

Report

The Japanese Economy in Fiscal 2018 and Fiscal 2019

—Driven by the Corporate Sector, the Economy Is Continuing to Recover

(1) Current State of the Economy: The Pace of Growth Has Slowed, but Recovery Is Continuing.

The real GDP growth rate for the October–December quarter of 2017, which was announced on February 14, was +0.1% from the previous quarter (+0.5% at an annualized rate), the eighth consecutive quarter of expansion. Although the pace of growth has slowed, underlying trends have not weakened, and the economy is showing continued recovery, driven by the corporate sector.

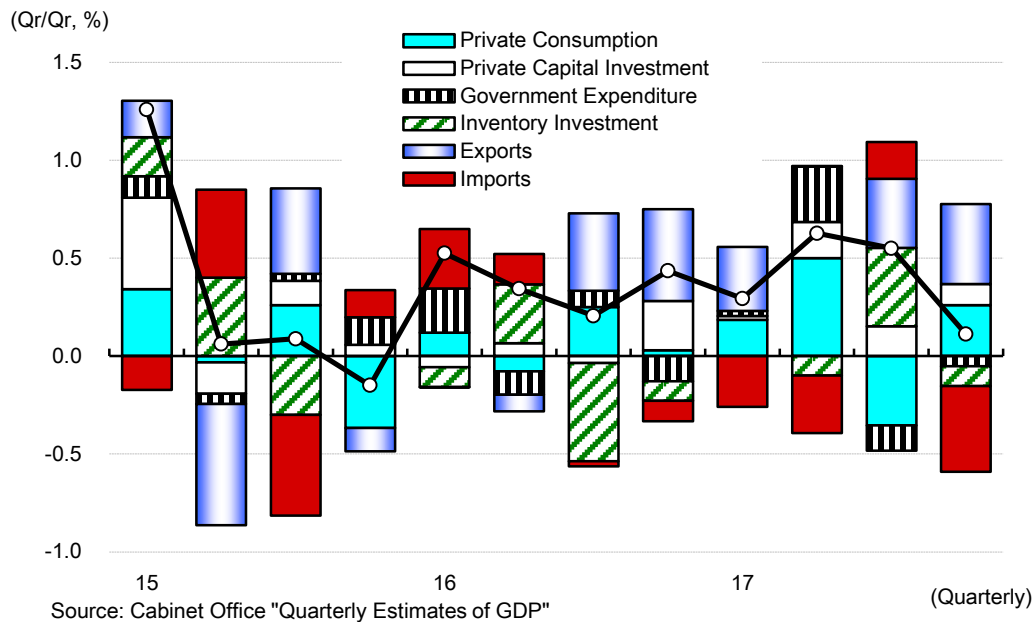
Consumer spending shifted to a rising trend, expanding +0.5% over the previous quarter, due to the diminishing of the negative impact of unseasonable weather in the summer, the continuation of cold weather over the year-end, and other factors. On average, consumption is continuing to show moderate improvement. Private residential investment declined, by 2.7%, for the second consecutive quarterly decline. This was because the number of new housing starts, which is a leading indicator for residential investment, has already peaked out.

In the corporate sector, private capital investment remained firm and rose 0.7% over the previous quarter, the fifth consecutive quarterly rise. In addition to investments to deal with the shortage of labor and to increase productivity, there is a possibility that corporations may be looking to the future and making investments to increase production capacity and for attaining other objectives. The contribution of inventory investments to the real GDP growth rate was –0.1%, which was in reaction to the large positive contribution in the previous quarter.

In the government sector, public investment continued to decline, shrinking 0.5% for the quarter, because the positive effects of implementation of the supplementary budget for fiscal 2016 have run their course, and government final consumption slipped 0.1%.

As a result, the contribution of overall domestic demand was a marginal +0.1%, compared with +0.0% in the July–September quarter. On the other hand, the contribution of the external sector was a small –0.0%. Exports rose a robust 2.4% over the previous quarter because of the recovery in overseas economies and expansion in shipments of smartphone-related electronic components and devices, general machinery, automobiles, and other items. Imports, on the other hand, increased 2.9%, reflecting the increase in consumer spending and other factors. Nominal GDP posted a change of –0.0% from the previous quarter (–0.1% at an annualized rate). The GDP deflator, which reflects comprehensive price movements in the economy as a whole, showed a continued slight change of 0.0% year on year (–0.1% compared with the previous quarter). The positive rate of increase in the domestic demand deflator is gradually rising, but the import deflator is continuing to show a high rate of increase, thus restraining the overall deflator.

