

# Monthly Report of Prospects for Japan's Economy

## February 2013

Macro Economic Research Centre  
Economics Department



The Japan Research Institute, Limited

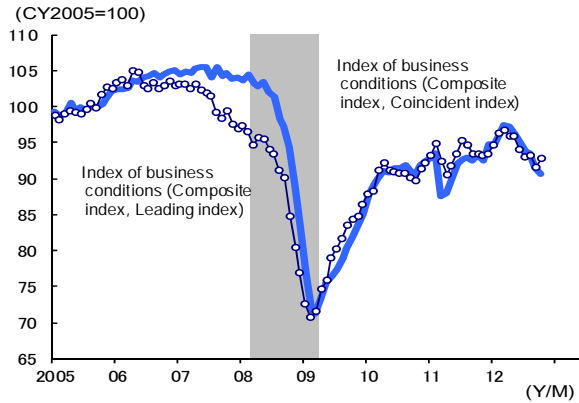
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the January 2013 issue of the original Japanese version.

# The general situation of Japan's economy – The economy has been in recession since last April

Figure 1-1 Economic Activity

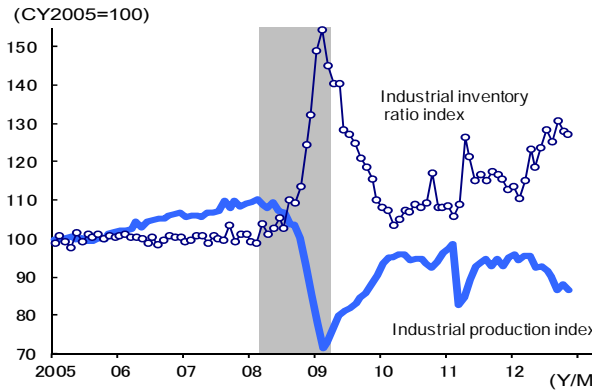
Japan's economy is probably in a recessionary phase, as shipments and retail sales stagnate.



Source: The Cabinet Office.

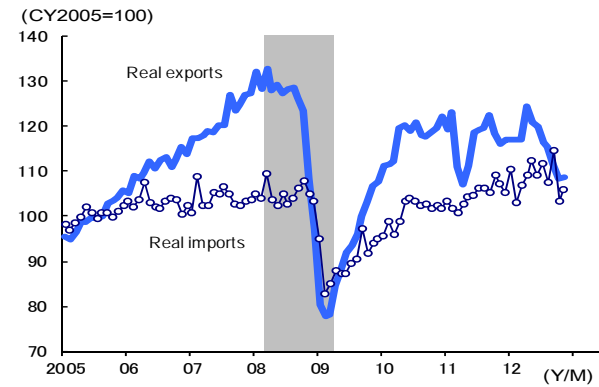
Figure 1-2 The Corporate Sector

Industrial production declined again to the level just after the disaster. Exports to Europe and China have declined. The increasing trend in imports has taken a breather. The inventory ratio is at a high level in a wide range of industries.



Source: The Ministry of Economy, Trade and Industry.

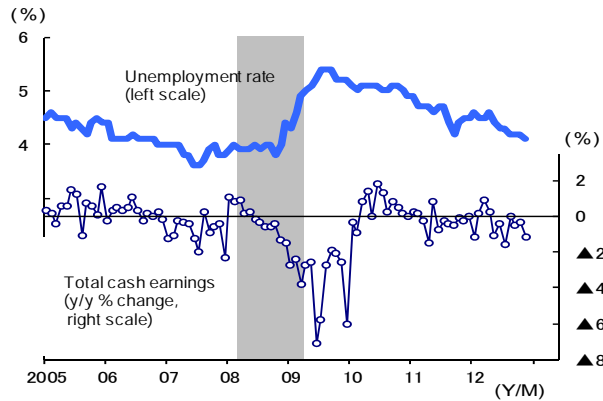
Figure 1-3 Overseas Demand



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The employment situation has improved moderately. In cash earnings, overtime pay and bonuses decreased.

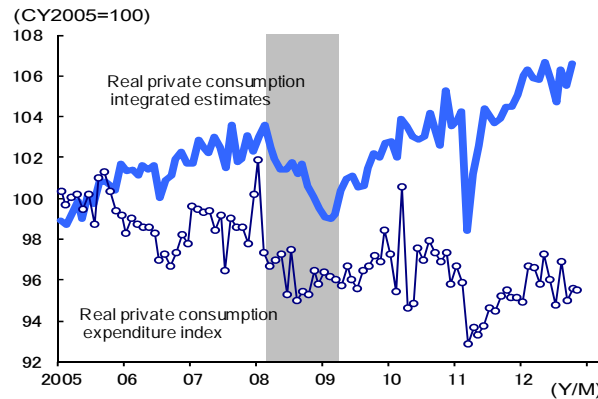


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

\* The shaded area indicates the phase of recession.

Figure 1-5 Private Consumption Expenditure

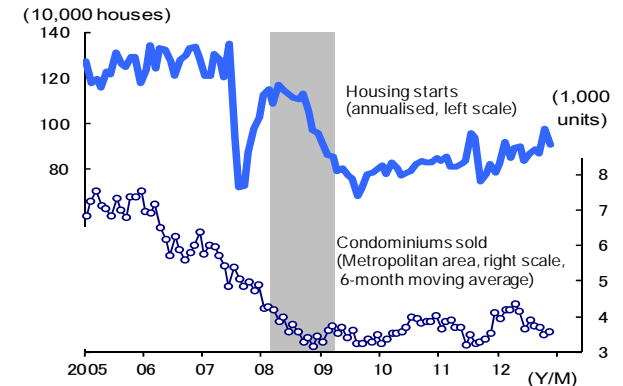
Private consumption expenditure continues to weaken, reflecting sluggish consumer sentiment.



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

Figure 1-6 Housing Investment

Housing starts are on a moderate increasing trend. Condominium sales are on a decreasing trend.



Source: The Ministry of Land, Infrastructure and Transport, Real Estate Economic Institute Co., Ltd..

