

# **Japan's economy in the past three years: 2021-2024**

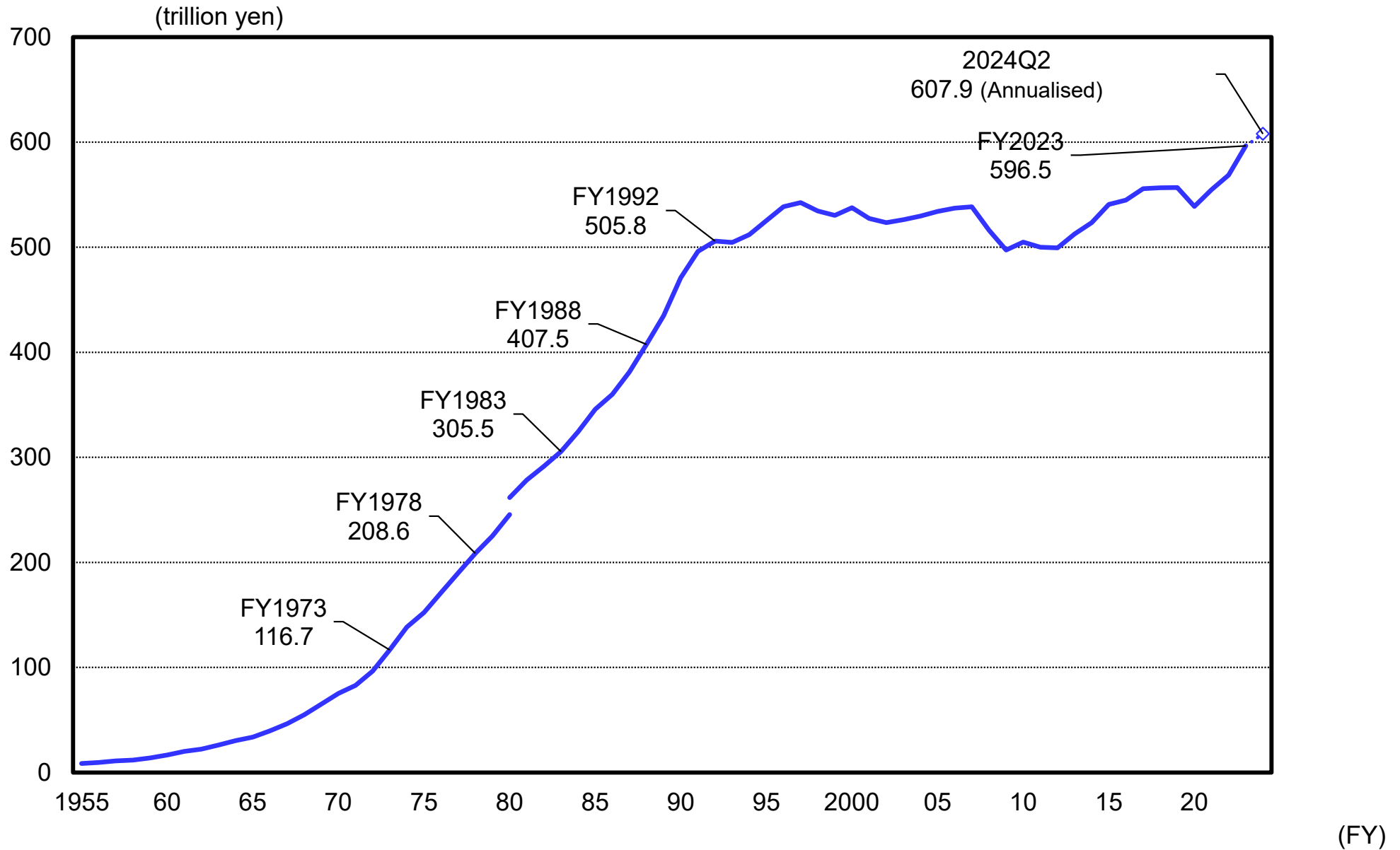
4 September 2024  
Japan Update 2024

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**Economic Research Bureau**  
**Cabinet Office**

\*The views expressed in this presentation are my own and do not necessarily reflect the views of my organization.

# GDP: 600 Trillion-Yen Economy Achieved

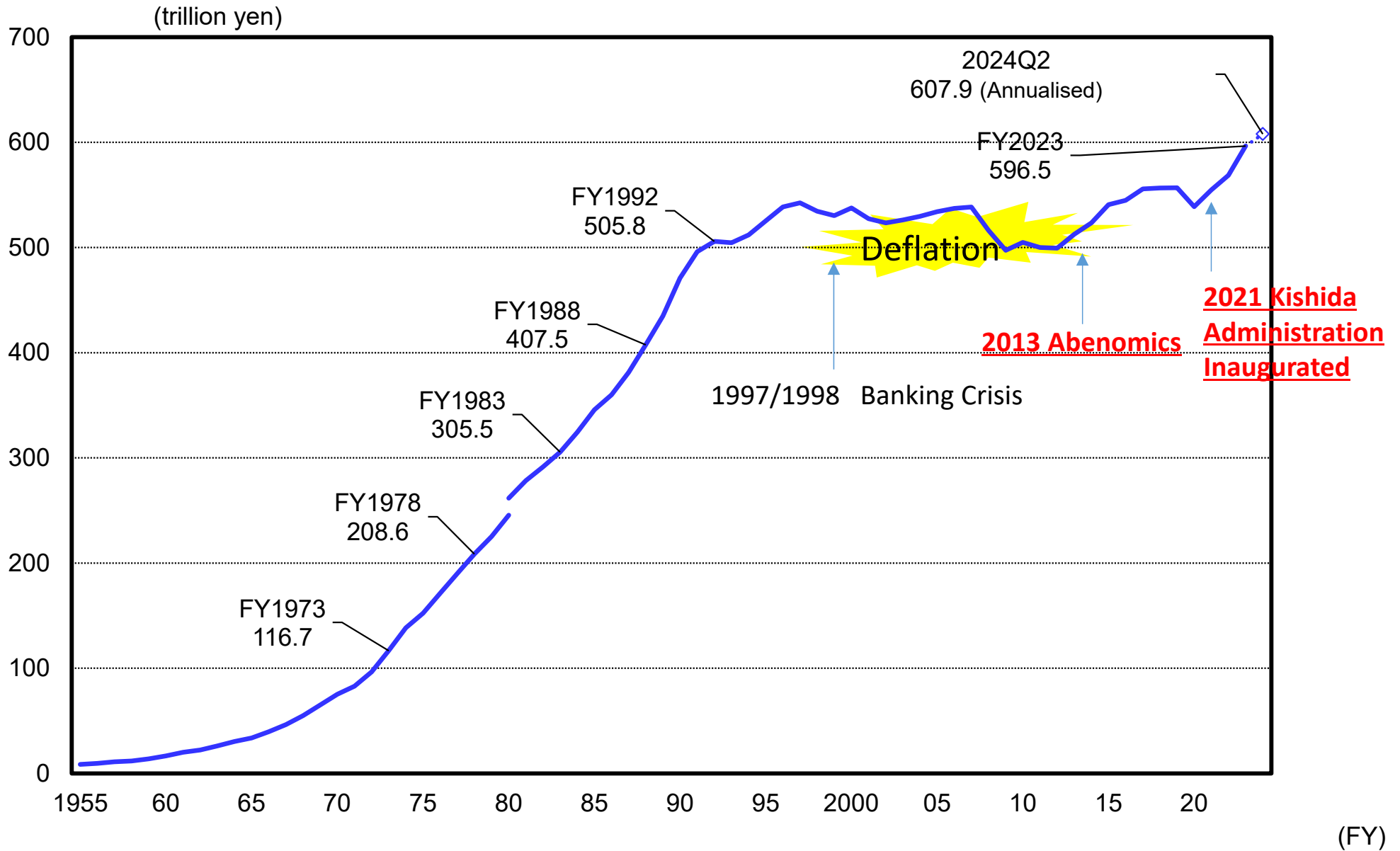
## Nominal GDP



(Source) Cabinet Office

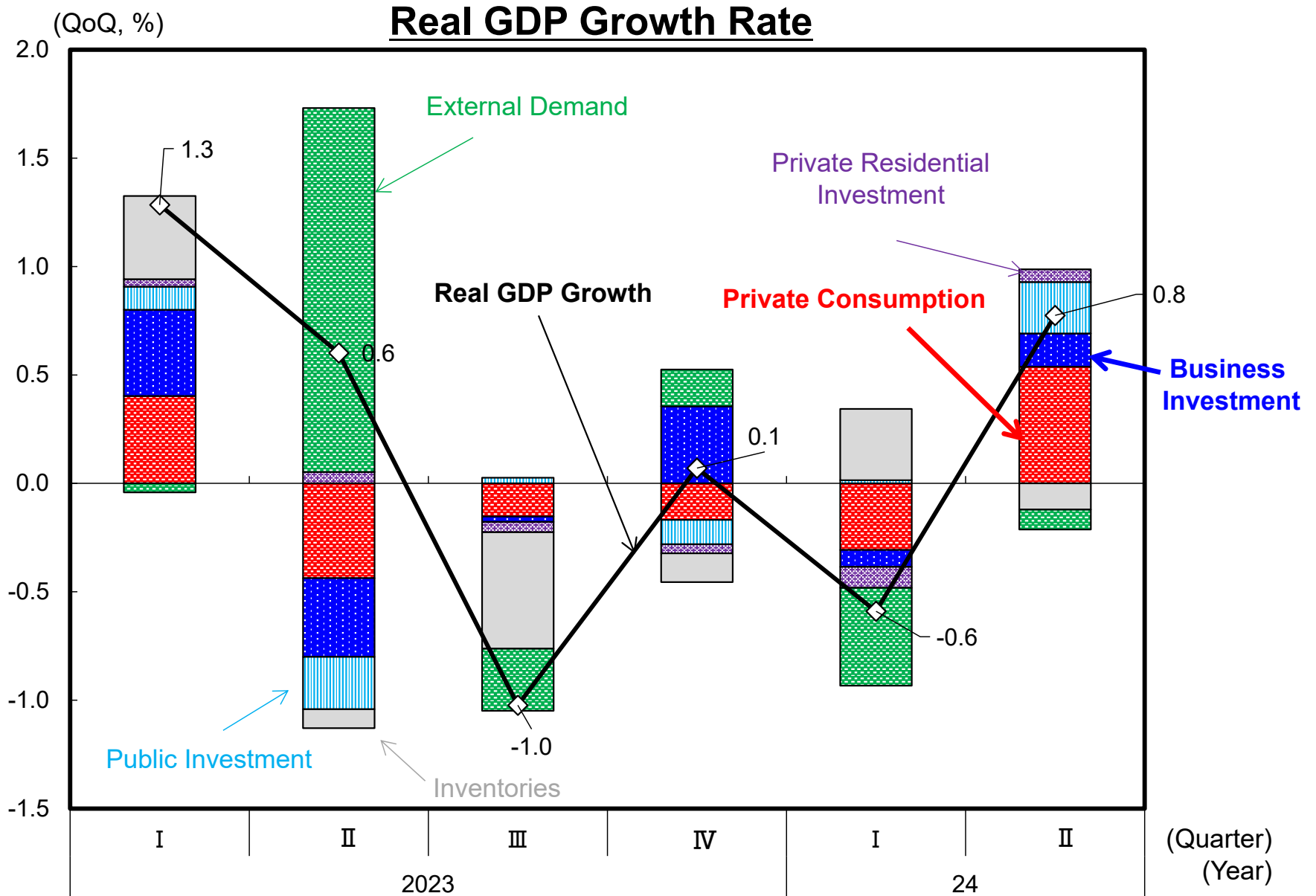
# GDP: 600 Trillion-Yen Economy Achieved

