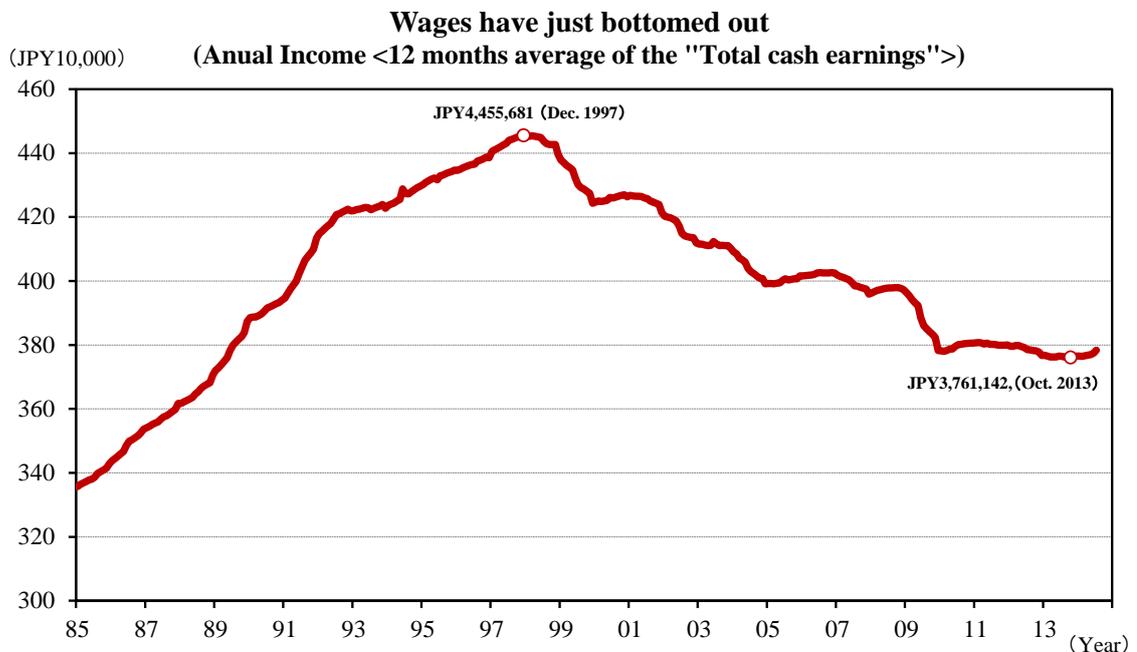


## “Japan’s Basic Salary is Bottoming Out - Full-scale Recovery Yet to Come”

### Clearer wage growth trend in sight due to economic recovery and the labour shortage

The “Monthly Labour Survey” is used to follow the trend of wages, working-hours and employment conditions. The Ministry of Health, Labour & Welfare conducts a periodical survey sending questionnaire by mail and visit to approximately 33,000 companies with more than five regular workers. The preliminary survey result of July released on September 2 shows the “Total cash earnings” rose 2.6% y-o-y, more than 2% for the first time in eleven years since June 2003. The “Special cash earnings” (bonus income), the “Scheduled wages” (basic salary) and the “Non-scheduled wages” (overtime allowance etc.) rose 7.1%, 0.7% and 3.3% y-o-y, respectively. Although the pace of “Scheduled wages” increase is moderate, it has reached the same level for the first time in five years as recorded in April 2008 just before the Global Financial Crisis. The major industries which saw increase in wages are Construction, Manufacturing, Wholesale & retail trade and Real estate, goods rental & leasing. The relatively high wage increase rates are seen in the industries with a shortage of labour in the economic recovery.



## Japan turned to “Low cost nation” as a result of long lasted wage decrease

In the past, Japan was said to be a “High cost nation”, which drove the Japanese corporations to streamline their business through cost reduction. “Annual income”, defined as an aggregate of the “Total cash earnings” of the latest twelve months, amounts to JPY3,783,781 as of July, which declined by 15.1% for approximately 16 years and a half after recording the historical high of JPY4,455,681 in December 1997. The latest “Annual income” level is standing at the same level as the late 1980s. It can also be said that the high cost nature of the Japanese corporations have been diminishing in comparison with the rest of the world. For example, comparing the nominal GDP per capita (US\$ based and PPP adjusted) to those of the OECD member countries, Japan was ranked at the 19th in 2012 whereas at the 9<sup>th</sup> in 1997. It is not the exaggeration any more to call Japan as a “Low cost nation” amongst the developed countries. The latest low of the “Annual income” was JPY3,761,142 marked in October 2013, and the current level recovered only 0.6% from the recent bottom. Perhaps, the Japan’s recovery in wages is still in a beginning phase.

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