The Outlook for the Japanese Economy

The support from solid domestic demand will continue, but there are risks from external demand

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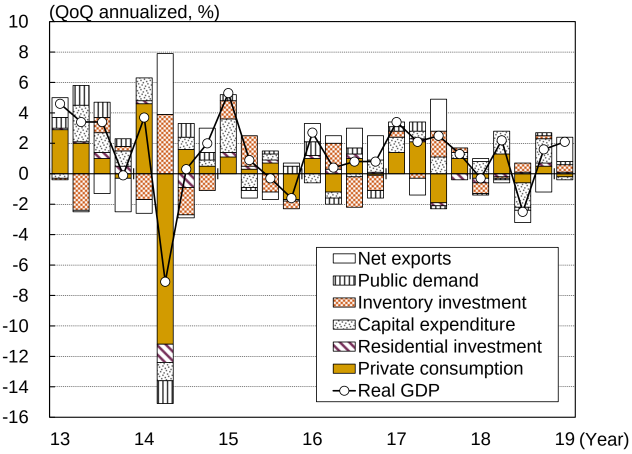
1. Overview of the Japanese Economy

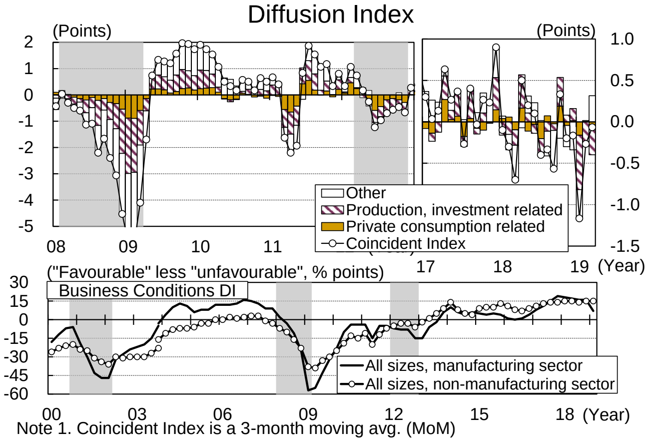
Japan’s real GDP growth rate (first preliminary estimate) was 2.1% QoQ annualised in the January-March quarter, rising for the second consecutive quarter (Chart 1). A decrease in imports and a large fluctuation in inventory investment made significant, positive contributions to growth. However, private consumption showed little change and the decrease in capital expenditure was mostly a reaction to the high growth the previous quarter which, if considered alongside the amount in JPY, suggests corporations’ business sentiment is still positive. Despite the economy lacking strength on a numerical basis, this quarter’s result confirms it is solid for the most part.

Chart 1: Real GDP and Final Demand



Source: Cabinet Office, MUFG Bank Economic Research Office

Chart 2: Coincident Index and Business Conditions Diffusion Index

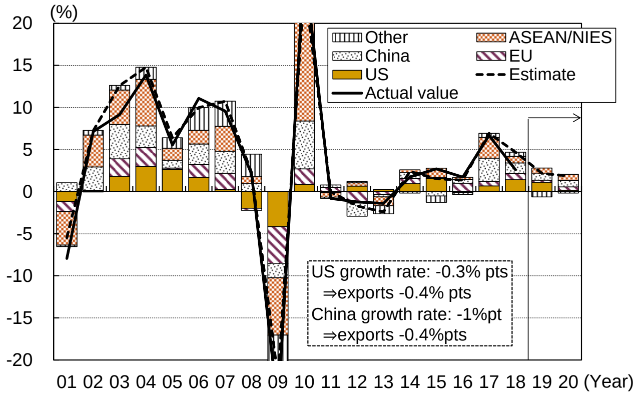


Note 1. Coincident Index is a 3-month moving avg. (MoM)
2.Shaded areas denote periods of economic recession
Source: Cabinet Office, Bank of Japan, MUFG Bank Economic Research Office

The coincident index is published as part of the Cabinet Office’s Indexes of Business Conditions and can be used to ascertain the current state of the economy. It fell by 0.9% points in March from the previous month. In addition, the difference in the 3-month moving average from the last month entered negative territory for the first time in five months (Chart 2). The assessment of the coincident index (CI), which is calculated automatically, was lowered to “worsening” for the first time in 6 years and 2 months. This indicates the economy is probably in a recessionary phase, yet its current state is different to that of past recessions and it is too soon to say whether or not it has entered a recession. The breakdown of factors for the coincident index shows a deterioration of indicators across a wide range at the time of the global financial crisis and the European debt crisis, such as those related to manufacturing (e.g. production and investment) and private consumption. On the other hand, the main reason for the current decline is attributed to indicators related to the manufacturing sector; those related to private consumption remain solid. Similarly, the Bank of Japan's Tankan survey for March reveals the business conditions diffusion index (DI) for the manufacturing sector decreased to 7% points (a decrease of 9% points from the previous survey). Meanwhile, the non-manufacturing sector remained at a high level of 15% points (no change) and sentiment regarding the non-manufacturing sector remains positive.

