

Report

The Japanese Economy in Fiscal 2020 and Fiscal 2021

—Even after the economy picks up, the pace of recovery will be gradual under the “new normal” lifestyle

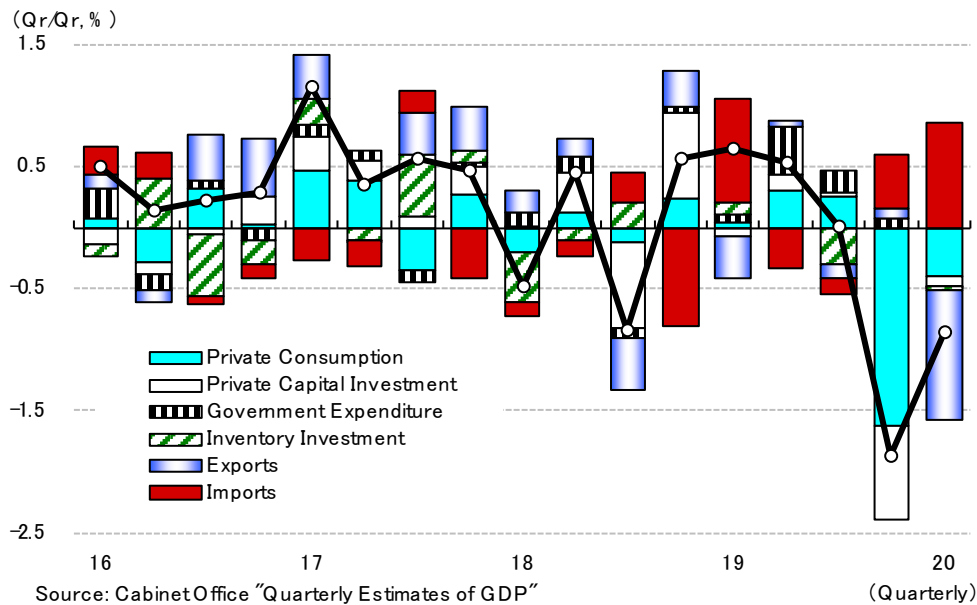
(1) Current State of the Economy

—A second consecutive quarter of negative growth due to the impact of COVID-19

The real GDP growth rate for the January-March quarter of 2020, which was announced on May 18, declined -0.9% from the previous quarter (-3.4% at an annualized rate), extending the negative growth to two quarters. Although the scale of the decline was small compared to the October-December quarter, which was -1.9% over the previous quarter (-7.3%, annualized) and there was a sign of recovery in the economy as it entered the new year, with the spread of COVID-19, the economy took a big hit.

The most severe result was consumer spending, which declined -0.7% from the previous quarter, a second consecutive quarter decline. After the beginning of the year, a portion of the economy remained firm as the fall due to the consumption tax hike ran its course and there was a recovery of spending on durable consumer goods. But in late February, the government began nationwide measures to refrain from attendance at such activities as major sports and cultural events for preventing the spread of COVID-19. This led to a sharp drop in spending on leisure-related activities such as eating out and traveling due to there has been a growing trend to refrain from business activities or going out when there is no urgent need. Looking at the breakdown of real consumer spending, durable goods increased by +1.6% over the previous quarter after the reactionary decline in response to the consumption tax hike, while non-durable goods increased by +1.1% due to an increase in food and other items. Services declined by -2.3%, and semi-durable goods such as clothing and personal items fell sharply by -5.7% due to the self-restrained business operations for sales at department stores and other stores.

Housing investment fell -4.5% over the previous quarter, with housing starts focused on owners and renters declining for a fourth consecutive quarter, due to a reactionary decline in rush demand following the consumption tax hike, and the strengthened monitoring of real estate loans by the Financial Services Agency.

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


In the corporate sector, against a background of the worsening business performance, it is possible that new investment by corporations is becoming cautious and private capital investment decreased for a second consecutive quarter dropping -0.5% from the previous quarter. On the other hand, inventory investment contributed to growth of -0.0% over the previous quarter, which did not affect the real GDP growth rate.

In the government sector, government consumption continued to increase and rose by +0.1% from the previous quarter due to the factors such as an increase in medical expenses along with the aging of the population. Public investment experienced a slight decrease of -0.4%, the first decline in five quarters despite public investment at a high level for investment in "national resilience." It is possible this restoration work for national disasters such as the typhoon last fall may have run its course.

As a result, domestic demand contributed -0.7% compared to the previous quarter. In contrast, the contribution from external demand was -0.2% compared to the previous quarter, the first negative figure in two quarters. Looking at the breakdown, real exports declined steeply -6.0% compared to the previous quarter, representing a third-consecutive-quarter decline due to a weakening in exports of goods in line with the deterioration of overseas economies and the disappearance of demand from inbound tourism. On the other hand, real imports reflected weak domestic demand and fell by -4.9% over the previous quarter, mainly due to a decline in goods, but since imports fell below the decline in exports, so the contribution of external demand to the quarter was negative.

Nominal GDP growth rate was -0.8% over the previous quarter (for an annualized rate -3.1%). In addition, the GDP deflator, which indicates overall price trends in the economy as a whole, increased by +0.9% year on year (+0.1% compared to the previous quarter). With slowing domestic inflation pressure and a reduction in the extent of the minus of the import deflator as a background, the GDP deflator fell from +1.2% in the October-December quarter.

