

Medium-term Outlook for the Japanese Economy (Fiscal 2007 - 2020):

- Stable Growth to realize wealth in a Mature Society -

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1. Recent economic conditions: 2% growth continues

The Japanese economy, after hitting the bottom in January 2002, has been recording modest but stable growth for almost six years. The continued growth for an unprecedented length of time was made possible by the important changes in both the economic and social environment in and around Japan. To be more specific, the changes can be summarized into three major trends, (1) the strong dollar policy and the expansion of the global economy, (2) the recovery from the burst of the bubble economy, and (3) the transition into a mature society with an aging population and a declining birthrate.

2. Overview of the medium-term outlook

The Japanese economy is expected to expand moderately toward fiscal 2020 although temporary slowdowns are possible along the way. Nevertheless, the economic growth will be the fastest during the first five years (Fiscal 2006 - 2010), will become slower for the following five years (Fiscal 2011 - 2015), and then further decelerate in the last five years (Fiscal 2016 - 2020).

The prospects of the three major trends surrounding the Japanese economy are as follows: First, the trend of the transition into a mature society with an aging population and a declining birthrate will continue to be a major factor to suppress economic growth, and its effect will increase as time goes on (Chart 1). The trend has progressed faster than predicted, and this may drag down the economy more severely than what is currently being assumed.

Second, the recovery process from the burst of the bubble will remain as a force to boost the economy for a while. The improved financial strength and enhanced profitability acquired through dealing with the negative legacy of the burst of the bubble are expected to promote business investment in the corporate sector. Such a driving force, however, will recede with time. In the meantime, companies continue to face challenges such as rising prices of primary

commodities, increasing fixed costs, stagnant domestic demand, and labor shortages. The business environment will become even more difficult.

The third trend, the strong dollar policy and the expansion of the global economy, will continue to be a supporting factor for the Japanese economy as it helps increase exports. However, the growth rates of the U.S. and China are likely to decline over the medium term, and the global economy, currently achieving 5% growth, may gradually slow. This will be another adverse factor for Japanese companies as well as the Japanese economy.

While all three trends above suggest severe conditions for the overall growth of the Japanese economy, the growth rate of real GDP per capita is expected to remain at about a 2% level through all of the five-year periods. The pace of the economic expansion may slow, but it does not mean that the fundamental strength for the Japanese economy to grow will dwindle.

Chart 1: Ternary trend surrounding Japanese Economy

		Actual figure	Forecast		
		FY 2001~2005	FY2006~2010	FY2011~2015	FY2016~2020
GDP growth rate (real, per annum)		1.3%	2.0%	1.7%	1.5%
Growth rate of GDP per capita (real, per annum)		1.2%	2.1%	1.9%	1.9%
Ternary trend	Transition to matured society (aging society with a falling birthrate)				
	Recovery from the burst of the bubble				
	Strong dollar policy and global economic growth				

Note: Points of arrow indicate each trend's influence on the GDP growth rate

(1) The first five years: Fiscal 2006 - 2010

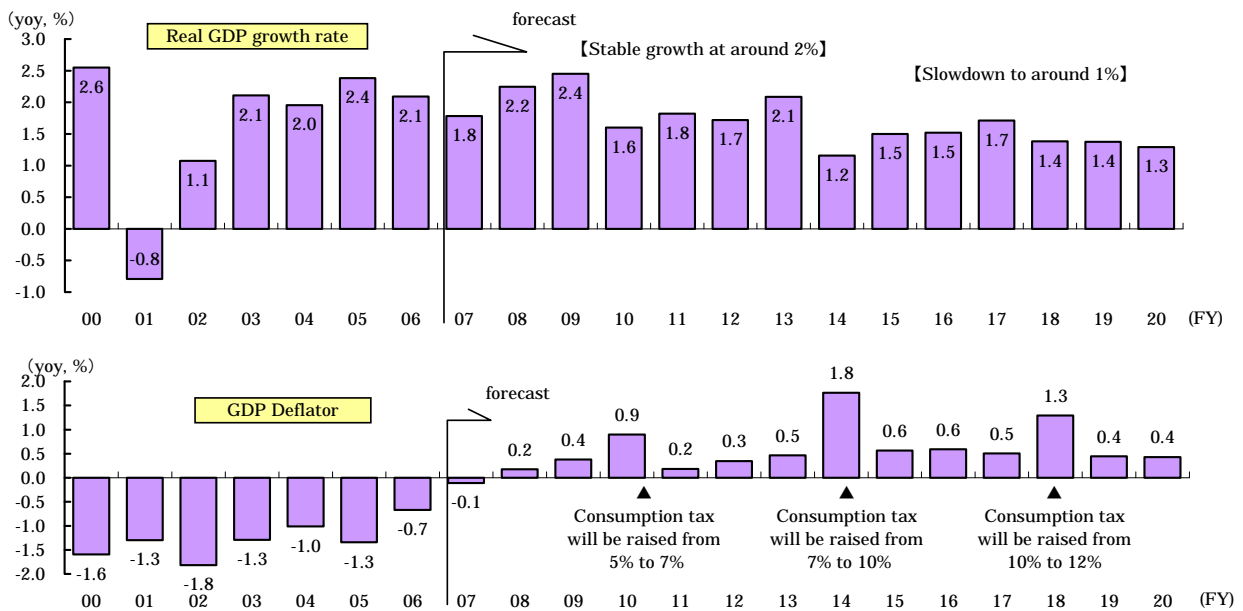
The average growth rate per annum for the five years from fiscal 2006 to 2010 will be 2.0% in real terms, surpassing the level achieved during fiscal 2001 - 2005, which was 1.3% per annum (Chart 2). The process to overcome the negative legacy of the bubble burst will be completed, and as the global economy expands, the growth momentum led by the corporate sector is expected to become stronger.

