The Outlook for the Japanese Economy

Domestic demand remains firm, yet the economic slowdown overseas persists along with other risks

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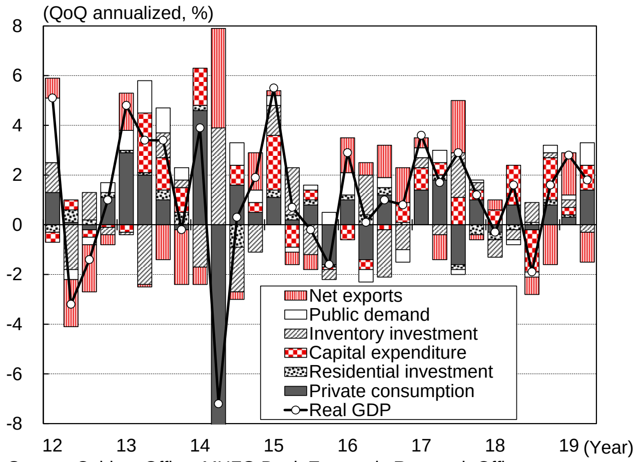
1. Overview of the Japanese Economy

Japan's real GDP growth rate (first preliminary estimate) was 1.8% QoQ annualised in the April-June quarter, rising for the third consecutive quarter (Chart 1). While exports were sluggish, imports rose, reflecting both a rebound in imports from their decrease the previous quarter and solid domestic demand. As a result, net exports (exports less imports) put downward pressure on real GDP. Nevertheless, there was solid growth in private consumption and capital expenditure, and real GDP growth was comparatively high on the whole. In addition, it appears that domestic demand is firm; private consumption for the January-March quarter was revised upwards, and both private consumption and capital expenditure maintained positive growth for the third consecutive quarter.

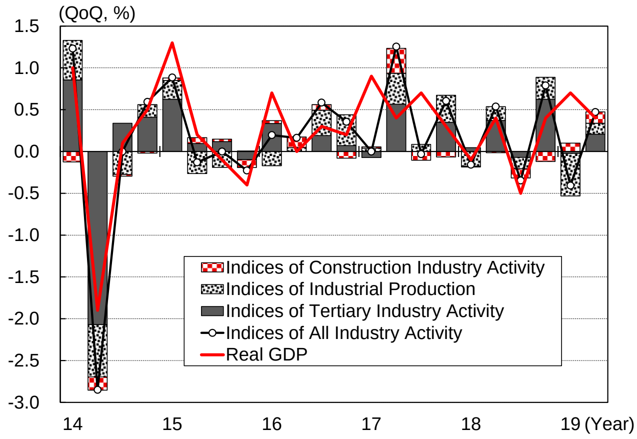
A breakdown of the Indices of All Industry Activity – an indicator of the current state of the economy on the supply side – reveals Indices of Industrial Production is slipping more readily into negative territory due to a deceleration of exports, but the Indices of Tertiary Industry Activity remains solid in general (Chart 2). The manufacturing sector seems to be in a phase of adjustment owing to the slowdown of the global economy, yet it continues on a trend of gradual growth as a firm labour market and household income underpins consumption.

Chart 1: Real GDP and Final Demand



Source: Cabinet Office, MUFG Bank Economic Research Office

Chart 2: Indices of All Industry Activity and Real GDP



Source: Ministry of Economy, Trade and Industry, Cabinet Office, MUFG Bank Economic Research Office

2. Key Points of the Outlook

The focal points looking ahead will be the further slowing of overseas economies and the resulting weakening of exports, as well as any knock-on effects this may have on the Japanese economy. Real exports had decreased for eight consecutive months up until July, where they then grew by 0.5% YoY; however, it is unlikely they have completely bottomed out. This has led to concerns about the impact of the current decrease in imports and the resulting prolonged worsening of business sentiment on attitudes towards labour and capital expenditure.

The trend of overseas economies in relation to vital exports shows the US economy (accounting for 20% of Japanese exports) is robust, and while there is uncertainty concerning the US-China trade friction and stagnant automobile sales, the deceleration of China's (also accounting for 20% of Japanese exports) growth rate remains gradual, and it appears imports (exports from Japan) are on track to recover next year. In Europe and other Asian countries, domestic demand – such as private consumption – will remain firm. Therefore, it is likely Japanese exports will recover from the first half of 2020.

