

# **Recent Economic Developments**

**- Monthly Economic Report, June 22 2023 -**

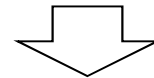
**July 12, 2023**

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

<Assessment of the current state of the Japanese economy>

April

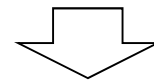
The Japanese economy is picking up moderately, although some weaknesses are seen.



May

The Japanese economy is recovering at a moderate pace.

**(Changed)**



June

The Japanese economy is recovering at a moderate pace.

**(Unchanged)**

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

	April	May	June
Private consumption	Private consumption is picking up moderately.	Private consumption is picking up. ( ↑ )	Unchanged
Business investment	Business investment is picking up.	Unchanged	Unchanged
Exports	Exports are in a weak tone.	Exports <u>have shown a steady undertone.</u> ( ↑ )	Unchanged
Industrial production	Industrial production has been in a weak tone recently.	Industrial production <u>shows signs of picking up.</u> ( ↑ )	Unchanged
Corporate profits	Corporate profits are improving as a whole, although the pace has become moderate.	Unchanged	Corporate profits are improving <u>moderately</u> as a whole.
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	The employment situation <u>has shown movements of improvement recently.</u> ( ↑ )
Prices	Consumer prices are rising.	Unchanged	Unchanged

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

## <Short-term prospects>

April

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 and fluctuations in the financial and capital markets.

May

The economy is expected to continue recovering at a moderate pace with the improving employment and income situation, supported by the effects of the policies. 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 and fluctuations in the financial and capital markets.

June

The economy is expected to continue recovering at a moderate pace with the improving employment and income situation, supported by the effects of the policies. 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 and fluctuations in the financial and capital markets.

# <Policy stance>

(Monthly Economic Report, June 22, 2023)

Based on the "Basic Policies for Economic and Fiscal Management and Reform 2023" approved by the Cabinet on June 16, the Government will accelerate the initiative of new capitalism to expand future investment and realize structural wage increases, in order to expand more positive trends such as the highest level of wage increases in this 30 years and high investment motivation in the private sector.

The Government will swiftly and steadily implement the "Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy" and the FY2022 second supplementary budget, additional measures compiled at the Headquarters for Comprehensive Measures on Prices, Wages, and Livelihoods, and the FY2023 budget, and will continue to respond with flexibility based on price and economic trends.

The Government will aiming for realization of "virtuous circle of growth and distribution" which rationaled by an increase in growth potential and a broad increases in household income, by linking it to a "virtuous circle of wages and prices" with wage increases and securing appropriate price transfers and markups for costs, as well as through continuous expansion of domestic investment by public and private sector's partnership in the areas of human resources, green and economic security which would easily be underinvested if simply left to markets principle.

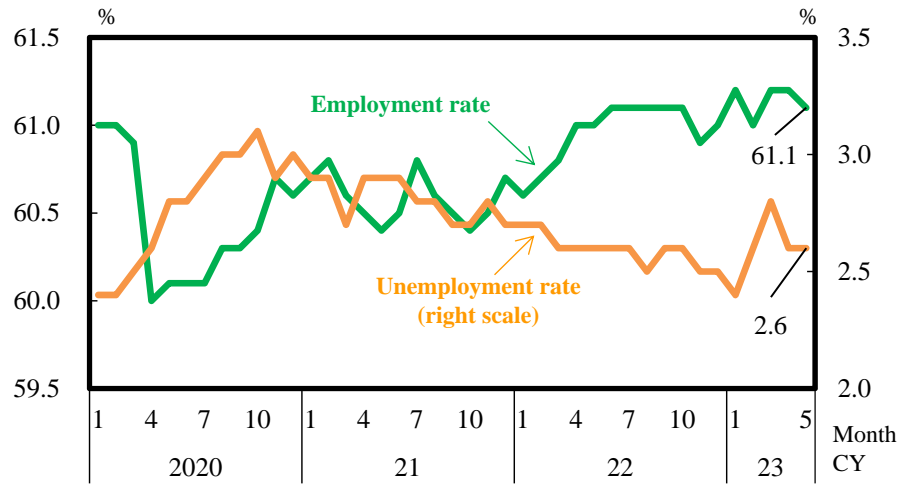
The Government expects the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner, accompanied by wage increases, in light of economic activity, prices and financial conditions.

Through these measures, the Government will promote bold monetary policy, flexible fiscal policy, and a growth strategy that stimulates private investment in an integrated manner, while fostering widespread recognition that will not fall back into deflation, and leading to an end to deflation through these policy initiatives.

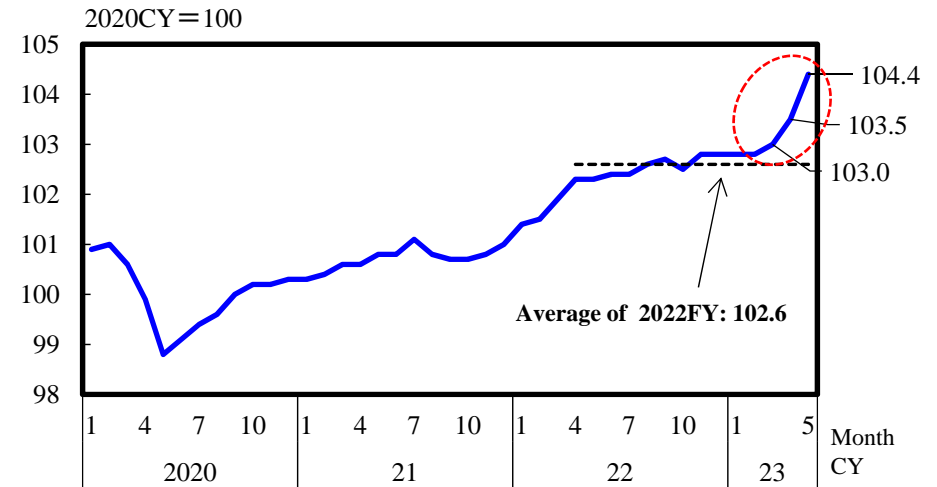
# — Employment Situation —

➤ *The employment situation has shown movements of improvement recently.*

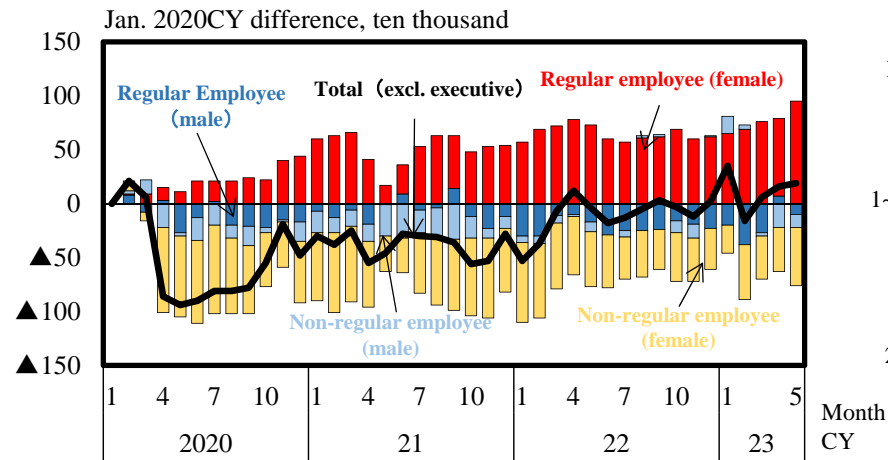
(1-1) Employment rate and Unemployment rate



