

Monthly Report of Prospects for Japan's Economy

March 2017

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

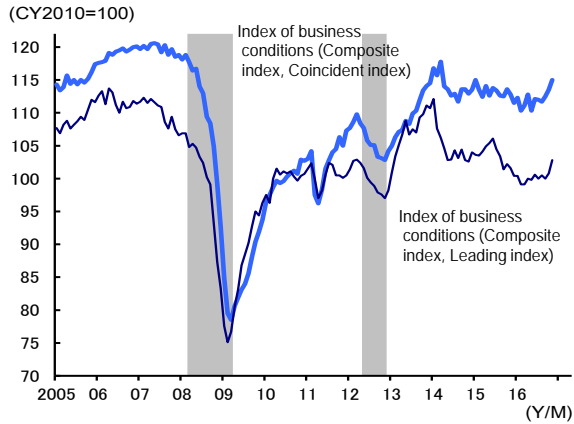
<http://www.jri.co.jp/english/periodical/>

This report is the revised English version of the February 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

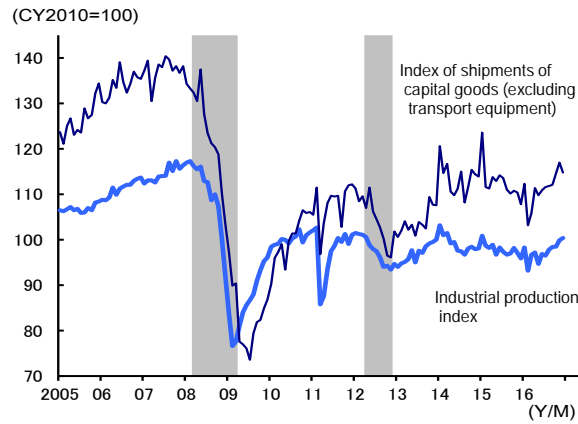
The coincident index rose to the highest level since January 2015, due to factors such as an increase in value of retail sales and industrial production.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

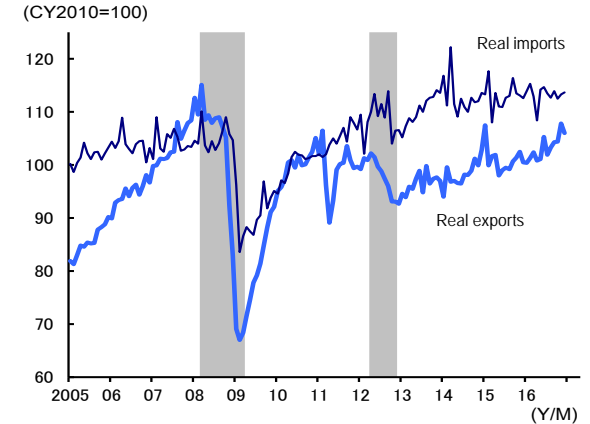
Production continues its picking up trend. Shipments of capital goods decreased for the first time in 7 months.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

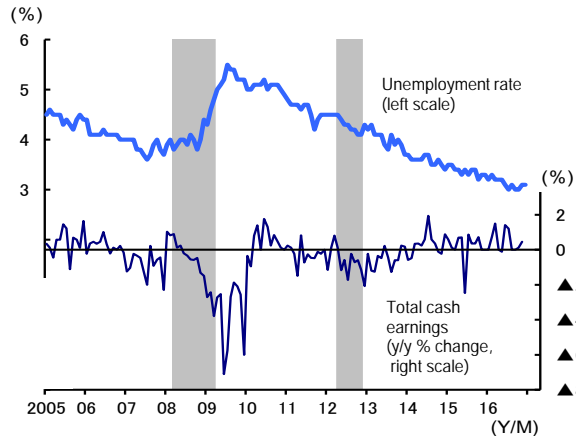
Exports decreased for the first time in 5 months. Imports have seesawed, reflecting sluggish domestic demand.



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.

