



**JRI news release**

**A Forecast of GDP Statistics for the July-September Quarter of 2003**

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## **1. A Slight Deceleration of Economic Growth in the July-September Quarter**

The GDP statistics for the July-September quarter of 2003 are likely to show an increase of 0.5% in real economic growth on the previous quarter (annualized rate +2.1%), positive growth for a seventh quarter in succession. Although real growth is thought to have decelerated as compared with the April-June quarter, against a backdrop of sluggish demand for summer goods and services due to the cool weather and a substantial fall in the volume of public investment, the gentle recovery trend has continued, thanks to (i) the continued positive contribution from net exports on the strength of a recovery of the Asian economies and (ii) the continued firm demand from the household sector on the strength of a recovery in consumer confidence, among other factors.

### ***Movement of the Major Elements of Demand***

#### **(1) Consumer Spending**

Although sluggish demand for summer goods and services due to the cool weather and a fall in disposal incomes due to the levying of social insurance contributions at the time of summer bonus payments both exerted a downward pressure on spending, the strengthening of positive factors such as (i) firm sales of durable goods such as digital consumer electronics, cellular phones and personal computers were firm and (ii) signs of a recovery in spending on services such as cinema-going and finance, suggest that the gentle recovery in consumer spending is likely to have continued.

## **(2) Housing Investment**

Figures for housing investment are likely to see a two-digit annualized increase, thanks to the progress of construction of detached houses, which surged in May and June.

## **(3) Capital Investment**

Following the major increase recorded in the April-June quarter, the growth of capital investment is likely to have slowed to +1.1% on the previous quarter (annualized rate +4.5%). However, the fact that investment in computers continues to rise and that the fall in construction investment has begun to slow mean that the figures are likely to show growth for a fifth quarter in succession.

## **(4) Public Investment**

Owing to the continued deterioration in the financial position of both central and local governments and the completion of the construction of provincial airports, the figures are likely to show that the rate of decline in public investment has accelerated.

## **(5) Exports**

Although there is still little prospect of a recovery in exports to the United States and the EU, exports to Asia have seen substantial growth, centering on electronic

devices, general machinery and components for imaging equipment the figures are likely to show a two-digit annualized increase on the previous quarter.

## **(6) Imports**

The continued growth of imports from Asia and signs that the level of spending on travel, which had fallen sharply as a result of the SARS scare, is starting to return to its former level, the figures are likely to show that imports have grown for the first time in two quarters.

## **2. Growth Rate Likely to Rise Once More From October-December Quarter**

Although the Japanese economy was forced to decelerate in the July-September quarter, owing to the cool weather among other factors, the fact that the mood of recovery in overseas economies and domestic private demand has persisted suggests that the economy will continue to fluctuate within the bounds of a gentle overall recovery. From the October-December quarter onwards, owing to (i) the fact that the recovery in exports continues, led by exports to Asia, (ii) the fact that, against a backdrop of firm business performance, the growth of capital investment is accelerating, especially among export-oriented companies, and (iii) the fact that consumer spending remains firm thanks to the slowing of the deterioration of employment and income conditions and a recovery in consumer confidence, the pace of economic recovery is likely to accelerate, and if industrial production is on target, the growth rate may be unexpectedly high.