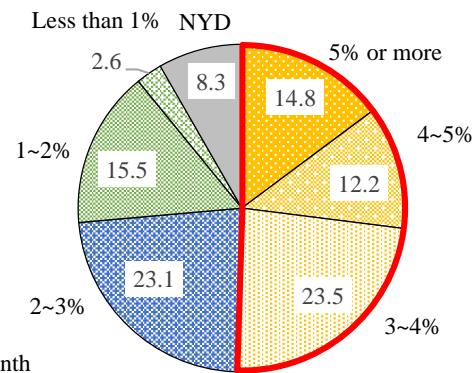
(1-3) Regular salary for full-time workers



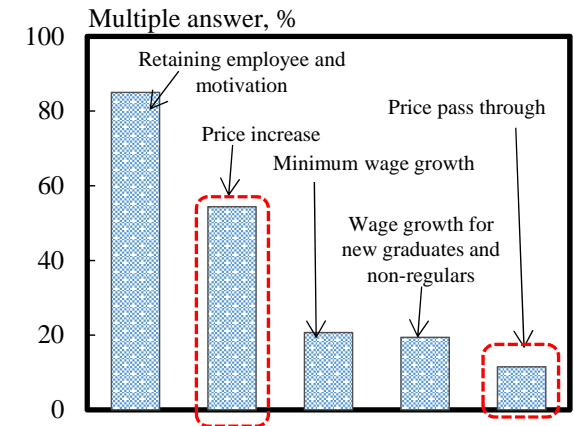
(1-2) Contribution of employment



(1-4) Total salary increase for 2023FY (SMEs)



(1-5) Reasons for wage increase (SMEs)

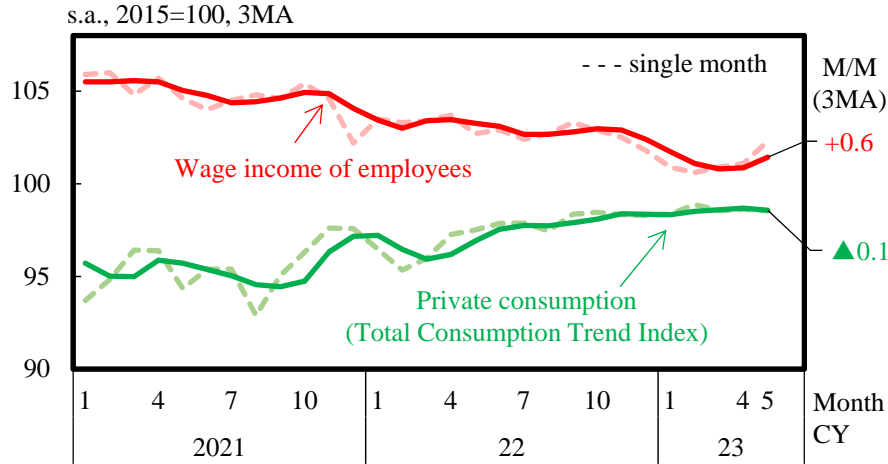


Sources: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications; The Japan Chamber of Commerce and Industry  
 Note: The data of (1-1), (1-2) and (1-3) chart are on seasonally adjusted.

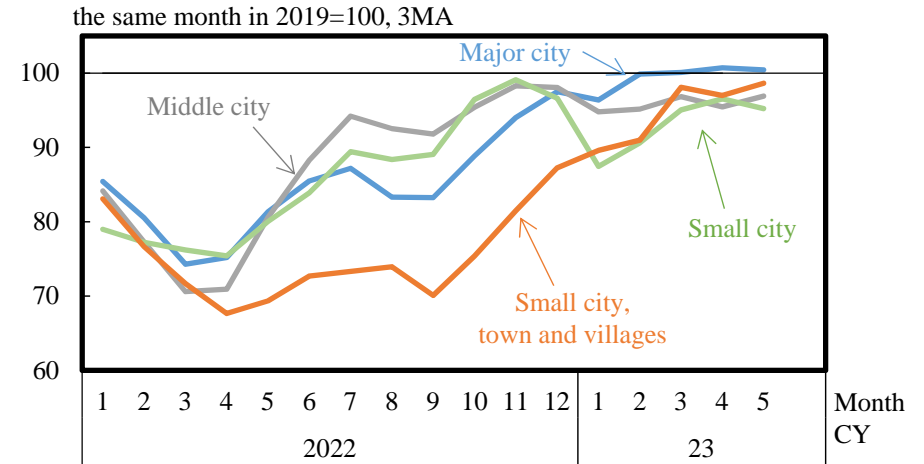
## — Private consumption —

➤ *Private consumption is picking up.*

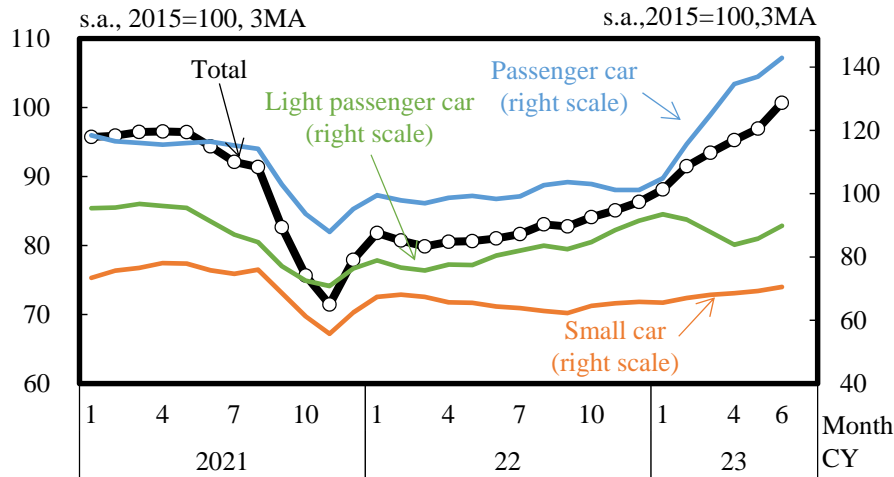
(2-1) Private consumption and Wage income of employees (real)



