

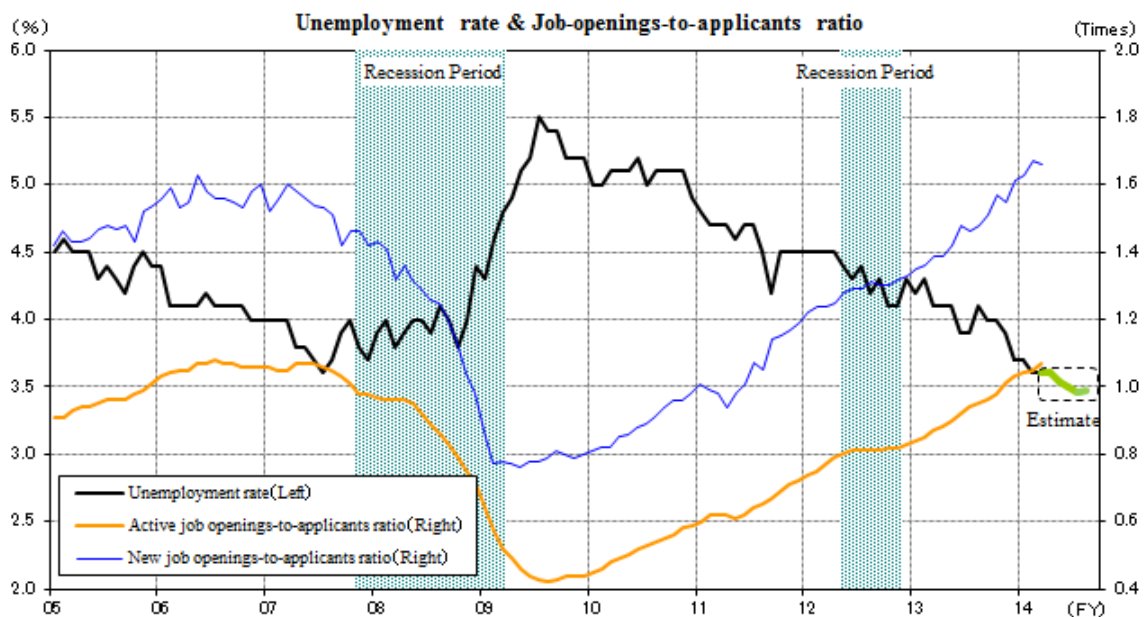
## “March Employment Statistics” Labor Supply-Demand Still Quite High

### March 2014 Employment Environments

On May 2, the Ministry of Internal Affairs issued its March Labor Force Survey. Unemployment rate (seasonally adjusted which applies to all the statistics herein after) was unchanged m-o-m in March, at 3.6%. “Employed person” increased by 140,000 to 63.46 million and “unemployed person” increased by 30,000 to 2.36 million.

In terms of “employed person” by major industry, prominent sectors of which employment number increased were manufacturing (+230,000 m-o-m), construction (+180,000 m-o-m), hotel/restaurant services (+180,000 m-o-m) whereas those of which employment number declined were wholesale/retail trade (-220,000 m-o-m), government/others (-230,000 m-o-m) and other services (-120,000 m-o-m). The difference between the sectors whose employment number increased and declined became quite eminent. It can be observed that those sectors with numbers increased were the ones facing shortage of labor force.

Same day, the Ministry of Health, Labor & Welfare announced March Employment Referrals for General Workers. Active job openings-to-applicants ratio rose 0.02 ppt m-o-m to 1.07 times and new job openings-to-applicants ratio fell 0.01 ppt m-o-m to 1.66 times. The labor supply-demand is still quite tight. New job openings-to-applicants ratio tends to be a leading indicator of unemployment rate ahead of one to two quarters. The past trend of new job openings-to-applicants ratio points out the possible fall of unemployment rate below 3.5% this summer.

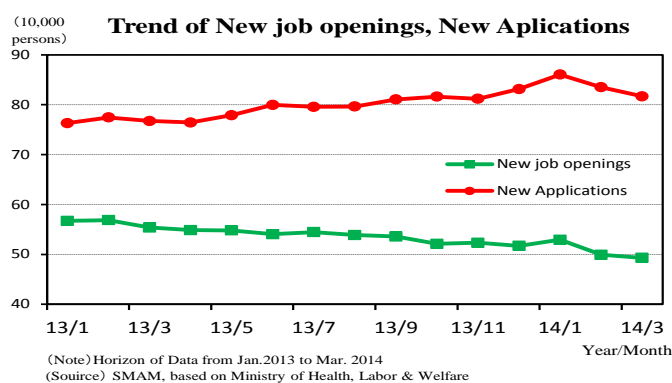


(Note) Horizon of data is from Jan. 2015 to Mar. 2014. (Estimated figures from Apr. 2014 to Aug. 2014)

(Source) SMAM, based on Ministry of Internal Affairs & Communication, Ministry of Health, Labor & Welfare and Cabinet Office data



Meanwhile, until recently, job openings-to-applicants ratio has been increasing thanks to stable job openings and declining new applications numbers, however, job openings seems to be peaking out lately. New job openings has been over 800,000 for consecutive 6 months continuing to stay high as a level since year 2007, however, it has declined for 2 straight months m-o-m in February by 2.9% and in March by 2.2%. As new job openings for Dec. 2013 and Jan. 2014 were active as both increased m-o-m by 2.4% and 3.5%, respectively, I think the reason of this decline was due to a wait-and-see attitude of corporations before the consumption tax hike. Therefore, we should watch whether the corporations will fill up or not the jobs which were put on hold in coming future.



## Future Outlook & Focus

Now, how would the Japanese economy perform after the consumption tax hike? I tend to believe that with no external shock, subsequent reactive decline of rush demand caused by the consumption tax hike will be limited to the month of May and June, after which the Japanese economy will gradually show its growth recovery. My concern, however, is on the domestic demand side, especially the private consumption, as the increase of wage could possibly be not sufficient enough to compensate the increase of consumption tax although the external demand is the main driver of the economic recovery. As reflected in the decline of job application numbers, the shortage of labor force has started to emerge, however, I believe that the key to bring back strong economic recovery after the subsequent reactive decline of rush demand caused by the tax hike would be whether the corporations will be able to restart the recruitment together with the increase of wage.

I think that the corporations should treat wage as the creation of a new demand (or earnings) to them rather than their cost. I believe that this kind of mind set which is totally opposite from that during the time of deflation is necessary.

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