

Recent Economic Developments

- Monthly Economic Report, March 22 2023 -

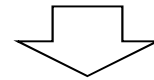
April 14, 2023

Cabinet Office
Government of Japan

<Assessment of the current state of the Japanese economy>

January

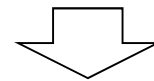
The Japanese economy is picking up moderately, although some weaknesses have been seen recently.



February

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(Unchanged)



March

The Japanese economy is picking up moderately, although some weaknesses are seen.

(Unchanged)

<Assessment of the current state of the Japanese economy>

	January	February	March
Private consumption	Private consumption is picking up moderately.	Unchanged	Unchanged
Business investment	Business investment is picking up.	Unchanged	Unchanged
Exports	Exports have been in a weak tone recently.	Unchanged	Exports <u>are</u> in a weak tone.
Industrial production	Industrial production appears to be pausing for picking up.	Unchanged	Industrial production <u>has been in a weak tone recently.</u> (↓)
Corporate profits	Corporate profits are improving as a whole, although some weaknesses remain.	Unchanged	Corporate profits are improving as a whole, although <u>the pace has become moderate.</u> (↓)
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>

January

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 the spread of infectious diseases in China.

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March

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<Policy stance>

(Monthly Economic Report, March 22, 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 further accelerate the implementation of them 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 swiftly implement additional measures compiled at the Headquarters for Comprehensive Measures on Prices, Wages, and Livelihoods on March 22. Moreover, the Government will also work for early passage of the FY2022 budget and the related bills.

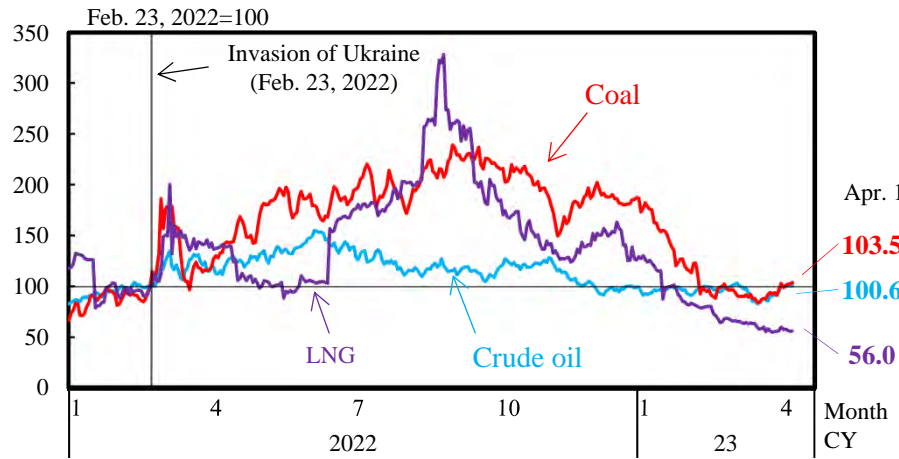
The Government will continue to maintain the framework of economic and fiscal management for joint promotion of bold monetary policies, flexible fiscal policies, and growth strategies that will encourage private investment. The macroeconomy will be managed flexibly without hesitation to achieve autonomous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

— Prices —

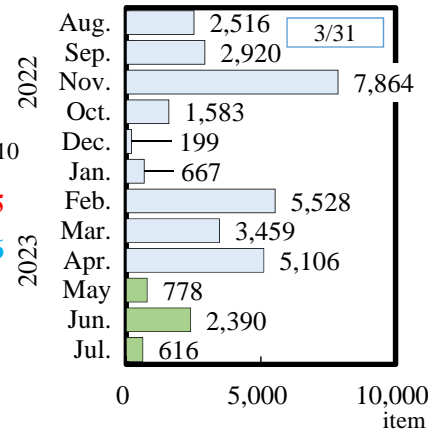
➤ *Producer Prices have been rising at a slower tempo recently. Consumer prices are rising.*

(1-1) Commodity Prices (yen based)



