

December.14.2001

Economic Outlook For Fiscal 2002

UFJ Group
SRIC Corporation
Economic Research Department

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1.Current State of the Japanese Economy

Japan's real gross domestic product (GDP) declined 0.5% from the previous quarter during the July–September period of 2001, marking the second consecutive quarter of negative growth. Although data for the October–December quarter are yet to be released, there is a strong possibility that growth for CY2001 as a whole will be negative.

Without doubt, 2001 was a difficult year for the Japanese economy. Expansion continued until about summer 2000, propelled by increases in demand for IT-related equipment, including PCs, cellular telephones, and semiconductors, but with the end of the IT boom, overseas economies began to slow, and exports began to decline. In addition, along with the decline in demand for exports, industrial production shrank very quickly. Since August 2001, industrial production has trended more than 10% below the levels of the previous year. In particular, production of IT-related goods, including semiconductors, has fallen more than 30% from the previous year's levels.

Since summer 2001, the deterioration in the employment and income environments has accelerated. Unemployment rates have continued to reach new highs, rising to 5.4% in October. The number of persons employed is also declining. The number of self-employed workers and family employees has continued on a declining trend—largely unaffected by the strength or weakness of economic conditions—and the number of company employees, which had been on an upward trend, began to show slower growth beginning in spring 2001 along with the drop in production, and, then in September 2001, fell substantially from the levels of the same period of the previous year. The annual spring wage increase this year was the lowest on record, and both regular wages and bonuses were below the levels for the previous year. In the manufacturing sector, overtime compensation was reduced along with the decline in output.

Until recently, private consumption was regarded as firm in comparison with the loss of momentum in economic activity in the corporate sector, including exports, production, and private capital investment. However,

according to GDP statistics for the July–September quarter, private consumption has shown marked declines for two consecutive quarters. There is the possibility that the drop in activity in the corporate sector is having an impact on the household sector through the deterioration in the employment and income environments.

2.Outlook for Fiscal 2001 and Fiscal 2002

(1) Negative Growth of 0.6% in Fiscal 2001: Production to Stop Declining in the Second Half

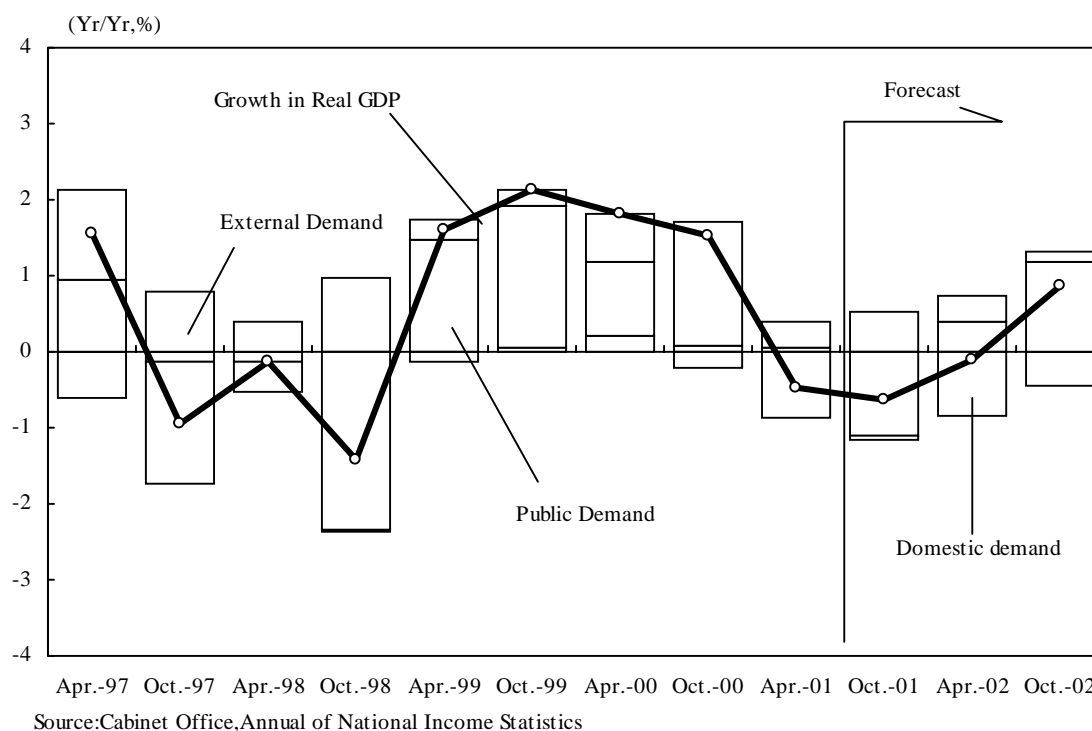
We are forecasting a decline of 0.6% in real GDP in fiscal 2001 and a drop of 2.0% in nominal GDP. As during the first half of fiscal 2001, difficult conditions will continue in the second half, but amid this environment, progress will be made toward adjustments that will set the stage for recovery in fiscal 2002. This will be because the current sharp decline in industrial production will gradually slow and level out as the decline in exports ceases and corporations make progress toward inventory adjustments. However, private capital investment, which was unexpectedly firm in the first half of fiscal 2001, will drop sharply in the second half, judging from the fall in orders for machinery and equipment, which are a leading indicator for investment. Moreover, the employment and income environments are taking a rapid turn for the worse, and conditions surrounding private consumption are becoming increasingly severe. We should expect a difficult recovery for private consumption, but there will probably be some improvement from the rapid fall experienced in the first half of the fiscal year. Conditions for residential investment will become increasingly severe. Not only will the decline in owner-built housing continue but also construction starts of condominium apartments included in built-for-sale housing, which have been strong thus far, are beginning to decline. Public investment will increase in the second half of the fiscal year, as expenditures provided for in the government's second supplementary budget come on stream during the January–March quarter of 2002. The contribution of the external sector in the second half will be positive—in part owing to the increase in automobile exports to the United States, which have been boosted by the offering of zero-interest rate car financing—but

will be negative for the fiscal 2001 as a whole.

