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Japan's Economic Outlook No. 179 Update (Summary)

Why Are Wages Stagnant in Japan?: Strengthening the third arrow of Abenomics (growth strategy) is the true path toward revitalizing Japan's economy

Japan to see real GDP growth of +2.5% in FY13 and +1.0% in FY14, nominal GDP growth of +2.3% and +2.6%

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Main Points

- **Economic outlook revised:** In light of the second preliminary Jul-Sep GDP release (Cabinet Office), we have revised our economic growth outlook. We now forecast real GDP growth of +2.5% y/y for FY13 (previous forecast: +2.6%) and +1.0% for FY14 (+1.0%). We have revised our economic outlook downward in view of the economic growth rate for Jul-Sep 2013 coming in lower than anticipated and factoring in the annual revision of FY11 and FY12 GDP, released along with the second preliminary 3Q 2013 GDP report.
- **Why are wages stagnant in Japan?:** The need to increase wages has become a leading political issue in Japan. In this report, we provide a multifaceted examination of the reasons why wages have stagnated in Japan and present our outlook going forward. First, an international comparison of real wages demonstrates that wages are stagnating in Japan not because labor's share is low, but because there are issues involving labor productivity and corporate competitiveness. Thus the key is to increase labor productivity and improve corporate competitiveness by strengthening the third arrow of Abenomics (growth strategy) in order to raise real wages in Japan. Second, a simulation of the future direction of wages reveals that wages are likely to gradually trend upward as the economy undergoes a cyclical recovery. It is also highly likely that regular payments will continue to grow at the macro level given an improvement in the supply-demand balance for labor. However, the increase in per-employee wages will be limited if it is based solely on a cyclical economic recovery. For wages to exceed their former peak, it will be crucial for the government to (1) strengthen the third arrow of Abenomics (structural reform of non-manufacturing and medical and nursing care sectors) and to (2) address the problems associated with non-regular employment. Companies will also need to accelerate the pace of wage increases as much as possible to avoid the "fallacy of composition".

- **Will a virtuous circle actually take hold in Japan's economy as intended by the government?:** First, from a wage perspective, an increase in wages will have a positive impact on non-manufacturing sector. In particular, higher contractual cash earnings will invigorate personal consumption, centering on durable goods. However for the virtuous circle to be sustained, a key issue will be whether or not the increase in wages can be passed through to output prices. Second, from a capex perspective, a tax cut for capital investments could invoke more such investments in the future. However, given Japan's sluggish capacity utilization rate, the ability of capex to recover will likely to be weak. The moderate downtrend of capex's production inducement coefficient in recent years is also a matter of concern. The capex trend is greatly influenced by growth expectations. Hence, increasing the growth expectations of companies through measures such as cutting the corporation tax and drastic deregulation is the true path towards the recovery of capex. Finally, we examine the effects of corporation tax cut and present a quantitative simulation of economic trends.
- **Main scenario for Japan's economy:** After hitting bottom in November 2012, Japan's economy has entered a recovery phase. We believe it will continue to expand steadily supported by (1) increases in exports based on the backs of the US economic recovery, (2) ongoing depreciation of the yen and the rise in stock prices supported by the BOJ's monetary easing, and (3) economic stimulus measures to offset the effects of the consumption tax hike.
- **Four risk factors facing Japan's economy:** Risks that will need to be kept in mind regarding the Japanese economy are: (1) turbulence in emerging economies, (2) China's shadow banking problem, (3) a reigniting of the European sovereign debt crisis, and (4) a surge in crude oil prices stemming from geopolitical risk.
- **BOJ monetary policy:** The BOJ is likely to purchase additional risk assets (ETFs and other assets) in Apr-Jun 2014 and beyond in part to mitigate the adverse impact of a higher consumption tax rate.

Our assumptions

- Public works spending will grow +15.9% in FY13 and -4.6% in FY14; the consumption tax rate hike is scheduled for April 2014
- Average exchange rate of Y99.4/\$ in FY13 and Y100.0/\$ in FY14
- US real GDP growth of +1.8% in CY13 and +2.6% in CY14

