

Report

The Japanese Economy in Fiscal 2022 and Fiscal 2023

—Gradual recovery trend to continue despite growing downside risks

(1) Current State of the Economy

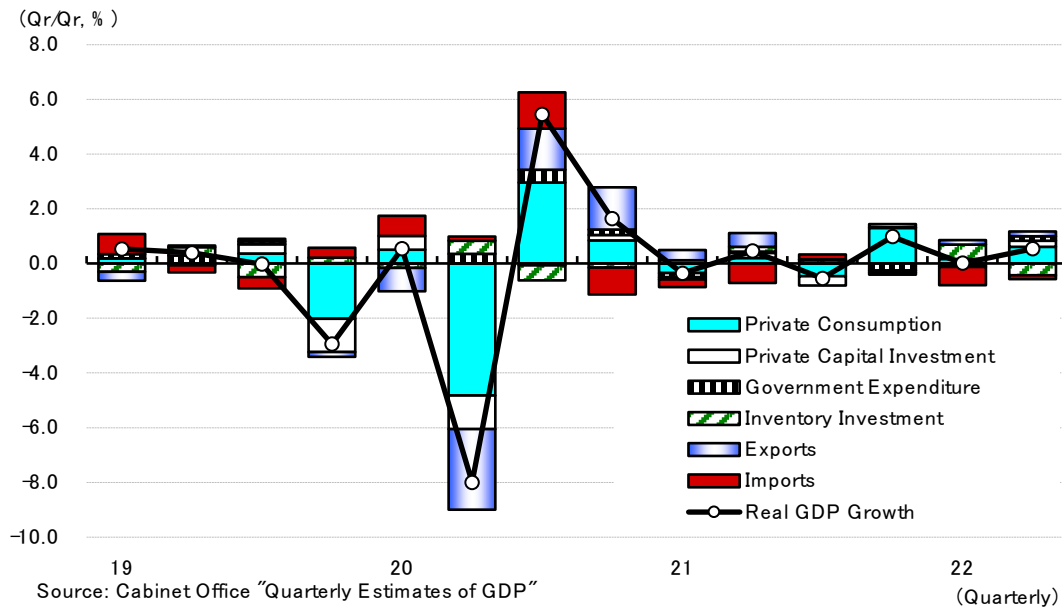
—GDP recovering gradually

Rise in personal consumption as Omicron infections subside

Real GDP growth rate in the April-June quarter of 2022, announced on August 15, was +0.5% from the previous quarter (for an annualized rate of +2.2%), marking the third consecutive quarter of growth since the January-March results were revised upward (from -0.5% to +0.1% annualized). Although there were concerns about the impact of rising prices and supply constraints, due to lockdowns in Shanghai, personal consumption rose centered on in-person services. This largely reflected successful efforts to contain Omicron infections and the long holiday with no restrictions on activities, which helped boost overall consumption.

Looking at movements by demand category, real personal consumption increased steadily by +1.1% from the previous quarter. The breakdown is as follows: services rose by +1.4% from the previous quarter due to higher demand for in-person services such as lodging and food services, passenger transportation, and leisure, semi-durable goods (clothing, personal effects, etc.) grew steadily by +3.9% from the previous quarter on the back of the increased flow of people. On the other hand, there were only slight increases of +0.3% and +0.4% for durable goods (white goods, automobiles, telecom equipment, etc.) and non-durable consumer goods (food and energy). The increases, possibly, reflecting the impact on production and shipments from the lockdowns in Shanghai for the former and higher prices curbing purchases for the latter. Real housing investment remained negative at -1.9% from the previous quarter due to weak housing starts and a delay in passing along higher materials prices to construction costs.

In the corporate sector, capital investment in real terms turned positive at +1.4% from the previous quarter owing to an increase in software investment in response to digitization, reflecting improved corporate earnings and brisker corporate activities. The contribution of inventory investment in real terms to the real GDP growth rate turned negative at -0.4% from the previous quarter, partly reflecting a fallback from the sharp increase in the previous quarter.

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


In the government sector, while the third round of vaccinations ran its course, government final consumption in real terms continued to increase by +0.5% compared to the previous quarter mainly due to increased medical expenses amid the aging population. Public investment in real terms rose +0.9% from the previous quarter, marking it the first quarter-on-quarter increase in six quarters, due in part to progress in implementing public works spending outlined in the large-scale economic policy summarized in November 2021. As a result, the overall contribution from domestic demand was +0.5% compared to the previous quarter.

The contribution to GDP from external demand was zero compared to the previous quarter. Despite the impact of the lockdowns in Shanghai and other supply chain disruptions, real exports increased slightly by +0.7% from the previous quarter owing to a recovery in Asia as a whole, while real imports rose by +0.9% compared to the previous quarter centered on crude oil and natural gas.