In fiscal 2019, the real GDP growth rate was -0.1% over the previous year and fell to its first minus in five years since a -0.4% growth rate in fiscal 2014. In the first half of the fiscal year, the economy remained firm against the backdrop of strong consumer spending due to the effect of positive consumer sentiment at the start of Japan's new Reiwa era and the last-minute demand before the consumption tax hike. In the second half of the fiscal year, in addition to a decline in exports along with the slowing of the overseas economy, there was rapid decline mainly in consumer spending due to negative factors such as the consumption tax hike, and unseasonable weather, and on top of this the spread of the COVID-19 was a major blow.

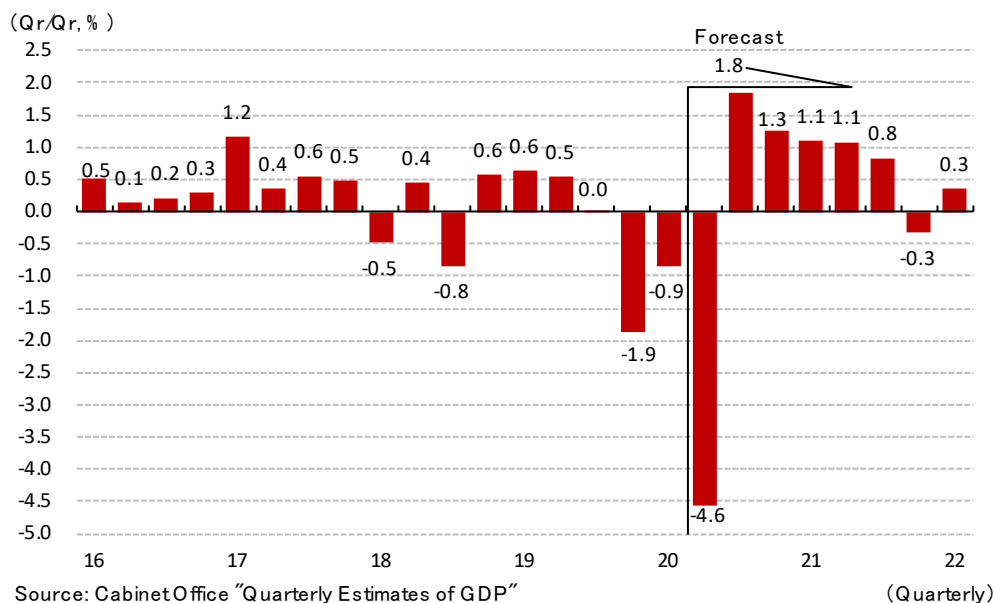
(2) Outlook for the Economy in Fiscal 2020, Fiscal 2021

— Even after the economy picks up, the pace of recovery will be gradual under the “new normal” lifestyle

A further dramatic decline expected for the April-June quarter

As we enter fiscal 2020, the influence of the spread of COVID-19 has become serious and the economy is becoming more severe. After the initial declaration of a state of emergency by the Japanese government on April 7, it was expanded to cover the whole country on April 16. The deadline for the end of the state of emergency was extended from May 6 to May 31, and significantly constricted the economy. Economic activities were rapidly constrained, and consumer spending, mainly eating out, travel, and leisure-related spending dropped sharply. On May 14, the declaration was lifted ahead of the May 31 deadline for 39 of Japan's 47 prefectures, and with the lifting of the state of emergency under consideration for remaining cities and prefectures, the economy began exiting the worst of the downturn. Nevertheless, it is impossible to recover the loss in consumer spending incurred during the declaration of emergency, and significant negative growth is expected in the April-June quarter.

At the time of the global financial crisis (Lehman Shock), the largest drop in real GDP growth was -4.8% (-17.8% annualized) from the previous quarter in the January-March quarter of 2009. This COVID-19 event is expected to be comparable with a drop of -4.6% from the previous quarter (-17.1% annualized) (Chart 2). Also, due to the spread of the virus the global economy is expected to worsen, demand from inbound tourism has almost entirely disappeared, and thus a deterioration in exports will worsen. In addition, capital investment is expected to continue to decline due to the impact of the worsening business performance during the previous fiscal year and due to the curving of capital investment under the spread of COVID-19 and other constraints.

Chart 2. Real GDP growth rate (Quarterly)


Return to positive growth in the July-September quarter

Future economic trends will depend on the spread of COVID-19, and it is extremely difficult to accurately predict when conditions will settle down. Therefore, we made the following assumptions in this outlook.

