

Report

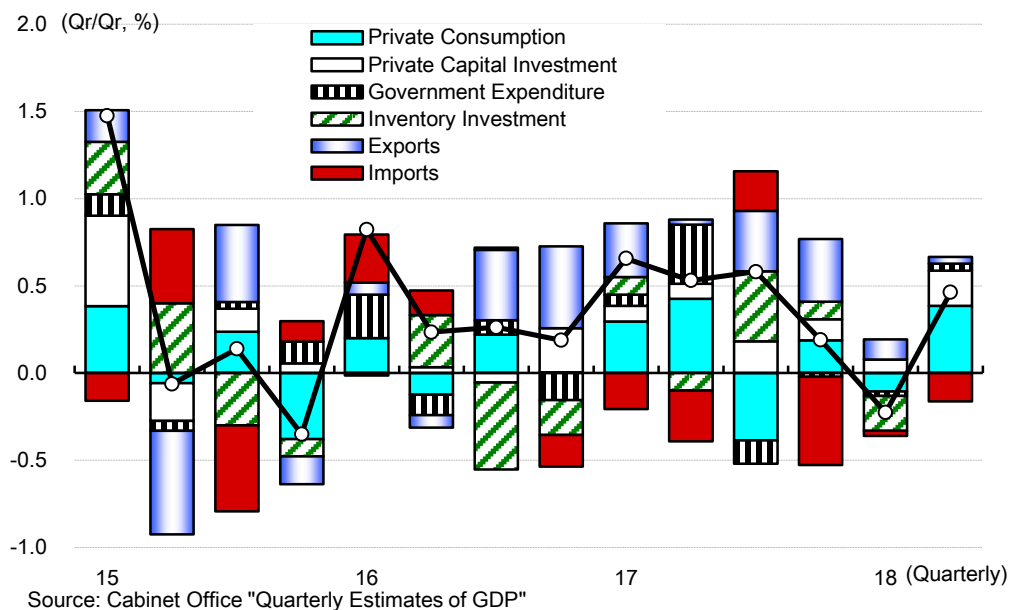
The Japanese Economy in Fiscal 2018 and Fiscal 2019

—The Economy Is Continuing to Recover, Driven Mainly by Improvement in Domestic Demand.

(1) Current State of the Economy: Recovery Is Continuing.

The real GDP growth rate for the April–June quarter of 2018, which was announced on August 10, rose a robust +0.5% from the previous quarter (+1.9% at an annualized rate). The contribution of the external sector was a small negative figure, but domestic demand, especially in the domestic private-sector, was strong and pushed the GDP figures upwards. (The contribution of domestic demand was +0.6 percentage point over the previous quarter.)

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



Consumer spending, a key component of private-sector demand, showed a major increase of +0.7% for the quarter. Factors accounting for this were a rebound from the negative growth figure in the January–March quarter, combined with other positive developments, including the continuation of favorable weather conditions and the recent rise in incomes, which coincided with payments of the 2018 summer bonuses. Moreover, the decline in vegetable and other prices reduced the price level, which, in turn, had a boosting effect on real consumption.

Private capital investment, another key supporting indicator for private-sector demand, increased 1.3%, the seventh consecutive quarter-to-quarter rise. From the perspective of the levels of capital investment in nominal and real terms, both have now risen to the highest levels in Japan's history. The need for investments in labor-saving equipment to deal with the shortage of labor is strong and deeply rooted. Along with this, demand for

investment to increase productivity, increase production capacity, and other kinds of investments in anticipation of rising future demand is also strong. We believe that demand related to the upcoming 2020 Olympic Games in Japan and additional investments in R&D will also play a role in boosting Japan's private capital investment.

On the other hand, the external sector had a slight negative impact of -0.1 percentage point on overall demand for the quarter in contrast to its positive impact in previous quarters. Exports for the quarter remained within a narrow range and rose only $+0.2\%$ over the previous quarter owing to weakness in exports of smartphone-related materials and limited expansion in automobile exports. Despite this, demand for imports continued to be firm, in part because of solid overall domestic demand, and imports showed a moderate expansionary trend, rising $+1.0\%$ over the prior quarter.

These results for the April–June quarter allow us to confirm that the negative quarter-to-quarter growth in the January–March period was only temporary and growth in the economy overall is continuing. As domestic and external demand continues to improve in the July–September quarter and onward, we are looking for continued positive economic growth.

