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# Japan's Economic Outlook No. 176 (Update)

## *Will Abenomics Rehabilitate Japan's Economy?*

Japan to see real GDP growth of +1.0% in FY12, +2.7% in FY13, and +0.4% in FY14, nominal GDP growth of +0.1%, +2.1%, and +1.5%

Economic Research Dept  
**Mitsumaru Kumagai**  
**Masahiko Hashimoto**  
**Tsutomu Saito**  
**Shotaro Kugo**

### Main Points

- **Economic outlook revised:** In light of the second preliminary Oct-Dec 2012 GDP report (Cabinet Office), we have revised our economic growth outlook for FY12-14. We now forecast real GDP growth of +1.0% y/y for FY12 (previous forecast: +0.9%), +2.7% for FY13 (+2.7%), and +0.4% for FY14 (+0.4%).
- **Will Abenomics Rehabilitate Japan's Economy?:** In our current outlook, we provide a multifaceted examination of the economic policies of the Abe administration (so-called Abenomics). Abenomics prioritizes three thrusts: (1) bold monetary policies, (2) flexible fiscal policies, and (3) growth strategies to stimulate private sector investment. We believe that Abenomics has the potential of sparking the revival of Japan's economy and that its basic direction is set on the right course. In this report, we examine four concerns that Japanese citizens have regarding Abenomics. First, there is the risk that the government failing to maintain fiscal discipline will invite the triple blow of falling JGB prices, falling stock prices, and a falling yen. Second, criticism is being widely voiced that medium- to long-term improvements in the nation's economic foundation and structural reforms are currently insufficient. Third, there is concern that employee income will not grow as inflation progresses. And fourth, there is also worry that Abenomics will benefit large companies but small companies will be left out. Our analysis of these four concerns led us to the conclusion that the first two are the most worrisome. That is to say, the key to the future success of Abenomics will be (1) selective investment in public works projects while maintaining fiscal discipline and (2) the implementation of policies to improve the foundations of Japan's economy, such as deregulation, participation in the Trans-Pacific Strategic Economic Partnership Agreement (TPP), and the reduction of the effective tax rate borne by corporations.
- **Main scenario for Japan's economy:** Japan's economy slipped into recession after peaking in March 2012. The economy now appears to have hit bottom in November 2012 and to have bottomed out. It is expected to continue expanding, supported by (1) the recovery of the US

and Chinese economies, (2) the continuation of reconstruction demand and the formation of a large-scale supplementary budget, and (3) the ongoing depreciation of the yen/ascent of share prices accompanying BOJ's adoption of inflation targeting. With regard to the last, we believe that a correction of the yen's excessive appreciation is currently underway in foreign exchange markets. Also, a comparison with the real economy suggests that stock prices are potentially still undervalued at current levels.

- **Risks facing Japan's economy:** Risks that will need to be borne in mind regarding Japan's economy are: (1) any deepening of the European sovereign debt crisis, reflecting likely political instability in Italy and Spain, (2) any worsening of Japan-China relations, (3) the US fiscal issue, and (4) a surge in crude oil prices stemming from geopolitical risk.
- **BOJ monetary policy:** The BOJ adopting inflation targeting in January 2013 can be applauded to some degree. The BOJ, however, will need to ease monetary policy further, such as by actively purchasing risk assets (ETFs and other such assets). Another issue the BOJ will likely need to address is improving communication with the markets.

#### **Our assumptions**

- Public works spending will grow +14.9% in FY12, +12.2% in FY13, and -15.8% in FY14; the consumption tax rate will be increased in April 2014
- Average exchange rate of ¥82.9/\$ in FY12, ¥95.0/\$ in both FY13 and FY14
- US real GDP growth of +1.8% in CY13 and +2.2% in CY14

## Main Economic Indicators and Real GDP Components

	FY12 (Estimate)	FY13 (Estimate)	FY14 (Estimate)	CY12	CY13 (Estimate)	CY14 (Estimate)
<b>Main economic indicators</b>						
Nominal GDP (y/y %)	0.1	2.1	1.5	1.1	0.6	2.4
Real GDP (chained [2005]; y/y %)	1.0	2.7	0.4	2.0	1.4	1.6
Domestic demand (contribution, % pt)	1.8	2.6	-0.6	2.9	1.8	1.1
Foreign demand (contribution, % pt)	-0.9	0.0	0.9	-0.9	-0.4	0.5
GDP deflator (y/y %)	-0.9	-0.5	1.1	-0.9	-0.8	0.7
Index of All-industry Activity (y/y %)*	0.5	2.7	2.0	0.8	1.8	2.7
Index of Industrial Production (y/y %)	-2.8	4.2	4.6	-0.3	1.3	5.1
Index of Tertiary Industry Activity (y/y %)	1.1	2.2	1.4	1.2	1.6	2.1
Corporate Goods Price Index (y/y %)	-0.9	1.3	3.2	-0.8	1.0	2.6
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.2	2.6	-0.1	-0.0	2.0
Unemployment rate (%)	4.3	4.1	4.0	4.4	4.2	4.0
Government bond yield (10 year; %)	0.77	0.90	1.07	0.84	0.83	1.04
Money stock; M2 (end-period; y/y %)	2.3	1.7	1.5	2.5	1.8	1.5
Balance of payments						
Trade balance (Y tril)	-7.3	-9.6	-5.4	-5.8	-9.5	-6.9
Current balance (\$100 mil)	395	192	744	580	141	544
Current balance (Y tril)	3.2	1.8	7.1	4.6	1.3	5.2
(% of nominal GDP)	0.7	0.4	1.4	1.0	0.3	1.1
<b>Real GDP components</b> (Chained [2005]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	1.4 (0.8)	1.6 (1.0)	-0.9 (-0.5)	2.4 (1.4)	0.9 (0.5)	0.5 (0.3)
Private housing investment	4.9 (0.1)	6.4 (0.2)	-4.9 (-0.1)	2.9 (0.1)	7.0 (0.2)	-1.9 (-0.1)
Private fixed investment	-0.8 (-0.1)	3.4 (0.4)	5.6 (0.7)	2.1 (0.3)	0.4 (0.1)	6.0 (0.8)
Government final consumption	2.5 (0.5)	1.5 (0.3)	1.1 (0.2)	2.7 (0.5)	1.6 (0.3)	1.2 (0.2)
Public fixed investment	15.0 (0.6)	10.6 (0.5)	-16.9 (-0.8)	12.5 (0.6)	12.7 (0.6)	-8.7 (-0.5)
Exports of goods and services	-2.4 (-0.4)	2.6 (0.4)	8.7 (1.3)	-0.3 (-0.0)	-1.3 (-0.2)	8.5 (1.3)
Imports of goods and services	3.5 (-0.5)	2.6 (-0.4)	3.3 (-0.5)	5.3 (-0.9)	1.2 (-0.2)	4.1 (-0.8)
<b>Major assumptions:</b>						
<b>1. World economy</b>						
Economic growth of major trading partners	3.1	3.6	3.9	3.1	3.4	3.8
Crude oil price (WTI futures; \$/bbl)	92.3	95.0	95.0	94.1	95.1	95.0
<b>2. US economy</b>						
US real GDP (chained [2005]; y/y %)	2.0	1.9	2.3	2.2	1.8	2.2
US Consumer Price Index (y/y %)	1.8	2.1	2.2	2.1	2.0	2.1
<b>3. Japanese economy</b>						
Nominal public fixed investment (y/y %)	14.9	12.2	-15.8	12.3	14.0	-7.6
Exchange rate (Y/\$)	82.9	95.0	95.0	79.8	94.2	95.0
(Y/€)	107.5	125.0	125.0	103.5	124.4	125.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10

Source: Compiled by DIR.

Note: Due to rounding, actual figures may differ from those released by the government.

\* Excl. agriculture, forestry, and fisheries.