- (1) The emergency declaration is lifted in May in all areas across Japan, including those with specific warnings, and for the most part, conditions will settle in June and settle to the extent that a second wave is avoided for July (with zero new cases).
- (1) For a while, activities continue as required in line with "new normal" lifestyles, and economic activities resume in stages, so after the situation settles down, the business activities of companies and stores and the consumption expenditure of households will not return all at once to the original level before the spread of COVID-19.
- (2) As the conditions of the "new normal" lifestyles are relaxed gradually in stages, they will continue to act as a constraint on the economy at least during fiscal 2020 and possibly further.
- (3) For foreign tourists, delays in the removal of entry restrictions will cause the number of foreign tourists to decline by 95% year on year in the April-June quarter, and by 70% in the July-September quarter, and by 50% in the October-December quarter. Just before the Tokyo Olympic Games in the April-June 2021 quarter, it will finally recover to the level before the spread of COVID-19.
- (4) It is not expected that due to delay in conditions calming down there will be a worsening of corporate performance and serious adjustments of employment, wages, and capital investment, and not expected that the spread of infections will lead to the suspension of factory operations and paralysis of logistics.
- (5) The Tokyo Olympics and Paralympics will be held from July to August 2021 as planned, and the scale of the competition and the number of spectators will proceed as originally planned.
- (6) The situation in the United States and Europe is expected to have settled for the most part in June and settle down in July (almost the same timing as Japan). As a result, the real GDP growth rate will fall significantly in the April-June quarter, but will turn to positive growth in the July-September quarter.

- (7) In China, COVID-19 has already been contained and economic activities are normalizing, but the recovery of exports remain slow due to the delay in economic recovery outside of China. For this reason, China will return to positive growth in April-June quarter, but the growth rate will be significantly lower than before the COVID-19 outbreak. Note that the risk of disrupting the global supply chain due to the suspension of production activities in China and hindering production and sales in Japan is small.
- (8) Containing the spread of COVID-19 in emerging countries such as Russia, India, Turkey, and Brazil will take more time, and in autumn the situation in these countries is generally expected to settle, with COVID-19 to be contained toward the end of the year (Behind Japan, the United States, and Europe by about 3 to 4 months).

Based on the above assumptions, the real GDP growth rate is expected to return to positive growth of +1.8% (+7.6 % annualized) in the July-September quarter. After COVID-19 is contained, employment will be maintained in favorable conditions and the effects of policy measures such as payment of ¥100,000 per person will act as an economic driver by helping to restore spending on eating out, travel and leisure, and lifting consumer spending. Also, exports will bottom out as economic activity resumes overseas, especially in China, and global IT-related demand picks up.

Against a background of promoting “national resilience (from natural disasters)”, public investment is also expected to support the economy throughout fiscal 2020, and these include the effects of the “Emergency Economic Measures to Cope with COVID-19” formulated in April.

Limits on economic activity under the “new normal” lifestyle

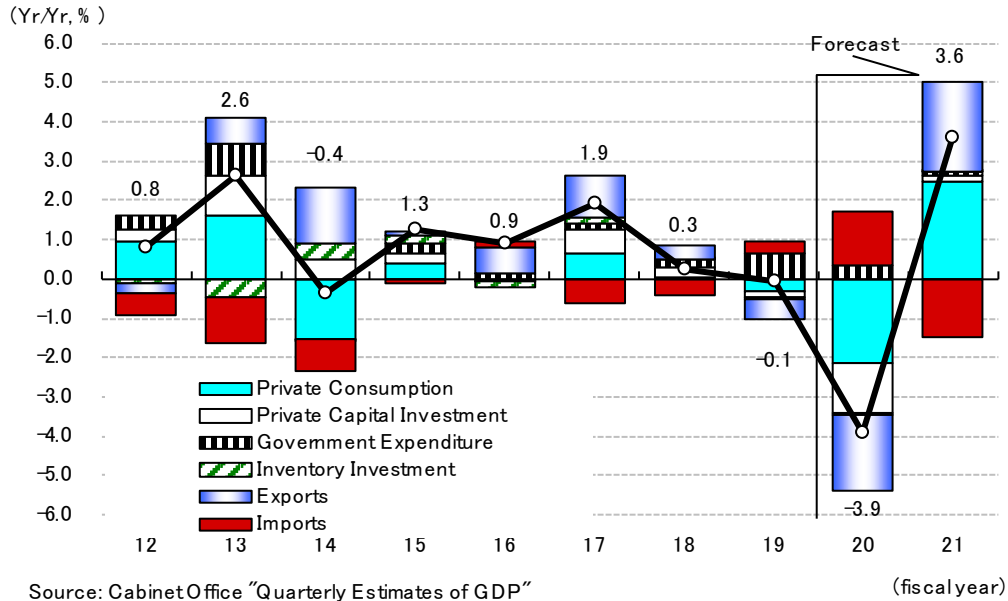
It is unlikely that the economy will follow a V-shaped recovery. Based on the “new normal” lifestyle it will be difficult for demand to rise at once if balancing the dual aims of preventing the spread of COVID-19 and promoting economic activities.

Even with the lifting of emergency economic measures, the economic activities will be resumed in stages, so the business activities of companies and stores and the consumption expenditure of households will not return all at once to the original level before the spread of COVID-19. For the time being, activities in line with “new normal” lifestyle will be required, and the operation of companies and stores will be required to shorten working hours, limit numbers admitted to venues, and generally reduce the scale of events. In addition, households will continue to be asked to refrain from unnecessary and urgent outings, and as a result, expenditure on travel and leisure entertainment services, eating out, clothing and personal items will continue to be restrained. By promoting work practices such as telework, work rotation systems for attendance at work, staggered work hours, and shortened working hours, efforts will be made to reduce human contact as much as possible in corporate activities.

