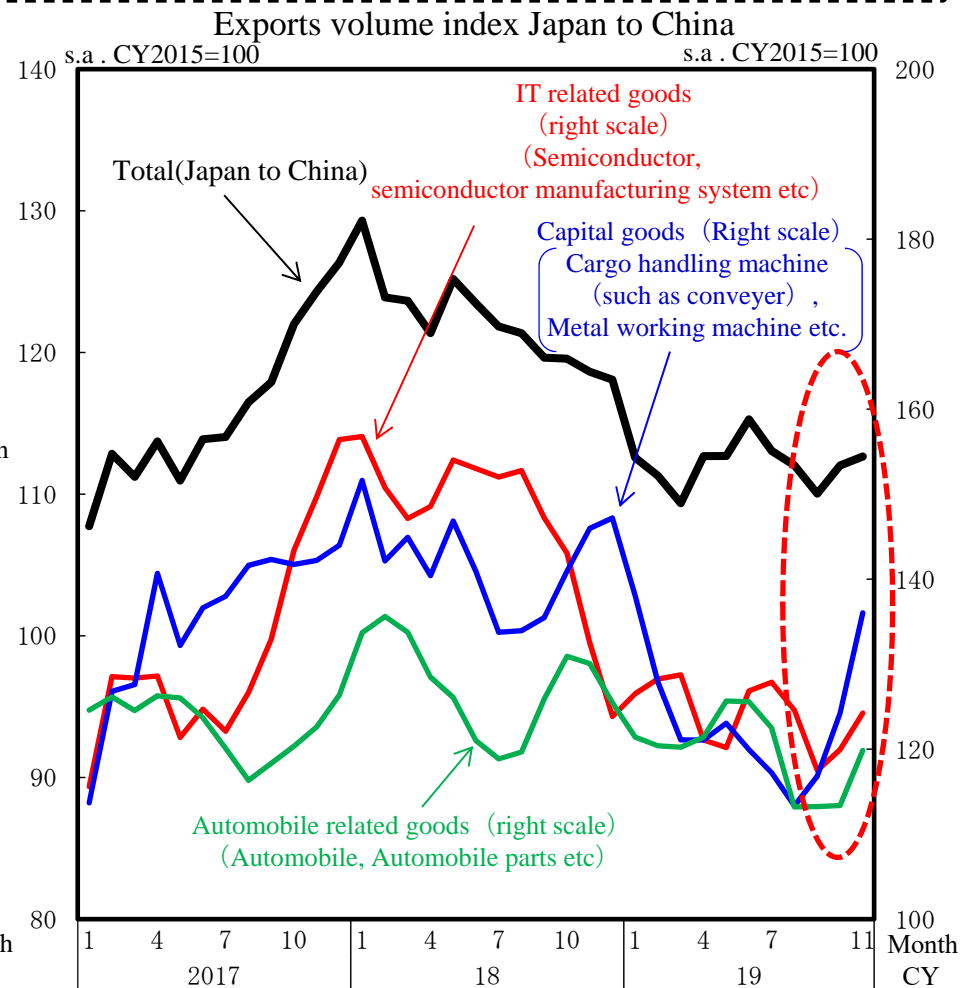
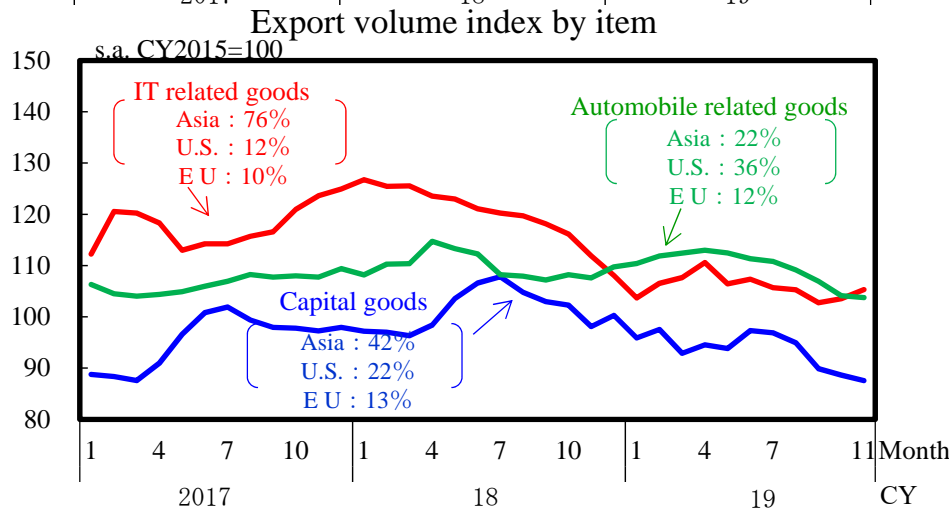
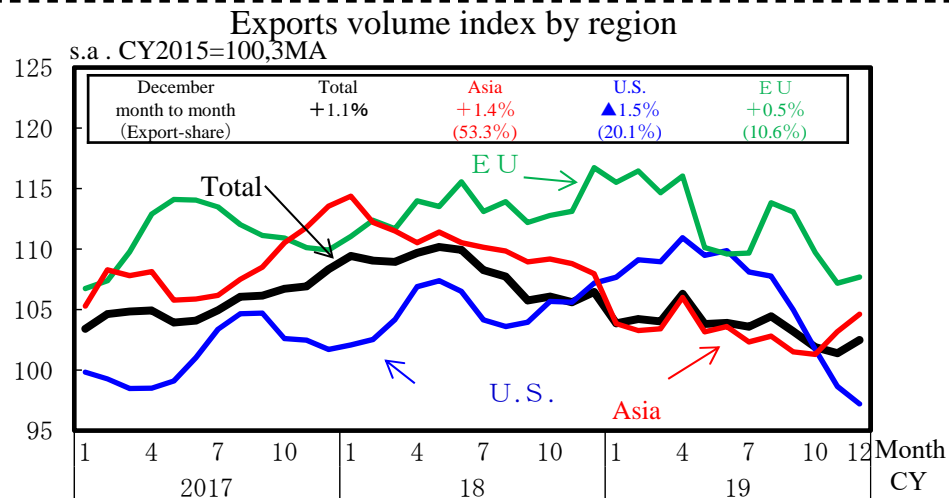
- Production of manufacturing is suppressed by the weakness of external demand.
- On the other hand, production of non-manufacturing continues to increase due to the moderate increase of domestic demand.
- Reflecting the change in production, business conditions has become increasingly cautious, especially in the manufacturing industry.



Sources : Cabinet Office, Ministry of Economy, Trade and Industry, The Bank of Japan

## — Exports —

- Due to the slowdown of overseas economies, exports are in a weak tone. Continuous attention towards downside risk from overseas economies are required.
- However, exports to China seems to be bottoming out recently. IT related goods such as semiconductor, automobile goods such as automobile parts, and capital goods such as conveyer used for capital investment, are increasing recently.



