

Monthly Report of Prospects for Japan's Economy

January 2009

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

<http://www.jri.co.jp/thinktank/research/>

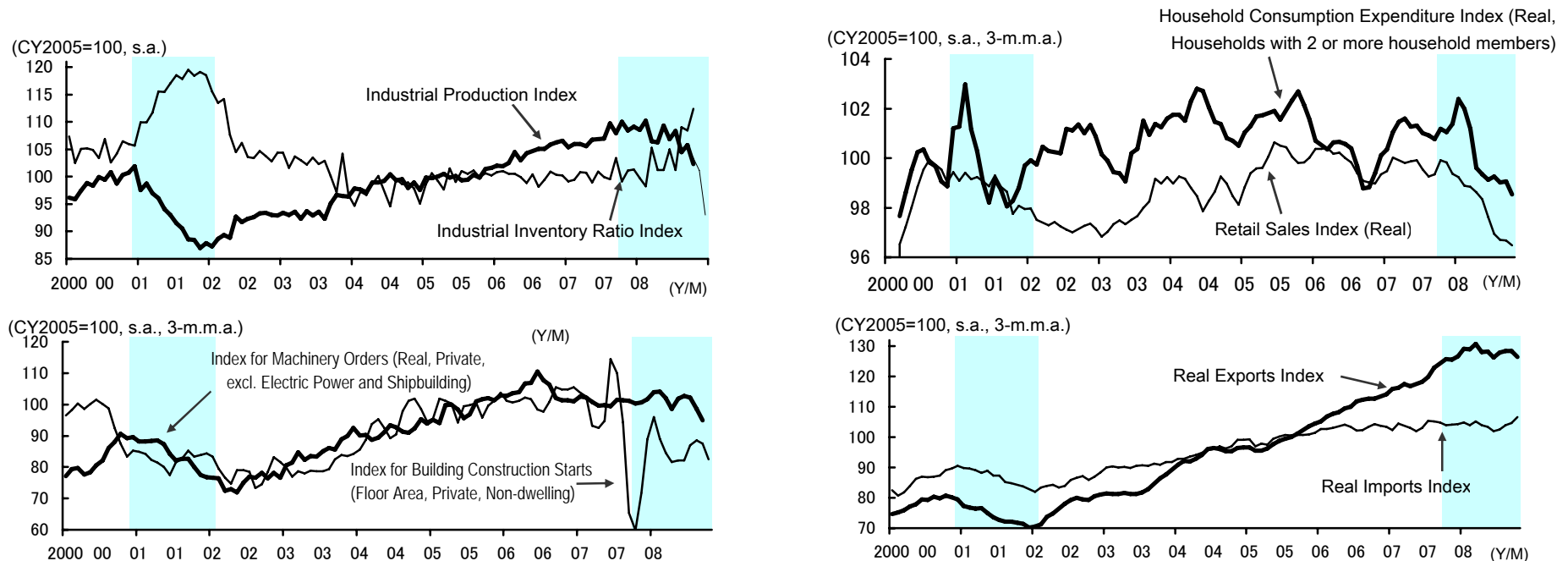
This report is the English version of the December 2008 issue of the original Japanese version.

Current situation of Japan's economy – On downward trend both in corporate and household sector

Japan's economy has recently been worsening rapidly. In the corporate sector, a declining trend of exports has been obvious as exports to Asia have been slowing down, in addition to a decrease in shipments to the US and European countries. Machinery orders excluding electric power and shipbuilding saw three consecutive monthly declines since July 2008, leading to the uncertain situation in business fixed investment. Reflecting these unfavourable moves, industrial production in the final quarter last year is estimated to have declined significantly.

The household sector also continues to be in a sluggish situation. Private consumption is at a "low-flying" level due to a still high level of prices of necessities amid a stagnant income environment. The diffusion index for current conditions in the Economy Watchers Survey by the Cabinet Office also continues to stay in considerably negative territory.

Figure 1 Main Indicators for Japan's Economy



Source: The Ministry of Economy, Trade and Industry, The Ministry of Internal Affairs and Communications, The Cabinet Office, The Ministry of Land, Infrastructure and Transport, The Bank of Japan.

Note 1: Indices of industrial production and industrial inventory ratio are seasonally adjusted on a monthly basis. Others are calculated as seasonally adjusted and 3-month moving averages.

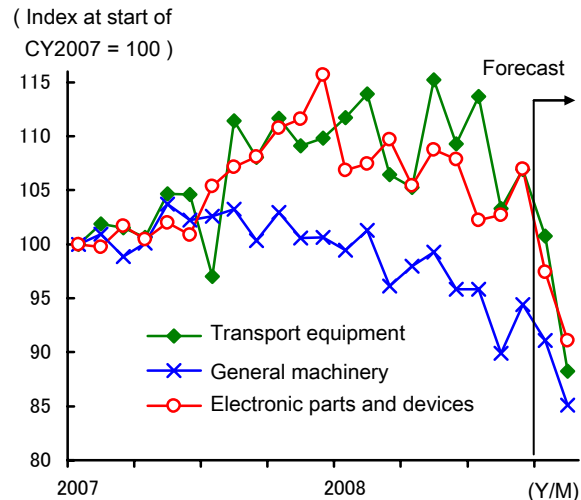
Note 2: The industrial production index in November and December 2008 is based on METI forecasts. Note 3: Shaded areas indicate periods of recession according to the Cabinet Office.

Production in manufacturing – A sharp decline in Q4 2008; further downside risk remains

Production in manufacturing in the final quarter last year is estimated to have lowered to the level of the first half of CY2003, judging from the forecast indices which had shown significant declines in November and December. Viewed by industry, a considerable fall has been seen in transport equipment, electronic parts and devices, and general machinery. It is estimated that the production level of transport equipment and electronic parts and devices would have fallen by 25 per cent from the peak seen in the past one year. These adverse moves in production indicate the possibility that overseas orders have been decreasing sharply, reflecting a deteriorating world economy.

