

Monthly Report of Prospects for Japan's Economy

February 2017

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

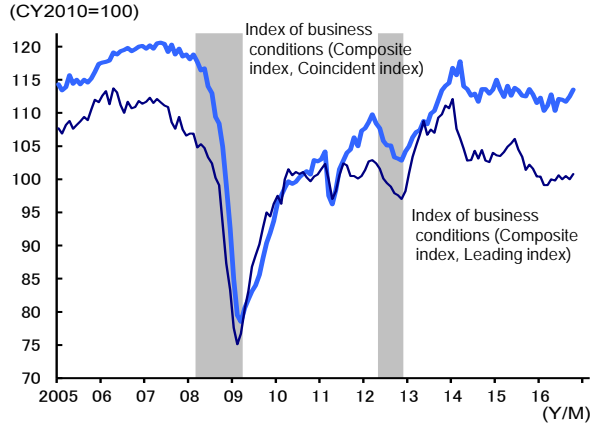
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the January 2017 issue of the original Japanese version.

The general situation of Japan's economy – Continued mild recovery, with some readings lacking momentum

Figure 1-1 Economic Activity

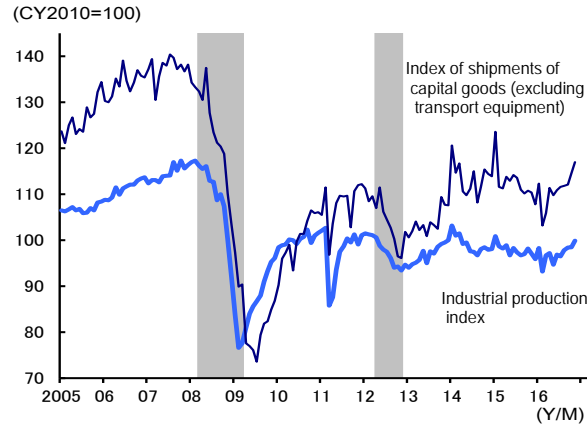
The coincident index rose to the level of a year earlier, due to factors such as an increase in shipments of capital and consumer goods.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

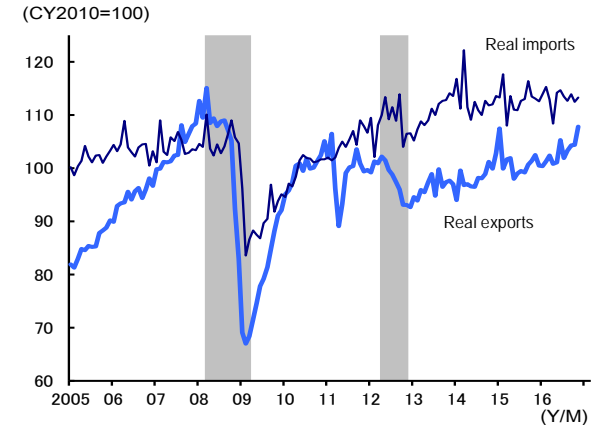
Production continues its picking up trend. Shipments increased in a wide range of industries including electronic parts.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

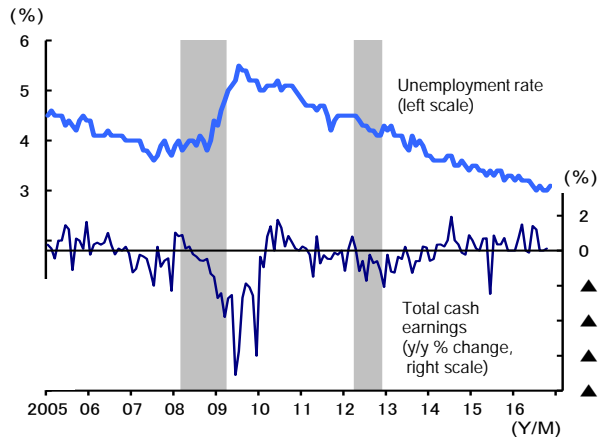
Exports increased at the fastest pace in 5 months. Imports have seesawed, reflecting sluggish domestic demand.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate is still at a low level. As for total cash earnings, regular-time pay continues its mild year-on-year rising trend.

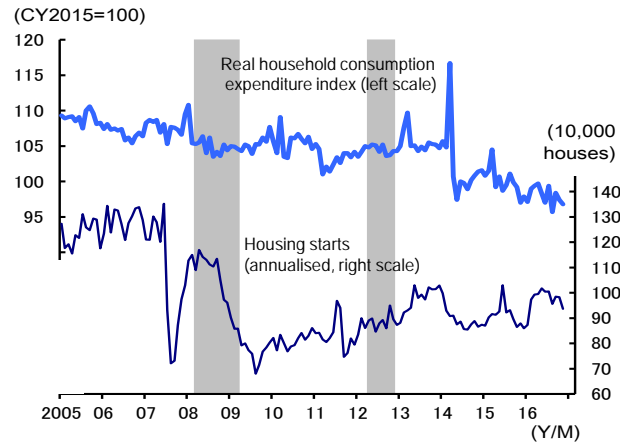


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 The Household Sector

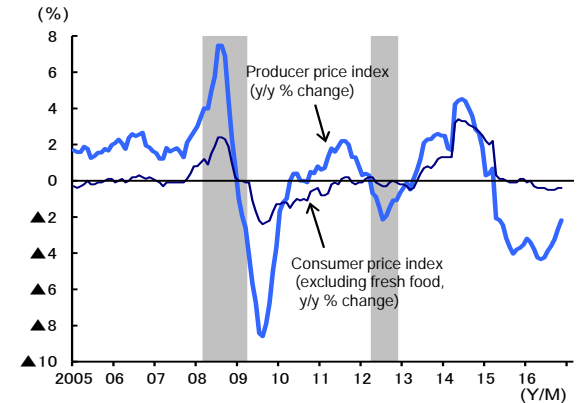
In household consumption expenditure, the surge in food prices brought about restrained purchasing. Housing starts have been on a declining trend.