(2) Outlook for Growth of 0.4% in Fiscal 2002: Gradual Recovery Led by External Demand

Fiscal 2002 will be a year of gradual recovery, and we are forecasting real GDP growth of 0.4%. However, deflation will continue, and we are forecasting a 0.8% decline in nominal GDP. Completion of inventory adjustments will be in sight during the April–June quarter. Industrial production is expected to rise, assisted by recovery in the U.S. economy. Higher output, along with improvement in corporate profitability, will have a positive impact on private capital investment. Although the recovery trend will be weak because companies have excess plants and equipments, private capital investment is expected to begin to recover around the middle of fiscal 2002. Since employment indicators lag trends in the economy as a whole, deterioration in the employment environment will continue, and there is a possibility that unemployment may climb to the 6% level in the latter half of the fiscal year. Accordingly, consumer confidence may not show much improvement, but since per capita incomes will strengthen, principally because of higher overtime compensation, private consumption will increase in the latter half of the fiscal year. Residential investment is forecast to remain stagnant. Although owner-built housing, which has been on a downward trend, may strengthen somewhat along with the recovery in the overall economy, starts of condominium apartments are likely to show a further significant decline since the number of unsold units is forecast to rise sharply. Public investment will be boosted until the April–June quarter by the beneficial impact of the government’s second supplementary budget for the current fiscal year but will decline thereafter. However, there is a possibility that a supplementary budget may be implemented in fiscal 2002 as well, and this would bring an increase in public works spending toward the end of the fiscal year. Also, since exports will rise as the world economy recovers, external demand will make a positive contribution.

Exhibit 1: Real GDP Growth through Fiscal 2002



3. Outlook for Demand by Category

(1) Assumptions Underlying the Forecasts

The following assumptions have been made in this outlook.

① *World Economy*

The real economic growth rate in the U.S. economy in 2001 is forecast to decline sharply from the previous year, to 1.1%, owing to the fall in private capital investment caused by strong stock adjustment pressures. Moving into 2002, private consumption, which has been relatively strong thus far, will become stagnant in the first half of the year as the employment environment deteriorates, and the declining trend in private capital investment will continue. In the second half of the year, the economy will move toward recovery, led especially by private consumption and private capital investment. However, real growth for the full year will be only 0.1%.

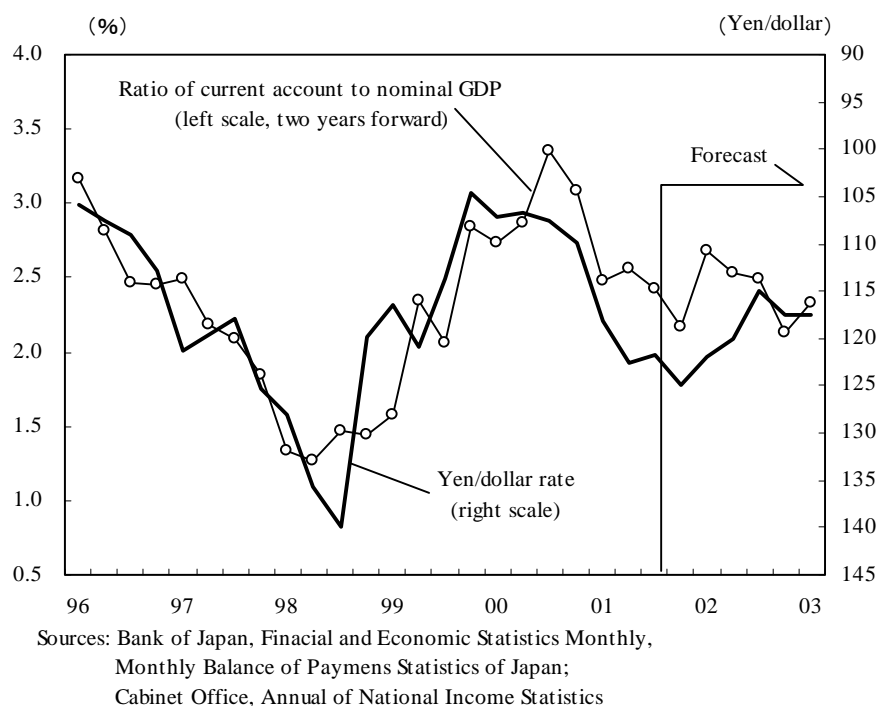
In Europe, recent data show an increasingly pronounced deceleration, but countries of the region are expected to begin to recover from the middle of 2002 and then continue stable growth, as private consumption improves under stable price conditions and the positive effects of lower interest rates are felt. (Growth of 1.8% is expected for the eurozone in 2001 and about 2.5% in 2002.)

In Asia, during 2001 China will continue to show a strong economic performance, but the NIEs, which are highly dependent on IT-related production, have experienced a sharp deceleration in growth, and it appears the nine major countries and economies of the region as a whole will experience relatively slow growth of between 3.0% and 3.5%. In 2002, China will continue to experience strong growth, and, accompanying the recovery in the U.S. economy, other countries in the region will show gradual recovery trends, thus leading to annual growth for the region as a whole of between 4.5% and 4.9%.

②Yen-Dollar Exchange Rate:¥122.9 in Fiscal 2001,¥117.5 in Fiscal 2002

At present, the yen is weakening against the dollar because of the stagnation in the Japanese economy, downgrading of Japanese government bond credit ratings, and other factors, and this weakening trend is likely to continue for a while. Thereafter, however, as the recovery in exports and the bottoming out of industrial production become clear, funds will likely move back into yen, but because of the recovery in the United States, the room for yen appreciation will be limited. We believe the yen/dollar rate will fluctuate principally between the ¥115 to ¥120 range in 2002.