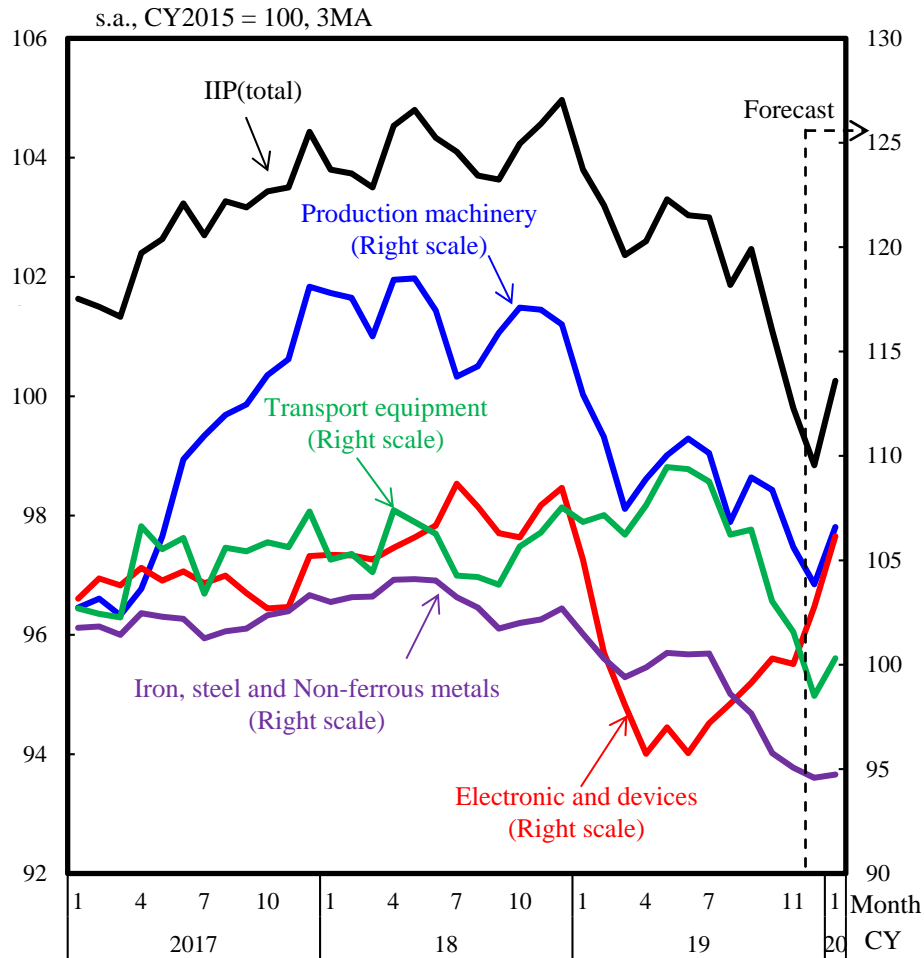
Source : Ministry of Finance



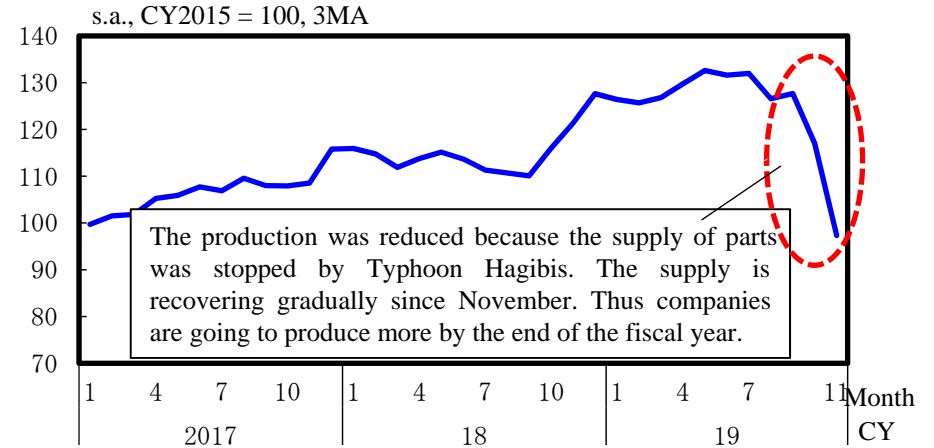
**- Industrial Production -**

**Industrial production is in a weak tone further. Due to Typhoon Hagibis in October, the supply-chain in production of shovel trucks was cut off. Thus, production in November was decreased partly. As for short-term prospects, production is expected to pick up with the restoration of the supply-chain, and growth of semiconductor demand.**

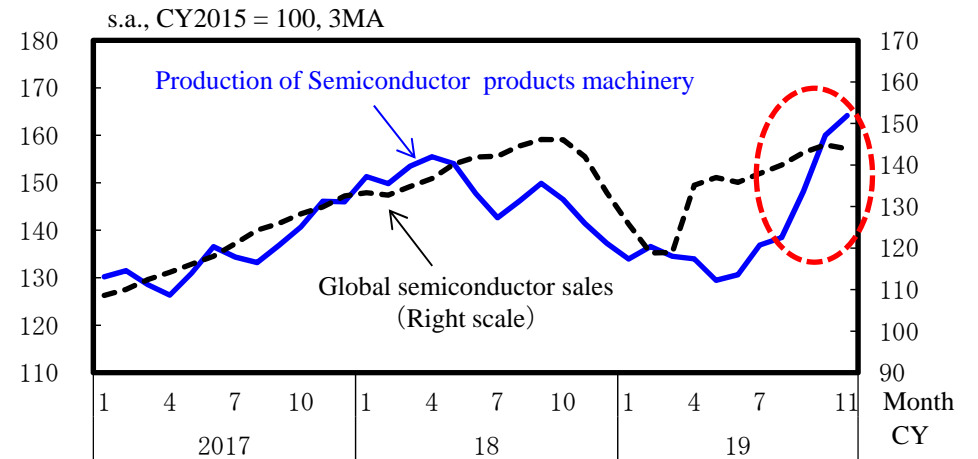
Production by industry



Production of shovel trucks



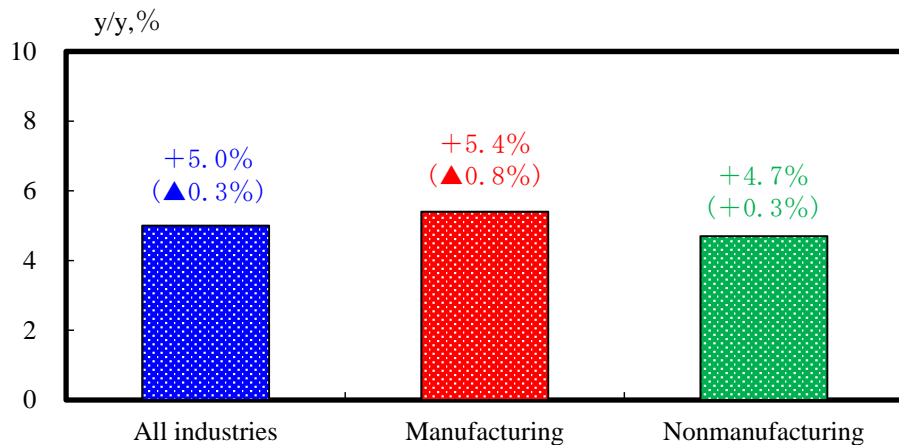
Production of semiconductor products machinery



