

Recent Economic Developments

- Monthly Economic Report, August 28 2023 -

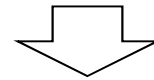
September 14, 2023

Cabinet Office
Government of Japan

<Assessment of the current state of the Japanese economy>

May

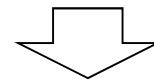
The Japanese economy is recovering at a moderate pace.



June

The Japanese economy is recovering at a moderate pace.

(Unchanged)



July

The Japanese economy is recovering at a moderate pace.

(Unchanged)

<Assessment of the current state of the Japanese economy>

	June	July	August
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is picking up.	Unchanged	Unchanged
Exports	Exports have shown a steady undertone.	Unchanged	Exports <u>show movements of picking up recently.</u> (↑)
Industrial production	Industrial production shows signs of picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are improving moderately as a whole.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show movements of picking up.	Firms' judgments on current business conditions <u>are picking up.</u> (↑)	Unchanged
Employment situation	The employment situation has shown movements of improvement recently.	Unchanged	The employment situation <u>shows movements of improvement .</u>
Prices	Consumer prices are rising.	Unchanged	Unchanged

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

<Short-term prospects>

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 and fluctuations in the financial and capital markets.

July

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August

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, including the effects of global monetary tightening and the concern about the prospect of the Chinese economy. Also, full attention should be given to price increases and fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, August 28, 2023)

Based on the "Basic Policies for Economic and Fiscal Management and Reform 2023", the Government will accelerate the initiative of the New Form of 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", the FY2022 second supplementary budget, additional measures compiled at the "Headquarters for Comprehensive Measures on Prices, Wages, and Livelihoods", and the FY2023 budget. Moreover, the Government will continue to respond with flexibility based on price and economic trends, considering countermeasures against rising fuel oil prices.

The Government will aiming for realization of "virtuous circle of growth and distribution" which is backed 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.

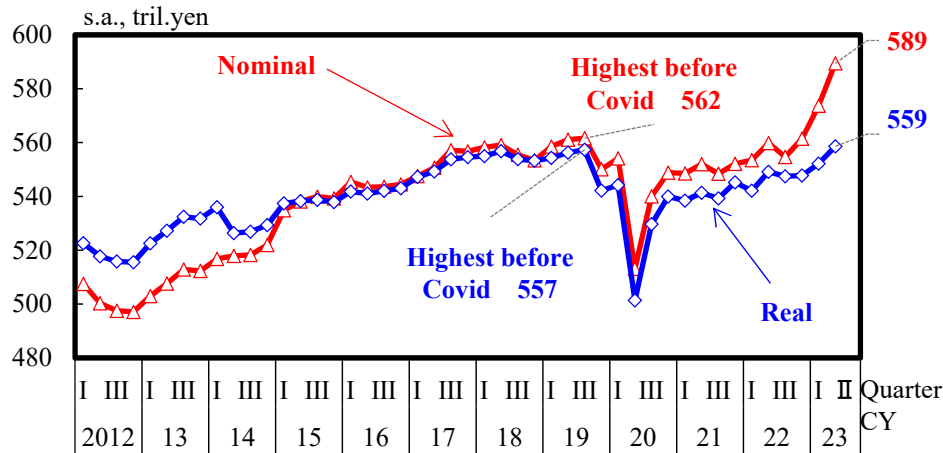
The Government expects the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner, accompanied by wage increases, in light of economic activity, prices and financial conditions.

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.

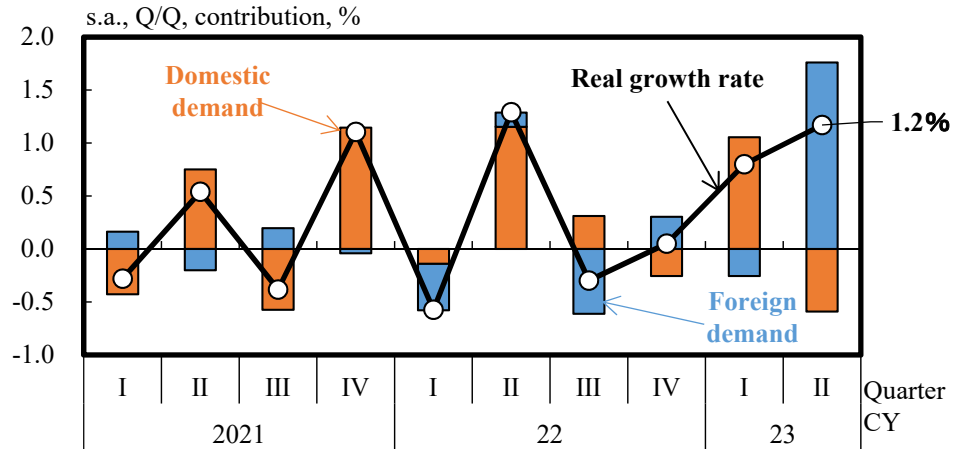
- GDP: Apr. - Jun. 2023 -

➤ **Real GDP in the Apr.-Jun. 2023 increased by 1.2% on a quarterly basis (at an annual rate of 4.8%). Foreign demand contributed the increase.**