(1-3) Future Price increases

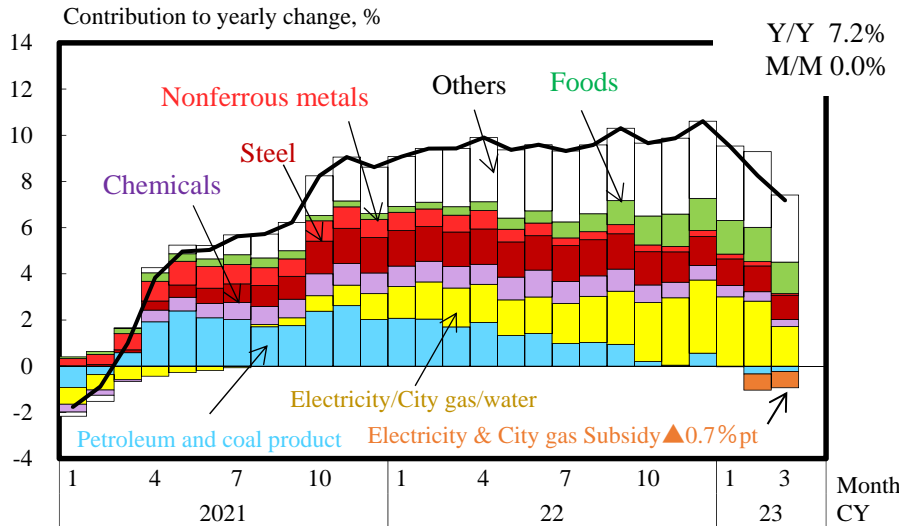
Trend in Food Company price increases



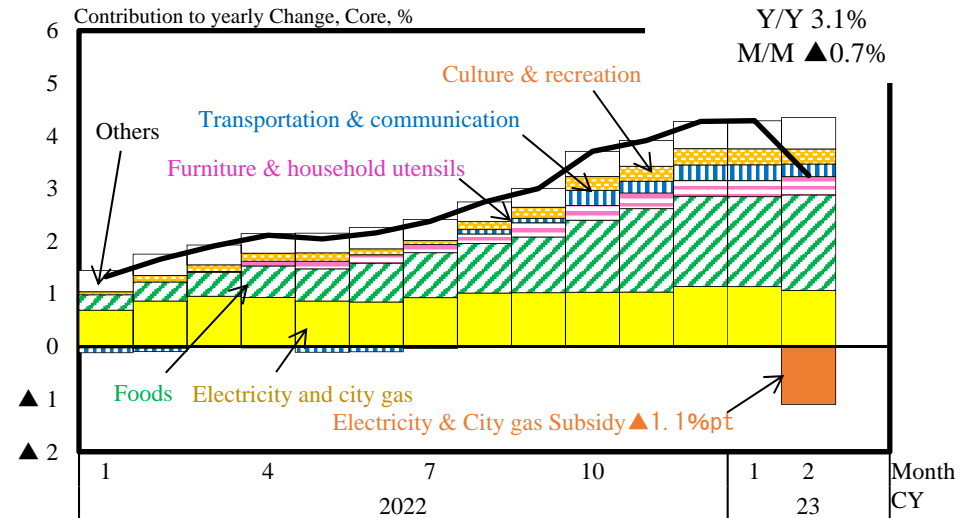
Major price Increases items

Item	Date	Range of price increase	Change in standard price
Soy sauce	Apr.	29yen/bottle	388yen→417yen
Mayonnaise	Apr.	45yen/bottle	475yen→520yen
Butter	Apr.	50yen/box	443yen→497yen
Cartage	Apr.	90yen/Tokyo→Osaka	880yen→970yen

(1-2) Corporate Good Price Index



(1-4) Consumer Price Index

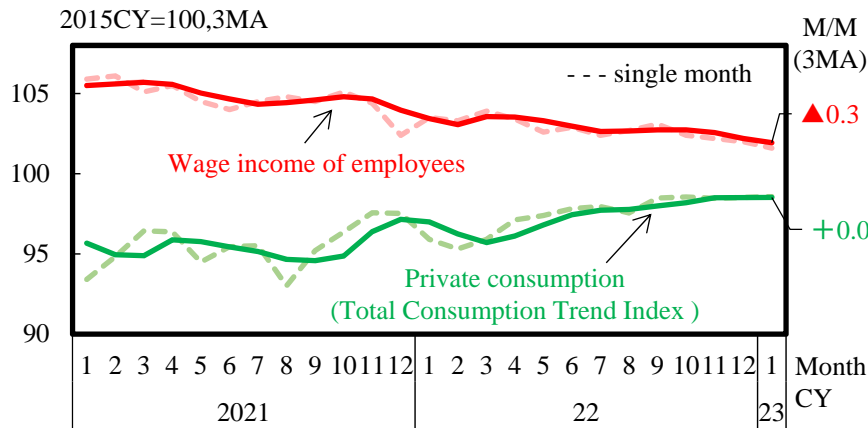


Source : Bloomberg; Bank of Japan; Ministry of Internal Affairs and Communications; Teikoku Data Bank; Ltd.

— Private consumption —

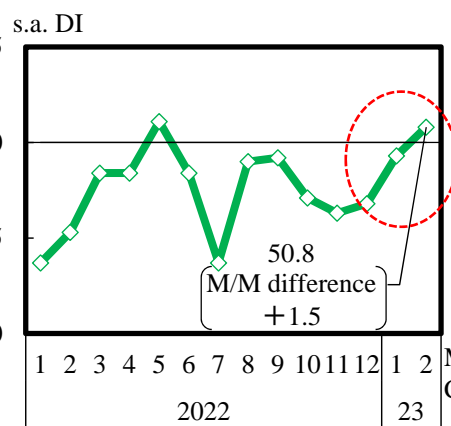
➤ *Private consumption is picking up moderately.*

(2-1) Private consumption and Wage income of employees (real)

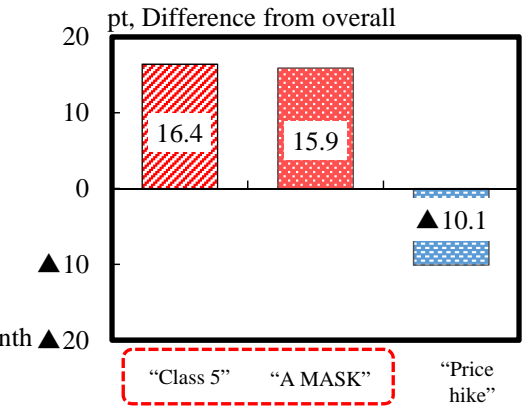


(2-3) Economy Watchers Survey

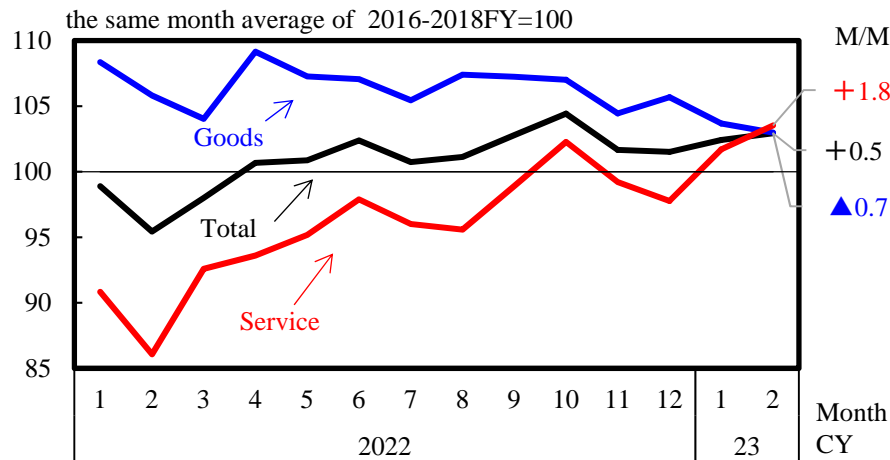
DI for future conditions



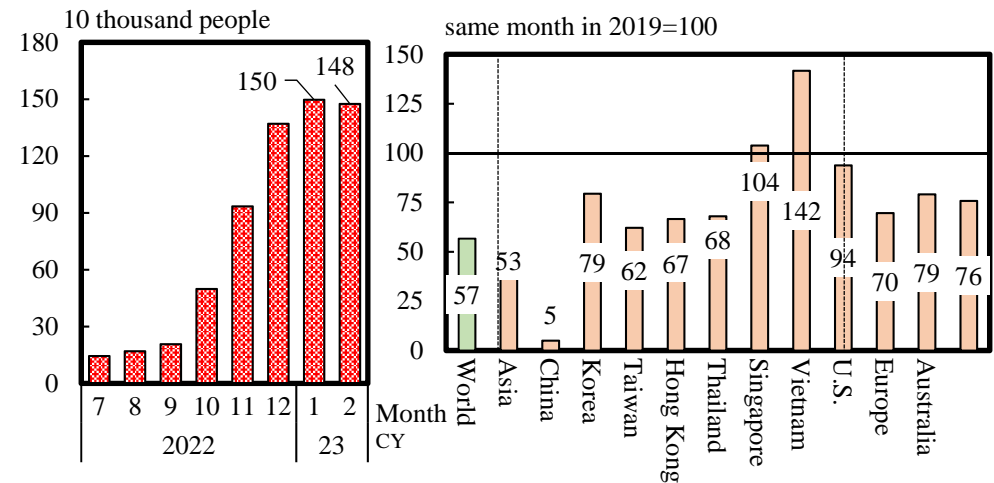
DI for future conditions by keywords in February