Main Economic Indicators and Real GDP Components

	FY12 (Actual)	FY13 (Estimate)	FY14 (Estimate)	CY12 (Actual)	CY13 (Estimate)	CY14 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	-0.2	2.3	2.6	0.5	1.2	2.8
Real GDP (chained [2005]; y/y %)	0.7	2.5	1.0	1.4	1.7	1.5
Domestic demand (contribution, % pt)	1.5	2.5	0.3	2.3	1.9	1.4
Foreign demand (contribution, % pt)	-0.8	0.0	0.6	-0.9	-0.2	0.1
GDP deflator (y/y %)	-0.9	-0.2	1.6	-0.9	-0.5	1.2
Index of All-industry Activity (y/y %)*	0.2	2.2	2.4	1.2	1.0	3.0
Index of Industrial Production (y/y %)	-3.0	3.3	5.2	0.6	-0.5	6.3
Index of Tertiary Industry Activity (y/y %)	0.8	1.6	1.6	1.4	1.1	1.9
Corporate Goods Price Index (y/y %)	-1.0	1.8	3.8	-0.9	1.3	3.3
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.6	2.9	-0.1	0.3	2.4
Unemployment rate (%)	4.3	4.0	3.8	4.4	4.1	3.9
Government bond yield (10 year; %)	0.76	0.76	0.93	0.80	0.73	0.88
Money stock; M2 (end-period; y/y %)	2.5	3.7	4.0	2.5	3.5	4.0
Balance of payments						
Trade balance (Y tril)	-6.9	-10.3	-8.4	-5.8	-10.0	-9.6
Current balance (\$100 mil)	524	426	802	605	433	601
Current balance (Y tril)	4.4	4.2	8.0	4.8	4.2	6.0
(% of nominal GDP)	0.9	0.9	1.6	1.1	0.9	1.2
Real GDP components (Chained [2005]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	1.5 (0.9)	2.4 (1.4)	-0.5 (-0.3)	2.0 (1.2)	2.1 (1.3)	0.5 (0.3)
Private housing investment	5.3 (0.2)	8.1 (0.2)	-2.6 (-0.1)	2.9 (0.1)	8.6 (0.2)	0.1 (0.0)
Private fixed investment	0.7 (0.1)	0.7 (0.1)	4.8 (0.6)	3.7 (0.5)	-1.5 (-0.2)	4.6 (0.6)
Government final consumption	1.5 (0.3)	2.0 (0.4)	1.1 (0.2)	1.7 (0.3)	2.0 (0.4)	1.3 (0.3)
Public fixed investment	1.3 (0.1)	14.1 (0.6)	-5.8 (-0.3)	2.8 (0.1)	10.0 (0.4)	0.1 (0.0)
Exports of goods and services	-1.2 (-0.2)	4.1 (0.6)	7.4 (1.2)	-0.1 (-0.0)	1.9 (0.3)	6.5 (1.1)
Imports of goods and services	3.8 (-0.6)	4.4 (-0.6)	3.8 (-0.6)	5.3 (-0.9)	2.7 (-0.5)	5.0 (-0.9)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.1	3.2	3.6	3.3	2.9	3.6
Crude oil price (WTI futures; \$/bbl)	92.0	100.0	100.0	94.1	98.6	100.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.3	2.1	2.6	2.8	1.8	2.6
US Consumer Price Index (y/y %)	1.8	1.5	2.0	2.1	1.5	1.8
3. Japanese economy						
Nominal public fixed investment (y/y %)	1.1	15.9	-4.6	2.6	11.2	1.6
Exchange rate (Y/\$)	83.1	99.4	100.0	79.8	97.5	100.0
(Y/€)	107.4	132.6	135.0	103.5	129.3	135.0
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 179 Update)		Previous outlook (Outlook 179)		Difference between previous and current outlooks	
	FY13	FY14	FY13	FY14	FY13	FY14
Main economic indicators						
Nominal GDP (y/y %)	2.3	2.6	2.4	2.5	-0.2	0.0
Real GDP (chained [2005]; y/y %)	2.5	1.0	2.6	1.0	-0.1	0.0
Domestic demand (contribution, % pt)	2.5	0.3	2.6	0.3	-0.1	0.0
Foreign demand (contribution, % pt)	0.0	0.6	0.0	0.6	0.0	0.0
GDP deflator (y/y %)	-0.2	1.6	-0.2	1.5	-0.0	0.0
Index of All-industry Activity (y/y %)*	2.2	2.4	2.0	2.3	0.3	0.1
Index of Industrial Production (y/y %)	3.3	5.2	3.3	5.2	0.0	0.0
Index of Tertiary Industry Activity (y/y %)	1.6	1.6	1.6	1.6	0.0	0.0
Corporate Goods Price Index (y/y %)	1.8	3.8	1.8	3.8	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	0.6	2.9	0.6	2.9	0.0	0.0
Unemployment rate (%)	4.0	3.8	4.0	3.8	0.0	0.0
Government bond yield (10 year; %)	0.76	0.93	0.76	0.93	0.00	0.00
Money stock; M2 (end-period; y/y %)	3.7	4.0	3.7	4.0	0.0	0.0
Balance of payments						
Trade balance (Y tril)	-10.3	-8.4	-10.3	-8.5	0.1	0.1
Current balance (\$100 mil)	426	802	411	771	15	31
Current balance (Y tril)	4.2	8.0	4.1	7.7	0.1	0.3
(% of nominal GDP)	0.9	1.6	0.8	1.5	0.0	0.1
Real GDP components (chained [2005]; y/y %)						
Private final consumption	2.4	-0.5	2.1	-0.5	0.3	0.0
Private housing investment	8.1	-2.6	8.3	-2.6	-0.2	0.0
Private fixed investment	0.7	4.8	1.1	4.8	-0.5	-0.0
Government final consumption	2.0	1.1	1.7	1.1	0.4	0.0
Public fixed investment	14.1	-5.8	14.5	-5.8	-0.4	-0.0
Exports of goods and services	4.1	7.4	4.1	7.3	0.0	0.0
Imports of goods and services	4.4	3.8	4.4	3.8	0.0	-0.0
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.2	3.6	3.1	3.8	0.0	-0.1
Crude oil price (WTI futures; \$/bbl)	100.0	100.0	100.0	100.0	0.0	0.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.1	2.6	2.0	2.6	0.1	0.0
US Consumer Price Index (y/y %)	1.5	2.0	1.5	2.0	0.0	0.0
3. Japanese economy						
Nominal public fixed investment (y/y %)	15.9	-4.6	16.2	-4.7	-0.3	0.1
Exchange rate (Y/\$)	99.4	100.0	99.4	100.0	0.0	0.0
(Y/€)	132.6	135.0	132.6	135.0	0.0	0.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	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	2011	2012	2011	2012	
Nominal GDP (SAAR; Y tril)	464.7	474.5	475.7	479.5	474.8	470.1	471.1	474.3	473.7	472.6	471.3	473.8	
Q/q %	-1.4	2.1	0.3	0.8	-1.0	-1.0	0.2	0.7					
Q/q %, SAAR	-5.5	8.7	1.1	3.2	-3.9	-3.9	0.8	2.7					
Y/y %	-3.5	-2.4	-1.5	2.0	2.1	-1.0	-1.0	-1.0	-1.4	-0.2	-2.3	0.5	
Real GDP (chained [2005]; SAAR; Y tril)	502.4	515.3	516.8	521.3	518.7	514.5	515.2	520.9	514.0	517.5	510.0	517.4	
Q/q %	-0.7	2.6	0.3	0.9	-0.5	-0.8	0.1	1.1					
Q/q %, SAAR	-2.9	10.6	1.2	3.5	-2.0	-3.2	0.6	4.5					
Y/y %	-1.5	-0.5	0.0	3.1	3.2	-0.2	-0.3	0.1	0.3	0.7	-0.5	1.4	
Contribution to GDP growth (% pt)													
Domestic demand	0.4	1.6	1.1	0.8	-0.2	-0.3	0.3	0.7	1.3	1.5	0.4	2.3	
Foreign demand	-1.1	0.9	-0.8	0.1	-0.3	-0.5	-0.1	0.4	-1.0	-0.8	-0.9	-0.9	
GDP deflator (y/y %)	-2.1	-1.9	-1.5	-1.1	-1.1	-0.8	-0.7	-1.1	-1.7	-0.9	-1.9	-0.9	
Index of All-Industry Activity (2005=100)	94.2	96.2	96.7	96.8	96.6	96.2	96.1	96.1	96.1	96.2	95.4	96.5	
Q/q %; y/y %	-1.0	2.2	0.6	0.1	-0.2	-0.4	-0.0	-0.0	0.2	0.2	-0.5	1.2	
Index of Industrial Production (2010=100)	92.9	99.5	100.5	101.3	99.1	95.9	94.1	94.7	98.7	95.8	97.2	97.8	
Q/q %; y/y %	-4.1	7.1	1.0	0.8	-2.1	-3.3	-1.8	0.6	-0.7	-3.0	-2.8	0.6	
Index of Tertiary Industry Activity (2005=100)	97.0	98.5	99.0	99.0	99.0	99.0	99.3	99.5	98.5	99.2	97.9	99.3	
Q/q %; y/y %	-0.5	1.5	0.5	0.0	0.0	0.0	0.3	0.2	0.7	0.8	0.0	1.4	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	102.0	102.1	101.0	101.2	100.9	100.2	100.1	100.9	101.6	100.5	101.5	100.6	
Y/y %	1.8	2.1	1.1	0.3	-1.0	-1.9	-1.0	-0.3	1.3	-1.0	1.5	-0.9	
CPI (excl. fresh food; 2010=100)	100.0	99.9	99.7	99.6	99.9	99.6	99.6	99.3	99.8	99.6	99.8	99.7	
Y/y %	-0.3	0.2	-0.2	0.1	-0.0	-0.2	-0.1	-0.3	-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	0.66	1.05	0.76	0.98	0.80	
Money stock; M2 (y/y %)	2.8	2.8	3.0	3.0	2.4	2.4	2.3	2.9	2.9	2.5	2.7	2.5	
Trade balance (SAAR; Y tril)	-5.0	-1.3	-3.9	-4.3	-4.4	-6.6	-6.4	-10.1	-3.5	-6.9	-1.6	-5.8	
Current balance (SAAR; \$100 mil)	864	1,240	938	825	767	497	532	339	964	524	1,197	605	
Current balance (SAAR; Y tril)	7.1	9.6	7.3	6.5	6.1	3.9	4.3	3.1	7.6	4.4	9.6	4.8	
(% of nominal GDP)	1.5	2.0	1.5	1.4	1.3	0.8	0.9	0.7	1.6	0.9	2.0	1.1	
Exchange rate (Y/\$)	81.7	77.8	77.3	79.3	80.1	78.6	81.2	92.3	79.0	83.1	79.8	79.8	
(Y/Euro)	118.3	108.7	104.9	106.3	101.2	98.2	108.2	122.0	109.6	107.4	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	7-9	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)	478.6	479.8	485.0	490.3	489.4	493.4	497.6	502.5	483.3	495.7	479.4	492.6	
Q/q %	0.9	0.3	1.1	1.1	-0.2	0.8	0.9	1.0					
Q/q %, SAAR	3.7	1.0	4.4	4.4	-0.7	3.3	3.5	3.9					
Y/y %	0.7	2.0	3.0	3.3	2.3	2.8	2.6	2.5	2.3	2.6	1.2	2.8	
Real GDP (chained [2005]; SAAR; Y tril)	525.5	526.8	531.6	537.0	529.5	533.5	537.2	541.0	530.2	535.4	526.3	534.4	
Q/q %	0.9	0.3	0.9	1.0	-1.4	0.7	0.7	0.7					
Q/q %, SAAR	3.6	1.1	3.6	4.2	-5.5	3.0	2.8	2.8					
Y/y %	1.2	2.4	3.1	3.0	0.8	1.3	1.1	0.8	2.5	1.0	1.7	1.5	
Contribution to GDP growth (% pt)													
Domestic demand	0.7	0.7	0.9	1.0	-1.7	0.5	0.4	0.5	2.5	0.3	1.9	1.4	
Foreign demand	0.1	-0.5	-0.0	-0.0	0.3	0.2	0.3	0.2	0.0	0.6	-0.2	0.1	
GDP deflator (y/y %)	-0.5	-0.3	-0.2	0.3	1.5	1.5	1.5	1.7	-0.2	1.6	-0.5	1.2	
Index of All-Industry Activity (2005=100)	97.1	97.6	98.7	100.2	99.6	100.3	101.0	101.9	98.4	100.7	97.5	100.4	
Q/q %; y/y %	1.0	0.6	1.1	1.5	-0.6	0.7	0.7	0.9	2.2	2.4	1.0	3.0	
Index of Industrial Production (2010=100)	96.1	97.7	100.0	102.7	101.8	103.5	104.9	106.9	99.0	104.1	97.3	103.4	
Q/q %; y/y %	1.5	1.7	2.3	2.7	-0.9	1.6	1.4	1.9	3.3	5.2	-0.5	6.3	
Index of Tertiary Industry Activity (2005=100)	100.2	100.0	100.8	102.0	101.5	102.0	102.6	103.2	100.7	102.3	100.3	102.2	
Q/q %; y/y %	0.6	-0.1	0.8	1.2	-0.5	0.5	0.6	0.6	1.6	1.6	1.1	1.9	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	101.6	102.4	102.6	102.7	105.8	106.0	106.3	106.6	102.3	106.2	101.9	105.2	
Y/y %	0.6	2.2	2.5	1.8	4.2	3.5	3.6	3.8	1.8	3.8	1.3	3.3	
CPI (excl. fresh food; 2010=100)	99.9	100.3	100.4	100.2	102.9	103.1	103.2	103.2	100.2	103.1	100.0	102.3	
Y/y %	0.0	0.7	0.8	0.9	2.9	2.8	2.8	3.0	0.6	2.9	0.3	2.4	
Unemployment rate (%)	4.0	4.0	4.0	3.9	3.9	3.9	3.8	3.8	4.0	3.8	4.1	3.9	
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; %)	0.77	0.73	0.75	0.79	0.85	0.91	0.97	1.00	0.76	0.93	0.73	0.88	
Money stock; M2 (y/y %)	3.5	3.8	3.8	3.8	3.9	4.0	4.1	4.1	3.7	4.0	3.5	4.0	
Trade balance (SAAR; Y tril)	-7.4	-11.3	-11.0	-11.3	-10.2	-9.1	-7.7	-6.5	-10.3	-8.4	-10.0	-9.6	
Current balance (SAAR; \$100 mil)	906	227	261	310	505	689	901	1,112	426	802	433	601	
Current balance (SAAR; Y tril)	8.9	2.2	2.6	3.1	5.0	6.9	9.0	11.1	4.2	8.0	4.2	6.0	
(% of nominal GDP)	1.9	0.5	0.5	0.6	1.0	1.4	1.8	2.2	0.9	1.6	0.9	1.2	
Exchange rate (Y/\$)	98.8	98.9	100.0	100.0	100.0	100.0	100.0	100.0	99.4	100.0	97.5	100.0	
(Y/Euro)	129.6	130.7	135.0	135.0	135.0	135.0	135.0	135.0	132.6	135.0	129.3	135.0	

