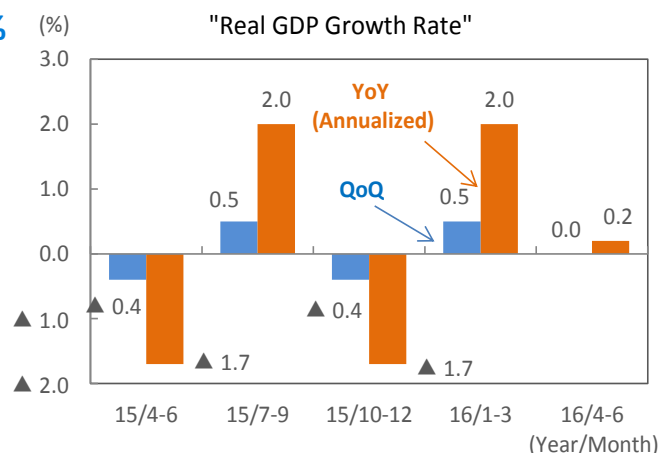


Today's Topic **Japanese GDP growth (The first preliminary Apr.-Jun. 2016 number)**

Strong growth supported by Housing and Consumer Expenditures

Point 1 Apr.-Jun. 2016 GDP growth was 0.2% Two consecutive quarters growth on an annual basis

- The first preliminary Apr.-Jun. 2016 real GDP growth rate released by Japan's Cabinet Office on 15th August was positive of 0.0% QoQ (annualized +0.2%). This is a positive growth for two consecutive quarters on an annual basis. It slowed down from Jan.-Mar. 2016 real GDP growth of + 0.5% QoQ (annualized +2.0%), however, Jan.-Mar. 2016 growth rate was inflated by a leap year effect. Growth rate of Apr.-Jun. 2016 real GDP can be deemed strong, adjusting a leap year effect.



(Note) Data is from Apr.-Jun. 2015 to Apr.-Jun. 2016.
(Source) SMAM, based on Cabinet Office, Japan data.

Point 2 Housing and Consumer Expenditures increased

Net Exports contributed negatively

- GDP growth of Apr.-Jun. 2016 as a whole was supported by sharp rise of Housing, affected by negative interest rate policy, soared by + 5.0% QoQ compared to previous quarter of - 0.1% QoQ and Consumer Expenditures increase by + 0.2% QoQ for two consecutive quarters, following + 0.7% QoQ rise in the previous quarter. In addition, implementation of FY2015 supplementary budget pushed Public Demand higher by + 2.3% QoQ.
- On the other hand, external demand contributed negatively by - 0.3% QoQ for the first time in four quarters, mainly due to decrease of Exports of Goods.

"Growth Rate and Attribution of Demand Items of Apr.-Jun. 2016 Real GDP"

	QoQ (%)	Attribution (%)
GDP	0.0	—
Private Consumption	0.2	0.1
Housing	5.0	0.1
Capex	-0.4	-0.1
Private Inventory	—	-0.0
Public Investment	2.3	0.1
Net Exports	—	-0.3

(Note) Data is for April – June 2016 quarter.
(Source) SMAM, based on Cabinet Office, Japan data.

Future Outlook

Japanese economy is expected to recover supported by large-scaled economic packages and possible BOJ's additional easing

- Kumamoto Earthquake and Brexit seemed to have pulled down Apr.-Jun. 2016 real GDP growth rate, however, these factors will settle down going forward. On the other hand, we expect positive impact of large-scaled economic packages (total of over JPY 28 trillion) approved by the Japanese cabinet once implemented.

Also, possibility of BOJ's additional easing is expected to remain. Japanese economy is likely to recover from Jul.-Sep. 2016 quarter, unless financial markets destabilize rapidly or overseas economies change direction.

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