

Recent Economic Developments

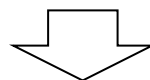
- Monthly Economic Report, May 27 2024 -

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

March

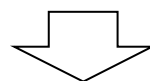
The Japanese economy is recovering at a moderate pace, although it recently appears to be pausing.



April

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(Unchanged)



May

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(Unchanged)

<Assessment of the current state of the Japanese economy>

	March	April	May
Private consumption	Private consumption appears to be pausing for picking up.	Unchanged	Unchanged
Business investment	Business investment shows movements of picking up.	Unchanged	Unchanged
Exports	Export appears to be pausing for picking up.	Unchanged	Unchanged
Industrial production	Industrial production was on the way to picking up, but manufacturing activities has declined recently due to the effects of suspension of production and shipment by some automotive manufacturers.	Unchanged	Industrial production shows movements of picking up recently, although manufacturing activities declined due to the effects of suspension of production and shipment by some automotive manufacturers.(↑)
Corporate profits	Corporate profits are improving as a whole.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are improving.	Firms' judgments on current business conditions are improving. Some manufacturers are affected by the suspension of production and shipment by some automotive manufacturers.(→)	Unchanged
Employment situation	The employment situation shows movements of improvement.	Unchanged	Unchanged
Prices	Consumer prices have been rising moderately.	Unchanged	Unchanged

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

<Short-term prospects>

March

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, the situation in the Middle East and fluctuations in the financial and capital markets. In addition, full attention should be given to the economic impact of the 2024 Noto Peninsula

April

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<Policy stance>

(Monthly Economic Report, , May 27 2024)

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 swiftly and steadily implement the “Comprehensive Economic Measures for Completely Overcoming Deflation: Toward New Stage of the Japanese Economy”, the FY2023 supplementary budget and the FY2024 budget, and compile the "Basic Policies on Economic and Fiscal Management and Reform 2024 (provisional)" and other documents.

Moreover, based on the “Package to Support the Lives and Livelihoods of the Affected People”, reserve funds will be utilized to provide continuous support for the victims of the 2024 Noto Peninsula Earthquake, including the rebuilding of their lives and livelihoods, as well as for the reconstruction of the areas affected by this earthquake.

The Government expects the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner, while confirming the virtuous cycle between wages and prices, by conducting appropriate monetary policy management in light of economic activity, prices and financial conditions.

The Government and the Bank will continue to work closely together to conduct flexible policy management in response to economic and price developments.

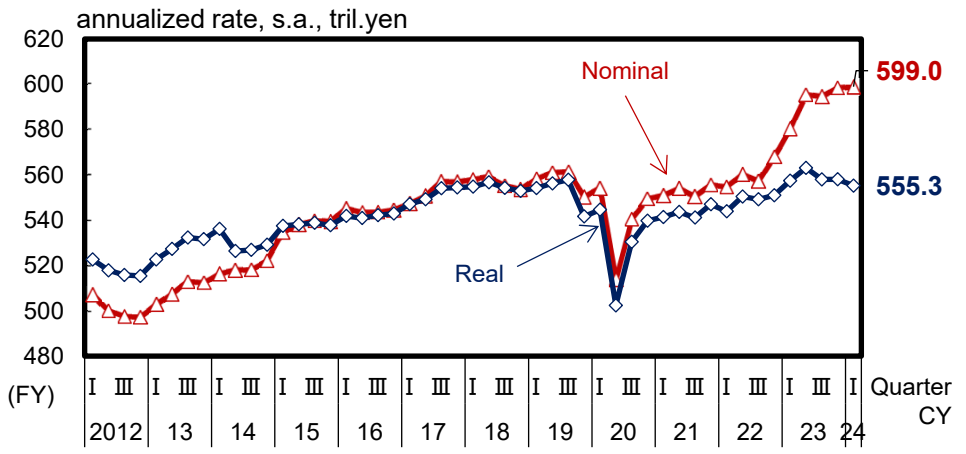
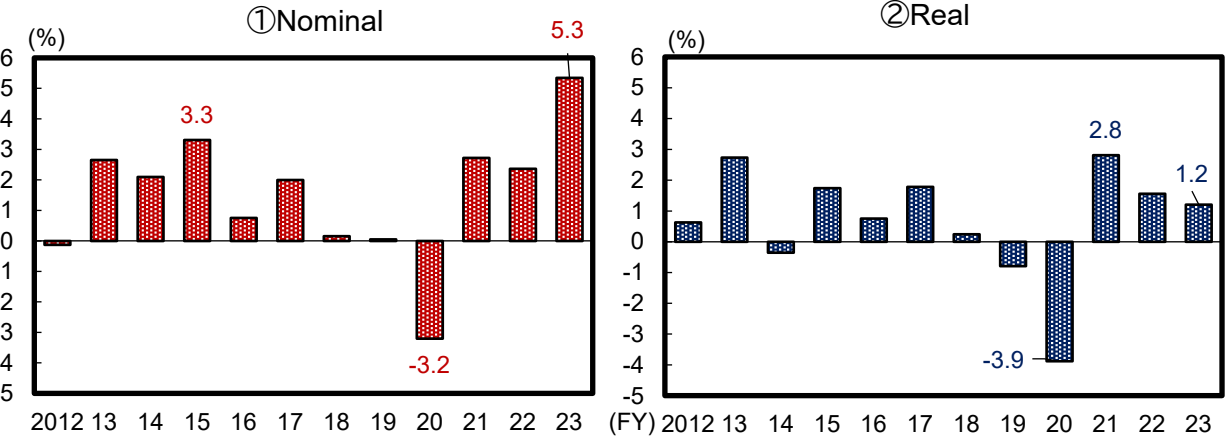
Through these managements, the Government and the Bank will foster widespread recognition among the public that there is no going back to deflation, and leading to an end to deflation. Then, the government will mobilize all possible policy measures to transform the Japanese Economy into a new growth-oriented economy.

Gross Domestic Product: 1st Preliminary Estimates for 2024Q1

- ◆ Nominal GDP growth rate in FY2023 was 5.3% (highest since FY1991).
- ◆ Real GDP in 2024Q1 decreased by 0.5% on QoQ. Real Private Consumption and Real Business Investment decreased by 0.7%, and 0.8%. In addition, Real Exports decreased by 5.0% partly because the large service export hike in the previous quarter had faded away.

(1-1) GDP growth rate (FY)

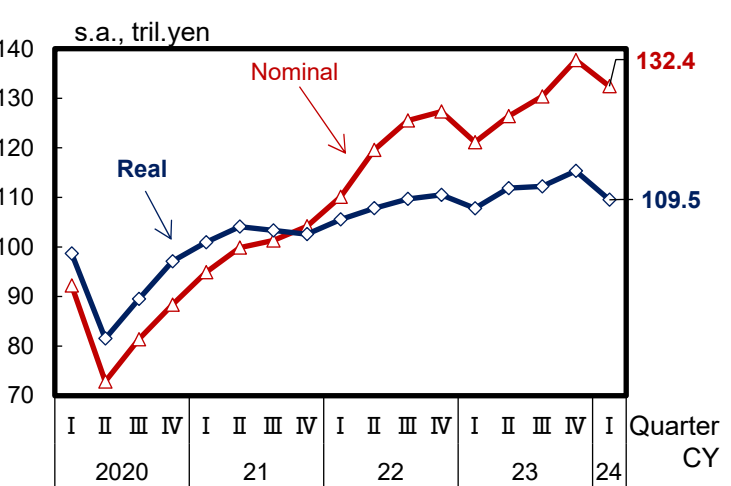
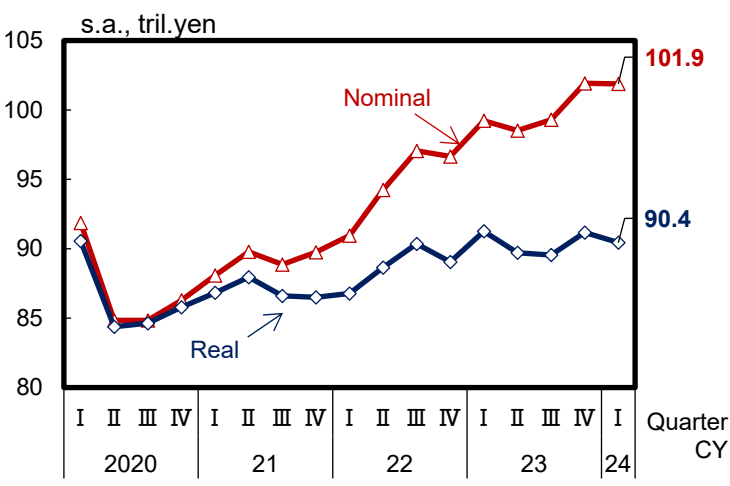
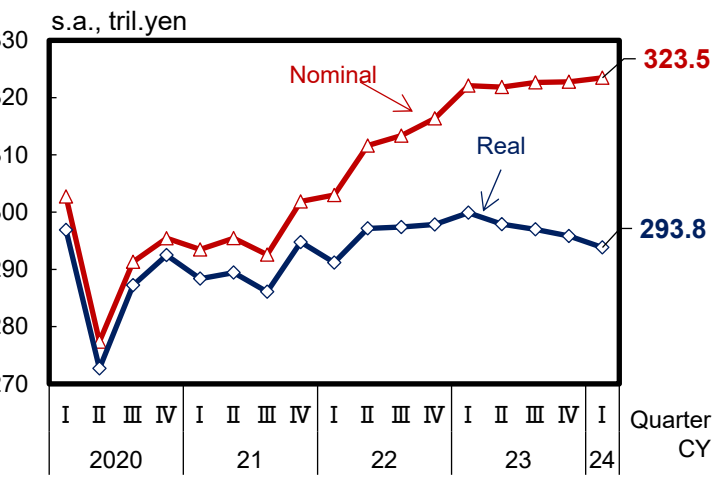
(1-2) GDP level (Quarterly)



(1-3) Private Consumption

(1-4) Business Investment

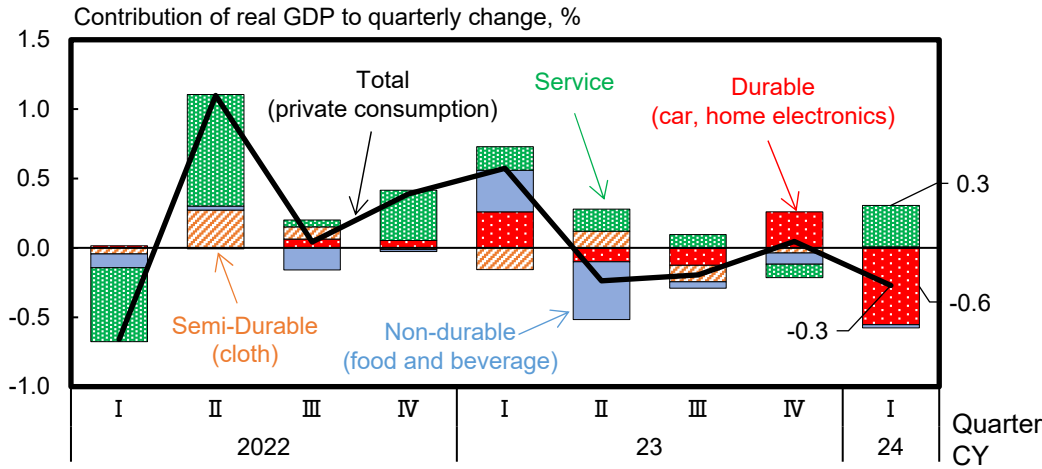
(1-5) Exports



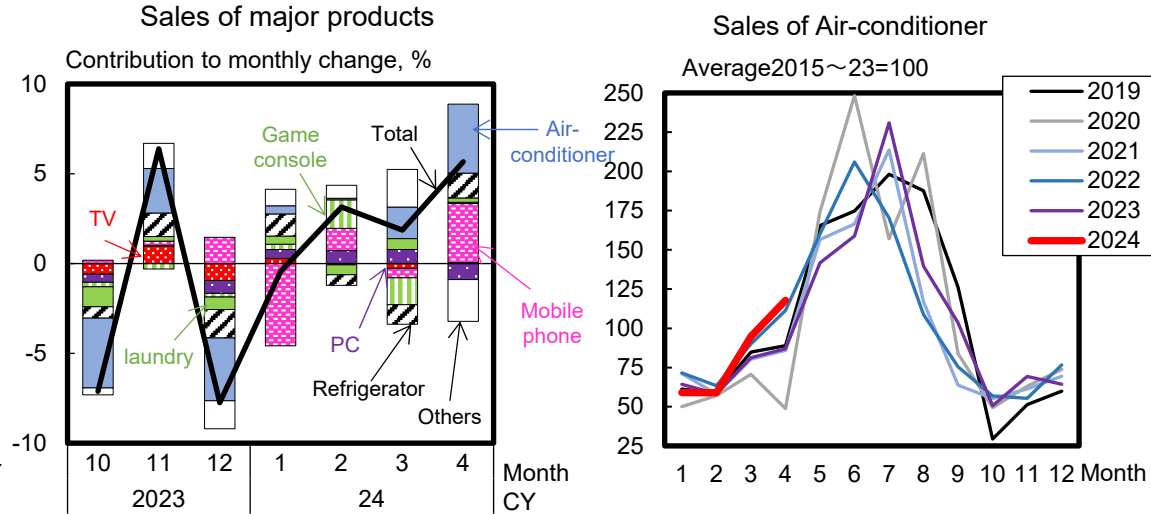
Private Consumption

◆ Private consumption appears to be pausing for picking up.