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



(2-4) Recovery in the number of visitors to Japan (Feb.2023)

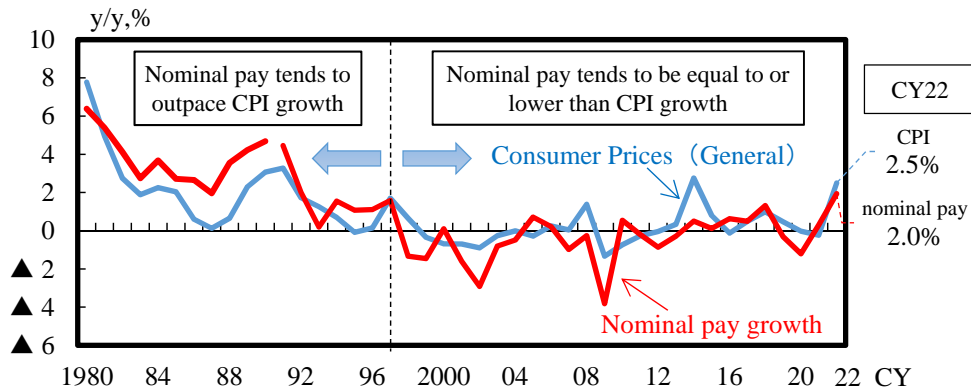


Sources: Cabinet Office; Ministry of Internal Affairs and Communications; NOWCAST, INC.; JCB Co. Ltd; Japan National Tourism Organization.

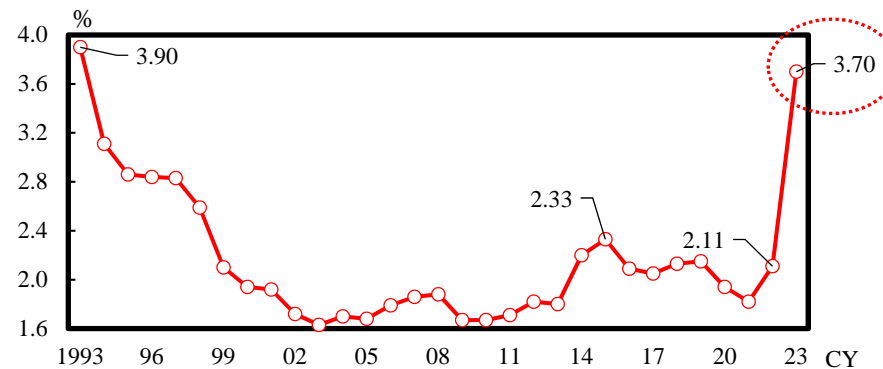
— Employment Situation —

➤ *The employment situation is picking up.*

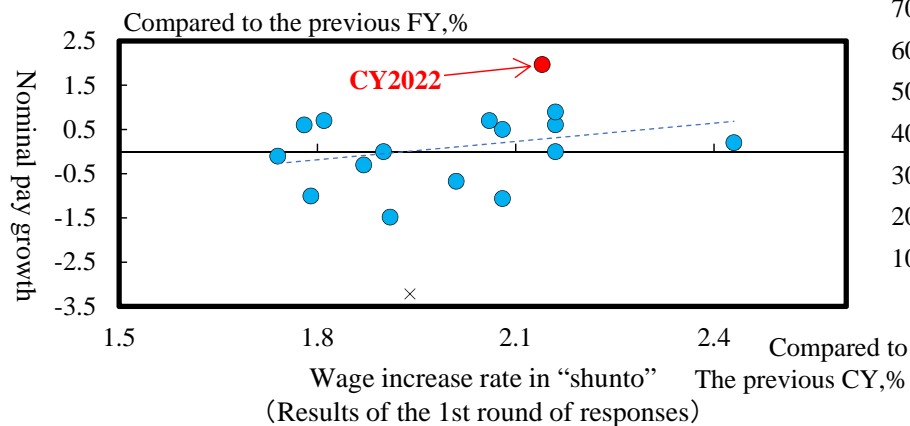
(3-1) Relationship between nominal pay and consumer prices



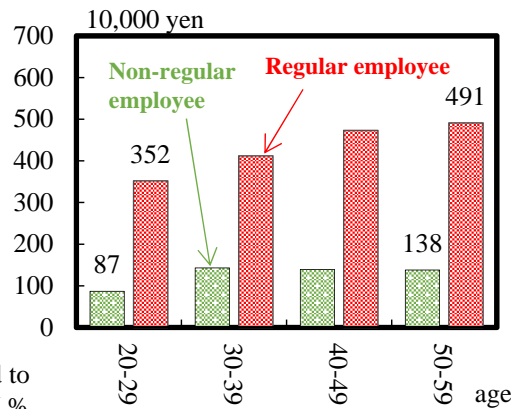
(3-3) Wage increase rate in “shunto” (Results of the 3rd round of responses)



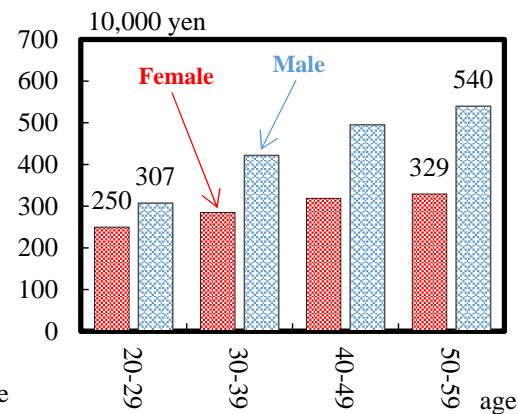
(3-2) Relationship between wage increase rate in “shunto” and nominal pay growth (FY 2006 - 2022)



