

July-September 2016 “MOF Corporate Statistics”

“Financial Statements Statistics of Corporations by Industry”, so-called “MOF Corporate Statistics” is the aggregate financial statement data of approximately 23,300 Japanese corporations (approx.20,000 corporations, excluding financials and insurers). The Ministry of Finance (MOF) releases the report on quarterly basis. This report shows current data of those companies, such as sales and profits growth and latest balance sheet including capex. Since capex is a basic data to calculate Gross Domestic Product (GDP), the market pays special attention to it.

Point 1

Capex decreased for the first time in 14 quarters

Both capex of manufacturers and non-manufacturers declined

- The Ministry of Finance released “July-September 2016 MOF Corporate Statistics” on 1st December. The report shows capex of all-industry (excluding financials and insurers) that was -1.3% YoY decreased for the first time in fourteen quarters. Capex of manufacturers decreased -1.4% YoY due to decline in Information and Communication, Electronics Equipment and Production Machinery. Capex of non-manufacturers decreased by -1.3% YoY due to decline in Construction, as the largest negative contributor, followed by Information & Communications and Goods rental & Leasing.

Point 2

Recurring profit turned positive

Sales continue trending down

- The sales of all-industry (excluding financials and insurers) was -1.5% YoY decreased for four consecutive quarters. Manufacturers saw sales decline by -3.4% YoY due to decline in revenues of Iron and Steel and General-Purpose Machinery sectors. Non-manufacturers’ sales decreased by -0.7% YoY due to Construction and Transportation and Postal sectors.
- Meanwhile, the recurring profits increased by +11.5% YoY, for the first time in a year. This was mainly contributed by Services of non-manufacturers who saw +24.5% increase in their profits due to receipt of dividends at its holding company.

“MOF Corporate Statistics (YoY, %)”

	Capex	Sales	Operational Profit	Recurring Profit
Jan.-Mar. 2015	7.3	-0.5	-0.1	0.4
Apr.-Jun. 2015	5.6	1.1	20.5	23.8
Jul.-Sep. 2015	11.2	0.1	11.2	9.0
Oct.-Dec. 2015	8.5	-2.7	7.8	-1.7
Jan.-Mar. 2016	4.2	-3.3	-1.8	-9.3
Apr.-Jun. 2016	3.1	-3.5	-7.1	-10.0
Jul.-Sep. 2016	-1.3	-1.5	-3.0	11.5

(Note) Data period is from Jan.-Mar. 2015 to Jul.-Sep. 2016.

(Source) SMAM, based on the Ministry of Finance data.

- On QoQ basis when seasonally adjusted, capex increased marginally by + 0.4%, turned positive after one year of decline. Based on this result of MOF Corporate Statistics, the revised Jul.-Sep. 2016 GDP growth rate is scheduled to be announced on 8th December 2016. Revision of the GDP growth rate is expected to be minimal change.
- Recently, negative impact of JPY appreciation till this summer and Kumamoto earthquake on the Japanese economy have subdued. The Japanese economy is expected to grow steadily going forward, as uncertainty about the future is fading, and JPY is weakening against USD lead by Mr. Donald Trump's US election victory.

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