

# **Recent Economic Developments**

## **- Monthly Economic Report, February 21 2023 -**

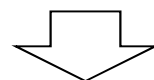
**March 8, 2023**

**Cabinet Office**  
**Government of Japan**

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

December

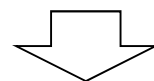
The Japanese economy is picking up moderately.



January

The Japanese economy is picking up moderately, although some weaknesses have been seen recently.

(Changed)



February

The Japanese economy is picking up moderately, although some weaknesses have been seen recently.

(Unchanged)

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

	December	January	February
Private consumption	Private consumption is picking up moderately.	Unchanged	Unchanged
Business investment	Business investment is picking up.	Unchanged	Unchanged
Exports	Exports are almost flat.	Exports have been in a weak tone recently. ( ↓ )	Unchanged
Industrial production	Industrial production appears to be pausing for picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are improving as a whole, although some weaknesses remain.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show movements of picking up.	Unchanged	Unchanged
Employment situation	The employment situation is picking up.	Unchanged	Unchanged
Prices	Consumer prices are rising.	Unchanged	Unchanged

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

## <Short-term prospects>

December

The economy is expected to show movements of picking up, supported by the effects of the policies, under the “new normal”. However, slowing down of overseas economies is downside risk of the Japanese economy, amid ongoing global monetary tightening and other factors. Also, full attention should be given to price increases, supply-side constraints, fluctuations in the financial and capital markets and infection trends in China.

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February

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# <Policy stance>

(Monthly Economic Report, February 21, 2023)

The Government will thoroughly manage progress of the “Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy” and the FY2022 second supplementary budget and implement them swiftly and steadily to overcome the current high prices and other difficulties, achieve a full-scale recovery of Japanese economy, and put the economy on a new growth path, and will also work for early passage of the FY2022 budget and the related bills.

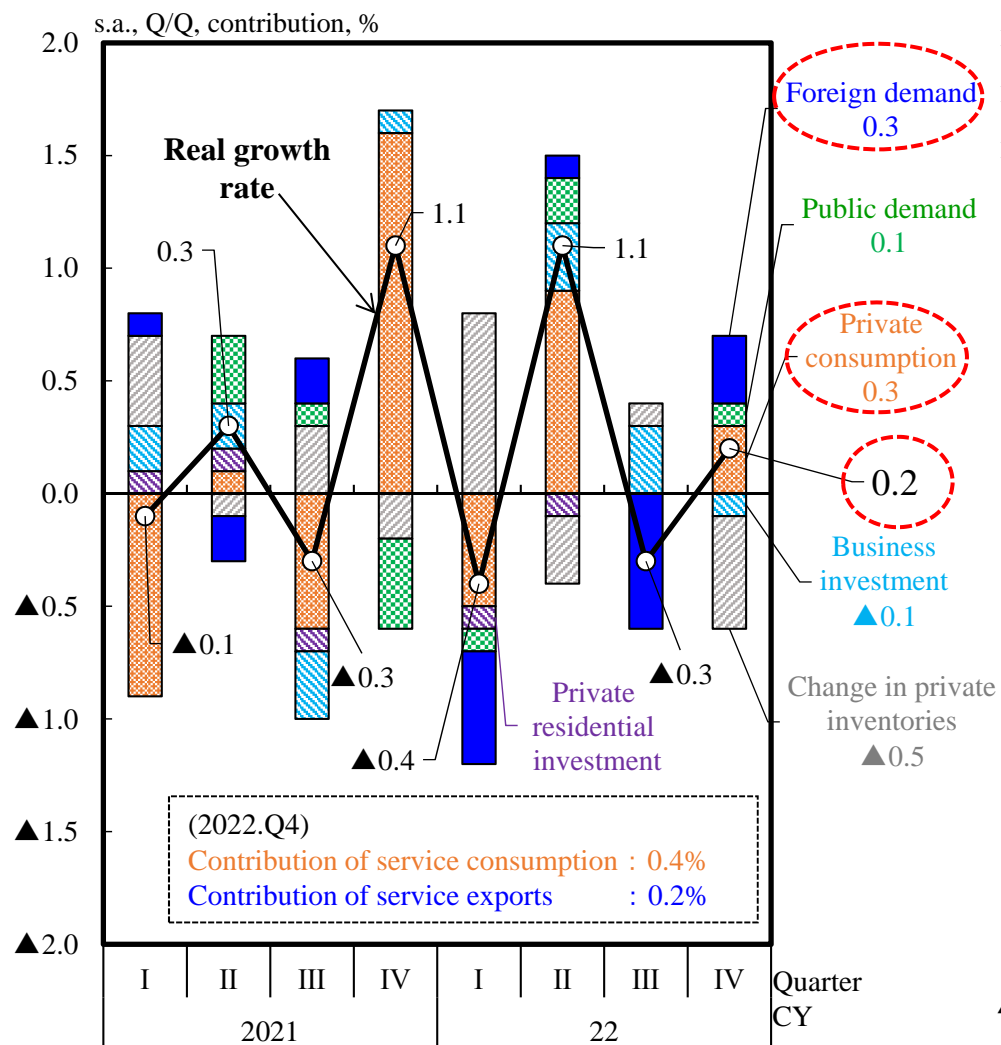
The Government will continue to maintain the framework of economic and fiscal management for joint promotion of bold monetary policies, flexible fiscal policies, and growth strategies that will encourage private investment. The macroeconomy will be managed flexibly without hesitation to achieve autonomous growth led by private demand, and to break away from deflation.

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

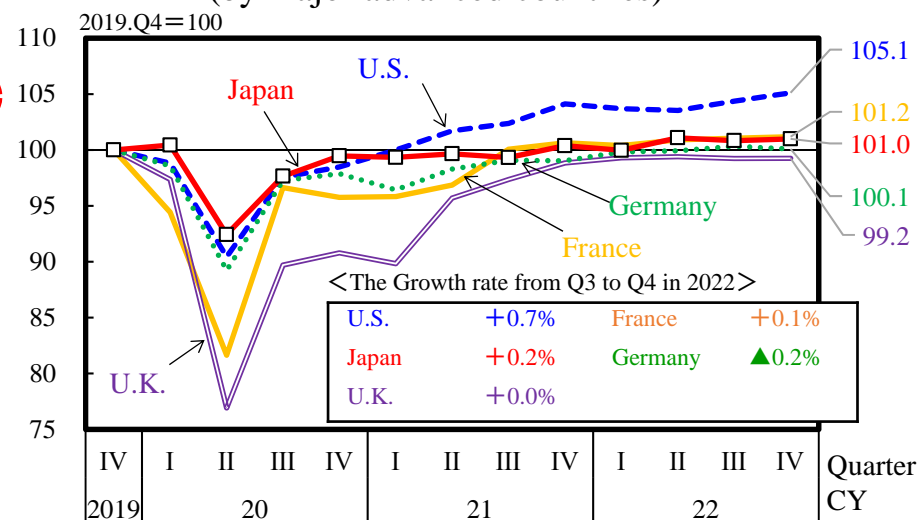
## — GDP: Oct. – Dec. 2022 —

- **Real GDP in the Oct.-Dec. 2022 increased by 0.2% on a quarterly basis (at an annual rate of 0.6%) . Service consumption and service exports contributed the increase.**

