

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

—We have come through the worst and the economy is gradually recovering

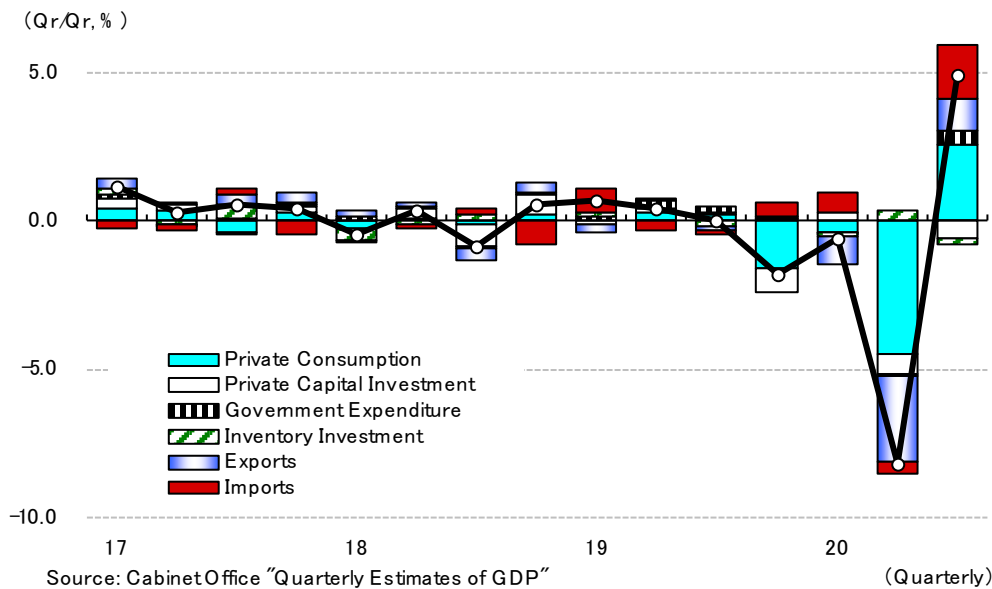
The Economy is entering a recovery phase but lacks vigor

Following the lifting of the declaration of a state of emergency, the economy has been recovering moderately as economic activities resume in tandem with taking into consideration preventing the spread of COVID-19. The real GDP growth rate for the July–September quarter of 2020, which was announced on November 16, was +5.0% from the previous quarter (an annualized rate of +21.4%), the first positive figure in four quarters, and the economy has come through the worst period and we can confirm that it has entered a recovery phase. However, although there was apparently high growth due to a reactionary increase that followed the sharp decrease in the previous quarter, the level remained low. The substance of the recovery lacked strength as factors such as capital investment continuing to decline, and a significant portion of the recovery was driven by government measures.

Looking at the movements for each demand item, personal consumption was +4.7% compared to the previous quarter, the first positive figure in four quarters. Following the lifting of the declaration of a state of emergency, spending on services such as accommodation, eating out and leisure has gradually picked up. Also, due to the effect of government support in the form of special cash subsidies (virus-relief payments), spending has increased on items such as automobiles, white goods, clothing and personal belongings. Despite this, the significant decline in the April-June quarter (-8.1% from the previous quarter), has not been fully recovered due to negative factors such as an extended period of rain in July, people refraining from returning to their hometowns during the Obon holidays in August, and a shortened summer vacations for students.

In housing investment, the fall in housing starts came to an end, but reflecting the lag from the decline in the April-June quarter, real housing investment was -7.9% from the previous quarter, the fourth consecutive quarter of decline.

In the corporate sector, a background of rapidly worsening business performance meant companies became more cautious about new investment, and capital investment was -3.4%, a continued decline from the previous quarter. For inventory investment it is believed that inventory that accumulated as demand recovered has been adjusted and the contribution of inventory became negative at -0.2% from the previous quarter.

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


In the government sector, government consumption surged to +2.2% from the previous quarter. The use of medical facilities recovered following the lifting of the declaration of a state of emergency and the boost provided by economic measures such as the Go To Travel Campaign led to an increase in the growth rate. Public investment continued to increase, achieving a rise of +0.4% from the previous quarter due to economic measures and from recovery and reconstruction related to natural disasters during the summer.

High Growth in Domestic and External Demand

As a result, the contribution made by domestic demand grew +2.0% from the previous quarter. On the other hand, the contribution made by external demand was positive at +2.9% from the previous quarter, the first positive figure in three quarters, and this contributed to boosting the growth rate. Looking at the breakdown, real exports increased by +7.0% from the previous quarter due to the rapid recovery of export goods mainly for automobiles owing to the recovery of overseas economies. However, demand from inbound tourism had evaporated and remained unchanged. On the other hand, real imports recorded a significantly large minus figure of -9.8% from the previous quarter partly in reaction to the firmness of the April-June quarter due to growth in information and communication equipment and masks. So, whilst on the one hand there was an increase in exports, on the other imports dropped, and the contribution from external demand from the previous quarter was significantly positive.