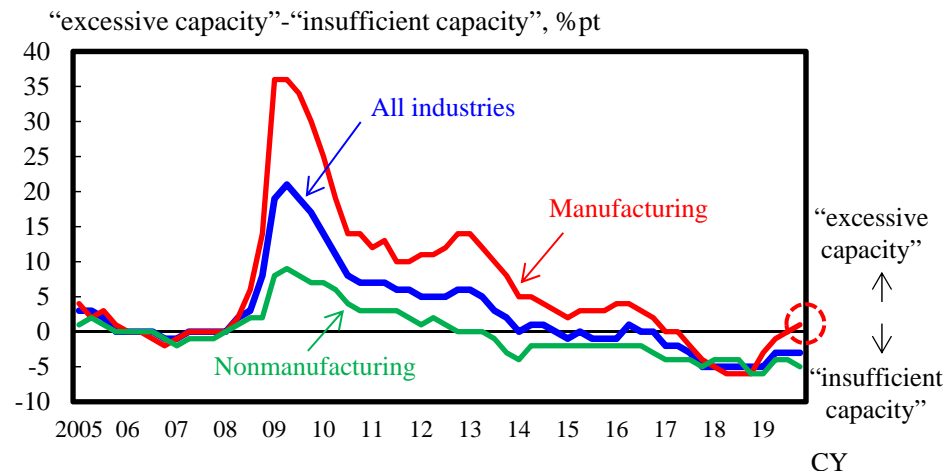
Sources: Ministry of Economy, Trade and Industry; SIA

**Business investment shows weakness in some components, although it is on the increase**  
**- Business investment - at a moderate pace. While R&D investment and software investment are growing, both machinery investment and construction investment show weakness.**

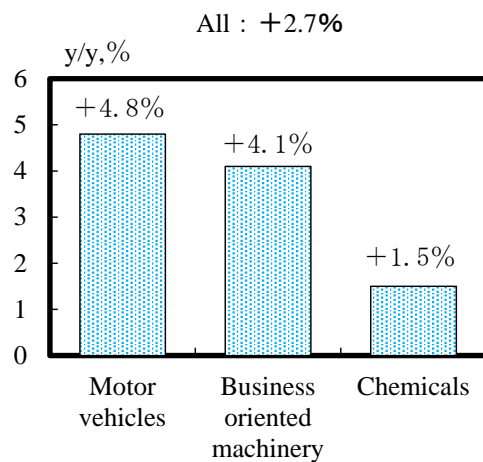
Planned business investment for FY2019 (“Tankan” survey)



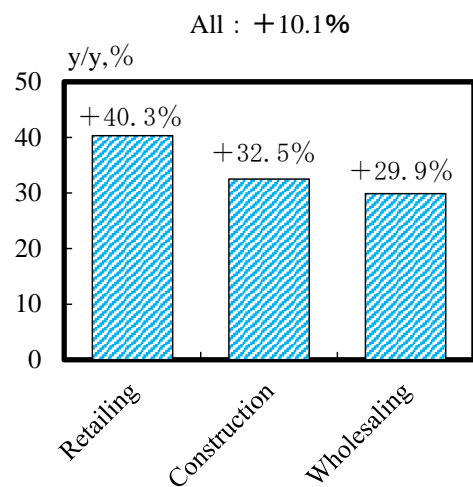
Production capacity



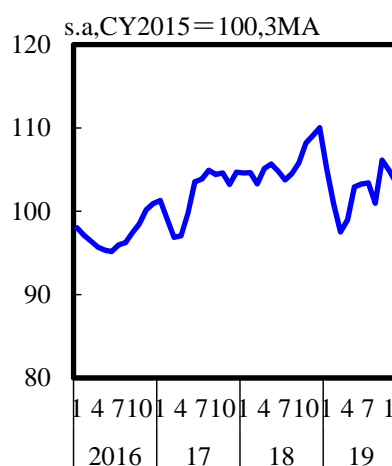
R&D investment plans (“Tankan” survey)



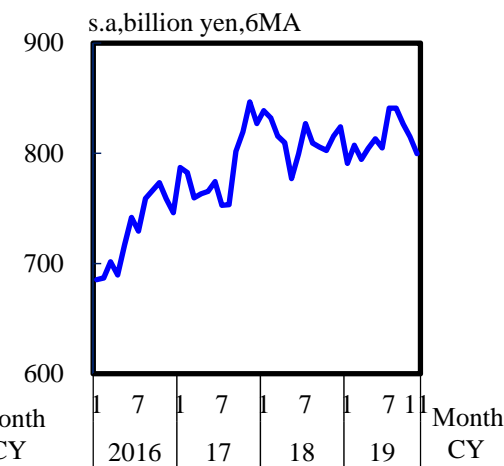
Software investment plans (“Tankan” survey)



