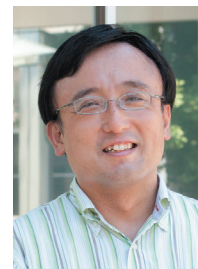


Are Japan's Wages on a Stable Upward Trend?



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Points of Note in Monthly Labour Survey

In looking at the future of the monetary policy of the Bank of Japan, what is closely watched together with the rate of rise in prices is the rate of rise in wages. In this article, the trend in Japan's wages will be identified by using surveys such as the Monthly Labour Survey, which allows us to see the monthly trend in Japan's wages.

What is most closely watched in the Monthly Labour Survey is the year-on-year rate of rise in total cash earnings for all employment types. The most recent preliminary figure for August 2023 (released on Oct. 6) at the time this article was written was 1.1%. What is also watched is the real rate of rise in wages, which is this rate of rise minus the inflation rate (year-on-year rise in the consumer price index [composite excluding imputed rent]). It has continued to be negative for 17 months until August 2023, and some point to the rise in wages not catching up to the rise in prices as leading to the cooling of private consumption.

But what should receive more focus is the rate of rise in scheduled cash earnings of full-time workers and the hourly scheduled cash earnings of part-time workers.

To begin with, total cash earnings are the sum of scheduled cash earnings, overtime pay, and special cash earnings. Of the three, scheduled cash earnings are the stable payment. In addition, wages for all employment types are affected by the changes in the percentage of part-time workers. This is because wages for part-time workers whose working hours are shorter are, for example, around one-third of the full-time workers for scheduled payments. As mentioned above, total cash earnings for all employment types for August 2023 rose by 1.1%, but were up 1.2% for full-time workers and 2.9% for part-time workers, both exceeding all employment types. This is because the percentage of part-time workers, whose wages are less because their working hours are shorter than full-time workers, rose from the previous year.

Moreover, since the workstyles of part-time workers are diverse, scheduled working hours vary greatly. To begin with, part-time workers look at hourly cash earnings when choosing a job. Thus, when observing scheduled cash earnings just as done for full-time workers, there is a need to focus on hourly cash earnings.

Rise in Scheduled Cash Earnings for Full-Time Workers at 2% Level

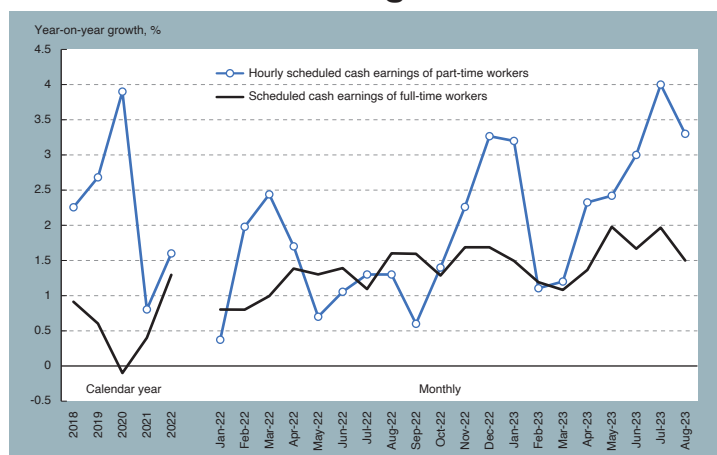
Chart 1 shows the trend in the year-on-year rate of rise in scheduled cash earnings of full-time workers and hourly scheduled cash earnings of part-time workers. It reached 2% in May 2023, but looking at the monthly data it was the first time since June 1997 that the rate of rise of scheduled cash earnings of full-time workers had reached 2%. The last time the rate of rise recorded an annual average of over 2% was 29 years ago in 1994. It was a rise of 1.5% for the most recent August 2023 data.

On the other hand, the rate of rise in hourly scheduled cash earnings for part-time workers rose to 4% in July 2023. This is the highest since the annual average rise of 3.9% in 2020. Environmental changes such as labor shortages tend to be reflected in the hourly wages of part-time workers, and therefore acceleration in the growth of hourly wages is thought to be due to demand and supply in the labor market continuing to be tight. It was a rise of 3.3% for the most recent August 2023 data.