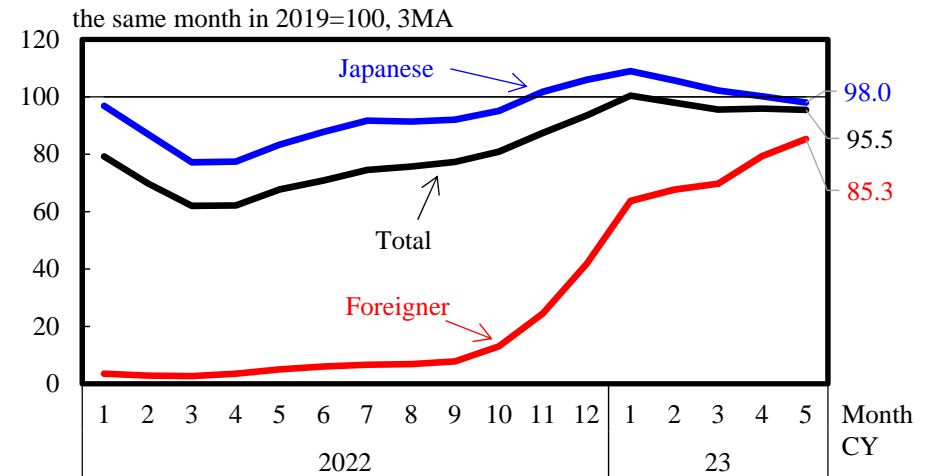
(2-3) Food Service Consumption by city group



(2-2) New Automobile sales



(2-4) Total number of guest nights

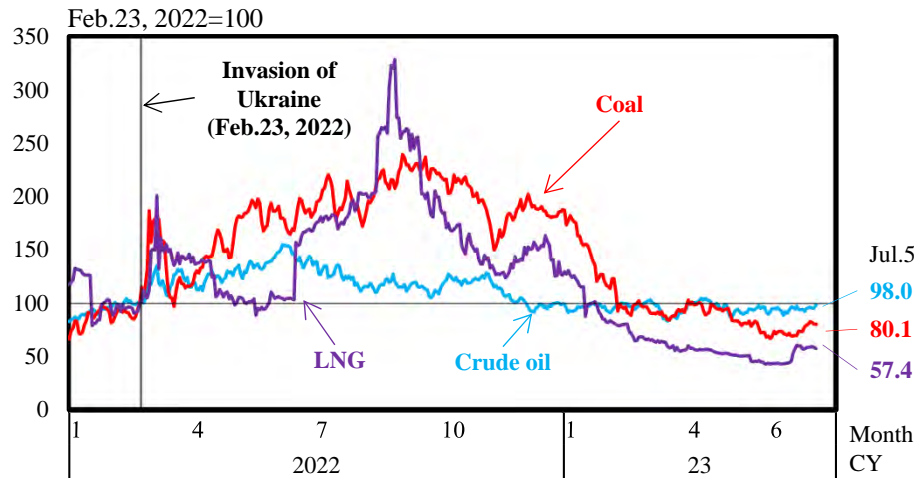


Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Japan Automobile Dealers Association; Japan Light Motor Vehicle and Motorcycle Association ; Japan Tourism Agency

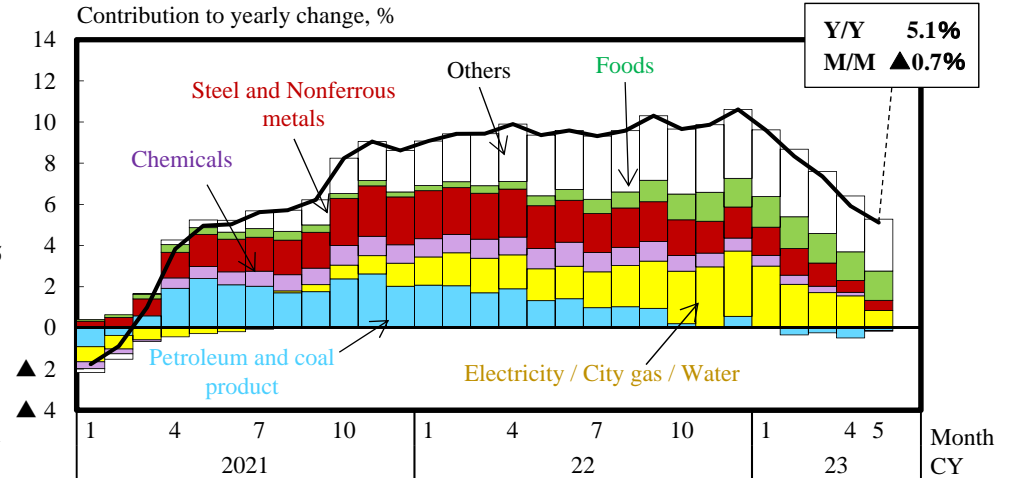
# —Prices—

➤ *Producer prices have been declining moderately recently. Consumer prices are rising.*

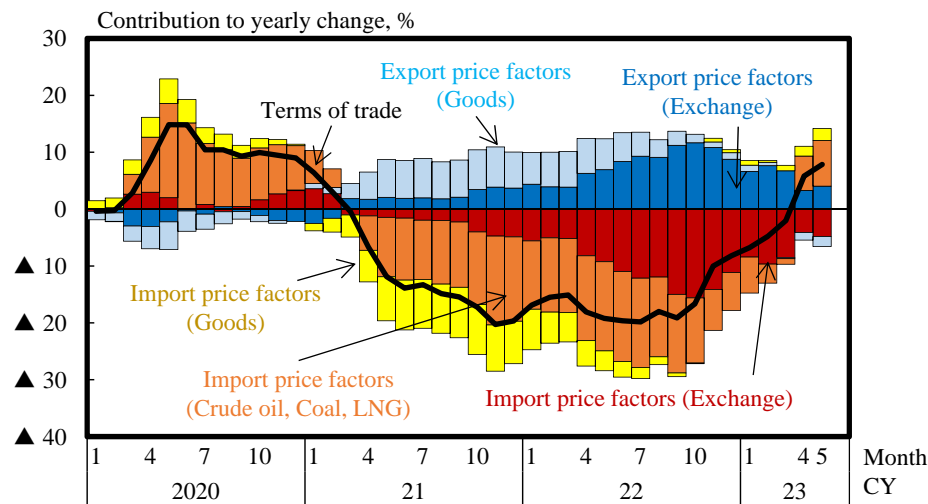
(3-1) Commodity Prices (yen based)