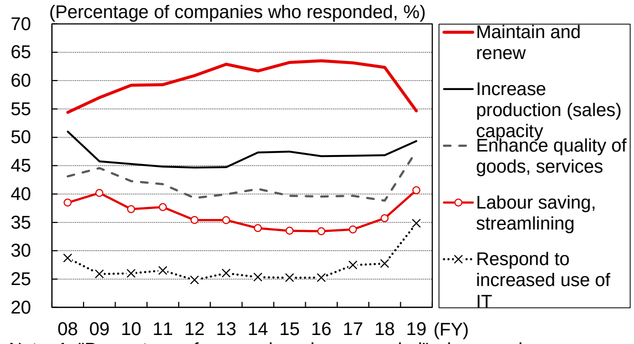
The labour market remains tight and, given that this is due to structural issues caused by demographics, it is improbable there will be any large downturn in corporations' hiring appetite brought about by uncertainty over external demand when the non-manufacturing sector is also taken into consideration. Despite fluctuations in companies' investment in production capacity from changes in domestic and external demand, there is continued investment in labour saving and streamlining, which is related to the labour shortage (Chart 3). Investment in research and development remains at a high level, particularly considering the current uncertain times. Bearing this in mind, the possibility that companies will significantly decrease staff levels and capital expenditure is low. Instead, it is thought they will continue forward steadily with the necessary hiring and investment.

There is no change to the view that the impact of the consumption tax rate hike scheduled for October will remain limited as the aforementioned firm labour market and wage growth maintains support for private consumption and the government introduces generous policies, such as a reduced tax rate and free education. Furthermore, there is expected to be a gradual improvement in consumer sentiment as next year's Olympic Games draws closer. Although it is unlikely consumption will remain at high levels throughout the year due to a probable dip following the tax rate hike and the Olympics, it is forecast to provide a stable contribution of around 0.3% YoY to real GDP growth from this fiscal year and into the next. In addition to several large-scale public works projects and urban redevelopment, the number of tourists to Japan, which has increased in recent years, is expected to rise further, encouraged by the Tokyo Olympic Games.

In light of this, the real GDP growth rate is forecast to remain on a gradual upward trend, rising by 0.8% YoY and 0.7% YoY in FY2019 and FY2020 respectively (Table 1).

That being said, while progress is reportedly being made in bilateral trade negotiations between Japan and the US, it appears risks caused by uncertainty related to external demand, such as the US-China conflict and Brexit, are clearly at an unprecedented high level compared with the first half of the year, and it is necessary to remain cautious. If the disruption from these various issues leads to a larger-than-expected slowdown of overseas economies, large fluctuations in financial markets and a decrease in business and consumer sentiment, it will be important to be aware of the possibility of a corresponding downturn in the above outlook for the Japanese economy.

Chart 3: Companies' Capex Each Fiscal Year
(Total of 3 most important, all sizes and industries)



Note: 1. "Percentage of companies who responded" where each company could select up to three items
2. Up to FY2018 = Jul-Sep surveys, FY2019 = Apr-Jun survey
Source: Cabinet Office, Ministry of Finance, 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	0.7	0.8	0.7
Private Consumption	1.0	0.5	0.5	0.5
Private Residential Investment	-0.7	-4.4	-1.3	-5.3
Private Non-Residential Investment	4.6	3.5	2.5	1.1
Inventory Investment (contribution)	0.1	0.1	0.0	0.1
Public Demand	0.5	-0.1	1.9	1.3
Net Exports (contribution)	0.4	-0.1	-0.3	0.0
Exports	6.5	1.5	-1.0	1.4
Imports	4.0	2.1	0.6	1.6
Nominal GDP	2.0	0.5	1.5	1.2
GDP Deflator	0.1	-0.2	0.6	0.6

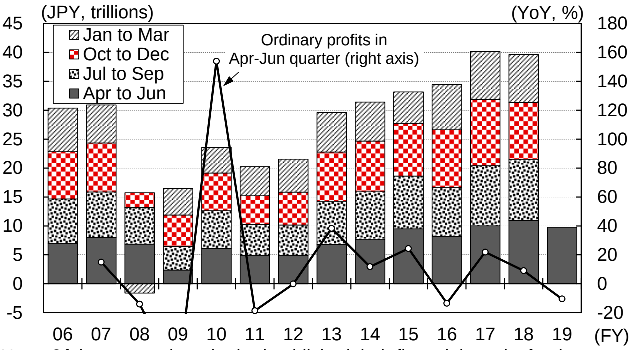
Source: Cabinet Office, MUFG Bank Economic Research Office

