

Report

The Japanese Economy in Fiscal 2020 and Fiscal 2021

—Pace of economic recovery to remain slow as the government takes the dual focus of containing COVID-19 and generating economic activity

(1) Current State of the Economy

—The impact of COVID-19 leads to worst negative growth in the post-War era

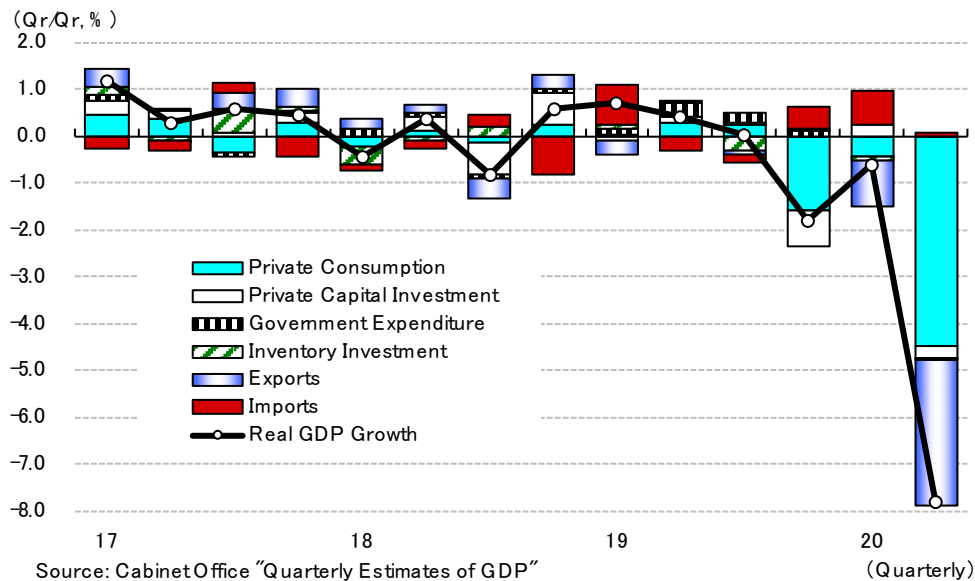
COVID-19 continues to have major impact

Japan's real GDP growth rate for the April-June quarter of 2020, announced on August 17, declined 7.8% from the previous quarter (-27.8% at an annualized rate), exceeding the drop during the global financial crisis, which in the January-March quarter of 2009 was down 4.8% (-17.8% annualized) from the previous quarter, and reaching the largest contraction in the post-War era (Chart 1). The GDP result verifies the extensive impact COVID-19 is having on the Japanese economy, which has now contracted for three straight quarters.

By demand category, private consumption declined 8.2% from the previous quarter, marking the largest contraction since the 6.0% drop during the first oil crisis in January-March 1974 and the largest decline on record. Spending on accommodation, eating out, and leisure-related services fell sharply due to a broadening tendency by people to refrain from leaving their homes unless for necessary or urgent needs under the government's declared state of emergency. The restrictions on going outside reduced buying opportunities for consumer goods, such as automobiles, clothing, and personal items, and spending on these items plummeted. A fully developed online sales market and support to households from special cash subsidies (virus-relief payments) supported strong sales growth for personal computers, air conditioners, and some items, and the lifting of the state of emergency produced a quick recovery in spending on services. However, even with the growth of spending in these areas, under the "new normal" lifestyle this spending was ultimately unable to offset the declines in April and May.

Housing investment declined, although only by a slim -0.2% quarter on quarter, as the stay-at-home conditions reduced visitor numbers to model home exhibits and housing starts fell for a fifth straight quarter, with the steepest declines for owner-occupied and rental houses.

In the corporate sector, private capital investment fell 1.5% from the previous quarter as companies remained cautious about new investments amid the restrained corporate activity and deteriorating earnings. Note that the First Preliminary Quarterly Estimates of GDP contained somewhat strong figures for demand, and the private capital investment figures could be lowered in the second preliminary report, as it will include financial statements statistics of corporations due on September 1. The contribution of inventory investment was unchanged (-0.0%) from the previous quarter, or essentially neutral for the real GDP growth rate.

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


In the government sector, government final consumption expenditure fell 0.3%, the first decline in eight quarters as activities using medical institutions were restrained to help prevent the spread of COVID-19. Public investment turned upward to 1.2% growth, partly as a result of economic stimulus measures.

Domestic and external demand plummeted

These conditions resulted in a -4.8% contribution from domestic demand compared to the previous quarter. The contribution from external demand was -3.0%, making it the second straight negative quarter. The breakdown shows that the export of goods and services were down 18.5% from the previous quarter as overseas economies were hard-hit by the COVID-19 pandemic, a sharp drop in exports of goods, and the evaporation of demand from inbound tourism. The decline in the export of goods and services was the steepest since the 25.5% quarterly drop in January-March 2009 during the global financial crisis. Import of goods and services edged down 0.5% overall from the previous quarter as imports of services dropped sharply with the dramatic decline in the number of Japanese people exiting the country while imports of goods increased on strong imports of masks as well as PCs and other data-related equipment used for teleworking. The large drop in exports coupled with the essentially flat imports compared to the previous quarter led to the large negative contribution from external demand.