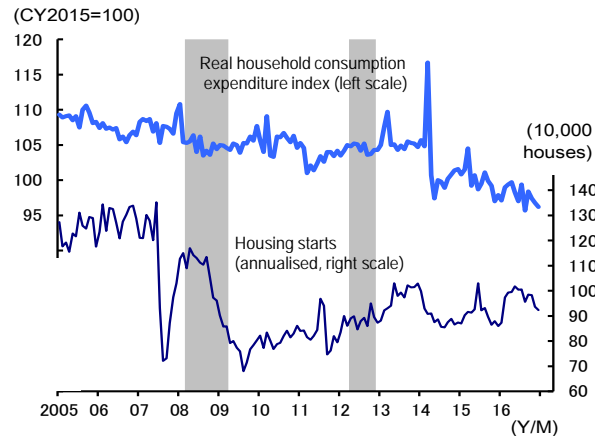


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 The Household Sector

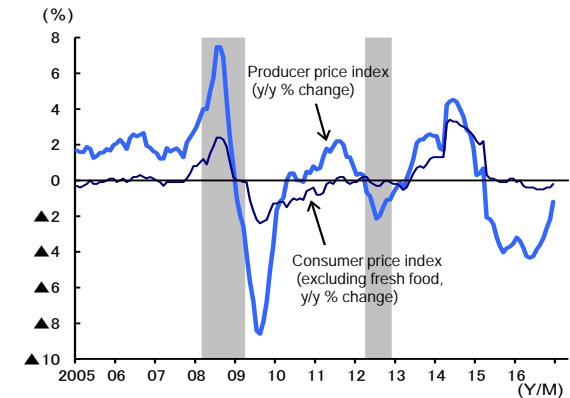
In household consumption expenditure, the surge in food prices brought about restrained purchasing. Housing starts have been on a declining trend.



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

Both producer prices and core consumer prices have narrowed the extent of their year-on-year decrease.



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

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

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. Real GDP in the October-December period last year grew by 1.0 per cent on an annualised quarter-on-quarter change basis (national accounts, the first preliminary estimates), a positive growth for the fourth successive quarter. Viewed by demand item, although private consumption expenditure weakened, the corporate sector recovered visibly.

Meanwhile, the economy watchers survey in December shows that the DI for judgement of current economic conditions has risen in corporate activity-related businesses both in manufacturing and in nonmanufacturing. However, the pace of improvement in the DI in household activity-related businesses has slowed.

◆ Production activity in enterprises continues to pick up

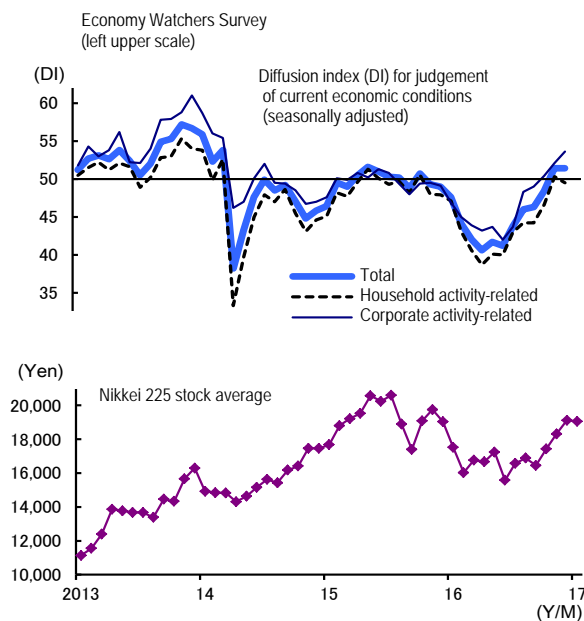
In the corporate sector, production activity continues to pick up. The industrial

production index increased month-on-month in December, the second successive rise, with indices in a wide range of industries having climbed. The production forecast index also shows that production will continue to rise from early this year onwards. As for overseas demand, although exports 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 weakened