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

Figure 1-6 Prices

Producer prices have narrowed the extent of decrease for 6 months running. Core consumer prices continue their slight year-on-year decline.



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

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Private consumption continues to lack strength, as production and exports pick up

◆ Economic activity has picked up mildly

Japan's economic activity has been on a mild recovery trend.

Looking at production activity in enterprises, the industrial production index increased month-on-month in November last year, for the first time in 2 months. Viewed by industry, the index rose in industries such as general machinery, in which production of industrial robots increased, and transport equipment, led by automobiles. It is predicted that industrial production will continue to rise through early this year, as inventory adjustment nears its end and shipments advance.

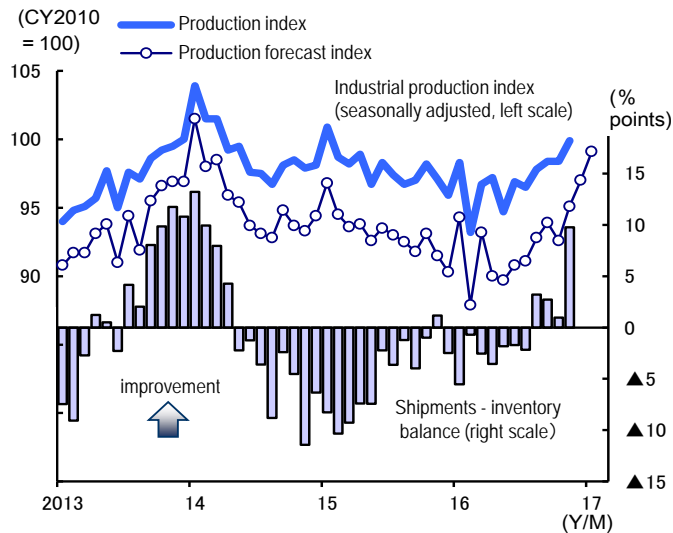
Regarding overseas demand, real exports of Japan have picked up moderately. Although exports of automobiles to the EU declined, exports of electronic parts such as semiconductors and parts for automobiles to China and other Asian countries increased and supported the production activity of enterprises.

◆ Yet, the readings in the household sector have varied

On the other hand, the pace of recovery in the household sector has varied among statistics. As for employment and income environments, regular-time pay (basic wages) increased year-on-year for 4 months in a row. Reflecting a shortage of workers, the number of employees continues its rising trend on the whole. Also, the unemployment rate has stayed at a low level.

However, despite the above mentioned favourable employment and income environments, private consumption expenditure continues to lack momentum. Amid stagnant consumer sentiment, a saving-conscious attitude of consumers persists. As a result, for example, the sales value of department stores have been very slow to increase, especially in items such as clothing.

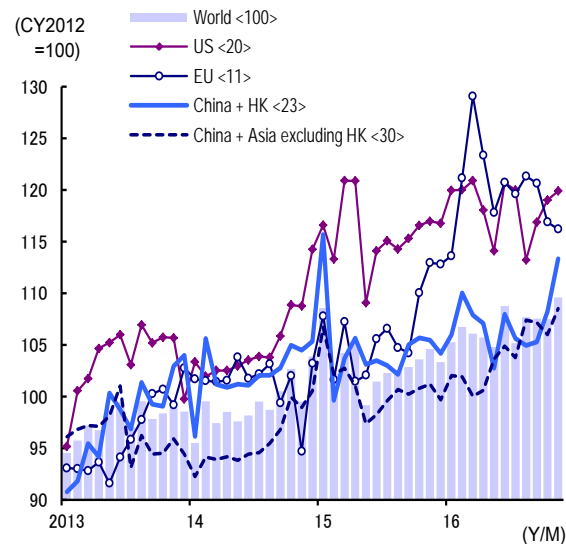
Figure 2-1 Industrial Production Index and Shipments - Inventory Balance



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

Note: Shipments - inventory balance = $\frac{\text{y/y \% change in shipments} - \text{y/y \% change in inventory}}$

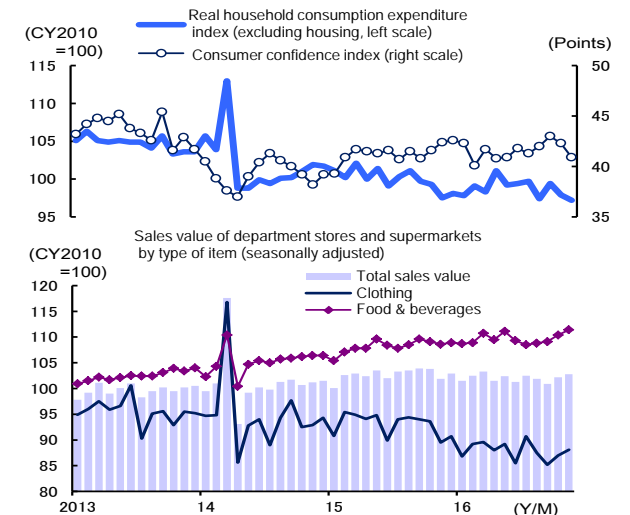
Figure 2-2 Real Exports by Destination <seasonally adjusted>



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

Note: Figures in the angle brackets show the shares in FY2015.

Figure 2-3 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.

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BoJ's Tankan Survey - Business sentiment improved due to the weaker yen and stock price rises

◆ Business sentiment improved due to the weaker yen and the rise in stock prices after the US presidential election last November

In the Tankan December 2016 Survey, the diffusion index (DI) for business conditions on the whole of large manufacturing rose by 4 to +10 percentage points, an advance from the previous survey for the first time in 6 quarters. This seems to have been affected by the weaker yen and the rise in stock prices after the US presidential election. The DI for the whole of large nonmanufacturing was +18 percentage points, unchanged from the September survey.