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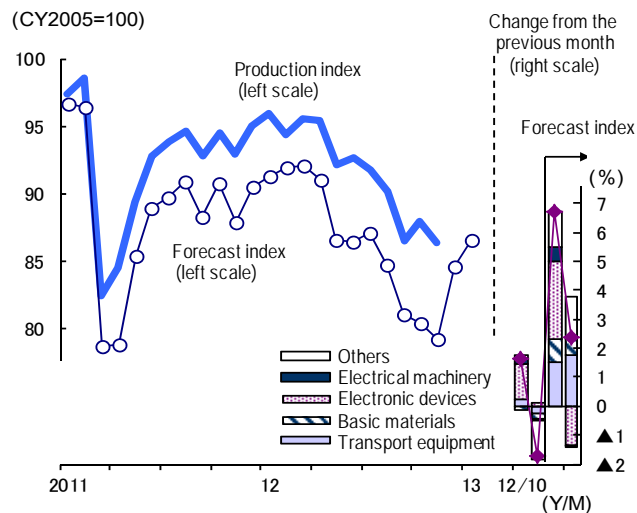
## Industrial production seems to show signs of bottoming out

Japan's economic activity has worsened significantly. It is highly probable that the economy has been in a recessionary phase since last April, as the index of business conditions (composite index (CI), coincident index) has continued to decline after the peak in March 2012. Also, industrial shipments decreased considerably both in goods for final demand in the domestic market and goods for exports. This shows that strong downward pressure on demand at home and abroad continues to exist.

Industrial production declined again in November by 1.4 per cent over the previous month. As for production forecast, the index for December and January exhibits an increase and seems to show signs of industrial production bottoming out. However, it is possible that actual figures could have been lower than forecast during the period. This is because the recent forecasts have tended to be revised downwards and pressure for inventory adjustment persists, judging from the recent situation in shipments - inventory balance.

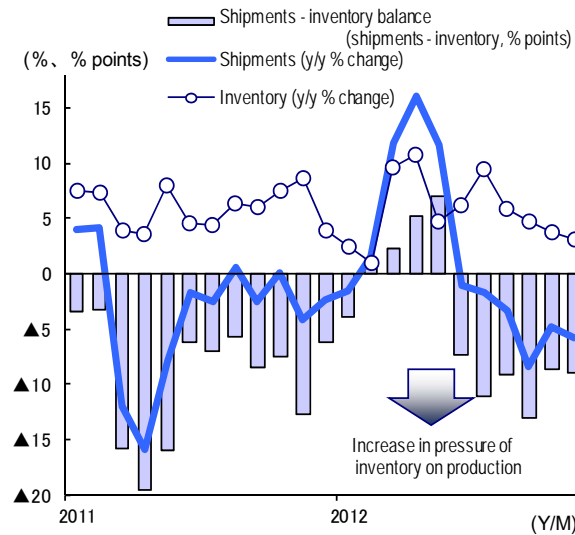
Real exports decreased for 7 months running, mainly due to continued declines in exports to China and Europe. On the other hand, exports to the US picked up, mainly led by exports of electronic parts and devices, communication equipment, transport equipment, and so on.

Figure 2-1 Industrial Production Index  
<seasonally adjusted>



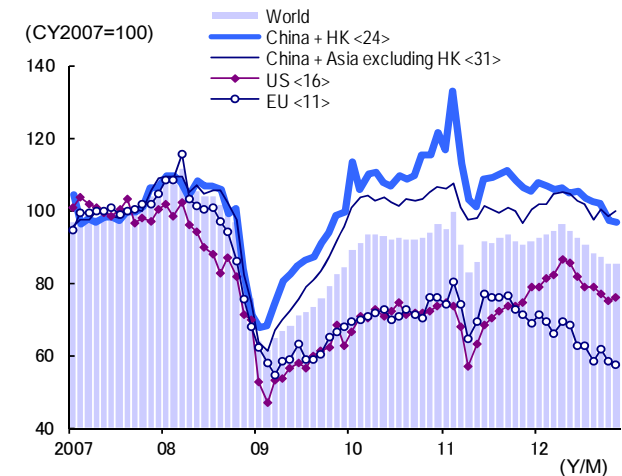
Source: The Ministry of Economy, Trade and Industry.

Figure 2-2 Shipments - Inventory Balance



Source: The Ministry of Economy, Trade and Industry.

Figure 2-3 Real Exports by Region  
<seasonally adjusted>



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

Note: Figures in the angle brackets show the shares in FY2011.

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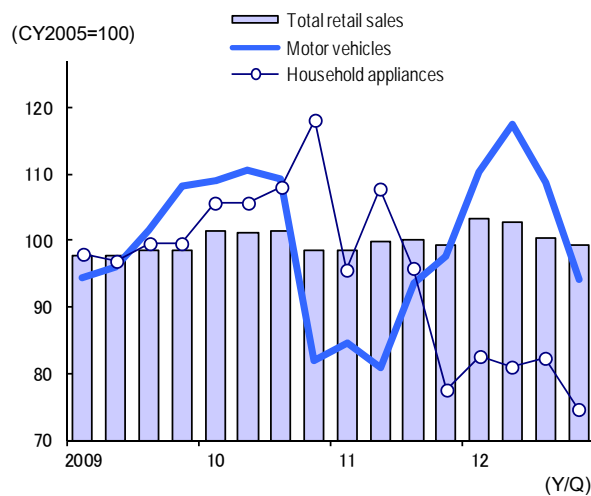
## Reconstruction demand continues to bolster economic activity

Private consumption expenditure on the whole has continued weakening, partly reflecting sluggish consumer sentiment. Automobile sales in the October-December period last year will likely have declined over the previous quarter. In addition, retail sales of household electrical appliances including digital appliances continue to stagnate.

Along with downward pressure on demand at home and abroad intensifying, the friction between Japan and China since the nationalisation of the Senkaku Islands by the Japanese government last autumn continues to have negative influences on the economy. For example, in automobile sales in China, Toyota and Honda, Japanese car manufacturers, showed a considerable decline in November. However, the pace of decline in sales slowed down compared with the previous month. It is possible that the negative influences of the friction on the economy would become fewer in about half a year's time.

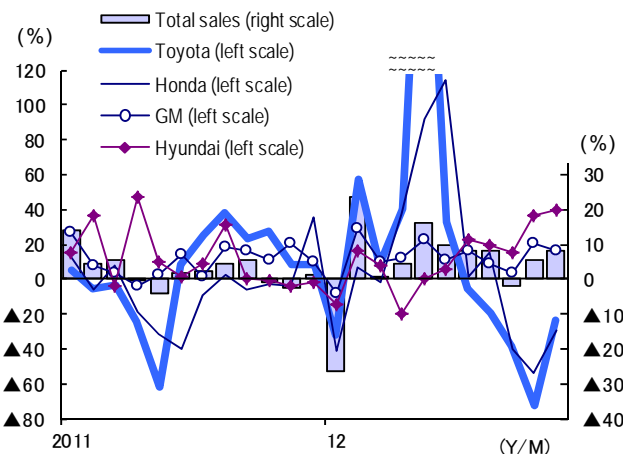
Meanwhile, the boosting effect on domestic demand of government measures for reconstruction from the disaster has been bolstering economic activity. Revised figures on real public investment on a GDP basis show that reconstruction demand has materialised in earnest since early 2012 onwards, not 2011, reflecting the delay in reconstruction activity. This could keep up the effect of bolstering economic activity through FY2013.