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	2011	2012	2011	2012	
Gross domestic expenditure	502.4	515.3	516.8	521.3	518.7	514.5	515.2	520.9	514.0	517.5	510.0	517.4	
Q/q %, SAAR	-2.9	10.6	1.2	3.5	-2.0	-3.2	0.6	4.5					
Y/y %	-1.5	-0.5	0.0	3.1	3.2	-0.2	-0.3	0.1	0.3	0.7	-0.5	1.4	
Domestic demand	492.6	500.5	506.0	509.7	509.0	507.5	509.0	512.5	502.4	509.5	497.4	508.8	
Q/q %, SAAR	1.5	6.6	4.5	3.0	-0.6	-1.2	1.2	2.8					
Y/y %	-0.1	0.1	1.3	4.0	3.3	1.4	0.6	0.6	1.3	1.4	0.5	2.3	
Private demand	373.8	381.9	387.7	388.8	389.1	387.5	387.8	390.4	383.2	388.7	379.1	388.2	
Q/q %, SAAR	1.0	9.0	6.2	1.1	0.3	-1.6	0.2	2.8					
Y/y %	-0.3	0.2	2.0	4.5	3.9	1.4	0.0	0.5	1.6	1.4	0.7	2.4	
Final consumption	299.0	303.6	305.6	306.8	308.0	306.4	308.2	311.3	303.8	308.5	301.2	307.3	
Q/q %, SAAR	3.4	6.3	2.7	1.6	1.5	-2.0	2.4	4.0					
Y/y %	0.3	0.3	1.2	3.5	3.0	0.9	0.8	1.6	1.3	1.5	0.3	2.0	
Residential investment	12.6	13.2	13.0	12.9	13.2	13.4	13.8	14.1	12.9	13.6	13.0	13.3	
Q/q %, SAAR	-9.3	19.2	-4.5	-5.2	11.8	4.4	13.0	9.2					
Y/y %	3.0	7.7	2.8	-0.6	4.7	1.5	5.8	9.3	3.2	5.3	5.1	2.9	
Non-residential investment	64.7	66.0	71.3	69.8	70.0	68.6	68.2	67.5	68.0	68.5	66.7	69.2	
Q/q %, SAAR	-1.9	7.9	36.4	-8.3	1.5	-8.0	-2.4	-4.1					
Y/y %	0.3	0.6	11.1	7.1	8.4	3.8	-4.2	-3.4	4.8	0.7	4.1	3.7	
Change in inventories	-2.6	-0.8	-2.2	-0.7	-2.2	-0.8	-2.4	-2.4	-1.5	-1.9	-1.8	-1.5	
Public demand	118.8	118.6	118.3	120.9	119.9	119.9	121.2	122.1	119.2	120.9	118.3	120.6	
Q/q %, SAAR	3.1	-0.9	-0.9	9.2	-3.3	0.1	4.2	2.9					
Y/y %	0.5	-0.1	-1.0	2.7	1.1	1.3	2.4	0.9	0.6	1.4	-0.4	1.9	
Government final consumption	98.4	98.6	98.9	100.2	99.7	100.1	100.8	101.5	99.1	100.6	98.5	100.2	
Q/q %, SAAR	1.5	0.6	1.2	5.2	-2.0	1.8	3.0	2.6					
Y/y %	1.1	0.8	0.7	2.2	1.3	1.5	1.9	1.4	1.2	1.5	1.2	1.7	
Fixed investment	20.3	19.9	19.4	20.7	20.3	19.8	20.4	20.6	20.1	20.3	19.8	20.4	
Q/q %, SAAR	9.0	-8.4	-9.8	30.1	-7.4	-9.2	12.2	4.6					
Y/y %	-3.7	-5.9	-8.3	4.3	0.2	0.7	4.8	-0.7	-3.2	1.3	-8.2	2.8	
Change in inventories	0.0	0.1	0.0	0.1	-0.0	0.0	-0.0	-0.1	0.0	-0.0	0.0	0.0	
Net exports of goods and services	9.8	15.1	11.2	12.0	10.5	7.6	6.4	8.8	12.0	8.3	12.9	9.1	
Exports of goods and services	77.4	85.0	82.4	84.6	84.2	80.9	78.5	81.6	82.3	81.3	82.1	82.0	
Q/q %, SAAR	-26.7	44.9	-11.6	11.1	-2.0	-14.4	-11.4	16.7					
Y/y %	-5.5	0.8	-2.6	0.9	9.2	-4.8	-5.0	-3.3	-1.6	-1.2	-0.4	-0.1	
Imports of goods and services	67.7	69.8	71.2	72.6	73.6	73.4	72.1	72.8	70.3	73.0	69.2	72.9	
Q/q %, SAAR	-2.4	13.5	8.1	7.9	5.9	-1.4	-6.7	4.1					
Y/y %	3.6	5.1	5.7	6.6	9.0	5.0	1.1	0.4	5.3	3.8	5.9	5.3	
Residual	0.1	-0.3	-0.4	-0.4	-0.8	-0.5	-0.2	-0.4	-0.3	-0.4	-0.3	-0.5	

