16 March 2023

Report

The Japanese Economy in Fiscal 2023 and Fiscal 2024

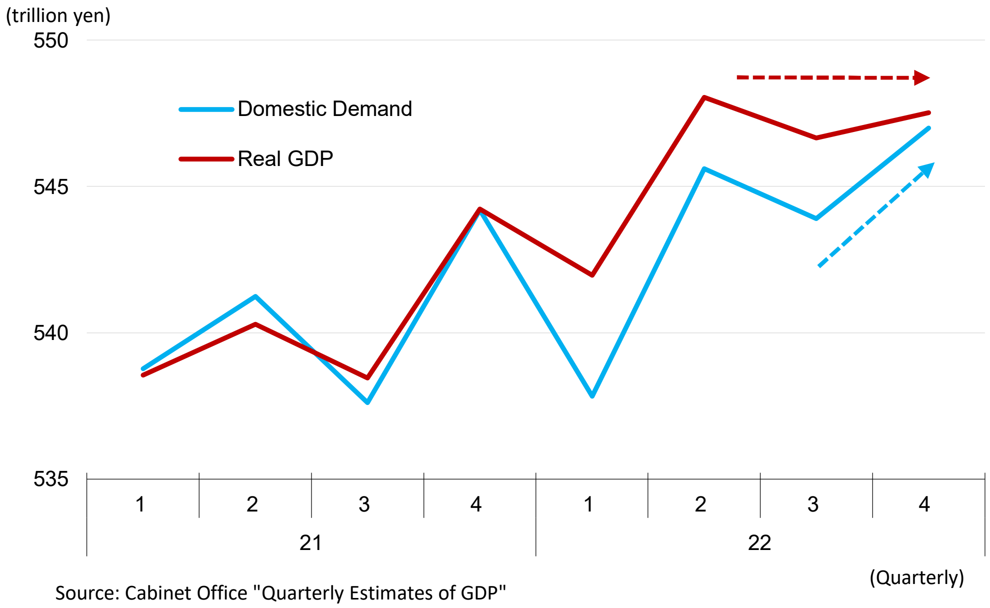
—Recovery pace slowing but the economy will maintain a smooth recovery trend

(1) Current State of the Economy
—GDP recovering gradually

Slightly positive GDP growth, but business conditions are gradually improving

On February 14, it was announced that the real GDP growth rate in the October-December quarter of 2022, was +0.2% from the previous quarter (for an annualized rate of +0.6%), as it turned to growth for the first time in two quarters. Considering the contraction in the July-September quarter, the growth rate lacked strength and was unsatisfactory. That being said, the result is not as bad as it may appear. The main reason for the modest growth was the contribution of inventories fell sharply to -0.5%. Factoring out the inventory demand, final demand continued its steady growth at +0.6% (with an annualized rate of +2.3%, Chart 1). This confirms that the economy is maintaining a gradual recovery trend.

Chart 1. Real GDP & Domestic Demand



Source: Cabinet Office "Quarterly Estimates of GDP"

Personal consumption continued to increase steadily, but there are negative aspects, too

Looking at the movements by demand category on the domestic demand side, real personal consumption increased steadily by +0.5% from the previous quarter (Chart 2). Breaking it down, demand for services rose a sharp +1.4% as demand for accommodation, food services, transportation, leisure, and other in-person services continued improving as the number of new COVID-19 cases subsided. The nationwide travel subsidy program and other governmental policies appear to have provided a tailwind. Additionally, sales of durable goods rose +2.7% as automobile sales increased due to the easing of production constraints. Conversely, sales fell -1.6% for semi-durable goods (clothing, personal effects, etc.) and were a sluggish -0.3% for non-durable goods (food, energy, daily sundries, etc.). Each of these categories saw increased upward pricing pressure, in which has led to deteriorating consumer sentiment and suppressed purchasing activity.

The sluggish housing starts of owner-occupied houses, due to soaring material prices, led to a sixth consecutive quarter of decline in real housing investment, but the decline trend has leveled off at -0.1% compared to the previous quarter.

In the corporate sector, capital investment fell -0.5% in real terms from the previous quarter, for the first contraction in three quarters. While the slowdown marks a pause from the rapid growth pace in the first half of the fiscal year, it could also reflect a more cautious view on the outlook for the global economy as well as moves to hold off investments due to the current high costs. Nevertheless, the improving earnings results are supporting a solid appetite for corporate investment, and the level of investment is high. The overall growth rate was strongly subdued by a sharp -0.5% quarterly decline in the contribution of inventory investment in real terms to the real GDP growth rate. This decline was due to the small increase in raw material inventories, which serve as a provisional figure for inventory investment in the first preliminary report. The figure could be revised in the second preliminary report, due for release on March 9, which incorporates corporate statistics for the October-December period.