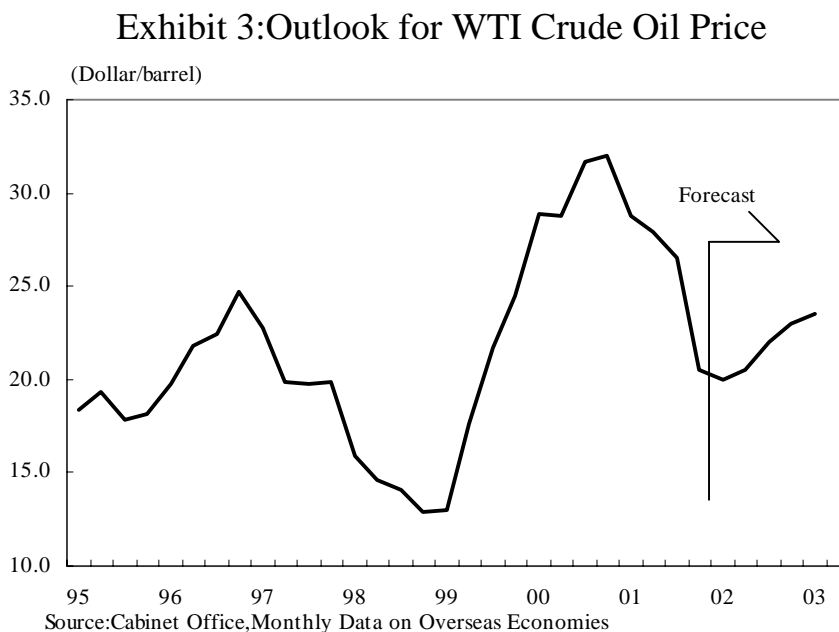
Exhibit 2: Outlook for the Yen-Dollar Exchange Rate



③ WTI Crude Oil Prices: \$20.3/Barrel in the Second Half of Fiscal 2001, \$22.3 in Fiscal 2002

Oil prices, which had been relatively weak because of the slowdown in the world economy, turned sharply downward following the terrorist incidents in the United States in September, as the belief spread that the U.S. economy would not recover for some time, dropping to \$19.7 a barrel in November. Although the reprisal attacks by the United States on Afghanistan appear to be approaching a conclusion, oil prices are expected to fluctuate around \$20 a barrel as the world economy remains stagnant. In fiscal 2002, the world economy will begin to show improvement and oil prices will begin to recover. In addition, OPEC has decided on a production cutback of 1.5 million barrels per day beginning in January 2002, on the condition that Russia and other non-OPEC oil-producing countries lower their production 500,000 barrels per day. At present, the plans for production cutbacks of non-OPEC countries are insufficient, and the commencement of OPEC reductions in January 2002 are not fully certain,

but there seems to be a high probability that both OPEC and non-OPEC countries will implement their production cutbacks in the near future. Oil prices are expected to show a gradual rising trend in fiscal 2002.



④ *Government Fiscal Policy*

The ruling party in Japan has decided to adopt a second supplementary budget as an additional economic measure, and the outlook is for an additional ¥2.5 trillion in public works spending (with about ¥1 trillion being used during the current fiscal year). In fiscal 2002, to avoid exceeding the limit of ¥30 trillion in additional government bond issues, both local allocation tax grants and public works spending are likely to be cut substantially in comparison with the initial budget (with transfers to local governments being reduced ¥2 trillion and public works spending by the national government being cut 10% from the initial budget levels). However, since employment conditions are not expected to improve significantly even after the economy begins to recover, pressures for additional public works spending through the passage of a supplementary budget will grow. This, in turn, is likely to lead to the formulation of a supplementary budget again in fiscal 2002 (with additional allocations for

public works spending of about ¥2 trillion).

⑤ *Monetary Policy*

On September 18, 2001, the Bank of Japan (BOJ)'s monetary policy committee decided to set a target for current deposits with the central bank of "¥6 trillion or more." The BOJ is expected to maintain this target for the time being and continue to provide an ample supply of funds. The interbank call market rate on uncollateralized borrowings (overnight) and other short-term interest rates are expected to continue to fluctuate near 0%. The consumer price index (excluding fresh foods) in fiscal 2002, as in the previous year, is believed unlikely to increase, and the BOJ's policy of the quantitative relaxation of monetary policy will be continued. Since the slowdown in the economy and deflationary conditions will continue, pressures on the BOJ to adopt further measures to relax monetary policy will be strong. Specific requests will include expansion in the BOJ's open market government bond purchasing operations, the buying of foreign government bonds, the introduction of an inflation targeting policy, and the purchasing of CP and corporate bonds. Some of these policies may actually be adopted, but their direct impact on the real economy is expected to be marginal. However, there are likely to be effects on interest rates, foreign currency values, stock prices, and other indicators of financial markets.

(2) Trends in Demand by Category

① The Corporate Sector to Begin to Recover in Spring 2002.

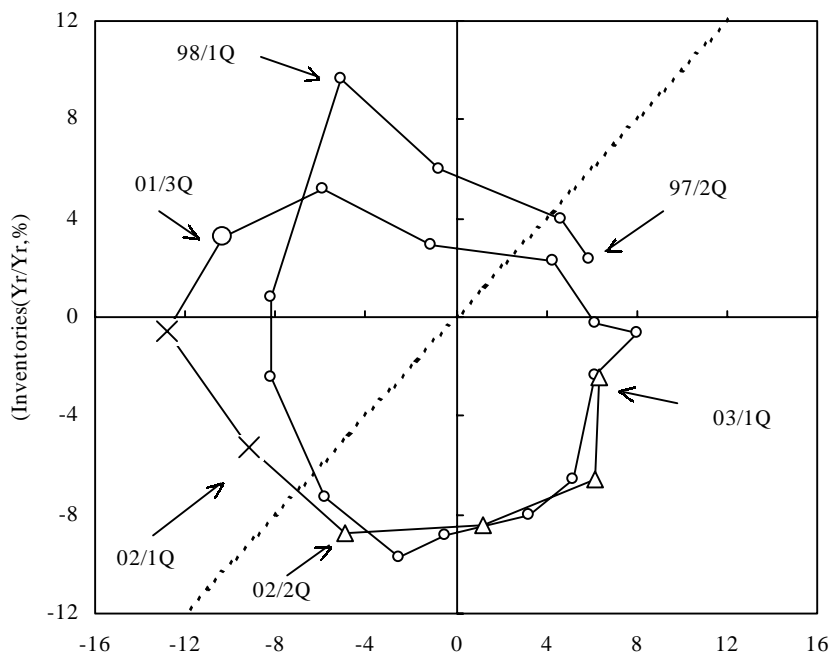
Production to Rise Beginning in Spring 2002

Industrial production has trended downward since the January–March quarter of 2001, and a decline from the previous quarter is forecast for the October–December period. However, a braking of the decline in demand in the semiconductor industry—which led the current downtrend in industrial production—is under way, and steel and other basic materials industries have also made progress toward inventory adjustments by cutting back

production. The decline in exports is also expected to come to an end in the January–March quarter of 2002, and these developments are forecast to bring a halt to the fall in industrial production.

