

# The Longest & Weakest Postwar Economic Expansion



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## Confirmed to Exceed “Izanagi Boom”

The Committee for Business Cycle Indicators which convened on Dec. 13, 2018 confirmed that the economic expansion which began with a trough in November 2012 has been continuing up until at least August 2017. Its expansion period is 57 months, a period that ties with the sixth postwar economic expansion, the “Izanagi boom” (trough in October 1965 and peak in July 1970). The current 16th postwar economic boom came about under the so-called “Abenomics” policies of Prime Minister Shinzo Abe who took office in December 2012. If this economic expansion did continue until January 2019, the period would be 74 months, exceeding the 14th postwar economic expansion in the early 2000s (trough in January 2002 and peak in February 2008).

Dates for the peaks and troughs of the business cycles are determined by the government using trends in economic data (nine series) adopted in the Coincident Index in the Indexes of Business Conditions, and the government also takes account of the discussions of the Committee for Business Cycle Indicators in their determination of those dates. The Coincident Index remained sluggish after April 2014 when the consumption tax rate was raised to 8%, and there are economists who take the view that Japan in fact has since been in a recession. But with the Committee for Business Cycle Indicators confirming that economic expansion had continued until August 2017, the likelihood of it being the longest postwar expansion on record may now be higher.

## Average Real GDP Growth Rate at 1.2%

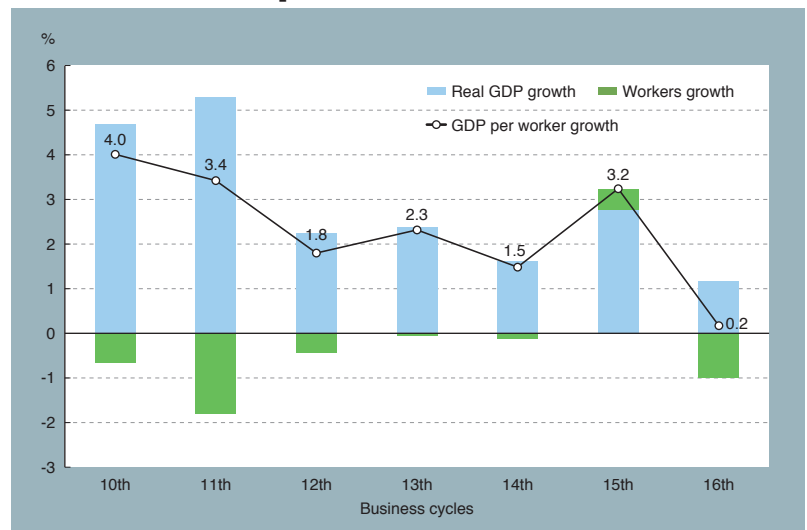
Real GDP under the current standard can only be traced back to 1980. Therefore, comparison can only be made for economic expansions since the 10th postwar expansion (trough in February 1983 and peak in June 1985). For the current economic expansion, average growth rate is calculated using

actual values that were available at the time this article was written, which would be up until the July-September 2018 period. The average growth rate for the current economic expansion is 1.2%, which is only one fifth of 5.3%, the average growth rate for the 11th postwar expansion, or the bubble business cycle (trough in November 1986 and peak in February 1991), and is weak. It is lower than the 1.6% for the 14th postwar economic expansion. It is one 10th of the 11.5% of the “Izanagi boom” although Real GDP under the current standard was not used in the calculation.

By comparing Real GDP growth rates per employed person, the weakness of the current economic expansion becomes more visible. The *Chart* performed factor analysis on Real GDP growth rate per employed person to Real GDP growth rate and to rate of change in the number of employed persons. The *Chart* shows that an increase in Real GDP growth rate is a positive contribution while a decrease is a negative contribution, and an increase in the rate of change in the

CHART

## Contribution to Real GDP per worker growth in economic expansion



Source: “Quarterly Estimates of GDP”, Cabinet Office, and “Labour Force Survey”, Statistics Bureau, Ministry of International Affairs and Communications

number of employed persons is a negative contribution while a decrease is a positive contribution. In the current economic expansion, Real GDP growth rate per employed person is 0.2% and is small compared to other economic expansions. The number of employed persons is increasing under the current economic expansion, but to put it differently, it can be said that growth in the value-added that an employed person creates is weak.