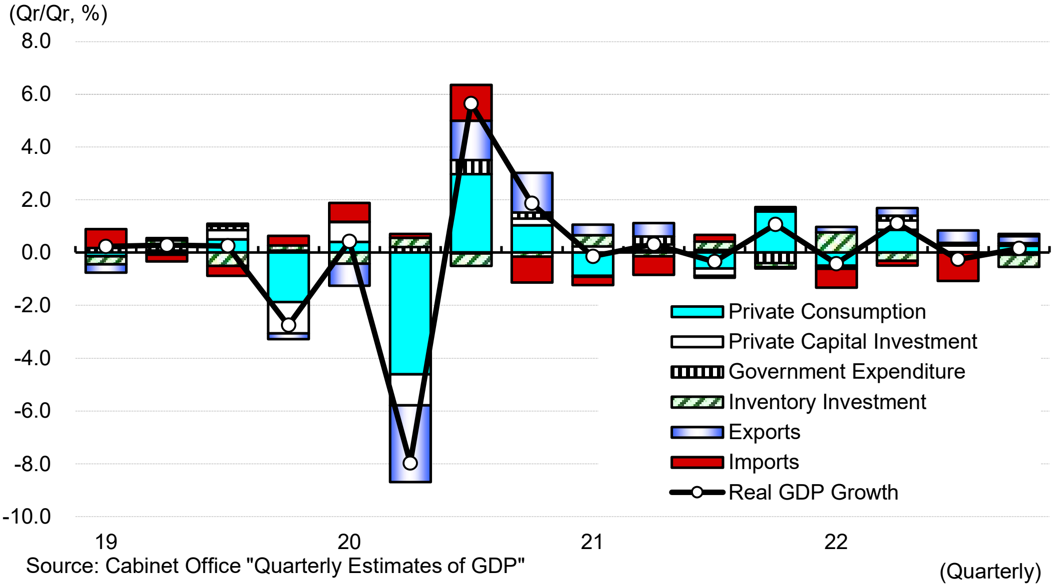
In the government sector, final consumption in real terms increased +0.3% compared to the previous quarter, mainly due to increased COVID-19 vaccine costs. Public investment in real terms declined -0.5%, for the first drop in three quarters, as the positive effects of the economic measures compiled in November 2021 seem to have worn off. As a result, the overall contribution from domestic demand was -0.2% compared to the previous quarter, the first contraction in five quarters.

Real exports rose +1.4% from the previous quarter for a fifth straight quarter. The growth was supported by an increase in goods, mainly automobiles, where supply constraints have eased as well as by strong growth in services from the rapid recovery in demand from inbound tourists with the easing of border controls. The rise in inbound tourism boosted its contribution by +0.2% compared to the previous quarter. Conversely, real imports fell by -0.4%, for the first contraction in five quarters, as goods increased but services fell back sharply from the steep rise in the previous quarter. As a result, the overall contribution from external demand was +0.3% compared to the previous quarter.

The nominal GDP growth rate rose into the significantly positive at +1.3% compared to the previous quarter (annualized rate of +5.2%) due to the rise in the GDP deflator. The price increases led to a sharp rise in personal consumption (+1.3%) and, despite declines in real terms, increases for housing investment (+0.1%), capital investment (+0.4%), and public investment (+0.1%). The contribution of external demand was +0.7%, which is higher than the contribution in real terms, partly because import prices have peaked out.

The GDP deflator, which measures the comprehensive price trends in the overall economy, was +1.1% year on year, marking the first positive growth in three quarters (seasonally adjusted, also +1.1% from the previous quarter). The domestic demand deflator rose to +3.2%, as the higher import prices from the rising resource prices are gradually working their way into domestic prices.

Chart 2. Real GDP growth rate by demand (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

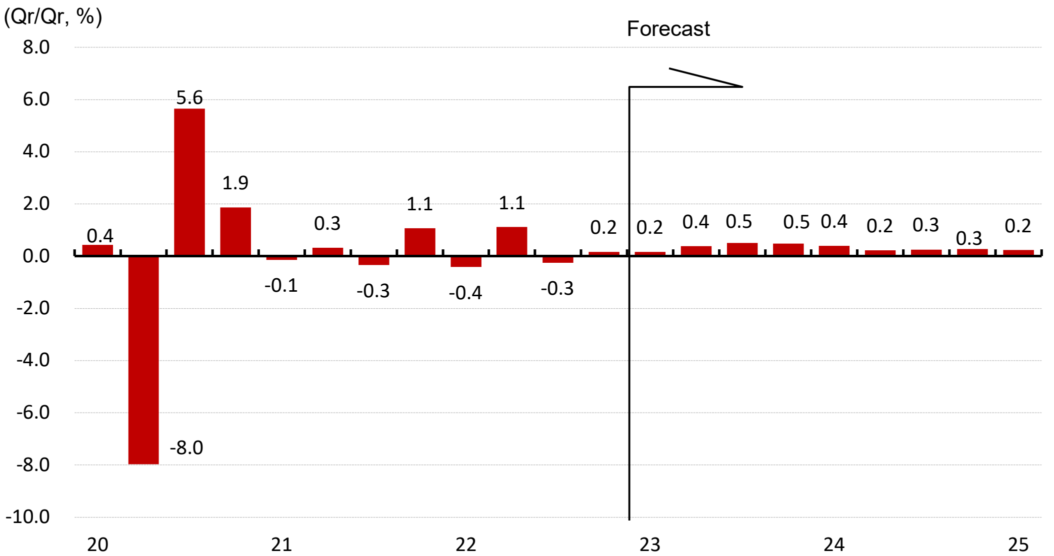
(2) Outlook for the Economy in Fiscal 2023 and Fiscal 2024
— Recovery pace slowing but the economy will maintain a moderate recovery trend

Positive growth continues in the January-March quarter

The positive growth is expected to continue in the January-March quarter supported by (1) ongoing growth in personal consumption, centered on in-person services, as the eighth wave of COVID-19 cases subsides and the government continues to provide subsidies for nationwide domestic travel, (2) increasing demand from inbound tourists as border controls are eased and with the weak yen, and (3) from the likelihood of a rebound in quarterly growth from the very low contribution from inventories to GDP in the previous quarter. At the same time, the economy still faces two significant downside risks. (1) The strong upward pressure on prices is undermining consumer sentiment and weakening real purchasing power, which could lead to suppressed consumer spending, particularly for goods. (2) With prices rising worldwide, the United States and other countries are moving toward tighter monetary policies, and rising interest rates will slow the pace of global economic recovery and reduce exports. These downside risks could result in the pace of economic recovery remaining slow (Chart 3).

As a result, we forecast a real GDP growth rate of +1.2% year on year for fiscal 2022.

