

Monthly Report of Prospects for Japan's Economy

May 2017

Macro Economic Research Centre
Economics Department



The Japan Research Institute, Limited

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

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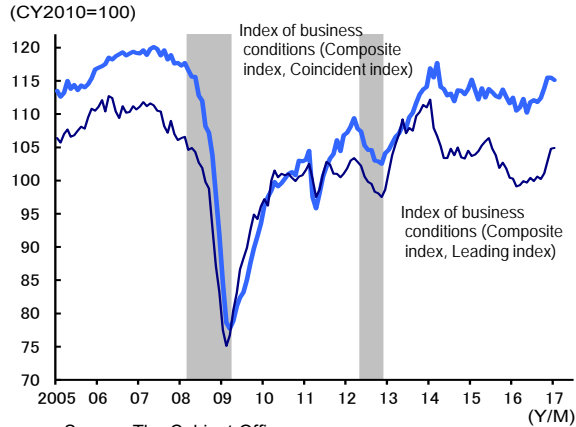
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The general situation of Japan's economy – Economic activity continues its mild recovery trend

Figure 1-1 Economic Activity

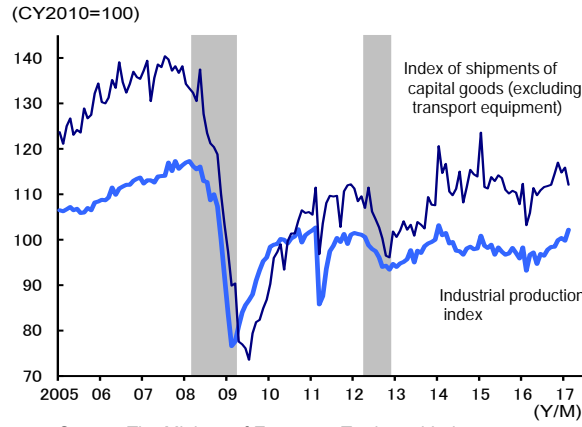
The coincident index declined for the first time in 5 months, due to various factors such as a decrease in shipments of consumer and producer goods.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

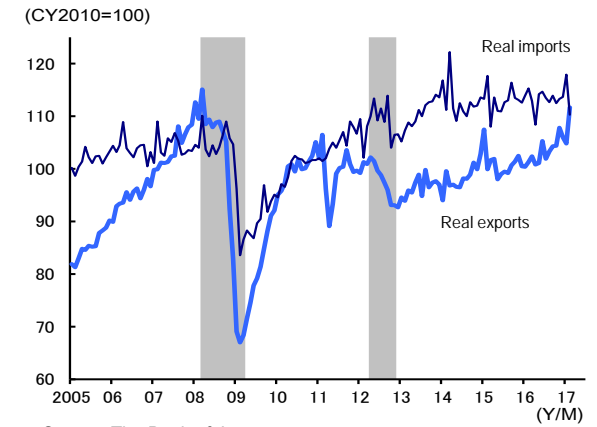
The production index continues its rising trend. Shipments of capital goods fell for the first time in 2 months.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

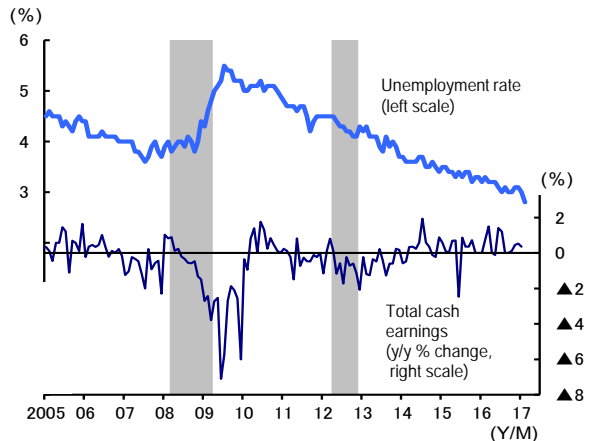
Exports increased to their highest level since March 2008, boosted by those to China and other Asian countries.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate is at its lowest level since June 1994. As for total cash earnings, regular-time pay continues its mild year-on-year rising trend.

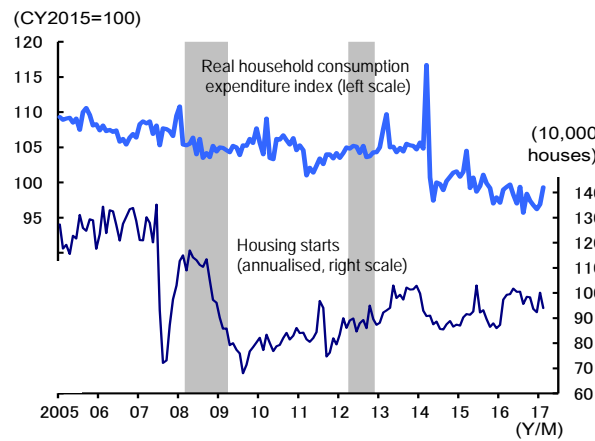


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

* The shaded area indicates the phase of recession.