2.1 Corporate profits are being shaken by JPY appreciation and decreased production

Ordinary profits of non-financial corporations listed on the first section of the Tokyo Stock Exchange fell by 10.5% YoY in the April-June quarter, decreasing for the first time in two quarters (Chart 4). According to the breakdown by industry, profits in the manufacturing sector dropped by 22.9% YoY, falling for the third consecutive quarter due to a slowing of exports. On the other hand, the non-manufacturing sector experienced a rise of 5.2% YoY in profits, increasing for the second quarter on the back of firm domestic demand. The pattern of “a slump in manufacturing sectors due to stagnant trade with a robust non-manufacturing sector owing to a firm labour market and firm private consumption” is commonplace around the world and can also be seen in Japan. Decreased exports and JPY depreciation is forecast to weigh on corporate profits in the future to some extent. On the other hand, total retail sales including domestic sales are firm (0.4% YoY in the April-June quarter, increasing for the 10th consecutive quarter) and oil prices are lower than they were this time last year, which will provide support for corporate profits. Appreciation by an average of JPY 1 over a year will put downward pressure of 1.2% points on ordinary profits in the manufacturing sector for a year (impact of currency exchange only). In addition, it is calculated that revisions to business terms by industries, such as trading and logistics, will have a negative impact of 0.3% points on the non-manufacturing sector. Provided that further JPY does not take hold from now, corporate profits are expected to avoid a hard fall.

Examination of the manufacturing sector’s production activities reveals industries related to consumer goods remain firm; however, there appears to be a fall in production in sectors related to capital goods owing to a deceleration in exports (Chart 5). Meanwhile, there is a possibility that stock adjustments in some industries will continue for a while: stocks in the “general purpose and business orientated machinery” production industry have increased regardless of a decrease in production, and the “chemicals” production industry’s stocks have accumulated significantly for the fifth consecutive quarter. As a result, it is highly likely that a recovery in production as a whole will be pushed back. That being said, producer goods, such as raw materials, and capital goods are forecast to experience an export-led recovery as overseas economies improve. This, along with the support from production related to consumer goods, which will benefit from firm domestic demand during this time, is expected to result in a recovery in the trend of overall production.

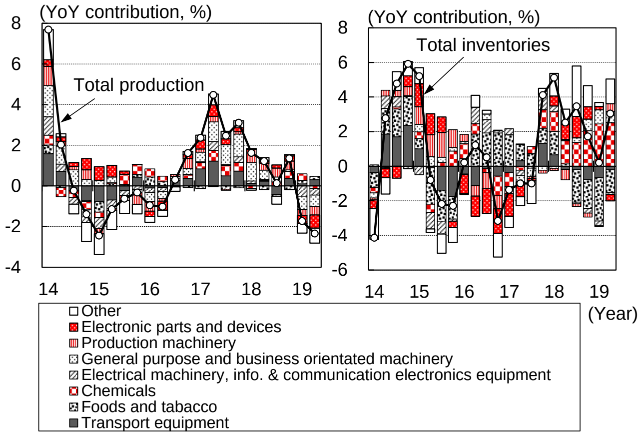
Chart 4: Ordinary Profits of Non-Financial Corporations Listed on the First Section of Tokyo Stock Exchange



Note: Of the companies who had published their financial results for the Apr-Jun quarter 2019 as of 20 August, figure shows the total of 1342 companies' "ordinary profits" who have collected data continuously since FY2006

Source: Bloomberg, MUFG Bank Economic Research Office

Chart 5: Industrial Production and Inventories



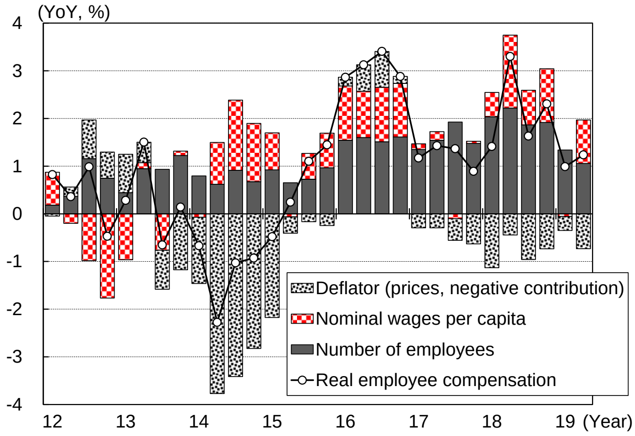
Source: Ministry of Economy, Trade and Industry, MUFG Bank Economic Research Office

2.2 Supported by firm household income, consumption will avoid a downturn from the consumption tax rate hike

Real employee compensation grew by 1.2% YoY in the April-June quarter, remaining in positive territory for the 17th consecutive quarter (longest period since data became available in 1995) owing to an increase in employees and a rise in wages (Chart 6). The jobs-to-applicants ratio was 1.59 in July, suggesting a tightening of the labour market as firms' demand for labour remains strong. The number of employees is likely to remain on an upward trend until next year at the very least in light of the labour supply capacity of Japan's population. Base wages were raised by 0.56% at this year's annual labour negotiations. Despite a rise in uncertainty about the future of the global economy, this year's wage growth exceeded last year's (0.54%) on the back of the labour shortage (tight labour market), and it seems wages will continue to rise for the time being.

