12 March 2020

Report

The Japanese Economy in Fiscal 2021 and Fiscal 2022

─After returning to a recovery trajectory, the economy will maintain a smooth recovery trend

(1) Current State of the Economy

─Heightened concern of a downturn due to the re-issuing of the declaration of a state of emergency.

The economy maintained a recovery trend until autumn last year

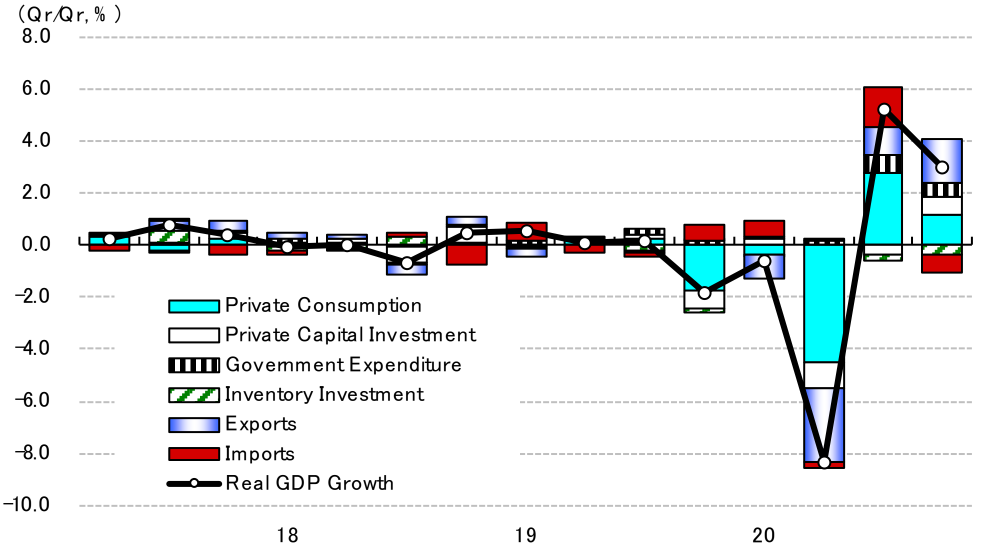
After the lifting of the declaration of the state of emergency last year, while giving consideration to preventing the spread of COVID-19, economic activities resumed and the economy gradually picked up through to autumn. However, with the renewed spread of COVID-19, sentiment of a slowdown grew stronger toward the end of the year, and after the re-issue of the declaration of the state of emergency that centered on metropolitan areas in January this year, there are growing concerns about a deterioration in the economy, especially in personal consumption.

First, looking back on the economic trends toward the end of last year, the real GDP growth rate for the October-December quarter of 2020 (announced on February 15) was + 3.0% from the previous quarter (for an annualized rate of +12.7%). This represents a recovery trend maintained with significant positive growth for two consecutive quarters. The high growth rate was mainly attributable to: strong external demand and a steady increase in exports; domestic demand centered on personal consumption derived in part from government policy effects continued to pick up through to November; and capital investment has bottomed out following the lifting of the state of emergency.

By demand category, consumer spending rose 2.2% from the previous quarter, a second consecutive quarter of growth, due to favorable sales of automobiles, and steady recovery of service consumption until November because of a pause in the spread of COVID-19 and the implementation of the government's Go To Travel campaign. Quarterly growth remained high despite a drop in December for spending on services related to accommodation, food and drink due to the third wave of COVID-19, the suspension of the Go To Travel campaign, and a deterioration of consumer sentiment. Real housing investment experienced only a slight increase of 0.1% from the previous quarter reflecting the touch bottom of housing starts in summer.

In the corporate sector, although business performance experienced difficult conditions, there was a trend toward resuming capital investment following the lifting of the state of emergency which resulted in a high increase of 4.5% from the previous quarter. The contribution from inventory investment to real GDP growth from the previous quarter was -0.4%, the second consecutive quarter of negative growth, due to the ongoing inventory adjustment.

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



Source: Cabinet Office "Quarterly Estimates of GDP"

In the government sector, government consumption surged 2.2% from the previous quarter. The sustained increase is believed to be the effect of the boost from policy effects such as the implementation of the Go To Travel campaign and a recovery of the use of medical institutions. Public investment continued and rose 1.3% compared to the previous quarter due to the promotion of "national resilience (from natural disasters)".

As a result, the contribution from domestic demand was +2.0% compared to the previous quarter. On the other hand, the contribution of external demand was +1.0%, which was positive for the second consecutive quarter. Looking at the breakdown, despite the continued absence of demand from inbound tourism, real exports increased by 11.1% compared to the previous quarter due to the recovery of export goods centered on automobiles and general machinery, along with the recovery of overseas economies. On the other hand, real imports slowed partly due to a crawl along the bottom in energy, and remained at +4.1% compared to the previous quarter.