The real GDP growth rate in fiscal 2006 was 2.1% on a year-on-year basis (yoy), supported by strong fixed investment and exports, maintaining the 2% level. There was a slowdown in the first half of fiscal 2007 because the production of digital related goods was in an adjustment phase and fixed investment was at a temporary pause. However, the momentum is expected to

return toward the latter half of the fiscal year, and the rate of growth may reach 1.8% yoy; the economy will decelerate but only slightly. The U.S. subprime mortgage issue is a cause of concern for the world economy, but the risk of financial system destabilization is small. If the financial markets return to normal, the effects on the global economy should be contained, and the problem should end shortly. Indeed, the U.S. economy has been showing steady and continuous expansion. In Japan, the revision of the Building Standards Law caused a virtual standstill in the process of construction approvals, causing a plunge in housing starts. But as housing investment comprises only about 3% of the total growth, its effect on the overall economy will be limited. So long as the confusion ceases by the end of fiscal 2007, the rebound should cause housing investment to increase in fiscal 2008.

Fiscal 2008 should become another year of an expansion. In the first half of the fiscal year, there will be such factors as the Beijing Olympic Games to be held in August and the silicon cycle entering an upward phase, which should increase external demand to support the steady overall growth of the Japanese economy. The steam may slacken a little toward the latter half of fiscal 2008, but the real GDP growth for the entire year of fiscal 2008 is expected to accelerate to the level of 2.2% yoy.

Chart 2: Midterm scenario of economic growth rate



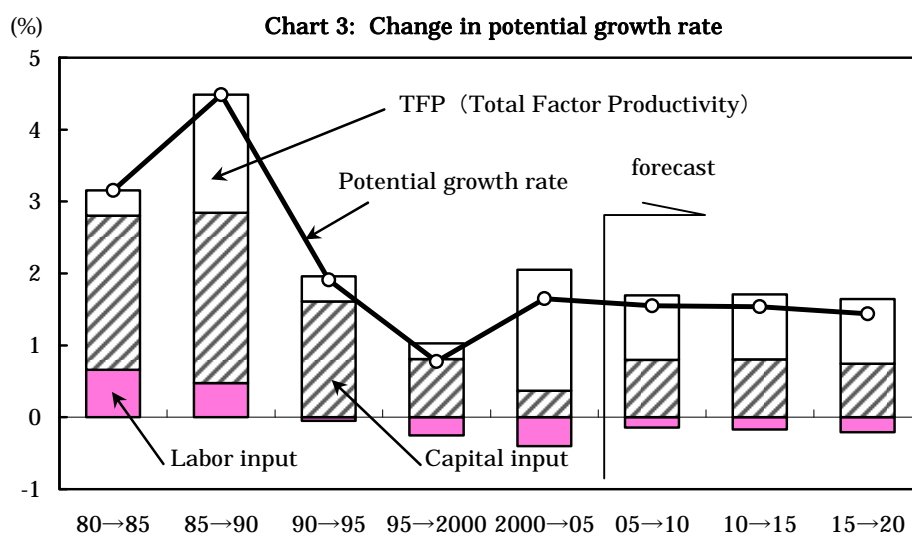
Source: Cabinet Office and own estimates

The five years from fiscal 2006 to 2010 will be the time for the government to launch fiscal consolidation, as the economy should be strong enough to tolerate tough policy measures. The fiscal consolidation is a policy to activate measures for both revenue and expenditures

simultaneously. But expenditures are bound to increase, mainly due to an increase in social security-related costs. In addition, as the government's liability share in the payment of basic pensions will increase from one-third to one-half in fiscal 2009, traditional means of cutting expenses and expecting built-in growth of tax income will not suffice to reach the objective. In order for both the national and local governments to come close to achieving a surplus in the primary balances by fiscal 2011, raising the consumption tax is deemed inevitable, and this is incorporated in the outlook as an increase from the current 5% to 7% starting April 2010.

