

Monthly Report of Prospects for Japan's Economy

March 2016

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

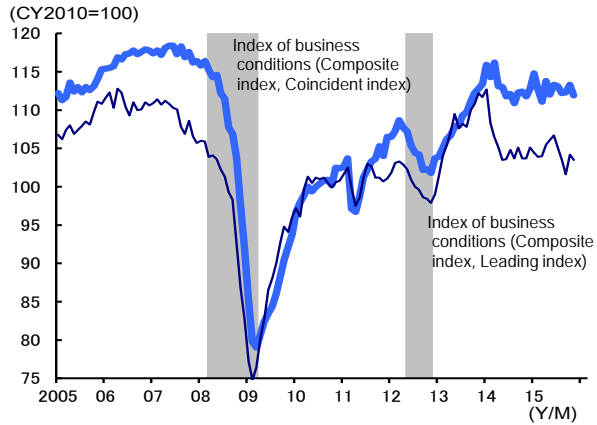
<http://www.jri.co.jp/english/periodical/>

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

The general situation of Japan's economy – Continued sense of stagnation, as private consumption weakens

Figure 1-1 Economic Activity

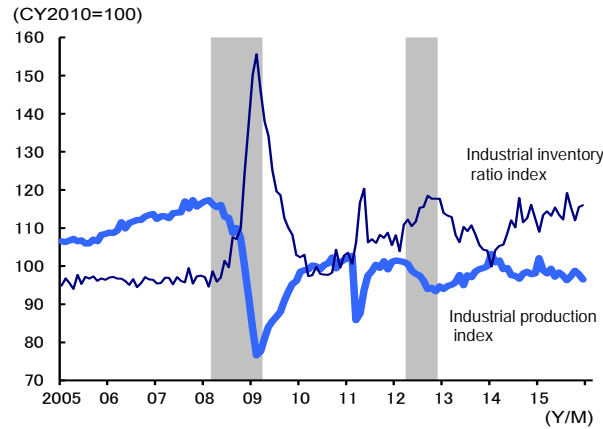
The leading index of business conditions fell for the first time in 2 months, due to the increase in inventories.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

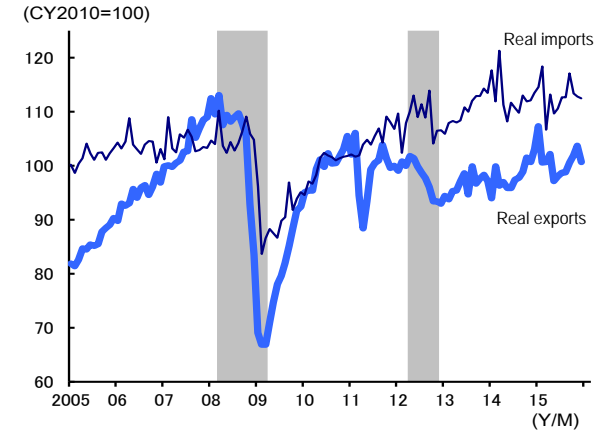
Production activity has seesawed, with production having decreased for the second month in a row. The inventory ratio stays at a high level.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

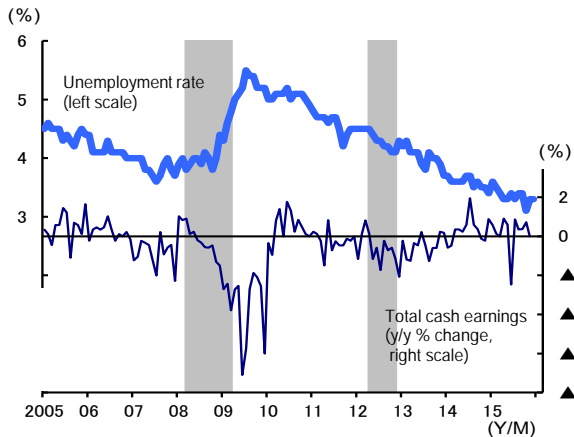
Exports declined for the first time in 4 months. Imports continued to decline, reflecting sluggish domestic demand.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate stays at a very low level. Regular pay which excludes overtime pay continues to increase year-on-year.

