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Revised Forecast for the Japanese Economy In Fiscal 2003

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Economic Research Department

1. Current Sate of the Japanese Economy and Outlook for Fiscal 2003

(1) October–December Quarter of 2002: Fourth Consecutive Quarter of Growth

During the October–December quarter of 2002, the Japanese economy recorded 0.5% growth in real GDP over the previous quarter, marking the fourth consecutive quarterly rise. Real GDP rose 2.4% compared with the same quarter of the previous year. Private consumption registered its fifth consecutive quarterly rise, albeit it modestly, while private capital investment marked its third consecutive quarterly increase. In nominal terms, Although GDP declined 0.1% from the previous quarter, which was the first decline in three quarters. GDP data, as a whole, confirms a modest recovery.

Although GDP was stronger than expected, outlook for the economy is divided, with some asking whether “the economy is already in recession,” “will soon enter a recession,” or “is still recovering.” The divided outlook for the economy is likely due to there being no clear trend for production. The industrial production index declined 1.0% from the previous quarter in the October–December quarter, marking the first decline in four quarters, suggesting that the pace of recovery has weakened. However, because of predictions that the index will again show growth in January, outlook remains divided as to whether production will remain on a downtrend. It is necessary to examine the following points when thinking about production trends and the Japanese economy in fiscal 2003.

(2) Will Downward Trend in Inventories Become More Prominent?

Looking at the shipments-inventories cycle, inventory adjustments have already been completed and that a buildup phase has begun, thus suggesting that production cuts to curtail inventories are unlikely. Although a rise in inventories is likely, companies are cautious about forward-looking inventory buildups because of uncertainty about the direction of domestic and external demand. Certainly, companies have tried to keep inventory levels low as part of an effort to reduce costs, but it is unlikely they will be able to continue cutting inventories forever. Inventory levels might continue to fall over the medium term, but a buildup in inventories in the near term is likely. It is doubtful that production will decline because of inventory factors.

(3) Will Exports Slow Down because of Deceleration in Overseas Economies?

With exports slowing because of deceleration in overseas economies, some think that the prospects for a recovery underpinned by external demand are fading. The U.S. economy has been recovering since the beginning of 2002, but production has stagnated and the employment environment has worsened since autumn of that year. In addition, growth in private consumption has slowed, suggesting that the strength of the recovery has weakened. In the October–December quarter of 2002, real GDP growth was +0.7% on an annual basis, representing a sharp slowdown. However, household spending, which accounts for around 70% of demand in the U.S. economy, shows signs of underlying strength, enjoying merit for fall of long-term interest rates. And this means that the recovery is unlikely to stall. Because of the possibility that the U.S. economy will decelerate, some are revising down their growth forecasts for Asian economies. However, we think the Asian economies, mainly China, will continue to record relatively high growth. Although the pace of growth in exports from Japan to the rest of the world is likely to slow down compared with that in the previous year, it is unlikely that production will drop steeply due to a sharp slowdown in exports.

(4) Will Slowing Private Consumption Pull the Economy into a Recession?

Consumer confidence worsened from last summer, and the recovery in private consumption peaked in the July–September quarter. Furthermore, the severity of the employment and income environments, including an ongoing decline in the number of employed persons compared with levels of the same period of the previous year and declines in 2002 winter bonuses compared with year-earlier levels, is adversely affecting consumption. However, private consumption is stable compared with income changes. Since, among the demand components of GDP, private consumption has modest fluctuations, it is unlikely to be the decisive factors to fix peaks and troughs in trends for production and the economy. Private consumption is expected not to continue declining, rather it is to be flat or rise slightly.

(5) Will Capital Investment Rebound?

Given the low prospects for corporate earnings and a surplus of production facilities, some think that domestic capital investment will not pick up. Certainly, the strength of the rebound in capital investment is modest, but this does not mean that it will not recover at all. GDP statistics already indicate that capital investment has risen on a real basis since the April–June quarter of 2002. Orders for machinery and equipment (private-sector orders excluding orders from the shipping and electric power industries) show that capital investment remains on a recovery track, albeit a modest one. In addition, orders for machine tools and industrial machinery, mainly from electrical machinery and automobile machinery industries, are recovering. Given indications of replacement investment, especially in the electrical machinery and automobile industries, the recovery in capital investment is likely to positively impact industrial production. However, considering the economic environment, it is unlikely that companies will carry out capital investment to significantly increase capacity. For this reason, the rebound in capital investment is likely to be short-lived, thus increasing the possibility that the economy will enter a downturn in mid-fiscal 2003.

2. Outlook for Fiscal 2003

(1) Assumptions Underlying the Forecast

The following assumptions have been made in preparing this outlook.

(a) World Economy

It appears the U.S. economy entered an expansionary phase at the beginning of 2002, but industrial production has stagnated, and the employment environment has worsened since last autumn. In addition, growth in private consumption has slowed, suggesting that the strength of the recovery has weakened. In the first half of 2003, the potential for conflict with Iraq has caused the economy to decelerate even more, suggesting that the rate of growth will slow. In the second half of the year, the economy is likely to resume a modest recovery, amid improvement in consumer and business sentiment and gradually higher growth in private consumption and capital investment.

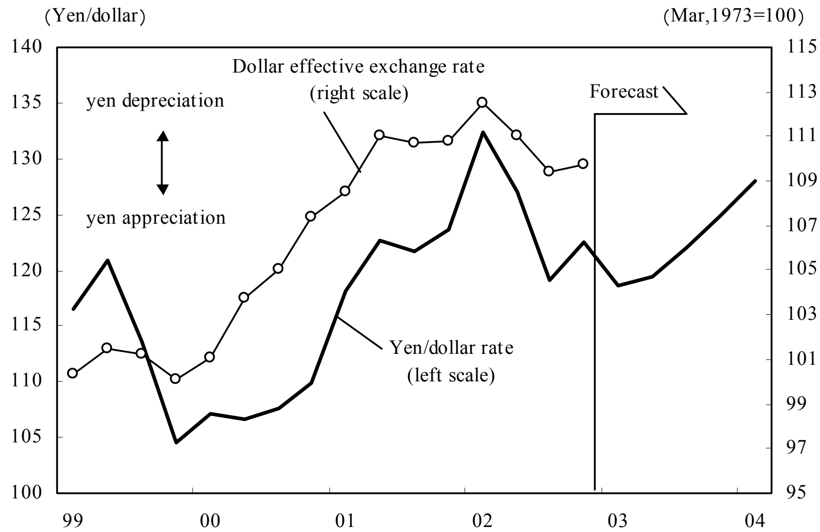
The economies of Europe's eurozone are likely to slow temporarily in the first half of 2003 because of the impact of conflict with Iraq. However, the world economy is likely to rebound from mid-year and the eurozone economies also resume a recovery, led by a recovery in exports. Subsequently, consumption and private capital investment are also likely to recover, thanks to a pickup in industrial production and improvement in the employment environment. However, because of the impact of the economic slowdown in the first half of 2003, the rate of growth for all of 2003 is likely to be only 1.5%, which is below the potential growth rate (around 2.5%).

