

# Monthly Report of Prospects for Japan's Economy

## February 2016

Macro Economic Research Centre  
Economics Department



The Japan Research Institute, Limited

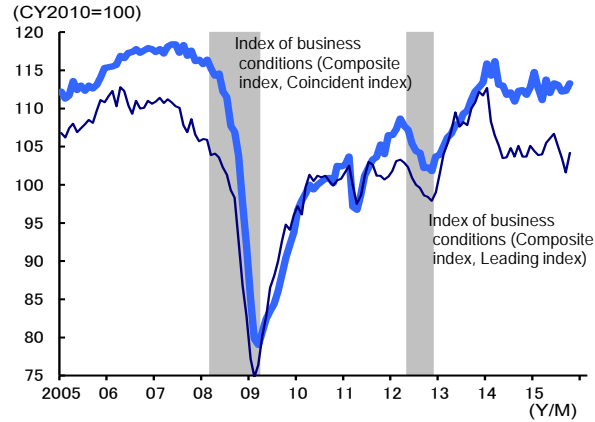
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the January 2016 issue of the original Japanese version.

# The general situation of Japan's economy – On a moderate recovery trend, yet with some weak figures

**Figure 1-1 Economic Activity**

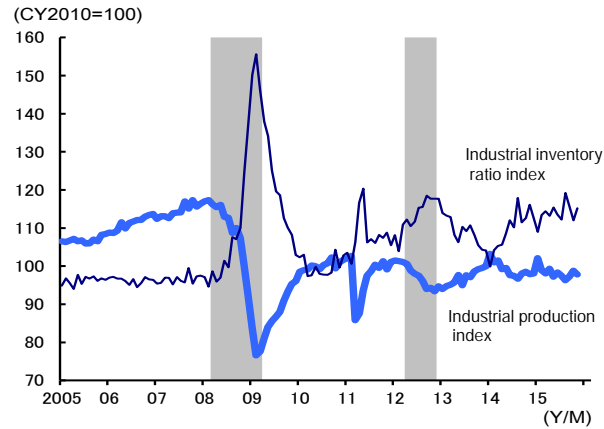
The leading index of business conditions rose for the first time in 3 months, reflecting the increase in the number of new job offers and other factors.



Source: The Cabinet Office.

**Figure 1-2 The Corporate Sector**

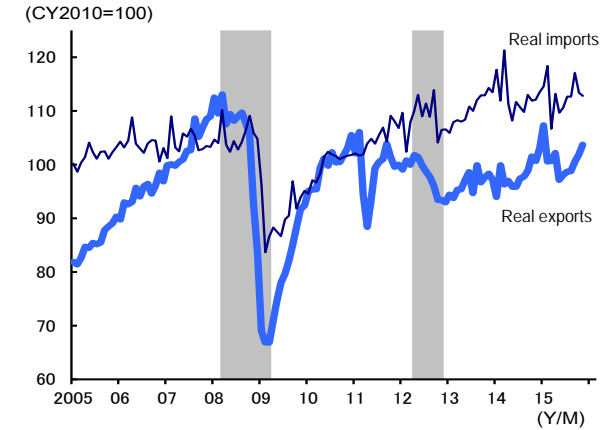
Production activity seems to have seesawed, with production having decreased for the first time in 3 months. The inventory ratio stays at a high level.



Source: The Ministry of Economy, Trade and Industry.

**Figure 1-3 Overseas Demand**

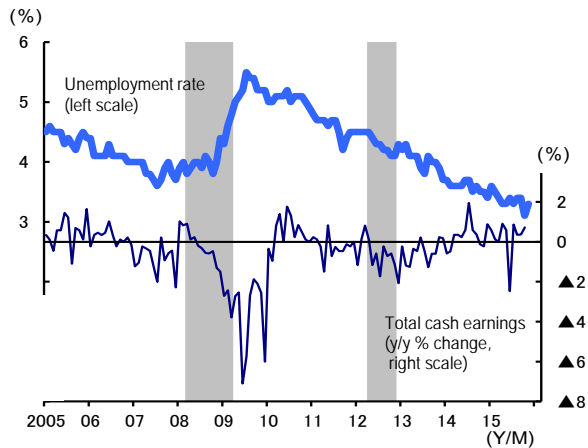
Exports have picked up at a moderate pace. Imports decreased for the second consecutive month.



Source: The Bank of Japan.

**Figure 1-4 Employment and Income**

The unemployment rate stays at a very low level. Total cash earnings continued to increase year-on-year.

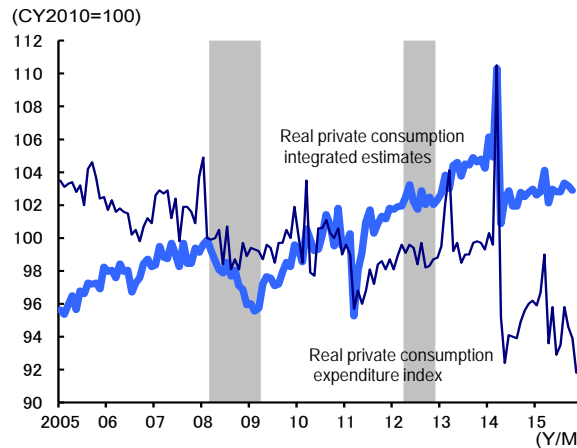


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

\* The shaded area indicates the phase of recession.

**Figure 1-5 Private Consumption Expenditure**

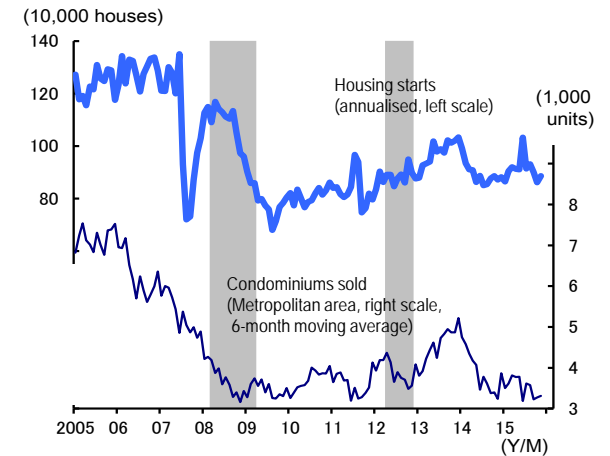
Real private consumption expenditure continues to weaken, having declined for 3 months in a row.