(2) Outlook for the Economy in Fiscal 2018, Fiscal 2019, and into Fiscal 2020

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

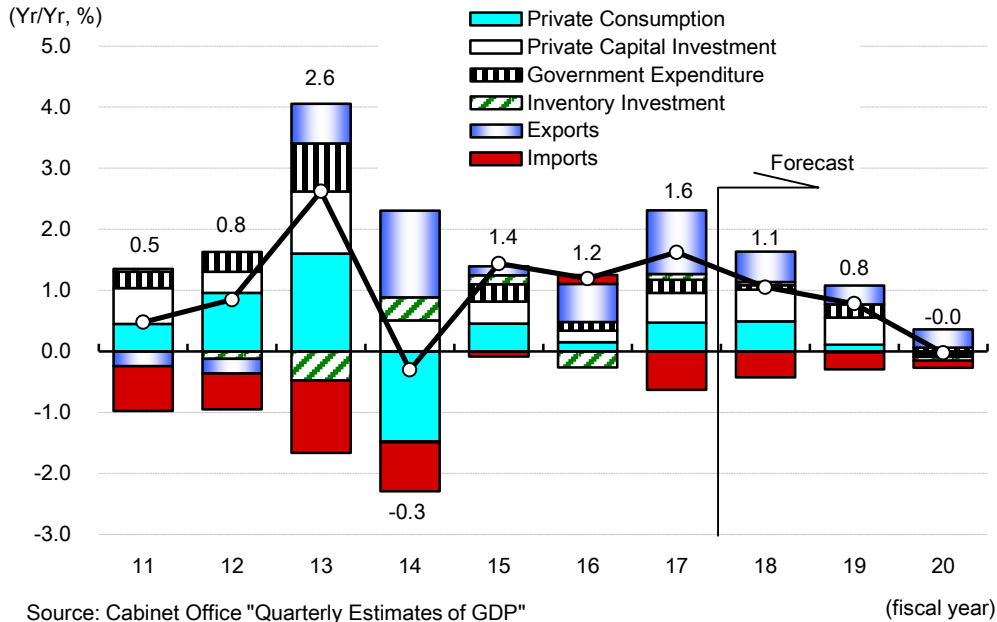
During fiscal 2018 also, the economy will remain on a recovery trend. Data for December 2018 will show that the Japanese economy has now tied with its previous longest period of expansion after World War II (the 73 months from February 2002 to February 2008) and is likely to go on to setting new records. Real GDP growth in fiscal 2018 is forecast to be $+1.1\%$ over the previous year, thus marking the fourth consecutive year of positive growth (Chart 2).

First, demand for infrastructure and other construction in advance of the Tokyo Olympics and Paralympics will build to a climax, and increasing 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. There is a possibility that the pace of growth in corporate performance may slow, but corporate cash flows will be ample, and as the drive to make capital investments continues to be strong, against the background of a labor shortage, 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 come to include capital investment 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. Particularly, as the labor shortage spreads worldwide, 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. Following the current weakening of demand for smartphones, it is expected that demand will gradually improve again. Also, since many companies have shifted their production facilities outside of Japan

and have restrained their capital investments in Japan, domestic production capacity is limited, and, even though corporations may not increase the pace of production in Japan suddenly, demand will remain on a firm upward trend.

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



On the other hand, concerning the household sector also, the current supply and demand balance for labor is tightening substantially, and the rate of increase in wages in nominal terms is also rising gradually. In the April–June quarter, employee compensation in nominal terms was up a high +4.3% year on year, the level of employee compensation is continuing to set new records. For this reason, the outlook is for consumer spending viewed on average to sustain its firmness. Although there is some concern that consumption may stagnate temporarily in summer because of unseasonal weather conditions and high temperatures, these trends are expected to be temporary.