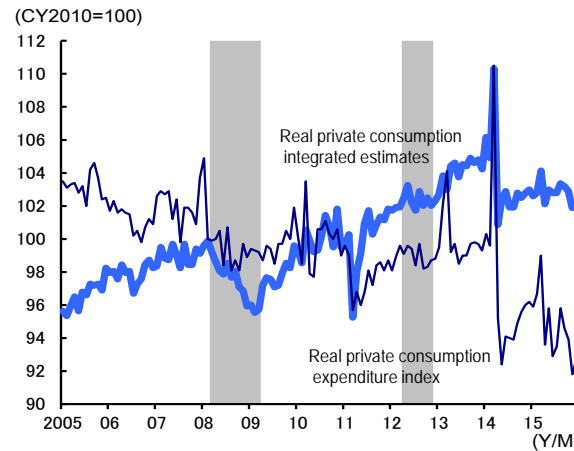


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 Private Consumption Expenditure

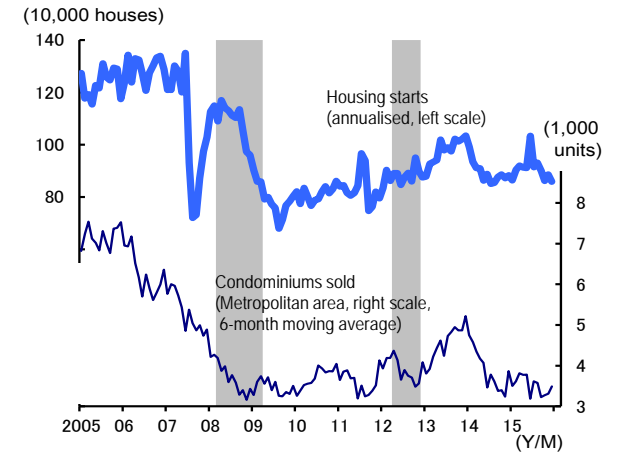
Real private consumption expenditure continues to weaken, as wages are very slow to rise.



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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While the sense of a standstill persists, the recovery trend has been maintained on the whole

◆ Real GDP declined in Q4, with demand both at home and abroad having weakened

The sense of a standstill over Japan's economy has been prolonged, with demand both at home and abroad having weakened. Real GDP in the October-December period decreased by 1.4 per cent on an annualised quarter-on-quarter change basis (national accounts, the first preliminary estimates), for the first time in 2 quarters. While business fixed investment increased and bolstered the total to some degree, private consumption expenditure, public investment and exports declined.

◆ In December, real household consumption decreased and industrial production seesawed

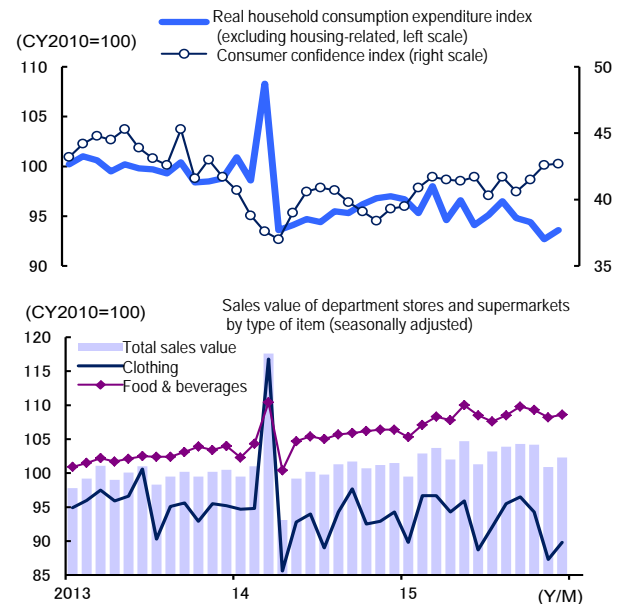
Looking at monthly statistics, real household consumption expenditure was weak in December last year. This was partly due to sluggish sales of winter clothes because

of unusually warm weather, in addition to the negative effect of the rise in food prices amid limited wage increases. In the corporate sector, as the inventory ratio was still at a high level, industrial production decreased in December, the second successive monthly fall, reflecting stagnating demand at home and abroad.