Machinery



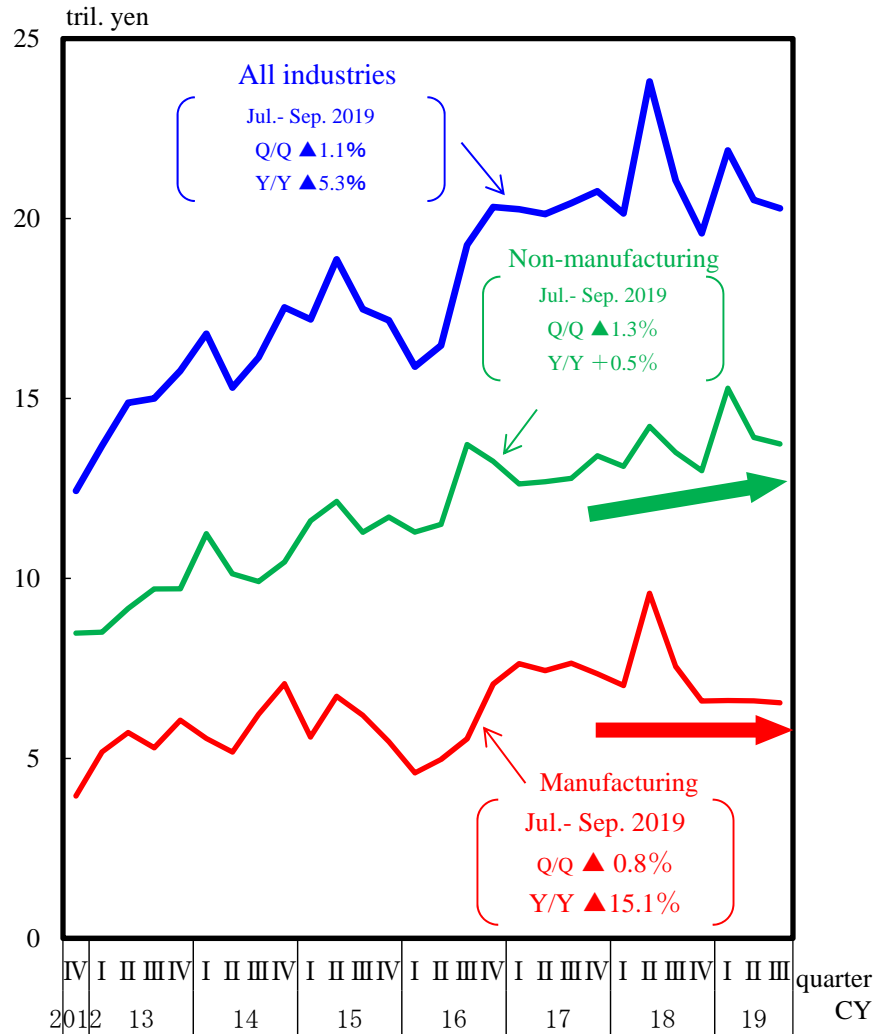
Construction (non-residential)



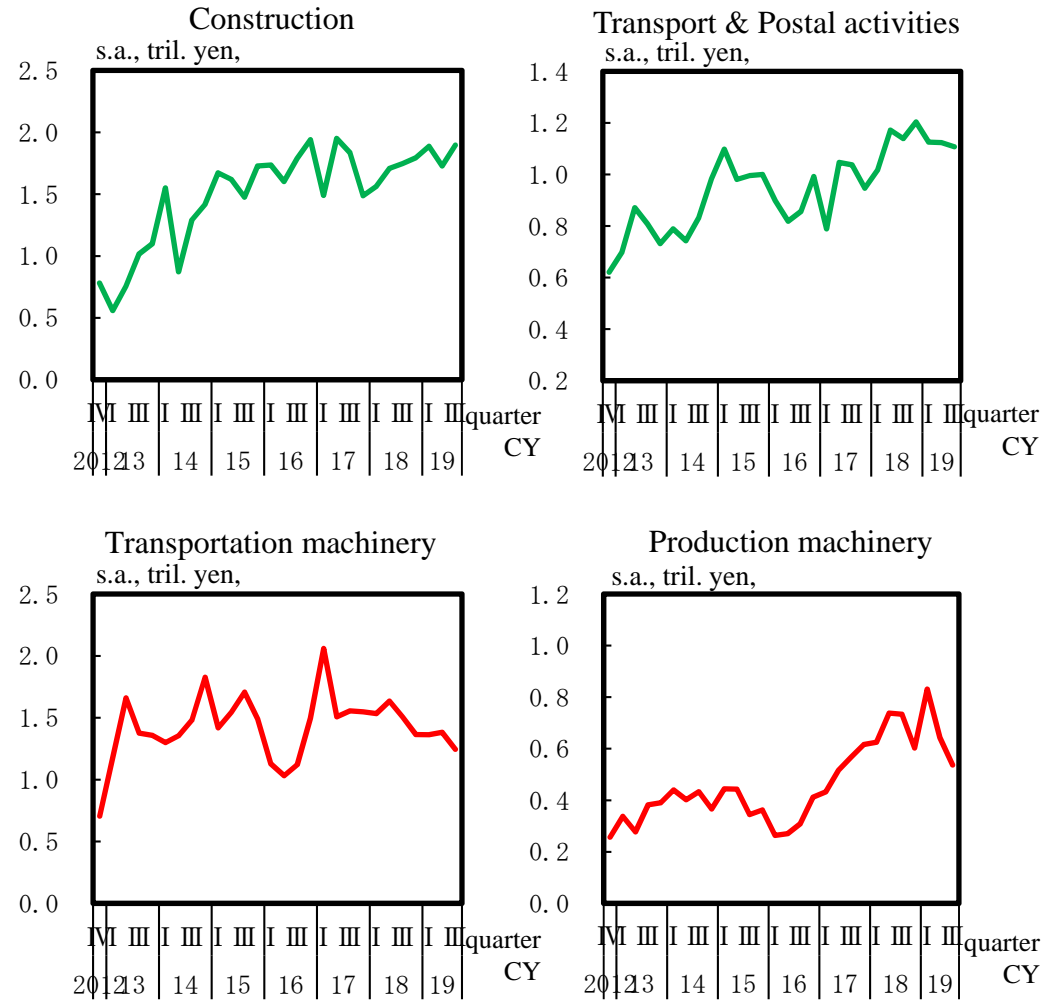
Source: Bank of Japan; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism

**- Corporate Profits -** Corporate profits show steady performance in the non-manufacturing industry and remain at a high level overall. However, profits of manufacturing industry which has been weak in exports and production, are sluggish.