Moving into fiscal 2002, production, led by exports, is expected to increase. As the accompanying graph of inventory cycle movements (Exhibit 4) suggests, in the April–June quarter of 2002 and beyond, the trend line will cross the 45 degree line, which is the approximate indicator for the completion of inventory adjustments (marked “02/2Q” in Exhibit 4). In the July–September quarter and beyond, domestic demand components, including private capital investment and private consumption, are expected to show greater recovery momentum, and the rate of increase in production will accelerate. Toward the end of fiscal 2002, the rate of increase in production may slow somewhat, as domestic demand runs its course. For fiscal 2002 as a whole, production is forecast to rise 2.4%.

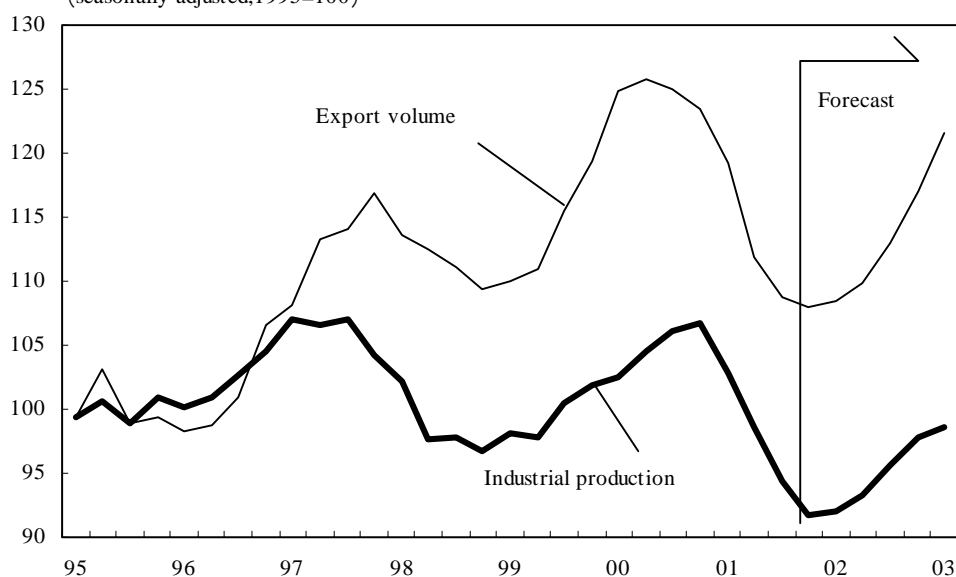
Exhibit 4: Inventory Cycle Movements



Note: Inventories are for the end of period. Figures from the fourth quarter of 2001 are forecasts.
 Source: Ministry of Economy, Trade and Industry (METI), Economic and Industrial Statistics

Exhibit 5: Outlook for Industrial Production and Export

(seasonally adjusted, 1995=100)



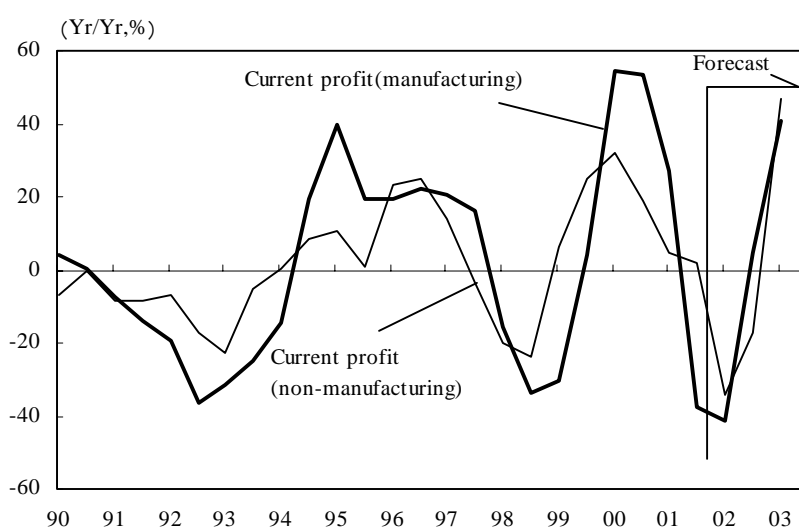
Sources: Ministry of Finance (MOF), The summary Report on Trade of Japan;
METI, Economic and Industrial Statistics

Corporate Profits and earnings to fall in Fiscal 2001 and increase in fiscal 2002

The manufacturing and non-manufacturing sectors are forecast to show declines in corporate profits and sales for fiscal 2001. In particular, current profit in the manufacturing sector is expected to show a marked decline of more than 30% from the previous year. In addition to volume factors, including cutbacks in production due to a drop in exports and inventory adjustments, lower sales prices owing to weak markets for various products, including semiconductors, are placing downward pressure on sales and current profits. In non-manufacturing industries, current profit expanded over the same period of the previous year in the first half of fiscal 2001, because the service sector experienced firm demand, the wholesale/retail sector benefited from the positive impact of restructuring, and the real estate sector reported strong sales of condominium units. However, current profit in non-manufacturing industries is expected to show a double-digit decline in the second half because of the drops in demand from the corporate sector for transportation, telecommunications, and information services.

In fiscal 2002, however, the manufacturing and non-manufacturing sectors are forecast to show increases in sales and current profits and earnings. Because the recovery will be led by exports, improvement in performance in the manufacturing sector is expected to take place somewhat sooner than in the non-manufacturing industries. The cost-restraining efforts of corporations are believed likely to have a beneficial impact, thus leading to a high rate of increase in profitability, but profit levels are forecast to remain below those of fiscal 2000.