The nominal GDP growth rate also increased 2.5% compared to the previous quarter (for an annualized rate of +10.5%). In addition, the GDP deflator, a measure of comprehensive price trends in the economy as a whole, was +0.2% year on year (-0.5% compared to the previous quarter), reflecting the loss of the boosting effect by the consumption tax hike and the stability of domestic prices. This represented a sharp decline in the GDP deflator from +1.2% in the July-September quarter.

Vigorous economic activity disrupts the balance between measures to deal with the spread of COVID-19 and economic activity

In line with these factors, the real GDP growth rate in the October-December quarter was high, but it cannot be evaluated in isolation. This is because employing these economic activities led to the third wave of COVID-19. Also, further aggravation occurred by hesitating to take action on infection control measures such as suspending the Go To Travel campaign, that was instituted to aid the economy. All this led to the re-issuing of the declaration of emergency at the beginning of the year. By giving priority to the short-term economic growth, the balance between measures to prevent the spread of the virus and economic activity was lost, and the economy worsened.

Domestic demand has cooled from December due to the decline in demand for year-end and New Year accommodation, food and beverage services along with the renewed spread of the virus, the re-issuing of the declaration of a state of emergency in Tokyo and three adjacent prefectures on January 7, the subsequent expansion of the regions and period covered by the declaration. For this reason, consumer spending, centered on spending on services, is expected to fall drastically in the January-March quarter, and it is inevitable that the real GDP growth rate will turn negative compared to the previous quarter.

In the accommodation/food and beverage service industry, passenger transportation industry, personal services industry such as travel and leisure, and some retail industries such as department stores and shopping centers, the economic damage has been enormous because the demand was suppressed at the busy season, which is the most profitable part of the year. Due to this, management is facing a critical situation, and there are some negative trends such as store closures, business reductions, a call for people to take retirement, and restraint in hiring new graduates.

(2) Outlook for the Economy in Fiscal 2021 and Fiscal 2022
— After the economy returns to a recovery trajectory it will maintain a smooth recovery trend

Economy is expected to avoid double-dip recession

While it is inevitable that the real GDP growth rate in the January-March quarter will fall into negative territory compared to the previous quarter, whether or not the economy will slow down or level off will depend largely on the future circumstances surrounding the spread of COVID-19.

However, the economic downturn is expected to remain moderate compared to the experience under the last state of emergency, under which demand was drastically suppressed. Last time, we searched for a means to stop the spread of the virus, which heavily hindered economic activity and severely restricted the movement of people.
However, currently, infection preventive measures have become widespread in society, and people's awareness of infection prevention is increasing. Therefore, it is believed that we can take more limited and focused restrictions on economic activities to contain the spread of the infection. In addition, it seems that a drop in demand and confusion in corporate activities can be avoided to some extent through measures such as mail-order sales, take-out, and telework system development.

There is a concern that if the spread of the virus does not subside easily, companies and business owners will lose hope of a recovery in the economy and the demand, and will then take steps to adjust employment and reduce capital investment. For example, if companies and business owners become increasingly resigned to the pandemic becoming more drawn out, then not only store closures and business reductions will further increase, but also negative trends such as business closures, withdrawals from businesses, and bankruptcies resulting to the further cool of the economy.

Fortunately, the spread of the virus is slowing down, and a bright outlook for the future is growing. If the infections can continue to be suppressed for a further month, it will be possible to capture the demand for events such as cherry blossom viewing, graduation and entrance ceremonies, travel during spring break, and the demand associated with events during the subsequent Golden Week, and the economy will improve and a double bottoming of the economy can be avoided.

The biggest point for the economy into the future is whether we can take advantage of the lessons learned from our mistakes

If the double bottoming of the economy can be avoided, the business performance of companies whose operations have been hit hard will be restored, and it is thought that the damage caused by the re-issuing of the declaration of the state of emergency will be relatively shallow. Corporate restructuring pressures will remain modest, and a further cooling of the economy due to a deterioration in employment and income will be avoided. Another positive factor for the economy is that COVID-19 vaccinations have finally begun, and with the spread of COVID-19 vaccinations, the crisis caused by medical collapse will ease and the mood in the society will gradually improve.

However, in the rush to restore the economy, if the state of emergency is canceled before it has produced a satisfactory result or the Go To Travel campaign is restarted too early, the number of infected people will increase again in early spring, and this means there is a risk that the economy will be sluggish in the April-June quarter as well. Taking advantage of the lessons learned from last year's mistakes, can be said that the biggest point for the economy into the future is whether or not it is possible to regain the balance between preventing the spread of infection and resuming economic activities without resorting to the short-term demand stimulus.