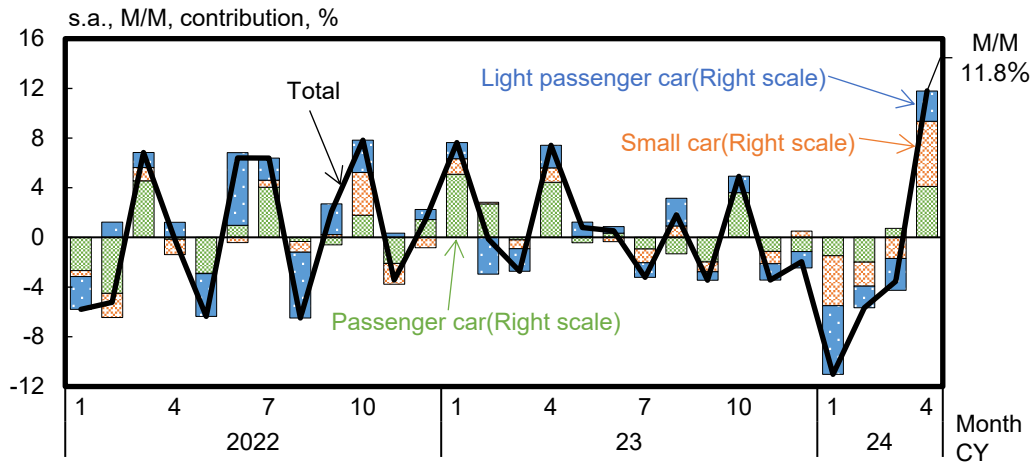
(2-1) Contribution of real private consumption to real GDP



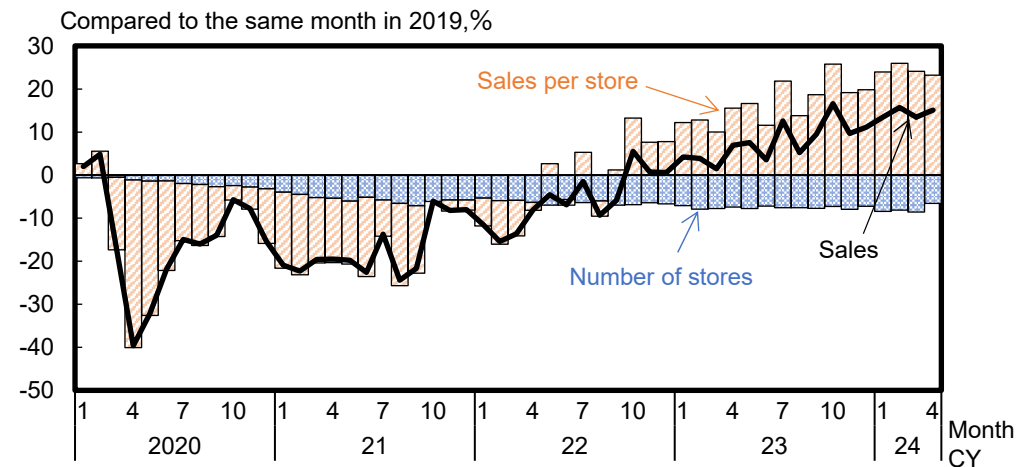
(2-3) Sales of home electronics (POS data)



(2-2) New automobile sales



(2-4) Breakdown of Food Service Sales



Wage

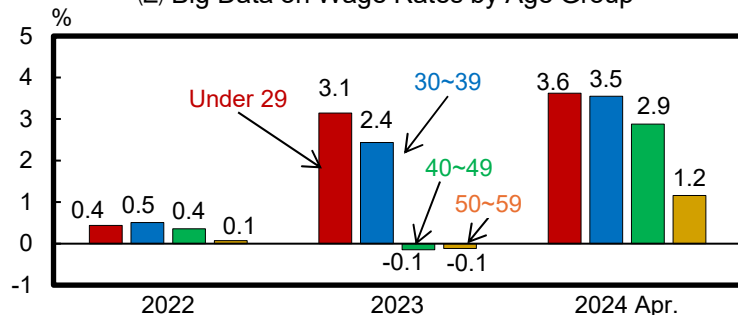
◆ The employment situation shows movements of improvement.

(3-1) *Shunto*(annual wage negotiation) Wage Rates and Big Data on Wage Rates by Age Group

(1) *Shunto* Wage Rates (Fifth tally)

	%
2022	0.62
2023	2.14
2024	3.57

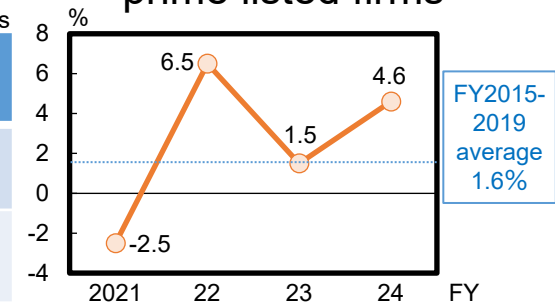
(2) Big Data on Wage Rates by Age Group



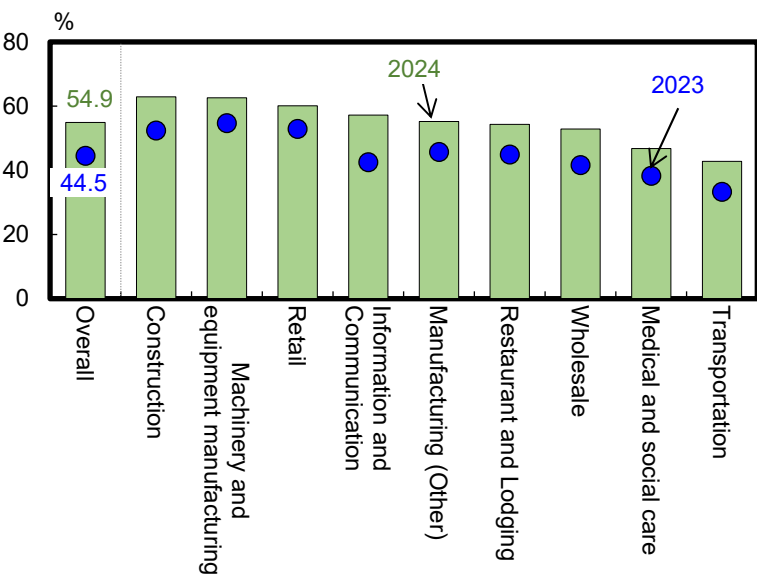
(3-4) Trends in summer lump-sum payments (Fifth tally)

	2024	2023	yearly difference
Summer	2.52	2.39	+0.13
(Reference) Yearly	5.05	4.88	+0.17

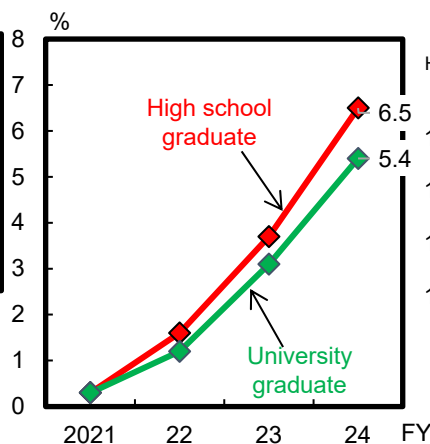
(3-5) Compensation level of summer bonuses for TSE prime listed firms



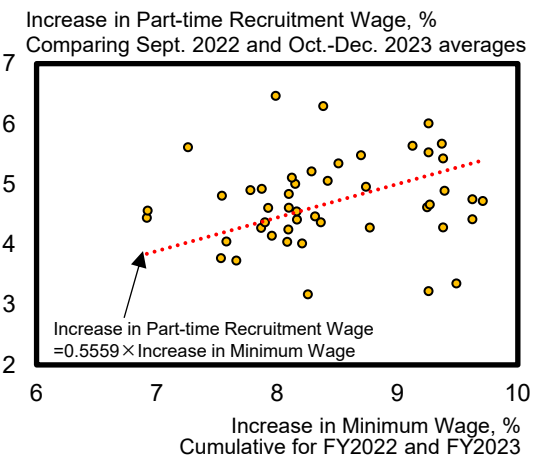
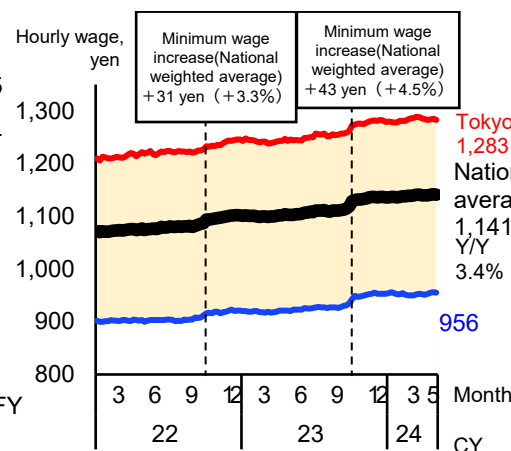
(3-2) Percentage of firms that increased starting salaries by industry



(3-3) Increase in starting salaries for TSE Prime listed firms



(3-6) Relationship between Part-time Recruitment Wage (Big Data) and Minimum Wage Increase Rate by Prefecture



Source : Payroll Inc.; Japanese Trade Union Confederation (RENGO); Recruit Works Institute; The Institute of Labour Administration; HRog Co.,Ltd.

Note : (figure upper left(2)) 2022 and 2023 are April-July average y/y comparisons; 2024 is April y/y comparisons.

(figure below center) Based on TSE 1st section listed companies in 2021 and TSE prime listed companies in 2022 and beyond.

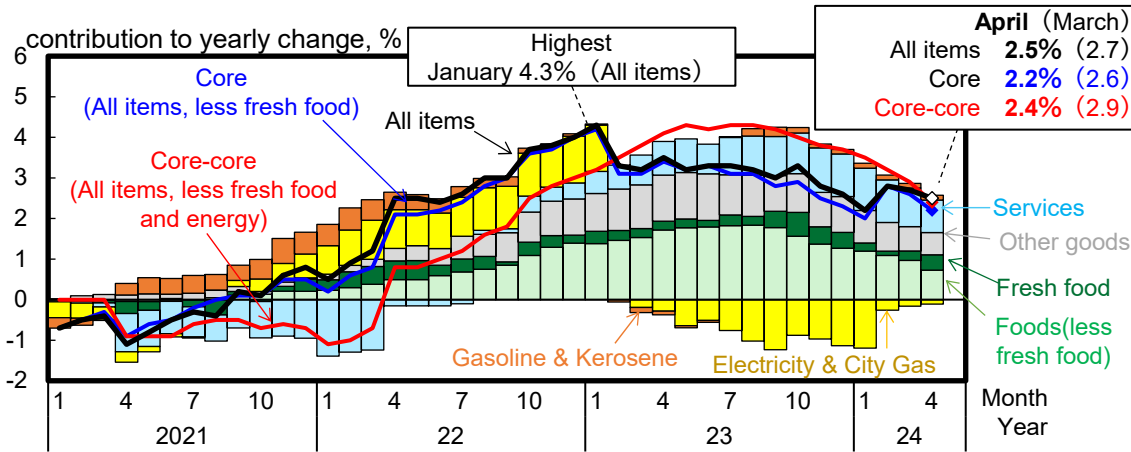
(figure upper right) Based on TSE 1st section listed companies in 2021 and TSE prime listed companies in 2022 and beyond.

(figure below right) HRog Co.,Ltd.

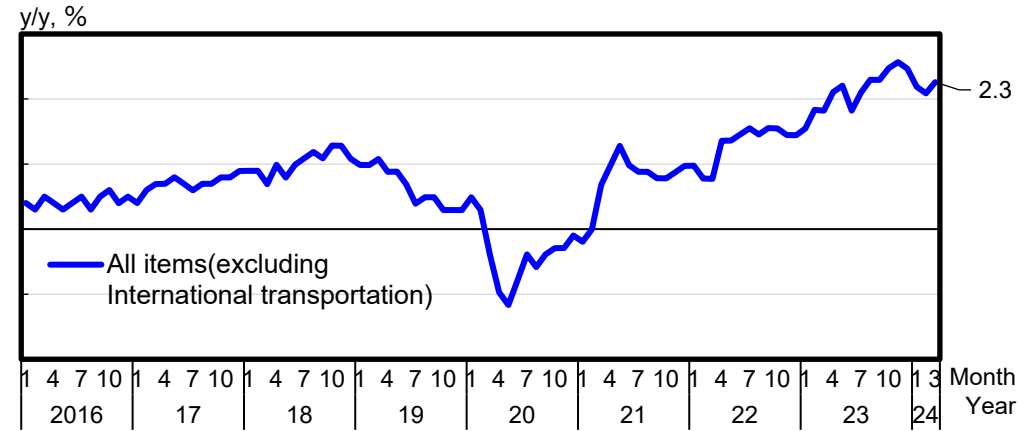
Prices

- ◆ Producer prices have been rising moderately recently.
- ◆ Consumer prices have been rising moderately.

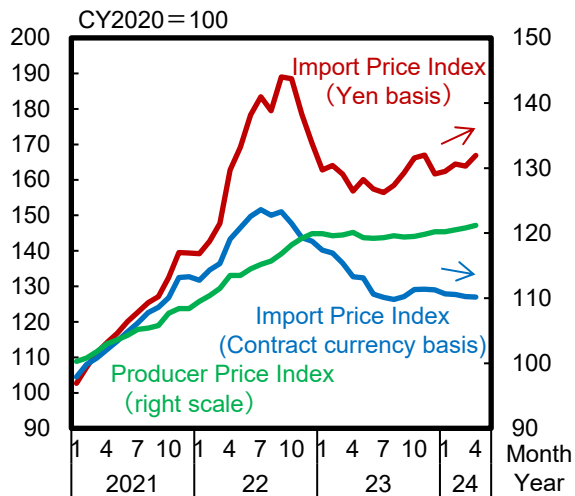
(4-1) Consumer Price Index



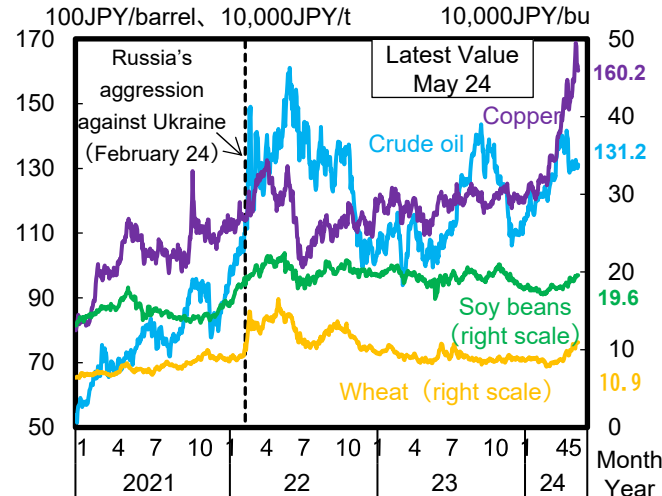
(4-4) Services Producer Price Index



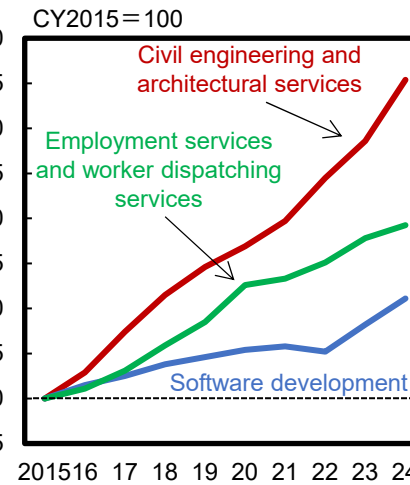
(4-2) Producer Price Index and Import Price Index



