

Report

The Japanese Economy in Fiscal 2021 and Fiscal 2022

—Economy ready to bounce back when pandemic subsides

(1) Current State of the Economy

—Gradual recovery while still influenced by pandemic conditions

Pandemic still susceptible to pandemic developments

The Japanese economy is gradually picking up momentum amid on and off implementation of restrictions on economic activity during the repeated declaration and lifting of the states of emergency along with the rising and falling of new COVID-19 cases.

The Japanese government declared three states of emergency in January, April, and July 2021 as the number of COVID-19 cases increased intermittently from the third to fifth major wave of infections. During this period, economic activity was restricted, and the reduced flow of people lowered demand in industries that center on in-person services, such as the accommodation/food and beverage service, passenger transportation, tourism, and leisure and entertainment service industries. Demand for in-person services rose each time the number of COVID-19 cases fell, which resulted in the lifting of the states of emergency; however, each acceleration in economic activity invited a new wave of infections. Nevertheless, even during the states of emergency, the economy was underpinned by a solid base of demand for goods, supported by increasing stay-at-home demand and continued rise in exports, fueled by the steady recovery of overseas economies.

Because of this solid base, even though there were periods when demand stalled in the short term and concerns arose about an economic downturn, the overall economy continued moving on a gradual recovery track. In addition, corporate performance in the manufacturing industries continued to improve, and business sentiment also continued to improve in both manufacturing and non-manufacturing industries. However, some industries such as food and beverage service and passenger transportation remained in the red, and the performance disparity among industries remains wide.

GDP growth turned negative in the July-September quarter due to the pandemic and constrained automobile production

While the economy was gradually improving on average, the decline in demand took a deeper downward turn in the July-September quarter. The downturn was due to the simultaneous drop in demand for in-person services and goods, notably durable goods.

Economic data puts the real GDP growth rate for the July-September quarter at -0.8% from the previous

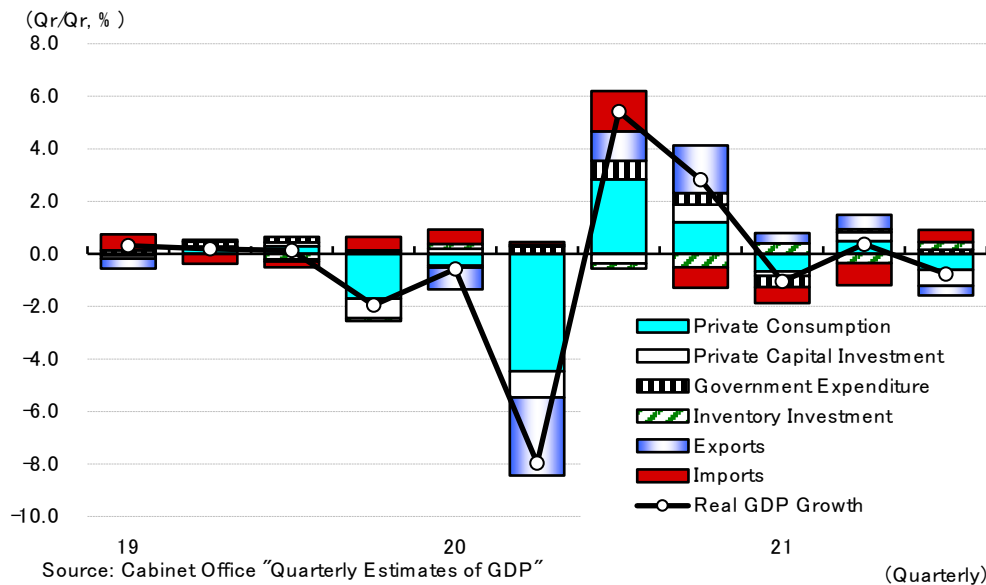
quarter (for an annualized rate of -3.0%), the first negative figure in two quarters. Real personal consumption declined sharply, by -1.1% compared to the previous quarter. The shortages of semiconductors and parts forced the automobile industry to scale down production activity due to production constraints, and the major reduction in output inevitably led to a sharp decline in automobile sales and a steep drop in durable goods consumption (-13.1% from the previous quarter). A steep drop in demand for in-person services also contributed to the decline as a fifth wave of COVID-19 infections in Japan prompted the declaration of another state of emergency during the summer vacation season, which is usually a peak earnings period for the sector. Although demand picked up again after the fifth wave subsided in September, it was not enough to make up for the summer dip, and spending on services came in only slightly above the previous quarter by +0.1%.

Real housing investment was -2.6% from the previous quarter. Although housing starts have bottomed out and real housing investment posted two consecutive quarters of increases through the previous quarter, the higher material costs and other construction costs led to the temporary correction in housing investment.

In the corporate sector, capital investment in real terms turned downward, by -3.8% from the previous quarter. Although the appetite for the corporate investment has not been lost against the backdrop of improved business performance, investment was restricted by supply-side factors, such as a decrease in capital goods shipments due to parts shortages. The contribution of inventory investment in real terms to the real GDP growth rate was a positive +0.3%, as efforts are under way to replenish inventories that have fallen during the pandemic.

