20 June 2023

Report

The Japanese Economy in Fiscal 2023 and Fiscal 2024

―Despite lingering downturn concerns, the economy maintains a moderate recovery trend, reflecting the normalization of economic and social activities―

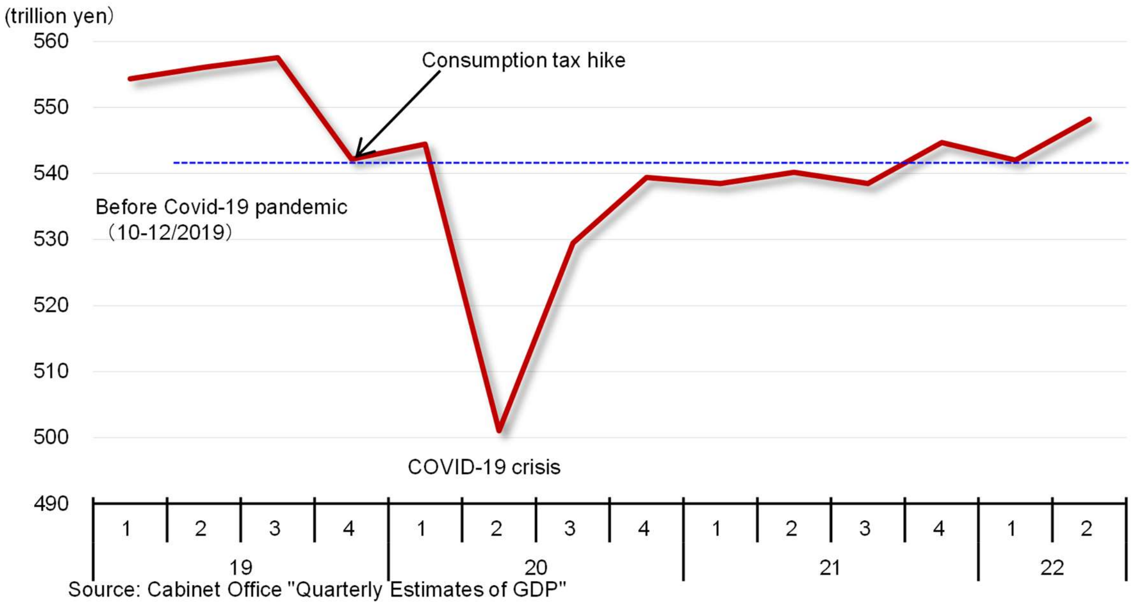
(1) Current State of the Economy

―GDP recovering gradually

As the pandemic winds down, Japan's economic recovery is gaining momentum with domestic demand leading the way

The real GDP growth rate in the January–March quarter of 2023, announced on May 17, was +0.4% from the previous quarter (annualized growth rate of +1.6%), providing more data showing that Japan's economy is continuing its gradual recovery. Since the October–December 2022 rate was revised downward to negative growth, the January–March result marks the first growth in three quarters. As the COVID-19 pandemic winds down, Japan's economic recovery is gaining momentum against a background of reinforced recovery, especially domestic demand. Real GDP has moved out of leveling off in the second half of last year, rising for the first time in three quarters to its highest level since the beginning of COVID-19 pandemic (Chart 1). It's taken three years since the pandemic hit, but the Japanese economy is finally taking its first steps into the post-pandemic era.

Chart 1. Real GDP growth rate



Source: Cabinet Office "Quarterly Estimates of GDP"

Personal consumption continued to increase steadily, but there are some weaknesses

Looking at the movements by demand category on the domestic demand side, real personal consumption increased steadily by 0.6% from the previous quarter. Breaking it down, demand for services grew steadily by 0.8% from the previous quarter due to increased spending on in-person services, such as accommodation, food services, transportation, leisure, as the number of COVID-19 cases subsided. Additionally, sales of durable goods showed a sharp 5.9% rise from the previous quarter due to an increase in sales of automobiles as production constraints eased. On the other hand, sales of semi-durable goods (clothing, personal effects, etc.) fell by 2.6% and, while non-durable goods (food, energy, daily necessities, etc.) increased by 0.7%, this was the first increase in the four quarters but the level still remains low. Price pressures are increasing for both semi-durable and non-durable goods, and there may be widespread reluctance to purchase, reflecting deteriorating consumer confidence.

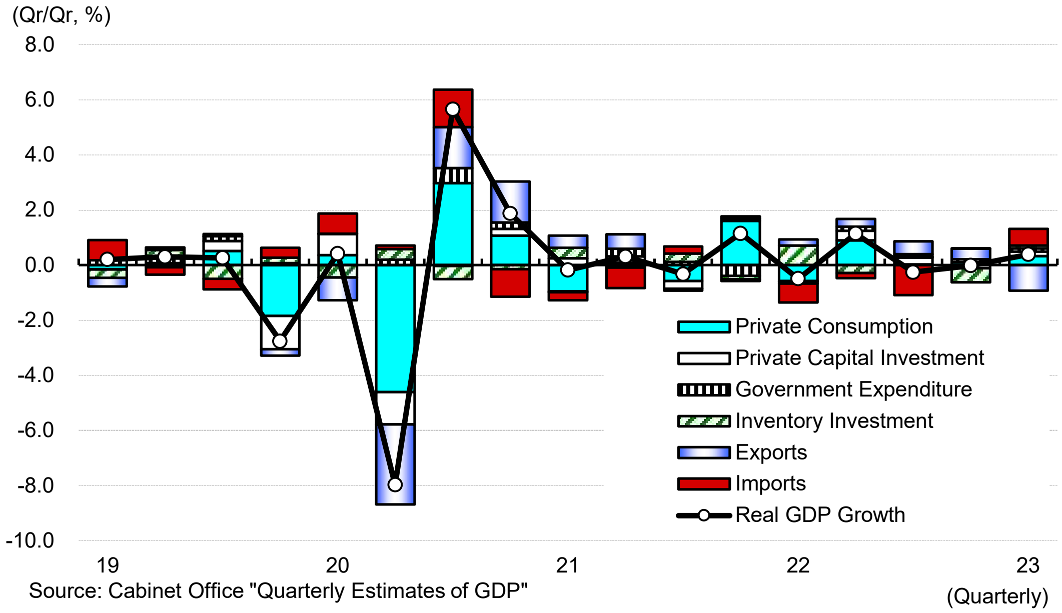
Real housing investment edged up 0.2% compared to the previous quarter for the second straight quarter as housing starts of owner-occupied houses remained sluggish due to soaring material prices, while overall housing starts began showing signs of recovery, as investment picked up for rental houses and other areas.

