Dec. 2000

Forecast for the Japanese Economy in Fiscal 2001

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Outlook for the Japanese Economy in Fiscal 2001

<Summary>

1. Gradual Recovery Trend Continues

The Japanese economy is continuing to recover, although at a gradual pace. Certain sectors are growing supported by the increase in IT-related demand, but the effect of structural problems, such as high levels of debt and employment, are acting as a restraint, and growth of the economy as a whole continues to lack robustness. Real GDP growth in the July–September quarter was 0.2% over the previous quarter, the third consecutive quarter of positive growth. Government spending fell owing to the diminution of the effects of the Policy Measures for Economic Rebirth and the stagnation in construction orders from local governments, but increases in private-sector demand made up for this. However, the increase in private-sector demand was almost entirely due to gains in private capital investment, while private consumption remained level with the previous quarter. Compared with the corporate sector, recovery in the household sector remains weak. Moreover, as a result of the sudden slowing of exports, the contribution of external demand became negative.

2. Growth of 1.9% in Fiscal 2000, the Second Consecutive Year of Positive Growth

In the latter half of fiscal 2000, gradual recovery is expected to continue supported principally by the corporate sector, and for the full fiscal year (ending March 31, 2001) real GDP is expected to rise 1.9%, the second consecutive year of positive growth. Judging from the strong increases in orders for machinery and equipment (excluding the shipping and electric power industries from private-sector orders), which are a leading indicator for capital investment, the driving force for the economy for the remainder of fiscal 2000 will continue to be private capital investment. After significant gains in the previous half-year, corporate profitability is expected to show a further substantial improvement in the latter half of fiscal 2000. Private consumption is likely to show a slight improvement in the second half of fiscal 2000. This will be supported by continued increases in income accompanying the gradual improvement in the employment environment as corporate performance shows further gains. Public works investment is expected to provide support for the economy as the effects of the economic policies announced in fall 2000 emerge in the months ahead. The support provided by external demand is forecast to weaken. The slowdown in the U.S. economy is already becoming more pronounced, and this, together with signs of a weakening in the global economy, are expected to bring slower growth in exports. On the other hand, domestic demand, principally for IT-related and certain other goods, remains firm. Imports are therefore likely to increase steadily, further weakening the support provided by external demand.

3. Temporary Slowing in First Half of Fiscal 2001, but Growth of 1.3% for the Full Year

The Japanese economy is expected to show 1.3% growth in real GDP in fiscal 2001, ending March 31, 2002, marking the third consecutive year of positive growth. The government sector will contribute only 0.4 percentage point of this increase, while the private sector will provide 0.9 percentage point, thereby raising the overall growth rate. Thus, at least in form, recovery led by the private sector will continue, but the rate of expansion will be slower than in fiscal 2000. Among components of private-sector demand, the contribution of consumption will rise to 0.8 percentage point, and the contribution of capital investment will decline to 0.2 percentage point. Therefore, the role of private consumption as the driving force for the economy will increase relative to other demand components. There is a strong possibility of a temporary decline in production in the first half of fiscal 2001 because of slight inventory adjustments. The rate of increase in exports is expected to decline markedly owing to the slowdown in economies overseas. As a result of the expected decline in corporate profitability, private capital investment may fall below the level in the previous six-month period during the first half of fiscal 2001. Private consumption is expected to take the place of investment as the principal support for the economy. Consumption is forecast to remain firm throughout fiscal 2001 as the employment and income environments show improvements. As the inventory adjustments will be completed in the second half of fiscal 2001, production will gain strength, and capital investment will begin to rise again. Because the decline in the performance of the corporate sector will be temporary, there will be no aggressive employment adjustments, and entry into a period of serious economic downturn will be avoided.

1. Current State of the Economy and Outlook for Fiscal 2000

Gradual Recovery Trend Continues

The Japanese economy is continuing to recover, although at a gradual pace. Certain sectors are growing, supported by the increase in IT-related demand, but the effect of structural problems, such as high levels of debt and employment, are acting as a restraint, and growth of the economy as a whole continues to lack robustness.

Real GDP expanded 2.4% over the previous quarter in the January–March period of 2000, 0.2% in the April–June quarter, and 0.2% in the July–September period for the third consecutive quarter of positive growth. Government spending fell owing to the diminution of the effects of the Policy Measures for Economic Rebirth and the stagnation in construction orders from local governments, but increases in private-sector demand made up for this. However, the increase in private-sector demand was almost entirely due to gains in private capital investment, while private consumption remained level with the previous quarter. Compared with the corporate sector, recovery in the household sector remains weak. Moreover, as a result of the sudden slowing of exports, the contribution of external demand became negative; suggesting that the support provided by exports for the economy is weakening.

Growth of 1.9% in Fiscal 2000, the Second Consecutive Year of Positive Growth

In the latter half of fiscal 2000, gradual recovery is expected to continue, supported principally by the corporate sector, and for the full fiscal year (ending March 31, 2001) real GDP is expected to rise 1.9%, the second consecutive year of positive growth. However, deflationary pressures are persisting (the GDP deflator will have fallen 1.4%), and nominal GDP will rise only 0.4%, which is closer to actual perceptions about economic performance.

