

# Global Watch

## May 2015

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This is an abstract of our monthly reports on the Japanese Economy.  
The information and the views contained herein are subject to change  
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**Mitsubishi UFJ Research and Consulting**

**Economic Research Department**

Tel: +813 6733-1070

Ex: 9-8707-3434

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## § Japanese Economy

### 1. *Overview of the Japanese Economy*

#### **The Economy Is Recovering Gradually.**

*By Shinichiro Kobayashi, Senior Economist*

The economy is improving, but the pace of recovery is gradual. In the latter part of April, the Nikkei Stock Average closed above 20,000 yen for the first time in about 15 years. This and other factors suggest that optimism about the economy is growing, but the pace of improvement in the economy does not bear out the expectations of financial markets. In addition, the rate of growth in the real GDP for the January-March quarter, which was released on May 20, is a relatively small +0.6% quarter on quarter, which enables us to reconfirm that pace of improvement in the economy is moderate.

The index of industrial production in March declined a marginal 0.8%, but this was the second consecutive monthly decline, indicating that production activities are fluctuating within a narrow range. The survey of production forecasts for April calls for growth of 2.1%, showing production plans have begun to increase again. However, inventories are as high as they were just after the collapse of Lehman Brothers Holdings, approximately six years ago, and there are concerns that movements toward production adjustments may delay recovery in production activities.

The rate of increase in exports has weakened. In March, real exports were down a sharp 6.4% from February, and thereafter rose only 0.2%, standing virtually level with the previous month. On average, exports are maintaining a rising trend but because the rate of increase since fall 2014 has been high, there is a possibility they may fluctuate within a narrow range for the time being.

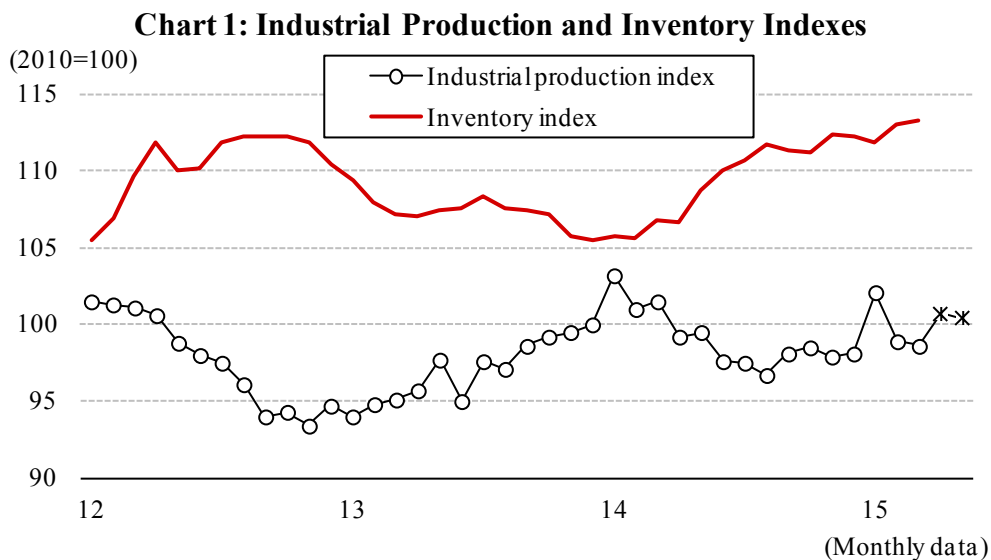
Corporate capital investment is lacking a firm upward trend. While capital investment seems to be on a moderate rising trend, compared with the robust performance of the corporate sector, the attitude of companies toward capital investment remains cautious. The trend among corporations to bring their production back to Japan in view of the weakening of the yen is thought to be limited to only a portion of companies.

On the other hand, conditions are brightening in the household sector. Employment conditions are continuing to be favorable. In March, the unemployment ratio remained at a low 3.4%, and the ratio of job openings to job applications was a high 1.15 times. A rising trend in wages has taken hold, and per capita contractual cash earnings scheduled in March rose 0.2% compared with the same month of

the previous year. In real terms, conditions continued to be severe in March, and total cash earnings were down 2.7% year on year. However, the margin of decline is diminishing, in part because of a weakening in the rate of price increases. During the spring labor offensive this year, large corporations, one after another, settled on the largest base-pay increase in history. In addition, there is a clear rising trend in wages paid by large corporations as a whole, as well as a trend toward increasing wages among small and medium-sized enterprises (SMEs).

As a consequence, consumer confidence is improving. In March, the consumption in real terms of households with two or more persons rose 2.4% over the previous month. This and other indicators suggest that trends in consumer spending are becoming better than before. However, on average, the pace of improvement is gradual and lacks the strength to drive the economy.