In the corporate sector, capital investment in real terms turned to a positive 0.9% compared to the previous quarter. The factors fueling the upturn were a solid appetite for corporate investment, supported by sustained improvement in performances, and increasing investment in automobiles as production constraints eased. The contribution of inventory investment in real terms to the real GDP growth rate turned to a positive 0.1% compared to the previous quarter, mainly due to an increase in distributor inventories.

In the government sector, general medical spending increased as the pandemic subsided, but lower COVID-19 vaccine costs held final consumption in real terms flat from the previous quarter. The adoption of the second supplementary budget for fiscal 2022 provided a strong boost to public investment in real terms, as it rose by 2.4% from the previous quarter to extend the growth streak to four consecutive quarters and the positive range also expanded.

In external demand, demand from inbound tourists continued recovering following the easing of border controls, and service exports increased solidly. However, a sharp decline in capital goods exports, particularly to China, amid sluggish economies overseas led to a 4.2% substantial fall in real exports from the previous quarter, for the first contraction in six quarters. The rise in inbound tourism boosted its contribution by 0.3% compared to the previous quarter. Conversely, real imports fell into a negative 2.3% compared to the previous quarter due to a drop in imports of goods, partly due to a decline in vaccine imports, although services continued to increase in trend. As a result, the overall contribution from external demand was -0.3% compared to the previous quarter.

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



Source: Cabinet Office "Quarterly Estimates of GDP"

Growing homemade inflationary pressure

The nominal GDP growth rate, boosted by a higher GDP deflator, rose significantly to +1.7% compared to the previous quarter (annualized growth rate of 7.1%), surpassing the previous highest level in the July-September quarter of 2019 and reaching a record high. Personal consumption increased markedly (1.7% compared to the previous quarter) on a large increase for non-durable goods (0.5% contribution to the nominal GDP growth rate), which suggests that consumers are feeling a growing burden on household budgets.

The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up 2.0% year on year, marking the highest level since +3.3% in the January-March quarter of 2015 which was recorded just after the hike in the consumption tax. Rising import prices due to surging resource prices and other factors are gradually permeating domestic prices, increasing the pressure for home-made inflation (price increases due to domestic factors). (The seasonally adjusted GDP deflator was +1.3% from the previous quarter.)

(2) Outlook for the Economy in Fiscal 2023 and Fiscal 2024

— Despite lingering downturn concerns, the economy maintains a moderate recovery trend, reflecting the normalization of economic and social activities.

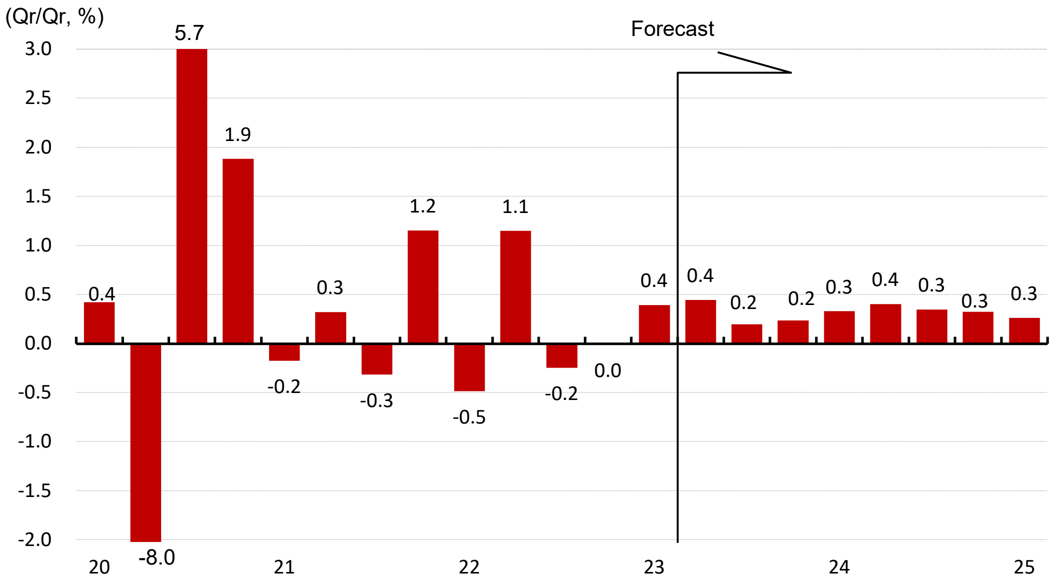
Transition to the post-pandemic era will be a driving force to boost the economy

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 due to the COVID-19 pandemic have been lifted, and business conditions are no longer impacted by pandemic developments. Although the era change will not occur suddenly, it is expected that the movement toward the end of the COVID-19 pandemic will accelerate, when COVID-19 was categorized as a Class V infectious disease, the same as the seasonal influenza under the Act on the Prevention of Infectious Diseases on May 8, the end of the long holidays in Japan.