Figure 3-1 Retail Sales Index  
<seasonally adjusted>



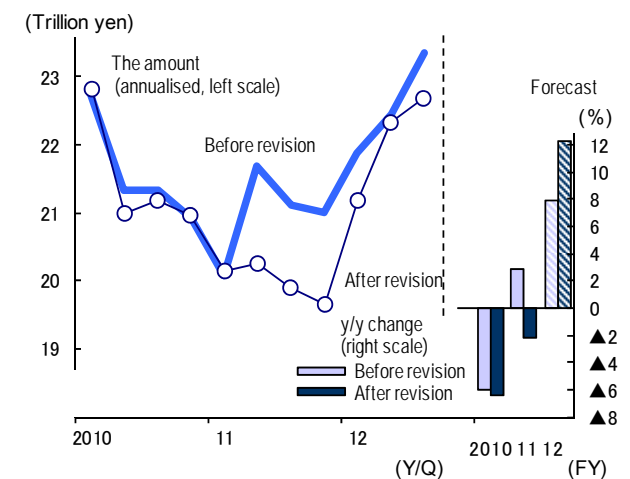
Source: The Ministry of Economy, Trade and Industry.  
 Note: The figure in Q4 2012 is for the average of October and November.

Figure 3-2 Automobile Sales in China  
<year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of China Association of Automobile Manufacturers, Bloomberg L.P.

Figure 3-3 Real Public Investment  
on a GDP Basis



Source: The Cabinet Office.  
 Note: The revision as of December 10, 2012.

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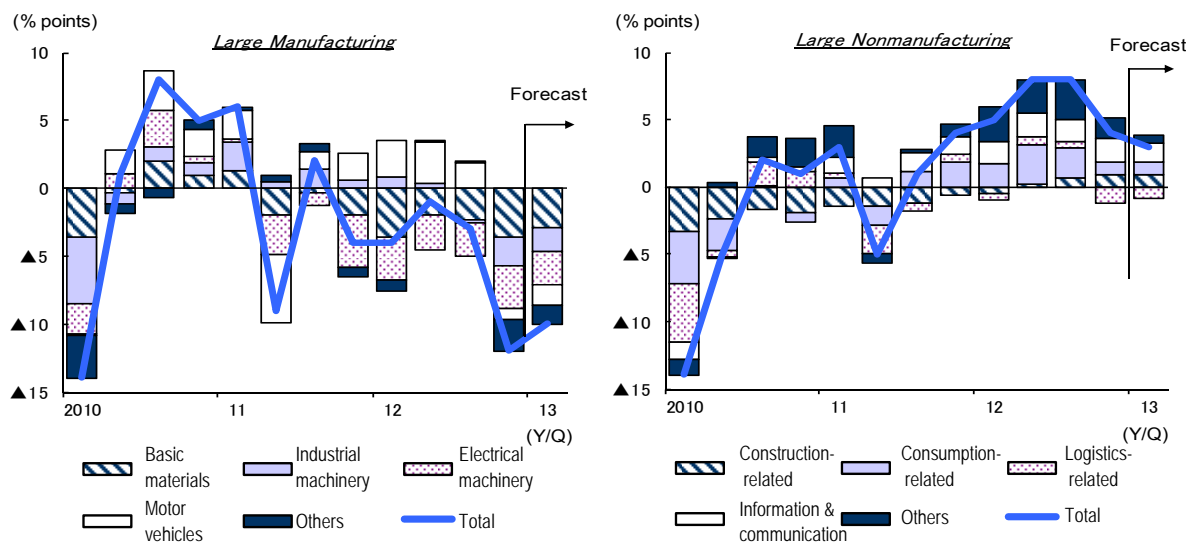
# Tankan Survey - Business conditions have worsened reflecting a decrease in overseas demand

In the Tankan December 2012 Survey, the diffusion index (DI) for business conditions (shown as "favourable" minus "unfavourable") in large manufacturing was minus 12 percentage points, a 9 percentage point deterioration from the previous Survey. Viewed by industry, the DI for the motor vehicle industry worsened to minus territory, reflecting the end of eco-car subsidies and the friction between Japan and China. The DIs for a wide range of industries including basic materials and industrial machinery also declined. The forecast DIs for March varied among industries. While the DI for the electrical machinery industry, in which smartphone-related demand is brisk, is expected to improve, the DI for the motor vehicle industry, which has uncertainties over Japan-China relationships, is predicted to worsen further.

The DI for business conditions in large nonmanufacturing was plus 4 percentage points, a 4 percentage point worsening. Viewed by industry, the DIs for industries such as accommodations, and eating and drinking services, deteriorated, partly affected by the decrease in the number of tourists from China. In addition, the DI for the construction industry worsened, due to the delay in part in materialising of reconstruction demand from the disaster. The forecast DI for March in large nonmanufacturing showed a decline for two quarters running, which implies anxiety that domestic demand, which had been firm, could have weakened.

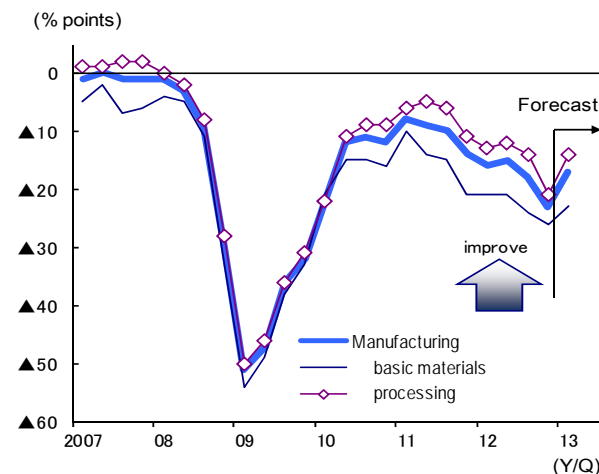
Figure 4-1 Contributions to Business Conditions Diffusion Index by Industry

<diffusion index of "favourable" minus "unfavourable", and percentage point contribution to the total DI points>



Source: The Japan Research Institute, Ltd. based on the data of The Bank of Japan, "The Tankan December 2012 Survey".

Figure 4-2 The Diffusion Index for Demand Conditions for Products <overseas demand>



Source: The Bank of Japan, "The Tankan December 2012 Survey".

