

Monthly Report of Prospects for Japan's Economy

November 2014

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

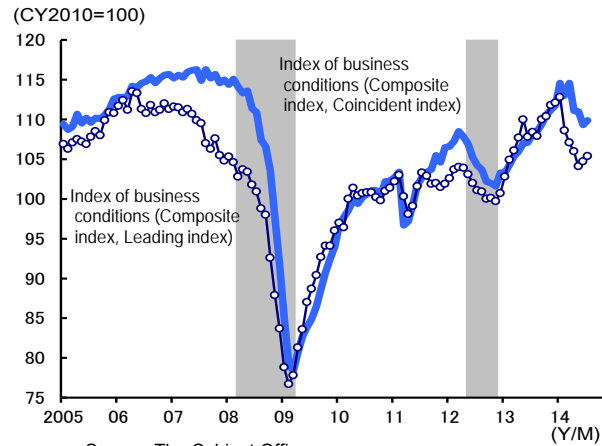
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the October 2014 issue of the original Japanese version.

The general situation of Japan's economy – Slow recovery from reactionary fall

Figure 1-1 Economic Activity

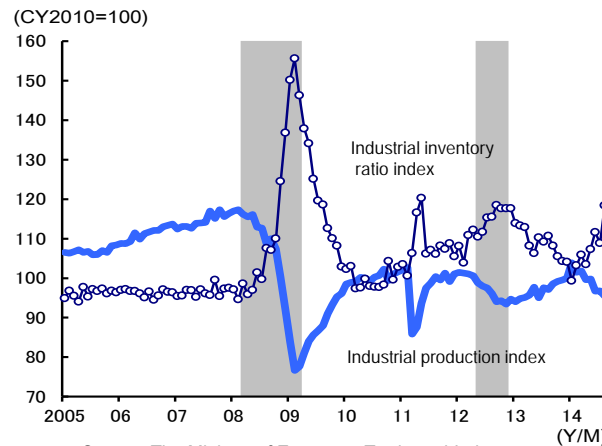
The leading index of business conditions rose for two months in a row, due to the picking up in consumer sentiment, etc.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

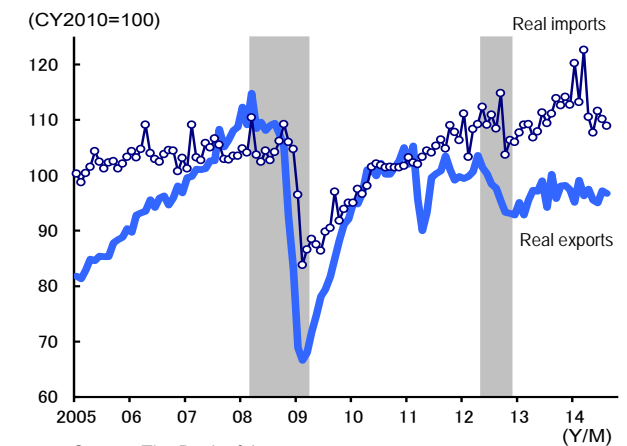
Production decreased in a wide range of industries. The inventory ratio increased considerably due to the fall in shipments.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

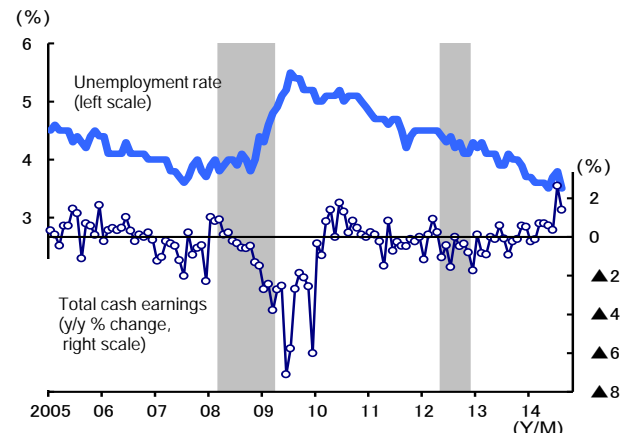
Exports continued to seesaw, with those to the US and Asia stagnating. Imports fell again, led by mineral fuels.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate fell for the first time in 3 months. Scheduled (regular) cash earnings increased year-on-year for 3 months running.

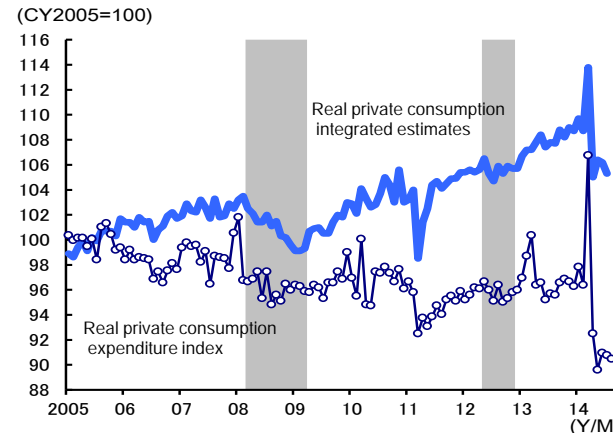


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 Private Consumption Expenditure

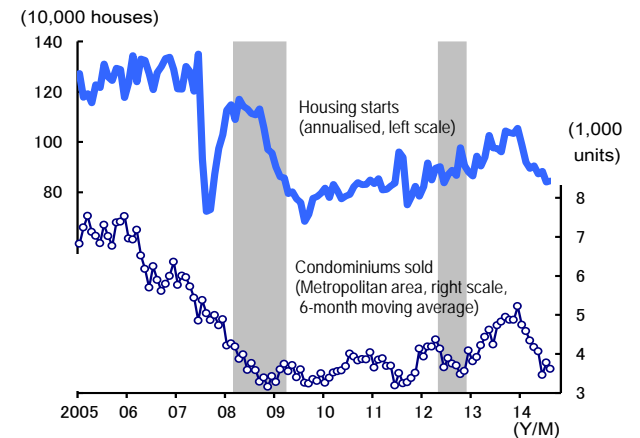
The pace of recovery in private consumption expenditure from the reactionary fall after the consumption tax rise has been slow, because of factors such as bad weather this summer.



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

Both housing starts and condominium sales continued their sluggish trend at a low level.



