Monthly Report of Prospects for Japan's Economy

February 2019

Macro Economic Research Center
Economics Department

The Japan Research Institute, Limited
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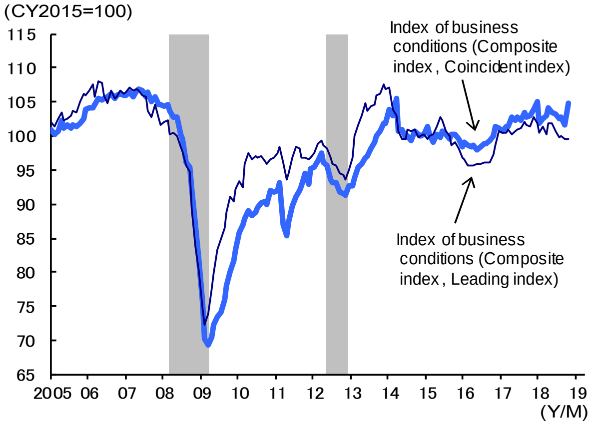
The General Situation of Japan's Economy – The Economy Showed Signs of Recovery from Sluggishness

Figure 1-1 Economic Activity

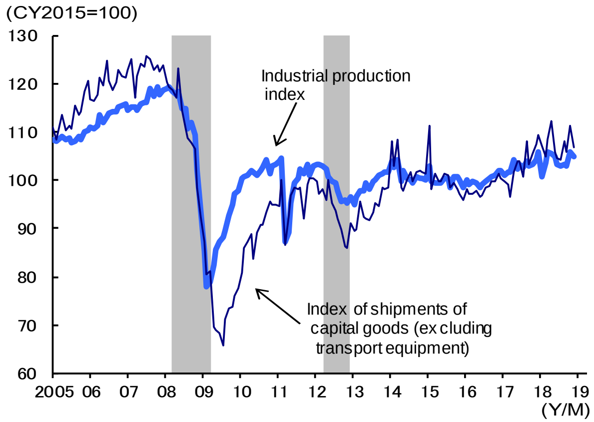
The CI coincident index rose, due mainly to increased industrial production and shipments.



Source: The Cabinet Office.

Figure 1-2 The Corporate Sector

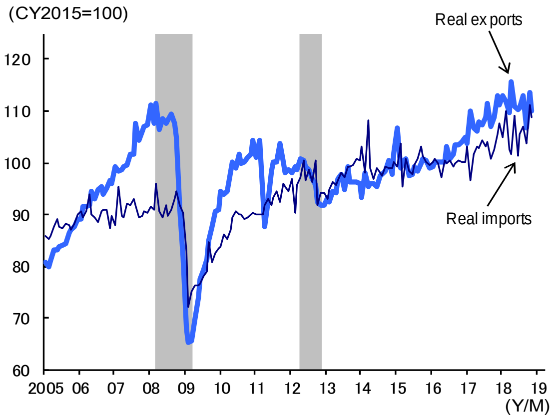
Industrial production decreased in reaction to a surge thanks to a recovery in production during the previous month.



Source: The Ministry of Economy, Trade and Industry.

Figure 1-3 Overseas Demand

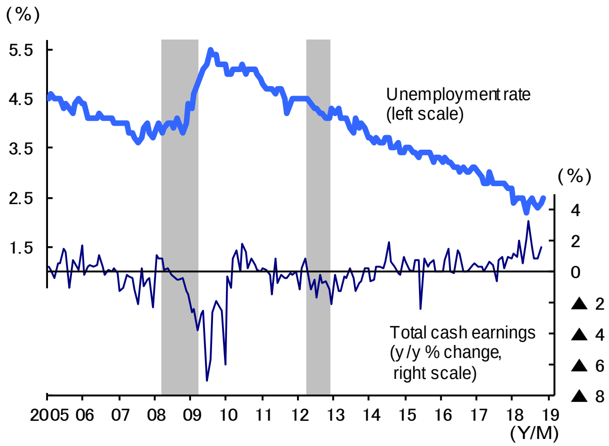
Real exports declined, mainly for general machinery and automobiles. Real imports also saw a plunge, especially for electrical equipment.



Source: The Bank of Japan.

Figure 1-4 Employment and Income

The unemployment rate was around the lowest level in 25 years. Nominal wages maintained a rising trend, albeit with some ups and downs.

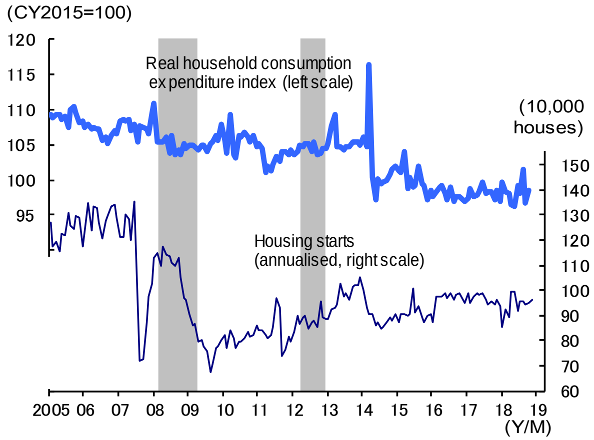


Source: The Ministry of Internal Affairs and Communications, The Ministry of Health, Labor and Welfare.

＊The shaded area indicates the recession phase.

Figure 1-5 The Household Sector

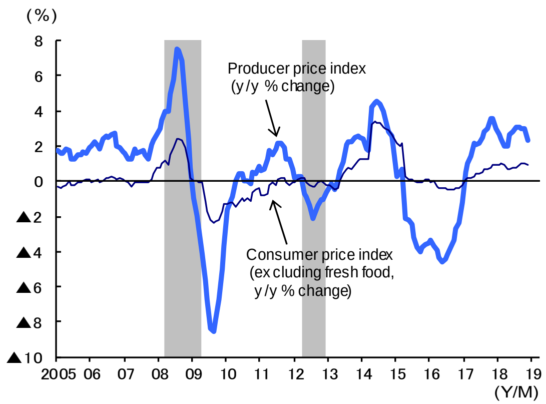
Real household consumption expenditure picked up. Housing starts increased for rental housing and subdivision housing.