In the government sector, government final consumption in real terms rose +1.1% compared to the previous quarter, for a second straight quarterly increase. The full-scale implementation of the government vaccination program pushed up the numbers. Public investment in real terms was -1.5%, for a third straight quarter of contraction. Although public investment remains high, the supply capacity of the construction industry was at its limit. As a result, the overall contribution from domestic demand was -0.9% compared to the previous quarter.

The contribution from external demand turned positive, at +0.1 % from the previous quarter. The positive contribution was the outcome of declines in both real exports and real imports being outpaced by real imports, which was a larger decline in sluggish domestic demand. Real exports were strongly impacted by the reduction in automobile exports, and ended up falling by -2.1% from the previous quarter for the first decline in five quarters. Real imports fell by -2.7% from the previous quarter, for the first contraction in four quarters, as the brisk demand for laptop computers and smartphones during the pandemic lost steam and declined.

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


Weak growth rate compared to other major economies

The nominal GDP growth rate, which gives a better sense of the situation on the ground, was -0.6% compared to the previous quarter (for an annualized rate of -2.5%), as the contraction extended to a third straight quarter. The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was -1.1% year on year and -0.8% compared to the previous quarter and continued to be negative on a year on year basis, as higher commodity prices contributed to a large rise in import prices.

In other major economies, the United States posted an annualized rate of +2.0% compared to the previous quarter growth and China recorded a +0.8% growth in the July-September quarter, as both economies continued their expansion trends although at much slower paces than in the previous April-June quarter. In particular, positive growth was maintained with a high growth rate of +9.1% in the Euro zone. Japan was the only major economy to fall back into contraction during the quarter, which can be attributed to the country's late start with its vaccination programs and the structural factor of a high reliance on the automotive industry.

(2) Outlook for the Economy in Fiscal 2021 and Fiscal 2022

— Economy ready to bounce back when pandemic subsides

Primed for positive growth for October-December quarter, but...

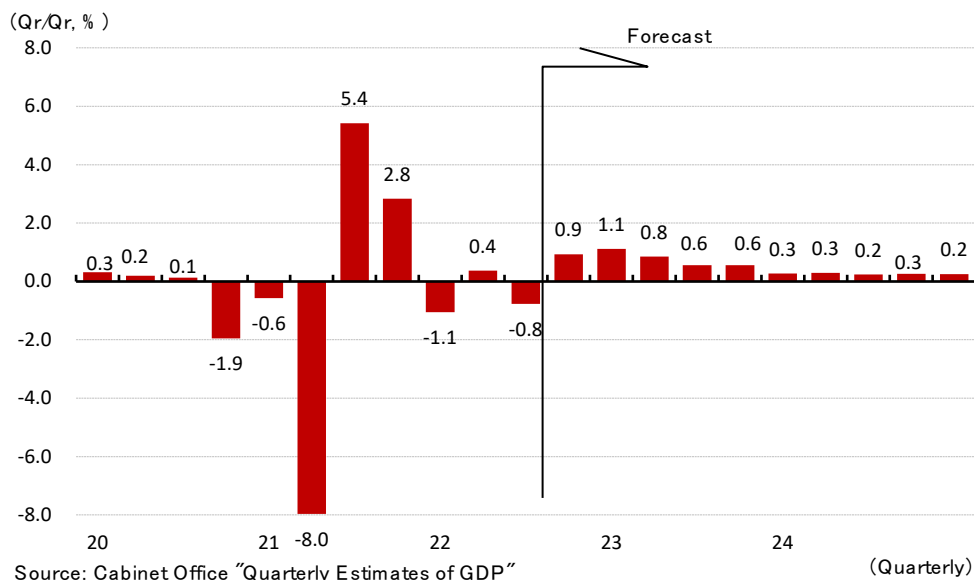
Japan's real GDP growth rate is certain to return to the positive in the October-December quarter. We expect spending on in-person services to pick up substantially with the pandemic subsiding, and the gradual recovery of automobile production. Improving corporate earnings should also support an increase in capital investment. In addition, the rekindling of economic activity coupled with improving employment conditions, including expectations for higher total winter bonus payments in

2021 from the previous year, should create a better environment for consumer spending.

However, the anticipated surge of “revenge consumption” could be tempered by persisting concern about a sixth wave of COVID-19 infections, which could limit the ability of the renewed spending activity to generate a rapid acceleration of the economy. In addition, against the backdrop of high resource prices, depreciation of the yen, and high transportation costs, prices are rising for fundamental consumer items, including for energy, such as gasoline and electricity, and foodstuffs, such as wheat, which could undermine consumer sentiment and also put a damper on any revenge consumption.

Based on this outlook, while we do expect the Japanese economy to expand in the October-December quarter, we forecast growth of +0.9% from the previous quarter (annualized rate of +3.8%), or only enough to recover from the decline in the previous quarter (Chart 2).