The risks to the Japanese economy going forwards are the consumption tax rate hike scheduled for October and a marked decline in external demand. It appears that the downward pressure on consumption from the tax rate hike will remain limited due to the support for private consumption from households' solid income, as well as the introduction of policies such as the reduced tax rate and free education. Consumer sentiment will probably improve around the time of next year's 2020 Tokyo Olympic and Paralympic Games, which will help to support the economy. A temporary period of adjustment is expected to take place after the Olympics; however, it is likely that the economy will avoid a downturn owing to support from the redevelopment of city centres, demand for construction in rural areas (which had been postponed) and solid inbound demand. Nevertheless, while there are signs that external demand is bottoming out, there is another rise in concerns about the US' trade policies, which have taken an increasingly hard-line stance. A particular worry is that trade friction will worsen between the US and China – the second largest economy. However, if the US and China were to impose additional tariffs of 25% on each other's imports, the impact on both countries' real GDP through trade channels alone is calculated at -0.3% points for the US and -1.0% point for China. The effect on the Japanese economy as a result of this would at most be -0.8% points on real exports and just over -0.1% points on real GDP (Chart 3). Of course, this calculation does not include the impacts from business sentiment and financial markets and while it is possible that the pressure on the economy via these channels will be larger than expected, the Economic Research Office forecasts the real GDP growth rate will remain positive, gradually rising by 0.7% YoY in both FY2019 and FY2020 (this main scenario does not include any turmoil in financial markets or increasingly cautious sentiment as a result of a fall in external demand) (Table 1). However, in addition to the aforementioned trade discussions between the US and China, it is also necessary to maintain a close watch on the outcome of the Japan-US trade negotiations and the introduction and possible impact of the US' tariffs against Mexico, which have suddenly been announced.

Chart 3: Estimate of Real Exports (Based on BoJ Data)



Note: Estimates use multiple regression to compare real exports to each country with the real GDP growth rate and the USD/JPY exchange rate using a customs weighting

Source: Bank of Japan, IMF, MUFG Bank Economic Research Office

Table 1: GDP Forecast

(YoY, %)

	FY 2017 (Actual)	FY 2018 (Actual)	FY 2019 (Forecast)	FY 2020 (Forecast)
Real GDP	1.9	0.6	0.7	0.7
Private Consumption	1.1	0.4	0.4	0.5
Private Residential Investment	-0.7	-4.2	0.7	-4.9
Private Non-Residential Investment	4.5	3.2	1.4	1.2
Inventory Investment (contribution)	0.1	0.2	0.1	0.1
Public Demand	0.5	-0.1	1.3	1.2
Net Exports (contribution)	0.4	-0.1	-0.2	-0.1
Exports	6.4	1.3	0.1	1.4
Imports	4.1	2.0	1.0	1.7
Nominal GDP	2.0	0.5	1.4	1.3
GDP Deflator	0.1	-0.2	0.7	0.6

Source: Cabinet Office, MUFG Bank Economic Research Office

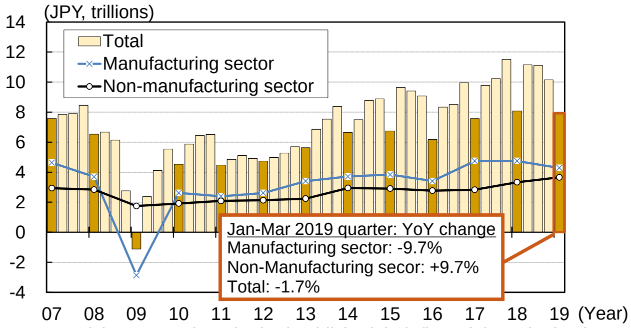
2. Key Points in the Outlook

(1) While sluggish growth continues in the manufacturing sector as external demand slows, the non-manufacturing sector is underpinned by domestic demand

Ordinary profits of non-financial corporations listed on the first section of the Tokyo Stock Exchange fell by 1.7% YoY in the January-March quarter, remaining in negative growth for the second consecutive quarter (Chart 4). That being said, the amount of corporate earnings in that quarter maintained a high level, the second highest since January-March 2007. In the breakdown, the manufacturing sector's profits dropped by 9.7% YoY, falling for the second consecutive quarter due to a decrease in exports. On the other hand, profits in the non-manufacturing sector rose by 9.7% YoY, returning to positive growth for the first time in two quarters against a background of solid domestic demand. Looking ahead, while the fall in exports and production will act as a weight on the manufacturing sector to a certain extent, in general, corporate earnings are not expected to drop suddenly due to the support for the non-manufacturing sector, particularly from domestic demand.