The economies of Asia outside Japan are likely to moderate the pace of recovery in the first half of 2003, while private consumption shows underlying strength, economic slowdown in the United States is hampering exports. In the second half of the year, the pace of recovery is likely to strengthen thanks to rebounds in Europe and the United States. The Chinese economy is likely to be strong, as private investment rises and consumer confidence improves despite the greater restraint on public works investment by the central government.

(b) Exchange Rates

In fiscal 2003, we expect the dollar will weaken temporarily due to the backdrop of overseas affairs, including the situations in Iraq and on the Korean peninsula. However, because of growing expectations that the U.S. economy will gradually recover and signs that the pace of expansion in Japan will slow, we expect the yen/U.S. dollar rate will shift toward yen weakness, with the rate moving in the ¥120 to ¥125 per dollar range.

Exhibit 1:Outlook for the Yen-Dollar Exchange Rate

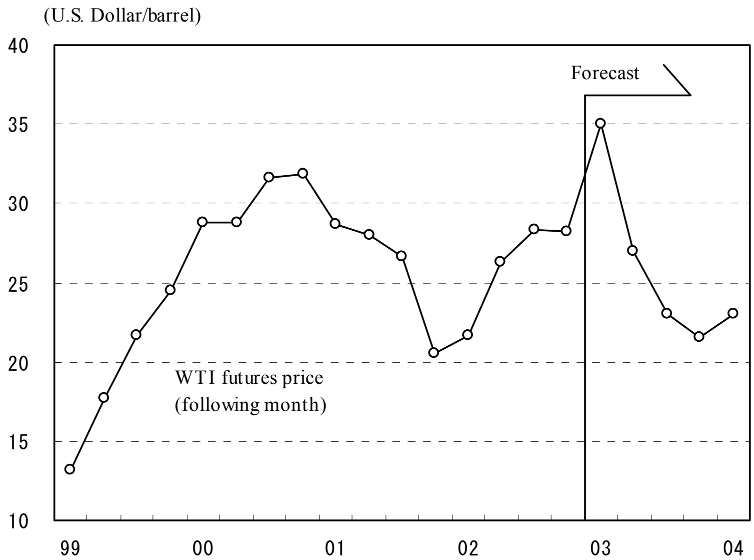


Sources: Bank of Japan, Finacial and Economic Statistics Monthly,
FRB「Federal Reserve Bulletin」

(c) Crude Oil Prices

Currently, crude oil prices (West Texas Intermediate (WTI)) are rising sharply because of potential conflict between the United States and Iraq and sharply reduced production volume in Venezuela owing to a general strike. The possibility that the outbreak of war will stop the supply of oil produced by Iraq, the potential for the conflict to spread to other oil-producing countries in the Middle East, and disruptions to the supply of oil caused by the general strike in Venezuela are fueling expectations of higher crude oil prices and an inflow of speculative funds, and these factors are pushing up the price of crude oil above the level corresponding to actual demand. Looking ahead, accompanying the close of the general strike in Venezuela, the Iraq issue are likely to be even more of a factor. In this outlook, we assume that, if conflict with Iraq begins in March, the war will be over in a short period of time. Settlement of the Iraq issue, including the avoidance of conflict, would lessen expectations of higher prices and trigger an outflow of speculative funds, which would lead to lower crude oil prices. In the second half of 2003, it is possible that OPEC will cut production because the price of crude oil has fallen near OPEC's lower price band, and the economic recovery in the United States has gained strength again. Therefore we assume that crude oil prices will gradually recover.

Exhibit 2:Outlook for WTI Crude Oil Price



(d) Government Fiscal Policy

In fiscal 2003, owing to a more pronounced trend of economic slowing in Japan, we expect increased calls for additional public works investment provided under a supplementary budget. In this outlook, we assume a supplementary budget of around ¥4 trillion will be adopted in autumn 2003 and additional public works investment (excluding disaster restoration works expenditures) will worth total ¥1.5 trillion.

(e) Monetary Policy

The Bank of Japan (BOJ) is continuing its policy of quantitative relaxation of the monetary base, with a target for BOJ current accounts of ¥15 trillion to ¥20 trillion and a target for outright purchases of long-term Japanese government bonds (JGBs) of ¥1.2 trillion per month. In addition, the BOJ is supplying additional funds irrespective of any target, with the objective of maintaining stability in the financial markets as the end of the fiscal year approaches.

Going forward, there are likely to be continued calls from the government and ruling party for further monetary relaxation. Specifically, further monetary relaxation measures may include those used to date, such as raising the BOJ's current accounts target and increasing purchases of JGBs from the market. They may also include new types of measures, such as introducing inflation targeting, purchasing assets other than JGBs, including commercial paper, corporate bonds, and foreign securities.