The nominal GDP growth rate was -7.4% compared to the previous quarter (for an annualized rate of -26.4%). The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up 1.5% year on year (+0.5% versus the previous quarter). The GDP deflator increased from 0.9% in the January-March quarter because of the plummet in resource prices, which increased then negative value of the import deflator.

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

— Pace of economic recovery to remain slow as the government takes the dual focus of containing COVID-19 and generating economic activity

A turn to positive growth expected in the July-September quarter

Although the April-June period marked the steepest economic contraction in the post-War era, monthly movements show economic activity picked up quickly after the state of emergency was lifted in May. We therefore believe that economic conditions have passed the worst period and entered a recovery phase in June. Since this activity likely continued in July, the real GDP growth rate in the July-September quarter is almost certain to rise from the previous quarter, which would be the first upturn in four quarters.

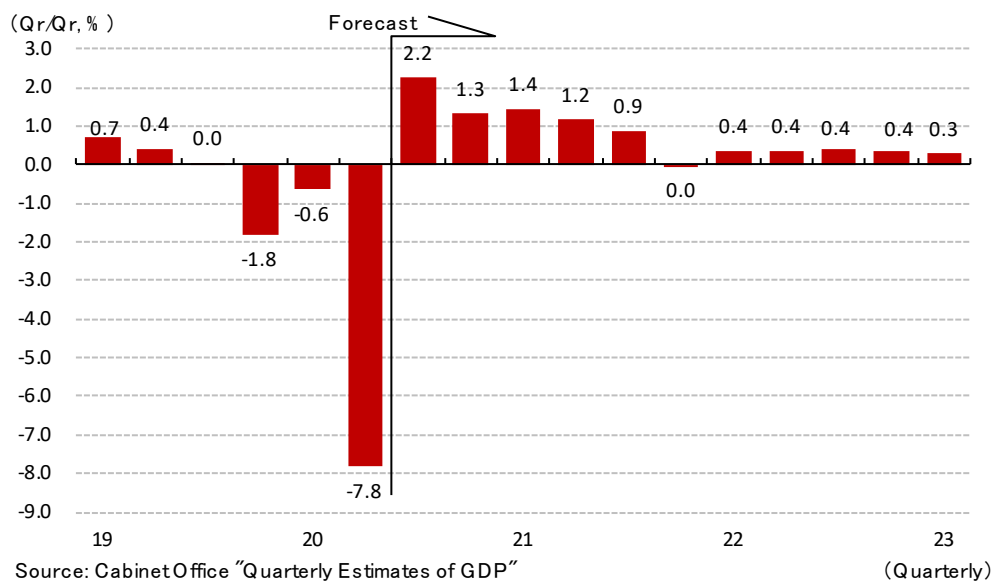
Consumer spending fell sharply in the April-June quarter but is likely to bounce back strongly as spending recovers for eating out, travel, and leisure-related activities and with the further boost from the government's special cash payment and other stimulus measures. We also expect the drop in exports to bottom out as economic activity resumes overseas, especially in China, and global IT-related demand picks up.

A V-shaped recovery is unlikely

We expect the Japanese economy to recover at a gradual pace while the government strives to both prevent the spread of COVID-19 and generate economic activity. This summer will be unusual for not having the typical hordes of people traveling to and from their hometowns and with people continuing to telework from home and the shortened summer breaks from school. With the number of people contracting the virus trending upward again, any recovery in economic momentum will likely be limited as people go out less and big events are scaled down or cancelled.

We think a quick V-shaped recovery from the GDP drop in April-June is unlikely. The reasons are that capital expenditure should remain low since there's usually a lag in spending after corporate earnings deteriorate and when capacity utilization rates are down, and that the July-September real GDP growth rate is only expected to expand 2.2% from the previous quarter (+9.3% annualized, Chart 2).

Chart 2. Real GDP growth rate (Quarterly)



Virus containment likely to come into view near the end of the year

As long as the COVID-19 pandemic is with us, we fully expect the virus to continue influencing the economic outlook. We reiterate the following assumptions for our forecast in this report, but our outlook now anticipates containment of the virus coming much later than we thought in our previous report in June.

