10 March 2022

Report

The Japanese Economy in Fiscal 2022 and Fiscal 2023

―A temporary standstill possible, but expected to return to a gradual recovery track

(The original text was written on February 17, 2022.)

(1) Current State of the Economy
―The economy recovered rapidly in 2021 after the fifth wave of infections

Economy still susceptible to pandemic developments during 2021

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 and 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 a continued rise in exports that was 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 on average continued moving on a gradual recovery track.

However, in the July–September quarter, consumer spending fell into its deepest decline yet and the real GDP growth rate also turned to contraction. The first factor that led to the downturn was the steep drop in demand for in-person services when a fifth wave of COVID-19 infections prompted the government to declare another state of emergency during the summer vacation season, which is usually a peak earnings period. Demand picked up again after the fifth wave subsided in September, but it was not enough to compensate for the summer dip. The second factor in the downturn was the drop in demand for durable goods, which was largely due to the shortages of semiconductors and parts that forced automobile manufacturers to restrain production and significantly reduce production output.

In addition, in the corporate sector, capital investment also declined due to supply-side factors, as the parts shortages squeezed shipments of capital goods and limited investment. Meanwhile, exports also declined, largely as a result of the production restraints by the automobile manufacturers.

After the fifth wave of infections subsided, GDP expanded sharply in the October–December quarter

Real GDP growth rate in the October-December quarter of 2021 was +1.3% (annualized rate of +5.4%) from the previous quarter, the first positive growth in two quarters (Chart 1). The uptick in the growth rate was mainly due to a rebound from the contraction in the previous quarter along with the return of brisk demand after the fifth wave of COVID-19 infections subsided led by consumer spending and the fact that the supply restraints of automobiles has been resolved.

Looking at the movements in each real GDP demand category, real personal consumption rose a substantial +2.7% from the previous quarter. This was due to an increase in spending in in-person services such as the accommodation/food and beverage service industry, passenger transportation industry, tourism industry, leisure and entertainment service industry (spending on services was +3.5% from the previous quarter) following the end of the fifth wave of infections and the lifting of the state of emergency. The increase in automobile purchases contributed as well, as restraints on automobile production due to shortages of semiconductors and other parts began to dissipate (spending on durable goods was +9.7%). Real housing investment continued with a negative growth at -0.9% from the previous quarter as new housing starts remained weak.

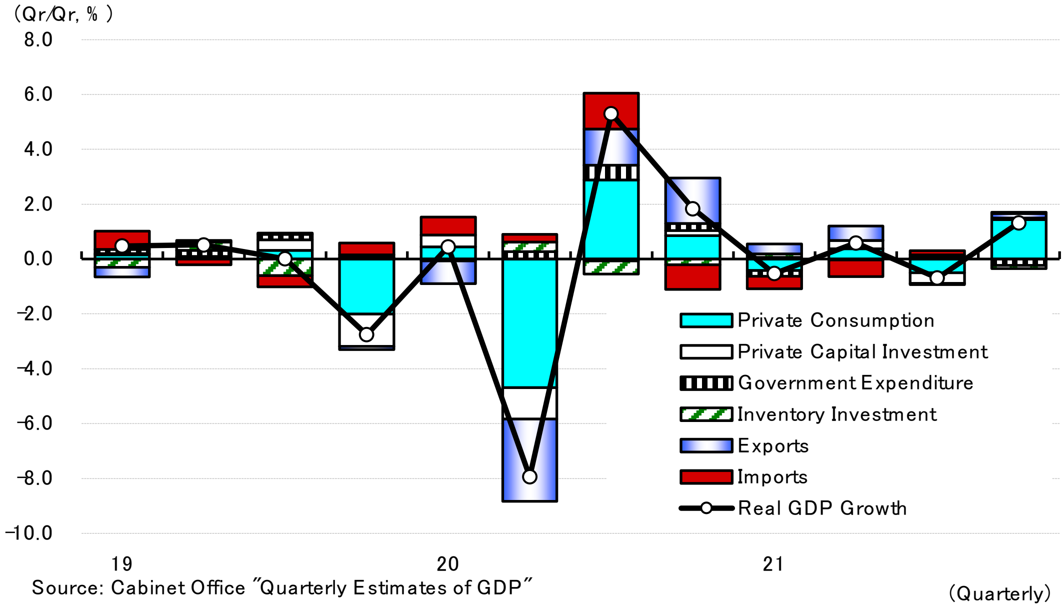
In the corporate sector, capital investment in real terms turned slightly upward by +0.4% from the previous quarter. Despite the slow pace of growth, improving earnings results appear to be supporting a solid appetite for corporate investment. The contribution of inventory investment in real terms to the real GDP growth rate was a negative -0.1%, as inventories diminished with the revitalized economic activity after the end of the fifth wave of infections.

In the government sector, government final consumption in real terms declined -0.3% compared to the previous quarter, for the first decline in three quarters, as the boost from the progress with the vaccination program faded. Public investment in real terms was -3.3%, for a fourth straight quarter of contraction. Although public investment remains high, the construction industry was at the limit of its supply capacity. As a result, the overall contribution from domestic demand was +1.1% compared to the previous quarter.

