The Outlook for the Japanese Economy

Domestic demand is robust, even after tax hike, and external demand shows signs of bottoming out

YUUSUKE YOKOTA, AYUMI HIRONAKA
KAZUFUMI KESHI
ECONOMIC RESEARCH OFFICE

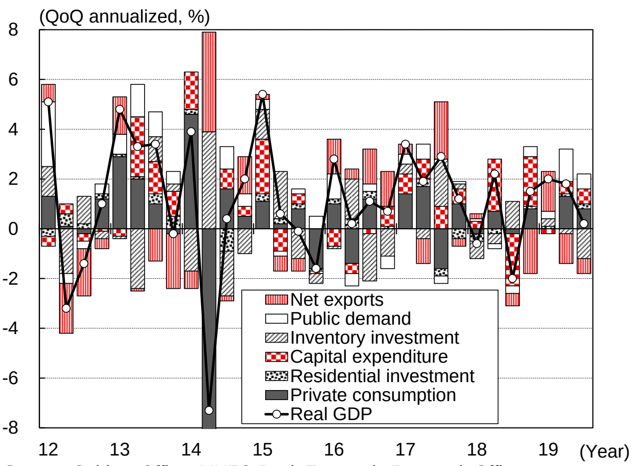
MUFG Bank, Ltd.
A member of MUFG, a global financial group

13 DECEMBER 2019
(ORIGINAL JAPANESE VERSION RELEASED ON 29 NOVEMBER 2019)

1. Overview of the Japanese Economy

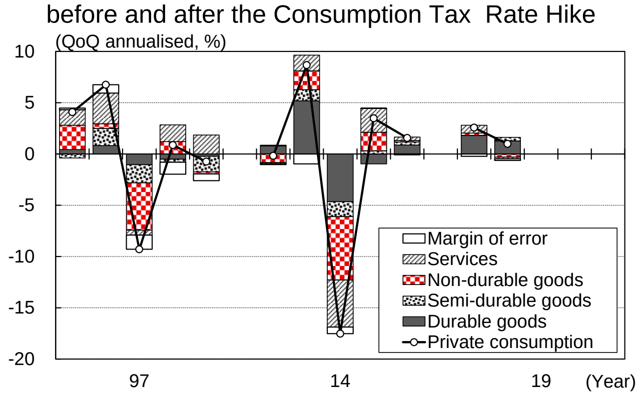
Japan's real GDP growth rate (first preliminary estimate) was 0.2% QoQ annualised in the July-September quarter, rising for the fourth consecutive quarter (Chart 1). In addition to the weakness in external demand, which can be seen in the downturn of exports to Asia, particularly China, there was an increase in downward pressure on inventory investment. On the other hand, private consumption and capital expenditure increased, and growth remained positive on the whole, albeit by a small margin.

Chart 1: Real GDP and Final Demand



Source: Cabinet Office, MUFG Bank Economic Research Office

Chart 2: Domestic Private Consumption of Households before and after the Consumption Tax Rate Hike



Note: 1. Shows consumption during tax rate hike quarter and the 2 quarters before and after
2. Annualisation of data calculated by Economic Research Office
Source: Cabinet Office, MUFG Bank Economic Research Office

As this was the quarter preceding the consumption tax rate hike in October, attention has been focused on the size of any fluctuations in demand. On the whole, private consumption maintained its positive growth for the second consecutive quarter at 1.4% QoQ annualised and there was an apparent surge in demand for some products, such as household electrical appliances, jewellery and daily use items. Nevertheless, considering private consumption increased by 8.1% QoQ annualised in the January-March 2014 quarter – the quarter before the last consumption tax rate hike – it appears the rise in private consumption this time was more subdued. The effects of government policies can be seen in the breakdown by goods: year-on-year growth of "durable goods" remained small due to the introduction of policies like the reduced automobile acquisition tax; and growth of "non-durable goods" such as food (excluding alcoholic beverages), which was the target of a reduced tax rate, entered negative territory (Chart 2).

There are no demand components that will result in a stable, positive contribution to the Japanese economy every quarter as each demand component flips between making a positive and negative contribution to growth with dizzying frequency, sometimes resulting in negative growth on a quarterly basis as Japan undergoes various shocks, such as the temporary impact of natural disasters. Despite this, it appears economic growth will achieve its potential growth rate of around just under 1% in the long term.

2. Key Points of the Outlook

Although it will be necessary to monitor the situation for a while following the rise in the consumption tax rate, private consumption will remain firm, supported by robust employment and income conditions. A rise in consumer sentiment and sports-related demand on the back of next year's Tokyo Olympic and Paralympic Games is expected to act as a tailwind for the Japanese economy. In addition, the sustained growth of capital expenditure is forecast to continue, especially investment in labour saving and efficiency improvements, amid the robust growth of corporate profits, particularly in the non-manufacturing sector. Not to mention, numerous large-scale public works projects and urban development will also provide support, even after the Olympics and Paralympics. As a result, domestic demand will continue to gradually increase, provided there is no downturn.