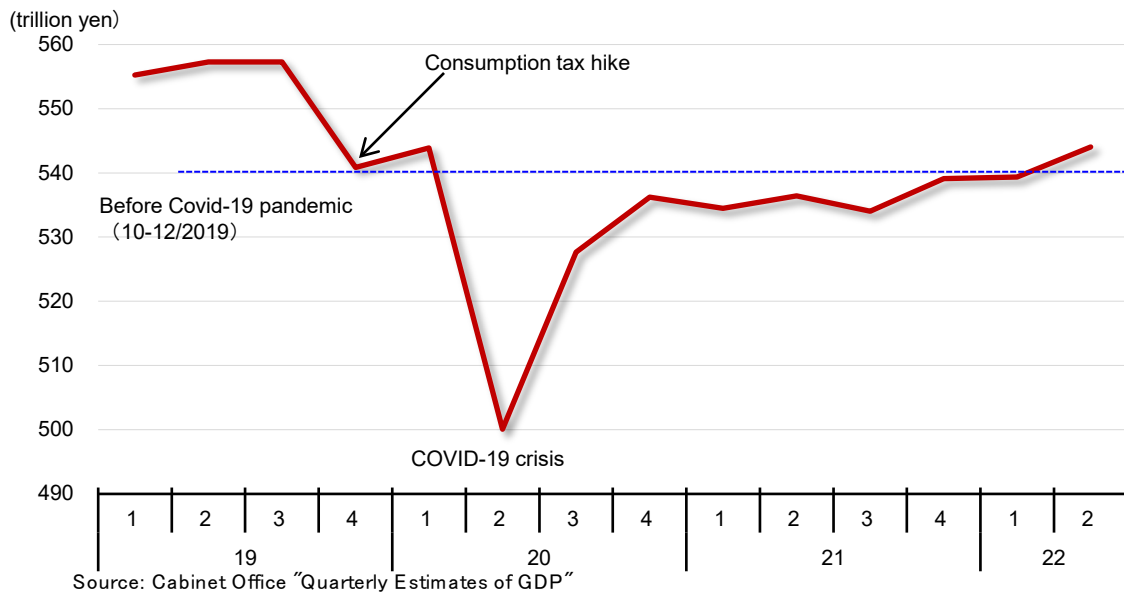
The nominal GDP growth rate, which gives a better sense of the situation on the ground, was positive with a +0.3% increase from the previous quarter (annualized rate of +1.1%). Personal consumption grew significantly at +2.2% compared to the previous quarter due to the boosting effect of rising prices, which is an indication that the burden on household budgets is increasing. The GDP deflator, a measure of comprehensive price trends in the economy as a whole, remained negative at -0.4% year on year. The decrease reflects the steep rise in import prices, which was caused by higher resource prices (because imports are a deductible item for the GDP growth rate, higher import prices have a negative impact on the GDP deflator).

Real GDP has finally recovered to pre-pandemic levels however...

As a result of this positive growth, real GDP has finally exceeded pre-pandemic levels (October-December 2019 quarter) (Chart 2). However, this is just a modest 0.2% and the level remains low since it is being compared to the October-December 2019 quarter, when real GDP declined sharply immediately after the

consumption tax rate hike to 10%. In addition, real GDP remained generally flat during 2021, therefore lagging the United States by one year and the Eurozone by six months.

Chart 2. Real GDP growth rate

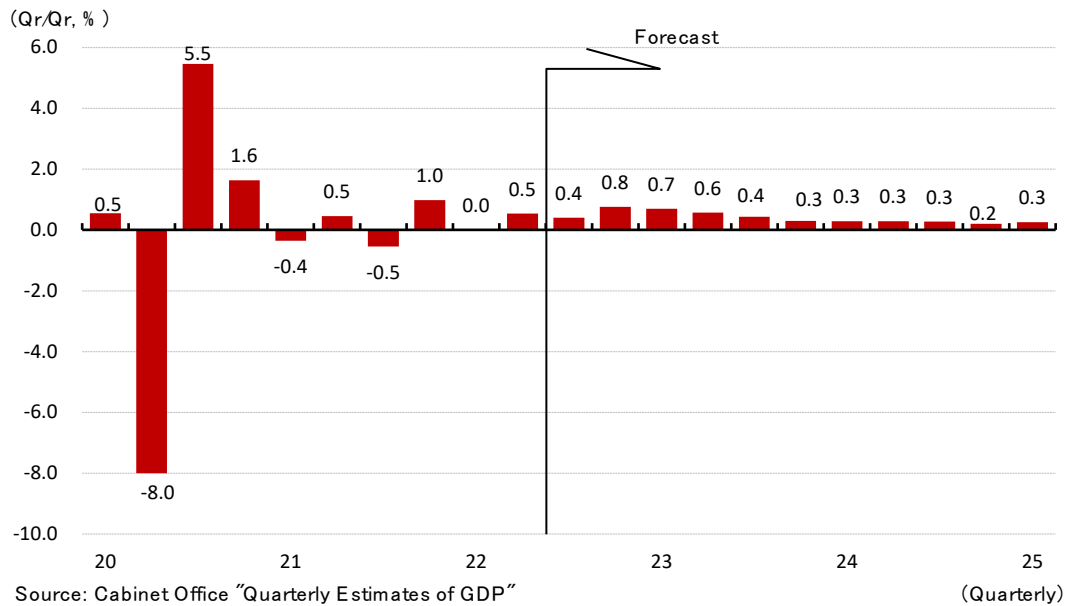


(2) Outlook for the Economy in Fiscal 2022 and Fiscal 2023

— Gradual recovery trend continues despite growing downside risks

Positive growth continues in the July-September quarter

Positive growth is expected to continue in the July-September quarter (Chart 3). While there are concerns about the effects of high inflation and the seventh wave of infections, the upward trend in personal consumption should continue owing to (1) activity restrictions not being imposed during the summer vacation/fall holiday seasons and human movements continuing to increase, (2) “revenge consumption” centered on in-person services continuing to some extent, fueled by savings accumulated to date amid the pandemic, and (3) expectations of a gradual resolution to production constraints, even though production constraints had kept automobile sales weak despite demand. Another positive factor is the ongoing increase in capital investment in light of strong business sentiment.

Chart 3. Real GDP growth rate (Quarterly)


Risk of an economic downturn may grow

On the other hand, many downside risks to the economy persist, and if these risks materialize, the tempo of a future economic recovery may slow.

