

# Monthly Report of Prospects for Japan's Economy

May 2016

Macro Economic Research Centre  
Economics Department



The Japan Research Institute, Limited

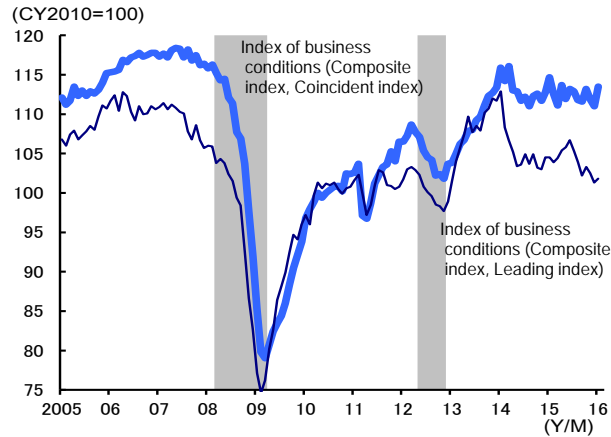
<http://www.jri.co.jp/english/periodical/>

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

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

**Figure 1-1 Economic Activity**

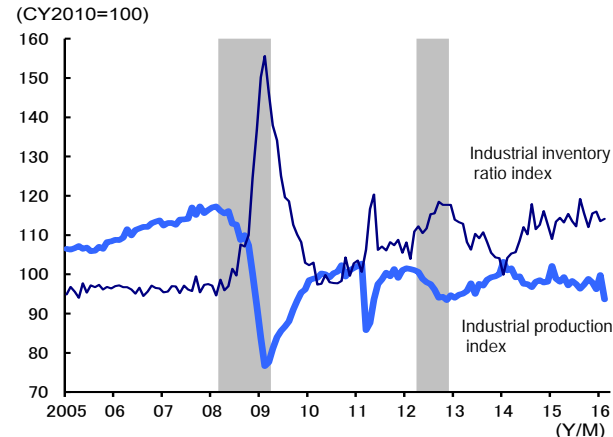
The leading index of business conditions rose in January for the first time in 3 months, due to the considerable rise in machinery orders.



Source: The Cabinet Office.

**Figure 1-2 The Corporate Sector**

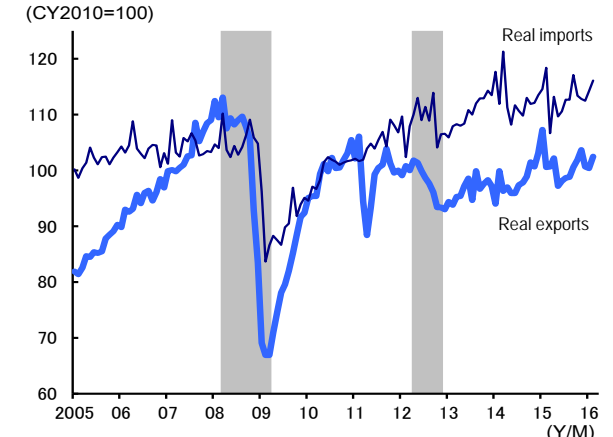
Production decreased significantly in February, affected by suspended operations in the factories of car manufacturers caused by the explosion accident in a related steel factory.



Source: The Ministry of Economy, Trade and Industry.

**Figure 1-3 Overseas Demand**

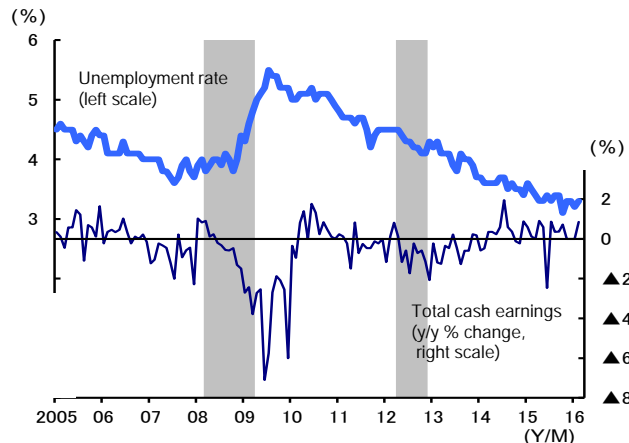
Exports picked up moderately, led by those to advanced economies. Imports increased for the second successive month.



Source: The Bank of Japan.

**Figure 1-4 Employment and Income**

The unemployment rate remains at a very low level. The pace of year-on-year increase in total cash earnings has still been very slow.

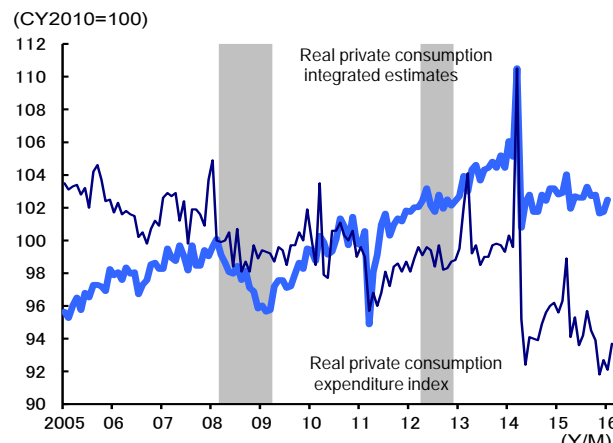


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

\* The shaded area indicates the phase of recession.