On the other hand, there are still many sources of uncertainty on the external demand side, such as the trade negotiations between the US and China and the US presidential election. However, several signs have appeared recently which suggest business conditions in the manufacturing sector are bottoming out in several countries. In light of this, there is a relative probability that Japanese exports will recover as the volume of global trade improves.

Table 1: GDP Forecast

(YoY, %)

	FY 2017 (Actual)	FY 2018 (Actual)	FY 2019 (Forecast)	FY 2020 (Forecast)
Real GDP	1.9	0.7	0.7	0.7
Private Consumption	1.0	0.4	0.4	0.5
Private Residential Investment	-0.7	-4.3	0.5	-4.9
Private Non-Residential Investment	4.6	3.5	1.5	1.2
Inventory Investment (contribution)	0.1	0.1	-0.1	0.0
Public Demand	0.6	-0.1	2.6	1.4
Net Exports (contribution)	0.4	-0.1	-0.3	-0.0
Exports	6.5	1.6	-1.1	1.2
Imports	4.0	2.2	0.4	1.3
Nominal GDP	2.0	0.5	1.3	1.2
GDP Deflator	0.1	-0.2	0.6	0.5

Note: Reflecting Jul-Sep '19 GDP (first preliminary estimates)
Source: Cabinet Office, MUFG Bank Economic Research Office

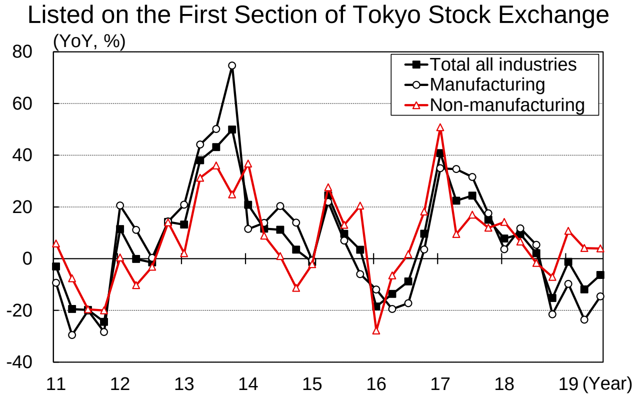
Taking into account the points mentioned above, the real GDP growth rate is forecast to rise by 0.7% YoY in both FY2019 and FY2020, maintaining its gradual growth (Table 1). However, it seems the ongoing issue of trade friction between the US and China will undoubtedly continue to put a certain amount of downward pressure on business and consumer sentiment as the fundamental conflict between the two countries is expected to continue, regardless of the success or failure of the partial agreement which is being negotiated at present. It is important to bear in mind that the forecast above may be revised downwards if there are developments in the domestic situation in China or the US that cause tension or add to the complexity of the relationship (China's economic situation, US' presidential election).

2.1 Corporations maintain investment appetite on the back of firm corporate profits

Ordinary profits of non-financial corporations listed on the first section of the Tokyo Stock Exchange fell by 6.3% YoY in the July-September quarter, decreasing for the fourth consecutive quarter (Chart 3). Nevertheless, while profits in the manufacturing sector decreased for the fourth consecutive quarter by 14.6% YoY due to a slowdown of exports, profits in the non-manufacturing sector rose for the third consecutive quarter by 3.9% YoY on the back of firm domestic demand. There is an obvious contrast between the sectors where non-manufacturing is compensating for the slump in manufacturing.

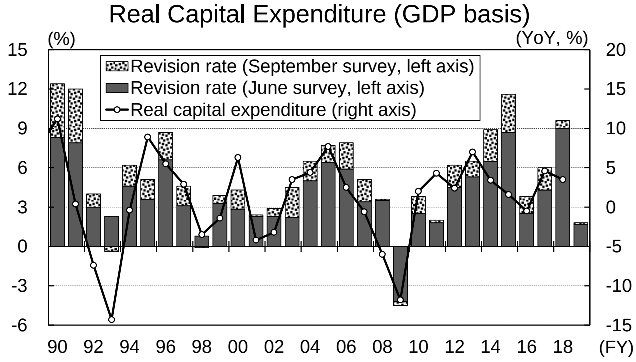
In the same quarter, capital expenditure showed resilience as it increased for the second consecutive quarter, rising by 3.5% QoQ annualised. Despite some enduring cautiousness due to the slowing of external demand, especially in the manufacturing sector, it appears corporations have kept their appetite for investment in labour saving, improving efficiency and increased use of IT. In the Bank of Japan's Tankan survey carried out in September, corporations' fixed investment plans (for FY2019) across all industries and sizes were revised upwards, albeit slightly, by 0.1% points from the previous survey (Chart 4).

