Monthly Report of Prospects for Japan's Economy

December 2014

Macro Economic Research Centre
Economics Department

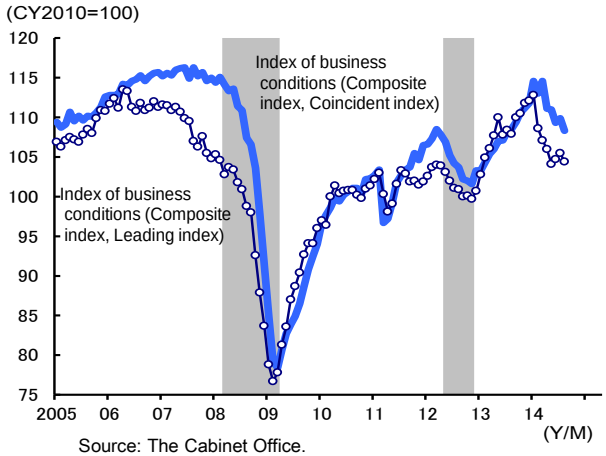
The Japan Research Institute, Limited
http://www.jri.co.jp/english/periodical/

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

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

Figure 1-1 Economic Activity

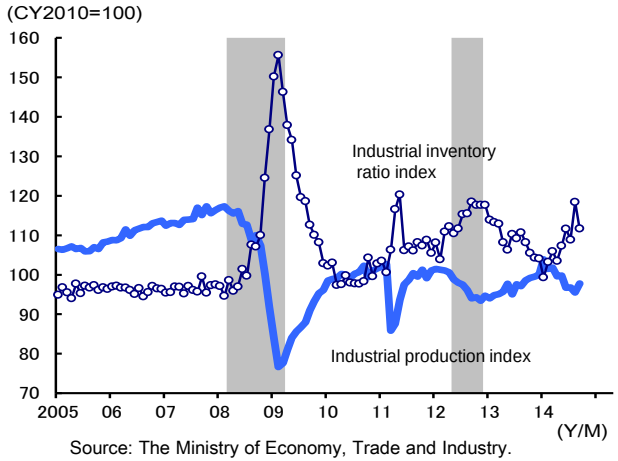
The leading index of business conditions fell for the first time in 3 months, due to the decline in consumer sentiment, etc.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

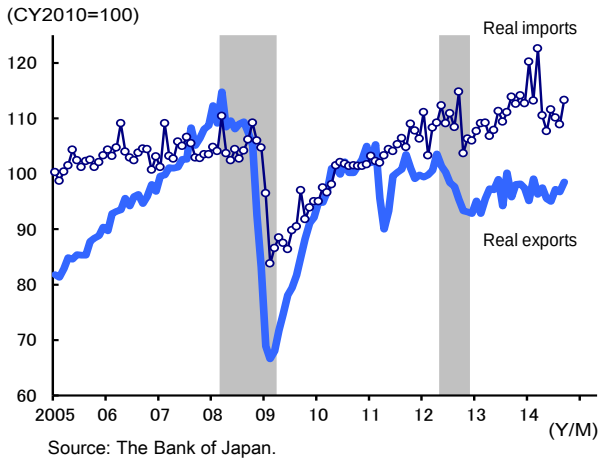
Production increased in a wide range of industries in September. The inventory ratio decreased due to the rise in shipments.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

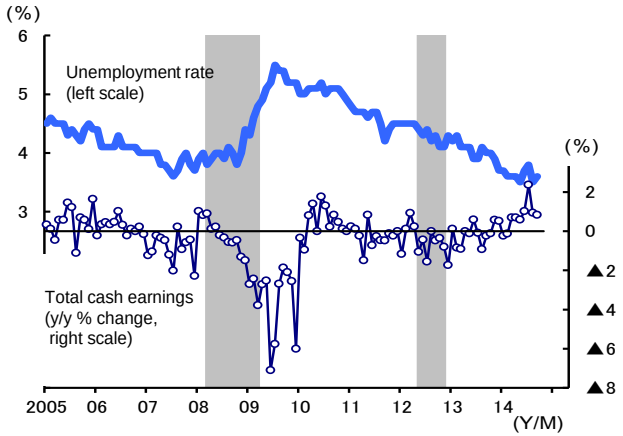
Exports continued to seesaw, with those to the US and Asia increasing. Imports rose, led by mineral fuels and communication equipment.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

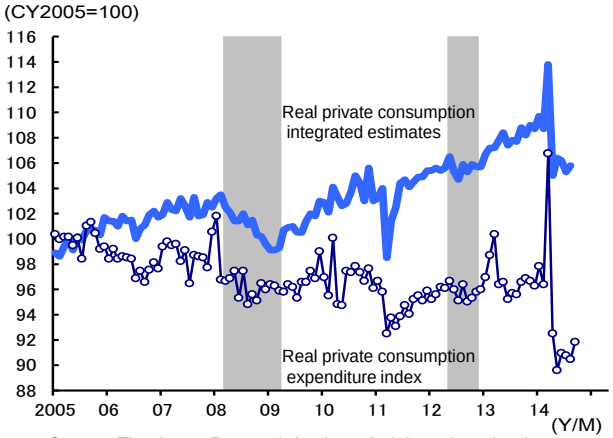
The unemployment rate rose, reflecting the increase in the participation of women in the labour market.



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

Figure 1-5 Private Consumption Expenditure

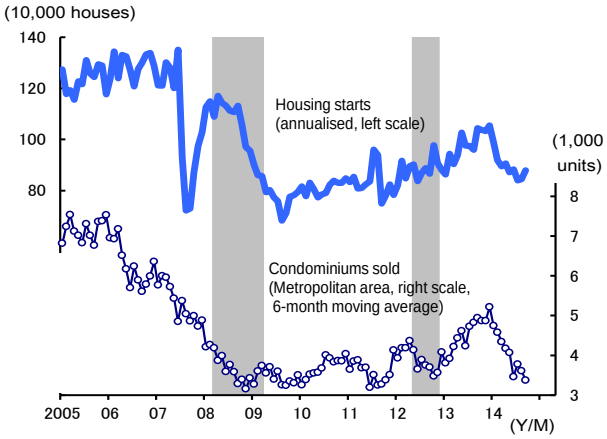
The pace of recovery in private consumption expenditure from the reactionary fall after the consumption tax rise has been slow.