### Low Growth in Labor Productivity Even After Factoring in Decrease in Labor Hours

One of the contributing factors that can be considered is the increase in part-time workers. According to the “Monthly Labour Survey” (Ministry of Health, Labour and Welfare), the Total Actual Working Hours Index (2015 = 100) declined from 100.7 in 2013 to 99.3 in 2017, a 1.4% decline in four years. The increase in part-time workers will likely vary between industries.

As such, the current economic expansion is compared with the 14th postwar economic expansion by using Real GDP by Industry, Number of Employed Persons and Labor Hours as published in the most recent Annual Report on National Accounts released in December 2018.

But the data sets are only available on a yearly basis. Hence for comparison, average growth rate from 2002 to 2007 was calculated for the 14th postwar economic expansion, and average growth rate from 2013 to 2017 was calculated for the current economic expansion. In conducting the comparison, Labor Productivity was used by dividing Real GDP with Labor Input (calculated by multiplying the Number of Employed Persons to Labor Hours).

The *Table* shows the results. As shown, the overall total of Labor Productivity was 1.2% for the 14th postwar economic expansion and 0.6% for the current economic expansion. Since changes in Labor Hours were taken into consideration, the difference between the two has shrunk compared to the Real GDP growth rate per employed person, but it still does not change the fact that the current economic expansion is weak.

### Decline in Labor Productivity of the Manufacturing Industry

The Number of Employed Persons increased by 1.95 million from 2013 to 2017, and the increase was highest in “Human health and social work activities” (800,000 people), followed by “Professional, scientific and technical activities” (637,000 people). Moreover, at the

TABLE

## Contribution to Labor Productivity in 14th & 16th economic expansion (%)

Economic Activities	2002→07 (14th)			2013→17 (16th)		
	Labor Productivity	Real GDP growth	Labor input growth	Labor Productivity	Real GDP growth	Labor input growth
Agriculture, forestry and fisheries	▲2.4	-3.3	1.0	▲2.6	-4.3	1.7
Mining	▲1.1	-6.0	5.0	▲5.0	-5.8	0.9
Manufacturing	4.6	4.9	-0.3	2.2	2.5	-0.3
Electricity, gas and water supply and waste management service	▲0.4	0.6	-0.9	0.7	0.3	0.4
Construction	▲2.8	-3.8	1.0	2.8	2.6	0.2
Wholesale and retail trade	▲0.5	0.0	-0.5	0.2	-0.1	0.3
Transport and postal services	0.8	3.0	-2.2	0.0	0.0	0.1
Accommodation and food service activities	▲0.2	-2.2	1.9	1.2	0.5	0.7
Information and communications	▲2.9	1.9	-4.9	▲1.3	0.9	-2.2
Finance and insurance	1.3	0.9	0.4	1.0	1.3	-0.3
Real estate	1.4	1.4	0.0	▲2.4	1.3	-3.8
Professional, scientific and technical activities	5.6	6.4	-0.8	▲1.3	1.0	-2.3
Public administration	1.3	0.5	0.8	▲0.5	0.1	-0.5
Education	1.2	0.9	0.3	0.6	0.7	-0.1
Human health and social work activities	▲2.1	1.9	-4.0	▲0.7	1.8	-2.4
Other service activities	▲0.8	-0.3	-0.5	▲0.4	-0.8	0.4
Total	1.2	1.7	-0.5	0.6	1.1	-0.5

Source: “Annual Report on National Accounts”, Cabinet Office

2017 level, the highest number of employed persons was in “Wholesale and retail trade” (17.2%), followed by “Manufacturing” (15.2%), “Human health and social work activities” (12.6%), “Other service activities” (9.3%), and “Professional, scientific and technical activities” (8.9%).