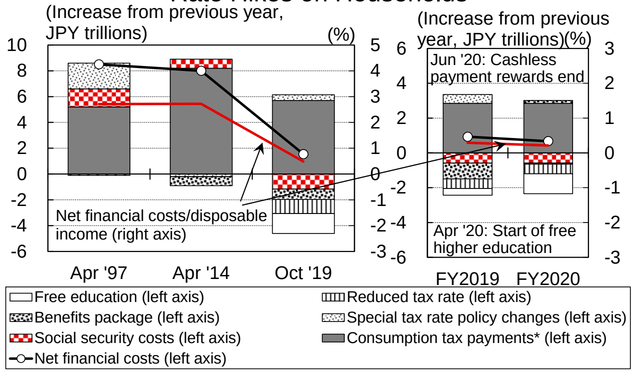
In the April-June quarter, there was robust growth of 2.5% QoQ annualised in private consumption, which was underpinned by a rise in consumption of services, such as dining out and travelling because of the 10-day Golden Week holiday amid improvements in the labour market and wage growth. It is necessary to be cautious about the recent deterioration in consumer sentiment which has arisen due to the prolonged conflict between the US and China over trade, as well as the consumption tax rate hike in October and the weakness of some consumption indicators. However, private consumption can basically be seen as a variable of household income, so when the labour market and wage growth are robust, private consumption is expected to be firm. A surge in demand and subsequent dip are inherent impacts of a consumption tax hike and their short-term, disruptive effects on the economy seem unavoidable. However, a downturn in consumption is expected to be avoided due to the introduction of permanent measures, such as a reduced tax rate and free education, as well as other, temporary measures, such as the Point Reward Project for cashless payments. 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 consumption tax hike in 2014 and the downward pressure on disposable income is forecast to remain at around 0.5% (Chart 7). After strong growth in the July-September quarter 2019, it is predicted private consumption growth will temporarily turn negative in the October-December quarter, but will recover back to positive growth from 2020.

Chart 6: Real Employee Compensation



Source: Cabinet Office, Ministry of Internal Affairs and Communications, 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

3.1 Monetary policy

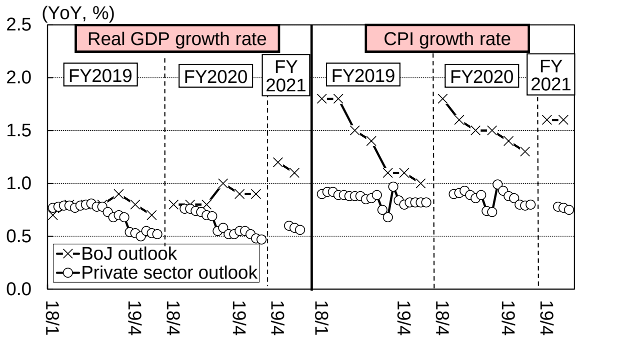
The Bank of Japan (BoJ) decided to maintain its current monetary policy at its Monetary Policy Meeting on 29th and 30th July. It added the sentence "the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost" to its statement and clarified its stance on monetary easing. In addition, while the Policy Board members' median real GDP and CPI forecasts were revised down slightly in the Outlook for Economic Activity and Prices published alongside the Monetary Policy Meeting (Chart 8), the BoJ's main scenario remained unchanged. Nevertheless, it placed emphasis on downside risks, especially those pertaining to overseas economies, and the risk that an economic slump will spread to prices, suggesting the Bank's sense of caution has increased further.

In the Summary of Opinions of the July meeting published on 7th August, economic developments included a significant number of views expressing concern about the downside risk from overseas economies, along with statements that "the timing of its (the global economy) recovery could be delayed from the baseline scenario – that is, from the second half of 2019" and "there is some possibility that the economy will head toward a downturn." In the Opinions on Monetary Policy section, there was a rise in views about the necessity of strengthening monetary easing and preventive monetary easing, but many are still cautious about further easing due to side effects and the fact that the degree of monetary accommodation in Japan is already greater than those in the US and Europe. At an interview on 1st September, Deputy Governor Masayoshi Amamiya expressed his view that Japan should consider very carefully the balance between the positive effects and side effects of various monetary policies, perhaps more so than other countries. Taking this into account, when it comes to additional monetary easing in the future, the BoJ will essentially avoid measures with large side effects, such as cutting interest rates further into negative territory, and it will start with policies which are comparatively easier to enact, such as revisions to its forward guidance. However, it cannot be denied that there is a possibility the BoJ will embark on clear rate cuts, such as lowering interest rates further into negative territory, in the case that the US Federal Reserve Board (FRB) carries out a large interest rate cut totalling 1% point or if the likeliness of a rate cut increases, or in the case there are signs that a rate cut by the FRB will lead to sharp, ingrained JPY appreciation.