Chart 2. Real GDP growth rate (Quarterly)



Economic recovery to continue in the new year

The economy should continue recovering after the start of 2022 if the pandemic can be controlled and the government can avoid declaring another state of emergency, which would lead to a gradual easing of the restrictions that are hindering economic activity. The government is also considering large-scale economic measures that include restarting the Go To Travel and Go To Eat campaigns and stimulus payments. Although the timing has not been decided, these added effects will boost the growth rate. At the same time, continuing improvement in corporate performance and improving employment and income conditions could also be factors encouraging increases in capital investment and personal consumption.

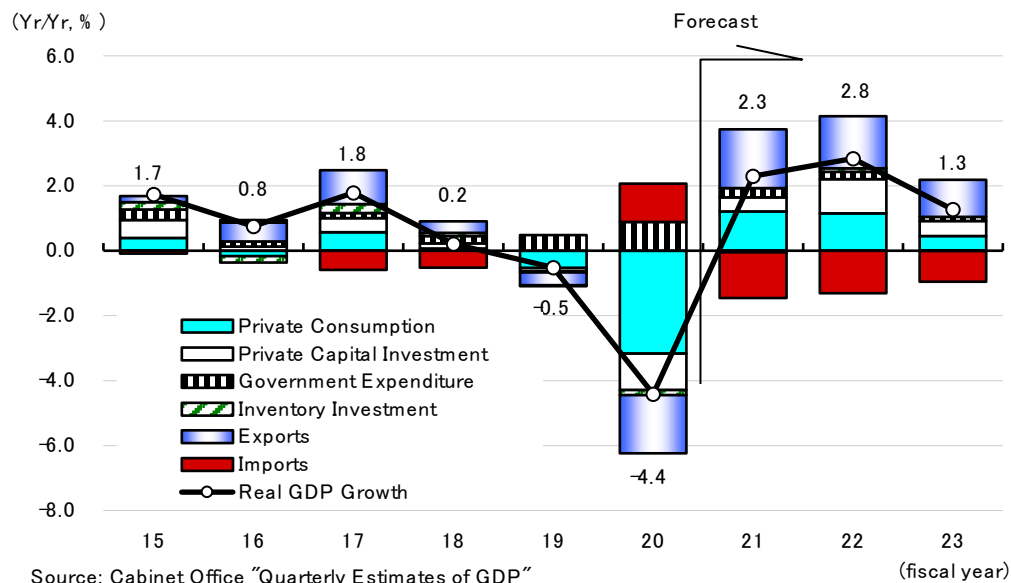
However, no matter how large the scale of the economic measures, if the virus begins to spread again, their impact will be limited. The government will need to prepare that scenario by stepping up its

pandemic prevention measures while the number of infections is at a low point. The first steps should be mobilizing a comprehensive infection prevention program, including promoting third vaccination shots, bolstering the medical infrastructure to prevent overload and collapse, and securing vaccine supplies. The government will also have to create a structure that would limit the impact on economic activity even if the pandemic persisted, such as by instituting vaccine passports.

Economic recovery to remain slow during fiscal 2021

We expect the economy to continue recovering in the second half of fiscal 2021 as the vaccination program continues, restrictions on economic activity gradually ease toward the end of the fiscal year, corporate investment continues to grow, and the global economy continues to recover. However, if the infection cannot be totally contained yet, we forecast the government to carefully balance preventing the spread of infections and revitalizing the economy, and the economy will have a hard time generating the momentum needed for a quick recovery. For this reason, we forecast the real GDP growth rate in fiscal 2021 to be +2.3% year on year (growth rate excluding the base-level effect: +0.5%), or a small margin of growth following the contraction in the previous fiscal year (Chart 3). This slow pace of recovery pushes the forecast for real GDP returning to the October-December 2019 pre-pandemic level to the April-June 2022 quarter.

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



The biggest downside risk to the economy is a pandemic resurgence

The biggest downside risk to the economy is a spread of the sixth wave of infections leading to the issuance of a fifth state of emergency. The rising vaccination rate is lowering the risk of strong restraints being put on economic activity. Nevertheless, there are concerns that an increase in infections could weigh on consumer and corporate sentiment and weaken any momentum in spending and investment. Risk also remains that a pandemic resurgence overseas could trigger production restrictions, delay containership transport, and cause other developments that could lead to persisting or worsening stagnation globally in supply chains, which could further defer the timing of a recovery on automobile production. The persistence and rises of

resource prices could be a concern because it could diminish corporate earnings and weaken consumer sentiment.

Another risk factor is a weakening of the global economic recovery. The subsiding pandemic, quickly rebounding demand, and growing concerns of inflation are leading governments globally to begin considering rescinding emergency monetary easing policies implemented to spur economic activity. This is thought to be causing depreciation in currencies and stock markets of emerging countries, which is raising the risk of turbulence in the international financial markets. Yet another concern is that a pandemic resurgence or growing inflationary pressure could inhibit the global economy's ability to recover.

