

# The Outlook for the Japanese Economy

## The economy is likely to avoid a downturn, yet downward pressure from external demand remains

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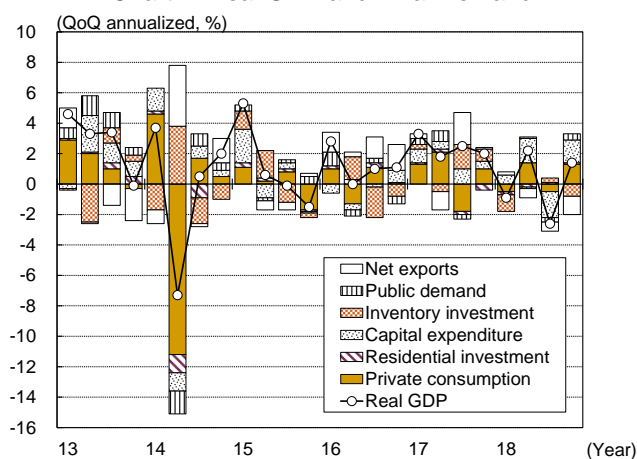
(ORIGINAL JAPANESE VERSION RELEASED ON 30 FEBRUARY 2019)

### 1. Overview of the Japanese Economy

In the October-December quarter 2018, Japan's real GDP growth rate (first preliminary estimate) was 1.4% QoQ annualised, turning positive for the first time in two quarters (Chart 1). Strong growth of domestic demand, such as private consumption and capital expenditure, compensated for the negative growth of external demand; however, in reality, domestic demand is probably not as strong as figures suggest since part of that growth was a rebound from the previous quarter, which was heavily affected by temporary downward pressure from natural disasters. Throughout 2018, the growth rate see-sawed back and forth, and the economy is starting to plateau amid a rising sense that external demand is slowing.

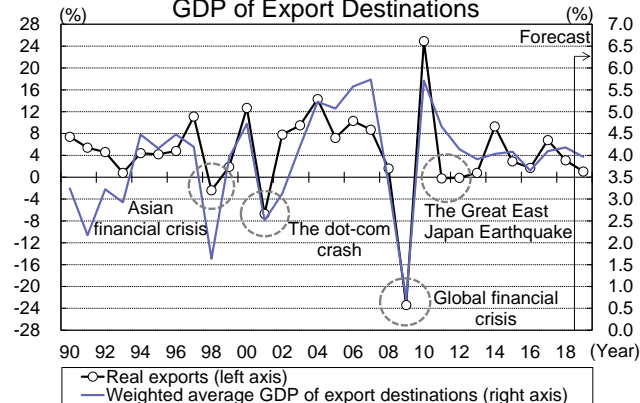
In the future, the greatest risk to the Japanese economy is the possibility that changes in overseas economies, caused by the friction over trade between the US and China, will bring about a stall in external demand and a worsening of corporate profits. Looking first at exports, currently, exports to China are falling sharply along with sales of subsidiaries, and uncertainty about the future is growing. The past relationship between Japan's exports and the real GDP rates of the regions to which those exports are sent reveals four years since 1990 where there was a clear fall in exports. With the exception of the Great East Japan Earthquake, which led to large-scale supply constraints, the timing of the steep declines in overseas economies (the Asian financial crisis, the crash of the dot-com bubble and the global financial crisis) coincides with a deceleration in real exports (Chart 2). At present, there is no slump in exports on the whole as exports to the US, which, like China, constitutes around 20% of all exports, remain firm. For the time being, there will be a wait-and-see approach towards investment as China's exports to the US take a sharp downturn. This is predicted to put downward pressure on import demand of producer goods and capital goods of high added value, an area in which Japan excels. However, it is very likely that a slowdown of the Chinese economy will be avoided because the government's policies to stimulate domestic demand will underpin growth. Although weakness in future exports is unavoidable, based on the growing likeliness that the US and China will avoid imposing further retaliatory tariffs through their ongoing trade talks, the possibility of a serious fall in exports, to the extent where it leads to a downturn in the Japanese economy, is thought to be limited.

Chart 1: Real GDP and Final Demand



Source: Cabinet Office, MUFG Bank Economic Research Office

Chart 2: Japan's Real Exports and Weighted Average GDP of Export Destinations



Note: GDP is a weighted averaged based on customs statistics weighting of export destinations  
Source: Cabinet Office, MUFG Bank Economic Research Office

On the corporate profits front, exports and sales of overseas subsidiaries account for around 20% of Japanese corporations' global sales, and even just looking at domestic production reveals exports account for 5% of sales. Therefore, a deceleration in the growth of revenue owing to a slowdown in external demand cannot be avoided, and it is likely that the increases in revenue will not be able to fully absorb the effects of a rise in the cost of personnel, like the one experienced up until now. On the other hand, year-on-year growth of oil prices has started to fall and this will underpin profits through a decrease in material and energy costs (Table 1). As a result, corporate profits remain firm on the whole, which means it is very likely that corporations will continue to push forwards with the investment and recruitment necessary for improved productivity.