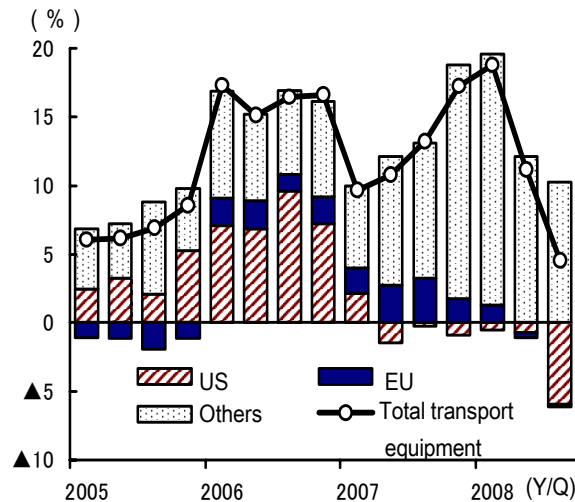
Moreover, the amendment ratio in the forecast indices tends to be widening downwards. Therefore, there would be significant risk that actual manufacturing production could be revised downwards further from the forecast. For example, It is expected that the general machinery industry, the amendment ratio of which reached minus 12.2 per cent in last November, could continue a significant decline in production, reflecting a decrease in business fixed investment at home and abroad.

Figure 2-1 Industrial Production by Industry
<seasonally adjusted>



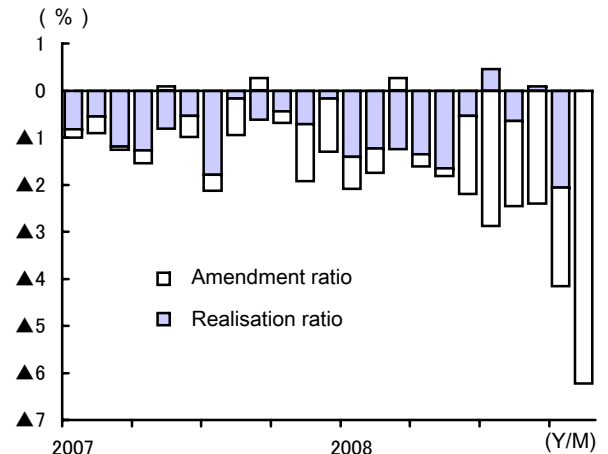
Source: The Ministry of Economy, Trade and Industry.

Figure 2-2 Real Exports of Transport Equipment by Destination
<year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.
Note: The figure in Q3 in 2008 is for July 2008.

Figure 2-3 Revision Ratios in Production Forecast Indices



Source: The Ministry of Economy, Trade and Industry.

Note : Realisation ratio = Actual figure of the previous month in the current survey / Estimate of the previous month in the previous survey × 100 - 100

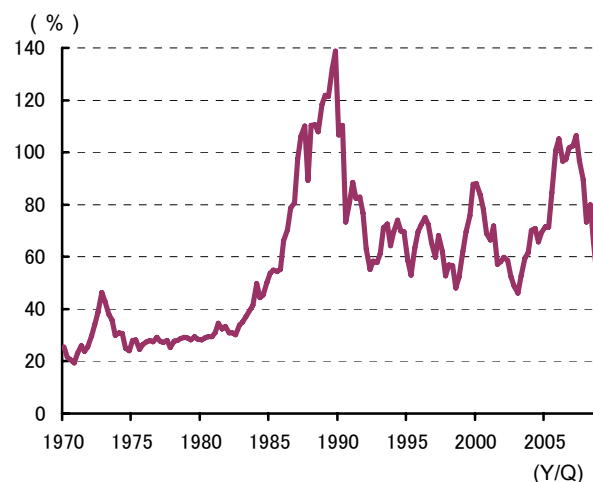
Amendment ratio = Estimate of the current month in the current survey / Estimate of the current month in the previous survey × 100 - 100

Falling stock prices - Materialising negative effects on households and enterprises

The fall in stock prices has been accelerating since the latter half of September last year. The ratio of the total market value of the Tokyo Stock Exchange to nominal Gross Domestic Income (GDI) has declined to the lowest level in the past twenty years. It is expected that stock prices will continue softening for the time being, due to an economic downturn at home and abroad and continued uncertainties surrounding the financial markets. The falling stock prices are likely to have adverse effects on the economy through the following three routes:

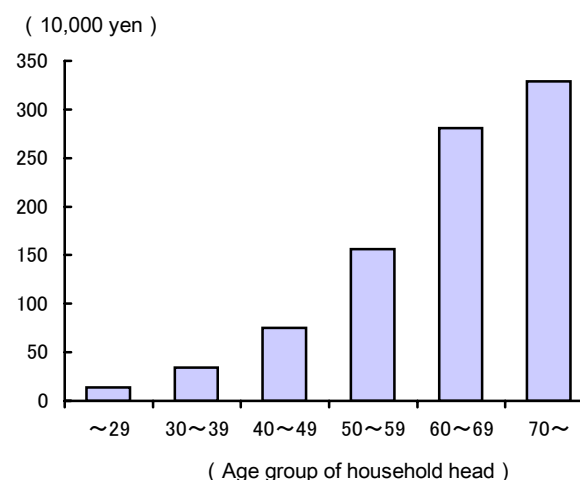
- (i) Sentiment. Deteriorating household and business sentiment, due to intensifying uncertainties as to future economic activity.
- (ii) Households. Intensified negative wealth effect on private consumption expenditure, especially in the households in higher income brackets and/or those with elderly persons as their household heads, which hold relatively large amounts of stock.
- (iii) Enterprises. Worsened corporate profits, reflecting appraisal losses due to the fall of the prices of the stocks held. The deteriorating corporate profits could weigh heavily on business fixed investment and compensation of employees.

Figure 3-1 Ratio of Total Market Value of Tokyo Stock Exchange to Nominal Gross Domestic Income (GDI)



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Tokyo Stock Exchange.
Note: The figure in Q4 in 2008 is for October 2008.

Figure 3-2 Amounts of Stock Held per Household by Age Group of Household Head (all households, including unit trust)



Source: The Cabinet Office, "Annual report of the family income and expenditure survey 2007".