The lessons learned during the pandemic will start bearing fruit in fiscal 2022 and beyond

We expect the pandemic is largely brought to an end in fiscal 2022 and lifestyles gradually return to how they were before the pandemic, leading to the economy to move into a post-pandemic period. We would then expect the moderate recovery trend to continue beyond fiscal 2022 and generate real GDP growth rates of +2.8% year on year in fiscal 2022 and +1.3% in fiscal 2023, with both rates outpacing the potential growth rate.

The economic recovery will tighten the labor supply and demand balance, but the quick adoption during the pandemic of various types of work conditions, such as remote work, combined with the increase in communications infrastructure, proliferation of new technologies like AI, and advances with workstyle reforms, will lead to a larger labor force, more leisure time, and more people engaging in side jobs and secondary businesses. We expect this rise in labor productivity to raise the potential growth rate.

Economic Outlook for fiscal 2020-2023
【GDP demand】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Nominal GDP	-3.9	1.3	3.0	1.7	
Real GDP	-4.4	2.3	2.8	1.3	
Contribution of domestic demand	-3.8	1.9	2.5	1.1	
Private consumption	-5.8	2.3	2.2	0.8	
Housing investment	-7.2	-0.4	0.4	0.9	
Private capital investment	-6.9	2.7	6.3	2.7	
Contribution of inventory investment	-0.2	-0.0	0.1	-0.0	
Government expenditure	3.5	1.0	0.8	0.5	
Government final consumption expenditure	3.4	2.4	1.0	0.6	
Public investment	4.2	-3.9	0.2	0.1	
Contribution of external demand	-0.6	0.4	0.3	0.2	
Export of goods and services	-10.4	11.4	8.6	5.6	
Import of goods and services	-6.8	8.5	6.6	4.3	
GDP deflator	0.6	-1.0	0.2	0.5	

【Overseas economy and market data】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Real GDP (US) (CY)	-3.4	5.5	3.3	2.3	
Real GDP (Euro zone) (CY)	-6.5	5.1	4.0	1.9	
Real GDP (Asia)					
Real GDP (China)	2.3	7.7	4.6	5.4	
Yen/U.S.Dollar	106.0	111.2	110.8	109.5	
Uncollateralized call rates (O/N) (%)*	-0.031	-0.023	-0.020	0.033	
TIBOR (3months)	-0.051	-0.070	-0.033	0.056	
Newly issued government bond yields (10years) (%)	0.03	0.07	0.14	0.20	
WTI future price (near month contract, US dollar/barrel)	42.3	75.5	83.2	84.6	
North Sea Brent Crude (US dollar/barrel)	45.8	78.0	85.2	86.6	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Value of exports (Yen base)	-8.4	22.6	10.5	4.2	
Ammount (Yr/Yr,%)	-9.5	10.7	8.3	3.8	
Value of imports (Yen base)	-11.6	34.1	12.6	3.1	
Ammount (Yr/Yr,%)	-3.5	6.1	4.2	1.4	
Balance (trillion yen)	1.3	-6.2	-8.8	-8.0	
Current account balance (trillion yen)	16.3	11.8	13.2	16.8	
balance on goods (trillion yen)	3.9	-3.2	-5.3	-4.4	
balance on service (trillion yen)	-3.7	-4.1	-2.5	-1.3	
balance on income (trillion yen)	18.8	21.2	22.9	24.3	

【Corporations】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Industrial production	-9.5	7.3	5.7	1.5	
Inventory index	-9.8	0.9	0.6	1.3	
Sales	-9.2	5.2	5.0	2.0	
Ordinary Profits	-15.6	31.6	5.7	6.5	

【Income and employment】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Income per capita	-1.4	0.7	0.5	0.6	
Scheduled	0.2	0.4	0.3	0.4	
Non-scheduled	-13.3	5.9	2.8	0.5	
Real wage indices	-1.1	0.4	-0.2	0.1	
Number of employees	-1.0	0.4	0.8	0.5	
Nominal compensation of employees*	-2.0	1.4	1.6	1.2	
Unemployment rate (%)	2.9	2.8	2.5	2.4	

*GDP base

【Goods prices】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
Domestic corporate goods prices	-1.3	6.4	2.2	0.6	
excluding tax effects	-2.1	6.4	2.2	0.5	
Consumer prices	-0.3	-0.1	0.6	0.4	
excluding tax effects	-0.8	-0.1	0.6	0.4	
excluding freshfood	-0.5	-0.1	0.6	0.4	
excluding tax effects	-1.0	-0.1	0.6	0.4	
excluding food (excluding alcoholic beverages) and energy	0.0	-0.7	0.1	0.3	

【New housing starts】

	FY 2020 (actual)	forecast			Yr/Yr, %
		FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)	
New housing starts	81.2	87.8	89.2	90.3	annualized, ten thousand units
	-8.1	8.1	1.6	1.1	
Owned	26.3	28.8	28.5	28.4	
	-7.1	9.5	-1.2	-0.1	
Rented	30.3	33.6	34.4	35.0	
	-9.4	11.0	2.4	1.6	
Built for Sale	23.9	24.8	25.8	26.3	
	-7.9	3.7	4.1	1.9	