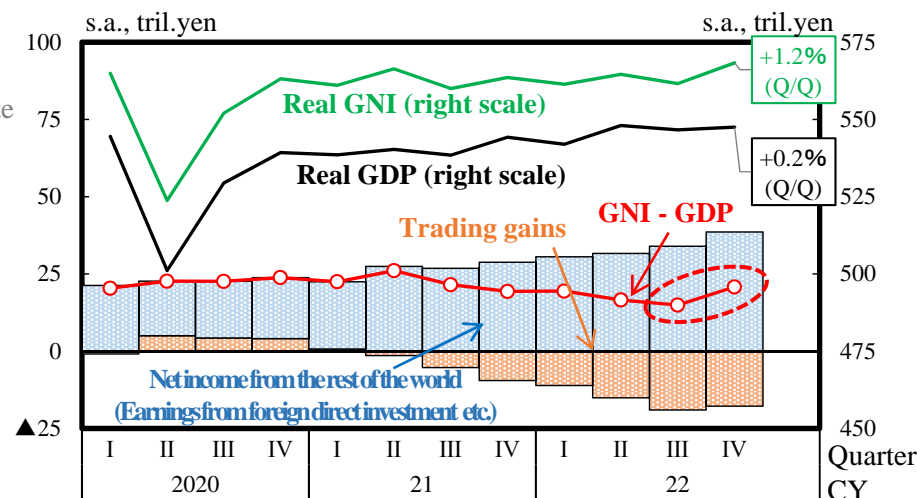
(1-1) Real GDP growth rate



(1-2) Trends in real GDP  
(by major advanced countries)



(1-3) GDP and GNI (real)



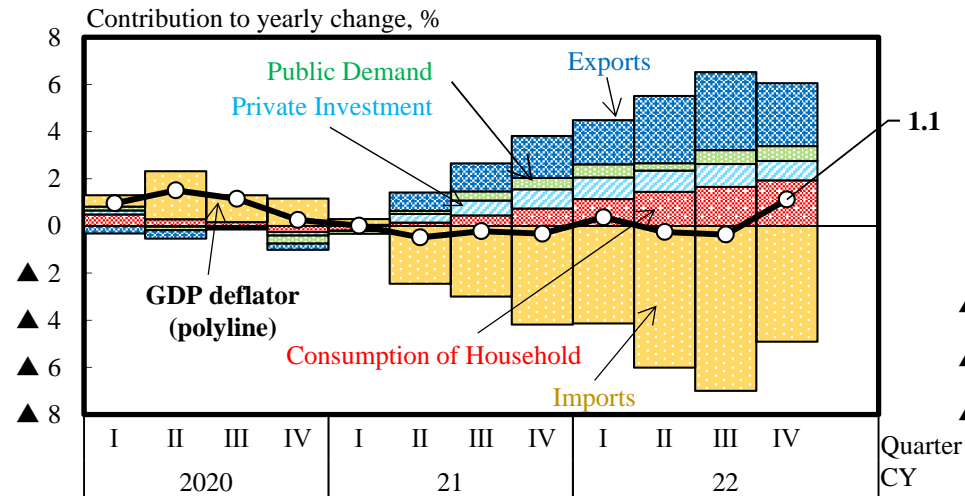
Sources: Cabinet office; U.S. Department of Commerce; U.K. Office for National Statistics; German Federal Statistical Office; National Institute of Statistics and Economic Studies.

Note: (1-2) based on national currency

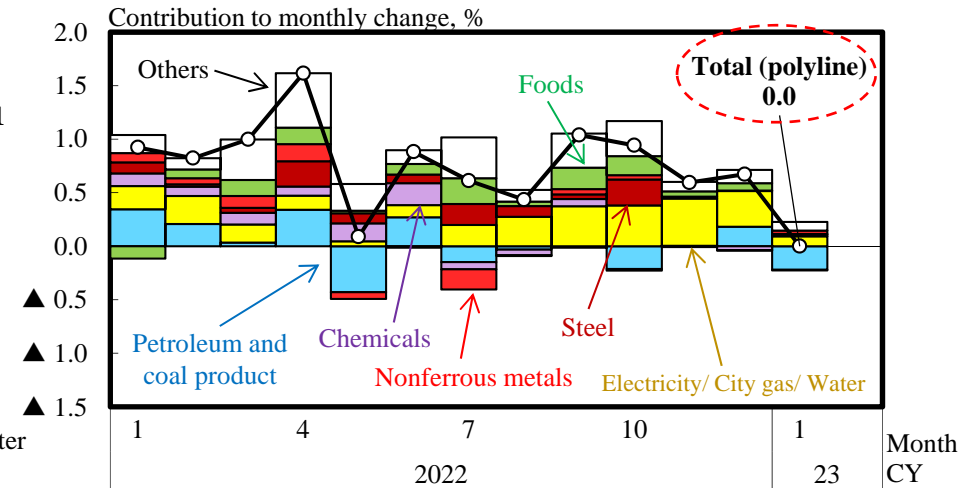
## —Prices—

➤ *Producer prices are rising at a slower tempo recently. Consumer prices are rising.*