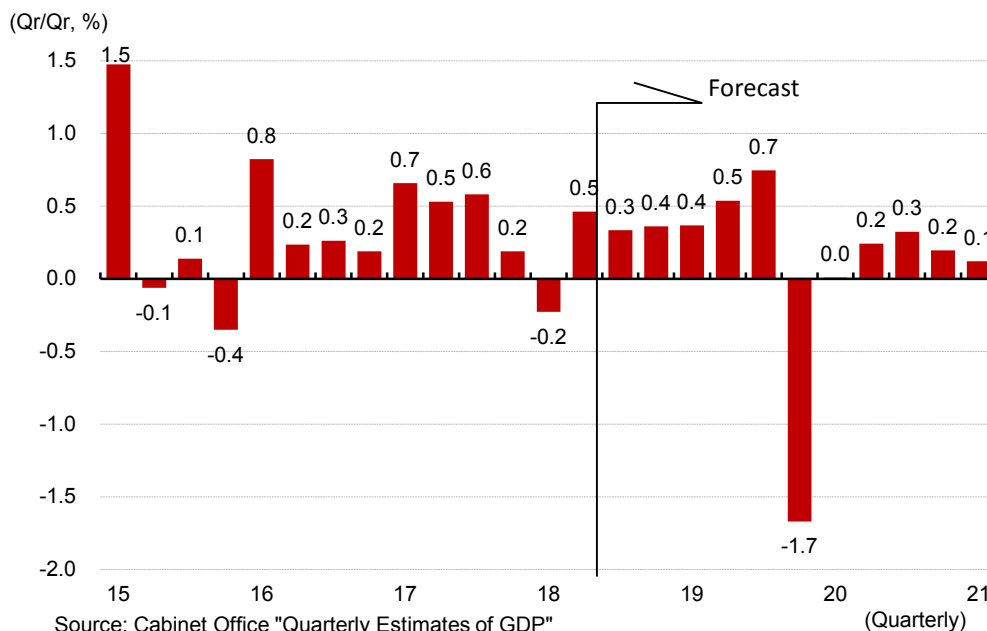
In the public sector, government final consumption expenditure will continue to rise gradually along with the demographic aging of the population. In addition, public investment will maintain a moderate rising trend in fiscal 2018 because of the boost provided by demand related to the Tokyo Olympics.

Examining developments by quarter, the outlook going forward is for moderate but positive growth in real GDP (Chart 3).

On the other hand, risks of a downturn will continue to include trends in overseas economies and geopolitical factors. There are many uncertainties to consider. These include geopolitical risks related to the Middle East and North Korea, trends in political conditions in the United States and Europe, and the intensification of conflict with other countries arising due to the protectionism policies of the Trump administration. These uncertainties give rise to concerns about future directions in the Japanese economy, which may be influenced by turmoil in international financial markets, surges in crude oil prices, and a possible sharp appreciation of the yen. Similarly, it has been

pointed out that turmoil and policy impasses, caused by the Trump administration, along with increases in U.S. interest rates, may bring turmoil in international financial markets and present the risk of deceleration in the world economy.

Chart 3. 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 (1) the planned increase in the consumption tax rate will be only a marginal two percentage points compared with the previous consumption tax hike, (2) it will not apply to food and beverage products (excluding eating out and alcoholic beverages) and newspaper subscription charges, and (3) there is a possibility that measures will be adopted to reduce the disruptive effect of the tax increase, including increasing tax relief related to housing loans, the surge in consumption and the following reactionary decline are expected to be smaller than at the time of the previous consumption tax increases. In addition, existing plans call for a portion of the increase in tax revenues from the planned consumption tax hike to be used to make early-stage childhood education free of charge and cover other household costs, with the aim of further reducing the financial burden of the tax increase on households. Also, since the Tokyo Olympic and Paralympic Games will be held in 2020 and employment and income 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 infrastructure construction related to the Tokyo Olympics/Paralympics is expected to run its course in the second half of fiscal 2019, and, as a countermeasure to the consumption tax increase, the government may formulate economic measures, centered on public investment, to soften the impact of the expected economic slump.

In fiscal 2020, our outlook is for the real GDP growth rate to weaken and level off over the previous year. We are expecting that consumer spending demand and in-bound tourist expenditures related to the Olympics, which will be held in July and August, will rise to a climax at the beginning of fiscal 2020 and provide a temporary boost for the economy. However, as the reactionary decline after the Olympics sets in and infrastructure construction demand runs its course, there will be a risk of temporary stagnation in the economy.