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. With this trend toward normalization of economic and social activities, a gradual economic recovery is expected to continue for some time, mainly driven by domestic demand.

The economy should continue to gradually recover particularly in the April–June quarter fueled by the ongoing positive trends from the previous quarter, brisk personal consumption from the long holiday period and other developments in the quarter, and continuing growth in inbound tourist demand supported by the weak yen. Positive factors in play for the economy include the progress in eliminating automobile production constraints, expanded wage growth reflecting the higher rate of wage increases in the annual spring labor negotiations, and increased summer bonus payments.

Chart 3. Real GDP growth rate (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

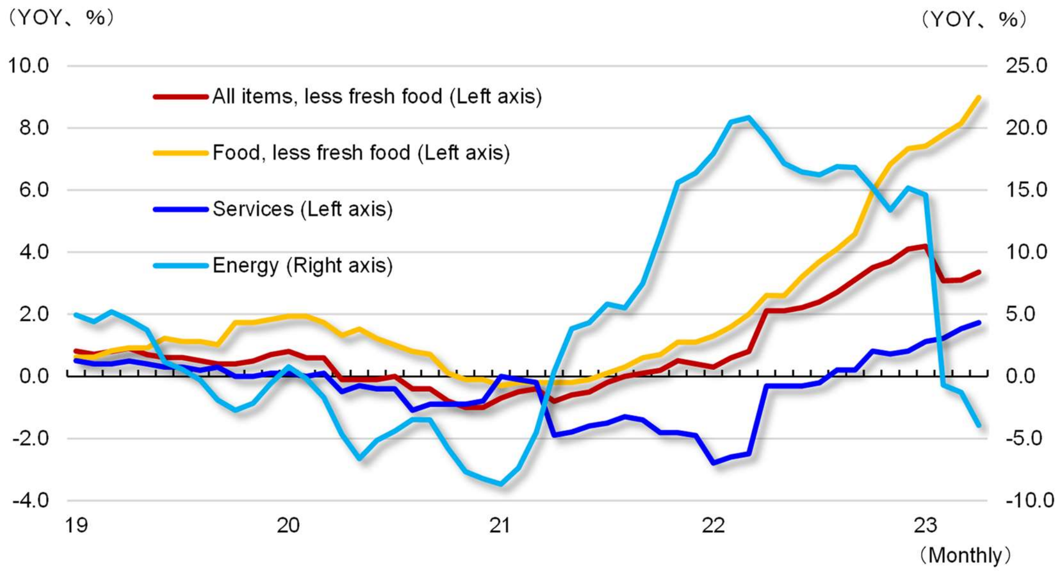
Concern of downside risk due to high prices

In contrast to the boost to the economy in the process of emerging from the COVID-19 pandemic, many downside risks to the economy are still present, and the recovery pace could slow if these risks materialize.

The first risk is the negative impact from rising prices. Consumer prices have risen more slowly in Japan compared to other countries and the governmental measures have held inflation down to about 1% since February. Nevertheless, the consumer price index (all items, excluding fresh food) in April has persisted at a high rate and was up 3.4 % from the previous year (Chart 4).

While energy has turned negative from the level of a year ago, partly due to policy effects, food prices (excluding fresh food) are up 9.0% compared to the previous year. 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. In addition, the base for upward pressure on prices is broadening as the rising price of goods and increasing labor costs are accelerating the rise of service prices. Government measures to control the high prices should push down the inflation rate by about 1% point 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.

Chart 4. Percent changes in CPI



Source: Ministry of Internal Affairs and Communications, "Consumer Price Index"

Global economic outlook remains uncertain

Second, there is a risk that the global economy will deteriorate. Major countries but Japan have responded to the rising prices by tightening monetary policy and interest rates are rising.

Higher prices give negative impact on personal consumption, and rising interest rates slow investment and overall economic activity. Continued monetary tightening by the United States could set off 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 only add to the debt burden. Slowing in global economic growth would lead to contraction of the Japanese economy through a drop in exports.

Numerous other elements are also adding to the uncertainty, including the issue of the U.S. debt ceiling, concerns about financial system instability, the quagmire of the Ukraine situation, declining global demand for IT-related goods and prolonging inventory adjustments, the slow elimination of automobile production constrains, and the growing geopolitical risks such as the escalating tension in the Taiwan Strait, which could slow or disrupt supply chains.

However, there are signs that price indexes are reaching their peak levels in other countries. The global price increase was the result of supply constraints at various stages due to the COVID-19 pandemic, coupled with an imbalance between supply and demand for many goods and services due to a sudden pickup in demand when the outbreak was contained. In particular, 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 in each country. However, as the global economy slows, 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.

Other positive factors for the global economy include the fact that the negative impact of high prices and interest rates has remained minor, as employment conditions continue to be favorable in the U.S. and European countries, and that the demand is expected to pickup due to the elimination of China's zero-COVID policy. Therefore, although the situation will continue to be unpredictable, the risk of a global economic downturn appears to have receded compared to the previous year.