## Nominal GDP



(Source) Cabinet Office

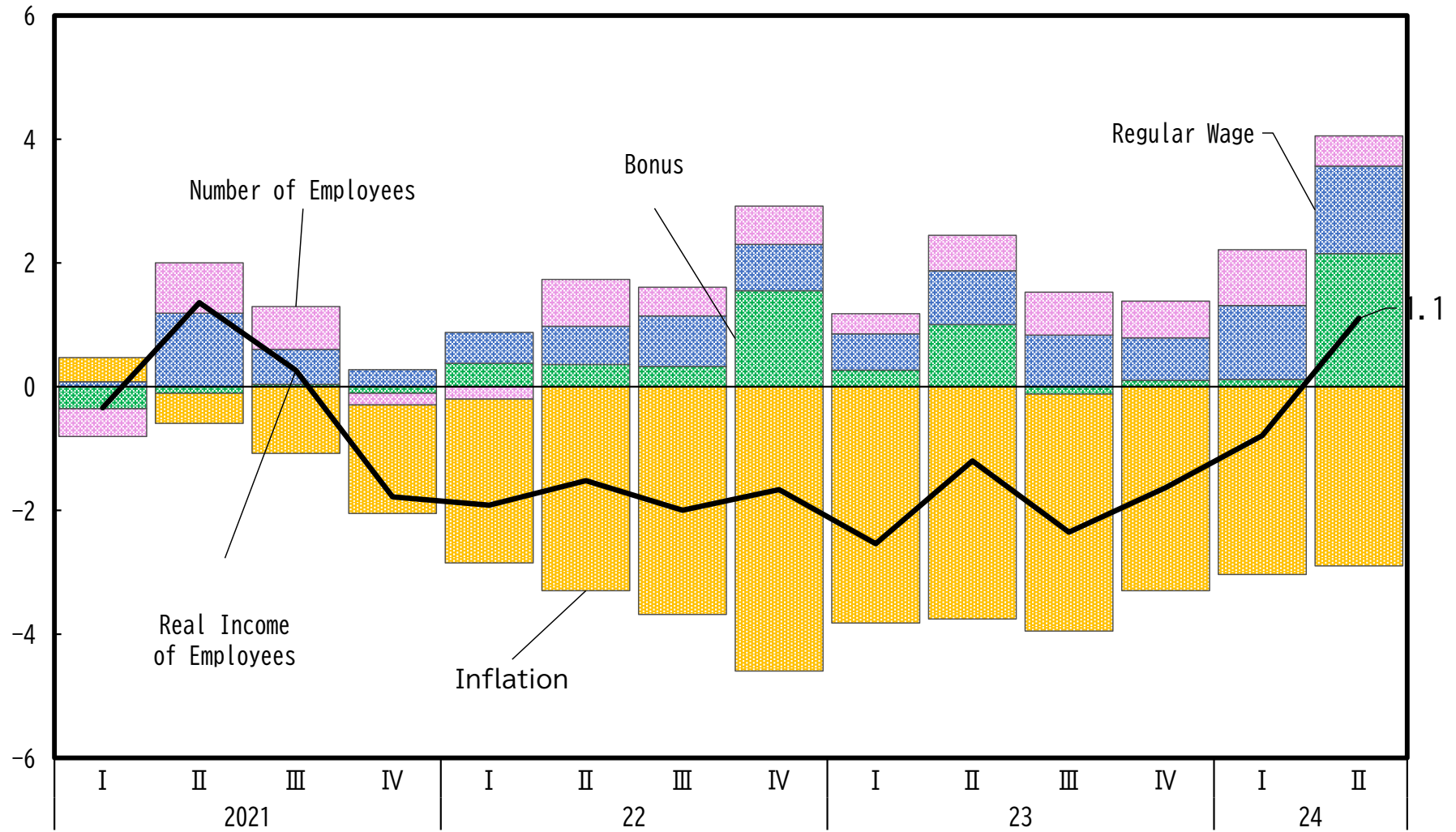
# Real GDP Growth in Q2: 0.8% (3.1%, saar) Domestic Demand-led Growth



# Real Income Growth Turned Positive in Q2

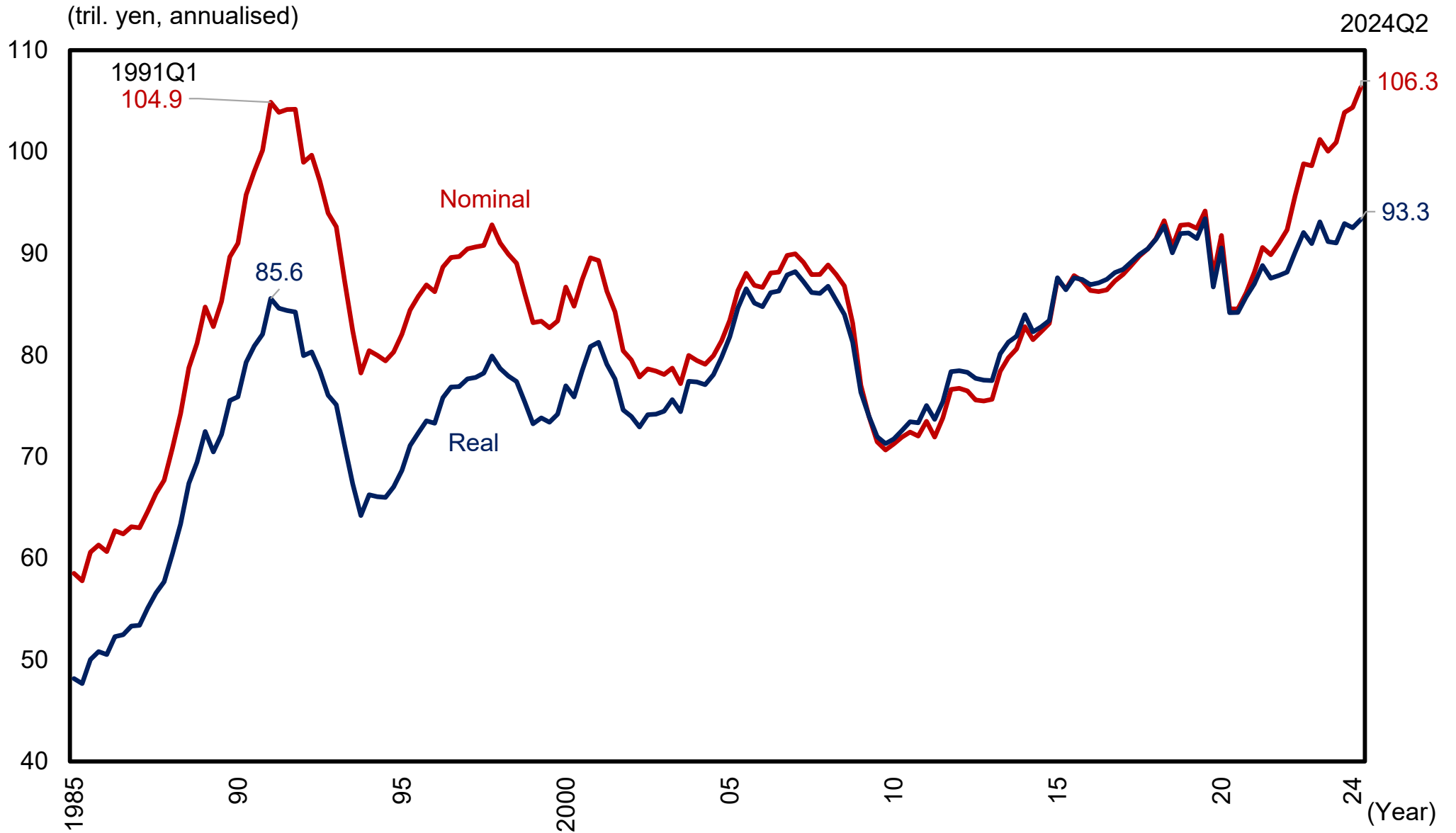
## Real Income of Employees

(Y/Y, %)



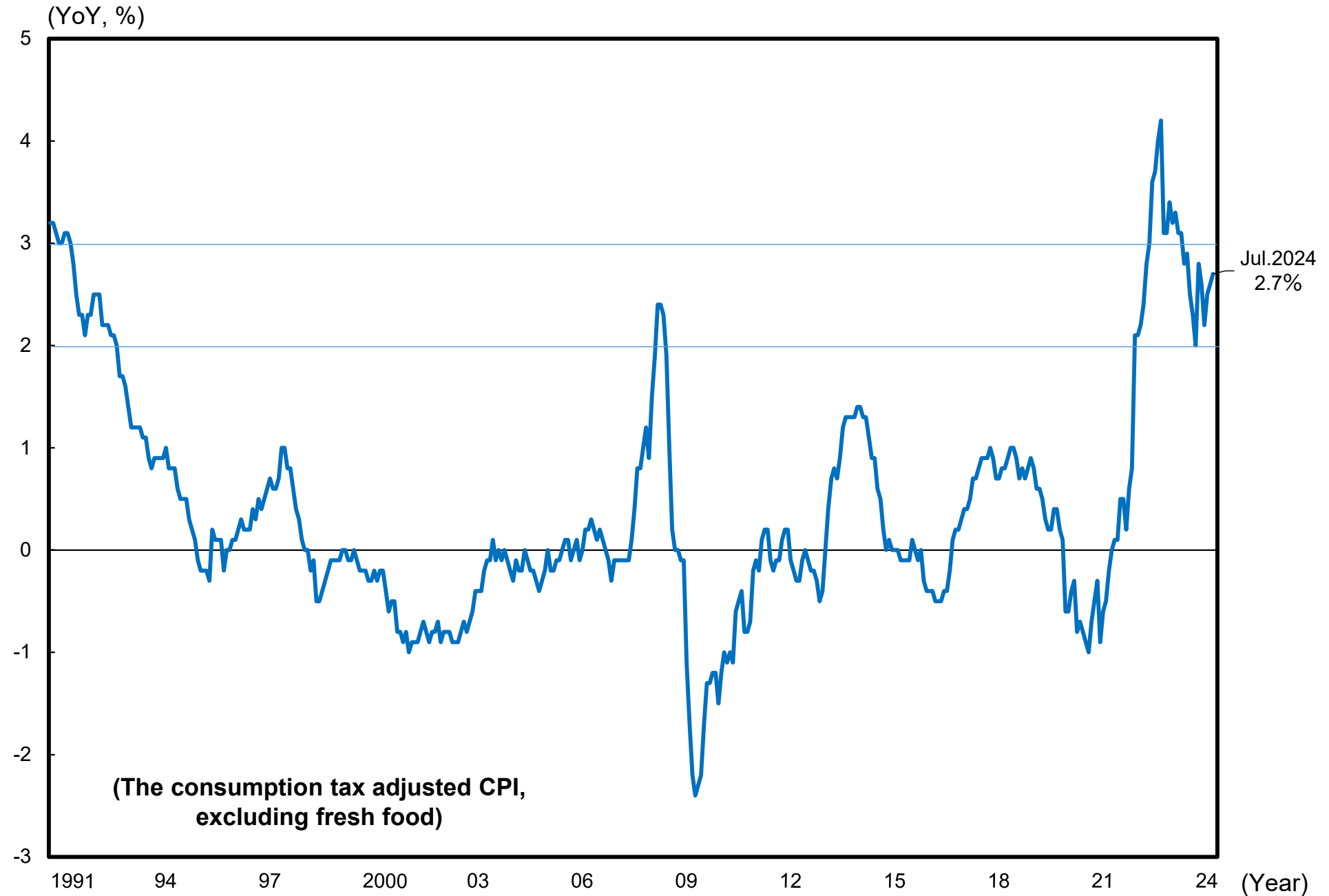
# Business Investment Exceeded 100 Trillion-Yen Reaching a Record High