Economic Outlook for calendar 2020-2023
【GDP demand】

	CY 2020 (actual)	forecast			Yr/Yr, %
		CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	
Nominal GDP	-3.8	0.7	2.4	2.2	
Real GDP	-4.6	1.6	2.6	1.6	
Contribution of domestic demand	0.5	-3.8	0.8	2.7	
Private consumption	-5.8	1.1	2.4	1.0	
Housing investment	-7.1	-1.5	0.2	0.9	
Private capital investment	-6.0	-0.2	6.5	3.3	
Contribution of inventory investment	-0.1	-0.1	0.1	-0.0	
Government expenditure	3.0	1.7	0.9	0.6	
Government final consumption expenditure	2.8	2.7	1.5	0.6	
Public investment	3.6	-1.8	-1.3	0.5	
Contribution of external demand	-0.7	0.7	-0.1	0.4	
Export of goods and services	-11.7	10.8	7.0	6.9	
Import of goods and services	-7.3	6.3	7.0	4.7	
GDP deflator	0.8	-0.8	-0.2	0.6	

【Overseas economy and market data】

	CY 2020 (actual)	forecast			Yr/Yr, %
		CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	
Real GDP (US) (CY)	-3.4	5.5	3.3	2.3	
Real GDP (Euro zone) (CY)	-6.5	5.1	4.0	1.9	
Real GDP (Asia)					
Real GDP (China)	2.3	7.7	4.6	5.4	
Yen/U.S.Dollar	106.8	109.7	111.1	109.9	
Uncollateralized call rates (O/N) (%)*	-0.035	-0.022	-0.020	0.015	
TIBOR (3months)	-0.033	-0.066	-0.051	0.038	
Newly issued government bond yields (10years) (%)	0.00	0.06	0.12	0.19	
WTI future price (near month contract, US dollar/barrel)	39.4	69.2	83.0	84.2	
North Sea Brent Crude (US dollar/barrel)	43.2	72.0	85.0	86.2	

* actual=average, forecast=end of period

【External demand (export and import)】

		forecast			Yr/Yr, %
	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	
Value of exports (Yen base)	-11.1	21.1	11.3	5.5	
Ammount (Yr/Yr,%)	-11.8	11.8	6.4	5.1	
Value of imports (Yen base)	-13.7	25.7	19.4	3.3	
Ammount (Yr/Yr,%)	-6.4	6.3	4.8	1.7	
Balance (trillion yen)	0.6	-2.4	-9.6	-7.8	
Current account balance (trillion yen)	15.9	14.5	11.6	16.3	
balance on goods (trillion yen)	3.0	0.6	-6.1	-4.2	
balance on service (trillion yen)	-3.7	-4.2	-2.9	-1.6	
balance on income (trillion yen)	19.2	20.4	22.5	24.0	

【Corporations】

		forecast			Yr/Yr, %
	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	
Industrial production	-10.4	5.8	6.3	1.7	
Inventory index	-8.4	6.7	3.3	2.6	
Sales*	-10.3	3.1	5.5	2.3	
Ordinary Profits	-27.3	39.7	5.0	6.4	

【Income and employment】

		forecast			Yr/Yr, %
	CY 2020 (actual)	CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	
Income per capita	-1.2	0.5	0.5	0.5	
Scheduled	0.2	0.4	0.3	0.4	
Non-scheduled	-12.1	3.3	3.0	0.8	
Real wage indices	-1.1	0.3	-0.0	0.0	
Number of employees	-0.5	0.2	0.7	0.5	
Nominal compensation of employees*	-1.5	1.2	1.4	1.3	
Unemployment rate (%)	2.8	2.8	2.6	2.4	

*GDP base

【Goods prices】

	CY 2020 (actual)	forecast			Yr/Yr, %
		CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2023 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	-1.2	4.6	3.7	0.6	
excluding tax effects	-2.4	4.7	3.7	0.6	
Consumer prices	-0.0	-0.2	0.5	0.5	
excluding tax effects	-0.8	-0.2	0.5	0.5	
excluding freshfood	-0.2	-0.2	0.5	0.4	
excluding tax effects	-0.9	-0.2	0.5	0.4	
excluding food (excluding alcoholic beverages) and energy	0.2	-0.5	-0.2	0.3	

【New housing starts】

	CY 2020 (actual)	forecast			annualized, ten thousand units	Yr/Yr, %
		CY 2021 (forecast)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2023 (forecast)	
New housing starts	81.9	86.5	89.0	90.2		
	-10.1	5.6	2.8	1.3		
Owned	26.3	28.7	28.5	28.5		
	-9.7	9.2	-0.6	0.0		
Rented	30.9	32.8	34.2	34.9		
	-10.6	6.3	4.3	1.8		
Built for Sale	24.1	24.5	25.7	26.3		
	-10.4	1.8	5.0	2.2		

Economic Outlook (Quarterly)