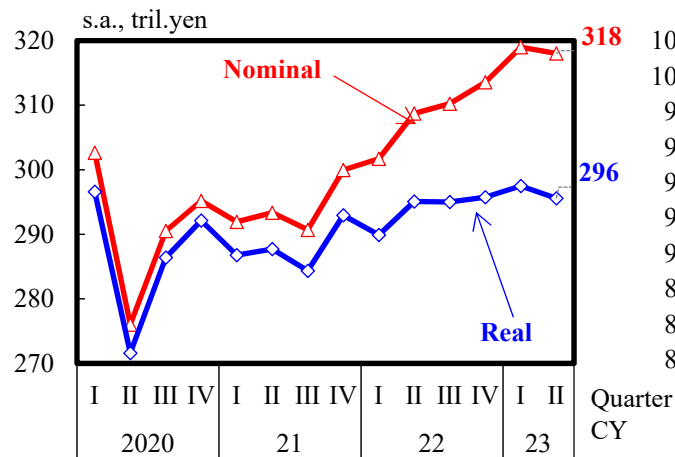
(1-1) Trends in GDP



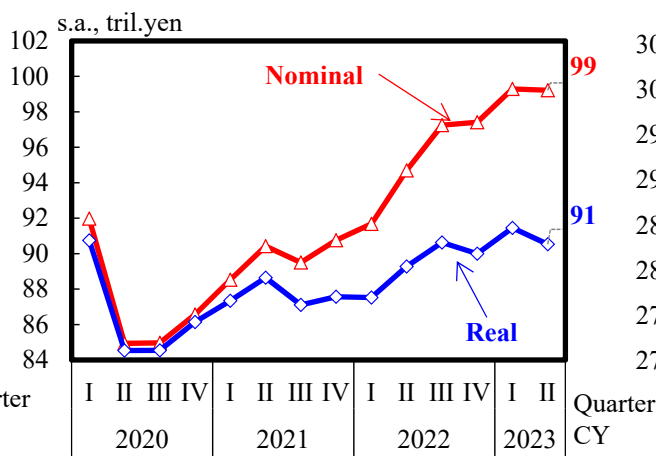
(1-2) Real GDP growth rate



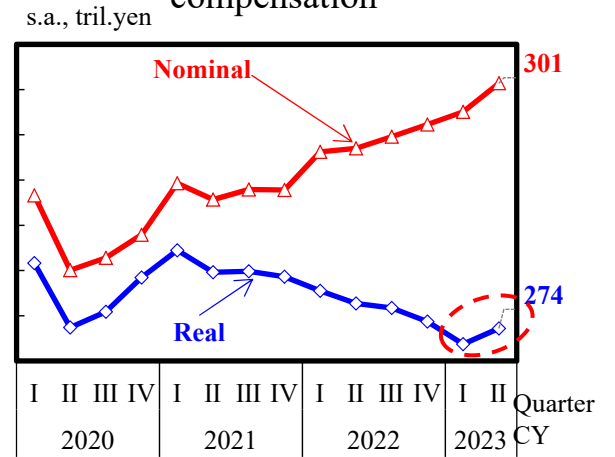
(1-3) Trends in Consumption



(1-4) Trends in capital investment



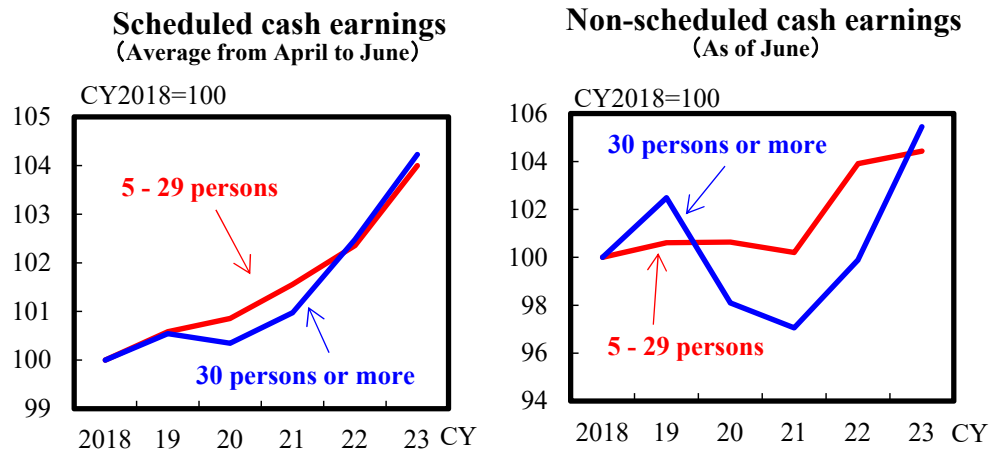
(1-5) Trends in employer's compensation



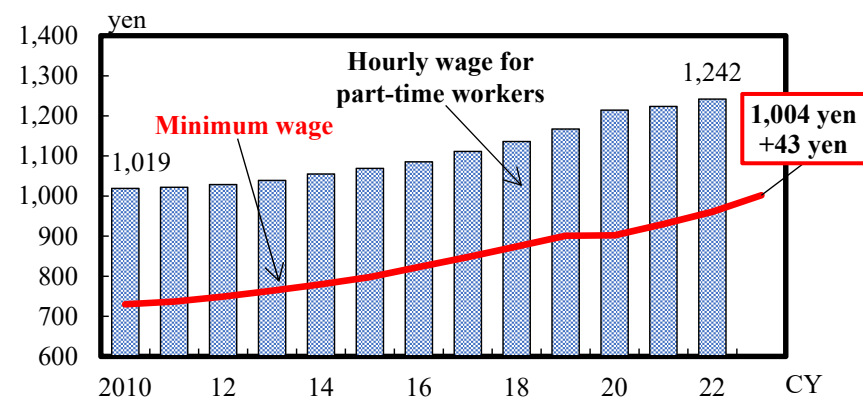
— Employment Situation —

➤ *The employment situation shows movements of improvement.*

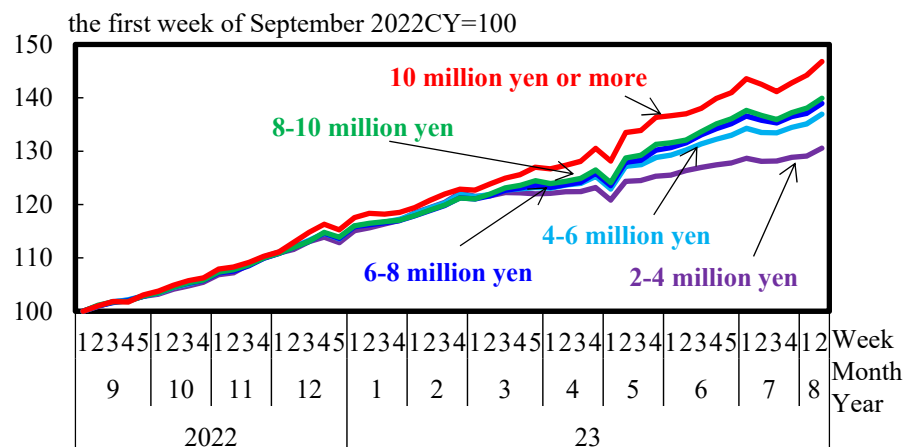
(2-1) Trend of wage for full-time workers



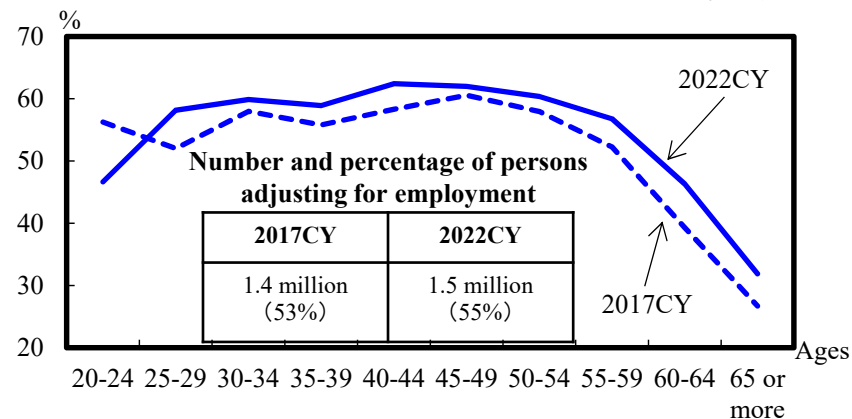
(2-3) Trend of minimum wage and hourly wage for part-time workers



(2-2) Change in number of jobs by annual income group



(2-4) The ratio of adjusting employment (Part-time female workers who are married and have an annual income of 1 - 1.4 million yen)

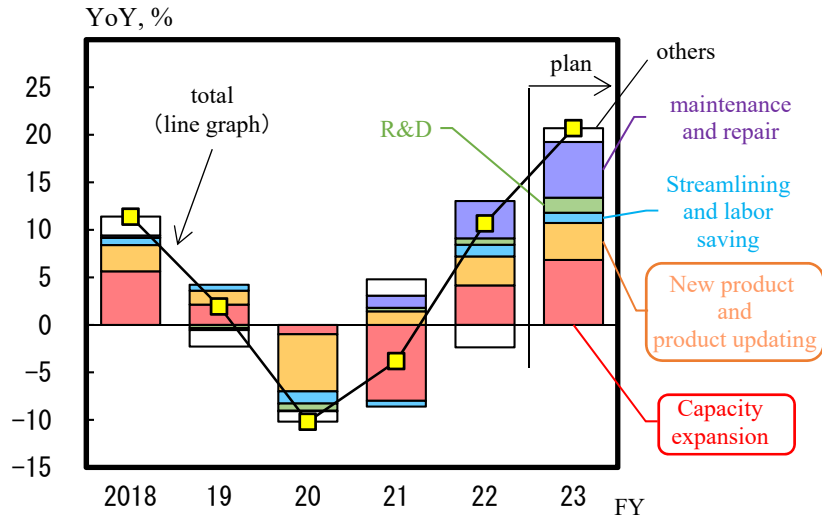


Sources: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications; PERSOL CAREER CO., LTD.
 Note: Adjusting employment here means "adjusting working hours or schedule in order to keep income below a certain amount."

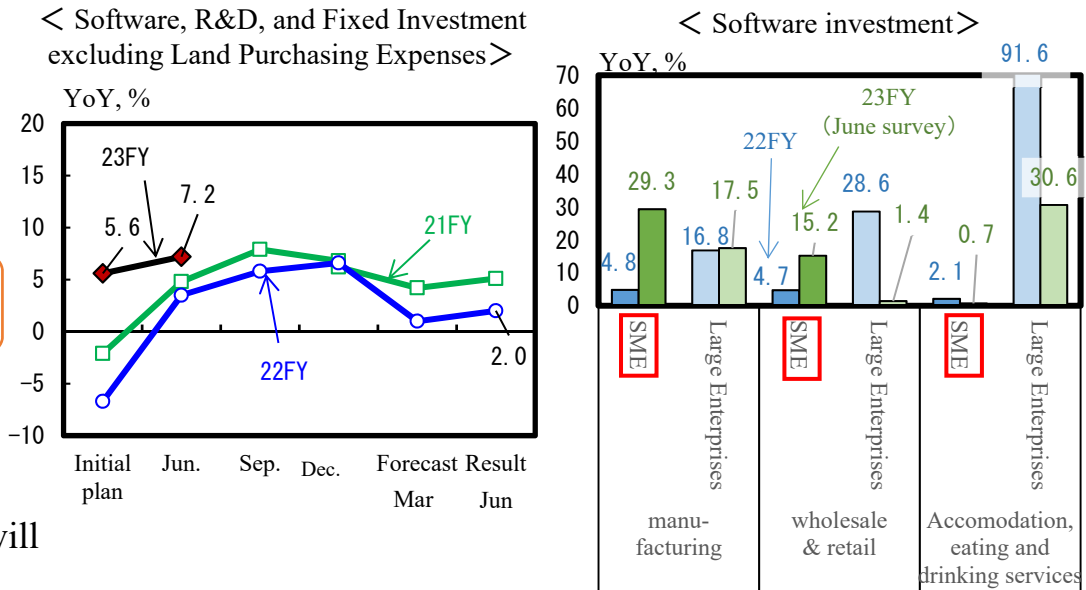
— Business Investment —

➤ Business investment is picking up.