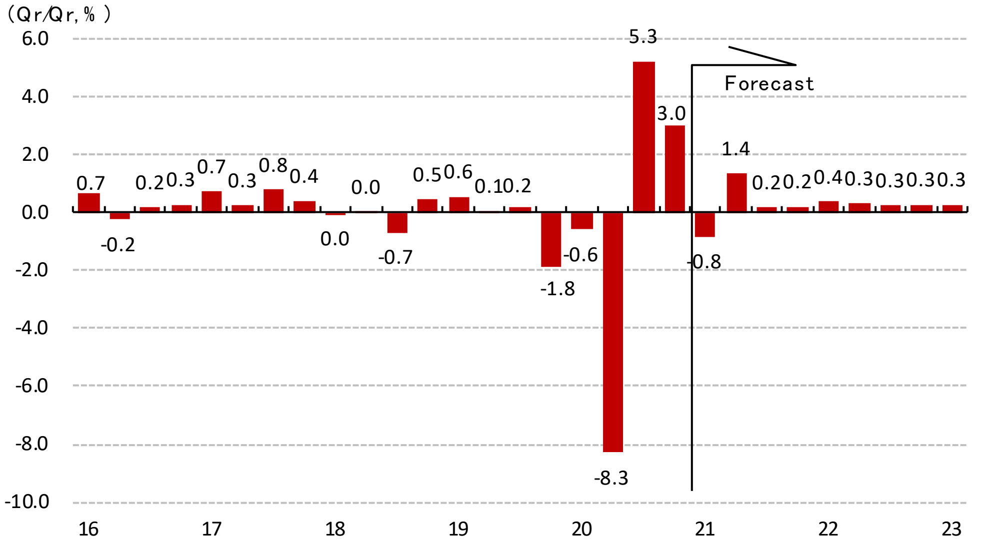
The economic downturn in the January-March quarter to be negligible

Based on the above, although the real GDP growth rate for the January-March quarter will be negative, it is expected to be a relatively slight decline at -0.8% (for an annualized rate of -3.2%) from the previous quarter (Chart 2).

Looking at monthly economic indicators, the results will be severe in January and February, but as the balance between prevention of the spread of the virus and restoring economic activity is gradually regained, more indicators will show economic recovery after March.

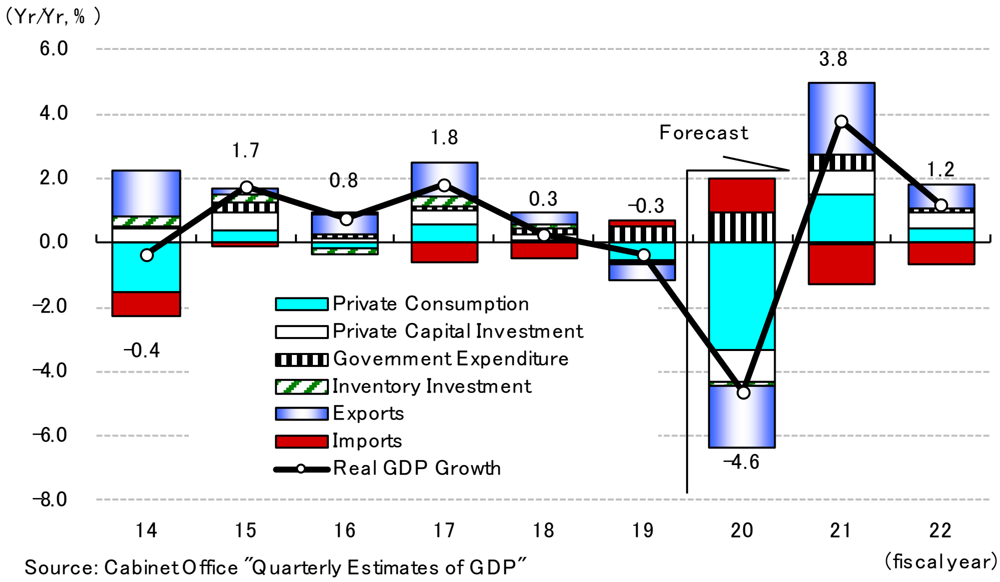
The real GDP growth rate for the full 2020 fiscal year is expected to be -4.6%, which is negative for the second consecutive year, compared to -0.3% in fiscal 2019 (Chart 3).

Chart 2. Real GDP growth rate (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

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



Source: Cabinet Office "Quarterly Estimates of GDP"

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

Vaccinations began in Japan on February 17 of this month. Although vaccinations are expected to be decisive in getting on top of the pandemic, inoculations for the general public are expected after June. Also, whether a sufficient number of doses can be secured amid intensifying international competition for acquisition of vaccines is an issue and therefore the roll out of the vaccine may take some time. This could prolong the time we have to live with COVID-19, and activities and lifestyles to accommodate this will be established for companies, households, and the government. Under such circumstances, careful economic management and responsible social behavior will continue to be required. Such consideration for the balance between prevention of spread of the virus and stimulating economic activities mean the economic recovery will be moderate.