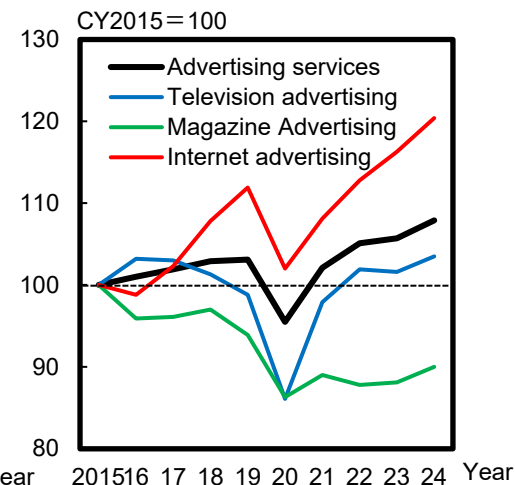
(4-3) Commodity Markets (Yen basis)



(4-5) Examples of items whose prices are rising due to labor costs



(4-6) Example of items showing structural changes

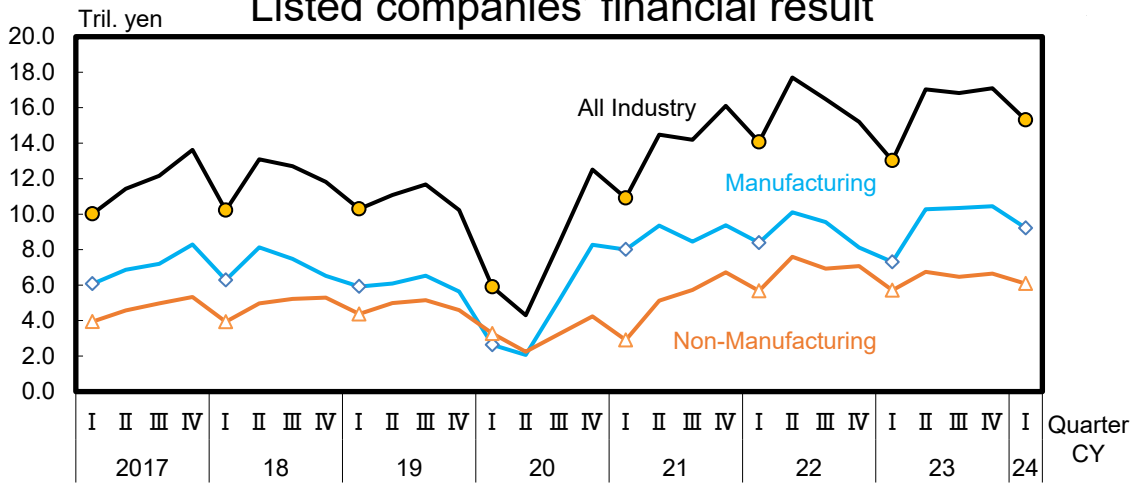


Source: Ministry of Internal Affairs and Communications; Bank of Japan; Bloomberg
 Note: The 2024 values in figure(4-5) and (4-6) represent the January-March period.

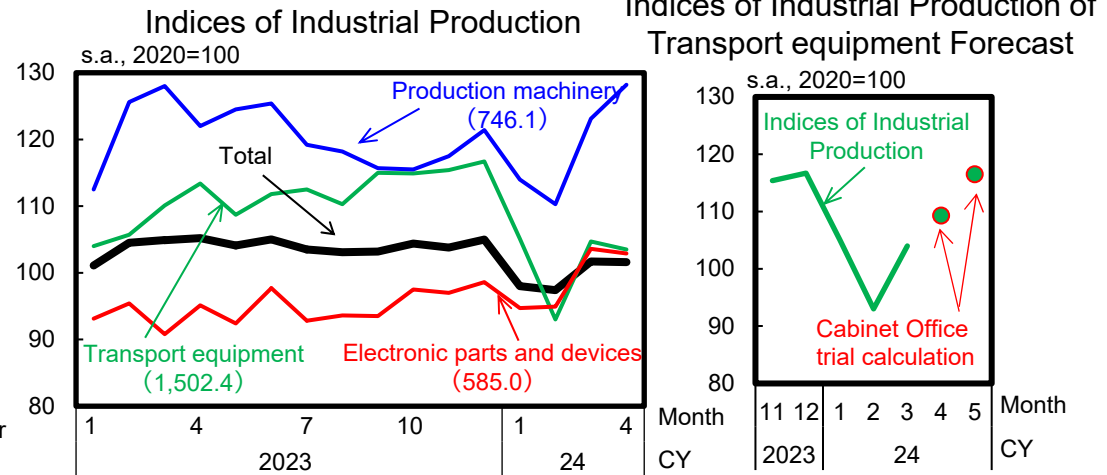
Corporate Profits and Industrial Production

- ◆ Corporate profits are improving as a whole.
- ◆ Industrial production shows movements of picking up recently, although manufacturing activities declined due to the effects of suspension of production and shipment by some automotive manufacturers.

(5-1) Ordinary income in Listed companies' financial result

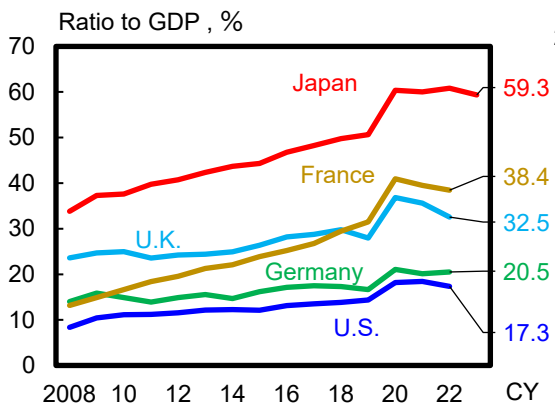


(5-3) Industrial Production

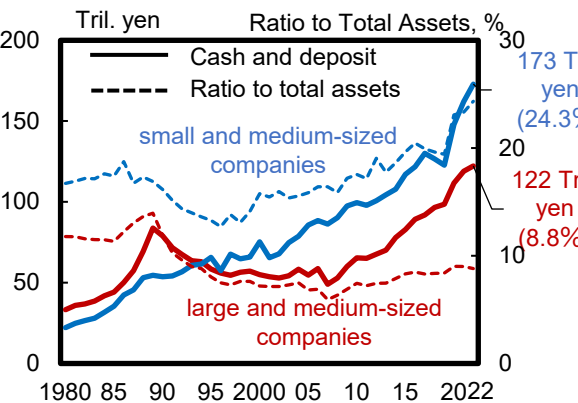


(5-2) Cash and deposits of companies

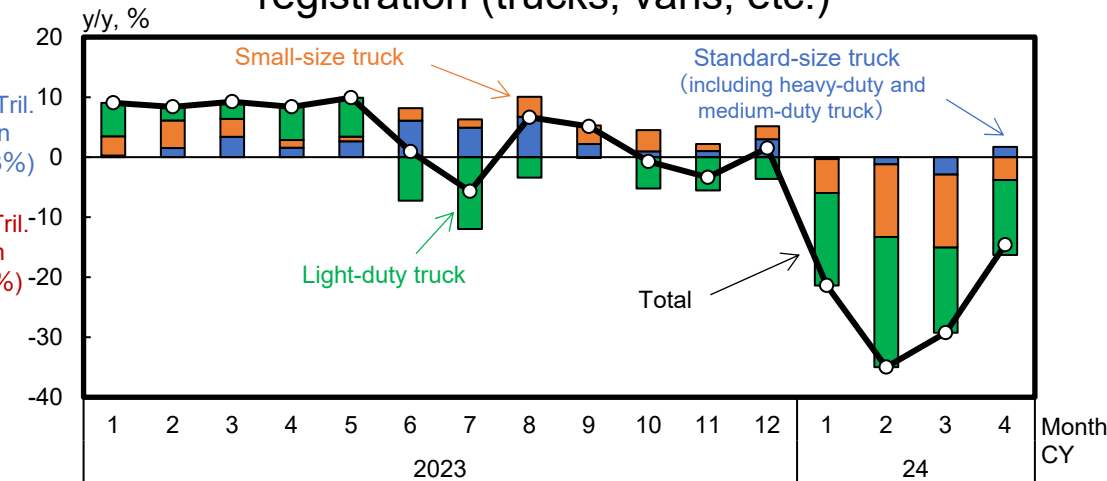
International comparison



By size of company



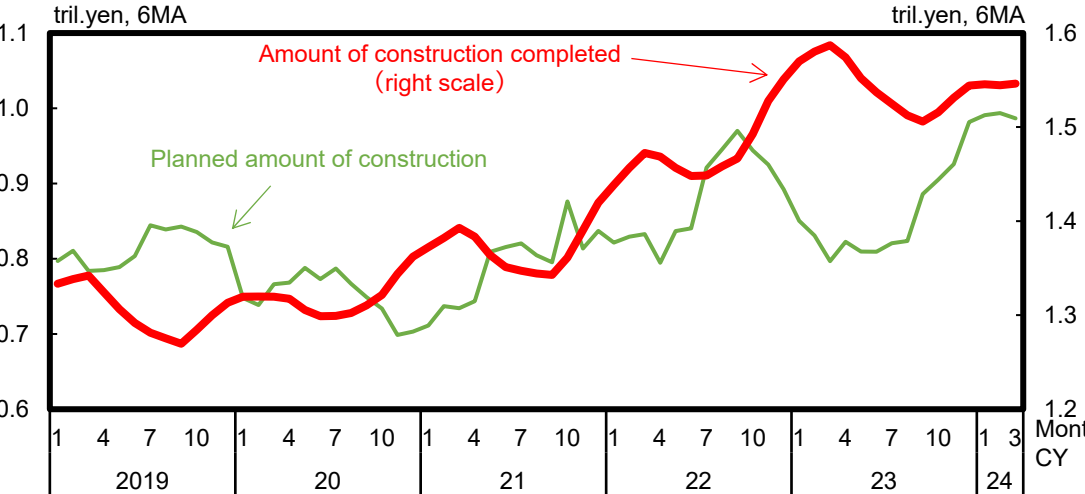
(5-4) The number of new vehicle registration (trucks, vans, etc.)



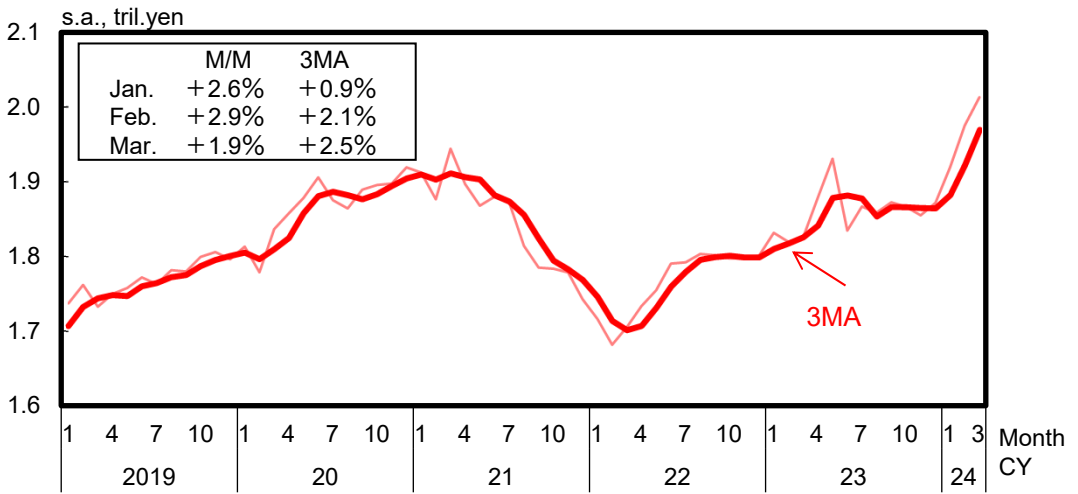
Construction Investment

- ◆ The planned amount of construction is on an upward trend.
- ◆ Public investment shows steady performance, supported by the execution of disaster reduction and mitigation, and building national resilience budgets. The backlog of public investment remains high and is on an upward trend, and continued manifestation as an investment is expected.