Viewed by industry, in manufacturers, the DIs in industries increased such as automobiles in which inventory adjustment advanced, industrial and electrical machinery, exports of which rose, and basic materials, where international commodity prices recovered. In nonmanufacturers, the DIs in construction-related industries were firm, thanks to increased public works and re-development projects. Yet, the private consumption-related DIs worsened, reflecting a pause in inbound demand stemming from foreign tourists to Japan.

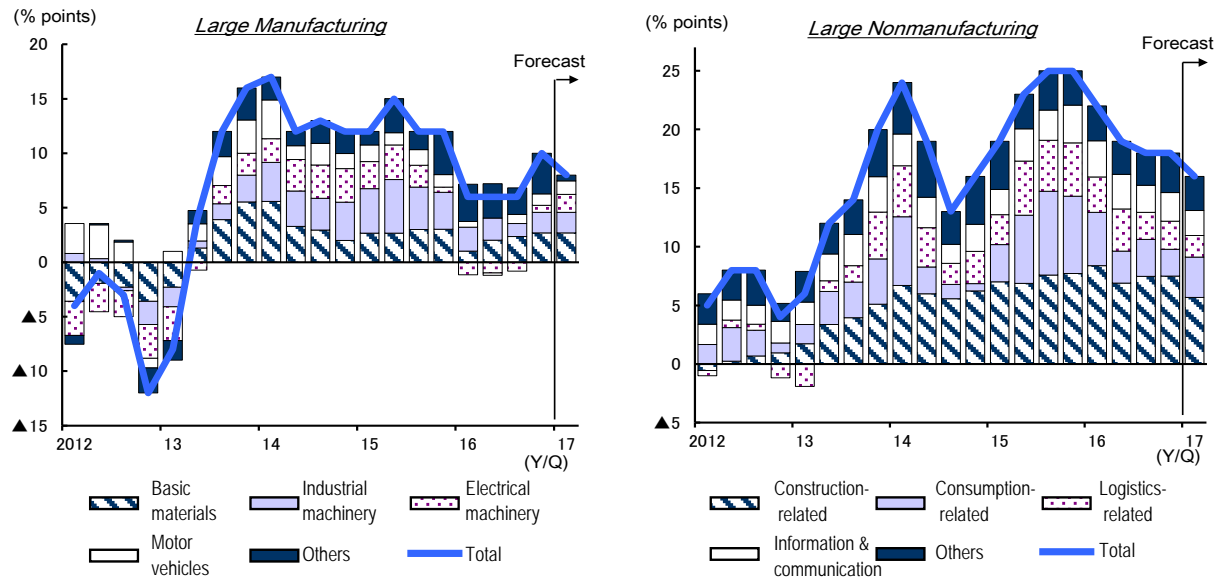
As for the forecast DIs in 3 months' time, the survey results seem to have showed a cautious attitude of enterprises on the whole. This is because, while the depreciation of the yen after last November will push up corporate profits and bolster business sentiment, uncertainties surrounding the overseas situation will persist, including the policies taken by the new US administration.

◆ Planned business fixed investment for FY2016 was slightly cautious

In the same Survey, the planned change rate in business fixed investment for FY2016 from FY2015 was plus 1.8 per cent, on an aggregate basis in all types and sizes of enterprises, a slight 0.2 percentage point upward revision from the September survey. On a large enterprises basis, the planned change rate was revised downward both in manufacturing and in nonmanufacturing. This suggests slightly cautious attitudes towards the business fixed investment plan for FY2016, compared with the trajectories of planned rates in the past fiscal years, reflecting continued uncertainties over the economic situation at home and abroad.

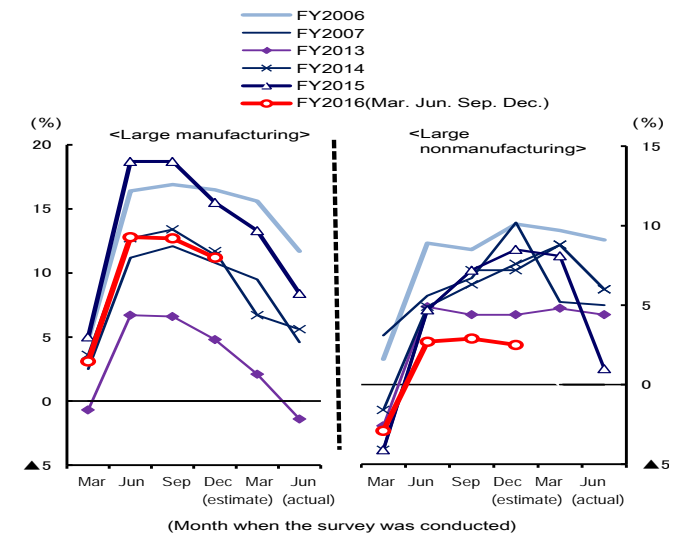
Figure 3-1 Contributions to Business Conditions Diffusion Index by Industry

<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 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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Exports have picked up moderately, yet environments for overseas demand remain uncertain

◆ Inbound demand stemming from foreign tourists to Japan has decelerated

Looking at overseas demand, it is noteworthy that inbound demand has slowed. The pace of rise in the number of foreign tourists to Japan has decelerated, and the value spent in Japan per tourist has decreased considerably year-on-year since early 2016. Both appear to have been affected negatively by the strong yen last year. However, taking into account factors such as 1) the yen has weakened of late, and 2) income among people in Asian emerging countries goes on increasing, inbound demand per se will likely keep its high level.

