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## **Forecast for the Japanese Economy in Fiscal 2002**

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Views expressed, forecasts presented, and other information in this report may contain judgments based on data available at the time of preparation and may be subject to revision without prior notification.

## **1. Current State of the Japanese Economy**

Japan's real gross domestic product (GDP) in the October–December period of 2001 declined 1.2% from the previous quarter, marking the third consecutive quarter of negative growth. GDP in calendar 2001 showed a slight drop of 0.5% from the previous year, thus recording negative growth for the first time in three years. In addition, the GDP deflator continued to decline, and in calendar 2001 as a whole, nominal GDP showed a substantial drop of 1.9%.

Calendar 2001 was a difficult year for the Japanese economy. Although economic expansion continued into summer 2000—led by the increase in demand for information technology (IT) related equipment, such as personal computers (PCs), cellular phones, and semiconductors—the end of the IT boom brought slower growth in overseas economies and exports began to decline. Accompanying the shrinkage in demand for exports, industrial production stagnated and then began to decline rapidly beginning in 2001. Industrial production fell 13.4% below the level for the same period of the previous year in the October–December quarter. In the midst of declining output and deterioration in corporate profitability, private capital investment remained firm until the July–September period, but finally dropped 12.0% from the previous quarter in the October–December quarter.

From summer 2001 onward, the deterioration in the employment and income environments accelerated. The number of employed workers remained markedly below the levels of the previous year and fell close to one million lower than the prior year in September 2001 and subsequent months, with the manufacturing sector especially showing declines. The number of self-employed workers and family workers has continued on a declining trend, and, as a result of the drop in production and the impact of corporate restructurings, the number of employees has also begun to fall. Wages per capita are also continuing below the levels of the previous year. In parallel with the weakness in production, overtime compensations are continuing to decline, and, reflecting restraints on personnel costs, regular wages and bonuses have fallen below the previous year. Therefore, the

environment for private consumption is severe, and consumer spending in the first half of fiscal 2001 (April to September) declined significantly. Private consumption, however, rose 1.9% over the previous quarter in the October–December period, in part as a result of a reaction to the drop in previous quarters.

During the January–March period of 2002, additional public investment is expected to be forthcoming under the government’s second supplementary budget passed in fall 2001. Also, as a result of the increase in exports, the contribution of the external demand will be positive. For these reasons, there is a possibility that positive growth may be recorded in the January–March period for the first time in four quarters, but a substantial minus figure for GDP in fiscal 2001 as a whole will be unavoidable. (Outlook for fiscal 2001: a 1.3% decline in real GDP and a 2.7% drop in nominal GDP)

## **2. Outlook for Fiscal 2002 (Real GDP: +0.4%; Nominal GDP: –1.0%)**

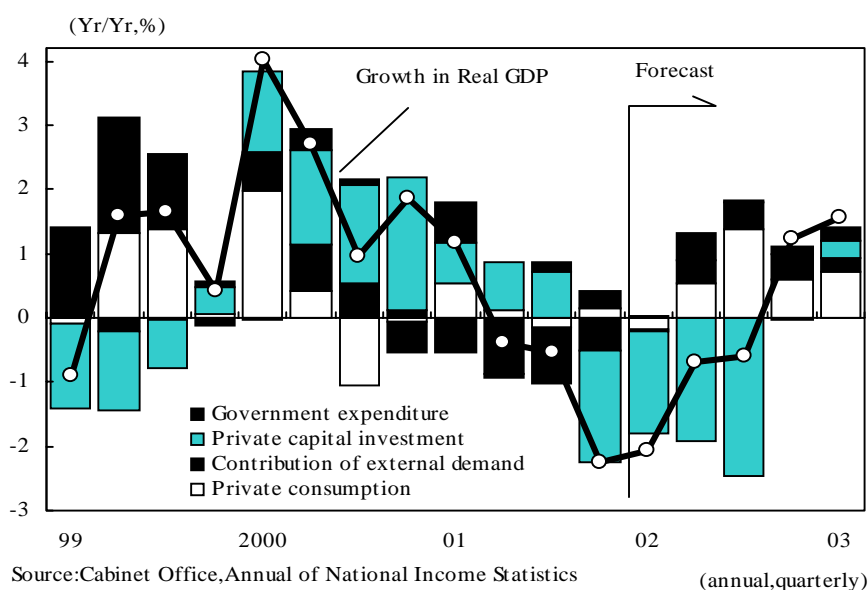
Fiscal 2002 is likely to be a year of gradual recovery. As a result of the recovery in the world economy, exports and production are already beginning to recover after bottoming out in the October–December quarter of 2001. Inventory adjustments in the IT goods sector have led other industries, and the end of adjustments for the overall manufacturing sector should be in sight in the April–June quarter of 2002. For this reason, in the latter half of the fiscal year, a full-scale recovery in production should begin, and corporate profits are expected to begin to recover. Private capital investment may continue on a declining trend through the first half of the fiscal year but is expected to recover thereafter.

On the other hand, the improvement in the employment and income environments will probably lag the recovery in corporate activities. Overtime and regular wages will rise along with the recovery in the corporate sector, but the sum of the two—contractual cash earnings—will probably not begin to rise over the levels of the previous year until the latter half of the fiscal year. In addition, bonuses will lag the recovery in corporate profits and will not rise during fiscal 2002. The number of

employees is expected to continue on a declining trend throughout fiscal 2002. Moreover, there is a possibility that the unemployment rate may rise close to 6%. Although severe conditions will continue in the employment and income environments for the time being, private consumption is beginning to recover from its considerable deterioration in the first half of fiscal 2001. Consumer confidence remains weak, but there are no signs of a further deterioration. While incomes are stagnant, private consumption is expected to be relatively firm. In addition, although consumption in nominal terms will remain stagnant, deflation is expected to continue and may push consumption in real terms upward.

