

Today's Topic

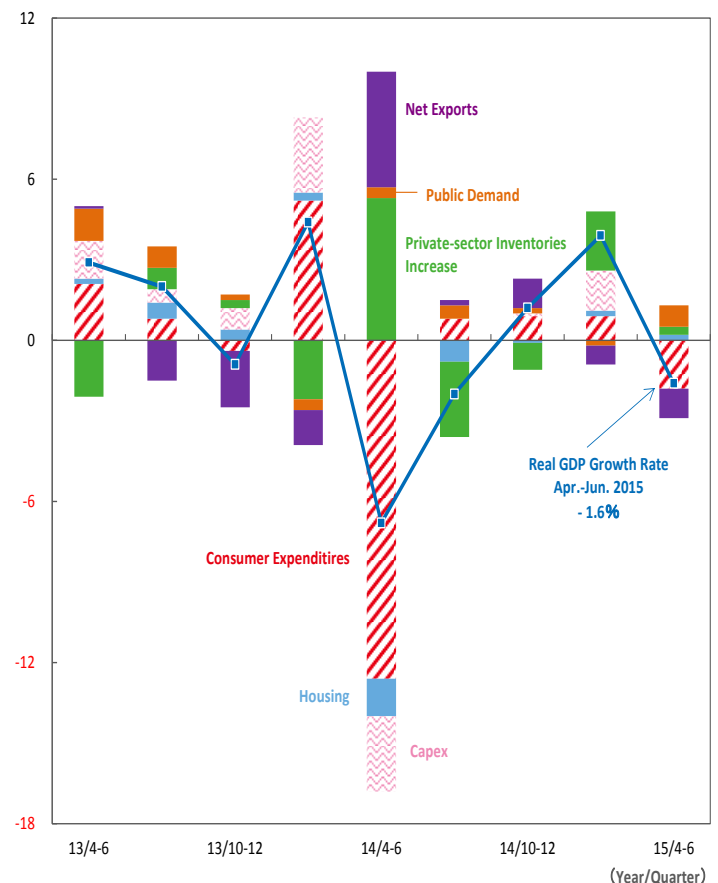
## Negative Apr.-Jun. Japanese GDP growth, recovery expected in second half

### Point 1 Negative GDP growth for the first time in three quarters

#### Weak consumer expenditures and export

- The first preliminary Apr.-Jun. 2015 real GDP released by Japan's Cabinet Office on August 17<sup>th</sup> showed a negative growth of -1.6% YoY (annualized) for the first time in three quarters. The weak consumer expenditure and export were the main factors.
- In terms of the contribution by components to Apr.-Jun. 2015 real GDP growth rate, consumer expenditure in the private sector was negative -1.8%, the first time since the consumption tax hike last year. Consumer sentiment was subdued by a series of food price hikes before realising wage growth and also by the bad weather. Export decreased YoY mainly by decline of exports to China. Even net export (export minus import) negatively attributed by -1.1%.

"Real GDP Growth Rate of Japan"  
(QoQ Annualised, %)



(Note) Data is from Apr.-Jun. 2013 to Apr.-Jun. 2015. Real GDP growth rate is quarter on quarter, annualized. Bar charts illustrate attribution to GDP. Public Demand is a total of Government Consumption, Public Investment and Change in Public Inventories.  
(Source) SMAM, based on Cabinet Office, Japan data.

### Point 2 Positive contribution by Public Demand and Housing

#### Expectation on recovery after Jul.-Sep. 2015 for Capex

- Public Demand and Housing contributed positively to the real GDP this quarter. Increase in public investment contributed positively to Public Demand. Housing contributed positively for two consecutive quarters in a moderate manner, after the decline of the last minute demand before the consumption tax hike disappeared.
- Contribution of Capex for Apr.-Jun. was almost nil after a sharp increase in the previous quarter. Recovery of Capex after Jul.-Sep. is expected as corporate earnings expansion is continuing.

### Future Outlook

#### Real GDP to recover after Jul.-Sep. for 1% growth in FY2015

- Concern over Chinese economic downturn seems to be limited due to ample room for policy aid such as additional monetary easing and stimulus measures. Recovery of export is expected as export to the US, Europe and Asia are firm. Expansion in corporate profits is expected to push higher wages and consumer expenditure. Real GDP growth rate will moderately recover after Jul.-Sep. for 1% growth in FY2015.
- Nikkei 225 slipped again below JPY 20,000 in August 21<sup>st</sup> reflecting concern over possible global economic slowdown. The Japanese equity market is expected to rise in tandem with corporate earnings expansion led by the moderate recovery of the Japanese economy if Chinese economy can restore its stability.

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