◆ The pace of pickup in Japan's exports of goods will remain mild

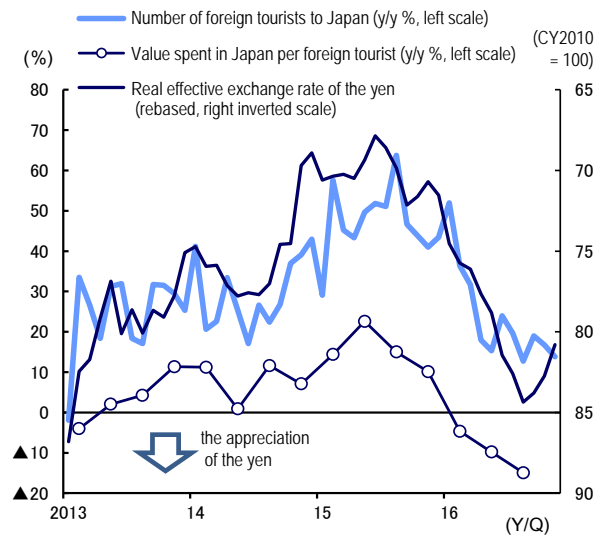
Then, looking at overseas demand more widely by type, exports of non-durable consumer goods, albeit with a smaller share of total exports, have increased solidly. The trend seems to be due to the increase in income among people in China and other Asian emerging countries, and the fact that more Japanese brands of consumer goods have become known, as a result of the growing number of foreign

tourists to Japan. Also, exports of capital goods, which have a 24.0 per cent share, have recently picked up slightly, after they had weakened since early 2015.

Meanwhile, it is analysed that Japan's exports of goods have a strong correlation with US private consumption expenditure. This is not only because the exports of goods to the US have an around 20 per cent share in the total, but also because the US is a final destination of products exported from Asia to which Japanese enterprises export intermediate goods. Therefore, if private consumption expenditure in the US has an upswing, affected positively by the economic policies such as tax cuts taken by the new US administration, it will be a boost to Japan's exports.

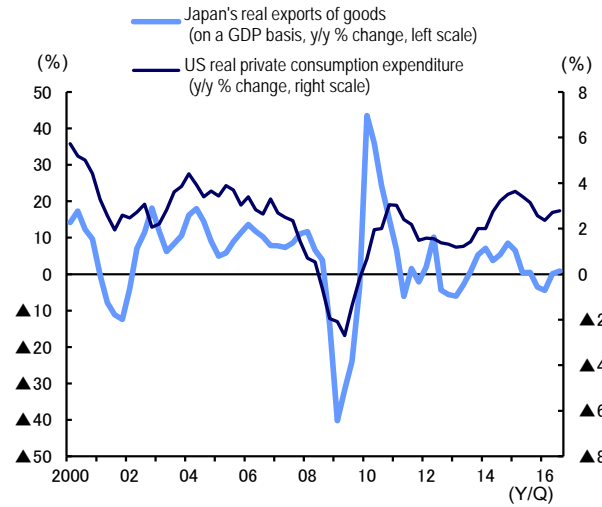
Nonetheless, it is predicted that the pace of pickup in Japan's exports of goods will remain mild, even if the recent trend of the weaker yen continues, because the number of Japanese enterprises has risen which choose to meet the increased overseas demand for their products by expanding production in their overseas facilities.

Figure 4-1 Value Spent in Japan per Foreign Tourist <year-on-year % change>



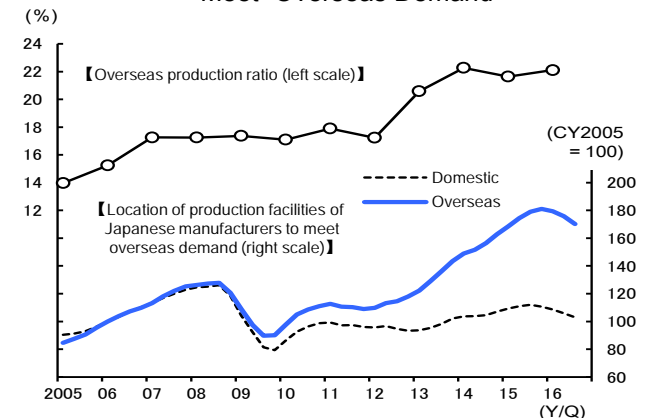
Source: The Japan Research Institute, Ltd. based on the data of The Japan Tourism Agency, The Bank of Japan.

Figure 4-2 US Private Consumption and Japan's Real Exports of Goods <year-on-year % change>



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

Figure 4-3 Location of Production Facilities of Japanese Manufacturers to Meet Overseas Demand



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

Note: The rebased index of domestic production is for nominal exports of goods, and that of overseas production is for sales value (Japan excluded) of overseas facilities. Both are 4-quarter moving averages

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Corporate profits and business fixed investment will likely remain firm

◆ Corporate profits have shown firmness

In the corporate sector, sales value has bottomed out owing to factors such as a pickup in exports and an increase in housing investment. Also, current profits have been still at their high level, against the background of enterprises' efforts to curb the rate of rise in personnel expenses, and to curtail variable costs helped by the fall in raw material prices.

As domestic demand continues to be stagnant, strong growth in sales values is unlikely to be expected. However, profitability such as shown in the ratio of current profits to sales has remained at its high level. Judging also from the situation where the yen has weakened of late more than had been assumed by Japanese enterprises, it is likely that corporate profits will pick up moderately.

◆ The faltering of employment, income, and business fixed investment will not take place

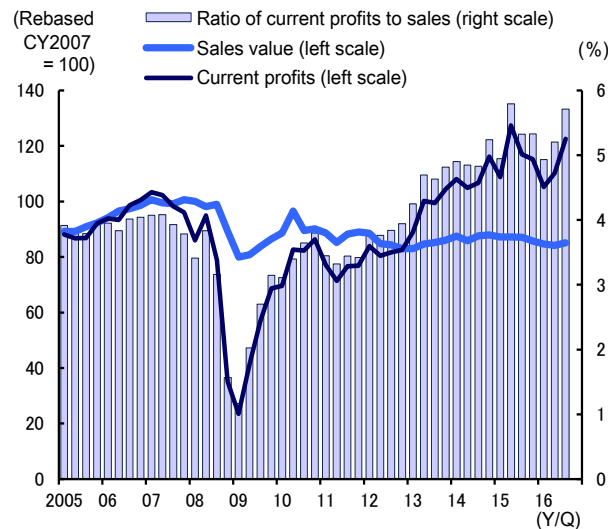
The situation continues where a sense of shortage of workers is felt strongly.

