



# MGSSI Japan Economic Quarterly

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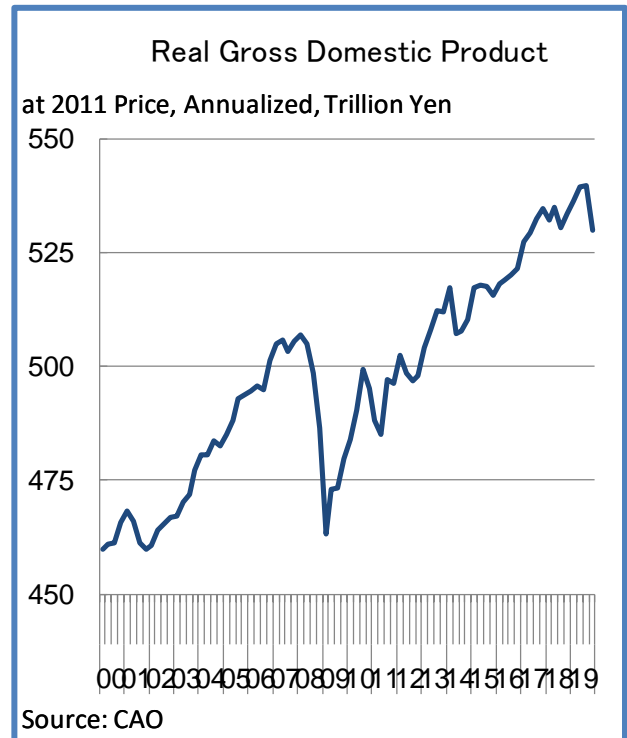
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## First Negative Growth in Five Quarters

Real GDP in the fourth quarter of 2019 was down 1.8% (7.1% annualized) from the previous quarter, recording the first instance of negative growth in five quarters. Public demand\* contributed to increasing real GDP growth by 0.1%pt, while major private demand items all declined. (\*All subsequent references to GDP demand items are in real terms unless otherwise indicated.)

Private consumption fell for the first time in five quarters, down 2.8% from the previous quarter. The sluggish private consumption was due to the decline from the last-minute surge in demand before October's consumption tax hike and the negative effects of strong typhoons and a warm winter, etc.

Private non-residential fixed investment fell 4.6% quarter-on-quarter, the first decline in three quarters. According to the Financial Statements Statistics of Corporations, nominal investment was down 5% from the previous quarter in the manufacturing industry and down 3.8% in the non-manufacturing industry (excluding the financial and insurance sectors). Meanwhile, sales declined in all industries (excluding the financial and insurance sectors) for four consecutive quarters, and ordinary profit declined for three consecutive quarters. Poor business earnings appear to lurk behind the decline in non-residential fixed investment.



	Real Gross Domestic Product (GDP)			
	at 2011 Price, Calendar year			
	2019	2019		
	y/y%	4-6	7-9	10-12
		q/q%	q/q%	q/q%
Real Gross Domestic Product	0.7%	0.6%	0.0%	-1.8%
Private Consumption	0.2%	0.6%	0.5%	-2.8%
Private Housing Investments	2.0%	-0.2%	1.2%	-2.5%
Private Non-Resi. Fixed Investments	0.7%	0.8%	0.2%	-4.6%
Public Investments	2.9%	1.7%	1.1%	0.7%
Government Consumption	1.9%	1.7%	0.7%	0.2%
Exports of Goods & Services	-1.8%	0.4%	-0.7%	-0.1%
(less) Imports of Goods & Services	-0.8%	2.0%	0.7%	-2.7%

Source: CAO

Private housing investment fell for the first time in two quarters, down 2.5% from the previous quarter. The number of new housing starts stood at 865,000 annually, declining by 4.5% quarter-on-quarter to the level of the third quarter of 2014. New housing starts of privately owned houses, rental houses, and houses built for sale all declined. This is partly because the number of constructions increased ahead of the consumption tax hike in October. In addition, there is also the impact of



shrinking housing demand mainly due to population decline, especially in regional cities.

Exports of goods and services were down 0.1% from the previous quarter, remaining sluggish for two straight quarters. The real exports calculated by the Bank of Japan show that exports of automobile-related goods, capital goods, and intermediate goods all declined, while exports of information-related goods remained almost flat. By region, exports to the United States and the European Union decreased, while those to China increased. Meanwhile, imports of goods and services saw a fairly large quarter-on-quarter drop of 2.7%, the first decline in three quarters. Though both imports and exports declined, the rate of decline in imports exceeded that of exports. As a result, net exports positively contributed to real GDP growth.

In public demand, public investment was up 0.7% from the previous quarter, increasing for four straight quarters. The supplementary budget for fiscal 2019 that was passed at the end of January 2020 includes spending of 1.57 trillion yen, related public works projects. Given this, public investment is expected to support the economy down the road.

A look at the averages of forecasts by private economists of real GDP growth compiled by an ESP Forecast survey (March 2020) reveals that real GDP will grow year-on-year by -1.1% in 2020 and 1.2% in 2021. As of the fourth quarter of 2019, there were no impact of the spread of COVID-19. Since the beginning of 2020, infections with the virus have been confirmed in Japan. People gradually started to refrain from going on trips and holding meetings, while elementary, junior high, and high schools have been temporarily closed. Furthermore, people's outings have been restrained through the introduction of teleworking. The spread of COVID-19 infections could have negative effects on household budgets and corporate activities, and this prompts concern over further downward pressure on the economy.

Selected Economic Indicators	Fiscal Year		2019			
	2017	2018	1-3	4-6	7-9	10-12
GDP at current prices (SAAR, Trillion Yen)	547.6	548.4	552.7	556.0	558.2	549.9
Real GDP at 2011 prices (SA, q/q%, Annualized)	1.9%	0.3%	2.2%	2.3%	0.1%	-7.1%
Industrial Production Index (SA, 2010=100)	103.5	103.8	102.4	103.0	102.5	98.3
Exports (SA, Trillion Yen)	79.2	80.7	19.5	19.4	19.3	18.8
Imports (SA, Trillion Yen)	76.8	82.3	19.9	20.0	19.6	19.1
Balance on Current Account (SA, Trillion Yen)	22.2	19.2	4.9	4.8	4.8	5.3
Corporate Bankruptcies	8,367	8,110	1,916	2,074	2,182	2,211
Unemployment Rate (SA, %)	2.7%	2.4%	2.5%	2.4%	2.3%	2.3%
Wage Index (SA, 2010=100)	101.4	102.3	101.2	102.2	102.0	102.7
Consumer Prices (y/y%)	0.7%	0.7%	0.3%	0.8%	0.3%	0.5%
Nikkei Stock Average	20,960	21,995	21,006	21,417	21,264	23,041
Japanese Government Bond Yields (%)	0.05	0.05	-0.02	-0.08	-0.20	-0.09
Foreign Exchange Rate (Yen/ Dollar)	110.8	110.9	110.2	109.9	107.3	108.7

Note: SAAR means Seasonally Adjusted Annual Rate. SA means Seasonally Adjusted.  
q/q% means %change from a quarter earlier. y/y% means %change from a year earlier.

Source: CAO, METI, MOF, Tokyo Shoko Research, MIC, MHLW, Nihon Keizai Shimbun, CEIC, BOJ

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