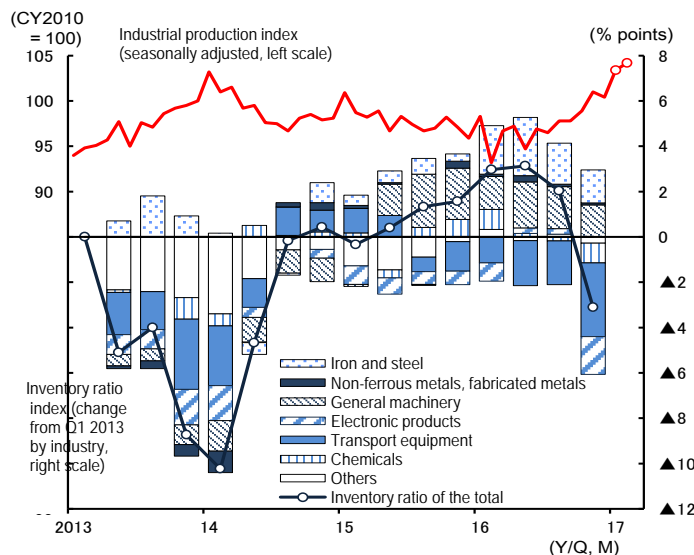
On the other hand, the recovery in the household sector has lacked momentum. For example, the sales value of department stores and supermarkets decreased month-on-month in December. This is because the sales of food and beverages declined considerably and the sales of seasonal goods such as clothing were sluggish due to the mild winter.

Figure 2-1 Economy Watchers Survey and Stock Prices



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

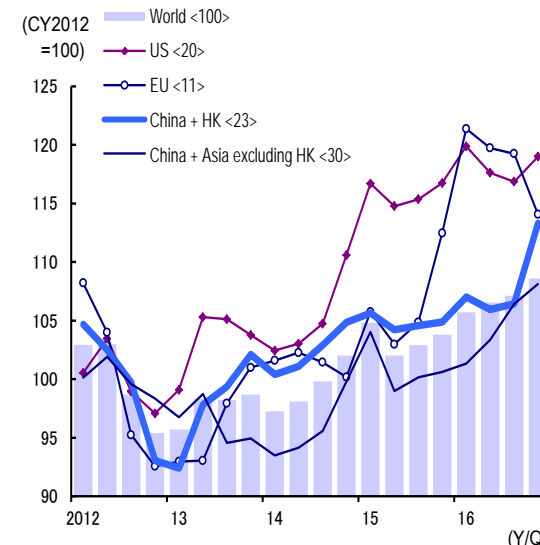
Figure 2-2 Industrial Production Index and Contributions to Change from Q1 2013 in Inventory Ratio Index



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

Note: The latest two figures in the production index are based on the production forecast index.

Figure 2-3 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 FY2016.

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

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 after last November, 2) income among people in Asian emerging countries goes on increasing, and 3) necessary environments for the rising number of foreign tourists including accommodations are likely to improve further in Japan, inbound demand per se will likely keep its high level.

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

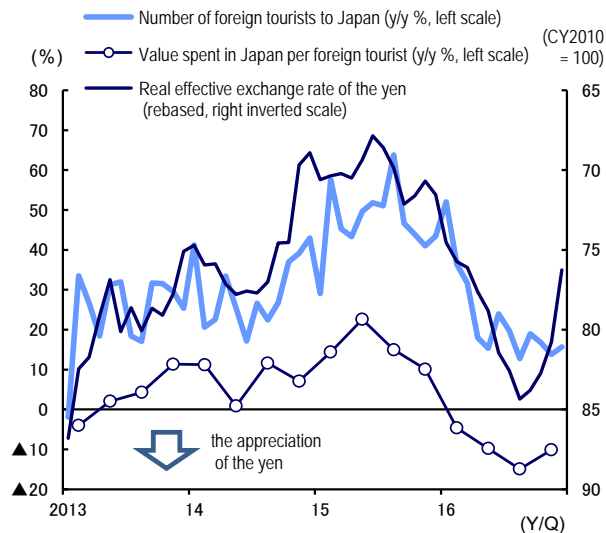
Then, looking at overseas demand more widely by type, exports of nondurable consumer goods, albeit with a smaller share of total exports, have increased solidly. The trend seems to be due to the increase in income among people in China and

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. This recovery seems to be against the backgrounds such as a rise in business fixed investment reflecting the economic recovery in Asian emerging countries.

Meanwhile, Japan's exports of electronic parts and devices have also picked up. This reflects the recovery in global IT demand, as shown in the surge in worldwide semiconductor shipments after the second half of 2016.