## Nominal and Real Business Investment



(Source) Cabinet Office

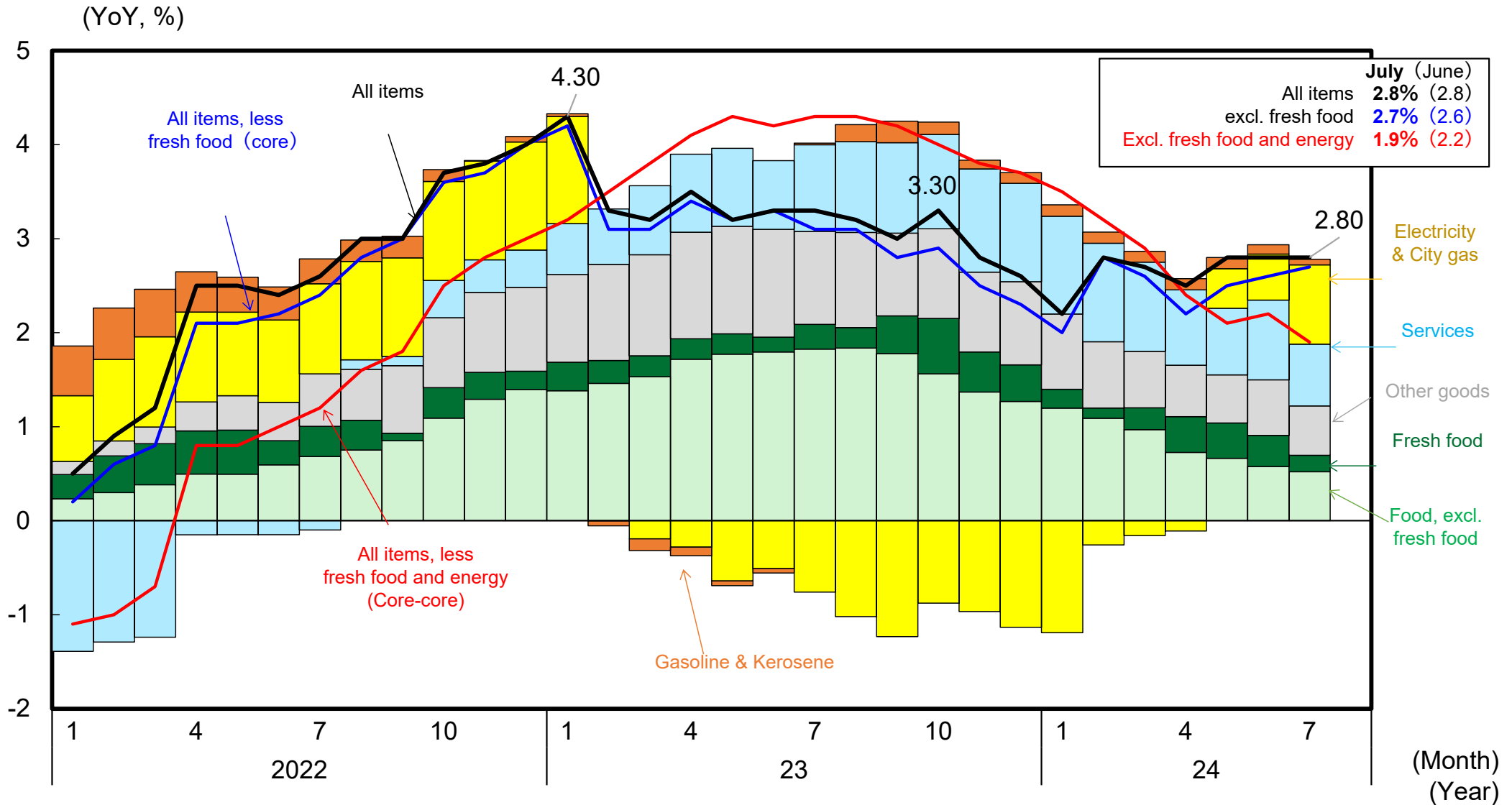
# Consumer Price Index: Sustained 2% Inflation



(Source) Ministry of Internal Affairs and Communications

# Prices: Cost-Push Inflation in 2022, and then...

## Consumer Price Index



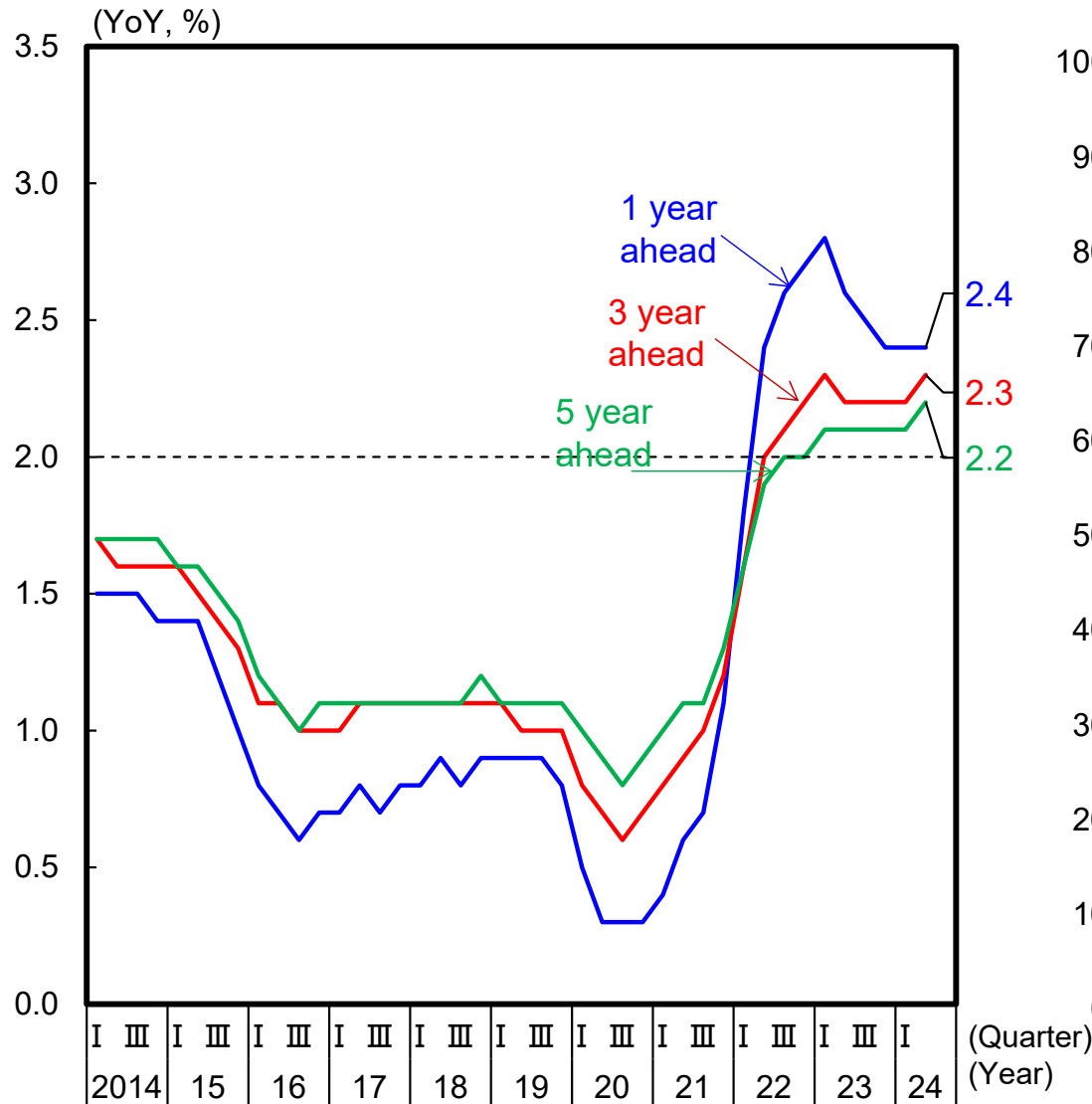
(Source) Ministry of Internal Affairs and Communications and Bank of Japan

(Note) The dotted line in the Figure below shows the YoY rate in which the impact of the revision of the Renewable Energy Surcharge Rate is excluded.