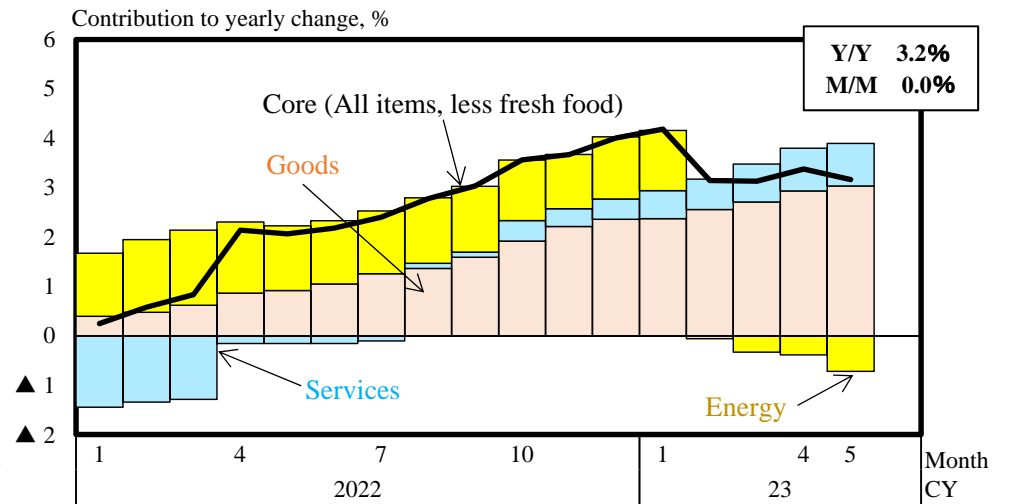
(3-3) Corporate Good Price Index



(3-2) Terms of trade



(3-4) Consumer Price Index



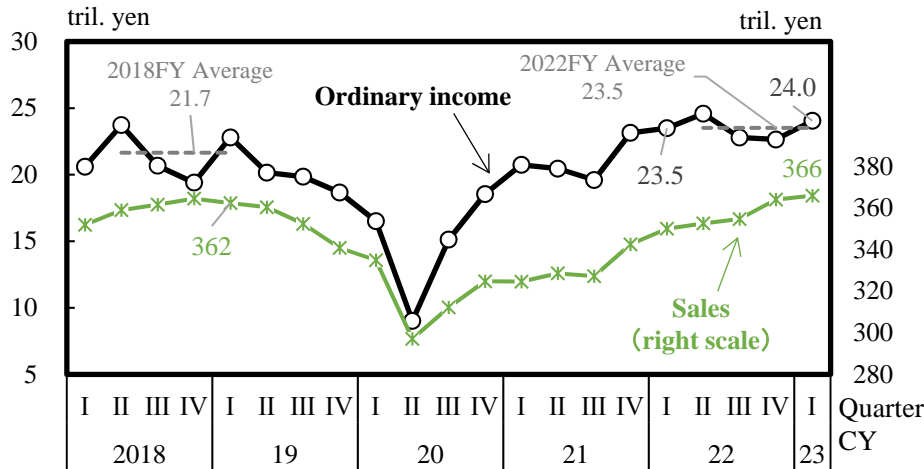
Sources: Bloomberg; Bank of Japan; Ministry of Internal Affairs and Communications.



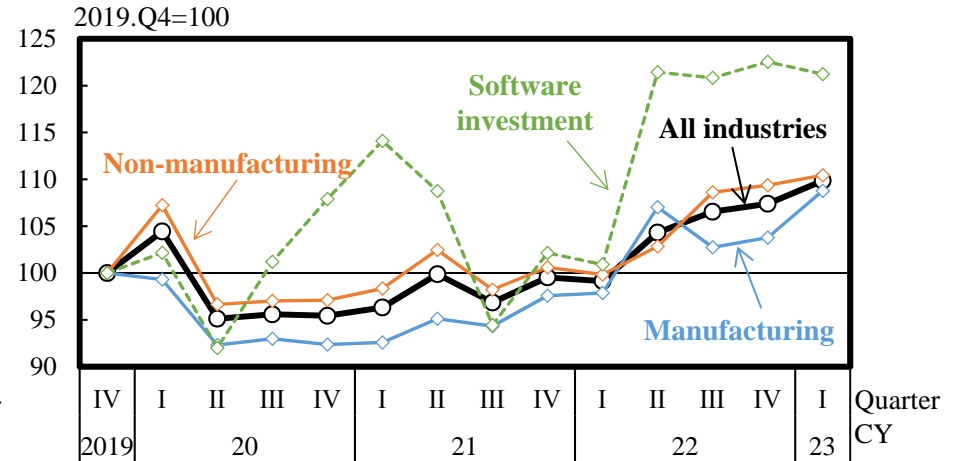
## — Trends in Business Activities —

- *Corporate profits are improving moderately as a whole.*
- *Business investment is picking up.*

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



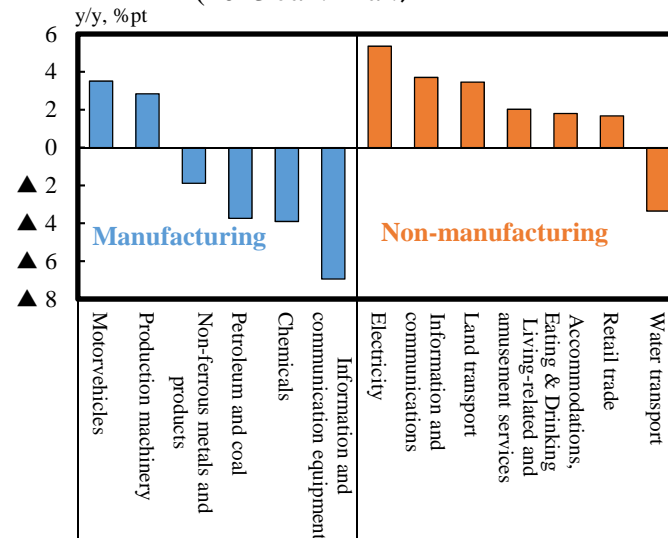
(4-4) Business investment



(4-2) Percentage change of whole scale companies' financial results (2023 Jan.-Mar.)

	Sales	Ordinary income
Total	5.0	4.3
Manu-facturing	2.3	▲15.7
Non-manu-facturing	6.1	17.2

(4-3) Contribution to changes in ordinary income of whole scale companies (2023 Jan.-Mar.)