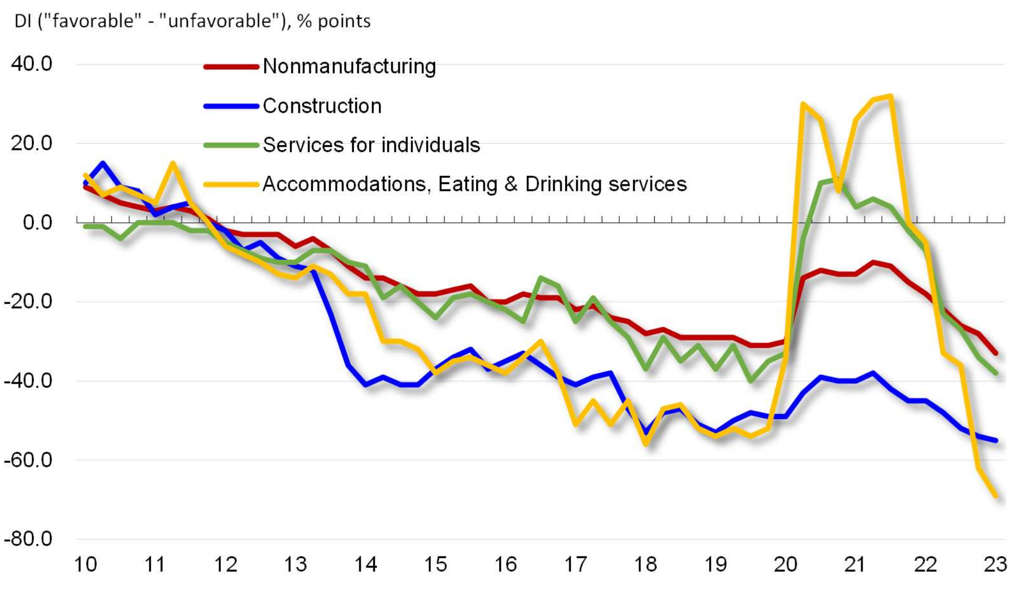
Responding to the labor shortage is an urgent issue

Another issue in Japan is the constrained supply in some sectors resulting from the post-pandemic return of demand and consequent tightening of the labor supply and demand balance. The shortage of labor started becoming a bigger issue for companies in 2022 when the negative impacts from the pandemic began subsiding and consumer demand started to recover. This trend has been growing more acute in 2023, particularly in the in-person service sector, while the accommodation/food service and other sectors are already facing a more severe shortage than before the pandemic (Chart 5).

Demand for in-person services is expected to ramp up during the summer months, not the least from higher inbound tourist demand, but the sector may still be forced to lower operating rates and shorten working hours. At the same time, these conditions will very likely lead to higher prices for services, raising concern that prices could become another factor dampening demand.

While labor shortages have the positive effects of encouraging companies to increase capital investment and raise wages, the negative effects are likely to be greater in the short term.

Chart 5. Employment Conditions D.I (Large Enterprises)



Source：Bank of Japan,"Tankan"

Economic recovery will continue in fiscal 2023 as economic and social activities normalize

Amid this mix of positive and negative factors, we expect the Japanese economy to be ultimately continue gradually recovering driven mainly by internal demand.

Government measures to offset the rise in prices should restrain inflation but they will not be sufficient. Households will likely restrain their spending even more against a backdrop of inflationary caution. In addition, any post-pandemic “revenge consumption” is likely to run out of steam around the end of summer, and the economy may see the impact of the constrained supply caused by the labor shortage. Further, even if overseas economies can avoid serious downturns, regaining full momentum will take time, meaning that a recovery for exports from Japan is likely to be slow. Based on this scenario, we expect the pace of Japan’s economic recovery to slow temporarily after the summer.

At the same time, positive forces for the economy will be improving employment conditions and rising wages, increasing corporate capital investment as companies look ahead to post-pandemic business, growing demand from inbound tourists, and the progress in eliminating automobile production constraints.

With these underlying conditions, if the slowdown in overseas economies comes to an end and the upward pressure on prices weakens, we think the Japanese economy will gain real traction for economic recovery towards the end of fiscal 2023. One the prerequisites for this scenario will be the anti-inflation measures implemented beginning in January 2023 being sustained throughout the fiscal year and serving as a buoy for personal consumption.