Chart 3: Ordinary Profits of Non-Financial Corporations Listed on the First Section of Tokyo Stock Exchange



Note: "Ordinary profits" of 1,341 coporations which have published their Jun-Sep 2019 results as of 15 Nov and have published data continually since FY2006
Source: Bloomberg, MUFG Bank Economic Research Office

Chart 4: Revision Rate of Fixed Investment Plans (BoJ Tankan) for Each Fiscal Year and Real Capital Expenditure (GDP basis)



Note: 1. "Fixed Investment Plans" covers all industries and all enterprise sizes, includes land purchasing and excludes software and R&D investment
2. "Revision rate" is change in amount from previous survey
Source: Bank of Japan, Cabinet Office, MUFG Bank Economic Research Office

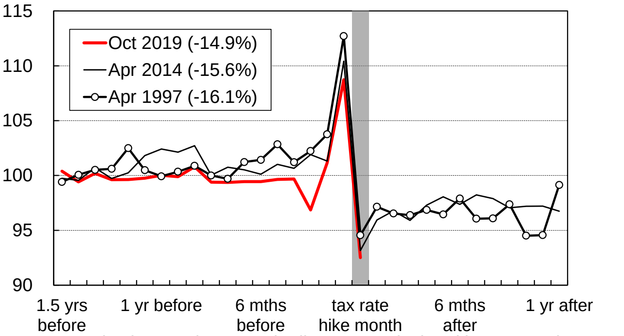
Corporate profits are expected to remain firm, supported by solid sales (including domestic sales), the comparative stability of the commodity market and the lack of any significant deviation in exchange rates from businesses' expected exchange rate at the moment. As a result, it is unlikely there will be any significant factors restricting capital expenditure in the future. As the significant labour shortage and large shift towards digitalisation take hold, corporations are expected to continue to push forwards with the necessary investment for growth in order to maintain and improve their profitability and competitiveness.

2.2 The impact of the consumption tax rate hike on private consumption will be limited

Real employee compensation rose by 1.1% YoY in the July-September quarter, achieving 18 consecutive quarters of growth: the longest period of growth since records began in 1995. This occurred alongside a tight labour market in both the manufacturing and non-manufacturing sectors. Although the deceleration of the global economy has led to a continued fall in the number of new job openings, especially in the manufacturing sector, the labour market has not yet reached the point where it will deteriorate right away, and it appears the robust labour market and wage growth will continue to provide support for private consumption.

An important point for determining private consumption in the future is the impact of the consumption tax rate hike which was carried out in October. It is possible the surge and subsequent dip in consumption will cause a temporary disruption to the economy, and a decrease in real income from a rise in prices will put downward pressure in the medium to long term. Regarding the former, it appears there was a sharp rise in the overall trend of retail sales in September, and a large fall the following month in October, partly due to the effects of a typhoon. However, in light of the increases in consumption that appeared around a half a year before previous consumption tax rate hikes, the rise in demand this time was small, and the size of the subsequent dip is expected to be limited (Chart 5). In addition, when it comes to the latter, there was largely no significant rise in CPI before and after the consumption tax hike owing to government policies, such as the reduced tax rate and free education, and the lowering of prices by businesses (Chart 6). Although it is important to be aware that the free education policy only applies to some households, it appears the decline in real income will be smaller compared with the decline at the time of the 2014 consumption tax hike. Consumer sentiment – which had been being deteriorating continuously – started to recover in October and is expected to improve going forwards. Taking this into consideration, despite temporary softening, private consumption will not fall significantly and is forecast to recover to a gradual upward trend.

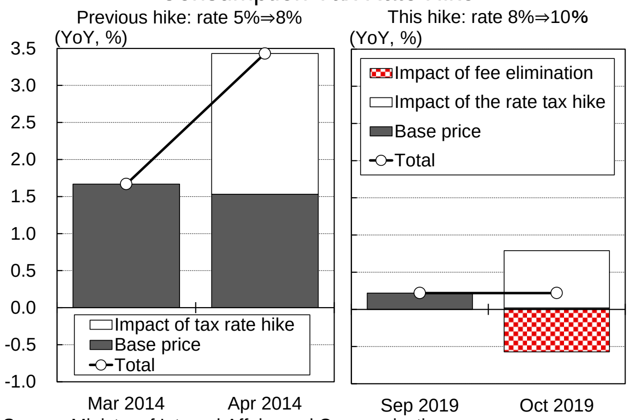
Chart 5: Real Retail Sales



Note: 1. Real values and seasonal adjustment calculated by Economic Research Office. Calculation of real values used goods index of CPI
2. Average from "1.5 yrs before" to "1 yr 4 mths before" = 100
3. Value in brackets is rate of change between tax rate hike month and month before