Residential investment is expected to continue on a declining trend, but not to the extent it did in fiscal 2001. Although the extent of decline in owner-built housing starts will gradually diminish, the extent of the decline in starts of condominiums may increase, owing to the rise in unsold units. Public works investments by both the national and local governments will continue to drop. Additional public investments are expected in fiscal 2002 along with supplementary budgetary allocations, but this will not be sufficient to reverse the declining trend. Also, since exports are likely to expand along with the recovery in the world economy, the external demand will make a positive contribution to economic performance.

Exhibit 1: Real GDP Growth through Fiscal 2002



### **3. Outlook for Components of Final Demand**

#### **(1) Assumptions Underlying the Forecasts**

The following assumptions have been made in this outlook:

##### **① World Economy**

Real growth in the U.S. economy decelerated sharply, to 1.2%, in 2001, owing to a sharp decline in private capital investment. Moving into 2002, private consumption has shown signs of firmness, but recovery in capital investment is weak, owing to strong stock adjustment pressures. Expansion in the U.S. economy is expected to be gradual, and annual real growth is forecast to be only about 1.8%.

In Europe, economic growth is decelerating, but in addition to recovery in consumption supported by price stability, the positive effects of lowered interest rates are also expected to emerge, and the region is expected to begin to recover from the middle of 2002, with the overall growth rate forecast to be in the middle of the range between 1% and 2%.

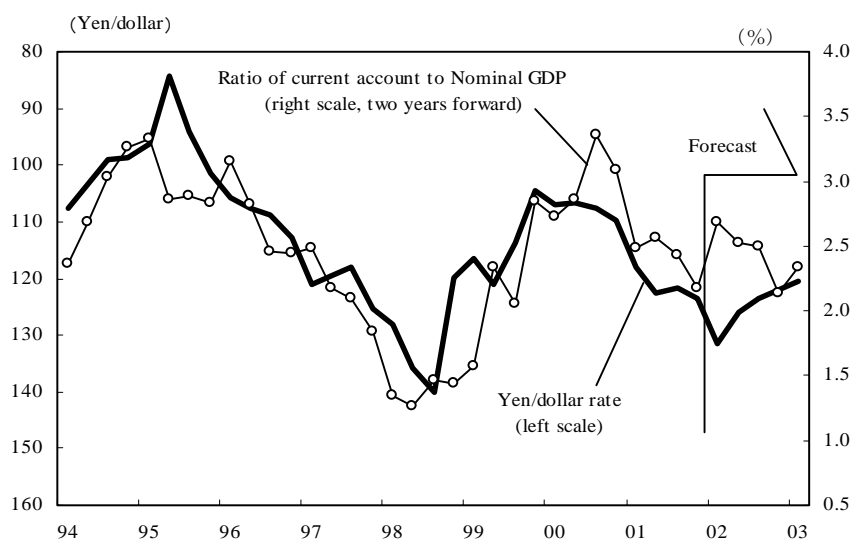
In Asia, trends in China remain strong, and Taiwan and Korea are also showing signs of recovery. Looking forward, China is expected to continue to experience high economic growth, and, along with the recovery in the United States, other countries in the region will show gradual recovery trends, thus leading to annual growth for the region as a whole of between 4.5% and 4.9%.

##### **② Exchange Rates**

The yen depreciated above ¥130 to the U.S. dollar, owing to speculation that Japanese and U.S. currency authorities were willing to permit a decline in the yen's value and concerns about the future of the Japanese economy as it faces structural problems. Recently, the yen has shown unsteady movements, strengthening temporarily to ¥126 to the U.S. dollar on the strength of anticipated recovery in the Japanese economy, but the fear of possible intervention in the market led to a movement back into dollars. But, looking ahead, as the recovery in exports and the signs of the

bottoming out of production become clearer, it seems likely that funds will move back into yen as expectations grow of economic recovery in Japan. However, since the United States will also continue to recover, the room for yen appreciation will be limited. During fiscal 2002, we expect the yen to move mainly within the ¥120 to ¥126 range.

Exhibit 2: Outlook for the Yen-Dollar Exchange Rate



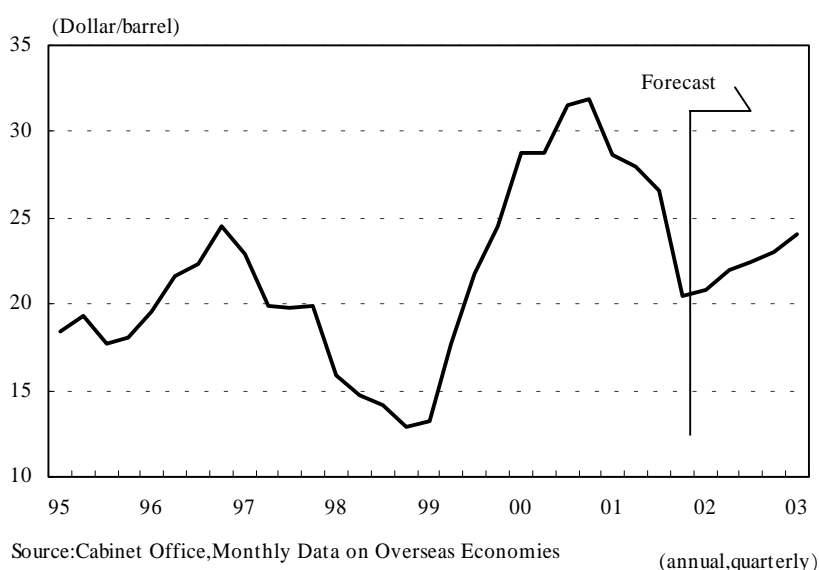
Sources: Bank of Japan, Financial and Economic Statistics Monthly, Monthly Balance of Payments Statistics of Japan; Cabinet Office, Annual of National Income Statistics

### ③ Crude Oil Prices (West Texas Intermediate (WTI))

As a result of the terrorist incidents in the United States in September last year, the speculation that the world economy would slow significantly, and that demand would weaken appeared, and thus crude oil prices declined. Thereafter, as a consequence of the cooperative production cutbacks by OPEC and non-OPEC oil-producing countries, oil prices recovered to the \$20/barrel level. At present, oil prices have moved close to \$24/barrel, owing to a combination of factors, namely the appearance of signs of a bottoming out of the U.S. economy, the strong possibility that cooperative production cutbacks will continue during the April–June quarter, and uncertainties created by the United States/Iraq situation.