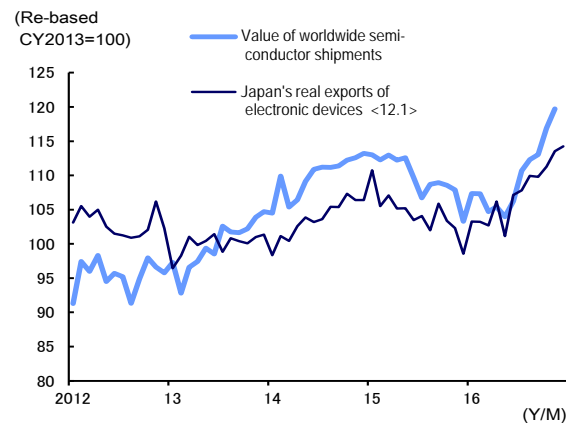
Nonetheless, it is predicted that the pace of pickup in Japan's exports of goods will remain mild, even if the recent trend of the weaker yen continues. This tendency is due to the fact that the number of Japanese enterprises has risen which choose to meet the increased overseas demand for their products by expanding production in their overseas facilities. In addition, protectionist trade policy taken by the new US administration could affect Japan's exports of goods negatively.

Figure 3-1 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.

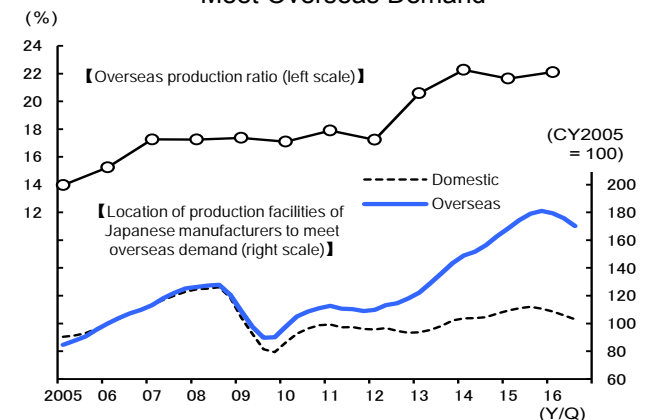
Figure 3-2 Worldwide Semiconductor Shipments and Japan's Exports of Electronic Devices <re-based>



Source: The Japan Research Institute, Ltd. based on the data of World Semiconductor Trade Statistics (WSTS), Semiconductor Industry Association (SIA), The Ministry of Finance of Japan, The Bank of Japan.

Note: The figure in the angle brackets shows the share in the total nominal exports in FY2016.

Figure 3-3 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

Corporate profits and business fixed investment will likely remain firm

◆ Corporate profits have shown firmness

As for corporate financial results, sales value has bottomed out owing to factors such as a pickup in exports. 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 to a level more than had been assumed by Japanese enterprises, corporate profits will likely remain firm.

◆ Employment, income, and business fixed investment will not falter

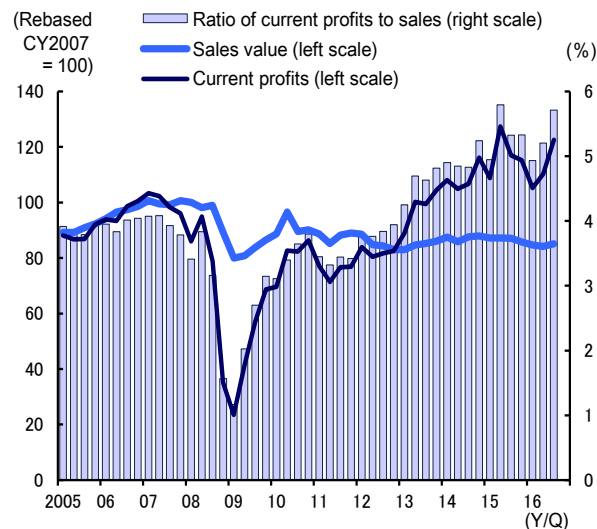
The situation continues where a sense of shortage of workers is felt strongly. Therefore, it is predicted that employment and income environments will continue to improve, especially among nonmanufacturers.

As for business fixed investment, 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, the sense of shortage of workers is expected to support the investment for rationalisation and savings.

Further, it is predicted that some other investments will contribute positively, such as business fixed investment in industries which are related to inbound demand (of foreign tourists to Japan), and construction investment in nonmanufacturing including re-development projects in metropolitan areas and the building of accommodations.