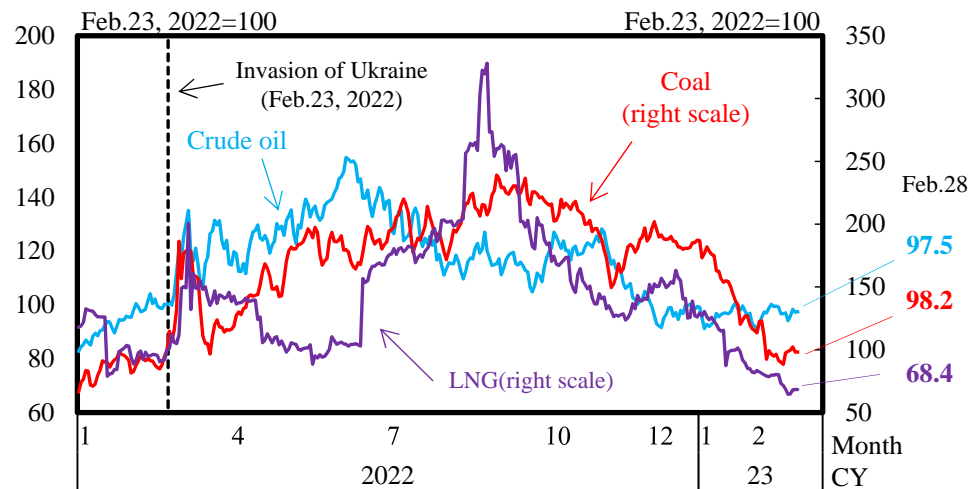
(2-1) GDP deflator



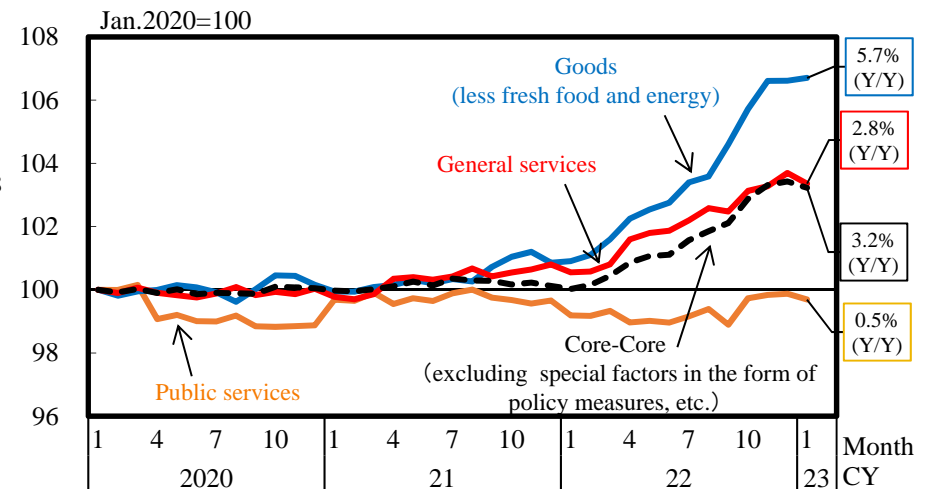
(2-3) Corporate Price Index



(2-2) Commodity Prices



(2-4) Consumer Price Index



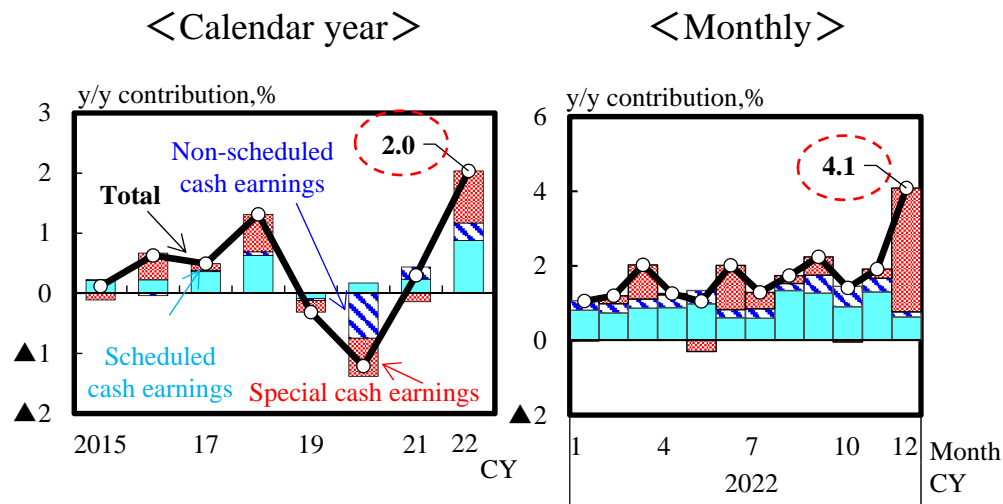
Source : Cabinet Office; Bank of Japan; Ministry of Internal Affairs and Communications; Bloomberg; Ltd.

Note : In CPIs, "one-off factors of policy measures, etc." means the direct effects of the Go to Travel Campaign and a decrease in telephone charges (mobile phone) in April 2021, etc.  
General services is excluded telephone charges, hotel charges, and imputed rent.

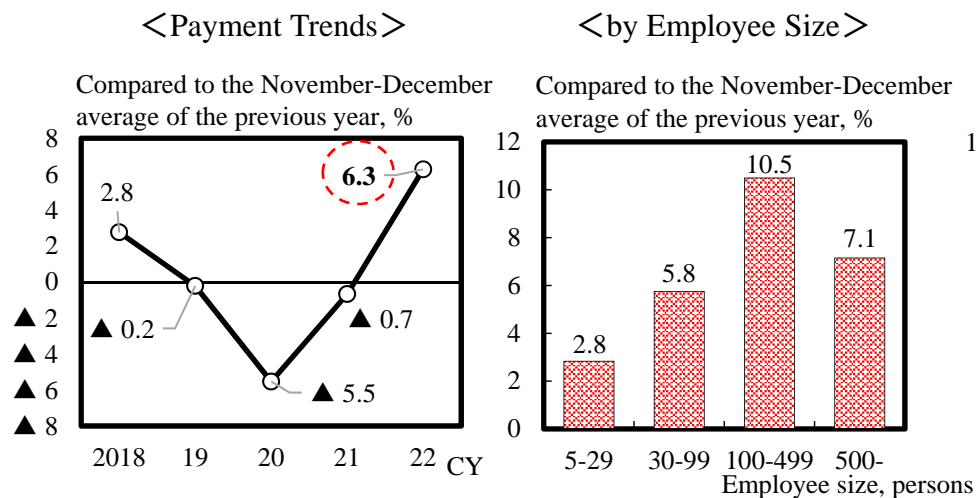
## — Employment Situation —

### ➤ The employment situation is picking up.

#### (3-1) Per capita wage increase rate



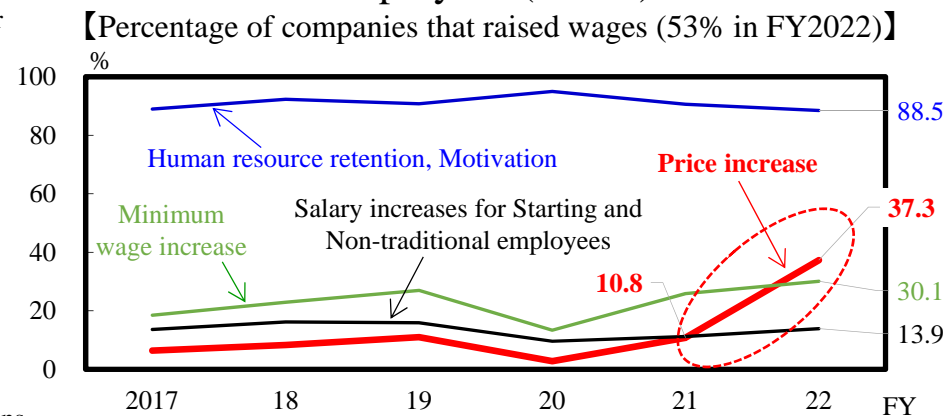
#### (3-2) Winter Bonus Payments



#### (3-3) Examples of wage increases since this spring (large companies)

Industry	Contents
company A (Construction)	Wages will be raised by approximately 10% per month starting in April. In addition, the company will proceed to raise job allowances.
company B (Retail Trade)	The company plans to raise wages by at least 4% in this year's "shunto" (spring wage negotiation).
company C (Information and Communications)	The company plans to raise base salaries by 10% from April. In addition to regular employees, the company plans to raise wages at the same level for temporary and part-time employees.
company D (Services)	Wages will be raised by an average of approximately 7% from April. Wage increases will apply not only to full-time employees, but also to part-time employees.
company E (Banking)	The company plans to raise the starting salary for new graduates by 50,000 yen from April.

