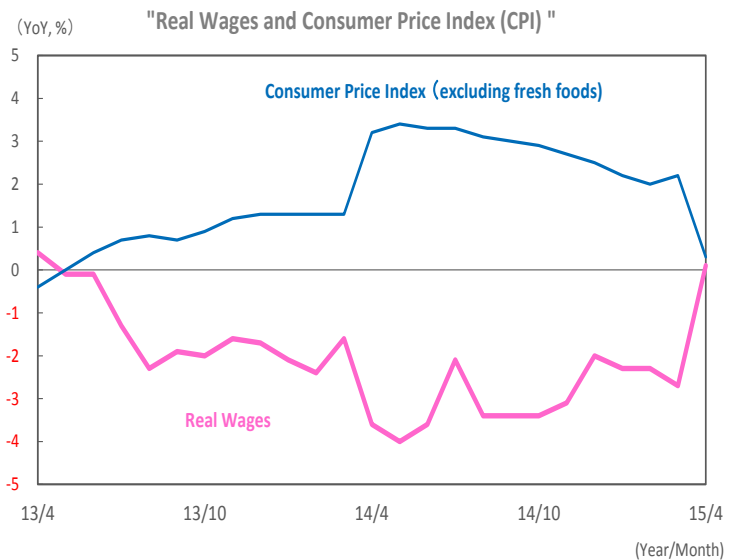


Today's Topic **Monthly Labour Survey (April 2015)**

Real wages turned positive for the first time in 2 years

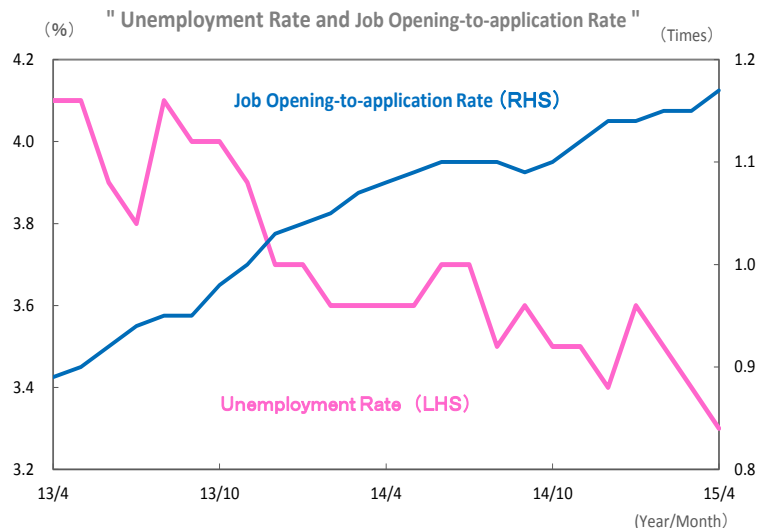
Point 1 Wages rose more than expected Pay scale increase reflects from summer

- Ministry of Health, Labour and Welfare released April Monthly Labour Survey on June 2nd. Real wages which exclude the effect by the increase in consumer prices have turned positive for the first time in 2 years since April 2013. This was mainly because the increase in prices affected by consumption tax hike has diminished and nominal wages were raised in many of large companies.
- April nominal cash wage accelerated to grow +0.9% y-o-y to average JPY274,577, higher than Bloomberg consensus of +0.3% y-o-y. Scheduled wage increased +0.6% y-o-y in April from +0.2% in March and special wage jumped +14.9% y-o-y, whereas non-scheduled wage (overtime wage etc.) slid -2.3% from -1.8% in March. Nominal wages growth is anticipated to continue as most of the wage increase after "Shunto" (spring wage negotiation) will be reflected in June payroll.



Point 2 CPI growth slowed A job market to be tightening

- April consumer price index (excluding fresh foods) slowed to +0.3% y-o-y from +2.2% in March. This was because the effect by consumption tax hike has diminished and low crude oil price put downward pressure on consumer prices.
- The job market is improving as April unemployment rate (seasonally adjusted) declined for three straight months to 3.3% and job opening-to-application rate also rose by 0.02ppt m-o-m to 1.17x. Job shortage is very likely to occur as the number of job offers from employers is increasing, whereas that of the people who quit a job is decreasing.



(Note) Data period from April 2013 to April 2015 for both charts.
(Source) SMAM, based on Bloomberg L.P. data.

Future Outlook Real wages growth will push consumption higher

- Recently, some companies shifted their capex back to Japanese production bases led by weak JPY and upbeat earnings from domestic demand. This movement is likely to create employment and further improvement of job market is expected to push wages higher.
- Meantime, the inflation pressure seems to be subdued as the effect by consumption tax hike has eased. Going forward, real wages are likely to continue its growth and private consumption is expected to show a solid recovery.

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