Consequently, the last-minute buying spree before the tax hike is expected in fiscal 2009, and the reaction to this is expected in fiscal 2010. But as the economy will steadily expand during the period, it should have only a small, short-term effect. Based on this assumption, we forecast that the real GDP growth rate will reach 2.5% yoy in fiscal 2009, and record 1.6% yoy in fiscal 2010, resulting in about 2% growth for the average of the two years.

In the five-year period up to fiscal 2010, deflation is expected to end, and prices will rise moderately. During this period, the global economy is expected to expand steadily while primary commodities prices continue to rise, and the Japanese economy is likely to expand at slightly above the potential rate of growth (of about 1.6%), all of which will also be factors to increase prices (Chart 3). The growth rate of the GDP deflator, after approaching a near-zero level of -0.1% yoy in fiscal 2007, will become positive at +0.2% yoy in fiscal 2008 for the first time in eleven years since 1997. It should continue to follow a gradual upward path, with a jump in 2010 due to the consumption tax increase, but will stay almost flat at +0.1% for the average of the five years, compared with -1.4% of the five-year average from fiscal 2001 to 2005.



Source: Cabinet Office, Ministry of Economy, Trade and Industry, et al, and own estimates

(2) The next five years: Fiscal 2011 - 2015

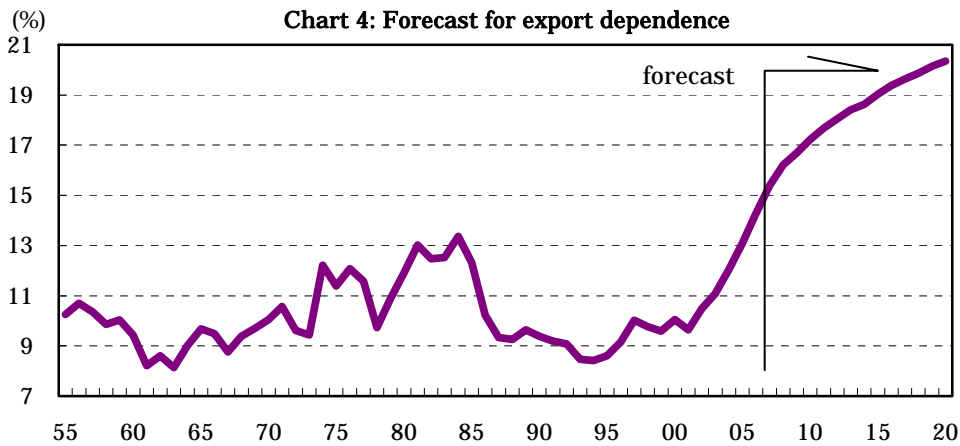
The real GDP growth rate for the five years from fiscal 2011 to 2015 is expected to decline to 1.7% per annum, which is slightly above the potential growth rate of 1.5%. It becomes difficult for any year during the period to show more than 2% growth except for when the extraordinary factor of the consumption tax increase occurs. This is because the expansion of the world economy will decelerate and the demographics of Japan's aging population and declining birthrate will exert a gradual braking effect on the domestic economy. The decreasing population will hinder the growth of consumption, and the abundance of a stock of assets including housing and facilities will moderate growth of new investment. In addition, the baby-boomers will reach the age of retirement causing the size of the workforce to begin to decline, and the number of employed persons to decrease along with it. As the growth rate of corporate profits slows and overseas investments and operations expand, domestic fixed investments by companies will also begin to lose momentum.

In order for the fiscal consolidations to succeed, the outlook assumes the consumption tax will be raised from 7% to 10% starting in April 2014. As in the case with fiscal 2009, the effects on the economy should be limited and last for only a short period of time. But as the width of the increase is relatively large at 3%, the effect of the last-minute demand surge and its backlash may be somewhat larger.