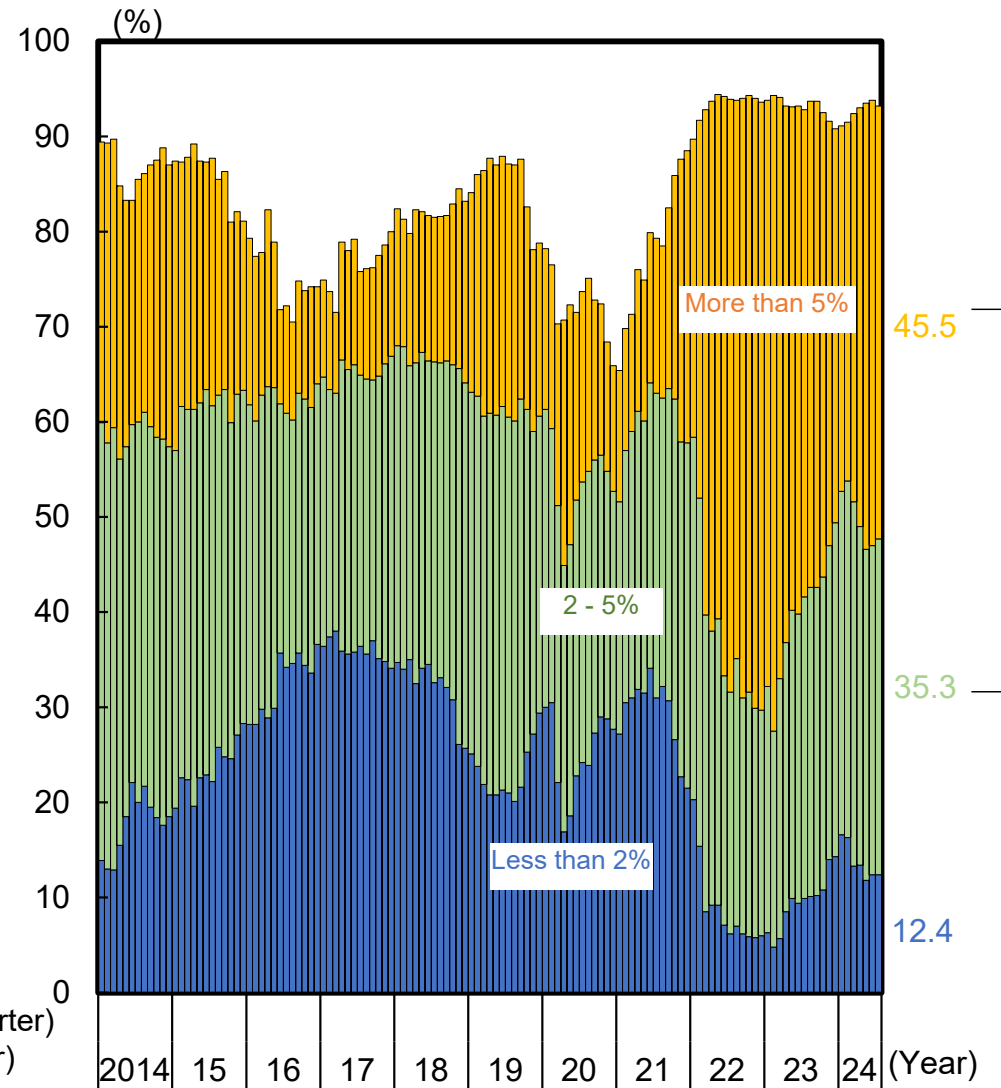


# Expected Inflation Rate: Increased to 2%

## Expected Inflation Rate of Firms

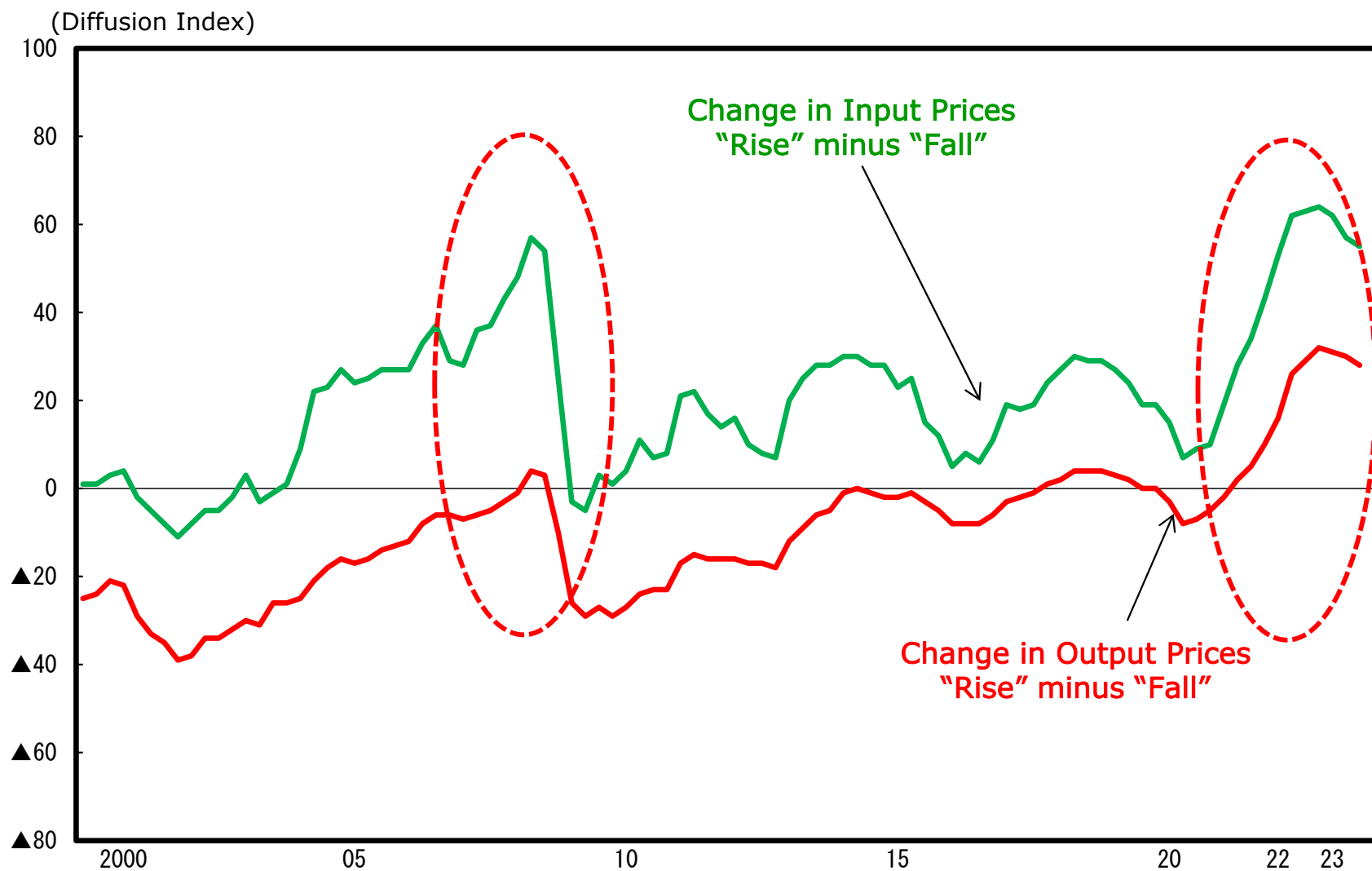


## Expected Inflation Rate of Consumers over a Year Ahead

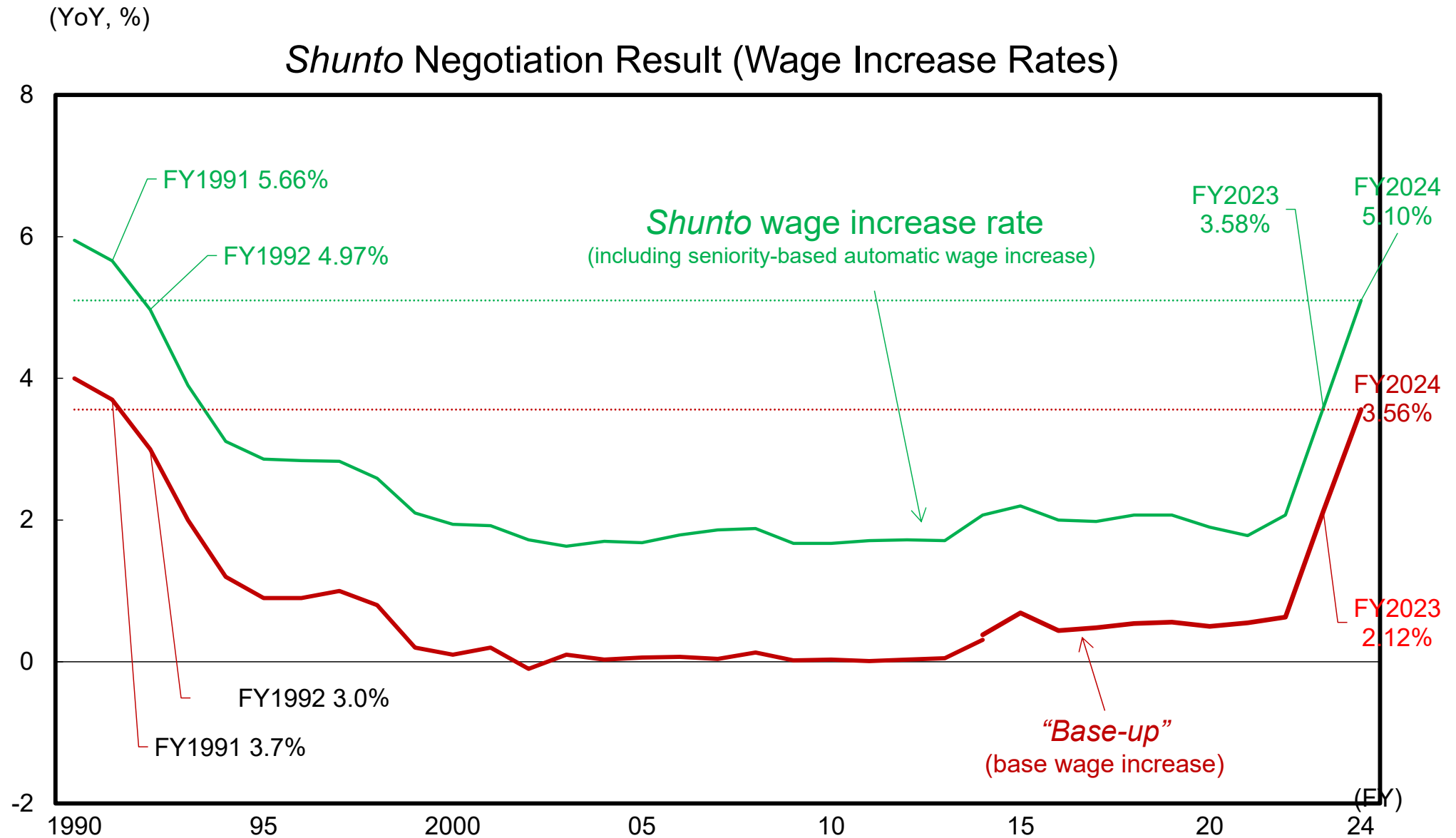


(Source) Bank of Japan and Cabinet Office

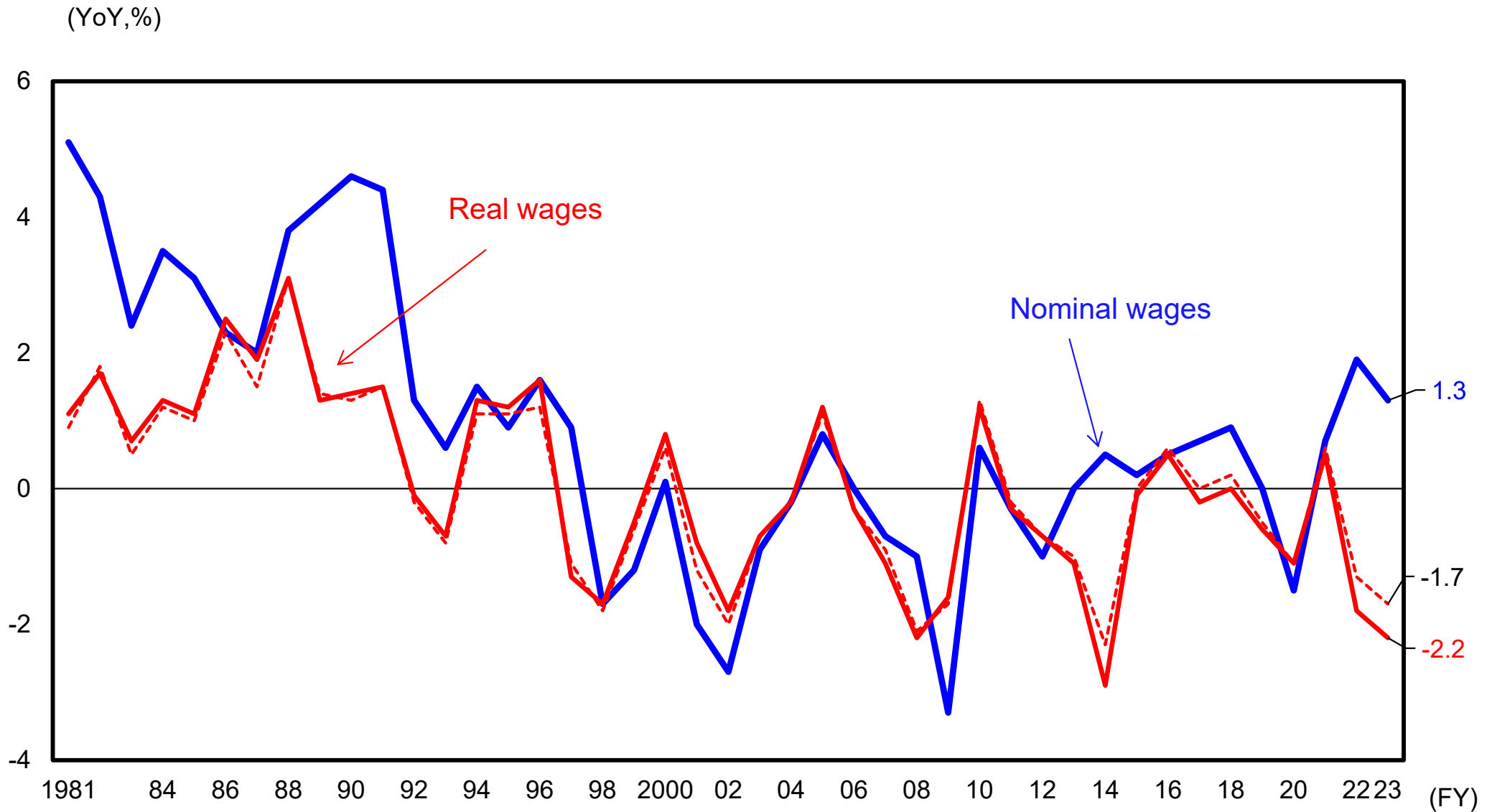
# Price Pass-through



# Shunto (Annual Wage Negotiation): Highest Wage Increase in Three Decades



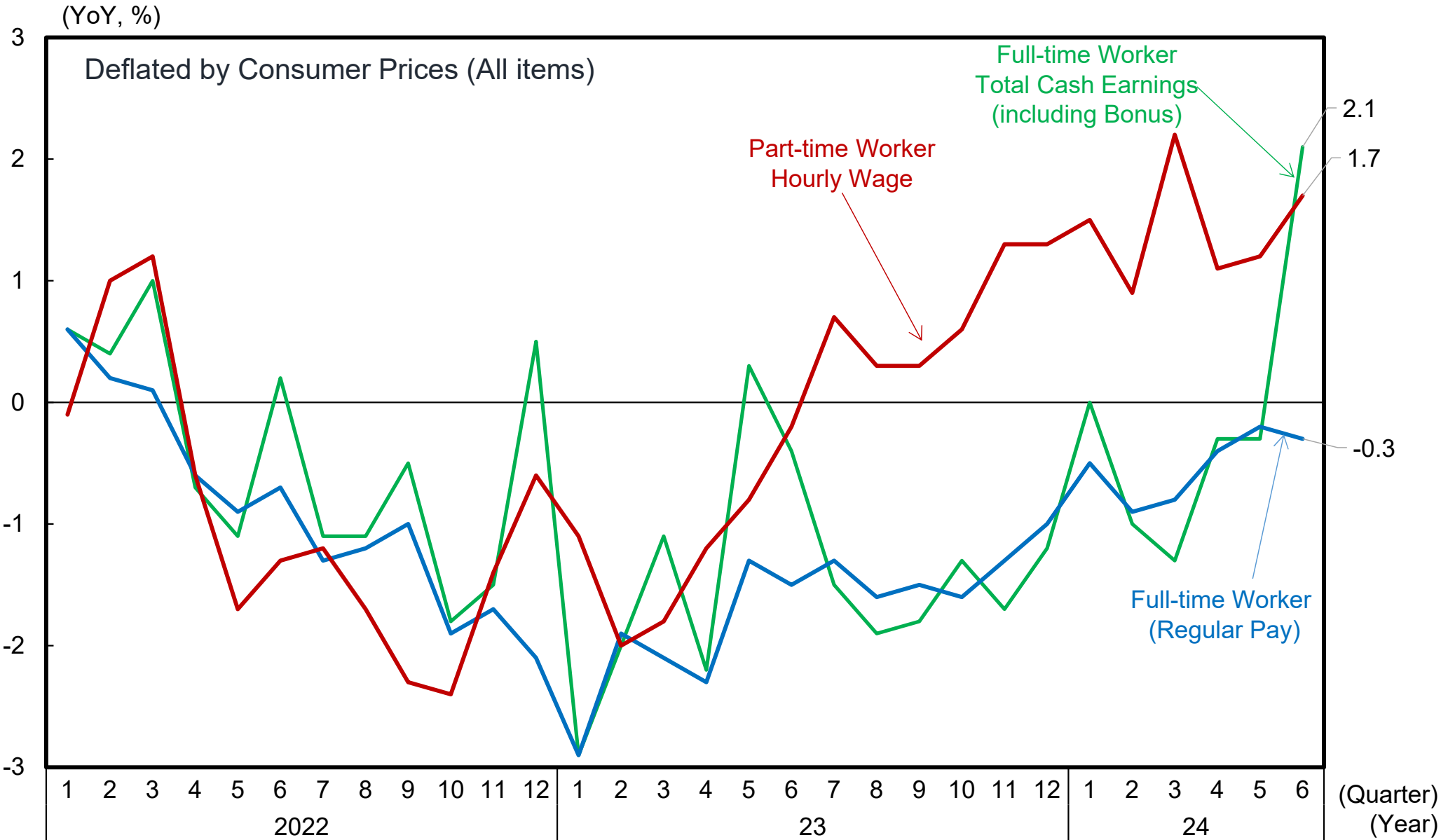
# Nominal and Real Wage Growth: Zero Growth for Decades