Household income remains solid, supporting private consumption, and it appears the impact of the consumption tax rate hike in October will be limited due to generous government policies, such as a reduced tax rate and free preschool education. Taking this all into consideration, the real GDP growth rate for FY2019 is forecast to remain at around 0.8% YoY (Table 2). However, US-China trade discussions, the direction of US-Japan bilateral trade negotiations, which will gather momentum from now, as well as fluctuations in overseas economies, particularly China, and the trend of financial markets present considerable risks and the utmost caution is necessary.

Table 1: Impact on Non-Financial Corporations' Ordinary Profits from Sales and Changes in Oil Prices

		(%)							
		3.0	14.5	12.8	11.0	9.3	7.5	5.7	4.0
Sales (YoY)		2.0	11.3	9.5	7.8	6.0	4.3	2.6	0.8
		1.0	8.0	6.3	4.6	2.8	1.1	-0.6	-2.3
		0.0	4.8	3.0	1.3	-0.4	-2.1	-3.8	-5.5
		-1.0	1.5	-0.2	-1.9	-3.6	-5.3	-7.0	-8.7
		-2.0	-1.8	-3.4	-5.1	-6.8	-8.5	-10.1	-11.8
		-3.0	-5.0	-6.7	-8.4	-10.0	-11.7	-13.3	-15.0
			40	45	50	55	60	65	70
		WTI (USD per barrel, financial year average)							
		Average from Apr to Jun 2018			Forecast for FY 2019 (financial year average)				
WTI		65.4			54				

Source: Ministry of Finance, Bloomberg, MUFG Bank Economic Research Office

Table 2: GDP Forecast

	(YoY, %)			
	FY 2016 (Actual)	FY 2017 (Actual)	FY 2018 (Forecast)	FY 2019 (Forecast)
Real GDP	0.9	1.9	0.7	0.8
Private Consumption	0.0	1.1	0.7	0.5
Private Residential Investment	6.3	-0.7	-4.3	0.3
Private Non-Residential Investment	-0.5	4.6	3.5	2.2
Inventory Investment (contribution)	-0.2	0.1	0.0	0.0
Public Demand	0.7	0.6	-0.1	1.3
Net Exports (contribution)	0.8	0.4	-0.2	-0.1
Exports	3.6	6.4	1.9	1.3
Imports	-0.9	4.0	3.0	2.1
Nominal GDP	0.7	2.0	0.5	1.7
GDP Deflator	-0.2	0.1	-0.1	0.8

Source: Cabinet Office, MUFG Bank Economic Research Office

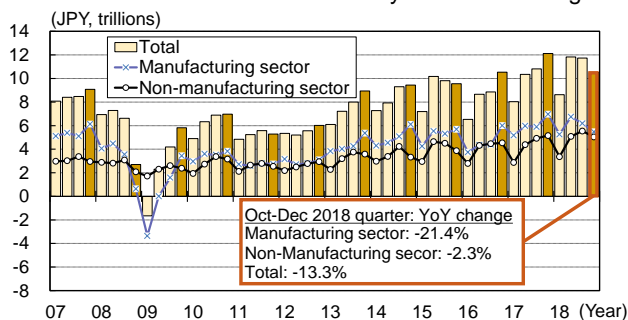
## 2. Key Points in the Outlook

### (1) Corporate earnings decrease for the first time in nine quarters due to a deceleration in external demand

Growth of ordinary profits of non-financial corporations listed on the first section of the Tokyo Stock Exchange fell to -13.3% YoY in the October-December quarter. Although the level of profits was the third highest on a quarterly basis, growth fell into negative territory for the first time in nine quarters (Chart 3). The breakdown by industry shows an obvious deceleration of -21.4% YoY by the manufacturing sector. As personnel expenses rise on the back of a tight labour market, a slowdown in the sales of overseas subsidiaries and exports, brought about by tension over trade between the US and China and a deceleration of the Chinese economy, appears to have put significant downward pressure on profits, particularly of industries which are highly reliant on external demand. On top of this, there was also a rise in the cost of fuel sparked by higher oil prices since early autumn last year, as well as large, temporary losses by individual companies (Chart 4). On the other hand, growth of ordinary profits in the non-manufacturing sector was -2.3% YoY, remaining at a small decrease due to support from solid domestic demand. Areas of strength and weakness are appearing in the breakdown of profits by industry in accordance with their sensitivity to external demand.