Chart 1. Real GDP growth rate by demand(Quarterly)

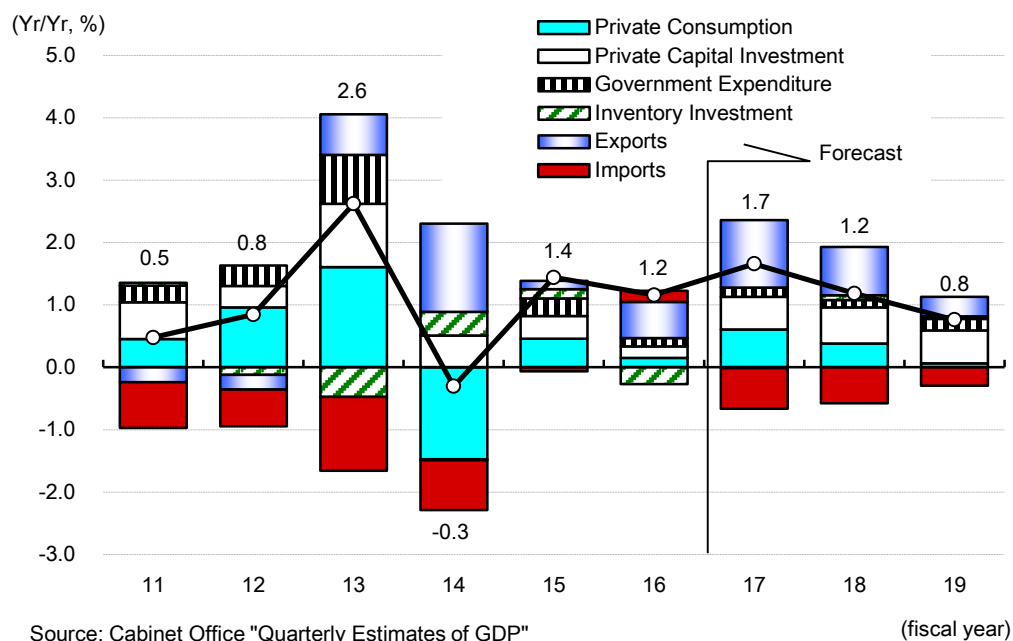


(2) Outlook for the Economy in Fiscal 2018 and Fiscal 2019

—Driven by the Corporate Sector, the Economy Will Continue to Recover.

In fiscal 2017, growth is expected to continue in the January–March quarter, and the real rate of GDP growth for the fiscal year as a whole is forecast to be +1.7%, the third consecutive year of positive growth (Chart 2).

Chart 2. Real GDP growth rate by demand (Fiscal year)



In fiscal 2018, the economy will remain on a recovery trend. Data for December is expected to show that the Japanese economy has now tied with its previous longest period of expansion after World War II (the 73 months

from February 2002 to February 2008) and will likely go on to set new records. Real GDP growth in fiscal 2018 is forecast to be +1.2%, thus marking the fourth consecutive year of positive growth.

First, demand for infrastructure and other construction in advance of the 2020 Tokyo Olympics will mount to a climax, and urban redevelopment projects in the Tokyo metropolitan area will give a further boost to the economy. Moreover, investments to increase operating efficiency, make wider use of IT, and cope with labor shortages as well as investments in R&D to promote the use of AI and IoT will also rise. The cautious stance of corporations toward capital investments will likely continue, but, even so, corporate cash flows will be ample, as corporate performance continues to improve, and it is likely that investments will not be cut to the minimum level necessary. In some sectors, it is expected that the drive to invest may become stronger, and capital investment may include some investments to increase production capacity.

Next, exports will continue to rise as recovery in the world economy proceeds, and this is expected to give a boost to the domestic economy. Amid these developments, a worldwide shortage of labor may emerge, and this is expected to bring an upward trend in investment activity and maintain the strength of demand for general machinery. Along with the trends toward the usage of electric-powered automobiles, rising demand for robots, and strengthening as well as expansion of information and telecommunications functions, the demand for electronic components and devices will likely remain firm. Moreover, since many companies have shifted their production facilities outside of Japan and have restrained their capital investments in Japan, domestic production capacity will approach a limit, and, even though corporations may not want to increase the pace of production in the domestic market suddenly, demand will continue to be firm.

On the other hand, in the household sector, improvement in labor conditions is expected to continue, and the rate of increase in wages will rise somewhat, thus bringing continued firmness in consumer spending. However, since the price level will continue to rise moderately, real wages may be stagnant, and this will be a factor restraining consumption and prevent it from becoming strong enough to be a driving force for the economy as a whole.

In the public sector, government consumption expenditure will continue to rise gradually along with the demographic aging of the population. Public investment will maintain a moderate rising trend in fiscal 2018 because of the boost provided by economic policies adopted in fiscal 2017 and demand related to the 2020 Tokyo Olympics.