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 have been weak. Condominium sales continued to seesaw.



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

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# Sense of a standstill has still been felt, yet some signs of pickup have been seen

◆ Although consumer sentiment picked up slightly, real household consumption expenditure has weakened

Japan's economy has been at a standstill on the whole, with both firm and weak figures being mixed. In the household sector, consumer sentiment picked up slightly. However, real household consumption expenditure has weakened. In addition, sales value of large-scale stores, which are supply side statistics, and had continued to recover moderately, partly thanks to increased purchases by foreign visitors to Japan, also decreased last November mainly due to the unusually warm weather.

◆ In spite of continued buoyant corporate profits, the degree to which business fixed investment expands will likely be limited

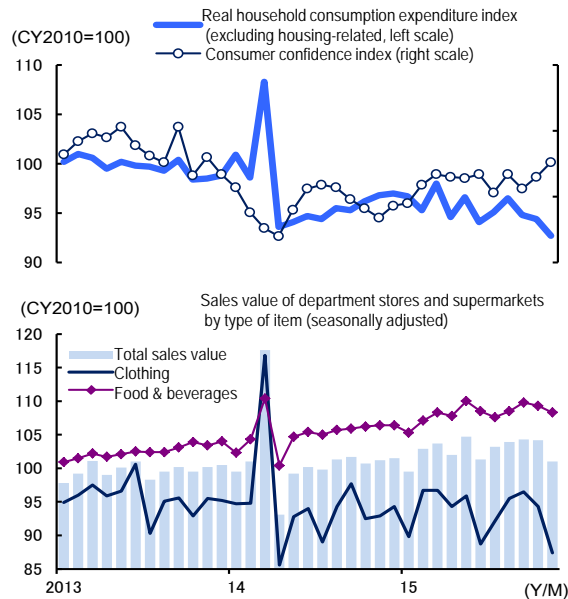
In the corporate sector, the pace at which business fixed investment expands will be limited, despite continued buoyant corporate profits. Close observation shows that

the attitude of Japanese enterprises towards business fixed investment has become more cautious, under the situation where exports of goods to Asia, especially those of capital goods, continue to be slow to increase, reflecting the slowdown of Asian economies. Thus, even postponement of a certain part of investment has been observed.

◆ A sign of pickup has been seen in production

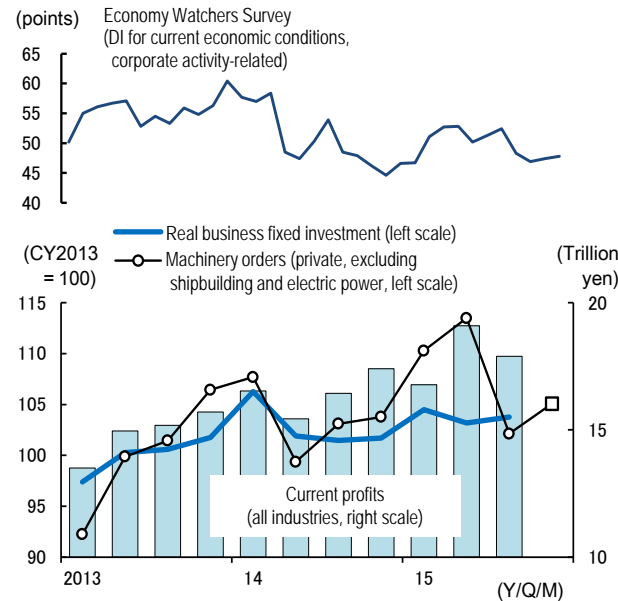
Under these circumstances, industrial production has seesawed, with production in November having decreased for the first time in 3 months. However, a sign of the pickup in production activity has been seen, as the production forecast index shows an increase both in December and in January and the shipments - inventory balance tends to improve.

Figure 2-1 Private Consumption Expenditure-related Indicators



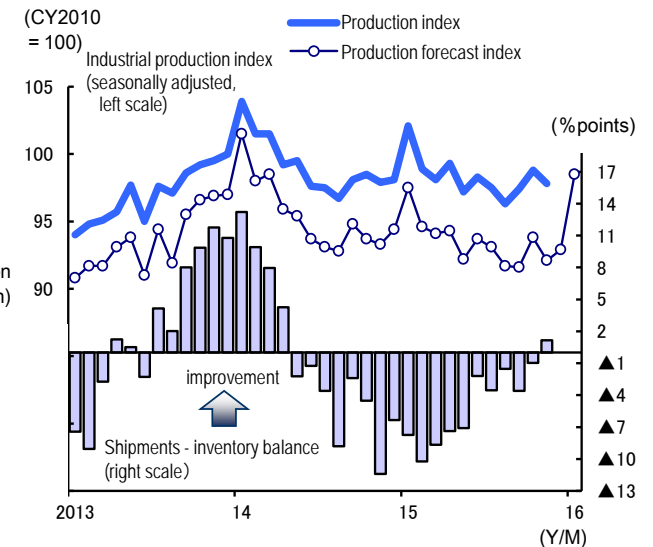
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications, The Ministry of Economy, Trade and Industry.

Figure 2-2 Business Sentiment and Business Fixed Investment



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Finance.  
Note: The latest figure in machinery orders is a forecast.

Figure 2-3 Industrial Production Index and Shipments-Inventory Balance



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

Note: Shipments - inventory balance = y/y in index of shipments - y/y in index of inventory

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# BoJ's Tankan Survey - Uncertainties about future prospects have been felt persistently

◆ The forecast DIs showed considerable worsening due to the uncertainties surrounding overseas economies

In the Tankan December 2015 Survey, the diffusion index (DI) for business conditions on the whole of large manufacturing was plus 12 percentage points, and the DI for the whole of large nonmanufacturing was plus 25 percentage points. Both of the DIs were the same as in the previous Survey. Good corporate profits continue, as shown in the continued improvement in the ratio of current profits to sales. Nevertheless, under the circumstances that a further acceleration in economic growth is difficult to be counted on, these flat results seem to suggest a sense of levelling off in business sentiment, albeit at a high level.

