

# **Recent Economic Developments**

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

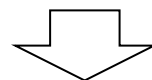
**December 12, 2023**

**Cabinet Office  
Government of Japan**

<Assessment of the current state of the Japanese economy>

September

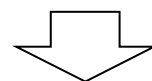
The Japanese economy is recovering at a moderate pace.



October

The Japanese economy is recovering at a moderate pace.

**(Unchanged)**



November

The Japanese economy is recovering at a moderate pace,  
although it recently appears to be pausing in part.

**(Unchanged)**

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

	September	October	November
Private consumption	Private consumption is picking up.	Unchanged	Unchanged
Business investment	Business investment is picking up.	Unchanged	Business investment <u>appears to be pausing for picking up.</u> ( ↓ )
Exports	Exports show movements of picking up recently.	Unchanged	Unchanged
Industrial production	Industrial production shows signs of picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are improving as a whole.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are picking up.	Firms' judgments on current business conditions are <u>improving moderately as a whole.</u> ( ↑ )	Unchanged
Employment situation	The employment situation shows movements of improvement.	Unchanged	Unchanged
Prices	Consumer prices are rising.	Unchanged	Unchanged

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

## <Short-term prospects>

September

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.

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## <Policy stance>

(Monthly Economic Report, November 22, 2023)

The Government will accelerate the initiative of new capitalism to transform the economy from a cost-cutting economy that has been in place for 30 years to a growth-oriented economy driven by sustained wage increases and active investment.

To this end, the Government will implement “Comprehensive Economic Measures for Completely Break Free from Deflation: Toward New Stage of the Japanese Economy”(Nov 2nd , Cabinet decision), formulated to lead to a strong cycle of investment and consumption through measures to strengthen supply side that will powerfully promote change and measures to improve people's sense of well-being which will strengthen current fluctuating economy and will overcome high prices of commodities. The Government will exert every effort for early passage of the FY2023 supplementary budget.

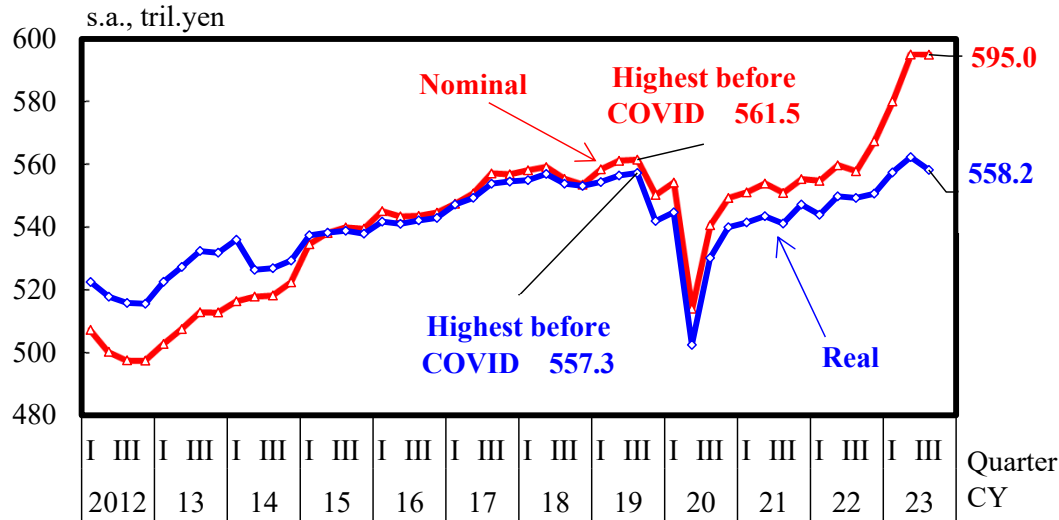
The Government expects the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner, accompanied by wage increases, in light of economic activity, prices and financial conditions.

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.

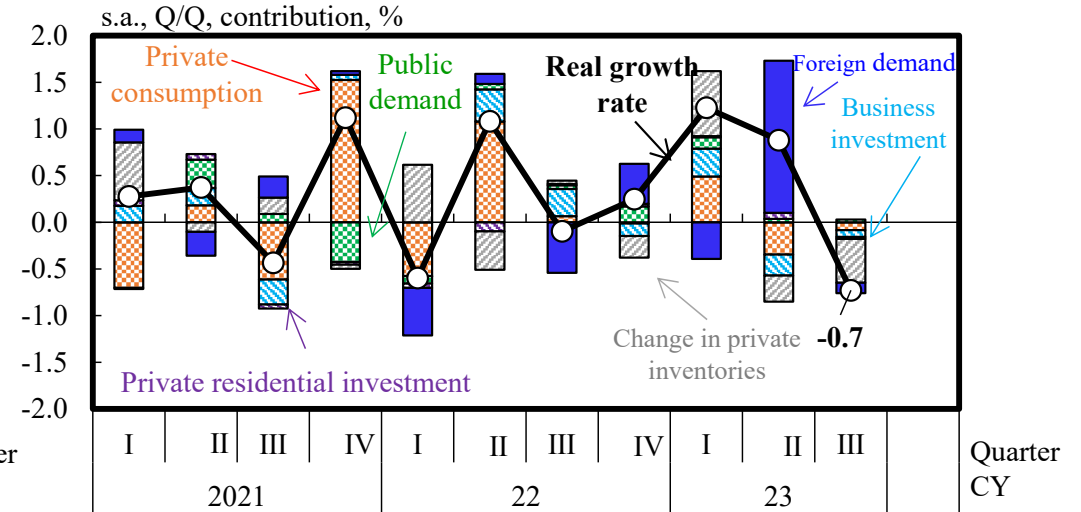
# — GDP: Jul. – Sep. 2023 —

➤ *Real GDP in the Jul.-Sep. 2023 decreased by 0.7% on a quarterly basis (at an annualized rate of 2.9%).*

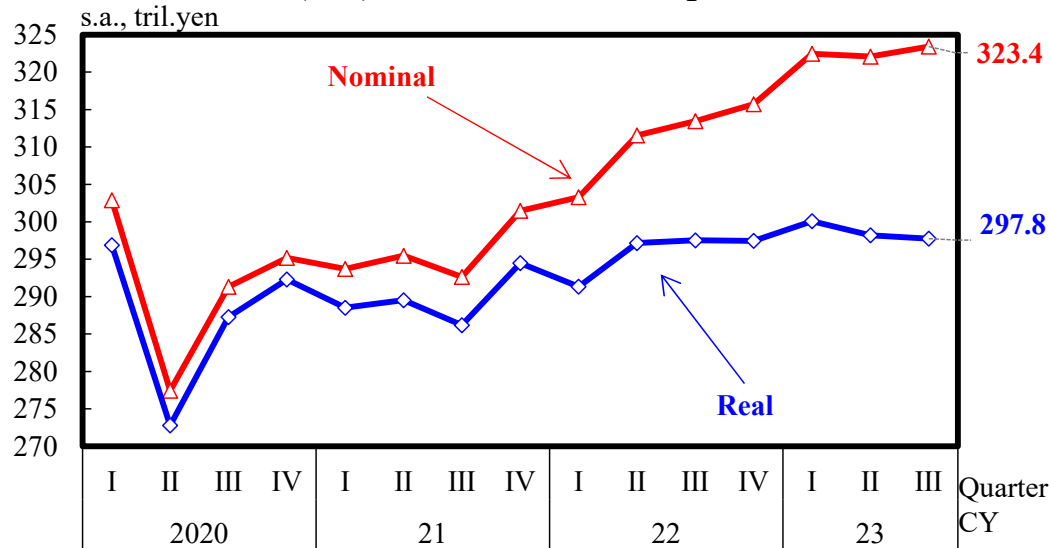
(1-1) Trends in GDP



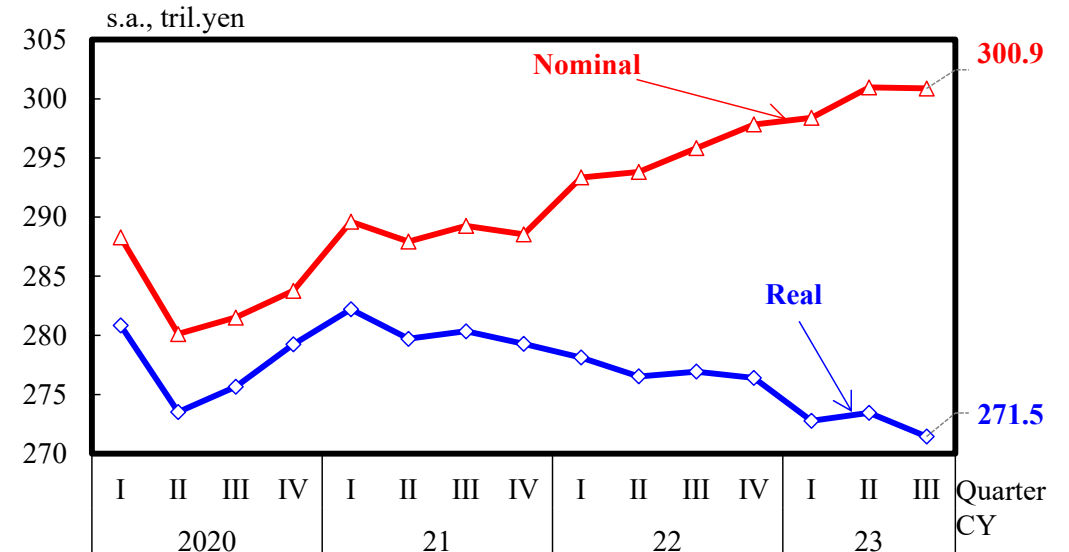
(1-2) Real GDP growth rate



(1-3) Trends in Consumption



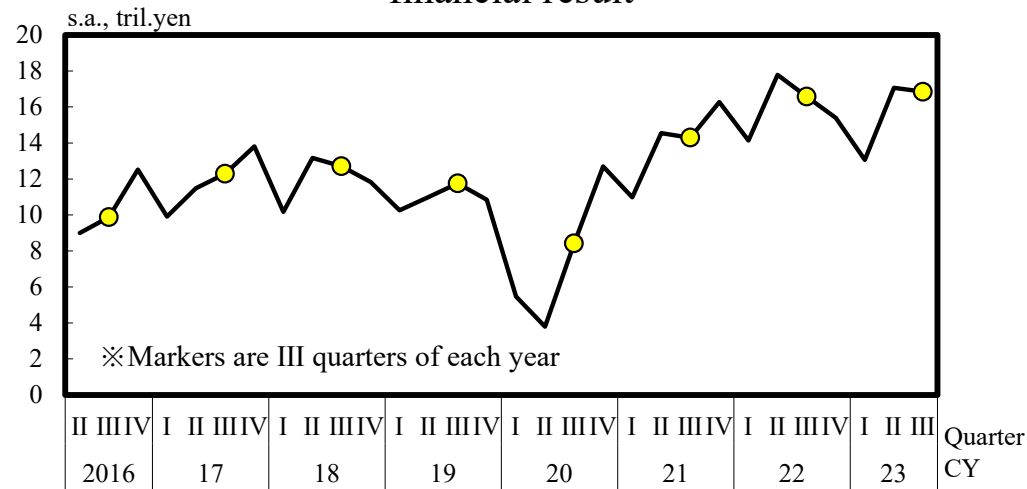
(1-4) Trends in employer's compensation



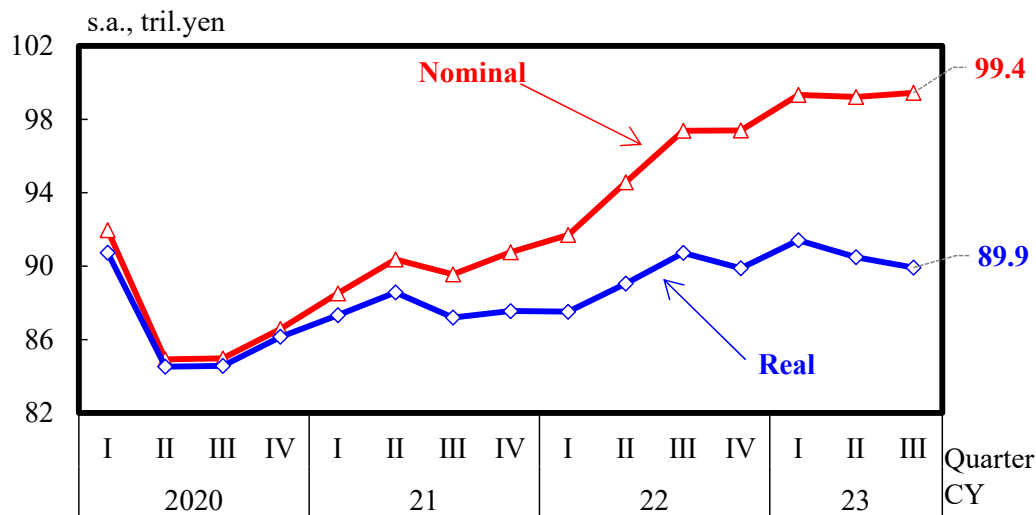
# Challenges in Strengthening Supply Capability

- Looking at the financial results of listed companies, ordinary income reached a record high for the July-September period.
- During the economic expansion of the 1980s and 1990s, capital input and productivity (TFP) growth raised the potential growth rate while the contribution of labor input was only slightly positive or negative, but these contributions have been shrinking in recent years. In order to raise the supply capacity (potential growth rate), the urgent task is to increase productivity through expansion of new domestic investment and investment in R&D and human resources.