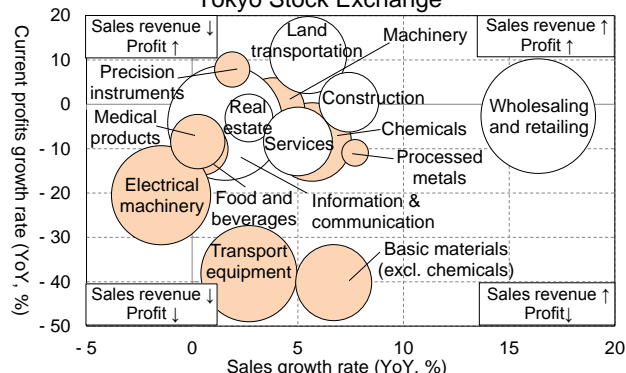
Looking ahead, the continuous rise of personnel expenses looks set to act as a weight on corporate earnings. Nevertheless, as well as a solid non-manufacturing sector due to stable domestic demand, it is expected that the decrease in fuel costs, owing to a fall in oil prices, will underpin corporate earnings in the short term. However, if the manufacturing sector's profits do drop heavily, industries reliant on domestic demand may be affected via a deterioration of domestic business sentiment. Therefore, it is important to keep an eye on external demand in the future.

Chart 3: Ordinary Profits of Non-Financial Corporations Listed on the First Section of Tokyo Stock Exchange (JPY, trillions)



Note: 1. Of the companies who had published their financial results for the Oct-Dec 2018 quarter as of 19th Feb, figure shows the total of 1371 companies' "ordinary profits" who have collected data continuously since Jan-Mar 2007 quarter  
2. Data used is "ordinary profits". Darker bars show Oct-Dec quarters  
Source: Bloomberg, MUFG Bank Economic Research Office

Chart 4: Business Results for Oct-Dec Quarter of Non-Financial Corporations Listed on First Section of Tokyo Stock Exchange



Note: Size of bubbles indicates scale of ordinary profits  
Source: Bloomberg, MUFG Bank Economic Research Office

### (2) Stable household income will support spending, and a downturn resulting from the consumption tax rate hike will be avoided

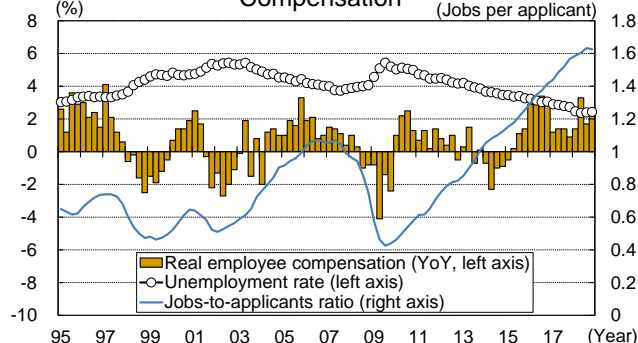
Real employee compensation rose by 2.5% YoY in the October-December quarter (Chart 5). Growth remained in positive territory for the fifteenth consecutive quarter, supported by a tight labour market and strong winter bonuses. Real employee compensation was revised

retrospectively in accordance with revisions to the monthly labour statistics, but the revisions were small and the view that household income is improving is unchanged.

During this year's annual labour negotiations, Keidanren did not insist upon a pay scale increase in their guidelines. On the other hand, looking at management's attitude towards a wage hike reveals their "desirable wage rise" is 2.49%, almost the same as last year, and their "actual wage hike forecast" is 2.11%, higher than the previous year (Chart 6). It appears that the growing severity of the labour shortage and the rise in prices last year – albeit gradual – led to a solid stance towards raising wages on the management side. In recent years, the "settlement wage rate" has generally fallen between the two aforementioned indicators and, this year, wages are forecast to rise by around the same amount as last year.