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

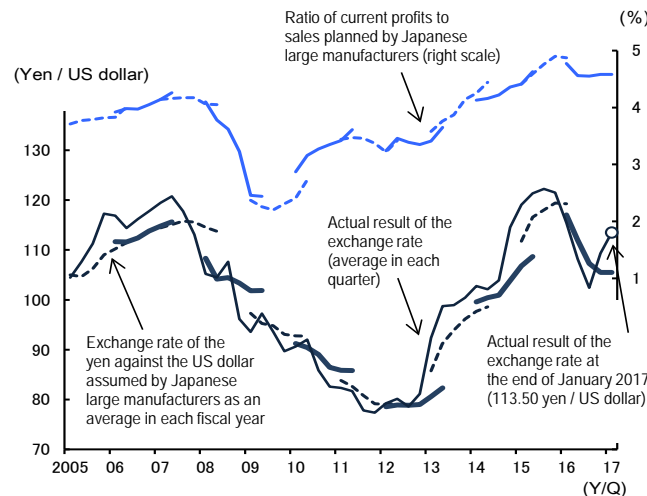
Figure 4-1 Sales Value and Ratio of Current Profits to Sales <seasonally adjusted>



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

Note: All industries excluding financial institutions.

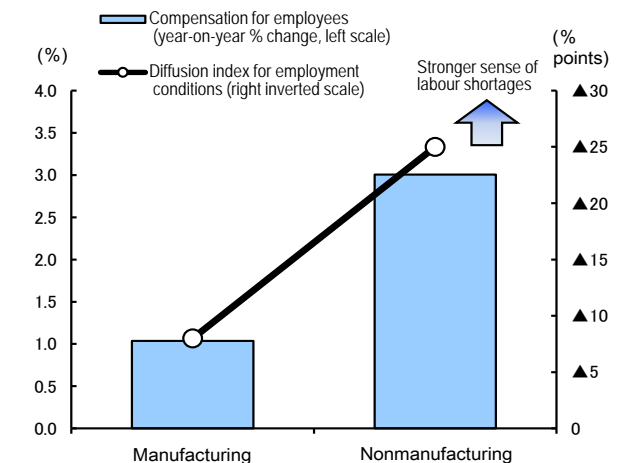
Figure 4-2 Ratio of Current Profits to Sales Planned by and Exchange Rate Assumed by Large Manufacturers



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 4-3 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.

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

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.

Signs of pickup have been seen in the expenditures on durable consumer goods such as automobiles and household appliances, and services for eating out. Yet, the trend has still lacked momentum. 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.

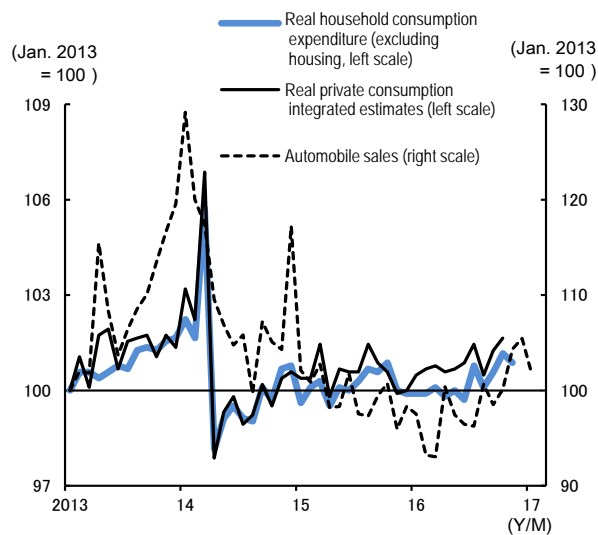
One of the reasons for sluggish consumption expenditure is stagnant disposable income. Despite continued improvement in the employment situation, enterprises seem to be still cautious of raising wages. Further, the increase in non-consumption expenditures such as taxes and social insurance premiums has weighed on disposable income. It is also highly likely that the heightened sense of self-protection in consumers against an expected increase in these premium payments has pressed down on private consumption expenditure. This appears 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 environments will likely continue, reflecting labour shortages. However, the acceleration in the pace of wage rises can not necessarily be counted on. This is because the number of enterprises where wage rises as a result of the wage negotiations in this spring season are predicted to be held at almost the same as last year will likely increase. Also, elements such as the growing burden of social insurance premiums, and the decreasing number of self-employed business owners affected severely by declining population, will continue to be weighing factors on disposable income (on an aggregate basis in the latter).