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 showed signs of bottoming out. Condominium sales continued their sluggish trend at a low level.



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

∗ The shaded area indicates the phase of recession.

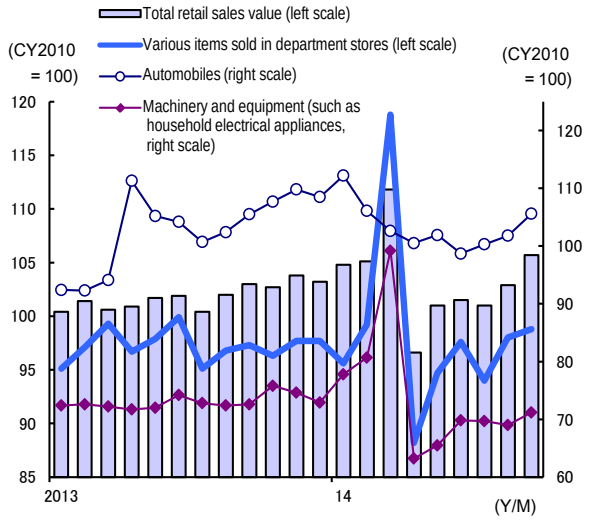
The pace of recovery from the reactionary fall has been slower than expected

In the first preliminary estimates of GDP, Japan's real GDP in the July-September period decreased by 1.6 per cent on an annualised quarter-on-quarter change basis, the second consecutive decline after the consumption tax rise in April. The pace of recovery from the reactionary fall was slow in private consumption expenditure. The weak trend continued also in business fixed investment. Further, the contribution of change in private inventory was largely negative. However, this negative contribution in private inventory also suggested favourably that a necessary adjustment to reduce swollen inventory after the tax rise had advanced considerably. From this point of view, it can be expected that economic activity will pick up, as shown in a forecast that industrial production will increase as inventory adjustment nears the end.

Under these circumstances, JRI projections were revised under following assumptions: 1) the government postpones the planned rise in the consumption tax rate from 8 to 10 per cent in October 2015 to in April 2017, and 2) the government also starts to work out economic measures through the supplementary budget. In these changes, the government appears to have given a top priority to recovering economic activity and to overcoming deflation fully.

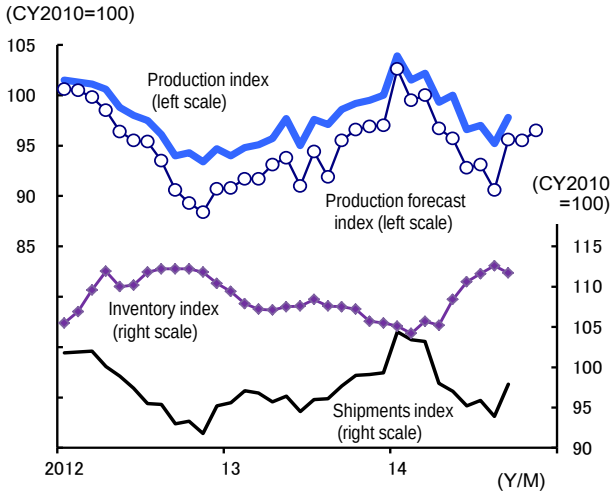
Meanwhile, real exports have increased. Viewed by region, exports to the US and China have bolstered the total exports, although exports to European countries, where economic activity continues to be stagnant, have decreased.

Figure 2-1 Retail Sales Index by Item
<seasonally adjusted>



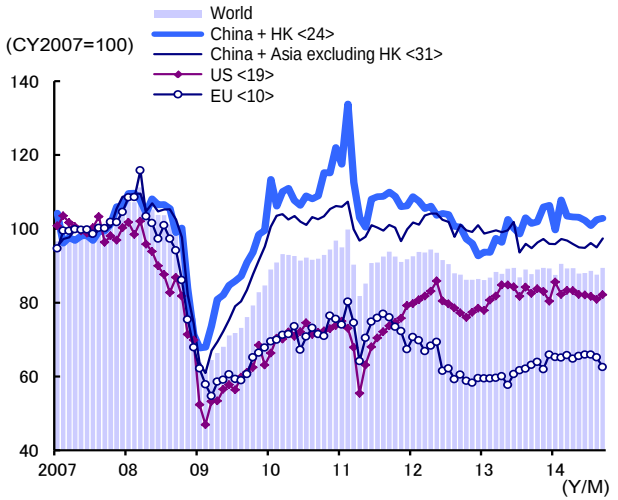
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Economy, Trade and Industry.

Figure 2-2 Indices of Industrial Production, Inventory and Shipments
<seasonally adjusted>



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

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.