Further, the forecast DIs in 3 months' time showed a worsening trend in a wide range of industries, mainly due to the uncertainties surrounding overseas economies. These uncertainties include anxiety over the slowdown in the economies of China and other emerging countries, and the change that the Fed in the US started to raise its target interest rate in December with further rises being expected this year.

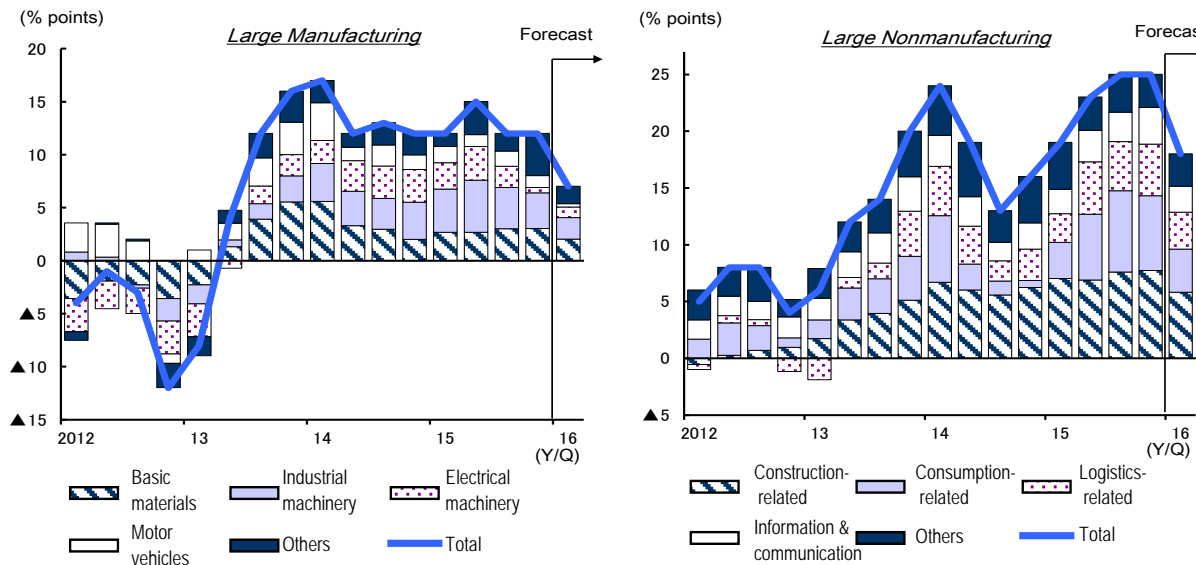
Viewed by industry, the forecast DIs in manufacturing showed a significant deterioration especially in industries such as basic materials, in which international commodity prices have fallen, and industrial machinery, in which inventory adjustment has been prolonged. In nonmanufacturing, the forecast DI for private consumption-related businesses, the business conditions of which have been at a high level benefiting from buoyant inbound demand stemming from the rising number of foreign visitors to Japan, showed no improvement.

◆ Planned business fixed investment for FY2015 continued to be firm

In the same Survey, planned business fixed investment for FY2015 continued to be firm. The planned rate of annual increase in FY2015 stayed at a high level in large manufacturing, although it was revised downwards due to the postponement in a certain part of the investment. The planned rates in large nonmanufacturing and small and medium-sized enterprises were revised upwards. Although some indicators such as machinery orders were weak, judging from the planned rates in this Survey, business fixed investment will likely stay firm for the time being.

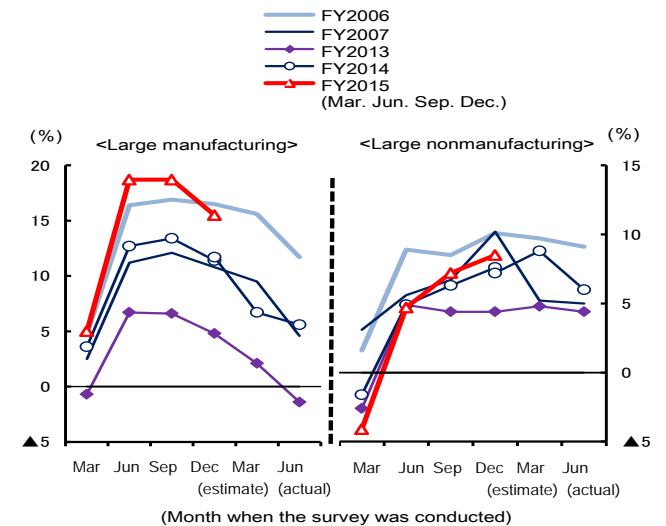
Figure 3-1 Contributions to Business Conditions Diffusion Index by Industry

<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 December 2015 Survey".

Figure 3-2 Change over Time in Planned Business Fixed Investment for Each Fiscal Year <year-on-year, %>



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

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# The pace of pickup in Japan's exports has been slow, while "inbound demand" has bolstered the total

## ◆ Imports other than mineral fuels have been firm

Japan's monthly trade balance was a deficit of 3.3 billion yen last November, the least amount of deficit since March 2011, when the monthly trade balance on a seasonally adjusted basis turned to deficits. This is mainly because of the sluggish imports of mineral fuels, reflecting the fall in the crude oil price and stagnant domestic production activity.