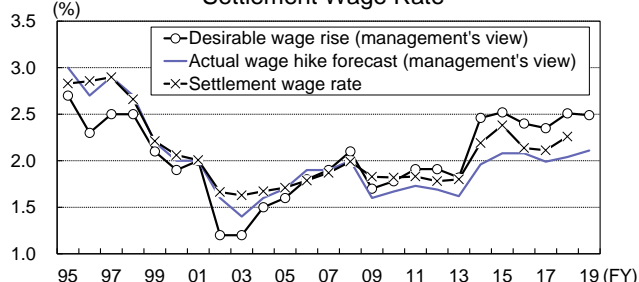
Following the consumption tax hike scheduled for October, the rise in the net financial burden on households is expected to total about JPY 1.7 trillion, stopping at around one fifth that of previous consumption tax hikes. This is due to the reduced tax rate, free education, rebates in the form of reward points, vouchers for premium goods and countermeasures to support the purchasing of durable goods. In order to reduce a last-minute surge in demand before the consumption tax rate hike and a subsequent dip in demand, the government will introduce measures to support purchases of durable goods as well as a reduced tax rate for food and drink (less alcohol) to support consumption of non-durable goods. As a result, it is highly likely that disruption to the economy will be curbed and private consumption will remain firm.

Chart 5: Labour Indicators and Real Employee Compensation



Note: "Unemployment rate" and "jobs-to-applicants ratio" are 3-month averages  
 Source: Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, Cabinet Office, MUFG Bank Economic Research Office

Chart 6: Managements' Wage Hike Forecast and the Settlement Wage Rate



Note: 1. "Desirable wage rise" and "actual wage hike forecast" are the sum of results from a survey of management conducted before the annual labour negotiations. The subjects of the survey are heads of HR departments from corporations listed on the 1st & 2nd Sections of the Tokyo Stock Exchange  
 2. "Settlement wage rate" is the aggregated wage hike results from major corporations reached at the annual labour negotiations.  
 Source: Institute of Labour Administration, Ministry of Health, Labour and Welfare, MUFG Bank Economic Research Office

### 3. Monetary Policy and Financial Markets

#### (1) Monetary policy

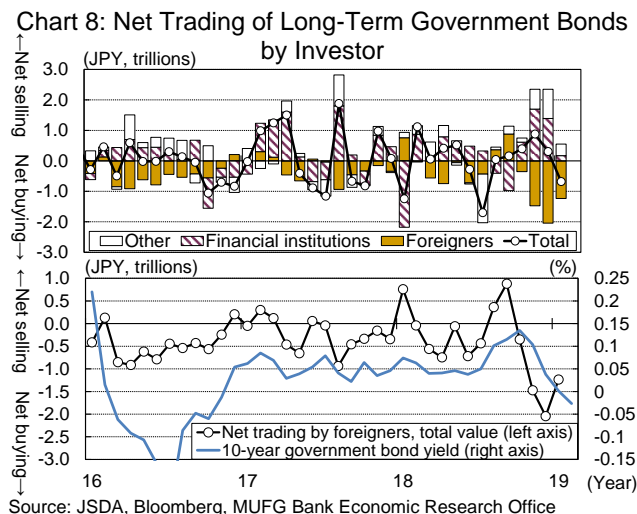
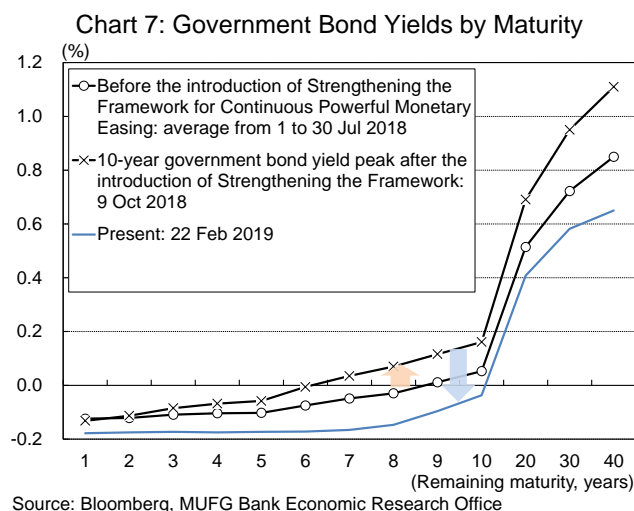
Since last year's Strengthening the Framework for Continuous Powerful Monetary Easing (Strengthening the Framework) was introduced in July, the yield curve has been growing steeper, particularly that of super-long-term bonds. However, it is flattening again and is now lower than before Strengthening the Framework was introduced (Chart 7). The 10-year government bond yield fell into negative territory at the end of last year for the first time in 1 year 3 months and is currently hovering around -0.03%.

A breakdown of long-term government bond trading by investor type reveals capital inflow from overseas is causing the decrease in long-term yields. Net buying of long-term government bonds by foreign investors reached its highest level since August 2007 in November last year, and in December it hit the highest point since records began in 2004. Despite a small deceleration in January this year, capital inflow has continued to exceed JPY 1 trillion (Chart 8). The background for this is a trend of risk avoidance sparked by tension over trade between the US and China and concerns about a slowdown of overseas economies. In addition, it appears that the investment value of Japanese government bonds is relatively high due to investors making use of currency swaps amid an overall decrease in foreign interest rates, which is also contributing to the increase in buying.