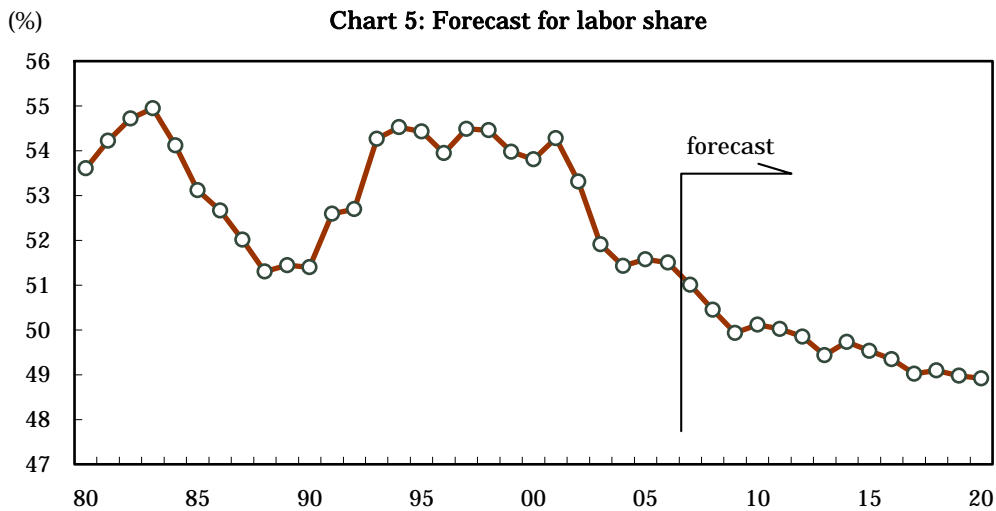
The economy will continue to expand, but price increases will remain small. The average growth rate of the GDP deflator for the five years is expected to be +0.7%. As personnel costs keep rising while the employment environment continues to improve, there is a possibility for the price of services to go up, but as increase in primary commodities prices is expected to settle down, the price of goods should remain stable.

(3) The last five years: Fiscal 2016 - 2020

The real GDP growth rate for the five years from fiscal 2016 to 2020 is expected to decline to 1.5% per annum, which is close to the potential growth rate of 1.4%. The speed of the population decrease will accelerate, and the number of employed persons will continue to fall. The contraction of the workforce will enable a favorable employment environment to be sustained, which will bring about higher wages and higher household income. However, as the competition with other countries becomes more intense, the average increase in personnel expenses will be suppressed below that of corporate profits. The dependence on exports, which is already rising, will continue to increase, restraining wage increases (Chart 4). As a result, the labor distribution rate will continue to dwindle through the forecast period (Chart 5).



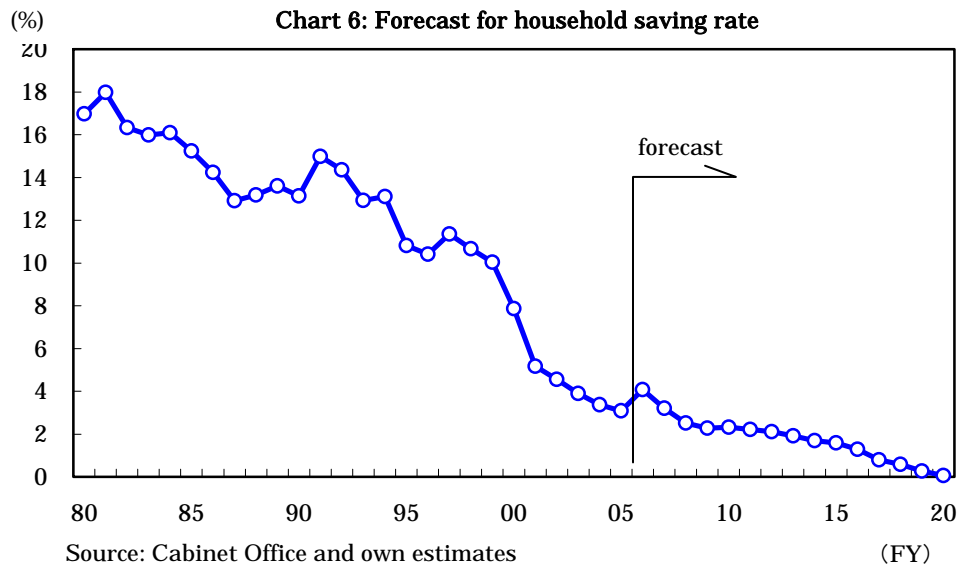
Note: $\text{Export dependence} = \frac{\text{Export}}{\text{Aggregate demand}} \times 100$,
 $\text{Aggregate demand} = \text{GDP} + \text{Import}$ (FY)
 Source: Cabinet Office and own estimates



Note: $\text{Labor share} = \frac{\text{Compensation of employee}}{\text{Nominal GDP}} \times 100$ (FY)
 Source: Cabinet Office and own estimates

On the other hand, as consumption continues to increase, the saving rate of households will drop to almost zero (Chart 6). Even though the disposable income including interest income and dividends will grow steadily, consumption will expand faster than income, as the number of elderly households with a high consumption propensity will increase.