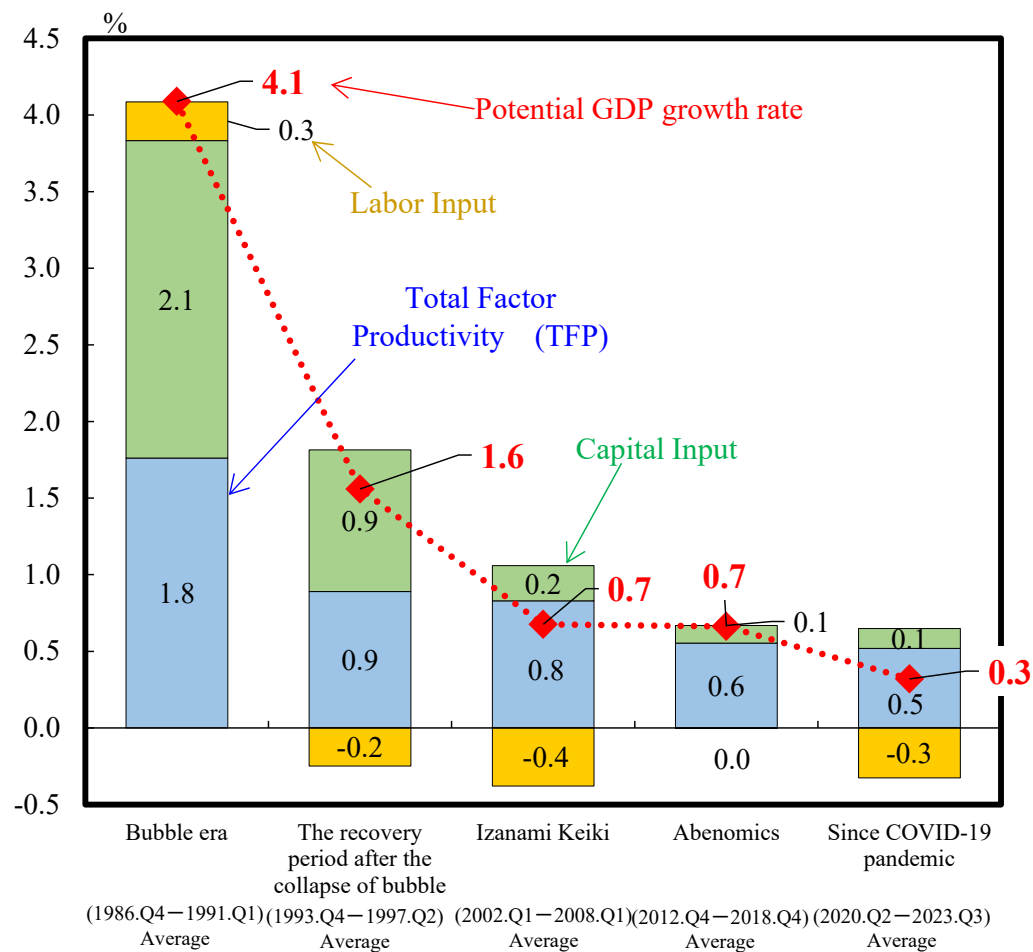
(2-1) Ordinary income in Listed companies' financial result



(2-2) Trends in capital investment



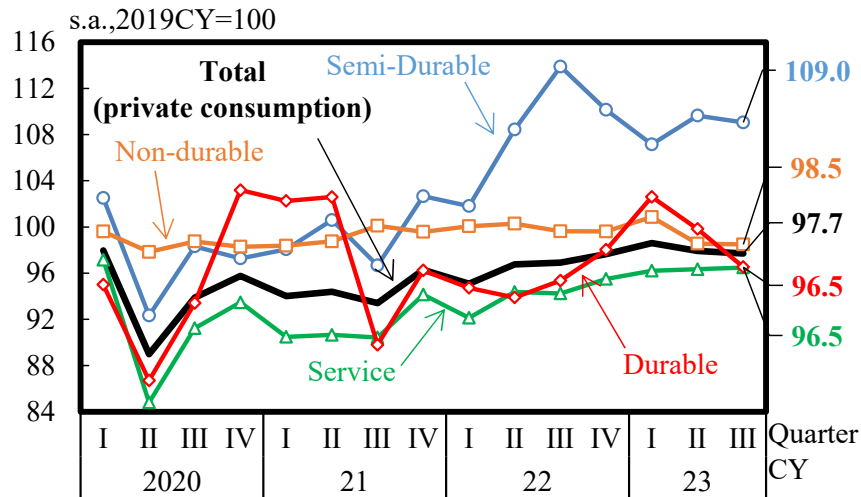
(2-3) Potential GDP growth rate in the stage of Japanese economic expansion



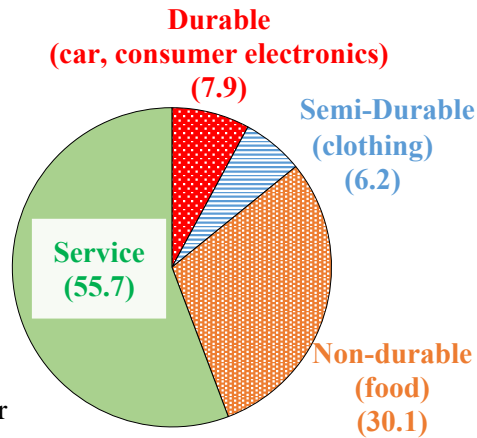
➤ *Private consumption is picking up.*

(3-1) Private consumption classified by type

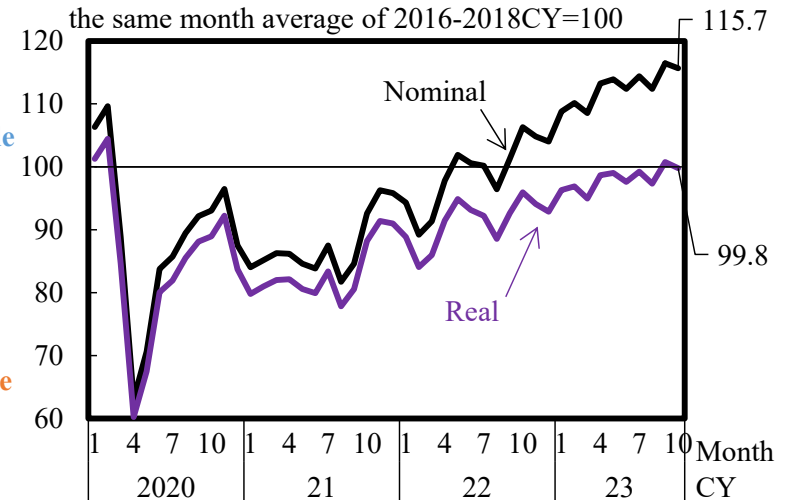
(1) Trends (real)



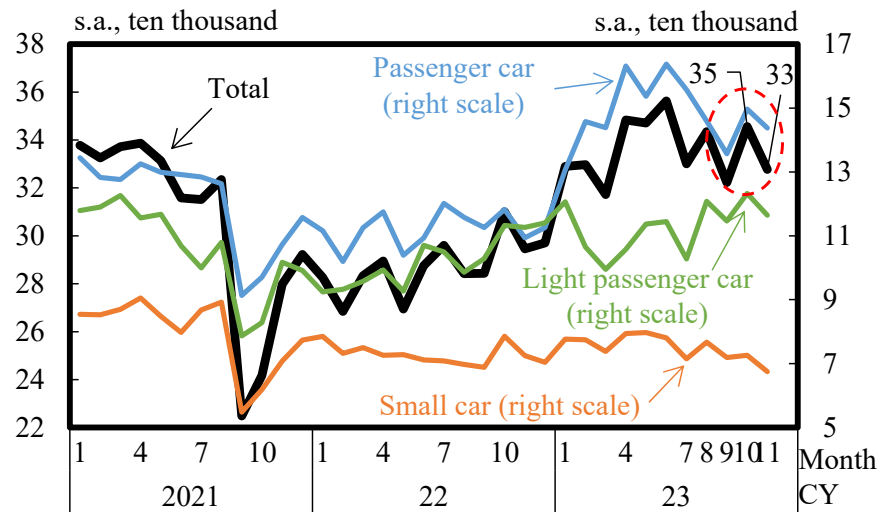
(2) Share



(3-3) Food service consumption

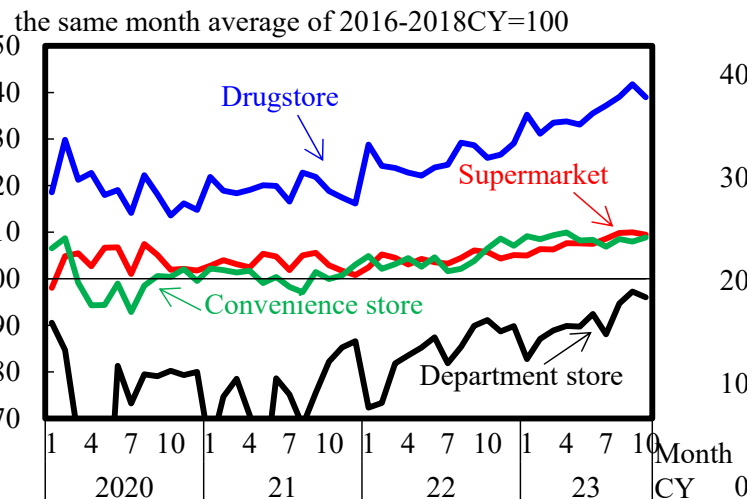


(3-2) New automobile sales

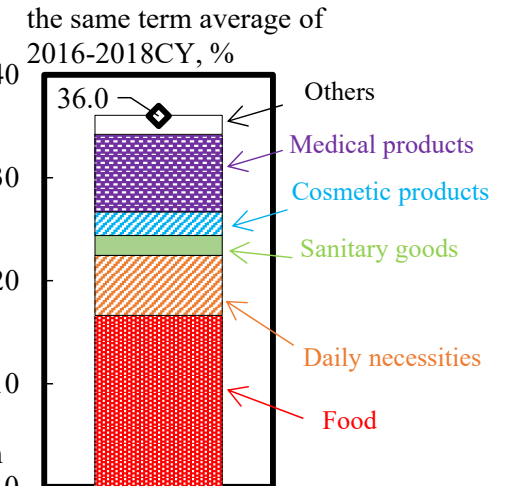


(3-4) Retail sales Trends

(1) Sales by business category



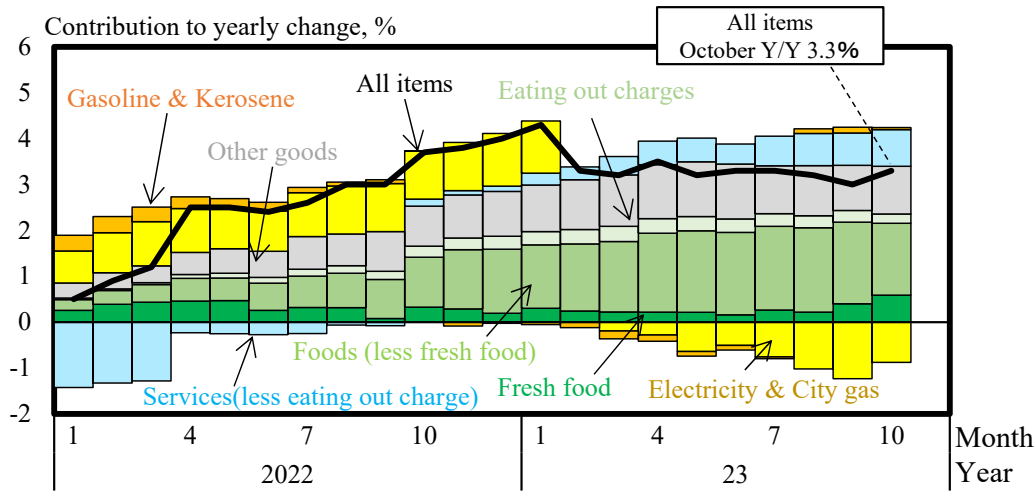
(2) Drugstore sales



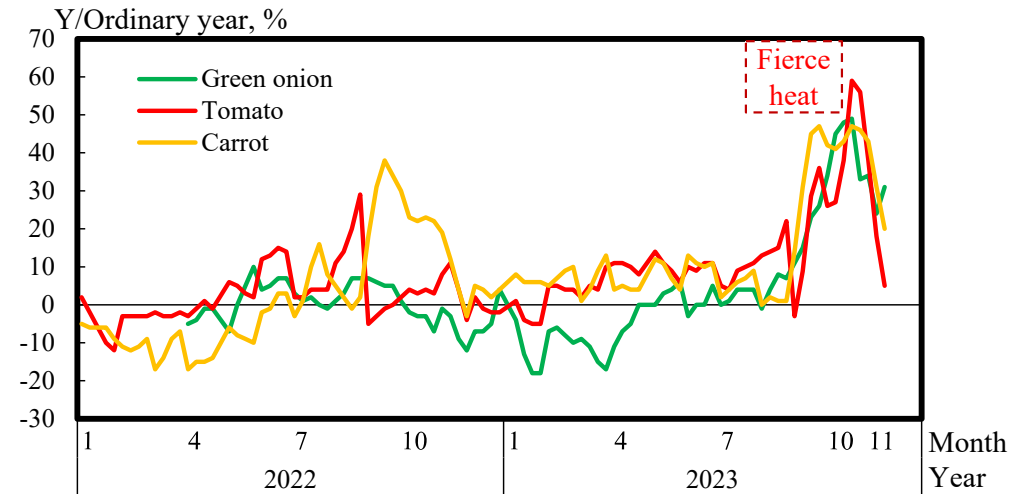


➤ *Producer prices are declining moderately. Consumer prices are rising.*

(4-1) Consumer Price Index



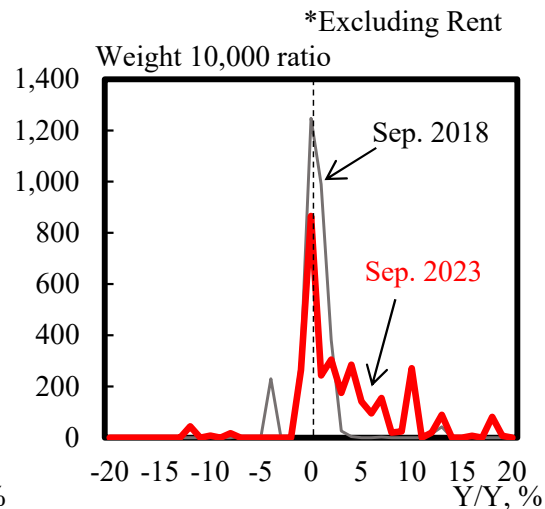
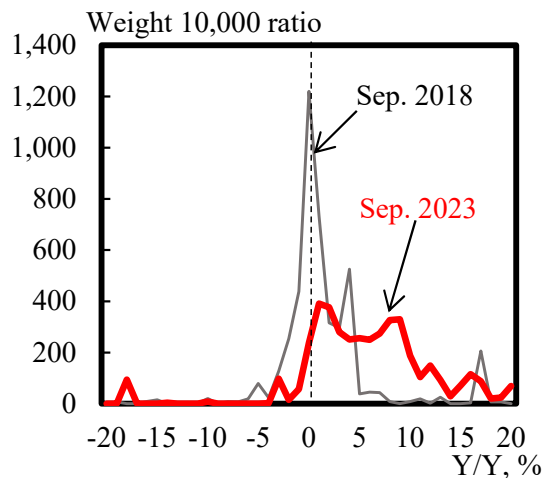
(4-2) Vegetable Price