There is a possibility that the OPEC and non-OPEC oil-producing countries will continue their cutbacks in production through June and thereafter maintain production limits, depending on conditions at the time. In addition, as recovery in the world economy proceeds and expectations of stronger demand increase, crude oil prices are expected to show a rising trend.

Exhibit 3: Outlook for WTI Crude Oil Price



#### ④ Government Fiscal Policy

A second supplementary budget was passed in fiscal 2001, and public investments were increased with the addition of ¥2.5 trillion in special government allocations (with a total project size of ¥4.1 trillion) based on the Public Investment for Structural Reforms portion of the government's Emergency Response Program. The impact of these expenditures will emerge from the end of fiscal 2001 into fiscal 2002. To maintain the upper limit of ¥30 trillion on the issuance of new government bonds, it appears that on a fiscal 2002 initial budget basis, public investments will be cut a substantial 10.7% in comparison with the initial budget for fiscal 2001. Although the economy will continue to recover, the employment environment will show further deterioration. Therefore, pressures for

increasing public investments through the passage of a supplementary budget are likely to increase, especially in local areas. For this reason, we have assumed that a supplementary budget will be formulated and passed in fall 2002 (with the addition of ¥1 trillion for public investments by the national government).

## **⑤ Monetary Policy**

At the Monetary Policy Meeting held on December 19, 2001, the target for the Bank of Japan (BOJ)'s current deposit was increased to between ¥10 trillion and ¥15 trillion. In addition, the amount of purchases of long-term Japanese government bonds (JGBs) was increased to ¥1 trillion at the February 28 session of the Monetary Policy Meeting. By continuing to provide an ample supply of liquidity, short-term interest rates, including the uncollateralized overnight call rate, have remained close to 0%. In fiscal 2002, the consumer price index (excluding fresh foods) is expected to show continuing declines, and the BOJ will likely continue its policy of the quantitative relaxation of the monetary base. Although signs of recovery will emerge, since deflationary trends will persist, pressures on the BOJ to take further measures to relax monetary conditions will be strong. Specific measures that may be suggested will include increasing purchases of JGBs from the market, buying foreign government bonds, introducing inflation targeting, and purchasing commercial paper and corporate bonds. One or more of these policies may actually be adopted, but we expect the impact on the real economy will be extremely marginal. However, these policies will very likely have an impact on interest rates, foreign exchange rates, stock prices, and other indicators of financial markets.

## **(2) Trends in Demand by Category**

### **① Corporate Sector to Begin to Recover in 2002**

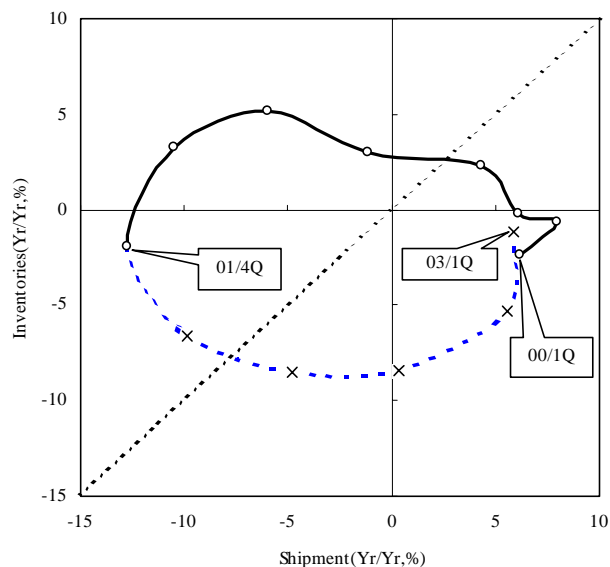
#### ***Low Point of Production Reached in October–December Quarter of 2001***

Industrial production began to decline in the January–March quarter of

2001, but there is a strong possibility it reached bottom in the October–December quarter. Inventory adjustments in the semiconductor industry—which led the industrial sector into this downtrend this time—are moving within sight of completion, and market conditions are beginning to improve. As the world economy moves toward recovery, exports are expected to have reached bottom during the October–December quarter and are forecast to begin to increase. The decline in production is expected to end, and output is forecast to begin to increase.

In the accompanying graph of inventory cycle, the line indicating the stages of inventory adjustments is expected to cross over the 45-degree line—which shows when inventory adjustments have been completed—by the April–June quarter of 2002. At present, although domestic demand, especially private capital investment, lacks robustness, the recovery of overseas economies, the accumulated impact of the decline in the value of the yen to date, and other factors suggest that expansion in exports will continue and that there is little concern that production may drop below the low point already reached. Moreover, we expect that the bottoming out in production of IT-related goods, including semiconductors, will gradually spread to other industries. During the latter half of fiscal 2002, the rising trend should become clear as corporations begin to increase inventories. For fiscal 2002 as a whole, production is forecast to rise 2.0%.