The contribution from external demand was a positive +0.2% from the previous quarter, for a second straight quarterly positive contribution. Real exports increased, but imports decreased. Real exports rose by +1.0%, for the first growth in two quarters, boosted by a rise in automobile exports as production restraints are being resolved. Real imports fell by -0.3% from the previous quarter, for a second consecutive quarterly contraction, as vaccine imports decreased and the brisk demand for laptop computers and smartphones during the pandemic lost momentum.

The nominal GDP growth rate, which gives a better sense of the situation on the ground, rose by +0.5% from the previous quarter (annualized rate of +2.0%), the first increase in two quarters. The GDP deflator, a measure of comprehensive price trends in the economy as a whole, remained negative as it was down by -1.3% year on year (-0.8% compared to the previous quarter). The decrease reflected the steep rise in import prices due to higher commodity prices (because imports are a deductible item for the GDP growth rate, higher import prices have a negative impact on the GDP deflator).

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



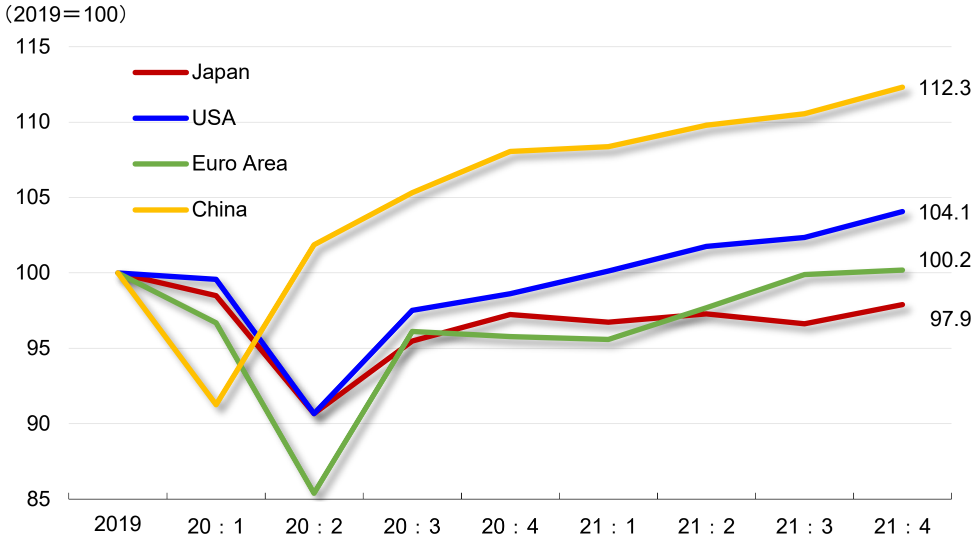
Source: Cabinet Office "Quarterly Estimates of GDP"

Slow pace of recovery from pandemic compared to other major economies

Japan's economy expanded by +1.7% year on year in 2021, marking the first growth in three years, but it is still far from making up for the steep pandemic-induced -4.5% contraction in 2020. As stated above, the repeated expansion and contraction since the start of 2021 is resulting in an extremely slow recovery for the Japanese economy.

Chart 2 shows the changes in real GDP of major countries and regions from the January-March 2020 quarter, calibrated to 100 using 2019 as the base year. The chart shows that GDP in China and the United States is already well above the 2019 level and the Eurozone GDP rose above the 2019 level in the October–December quarter of 2021. Japan is still below the recovery line and is the only country that has not regained the level of the October–December quarter of 2019, just before the pandemic outbreak. We attribute the weakness of Japan's recovery to its relatively slow roll-out of vaccination programs compared to other countries, as well as to the structural factor of the country's GDP being highly reliant on the automobiles industry that was heavily impacted by production restraints causing the substantial impact on the GDP.

Chart 2. Real GDP by Major Economies



Note: Real, Seasonally Adjusted
Sources: Cabinet Office, U.S. Bureau of Economic Analysis、Eurostat, National Bureau of Statistics of China

(2) Outlook for the Economy in Fiscal 2022 and Fiscal 2023
— A temporary standstill possible, but expected to return to a gradual recovery track

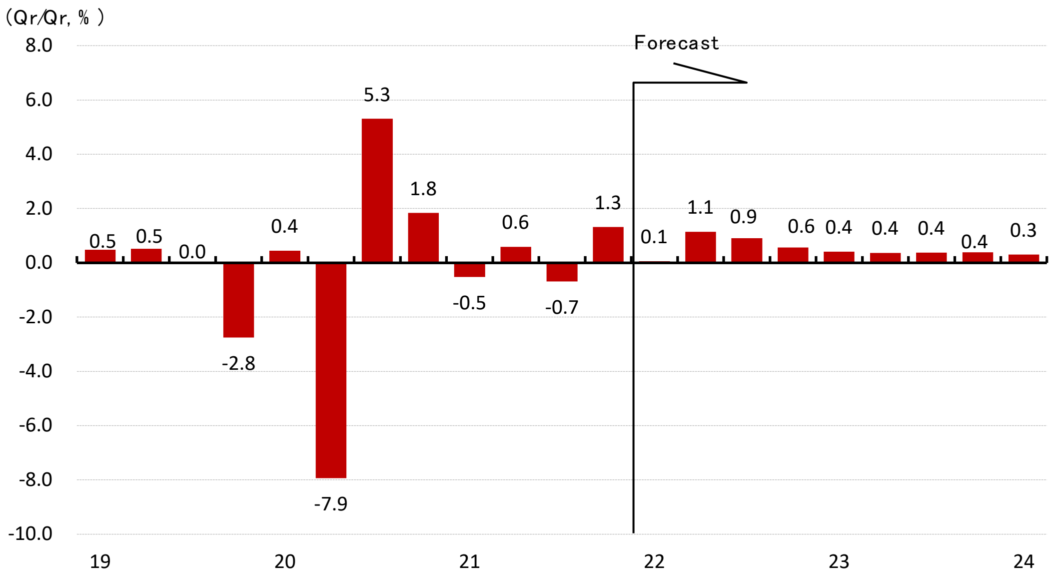
The economy could fall into a temporary standstill