The economic recovery is expected to remain moderate in the second half of fiscal 2020. The decline in capital investment will continue in 2020 due to the deterioration of corporate performance, and the recovery of inbound tourism demand will be delayed and will, therefore, be insufficient to make up for the decline in the April-June quarter.

As a result, the real GDP growth rate in fiscal 2020 is expected to fall -3.9% year on year, a second consecutive year of negative growth.

Chart 3. Real GDP growth rate by demand (Fiscal year)



A high growth rate in fiscal 2021 along with holding the Tokyo Olympics and Paralympics

By fiscal 2021, the restrictions on economic activities due to the spread of infection will gradually slow. It is difficult to predict how far vaccine development will progress, but at least it seems that we can avoid an explosive spread of the virus, and we expect the Tokyo Olympics and Paralympics to be held from July to August 2021 as scheduled.

For this reason, the economy will continue to improve backed by the boosting effects of events along with holding the Tokyo Olympics and Paralympics, the full-scale roll out of 5G, and the durable recovery in the global economy. Capital investment related to an increase in redevelopment projects in the metropolitan area will be a factor supporting the economy. Also, capital investment will increase for streamlining business operations and responses to tackle labor shortages, R&D investment to promote the use of AI and IoT. In addition, telework and information technology investment become more important. Another positive factor for the economy is that inbound tourism demand is expected to pick up rapidly after the Tokyo Olympics and Paralympics.

For this reason, even if the economy stagnates due to the tapering off effects after the Games, it is expected to be relatively minimal, and the real GDP growth rate for the fiscal year will be a high growth rate of +3.6% year on year.

Unignorable downside risks

The current downside risk is that a second and third wave of COVID-19 could spread, and economic activity could stagnate again due to requests for self-restraint and the issuance of an emergency declaration. If this happens, there is a concern that companies will take restructuring measures, such as employment layoffs and wage cuts to prepare for worsening business performance and a long-term economic downturn, and thus, economic recovery could be delayed. Balancing protection measures against the spread of COVID-19 and economic activity is an extremely difficult operation, since the very economic recovery itself, and the pick-up in human activity it engenders, pose a risk of undermining the economy again.

In addition, there is uncertainty about the direction of the economy overseas. There is a risk that the recovery of the global economy will be delayed, due to moves to resume economic activity before the momentum of the spread of infection has been sufficiently retarded, and the spread of infection is still continuing in some countries, such as emerging countries.

Moreover, as the U.S. presidential election approaches, there is mounting criticism of China, and if the U.S.-China conflict becomes serious again, there is a possibility this could lead to further global economic deterioration, world stock markets to fall and the yen to appreciate as investors move to avoid risk.

Economic Outlook for fiscal 2018-2021
【GDP demand】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Nominal GDP	0.1	0.7	-2.7	3.8	
Real GDP	0.3	-0.1	-3.9	3.6	
Contribution of domestic demand	0.4	0.1	-3.4	2.7	
Private consumption	0.1	-0.6	-3.9	4.6	
Housing investment	-4.9	0.3	-8.0	1.0	
Private capital investment	1.7	-0.9	-8.2	0.9	
Contribution of inventory investment	0.0	-0.1	-0.0	0.0	
Government expenditure	0.8	2.6	1.3	0.3	
Government final consumption expenditure	0.9	2.4	1.4	0.7	
Public investment	0.6	3.3	0.9	-1.2	
Contribution of external demand	-0.1	-0.2	-0.6	0.8	
Export of goods and services	1.7	-2.7	-11.4	15.2	
Import of goods and services	2.5	-1.7	-8.4	10.1	
GDP deflator	-0.2	0.8	1.3	0.2	

【Overseas economy and market data】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Real GDP (US) (CY)	2.9	2.3	-5.5	1.8	
Real GDP (Euro zone) (CY)	1.9	1.2	-7.8	4.7	
Real GDP (Asia)	5.9				
Real GDP (China)	6.8	6.1	1.3	9.1	
Yen/U.S.Dollar	110.9	108.7	106.4	105.1	
Uncollateralized call rates (O/N) (%)*	-0.062	-0.047	-0.049	0.000	
TIBOR (3months)	0.062	0.027	-0.008	0.094	
Newly issued government bond yields (10years) (%)	0.05	-0.10	0.02	0.11	
WTI future price (near month contract, US dollar/barrel)	62.8	54.9	31.2	41.2	
North Sea Brent Crude (US dollar/barrel)	70.7	60.9	35.7	44.2	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Value of exports (Yen base)	1.9	-6.0	-14.8	13.4	
Ammount (Yr/Yr,%)	-0.5	-4.4	-12.4	12.9	
Value of imports (Yen base)	7.2	-6.3	-22.5	11.4	
Ammount (Yr/Yr,%)	1.4	-2.3	-9.7	9.3	
Balance (trillion yen)	-1.6	-1.3	4.8	6.7	
Current account balance (trillion yen)	19.5	19.8	21.4	26.5	
balance on goods (trillion yen)	0.6	0.6	6.5	8.6	
balance on service (trillion yen)	-0.9	-0.4	-2.2	-0.1	
balance on income (trillion yen)	21.5	21.0	18.5	19.4	

【Corporations】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Industrial production	0.3	-3.8	-4.2	3.1	
Inventory index	0.2	2.9	-0.4	0.2	
Sales	4.4	-4.2	-8.1	4.2	
Ordinary Profits	6.2	-9.6	-11.8	6.2	

*Forecast starts from FY 2019.