- (1) In Japan, the movement of people during the summer holiday period will increase the number of COVID-19 cases across the country, and this trend will continue into autumn. In October, the number of total cases will start peaking out and the number of new cases turn downward, and the virus will finally be contained around the end of the year. This scenario materializing any later than that will raise a real threat that next year's Tokyo Olympics and Paralympics could be cancelled.
- (2) The medical infrastructure will not collapse because the number of critical cases will be kept under control. A new declaration of a state of emergency will be avoided.
- (3) The prolonged entry restrictions will reduce the number of foreign tourists to Japan by 99% year on year in the July-September quarter and 80% in the October-December quarter. The number of foreign tourists will recover to 50% of the pre-pandemic level in the April-June quarter of 2021, just before the Tokyo Olympics Games and it will return to the pre-pandemic level in 2022.
- (4) The Tokyo Olympics and Paralympics will be held in July and August 2021 as planned, and the scale of the competition and the number of spectators will proceed as originally planned.
- (5) The number of COVID-19 cases will start declining in the United States and Europe in October at about the same time as in Japan, and the virus will be contained around the end of the year.
- (6) In China, the virus has been contained and economic activity will continue to normalize.
- (7) Containing the spread of COVID-19 in emerging countries such as India, Turkey, Brazil, and South Africa will take more time, and containment for the end of the year (about three months later than Japan, the United States, and Europe).

Fiscal 2020 to mark the largest GDP contraction in the post-War era

Based on these assumptions, the real GDP growth rate should continue to be positive, albeit moderately, through the October-December quarter. Nevertheless, we project the real GDP growth rate for the full 2020 fiscal year to be -6.5% from the previous fiscal year, marking the largest contraction in the post-War era (Chart 3).

Strong GDP growth rate in fiscal 2021

In the beginning of fiscal 2021, the restrictions on economic activities due to the spread of COVID-19 will be gradually rolled back. Although it is difficult to predict how far vaccine development will progress, at least a rapid spread of COVID-19 seems avoidable, and we expect the Tokyo Olympics and Paralympics to be held in July and August 2021 as scheduled.

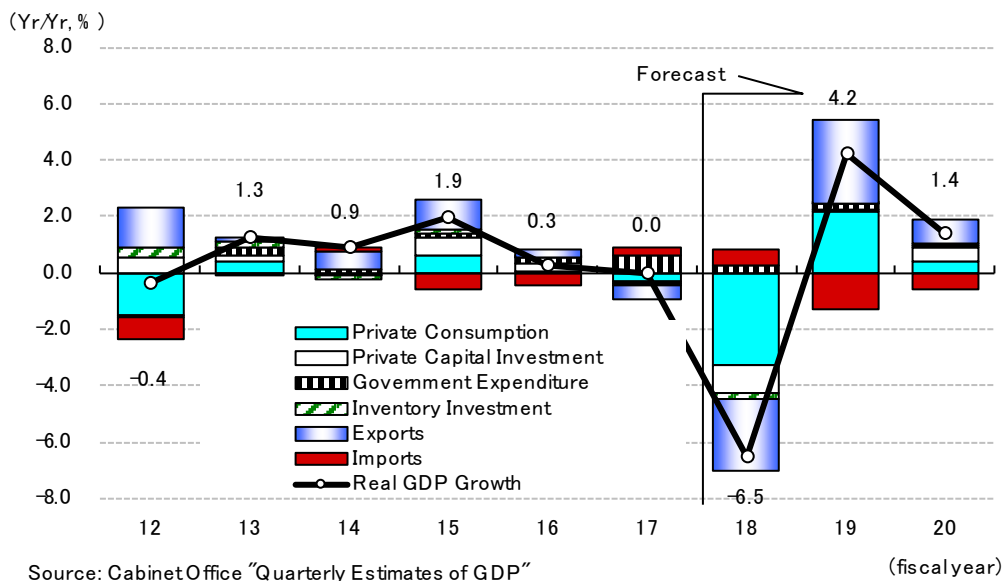
For this reason, the economy will continue to improve backed by the boosting effects of events for the Tokyo Olympics and Paralympics, the full-scale roll out of 5G technology, and a full-fledged recovery in the global economy. Private capital investment related to redevelopment projects in the metropolitan area will be another factor supporting the economy. Also, private capital investment will increase for streamlining business operations and responding to labor shortages, as well as for R&D investment to integrate AI and IoT. In addition, telework

and information technology investment will 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.

As a result, even if the economy stagnates from a tapering effect after the Games, the weakness should be limited, and the real GDP growth rate for the fiscal year will be a high +4.2% year on year.

That being said, we do not expect a full economic recovery to the pre-pandemic level of October-December 2019 to occur until fiscal 2022.

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



Risk of an economic downturn remains substantial

However, the risk of an economic downturn remains substantial for several reasons.

First, the number of COVID-19 patients is growing in Japan and overseas and the economy could stagnate again if the need arises again to ask the public to remain at home and to suppress economic activity. Plus, if the situation worsens, such as if a state of emergency is reinstated, any economic momentum could falter, and the economy could fall to a second bottom in the October-December quarter.

Second, the unemployment rate fell in June, marking temporary halt to the worsening of the employment conditions, but if the virus continues to spread companies could start taking steps in preparation of deteriorating earnings and a prolonged economic downturn, which would raise concerns about restructuring moves, such as staff reductions and salary cuts. Moreover, if companies start declaring bankruptcies, withdrawing from businesses, or shuttering stores, the subsequent deteriorating employment and income conditions would put a damper on any recovery momentum in the second half of the fiscal year.