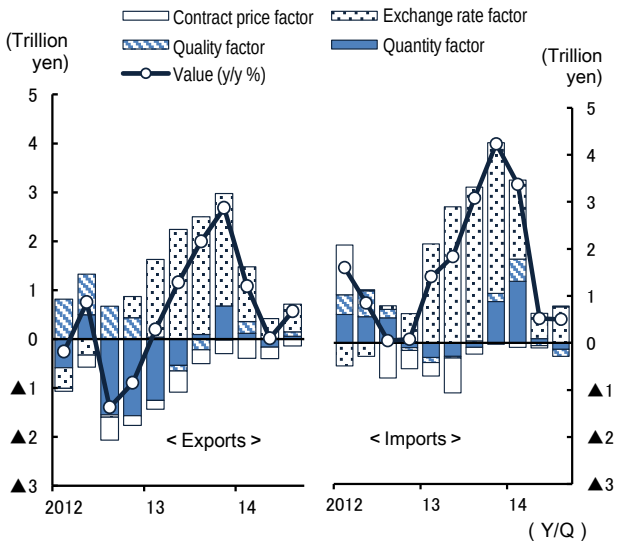
Exports will likely pick up moderately, after a certain period of delay in their recovery

With regard to overseas demand viewed as net exports, import quantity has decreased year-on-year due to stagnant domestic demand after the consumption tax rise in April. Export quantity has been flattening even in the favourable environment of the weaker yen. In fact, the rise in export and import prices due to the depreciation of the yen has recently supported the total value of exports and imports. Under this situation, the weaker yen has contributed to expanding, not reducing, trade deficits.

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. For example, although sales of Japanese cars in the US have expanded solidly, they have been manufactured mainly in the US and Mexico, which has resulted in stagnating car exports from Japan. Thus, 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 since that time.

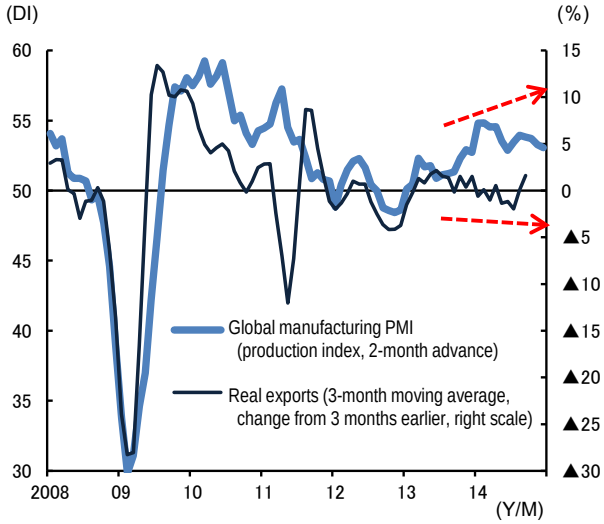
Looking ahead, it is predicted that real exports will pick up moderately, because Asian emerging economies have shown signs of bottoming out, and the US will likely continue its firm economic recovery. In addition, the depreciation of the yen since this summer might help bolster exports, although its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

Figure 3-1 Contributions to Difference from A Year Earlier in Value of Total Exports and Imports <on a customs basis>



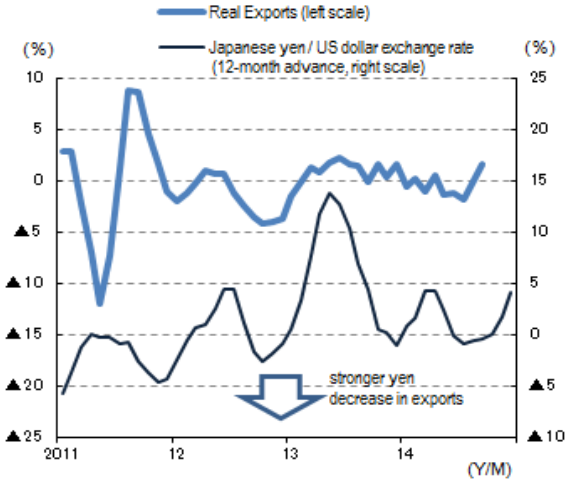
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, The Bank of Japan.

Figure 3-2 Global Production Index and Japan's Real Exports



Source: : The Japan Research Institute, Ltd. based on the data of Markit / J.P. Morgan, The Bank of Japan.

Figure 3-3 Japan's Real Exports and Yen / Dollar Exchange Rate <3-month moving average, % change from 3 months earlier>



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

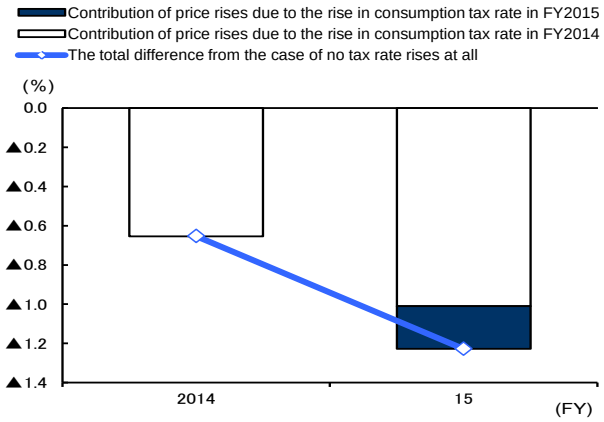
Economic measures against the consumption tax rise could bolster economic activity

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. The pace of recovery from the reactionary fall in demand after the consumption tax rise from 5 to 8 per cent in April has been slow. Also, the reduced purchasing power continues to have a negative effect on the economy, through a fall in real income due to the price rises owing to the tax rise. Assuming that the consumption tax rate would be raised again from 8 to 10 per cent in October 2015 as previously 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 continue to bolster economic activity. These measures are expected to increase public investment, and bolster business fixed investment, as well as private consumption expenditure, 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 since this spring both in civil engineering and building.

In addition, new economic measures through the supplementary budget are under consideration, and are expected to support the economy further. However, "bottlenecks" such as a shortage of workers and rising prices in construction materials have been big challenges. If the situation does not improve, the boosting effect of the measures on economic activity could be less than anticipated.

Figure 4-1 Contributions of the Effect of Consumption Tax Rises in April 2014 and (previously planned) in 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%.