**Figure 1-5 Private Consumption Expenditure**

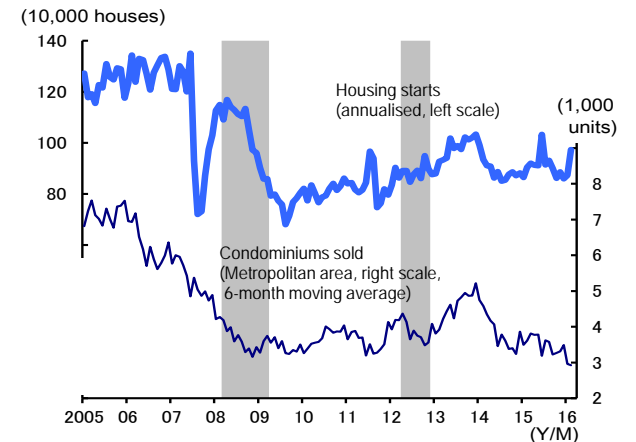
Real private consumption expenditure continues to be weak, as wages are very slow to rise and consumer sentiment has worsened reflecting the fall in stock prices.



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 increased noticeably, especially in housing for rent and housing for sale. Condominium sales continue to weaken.



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, exports have signs of picking up

◆ The turmoil in the financial markets after the start of the year has affected negatively both business and consumer sentiment

The diffusion index (DI) of current economic conditions in the Economy Watchers Survey declined in February in every detailed survey item. Also, the total DI was below 50, the diverging point of better and worse, for the seventh consecutive month. The fall in stock prices after early this year and the sluggish situation in the prices of international commodities seem to have worsened both business and consumer sentiment.

◆ Private consumption expenditure continues to be weak

The sense of a standstill in Japan's economy persists. Private consumption expenditure has weakened since the second half of last year, amid limited real wage increases. Also, after early this year, the worsening in consumer sentiment due to the fall in asset values such as stocks has weighed on real private consumption

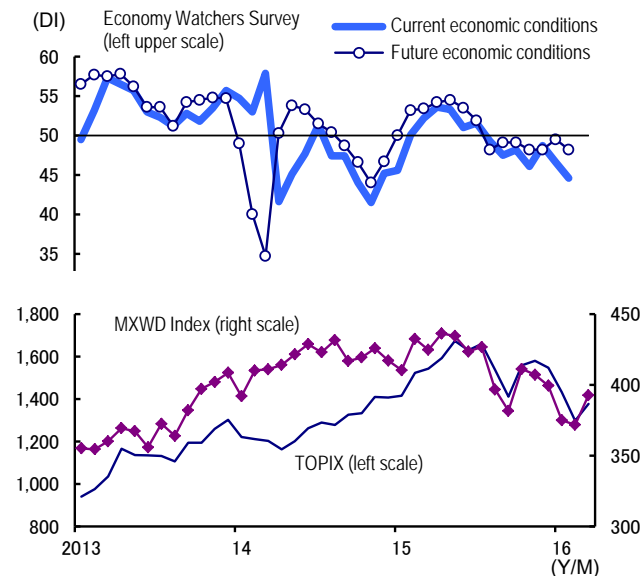
expenditure. Based on monthly statistics, real household consumption expenditure increased year-on-year in February for the first time in 6 months. Yet, this was mainly due to the boosting effect of a leap day, thus, the weak trend remained unchanged.

◆ Production has seesawed. Exports have picked up

In the corporate sector, industrial production decreased considerably in February. This was affected by the fact that automobile manufacturers stopped operations in the plants due to the explosion accident in a related steel factory. Also, the slow pace of inventory adjustment due to sluggish demand at home and abroad was a negative factor. However, amid a favourable trend that exports to advanced economies have picked up, it is likely that industrial production will recover over this spring.

As for machinery orders, which is a leading indicator for business fixed investment, those related to investment for replacement and maintenance were firm, while the improvement in business sentiment was still stagnant.

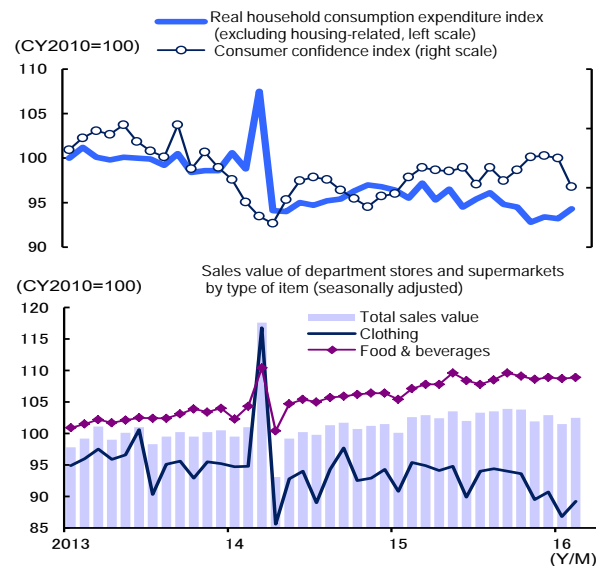
Figure 2-1 Stock Prices and Economy Watchers Survey



