Monthly Report of Prospects for Japan's Economy

January 2017

Macro Economic Research Centre
Economics Department

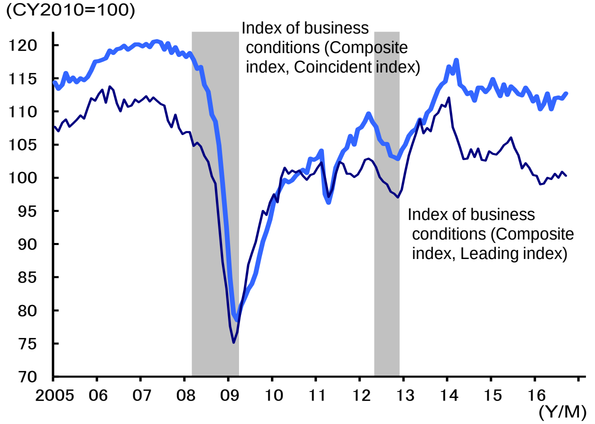
The Japan Research Institute, Limited
http://www.jri.co.jp/english/periodical/

This report is the revised English version of the December 2016 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

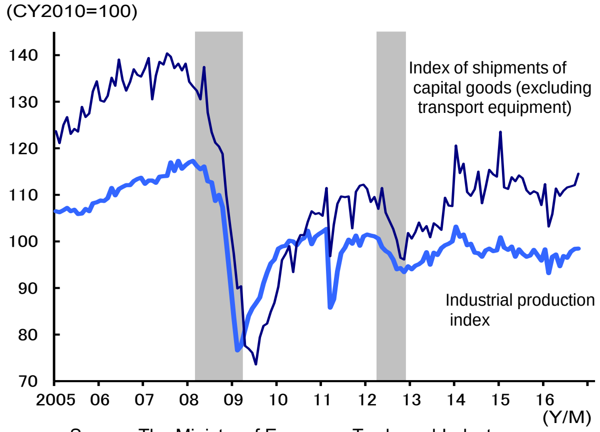
The coincident index rose to the highest level in 5 months, due to factors such as an increase in shipments of producer and consumer goods.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

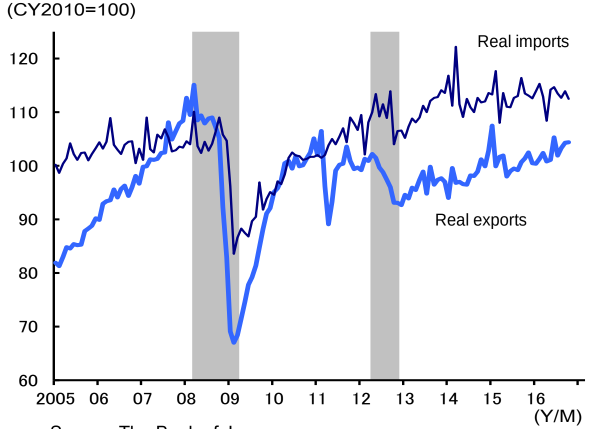
Production continues its picking up trend. Shipments increased in a wide range of industries including automobiles.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

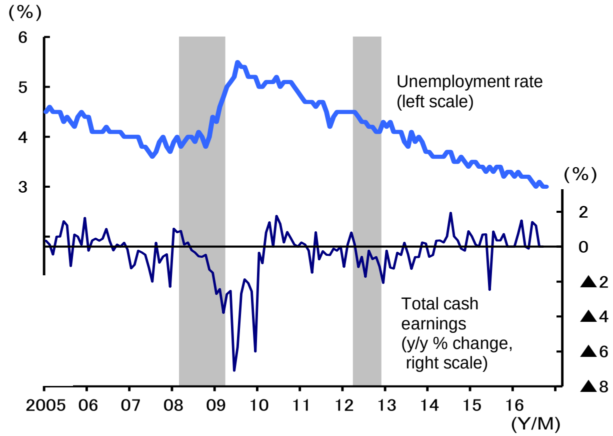
Exports of information-related goods such as electronic parts increased. Imports have seesawed, reflecting sluggish domestic demand.