The nominal GDP growth rate was +5.2% versus the previous quarter (annualized rate of +22.7%). The GDP deflator, a measure of overall price trends in the economy, was +1.1% year on year (+0.3% compared to the previous quarter), representing continued gentle growth.

(2) Outlook for 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

The positive growth in the October-December quarter to slow significantly

Economic activity has continued to pick up since autumn. Consumer spending will continue to pick up, centered on spending on services as the Go To Campaign goes into full swing. Exports are also increasing due to strong sales of automobiles and electronic components such as semiconductors. In addition, the effect of economic measures such as public works projects are expected to continue. Positive growth is highly likely to be maintained in the October-December quarter.

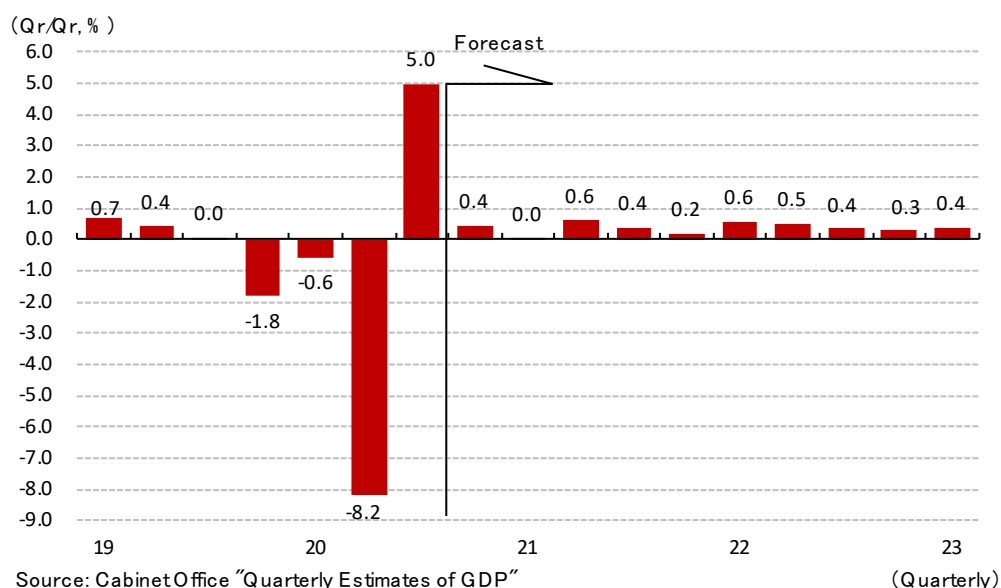
However, the attempt to achieve both economic activity and prevent the spread of COVID-19, is faced with a limit to a recovery in consumer spending, a deterioration in corporate business performance and a decrease in utilization rate and these will act with a time lag to suppress capital investment. For these reasons, capital investment will continue to decline. As a result, real GDP growth in the October-December quarter is expected to remain at +0.4% (annualized rate of +1.8%) from the previous quarter (Chart 2). This indicates that the growth rate can be expected to slow significantly.

Concerns for further weakening in the new year

The growth rate in the new year is expected to weaken further. Economic activity may be curtailed by further requests to increase self-restraint due to a jump in the number of people infected, a deterioration in employment, and a significant decrease in winter bonuses. These lead to a concern that consumers will become more frugal. The background to this is a delay in the recovery of capital investment and the boost provided by an export recovery coming to an end.

If there is an increase in pressures acting to drag down the economy such as an increase in pressure on companies to restructure, an increase in unemployment and people exiting the workforce, and a decrease in exports due to the slowdown of overseas economies, the falling into negative growth again is possible in the January-March quarter of 2021.

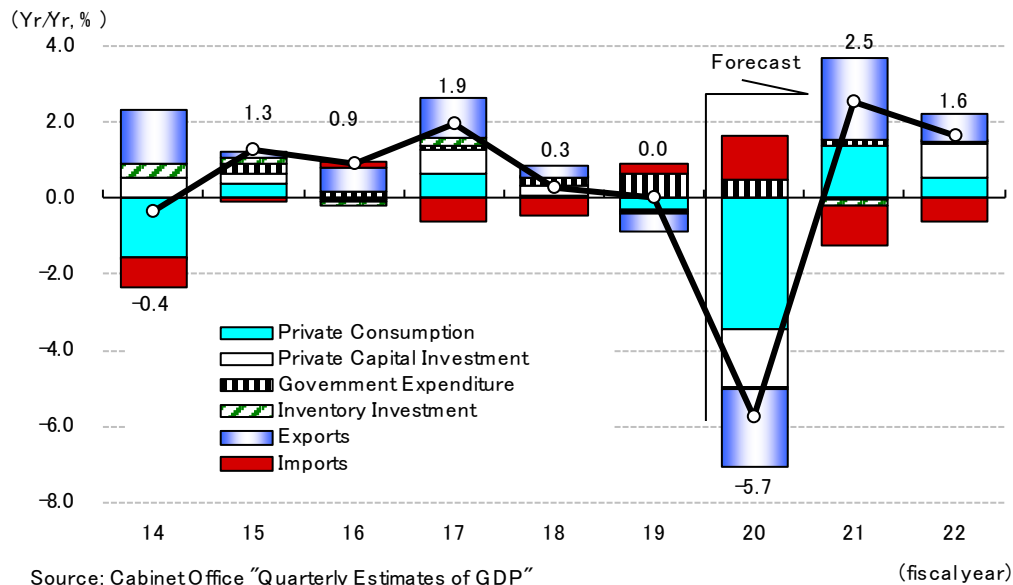
Chart 2. Real GDP growth rate (Quarterly)