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

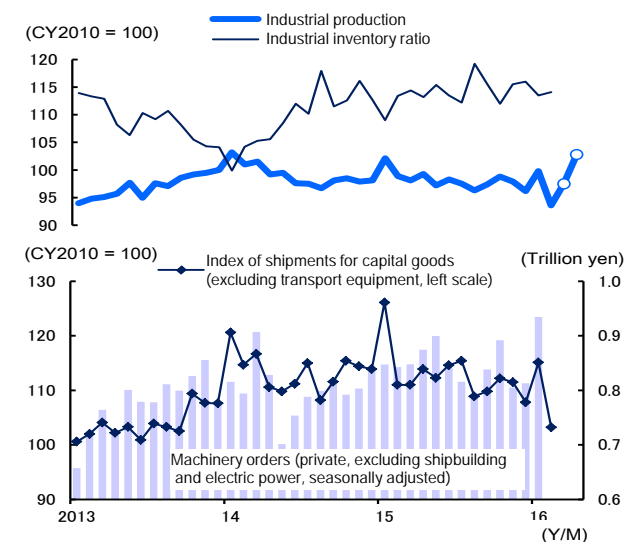
Note: MXWD Index is the worldwide stock price index, covering both advanced and emerging countries.

Figure 2-2 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 2-3 Production Indices 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: The latest two figures in production are based on forecast.

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# BoJ's Tankan Survey - Business sentiment worsened, with future uncertainties increasing

◆ Business conditions worsened considerably reflecting sluggish demand at home and abroad. Future uncertainties also strengthened

In the Tankan March 2016 Survey, the diffusion index (DI) for business conditions on the whole of large manufacturing was plus 6 percentage points, and the DI for the whole of large nonmanufacturing was plus 22 percentage points. Both of the DIs worsened from the previous Survey. The unfavourable factors exacerbated business sentiment, such as sluggish demand at home and abroad, anxiety that no powerful world economy driver exists, the fall in stock prices after early this year, and so on.

Further, the forecast DIs in 3 months' time showed a deteriorating trend. In the situation where a strong recovery in demand at home and abroad will likely be unable to be counted on, future uncertainties surrounding monetary and fiscal policies also seem to have weighed on the sentiment.

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 machinery, which has been adversely affected by

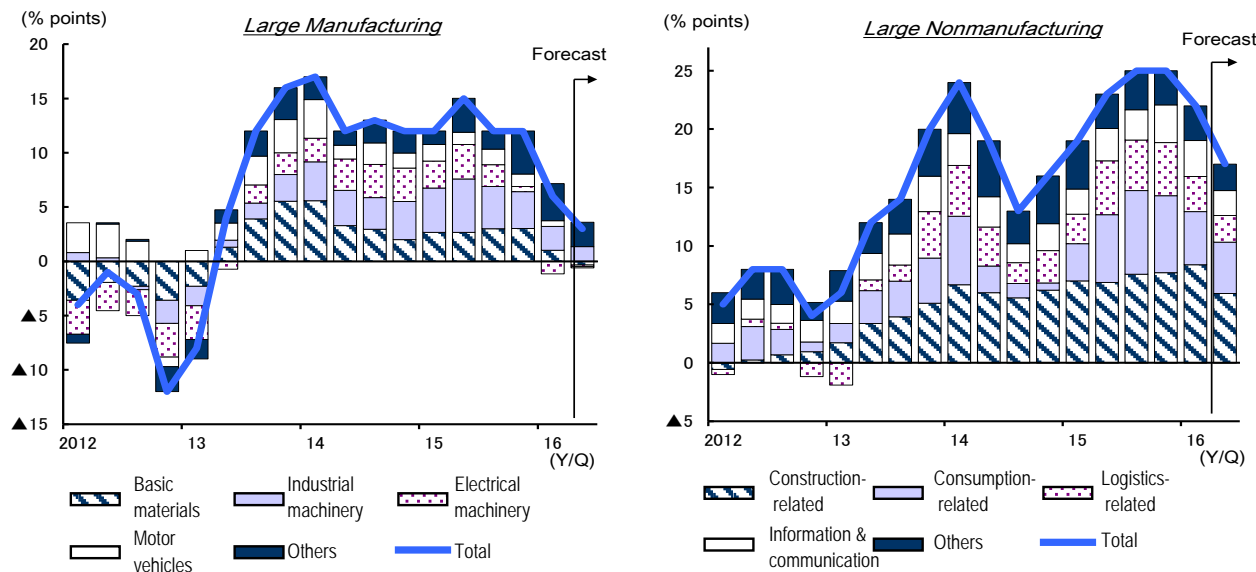
worsening export environments. In nonmanufacturing, the forecast DI for construction-related industries kept their firm trend. However, the forecast DIs for private consumption-related businesses worsened considerably, amid continued sluggish private consumption expenditure, in spite of buoyant inbound demand stemming from the rising number of foreign visitors to Japan.

◆ Planned business fixed investment for FY2016 was firm, yet a cautious attitude was seen in manufacturers

In the same Survey, planned business fixed investment for FY2015 maintained its high level, although the planned rate of annual increase was revised downwards from the previous Survey result both in manufacturing and nonmanufacturing. Also, the planned rate for FY2016 seems to have been solid on the whole, considering this was the first Survey result in a fiscal year which tends to show a rather modest figure compared with those in the rest of each fiscal year. The planned rate in nonmanufacturing was more than that in FY2015, while the planned rate in manufacturing was a more cautious one than those in the previous two fiscal years.