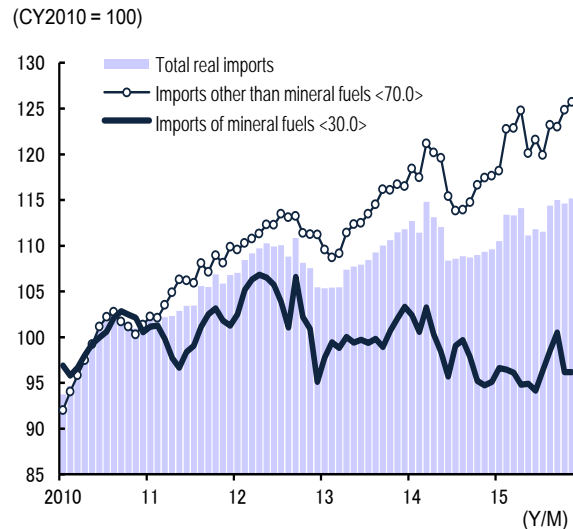
However, imports other than mineral fuels have been picking up. This is in part against the background that, amid dull domestic demand, the import penetration rate, that is, the ratio of imports in the total supply to the domestic markets, has tended to rise. If the fall in the crude oil price is checked and domestic production recovers more visibly, imports will also likely pick up further.

## ◆ Exports will likely continue to lack momentum, against the background of a slowdown in the Chinese economy and other factors

Japan's exports of goods have shown signs of picking up. It is notable that the real exports of products such as medicine and cosmetics which foreign tourists to Japan tend to purchase quite often (inbound demand-related products) have increased and played a role of bolstering the total. However, the decline of real exports of capital goods to China and other Asia, which have a much larger share in the total, continues to be a weighing down factor.

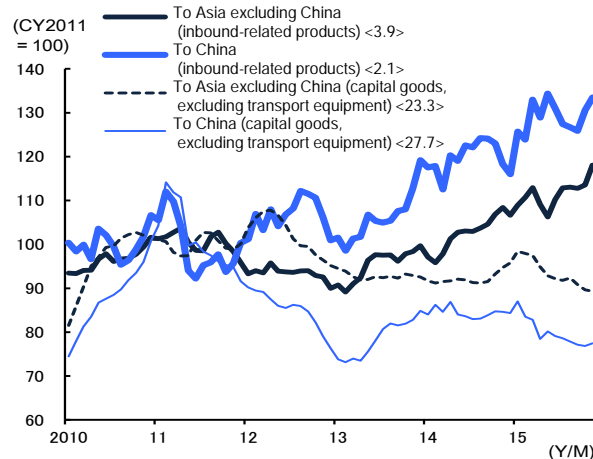
Looking ahead, solid exports of services including buoyant inbound demand produced by the rising number of foreign tourists to Japan, and the support of the depreciation of the yen favourable to real exports of goods will be positive elements for Japan's total exports. However, the deceleration in the economies in emerging countries such as China will likely continue to be a weighing down factor. Therefore, on the whole, it is unlikely that the strong recovery in Japan's exports will be able to be counted on for the time being.

Figure 4-1 Japan's Real Imports  
<seasonally adjusted,  
3-month moving average>



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 FY2014.

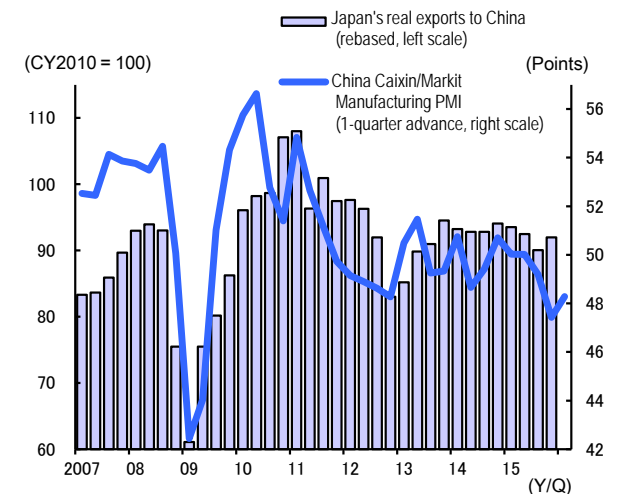
Figure 4-2 Real Exports Index of Inbound-related Products and Capital Goods to China and Other Asia



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

Note: 1. Figures in the angle brackets show the shares in FY2014.  
2. Inbound-related products are the items which foreign visitors to Japan tend to like to purchase, including medicine, cosmetics, household appliances, and so on.

Figure 4-3 China's Manufacturing PMI and Japan's Real Exports to China <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance, China Caixin/Markit Manufacturing PMI.

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# Business fixed investment will likely pick up, albeit moderately, reflecting firm corporate profits

## ◆ Corporate profits continue to be firm

Concerning the corporate sector, based on the Financial Statements Statistics of Corporations by Industry, current profits in enterprises in the July-September quarter last year continued to be at around their highest level thus far on an aggregate basis, while sales proceeds were still stagnant during that period.

The latest improvement in the ratio of current profits to sales appears to be against the background of a cost reduction effect thanks to the fall in the crude oil price. This is seen as a positive contribution of a fall in "variable costs", while the rise in "personnel expenses" has played a role in curbing the ratio. The weaker yen also has contributed to the improvement in the ratio.

## ◆ The pace of increase in business fixed investment will likely be more moderate, compared with that in buoyant corporate profits

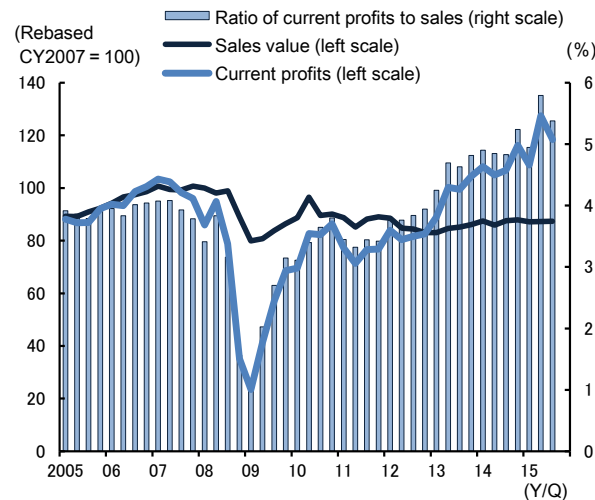
Looking at business fixed investment, even in favourable environments such as continued buoyant corporate profits, the investments in machinery and buildings have weakened. One of the reasons for this trend is that a certain part of the planned

investment has been postponed due to sluggish domestic demand and uncertainties surrounding overseas economies. Another reason is that the following structural changes in the economy, related to business fixed investment, have played a role of curbing the conventional investment.