Japan's economic momentum could briefly falter again after the start of the year as regions are experiencing spikes in infection rates from the Omicron variant of COVID-19, implementing priority measures to prevent the virus spread, which would lead to another downturn in personal consumption. This would raise concern that demand for in-person services, which had recovered in the October–December quarter, could deteriorate. Signs started appearing in mid-February that the pace of the infection spread could be slowing down, raising the possibility that priority measures adopted to stop the spread could be lifted nationwide around mid-March. But even if that scenario plays out, there is still little chance that personal consumption in the January–March quarter will be higher than the October–December quarter of 2021.

Because the risk of serious complications from the Omicron variant is relatively low, we would also expect any negative influence on economic activity from movement restrictions on people to be relatively lighter compared to the impact during the previous state of emergency conditions. Therefore, it is likely that the demand drop will not be as severe as the July–September quarter last year due to the fifth wave of infections. We also expect capital investment to continue increasing supported by the ongoing improvement in corporate earnings and anticipate government consumption to turn upward supported by the aggressive promotion of the third COVID-19 vaccination. Based on this outlook, we expect that real GDP growth rate in the January-March quarter of 2022 will barely be able to maintain positive growth, at +0.1% compared to the previous quarter (annualized rate of +0.2%).

As a result, we expect this expansion should support the real GDP growth rate for fiscal 2021 to move from the decline in the previous fiscal year to a slightly positive +2.5% year on year. The growth rate excluding the base-level effect would be +0.7% for fiscal 2021, which gives a sense of just how slow the pace of recovery is. At this rate, we place the timing of Japan's quarterly real GDP regaining its pre-pandemic level to come in the April–June quarter of 2022.

Chart 3. Real GDP growth rate (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

Potential economic contraction in the January–March quarter

At the same time, if the following downside risk factors gain strength, the temporary standstill in economic growth could take a turn for the worse. That scenario would very likely push the real GDP growth rate for the January–March quarter of 2022 into negative territory.

Developments with the COVID-19 pandemic continue to present the biggest potential downside risks to the economy. Despite promising signs in mid-February that the pace of the infection spread could be slowing down, the situation warrants continued close attention. Another rise of infections or an extension of the priority measures to prevent the virus spread could weigh on consumer and corporate sentiment and weaken any momentum in spending and investment. There is still a risk of prolonged and serious supply chain stagnation due to production restraints caused by a pandemic resurgence overseas and global logistics disruptions, such as delays in container ship transport. Concerns about the spread of infection will continue to be a factor of uncertainty not just in the January–March quarter but at least until the end of 2022, including the possibility of the emergence of a new virus strain.

The next risk point is the rising consumer prices leading to a deterioration in consumer sentiment. Although consumer prices have been rising relatively steadily in Japan compared to other countries, growing costs for fundamental consumer items like energy and food items are causing consumers to become increasingly frugal, which could put a damper on any rebound consumption after the sixth wave of infections subsides.

In addition, rising concerns about inflation are leading governments around the world to switch their policy stances from emergency monetary easing to monetary tightening, which is putting upward pressure on interest rates. Higher interest rates would instantly put the brakes on the global economy and lead to concern of the slowing of the global recovery momentum. Some scenarios even show that monetary tightening by the United States could lead to the depreciation of currencies and stock prices in emerging countries, which in turn could trigger turbulence in international financial markets. Debt balances have also been growing substantially in all countries during the pandemic, and higher interest rates would only add to the debt burden.
Geopolitical risks such as the situation in Ukraine is also a cause of concern that could trigger sharp rises in commodity prices and turmoil in the international financial markets, while the further worsening and prolongation of automobile production restraints are pointed out as uncertain factors for the economy.

How a serious economic contraction can be avoided

The first step to preventing a further downturn in the Japanese economy should be to mobilize a comprehensive infection prevention program, including promoting a third round of vaccinations, bolstering the medical infrastructure to prevent overload and collapse, and securing medicinal supplies.

At the same time, ways must be devised to balance activities to prevent the virus from spreading and stimulate socio-economic activity, such as by aggressively instituting vaccine passports, and to establish a system that allows greater movement of people across national borders. The focus of the pandemic countermeasures should be gradually shifted from controlling the flow of people to finding a balance between preventing the virus from spreading and stimulating economic activity.