Ordinary profit



Major industries

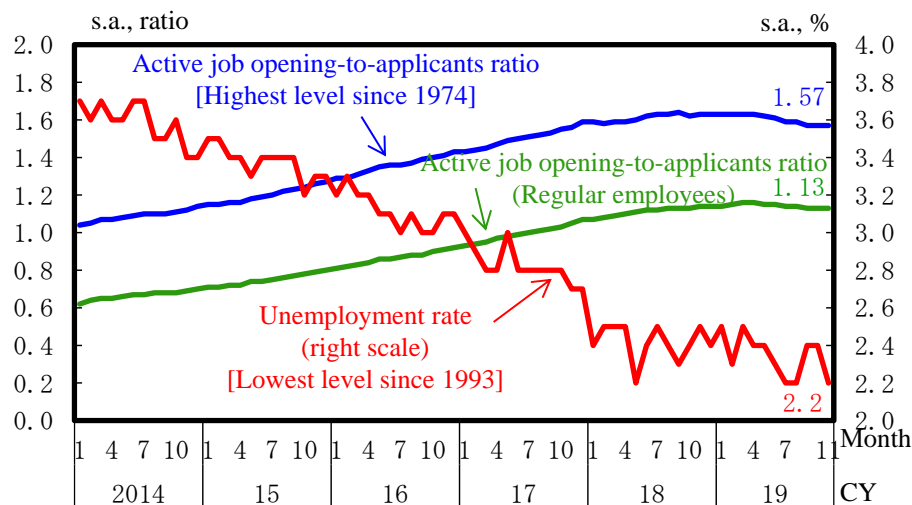


Source: Ministry of Finance

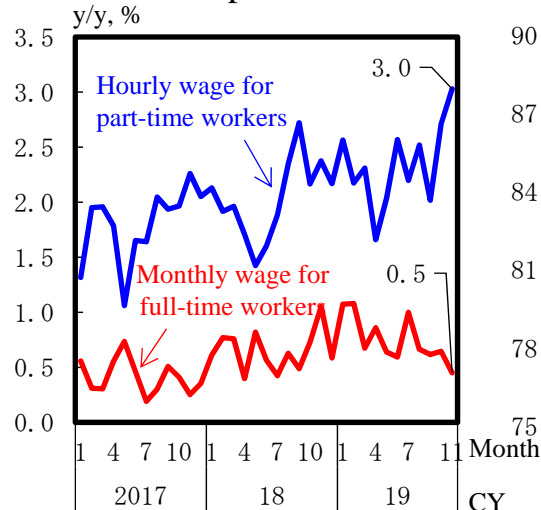
**- Employment Situation -**

**Employment situation is improving. The labor shortage continues, while both the number of employees and the salary of employees have been increasing. As a result, real wage income of employees is increasing moderately.**

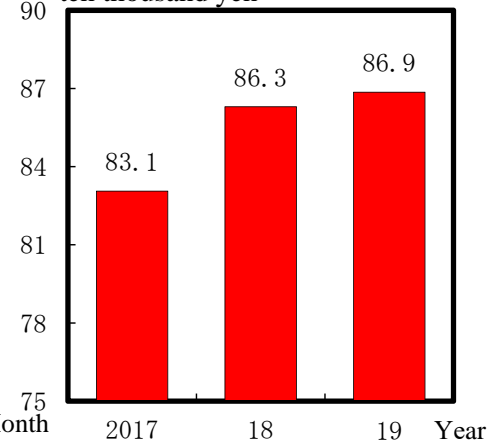
Unemployment rate and active job opening-to-applicants ratio



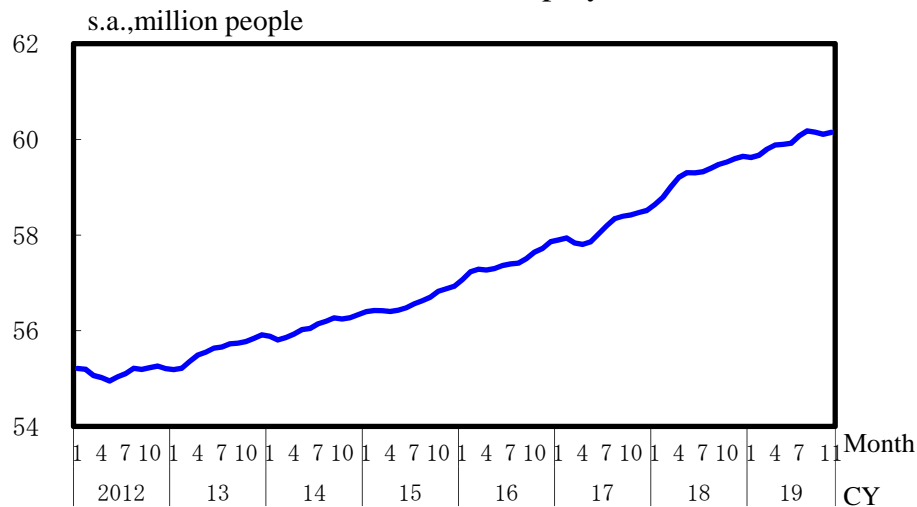
Average nominal wages for full-time and part-time workers



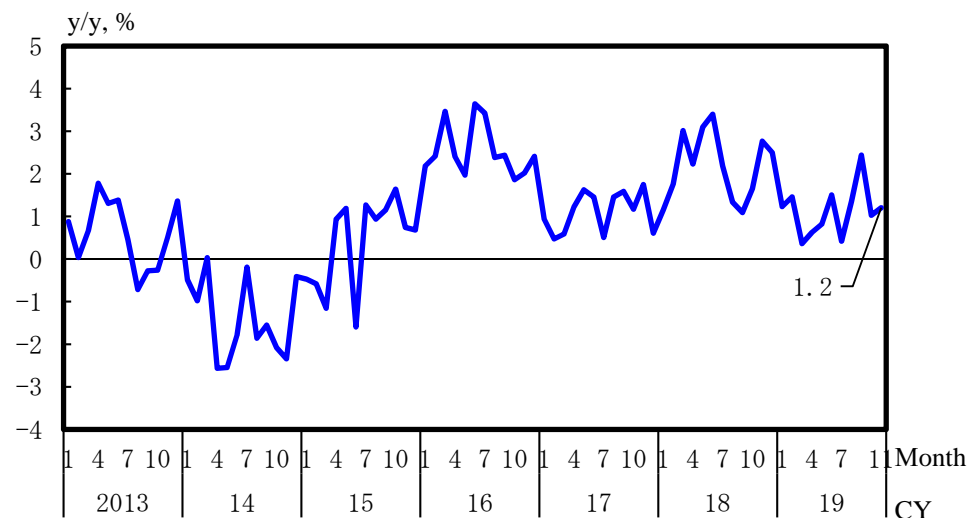
Winter bonus (Major private companies)  
ten thousand yen



The number of employees



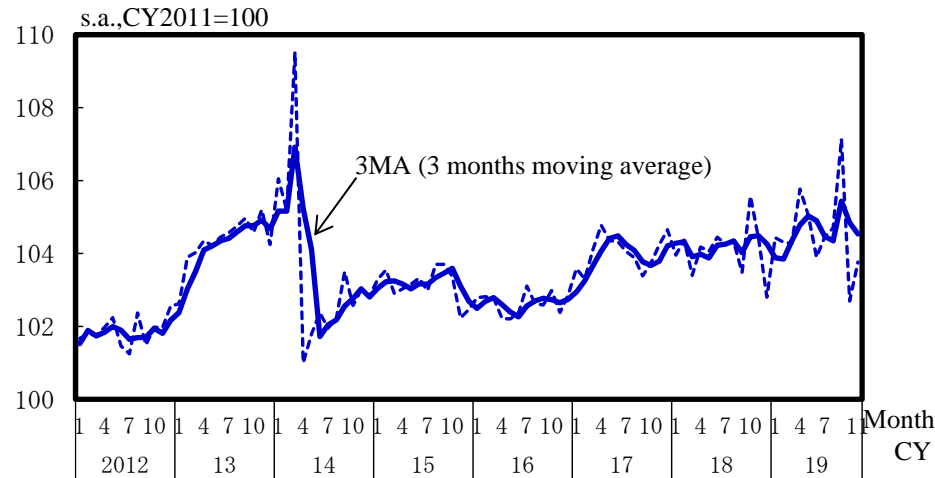
Real wage income of employees



Source: Ministry of Health, Labor and Welfare.