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

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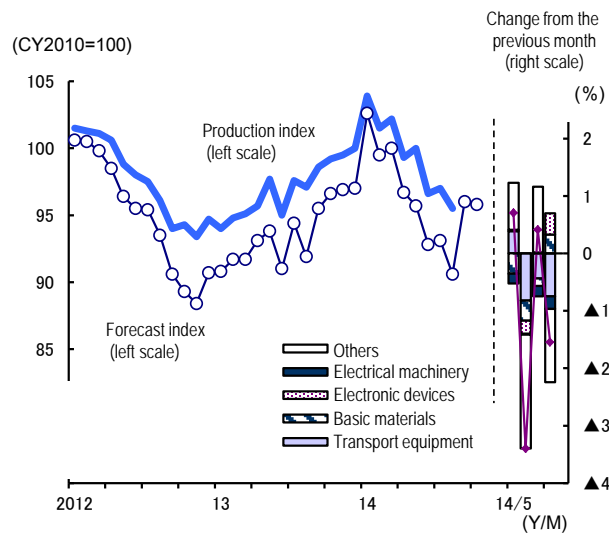
Economic activity continues to be stagnant, as the pace of recovery is slower than expected

Japan's economic activity continues to be stagnant, as the pace of picking up from the reactionary fall after the consumption tax rise this April is slower than expected. In the corporate sector, industrial production in August decreased by 1.9 per cent, contrary to the forecast of an increase. Although the production forecast estimated a considerable increase of 6.0 per cent for September, the final figure was revised to 2.7 per cent, probably reflecting the recent increasing trend in inventory due to sluggish domestic demand and exports. Production will likely seesaw, as production forecasts show a decrease of 0.1 per cent in October and an increase of 1.0 per cent in November. In the household sector, the recovery in private consumption expenditure has been limited, due to unfavourable factors such as bad weather this summer. For example, sales in department stores have been recovering, while sales of household appliances continue to be weak.

However, looking at both household and business sentiment in the Economy Watchers Survey, a certain number of indicators have been above 50, a diverging point between better and worse, which seems to predict a future improvement. Taking into account also supporting factors such as favourable employment environments, a further deterioration in economic activity will likely be able to be avoided.

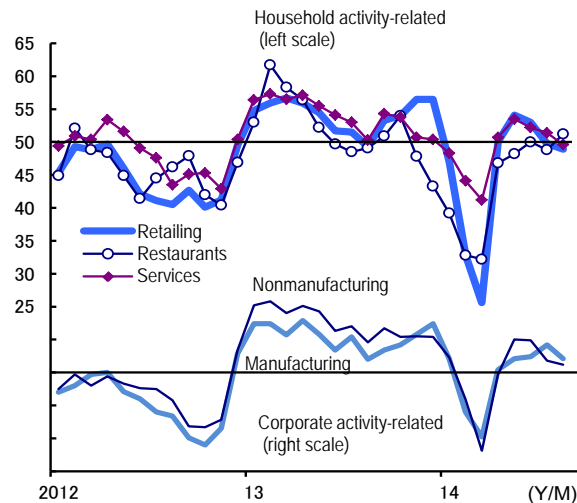
Meanwhile, net exports continue to be inactive. Real exports have been seesawing, as exports to China have turned to an increase, while those to the US have been on a declining trend.

Figure 2-1 Industrial Production Index
<seasonally adjusted>
(preliminary, as of October 2)



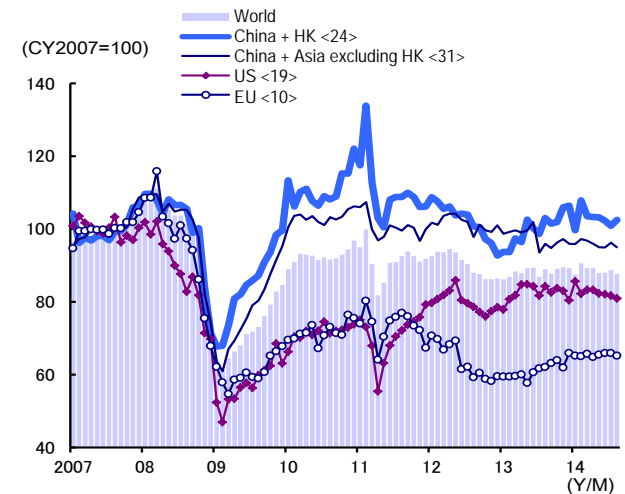
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Economy, Trade and Industry.

Figure 2-2 The Economy Watchers Survey
<DI for future economic conditions>



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

Figure 2-3 Real Exports
<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 FY2013.

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BoJ's Tankan Survey - Business sentiment is forecast to be flat on the whole

In the Tankan September 2014 Survey, the diffusion index (DI) for business conditions on an all sizes and industries basis declined to plus 4 percentage points, a 3 percentage point worsening from the previous result. The decline was for 2 quarters in a row. This seems to reflect the trend that the pace of picking up from the reactionary fall due to the rise in consumption tax rate in April has been slower than previously expected.

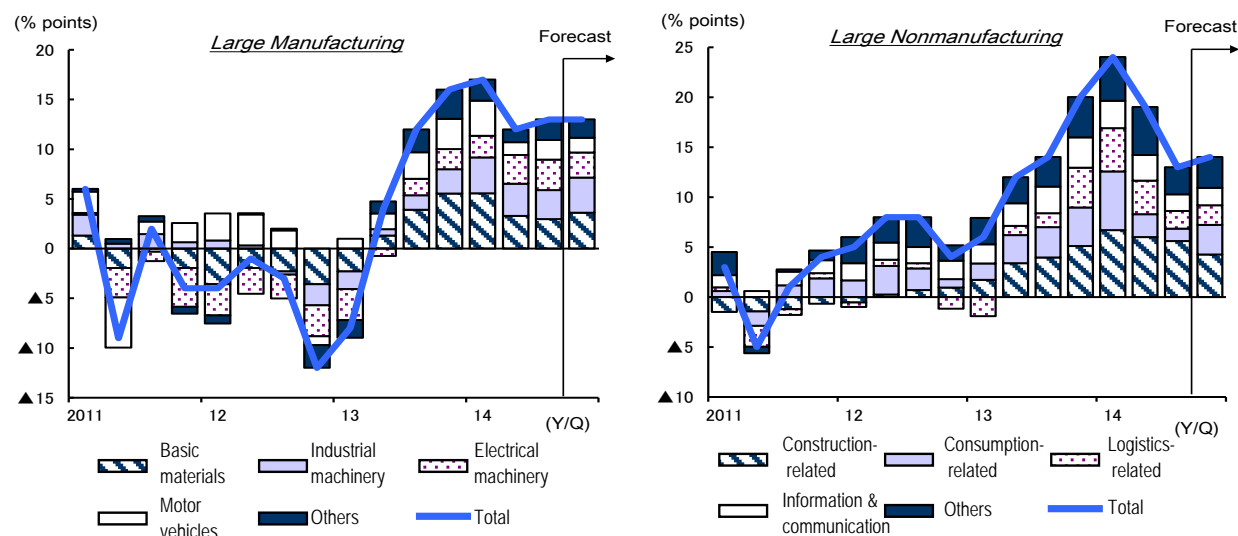
The DI in large manufacturing improved slightly on the whole, mainly due to the recovery in the motor vehicle industry, the DI in which had deteriorated considerably in the previous survey. The DIs in industries such as basic materials and industrial machinery worsened. In large nonmanufacturing, the DIs in the private consumption-related and logistics-related industries continued to decline, because of stagnant domestic demand after the consumption tax rise. The DIs in small and medium-sized enterprises (SMEs) worsened on the whole. This is due to factors that the main type of industries in SMEs is domestic demand-related, and the positive effect of the weaker yen has not been felt much.