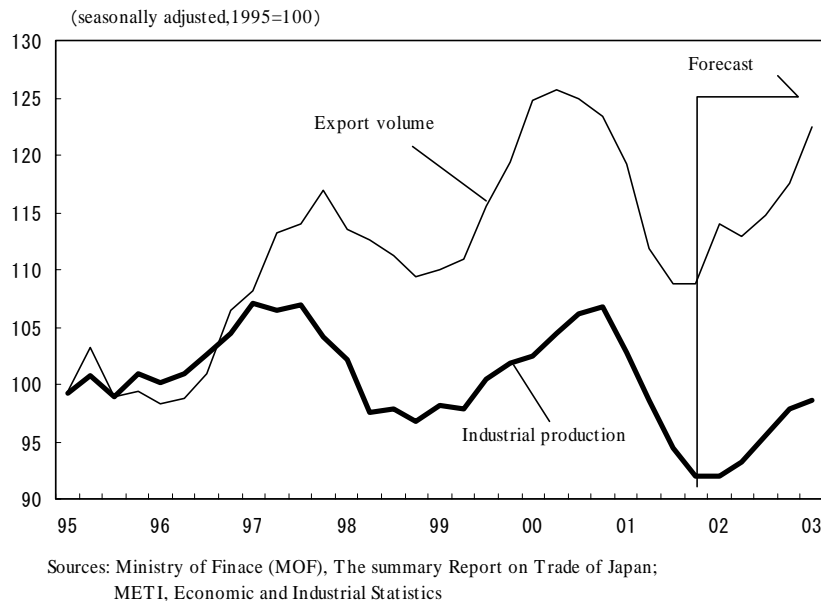
Exhibit 4: Inventory Cycle Movements



Note: Figures from the first quarter of 2002 are forecasts.

Source: Ministry of Economy, Trade and Industry (METI), Economic and Industrial Statistics

## Exhibit 5: Outlook for Industrial Production and Export

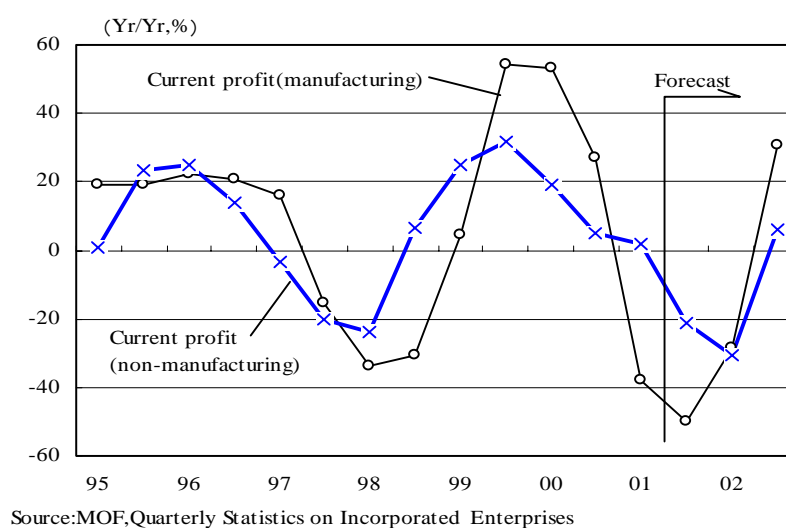


### ***Corporate Profits to Continue to Be Weak in the First Half of Fiscal 2002 but Improve Rapidly in the Second Half***

During the first half of fiscal 2002, the declines in sales and profits are likely to continue in both the manufacturing and non-manufacturing sectors. Especially in manufacturing, even though production will begin to recover, prices are not expected to rise, meaning that higher output may not be easily linked to an increase in sales. Higher exports and the beneficial impact of reductions in the labor force through restructuring will support current profit but will not raise it overall.

In the second half of fiscal 2002, both the manufacturing and non-manufacturing sectors will show increases in sales and profits. Along with the export-led economic recovery, we expect improvement in performances of industries within the manufacturing sector will be slightly ahead of other industries. For fiscal 2002 as a whole, we are forecasting declining sales with rising profits in the manufacturing sector and increasing sales and declining profits in the non-manufacturing sector.

## Exhibit 6: Outlook for Corporate Performance

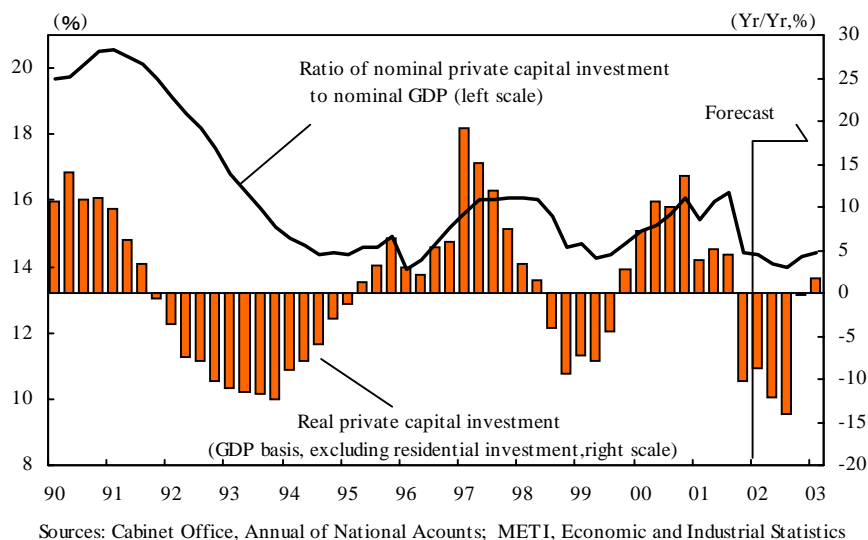


### ***Capital Investment to Remain Weak but Begin to Recover in the Latter Half of the Year***

In the manufacturing sector, especially in the semiconductor industry, plans for capital investment for fiscal 2001 were revised sharply downward because of the rapid drop in production. Figures to be released for the second half of fiscal 2001 are expected to show a marked drop in capital investment in comparison with the previous year. In addition, there are growing signs of declines in capital investment in the non-manufacturing sector, where investment activity had been relatively strong. Even if production bottoms out, we expect the slump in capital investment in both the manufacturing and non-manufacturing sectors will continue through the first half of fiscal 2002 because of continued low rates of capital utilization and severe profit conditions.