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.

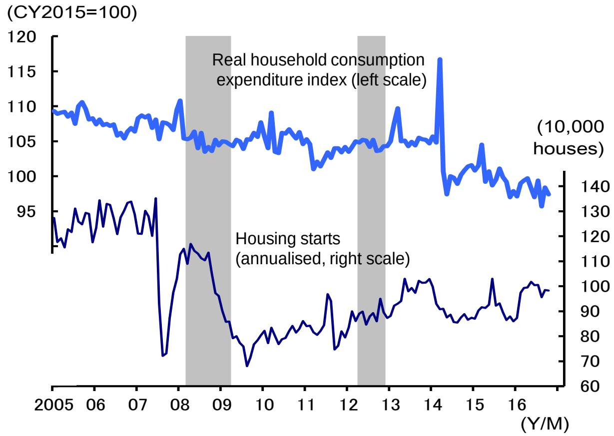


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labour and Welfare.

＊The shaded area indicates the phase of recession.

Figure 1-5 The Household Sector

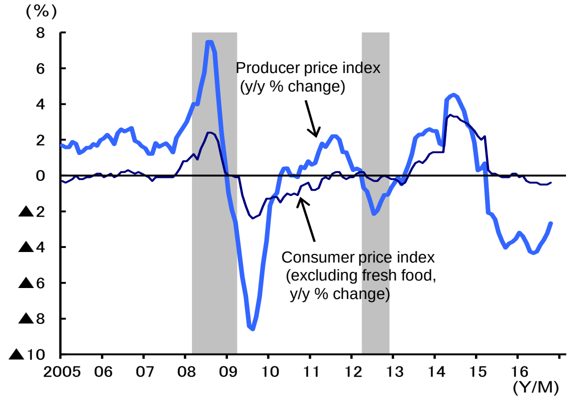
In household consumption expenditure, the surge in food prices brought about restrained purchasing. In housing starts, the momentum in rented houses continues.



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. 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.

The household sector has seesawed, as production and shipments pick up

◆ Real GDP grew by an annualised 1.3 per cent in Q3 2016

Japan's economic activity has been on a mild pickup trend. Real GDP in the July-September period last year grew by 1.3 per cent on an annualised quarter-on-quarter change basis (national accounts, the second preliminary estimates), a positive growth for the third successive quarter. The figure of 1.3 per cent was revised downwards from 2.2 per cent in the first preliminary estimates.

Viewing this revision by demand item, private consumption expenditure was revised upwards. Although change in private inventories was revised downward, this seems to suggest favourably the advance in inventory adjustment. Net exports remained the largest contributor to the total growth rate. Based on monthly statistics, exports to the US and China increased last October, although exports to the EU decreased. Thus, the rising trend in exports is estimated to continue.

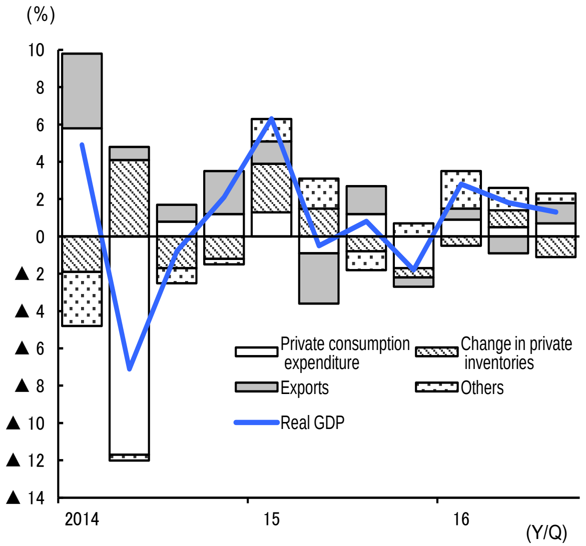
◆ Production activity in enterprises has picked up

Production activity continues to pick up. The industrial production index last October increased month-on-month, for 3 months running albeit in slight increments. By industry, production rose in transport equipment led by automobiles, and also in electronic parts and devices, where the production of parts for smartphones climbed. Judging from the production forecast index, the rising trend in production will likely continue, as inventory adjustment advances reflecting the increase in shipments.