Looking ahead, the forecast DIs for future (in 3 months' time) business conditions was flat or slightly better on the whole, except for that in small nonmanufacturing where the forecast tended to be cautious. Thus, it is possible to estimate that future business sentiment will not be so weak.

As for planned business fixed investment, large manufacturers and nonmanufacturers forecast that it would increase by 13.4 and 6.3 per cent, respectively, during FY2014, with both being revised upwards. These results show continued firm attitudes of enterprises to invest in plants and equipment.

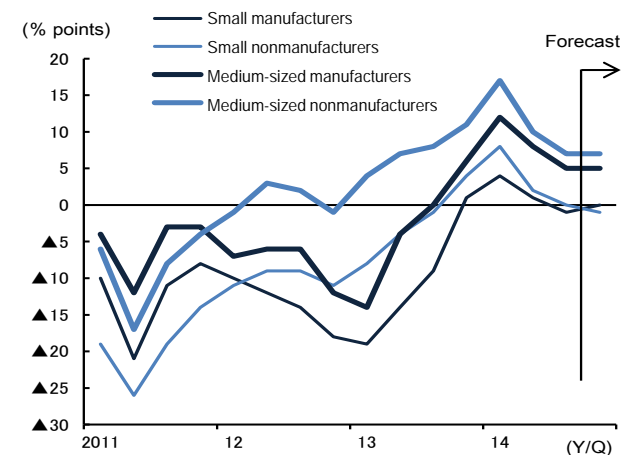
Figure 3-1 Contributions to Business Conditions Diffusion Index by Industry

<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 September 2014 Survey".

Figure 3-2 Diffusion Index for Business Conditions in Small and Medium-sized Enterprises



Source: The Bank of Japan, "The Tankan September 2014 Survey".

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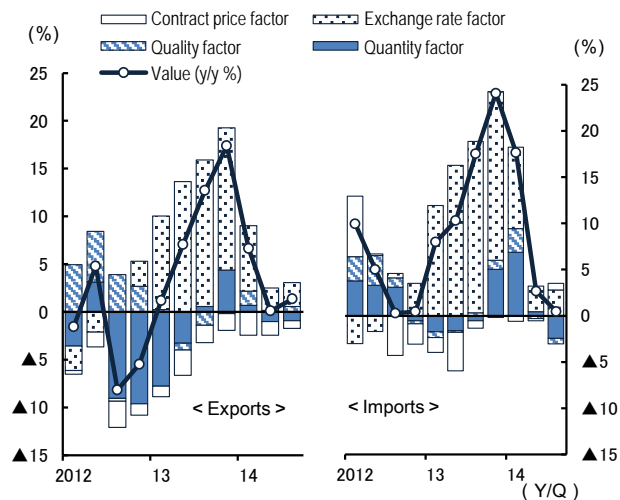
Exports will likely pick up moderately, after a certain period of delay in their recovery

With regard to overseas demand viewed as net exports, large trade deficits are still continuing. This is because, although the total value of imports has become very slow to rise due to stagnant domestic demand after the consumption tax rise in April, the total value of exports has also become very slow to increase. Both export quantity and import quantity have decreased year-on-year, yet the rise in export and import prices due to the weaker yen has recently supported the total value of exports and imports.

The backgrounds to the sluggish trend in export quantity seem to include a shift of production facilities of Japanese manufacturers from domestic to overseas sites, and continued stagnation in emerging economies in Asia which have larger shares in Japan's total value of exports. Reflecting these unfavourable factors, global manufacturing production and Japan's real exports, which once correlated, have started to separate since early 2013, and their difference has become even larger thereafter.

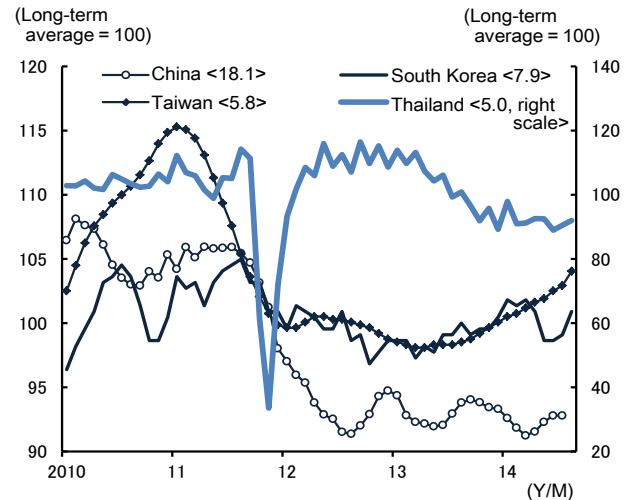
Looking ahead, it is predicted that real exports will pick up moderately, because Asian emerging economies have shown signs of bottoming out, and the US will likely continue its firm economic recovery. In addition, the depreciation of the yen since this summer might help bolster exports, although its boosting effect on export quantity cannot be counted on so much, compared with those during past depreciation phases.

Figure 4-1 Contributions to Year-on-year Change in Value of Total Exports and Imports <on a custom basis>



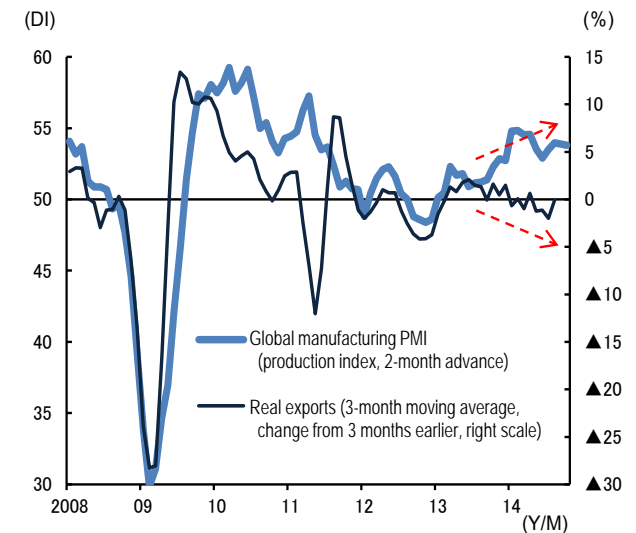
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.

Figure 4-2 Business Activity Indices in Asian Emerging Economies



Source: The Japan Research Institute, Ltd. based on the data of National Bureau of Statistics of China, KOSTAT, Bank of Thailand, National Development Council of Taiwan.
Note: Figures in the angle brackets show the shares in Japan's total exports in 2013.

Figure 4-3 Global Production Index and Japan's Real Exports



Source: Markit / J.P. Morgan, The Bank of Japan.

