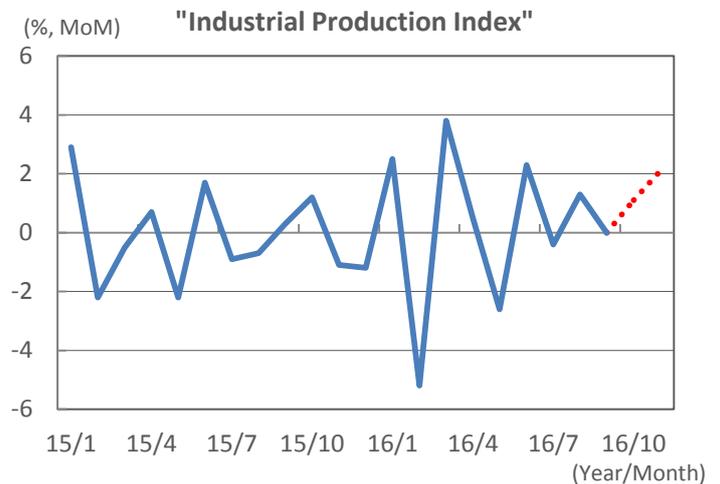


Today's Topic **Japanese Economic Analysis (November 2016)**

Economic recovery to continue for a while underpinned by economic measures

Point 1 Moderate recovery of production
Steady consumption, while fall in inflation

- Industrial production index for September (preliminary basis) was unchanged by 0.0% MoM which was below market consensus (Bloomberg) of +0.9% MoM. Production seems to have moderately recovered, though with month on month volatility, as negative events such as impact of Kumamoto Earthquake and UK's decision to leave EU have subsided.
- According to the Survey of Production Forecast, industrial production of October and November are expected to increase +1.1% and +2.1% (both MoM) respectively. Unless there are negative events such as sharp JPY appreciation, we expect production to continue growing going forward.



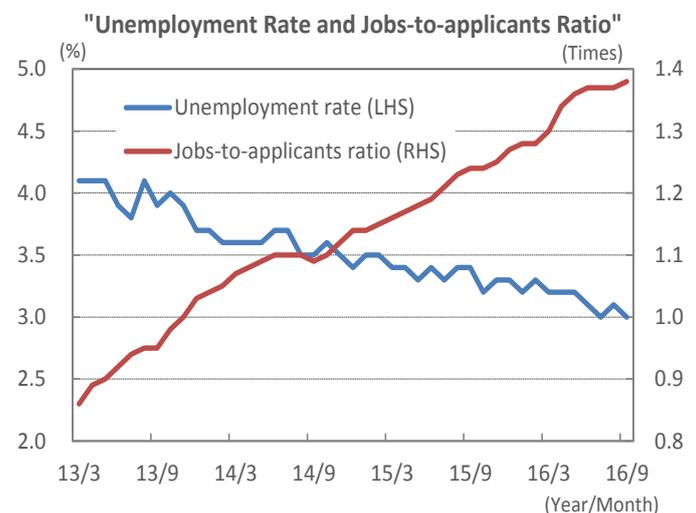
(Note) 1. Data period is from January 2015 to November 2016.
2. ...line is based on the Survey of Production Forecast (October and November 2016 numbers).

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

Point 2 Favorable job market environment continues

Income growth remained subdued

- Unemployment rate for September was 3.0% and jobs-to-applicants ratio for September was 1.38 times which continued to stay at its highest level.
- Total cash earnings for September increased moderately by +0.2% YoY. Meanwhile, real wages (inflation adjusted wages) rose +0.9% YoY for 8 consecutive months reflecting downward trend of prices. If you refer to break down of total cash earnings, you will find non-scheduled contractual cash earnings (overtime pay) declined -1.3% YoY, while scheduled contractual cash earnings (basic salary) continued to rise marginally by +0.4% YoY.



(Note) Data period is from March 2013 to September 2016.

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

Future Outlook Economic recovery to continue for a while underpinned by economic measures

- Japanese economy is expected to gradually recover underpinned by moderate recovery of production expected to continue and government expenditure to support the economic growth.

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