◆ Yet, readings in the household sector have seesawed

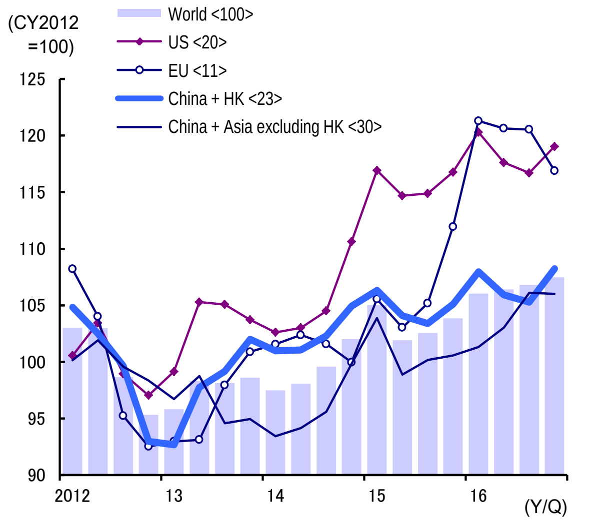
On the other hand, the household sector continues to be weak. Amid the limited improvement in consumer confidence, private consumption expenditure has seesawed at a low level since the fall after the consumption tax rise in April 2014. Real household consumption stays weak. Notably, the expenditure on food decreased because consumers restrained themselves from purchasing fresh food, the prices of which soared due to bad weather.

Figure 2-1 Real GDP Change Rate by Demand Item
<the second preliminary estimates, on an annualised q/q change basis, seasonally adjusted>



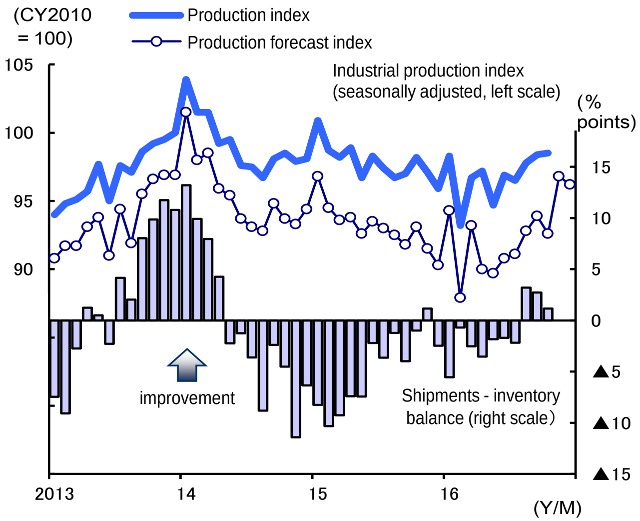
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

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: 1. Figures in the angle brackets show the shares in FY2015.
2. The figures in Q4 2016 are for October 2016.

Figure 2-3 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 = y/y % change in shipments - y/y % change in inventory

Unfavourable environments for overseas demand remain, as inbound demand decelerates

◆ Due to the strong yen last year, inbound demand stemming from foreign tourists to Japan has decelerated

Looking at overseas demand, inbound demand has slowed down.

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.

As income among people in Asian emerging countries goes on increasing, inbound demand will likely continue to play a bolstering role for overseas demand. Thus, it will be more important for providers of goods and services in Japan to satisfy a wide range of demand of foreign tourists, responding to the changes in their consumption behaviours such as from purchasing goods to enjoying services.