Economic measures are also needed (to overcome the pandemic and for the development of the post-pandemic era) and must be steadily implemented while keeping a close watch on the pandemic status. However, so they do not lead to another spread of infections, measures designed to stimulate demand, like the Go To Travel campaign, should not overreach and great care should be taken to carefully consider the implementation timing and to roll out the measures incrementally.

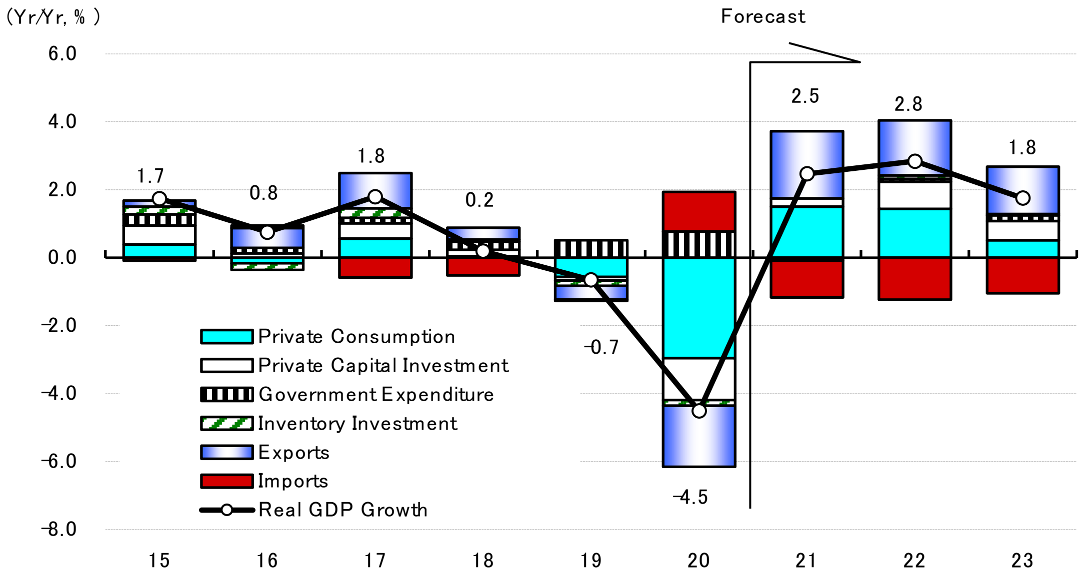
Economic recovery pace to remain slow in fiscal 2022

Economic conditions in Japan are expected to be on an upswing when fiscal 2022 gets under way. The winding down of the sixth wave of COVID-19 infections and progress with the third round of vaccinations should set the stage mainly for personal consumption to lead the economy back onto the recovery track. Depending on the status of the pandemic, the Go To Travel campaign and other government measures to stimulate demand could even be resumed. Fiscal 2022 may become the transition period to the post-pandemic era when people gradually return to their usual lifestyles they enjoyed before the start of COVID-19. During the transition, the great care that will be needed to balance measures to prevent the virus from spreading and stimulate socio-economic activity will act as a limiting factor on demand recovery.

Even if infections were to start climbing, these measures should be able to contain the spread, which should make it possible to avoid reinstating priority measures to prevent the virus spread. As people get used to living with the presence of COVID-19, the need will gradually diminish for strong measures to suppress demand as were used over the past two years.

The economy can therefore be expected to gather momentum through fiscal 2022 and drive real GDP at the end of the fiscal year above the level of the July–September quarter of 2019 and on to a new record high. The real GDP growth rate in fiscal 2022 is expected to reach +2.8% year on year (growth rate excluding the base-level effect: +2.3%; Chart 4)

Chart 4. Real GDP growth rate by demand (Fiscal year)



Source: Cabinet Office "Quarterly Estimates of GDP"

Lessons learned during the pandemic will also be useful

In fiscal 2023, the COVID-19 pandemic is expected to be essentially over and most of the restrictions on socio-economic activity will likely be a thing of the past. Pandemic-related restrictions on cross-border movement will also likely be eliminated by the end of fiscal 2023.

Based on that outlook, we expect ongoing gradual economic recovery in fiscal 2023 with a real GDP growth rate for fiscal 2023 of +1.8% year on year (growth rate excluding the base-level effect: +1.0%).

As the economy picks up, the labor supply and demand will gradually tighten. As a result of the significant effects of various efforts in the COVID-19 pandemic, including the promotion of telework and remote operations, combined with the development of infrastructure such as the communications environment, the spread of new technologies, like AI, and the promotion of work style reforms, it is expected that this will lead to an increase in the labor force, the creation of leisure time, and the expansion of second and concurrent jobs, which will improve labor productivity and raise the level of potential growth.