【Income and employment】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Income per capita	0.9	0.0	-0.9	0.9	
Scheduled	0.5	0.2	0.4	0.3	
Non-scheduled	0.4	-1.2	-6.6	4.1	
Real wage indices	0.1	-0.6	-0.6	0.3	
Number of employees	1.8	1.1	-0.4	0.8	
Nominal compensation of employees*	3.0	1.8	-1.5	1.6	
Unemployment rate (%)	2.4	2.3	2.8	2.5	

*GDP base

【Goods prices】

	FY 2018 (actual)	FY 2019 (actual)	forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
Domestic corporate goods prices	2.2	0.2	-2.2	0.9	
excluding tax effects	2.2	-0.7	-2.9	0.9	
Consumer prices	0.7	0.5	-0.2	0.5	
excluding tax effects		0.0	-0.7	0.5	
excluding freshfood	0.8	0.6	-0.3	0.5	
excluding tax effects		0.1	-0.8	0.5	
excluding food (excluding alcoholic beverages) and energy	0.3	0.6	0.3	0.5	

【New housing starts】

	FY 2018 (actual)	FY 2019 (actual)	annualized, ten thousand units forecast		Yr/Yr, %
			FY 2020 (forecast)	FY 2021 (forecast)	
New housing starts	95.3	88.4	83.6	86.2	
Owned	0.7	-7.3	-5.4	3.0	
Owned	28.8	28.3	25.8	26.6	
Rented	2.0	-1.5	-8.9	3.0	
Rented	39.0	33.5	32.1	33.0	
Rented	-4.9	-14.2	-4.1	2.7	
Built for Sale	26.7	26.0	25.1	25.9	
Built for Sale	7.5	-2.8	-3.5	3.4	

Economic Outlook for calendar 2018-2021
【GDP demand】

	CY 2018 (actual)	CY 2019 (actual)	forecast		Yr/Yr, %
			CY 2020 (forecast)	CY 2021 (forecast)	
Nominal GDP	0.2	1.3	-3.0	3.3	
Real GDP	0.3	0.7	-4.2	2.9	
Contribution of domestic demand	1.6	0.3	0.8	-3.6	
Private consumption	-0.0	0.1	-4.5	4.1	
Housing investment	-6.7	2.0	-8.3	-0.7	
Private capital investment	2.1	0.7	-7.4	-2.0	
Contribution of inventory investment	-0.0	0.1	-0.1	0.0	
Government expenditure	0.8	2.1	1.6	0.7	
Government final consumption expenditure	0.9	1.9	1.6	0.9	
Public investment	0.3	2.9	1.4	-0.4	
Contribution of external demand	-0.0	-0.2	-0.6	0.8	
Export of goods and services	3.5	-1.6	-13.2	14.2	
Import of goods and services	3.7	-0.7	-10.0	9.4	
GDP deflator	-0.1	0.6	1.2	0.4	

【Overseas economy and market data】

	CY 2018 (actual)	CY 2019 (actual)	forecast		Yr/Yr, %
			CY 2020 (forecast)	CY 2021 (forecast)	
Real GDP (US) (CY)	2.9	2.3	-5.5	1.8	
Real GDP (Euro zone) (CY)	1.9	1.2	-7.8	4.7	
Real GDP (Asia)	5.9	5.9			
Real GDP (China)	6.8	6.1	1.3	9.1	
Yen/U.S.Dollar	110.4	109.0	107.3	105.3	
Uncollateralized call rates (O/N) (%)*	-0.060	-0.052	-0.044	-0.013	
TIBOR (3months)	0.070	0.031	-0.017	0.083	
Newly issued government bond yields (10years) (%)	0.07	-0.10	-0.01	0.09	
WTI future price (near month contract, US dollar/barrel)	64.8	57.0	33.4	39.9	
North Sea Brent Crude (US dollar/barrel)	71.5	64.2	38.3	42.9	

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2018 (actual)	CY 2019 (actual)	forecast	
			CY 2020 (forecast)	CY 2021 (forecast)
	Yr/Yr, %			
Value of exports (Yen base)	4.1	-5.6	-14.8	10.2
Ammount (Yr/Yr,%)	1.7	-4.3	-13.2	11.0
Value of imports (Yen base)	9.7	-5.0	-21.0	5.8
Ammount (Yr/Yr,%)	2.8	-1.1	-11.6	9.0
Balance (trillion yen)	-1.2	-1.7	3.5	6.6
Current account balance (trillion yen)	19.4	20.1	20.1	26.2
balance on goods (trillion yen)	1.1	0.4	5.4	8.5
balance on service (trillion yen)	-1.0	0.1	-2.8	-0.2
balance on income (trillion yen)	21.3	21.0	19.0	19.3

【Corporations】

	CY 2018 (actual)	CY 2019 (actual)	forecast	
			CY 2020 (forecast)	CY 2021 (forecast)
	Yr/Yr, %			
Industrial production	1.1	-3.0	-5.2	2.7
Inventory index	1.7	1.2	2.0	0.1
Sales*	4.5	-1.5	-9.5	3.2
Ordinary Profits	3.7	-3.5	-14.7	4.7