Estimate: DIR estimate.

## Comparison with Previous Outlook

	Current outlook (Outlook 176 Update)			Previous outlook (Outlook 176)			Difference between previous and current outlooks		
	FY12	FY13	FY14	FY12	FY13	FY14	FY12	FY13	FY14
<b>Main economic indicators</b>									
Nominal GDP (y/y %)	0.1	2.1	1.5	0.1	2.1	1.5	0.0	0.0	0.0
Real GDP (chained [2005]; y/y %)	1.0	2.7	0.4	0.9	2.7	0.4	0.1	0.0	0.0
Domestic demand (contribution, % pt)	1.8	2.6	-0.6	1.7	2.5	-0.6	0.1	0.0	0.0
Foreign demand (contribution, % pt)	-0.9	0.0	0.9	-0.9	0.1	0.9	-0.0	-0.0	-0.0
GDP deflator (y/y %)	-0.9	-0.5	1.1	-0.8	-0.5	1.1	-0.0	0.0	0.0
Index of All-industry Activity (y/y %)*	0.5	2.7	2.0	0.4	2.4	2.0	0.1	0.2	0.0
Index of Industrial Production (y/y %)	-2.8	4.2	4.6	-3.1	3.0	4.6	0.3	1.1	0.0
Index of Tertiary Industry Activity (y/y %)	1.1	2.2	1.4	1.1	2.2	1.4	0.0	0.0	0.0
Corporate Goods Price Index (y/y %)	-0.9	1.3	3.2	-0.9	1.3	3.2	0.0	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.2	2.6	-0.2	0.2	2.6	0.0	0.0	0.0
Unemployment rate (%)	4.3	4.1	4.0	4.3	4.1	4.0	0.0	0.0	0.0
Government bond yield (10 year; %)	0.77	0.90	1.07	0.80	0.95	1.11	-0.03	-0.06	-0.03
Money stock; M2 (end-period; y/y %)	2.3	1.7	1.5	2.3	1.7	1.5	0.0	0.0	0.0
Balance of payments									
Trade balance (Y tril)	-7.3	-9.6	-5.4	-7.2	-9.5	-5.3	-0.1	-0.1	-0.2
Current balance (\$100 mil)	395	192	744	433	242	795	-38	-50	-51
Current balance (Y tril)	3.2	1.8	7.1	3.5	2.3	7.6	-0.3	-0.5	-0.5
(% of nominal GDP)	0.7	0.4	1.4	0.7	0.5	1.5	-0.1	-0.1	-0.1
<b>Real GDP components (chained [2005]; y/y %)</b>									
Private final consumption	1.4	1.6	-0.9	1.4	1.5	-0.9	0.0	0.1	0.0
Private housing investment	4.9	6.4	-4.9	4.9	6.6	-4.9	0.0	-0.1	-0.0
Private fixed investment	-0.8	3.4	5.6	-1.7	2.3	5.6	0.9	1.1	0.0
Government final consumption	2.5	1.5	1.1	2.4	1.4	1.1	0.1	0.0	0.0
Public fixed investment	15.0	10.6	-16.9	14.8	10.8	-16.9	0.2	-0.1	-0.0
Exports of goods and services	-2.4	2.6	8.7	-2.3	2.8	8.7	-0.1	-0.2	-0.1
Imports of goods and services	3.5	2.6	3.3	3.6	2.7	3.4	-0.1	-0.1	-0.1
<b>Major assumptions:</b>									
1. World economy									
Economic growth of major trading partners	3.1	3.6	3.9	3.1	3.5	4.0	0.1	0.0	-0.1
Crude oil price (WTI futures; \$/bbl)	92.3	95.0	95.0	92.3	95.0	95.0	0.0	0.0	0.0
2. US economy									
US real GDP (chained [2005]; y/y %)	2.0	1.9	2.3	2.0	2.1	2.7	0.0	-0.2	-0.4
US Consumer Price Index (y/y %)	1.8	2.1	2.2	1.8	2.1	2.2	0.0	0.0	0.0
3. Japanese economy									
Nominal public fixed investment (y/y %)	14.9	12.2	-15.8	14.7	12.3	-15.8	0.2	-0.2	-0.0
Exchange rate (Y/\$)	82.9	95.0	95.0	82.9	95.0	95.0	0.0	0.0	0.0
(Y/€)	107.5	125.0	125.0	107.5	125.0	125.0	0.0	0.0	0.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.00	0.00	0.00

Source: Compiled by DIR.

Notes: Due to rounding, differences do not necessarily conform to calculations based on figures shown.

\* Excl. agriculture, forestry, and fisheries.

## Quarterly Forecast Tables

## 1.1 Selected Economic Indicators

	2011			2012			2013			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012	
Nominal GDP (SAAR; Y tril)	463.9	474.6	473.9	480.5	478.0	473.0	471.5	472.4	473.3	473.7	470.6	475.9	
Q/q %	-1.5	2.3	-0.1	1.4	-0.5	-1.0	-0.3	0.2					
Q/q %, SAAR	-5.7	9.5	-0.6	5.7	-2.1	-4.1	-1.3	0.8					
Y/y %	-3.7	-2.4	-1.8	2.3	2.9	-0.4	-0.2	-1.8	-1.4	0.1	-2.4	1.1	
Real GDP (chained [2005]; SAAR; Y tril)	501.9	514.7	515.2	522.9	521.7	516.9	517.1	519.7	513.7	518.8	509.5	519.6	
Q/q %	-0.9	2.5	0.1	1.5	-0.2	-0.9	0.0	0.5					
Q/q %, SAAR	-3.4	10.6	0.4	6.1	-0.9	-3.7	0.2	2.0					
Y/y %	-1.6	-0.5	-0.3	3.4	3.9	0.4	0.5	-0.7	0.3	1.0	-0.6	2.0	
Contribution to GDP growth (% pt)													
Domestic demand	0.2	1.8	0.8	1.3	0.0	-0.2	0.2	0.5	1.3	1.8	0.3	2.9	
Foreign demand	-1.0	0.8	-0.7	0.2	-0.3	-0.7	-0.2	0.0	-1.0	-0.9	-0.9	-0.9	
GDP deflator (y/y %)	-2.1	-1.9	-1.5	-1.1	-1.0	-0.8	-0.7	-1.2	-1.7	-0.9	-1.9	-0.9	
Index of All-Industry Activity (2005=100)	94.2	96.2	96.7	96.6	96.5	96.0	96.1	96.9	96.0	96.4	95.4	96.2	
Q/q %; y/y %	-1.0	2.2	0.6	-0.1	-0.2	-0.5	0.1	0.9	0.2	0.5	-0.5	0.8	
Index of Industrial Production (2005=100)	88.9	93.7	94.1	95.3	93.4	89.5	87.8	90.9	93.2	90.6	92.2	91.9	
Q/q %; y/y %	-4.2	5.4	0.4	1.2	-2.0	-4.2	-1.9	3.6	-1.0	-2.8	-2.4	-0.3	
Index of Tertiary Industry Activity (2005=100)	97.0	98.5	99.0	99.0	99.0	99.1	99.7	99.9	98.5	99.5	97.9	99.1	
Q/q %; y/y %	-0.5	1.5	0.5	0.0	0.0	0.0	0.6	0.2	0.7	1.1	0.0	1.2	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	102.0	102.1	101.0	101.2	101.0	100.2	100.2	101.2	101.6	100.6	101.5	100.6	
Y/y %	1.8	2.1	1.1	0.3	-0.9	-1.8	-0.9	-0.0	1.3	-0.9	1.5	-0.8	
CPI (excl. fresh food; 2010=100)	100.0	99.9	99.7	99.6	99.9	99.6	99.6	99.2	99.8	99.6	99.8	99.7	
Y/y %	-0.3	0.2	-0.2	0.1	-0.0	-0.2	-0.1	-0.4	-0.0	-0.2	-0.3	-0.1	
Unemployment rate (%)	4.7	4.5	4.5	4.5	4.4	4.3	4.2	4.2	4.5	4.3	4.6	4.4	
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Government bond yield (10 year; %)	1.16	1.04	1.03	0.97	0.85	0.78	0.76	0.71	1.05	0.77	0.98	0.84	
Money stock; M2 (y/y %)	2.8	2.8	3.0	3.0	2.4	2.4	2.3	2.1	2.9	2.3	2.7	2.5	
Trade balance (SAAR; Y tril)	-4.4	-1.1	-4.7	-4.3	-4.4	-7.0	-7.6	-9.9	-3.5	-7.3	-1.6	-5.8	
Current balance (SAAR; \$100 mil)	928	1,259	837	813	750	443	314	65	964	395	1,197	580	
Current balance (SAAR; Y tril)	7.6	9.8	6.5	6.4	6.0	3.5	2.5	0.6	7.6	3.2	9.6	4.6	
(% of nominal GDP)	1.6	2.1	1.4	1.3	1.3	0.7	0.5	0.1	1.6	0.7	2.0	1.0	
Exchange rate (Y/\$)	81.7	77.8	77.3	79.3	80.1	78.6	81.2	91.8	79.0	82.9	79.8	79.8	
(Y/Euro)	118.3	108.7	104.9	106.3	101.2	98.2	108.2	122.6	109.6	107.5	111.4	103.5	