Comparing Survey Results of Same Business Office

Survey samples for the Monthly Labour Survey are partially replaced

CHART 1
Trends in nominal wages



Source: "Monthly Labour Survey", Ministry of Health, Labour and Welfare

every year. Because of this, the survey samples for this year do not necessarily match all of the samples in the previous year, and it is inevitable that the survey results are affected by this difference in samples. Thus, the Monthly Labour Survey also releases results compiled for just the business offices (common businesses) that were surveyed for both this year and the same month in the previous year as reference values.

Chart 2 compares the actual values and the common business-based values for the rate of rise in scheduled cash earnings for full-time workers. It can be confirmed that compared to the size of deviation in actual values, common business-based values are gradually rising. The rate of rise for July 2023 was 2.4%, higher than the 2.0% of actual value and the rate of rise for August 2023 was 1.8%.

In addition, as reference, total cash earnings for all employment types for July 2023 rose by 2.3%, higher than the 1.1% rise of the actual value. The rate of rise for August 2023 was 1.3%.

Whether the actual value which uses all samples or common business-based value is closer to the truth is debatable, but just by looking at the prospect report, the BOJ seems to place more importance on common business-based values.

Rising Nominal GDP Growth Rate

According to the preliminary quarterly GDP figures for April to June 2023 (secondary preliminary figures), which were released on Sept. 8, 2023, compensation for employees, which aggregates wages of all people employed in Japan, increased by 2.6% year-on-year. The number of employees (Labour Force Survey) for April to June 2023 increased by 0.5% year-on-year, and therefore compensation per employee, which is equivalent to the average wage, increased by 2.1% year-on-year.

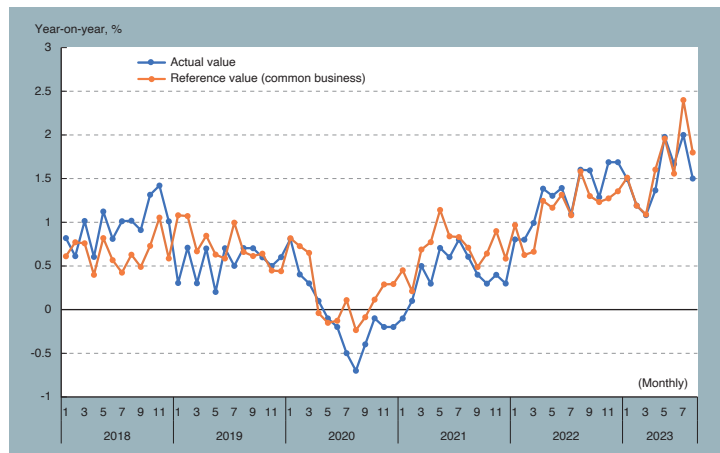
Even with this much growth in wages, the labor share, derived by dividing compensation for employees by nominal GDP, was 51%, and this is lower than the most recent peak of 53.1% for July to September 2022 (Chart 3). This is because the nominal GDP growth rate was high at 5.1% year-on-year. The real GDP growth rate was 1.6% year-on-year, and thus the rate of rise in the GDP deflator being high after 30 years largely contributed to this.

As was indicated in the May/June 2022 issue of this series (https://www.jef.or.jp/journal/pdf/243rd_Economic_Indicators.pdf), the rate of rise in the GDP deflator holds the key to how rises in import prices can be passed on to domestic prices and export prices. As commodity prices such as crude oil have recently been on a downward trend, it is thought that passing on prices has become smoother with the continued rise in domestic prices of goods and services in Japan, and therefore the rate of rise in the GDP deflator has accelerated.

