

## “Real Wages” turned positive after 2 years and 3 months

“Real Wages” is the ‘inflation adjusted wage’, which can be found in the Monthly Labour Survey released every month by the Ministry of Health, Labour & Welfare. For example, “Real Wages” are considered to not have risen when income rises by 3% and inflation rises by 3% at the same time, as one can only purchase the same quantity of goods despite the rise in one’s wages. July “Real Wage” announced on September 4<sup>th</sup> increased by 0.3% YoY. It turned positive for the first time in 2 years and 3 months.

### Point 1

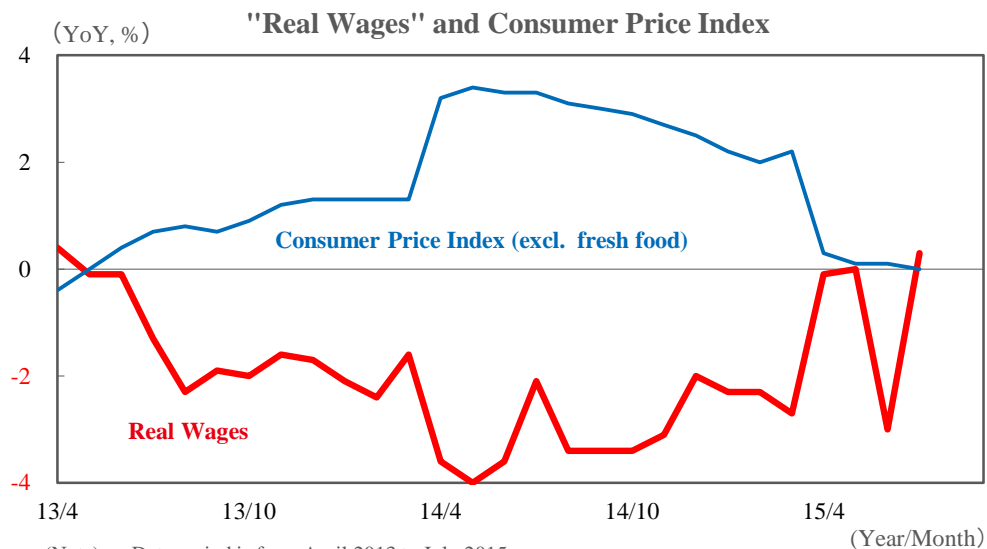
#### Real Wages turned positive as wages rose under subdued inflation Need to observe whether positive Real Wages can last for long

- Preliminary “Real Wages” of April announced in June this year increased by 0.1%, however, it was revised down to a decrease of 0.1%. “Real Wages” have been expected to turn positive after April this year as the inflationary impact of the consumption tax hike faded away and wages rose.
- The rise of wages have finally exceeded inflation when “Real Wages” turned positive in July. The number has been in the negative territory for a long period.

### Point 2

#### Summer bonuses rose by 0.3% Salary and overtime rose, too

- Total cash earnings (nominal wages) including summer bonus payment increased by 0.6% YoY in July 2015. There was a concern over the June figures as it turned -2.5% YoY due to different payment schedules of bonuses. July figures confirmed that nominal wage growth trend is in tact.
- The total cash earnings of full-time workers increased by 0.5% YoY, while that of part-time workers decreased by 0.2% YoY. The earnings of the former continued to rise in the past except for the month of June, whereas the latter has been decreasing for 3 consecutive months.



(Note) Data period is from April 2013 to July 2015.

(Source) SMAM, based on Bloomberg L. P. data.

# Japanese economy is expected to enter virtuous growth cycle as wage growth exceed food price hikes

### ■ Consumption decreased due to price hikes

The private consumption of Apr.-Jun. GDP growth was weak at -0.8% YoY. The food price rise seemed to have overwhelmed the expected increase in consumption led by wage hikes. Going forward, gradual improvement of the consumer sentiment is expected, by increase in “Real Wages” or the higher wage growth than inflation hike.

### ■ Trend of positive “Real Wages” is expected to persist as inflation remains subdued

Consumer price growth rate in general is shrinking. Strong wage growth is expected with corporate earnings expanding and a moderate consumer price growth due to the falling crude oil price since last year. The positive trend of “Real Wages” is expected to persist with wage increasing under a subdued inflationary situation.

### ■ Disclaimer

#### Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter “SMAM”), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM’s judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM’s authorization, or from disclosing this material to a third party.

Registered Number: Kanto Local Finance Bureau (KINSHO) No.399

Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and

Type II Financial Instruments Firms Association

© Sumitomo Mitsui Asset Management Company, Limited