Source: The Japan Research Institute, Ltd. based on data of The Cabinet Office, The Ministry of Land, Infrastructure and Transport.

Figure 1-6 Prices

The rate of year-on-year increases in producer prices slowed down against the backdrop of cheaper crude oil prices. Core consumer prices remained flat.



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

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Signs of Recovery from a Temporary Decline Were Seen

◆ Industrial Production Improves

The industrial production index for November decreased by 1.0% from the previous month. This was a reactionary decline from the previous month, which recorded a significant increase as a result of recovery production. While production of manufacturing machinery and chemicals increased, production of general-purpose and business-use machinery (boilers, motors, etc.) significantly decreased. Production is estimated to continue to pick up in the future, albeit with some ups and downs. Industrial production is anticipated to increase 2.2% month over month in December and decrease 0.8% month over month in January.

Exports saw a decline in November. Exports decreased mainly in electronic parts and devices to China and automobiles to the United States.

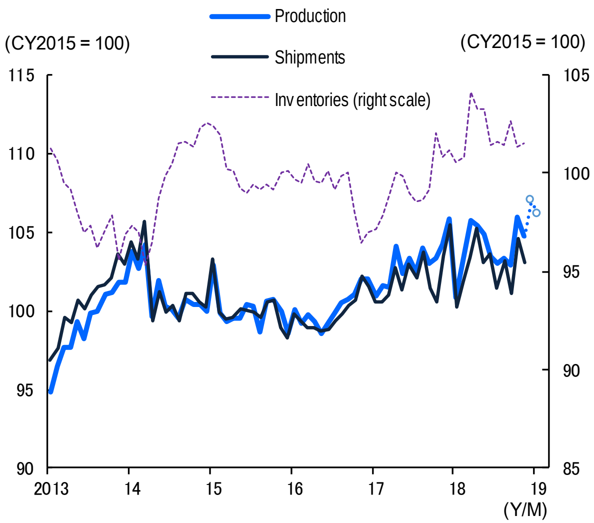
◆ Signs of Recovery in the Household Sector

Employment and income conditions continued to improve. Total cash earnings for October grew by 1.5% compared with the same period of the previous year, driven by an increase in scheduled salaries. The unemployment rate also remained around the lowest level in 25 years, with labor demand and supply conditions remaining tight.

Private consumption expenditure also picked up, underpinned by favorable employment and income situations. The Synthetic Consumption Index for October increased by 0.3% month over month, showing signs of recovering from the negative impact of natural disasters in September.

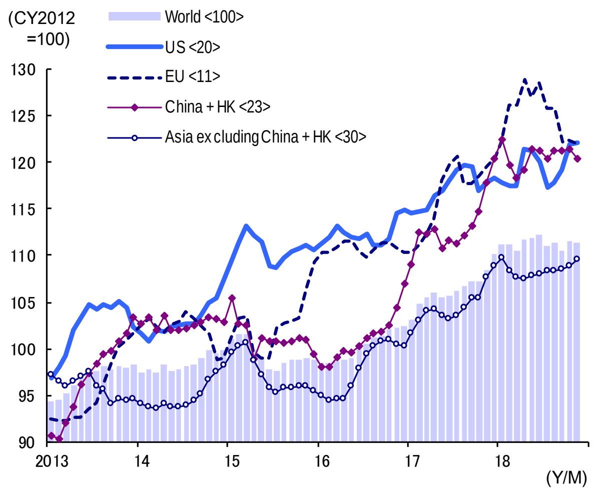
The recovery trend was also apparent in business sentiment. The Economy Watchers Survey on household activity-related diffusion index (DI) for judging current economic conditions was released in November. It recorded a level exceeding the 50-point mark, which indicates a general trend of economic expansion or improvement, for the first time in 11 months. The DIs increased for the housing-related sector, which witnessed a rush in demand prior to the scheduled rise in the consumption tax, as well as the food and beverage sector and the services sector.

Figure 2-1 Industrial Production Index
<seasonally adjusted>



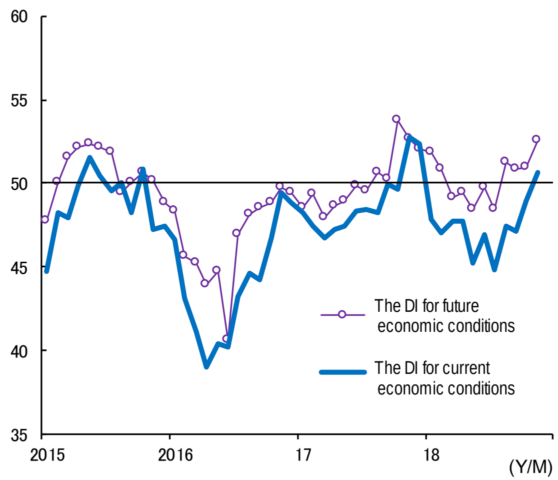
Source: The Japan Research Institute, Ltd. based on data of The Ministry of Economy, Trade and Industry.
Note: The latest two figures in the industrial production index are based on the production forecast index.

Figure 2-2 Real Exports by Destination
<seasonally adjusted, 3-month moving averages>



Source: The Japan Research Institute, Ltd. based on data of The Ministry of Finance, The Bank of Japan.
Note: Figures in the angled brackets show the shares in total nominal exports in FY2017.