We assume that the consumption tax will be raised from 10% to 12% in April 2018. A primary balance surplus will be achieved by this time, and the government's debts should start to decrease. But as social security-related expenditures such as pension payments and medical and nursing care expenses will continue to increase, the early implementation of policy measures is assumed to be necessary.



The economy should continue to expand, but the pace will hover at a low level near the potential growth rate, and inflationary pressures will remain small, keeping prices stable. The growth rate of the GDP deflator through the period is expected to be +0.7% per annum.

3. Steady growth to realize wealth

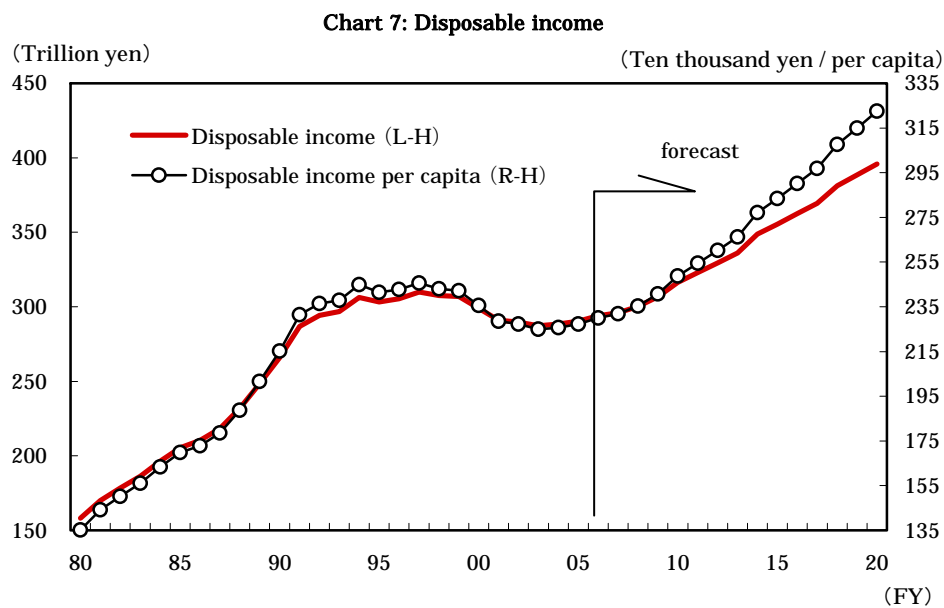
The growth rate of the Japanese economy is expected to decelerate gradually toward the year 2020. However, the growth mechanism will not be lost. Even as the rate of growth slows, the economy will maintain a sustainable growth, and the fiscal structure will improve associated with the consumption tax increases. Furthermore, by constructing sustainable social security and pension systems in a society with a dwindling population, finishing the transition into a mature society is expected.

The objective of the economic policy is to enhance the affluence of each citizen. Economic growth is an intermediate target to achieve that objective, and the trend of disposable income is more important. In the process to break away from the negative legacy of the bubble burst, priority was placed on corporate reforms to expand the economy, and the disposable income of households was not given its fair share of attention. As the corporate restructuring was gathering full momentum in the late 1990s, the subject of the disposable income of households was virtually cast aside. Looking at the shares in the national disposable income among households, the government, and corporations, fiscal 1999 was the year when the share of corporations began to increase and that of households began to decrease.

However, while the growth rate of the economy will decline, there is a possibility for

household disposable income to regain its fair share. The sluggish growth or decline of the labor force is considered as a worrisome factor to reduce the potential growth rate, but if an environment to realize increased productivity can be established, it could become a factor to boost the flagging wage levels. In this medium-term forecast, per capita wages and employee compensation are assumed to increase as the labor market will tighten. An increase of the social security benefits in the aging society, an increase in interest income due to higher interest rates, and an increase in dividends are also factors to expand household disposable income. The growth of household disposable income, or per capita disposable income, was depressed from the late 1990s, but has picked up recently and is expected to continue to increase (Chart 7).

It will be difficult to expect high economic growth in a society experiencing a decreasing population due to aging and a declining birthrate, but affluence for the people can be realized through stable growth in the mature society.



Source: Cabinet Office, Ministry of Internal Affairs and Communications and own estimates

*This is an English summary of a report originally published on November 12, 2007. The full report is available only in Japanese, but the author will answer questions regarding the topic by e-mail.

*The information and the views contained herein are subject to change without notice.