Chart 3. Real GDP growth rate (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

Moving into the post-pandemic era in fiscal 2023

In fiscal 2023, the economy is expected to shift from the COVID-19 era, during which the balance between preventing the spread of infection and stimulating economic and social activities had to be considered, to the post-pandemic era. In this era, most of the restrictions on economic and social activities have been lifted, and business conditions are no longer impacted by pandemic developments. Although the era change will not occur suddenly, one of the turning points could be May 8, after the major holidays in Japan and when COVID-19 will be categorized as a Class V infectious disease, the same as the seasonal influenza, under the Act on the Prevention of Infectious Diseases.

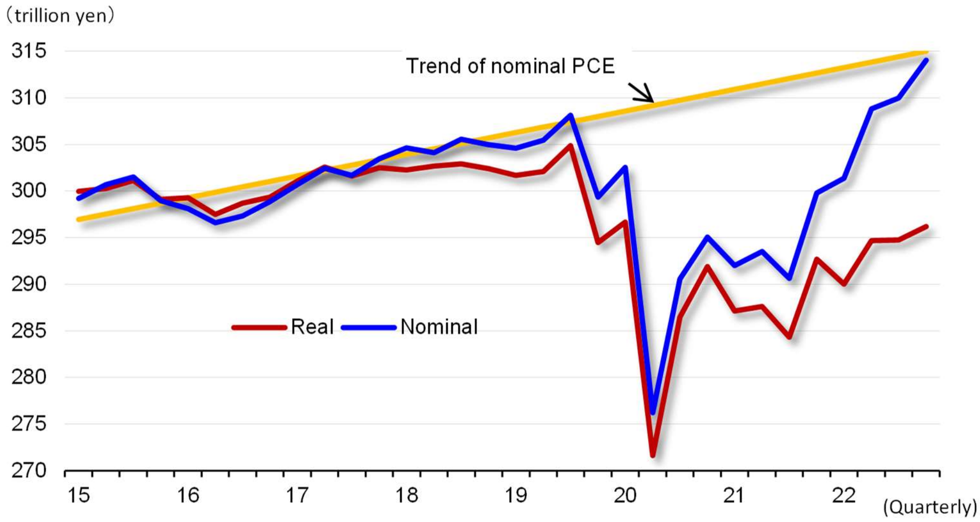
The economy could see an infusion of energy that could help it return to pre-pandemic levels. The household sector could increase in spending on in-person services, which have been suppressed until now, thus injecting new energy into the economy. Similarly, the corporate sector could resume capital investments that have been held back until now, adding to momentum of the recovery. There could also be an increase in positive investment in anticipation of the post-pandemic era. These factors should lead to an ongoing gradual economic recovery driven mainly by domestic demand.

How much room is there for personal consumption to recover in the post-pandemic era?

How long will the momentum to returning to pre-pandemic life continue? Real personal consumption in the October-December quarter of 2022 was slightly higher than in the same quarter in 2019 prior to the pandemic. However, this increase only brought consumption back to the level that fell after the consumption tax hike in October 2019, and it has not yet reached the level at the time of the COVID-19 outbreak (January-March 2020). Therefore, if we consider the standard of living before the consumption tax hike to be the standard of living before the COVID-19, the degree of recovery is insufficient and there is still plenty of room for further increase.

On the other hand, nominal personal consumption is already at a record high level and has almost reached the trend line of personal consumption prior to the hike in the consumption tax. In other words, in terms of the amount of money being spent, the pre-pandemic level was already achieved in the October-December quarter of 2022. The fast rise in nominal personal consumption is largely due to the boosting effect of higher prices, which means that the burden on household budgets is increasing rapidly.

Chart 4. Real and Nominal Personal consumption expenditures(PCE)

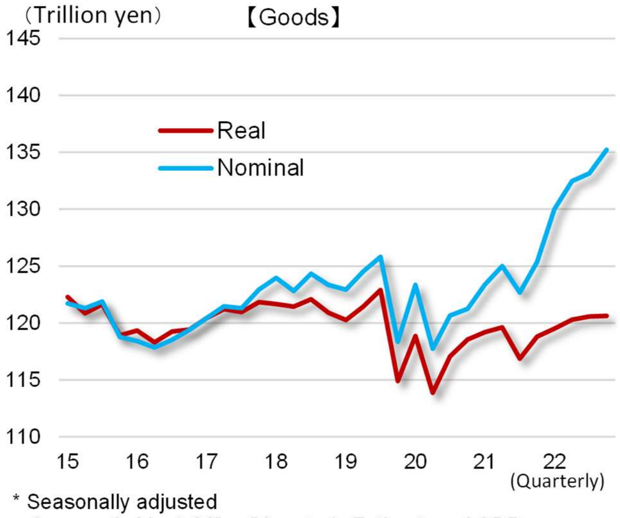


* Seasonally adjusted, Trend of PCE covers 2010Q1-2019Q2
Source: Cabinet Office "Quarterly Estimates of GDP

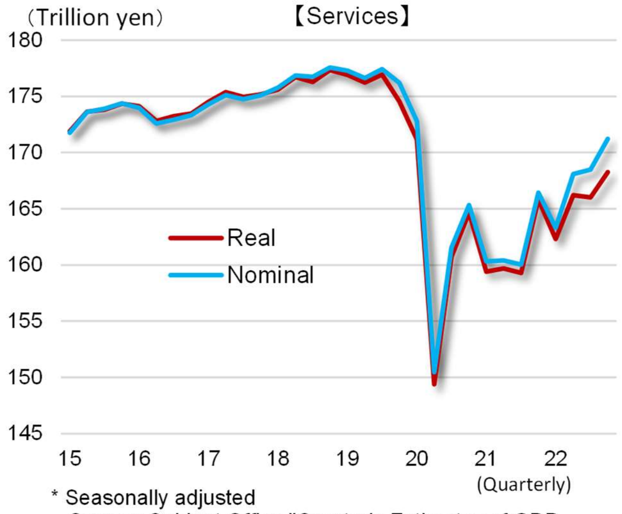
Household consumption behavior reflects nominal amounts, and in normal circumstances spending significantly higher than the trend is difficult. However, since we are currently in the process of recovering from the pandemic, it is necessary to divide the consumption into goods and services.