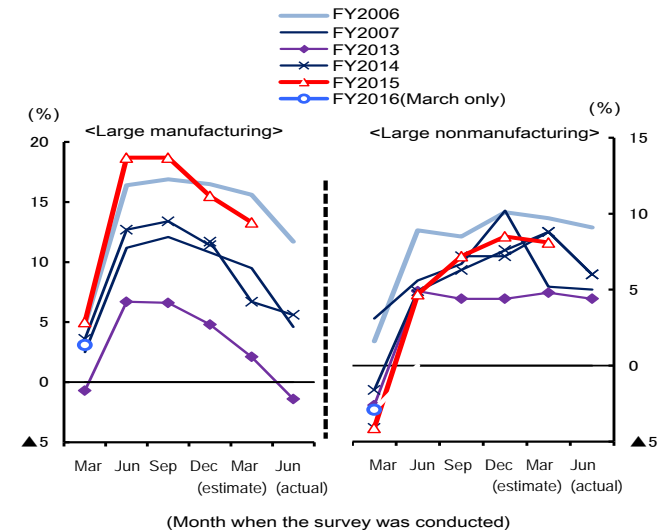
Figure 3-1 Contributions to Business Conditions Diffusion Index by Industry

<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 March 2016 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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# As no powerful world economy driver exists, Japan's exports of goods will likely be very slow to rise

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

Japan's monthly trade balance was a surplus in February on a seasonally adjusted basis, for the fourth successive monthly surplus. The pace of decline in total imports was more than that of total exports which continued to be stagnant. The value of total imports decreased in February, the seventh 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. If the crude oil price bottoms out and domestic production recovers, albeit at a moderate pace, real imports as a whole will also likely pick up.

◆ **Total exports will likely continue to lack momentum, against the background of stagnant world trade, the appreciation of the yen, etc.**

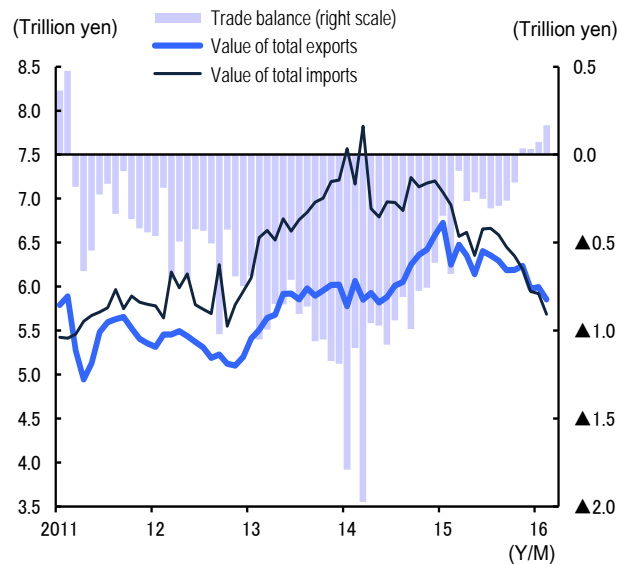
Japan's real exports of goods continue to lack momentum, although they have

picked up mildly led by exports to advanced economies.

Viewed by product, exports of items such as producer goods and inbound-related consumer goods (such as medicine, cosmetics and appliances, which have the strong demand of the foreigners who have visited Japan and now want them as their favourite Japanese products in their own countries) have bolstered the total to some degree. Yet, exports of capital goods continue to decline, reflecting the global slowdown in business fixed investment.

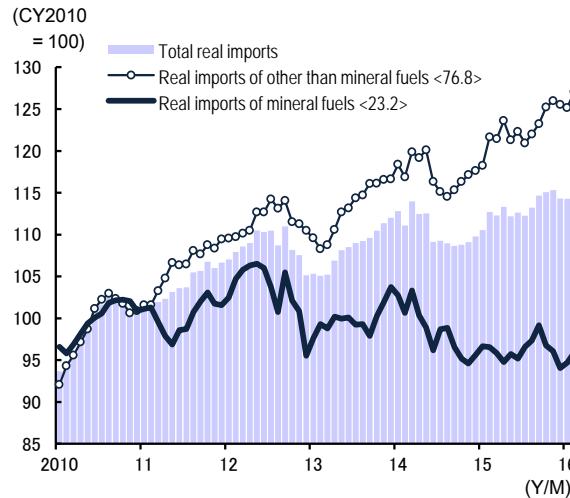
Looking ahead, it is predicted that a strong recovery in exports will be unable to be counted on. World trade quantity will likely be flat as the pace of world economic growth slows down, despite the fact that the bottoming out in the emerging economies is hoped for eagerly. Although Japan's services exports will continue to be firm, including good inbound demand, uncertainties surrounding overseas demand would increase, such as the fact that no powerful world economy driver exists and the reversal of the exchange rate to the appreciation of the yen since early this year.

Figure 4-1 The Values of Trade on a Customs Basis <seasonally adjusted>



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

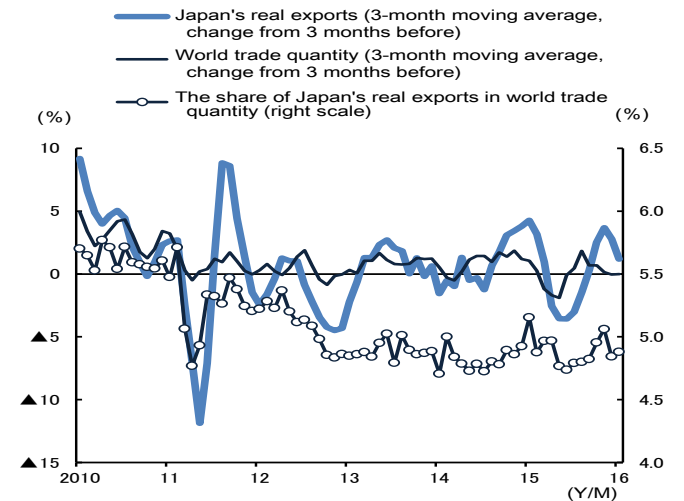
Figure 4-2 Real Imports Index by Goods <seasonally adjusted, 3-month moving average>



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 Japan's total nominal imports in 2015.