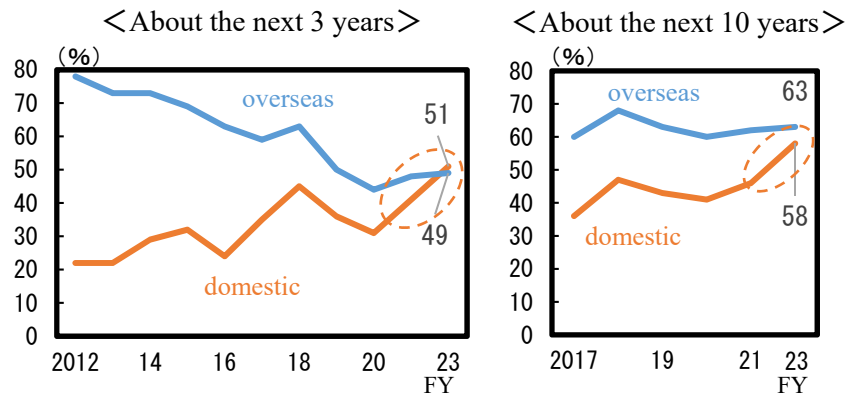
(3-1) Capital investment by motive
(All Industries, Large Enterprises)



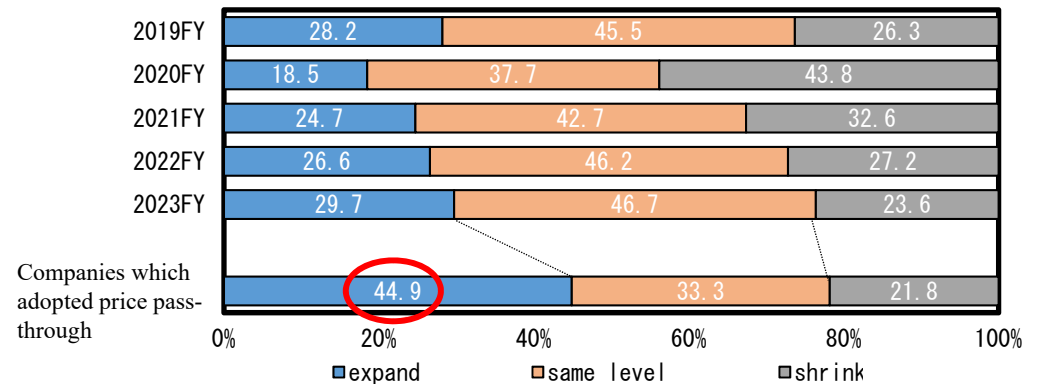
(3-3) Business investment plan
(SMEs, BOJ Tankan)



(3-2) Percentage of companies responding that they will strengthen production capacity at domestic and overseas (manufacturing, large enterprises)



(3-4) Scale of Capital Investment by SMEs (survey of Japan Chamber of Commerce and Industry)

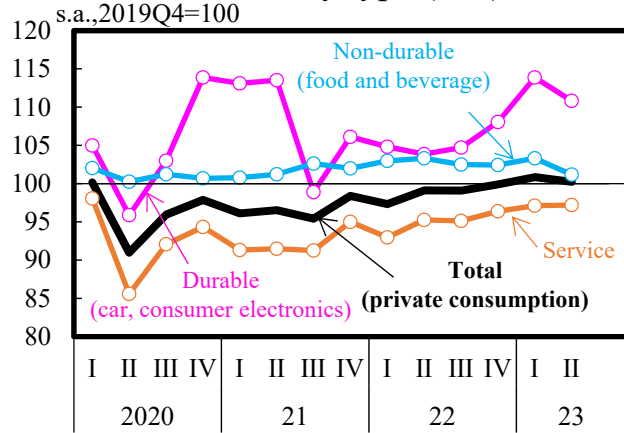


Source: Development Bank of Japan Inc.; Bank of Japan.; Japan Chamber of Commerce and Industry.

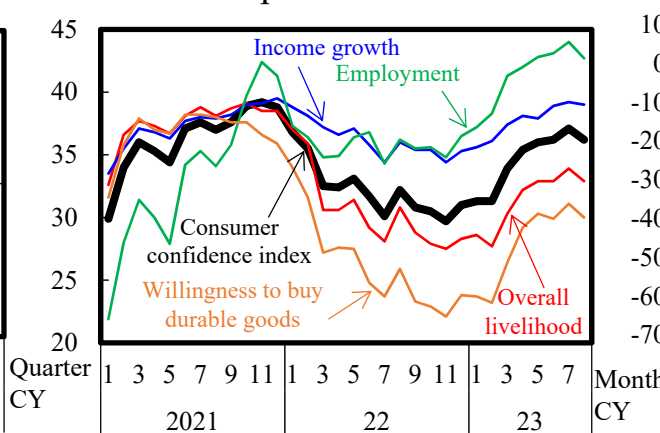
— Private consumption —

➤ *Private consumption is picking up.*

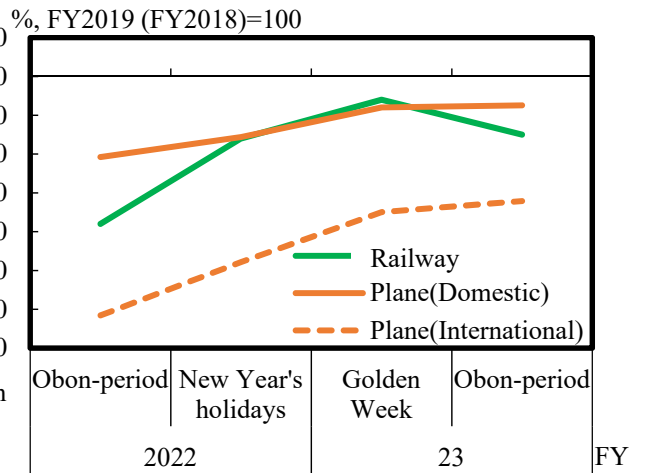
(4-1) Private consumption classified by type (real)