Figure 3-3 Estimated Influence of Change in Stock Prices and the Exchange Rate on Real GDP Growth Rate of Japan (the one year period from October 2008)

		The J. Yen / US Dollar Exchange Rate				
		110	105	100	95	90
The Nikkei 225 Stock Average	14,000	0.1	-0.1	-0.2	-0.4	-0.5
	13,000	-0.0	-0.2	-0.3	-0.5	-0.6
	12,000	-0.1	-0.3	-0.4	-0.5	-0.7
	11,000	-0.2	-0.3	-0.5	-0.6	-0.8
	10,000	-0.3	-0.4	-0.6	-0.7	-0.9
	9,000	-0.4	-0.5	-0.7	-0.8	-1.0
	8,000	-0.5	-0.6	-0.8	-0.9	-1.1
7,000	-0.6	-0.7	-0.9	-1.0	-1.1	

Source: The Japan Research Institute, Ltd. based on the Nikkei NEEDS macro economic models.

Note: Comparison between real GDP growth rate during one year to September 2008 and that to September 2009. Each set of the levels of the Nikkei 225 and the exchange rate is assumed to be kept during one year to September 2009.

The Yen appreciation - To cause exchange net losses and weigh on real net exports

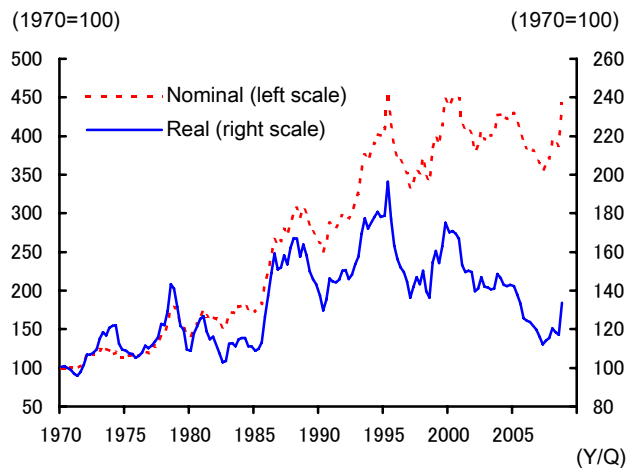
The Japanese yen has appreciated considerably since last summer against other currencies. During that period, it has risen against virtually all major trading currencies. As a result, the real effective rate of the yen has appreciated rapidly.

As for the prospects, while the across-the-board appreciation of the yen would be settled for the time being, the yen is expected to continue a mild appreciation trend against the US dollar. Accordingly, the real effective rate of the yen would be at a 10 % higher level than that of last summer.

The yen appreciation could have adverse influences on the economy through the following two routes:

- (i) Export and import prices. The estimates of exchange losses and gains show that while the trade denominated in US dollars would bring about exchange gains, the trade denominated in other currencies would cause exchange losses, which lead to net losses in total currencies.
- (ii) Export and import volume. A decrease in export volume and an increase in import volume could weigh on domestic production. The estimate shows that there would be an around one year time lag between the start of the yen appreciation and the time of the materialising of its negative influences on the economy. Therefore, the negative influences through this route could intensify from the middle of this year onwards.

Figure 4-1 Nominal and Real Effective Exchange Rate of Japanese Yen



Source: The Bank of Japan.
Note: The figure in Q4 in 2008 is for October 2008.

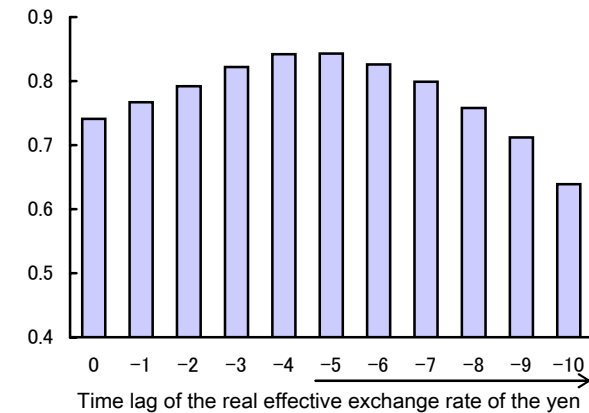
Figure 4-2 Estimates of Exchange Losses and Gains (the average rate in July 2008 → the rate at the end of October 2008, annualised amount)

Denominated in	Net exports	
	Exports	Imports
Total currencies	- 3,645	53,836
US dollars	12,562	44,763
Euros	- 11,552	6,791
Sterling pounds	- 1,111	565
Other currencies	- 3,545	1,717

(100 million yen)

Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.

Figure 4-3 Time-lag Correlation Coefficient between Net Exports on a SNA basis and Real Effective Exchange Rate of the Yen



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office and The Bank of Japan.

Exports - A declining trend could be prolonged

It is expected that a declining trend of exports will be more visible, against the background of a deceleration of overseas economy.

Viewed by region:

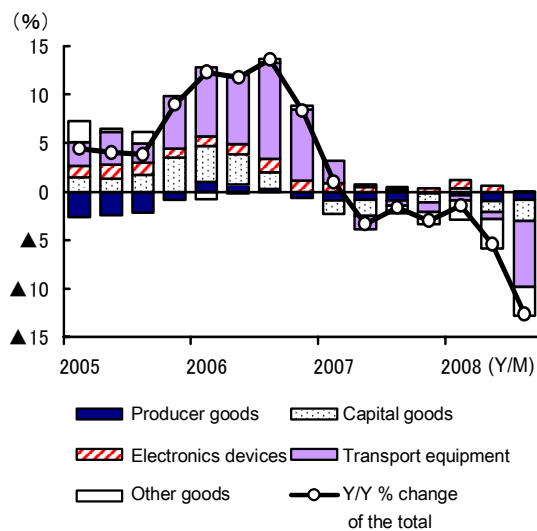
(i) To the US and European countries. A continued decline, reflecting the downturn of their economic activity. In addition to a decline in exports of motor vehicles, shipments of industrial machinery could also fall.

(ii) To resource-rich countries. A possible significant fall in exports to Middle Eastern countries and Russia. The national income of resource-rich countries has been decreasing considerably due to the fall of resource prices.