This outlook contains the following assumptions after the lifting of state of emergency for all regions in Japan on March 7 at the latest.

(1) The number of cases of COVID-19 infection in Japan will continue to rise and fall in a narrow range and COVID-19 will remain with us in 2021.
(2) The balance between preventing the spread of the virus and stimulating economic activities will be maintained and the issuing of another state of emergency will be avoided.
(3) Vaccinations will generally follow the plan outlined by the government.
(4) The Tokyo Olympics and Paralympics will be held as planned in July and August 2021, and the scale of the competition and the number of spectators will have to be reduced.
(5) Foreign tourism will not be able to return to Pre-COVID-19 levels until after 2023 due to delays in lifting immigration restrictions.

After returning to a recovery trajectory in 2021, the economy will return to pre-COVID-19 level by the end of the fiscal year

In fiscal 2021, as preventive measures against the spread of the virus permeate through society and vaccinations progress, it is expected that restrictions on economic activities due to the spread of COVID-19 will gradually ease, and at the very least an explosive spread of the virus can be avoided. For this reason, after the economy returns to a recovery trajectory in early spring, consumer spending, centered on services, will continue to recover as Go To Travel campaigns and other events resume gradually, and the 5G roll out will become widespread and recovery of the global economy will continue. Against this backdrop, the economic recovery will be maintained throughout the year. The impact of government's large-scale economic measures will also contribute to supporting the economy.

Regarding capital investment, city redevelopment projects mainly in the Tokyo metropolitan area will be a factor supporting the economy. Additionally, investment to improve operational efficiency and respond to labor shortages as well as R&D investment promoting the use of AI and IoT will increase along with the importance of telework and computerization investment. For this reason, the real GDP growth rate for the fiscal year is expected to return to positive growth of 3.8% from the previous year.

Should containment of COVID-19 not be attained, activities and lifestyle based around the reality of the virus will continue, and the pace of resumption of economic activities will be subdued due to the need to prevent the spread of the disease. Even so, the recovery trend will be maintained, and restoration to the level before the spread of COVID-19 (October-December 2019) is expected by the end of the fiscal year (January-March 2022).

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 event effect will not be so large, the economy will not experience sluggishness due to the end-of-event effect after the Games.

Large downside risks remain

However, the downside risk remains high.
First, there are still risks associated with the spread of COVID-19. In addition to the risk of losing the balance between preventing the spread of the virus and stimulating economic activities, there are also concerns that delays to the roll out of the vaccination and outbreaks of new strains of the virus could occur.

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. If the trends for corporate restructuring spread across many regions and industries, the employment and income conditions will deteriorate and the pace of economic recovery will slow rapidly.

Third, the delay in the recovery of the world economy is also a cause for concern. In some countries, the spread of the virus has not abated, and in some countries, vaccinations have not progressed.

Fourth, there is concern that the prices of financial assets such as stock prices will plummet. With large-scale monetary easing in many countries and heightened caution about excess liquidity, global financial asset prices continue to rise in anticipation of a post-COVID-19 economic recovery and improvement in corporate performance. Under the new Biden administration in the United States, the confrontation between the United States and China will intensify again, and there is speculation that monetary policy will change in the United States and other countries, leading to the possibility of global stock price depreciation, currency depreciation in emerging countries and the appreciation of the yen to avoid risks.

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 results of 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 be 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 +1.2% year on year, exceeding the potential growth rate.

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 have grown rapidly. This will result in the development of infrastructure such as communication environments, and the penetration 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】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Nominal GDP	0.5	-3.9	3.3	1.4
Real GDP	-0.3	-4.6	3.8	1.2
Contribution of domestic demand	-0.1	-3.8	2.8	1.1
Private consumption	-1.0	-6.2	2.8	0.9
Housing investment	2.5	-7.2	2.7	1.8
Private capital investment	-0.6	-5.9	5.0	3.0
Contribution of inventory investment	-0.1	-0.2	-0.0	-0.0
Government expenditure	2.0	3.8	1.7	0.4
Government final consumption expenditure	2.0	3.6	1.8	0.4
Public investment	1.5	4.5	1.3	0.2
Contribution of external demand	-0.2	-0.8	1.0	0.1
Export of goods and services	-2.6	-10.9	14.4	4.4
Import of goods and services	-1.3	-6.1	7.8	4.0
GDP deflator	0.8	0.7	-0.5	0.2

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Real GDP (US) (CY)	2.2	-3.5	5.0	3.2
Real GDP (Euro zone) (CY)	1.3	-6.8	4.9	3.7
Real GDP (Asia)				
Real GDP (China)(CY)	6.0	2.3	8.7	5.0
Yen/U.S.Dollar	108.7	105.6	105.1	104.5
Uncollateralized call rates (O/N) (%)*	-0.047	-0.033	-0.030	-0.030
TIBOR (3months)	0.027	-0.051	-0.059	-0.010
Newly issued government bond yields (10years) (%)	-0.10	0.03	0.08	0.11
WTI future price (near month contract, US dollar/barrel)	54.9	41.5	58.0	60.0
North Sea Brent Crude (US dollar/barrel)	60.9	44.8	61.0	63.0