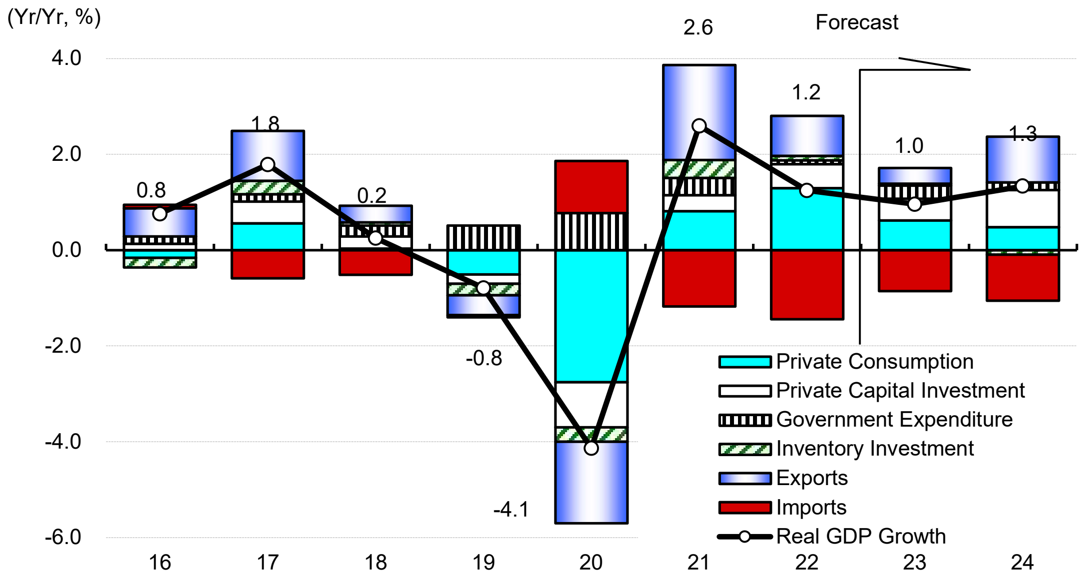
We forecast a real GDP growth rate for fiscal 2023 of +1.0% year on year (or +0.7% excluding the base-level effect). While the economy will face downward pressures from high prices and slowing economic activity overseas, as the economy moves into the post-pandemic era where the economy is no longer influenced by COVID-19 conditions and where economic and social activity is normalizing, we expect the economy in

Japan to continue to recover gradually, mainly driven by domestic demand, and avoid an economic downturn. Because of the gradual pace of recovery, we forecast that the quarterly real GDP growth finally regains the record high level of the July–September quarter of 2019 only in the April–June quarter of 2024 and will be carried over to fiscal 2024.

We expect the real GDP growth rate for fiscal 2024 to be +1.3% year on year (or +0.8% excluding the base-level effect). Although the boost from the recovery from the COVID-19 pandemic has run its course, we anticipate positive

factors such as a slowdown in the rate of price increases and the recovery of overseas economies will likely continue to sustain a moderate recovery.

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 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Nominal GDP	2.4	1.9	4.4	3.0
Real GDP	2.6	1.2	1.0	1.3
Contribution of domestic demand	1.8	1.8	1.5	1.3
Private consumption	1.5	2.4	1.1	0.9
Housing investment	-1.1	-4.4	2.6	0.8
Private capital investment	2.1	3.0	2.6	4.5
Contribution of inventory investment	0.4	0.1	0.0	-0.1
Government expenditure	1.3	0.3	1.0	0.6
Government final consumption expenditure	3.4	1.1	0.6	0.6
Public investment	-6.4	-2.6	2.6	0.4
Contribution of external demand	0.8	-0.6	-0.5	-0.0
Export of goods and services	12.4	4.4	1.5	4.6
Import of goods and services	7.1	7.1	3.4	4.0
GDP deflator	-0.2	0.7	3.4	1.6

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Real GDP (US) (CY)	5.9	2.1	1.3	1.1
Real GDP (Euro zone) (CY)	5.3	3.5	0.7	1.4
Real GDP (Asia)				
Real GDP (China)	8.4	3.0	5.3	4.7
Yen/U.S.Dollar	112.3	135.4	132.0	127.5
Uncollateralized call rates (O/N) (%)*	-0.024	-0.027	0.003	0.040
TIBOR (3months)	-0.063	-0.017	0.037	0.125
Newly issued government bond yields (10years) (%)	0.09	0.29	0.68	0.96
WTI future price (near month contract, US dollar/barrel)	77.0	89.7	74.5	75.9
North Sea Brent Crude (US dollar/barrel)	79.9	95.1	78.5	79.9

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Value of exports (Yen base)	23.6	15.5	-5.0	4.5
Ammount (Yr/Yr,%)	10.4	-3.8	-0.7	4.4
Value of imports (Yen base)	33.5	32.3	-9.3	1.6
Ammount (Yr/Yr,%)	3.8	-1.6	0.5	2.6
Balance (trillion yen)	-5.6	-21.8	-15.4	-13.0
Current account balance (trillion yen)	20.2	9.2	11.2	12.8
balance on goods (trillion yen)	-1.5	-18.1	-12.2	-9.6
balance on service (trillion yen)	-4.9	-5.3	-4.6	-4.4
balance on income (trillion yen)	29.0	35.6	30.6	28.7

【Corporations】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Industrial production	5.9	-0.3	2.0	3.2
Inventory index	6.8	2.9	-0.7	-1.1
Sales	7.1	6.6	4.3	2.5
Ordinary Profits	36.8	5.4	0.7	9.8

*Forecast starts from FY 2022.

【Income and employment】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Income per capita	0.7	1.8	2.4	1.4
Scheduled	0.4	1.1	2.3	1.2
Non-scheduled	7.1	4.1	2.2	2.0
Real wage indices	0.6	-1.9	-0.8	-0.9
Number of employees	0.2	0.6	0.2	0.2
Nominal compensation of employees*	2.1	2.0	2.4	1.7
Unemployment rate (%)	2.8	2.6	2.5	2.3

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
Domestic corporate goods prices	7.1	9.4	2.8	3.0
excluding tax effects	7.1	9.4	2.8	3.0
Consumer prices	0.1	3.2	2.7	1.9
excluding freshfood	0.1	3.0	2.7	2.1
excluding food (excluding alcoholic beverages) and energy	-0.7	2.0	3.1	0.9