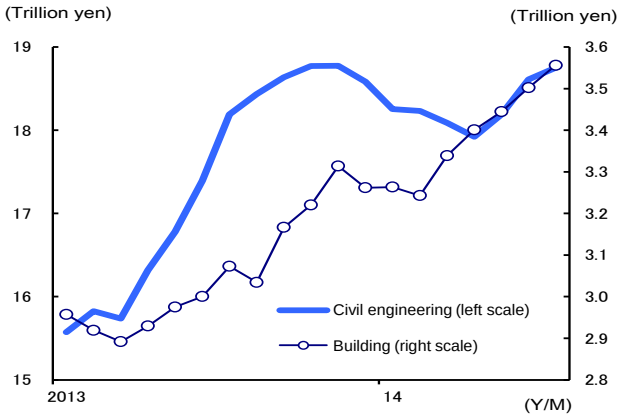
Figure 4-2 The Effect of the Measures against the Consumption Tax Rise on Real GDP <FY2014, estimate>

(% points)

	Contribution to the real GDP growth rate in FY2014
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 4-3 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.

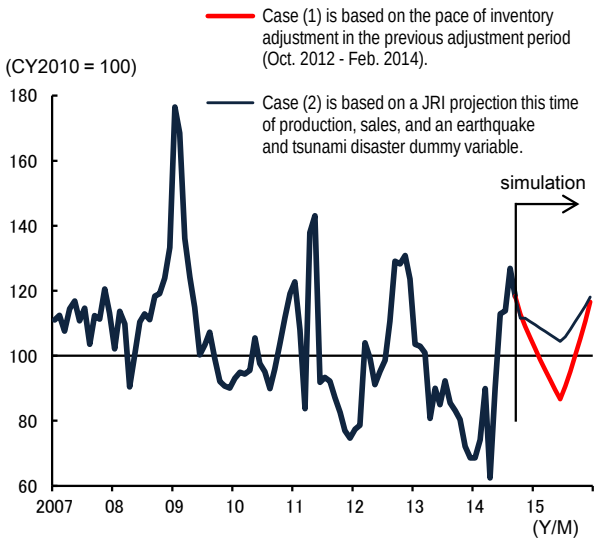
Industrial production in transport equipment is expected to weaken

In the corporate sector, it should be noted that the decline in production activity after the consumption tax rise has been affected significantly by production adjustment in the automobile industry. Especially, sales and inventory of light automobiles have fluctuated so much that it has become very difficult to forecast demand for those automobiles.

It is true that estimates show that the production of transport equipment will likely increase hereafter. However, the pace of increase in the production will remain modest, taking into account the fact that export quantity is very slow to increase even under the weaker yen. Also, there is a risk that the adjustment pressure which weighs down the production of transport equipment could be prolonged. This is because shipments are still lacking in strength, although it is forecast that the current high level of the inventory ratio will decrease.

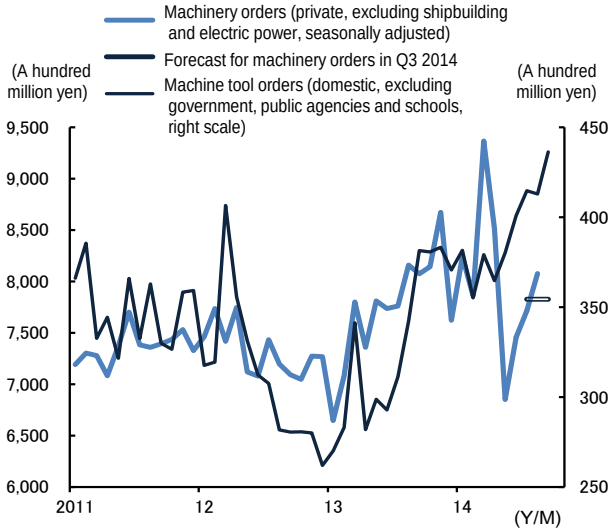
While a solid recovery in production activity, mainly in the automobile industry, will not be able to be counted on so much, machinery orders, a leading indicator for business fixed investment, have shown signs of picking up. Also, environments surrounding business fixed investment have been favourable. For example, cash flow in enterprises on an aggregate basis continues to increase, and the real interest rate has been at a low or negative level. Therefore, it is hoped that business fixed investment will show its recovery trend more visibly hereafter.

Figure 5-1 Inventory Index for Transport Equipment Industry including Two Cases of Estimates



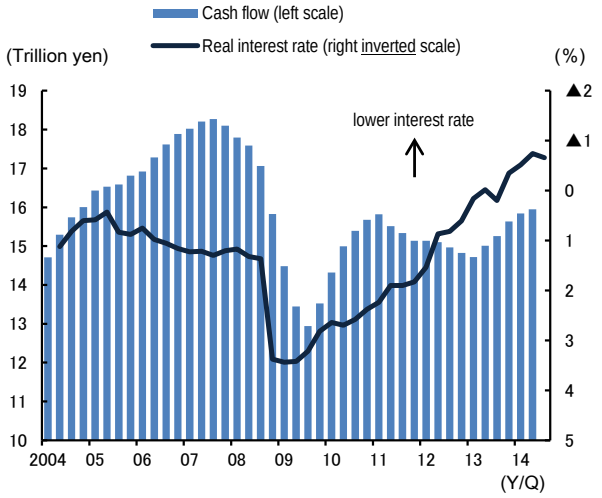
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Economy, Trade and Industry.

Figure 5-2 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 5-3 Cash Flow in Nonfinancial Enterprises and Real Interest Rate



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

Note: 1. Cash flow = Current profits ＊ 0.5 + Depreciation expenses, 4-month moving average.
2. Real interest rate = nominal interest rate - break-even inflation.