Industrial production in the July–September period recorded the fifth consecutive quarterly increase, and, judging from the data for October and the forecast index of industrial production, the October–December period will very likely mark the sixth consecutive quarterly rise. Orders for machinery and equipment (excluding the shipping and electric power industries from private-sector orders), which are a leading indicator for capital investment, rose substantially in the July–September quarter, and the outlook is for continued increases in the October–December period. The driving force for the economy for the remainder of fiscal 2000 will continue to be private capital investment. After significant gains in the previous half-year, corporate profitability is expected to show further substantial improvement in the latter half of fiscal 2000.

Private consumption, which contributed almost nothing to growth in the first half of fiscal 2000, is likely to show a slight improvement in the second half of fiscal 2000. This will be supported by continued increases in income accompanying the gradual improvement in the employment environment as corporate performance shows further gains. Winter bonuses in 2000 are expected rise above the level of the previous year for the first time in three years. In particular, the introduction of new automobile models and latent demand, including that for the replacement of existing cars, are expected to keep consumer spending on durable goods firm.

Public works investment is expected to provide support for the economy as the effects of the economic policies announced on October 19 (including 11 trillion yen in actual project spending) emerge during the January–March through the April–June periods of 2001.

The support provided by external demand is forecast to weaken. The slowdown in the U.S. economy is already becoming more pronounced, and this, together with signs of a weakening in the global economy, are expected to bring slower growth in exports. On the other hand, domestic demand, principally for IT-related and certain other goods, remains firm. Imports are therefore likely to increase steadily, further weakening the support provided by external demand.

2. Outlook for Fiscal 2001

In forecasting the outlook for fiscal 2001, we have made the following assumptions.

- Favorable tax treatment for new housing: Households that build and move into new housing no later than the end of June 2001 currently will receive a tax reduction. We assume this tax break will be extended for two and half years to the end of December 2003, with some reduction in the amount of the tax break and the number of years of applicability.
- Government economic policy: Although the government will not implement a large-scale package of economic measures, we are assuming the government will add about ¥1 trillion to a supplementary budget for expenditures on the IT infrastructure to be passed in fall 2001. The impact of these expenditures will appear from the January–March quarter through the April–June quarter of 2002.

Temporary Slowing in First Half of Fiscal 2001, but Growth of 1.3% for the Full Year

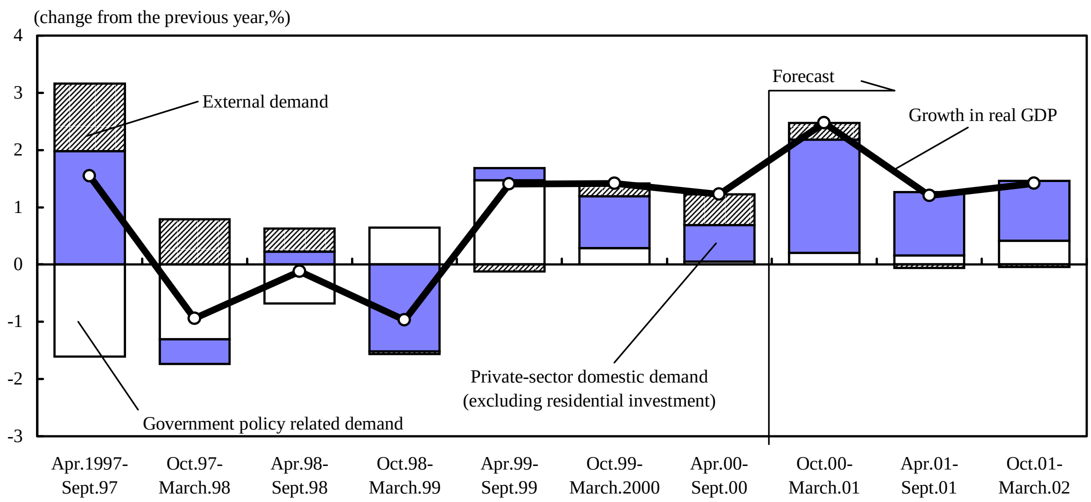
The Japanese economy is expected to show 1.3% growth in real GDP in fiscal 2001, ending March 31, 2002, marking the third consecutive year of positive growth. The government sector will contribute only 0.4 percentage point of this increase, while the private sector will provide 0.9 percentage point, thereby raising the overall growth rate. Thus, at least in form, recovery led by the private sector will continue, but the rate of expansion will be slower than in fiscal 2000. Among components of private-sector demand, the contribution of consumption will rise to 0.8 percentage point (versus 0.3 percentage point in fiscal 2000), and the contribution of capital investment will decline to 0.2 percentage point (0.9 percentage point in fiscal 2000). Therefore, the role of private consumption as the driving force for the economy will increase relative to other demand components.

Although the corporate sector was strong during fiscal 2000, there is a strong possibility of a temporary decline in production in the first half of fiscal 2001 because of slight inventory adjustments. The rate of increase in exports is expected to decline markedly owing to the slowdown in economies overseas. In addition, although corporate performance has been strong, the slowing of growth in production and exports is expected to bring a significant decline in profitability. As a result of the decline in corporate profitability, corporations may become more cautious about making capital investments. For this reason, private capital investment, which was the driving force in fiscal 2000, may fall below the previous six-month period during the first half of fiscal 2001.

