

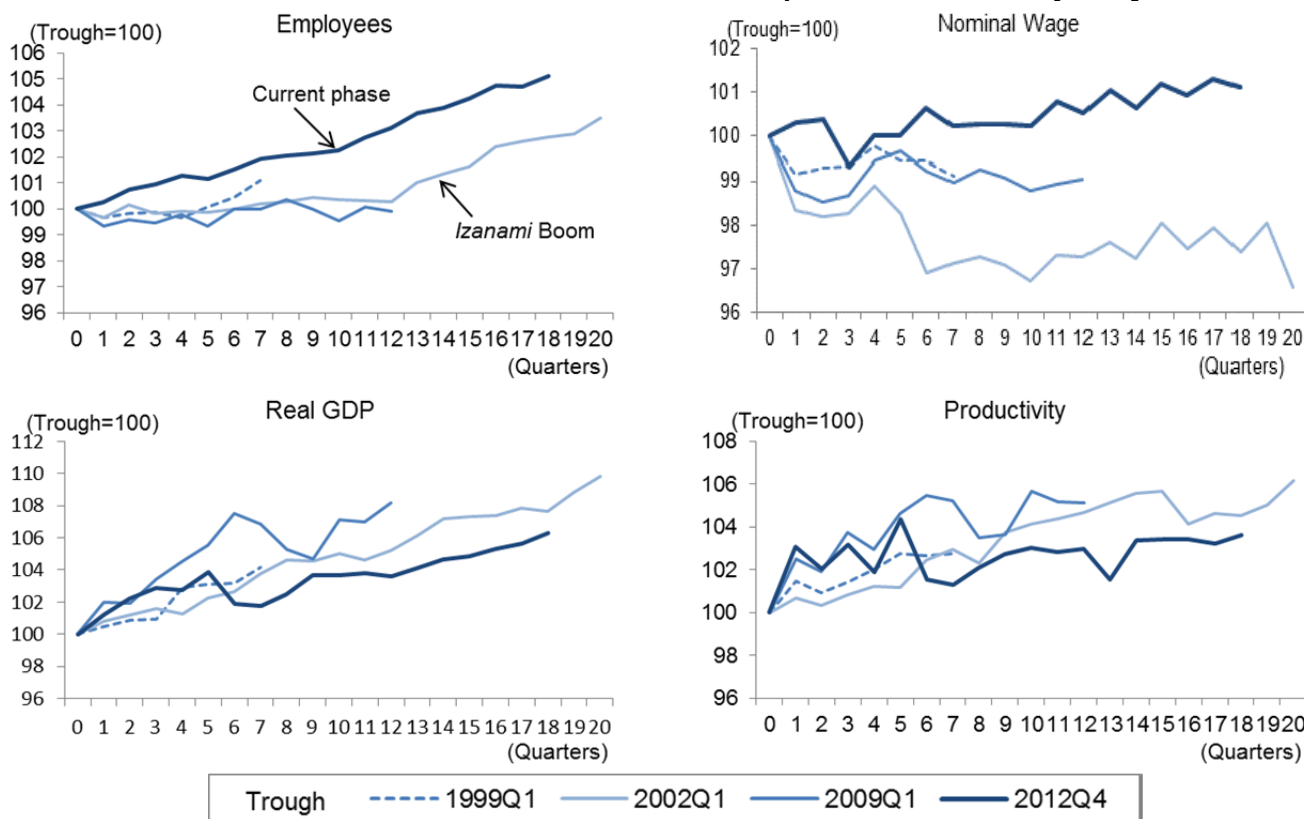
The Japanese economy: topic of the month

Japan marks the second longest postwar economic recovery

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Japan's current economic recovery from the trough in November 2012 has continued for 57 months as of August 2017, placing it on par with the "Izanagi Boom," which is the second longest economic recovery (November 1965 to July 1970) since the end of World War II. If the recovery continues in September, the current phase will take the sole possession of second place. However, a comparison with other cycles such as the "Izanami Boom," the longest expansion in postwar history (extending for 73 months from February 2002 to February 2008), reveals a unique picture for the current cycle. The **Chart** below compares economic indicators during the latest four recovery cycles (taking each of the troughs as the benchmarks). In contrast to the past three

[Chart : Trends in economic indicators in postwar economic cycles]



Note: Productivity = Real GDP/(Employees*Hours Worked).
 Source: Made by MHRI based upon the Cabinet Office, Ministry of Internal Affairs and Communications

“jobless recoveries,” the number of employees has been increasing steadily from the start; and nominal wages - albeit a mere 1% rise in four and a half years - have been treading on firm footing in view of the fact that wages had been decreasing in the past. On the other hand, despite picking up from the end of 2015 (12 quarters from the trough), real GDP is falling behind past cycles mainly due to the slow recovery of exports and personal consumption. As a result, productivity also remains stagnant.

Even though the inventory cycle indicates that Japan’s economy will continue to recover for some time, it is difficult to expect a rise of productivity and the accompanying acceleration in wage growth. Regardless of the length of the recovery phase, the importance of implementing the growth strategy remains unchanged.

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