(3-4) Women's annual income



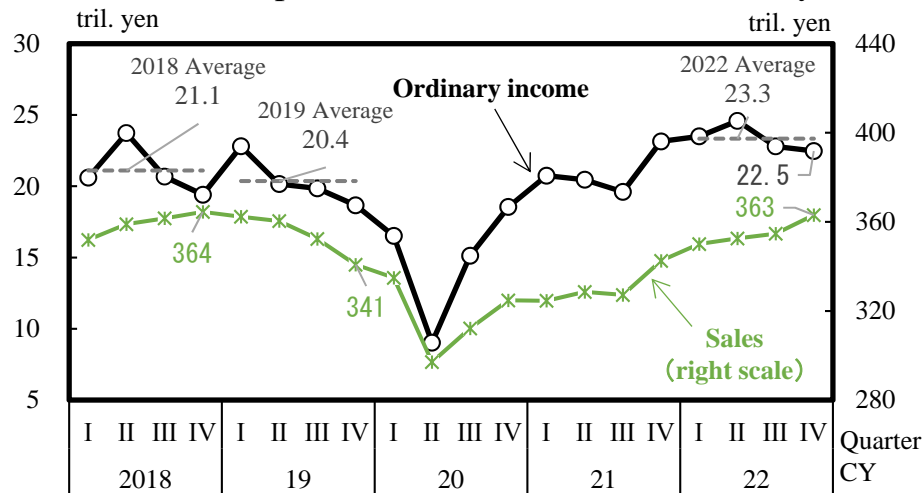
(3-5) Regular salary for regular employees



— Trends in Business Activities —

- *Corporate profits are improving as a whole, although the pace has become moderate.*
- *Firms' judgments on current business conditions show movements of picking up.*
- *Business investment is picking up.*

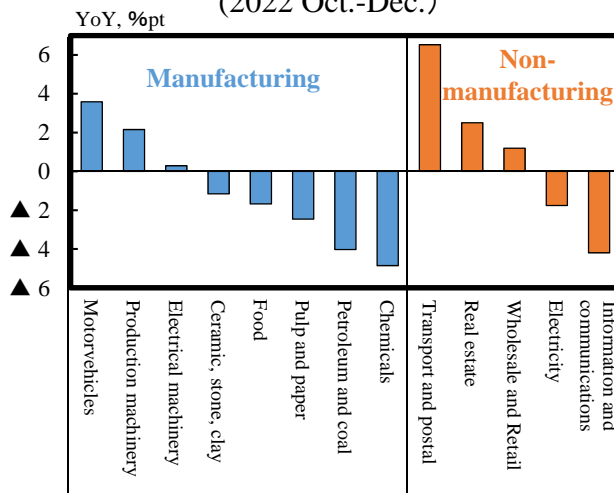
(4-1) Companies' financial result (All Industry)



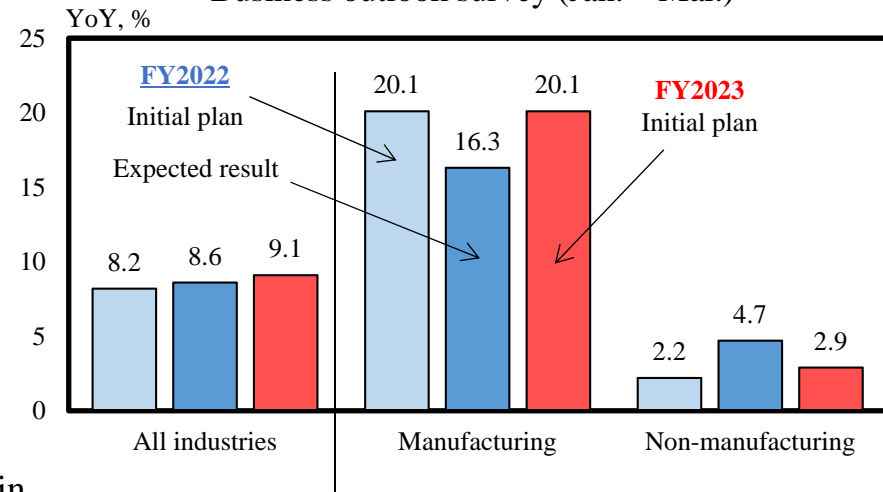
(4-2) Percentage change of whole scale companies' financial results (2022 Oct.-Dec.)

	Sales	Ordinary income
Total	6.1	▲2.8
Manu-facturing	9.2	▲15.7
Non-manu-facturing	4.9	5.2

(4-3) Contribution to changes in ordinary income of whole scale companies (2022 Oct.-Dec.)



(4-4) Business investment outlook Business outlook survey (Jan. – Mar.)



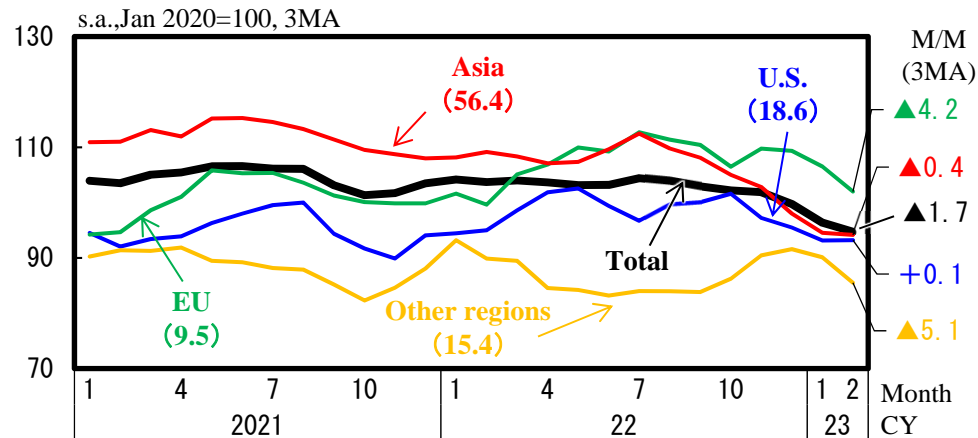
(4-5) Investment plans of each company

Company	Contents
Company A (Electrical equipment)	Set up a power plant using its own solar panels, planning to provide 7-8% of its electricity consumption by FY30.
Company B (Food & Beverages)	build plant with increased efficiency through automation of production lines and DX. Environmental impact is reduced through the use of renewable energy and waste heat.
Company C (Transport)	Introduce IT-based equipment for the Expo, and plan to integrate transportation and lifestyle services with apps.
Company D (Electrical equipment)	Build an advanced semiconductor plant. Expected to invest 5 trillion yen until mass production.
Company E (Chemicals)	Build a plant for tanks used to manufacture semiconductors. Revive domestic production due to higher domestic demand.