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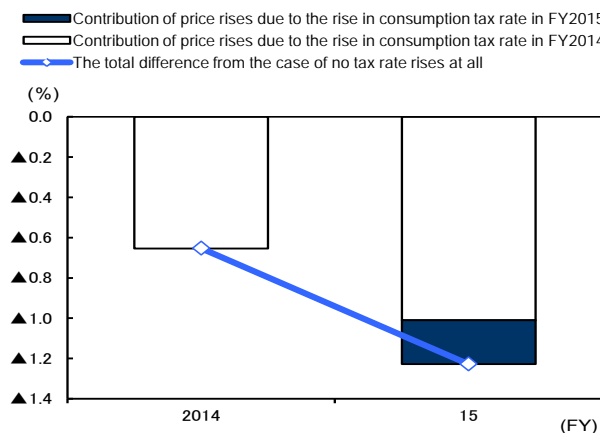
Economic measures against the consumption tax rise could bolster economic activity

In domestic demand, the rise in the consumption tax rate and economic measures against the tax rise continue to be fluctuating factors to economic activity. Although the reactionary fall in demand after the consumption tax rise from 5 to 8 per cent in April has been diminishing gradually, the reduced purchasing power continues to have a negative effect on the economy, through a decrease in real income due to the price rises stemming from the tax rise. Assuming that the consumption tax rate will be raised again from 8 to 10 per cent in October 2015 as planned, it is estimated that these rises will reduce the annual real GDP growth rate in FY2014 and FY2015 by 0.7 and 1.2 percentage points, respectively.

On the other hand, the measures in order to ease the negative effects of the consumption tax rise will have been implemented in earnest and will bolster economic activity. These measures are expected to increase public investment, and expand business fixed investment, private consumption expenditure, and so on, through tax cuts for enterprises and support for households. It is projected that their effect will increase the annual real GDP growth rate in FY2014 by 0.8 percentage points.

Especially, the positive effect of public investment, which is a main part of the measures, has become visible. This is shown in the fact that the value of work in progress in public works has increased monthly in civil engineering since this spring, in addition to the rising trend in building. However, "bottlenecks" such as a shortage of workers and rising prices in construction materials have shown no sign of being resolved. If the situation does not improve, the boosting effect of the measures on economic activity could be less than previously anticipated.

Figure 5-1 Contributions of the Effect of Consumption Tax Rises in April 2014 and October 2015 to Real GDP Growth Rate



Source: Macro model simulation by JRI, based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications, and so on.

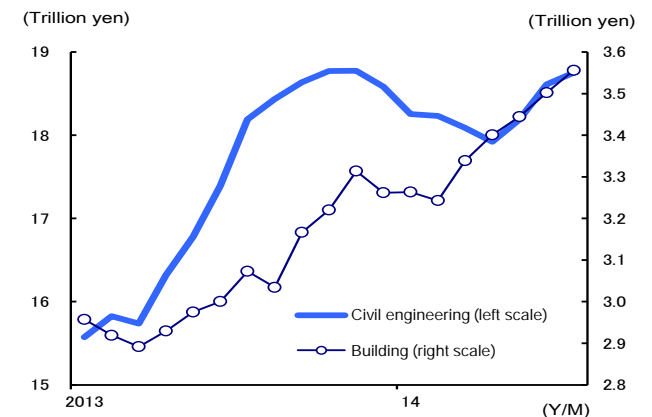
Note: Based on the assumption that the consumption tax rate would be raised in October 2015 from 8% to 10%.

Figure 5-2 The Effect of the Measures against the Consumption Tax Rise on Real GDP <FY2014, estimate>

	(% points)
Real GDP	+ 0.76
Private consumption	+ 0.2
Business fixed investment	+ 0.2
Public demand	+ 0.4

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

Figure 5-3 The Value of Work in Progress in Public Works by Type <annualised, seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Land, Infrastructure and Transport, The Cabinet Office.

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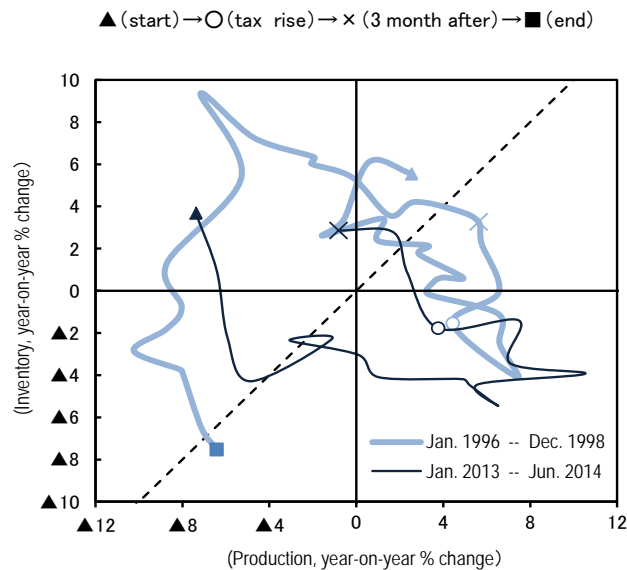
Industrial production is expected to weaken, while business fixed investment will pick up

In the corporate sector, the pace of piling up in industrial inventory has accelerated. This is because the tempo of picking up in domestic demand after the consumption tax rise in April has been slower than expected, with bad weather this summer having an additional negative affect. Although a chart of inventory cycles shows that the adjustment speed this time has been faster than that after the previous consumption tax rise in 1997, production adjustment this time could be prolonged, as demand lacks necessary strength.

On the other hand, it can be expected that business fixed investment will increase firmly. BoJ's Tankan Survey showed solid attitudes of enterprises to business fixed investment for FY 2014 in their forecasts. Also, machinery orders received have shown signs of picking up again.

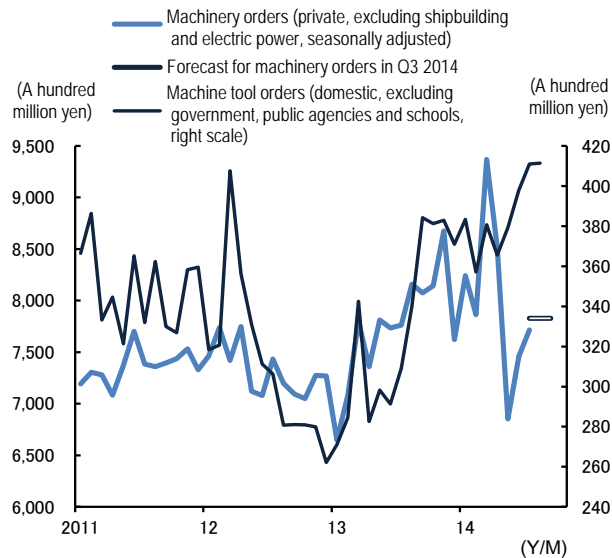
The background to the expected advance in investment in plant and equipment includes the improvement in corporate profitability. For example, the ratio of current profits to sales in nonfinancial enterprises is at a high level, due to their efforts such as restructuring. In addition, financing environments for enterprises are also favourable, shown in the fact that the real interest rate has been in negative territory. Further, investment for maintenance and replacement is more and more needed, taking into consideration the increase in superannuated existing facilities. Taking the above mentioned points into account, it is likely that business fixed investment will show its recovery trend more visibly hereafter.