Figure 2-3 Economy Watchers Survey
<household activity-related DI, seasonally adjusted>



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

BoJ's Tankan Survey - Business Sentiment Slightly Improved as Impact of Natural Disasters Fades

◆ Slight Improvement Was Witnessed in the DI

In the Tankan December 2018 Survey, large manufacturers' DI for business conditions remained unchanged from the previous survey. Business sentiment has sounded a cautious note, mainly in the general machinery and automotive industries, as buoyant exports slowed down against the backdrop of the economic slowdown in China. Meanwhile, sentiment improved in the basic materials industry, driven by more favorable trading conditions reflecting a decline in purchase prices associated with the drop in crude oil prices.

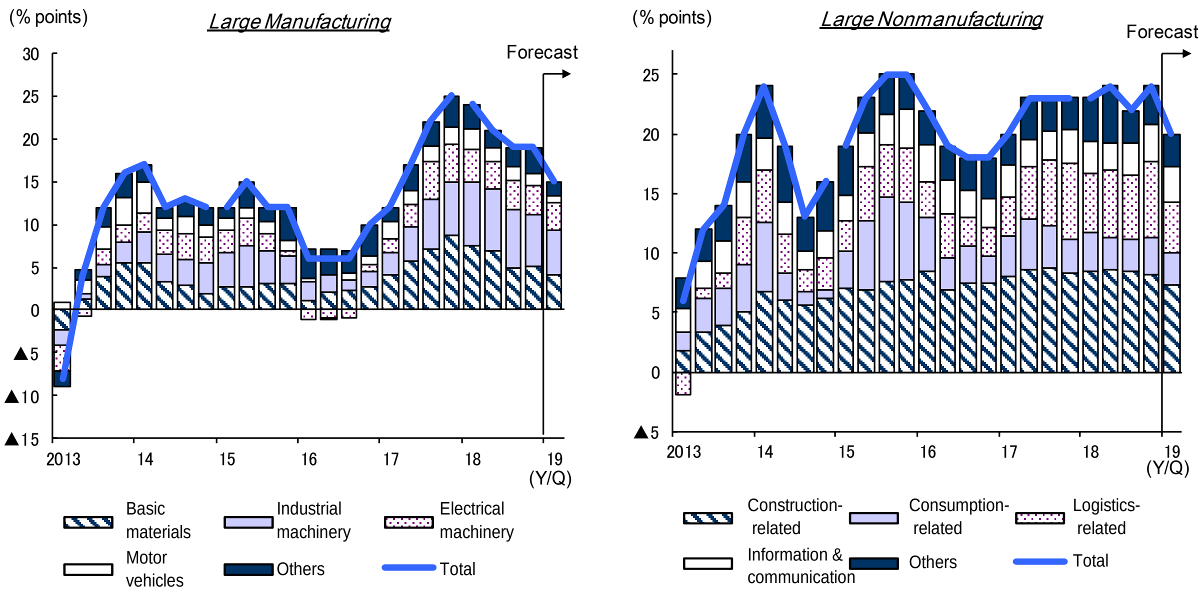
In contrast, the DI for large non-manufacturers increased by two percentage points from the previous survey, demonstrating improvement for the first time in two quarters. Business sentiment picked up in the transportation-related sector as logistics networks recovered from the disruptions due to natural disasters. The retail industry and the hotel and food services industry also saw improvement in business sentiment, driven by the recovery in demand related to inbound tourism and household consumption expenditure in Japan.

In terms of future outlook, the DI is anticipated to deteriorate significantly, dropping six percentage points across business of all sizes and in all industries. Uncertainties in the overseas situation owing to the economic slowdown in China and the heightened protectionist attitude of the Trump administration will likely put downward pressure.

◆ Business Fixed Investment Is Strong

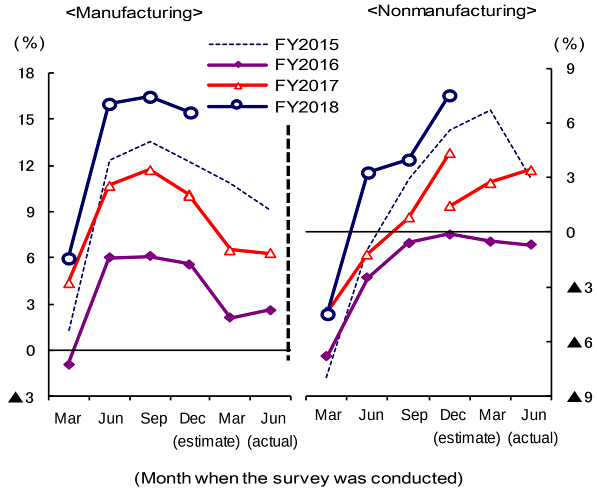
Appetite for business fixed investment has continued to improve. The capital investment plan in FY2018 for business of all sizes and in all industries was up 10.4% year on year, an upward revision of 1.7 percentage points from the previous survey. Amid the trend of strong corporate earnings, sentiment toward capital investment will likely continue to pick up, driven by robust demand for maintenance and replacement as well as for rationalization and labor saving.

Figure 3-1 Contributions to the Business Conditions Diffusion Index by Industry
<diffusion index of "favorable" minus "unfavorable," and percentage point contribution to total DI points>



Source: The Japan Research Institute, Ltd. based on data of The Bank of Japan, "The Tankan December 2018 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 data of The Bank of Japan, "The Tankan Surveys."
Note: Including land purchasing expenses, excluding software and R&D investment.

Exports Have Picked up Moderately

◆ Demand Related to Inbound Tourism Saw a Rebound

Demand related to inbound tourism had dropped significantly between July and September due to the effects of natural disasters, such as the heavy rainfall in western Japan, typhoons and earthquakes. However, demand related to inbound tourism turned upward as the number of overseas tourists visiting Japan has recovered since October.

The future outlook indicates that demand related to inbound tourism is likely to continue to increase. Positive contributing factors include the expansion of middle income earners in emerging Asian nations and an increase in the number of overseas tourists visiting Japan in line with the development of an environment more favorable to accommodate overseas tourists.