That being said, it is unlikely that yields will continually decrease in the future. At a press conference in December, Governor Kuroda addressed the fall into negative territory by long-term yields saying, it is not a problem, provided yields reflect the movement of the economy, prices and domestic and foreign financial markets. However, he added that, if this is not the case, there is a possibility the Bank of Japan (BoJ) will carry out fixed-rate bond purchase operations, even within the target range ( $\pm 0.2\%$ ). In reality, when long-term yields fell sharply in February, the BoJ's purchases of super-long-term government bonds decreased for the first time in seven months. As the side effects on the function of financial intermediaries increase, it is difficult for the BoJ to carry out further easing without a trigger, such as sudden JPY appreciation. On the other hand, it is difficult to exit from monetary easing because of uncertainty surrounding overseas economies. For the time being, it seems the BoJ will maintain its current monetary policy.

## (2) Exchange Rate

The JPY continued to appreciate against the USD owing to risk avoidance at the end of last year, and it hit JPY105 per USD at the start of the year; however, it is currently returning to around JPY110 per USD. Looking ahead, even if the JPY/USD fluctuates due to changes in the situation overseas, such as US-Chinese trade tension and Brexit, the JPY is expected to hover at around JPY110 and will avoid entrenched appreciation owing to the continued gap between US and Japanese interest rates.



(Translated by Elizabeth Foster)

## Outlook for the Japanese Economy

Reflecting Oct-Dec 2019 GDP (the first preliminary estimates)

	Forecast <span style="float: right;">→</span>												(%, billion yen)			
	2017				2018				2019				2020	FY2017	FY2018	FY2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q1			
<b>1. The Real Economy (QoQ annualized change)</b>																
Real GDP	3.3	1.8	2.5	2.0	-0.9	2.2	-2.6	1.4	3.2	1.2	1.8	-3.4	0.8	1.9	0.7	0.8
Private Consumption	2.3	3.8	-3.2	1.9	-0.9	2.5	-0.8	2.4	1.2	1.2	2.8	-6.8	1.2	1.1	0.7	0.5
Housing Investment	1.9	7.4	-7.5	-12.1	-7.8	-7.8	2.2	4.7	3.6	3.2	2.0	-13.3	-7.8	-0.7	-4.3	0.3
Private Business Fixed Investment	6.3	3.5	6.9	3.3	4.1	10.4	-10.3	9.8	4.2	2.4	3.4	-3.4	2.5	4.6	3.5	2.2
Business Inventory (Contribution)	0.3	-0.5	1.6	0.8	-1.1	0.1	0.3	-0.8	0.5	0.1	0.1	0.0	0.1	0.1	-0.0	0.0
Government Expenditures	1.5	2.8	-1.1	-0.2	0.0	-0.2	-1.0	1.6	1.5	1.0	1.3	1.7	1.6	0.6	-0.1	1.3
Public Investment	1.9	13.4	-9.2	-1.3	-2.6	-2.4	-8.3	-4.6	1.6	2.0	3.2	4.1	3.2	0.5	-3.8	1.2
Net Exports (Contribution)	0.3	-1.2	2.1	0.1	0.2	-0.6	-0.6	-1.2	0.9	-0.2	-0.8	1.0	-0.6	0.4	-0.2	-0.1
Exports	7.0	-0.2	10.6	9.1	1.4	1.8	-5.6	3.7	1.4	1.6	1.6	1.6	1.4	6.4	1.9	1.3
Imports	5.5	8.0	-2.4	9.4	0.2	5.3	-2.6	11.3	-3.6	2.9	6.3	-3.9	4.5	4.0	3.0	2.1
Nominal GDP	1.5	2.8	4.3	1.3	-1.8	1.9	-2.4	1.1	4.1	2.4	3.3	-3.1	1.4	2.0	0.5	1.7
GDP Deflator (YoY)	-0.9	-0.3	0.2	0.1	0.5	-0.1	-0.4	-0.3	0.1	0.6	0.8	0.9	1.0	0.1	-0.1	0.8
Industrial Production Index (QoQ)	-0.4	1.9	0.0	1.2	-1.1	1.2	-1.3	1.9	-1.2	1.6	0.4	-1.9	1.2	2.9	0.6	1.0
Domestic Corporate Goods Price Index (YoY)	0.9	2.2	2.8	3.3	2.5	2.4	3.0	2.3	2.0	2.1	2.0	3.9	3.9	2.7	2.5	2.9
Consumer Price Index (excl. fresh food, YoY)	0.2	0.4	0.6	0.9	0.9	0.8	0.9	0.9	0.7	0.6	0.6	1.0	1.0	0.7	0.8	0.8
<b>2. Balance of Payments</b>																
Trade Balance (billion yen)	1,294	819	1,578	1,291	730	967	-9	-222	57	191	-510	-669	-150	4,594	793	-1,138
Current Balance (billion yen)	5,360	4,994	5,806	5,895	4,684	5,515	4,289	4,212	4,489	4,672	3,983	3,814	4,324	21,813	18,505	16,793
<b>3. Financial</b>																
Uncollateralized overnight call rate	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Euro-Yen TIBOR (3-month rate)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Newly Issued 10-Year Government Bonds Yield	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1
Exchange Rate (USD/JPY)	114	111	111	113	108	109	112	113	110	111	111	110	110	111	111	110