Figure 6-1 Inventory Cycles before and after the Consumption Tax Rise <April 1997 and April 2014>



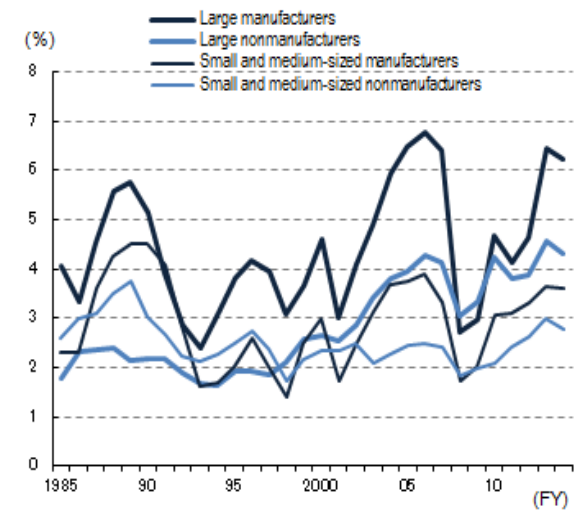
Source: The Ministry of Economy, Trade and Industry.

Figure 6-2 Machinery Orders and Machine Tool Orders



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, Japan Machine Tool Builders' Association.

Figure 6-3 Ratio of Current Profits to Sales by Size and Type <BoJ's Tankan>



Source: The Bank of Japan.

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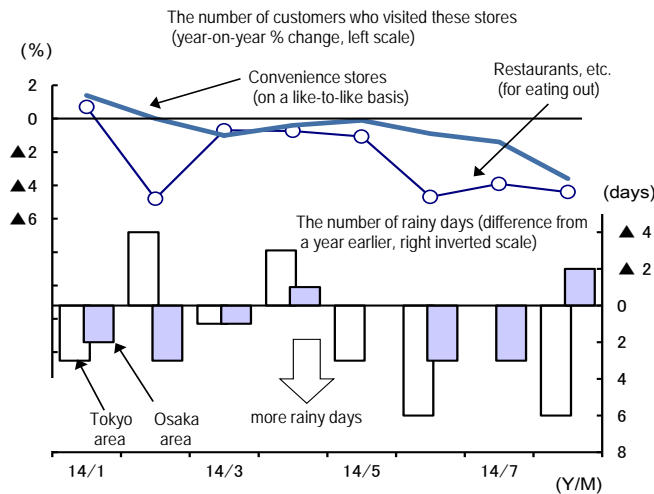
The advance in corporate profits will likely improve household income environments

Real private consumption expenditure in national accounts decreased by 19.0 per cent in the April-June period on an annualised quarter-on-quarter change basis, a considerable decline, due to the reactionary fall after the rise in the consumption tax rate in April. Also, its pace of recovery since July has been slow, because of additional factors such as bad weather this summer. Although the level of private consumption expenditure in nominal terms is almost at the same level as before the rushed demand, that in real terms remains short of enough recovery.

Nevertheless, consumer sentiment seems to be stable, against the background that the advance in corporate profits in the corporate sector has started to spread to the household sector. Employment environments have been favourable, as shown in the fact that the number of full-time employees has increased since the second half of 2013. Wage environments also have improved, as both the wages of full-time employees and the hourly wages of part-time employees have tended to rise. Looking ahead, the increasing trend in employment is likely to be maintained, as a sense of a shortage of workers intensifies. In addition, the advance in corporate profits will likely bring about a rise in special cash earnings such as bonuses. Accordingly, it is predicted that compensation for employees on an aggregate basis will continue to be solid.

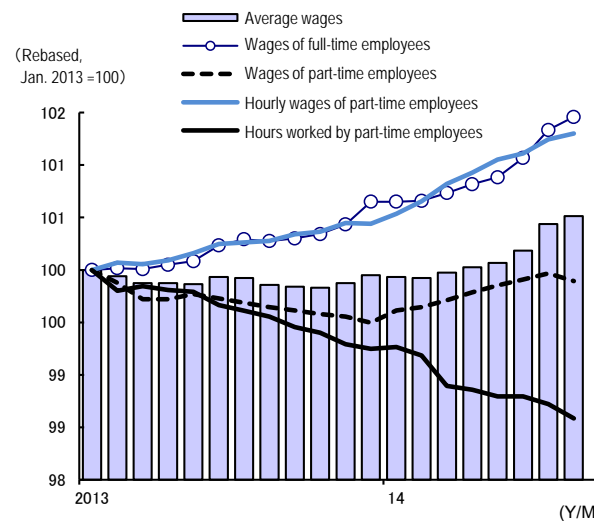
On the other hand, the unfavourable trend that the pace of recovery in real income is still very slow, because of price rises, will continue to slow the pickup in private consumption expenditure. Therefore, although the recovery trend in private consumption expenditure will likely be kept, its pace will remain moderate.

Figure 7-1 The Number of Rainy Days and Customers Who Visited Stores



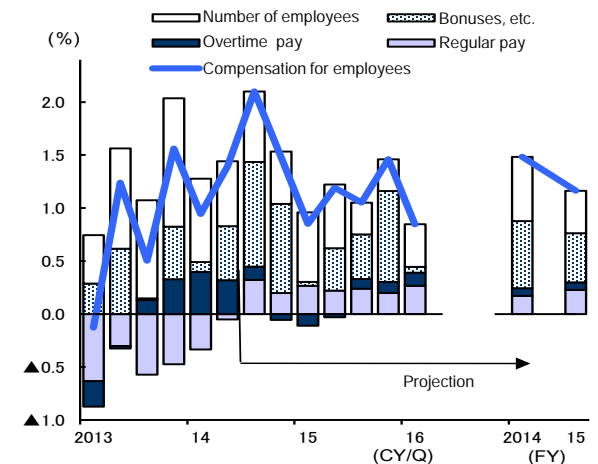
Source: The Japan Research Institute, Ltd. based on the data of Japan Foodservice Association, and so on.

