



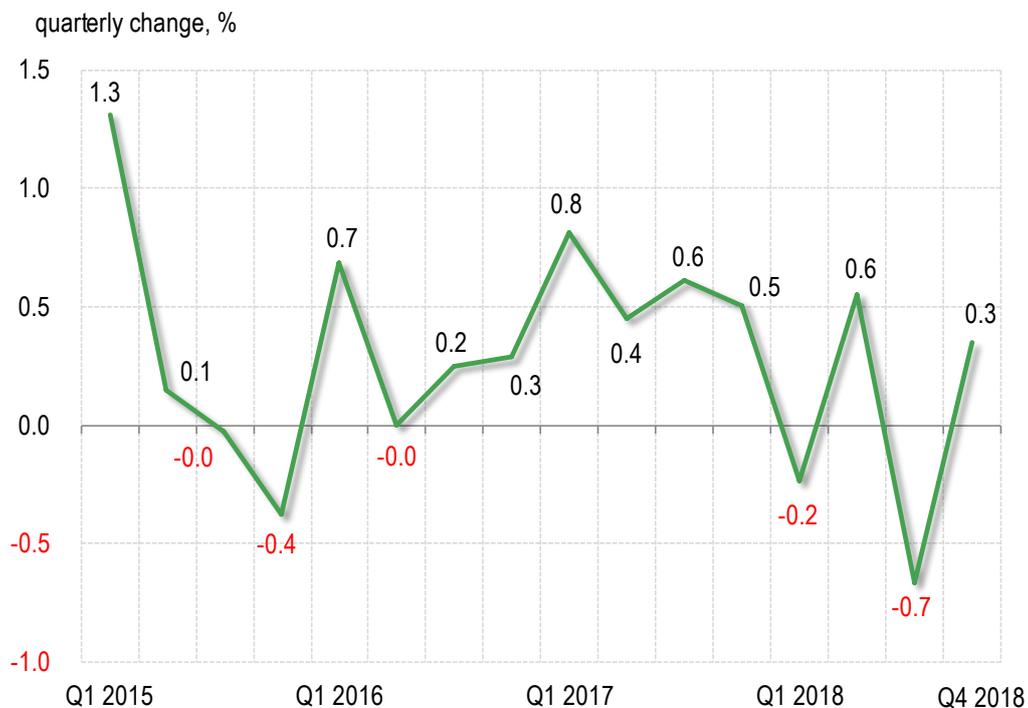
## Japan: Economic activity slowed sharply in 2018

Japanese economic growth was particularly volatile in 2018. All in all, it decreased sharply in full-year 2018 to 0.7%, from 1.9% in 2017.

The country was hit by a typhoon in the third quarter of 2018 that weakened most of the components of demand, and thus growth (-0.7% q/q). In the fourth quarter, activity picked up mildly (+0.3% q/q). Investment regained vigour after a particularly morose third quarter, while private consumption began supporting growth again. Inversely, external trade continued to strain growth. At a time of reinvigorated domestic demand, the sharp upturn in imports was only partially offset by higher exports.

Japan's growth dynamics will face several challenges in 2019 and beyond. Domestically, private consumption could stall with the planned VAT hike in October 2019. In the longer term, the country's ageing population remains a key issue. As to the external environment, uncertainty continues to reign against a backdrop of trade tensions and China's economic slowdown.

### Japan: GDP growth



Source: Thomson Reuters