Private consumption is expected to take the place of investment as the principal support for the economy. Consumption is forecast to remain firm throughout fiscal 2001 as the employment and income environments show improvements. Public works investment will continue to give a boost to the economy through the April–June period, because of the impact of the supplementary budget passed in fall 2000.

As the inventory adjustments will be completed in the second half of fiscal 2001, production will gain strength, and capital investment will begin to rise again. Because the declines in the performance of the corporate sector will be temporary, there will be no aggressive employment adjustments, and entry into a period of serious economic downturn will be avoided.

Exhibit 1: Trends in the Japanese Economy through Fiscal 2001



Note: Government policy related demand is defined as public-sector demand plus residential investment.
Source: Economic Planning Agency (EPA), *National Income Statistics (Kokumin Shotoku Tokei)*

3. Trends by Principal Components of Demand in Fiscal 2001

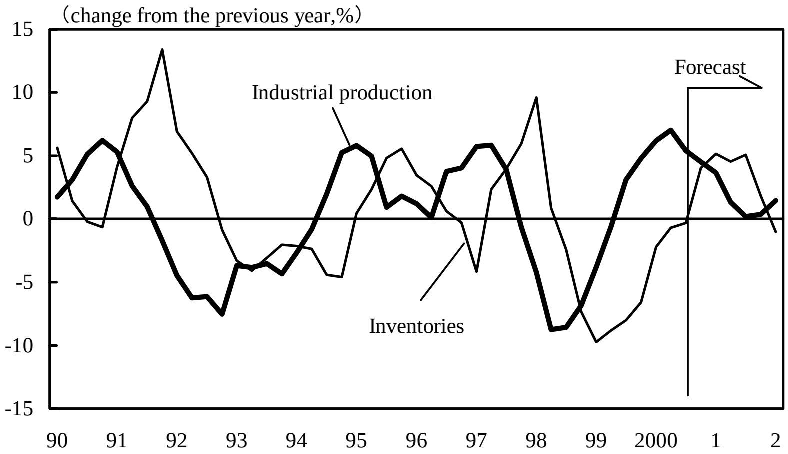
Production to Slow Temporarily Due to Inventory Adjustments but Increase Again in the Second Half

The most recent data for the manufacturing production index show increases for five consecutive quarters through the July–September period of 2000. From the perspective of the inventory cycle, the industrial sector has moved from a period of "unintended decreases in inventories" to a period of "adding to inventories." Among different sectors, production in electrical machinery, especially such IT-related industries as semiconductors and electronic components, is particularly strong and is acting as the driving force for the manufacturing sector.

However, as the demand for IT-related goods is expected to pause in the latter half of fiscal 2000 and the industrial sector will shift from a period of “adding to inventories” to a period of “making unintended increases in inventories,” production is likely to show a cyclical downturn in the first half of fiscal 2001 owing to adjustments in inventories and may weaken temporarily. Moreover, as the speed of expansion in Europe and the United States is slowing, and signs of slower growth may also emerge in Asian economies, which heretofore have shown robust expansion, the boosting effect of exports on production may diminish.

Nevertheless, because private consumption and other components of domestic demand will remain firm, the adjustment should be relatively small, and production will resume growth in the second half of the fiscal year.

Exhibit 2: Outlook for Industrial Production and Inventories



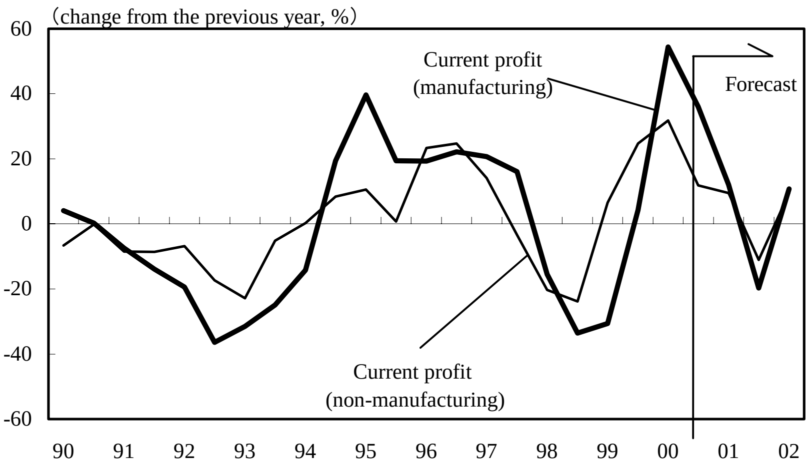
Source: Ministry of International Trade and Industry (MITI), *Industrial Statistics (Tsusan Tokei)*

Sharply Lower Growth in Corporate Profits

Corporate profits in the manufacturing sector, which thus far have shown rapid expansion led by strong growth in profits of IT-related industries, will confront an unavoidable decline in profits in fiscal 2001. In addition to a reaction to rapid growth thus far, a number of factors are expected to bring a decline in profitability. These are (1) slower growth in sales due to a pause in IT demand and other factors, (2) a peaking of exports as overseas economies slow, (3) the adverse impact of a deterioration in Japan’s terms of trade due to higher oil prices, which will be felt with a time lag, and (4) a slight increase in the burden of fixed costs, including personnel expenses that will accompany the improvement in the employment environment. Together, these factors may bring a double-digit decline in current profit in the manufacturing sector in the first half of fiscal 2001 compared with the same period a year earlier. However, profits will begin to increase again in the second half supported by firm private consumption and recovery in exports.

