

CHART OF THE WEEK

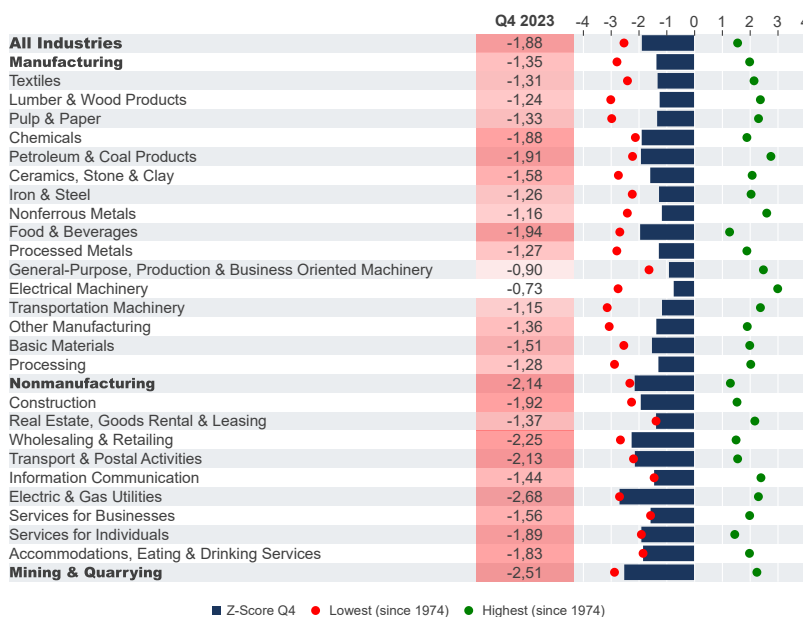


10 January 2024

RECRUITMENT DIFFICULTIES INTENSIFY IN JAPAN

Guillaume Derrien (with the support of Nassim Khelifi, intern)

Japan: Tankan, employment conditions in Q4 2023 (Z-score)



Source: Bank of Japan, Macrobond, BNP Paribas

The Bank of Japan's latest Tankan survey, published in December, highlights the country's significant labour shortages and recruitment challenges. These are affecting all sectors and are even reaching record levels in almost a quarter of them. In order to facilitate the interpretation, the data in this table are converted in Z-score, which measures the number of standard deviations separating each index from its long-term average (1974-2023 period).

The energy crisis has certainly amplified activity and recruitment intensity in utilities and mining sectors, which are now the sectors facing the most difficulties. Furthermore, service activities are more affected by these headwinds than the manufacturing sector, which can, to a certain extent, substitute part of the missing workforce with automation.

That said, the main factor that explains these recruitment difficulties remains the demographic crisis facing Japan. Around a third of Japanese people are now aged 65 or over. In the long run, and unless more immigration is resorted to, the decline and ageing of the population will contribute to a significant reduction in active workforce. The greater integration of women in the labour market since 2012 and the launch of Abenomics are mitigating, for the time being, these structural difficulties.

Beyond the risk this poses to economic growth, it remains to be seen whether these tensions on the labour market will finally lead to a turning point in terms of wage growth in 2024. The latter did not really gain momentum in 2023, even as inflation heightened in the country and corporate profits and margins reached record levels last year.

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