Turning to investment, there was strong growth of planned capital expenditure for this fiscal year, which rose by 6.2% YoY, even in the manufacturing sector (Chart 5). Amid the deep-rooted need for investment to address the structural issue of Japan's labour shortage, sectors which have a high dependency on external demand seem to be making moderate investment plans. Nevertheless, it will be necessary to remain cautious as corporations' investment decisions related to the commercial flow of goods and services under tariff and financial markets may be affected by the current increase in trade friction between the US, China and Mexico. At this point in time, there are many corporations who are considering the effects of a possible change in production location as well as passing on tariff and other costs, but this does not mean that there will be a permanent halt to investment as a whole. Furthermore, as it is less vulnerable to changes in external demand compared with the manufacturing sector, investment sentiment in the non-manufacturing sector is forecast to stay solid with continued, stronger-than-average growth of planned capital expenditure for this fiscal year.

Chart 4: Ordinary Profits of Non-Financial Corporations Listed on the First Section of Tokyo Stock Exchange

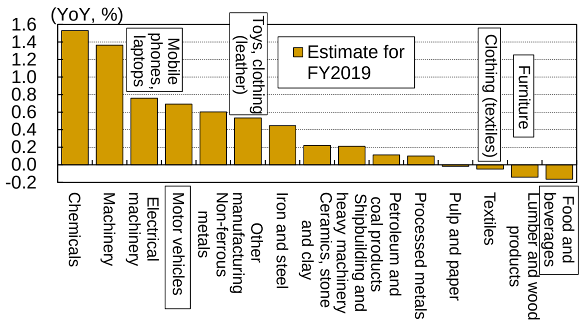


Note: 1. Of the companies who had published their financial results for the Jan-Mar 2019 quarter as of 21th May, figure shows the total of 1346 companies' "ordinary profits" who have collected data continuously since Jan-Mar 2007 quarter

2. Data used is "ordinary profits". Darker bars show Jan-Mar quarters

Source: Bloomberg, MUFG Bank Economic Research Office

Chart 5: Planned Capital Expenditure in the March Tankan Survey (contribution by sector; total large manufacturing corporations: +6.2%)



Note: The individual goods outlined in the chart above are already the subject of tariffs, or are likely to be, against China and/or Mexico since the March Tankan survey,

Source: Bank of Japan, MUFG Bank Economic Research Office

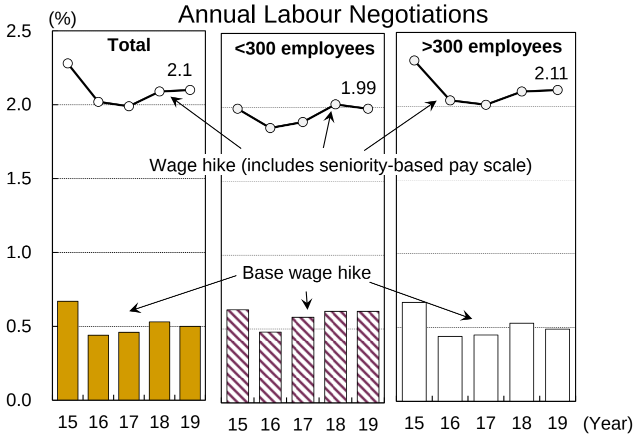
(2) Favourable labour market and wages will underpin consumption and the economy will avoid a downturn from the consumption tax rate hike

Real employee compensation increased by 0.8% YoY in the January-March quarter, maintaining positive growth for the 16th consecutive quarter on the back of a tight labour market. Wages are forecast to continue to improve gradually and the background for this is the annual labour negotiations. In total, wages were raised by 2.1% (of which base wages: 0.5%), almost the same rate as last year. Although uncertainty about the future is rising owing to tension between the US and China, corporations are continuing to raise wages in order to secure workers (Chart 6). Overtime pay has decreased as overtime hours are curbed as part of the regulations for overtime which were imposed on large corporations from the start of this fiscal year. However, the impact on wages is expected to be limited due to an adjustment of labour hours between employees who work longer hours and those who work shorter hours and a shift in the labour force as non-regular employees are converted into regular workers amid the growing labour shortage.