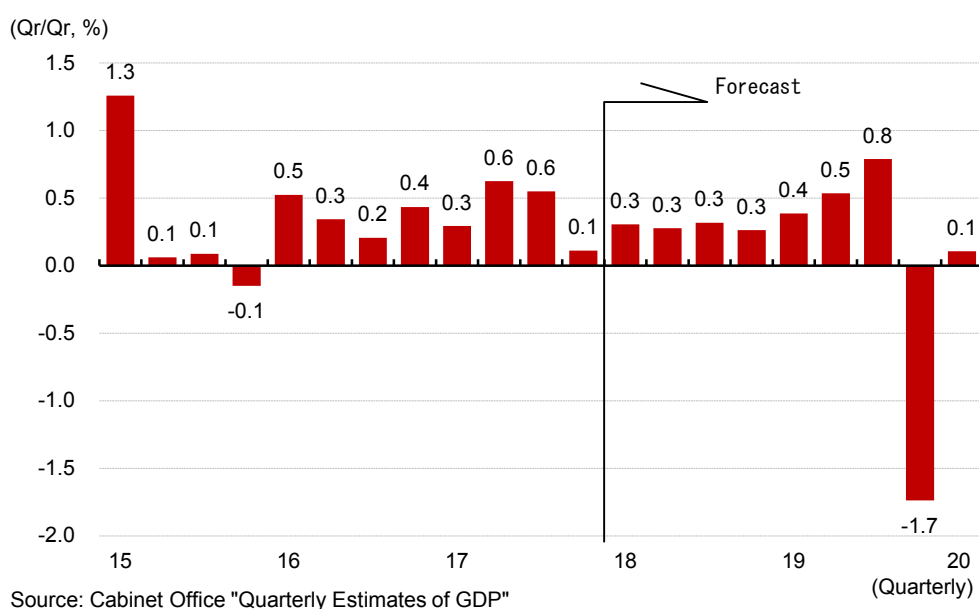
Examining developments by quarter, after a continued increase in the January–March quarter, the forecast is for further moderate real GDP growth during fiscal 2018 (Chart 3).

Risks of a downturn we can mention include, first, a slowing of economic growth in the world economy. There are many uncertainties overseas, such as intensification of geopolitical risks related to the North Korean situation, political turmoil in the United States and Europe, and turmoil in international financial markets due to the slowing of growth in the Chinese economy, and other factors. In addition, even though employment conditions may

continue to improve, consumer spending may stagnate due to decreases in real wages. Moreover, recently, as a result of the increasingly serious labor shortages in Japan, some domestic industries are facing supply constraints; if such shortages become more widespread, this could create an obstacle to economic expansion.

Note that the downward correction in stock prices that occurred in early February 2018 was an adjustment in reaction to previous unduly high increases in equity prices. Its impact on the real economy is expected to be minor. However, if funds flow out of the newly emerging economies and bring concerns about a slowdown in the world economy against a background of turbulence in international financial markets over the upward pressure on prices in the United States, rising long-term interest rates, the direction of monetary policy, and other factors, there may be a risk of a sharp rise in the value of the yen if it is viewed as a safe haven currency.

Chart3. Real GDP growth rate (Quarterly)



In fiscal 2019, real GDP growth will continue, rising +0.8% over the previous year. A surge in demand is expected in the first half caused by the planned hike in the consumption tax rate, and this will be followed by the spread of a reactionary decline in household sector spending in the second half. Notwithstanding this, since the planned increase in the consumption tax rate will be only two percentage points, smaller than at the time of the previous consumption tax increase, and since the tax rate hike will not apply to food products (excluding eating out and alcoholic beverages) and newspaper subscription charges, the surge in consumption and the following reactionary decline are expected to be smaller than at the time of the previous consumption tax increase. In addition, since a portion of the increase in tax revenues due to the planned consumption tax hike will be used to make early childhood education free of charge and cover other household costs, the tax hike may lighten the financial burden on households. Since the Olympic Games will be held in Tokyo in 2020 and employment conditions are expected to show continued improvement, the decline in consumer confidence after the planned consumption tax hike is expected to be temporary.

Note that the surge in demand preceding the Tokyo Olympics will run its course in the second half of fiscal 2019, and, as a countermeasure, the government may formulate economic measures, centered on public investment, to soften the impact of the expected post-Olympics slump.