(iii) To China. A continued relatively firm trend. However, the pace of the increase could be slowing down noticeably.

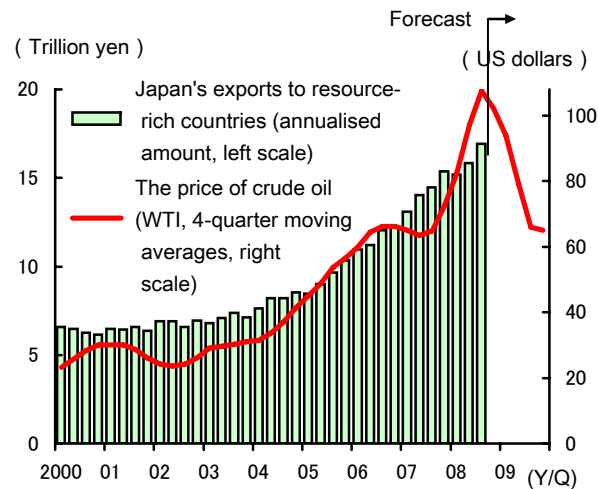
Moreover, it is expected that negative influences of the yen appreciation would be materialising during this year. As a result, it is likely that the sluggish situation of Japan's exports could be prolonged. A declining trend is projected to continue at least until the end of FY2009, that is March 2010.

Figure 5-1 Japan's Real Exports to the US by Commodity <contribution to the total year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.

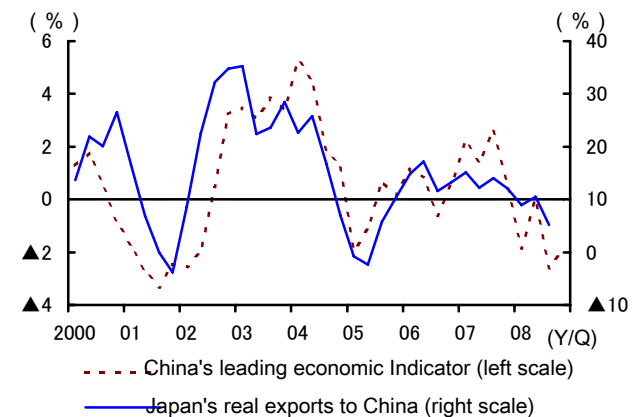
Figure 5-2 Japan's Exports to Resource-rich Countries and Price of Crude Oil



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.

Note: The forecast of the price of crude oil is by JRI projections.

Figure 5-3 China's Leading Economic Indicator and Japan's Real Exports to China <year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The OECD, The Ministry of Finance, The Bank of Japan.

Note: The figure of China's leading economic indicator in Q4 in 2008 is for the latest available.

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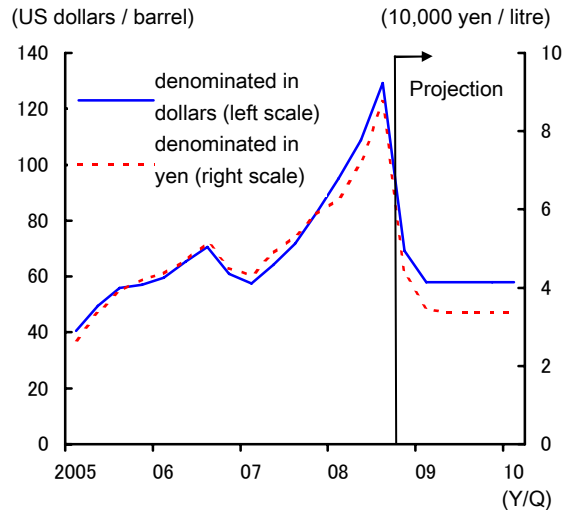
The impact of decline of resource prices - Increased income inflow from overseas

It is expected that resource prices would stay at a low level, as the world economy will decelerate considerably.

Accordingly, the income shift from Japan to resource-rich countries peaked in the July-September period last year. As import prices have been falling sharply, the income inflow from overseas to Japan is projected to increase rapidly from the last October-December period onwards. The total amount of income inflow is estimated to be nine trillion yen during CY2009 to December 2009 or seven trillion yen during FY2009 to March 2010.

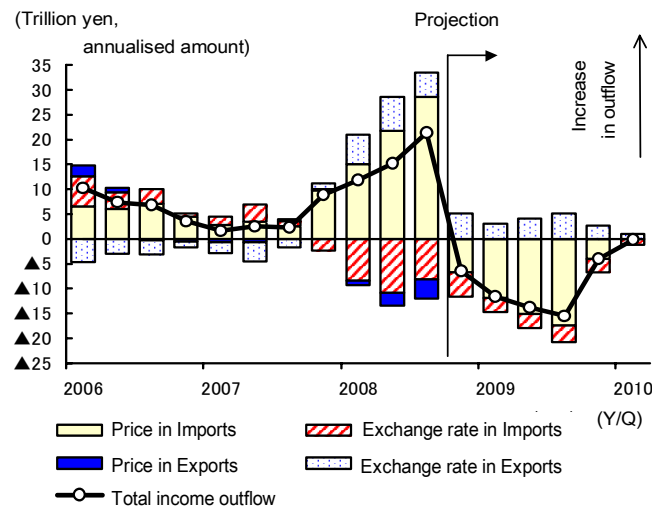
As a result, it is projected that real GDI (Gross Domestic Income), which includes an income increase or decrease due to the change of terms of trade (trade gains and losses), will increase visibly. Also, the surplus in goods and services in the balance of payments, which had been on a decreasing trend, is expected to expand.

Figure 6-1 Import Price of Crude Oil
(on an arrival CIF basis)



Source: The Ministry of Finance.