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.

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

E: DIR estimate.

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

	2013			2014			2015			FY		CY	
	4-6	7-9	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	525.5	526.8	531.6	537.0	529.5	533.5	537.2	541.0	530.2	535.4	526.3	534.4	
Q/q %, SAAR	3.6	1.1	3.6	4.2	-5.5	3.0	2.8	2.8					
Y/y %	1.2	2.4	3.1	3.0	0.8	1.3	1.1	0.8	2.5	1.0	1.7	1.5	
Domestic demand	516.2	519.6	524.1	529.4	520.4	523.0	525.2	527.6	522.5	524.1	518.2	524.5	
Q/q %, SAAR	2.9	2.7	3.5	4.1	-6.6	2.0	1.7	1.9					
Y/y %	1.4	2.3	3.0	3.4	0.8	0.7	0.1	-0.3	2.5	0.3	1.8	1.2	
Private demand	392.1	393.9	397.8	403.1	394.3	397.4	399.9	402.4	396.8	398.6	393.6	398.6	
Q/q %, SAAR	1.8	1.9	3.9	5.5	-8.5	3.2	2.6	2.5					
Y/y %	0.8	1.6	2.6	3.3	0.5	0.9	0.5	-0.0	2.1	0.5	1.4	1.3	
Final consumption	313.3	313.9	316.1	320.1	311.8	313.9	315.2	316.5	315.9	314.4	313.8	315.2	
Q/q %, SAAR	2.7	0.8	2.8	5.1	-10.0	2.8	1.6	1.6					
Y/y %	1.8	2.4	2.6	2.8	-0.5	0.0	-0.3	-1.1	2.4	-0.5	2.1	0.5	
Residential investment	14.1	14.5	15.1	15.1	14.3	14.1	14.4	14.5	14.7	14.3	14.5	14.5	
Q/q %, SAAR	1.3	11.0	16.5	1.2	-19.6	-4.7	6.6	4.5					
Y/y %	6.9	8.6	9.3	7.4	1.3	-2.5	-4.6	-3.9	8.1	-2.6	8.6	0.1	
Non-residential investment	68.1	68.1	69.1	70.3	70.4	71.6	72.7	73.9	68.9	72.2	68.1	71.2	
Q/q %, SAAR	3.8	0.0	5.7	7.6	0.4	7.0	6.6	6.6					
Y/y %	-2.6	-0.8	1.2	4.3	3.3	5.2	5.4	5.0	0.7	4.8	-1.5	4.6	
Change in inventories	-3.4	-2.6	-2.5	-2.4	-2.2	-2.3	-2.4	-2.5	-2.8	-2.3	-2.8	-2.3	
Public demand	124.0	125.7	126.3	126.2	126.1	125.6	125.3	125.2	125.8	125.5	124.6	125.9	
Q/q %, SAAR	6.6	5.5	2.0	-0.3	-0.5	-1.6	-0.8	-0.2					
Y/y %	3.3	4.8	4.5	3.7	1.6	-0.1	-1.0	-1.0	4.1	-0.2	3.3	1.0	
Government final consumption	102.1	102.4	102.8	103.1	103.4	103.6	103.8	104.0	102.6	103.8	102.2	103.5	
Q/q %, SAAR	2.5	1.0	1.6	1.2	1.2	0.8	0.8	0.8					
Y/y %	2.5	2.2	1.9	1.5	1.2	1.2	1.0	0.9	2.0	1.1	2.0	1.3	
Fixed investment	21.9	23.4	23.6	23.2	22.7	22.0	21.5	21.3	23.2	21.8	22.4	22.4	
Q/q %, SAAR	27.8	28.9	3.8	-6.6	-7.6	-12.2	-8.3	-5.1					
Y/y %	8.1	19.0	15.9	12.6	3.6	-6.3	-8.8	-8.4	14.1	-5.8	10.0	0.1	
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	9.9	7.8	8.0	8.2	9.7	11.1	12.5	13.9	8.5	11.8	8.7	10.4	
Exports of goods and services	84.0	83.5	84.7	86.3	87.9	89.8	91.8	94.1	84.7	90.9	83.5	89.0	
Q/q %, SAAR	12.2	-2.4	6.1	7.6	7.8	8.7	9.1	10.4					
Y/y %	0.0	3.0	8.1	5.6	4.6	7.6	8.2	9.1	4.1	7.4	1.9	6.5	
Imports of goods and services	74.1	75.7	76.7	78.1	78.3	78.7	79.2	80.2	76.2	79.1	74.9	78.6	
Q/q %, SAAR	7.1	9.2	5.3	7.4	0.8	2.4	2.6	4.9					
Y/y %	0.9	3.1	6.5	7.2	5.5	4.0	3.2	2.7	4.4	3.8	2.7	5.0	
Residual	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.8	-0.5	-0.6	-0.5	

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.