The first risk is a negative impact from rising prices. While supply activity was disrupted during the spread of COVID-19, demand activity quickly returned when infection numbers settled down. The resulting collapse of the supply and demand balance for goods and services caused prices to rise (inflation). In particular, the increasingly steep hike in the price of crude oil and other resources since the start of 2021 and the acceleration of this trend following the Russian invasion of Ukraine caused inflation in all countries. In addition, the rapid yen depreciation amid the widening interest rate gap between Japan and the United States has accelerated the rise in import prices. Higher prices raise corporate costs and in turn erode business earnings, and this poses risks in terms of reducing capital investment, employment, and wages.

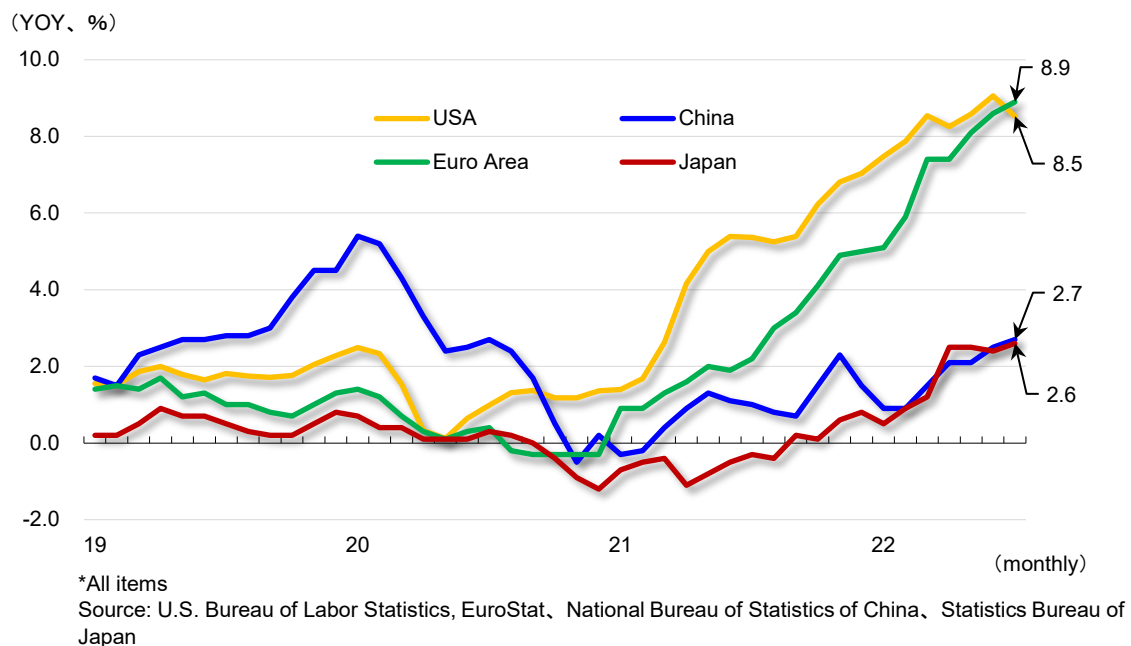
Furthermore, passing the costs onto product prices lifts the consumer price index, which then reduces household purchasing power. The rise in consumer prices has been slow and steady in Japan compared to other countries; however, the overall consumer price index was up 2.4% in June from a year earlier. The increases in food and energy prices have been particularly steep, a 6.5% rise in the two sectors as a whole. Consumers could react to higher prices for everyday items like these by restraining their spending, leading to concerns surrounding severe cutbacks in consumption.

The resurgence of new coronavirus infections remains a major risk factor and will likely remain an uncertainty, including the potential for new outbreaks at least in 2022. If infections continue to spread, consumers may voluntarily curtail their behavior even if the national and/or local governments do not impose activity restrictions. There is a risk that production activities and the provision of services may be disrupted by a rise in infected or close contacts. Nevertheless, the

negative impact on the economy is gradually diminishing as the risk of serious illness recedes and the healthcare infrastructure is maintained/enhanced. According, the economy should avoid being hurt by the spread of infections.

Moreover, there is a risk that higher interest rates could slow the global economic recovery. The upward pressure on prices in various countries remains strong, causing a shift in monetary policy from emergency easing to tightening and, in turn, increasingly higher interest rates. The outlook for the global economy is rapidly becoming more uncertain, with the risk that rising prices will hurt consumer spending and higher interest rates will stagnate overall economic activity led by investment. Also, there is a risk that a tighter monetary policy in the United States could trigger currency and stock market depreciation in emerging countries, raising the risk of turbulence in the international financial markets. Debt balances have also been growing substantially in all countries during the pandemic, and higher interest rates would add to the debt burden. Risks are gradually receding now that oil prices have peaked and long-term interest rates in the United States have begun to decline, yet the upward pressure on prices remains strong so caution is warranted.

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



In addition, there is a risk that production constraints and shortages could worsen due to logistics disruptions and difficulties in procuring components from overseas, thereby restraining demand. Negatives caused by lockdowns in Shanghai have largely been resolved. However, China maintaining its zero-COVID policy, and the resulting stagnation of economic activity may have wide-ranging repercussions across many regions and industries. There are also concerns that prolonged disruption and expansion to other regions could lead to supply constraint issues in various sectors.

Moreover, the labor supply and demand balance is gradually tightening, as demand recovers from the pandemic. Companies are becoming increasingly concerned about labor shortages; consequently, raising concerns about supply constraints due to labor shortages mainly in the in-person service sector, where the

number of workers has fallen sharply during the pandemic.