First, Japanese enterprises have tended to shift their funds to overseas direct investment including M & A. Second, the investment in research and development (R & D) and software has become more and more important. Third, the change in industrial structure has lifted the share of services industries, where the value of investment per enterprise is smaller than that in manufacturing.

It is likely that business fixed investment will pick up, against the background of buoyant corporate profits and increased demand for investment for rationalisation and saving. Yet, the pace of pickup will likely be more moderate than anticipated, because the above mentioned structural changes will continue to be a weighing down factor, under the condition that the difference between real GDP growth expectations at home and those abroad is hard to narrow noticeably.

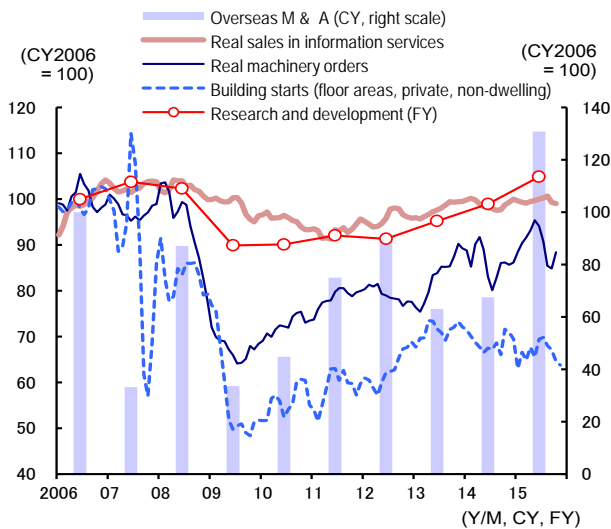
Figure 5-1 Sales Value and Ratio of Current Profits to Sales <seasonally adjusted>



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

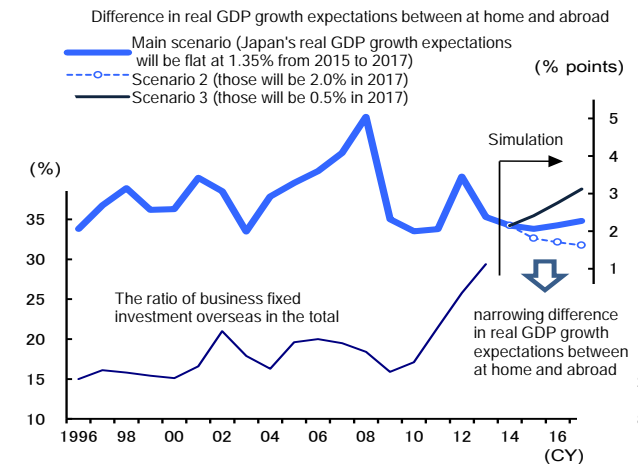
Note: All industries excluding financial institutions.

Figure 5-2 Indicators Related to Business Fixed Investment



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

Figure 5-3 Ratio of Business Fixed Investment Overseas in the Total and Difference in Real GDP Growth Expectations



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Economy, Trade and Industry, The Cabinet Office, IMF, and so on. The simulation by JRI.

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# Private consumption expenditure will be affected positively by wage rises and cheaper oil

◆ The pace of recovery in private consumption expenditure has remained slow, reflecting the deceleration in real compensation for employees

In the household sector, private consumption expenditure continues to lack momentum. This seems to be against the background that real compensation for employees has been very slow to increase. While the number of employees is on the rise, nominal wages per employee have been slow to rise, because enterprises have been still cautious about raising wages which leads to an increase in fixed costs. In addition, although the core CPI has decelerated in recent months, the rise in the price of food has made consumer sentiment worsen. This is because the pace of rise in the CPI for food excluding fresh food has been much faster than that of nominal wages. Food is quite often purchased by consumers and, therefore, its price change is felt acutely by them as if it were a realisation of the price situation as a whole.

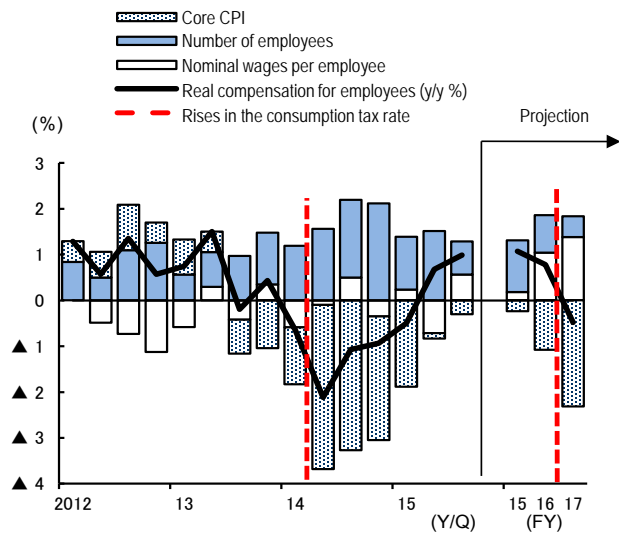
◆ Slow pace of recovery in private consumption expenditure will likely continue

Looking ahead, the recovery trend in private consumption expenditure will likely be kept over FY2016 to March 2017, because firm corporate profits will continue to bolster the improvement in employment and income environments. Also, a further worsening of consumer sentiment will be avoided because the pace in the rise in food prices will likely decelerate due to the nearing of the end of the boosting effect of the weaker yen.

However, the pace of pickup in compensation for employees and private consumption expenditure will remain moderate. One of the reasons for this is that the increase in employment has tended to be unevenly distributed to the cohorts with lower wage levels. The main types where employment has been increased most are female and/or elderly part-time jobs, and, by industry, jobs in nonmanufacturers.