Economic Outlook for fiscal 2017-2019

【GDP demand】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast FY 2017 (forecast)	FY 2018 (forecast)	FY 2019 (forecast)
					Yr/Yr, %
Nominal GDP	3.0	1.0	1.7	1.5	1.5
Real GDP	1.4	1.2	1.7	1.2	0.8
Contribution of domestic demand	1.4	0.4	1.2	1.0	1.0
Private consumption	0.8	0.3	1.1	0.7	0.1
Housing investment	3.7	6.2	-0.3	-5.0	-1.4
Private capital investment	2.3	1.2	3.4	3.6	3.1
Contribution of inventory investment	0.1	-0.3	-0.0	0.1	0.0
Government expenditure	1.1	0.5	0.6	0.5	0.8
Government final consumption expenditure	1.9	0.5	0.4	0.7	0.7
Public investment	-1.6	0.9	1.2	-0.2	0.8
Contribution of external demand	0.1	0.8	0.4	0.2	0.2
Export of goods and services	0.7	3.4	6.5	4.3	1.7
Import of goods and services	0.3	-1.0	4.2	3.4	1.7
GDP deflator	1.5	-0.2	0.0	0.3	0.3

【Overseas economy and market data】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast			Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	FY 2019 (forecast)	
Real GDP (US) (CY)	2.9	1.5	2.3	2.5	2.2	
Real GDP (Euro zone) (CY)	2.0	1.8	2.5	2.2	1.7	
Real GDP (Asia)	6.1	6.0	5.9	5.9	5.9	
Real GDP (China)	6.9	6.7	6.9	6.5	6.2	
Yen/U.S.Dollar	120.1	108.4	111.3	111.1	108.4	
Uncollateralized call rates (O/N) (%)*	0.063	-0.046	-0.049	-0.025	0.000	
TIBOR (3months)	0.155	0.059	0.059	0.080	0.100	
Newly issued government bond yields (10years) (%)	0.29	-0.05	0.06	0.11	0.24	
WTI future price (near month contract, US dollar/barrel)	45.0	47.9	53.9	63.8	65.6	
North Sea Brent Crude (US dollar/barrel)	48.6	49.9	58.1	67.3	69.1	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast			Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	FY 2019 (forecast)	
Value of exports (Yen base)	-0.7	-3.5	11.0	6.1	0.8	
Ammount (Yr/Yr,%)	-2.7	2.4	4.9	3.2	1.2	
Value of imports (Yen base)	-10.2	-10.2	13.7	6.6	0.7	
Ammount (Yr/Yr,%)	-1.9	0.5	3.3	2.0	1.4	
Balance (trillion yen)	-1.1	4.0	2.6	2.4	2.4	
Current account balance (trillion yen)	17.9	20.4	21.3	21.1	21.1	
balance on goods (trillion yen)	0.3	5.8	4.2	4.0	4.1	
balance on service (trillion yen)	-1.4	-1.4	-0.4	-0.5	-0.4	
balance on income (trillion yen)	20.9	18.1	19.7	19.9	19.5	

【Corporations】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast			Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	FY 2019 (forecast)	
Industrial production	-0.9	1.1	4.7	1.8	0.8	
Inventory index	1.1	-4.0	-0.6	0.4	0.7	
Sales	-1.3	0.7	4.6	2.0	1.4	
Ordinary Profits	4.9	10.0	9.3	2.3	1.8	

【Income and employment】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast		Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	
Income per capita	0.2	0.4	0.5	0.6	0.7
Scheduled	0.4	0.2	0.5	0.6	0.6
Non-scheduled	0.4	-0.6	0.5	0.2	0.2
Wage increase rate (%)	2.38	2.14	2.11	2.20	2.30
Employee	1.0	1.4	1.3	0.6	0.5
Nominal compensation of employees*	1.5	2.4	2.1	1.5	1.2
Unemployment rate (%)	3.3	3.0	2.8	2.6	2.5

*GDP base

【Goods prices】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast		Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	
Domestic corporate goods prices	-3.3	-2.3	2.7	1.6	1.1
excluding tax effects			2.8	1.6	0.2
Consumer prices	0.2	-0.1	0.7	0.7	1.1
excluding tax effects			4.9	1.8	-0.9
excluding freshfood	-0.0	-0.3	0.7	0.7	1.1
excluding tax effects			0.7	0.7	0.6
excluding food (excluding alcoholic beverages) and energy	0.9	0.4	0.2	0.4	0.9

【New housing starts】

	FY 2015 (forecast)	FY 2016 (forecast)	forecast		annualized, ten thousand units Yr/Yr, %
			FY 2017 (forecast)	FY 2018 (forecast)	
New housing starts	92.1	97.4	95.6	92.9	91.5
Owned	4.6	5.8	-1.9	-2.8	-1.5
Rented	28.4	29.2	28.2	27.7	27.1
Built for Sale	2.2	2.6	-3.3	-1.7	-2.2
	38.4	42.7	41.3	39.8	39.5
	7.1	11.4	-3.3	-3.6	-0.7
	24.7	24.9	25.4	24.7	24.2
	4.5	1.1	1.9	-2.9	-1.7