3.2 Exchange Rate

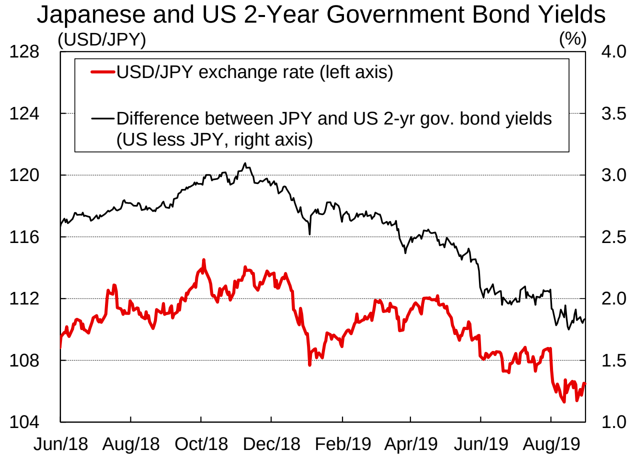
Since spring, it appears the decrease in US interest rates has put upward pressure on the JPY and there has been a further rise in expectations that US interest rates will fall since the start of August owing to the US and China imposing retaliatory tariffs and other measures on each other as part of their trade conflict. This, along with safe-haven JPY buying, led to the JPY dipping above and below the JPY 105 per USD mark (Chart 9). Looking ahead, the JPY will avoid further, sustained appreciation due to the fact that anticipation of a fall in US interest rates has already become embedded in the JPY-USD currency market and the relatively robust US economy will encourage USD buying. As a result, the JPY is forecast to remain at around JPY106 per USD in general until the start of next year.

Chart 8: Outlook for Real GDP and CPI Growth Rates



Notes: "BoJ outlook" = median of policy meeting members' forecasts; "Private sector outlook = average of private research institutions' outlooks (approx. 40) in response to the ESP Forecast Survey. Direct impacts of consumption tax rate hikes omitted from BoJ Outlook before Feb 2019 and from Private Sector Outlook before Mar 2020. Direct impacts included after.
Source: Bank of Japan, Japan Center for Economic Research, MUFG Bank Economic Research Office

Chart 9: USD/JPY Exchange Rate and the Difference in Japanese and US 2-Year Government Bond Yields



Source: Bloomberg, 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	1.6	-1.9	1.6	2.8	1.8	0.9	-3.5	0.7	1.6	1.8	1.0	0.8	0.7	0.8	0.7
Private Consumption	-0.5	1.5	-0.5	1.5	0.4	2.5	2.6	-6.8	1.3	1.7	1.9	0.9	0.8	0.5	0.5	0.5
Housing Investment	-9.6	-7.3	3.1	5.5	2.3	1.0	-1.6	-14.5	-8.1	-3.6	-2.8	-2.0	-1.2	-4.4	-1.3	-5.3
Private Business Fixed Investment	4.0	10.6	-10.0	11.4	1.7	6.1	1.2	-3.6	1.8	2.1	1.6	1.4	1.3	3.5	2.5	1.1
Business Inventory (Contribution)	-0.7	-0.4	0.8	0.2	0.3	-0.3	-0.3	0.0	0.1	0.1	0.2	0.0	-0.1	0.1	-0.0	0.1
Government Expenditures	-0.1	-0.8	-0.7	1.3	0.9	3.8	1.5	1.9	1.6	1.2	1.1	0.8	0.6	-0.1	1.9	1.3
Public Investment	-3.9	-4.6	-7.1	-5.1	5.6	4.0	3.2	4.8	3.2	1.1	0.8	-0.8	-2.0	-4.0	2.6	1.4
Net Exports (Contribution)	0.4	0.0	-0.7	-1.6	1.7	-1.2	-0.8	0.9	-0.6	-0.0	0.0	0.0	0.0	-0.1	-0.3	-0.0
Exports	4.1	3.2	-8.2	4.9	-7.6	-0.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.5	-1.0	1.4
Imports	2.3	3.4	-4.6	15.4	-16.0	6.7	5.6	-3.7	4.5	1.6	1.4	1.2	1.2	2.1	0.6	1.6
Nominal GDP	-0.6	0.6	-1.7	1.7	4.2	1.7	2.1	-2.5	1.7	1.4	3.2	0.1	1.9	0.5	1.5	1.2
GDP Deflator (YoY)	0.5	-0.1	-0.4	-0.3	0.1	0.4	0.6	0.9	0.8	0.8	0.8	0.3	0.4	-0.2	0.6	0.6
Industrial Production Index (QoQ)	-0.9	0.8	-0.7	1.4	-2.5	0.5	0.5	-1.1	0.7	1.0	0.8	-0.5	-0.3	0.3	-1.2	1.4
Domestic Corporate Goods Price Index (YoY)	2.5	2.6	3.1	2.3	0.9	0.6	-0.7	1.8	2.3	1.8	2.1	0.6	0.6	2.2	1.0	1.3
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	0.9	0.6	0.6	0.8	0.8	0.8
2. Balance of Payments																
Trade Balance (billion yen)	816	856	-70	-91	139	-393	-36	-260	-132	-222	-282	-650	-248	696	-821	-1,402
Current Balance (billion yen)	4,967	5,439	4,667	4,299	4,705	4,848	4,992	4,763	4,911	4,839	4,794	4,441	4,858	19,243	19,514	18,933
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	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.1	0.0	-0.1	0.0
Exchange Rate (USD/JPY)	108	109	112	113	110	110	107	106	106	106	106	106	106	111	107	106