Economic Outlook for fiscal 2017-2020

【GDP demand】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Nominal GDP	1.7	1.1	1.5	0.8	
Real GDP	1.6	1.1	0.8	-0.0	
Contribution of domestic demand	1.2	1.0	0.7	-0.2	
Private consumption	0.8	0.9	0.2	-0.1	
Housing investment	-0.3	-5.0	-0.3	-4.2	
Private capital investment	3.1	3.3	2.7	-0.3	
Contribution of inventory investment	0.1	0.1	-0.0	-0.1	
Government expenditure	0.9	0.3	0.9	0.3	
Government final consumption expenditure	0.7	0.6	0.9	0.8	
Public investment	1.4	-0.9	0.6	-1.8	
Contribution of external demand	0.4	0.1	0.0	0.2	
Export of goods and services	6.3	2.8	1.7	1.6	
Import of goods and services	4.1	2.5	1.6	0.6	
GDP deflator	0.1	0.1	0.8	0.8	

【Overseas economy and market data】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Real GDP (US) (CY)	2.2	2.8	2.5		
Real GDP (Euro zone) (CY)	2.5	2.0	1.8	1.6	
Real GDP (Asia)	5.9	5.9	5.9		
Real GDP (China)	6.9	6.6	6.4		
Yen/U.S.Dollar	111.1	108.7	104.6	108.3	
Uncollateralized call rates (O/N) (%)*	-0.048	-0.051	0.000	0.000	
TIBOR (3months)	0.061	0.092	0.113	0.100	
Newly issued government bond yields (10years) (%)	0.05	0.08	0.14	0.18	
WTI future price (near month contract, US dollar/barrel)	53.6	68.5	69.6	70.7	
North Sea Brent Crude (US dollar/barrel)	57.9	74.1	75.1	76.2	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Value of exports (Yen base)	10.8	4.5	1.3	2.5	
Ammount (Yr/Yr,%)	4.5	2.0	1.0	1.0	
Value of imports (Yen base)	13.7	6.7	1.5	1.9	
Ammount (Yr/Yr,%)	3.3	-0.0	1.1	0.1	
Balance (trillion yen)	2.4	0.8	0.7	1.3	
Current account balance (trillion yen)	21.8	19.9	19.9	21.2	
balance on goods (trillion yen)	4.6	2.7	2.6	3.2	
balance on service (trillion yen)	-0.5	-1.7	-1.4	-1.2	
balance on income (trillion yen)	19.9	20.9	20.7	21.4	

【Corporations】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Industrial production	4.1	1.3	0.9	-0.5	
Inventory index	3.9	-3.4	2.0	0.0	
Sales	5.1	2.4	1.4	0.3	
Ordinary Profits	6.9	0.7	1.7	-0.3	

【Income and employment】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Income per capita	0.7	1.5	0.8	0.7	
Scheduled	0.6	1.0	0.9	0.9	
Non-scheduled	0.7	0.7	0.2	-0.5	
Wage increase rate (%)	2.11	2.26	2.20	2.20	
Employee	1.5	1.7	0.5	0.4	
Nominal compensation of employees*	2.3	3.5	1.6	1.3	
Unemployment rate (%)	2.7	2.3	2.3	2.3	

*GDP base

【Goods prices】

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
Domestic corporate goods prices	2.7	2.4	1.3	1.4	
excluding tax effects	2.7	2.5	0.4	0.6	
Consumer prices	0.7	0.8	1.0	1.1	
excluding tax effects	4.8	1.9	-0.3	1.2	
excluding freshfood	0.7	0.9	1.0	1.1	
excluding tax effects	0.7	0.9	0.5	0.6	
excluding food (excluding alcoholic beverages) and energy	0.2	0.4	0.9	0.9	

【New housing starts】

annualized, ten thousand units

	FY 2017 (actual)	forecast			Yr/Yr, %
		FY 2018 (forecast)	FY 2019 (forecast)	FY 2020 (forecast)	
New housing starts	94.6	94.3	91.0	85.9	
Owned	-2.8	-0.4	-3.4	-5.7	
Owned	28.2	28.7	26.8	24.7	
Rented	-3.3	1.8	-6.7	-7.8	
Rented	41.0	39.8	40.1	37.0	
Rented	-4.0	-3.0	0.8	-7.8	
Built for Sale	24.8	24.9	23.4	23.4	
Built for Sale	-0.3	0.2	-5.9	0.2	

Economic Outlook for calendar 2017-2020
【GDP demand】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	CY 2020 (forecast)
Nominal GDP	1.5	1.1	1.7	0.7	
Real GDP	1.7	0.9	1.3	-0.3	
Contribution of domestic demand	0.4	1.2	0.8	0.0	
Private consumption	1.0	0.6	0.8	-0.6	
Housing investment	2.7	-6.2	1.6	-6.5	
Private capital investment	2.9	3.2	3.3	-0.1	
Contribution of inventory investment	-0.0	0.2	0.0	-0.1	
Government expenditure	0.6	0.3	0.9	0.5	
Government final consumption expenditure	1.2	-0.7	0.5	-0.9	
Public investment	0.4	0.5	0.9	0.8	
Contribution of external demand	0.6	0.1	0.0	0.2	
Export of goods and services	6.7	3.7	1.6	1.7	
Import of goods and services	3.4	3.1	1.6	0.6	
GDP deflator	-0.2	0.2	0.4	1.1	