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Value of exports (Yen base)	-6.0	-9.2	17.0	4.0
Ammount (Yr/Yr,%)	-4.4	-9.5	15.3	3.2
Value of imports (Yen base)	-6.3	-13.1	19.5	4.0
Ammount (Yr/Yr,%)	-2.3	-3.8	8.6	1.4
Balance (trillion yen)	-1.3	1.9	0.6	0.6
Current account balance (trillion yen)	20.1	18.6	20.8	21.2
balance on goods (trillion yen)	0.7	4.3	3.7	3.9
balance on service (trillion yen)	-0.5	-3.6	-2.3	-2.1
balance on income (trillion yen)	21.4	20.4	21.3	21.4

【Corporations】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Industrial production	-3.8	-9.3	9.8	2.2
Inventory index	-1.9	6.6	-1.4	-0.8
Sales	-4.1	-9.3	6.7	2.5
Ordinary Profits	-13.1	-25.4	21.7	6.9

【Income and employment】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Income per capita	0.0	-1.6	-0.4	0.5
Scheduled	0.2	0.1	-0.2	0.3
Non-scheduled	-1.2	-13.5	7.4	1.1
Real wage indices	-0.7	-1.2	-1.0	-0.3
Number of employees	1.1	-1.2	1.2	0.7
Nominal compensation of employees*	2.0	-2.5	1.0	1.2
Unemployment rate (%)	2.3	3.0	3.1	2.9

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
Domestic corporate goods prices	0.1	-1.5	1.7	0.4
excluding tax effects	-0.7	-2.3	1.6	0.5
Consumer prices	0.5	-0.2	0.6	0.7
excluding tax effects	0.0	-0.7	0.6	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	0.3	0.5

【New housing starts】

annualized, ten thousand units

forecast

Yr/Yr、%

	FY 2019 (actual)	FY 2020 (forecast)	FY 2021 (forecast)	FY 2022 (forecast)
New housing starts	88.4	81.1	84.6	87.3
	-7.3	-8.2	4.3	3.3
Owned	28.3	26.1	27.3	27.8
	-1.5	-8.0	4.9	1.8
Rented	33.5	30.1	31.1	32.8
	-14.2	-9.9	3.2	5.5
Built for Sale	26.0	24.1	25.1	25.7
	-2.8	-7.3	4.2	2.2

Economic Outlook for calendar 2019-2022

【GDP demand】

forecast

Yr/Yr、%

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Nominal GDP	0.9	-3.9	2.5	1.5
Real GDP	0.3	-4.8	2.9	1.5
Contribution of domestic demand	0.5	0.5	-3.8	1.8
Private consumption	-0.3	-5.9	1.1	1.4
Housing investment	3.9	-7.1	0.6	2.3
Private capital investment	0.1	-5.8	3.4	3.2
Contribution of inventory investment	0.0	-0.1	-0.1	0.0
Government expenditure	1.7	2.9	2.9	0.3
Government final consumption expenditure	1.9	2.7	3.0	0.3
Public investment	1.3	3.5	2.5	0.2
Contribution of external demand	-0.2	-1.0	1.0	0.1
Export of goods and services	-1.4	-12.3	12.3	5.4
Import of goods and services	-0.4	-6.8	5.6	5.0
GDP deflator	0.6	0.9	-0.4	0.0

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Real GDP (US) (CY)	2.2	-3.5	5.0	3.2
Real GDP (Euro zone) (CY)	1.3	-6.8	4.9	3.7
Real GDP (Asia)	5.9			
Real GDP (China)	6.0	2.3	8.7	5.0
Yen/U.S.Dollar	109.0	106.8	104.8	104.9
Uncollateralized call rates (O/N) (%)*	-0.052	-0.035	-0.029	-0.030
TIBOR (3months)	0.031	-0.033	-0.058	-0.038
Newly issued government bond yields (10years) (%)	-0.10	0.00	0.07	0.10
WTI future price (near month contract, US dollar/barrel)	57.0	39.4	56.8	59.8
North Sea Brent Crude (US dollar/barrel)	64.2	43.2	59.8	62.8

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、 %

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Value of exports (Yen base)	-5.6	-11.1	15.5	5.4
Ammount (Yr/Yr,%)	-4.3	-11.4	14.3	4.3
Value of imports (Yen base)	-5.0	-13.8	14.3	7.0
Ammount (Yr/Yr,%)	-1.1	-6.6	8.5	2.5
Balance (trillion yen)	-1.7	0.7	1.6	0.4
Current account balance (trillion yen)	20.5	17.7	21.3	21.0
balance on goods (trillion yen)	0.4	3.0	4.7	3.7
balance on service (trillion yen)	0.1	-3.5	-2.5	-2.1
balance on income (trillion yen)	21.4	20.7	21.1	21.4

【Corporations】

forecast

Yr/Yr、 %

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Industrial production	-3.0	-10.1	8.6	2.6
Inventory index	1.2	-8.4	3.0	1.7
Sales*	-1.5	-10.8	5.1	3.0
Ordinary Profits	-3.5	-31.5	19.0	8.1

*Forecast starts from CY 2020.