Figure 4-3 World Trade Quantity and Japan's Real Exports <seasonally adjusted>



Source: : The Japan Research Institute, Ltd. based on the data of CPB Netherlands Bureau for Economic Policy Analysis, "World Trade Monitor".

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# Downside risk is looming even in currently firm corporate profits and business fixed investment

◆ Although corporate profits are still at a high level, future risks of their decrease such as the appreciation of the yen have increased

In the corporate sector, downside risks in corporate profits have increased of late. Based on the latest BoJ's Tankan Survey, Japanese large manufacturers forecast that the aggregate value of current profits and the ratio of current profits to sales will be about 17 trillion yen and 7.13 per cent, respectively, in FY2016. These figures are still at a high level, yet they also forecast the aggregate value will decline by 1.9 per cent from the previous fiscal year. In addition, the appreciation of the yen after early this year is likely to weigh on future corporate profits. Based on the same Survey, in their forecast, large manufacturers assume that the exchange rate of the yen against the US dollar will be 117.46 yen on a fiscal yearly average basis, which is weaker by more than 5 yen compared with the actual rate at the end of March. If the exchange rate does not fall to the assumed level, it would be a factor for a downward revision in the forecast on current profits in exporting manufacturers.

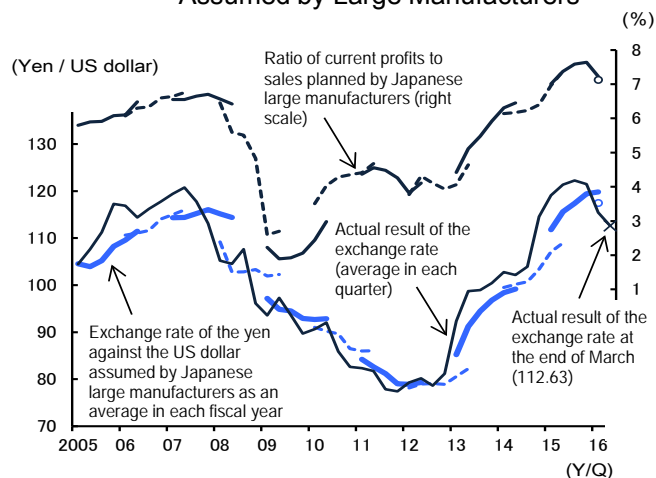
◆ Heightened uncertainties over future prospects will likely weigh on business fixed investment

Business fixed investment continues to lack momentum, compared with corporate profits which are still at a high level. Viewed by type of business fixed investment, the conventional investments in machinery and buildings have weakened, while the investment in research and development (R&D) has been firm.

As for merger and acquisition (M&A), to which Japanese enterprises have tended to shift their funds, their attitude to M&A is still aggressive, shown in the fact that the number of transactions, mainly overseas ones, has increased since early this year. However, the value per transaction has decreased considerably, which suggests that the attitude of enterprises has become more cautious than before, amid heightened uncertainties over future prospects for overseas economies.

It is likely that business fixed investment will pick up, reflecting good environments such as corporate profits still at a high level and increased demand for investment for rationalisation and saving. Yet, the pace of pickup will likely be more moderate than anticipated. This is because not only the uncertainties in the financial markets, which have increased rapidly after the start of the year, but also the uncertainties in fiscal and monetary policies will likely be a weighing down factor.

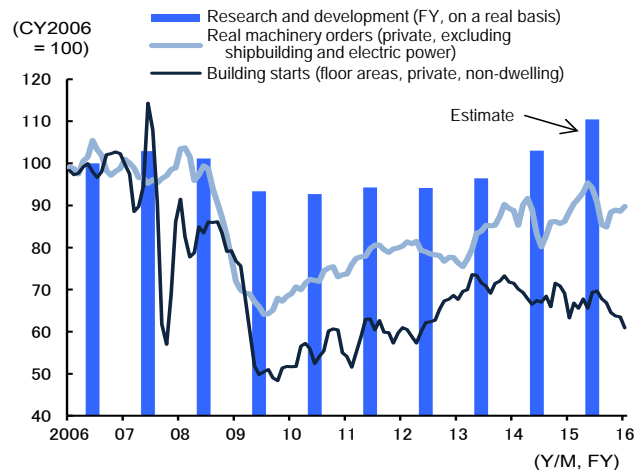
Figure 5-1 Ratio of Current Profits to Sales Planned by and Exchange Rate Assumed by Large Manufacturers



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

Note: Survey results in March, June, September, December, and subsequent estimates and actual results are shown in each fiscal year.