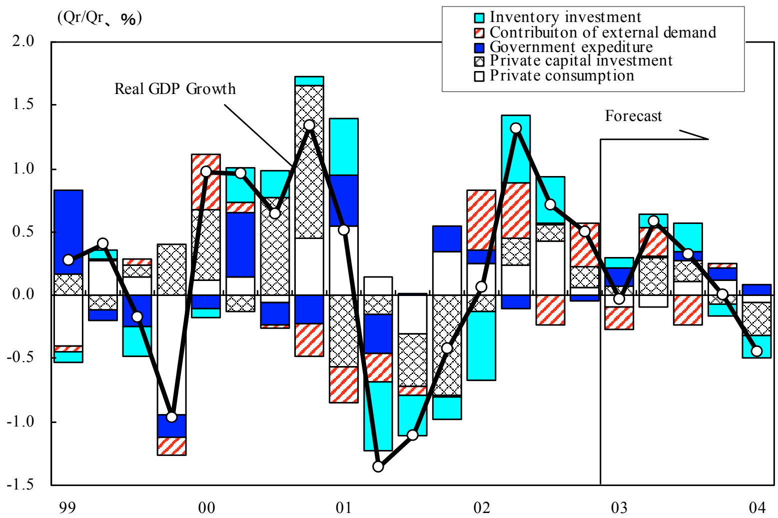
(2) Economic Outlook for Fiscal 2002/2003

We expect real GDP growth of 1.7% in fiscal 2002, which would represent the first growth in two years. Although we expect nominal GDP growth of minus 0.5%, this would represent a slow pace of negative growth. We expect external demand to contribute +0.7% to growth, thanks to a recovery in exports. As for domestic demand, we expect private consumption to rise 1.5% compared to the previous year. Meanwhile, we expect private capital investment, which we had seen at risk of falling sharply, to mark a -0.8% change, representing a comparatively small decline. Regarding other components, we expect positive contributions from private inventory investment and government final consumption expenditures, while we expect public works investments and residential investments to push down growth.

In fiscal 2003, we expect real GDP growth of 1.1%, which would be the second consecutive year of growth. We expect nominal GDP to remain negative, at -0.3%. We expect the GDP deflator to decline 1.3%, which would be a smaller decline compared with the previous year, but an indicator that deflation is continuing nonetheless. Looking at the first and second halves of the year, we expect the economy to recover through the first half and then enter a downturn in the second half.

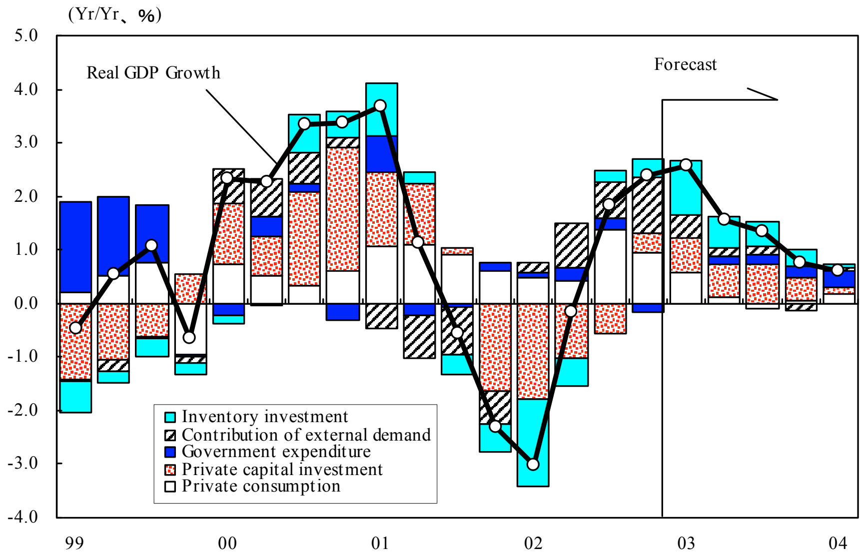
In fiscal 2002, economic recovery is likely to be led by external demand and private consumption. In contrast, in fiscal 2003, recovery is likely to be led by private capital investment. First, the contribution of external demand will shrink to +0.1%. Exports are likely to remain positive year on year, partly because of a gradual acceleration of recovery in the United States, where the economy has been slowing down. However, compared with fiscal 2002, during which growth overseas, mainly in Asia, has remained high, as would be expected, the pace of growth of exports is likely to slow while import growth becomes relatively high. Private consumption is likely to be virtually flat, owing to worsening consumer confidence and the continuation of a severe employment and income environment. Meanwhile, private capital investment is likely to sustain its modest recovery from that of last year supported by a rebound in corporate profits. That said, the margin of growth is likely to be limited, as the recovery will probably be centered on replacement investment. Furthermore, we expect private capital investment may decline compared with the previous quarter in the second half of fiscal 2003 because of worsening corporate profits. In addition to this, we expect public works investment and housing investment may continue decreasing, and government final consumption expenditure and inventory investment may continue increasing.

Exhibit 3:Real GDP Growth (seasonally adjusted)



Source：Cabinet Office, Annual of National Accounts

Exhibit 4:Real GDP Growth



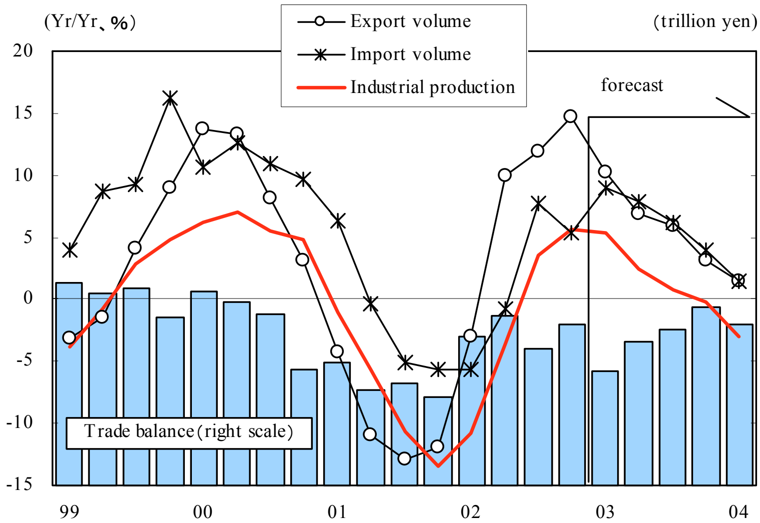
Source：Cabinet Office, Annual of National Accounts

3. <u>Outlook by Demand Component</u>

(1) External Demand: Neutral for Economy in Fiscal 2003 Owing to Higher Imports

In the October–December quarter of 2002, exports (on a volume basis) rose 14.7% year on year, exceeding the expected pace of growth, thanks to firm shipments to Asia and the United States. In fiscal 2003, exports are likely to remain on an upward trend, driven by exports to Asia, especially China, which continues to register high growth. However, the pace of growth in overall exports is likely to gradually slow in fiscal 2003, partly because of a decline in exports of automobiles (which are mainly shipped to the United States) as a reaction of sharp rise in 2002. On the other hand, imports are likely to rise, albeit it modestly, along with a rebound in industrial production. Going forward, although we doubt that imports will rise sharply because the recovery in production is likely to be weak, we do expect to see year-on-year growth during fiscal 2003, partly because of structural factors, such as a higher penetration rate for imports. In fiscal 2002, the contribution of external demand will rise sharply, to +0.7%, as the recovery in exports precedes the rise in imports. In fiscal 2003, the contribution of external demand will be neutral, at 0.1%, because the pace of growth in imports will become relatively high.