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

Chart 6: Change in Consumer Prices before and after Consumption Tax Rate Hike



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

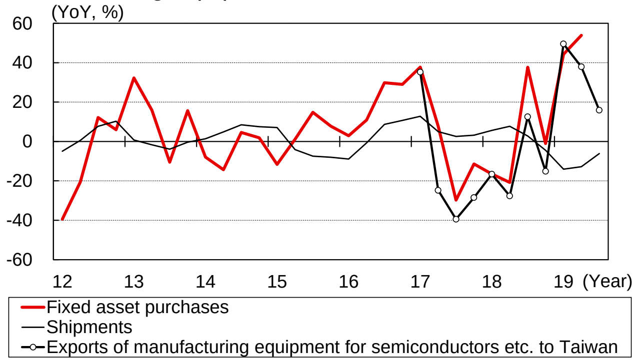
2.3 The fall in exports is coming to an end as the global manufacturing industry levels out following a period of adjustment

As well as this year's developments in the global economy, namely the continued deceleration of manufacturing worldwide, there will still be many sources of uncertainty overseas going into next year, such as the conflict between the US and China, US presidential elections, Brexit and the situation in the Middle East. Therefore, there will a lingering sense of uncertainty about the future of external demand this New Year. That being said, it is also necessary to keep an eye on the rise in signs that overseas manufacturing has stopped slowing in some areas. For example, the fall in global manufacturing PMI and shipments of semiconductors came to an end during the first half of 2019. Specifically, there appears to be positive movements in the semi-conductor industry, such as the effects of a rebound after a long period of cyclical negative growth and demand related to the Internet of Things and 5G, for example, the increase in fixed asset investment by the electronic parts and components industry in Taiwan, the world's leading producer of semiconductors (Chart 7). Considering semiconductors form the initial stage of a wide range of industries, there is a possibility that Japanese exports will be positively affected by the bottoming out of the global manufacturing sector, starting with the semiconductor industry.

There is an apparent sluggishness in machine tool orders, especially from China; however, the overall level of orders is close to its lowest point since the global financial crisis, which means the scope for additional negative impacts is limited. As a result, there is expected to be a cyclical recovery in machine tool orders (Chart 8).

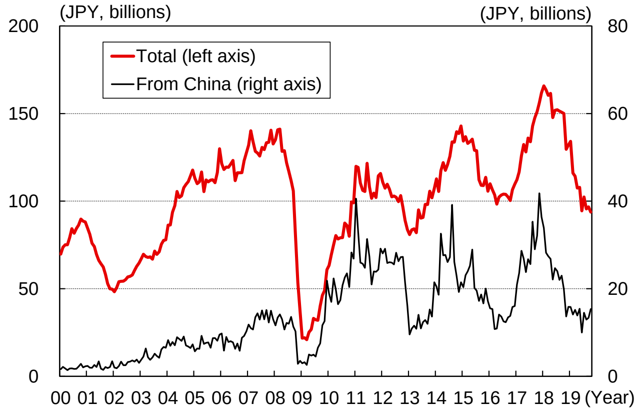
Finally, inbound demand from next year's Tokyo Olympic and Paralympic Games is expected to contribute to foreign demand and cause a ripple effect on other related demand.

Chart 7: Fixed Asset Purchases and Shipments of Taiwan's Electronic Parts and Components, Exports of Manufacturing Equipment for Semiconductors to Taiwan



Note: Most recent shipments data is an average of July and August
Source: Taiwan Department of Statistics, Ministry of Finance, MUFG Bank Economic Research Office

Chart 8: Machine Tool Orders



Note: Seasonal adjustment carried out by Economic Research Office
Source: Japan Machine Tool Builders' Association, MUFG Bank Economic Research Office

3. Monetary Policy and Financial Markets

3.1 Monetary policy

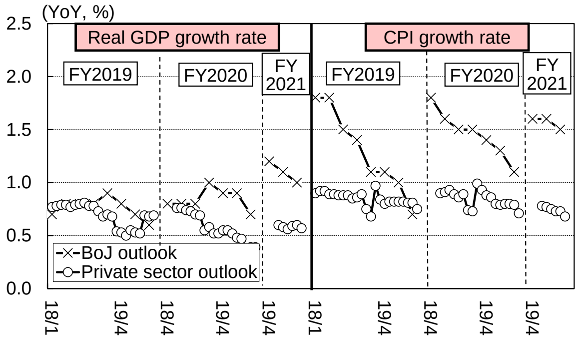
The Bank of Japan (BoJ) revised its forward guidance at its Monetary Policy Meeting on 30th and 31st October; it said it "expects short- and long-term interest rates to remain at their present or lower levels" and removed its mentioned of the period "at least through around spring 2020". This suggests it will maintain its current monetary easing policy for the time being without setting a time limit and will continue to keep its options open, such as lowering interest rates further into negative territory in the future. The forecasts of the majority of Policy Board members published in the Outlook for Economic Activity and Prices shows no change in their recovery scenario for the domestic economy, yet forecasts for real GDP and CPI have been revised down for every year (Chart 9). The forecast for overseas economies was also revised downwards: "the timing of a pick-up in the growth pace is likely to be delayed for longer than expected".