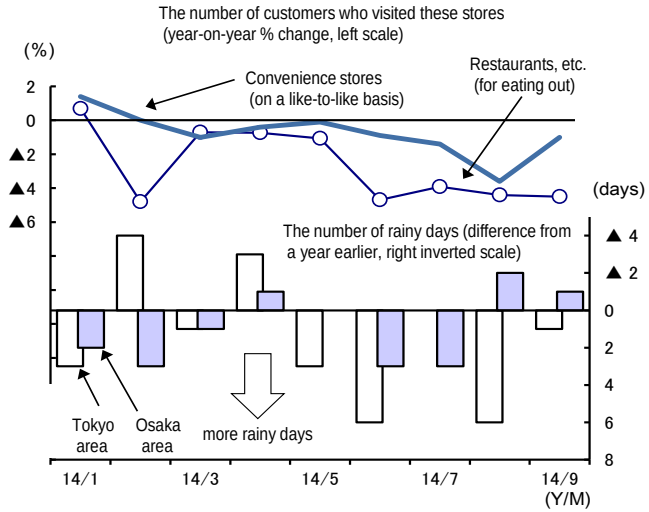
The advance in corporate profits will likely improve household income environments

In the household sector, the pace of recovery from the reactionary fall after the rise in the consumption tax rate in April is still slow in private consumption expenditure. In addition, it seems that, in this summer, the number of customers who visited stores decreased due to bad weather. This was also a weighing down factor.

However, the trend continues that the advance in corporate profits in the corporate sector has been spreading 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.

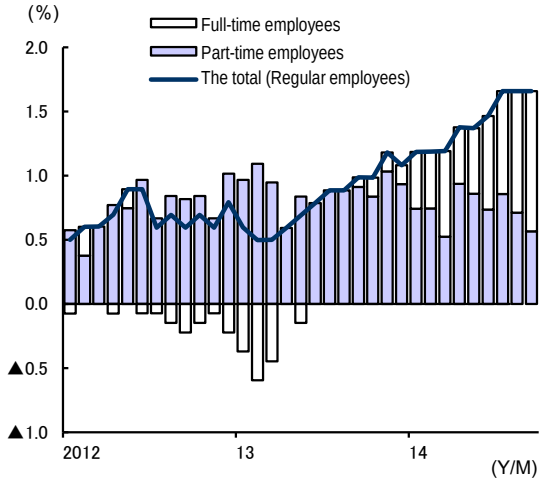
On the other hand, weakening real income through price rises continues to be a pushing down factor to the recovery in private consumption expenditure. Therefore, although the recovery trend in private consumption expenditure is expected to continue against the background of an improvement in employment and income environments, the pace of recovery will likely remain moderate.

Figure 6-1 The Number of Rainy Days and Customers Who Visited Stores



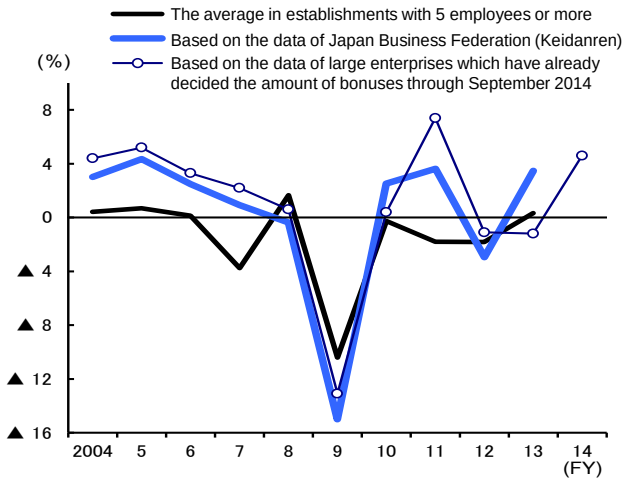
Source: The Japan Research Institute, Ltd. based on the data of Japan Foodservice Association, and so on.

Figure 6-2 The Number of Employees by Type of Employment <year-on-year % change>



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

Figure 6-3 Winter Bonuses (year-on-year % change)



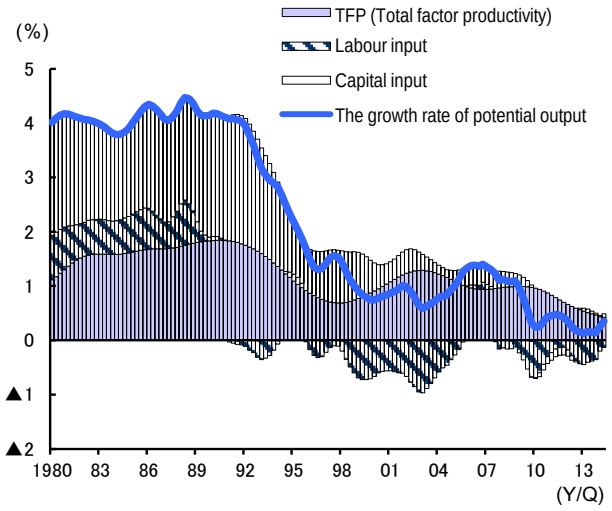
Source: The Ministry of Health, Labour and Welfare, Japan Business Federation (Keidanren), The Institute of Labour Administration.

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.

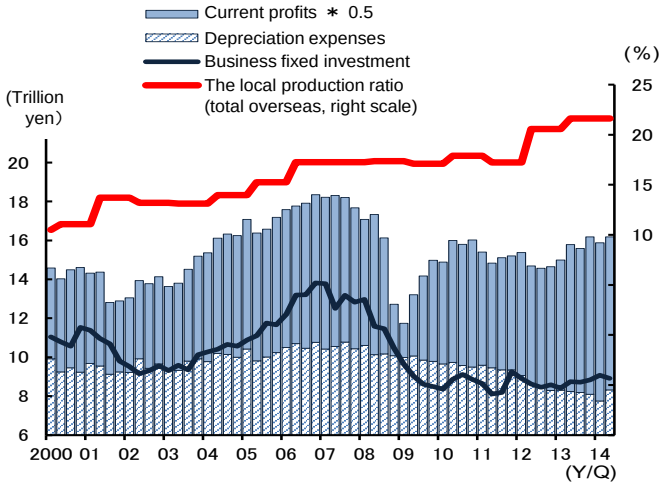
Also, the "power of taking in growing overseas demand", as was clearly seen in Japan's exports, is estimated to have fallen. This trend is due to factors such as the shift of production facilities to overseas sites, and the decreased competitiveness of Japanese enterprises reflecting declining capital 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 7-1 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.