**- Private consumption - Private consumption is picking up, supported by an improvement in employment and income conditions. Although spending dropped in October, it is on the recovery track. Attention should be given to the impact of consumer confidence.**

Synthetic consumption index (real)



Interview about sales condition

<Clothing store>

○ After mid-December, sales of winter clothing declined due to a warm winter.

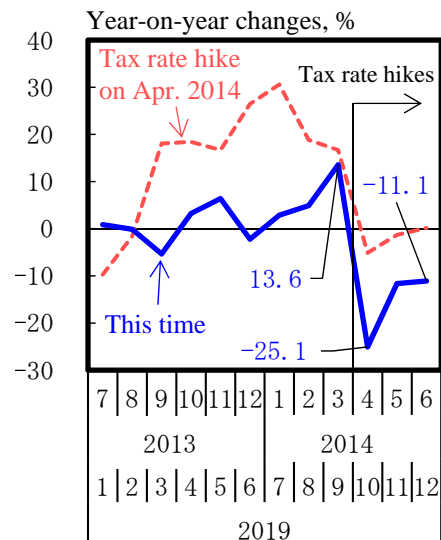
<Department store>

○ In December, the year-on-year sales decline eased from the previous month due to strong sales in some goods such as cosmetics, despite the negative impact of two fewer holidays than in the previous year.

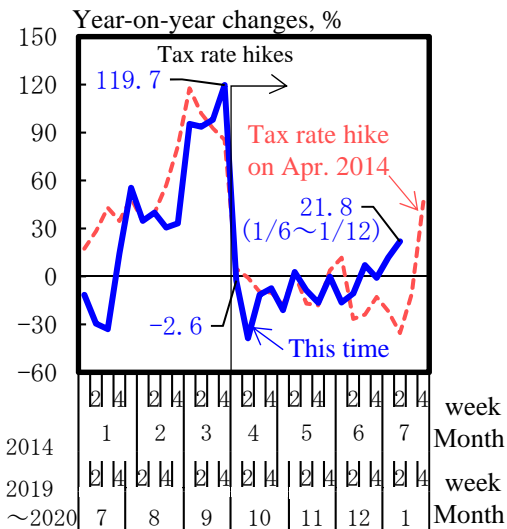
<Convenience store>

○ Sales in December were better than those in the previous year. As a result of policy effects, the use rate of cashless payments has risen, and sales have increased.

New automobile sales



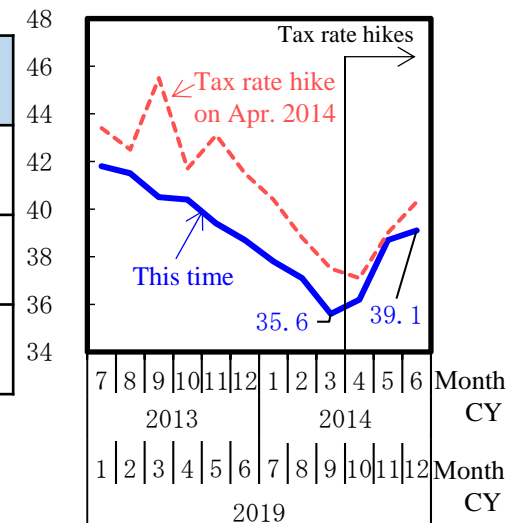
Sales of 5 home electric appliances



The number of passengers (2019/12/27~2020/1/5)

	Year-on-year
Train (Number of users)	2.4%
Airplane (Number of users)	6.7%
Highway (Number of cars)	4.4%

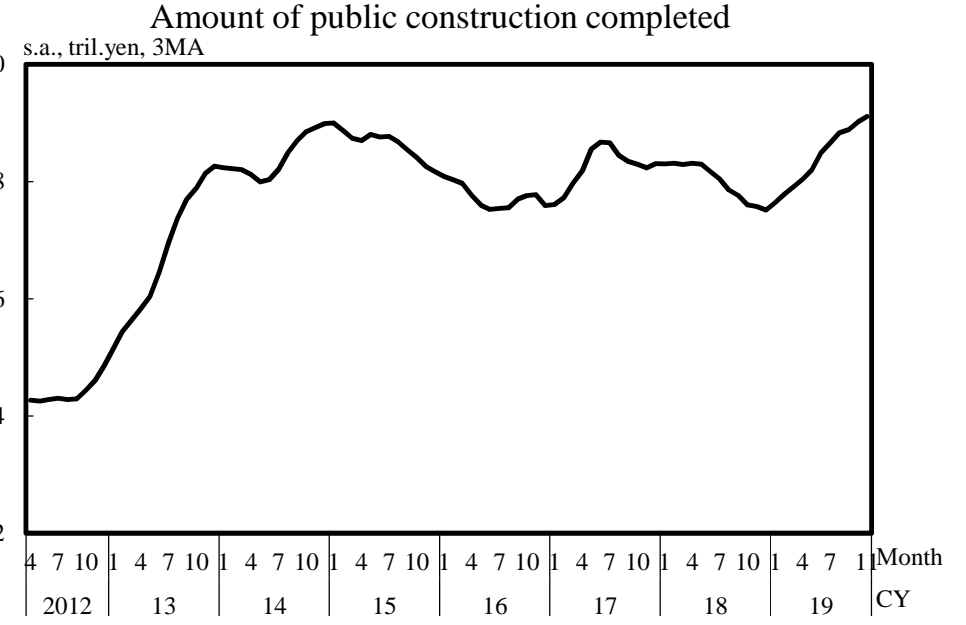
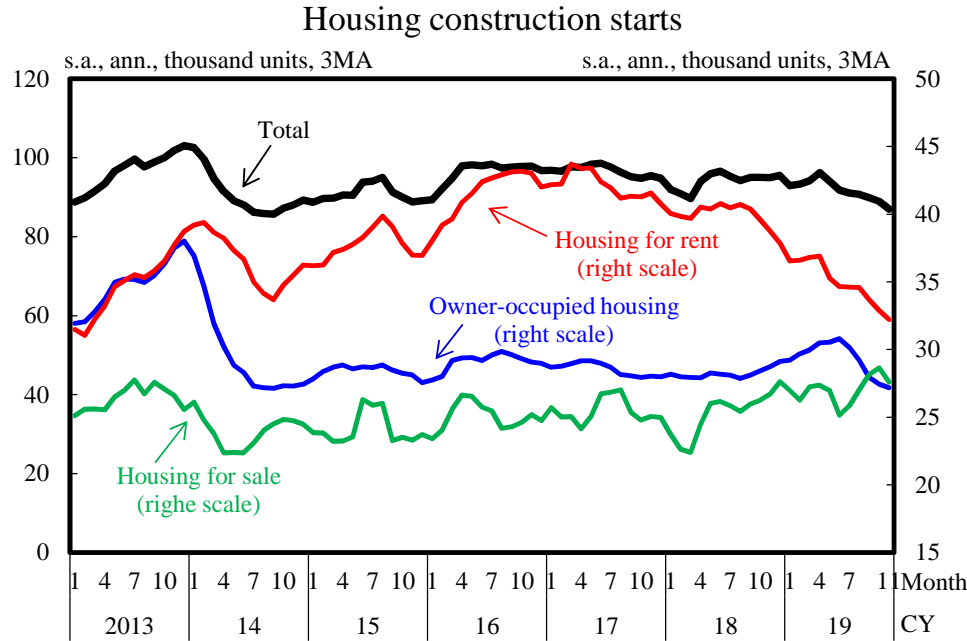
Consumer confidence index