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)
New housing starts	86.6 6.6	86.1 -0.6	85.6 -0.6	86.0 0.5
Owned	28.1 6.9	24.8 -11.8	24.5 -1.3	24.5 0.2
Rented	33.1 9.2	34.7 5.0	35.4 2.0	35.3 -0.2
Built for Sale	24.8 3.9	26.0 4.5	25.2 -2.8	25.7 1.9

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	4.4	3.2
Real GDP	2.2	1.0	1.0	1.3
Contribution of domestic demand	-3.5	1.1	1.6	1.5
Private consumption	0.4	2.1	1.5	0.9
Housing investment	-1.1	-4.6	1.3	1.6
Private capital investment	0.8	1.8	2.8	4.3
Contribution of inventory investment	0.3	1.4	-0.2	-0.0
Government expenditure	2.3	-0.3	1.2	0.7
Government final consumption expenditure	3.5	1.5	0.6	0.7
Public investment	-1.9	-7.0	3.7	0.4
Contribution of external demand	1.0	-0.6	-0.6	-0.1
Export of goods and services	11.9	5.1	0.7	5.0
Import of goods and services	5.1	8.0	3.0	4.7
GDP deflator	-0.2	0.2	3.4	1.8

【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	1.3	1.1
Real GDP (Euro zone) (CY)	5.3	3.5	0.7	1.4
Real GDP (Asia)				
Real GDP (China)	8.4	3.0	5.3	4.7
Yen/U.S.Dollar	109.8	131.4	132.5	128.5
Uncollateralized call rates (O/N) (%)*	-0.024	-0.026	-0.010	0.035
TIBOR (3months)	-0.064	-0.028	0.011	0.113
Newly issued government bond yields (10years) (%)	0.06	0.23	0.59	0.91
WTI future price (near month contract, US dollar/barrel)	67.9	94.2	74.9	75.3
North Sea Brent Crude (US dollar/barrel)	70.8	98.9	79.4	79.3

* 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	-4.4	4.1
Ammount (Yr/Yr,%)	12.0	-1.9	-4.4	5.3
Value of imports (Yen base)	24.8	39.2	-6.8	1.0
Ammount (Yr/Yr,%)	5.0	-0.2	-1.8	3.6
Balance (trillion yen)	-1.8	-20.0	-16.3	-13.5
Current account balance (trillion yen)	21.5	11.5	11.0	12.3
balance on goods (trillion yen)	1.8	-15.7	-12.9	-10.1
balance on service (trillion yen)	-4.2	-5.4	-4.8	-4.5
balance on income (trillion yen)	26.4	35.2	31.9	28.9

【Corporations】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Industrial production	5.6	-0.1	0.4	3.6
Inventory index	4.9	3.3	1.2	-0.3
Sales*	4.1	7.4	4.7	2.9
Ordinary Profits	41.8	11.2	-4.2	10.9

【Income and employment】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)
Income per capita	0.3	2.0	2.1	1.6
Scheduled	0.3	1.1	1.9	1.5
Non-scheduled	3.9	5.0	1.8	2.2
Real wage indices	0.5	-1.1	-1.5	-0.6
Number of employees	0.2	0.4	0.3	0.3
Nominal compensation of employees*	2.0	2.0	2.2	1.9
Unemployment rate (%)	2.8	2.6	2.5	2.3

*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	4.7	2.6
excluding tax effects	4.6	9.7	4.6	2.7
Consumer prices	-0.2	2.5	3.1	1.9
excluding freshfood	-0.2	2.3	3.0	2.1
excluding food (excluding alcoholic beverages) and energy	-0.5	1.0	3.4	1.3

【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 4.8	85.9 0.4	86.0 0.0	86.2 0.2
Owned	28.5 9.1	25.3 -11.1	24.3 -4.0	24.6 1.1
Rented	32.1 4.2	34.5 7.5	35.4 2.8	35.5 0.1
Built for Sale	24.4 1.6	25.5 4.5	25.8 0.8	25.6 -0.5