Therefore, it is predicted that employment and income environments will continue to improve, especially among nonmanufacturers.

As for business fixed investment, the investment for capacity expansion will likely be stagnant, as the capacity utilisation rate has yet to rise due to the slow pace of capacity reduction among manufacturers. On the other hand, reflecting a rise in superannuated plants and equipment, there are many enterprises which continue to make business fixed investment for maintenance and replacement. This will bolster total investment. Also, a sense of shortage of workers is expected to support the investment for rationalisation and savings. Further, business fixed investment in industries which are related to inbound demand (of foreign tourists to Japan) is predicted to contribute positively.

Thus, with these types of investment growing steadily, it is predicted that investment for plants and equipment on the whole will pick up mildly.

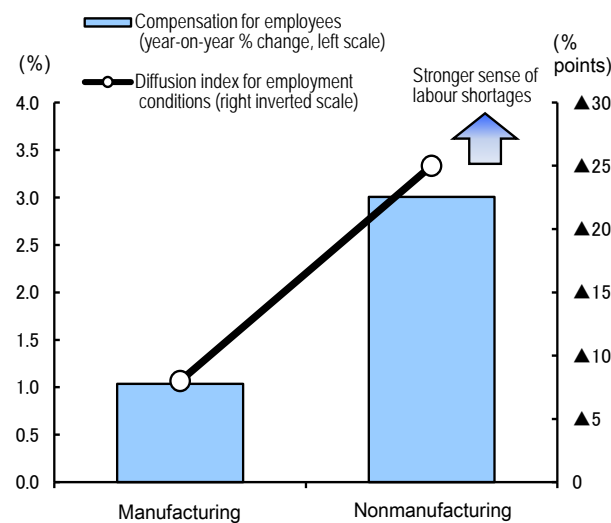
Figure 5-1 Sales Value and Ratio of Current Profits to Sales <seasonally adjusted>



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

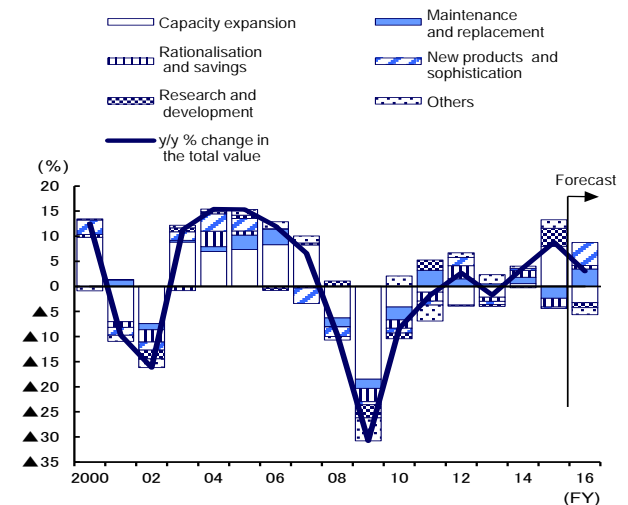
Note: All industries excluding financial institutions.

Figure 5-2 Rate of Increase in Compensation for Employees and Sense of Labour Shortages <Q3 2016>



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

Figure 5-3 Value of Business Fixed Investment in Large Manufacturers by Purpose <year-on-year % change>



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

Note: The figures in FY2016 are estimated by JRI.

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Stagnant disposable income has curbed private consumption expenditure

◆ Stagnation in private consumption expenditure is prolonged

Private consumption expenditure continues to be sluggish on the whole.

Temporary or cyclical reasons for this stagnation in consumption include the weighing effect of bad weather last summer. They also include restrained purchasing of durable consumer goods reflecting the high level of stock held by households, which was brought about by the surge in demand before the rise in the consumption tax rate in April 2014. As for nondurable consumer goods, the introduction of new products had a positive effect on sales proceeds to some extent after the consumption tax rise. However, the effect has waned since last spring.

Further, examining structural reasons as well, one of these is the trend that stagnant disposable income due to the increase in non-consumption expenditures such as taxes and social insurance premiums has curbed private consumption expenditure. It is also highly likely that the heightened sense of self-protection in consumers against an expected increase in these premium payments has weighed on private consumption expenditure. This seems to be shown in the fact that the average propensity to consume in households with younger household heads, who

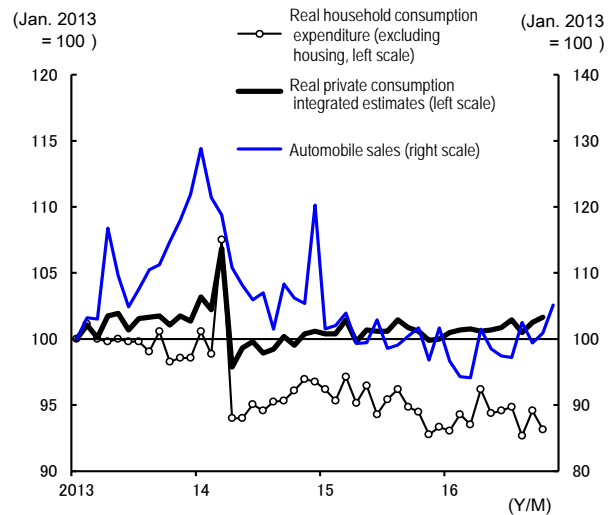
have strong anxiety about their future, has a visible declining trend.