In the non-manufacturing sector, current profit is also expected to decline in the first half of fiscal 2001 but should begin to rise again in the second half.

Exhibit 3: Outlook for Corporate Profitability

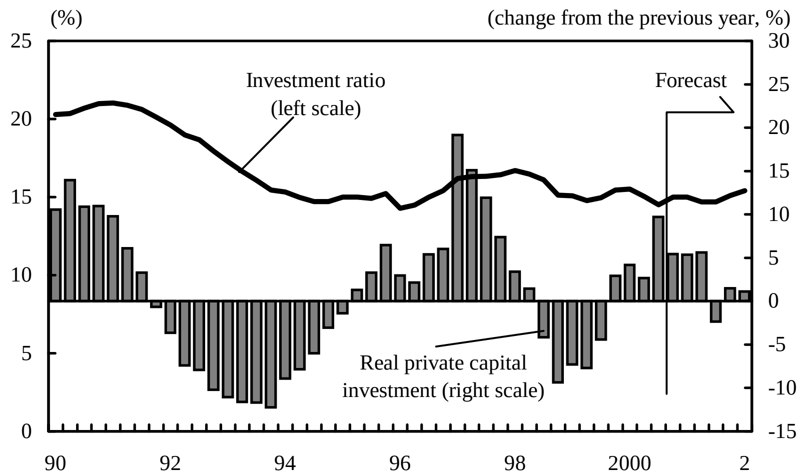


Note: Data points are for the first and second six-month periods of each fiscal year.
Source: Ministry of Finace (MOF), Quarterly Statistics on Incorporated Enterprises *(Hojin Kigyo Tokei Kiho)*

Temporary Decline in Capital Investment

Private capital investment, which was the driving force for the economy in fiscal 2000, is forecast to show slower growth in the first half of fiscal 2001 as corporations become more cautious about the future owing to the decline in profitability. Although there have been signs of acceleration in capital investment in industries other than IT-related sectors, this trend is still insufficient, and investment in the non-manufacturing sector, where debt levels are still excessively high and recovery in corporate performance is lagging, is still sluggish. Since corporate performance will improve in the latter half of fiscal 2001, capital investment is expected to begin to increase again, but the contribution of investment over the course of the full year will be substantially lower than in the previous fiscal year.

Exhibit 4: Outlook for Private Capital Investment



Note: Investment ratio = Norminal private capital investment / Norminal GDP × 100
Source: EPA, *National Income Statistics (Kokumin Shotoku Tokei)*

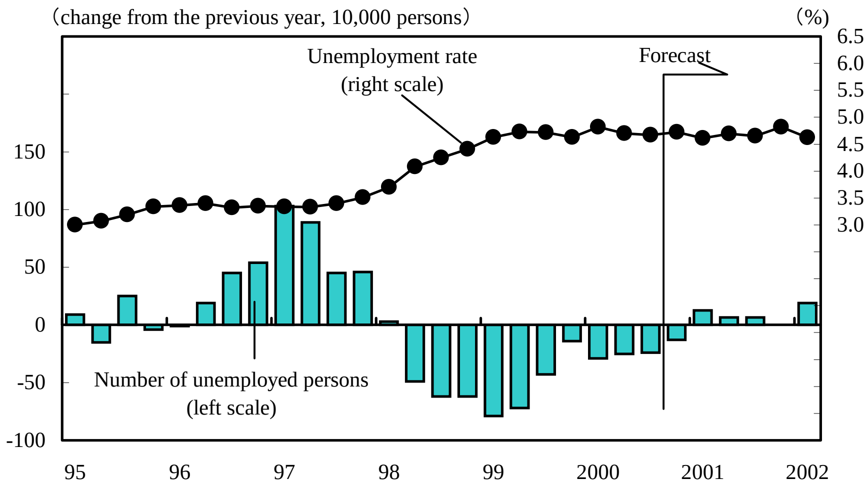
Continued Gradual Recovery in the Environment for Employment and Incomes

Although a number of issues remain, such as the mismatching of jobs available and potential employees by age, type of occupation, and other criteria as well as the "over-employment" in some industries, the employment environment is showing gradual recovery along with the firm trends in production. The number of people employed is expected to begin to rise again in fiscal 2000, and this upward trend is likely to continue in fiscal 2001.

As the favorable conditions in the corporate sector spread gradually to the household sector, the number of people employed should continue to expand. The pace of expansion in compensation for overtime is likely to diminish in the first half of fiscal 2001 as production slows, but reflecting strong corporate performance for the past two years, (1) the decline in the percentage of the spring wage increase in previous years is expected to end in fiscal 2001, and the rate of increase in compensation will rise, and (2) the size of summer bonuses in fiscal 2001 may show some increase, following the rise in winter bonuses in fiscal 2000. These developments will lead to a further improvement in the income of employed persons.

Nevertheless, because corporations will proceed with restructuring and because new hires will be primarily part-time workers, the rise in employment income will be smaller than in previous periods of economic expansion. In addition, unemployment is expected to remain at a relatively high level as persons seeking work will rise in tandem with the improvement in employment conditions.

