

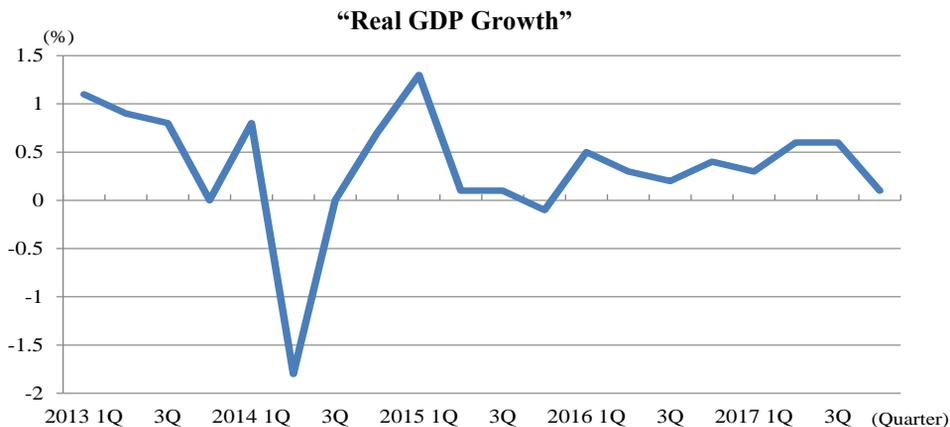
“Real GDP”; positive growth for 8 consecutive quarters

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. It is used as an indicator showing overall economic activities and trends. “Real GDP” growth of Japan was + 0.1% QoQ for Oct.-Dec.2017 which was 8 consecutive quarters of positive growth. The length of growth this time was the longest since almost 28 years ago when “Real GDP” growth saw 12 consecutive quarters of positive growth during so called bubble economy in the latter half of 1980s.

Point 1

Positive growth for 8 consecutive quarters led by domestic demand

- According to the announcement of the Cabinet Office on 14th February 2018, Oct.-Dec.2017 “Real GDP” growth (The First Preliminary) was + 0.1% QoQ (+ 0.5% annualized). Though the growth was below market expectation (Bloomberg), it continued to be positive for 8 consecutive quarters. It was the longest “Real GDP” growth since almost 28 years ago when it saw 12 positive consecutive quarters (Apr.-Jun.1986 to Jan.-Mar.1989) of growth.
- Personal consumption was + 0.5% QoQ, turned positive for the first time in 2 quarters. This was due to (1) recovery of consumption from bad weather in last summer and (2) strong sales of home appliances such as air-conditioner. “Real GDP” growth was led by domestic demand for which capital expenditure also increased + 0.7% QoQ for 5 consecutive quarters.



(Note) Data period is from Jan.-Mar.2013 to Oct.-Dec.2017.
 (Source) SMAM, based on the Cabinet Office data.

Point 2

External demand contributed negatively due to sharp import increase

- External demand, on the other hand, contributed slightly negative as - 0.0% QoQ. Export was strong, however, import increased sharply from - 1.2% QoQ (Jul.-Sep.2017) to + 2.9% QoQ (Oct.-Dec.2017) due to increase in import of (1) smartphones and (2) fuels as electric power demand increased with cold winter.
- Meanwhile, Nominal GDP growth, deemed as reflecting real economic sentiment, was - 0.0% QoQ, as import value increased due to fuel price hike.

- Although personal consumption may decrease temporarily due to negative impact of heavy snow on the economy and vegetable price hike, we believe that employment and wage conditions are slowly but steadily improving due to shortage of labor. Consumption is expected to be on its recovery trend despite experiencing a temporal fall. For external demand, export is expected to continue increasing supported by strong global economy.

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