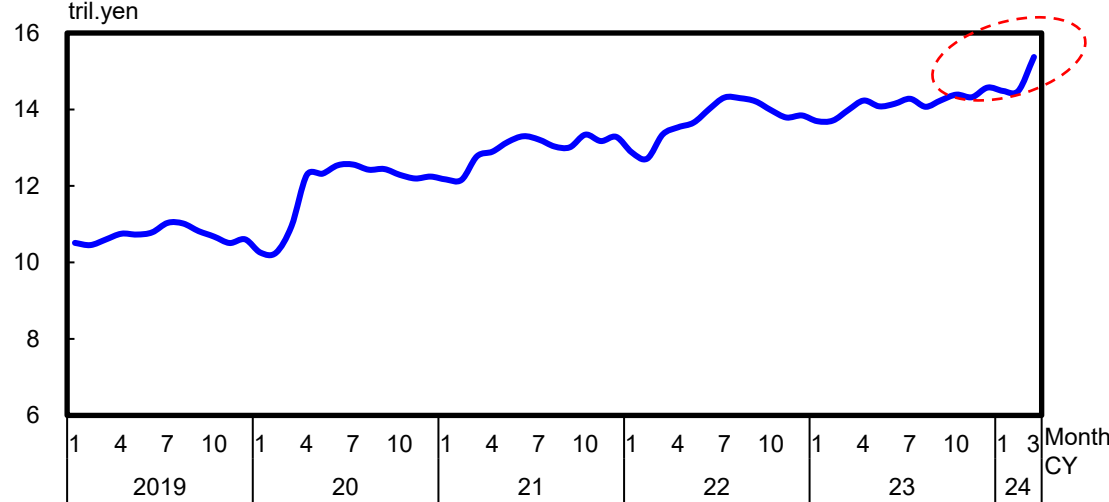
(6-1) Estimate of Construction Investment (Private Sector)



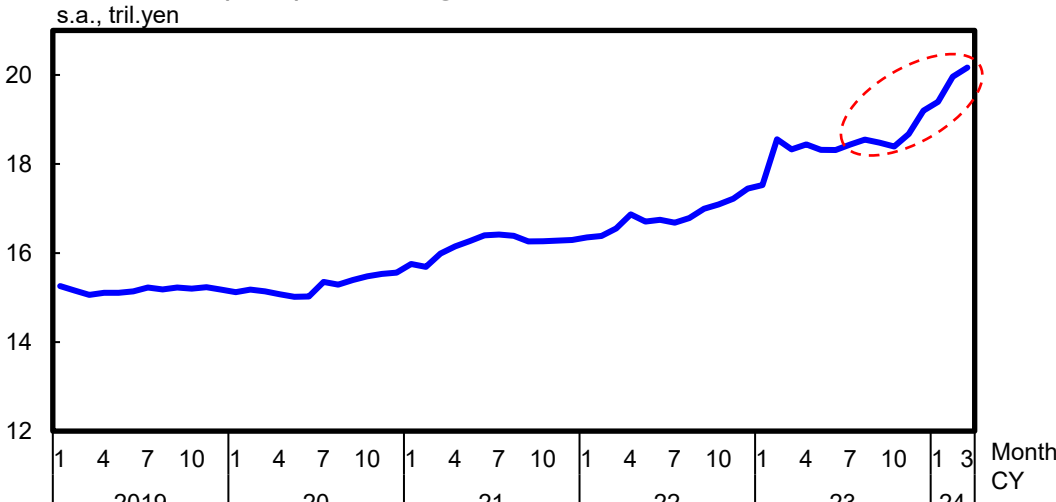
(6-3) Amount of Public Construction Completed



(6-2) Backlog of Construction Investment (Private Sector)



(6-4) Backlog of Public Investment

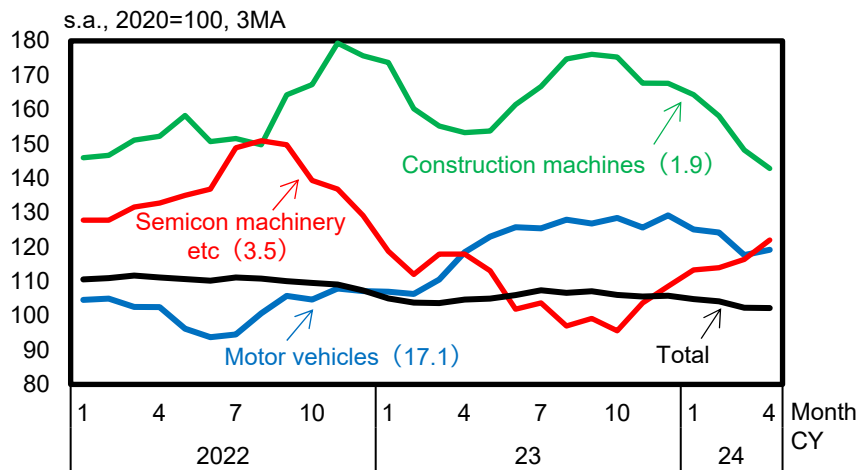


Source: : Ministry of Land, Infrastructure, Transport and Tourism.

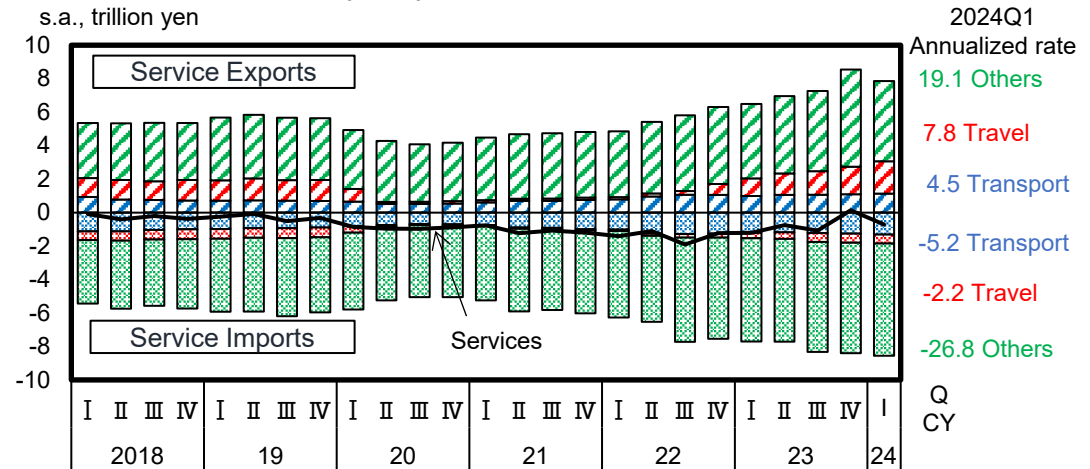
Exports and Balance of Payments

- ◆ Exports appear to be pausing for picking up.
- ◆ Imports are almost flat.
- ◆ The balance of goods and services is in deficit.

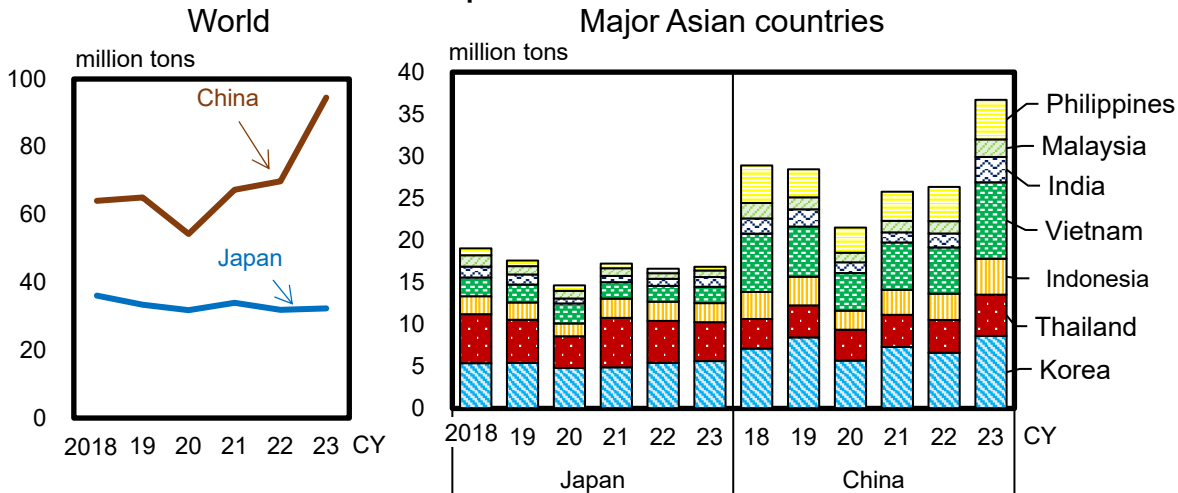
(7-1) Export volume index (by commodity)



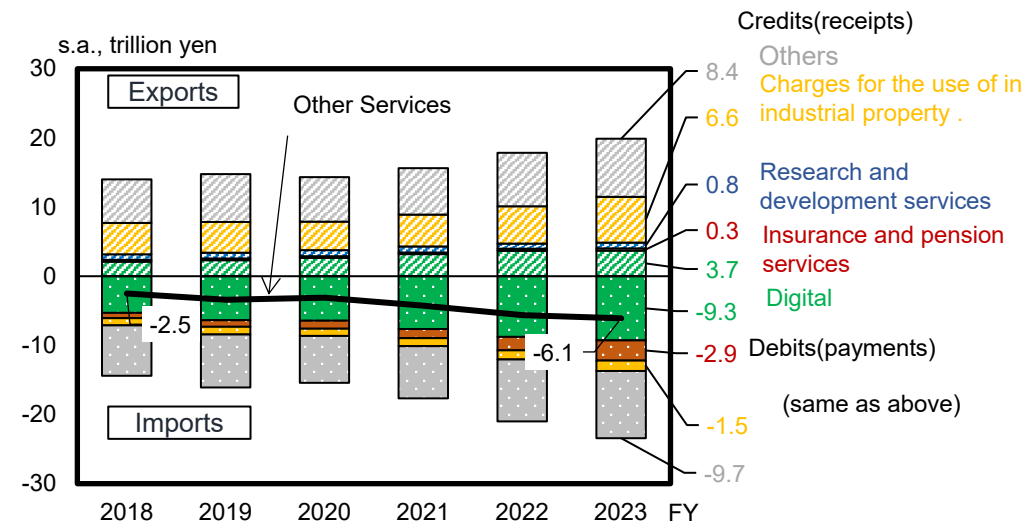
(7-3) Services



(7-2) Iron and steel products exports from Japan and China



(7-4) Other services

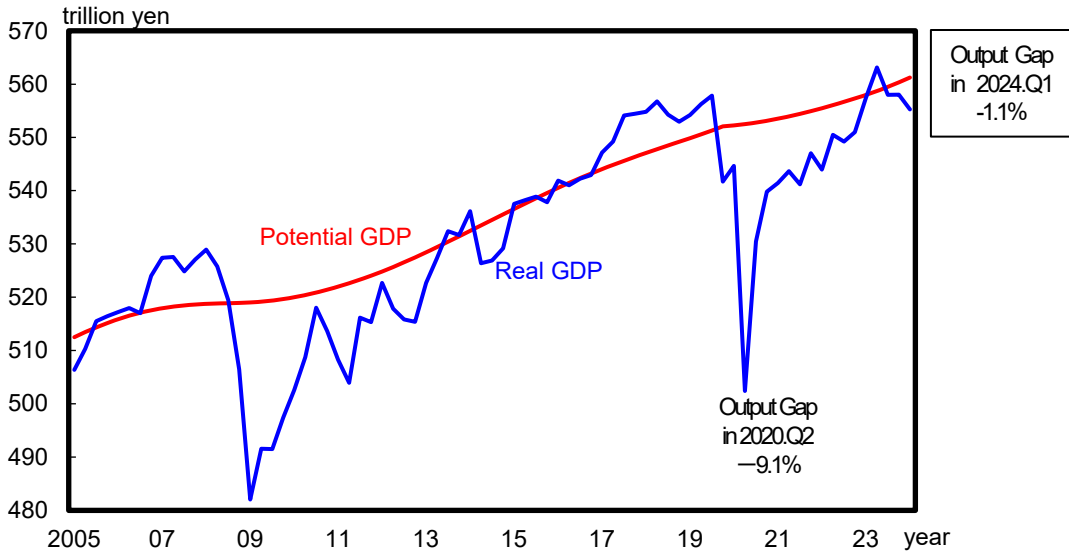


Source: Bank of Japan; Ministry of Finance; UN Comtrade database.

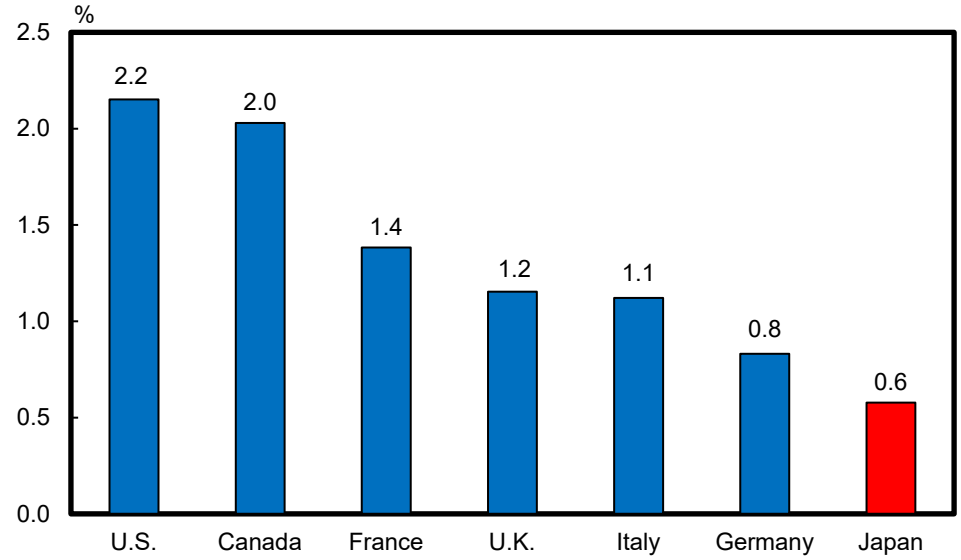
Note: Digital include Charges for use of copyrights n.i.e. Computer services, Professional and management consulting services.

Reference

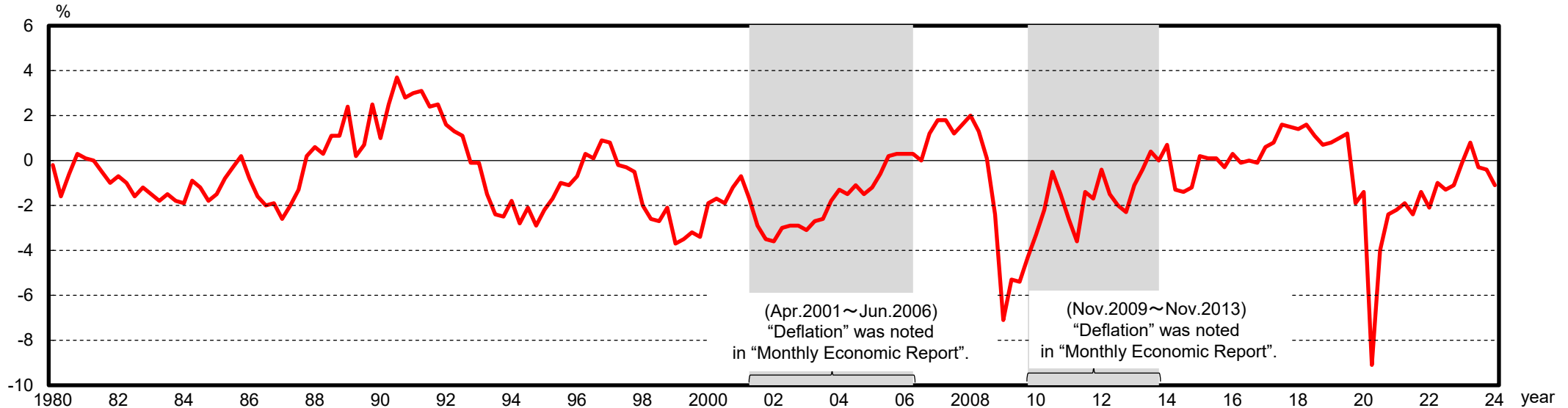
(8-1) Potential GDP and Real GDP



(8-2) Potential GDP growth rate



(8-3) Trend in Output Gap

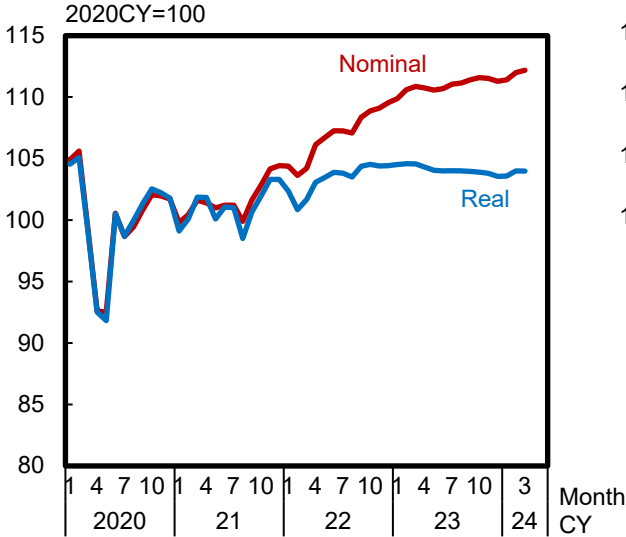


Source : Cabinet Office; Congressional Budget Office; OECD "Economic Outlook No.115".
 Note : (8-2) The value of Japan is average from 2023.Q2 to 2024.Q1. The others are as of 2023CY.

