

Flash Notes 16/05/2019

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Japan weighing to downgrade (again) economic view.

Economic outlook dampened:

- Japanese government is considering downgrading its assessment of the economy next week. This could fuel speculation that Prime Minister Shinzo Abe may delay once again a planned sales tax increase set for October.
- **More Abenomics at sight:** A Nikkei report discussed growing debate existing about the need for more stimulus with Japan's economy officially described as deteriorating for the first time in over six years as policymakers prepare for an upper house election in the summer and a tax hike in the fall.
- **More Kurodanomics at sight:** BOJ Governor Haruhiko Kuroda in parliament that he would consider additional easing without hesitation if consumer prices lost upward momentum. He also reaffirmed the BOJ's forward guidance, which committed to keeping rates low until at least the spring of 2020, while at the same time clarified that this “does not mean policy will be re-evaluated immediately after that”. (It sounds like “Lower for longer”). Also BOJ Deputy Governor Masazumi Wakatabe told parliament that the benefits of ultra-loose monetary policy still outweigh the costs, signaling his preference for maintaining the stimulus program.

Meanwhile, we have known the new strategy against the aging population problem (due to lack of births) and the consequent shortage of workers:

- The government announced plans to urge companies to hire employees until age 70 as part of measures to address a severe labor shortage. The government plans to submit a bill to parliament next year to revise labor laws. There will be no penalties at this stage if companies fail to comply (in hiring employees until age 70).

Best