(4-3) Consumer Confidence Index and component indications

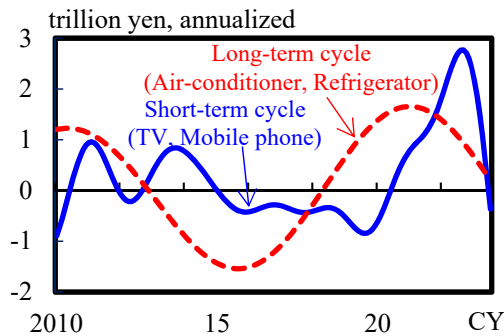


(4-4) Transportation usage figure

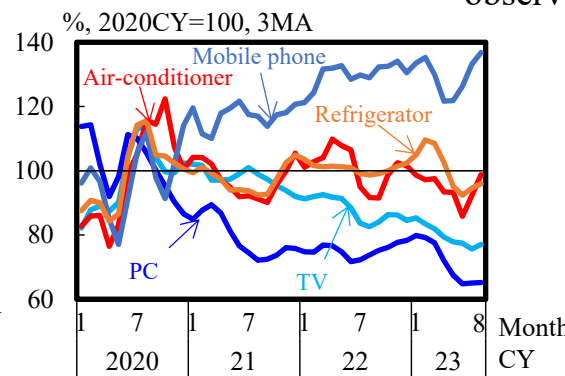


(4-2) Consumer electronics sales trends

Replacement cycle



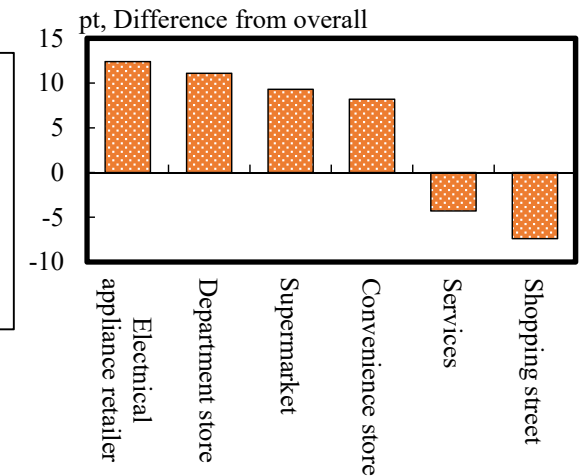
Sales of major products



(4-5) Fierce heat and private consumption

Number of locations which observed "extremely hot day" by Economy Watchers Survey
 DI for reference to "heat" per day

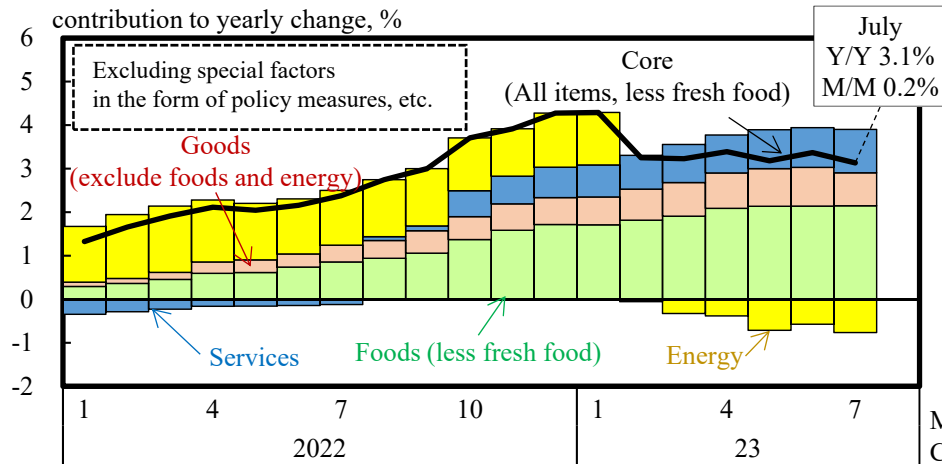
7/11 ~ 8/10 (914 locations)
 Year 2022 61
 Year 2023 134
 ※More than double from last year



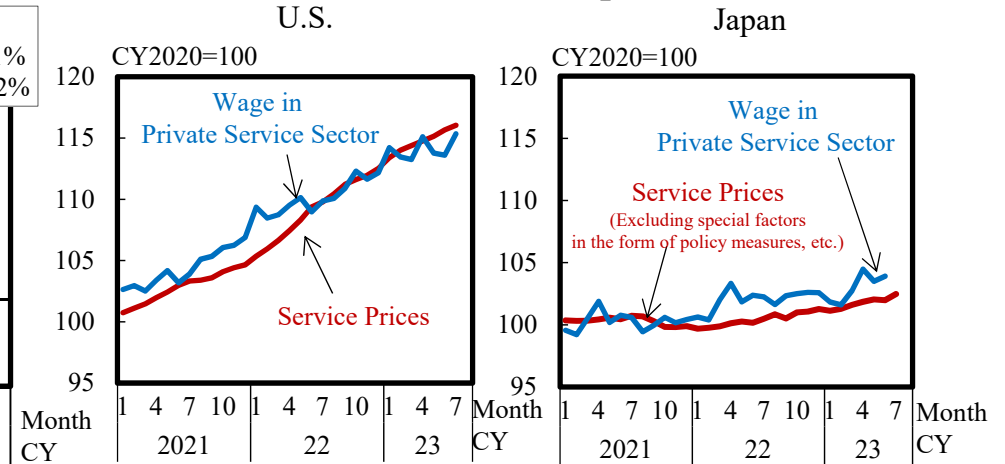
— Prices —

➤ *Producer prices are declining moderately. Consumer prices are rising.*

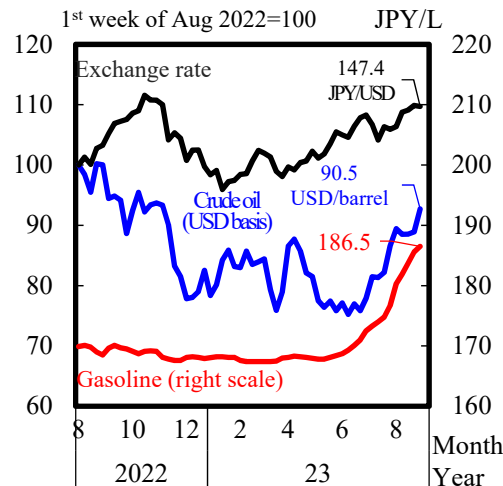
(5-1) Consumer Price Index



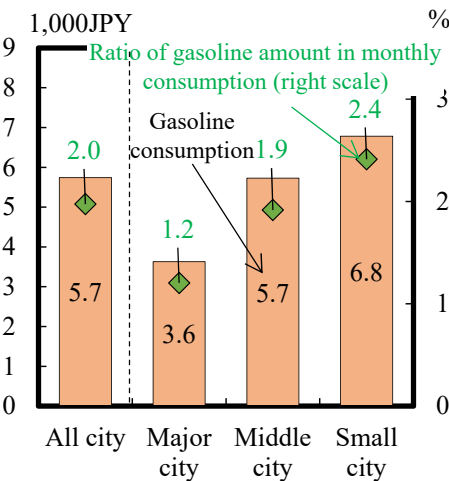
(5-4) Comparison of wage and service prices in U.S. and Japan



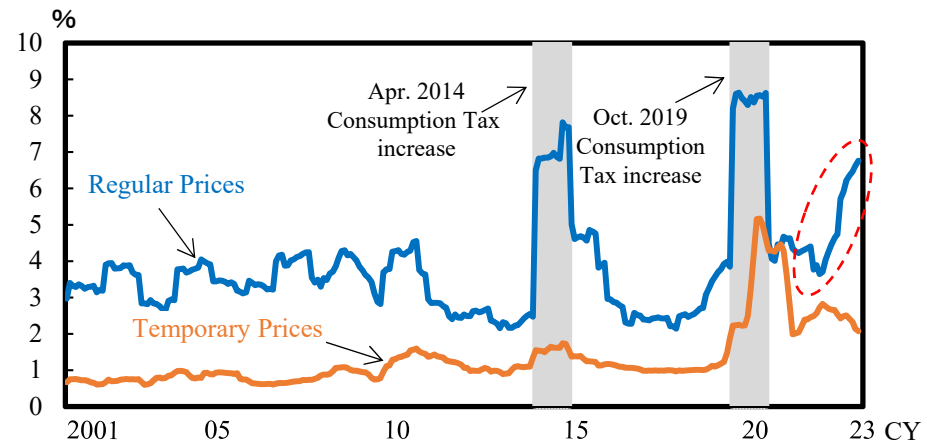
(5-2) Prices of Crude oil and Gasoline



(5-3) Gasoline amount in monthly consumption



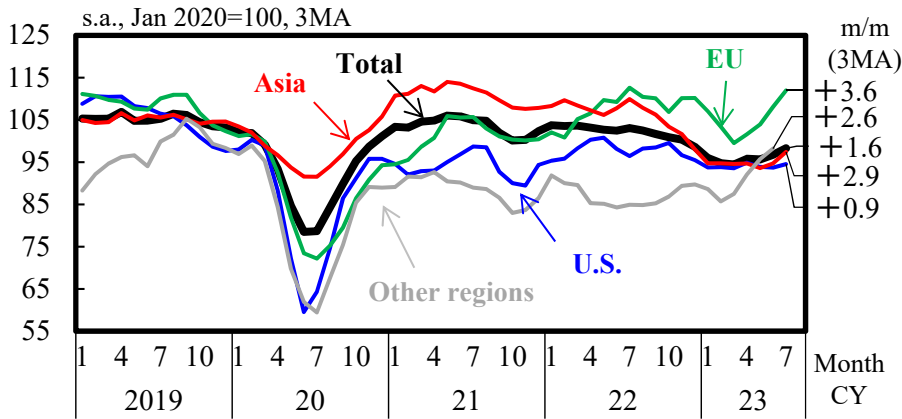
(5-5) Frequency of service price revisions