Figure 6-2 Contribution of Each Factor of Price and Exchange Rate Changes to Total Income Shift to Overseas <year-on-year change amount on an annualised basis>

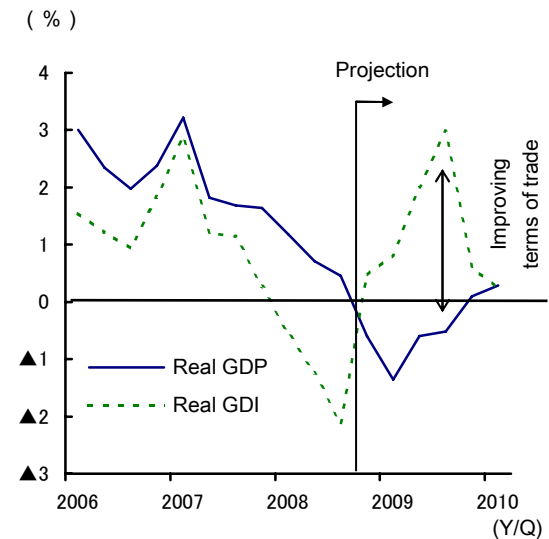


Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.

Note 1: Prices are on a contract currency basis.

2: Plus figures indicate income outflow to overseas, and minus figures indicate income inflow from overseas.

Figure 6-3 Real GDP Growth Rate and Real GDI Growth Rate



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

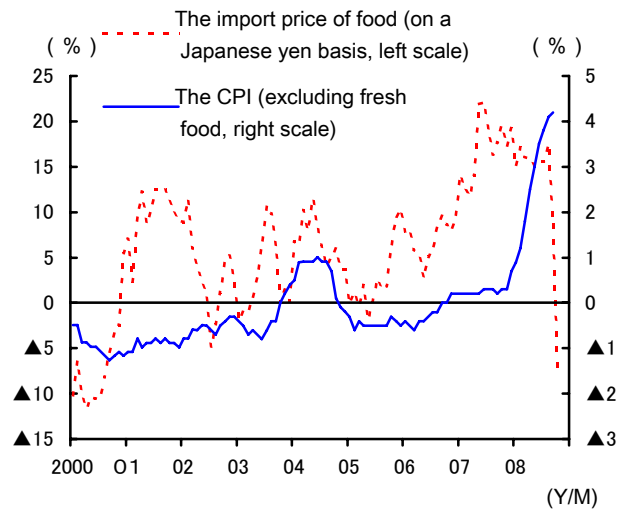
The rate of increase in the CPI - To turn negative again; looming deflationary pressure

It is expected that moves to lower prices will spread among goods and services covered by the Consumer Price Index (CPI), due to re-emerging price competition and a fall of resource prices. However, the fall in consumer prices would be delayed due to the following: (i) a several month time lag between imports of resources with lower prices and retail sales of these products, (ii) consumers' behaviour to avoid cheap food primarily for safety reasons, and (iii) enterprises' move to lower the ratio of resource costs to sales.

Looking further, the core CPI (the CPI excluding fresh food) will decelerate rapidly in the second half of FY2008 mainly due to the fall in the price of petrol, although food prices would stay at a high level. Then, the index is projected to turn negative and decline further sharply after the start of FY2009, reflecting a widening of the supply-demand gap, exhibiting looming deflationary pressure.

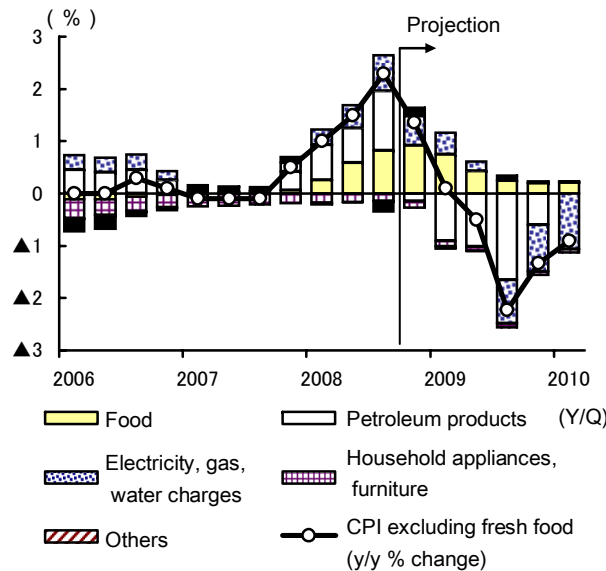
At first, the increased income inflow from overseas to Japan due to the fall in resource prices would be a contribution to corporate profits. Then, it would be a financially contributing factor to households after the start of FY2009. Almost all of the increased income inflow is projected to be the funds to compensate for a reduction in sales prices during the second half of FY2009.

Figure 7-1 Import Price of Food and the CPI excluding Fresh Food <year-on-year % change>



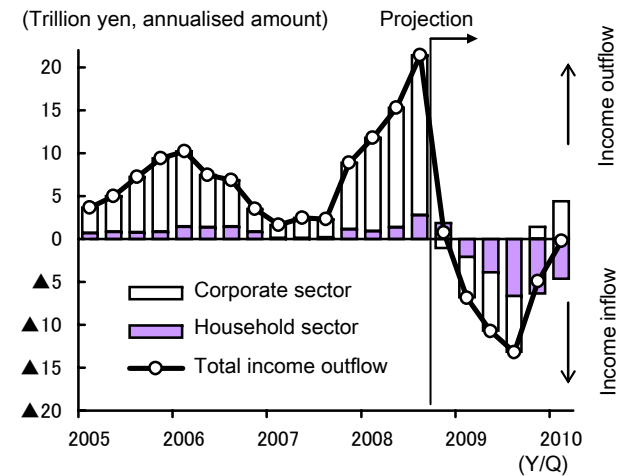
Source: The Bank of Japan, The Ministry of Internal Affairs and Communications.

Figure 7-2 Change in Consumer Price Index on CY2005-base <year-on-year, excluding fresh food>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.

Figure 7-3 Contribution of the Financial Burden or Benefit of Each Sector to Total Income Shift <year-on-year change amount on an annualised basis>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan, The Cabinet Office.