Source: Compiled by DIR.

Notes: 1) Quarterly figures (excl. y/y %) seasonally adjusted, other unadjusted.

2) Index of All-Industry Activity Index: excl. agriculture, forestry, and fisheries.

3) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

## 1.2 Selected Economic Indicators

	2013			2014			2015		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)
Nominal GDP (SAAR; Y tril)	475.6	480.4	486.7	492.4	486.4	489.1	492.2	496.3	483.9	491.1	478.9	490.1
Q/q %	0.7	1.0	1.3	1.2	-1.2	0.6	0.6	0.8				
Q/q %, SAAR	2.7	4.2	5.3	4.8	-4.8	2.2	2.5	3.4				
Y/y %	-0.4	1.6	3.1	4.3	2.2	1.8	1.2	0.8	2.1	1.5	0.6	2.4
Real GDP (chained [2005]; SAAR; Y tril)	523.3	529.1	535.9	542.2	531.1	533.4	535.5	538.4	532.7	534.6	527.0	535.6
Q/q %	0.7	1.1	1.3	1.2	-2.0	0.4	0.4	0.5				
Q/q %, SAAR	2.9	4.5	5.2	4.8	-7.9	1.7	1.6	2.1				
Y/y %	0.3	2.4	3.6	4.4	1.5	0.8	-0.0	-0.7	2.7	0.4	1.4	1.6
Contribution to GDP growth (% pt)												
Domestic demand	0.6	1.0	1.2	1.1	-2.4	0.1	0.1	0.3	2.6	-0.6	1.8	1.1
Foreign demand	0.1	0.1	0.1	0.0	0.3	0.3	0.2	0.2	0.0	0.9	-0.4	0.5
GDP deflator (y/y %)	-0.8	-0.8	-0.5	-0.1	0.8	1.0	1.2	1.5	-0.5	1.1	-0.8	0.7
Index of All-Industry Activity (2005=100)	97.5	98.2	99.3	100.7	100.0	100.5	101.2	102.0	99.0	101.0	97.9	100.5
Q/q %; y/y %	0.6	0.7	1.1	1.4	-0.7	0.5	0.7	0.9	2.7	2.0	1.8	2.7
Index of Industrial Production (2005=100)	92.0	93.1	94.7	96.9	96.1	97.2	99.2	101.5	94.3	98.7	93.0	97.7
Q/q %; y/y %	1.1	1.2	1.7	2.4	-0.9	1.2	2.0	2.3	4.2	4.6	1.3	5.1
Index of Tertiary Industry Activity (2005=100)	100.4	101.0	101.9	103.1	102.5	102.8	103.2	103.7	101.7	103.1	100.7	102.8
Q/q %; y/y %	0.5	0.6	0.9	1.2	-0.6	0.3	0.4	0.5	2.2	1.4	1.6	2.1
Corporate Goods Price Index components (2010=100)												
Domestic Company Goods Price Index	101.7	101.9	102.0	102.1	105.0	105.1	105.2	105.3	101.9	105.1	101.7	104.4
Y/y %	0.7	1.7	1.9	1.0	3.3	3.2	3.1	3.1	1.3	3.2	1.0	2.6
CPI (excl. fresh food; 2010=100)	99.8	99.8	99.8	99.6	102.1	102.3	102.5	102.5	99.7	102.3	99.6	101.6
Y/y %	-0.1	0.1	0.3	0.4	2.3	2.5	2.7	2.9	0.2	2.6	-0.0	2.0
Unemployment rate (%)	4.2	4.1	4.1	4.1	4.0	4.0	4.0	4.0	4.1	4.0	4.2	4.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Government bond yield (10 year; %)	0.80	0.88	0.92	0.98	1.02	1.06	1.09	1.12	0.90	1.07	0.83	1.04
Money stock; M2 (y/y %)	1.8	1.8	1.6	1.5	1.5	1.5	1.5	1.5	1.7	1.5	1.8	1.5
Trade balance (SAAR; Y tril)	-9.7	-9.5	-9.3	-9.2	-7.8	-6.3	-4.6	-2.9	-9.6	-5.4	-9.5	-6.9
Current balance (SAAR; \$100 mil)	112	169	217	265	445	632	836	1,045	192	744	141	544
Current balance (SAAR; Y tril)	1.1	1.6	2.1	2.5	4.2	6.0	7.9	9.9	1.8	7.1	1.3	5.2
(% of nominal GDP)	0.2	0.3	0.4	0.5	0.9	1.2	1.6	2.0	0.4	1.4	0.3	1.1
Exchange rate (Y/\$)	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	94.2	95.0
(Y/Euro)	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	124.4	125.0

Source: Compiled by DIR.

Notes: 1) Quarterly figures (excl. y/y %) seasonally adjusted, other unadjusted.

2) Index of All-Industry Activity Index: excl. agriculture, forestry, and fisheries.

3) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

## 2.1 Real Gross Domestic Expenditure (chained [2005]; Y tril)

	2011			2012			2013		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012
Gross domestic expenditure	501.9	514.7	515.2	522.9	521.7	516.9	517.1	519.7	513.7	518.8	509.5	519.6
Q/q %, SAAR	-3.4	10.6	0.4	6.1	-0.9	-3.7	0.2	2.0				
Y/y %	-1.6	-0.5	-0.3	3.4	3.9	0.4	0.5	-0.7	0.3	1.0	-0.6	2.0
Domestic demand	491.8	500.3	504.7	511.2	511.4	510.1	511.0	513.3	502.1	511.5	496.9	510.9
Q/q %, SAAR	0.8	7.1	3.6	5.2	0.2	-1.0	0.8	1.8				
Y/y %	-0.2	0.1	1.0	4.3	3.9	1.9	1.3	0.5	1.3	1.9	0.3	2.8
Private demand	372.8	381.2	386.0	389.4	387.8	385.5	385.4	386.9	382.5	386.3	378.1	387.1
Q/q %, SAAR	0.3	9.3	5.1	3.5	-1.6	-2.4	-0.1	1.5				
Y/y %	-0.5	0.1	1.5	4.7	3.9	1.1	-0.1	-0.7	1.4	1.0	0.5	2.4
Final consumption	299.9	304.0	305.6	309.3	309.2	307.8	309.3	309.8	304.7	309.0	301.8	308.9
Q/q %, SAAR	3.3	5.6	2.1	5.0	-0.1	-1.9	2.0	0.7				
Y/y %	0.5	0.5	1.2	4.0	3.1	1.3	1.1	0.2	1.5	1.4	0.5	2.4
Residential investment	12.6	13.3	13.1	12.9	13.2	13.4	13.9	14.0	13.0	13.6	13.0	13.4
Q/q %, SAAR	-9.2	21.5	-3.4	-6.5	9.1	6.8	14.9	2.4				
Y/y %	3.5	8.2	3.3	-0.1	4.6	1.4	5.7	8.2	3.7	4.9	5.5	2.9
Non-residential investment	64.3	65.5	70.7	69.0	68.9	66.7	65.7	66.5	67.5	66.9	66.2	67.6
Q/q %, SAAR	-1.4	7.7	36.0	-9.5	-0.3	-12.5	-5.7	4.9				
Y/y %	-0.5	-0.2	9.9	6.9	7.3	1.5	-7.0	-3.6	4.1	-0.8	3.3	2.1
Change in inventories	-4.0	-1.5	-3.4	-1.8	-3.6	-2.4	-3.4	-3.4	-2.7	-3.2	-2.9	-2.8
Public demand	118.9	119.0	118.7	121.8	123.6	124.6	125.6	126.4	119.6	125.2	118.7	123.9
Q/q %, SAAR	2.3	0.3	-1.3	11.0	5.9	3.3	3.3	2.6				
Y/y %	0.9	0.4	-0.6	3.0	3.8	4.6	6.0	4.1	0.9	4.6	-0.1	4.3
Government final consumption	98.6	98.8	99.1	100.7	101.1	101.5	102.2	102.5	99.4	101.8	98.8	101.4
Q/q %, SAAR	1.2	1.1	1.2	6.3	1.7	1.6	2.7	1.2				
Y/y %	1.3	1.2	1.0	2.4	2.6	2.6	3.0	1.8	1.5	2.5	1.5	2.7
Fixed investment	20.3	20.1	19.5	21.1	22.5	23.0	23.4	23.9	20.3	23.3	20.0	22.5
Q/q %, SAAR	4.4	-3.8	-11.9	38.4	27.1	10.7	7.2	8.9				
Y/y %	-2.2	-4.7	-7.4	5.0	11.3	15.1	19.6	13.4	-2.2	15.0	-7.5	12.5
Change in inventories	0.1	0.1	0.0	-0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services	10.2	14.7	10.9	12.2	11.0	7.0	5.8	6.1	12.0	7.5	12.9	9.0
Exports of goods and services	77.9	84.6	82.0	84.8	84.8	80.5	77.5	78.4	82.3	80.3	82.1	81.8
Q/q %, SAAR	-25.5	39.4	-11.8	14.2	0.2	-19.0	-14.0	4.9				
Y/y %	-5.5	0.8	-2.6	0.9	9.2	-4.8	-5.7	-7.4	-1.6	-2.4	-0.4	-0.3
Imports of goods and services	67.7	69.9	71.1	72.6	73.8	73.4	71.7	72.4	70.3	72.8	69.2	72.9
Q/q %, SAAR	-2.0	13.7	7.0	8.6	6.8	-1.9	-9.0	3.6				
Y/y %	3.6	5.1	5.7	6.7	9.1	5.1	0.7	-0.3	5.3	3.5	5.9	5.3
Residual	-0.0	-0.3	-0.4	-0.5	-0.7	-0.2	0.3	0.3	-0.4	-0.2	-0.3	-0.3

Source: Compiled by DIR.

Notes: 1) Subtotals by demand (domestic demand, private demand, and public demand) are simple aggregates of respective components, which differ from figures released by the government.

2) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.



## 2.2 Real Gross Domestic Expenditure (chained [2005]; Y tril)

	2013			2014			2015		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)
Gross domestic expenditure	523.3	529.1	535.9	542.2	531.1	533.4	535.5	538.4	532.7	534.6	527.0	535.6
Q/q %, SAAR	2.9	4.5	5.2	4.8	-7.9	1.7	1.6	2.1				
Y/y %	0.3	2.4	3.6	4.4	1.5	0.8	-0.0	-0.7	2.7	0.4	1.4	1.6
Domestic demand	516.4	521.5	527.6	533.4	520.7	521.5	522.2	523.7	524.9	521.9	519.7	524.4
Q/q %, SAAR	2.4	4.0	4.8	4.4	-9.1	0.6	0.5	1.1				
Y/y %	0.9	2.2	3.3	4.1	0.8	0.1	-1.2	-1.9	2.6	-0.6	1.7	0.9
Private demand	389.0	392.2	397.6	404.0	392.7	395.0	396.9	399.0	395.8	396.0	391.4	397.1
Q/q %, SAAR	2.2	3.3	5.6	6.7	-10.8	2.4	1.9	2.1				
Y/y %	0.3	1.7	3.1	4.6	0.9	0.7	-0.2	-1.1	2.4	0.0	1.1	1.5
Final consumption	310.5	311.4	314.3	320.1	309.5	311.1	311.9	312.8	314.1	311.3	311.5	313.1
Q/q %, SAAR	0.8	1.2	3.8	7.6	-12.6	2.0	1.0	1.2				
Y/y %	0.4	1.1	1.7	3.3	-0.3	-0.1	-0.8	-2.3	1.6	-0.9	0.9	0.5
Residential investment	14.1	14.4	14.7	14.8	13.9	13.7	13.8	13.9	14.5	13.8	14.3	14.0
Q/q %, SAAR	4.1	6.6	11.2	2.4	-23.2	-4.7	1.2	2.8				
Y/y %	7.0	6.8	6.1	6.0	-1.7	-4.4	-6.7	-6.6	6.4	-4.9	7.0	-1.9
Non-residential investment	67.4	68.4	69.5	70.9	71.3	72.3	73.5	74.7	69.2	73.0	67.9	72.0
Q/q %, SAAR	5.7	6.1	6.6	8.2	2.0	6.1	6.6	6.6				
Y/y %	-2.3	2.7	5.8	6.6	5.7	5.7	5.7	5.3	3.4	5.6	0.4	6.0
Change in inventories	-3.0	-2.0	-1.0	-1.8	-2.0	-2.1	-2.2	-2.3	-1.9	-2.2	-2.4	-2.0
Public demand	127.4	129.3	130.1	129.3	128.0	126.5	125.3	124.7	129.1	125.9	128.3	127.3
Q/q %, SAAR	3.1	6.3	2.2	-2.2	-3.9	-4.8	-3.7	-2.0				
Y/y %	2.7	3.6	3.8	2.4	0.7	-2.0	-4.1	-4.2	3.2	-2.5	3.6	-0.8
Government final consumption	102.8	103.1	103.5	103.8	104.1	104.3	104.5	104.7	103.3	104.5	103.0	104.2
Q/q %, SAAR	1.2	1.2	1.6	1.2	1.2	0.8	0.8	0.8				
Y/y %	1.6	1.6	1.3	1.3	1.3	1.2	1.0	0.9	1.5	1.1	1.6	1.2
Fixed investment	24.6	26.3	26.6	25.5	23.9	22.2	20.8	19.9	25.8	21.4	25.3	23.1
Q/q %, SAAR	11.7	29.5	4.7	-14.6	-22.8	-26.6	-23.0	-15.2				
Y/y %	9.2	13.7	13.6	6.6	-2.6	-15.5	-22.0	-22.0	10.6	-16.9	12.7	-8.7
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services	6.7	7.3	8.0	8.6	10.1	11.6	13.1	14.4	7.6	12.3	7.0	10.9
Exports of goods and services	79.9	81.5	83.2	84.9	86.7	88.5	90.5	92.4	82.4	89.5	80.8	87.6
Q/q %, SAAR	7.8	8.4	8.5	8.2	8.7	8.8	9.0	9.0				
Y/y %	-5.9	1.3	7.5	8.2	8.5	8.6	8.6	8.9	2.6	8.7	-1.3	8.5
Imports of goods and services	73.2	74.2	75.2	76.3	76.6	76.9	77.4	78.0	74.7	77.2	73.7	76.8
Q/q %, SAAR	4.9	5.3	5.5	6.1	1.2	2.0	2.4	3.2				
Y/y %	-0.8	1.0	4.9	5.5	4.5	3.7	2.9	2.2	2.6	3.3	1.2	4.1
Residual	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.4	0.3	0.3

Source: Compiled by DIR.