This year, a consumption tax rate hike is scheduled to be carried out in October. The timing of the consumption rate hike in 2014 coincided with monetary easing policies and austerity measures which resulted in sluggish consumption as the dip in demand and the last-minute surge before the hike were much larger than a typical rise and fall. This time, however, the impact on consumption will be constrained due to a further strengthening of monetary easing policies and several planned fiscal policies to ensure there is no sudden increase in households' net financial burden. In addition to permanent measures, such as the reduced tax rate and free education, there are also plans for temporary measures, like cashless payment rewards. Even after the temporary measures end in FY2020, the increase in households' financial burden in real terms is forecast to be around one fifth that of the previous consumption rate hikes.

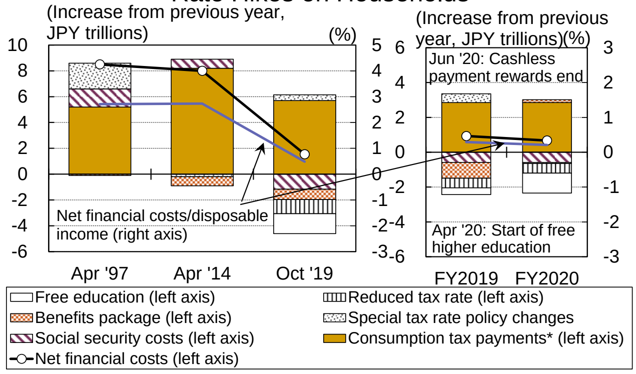
It appears that consumer sentiment is slowly worsening in the short term due to the tension between the US and China and fluctuations in financial markets. Nevertheless, the favourable labour market and wage growth will continue to underpin consumption. In light of this, it is unlikely that there will be a sharp change in household income or consumer sentiment directly before and after the consumption tax rate hike, and private consumption is expected to remain solid going forwards (Chart 7).

Chart 6: Pay Scale and Wage Hikes at the Annual Labour Negotiations



Note: All years use answers from 5th round of negotiations
Source: Rengo, MUFG Bank Economic Research Office

Chart 7: The Financial Burden of Consumption Tax Rate Hikes on Households



Note: Values for Oct '19 (left chart) are the increases from 2018 to 2020
Values for FY'19 and FY'20 (right chart) are increase from previous year
*Consumption tax payments less reduced tax rate
Source: Bank of Japan, Cabinet Office, MUFG Bank Economic Research Office

3. Monetary Policy and Financial Markets

(1) Monetary policy

At its Monetary Policy Meeting on 24th-25th April, the Bank of Japan (BoJ) set out its "Clarification of Forward Guidance for Policy Rates" and "Implementation of Measures Contributing to the Continuation of Powerful Monetary Easing" (Table 2). A sentence was added to the former stating that the current level of interest rates will be maintained "at least through around spring 2020", but it is likely that the effect of the consumption tax rate increase will take around half a year to assess and that this decision by the BoJ can be interpreted as a simple clarification of timing, rather than a tightening or easing of monetary policy. The latter can be surmised as measures to ensure the sustainability of the existing policy by addressing some of the side effects on financial institutions' shortage of collateral.

In the BoJ's Outlook for Economic Activity and Prices, which was published at the same time, the Policy Board members' median CPI forecast for FY2021 (a new addition) is only 1.6% YoY, reflecting the view that the 2% price stability target will not be reached in the nine years since Governor Kuroda took office. In fact, the current trend of prices is one of gradual growth with CPI less fresh food at 0.9% YoY and CPI less fresh food and energy – which marks the overall trend of prices – at 0.6% YoY. Looking ahead, the effects of downward pressure from free education and lower mobile phone charges are expected to start to appear.

That being said, the BoJ places emphasis not only on the future of prices in the short term, but also on the output gap, which impacts the momentum of prices. The output gap published by the BoJ was 2.23% in the October-December quarter, the highest level in 26 and a half years due to the contribution to improvement by the tight labour market (caused by the labour shortage), despite a huge increase in volatility triggered by natural disasters (Chart 8). The BoJ believes that even though there has been no large increase in prices, "the momentum of the growth in prices will continue", provided the output gap does not turn negative, and the BoJ's policy decisions in April can be read as them adopting this same stance again. Therefore, the

BoJ is predicted to stick with its current monetary policy (i.e. no large changes to policy) as long as there is no trigger, such as sharp JPY appreciation. Based on the Bank's forward guidance, it appears that any policy normalisation will occur from mid-2020.