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

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	2011	2012	2011	2012	
Gross domestic expenditure	464.7	474.5	475.7	479.5	474.8	470.1	471.1	474.3	473.7	472.6	471.3	473.8	
Q/q %, SAAR	-5.5	8.7	1.1	3.2	-3.9	-3.9	0.8	2.7					
Y/y %	-3.5	-2.4	-1.5	2.0	2.1	-1.0	-1.0	-1.0	-1.4	-0.2	-2.3	0.5	
Domestic demand	471.4	478.0	483.0	487.1	483.5	480.0	482.3	485.9	480.0	482.9	475.6	483.2	
Q/q %, SAAR	0.7	5.7	4.3	3.5	-2.9	-2.9	1.9	3.0					
Y/y %	-0.9	-0.4	1.0	3.8	2.4	0.4	-0.2	-0.2	0.9	0.6	-0.2	1.6	
Private demand	354.2	360.9	366.5	367.8	366.5	362.6	363.9	366.3	362.5	364.8	358.9	365.1	
Q/q %, SAAR	-0.1	7.8	6.3	1.5	-1.5	-4.1	1.4	2.6					
Y/y %	-1.3	-0.5	1.5	4.1	3.3	0.4	-0.6	-0.4	0.9	0.6	-0.1	1.7	
Final consumption	282.4	286.0	287.8	289.2	288.7	285.3	287.9	290.4	286.4	288.1	284.2	287.7	
Q/q %, SAAR	2.2	5.2	2.6	2.0	-0.7	-4.7	3.8	3.4					
Y/y %	-0.8	-0.2	0.7	3.1	2.2	-0.3	-0.0	0.5	0.7	0.6	-0.6	1.2	
Residential investment	13.1	13.7	13.5	13.3	13.6	13.7	14.2	14.6	13.4	14.0	13.4	13.7	
Q/q %, SAAR	-8.5	19.6	-5.5	-6.0	9.8	2.8	16.0	12.0					
Y/y %	4.0	8.5	3.1	-0.8	3.8	0.2	5.4	9.9	3.7	4.7	5.8	2.2	
Non-residential investment	61.2	62.4	67.4	66.0	66.2	64.5	64.3	63.8	64.3	64.6	63.1	65.3	
Q/q %, SAAR	-3.5	8.2	35.9	-8.0	1.3	-9.8	-1.5	-3.0					
Y/y %	-1.3	-0.6	10.2	6.7	8.4	3.2	-4.5	-3.5	3.8	0.5	2.7	3.4	
Change in inventories	-2.5	-1.2	-2.2	-0.7	-2.1	-0.9	-2.5	-2.5	-1.6	-1.9	-1.9	-1.6	
Public demand	117.3	117.1	116.5	119.3	117.1	117.4	118.3	119.5	117.5	118.1	116.7	118.0	
Q/q %, SAAR	3.0	-0.8	-1.9	9.8	-7.1	1.0	3.4	4.1					
Y/y %	0.3	-0.0	-0.7	2.9	-0.2	0.5	1.3	0.4	0.6	0.5	-0.5	1.1	
Government final consumption	96.2	96.3	96.3	97.8	96.1	96.9	97.2	98.2	96.7	97.1	96.1	96.9	
Q/q %, SAAR	1.2	0.3	0.3	6.1	-6.5	3.0	1.5	4.3					
Y/y %	0.7	0.8	0.8	2.4	-0.2	0.7	0.7	0.8	1.2	0.5	1.0	0.9	
Fixed investment	21.0	20.7	20.1	21.4	21.0	20.5	21.1	21.4	20.8	21.0	20.5	21.1	
Q/q %, SAAR	9.7	-6.5	-10.5	28.4	-8.4	-9.0	13.5	5.0					
Y/y %	-3.0	-5.0	-7.5	4.6	0.1	-0.1	4.6	-0.5	-2.5	1.1	-7.7	2.6	
Change in inventories	0.1	0.1	0.1	0.1	-0.0	0.0	-0.0	-0.1	0.1	-0.0	0.0	0.0	
Net exports of goods and services	-6.8	-3.5	-7.2	-7.6	-8.7	-9.9	-11.2	-11.6	-6.3	-10.3	-4.3	-9.4	
Exports of goods and services	67.8	73.7	70.7	71.7	71.2	68.4	68.0	74.1	70.9	70.4	71.3	69.8	
Q/q %, SAAR	-26.5	39.7	-15.6	6.1	-3.0	-15.0	-2.2	41.3					
Y/y %	-8.0	-0.4	-5.1	-1.9	5.7	-7.6	-4.2	3.8	-3.9	-0.7	-2.6	-2.1	
Imports of goods and services	74.6	77.2	77.9	79.4	79.9	78.2	79.2	85.7	77.3	80.8	75.6	79.2	
Q/q %, SAAR	11.0	14.6	3.7	7.5	3.0	-8.2	4.8	37.3					
Y/y %	9.7	13.6	12.1	9.5	7.2	1.2	1.5	8.2	11.2	4.5	12.1	4.7	

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

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

E: DIR estimate.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2013			2014			2015			FY		CY	
	4-6	7-9	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	478.6	479.8	485.0	490.3	489.4	493.4	497.6	502.5	483.3	495.7	479.4	492.6	
Q/q %, SAAR	3.7	1.0	4.4	4.4	-0.7	3.3	3.5	3.9					
Y/y %	0.7	2.0	3.0	3.3	2.3	2.8	2.6	2.5	2.3	2.6	1.2	2.8	
Domestic demand	489.2	493.7	498.7	504.0	501.9	504.6	507.4	510.7	496.6	506.2	491.9	504.4	
Q/q %, SAAR	2.7	3.8	4.1	4.4	-1.7	2.2	2.2	2.7					
Y/y %	1.1	2.8	3.5	3.9	2.5	2.2	1.6	1.4	2.8	1.9	1.8	2.5	
Private demand	367.9	370.6	374.8	380.2	378.0	381.2	384.1	387.3	373.4	382.7	369.9	380.8	
Q/q %, SAAR	1.8	2.9	4.7	5.9	-2.3	3.4	3.1	3.4					
Y/y %	0.4	2.2	3.0	3.9	2.7	2.9	2.4	2.1	2.4	2.5	1.3	2.9	
Final consumption	292.0	293.5	296.0	299.8	297.9	300.0	301.4	303.2	295.3	300.6	293.0	299.7	
Q/q %, SAAR	2.3	2.0	3.4	5.3	-2.6	2.9	1.9	2.4					
Y/y %	1.2	2.8	2.8	3.2	2.0	2.2	1.8	1.2	2.5	1.8	1.8	2.3	
Residential investment	14.8	15.3	15.9	16.0	15.4	15.2	15.5	15.7	15.5	15.4	15.2	15.5	
Q/q %, SAAR	5.6	13.6	17.0	1.6	-15.0	-4.3	7.0	5.1					
Y/y %	9.1	11.8	12.0	9.4	3.5	-0.9	-3.0	-2.3	10.6	-0.8	10.8	1.9	
Non-residential investment	64.6	64.7	65.7	67.1	67.3	68.6	69.9	71.3	65.6	69.4	64.7	68.2	
Q/q %, SAAR	5.3	0.7	6.4	8.5	1.2	8.0	7.8	8.1					
Y/y %	-2.2	0.2	2.2	5.3	4.1	6.1	6.4	6.2	1.5	5.7	-0.9	5.5	
Change in inventories	-3.5	-2.9	-2.8	-2.7	-2.5	-2.6	-2.7	-2.8	-3.0	-2.6	-2.9	-2.6	
Public demand	121.2	123.1	123.8	123.8	123.8	123.4	123.3	123.4	123.2	123.4	122.0	123.6	
Q/q %, SAAR	5.8	6.4	2.3	-0.0	-0.1	-1.3	-0.4	0.3					
Y/y %	3.2	5.1	4.9	4.0	1.9	0.1	-0.6	-0.6	4.3	0.2	3.4	1.3	
Government final consumption	98.4	98.7	99.1	99.4	99.8	100.1	100.4	100.7	98.9	100.3	98.7	99.9	
Q/q %, SAAR	0.8	1.0	1.6	1.4	1.6	1.2	1.2	1.2					
Y/y %	2.3	1.9	2.0	1.0	1.4	1.4	1.3	1.4	1.8	1.4	1.8	1.3	
Fixed investment	22.8	24.6	24.9	24.5	24.1	23.4	23.0	22.8	24.4	23.3	23.4	23.8	
Q/q %, SAAR	29.4	33.9	5.1	-5.5	-6.7	-11.1	-7.0	-3.6					
Y/y %	9.0	20.9	17.9	14.7	5.5	-5.1	-7.7	-7.2	15.9	-4.6	11.2	1.6	
Change in inventories	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Net exports of goods and services	-10.5	-13.9	-13.7	-13.8	-12.4	-11.2	-9.7	-8.3	-13.0	-10.4	-12.4	-11.8	
Exports of goods and services	77.7	78.3	79.8	81.7	83.6	85.8	88.2	91.0	79.3	87.2	77.5	84.8	
Q/q %, SAAR	20.7	3.2	8.1	9.5	9.9	10.9	11.7	13.5					
Y/y %	9.0	14.4	17.6	10.0	7.7	9.6	10.4	11.6	12.6	9.9	11.1	9.4	
Imports of goods and services	88.2	92.2	93.5	95.4	96.1	97.0	97.9	99.3	92.3	97.6	89.9	96.6	
Q/q %, SAAR	12.3	19.3	5.9	8.5	2.6	4.1	3.9	5.7					
Y/y %	10.3	17.7	18.2	11.3	8.9	5.3	4.7	4.1	14.3	5.7	13.6	7.5	