New post-war record for size of negative growth in 2020

As a result, the real GDP growth rate in fiscal 2020 is expected to drop to -5.7% year on year, a post-war record for the size of negative growth (Chart 3). This is because the rapid decline in the April-June quarter could not be fully recovered despite the subsequent recovery phase under the new normal lifestyle balancing the prevention of the spread of infections with the resumption of economic activity. In particular, the contribution of negative consumer spending is large.

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



Delay in containment of the COVID-19 and lifestyles premised on co-existence with COVID-19

The main reason for the slow economic recovery is that containment of the virus and normalization has not been achieved and now COVID-19 cases are rising again. Although the development of vaccines are expected to progress in the future, it is possible that the distribution of vaccines may take time. For this reason, it is possible that the time we have to live with COVID-19 will be protracted, and it is expected that lifestyles and business activities taking this into account will be established for companies, household budgets, and government.

The following assumptions are contained in this outlook.

- (1) The number of cases of COVID-19 infection in Japan will continue to gradually decrease with intermittent periods where the number rises and falls, and at least for 2021, economic activities will continue to take account of COVID-19 and its prevention.
- (2) On the other hand, since the number of seriously ill patients continues to be contained, medical facilities will not be overwhelmed and a reinstatement of the state of emergency will be avoided.
- (3) The Tokyo Olympics and Paralympics will be held as planned in July-August 2021, but the scale of the Games and the number of spectators will have to be reduced.
- (4) Foreign tourism will not be able to return to Pre-COVID-19 levels until after 2023 due to delays in lifting immigration restrictions.

Achieve high growth in fiscal 2021 but not to pre-COVID-19 levels

In fiscal 2021, the restrictions on economic activities due to the spread of COVID-19 are expected to gradually ease. It is difficult to predict the extent to which vaccines will be developed and distributed, but at least it seems that the situation is such that an explosive spread of infection can be avoided. For this reason, the economic recovery will be maintained throughout the fiscal year against the backdrop of the full-scale spread of 5G and the continued recovery of the world economy. Regarding capital investment, it is expected that redevelopment projects in cities centered on the Tokyo metropolitan area will be a factor acting to support the economy. In addition, there will be an increase in investment to improve operational efficiency and respond to labor shortages, an increase in R&D investment to promote the use of AI and IoT, and along with the greater importance of telework and computerization, investment in these areas will increase also.

There will be a certain level of event effect due to the Tokyo Olympics and Paralympics, but the scale of the Games and the number of spectators will have to be reduced. Since the games will not be so large, the economy will not experience sluggishness due to the end-of-event effect after the Games.

Even so, as long as COVID-19 infections remain unabated, consideration will be given to preventing the spread of the virus and the pace of reopening economic activities will be gradual. Although vaccine development is expected to progress, it is possible that the distribution of vaccines may take time, and lifestyles and business activities will take living with COVID-19 into account.

For this reason, the real GDP growth rate in fiscal 2021 will return to positive at +2.5% compared to the previous fiscal year, but this will not fully make up for the drop in the previous year. Recovery to the level of Pre-COVID-19 (October-December 2019) will not occur until fiscal 2022.

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.

Large downside risks remain

However, the downside risk remains high.

First, there remains a risk that the number of cases of COVID-19 will increase and that the demand for self-restraint will be strengthened and economic activities will be curtailed again. If that happens, economic activity will stagnate, and in the worst case, a state of emergency will be reinstated, causing the economy to stall and the possibility of a double-dip recession.

Second, although the deterioration in employment conditions has been arrested due to the decrease in the number of employees taking leave, if the cases of COVID-19 continue to spread, there is a concern that companies will make preparations for worsening business performance and prolonged economic stagnation by restructuring through such measures as employment adjustment and wage cuts. In the future, if there is

an increase in trends such as corporate bankruptcy, withdrawal from business, and store closures, the employment and income environment will worsen, and the pace of economic recovery will slow rapidly.

