

Japan: labour market remains tight while consumption begins to slow

Labour market conditions tightened further last month, but we don't see any signs of wage growth yet. Meanwhile, goods consumption is weakening. Thus, the Bank of Japan will likely stick to its policy stance at its December meeting, despite expectations of higher inflation over the next few months



2.6 Jobless rate

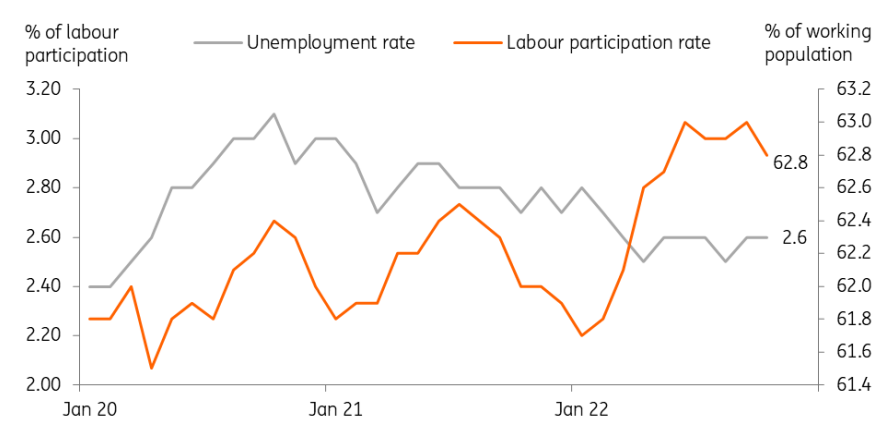
Higher than expected

Labour market conditions remain solid, but there are still no imminent signs of wage growth

The unemployment rate in Japan stayed at 2.6% in October for the second consecutive month,

slightly above the market consensus of 2.5%, but the job-to-application ratio edged up to 1.35 as expected. We believe that the labour market will continue to recover over the next few months. Hospitality service jobs are likely to grow as the number of international and domestic tourists rise, while manufacturing employment will likely turn weak due to the weak manufacturing outlook suggested by muted PMI and export data. Wages in services tend to be lower than in manufacturing, so the unemployment rate is likely to fall, but we do not expect overall wage growth.

The jobless rate remained low in October

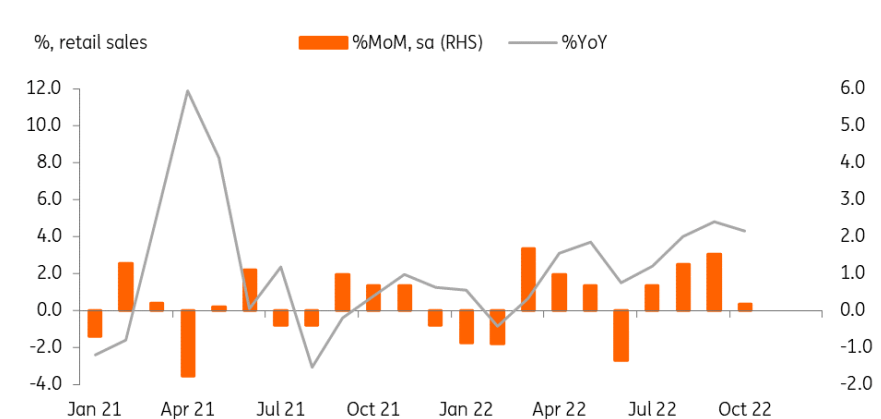


Source: CEIC

Retail sales rose marginally

Retail sales grew 0.2% month-on-month seasonally adjusted in October (vs a revised 1.5% in September) but fell short of the market consensus of 1.0%. Looking at the details, apparel sales rose the most (3.9%) and food/beverage sales also rose solidly (1.8%). However, durable goods, such as motor vehicles (-6.8%) and household machines (-0.4%), and fuel (-0.7%) declined, probably due to higher prices. Retail sales have been solid in recent months, mainly due to the easing of Covid restrictions and supply constraints on car production. However, we believe that goods consumption will likely turn weak over the next few months due to a rapid rise in prices, while services consumption boosted by tourism is likely to continue its recovery.

Retail sales growth slowed in October



Source: CEIC

The Bank of Japan will stay pat at its December meeting

In Japan, forward-looking price indicators suggest a further rise in inflation as we approach the end of the year, but the stabilised Japanese yen and global commodity prices will likely lighten the burden on inflation next year. The recent sharp rise in inflation is mainly driven by supply-side factors, so it won't change the policy stance of the Bank of Japan.

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.