Exhibit 5: Outlook for the Unemployment Rate



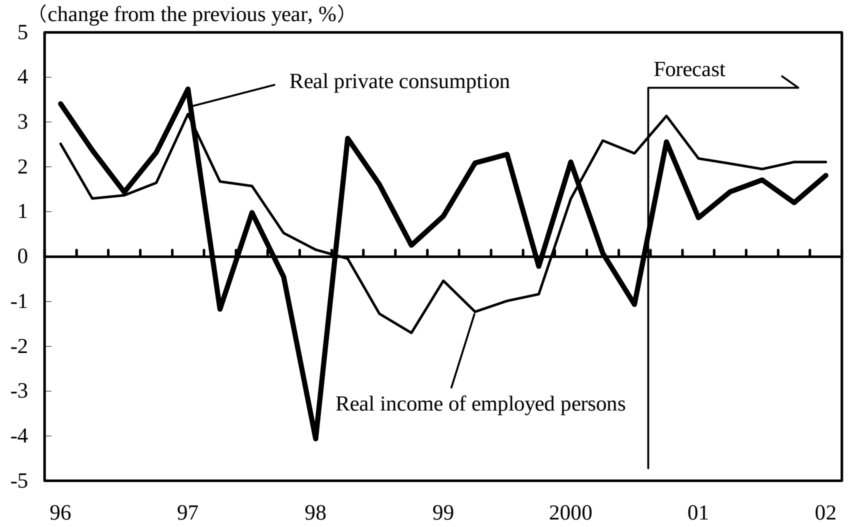
Source: Management and Coordination Agency (MCA), *Labor Force Survey (Rodoryoku Chosa)*

Private Consumption Will Support the Economy as Incomes Rise

Looking next at private consumption, recent data show automobile sales are strong as manufacturers have introduced new models, but expenditures for PCs and other IT-related items are slowing. Similarly, outlays for services and non-durable consumer goods are stagnant, and, in general, trends are not bright.

Nevertheless, as income continues on an upward trend, private consumption will continue firm and consumption will support the economy, partially making up for the slowdown in capital investment in fiscal 2001. However, there is little hope that consumer confidence will improve dramatically, and the increase in consumption is likely to remain within the limits of the increase in income. Consumption will therefore be somewhat lacking in strength as the driving force for the economy. As a consequence, the propensity to consume will remain virtually unchanged.

Exhibit 6: Outlook for Private Consumption

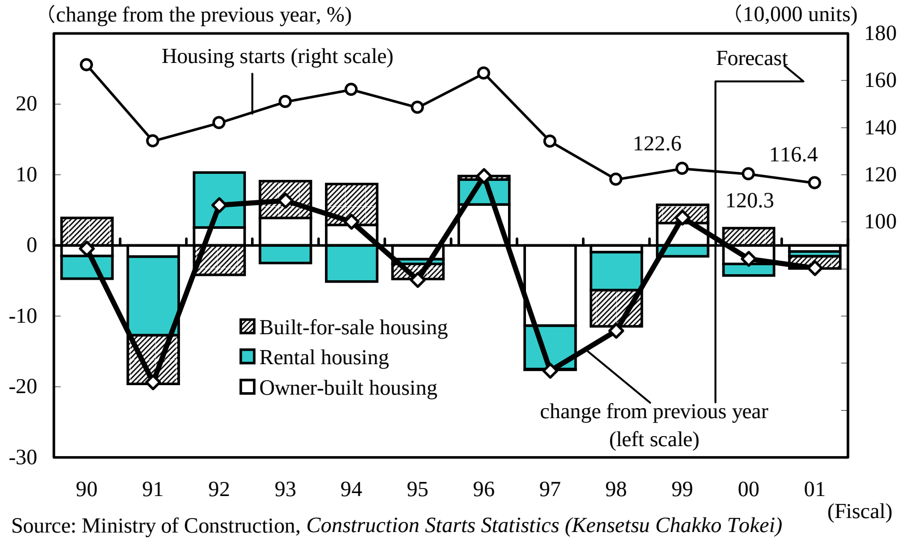


Source: EPA, *National Accounts (Kokumin Keizai Keisan)*

Residential Construction to Decline even with Extension of the Tax Break

Owner-built and built-for-rental housing starts are stagnant, and recent data show that built-for-sale housing starts, which have been strong, are gradually losing steam. Since we have assumed that the tax break for new housing will be extended for households that move into their new homes by the end of December 2003, no surge in demand (prior to the originally scheduled termination of the tax break) or reactionary drop in demand will occur during fiscal 2001. Housing starts were already on the rise when the tax break was introduced in fiscal 1999 through the first half of fiscal 2000, and demand appears to have run its course for the time being. The rise in mortgage interest rates and other factors will probably rule out a braking in fiscal 2001 of the downtrend that began in fiscal 2000.