Exhibit 6: Outlook for Corporate Performance



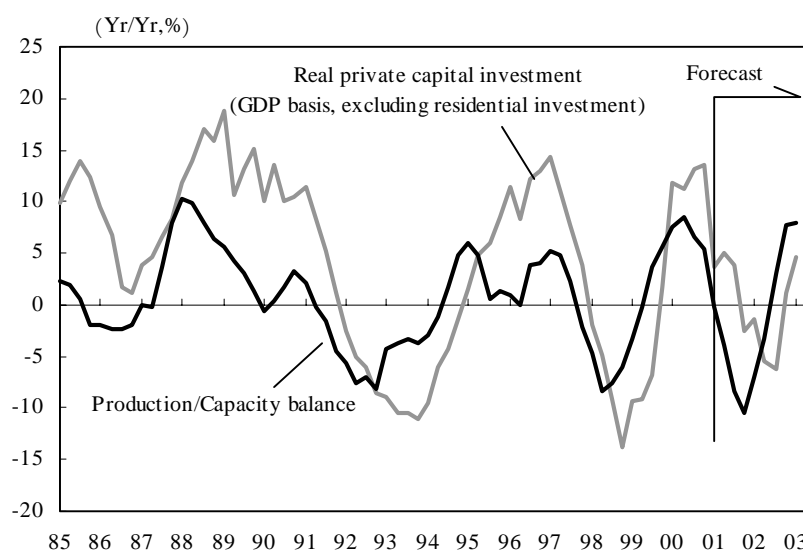
Source: MOF, Quarterly Statistics on Incorporated Enterprises

Capital Investment: Sharp Decline Beginning in the Second Half of Fiscal 2001, Followed by Recovery in Fiscal 2002

In the manufacturing sector, including semiconductors, capital investment plans for fiscal 2001 were revised downward substantially because of the marked declines in production, and capital investment is expected to drop below the level of the same period of the previous year during the second half of the fiscal year. However, because of relatively strong conditions in the first half of the year and firm investments in software to make use of IT, especially in the non-manufacturing sector, capital investment for the fiscal year as a whole is expected to rise 1.0% over the previous fiscal year. In 2002, capital investment early in the year is expected to remain on a downtrend, but as corporate performance begins to

improve from the middle of the fiscal year, capital investment will move toward recovery. Principal factors accounting for the increase will be replacement investment in the manufacturing sector, IT-related investments by small and medium-sized enterprises and non-manufacturing companies, and the resumption of retail store construction, which has been restrained since the decline that followed the surge prior to the implementation of revisions in the Large-Scale Retail Stores Law. Although the slump in the first half of fiscal 2002 will be quite substantial, private capital investment for the full year is expected to show a relatively small decline of 1.3%.

Exhibit 7: Production/Capacity Balance and Capital Investment



Note: Production/capacity balance is computed by subtracting the change in production capacity over the previous year from the change in production over the previous year.
Sources: Cabinet Office, *Annual of National Accounts*; METI, *Economic and Industrial Statistics*

② Household Sector to Show Greater Recovery Momentum in Fiscal 2002

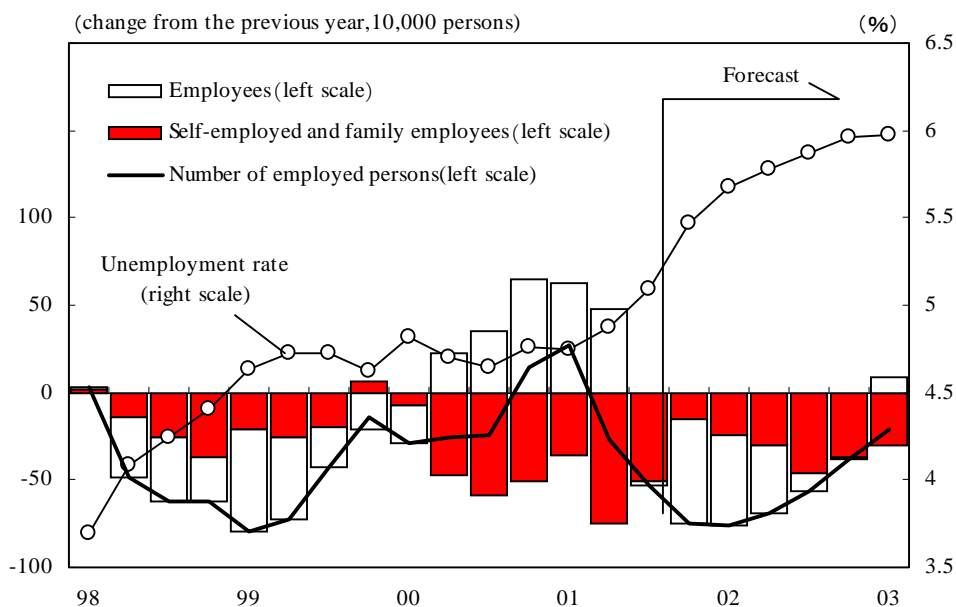
Employment and Income Environments

Along with the decline in production, the number of company employees workers has been stagnant since spring 2001 but showed a sudden, sharp drop beginning in September. Moving into fiscal 2002, industrial production is expected to begin to recover, but corporations will continue to

place severe restraints on personnel costs, and major restructuring activities, especially in the manufacturing sector, are likely to continue. For these reasons, the number of employees is not expected to recover to the levels of the previous year until 2003 and later. In addition, against a background of prolonged low rates of economic growth, the number of self-employed workers and family employees will continued to decline, and the number of total employed workers will remain below the levels of the previous year. As a result, the unemployment rate will rise, probably exceeding the 6% level in the second half of fiscal 2002.

Both regular and overtime employee compensation—which have fallen along with the deterioration in corporate profitability and the decline of industrial production—are expected to begin to improve along with gains in profits and output and to move above the levels for the same period of the previous fiscal year in the second half of fiscal 2002. On the other hand, recovery in bonuses is expected to lag behind the improvement in corporate profitability, thus bonuses will remain below the levels of the previous year throughout fiscal 2002.