Notes: 1) Subtotals by demand (domestic demand, private demand, and public demand) are simple aggregates of respective components, which differ from figures released by the government.

2) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.

## 3.1 Nominal Gross Domestic Expenditure (¥ tril)

	2011			2012			2013		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012
Gross domestic expenditure	463.9	474.6	473.9	480.5	478.0	473.0	471.5	472.4	473.3	473.7	470.6	475.9
Q/q %, SAAR	-5.7	9.5	-0.6	5.7	-2.1	-4.1	-1.3	0.8				
Y/y %	-3.7	-2.4	-1.8	2.3	2.9	-0.4	-0.2	-1.8	-1.4	0.1	-2.4	1.1
Domestic demand	470.3	478.3	481.4	488.1	486.0	483.4	484.4	486.9	479.6	485.0	474.9	485.4
Q/q %, SAAR	-0.0	7.0	2.7	5.7	-1.8	-2.1	0.8	2.1				
Y/y %	-1.1	-0.4	0.7	4.1	3.2	1.0	0.7	-0.3	0.8	1.1	-0.4	2.2
Private demand	352.9	360.7	364.7	368.3	365.5	362.0	362.1	363.6	361.8	363.2	358.0	364.5
Q/q %, SAAR	-0.8	9.2	4.5	3.9	-3.0	-3.8	0.2	1.6				
Y/y %	-1.6	-0.6	1.1	4.4	3.4	0.3	-0.6	-1.4	0.8	0.4	-0.4	1.8
Final consumption	283.1	286.7	287.7	291.6	290.6	287.8	289.4	289.5	287.3	289.3	284.8	289.8
Q/q %, SAAR	2.2	5.2	1.4	5.5	-1.4	-3.8	2.4	0.1				
Y/y %	-0.6	-0.0	0.7	3.6	2.6	0.3	0.6	-0.7	0.9	0.7	-0.4	1.8
Residential investment	13.1	13.8	13.6	13.3	13.6	13.8	14.4	14.6	13.5	14.1	13.5	13.8
Q/q %, SAAR	-7.9	22.0	-5.1	-7.4	8.2	5.5	17.2	5.7				
Y/y %	4.4	9.0	3.6	-0.3	3.8	0.2	5.4	9.1	4.2	4.5	6.2	2.3
Non-residential investment	60.9	62.1	66.8	65.2	65.1	62.8	61.9	63.0	63.8	63.2	62.7	63.8
Q/q %, SAAR	-2.7	8.3	34.3	-9.6	-0.2	-13.3	-5.8	7.4				
Y/y %	-2.1	-1.3	9.1	6.3	7.2	1.0	-7.3	-3.3	3.1	-1.0	1.9	1.8
Change in inventories	-4.2	-1.9	-3.4	-1.8	-3.8	-2.4	-3.6	-3.5	-2.8	-3.3	-3.0	-2.9
Public demand	117.4	117.5	116.7	119.9	120.5	121.4	122.2	123.3	117.9	121.9	116.9	120.9
Q/q %, SAAR	2.5	0.7	-2.9	11.3	2.2	3.1	2.6	3.5				
Y/y %	0.5	0.4	-0.5	3.1	2.3	3.4	4.6	3.2	0.9	3.4	-0.3	3.4
Government final consumption	96.2	96.5	96.4	98.0	97.3	97.6	98.0	98.4	96.8	97.7	96.2	97.6
Q/q %, SAAR	1.1	1.1	-0.3	6.6	-2.8	1.3	1.6	1.6				
Y/y %	0.8	1.0	0.9	2.5	1.0	1.1	1.4	0.2	1.3	0.9	1.1	1.5
Fixed investment	21.1	21.0	20.2	21.9	23.3	23.8	24.3	24.9	21.0	24.1	20.7	23.2
Q/q %, SAAR	6.3	-2.4	-13.0	36.5	27.8	9.9	7.8	11.5				
Y/y %	-1.5	-3.8	-6.7	5.3	11.0	14.0	19.3	14.1	-1.6	14.9	-6.9	12.3
Change in inventories	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Net exports of goods and services	-6.3	-3.7	-7.6	-7.6	-8.0	-10.4	-12.9	-14.5	-6.4	-11.2	-4.3	-9.5
Exports of goods and services	68.5	73.4	70.0	72.0	72.1	67.8	67.6	71.0	70.9	69.4	71.3	69.6
Q/q %, SAAR	-24.2	32.0	-17.5	11.9	0.9	-21.8	-1.3	21.8				
Y/y %	-8.0	-0.4	-5.1	-2.0	5.6	-7.6	-4.8	-1.3	-3.9	-2.2	-2.6	-2.3
Imports of goods and services	74.8	77.1	77.6	79.6	80.1	78.2	80.5	85.5	77.3	80.6	75.6	79.1
Q/q %, SAAR	11.1	12.9	2.2	11.1	2.7	-9.4	12.4	27.4				
Y/y %	9.7	13.6	12.1	9.5	7.2	1.2	1.3	7.3	11.2	4.2	12.1	4.7

Source: Compiled by DIR.

Note: Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.