Exhibit 7: Outlook for Residential Investment

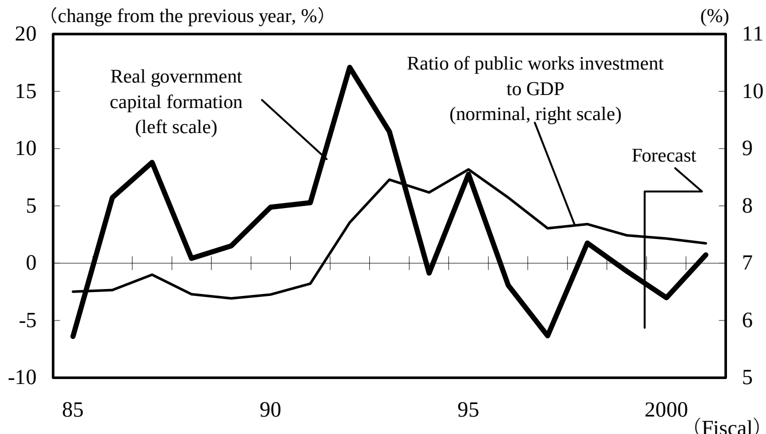


Source: Ministry of Construction, *Construction Starts Statistics (Kensetsu Chakko Tokei)*

Public Works Investment to Rise Slightly in Real Terms

The support for the economy provided by the Policy Measures for Economic Rebirth that were enacted in fall 1999 had run out of steam by the July–September quarter of 2000. Another round of economic measures, with actual project expenditures of ¥11 trillion, were formulated in fall 2000, and these are expected to provide support for the economy from the January–March quarter through the April–June quarter, but the impact of these is also likely to dissipate by summer. We assume that ¥1 trillion in expenditures for the improvement of Japan's IT infrastructure will be added in a supplementary budget to be enacted in fall 2001 but that no major new economic package will be adopted because of fiscal constraints and the continuation of recovery in the economy. For this reason and because of the decline in projects undertaken by local government on their own initiative as well as other factors, public works investment in nominal terms in fiscal 2001 is likely to show a slight decline from the previous year. However, since the deflator for these expenditures is forecast to show a further decline, public works investment will show the first increase in three years. The rise will be small and provide little support for the economy.

Exhibit 8: Outlook for Public Works Investment



Source: EPA, *National Income Statistics (Kokumin Shotoku Tokei)*

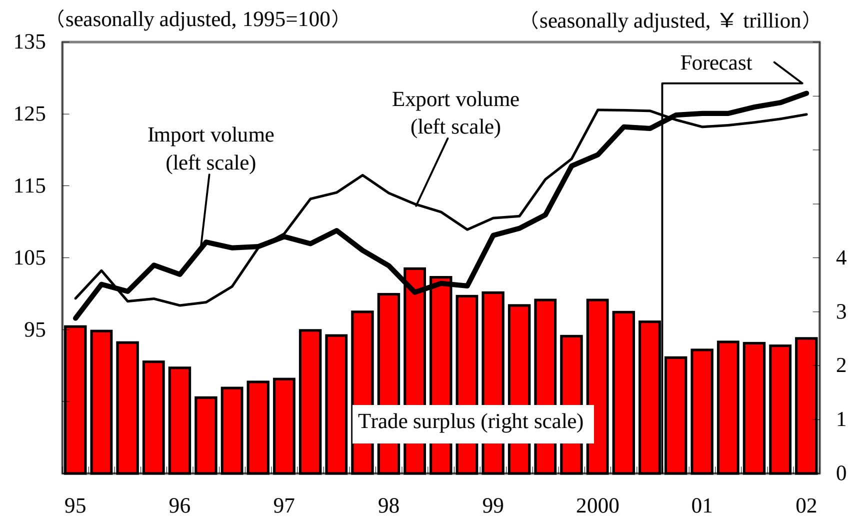
Contribution of External Demand to Turn Negative

Signs of a slowdown are emerging in exports to Europe and the United States as well as exports to Asia that have been strong to date. In particular, growth in exports of industrial materials, such as steel and other metal products as well as chemicals, is slowing in part because of the increase in inventories in overseas markets. From the latter half of fiscal 2000 through the first half of fiscal 2001, the economies of Europe and the United States will slow, and the speed of expansion in Asian countries will drop, leading to a substantial decline in the rate of growth in Japan's exports. Another factor contributing to the decline in export growth will be a pause in the worldwide IT booms. However, as the economies of Europe and the United States will not experience a major slowdown, the yen may weaken in the latter half of fiscal 2001, leading to an increase in Japan's export growth.

Imports will rise in value for fiscal 2000 because of higher oil prices. Alonging with the growing domestic demand, especially for IT-related items, the physical volume of imports will also increase, thus leading to a substantial increase for fiscal 2000. Over the course of fiscal 2001, the anticipated decline in oil prices will lower the value of imports, and, accompanying the temporary stagnation in domestic demand in the first half of the year, the growth of imports will drop sharply. However, the physical volume of imports, principally textiles and certain other items, will continue on an upward trend, leading to higher overall rates of growth in imports than in exports. As a result, Japan's trade surplus is expected to shrink in fiscal 2001 for the third consecutive year.

The contribution of external demand to economic growth will therefore become negative in fiscal 2001 as the rate of growth in exports slows and imports continue on a bullish upward trend.