Ehibiti8: Unemployment Rate and Number of Persons Employed



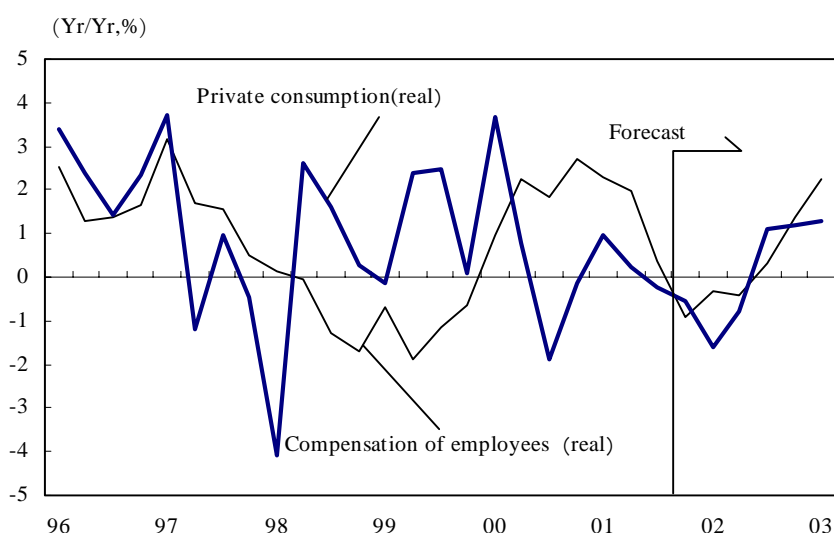
Source: Ministry of public Management, Home Affairs, Posts and Telecommunications, *Labor Force Survey*

Private Consumption

The employment and income environments have deteriorated and consumer confidence has declined. As a consequence, private consumption has lacked strength since the beginning of fiscal 2001. The weakening of the desire to consume has also been evident in the latter half of fiscal 2001, owing to the decline in incomes along with the stagnation in the corporate sector, and real consumption has remained below the levels of the previous fiscal year. For fiscal 2001 as a whole, private consumption is expected to drop for the second consecutive year. However, lower price levels will provide some support for consumer spending in real terms.

In fiscal 2002, the gradual recovery in the economy is expected to bring an improvement in incomes, and the decline in consumer confidence should gradually begin to bottom out, thus leading to a rise in consumption over the same period of the previous year beginning around the middle of the fiscal year. However, the employment environment will remain dull, and a rapid improvement in consumer confidence is not expected. For these reasons, the rise in consumption is expected to remain within the limits of the increase in incomes.

Exhibit9: Private Consumption and Workers Incomes



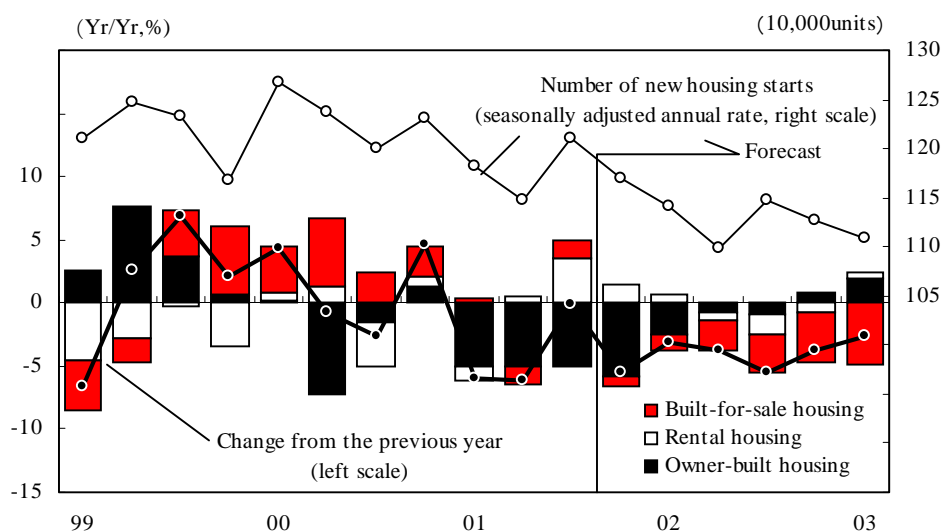
Source: Cabinet Office, National Accounts

Residential Investment

At present, the number of housing starts shows only a small drop from the same period of the previous year. Although starts of owner-built homes, which are quite sensitive to the slowing of the economy, are continuing to fall, starts of built-for-sale housing, principally condominium apartments, are continuing to be firm, and starts of built-for-rental homes are also firm. The slump in owner-built housing is expected to continue for the rest of fiscal 2001, and starts of condominium apartments, which are showing growing signs of reaching a peak, will begin to decline, thus bringing an overall drop in residential investment for fiscal 2001 as a whole.

In fiscal 2002, housing starts of owner-built-homes will gradually begin to improve along with the recovery in the economy as a whole, and, in part as a reaction to the slump thus far, starts should move above the level of the previous year in the latter half of the fiscal year. However, because of the weakness in sales of condominiums, the number of unsold units is expected to rise sharply, thus bringing a drop in starts of new condominium units. For these reasons, housing starts as a whole will remain below the levels of the previous year through the end of fiscal 2002. As a result of these trends in housing starts, residential investment in fiscal 2002 is expected to show a decline for the third consecutive year.

Exhibit 10: Outlook for Housing Starts

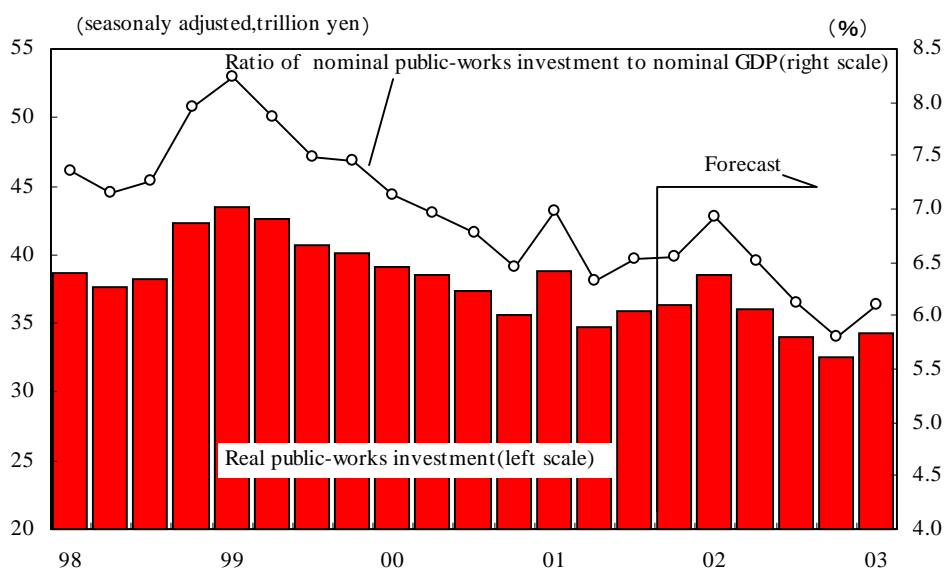


Source: Ministry of Land, Infrastructure and Transport, Housing Construction Starts Statistics

③ Public Works Investment

During fiscal 2001, in addition to the passage of a second supplementary budget, it appears that local public nonsubsidized service will be concentrated near the end of the fiscal year. These will bring an increase in public works spending during the January–March quarter of 2002. In fiscal 2002, central government public-works investment will be cut back 10% from the previous year, on an initial budget basis, to maintain the level of new government bond issues at ¥30 trillion. However, we are assuming that a supplementary budget will be passed (including an increase of ¥2 trillion in public-works investment), and that public-works will increase as the end of fiscal 2002 approaches. Public works investment commissioned by local governments and their agencies, which has been on a declining trend thus far, is expected to show an even larger margin of decline in fiscal 2002 because of the difficult financial position of these local governments and the reduction in local allocation tax grants.