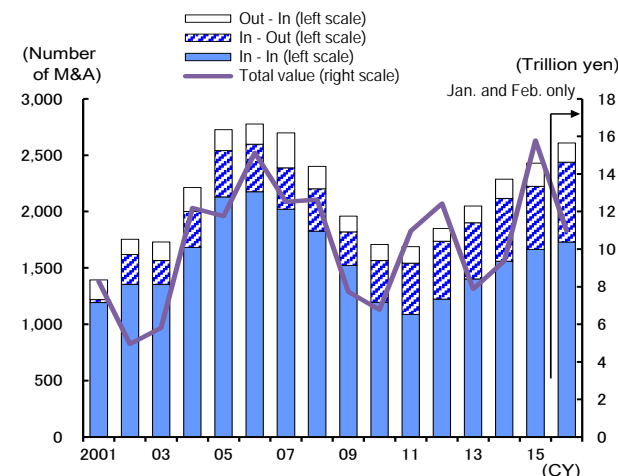
Figure 5-2 Indicators Related to Business Fixed Investment



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

Note: The figures in machinery orders and building investment are seasonally adjusted and 3-month moving averages.

Figure 5-3 Changes in the M&A Market



Source: The Japan Research Institute, Ltd. based on the data of RECOF Corporation, "MARR".

Note: The figure in 2016 is based on the figures in January and February in 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 the heightened price of food

In the household sector, private consumption expenditure has stagnated. 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 various subsequent supporting measures for buying. Real household consumption expenditure continued to decline year-on-year in this February, excluding the effect of a leap day.

Further, the year-on-year change rate in the core CPI which excludes fresh food has stayed at near zero since spring 2015 owing to the fall in the price of petroleum-related products. Yet, the CPI for food (excluding fresh food) continues to rise at a pace much faster than that of nominal wages. Because food is purchased quite often, its price change is felt acutely by consumers as if it were a realisation of the whole price situation, which leads to worsened consumer sentiment.

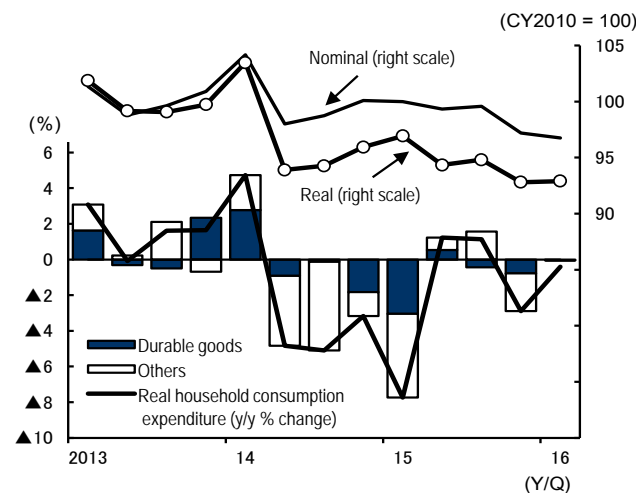
◆ Slow pace of recovery in private consumption expenditure will likely continue

Looking ahead, private consumption expenditure is expected to be firmer gradually over FY2016 to March 2017, although there is anxiety over a possible downswing in economic activity. This is because, as for income environments, a raise in wages will likely materialise in the wage negotiations this spring to some degree, albeit short of the results last spring. Also, consumer sentiment will be bolstered by the decelerated pace in the rise in food prices due to the nearing of the end of the boosting effect of the weaker yen and owing to the reversal to the stronger yen of late.

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.

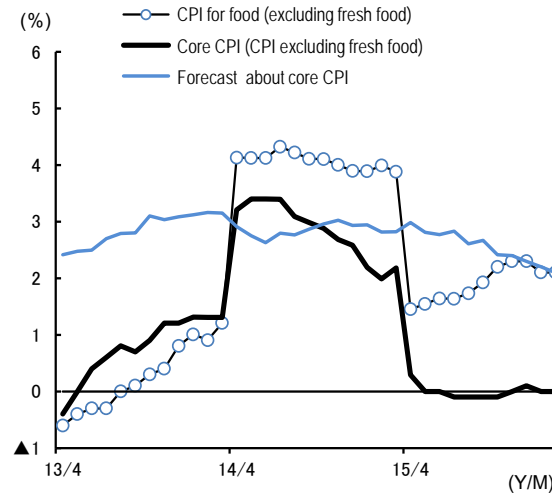
Looking ahead further, it is predicted that private consumption expenditure in real terms in FY2017 will decline considerably due to the decrease in real income caused by the currently assumed rise in the consumption tax rate from 8 to 10 per cent in April 2017.

Figure 6-1 Real Household Consumption Expenditure <per Household, index and year-on-year % change>



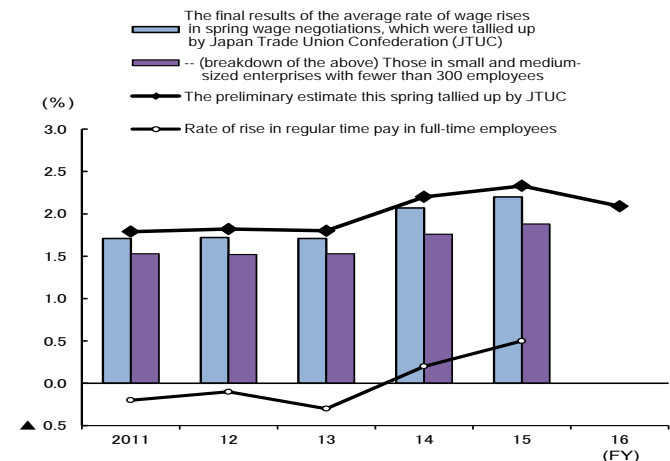
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.  
Note: Households with 2 or more household members.

Figure 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 Results in Spring Wage Negotiations and Regular Time Pay <year-on-year % change>



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

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# Supplementary budget for FY2015 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 on January 20, and is expected to bolster economic activity hence. 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. The boosting effect will likely materialise over several years to come, yet that in FY2016 will be the main portion.