◆ Yet the economy is still on a moderate recovery trend on the whole

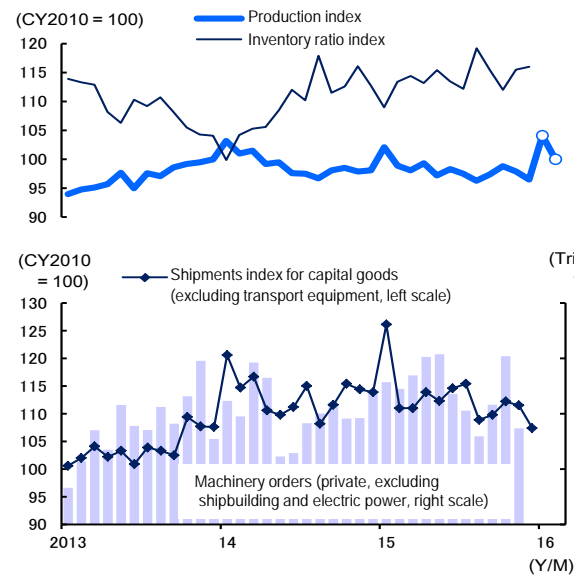
However, as good corporate profits continue, employment and income environments have maintained their firm trend. The number of employees continues to increase, as the sense of a shortage of workers has strengthened both in large and small and medium-sized enterprises. In addition, as for wages, albeit in the slight degree, regular time pay which excludes overtime pay continues to increase on a year-on-year basis.

Figure 2-1 Private Consumption Expenditure-related Indicators



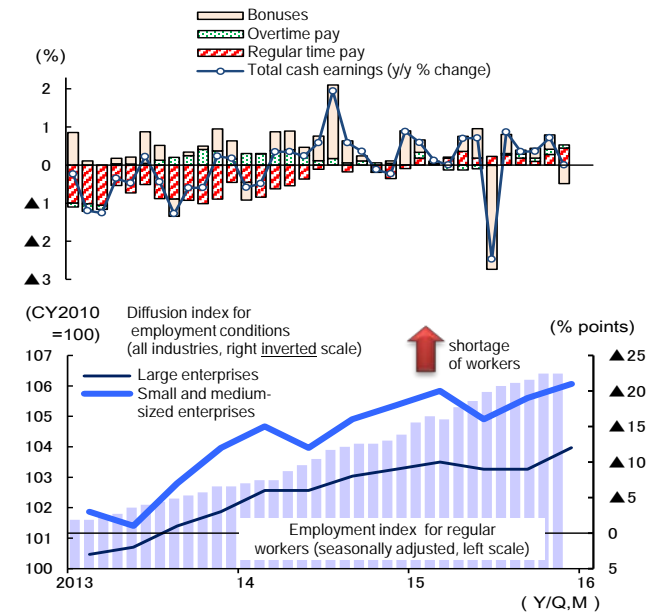
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Internal Affairs and Communications, The Ministry of Economy, Trade and Industry.

Figure 2-2 Production, Inventory Ratio and Machinery Orders <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office, The Ministry of Economy, Trade and Industry.
Note: Production figures in January and February are forecasts.

Figure 2-3 Income and Employment-related Indicators



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

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The pace of pickup in goods exports has been slow, while "inbound demand" has bolstered the total

◆ Total imports will likely pick up moderately, despite the fall in imports of mineral fuels

Japan's monthly trade balance was a surplus last November, for the first time in 2 months. Also, the annual trade balance in 2015 was a deficit of 2.8 trillion yen, which narrowed considerably from a deficit of 12.8 trillion yen in 2014. The value of imports in December decreased on a seasonally adjusted basis, the fifth consecutive monthly decline. This is mainly because of the sluggish imports of mineral fuels, reflecting the fall in the crude oil price, stagnant domestic production activity and unusually warm weather.

However, real imports other than mineral fuels have been picking up. This is in part affected by the fact that the import penetration rate (the ratio of imports in the total domestic supply) 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.

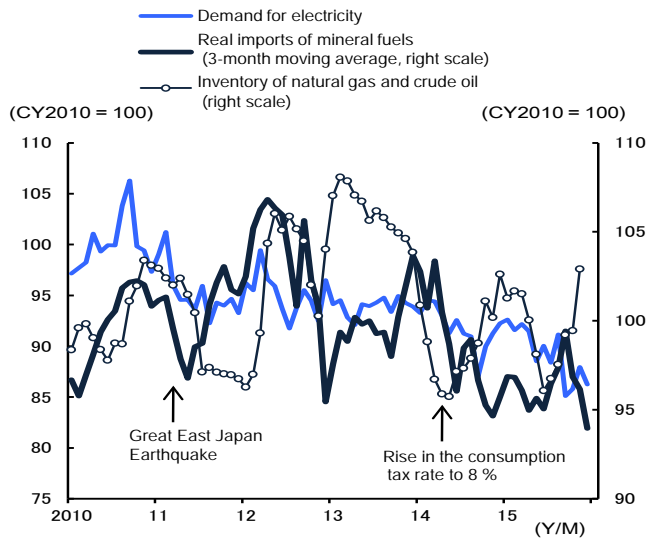
◆ Total exports will likely continue to lack momentum, against the

background of a slowdown in the Chinese economy and other factors

Japan's real exports of goods have shown a moderate recovery trend. Viewed by item, exports of producer goods, transport equipment, medicine, cosmetics, and so on have increased. This is against the background of the recovery of US and European economies, in addition to the strong demand of the foreigners who visited Japan for Japanese goods in their countries. However, exports of capital goods continue to decline, reflecting the global slowdown in business fixed investment.