Third, there are reasons for concern that a global economic recovery may be later than anticipated. 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 COVID-19 has been sufficiently slowed, and because the virus is still spreading, particularly in emerging countries. China's economy is recovering, but it does not have enough power to drive the global economy. Moreover, the approach of the U.S. presidential election is stirring up criticism of China, and another flare up of the U.S.-China conflict could impact the global economy, cause world stock markets to fall, and trigger yen appreciation as investors move to avoid risk.

Amid growing concerns about the spread of COVID-19, if the government doesn't adequately address the situation and people become even more concerned that the government is not going to help, then people could start restraining household spending on their own, even before being asked to refrain from unnecessary social activity. Suppressing economic activities could be a temporary drag on economic recovery momentum, but from a longer perspective it could actually be a positive factor for the economy because it is essential for economic recovery that the spread of COVID-19 is contained. Therefore, if the virus continues to spread, the government could be forced to implement strict policies to get the virus under control.

Economic Outlook for fiscal 2019-2022
【GDP demand】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Nominal GDP	0.8	-5.3	4.7	1.7	
Real GDP	0.0	-6.5	4.2	1.4	
Contribution of domestic demand	0.2	-4.5	2.5	1.1	
Private consumption	-0.6	-5.9	3.9	0.8	
Housing investment	0.5	-9.6	1.5	2.0	
Private capital investment	-0.3	-6.3	0.7	3.0	
Contribution of inventory investment	-0.1	-0.2	0.0	0.0	
Government expenditure	2.5	0.9	0.6	0.4	
Government final consumption expenditure	2.3	0.8	0.9	0.8	
Public investment	3.3	1.7	-0.7	-1.0	
Contribution of external demand	-0.2	-2.0	1.7	0.3	
Export of goods and services	-2.6	-15.1	20.1	5.2	
Import of goods and services	-1.5	-3.5	8.0	3.4	
GDP deflator	0.8	1.3	0.4	0.3	

【Overseas economy and market data】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Real GDP (US) (CY)	2.2	-5.3	3.1	2.3	
Real GDP (Euro zone) (CY)	1.3	-7.3	5.6	2.2	
Real GDP (Asia)					
Real GDP (China)	6.1	2.2	9.2	5.3	
Yen/U.S.Dollar	108.7	105.6	104.7	104.3	
Uncollateralized call rates (O/N) (%)*	-0.047	-0.046	-0.050	0.050	
TIBOR (3months)	0.027	-0.046	0.025	0.088	
Newly issued government bond yields (10years) (%)	-0.10	0.03	0.11	0.20	
WTI future price (near month contract, US dollar/barrel)	54.9	37.9	43.9	47.4	
North Sea Brent Crude (US dollar/barrel)	60.9	41.5	46.9	50.4	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Value of exports (Yen base)	-6.0	-17.8	19.1	5.5	
Ammount (Yr/Yr,%)	-4.4	-16.1	17.4	3.3	
Value of imports (Yen base)	-6.3	-12.4	6.7	3.5	
Ammount (Yr/Yr,%)	-2.3	-2.4	5.3	1.3	
Balance (trillion yen)	-1.3	-5.2	2.2	3.8	
Current account balance (trillion yen)	19.7	13.7	24.2	26.3	
balance on goods (trillion yen)	0.7	-2.9	4.7	6.3	
balance on service (trillion yen)	-0.5	-1.8	-0.1	0.2	
balance on income (trillion yen)	21.0	20.1	21.2	21.4	

【Corporations】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Industrial production	-3.8	-10.6	9.9	1.9	
Inventory index	2.9	-6.9	3.0	3.5	
Sales	-4.1	-10.2	7.0	2.5	
Ordinary Profits	-13.1	-21.6	17.7	5.5	

【Income and employment】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Income per capita	0.0	-1.0	0.6	0.5	
Scheduled	0.2	0.1	-0.1	0.3	
Non-scheduled	-1.2	-7.0	5.6	0.9	
Real wage indices	-0.6	-1.1	-0.1	-0.2	
Number of employees	1.1	-1.7	1.0	1.0	
Nominal compensation of employees*	1.8	-3.3	1.7	1.5	
Unemployment rate (%)	2.3	3.0	2.9	2.7	

*GDP base

【Goods prices】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2022 (forecast)
Domestic corporate goods prices	0.2	-1.6	1.0	0.9	
excluding tax effects	-0.7	-2.3	1.0	0.9	
Consumer prices	0.5	0.1	0.6	0.6	
excluding tax effects	0.0	-0.4	0.6	0.6	
excluding freshfood	0.6	-0.0	0.5	0.6	
excluding tax effects	0.1	-0.5	0.5	0.6	
excluding food (excluding alcoholic beverages) and energy	0.6	0.3	0.4	0.4	