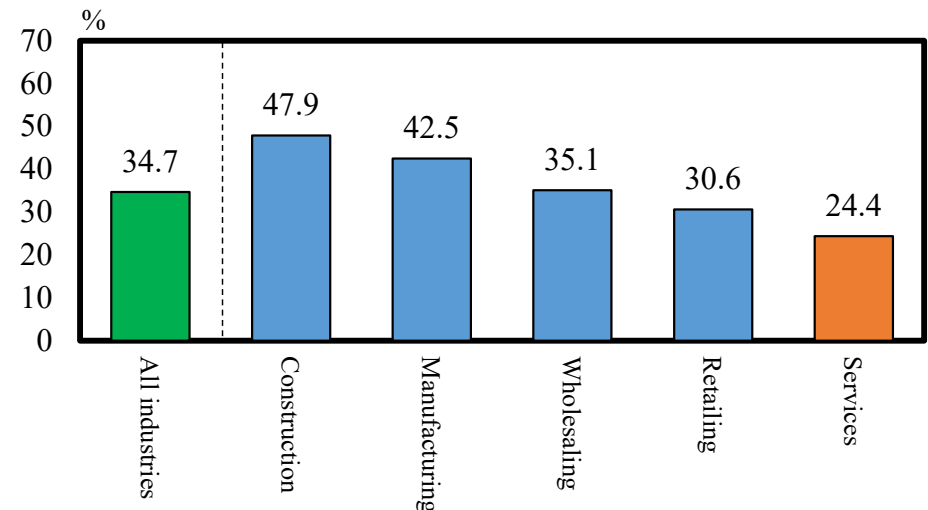
(4-3) Distribution of the rate of increase in Consumer Price

Goods

Services



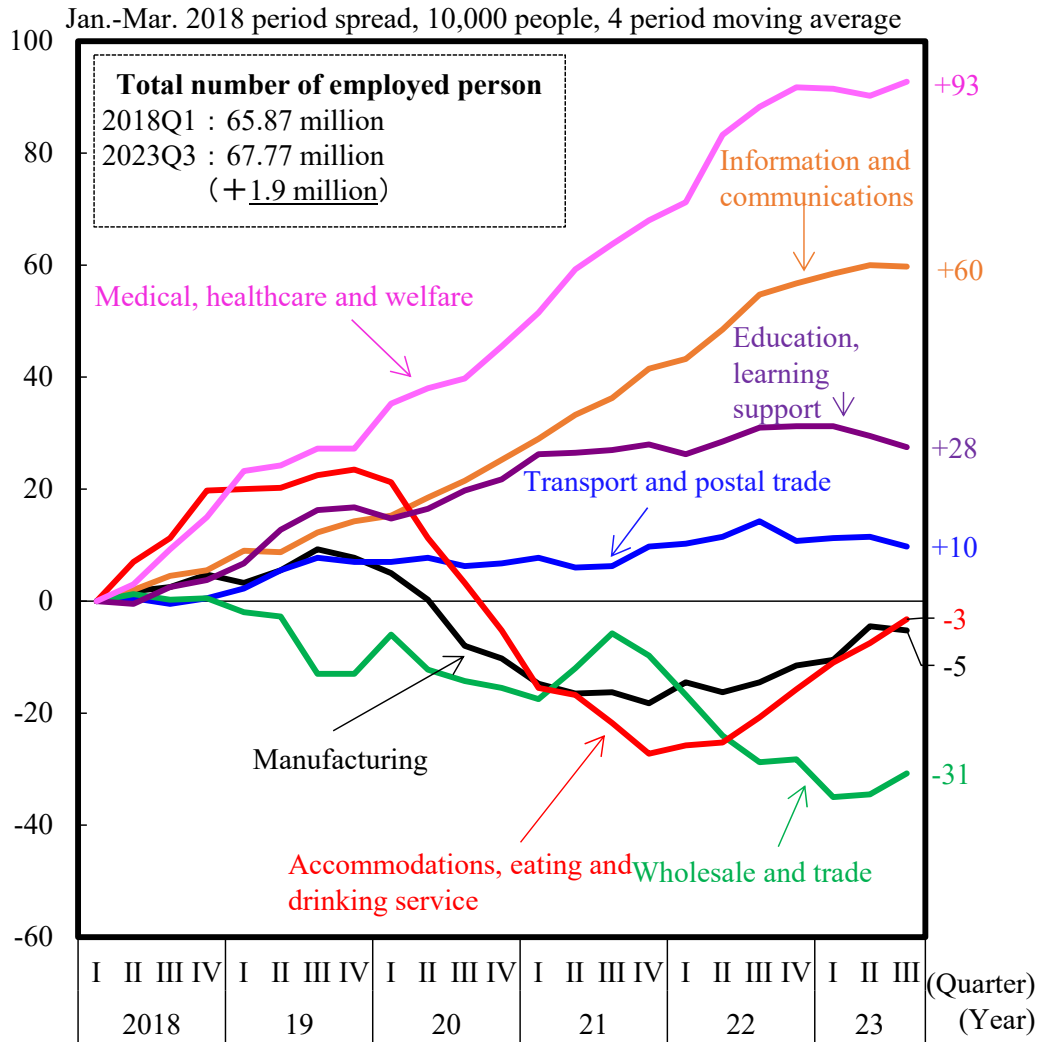
(4-4) Percentage of companies that were able to pass on more than 40% of the increase in labor costs to prices (The Japan Chamber of Commerce and Industry)



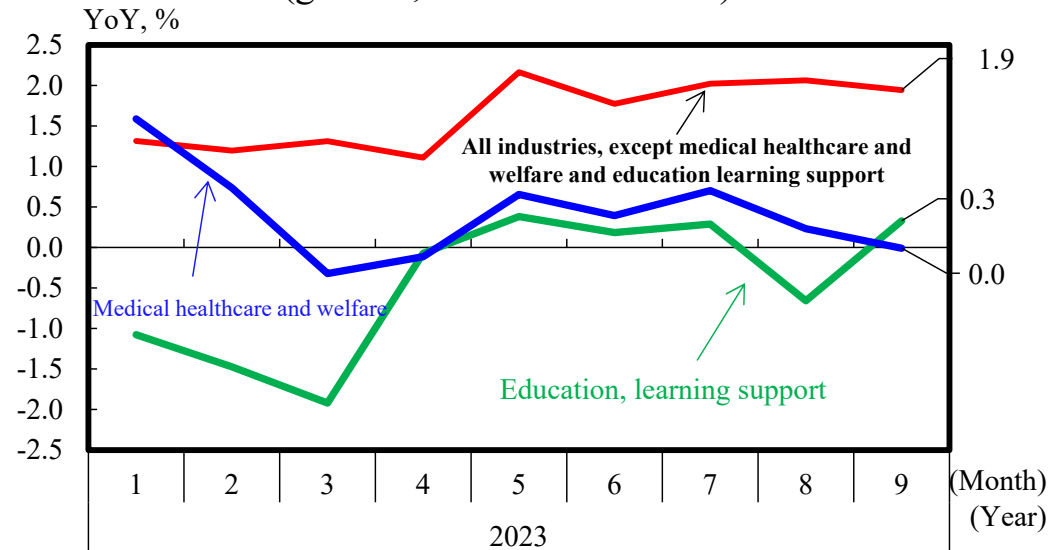
# - Employment -

➤ The employment situation shows movements of improvement.

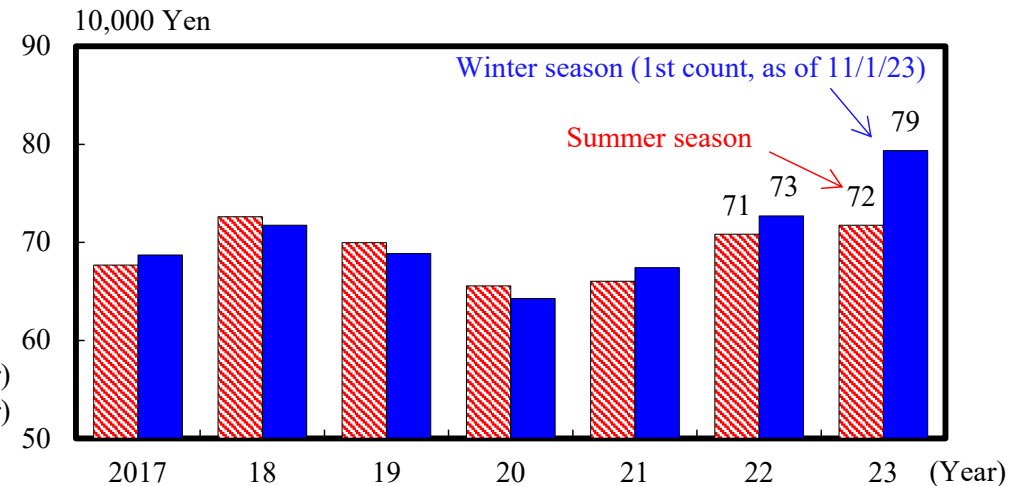
(5-1) Number of workers by industry



(5-2) Nominal wage growth by industry (general, scheduled salaries)



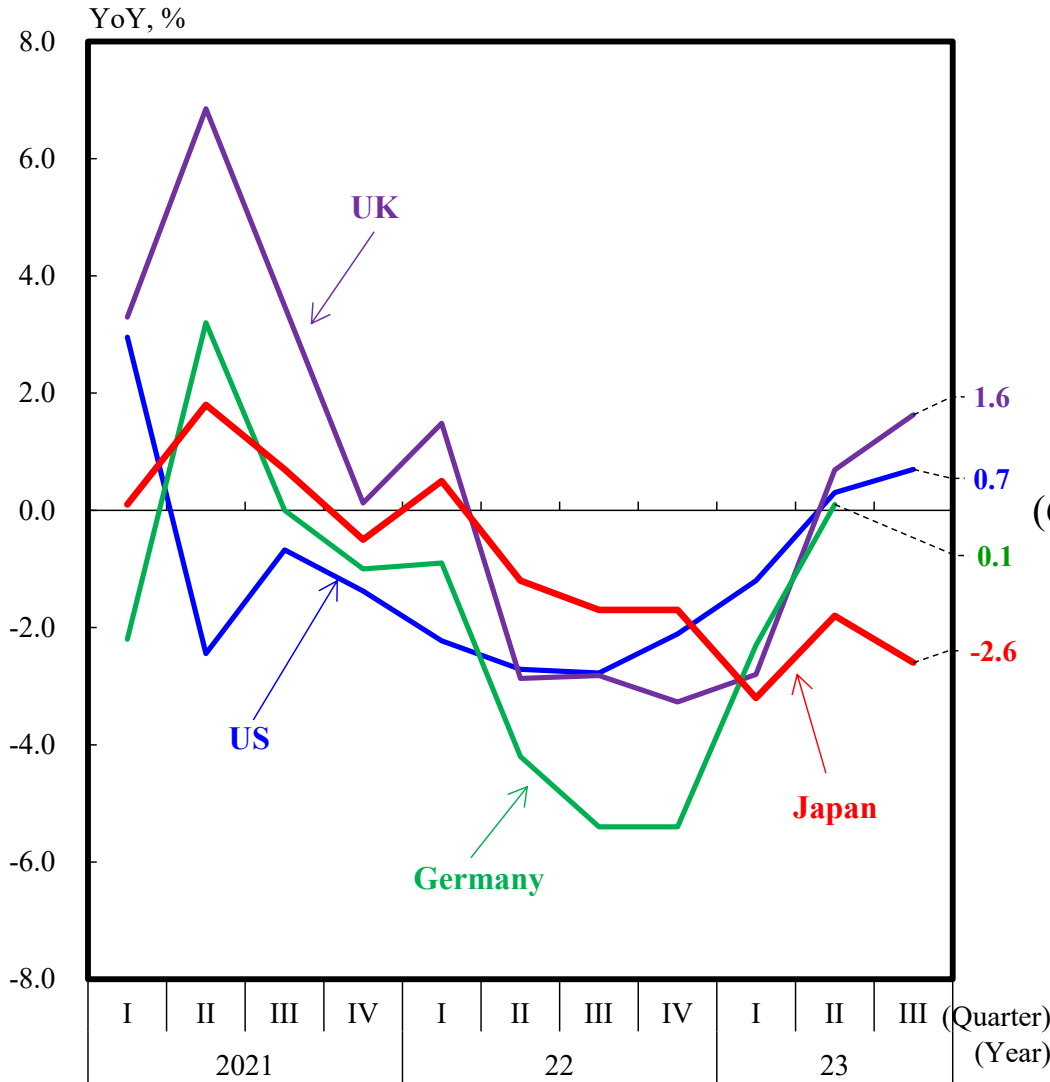
(5-3) Bonus payment outlook (one-time negotiations between labor and management)



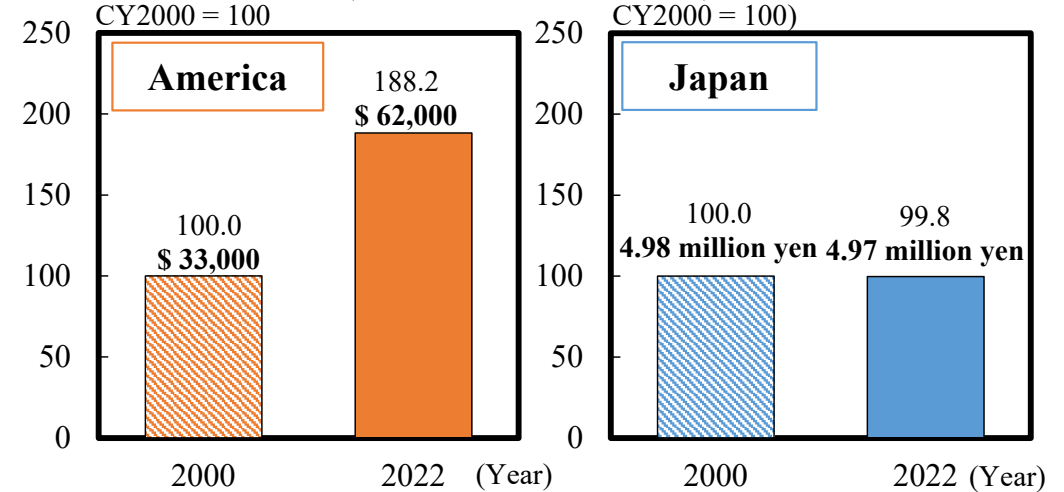
# — Employment —

- Real wage growth in Japan has remained negative since last year. On the other hand, in Europe and the U.S., it turned positive year-on-year at the current time.
- In the long run, average nominal wages in the U.S. increased 1.9 times over the past 20 years, while in Japan they remained flat. Comparing by occupational category, the differences are large for lawyers, software developers, university faculty, truck drivers, etc.