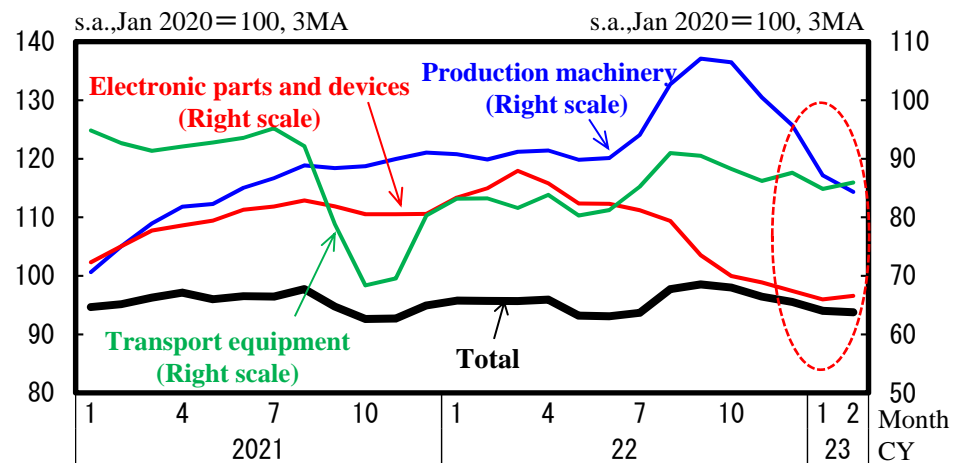
– Exports & Industrial Production –

- *Exports are in a weak tone .*
- *Industrial production has been in a weak tone recently.*

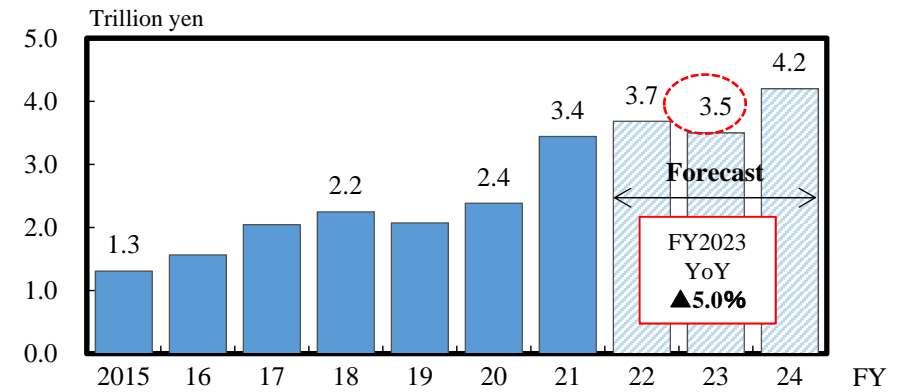
(5-1) Export volume index by region



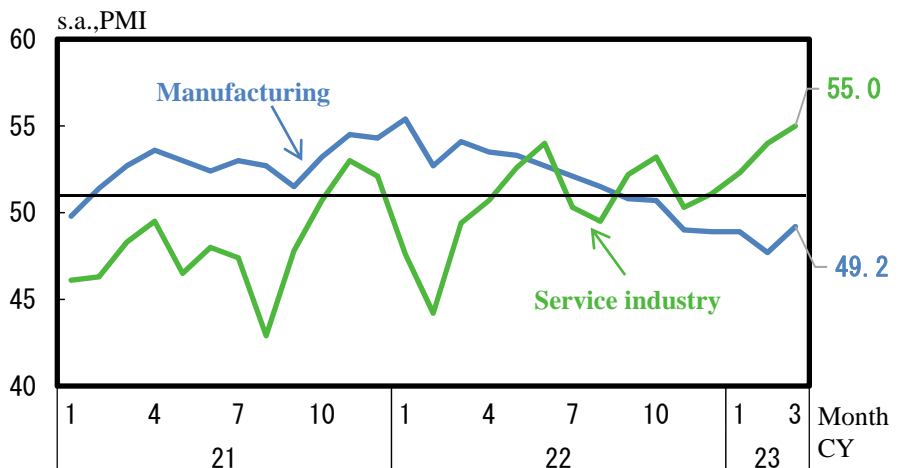
(5-2) Industrial production



(5-3) Demand Forecast for Semiconductor Production Equipment (Made in Japan)

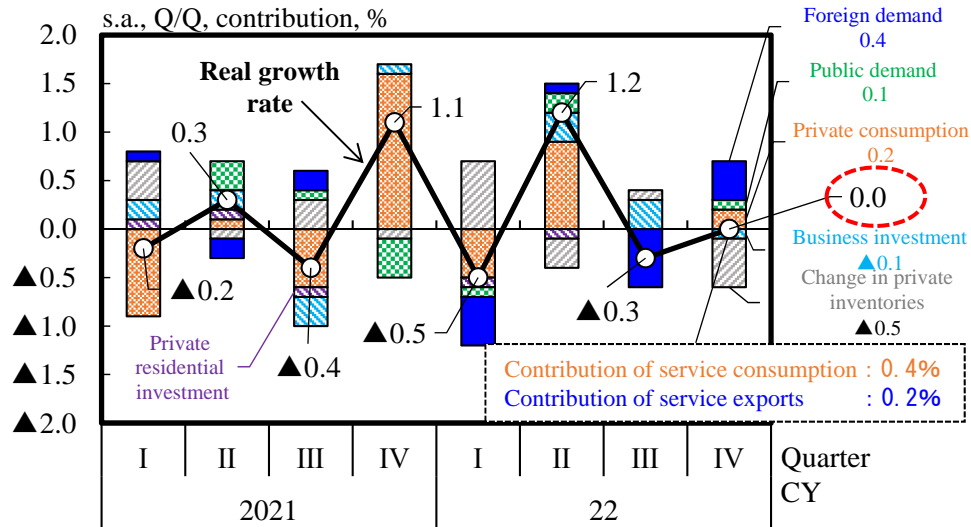


(5-4) Companies' business confidence (PMI)