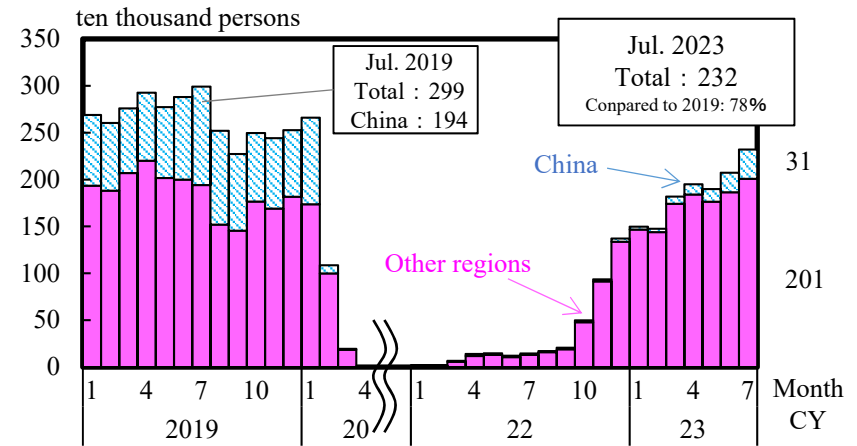
- Exports -

➤ Exports show movements of picking up recently.

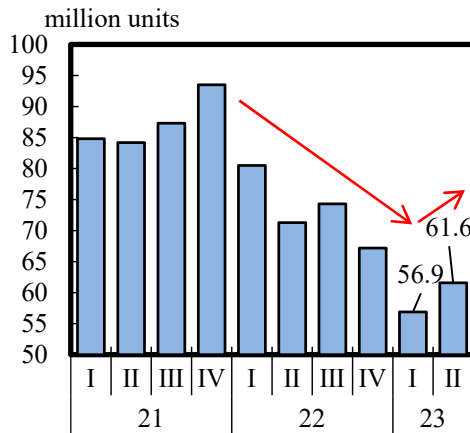
(6-1) Export volume index (by region)



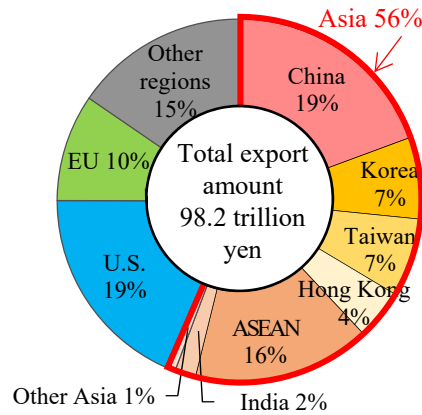
(6-4) Visitor arrivals



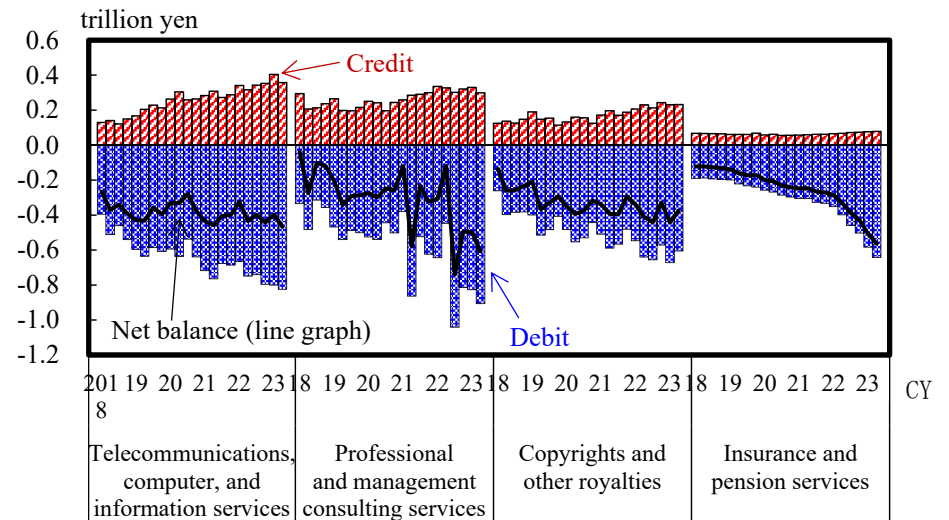
(6-2) Global PC shipment



(6-3) Share of exports by region in 2022



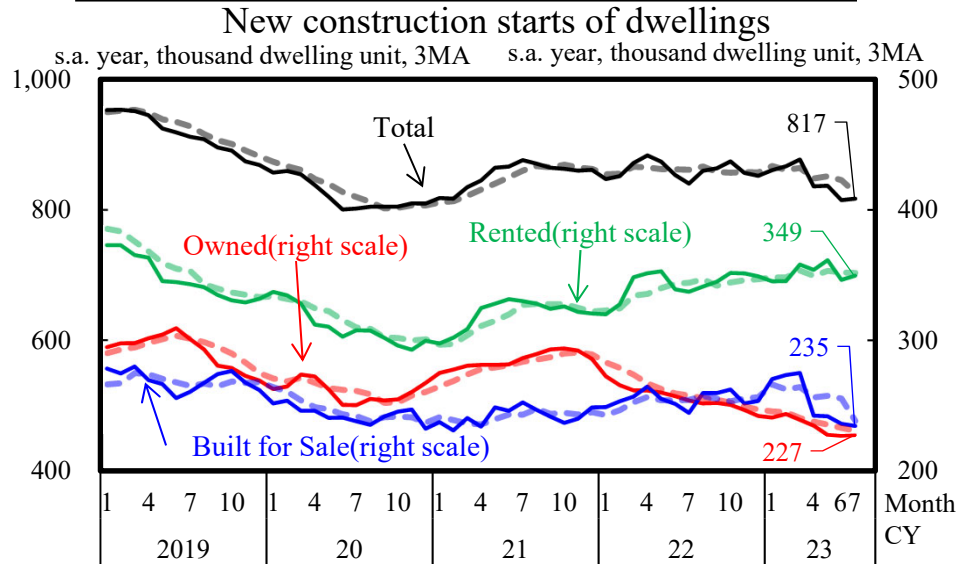
(6-5) Digital-related services balance



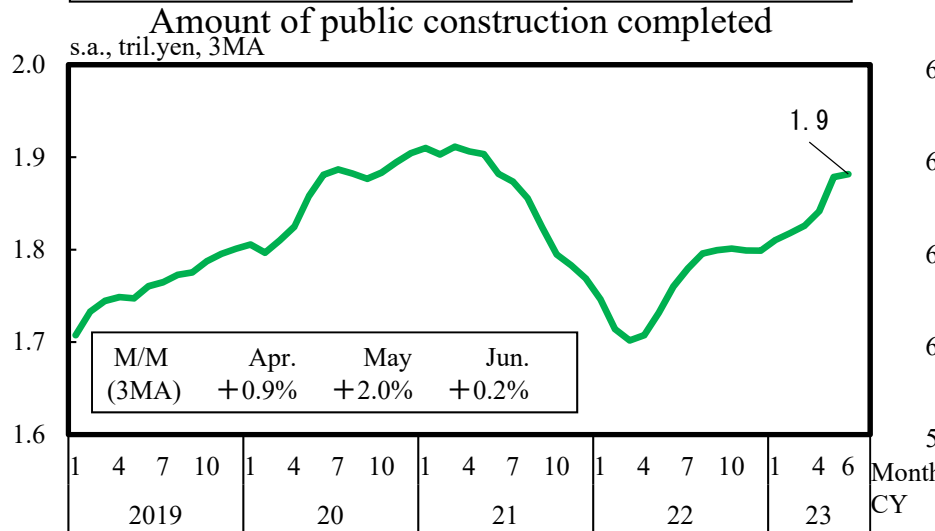
Sources: Ministry of Finance; Cabinet Office; Japan National Tourism Organization; Japan Tourism Agency; Bank of Japan; International Data Corporation.