Economic Outlook for calendar 2018-2019

【GDP demand】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast CY 2018 (forecast)	Yr/Yr, % CY 2019 (forecast)
Nominal GDP	2.1	3.5	1.2	1.4	1.5
Real GDP	0.4	1.4	0.9	1.6	1.3
Contribution of domestic demand	0.4	1.0	0.4	1.0	1.0
Private consumption	-0.9	-0.0	0.1	1.1	0.8
Housing investment	-4.3	-1.0	5.6	2.7	-6.4
Private capital investment	5.4	3.4	0.6	2.8	3.6
Contribution of inventory investment	0.1	0.3	-0.2	-0.1	0.1
Government expenditure	0.7	0.8	1.0	0.3	0.4
Government final consumption expenditure	0.7	-1.7	-0.1	1.0	-0.3
Public investment	0.5	1.5	1.3	0.1	0.6
Contribution of external demand	-0.0	0.4	0.6	0.5	0.3
Export of goods and services	9.3	2.9	1.3	6.8	5.1
Import of goods and services	8.3	0.8	-1.9	3.6	3.6
GDP deflator	1.7	2.1	0.3	-0.2	0.2

【Overseas economy and market data】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast CY 2018 (forecast)	Yr/Yr, % CY 2019 (forecast)
Real GDP (US) (CY)	2.9	1.5	2.3	2.5	2.2
Real GDP (Euro zone) (CY)	2.0	1.8	2.5	2.2	1.7
Real GDP (Asia)	6.1	6.0	5.9	5.9	5.9
Real GDP (China)	6.9	6.7	6.9	6.5	6.2
Yen/U.S.Dollar	121.0	108.8	112.2	111.2	108.9
Uncollateralized call rates (O/N) (%)*	0.073	-0.026	-0.048	-0.038	0.000
TIBOR (3months)	0.168	0.076	0.058	0.070	0.100
Newly issued government bond yields (10years) (%)	0.36	-0.05	0.06	0.10	0.21
WTI future price (near month contract, US dollar/barrel)	48.8	43.3	50.9	63.6	65.2
North Sea Brent Crude (US dollar/barrel)	53.6	45.0	54.7	67.3	68.7

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast	
				CY 2018 (forecast)	CY 2019 (forecast)
Value of exports (Yen base)	-0.7	-3.5	11.0	6.1	0.8
Amount (Yr/Yr,%)	-2.7	2.4	4.9	3.2	1.2
Value of imports (Yen base)	-10.2	-10.2	13.7	6.6	0.7
Amount (Yr/Yr,%)	-1.9	0.5	3.3	2.0	1.4
Balance (trillion yen)	-1.1	4.0	2.6	2.4	2.4
Current account balance (trillion yen)	3.9	16.2	20.3	21.9	21.1
balance on goods (trillion yen)	-10.5	-0.9	5.5	4.9	4.1
balance on service (trillion yen)	-3.0	-1.9	-1.1	-0.7	-0.5
balance on income (trillion yen)	19.4	21.0	18.1	19.7	19.8

【Corporations】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast	
				CY 2018 (forecast)	CY 2019 (forecast)
Industrial production	2.1	-1.2	-0.1	4.5	2.6
Inventory index	0.0	-5.3	2.1	-0.1	0.7
Sales	-0.5	-1.6	5.4	2.2	1.8
Ordinary Profits	7.5	1.5	14.6	2.6	2.6

【Income and employment】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast	
				CY 2018 (forecast)	CY 2019 (forecast)
Income per capita	0.1	0.5	0.4	0.6	0.7
Scheduled	0.3	0.3	0.4	0.5	0.6
Non-scheduled	0.4	-0.5	0.4	0.1	0.5
Real wage indices	-0.8	0.6	-0.2	-0.4	-0.4
Number of employees	0.9	1.5	1.2	0.8	0.5
Nominal compensation of employees*	1.4	2.7	1.9	1.7	1.3
Unemployment rate (%)	3.4	3.1	2.8	2.7	2.6

*GDP base

【Goods prices】

	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	forecast	
				CY 2018 (forecast)	CY 2019 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	-2.3	-3.5	2.4	2.0	0.9
excluding tax effects			2.3	2.1	0.4
Consumer prices	0.8	-0.1	0.5	0.8	0.8
excluding tax effects			0.5	0.8	0.6
excluding freshfood	0.5	-0.3	0.5	0.7	0.8
excluding tax effects			0.5	0.7	0.5
excluding food (excluding alcoholic beverages) and energy	1.3	0.6	0.1	0.4	0.7

【 New housing starts】

				annualized, ten thousand units forecast Yr/Yr, %	
	CY 2015 (actual)	CY 2016 (actual)	CY 2017 (actual)	CY 2018 (forecast)	CY 2019 (forecast)
New housing starts	90.9 1.7	96.7 6.4	96.5 -0.2	92.8 -3.8	92.9 0.1
Owned	28.3 -1.2	29.2 3.1	28.5 -2.6	27.6 -3.0	27.7 0.4
Rented	37.8 4.3	41.8 10.4	42.0 0.6	40.1 -4.7	40.0 -0.0
Built for Sale	24.1 1.5	25.1 4.1	25.5 1.7	24.5 -4.1	24.5 -0.0