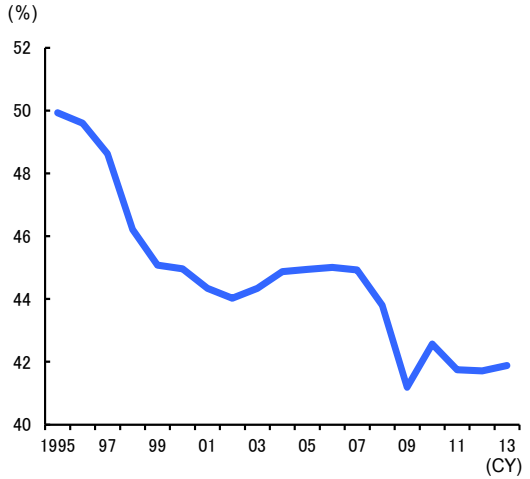
Figure 7-2 Local Production Ratio Overseas, Corporate Profits and Business Fixed Investment <seasonally adjusted>



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 7-3 Capital Productivity



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

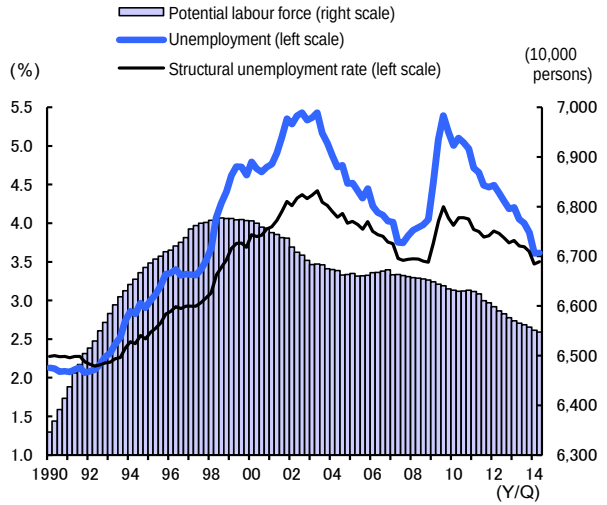
Note: Capital productivity = real GDP / capital stock in private enterprises

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 the 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.

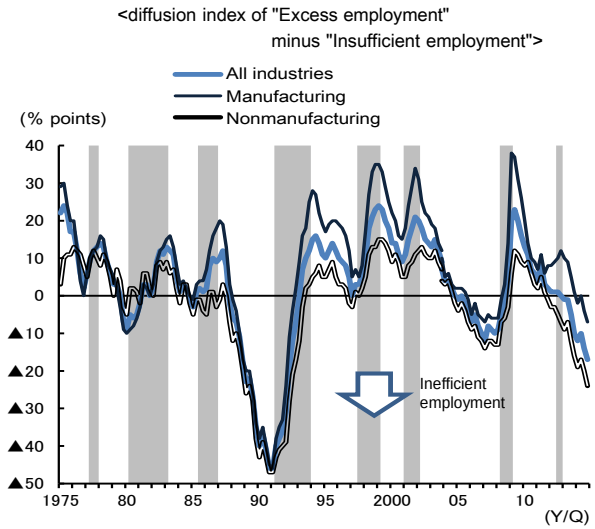
Thus, it is likely that a shortage of workers in nonmanufacturing will be a curbing factor to public investment and business fixed investment. For example, the construction industry, which has had the most serious labour shortage, has managed to cope with the increase in public investment by improving 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 8-1 Potential Labour Force and Structural Unemployment Rate



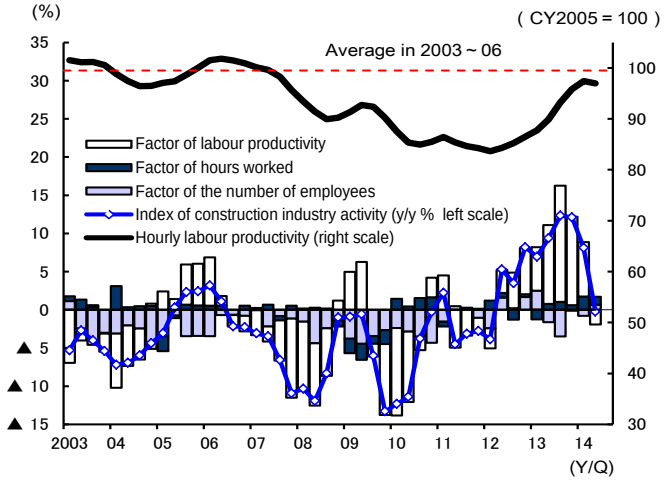
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare, and so on.

Figure 8-2 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 8-3 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.

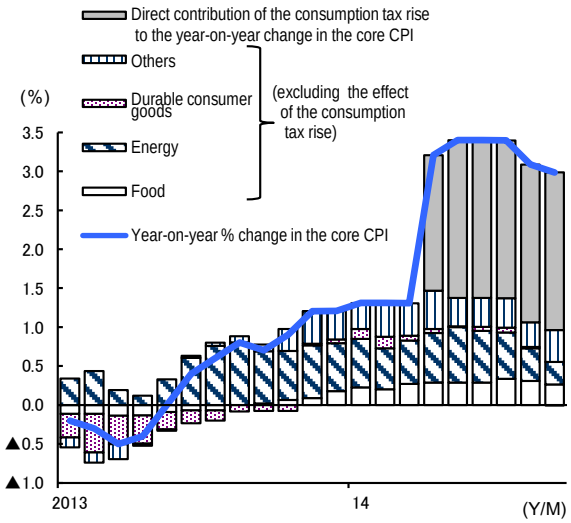
The pace of rise in core CPI will accelerate again due to the effect of the weaker yen

Except for the direct effect of the consumption tax rise, the core CPI, which excludes fresh food, increased by 1.0 per cent year-on-year in September, having decelerated since the peak in April. In addition to the considerable fall in oil price, the delay in the improvement in the supply-demand condition, due to unfavourable effects of the consumption tax rise, has been a weighing down factor to consumer prices.

