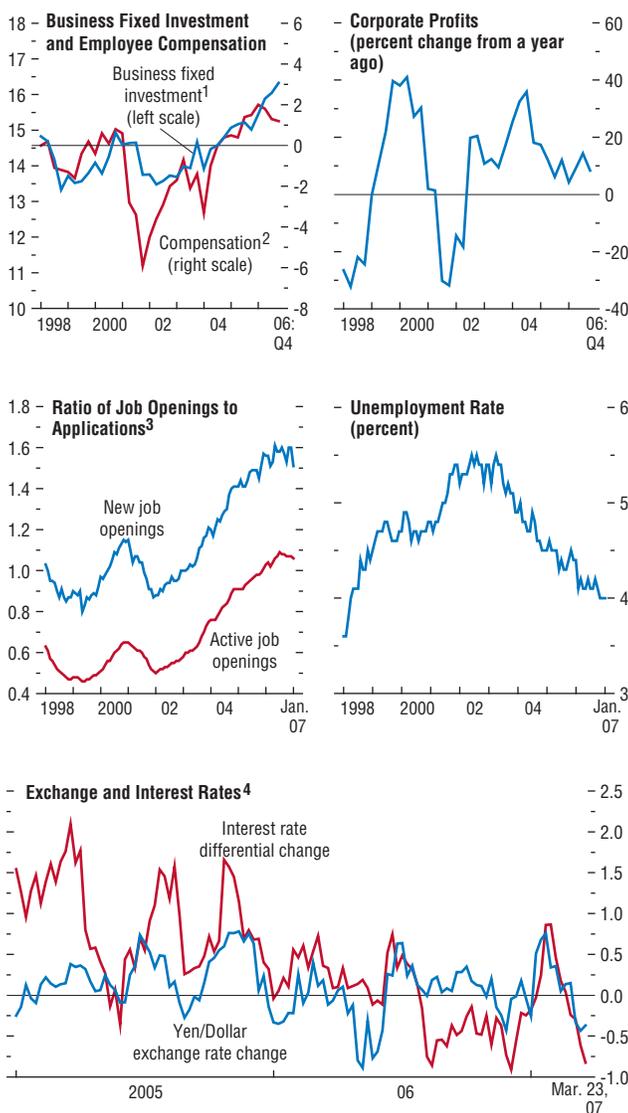


Figure 2.5. Japan: Understanding Developments in Domestic Demand

Employee compensation tends to rise during investment upturns. Rising corporate profits and tightening labor market conditions suggest that the recent softening of consumption may be temporary.



Sources: Bloomberg Financial Markets, LP; Haver Analytics; and IMF staff calculations.

¹Measured as percent of GDP.

²Measured as percent change from a year earlier.

³Measured as ratio of new job openings to new applications and ratio of active job openings to active applications.

⁴Measured as change in eight-week moving average of yen/dollar exchange rate and change in interest rate differential of yen versus dollar one-year deposits.