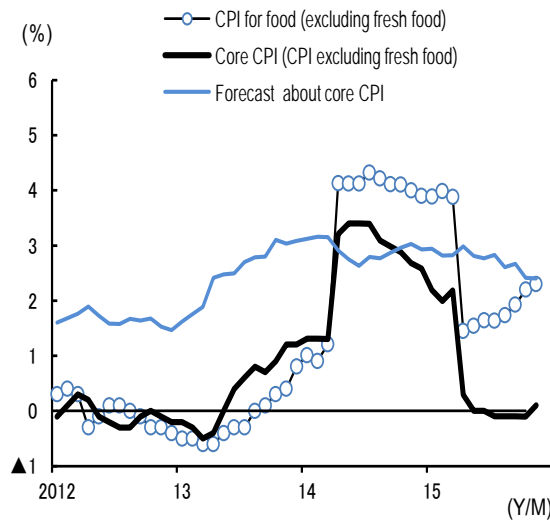
Looking ahead further, it is predicted that private consumption expenditure in real terms in FY2017 will decline considerably due to the decrease in real income caused by the rise in the consumption tax rate from 8 to 10 per cent in April 2017.

Figure 6-1 Contributions to the Year-on-Year Change Rate in Real Compensation for Employees



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

Figure 6-2 Core Consumer Price Index and Its Forecast of Consumers <year-on-year % change>



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

Figure 6-3 Details in Change in the Number of Employees <from January 2013 to November 2015>



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

Note: The figures in parentheses are median estimates of annual income (units of 10,000 yen, in Q3 2015).

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# Effects of economic measures will likely bolster the economic activity in FY2016

## ◆ The supplementary budget for FY2015 will support the economic activity in FY2016

Amid limited strength for the economic recovery, the supplementary budget for FY2015 was compiled in December and approved in the Diet in January. Its scale is 3,321 billion yen, which is estimated to boost the real GDP growth rate by about 0.4 percentage points, on the assumption that about 70 per cent of the total amount will contribute as a boost with public works being its main driving force. Judging from the labour shortage in construction-related industries, the boosting effect will materialise in several years to come, with that in FY2016 being the main portion.

## ◆ The scheduled rise in the consumption tax rate to 10 per cent in April 2017 will also be a fluctuating factor

The changes in demand and prices caused by the scheduled rise in the consumption tax rate from 8 to 10 per cent in April 2017 will be a fluctuation factor. First of all, the scale of a last minute surge in demand this time is estimated to be

smaller than that in the consumption tax rise in April 2014. Although durable goods such as household appliances will be the main items subject to rushed demand, it is unlikely that those which were purchased in a rush before the consumption tax rise last time will be purchased again this time, taking their service life into account.

Taking the above mentioned element into consideration, based on consumption functions, it is estimated that a last minute surge in demand will push up the growth rate of private consumption expenditure in FY2016 by 0.7 percentage points. However, it is also projected that private consumption expenditure in FY2017 will be pushed down in turn, by 1.6 percentage points, by a reactionary fall after the surge and reduced real purchasing power caused by the rise in consumer prices.

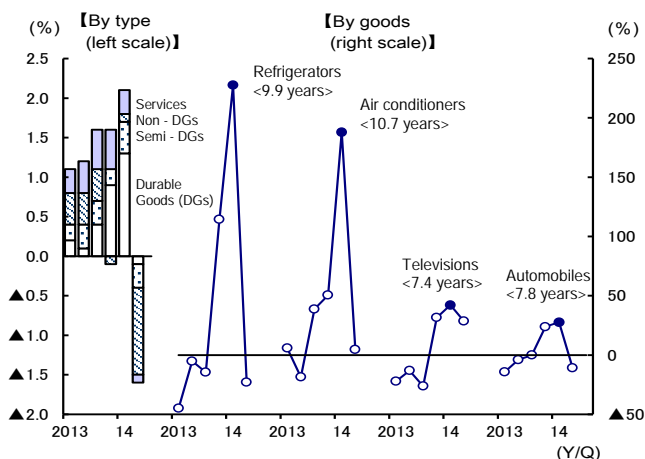
Meanwhile, it was decided that the reduced tax rate of 8% would be applied from April 2017 onwards to mainly food excluding alcoholic beverages and eating out. So, the rate of decrease in private consumption expenditure in FY2017 is estimated to be eased by 0.2 percentage points, compared with the no reduced tax rate case.

Figure 7-1 Items in Supplementary Budget for FY 2015 and Estimated Effect to Real GDP Growth Rate

	(Billion yen)
Urgent measures to realise a "Society in Which All Citizens are Dynamically Engaged"	1,164
• To realise the "desirable birth rate of 1.8" and "no one forced to leave their jobs for nursing care"	<395>
• Support for pensioners	<362>
• To promote investments and realise revolution in productivity	<240>
• To strengthen added-value creativity in local communities	<167>
Measures to realise TPP-related policies	340
Measures to accelerate the reconstruction in the disaster-hit areas and to promote disaster prevention and reduction	1,338
Other Measures	479
The Total	3,321
Estimated boosting effect on the GDP growth rate	0.4 % points

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

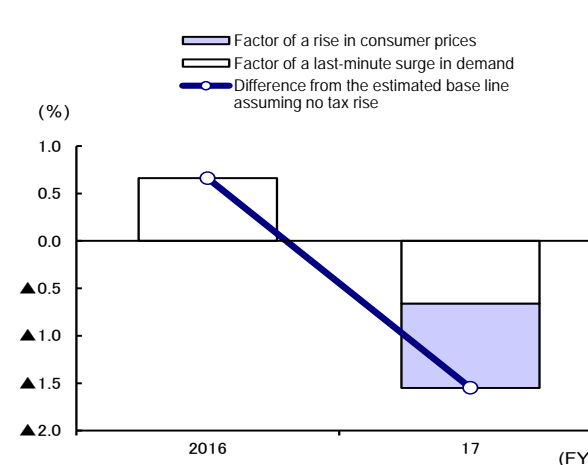
Figure 7-2 Change in Private Consumption Expenditure before and after the Consumption Tax Rise in April 2014 <year-on-year % change>



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

Note: The figures in angle brackets show service life (years) of each type of durable goods.