(2) Exchange Rate

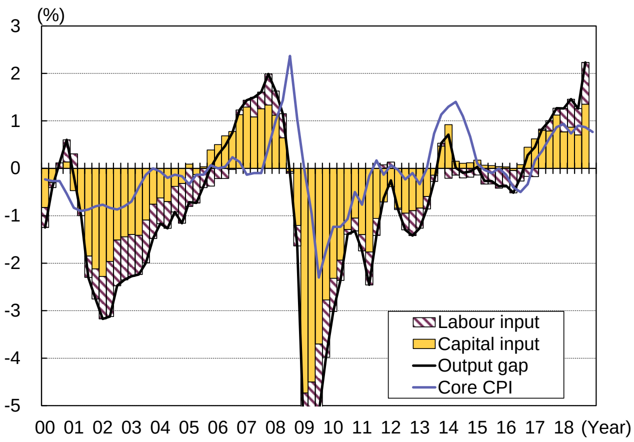
In April, the JPY remained at around JPY 111 against the USD; however, it is currently at around JPY 108 per USD owing to risk aversion brought about by additional tariffs imposed on goods between the US and China and the announcement by the US that it would also introduce tariffs against Mexico. This strong JPY is not expected to continue, despite some fluctuation caused US trade policy, due to the continuation of a certain gap between Japanese and US interest rates. The JPY will trade at around JPY 110 per USD.

Table 2: Summary of Policy Changes at April's Monetary Policy Meeting

Item	Details
Clarification of forward guidance for policy rates	Maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike
Implementation of measures contributing to the continuation of powerful monetary easing	Expanding eligible collateral for the Bank's provision of credit
	Relax the eligibility standards concerning creditworthiness regarding debt of companies
	Improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth
	Set a lending limit based on the amount in the past; extend the deadline for new loan disbursements
	Relaxation of the terms and conditions for the Securities Lending Facility
	Reduce the minimum fee rate and abolition of the upper limit on the amount of sales per issue
	Introduction of Exchange-Traded Fund Lending Facility
	The Bank will consider the introduction of ETF Lending Facility, which will make it possible to temporarily lend ETFs that the Bank holds to market participants

Source: Bank of Japan, MUFG Bank Economic Research Office

Chart 8: Output Gap and Core CPI



Source: Bank of Japan, Ministry of Internal Affairs and Communications
MUFG Bank Economic Research Office

(Translated by Elizabeth Foster)

Outlook for the Japanese Economy

Reflecting Jan-Mar 2019 GDP (the first preliminary estimates)

Forecast →

(%, billion yen)

	2018				2019				2020				2021	FY2018	FY2019	FY2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q1	2Q	3Q	4Q	Q1			
1. The Real Economy (QoQ annualized change)																
Real GDP	-0.3	2.2	-2.5	1.6	2.1	0.8	2.2	-3.2	0.8	1.5	1.7	0.9	0.7	0.6	0.7	0.7
Private Consumption	-0.5	2.4	-1.1	0.9	-0.3	2.3	3.1	-6.4	1.3	1.7	1.9	0.9	0.8	0.4	0.4	0.5
Housing Investment	-9.3	-8.1	3.4	5.9	4.5	3.2	2.4	-13.3	-8.1	-3.6	-2.8	-2.0	-1.2	-4.2	0.7	-4.9
Private Business Fixed Investment	5.1	9.8	-9.7	10.3	-1.2	2.8	3.4	-3.4	2.0	2.1	1.5	1.3	1.2	3.2	1.4	1.2
Business Inventory (Contribution)	-0.7	-0.1	0.6	0.2	0.5	-0.4	0.1	0.0	0.1	0.1	0.2	0.0	-0.1	0.2	0.1	0.1
Government Expenditures	-0.4	-0.3	-0.8	1.0	0.7	1.4	1.3	1.9	1.6	1.2	1.1	0.8	0.6	-0.1	1.3	1.2
Public Investment	-5.0	-2.6	-7.3	-5.6	6.2	2.8	3.2	4.9	3.2	1.2	0.8	-0.8	-2.0	-3.8	2.3	1.5
Net Exports (Contribution)	0.2	-0.2	-0.8	-1.2	1.6	-1.0	-0.6	1.0	-0.5	-0.1	-0.1	-0.0	-0.0	-0.1	-0.2	-0.1
Exports	3.9	2.8	-7.9	4.8	-9.4	5.3	1.4	1.4	1.4	1.4	1.4	1.2	1.2	1.3	0.1	1.4
Imports	3.0	4.2	-4.1	12.7	-17.2	11.2	4.9	-3.9	4.5	1.8	1.7	1.4	1.2	2.0	1.0	1.7
Nominal GDP	-0.8	1.2	-2.5	1.9	3.3	0.9	3.1	-2.0	1.5	1.8	2.7	0.2	1.5	0.5	1.4	1.3
GDP Deflator (YoY)	0.5	-0.1	-0.4	-0.3	0.2	0.5	0.6	0.9	0.8	0.8	0.8	0.3	0.4	-0.2	0.7	0.6
Industrial Production Index (QoQ)	-0.9	0.8	-0.7	1.4	-2.5	0.8	1.4	-1.4	1.0	1.1	1.1	-2.3	-0.6	0.3	0.1	1.0
Domestic Corporate Goods Price Index (YoY)	2.5	2.6	3.1	2.3	0.9	0.8	0.6	2.9	2.7	2.6	2.2	0.5	0.6	2.2	1.8	1.5
Consumer Price Index (excl. fresh food, YoY)	0.9	0.8	0.9	0.9	0.8	0.8	0.6	1.0	1.0	0.9	1.0	0.6	0.6	0.8	0.8	0.8
2. Balance of Payments																
Trade Balance (billion yen)	816	856	-70	-91	148	-54	-242	-348	-120	-260	-297	-692	-307	707	-765	-1,556
Current Balance (billion yen)	4,967	5,439	4,667	4,299	4,891	4,696	4,486	4,379	4,596	4,457	4,515	4,154	4,574	19,414	18,158	17,700
3. Financial																
Uncollateralized overnight call rate	-0.1	-0.1	-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
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	0.1	0.1	0.0	-0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.0	0.0	0.2
Exchange Rate (USD/JPY)	108	109	112	113	110	110	109	109	109	108	108	108	108	111	109	108