In the second half of fiscal 2002, along with the improvement in corporate performance, investment in new IT software and replacement investment, especially in the non-manufacturing sector, should emerge. However, because of the substantial drop in the first half, private capital investment is forecast to show a substantial decline of 6.2% for the fiscal year as a whole and will push overall GDP growth downward.

Exhibit 7: Private Capital Investment



**② Household Sector to Show Gradual Recovery Momentum in Fiscal 2002**

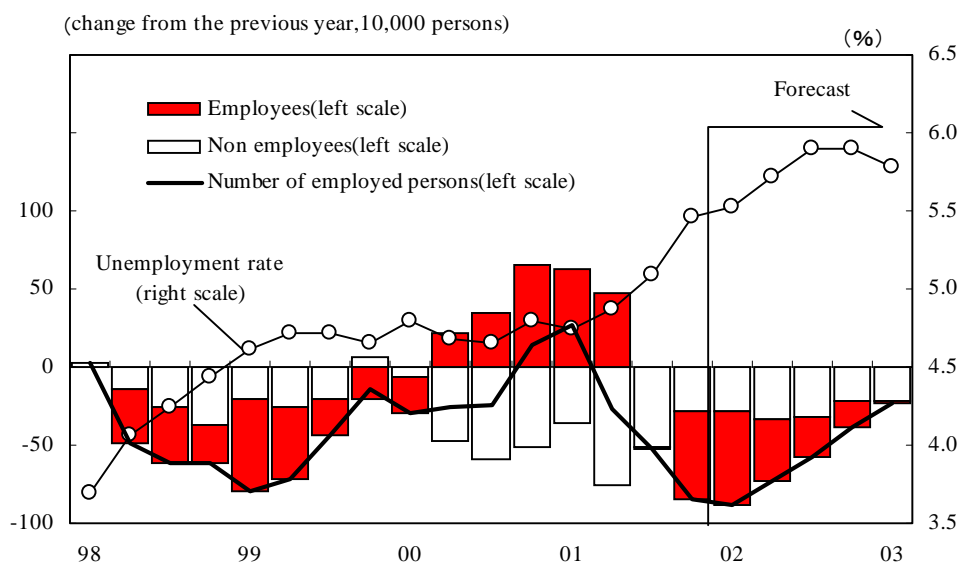
***Movement toward Recovery in Employment and Income Environments in Latter Half and Beyond***

The number of employees has dropped sharply since September 2001 along with the sharp decline in production. Industrial output is expected to begin to recover in 2002, but major restructurings will continue as corporations seek to restrain personnel costs. The number of employees is expected to recover to the levels of the previous year in 2003. The number of self-employed workers and family workers is expected to show further declines due to a background of a prolonged low rate of economic growth. For these reasons, the total number of employed workers is expected to remain below the levels of the previous year throughout fiscal 2002. The unemployment rate is expected to show some decline in the latter half of the fiscal year as the recovery in production gets under way, but major improvement will be difficult, thus leaving the rate at a high level.

Both regular wages and overtime compensation, which have been on a downward trend as corporate performance has deteriorated and production

has declined, are expected to bottom out and begin to increase compared with the previous year in the latter half of fiscal 2002. On the other hand, recovery in bonuses will lag the improvement in corporate performance and show a decline from the previous year throughout fiscal 2002.

Ehibiti8: Unemployment Rate and Number of Persons Employed



Note: 'Non-employees' consists of 'Self employed' and 'Family workers'.  
 Source: Ministry of public Management, Home Affairs, Posts and Telecommunications, Labor Force Survey

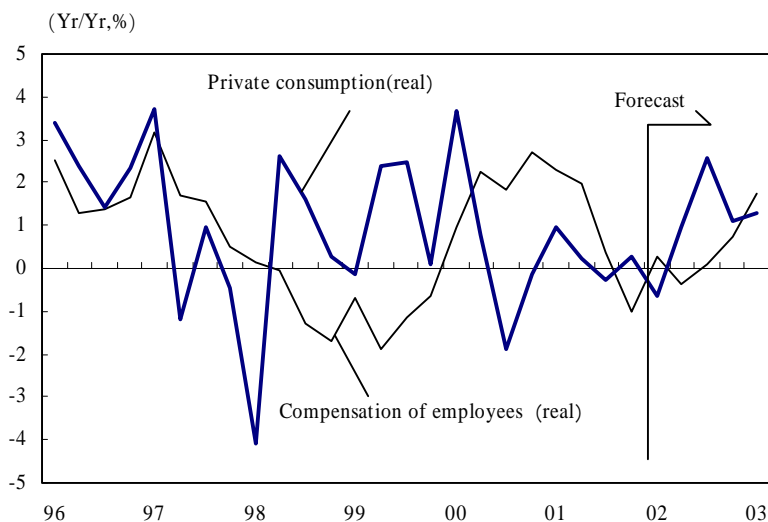
### ***Private Consumption to Remain Firm in a Severe Environment for Employment and Incomes***

Consumer confidence deteriorated during the first half of fiscal 2001 along with the decline in stock prices and the movement of the economy into recession. As a result, private consumption declined at a higher rate than the slowdown in incomes. In the second half of fiscal 2001, the employment and income environments have become substantially severer, but consumption, especially such basic expenditure items as food and other everyday items, and expenses for educational services for children as well as expenditures on information and telecommunication services have not declined as much as incomes, reflecting some degree of firmness in consumer spending. Similar consumption behavior was recorded in 1998

and 1999 as well as some other previous years, when recessions were ending and the economy was moving into the early stages of recovery, but growth in incomes was insufficient. This behavior pattern (also described as the ratchet effect) thus provided underlying support for the economy.