Economic Outlook for fiscal 2020-2023

【GDP demand】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Nominal GDP	-3.9	1.3	2.9	2.1
Real GDP	-4.5	2.5	2.8	1.8
Contribution of domestic demand	-3.9	1.6	2.4	1.4
Private consumption	-5.4	2.8	2.7	1.0
Housing investment	-7.8	-1.6	0.9	3.4
Private capital investment	-7.5	1.6	4.9	3.3
Contribution of inventory investment	-0.2	-0.1	0.1	0.0
Government expenditure	3.0	-0.1	0.3	0.7
Government final consumption expenditure	2.5	2.0	0.9	0.7
Public investment	5.2	-7.8	-2.0	0.5
Contribution of external demand	-0.6	0.9	0.4	0.3
Export of goods and services	-10.5	12.4	8.7	6.8
Import of goods and services	-6.7	6.6	6.3	4.8
GDP deflator	0.6	-1.1	0.0	0.3

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Real GDP (US) (CY)	-3.4	5.7	3.1	2.3
Real GDP (Euro zone) (CY)	-6.5	5.1	3.8	2.5
Real GDP (Asia)				
Real GDP (China)	2.2	8.1	5.0	5.5
Yen/U.S.Dollar	106.0	112.0	113.8	111.8
Uncollateralized call rates (O/N) (%)*	-0.031	-0.025	-0.020	0.033
TIBOR (3months)	-0.051	-0.063	-0.038	0.056
Newly issued government bond yields (10years) (%)	0.03	0.08	0.22	0.25
WTI future price (near month contract, US dollar/barrel)	42.3	76.0	91.0	92.2
North Sea Brent Crude (US dollar/barrel)	45.8	78.4	93.0	94.2

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Value of exports (Yen base)	-8.4	22.7	11.6	4.3
Ammount (Yr/Yr,%)	-9.4	10.6	8.1	4.1
Value of imports (Yen base)	-11.4	32.5	16.3	2.8
Ammount (Yr/Yr,%)	-3.5	3.7	4.6	1.6
Balance (trillion yen)	1.1	-5.3	-10.1	-9.0
Current account balance (trillion yen)	16.3	12.8	11.6	15.6
balance on goods (trillion yen)	3.9	-1.9	-6.0	-4.7
balance on service (trillion yen)	-3.7	-4.3	-3.3	-1.7
balance on income (trillion yen)	18.8	21.3	22.8	24.0

【Corporations】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Industrial production	-9.5	5.9	6.6	1.5
Inventory index	-9.8	6.9	2.2	1.5
Sales	-9.2	5.5	6.0	2.1
Ordinary Profits	-15.6	24.6	3.1	7.0

【Income and employment】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Income per capita	-1.4	0.5	0.6	0.6
Scheduled	0.2	0.2	0.3	0.4
Non-scheduled	-13.3	6.5	4.0	0.5
Real wage indices	-1.1	-0.2	-0.5	0.1
Number of employees	-1.0	0.1	0.5	0.5
Nominal compensation of employees*	-1.5	1.7	1.3	1.2
Unemployment rate (%)	2.9	2.8	2.5	2.4

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
Domestic corporate goods prices	-1.3	6.9	3.6	0.5
excluding tax effects	-2.1	7.0	3.5	0.5
Consumer prices	-0.3	0.0	1.0	0.4
excluding tax effects	-0.8	0.0	1.0	0.4
excluding freshfood	-0.5	0.0	0.9	0.3
excluding tax effects	-1.0	0.0	0.9	0.3
excluding food (excluding alcoholic beverages) and energy	0.0	-0.7	0.2	0.2

【New housing starts】

annualized, ten thousand units

forecast

Yr/Yr、%

	FY 2020 (actual)	FY 2021 (forecast)	FY 2022 (forecast)	FY 2023 (forecast)
New housing starts	81.2	85.9	87.3	89.5
	-8.1	5.8	1.6	2.5
Owned	26.3	28.5	27.9	28.2
	-7.1	8.2	-2.0	1.0
Rented	30.3	32.3	33.0	34.3
	-9.4	6.4	2.3	4.0
Built for Sale	23.9	24.6	25.8	26.4
	-7.9	3.0	4.9	2.1

Economic Outlook for calendar 2020-2023

【GDP demand】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Nominal GDP	-3.6	0.8	2.0	2.6
Real GDP	-4.5	1.7	2.3	2.2
Contribution of domestic demand	0.2	-3.7	0.7	2.2
Private consumption	-5.2	1.4	2.7	1.3
Housing investment	-7.9	-1.9	-1.1	4.2
Private capital investment	-6.5	-0.7	3.9	4.0
Contribution of inventory investment	-0.1	-0.1	0.6	0.0
Government expenditure	2.7	0.9	-0.1	0.7
Government final consumption expenditure	2.3	2.1	1.2	0.7
Public investment	3.9	-3.5	-5.4	0.8
Contribution of external demand	-0.8	1.0	0.2	0.4
Export of goods and services	-11.8	11.6	6.8	8.2
Import of goods and services	-7.2	5.2	5.7	5.6
GDP deflator	0.9	-0.9	-0.3	0.4

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Real GDP (US) (CY)	-3.4	5.7	3.1	2.3
Real GDP (Euro zone) (CY)	-6.5	5.1	3.8	2.5
Real GDP (Asia)				
Real GDP (China)	2.2	8.1	5.0	5.5
Yen/U.S.Dollar	106.8	109.8	114.2	112.3
Uncollateralized call rates (O/N) (%)*	-0.035	-0.024	-0.020	0.015
TIBOR (3months)	-0.033	-0.064	-0.050	0.038
Newly issued government bond yields (10years) (%)	0.00	0.06	0.21	0.24
WTI future price (near month contract, US dollar/barrel)	39.4	67.9	90.7	91.8
North Sea Brent Crude (US dollar/barrel)	43.2	70.8	92.6	93.8