First, looking at consumption trends for goods, the gap between nominal and real value started rapidly widening at the start of 2022, with the real value of goods remaining at a low level (Chart 5). The real value stayed low because people were holding back on spending on goods due to rising prices. Considering that prices are continuing to rise, real value is likely to remain low. In contrast, the consumption of services has remained low in both nominal and real terms compared to before the pandemic, which means there is room for it to increase. Although there is no guarantee that the increase in spending on goods will not be adjusted by reducing spending on services, if the forced accumulation of savings is used to fund spending on in-person services like accommodation, food services, transportation, and leisure, then the momentum to return to the pre-pandemic lifestyles is expected to continue for some time to come.

Chart 5. Private consumption expenditures (Goods and Services)



* Seasonally adjusted
Source: Cabinet Office "Quarterly Estimates of GDP



* Seasonally adjusted
Source: Cabinet Office "Quarterly Estimates of GDP

Slightly weaker risk of a global economic downturn

In contrast to the boost to the economy in the process of getting out of the pandemic, many downside risks to the economy are still present, and the recovery pace could slow if these risks materialize.

The first risk is a global economic downturn. Major countries other than Japan have responded to the rising prices by tightening monetary policy and raising interest rates. Higher prices negatively affect personal consumption and rising interest rates slow investment and overall economic activity. Ongoing monetary tightening by the United States will cause the depreciation of currencies and stock prices in emerging countries, which in turn could trigger turbulence in international financial markets. Debt balances have been growing in all countries during the pandemic, and higher interest rates would add to the debt burden. Slower global economic growth would lead to contraction of the Japanese economy through a drop in exports.

However, there are signs that price indexes are reaching their peak levels in other countries. Prices rose worldwide because the spreading pandemic caused supply restrictions at many stages. As the pandemic receded, demand picked up at once, disrupting the supply and demand balance for many goods and services, causing prices to rise. This trend accelerated with the sharp price increases for crude oil and other resources at the start of 2021, followed by the Russian invasion of Ukraine, leading to inflation globally.

Due to the slowdown in the global economy, the prices of major resources have already peaked out. The effects of the weakening pressure on prices upstream are starting to gradually work their way downstream. Prices have been slow to come down due to rising services prices reflecting higher wages and high energy and logistics costs. Nevertheless, prices are stabilizing, and the end of the monetary tightening phase is approaching.

In addition, there are some positive factors for the global economy, which make the negative impacts from high prices and interest rates relatively minor. These include employment conditions remaining favorable in the United States and Europe, and expectations that demand will pick up due to China ending its zero-COVID policy. Although the outlook remains uncertain and unpredictable due to the muddled situation in Ukraine and other factors, the risk of deterioration in the global economy seems to be less than it was last year.

Concern of downside risk due to high prices

The second risk is the potential negative impact from rising prices. Although Japan's consumer price growth rate is low compared to other countries, the consumer price index (all items, excluding fresh food) rose +4.0% year on year in December. The increase in food and energy is particularly noticeable, with a year-on-year increase of 8.8%. Higher prices for everyday items like these could undermine consumer sentiment, causing them to further restrain their spending, or could cause a decline in real purchasing power, which could trigger a significant reduction in consumer spending. Government measures to offset the high prices should hold the inflation rate to about 1% from the previous year for at least the first half of the fiscal year. However, as the prices will still continue to rise, easing household concerns about inflation will be difficult.

Additionally, there are risks that the pace of economic recovery will slow down significantly due to various factors. These include a decrease in exports due to prolonged inventory adjustments; a decline in global demand for IT-related goods; delays in resolving restrictions on automobile production; stagnation and disruption of supply chains caused by heightened geopolitical risks such as increased tension in the Taiwan Strait; and other negative factors.

The post-pandemic demand recovery is also causing a gradual tightening of labor supply and demand that is making companies increasingly concerned about labor shortages. Consequently, there are concerns about supply constraints due to labor shortages, particularly in the in-person service sector, where worker numbers plummeted during the pandemic.

Continuing recovery in fiscal 2023 although momentum is slowing due to high prices and economic slowdown overseas

In fiscal 2023, we expect society moves into a post-pandemic era in which the restrictions on economic and social activities due to the pandemic are gone and the economy will continue to recover moderately, mainly due to domestic demand.

Nevertheless, we expect the pace of recovery to remain moderate because, although the downside risks from the pandemic have almost disappeared, high prices and sluggish economies overseas will likely exert downward pressure, especially in the first half of the fiscal year. Government measures to offset price rises should quell any increases at least until summer, but households could even more likely restrain spending against a backdrop of inflationary caution. Simultaneously, any remaining "revenge consumption" will eventually run its course. In addition, even if overseas economies can avoid a serious downturn, full recovery will take time in earnest, which will be a drag on the growth of exports.