Economic Outlook (Quarterly)

		FY 2016				FY 2017				FY 2018				FY 2019			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Nominal GDP	(Qr/Qr,%)	0.2	-0.2	0.4	0.1	0.9	0.6	-0.0	0.3	0.4	0.3	0.5	0.6	0.5	0.9	-1.0	0.3
	Annualized rate	0.8	-0.6	1.6	0.3	3.8	2.6	-0.1	1.4	1.8	1.1	2.2	2.4	2.0	3.5	-3.8	1.2
	(Yr/Yr,%)	1.2	0.8	1.4	0.6	1.2	2.1	1.6	2.0	1.5	1.0	1.5	1.8	1.5	1.0	1.5	1.8
Real GDP	(Qr/Qr,%)	0.3	0.2	0.4	0.3	0.6	0.6	0.1	0.3	0.3	0.3	0.3	0.4	0.5	0.8	-1.7	0.1
	Annualized rate	1.4	0.8	1.8	1.2	2.5	2.2	0.5	1.2	1.1	1.3	1.1	1.6	2.2	3.2	-6.8	0.4
	(Yr/Yr,%)	0.7	0.9	1.5	1.4	1.5	1.9	1.5	1.7	1.3	1.0	1.1	1.3	1.5	2.0	-0.1	-0.3
Contribution of domestic demand (Qr/Qr,%)		0.3	-0.2	0.1	0.2	0.9	0.0	0.1	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4
Private consumption		-0.1	0.4	0.1	0.3	0.9	-0.6	0.5	0.2	0.2	0.3	0.1	0.1	0.3	1.8	-3.7	0.6
Housing investment		-0.2	-0.1	0.6	0.8	1.8	0.6	1.1	0.9	0.3	1.1	0.7	0.6	0.7	2.3	-1.5	-1.0
Private capital investment		2.1	2.5	0.8	1.2	0.9	-1.5	-2.7	-2.5	-1.8	-1.0	1.5	1.2	1.8	-2.4	-4.8	-1.4
Contribution of inventory investment (Qr/Qr,%)		5.1	6.3	6.8	6.5	5.7	1.6	-2.2	-5.8	-8.1	-7.6	-3.9	-0.2	3.6	2.1	-4.3	-6.8
Government expenditure		0.4	-0.2	1.6	0.1	1.2	1.0	0.7	0.9	0.9	0.8	0.9	1.1	1.0	2.4	-2.2	-0.1
Government final consumption expenditure		1.3	-0.2	1.7	1.8	2.9	3.8	3.0	3.8	3.6	3.3	3.7	3.9	4.0	5.6	2.3	1.1
Public investment		0.3	-0.5	-0.1	0.0	-0.1	0.4	-0.1	-0.0	-0.0	0.0	0.0	0.1	0.1	-0.3	0.4	-0.2
Government expenditure		-0.5	0.3	-0.5	0.1	1.2	-0.5	-0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.0	0.3	0.1
Government final consumption expenditure		1.3	1.5	0.1	-0.6	1.2	0.3	0.4	0.5	-0.2	0.4	0.7	0.9	0.9	0.7	0.7	0.6
Public investment		-1.2	0.4	-0.1	0.1	0.2	0.0	-0.1	0.3	0.1	0.2	0.2	0.2	0.2	0.1	0.3	0.1
Public investment		1.2	1.3	0.2	-0.6	0.6	0.3	0.2	0.5	0.4	0.5	0.9	0.8	0.8	0.7	0.8	0.7
Public investment		2.4	0.2	-1.8	-0.2	4.7	-2.6	-0.5	-0.4	0.6	0.1	0.2	0.4	0.4	-0.3	0.3	0.2
Public investment		1.8	2.3	0.0	-0.1	3.7	0.3	0.8	0.7	-2.6	-0.1	0.2	1.1	1.3	0.8	0.7	0.6
Contribution of external demand (Qr/Qr,%)		0.1	0.4	0.4	0.1	-0.3	0.5	-0.0	0.1	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.0
Export of goods and services		-0.5	2.3	2.7	2.0	0.0	2.1	2.4	1.0	0.7	0.9	0.6	0.4	0.3	0.4	0.4	0.3
Import of goods and services		0.9	1.0	4.8	6.7	6.8	6.9	6.8	5.8	6.3	5.2	3.4	2.7	2.2	1.6	1.5	1.5
Import of goods and services		-0.9	0.1	0.6	1.7	1.9	-1.2	2.9	0.4	0.7	0.9	0.8	0.6	0.4	1.5	-1.8	0.0
Import of goods and services		-0.8	-3.3	-1.6	1.5	4.5	2.8	5.5	4.0	2.8	4.9	3.0	3.0	2.7	3.3	0.8	0.1
GDP deflator (Yr/Yr,%)		0.4	-0.1	-0.1	-0.8	-0.3	0.2	0.0	0.3	0.2	0.0	0.4	0.5	0.2	0.0	0.4	0.5