Exhibit 9: Outlook for Trade

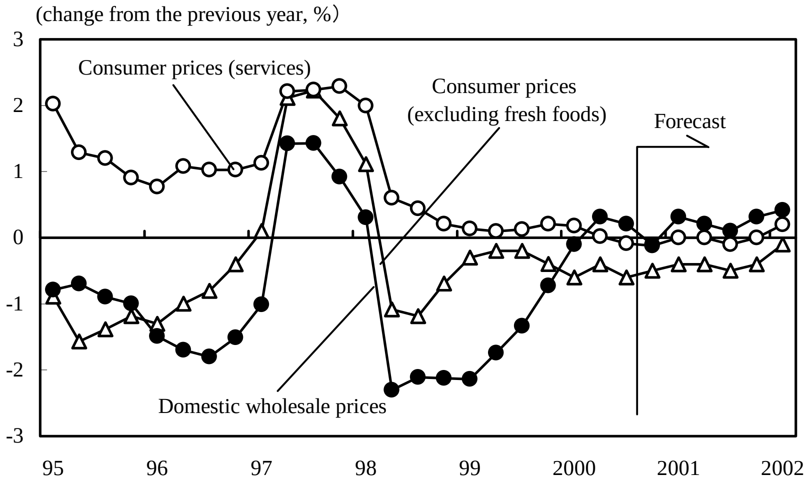


Source: MOF, *Summary Report on Trade of Japan (Gaikoku Boeki Gaikyo)*

Deflationary Pressures to Remain

Wholesale prices are likely to remain stable, but consumer prices may show further declines from the previous year. Factors accounting for this will be the downward pressures on the supply side created by technological innovation and deregulation, the anticipated drop in oil prices during fiscal 2001, and the fact that domestic demand is not strong enough to generate inflationary pressures. Therefore, deflationary pressures will continue and growth in nominal GDP will continue to be below that in real GDP.

Exhibit 10: Outlook for Prices



Source: Bank of Japan, *Price Indexes Monthly (Bukka Shisu Geppo);* MCA, *Monthly Report on Retail Prices (Bukka Tokei Geppo)*

4. In Conclusion

Some Uncertainties to Continue

There are certain risk factors that must be pointed out with respect to the opinion that after a slight adjustment, principally in the corporate sector in the first half of fiscal 2001, the economy will overcome this and move back to a path of recovery led by private-sector demand. Depending on the way these factors play out, downward pressures may emerge.

The first risk factor is whether the corporate sector will resume its recovery following the adjustment in the first half. Behind the view that inventory adjustments will be relatively mild is the belief that the softening in demand for semiconductors and other IT-related goods that have boosted production thus far will end in the first half of fiscal 2001. In light of such circumstances as the continuing rise in the household ownership rate of PCs, the strong demand for digital household appliances, and the scheduled introduction of new mobile telephone services in fiscal 2001, the demand for IT goods and services is viewed as basically strong. However, if as a result of aggressive capital investment excess supply conditions persist or if the drop in IT-related demand is much greater than expected, there is a possibility that a recovery in overall production make take some time.

The second risk factor is trends in corporate profitability. Profits may come under greater pressure than expected not only if domestic and overseas demand drops more than anticipated but also if other external factors come into play, such as increases in interest rates, a strengthening of the yen, or further substantial increases in oil prices. We are assuming that over the course of the year interest rates will not come under strong upward pressures, the yen remains at or somewhat above ¥110 to the dollar, and the price of oil is stable in the upper half of the $20 to $30 range. If actual conditions diverge substantially from this scenario, this will have an impact on corporate profits, and the feelings of excessive labor force, equipment, and debt—which currently have subsided to some degree—may reemerge.

Another risk factor is trends in overseas economies. Uncertainties about the future course of the U.S. economy are growing, but there appears to be a possibility of a soft landing. Nevertheless, if the U.S. economy loses momentum, this will have a major impact not only on exports to the United States but also on Japan's overall exports. A downturn in the U.S. economy will have a detrimental impact on the world economy. In addition, a high percentage of Japan's exports to Asia are further processed and then exported to the United States. Therefore, Japan's export flows to Asia will also be adversely affected. Moreover, if U.S. stock prices, which are fluctuating unsteadily, should drop sharply, this might place downward pressures on asset value not just in Japan but throughout the rest of the world.

Finally, a major risk factor is whether employment incomes will continue to expand if growth in corporate profits slows. Provided the drop in production and exports in the first half of fiscal 2001 is temporary, corporate profits will likely recover, and the recovery in household incomes will continue. But if production and exports fail to recover, corporate profits will stagnate and household incomes may be forced downward. Moreover, even as corporate performance recovers at the macro-level, the trend toward shakeouts of weaker companies will continue as evidenced by the historically high levels of bankruptcies in Japan. The environment for private consumption therefore is not completely bright by any means.

Despite the risk factors we have mentioned, provided the economy clears each of these hurdles, we believe the foundation for sustainable recovery led by private-sector demand will be laid in fiscal 2001 and beyond.

Summary of Forecast for the Japanese Economy

Forecast

(change from the previous year, %)