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 June. 4, 2019

	Fiscal	Fiscal	2018		2019	2018	2019			
	2017	2018	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR
Real GDP Growth Rate <% changes from	1.9	0.6	-2.5	1.6	2.1	***	***	***	***	***
previous period at SA annual rate>			(0.1)	(0.2)	(0.8)					
Index of All Industries Activity	1.8	0.9	-0.4	0.9	-0.5	-0.1	0.0	-0.2	-0.4	
			(0.4)	(1.4)	(0.3)	(-0.1)	(1.0)	(0.3)	(-0.4)	
Industrial Production Index	2.9	0.3	-0.7	1.4	-2.5	0.1	-2.5	0.7	-0.6	0.6
Production			(0.1)	(1.3)	(-1.7)	(-2.0)	(0.7)	(-1.1)	(-4.3)	(-1.1)
Shipments	2.2	0.2	-1.2	1.0	-2.1	0.3	-2.4	1.6	-1.3	1.7
			(-0.3)	(1.1)	(-1.6)	(-3.1)	(-0.1)	(-0.3)	(-4.0)	(-1.5)
Inventory	5.1	0.2	0.4	0.9	0.9	1.3	-0.9	0.4	1.4	0.0
			(3.5)	(1.7)	(0.2)	(1.7)	(1.2)	(1.4)	(0.2)	(1.2)
Inventory/Shipments Ratio	101.9	105.0	105.0	105.6	105.9	107.2	105.0	105.5	107.2	104.5
(2015=100)			[99.6]	[102.6]	[104.3]	[101.3]	[104.7]	[103.4]	[104.9]	[102.8]
Domestic Corporate Goods Price Index	2.7	2.2	0.9	0.1	-0.8	-0.6	-0.6	0.3	0.3	0.3
			(3.1)	(2.3)	(0.9)	(1.5)	(0.6)	(0.9)	(1.3)	(1.2)
Consumer Price Index(SA, total, excl.fresh foods)	0.7	0.8	0.2	0.4	-0.2	-0.1	0.2	0.1	0.0	0.1
			(0.9)	(0.9)	(0.8)	(0.7)	(0.8)	(0.7)	(0.8)	(0.9)
Index of Capacity Utilization	102.7	102.5	101.9	104.7	100.5	104.2	100.0	101.0	100.6	
(2015=100)			[102.5]	[103.8]	[102.2]	[105.1]	[100.2]	[102.8]	[103.7]	[104.3]
Machinery Orders(Private Demand,	-0.8	2.8	1.5	-3.2	-3.2	-0.3	-5.4	1.8	3.8	
Excl.Electric Power and Ship building)			(4.8)	(2.0)	(-2.5)	(0.9)	(-2.9)	(-5.5)	(-0.7)	
Manufacturing	9.2	3.8	-1.0	-4.1	-7.7	-4.4	-1.9	3.5	-11.4	
			(8.5)	(-0.6)	(-8.0)	(-5.3)	(-7.5)	(-9.1)	(-7.6)	
Non-manufacturing	-7.8	2.1	3.4	-1.9	-0.3	5.6	-8.0	-0.8	13.4	
Excl.Electric Power & Ship building			(2.0)	(4.5)	(1.8)	(6.5)	(1.0)	(-2.0)	(4.1)	
Shipments of Capital Goods	7.0	-0.3	-1.4	1.6	-7.4	-0.6	-7.9	3.8	-1.5	0.6
(Excl.Transport Equipment)			(1.6)	(1.3)	(-6.9)	(-4.8)	(-8.2)	(-3.6)	(-8.5)	(-9.4)
Construction Orders	0.7	6.5								
			(-2.2)	(-9.8)	(36.9)	(-3.7)	(19.8)	(-3.4)	(66.1)	(-19.9)
Private	0.6	14.5								
			(1.1)	(-5.3)	(52.6)	(1.4)	(15.2)	(6.3)	(91.5)	(-8.5)
Public	-5.4	-15.0								
			(-17.7)	(-22.6)	(4.3)	(-29.7)	(22.6)	(-13.5)	(7.7)	(-48.2)
Public Works Contracts	-4.3	1.1								
			(-4.3)	(3.6)	(5.9)	(4.6)	(-4.1)	(20.4)	(3.7)	(2.5)
Housing Starts	94.6	95.3	95.0	95.5	94.2	96.1	87.2	96.7	98.9	93.1
10,000 units at Annual Rate, SA	(-2.8)	(0.7)	(-0.2)	(0.6)	(5.1)	(2.1)	(1.1)	(4.2)	(10.0)	(-5.7)
Total floor	(-3.7)	(1.0)	(-0.9)	(2.3)	(7.6)	(3.9)	(3.0)	(7.0)	(12.9)	(-2.5)
