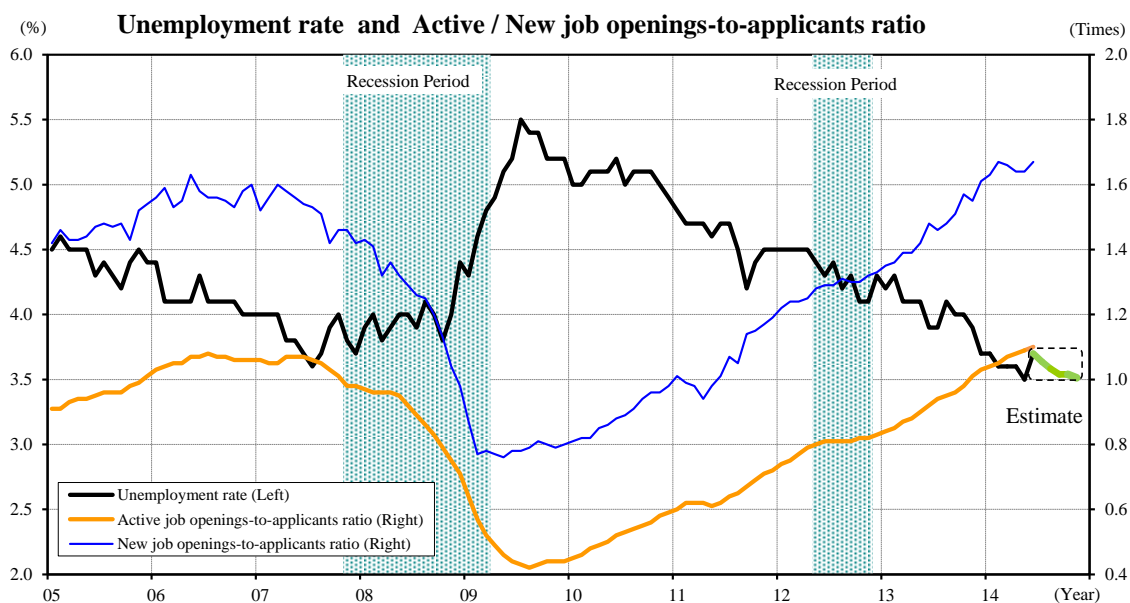


“June Employment Data - Reflected Shortage of Labour, Recovery of Consumer Expenditure Anticipated”

June Employment Data

On July 29, the Ministry of Internal Affairs & Communications released June Labour Force Survey. The unemployment rate (seasonally adjusted which applies to all the statistics hereafter unless otherwise stated) was 3.7% up by 0.2 points m-o-m. The working population was almost flat m-o-m at 63.59 million and the unemployed was up by 0.11 million m-o-m to 2.44 million. If you break down the working population by broad industry classification, you can find that Manufacturing sector gained 0.16 million m-o-m and Medical, healthcare and welfare services in Non-manufacturing sectors absorbed 0.16 million m-o-m. However, these increase were offset by the decline in the industries such as Wholesale & retail trade, Transport & postal activities and Finance & insurance sectors.

According to June Employment Referrals for General Workers released by the Ministry of Health, Labour & Welfare, the active job openings-to-applicants ratio improved 0.01 points m-o-m to 1.10 times and the new job openings-to-applicants ratio improved 0.03 points m-o-m to 1.67 times. The active job openings-to-applicants ratio marked the highest level in twenty two years since June 1992. This is the same level which was seen at the last stage of the Japanese Bubble economy era. The level of new job openings-to-applicants ratio is almost same as in February, 2014. Before February, its highest was marked in May 1992, almost the same as the case of active job openings-to-applicant ratio.



(Note) Period of data is from Jan. 2005 to June 2014. (Estimated figures from Jul. 2014 to Nov. 2014).

(Source) SMAM, based on Ministry of Internal Affairs & Communications, Ministry of Health, Labour & Welfare and Cabinet . Office data



The unemployed increased m-o-m. However, if you take a close look at its breakdown, you will find that the number of employees who quitted their job voluntarily increased by 30,000, those who newly started to seek for a job increased by 30,000, and those who quitted a job involuntarily (mandatory retirement or termination of employment contract) increased by only 10,000. This indicates that the number of people who started to seek for a new job or searching jobs for better labour conditions have increased seeing the improvement in the labour market environment. I therefore think that the increase of the unemployed can be attributable to the active labour market due to the improvement in labour market environment rather than its deterioration.

Future Outlook & Focus

The job openings-to-applicants ratio is known as a leading indicator of the unemployment rate with one to two quarters time lag. As such, the increase in both active and new job openings-to-applicants ratios indicates that the hike of unemployment rate is just temporary and will turn to gradual decline like the trend in the past. I also assume that the scheduled salary (base wage etc.) will bottom out during the latter half of this year as the job openings-to-applicants ratios have further improved.

According to the Family Income and Expenditure Survey released on July 29, the index of standard living expenditures (after seasonally adjusted, adjusted by the distribution of age group of total households, number of household members and household heads) rose 5.3% m-o-m, first time in three months. The consumption expenditure seems to have finally bottomed out after being weak since April this year as the impact of both rush demand ahead of the consumption tax hike and its pull-back this time was much bigger compared to the cases of 1989 (the year when 3% consumption tax was initially introduced) and 1997 (the year when the consumption tax rate was raised to 5%). I expect that the consumption expenditure will start to increase after this summer with the improvement of the employment and income environment.



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