Overseas economy and market data

		FY 2016				FY 2017				FY 2018				FY 2019			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Real GDP (US)		2.2	2.8	1.8	1.2	3.1	3.2	2.6	2.8	2.0	1.6	2.0	2.4	2.4	2.4	2.4	2.0
Real GDP (Euro zone)		1.4	1.6	2.7	2.5	2.9	2.9	2.3	1.9	1.9	1.9	1.9	1.7	1.7	1.2	1.7	1.8
Real GDP (Asia)		6.0	5.9	6.0	5.9	5.9	6.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Real GDP (China)		6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.6	6.5	6.5	6.5	6.4	6.3	6.2	6.0	6.0
Yen/U.S. Dollar		108.1	102.4	109.4	113.6	111.1	111.0	112.9	110.3	112.0	111.7	110.7	109.8	109.1	108.5	108.0	108.0
Uncollateralized call rates (O/N) (%)		-0.050	-0.046	-0.043	-0.045	-0.054	-0.048	-0.046	-0.050	-0.050	-0.050	0.000	0.000	0.000	0.000	0.000	0.000
TIBOR (3months)		0.068	0.058	0.055	0.056	0.056	0.059	0.061	0.060	0.060	0.060	0.100	0.100	0.100	0.100	0.100	0.100
Newly issued government bond yields (10years) (%)		-0.12	-0.13	-0.01	0.06	0.06	0.04	0.06	0.08	0.09	0.09	0.12	0.15	0.20	0.25	0.25	0.25
WTI future price (near month contract, US dollar/barrel)		45.6	44.9	49.3	51.8	48.2	48.2	55.3	63.9	62.9	63.5	64.1	64.7	65.1	65.4	65.7	66.0
North Sea Brent Crude (US dollar/barrel)		47.0	47.0	51.1	54.6	50.8	52.2	61.5	68.0	66.4	67.0	67.6	68.2	68.6	68.9	69.2	69.5

* actual=average, forecast=end of period

External demand (export and import)

		FY 2016				FY 2017				FY 2018				FY 2019			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Value of exports (Yen base)		-9.5	-10.2	-1.9	8.5	10.5	15.1	13.0	5.9	10.2	8.5	3.4	2.7	1.5	0.4	0.4	0.8
Ammount (Yr/Yr,%)		-1.3	1.0	4.7	5.1	5.1	5.8	4.6	4.2	5.5	4.2	2.0	1.1	1.3	1.2	1.2	1.1
Ammount (Qr/Qr,%)		0.0	0.9	3.7	1.6	-1.0	1.6	2.6	1.0	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.2
Value of imports (Yen base)		-18.7	-19.3	-9.3	8.6	16.2	14.5	17.0	7.8	8.5	11.3	4.0	3.3	1.3	1.8	-0.1	-0.0
Ammount (Yr/Yr,%)		-1.3	-0.7	1.6	2.2	4.9	1.8	3.9	2.8	1.1	3.1	1.6	2.1	1.9	2.8	0.7	0.3
Ammount (Qr/Qr,%)		-0.7	0.4	1.4	0.4	2.3	-1.4	1.9	0.0	0.6	0.5	0.5	0.5	0.4	1.4	-1.6	0.1
Balance (trillion yen)		1.5	1.0	1.3	0.3	0.7	1.2	0.7	-0.0	1.1	0.8	0.6	-0.2	1.1	0.5	0.8	0.0
Current account balance (trillion yen)*		4.7	4.9	5.1	5.4	4.8	6.2	5.6	5.0	5.4	5.4	5.4	5.2	5.4	4.9	5.6	5.3
Balance on goods (trillion yen)*		1.2	1.5	1.7	1.3	0.7	1.6	1.3	0.8	1.1	1.0	1.1	0.9	1.1	0.6	1.3	1.1
Balance on service (trillion yen)*		-0.4	-0.4	-0.3	-0.4	-0.1	-0.2	0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Balance on income (trillion yen)*		4.5	4.4	4.2	5.0	4.7	5.4	4.8	4.9	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9