Figure 7-2 Wages by Type of Employment <12-month moving averages>



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

Figure 7-3 Contributions to Year-on-year Change in Compensation for Employees



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

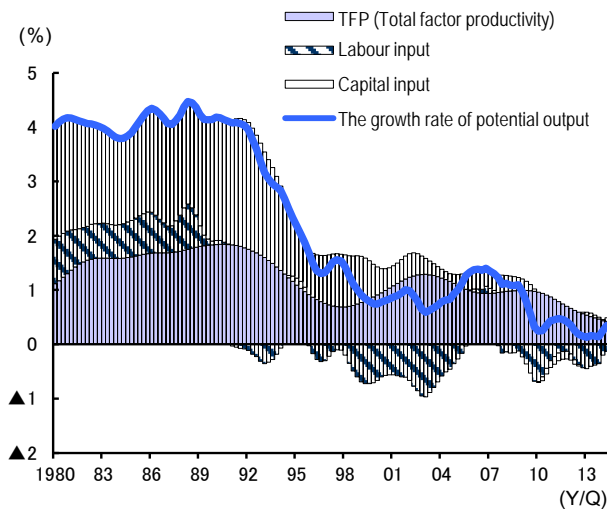
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The decline in potential output growth rate suggests Japan's "power of growth" is decreasing

Japan's economy is at present in a situation where the autonomous economic recovery mechanism has started to work, as mentioned on earlier pages. At the same time, the economy is in a situation where Japan's "power of growth" as real ability to grow has fallen, as suggested by the current estimate that the growth rate of the potential output of the economy declined to a level of from slightly above zero to 0.5 per cent, having declined from around 1.0 per cent before the Lehman shock. Looking at the background behind the decline, falling capital productivity can be pointed out. After the Lehman shock through 2012, the value of domestic business fixed investment had sunk to a level below the value of depreciation expenses, against the background of the considerable decrease in corporate profits and the accelerated shift of production facilities of manufacturers to overseas sites. The delay in introducing the newest model of plants and equipment and the increase in superannuated existing facilities have reduced capital productivity (real GDP / capital stock) on an aggregate basis significantly.

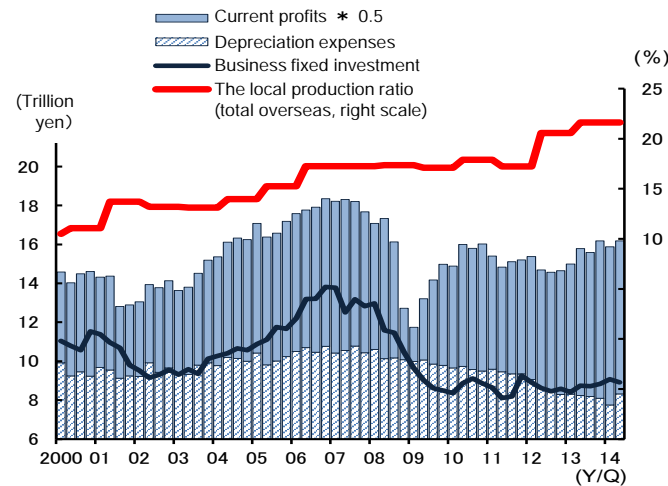
Also, the "power of taking in growing overseas demand", as was clearly seen in Japan's exports, is estimated to have fallen. This trend is due to factors such as the shift of production facilities to overseas sites, and the decreased competitiveness of Japanese enterprises reflecting declining capital productivity. The decline in this power is observed in the fact that income elasticity to export quantity has dropped noticeably. Therefore, it is likely that the pace of recovery in exports will be curbed, even under the circumstances where overseas economies are in firm condition.

Figure 8-1 Contributions to the Growth Rate of Potential Output <year-on-year % change, 4-quarter moving averages>



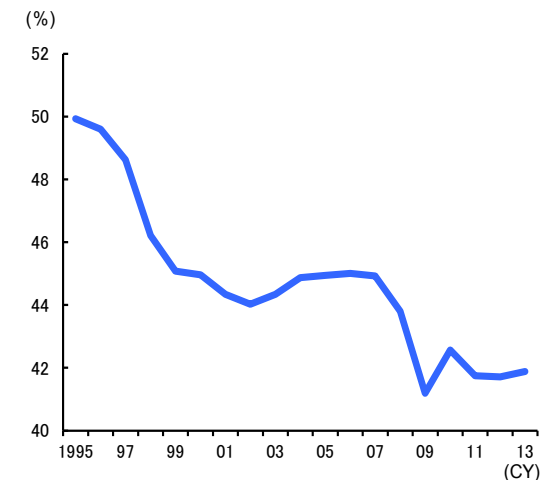
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, and so on.

Figure 8-2 Local Production Ratio Overseas, Corporate Profits and Business Fixed Investment <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Finance.
Note: The local production ratio is for the average in each fiscal year. The figure in FY2013 is an estimate.

Figure 8-3 Capital Productivity



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

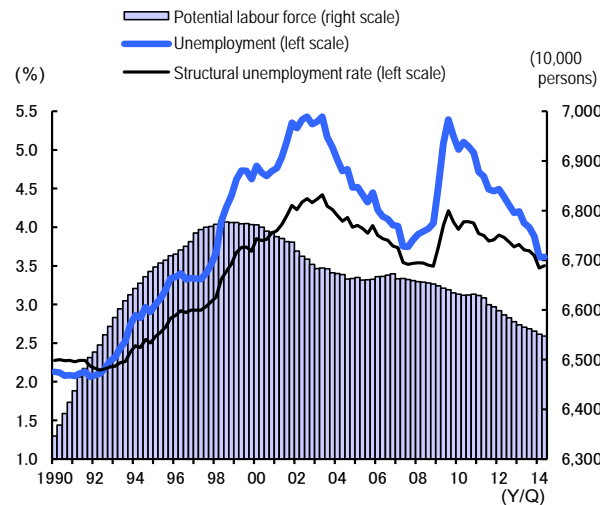
Note: Capital productivity = real GDP / capital stock in private enterprises

Labour shortage in nonmanufacturing could be a curbing factor to public and capital investment

With regard to the labour market, factors such as 1) the decrease in the labour force due to an aging population, a low birth rate, and the retirement of the baby-boom generation, and 2) the structural unemployment rate staying at a high level because of mismatches between needs of job seekers and employers, have weighed down Japan's potential growth rate. BoJ's Tankan Survey shows that the recent level of a sense of insufficiency in employment is the highest since the economic "bubble" period in late 1980s. Especially, the latest labour shortage in nonmanufacturing has been more serious than in manufacturing, which suggests that demand for labour has been unevenly distributed.

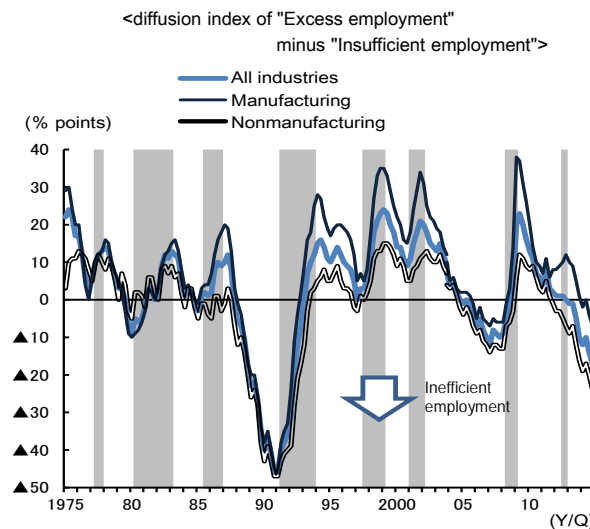
Thus, it is likely that a shortage of workers in nonmanufacturing will be a curbing factor to public investment and business fixed investment. For example, the construction industry, which has had the most serious labour shortage, has managed to cope with the increase in public investment by improving labour productivity. However, its hourly labour productivity is already at almost the same high level as in the period of economic expansion before the Lehman shock, and has little room to advance further. Under the circumstances where the construction industry has difficulty in securing enough workers, the delay in coping with added public investment and increased private construction investment could curb the pace of increase in public investment and business fixed investment on an aggregate basis. Also, in the retailing and eating-out industries, there are a certain number of enterprises which have reviewed plans to open new branch stores and have discussed a reduction in existing stores, because of the shortage of workers. These trends will also likely be a limiting factor to business fixed investment in nonmanufacturing.