Third, a delay in the recovery of the world economy is also a cause for concern. There is a risk that the recovery of the world economy will be delayed more than expected due to moves to resume economic activities before the momentum of the spread of infections have sufficiently weakened. Also, the spread of infection is still underway in some countries, especially emerging countries. Even though China's economic recovery is solid, it is not strong enough to drive the global economy. Furthermore, if economic measures are delayed due to political turmoil in the United States, or if the confrontation between the United States and China, currently in a state of truce due to the presidential election, becomes serious again, there is a possibility that the global economy will deteriorate, stock prices will fall globally, and the yen will strengthen due to risk aversion.

Result of the U.S. presidential election will not affect the Japanese economy in the short term

The US presidential election is expected to conclude with Mr. Biden taking office. The direction of trade negotiations between Japan and the United States held under the Trump administration and the future economic relationship between Japan and the United States can be considered to be a completely blank page and the influence of these in these short term is expected to have no effect. The issue that occupies U.S. concern is its relationship with China. Developments in U.S.-China trade friction in the future will also change how the Japanese economy is affected.

The lessons learned through the adversity of COVID-19 will become apparent from fiscal 2022

In fiscal 2022 it is expected that COVID-19 infections will have somehow abated and lifestyles will gradually return to those of the pre-COVID-19 period and there will be a transition to post-COVID-19 period. As a result, the economic recovery will continue, and the real GDP growth rate in 2022 will be maintained at +1.6% year on year, exceeding the potential growth rate. The level of real GDP will generally recover to pre-COVID-19 levels (October- December 2019) by the end of the fiscal 2022.

The supply and demand balance for labor will tighten along with the economic recovery. With the spread of COVID-19, a range of trials such as telework from home, and working remotely are expected to achieve rapid penetration. This will result in the development of infrastructure such as communication environments, and the spread of new technologies such as AI. When coupled with the promotion of work style reforms, these developments are expected to lead to an increase in the size of the labor force, creation of leisure time, expansion of side jobs/secondary businesses, enhance labor productivity, and raise the potential growth rate.

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	-4.8	3.1	1.9	
Real GDP	0.0	-5.7	2.5	1.6	
Contribution of domestic demand	0.2	-4.8	1.4	1.5	
Private consumption	-0.5	-6.3	2.6	0.9	
Housing investment	0.6	-9.9	3.0	1.7	
Private capital investment	-0.3	-9.7	-0.2	6.2	
Contribution of inventory investment	-0.1	-0.0	-0.1	0.0	
Government expenditure	2.5	1.9	0.4	0.3	
Government final consumption expenditure	2.3	1.9	0.4	0.6	
Public investment	3.3	2.0	0.4	-1.1	
Contribution of external demand	-0.2	-0.9	1.1	0.1	
Export of goods and services	-2.6	-12.1	13.9	4.2	
Import of goods and services	-1.5	-6.8	6.9	3.8	
GDP deflator	0.8	1.0	0.5	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	-3.6	3.8	3.0	
Real GDP (Euro zone) (CY)	1.3	-7.4	3.6	3.6	
Real GDP (Asia)					
Real GDP (China)	6.1	2.0	8.7	5.3	
Yen/U.S.Dollar	108.7	105.7	104.7	104.3	
Uncollateralized call rates (O/N) (%)*	-0.047	-0.035	-0.030	-0.030	
TIBOR (3months)	0.027	-0.051	-0.059	-0.010	
Newly issued government bond yields (10years) (%)	-0.10	0.03	0.07	0.11	
WTI future price (near month contract, US dollar/barrel)	54.9	36.7	41.0	44.5	
North Sea Brent Crude (US dollar/barrel)	60.9	40.1	44.0	47.5	

* 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	-10.6	14.2	4.6	
Ammount (Yr/Yr,%)	-4.4	-12.2	12.5	3.2	
Value of imports (Yen base)	-6.3	-14.2	9.0	4.5	
Ammount (Yr/Yr,%)	-2.3	-4.6	8.1	1.4	
Balance (trillion yen)	-1.3	1.7	5.3	5.6	
Current account balance (trillion yen)	20.1	17.8	26.1	26.9	
balance on goods (trillion yen)	0.7	4.0	8.0	8.4	
balance on service (trillion yen)	-0.5	-3.1	-1.5	-1.3	
balance on income (trillion yen)	21.4	19.6	21.1	21.3	

【Corporations】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Industrial production	-3.8	-10.3	9.4	2.1	
Inventory index	2.9	-9.7	0.3	0.7	
Sales	-4.1	-10.2	6.9	2.5	
Ordinary Profits	-13.1	-28.0	25.1	7.5	