#### (3-4) Main reasons for raising wages of full-time employees (SMEs)

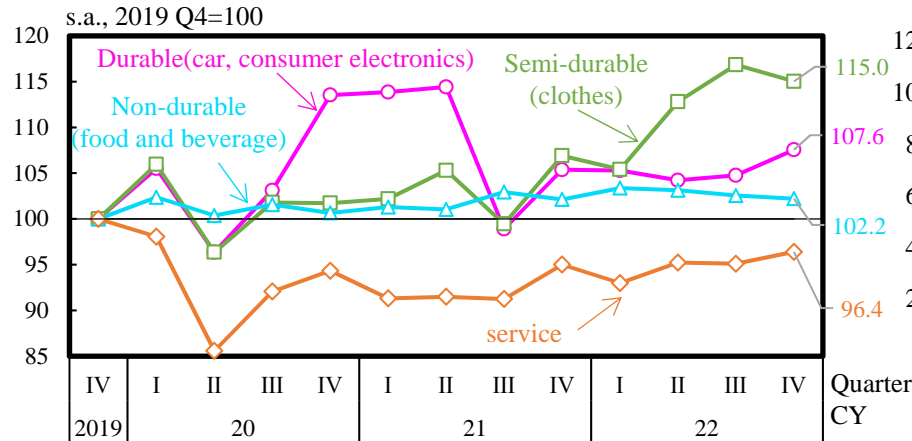




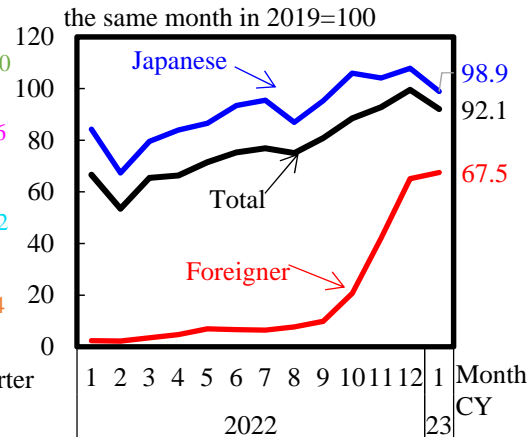
## — Private consumption —

➤ *Private consumption is picking up moderately.*

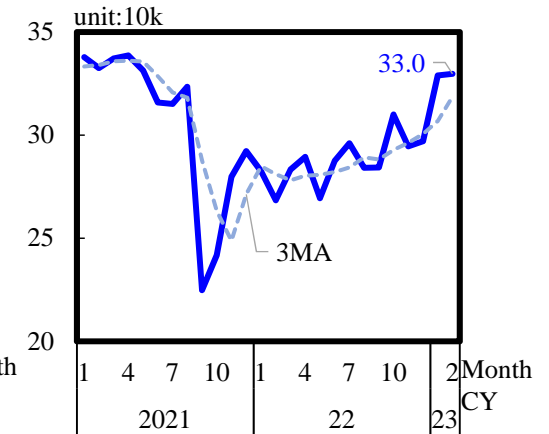
(4-1) Private consumption classified by type (real)



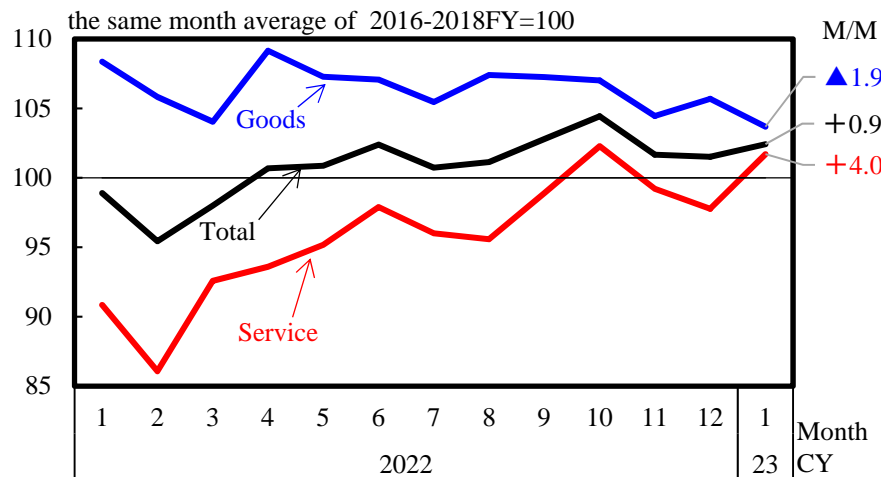
(4-3) Total number of guest nights



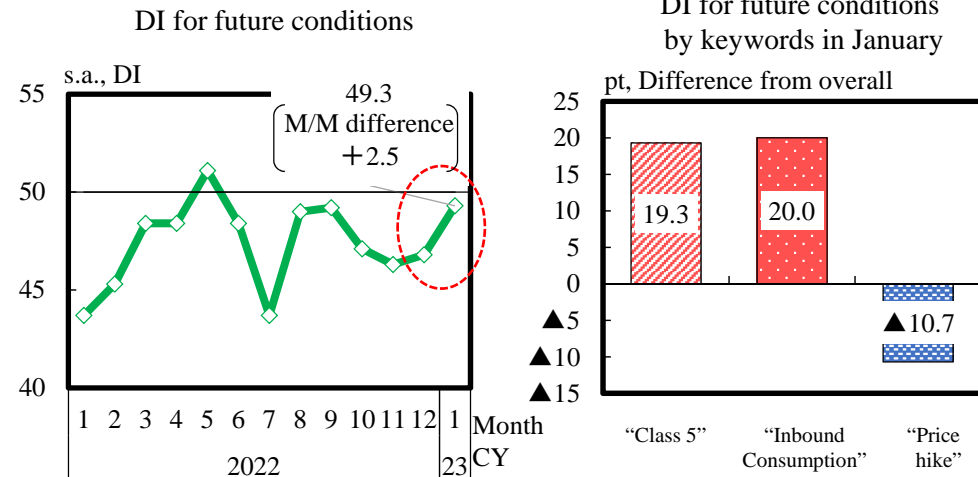
(4-4) New automobiles sales



(4-2) Consumption based on credit card expenditures(real)



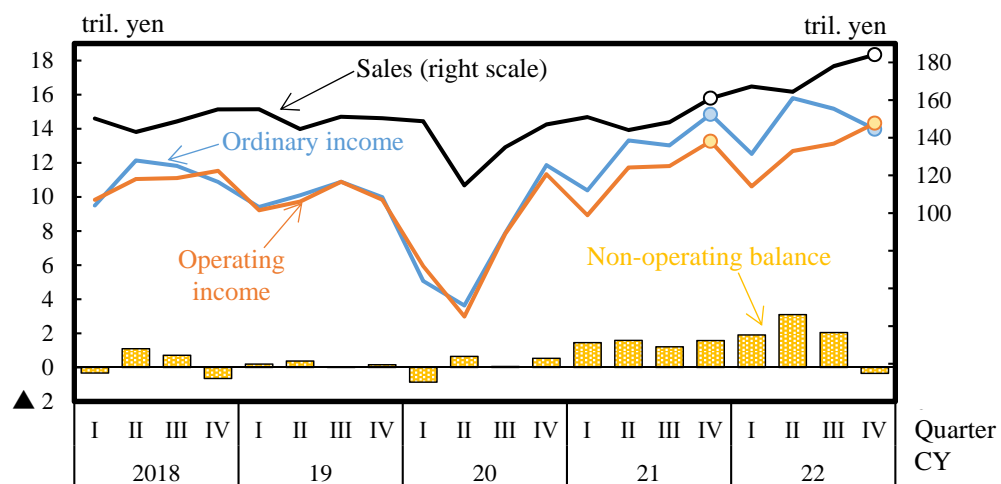
(4-5) Economy Watchers Survey



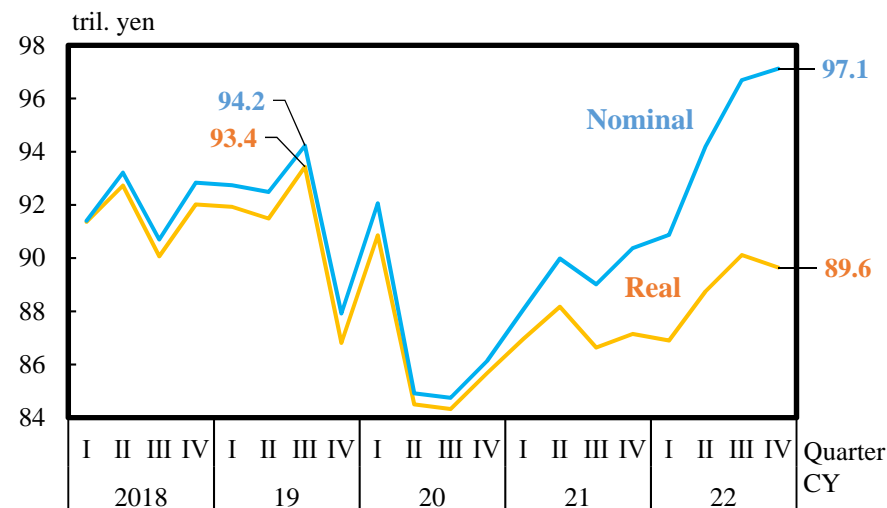
## — Trends in Business Activities —

- *Corporate profits are improving as a whole, although some weaknesses remain.*
- *Firms' judgments on current business conditions show movements of picking up.*
- *Business investment is picking up.*