On the other hand, looking at past trends, whether the labor share (corporate profits oppressed), which rose during the coronavirus pandemic, has come down fully is difficult to tell and there has been such news circulating that the price of crude oil could reverse and rise

CHART 2

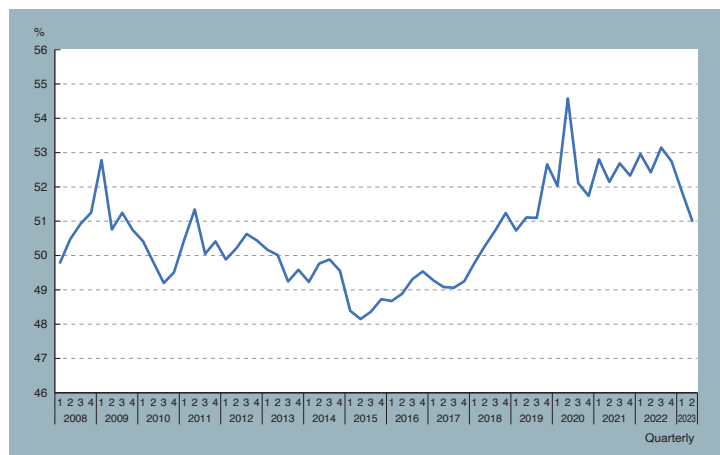
Trends in scheduled earnings of full-time workers



Source: "Monthly Labour Survey", Ministry of Health, Labour and Welfare

CHART 3

Trends in labor share



Source: Survey of National Accounts (SNA), Japan

in the short term. To what extent wage increases by Japanese companies will accelerate while there is still space with the rate of rise in the GDP deflator being high will be closely watched.

Note: This article was written with information obtained by Oct. 8, 2023.

Article translated from the original Japanese by Mio Uchida.

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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 (%)		
2015	538.1	1.6	538.0	3.7	-1.1	0.5
2016	542.1	0.8	544.4	1.2	-0.0	-0.3
2017	551.2	1.7	553.1	1.6	3.1	0.5
2018	554.8	0.6	556.6	0.6	0.6	0.9
2019	552.5	-0.4	557.9	0.2	-2.6	0.6
2020	529.1	-4.2	539.3	-3.3	-10.4	-0.2
2021	540.9	2.2	550.1	2.0	5.4	-0.2
2022	546.6	1.0	557.2	1.3	-0.1	2.3
2022/3rd Qtr.	547.5	-0.3	554.7	-0.9	3.1	2.7
4th Qtr.	547.8	0.1	561.4	1.2	-1.7	3.8
2023/1st Qtr.	552.1	0.8	573.7	2.2	-1.8	3.5
2nd Qtr.	558.6	1.2	589.5	2.7	1.4	3.2
2023/Jan.	—	—	—	—	-3.9	4.2
Feb.	—	—	—	—	3.7	3.1
March	—	—	—	—	0.3	3.1
April	—	—	—	—	0.7	3.4
May	—	—	—	—	-2.2	3.2
June	—	—	—	—	2.4	3.3
July	—	—	—	—	-1.8	3.1
Aug.	—	—	—	—	-0.7	3.1
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 (%)
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	6.7	4.4
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	6.5	-2.8
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	7.1	9.5
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	7.7	7.8
2019	76.9	-5.6	78.6	-5.0	15.3	-1.4	8.6	-4.2	7.4	-3.0
2020	68.4	-11.1	68.0	-13.5	12.6	-17.3	7.5	-13.7	6.3	-15.1
2021	83.1	21.5	84.9	24.8	14.8	17.6	8.9	19.6	7.7	21.4
2022	98.2	18.2	118.1	39.2	18.3	23.1	11.7	31.6	9.4	22.0
2022/3rd Qtr.	25.6	23.2	31.9	47.3	4.8	30.0	3.2	42.6	2.4	27.2
4th Qtr.	26.6	18.7	32.3	34.0	5.2	28.1	3.2	32.9	2.6	29.0
2023/1st Qtr.	23.0	4.8	28.2	11.2	4.4	11.4	2.9	12.2	2.3	10.5
2nd Qtr.	24.3	1.6	26.1	-8.5	4.8	10.6	2.7	-0.2	2.6	14.3
2023/Jan.	6.6	3.5	10.1	17.6	1.2	10.4	1.0	21.4	0.7	9.5
Feb.	7.7	6.5	8.6	8.5	1.5	14.9	0.9	6.6	0.8	18.6
March	8.8	4.3	9.6	7.4	1.7	9.4	1.0	9.6	0.9	5.1
April	8.3	2.6	8.7	-2.3	1.7	10.5	0.9	1.1	0.9	11.8
May	7.3	0.6	8.7	-9.8	1.4	9.4	0.9	2.5	0.8	16.6
June	8.7	1.5	8.7	-12.9	1.7	11.7	0.9	-4.0	0.9	15.0
July	8.7	-0.3	8.8	-13.6	1.8	13.5	0.9	-11.2	0.9	12.4
Aug.	8.0	-0.8	8.9	-17.7	1.6	5.1	1.0	-9.4	0.8	12.7
Sources	"Trade Statistics of Japan", Ministry of Finance									