## ◆ The currently 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 currently 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.

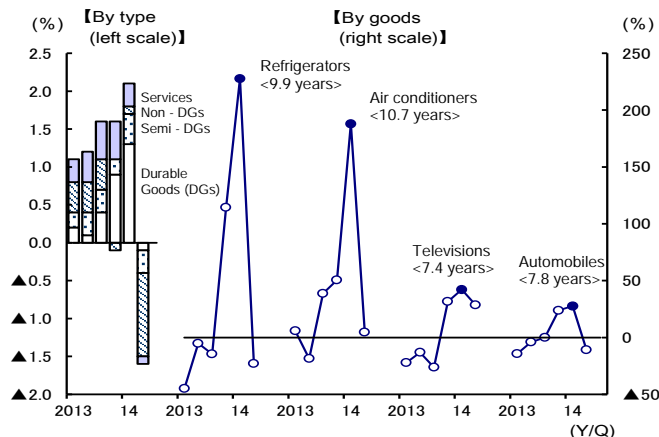
Meanwhile, it was decided that the reduced tax rate of 8% would be applied from April 2017 onwards mainly to food excluding alcoholic beverages and eating out. Thus, it is estimated that the rate of decrease in private consumption expenditure in FY2017 will be eased by 0.2 percentage points, compared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

Figure 7-1 Items in Supplementary Budget for FY 2015 and Estimated Effect on 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
<b>The Total</b>	<b>3,321</b>
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.

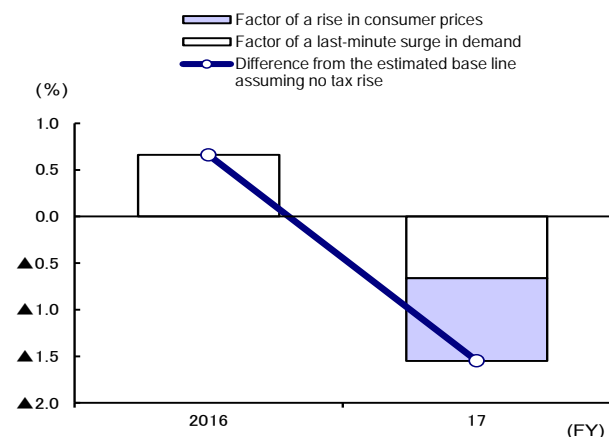
Figure 7-2 Change in Private Consumption Expenditure before and after the Consumption Tax Rise in April 2014 <year-on-year % change>



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 those mentioned above continue their high pace of year-on-year increase. This high pace of increase 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

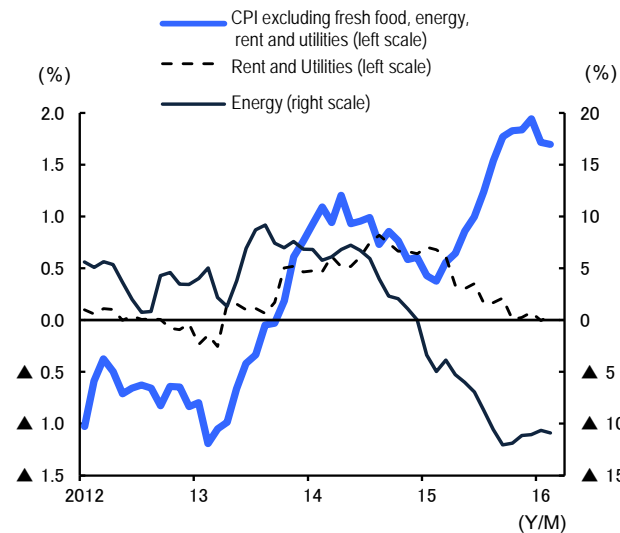
solid increase even after the boosting effect of the weaker yen nears its end.

## ◆ 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.

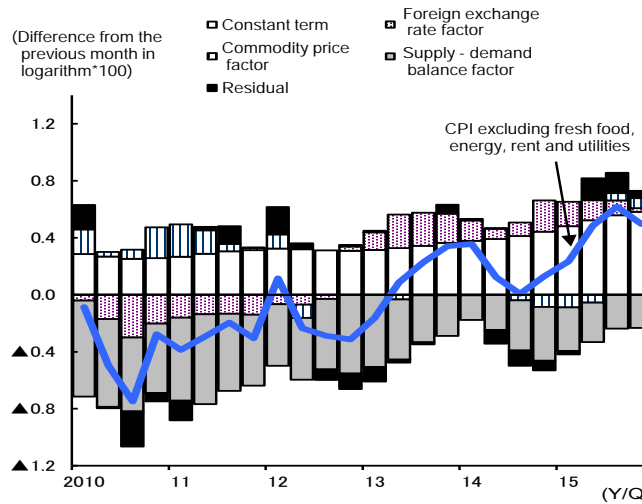
As for rent, which has a relatively heavy weight in the total weight in the core CPI, there is a strong correlation between rent and land prices in residential areas. Therefore, in order for the pressure for rises on rent to strengthen, it is necessary for the increasing trend in land prices to materialise 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 8-1 Consumer Price Index (CPI) by Item <year-on-year % change>