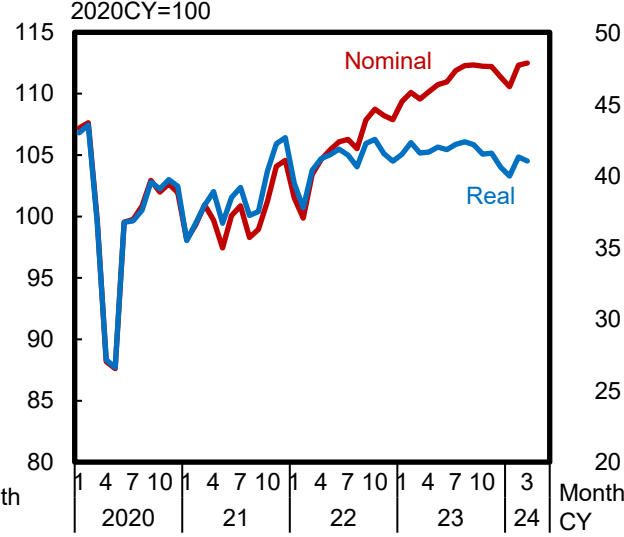
Reference

(9-1) Various consumption indicators

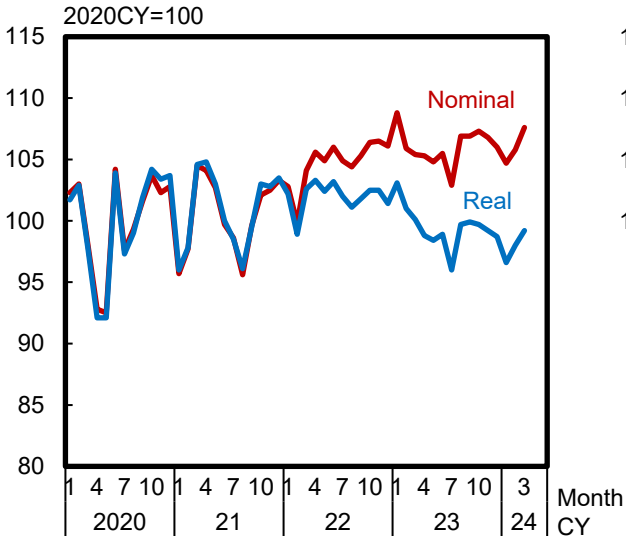
① Total Consumption Trend Index



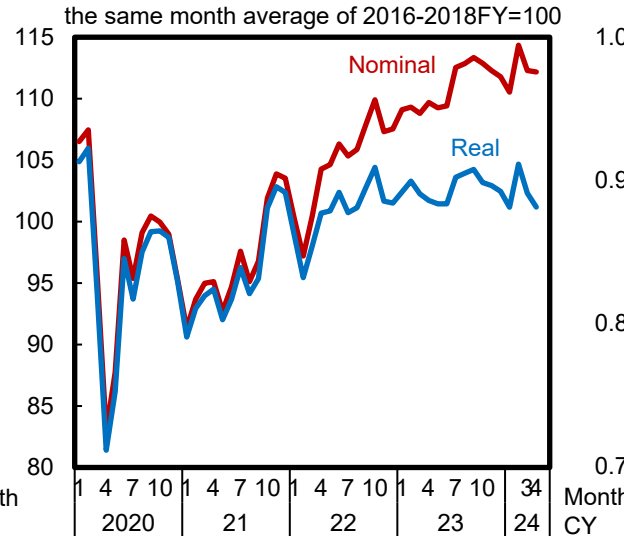
② Consumption Activity Index



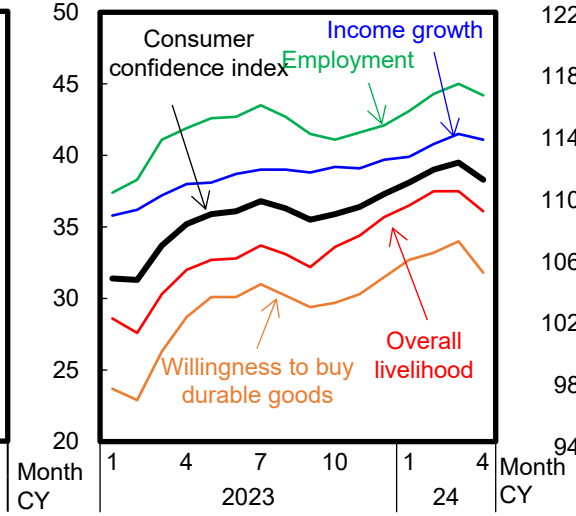
③ Family Income and Expenditure Survey (Two-or-more-person Households)



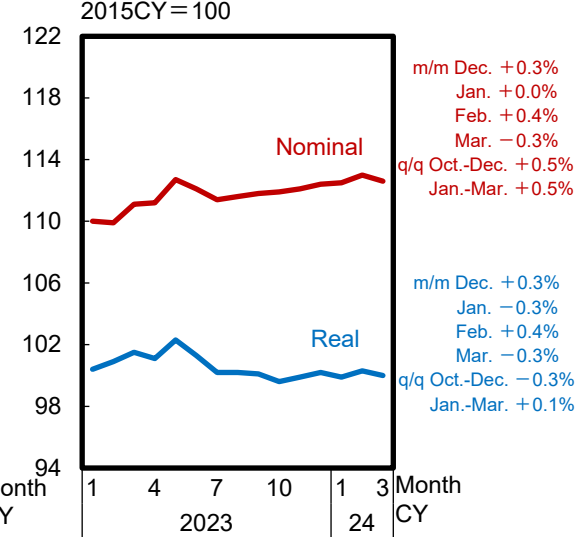
④ Consumption based on JCB card expenditures



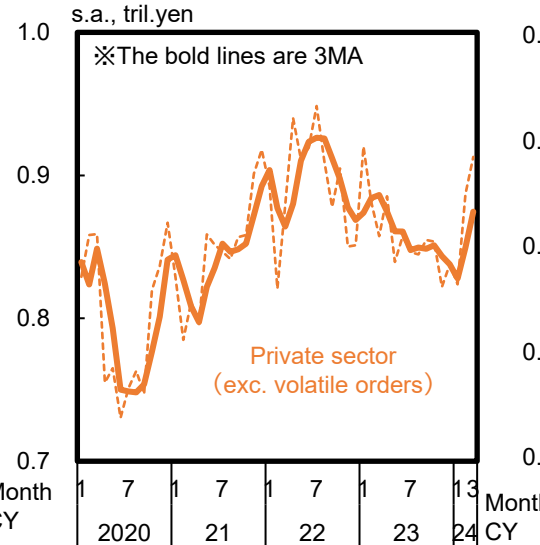
(9-2) Consumer confidence index



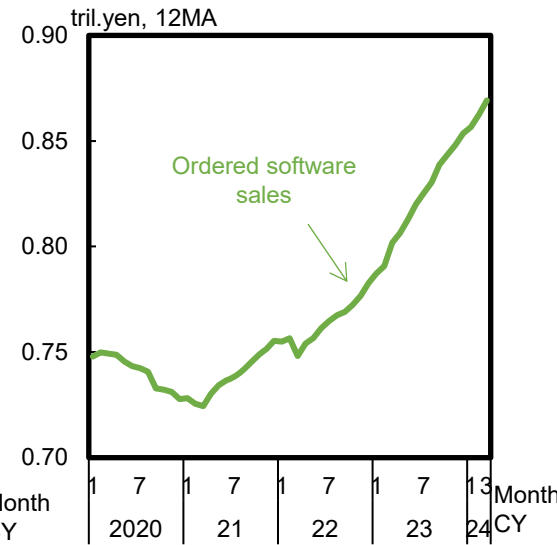
(9-3) Wage income of employees



(9-4) Machinery orders



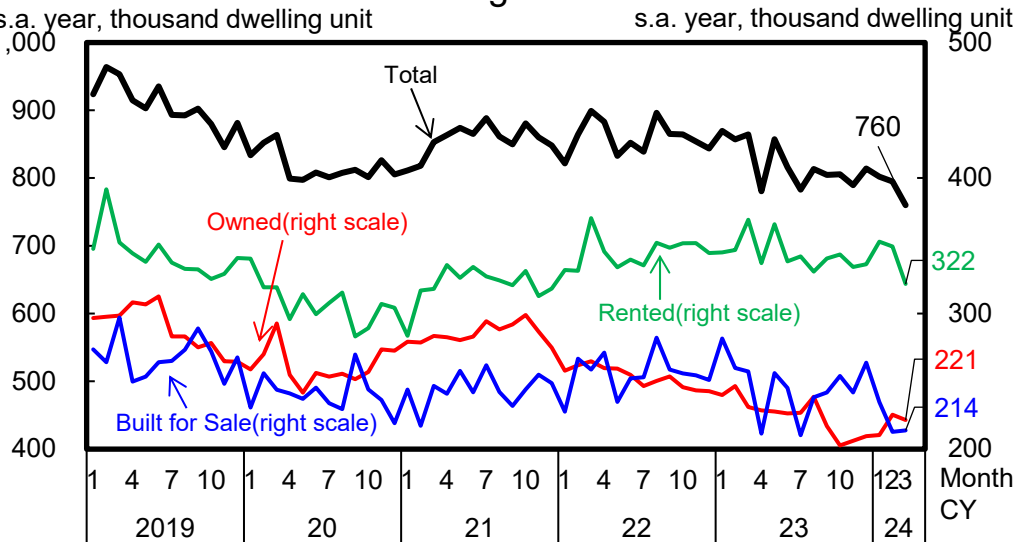
(9-5) Software investment



Reference

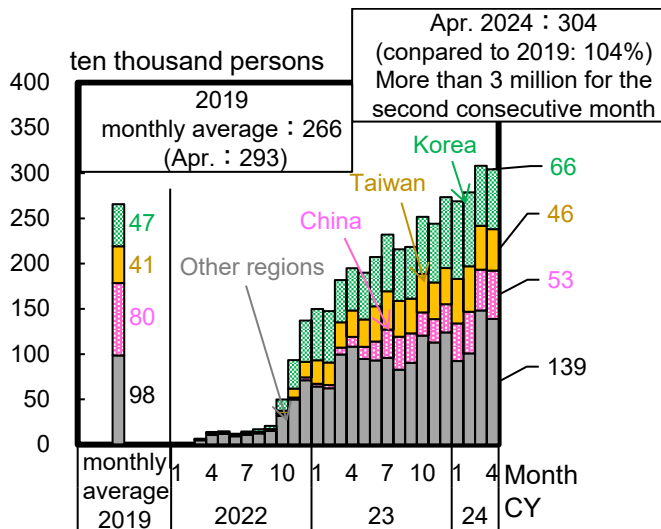
(10-1) Housing Construction is in a weak tone