【Overseas economy and market data】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	
Real GDP (US) (CY)	2.2	2.8	2.5		
Real GDP (Euro zone) (CY)	2.5	2.0	1.8	1.6	
Real GDP (Asia)	5.9	5.9	5.9		
Real GDP (China)	6.9	6.6	6.4		
Yen/U.S.Dollar	112.0	109.1	105.0	107.3	
Uncollateralized call rates (O/N) (%)*	-0.047	-0.055	-0.011	0.000	
TIBOR (3months)	0.059	0.081	0.115	0.100	
Newly issued government bond yields (10years) (%)	0.05	0.06	0.14	0.17	
WTI future price (near month contract, US dollar/barrel)	50.9	67.0	69.3	70.4	
North Sea Brent Crude (US dollar/barrel)	54.7	72.3	74.8	75.9	

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	
Value of exports (Yen base)	10.8	4.5	1.3	2.5	
Ammount (Yr/Yr,%)	4.5	2.0	1.0	1.0	
Value of imports (Yen base)	13.7	6.7	1.5	1.9	
Ammount (Yr/Yr,%)	3.3	-0.0	1.1	0.1	
Balance (trillion yen)	2.4	0.8	0.7	1.3	
Current account balance (trillion yen)	22.0	20.2	19.3	21.2	
balance on goods (trillion yen)	5.0	3.3	2.0	3.4	
balance on service (trillion yen)	-0.7	-1.5	-1.4	-1.2	
balance on income (trillion yen)	19.8	20.6	20.7	21.1	

【Corporations】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	
Industrial production	4.4	1.4	1.5	-0.8	
Inventory index	1.9	-0.4	1.1	0.7	
Sales	5.7	2.8	1.8	0.0	
Ordinary Profits	13.2	0.5	1.8	-0.4	

【Income and employment】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	CY 2020 (forecast)
Income per capita	0.4	1.6	0.9	0.8	
Scheduled	0.4	1.0	0.9	0.9	
Non-scheduled	0.4	0.9	0.4	-0.5	
Real wage indices	-0.2	0.4	-0.1	-0.7	
Number of employees	1.2	2.0	0.6	0.4	
Nominal compensation of employees*	1.9	3.7	1.7	1.5	
Unemployment rate (%)	2.8	2.4	2.3	2.2	

*GDP base

【Goods prices】

	CY 2017 (actual)	forecast			Yr/Yr, %
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	CY 2020 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	2.3	2.6	1.2	1.7	
excluding tax effects	2.3	2.6	0.7	0.5	
Consumer prices	0.5	0.9	0.9	1.3	
excluding tax effects	0.5	1.0	0.5	0.6	
excluding freshfood	0.5	0.9	0.9	1.3	
excluding tax effects	0.5	0.8	0.6	0.6	
excluding food (excluding alcoholic beverages) and energy	0.1	0.4	0.6	1.2	

【New housing starts】

	CY 2017 (actual)	forecast			annualized, ten thousand units
		CY 2018 (forecast)	CY 2019 (forecast)	CY 2020 (forecast)	Yr/Yr, %
New housing starts	96.5	92.5	93.7	85.4	
Owned	-0.2	-4.1	1.3	-8.9	
Rented	28.5	28.3	28.1	24.5	
Built for Sale	-2.6	-0.7	-0.6	-12.8	
	42.0	39.5	41.0	37.0	
	0.6	-5.9	3.6	-9.8	
	25.5	24.2	24.0	23.3	
	1.7	-5.3	-0.8	-2.7	

Economic Outlook (Quarterly)