Summary of Projections (1)

	(FY)	Actual				Forecast														Per annum				
		04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	01~05	06~10	11~15	16~20		
Nominal GDP	yoy. %	0.9	1.0	1.4	1.7	2.4	2.8	2.5	2.0	2.1	2.6	2.9	2.1	2.1	2.2	2.7	1.8	1.7	0.0	0.0	2.2	2.3	2.1	
Domestic demand contribution rate		1.0	1.5	1.3	1.6	2.3	2.9	2.6	2.1	2.5	3.0	1.9	2.1	2.1	2.5	2.8	2.1	2.0	0.0	0.0	2.1	2.3	2.3	
Private consumption		0.6	1.1	0.4	1.7	2.2	2.4	3.2	2.2	2.1	2.3	4.0	2.1	2.3	2.5	3.5	2.2	2.1	0.3	0.3	2.0	2.6	2.5	
Housing investment		2.7	0.1	2.6	-11.3	10.0	2.9	0.3	0.3	0.0	2.8	0.7	0.2	0.2	0.3	-0.3	-1.2	-1.3	-1.9	0.6	0.8	0.1	0.1	
Business investment	yoy. %	5.5	5.5	8.4	4.6	5.3	7.9	2.4	4.0	3.5	4.6	1.3	2.4	2.5	3.5	1.3	2.5	2.5	0.7	5.7	3.2	2.5	2.5	
Inventory (contribution rate)		0.1	-0.1	0.0	0.3	-0.3	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Government consumption		1.3	1.0	0.4	1.3	1.4	1.3	1.7	1.1	1.5	1.6	2.0	1.6	1.7	1.8	2.3	1.9	1.9	1.1	1.2	1.6	1.9	1.9	
Public investment		-11.5	0.0	-8.4	-2.9	-2.9	-1.7	-0.9	-0.1	-0.4	-0.1	1.2	1.0	1.2	1.4	1.9	1.7	1.7	-6.9	-3.4	0.3	1.6	1.6	
External demand contribution rate		-0.1	-0.5	0.1	0.1	0.2	0.0	-0.1	-0.1	0.0	0.1	0.0	0.2	0.0	-0.3	-0.1	-0.2	-0.3	0.0	0.0	0.0	0.0	-0.2	
Exports	yoy. %	11.0	11.7	12.0	11.1	8.7	6.4	6.6	5.8	5.2	5.0	5.0	4.8	4.7	4.6	4.4	4.3	4.1	6.1	8.9	5.2	4.4	4.4	
Imports		13.5	17.7	12.2	11.8	8.5	7.0	7.9	7.0	5.5	5.0	5.5	4.4	4.8	5.9	4.9	5.4	5.3	6.7	9.5	5.4	5.3	5.3	
Private demand (contribution rate)	yoy. %	1.3	1.3	1.6	1.5	2.1	2.7	2.4	2.0	1.8	2.2	2.6	1.6	1.8	2.1	2.3	1.7	1.6	0.2	2.1	2.1	2.1	1.9	1.9
Public demand (contribution rate)		-0.4	0.2	-0.3	0.1	0.1	0.2	0.3	0.2	0.2	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4	-0.2	0.1	0.3	0.4	0.4	
Real GDP	yoy. %	2.0	2.4	2.1	1.8	2.2	2.4	1.6	1.8	1.7	2.1	1.2	1.5	1.5	1.7	1.4	1.4	1.3	1.3	2.0	2.0	1.7	1.5	1.5
Domestic demand contribution rate		1.4	1.9	1.3	1.2	2.0	2.5	1.3	1.7	1.7	2.1	1.2	1.4	1.4	1.7	1.2	1.4	1.3	0.9	1.5	1.5	1.4	1.2	
Private consumption		1.3	1.9	0.7	1.8	1.8	2.0	1.4	1.8	1.7	1.9	1.5	1.5	1.5	1.6	1.3	1.4	1.3	1.3	1.3	1.5	1.7	1.4	
Housing investment		1.7	-1.0	0.4	-13.1	8.7	2.8	-2.8	-1.6	-1.4	1.3	-2.5	-1.4	-1.5	1.3	-2.4	-2.2	-2.3	-1.9	-1.1	-1.1	-1.1	-1.4	
Business investment	yoy. %	6.3	5.7	8.0	3.6	4.5	7.0	2.0	3.5	3.0	4.0	1.0	2.0	2.0	3.0	1.0	2.0	2.0	2.5	5.0	2.7	2.0	2.0	
Inventory (contribution rate)		0.1	-0.1	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Government consumption		1.7	0.9	0.9	1.2	1.1	1.0	1.2	1.0	1.2	1.3	1.4	1.3	1.3	1.4	1.5	1.3	1.4	2.0	1.1	1.2	1.4	1.4	
Public investment		-12.7	-1.4	-9.6	-4.5	-3.7	-2.7	-2.2	-0.8	-1.1	-0.7	-0.4	0.3	0.2	0.3	0.2	0.6	0.6	-6.8	-4.6	-0.5	0.4	0.4	
External demand contribution rate		0.5	0.5	0.8	0.7	0.3	0.0	0.3	0.1	0.1	0.1	-0.1	0.1	0.2	0.0	0.2	0.0	0.0	0.4	0.5	0.3	0.3	0.3	
Exports	yoy. %	11.4	9.0	8.2	7.6	8.4	5.6	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.7	4.6	4.5	4.3	6.5	7.1	5.2	4.6	4.6	
Imports		8.4	6.0	3.3	3.7	7.6	5.9	4.5	5.2	5.2	5.2	5.7	4.7	4.5	5.0	4.0	4.5	4.5	3.7	5.0	5.2	4.4	4.4	
Private demand (contribution rate)	yoy. %	1.8	1.8	1.6	1.2	1.9	2.4	1.2	1.6	1.5	1.8	1.0	1.2	1.2	1.5	0.9	1.1	1.1	1.0	1.5	1.2	1.0	1.0	
Public demand (contribution rate)		-0.3	0.1	-0.3	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.0	0.0	0.0	0.2	0.2	
GDP deflator	yoy. %	-1.0	-1.3	-0.7	-0.1	0.2	0.4	0.9	0.2	0.3	0.5	1.8	0.6	0.6	0.5	1.3	0.4	0.4	-1.4	0.1	0.7	0.7	0.7	
GDP per capita (nominal)	yoy. %	0.1	0.2	0.7	1.1	1.7	2.1	1.8	1.8	2.1	2.2	2.9	1.9	2.0	2.3	2.5	2.0	2.1	-0.9	1.5	2.2	2.2	2.2	
GDP per capita (real)		1.9	2.4	2.1	1.8	2.3	2.6	1.8	2.0	2.0	2.4	1.5	1.8	1.9	2.1	1.8	1.8	1.8	1.2	2.1	1.9	1.9	1.9	

