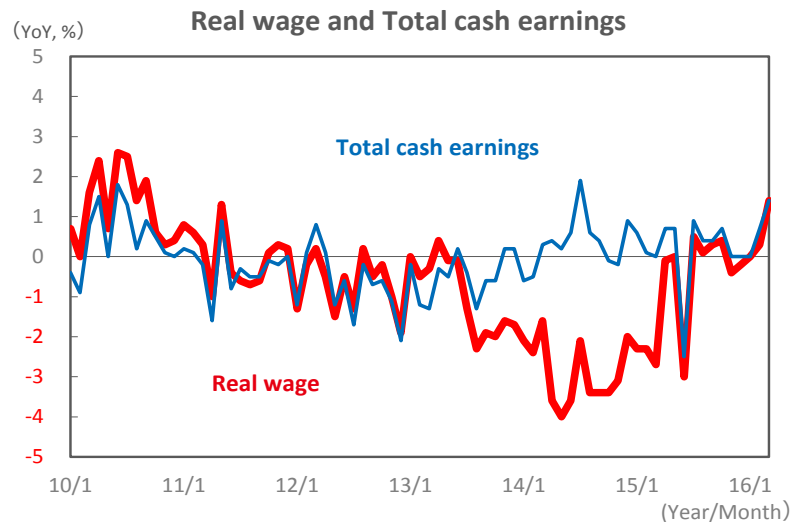


Today's Topic Monthly Labor Survey of Japan (March 2016)

Real wage saw strong growth after 5 years and a half: Likely to underpin consumption

Point 1 Real wage grew 1.4% YoY
Nominal wage also grew 1.4% YoY

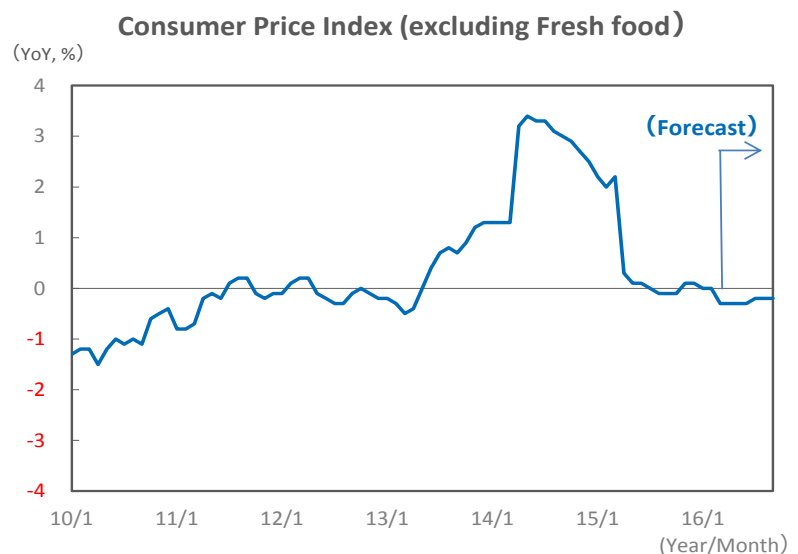
- According to March Monthly Labor Survey (Provisional report covering establishment with 5 or more employees) announced by the Ministry of Health, Labour and Welfare on 9th May, 2016, “real wage” (inflation adjusted wage) grew by 1.4% YoY. It grew for two consecutive months by further accelerating its growth pace. Real wage saw significant growth for the first time in 5 years and a half.
- Total cash earnings known as “nominal wage” increased 1.4% YoY to JPY278,501, a strong growth since July 2014. Scheduled wage (basic wage etc.) increased slightly by 0.4% YoY in March, while special cash earnings (bonus etc.) increased by 19.8%, pushing up overall wage level.



(Note) Data period is from January 2010 to March 2016.
(Source) SMAM, based on Bloomberg L. P. data.

Point 2 Inflation slowdown also contributed
Outlook for real wage is positive

- Consumer price index (all items, less imputed rent) used to calculate real wage slowed its growth pace to 0.0% YoY. Flattening of rising inflation also contributed to lift real wage higher.
- Consumer price index (all items, less fresh food) is expected to remain flat in negative territory for sometime. It is expected that wage growth will outpace that of inflation which means real wage will stay in positive territory.



(Note) Data period is from January 2010 to September 2016.
Beyond April 2016 is forecast.
(Source) SMAM, based on Bloomberg L. P. data.

Future Outlook Expectation on real wage to underpin personal consumption and implementation of additional economic measures by government

- Positive growth of real wage is expected to underpin personal consumption. However, according to research made by Japanese Trade Union Confederation, an increase in basic wage of spring wage negotiation (Shunto) this year was +0.4% YoY below that of last year's +0.7%.
- Although, Abe's government has been pressing companies to raise wages (including basic wage) aiming to materialize virtuous economic growth cycle, scheduled wage growth has continued to remain slow. As such, Japanese economy can not rely on stronger personal consumption going forward. Equity market is likely to focus on policy measures by both Japanese government and Bank of Japan.



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