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)	
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	21.4	108.8
2017	0.4	1.50	2.8	4.0	4.9	22.8	112.2
2018	1.4	1.61	2.4	2.9	1.1	19.5	110.4
2019	-0.4	1.60	2.4	2.4	0.2	19.3	109.0
2020	-1.2	1.18	2.8	6.5	2.8	16.0	106.8
2021	0.3	1.13	2.8	6.4	1.8	21.5	109.8
2022	2.0	1.28	2.6	3.3	-15.7	11.5	131.4
2022/3rd Qtr.	1.7	1.30	2.6	3.4	-5.5	2.4	138.4
4th Qtr.	2.9	1.35	2.5	3.0	-4.6	1.9	141.4
2023/1st Qtr.	0.9	1.34	2.6	2.6	-4.2	2.7	132.3
2nd Qtr.	2.0	1.31	2.6	2.6	-1.1	5.5	137.4
2023/Jan.	0.8	1.35	2.4	2.7	-3.2	-1.9	130.3
Feb.	0.8	1.34	2.6	2.6	-0.6	2.3	132.7
March	1.3	1.32	2.8	2.5	-0.5	2.4	133.9
April	0.8	1.32	2.6	2.6	-0.2	2.0	133.4
May	2.9	1.31	2.6	2.6	-1.2	2.0	137.4
June	2.3	1.30	2.5	2.6	0.3	1.6	141.3
July	1.1	1.29	2.7	2.5	0.1	2.8	141.2
Aug.	1.1	1.29	2.7	2.5	-0.7	2.3	144.7
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 (%)
2015	7.8	4.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	7.4	-5.0	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2017	8.0	7.0	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2018	8.8	10.6	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2019	8.8	0.3	26.6	-7.6	19.0	-5.3	14.7	-7.6	18.5	-3.9
2020	7.8	-12.1	24.1	-9.4	17.2	-9.4	15.1	2.7	17.5	-5.1
2021	9.5	21.8	30.2	25.0	20.7	20.6	18.0	19.2	20.4	16.4
2022	11.4	20.5	36.4	20.6	28.5	37.7	19.0	5.7	24.8	21.9
2022/3rd Qtr.	2.7	8.3	9.5	23.2	7.7	46.4	5.1	14.4	6.7	33.0
4th Qtr.	3.2	28.6	9.5	16.1	7.8	35.5	5.0	1.4	6.7	20.4
2023/1st Qtr.	2.6	-1.5	8.4	2.9	7.1	14.1	3.8	-11.3	6.0	8.8
2nd Qtr.	2.9	-1.5	8.4	-8.4	6.5	-5.3	4.3	-6.0	5.8	-1.6
2023/Jan.	0.9	-2.1	2.5	2.3	2.4	17.4	1.0	-17.1	2.4	12.3
Feb.	0.9	4.5	2.8	4.0	2.2	16.7	1.3	-10.9	1.5	-0.5
March	0.9	-6.3	3.1	2.5	2.4	8.7	1.6	-7.7	2.1	12.4
April	1.0	-2.5	2.8	-8.0	2.1	-5.5	1.4	-2.9	1.9	14.9
May	0.9	-2.5	2.6	-10.4	2.1	-7.5	1.3	-3.4	1.9	-5.9
June	0.9	0.6	3.0	-7.0	2.3	-2.8	1.5	-10.9	2.0	-10.2
July	1.0	21.4	2.9	-13.2	2.3	-9.5	1.5	-13.4	1.9	-14.1
Aug.	0.9	9.7	2.7	-7.6	2.3	-13.6	1.4	-11.0	1.9	-12.0
Sources	"Trade Statistics of Japan", Ministry of Finance									