【Income and employment】

forecast

Yr/Yr、 %

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Income per capita	-0.3	-1.3	-0.6	0.4
Scheduled	-0.1	0.2	-0.2	0.2
Non-scheduled	-0.8	-12.1	4.4	1.7
Real wage indices	-0.9	-1.1	-1.0	-0.4
Number of employees	1.2	-0.7	0.8	0.8
Nominal compensation of employees*	2.0	-1.6	0.2	1.2
Unemployment rate (%)	2.3	2.8	3.2	3.0

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	0.2	-1.2	1.2	0.7
excluding tax effects	-0.2	-2.4	1.2	0.6
Consumer prices	0.5	-0.0	0.3	0.7
excluding tax effects	0.2	-0.8	0.3	0.7
excluding freshfood	0.7	-0.2	0.4	0.7
excluding tax effects	0.4	-0.9	0.4	0.7
excluding food (excluding alcoholic beverages) and energy	0.6	0.2	0.3	0.5

【New housing starts】

annualized, ten thousand units

forecast

Yr/Yr、%

		CY 2019 (actual)	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)
New housing starts		91.1	81.9	83.8	86.7
		-3.2	-10.1	2.3	3.4
	Owned	29.1	26.3	27.3	27.7
		2.8	-9.7	3.8	1.6
	Rented	34.5	30.9	30.6	32.4
		-12.8	-10.6	-0.8	5.9
	Built for Sale	26.9	24.1	24.9	25.5
		5.3	-10.4	3.7	2.3

Economic Outlook (Quarterly)

forecast (from FY 2020 1-3)

Qr/Qr,%
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
Nominal GDP (Qr/Qr,%)	0.2	0.3	-1.2	-0.5	-8.0	5.5	2.5	-0.7	1.0	0.0	0.2	0.4	0.5	0.5	0.0	0.3
Nominal GDP Annualized rate	1.0	1.3	-4.6	-2.0	-28.2	23.7	10.5	-2.8	4.2	0.1	0.8	1.8	1.9	2.1	0.1	1.1
Nominal GDP (Yr/Yr,%)	1.0	1.9	0.4	-1.1	-9.0	-4.7	-1.0	-1.2	8.2	2.9	0.6	1.9	1.5	1.2	1.4	1.4
Real GDP (Qr/Qr,%)	0.1	0.2	-1.8	-0.6	-8.3	5.3	3.0	-0.8	1.4	0.2	0.2	0.4	0.3	0.3	0.3	0.3
Real GDP Annualized rate	0.3	0.7	-7.1	-2.2	-29.3	22.7	12.7	-3.2	5.6	0.8	0.9	1.5	1.3	1.0	1.2	1.2
Real GDP (Yr/Yr,%)	0.6	1.3	-1.1	-2.0	-10.3	-5.8	-1.2	-1.4	9.0	3.7	0.8	2.3	1.3	1.1	1.2	1.2
Contribution of domestic demand (Qr/Qr,%)	0.4	0.4	-2.5	-0.2	-5.2	2.6	2.0	-0.7	1.2	0.4	0.1	0.4	0.3	0.2	0.3	0.3
Private consumption	0.4	0.5	-3.1	-0.6	-8.4	5.1	2.2	-2.2	1.6	0.5	0.0	0.4	0.2	0.2	0.2	0.2
	0.4	0.9	-2.4	-2.7	-11.1	-7.3	-2.4	-3.8	6.8	2.1	-0.1	2.6	1.2	0.7	0.9	0.8
Housing investment	1.6	0.0	-1.9	-3.7	0.5	-5.7	0.1	1.0	3.0	0.1	0.3	0.5	0.6	0.4	0.5	0.3
	5.9	6.1	2.4	-4.0	-5.0	-10.5	-8.7	-4.3	-1.9	4.2	4.5	3.9	1.5	1.8	2.0	1.8
Private capital investment	0.2	0.9	-4.5	1.4	-5.9	-2.4	4.5	1.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.6
	-0.3	4.9	-4.5	-2.0	-8.1	-10.8	-2.8	-2.2	4.7	8.2	4.1	3.3	3.2	3.2	3.0	2.8
Contribution of inventory investment (Qr/Qr,%)	0.0	-0.2	-0.1	0.1	0.1	-0.2	-0.4	0.2	0.1	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
Government expenditure	0.4	0.9	0.6	-0.2	0.6	2.4	1.8	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.2	0.1
	1.3	2.2	2.7	1.5	1.9	3.4	4.7	4.9	4.6	2.1	0.3	0.2	0.3	0.3	0.4	0.4
Government final consumption expenditure	0.6	0.8	0.4	-0.3	0.2	2.8	2.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.1
	1.9	2.6	2.2	1.4	1.4	3.3	4.8	5.0	5.0	2.1	0.2	0.2	0.3	0.3	0.5	0.5
Public investment	-0.5	1.5	0.6	0.1	2.2	0.9	1.3	0.2	0.1	0.1	0.1	0.0	0.1	-0.1	0.0	0.0
	-1.3	1.3	4.2	1.4	4.7	3.8	4.7	4.6	2.7	1.9	0.7	0.4	0.4	0.1	0.1	0.0
Contribution of external demand (Qr/Qr,%)	-0.3	-0.3	0.6	-0.4	-3.1	2.6	1.0	-0.1	0.2	-0.2	0.1	0.0	0.0	0.0	0.0	0.0
Export of goods and services	-0.1	-0.5	0.2	-5.3	-17.2	7.4	11.1	1.4	3.9	1.4	1.2	1.1	1.1	1.0	0.9	0.9
	-2.0	-0.4	-2.0	-6.0	-22.0	-15.4	-6.2	0.1	27.0	18.3	7.3	7.9	5.5	4.3	4.1	3.7
Import of goods and services	1.7	0.9	-3.2	-3.1	1.3	-8.2	4.1	2.4	3.0	3.0	0.8	1.0	0.9	0.9	0.8	0.7
	0.7	2.9	-4.5	-4.0	-3.9	-12.9	-6.2	-1.1	1.4	13.6	9.1	7.6	5.4	4.0	3.3	3.2
GDP deflator (Yr/Yr,%)	0.4	0.5	1.5	0.9	1.4	1.2	0.2	0.1	-0.7	-0.8	-0.2	-0.4	0.2	0.1	0.2	0.2