Figure 1-5 The Household Sector

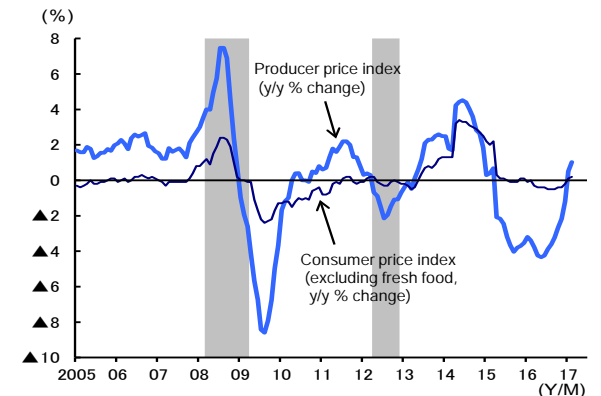
Household consumption expenditure showed signs of recovery. In housing starts, those in condos declined visibly.



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

The rate of year-on-year increase has risen both in producer prices and in core consumer prices (slightly in the latter).



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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Corporate activities continue to pick up, as the household sector shows signs of recovery

◆ Economic activity has picked up mildly

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

In the corporate sector, profits of enterprises continue to improve. The value of current profits in the October-December period last year hit a new high, with the third successive quarterly rise.

Viewed by type, in manufacturing, profitability in industries such as chemicals, petroleum and coal products has improved, due to the rise in the price of natural resources. In nonmanufacturing, an increase in sales proceeds has contributed to pushing up the value of profits on an aggregate basis, although a climb in personnel expenses has weighed.

◆ Production activity in enterprises continues to pick up

Production activity in manufacturers also continues its picking up trend since the middle of last year. The industrial production index increased by 3.2 per cent month-

on-month in February, for the first time in 2 months. Production in automobiles recovered. Also, the rise in total production was supported by a visible increase in exports of electronic devices and producer goods to China and other Asian countries, with the nearing of the end of inventory adjustment contributing positively.

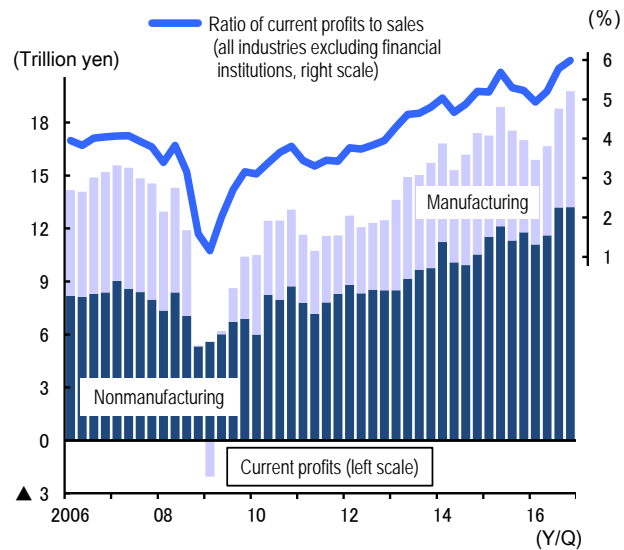
Based on the production forecast index, it is expected that production will have increased considerably in April after a decrease in March.

◆ Some readings in the household sector show signs of recovery

In the household sector, private consumption expenditure shows signs of recovery. Sales value in retailing picked up in February, bolstered by the gradual rise in food and beverages, with the firmness in consumer sentiment playing a supporting role.

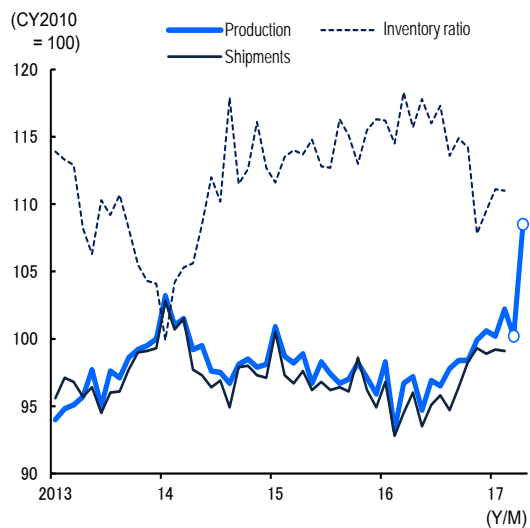
Nonetheless, the pace of recovery is likely to stay modest because of, for example, the trend that the sales of seasonal major goods such as clothing were still sluggish.