Figure 9-1 Potential Labour Force and Structural Unemployment Rate



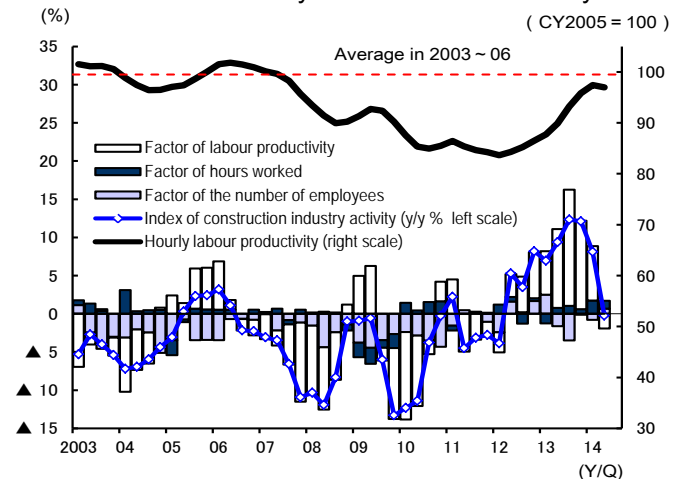
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare, and so on.

Figure 9-2 Employment Conditions <all sizes of industries>



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

Figure 9-3 Index of Construction Industry Activity and Labour Productivity



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

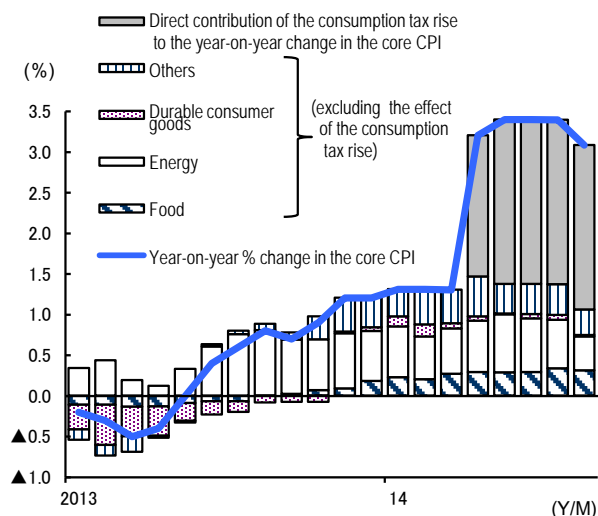
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Core CPI inflation of slightly above 1.0 to about 1.5 per cent excluding tax effect will continue

Except for the direct effect of the consumption tax rise, the core CPI, which excludes fresh food, has increased by a high of about 1.5 per cent year-on-year. As the background behind this, factors such as the increase in costs for imports due to the weaker yen and the improvement in the supply-demand condition can be pointed out. For example, correlation between consumption expenditure and CPI inflation by item shows that the more demand for an item increases, the more pressure to push up its price strengthens. Although the pace of increase in energy prices is slowing, it is likely that a further advance in the supply-demand condition will be a pushing up factor for prices, as the economic recovery at a pace above the potential growth rate continues. In addition, a sense of inefficiency of employment has heightened in nonmanufacturing, in which personnel costs are a large share of total costs. This trend will also be a cost-push factor to prices through rises in wages.

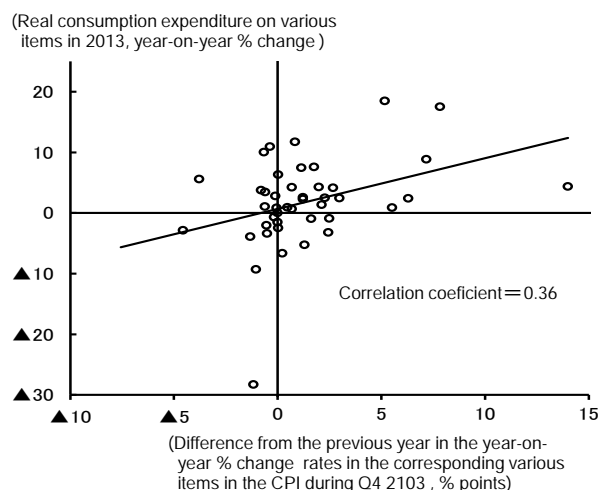
Taking the above mentioned factors into consideration, it is likely that core CPI inflation will continue to stay at a rate of slightly above 1.0 per cent to around 1.5 per cent year-on-year hereafter. As for the goal set by the Bank of Japan of the "continuously stable core CPI inflation rate at a pace of 2 per cent year-on-year", it seems to be vital for the Phillips curve, which shows correlation between the supply-demand balance and the core CPI inflation, to shift upwards through an increase in inflation expectations. Thus far, the upward shift in the Phillips curve has been limited. In order for the goal of the BoJ to be achieved, it is necessary for inflation expectations held by households and enterprises to increase further.

Figure 10-1 Contributions to the Year-on-year Change Rate of the Core CPI <year-on-year % change>



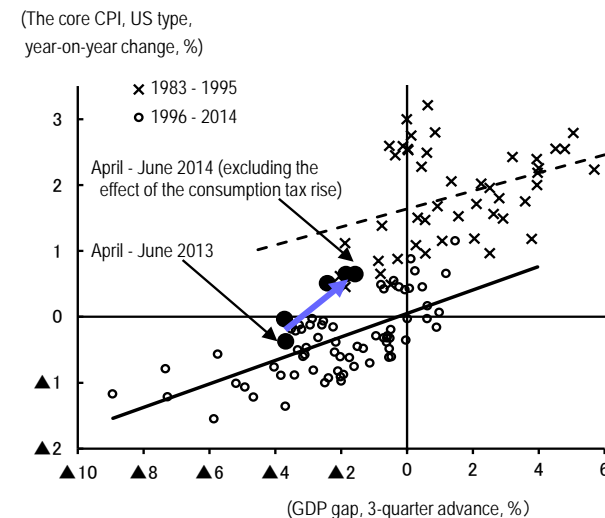
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.