Reference

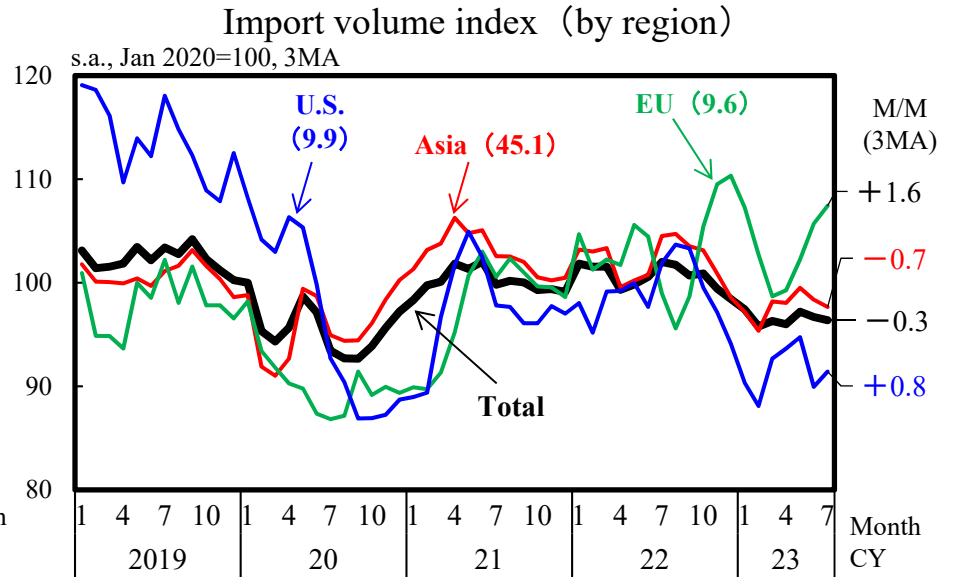
(7 - 1) Housing construction is almost flat.



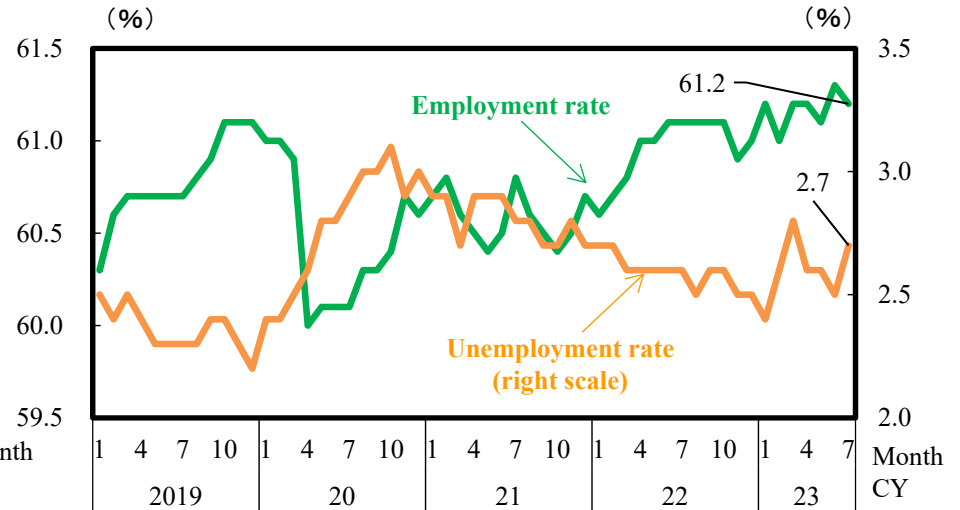
(7 - 2) Public investment shows steady performance.



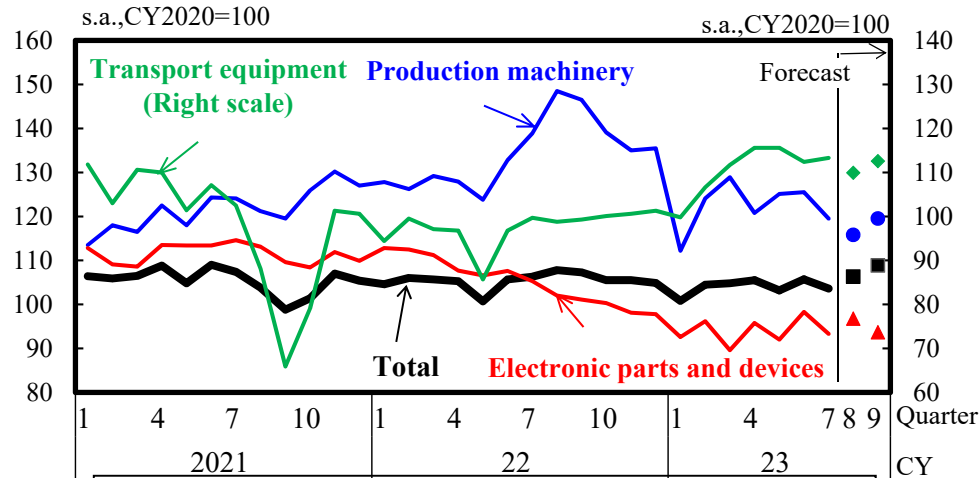
(7-3) Imports are almost flat.



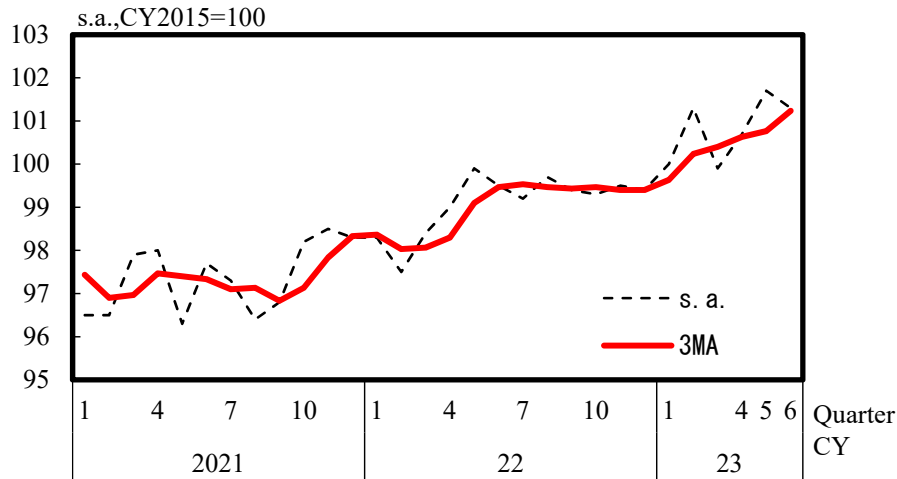
(7-4) The employment situation has shown movements of improvement



(8-1) Industrial production shows signs of picking up.

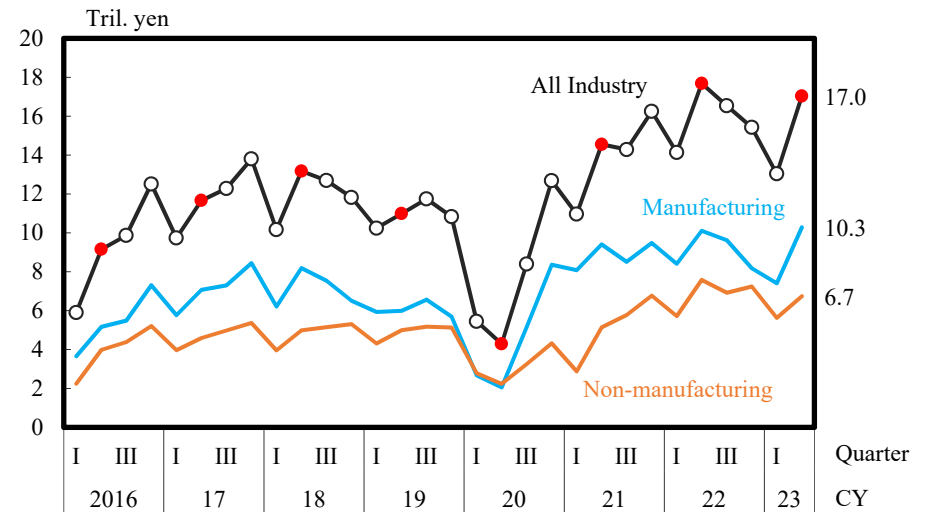


(8-2) Indices of tertiary industry activity is picking up.