Exhibit 5: Outlook for Trade



Source:MOF,The Summary Report on Trade of Japan
METI, Economic and Industrial Statistics

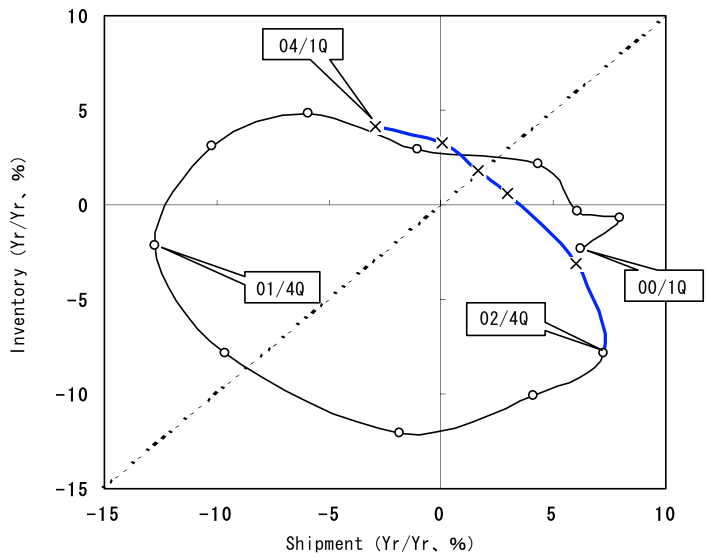
(2) Corporate Sector to Decelerate in the Second Half of Fiscal 2003

(a) Production: Slight Recovery in the First Half of Fiscal 2003, but Downward Trend in the Second Half

The current inventory cycle is moving from a phase of unintentional inventory depletion to an accumulation phase, and inventories are likely to continue rising through the first half of fiscal 2003. Inventories are currently falling, owing to a temporary reduction in inventories of some goods, including IT-related goods. But, inventories of other goods show indications of being accumulated; so, overall inventories continue to rise, albeit modestly. However, since the buildup in inventories is taking place against the backdrop of weak demand, a phase of unintentional inventory accumulation is likely in the second half of the fiscal year.

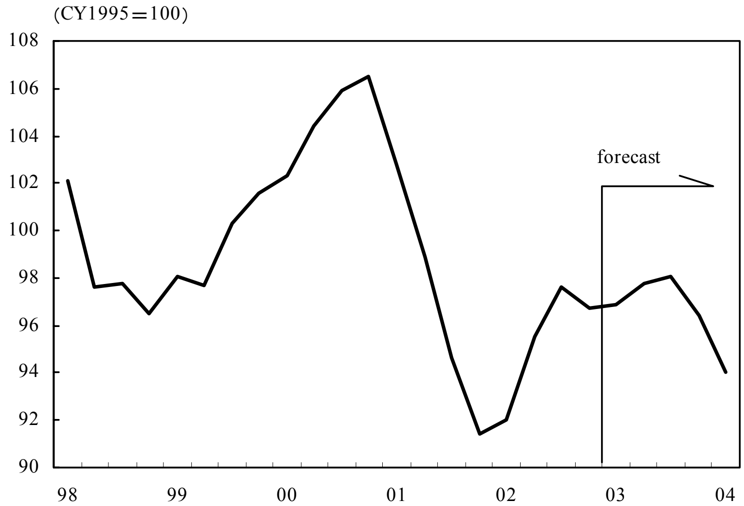
Industrial production is currently stalled, but, because inventories are rising and exports are firm, production over the middle of fiscal 2003 is likely to continue a modest recovery. The ongoing recovery in private capital investment, albeit modest, is also likely to contribute to expanded production. However, with a phase of unintentional buildup in inventories likely to begin in the second half of the fiscal year, the deceleration in export growth will hold down production.

Exhibit 6:Inventory Cycle Movements



Note: Figures from the first quarter of 2003 are forecasts.
Source: Ministry of Economy, Trade and Industry (METI), Economic and Industrial Statistics

Exhibit 7:Outlook for Industry Production

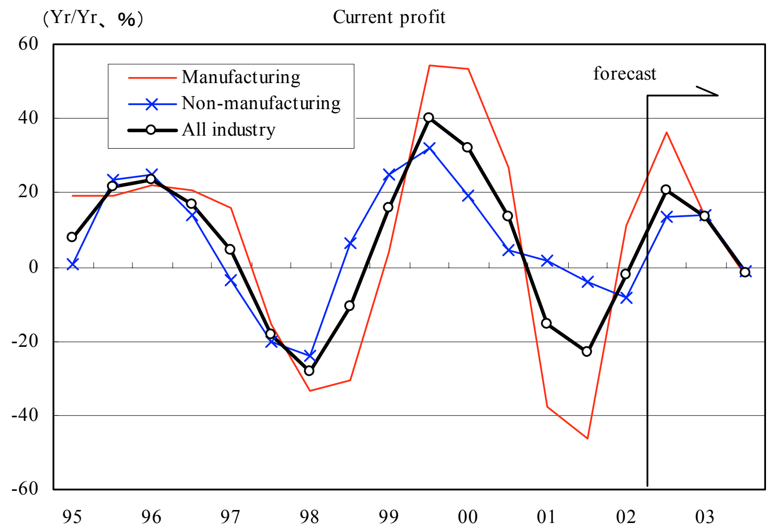


Source: Ministry of Economy, Trade and Industry (METI),
Economic and Industrial Statistics

(b) Corporate Profits: Ongoing Improvement through the First Half of Fiscal 2003, but Worsening Thereafter

Profits are recovering in both the manufacturing and non-manufacturing sectors. Sales remain sluggish because of weak selling prices, but the benefits from restructuring, including reductions in personnel costs, will underpin improvement in profits through the first half of fiscal 2003. However, because sales are falling against the backdrop of weak domestic demand, profits will fall in the second half of fiscal 2003. For all of fiscal 2003, we expect profits in both the manufacturing and non-manufacturing sectors to rise for the second consecutive year. However, we expect the margin of the rise to shrink. Furthermore, selling prices continue to fall; thus, sales in both the manufacturing and non-manufacturing sectors will decline compared with levels in the previous year.

