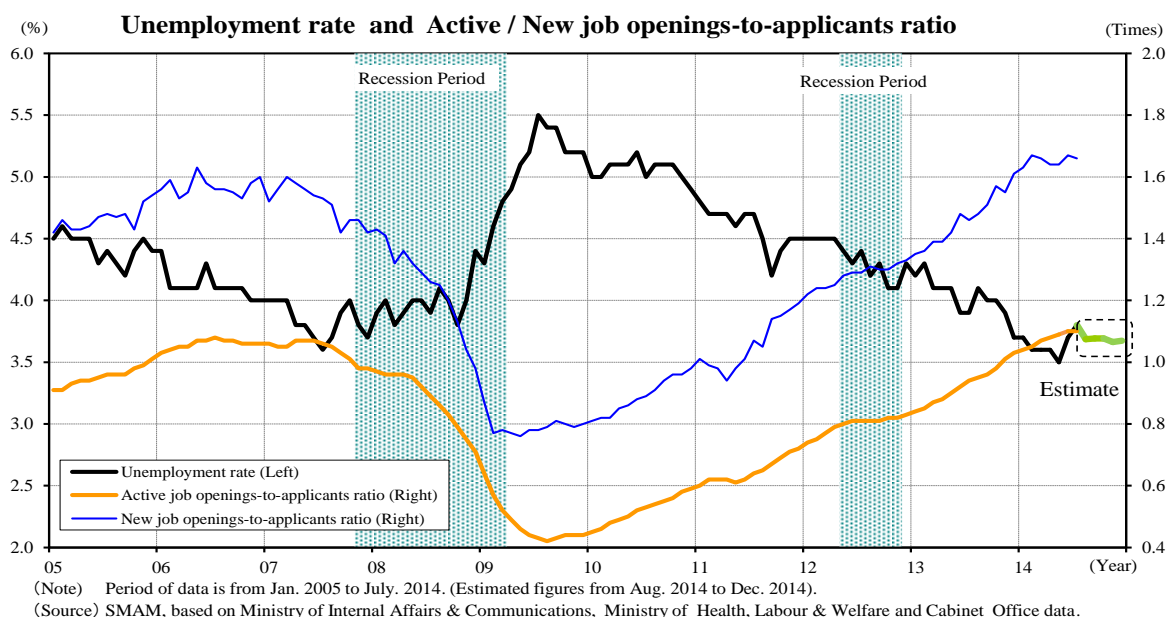


## “July Employment Data – Tight Labour Market to Continue with a Temporal Pause”

### Japan July Employment Data

On August 29, the Ministry of Internal Affairs & Communications released July Labour Force Survey. The unemployment rate (seasonally adjusted which applies to all the statistics hereafter unless otherwise stated) was 3.8% up by 0.1 points m-o-m. The working population decreased by 0.06 million m-o-m to 63.53 million and the unemployed was up by 0.04 million m-o-m to 2.48 million. If you break down the working population by broad industry classification, you can find that Manufacturing sector gained 0.21 million m-o-m while domestic demand related sectors such as Wholesale & retail trade (-0.25 million), Living-related & amusement services (-0.11 million) and Other services (-0.13 million) have decreased the number of employed on m-o-m.

According to the July data of Employment Referrals for General Workers released by the Ministry of Health, Labour & Welfare, active job openings-to-applicants ratio remained unchanged at 1.10 times and the new job openings-to-applicants ratio slightly declined 0.01 points m-o-m to 1.66 times. The tight demand and supply balance in the labour market, in other word, labour shortage situation, has been kept as both data stayed at a high level. The figures seems to reflect that Japanese corporations are squeezing the number of new employment with the cautious view on the slow-down of the economy due to the consumption tax hike in one hand, but on the other hand, the new job application number has started to decline as we are seeing sufficient employment recovery. Therefore, the tight situation in the labour market is expected to be maintained for some time in the future.



## Future Outlook & Focus

The job openings-to-applicants ratio tends to indicate a future trend of unemployment rate with one to two quarters time lag. I have a view that the unemployment rate will start to slowly decline again in the second half of this year as these data, especially active job openings-to-applicants ratio, was on a consistent rising trend in the first half of this year despite that the job openings-to-applicants ratios made a pause at this moment. My own calculation indicates that the estimated unemployment rate will be down, back to around 3.6%, by the end of the year.

I believe that the labour shortage will continue to exist as the corporations are required to secure their work force as the number of employed people will reach its peak in a medium to long term despite of the decrease in the employment demand in services sectors due to pullback of demand caused by the consumption tax hike. As such, I expect the unemployment rate to return to its declining trend and generate favorable conditions for wage increase, once the impact of the consumption tax hike which is currently weighing on the economy fades away.

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