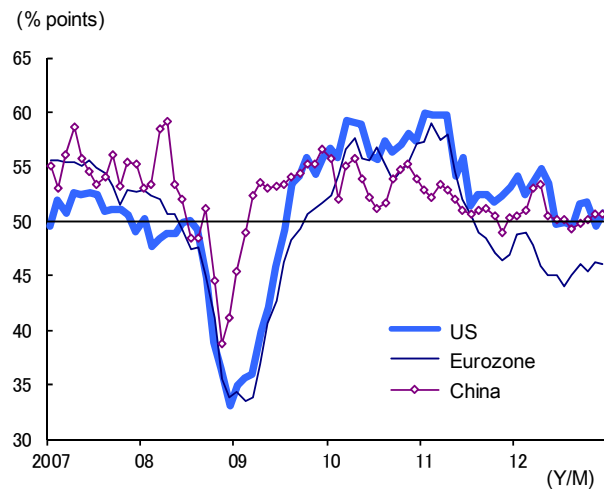
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## Overseas economies would pick up after early 2013 onwards

As for the economic situation, it is predicted that the US economy, while there may be a possible temporary mild downswing, will be firm from this spring onwards, against the background of an improvement in employment environments and a recovery in the housing market. It is also expected that the Chinese economy will gain its economic momentum, although the pace of acceleration will stay moderate, reflecting the materialisation of the supporting economic measures of the government since last spring. Taking these trends into consideration, it is likely that Japan's export environments will improve gradually from this spring onwards.

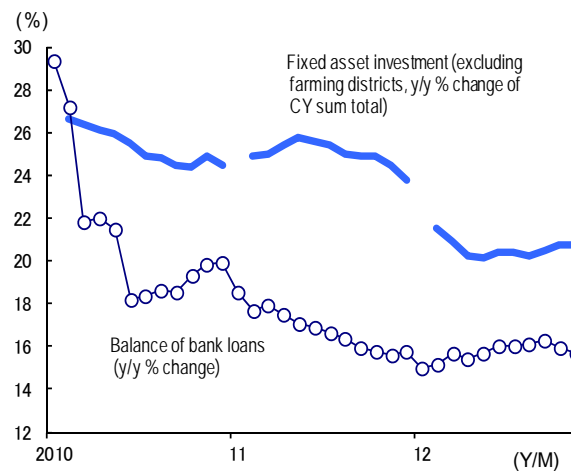
On the other hand, in European economies as a whole, it is projected that the real GDP change rate will continue in negative figures, due to austerity budgets, worsening employment and income environments, and so on. Because the share of exports to the EU in Japan's total exports is smaller than that of exports to the US or China on a value basis, the direct negative effect of the deterioration in European economies on Japan's economy would be limited. However, it should be noted that exports of China to the EU, which have a large share in China's total exports, will likely continue to decline for the time being. Therefore, as an indirect negative effect, it is probable that Japan's exports to China, mainly in the producers' goods sector, will continue to face strong downward pressure for the moment.

Figure 5-1 The PMI in Manufacturing  
<seasonally adjusted>



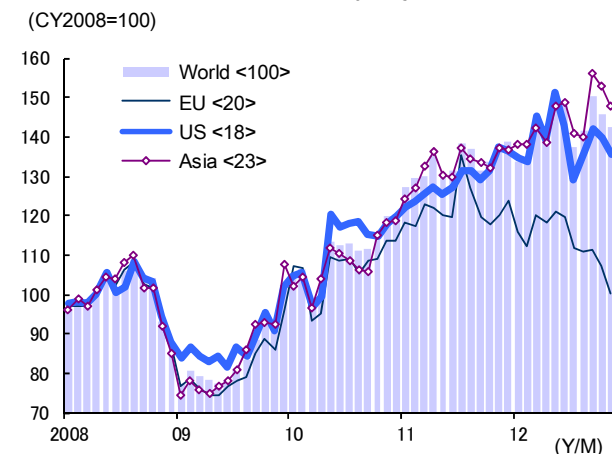
Source: Institute for Supply Management, Markit,  
China Federation of Logistics and Purchasing.

Figure 5-2 Fixed Asset Investment and  
Balance of Bank Loans in China  
<year-on-year % change>



Source: The National Bureau of Statistics of China,  
The People's Bank of China.

Figure 5-3 China's Exports by Destination  
<seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data  
of General Administration of Customs of the People's  
Republic of China.

Note: Figures in the angle brackets show the shares in CY2010.

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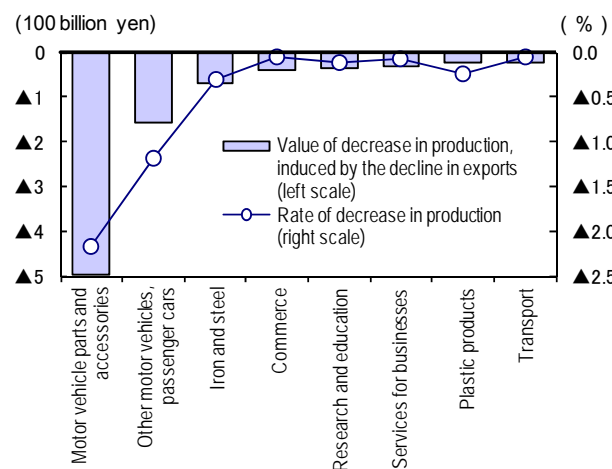
## Intensified and/or prolonged friction between Japan and China could be a risk to the economy

It is hoped that the downward pressure of friction between Japan and China on the economy will reduce gradually from early this year onwards. However, there is a risk that the negative influences could increase due to intensified and/or prolonged friction.

Viewed by industry, firstly, the boycott of Japanese cars in China will have a significant negative effect on Japan's transport equipment industry. It is estimated that if local subsidiaries in the transport equipment industry in China continue to reduce their production for 9 months, the amount of their buying-in imports from Japan could decrease by about 350 billion yen, and, as an adverse ripple effect, domestic production in Japan could decline by about 1.1 trillion yen.

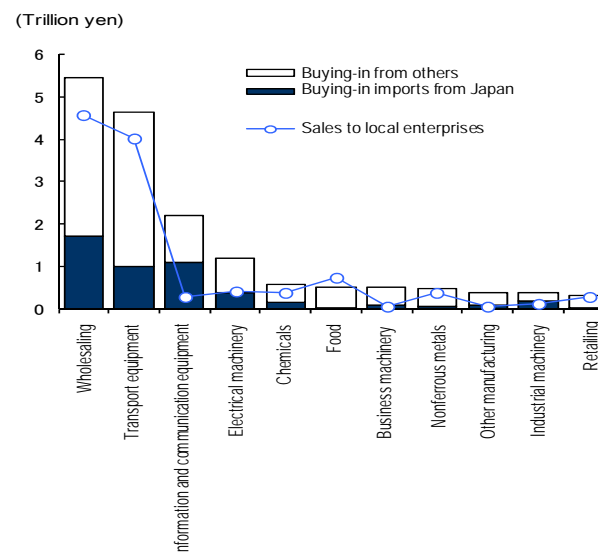
In addition, the negative effect will spread further, if local subsidiaries reduce their production, in industries such as wholesaling, where sales to local enterprises have a large share of the total, and information and communication equipment as well as electrical machinery, which have a high ratio of buying-in imports from Japan. It is estimated that if local subsidiaries in all industries in China continue to reduce their production for 9 months, the amount of their buying-in imports from Japan could decrease by about 1.6 trillion yen, and, accordingly, Japan's real GDP could decline by about 3.0 trillion yen through the end of FY2013, a decline by about 0.6 per cent of real GDP.