(6-1) Comparison of real wage growth rates by country



(6-2) Changes in nominal wages in Japan and the US (CY2000 → CY2022)



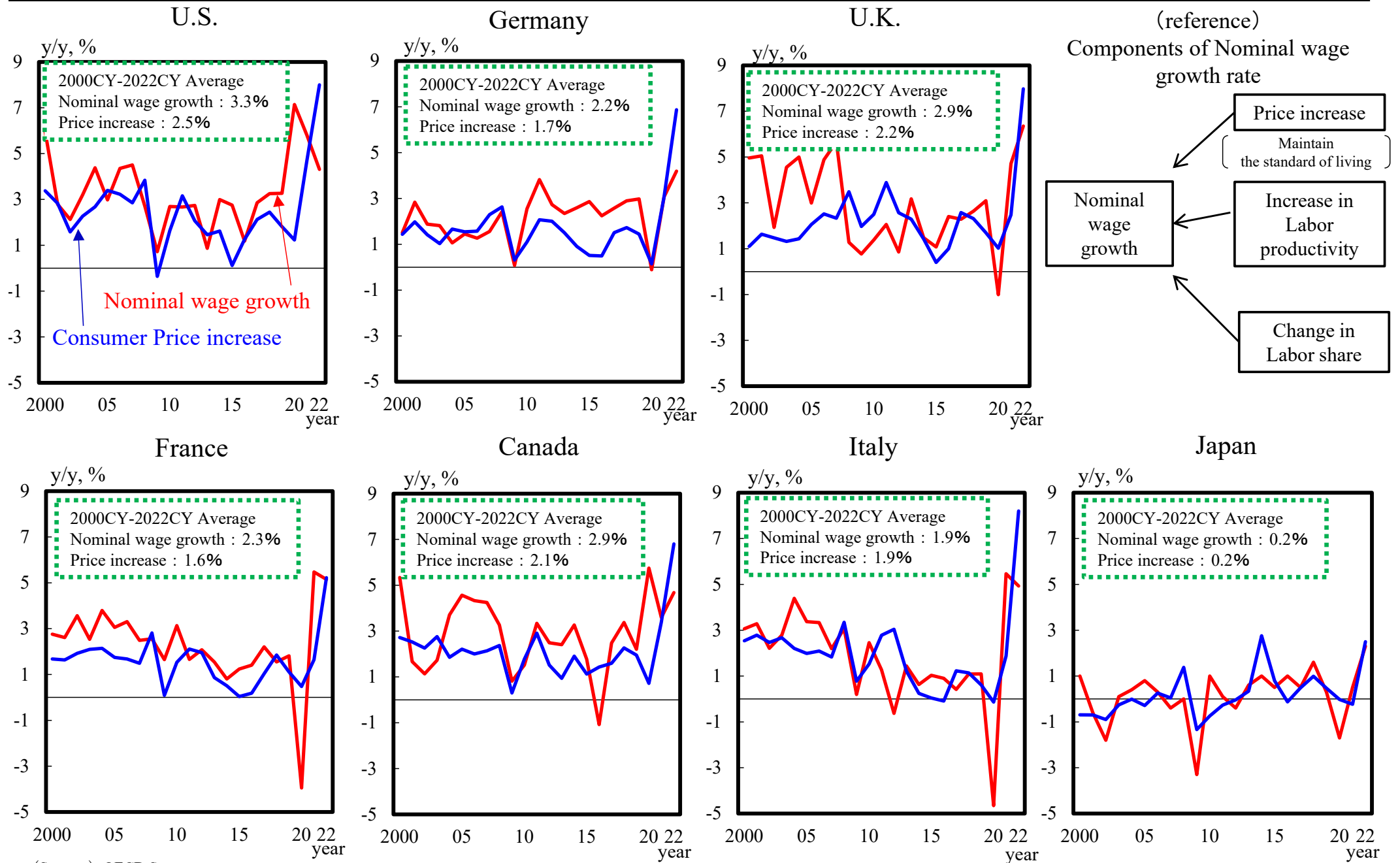
(6-3) Nominal wages by occupation in Japan and the US (CY2022)

	US million dollars	US (reference) Ten thousand yen	Japan Ten thousand yen
<b>Industries covered</b>	<b>6.2</b>	<b>814</b>	<b>497</b>
Lawyer	16.4	2,155	971
Software development	13.3	1,749	550
University teacher	9.6	1,265	887
Truck driver	5.3	699	477
Clerk	4.1	541	491
Cook	3.4	447	340
Restaurant staff	3.1	402	330
Hotel staff	3.0	399	315

Source: Ministry of Health, Labor and Welfare's, Ministry of Health, Labor and Welfare's, U.S. Bureau of Labor Statistics, British National Bureau of Statistics, and German Federal Statistical Office.  
 Note : Real wageis deflected in the consumer price index. Wages in the United States are calculated as full-time equivalents by multiplying hourly wages by 2,080 hours for full-time and part-time workers in most occupations. It also excludes overtime pay and includes tips. Wages in Japan are calculated by adding special pay to general workers' regular pay (including overtime pay). The value of the Japanese yen in the United States in Fig. 3 is converted to Japanese yen based on 131.57 yen/dollar, which is the center market average exchange rate of 2022.

# Prices and nominal wage growth in the G7 countries

- In most major countries, the nominal wage growth rate has been higher than the price growth rate in the long run. In Japan, both are near zero in the long run.



(Sources) OECD.Stat etc.

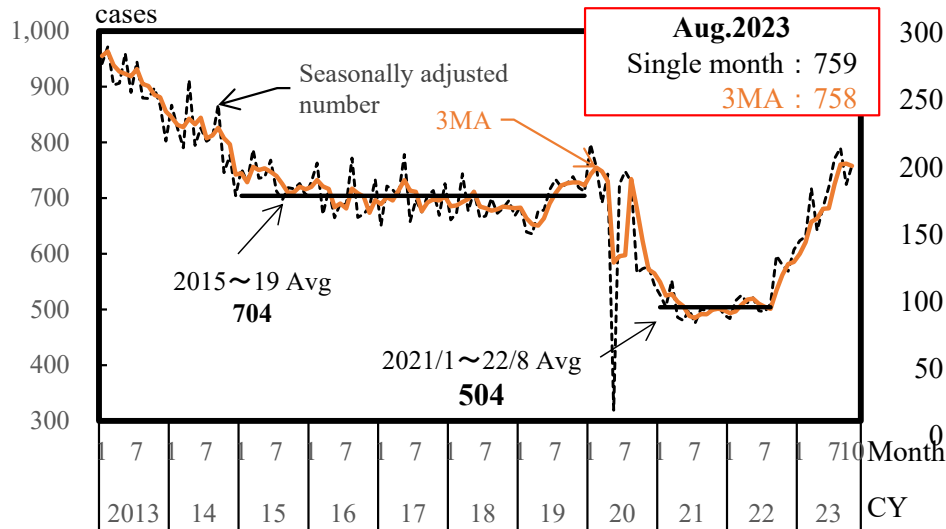
(Note) Nominal wage is average annual salary of full-time workers.

As of Japan, Nominal wage is total cash earning of full-time workers, and price increase includes the impact of consumption tax hike.

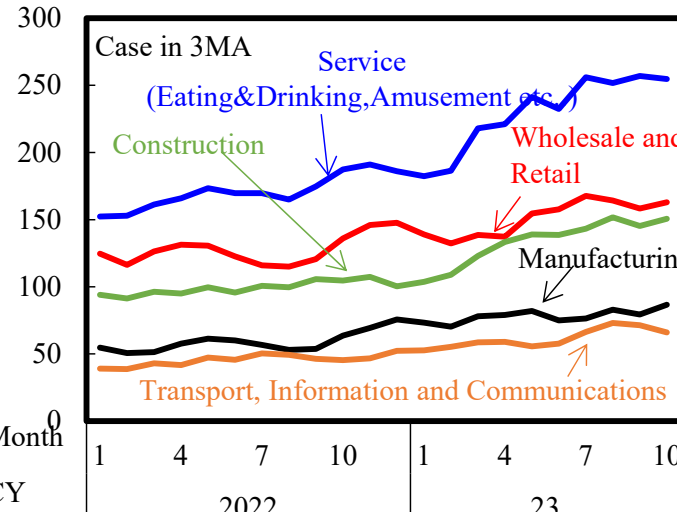
# - Corporate bankruptcies -

➤ The number of corporate bankruptcies appears to be increasing.

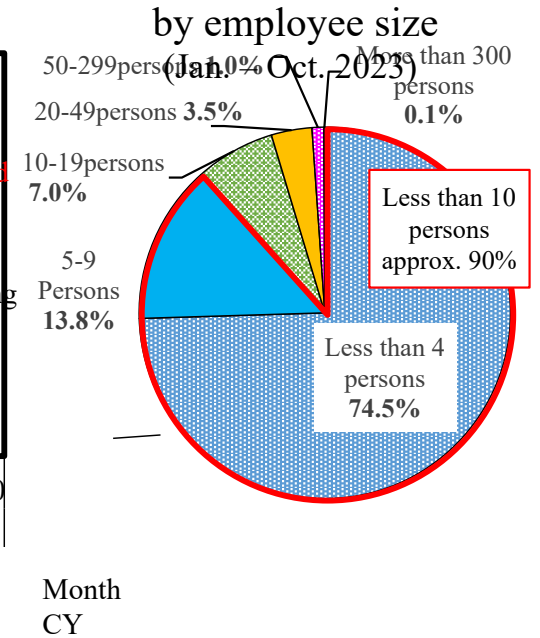
(4-1) The number of corporate bankruptcies



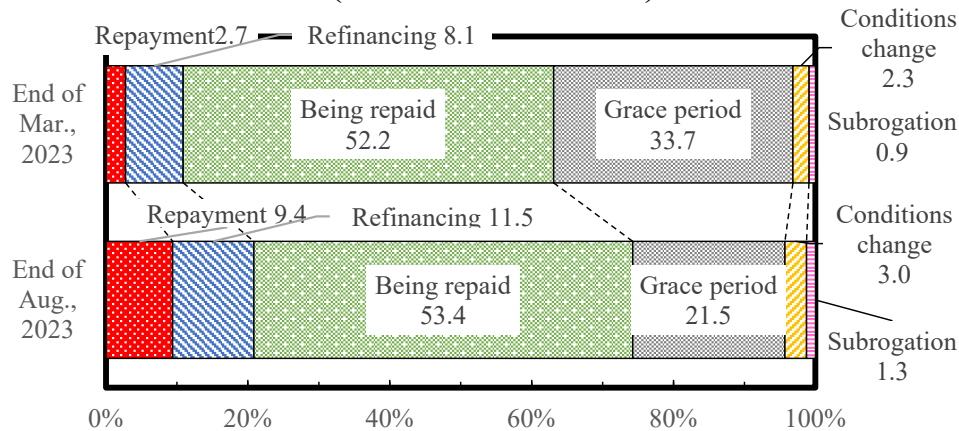
(4-2) Trends in Bankruptcies by Sector



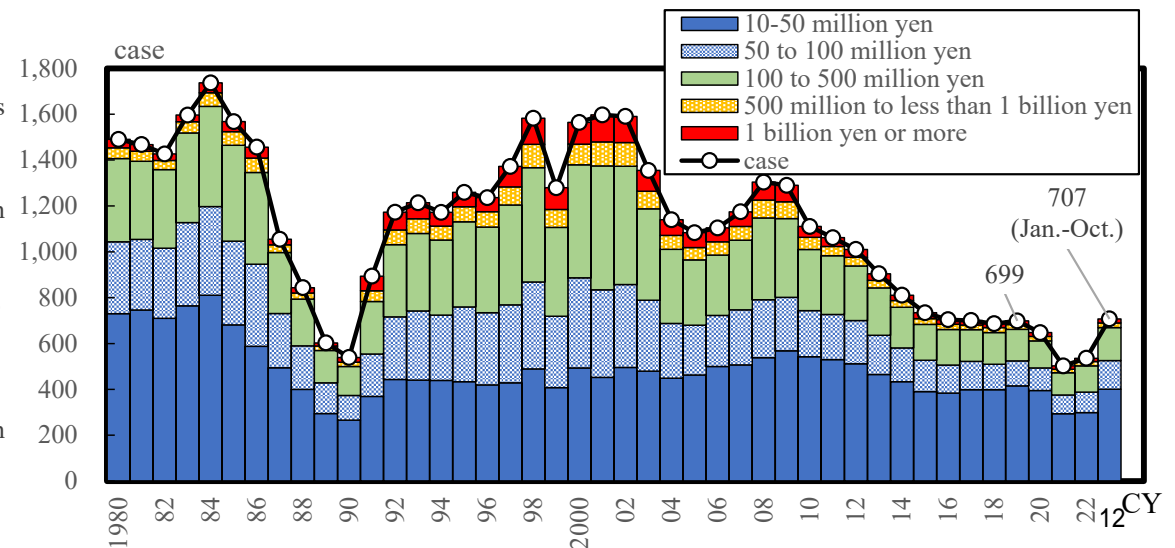
(4-3) Percentage of bankruptcies



(4-4) Zero-Zero Loans through Private Financial Institutions Repayment, etc. of small and medium-sized businesses (about 1.36 million) that received



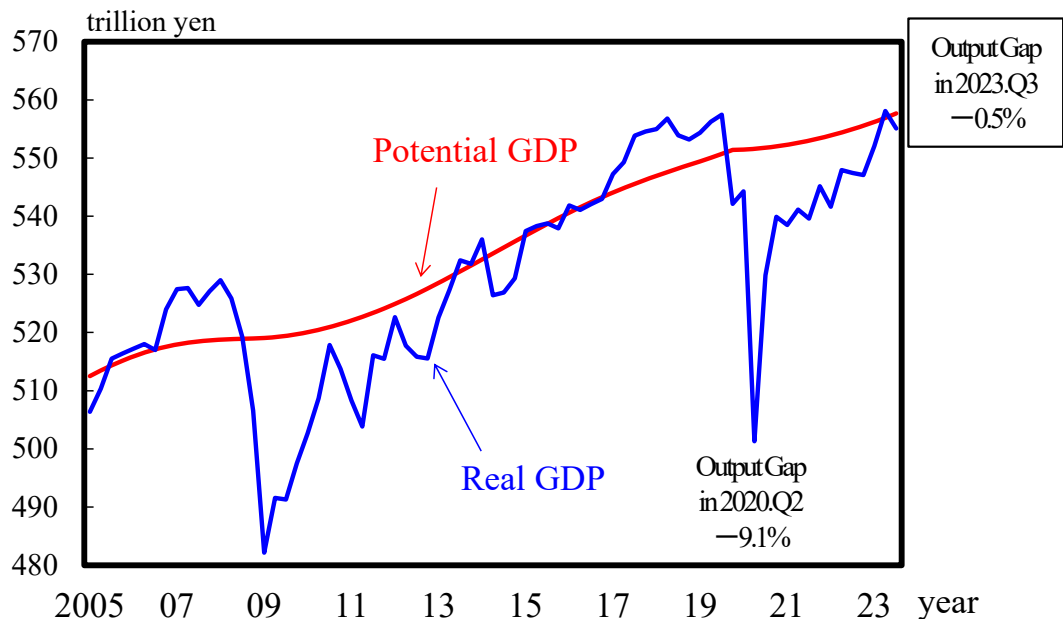
(4-5) Long-term number of bankruptcies per month by debt size



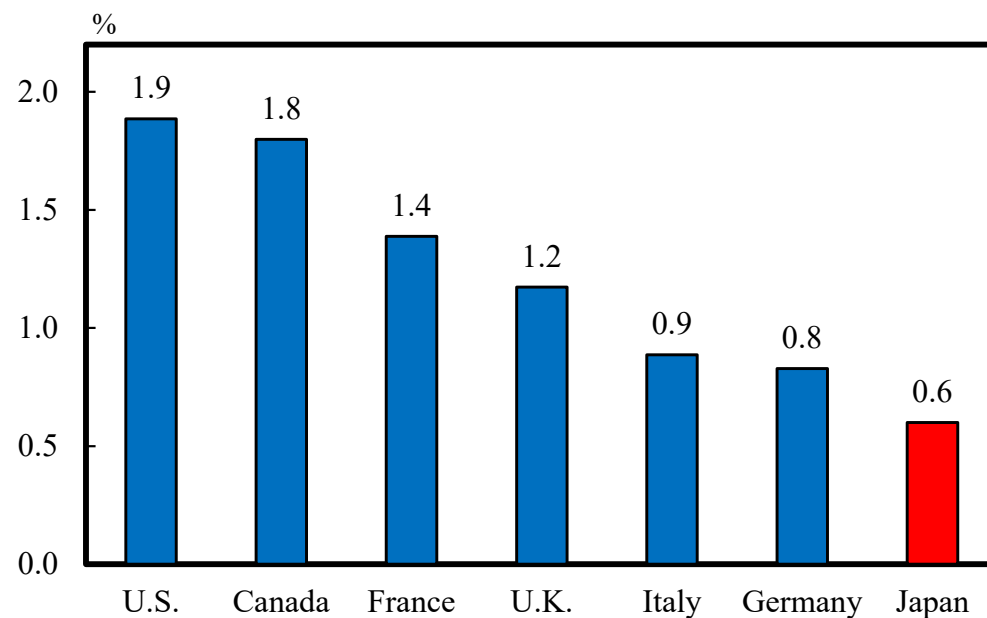
Sources: Tokyo Shoko Research, The Small and Medium Enterprise Agency.