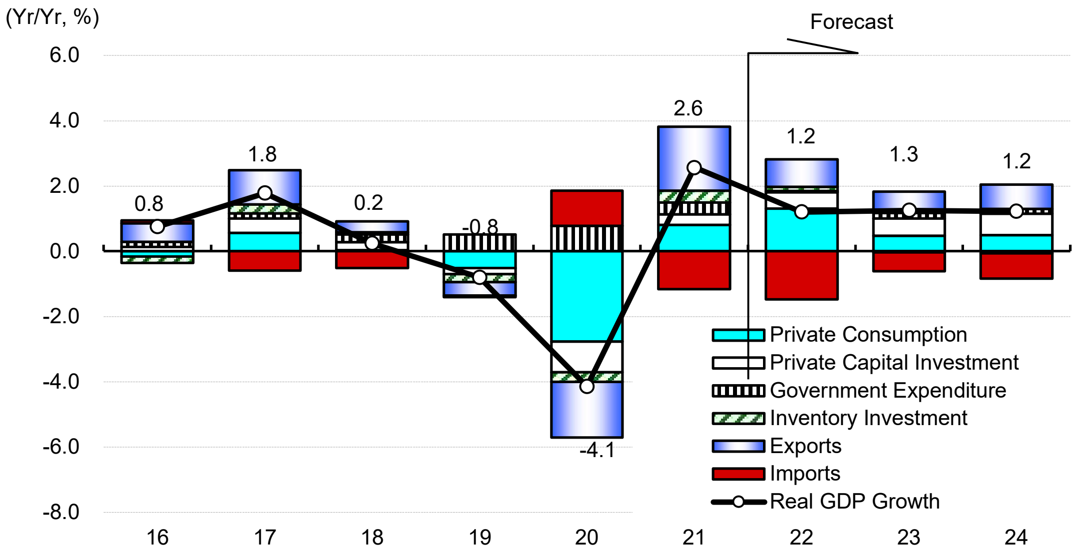
On the other hand, positive factors for the economy will be continued improvement in employment conditions and wage increases, continuing growth in corporate capital investment, and a pickup in inbound demand.

Furthermore, if the slowdown in overseas economies levels off and the upward pressure on prices subsides towards the end of the fiscal year, the economy could gain significant traction in its recovery. Our forecast is predicated on the assumption that the measures against rising prices will be terminated during the first half of the fiscal year as originally planned, but if extended, they will provide support for consumer spending.

We expect the real GDP growth rate for fiscal 2023 to be +1.3% year on year (or +1.1% excluding the base-level effect). As the economy gradually gains momentum, we expect quarterly real GDP to surpass the record high reached in July-September 2019 by the end of the fiscal year in January-March 2024.

We expect the real GDP growth rate for fiscal 2024 to be +1.2% year on year (+0.5% excluding the base-level effect). We anticipate positive factors such as slower inflation and recovery in overseas economies, we also expect the recovery to remain moderate as the boost from the recovery from the pandemic runs its course.

Chart 6. Real GDP growth rate by demand (Fiscal year)



Source: Cabinet Office "Quarterly Estimates of GDP"

Economic Outlook for fiscal 2021-2024

【GDP demand】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Nominal GDP	2.4	2.2	5.1	2.6
Real GDP	2.6	1.2	1.3	1.2
Contribution of domestic demand	1.8	1.8	1.2	1.3
Private consumption	1.5	2.5	0.9	0.9
Housing investment	-1.1	-4.5	1.3	0.6
Private capital investment	2.1	3.0	3.2	3.8
Contribution of inventory investment	0.4	0.1	-0.0	-0.1
Government expenditure	1.3	0.2	0.6	0.6
Government final consumption expenditure	3.4	1.2	0.6	0.6
Public investment	-6.4	-3.8	0.4	0.3
Contribution of external demand	0.8	-0.6	0.1	-0.0
Export of goods and services	12.3	4.4	3.1	3.6
Import of goods and services	7.0	7.3	2.3	3.4
GDP deflator	-0.1	0.9	3.8	1.3

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Real GDP (US) (CY)	5.9	2.1	1.4	1.9
Real GDP (Euro zone) (CY)	5.3	3.5	0.7	1.2
Real GDP (China)	8.4	3.0	4.9	5.0
Yen/U.S.Dollar	112.3	134.8	127.5	124.0
Uncollateralized call rates (O/N) (%)*	-0.024	-0.032	0.003	0.040
TIBOR (3months)	-0.063	-0.016	0.053	0.125
Newly issued government bond yields (10years) (%)	0.09	0.30	0.60	0.78
WTI future price (near month contract, US dollar/barrel)	77.0	90.0	77.1	78.9
North Sea Brent Crude (US dollar/barrel)	79.9	95.4	83.1	84.9

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Value of exports (Yen base)	23.6	14.9	-1.5	3.7
Ammount (Yr/Yr,%)	10.4	-3.6	1.5	4.0
Value of imports (Yen base)	33.4	32.1	-8.1	1.1
Ammount (Yr/Yr,%)	3.8	-1.5	2.9	2.2
Balance (trillion yen)	-5.5	-22.0	-13.7	-11.4
Current account balance (trillion yen)	20.3	9.8	14.6	15.9
balance on goods (trillion yen)	-1.6	-18.3	-10.2	-7.8
balance on service (trillion yen)	-4.8	-4.9	-3.1	-2.9
balance on income (trillion yen)	29.2	35.3	30.0	28.5

【Corporations】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Industrial production	5.9	-0.1	2.0	3.0
Inventory index	6.8	4.0	1.2	0.8
Sales	7.1	6.2	4.0	2.5
Ordinary Profits	36.8	5.1	2.4	9.5

*Forecast starts from FY 2021.

【Income and employment】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Income per capita	0.7	2.0	1.7	1.2
Scheduled	0.4	1.3	1.5	1.0
Non-scheduled	7.1	4.4	2.3	2.1
Real wage indices	0.6	-1.7	-1.4	-0.5
Number of employees	0.2	0.6	0.1	0.3
Nominal compensation of employees*	2.1	2.3	1.7	1.4
Unemployment rate (%)	2.8	2.5	2.3	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Domestic corporate goods prices	7.1	9.3	4.0	1.8
excluding tax effects	7.1	9.3	4.0	1.8
Consumer prices	0.1	3.2	2.6	1.4
excluding freshfood	0.1	3.0	2.6	1.5
excluding food (excluding alcoholic beverages) and energy	-0.7	2.0	2.0	0.8