Summary of Projections (2)

	Actual		Forecast													Per annum							
	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	01~05	06~10	11~15	16~20		
(FY)																							
Current account	18.2	19.1	21.2	26.3	27.6	27.6	27.8	27.5	28.5	29.4	29.2	30.3	30.7	28.9	28.5	26.7	24.1	16.0	26.1	29.0	27.8		
Trade balance	13.2	9.6	10.5	13.8	16.0	15.9	15.9	15.3	16.0	16.4	16.3	17.0	17.2	15.7	15.2	13.7	11.7	11.2	14.4	16.2	14.7		
Current account surplus as of GDP	3.7	3.8	4.1	5.1	5.2	5.0	5.0	4.8	4.9	4.9	4.7	4.8	4.8	4.4	4.2	3.9	3.5	3.2	4.9	4.8	4.1		
Industrial production	4.0	1.6	4.8	3.0	2.5	1.7	1.7	1.3	1.3	1.9	1.7	1.0	1.2	1.8	1.5	0.7	0.6	0.4	2.7	1.4	1.2		
Consumer prices	0.0	-0.3	0.2	0.1	0.5	0.7	2.3	1.0	1.0	1.0	3.2	1.3	1.5	1.5	3.0	1.5	1.5	-0.4	0.7	1.5	1.8		
excluding fresh food	-0.1	-0.1	0.1	0.0	0.5	0.6	2.3	1.1	1.0	1.0	3.2	1.3	1.5	1.5	3.0	1.5	1.5	-0.4	0.7	1.5	1.8		
Domestic corporate goods prices	1.5	2.1	2.8	2.5	1.2	1.1	2.5	0.6	0.6	0.6	2.9	0.6	1.1	1.1	2.7	1.1	1.1	-0.2	2.0	1.0	1.5		
Disposable income	0.4	0.7	1.2	0.7	1.4	2.2	3.2	2.1	2.0	2.0	3.8	1.9	2.0	1.9	3.2	1.9	1.9	-0.6	1.7	2.4	2.2		
Propensity to consume	96.6	96.9	95.9	96.8	97.5	97.7	97.7	97.8	97.9	98.1	98.3	98.4	98.7	99.2	99.4	99.7	99.9	96.0	97.1	98.1	99.4		
Wages per employee	-0.3	0.7	0.1	-0.1	0.8	1.2	2.3	1.3	1.3	1.3	3.2	1.5	1.6	1.7	3.0	1.7	1.7	-1.1	0.9	1.7	1.9		
Unemployment rate	4.6	4.3	4.1	3.7	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.4	4.9	3.7	3.5		
Labor distribution rate	51.4	51.6	51.5	51.0	50.5	49.9	50.1	50.0	49.8	49.4	49.7	49.5	49.3	49.0	49.1	49.0	48.9	52.5	50.6	49.7	49.1		
New housing starts	119.3	124.9	128.5	107.6	121.1	123.5	120.7	119.1	117.9	119.5	117.4	116.2	115.6	117.2	114.7	113.0	111.9	118.7	120.3	118.0	114.5		
Owned	36.7	35.3	35.6	30.8	33.4	34.1	33.3	32.9	32.8	33.3	32.9	32.8	32.5	33.0	32.3	32.0	31.7	36.7	33.4	33.0	32.3		
Rented	46.7	51.8	53.8	43.8	50.7	51.7	50.4	49.9	49.3	50.0	49.2	48.6	48.2	48.8	47.7	46.7	46.2	46.8	50.1	49.4	47.5		
Built for sale	34.9	37.0	38.3	31.9	35.9	36.6	35.9	35.2	34.7	35.1	34.3	33.8	33.9	34.4	33.7	33.3	33.0	34.3	35.7	34.6	33.7		