The types of policies that are needed

To prevent another downturn in the economy, we believe the government must implement thorough ongoing pandemic prevention measures, such as securing vaccines and medications, while steadfastly continuing with its current measures to bolster the healthcare infrastructure to prevent its overload and collapse. At the same time, measures must be devised to balance activities to prevent the virus from spreading, stimulate economic and social activities, and review a system that allows greater movement of people across national borders. The focus of 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. Considerations to when COVID-19 restrictions are relaxed to the level of the United States and Europe should also be given. Furthermore, economic measures (to overcome the pandemic and for the development of a post-pandemic era) are needed and should be steadily implemented, starting with those that are feasible, while keeping a close eye on the status of the pandemic. Measures to stimulate tourism demand nationwide must also be phased in appropriately.

Moreover, measures to combat high prices, such as subsidizing gasoline and maintaining wheat selling prices, are also expected to have some effect, even if they are only short-term temporary measures. Nevertheless, if it becomes necessary to take action to stop ongoing inflation and depreciation of the yen, the government should consider discussing with the Bank of Japan about changing its low-interest rate policy, which is behind these trends.

Economic recovery pace to remain modest in the second half of fiscal 2022

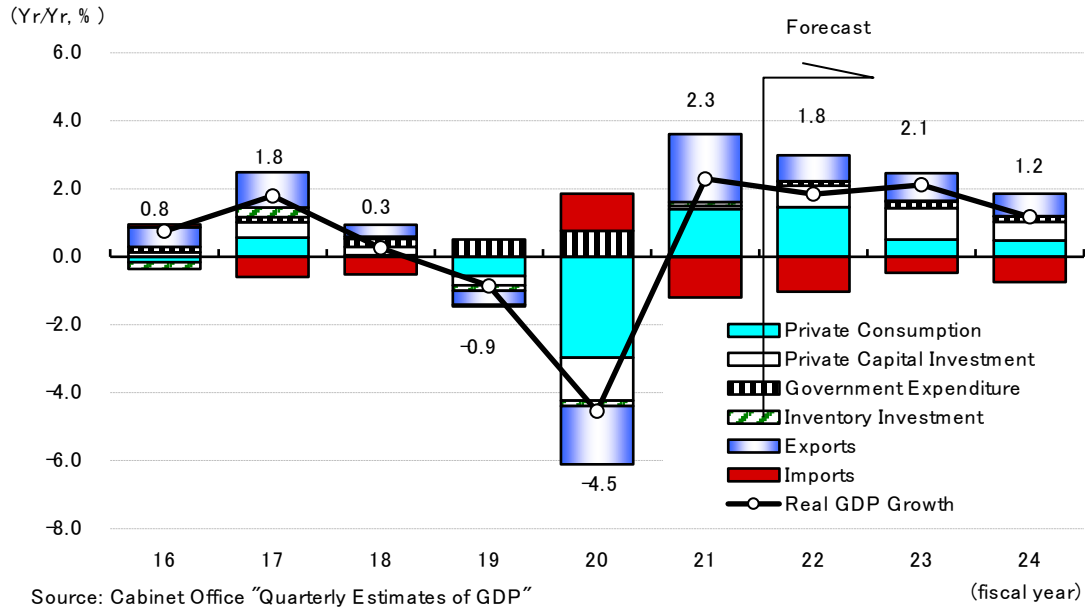
Fiscal 2022 could be positioned as the year that society learned how to live with the coronavirus. For this reason, great care will be needed to balance measures to prevent the virus from spreading and stimulating economic and social activities, and it will act as a limiting factor on demand recovery. Meanwhile, the ongoing vaccination program, steps to fortify the healthcare structure, securing of medications, and other pandemic measures should make it possible to avoid new states of emergency or priority preventive measures even if infections rise. Accordingly, the degree of economic downturn from outbreaks should gradually diminish.

Consequently, while these conditions prevail, efforts to return economic activity to pre-pandemic levels should serve as a powerful driving force for boosting the economy. We would expect personal consumption to be a core factor helping to put the economy back on the recovery track. Depending on the status of infections, measures to stimulate tourism demand could also help get the economy moving. Government policy such as, including last year's supplementary budget, anti-inflation measures, and allowing foreign tourists into the country could also underpin the economy.

Based on this scenario, we expect real GDP growth to remain positive in the second half of fiscal 2022, albeit at a moderate pace, following continued positive growth in the July-September quarter, thus avoiding a recession. As a result, we expect the real GDP growth rate for fiscal 2022 to be +1.8% year on year (or +1.4%

excluding the base-level effect) (Chart 5). The economy could turn downward if risk factors materialize, whereas the recovery may accelerate if the pandemic is contained and/or if COVID-19 restrictions are eased to the extent seen in the United States and Europe.

Chart 5. Real GDP growth rate by demand (Fiscal year)



Lessons learned during the pandemic will also be useful

In fiscal 2023, the COVID-19 pandemic is expected to be essentially over and society will move to a post-pandemic era in which most of the restrictions on economic and social activities due to the spread of infection will be largely lifted. Based on that outlook, we expect ongoing gradual economic recovery in fiscal 2023 with a real GDP growth rate for fiscal 2023 of +2.1% year on year (or +1.1% excluding the base-level effect). We expect quarterly real GDP growth to reach a record high in the July-September quarter.

As the economy picks up, labor supply and demand will gradually tighten. As a result of the significant effects of various efforts during the COVID-19 pandemic, including the promotion of telework and remote operations, combined with the development of infrastructure such as the communications environment. Additionally, 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.