		FY 2020				FY 2021				FY 2022				FY 2023			
		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,%)	-7.6	5.5	2.3	-1.1	-0.2	-0.6	0.1	1.3	1.1	1.0	0.2	0.8	0.3	0.5	0.1	0.4
	Annualized rate	-27.2	23.9	9.7	-4.4	-1.0	-2.5	0.4	5.3	4.4	4.1	0.8	3.1	1.2	2.1	0.6	1.6
	(Yr/Yr,%)	-8.9	-4.5	-0.8	-1.5	6.4	0.3	-1.8	0.6	1.8	3.6	3.6	3.1	2.2	1.9	1.6	1.3
Real GDP	(Qr/Qr,%)	-8.0	5.4	2.8	-1.1	0.4	-0.8	0.9	1.1	0.8	0.6	0.6	0.3	0.3	0.2	0.3	0.2
	Annualized rate	-28.2	23.5	11.8	-4.1	1.5	-3.0	3.8	4.5	3.4	2.2	2.2	1.1	1.2	1.0	1.1	1.0
	(Yr/Yr,%)	-10.1	-5.5	-0.9	-1.3	7.6	1.4	-0.7	1.5	2.3	3.4	3.2	2.4	1.7	1.3	1.2	0.9
Contribution of domestic demand (Qr/Qr,%)		-5.1	2.8	1.8	-0.8	0.7	-0.9	1.3	1.1	0.7	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Private consumption		-8.3	5.3	2.2	-1.3	0.9	-1.1	1.0	1.3	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		-11.2	-7.2	-2.2	-2.6	7.2	0.8	-0.6	2.1	1.7	3.3	2.4	1.3	0.9	0.8	0.8	0.8
Private capital investment		0.6	-5.7	-0.0	1.1	2.0	-2.6	0.2	0.6	0.3	0.1	0.3	0.2	0.3	0.2	0.1	0.2
Contribution of inventory investment (Qr/Qr,%)		-5.0	-10.5	-8.7	-4.2	-2.8	0.3	0.6	0.1	-1.6	1.1	1.2	0.8	0.9	1.0	0.8	0.8
Government expenditure		-6.0	-2.2	4.3	-1.0	2.2	-3.8	4.0	2.6	2.0	1.0	0.8	0.7	0.7	0.6	0.5	0.5
Government final consumption expenditure		-8.4	-10.9	-3.2	-5.0	3.2	1.4	1.1	5.0	4.7	9.9	6.5	4.6	3.2	2.8	2.5	2.3
Public investment		0.1	-0.2	-0.5	0.4	-0.3	0.3	0.1	-0.1	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0
Government expenditure		1.1	2.5	1.6	-1.6	0.4	0.6	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1
Government final consumption expenditure		1.9	3.5	5.0	3.5	3.0	1.0	-0.7	1.1	1.1	0.6	0.9	0.7	0.6	0.6	0.4	0.4
Public investment		0.7	2.8	1.9	-1.7	1.1	1.1	0.1	0.3	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Public investment		1.3	3.4	5.1	3.6	4.1	2.5	0.6	2.6	1.7	0.7	0.9	0.6	0.6	0.6	0.6	0.6
Public investment		2.9	1.3	0.7	-1.4	-2.1	-1.5	-0.3	-0.2	0.2	0.5	0.3	0.1	-0.1	0.0	-0.1	0.0
Public investment		4.6	3.8	5.0	3.6	-1.6	-4.5	-5.1	-4.0	-1.9	0.0	0.8	1.1	0.7	0.2	-0.1	-0.1
Contribution of external demand (Qr/Qr,%)		-2.9	2.7	1.0	-0.2	-0.3	0.1	-0.4	-0.0	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Export of goods and services		-17.6	7.4	11.7	2.4	3.2	-2.1	0.1	2.7	2.8	2.7	2.6	1.4	1.1	1.0	1.0	1.0
Export of goods and services		-21.7	-15.2	-5.6	1.0	26.7	15.7	3.5	3.2	4.6	7.6	12.4	9.8	7.3	5.7	5.2	4.3
Import of goods and services		-0.6	-8.2	4.8	4.0	5.3	-2.7	2.5	2.7	1.8	1.7	1.4	1.3	0.9	0.9	0.8	0.8
Import of goods and services		-4.9	-14.1	-7.3	-0.8	5.4	11.7	9.5	7.7	4.3	8.3	7.7	6.0	4.7	4.2	3.9	4.4
GDP deflator (Yr/Yr,%)		1.4	1.1	0.1	-0.2	-1.1	-1.1	-1.1	-0.9	-0.5	0.1	0.3	0.8	0.5	0.5	0.4	0.4