Note: *Uncollateralized overnight call rate* is the average rate during the last month of the period. *Euro-Yen TIBOR (3-month rate)*, *Newly Issued 10-Year Government Bonds Yield* and *Exchange Rate (USD/JPY)* are averages during the period.

Source: Various statistics, Bloomberg, MUFG Bank Economic Research Office

## MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

### 1. Main Economic Indicators

As of Feb. 28, 2019

	Fiscal	Fiscal	2018			2018				2019
	2016	2017	2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN
Real GDP Growth Rate <% changes from previous period at SA annual rate>	0.9	1.9	2.2 (1.5)	-2.6 (0.1)	1.4 (-0.0)	***	***	***	***	***
Index of All Industries Activity	0.6	1.8	0.9 (1.1)	-0.8 (0.2)	1.0 (1.1)	-1.1 (-1.2)	2.2 (2.5)	-0.5 (1.1)	-0.4 (-0.3)	
Industrial Production Index	0.8	2.9	1.2 (1.2)	-1.3 (-0.1)	1.9 (1.2)	-0.4 (-2.5)	2.9 (4.2)	-1.0 (1.5)	-0.1 (-1.9)	-3.7 (0.0)
Production										
Shipments	0.6	2.2	2.1 (1.6)	-1.9 (-0.5)	1.8 (1.0)	-2.0 (-2.9)	3.5 (5.7)	-1.2 (0.9)	0.0 (-3.1)	-4.0 (-0.9)
Inventory	-1.4	5.2	-2.6 (2.4)	1.2 (3.5)	0.5 (1.9)	1.2 (3.5)	-1.3 (-0.7)	0.1 (0.6)	1.7 (1.9)	-1.5 (1.2)
Inventory/Shipments Ratio (2015=100)	100.7	102.2	104.1 [100.3]	104.6 [99.6]	104.9 [102.6]	105.2 [100.6]	104.7 [105.0]	102.4 [101.5]	107.6 [101.3]	108.5 [109.7]
Domestic Corporate Goods Price Index	-2.4	2.7	0.6 (2.4)	0.9 (3.0)	0.2 (2.3)	0.3 (3.0)	0.4 (3.0)	-0.3 (2.3)	-0.6 (1.5)	-0.6 (0.6)
Consumer Price Index(SA, total, excl.fresh foods)	-0.2	0.7	0.4 (0.7)	0.2 (0.9)	0.4 (0.9)	0.1 (1.0)	0.1 (1.0)	0.0 (0.9)	-0.1 (0.7)	0.2 (0.8)
Index of Capacity Utilization (2015=100)	99.2	102.7	103.2 [102.8]	101.4 [102.5]	105.3 [103.8]	101.2 [102.8]	105.2 [102.8]	106.3 [103.4]	104.3 [105.1]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	0.5	-0.8	2.2 (8.0)	0.9 (4.8)	-4.2 (2.0)	-18.3 (-7.0)	7.6 (4.5)	-0.0 (0.8)	-0.1 (0.9)	
Manufacturing	-4.6	9.2	5.5 (17.8)	-2.0 (8.5)	-6.2 (-0.6)	-17.3 (-5.5)	12.3 (3.9)	-6.4 (-0.0)	-8.5 (-5.3)	
Non-manufacturing Excl.Electric Power & Ship building	4.3	-7.8	-0.4 (0.3)	3.5 (2.0)	-2.5 (4.5)	-17.1 (-8.0)	4.5 (5.1)	2.5 (1.4)	6.8 (6.5)	
Shipments of Capital Goods (Excl.Transport Equipment)	0.3	7.0	0.7 (4.0)	-1.5 (1.6)	2.0 (0.9)	-2.0 (-1.3)	5.4 (7.2)	-3.9 (1.6)	-1.2 (-5.4)	-8.0 (-9.2)
Construction Orders	4.0	0.7								
Private	5.1	0.6								
Public	8.4	-5.4								
Public Works Contracts	4.1	-4.3								
Housing Starts 10,000 units at Annual Rate, SA	97.4 (5.8)	94.6 (-2.8)	96.6 (-1.8)	95.0 (-0.2)	95.5 (0.6)	94.3 (-1.5)	95.0 (0.3)	95.5 (-0.6)	96.1 (2.1)	87.2 (1.1)
Total floor	(4.1)	(-3.7)	(-3.6)	(-0.9)	(2.3)	(-1.6)	(2.2)	(0.8)	(3.9)	(3.0)
Sales at Retailers	-0.2	1.9								
Real Consumption Expenditures of Households over 2 persons (SA)	-1.6	0.2	-0.9 (-1.3)	1.5 (1.0)	0.2 (1.1)	-3.5 (-0.5)	1.5 (1.0)	0.2 (0.2)	-0.1 (1.9)	
Propensity to Consume (SA, %)	72.1	71.7	68.8 [74.0]	70.6 [70.6]	68.6 [71.6]	70.4 [70.3]	70.4 [71.6]	70.1 [71.7]	65.5 [71.6]	[73.3]
Overtime Hours Worked (All Industries, 5 employees or more)	-0.7	0.5	1.3 (0.3)	-2.7 (-2.5)	0.1 (-2.3)	-0.6 (-3.6)	2.2 (0.0)	-0.6 (-2.6)	-3.5 (-4.3)	
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	0.5	0.7								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	102	99	-17	-36	-40	-39	-41	-43	-37	
Ratio of Job Offers to Applicants (SA, Times)	1.39	1.54	1.60 [1.49]	1.63 [1.52]	1.63 [1.57]	1.64 [1.53]	1.62 [1.55]	1.63 [1.56]	1.63 [1.59]	[1.59]
Unemployment Rate (SA, %)	3.0	2.7	2.4	2.4	2.4	2.3	2.4	2.5	2.4	
Economy Watcher Survey (Judgment of the present condition D.I.%)	46.4	50.5	48.7 [49.7]	48.0 [50.4]	48.3 [52.3]	48.3 [50.9]	48.6 [51.1]	49.5 [52.9]	46.8 [52.9]	45.6 [49.9]
Bankruptcies (Number of cases)	8,381 (-3.5)	8,367 (-0.2)	2,107 (-3.7)	2,017 (-0.7)	2,070 (-1.7)	621 (-8.5)	730 (-0.4)	718 (6.1)	622 (-10.6)	666 (4.9)