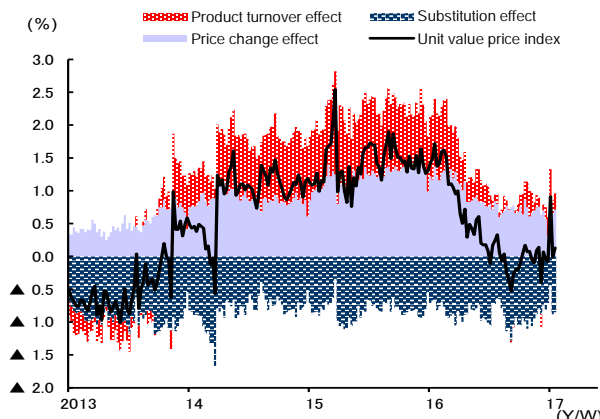
Furthermore, the year-on-year change rate in consumer prices is estimated to have turned positive, reflecting the rise in energy prices and the depreciation of the yen after last November. Therefore, it is highly likely that downward pressure on the real purchasing power in households will strengthen. As the improvement in real income is very slow to materialise, the pace of pickup in private consumption expenditure is very likely to remain mild.

Figure 5-1 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.

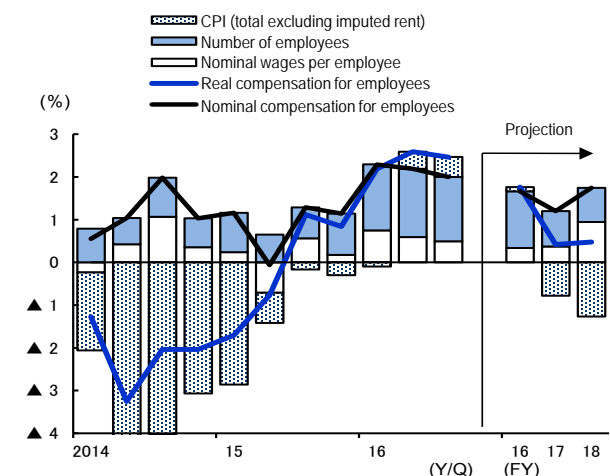
Figure 5-2 Contributions to the Year-on-Year Change Rate in Unit Value Price Index in Consumer Purchase Indices



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

Note: Product 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 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.

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

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.

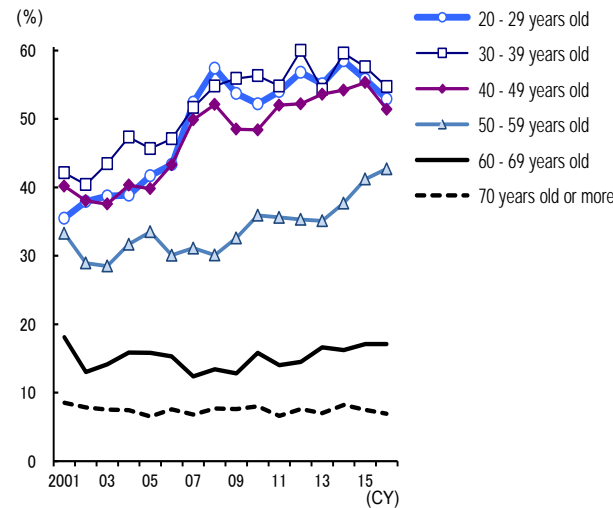
Taking the above factors into account, it is estimated that the boosting effect of the economic measures on the real GDP growth rate will be 0.1 and 0.3 percentage points in FY2016 and in FY2017, respectively.