【Overseas economy and market data】

forecast (from FY 2020 1-3)

	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	0.8	0.5	-14.1	-39.2	59.9	-2.6	-2.0	5.4	17.0	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	104.5	104.1	104.5	105.0	105.5	105.5	105.0	104.5	104.5	104.0
Uncollateralized call rates (O/N) (%)*	-0.062	-0.059	-0.034	-0.032	-0.043	-0.039	-0.026	-0.026	-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	0.02	0.06	0.07	0.07	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	42.7	54.4	56.7	57.6	58.5	59.2	59.8	60.0	60.0	60.0
North Sea Brent Crude (US dollar/barrel)	68.3	62.0	62.5	51.0	33.3	43.4	45.2	57.4	59.7	60.6	61.5	62.2	62.8	63.0	63.0	63.0

* actual=average, forecast=end of period

【External demand (export and import)】

forecast (from FY 2020 1-3)

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
Value of exports (Yen base)	-5.5	-5.0	-7.8	-5.5	-25.3	-13.0	-0.7	2.9	37.4	20.3	7.1	8.8	5.8	3.9	3.3	3.2
Ammount (Yr/Yr,%)	-6.1	-2.3	-3.8	-5.5	-25.1	-15.0	-0.3	2.9	35.1	19.9	4.7	7.1	4.3	3.1	2.8	2.8
Ammount (Qr/Qr,%)	-0.8	1.1	-1.3	-4.6	-21.4	14.3	14.2	0.3	3.4	1.8	1.0	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	-20.1	-12.0	-3.8	14.2	28.6	20.6	15.1	7.5	3.8	2.9	2.1
Ammount (Yr/Yr,%)	-0.1	2.3	-4.4	-6.8	-4.8	-11.4	-3.4	5.2	5.9	14.7	8.3	5.7	2.5	1.1	1.1	1.2
Ammount (Qr/Qr,%)	0.5	0.8	-2.7	-5.6	2.8	-6.2	6.2	2.7	3.4	1.6	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	2.0	1.0	1.0	-0.2	-0.2	-0.0	0.7	-0.2	-0.1	0.2
Current account balance (trillion yen)*	5.0	4.8	5.4	5.0	2.0	4.0	6.6	5.9	5.6	4.9	5.1	5.2	5.4	5.3	5.4	5.4
Balance on goods (trillion yen)*	-0.3	0.1	0.4	0.6	-1.6	1.4	2.6	1.9	1.4	0.6	0.8	0.8	1.0	0.9	1.0	1.0
Balance on service (trillion yen)*	0.1	-0.1	0.3	-0.7	-1.0	-1.0	-0.8	-0.8	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5
Balance on income (trillion yen)*	5.5	5.3	5.1	5.5	5.2	4.7	5.5	5.3	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4