During the first half of fiscal 2002, as the recovery trend becomes more evident, we anticipate that consumer confidence will improve and growth in consumer spending will continue at a relatively higher rate than growth in incomes. In the second half of fiscal 2002, incomes should bottom out, and consumption is expected to grow at about the same pace as incomes.

Exhibit9: Private Consumption and Workers Incomes



Source:Cabinet Office,National Accounts

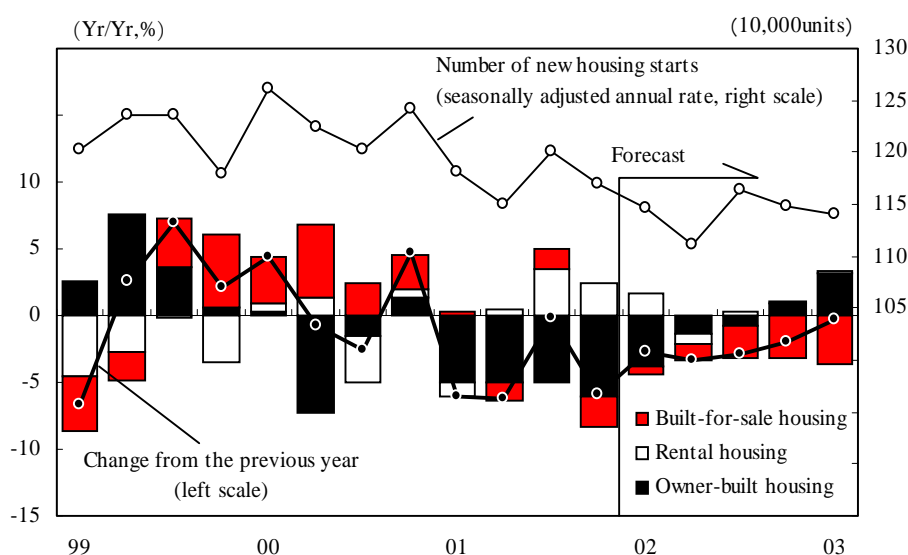
***In Residential Investment, Owner-Built Housing to Recover but Condominium Starts Will Slow***

After a slump in housing starts, especially in owner-built homes, in the first half of calendar 2001, residential investment slightly recovered during the summer along with strong activity in the built-for-sale housing market, especially condominiums. Nevertheless, after the beginning of the second half, owner-built housing investment slumped more, while condominium starts began to peak out. Although investment in rental housing is expected

to continue to be firm, housing starts as a whole are forecast to show a slight declining trend. We are forecasting total housing starts for fiscal 2001 of about 1.167 million.

In fiscal 2002, we expect starts of owner-built housing to gradually bottom out along with the recovery in the economy, but a rise in unsold units owing to the deterioration in supply and demand conditions is expected to bring a larger margin of decline in condominium starts. We are forecasting total housing starts of 1.141 million in fiscal 2002. Residential investment will, therefore, continue to decline but not as much as in fiscal 2001.

Exhibit 10: Outlook for Housing Starts



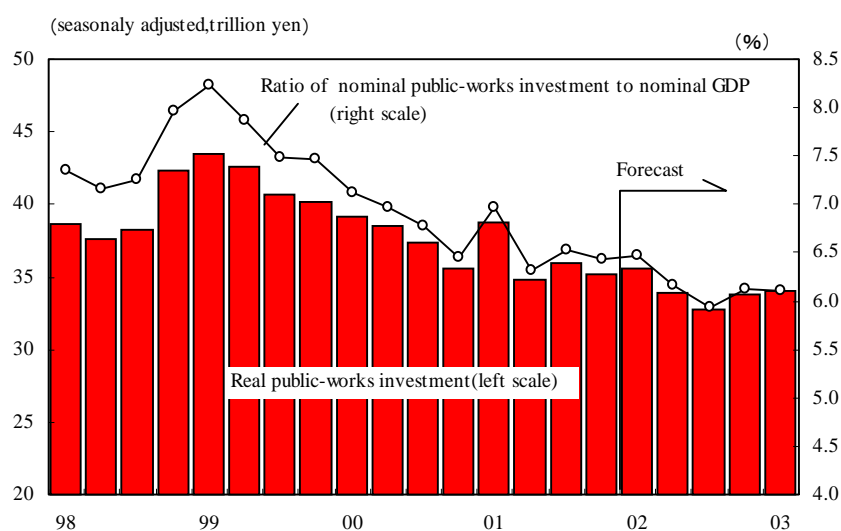
Source: Ministry of Land, Infrastructure and Transport, Housing Construction Starts Statistics

### ③ Public Works Investment to Show Further Decline

An increase in public works investment is expected in the January–March quarter of 2002, owing to the expenditures under the government’s second fiscal 2001 supplementary budget, but, because of the decline in projects undertaken by regional governments using their own funds, the overall increase in public works investments will be relatively small. Public works investments of the national government in fiscal 2002, on an initial budget basis, are expected to be cut 10.7% from those of the

previous year. Nevertheless, taking account of additions after the initial budget (assumed to be ¥1 trillion for public works investments undertaken by the national government), including the portion of the second supplementary budget for fiscal 2001 to be spent in fiscal 2002 and the supplementary budget for fiscal 2002 (which we assume will be passed in fall 2002), the extent of decline in these investments will be smaller than in fiscal 2001. However, we expect continued substantial declines in public works investments of local governments because of their difficult financial position. The combined public works investments of the national and regional governments are forecast to decline 4.8% from the fiscal 2001 level, about the same level of decline as in the previous year.