In fiscal 2024, we expect the recovery to remain at +1.2% (or +0.7% excluding the base-level effect), but the pace of recovery will likely slow as the boost from the pandemic recovery fades. We note that it will likely take some time before restrictions on the cross-border movement of people are lifted, and a return to pre-pandemic levels will likely be delayed until at least fiscal 2024.

Economic Outlook for fiscal 2021-2024
【GDP demand】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Nominal GDP	1.3	1.8	3.3	1.8	
Real GDP	2.3	1.8	2.1	1.2	
Contribution of domestic demand	1.5	2.1	1.8	1.3	
Private consumption	2.6	2.7	0.9	0.9	
Housing investment	-1.6	-3.4	3.7	1.7	
Private capital investment	0.6	3.9	5.4	3.1	
Contribution of inventory investment	0.1	0.0	0.0	0.0	
Government expenditure	-0.0	0.4	0.7	0.6	
Government final consumption expenditure	2.0	1.2	0.7	0.7	
Public investment	-7.5	-2.6	0.7	0.3	
Contribution of external demand	0.8	-0.3	0.3	-0.1	
Export of goods and services	12.5	4.0	3.7	2.9	
Import of goods and services	7.2	5.0	1.9	2.9	
GDP deflator	-1.0	-0.1	1.2	0.7	

【Overseas economy and market data】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Real GDP (US) (CY)	5.7	1.5	1.1	1.6	
Real GDP (Euro zone) (CY)	5.3	3.1	1.0	1.1	
Real GDP (Asia)					
Real GDP (China)	8.1	3.9	5.3	4.8	
Yen/U.S.Dollar	112.3	132.1	127.3	122.5	
Uncollateralized call rates (O/N) (%)*	-0.024	-0.019	0.033	0.100	
TIBOR (3months)	-0.063	-0.011	0.058	0.125	
Newly issued government bond yields (10years) (%)	0.09	0.25	0.25	0.38	
WTI future price (near month contract, US dollar/barrel)	77.0	95.2	91.1	92.9	
North Sea Brent Crude (US dollar/barrel)	79.9	99.6	95.1	96.9	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Value of exports (Yen base)	23.6	19.8	3.6	1.2	
Ammount (Yr/Yr,%)	10.5	2.2	4.2	2.7	
Value of imports (Yen base)	33.3	37.4	-1.2	-0.4	
Ammount (Yr/Yr,%)	3.8	2.5	3.1	1.1	
Balance (trillion yen)	-5.4	-22.5	-17.3	-15.5	
Current account balance (trillion yen)	12.7	1.3	6.2	9.9	
balance on goods (trillion yen)	-1.5	-18.5	-13.2	-11.5	
balance on service (trillion yen)	-4.8	-3.9	-2.9	-1.9	
balance on income (trillion yen)	21.6	26.1	24.7	25.5	

【Corporations】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Industrial production	5.9	2.8	5.0	1.6	
Inventory index	6.8	0.1	0.7	0.5	
Sales	7.1	7.8	2.6	1.6	
Ordinary Profits	36.8	-0.4	5.1	6.3	

*Forecast starts from FY 2021.

【Income and employment】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Income per capita	0.7	1.5	1.0	0.8	
Scheduled	0.4	0.9	0.7	0.6	
Non-scheduled	7.1	6.3	2.5	0.9	
Real wage indices	0.6	-1.4	0.4	0.6	
Number of employees	0.2	0.9	0.4	0.3	
Nominal compensation of employees*	1.8	2.1	1.5	1.1	
Unemployment rate (%)	2.8	2.5	2.3	2.2	

*GDP base

【Goods prices】

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
Domestic corporate goods prices	6.9	7.2	-0.3	-0.3	
excluding tax effects	6.9	7.2	-0.3	-0.3	
Consumer prices	0.1	2.4	0.5	0.2	
excluding freshfood	0.1	2.3	0.5	0.2	
excluding food (excluding alcoholic beverages) and energy	-0.7	1.3	0.6	0.3	

【New housing starts】

annualized, ten thousand units

	FY 2021 (actual)	forecast			Yr/Yr, %
		FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)	
New housing starts	86.6	86.4	88.1	87.8	
	6.6	-0.2	1.9	-0.3	
Owned	28.1	26.7	27.3	27.1	
	6.9	-5.1	2.4	-1.0	
Rented	33.1	33.7	34.5	34.4	
	9.2	1.8	2.5	-0.3	
Built for Sale	24.8	25.5	25.6	25.7	
	3.9	2.6	0.6	0.4	

Economic Outlook for calendar 2021-2024
【GDP demand】

	CY 2021 (actual)	forecast			Yr/Yr, %
		CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)	
Nominal GDP	0.8	0.9	3.6	2.1	
Real GDP	1.7	1.3	2.4	1.4	
Contribution of domestic demand	-3.8	0.6	1.8	2.0	
Private consumption	1.3	2.8	1.1	0.9	
Housing investment	-1.9	-4.1	2.9	2.1	
Private capital investment	-0.9	1.5	6.4	3.3	
Contribution of inventory investment	-0.1	0.7	-0.0	0.0	
Government expenditure	1.1	-0.2	0.9	0.6	
Government final consumption expenditure	2.1	1.5	0.8	0.7	
Public investment	-2.6	-6.9	1.4	0.3	
Contribution of external demand	1.0	-0.5	0.4	0.0	
Export of goods and services	11.8	3.9	4.5	2.7	
Import of goods and services	5.1	6.2	2.3	2.1	
GDP deflator	-0.9	-0.4	1.2	0.7	