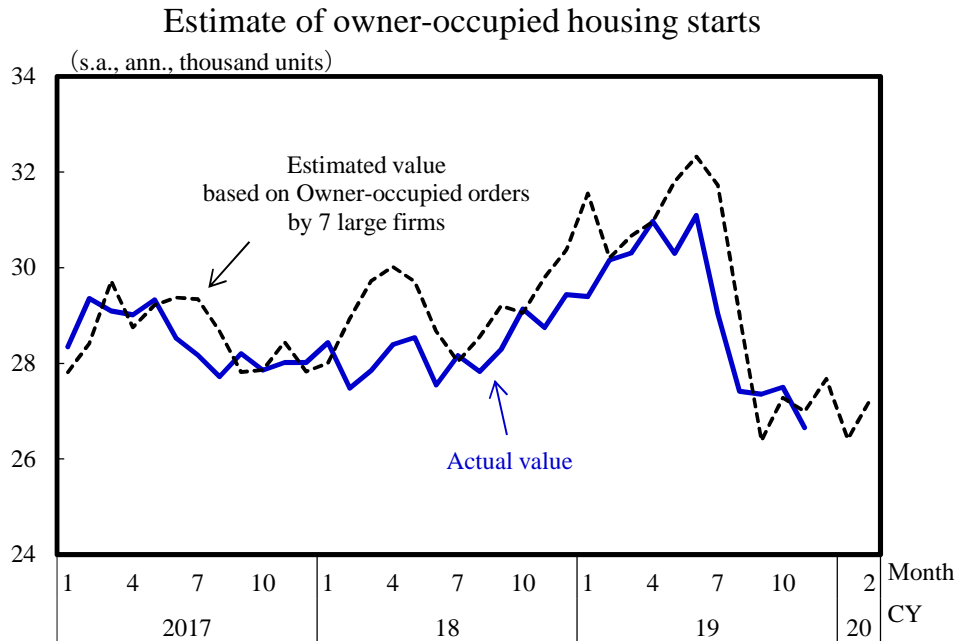
Sources: Japan Auto Dealers Association; Japan Light Motor Vehicle and Motorcycle Association; Ministry of Economy, Trade and Industry; Cabinet Office.  
Notes: Automobiles include light motor vehicles. 5 home electric appliances include television, air conditioner, refrigerator, computer and washing machine.

Housing investment is in a weak tone recently.

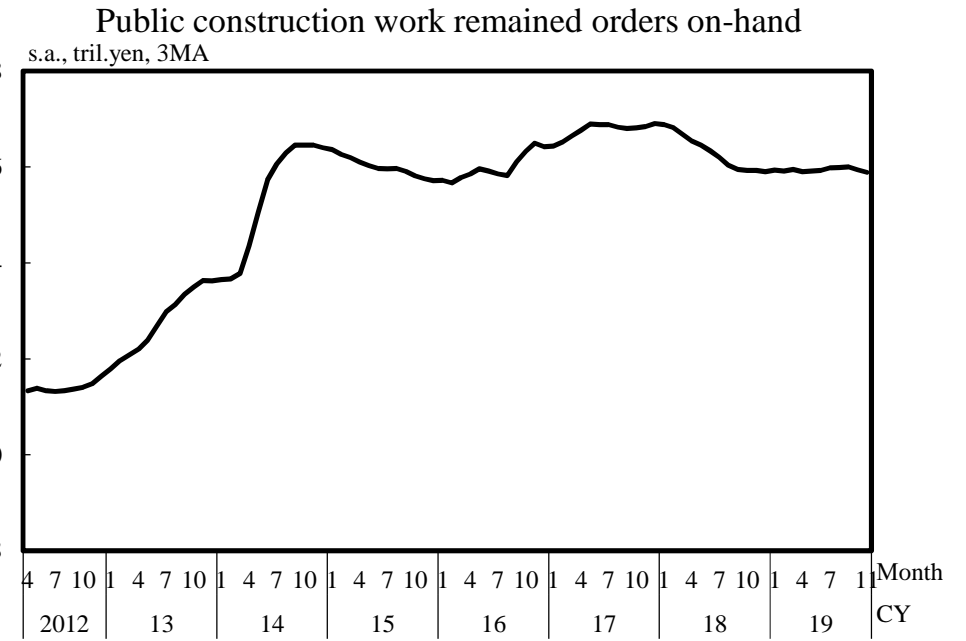
Public investment shows steady performance.



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

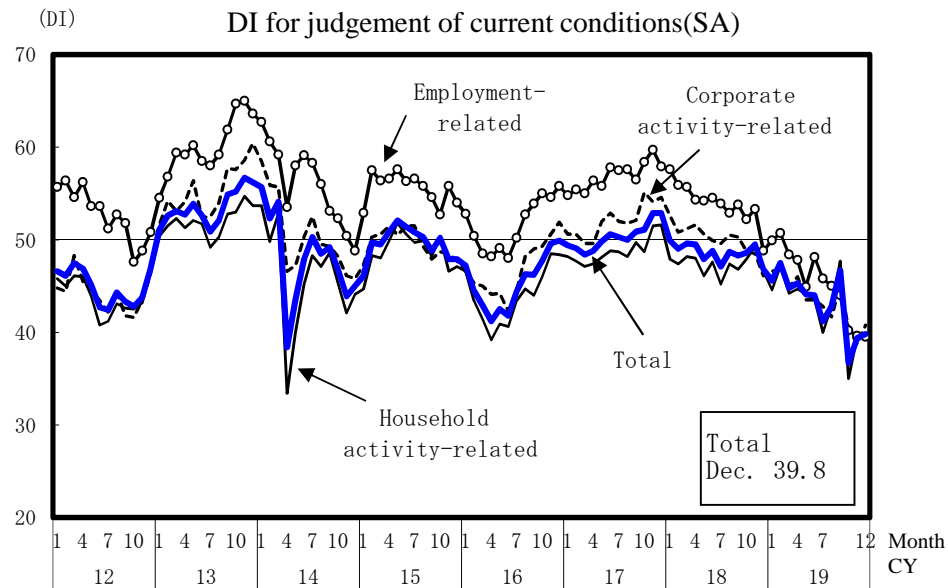


Source: Ministry of Land, Infrastructure,Transport and Tourism;  
IR information of each company