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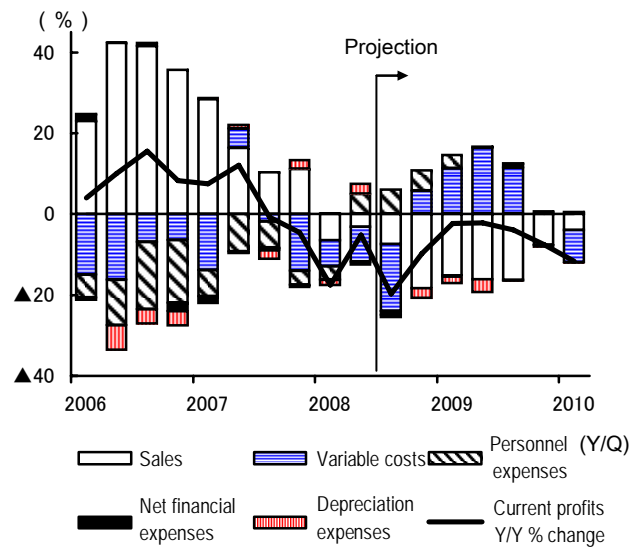
Stopping deterioration of profits, yet business fixed investment to continue to decline

It is projected that the year-on-year minus seen in the change in corporate profits will be narrowing for the time being. An improvement in the output / input price ratio due to the fall in resource prices is expected to contribute to this favourable trend, although downward pressure on profits from a decline in sales amount could intensify.

The year-on-year minus in the change in business fixed investment is estimated to expand at the moment due to the following: (i) the negative influences of high resource prices would still remain, because of the time lag between an improvement in profits and an advance in business fixed investment. (ii) The attitude of enterprises to business fixed investment will be more cautious, reflecting a lowering of capacity utilisation and a worsening of business sentiment. Especially, investment in manufacturing would decline considerably.

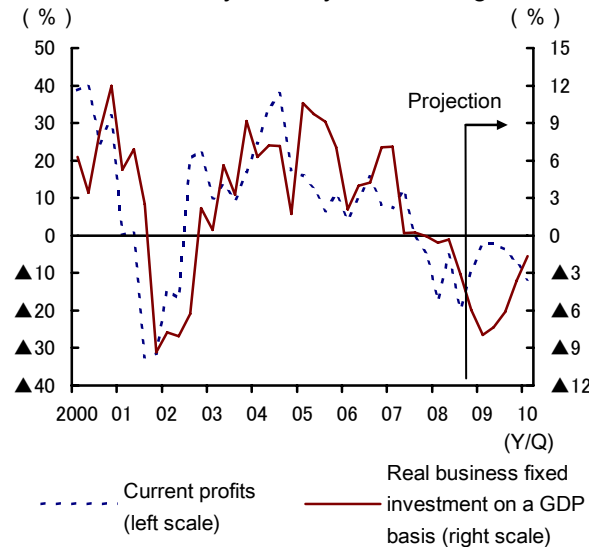
However, it is likely that the adjustment pressure on the corporate sector this time will not be as intensified as in past recessionary phases. This is because the impact of a decline in sales amount on profits has been smaller, reflecting an already strengthened corporate financial situation and improved profitability.

Figure 8-1 Contribution of Sales and Expenses to Year-on-year % Change of Current Profits



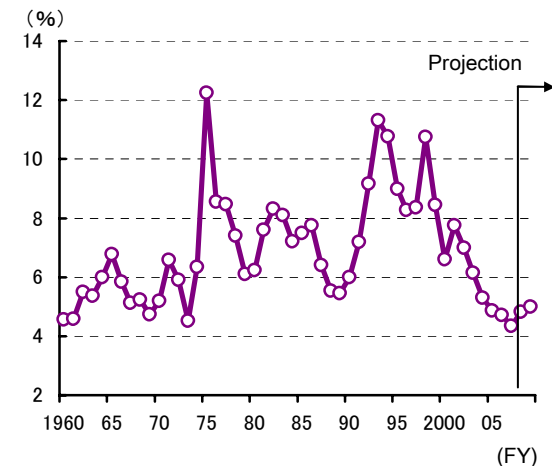
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, "Financial Statements Statistics of Corporations by Industry: Quarterly".

Figure 8-2 Current Profits and Real Business Fixed Investment <year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Cabinet Office.

Figure 8-3 The Rate of Decrease in Current Profits Corresponding to a 1% Decrease in Sales Amount



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.

Declining exports, the yen appreciation - To weigh on the processing industries

An estimate of the influences of declining exports, the yen appreciation and the fall of the price of crude oil shows visibly the difference of the degree of impact between industries.

The processing industries, which feel a significant influence of a fall in exports and the yen appreciation, are estimated to be most adversely affected. Among nonmanufacturing, the wholesale trade and financial services industries, which have a high degree of export or overseas dependence, are estimated to have a downswing in their profits.

On the other hand, the material industries in manufacturing and nonmanufacturing other than the above mentioned industries are projected to have a positive net influence. This is because these industries are able to enjoy to an appreciable degree the benefits of exchange gains in imports and the fall in the price of crude oil.

Figure 9 The Estimated Impact of Declining Exports, the Yen Appreciation and the Fall of the Price of Crude Oil (during CY2009)

(% points)

		Impact of each factor on ratio of profits to sales			
			Decrease in exports	Appreciation of the yen	Fall in the price of crude oil
Manufacturing	Food	2.2	- 0.0	1.2	1.0
	Textiles	7.5	- 0.4	6.5	1.4
	Paper products, pulp	1.9	- 0.5	0.3	2.0
	Chemical products	4.8	- 0.7	0.1	5.4
	Petroleum and coal products	19.6	- 0.5	1.0	19.1
	Ceramic, stone and clay	0.8	- 1.1	0.0	1.9
	Steel and steel products	- 0.6	- 1.7	- 0.5	1.6
	Nonferrous metals and products	2.9	- 1.0	1.9	2.0
	Miscellaneous metal products	0.3	- 0.9	0.2	1.0
	General machinery	- 2.2	- 1.8	- 1.2	0.8
	Electrical and electric machinery	- 1.5	- 1.3	- 1.2	1.1
	Information and communication equipment	0.6	- 0.6	0.4	0.8
	Electronic parts and devices	- 2.2	- 2.6	- 0.6	1.0
	Transportation equipment	- 2.7	- 2.0	- 1.6	0.9
	Precision machinery	0.8	- 0.9	0.9	0.7
	Other manufactured products	3.5	- 1.1	3.3	1.3
	Nonmanufacturing	Agriculture and fishing	2.7	- 0.1	1.4
Construction		1.0	- 0.1	0.0	1.1
Electricity and gas		6.5	- 0.7	- 0.0	7.3
City water supply		0.7	- 0.4	- 0.0	1.1
Wholesale and retail trade		- 0.8	- 1.0	- 0.4	0.6
Financial services and insurance		- 0.5	- 0.8	0.0	0.3
Transport		1.2	- 0.9	- 0.2	2.4
Communication and broadcasting		- 0.0	- 0.5	0.0	0.4
Public service		0.2	- 0.6	0.2	0.6

Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, The Ministry of Finance, The Ministry of Economy, Trade and Industry, The Bank of Japan.