### Exhibit 11: Outlook for Public-works Investment



Source: Cabinet Office, National Accounts

#### ④ Contribution of External Demand to Turn Positive as Exports Expand

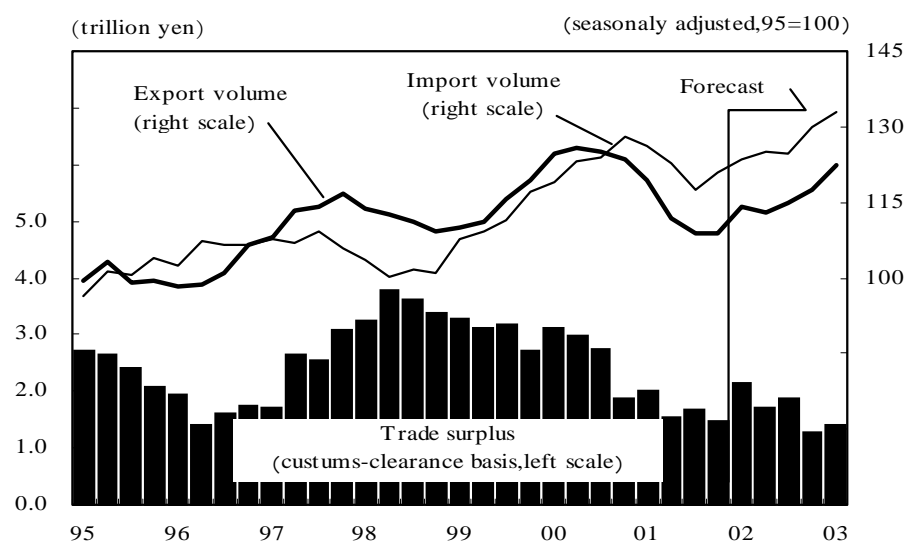
Exports were on a downward trend because of the slowdown in the world economy, but recently signs of recovery have emerged. Exports of automobiles, principally to the U.S. market, are strong, and exports of semiconductors are bottoming out. In fiscal 2002, we expect exports to continue on an upward trend, propelled by the recovery in the U.S.

economy and the emergence of the positive effect of the decline in the value of the yen since last year.

Imports are continuing to decline because of the slowdown in the domestic economy, but are expected to begin to increase again, owing to the anticipated recovery in the economy in fiscal 2002 and structural factors that include the shifting of production bases of Japanese corporations overseas and the rise in the penetration of imports into the Japanese market.

The contribution of external demand (in real terms) was affected by the large margin of decline in exports in fiscal 2001 and amounted to a substantial minus 0.6 percentage point. Since exports are forecast to rise in fiscal 2002, the contribution of external demand will turn positive again. However, since imports will also rise, along with the recovery in domestic demand, we forecast that the contribution of external demand will be a modest 0.3 percentage point and will not be a major factor boosting Japan's GDP.

### Exhibit 12: Outlook for Trade



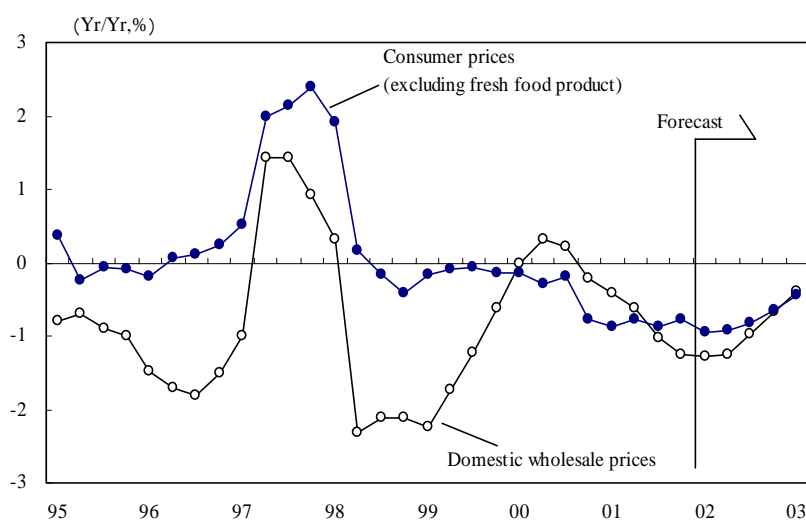
Source:MOF,The Summary Report on Trade of Japan

## ⑤ Deflationary Pressures Expected to Weaken

Signs of a bottoming out of commodity prices, including those of crude oil and semiconductors, are emerging. Moreover, pressures pushing prices upward are expected to appear on the supply side, including the decline in the value of the yen to date, and rising costs on the supply side. Nevertheless, the recovery momentum of domestic demand is weak, and it will be difficult to pass on higher costs to domestic wholesale and consumer prices. For these reasons, the declining trend in prices is expected to continue for the foreseeable future. However, in the latter half of fiscal 2002, the recovery in demand will gain momentum, leading to smaller price declines.

In fiscal 2002, domestic wholesale prices are forecast to fall 0.8%, while consumer prices (core items, excluding fresh foods) will drop 0.7%. In addition, the GDP deflator will also decline, causing the real growth rate to exceed the nominal rate.