◆ Slow pace of recovery in private consumption will likely continue

Looking ahead, the improvement in employment and income environments will continue, reflecting labour shortages, and will bolster the recovery in private consumption expenditure. However, the pickup pace is likely to remain mild. This is because the pace of rise in disposable income will be hard to accelerate, due to elements such as the compensation for employees is very slow to increase and the growing burden of social insurance premiums continues to be a weighing factor.

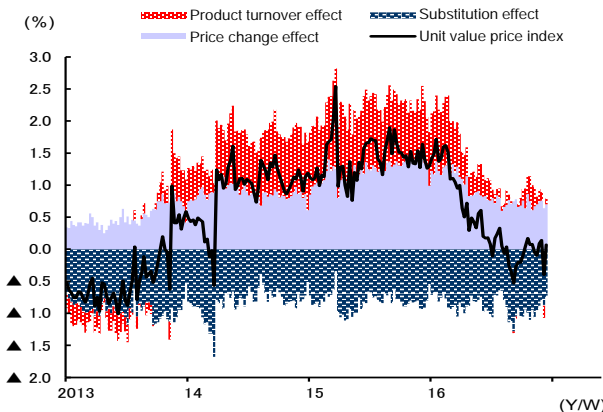
Regarding slow growth of compensation for employees, the following two are predicted to affect the trend. First, the acceleration of wage rises can not necessarily be counted on. As the strong yen last year had a negative effect on corporate profits, the number of enterprises will likely increase, where wage rises in the wage negotiations during this spring season will be held at almost the same as last year. Second, a demographic factor also would play a restraint role, such as managerial posts with higher wages will not be able to increase in response to the cohort swollen by children of the baby boomers, who are now in their 40s.

Figure 6-1 Private Consumption Expenditure-related Indicators <re-based>



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

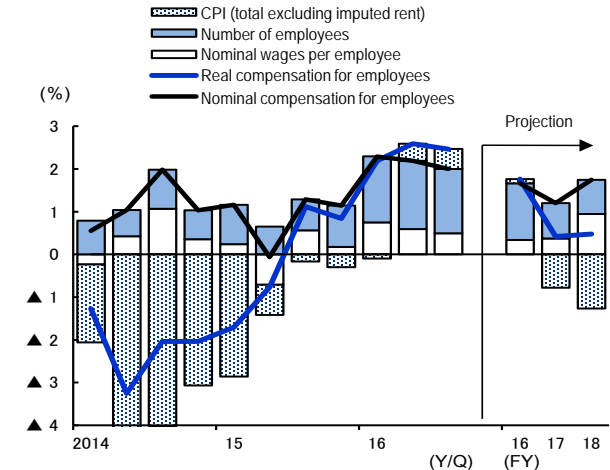
Figure 6-2 Contributions to the Year-on-Year Change Rate in Unit Value Price Index in Consumer Purchase Indices



Source: The Japan Research Institute, Ltd. based on the data of The Institute of Economic Research, Hitotsubashi University.

Note: Price turnover effect; by a difference in prices between new items and existing items, Substitution effect; by an increase in sales of existing items with lower prices, Price change effect; by changes in prices of existing items.

Figure 6-3 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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The boosting effect of economic measures is estimated to be 0.3 percentage points in FY2017

◆ The major portion of economic measures is public investment

The Japanese government approved economic measures (titled "Economic measures for realising investment for the future") in a cabinet meeting in August 2016. That was followed by the second supplementary budget for FY2016, which was approved in the Diet in November.

Looking at fiscal expenditures from the central and local governments, which seem to contribute to boosting economic activity directly among the measures, their amount is apparently large, especially in items such as "21st-century-type infrastructure developments" (1.7 trillion yen) and "Reconstruction from the 2016 Kumamoto Earthquake and the Great East Japan Earthquake, safety and security, and disaster prevention" (2.7 trillion yen). Therefore, an increase in public investment stemming from the measures is highly likely to push up economic activity.

◆ The boosting effect of the measures also has uncertain sides

Meanwhile, it should be noted that there are uncertainties as to whether the boosting effect of the economic measures will materialise fully as anticipated.

One of the uncertainties is about various measures to support households, which are included in the item "Accelerating efforts to build a society in which all citizens are dynamically engaged" (2.5 trillion yen). It is probable that the stimulating effect on private consumption expenditure will be limited, taking into account the fact that the amount of the support is not large and also the trend that heightening anxiety about the future has curbed private consumption expenditure.

Another of the uncertainties is about public works, which have relatively heavier weight in the total economic measures. There is anxiety that the implementation of public works could be delayed, judging from the current situation of labour shortages, also against the background of an increase in investment projects in the private sector such as redevelopment in metropolitan areas.

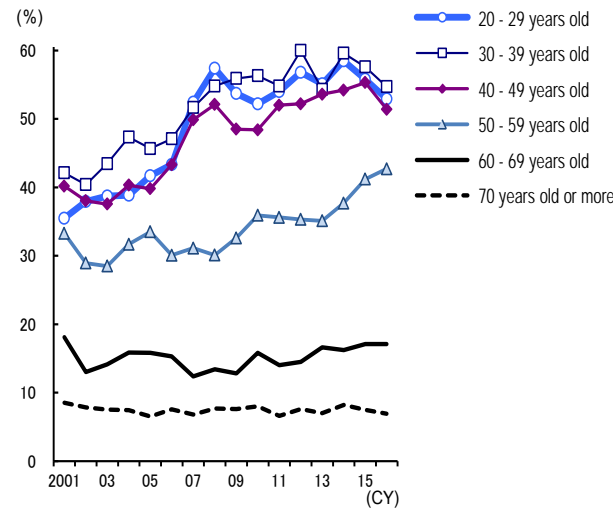
Taking the above factors into account, it is estimated that the boosting effect of the economic measures on the real GDP growth rate will be 0.1 and 0.3 percentage points in FY2016 and in FY2017, respectively.