In the Summary of Opinions from October's meeting published on 11th November, there were many who expressed a view that, when it comes to economic developments, the deceleration of overseas economies would have a limited knock-on effect on domestic demand. The Bank's prevalent opinion is that "although there has been no further increase in the possibility" of a loss of momentum toward achieving the "price stability target", "it is necessary to continue to pay close attention". As a result, there were several views published which advocated revising the Bank's forward guidance, which insinuates the discussion around additional monetary easing was toned down somewhat from the previous meeting. On 5th November after the meeting, Governor Kuroda said the forward guidance "clarified that there would be a downward bias in the policy rates" in a speech he gave in Nagoya. However, he added that "this does not limit additional easing measures to lowering the policy rates" and clarified that the Bank will apply measures based on developments in economic activity, prices and financial conditions. Taking this into account, there is a relatively strong possibility that the BoJ will maintain its current easy policy for the time being and will not decide to embark on large-scale monetary easing, such as lowering interest rates further into negative territory, provided there is no trigger, such as a large, sudden change in FX markets or the situation overseas.

3.2 Exchange Rate

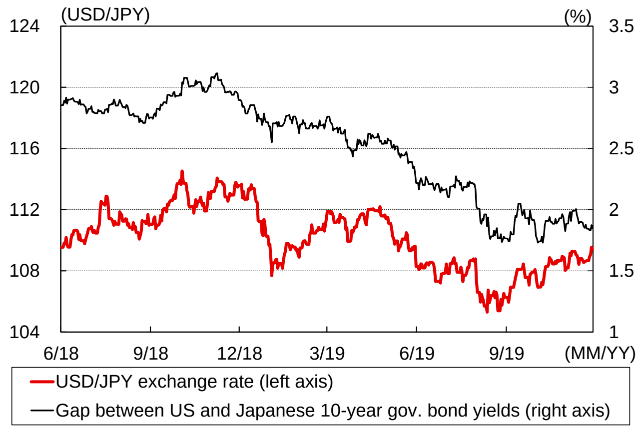
The US Federal Reserve Board lowered interest rates for the third meeting in a row at its FOMC meeting in October, but it now appears it has adopted a wait-and-see attitude for the time being. Meanwhile, the JPY generally traded at between JPY108 and JPY109 per USD in November (Chart 10). Looking ahead, the gap between US and Japanese interest rates is forecast to continue on the whole and the relatively robust growth of the US economy will be a source of USD appreciation. Bearing this in mind, the JPY is likely to continue to hover at its current levels and will not continually appreciate.

Chart 9 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 10: USD/JPY Exchange Rate and the Gap between US and Japanese 10-Year Gov. Bond Yields



Source: Bloomberg, MUFG Bank Economic Research Office

(Translated by Elizabeth Foster)

Outlook for the Japanese Economy

Reflecting Jul-Sep 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	-0.6	2.2	-2.0	1.5	2.0	1.8	0.2	-2.3	0.7	1.5	1.7	1.0	0.8	0.7	0.7	0.7
Private Consumption	-0.4	1.3	-0.3	1.4	-0.1	2.4	1.4	-5.5	1.3	1.4	1.9	0.9	0.8	0.4	0.4	0.5
Housing Investment	-9.1	-5.9	1.5	4.7	4.3	2.0	5.7	-14.5	-8.1	-3.6	-2.8	-2.0	-1.2	-4.3	0.5	-4.9
Private Business Fixed Investment	2.0	14.1	-12.2	13.3	-1.5	2.8	3.5	-3.6	1.8	2.1	1.6	1.4	1.3	3.5	1.5	1.2
Business Inventory (Contribution)	-0.7	-0.4	1.1	0.0	0.3	-0.2	-1.2	0.4	0.1	0.1	0.1	0.0	-0.1	0.1	-0.1	0.0
Government Expenditures	0.2	-0.8	-1.4	1.7	1.4	5.6	2.4	2.0	1.6	1.2	1.2	0.8	0.6	-0.1	2.6	1.4
Public Investment	-2.9	-4.3	-9.7	-3.8	7.4	8.8	3.4	4.8	3.2	1.4	1.2	-0.8	-2.0	-4.0	4.2	1.6
Net Exports (Contribution)	0.2	0.0	-0.5	-1.8	1.6	-1.2	-0.6	1.0	-0.5	-0.0	0.0	0.0	0.0	-0.1	-0.3	-0.0
Exports	3.5	3.0	-7.1	4.6	-7.9	2.0	-2.6	2.0	1.3	1.4	1.4	1.4	1.4	1.6	-1.1	1.2
Imports	2.4	3.1	-4.9	16.2	-15.6	8.8	0.9	-3.7	4.5	1.6	1.4	1.2	1.2	2.2	0.4	1.3
Nominal GDP	-0.6	0.8	-1.8	1.5	3.7	1.5	1.2	-1.9	2.3	1.4	2.8	-0.5	2.5	0.5	1.3	1.2
GDP Deflator (YoY)	0.5	-0.1	-0.4	-0.3	0.1	0.4	0.6	0.7	0.6	0.8	0.7	0.2	0.3	-0.2	0.6	0.5
Industrial Production Index (QoQ)	-0.9	0.8	-0.7	1.4	-2.5	0.6	-0.6	-1.1	0.6	0.9	0.7	-0.6	-0.3	0.3	-1.8	0.8
Domestic Corporate Goods Price Index (YoY)	2.5	2.6	3.1	2.3	0.9	0.6	-0.9	0.4	1.3	1.4	1.0	0.6	0.6	2.2	0.4	0.9
Consumer Price Index (excl. fresh food, YoY)	0.9	0.8	0.9	0.9	0.8	0.8	0.5	0.6	0.7	0.7	0.7	0.4	0.5	0.8	0.7	0.6
2. Balance of Payments																
Trade Balance (billion yen)	816	856	-70	-91	139	-405	18	-286	-100	-234	-179	-678	-217	696	-773	-1,309
Current Balance (billion yen)	4,967	5,439	4,667	4,299	4,705	4,920	4,853	4,607	4,798	4,674	4,734	4,240	4,706	19,243	19,178	18,353
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	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0
Exchange Rate (USD/JPY)	108	109	112	113	110	110	107	108	108	107	107	107	107	111	108	107