【Income and employment】

	FY 2019 (actual)	forecast			Yr/Yr, %
		FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)	
Income per capita	0.0	-1.8	0.4	0.5	
Scheduled	0.2	0.0	-0.1	0.3	
Non-scheduled	-1.2	-11.5	6.6	1.1	
Real wage indices	-0.7	-1.5	-0.3	-0.2	
Number of employees	1.1	-1.4	0.7	0.6	
Nominal compensation of employees*	1.8	-3.5	1.3	1.2	
Unemployment rate (%)	2.3	3.1	3.1	2.9	

*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	0.1	-1.6	0.7	1.0	
excluding tax effects	-0.7	-2.4	0.7	1.0	
Consumer prices	0.5	-0.2	0.7	0.7	
excluding tax effects	0.0	-0.7	0.7	0.7	
excluding freshfood	0.6	-0.4	0.6	0.6	
excluding tax effects	0.1	-0.9	0.6	0.6	
excluding food (excluding alcoholic beverages) and energy	0.6	-0.1	0.5	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	81.4	84.8	87.4		
	-7.3	-7.9	4.3	3.1		
Owned	28.3	25.6	26.8	27.6		
	-1.5	-9.8	4.8	3.1		
Rented	33.5	31.1	32.4	33.3		
	-14.2	-7.1	4.3	2.9		
Built for Sale	26.0	24.1	25.0	25.8		
	-2.8	-7.2	3.6	3.3		

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	-4.4	1.7	2.1	
Real GDP	0.7	-5.3	1.1	1.7	
Contribution of domestic demand	0.3	0.8	-4.3	0.1	
Private consumption	0.1	-6.0	1.3	1.1	
Housing investment	2.0	-9.4	0.1	2.2	
Private capital investment	0.7	-7.0	-5.1	6.3	
Contribution of inventory investment	0.1	-0.1	-0.1	0.0	
Government expenditure	2.1	1.9	1.0	0.1	
Government final consumption expenditure	1.9	1.9	1.0	0.4	
Public investment	2.9	2.1	1.0	-0.7	
Contribution of external demand	-0.2	-1.0	1.1	0.1	
Export of goods and services	-1.6	-13.1	11.6	4.9	
Import of goods and services	-0.7	-7.5	4.8	4.7	
GDP deflator	0.6	1.0	0.6	0.4	

【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	-3.6	3.8	3.0	
Real GDP (Euro zone) (CY)	1.3	-7.4	3.6	3.6	
Real GDP (Asia)	5.9				
Real GDP (China)	6.1	2.0	8.7	5.3	
Yen/U.S.Dollar	109.0	106.9	104.5	104.6	
Uncollateralized call rates (O/N) (%)*	-0.052	-0.035	-0.030	-0.030	
TIBOR (3months)	0.031	-0.033	-0.058	-0.038	
Newly issued government bond yields (10years) (%)	-0.10	0.00	0.06	0.10	
WTI future price (near month contract, US dollar/barrel)	57.0	38.5	40.1	43.7	
North Sea Brent Crude (US dollar/barrel)	64.2	42.4	43.1	46.7	

* 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	-12.0	12.6	5.4	
Ammount (Yr/Yr,%)	-4.3	-13.2	11.0	3.7	
Value of imports (Yen base)	-5.0	-14.2	5.4	5.4	
Ammount (Yr/Yr,%)	-1.1	-7.2	8.0	2.3	
Balance (trillion yen)	-1.7	0.3	5.2	5.5	
Current account balance (trillion yen)	20.5	16.9	25.3	26.6	
balance on goods (trillion yen)	0.4	2.7	7.9	8.3	
balance on service (trillion yen)	0.1	-3.1	-1.8	-1.4	
balance on income (trillion yen)	21.4	20.0	20.8	21.3	

【Corporations】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Industrial production	-3.0	-10.4	7.0	2.9	
Inventory index	1.2	-6.1	0.9	1.0	
Sales*	-1.5	-11.3	4.9	3.0	
Ordinary Profits	-3.5	-33.6	21.3	9.1	

【Income and employment】

	CY 2019 (actual)	forecast			Yr/Yr, %
		CY 2020 (forecast)	CY 2021 (forecast)	CY 2022 (forecast)	
Income per capita	-0.3	-1.5	0.2	0.5	
Scheduled	-0.1	0.2	-0.2	0.2	
Non-scheduled	-0.8	-10.9	4.5	1.7	
Real wage indices	-0.9	-1.5	-0.2	-0.3	
Number of employees	1.2	-0.7	0.1	0.7	
Nominal compensation of employees*	1.8	-2.4	0.2	1.2	
Unemployment rate (%)	2.3	2.9	3.2	3.0	

*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	-1.2	0.2	0.9	
excluding tax effects	-0.2	-2.4	0.2	0.9	
Consumer prices	0.5	0.0	0.3	0.7	
excluding tax effects	0.2	-0.7	0.3	0.7	
excluding freshfood	0.7	-0.1	0.3	0.7	
excluding tax effects	0.4	-0.9	0.3	0.7	
excluding food (excluding alcoholic beverages) and energy	0.6	0.2	0.3	0.5	