【Income and employment】

	CY 2018 (actual)	CY 2019 (actual)	forecast	
			CY 2020 (forecast)	CY 2021 (forecast)
	Yr/Yr, %			
Income per capita	1.3	-0.3	-0.8	0.8
Scheduled	0.8	-0.1	0.5	0.3
Non-scheduled	0.7	-0.8	-7.8	4.9
Real wage indices	0.2	-0.9	-0.7	0.4
Number of employees	2.0	1.2	-0.0	0.5
Nominal compensation of employees*	3.2	1.8	-0.9	1.3
Unemployment rate (%)	2.4	2.3	2.7	2.6

*GDP base

【Goods prices】

	CY 2018 (actual)	CY 2019 (actual)	forecast	
			CY 2020 (forecast)	CY 2021 (forecast)
	Yr/Yr, %			
Domestic corporate goods prices (Yr/Yr,%)	2.6	0.2	-1.7	0.4
excluding tax effects	2.6	-0.2	-2.9	0.4
Consumer prices	1.0	0.5	-0.0	0.3
excluding tax effects	1.0	0.2	-0.8	0.3
excluding freshfood	0.8	0.7	-0.1	0.3
excluding tax effects	0.8	0.4	-0.8	0.3
excluding food (excluding alcoholic beverages) and energy	0.3	0.6	0.4	0.4

【New housing starts】

	CY 2018 (actual)	CY 2019 (actual)	forecast	
			CY 2020 (forecast)	CY 2021 (forecast)
	annualized, ten thousand units Yr/Yr, %			
New housing starts	94.2	91.3	84.2	85.8
	-2.1	-3.1	-7.8	1.9
Owned	28.3	29.1	26.2	26.5
	-0.4	2.7	-9.8	1.0
Rented	39.6	34.6	32.3	32.9
	-5.4	-12.7	-6.6	1.6
Built for Sale	25.5	27.0	25.0	25.8
	0.5	5.8	-7.4	3.1

Economic Outlook (Quarterly)

forecast

 Qr/Qr,%
Yr/Yr,%

	FY 2018				FY 2019				FY 2020				FY 2021				
	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,%)	0.3	-0.6	0.1	1.1	0.6	0.4	-1.5	-0.8	-4.1	2.8	0.8	0.9	1.4	0.7	0.1	0.2
	Annualized rate	1.1	-2.5	0.6	4.6	2.5	1.6	-6.0	-3.1	-15.4	11.7	3.4	3.7	5.6	2.8	0.5	0.7
	(Yr/Yr,%)	1.1	-0.6	-1.0	0.9	1.3	2.3	0.5	-1.2	-5.9	-3.7	-1.4	0.2	6.1	4.1	2.8	2.3
Real GDP	(Qr/Qr,%)	0.4	-0.8	0.6	0.6	0.5	0.0	-1.9	-0.9	-4.6	1.8	1.3	1.1	1.1	0.8	-0.3	0.3
	Annualized rate	1.8	-3.3	2.3	2.6	2.1	0.0	-7.3	-3.4	-17.1	7.6	5.1	4.5	4.4	3.4	-1.3	1.4
	(Yr/Yr,%)	1.0	-0.3	-0.4	0.8	0.9	1.7	-0.7	-2.0	-7.2	-5.4	-2.4	-0.7	5.7	4.2	2.6	2.0
Contribution of domestic demand (Qr/Qr,%)	0.4	-0.7	1.1	0.1	0.8	0.3	-2.4	-0.7	-3.4	1.6	0.6	0.8	0.9	0.8	-0.3	0.3	
Private consumption	0.2	-0.2	0.4	0.1	0.5	0.4	-2.9	-0.7	-5.5	3.6	1.1	1.4	1.6	1.1	-1.0	0.4	
Housing investment	-2.4	0.1	1.7	1.5	-0.3	1.2	-2.5	-4.5	-4.0	-0.1	1.5	-2.0	-1.2	3.0	2.5	-2.0	
Private capital investment	2.1	-4.3	4.5	-0.5	0.9	0.2	-4.8	-0.5	-2.9	-3.2	-0.8	0.0	0.5	0.8	1.0	1.0	
Contribution of inventory investment (Qr/Qr,%)	-0.1	0.2	0.0	0.1	0.0	-0.3	0.0	-0.0	0.1	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	
Government expenditure	0.6	-0.4	0.2	0.3	1.6	0.8	0.3	-0.0	0.5	0.3	0.2	0.2	-0.1	0.1	0.0	-0.0	
Government final consumption expenditure	0.9	0.9	0.8	0.6	1.9	2.9	3.0	2.6	1.6	1.1	1.1	1.3	0.7	0.5	0.2	-0.1	
Public investment	0.0	0.2	0.6	-0.2	1.5	0.7	0.2	0.1	0.6	0.3	0.2	0.2	0.1	0.2	0.1	0.1	
Contribution of external demand (Qr/Qr,%)	0.0	-0.2	-0.5	0.5	-0.3	-0.2	0.5	-0.2	-1.2	0.3	0.6	0.3	0.2	-0.0	-0.0	0.0	
Export of goods and services	0.8	-2.3	1.6	-1.8	0.2	-0.6	0.4	-6.0	-14.5	2.2	9.6	6.5	3.1	1.7	0.3	0.3	
Import of goods and services	5.9	1.7	1.3	-1.8	-2.2	-0.5	-1.8	-6.2	-19.8	-17.7	-9.6	1.8	24.4	21.5	11.7	5.5	
GDP deflator (Yr/Yr,%)	0.1	-0.3	-0.6	0.2	0.4	0.6	1.2	0.9	1.4	1.7	1.0	1.0	0.4	-0.1	0.3	0.3	