(5-1) Listed companies' financial result (All Industry)



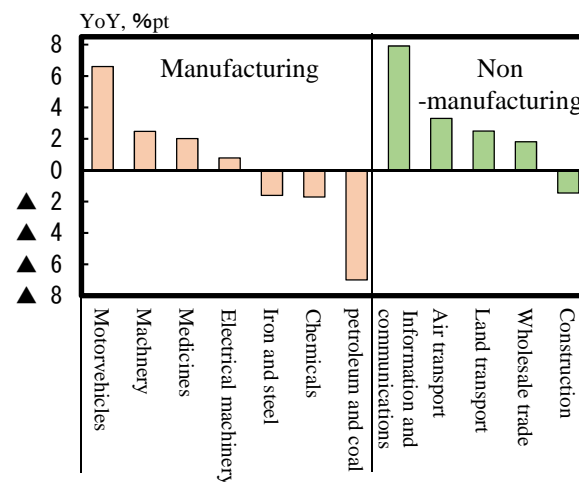
(5-4) Business investment



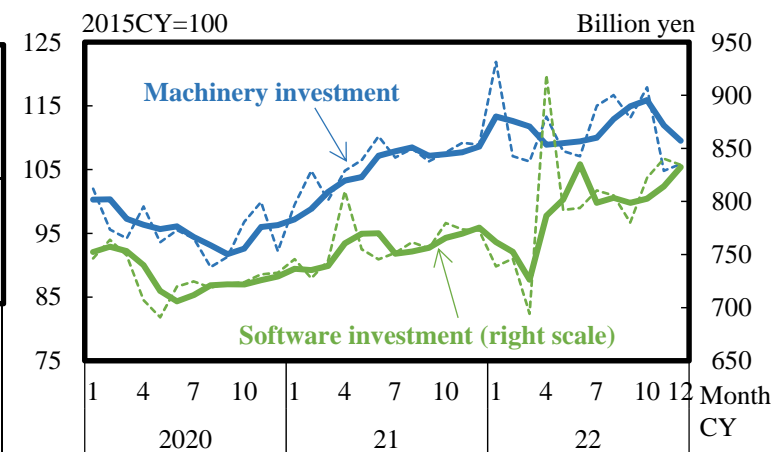
(5-2) Percentage change of listed companies' financial results (2022 Oct.-Dec.)

YoY, %	Total	Manu-facturing	Non-manu-facturing
Sales	+14.3	+16.7	+11.2
Operating income	+8.0	+0.8	+20.6
Ordinary income	▲5.3	▲14.2	+6.9

(5-3) Contribution to changes in operating income (2022 Oct.-Dec.)



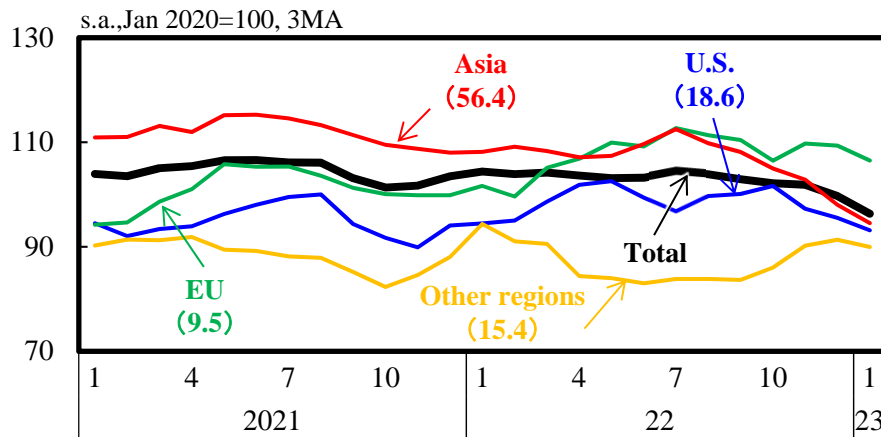
(5-5) Machinery and software investment



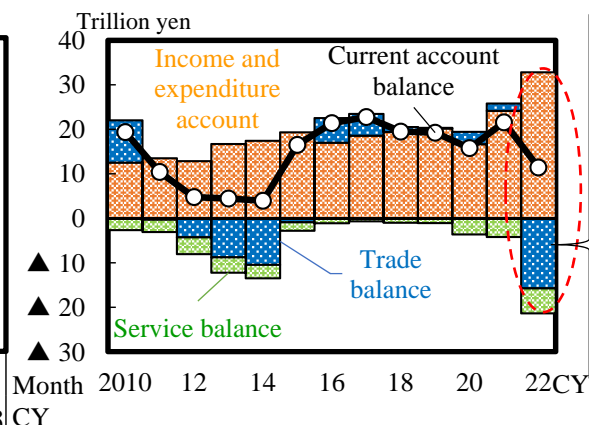
## — Exports & Industrial Production —

- *Exports have been in a weak tone recently.*
- *Industrial production appears to be pausing for picking up.*