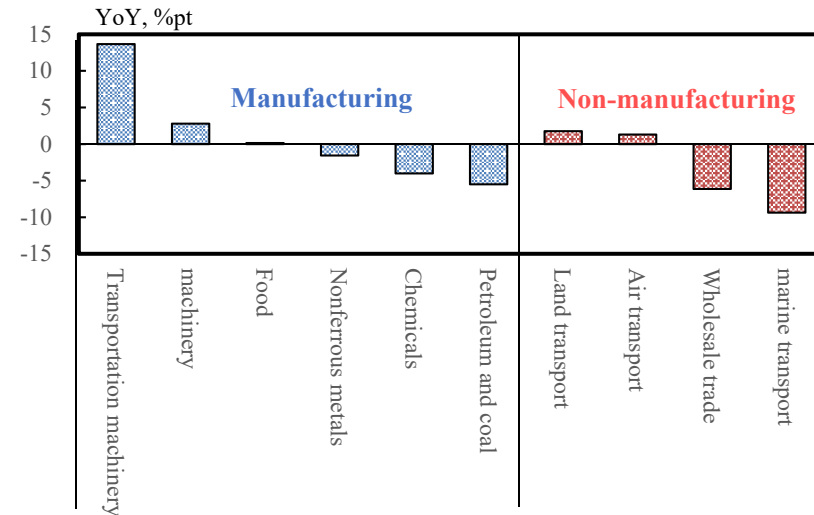


(8-3) Corporate profits are improving moderately as a whole.

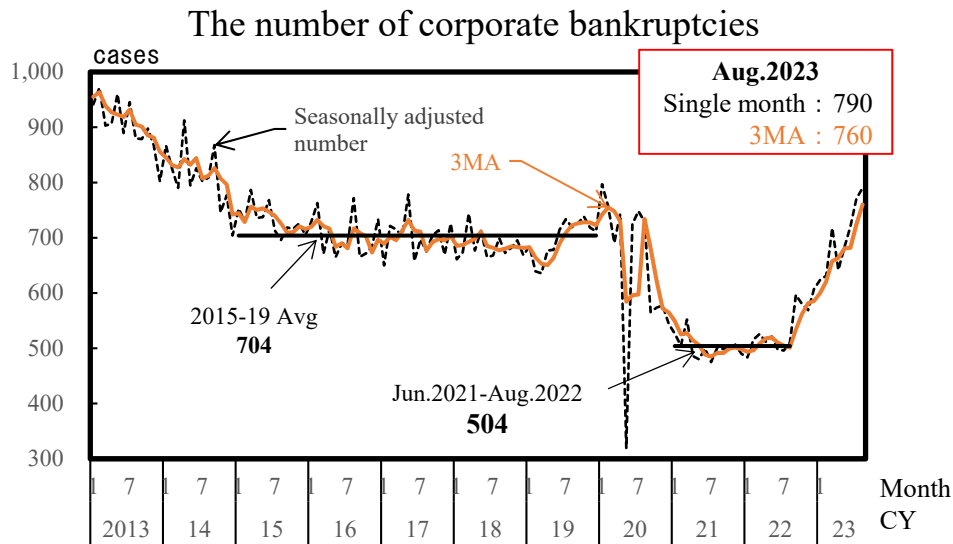
Ordinary income in Listed companies' financial result



Contribution to changes of ordinary income in Listed companies' financial result (2023 Apr.-Jun.)



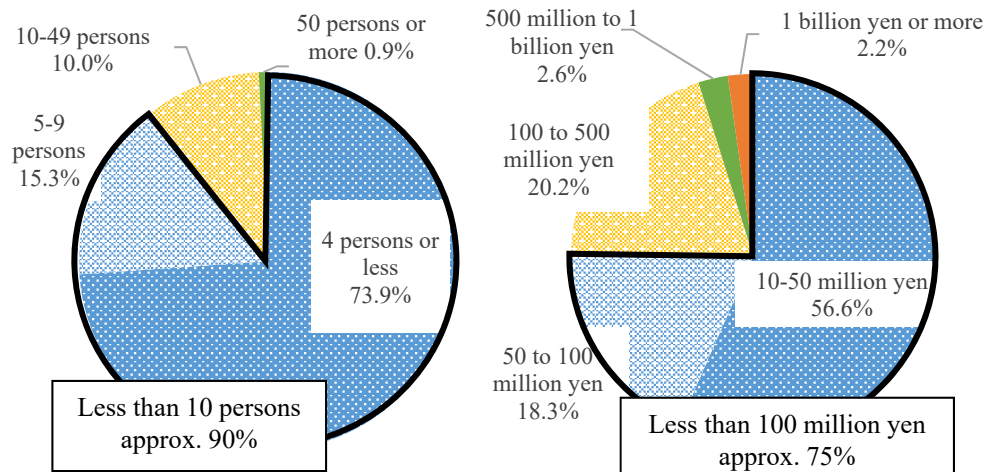
(9-1) The number of corporate bankruptcies appears to be increasing.