Figure 7-3 Estimated Effect of the Consumption Tax Rise in April 2017 (8% to 10%) on the Change Rates in Private Consumption Expenditure



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

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# Achieving the core CPI goal set by the BoJ will likely take time

## ◆ The changes in consumer prices vary considerably with items

The year-on-year change rate of the core consumer price index (CPI), which excludes fresh food, has been at around zero as a whole. Yet, detailed observation shows that the changes in consumer prices vary considerably with items. The energy price continues its significant fall due to the substantial drop in the crude oil price. Also, the cost of rent and utilities, which has fair price rigidity and is hard to change in response to the improvement in the macroeconomic supply-demand situation, has decelerated.

However, the consumer prices of items other than the above mentioned have accelerated their pace of increase of late. This acceleration has been contributed to by factors such as the rise in costs of imports because of the weaker yen, the improvement in the macroeconomic supply-demand environments compared with those before the start of Abenomics, and the increase in inflation expectations which is implied by the upward shift of the intercept in the Phillips curve. Judging from these aspects, it is likely that the prices of these items will continue their solid increase

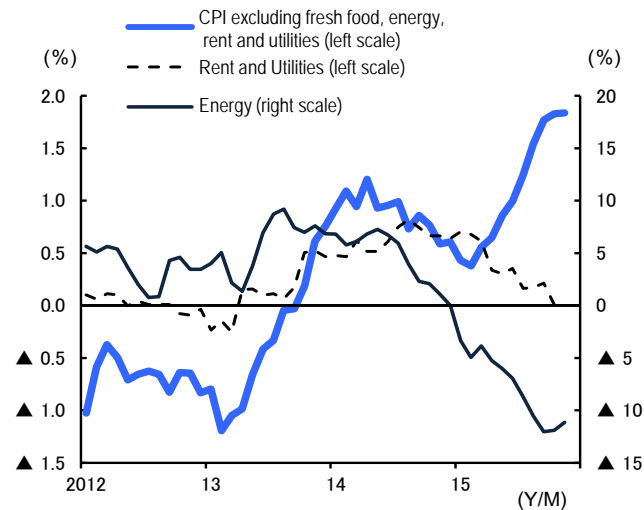
even after the boosting effect of the weaker yen nears its end.

## ◆ It will take time to achieve the goal set by the BoJ

In order to achieve the goal set by the BoJ of the "continuously stable core CPI inflation rate at a pace of 2 per cent year-on-year," it is necessary for the pressure for price rises to spread to items such as rent and utilities.

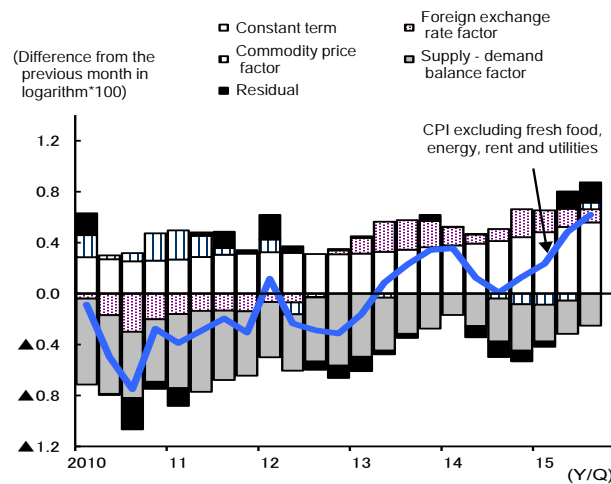
As for rent, which has a relatively heavy weight in the total weight in the core CPI, there is a strong correlation between rent and land prices in residential areas. Therefore, in order for the pressure for rises on rent to strengthen, it is necessary for the increasing trend in land prices to materialise and last, in addition to the improvement in the macroeconomic supply-demand environments and the increase in inflation expectations. The land price index for residential areas in urban districts on a national basis continues its moderate year-on-year decline of late. Taking this situation into consideration, it will likely take quite some time for rent on a CPI basis to show a year-on-year increase and to approach a 2 per cent rise.

Figure 8-1 Consumer Price Index (CPI) by Item <year-on-year % change>



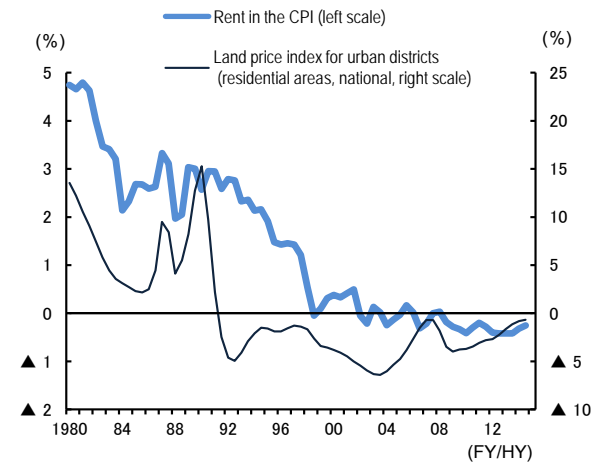
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.  
Note: Rent and utilities exclude electricity and gas charges.

Figure 8-2 Contributions to the Year-on-Year Change Rate in CPI excluding Fresh Food, Energy, and Rent and Utilities



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

Figure 8-3 CPI for Rent and Land Price Index for Urban Districts



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

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## Prospects for Japan's economy - Projected real GDP change; 1.2% in FY2016 and 0.0% in FY2017

◆ While the "autonomous economic expansion mechanism" continues to work, the pace of recovery will likely remain moderate, due to the structural changes which have taken place in and surrounding Japan's economy

(1) It is predicted that Japan's economy will follow its recovery path, as the "autonomous economic expansion mechanism" is expected to continue to work. This can be judged from the following: 1) the favourable environments for the increase in business fixed investment have been maintained, including continued buoyant corporate profits and low interest rates, 2) the income and employment environments for households continue to improve moderately, thanks to increased corporate profits and the tendency of a shortage of workers, and so on.