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 Aug. 30, 2019

	Fiscal	Fiscal	2018	2019		2019				
	2017	2018	4Q	1Q	2Q	MAR	APR	MAY	JUN	JUL
Real GDP Growth Rate <% changes from	1.9	0.7	1.6	2.8	1.8	***	***	***	***	***
previous period at SA annual rate>			(0.3)	(1.0)	(1.2)					
Index of All Industries Activity	1.8	0.8	0.9	-0.5	0.5	-0.4	0.8	0.5	-0.8	
			(1.4)	(0.3)	(0.2)	(-0.5)	(0.8)	(0.1)	(-0.3)	
Industrial Production Index	2.9	0.3	1.4	-2.5	0.6	-0.6	0.6	2.0	-3.3	1.3
Production			(1.3)	(-1.7)	(-2.3)	(-4.3)	(-1.1)	(-2.1)	(-3.8)	(0.7)
Shipments	2.2	0.2	1.0	-2.1	1.0	-1.3	1.8	1.3	-4.0	2.6
			(1.1)	(-1.6)	(-2.7)	(-4.0)	(-1.4)	(-1.8)	(-4.9)	(1.8)
Inventory	5.1	0.2	0.9	0.9	0.9	1.4	0.0	0.5	0.4	-0.3
			(1.7)	(0.2)	(3.0)	(0.2)	(1.2)	(1.5)	(3.0)	(2.4)
Inventory/Shipments Ratio	101.9	105.0	105.6	105.9	106.9	107.2	104.6	106.4	109.8	107.4
(2015=100)			[102.6]	[104.3]	[104.0]	[104.9]	[102.8]	[104.9]	[104.2]	[105.5]
Domestic Corporate Goods Price Index	2.7	2.2	0.1	-0.8	0.4	0.3	0.3	-0.1	-0.5	0.0
			(2.3)	(0.9)	(0.6)	(1.3)	(1.2)	(0.6)	(-0.1)	(-0.6)
Consumer Price Index(SA, total, excl.fresh foods)	0.7	0.8	0.4	-0.2	0.4	0.0	0.1	-0.1	0.0	0.1
			(0.9)	(0.8)	(0.8)	(0.8)	(0.9)	(0.8)	(0.6)	(0.6)
Index of Capacity Utilization	102.7	102.5	104.7	100.5	102.4	100.6	102.2	103.9	101.2	
(2015=100)			[103.8]	[102.2]	[103.3]	[103.7]	[104.3]	[104.0]	[101.5]	[101.3]
Machinery Orders(Private Demand,	-0.8	2.8	-3.2	-3.2	7.5	3.8	5.2	-7.8	13.9	
Excl.Electric Power and Ship building)			(2.0)	(-2.5)	(4.1)	(-0.7)	(2.5)	(-3.7)	(12.5)	
Manufacturing	9.2	3.8	-4.1	-7.7	2.5	-11.4	16.3	-7.4	-1.7	
			(-0.6)	(-8.0)	(-8.5)	(-7.6)	(-8.2)	(-10.5)	(-7.1)	
Non-manufacturing	-7.8	2.1	-1.9	-0.3	13.1	13.4	1.2	-9.0	30.5	
Excl.Electric Power & Ship building			(4.5)	(1.8)	(15.9)	(4.1)	(12.6)	(3.0)	(30.0)	
Shipments of Capital Goods	7.0	-0.3	1.6	-7.4	2.5	-1.5	0.7	5.0	-5.0	0.3
(Excl.Transport Equipment)			(1.3)	(-6.9)	(-6.6)	(-8.5)	(-9.3)	(-4.2)	(-6.2)	(-3.1)
Construction Orders	0.7	6.5								
			(-9.8)	(36.9)	(-12.9)	(66.1)	(-19.9)	(-16.9)	(-4.2)	(26.9)
Private	0.6	14.5								
			(-5.3)	(52.6)	(-10.5)	(91.5)	(-8.5)	(-20.8)	(-4.7)	(28.9)
Public	-5.4	-15.0								
			(-22.6)	(4.3)	(-16.3)	(7.7)	(-48.2)	(-18.1)	(23.0)	(34.4)
Public Works Contracts	-4.3	1.1								
			(3.6)	(5.9)	(4.2)	(3.7)	(2.5)	(10.5)	(1.0)	(28.5)
Housing Starts	94.6	95.3	95.5	94.2	91.8	98.9	93.1	90.0	92.2	91.0
10,000 units at Annual Rate, SA	(-2.8)	(0.7)	(0.6)	(5.1)	(-4.7)	(10.0)	(-5.7)	(-8.7)	(0.3)	(-4.1)
Total floor	(-3.7)	(1.0)	(2.3)	(7.6)	(-0.6)	(12.9)	(-2.5)	(-4.5)	(5.2)	(1.0)
Sales at Retailers	1.9	1.6								
			(2.0)	(0.7)	(0.7)	(1.0)	(0.4)	(1.3)	(0.5)	(-2.0)
Real Consumption Expenditures	0.3	0.0	0.2	-0.2	0.6	0.1	-1.4	5.5	-2.8	
of Households over 2 persons (SA)			(1.1)	(2.0)	(3.3)	(2.1)	(1.3)	(6.0)	(2.7)	
Propensity to Consume	71.7	69.2	68.6	69.8	67.5	69.4	66.9	71.6	64.2	
(SA,%)			[71.6]	[71.0]	[68.8]	[70.6]	[69.9]	[70.6]	[66.1]	[70.9]
Overtime Hours Worked	0.4	-1.7	0.0	-0.7	1.0	-2.6	1.4	1.0	-0.3	
(All Industries, 5 employees or more)			(-2.6)	(-2.1)	(-2.4)	(-3.5)	(-1.8)	(-2.9)	(-2.7)	
Total Cash Earnings (Regular Employees	0.7	0.9								
Only; All Industries, 5 employees or more)			(1.5)	(-0.8)	(-0.1)	(-1.3)	(-0.3)	(-0.5)	(0.4)	
Employment Index(Regular Employees Only;'All Industries,	99	1	-40	96	86	93	88	82	88	
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	1.54	1.62	1.62	1.63	1.62	1.63	1.63	1.62	1.61	1.59
(SA,Times)			[1.56]	[1.59]	[1.61]	[1.59]	[1.60]	[1.61]	[1.61]	[1.62]
Unemployment Rate	2.7	2.4	2.4	2.4	2.4	2.5	2.4	2.4	2.3	2.2
(SA,%)										
Economy Watcher Survey	50.5	47.8	48.3	46.0	44.5	44.8	45.3	44.1	44.0	41.2
(Judgment of the present condition D.I,%)			[52.3]	[49.5]	[48.7]	[49.6]	[49.5]	[47.9]	[48.8]	[47.1]
Bankruptcies (Number of cases)	8,367	8,111	2,070	1,917	2,074	662	645	695	734	802
	(-0.2)	(-3.1)	(-1.7)	(-6.1)	(-1.6)	(-16.1)	(-0.8)	(-9.4)	(6.4)	(14.2)