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Value of exports (Yen base)	-11.1	21.5	11.7	6.1
Ammount (Yr/Yr,%)	-11.7	12.1	5.5	5.8
Value of imports (Yen base)	-13.5	24.3	22.3	4.0
Ammount (Yr/Yr,%)	-6.4	5.0	3.6	2.4
Balance (trillion yen)	0.4	-1.5	-10.6	-9.1
Current account balance (trillion yen)	15.9	15.4	10.3	15.0
balance on goods (trillion yen)	3.0	1.8	-6.5	-4.8
balance on service (trillion yen)	-3.7	-4.3	-3.6	-2.0
balance on income (trillion yen)	19.2	20.4	22.4	23.7

【Corporations】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Industrial production	-10.4	5.8	4.5	3.0
Inventory index	-8.4	5.0	2.6	1.4
Sales*	-10.3	3.5	5.9	2.9
Ordinary Profits	-27.3	35.1	-0.1	7.2

*Forecast starts from CY 2021.

【Income and employment】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Income per capita	-1.2	0.3	0.6	0.5
Scheduled	0.2	0.3	0.3	0.4
Non-scheduled	-12.1	3.8	4.3	0.8
Real wage indices	-1.1	-0.1	-0.5	-0.0
Number of employees	-0.5	0.0	0.2	0.6
Nominal compensation of employees*	-1.2	1.8	1.0	1.3
Unemployment rate (%)	2.8	2.8	2.6	2.4

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	-1.2	4.8	5.3	0.7
excluding tax effects	-2.4	4.9	5.3	0.6
Consumer prices	-0.0	-0.2	0.9	0.5
excluding tax effects	-0.8	-0.2	0.9	0.5
excluding freshfood	-0.2	-0.2	0.9	0.4
excluding tax effects	-0.9	-0.2	0.9	0.4
excluding food (excluding alcoholic beverages) and energy	0.2	-0.5	-0.1	0.3

【New housing starts】

annualized, ten thousand units

forecast

Yr/Yr、%

	CY 2020 (actual)	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)
New housing starts	81.7	85.5	86.1	89.1
	-9.9	4.7	0.7	3.4
Owned	26.1	28.5	27.7	28.2
	-9.6	9.1	-2.9	1.8
Rented	30.8	32.1	32.3	34.0
	-10.4	4.1	0.7	5.2
Built for Sale	24.0	24.4	25.6	26.3
	-10.3	1.5	4.8	2.8

Economic Outlook (Quarterly)

forecast

Qr/Qr,%
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
Nominal GDP (Qr/Qr,%)	-7.4	5.1	1.3	-0.4	0.2	-1.0	0.5	0.5	1.5	0.6	0.6	0.6	0.5	0.4	0.5	0.3
Nominal GDP Annualized rate	-26.6	22.2	5.2	-1.6	0.9	-4.1	2.0	2.1	6.2	2.5	2.6	2.6	2.1	1.5	2.2	1.3
Nominal GDP (Yr/Yr,%)	-8.9	-4.3	-0.6	-1.9	6.1	-0.1	-0.6	0.3	1.5	3.4	2.9	3.7	2.7	2.1	1.9	1.8
Real GDP (Qr/Qr,%)	-7.9	5.3	1.8	-0.5	0.6	-0.7	1.3	0.1	1.1	0.9	0.6	0.4	0.4	0.4	0.4	0.3
Real GDP Annualized rate	-28.2	23.0	7.5	-2.1	2.4	-2.7	5.4	0.2	4.7	3.7	2.3	1.6	1.5	1.5	1.5	1.2
Real GDP (Yr/Yr,%)	-10.1	-5.4	-0.8	-1.8	7.3	1.2	0.7	1.2	2.0	3.4	2.7	3.2	2.4	1.7	1.4	1.5
Contribution of domestic demand (Qr/Qr,%)	-5.2	2.7	1.1	-0.4	0.7	-0.8	1.1	0.4	0.8	0.8	0.4	0.3	0.3	0.3	0.3	0.2
Private consumption	-8.6	5.3	1.6	-0.8	0.7	-0.9	2.7	-0.2	1.1	0.6	0.3	0.2	0.2	0.2	0.2	0.2
	-10.6	-6.7	-1.5	-3.0	6.8	0.5	1.9	2.3	2.6	4.2	1.8	2.1	1.2	0.9	0.9	0.8
Housing investment	-0.1	-4.7	-0.1	0.9	1.0	-1.6	-0.9	-1.5	0.5	1.0	3.0	0.5	0.8	0.4	0.2	0.3
	-5.8	-11.2	-9.5	-4.0	-2.7	0.1	-0.7	-3.0	-3.4	-1.0	3.0	5.1	5.4	4.7	1.9	1.7
Private capital investment	-6.9	-0.4	1.2	0.4	2.0	-2.4	0.4	1.8	2.0	1.5	1.0	0.8	0.8	0.7	0.7	0.7
	-9.1	-11.6	-3.7	-5.7	3.4	1.0	0.1	1.8	1.8	5.8	6.3	5.4	4.2	3.3	3.0	2.9
Contribution of inventory investment (Qr/Qr,%)	0.4	-0.5	-0.2	0.1	0.0	0.1	-0.1	0.2	-0.1	0.1	0.0	-0.0	0.0	0.0	0.0	-0.0
Government expenditure	1.0	1.9	0.9	-0.8	-0.1	0.2	-0.9	0.2	0.1	0.3	0.1	0.3	0.1	0.2	0.2	0.1
	1.9	3.1	4.0	3.1	2.1	0.3	-1.7	-0.9	-0.1	-0.2	0.8	0.8	0.8	0.7	0.7	0.5
Government final consumption expenditure	0.4	2.1	0.8	-0.6	0.7	1.1	-0.3	0.6	0.1	0.2	0.1	0.3	0.1	0.2	0.2	0.1
	1.3	2.7	3.5	2.6	3.0	2.0	0.9	2.0	1.4	0.6	1.0	0.7	0.7	0.7	0.8	0.6
Public investment	3.8	1.0	2.0	-1.6	-3.3	-3.0	-3.3	-1.3	0.2	0.7	0.2	0.1	0.0	0.1	0.1	0.0
	4.9	4.6	5.9	5.1	-1.9	-5.7	-10.9	-10.5	-7.1	-3.5	-0.1	1.4	1.2	0.5	0.3	0.2
Contribution of external demand (Qr/Qr,%)	-2.7	2.6	0.8	-0.1	-0.1	0.1	0.2	-0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Export of goods and services	-17.8	8.7	10.7	2.2	3.1	-0.3	1.0	0.3	3.6	3.0	2.8	1.4	1.4	1.4	1.4	1.2
	-21.8	-15.3	-5.6	1.0	27.0	16.3	5.9	3.7	4.8	7.7	10.8	11.3	8.5	7.2	6.2	5.6
Import of goods and services	-1.6	-7.0	5.5	3.0	3.8	-0.9	-0.3	2.2	1.8	2.3	2.2	1.0	1.0	1.0	0.9	0.9
	-4.7	-13.9	-7.2	-0.8	5.2	11.8	5.2	4.7	2.5	6.2	9.6	7.0	5.3	5.2	4.9	3.7
GDP deflator (Yr/Yr,%)	1.4	1.1	0.2	-0.1	-1.1	-1.2	-1.3	-0.9	-0.5	-0.1	0.2	0.4	0.3	0.4	0.4	0.3