It is clear that the economy is on an improving trend, corporate performance is recovering steadily, and the environment surrounding households is taking a turn for the better. Judging from these trends, it seems unlikely that there will be a break in the trend toward improvement. However, the recovery is not gaining momentum to the extent that financial markets are anticipating. Overly optimistic expectations seem to be on the wane because of uncertainty regarding future trends in the United States, China, and other overseas economies, and it appears likely that expectations may experience a downturn going forward. (2015.5.8)



Note: Points marked with an “x” were calculated from the survey of industrial production forecasts for the manufacturing sector.  
 Source: Ministry of Economy, Trade and Industry (METI), *Indices of Industrial Production*

## 2. *Topic of the Month*

### **The Trend toward Living Closer to the Workplace and the Rise in Non-Regular Employment**

*By Miki Ohata, Economist*

According to the *Housing and Land Survey* issued by the Statistics Bureau of the Ministry of Internal Affairs and Communications, the median commuting time for the breadwinner of households (employed workers) in the Kanto Major Metropolitan Area in 2013 was 44.9 minutes, indicating that commuting times are continuing to decline. The number of households where the breadwinner commutes one hour or more has declined from 2.86 million in 2003 to 1.96 million in 2013. On the other hand, the number of households where the breadwinner commutes less than one hour has risen from 3.87 million to 4.64 million over the same period. The government is aiming for shorter commuting distances between homes and the workplace in its urban planning initiatives, and, in part because land prices have been on a gradual declining trend, after reaching a peak in the early 1990s, homes nearer to urban workplaces have become relatively more affordable.

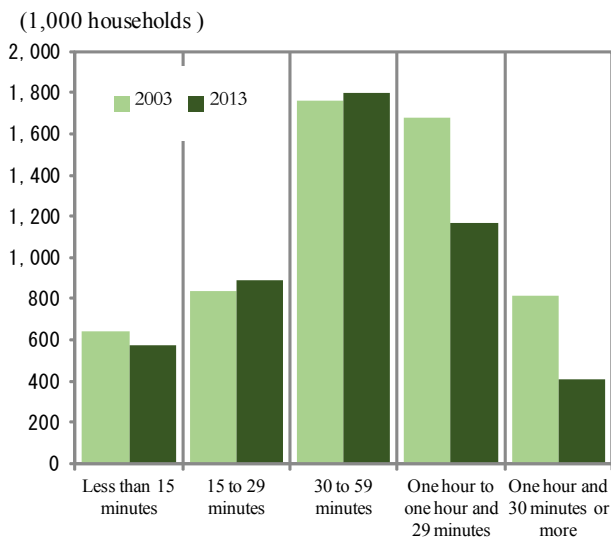
However, it appears that we cannot draw a definitive conclusion that the shortening of commuting times necessarily means a movement back to urban centers. In fact, households living less than 20 kilometers from the former offices of the Tokyo government (in Chiyoda City, Tokyo), which numbered 2.16 million in 2013, declined a larger 7.4% from the number in 2003, than those living 30 kilometers or more, which declined by 4.7%.

If we examine detailed data on the number of households by commuting distance, among households where the breadwinner is a regular company employee (as opposed to part-time, temporary, etc.), we find that the number of households with a commuting time of one hour or more has decreased significantly compared with 10 years ago. However, this does not imply that the number of households with a commuting time of less than one hour has increased (Chart 2). On the other hand, as the number of households where the breadwinner is employed on a non-regular basis has risen, the number of households with commuting times of less than one hour has increased substantially (Chart 3). In particular, the number of households where the breadwinner commutes less than 15 minutes increased from about 77,000 in 2003 to 277,000 in 2013, or almost four times.

The number of households, where the breadwinner commutes to work 30 minutes or less, is 33.9%. Looking at a more-detailed breakdown, the number of households where the breadwinner is a regular employee is 30.2% of the total, versus a high 47.2% for households where the breadwinner is

employed on a non-regular basis. Although there has been a trend for people in general who work in city centers to live closer to their places of employment, it appears that the number of non-regular employees living near their workplaces is increasing over a wide area, including suburban areas. Note that this trend is not confined to Tokyo, but also includes the major urban areas surrounding the cities of Nagoya and Osaka. However, just because the distance to work is getting shorter, this does not necessarily mean that living conditions have improved. (2015.5.8)

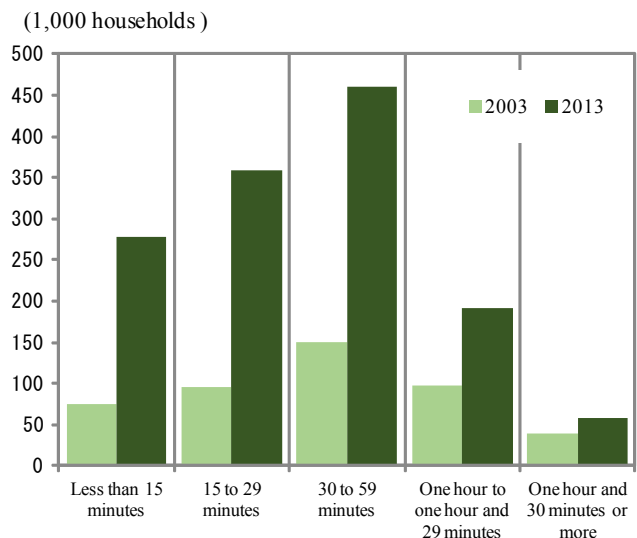
**Chart 2: Number of Households by Commuting Times (Regular Employees)**



Note: This chart shows the number of ordinary households where the principal supporter of the household (the breadwinner) is an employee and is employed in a company, other private-sector organization, or a government office, or employed by another individual.

Source: Statistics Bureau of the Ministry of Internal Affairs and Communications, *Housing and Land Survey*

**Chart 3: Number of Households by Commuting Times (Non-Regular Employees)**



Note: This chart shows the number of ordinary households where the principal supporter of the household (the breadwinner) is a non-regular employee. Figures for 2003 include temporary workers and figures for 2013 include employees seconded from agencies, part-time, and other non-regular workers.

Source: Statistics Bureau of the Ministry of Internal Affairs and Communications, *Housing and Land Survey*