Meanwhile, reflecting the additional monetary easing measures taken by the BoJ on October 31, the yen has depreciated further. The weaker yen is expected to push up consumer prices through a rise in costs for imports, and an improvement in the supply-demand condition if an advance in corporate profits through the weaker yen leads to an increase in business fixed investment and in household income. It is estimated that it takes more than 6 months for the effect of the depreciation of the yen to be felt in consumer prices. Therefore, although the slow pace of rise in the core CPI will remain for the time being, the pace will likely accelerate again as the effect of the weaker yen materialises.

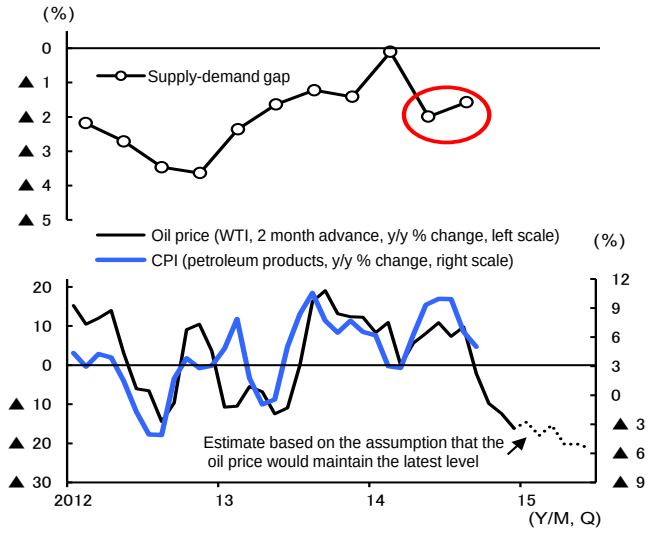
In order to achieve the goal set by the Bank of Japan of the "continuously stable core CPI inflation rate at a pace of 2 per cent year-on-year", it is vital for the rate of increase in the core CPI inflation to accelerate stably hereafter through a rise in inflation expectations. In order for inflation expectations to rise, it is imperative that the acceleration in the core CPI inflation thus far be realised by households and enterprises firmly, as actual figures have considerable influences on inflation expectations. In any case, it will take time to achieve the goal.

Figure 9-1 Contributions to the Year-on-year Change Rate of the Core CPI
<year-on-year % change>



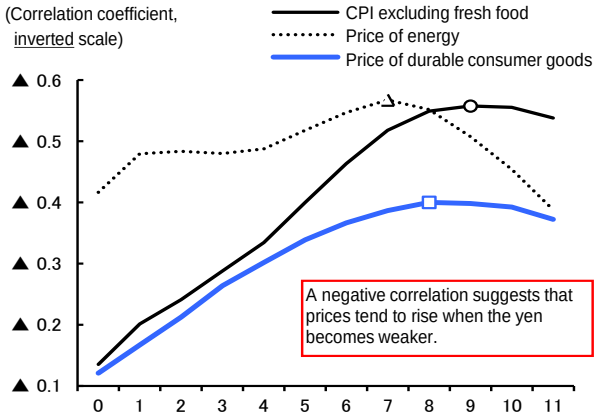
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.

Figure 9-2 Supply-Demand Gap and Oil Price



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

Figure 9-3 Time-lag Correlation between Exchange rate of the Yen and CPI by Item



(Time difference, the number of months by which nominal effective exchange rate advances)

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

Prospects for Japan's economy - Projected real GDP change; - 0.7% in FY2014 and 1.5% in FY2015

(1) In the first preliminary estimates of GDP, Japan's real GDP in the July-September period this year decreased by 1.6 per cent on an annualised quarter-on-quarter change basis. Real GDP declined for 2 quarters in a row after the rise in the consumption tax rate in April. The pace of recovery from the reactionary fall after the surge caused by the consumption tax rise was slow in private consumption expenditure. The weak trend continued also in business fixed investment, reflecting the cautious view of enterprises on the economic activity situation. Further, the contribution of change in private inventory was minus 2.6 percentage points, resulting in having weighed down the real GDP growth rate during the period. However, as for the negative contribution in private inventory, it also suggested favourably that the necessary adjustment to reduce swollen inventory after the tax rise, mainly in durable consumer goods, had advanced considerably. From this point of view, it can be expected that economic activity will pick up, as shown in a forecast that industrial production will increase as inventory adjustment nears the end.

(2) Under these circumstances, JRI projections were revised under the following assumptions: 1) the government postpones the planned rise in the consumption tax rate from 8 to 10 per cent in October 2015 to in April 2017 after an interval of one year and a half, and 2) the government also starts to work out economic measures through the supplementary budget . In these changes, the government appears to have given a top priority to recovering economic activity and to overcoming deflation fully.

(3) Based on the above mentioned assumptions, Japan's economic activity will likely pick up again in the second half of FY2014. This is because of 1) favourable corporate profit environments and a positive attitude of enterprises to investment in plant and equipment, 2) the increasing trend in employment and nominal wages and the improvement in their quality, and so on. On the other hand, a slow pace of recovery in private consumption expenditure and remaining inventory adjustment pressure mainly in the automobile industry could weigh down economic activity. Taking these trends and factors into consideration, real GDP will likely decline 0.7 per cent in FY2014 as a whole over the previous fiscal year.