Figure 6-1 The Effect of Reduction in Production of Motor Vehicles in Local Subsidiaries in China on Domestic Production (Estimate)



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

Figure 6-2 The Amount of Buying-in in Local Subsidiaries in China and Their Sales to Local Enterprises (FY2010)



Source: The Ministry of Economy, Trade and Industry.

Figure 6-3 The Effect of Reduction in Production in Local Subsidiaries of Japanese Enterprises in China on Japan's Economy

The reduction in local production would come to an end	Real GDP	Domestic corporate profits
(Scenario 1) within 6 months	- 2.1 trillion yen	- 1.7 trillion yen
	- 0.4 % compared with FY2011	- 3.7 % compared with FY2011
(Scenario 2) within 9 months	- 3.0	- 2.5
	- 0.6	- 5.5
(Scenario 3) within 1 year	- 3.9	- 3.3
	- 0.8	- 7.2

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

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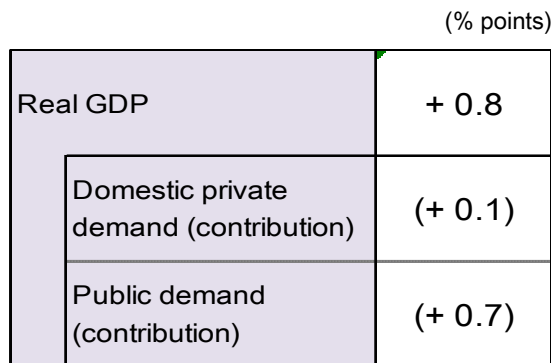
# An improvement in the power of autonomous recovery in domestic private demand is required

The new Abe administration decided "Emergency Economic Measures for the Revitalisation of the Japanese Economy" in the Cabinet meeting on January 11. The total size of the package is 20.2 trillion yen. Among them, the amount of central government expenditures, which are included in the supplementary budget, is 10.3 trillion yen. In this amount, 4.6 trillion yen can boost the economic growth directly. It is estimated that, if this 4.6 trillion yen of budgets materialises as public investment, it will boost the real GDP growth rate in FY2013 by 0.8 percentage points.

Although successive administrations have taken economic measures since the Lehman shock in 2008, real GDP has continued to stagnate. Taking the current severe fiscal situation into consideration, it is imperative for the new administration to make sure that the economic measures will lead to the increase in the power of autonomous recovery in domestic private demand.

In addition, the Abe administration is aiming at reversing deflation, through cooperation with The Bank of Japan, by aggressive monetary easing. Under this circumstance, the exchange rate of the yen against the US dollar fell to around 90 yen. While a depreciation of the yen causes an import price rise, it has an increasing effect on corporate profits through the improvement of export environments. It is estimated that corporate profits will have an upswing of 2.6 percentage points in FY2013 on the assumption of the exchange rate of 90 yen per dollar.

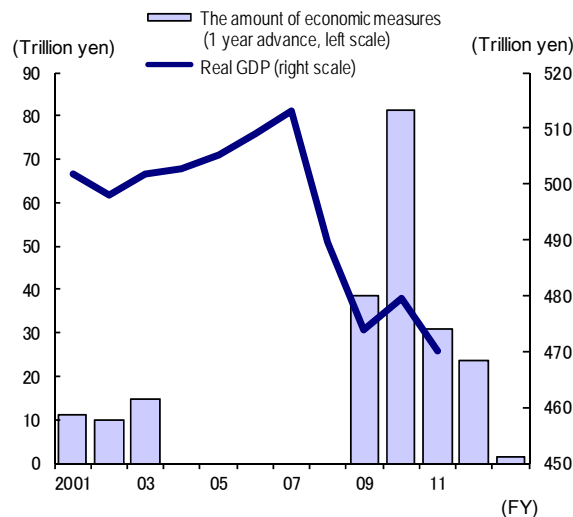
Figure 7-1 The Direct Effect of Emergency Economic Measures on Real GDP Growth in FY2013 (Estimate)



Source: Macro model simulation of The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Finance, and others.

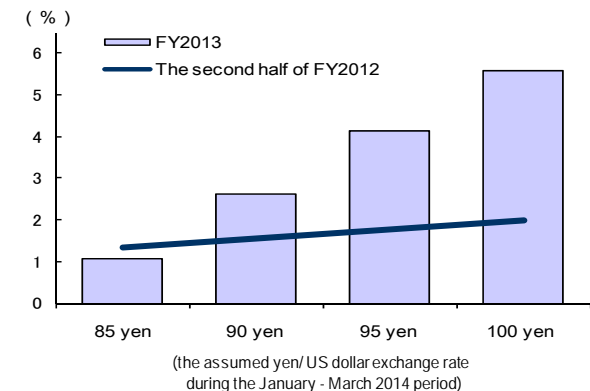
Note: The effect of 4.6 trillion yen which can boost the GDP growth rate directly.

Figure 7-2 Economic Measures Thus Far and Real GDP  
<on a total size of package basis>



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

Figure 7-3 The Effect of Depreciation of the Yen on Corporate Profits (Estimate)



Source: Macro model simulation of The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, and others.

Note: 1. Nonfinancials.

2. Calculated as differences from the main scenario (82 yen).

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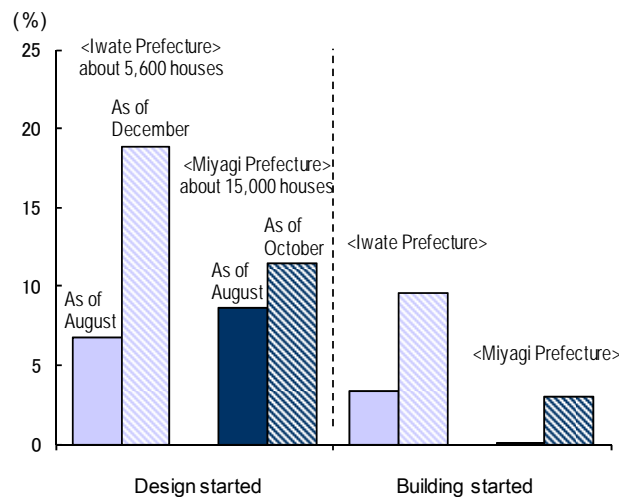


# Reconstruction demand would continue bolstering economic activity through FY2013

Economic activity for restoration and reconstruction in the disaster hit areas has been materialising in earnest since the start of last year, due to the effects of the related budgets. However, reconstruction activity has been delayed in a certain number of sectors, reflecting some human and material bottlenecks. For example, as for the ratio in progress in building public houses for disaster victims, only less than 10 per cent of the planned total has started to be built. Also, an insufficiency of workers for public works and a mismatch between jobs offered and jobs sought have been one of bottlenecks in the disaster stricken areas.