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
New housing starts	86.6	86.0	87.9	87.8
	6.6	-0.7	2.3	-0.2
Owned	28.1	25.2	26.1	25.9
	6.9	-10.4	3.7	-0.7
Rented	33.1	34.6	35.4	35.3
	9.2	4.6	2.5	-0.3
Built for Sale	24.8	25.5	25.7	25.8
	3.9	2.8	0.4	0.5

Economic Outlook for calendar 2021-2024

【GDP demand】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Nominal GDP	1.9	1.3	5.1	3.2
Real GDP	2.1	1.1	1.0	1.5
Contribution of domestic demand	-3.5	1.1	1.7	1.3
Private consumption	0.4	2.1	1.3	0.9
Housing investment	-1.1	-4.7	0.3	1.0
Private capital investment	0.8	1.8	3.2	3.9
Contribution of inventory investment	0.3	1.5	-0.2	-0.0
Government expenditure	2.3	-0.3	0.7	0.6
Government final consumption expenditure	3.5	1.5	0.8	0.6
Public investment	-1.9	-7.1	0.2	0.5
Contribution of external demand	1.0	-0.6	-0.2	0.2
Export of goods and services	11.7	4.9	2.1	4.6
Import of goods and services	5.0	7.9	2.7	3.4
GDP deflator	-0.2	0.2	4.1	1.7

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Real GDP (US) (CY)	5.9	2.1	1.4	1.9
Real GDP (Euro zone) (CY)	5.3	3.5	0.7	1.2
Real GDP (China)	8.4	3.0	4.9	5.0
Yen/U.S.Dollar	109.8	131.4	128.5	124.8
Uncollateralized call rates (O/N) (%)*	-0.024	-0.031	-0.010	0.035
TIBOR (3months)	-0.064	-0.028	0.028	0.113
Newly issued government bond yields (10years) (%)	0.06	0.23	0.55	0.75
WTI future price (near month contract, US dollar/barrel)	67.9	94.2	77.1	78.3
North Sea Brent Crude (US dollar/barrel)	70.8	98.9	83.1	84.3

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Value of exports (Yen base)	21.5	18.2	-3.0	5.2
Ammount (Yr/Yr,%)	12.0	-1.9	-2.6	5.6
Value of imports (Yen base)	24.8	39.2	-6.2	0.9
Ammount (Yr/Yr,%)	5.0	-0.2	0.3	3.5
Balance (trillion yen)	-1.8	-20.0	-15.6	-11.6
Current account balance (trillion yen)	21.6	11.4	13.3	15.8
balance on goods (trillion yen)	1.7	-15.8	-12.1	-8.1
balance on service (trillion yen)	-4.2	-5.6	-3.3	-2.9
balance on income (trillion yen)	26.6	35.3	30.9	28.7

【Corporations】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Industrial production	5.6	-0.1	0.9	3.3
Inventory index	4.9	3.3	2.1	1.1
Sales*	4.1	7.2	4.3	2.9
Ordinary Profits	41.8	10.6	-2.7	11.3

*Forecast starts from CY 2022.

【Income and employment】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Income per capita	0.3	2.1	1.7	1.3
Scheduled	0.3	1.2	1.5	1.1
Non-scheduled	3.9	5.0	2.2	2.3
Real wage indices	0.5	-1.0	-1.7	-0.8
Number of employees	0.2	0.4	0.2	0.3
Nominal compensation of employees*	2.0	2.1	1.8	1.5
Unemployment rate (%)	2.8	2.6	2.4	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	4.6	9.7	5.1	2.6
excluding tax effects	4.6	9.7	5.1	2.6
Consumer prices	-0.2	2.5	2.9	1.9
excluding freshfood	-0.2	2.3	2.8	1.9
excluding food (excluding alcoholic beverages) and energy	-0.5	1.0	2.5	0.8

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
New housing starts	85.6	85.9	87.7	87.9
	4.8	0.4	2.0	0.3
Owned	28.5	25.3	26.0	26.0
	9.1	-11.1	2.8	-0.1
Rented	32.1	34.5	35.3	35.5
	4.2	7.5	2.3	0.5
Built for Sale	24.4	25.5	25.6	25.7
	1.6	4.5	0.3	0.4

Economic Outlook (Quarterly)