	FY1999 First half	FY1999 Second half	FY2000 First half	FY2000 Second half	FY2001 First half	FY2001 Second half	FY99 (actual)	FY2000 (Forecast)	FY2001 (Forecast)
Nominal GDP	0.0	▲ 0.3	▲ 0.5	1.2	0.6	1.4	▲ 0.2	0.4	1.0
Real GDP	1.4	1.4	1.2	2.5	1.2	1.4	1.4	1.9	1.3
Contribution of domestic demand	1.7	1.2	0.7	2.2	1.3	1.5	1.4	1.4	1.4
Private consumption	2.2	0.7	▲ 0.6	1.7	1.6	1.5	1.5	0.6	1.6
Residential investment	3.8	7.2	▲ 3.2	▲ 2.6	▲ 5.2	▲ 2.1	5.1	▲ 2.8	▲ 3.6
Non-residential investment (Private plant & equipment investment)	▲ 6.0	3.5	6.2	5.4	1.5	1.3	▲ 1.0	5.6	1.4
Government expenditure	5.6	0.1	0.7	1.3	1.5	2.1	2.5	1.1	1.9
Public investment	9.0	▲ 7.5	▲ 4.6	▲ 1.8	0.0	0.9	▲ 0.7	▲ 3.0	0.7
Contribution of external demand	▲ 0.1	0.2	0.5	0.3	▲ 0.1	▲ 0.0	0.0	0.4	▲ 0.1
Net exports of Goods & Services	1.2	9.6	13.2	6.7	1.9	2.0	5.3	9.8	1.9
Net imports of Goods & Services	3.1	9.4	9.9	5.2	3.2	3.1	6.2	7.4	3.2
Current Account (trillion yen)	6.5	6.1	6.8	5.5	5.9	6.1	12.6	12.3	12.0
Trade Balance (trillion yen)	7.2	6.6	6.8	5.5	5.8	5.9	13.8	12.3	11.7
Index of Industrial Production (IIP)	1.2	5.5	6.2	4.1	0.7	0.9	3.4	5.2	0.8
Wholesale Price Index (WPI)	▲ 3.8	▲ 1.0	▲ 0.3	0.6	0.6	0.5	▲ 2.5	0.2	0.5
Domestic WPI	▲ 1.5	▲ 0.4	0.3	0.1	0.2	0.4	▲ 1.0	0.2	0.3
Consumer Prices Index (CPI)	▲ 0.1	▲ 0.8	▲ 0.7	▲ 0.2	▲ 0.1	▲ 0.2	▲ 0.5	▲ 0.5	▲ 0.2
Yen/US$ Exchange rate	117	106	107	110	111	114	112	108	113
Crude oil price (US$/barrel)	16.8	26.7	30.1	33.0	29.0	28.0	23.2	31.5	28.5
U.S. real GDP (CY) (seasonally-adjusted annual rate)	3.8	4.6	5.9	3.3	2.6	3.4	4.2	5.1	3.0
Rate of wage increase in spring negotiations	—	—	—	—	—	—	2.21	2.06	2.25

Note: Figures were compiled from data on the 290 companies listed on the First sections of the Tokyo (or Osaka) Stock Exchange with a labor union, capital of 2 billion yen or more as well as 1,000 or more employees. (Compiled by the Ministry of Labor)

Exports and Imports (Customs-clearance basis)

Forecast

(change from the same period of the previous year, %)

	FY1999		FY2000		FY2001		1999	2000	2001
	First half	Second half	First half	Second half	First half	Second half	(actual)	(Forecast)	(Forecast)
Exports (yen basis)	▲ 7.8	4.7	8.5	4.7	1.2	3.4	▲ 1.8	6.6	2.3
Volume	1.3	11.3	10.7	1.3	▲ 1.5	0.7	6.2	5.8	▲ 0.4
Imports (yen basis)	▲ 5.1	11.8	14.4	13.0	6.3	2.0	3.0	13.6	4.1
Volume	9.1	13.3	11.9	5.4	2.0	1.8	11.3	8.5	1.9
Export surplus (￥ trillion)	6.3	5.8	5.8	4.5	4.9	4.9	12.1	10.3	9.8

Income and Employment

Forecast

(change from the same period of the previous year, %)

	FY1999		FY2000		FY2001		1999	2000	2001
	First half	Second half	First half	Second half	First half	Second half	(actual)	(Forecast)	(Forecast)
Income of employees per head	▲ 1.2	▲ 0.4	0.8	1.1	1.1	0.9	▲ 0.8	0.9	1.0
Scheduled constracted earnings	▲ 0.1	0.5	0.6	0.6	0.6	0.7	0.2	0.6	0.7
Non-scheduled constracted earnings	1.7	4.2	4.9	3.6	1.8	0.7	3.0	4.3	1.2
Number of employees	▲ 0.6	▲ 0.4	0.5	0.6	0.5	0.6	▲ 0.5	0.6	0.5
Income of employees	▲ 1.6	▲ 1.0	1.4	2.1	1.7	1.7	▲ 1.3	1.8	1.7
								(Forecast)	(Forecast)
Rate of wage increase in spring negotiations	–	–	–	–	–	–	2.21	2.06	2.25
Unemployment rate (seasonally adjusted)	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7

Notes: *Figures for establishments with five workers or more.(Ministry of Labor, Monthly Labor Survey)
**Figures were compiled from data on the 290 companies listed on the First sections of the Tokyo (or Osaka) Stock exchange with a labor union, capital of ￥2 billion or more and 1,000 or more employees.
(Compiled by the Ministry of Labor)

New Construction Started

(10,000 units)

	FY1999 (actual)	FY2000 (Forecast)	FY2001 (Forecast)
Housing starts (change from the previous year, %)	122.6 (4.0)	120.3 (▲1.9)	116.4 (▲3.2)
Owner-built housing	47.6 (8.6)	44.3 (▲6.8)	43.3 (▲2.4)
Rental housing	42.6 (▲4.0)	40.6 (▲4.6)	39.8 (▲2.0)
Built-for-sale housing	31.2 (10.7)	34.2 (9.5)	32.1 (▲6.0)