## 3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2013			2014			2015			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)	
Gross domestic expenditure	475.6	480.4	486.7	492.4	486.4	489.1	492.2	496.3	483.9	491.1	478.9	490.1	
Q/q %, SAAR	2.7	4.2	5.3	4.8	-4.8	2.2	2.5	3.4					
Y/y %	-0.4	1.6	3.1	4.3	2.2	1.8	1.2	0.8	2.1	1.5	0.6	2.4	
Domestic demand	490.0	494.7	500.9	506.6	499.2	500.4	501.8	504.2	498.2	501.1	493.0	501.9	
Q/q %, SAAR	2.6	3.9	5.1	4.6	-5.7	1.0	1.1	1.9					
Y/y %	0.8	2.3	3.4	4.3	1.9	1.2	-0.0	-0.6	2.7	0.6	1.6	1.8	
Private demand	365.5	368.4	373.6	379.7	373.4	376.1	378.6	381.5	371.9	377.4	367.7	376.9	
Q/q %, SAAR	2.1	3.2	5.8	6.7	-6.5	2.9	2.7	3.1					
Y/y %	0.0	1.8	3.1	4.7	2.1	2.1	1.2	0.6	2.4	1.5	0.9	2.5	
Final consumption	289.7	290.3	292.9	298.3	292.5	294.3	295.4	296.9	292.8	294.7	290.6	295.1	
Q/q %, SAAR	0.3	0.8	3.6	7.6	-7.6	2.4	1.6	2.0					
Y/y %	-0.3	0.9	1.2	3.1	1.0	1.4	0.8	-0.5	1.2	0.7	0.3	1.5	
Residential investment	14.7	15.0	15.4	15.5	14.7	14.5	14.6	14.8	15.2	14.7	14.9	14.8	
Q/q %, SAAR	5.3	7.0	11.8	3.0	-20.1	-4.0	2.2	4.1					
Y/y %	8.3	8.6	7.5	6.7	-0.4	-3.0	-5.2	-5.0	7.8	-3.5	8.3	-0.7	
Non-residential investment	64.1	65.2	66.3	67.8	68.3	69.5	70.8	72.2	65.9	70.3	64.6	69.0	
Q/q %, SAAR	7.0	6.8	7.3	9.1	3.0	7.2	7.8	8.1					
Y/y %	-1.7	3.8	7.0	7.5	6.5	6.6	6.8	6.5	4.3	6.6	1.2	6.9	
Change in inventories	-3.1	-2.1	-1.0	-1.9	-2.1	-2.2	-2.3	-2.4	-2.0	-2.2	-2.4	-2.1	
Public demand	124.5	126.3	127.3	126.8	125.8	124.3	123.2	122.7	126.3	123.7	125.3	125.0	
Q/q %, SAAR	4.1	5.9	3.2	-1.6	-3.1	-4.7	-3.5	-1.6					
Y/y %	2.9	4.0	4.4	3.2	1.2	-1.6	-3.5	-4.1	3.6	-2.0	3.6	-0.2	
Government final consumption	98.8	98.8	99.4	99.9	100.5	100.8	101.1	101.4	99.2	100.9	98.8	100.5	
Q/q %, SAAR	1.8	-0.0	2.4	2.0	2.4	1.2	1.2	1.2					
Y/y %	1.6	1.2	1.6	1.7	1.7	2.0	1.7	1.5	1.5	1.7	1.2	1.7	
Fixed investment	25.7	27.5	27.9	26.9	25.3	23.5	22.1	21.3	27.1	22.8	26.5	24.5	
Q/q %, SAAR	13.5	31.1	5.9	-13.6	-21.7	-25.5	-21.8	-13.7					
Y/y %	10.3	15.4	15.4	8.0	-1.4	-14.5	-20.9	-20.8	12.2	-15.8	14.0	-7.6	
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net exports of goods and services	-14.4	-14.3	-14.2	-14.2	-12.8	-11.3	-9.6	-7.9	-14.1	-10.2	-14.2	-11.7	
Exports of goods and services	73.0	74.9	76.7	78.6	80.7	82.9	85.3	87.8	75.6	83.9	73.8	81.6	
Q/q %, SAAR	11.3	11.0	10.2	10.2	10.9	11.5	12.1	12.5					
Y/y %	1.0	10.4	14.4	10.7	10.7	10.7	10.7	11.7	9.0	11.0	5.9	10.7	
Imports of goods and services	87.4	89.2	91.0	92.8	93.4	94.2	94.9	95.8	89.8	94.1	88.0	93.4	
Q/q %, SAAR	8.9	8.4	8.3	8.3	2.8	3.2	3.2	3.7					
Y/y %	9.0	14.1	14.4	8.5	6.9	5.6	3.7	3.2	11.4	4.8	11.2	6.2	

Source: Compiled by DIR.

Note: Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.

## 4.1 Gross Domestic Expenditure, Implicit Deflators (2005=100)

	2011			2012			2013		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012
Gross domestic expenditure	92.4	92.2	92.0	91.9	91.6	91.5	91.2	90.9	92.1	91.3	92.4	91.6
Q/q %, SAAR	-0.6	-0.2	-0.2	-0.1	-0.3	-0.1	-0.4	-0.3				
Y/y %	-2.1	-1.9	-1.5	-1.1	-1.0	-0.8	-0.7	-1.2	-1.7	-0.9	-1.9	-0.9
Private final consumption	94.4	94.3	94.2	94.3	94.0	93.5	93.6	93.4	94.3	93.6	94.4	93.8
Q/q %, SAAR	-0.2	-0.1	-0.2	0.1	-0.3	-0.5	0.1	-0.1				
Y/y %	-1.1	-0.6	-0.5	-0.3	-0.5	-1.0	-0.6	-0.9	-0.6	-0.7	-0.8	-0.6
Private residential investment	103.9	104.0	103.5	103.3	103.1	102.7	103.2	104.1	103.7	103.3	103.7	103.1
Q/q %, SAAR	0.3	0.1	-0.5	-0.2	-0.2	-0.3	0.5	0.8				
Y/y %	0.9	0.7	0.3	-0.2	-0.8	-1.2	-0.3	0.8	0.4	-0.4	0.6	-0.6
Private non-residential investment	94.6	94.8	94.5	94.4	94.5	94.2	94.2	94.8	94.6	94.4	94.7	94.4
Q/q %, SAAR	-0.3	0.1	-0.3	-0.0	0.0	-0.2	-0.0	0.6				
Y/y %	-1.6	-1.1	-0.7	-0.5	-0.2	-0.6	-0.3	0.3	-1.0	-0.1	-1.3	-0.4
Government final consumption	97.6	97.6	97.2	97.3	96.2	96.1	95.9	96.0	97.4	95.9	97.4	96.3
Q/q %, SAAR	-0.0	-0.0	-0.4	0.1	-1.1	-0.1	-0.3	0.1				
Y/y %	-0.5	-0.1	-0.1	0.1	-1.6	-1.5	-1.6	-1.6	-0.2	-1.5	-0.3	-1.1
Public fixed investment	103.7	104.1	103.8	103.4	103.6	103.4	103.5	104.1	103.7	103.6	103.7	103.4
Q/q %, SAAR	0.5	0.4	-0.3	-0.4	0.1	-0.2	0.1	0.6				
Y/y %	0.7	1.0	0.8	0.3	-0.2	-0.9	-0.2	0.6	0.7	-0.1	0.6	-0.2
Exports of goods and services	87.9	86.7	85.3	84.9	85.0	84.3	87.2	90.6	86.2	86.4	86.8	85.1
Q/q %, SAAR	0.4	-1.4	-1.7	-0.5	0.2	-0.9	3.5	3.8				
Y/y %	-2.7	-1.2	-2.6	-2.9	-3.3	-2.9	0.9	6.6	-2.3	0.3	-2.2	-2.0
Imports of goods and services	110.5	110.3	109.1	109.7	108.6	106.5	112.2	118.2	109.9	110.6	109.2	108.6
Q/q %, SAAR	3.2	-0.2	-1.2	0.6	-1.0	-2.0	5.4	5.3				
Y/y %	5.9	8.0	6.1	2.7	-1.8	-3.7	0.6	7.6	5.6	0.7	5.8	-0.6

Source: Compiled by DIR.

Note: Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.

## 4.2 Gross Domestic Expenditure, Implicit Deflators (2005=100)

	2013			2014			2015		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)
Gross domestic expenditure	90.9	90.8	90.8	90.8	91.6	91.7	91.9	92.2	90.8	91.9	90.9	91.5
Q/q %, SAAR	-0.0	-0.1	0.0	-0.0	0.9	0.1	0.2	0.3				
Y/y %	-0.8	-0.8	-0.5	-0.1	0.8	1.0	1.2	1.5	-0.5	1.1	-0.8	0.7
Private final consumption	93.3	93.2	93.2	93.2	94.5	94.6	94.7	94.9	93.2	94.7	93.3	94.2
Q/q %, SAAR	-0.1	-0.1	-0.0	0.0	1.4	0.1	0.1	0.2				
Y/y %	-0.7	-0.2	-0.4	-0.2	1.3	1.4	1.7	1.8	-0.4	1.6	-0.6	1.0
Private residential investment	104.4	104.5	104.6	104.8	105.8	106.0	106.3	106.6	104.6	106.2	104.4	105.7
Q/q %, SAAR	0.3	0.1	0.1	0.1	1.0	0.2	0.2	0.3				
Y/y %	1.3	1.7	1.3	0.7	1.4	1.5	1.6	1.7	1.3	1.5	1.3	1.3
Private non-residential investment	95.1	95.2	95.4	95.6	95.8	96.0	96.3	96.7	95.3	96.2	95.1	95.9
Q/q %, SAAR	0.3	0.1	0.2	0.2	0.2	0.3	0.3	0.4				
Y/y %	0.6	1.0	1.2	0.8	0.8	0.9	1.0	1.1	0.9	0.9	0.8	0.9
Government final consumption	96.1	95.8	96.0	96.2	96.5	96.6	96.7	96.8	96.0	96.6	95.9	96.4
Q/q %, SAAR	0.1	-0.3	0.2	0.2	0.3	0.1	0.1	0.1				
Y/y %	-0.0	-0.3	0.2	0.3	0.4	0.8	0.7	0.6	0.1	0.6	-0.4	0.5
Public fixed investment	104.5	104.8	105.2	105.5	105.8	106.2	106.6	107.1	105.1	106.4	104.7	106.0
Q/q %, SAAR	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4				
Y/y %	1.0	1.5	1.6	1.3	1.2	1.2	1.4	1.5	1.4	1.3	1.2	1.3
Exports of goods and services	91.3	91.8	92.2	92.6	93.1	93.6	94.3	95.0	91.8	93.8	91.3	93.1
Q/q %, SAAR	0.8	0.6	0.4	0.5	0.5	0.6	0.7	0.8				
Y/y %	7.3	9.0	6.4	2.3	2.0	1.9	1.9	2.6	6.3	2.1	7.3	2.0
Imports of goods and services	119.3	120.2	120.9	121.6	122.0	122.4	122.7	122.8	120.1	121.9	119.3	121.6
Q/q %, SAAR	1.0	0.7	0.7	0.5	0.4	0.3	0.2	0.1				
Y/y %	9.9	13.0	9.0	2.9	2.3	1.8	0.8	1.0	8.6	1.5	9.8	2.0