Figure 2-1 Ratio of Current Profits to Sales and Value of Current Profits by Type <seasonally adjusted>



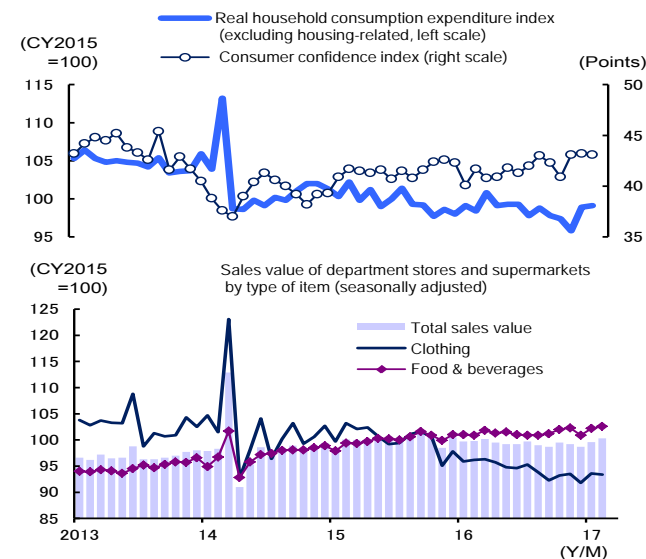
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.
Note: All industries excluding financial institutions.

Figure 2-2 Indices of Industrial Production <seasonally adjusted>



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 Private Consumption-related Indicators <seasonally adjusted>



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 increase in exports and profits

◆ Business sentiment improved due to the weaker yen, the stock price rise, and good corporate profits

In the Tankan March 2017 Survey, the diffusion index (DI) for business conditions on the whole of large manufacturing rose by 2 to +12 percentage points, an advance in 2 quarters running. The DI for the whole of large nonmanufacturing also rose by 2 to +20 percentage points, an improvement for the first time in 7 quarters.

Viewed by industry, in manufacturers, the DIs for industries increased both in basic materials and in processed or manufactured goods, due to the picking up in exports, the rise in stock prices, continued good corporate profits, etc. In nonmanufacturers, the DIs in construction-related industries were firm, thanks to increased re-development projects in metropolitan areas and a rise in public works stemming from economic measures. Also, the private consumption-related DIs recovered.

As for the forecast DIs in 3 months' time, the survey results seem to suggest that an upswing in corporate profits will likely bolster business sentiment, amid the conditions where the yen has been weaker than had been previously assumed by

manufacturers. At the same time, cautious views over the future are growing among enterprises more widely, as a lot of uncertainties persist surrounding overseas environments, such as the protectionist stance taken by the Trump administration in the US and the political situations in Europe.

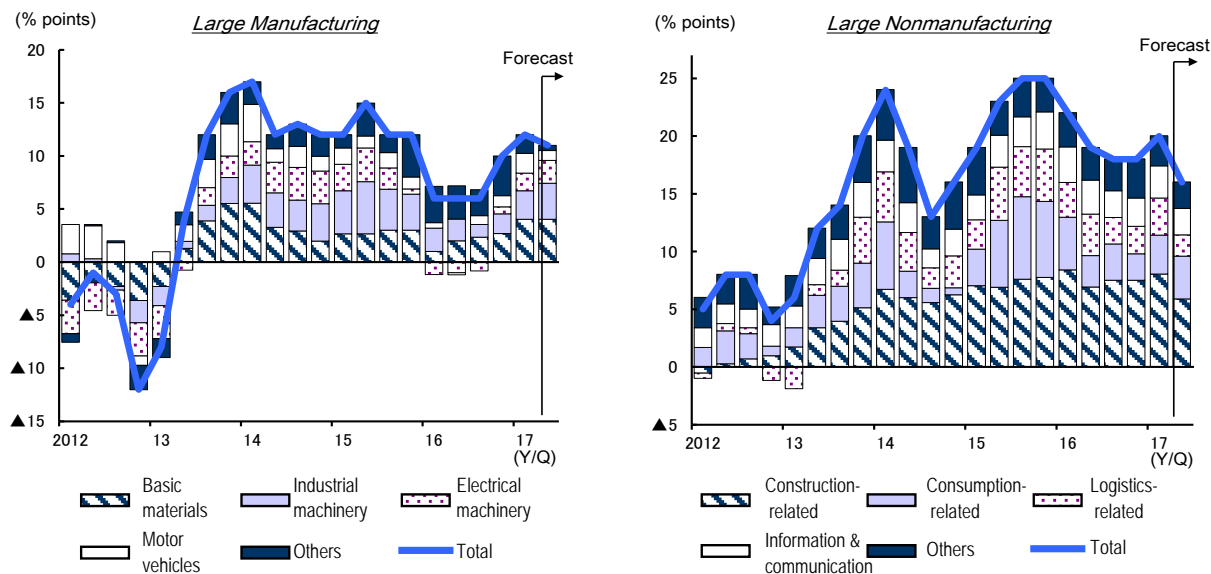
◆ Planned business fixed investment for FY2016 was slightly cautious

In the same Survey, the planned annual change rate in business fixed investment for FY2016 was +0.4 per cent in all types and sizes of enterprises, a 1.4 percentage point downward revision from the December survey. As for large manufacturers, a downward revision in their estimates as of the final quarter in each fiscal year is usually seen. Still, a large downward revision to the negative territory in the estimates in this period of time rarely takes place in large nonmanufacturers, which suggests their visible wariness about uncertain future economic situations at home and abroad.

