

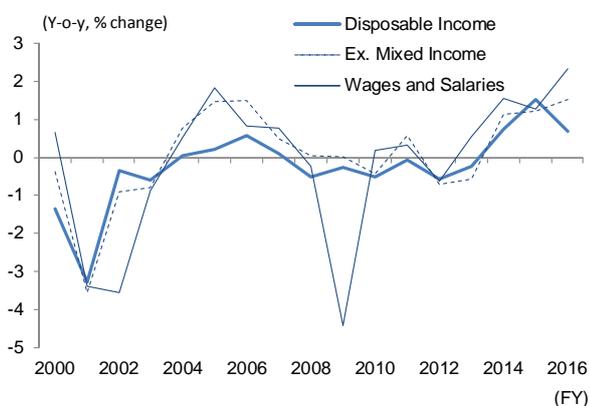
The Japanese economy: topic of the month

Wages and disposable income

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According to the *Annual Report on National Accounts*, wages and salaries of Japan's household sector as a whole grew +2.34% y-o-y in FY2016. This is the largest growth under the current basis available since FY1994 (when rounding off to the second decimal place). Among the background factors are the steady growth in the number of employees and the gradual rise of average wages. On the other hand, the growth of disposable income including receipts and payments other than wages slowed down to +0.7% (FY2015: +1.5%). Even though this is due in part to the decline of mixed income --- representing the earnings of individual enterprises --- served as a greater drag than in past years, it should be noted that the weaker growth of income relative to wages is not an unusual phenomenon and may be attributed to structural factors (**Chart 1**). They are namely, the steady rise of household social security burdens (payments of social insurance premiums), and the slower growth of pension benefits which comprise the second largest share of income. With respect to the latter, we see that the share of pension benefits in disposable income had continuously increased until

[Chart 1: Trends in wages and disposable income]



Source: Made by MHRI based upon Cabinet Office, *National Accounts of Japan*

[Chart 2: Breakdown of disposable income]

	Upper row: Tril. Yen Lower row: Share of Income (%)					
	FY1995	2000	2005	2010	2015	2016
Disposable Income	302.3	307.2	295.1	293.2	297.2	299.3
Wages and Salaries	234.8 (78%)	236.6 (77%)	223.8 (76%)	217.2 (74%)	223.8 (75%)	229.1 (77%)
Property Income (Net)	32.5 (11%)	26.7 (9%)	21.5 (7%)	20.9 (7%)	25.0 (8%)	24.5 (8%)
Pension Benefits	30.2 (10%)	37.2 (12%)	43.3 (15%)	48.9 (17%)	51.5 (17%)	52.0 (17%)
Other Social Security Benefits	23.6 (8%)	26.0 (8%)	23.4 (8%)	27.4 (9%)	26.3 (9%)	26.1 (9%)
Households' Social Contributions	-29.2 (-10%)	-30.9 (-10%)	-31.5 (-11%)	-33.1 (-11%)	-37.0 (-12%)	-37.6 (-13%)
Others	10.3 (3%)	11.6 (4%)	14.7 (5%)	12.0 (4%)	7.7 (3%)	5.1 (2%)

Note: Pension Benefits refers to the sum of "Public Pension" and the "Long term" accounts of the mutual aid associations in the Social Security Transfers Table.

Source: Made by MHRI based upon Cabinet Office, *National Accounts of Japan*

around FY2010, but is levelling off in recent years due to such measures as the elimination of the special levels of pension amounts (**Chart 2**).

Looking forward, as the constant rise of pension premium rates flattens out from FY2017 onward, the negative pressures stemming from social security burdens should ease somewhat. On the other hand, pension benefits will also be curbed due to the implementation of macroeconomic indexation, serving to weaken its support toward income. Paradoxically, the importance of wages in household income is likely to rise as a result of the ageing of the population.

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