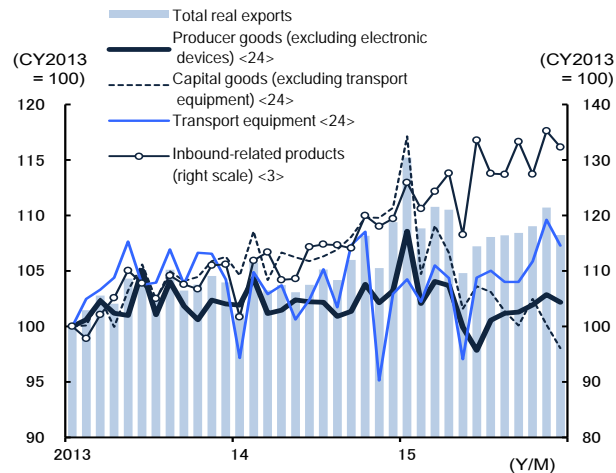
Looking ahead, continued recovery in US and European economies, the support of the weaker yen before early this year, and solid exports of services including buoyant inbound demand produced by the rising number of foreign tourists to Japan, will be positive elements for Japan's total exports. However, 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 a strong recovery in Japan's exports will be able to be counted on for the time being.

Figure 3-1 Demand for Electricity, Real Imports of Mineral Fuels, and Gas and Oil Inventory <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on the data of The Federation of Electric Power Companies of Japan, The Ministry of Economy, Trade and Industry, The Ministry of Finance, The Bank of Japan.

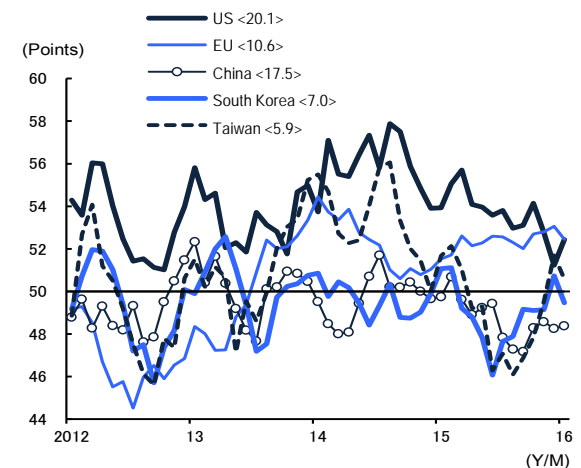
Figure 3-2 Real Exports Index by Goods <seasonally adjusted>



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

- Note: 1. Figures in the angle brackets show the shares in FY2015 on a nominal basis.
 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 3-3 Manufacturing PMI (Purchasing Managers' Index) by Country or Region



Source: The Japan Research Institute, Ltd. based on the data of Nikkei, China Caixin/Markit, Markit.

Note: Figures in the angle brackets show the shares in Japan's total nominal exports in FY2015.

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

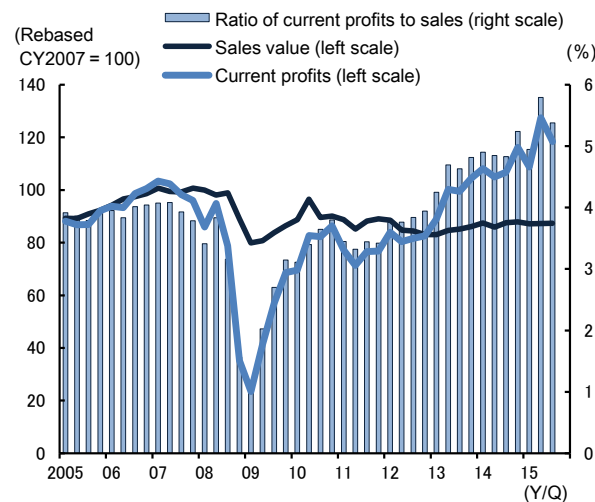
Looking at business fixed investment, even in favourable environments such as continued buoyant corporate profits, the investments in machinery and buildings have weakened. One of the reasons for this trend is that a certain part of the planned

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. This is because, in addition to the above mentioned reasons, the uncertainties in the financial markets, which have heightened rapidly after the start of the year, will be a weighing down factor.