However, looking at the planned annual change rates for FY2017, the figures are relatively high as of the first quarter. Taking all results into consideration, the faltering in business fixed investment will likely be able to be avoided.

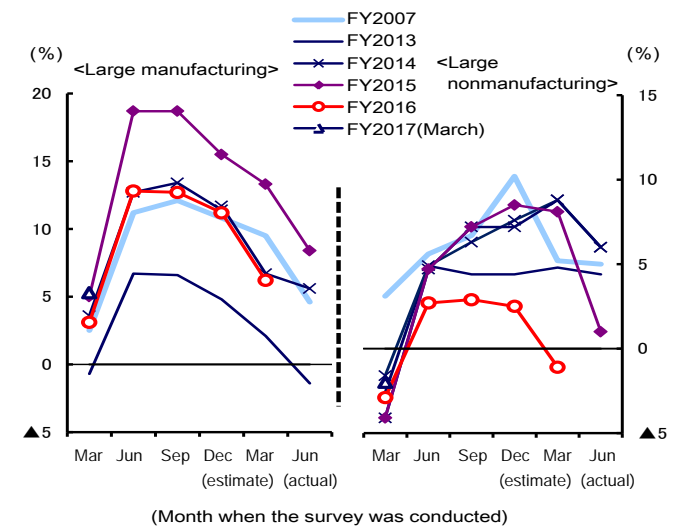
Figure 3-1 Contributions to Business Conditions Diffusion Index by Industry

<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 2017 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 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

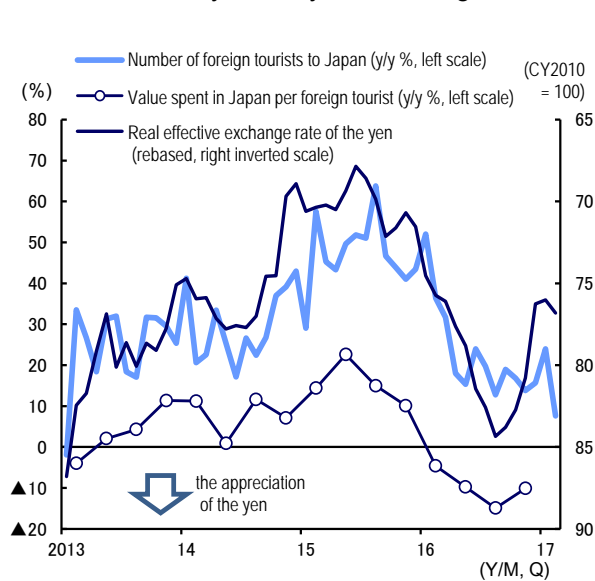
Then, looking at overseas demand more widely by goods, exports of electronic parts and devices have increased noticeably. This reflects the recovery in global ICT demand, as shown in the surge in worldwide semiconductor shipments after the

second half of 2016. It is notable that the expansion in demand for electronic parts and devices is due to the increase in the uses not only for smartphones but also for automobiles and industrial machinery.

Viewed by region, the increase in exports has been led by China and other Asian emerging countries where their economies have been boosted by the effects of economic policies. Judging also from the fact that business sentiment in advanced economies in the US and European countries is at a high level, it is likely that Japan's exports of goods will continue to pick up.

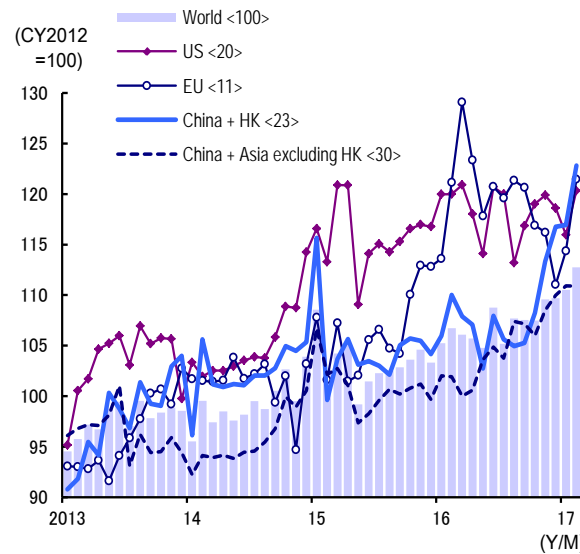
Nonetheless, it is predicted that the pace of the pickup will remain mild, even if the recent trend of the weaker yen continues. This tendency is due to the fact that the number of Japanese enterprises has risen which choose to meet the increased overseas demand for their products by expanding production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