【New housing starts】

	FY 2019 (actual)	forecast			annualized, ten thousand units	Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2022 (forecast)	
New housing starts	88.4	79.7	83.6	86.3		
Owned	-7.3	-9.8	4.8	3.3		
Rented	28.3	25.3	26.7	27.5		
Built for Sale	-1.5	-10.8	5.7	3.0		
	33.5	29.8	31.2	32.5		
	-14.2	-11.0	4.6	4.3		
	26.0	24.0	25.0	25.5		
	-2.8	-7.5	4.1	2.2		

Economic Outlook for calendar 2019-2022
【GDP demand】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Nominal GDP	1.3	-5.0	3.4	2.0	
Real GDP	0.7	-6.2	2.8	1.7	
Contribution of domestic demand	0.3	0.8	-4.3	1.5	
Private consumption	0.1	-6.0	3.0	1.0	
Housing investment	2.1	-9.0	-1.7	2.7	
Private capital investment	0.7	-5.1	-1.8	2.9	
Contribution of inventory investment	0.1	-0.2	0.0	0.0	
Government expenditure	2.1	1.3	0.8	0.3	
Government final consumption expenditure	1.9	1.1	0.9	0.7	
Public investment	2.9	1.8	0.2	-1.3	
Contribution of external demand	-0.2	-1.8	1.3	0.5	
Export of goods and services	-1.6	-15.8	16.2	7.0	
Import of goods and services	-0.7	-5.3	7.5	4.1	
GDP deflator	0.6	1.3	0.6	0.3	

【Overseas economy and market data】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Real GDP (US) (CY)	2.2	-5.3	3.1	2.3	
Real GDP (Euro zone) (CY)	1.3	-7.3	5.6	2.2	
Real GDP (Asia)	5.9				
Real GDP (China)	6.1	2.2	9.2	5.3	
Yen/U.S.Dollar	109.0	106.8	104.5	104.6	
Uncollateralized call rates (O/N) (%)*	-0.052	-0.042	-0.050	0.025	
TIBOR (3months)	0.031	-0.034	0.005	0.075	
Newly issued government bond yields (10years) (%)	-0.10	0.00	0.08	0.18	
WTI future price (near month contract, US dollar/barrel)	57.0	39.0	43.0	46.5	
North Sea Brent Crude (US dollar/barrel)	64.2	43.0	46.0	49.5	

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Value of exports (Yen base)	-5.6	-17.5	14.2	6.9	
Ammount (Yr/Yr,%)	-4.3	-16.5	14.5	4.4	
Value of imports (Yen base)	-5.0	-12.7	3.8	4.1	
Ammount (Yr/Yr,%)	-1.1	-5.4	6.1	1.7	
Balance (trillion yen)	-1.7	-5.1	1.3	3.4	
Current account balance (trillion yen)	20.1	13.7	22.7	25.9	
balance on goods (trillion yen)	0.4	-2.7	3.7	5.9	
balance on service (trillion yen)	0.1	-2.3	-0.4	0.2	
balance on income (trillion yen)	21.0	20.4	20.9	21.3	

【Corporations】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Industrial production	-3.0	-10.7	7.4	2.8	
Inventory index	1.2	-3.7	3.8	4.4	
Sales*	-1.5	-11.1	4.8	3.0	
Ordinary Profits	-3.5	-27.3	14.8	6.3	

【Income and employment】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Income per capita	-0.3	-0.9	0.5	0.5	
Scheduled	-0.1	0.3	-0.1	0.2	
Non-scheduled	-0.8	-8.1	5.9	1.0	
Real wage indices	-0.9	-1.1	-0.0	-0.2	
Number of employees	1.2	-1.0	0.2	1.1	
Nominal compensation of employees*	1.8	-2.2	0.6	1.5	
Unemployment rate (%)	2.3	2.8	2.9	2.7	

*GDP base

【Goods prices】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	CY 2022 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	0.2	-1.1	0.4	1.0	
excluding tax effects	-0.2	-2.3	0.4	0.9	
Consumer prices	0.5	0.2	0.4	0.6	
excluding tax effects	0.2	-0.5	0.4	0.6	
excluding freshfood	0.7	0.1	0.4	0.6	
excluding tax effects	0.4	-0.6	0.4	0.6	
excluding food (excluding alcoholic beverages) and energy	0.6	0.4	0.4	0.4	

【New housing starts】

	CY 2019 (actual)	forecast			annualized, ten thousand units	Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	CY 2022 (forecast)	
New housing starts	91.3	81.3	82.7	85.7		
Owned	-3.1	-11.0	1.7	3.6		
Owned	29.1	25.7	26.5	27.4		
Rented	2.7	-11.4	2.8	3.4		
Rented	34.6	30.7	30.7	32.2		
Rented	-12.7	-11.3	0.1	4.9		
Built for Sale	27.0	24.2	24.8	25.4		
Built for Sale	5.8	-10.3	2.6	2.4		