Housing Starts

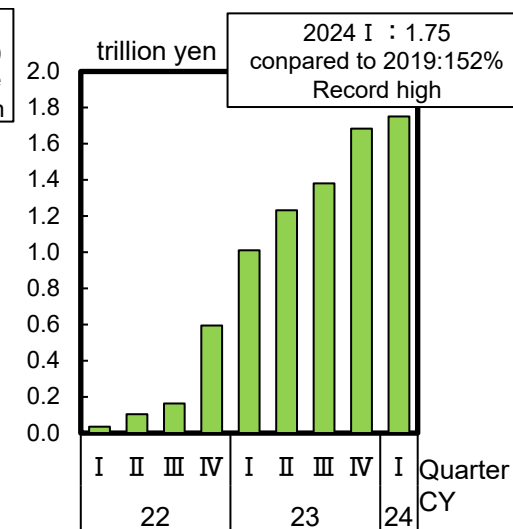


(10-3) Inbound

Visitor arrivals

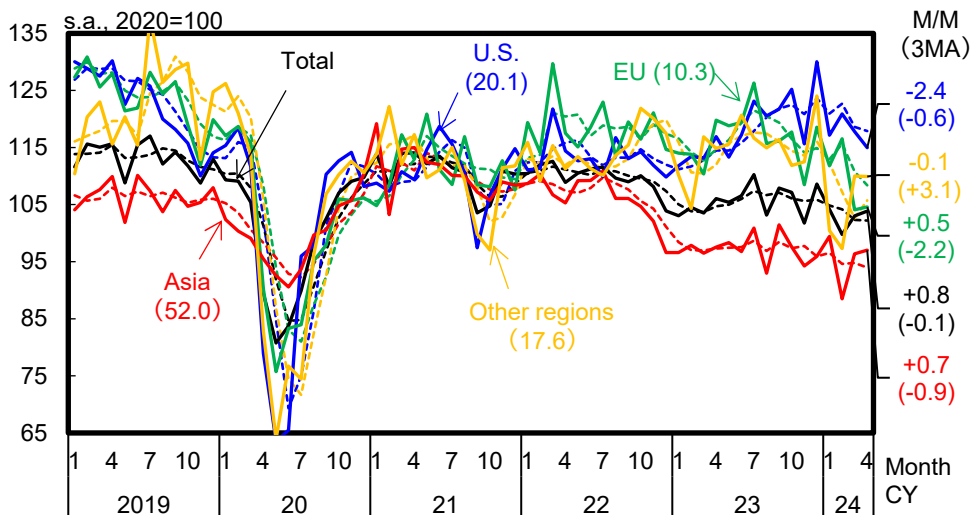


Foreign travel consumption



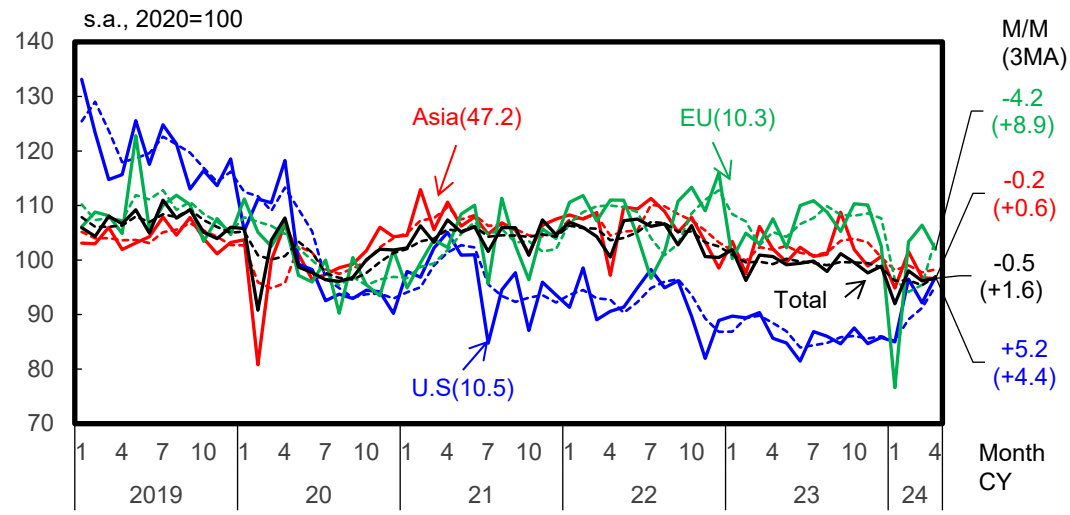
(10-2) Exports appear to be pausing for picking up.

Export volume index (by region)



(10-4) Imports are almost flat

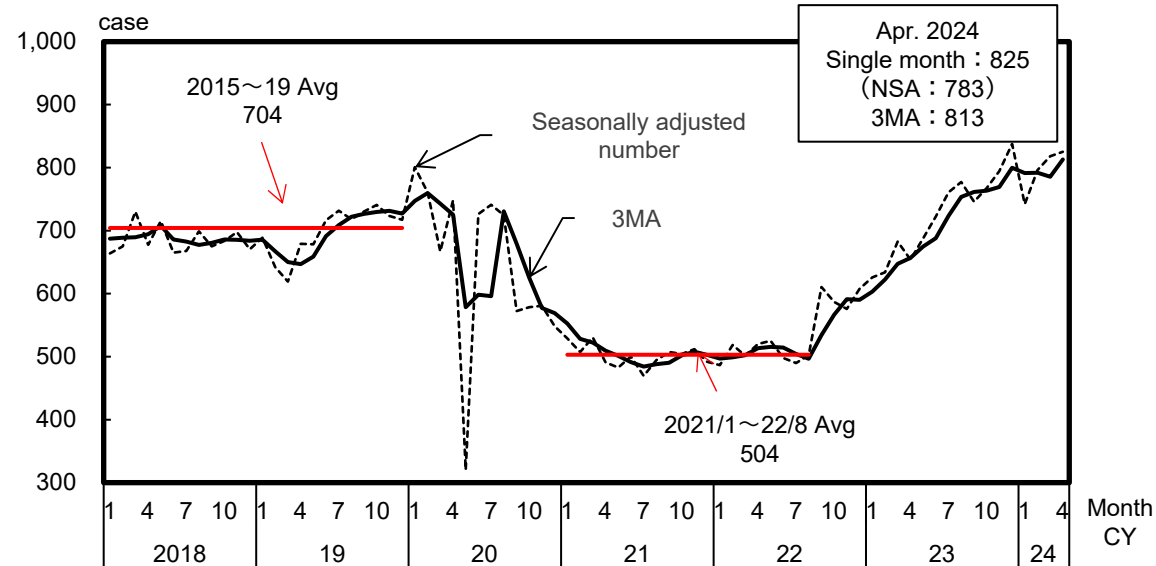
Import volume index (by region)



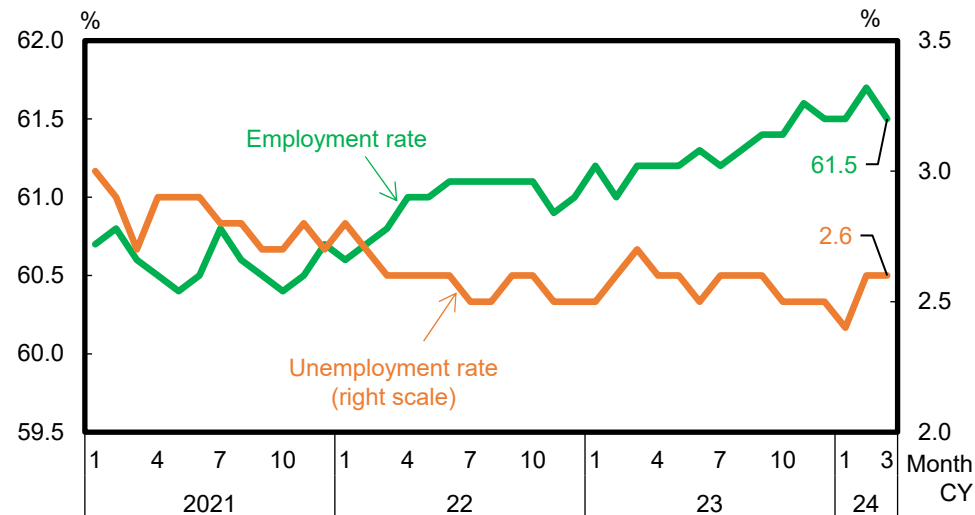
Reference

(11-1) The number of corporate bankruptcies appears to be increasing.

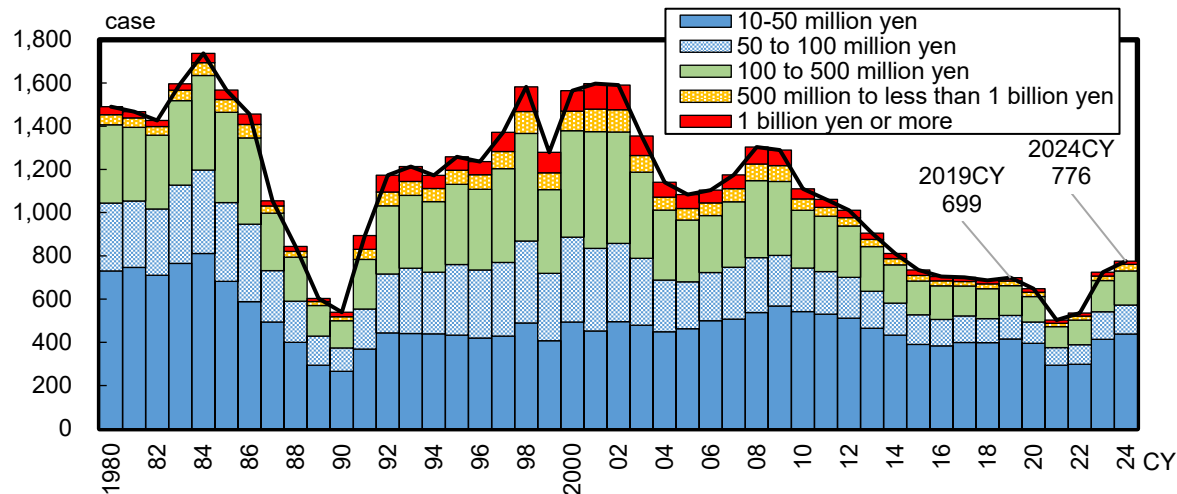
The number of corporate bankruptcies



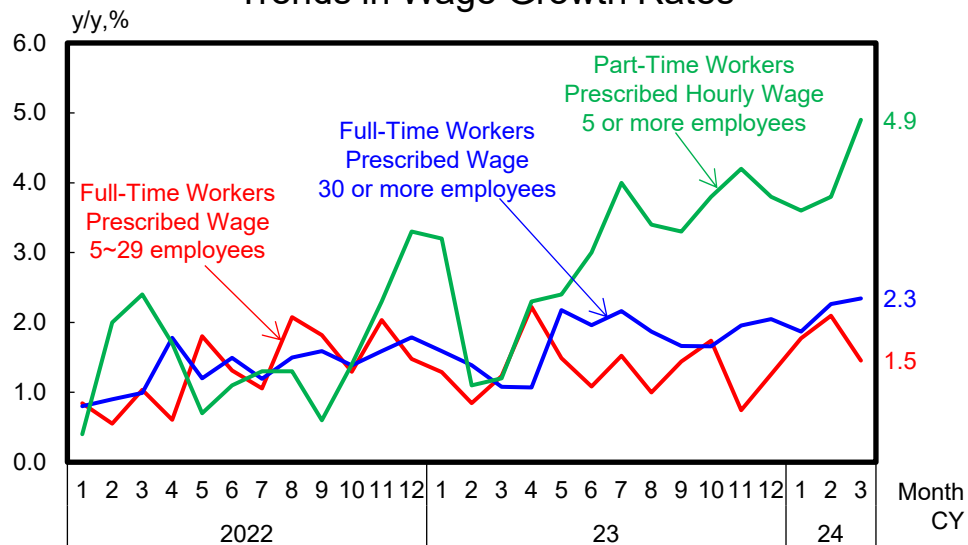
(11-2) The employment situation has shown movements of improvement



Long-term number of bankruptcies per month by debt size

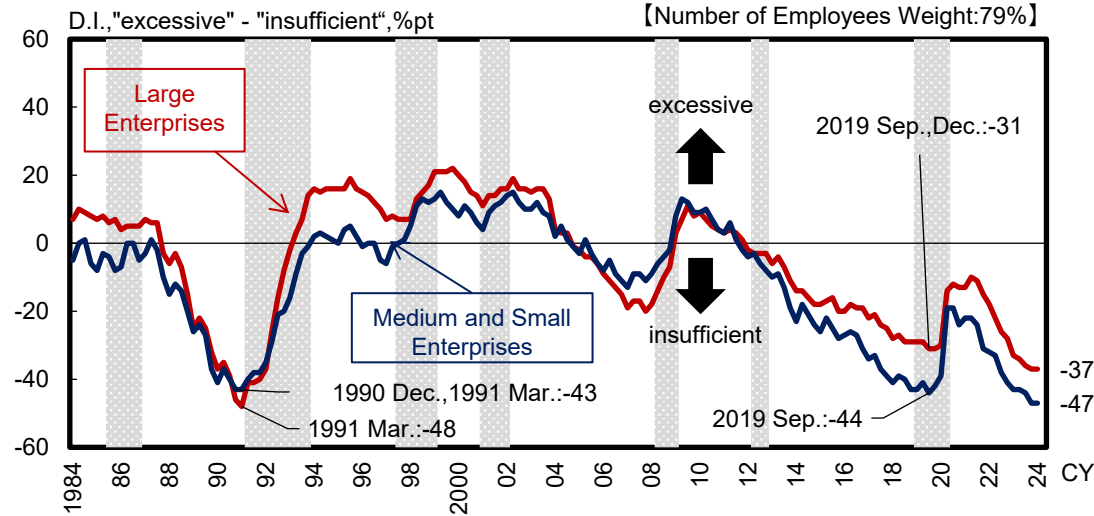


Trends in Wage Growth Rates

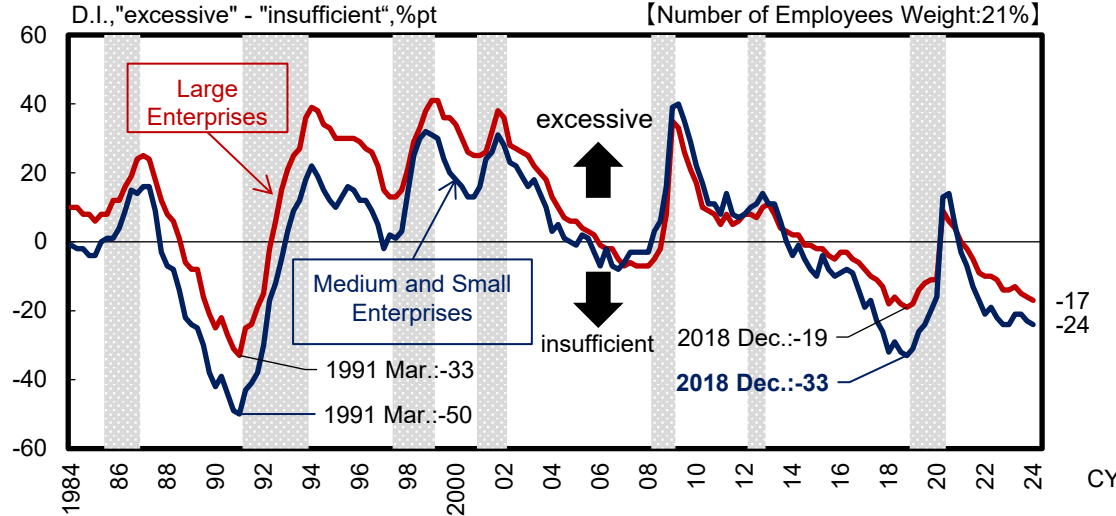


Conditions of labor shortages in companies

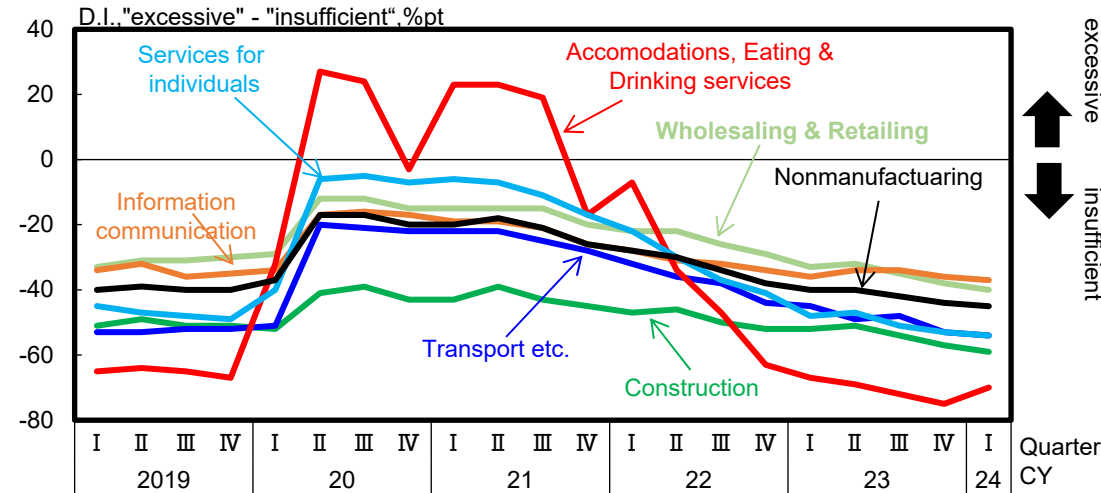
(12-1) Employment Conditions D.I. (Manufacturing)
("excessive employment" - "insufficient employment")