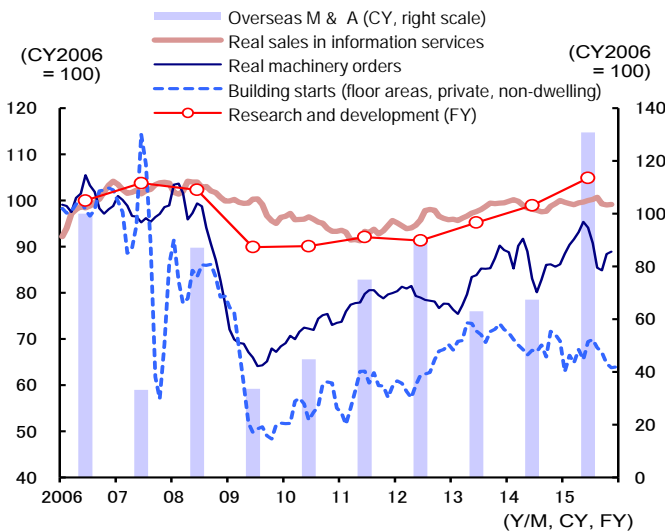
Figure 4-1 Sales Value and Ratio of Current Profits to Sales <seasonally adjusted>



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

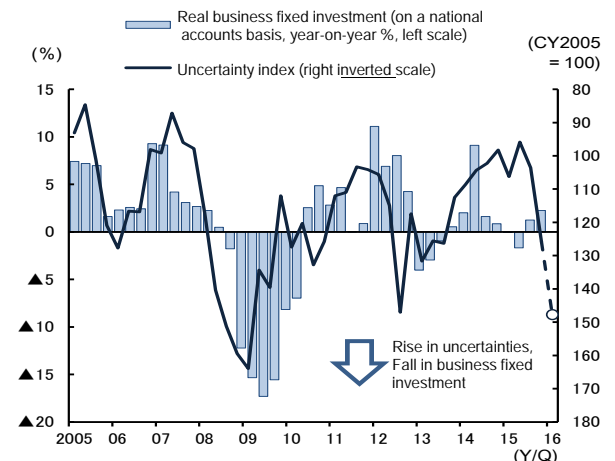
Note: All industries excluding financial institutions.

Figure 4-2 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 4-3 Real Business Fixed investment and Uncertainty Index



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

Note: The uncertainty index is based on TOPIX, and the latest figure is for the end of January 2016.

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

◆ A sense of stagnancy has been felt in private consumption expenditure, against the background of continued reactionary fall in the purchase of durable goods and heightened price of food

In the household sector, private consumption expenditure has stagnated. This seems to have been caused by sluggish sales of winter clothes due to unusually warm weather. In addition, the decline in sales of durable goods is still continuing, because of the reactionary fall after the rise in the consumption tax rate in April 2014 and subsequent various supporting measures for buying.

Further, although the core CPI has decelerated in recent months owing to the fall in the price of petroleum-related products, 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 more acutely by them as if it were a realisation of the price situation as a whole.

Also, the fall in stock prices, which have reflected anxiety over the deceleration in overseas economies since last autumn, has affected consumer sentiment negatively.

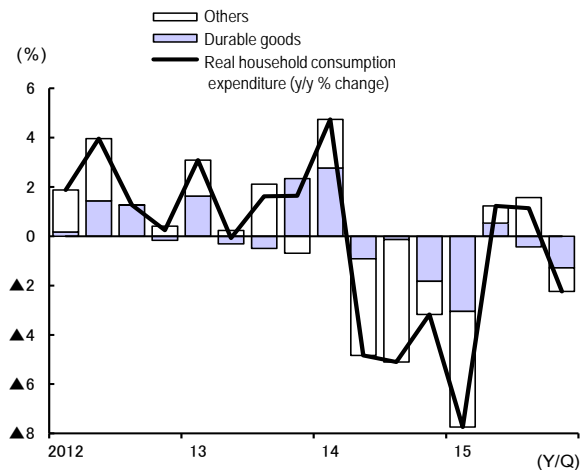
◆ Slow pace of recovery in private consumption expenditure will likely continue

Looking ahead, private consumption expenditure is expected to be firmer gradually over FY2016 to March 2017. This is because solid 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 the pickup in compensation for employees and private consumption expenditure will remain mild. 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 increased most are female and/or elderly part-time jobs, and, by industry, jobs in nonmanufacturers.