Exhibit 8:Outlook for Corporate Performance



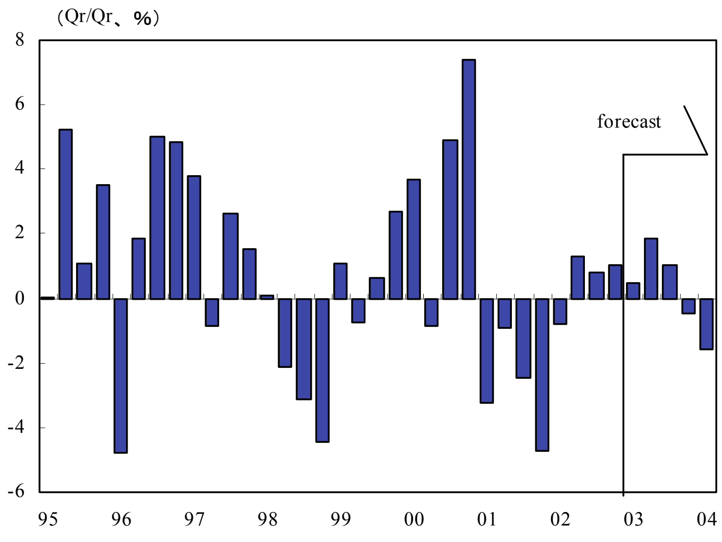
Source:MOF,Quarterly Statistics on Incorporated Enterprises

(c) Private Capital Investment: Modest Recovery Continues, but Decline Likely in the Second Half of Fiscal 2003

Private capital investment continues to rise but only slightly. Although there are indications that it is falling on a nominal basis, it is rising on a real basis because of the decline in the deflator. The recovery in corporate profits and trends in machinery orders, a leading indicator of capital investment, suggest that private capital investment will continue to rebound through the first half of fiscal 2003 and lead the economic recovery. However, in the absence of an improvement in corporate sentiment, most private capital investment will be concentrated on small projects, including replacement/maintenance investment, rather than large projects to increase capacity. Thus, a sharp rise in private capital investment is not expected. Furthermore, we expect private capital investment to decline in the second half of fiscal 2003, when we think corporate profits will worsen and investment will be limited to within the scope of surplus cash.

Regarding the impact of the tax credit for capital investment, retroactive to January 2003, we doubt that it will be a large incentive in the current environment, in which businesses are taking a cautious stance on future demand. For this reason, we think the impact of the tax credit on capital investment will be minimal.

Exhibit 9: Private Capital Investment

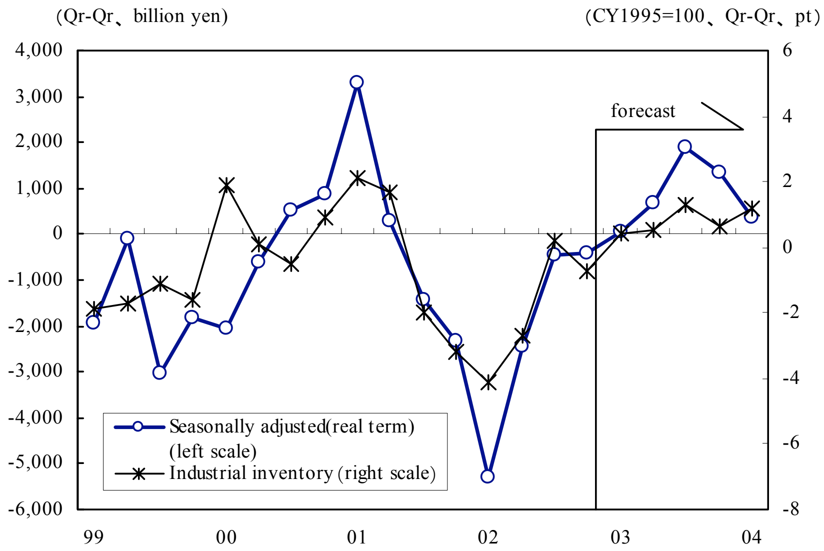


Sources: Cabinet Office, Annual of National Acounts

(d) Inventory Investment: Negative Contributions to Growth in the Second Half of Fiscal 2003

Inventories are currently in a buildup phase; so, inventory investment will contribute to economic growth through the first half of fiscal 2003. However, because domestic demand is weak, companies will not aggressively stockpile inventories and the pace of inventory investment will be lackluster. Furthermore, shipments are weak, which will lead to the gradual unintended accumulation of inventories. As a result, inventory adjustments will start in the second half of fiscal 2003, and we expect this to make negative contributions to the economic growth rate.