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

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

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	2011	2012	2011	2012	
Gross domestic expenditure	92.5	92.1	92.1	92.0	91.5	91.4	91.4	91.1	92.1	91.3	92.4	91.6	
Q/q %, SAAR	-0.7	-0.4	-0.0	-0.1	-0.5	-0.2	0.1	-0.4					
Y/y %	-2.1	-1.9	-1.5	-1.1	-1.1	-0.8	-0.7	-1.1	-1.7	-0.9	-1.9	-0.9	
Private final consumption	94.4	94.2	94.2	94.3	93.8	93.1	93.4	93.3	94.3	93.4	94.4	93.6	
Q/q %, SAAR	-0.3	-0.3	-0.0	0.1	-0.5	-0.7	0.3	-0.1					
Y/y %	-1.1	-0.6	-0.5	-0.4	-0.7	-1.2	-0.8	-1.0	-0.6	-0.9	-0.8	-0.8	
Private residential investment	103.8	103.9	103.6	103.4	103.0	102.6	103.3	103.9	103.7	103.2	103.7	103.1	
Q/q %, SAAR	0.2	0.1	-0.3	-0.2	-0.4	-0.4	0.7	0.6					
Y/y %	1.0	0.8	0.3	-0.2	-0.8	-1.3	-0.4	0.5	0.5	-0.5	0.7	-0.7	
Private non-residential investment	94.6	94.6	94.5	94.6	94.6	94.1	94.3	94.6	94.6	94.4	94.7	94.4	
Q/q %, SAAR	-0.4	0.1	-0.1	0.1	-0.1	-0.5	0.2	0.3					
Y/y %	-1.6	-1.1	-0.8	-0.3	0.0	-0.6	-0.3	-0.0	-0.9	-0.2	-1.4	-0.3	
Government final consumption	97.7	97.6	97.4	97.6	96.5	96.8	96.4	96.8	97.6	96.6	97.5	96.7	
Q/q %, SAAR	-0.1	-0.1	-0.2	0.2	-1.2	0.3	-0.4	0.4					
Y/y %	-0.4	0.0	0.1	0.2	-1.4	-0.7	-1.3	-0.6	-0.1	-1.0	-0.2	-0.8	
Public fixed investment	103.5	104.1	103.9	103.5	103.3	103.3	103.6	103.7	103.7	103.5	103.7	103.4	
Q/q %, SAAR	0.2	0.5	-0.2	-0.3	-0.3	0.1	0.3	0.1					
Y/y %	0.6	1.0	0.8	0.3	-0.2	-0.9	-0.2	0.2	0.7	-0.2	0.6	-0.2	
Exports of goods and services	87.6	86.8	85.8	84.8	84.6	84.5	86.6	90.8	86.2	86.6	86.8	85.1	
Q/q %, SAAR	0.1	-0.9	-1.1	-1.1	-0.2	-0.2	2.5	4.9					
Y/y %	-2.7	-1.2	-2.5	-2.8	-3.2	-2.9	0.9	7.3	-2.3	0.5	-2.2	-2.0	
Imports of goods and services	110.3	110.6	109.4	109.3	108.6	106.7	109.8	117.7	109.9	110.7	109.2	108.6	
Q/q %, SAAR	3.3	0.3	-1.0	-0.1	-0.7	-1.8	3.0	7.1					
Y/y %	5.8	8.0	6.1	2.7	-1.7	-3.7	0.5	7.7	5.6	0.7	5.8	-0.6	

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

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

E: DIR estimate.

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

	2013			2014			2015		FY		CY	
	4-6	7-9	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	91.1	91.1	91.2	91.3	92.4	92.5	92.6	92.9	91.1	92.6	91.1	92.2
Q/q %, SAAR	0.0	-0.0	0.2	0.1	1.2	0.1	0.2	0.3				
Y/y %	-0.5	-0.3	-0.2	0.3	1.5	1.5	1.5	1.7	-0.2	1.6	-0.5	1.2
Private final consumption	93.2	93.5	93.6	93.7	95.5	95.5	95.6	95.8	93.5	95.6	93.4	95.1
Q/q %, SAAR	-0.1	0.3	0.1	0.1	2.0	0.0	0.1	0.2				
Y/y %	-0.6	0.4	0.2	0.4	2.5	2.2	2.1	2.3	0.1	2.3	-0.3	1.8
Private residential investment	105.0	105.6	105.8	105.9	107.3	107.4	107.6	107.7	105.6	107.5	105.1	107.0
Q/q %, SAAR	1.1	0.6	0.1	0.1	1.4	0.1	0.1	0.2				
Y/y %	2.0	3.0	2.4	1.9	2.2	1.7	1.7	1.8	2.3	1.8	2.0	1.8
Private non-residential investment	94.9	95.0	95.2	95.4	95.6	95.8	96.1	96.5	95.2	96.0	94.9	95.7
Q/q %, SAAR	0.4	0.2	0.2	0.2	0.2	0.2	0.3	0.4				
Y/y %	0.4	1.0	1.0	0.9	0.7	0.8	0.9	1.1	0.8	0.9	0.6	0.8
Government final consumption	96.4	96.4	96.4	96.4	96.5	96.6	96.7	96.8	96.4	96.6	96.5	96.6
Q/q %, SAAR	-0.4	0.0	-0.0	0.0	0.1	0.1	0.1	0.1				
Y/y %	-0.2	-0.4	0.1	-0.5	0.2	0.2	0.3	0.5	-0.2	0.3	-0.2	0.0
Public fixed investment	104.0	105.0	105.4	105.7	105.9	106.3	106.6	107.0	105.1	106.5	104.6	106.1
Q/q %, SAAR	0.3	1.0	0.3	0.3	0.2	0.3	0.4	0.4				
Y/y %	0.8	1.5	1.7	1.9	1.8	1.2	1.2	1.3	1.5	1.3	1.1	1.5
Exports of goods and services	92.5	93.8	94.2	94.6	95.1	95.6	96.1	96.8	93.7	95.9	92.8	95.3
Q/q %, SAAR	1.8	1.4	0.4	0.4	0.5	0.5	0.6	0.7				
Y/y %	9.0	11.0	8.8	4.1	3.0	1.9	2.0	2.3	8.2	2.3	9.0	2.7
Imports of goods and services	119.1	121.7	121.9	122.2	122.8	123.2	123.6	123.9	121.2	123.4	120.1	122.9
Q/q %, SAAR	1.2	2.2	0.1	0.2	0.5	0.4	0.3	0.2				
Y/y %	9.4	14.2	10.9	3.8	3.2	1.2	1.4	1.4	9.5	1.8	10.6	2.4