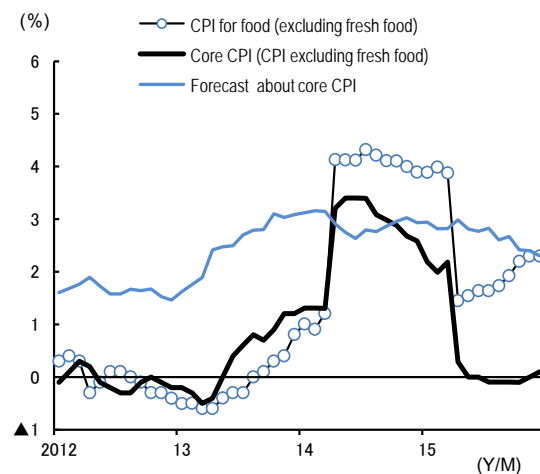
Looking ahead further, it is predicted that private consumption expenditure in real terms in FY2017 will decline considerably due to the decrease in real income caused by the rise in the consumption tax rate from 8 to 10 per cent in April 2017.

Figure 5-1 Real Household Consumption Expenditure <per Household, year-on-year % change>



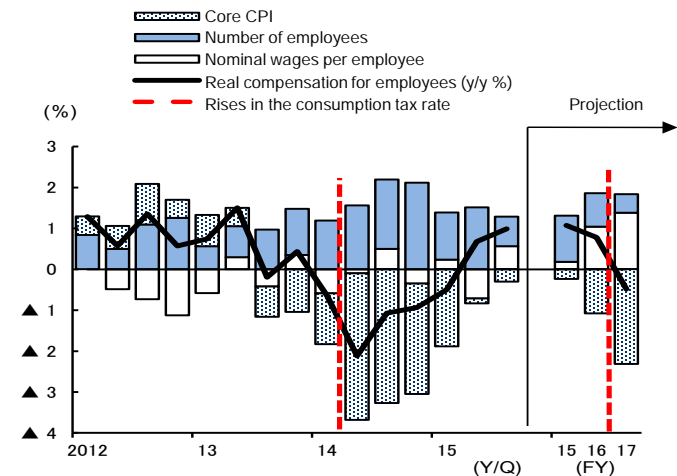
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.
Note: Households with 2 or more household members.

Figure 5-2 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 5-3 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.

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Effects of economic measures will likely bolster economic activity in FY2016

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

Amid limited strength for the economic recovery, the supplementary budget for FY2015 was approved in the Diet in January 20, and is expected to bolster economic activity. Its scale is 3,321 billion yen, which is estimated to boost the real GDP growth rate by 0.3 - 0.4 percentage points, with public works being its main driving force. Judging from the tendency that the implementation of public works is sometimes delayed, the boosting effect will materialise over 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 and automobiles will be the main items subject to rushed demand, it is likely that demand for those which were purchased in a rush before the consumption tax rise last time will be limited this time, taking their service life into account.

With the above mentioned element taken 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.

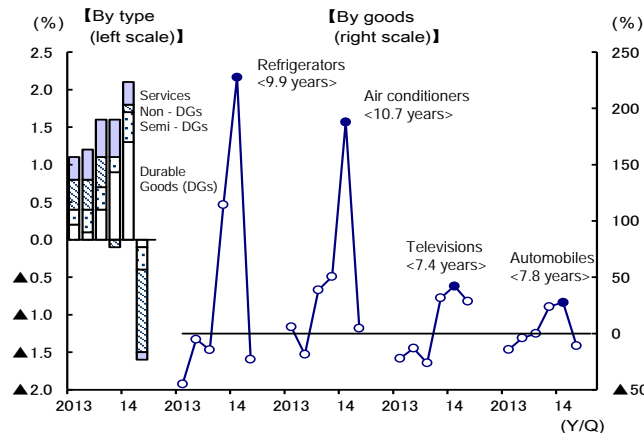
Meanwhile, it was decided that the reduced tax rate of 8% would be applied from April 2017 onwards mainly to food excluding alcoholic beverages and eating out. Thus, it is estimated that the rate of decrease in private consumption expenditure in FY2017 will be eased by 0.2 percentage points, compared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

Figure 6-1 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.