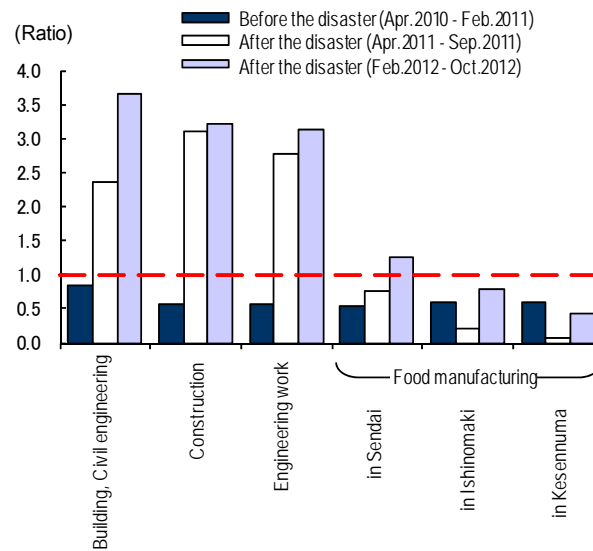
On the other hand, the delay in the materialisation of reconstruction demand appears to have also a prolonging effect on public investment. Taking into consideration the rate of implementation of reconstruction-related budgets, the value of contracts for public works, the estimated budget requested by government departments for FY2013, and so on, it is highly likely that the materialisation of reconstruction demand will be delayed, compared with earlier projections. Accordingly, reflecting the revision in the trajectory, it is projected that public investment will stay at a relatively high level and continue to bolster economic activity through FY2013.

Figure 8-1 Ratio in Progress in Building Public Houses for Disaster Victims in Iwate and Miyagi Prefectures



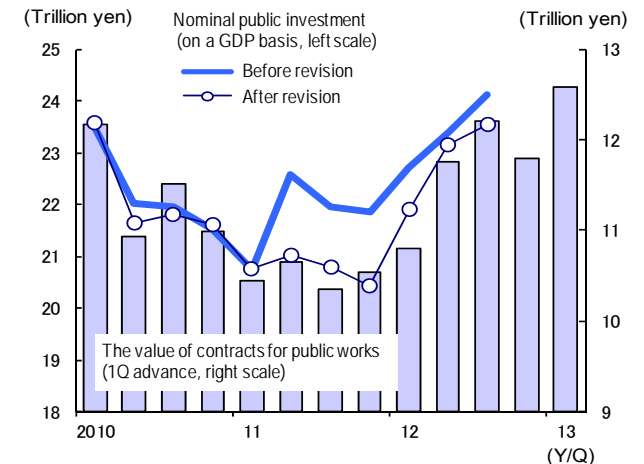
Source: The Japan Research Institute, Ltd. based on the data of Iwate Prefecture and Miyagi Prefecture.

Figure 8-2 Ratio of Job Offers to Application by Occupation in Miyagi Prefecture



Source: The Japan Research Institute, Ltd. based on the data of Miyagi Prefecture.

Figure 8-3 The Value of Contracts for Public Works and Public Investment on a GDP Basis <annualised, seasonally adjusted>



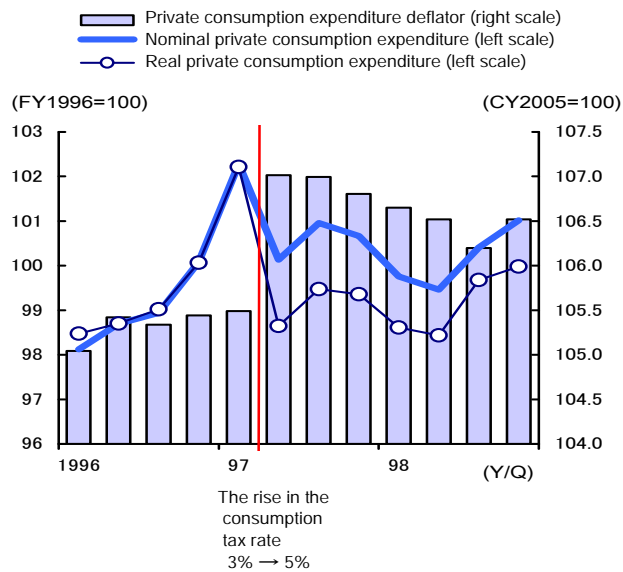
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, East Japan Construction Surety Co., Ltd., and so on. Note: The revision as of December 10, 2012.

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## Rushed demand expected in FY2013 before the rise in the consumption tax rate

The economic activity in the second half of FY2013 to March 2014 will have a considerable upswing due to rushed demand before the rise in the consumption tax rate, which is scheduled to be raised from 5 to 8 per cent in April 2014. Significant rushed demand is expected to be seen mainly in private consumption expenditure and housing starts, just as in the past, for example, in FY1996, when the consumption tax rate was raised last time in FY1997. On the other hand, the economic activity after the start of FY2014, when the rate is raised, will suffer a reactionary decline. Further, the rise in prices due to the consumption tax rise will reduce private consumption expenditure in real terms through a reduction in the purchasing power of households. Accordingly, real GDP in FY2014 is estimated to be 1.4 per cent less than that in case of no tax rise, based on the JRI macro model simulation. However, it is expected that a picking up in overseas demand in FY2014 could offset the negative effect caused by the rise in the consumption tax rate during that period. Based on the projections of the US and Chinese economies in FY2014, together with the estimates of the income elasticity of Japan's exports to the US and China, real exports are projected to increase at least by about 3 per cent, only through the increase in exports to these two countries.