(Notes)

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

The figures in ( ) indicate % changes from previous year.

[ ] show the comparable figure of the previous year.

## 2. Balance of Payments

As of Feb. 28, 2019

	Fiscal	Fiscal	2018			2018				2019
	2016	2017	2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN
Customs Clearance (Exports in Yen Terms)	-3.5	10.8	(7.5)	(2.9)	(1.3)	(-1.3)	(8.2)	(0.1)	(-3.9)	(-8.4)
Value	-6.0	5.5	(1.8)	(4.0)	(2.8)	(3.7)	(4.3)	(2.1)	(2.1)	(0.7)
Volumes	2.7	5.0	(5.6)	(-1.1)	(-1.4)	(-4.9)	(3.8)	(-1.9)	(-5.8)	(-9.0)
Imports (In Yen terms)	-10.2	13.7	(7.5)	(12.4)	(11.2)	(7.1)	(20.0)	(12.5)	(1.9)	(-0.6)
Value	-10.0	8.8	(6.1)	(10.3)	(6.9)	(10.1)	(8.8)	(7.9)	(4.1)	(-1.2)
Volumes	-0.2	4.4	(1.4)	(1.9)	(4.0)	(-2.7)	(10.3)	(4.3)	(-2.2)	(0.5)
Current Account (100 mil. yen)	210,188	218,127	49,775	57,137	25,199	18,486	13,099	7,572	4,528	
Goods (100 mil. yen)	57,851	45,936	10,661	617	-6,647	3,193	-3,217	-5,591	2,162	
Services (100 mil. yen)	-13,813	-5,378	-6,118	-1,645	-3,351	-242	-2,330	121	-1,142	
Financial Account (100 mil. yen)	247,407	196,174	53,095	44,004	28,568	31,940	15,479	11,205	1,883	
Gold & Foreign Exchange Reserves (\$1mil.)	1,230,330	1,268,287	1,258,748	1,259,673	1,270,975	1,259,673	1,252,873	1,258,264	1,270,975	1,279,297
Exchange Rate (¥/\$)	108.37	110.80	109.05	111.44	112.87	111.89	112.78	113.37	112.45	108.95