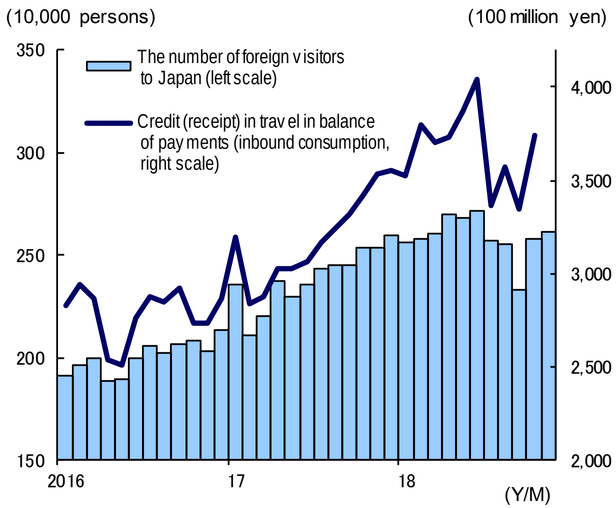
◆ Exports of Goods Have Slowed Down

Japan's exports of goods have remained flat since the beginning of CY2018. This reflected a slowdown in exports of electronic parts and devices caused by a temporary drop in demand for smartphones as well as the suspension of plant operations and the temporary shutdown of a major airport due to a series of natural disasters.

Looking at future prospects, Japan's exports will likely return to a rising trend as the overseas economy continues a moderate recovery. However, the pace of growth is expected to remain sluggish. The primary reason behind this is flagging exports to China. Private sector investment is slowing rapidly against the backdrop of China's deleveraging policy and the uncertain outlook for the U.S.-China trade war. Consequently, exports of capital goods and semiconductors to China will likely decline going forward.

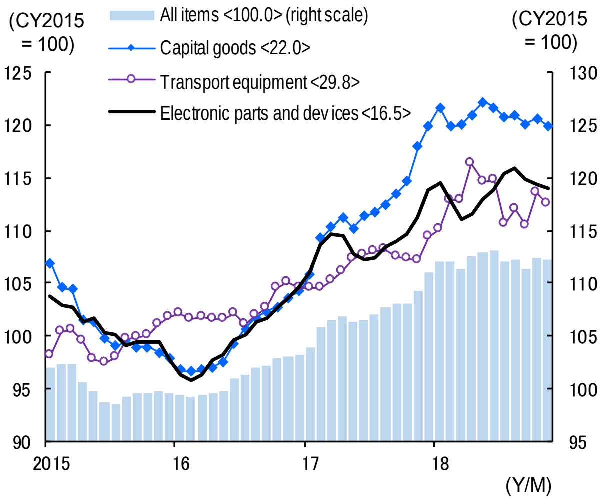
Moreover, the intensification of trade frictions with the United States will place greater downward pressure on exports. The proposed hike in tariffs on automobiles has been put on hold for the time being due to the start of negotiations on the U.S.-Japan Trade Agreement on Goods (TAG). However, if a restriction on the volume of automobile exports and the clauses on foreign exchange rates are incorporated into the agreement, it will have a significant impact on Japan's exports.

Figure 4-1 Receipt in Travel in Balance of Payments <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on data of The Ministry of Finance, Japan National Tourism Organization (JNTO).

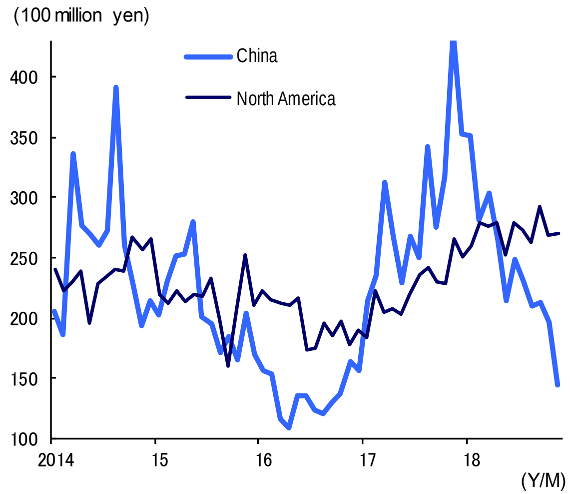
Figure 4-2 Real Exports by Item <seasonally adjusted, 3-month moving averages>



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

Note: Figures in the angled brackets show the shares in total nominal exports in FY2017.

Figure 4-3 Orders Received of Japan's Machine Tools by Destination <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on data of Japan Machine Tool Builders' Association.

With Profits Continuing to Be Firm, Business Fixed Investment Is on a Rising Trend

◆ Corporate Profits Continue to Be Firm

Corporate earnings have remained strong. According to the Financial Statements Statistics of Corporations by Industry quarterly report, sales for the July–September period increased for the fourth consecutive quarter. The primary contributing factor behind this was a rise in sales prices. While corporations that faced hikes in raw material prices and personnel expenses passed them on to customers through higher sales prices, the buyer's side has also accepted increases in the prices of goods and services to a certain extent amid the improved earnings environment. In the future outlook, corporate sales will likely remain on a recovery track amid resilient domestic demand including consumer spending and business fixed investment.

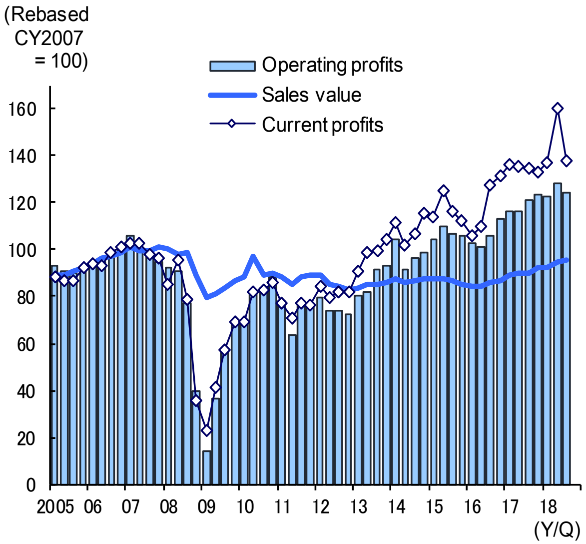
Meanwhile, current profits remained at a high level despite a decline due to the reaction to a significant increase during the previous quarter. The future outlook suggests that current profits will likely continue to follow a mild recovery path. While a rise in personnel expenses will continue to put downward pressure on corporate earnings, variable costs are anticipated to decrease as crude oil prices peaked out in October. With the break-even point ratio remaining at a historically low level, a situation where an increase in sales can directly lead to the expansion of bottom line profits from core business operations is likely to continue.

