

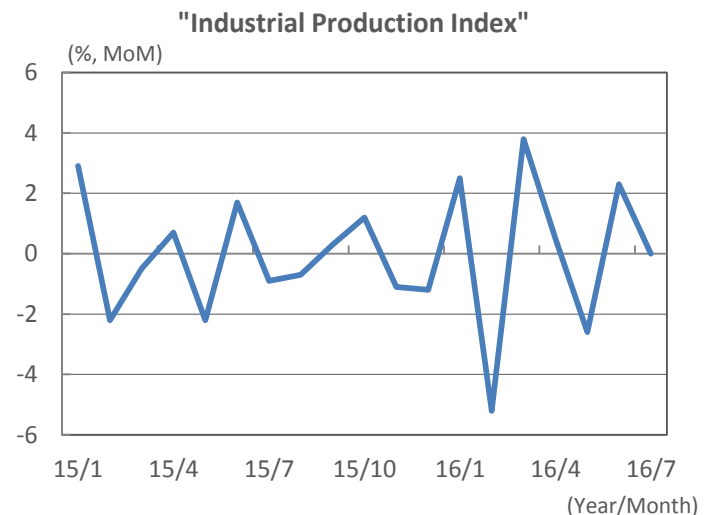
Today's Topic **Japanese Economic Analysis (Aug 2016)**

Moderate recovery supported by economic measures

Point 1 Production unchanged Steady consumption with fall in inflation

■ Industrial production index for July (preliminary basis) was unchanged by 0.0% MoM. Impact of Kumamoto Earthquake and UK's decision to leave EU seem to have subsided. According to the Survey of Production Forecast, industrial production is expected to increase in Jul.-Sep. 2016 from the previous quarter. We therefore expect it to enter into product increase trend from now on.

■ Real consumption expenditure for July (Two-or-more-person Households, excluding Housing etc., Seasonally Adjusted) was +0.3% MoM increased for two consecutive months. Meanwhile, consumer price index (excluding fresh foods) for July was -0.5% YoY declined for five consecutive months. Consumer spending has shown a steady growth, whereas inflation is trending down.

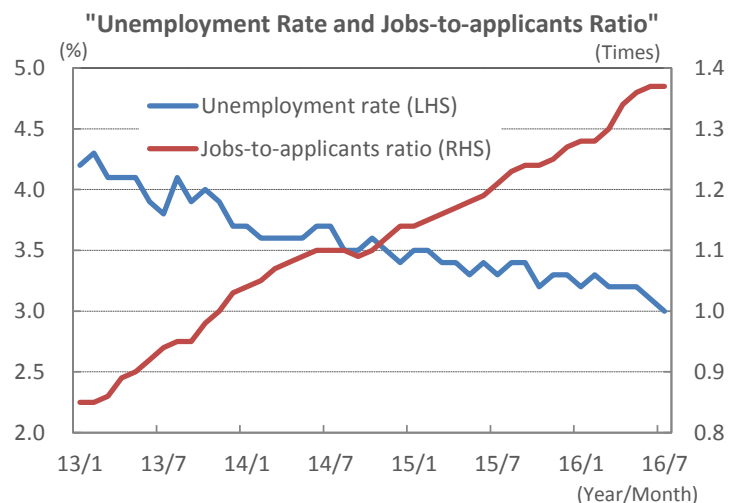


(Note) Data period is from January 2015 to July 2016.
(Source) SMAM, based on Bloomberg L. P. data.

Point 2 Job market environment improved Full employment with full-timer increase

■ Unemployment rate for July was 3.0%, the lowest level since May 1995. Meanwhile, jobs-to-applicants ratio for July was 1.37 times, same as the previous month which was the highest level since August 1991.

■ Full employment in the labor market seems to have been continuing. Also, the number of full time staffs and employees are growing along with the increase of overall employees. With those figures, obviously Japan's Job market is improving.



(Note) Data period is from January 2013 to July 2016.
(Source) SMAM, based on Bloomberg L. P. data.

Future Outlook

Economic measures to underpin Japanese economy. Expectation for additional easing.

■ Japanese economy is expected to gradually recover led by government expenditure to support the economic growth, as consumer spending lacks strength and inflation is trending down. BOJ has introduced negative interest rate policy since February this year and has decided to implement additional easing last month. Notwithstanding, market expectation is getting higher for further accommodative policy at Monetary Policy Meeting in September given the latest inflation figure and economic conditions. The Japanese stock market is likely be underpinned by potential depreciation of the currency, as mounting speculation on US rate hike will lead to weaker Yen.



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