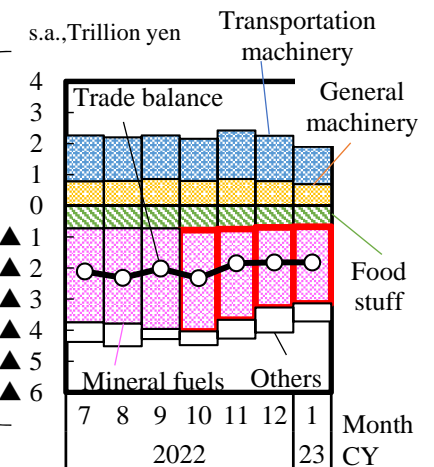
(6-1) Export volume index by region



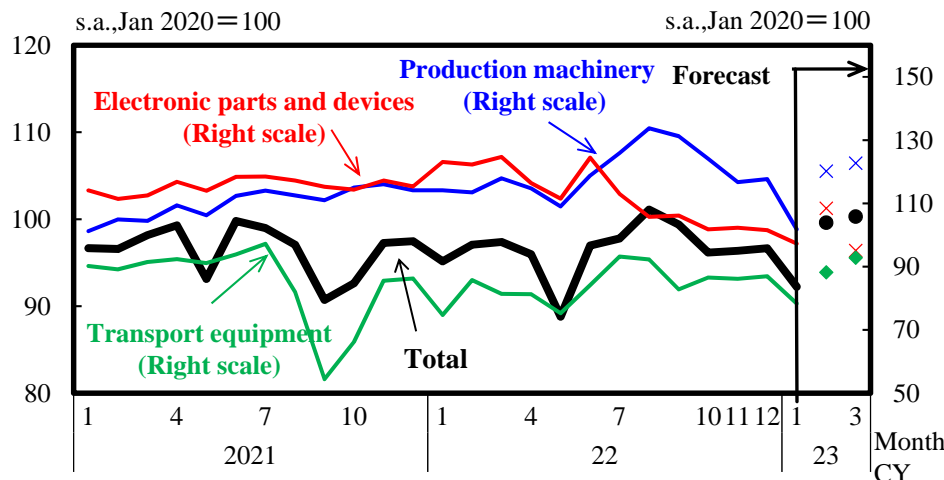
(6-3) Current account balance



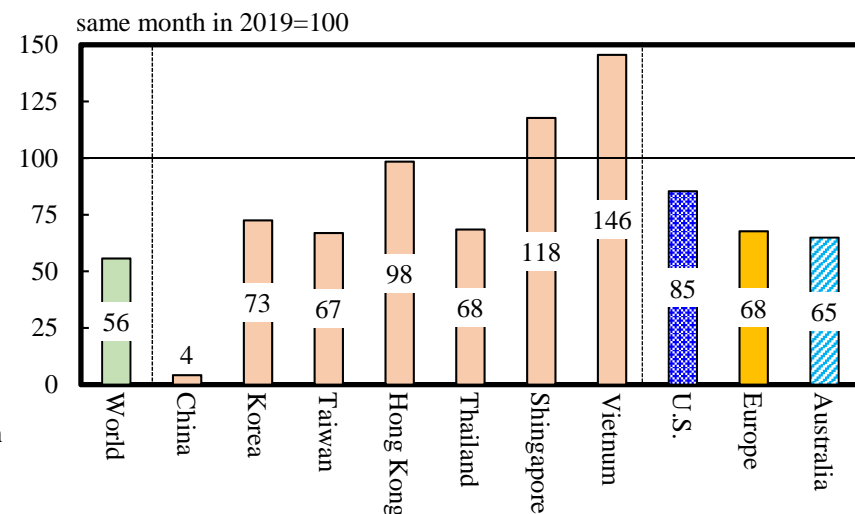
(Trade balance)



(6-2) Industrial production



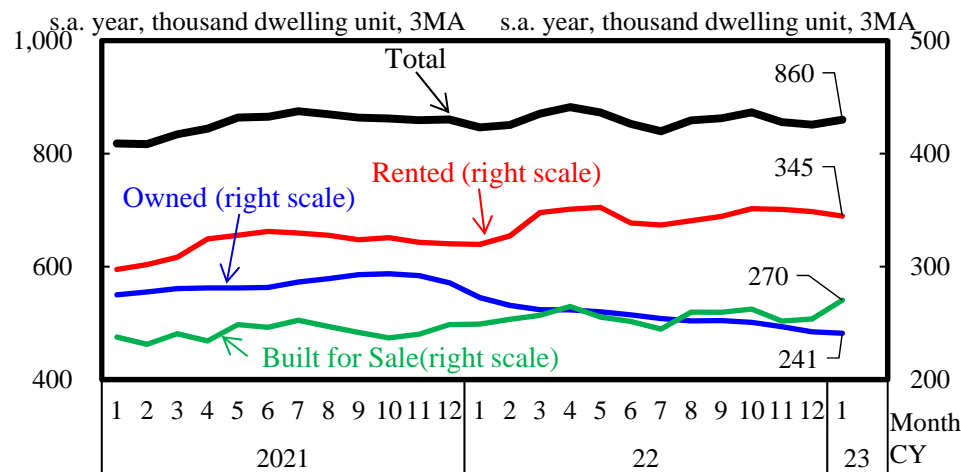
(6-4) Trends in Inbound (January, 2023)



# Reference

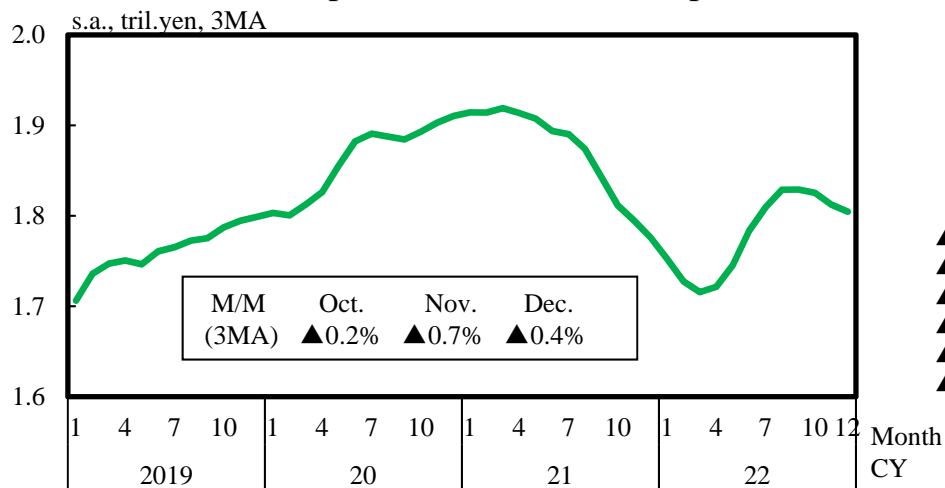
(7-1) Housing construction has shown a steady undertone.

New construction starts of dwellings

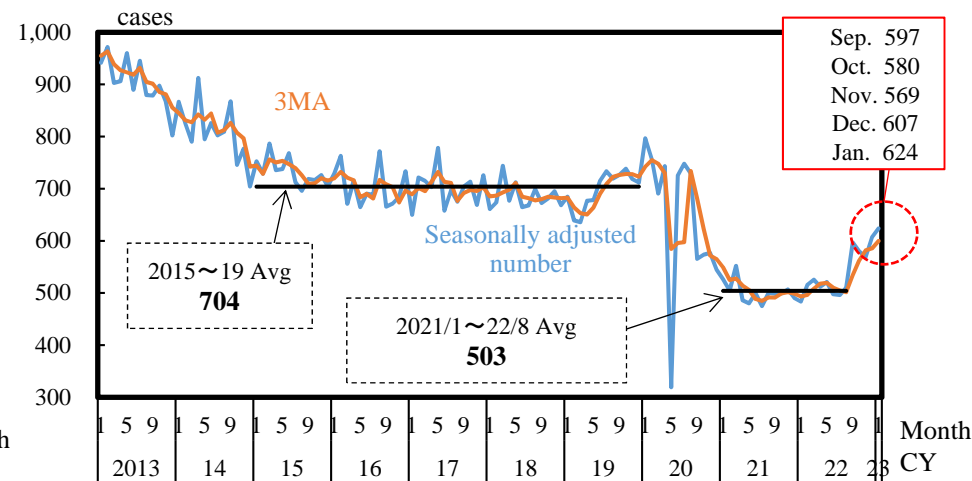


(7-2) Public investment holds firm.