(Source) Japan Trade Union Confederation, Central Labour Relations Commission, Ministry of Internal Affairs and Communications and Ministry of Health, Labour and Welfare (Dotted line is deflated by CPI (All items))

# Real Wage Growth Turned Positive

## Real Wages by Employment Type

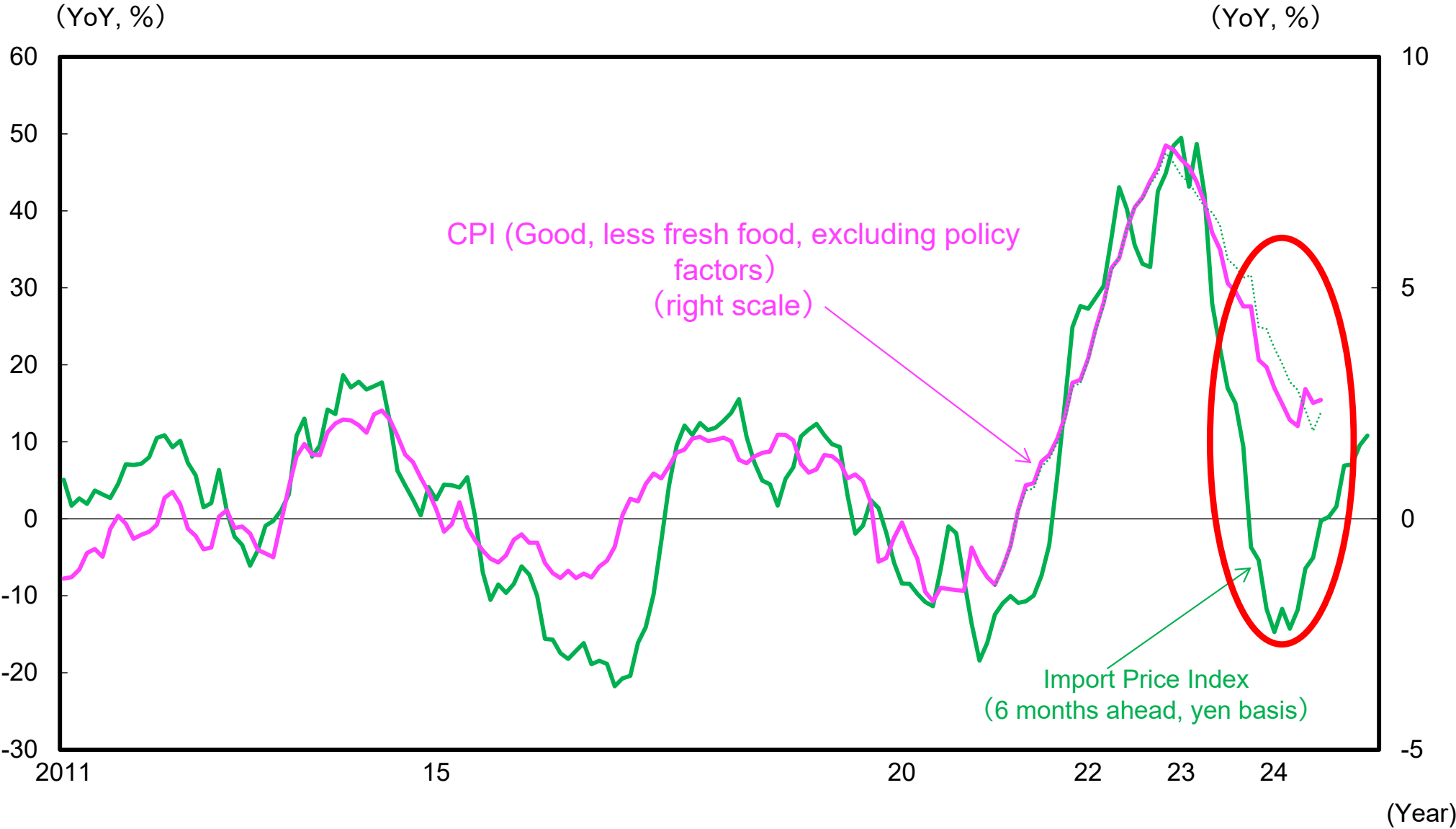


(Source) Ministry of Internal Affairs and Communications and Ministry of Health, Labour and Welfare

(Note) Establishment with 5 or more employees

# The Shift From Cost-Push to Demand-Pull Inflation

CPI and Import Price Index



(Source) Ministry of Internal Affairs and Communications and Bank of Japan

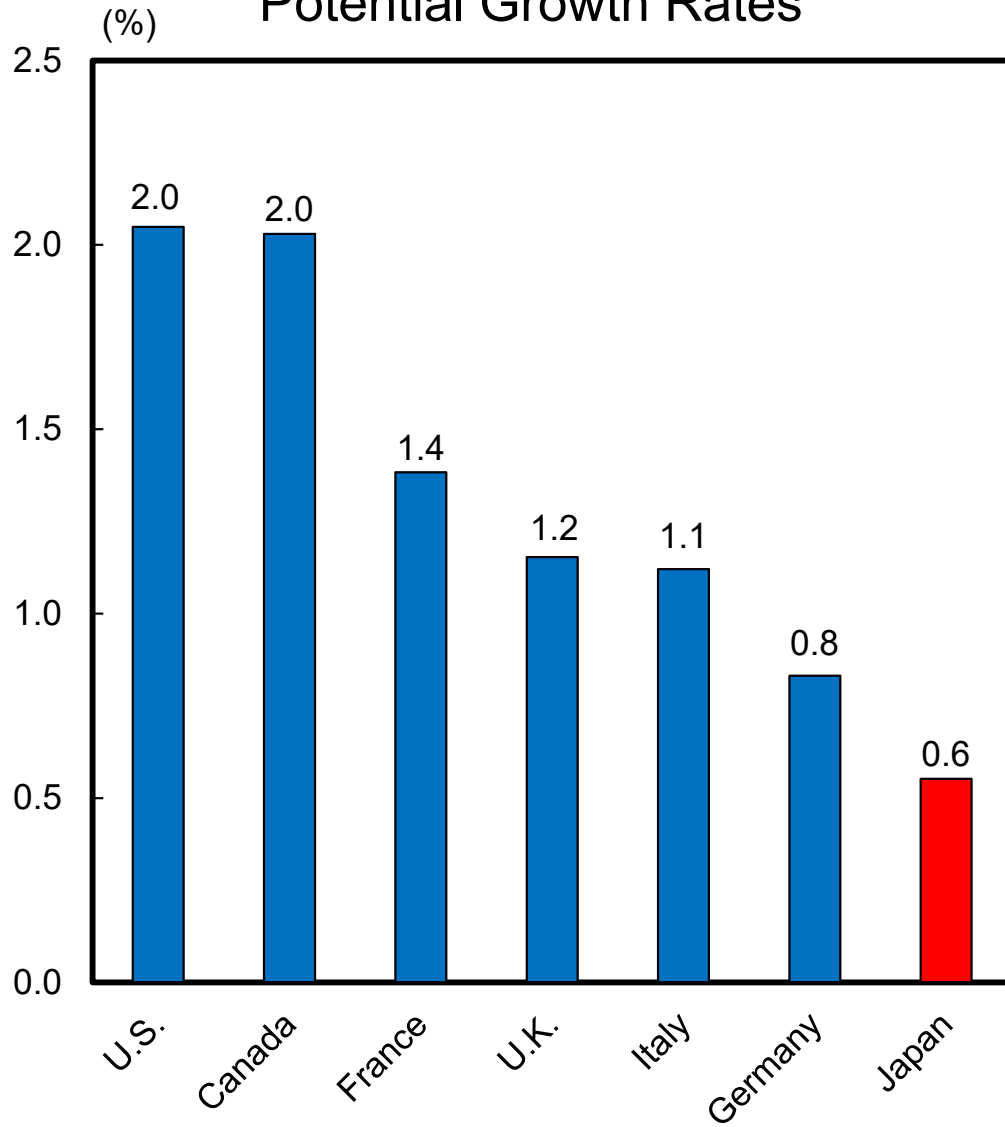
(Note) The dotted line in the Figure below shows the YoY rate in which the impact of the revision of the Renewable Energy Surcharge Rate is excluded.

# Challenges

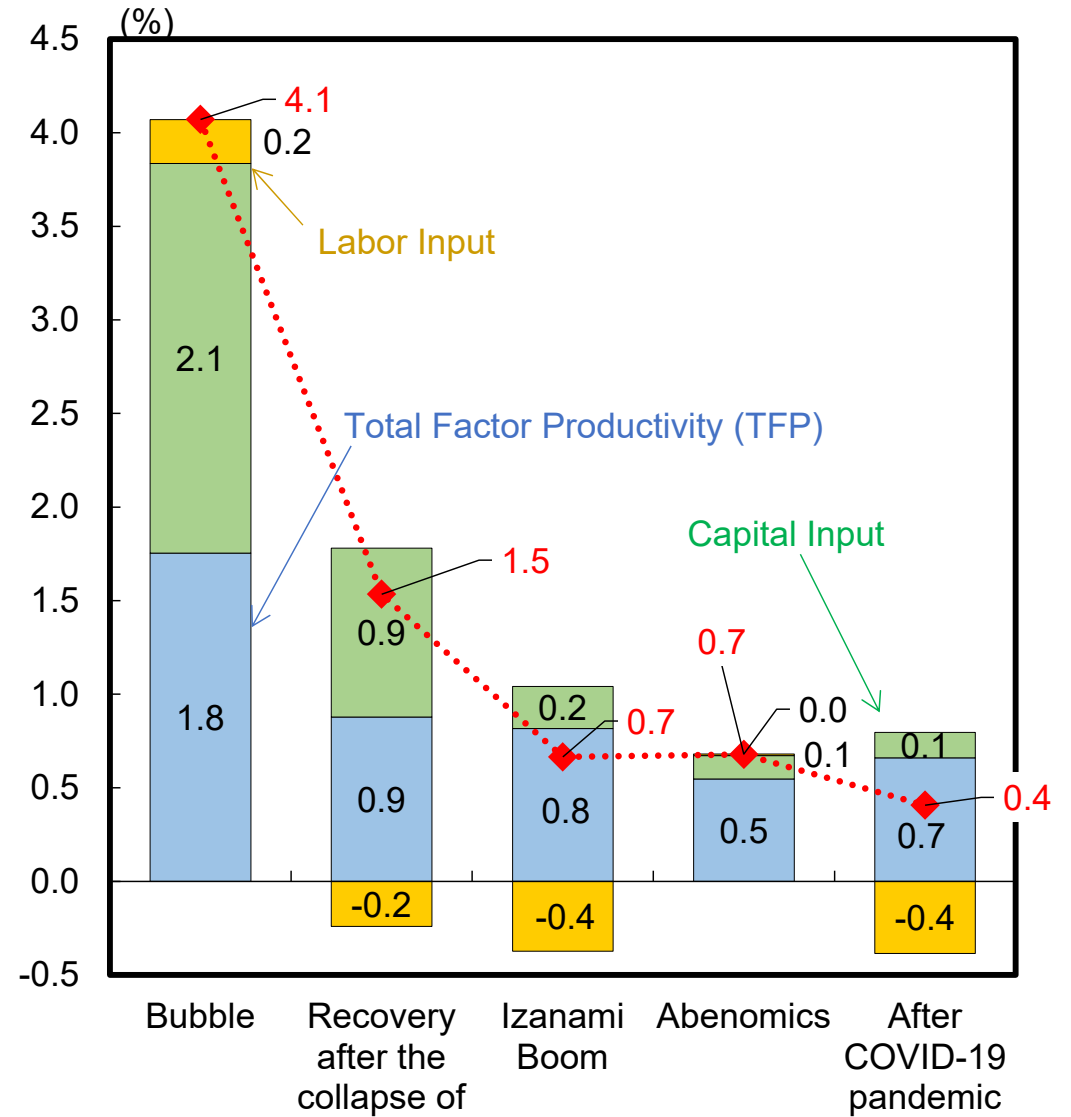
- Potential growth
  - Investment and productivity
  - Labour shortage; enhancing labour participation
- Ageing and population decline
- Mobilizing labour and capital
  - Skill Mismatch
  - Financial Assets