Given such predictions on corporate earnings, the rapid fall in stock prices in late December can be judged to be as a result of excessive risk aversion.

◆ Business Fixed Investment Is on a Rising Trend

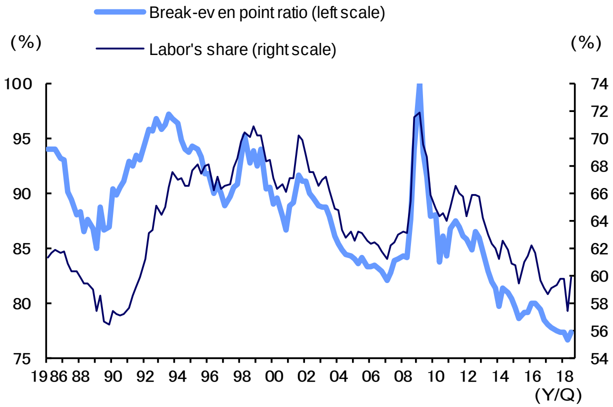
Reflecting abundant cash flow, capital investment has remained on an upward trend mainly in the fields of rationalization and labor saving against the backdrop of labor shortages. Furthermore, an expansion in forward-looking investment is expected in the future, including the commercialization of achievements from past research and development efforts.

Figure 5-1 Sales Value and Profits of Japanese Enterprises <seasonally adjusted>



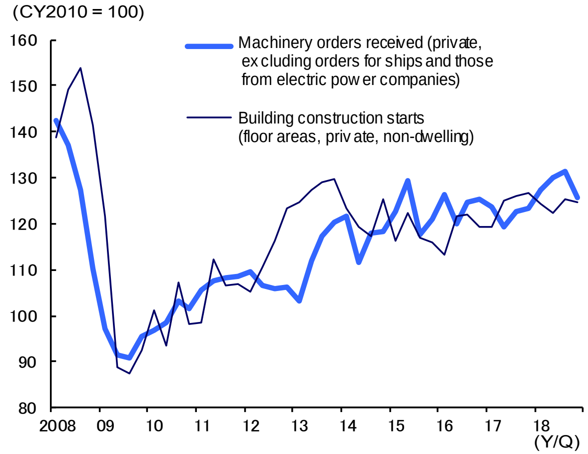
Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.
Note: All industries except for financial services and insurance.

Figure 5-2 Labor's Share and Break-even Point Ratio in Sales Value



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Finance.
Note: The break-even point ratio = break-even point sales value / sales value
Break-even point sales value = fixed costs / (1 - (variable costs / sales value))
Fixed costs = personnel expenses + depreciation expenses + interest payment
Variable costs = cost of goods sold + selling and administration expenses - personnel expenses - depreciation expenses

Figure 5-3 Leading Indicators for Business Fixed Investment <seasonally adjusted>



Source: The Japan Research Institute, Ltd. based on data of The Cabinet Office, The Ministry of Land, Infrastructure and Transport.
Note: The latest figure in machinery orders is for October 2018 and that in building starts is for October-November 2018.

Income Is Likely to Recover Steadily

◆ Employment and Income Conditions Continue to Improve

The employment situation continued to improve. The number of non-regular employees substantially jumped since the beginning of CY2018. This reflected the advancement of a shift from non-workforce to part-time workers mainly among women and elderly persons.

Meanwhile, the rising trend for regular employees has also been maintained. The number of regular employees significantly jumped mainly in the manufacturing industry where the appetite for product development in new fields has been strong. The progress of work-style reform has also pushed forward the shift from part-time jobs to full-time jobs.

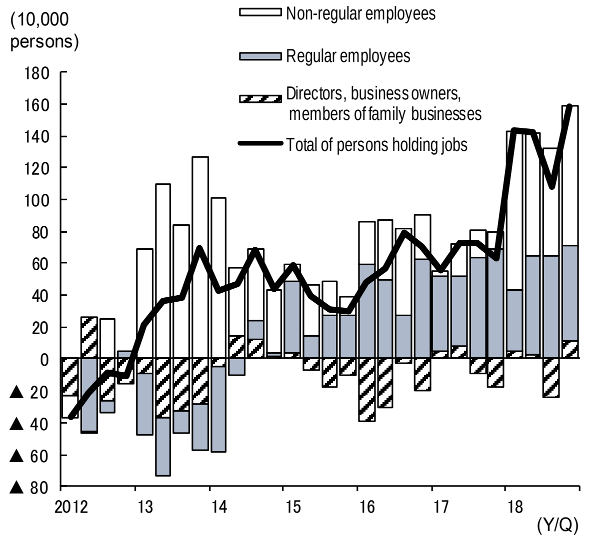
In addition, companies increasingly suffer from labor shortages across all industries, which have reached their severest level since the bubble economy. Against this backdrop, the pace of nominal wage growth also accelerated slightly. Scheduled salaries for full-time workers have been rapidly increasing even after eliminating the effects of sample switchover. Further, the rate of rise in year-end bonuses last year was more than the average in the past five years against the backdrop of good corporate profits in the first half of FY2018.

◆ Real Income Is Likely to Increase Firmly

As for the future outlook, labor demand and supply conditions are likely to remain tight from the perspectives of moderate economic recovery and continued population decline. As a result, both the employment situation and nominal wages are expected to continue to improve.