Figure 6-1 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

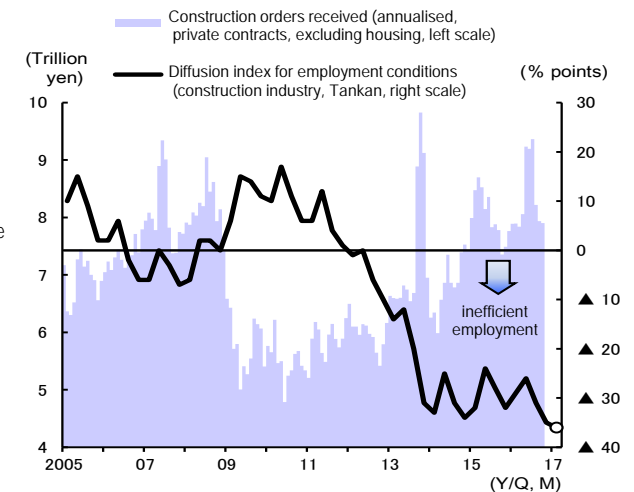
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

Figure 6-2 Ratio of Respondents with Their Priority in Life Being Put on Preparation for the Future by Savings and Investment



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

Figure 6-3 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.

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

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.

Based on the assumption here that the new US administration manages to implement policies such as tax cuts and infrastructure spending, although the scale-down accompanies them, the pace of US economic growth would accelerate from as early as the second half of 2017. Taking into consideration also the recent mild pace of rise in US stock prices and bond yields, the positive effects on Japan's economic activity will likely be felt through an increase in exports and a rise in stock prices.

Nonetheless, the positive effects 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 worrisome that the Trump administration has started to take a protectionist stance on trade policies and the claims causing the US dollar to weaken, which Mr Trump expressed during his election campaign.

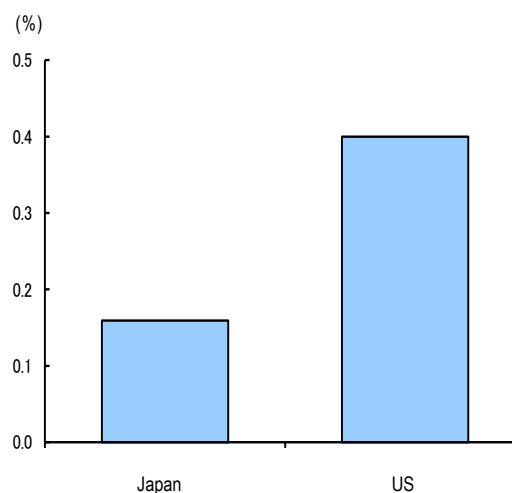
In the inauguration speech on January 20, he pledged to put "America first" in his decisions and restated a clear protectionist stance. President Trump already signed an executive order on the withdrawal of the US from the Trans Pacific Partnership, then criticised Japan with his claim of the yen manipulation. If the protectionist stance and the claim of the yen manipulation continues, Japan's economic activity will likely be affected negatively through a decrease in exports and corporate profits.

Figure 7-1 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 7-2 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 7-3 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.

Monthly Report of Prospects for Japan's Economy March 2017
The Japan Research Institute, Limited

Prospects for Japan's economy - Projected real GDP change; 1.3% in FY2017 and 1.1% in FY2018

◆ Japan's economic activity will likely continue its mild recovery trend, due to the bolstering of public demand and the recovery in private demand

(1) Japan's real GDP in the October-December period last year grew by 1.0 per cent on an annualised quarter-on-quarter change basis (national accounts, the first preliminary estimates), a positive growth for the fourth successive quarter. Viewed by demand item, private consumption expenditure weakened, against the backgrounds such as a heightened saving-conscious attitude in households, affected by the surge in the prices of fresh food. However, the corporate sector recovered visibly, as exports and business fixed investment increased at a faster pace than expected.

(2) In addition to the current economic situation, due to the following factors, JRI projections were revised upwards in this issue of the Monthly Report. These are 1) an advance in inventory adjustment in manufacturers, wholesalers and retailers, 2) the depreciation of the yen since last November, 3) an estimated upswing in Japan's potential growth rate, stemming from the comprehensive revision of the Japanese national accounts which include the change that expenditures on research and development (R&D) were newly added to GDP as business fixed investment, and so on.

(3) Looking ahead, economic activity will likely continue to pick up mildly, with favourable factors bolstering the economy, such as 1) an upswing in corporate profits brought about by the weaker yen, 2) an increase in construction investment such as the building of accommodations and re-development projects in metropolitan areas, 3) continued improvement in employment and income environments against the background of labour shortages, and after early 2017, 4) a positive contribution of a pickup in public investment, reflecting the implementation of the economic measures of the government.

