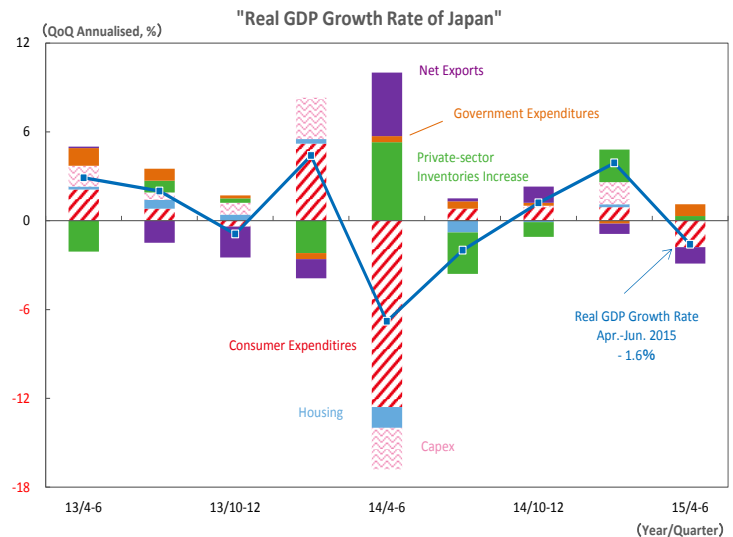


Today's Topic **Japanese Economic Analysis (August 2015)**
Jul.-Sep. GDP Growth Rate Likely to Return to Positive

Point 1 **Negative GDP Growth Rate for Apr.-Jun. 2015**

Industrial production is ever-changing

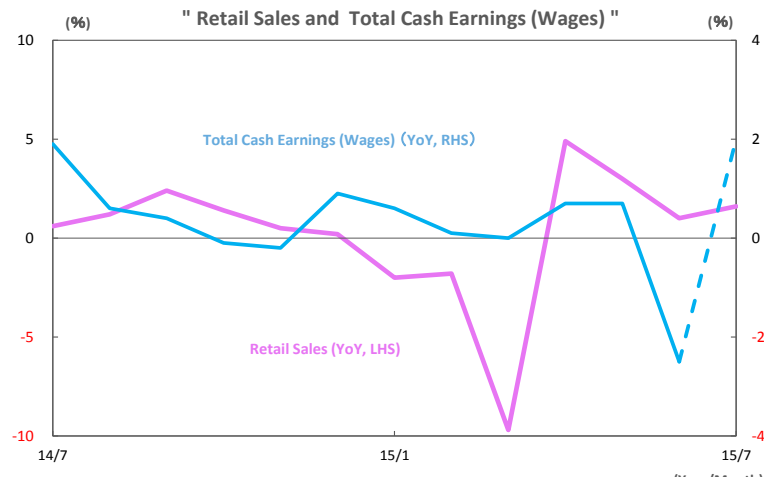
- Apr.-Jun. 2015 Real GDP Growth Rate (annualized) was -1.6% YoY, a negative growth since Jul.-Sep. 2014 when the pullback of the consumption tax hike still prevailed. The main reasons were subdued personal consumption (due to a series of food price hikes before experiencing wage growth) and the slowdown of exports (mainly to China).
- Industrial Production in July decreased 0.6% from the previous month, after we saw a MoM increase in June. Slower production of Electronic parts and devices and Transport equipment due to decline in exports were the main reasons. According to the Survey of Production Forecast in Manufacturing, production is expected to increase 2.8% in August and decrease 1.7% in September. Basic assessment of "In general, industrial production is in a see-saw situation" was unchanged.



(Note) Data is from Apr.-Jun. 2013 to Apr.-Jun. 2015. Real GDP growth rate is quarter on quarter, annualized. Bar charts illustrate attribution to GDP.
 (Source) SMAM, based on Cabinet Office, Japan data.

Point 2 **Consumption on recovery**
Favourable job market continues

- Retail sales for July was + 1.6% YoY, a sharp increase from the previous month owing to good weather. All business sectors besides Fuel sales increased.
- Total cash earnings (wages) sharply decreased by 2.5% YoY largely due to delay of summer bonus payment. Moderate wage growth is expected to continue according to Bloomberg's market forecast of + 2.0% YoY for July.
- A favourable job market is continuing as the unemployment rate was 3.3% and active job-opening-to-applicant ratio was at 1.21 times.



(Note) Data is from July 2014 to July 2015.
 Bloomberg L.P. estimate used for July 2015 Total cash earnings (wages).
 (Source) SMAM, based on Bloomberg L.P. data.

Future Outlook **Positive Jul.-Sep. 2015 GDP growth is expected by export and consumption recovery**

- The Chinese economic downturn seems to be unlikely due to ample room for stimulus measures. On the other hand, solid expansion of the US economy is anticipated. Japanese export is likely to moderately recover mainly due to expansion towards developed countries.
- Also, growth of the Japanese domestic economy is expected to turn positive from Jul.-Sep. 2015 and onward, supported by the recovery of export and consumption. Consumption is expected to stay solid due to wage hikes.

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