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 Nov. 29, 2019

	Fiscal	Fiscal	2019			2019				
	2017	2018	1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT
Real GDP Growth Rate <% changes from	1.9	0.7	2.0	1.8	0.2	***	***	***	***	***
previous period at SA annual rate>			(0.9)	(0.9)	(1.3)					
Index of All Industries Activity	1.8	0.8	-0.5	0.5	0.3	-0.7	0.2	0.0	1.5	
			(0.3)	(0.2)	(1.2)	(-0.4)	(1.2)	(-0.6)	(2.9)	
Industrial Production Index	2.9	0.3	-2.5	0.6	-0.5	-3.3	1.3	-1.2	1.7	-4.2
Production			(-1.7)	(-2.3)	(-0.8)	(-3.8)	(0.7)	(-4.7)	(1.3)	(-7.4)
Shipments	2.2	0.2	-2.1	1.0	-0.1	-4.0	2.7	-1.3	1.5	-4.3
			(-1.6)	(-2.7)	(-0.1)	(-4.9)	(1.9)	(-4.5)	(2.2)	(-7.1)
Inventory	5.1	0.2	0.9	0.9	-1.7	0.4	-0.2	-0.1	-1.4	1.2
			(0.2)	(3.0)	(0.9)	(3.0)	(2.5)	(2.6)	(0.9)	(2.5)
Inventory/Shipments Ratio	101.9	105.0	105.9	106.9	108.8	109.8	107.5	110.5	108.4	113.5
(2015=100)			[104.3]	[104.0]	[105.0]	[104.2]	[105.5]	[104.4]	[105.2]	[105.1]
Domestic Corporate Goods Price Index	2.7	2.2	-0.8	0.4	-0.6	-0.6	0.0	-0.3	0.0	1.1
			(0.9)	(0.6)	(-0.9)	(-0.2)	(-0.6)	(-0.9)	(-1.1)	(-0.4)
Consumer Price Index(SA, total, excl.fresh foods)	0.7	0.8	-0.2	0.4	-0.1	-0.1	0.1	0.1	-0.1	0.2
			(0.8)	(0.8)	(0.5)	(0.6)	(0.6)	(0.5)	(0.3)	(0.4)
Index of Capacity Utilization	102.7	102.5	100.5	102.4	100.6	101.2	102.3	99.3	100.3	
(2015=100)			[102.2]	[103.3]	[101.9]	[101.5]	[101.3]	[102.8]	[101.7]	[104.8]
Machinery Orders(Private Demand,	-0.8	2.8	-3.2	7.5	-3.5	13.9	-6.6	-2.4	-2.9	
Excl.Electric Power and Ship building)			(-2.5)	(4.1)	(-2.7)	(12.5)	(0.3)	(-14.5)	(5.1)	
Manufacturing	9.2	3.8	-7.7	2.5	-0.9	-1.7	5.4	-1.0	-5.2	
			(-8.0)	(-8.5)	(-10.2)	(-7.1)	(-9.4)	(-17.4)	(-4.4)	
Non-manufacturing	-7.8	2.1	-0.3	13.1	-7.3	30.5	-15.6	-8.0	2.6	
Excl.Electric Power & Ship building			(1.8)	(15.9)	(3.6)	(30.0)	(10.2)	(-12.1)	(11.8)	
Shipments of Capital Goods	7.0	-0.3	-7.4	2.5	2.9	-5.0	0.2	2.5	8.9	-11.7
(Excl.Transport Equipment)			(-6.9)	(-6.6)	(-0.3)	(-6.2)	(-3.2)	(-7.0)	(8.1)	(-11.8)
Construction Orders	0.7	6.5								
			(36.9)	(-12.9)	(-2.7)	(-4.2)	(26.9)	(-25.9)	(-6.8)	(6.4)
Private	0.6	14.5								
			(52.6)	(-10.5)	(-3.9)	(-4.7)	(28.9)	(-28.4)	(-9.3)	(17.3)
Public	-5.4	-15.0								
			(4.3)	(-16.3)	(-2.0)	(23.0)	(34.4)	(-29.9)	(5.9)	(-17.5)
Public Works Contracts	-4.3	1.1								
			(5.9)	(4.2)	(12.2)	(1.0)	(28.5)	(2.2)	(4.6)	(5.1)
Housing Starts	94.6	95.3	94.2	91.8	90.0	92.2	91.0	89.1	89.7	87.9
10,000 units at Annual Rate, SA	(-2.8)	(0.7)	(5.1)	(-4.7)	(-5.4)	(0.3)	(-4.1)	(-7.1)	(-4.9)	(-7.4)
Total floor	(-3.7)	(1.0)	(7.6)	(-0.6)	(-0.3)	(5.2)	(1.0)	(-0.8)	(-1.0)	(-4.5)