【Overseas economy and market data】

	CY 2021 (actual)	forecast			Yr/Yr, %
		CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)	
Real GDP (US) (CY)	5.7	1.5	1.1	1.6	
Real GDP (Euro zone) (CY)	5.3	3.1	1.0	1.1	
Real GDP (Asia)					
Real GDP (China)	8.1	3.9	5.3	4.8	
Yen/U.S.Dollar	109.8	128.4	128.8	123.5	
Uncollateralized call rates (O/N) (%)*	-0.024	-0.018	0.015	0.088	
TIBOR (3months)	-0.064	-0.023	0.039	0.113	
Newly issued government bond yields (10years) (%)	0.06	0.23	0.25	0.33	
WTI future price (near month contract, US dollar/barrel)	67.9	96.0	91.0	92.3	
North Sea Brent Crude (US dollar/barrel)	70.8	100.2	95.0	96.3	

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2021 (actual)	forecast			Yr/Yr, %
		CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)	
Value of exports (Yen base)	21.5	18.8	7.9	0.8	
Ammount (Yr/Yr,%)	12.2	0.8	4.8	2.6	
Value of imports (Yen base)	24.6	41.1	4.0	-0.8	
Ammount (Yr/Yr,%)	5.0	2.0	3.5	1.4	
Balance (trillion yen)	-1.7	-20.8	-17.8	-15.9	
Current account balance (trillion yen)	15.5	2.4	5.5	9.0	
balance on goods (trillion yen)	1.8	-16.5	-13.7	-11.8	
balance on service (trillion yen)	-4.3	-4.5	-3.2	-2.1	
balance on income (trillion yen)	20.5	25.9	24.8	25.3	

【Corporations】

	CY 2021 (actual)	forecast			Yr/Yr, %
		CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)	
Industrial production	5.6	1.0	6.2	1.7	
Inventory index	4.9	2.2	1.9	0.9	
Sales*	4.1	8.5	3.5	1.7	
Ordinary Profits	41.8	4.4	1.8	6.6	

【Income and employment】

	CY 2021 (actual)	forecast			Yr/Yr, %
		CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)	
Income per capita	0.3	1.6	0.9	0.8	
Scheduled	0.3	1.0	0.6	0.7	
Non-scheduled	3.9	6.1	3.5	1.0	
Real wage indices	0.5	-1.0	-0.1	0.6	
Number of employees	0.2	0.5	0.6	0.3	
Nominal compensation of employees*	1.7	1.9	1.7	1.2	
Unemployment rate (%)	2.8	2.6	2.4	2.2	

*GDP base

【Goods prices】

	CY 2021 (actual)	forecast CY 2022 (forecast)	CY 2023 (forecast)	Yr/Yr, % CY 2024 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	4.5	8.5	0.8	-0.3
excluding tax effects	4.5	8.5	0.8	-0.3
Consumer prices	-0.2	2.1	0.9	0.2
excluding freshfood	-0.2	1.9	0.9	0.2
excluding food (excluding alcoholic beverages) and energy	-0.5	0.6	0.9	0.4

【New housing starts】

	CY 2021 (actual)	forecast CY 2022 (forecast)	CY 2023 (forecast)	annualized, ten thousand units Yr/Yr, % CY 2024 (forecast)
New housing starts	85.5	86.3	87.7	87.8
Owned	4.7	0.9	1.6	0.1
Owned	28.5	26.4	27.4	27.2
Rented	9.1	-7.4	3.7	-0.7
Rented	32.1	33.8	34.2	34.4
Rented	4.1	5.6	1.1	0.6
Built for Sale	24.4	25.6	25.6	25.7
Built for Sale	1.5	4.8	0.1	0.4

Economic Outlook (Quarterly)