Exhibit 11: Outlook for Public-works Investment



Source: Cabinet Office, National Accounts

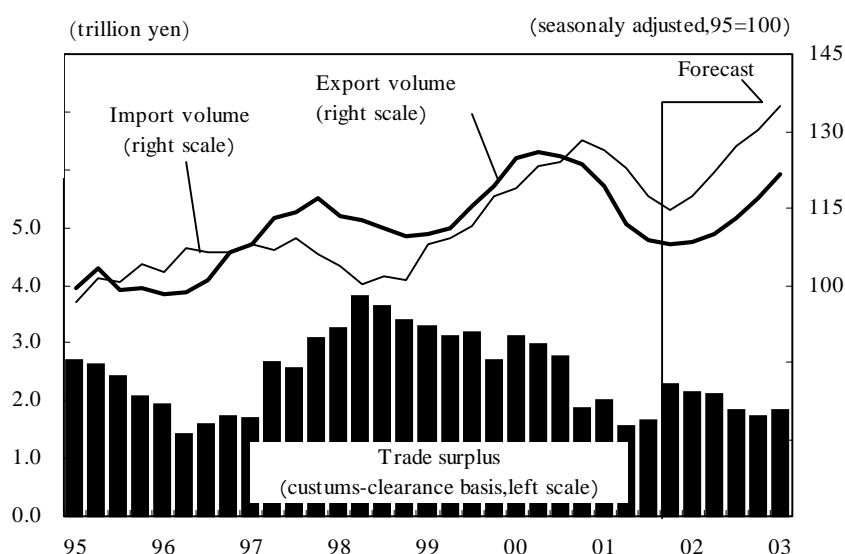
④ External Demand

At present, exports are on a declining trend because of the deceleration of the world economy, but the recovery of the U.S. economy and the lagged impact of the depreciation of the yen on export volumes are expected to bring a resumption of a continuing rising trend during fiscal 2002.

Imports are also declining at the present time, reflecting the slowing of domestic economy, but the bottoming out of the Japanese economy and a structural factor—the progress toward shifting the production bases of Japanese corporations overseas—are expected to result in a continuing rising trend during fiscal 2002.

The contribution of the external demand (in real terms) is expected to be minus 0.4 percentage point in fiscal 2001, largely because of the impact of declining exports. In fiscal 2002, although the contribution of the external demand will shift to a plus 0.2 percentage point as a result of the rise in exports, the contribution will be restrained to this relatively small figure because of the expected increase in imports along with the recovery in domestic demand. The external demand will therefore not be a major factor boosting GDP in fiscal 2002.

Exhibit 12: Outlook for Trade



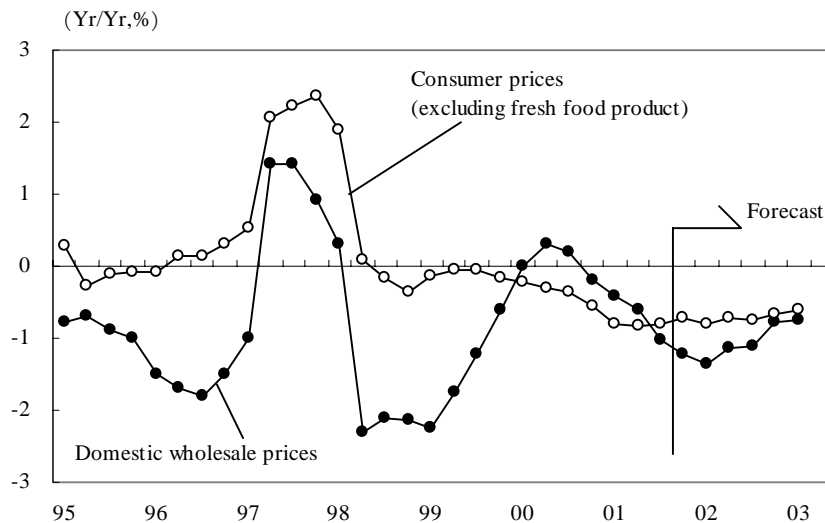
Source: MOF, *The Summary Report on Trade of Japan*

⑤ Deflationary Pressures to Continue

Commodity prices are trending downward because of the decline in worldwide demand and the drop in crude oil prices. Since an early recovery in commodity prices appears unlikely and domestic demand will continue to be stagnant, we are forecasting that the decline in domestic wholesale prices will continue (with a decline of 1.1% in fiscal 2001 and 0.9% in fiscal 2002.)

As for the consumer price index, prices of goods are expected to decline from the previous year owing to the drop in wholesale prices and the weakness of demand. In addition, prices of services, which tend to be downwardly rigid because of a high percentage of personnel costs, are expected to show almost no change from the previous year. As a result, the consumer price index (overall, excluding fresh foods) is expected to continue to decline—dropping 0.8% in fiscal 2001 and 0.7% in fiscal 2002. In addition, the GDP deflator will fall below that of the previous year for fiscal 2001 and 2002, resulting in lower growth in nominal GDP than in real GDP.