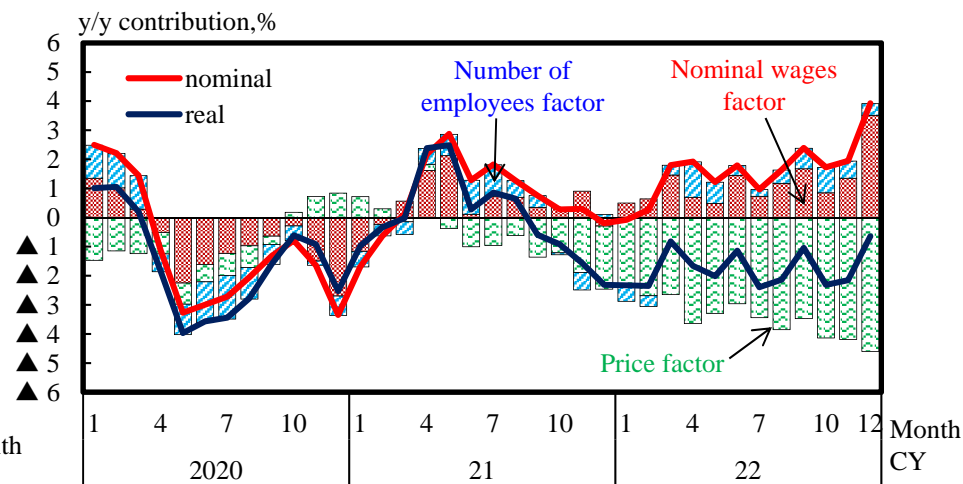
Amount of public construction completed



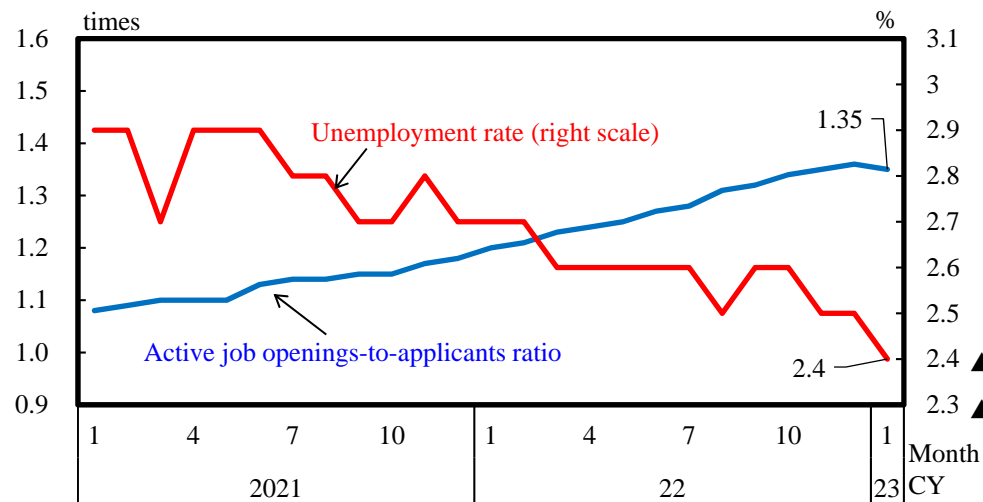
(7-3) The number of corporate bankruptcies has been increasing recently, although it remains at a low level.



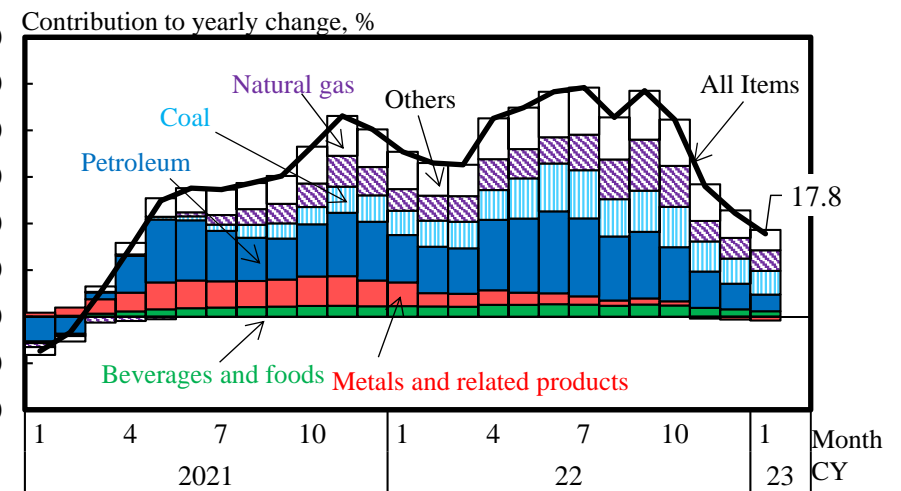
(7-4) Real wage income of employees is in a weak tone.



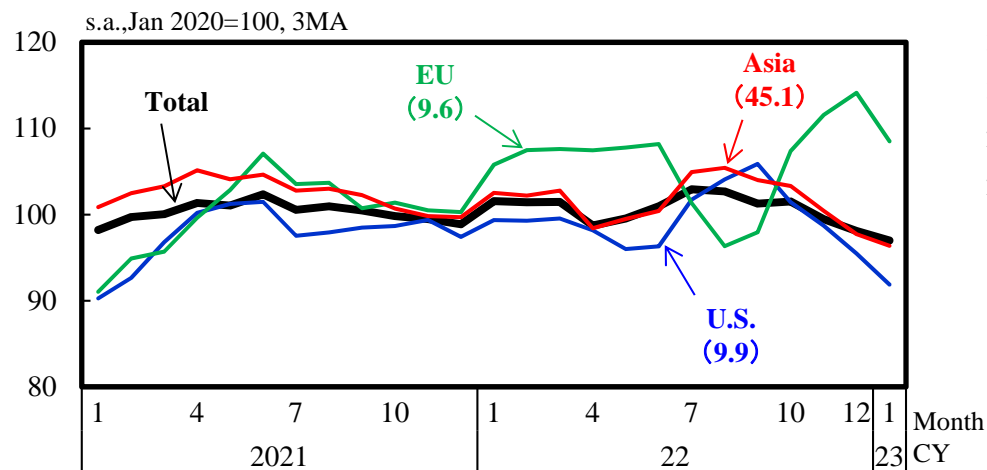
### (8-1) The employment situation is picking up.