Sales at Retailers	1.9	1.6								
			(2.2)	(2.0)	(0.7)	(1.3)	(0.6)	(0.6)	(1.0)	(0.5)
Real Consumption Expenditures	0.3	0.0	1.5	0.2	-0.2	-0.1	0.7	-2.0	0.1	
of Households over 2 persons (SA)			(1.0)	(1.1)	(2.0)	(1.9)	(2.1)	(1.9)	(2.1)	
Propensity to Consume	71.7	69.2	70.6	68.6	69.8	65.5	70.4	69.8	69.4	
(SA,%)			[70.6]	[71.6]	[71.0]	[71.6]	[73.3]	[69.3]	[70.6]	[69.9]
Overtime Hours Worked	0.5	-1.6	-2.6	-0.1	-0.7	-2.6	0.7	2.5	-2.6	
(All Industries, 5 employees or more)			(-2.5)	(-2.3)	(-2.1)	(-4.3)	(-1.9)	(-0.9)	(-3.5)	
Total Cash Earnings (Regular Employees	0.7	0.9								
Only; All Industries, 5 employees or more)			(0.9)	(1.5)	(-0.8)	(1.5)	(-0.6)	(-0.7)	(-1.3)	
Employment Index(Regular Employees Only;'All Industries,	99	1	-34	-40	96	-36	100	96	93	
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	1.54	1.62	1.62	1.62	1.63	1.63	1.63	1.63	1.63	1.63
(SA,Times)			[1.52]	[1.56]	[1.59]	[1.58]	[1.59]	[1.59]	[1.59]	[1.60]
Unemployment Rate	2.7	2.4	2.4	2.4	2.4	2.4	2.5	2.3	2.5	2.4
(SA,%)										
Economy Watcher Survey	50.5	47.8	48.0	48.3	46.0	46.8	45.6	47.5	44.8	45.3
(Judgment of the present condition D.I,%)			[50.4]	[52.3]	[49.5]	[52.9]	[49.9]	[49.0]	[49.6]	[49.5]
Bankruptcies (Number of cases)	8,367	8,111	2,017	2,070	1,917	622	666	589	662	645
	(-0.2)	(-3.1)	(-0.7)	(-1.7)	(-6.1)	(-10.6)	(4.9)	(-4.5)	(-16.1)	(-0.8)

(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 June. 4, 2019

	Fiscal	Fiscal	2018		2019	2018	2019			
	2017	2018	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR
Customs Clearance (Exports in Yen Terms)	10.8	1.9	(2.9)	(1.3)	(-3.9)	(-3.9)	(-8.4)	(-1.2)	(-2.4)	(-2.4)
Value	5.5	2.5	(4.0)	(2.8)	(1.2)	(2.0)	(0.7)	(-0.6)	(3.4)	(2.0)
Volumes	5.0	-0.6	(-1.1)	(-1.4)	(-5.0)	(-5.8)	(-9.0)	(-0.6)	(-5.6)	(-4.3)
Imports (In Yen terms)	13.7	7.2	(12.4)	(11.2)	(-2.0)	(1.9)	(-0.8)	(-6.5)	(1.2)	(6.5)
Value	8.9	5.7	(10.2)	(6.9)	(-0.2)	(4.1)	(-1.4)	(0.0)	(0.8)	(2.3)
Volumes	4.4	1.4	(2.0)	(4.0)	(-1.8)	(-2.2)	(0.5)	(-6.5)	(0.4)	(4.1)
Current Account (100 mil. yen)	221,749	194,144	56,944	26,018	61,251	4,644	6,004	26,768	28,479	
Goods (100 mil. yen)	45,396	7,068	545	-6,423	2,245	2,180	-9,648	4,892	7,001	
Services (100 mil. yen)	-4,567	-6,378	-1,658	-3,066	4,306	-1,081	-1,512	2,366	3,451	
Financial Account (100 mil. yen)	206,805	214,974	44,864	27,016	90,833	604	27,087	25,527	38,219	
Gold & Foreign Exchange Reserves ($1mil.)	1,268,287	1,291,813	1,259,673	1,270,975	1,291,813	1,270,975	1,279,297	1,281,846	1,291,813	1,293,499
Exchange Rate (\/$)	110.80	110.88	111.44	112.87	110.17	112.45	108.95	110.36	111.21	111.66