【Overseas economy and market data】

		FY 2020				FY 2021				FY 2022				FY 2023			
		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,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	-39.2	60.7	-1.5	-1.2	8.7	9.3	3.6	2.9	2.9	2.1	2.1	1.6	1.6	1.6	1.6	1.3
Real GDP (Asia)	(Yr/Yr,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Real GDP (China)	(Yr/Yr,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Yen/U.S.Dollar		107.6	106.1	104.5	105.9	109.4	110.1	113.2	112.0	111.0	111.0	110.5	110.5	110.0	110.0	109.0	109.0
Uncollateralized call rates (O/N) (%)*		-0.043	-0.039	-0.026	-0.016	-0.020	-0.031	-0.022	-0.020	-0.020	-0.020	-0.020	-0.020	-0.020	0.050	0.050	0.050
TIBOR (3months)		-0.030	-0.065	-0.055	-0.055	-0.065	-0.072	-0.072	-0.072	-0.072	-0.030	-0.030	0.000	0.000	0.075	0.075	0.075
Newly issued government bond yields (10years) (%)		0.00	0.02	0.02	0.07	0.07	0.03	0.08	0.10	0.10	0.12	0.15	0.17	0.18	0.20	0.20	0.23
WTI future price (near month contract, US dollar/barrel)		27.8	40.9	42.7	57.8	66.1	70.6	82.4	83.0	82.4	83.0	83.6	83.8	83.8	84.2	84.8	85.4
North Sea Brent Crude (US dollar/barrel)		33.3	43.4	45.2	61.1	69.0	73.2	84.6	85.0	84.4	85.0	85.6	85.8	85.8	86.2	86.8	87.4

* actual=average, forecast=end of period

【External demand (export and import)】

		FY 2020				FY 2021				FY 2022				FY 2023			
		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)		-25.3	-13.0	-0.7	6.0	45.0	24.9	14.4	12.1	9.4	12.2	11.6	9.0	5.8	4.4	3.5	3.3
Amount (Yr/Yr,%)		-25.1	-14.9	-1.8	4.5	34.4	13.6	0.2	0.7	3.1	9.7	11.9	8.6	5.2	3.8	3.2	3.0
Amount (Qr/Qr,%)		-20.4	13.7	12.0	3.4	1.7	-4.1	-0.7	4.0	4.1	2.1	1.3	0.9	0.9	0.7	0.7	0.7
Value of imports (Yen base)		-15.8	-19.9	-11.8	1.9	23.8	37.1	42.2	32.9	21.3	18.1	8.8	4.6	3.2	2.7	2.6	3.6
Amount (Yr/Yr,%)		-4.6	-11.1	-3.2	5.8	5.3	7.9	6.4	4.9	3.4	6.5	4.3	2.6	1.5	1.3	1.4	1.4
Amount (Qr/Qr,%)		3.6	-5.0	3.8	3.5	2.8	-2.3	2.4	2.0	1.4	0.6	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)		-2.1	0.9	2.0	0.5	0.4	-0.8	-2.6	-3.3	-1.9	-2.2	-2.2	-2.5	-1.4	-1.9	-2.0	-2.6
Current account balance (trillion yen)*		1.7	3.6	5.9	4.6	4.7	2.9	2.4	2.2	2.8	3.2	3.6	3.8	4.1	4.2	4.4	4.4
Balance on goods (trillion yen)*		-1.5	1.2	2.4	1.4	1.0	-0.2	-1.7	-2.0	-1.6	-1.4	-1.2	-1.1	-1.0	-1.1	-1.1	-1.1
Balance on service (trillion yen)*		-1.0	-1.0	-0.8	-0.9	-1.2	-1.1	-1.0	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	-0.4	-0.3	-0.2
Balance on income (trillion yen)*		4.7	4.4	5.0	4.7	5.5	4.8	5.5	5.6	5.6	5.7	5.9	5.9	6.0	6.1	6.2	6.3

*seasonally adjusted

【Corporations】

		forecast																Yr/Yr, %
		FY 2020				FY 2021				FY 2022				FY 2023				
		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, %)	-16.8	9.0	5.7	2.9	1.1	-3.7	1.0	6.1	1.2	0.2	0.4	0.4	0.4	0.4	0.4	0.4	1.6
	(Yr/Yr, %)	-20.3	-13.0	-3.5	-1.0	19.9	5.8	0.9	4.6	4.4	8.6	7.8	2.3	1.4	1.5	1.5	1.6	
Inventory index	(Qr/Qr, %)	-4.1	-3.2	-1.6	-1.3	0.9	2.5	-2.0	0.3	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.4	1.3
	(Yr/Yr, %)	-3.3	-5.7	-8.4	-9.8	-5.0	0.5	6.7	0.9	0.3	-2.0	3.3	0.6	0.6	0.7	2.6	1.3	
Sales		-17.7	-11.5	-4.5	-3.0	10.4	4.7	1.7	4.6	5.8	6.7	5.0	2.9	2.4	2.1	1.9	1.8	6.6
Ordinary profits		-46.6	-28.4	-0.7	26.0	93.9	45.9	10.7	3.5	3.1	6.9	6.9	6.5	6.1	6.7	6.5	6.6	

*Forecast starts from 2021 7-9.