		FY 2017				FY 2018				FY 2019				FY 2020			
		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,%)	0.8	0.8	0.3	-0.4	0.4	0.5	0.5	0.1	0.7	0.7	-0.4	-0.2	0.3	0.4	0.5	0.0
	Annualized rate	3.2	3.2	1.1	-1.5	1.7	2.0	2.0	0.4	2.9	3.0	-1.4	-0.7	1.4	1.6	1.9	0.0
	(Yr/Yr,%)	1.2	2.1	2.0	1.5	1.1	0.9	0.9	1.5	1.1	0.9	0.9	1.5	1.7	2.1	1.3	1.1
Real GDP	(Qr/Qr,%)	0.5	0.6	0.2	-0.2	0.5	0.3	0.4	0.4	0.5	0.7	-1.7	0.0	0.2	0.3	0.2	0.1
	Annualized rate	2.1	2.3	0.8	-0.9	1.9	1.3	1.5	1.5	2.2	3.0	-6.5	0.0	1.0	1.3	0.8	0.5
	(Yr/Yr,%)	1.6	2.0	2.0	1.0	1.0	0.8	0.9	1.6	1.6	2.0	-0.1	-0.4	-0.7	-1.1	0.8	0.9
Contribution of domestic demand (Qr/Qr,%)		0.8	0.0	0.3	-0.3	0.6	0.3	0.3	0.3	0.6	0.9	-2.0	-0.0	0.2	0.3	0.2	0.1
Private consumption		0.8	-0.7	0.3	-0.2	0.7	0.2	0.3	0.2	0.3	1.5	-3.5	0.8	0.3	0.4	0.2	0.2
Housing investment		1.8	0.6	1.0	0.1	0.2	1.0	1.0	1.4	1.1	2.3	-1.6	-1.0	-1.0	-2.0	1.7	1.0
Private capital investment		0.5	1.2	0.8	0.5	1.3	0.5	0.6	0.8	1.1	2.3	-2.0	-0.2	0.2	-0.0	0.2	0.1
Contribution of inventory investment (Qr/Qr,%)		2.7	3.8	3.2	2.9	4.0	3.0	3.0	3.2	3.2	4.8	2.2	1.1	0.3	-2.0	0.2	0.4
Government expenditure		-0.1	0.4	0.1	-0.2	0.0	-0.0	0.0	0.0	0.1	-0.3	0.4	-0.3	0.0	0.0	0.1	-0.0
Government final consumption expenditure		1.4	-0.5	-0.1	-0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.4	0.1	-0.1	-0.0	0.0	0.1
Public investment		1.4	0.6	1.0	0.6	-0.4	0.3	0.5	0.8	0.9	0.8	0.9	0.8	0.7	0.4	-0.0	-0.0
Government final consumption expenditure		0.4	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.1	0.2	0.2	0.2	0.2
Public investment		0.9	0.6	0.8	0.5	0.4	0.5	0.7	0.9	0.9	0.9	1.1	0.9	0.9	0.9	0.7	0.7
Public investment		5.4	-2.9	-0.6	-0.4	-0.1	0.4	0.1	0.1	0.0	0.3	0.2	0.0	-0.9	-0.9	-0.5	-0.4
Public investment		3.7	0.4	1.2	1.0	-3.6	-0.6	-0.2	0.3	0.8	0.5	0.5	0.5	-0.3	-1.5	-2.3	-2.7
Contribution of external demand (Qr/Qr,%)		-0.3	0.6	-0.1	0.1	-0.1	0.1	0.0	0.0	-0.1	-0.1	0.3	0.0	0.0	0.1	-0.0	-0.0
Export of goods and services		0.2	2.1	2.1	0.6	0.2	0.3	0.3	0.4	0.4	0.6	0.5	0.3	0.3	0.6	0.3	0.4
Export of goods and services		6.8	6.9	6.5	5.1	4.9	3.4	1.4	1.5	1.4	1.8	1.8	1.8	1.6	1.7	1.5	1.8
Import of goods and services		1.9	-1.5	3.3	0.2	1.0	0.0	0.2	0.3	0.7	1.4	-1.1	0.2	0.2	0.3	0.3	0.5
Import of goods and services		4.3	2.7	5.3	3.9	3.0	4.4	1.4	1.4	1.1	2.7	1.3	1.2	0.7	-0.5	1.1	1.3
GDP deflator (Yr/Yr,%)		-0.3	0.1	0.1	0.5	0.1	0.2	0.1	-0.0	0.1	0.1	1.4	1.4	1.3	1.3	0.3	0.3

[Overseas economy and market data]