# Reference

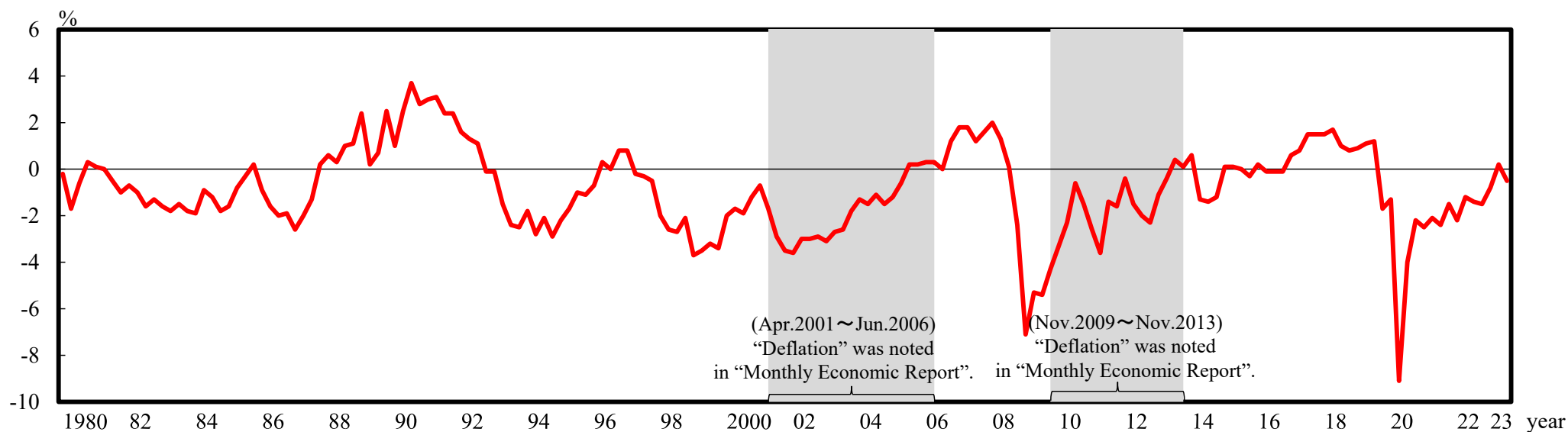
### (9-1) Potential GDP and Real GDP



### (9-2) Potential GDP growth rate



### (9-3) Trend in Output Gap

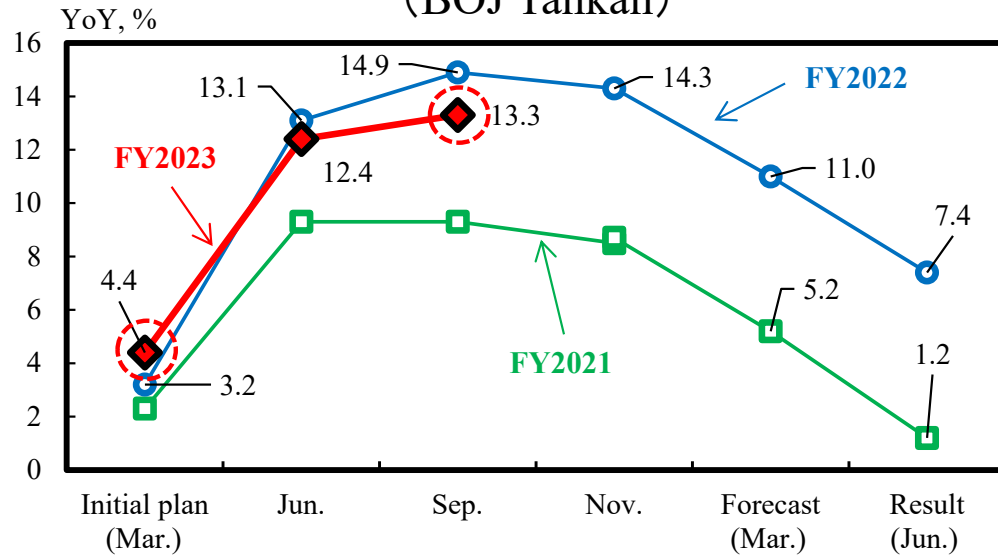


(Sources) Cabinet Office; OECD "Economic Outlook No.114"

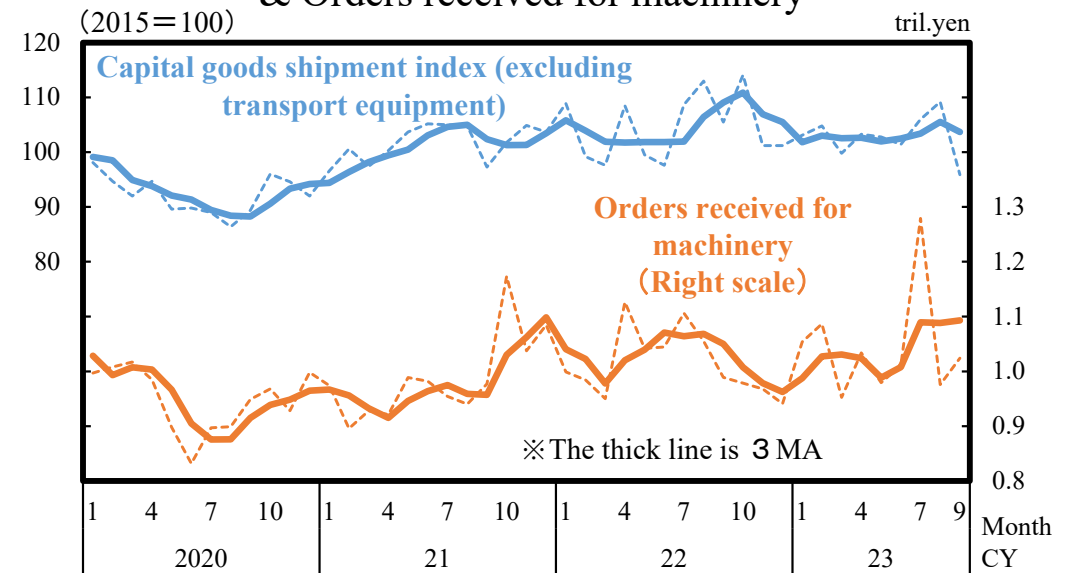
(Note) (9-2) The value for Japan is as of 2023.Q3(annualized). The others are as of 2022CY.

# Business investment appears to be pausing for picking up.

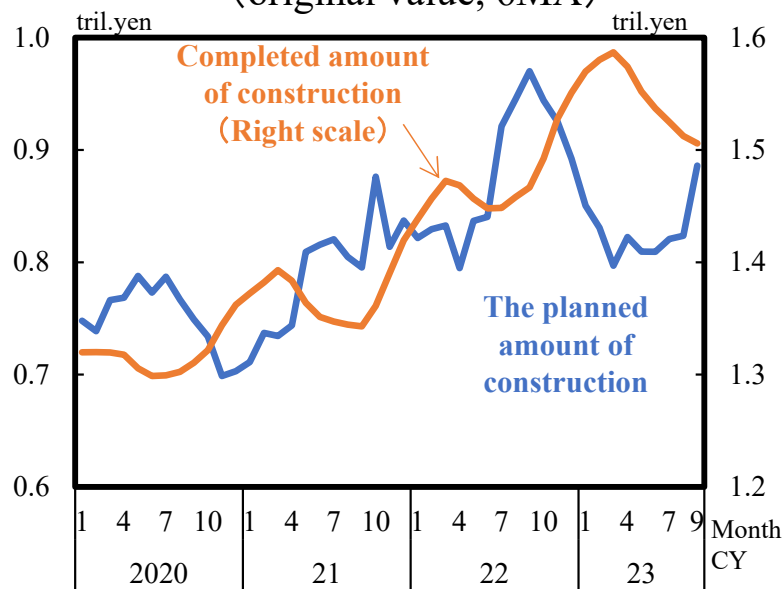
## Planned business investment & actual value (BOJ Tankan)



## Capital goods shipment index (excluding transport equipment) & Orders received for machinery



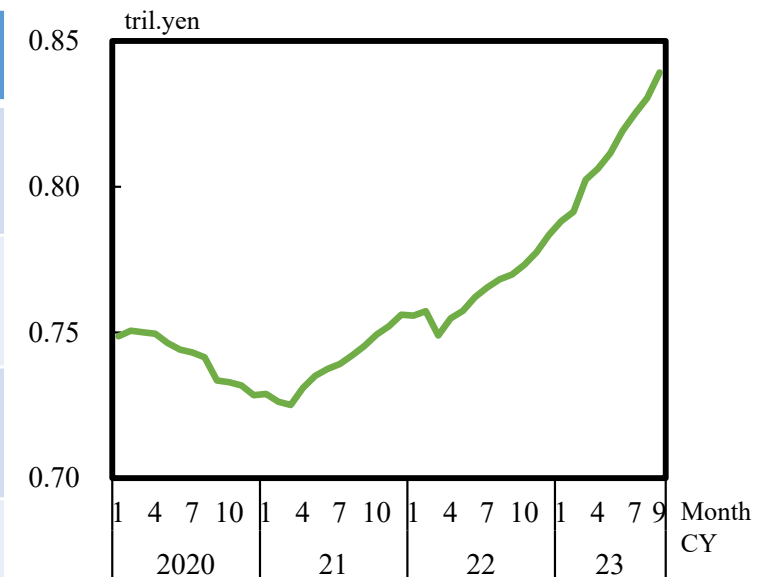
## The planned amount of construction (Non-dwelling) & completed amount of construction (original value, 6MA)



## (Reference) Recent construction of new factories examples of large projects

start date	Industry (place)	contents
2022 spring	electrical equipment (Iwate)	2nd memory semiconductor factory
	electrical equipment (Kumamoto)	New logic semiconductor factory
2022 summer	nonferrous metals (Saga)	New silicon wafer factory
2023 autumn	electrical equipment (Hokkaido)	New factory for advanced logic semiconductors

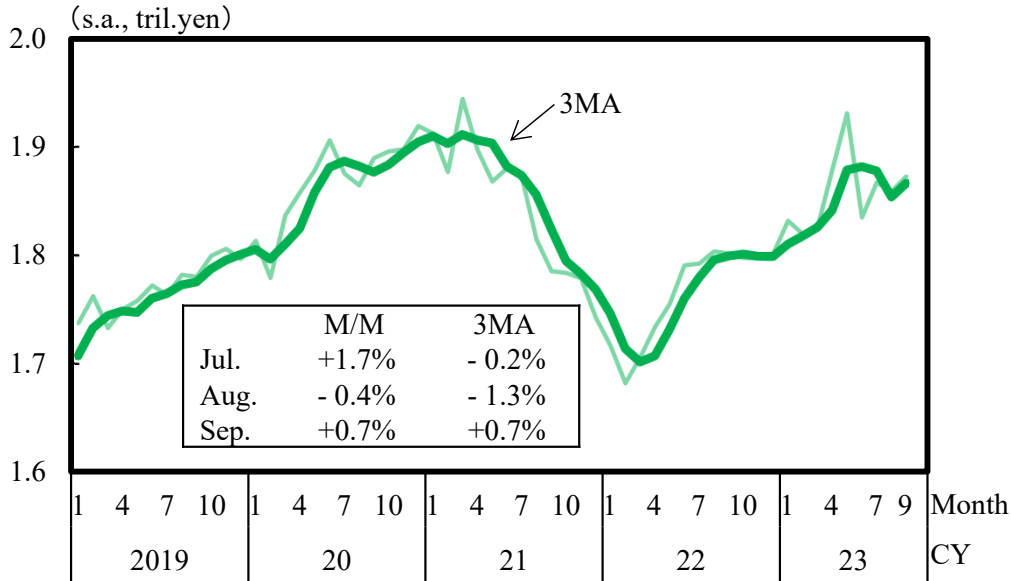
## Order software sales (original value, 12MA)





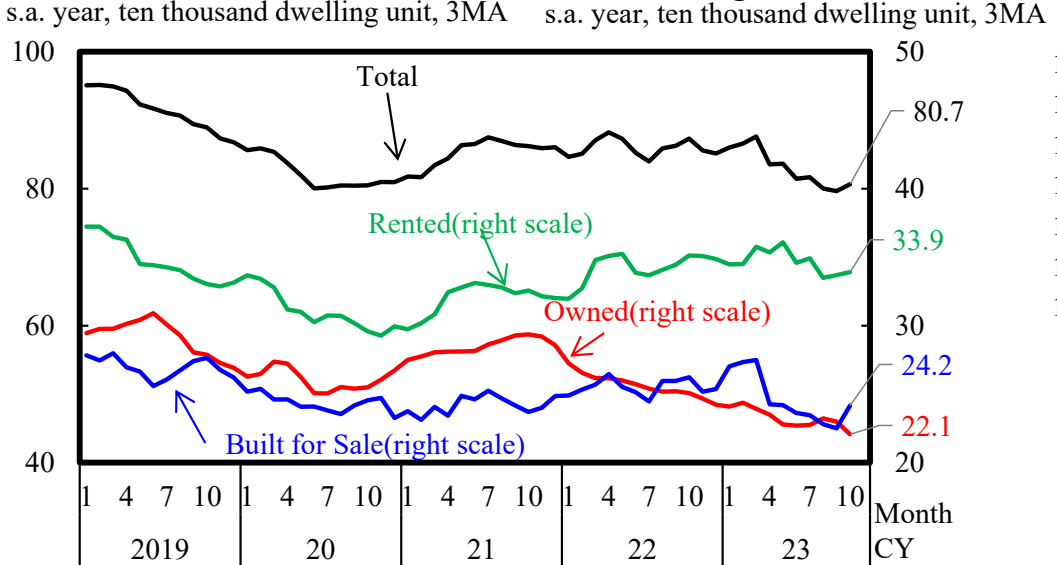
( 11- 1) Public investment holds firm.

