

For Immediate Release

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**Issuance of the FY2017 - FY2020 “Japanese Economy Outlook”  
(Eighth Issue, Q4 2017 GDP (2nd Preliminary), February 21, 2018 edition)**

*- Japan’s full-employment may require 2% unemployment rate,  
the current tight labor market may not be enough to achieve inflation target -*

Tokyo (Friday, March 16, 2018) --- Shinsei Bank, Limited today announced issuance of its fiscal year 2017 to fiscal year 2020 “Japanese Economy Outlook” (Eighth Issue, Q4 2017 GDP (2nd Preliminary), March 16, 2018 edition).

**Highlights:**

- Q4 GDP result (2nd preliminary) is higher than our estimate due to robust inventory and private non-residential investment
- Recent unemployment rate improved to 2.4%, but we still do not see the sign of inflation. In order to achieve 2% inflation, the unemployment rate may need to drop below 2%.
- Nominal GDP reached 550 trillion yen. However, in order to achieve the 600 trillion target set by the government, the nominal growth rate needs to be higher. Considering the current status of Japanese economy, further expansionary fiscal and monetary policy implemented by the government and the Bank of Japan could lead to further growth without the acceleration of inflation.

2017-Q4 GDP growth rate (2nd Preliminary, annualized) is +1.6%, which is higher than 1st preliminary, +0.5%. The primary reason is the upward revision of inventory and non-residential investment.

Japan’s mining and manufacturing production dropped sharply, by more than 6%, in January 2018. Q1 2018 production also may stay at negative growth rate. However we estimate that the export in January and February 2018 should be in good shape based on the trade data up to mid-February. Q1 2018 export will grow faster than Q4 2017, which was relatively solid. Although the financial market shows the decline in stock market since February, we estimate that the world economy continues to grow.

Unemployment rate in January 2018 surprisingly dropped to 2.4% from 2.7% in last December. However, we still cannot see the sign of change in the inflation expectation. Japanese economy may require 2% or below 2% unemployment rate to achieve the inflation target.

Nominal GDP grew by about 58 trillion yen to 550 trillion yen since the launch of Abenomics. Nominal GDP needs to increase by another 50 trillion yen to achieve governments’ 600 trillion yen goal. We think further expansionary monetary and fiscal policy may contribute to improve Japanese economy without the acceleration of inflation.

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