Figure 9-1 Private Consumption Expenditure Before and After Consumption Tax Rise <1996 - 1998>



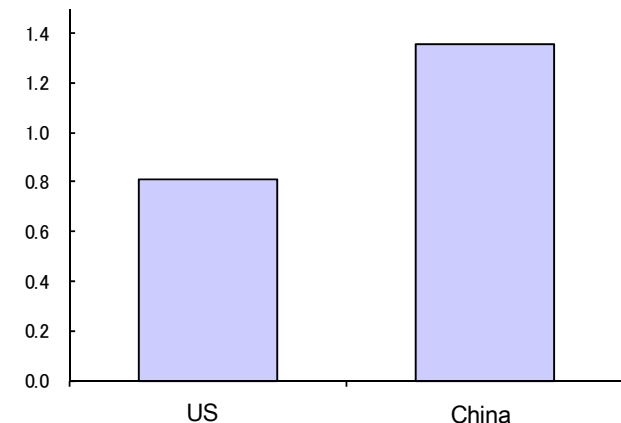
Source: The Cabinet Office.

Figure 9-2 Estimate of the Effect of Consumption Tax Rise in FY 2014 on Demand in FY2014 <5% → 8% in April 2014>

	Real GDP (%)	
	Real GDP	Real private consumption expenditure
The total downswing	- 1.4	- 1.9
Rushed demand factor	- 0.6	- 0.8
Price rise factor	- 0.8	- 1.1

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

Figure 9-3 Income Elasticity of Japan's Exports to the US and China (estimate)



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

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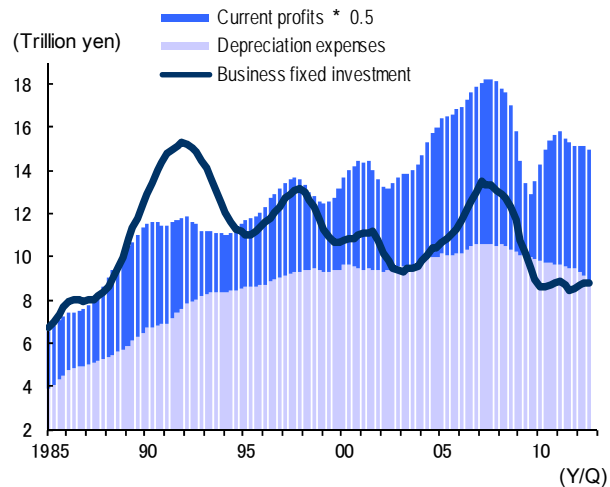
## The power of autonomous recovery in domestic demand is still fragile

It is expected that Japan's domestic demand will be boosted by special factors such as reconstruction demand from the disaster, emergency economic measures of the new administration, and rushed demand before the rise in the consumption tax rate. On the other hand, the power of autonomous recovery in domestic demand is still fragile, as shown in the fact that the employment and income situation is very slow to improve.

It is predicted that corporate profits will improve moderately, reflecting a pick-up in overseas economies and the depreciation of the yen.

However, Japanese enterprises will likely continue to be cautious about investing in the domestic market, and improving employment and income conditions. This trend is against the background that the long-run growth expectations have declined considerably in the domestic market, and that no improvement has been seen in domestic environments surrounding business, as shown in the high corporate tax rates, increasing costs of electric power, and so on. As a result, the amount of business fixed investment will be well below the amount of cash flow in enterprises. In addition, enterprises continue to keep the distribution to income for households at a low level. Accordingly, it is likely that compensation for employees will continue to stagnate. Under these circumstances, it is highly likely that it will take a long period of time to fill the GDP gap, which shows considerably insufficient demand. Therefore, it cannot be expected that prices will pick up noticeably.

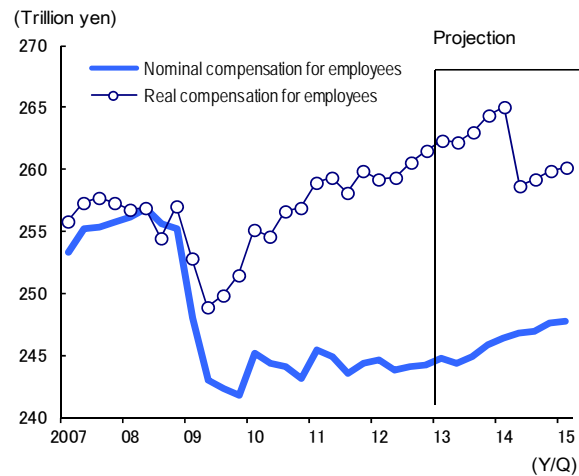
Figure 10-1 Business Fixed Investment and Cash Flow  
<4-quarter moving averages>



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

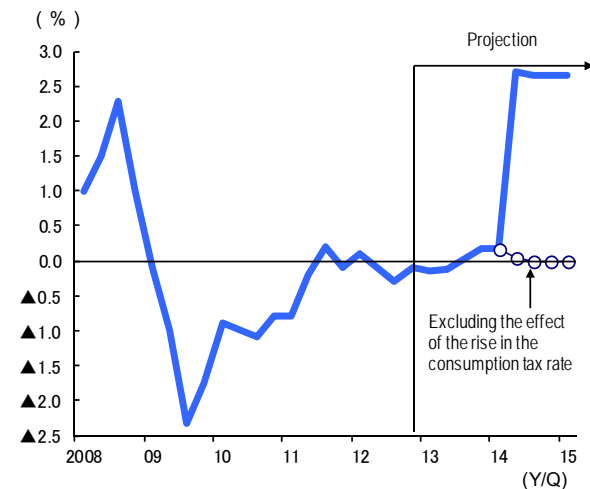
Note: 1. Cash flow = Current profits \* 0.5 + Depreciation expenses  
2. Nonfinancials.

Figure 10-2 Projection of Compensation for Employees  
<seasonally adjusted, annualised>



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

Figure 10-3 Projection about the Core CPI  
<year-on-year % change>



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

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## Prospects for Japan's economy - Projected real GDP change; 2.1% in FY2013 and -0.7% in FY2014

(1) The Abe new administration aims at reversing the long-lasting trend of deflation and correcting the highly appreciated level of the yen, through promoting economic policies of attaching great importance to economic growth, which have a three-pronged strategy consisting of aggressive monetary policy, flexible fiscal policy and a growth strategy. The financial markets have reacted to these moves quickly and positively. The key to Japan's economy hereafter appears to be whether or not this three-pronged strategy will lead to actual economic growth, without falling short of increased expectations.

(2) It is predicted that the depreciation of the yen, which has been affected by the move towards a further monetary easing, will boost corporate profits, mainly in export enterprises, by way of the improvement of export environments. It is estimated that corporate profits and real GDP in FY2013 will have an upswing of 2.6 per cent and 0.5 per cent, respectively, on the assumption that the exchange rate of the yen against the US dollar would remain at 90 during that period.

On the other hand, the fall of the yen will cause a rise in import prices. For example, energy-related import prices have risen recently. Therefore, it is probable that the weaker yen could have downward pressure on domestic demand-related enterprises as well as households.