Source: Compiled by DIR.

Note: Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

E: DIR estimate.

## 5.1 Contribution to Real GDP Growth by Component

	2011			2012			2013			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012	
<b>1) Q/q %</b>													
GDP growth rate	-0.9	2.5	0.1	1.5	-0.2	-0.9	0.0	0.5	0.3	1.0	-0.6	2.0	
Domestic demand	0.2	1.8	0.8	1.3	0.0	-0.2	0.2	0.5	1.3	1.8	0.3	2.9	
Private demand	0.0	1.7	0.9	0.7	-0.3	-0.4	-0.0	0.3	1.1	0.7	0.4	1.8	
Private consumption	0.5	0.8	0.3	0.7	-0.0	-0.3	0.3	0.1	0.9	0.8	0.3	1.4	
Residential investment	-0.1	0.1	-0.0	-0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	
Private fixed investment	-0.0	0.2	1.0	-0.4	-0.0	-0.4	-0.2	0.2	0.5	-0.1	0.4	0.3	
Change in private inventories	-0.3	0.5	-0.4	0.3	-0.4	0.2	-0.2	0.0	-0.5	-0.1	-0.5	0.0	
Public demand	0.1	0.0	-0.1	0.7	0.4	0.2	0.2	0.2	0.2	1.1	-0.0	1.1	
Government final consumption	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.3	0.5	0.3	0.5	
Public fixed investment	0.0	-0.0	-0.1	0.4	0.3	0.1	0.1	0.1	-0.1	0.6	-0.3	0.6	
Change in public inventories	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	
Net exports of goods and services	-1.0	0.8	-0.7	0.2	-0.3	-0.7	-0.2	0.0	-1.0	-0.9	-0.9	-0.9	
Exports of goods and services	-1.1	1.3	-0.5	0.5	0.0	-0.8	-0.5	0.2	-0.2	-0.4	-0.1	-0.0	
Imports of goods and services	0.1	-0.5	-0.3	-0.3	-0.3	0.1	0.4	-0.1	-0.8	-0.5	-0.8	-0.9	
<b>2) Y/y %</b>													
GDP growth rate	-1.6	-0.5	-0.3	3.4	3.9	0.4	0.5	-0.7	0.3	1.0	-0.6	2.0	
Domestic demand	-0.2	0.1	1.0	4.3	4.0	2.0	1.5	0.6	1.3	1.8	0.3	2.9	
Private demand	-0.4	0.0	1.1	3.5	3.0	0.9	-0.0	-0.5	1.1	0.7	0.4	1.8	
Private consumption	0.3	0.3	0.7	2.3	1.9	0.8	0.7	0.1	0.9	0.8	0.3	1.4	
Residential investment	0.1	0.2	0.1	-0.0	0.1	0.0	0.2	0.2	0.1	0.1	0.1	0.1	
Private fixed investment	-0.1	-0.0	1.2	1.0	0.9	0.2	-0.9	-0.6	0.5	-0.1	0.4	0.3	
Change in private inventories	-0.8	-0.5	-0.9	0.2	0.1	-0.2	-0.0	-0.3	-0.5	-0.1	-0.5	0.0	
Public demand	0.2	0.1	-0.2	0.8	0.9	1.1	1.5	1.1	0.2	1.1	-0.0	1.1	
Government final consumption	0.3	0.2	0.2	0.5	0.6	0.5	0.6	0.4	0.3	0.5	0.3	0.5	
Public fixed investment	-0.1	-0.2	-0.4	0.3	0.4	0.6	0.9	0.7	-0.1	0.6	-0.3	0.6	
Change in public inventories	0.0	0.1	0.0	0.0	-0.0	-0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	
Net exports of goods and services	-1.4	-0.6	-1.2	-0.9	-0.1	-1.6	-1.0	-1.1	-1.0	-0.9	-0.9	-0.9	
Exports of goods and services	-0.8	0.1	-0.4	0.1	1.4	-0.8	-0.8	-1.1	-0.2	-0.4	-0.1	-0.0	
Imports of goods and services	-0.5	-0.7	-0.8	-1.1	-1.5	-0.8	-0.1	0.0	-0.8	-0.5	-0.8	-0.9	

Source: Compiled by DIR.

Note: Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

E: DIR estimate.

## 5.2 Contribution to Real GDP Growth by Component

	2013			2014			2015			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)	
<b>1) Q/q %</b>													
GDP growth rate	0.7	1.1	1.3	1.2	-2.0	0.4	0.4	0.5	2.7	0.4	1.4	1.6	
Domestic demand	0.6	1.0	1.2	1.1	-2.4	0.1	0.1	0.3	2.6	-0.6	1.8	1.1	
Private demand	0.4	0.6	1.0	1.3	-2.2	0.5	0.4	0.4	1.8	0.0	0.9	1.3	
Private consumption	0.1	0.2	0.6	1.1	-2.0	0.3	0.1	0.2	1.0	-0.5	0.5	0.3	
Residential investment	0.0	0.0	0.1	0.0	-0.2	-0.0	0.0	0.0	0.2	-0.1	0.2	-0.1	
Private fixed investment	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.2	0.4	0.7	0.1	0.8	
Change in private inventories	0.1	0.2	0.2	-0.1	-0.0	-0.0	-0.0	-0.0	0.2	-0.0	0.1	0.1	
Public demand	0.2	0.4	0.1	-0.2	-0.3	-0.3	-0.3	-0.1	0.8	-0.6	0.9	-0.2	
Government final consumption	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.3	0.2	0.3	0.2	
Public fixed investment	0.1	0.4	0.1	-0.2	-0.3	-0.4	-0.3	-0.2	0.5	-0.8	0.6	-0.5	
Change in public inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	
Net exports of goods and services	0.1	0.1	0.1	0.0	0.3	0.3	0.2	0.2	0.0	0.9	-0.4	0.5	
Exports of goods and services	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	1.3	-0.2	1.3	
Imports of goods and services	-0.2	-0.2	-0.2	-0.3	-0.1	-0.1	-0.1	-0.2	-0.4	-0.5	-0.2	-0.8	
<b>2) Y/y %</b>													
GDP growth rate	0.3	2.4	3.6	4.4	1.5	0.8	-0.0	-0.7	2.7	0.4	1.4	1.6	
Domestic demand	1.0	2.3	3.4	4.2	0.8	0.0	-1.4	-2.1	2.6	-0.6	1.8	1.1	
Private demand	0.3	1.4	2.4	3.5	0.7	0.6	-0.2	-0.8	1.8	0.0	0.9	1.3	
Private consumption	0.2	0.7	1.0	2.0	-0.2	-0.0	-0.5	-1.4	1.0	-0.5	0.5	0.3	
Residential investment	0.2	0.2	0.2	0.2	-0.1	-0.1	-0.2	-0.2	0.2	-0.1	0.2	-0.1	
Private fixed investment	-0.3	0.4	0.7	1.0	0.7	0.8	0.7	0.8	0.4	0.7	0.1	0.8	
Change in private inventories	0.1	0.1	0.5	0.3	0.2	-0.0	-0.2	-0.1	0.2	-0.0	0.1	0.1	
Public demand	0.7	0.9	1.0	0.7	0.2	-0.6	-1.2	-1.2	0.8	-0.6	0.9	-0.2	
Government final consumption	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.2	
Public fixed investment	0.4	0.6	0.8	0.4	-0.1	-0.8	-1.4	-1.4	0.5	-0.8	0.6	-0.5	
Change in public inventories	-0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	
Net exports of goods and services	-0.8	0.0	0.2	0.2	0.5	0.7	0.8	1.0	0.0	0.9	-0.4	0.5	
Exports of goods and services	-0.9	0.2	1.0	1.2	1.3	1.3	1.3	1.4	0.4	1.3	-0.2	1.3	
Imports of goods and services	0.1	-0.2	-0.8	-1.0	-0.8	-0.7	-0.5	-0.4	-0.4	-0.5	-0.2	-0.8	