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



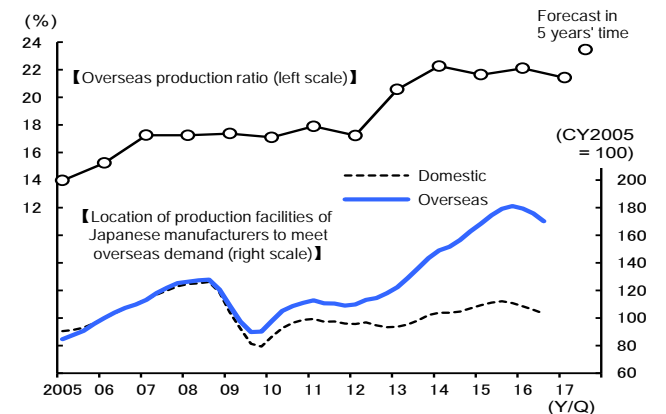
Source: The Japan Research Institute, Ltd. based on the data of The Japan Tourism Agency, The Bank of Japan.

Figure 4-2 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.

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

As for the corporate sector, sales value has bottomed out owing mainly to a pickup in exports. Current profits have kept a near record level on a quarterly basis. This is due to the increase in sales, the reduction in variable costs, the swelling in profits stemming from the depreciation of the yen, and so on, although the rise in personnel expenses has pushed down the total.

As private consumption expenditure 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 investment will likely pick up mildly

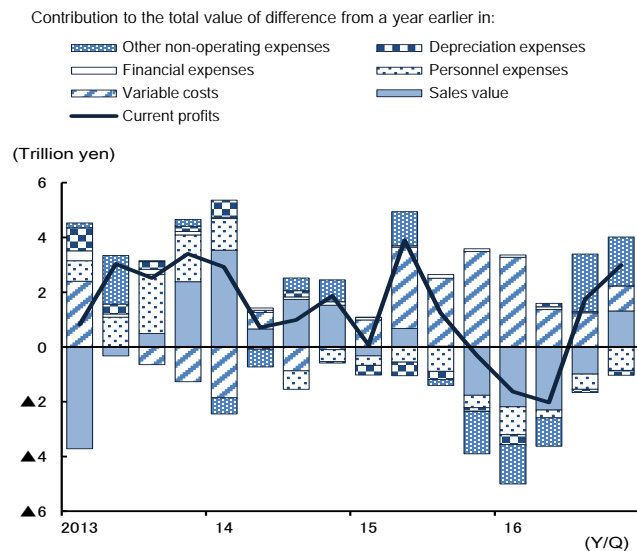
The situation continues where a sense of shortage of workers is felt strongly. Also, labour's relative share in total value added is at a historically low level. Thus,

employment and income environments will continue to improve for the time being.

As for business fixed investment, a cautious attitude of enterprises still remains, as shown in the fact that the ratio of value of business fixed investment to cash flow continues to be low. Yet, business fixed investment has increased mildly, reflecting the improvement in corporate profits and business activity at home and abroad.

Viewed by type, some types of business fixed investment will likely continue to support the mild increasing trend on the whole. These types are investment for maintenance and replacement against the background of a rise in superannuated plants and equipment, investment for rationalisation and savings reflecting the situation of shortage of workers, and construction investment in facilities for nonmanufacturers such as accommodations. On the other hand, business fixed investment for capacity expansion is likely to stagnate, amid the unfavourable situation where the capacity utilisation rate has yet to rise and economic growth expectations of enterprises continue to be sluggish.

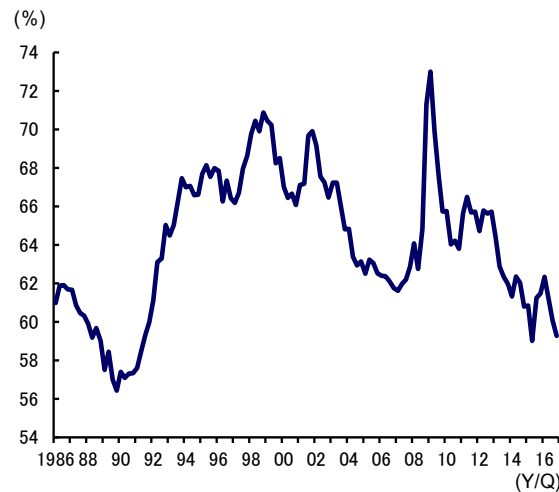
Figure 5-1 Contributions of Factors to the Total Value of Difference from A Year Earlier in Current Profits



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

Note: All industries except for financial institutions.