(4-5) FY2023 Business investment outlook Business Outlook Survey (Apr.-Jun. 2023)

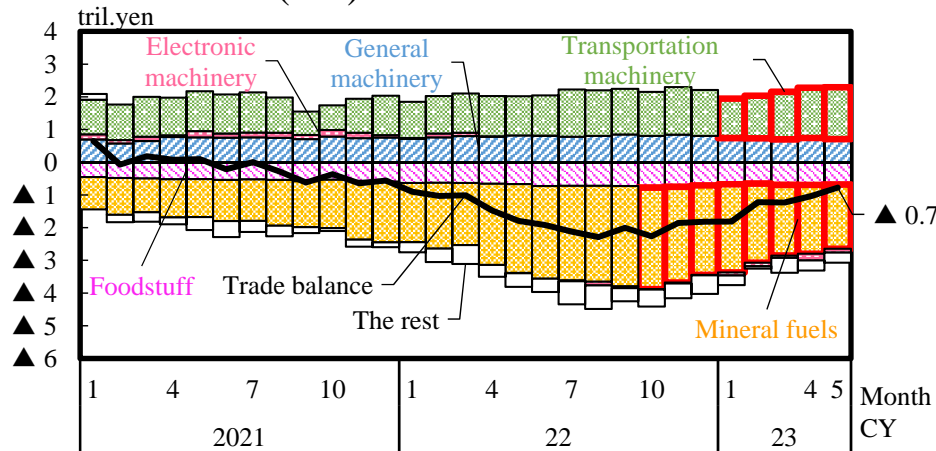
FY/FY, %	Investment (Incl. software)	Software investment
All industries	+11.2	+17.2
Manufacturing	+21.8	+31.9
Non-Manufacturing	+6.6	+12.8

Sources: Cabinet office; Ministry of finance.

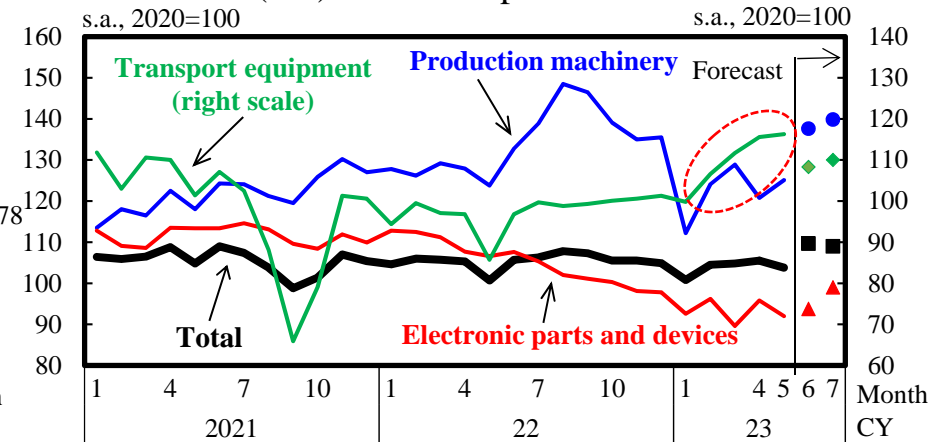
## – Exports & Industrial Production –

- Exports have shown a steady undertone.
- Industrial production shows signs of picking up.

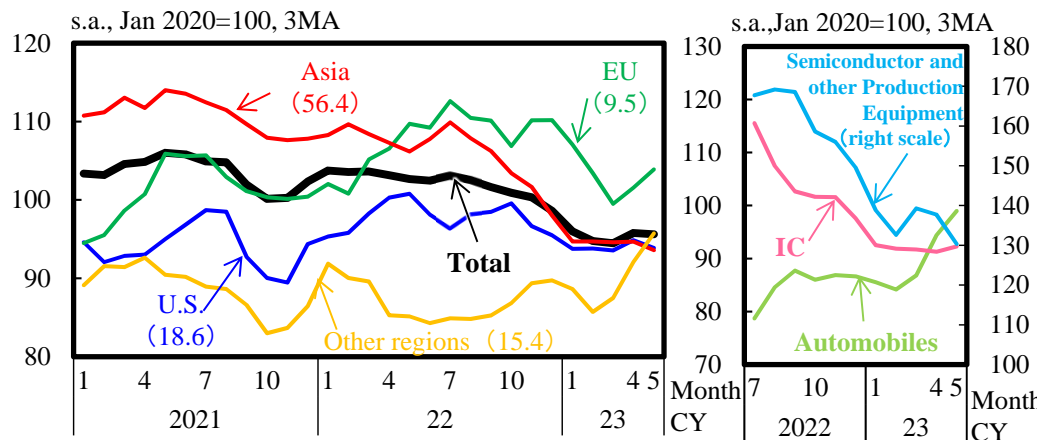
(5-1) Trade balance



(5-3) Industrial production



(5-2) Export volume index (by region and product)



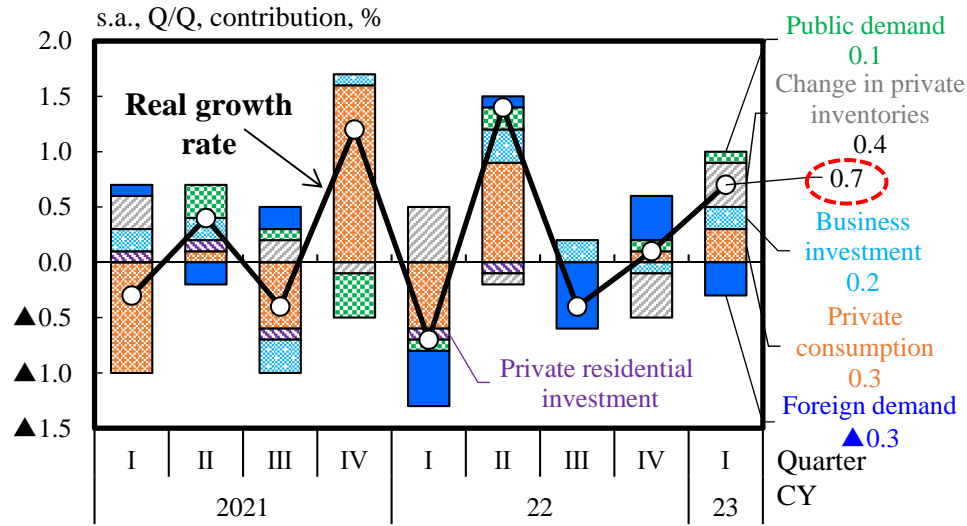
(5-4) Investment Projects of semiconductor companies

Company	Investment amount (yen)	Summary
A	1trillion	<b>Building first plant in Kumamoto to increase production capacity for high-performance semiconductors</b> (scheduled for completion in Sep.2023.). Construction of second plant is planned in the vicinity.
B	5trillion	<b>New plant to be built in Hokkaido for the first production of cutting-edge semiconductors in Japan</b> (scheduled for completion in 2025).
C	500million	<b>Capital investment in Hiroshima plant for production of next-generation memory semiconductors</b> (scheduled to start operation in 2026).
D	30million	<b>New plant in Kanagawa to be built for development of advanced semiconductors</b> (construction to start within 2023, operation planned for 2025).