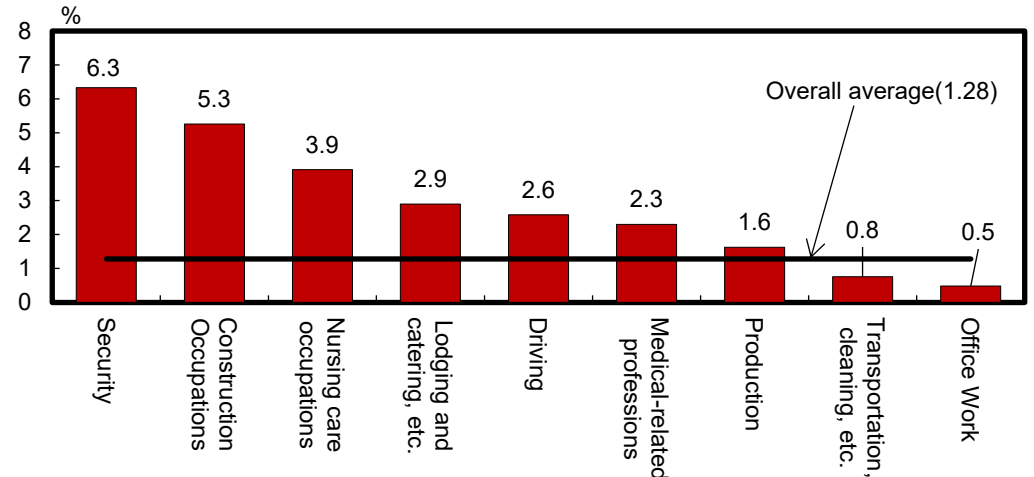
(12-3) Employment Conditions D.I. (Nonmanufacturing)
("excessive employment" - "insufficient employment")



(12-2) Employment Conditions D.I.
By Industry (Nonmanufacturing)
("excessive employment" - "insufficient employment")



(12-4) Active job openings-to-applicants ratio by occupation
(March 2024)



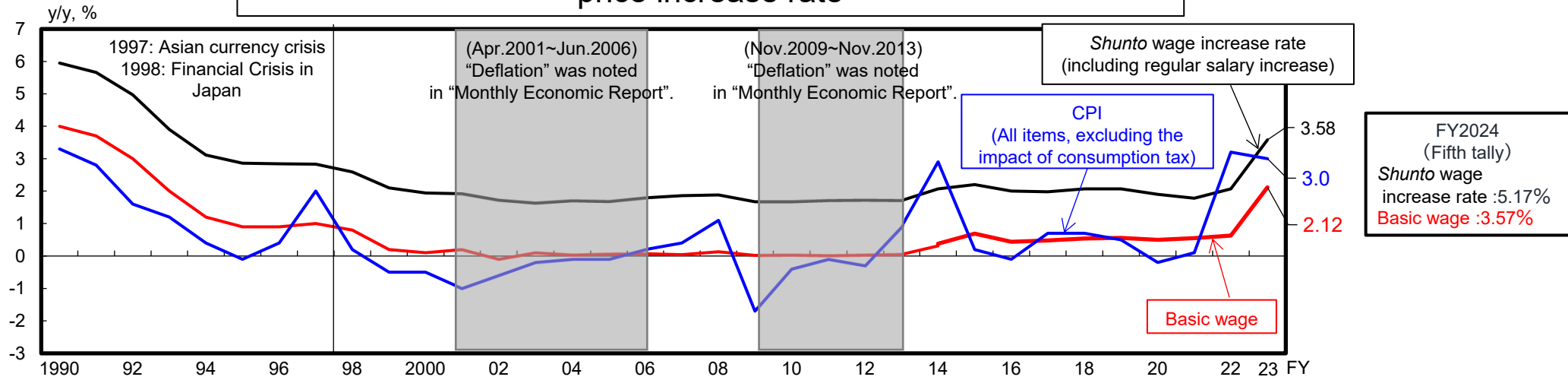
Source: Bank of Japan; Ministry of Health, Labour, and Welfare

Note: (Figure upper) The shadows in the figure indicate the period from the peaks to the troughs of the economy.

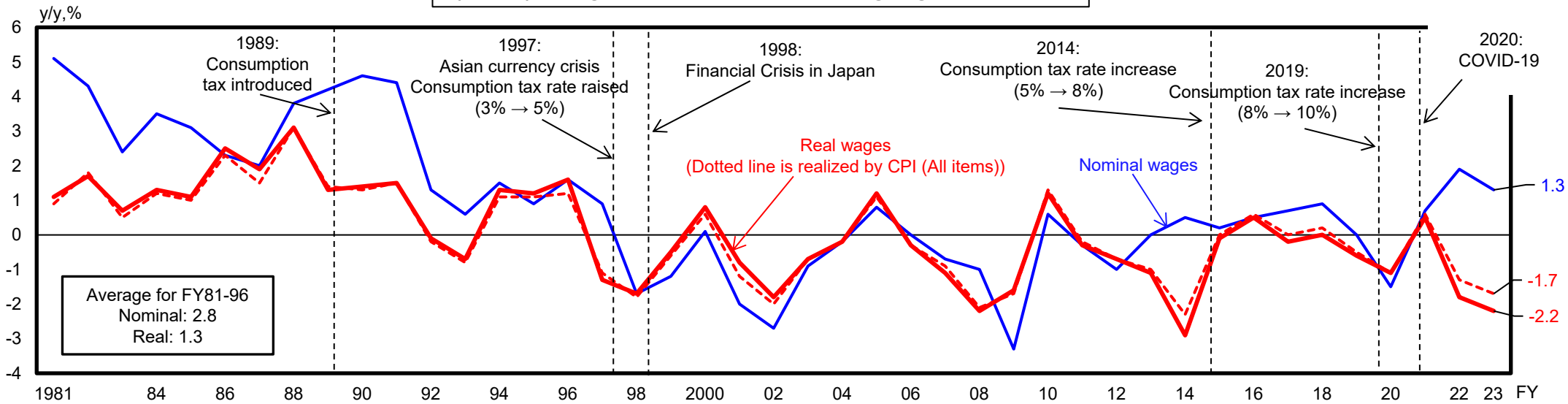
(Figure below right) The job openings by occupation are the original values, while the overall average is seasonally adjusted.

Reference

(13-1) *Shunto*(annual wage negotiation) wage increase rate and price increase rate



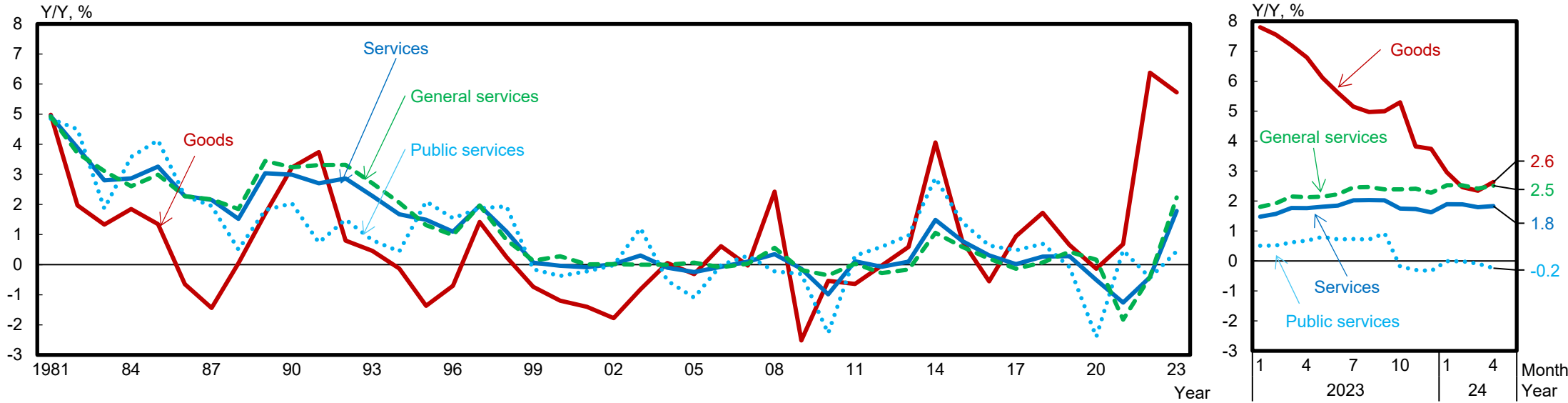
(13-2) Long-term per capita wage growth rate



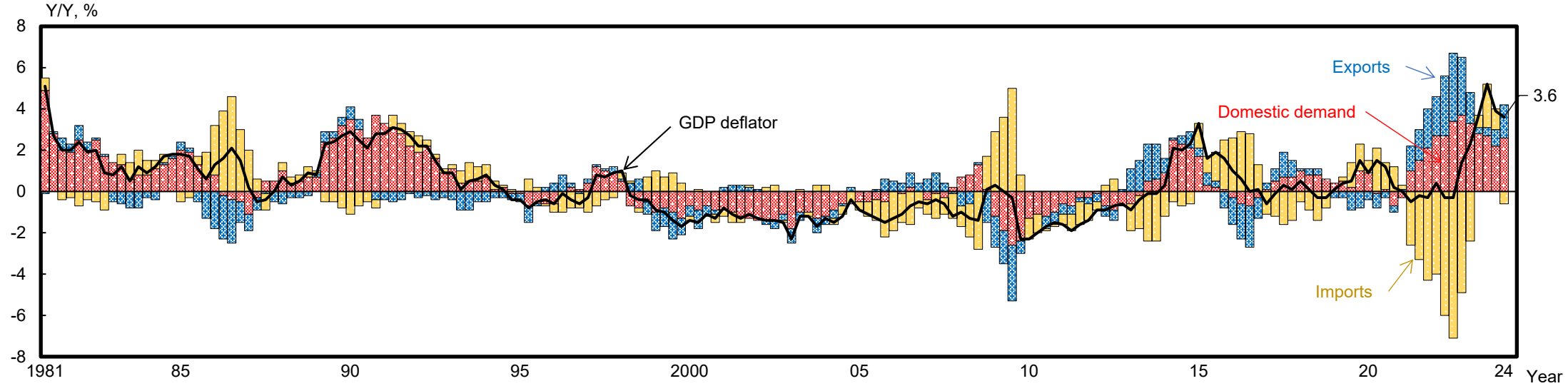
Source: Japanese Trade Union Confederation; Central Labor Relations Commission, Japan; Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare
Notes: The below figure shows total cash wages for total employment type. The real value is the nominal value 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.

Reference

(14-1) Consumer Price Index (by goods and services)

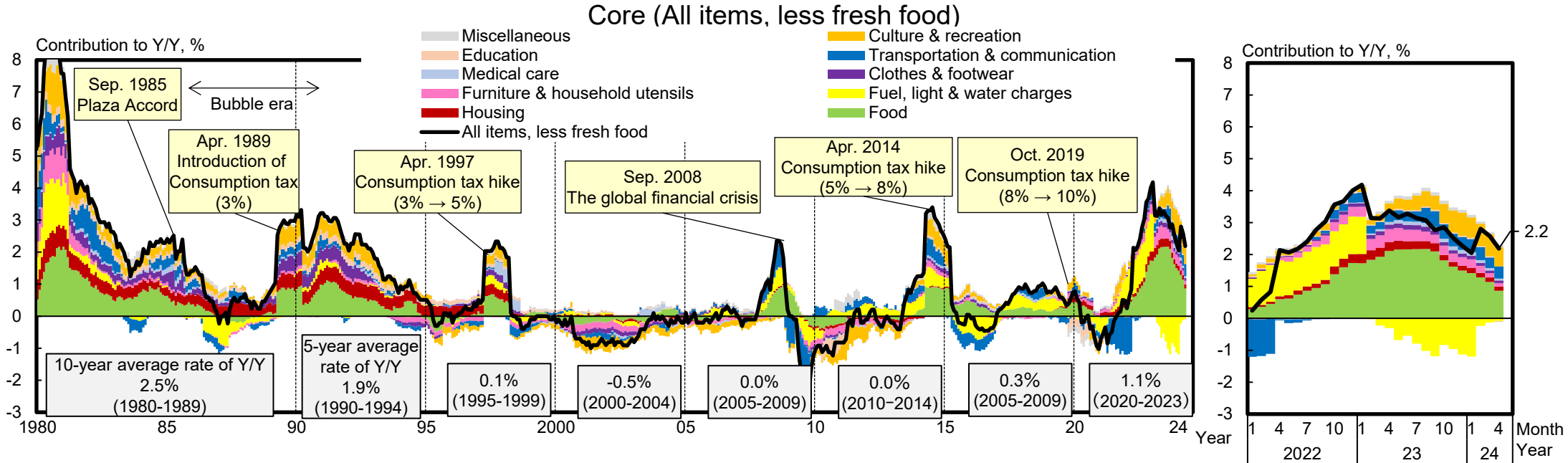


(14-2) GDP deflator

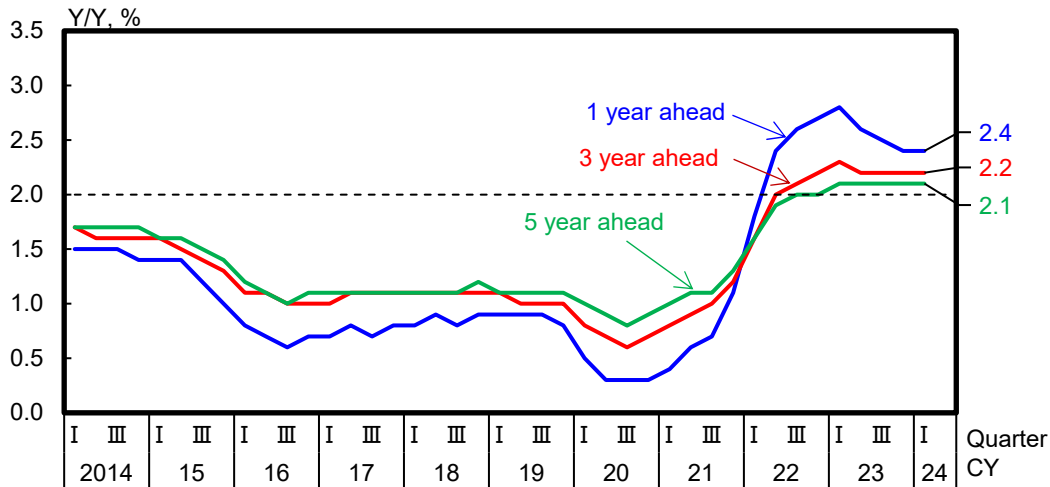


Source : Ministry of Internal Affairs and Communications; Cabinet Office.