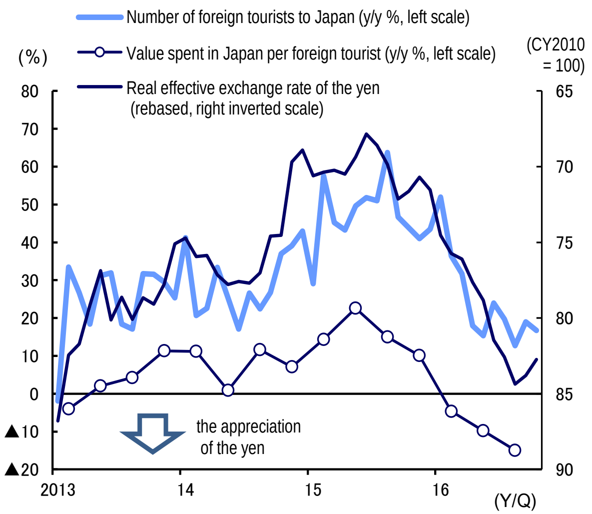
◆ The pace of pickup in Japan's exports of goods will remain mild

Then, looking at overseas demand more widely, it is predicted that the pace of pickup in Japan's exports of goods will remain mild, in spite of the recent trend of the weaker yen after the US presidential election last November. This appears to be because the number of Japanese enterprises which tend to meet the increased overseas demand for their products by expanding production in their overseas facilities has risen. This is also as a result that the shift of production facilities from domestic sites to overseas sites has advanced.

Viewed by item, exports of capital goods, which have a 24.0 per cent share of total exports, have picked up slightly, led by those to Asia. If the US economy expands at a higher than expected pace, and business fixed investment recovers, due to the vigorous fiscal policies taken by the new US administration, Japan's exports of capital goods to the US would also pick up.

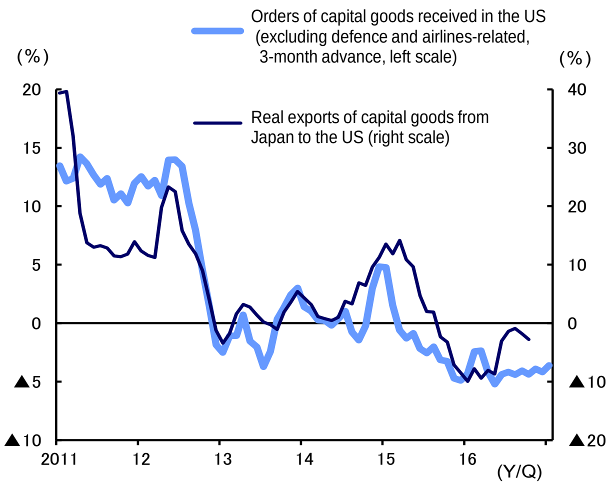
Meanwhile, exports of non-durable consumer goods albeit with a smaller share have increased solidly. The trend seems to be due to the increase in income among people in China and other Asian emerging countries, and the fact that more Japanese brands of consumer goods have become known, as a result of the number of foreign tourists to Japan having risen.

Figure 3-1 Value Spent in Japan per Foreign Tourist
<year-on-year % change>



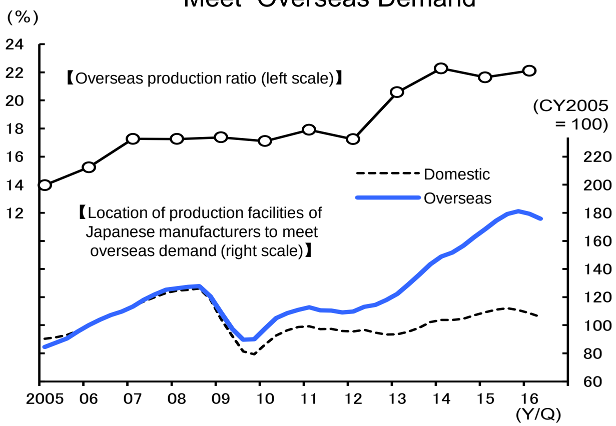
Source: The Japan Research Institute, Ltd. based on the data of The Japan Tourism Agency, The Bank of Japan.