Exhibit 10: Inventory Investment



Source: Cabinet Office, Annual of National Acounts、Ministry of Economy, Trade and Industry (METI), Economic and Industrial Statistics

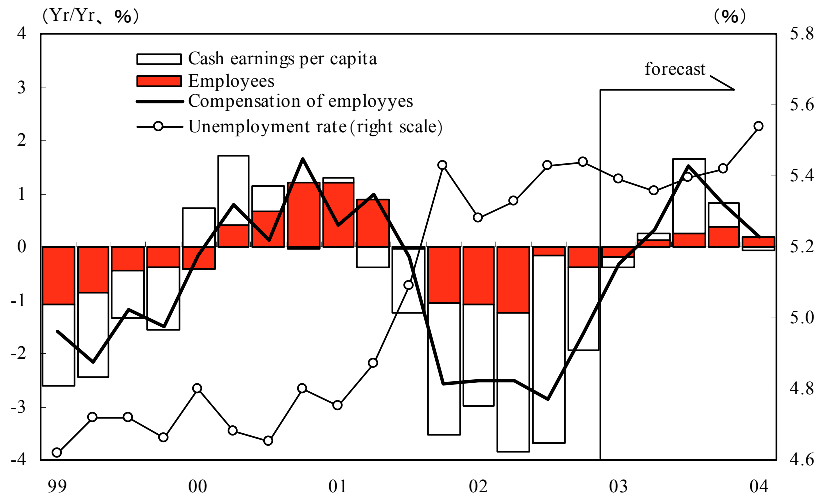
(3)Employment and Income Environments Will Improve, but Recovery in Household Sector Will Be Marginal

(a) Employment and Income Environments: No Expectation of Major Improvement

The number of employed persons is rising, but not substantially, because companies are taking a hard line on keeping down personnel costs.

In calculating the unemployment rate, unsuccessful job seekers returning to the labor market as the economy recovers are counted as unemployed. Consequently, even if the number of people employed improves, the overall unemployment rate will continue a modest up-trend. Regarding cash earnings per employee, regular compensation and overtime pay are on an upward trend, but the recovery in bonuses is lagging behind the improvement in corporate profits and the margin of the increase in bonuses is limited. We, therefore, do not expect cash earnings per employee to improve significantly.

Ehibit11: Unemployment Rate and Compensation of Employees



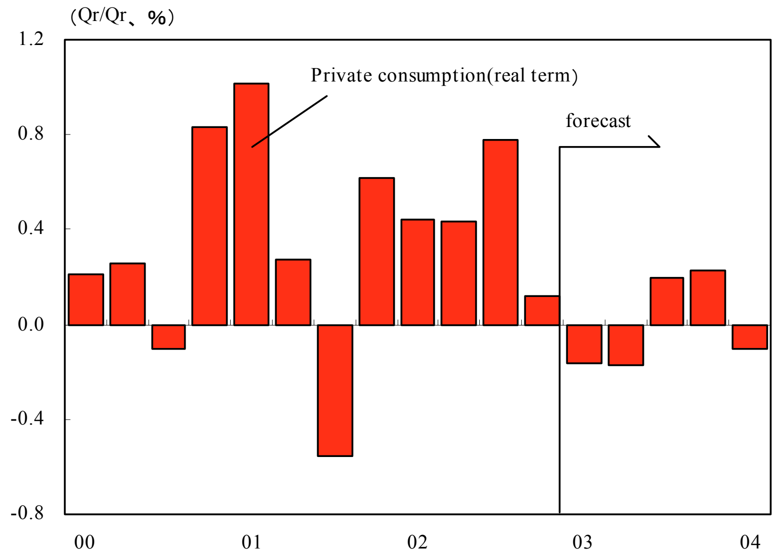
Note: 'Non-employees' consisits of 'Self employed' and 'Family workers'.
Source: Ministry of public Management, Home Affairs, Posts and Telecommunications, Labor Force Survey

(b) Private Consumption: Consumption to Remain Virtually Flat; Increasing Burden of Social Security Holding Down Consumption

Private consumption has remained firm amid a difficult income environment, having risen for five consecutive quarters through the October–December quarter of 2002. However, amid lagging improvement in the income environment, consumer confidence is weakening because of concern about the future economy. The increase of private consumption was sharply limited in the October–December quarter, and there is a possibility that it will turn decline in the January–March quarter of 2003.

With the beginning of fiscal 2003, although incomes will begin to rise modestly, household disposable income will be pushed down because of an increased social security payments including higher national healthcare insurance premiums and lower pension stipends (the latter due to price index-linked pension). These downward pressures on disposable income will adversely affect consumer confidence, which, in turn, is likely to affect household consumption patterns. Looking at fiscal 2003 as a whole, we think private consumption will barely rise above the level in the previous fiscal year, and the increase rate of consumption will be lower than that of cash earnings.

Exhibit12: Real Private Consumption



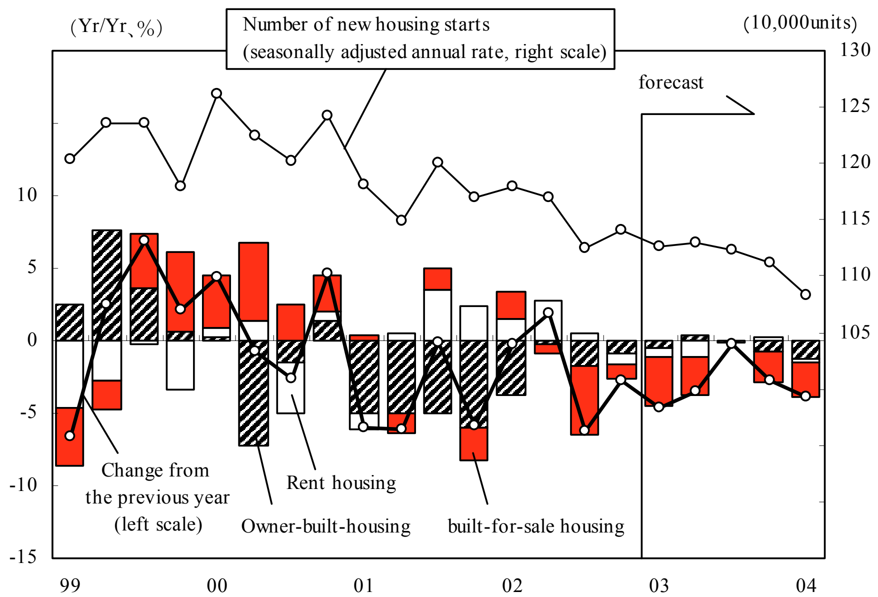
Source:Cabinet Office,National Accounts

(c) Private Residential Investment: Downward Trend to Continue; Surge in Demand Prior to Expiration of Housing Loan Tax Relief Measure Not Expected to Be Great

The number of housing starts has declined to around 1.1 million (seasonally adjusted annual basis) since the middle of 2002. Condominium starts, which had been at a high level, have now declined, and the number of owner-built home starts remains depressed.