Figure 5-2 Labour's Relative Share in Total Value Added <seasonally adjusted>

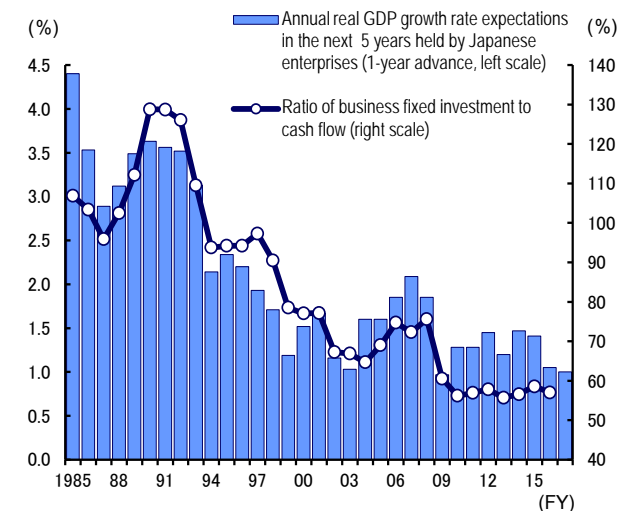


Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.

Note: 1. All industries excluding financial institutions.

2. Labour's relative share = personnel expenses / total value added

Figure 5-3 Economic Growth Expectations and Ratio of Business Fixed Investment to Cash Flow



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

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The pace of recovery in private consumption is likely to stay slow, as disposable income stagnates

◆ Private consumption expenditure shows signs of recovery

Private consumption expenditure is estimated to have been on a mild recovery trend. Signs of pickup have been seen in the expenditures on durable consumer goods such as automobiles and household appliances, and services for eating out or the like. Consumer sentiment has also recovered slightly, against the background including continued improvement in employment conditions, the rise in stock prices after last November, and so on.

However, the trend has still lacked adequate momentum. Enterprises seem to be still cautious about raising wages. Also, the increase in payments of such items as social insurance premiums has weighed on disposable income.

Further, it is highly likely that the heightened sense of self-protection in consumers against future increases in these payments has also pressed down on current private consumption expenditure. This is 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.

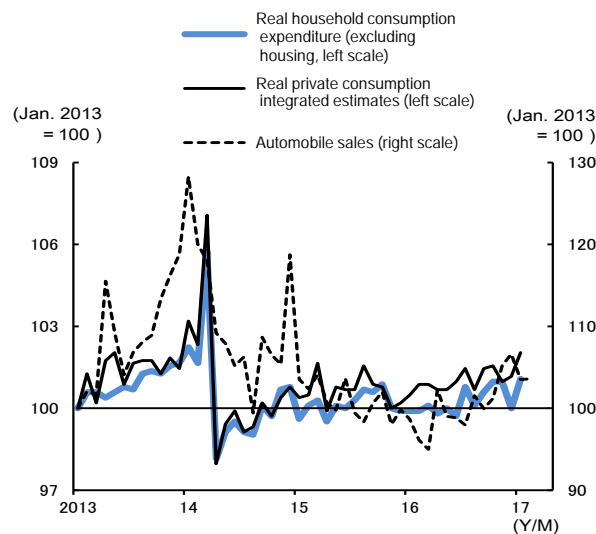
◆ Slow pace of recovery in private consumption will likely continue

Looking ahead, the improvement in employment environments will likely continue, reflecting labour shortages. Yet, the acceleration in the pace of wage rises cannot be counted on. Amid heightened uncertainties as to overseas economies and so on, the number of enterprises where wage rises resulting from the wage negotiations this spring were held at almost the same as last year appears to have increased.

Also, elements such as the growing burden of social insurance premiums, and the decreasing number of self-employed business owners affected severely by the declining population, will continue to be weighing factors on disposable income (on an aggregate basis in the latter). Therefore, the pace of improvement in household income is likely to stay slow.

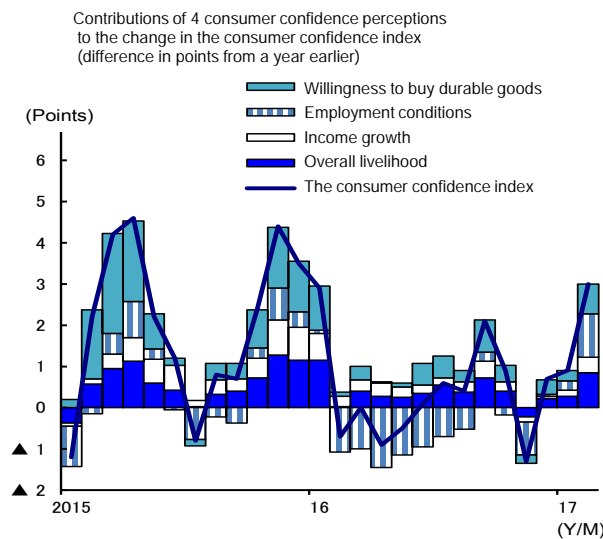
Furthermore, the year-on-year change rate in consumer prices has already turned positive, albeit slightly, reflecting the rise in energy prices and the depreciation of the yen after last November. Accordingly, downward pressure on the real purchasing power in households will strengthen. As the improvement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

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 Change in Consumer Sentiment by Consumer Confidence Perception



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

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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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 these 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 not only from the current situation of labour shortages, but also against the background of an increase in investment projects in the private sector such as redevelopment in metropolitan areas.