【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	82.6	84.1	86.7		
Owned	-3.1	-9.5	1.8	3.1		
Owned	29.1	26.0	26.6	27.4		
Rented	2.7	-10.5	2.1	3.2		
Rented	34.6	31.6	32.2	33.0		
Rented	-12.7	-8.8	1.9	2.6		
Built for Sale	27.0	24.4	24.7	25.6		
Built for Sale	5.8	-9.6	1.0	3.7		

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	-0.4	-7.8	5.2	0.4	-0.0	0.7	0.4	0.5	0.9	0.2	0.7	0.3	0.7
	Annualized rate	2.0	1.5	-5.7	-1.7	-27.7	22.7	1.7	-0.1	2.8	1.7	2.0	3.5	0.6	2.9	1.3	2.7
	(Yr/Yr,%)	1.3	2.3	0.5	-0.9	-8.9	-4.8	-2.9	-2.7	6.5	1.6	1.8	2.6	2.0	1.8	2.0	1.8
Real GDP	(Qr/Qr,%)	0.4	0.0	-1.8	-0.6	-8.2	5.0	0.4	0.0	0.6	0.4	0.2	0.6	0.5	0.4	0.3	0.4
	Annualized rate	1.6	0.2	-7.1	-2.3	-28.8	21.4	1.8	0.0	2.4	1.5	0.7	2.3	2.0	1.6	1.3	1.5
	(Yr/Yr,%)	0.9	1.7	-0.7	-1.8	-10.2	-5.8	-3.7	-3.4	6.2	1.3	1.1	1.9	1.7	1.6	1.7	1.6
Contribution of domestic demand (Qr/Qr,%)		0.7	0.3	-2.3	-0.3	-4.9	2.1	-0.2	-0.1	0.5	0.4	0.3	0.6	0.4	0.3	0.3	0.3
Private consumption		0.5	0.4	-2.9	-0.7	-8.1	4.7	0.6	0.0	0.6	0.4	0.0	0.4	0.2	0.2	0.2	0.2
Housing investment		0.7	1.4	-1.9	-2.3	-10.7	-7.2	-3.9	-3.2	6.1	1.7	1.1	1.6	1.1	0.8	1.0	0.8
Private capital investment		-0.2	1.3	-2.3	-4.0	-0.5	-7.9	-0.5	2.0	3.4	0.2	0.3	0.2	0.8	0.1	0.8	0.2
Contribution of inventory investment (Qr/Qr,%)		3.0	4.3	0.3	-5.2	-5.5	-14.0	-12.4	-7.1	-3.4	5.2	6.0	4.1	1.5	1.4	1.9	1.9
Government expenditure		0.8	0.2	-4.8	1.7	-4.5	-3.4	-3.0	-1.0	0.5	1.0	1.6	2.2	1.8	1.2	1.0	0.9
Contribution of inventory investment (Qr/Qr,%)		0.5	5.5	-4.6	-2.0	-7.3	-10.5	-9.2	-11.4	-6.7	-2.5	2.0	5.4	6.8	7.0	6.3	5.0
Government expenditure		0.0	-0.2	0.0	-0.1	0.3	-0.2	-0.2	-0.0	0.0	0.0	-0.0	0.0	-0.0	0.0	-0.0	0.0
Government expenditure		1.1	0.9	0.4	-0.0	-0.1	1.9	0.2	0.0	-0.2	0.1	0.0	-0.0	0.1	0.1	0.0	0.1
Government expenditure		1.8	2.9	3.0	2.2	1.3	2.2	2.0	2.0	2.0	0.1	-0.1	-0.2	0.3	0.3	0.2	0.3
Government final consumption expenditure		1.0	0.9	0.3	0.0	-0.4	2.2	0.2	0.0	-0.3	0.1	0.1	0.0	0.2	0.2	0.2	0.2
Government expenditure		2.1	2.8	2.3	2.1	1.0	2.2	2.1	2.1	2.2	-0.0	-0.2	-0.2	0.4	0.6	0.7	0.9
Public investment		1.5	0.8	0.7	-0.3	1.2	0.4	0.3	0.2	0.1	0.1	-0.0	-0.2	-0.3	-0.4	-0.6	-0.4
Public investment		1.0	3.9	5.5	2.3	2.8	2.1	1.5	1.9	1.1	0.7	0.3	-0.1	-0.3	-0.9	-1.4	-1.7
Contribution of external demand (Qr/Qr,%)		-0.3	-0.2	0.5	-0.2	-3.3	2.9	0.7	0.1	0.1	-0.0	-0.1	0.0	0.1	0.1	0.0	0.1
Export of goods and services		0.1	-0.6	0.4	-5.3	-17.4	7.0	8.3	3.4	3.0	1.8	1.0	1.0	1.0	1.0	0.9	0.9
Export of goods and services		-2.2	-0.6	-1.8	-5.7	-22.1	-15.7	-9.0	-1.1	24.7	16.9	9.2	6.9	5.4	3.7	3.9	3.8
Import of goods and services		1.8	0.7	-2.4	-4.1	2.2	-9.8	3.8	3.3	2.3	2.2	1.6	1.0	0.7	0.7	0.7	0.6
Import of goods and services		0.2	2.6	-4.4	-4.3	-3.5	-13.8	-8.3	-1.4	-0.9	12.8	9.6	6.5	5.3	3.9	3.1	3.1
GDP deflator (Yr/Yr,%)		0.4	0.6	1.2	0.9	1.4	1.1	0.8	0.7	0.3	0.3	0.7	0.6	0.3	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,%)	0.5	1.3	0.2	-14.1	-39.5	61.2	-11.5	1.6	3.1	17.1	3.1	1.3	1.3	1.3	1.3	1.3
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	106.1	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	-0.039	-0.027	-0.030	-0.030	-0.030	-0.030	-0.030	-0.030	-0.030	-0.030	-0.030
TIBOR (3months)		0.045	0.031	0.015	0.017	-0.030	-0.065	-0.055	-0.055	-0.055	-0.060	-0.060	-0.060	-0.060	-0.030	0.000	0.050
Newly issued government bond yields (10years) (%)		-0.08	-0.20	-0.09	-0.04	0.00	0.02	0.03	0.05	0.05	0.05	0.08	0.08	0.10	0.10	0.12	0.12
WTI future price (near month contract, US dollar/barrel)		59.8	56.5	57.0	46.2	27.8	40.9	39.2	39.0	39.6	40.5	41.4	42.3	43.2	44.1	45.0	45.9
North Sea Brent Crude (US dollar/barrel)		68.3	62.0	62.5	51.0	33.3	43.4	41.8	42.0	42.6	43.5	44.4	45.3	46.2	47.1	48.0	48.9