Amount of public construction completed



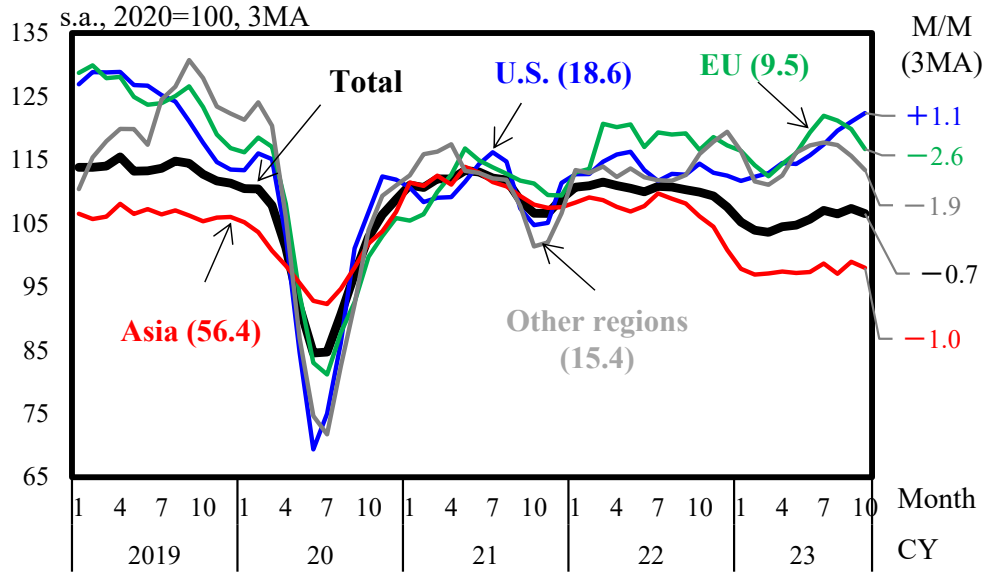
(11 - 2) Housing construction is in a weak tone.

New construction starts of dwellings



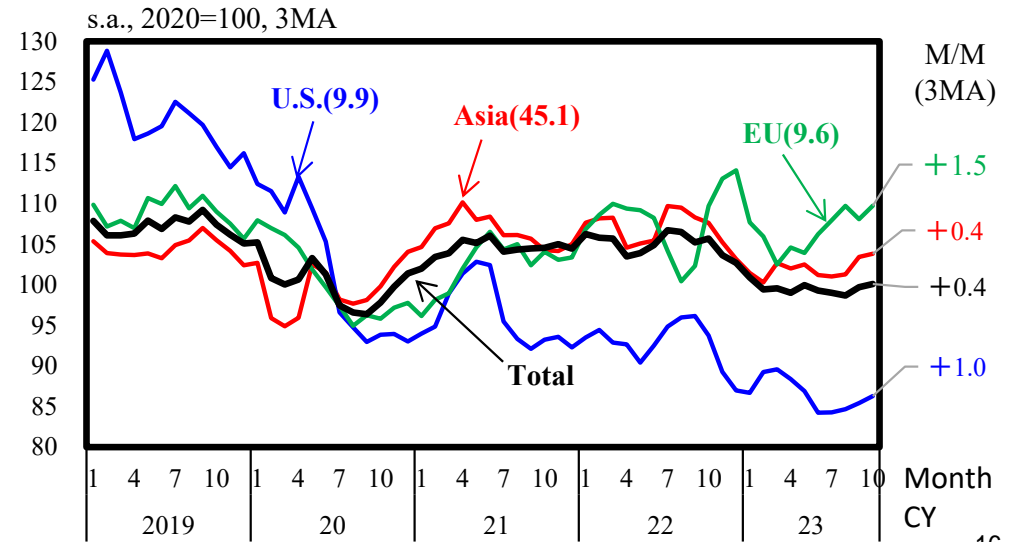
( 11- 3) Exports show movements of picking up recently.

Export volume index (by region)



(11 - 4) Imports are almost flat.

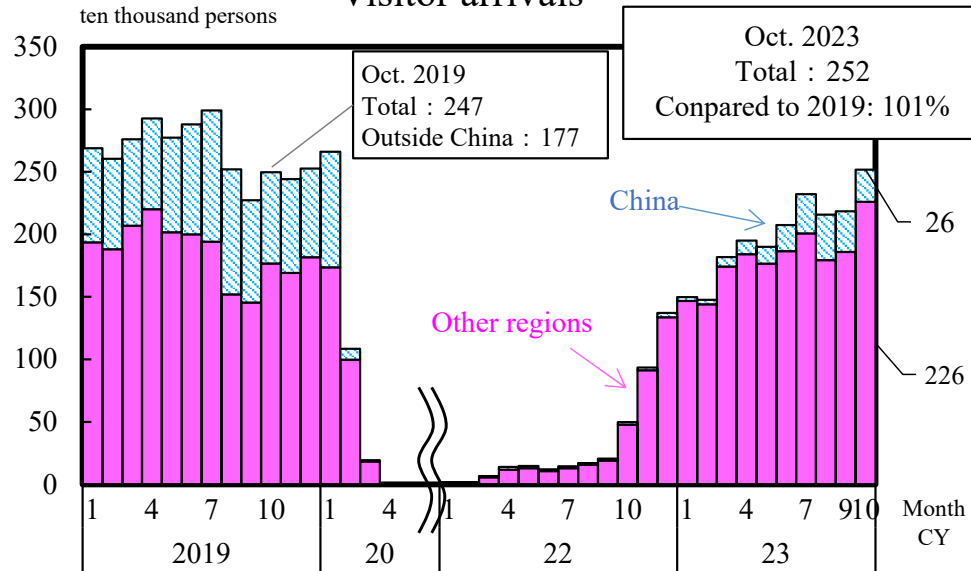
Import volume index (by region)



Sources: Ministry of Land, Infrastructure, Transport and Tourism; Ministry of Finance

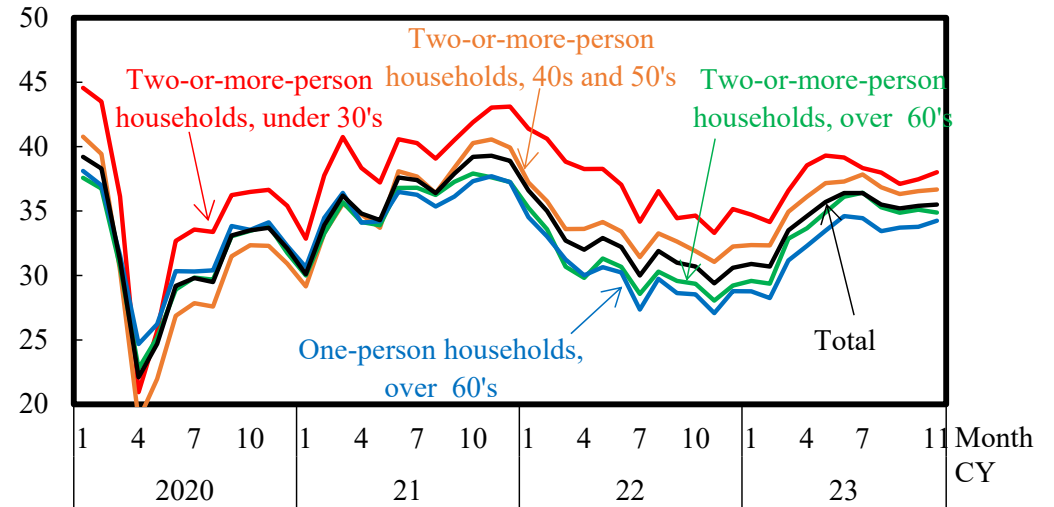
### (12-1) Inbound

#### Visitor arrivals

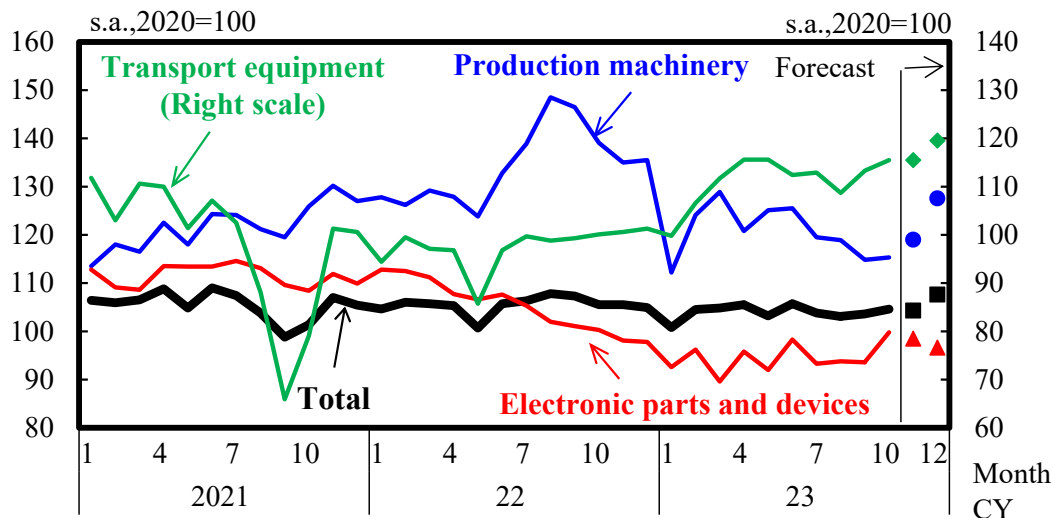


(12-3) Consumer confidence has appeared to be pausing for picking up recently.

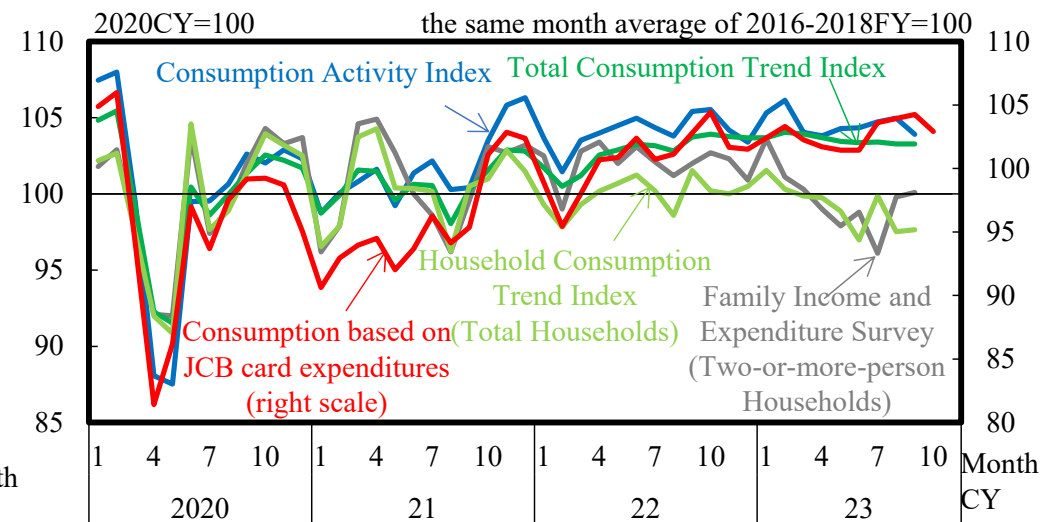
#### Consumer Confidence Index



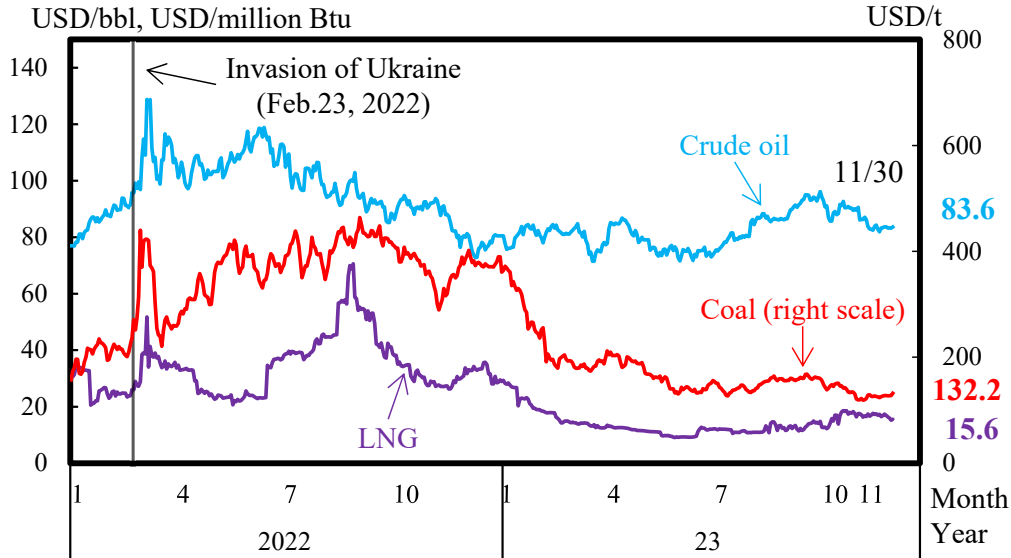
(12-2) Industrial production shows signs of picking up.