Exhibit 13: Outlook for Price



Economic Outlook for Fiscal 2001 & 2002

(Yr/Yr,%)	Forecast ↘						(Yr/Yr,%)		
	FY2000		FY2001		FY2002		FY2000	FY2001	FY2002
	First half	Second half	First half	Second half	First half	Second half			
Nominal GDP	▲ 0.1	▲ 0.4	▲ 1.9	▲ 2.1	▲ 1.3	▲ 0.4	▲ 0.3	▲ 2.0	▲ 0.8
Real GDP	1.8	1.5	▲ 0.5	▲ 0.6	▲ 0.1	0.9	1.7	▲ 0.6	0.4
Contribution of domestic demand	0.9	2.0	0.3	▲ 0.5	▲ 0.4	0.8	1.6	▲ 0.1	0.2
Private consumption	▲ 0.6	0.4	0.0	▲ 1.1	0.2	1.3	▲ 0.1	▲ 0.5	0.7
Housing investment	▲ 2.6	▲ 0.3	▲ 8.5	▲ 9.4	▲ 5.2	▲ 1.7	▲ 1.5	▲ 8.9	▲ 3.6
Private capital investment	10.4	8.4	4.4	▲ 2.0	▲ 5.9	3.0	10.1	1.0	▲ 1.3
Government expenditure	0.9	0.3	0.3	2.2	1.7	▲ 1.8	0.6	1.3	▲ 0.1
Public investment	▲ 8.2	▲ 6.8	▲ 6.3	0.7	▲ 1.0	▲ 10.8	▲ 7.4	▲ 2.4	▲ 6.7
Contribution of external demand	0.6	▲ 0.2	▲ 0.9	▲ 0.1	0.3	0.1	0.2	▲ 0.4	0.2
Exports of goods and services	13.5	5.6	▲ 7.9	▲ 7.8	2.3	9.6	9.4	▲ 7.9	5.9
Imports of goods and services	9.5	9.7	▲ 0.5	▲ 9.0	▲ 1.2	10.5	9.6	▲ 4.9	4.5
Current account balance (trillion yen)	6.5	5.7	5.2	6.2	5.7	7.1	12.2	11.4	12.9
Trade balance (trillion yen)	5.8	3.8	3.3	4.0	4.6	5.1	9.6	7.3	9.7
Industrial production	6.3	2.5	▲ 8.4	▲ 12.2	▲ 2.2	6.8	4.0	▲ 10.3	2.4
Wholesale prices	▲ 0.2	0.7	0.6	▲ 1.2	▲ 2.2	▲ 0.9	0.2	▲ 0.3	▲ 1.5
Domestic wholesale prices	0.3	▲ 0.3	▲ 0.8	▲ 1.3	▲ 1.2	▲ 0.8	▲ 0.0	▲ 1.1	▲ 1.0
Consumer prices	▲ 0.7	▲ 0.6	▲ 0.7	▲ 1.0	▲ 0.8	▲ 0.6	▲ 0.6	▲ 0.9	▲ 0.7
Yen/U.S.Dollar	107.1	114.0	122.2	123.5	117.5	117.5	110.5	122.9	117.5
Crude oil purchase price (\$/barrel)	30.2	30.4	27.2	20.3	21.3	23.3	30.3	23.7	22.3
U.S. Real GDP (CY)									
(seasonally-adjusted annual rate)	4.6	2.5	1.2	▲ 0.7	▲ 0.6	2.5	4.1	1.1	0.1

【Exports and Imports】

Forecast

(Yr/Yr %)

	FY2000		FY2001		FY2002		FY2000	FY2001	FY2002
	First half	Second half	First half	Second half	First half	Second half	Actual	Forecast	Forecast
Exports (yen basis)	8.4	6.0	▲ 6.1	▲ 8.4	▲ 1.6	8.4	7.2	▲ 7.2	3.4
Volume	10.7	▲ 0.6	▲ 12.0	▲ 10.8	1.0	10.3	4.8	▲ 11.4	5.6
Imports (yen basis)	14.5	18.3	4.7	▲ 12.5	▲ 5.1	14.2	16.4	▲ 4.4	4.2
Volume	11.9	7.8	▲ 2.7	▲ 8.9	3.6	14.2	9.8	▲ 5.8	8.8
Exports surplus (trillion yen)	5.8	3.8	3.3	4.4	4.0	3.7	9.6	7.7	7.6

【Income and Employment】

Forecast

(Yr/Yr %)

	FY2000		FY2001		FY2002		FY2000	FY2001	FY2002
	First half	Second half	First half	Second half	First half	Second half	Actual	Forecast	Forecast
Cash earnings of employees (per capita)	0.8	0.0	▲ 0.8	▲ 2.1	▲ 1.4	0.4	0.4	▲ 1.5	▲ 0.5
Scheduled cash earnings*	0.6	0.0	▲ 0.3	▲ 0.7	▲ 0.1	0.6	0.3	▲ 0.5	0.2
Non-scheduled	5.3	3.0	▲ 4.8	▲ 14.1	▲ 9.0	6.8	4.1	▲ 9.5	▲ 1.4
Number of employees	0.5	1.2	0.4	▲ 1.0	▲ 0.5	0.1	0.9	▲ 0.3	▲ 0.2
Compensation of employees**	1.0	1.1	▲ 0.2	▲ 2.3	▲ 1.4	0.7	1.0	▲ 1.3	▲ 0.4

Actual Forecast

Spring wage increase * *	—	—	—	—	—	—	2.06	2.01	1.95
Unemployment rate	4.7	4.8	5.0	5.6	5.9	6.1	4.7	5.3	6.0

Notes:

* Figures are for establishments of five employees or more, Ministry of Health, Labour and Welfare, Monthly Labour Statistics.

** Figures are spring wage increases compiled from data on the 290 companies listed on the First sections of the Tokyo and Osaka stock exchanges that have a labor union and capital of 2billion yen or more as well as 1,000 or more employees.

(Compile dby the Ministry of Health, Labour and Welfare)

【New Housing Starts】

(10,000 units)

	FY2000	FY2001	FY2002
	Actual	Forecast	Forecast
Number of new housing starts (change from the previous year)	121.3 (▲1.1)	116.7 (▲3.8)	112.0 (▲4.0)
Owner-built housing	43.8 (▲8.0)	38.1 (▲13.0)	38.4 (0.7)
Rental housing	41.8 (▲1.8)	43.7 (4.5)	42.8 (▲1.9)
Built-for-sale housing	34.6 (11.0)	34.0 (▲1.7)	29.9 (▲12.0)

Note: The views, forecasts, and certain other information contained in this report are based on judgments made using data available at the time of preparation and may be subject to change without prior notice.