* 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	-13.0	-4.2	0.8	31.8	14.6	7.7	6.7	6.0	4.9	3.9	3.5
Amount (Yr/Yr,%)		-6.1	-2.3	-3.8	-5.5	-25.1	-15.0	-7.3	-0.7	28.3	13.4	6.6	5.1	3.9	3.2	2.8	2.7
Amount (Qr/Qr,%)		-0.8	1.1	-1.3	-4.6	-21.4	14.3	8.2	2.2	1.8	1.4	1.1	0.7	0.7	0.7	0.7	0.7
Value of imports (Yen base)		-0.1	-4.9	-11.9	-7.2	-16.0	-20.2	-13.5	-6.6	4.2	15.3	10.4	6.6	6.5	4.8	3.8	3.2
Amount (Yr/Yr,%)		-0.1	2.3	-4.4	-6.8	-4.8	-11.4	-5.7	4.6	4.7	13.3	9.6	5.0	2.3	1.1	1.1	1.2
Amount (Qr/Qr,%)		0.5	0.8	-2.7	-5.6	2.8	-6.2	3.7	4.6	3.0	1.4	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	0.9	1.6	1.1	1.8	1.0	1.3	1.3	1.8	1.0	1.3	1.4
Current account balance (trillion yen)*		4.9	4.7	5.3	4.9	2.1	4.0	5.6	6.0	6.8	6.2	6.2	6.4	7.0	6.4	6.5	6.6
Balance on goods (trillion yen)*		-0.3	0.1	0.4	0.6	-1.8	1.4	2.2	2.1	2.1	1.8	1.8	2.0	2.1	2.0	2.1	2.1
Balance on service (trillion yen)*		0.1	-0.1	0.3	-0.7	-0.7	-0.9	-0.9	-0.8	-0.1	-0.5	-0.5	-0.4	-0.0	-0.5	-0.5	-0.4
Balance on income (trillion yen)*		5.5	5.3	5.1	5.5	5.0	4.6	4.9	5.0	5.1	5.3	5.3	5.3	5.3	5.3	5.3	5.3

*seasonally adjusted

【Corporations】

		forecast																Yr/Yr, %																
		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	(Qr/Qr, %)	0.0	-1.1	-3.6	0.4	-16.9	8.7	5.1	1.3	2.0	1.2	0.8	0.6	0.4	0.4	0.4	0.4	(Yr/Yr, %)	-2.2	-1.1	-6.8	-4.5	-19.8	-12.8	-4.6	-3.9	18.6	9.8	5.5	4.7	3.3	2.2	1.8	1.5
Inventory index	(Qr/Qr, %)	1.0	-1.1	0.7	2.3	-5.3	-3.3	-1.5	-1.0	-0.5	0.2	0.3	0.4	0.2	0.0	0.1	0.4	(Yr/Yr, %)	3.0	0.9	1.2	2.9	-3.4	-5.7	-6.1	-9.7	-5.2	-1.9	0.9	0.3	1.0	0.8	1.0	0.7
Sales		0.4	-2.6	-6.4	-7.5	-17.7	-12.8	-7.4	-2.9	10.3	7.9	5.7	4.2	3.0	2.5	2.3	2.3																	
Ordinary profits		-12.0	-5.3	-4.6	-28.4	-46.6	-36.7	-20.9	0.0	46.3	30.3	16.6	12.9	8.3	8.3	7.1	6.4																	

*Forecast starts from 2020 7-9.