forecast

Qr/Qr,%
Yr/Yr,%

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Nominal GDP (Qr/Qr,%)	0.4	-0.5	0.7	0.2	1.0	-0.8	1.3	2.6	1.6	0.9	0.7	0.8	1.0	0.3	0.2	0.2
Annualized rate	1.6	-2.1	2.8	0.9	4.2	-3.1	5.2	10.7	6.4	3.6	2.7	3.3	4.1	1.3	0.7	0.8
(Yr/Yr,%)	7.2	1.5	0.5	0.9	1.5	1.1	1.7	4.3	4.4	6.2	5.6	4.3	3.6	2.8	2.0	1.9
Real GDP (Qr/Qr,%)	0.3	-0.3	1.1	-0.4	1.1	-0.3	0.2	0.2	0.4	0.5	0.5	0.4	0.2	0.3	0.3	0.2
Annualized rate	1.3	-1.4	4.4	-1.7	4.6	-1.0	0.6	0.6	1.6	2.1	2.0	1.6	0.9	1.0	1.1	0.9
(Yr/Yr,%)	7.7	1.8	0.8	0.5	1.7	1.5	0.6	1.0	0.4	1.1	1.6	1.9	1.7	1.4	0.9	1.0
Contribution of domestic demand (Qr/Qr,%)	0.5	-0.5	1.0	0.1	1.0	0.4	-0.2	0.5	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Private consumption	0.2	-1.1	3.0	-0.9	1.6	0.0	0.5	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	5.6	-0.7	0.3	1.0	2.6	3.6	1.3	2.4	0.9	1.0	0.8	0.8	1.0	0.9	0.9	0.9
Housing investment	1.5	-1.6	-1.3	-1.7	-1.9	-0.4	-0.1	0.2	0.6	0.7	0.3	0.1	0.1	0.1	0.1	0.0
	-2.1	0.9	0.0	-3.2	-6.3	-5.3	-4.0	-2.2	0.3	1.3	1.8	1.7	1.2	0.6	0.5	0.4
Private capital investment	1.4	-1.7	0.6	-0.3	2.1	1.5	-0.5	1.0	0.7	0.9	1.2	1.0	0.9	0.9	0.9	0.8
	4.6	2.7	1.5	0.0	0.8	4.0	2.6	4.2	2.8	2.1	3.7	3.9	4.1	4.0	3.7	3.6
Contribution of inventory investment (Qr/Qr,%)	-0.1	0.3	-0.2	0.8	-0.3	0.1	-0.5	0.2	0.1	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
Government expenditure	1.1	0.4	-1.5	-0.3	0.7	0.1	0.3	0.0	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.1
	4.0	2.4	-0.2	-0.6	-0.3	-0.9	0.8	1.0	0.6	0.6	0.5	0.6	0.7	0.6	0.5	0.5
Government final consumption expenditure	1.9	1.3	-1.1	0.5	0.8	0.1	0.3	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.2	0.1
	5.1	4.0	2.0	2.7	1.6	0.3	1.7	1.3	0.8	0.7	0.6	0.6	0.6	0.7	0.6	0.6
Public investment	-2.0	-3.4	-3.2	-3.2	0.5	0.7	-0.5	-0.4	0.3	0.5	0.1	0.1	0.0	0.1	0.1	0.0
	-0.4	-3.4	-8.1	-11.7	-8.9	-4.8	-2.7	-0.0	0.0	0.1	0.5	0.9	0.8	0.4	0.2	0.1
Contribution of external demand (Qr/Qr,%)	-0.2	0.2	0.0	-0.5	0.1	-0.6	0.3	-0.3	0.1	0.2	0.1	0.1	-0.1	-0.0	-0.1	-0.1
Export of goods and services	3.1	-0.4	0.4	1.2	1.5	2.5	1.4	-2.8	1.7	1.5	1.3	1.2	0.7	0.7	0.6	0.6
	27.2	15.5	5.7	4.3	2.8	5.8	6.5	2.4	2.7	1.4	2.1	6.2	5.7	4.2	2.6	2.0
Import of goods and services	4.4	-1.5	0.3	3.8	0.9	5.5	-0.4	-1.2	1.1	0.7	0.7	0.7	0.8	0.8	0.8	0.8
	5.0	11.3	5.0	7.1	3.4	11.0	10.1	4.9	4.6	0.2	1.4	3.2	3.2	3.4	3.7	3.1
GDP deflator (Yr/Yr,%)	-0.5	-0.2	-0.3	0.4	-0.3	-0.4	1.1	3.2	4.0	5.0	4.0	2.3	1.8	1.4	1.1	0.9

【Overseas economy and market data】

forecast

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Real GDP (US) (Annualized Qr/Qr rate,%)	7.0	2.7	7.0	-1.6	-0.6	3.2	2.9	0.3	0.6	1.5	1.9	2.2	2.0	1.9	1.9	2.0
Real GDP (Euro zone) (Annualized Qr/Qr rate,%)	8.2	9.3	2.2	2.6	3.4	1.2	0.5	0.1	0.2	0.8	0.7	1.5	1.5	1.5	1.5	1.5
Real GDP (China) (Yr/Yr,%)	8.3	5.2	4.3	4.8	0.4	3.9	2.9	2.8	6.9	4.2	5.4	5.4	5.0	4.9	5.0	5.0
Yen/U.S.Dollar	109.4	110.1	113.7	116.2	129.6	138.4	141.4	130.0	129.0	128.0	127.0	126.0	125.0	124.0	124.0	123.0
Uncollateralized call rates (O/N) (%)*	-0.020	-0.031	-0.031	-0.015	-0.022	-0.026	-0.060	-0.020	-0.020	-0.020	0.020	0.030	0.030	0.040	0.040	0.050
TIBOR (3months)	-0.065	-0.072	-0.065	-0.049	-0.037	-0.012	-0.014	0.000	0.005	0.005	0.100	0.100	0.100	0.125	0.125	0.150
Newly issued government bond yields (10years) (%)	0.07	0.03	0.07	0.18	0.23	0.22	0.28	0.48	0.50	0.60	0.60	0.70	0.70	0.80	0.80	0.80
WTI future price (near month contract, US dollar/barrel)	66.1	70.6	77.2	94.3	108.4	91.6	82.6	77.4	77.0	77.0	77.0	77.4	78.0	78.6	79.2	79.8
North Sea Brent Crude (US dollar/barrel)	69.0	73.2	79.8	97.4	111.8	97.8	88.6	83.3	83.0	83.0	83.0	83.4	84.0	84.6	85.2	85.8