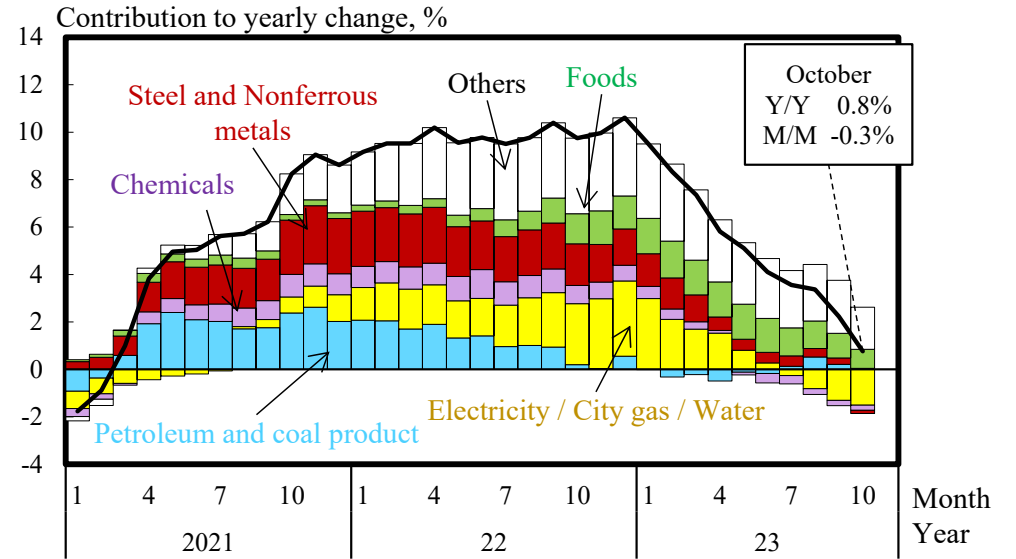
(12-4) Various real consumption indicators



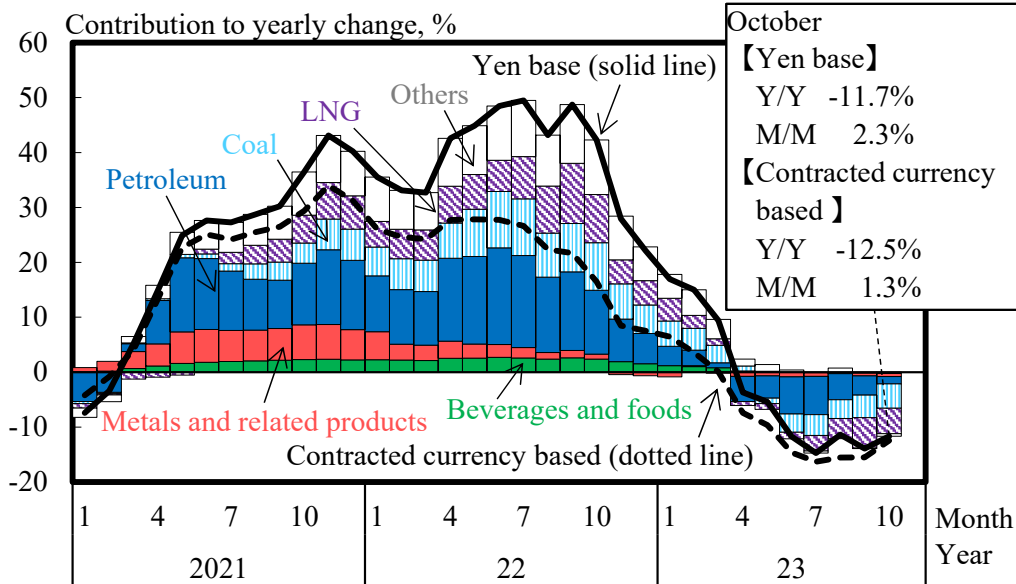
### (13-1) Commodity Prices



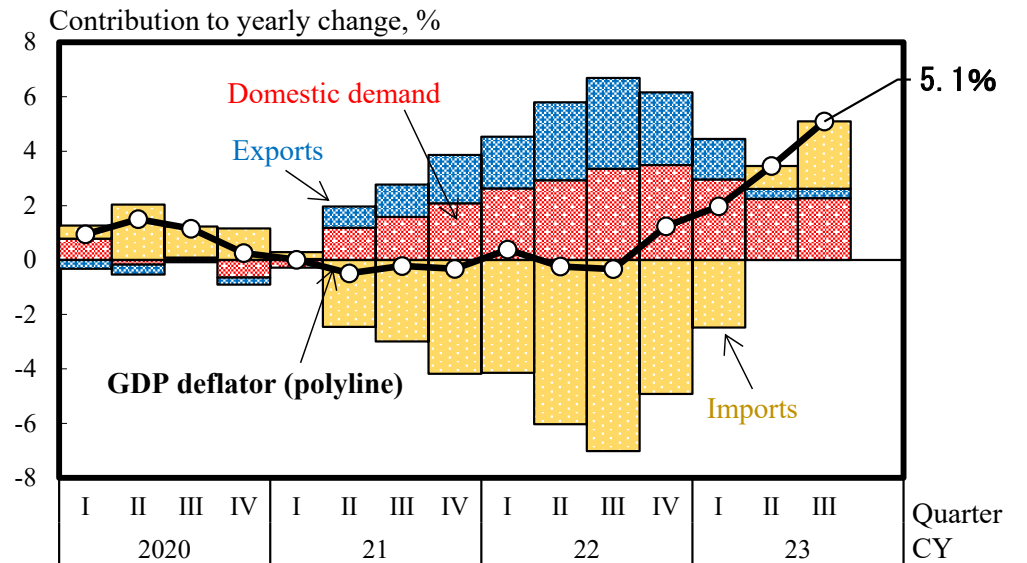
### (13-3) Corporate Good Price Index



### (13-2) The import price index



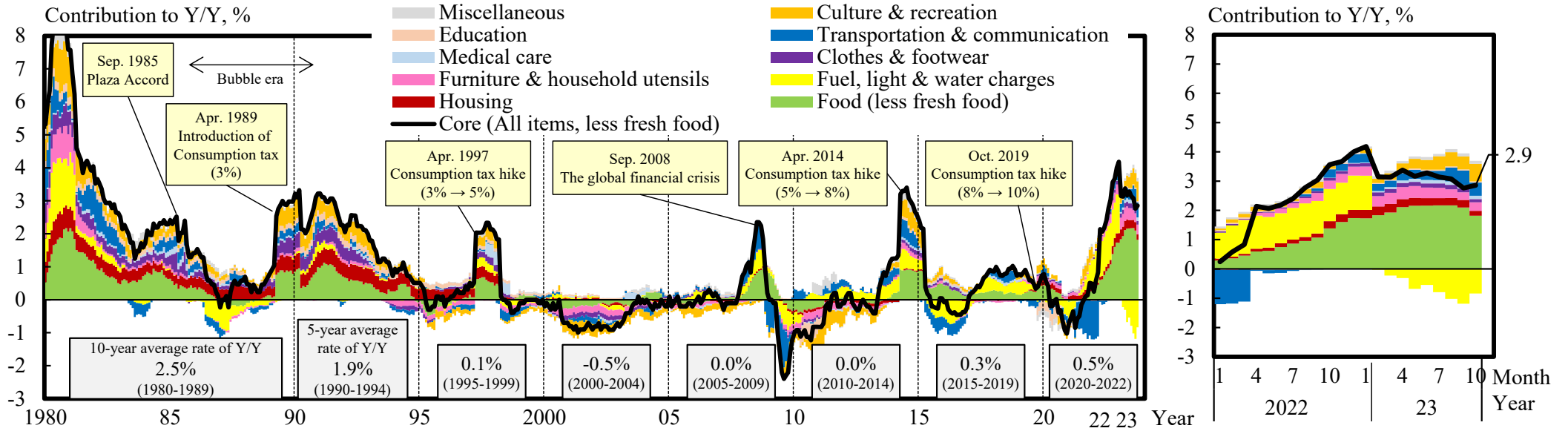
### (13-4) GDP deflator



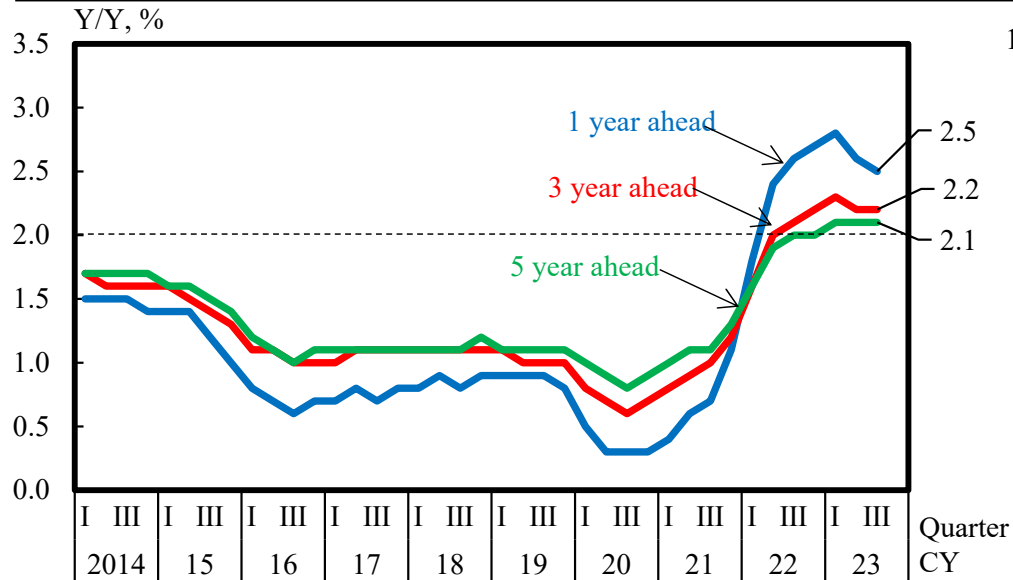
Sources: NIKKEI NEEDS, Bloomberg, Bank of Japan, Cabinet Office.

# (14-1) Long-Term Transition of Consumer Price Index

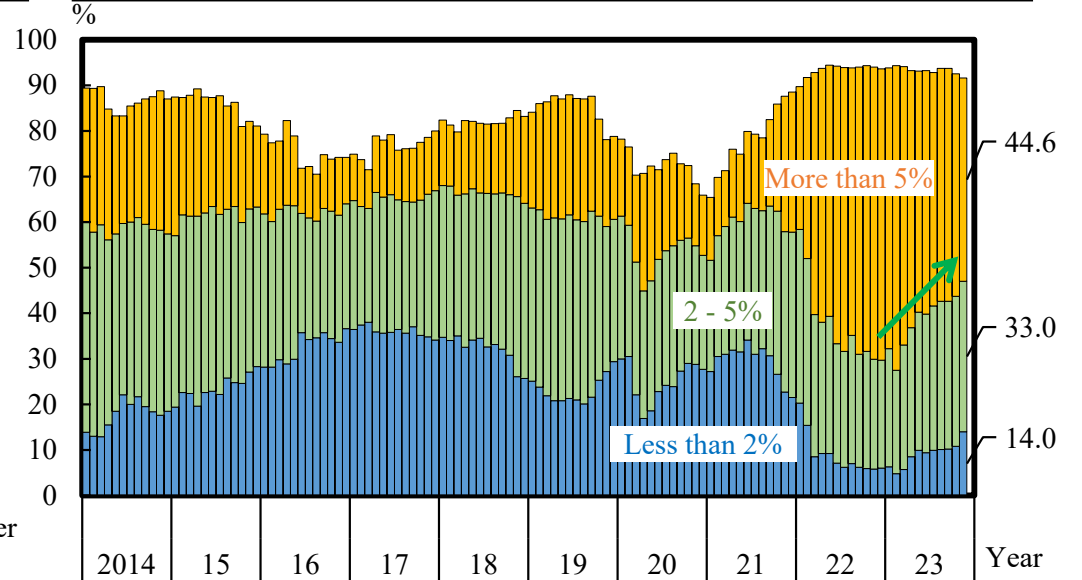
## Core (All items, less fresh food)



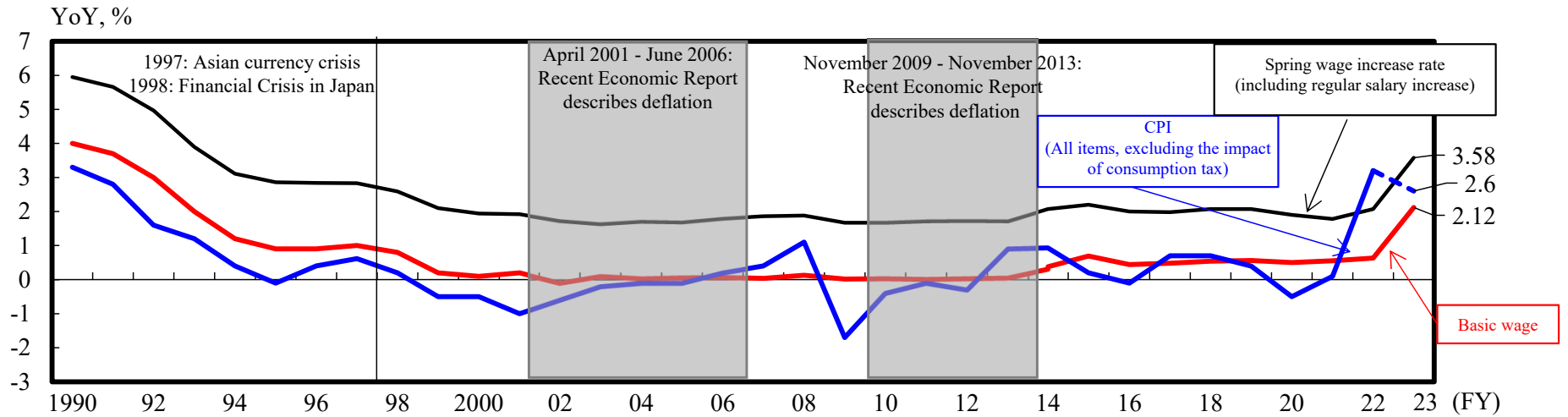
## (14-2) The Enterprises' Expectation of Consumer Prices



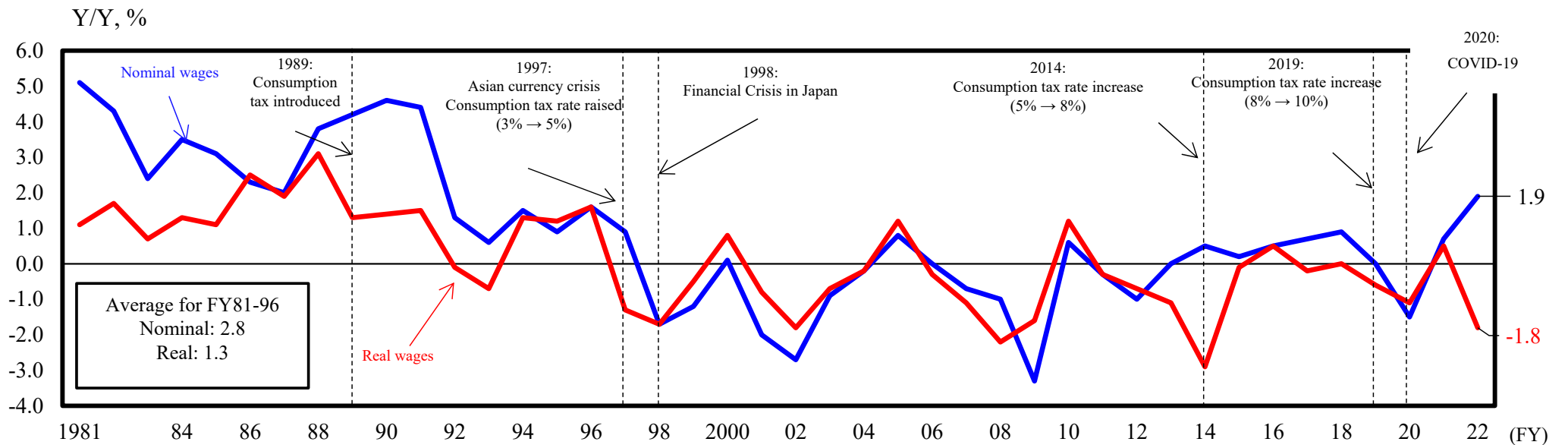
## (14-3) The Consumers' Expectation of Consumer Prices a Year Ahead