【Overseas economy and market data】

forecast

	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	60.5	-1.4	-0.8	9.1	9.1	1.3	3.1	3.1	2.8	2.8	2.3	2.3	2.1	2.1	1.5
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	113.7	114.8	114.5	114.0	113.5	113.0	112.5	112.0	111.5	111.0
Uncollateralized call rates (O/N) (%)*	-0.043	-0.039	-0.026	-0.016	-0.020	-0.031	-0.031	-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	-0.065	-0.050	-0.050	-0.050	-0.050	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	0.07	0.17	0.22	0.22	0.23	0.23	0.25	0.25	0.25	0.25
WTI future price (near month contract, US dollar/barrel)	27.8	40.9	42.7	57.8	66.1	70.6	77.2	90.0	91.0	90.5	91.2	91.4	91.4	91.8	92.4	93.0
North Sea Brent Crude (US dollar/barrel)	33.3	43.4	45.2	61.1	69.0	73.2	79.8	91.7	93.0	92.5	93.2	93.4	93.4	93.8	94.4	95.0

* actual=average, forecast=end of period

【External demand (export and import)】

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
Value of exports (Yen base)	-25.3	-13.0	-0.8	6.0	45.0	24.9	15.7	11.4	10.0	13.2	12.3	10.9	6.4	4.4	3.3	3.2
Ammount (Yr/Yr,%)	-25.0	-14.9	-1.6	4.5	34.4	13.6	1.3	-0.6	2.2	9.3	10.8	10.1	6.2	4.2	3.1	3.0
Ammount (Qr/Qr,%)	-20.4	13.7	12.0	3.4	1.7	-4.1	0.5	1.3	4.6	2.6	1.8	0.8	0.8	0.7	0.7	0.7
Value of imports (Yen base)	-15.6	-19.6	-11.4	1.9	23.6	36.8	37.3	32.1	23.2	21.2	14.9	7.7	4.0	2.3	2.4	2.5
Ammount (Yr/Yr,%)	-4.6	-11.1	-3.2	5.8	5.2	7.9	1.4	0.9	1.0	4.8	7.6	4.8	2.2	1.3	1.4	1.4
Ammount (Qr/Qr,%)	3.6	-5.0	3.8	3.5	2.8	-2.3	-2.4	3.0	2.9	1.3	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)	-2.1	0.8	1.9	0.5	0.4	-0.8	-1.6	-3.2	-2.2	-2.7	-2.4	-2.8	-1.7	-2.2	-2.3	-2.7
Current account balance (trillion yen)*	1.7	3.6	5.9	4.6	4.7	2.8	3.2	2.3	2.5	2.7	3.0	3.5	3.8	3.9	3.9	4.1
Balance on goods (trillion yen)*	-1.5	1.2	2.4	1.4	1.0	-0.2	-0.5	-1.8	-1.7	-1.7	-1.5	-1.4	-1.2	-1.3	-1.3	-1.3
Balance on service (trillion yen)*	-1.0	-1.0	-0.8	-0.9	-1.2	-1.1	-1.1	-0.9	-0.9	-0.9	-0.9	-0.6	-0.5	-0.4	-0.4	-0.4
Balance on income (trillion yen)*	4.7	4.4	5.0	4.7	5.5	4.8	5.4	5.6	5.6	5.8	5.9	5.9	6.0	6.1	6.1	6.2