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	0.3	1.1	-0.8	1.1	1.7	2.4	0.2	0.2	0.6	1.7	0.5	0.5	0.2
Annualized rate	1.6	-2.0	2.7	1.1	4.3	-3.1	4.3	7.1	10.1	0.7	0.9	2.3	7.0	2.0	1.9	0.8
(Yr/Yr,%)	7.2	1.6	0.5	0.9	1.5	1.2	1.6	3.4	4.3	5.5	4.3	3.6	3.3	2.9	3.0	2.8
Real GDP (Qr/Qr,%)	0.3	-0.3	1.2	-0.5	1.1	-0.2	-0.0	0.4	0.4	0.2	0.2	0.3	0.4	0.3	0.3	0.3
Annualized rate	1.3	-1.3	4.7	-1.9	4.7	-1.0	-0.1	1.6	1.8	0.8	1.0	1.3	1.6	1.4	1.3	1.1
(Yr/Yr,%)	7.7	1.8	0.9	0.5	1.8	1.6	0.4	1.3	0.4	0.9	1.3	1.3	1.4	1.3	1.3	1.3
Contribution of domestic demand (Qr/Qr,%)	0.6	-0.5	1.1	-0.0	1.1	0.4	-0.4	0.7	0.6	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Private consumption	0.2	-1.1	3.1	-1.1	1.7	0.0	0.2	0.6	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2
	5.6	-0.7	0.3	1.1	2.7	3.6	0.9	2.6	1.2	1.2	1.2	0.9	0.8	0.9	0.9	0.9
Housing investment	1.5	-1.7	-1.2	-1.8	-1.8	-0.5	0.2	0.2	1.0	1.5	0.5	0.2	0.1	0.0	0.1	0.0
	-2.1	0.9	0.0	-3.2	-6.3	-5.3	-3.9	-1.9	0.9	2.8	3.2	3.2	2.3	0.7	0.3	0.1
Private capital investment	1.4	-1.7	0.5	-0.2	2.1	1.5	-0.7	0.9	0.5	0.7	1.0	1.2	1.5	1.0	0.9	0.8
	4.6	2.7	1.5	0.1	0.9	4.0	2.6	4.2	2.4	1.4	3.0	3.6	4.5	4.8	4.6	4.3
Contribution of inventory investment (Qr/Qr,%)	-0.1	0.3	-0.1	0.7	-0.3	0.1	-0.5	0.1	0.2	0.1	-0.0	-0.1	-0.0	-0.0	0.0	-0.0
Government expenditure	1.1	0.4	-1.5	-0.3	0.6	0.1	0.4	0.4	0.3	0.1	0.2	0.2	0.1	0.2	0.1	0.1
	4.0	2.4	-0.2	-0.6	-0.3	-0.9	0.7	1.6	1.1	1.1	1.1	0.8	0.6	0.7	0.5	0.5
Government final consumption expenditure	1.9	1.3	-1.1	0.7	0.7	0.0	0.2	-0.0	0.2	0.1	0.2	0.2	0.1	0.2	0.1	0.1
	5.1	4.0	2.0	2.7	1.6	0.3	1.5	0.9	0.5	0.5	0.6	0.8	0.7	0.7	0.6	0.5
Public investment	-2.1	-3.0	-2.9	-4.0	0.6	1.1	0.2	2.4	0.4	0.2	0.0	0.1	0.0	0.1	0.1	0.1
	-0.4	-3.4	-8.1	-11.7	-8.9	-4.8	-2.4	4.5	4.3	3.4	2.8	0.6	0.4	0.4	0.3	0.4
Contribution of external demand (Qr/Qr,%)	-0.2	0.2	0.0	-0.5	0.1	-0.6	0.4	-0.3	-0.1	-0.2	-0.1	-0.0	0.0	0.0	0.0	0.0
Export of goods and services	3.1	-0.4	0.5	1.2	1.5	2.5	2.0	-4.2	1.3	1.2	1.2	1.2	1.2	1.1	0.9	0.9
	27.3	15.6	5.9	4.3	2.9	5.9	7.3	1.6	1.4	0.4	-0.3	4.7	6.1	5.1	4.2	3.1
Import of goods and services	4.7	-1.5	0.4	3.7	1.0	5.6	-0.0	-2.3	1.6	1.6	1.4	1.0	0.9	0.8	0.8	0.8
	5.1	11.4	5.1	7.3	3.2	10.9	10.4	4.2	4.6	1.2	2.3	5.8	5.0	4.4	3.8	3.0
GDP deflator (Yr/Yr,%)	-0.5	-0.2	-0.3	0.4	-0.3	-0.4	1.2	2.0	3.9	4.6	3.0	2.3	1.8	1.6	1.7	1.5

【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	2.6	1.1	0.3	0.7	0.9	1.1	1.3	1.5	1.6	1.7
Real GDP (Euro zone) (Annualized Qr/Qr rate,%)	8.0	9.4	2.3	2.4	3.7	1.5	-0.2	0.3	0.5	0.9	0.9	1.8	1.8	1.8	1.8	1.2
Real GDP (Asia) (Yr/Yr,%)																
Real GDP (China) (Yr/Yr,%)	8.3	5.2	4.3	4.8	0.4	3.9	2.9	4.5	7.5	4.3	4.9	4.0	4.5	4.9	5.1	5.0
Yen/U.S.Dollar	109.4	110.1	113.7	116.2	129.6	138.4	141.4	132.3	133.8	132.7	131.3	130.0	129.0	128.0	127.0	126.0
Uncollateralized call rates (O/N) (%)*	-0.020	-0.031	-0.031	-0.015	-0.017	-0.020	-0.051	-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	-0.004	-0.002	-0.001	0.050	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	0.44	0.48	0.70	0.75	0.80	0.90	0.95	1.00	1.00
WTI future price (near month contract, US dollar/barrel)	66.1	70.6	77.2	94.3	108.4	91.6	82.6	76.1	75.5	74.0	74.0	74.4	75.0	75.6	76.2	76.8
North Sea Brent Crude (US dollar/barrel)	69.0	73.2	79.8	97.4	111.8	97.8	88.6	82.2	79.5	78.0	78.0	78.4	79.0	79.6	80.2	80.8

