

Today's

Topic

Japanese Economic Analysis (February 2016)

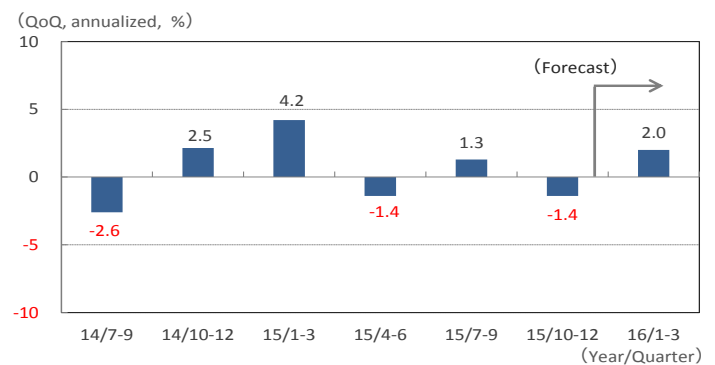
Economy to recover moderately to positive growth

Point 1

Oct.-Dec. 2015 saw negative growth
Weak consumption due to warm winter

- Real GDP growth rate of Oct.-Dec. 2015 (the first preliminary data) declined -0.4% QoQ (-1.4% YoY) compared to a positive 1.3% growth rate in the previous quarter. Japanese economy has been on a standstill since Apr.-Jun. 2015.
- While Capex recovered, consumer expenditures decreased sharply. Housing, public demand and exports have also deteriorated. Poor consumer expenditures can be explained by the temporary effect of the warm winter.

"Real GDP Growth Rate"



(Note) Data period is from Jul.-Sep. 2014 to Jan.-Mar. 2016.
 Jan.-Mar. 2016 data is estimated by SMAM.

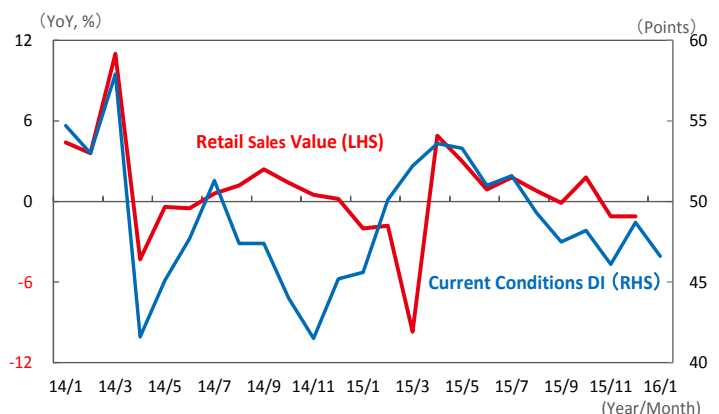
(Source) SMAM, based on the Cabinet Office, Japan data.

Point 2

Retail sales value has stagnated
Future business sentiment has recovered

- Retail sales value of December 2015 decreased -1.1% YoY for two consecutive months. The weak sales seemed to be due to slower sales of winter clothing by the warm weather along with slower pace of winter bonus growth despite positive impact of foreign visitors to Japan.
- Current Conditions DI of January Economy Watchers Survey decreased -2.1 points to 46.6 points from the previous month. Deterioration of the food sector of Household-related DI and non-manufacturer of Corporate activity DI stood out. However, recovery of the business sentiment in the future can be expected, as Future Conditions DI rose 1.3 points to 49.5 points from last month with the recovery of both Household-related and Corporate activity DIs.

"Retail Sales Value and Current Conditions DI"



(Note) Data period is from January 2014 to January 2016.
 Data of Retail Sales Value is till December 2015.

(Source) SMAM, based on Bloomberg L. P. data.

Future Outlook

Economic growth rate turned positive from Jan. – Mar. quarter and is expected to recover moderately

- Real GDP growth rate of Jan.-Mar. quarter is expected to turn positive due to the effect of the warm winter diminishing. However, the pace of recovery is expected to be moderate, as wage growth may be slow judging from the developing process of Shunto (spring wage negotiations) so far and consumer sentiment remains subdued due to lower stock prices and stronger JPY.
- Increase in demand of consumer durables and housing is expected in the second half of FY2016 before the consumption tax hike in April 2017 in addition to the interest rate decline due to the introduction of negative interest rate by BOJ. We expect real GDP growth rate at around 0.9% YoY in FY2016.

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