Note : The estimate is based on the assumptions that (i) the yen would appreciate by 10% against all other currencies, (ii) the price of crude oil would fall by 49%, and (iii) enterprises would pass on a 30 % of the increased costs to the sales prices.

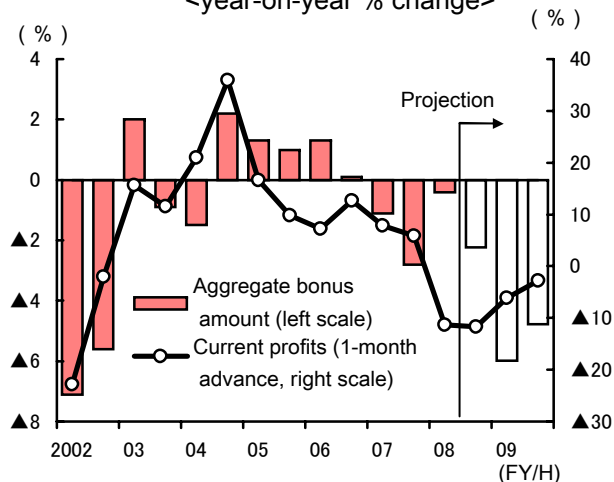
Private consumption - Income to decrease, yet lifted by a fall in prices

In the household sector, the following three negative influences would be felt: (i) a worsened employment environment, (ii) a fall in wages, especially bonuses, and (iii) a negative wealth effect due to the fall in stock prices. On the other hand, there would be the following positive factors: (i) an expected two trillion yen of flat-sum cash benefits to households and (ii) an improvement in real purchasing power of households because of the fall in consumer prices.

Taking these influences and factors into consideration, the projection for private consumption expenditure during FY2009 indicates a contraction in nominal private consumption for the first time in six years. In the income situation, disposable income in the period is expected to stay flat, because flat-sum cash benefits would make up for the decrease in income due to an economic downturn. In the expenditure side, the propensity to consume is expected to decline because of worsened sentiment for consumption and a negative wealth effect.

However, real private consumption expenditure is projected to grow and accelerate slightly in FY2009. This is because the real purchasing power of households will advance reflecting a noticeable improvement in the private consumption deflator due to the fall of consumer prices.

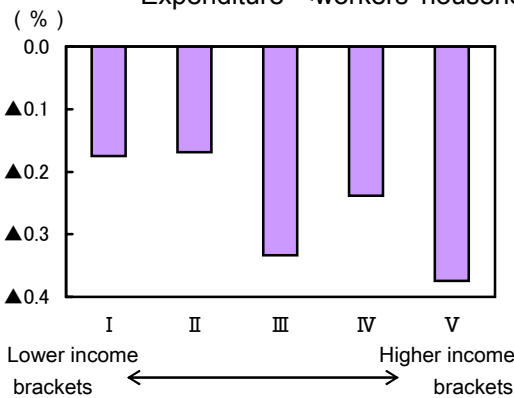
Figure 10-1 Current Profits and Aggregate Bonus Amount
<year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Ministry of Health, Labour and Welfare.

Note: The aggregate bonus amount is on a Monthly Labour Survey basis.

Figure 10-2 The Impact of a 10% Fall of Stock Prices on Private Consumption Expenditure <workers' households>

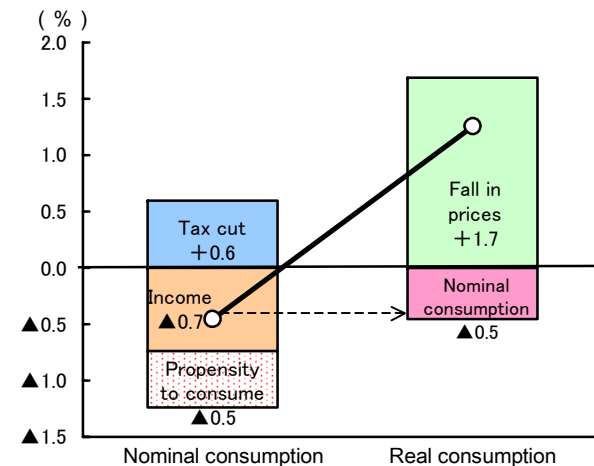


Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.

Note: The private consumption expenditure function here:

$$\ln(\text{PCE}) = \text{constant} + \alpha * \ln(\text{actual income}) + \beta * \ln(\text{stock prices})$$

Figure 10-3 The Factors of the Change of Private Consumption Expenditure (in FY2009)



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications.

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Prospects for Japan's economy - Projected real GDP change; -1.1% in FY2008 and -0.8% in FY2009

(1) It is expected that the recessionary phase of Japan's economy will be prolonged, against the background of a protracted downturn in the economic activity in the US and European countries, and continued turmoil in the financial markets. It is projected that Japan's real GDP during FY2008 will see four consecutive quarters of contraction, on a seasonally adjusted and quarterly annualised rate over the previous quarter basis. Further, it is expected that the economy will follow a quarterly trajectory at a pace considerably below its potential output growth rate during FY2009. This will lead to minus 1.1 per cent in the real GDP change rate in FY2008 and minus 0.8 per cent in FY2009.