Toward summer of 2003, there is a possibility of a surge in housing starts prior to the expiration of a housing loan tax relief measure (open to people who move into their houses before the end of December 2003), but the surge is not expected to be great. In the second half of the fiscal year, we think uncertainty about the future due to signs that the economy is slowing will hold down the number of housing starts.

Exhibit 13: Outlook for Housing Starts

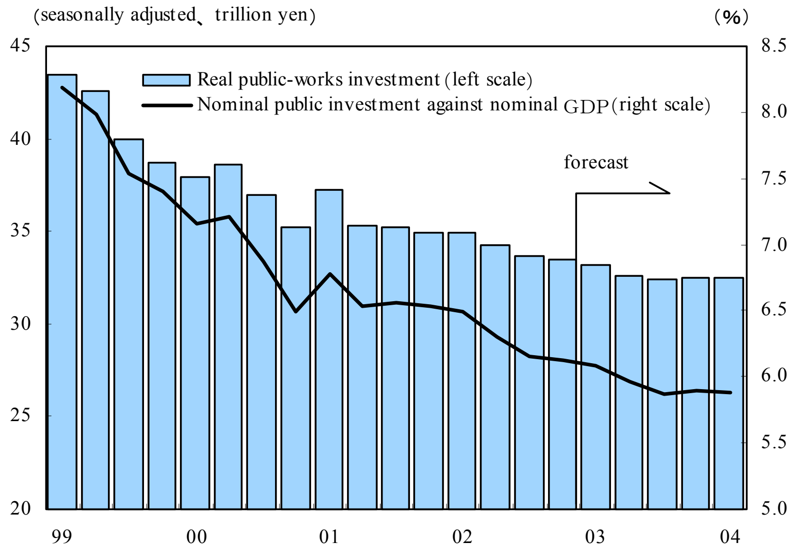


Source: Ministry of Land, Infrastructure and Transport, Housing Construction Starts Statistics

(4) Public Works Investment: Keep Flat Helped by Implementation of Supplementary Budget in the Second Half of Fiscal 2003

The effect of the national government's supplementary budget passed in fiscal 2002 showed up in the first half of fiscal 2003. However, because of the downward trend in public works investment by regional governments, the effect was only a slight reduction in the pace of decline in overall public works investments in the first half of fiscal 2003. In the second half of fiscal 2003, we expect public works investment keep flat helped by the implementation of a supplementary budget.

Exhibit 14: Outlook for Public-works Investment



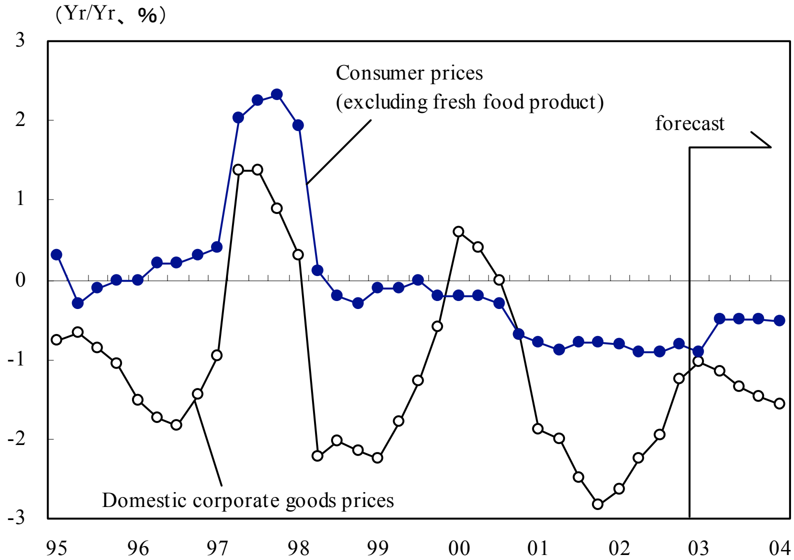
Source:Cabinet Ofice,National Accounts

(5) Price Levels: Deflationary Pressures Remain

The decline in domestic price levels has moderated due to higher crude oil prices and tightening of the demand-supply balance associated with economic recovery and production restraint, However, in fiscal 2003, crude oil prices are likely to fall in the first half, and, in the second half, domestic prices are likely to come under pressure from the easing of the demand-supply balance as the economy decelerates. Consequently, the margin of decline in domestic corporate goods prices will expand again.

Consumer prices continue to decline at a rate of roughly 1% year on year against the backdrop of stagnant demand and an increasing penetration rate for imports. In fiscal 2003, the margin of decline in consumer prices will temporarily narrow because (1) the impact of lower electric power rates will run its course and disappear and (2) the healthcare insurance premiums on households will increase as health insurance reforms are implemented. However, excluding the impact of these factors, consumer prices are likely to remain on a moderate downtrend

Exhibit 15: Outlook for Price



Sources: Bank of Japan(BOJ), Price Indexes Monthly
; Ministry of Public Management, Home Affairs, Post and Telecommunications,Monthly on Price Indexes

Economic Outlook for fiscal 2003

(Yr/Yr、%)

Forecast

(half/half、%)