Growth in Labor Productivity is declining compared to the 14th economic expansion in “Manufacturing” and “Professional, scientific and technical activities” while the percentages of employed persons in these sectors are higher in the current economic expansion. Current Industrial Production is lower than the pre-Lehman Shock level by more than 10%, and recovery in domestic production activities has been slow. These may be linked to the low growth in Labor Productivity in “Manufacturing”. On the other hand, “Professional, scientific and technical activities” have not only seen a sharp drop in Real GDP growth rate, but increase in Labor Input has also led to lower productivity. It reflects the expansion of the so-called outsourcing services, but it looks like value-added has not expanded as much as the expansion of Labor Input.

**Note:** This article was written based on available information as of Jan. 23, 2019.

**J.S**

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## ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2010	492.0	4.2	500.4	2.2	15.6	-1.0
2011	491.5	-0.1	491.4	-1.8	-2.8	-0.3
2012	498.8	1.5	495.0	0.7	0.6	-0.1
2013	508.8	2.0	503.2	1.7	-0.3	0.4
2014	510.7	0.4	513.9	2.1	2.0	2.6
2015	516.9	1.2	531.3	3.4	-1.2	0.5
2016	520.1	0.6	536.0	0.9	0.0	-0.3
2017	530.1	1.9	545.1	1.7	3.1	0.5
2018	533.9	0.7	548.5	0.6	1.0	0.9
2018/1st Qtr.	533.1	-0.2	547.9	-0.4	-1.1	0.9
2nd Qtr.	536.1	0.6	550.5	0.5	1.2	0.8
3rd Qtr.	532.5	-0.7	547.2	-0.6	-1.3	0.9
4th Qtr.	534.3	0.3	548.8	0.3	1.9	0.9
2018/May	—	—	—	—	-0.6	0.7
June	—	—	—	—	-1.3	0.8
July	—	—	—	—	-0.4	0.8
Aug.	—	—	—	—	0.3	0.9
Sept.	—	—	—	—	-0.4	1.0
Oct.	—	—	—	—	2.9	1.0
Nov.	—	—	—	—	-1.0	0.9
Dec.	—	—	—	—	-0.1	0.7
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2010	67.4	24.4	60.8	18.0	10.4	18.8	5.9	7.2	7.6	12.8
2011	65.5	-2.7	68.1	12.1	10.0	-3.4	5.9	0.3	7.6	0.0
2012	63.7	-2.7	70.7	3.8	11.2	11.7	6.1	2.5	6.5	-14.7
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	7.0	7.7
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	7.6	8.4
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	8.0	5.3
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	8.0	-0.0
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	8.7	8.5
2018	81.5	4.1	82.7	9.7	15.5	2.3	9.0	11.4	9.2	6.4
2018/1st Qtr.	19.9	4.9	20.1	7.5	3.7	1.9	2.1	4.6	2.3	9.7
2nd Qtr.	20.2	7.5	19.4	7.5	3.7	2.9	2.2	7.2	2.3	8.1
3rd Qtr.	20.2	2.9	20.7	12.4	3.8	-0.3	2.2	11.9	2.2	2.8
4th Qtr.	21.2	1.3	22.4	11.2	4.3	4.8	2.5	21.7	2.4	5.2
2018/May	6.3	8.1	6.9	14.1	1.1	5.8	0.8	20.0	0.7	0.7
June	7.1	6.7	6.3	2.6	1.3	-0.9	0.7	-2.1	0.8	9.3
July	6.7	3.9	7.0	14.7	1.3	-5.2	0.7	11.2	0.8	6.4
Aug.	6.7	6.6	7.1	15.5	1.2	5.3	0.8	21.6	0.7	7.1
Sept.	6.7	-1.3	6.6	7.1	1.3	-0.5	0.7	3.2	0.7	-4.4
Oct.	7.2	8.2	7.7	20.0	1.4	11.6	0.9	34.4	0.8	7.7
Nov.	6.9	0.1	7.7	12.5	1.4	1.6	0.8	8.1	0.7	3.9
Dec.	7.0	-3.9	7.1	1.9	1.4	1.6	0.9	23.9	0.8	3.9
Sources	"Trade Statistics of Japan", Ministry of Finance									

## ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2010	0.5	0.52	5.1	2.8	9.5	19.4	87.8
2011	-0.2	0.65	4.6	2.7	-0.3	10.4	79.8
2012	-0.9	0.80	4.3	2.5	-4.3	4.8	79.8
2013	-0.2	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.5	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.6	-0.9	16.5	121.0
2016	0.6	1.36	3.1	3.4	5.5	21.1	108.8
2017	0.4	1.50	2.8	4.0	5.0	22.0	112.2
2018	1.4	1.61	2.4	2.9	1.2	19.1	110.4
2018/1st Qtr.	1.0	1.59	2.5	3.2	0.7	5.9	108.2
2nd Qtr.	1.7	1.60	2.4	3.1	1.1	5.0	109.1
3rd Qtr.	0.9	1.63	2.4	2.9	0.1	5.7	111.5
4th Qtr.	1.6	1.63	2.5	2.5	-0.7	2.5	112.9
2018/May	1.4	1.60	2.2	3.2	-0.3	1.9	109.7
June	2.8	1.62	2.4	3.1	0.8	1.2	110.0
July	1.4	1.63	2.5	2.9	-0.0	2.0	111.4
Aug.	0.6	1.63	2.4	2.9	-0.3	1.8	111.1
Sept.	0.7	1.64	2.3	2.8	0.3	1.8	111.9
Oct.	1.1	1.62	2.4	2.7	-0.3	1.3	112.8
Nov.	1.7	1.63	2.5	2.3	-0.6	0.8	113.4
Dec.	1.8	1.63	2.4	2.4	0.2	0.5	112.4
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2010	5.8	5.5	24.7	29.5	14.1	22.0	13.1	27.8	13.4	17.3
2011	6.4	10.1	23.8	-3.9	15.7	11.7	12.9	-1.4	14.6	9.2
2012	6.6	3.6	23.3	-1.8	16.3	3.3	11.5	-10.8	15.0	2.7
2013	7.6	15.2	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	8.2	6.8	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	8.6	5.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	8.2	-5.5	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2017	8.8	7.4	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2018	9.7	10.8	28.8	2.9	20.0	7.8	15.9	6.8	19.2	3.9
2018/1st Qtr.	2.4	13.8	7.1	3.4	5.1	10.4	3.7	8.8	4.6	2.1
2nd Qtr.	2.3	8.8	7.1	6.1	4.7	6.4	4.0	11.9	4.5	3.4
3rd Qtr.	2.5	11.7	7.3	4.1	4.9	5.6	4.0	7.3	4.8	5.7
4th Qtr.	2.6	9.0	7.4	-1.5	5.3	8.7	4.3	0.5	5.4	4.5
2018/May	0.8	12.0	2.3	7.6	1.7	10.3	1.3	13.9	1.6	8.7
June	0.8	5.2	2.5	7.2	1.6	3.7	1.4	11.1	1.5	-0.5
July	0.9	29.2	2.4	6.0	1.7	7.2	1.4	11.9	1.6	6.7
Aug.	0.8	6.6	2.4	4.1	1.7	8.4	1.4	12.1	1.5	6.0
Sept.	0.8	0.8	2.5	2.3	1.5	1.1	1.3	-1.7	1.6	4.3
Oct.	0.9	10.1	2.5	6.3	1.9	18.6	1.5	9.0	1.9	16.2
Nov.	0.9	15.1	2.4	-3.2	1.8	7.2	1.4	0.4	1.9	4.2
Dec.	0.8	2.0	2.4	-6.9	1.7	0.7	1.4	-7.0	1.6	-6.4
Sources	"Trade Statistics of Japan", Ministry of Finance									