(2) A main cause of the recession appears to be the economic deterioration in the corporate sector. It is expected that Japan's exports, which had been a driving force for the economy, will continue to be declining. This is due to the prolonged sluggish situation of the US and European economies exacerbated by uncertainties in the financial markets, lowered driving power for Japan's economy of exports to emerging and resource-rich countries, and a gradual materialising of the negative effect of the Japanese yen appreciation. Reflecting a rapid decline in capacity utilisation, a decreasing trend in business fixed investment would be more visible, especially in the export industries such as motor vehicles and electronic parts and devices. An inventory adjustment could also lower the economic growth rate.

(3) In the household sector, it is expected that private consumption expenditure will continue a "low-flying" trend, due to stagnant income environments in addition to a negative wealth effect of falling stock prices. However, real private consumption expenditure is projected to grow and accelerate slightly in FY2009. This is because real purchasing power of households will advance reflecting a noticeable improvement in the private consumption deflator due to the fall of consumer prices

(4) As for income flow, the income shift from Japan to resource-rich countries peaked in the July-September period last year. As the import prices have been falling sharply, the income inflow from overseas to Japan is projected to increase rapidly from the last October-December period onwards. The year-on-year per cent change in the GDP deflator will likely turn positive in FY2009, mainly reflecting a fall in the import deflator.

Figure 11 Projections for GDP Growth and Main Indicators of Japan (as of December 26, 2008)

(seasonally adjusted, annual % changes from the previous quarter)												
	CY2008				CY2009				FY2006	FY2007	FY2008	FY2009
	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12				
	(Actual)				(Projection)				(Actual)		(Projection)	
Real GDP	2.4	▲ 3.7	▲ 1.8	▲ 3.8	▲ 1.4	▲ 0.1	0.2	0.1	2.3	1.9	▲ 1.1	▲ 0.8
Private Consumption Expenditure	3.6	▲ 2.6	1.2	▲ 0.2	1.0	1.1	1.2	1.1	1.1	0.9	0.3	0.9
Housing Investment	19.9	▲ 10.1	16.5	10.6	▲ 3.0	▲ 2.0	▲ 0.6	1.2	▲ 0.2	▲ 13.0	▲ 2.9	1.2
Business Fixed Investment	1.4	▲ 8.3	▲ 7.8	▲ 10.8	▲ 8.7	▲ 4.3	▲ 1.2	▲ 1.5	5.6	2.3	▲ 4.9	▲ 5.0
Private Inventories (percentage points contribution)	(▲ 1.0)	(0.1)	(▲ 0.6)	(0.1)	(▲ 0.3)	(▲ 0.1)	(▲ 0.3)	(0.1)	(0.2)	(0.1)	(▲ 0.2)	(▲ 0.1)
Government Consumption Expenditure	▲ 1.5	▲ 3.5	▲ 1.3	1.1	0.6	0.2	0.4	0.3	1.1	2.2	▲ 0.4	0.3
Public Investment	▲ 19.6	▲ 4.7	1.6	4.2	▲ 2.0	0.3	▲ 0.9	▲ 1.1	▲ 8.8	▲ 5.8	▲ 4.4	▲ 0.2
Net Exports (percentage points contribution)	(1.8)	(▲ 0.4)	(▲ 0.5)	(▲ 2.9)	(▲ 0.3)	(0.0)	(▲ 0.1)	(▲ 0.5)	(0.8)	(1.2)	(0.0)	(▲ 0.5)
Exports of Goods and Services	14.5	▲ 10.1	3.4	▲ 18.8	▲ 10.2	▲ 5.5	▲ 3.4	▲ 2.5	8.3	9.3	▲ 0.9	▲ 6.7
Imports of Goods and Services	4.1	▲ 11.5	9.6	▲ 3.5	▲ 12.2	▲ 8.1	▲ 4.2	0.8	3.1	1.8	▲ 1.5	▲ 5.0
(% changes from the same quarter of the previous year)												
Real GDP	1.4	0.7	▲ 0.5	▲ 1.9	▲ 2.7	▲ 1.8	▲ 1.3	▲ 0.2	2.3	1.9	▲ 1.1	▲ 0.8
Nominal GDP	0.0	▲ 0.8	▲ 2.1	▲ 0.9	▲ 1.8	▲ 0.4	▲ 0.3	▲ 0.6	1.5	1.0	▲ 1.4	▲ 0.5
GDP deflator	▲ 1.4	▲ 1.5	▲ 1.6	1.0	0.9	1.4	1.1	▲ 0.4	▲ 0.7	▲ 0.9	▲ 0.3	0.3
Consumer Price Index (excluding fresh food)	1.0	1.5	2.3	1.3	0.1	▲ 0.8	▲ 1.9	▲ 1.2	0.1	0.3	1.3	▲ 1.2
Industrial Production Index	2.3	1.0	▲ 1.3	▲ 14.7	▲ 22.8	▲ 22.7	▲ 21.9	▲ 13.0	4.6	2.6	▲ 9.7	▲ 15.4
Unemployment Rate (%)	3.9	4.0	4.1	3.9	4.3	4.5	4.6	4.7	4.1	3.8	4.1	4.6
Current Account Balances (trillion JY)	6.58	3.84	4.02	3.82	6.73	5.37	6.93	5.44	21.15	24.54	18.41	24.11
Share of Nominal GDP (%)	5.2	3.0	3.2	2.9	5.4	4.2	5.6	4.1	4.1	4.8	3.6	4.8
Exchange Rates (JY/US\$)	105.2	104.5	107.6	96.0	88.0	88.0	88.0	85.0	116.9	114.2	99.0	87.0
Import Price of Crude Oil (US\$/barrel)	95	109	129	77	46	48	51	53	64	79	90	52

Source: The Cabinet Office, The Ministry of Internal Affairs and Communications, The Ministry of Economy, Trade and Industry, The Ministry of Finance.

The projection figures are based on those of The Japan Research Institute, Ltd.

Note: The projections are made based on the assumptions that real GDP growth rate of the US would be 1.2% in CY2008 and -1.3 in CY2009 and that of the euro area 0.9% in CY2008 and -1.8% in CY2009.