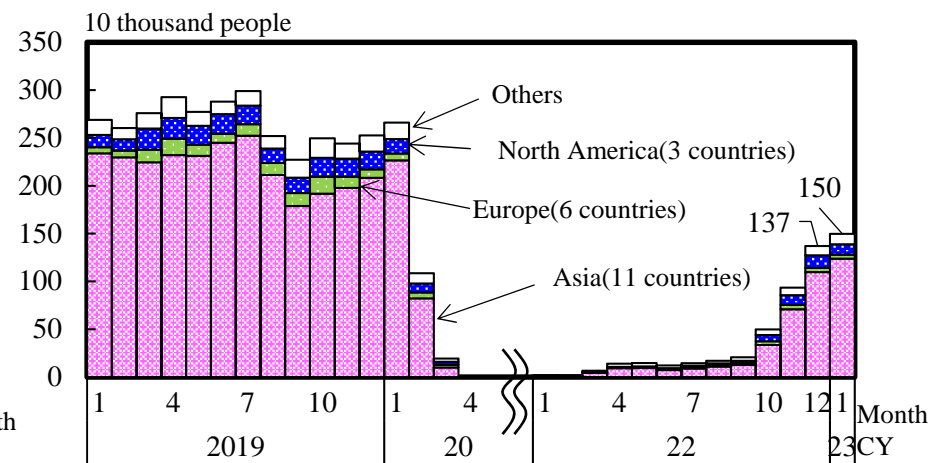
### (8-3) The import price index



### (8-2) Imports have been in a weak tone recently.

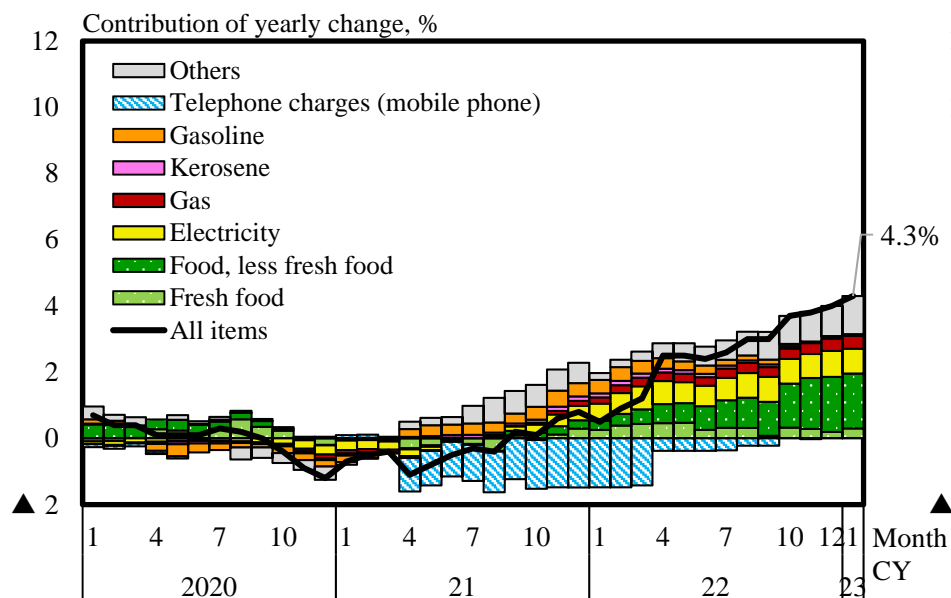


### (8-4) The number of visitors to Japan

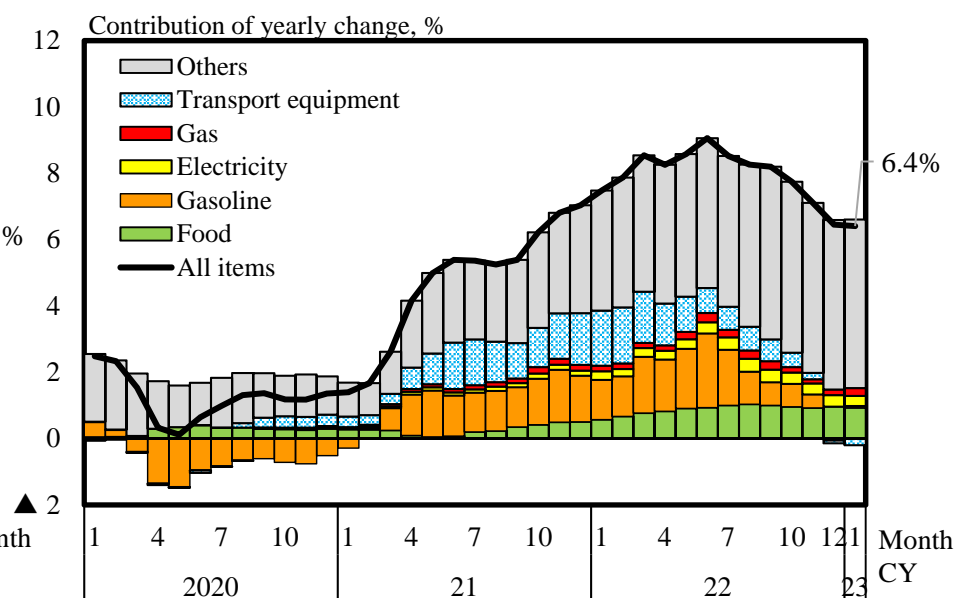


# International Comparison of Consumer Price Index

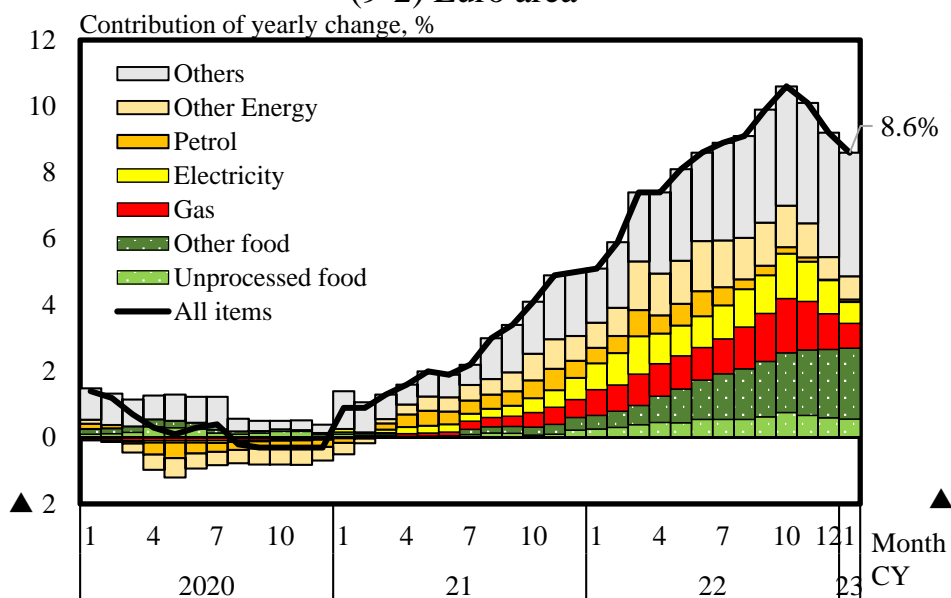
(9-1) Japan



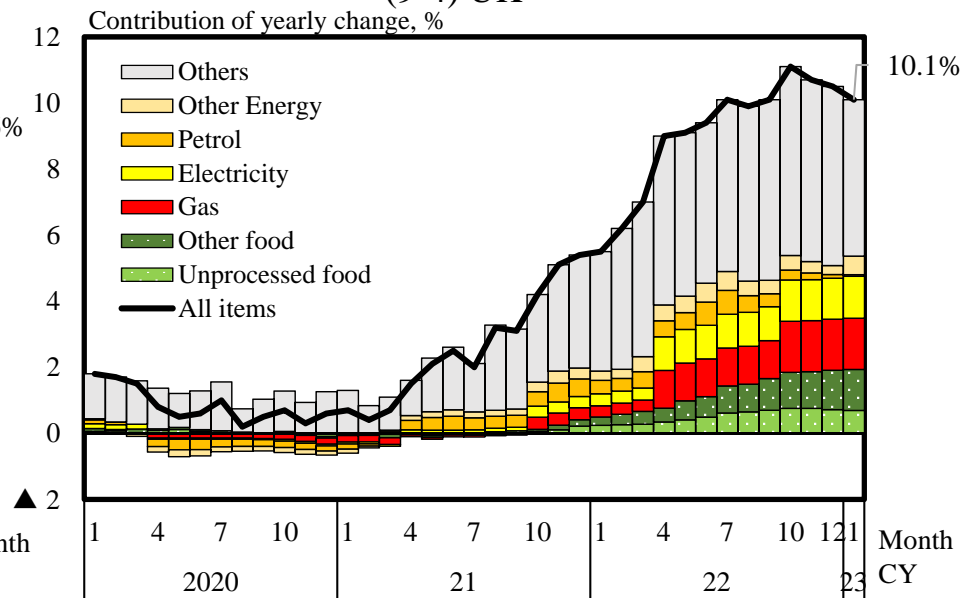
(9-3) U.S.



(9-2) Euro area



(9-4) UK



Source: Ministry of Internal Affairs and Communications; the statistics of each countries.

Note: Fixed CPI and Food includes eating out in Japan.