Economic Outlook (Quarterly)

		FY 2019				FY 2020				FY 2021				FY 2022			
		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,%)	0.5	0.4	-1.5	-0.5	-7.4	3.0	1.0	1.7	0.8	1.4	0.0	0.5	0.2	0.8	0.3	0.2
	Annualized rate	1.9	1.7	-5.7	-2.0	-26.4	12.8	3.9	7.0	3.3	5.7	0.1	2.1	0.7	3.1	1.1	0.6
	(Yr/Yr,%)	1.3	2.3	0.5	-1.0	-8.5	-6.5	-4.1	-2.1	6.9	5.0	4.0	3.0	1.9	1.3	1.8	1.7
Real GDP	(Qr/Qr,%)	0.4	0.0	-1.8	-0.6	-7.8	2.2	1.3	1.4	1.2	0.9	-0.0	0.4	0.4	0.4	0.4	0.3
	Annualized rate	1.7	0.2	-7.0	-2.5	-27.8	9.3	5.4	5.9	4.7	3.5	-0.0	1.5	1.5	1.5	1.4	1.2
	(Yr/Yr,%)	0.9	1.7	-0.7	-1.8	-9.9	-8.1	-5.1	-3.0	6.4	4.8	3.4	2.6	1.7	1.1	1.5	1.4
Contribution of domestic demand (Qr/Qr,%)		0.7	0.3	-2.3	-0.4	-4.8	1.7	0.4	0.8	0.7	0.7	-0.2	0.3	0.3	0.3	0.3	0.2
Private consumption		0.5	0.4	-2.9	-0.8	-8.2	5.0	0.5	1.2	0.9	1.0	-0.6	0.3	0.2	0.2	0.2	0.2
Housing investment		0.7	1.4	-1.9	-2.4	-10.9	-7.0	-3.9	-1.9	7.9	3.8	2.6	1.8	1.0	0.2	1.0	0.9
Private capital investment		-0.2	1.2	-2.2	-4.2	-0.2	-7.5	0.7	-1.0	3.0	0.5	0.8	0.3	0.6	0.3	0.7	0.2
Contribution of inventory investment (Qr/Qr,%)		3.0	4.3	0.3	-5.5	-5.5	-13.5	-10.9	-8.0	-5.1	3.2	3.3	4.6	2.2	2.0	1.9	1.8
Government expenditure		0.8	0.2	-4.7	1.7	-1.5	-5.0	-0.5	0.8	0.5	0.6	0.7	0.8	0.8	0.7	0.7	0.6
Contribution of inventory investment (Qr/Qr,%)		0.5	5.5	-4.6	-2.0	-4.3	-9.2	-5.5	-6.1	-4.2	1.5	2.5	2.6	2.9	3.1	3.0	2.8
Government expenditure		0.0	-0.3	0.0	-0.1	-0.0	-0.0	0.1	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	-0.0
Government expenditure		1.2	0.9	0.4	-0.0	-0.0	0.5	0.2	0.2	0.1	0.1	-0.0	0.1	0.1	0.2	0.1	0.1
Government expenditure		1.9	2.9	3.0	2.2	1.3	0.9	0.7	0.9	1.2	0.7	0.3	0.1	0.4	0.3	0.4	0.4
Government final consumption expenditure		1.0	0.8	0.3	0.0	-0.3	0.6	0.2	0.2	0.1	0.3	0.1	0.2	0.2	0.2	0.2	0.2
Government expenditure		2.1	2.8	2.3	2.1	1.0	0.7	0.6	0.7	1.3	0.9	0.7	0.7	0.8	0.7	0.8	0.8
Public investment		1.4	1.1	0.6	-0.5	1.2	0.1	0.3	0.2	-0.1	-0.6	-0.6	-0.3	-0.2	-0.1	-0.2	-0.3
Public investment		1.0	4.0	5.5	2.3	2.9	1.5	1.0	1.6	0.7	-0.2	-1.1	-1.7	-1.5	-1.1	-0.8	-0.8
Contribution of external demand (Qr/Qr,%)		-0.3	-0.2	0.5	-0.2	-3.0	0.5	1.0	0.6	0.4	0.2	0.2	0.0	0.1	0.1	0.1	0.1
Export of goods and services		0.2	-0.6	0.4	-5.4	-18.5	1.2	11.1	6.6	4.9	2.7	2.3	1.2	1.0	1.0	0.9	0.9
Export of goods and services		-2.2	-0.6	-1.8	-5.7	-23.3	-21.9	-12.8	-2.2	27.0	27.5	17.0	11.3	7.8	5.1	4.3	3.9
Import of goods and services		1.8	0.7	-2.4	-4.2	-0.5	-1.9	4.0	2.5	2.2	1.8	1.3	1.0	0.7	0.5	0.5	0.5
Import of goods and services		0.2	2.6	-4.4	-4.3	-6.2	-8.3	-2.5	3.2	7.4	11.3	8.0	5.4	4.8	3.6	2.8	2.6
GDP deflator (Yr/Yr,%)		0.4	0.6	1.2	0.9	1.5	1.7	1.0	0.9	0.4	0.2	0.6	0.5	0.2	0.2	0.3	0.3