**Exhibit 13: Outlook for Price**



Sources: BOJ, Price Indexes Monthly

: Ministry of Public Management, Home Affairs, Post and Telecommunications,  
Monthly on Price Indexes

## Economic Outlook for Fiscal 2002

(Yr/Yr,%)	Forecast ↘						(Yr/Yr,%)		
	FY2000		FY2001		FY2002		FY2000	FY2001	FY2002
	First half	Second half	First half	Second half	First half	Second half	Actual	Forecast	Forecast
Nominal GDP	▲ 0.1	▲ 0.4	▲ 1.9	▲ 3.4	▲ 1.9	▲ 0.1	▲ 0.3	▲ 2.7	▲ 1.0
Real GDP	1.8	1.5	▲ 0.5	▲ 2.2	▲ 0.6	1.4	1.7	▲ 1.3	0.4
Contribution of domestic demand	1.2	1.7	0.4	▲ 1.9	▲ 1.0	1.1	1.5	▲ 0.8	0.1
Private consumption	▲ 0.6	0.4	0.0	0.0	1.8	1.2	▲ 0.1	0.0	1.5
Housing investment	▲ 2.6	▲ 0.3	▲ 8.5	▲ 9.4	▲ 3.2	0.9	▲ 1.5	▲ 8.9	▲ 1.3
Private capital investment	10.4	8.4	4.7	▲ 9.4	▲ 13.2	0.8	9.3	▲ 2.9	▲ 6.2
Government expenditure	0.9	0.3	0.1	0.7	1.0	0.7	0.6	0.4	0.8
Public investment	▲ 8.2	▲ 6.8	▲ 6.3	▲ 4.0	▲ 5.6	▲ 4.1	▲ 7.4	▲ 5.0	▲ 4.8
Contribution of external demand	0.6	▲ 0.2	▲ 0.9	▲ 0.3	0.4	0.3	0.2	▲ 0.6	0.3
Exports of goods and services	13.5	5.6	▲ 7.8	▲ 8.1	3.5	5.7	9.4	▲ 7.9	4.6
Imports of goods and services	9.5	9.7	▲ 0.4	▲ 6.8	▲ 0.1	3.4	9.6	▲ 3.7	1.6
Current account balance (trillion yen)	6.5	5.3	5.2	6.7	5.9	4.5	12.1	11.9	10.4
Trade balance (trillion yen)	6.7	4.8	4.2	4.4	4.5	3.7	11.5	8.7	8.2
Industrial production	6.3	1.8	▲ 8.5	▲ 11.7	▲ 1.8	5.8	4.0	▲ 10.1	2.0
Wholesale prices	▲ 0.3	0.7	0.6	▲ 0.6	▲ 1.3	▲ 1.1	0.2	0.0	▲ 1.2
Domestic wholesale prices	0.3	▲ 0.3	▲ 0.8	▲ 1.3	▲ 1.1	▲ 0.5	▲ 0.1	▲ 1.0	▲ 0.8
Consumer prices	▲ 0.6	▲ 0.6	▲ 0.7	▲ 1.2	▲ 1.2	▲ 0.7	▲ 0.6	▲ 1.0	▲ 1.0
Yen/U.S.Dollar	107.1	114.0	122.2	127.6	124.9	121.3	110.5	124.9	123.1
Crude oil purchase price (\$/barrel)	30.2	30.3	27.3	20.7	22.3	23.5	30.3	24.0	22.9
U.S. Real GDP (CY) (seasonally-adjusted annual rate)	4.6	2.5	1.2	▲ 0.2	2.5	2.6	4.1	1.2	1.8

【Exports and Imports】

Forecast

(Yr/Yr %)

	FY2000		FY2001		FY2002		FY2000 Actual	FY2001 Forecast	FY2002 Forecast
	First half	Second half	First half	Second half	First half	Second half			
Exports (yen basis)	8.4	6.0	▲ 6.1	▲ 7.3	▲ 0.2	0.9	7.2	▲ 6.7	0.3
Volume	10.7	▲ 0.6	▲ 12.0	▲ 8.2	3.2	7.8	4.8	▲ 10.1	5.5
Imports (yen basis)	14.5	18.3	4.7	▲ 7.3	▲ 1.7	5.1	16.4	▲ 1.6	1.7
Volume	11.9	7.8	▲ 2.7	▲ 4.0	3.8	7.6	9.8	▲ 3.3	5.7
Exports surplus (trillion yen)	5.8	3.8	3.3	3.5	3.6	2.7	9.6	6.8	6.3

【Income and Employment】

Forecast

(Yr/Yr %)

	FY2000		FY2001		FY2002		FY2000 Actual	FY2001 Forecast	FY2002 Forecast
	First half	Second half	First half	Second half	First half	Second half			
Cash earnings of employees (per capita)	0.8	0.0	▲ 0.8	▲ 2.0	▲ 1.4	0.1	0.4	▲ 1.4	▲ 0.7
Scheduled cash earnings*	0.6	0.0	▲ 0.3	▲ 0.5	0.0	0.4	0.3	▲ 0.4	0.2
Non-scheduled	5.3	3.0	▲ 4.8	▲ 8.8	▲ 3.9	3.3	3.8	▲ 6.8	▲ 0.3
Number of employees	0.5	1.2	0.4	▲ 1.1	▲ 0.6	▲ 0.2	0.9	▲ 0.3	▲ 0.4
Compensation of employees**	1.0	1.1	▲ 0.2	▲ 2.3	▲ 1.7	0.1	1.0	▲ 1.3	▲ 0.8
							Actual	Forecast	
Spring wage increase * *	—	—	—	—	—	—	2.06	2.01	1.81
Unemployment rate	4.7	4.8	5.0	5.5	5.8	5.9	4.7	5.2	5.8

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 Actual	FY2001 Forecast	FY2002 Forecast
Number of new housing starts (change from the previous year)	121.3 (▲ 1.1)	116.7 (▲ 3.8)	114.1 (▲ 2.2)
Owner-built housing	43.8 (▲ 8.0)	37.7 (▲ 13.9)	38.1 (1.1)
Rental housing	41.8 (▲ 1.8)	44.3 (5.9)	44.3 (0.0)
Built-for-sale housing	34.6 (11.0)	33.7 (▲ 2.6)	30.7 (▲ 8.9)

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.