【Income and employment】

		forecast																Yr/Yr, %
		FY 2020				FY 2021				FY 2022				FY 2023				
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	
Income per capita		-1.7	-1.3	-2.1	-0.4	0.9	0.5	0.6	0.5	0.6	0.5	0.5	0.4	0.5	0.6	0.6	0.5	0.5
	Scheduled	0.1	0.0	0.1	0.5	0.6	0.1	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	
	Non-scheduled	-21.2	-14.3	-10.5	-6.9	13.8	7.3	1.3	2.3	4.3	3.3	2.3	1.3	0.8	0.6	0.4	0.3	
Real wage indices		-1.8	-1.5	-1.0	0.1	1.0	-0.0	0.1	0.5	-0.3	-0.1	-0.1	-0.2	0.0	0.1	0.1	0.1	0.3
Number of employees		-1.1	-1.3	-0.7	-0.7	0.6	0.5	0.4	0.3	1.0	0.9	0.7	0.7	0.6	0.5	0.4	0.3	
Nominal compensation of employees*		-2.3	-2.3	-2.6	-0.4	2.0	1.8	1.3	0.6	1.8	1.7	1.4	1.4	1.3	1.3	1.2	1.1	2.3
Unemployment rate (%)		2.7	3.0	3.0	2.8	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	

※GDP base

【Goods prices】

		forecast																Yr/Yr, %
		FY 2020				FY 2021				FY 2022				FY 2023				
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	
Domestic corporate goods prices		-2.3	-0.8	-2.1	-0.3	4.7	6.0	8.0	6.8	4.6	2.5	0.8	0.7	0.6	0.6	0.6	0.5	0.6
	excluding tax effects	-3.8	-2.4	-2.1	-0.3	4.8	6.0	8.0	6.8	4.6	2.6	0.9	0.7	0.5	0.5	0.5	0.6	
Consumer prices		0.1	0.0	-0.9	-0.5	-0.7	-0.2	0.5	0.1	0.7	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
	excluding tax effects	-0.9	-1.0	-0.9	-0.5	-0.7	-0.2	0.5	0.1	0.7	0.5	0.5	0.5	0.5	0.4	0.4	0.4	
	excluding freshfood	-0.1	-0.3	-0.9	-0.5	-0.6	0.0	0.4	0.1	0.7	0.5	0.5	0.5	0.4	0.4	0.4	0.4	
	excluding tax effects	-1.1	-1.3	-0.9	-0.5	-0.6	0.0	0.4	0.1	0.7	0.5	0.5	0.5	0.4	0.4	0.4	0.4	
	excluding food (excluding alcoholic beverages) and energy	0.4	0.0	-0.3	0.0	-0.8	-0.5	-0.6	-0.9	0.0	0.0	0.2	0.3	0.3	0.3	0.3	0.2	

【New housing starts】

		forecast																annualized, ten thousand units Yr/Yr, %
		FY 2020				FY 2021				FY 2022				FY 2023				
		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		80.9	81.3	80.5	83.0	87.5	87.6	88.2	88.5	88.7	89.2	89.6	89.9	90.1	90.3	90.4	90.5	0.7
		-12.4	-10.1	-7.0	-1.6	8.1	7.2	10.0	7.1	1.4	1.6	1.8	1.8	1.6	1.2	1.1	0.7	
	Owned	25.0	25.8	26.9	28.0	27.9	29.8	29.0	28.6	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.4	35.1
		-18.2	-9.9	-0.9	3.4	11.7	14.7	8.3	3.0	1.8	-4.8	-1.6	0.1	0.3	0.0	-0.1	-0.4	
	Rented	30.9	30.9	29.3	30.6	33.9	33.2	33.7	33.9	34.1	34.4	34.5	34.7	34.8	34.9	35.0	35.1	1.2
		-11.9	-9.7	-10.4	-5.1	10.0	7.2	15.5	11.6	0.7	3.5	2.8	2.5	2.1	1.6	1.4	1.2	
	Built for Sale	24.4	24.0	23.3	24.0	25.0	24.1	24.9	25.4	25.6	25.8	26.0	26.1	26.2	26.3	26.4	26.5	1.5
		-6.0	-11.7	-11.4	-1.9	2.1	-0.3	7.3	6.1	2.3	7.1	4.5	2.7	2.3	1.9	1.8	1.5	

- This document and any content and information contained herein are provided for information purposes only and do not constitute an offer to sell or the solicitation of an offer to buy any securities or financial instruments.
- This document and the content and information contained herein are based on information that we believe is reasonably reliable. However, this document and any and all content and information contained herein are provided “as is” and “as available”. Mitsubishi UFJ Research and Consulting Co., Ltd. (MURC) makes no warranties of any kind regarding the document or any and all content and information contained herein. Under no circumstances shall MURC, its directors, officers, employees, or representatives be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages arising from this document and the content and information contained herein.
- This document and any and all content and information herein are protected by copyrights, trademarks, service marks, international treaties, and/or proprietary rights under any applicable laws. Unless otherwise permitted by law, you may not copy, reproduce, publish, upload, or transmit any or all of this document or any content or information contained herein without the written consent of MURC.