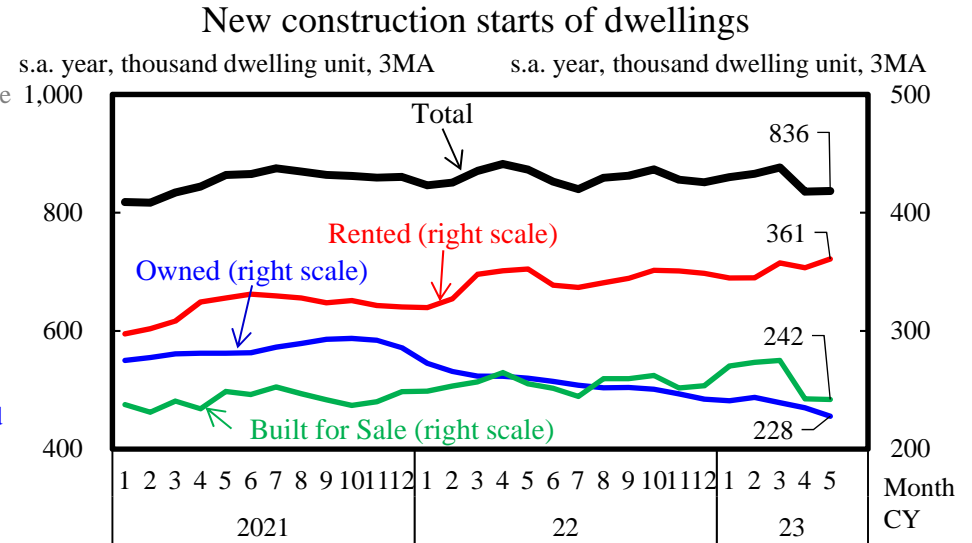
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry.

# Reference

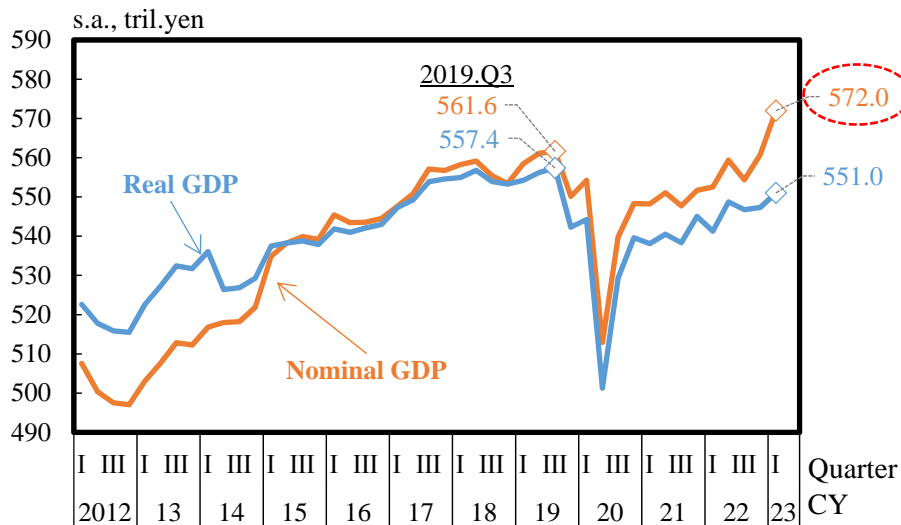
### (6-1) Real GDP growth rate



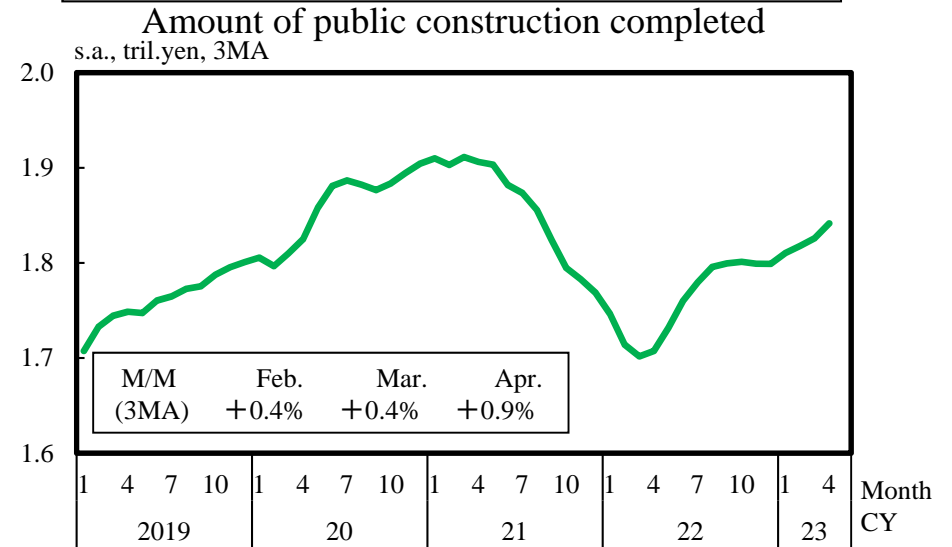
### (6-3) Housing construction has shown a steady undertone.