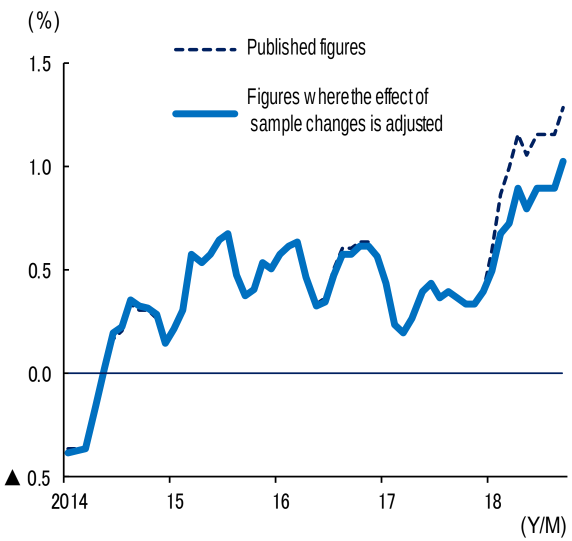
While an increasing trend for real compensation for employees will likely slow down slightly reflecting the decelerated pace of rise in the number of employees as pressure for price increases flattens, growth of around the 1 percent level is expected to be maintained on the back of the accelerated pace of wage growth.

Figure 6-1 Number of Persons Holding Jobs
<difference from a year earlier>



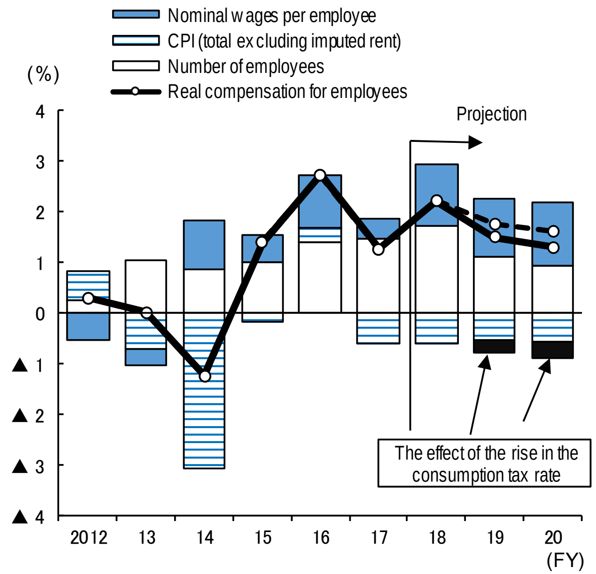
Source: The Japan Research Institute, Ltd. based on data of The Ministry of Health, Labor and Welfare.
Note: 1. Regular employees are persons employed for an indefinite period.
2. The figure in Q4 2018 is for October-November 2018.

Figure 6-2 Scheduled Salaries for Full-time Workers
<year-on-year % change>



Source: The Japan Research Institute, Ltd. based on the data of The Ministry of Health, Labor and Welfare.
Note: 3-month moving averages.

Figure 6-3 Real Compensation for Employees
<year-on-year % change>



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

Private Consumption Expenditure Will Likely Increase Moderately

◆ Private Consumption Is on a Recovery Trend

Consumer spending followed a mild recovery path in October, driven by robust employment and income conditions. In the non-durable goods industry, consumers refrained from purchasing food due to a rise in prices. In the durable goods industry, however, sales of automobiles were strong and consumption of services was underpinned by food services.

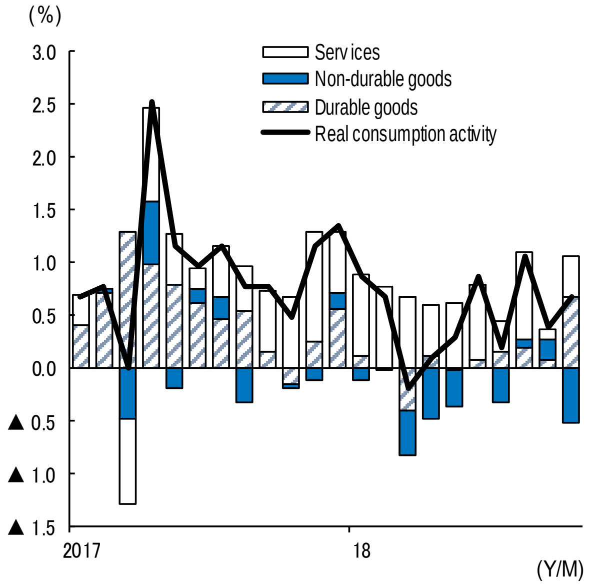
Nonetheless, sales of seasonable products were sluggish as the temperature was higher than normal in November. Department stores saw stagnating sales of highly-priced clothing such as coats while supermarkets struggled to sell food products for hot pot dishes.

Meanwhile, consumer sentiment has been sluggish since the beginning of CY2018. This reflected the combined influences of lackluster stock prices, a series of natural disasters, and hikes of fresh food and energy prices among other factors. Sluggish consumer sentiment has been one of factors behind the slow recovery in private consumption despite income increases.

◆ Private Consumption Will Likely Follow a Moderate Recovery Path

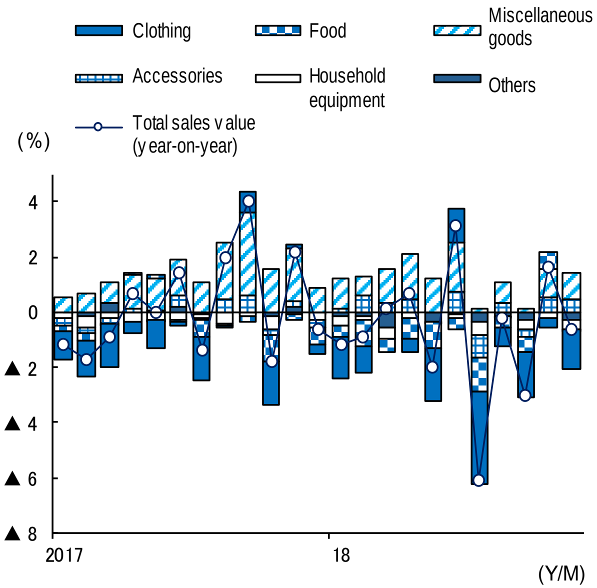
According to the future outlook, private consumption is expected to follow a moderate recovery path as employment and income conditions continue to improve, despite downward pressure which includes the negative wealth effect in line with recent stock drops and weather factors. Private consumption is anticipated to grow in proportion to income increases in the future as fresh food prices will stabilize and energy prices will fall in line with a decrease in the price of crude oil.