*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	0.5	5.3	1.7	0.1	0.2	0.3	0.4	0.4	0.4
	(Yr/Yr, %)	-20.3	-13.0	-3.5	-1.0	19.9	5.8	1.2	-1.0	2.8	8.4	7.7	7.5	2.3	0.9	1.3	1.5
Inventory index	(Qr/Qr, %)	-4.1	-3.2	-1.6	-1.3	0.9	2.5	2.8	-1.1	1.0	0.6	0.4	0.3	0.3	0.4	0.4	0.4
	(Yr/Yr, %)	-3.3	-5.7	-8.4	-9.8	-5.0	0.5	5.0	6.9	7.0	4.9	2.6	2.2	1.6	1.4	1.4	1.5
Sales		-17.7	-11.5	-4.5	-3.0	10.4	4.6	3.3	4.2	6.4	8.2	5.0	4.8	3.0	2.2	1.7	1.7
Ordinary profits		-46.6	-28.4	-0.7	26.0	93.9	35.1	3.4	-5.2	-4.0	5.6	5.4	7.5	7.3	7.3	6.8	6.7

*Forecast starts from 2021 10-12.

【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	0.2	0.4	0.6	0.7	0.7	0.4	0.5	0.6	0.6	0.5
	Scheduled	0.1	0.0	0.1	0.5	0.6	0.1	0.1	0.2	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	7.4	3.3	2.3	3.3	6.3	5.3	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	-1.5	-0.2	-0.9	-0.4	-0.3	-0.4	-0.0	0.2	0.2	0.2
Number of employees		-1.1	-1.3	-0.7	-0.7	0.6	0.5	-0.4	-0.5	0.2	0.2	0.8	0.7	0.6	0.6	0.5	0.4
Nominal compensation of employees*		-2.2	-1.8	-2.1	0.5	2.9	2.3	1.4	0.2	1.0	1.4	1.4	1.4	1.3	1.3	1.2	1.1
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	6.1	8.6	8.4	6.4	4.4	2.4	1.2	0.6	0.5	0.4	0.4
	excluding tax effects	-3.8	-2.4	-2.1	-0.3	4.8	6.1	8.7	8.4	6.4	4.4	2.3	1.1	0.6	0.4	0.4	0.5
Consumer prices		0.1	0.0	-0.9	-0.5	-0.7	-0.2	0.5	0.5	1.2	1.0	0.9	0.7	0.5	0.4	0.3	0.3
	excluding tax effects	-0.9	-1.0	-0.9	-0.5	-0.7	-0.2	0.5	0.5	1.2	1.0	0.9	0.7	0.5	0.4	0.3	0.3
excluding freshfood		-0.1	-0.3	-0.9	-0.5	-0.6	0.0	0.4	0.4	1.2	1.0	0.9	0.7	0.5	0.3	0.3	0.3
	excluding tax effects	-1.1	-1.3	-0.9	-0.5	-0.6	0.0	0.4	0.4	1.2	1.0	0.9	0.7	0.5	0.3	0.3	0.3
excluding food (excluding alcoholic beverages) and energy		0.4	0.0	-0.3	0.0	-0.8	-0.5	-0.7	-1.0	0.1	0.1	0.3	0.4	0.3	0.2	0.2	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		79.9	80.6	80.5	83.5	86.5	86.7	85.5	84.3	85.5	86.9	87.9	88.5	89.0	89.3	89.5	89.6
		-12.4	-10.1	-7.0	-1.6	8.1	7.2	6.1	1.4	-1.2	0.2	2.7	5.3	4.0	2.6	1.8	1.4
	Owned	25.1	25.5	26.7	27.9	28.1	29.5	28.6	27.4	27.6	27.8	28.0	28.2	28.2	28.2	28.2	28.1
		-18.2	-9.9	-0.9	3.4	11.7	14.7	7.2	-1.4	-2.3	-6.1	-1.6	3.1	2.4	1.4	0.5	-0.3
	Rented	30.1	30.4	29.6	30.9	33.0	32.6	31.7	31.2	31.9	32.8	33.3	33.6	33.9	34.1	34.3	34.4
		-11.9	-9.7	-10.4	-5.1	10.0	7.2	6.4	1.6	-3.3	0.5	4.8	8.1	6.5	4.0	2.8	2.6
	Built for Sale	24.1	24.1	23.1	24.2	24.7	24.0	24.7	25.1	25.5	25.8	25.9	26.1	26.2	26.4	26.5	26.5
		-6.0	-11.7	-11.4	-1.9	2.1	-0.3	6.4	3.9	3.2	7.2	5.1	4.2	2.7	2.3	1.9	1.7