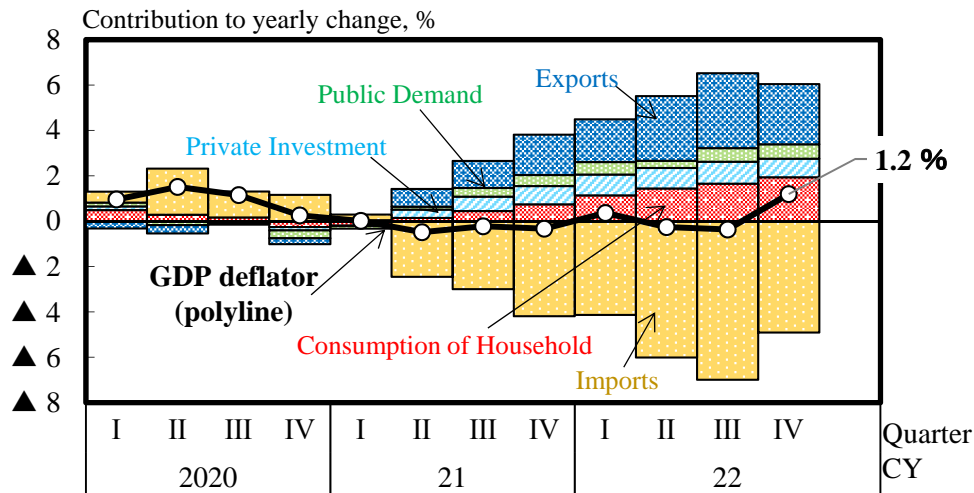


Reference

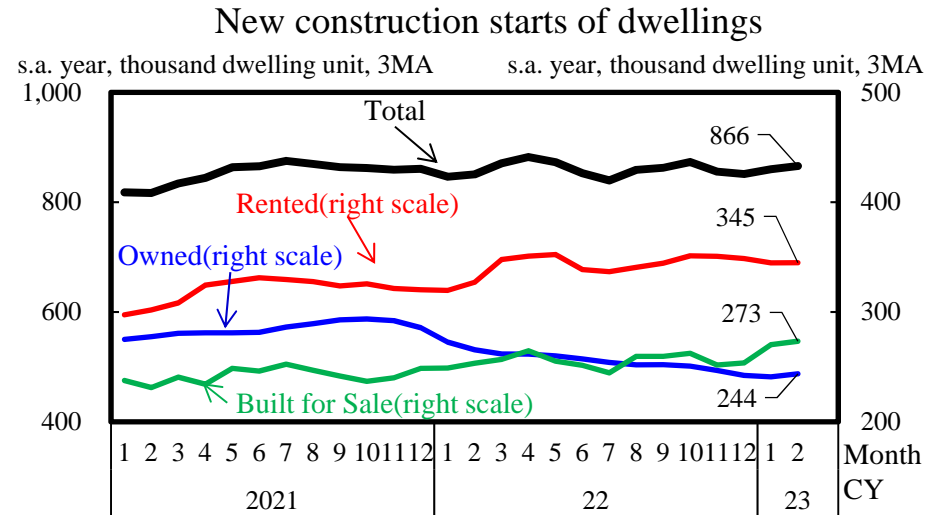
(6-1) GDP: Oct.-Dec. 2022
(Second Preliminary Estimates)



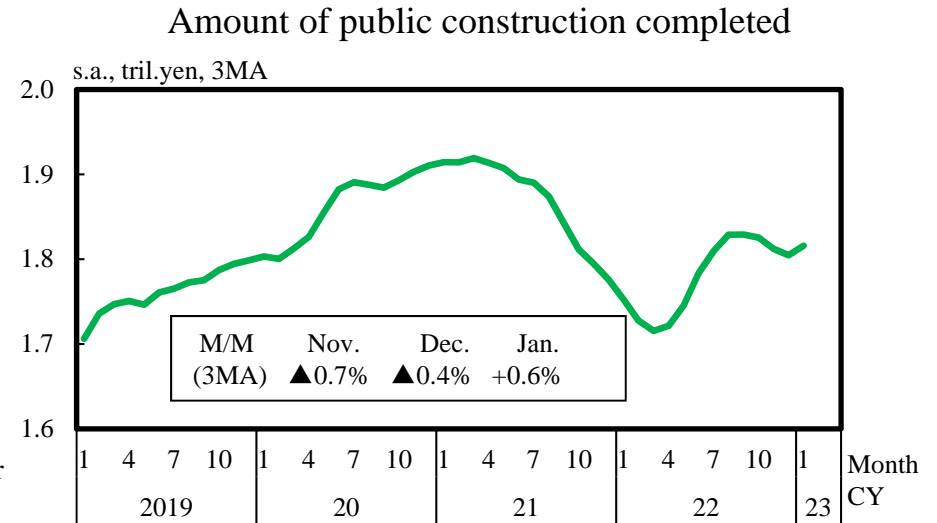
(6-2) GDP deflator



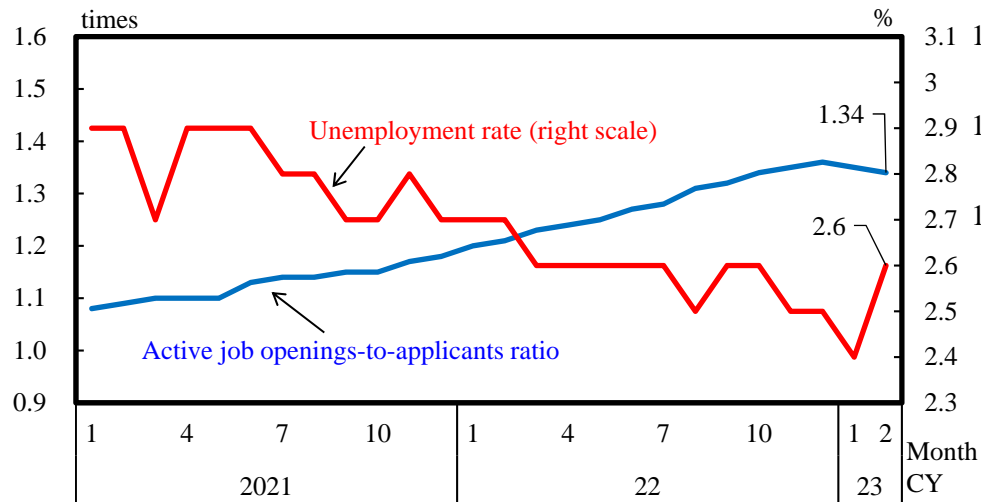
(6-3) Housing construction has shown a steady undertone.