(3) The total amount of central government expenditures in the emergency economic measures, which were decided in the Cabinet meeting in January, is 10.3 trillion yen. Among them, the expenditures which can boost the GDP growth rate directly are estimated to be 4.6 trillion yen. If this 4.6 trillion yen of budgets materialises as public investment, it will boost the real GDP growth rate in FY2013 by 0.8 percentage points.

(4) Taking the above mentioned factors into consideration, it is projected that real GDP will grow by 2.1 per cent in FY 2013, reflecting the effects of emergency economic measures and rushed demand before the rise in the consumption tax rate, which is scheduled in April 2014. However, it is projected that real GDP will contract by 0.7 per cent in FY2014, as a reactionary decline after the boosting effects of economic measures and rushed demand in the previous fiscal year.

(5) It should be noted that there are anxieties over the trajectory of Japan's economy hereafter, such as 1) local economies could cool further after the positive effects of increased public works peter out, 2) fiscal expenditures based on a large scale of issuance of government bonds could cause an instability in the financial markets, and 3) it is possible that the economy could enter into a recessionary phase again, if a reactionary decline after the boosting effects of economic measures co-occurs with a reactionary decline after the rushed demand caused by the rise in the consumption tax rise.

In order to avoid these adverse situations, the most important point is to implement the growth strategy and trigger a mechanism of "autonomous economic recovery", during a certain period of time which will be gained by aggressive monetary easing and emergency economic measures.

Figure 12 Projections for GDP Growth and Main Indicators of Japan ( as of January 25, 2013 )

(seasonally adjusted, annualised % changes from the previous quarter)

	CY2012			CY2013				CY2014				CY2015	FY2011	FY2012	FY2013	FY2014
	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3				
	(Actual)	(Projection)	(Projection)				(Projection)				(Projection)	(Actual)				
Real GDP	▲ 0.1	▲ 3.5	▲ 0.4	1.8	3.7	3.5	2.9	1.7	▲ 8.4	1.2	1.5	2.2	0.3	1.0	2.1	▲ 0.7
Private Consumption Expenditure	0.3	▲ 1.7	▲ 0.2	0.6	0.8	1.0	3.8	6.1	▲ 14.6	0.9	0.4	1.5	1.6	1.2	1.2	▲ 2.0
Housing Investment	6.3	3.7	4.1	1.8	7.6	15.3	11.5	▲ 8.3	▲ 20.3	▲ 13.2	▲ 4.8	▲ 1.5	3.7	3.0	6.7	▲ 8.2
Business Fixed Investment	0.5	▲ 11.3	0.0	3.0	3.6	3.8	3.8	4.8	3.0	3.6	4.3	4.1	4.1	0.1	2.3	3.8
Private Inventories (percentage points contribution)	(▲ 1.1)	( 0.9)	( 0.0)	( 0.0)	( 0.0)	( 0.0)	( 0.0)	(▲ 0.3)	( 0.3)	( 0.0)	( 0.1)	( 0.1)	(▲ 0.5)	( 0.0)	( 0.1)	( 0.0)
Government Consumption Expenditure	1.9	2.4	0.8	0.5	0.3	0.2	0.5	0.7	0.6	0.5	0.6	0.5	1.5	2.4	0.5	0.5
Public Investment	23.6	6.1	1.9	19.6	59.4	36.3	▲ 12.0	▲ 42.5	▲ 29.8	▲ 4.3	▲ 2.6	▲ 0.8	▲ 2.3	13.4	17.2	▲ 18.1
Net Exports (percentage points contribution)	(▲ 0.7)	(▲ 2.5)	(▲ 0.6)	(▲ 0.1)	(▲ 0.0)	( 0.2)	( 0.4)	( 0.6)	( 2.0)	( 0.6)	( 0.7)	( 0.6)	(▲ 1.0)	(▲ 0.9)	(▲ 0.2)	( 0.9)
Exports of Goods and Services	3.3	▲ 18.9	▲ 3.9	1.1	4.6	4.9	5.1	5.2	6.4	5.3	5.8	5.8	▲ 1.7	▲ 1.0	1.4	5.6
Imports of Goods and Services	7.4	▲ 1.8	0.0	1.8	3.9	3.0	2.2	1.1	▲ 6.3	1.5	1.4	1.8	5.2	4.7	2.1	▲ 0.4

(% changes from the same quarter of the previous year)

Real GDP	3.9	0.5	0.4	▲ 0.4	0.3	2.2	3.0	3.0	▲ 0.0	▲ 0.7	▲ 1.3	▲ 1.0	0.3	1.0	2.1	▲ 0.7
Nominal GDP	2.9	▲ 0.3	▲ 0.4	▲ 1.3	▲ 0.2	1.6	3.0	3.2	1.4	0.6	0.0	0.5	▲ 1.4	0.2	1.9	0.6
GDP deflator	▲ 1.0	▲ 0.8	▲ 0.8	▲ 0.9	▲ 0.5	▲ 0.6	0.0	0.2	1.5	1.3	1.3	1.5	▲ 1.7	▲ 0.8	▲ 0.2	1.4
Consumer Price Index (excluding fresh food)	▲ 0.1	▲ 0.3	▲ 0.1	▲ 0.1	▲ 0.1	0.0	0.2	0.2	2.7	2.7	2.6	2.6	0.0	▲ 0.2	0.1	2.7
Industrial Production Index	5.3	▲ 4.6	▲ 5.5	▲ 3.7	▲ 1.0	4.3	8.3	6.6	3.1	2.4	2.0	1.0	▲ 1.0	▲ 2.3	4.6	2.1
Unemployment Rate (%)	4.4	4.2	4.1	4.1	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9	4.5	4.2	3.9	3.9
Current Account Balances (trillion JY)	1.14	1.58	0.35	0.37	0.26	0.52	0.46	0.57	1.06	1.66	1.90	2.43	7.62	3.43	1.82	7.05
Share of Nominal GDP (%)	1.0	1.4	0.3	0.3	0.2	0.4	0.4	0.5	0.9	1.4	1.5	2.0	1.6	0.7	0.3	1.4
Exchange Rates (JY/US\$)	80	79	81	87	85	85	86	86	87	89	91	93	79	82	86	90
Import Price of Crude Oil (US\$/barrel)	123	106	113	114	115	115	115	115	115	115	115	115	114	114	115	115

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 1: "▲" indicates minus.

2: It is assumed that the consumption tax rate will be raised from 5% to 8% in April 2014.

3: The assumptions on the real GDP growth rates in CY2012 and CY2013 in major overseas economies: the US 2.3% , 1.9%, the euro area ▲ 0.5%, ▲ 0.1%, China 7.7%, 8.2%.