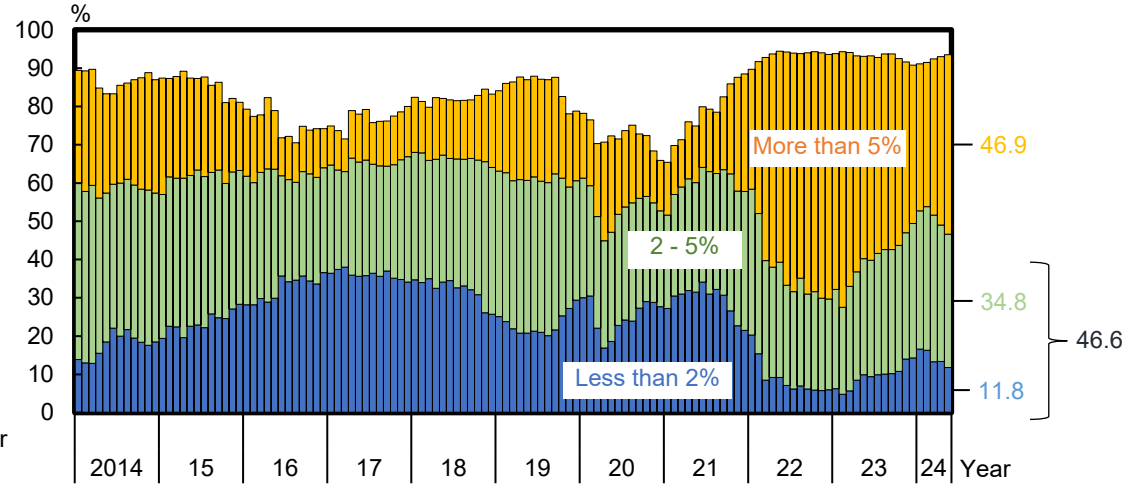
(15-1) Long-Term Transition of Consumer Price Index



(15-2) The Enterprises' Expectation of Consumer Prices



(15-3) The Consumers' Expectation of Consumer Prices a Year Ahead



Source: Ministry of Internal Affairs and Communications, Bank of Japan, Cabinet Office.

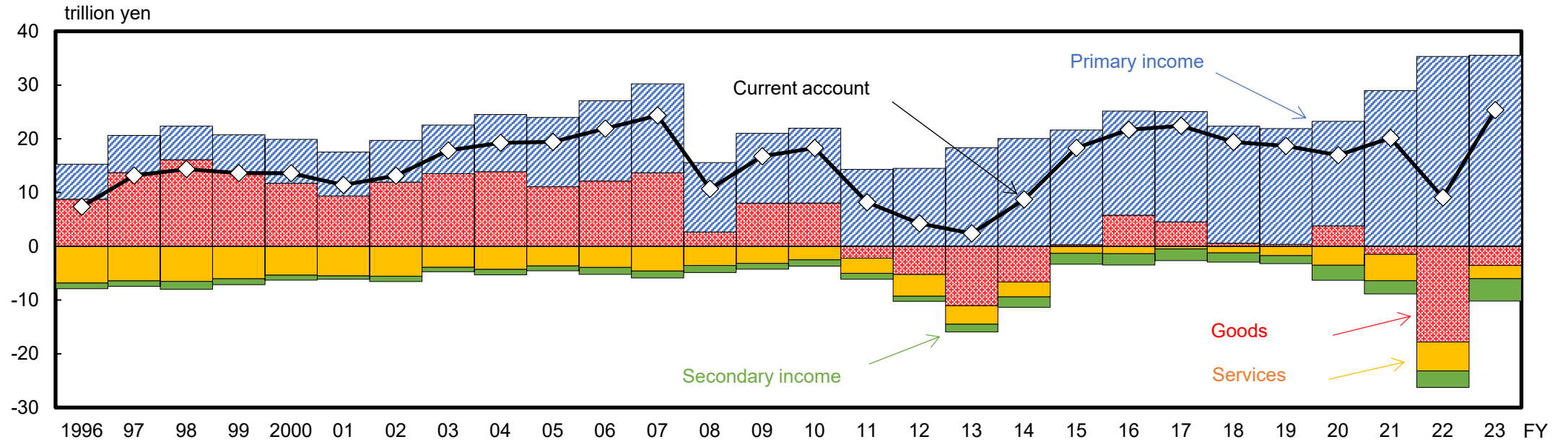
Note: (figure upper) The average rate of increase excludes the effect of the consumption tax. Since the figures excluding the effect of the consumption tax are not published for the period from April 1989 to March 1990, the rate of increase was calculated excluding the same period.

(figure below left) Values for all industries of all sizes. The results of firms' responses to the year-on-year forecast of the CPI in year t are tabulated.

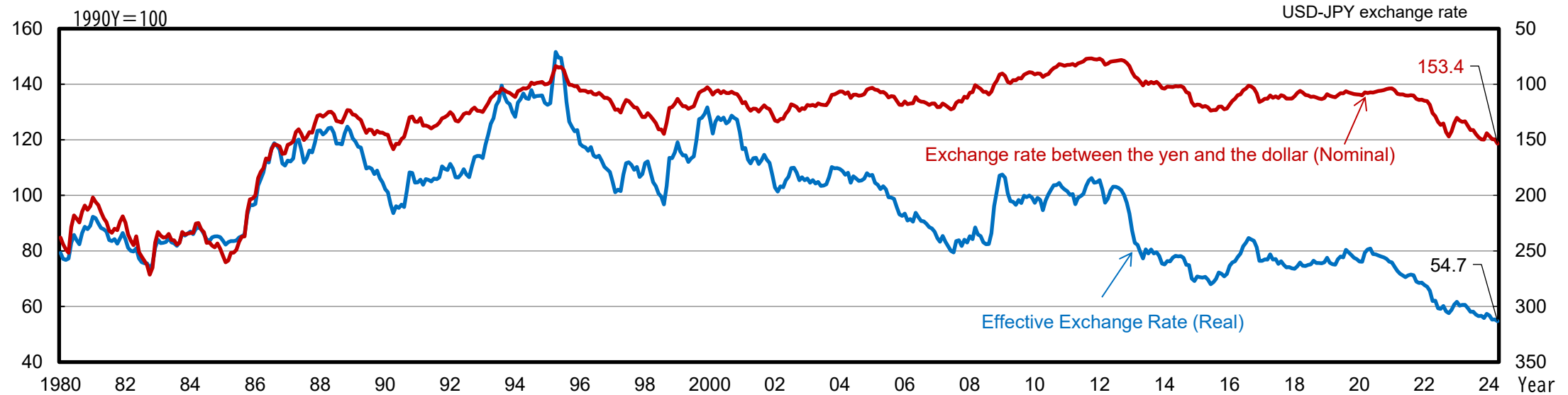
(figure below right) This is a tabulation of households' responses to the question, "What do you think the prices of the items you purchase most often will be in one year's time?"

Reference

(16-1) Trend of Current account



(16-2) Exchange Rate(long span)



Reference

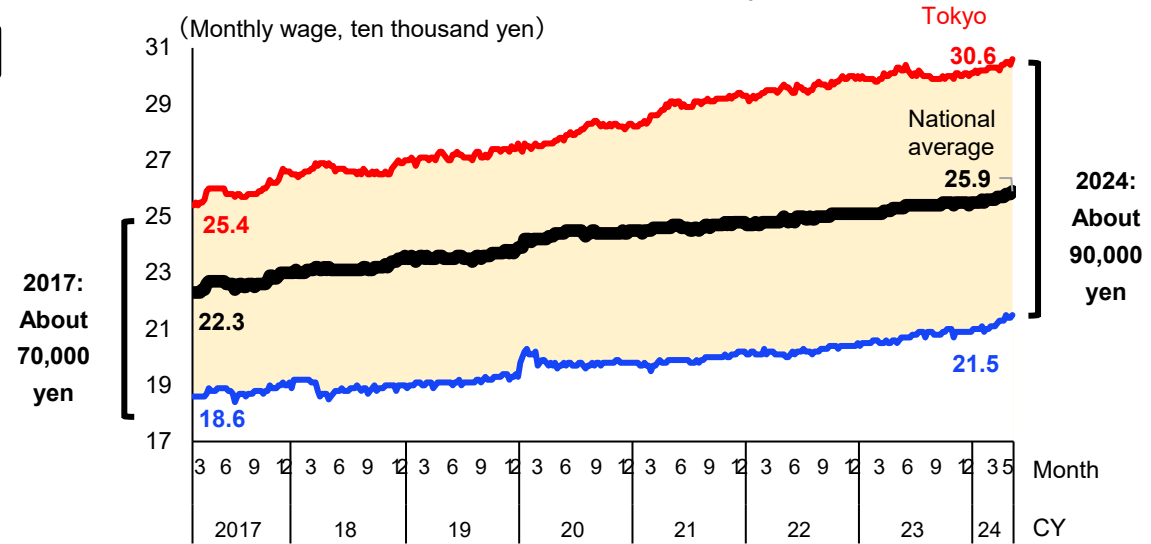
(17-1) Results of Spring Struggle by Region

※ Red letters indicate prefectures that exceed the national average.

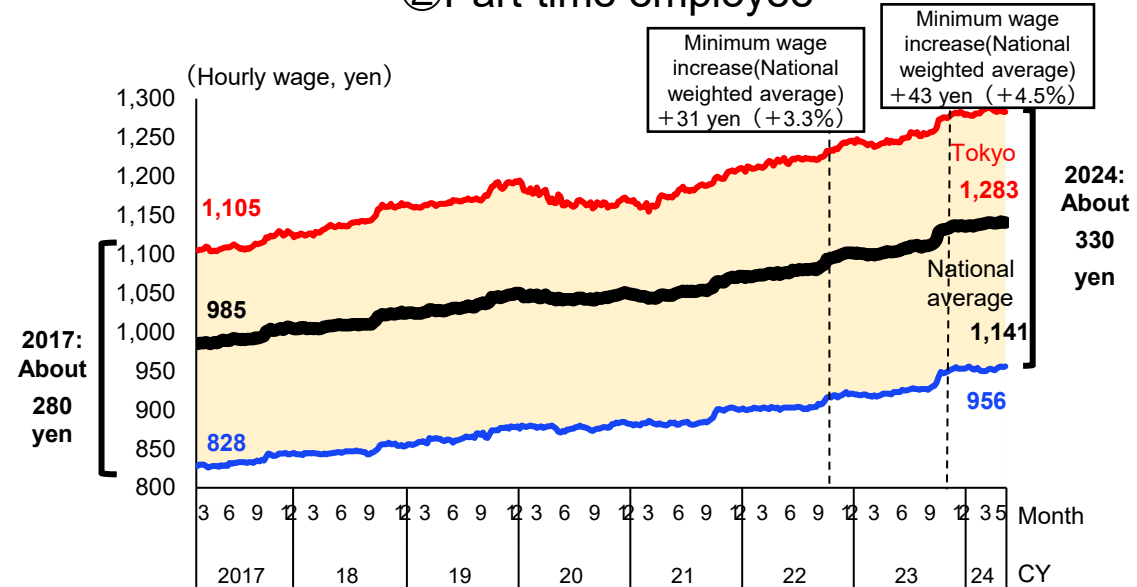
	Rate of wage increase (%)	
	※ All sizes	Less than 300 people
National	5.17	4.66
Hokkaido	4.62	4.65
Aomori	4.15	-
Miyagi	4.80	4.20
Akita	4.59	-
Yamagata	4.14	-
Fukushima	6.21	4.28
Tochigi	5.32	4.37
Gunma	6.48	6.03
Saitama	5.20	4.75
Niigata	4.72	-
Yamanashi	5.51	-
Gifu	4.81	4.35
Shizuoka	4.63	4.44
Aichi	5.32	4.93
Toyama	5.03	-
Ishikawa	4.49	4.14
Fukui	5.30	-
Hiroshima	6.30	4.58
Wakayama	4.66	-
Yamaguchi	5.29	4.34
Tokushima	4.37	-
Ehime	5.69	-
Fukuoka	5.81	4.31
Saga	4.88	-
Nagasaki	4.90	-
Kumamoto	4.44	4.30
Oita	4.70	4.40

(17-2) Recruitment Wages by Prefecture (Big Data)

① Full-time employee



② Part-time employee



Source: Japanese Trade Union Confederation (RENGO); Nowcast Co.

Note : Results from the 27 local organizations of RENGO that have announced the results of their agreements as of May 24th, 2024 (left figure).

"HRog Wage Now" is big data created by Nowcast Co. that extracts and aggregates the wages advertised on job advertisement sites (right figures).