# Potential GDP Growth

## International Comparison of Potential Growth Rates



## Breakdowns of Potential Growth Rates



(Source) OECD and Cabinet Office

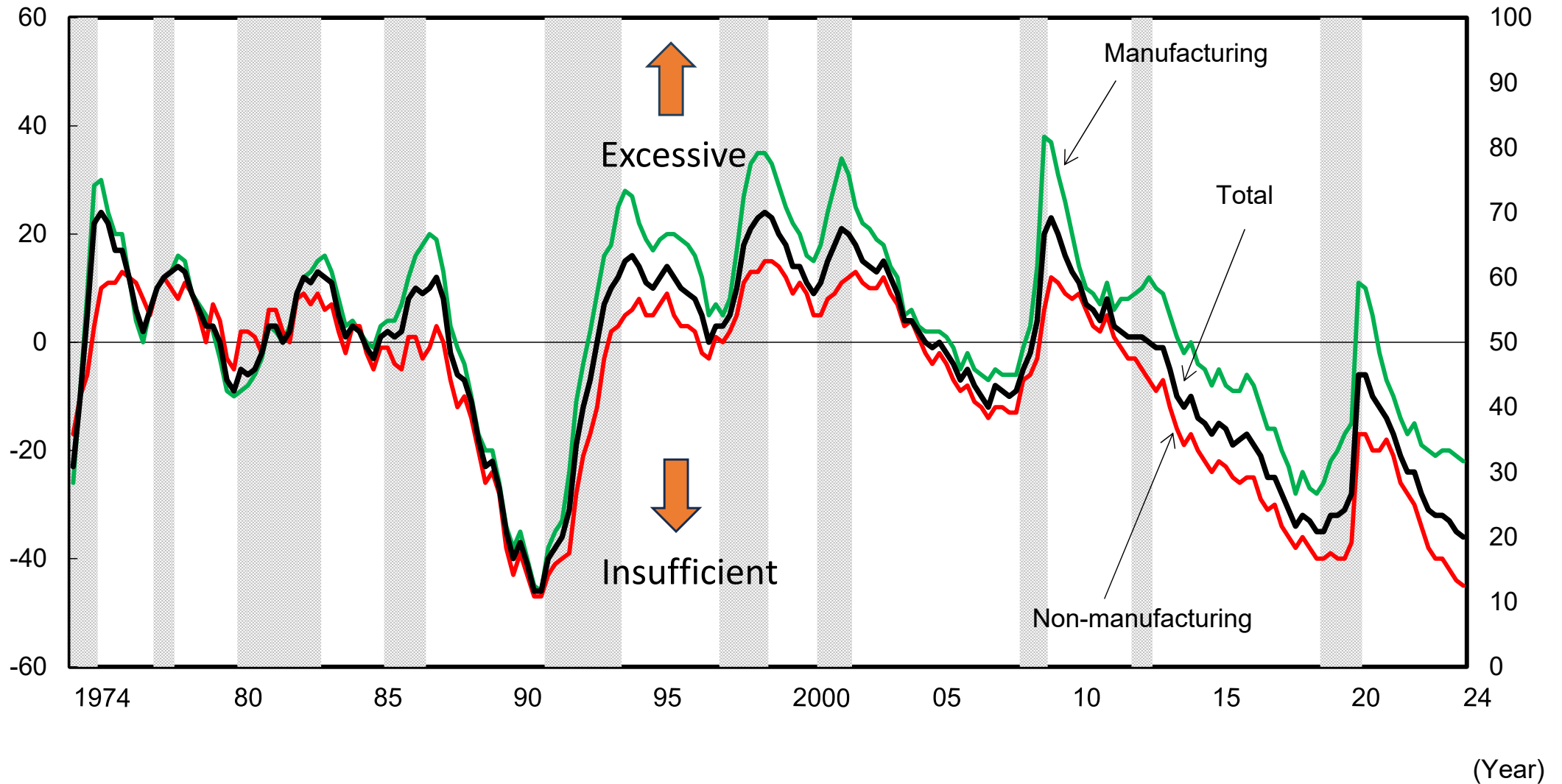
(1986.Q4—1991.Q1) Average  
 (1993.Q4—1997.Q2) Average  
 (2002.Q1—2008.Q1) Average  
 (2012.Q4—2018.Q4) Average



# Labour Shortage

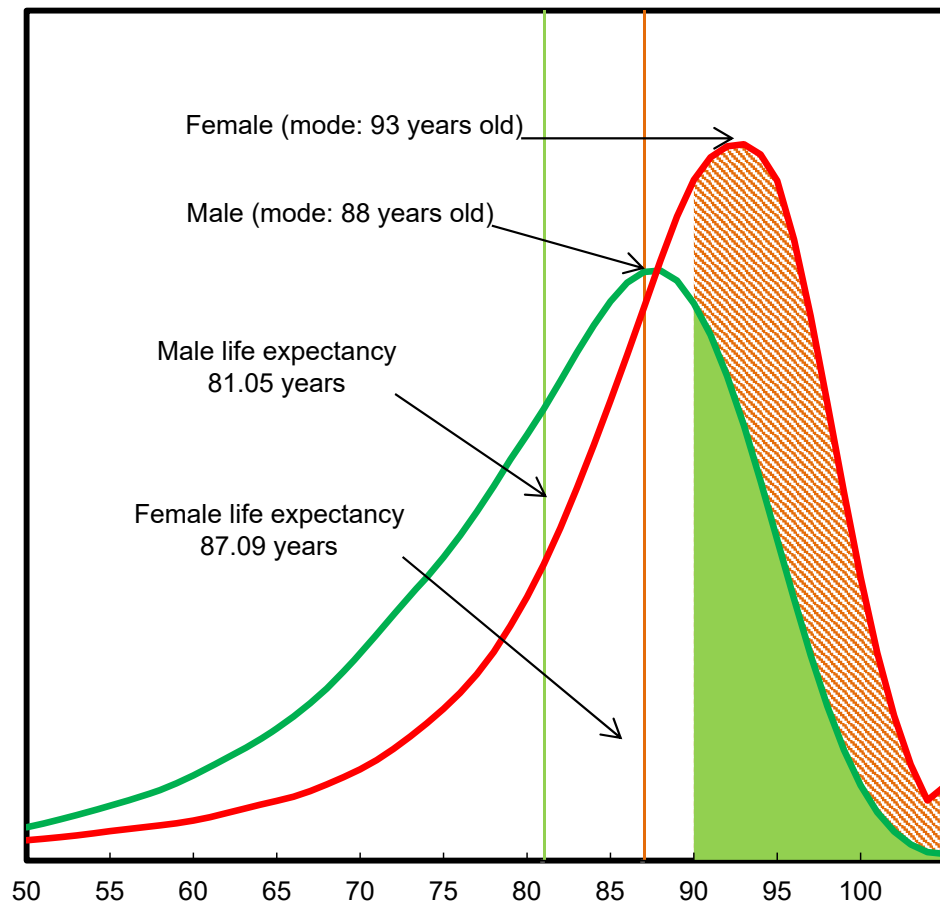
## Employment Condition Diffusion Index (BOJ Tankan Survey)

(DI, "excessive" – "insufficient", %pt)



# A Super-Aged Society with Hyper-Healthy Elderly

## Distribution of Deaths by Age



## Equivalent Age to the Global Average Disease Status of 65 Years Olds

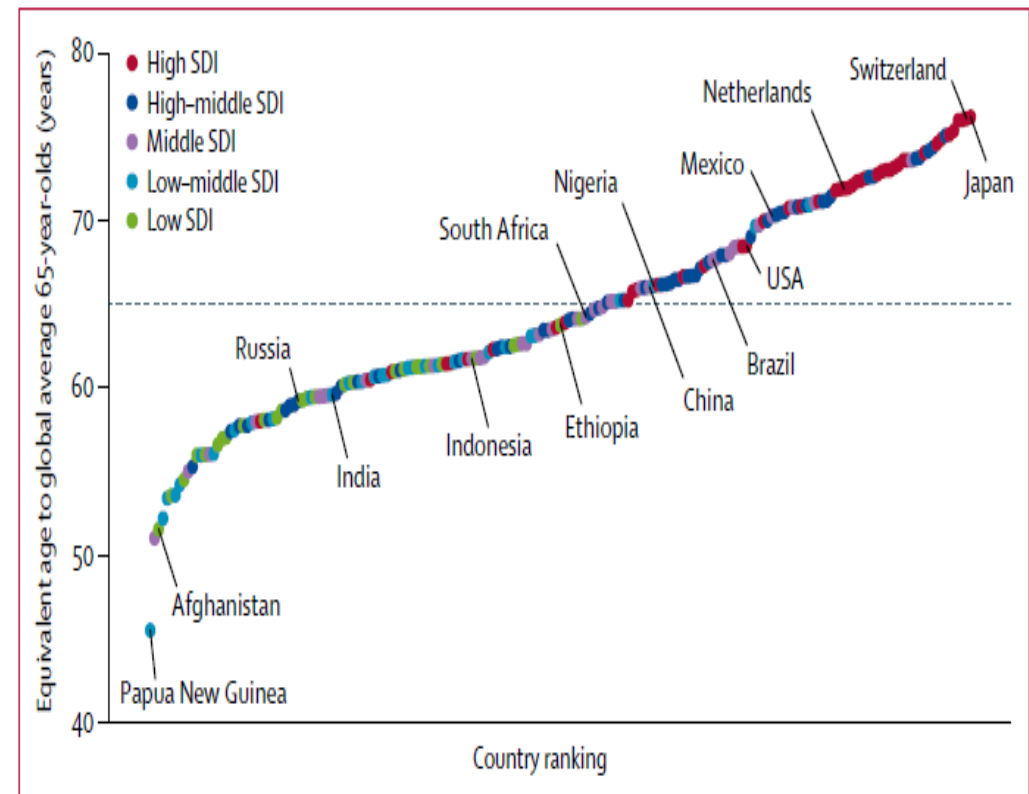
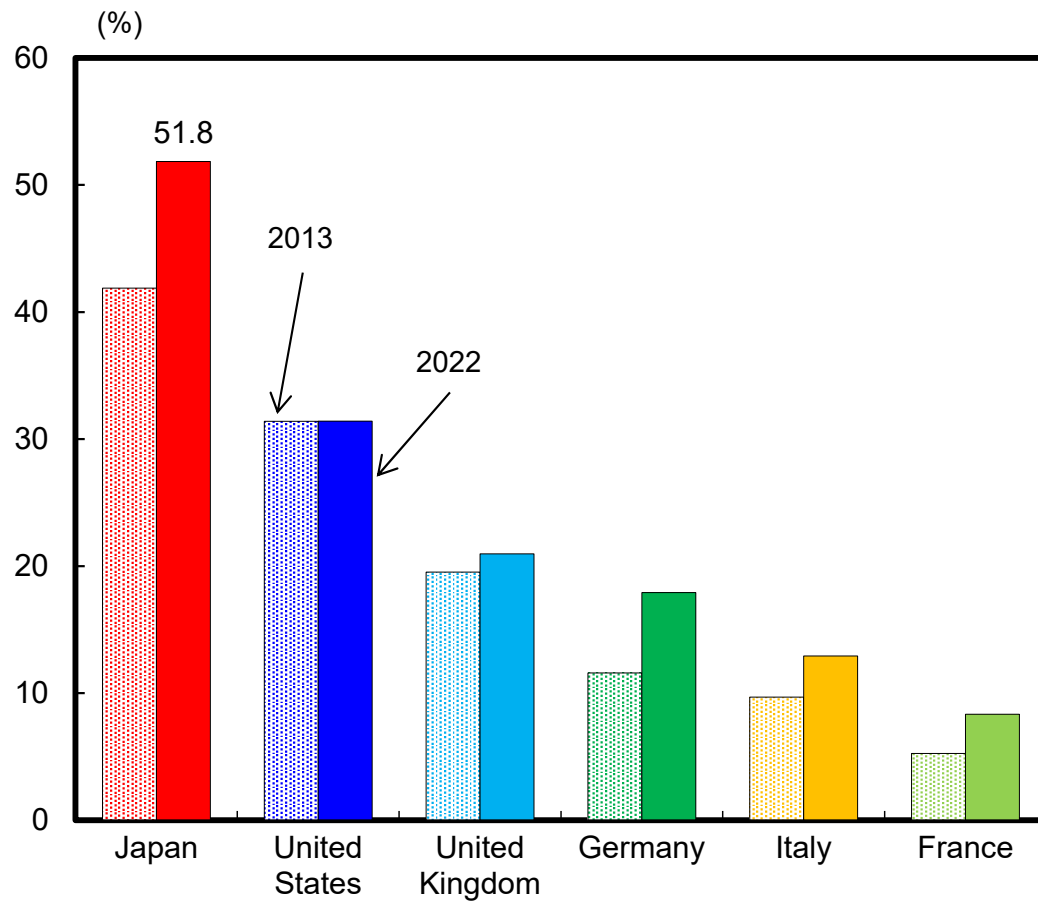