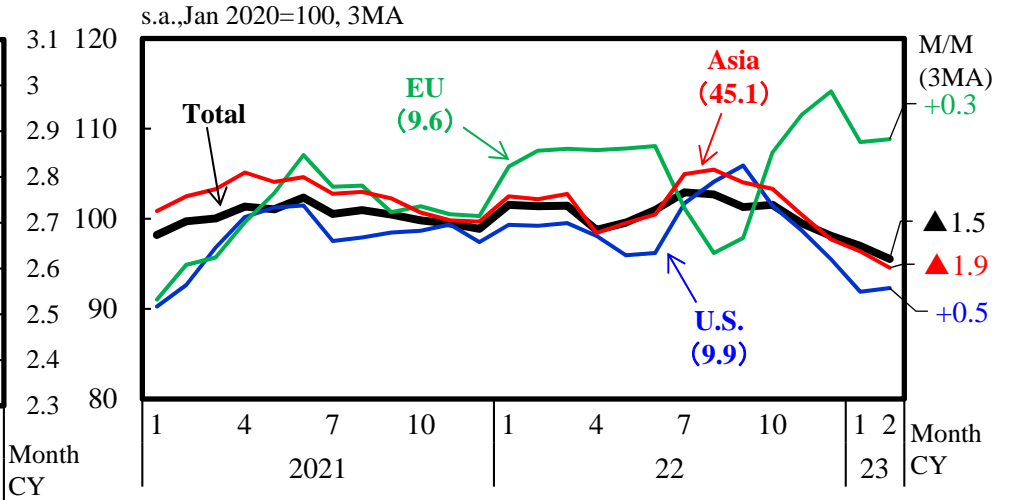
(6-4) Public investment holds firm.



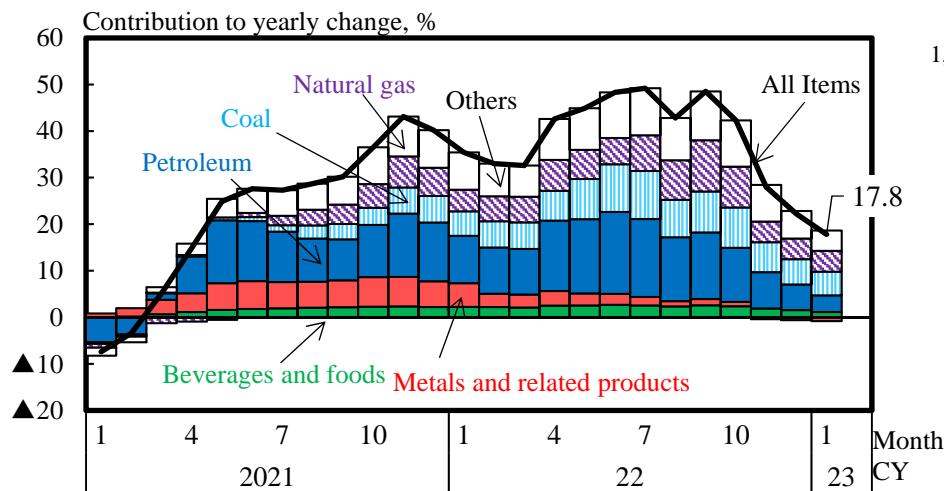
(7-1) The employment situation is picking up.



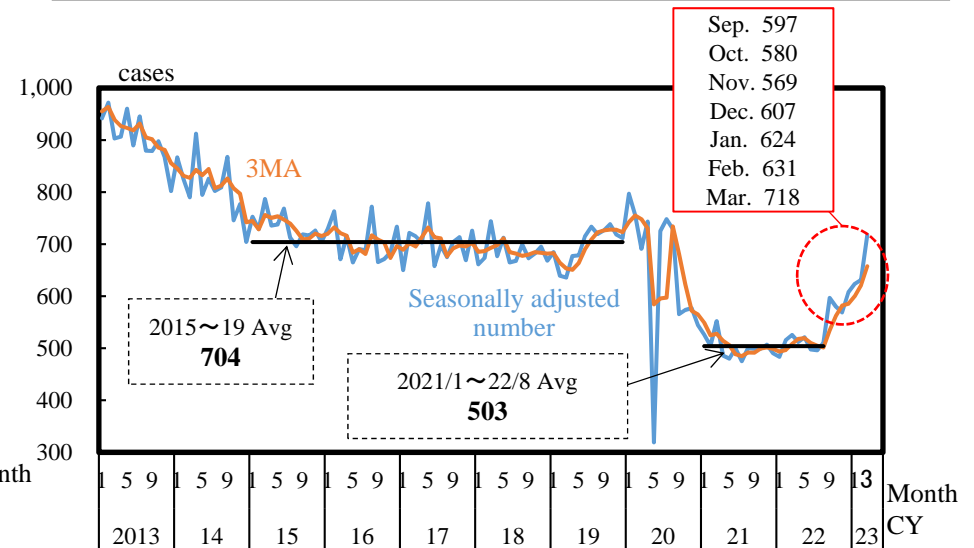
(7-3) Imports are in a weak tone.



(7-2) The import price index



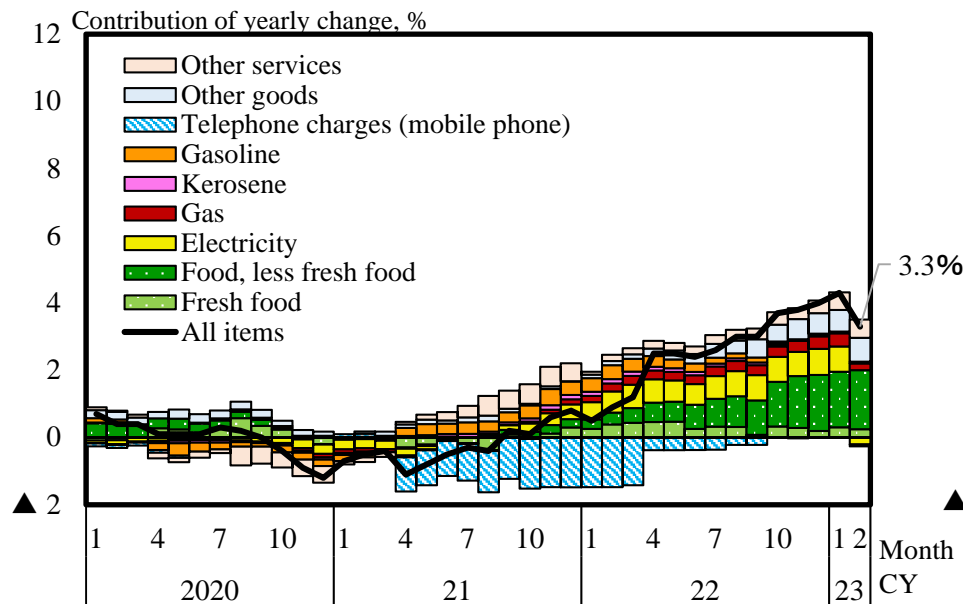
(7-4) The number of corporate bankruptcies