	FY2001		FY2002		FY2003		FY2001	FY2002	FY2003
	First half	Second half	First half	Second half	First half	Second half	(actual)	(forecast)	(forecast)
Nominal GDP	-1.3	-3.6	-0.9	-0.1	-0.2	-0.4	-2.5	-0.5	-0.3
	(-2.3)	(-1.3)	(0.3)	(-0.3)	(0.2)	(-0.6)			
Real GDP	0.3	-2.7	0.8	2.5	1.4	0.7	-1.2	1.7	1.1
	(-1.7)	(-1.0)	(1.7)	(0.8)	(0.7)	(-0.1)			
Contribution of domestic demand	1.1	-2.4	0.1	1.7	1.3	0.7	-0.7	0.9	1.0
Private consumption	1.8	1.0	1.6	1.4	0.0	0.2	1.4	1.5	0.1
	(0.5)	(0.6)	(1.0)	(0.4)	(-0.2)	(0.3)			
Housing investment	-7.2	-8.8	-2.9	-3.0	-2.0	-3.0	-8.0	-3.0	-2.4
	(-7.9)	(-1.3)	(-1.5)	(-1.6)	(-0.1)	(-3.2)			
Private capital investment	4.1	-9.8	-4.8	3.2	4.3	1.8	-3.4	-0.8	3.0
	(-3.7)	(-6.3)	(1.3)	(1.7)	(2.6)	(-0.7)			
Contriburyion of Inventory investment	-0.1	-1.1	-0.2	0.7	0.5	0.2	-0.6	0.3	0.3
Government expenditure	-0.6	0.5	1.1	-0.3	0.8	1.1	0.0	0.3	1.0
	(-0.4)	(1.1)	(-0.2)	(0.1)	(0.5)	(0.7)			
Public investment	-6.6	-3.5	-3.8	-4.7	-4.1	-2.6	-4.9	-4.3	-3.3
	(-2.7)	(-0.8)	(-2.9)	(-1.7)	(-2.4)	(-0.1)			
Government final consumption expenditure	1.9	2.5	2.5	1.7	2.4	2.6	2.2	2.1	2.5
	(0.7)	(1.8)	(0.8)	(0.9)	(1.5)	(1.2)			
Contribution of external demand	-0.8	-0.2	0.8	0.7	0.2	0.0	-0.5	0.7	0.1
Export of goods and services	-7.3	-7.1	9.3	14.0	6.4	3.7	-7.2	11.7	5.0
	(-6.7)	(-0.4)	(9.8)	(3.8)	(2.5)	(1.1)			
Import of goods and services	0.1	-6.3	2.6	8.5	6.5	5.3	-3.2	5.6	5.9
	(-3.8)	(-2.6)	(5.3)	(3.3)	(3.1)	(2.3)			
Current account balance (trillion yen)	4.9	7.0	7.0	5.8	6.5	7.7	11.9	12.7	14.3
balance on goods (trillion yen)	4.2	4.7	6.0	5.5	6.2	6.4	9.0	11.4	12.6
balance on service (trillion yen)	-3.0	-2.2	-2.7	-2.7	-3.1	-3.0	-5.1	-5.4	-6.1
balance on income (trillion yen)	4.1	4.6	4.1	3.5	3.9	4.8	8.7	7.6	8.7
Industrial production	-8.2	-12.2	0.0	5.5	1.5	-1.6	-10.2	2.7	-0.1
	(-7.5)	(-5.2)	(5.3)	(0.2)	(1.2)	(-2.8)			
Corporate goods prices	-0.7	-2.0	-2.3	-1.2	-2.1	-2.0	-1.3	-1.7	-2.1
Domestic corporate goods prices	-2.2	-2.7	-2.1	-1.1	-1.3	-1.5	-2.5	-1.6	-1.4
Consumer prices	-0.7	-1.2	-0.9	-0.6	-0.5	-0.6	-1.0	-0.7	-0.5
exccluding freshfood	-0.8	-0.8	-0.9	-0.9	-0.5	-0.5	-0.8	-0.9	-0.5
Yen/U.S.Dollar	122.2	128.1	123.1	120.6	120.8	126.5	125.1	121.9	123.6
Newly issued government bond yields（10years)	1.3	1.4	1.3	1.0	1.0	0.9	1.4	1.1	1.0
Crude oil price (U.S.dollar/barrel)	27.3	21.1	27.3	31.6	25.0	22.3	24.2	29.4	23.6
U.S. Real GDP (CY) (seasonally-adjusted annual rate)	-0.4	0.1	3.6	2.5	0.5	3.0	0.3	2.4	1.6
Spring wage increases＊	－	－	－	－	－	－	2.01	1.66	1.56

Notes:

＊ 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 lavor union and capital of 2billion yen or more as well as 1,000 or more employees.
(Compiled by the Ministry of Health, Labour and Welfare)

【Exports and Imports】

Forecast

(Yr/Yr、%)

	FY2001		FY2002		FY2003		FY2001	FY2002	FY2003
	First half	Second half	First half	Second half	First half	Second half	Actual	Forecast	Forecast
Exports (yen basis)	-6.2	-7.1	6.5	11.0	3.8	3.3	-6.6	8.7	3.6
Volume	-11.9	-7.5	11.1	12.5	6.4	2.3	-9.8	11.8	4.3
Imports (yen basis)	4.7	-8.6	-1.3	10.3	4.2	-0.8	-2.3	4.4	1.6
Volume	-2.6	-5.6	3.5	7.2	7.1	2.7	-4.1	5.3	4.9
Exports surplus (trillion yen)	3.3	3.8	5.1	4.4	5.2	5.5	7.1	9.5	10.7

【Income and Employment】

Forecast

(Yr/Yr、%)

	FY2001		FY2002		FY2003		FY2001	FY2002	FY2003
	First half	Second half	First half	Second half	First half	Second half	Actual	Forecast	Forecast
Cash earnings of employees (per capita)	-0.8	-2.3	-3.1	-1.0	0.8	0.2	-1.5	-2.0	0.5
Regular compensation*	-0.3	-0.8	-1.5	-0.6	0.2	0.2	-0.5	-1.0	0.2
Overtime compensation	-4.1	-7.4	-0.7	5.2	3.7	-0.5	-5.8	2.2	1.5
Number of employees	0.4	-1.1	-0.7	-0.3	0.2	0.3	-0.3	-0.5	0.2
Compensation of employees*	0.4	-2.5	-2.7	-1.1	0.9	0.5	-1.1	-1.9	0.7
Unemployment rate	5.0	5.4	5.4	5.4	5.4	5.5	5.2	5.4	5.4

Notes:

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

【New Housing Starts】

(10,000 units)

	FY2001 Actual	FY2002 Forecast	FY2003 Forecast
Number of new housing starts (change from the previous year)	117.3 (-3.3)	113.9 (-2.9)	111.0 (-2.5)
Owner-built housing	37.7 (-13.9)	36.7 (-2.7)	36.2 (-1.3)
Rental housing	44.2 (5.8)	44.8 (1.4)	44.5 (-0.8)
Built-for-sale housing	34.4 (-0.7)	31.5 (-8.3)	29.5 (-6.4)