Figure 2: Comparing the equivalent ages to global average 65-year-olds across countries in 2017  
The dashed line indicates global average 65-year-olds. Countries and territories are colour coded by their e.  
SDI=Socio-demographic Index.

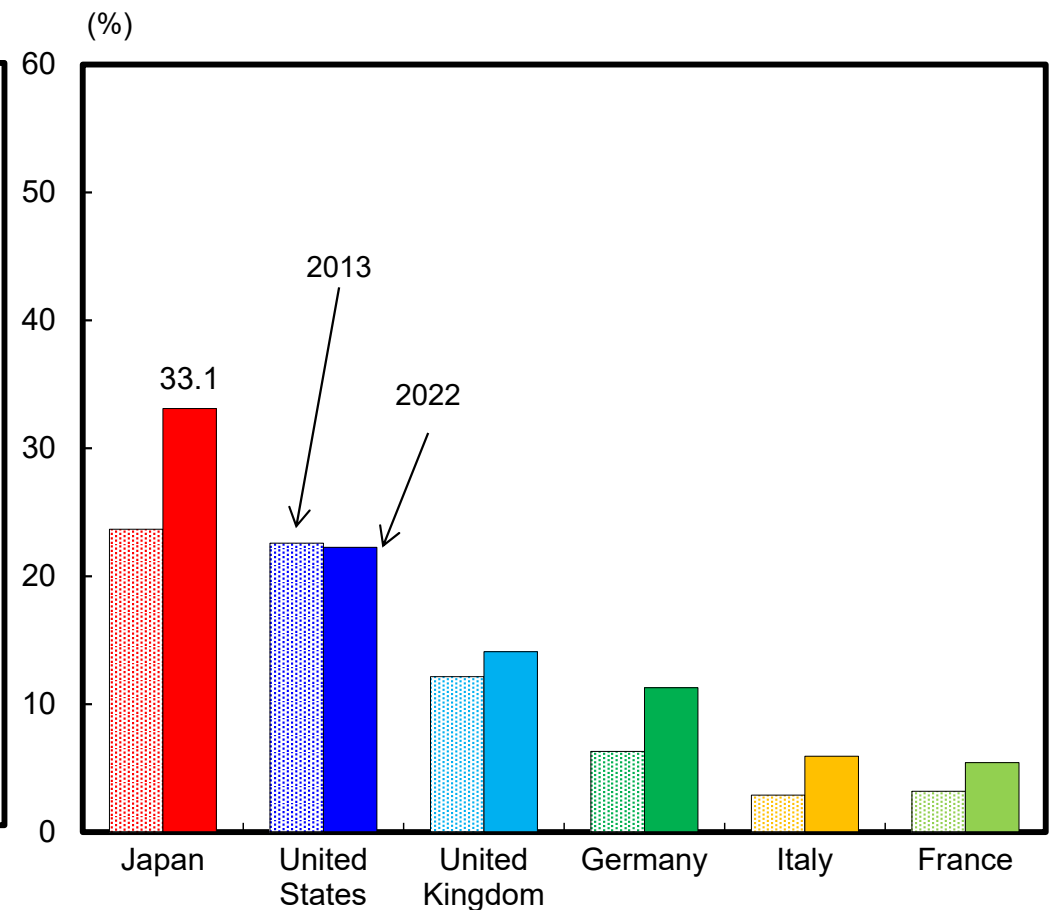
# High Labour Participation Rates of the Elderly