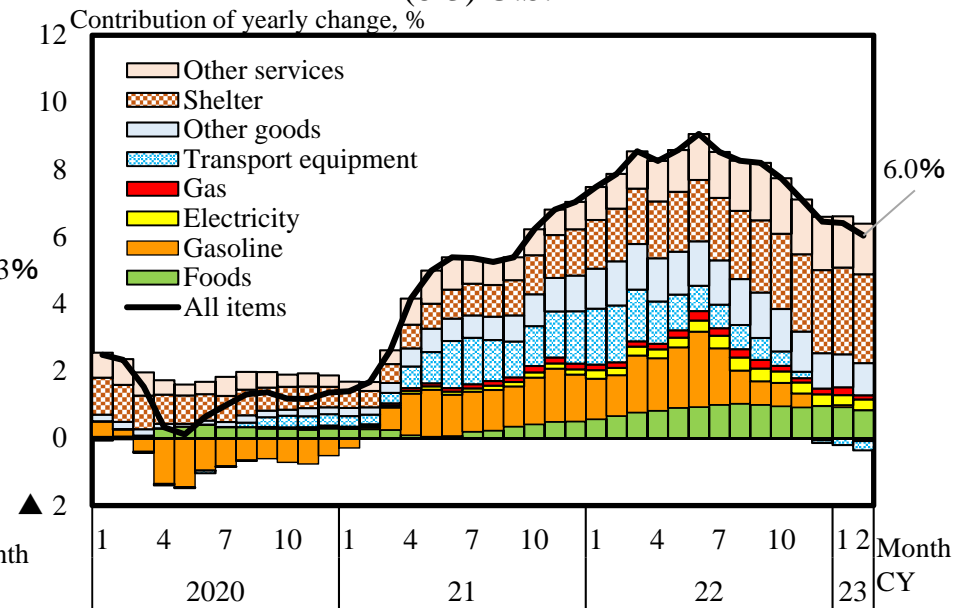
Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications; Ministry of Finance; Bank of Japan; Japan National Tourism Organization; Tokyo Shoko Research

International Comparison of Consumer Price Index

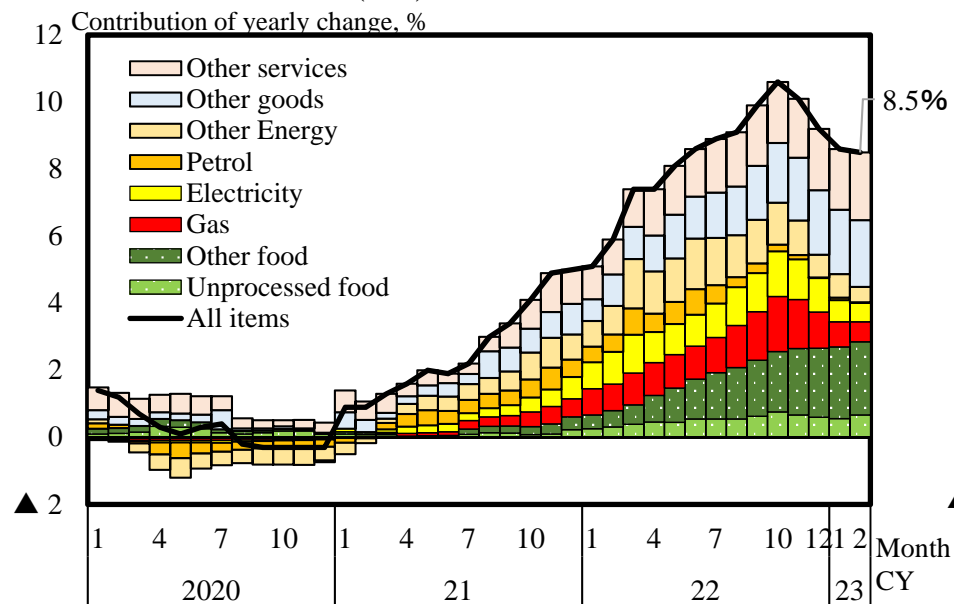
(8-1) Japan



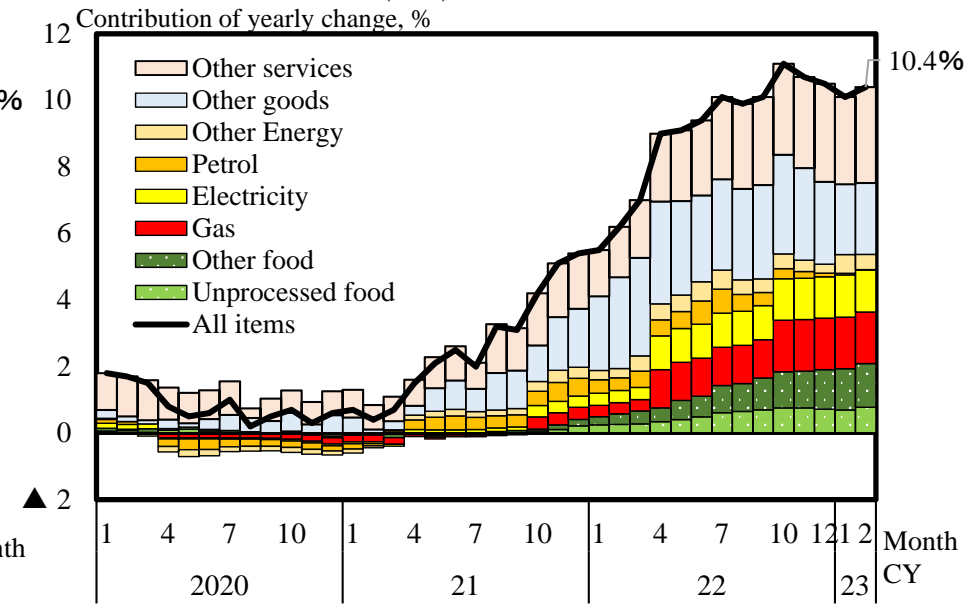
(8-3) U.S.



(8-2) Euro area



(8-4) UK



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

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