Issued	0.9	0.9	0.9	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.0	1.0	1.0		
Sales	5.6	4.6	7.3	2.8	2.4	3.8	1.1	2.3	2.2	3.2	1.5	1.7	1.9	3.2	1.4	1.7	2.1	0.7	3.4	2.2	2.1		
Current profits	24.6	8.4	10.0	8.5	3.1	7.7	-5.9	1.6	2.3	7.6	-3.8	0.5	1.6	8.2	-2.6	1.2	2.9	6.4	4.5	1.6	2.2		
Ratio of current profit to sales	3.7	3.9	4.0	4.2	4.2	4.4	4.1	4.1	4.1	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.2	4.2	4.1	4.0		
Corporate bankruptcies	-14.7	-0.1	1.3	8.7	-4.1	-6.5	5.4	-2.2	-3.7	-1.6	1.6	-3.1	-3.2	-1.7	0.8	-2.5	-1.7	-6.9	0.8	-1.8	-1.7		
Land price	-7.1	-4.9	-2.0	-1.5	-1.0	-1.0	-0.5	-0.3	-0.3	0.5	0.5	0.6	1.0	1.2	0.6	1.0	1.5	-6.9	-1.2	0.2	1.1		
Discount rate	0.10	0.10	0.75	1.00	1.50	1.75	1.75	2.25	2.75	2.75	2.50	2.25	2.00	1.75	1.75	1.75	1.75	1.75	1.75	2.25	1.75		
Short-term interest rate	0.001	0.001	0.500	0.750	1.250	1.500	1.500	2.000	2.500	2.500	2.500	2.000	1.750	1.500	1.500	1.500	1.500	1.500	1.500	2.000	1.500		
Long-term interest rate	1.52	1.43	1.77	1.74	1.90	2.15	2.15	2.60	3.00	2.90	2.70	2.50	2.30	2.10	2.10	2.00	2.00	1.31	1.94	2.74	2.10		
Nikkei average	11,318	13,572	16,407	17,000	18,250	19,000	18,000	19,500	21,000	20,000	20,000	21,000	22,000	23,000	23,500	24,000	24,000	11,171	17,731	20,300	23,300		
TOPIX	1,140	1,393	1,644	1,680	1,800	1,900	1,800	1,950	2,100	2,000	2,000	2,100	2,200	2,300	2,350	2,400	2,400	1,116	1,765	2,030	2,330		
Yen rate	107.5	113.3	116.9	117.6	118.5	118.0	118.4	119.0	118.0	117.0	116.0	115.0	114.0	113.0	112.0	111.0	110.0	116.2	117.9	117.0	112.0		
World economic growth	5.3	4.8	5.4	5.1	5.4	5.2	5.2	5.0	4.9	4.8	4.7	4.6	4.5	4.3	4.2	4.1	3.9	3.9	5.2	4.8	4.2		
Oil price (WTI near delivery)	45.1	60.0	64.9	75.9	83.5	86.0	90.0	90.0	88.0	86.0	84.0	82.0	82.0	84.0	86.0	88.0	90.0	37.9	80.1	86.0	86.0		

Note: Forecasts for discount rate and short-term interest rate are as of the end of fiscal year, actual figures for world economic growth are data from IMF, figures for disposable income and propensity to consume for 2006FY are forecast.