Figure 3-2 Real Exports of Capital Goods from Japan to the US
<3-month moving average, year-on-year % change>



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

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.

It is unlikely that corporate profits and business fixed investment will falter

◆ Corporate profits have shown their firmness

In the corporate sector, based on the Financial Statements Statistics of Corporations by Industry, the July-September period 2016 saw an increase in sales value and in current profits on a seasonally adjusted quarter-on-quarter basis, a rise in both readings in the same period for the first time in 7 quarters. Sales value bottomed out owing mainly to a pickup in exports and an increase in housing investment. Current profits increased for 2 quarters running, due to 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. Accordingly, it is highly likely that corporate profits will stay at a high level for the time being.

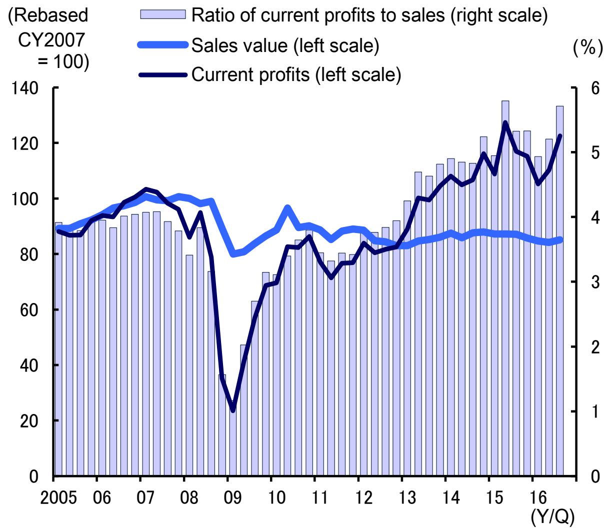
◆ The faltering of employment, income, and business fixed investment will not take place

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, amid lowered growth expectations of enterprises for Japan's domestic markets. However, 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.

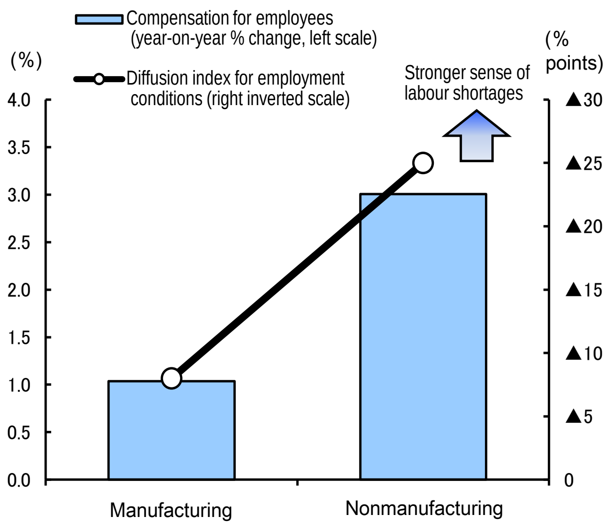
Thus, with demand for these types of investment growing steadily, investment for plants and equipment on the whole will be unlikely to falter.

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



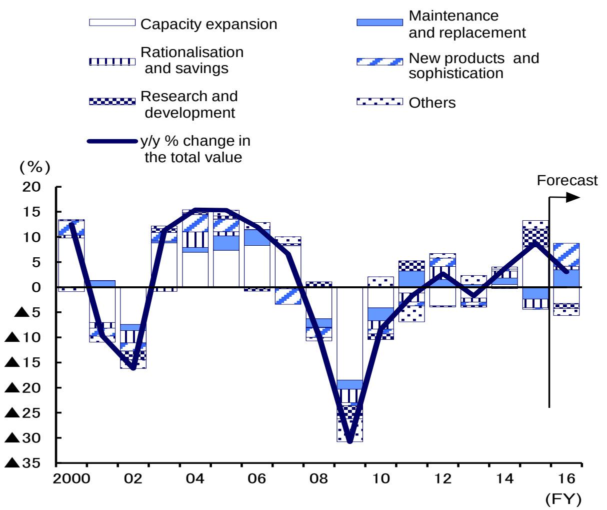
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.
Note: All industries excluding financial institutions.

