

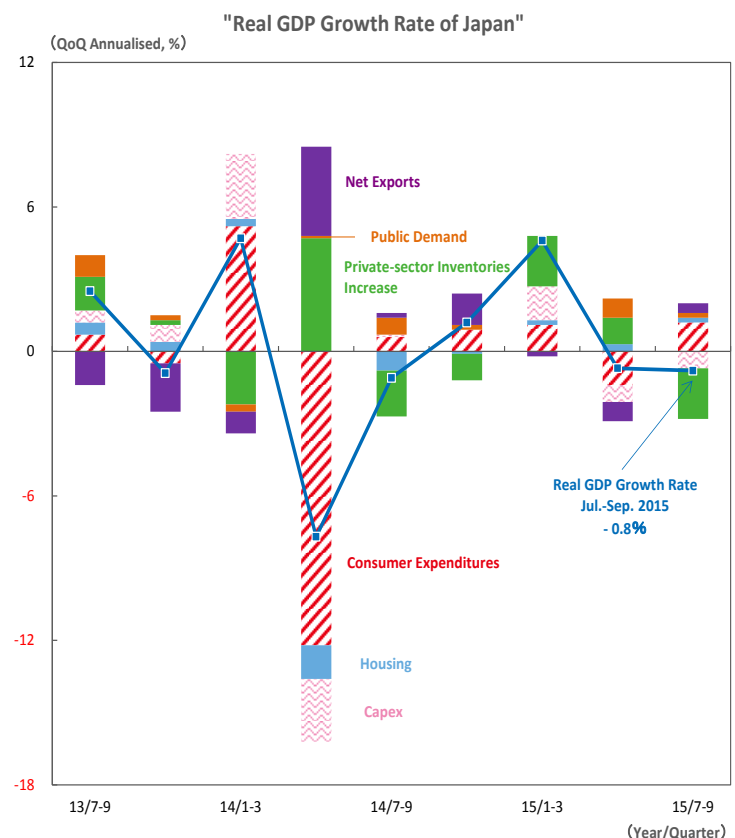
**Today's Topic** Japanese GDP growth (The first preliminary Jul.-Sep. 2015 number)  
**Negative growth mainly due to Private-sector Inventories decrease**

**Point 1** Negative GDP growth for two consecutive quarters  
 Recovery in consumer expenditure, however, affected by inventory decrease

- The first preliminary Jul.-Sep. 2015 real GDP released by Japan's Cabinet Office on November 16<sup>th</sup> showed a negative growth of -0.8% QoQ (annualized) for two consecutive quarters.
- In terms of the contribution by components to the Jul.-Sep. 2015 real GDP growth rate, Consumer Expenditures turned positive (+1.2%) from last quarter's negative. However, large negative contribution of -2.1% in the Private-sector Inventories pushed down the overall GDP growth.

**Point 2** Positive contribution by Net Export and Housing  
 Capex is still sluggish

- Housing contributed positively for three consecutive quarters by +0.2% to the real GDP growth thanks to the low interest rate environment. Meanwhile, Capex contributed negatively by -0.7% as motivation for capital investment by corporations did not rise.
- As a result, Private Demand contributed negatively by -1.4%. On the other hand, Public Demand contributed positively by +0.2% due to increase of government expenditure. Domestic demand contributed negatively by -1.2%, while external demand contributed positively by +0.4% as increase of exports was more than that of imports.



(Note) Data is from Jul.-Sep. 2013 to Jul.-Sep. 2015. Real GDP growth rate is quarter on quarter, annualized. Bar charts illustrate attribution to GDP. Public Demand is a total of Government Consumption, Public Investment and Change in Public Inventories.  
 (Source) SMAM, based on Cabinet Office, Japan data.

**Future Outlook** Impact on stock market is limited, possible growth in Oct.-Dec. quarter

- Impact of Jul.-Sep. 2015 real GDP announcement this time seems to be limited to the stock market, as announcement of Jul.-Sep. 2015 business results of companies (fiscal year ending in March) is almost over and market expectations remain high on economic package by the government and BOJ's additional monetary easing.
- Jul.-Sep. 2015 quarterly numbers confirmed the recovery of Consumer Expenditures and continuing growth of Housing investments. Although Capex is sluggish, positive growth of Oct.-Dec. 2015 real GDP is expected as increase in production is expected after the decrease of Private-sector Inventories.

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