Figure 7-1 BoJ's Consumption Activity Index <year-on-year % change>



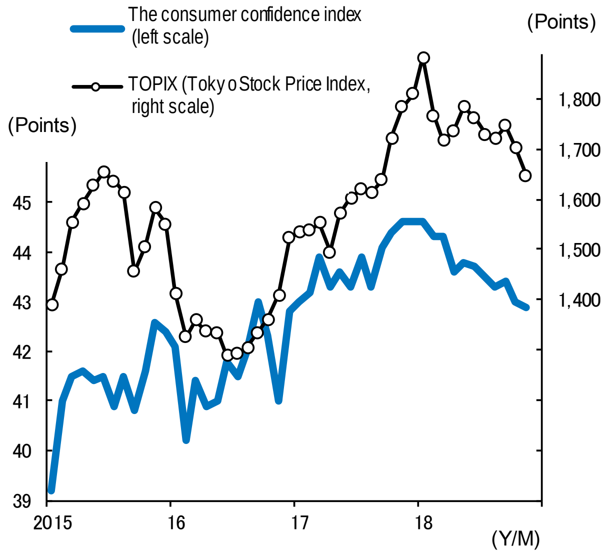
Source: The Japan Research Institute, Ltd. based on data of The Bank of Japan.

Figure 7-2 Sales Value in Department Stores <year-on-year % change>



Source: The Japan Research Institute, Ltd. based on data of Japan Department Stores Association.

Figure 7-3 Consumer Confidence Index and Stock Price Index



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

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Topics: How to View the Economic Measures Against the Scheduled Rise in Consumption Tax

◆ Details of Countermeasures Against Scheduled Hike in Consumption Tax Have Been Decided

The initial budget proposal for FY2019, which incorporated economic measures against the scheduled hike in consumption tax, was approved by the Cabinet on December 21. Looking at the details of the draft budget, 700 billion yen has been posted for the enhancement of social security as the government is planning to make early childhood education and childcare free of charge at the same time as increasing consumption tax. In addition, two trillion yen has been posted as extraordinary and special budget measures in response to the scheduled rise in consumption tax. As for the breakdown of two trillion yen, the majority of the budget is intended for public works. It is aimed at preventing the downturn of public investment due to the reduction of the initial budget in comparison with the revised budget for the previous fiscal year.

Furthermore, in the Outline of the FY2019 Tax Reform approved by the Cabinet on the same day, measures for supporting the purchases of housing and durable consumer goods after the tax hike were decided, including the expansion of mortgage tax breaks.

◆ Household Burdens for the Upcoming Tax Hike Are Expected to Be 30% of Those in 2014

In light of the household support measures incorporated in these economic measures, household burdens at the time of the upcoming tax hike in October 2019 are estimated to be 2.2 trillion yen, which will be 30% of those at the time of the previous tax hike in 2014 (7.5 trillion yen).

We are planning to announce our revised forecasts for FY2019, which will incorporate the aforementioned economic measures and the second supplementary budget for FY2018 (approved by the Cabinet on December 21), on February 14, when Japan's real GDP for the October–December 2018 period (first preliminary estimates) will be announced.

Figure 8-1 Economic Measures in Response to Scheduled Rise in Consumption Tax

(Initial budget proposal for FY2019)

Enhancement of social security	0.7 trillion yen
To make early childhood education and childcare free of charge	390 billion yen
Benefits to support the lives of retirees (pensioners)	190 billion yen
Extraordinary and special budget measures in response to the scheduled rise in consumption tax	2 trillion yen
Point returning for consumers using cashless payment systems in small and medium-sized retailers	280 billion yen
Premium gift certificates for lower income households and households with infants	170 billion yen
Support for the purchases of housing	210 billion yen
Measures for disaster prevention and mitigation, for heightening resilience to natural disasters	1.3 trillion yen

(Outline of the FY2019 Tax Reform)

Support measures via the tax system	0.3 trillion yen
Expansion of mortgage tax breaks	
Tax cut for the acquisition and ownership of automobiles	

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

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Figure 8-2 The Increase in Household Burdens When the Consumption Tax Rate Was Raised or Will Be Raised

(Trillion yen)

(Minus indicates an increase in burdens)	April 2014		October 2019
(Difference from the previous year)	FY2014	FY2015	One year from October 2019
The increase in the burden due to price changes	-6.6	+0.2	-4.3
Due to the rise in the consumption tax rate	-5.1	±0.0	-2.9
The increase in the burden related to income tax and social security premium	-1.4	-1.3	-0.3
Enhancement of social security	+0.1	+0.0	+1.3
Economic measures in response to the consumption tax rise	+0.4	-0.2	+1.1
Total increase in the burdens of households	-7.5	-1.4	-2.2

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

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Prospects for Japan's Economy - Projected Real GDP Change; 1.0% in FY2019 and 0.9% in FY2020

◆ Japan's Economic Recovery Is Expected to Continue Driven by Domestic Demand

(1) The Japanese economy is expected to remain on a recovery trend driven by firm domestic demand.