Figure 4-2 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 4-3 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.

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 a 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, an 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.

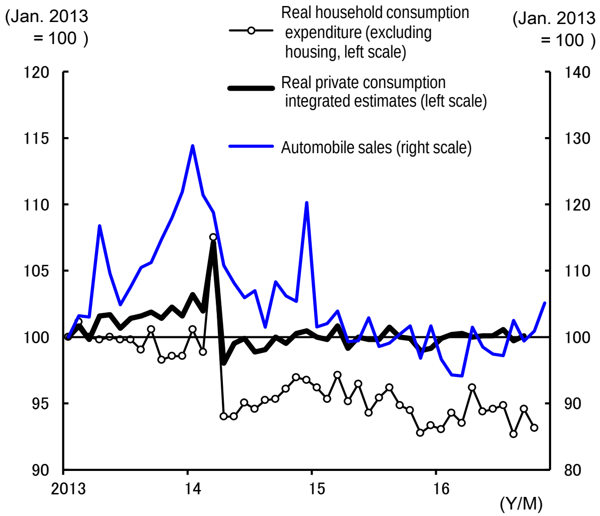
Further, examining structural reasons as well, one of these is the trend that stagnant disposable income due to the increase in non-consumption expenditures such as taxes and social insurance premiums has curbed private consumption expenditure. It is also highly likely that the heightened sense of self-protection 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 compensation for employees is very slow to increase and the growing burden of social insurance premiums continues to be a weighing factor.

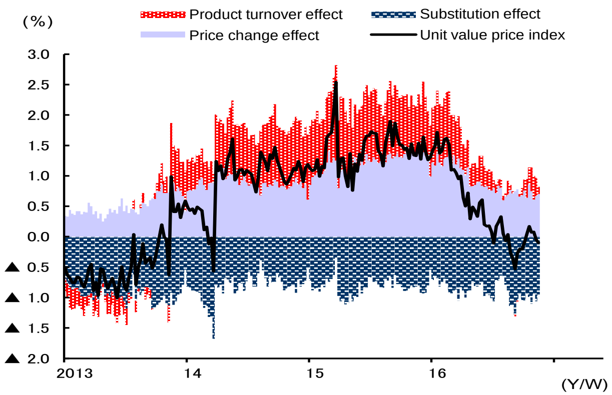
Regarding slow growth of compensation for employees, the following two are predicted to affect the trend. First, the acceleration of wage rises will not necessarily be counted on. As the strong yen last year had a negative effect on corporate profits, the number of enterprises will likely increase, where wage rises in the wage negotiations during this spring season will be curbed to almost the same as last year. Second, a demographic factor also would play a curbing 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 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.

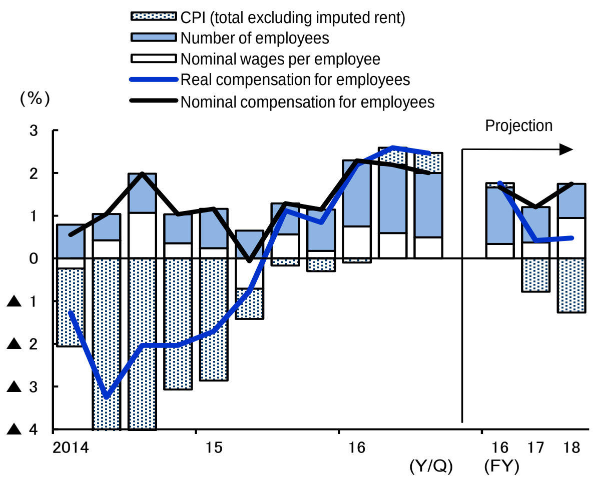
Figure 5-2 Contributions to the Year-on-Year Change Rate in Unit Value Price Index in Consumer Purchase Indices



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

Note: 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 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.

