

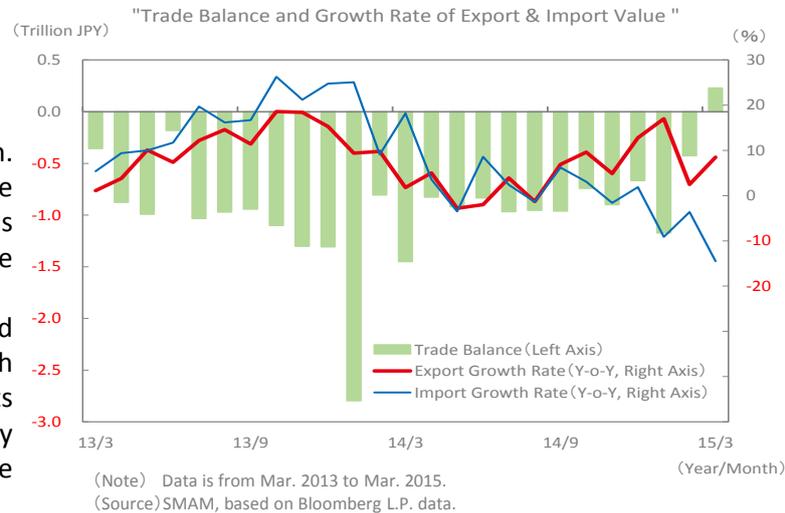
Today's Topic **Japanese Economic Analysis (April 2015)**

Cycle of corporate earnings expansion, wage growth and consumption recovery expected

Point 1 Trade surplus for the first time in two years and nine months

Weak JPY and low oil price contributed

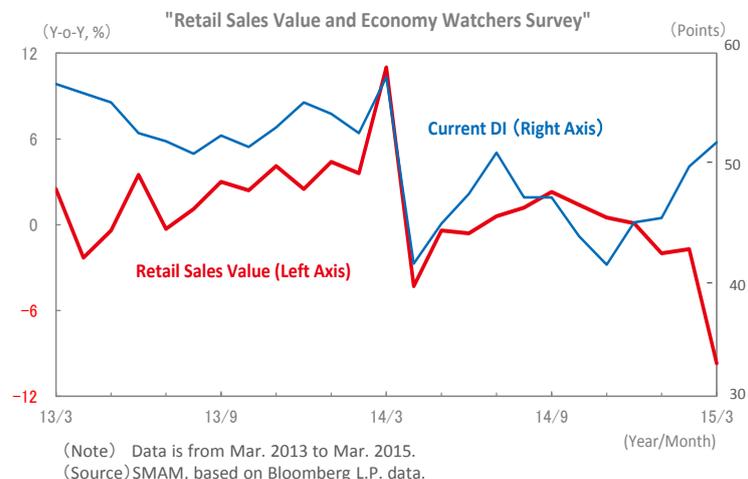
- March Trade balance was a surplus of JPY229.3billion. Trade surplus is for the first time in two years and nine months. The value of exports exceeded that of imports as exports increased 8.5% y-o-y for seven consecutive months, whereas the imports fell sharply by 14.5%.
- In the exports, automobiles, semiconductors and metalworking machinery showed a favorable growth thanks to weaker JPY. On the other hand, the imports decreased sharply due to the decline of petroleum by 50.7%, as the plunge of crude oil price reduced the value of imports rather than the effect by JPY devaluation.



Point 2 March retail sales declined sharply y-o-y due to rush demand in last March

Street business sentiment is improving

- March retail sales value declined 9.7% y-o-y compared with those of last March which inflated with rush demand before the consumption tax hike. The sales slump was mainly due to sharp decline of appliances by 27.9% and fuels by 20.0% y-o-y.
- In contrast, "Current conditions DI" of "Economy Watchers Survey" increased 2.1 points m-o-m to 52.2 points above neutral level of 50 for two consecutive months. The household activity-related DI rose above 50 points first time since the consumption tax hike and the corporate activity-related DI and the employment-related DI showed improvement, maintaining their levels above 50 points.



Future Outlook

Real wage rise is likely to relight consumption

- Corporate earnings of FY2014 and FY2015 are expected to renew historical highs helped by the strong exports thanks to weaker JPY and the decrease in energy costs due to lower crude oil price. With the expansion of corporate earnings, further improvement of business confidence by both company and individual is expected.
- Inflation after April is expected to be subdued, as impact of the consumption tax hike will abate. Real wage increase is anticipated due to wage growth and low inflation. We foresee economic expansion led by moderate consumption recovery due to further wages growth supported by corporate earnings expansion, going forward.

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