(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 Aug. 30, 2019

	Fiscal 2017	Fiscal 2018	2018 4Q	2019 1Q	2019 2Q	2019 MAR	2019 APR	2019 MAY	2019 JUN	2019 JUL
Customs Clearance (Exports in Yen Terms)	10.8	1.9	(1.3)	(-3.9)	(-5.6)	(-2.4)	(-2.4)	(-7.8)	(-6.6)	(-1.5)
Value	5.5	2.5	(2.8)	(1.2)	(0.7)	(3.4)	(2.0)	(1.2)	(-1.2)	(-3.1)
Volumes	5.0	-0.6	(-1.4)	(-5.0)	(-6.2)	(-5.6)	(-4.3)	(-8.9)	(-5.5)	(1.6)
Imports (In Yen terms)	13.7	7.2	(11.2)	(-2.0)	(-0.1)	(1.2)	(6.5)	(-1.4)	(-5.2)	(-1.2)
Value	8.9	5.7	(6.9)	(-0.2)	(0.0)	(0.8)	(2.3)	(-0.2)	(-2.0)	(-7.4)
Volumes	4.4	1.4	(4.0)	(-1.8)	(-0.1)	(0.4)	(4.1)	(-1.2)	(-3.2)	(6.7)
Current Account (100 mil. yen)	221,749	192,434	26,018	59,541	45,134	27,871	17,074	15,948	12,112	
Goods (100 mil. yen)	45,396	6,963	-6,423	2,141	101	6,960	-982	-6,509	7,593	
Services (100 mil. yen)	-4,567	-7,123	-3,066	3,561	-1,245	3,269	-3,127	1,372	509	
Financial Account (100 mil. yen)	206,805	212,310	27,016	88,169	57,499	37,742	-12,667	32,451	37,715	
Gold & Foreign Exchange Reserves ($1mil.)	1,268,287	1,291,813	1,270,975	1,291,813	1,322,279	1,291,813	1,293,499	1,307,975	1,322,279	1,316,452
Exchange Rate (\/$)	110.80	110.88	112.87	110.17	109.85	111.21	111.66	109.83	108.06	108.22