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 the 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.

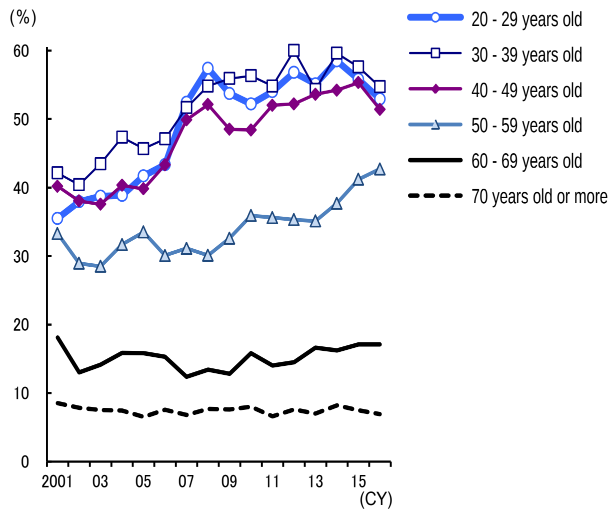
Taking the above factors into account, it is estimated that the boosting effect of the economic measures on the real GDP growth rate will be 0.1 and 0.3 percentage points in FY2016 and in FY2017, respectively.

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

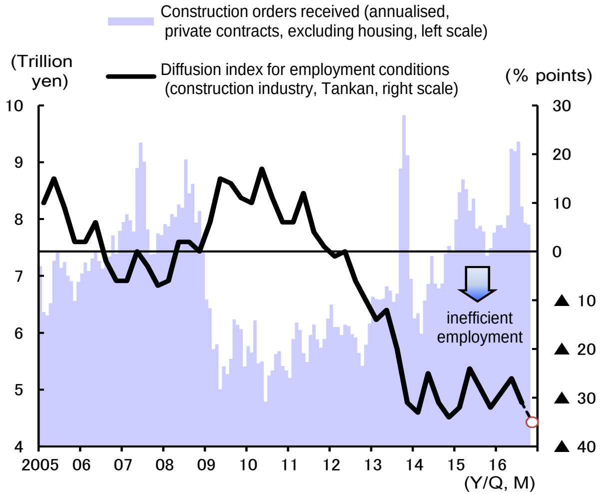
Source: The Japan Research Institute, Ltd. based on the data of The Cabinet Office.

Figure 6-2 Ratio of Respondents with Their Priority in Life Being Put to 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.

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

As Mr Donald Trump won the US presidential election in November last year, his new administration is to start on January 20. 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 pay heed to Republican leaders in Congress and will manage to implement policies such as tax cuts and infrastructure spending, although the scale-down of these policies is also expected. In this case, it is likely that the pace of growth in the US economy will accelerate from as early as the second half of 2017.

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. On these assumptions, the policies in the US 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, taking into consideration the fact that Japanese enterprises have expanded the production in their local facilities in the US and also 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