		FY 2017				FY 2018				FY 2019				FY 2020			
		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)	(Annualized Qr/Qr rate,%)	3.0	2.8	2.3	2.2	4.1	2.6	2.7	2.4	2.4	2.2	2.0					
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	2.9	2.9	2.8	1.5	1.3	1.9	1.9	1.8	1.8	1.8	1.8	1.4	1.4	1.4	1.4	1.4
Real GDP (Asia)	(Yr/Yr,%)	5.9	6.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9					
Real GDP (China)	(Yr/Yr,%)	6.9	6.8	6.8	6.8	6.7	6.5	6.4	6.4	6.4	6.3	6.3					
Yen/U.S. Dollar		111.9	111.2	112.9	108.3	109.1	110.8	108.3	106.7	105.3	104.0	104.0	105.0	107.0	108.0	109.0	109.0
Uncollateralized call rates (O/N) (%)		-0.054	-0.048	-0.043	-0.047	-0.065	-0.057	-0.050	-0.033	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TIBOR (3months)		0.056	0.059	0.063	0.067	0.086	0.082	0.090	0.108	0.125	0.125	0.100	0.100	0.100	0.100	0.100	0.100
Newly issued government bond yields (10years) (%)		0.06	0.04	0.05	0.06	0.04	0.06	0.09	0.12	0.15	0.15	0.12	0.15	0.15	0.18	0.18	0.20
WTI future price (near month contract, US dollar/barrel)		48.2	48.2	55.3	62.9	67.9	68.9	68.4	68.9	69.1	69.4	69.7	70.0	70.3	70.6	70.9	71.2
North Sea Brent Crude (US dollar/barrel)		50.8	52.2	61.5	67.2	74.9	73.7	73.6	74.4	74.6	74.9	75.2	75.5	75.8	76.1	76.4	76.7

* actual=average, forecast=end of period

[External demand (export and import)]

		FY 2017				FY 2018				FY 2019				FY 2020			
		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)		10.5	15.1	13.0	4.9	7.5	6.6	2.6	1.6	1.3	0.9	1.1	1.9	2.4	2.9	2.6	2.3
Ammount (Yr/Yr,%)		5.1	5.8	4.6	2.6	3.4	2.3	1.1	1.1	0.8	1.2	1.0	1.1	1.1	1.1	1.0	0.8
Ammount (Qr/Qr,%)		-0.4	0.9	1.7	0.2	0.6	-0.2	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Value of imports (Yen base)		16.2	14.8	17.0	7.5	7.5	10.2	5.5	4.1	4.4	3.9	-1.0	-1.0	0.9	-0.0	3.1	3.7
Ammount (Yr/Yr,%)		4.9	1.8	3.9	2.6	0.7	0.5	-0.9	-0.3	0.7	2.8	0.6	0.2	-0.0	-1.3	0.7	1.0
Ammount (Qr/Qr,%)		2.3	-0.7	2.0	-0.2	-0.7	-0.6	0.5	0.5	0.3	1.5	-1.7	0.1	0.1	0.2	0.3	0.4
Balance (trillion yen)		0.7	1.2	0.7	-0.2	0.8	0.6	0.2	-0.7	0.2	-0.0	0.6	-0.1	0.5	0.6	0.5	-0.4
Current account balance (trillion yen)*		5.0	5.8	5.9	4.7	5.5	4.8	4.8	4.8	4.9	4.3	5.3	5.4	5.4	5.3	5.3	5.4
Balance on goods (trillion yen)*		0.8	1.6	1.3	0.7	1.0	0.7	0.5	0.5	0.6	0.1	0.9	1.1	0.9	0.7	0.7	0.8
Balance on service (trillion yen)*		-0.2	-0.3	0.1	-0.2	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Balance on income (trillion yen)*		4.8	5.1	5.1	4.7	5.5	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.3	5.4	5.4

*seasonally adjusted

[Corporations]

		FY 2017				FY 2018				FY 2019				FY 2020			
		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	(Qr/Qr,%)	1.8	0.5	1.6	-1.3	1.2	0.1	0.3	0.3	0.6	1.4	-2.3	-0.1	0.1	0.1	0.3	0.3
Industrial production	(Yr/Yr,%)	5.6	4.0	4.6	2.4	1.8	1.5	0.2	1.8	1.3	2.6	0.0	-0.3	-0.9	-2.2	0.4	0.8
Inventory index	(Qr/Qr,%)	-0.3	-1.4	2.2	3.4	-1.8	-1.4	-0.3	0.1	0.3	-1.8	2.8	0.7	0.2	0.0	-0.1	-0.1
Inventory index	(Yr/Yr,%)	-2.8	-2.5	1.9	3.9	2.5	2.2	-0.4	-3.4	-1.3	-1.8	1.1	2.0	1.9	3.7	0.7	0.0
Sales		6.7	4.8	5.9	3.2	3.3	3.1	1.6	1.8	2.0	2.9	0.6	0.3	0.0	-1.2	1.1	1.4
Ordinary profits		22.6	5.5	0.9	0.2	-2.1	1.9	2.5	0.9	1.0	4.6	0.9	0.5	-0.1	-2.7	0.4	0.8