*seasonally adjusted

【Corporations】

		forecast																Yr/Yr, %	
		FY 2016				FY 2017				FY 2018				FY 2019					
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		
Industrial production	(Qtr/Qtr, %)	0.3	1.6	1.8	0.2	2.1	0.4	1.8	0.0	0.4	0.3	0.4	0.3	0.5	1.4	-2.3	-0.2		
	(Yr/Yr, %)	-1.8	0.4	2.1	3.8	5.8	4.2	4.5	4.3	2.6	2.4	1.0	1.3	1.5	2.6	-0.2	-0.7		
Inventory index	(Qtr/Qtr, %)	-1.6	-2.2	-2.4	2.2	-0.5	-1.6	2.1	-0.4	0.0	0.1	0.2	0.1	0.3	-1.6	2.0	0.1		
	(Yr/Yr, %)	-0.5	-2.7	-5.3	-4.0	-2.9	-2.4	2.1	-0.6	0.0	1.8	-0.1	0.4	0.6	-1.1	0.7	0.7		
Sales		-3.5	-1.5	2.0	5.6	6.7	4.8	4.6	2.5	2.2	2.4	1.6	1.8	1.9	2.8	0.8	0.4		
Ordinary profits		-10.0	11.5	16.9	26.6	22.6	5.5	5.8	4.0	0.9	4.3	1.7	2.8	2.4	5.3	0.3	-0.2		

【Income and employment】

		forecast																Yr/Yr, %	
		FY 2016				FY 2017				FY 2018				FY 2019					
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		
Income per capita		0.6	0.5	0.4	0.2	0.5	0.2	0.7	0.5	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.6		
	Scheduled	-0.1	0.3	0.3	0.2	0.5	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6		
	Non-scheduled	0.5	-1.6	-1.2	-0.1	-0.0	0.9	0.9	0.2	0.2	0.0	0.1	0.3	0.6	1.3	-0.3	-0.8		
Real wage indices		1.1	1.2	0.1	-0.1	-0.1	-0.6	-0.2	-0.7	-0.2	-0.3	-0.3	-0.1	0.1	-0.0	-1.2	-1.3		
Employee		1.6	1.5	1.6	1.0	1.2	1.5	1.1	1.3	0.9	0.5	0.6	0.5	0.5	0.6	0.4	0.5		
Nominal compensation of employees*		2.5	2.8	2.7	1.4	2.2	2.2	1.9	2.3	2.0	1.4	1.4	1.2	1.3	1.5	1.1	1.1		
Unemployment rate (%)		3.2	3.0	3.1	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.6	2.5		

※GDP base

【Goods prices】

		forecast																Yr/Yr, %	
		FY 2016				FY 2017				FY 2018				FY 2019					
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		
Domestic corporate goods prices		-4.5	-3.8	-2.1	1.0	2.1	2.9	3.4	2.7	2.1	1.9	1.5	0.8	0.5	0.3	1.8	1.9		
	excluding tax effects					2.1	2.9	3.4	2.7	2.1	1.9	1.5	0.8	0.5	0.3	-0.1	0.0		
Consumer prices		-0.4	-0.5	0.3	0.3	0.4	0.6	0.6	1.0	0.8	0.7	0.8	0.6	0.5	0.6	1.6	1.6		
	excluding tax effects					0.4	0.6	0.6	1.0	0.8	0.7	0.8	0.6	0.5	0.6	0.6	0.6		
	excluding freshfood	-0.4	-0.5	-0.3	0.2	0.4	0.6	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.6	1.6	1.6		
	excluding tax effects					0.4	0.6	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.6	0.6	0.6		
	excluding food (excluding alcoholic beverages) and energy	0.7	0.4	0.2	0.1	0.0	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	1.4	1.3		

【New housing starts】

		forecast																annualized, ten thousand units	
		FY 2016				FY 2017				FY 2018				FY 2019				Yr/Yr, %	
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		
New housing starts		97.9	97.8	96.8	97.2	98.7	95.5	94.8	93.3	92.6	92.4	92.9	93.9	96.2	92.6	89.0	88.2		
		4.9	7.1	7.9	3.2	1.1	-2.4	-2.5	-4.0	-6.2	-3.2	-1.9	0.6	3.9	0.1	-4.2	-6.0		
	Owned	29.3	29.6	29.0	28.7	29.2	28.0	27.9	27.7	27.6	27.6	27.6	28.3	29.4	27.1	26.1	25.9		
		2.1	3.9	4.6	-0.8	-0.5	-5.3	-3.9	-3.5	-5.4	-1.4	-1.4	2.3	6.5	-1.8	-5.4	-8.7		
	Rented	42.4	43.4	41.8	43.4	42.5	41.8	40.4	40.5	40.1	39.9	39.8	39.7	41.2	41.1	38.2	37.5		
		11.0	11.2	13.0	10.0	0.3	-3.6	-3.6	-6.7	-5.8	-4.4	-1.8	-2.2	2.8	3.3	-3.9	-5.5		
	Built for Sale	25.7	24.3	24.9	24.9	26.7	25.3	25.1	24.4	24.3	24.3	24.8	25.2	24.9	23.7	24.0	24.2		
		-0.5	3.6	3.8	-2.0	4.7	3.7	0.8	-1.9	-8.8	-4.1	-1.1	3.2	2.9	-2.8	-3.3	-3.7		

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