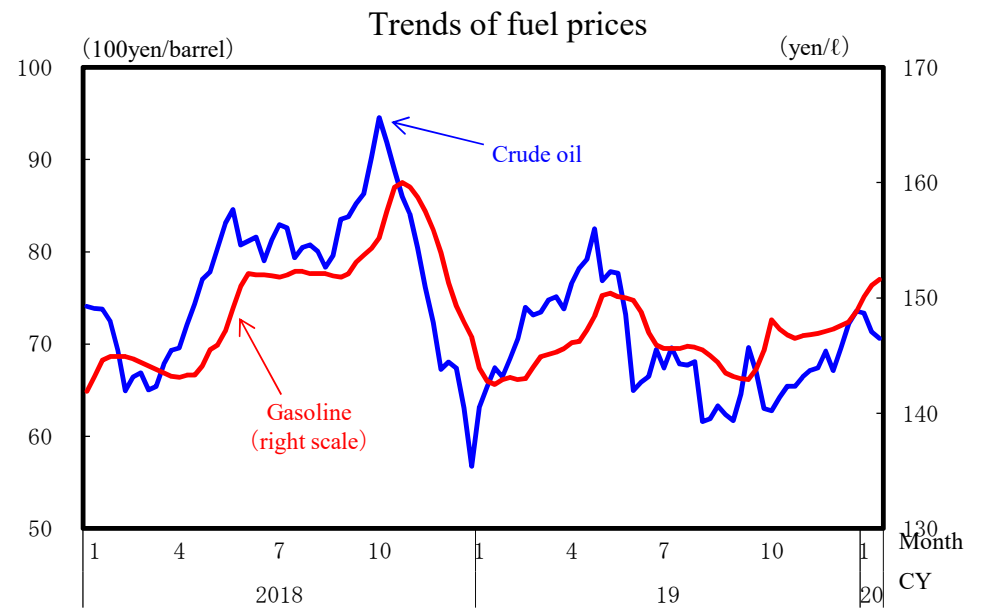
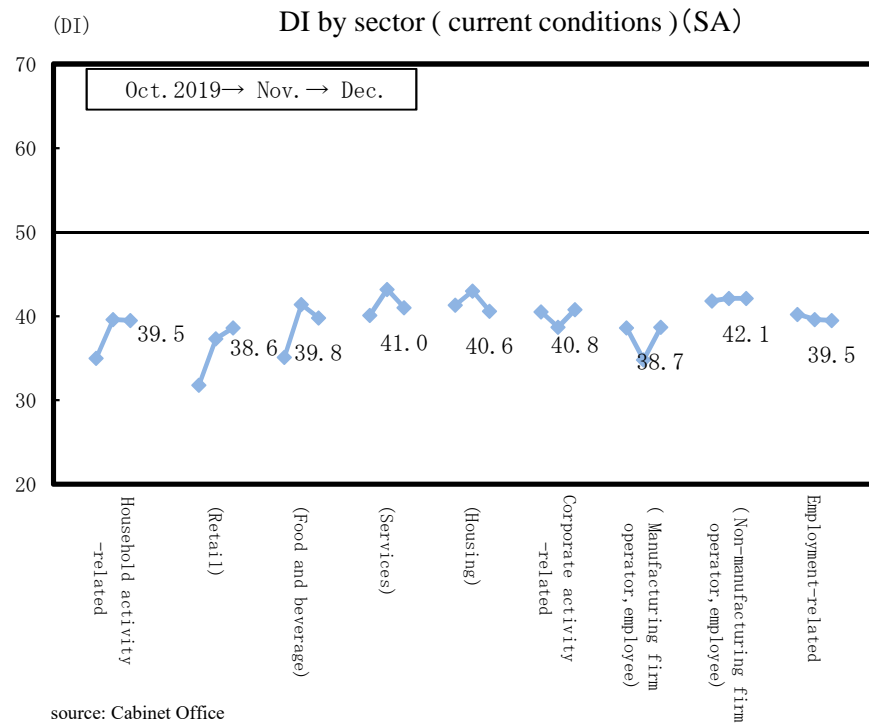
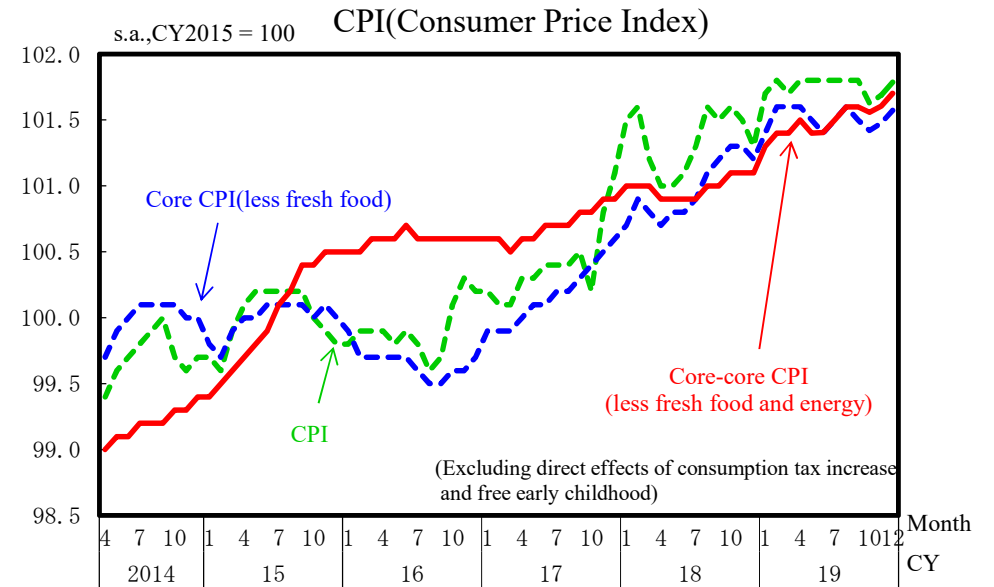


Source: Ministry of Land, Infrastructure,Transport and Tourism.

## Economy Watchers Survey



## Consumer prices are rising at a slower tempo recently



sources: Ministry of Internal Affairs and Communications; Cabinet office; Agency for Natural Resources and Energy  
Nikkei Economic Electronic Databank System.