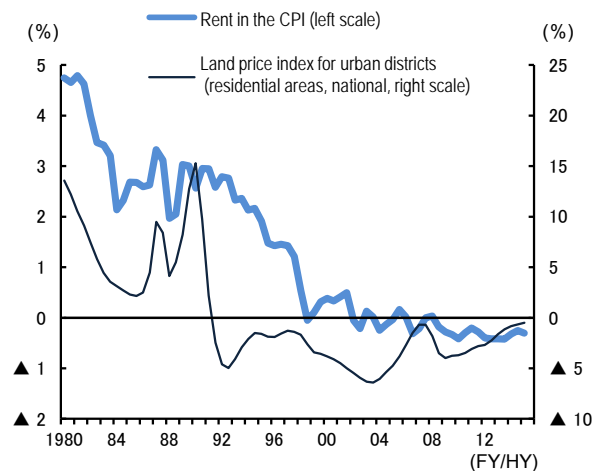
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Internal Affairs and Communications.  
Note: Rent and utilities exclude electricity and gas charges.

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; 0.9% in FY2016 and -0.6% in FY2017

◆ The appreciation of the yen and the fall in stock prices after early this year will likely weigh on economic activity. Even if the financial markets stabilise, the pace of economic recovery will remain slow

(1) The sense of a standstill over Japan's economy has been prolonged. For the time being, the economy will likely continue to lack momentum due to unfavourable factors. These are a downswing in business and consumer sentiment affected by the appreciation of the yen and the fall in stock prices after early this year, seesawing industrial production curbed by inventory adjustment, and so on.

However, the financial markets have regained their stability of late. Also, good corporate profit environments have not yet faltered largely and the improving trend in employment and income environments is continuing. Taking these favourable elements into consideration, it is predicted that the economic activity will become firmer gradually. Nonetheless, the pace of the economic recovery will likely remain moderate, due to uncertainties such as persistent anxiety over a deceleration in overseas economies in countries such as China.

(2) Under these circumstances, in FY2016 to March 2017, the boosting effects of the favourable factors will bolster the economic activity during the period. These factors are the implementation of the supplementary budget for FY2015, and a last minute surge in demand before the rise in the consumption tax rate, if the rate is raised as scheduled from 8 to 10 per cent in April 2017. As a result, it is projected that the real GDP growth rate in FY2016 will be slightly up from the previous fiscal year to 0.9 per cent.

(3) 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. Thereafter economic activity is predicted to return to its recovery trend again under the continued "autonomous expansion mechanism", in which corporate profits at still high level lead to the expansion of business fixed investment, total cash earnings and employment.

Yet, 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

(4) As for the core CPI which excludes fresh food, the pace of increase will likely be very slow for the time being. However, it is predicted that factors such as a stop in the fall and a reversal in the price of crude oil, and the pickup in domestic demand, will contribute to boosting prices. Thus, the rate of year-on-year increase in the core CPI is projected to accelerate gradually during the projection period.

Figure 10 Projections for GDP Growth and Main Indicators of Japan ( as of April 5, 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)					(Actual)	(Projection)	(Actual)	(Projection)
Real GDP	1.4	▲ 1.1	0.4	0.2	1.8	2.1	3.1	▲ 6.1	0.1	0.2	0.7	▲ 1.0	0.7	0.9	▲ 0.6
Private Consumption Expenditure	1.4	▲ 3.4	1.9	▲ 0.3	1.3	2.4	6.5	▲ 13.3	1.2	0.6	0.8	▲ 2.9	▲ 0.4	0.9	▲ 1.7
Housing Investment	6.6	▲ 4.7	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	3.0	6.3	0.5	1.9	3.0	3.2	6.3	▲ 5.1	0.8	2.8	2.9	0.1	2.1	2.9	1.0
Private Inventories (percentage points contribution)	(▲ 0.7)	(▲ 0.2)	(▲ 0.6)	( 0.0)	( 0.6)	( 0.4)	(▲ 0.8)	( 1.3)	(▲ 0.6)	(▲ 0.2)	( 0.0)	( 0.6)	( 0.3)	(▲ 0.1)	( 0.1)
Government Consumption Expenditure	0.8	2.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.1	1.4	0.8	0.6
Public Investment	▲ 8.1	▲ 12.7	▲ 0.8	2.6	4.9	3.2	1.8	0.9	0.0	▲ 11.2	▲ 8.7	▲ 2.6	▲ 2.1	0.3	▲ 1.2
Net Exports (percentage points contribution)	( 0.8)	( 0.6)	(▲ 0.4)	(▲ 0.3)	(▲ 0.7)	(▲ 0.8)	(▲ 1.4)	( 1.7)	( 0.0)	( 0.0)	(▲ 0.2)	( 0.6)	( 0.1)	(▲ 0.4)	( 0.1)
Exports of Goods and Services	10.9	▲ 3.3	1.3	2.9	3.1	3.4	2.9	2.8	3.1	3.3	3.3	7.8	0.3	2.4	3.0
Imports of Goods and Services	5.2	▲ 5.6	3.7	4.9	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	2.1	1.1	1.2	0.9	1.6	2.0	1.1	0.9	0.8	0.3	1.5	2.2	1.4	0.8
GDP deflator	1.8	1.5	1.2	0.9	0.5	0.6	0.0	1.0	1.2	1.5	1.7	2.5	1.5	0.5	1.3
Consumer Price Index (excluding fresh food)	▲ 0.1	0.0	0.0	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	0.0	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	3.3	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	113	115	113	111	109	107	106	106	110	120	113	107
Import Price of Crude Oil (US\$/barrel)	58	46	34	40	43	49	54	56	58	60	62	91	49	47	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.