Figure 7-1 Outline of the Economic Measures Approved in Cabinet Meeting on August 2, 2016

Breakdown of fiscal component (Trillion yen, approximate figures)		Of which are expenditures from the central and local governments
I. Accelerating efforts to build a society in which all citizens are dynamically engaged	3.4	2.5
II. 21st-century-type infrastructure developments	6.2	1.7
III. Response to risk such as uncertainty due to UK's exit from the EU and support for SMEs and microenterprises as well as local communities	1.3	0.6
IV. Reconstruction from the 2016 Kumamoto Earthquake and the Great East Japan Earthquake, safety and security, and disaster prevention	2.7	2.7
Total	13.5	7.5

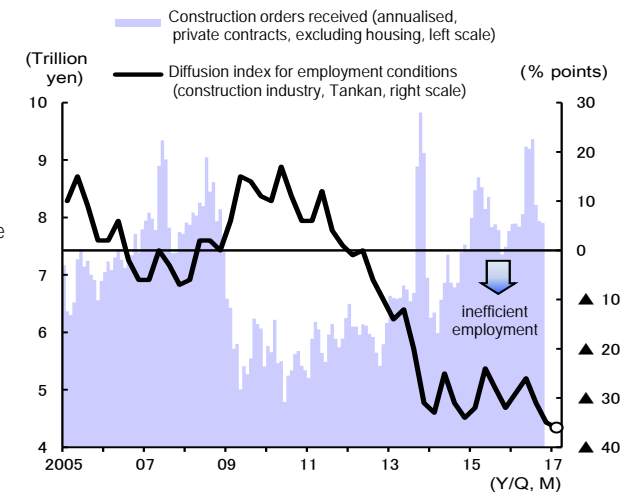
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

Figure 7-2 Ratio of Respondents with Their Priority in Life Being Put to Preparation for the Future by Savings and Investment



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

Figure 7-3 Shortage of Construction Workers and Construction Orders from Orderers in the Private Sector



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

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The policies of new US administration would have positive effects, or possibly risks, on Japan's economy

◆ Vigorous fiscal policies would boost US economic activity

At present, there are a lot of uncertainties surrounding the economic policies to be taken by the Trump administration, and also its capability of materialising them.

Therefore, the projections in this issue of Monthly Report are based on the assumption that the new US administration will manage to implement policies such as tax cuts and infrastructure spending, although the scale-down of these policies is also expected. Further, it is assumed here that the new administration will restrain itself from taking an excessive stance of protectionism, and also will tolerate the appreciation of the US dollar if limited. In this case, it is likely that the pace of growth in the US economy will accelerate and will have positive effects on Japan's economy through an increase in exports and a rise in stock prices.

Nonetheless, the positive effects on Japan's economic activity are predicted to be limited, if the following two routes are taken into consideration. First, it is unlikely that

Japan's exports to the US will increase considerably because Japanese enterprises have already expanded the production in their local facilities in the US. Second, the boosting effect on Japan's private consumption expenditure will likely be modest, judging from the fact that the wealth effect of stock price rises in Japan is smaller than that in the US.

◆ Considerable risks to Japan's economy are also possible, hinging heavily on the policies taken by the new US administration

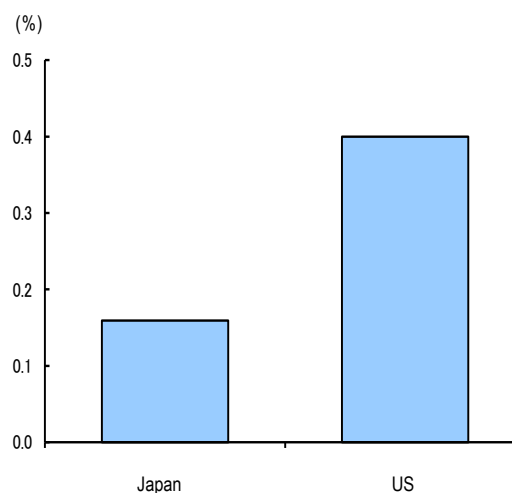
Meanwhile, it is possible that the Trump administration will take strongly protectionist trade policies and the policies causing the US dollar to weaken significantly. In this scenario entailing considerable risks to Japan, the US policies will have a strong negative effect on Japan's economic activity through the appreciation of the yen to a great degree and a substantial decrease in exports and corporate profits of the Japanese enterprises.

Figure 8-1 Major Economic Policies Expressed by New US President Donald Trump during His Election Campaign

	Expressed points
Business taxes	<ul style="list-style-type: none"> · Cutting the top corporate tax rate from 35% to 15% · Imposing a 10% tax on repatriated earnings of US firms' foreign subsidiaries
Individual income tax	<ul style="list-style-type: none"> · Reducing individual income tax brackets from current 7 to 3, and cutting tax rates in all brackets · Adding a new deduction for child and dependent care expenses
Infrastructure spending	<ul style="list-style-type: none"> · 1 trillion dollars in 10 years
Financial regulation	<ul style="list-style-type: none"> · Dismantling nearly all of the Dodd-Frank reform
Trade	<ul style="list-style-type: none"> · Opposing the TPP (Trans-Pacific Partnership) · Renegotiating the terms of the NAFTA agreement

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

Figure 8-2 Effects of a 10 Per Cent Rise in Stock Prices on an Annual Increase in Private Consumption



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

Figure 8-3 Effects of a 10 Per Cent Rise in the Yen in Yen/US Dollar Exchange Rate on Corporate Profits in FY2017 of Japanese Enterprises

	Effects through exports and imports	Effects through receipt of overseas profits	(Billion yen) Total	(%) Annual change rate
Total	1,074	- 2,318	- 1,244	- 1.8
Manufacturing	736	- 1,918	- 1,183	- 5.7
Basic materials	771	- 299	471	7.6
Processing products	- 35	- 1,619	- 1,654	- 11.4
Nonmanufacturing	338	- 400	- 61	- 0.1
Electricity, gas	260	- 1	259	60.4
Others	78	- 399	- 320	- 0.7

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

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Prospects for Japan's economy - Projected real GDP change; 1.2% in FY2016 and 0.9% in FY2017

◆ Japan's economic activity will likely continue its mild recovery trend

(1) Looking ahead, economic activity will likely continue to pick up mildly, with favourable factors bolstering the economy, such as 1) an increase in construction investment such as the building of accommodations and re-development projects in metropolitan areas, 2) continued improvement in employment and income environments against the background of labour shortages, and after early 2017, 3) a positive contribution of a pickup in public investment, reflecting the implementation of the economic measures of the government.