【Overseas economy and market data】

		FY 2019				FY 2020				FY 2021				FY 2022			
		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,%)	1.5	2.6	2.4													
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	0.8	1.1	0.1	-13.6	-40.3	43.2	15.9	2.6	2.6	2.6	2.6	2.0	2.1	2.1	2.1	1.8
Real GDP (Asia)	(Yr/Yr,%)	5.9	5.9	5.9													
Real GDP (China)	(Yr/Yr,%)	6.2	6.0	6.0													
Yen/U.S.Dollar		109.8	107.3	108.7	108.9	107.6	105.8	104.8	104.1	104.4	104.5	105.0	105.0	105.0	104.5	104.0	103.5
Uncollateralized call rates (O/N) (%)*		-0.062	-0.059	-0.034	-0.032	-0.043	-0.043	-0.050	-0.050	-0.050	-0.050	-0.050	-0.050	0.050	0.050	0.050	0.050
TIBOR (3months)		0.045	0.031	0.015	0.017	-0.030	-0.062	-0.060	-0.030	0.000	0.000	0.050	0.050	0.075	0.075	0.100	0.100
Newly issued government bond yields (10years) (%)		-0.08	-0.20	-0.09	-0.04	0.00	0.02	0.03	0.05	0.05	0.10	0.12	0.15	0.18	0.20	0.20	0.22
WTI future price (near month contract, US dollar/barrel)		59.8	56.5	57.0	46.2	27.8	41.1	41.0	41.6	42.5	43.4	44.3	45.2	46.1	47.0	47.9	48.8
North Sea Brent Crude (US dollar/barrel)		68.3	62.0	62.5	51.0	33.3	43.9	44.0	44.6	45.5	46.4	47.3	48.2	49.1	50.0	50.9	51.8

* actual=average, forecast=end of period

【External demand (export and import)】

		FY 2019				FY 2020				FY 2021				FY 2022			
		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)		-5.5	-5.0	-7.8	-5.5	-25.3	-25.0	-14.1	-6.2	25.6	27.0	15.7	10.5	7.4	5.9	4.5	4.3
	Amount (Yr/Yr,%)	-6.1	-2.3	-3.8	-5.5	-25.1	-23.0	-12.4	-3.0	27.4	24.9	12.9	7.4	4.6	3.4	2.6	2.6
	Amount (Qr/Qr,%)	-0.8	1.1	-1.3	-4.6	-21.4	4.0	12.3	5.7	3.4	1.7	1.5	0.6	0.6	0.6	0.7	0.7
Value of imports (Yen base)		-0.1	-4.9	-11.9	-7.2	-16.0	-17.5	-10.1	-5.6	4.7	11.4	5.9	4.8	5.1	3.8	2.8	2.4
	Amount (Yr/Yr,%)	-0.1	2.3	-4.4	-6.8	-4.8	-7.9	-2.3	6.0	4.7	8.3	5.2	3.0	1.8	1.1	1.1	1.2
	Amount (Qr/Qr,%)	0.5	0.8	-2.7	-5.6	2.8	-2.5	3.3	2.4	1.5	0.9	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)		-0.3	-0.5	-0.2	-0.2	-2.0	-1.9	-1.0	-0.3	0.8	0.1	0.6	0.6	1.3	0.5	0.9	1.0
Current account balance (trillion yen)*		4.9	4.7	5.3	4.9	2.1	2.6	3.8	5.0	5.9	5.8	6.1	6.6	6.7	6.3	6.4	7.0
	Balance on goods (trillion yen)*	-0.3	0.1	0.4	0.6	-1.8	-1.2	-0.4	0.6	1.2	0.9	1.1	1.6	1.7	1.3	1.4	2.0
	Balance on service (trillion yen)*	0.1	-0.1	0.3	-0.7	-0.6	-0.5	-0.4	-0.3	-0.2	-0.0	0.1	0.1	0.1	0.0	0.0	0.1
	Balance on income (trillion yen)*	5.4	5.1	5.0	5.3	5.0	4.8	5.0	5.1	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.4