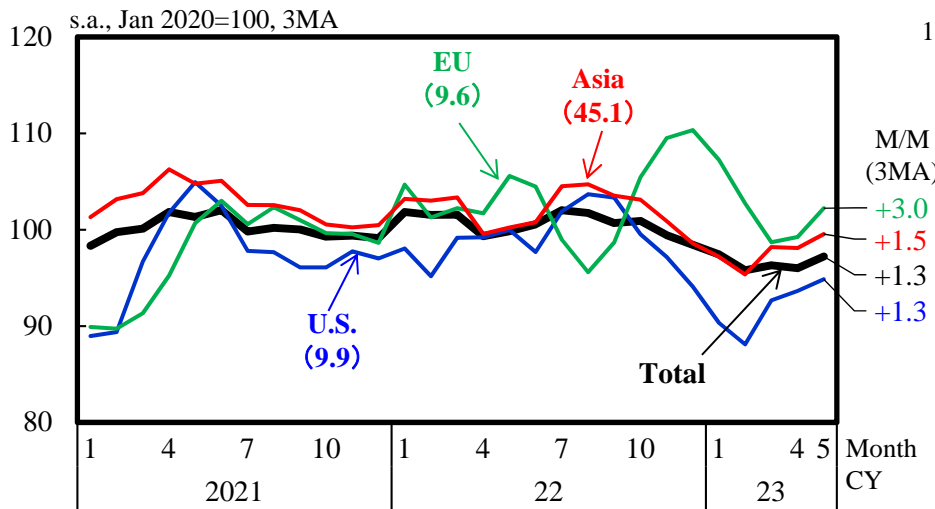
### (6-2) Trends in GDP



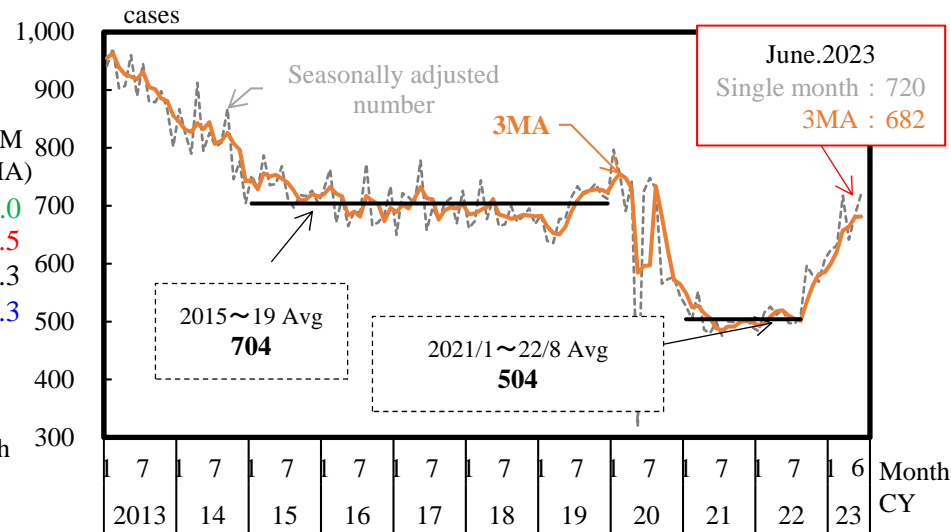
### (6-4) Public investment holds firm.



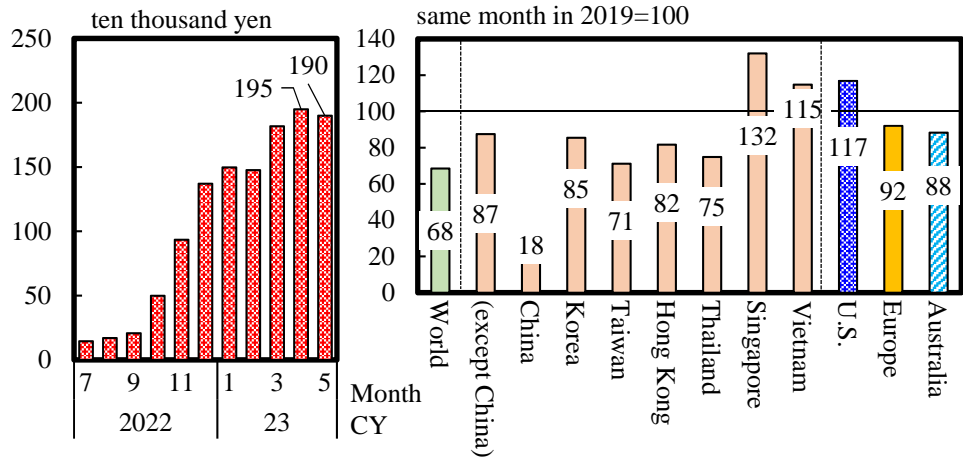
(7-1) Imports are almost flat.



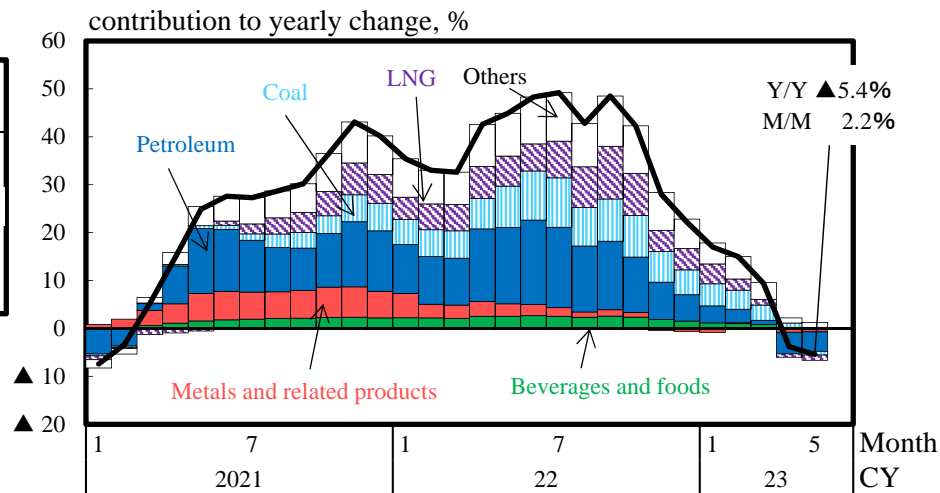
(7-3) The number of corporate bankruptcies appears to be increasing.