Sales at Retailers	1.9	1.6								
			(0.7)	(0.7)	(2.9)	(0.5)	(-2.0)	(1.8)	(9.2)	(-7.1)
Real Consumption Expenditures	0.3	0.0	-0.2	0.6	2.5	-2.8	-0.9	2.4	5.5	
of Households over 2 persons (SA)			(2.0)	(3.3)	(4.1)	(2.7)	(1.0)	(1.0)	(10.5)	
Propensity to Consume	71.7	69.2	69.8	67.5	72.5	64.2	71.5	70.2	75.8	
(SA,%)			[71.0]	[68.8]	[70.6]	[66.1]	[70.9]	[70.4]	[70.4]	[70.4]
Overtime Hours Worked	0.4	-1.7	-0.7	1.0	-1.2	-0.3	-0.8	-1.6	1.6	
(All Industries, 5 employees or more)			(-2.1)	(-2.4)	(-1.0)	(-2.7)	(-0.9)	(-2.0)	(0.0)	
Total Cash Earnings (Regular Employees	0.7	0.9								
Only; All Industries, 5 employees or more)			(-0.8)	(-0.1)	(-0.3)	(0.4)	(-1.0)	(-0.1)	(0.5)	
Employment Index(Regular Employees Only;'All Industries,	99	1	96	86	100	88	97	95	107	
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	1.54	1.62	1.63	1.62	1.58	1.61	1.59	1.59	1.57	1.57
(SA,Times)			[1.59]	[1.61]	[1.62]	[1.61]	[1.62]	[1.63]	[1.63]	[1.62]
Unemployment Rate	2.7	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.4	2.4
(SA,%)										
Economy Watcher Survey	50.5	47.8	46.0	44.5	43.6	44.0	41.2	42.8	46.7	36.7
(Judgment of the present condition D.I,%)			[49.5]	[48.7]	[48.0]	[48.8]	[47.1]	[48.7]	[48.3]	[48.6]
Bankruptcies (Number of cases)	8,367	8,110	1,916	2,074	2,182	734	802	678	702	780
	(-0.2)	(-3.1)	(-6.1)	(-1.6)	(8.2)	(6.4)	(14.2)	(-2.3)	(13.0)	(6.8)

(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 Nov. 29, 2019

	Fiscal	Fiscal	2019			2019				
	2017	2018	1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT
Customs Clearance (Exports in Yen Terms)	10.8	1.9	(-3.9)	(-5.6)	(-5.0)	(-6.6)	(-1.5)	(-8.2)	(-5.2)	(-9.2)
Value	5.5	2.5	(1.2)	(0.7)	(-2.8)	(-1.2)	(-3.1)	(-2.4)	(-2.9)	(-5.0)
Volumes	5.0	-0.6	(-5.0)	(-6.2)	(-2.2)	(-5.5)	(1.6)	(-6.0)	(-2.3)	(-4.4)
Imports (In Yen terms)	13.7	7.2	(-2.0)	(-0.1)	(-4.9)	(-5.2)	(-1.1)	(-11.9)	(-1.5)	(-14.8)
Value	8.9	5.7	(-0.2)	(0.0)	(-7.1)	(-2.0)	(-7.3)	(-6.2)	(-7.7)	(-9.2)
Volumes	4.4	1.4	(-1.8)	(-0.1)	(2.3)	(-3.2)	(6.7)	(-6.1)	(6.8)	(-6.1)
Current Account (100 mil. yen)	221,749	192,434	59,541	45,676	57,706	12,549	19,999	21,577	16,129	
Goods (100 mil. yen)	45,396	6,963	2,141	-16	-225	7,662	-745	509	11	
Services (100 mil. yen)	-4,567	-7,123	3,561	-1,046	-1,665	795	-2,299	233	401	
Financial Account (100 mil. yen)	206,805	212,310	88,169	65,220	70,322	38,471	9,170	16,299	44,854	
Gold & Foreign Exchange Reserves ($1mil.)	1,268,287	1,291,813	1,291,813	1,322,279	1,322,581	1,322,279	1,316,452	1,331,583	1,322,581	1,324,468
Exchange Rate (\/$)	110.80	110.88	110.17	109.85	107.30	108.06	108.22	106.27	107.41	108.12