*seasonally adjusted

【Corporations】

	FY 2019				FY 2020				FY 2021				FY 2022			
	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	0.0	-1.1	-3.6	0.4	-16.7	7.7	4.5	2.7	1.9	1.3	0.9	0.5	0.3	0.2	0.3	0.4
(Qr/Qr, %)																
(Yr/Yr, %)	-2.2	-1.1	-6.8	-4.5	-19.6	-12.9	-5.9	-3.9	18.1	11.0	6.9	4.7	3.3	2.0	1.2	1.1
Inventory index	1.0	-1.1	0.7	2.3	-5.3	-2.0	-0.5	0.3	0.5	0.7	0.9	1.1	1.3	1.0	0.8	0.5
(Qr/Qr, %)																
(Yr/Yr, %)	3.0	0.9	1.2	2.9	-3.4	-2.9	-3.7	-6.9	-1.3	2.3	3.8	3.0	3.9	4.4	4.4	3.5
Sales	0.4	-2.6	-6.4	-7.5	-17.4	-12.5	-7.3	-3.6	10.7	8.0	5.7	4.1	3.2	2.5	2.3	2.2
Ordinary profits	-12.0	-5.3	-4.6	-28.4	-36.2	-28.0	-14.3	-2.0	31.0	20.5	11.8	8.7	6.1	5.7	5.1	5.2

*Forecast starts from 2020 4-6.

【Income and employment】

	FY 2019				FY 2020				FY 2021				FY 2022			
	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	-0.1	-0.3	-0.1	0.7	-1.6	-0.7	-1.5	-0.1	0.9	0.5	0.6	0.3	0.6	0.5	0.6	0.4
Scheduled	-0.3	0.2	0.2	0.6	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	0.1	0.3	0.3	0.3	0.4
Non-scheduled	-0.7	0.0	-1.5	-2.4	-21.1	-7.7	-1.2	2.3	15.3	5.3	2.3	1.3	1.3	0.8	0.8	0.6
Real wage indices	-1.0	-0.8	-0.8	0.0	-1.7	-1.2	-1.4	-0.1	0.4	-0.1	-0.3	-0.4	-0.1	-0.2	-0.1	-0.3
Number of employees	1.1	1.1	1.1	1.1	-1.1	-1.9	-2.0	-1.8	0.4	1.1	1.2	1.1	1.1	1.0	1.0	0.9
Nominal compensation of employees*	2.3	1.6	1.6	1.7	-2.7	-3.0	-4.0	-3.4	1.3	1.6	2.3	1.4	1.4	1.5	1.6	1.6
Unemployment rate (%)	2.4	2.3	2.3	2.4	2.8	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6

※GDP base

【Goods prices】

	FY 2019				FY 2020				FY 2021				FY 2022			
	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	0.6	-0.9	0.2	0.6	-2.2	-0.9	-2.0	-1.0	1.0	0.7	1.1	0.9	1.0	0.9	0.9	0.9
excluding tax effects	0.6	-1.0	-1.4	-1.0	-3.7	-2.5	-1.9	-1.0	1.0	0.8	1.1	0.9	1.0	0.9	0.9	0.9
Consumer prices	0.8	0.3	0.5	0.5	0.1	0.4	-0.1	0.1	0.4	0.5	0.8	0.6	0.6	0.6	0.6	0.6
excluding tax effects	0.8	0.3	-0.5	-0.5	-0.9	-0.6	-0.1	0.1	0.4	0.5	0.8	0.6	0.6	0.6	0.6	0.6
excluding freshfood	0.8	0.5	0.6	0.6	-0.1	0.2	-0.2	0.0	0.4	0.4	0.8	0.6	0.6	0.6	0.6	0.6
excluding tax effects	0.8	0.5	-0.4	-0.4	-1.1	-0.8	-0.2	0.0	0.4	0.4	0.8	0.6	0.6	0.6	0.6	0.6
excluding food (excluding alcoholic beverages) and energy	0.6	0.6	0.7	0.6	0.3	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

【New housing starts】

	FY 2019				FY 2020				FY 2021				FY 2022			
	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	92.5	90.6	86.5	86.3	79.8	79.0	80.0	81.1	82.2	83.3	84.1	84.8	85.4	86.0	86.4	86.8
Owned	-4.7	-5.4	-9.4	-9.9	-12.7	-12.6	-7.2	-6.1	3.7	5.6	5.5	4.5	4.3	3.4	2.9	2.4
Rented	30.7	28.3	27.3	27.6	24.8	25.1	25.5	26.0	26.4	26.6	26.9	27.1	27.3	27.5	27.6	27.7
Built for Sale	9.6	-0.6	-7.2	-8.3	-18.2	-11.1	-6.4	-5.9	6.8	6.2	5.6	4.2	3.8	3.1	2.8	2.3
	35.2	34.0	32.7	33.2	30.4	29.5	29.7	30.0	30.4	31.0	31.5	31.8	32.1	32.4	32.6	32.7
	-14.9	-16.5	-15.0	-9.6	-12.3	-12.8	-8.7	-9.7	0.7	5.4	6.5	6.1	6.0	4.5	3.6	3.0
	25.8	27.9	26.1	24.9	23.9	23.8	24.2	24.5	24.8	24.9	25.1	25.2	25.4	25.5	25.6	25.7
	-3.8	8.2	-3.1	-11.8	-6.2	-14.4	-6.8	-1.9	4.3	5.1	4.1	3.0	2.8	2.3	2.0	1.7

 annualized, ten thousand units
Yr/Yr, %

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