## Labour Participation Rates (65-74 years old)

(1) Male

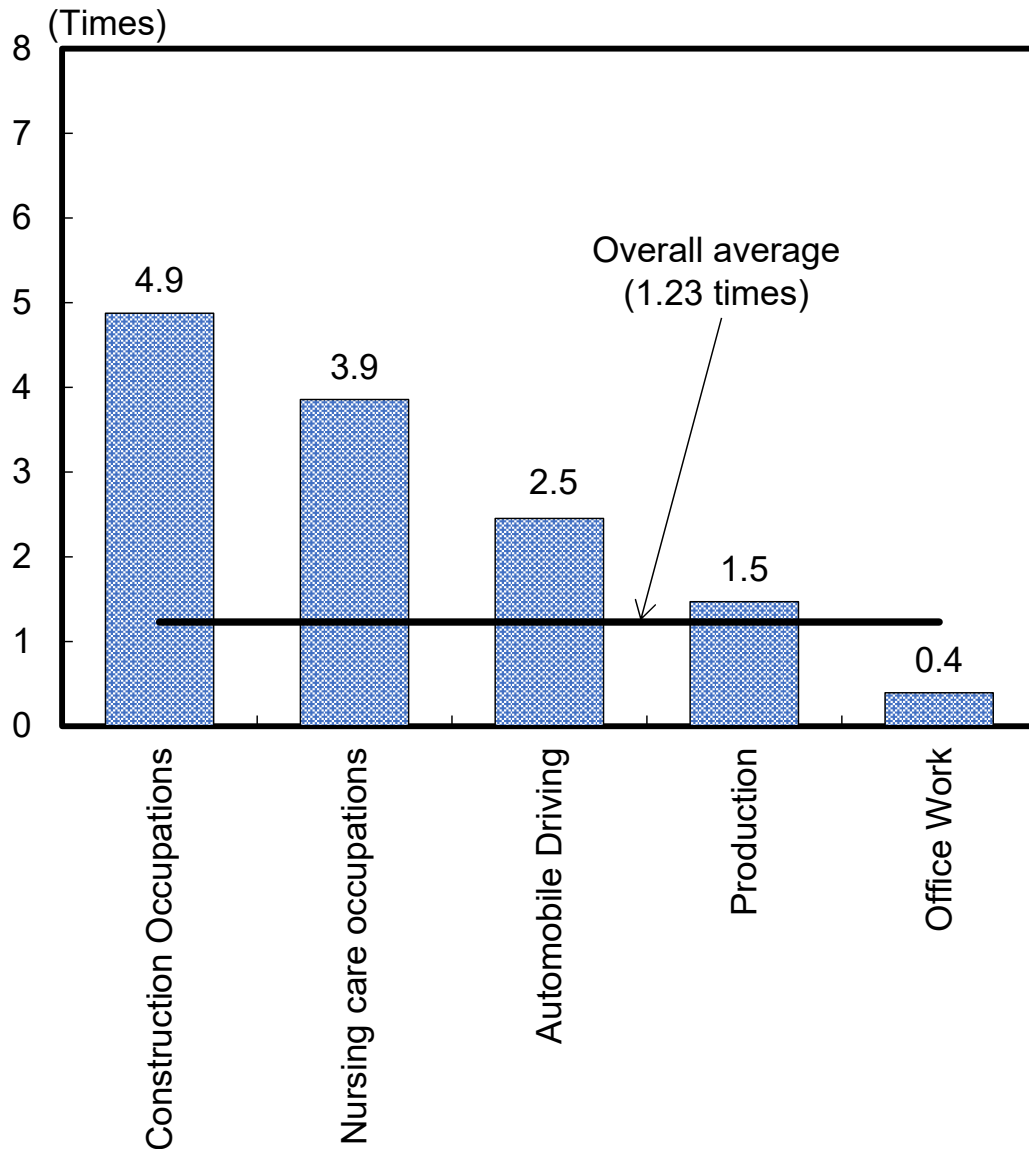


(2) Female

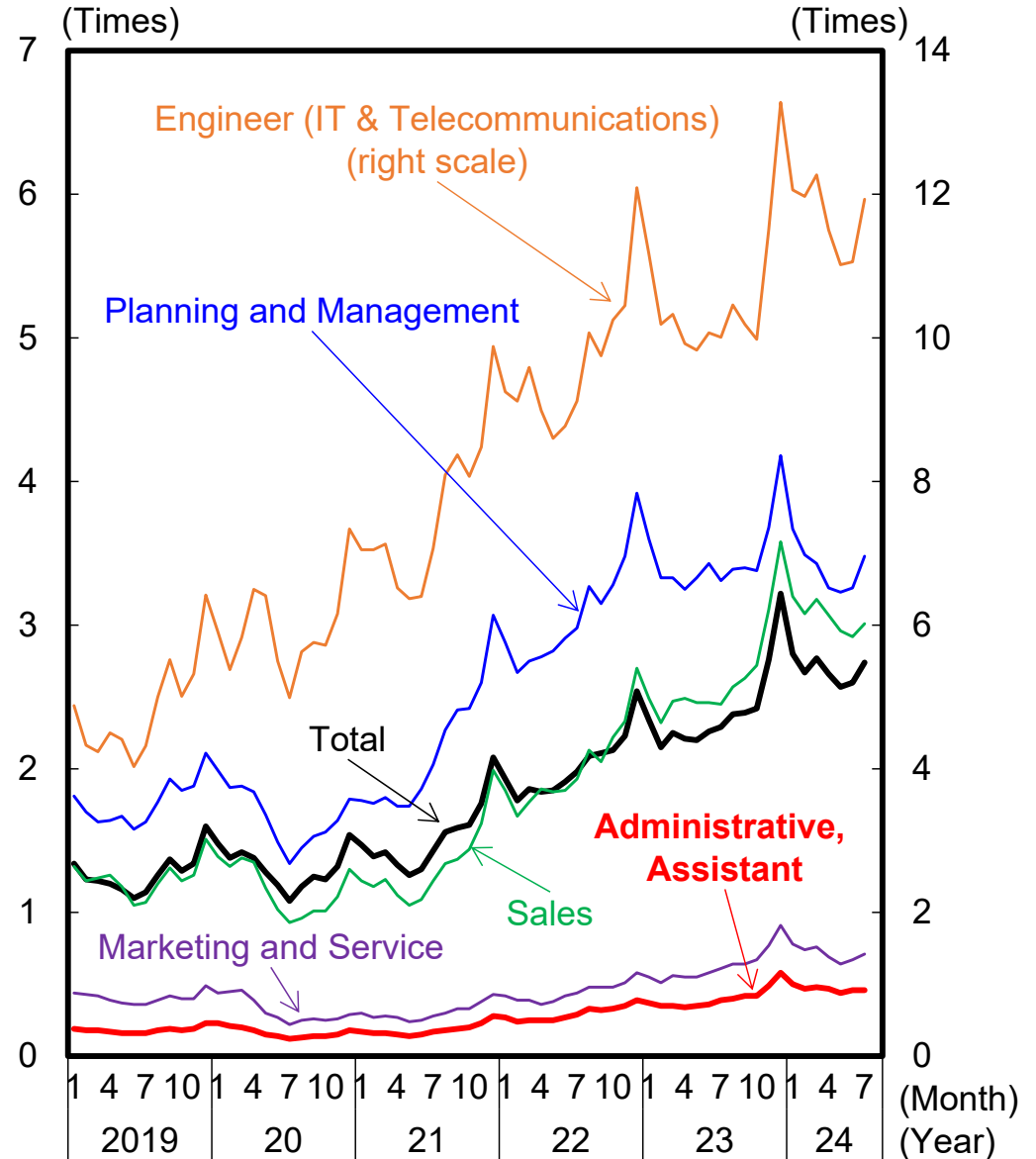


# Job Openings/Job Seekers Ratio by Occupation

## Public Employment Agency



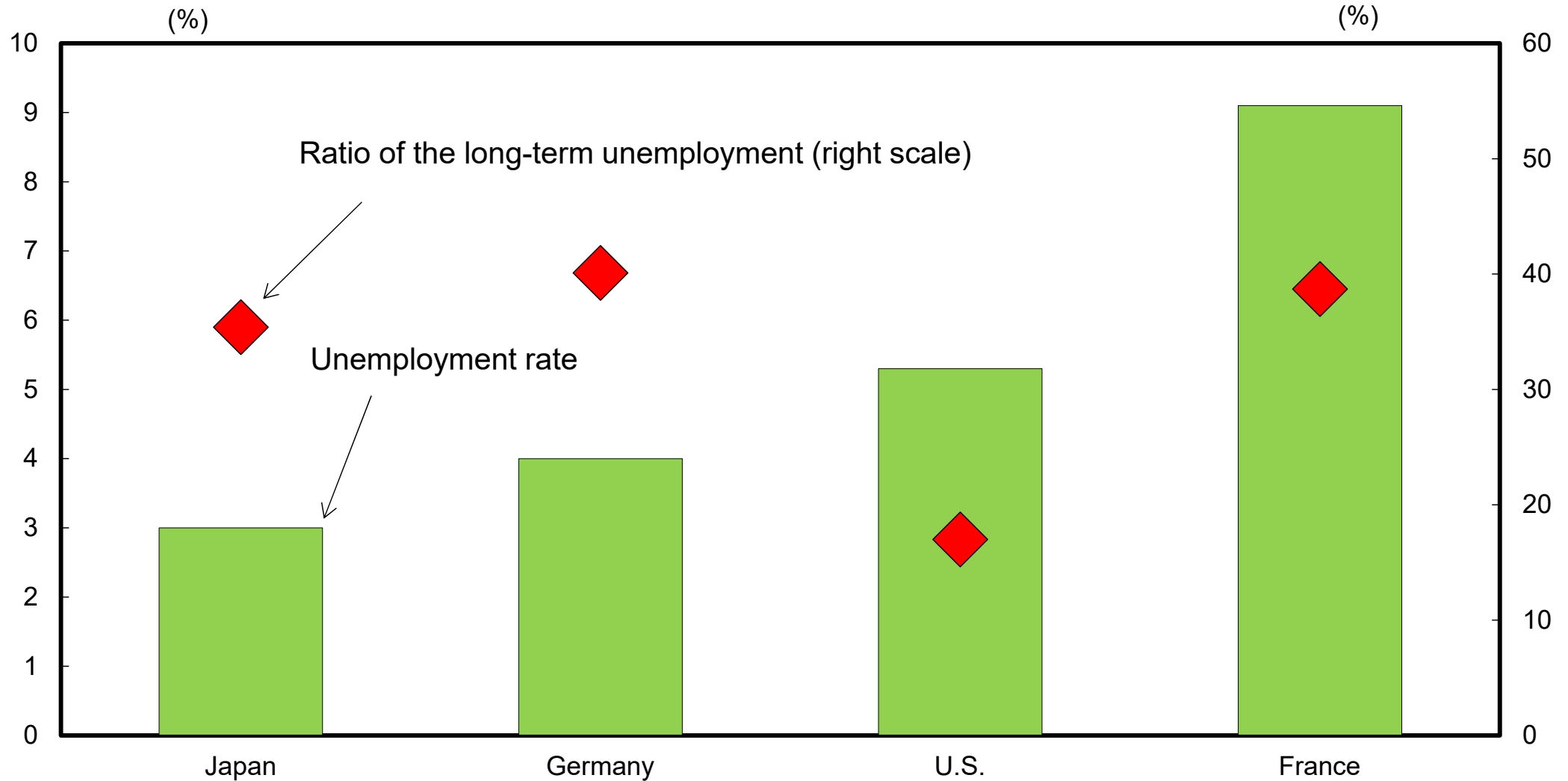
## Private Employment Agency



(Source) Ministry of Health, Labour and Welfare and doda

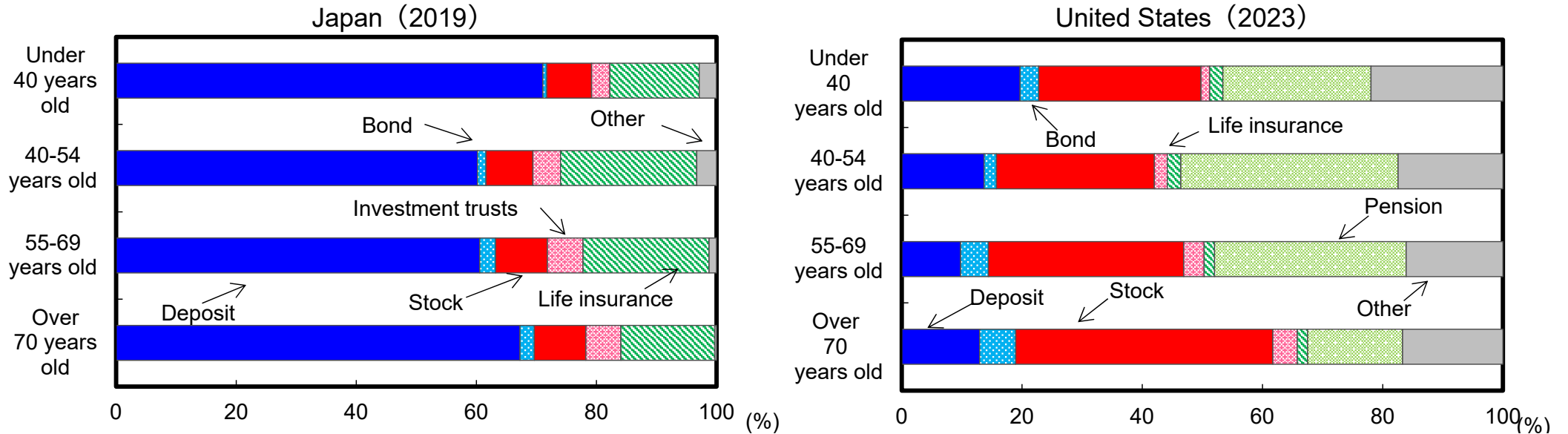
# Unemployment

International Comparison of Unemployment Rates and Ratios of the Long-Term Unemployment (longer than one year)

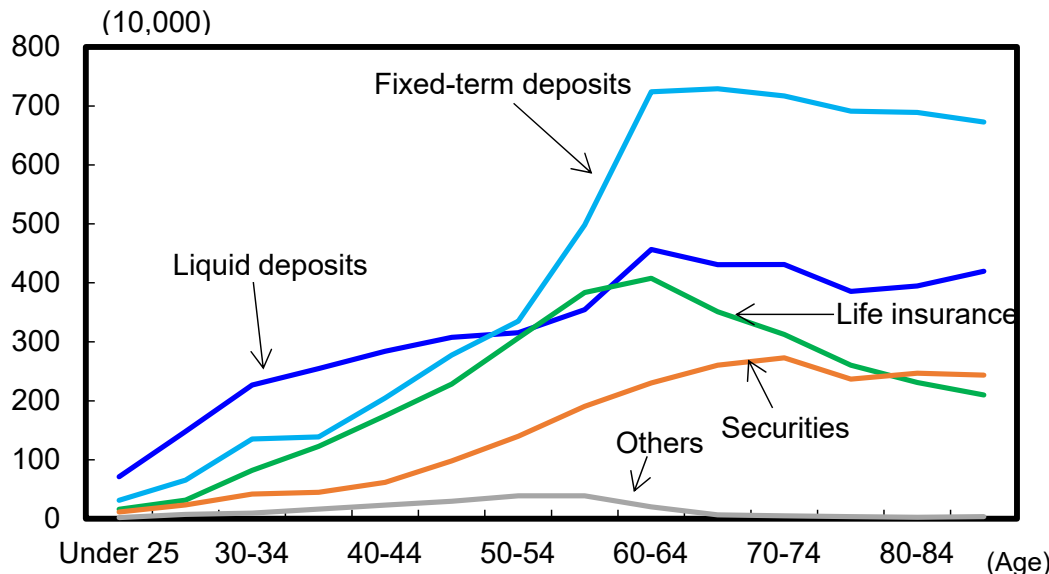


# Financial Assets

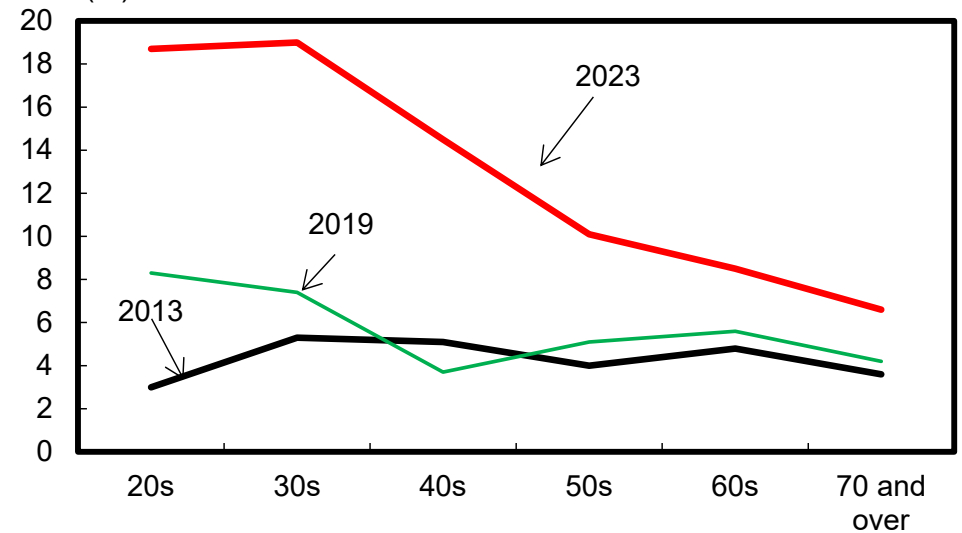
## Structure of Financial Assets Holdings by Age



## Financial Asset Holdings per Household



## Ratio of Households That Have Shifted their Assets from Cash and Deposits to Riskier Assets



(Source) Ministry of Internal Affairs and Communications, FRB, Ministry of Health, Labour and Welfare and the Central Council for Financial Services Information,

# Japan: Before and After

## **Past: “Triple-Zero Economy”**

Zero Inflation

Zero Nominal Wage Growth

Zero/Negative Interest Rate

## **Present: Normal Market Economy**

**with the price mechanism working**

2% Inflation

Positive Nominal Wage Growth

Positive Interest Rate





**August Ministerial Meeting on Monthly Economic Report (月例経済報告)  
28 August 2024**

[https://www.kantei.go.jp/jp/101\\_kishida/actions/202408/29getsurei.html](https://www.kantei.go.jp/jp/101_kishida/actions/202408/29getsurei.html)

<https://www5.cao.go.jp/keizai3/getsurei/getsurei-index.html>