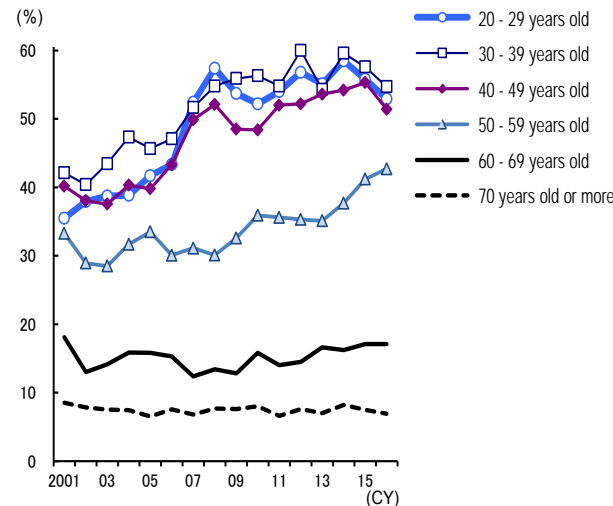
Taking the above factors into account, it is estimated that the boosting effect of the economic measures on the real GDP growth rate will be 0.3 percentage points in FY2017.

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

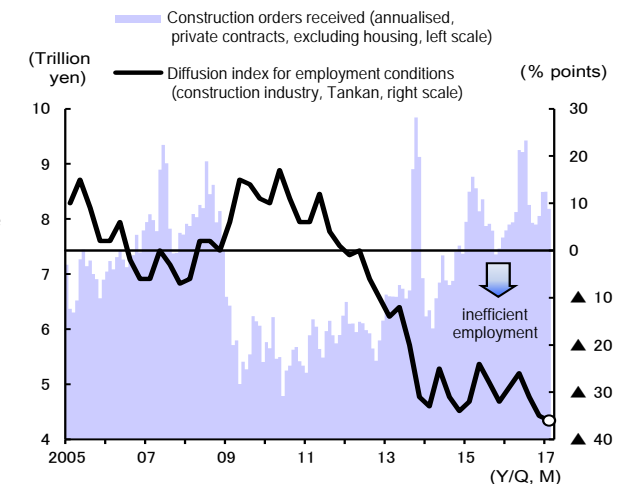
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

Figure 7-2 Ratio of Respondents with Their Priority in Life Being Put on 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 the new US administration would have positive effects, or possibly risks, on Japan's economy

◆ Vigorous fiscal policies would boost US economic activity

Based on the assumption here that the new US administration manages to implement policies such as tax cuts and infrastructure spending, even though the time of implementation is delayed more than expected and the scale-down accompanies them, the pace of US economic growth would accelerate gradually. Then, the positive effects will likely be felt also on Japan's economic activity through, for example, an increase in corporate profits in exporters.

Nonetheless, the positive effects are predicted to be limited, if the following two 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, even though

US stock prices have an upswing.

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

On the other hand, it is worrisome that the Trump administration has started to heighten a protectionist stance on trade policies and to intensify the claims causing the US dollar to weaken, which Mr Trump had expressed in his election campaign.

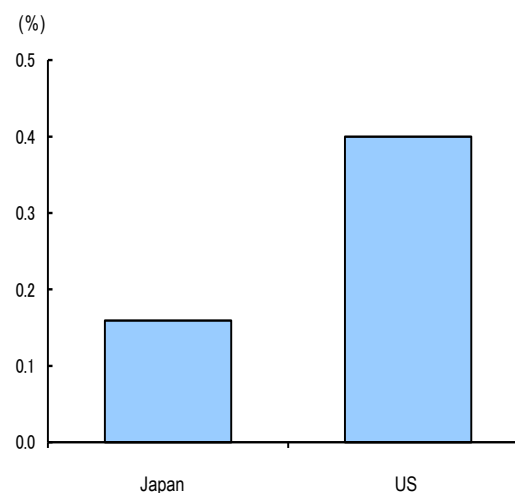
Notably, as a result of the failure to replace Obamacare, doubts have risen and remain over the capability of the Trump administration managing to implement its economic policies. Therefore, it is quite possible that the administration will take a further protectionist stance in order to attract more support of the people. In this case, a risk looms that, for example, a considerable appreciation of the yen could take place and Japan's economic activity could be affected very negatively through a decrease in exports and corporate profits.

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; 1.3% 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 economic activity has been on a mild recovery trend.

Looking ahead, economic activity will likely continue to pick up mildly, as the following favourable factors are likely to bolster the economy.