3． Financial Market Indicators

	Fiscal 2017	Fiscal 2018	2018 4Q	2019 1Q	2019 2Q	2019 MAR	2019 APR	2019 MAY	2019 JUN	2019 JUL
Uncollateralized Overnight Call Rates	-0.050	-0.062	-0.066	-0.054	-0.060	-0.044	-0.068	-0.050	-0.063	-0.071
			[-0.042]	[-0.048]	[-0.065]	[-0.062]	[-0.063]	[-0.061]	[-0.071]	-0.070
Euro Yen TIBOR	0.065	0.062	0.050	0.037	0.049	0.050	0.050	0.049	0.049	0.049
(3 Months)			[0.063]	[0.078]	[0.084]	[0.097]	[0.097]	[0.078]	[0.078]	[0.091]
Newly Issued Japanese Government Bonds Yields	0.045	-0.095	-0.010	-0.095	-0.165	-0.095	-0.045	-0.095	-0.165	-0.160
(10 Years)			[0.045]	[0.045]	[0.030]	[0.045]	[0.050]	[0.030]	0.030	[0.060]
Average Contracted Interest Rates	0.817	0.751								
on Loans and Discounts(City Banks)			0.759	0.751	0.749	0.751	0.751	0.753	0.749	0.747
(% changes from previous period)			(-0.016)	(-0.008)	(-0.002)	(-0.007)	(0.000)	(0.002)	(-0.004)	(-0.002)
The Nikkei Stock Average	21,454	21,206	20,015	21,206	21,276	21,206	22,259	20,601	21,276	21,522
(TSE 225 Issues)			[22,765]	[21,454]	[22,305]	[21,454]	[22,468]	[22,202]	[22,305]	[22,554]
M2(Average)	(3.7)	(2.7)	(2.5)	(2.3)	(2.5)	(2.4)	(2.5)	(2.6)	(2.3)	(2.4)
Broadly-defined Liquidity(Average)	(3.1)	(1.9)	(1.6)	(1.7)	(1.8)	(2.0)	(2.0)	(1.8)	(1.7)	(1.9)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(2.8)	(2.2)	(2.2)	(2.3)	(2.4)	(2.3)	(2.4)	(2.6)	(2.3)	(2.3)
Banks	(2.8)	(2.2)	(2.3)	(2.4)	(2.6)	(2.5)	(2.5)	(2.8)	(2.4)	(2.5)
City Banks etc.	(2.0)	(1.0)	(1.2)	(1.6)	(2.4)	(1.8)	(2.1)	(2.8)	(2.3)	(2.5)
Regional Banks	(3.6)	(4.3)	(4.3)	(4.1)	(5.1)	(4.0)	(5.9)	(4.9)	(4.6)	(4.4)
Regional Banks Ⅱ	(3.0)	(-0.4)	(-0.8)	(-0.8)	(-6.6)	(-0.8)	(-8.6)	(-5.6)	(-5.6)	(-5.7)
Shinkin	(2.7)	(2.1)	(2.0)	(1.7)	(1.4)	(1.6)	(1.5)	(1.5)	(1.3)	(1.2)
Deposits and CDs (Average): Total(3 Business Condition)	(4.2)	(3.4)	(3.2)	(3.1)	(2.5)	(3.1)	(2.6)	(2.6)	(2.3)	(2.1)
City Banks	(5.9)	(4.9)	(4.6)	(4.7)	(3.5)	(4.6)	(3.6)	(3.7)	(3.1)	(2.7)
Regional Banks	(2.5)	(2.7)	(2.6)	(2.3)	(3.4)	(2.4)	(3.9)	(3.2)	(3.1)	(3.1)
Regional Banks Ⅱ	(2.1)	(-1.3)	(-1.8)	(-2.0)	(-6.2)	(-1.9)	(-8.1)	(-5.2)	(-5.4)	(-5.4)

(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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