Figure 10-2 Difference from the Previous Year in the Year-on-year Change Rates in the CPI and Real Consumption Expenditure by Item



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

Figure 10-3 Phillips Curve



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

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Prospects for Japan's economy - Projected real GDP change; 0.4% in FY2014 and 1.2% in FY2015

(1) The reactionary fall after the surge in demand caused by the rise in the consumption tax rate in April will have weighed down Japan's economic activity in early FY2014. However, as the negative effect of the reactionary fall diminishes gradually, the economic activity will likely return to its recovery trend, albeit at a modest pace, against the background of the bolstering of economic measures and an improvement in income and employment environments. Thereafter, it is projected that real GDP will grow steadily, supported by firm private demand and public investment at a high level. The real GDP growth rate in FY2014 as a whole will likely be 0.4 per cent over the previous fiscal year.

(2) Looking ahead, in FY2015, it is predicted that public investment will see quarterly declines because the implementation of the economic measures will have peaked. However, the corporate sector will continue to be affected favourably by investment tax cuts, corporate tax cuts, and so on. The household sector will also be influenced positively by the moderate improvement in income and employment environments. Thus, it is forecast that the economy will strengthen its "autonomous recovery mechanism" gradually. As a result, the economic growth rate will likely be 1.2 per cent in FY2015.

(3) Meanwhile, it should be noted that, during the projected period, "supply constraints" will likely weigh down a recovery in economic activity and curb the pace of economic growth. These "supply constraints" are such trends as 1) a decline in domestic production capacity under the situation where Japanese manufacturers have shifted their production facilities to overseas sites, and 2) a worsening shortage of workers in a wider range of industries due to the decrease in labour force and mismatches between needs of jobseekers and employers.

(4) As for consumer prices, the mild improvement in the supply-demand balance and a heightened sense of labour shortages will likely contribute to pushing up prices. As a result, it is projected that core CPI inflation will continue to stay at a rate of slightly above 1.0 per cent to around 1.5 per cent year-on-year. The Bank of Japan will continue to hold firmly to the goal of the "continuously stable core CPI inflation rate at a pace of 2 per cent year-on-year". In order to achieve the goal surely, the BoJ decided additional monetary easing measures on October 31.

Figure 12 Projections for GDP Growth and Main Indicators of Japan (as of October 2, 2014)

	(seasonally adjusted, annualised % changes from the previous quarter)										(% changes from the previous fiscal year)		
	CY2013	CY2014				CY2015				CY2016	FY2013	FY2014	FY2015
	10~12 (Actual)	1~3 (Actual)	4~6 (Actual)	7~9 (Projection)	10~12 (Projection)	1~3 (Projection)	4~6 (Projection)	7~9 (Projection)	10~12 (Projection)	1~3 (Projection)	(Actual)	(Projection)	
Real GDP	▲ 0.5	6.0	▲ 7.1	3.7	2.1	2.0	1.5	1.9	▲ 2.5	0.1	2.3	0.4	1.2
Private Consumption Expenditure	1.5	8.4	▲ 19.0	3.8	1.0	1.1	1.3	3.4	▲ 5.5	1.6	2.5	▲ 2.6	0.9
Housing Investment	10.1	8.2	▲ 35.6	▲ 7.2	1.0	4.5	4.9	▲ 5.6	▲ 11.9	▲ 6.3	9.5	▲ 8.0	▲ 1.4
Business Fixed Investment	3.9	34.8	▲ 18.8	5.8	3.6	3.6	3.6	3.8	1.0	1.5	2.7	2.5	3.2
Private Inventories (percentage points contribution)	(▲ 0.3)	(▲ 2.1)	(5.5)	(▲ 0.2)	(0.0)	(0.1)	(▲ 0.3)	(▲ 0.7)	(0.1)	(0.0)	(▲ 0.5)	(0.8)	(▲ 0.2)
Government Consumption Expenditure	0.8	▲ 0.7	0.3	0.6	0.6	0.5	0.5	0.5	0.5	0.5	1.8	0.3	0.5
Public Investment	5.8	▲ 9.8	▲ 2.0	6.1	0.5	0.5	0.3	▲ 1.5	▲ 9.8	▲ 25.9	15.1	0.9	▲ 3.4
Net Exports (percentage points contribution)	(▲ 2.9)	(▲ 0.8)	(4.3)	(0.4)	(0.6)	(0.4)	(0.2)	(0.1)	(1.7)	(0.1)	(▲ 0.5)	(1.7)	(0.5)
Exports of Goods and Services	1.1	28.6	▲ 2.0	6.9	5.9	5.1	4.1	3.9	3.6	3.6	4.8	6.6	4.5
Imports of Goods and Services	15.7	28.0	▲ 20.6	4.3	2.5	2.9	2.4	2.9	▲ 4.5	2.6	7.0	2.3	1.9

	(% changes from the same quarter of the previous year)										(% changes from the previous fiscal year)		
	2013	2014	2014	2014	2014	2015	2015	2015	2015	2015	2013	2014	2015
Real GDP	2.5	3.0	▲ 0.1	0.6	0.9	0.2	2.4	1.8	0.6	0.2	2.3	0.4	1.2
Nominal GDP	2.0	2.9	1.9	2.6	2.8	2.0	2.6	2.2	1.9	1.4	1.9	2.3	2.0
GDP deflator	▲ 0.4	▲ 0.1	2.0	2.0	1.9	1.7	0.2	0.4	1.3	1.2	▲ 0.4	1.9	0.8
Consumer Price Index (excluding fresh food)	1.1	1.3	3.3	3.2	3.3	3.4	1.4	1.5	2.8	2.9	0.8	3.3	2.2
(excluding fresh food and consumption tax)	1.1	1.3	1.4	1.2	1.3	1.4	1.4	1.5	1.5	1.6	0.8	1.3	1.5
Industrial Production Index	5.8	8.3	2.6	▲ 1.2	▲ 0.5	▲ 2.5	2.6	5.0	1.8	1.1	3.2	▲ 0.4	2.7
Unemployment Rate (%)	3.9	3.6	3.6	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.9	3.5	3.5
Current Account Balances (trillion JY)	▲ 1.43	▲ 0.82	0.31	1.16	▲ 0.53	0.99	0.75	1.78	0.61	1.84	0.83	1.93	4.99
Share of Nominal GDP (%)	▲ 1.1	▲ 0.7	0.3	1.0	▲ 0.4	0.8	0.6	1.4	0.5	1.5	0.2	0.4	1.0
Exchange Rates (JY/US\$)	100	103	102	104	109	110	111	112	112	113	100	106	112
Import Price of Crude Oil (US\$/barrel)	112	112	110	109	102	104	105	105	105	105	110	106	105

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 8% to 10% in October 2015.

3: The assumptions on the real GDP growth rate in 2013(actual result), 2014 and 2015 in major overseas economies: the US, 2.2%, 2.2%, 3.0%; the euro area, ▲0.4%, 0.7%, 1.0%; China, 7.7%, 7.5%, 7.4%.