【Income and employment】

		forecast																Yr/Yr, %												
		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	0.6	-1.7	-1.3	-3.1	-0.6	0.2	-0.1	1.2	0.3	0.6	0.5	0.6	0.4													
	Scheduled	-0.3	0.2	0.2	0.6	0.1	0.0	0.1	-0.1	-0.2	-0.2	-0.1	0.0	0.3	0.3	0.3	0.4													
	Non-scheduled	-0.7	0.0	-1.5	-2.5	-21.2	-14.3	-5.7	-4.7	15.3	5.3	4.3	2.8	1.8	1.3	0.8	0.6													
Real wage indices		-1.0	-0.8	-0.8	0.0	-1.8	-1.5	-2.3	-0.0	0.0	-0.8	0.0	-0.7	-0.2	-0.2	-0.2	-0.3													
Number of employees		1.1	1.1	1.1	1.1	-1.1	-1.3	-1.6	-1.5	0.7	0.6	0.9	0.8	0.7	0.6	0.6	0.4													
Nominal compensation of employees*		2.3	1.7	1.6	1.7	-2.8	-2.2	-5.1	-3.7	0.8	0.4	2.6	0.9	1.3	1.2	1.3	0.8													
Unemployment rate (%)		2.4	2.3	2.3	2.4	2.8	3.0	3.2	3.3	3.2	3.2	3.1	3.0	3.0	3.0	2.9	2.8													

※GDP base

【Goods prices】

		forecast																Yr/Yr, %												
		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	0.5	-2.3	-0.8	-2.2	-1.1	0.8	0.2	0.9	0.8	1.0	1.0	0.9	1.0													
	excluding tax effects	0.6	-1.0	-1.4	-1.1	-3.8	-2.4	-2.1	-1.1	0.8	0.2	1.0	0.8	1.0	1.0	0.9	1.0													
Consumer prices		0.8	0.3	0.5	0.5	0.1	0.2	-0.7	-0.5	0.1	0.6	1.1	0.9	0.7	0.6	0.6	0.6													
	excluding tax effects	0.8	0.3	-0.5	-0.5	-0.9	-0.8	-0.7	-0.5	0.1	0.6	1.1	0.9	0.7	0.6	0.6	0.6													
	excluding freshfood	0.8	0.5	0.6	0.6	-0.1	-0.2	-0.8	-0.6	0.1	0.5	1.1	0.9	0.7	0.6	0.6	0.6													
	excluding tax effects	0.8	0.5	-0.4	-0.4	-1.1	-1.2	-0.8	-0.6	0.1	0.5	1.1	0.9	0.7	0.6	0.6	0.6													
	excluding food (excluding alcoholic beverages) and energy	0.6	0.6	0.7	0.6	0.3	0.1	-0.4	-0.3	0.1	0.5	0.7	0.7	0.5	0.4	0.4	0.4													

【New housing starts】

		forecast																annualized, ten thousand units Yr/Yr, %												
		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	80.0	82.1	82.1	82.9	83.7	84.5	85.2	85.9	86.5	87.0	87.5	87.8													
		-4.7	-5.4	-9.4	-9.9	-12.4	-10.1	-4.6	-3.7	5.7	3.1	4.5	3.8	3.9	3.0	3.0	2.3													
	Owned	30.7	28.3	27.3	27.6	24.8	25.6	26.0	26.2	26.4	26.7	26.9	27.1	27.3	27.5	27.7	27.8													
		9.6	-0.6	-7.2	-8.3	-18.2	-9.9	-4.5	-5.0	7.2	4.1	4.1	3.7	3.9	3.1	2.9	2.4													
	Rented	35.2	34.0	32.7	33.2	30.6	31.0	31.5	31.9	32.1	32.3	32.5	32.7	33.0	33.2	33.3	33.5													
		-14.9	-16.5	-15.0	-9.6	-11.9	-9.7	-2.8	-3.6	6.2	4.3	3.8	2.9	3.2	2.7	3.1	2.5													
	Built for Sale	25.8	27.9	26.1	24.9	24.0	24.8	23.9	24.2	24.5	24.9	25.1	25.4	25.5	25.7	25.8	25.9													
		-3.8	8.2	-3.1	-11.8	-6.0	-11.7	-7.7	-2.9	3.2	0.3	5.7	5.1	4.8	3.2	2.9	2.1													

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