		FY 2021				FY 2022				FY 2023				FY 2024			
		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	-0.5	0.5	0.4	0.3	-0.5	1.9	1.5	0.9	0.2	0.5	0.6	0.7	0.3	0.0	0.4
	Annualized rate	-0.7	-1.9	1.9	1.5	1.1	-2.0	8.0	6.2	3.5	0.6	1.9	2.6	3.0	1.4	0.1	1.7
	(Yr/Yr,%)	6.1	0.0	-0.7	0.2	0.7	0.6	2.1	3.5	3.6	4.5	3.0	2.4	2.2	2.0	1.7	1.5
Real GDP	(Qr/Qr,%)	0.5	-0.5	1.0	0.0	0.5	0.4	0.8	0.7	0.6	0.4	0.3	0.3	0.3	0.3	0.2	0.3
	Annualized rate	1.8	-2.1	4.0	0.1	2.2	1.6	3.1	2.8	2.3	1.7	1.2	1.1	1.2	1.1	0.8	1.0
	(Yr/Yr,%)	7.3	1.2	0.5	0.7	1.1	1.7	1.8	2.8	2.7	2.4	1.7	1.6	1.4	1.4	1.1	0.9
Contribution of domestic demand (Qr/Qr,%)		0.7	-0.7	0.9	0.5	0.5	0.5	0.7	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private consumption		0.4	-0.9	2.4	0.3	1.1	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		6.8	0.4	1.5	2.0	3.1	4.1	2.0	1.7	1.0	0.9	0.9	0.8	0.9	0.9	0.9	0.8
Private capital investment		1.6	-1.8	-1.3	-1.4	-1.9	-0.5	1.5	1.0	1.2	0.8	0.7	0.4	0.3	0.4	0.3	0.2
Contribution of inventory investment (Qr/Qr,%)		-2.7	-0.0	-0.8	-3.0	-6.2	-5.1	-2.3	0.1	3.3	4.5	3.8	3.1	2.2	1.8	1.4	1.2
Government expenditure		1.2	-2.1	0.2	-0.3	1.4	1.5	2.5	1.7	1.3	0.8	0.8	0.8	0.8	0.7	0.7	0.7
Government final consumption expenditure		3.2	1.0	-0.2	-1.0	-0.6	2.8	5.1	7.4	7.3	6.4	4.6	3.8	3.2	3.1	3.0	2.9
Public investment		0.2	0.1	-0.1	0.5	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government expenditure		0.2	0.1	-1.0	-0.3	0.6	0.4	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.2
Government final consumption expenditure		2.1	0.6	-1.3	-1.3	-0.3	-0.2	0.9	1.4	0.9	0.6	0.7	0.6	0.7	0.7	0.6	0.6
Public investment		0.9	1.1	-0.3	0.4	0.5	0.3	0.0	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.2
Public investment		3.0	2.0	0.9	2.1	1.7	0.9	1.3	1.1	0.7	0.6	0.8	0.8	0.8	0.8	0.6	0.7
Public investment		-2.5	-3.3	-3.7	-3.2	0.9	1.1	0.5	0.2	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1
Public investment		-1.5	-4.5	-9.2	-12.6	-8.9	-4.8	-0.6	2.5	1.9	0.8	0.4	0.1	0.4	0.3	0.2	0.3
Contribution of external demand (Qr/Qr,%)		-0.2	0.2	0.0	-0.5	0.0	-0.1	0.1	0.2	0.1	0.1	-0.0	-0.0	-0.0	-0.0	-0.1	-0.1
Export of goods and services		3.0	0.0	0.6	0.9	0.9	0.9	1.8	1.4	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Export of goods and services		27.3	15.6	5.9	4.5	2.7	2.9	5.3	5.1	5.2	4.5	3.4	1.8	3.0	2.9	3.0	2.7
Import of goods and services		4.4	-1.1	0.4	3.5	0.7	1.4	1.1	0.4	0.1	0.1	0.7	0.7	0.7	0.8	0.8	0.8
Import of goods and services		5.1	11.4	5.2	7.3	3.3	6.8	7.4	2.6	2.1	1.9	2.5	1.0	2.4	2.1	3.1	4.0
GDP deflator (Yr/Yr,%)		-1.1	-1.1	-1.3	-0.5	-0.4	-1.1	0.3	0.8	0.9	2.0	1.2	0.8	0.8	0.6	0.6	0.7

【Overseas economy and market data】

		FY 2021				FY 2022				FY 2023				FY 2024			
		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,%)	6.7	2.3	6.9	-1.6	-0.9	0.5	1.2	1.1	1.3	1.5	1.6	1.6	1.6	1.5	1.5	0.0
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	8.5	9.7	1.6	2.0	2.8	0.3	0.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0
Real GDP (Asia)	(Yr/Yr,%)																
Real GDP (China)	(Yr/Yr,%)	7.9	4.9	4.0	4.8	0.4	5.3	5.0	4.5	8.3	4.1	4.3	4.5	4.7	4.9	5.0	0.0
Yen/U.S.Dollar		109.4	110.1	113.7	116.2	129.6	135.0	133.0	131.0	130.0	128.0	126.0	125.0	124.0	123.0	122.0	121.0
Uncollateralized call rates (O/N) (%)		-0.020	-0.031	-0.031	-0.015	-0.017	-0.020	-0.020	-0.020	-0.020	0.050	0.050	0.050	0.100	0.100	0.100	0.100
TIBOR (3months)		-0.065	-0.072	-0.065	-0.049	-0.037	-0.007	0.000	0.000	0.005	0.075	0.075	0.075	0.125	0.125	0.125	0.125
Newly issued government bond yields (10years) (%)		0.07	0.03	0.07	0.18	0.23	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.35	0.40	0.45
WTI future price (near month contract, US dollar/barrel)		66.1	70.6	77.2	94.3	108.4	92.3	89.0	91.0	91.0	91.0	91.0	91.4	92.0	92.6	93.2	93.8
North Sea Brent Crude (US dollar/barrel)		69.0	73.2	79.8	97.4	111.8	97.5	94.0	95.0	95.0	95.0	95.0	95.4	96.0	96.6	97.2	97.8

* actual=average, forecast=end of period

【External demand (export and import)】

		FY 2021				FY 2022				FY 2023				FY 2024			
		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)		45.0	24.9	15.7	14.5	15.9	22.1	22.2	18.7	10.6	4.0	0.4	0.2	0.3	1.0	1.7	1.8
	Amount (Yr/Yr,%)	34.5	13.6	1.3	-0.9	-3.1	2.7	4.4	5.1	6.8	4.7	2.8	2.5	2.5	2.6	2.8	2.9
	Amount (Qr/Qr,%)	1.4	-3.3	0.9	0.1	-0.9	2.6	2.5	0.8	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Value of imports (Yen base)		23.9	36.9	37.4	34.7	40.9	50.8	37.3	23.1	6.2	-5.4	-3.3	-1.6	-1.2	-0.6	-0.0	0.4
	Amount (Yr/Yr,%)	5.2	7.8	1.4	1.4	-1.2	2.4	5.3	3.4	4.9	3.4	2.4	1.9	1.3	1.1	1.1	1.1
	Amount (Qr/Qr,%)	2.3	-1.8	-1.6	2.6	-0.5	1.9	1.2	0.8	0.9	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)		0.4	-0.9	-1.6	-3.3	-4.6	-7.3	-5.6	-5.0	-3.9	-4.5	-4.4	-4.5	-3.4	-4.0	-3.9	-4.1
Current account balance (trillion yen)*		4.7	3.0	2.8	2.3	1.4	-1.2	0.4	1.2	1.8	1.6	1.6	2.0	2.4	2.7	2.8	2.9
	Balance on goods (trillion yen)*	1.0	-0.2	-0.5	-1.7	-3.8	-6.4	-4.6	-3.8	-3.2	-3.3	-3.3	-3.1	-2.9	-2.7	-2.8	-2.8
	Balance on service (trillion yen)*	-1.2	-1.2	-1.1	-1.5	-0.9	-1.1	-1.0	-0.9	-0.8	-0.8	-0.7	-0.6	-0.5	-0.5	-0.4	-0.4
	Balance on income (trillion yen)*	5.5	4.8	5.4	6.2	6.6	6.8	6.6	6.5	6.4	6.3	6.2	6.4	6.4	6.5	6.6	6.6