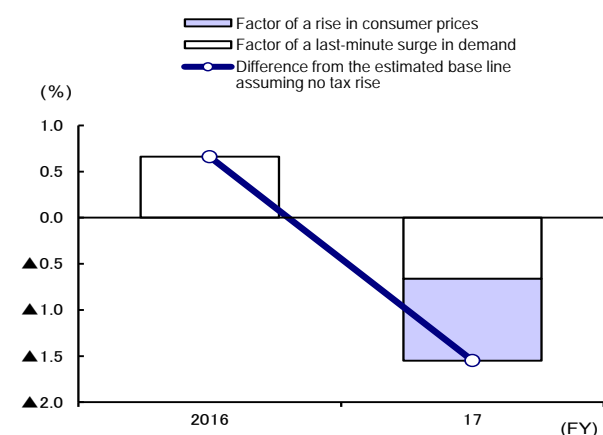
Figure 6-2 Change in Private Consumption Expenditure before and after the Consumption Tax Rise in April 2014 <year-on-year % change>



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 6-3 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 those mentioned above have accelerated their pace of increase of late. This acceleration has been contributed to by factors such as 1) the rise in costs of imports because of the weaker yen, 2) the improvement in the macroeconomic supply-demand environments compared with those before the start of Abenomics, and 3) 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

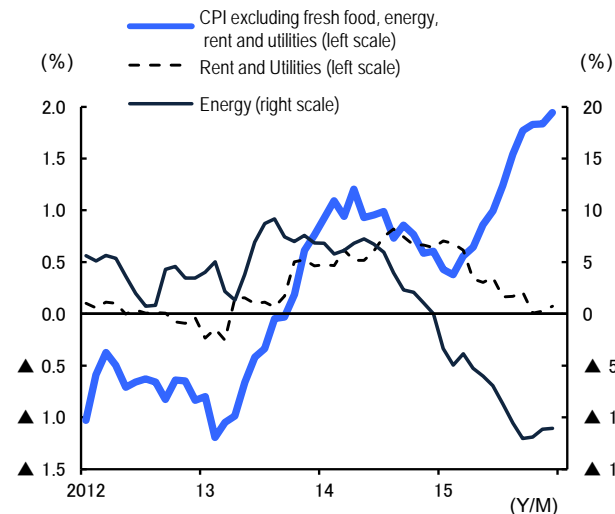
increase even after the boosting effect of the weaker yen nears its end.

◆ 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.

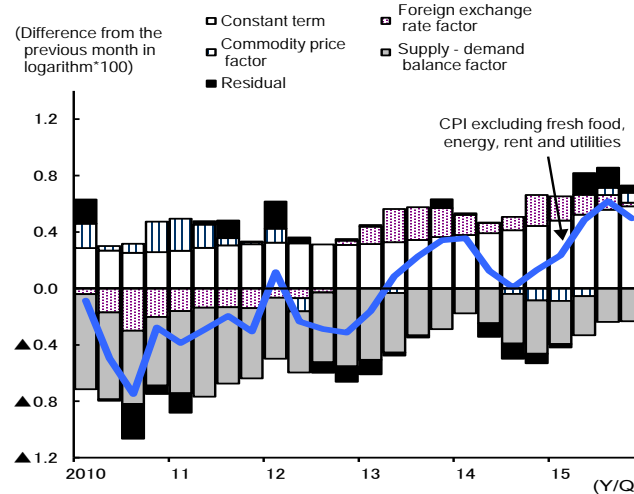
As for rent, which has a relatively heavy weight in the total weight in the core CPI, there is a strong correlation between rent and land prices in residential areas. Therefore, in order for the pressure for rises on rent to strengthen, it is necessary for the increasing trend in land prices to materialise 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 7-1 Consumer Price Index (CPI) by Item <year-on-year % change>



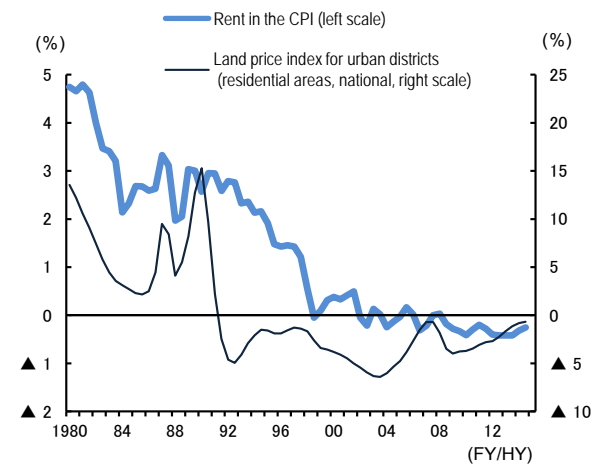
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.
 Note: Rent and utilities exclude electricity and gas charges.

Figure 7-2 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 7-3 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; 1.0% in FY2016 and -0.6% in FY2017

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

(1) Japan's real GDP in the October-December period last year decreased by 1.4 per cent on an annualised quarter-on-quarter change basis (national accounts, the first preliminary estimates), for the first time in 2 quarters. The sense of a standstill over the economy has been prolonged, with demand both at home and abroad having weakened.