3． Financial Market Indicators

	Fiscal	Fiscal	2018		2019	2018	2019			
	2017	2018	3Q	4Q	1Q	DEC	JAN	FEB	MAR	APR
Uncollateralized Overnight Call Rates	-0.050	-0.062	-0.063	-0.066	-0.054	-0.068	-0.064	-0.055	-0.044	-0.068
			[-0.054]	[-0.042]	[-0.048]	[-0.042]	[-0.040]	[-0.042]	[-0.062]	-0.063
Euro Yen TIBOR	0.065	0.062	0.077	0.050	0.037	0.050	0.030	0.030	0.050	0.050
(3 Months)			[0.062]	[0.063]	[0.078]	[0.063]	[0.068]	[0.068]	[0.097]	[0.097]
Newly Issued Japanese Government Bonds Yields	0.045	-0.095	0.125	-0.010	-0.095	-0.010	0.000	-0.015	-0.095	-0.045
(10 Years)			[0.060]	[0.045]	[0.045]	[0.045]	[0.080]	[0.045]	0.045	[0.050]
Average Contracted Interest Rates	0.817	0.751								
on Loans and Discounts(City Banks)			0.775	0.759	0.751	0.759	0.759	0.758	0.751	
(% changes from previous period)			(-0.014)	(-0.016)	(-0.008)	(-0.013)	(0.000)	(-0.001)	(-0.007)	
The Nikkei Stock Average	21,454	21,206	24,120	20,015	21,206	20,015	20,773	21,385	21,206	22,259
(TSE 225 Issues)			[20,356]	[22,765]	[21,454]	[22,765]	[23,098]	[22,068]	[21,454]	[22,468]
M2(Average)	(3.7)	(2.7)	(2.9)	(2.5)	(2.3)	(2.4)	(2.3)	(2.4)	(2.4)	(2.6)
Broadly-defined Liquidity(Average)	(3.1)	(2.2)	(2.2)	(2.0)	(2.1)	(1.9)	(1.9)	(2.1)	(2.4)	(2.2)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(2.8)	(2.2)	(2.2)	(2.2)	(2.3)	(2.4)	(2.4)	(2.3)	(2.3)	(2.4)
Banks	(2.8)	(2.2)	(2.2)	(2.3)	(2.4)	(2.5)	(2.4)	(2.4)	(2.5)	(2.5)
City Banks etc.	(2.0)	(1.0)	(0.7)	(1.2)	(1.6)	(1.6)	(1.6)	(1.5)	(1.8)	(2.2)
Regional Banks	(3.6)	(4.3)	(4.5)	(4.3)	(4.1)	(4.3)	(4.2)	(4.1)	(4.0)	(5.9)
Regional Banks Ⅱ	(3.0)	(-0.4)	(-0.5)	(-0.8)	(-0.8)	(-0.9)	(-0.8)	(-0.8)	(-0.8)	(-8.7)
Shinkin	(2.7)	(2.1)	(2.2)	(2.0)	(1.7)	(2.0)	(1.9)	(1.7)	(1.6)	(1.5)
Deposits and CDs (Average): Total(3 Business Condition)	(4.2)	(3.4)	(3.7)	(3.2)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(2.6)
City Banks	(5.9)	(4.9)	(5.3)	(4.6)	(4.7)	(4.5)	(4.7)	(4.7)	(4.6)	(3.6)
Regional Banks	(2.5)	(2.7)	(3.0)	(2.6)	(2.3)	(2.4)	(2.2)	(2.3)	(2.4)	(3.9)
Regional Banks Ⅱ	(2.1)	(-1.3)	(-1.3)	(-1.8)	(-2.0)	(-1.8)	(-1.9)	(-2.0)	(-1.9)	(-8.1)

(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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