*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	6.4	2.9	0.6	1.4	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	-3.2	-1.2	20.2	11.5	6.0	3.4	3.4	2.1	1.8	1.5
Inventory index	(Qr/Qr, %)	1.0	-1.1	0.7	2.3	-5.3	-3.3	-2.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
	(Yr/Yr, %)	3.0	0.9	1.2	2.9	-3.4	-5.7	-8.4	-8.6	-3.4	0.2	3.0	1.4	1.6	1.7	1.7	1.7
Sales		0.4	-2.6	-6.4	-7.5	-17.7	-11.5	-6.6	-1.6	10.2	7.7	5.3	4.1	2.8	2.7	2.3	2.3
Ordinary profits		-12.0	-5.3	-4.6	-28.4	-46.6	-28.4	-19.2	1.5	48.3	17.0	15.1	11.0	7.9	7.3	6.3	6.3

*Forecast starts from 2020 10-12.

【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	-2.2	-0.8	-0.4	-0.3	-0.8	0.1	0.5	0.5	0.5	0.4
Scheduled	-0.3	0.2	0.2	0.6	0.1	0.0	0.1	0.0	-0.2	-0.2	-0.2	-0.1	0.3	0.3	0.3	0.4
Non-scheduled	-0.7	0.0	-1.5	-2.5	-21.2	-14.3	-10.6	-7.7	15.3	8.3	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	-1.2	-0.5	-0.1	-0.7	-2.4	-0.7	-0.8	-0.1	-0.1	-0.1
Number of employees	1.1	1.1	1.1	1.1	-1.1	-1.3	-1.6	-0.9	1.3	1.2	1.6	0.9	0.8	0.8	0.7	0.5
Nominal compensation of employees*	2.1	1.8	2.1	1.8	-2.3	-2.3	-2.7	-2.7	1.3	1.0	0.8	1.0	1.3	1.3	1.2	1.0
Unemployment rate (%)	2.4	2.3	2.3	2.4	2.8	3.0	3.0	3.2	3.2	3.1	3.1	3.0	3.0	2.9	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	0.1	0.5	-2.3	-0.8	-2.1	-0.8	1.8	1.5	2.3	1.0	0.8	0.5	0.3	0.3
excluding tax effects	0.6	-1.0	-1.4	-1.1	-3.8	-2.4	-2.1	-0.8	1.8	1.5	2.3	1.0	0.9	0.4	0.3	0.2
Consumer prices	0.8	0.3	0.5	0.5	0.1	0.2	-0.8	-0.2	-0.2	0.3	1.4	0.7	1.1	0.6	0.5	0.5
excluding tax effects	0.8	0.3	-0.5	-0.5	-0.9	-0.8	-0.8	-0.2	-0.2	0.3	1.4	0.7	1.1	0.6	0.5	0.5
excluding freshfood	0.8	0.5	0.6	0.6	-0.1	-0.2	-0.9	-0.3	-0.3	0.6	1.4	0.7	1.1	0.5	0.5	0.4
excluding tax effects	0.8	0.5	-0.4	-0.4	-1.1	-1.2	-0.9	-0.3	-0.3	0.6	1.4	0.7	1.1	0.5	0.5	0.4
excluding food (excluding alcoholic beverages) and energy	0.6	0.6	0.7	0.6	0.3	0.1	-0.3	0.2	-0.2	0.5	0.7	0.3	0.8	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	93.2	90.1	86.8	85.0	80.9	81.3	80.5	82.9	83.4	84.1	85.0	85.8	86.4	87.0	87.5	87.9
	-4.7	-5.4	-9.4	-9.9	-12.4	-10.1	-7.0	-2.2	3.9	3.5	6.0	3.6	4.0	3.5	3.1	2.5
Owned	30.9	28.3	27.1	27.4	25.0	25.8	26.9	27.2	27.2	27.3	27.4	27.5	27.6	27.8	27.8	27.9
	9.6	-0.6	-7.2	-8.3	-18.2	-9.9	-0.9	-0.5	9.9	5.8	2.2	1.5	2.2	1.7	1.9	1.5
Rented	35.4	34.0	32.8	32.5	30.9	30.9	29.3	30.0	30.3	30.8	31.4	31.9	32.3	32.6	32.9	33.1
	-14.9	-16.5	-15.0	-9.6	-11.9	-9.7	-10.4	-7.3	-0.8	-0.2	8.0	6.6	7.1	5.9	5.0	3.8
Built for Sale	26.1	27.3	26.4	24.5	24.4	24.0	23.3	24.7	24.9	25.0	25.2	25.3	25.5	25.6	25.7	25.8
	-3.8	8.2	-3.1	-11.8	-6.0	-11.7	-11.4	0.8	2.2	4.3	8.1	2.6	2.5	2.4	2.2	1.9