【Overseas economy and market data】

forecast

	FY 2018				FY 2019				FY 2020				FY 2021			
	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)	3.5	2.9	1.1	3.1	2.0	2.1	2.1									
Real GDP (Euro zone)	1.5	0.8	1.6	1.9	0.6	1.2	0.4	-14.4	-26.8	7.4	7.4	7.2	7.2	7.2	7.3	7.1
Real GDP (Asia)	5.9	5.9	5.9	5.9	5.9	5.9	5.9									
Real GDP (China)	6.9	6.7	6.5	6.4	6.2	6.0	6.0									
Yen/U.S.Dollar	109.1	111.5	112.8	110.2	109.8	107.3	108.7	108.9	107.5	106.8	106.0	105.5	105.3	105.3	105.0	105.0
Uncollateralized call rates (O/N) (%)*	-0.065	-0.063	-0.066	-0.055	-0.062	-0.059	-0.034	-0.032	-0.045	-0.050	-0.050	-0.050	0.000	0.000	0.000	0.000
TIBOR (3months)	0.086	0.078	0.050	0.034	0.045	0.031	0.015	0.017	-0.034	-0.050	0.000	0.052	0.094	0.094	0.094	0.094
Newly issued government bond yields (10years) (%)	0.04	0.09	0.09	-0.02	-0.08	-0.20	-0.09	-0.04	-0.00	0.00	0.02	0.05	0.08	0.10	0.12	0.15
WTI future price (near month contract, US dollar/barrel)	67.9	69.5	58.8	54.9	59.8	56.5	57.0	46.2	22.4	30.3	34.8	37.4	39.5	40.8	41.7	42.6
North Sea Brent Crude (US dollar/barrel)	74.9	76.0	68.1	63.9	68.3	62.0	62.5	51.0	29.5	34.8	38.0	40.4	42.5	43.8	44.7	45.6

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr, %

	FY 2018				FY 2019				FY 2020				FY 2021			
	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)	7.5	2.9	1.3	-3.9	-5.5	-5.0	-7.8	-5.5	-21.5	-20.7	-11.6	-5.1	19.3	19.5	10.3	6.1
Amount (Yr/Yr,%)	5.6	-1.1	-1.4	-5.0	-6.1	-2.3	-3.8	-5.5	-19.1	-18.4	-9.8	-1.6	19.3	19.0	9.4	5.3
Amount (Qr/Qr,%)	0.3	-2.7	0.1	-2.7	-0.8	1.1	-1.3	-4.6	-15.0	2.0	9.0	4.1	3.0	1.8	0.2	0.2
Value of imports (Yen base)	7.5	12.4	11.2	-1.9	-0.1	-4.9	-11.9	-7.2	-24.9	-30.1	-22.0	-12.2	7.4	21.2	12.0	5.9
Amount (Yr/Yr,%)	1.3	2.0	4.0	-1.7	-0.1	2.3	-4.4	-6.8	-17.5	-14.7	-7.6	1.8	16.0	12.4	7.0	3.2
Amount (Qr/Qr,%)	-0.5	-0.8	3.1	-2.7	0.5	0.8	-2.7	-5.7	-10.8	4.1	5.4	4.0	1.6	0.9	0.3	0.3
Balance (trillion yen)	0.8	-0.6	-1.3	-0.6	-0.3	-0.5	-0.2	-0.2	0.4	1.4	1.8	1.1	2.2	1.5	1.8	1.2
Current account balance (trillion yen)*	5.4	4.7	4.3	5.0	4.9	4.7	5.3	4.9	3.8	5.3	5.9	6.3	6.9	6.5	6.5	6.5
Balance on goods (trillion yen)*	1.0	0.0	-0.3	0.1	-0.3	0.1	0.4	0.6	0.6	1.9	2.2	1.9	2.4	2.1	2.1	2.0
Balance on service (trillion yen)*	-0.5	-0.1	-0.2	-0.1	0.1	-0.1	0.3	-0.7	-1.0	-0.7	-0.4	-0.1	-0.1	-0.0	-0.0	-0.0
Balance on income (trillion yen)*	5.4	5.3	5.2	5.3	5.4	5.1	5.0	5.4	4.5	4.4	4.6	4.9	4.8	4.8	4.8	4.9