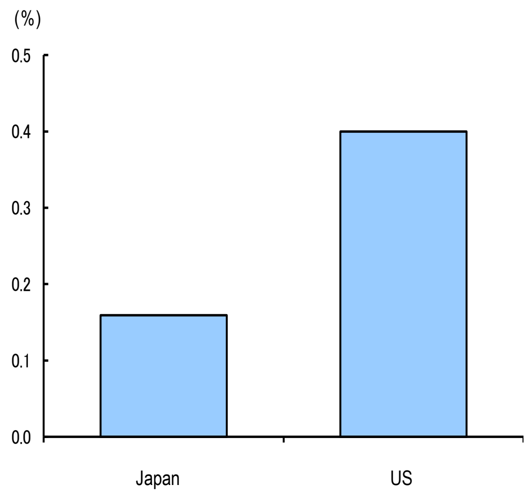
Meanwhile, it is possible that the Trump administration will take strongly protectionist trade policies and the policies causing the US dollar to weaken significantly. In this scenario entailing considerable risks to Japan, the US policies will have much negative effects on Japan's economic activity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

Figure 7-1 Major Economic Policies Expressed by President-elect Donald Trump during His Campaign

	Expressed points
Business taxes	・ 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	・ 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	・ 1 trillion dollars in 10 years
Financial regulation	・ Dismantling nearly all of the Dodd-Frank reform
Trade	・ 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 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	Total (Billion yen)	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.

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

◆ Bolstered by public demand, Japan's economic activity will likely continue its mild recovery trend

(1) Japan's real GDP in the July-September period last year grew by 1.3 per cent on an annualised quarter-on-quarter change basis (national accounts, the second preliminary estimates), a positive growth for the third successive quarter.

This figure of 1.3 per cent was revised downwards from 2.2 per cent in the first preliminary estimates. Looking at this downward revision by demand item, net exports remained the largest contributor to the total growth rate. Private consumption expenditure was revised upwards. Although business fixed investment and change in private inventories were revised downward, the latter seems to suggest the advance in inventory adjustment. Thus, in total, the revision was considered to be a positive one. Accordingly, there is no alteration in JRI's view on the current situation of Japan's economy that it continues its mild recovery trend (Note).

(2) 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.

(3) 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 public demand playing a bolstering role.

(4) 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 bolstering 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.

(Note) The Japanese National Accounts (JSNA) had a comprehensive revision in the second preliminary quarterly estimates of GDP this time as well as the annual estimates. This revision consists of two elements: the applying to the latest international standard (2008SNA) and the change of the benchmark year from 2005 to 2011.

A major change in the revision is that expenditures on research and development (R&D), which had been treated as intermediate consumption and had not been counted in GDP, were newly added to GDP as business fixed investment and public investment (capitalisation of R&D). As a result of this change and others, the latest level of nominal GDP of Japan (FY2015) was revised upwards considerably by 31.6 trillion yen (6.3 percent) to 532.2 trillion yen. Also, the annualised quarter-on-quarter change rates in 2016 thus far were revised upwards, which seems to make the pick up trend in the economy more visible.

Reflecting the above mentioned upward revisions, the JRI projection for the GDP growth rate in FY2016 was revised upwards to 1.2 per cent from a previous 1.0 per cent, in this issue of Monthly Report.

◆ The core CPI will likely narrow its year-on-year decline and then enter into positive territory

(5) 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, as the year-on-year change rate in the crude oil price turns positive, it is predicted that the core CPI will also narrow its extent of decline and turn to year-on-year increases. In addition, if the weak yen of late continues, the trend will likely contribute to pushing up the core CPI change rate for the time being, through the rise in import prices.

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 9 Projections for GDP Growth and Main Indicators of Japan (as of December 8, 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)				(Projection)	(Actual)	(Projection)		
Real G D P	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)

	CY2016 7～9	CY2016 10～12	CY2017 1～3	CY2017 4～6	CY2017 7～9	CY2017 10～12	CY2018 1～3	CY2018 4～6	CY2018 7～9	CY2018 10～12	CY2019 1～3	FY2015	FY2016	FY2017	FY2018
Nominal G D P	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	▲ 0.2	0.2	0.5	0.6	0.8	0.9	1.0	1.0	1.1	1.1	0.0	▲ 0.3	0.7	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$)	102	109	112	108	109	109	110	110	111	111	112	120	108	109	111
Import Price of Crude Oil (US$/barrel)	46	49	51	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.