3． Financial Market Indicators

	Fiscal	Fiscal	2019			2019				
	2017	2018	1Q	2Q	3Q	JUN	JUL	AUG	SEP	OCT
Uncollateralized Overnight Call Rates	-0.050	-0.062	-0.054	-0.060	-0.059	-0.063	-0.071	-0.046	-0.059	-0.022
			[-0.048]	[-0.065]	[-0.063]	[-0.071]	[-0.070]	[-0.059]	[-0.059]	-0.060
Euro Yen TIBOR	0.065	0.062	0.037	0.049	0.022	0.049	0.049	0.009	0.009	0.009
(3 Months)			[0.078]	[0.084]	[0.077]	[0.078]	[0.091]	[0.091]	[0.050]	[0.050]
Newly Issued Japanese Government Bonds Yields	0.045	-0.095	-0.095	-0.165	-0.215	-0.165	-0.160	-0.280	-0.215	-0.150
(10 Years)			[0.045]	[0.030]	[0.125]	[0.030]	[0.060]	[0.110]	0.125	[0.130]
Average Contracted Interest Rates	0.817	0.751								
on Loans and Discounts(City Banks)			0.751	0.749	0.738	0.749	0.747	0.746	0.738	0.741
(% changes from previous period)			(-0.008)	(-0.002)	(-0.011)	(-0.004)	(-0.002)	(-0.001)	(-0.008)	(0.003)
The Nikkei Stock Average	21,454	21,206	21,206	21,276	21,756	21,276	21,522	20,704	21,756	22,927
(TSE 225 Issues)			[21,454]	[22,305]	[24,120]	[22,305]	[22,554]	[22,865]	[24,120]	[21,920]
M2(Average)	(3.7)	(2.7)	(2.3)	(2.5)	(2.4)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)
Broadly-defined Liquidity(Average)	(3.1)	(1.9)	(1.7)	(1.8)	(1.8)	(1.7)	(1.8)	(1.8)	(1.8)	(2.1)
Principal Figures of Financial Institutions										
Loans and Discount (Average): Banks & Shinkin	(2.8)	(2.2)	(2.3)	(2.4)	(2.1)	(2.3)	(2.3)	(2.1)	(2.0)	(2.0)
Loans and Discount (Average): Banks	(2.8)	(2.2)	(2.4)	(2.6)	(2.3)	(2.4)	(2.4)	(2.2)	(2.2)	(2.2)
Loans and Discount (Average): Banks: City Banks etc.	(2.0)	(1.0)	(1.6)	(2.4)	(2.2)	(2.3)	(2.5)	(2.1)	(2.1)	(2.0)
Loans and Discount (Average): Banks: Regional Banks	(3.6)	(4.3)	(4.1)	(5.1)	(4.3)	(4.6)	(4.4)	(4.3)	(4.3)	(4.4)
Loans and Discount (Average): Banks: Regional Banks Ⅱ	(3.0)	(-0.4)	(-0.8)	(-6.6)	(-5.7)	(-5.6)	(-5.7)	(-5.7)	(-5.7)	(-5.7)
Loans and Discount (Average): Shinkin	(2.7)	(2.1)	(1.7)	(1.4)	(1.1)	(1.3)	(1.2)	(1.2)	(1.0)	(1.0)
Deposits and CDs (Average): Total(3 Business Condition)	(4.2)	(3.4)	(3.1)	(2.5)	(2.3)	(2.3)	(2.1)	(2.3)	(2.5)	(2.6)
Deposits and CDs (Average): City Banks	(5.9)	(4.9)	(4.7)	(3.5)	(3.1)	(3.1)	(2.7)	(3.1)	(3.4)	(3.6)
Deposits and CDs (Average): Regional Banks	(2.5)	(2.7)	(2.3)	(3.4)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.2)
Deposits and CDs (Average): Regional Banks Ⅱ	(2.1)	(-1.3)	(-2.0)	(-6.2)	(-5.4)	(-5.4)	(-5.4)	(-5.4)	(-5.5)	(-5.5)

(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.

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Yuusuke Yokota <yuusuke_yokota@mufg.jp>

Ayumi Hironaka <ayumi_hironaka@mufg.jp>

Kazufumi Keshi <kazufumi_keshi@mufg.jp>