* 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	4.8	-4.2	-8.7	-8.0	1.6	5.5	4.7	4.5	3.4
Ammount (Yr/Yr,%)	34.5	13.6	0.8	-1.0	-3.1	0.2	-3.7	-8.8	-6.0	-3.8	0.8	6.8	5.8	4.9	3.9	3.2
Ammount (Qr/Qr,%)	1.2	-3.7	0.3	1.3	-1.1	-0.8	-3.0	-4.1	1.9	1.7	1.7	1.3	1.0	0.8	0.7	0.6
Value of imports (Yen base)	24.0	37.1	37.6	35.0	40.6	47.3	34.0	11.2	-7.2	-14.4	-13.0	-1.6	2.2	2.0	1.2	1.0
Ammount (Yr/Yr,%)	5.2	7.8	1.3	1.3	-1.2	1.1	-2.0	-4.1	-3.8	-1.9	2.5	5.2	5.0	3.2	1.3	1.1
Ammount (Qr/Qr,%)	1.9	-2.0	-0.9	2.5	-1.0	0.1	-2.2	-2.1	0.5	2.0	2.2	0.5	0.3	0.3	0.3	0.3
Balance (trillion yen)	0.4	-0.9	-1.7	-3.4	-4.6	-6.3	-5.7	-5.2	-3.5	-3.9	-3.6	-4.4	-2.9	-3.4	-2.8	-3.9
Current account balance (trillion yen)*	6.5	5.0	4.5	4.1	3.2	1.0	2.5	2.5	3.0	2.8	2.6	2.8	3.1	3.1	3.2	3.3
Balance on goods (trillion yen)*	1.0	-0.1	-0.8	-1.8	-3.7	-5.6	-5.2	-3.8	-3.2	-3.1	-3.0	-2.9	-2.6	-2.5	-2.4	-2.3
Balance on service (trillion yen)*	-1.2	-1.1	-1.1	-1.4	-1.1	-1.9	-1.0	-1.3	-1.1	-1.2	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1
Balance on income (trillion yen)*	7.2	6.8	7.0	8.0	8.6	9.1	9.4	8.8	8.0	7.8	7.5	7.3	7.3	7.2	7.1	7.1

*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	-1.8	2.8	0.1	0.8	1.0	0.9	0.7	0.6	0.6
	(Yr/Yr, %)	19.8	5.4	0.9	-0.6	-3.7	4.2	-0.2	-1.4	3.5	-2.0	1.5	5.1	2.9	3.7	3.0	3.0
Inventory index	(Qr/Qr, %)	1.3	2.3	2.0	1.0	-1.3	4.2	-0.6	0.5	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3
	(Yr/Yr, %)	-5.1	0.4	4.9	6.8	4.2	6.1	3.3	2.9	5.4	0.9	1.2	-0.7	-0.2	-0.2	-0.3	-1.1
Sales		10.4	4.6	5.7	7.9	7.2	8.3	6.1	4.9	5.0	5.2	3.8	3.4	3.1	2.7	2.4	1.9
Ordinary profits		93.9	35.1	24.7	13.7	17.6	18.3	-2.8	-8.7	-8.9	-2.1	4.4	12.6	10.3	11.8	9.3	8.1

*Forecast starts from 2023 1-3.

【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	2.9	0.8	2.5	2.4	2.5	2.3	1.6	1.4	1.3	1.1
Scheduled	0.6	0.1	0.0	0.9	1.1	1.3	1.3	0.7	2.2	2.3	2.3	2.3	1.5	1.2	1.0	1.0
Non-scheduled	13.8	7.4	3.5	4.5	5.1	5.2	5.3	0.9	1.8	2.2	2.4	2.4	2.3	2.1	2.0	1.5
Real wage indices	1.9	0.7	-0.6	0.3	-1.3	-1.6	-1.7	-3.3	-1.7	-1.3	-0.1	0.2	-0.9	-0.7	-0.8	-1.0
Number of employees	0.8	0.7	-0.3	-0.2	0.7	0.5	0.7	0.4	0.2	0.1	0.4	0.3	0.3	0.3	0.2	0.2
Nominal compensation of employees*	2.8	2.7	1.7	1.2	2.1	1.9	2.5	1.2	2.1	2.5	2.7	2.4	2.0	1.8	1.6	1.3
Unemployment rate (%)	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2

※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	8.4	5.5	4.0	0.9	1.2	3.1	2.8	3.3	2.6
Consumer prices	-0.7	-0.2	0.5	0.9	2.4	2.9	3.9	3.6	3.6	3.2	2.2	1.8	2.2	1.8	1.9	1.8
excluding freshfood	-0.6	0.0	0.4	0.6	2.1	2.7	3.8	3.5	3.4	3.1	2.2	2.1	2.4	2.0	2.0	1.9
excluding food (excluding alcoholic beverages) and energy	-0.8	-0.5	-0.7	-0.9	0.8	1.4	2.5	3.2	3.9	3.5	2.9	2.3	1.1	0.9	0.8	0.8

【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	87.6	84.7	85.5	86.0	86.2	86.2	86.2	86.0	85.8
	8.1	7.2	6.1	4.9	-1.3	0.0	-1.6	0.6	-0.6	-0.7	0.8	-1.8	1.8	0.9	-0.1	-0.5
Owned	28.2	29.3	28.6	26.2	25.7	25.2	24.2	23.9	24.3	24.5	24.6	24.7	24.6	24.6	24.5	24.5
	11.7	14.7	7.2	-6.9	-8.9	-12.8	-15.7	-8.9	-5.8	-2.4	1.1	2.8	1.4	0.7	-0.4	-0.8
Rented	33.1	32.4	32.0	34.8	33.9	34.4	34.9	35.7	35.0	35.4	35.6	35.7	35.6	35.5	35.2	35.1
	10.0	7.2	6.4	13.5	2.5	6.3	8.4	3.0	3.5	2.6	1.8	-0.2	1.6	0.2	-1.1	-1.6
Built for Sale	24.6	24.2	24.9	25.7	25.1	26.0	25.4	27.5	25.0	25.2	25.3	25.5	25.6	25.7	25.8	25.8
	2.1	-0.3	6.4	7.6	2.7	7.1	1.8	6.5	-0.3	-3.1	-0.1	-7.5	2.6	2.0	1.7	1.1