(2) It is predicted that the appreciation of the yen and the fall in stock prices, which have taken place since the start of this year, will weigh on business and consumer sentiment for the time being. Thus, economic activity will likely continue lack momentum.

However, if the financial markets regain their stability, it is expected that economic activity will become firmer gradually through the "autonomous economic expansion mechanism", in which buoyant corporate profits lead to the expansion of business fixed investment, total cash earnings and employment.

(3) Nevertheless, the pace of economic recovery will likely be very mild. One of the reasons for this is persistent uncertainties about overseas economies such as the slowdown in the Chinese economy and expected rises in the target policy rate in the US.

Another reason is the various structural changes at home and abroad which have taken place in the economy and its environments, including the declining and rapidly aging Japanese population, the increasing weight of services industries in the economy, and the change in competitiveness in Japanese enterprises. 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.

(4) 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 1.0 per cent.

(5) 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 very mild, 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 decline by 0.6 per cent 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

(6) 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 9 Projections for GDP Growth and Main Indicators of Japan (as of February 15, 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)	(Projection)	(Projection)
	(Actual)		(Projection)				(Projection)					(Actual)	(Projection)	(Projection)	(Projection)
Real GDP	1.3	▲ 1.4	1.1	0.2	1.8	2.1	3.1	▲ 6.0	0.1	0.2	0.7	▲ 1.0	0.7	1.0	▲ 0.6
Private Consumption Expenditure	1.5	▲ 3.3	1.9	▲ 0.4	1.2	2.3	6.4	▲ 13.2	1.2	0.6	0.8	▲ 2.9	▲ 0.4	0.9	▲ 1.7
Housing Investment	6.6	▲ 4.8	0.0	3.6	4.7	6.3	5.8	▲ 20.9	▲ 12.2	▲ 1.0	3.5	▲ 11.7	2.5	2.7	▲ 6.0
Business Fixed Investment	2.9	5.7	0.5	1.9	3.0	3.2	6.3	▲ 5.1	0.8	2.8	2.9	0.1	2.0	2.8	1.0
Private Inventories (percentage points contribution)	(▲ 0.7)	(▲ 0.5)	(▲ 0.1)	(0.0)	(0.7)	(0.5)	(▲ 0.8)	(1.3)	(▲ 0.6)	(▲ 0.2)	(0.0)	(0.6)	(0.2)	(0.0)	(0.1)
Government Consumption Expenditure	0.8	2.1	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.1	1.3	0.7	0.6
Public Investment	▲ 7.6	▲ 10.3	▲ 0.8	2.6	4.9	3.2	1.8	0.9	0.0	▲ 11.2	▲ 8.7	▲ 2.6	▲ 1.6	0.6	▲ 1.2
Net Exports (percentage points contribution)	(0.9)	(0.6)	(▲ 0.2)	(▲ 0.3)	(▲ 0.7)	(▲ 0.8)	(▲ 1.4)	(1.7)	(0.0)	(0.0)	(▲ 0.1)	(0.6)	(0.1)	(▲ 0.3)	(0.1)
Exports of Goods and Services	10.9	▲ 3.4	2.6	2.9	3.1	3.4	2.9	2.8	3.1	3.3	3.3	7.8	0.4	2.6	3.0
Imports of Goods and Services	5.2	▲ 5.6	3.7	4.8	6.9	7.6	10.2	▲ 5.8	2.8	3.0	4.1	3.3	▲ 0.1	4.4	2.8

	(% changes from the same quarter of the previous year)											(% changes from the previous fiscal year)			
	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	FY2014	FY2015	FY2016	FY2017
Nominal GDP	3.5	2.0	1.1	1.2	1.0	1.7	1.9	1.1	0.8	0.7	0.3	1.5	2.2	1.5	0.7
GDP deflator	1.8	1.5	1.1	0.9	0.5	0.6	0.0	0.9	1.1	1.4	1.7	2.5	1.5	0.5	1.3
Consumer Price Index (excluding fresh food)	▲ 0.1	0.0	0.1	0.3	0.6	0.8	1.3	2.4	2.5	2.6	2.6	2.8	0.0	0.7	2.5
(excluding fresh food and consumption tax)	▲ 0.1	0.0	0.1	0.3	0.6	0.8	1.3	1.4	1.5	1.6	1.6	0.8	0.0	0.7	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	115	117	116	114	112	110	109	108	106	110	120	115	108
Import Price of Crude Oil (US\$/barrel)	58	47	34	39	43	49	54	56	58	60	62	91	50	46	59

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 0.3 - 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.