(4) However, in the corporate sector, the excess in domestic plants and equipment will likely be a weighing factor on business fixed investment. Also, in the household sector, it is likely that the growing burden of social insurance premiums and strengthening anxiety about the future will likely be constraints to private consumption expenditure.

As a result, it is projected that real GDP growth rate from FY2016 to FY2018 will be slightly above 1.0 per cent, showing a continued mild economic growth.

(5) Meanwhile, there are a lot of uncertainties such as the policies taken by new US administration, the fallouts of the UK leaving the EU (Brexit), and scheduled presidential and general elections in major European countries. Therefore, probable downside risks should be watched carefully at any time, such as choppy financial markets, affected by the above mentioned factors, which could weigh on Japan's economic activity.

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

(6) It is predicted that the core CPI, which excludes fresh food, will have turned to year-on-year increases, because of a rise in the price of natural resources and the depreciation of the yen. It is analysed that the annual change rate of the core CPI in FY2017 will be pushed up by a rise in energy prices and the weaker yen by a little more than 0.1 percentage points and 0.2 percentage points, respectively.

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

Figure 9 Projections for GDP Growth and Main Indicators of Japan (as of February 13, 2017)

	(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)	(Actual)	(Projection)	(Projection)	(Projection)
Real GDP	1.4	1.0	1.2	1.5	1.3	0.9	0.9	1.1	1.3	1.3	1.2	1.3	1.2	1.3	1.1
Private Consumption Expenditure	1.3	▲ 0.0	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.5	0.6	0.6	0.7
Housing Investment	9.9	0.7	▲ 4.9	▲ 5.6	▲ 4.1	▲ 2.4	0.3	0.5	0.6	0.8	1.0	2.7	6.0	▲ 2.8	▲ 0.1
Business Fixed Investment	▲ 1.3	3.8	3.0	2.9	2.8	2.8	3.1	3.2	3.4	3.2	3.0	0.6	1.9	2.8	3.1
Private Inventories (percentage points contribution)	(▲ 1.1)	(▲ 0.5)	(0.2)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(▲ 0.2)	(▲ 0.1)	(0.0)
Government Consumption Expenditure	1.0	1.6	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2	2.0	0.8	1.1	1.2
Public Investment	▲ 2.9	▲ 6.9	5.8	14.7	8.3	▲ 2.7	▲ 4.6	▲ 2.1	1.6	0.4	▲ 1.2	▲ 2.0	▲ 1.8	4.5	▲ 1.0
Net Exports (percentage points contribution)	(1.6)	(1.0)	(▲ 0.0)	(▲ 0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.6)	(0.2)	(0.1)
Exports of Goods and Services	8.5	11.0	2.4	2.3	2.5	2.7	2.8	2.8	2.9	3.0	3.0	0.8	2.7	3.8	2.8
Imports of Goods and Services	▲ 1.0	5.4	2.8	2.7	2.5	2.4	2.2	2.2	2.3	2.3	2.3	▲ 0.2	▲ 1.0	2.7	2.3
(Ref.) Domestic Private Demand (percentage points contribution)	(▲ 0.3)	(0.0)	(0.8)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)	(0.9)	(0.8)	(0.5)	(0.6)	(0.9)
(Ref.) Public Demand (percentage points contribution)	(0.0)	(▲ 0.0)	(0.5)	(0.9)	(0.6)	(0.1)	(▲ 0.0)	(0.1)	(0.3)	(0.3)	(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	1.0	1.6	1.2	1.3	1.6	1.6	1.6	1.3	1.4	1.6	1.8	2.8	1.3	1.5	1.6
GDP deflator	▲ 0.1	▲ 0.1	▲ 0.1	0.1	0.3	0.3	0.3	0.3	0.4	0.5	0.5	1.4	0.0	0.3	0.4
Consumer Price Index (excluding fresh food)	▲ 0.5	▲ 0.3	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	3.1	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	109	114	113	114	115	115	116	116	117	117	120	108	114	117
Import Price of Crude Oil (US\$/barrel)	46	46	54	54	57	59	60	61	62	63	64	49	47	58	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.