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

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

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	2011	2012	2011	2012	
1) Q/q %													
GDP growth rate	-0.7	2.6	0.3	0.9	-0.5	-0.8	0.1	1.1	0.3	0.7	-0.5	1.4	
Domestic demand	0.4	1.6	1.1	0.8	-0.2	-0.3	0.3	0.7	1.3	1.5	0.4	2.3	
Private demand	0.2	1.7	1.1	0.2	0.0	-0.3	0.0	0.5	1.2	1.1	0.5	1.9	
Private consumption	0.5	0.9	0.4	0.2	0.2	-0.3	0.4	0.6	0.8	0.9	0.2	1.2	
Residential investment	-0.1	0.1	-0.0	-0.0	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.1	
Private fixed investment	-0.1	0.3	1.1	-0.3	0.1	-0.3	-0.1	-0.1	0.6	0.1	0.5	0.5	
Change in private inventories	-0.2	0.4	-0.3	0.3	-0.3	0.3	-0.3	0.0	-0.3	-0.1	-0.3	0.1	
Public demand	0.2	-0.1	-0.1	0.6	-0.2	0.0	0.3	0.2	0.1	0.3	-0.1	0.5	
Government final consumption	0.1	0.0	0.1	0.3	-0.1	0.1	0.2	0.1	0.2	0.3	0.2	0.3	
Public fixed investment	0.1	-0.1	-0.1	0.3	-0.1	-0.1	0.1	0.1	-0.1	0.1	-0.4	0.1	
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	-1.1	0.9	-0.8	0.1	-0.3	-0.5	-0.1	0.4	-1.0	-0.8	-0.9	-0.9	
Exports of goods and services	-1.2	1.4	-0.5	0.4	-0.1	-0.6	-0.4	0.6	-0.2	-0.2	-0.1	-0.0	
Imports of goods and services	0.1	-0.5	-0.3	-0.3	-0.2	0.1	0.3	-0.2	-0.8	-0.6	-0.8	-0.9	
2) Y/y %													
GDP growth rate	-1.5	-0.5	0.0	3.1	3.2	-0.2	-0.3	0.1	0.3	0.7	-0.5	1.4	
Domestic demand	-0.1	0.1	1.3	4.0	3.3	1.4	0.7	0.6	1.3	1.5	0.4	2.3	
Private demand	-0.2	0.1	1.5	3.3	3.1	1.1	0.1	0.4	1.2	1.1	0.5	1.9	
Private consumption	0.2	0.2	0.7	2.1	1.8	0.6	0.5	0.9	0.8	0.9	0.2	1.2	
Residential investment	0.1	0.2	0.1	-0.0	0.1	0.0	0.2	0.3	0.1	0.2	0.1	0.1	
Private fixed investment	0.0	0.1	1.3	1.0	1.0	0.5	-0.5	-0.5	0.6	0.1	0.5	0.5	
Change in private inventories	-0.5	-0.4	-0.6	0.3	0.0	-0.0	-0.0	-0.3	-0.3	-0.1	-0.3	0.1	
Public demand	0.1	-0.0	-0.2	0.7	0.3	0.3	0.6	0.2	0.1	0.3	-0.1	0.5	
Government final consumption	0.2	0.2	0.1	0.5	0.3	0.3	0.4	0.3	0.2	0.3	0.2	0.3	
Public fixed investment	-0.1	-0.2	-0.4	0.2	0.0	0.0	0.2	-0.0	-0.1	0.1	-0.4	0.1	
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	-0.9	-0.5	-1.0	-0.8	-0.9	-0.9	
Exports of goods and services	-0.8	0.1	-0.4	0.1	1.3	-0.8	-0.7	-0.5	-0.2	-0.2	-0.1	-0.0	
Imports of goods and services	-0.5	-0.7	-0.8	-1.0	-1.4	-0.8	-0.2	-0.1	-0.8	-0.6	-0.8	-0.9	

Source: Compiled by DIR.

Notes: 1) Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

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

E: DIR estimate.

5.2 Contribution to Real GDP Growth by Component

	2013		2014			2015			FY		CY	
	4-6	7-9	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)
1) Q/q %												
GDP growth rate	0.9	0.3	0.9	1.0	-1.4	0.7	0.7	0.7	2.5	1.0	1.7	1.5
Domestic demand	0.7	0.7	0.9	1.0	-1.7	0.5	0.4	0.5	2.5	0.3	1.9	1.4
Private demand	0.3	0.4	0.8	1.0	-1.7	0.6	0.5	0.5	1.6	0.3	1.0	1.2
Private consumption	0.4	0.1	0.4	0.8	-1.6	0.4	0.2	0.2	1.4	-0.3	1.3	0.3
Residential investment	0.0	0.1	0.1	0.0	-0.2	-0.0	0.0	0.0	0.2	-0.1	0.2	0.0
Private fixed investment	0.1	0.0	0.2	0.3	0.0	0.2	0.2	0.2	0.1	0.6	-0.2	0.6
Change in private inventories	-0.2	0.2	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.2	0.1	-0.2	0.1
Public demand	0.4	0.4	0.1	-0.0	-0.0	-0.1	-0.1	-0.0	0.9	-0.0	0.9	0.3
Government final consumption	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.4	0.2	0.4	0.3
Public fixed investment	0.3	0.3	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	0.6	-0.3	0.4	0.0
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	-0.5	-0.0	-0.0	0.3	0.2	0.3	0.2	0.0	0.6	-0.2	0.1
Exports of goods and services	0.4	-0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.6	1.2	0.3	1.1
Imports of goods and services	-0.3	-0.4	-0.2	-0.3	-0.0	-0.1	-0.1	-0.2	-0.6	-0.6	-0.5	-0.9
2) Y/y %												
GDP growth rate	1.2	2.4	3.1	3.0	0.8	1.3	1.1	0.8	2.5	1.0	1.7	1.5
Domestic demand	1.4	2.5	3.2	3.6	0.8	0.6	0.1	-0.3	2.5	0.3	1.9	1.4
Private demand	0.6	1.3	2.0	2.5	0.4	0.7	0.3	-0.0	1.6	0.3	1.0	1.2
Private consumption	1.1	1.5	1.6	1.7	-0.3	0.0	-0.2	-0.7	1.4	-0.3	1.3	0.3
Residential investment	0.2	0.3	0.3	0.2	0.0	-0.1	-0.2	-0.1	0.2	-0.1	0.2	0.0
Private fixed investment	-0.3	-0.1	0.2	0.7	0.4	0.7	0.7	0.8	0.1	0.6	-0.2	0.6
Change in private inventories	-0.4	-0.4	-0.0	-0.0	0.3	0.1	0.0	-0.0	-0.2	0.1	-0.2	0.1
Public demand	0.8	1.2	1.2	1.0	0.4	-0.0	-0.3	-0.3	0.9	-0.0	0.9	0.3
Government final consumption	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.4	0.2	0.4	0.3
Public fixed investment	0.3	0.8	0.8	0.7	0.1	-0.3	-0.5	-0.5	0.6	-0.3	0.4	0.0
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	-0.4	-0.3	0.5	0.7	1.0	0.0	0.6	-0.2	0.1
Exports of goods and services	0.0	0.4	1.1	0.9	0.8	1.2	1.3	1.5	0.6	1.2	0.3	1.1
Imports of goods and services	-0.1	-0.5	-1.1	-1.3	-1.0	-0.8	-0.6	-0.5	-0.6	-0.6	-0.5	-0.9