*seasonally adjusted

【Corporations】

		FY 2021				FY 2022				FY 2023				FY 2024				
		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, %)	0.2	-1.9	0.2	0.8	-2.7	4.7	3.1	1.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
	(Yr/Yr, %)	19.8	5.4	0.9	-0.6	-3.7	2.5	5.9	6.6	10.2	5.4	3.0	2.0	1.7	1.5	1.6	1.5	1.5
Inventory index	(Qr/Qr, %)	1.3	2.3	2.0	1.0	-1.3	0.6	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	(Yr/Yr, %)	-5.1	0.4	4.9	6.8	4.2	3.7	2.2	0.1	1.7	1.9	1.9	0.7	0.6	0.8	0.9	0.5	0.5
Sales		10.4	4.6	5.7	7.9	9.0	10.8	6.6	5.3	3.9	2.7	2.2	1.8	1.7	1.6	1.6	1.6	1.6
Ordinary profits		93.9	35.1	24.7	13.7	5.3	7.6	-7.1	-5.7	0.4	6.9	7.2	7.1	6.4	6.8	6.1	5.9	5.9

*Forecast starts from 2022 4-6.

【Income and employment】

		FY 2021				FY 2022				FY 2023				FY 2024				
		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		0.9	0.5	0.1	1.5	1.7	1.4	1.8	0.8	0.9	0.9	1.1	0.8	0.9	0.8	0.8	0.7	0.7
	Scheduled	0.6	0.1	0.0	0.9	1.2	0.9	1.0	0.4	0.6	0.7	0.7	0.8	0.7	0.6	0.6	0.6	0.6
	Non-scheduled	13.8	7.4	3.5	4.5	5.4	6.3	8.3	5.3	4.3	2.3	2.3	1.1	0.8	0.8	1.3	0.8	0.8
Real wage indices		1.9	0.7	-0.6	0.3	-1.2	-1.5	-1.3	-1.6	-0.2	0.3	0.8	0.7	0.7	0.6	0.6	0.5	0.5
Number of employees		0.8	0.7	-0.3	-0.2	0.7	0.6	1.1	1.1	0.5	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Nominal compensation of employees*		2.9	2.3	1.0	1.0	1.7	2.1	2.6	2.0	1.6	1.6	1.5	1.4	1.3	1.2	1.0	0.9	0.9
Unemployment rate (%)		2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1

※GDP base

【Goods prices】

		FY 2021				FY 2022				FY 2023				FY 2024				
		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		4.3	5.8	8.4	9.2	9.6	8.8	6.5	4.0	1.0	-0.6	-0.9	-0.7	-0.4	-0.4	-0.2	-0.2	-0.2
Consumer prices		-0.7	-0.2	0.5	0.9	2.4	2.5	2.6	2.0	1.0	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	excluding freshfood	-0.6	0.0	0.4	0.6	2.1	2.4	2.5	2.0	0.9	0.5	0.2	0.1	0.2	0.2	0.2	0.2	0.2
	excluding food (excluding alcoholic beverages) and energy	-0.8	-0.5	-0.7	-0.9	0.8	1.1	1.5	1.6	0.9	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.3

【New housing starts】

		FY 2021				FY 2022				FY 2023				FY 2024				
		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		86.5	86.7	85.5	87.3	85.2	86.1	86.6	87.2	87.7	87.9	88.0	88.1	87.9	87.8	87.5	87.3	87.3
		8.1	7.2	6.1	4.9	-1.3	-0.8	1.3	0.1	2.9	2.0	1.6	1.0	0.3	-0.1	-0.6	-0.8	-0.8
Owned		28.1	29.5	28.6	26.0	25.7	26.8	27.1	27.3	27.4	27.4	27.3	27.3	27.2	27.1	27.1	27.0	27.0
		11.7	14.7	7.2	-6.9	-8.9	-9.4	-4.9	4.9	6.7	2.1	1.0	-0.2	-0.8	-1.1	-0.9	-1.0	-1.0
Rented		33.0	32.6	31.7	34.9	33.7	33.2	33.5	33.8	34.2	34.3	34.5	34.6	34.5	34.4	34.2	34.0	34.0
		10.0	7.2	6.4	13.5	2.5	1.7	5.5	-2.8	1.4	3.3	2.8	2.5	1.1	0.2	-1.1	-1.6	-1.6
Built for Sale		24.7	24.0	24.7	26.0	25.3	25.5	25.5	25.6	25.6	25.6	25.6	25.7	25.7	25.7	25.7	25.7	25.7
		2.1	-0.3	6.4	7.6	2.7	6.2	3.1	-1.4	1.0	0.2	0.6	0.4	0.5	0.4	0.4	0.4	0.4

- 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.