(2) However, in the corporate sector, the situation continues where business fixed investment is hard to gain momentum against the background of the excess in domestic plants and equipment. Also, in the household sector, it is likely that the growing burden of social insurance premiums and heightened anxiety about the future especially among the young people will weigh on private consumption expenditure.

As a result, it is projected that real GDP will grow by 1.2 per cent in FY2016 and 0.9 per cent in FY2017, through a mild recovery in domestic private demand, with net exports and public demand playing a bolstering role.

(3) Further, in FY2018, it is probable that new economic measures will be prepared by the government, after the boosting effects of the existing measures come to an end. In addition, an acceleration in overseas economic growth led by that in the US is predicted to play a supporting role for the increase in Japan's exports. Accordingly, it is projected that real GDP will continue growing by 1.0 per cent in FY2018.

◆ The year-on-year change rate in core CPI will likely turn positive

(4) The core CPI, which excludes fresh food, has declined slightly year-on-year of late, against the background of a downswing in energy prices due to the fall in the price of crude oil. Yet, the year-on-year change rate in the crude oil price will likely turn positive. In addition, if the weak yen of late continues, the trend will likely contribute to pushing up the core CPI change rate through the rise in import prices.

Therefore, it is predicted that the core CPI will narrow its extent of decline and turn to year-on-year increases. It is analysed that a rise in energy prices and the depreciation of the yen will push up the rate of increase in the core CPI in FY2017 by a little more than 0.1 percentage points and 0.2 percentage points, respectively.

Nevertheless, the pace of increase in the core CPI will remain mild through FY2018, namely, the rate of increase will be well below the year-on-year 2 per cent target set by the BoJ, taking into consideration the fact that domestic economic activity and the tempo of wage rises still lack momentum.

Figure 10 Projections for GDP Growth and Main Indicators of Japan (as of December 29, 2016)

	(seasonally adjusted, annualised % changes from the previous quarter)											(% changes from the previous fiscal year)			
	CY2016		CY2017				CY2018				CY2019	FY2015	FY2016	FY2017	FY2018
	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)				(Projection)				(Projection)	(Actual)	(Projection)	(Projection)	(Projection)
Real GDP	1.3	0.5	0.8	1.1	1.0	0.7	0.8	1.0	1.1	1.1	1.0	1.3	1.2	0.9	1.0
Private Consumption Expenditure	1.3	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.7	0.6	0.6
Housing Investment	10.9	3.1	▲ 3.6	▲ 3.9	▲ 2.7	▲ 1.0	0.2	0.5	0.8	1.5	1.7	2.7	6.6	▲ 1.3	0.3
Business Fixed Investment	▲ 1.4	2.1	2.2	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.6	0.6	1.6	2.1	2.5
Private Inventories (percentage points contribution)	(▲ 1.1)	(▲ 0.2)	(▲ 0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)	(▲ 0.2)	(▲ 0.1)	(▲ 0.0)
Government Consumption Expenditure	1.2	0.6	0.8	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2	2.0	0.7	0.9	1.2
Public Investment	0.3	▲ 2.6	8.9	11.0	6.4	▲ 2.8	▲ 2.4	0.8	1.1	0.1	▲ 0.8	▲ 2.0	0.0	4.6	▲ 0.1
Net Exports (percentage points contribution)	(1.3)	(▲ 0.0)	(▲ 0.1)	(▲ 0.1)	(▲ 0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.0)	(0.0)
Exports of Goods and Services	6.5	1.9	2.0	2.4	2.5	2.5	2.6	2.7	2.8	2.8	2.8	0.8	1.0	2.5	2.7
Imports of Goods and Services	▲ 1.4	2.2	2.9	3.2	3.2	2.6	2.4	2.4	2.5	2.5	2.5	▲ 0.2	▲ 1.4	2.6	2.5
(Ref.) Domestic Private Demand (percentage points contribution)	(▲ 0.3)	(0.6)	(0.4)	(0.5)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.6)	(0.5)	(0.7)
(Ref.) Public Demand (percentage points contribution)	(0.3)	(▲ 0.0)	(0.6)	(0.7)	(0.5)	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	(0.1)	(0.4)	(0.2)

	(% 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	(Actual)	(Projection)	(Projection)	(Projection)
Nominal GDP	0.9	1.3	1.0	1.1	1.2	1.3	1.3	1.2	1.3	1.4	1.6	2.8	1.1	1.2	1.4
GDP deflator	▲ 0.2	▲ 0.3	▲ 0.1	0.1	0.5	0.4	0.3	0.3	0.4	0.4	0.5	1.4	▲ 0.0	0.3	0.4
Consumer Price Index (excluding fresh food)	▲ 0.5	▲ 0.4	0.2	0.5	0.8	1.0	1.0	1.1	1.1	1.1	1.2	0.0	▲ 0.3	0.8	1.1
Unemployment Rate (%)	3.1	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	3.3	3.1	3.0	2.9
Exchange Rates (JY/US\$)	102	112	117	113	114	115	115	116	116	117	117	120	110	114	117
Import Price of Crude Oil (US\$/barrel)	46	46	53	54	57	59	60	61	62	63	64	49	47	57	63

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 : "▲" indicates minus.