Source: Compiled by DIR.

Note: Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

E: DIR estimate.

## 6.1 Major Assumptions

	2011			2012			2013			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2011	2012 (E)	2011	2012	
<b>1) World economy</b>													
Economic growth of major trading partners													
Y/y %	3.9	3.8	2.8	2.9	2.7	2.6	3.5	3.1	3.4	3.1	3.9	3.1	
Crude oil price (WTI futures; \$/bbl)	102.3	89.5	94.1	103.0	93.4	92.2	88.2	95.5	97.2	92.3	95.1	94.1	
Y/y %	31.1	17.5	10.3	8.9	-8.8	3.0	-6.2	-7.3	16.4	-5.1	19.5	-1.0	
<b>2) US economy</b>													
Real GDP (chained [2005]; \$ bil; SAAR)	13,265	13,307	13,441	13,506	13,549	13,653	13,657	13,744	13,380	13,651	13,299	13,591	
Q/q %, SAAR	2.5	1.3	4.1	2.0	1.3	3.1	0.1	2.6					
Y/y %	1.9	1.6	2.0	2.4	2.1	2.6	1.6	1.8	2.0	2.0	1.8	2.2	
Consumer Price Index (1982-84 avg=100)	224.6	226.2	227.0	228.3	228.8	230.0	231.3	232.4	226.5	230.6	224.9	229.6	
Q/q %, SAAR	4.7	2.9	1.4	2.3	1.0	2.1	2.2	2.0					
Y/y %	3.4	3.8	3.3	2.8	1.9	1.7	1.9	1.8	3.3	1.8	3.2	2.1	
Producer Price Index (Finished goods; 1982=100)	190.7	192.2	193.0	193.7	192.8	195.2	196.2	197.4	192.1	195.1	190.5	194.2	
Q/q %, SAAR	7.3	3.1	1.7	1.6	-1.8	5.0	2.1	2.4					
Y/y %	6.9	6.9	5.4	3.4	1.1	1.5	1.7	1.9	5.6	1.5	6.0	1.9	
FF rate (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	3.21	2.43	2.05	2.04	1.82	1.64	1.71	1.84	2.43	1.75	2.79	1.80	
<b>3) Japanese economy</b>													
Nominal government final consumption													
Y tril; SAAR	96.2	96.5	96.4	98.0	97.3	97.6	98.0	98.4	96.8	97.7	96.2	97.6	
Q/q %, SAAR	1.1	1.1	-0.3	6.6	-2.8	1.3	1.6	1.6					
Y/y %	0.8	1.0	0.9	2.5	1.0	1.1	1.4	0.2	1.3	0.9	1.1	1.5	
Nominal public fixed investment													
Y tril; SAAR	21.1	21.0	20.2	21.9	23.3	23.8	24.3	24.9	21.0	24.1	20.7	23.2	
Q/q %, SAAR	6.3	-2.4	-13.0	36.5	27.8	9.9	7.8	11.5					
Y/y %	-1.5	-3.8	-6.7	5.3	11.0	14.0	19.3	14.1	-1.6	14.9	-6.9	12.3	
Exchange rate (Y/\$)	81.7	77.8	77.3	79.3	80.1	78.6	81.2	91.8	79.0	82.9	79.8	79.8	
(Y/€)	118.3	108.7	104.9	106.3	101.2	98.2	108.2	122.6	109.6	107.5	111.4	103.5	
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	

Source: Compiled by DIR.

Note: Consumption tax hike in April 2014 assumed for Japan.

E: DIR estimate.



## 6.2 Major Assumptions

	2013			2014			2015			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2013 (E)	2014 (E)	2013 (E)	2014 (E)	
<b>1) World economy</b>													
Economic growth of major trading partners													
Y/y %	3.5	3.6	3.6	3.7	3.8	4.0	4.1	4.2	3.6	3.9	3.4	3.8	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.1	95.0	
	1.8	3.0	7.7	-0.6	0.0	0.0	0.0	0.0	2.9	0.0	1.1	-0.1	
<b>2) US economy</b>													
Real GDP (chained [2005]; \$ bil; SAAR)	13,798	13,867	13,939	14,017	14,096	14,180	14,263	14,351	13,905	14,223	13,837	14,139	
Q/q %, SAAR	1.6	2.0	2.1	2.2	2.3	2.4	2.4	2.5					
Y/y %	1.8	1.6	2.1	2.0	2.2	2.3	2.3	2.4	1.9	2.3	1.8	2.2	
Consumer Price Index (1982-84 avg=100)													
Q/q %, SAAR	2.1	2.1	2.0	2.1	2.2	2.3	2.3	2.3	2.35.4	240.6	234.2	239.2	
Y/y %	2.1	2.1	2.0	2.1	2.1	2.1	2.2	2.3	2.1	2.2	2.0	2.1	
Producer Price Index (Finished goods; 1982=100)													
Q/q %, SAAR	2.3	2.2	2.4	2.5	2.7	2.8	2.9	2.9	199.9	205.2	198.8	203.8	
Y/y %	2.9	2.2	2.3	2.3	2.4	2.6	2.7	2.8	2.5	2.7	2.3	2.5	
FF rate (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	1.97	2.21	2.38	2.56	2.72	2.89	2.92	3.00	2.28	2.88	2.10	2.77	
<b>3) Japanese economy</b>													
Nominal government final consumption													
Y tril; SAAR	98.8	98.8	99.4	99.9	100.5	100.8	101.1	101.4	99.2	100.9	98.8	100.5	
Q/q %, SAAR	1.8	-0.0	2.4	2.0	2.4	1.2	1.2	1.2					
Y/y %	1.6	1.2	1.6	1.7	1.7	2.0	1.7	1.5	1.5	1.7	1.2	1.7	
Nominal public fixed investment													
Y tril; SAAR	25.7	27.5	27.9	26.9	25.3	23.5	22.1	21.3	27.1	22.8	26.5	24.5	
Q/q %, SAAR	13.5	31.1	5.9	-13.6	-21.7	-25.5	-21.8	-13.7					
Y/y %	10.3	15.4	15.4	8.0	-1.4	-14.5	-20.9	-20.8	12.2	-15.8	14.0	-7.6	
Exchange rate (Y/\$)													
(Y/€)	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	94.2	95.0	
	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	124.4	125.0	
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	

Source: Compiled by DIR.

Note: Consumption tax hike in April 2014 assumed for Japan.

E: DIR estimate.