JRI news release

The Outlook for the Japanese Economy

(Revised Forecast for Fiscal 2002)

June 14, 2002

Economic Research Center

Economics Department

The Japan Research Institute, Limited

http://www.jri.co.jp/

Contents

The Japanese Economy Today	page 1
An Economic Scenario	page 3
The Household Sector	page 4
The Corporate Sector	page 6

For more information on the content of this report, please contact

Hideki Matsumura or Hisashi Yamada, Economics Department

Tel: 03-3288-4524 / 4245

E-Mail: matsumura.hideki@jri.co.jp yamada.hisashi@jri.co.jp

Overview

Despite a continued decline in private capital investment, the Japanese economy showed signs of bottoming out and starting to recover in the first half of fiscal 2002, especially in the manufacturing sector. Thanks to the recovery of the US economy and signs of an emerging recovery in demand for electronic devices from Asian countries, the upward trend of exports continued.

Especially in the electrical machinery sector, inventory adjustments are now in their final phase, and industrial production is expected to continue to recover at a gentle pace.

However, the following factors make it highly likely that any further recovery in the second half of the fiscal year will be slight.

- As sales figures continue to stagnate and more companies transfer their production activities to overseas bases while withdrawing from unprofitable businesses, it is likely to be some time before capital investment by the business sector sees a full-scale recovery.
- Although corporate profits are expected to begin to recover, the recovery in income and employment conditions, which always lags behind the recovery in corporate profits, is likely to be late, exerting a downward pressure on consumer spending.
- With local governments maintaining an austere stance on spending, and the central government basically sticking to its policy of rebuilding public finance, public investment will continue to decline.

Consequently, the forecast for fiscal 2002 is positive growth of 0.2%.