# Spring wage increase rate and price increase rate

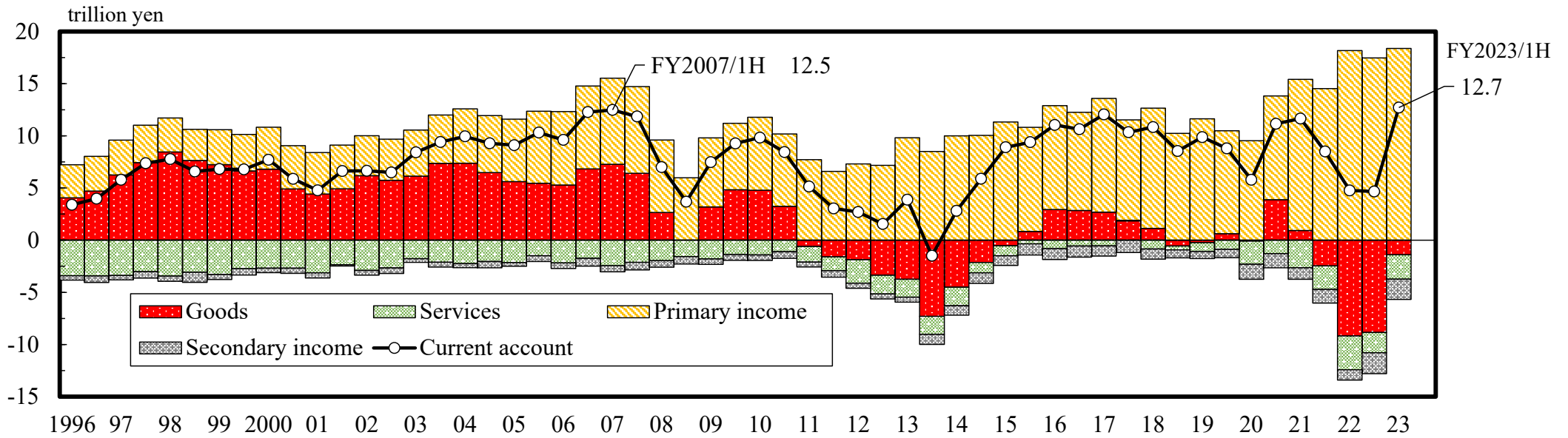


# Long-term per capita wage growth rate

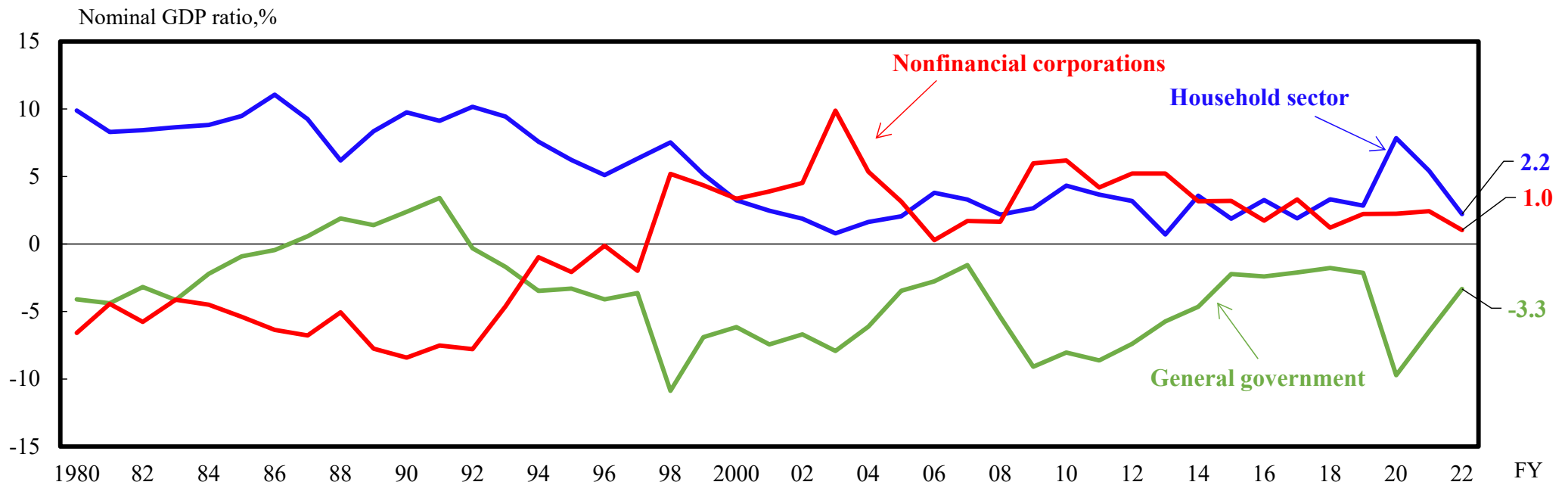


Source: Japanese Trade Union Confederation; Central Labor Relations Commission, Japan; Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare  
Notes: The bottom figure shows total cash wages for total employment type. The real value is the nominal value realized by the CPI (total excluding imputed rent for owner-occupied houses). The figures for FY1981-1990 are for establishments with 30 or more workers, and those for FY1991 and thereafter are for establishments with 5 or more workers. The average is calculated as the geometric mean of growth rates.

# Current account

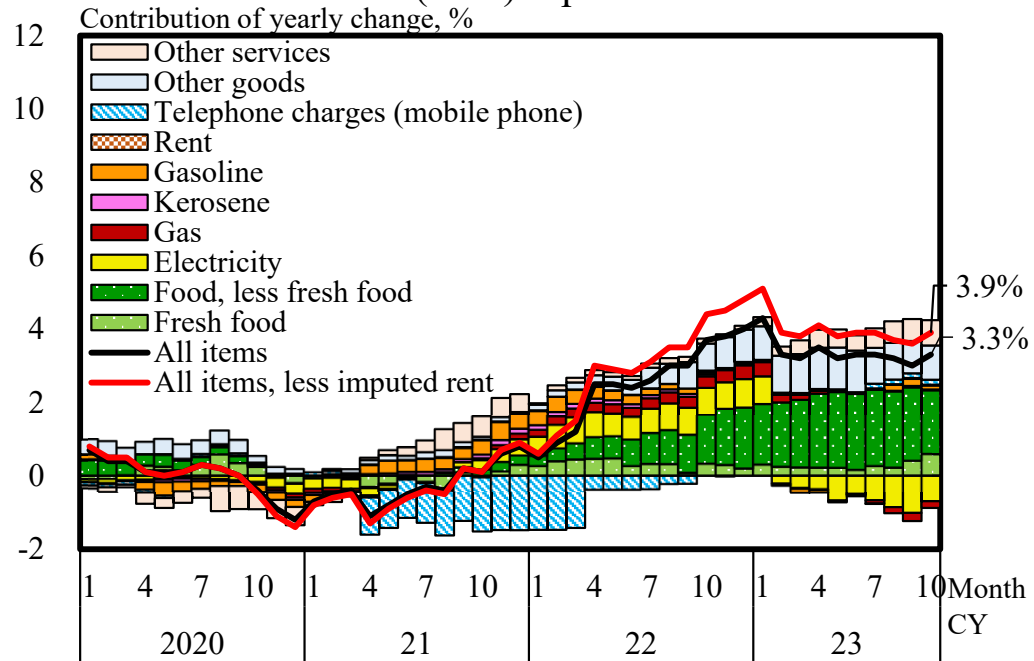


# Balance of investment and saving

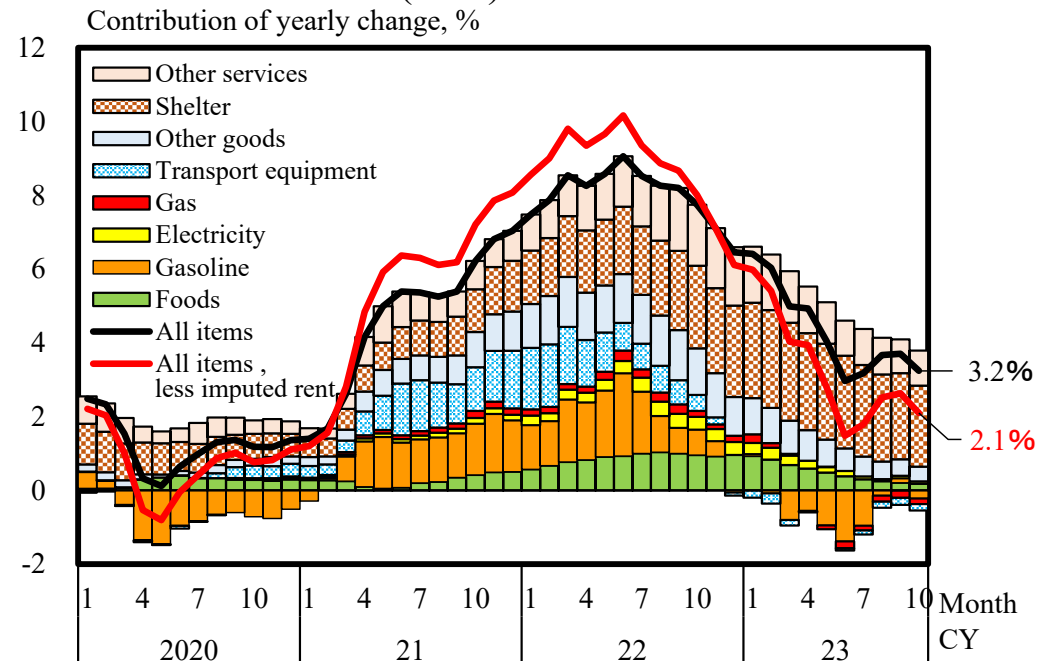


# International Comparison of Consumer Price Index

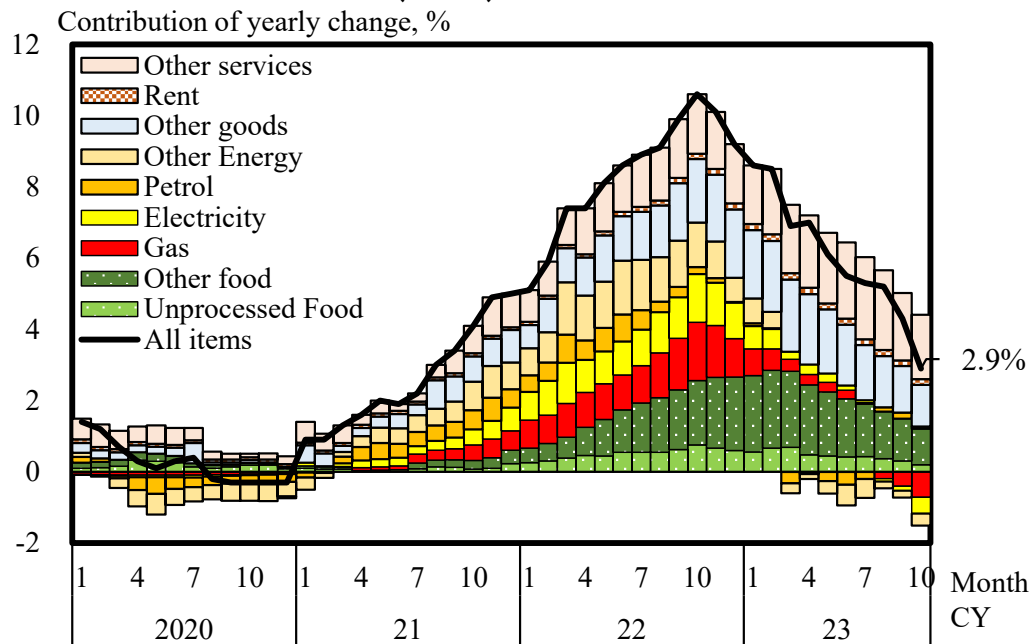
(17-1) Japan



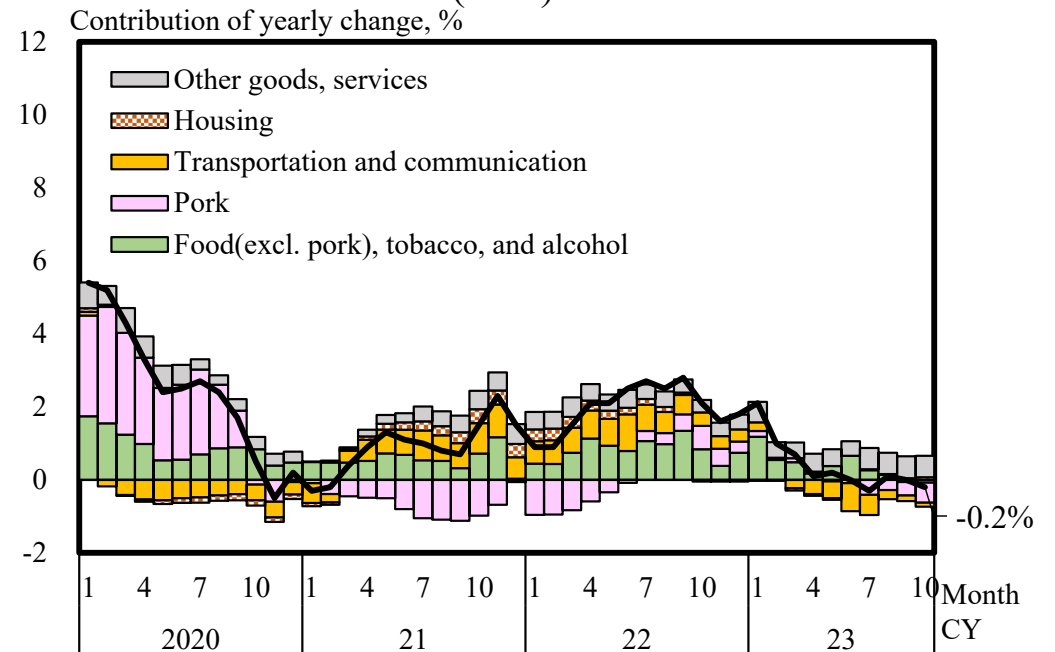
(17-3) U.S.



(17-2) Euro area



(17-4) China



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, U.S. and China.