However, though, pressure for inventory adjustment on economic activity and a slowdown in the Chinese economy will be a weighing factor over this spring. In addition, the pace of economic growth is predicted to be moderate on the whole. This is because of the various structural changes at home and abroad which have taken place in the economy and its environments. It is of note that these changes have made the strong expansion of private consumption expenditure, conventional investment in machinery and buildings, and exports of goods unable to be counted on as before.

(2) Under these circumstances, in FY2016 to March 2017, it is expected that Japan's economy will return to its firm recovery trajectory, as inventory adjustment nears its end. Also, the boosting effects of the favourable factors will bolster the economic activity during the period, such as the

implementation of the supplementary budget for FY2015 and a last minute surge in demand before the scheduled rise in the consumption tax rate from 8 to 10 per cent in April 2017. Accordingly, it is projected that the real GDP growth rate in FY2016 will be slightly up from the previous fiscal year to 1.2 per cent.

However, real GDP growth in the April-June period 2017, the first quarter of FY2017, will see a considerable decline from the previous quarter due to the reactionary fall in demand after the last minute surge before the consumption tax rise. Although economic activity is predicted to return to its recovery trend again under the continued "autonomous expansion mechanism", the pace of recovery will likely remain moderate, affected also by the reduction in real purchasing power due to the rise in consumer prices. Therefore, it is projected that real GDP in FY2017 as a whole will have no growth from the previous fiscal year.

◆ The rate of increase in the core CPI will likely accelerate gradually, as the downward effect of the cheaper crude oil nears its end

(3) It is predicted that the pace of increase in the core CPI which excludes fresh food will accelerate in FY2016, as the downward pressure on the year-on-year change rate stemming from the cheaper crude oil peters out gradually. The pickup in domestic demand will also contribute to boosting prices. The rate of year-on-year increase in the core CPI during FY2017 is projected to be up, to 2.5 per cent, affected also by the rise in the consumption tax rate in April 2017.

Figure 10 Projections for GDP Growth and Main Indicators of Japan ( as of January 4, 2016 )

	(seasonally adjusted, annualised % changes from the previous quarter)											(% changes from the previous fiscal year)			
	CY2015		CY2016				CY2017				CY2018	FY2014	FY2015	FY2016	FY2017
	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	(Actual)	(Projection)	(Actual)	(Projection)
	(Actual)	(Projection)					(Projection)								
Real GDP	1.0	0.3	1.4	0.3	1.8	1.8	3.0	▲ 4.1	0.6	0.3	0.8	▲ 1.0	1.0	1.2	0.0
Private Consumption Expenditure	1.5	1.0	2.1	▲ 0.3	0.8	1.4	5.9	▲ 12.5	1.4	0.6	0.8	▲ 2.9	0.4	1.2	▲ 1.7
Housing Investment	8.1	2.0	1.1	3.6	4.7	5.8	5.5	▲ 12.0	▲ 8.5	▲ 1.0	3.5	▲ 11.7	3.8	3.8	▲ 2.8
Business Fixed Investment	2.3	0.9	1.9	2.8	3.3	3.5	5.8	▲ 2.1	1.5	2.8	2.9	0.1	1.4	2.8	2.0
Private Inventories (percentage points contribution)	(▲ 0.8)	(▲ 0.6)	( 0.0)	( 0.0)	( 0.6)	( 0.4)	(▲ 0.8)	( 1.2)	(▲ 0.5)	(▲ 0.2)	( 0.0)	( 0.6)	( 0.2)	( 0.0)	( 0.1)
Government Consumption Expenditure	1.1	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.1	1.1	0.6	0.7
Public Investment	▲ 5.8	0.0	▲ 0.8	3.0	9.8	5.0	2.3	1.2	0.0	▲ 11.2	▲ 8.7	▲ 2.6	0.5	3.1	▲ 0.7
Net Exports (percentage points contribution)	( 0.5)	(▲ 0.2)	(▲ 0.4)	(▲ 0.4)	(▲ 0.7)	(▲ 0.7)	(▲ 1.2)	( 2.5)	( 0.0)	( 0.1)	(▲ 0.0)	( 0.6)	( 0.0)	(▲ 0.4)	( 0.4)
Exports of Goods and Services	11.1	3.2	2.7	3.0	3.2	3.4	3.5	3.5	3.7	3.9	3.9	7.8	1.4	3.6	3.6
Imports of Goods and Services	7.0	4.3	4.6	5.0	6.7	6.9	9.5	▲ 9.3	3.6	3.2	4.2	3.3	1.3	5.8	1.7

	(% changes from the same quarter of the previous year)											(% changes from the previous fiscal year)			
	3.5	3.5	1.8	1.7	2.0	1.6	2.4	2.0	2.0	1.7	1.5	1.5	2.7	1.9	1.8
Nominal GDP	3.5	3.5	1.8	1.7	2.0	1.6	2.4	2.0	2.0	1.7	1.5	1.5	2.7	1.9	1.8
GDP deflator	1.8	2.2	1.2	0.9	1.0	0.4	0.5	1.4	1.7	1.8	2.1	2.5	1.7	0.7	1.8
Consumer Price Index (excluding fresh food)	▲ 0.1	0.1	0.6	0.7	1.1	1.3	1.4	2.3	2.5	2.5	2.5	2.8	0.2	1.1	2.5
(excluding fresh food and consumption tax)	▲ 0.1	0.1	0.6	0.7	1.1	1.3	1.4	1.4	1.5	1.5	1.5	0.8	0.1	1.1	1.5
Unemployment Rate (%)	3.4	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.5	3.3	3.2	3.1
Exchange Rates (JY/US\$)	122	121	122	123	123	123	122	121	120	119	117	110	122	123	119
Import Price of Crude Oil (US\$/barrel)	58	47	47	57	60	63	66	67	67	67	67	91	53	62	67

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 estimated that the supplementary budget for FY2015 (the amount of 3.3 trillion yen) will boost the real GDP growth rate by 0.4 percentage points.

3: It is assumed that the consumption tax rate will be raised from 8% to 10% in April 2017, with the reduced tax rate of 8% applied to food excluding alcoholic beverages and eating out.