Source: Compiled by DIR.

Notes: 1) Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

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

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	2011	2012	2011	2012	
1) World economy													
Economic growth of major trading partners													
Y/y %	3.9	3.8	2.8	3.1	2.9	2.8	3.5	2.4	3.5	3.1	3.9	3.3	
Crude oil price (WTI futures; \$/bbl)	102.3	89.5	94.1	103.0	93.4	92.2	88.2	94.4	97.2	92.0	95.1	94.1	
Y/y %	31.1	17.5	10.3	8.9	-8.8	3.0	-6.2	-8.4	16.4	-5.4	19.5	-1.0	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	15,011	15,062	15,242	15,382	15,428	15,534	15,540	15,584	15,174	15,521	15,052	15,471	
Q/q %, SAAR	3.2	1.4	4.9	3.7	1.2	2.8	0.1	1.1					
Y/y %	1.9	1.5	2.0	3.3	2.8	3.1	2.0	1.3	2.2	2.3	1.8	2.8	
Consumer Price Index (1982-84 avg=100)	224.6	226.2	227.0	228.3	228.8	230.0	231.3	232.1	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	1.4					
Y/y %	3.4	3.8	3.3	2.8	1.9	1.7	1.9	1.7	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	196.6	192.1	194.9	190.5	194.2	
Q/q %, SAAR	7.3	3.1	1.7	1.6	-1.8	5.0	2.1	0.7					
Y/y %	6.9	6.9	5.4	3.4	1.1	1.5	1.7	1.5	5.6	1.4	6.0	1.9	
FF rate (%) (Target rate for the forecast period, end-period)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
Government bond yield (10 year; %)	3.21	2.43	2.05	2.04	1.82	1.64	1.71	1.95	2.43	1.78	2.79	1.80	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	96.2	96.3	96.3	97.8	96.1	96.9	97.2	98.2	96.7	97.1	96.1	96.9	
Q/q %, SAAR	1.2	0.3	0.3	6.1	-6.5	3.0	1.5	4.3					
Y/y %	0.7	0.8	0.8	2.4	-0.2	0.7	0.7	0.8	1.2	0.5	1.0	0.9	
Nominal public fixed investment													
Y tril; SAAR	21.0	20.7	20.1	21.4	21.0	20.5	21.1	21.4	20.8	21.0	20.5	21.1	
Q/q %, SAAR	9.7	-6.5	-10.5	28.4	-8.4	-9.0	13.5	5.0					
Y/y %	-3.0	-5.0	-7.5	4.6	0.1	-0.1	4.6	-0.5	-2.5	1.1	-7.7	2.6	
Exchange rate (Y/\$)	81.7	77.8	77.3	79.3	80.1	78.6	81.2	92.3	79.0	83.1	79.8	79.8	
(Y/€)	118.3	108.7	104.9	106.3	101.2	98.2	108.2	122.0	109.6	107.4	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.

Notes: 1) Consumption tax hike in April 2014 assumed for Japan.

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

E: DIR estimate.

6.2 Major Assumptions

	2013			2014			2015			FY		CY	
	4-6	7-9	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)	
1) World economy													
Economic growth of major trading partners													
Y/y %	2.9	3.1	3.0	3.6	3.5	3.5	3.7	3.8	3.2	3.6	2.9	3.6	
Crude oil price (WTI futures; \$/bbl)	94.2	105.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	98.6	100.0	
Y/y %	0.9	14.8	13.3	6.0	6.2	-5.5	0.0	0.0	8.6	0.0	4.7	1.4	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	15,680	15,819	15,911	15,994	16,097	16,208	16,329	16,449	15,851	16,271	15,748	16,157	
Q/q %, SAAR	2.5	3.6	2.3	2.1	2.6	2.8	3.0	3.0					
Y/y %	1.6	1.8	2.4	2.6	2.7	2.5	2.6	2.8	2.1	2.6	1.8	2.6	
Consumer Price Index (1982-84 avg=100)	232.1	233.6	234.5	235.6	236.7	237.9	239.1	240.5	233.9	238.5	233.1	237.3	
Q/q %, SAAR	-0.0	2.6	1.6	1.8	2.0	1.9	2.1	2.3					
Y/y %	1.4	1.6	1.4	1.5	2.0	1.8	1.9	2.1	1.5	2.0	1.5	1.8	
Producer Price Index (Finished goods; 1982=100)	195.8	197.7	199.0	200.1	201.3	202.5	203.9	205.3	197.8	202.9	196.9	201.6	
Q/q %, SAAR	-1.6	3.9	2.8	2.2	2.3	2.5	2.7	2.9					
Y/y %	1.5	1.3	1.4	1.8	2.8	2.4	2.4	2.6	1.5	2.6	1.4	2.4	
FF rate (%) (Target rate for the forecast period, end-period)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
Government bond yield (10 year; %)	2.00	2.71	2.65	2.70	2.98	3.14	3.28	3.43	2.51	3.21	2.33	3.03	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	98.4	98.7	99.1	99.4	99.8	100.1	100.4	100.7	98.9	100.3	98.7	99.9	
Q/q %, SAAR	0.8	1.0	1.6	1.4	1.6	1.2	1.2	1.2					
Y/y %	2.3	1.9	2.0	1.0	1.4	1.4	1.3	1.4	1.8	1.4	1.8	1.3	
Nominal public fixed investment													
Y tril; SAAR	22.8	24.6	24.9	24.5	24.1	23.4	23.0	22.8	24.4	23.3	23.4	23.8	
Q/q %, SAAR	29.4	33.9	5.1	-5.5	-6.7	-11.1	-7.0	-3.6					
Y/y %	9.0	20.9	17.9	14.7	5.5	-5.1	-7.7	-7.2	15.9	-4.6	11.2	1.6	
Exchange rate (Y/\$)	98.8	98.9	100.0	100.0	100.0	100.0	100.0	100.0	99.4	100.0	97.5	100.0	
(Y/€)	129.6	130.7	135.0	135.0	135.0	135.0	135.0	135.0	132.6	135.0	129.3	135.0	
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.

Notes: 1) Consumption tax hike in April 2014 assumed for Japan.

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

E: DIR estimate.