These are 1) an upswing in corporate profits brought about by the weaker yen after last November, 2) an advance in inventory adjustment in manufacturers, 3) an increase in construction investment in nonmanufacturers such as accommodations and re-development projects in metropolitan areas, 4) continued improvement in employment and income environments against the background of labour shortages, and after early 2017, 5) a positive contribution of a pickup in public investment, reflecting the implementation of the economic measures of the government.

(2) Meanwhile, in the corporate sector, the excess in domestic plants and equipment will likely be a weighing factor on business fixed investment, making the gaining of momentum difficult. Also, in the household sector, it is likely that the growing burden of social insurance premiums and strengthening anxiety about the future, especially among young people, will be oppressing factors on and constraints to private consumption expenditure. Due to these situations, it is predicted that the pace of economic recovery will stay mild.

In addition, there are growing uncertainties about overseas political conditions such as the policies to be taken by the new US administration and scheduled presidential and general elections in major European countries.

Therefore, it is necessary to monitor closely, for instance, whether instability in the financial markets caused by these risk factors will press down on Japan's economic activity through routes such as the worsening of business and consumer sentiment.

In total, it is projected that real GDP growth rate from FY2016 to FY2018 will be slightly above the 1.0 per cent mark, showing a continued mild economic growth in Japan.

◆ The year-on-year change rate in the core CPI will likely be on a gradual rising trend

(3) The core CPI, which excludes fresh food, turned to a faint year-on-year rise in January and increased the rate of rise on a year earlier slightly in February.

Further, it is predicted that the pace of a year-on-year increase in the core CPI will accelerate gradually due to a pickup in the price of natural resources, the effect of the depreciation of the yen, and so on. It is analysed that the annual change rate of the core CPI in FY2017 will be pushed up by an upswing in energy prices and the weaker yen by 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 prediction that domestic economic activity and the tempo of wage rises will likely continue to lack enough momentum.

Figure 10 Projections for GDP Growth and Main Indicators of Japan (as of April 4, 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)		
Real GDP	1.2	1.2	1.0	1.4	1.4	1.0	0.9	1.1	1.3	1.3	1.2	1.3	1.3	1.3	1.1
Private Consumption Expenditure	1.4	0.2	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.5	0.6	0.7	0.7
Housing Investment	10.1	0.5	▲ 4.6	▲ 5.2	▲ 2.7	▲ 2.4	0.3	0.5	0.6	0.8	1.0	2.7	6.0	▲ 2.4	0.0
Business Fixed Investment	▲ 0.4	8.4	2.9	2.4	2.7	2.9	2.9	3.0	3.0	2.9	2.9	0.6	2.7	3.2	2.9
Private Inventories (percentage points contribution)	(▲ 1.4)	(▲ 0.8)	(0.2)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(▲ 0.3)	(▲ 0.1)	(0.0)
Government Consumption Expenditure	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2	2.0	0.8	1.0	1.2
Public Investment	▲ 3.6	▲ 9.5	5.4	14.5	8.3	▲ 2.7	▲ 4.6	▲ 2.1	1.6	0.7	▲ 1.2	▲ 2.0	▲ 2.4	4.0	▲ 0.9
Net Exports (percentage points contribution)	(1.6)	(1.0)	(▲ 0.2)	(▲ 0.1)	(0.1)	(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	1.3	2.0	2.4	2.6	2.7	2.7	2.8	2.8	2.7	0.8	2.6	3.5	2.7
Imports of Goods and Services	▲ 1.0	5.3	2.6	2.5	2.2	2.0	2.0	2.1	2.2	2.2	2.1	▲ 0.2	▲ 1.0	2.5	2.1
(Ref.) Domestic Private Demand (percentage points contribution)	(▲ 0.4)	(0.5)	(0.8)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.8)	(0.6)	(0.7)	(0.9)
(Ref.) Public Demand (percentage points contribution)	(0.0)	(▲ 0.3)	(0.4)	(0.9)	(0.6)	(0.1)	(▲ 0.0)	(0.1)	(0.3)	(0.3)	(0.2)	(0.3)	(0.0)	(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	FY2015	FY2016	FY2017	FY2018
Nominal GDP	1.0	1.6	1.2	1.3	1.6	1.5	1.6	1.3	1.4	1.6	1.8	2.8	1.3	1.5	1.5
GDP deflator	▲ 0.1	▲ 0.1	▲ 0.2	0.0	0.3	0.3	0.3	0.3	0.4	0.4	0.5	1.4	0.0	0.2	0.4
Consumer Price Index (excluding fresh food)	▲ 0.5	▲ 0.3	0.1	0.4	0.8	0.9	0.9	1.0	1.0	1.1	1.1	0.0	▲ 0.3	0.7	1.1
Unemployment Rate (%)	3.1	3.0	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.7	3.3	3.0	2.8	2.7
Exchange Rates (JY/US\$)	102	109	114	113	114	115	116	116	117	117	117	120	108	115	117
Import Price of Crude Oil (US\$/barrel)	46	46	56	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.