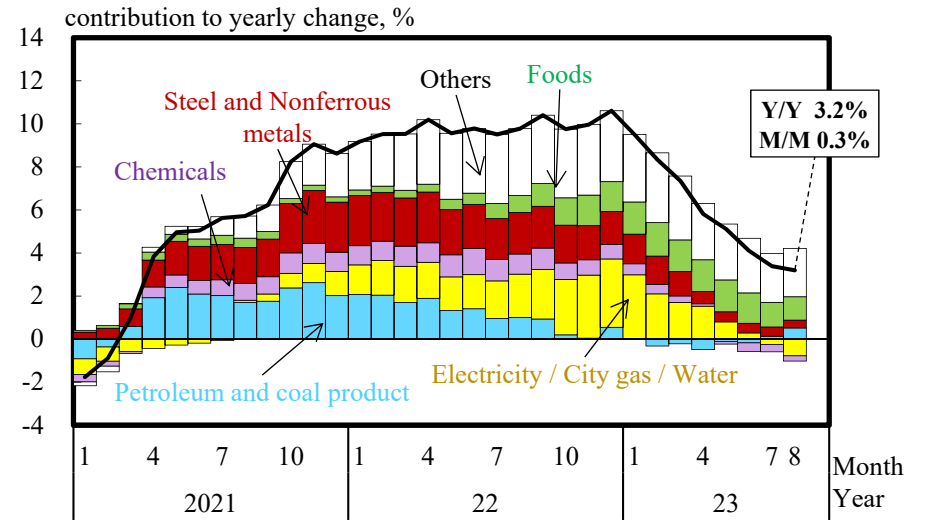
Percentage of bankruptcies by each size

By employee size

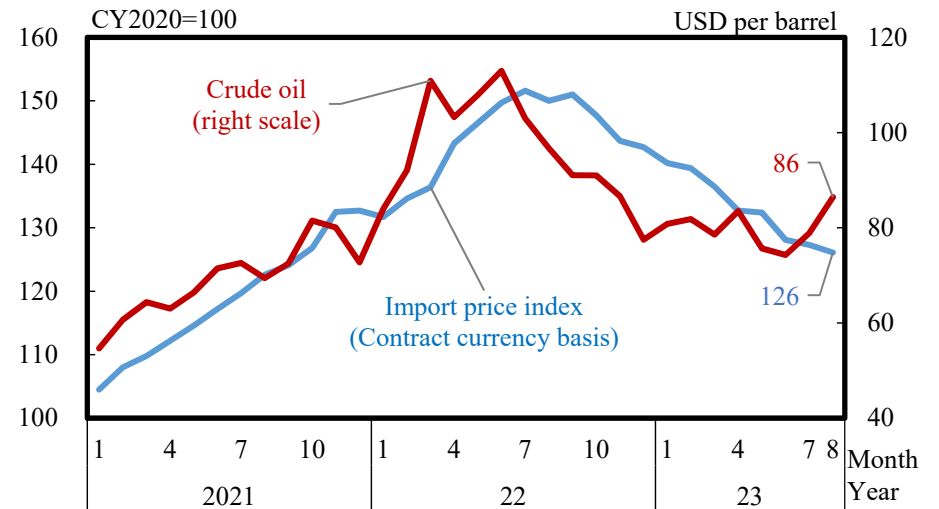
By Debt Size



(9-2) Corporate Good Price Index



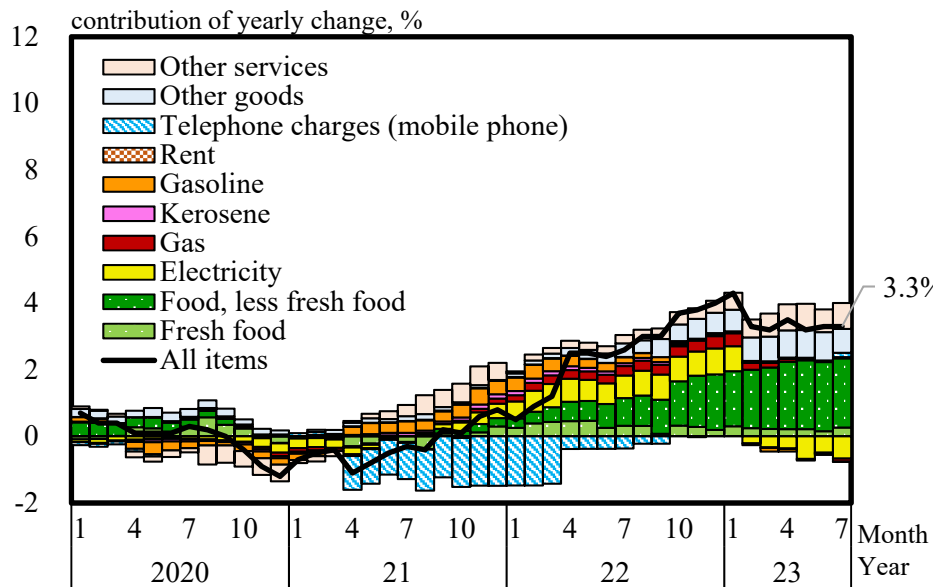
(9-3) Import price index



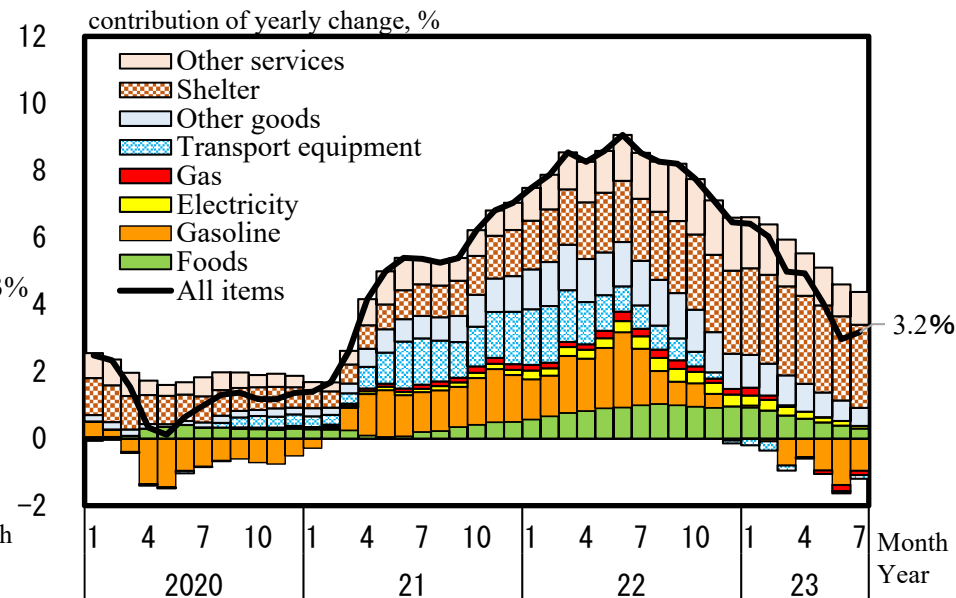
Sources: Tokyo Shoko Research; Bank of Japan; NIKKEI NEEDS.

International Comparison of Consumer Price Index

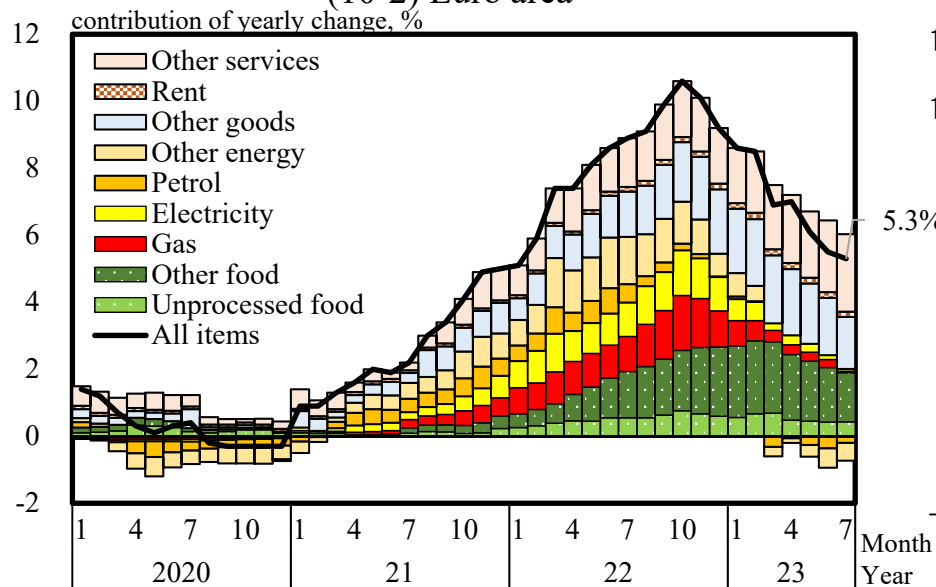
(10-1) Japan



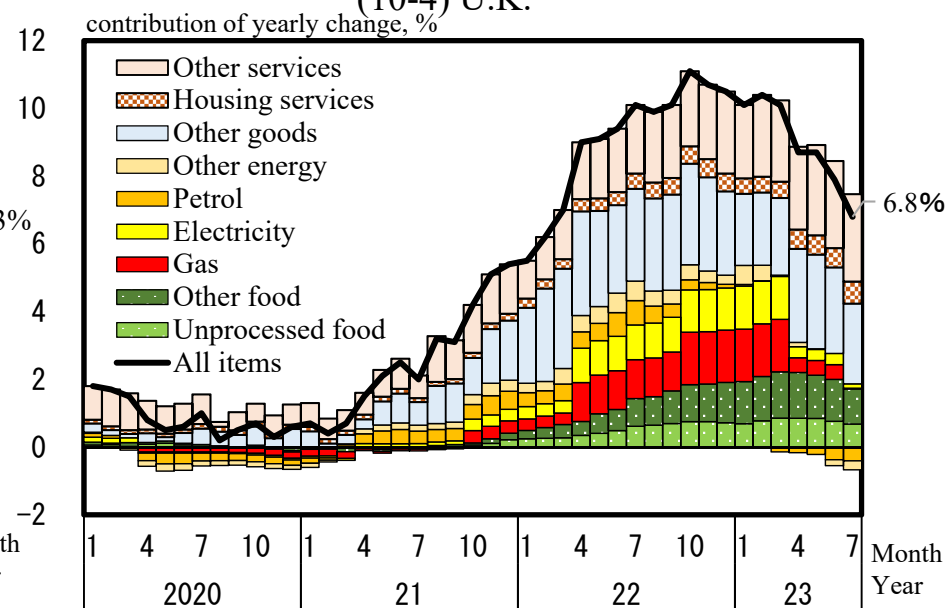
(10-3) U.S.



(10-2) Euro area



(10-4) U.K.



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

Note: Fixed CPI and Food includes eating out in Japan. Rent includes imputed rent in Japan and U.S..