While the traction of overseas demand as a driving force will likely decrease against the backdrop of prolonged trade war between the United States and China and subsequent slowdown of the Chinese economy, the investment appetite of the corporate sector will remain robust reflecting corporate earnings at a high level, a severe shortage of workers, superannuated plants and equipment, etc. Moreover, what has been working positively includes the fact that business fixed investment has been focused mainly in the fields of rationalization and labor saving as well as research and development investment, which are less susceptible to overseas demand conditions.

(2) Meanwhile, looking at the household sector, the pace of wage growth will likely accelerate slightly as corporations have been more positive toward the expansion of personnel expenses. Promising signs in consumer spending will likely emerge gradually, not only as household income will be boosted by an increase in the number of employees as in the past, but also as there will be shift to more substantial income expansion resulting from an increase in cash earnings of individual workers.

(3) As for the rise in the consumption tax rate scheduled for October 2019, the actual burden on households is predicted to be minimized as the hike of the tax rate will be smaller than that in 2014 and reduced tax rates and free education and childcare are expected to be introduced. Consequently, a significant decline in private consumption will likely be avoided.

Given the above, GDP growth of around 1 percent is expected to be maintained in FY2019. As the self-sustained recovery mechanism led by domestic demand has become more resilient, it is predicted that robust growth will be able to be maintained despite downward pressure from the consumption tax hike on the growth rate.

◆ The Year-on-year Change Rate in the Core CPI Will Likely Continue to Be around 1 Percent

(4) The core CPI, which excludes fresh food, remained flat as the extent of increase in energy prices narrowed. Looking ahead, it is predicted that the year-on-year increase rate in the core CPI will continue to be around 1 percent. This is because, while the upward pressure will likely strengthen from the supply-demand perspective due to improvement in employment and income conditions, the pace of the rise in energy prices will likely slow down gradually.

Figure 10 Projections for GDP Growth and Main Indicators of Japan (as of January 4, 2019)

(seasonally adjusted, annualised % changes from the previous quarter) / (% changes from the previous fiscal year)

	CY2018		CY2019				CY2020				CY2021	FY2018	FY2019	FY2020
	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)	(Projection)	(Projection)	(Projection)
Real G D P	▲ 2.5	2.5	2.0	1.5	2.3	▲ 3.8	2.2	1.6	2.1	▲ 0.5	1.1	0.7	1.0	0.9
Private Consumption Expenditure	▲ 0.7	2.1	1.3	1.6	4.3	▲ 8.5	3.7	1.8	2.2	▲ 0.5	1.0	0.7	0.7	0.7
Housing Investment	2.7	3.0	6.7	0.0	▲ 1.0	▲ 4.5	▲ 4.1	1.0	1.5	1.8	2.0	▲ 4.3	0.7	▲ 0.5
Business Fixed Investment	▲ 10.6	4.8	3.2	2.9	4.7	▲ 1.8	2.1	2.7	2.4	2.2	2.2	2.7	2.0	2.0
Private Inventories (percentage points contribution)	(0.1)	(0.0)	(0.0)	(▲ 0.0)	(▲ 0.5)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(▲ 0.0)	(0.0)
Government Consumption Expenditure	0.9	1.2	1.0	0.6	0.6	0.6	0.6	0.7	1.6	▲ 0.3	0.7	0.8	0.8	0.7
Public Investment	▲ 7.7	2.7	7.1	1.3	▲ 2.7	▲ 0.8	0.3	0.0	▲ 2.0	▲ 1.2	▲ 0.8	▲ 2.3	0.8	▲ 0.8
Net Exports (percentage points contribution)	(▲ 0.3)	(0.2)	(0.1)	(0.0)	(▲ 0.4)	(1.1)	(▲ 0.3)	(0.0)	(0.2)	(▲ 0.5)	(0.1)	(▲ 0.0)	(0.1)	(0.1)
Exports of Goods and Services	▲ 6.9	4.9	2.7	2.4	2.4	2.2	2.0	2.0	3.1	▲ 0.6	2.2	1.8	2.1	1.9
Imports of Goods and Services	▲ 5.5	3.6	2.2	2.4	4.4	▲ 4.0	3.6	2.0	2.0	2.0	1.8	2.0	1.6	1.7
(Ref.) Domestic Private Demand (percentage points contribution)	(▲ 2.0)	(2.0)	(1.4)	(1.3)	(2.6)	(▲ 4.8)	(2.3)	(1.5)	(1.7)	(0.1)	(1.0)	(0.8)	(0.7)	(0.7)
(Ref.) Public Demand (percentage points contribution)	(▲ 0.2)	(0.4)	(0.5)	(0.2)	(▲ 0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(▲ 0.1)	(0.1)	(0.0)	(0.2)	(0.1)

(% changes from the same quarter of the previous year) / (% changes from the previous fiscal year)

	CY2018 7～9	CY2018 10～12	CY2019 1～3	CY2019 4～6	CY2019 7～9	CY2019 10～12	CY2020 1～3	CY2020 4～6	CY2020 7～9	CY2020 10～12	CY2021 1～3	FY2018	FY2019	FY2020
Nominal G D P	▲ 0.3	0.3	1.7	1.6	3.0	1.7	1.8	1.9	1.8	2.1	1.9	0.8	2.0	1.9
GDP deflator	▲ 0.3	▲ 0.0	0.6	0.6	0.9	1.2	1.2	1.3	1.4	0.8	0.8	0.1	1.0	1.1
Consumer Price Index (excluding fresh food)	0.9	0.9	0.9	0.9	0.7	1.7	1.8	1.8	1.9	1.0	1.0	0.9	1.3	1.4
(excluding fresh food, consumption tax)	0.9	0.9	0.9	0.9	0.7	0.8	0.8	0.8	0.9	1.0	1.0	0.9	0.8	0.9
Unemployment Rate (%)	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.4	2.2	2.1
Exchange Rates (JY/US$)	111	113	111	112	111	110	109	109	108	108	107	111	111	108
Import Price of Crude Oil (US$/barrel)	76	77	62	66	68	68	68	68	68	68	68	71	67	68

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.