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Value of exports (Yen base)	45.0	24.9	15.7	14.5	15.9	23.2	18.7	2.1	-3.0	-6.2	-4.2	8.7	6.7	3.8	2.2	2.2
Ammount (Yr/Yr,%)	34.5	13.6	0.8	-0.9	-3.1	0.2	-3.7	-7.9	-4.5	-1.7	3.6	9.1	6.7	4.6	2.5	2.4
Ammount (Qr/Qr,%)	1.4	-3.3	0.4	0.6	-0.9	-0.3	-3.1	-3.8	2.8	2.7	2.6	0.7	0.6	0.6	0.6	0.6
Value of imports (Yen base)	24.0	37.1	37.6	34.6	40.8	47.6	34.0	9.9	-5.9	-13.6	-11.7	0.0	1.1	1.1	1.2	1.0
Ammount (Yr/Yr,%)	5.2	7.8	1.3	1.3	-1.2	1.1	-2.0	-3.8	-0.9	0.6	5.4	6.4	4.2	2.5	1.2	0.9
Ammount (Qr/Qr,%)	2.3	-1.8	-1.6	2.6	-0.5	0.3	-3.1	-0.5	2.5	1.8	1.5	0.5	0.3	0.2	0.2	0.2
Balance (trillion yen)	0.4	-0.9	-1.7	-3.3	-4.6	-6.4	-5.7	-5.3	-3.7	-3.6	-3.0	-3.4	-2.5	-3.0	-2.8	-3.1
Current account balance (trillion yen)*	6.4	4.9	4.7	4.2	3.2	0.7	2.5	2.5	3.2	3.6	3.7	3.9	4.0	3.9	3.7	3.8
Balance on goods (trillion yen)*	1.0	-0.2	-0.7	-1.7	-3.8	-5.8	-5.0	-4.1	-3.1	-2.6	-2.4	-2.2	-1.9	-2.0	-2.1	-2.1
Balance on service (trillion yen)*	-1.1	-1.1	-1.1	-1.5	-0.9	-2.0	-1.2	-0.9	-0.9	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7
Balance on income (trillion yen)*	7.1	6.8	7.2	8.1	8.5	9.0	9.5	8.2	7.7	7.5	7.4	7.3	7.2	7.1	7.0	7.0

*seasonally adjusted

【Corporations】

forecast

Yr/Yr, %

		FY 2021				FY 2022				FY 2023				FY 2024			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Industrial production	(Qr/Qr, %)	0.2	-1.9	0.2	0.8	-2.7	5.8	-3.0	-0.4	1.2	0.6	0.9	0.9	0.8	0.6	0.5	0.5
	(Yr/Yr, %)	19.8	5.4	0.9	-0.6	-3.7	4.2	-0.2	-0.4	3.5	-1.4	2.1	3.8	3.4	3.4	2.8	2.5
Inventory index	(Qr/Qr, %)	1.3	2.3	2.0	1.0	-1.3	4.2	-0.6	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
	(Yr/Yr, %)	-5.1	0.4	4.9	6.8	4.2	6.1	3.3	4.0	5.6	1.5	2.1	1.2	1.1	1.1	1.1	0.8
Sales		10.4	4.6	5.7	7.9	7.2	8.3	5.3	4.4	4.5	4.5	3.7	3.5	3.1	2.7	2.4	1.9
Ordinary profits		93.9	35.1	24.7	13.7	17.6	18.3	-5.0	-7.5	-8.7	-1.7	9.1	14.3	11.4	11.4	8.3	7.3

*Forecast starts from 2022 10-12.

【Income and employment】

forecast

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Income per capita	0.9	0.5	0.1	1.5	1.6	1.7	3.3	1.3	1.8	1.7	1.7	1.6	1.4	1.2	1.2	0.9
Scheduled	0.6	0.1	0.0	0.9	1.1	1.3	1.4	1.4	1.5	1.6	1.6	1.5	1.2	1.0	0.9	0.8
Non-scheduled	13.8	7.4	3.5	4.5	5.1	5.2	5.3	2.0	2.5	2.0	2.2	2.5	2.5	2.3	2.0	1.5
Real wage indices	1.9	0.7	-0.6	0.3	-1.3	-1.6	-1.3	-2.8	-1.8	-1.1	-1.2	-1.3	-1.1	-1.1	0.1	0.0
Number of employees	0.8	0.7	-0.3	-0.2	0.7	0.5	0.7	0.5	-0.1	-0.0	0.4	0.3	0.3	0.3	0.3	0.2
Nominal compensation of employees*	2.8	2.7	1.7	1.2	2.1	1.9	2.9	2.1	1.8	1.7	1.6	1.7	1.6	1.4	1.3	1.3
Unemployment rate (%)	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1

※GDP base

【Goods prices】

forecast

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Domestic corporate goods prices	4.5	5.9	8.6	9.3	9.7	9.6	10.0	7.9	5.2	4.1	3.3	3.5	3.3	2.6	0.9	0.6
Consumer prices	-0.7	-0.2	0.5	0.9	2.4	2.9	3.9	3.5	3.1	2.4	2.5	2.5	2.1	2.0	0.9	0.7
excluding freshfood	-0.6	0.0	0.4	0.6	2.1	2.7	3.8	3.4	3.0	2.4	2.6	2.6	2.2	2.1	0.9	0.8
excluding food (excluding alcoholic beverages) and energy	-0.8	-0.5	-0.7	-0.9	0.8	1.4	2.5	3.1	2.9	2.4	1.7	1.1	0.8	0.8	0.7	0.7

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
New housing starts	86.5	86.4	86.0	87.1	85.3	86.3	85.1	87.0	87.6	87.9	88.1	88.1	88.0	87.8	87.6	87.4
	8.1	7.2	6.1	4.9	-1.3	0.0	-1.6	0.1	2.6	2.0	3.2	1.3	0.5	-0.1	-0.7	-0.7
Owned	28.2	29.3	28.6	26.2	25.7	25.2	24.2	25.7	26.1	26.2	26.2	26.1	26.0	26.0	25.9	25.8
	11.7	14.7	7.2	-6.9	-8.9	-12.8	-15.7	-2.1	1.1	4.5	7.5	1.5	-0.2	-0.7	-1.2	-0.9
Rented	33.1	32.4	32.0	34.8	33.9	34.4	34.9	35.0	35.2	35.4	35.6	35.6	35.5	35.4	35.2	35.0
	10.0	7.2	6.4	13.5	2.5	6.3	8.4	0.9	3.9	2.5	1.7	1.9	1.0	0.2	-1.1	-1.5
Built for Sale	24.6	24.2	24.9	25.7	25.1	26.0	25.4	25.6	25.6	25.6	25.7	25.7	25.7	25.7	25.8	25.8
	2.1	-0.3	6.4	7.6	2.7	7.1	1.8	-0.1	1.9	-1.6	0.9	0.5	0.6	0.3	0.3	0.7