## 3. Financial Market Indicators

	Fiscal	Fiscal	2018			2018				2019		
	2016	2017	2Q	3Q	4Q	SEP	OCT	NOV	DEC	JAN		
Uncollateralized Overnight Call Rates	-0.045	-0.050	-0.065 [-0.054]	-0.063 [-0.054]	-0.066 [-0.042]	-0.059 [-0.058]	-0.060 [-0.037]	-0.070 [-0.048]	-0.068 [-0.042]	-0.064 -0.040		
Euro Yen TIBOR (3 Months)	0.057	0.065	0.084 [0.056]	0.077 [0.062]	0.050 [0.063]	0.050 [0.056]	0.050 [0.063]	0.050 [0.063]	0.050 [0.063]	0.030 [0.068]		
Newly Issued Japanese Government Bonds Yields (10 Years)	0.065	0.045	0.030 [0.075]	0.125 [0.060]	-0.010 [0.045]	0.125 [0.060]	0.130 [0.065]	0.085 [0.035]	-0.010 0.045	0.000 [0.080]		
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.847	0.817	0.789 (-0.028)	0.775 (-0.014)	0.759 (-0.016)	0.775 (-0.011)	0.777 (0.002)	0.772 (-0.005)	0.759 (-0.013)			
The Nikkei Stock Average (TSE 225 Issues)	18,909	21,454	22,305 [20,033]	24,120 [20,356]	20,015 [22,765]	24,120 [20,356]	21,920 [22,012]	22,351 [22,725]	20,015 [22,765]	20,773 [23,098]		
M2(Average)	(3.6)	(3.7)	(3.1)	(2.9)	(2.5)	(2.8)	(2.7)	(2.3)	(2.4)	(2.4)		
Broadly-defined Liquidity(Average)	(1.9)	(3.1)	(2.5)	(2.2)	(2.0)	(2.2)	(2.1)	(1.9)	(2.0)	(1.9)		
Principal Figures of Financial Institutions												
Loans and Discount (Average)	Banks & Shinkin		(2.4)	(2.8)	(2.0)	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(2.4)	(2.4)
	Banks		(2.4)	(2.8)	(2.0)	(2.2)	(2.3)	(2.3)	(2.2)	(2.2)	(2.5)	(2.4)
	City Banks etc.		(1.2)	(2.0)	(0.5)	(0.7)	(1.2)	(1.1)	(1.1)	(0.9)	(1.6)	(1.6)
	Regional Banks		(3.5)	(3.6)	(4.1)	(4.5)	(4.3)	(4.5)	(4.3)	(4.4)	(4.3)	(4.2)
	Regional Banks II		(3.1)	(3.0)	(0.6)	(-0.5)	(-0.8)	(-0.6)	(-0.8)	(-0.8)	(-0.9)	(-0.9)
Deposits and CDs (Average)	Shinkin		(2.3)	(2.7)	(2.3)	(2.2)	(2.0)	(2.2)	(2.1)	(2.0)	(2.0)	(1.9)
	Total(3 Business Condition)		(3.8)	(4.2)	(3.8)	(3.7)	(3.2)	(3.6)	(3.4)	(3.0)	(3.1)	(3.1)
	City Banks		(5.5)	(5.9)	(5.2)	(5.3)	(4.6)	(5.2)	(4.8)	(4.3)	(4.5)	(4.7)
	Regional Banks		(2.3)	(2.5)	(2.8)	(3.0)	(2.6)	(2.9)	(2.8)	(2.5)	(2.4)	(2.2)
Regional Banks II		(2.1)	(2.1)	(-0.2)	(-1.3)	(-1.8)	(-1.4)	(-1.7)	(-1.8)	(-1.8)	(-1.9)	

(Notes)

Newly Issued Japanese Government Bonds Yields and Interest rates are averages. The Nikkei Stock Average is as of month-end. Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable. The figures in ( ) indicate % changes from previous year. [ ] show the comparable figure of the previous year.

(Sources)

Cabinet Office, National Accounts, Machinery Orders; METI, Indices of Tertiary Industry Activity, Industrial Production, Current Survey of Commerce; MOF, Trade Statistics, Balance of Payments; MPMHAPT, Consumer Price Index, Family Income and Expenditure Survey, Labour Force Survey; MHLW, Monthly Labour Survey; Ministry of Land, Infrastructure, and Transport, Economic Construction Statistics; BOJ, Corporate Price Index, Financial and Economic Statistics Monthly, etc.



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