(4) In FY2015, it is projected that the negative factor that purchasing power could decrease through price rises stemming from the rise in the consumption tax rate will cease to exist. It is also predicted that the bolstering effect of the implementation of the above mentioned economic measures on domestic demand will affect economic activity as a whole positively. It is estimated that both the former and the latter will push up the real GDP growth rate by around 0.2 percentage points, respectively. Under these circumstances, the economy will strengthen its "autonomous recovery mechanism" gradually, in which an increase in corporate profits will lead to an improvement in income and employment environments in households. As a result, this mechanism will likely bring about firm economic activity, and the economic growth rate will likely be 1.5 per cent in FY2015.

(5) Looking ahead further, although the "autonomous recovery mechanism" will continue to work, the pace of economic growth will likely slow down through the middle of FY2016, which is autumn 2016. This is because of factors such as stagnant real income through price rises due to the depreciation of the yen and a slowdown in the US economy against the background of the phase of rising interest rates. However, in the second half of FY2016 to March 2017, it is projected that rushed demand in private consumption expenditure and others will boost economic activity before the rescheduled rise in the consumption tax rate in April 2017. As a result, real GDP is predicted to grow by 1.4 per cent in FY2016 as a whole.

Figure 11 Projections for GDP Growth and Main Indicators of Japan (as of November 17, 2014)

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

	CY2014		CY2015				CY2016				CY2017	FY2013	FY2014	FY2015	FY2016
	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)	(Projection)		
Real G D P	▲ 1.6	2.3	1.9	1.6	1.5	1.3	1.4	1.4	1.2	1.2	1.8	2.2	▲ 0.7	1.5	1.4
Private Consumption Expenditure	1.5	1.2	1.0	1.2	1.1	1.0	1.0	0.9	0.9	1.5	3.4	2.5	▲ 2.9	1.1	1.1
Housing Investment	▲ 24.1	2.4	3.0	3.0	2.8	2.6	2.5	2.5	2.7	4.5	4.9	9.5	▲ 10.9	0.9	3.0
Business Fixed Investment	▲ 0.9	4.1	3.6	3.6	3.5	3.5	3.6	2.6	2.8	3.1	3.3	2.6	1.3	3.3	3.1
Private Inventories (percentage points contribution)	(▲ 2.6)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(▲ 0.3)	(▲ 0.7)	(▲ 0.5)	(0.4)	(▲ 0.1)	(▲ 0.0)
Government Consumption Expenditure	1.3	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	1.8	0.3	0.6	0.6
Public Investment	8.9	▲ 2.5	0.5	1.4	0.2	▲ 2.0	0.0	▲ 0.5	▲ 1.0	▲ 1.2	▲ 1.3	15.0	2.1	0.4	▲ 0.8
Net Exports (percentage points contribution)	(0.3)	(▲ 0.0)	(▲ 0.2)	(▲ 0.1)	(▲ 0.0)	(0.1)	(▲ 0.0)	(▲ 0.0)	(▲ 0.1)	(▲ 0.3)	(▲ 0.5)	(▲ 0.5)	(0.4)	(▲ 0.0)	(▲ 0.1)
Exports of Goods and Services	5.3	3.6	3.8	4.3	4.5	4.6	4.6	4.9	4.2	3.9	3.8	4.8	5.9	4.3	4.4
Imports of Goods and Services	3.1	3.1	3.8	4.1	3.9	3.7	4.1	4.3	4.0	4.3	5.1	7.0	2.3	3.8	4.2

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

Real G D P	▲ 1.2	▲ 0.3	▲ 1.1	1.1	2.0	1.5	1.5	1.4	1.3	1.3	1.5	2.2	▲ 0.7	1.5	1.4
Nominal G D P	0.8	1.4	0.4	1.0	2.3	1.7	1.9	1.6	1.6	1.6	1.8	1.9	1.1	1.7	1.7
GDP deflator	2.1	1.7	1.6	▲ 0.1	0.3	0.2	0.4	0.2	0.3	0.3	0.4	▲ 0.4	1.8	0.2	0.3
Consumer Price Index (excluding fresh food)	3.2	2.9	3.0	1.2	1.4	1.6	1.7	1.5	1.4	1.4	1.5	0.8	3.1	1.5	1.5
(excluding fresh food and consumption tax)	1.1	0.9	1.0	1.2	1.4	1.6	1.7	1.5	1.4	1.4	1.5	0.8	1.1	1.5	1.5
Industrial Production Index	▲ 1.0	▲ 1.5	▲ 2.9	1.9	4.3	3.3	2.0	1.4	1.2	1.2	1.2	3.2	▲ 0.7	2.9	1.3
Unemployment Rate (%)	3.6	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.9	3.5	3.5	3.4
Current Account Balances (trillion JY)	1.67	0.45	2.99	1.04	2.55	0.49	3.30	0.95	2.37	0.17	3.34	0.83	5.46	7.38	6.83
Share of Nominal GDP (%)	1.4	0.3	2.4	0.8	2.1	0.4	2.6	0.8	1.9	0.1	2.6	0.2	1.1	1.5	1.3
Exchange Rates (JY/US$)	104	113	118	120	122	123	124	125	125	125	125	100	112	122	125
Import Price of Crude Oil (US$/barrel)	108	91	89	92	92	92	93	93	93	93	94	110	99	92	93

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 April 2017.
3: It is also assumed that economic measures through the supplementary budget will be implemented (assumed amount: from 2 to 3 trillion yen).
4: The assumptions on the real GDP growth rate in 2013(actual result), 2014, 2015 and 2016 in major overseas economies: the US, 2.2%, 2.3%, 3.1%, 2.8%; the euro area, ▲0.4%, 0.8%, 0.9%, 1.3%; China, 7.7%, 7.4%, 7.2%, 7.0%.