(7-2) Recovery of foreign visitors to Japan



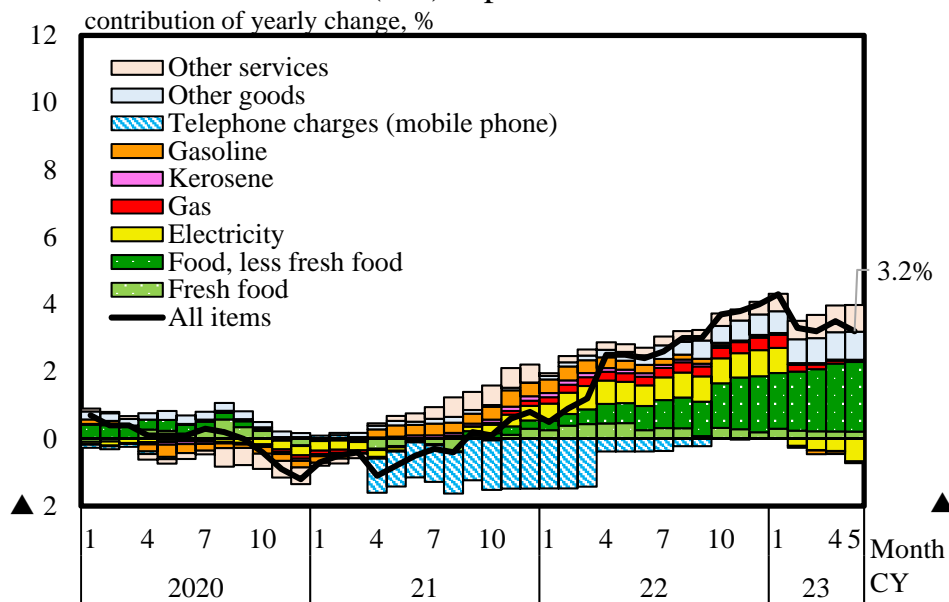
(7-4) The import price index



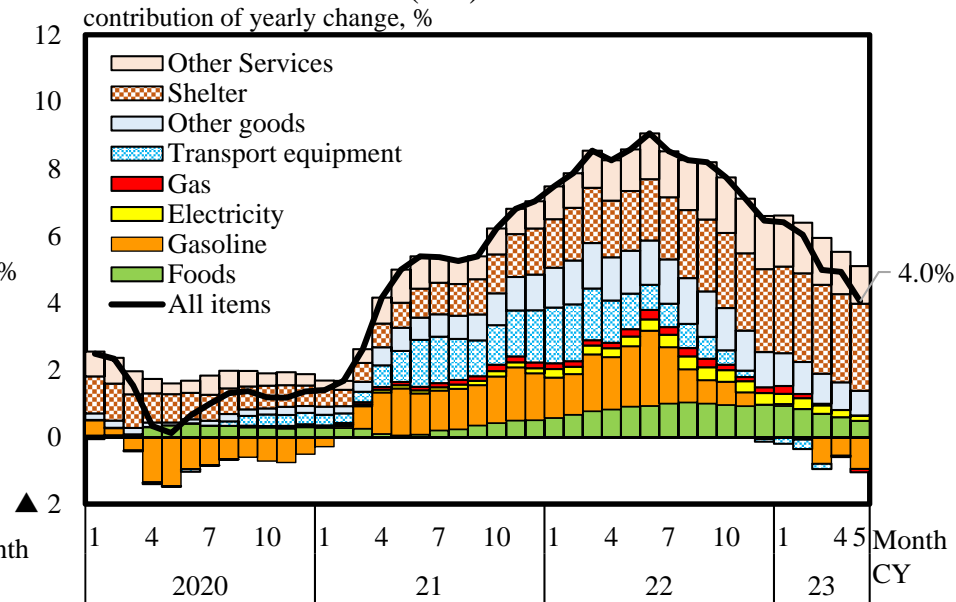
Sources: Ministry of Finance; Japan National Tourism Organization; Japan Tourism Agency; Tokyo Shoko Research; Bank of Japan.

# International Comparison of Consumer Price Index

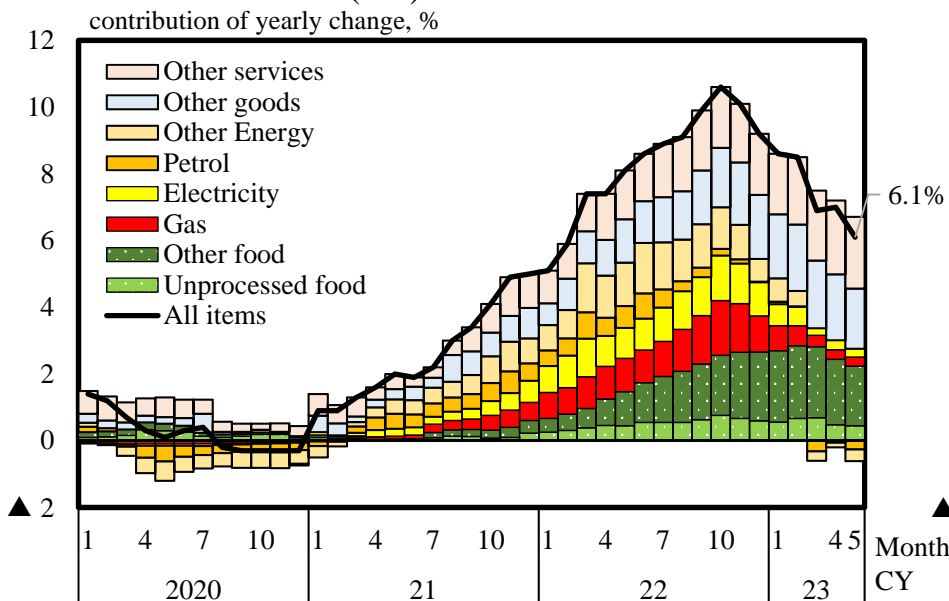
(8-1) Japan



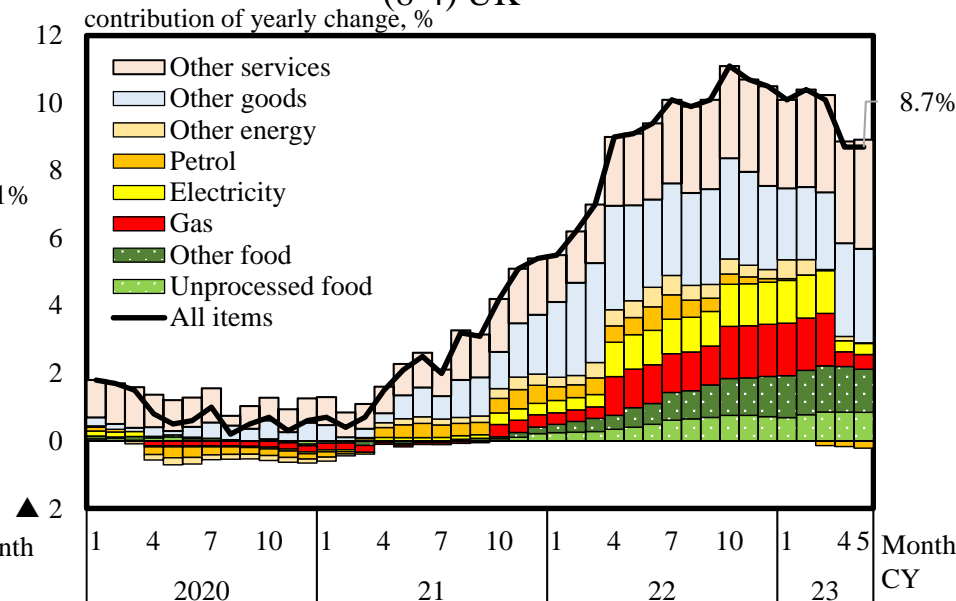
(8-3) U.S.



(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.