【Income and employment】

	FY 2017				FY 2018				FY 2019				FY 2020			
	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	0.5	0.2	0.7	1.4	2.3	1.2	1.2	1.0	0.9	0.9	0.7	0.8	0.8	0.9	0.7	0.5
Scheduled	0.5	0.4	0.4	1.0	1.2	1.0	1.0	1.0	1.0	0.9	0.8	0.9	1.0	1.0	0.8	0.6
Non-scheduled	-0.0	0.9	0.8	0.9	2.4	0.1	0.1	0.3	0.5	1.4	-0.6	-0.3	-0.2	-1.1	-0.3	-0.4
Real wage indices	-0.1	-0.6	-0.1	-0.2	1.5	0.0	0.1	0.4	0.1	0.3	-1.1	-0.9	-1.1	-1.0	-0.0	-0.2
Employee	1.2	1.5	1.1	2.0	2.2	1.9	2.0	0.9	0.5	0.5	0.3	0.5	0.4	0.4	0.4	0.2
Nominal compensation of employees*	2.2	2.2	1.9	3.1	4.3	3.7	3.5	2.1	1.5	1.8	1.5	1.6	1.5	1.5	1.4	0.9
Unemployment rate (%)	2.9	2.8	2.7	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.3	2.2	2.2	2.3	2.3	2.4

※GDP base

【Goods prices】

	FY 2017				FY 2018				FY 2019				FY 2020			
	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	2.1	2.8	3.3	2.5	2.6	3.0	2.4	1.6	0.8	0.3	1.9	2.0	2.1	2.2	0.7	0.8
excluding tax effects	2.1	2.8	3.3	2.5	2.6	3.0	2.4	1.6	0.8	0.3	0.3	0.4	0.5	0.6	0.7	0.8
Consumer prices	0.4	0.6	0.6	1.3	0.6	1.0	1.0	0.6	0.8	0.5	1.5	1.4	1.6	1.6	0.6	0.6
excluding tax effects	0.4	0.6	0.6	1.3	0.6	1.0	1.0	0.6	0.8	0.5	0.5	0.4	0.6	0.6	0.6	0.6
excluding freshfood	0.4	0.6	0.9	0.8	0.8	1.0	0.9	0.9	0.6	0.5	1.5	1.5	1.6	1.6	0.6	0.6
excluding tax effects	0.4	0.6	0.9	0.8	0.8	1.0	0.9	0.9	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6
excluding food (excluding alcoholic beverages) and energy	0.0	0.2	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	1.3	1.3	1.4	1.4	0.5	0.5

【New housing starts】

	FY 2017				FY 2018				FY 2019				FY 2020			
	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	98.7	95.5	94.8	89.2	96.8	91.0	93.1	96.5	98.5	92.3	87.6	85.2	85.0	85.4	86.0	87.1
Owned	1.1	-2.4	-2.5	-8.2	-2.0	-4.7	-1.7	8.1	1.8	1.5	-5.9	-11.7	-13.6	-7.5	-1.8	2.2
Rented	29.2	28.0	27.9	27.7	28.5	28.2	28.7	29.7	30.6	27.0	25.1	24.3	24.3	24.6	24.8	25.3
Built for Sale	-0.5	-5.3	-3.9	-3.4	-2.5	0.7	2.6	7.3	7.7	-4.3	-12.8	-18.2	-20.6	-8.9	-1.1	4.1
	42.5	41.8	40.4	39.4	41.0	38.5	39.3	40.8	42.3	41.4	39.4	37.2	36.8	36.8	37.0	37.4
	0.3	-3.6	-3.6	-9.4	-3.5	-7.6	-3.0	3.6	3.3	7.7	0.1	-9.0	-12.9	-11.1	-6.0	0.5
	26.7	25.3	25.1	22.2	26.3	23.6	24.4	25.2	24.8	23.3	22.6	23.0	23.3	23.4	23.6	23.7
	4.7	3.7	0.8	-10.8	-1.3	-6.9	-2.8	13.2	-5.6	-1.7	-7.6	-8.7	-6.4	0.6	4.5	3.0

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