*seasonally adjusted

【Corporations】

	FY 2018				FY 2019				FY 2020				FY 2021				
	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, %)	0.8	-0.7	1.4	-2.1	0.0	-1.1	-3.6	0.4	-5.8	2.9	2.2	0.5	0.4	0.4	0.3	0.3
	(Yr/Yr, %)	1.3	0.1	1.3	-1.7	-2.2	-1.1	-6.8	-4.5	-9.8	-6.2	-0.5	-0.2	6.1	3.6	1.6	1.4
Inventory index	(Qr/Qr, %)	-1.9	0.4	0.9	0.5	1.0	-1.1	0.7	2.3	0.0	-0.2	-0.2	0.0	0.0	0.1	0.0	0.1
	(Yr/Yr, %)	2.5	3.5	1.7	0.2	3.0	0.9	1.2	2.9	2.1	2.6	2.0	-0.4	-0.4	-0.2	0.1	0.2
Sales		5.1	6.0	3.7	3.0	0.4	-2.6	-6.4	-7.7	-14.2	-10.7	-5.7	-1.9	6.9	5.5	2.9	1.8
Ordinary profits		17.9	2.2	-7.0	10.3	-12.0	-5.3	-4.6	-14.9	-19.3	-14.6	-9.0	-2.7	10.9	7.5	3.6	2.7

*Forecast starts from 2020 1-3.

【Income and employment】

	FY 2018				FY 2019				FY 2020				FY 2021				
	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		1.7	0.9	1.5	-0.9	-0.1	-0.3	-0.1	0.7	-1.8	-0.6	-1.0	0.2	1.6	0.6	0.7	0.5
	Scheduled	0.8	0.7	1.0	-0.4	-0.3	0.2	0.2	0.8	0.5	0.4	0.4	0.2	0.3	0.3	0.3	0.4
	Non-scheduled	2.0	0.3	0.1	-0.9	-0.7	0.0	-1.5	-2.5	-19.7	-7.7	-1.2	2.3	18.3	2.3	-1.2	-0.4
Real wage indices		0.9	-0.3	0.6	-1.2	-1.0	-0.8	-0.8	0.0	-1.8	-0.5	-0.5	0.5	1.3	0.2	-0.1	-0.3
Number of employees		2.2	1.9	1.9	1.3	1.1	1.1	1.1	1.1	-0.0	-0.5	-0.6	-0.5	0.6	0.9	0.8	0.7
Nominal compensation of employees*		4.0	2.9	3.3	1.7	2.3	1.6	1.6	1.7	-1.9	-1.7	-1.3	-0.8	2.6	1.9	1.4	0.5
Unemployment rate (%)		2.4	2.4	2.4	2.5	2.4	2.3	2.3	2.4	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4

※GDP base

【Goods prices】

	FY 2018				FY 2019				FY 2020				FY 2021				
	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		2.6	3.1	2.3	0.9	0.6	-0.9	0.2	0.6	-2.9	-2.0	-2.4	-1.4	1.0	0.9	1.0	0.8
	excluding tax effects	2.6	3.2	2.3	0.9	0.6	-1.0	-1.4	-1.0	-4.4	-3.5	-2.4	-1.4	1.0	0.9	1.0	0.8
Consumer prices		0.6	1.1	0.9	0.3	0.8	0.3	0.5	0.5	-0.1	-0.1	-0.4	-0.2	0.3	0.3	0.7	0.6
	excluding tax effects	0.6	1.1	0.9	0.3	0.8	0.3	-0.5	-0.5	-1.1	-1.1	-0.4	-0.2	0.3	0.3	0.7	0.6
excluding freshfood		0.8	0.9	0.8	0.8	0.8	0.5	0.6	0.6	-0.4	-0.1	-0.4	-0.2	0.3	0.3	0.7	0.6
	excluding tax effects	0.8	0.9	0.8	0.8	0.8	0.5	-0.4	-0.4	-1.4	-1.1	-0.4	-0.2	0.3	0.3	0.7	0.6
excluding food (excluding alcoholic beverages) and energy		0.3	0.3	0.3	0.4	0.6	0.6	0.7	0.6	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5

【New housing starts】

	FY 2018				FY 2019				FY 2020				FY 2021				
	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		95.5	95.0	95.1	95.6	92.5	90.6	86.5	86.3	82.3	83.5	84.7	85.1	85.6	86.0	86.4	86.8
		-2.0	-0.2	0.6	5.2	-4.7	-5.4	-9.4	-9.9	-10.7	-7.2	-1.2	-1.5	4.2	3.4	2.5	1.9
Owned		27.8	28.3	29.3	30.0	30.7	28.3	27.3	27.6	25.2	25.9	26.1	26.3	26.4	26.5	26.7	26.8
		-2.5	0.1	4.0	7.4	9.6	-0.6	-7.2	-8.3	-17.6	-7.9	-3.6	-4.9	4.7	2.8	2.3	2.0
Rented		40.4	40.4	38.2	36.6	35.2	34.0	32.7	33.2	31.5	32.2	32.5	32.6	32.8	32.9	33.1	33.2
		-3.5	-2.0	-7.4	-7.2	-14.9	-16.5	-15.0	-9.6	-10.2	-4.4	0.5	-1.7	4.1	2.8	2.4	1.6
Built for Sale		26.3	25.6	26.8	28.2	25.8	27.9	26.1	24.9	24.9	24.8	25.4	25.5	25.7	25.8	26.0	26.1
		-1.3	2.1	10.4	21.5	-3.8	8.2	-3.1	-11.8	-3.3	-10.3	-1.7	2.2	3.4	4.9	3.0	2.2

annualized, ten thousand units

Yr/Yr, %

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