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Japan's Economic Outlook No. 181 Update (Summary)

In this report we examine four major issues facing Japan's economy after the consumption tax hike:

(1) The tax hike, (2) The need to increase wages, (3) Capex, and (4) The US exit strategy

Japan to see real GDP growth of +1.1% in FY14 and +1.5% in FY15, with nominal GDP growth of +2.8% in FY14 and +2.6% in FY15.

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Main Points

- **Main economic scenario for Japan:** In light of the second preliminary Jan-Mar GDP release (Cabinet Office), we have revised our economic growth outlook. We now forecast real GDP growth of +1.1% in comparison with the previous year for FY14 (+1.0% in the previous forecast) and +1.5% in comparison with the previous year for FY15 (+1.5% in the previous forecast). Japan's economy is expected to decline temporarily in the Apr-Jun 2014 period due to the effects of the increase in consumption tax, but then to get back on track and head toward recovery during the Jul-Sep period. Japan's economy is expected to firm up in the near future due to the following positive factors: (1) The negative factors associated with the increase in consumption tax are believed to be limited, and (2) Firming up of exports due to US economic recovery.
- **Four major issues facing Japan's economy:** In this report we examine four major issues facing Japan's economy: (1) The tax hike, (2) The need to increase wages, (3) Capex, and (4) The US exit strategy.
- **Issue (1) The tax hike:** The effects of the increase in consumption tax are believed to be limited. The tax hike initially pushed the FY14 real GDP growth rate down by -0.88% pt, but then is expected to push the FY15 real GDP growth rate up by +0.26% pt.
- **Issue (2) The need to increase wages:** As Japan's economy recovers, leading to rising demand for labor in the macro-economic sense, pay-scale increases [the increasing of the base wage] are gradually becoming more widespread amongst large corporations. This tendency is mostly focused on general workers, and is expected to help push up prices. The raising of wages of part-time workers may very well follow as wages of general workers and prices increase.

- **Issue (3) Capex:** Analysis of recent data suggests that capex may be hitting bottom soon. However, in order for capex to enter a truly robust growth phase, the anticipated growth rate must increase, and one of the major factors in encouraging such a development would be the success of the *Third Arrow* in Abe's growth strategy.
- **Issue (4) The US exit strategy:** DIR performed a quantitative simulation on the effect the US exit strategy might have on the world economy, and results show that if the Federal Reserve takes a careful approach to its exit strategy, going at an appropriate pace in relation to the recovery of the real economy, then the world economy will also get back on the road to steady recovery.
- **Challenges facing Abenomics:** As we have mentioned before on a number of occasions, the biggest challenges faced by *Abenomics* are (1) maintaining fiscal restraint, and (2) strengthening its growth strategy. The arguments supporting this outlook focus especially on the following themes.
 - (1) **Speed up the move from savings to investment:** The effects of *Abenomics* are expected to lead to inflation, and the move from savings to investment must be encouraged.
 - (2) **Halt the decline in birthrate:** Halt the decline in the birthrate, which has plagued Japan for many years now, by aggressively promoting more contribution from women in the workforce.
- **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's monetary policy:** We expect additional monetary easing measures by the BOJ to carry over beyond the 2015 Jan-Mar period. While there is still a chance that the BOJ might reach its price target, our outlook as of this point in time is that the growth rate in consumer prices will not reach 2%.

Our assumptions

- Public works spending will fall by -2.3% in FY14, then decline again by -10.2% in FY15. Another consumption tax hike is planned in October 2015.
- Average exchange rate of Y100.5/\$ in FY14 and Y100.0/\$ in FY15.
- US real GDP growth of +2.2% in CY14 and +3.0% in CY15.

Main Economic Indicators and Real GDP Components

Japan's Economic Outlook No. 181 Update

	FY13 (Actual)	FY14 (Estimate)	FY15 (Estimate)	CY13 (Actual)	CY14 (Estimate)	CY15 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.9	2.8	2.6	0.9	2.9	2.6
Real GDP (chained [2005]; y/y %)	2.3	1.1	1.5	1.5	1.8	1.4
Domestic demand (contribution, % pt)	2.8	0.9	0.9	1.9	2.2	0.9
Foreign demand (contribution, % pt)	-0.5	0.4	0.6	-0.3	-0.5	0.5
GDP deflator (y/y %)	-0.4	1.7	1.1	-0.6	1.2	1.2
Index of All-industry Activity (y/y %)*	1.9	-0.1	2.0	0.8	0.8	1.4
Index of Industrial Production (y/y %)	3.2	2.9	6.0	-0.8	4.6	5.1
Index of Tertiary Industry Activity (y/y %)	1.3	-0.6	1.0	0.7	0.2	0.6
Corporate Goods Price Index (y/y %)	1.8	3.4	2.0	1.3	3.1	2.0
Consumer Price Index (excl. fresh food; y/y %)	0.8	3.1	1.9	0.4	2.7	2.0
Unemployment rate (%)	3.9	3.6	3.5	4.0	3.6	3.5
Government bond yield (10 year; %)	0.64	0.67	0.84	0.74	0.64	0.79
Money stock; M2 (end-period; y/y %)	3.9	4.0	4.3	3.6	4.0	4.2
Balance of payments						
Trade balance (¥ tril)	-10.9	-12.5	-10.8	-8.8	-13.4	-11.3
Current balance (\$100 mil)	79	9	339	331	-176	254
Current balance (¥ tril)	0.8	0.1	3.4	3.2	-1.8	2.5
(% of nominal GDP)	0.2	0.0	0.7	0.7	-0.4	0.5
Real GDP components (Chained [2005]; y/y % ; figures in parentheses: contribution, % pt)						
Private final consumption	2.6 (1.6)	-0.4 (-0.2)	1.1 (0.6)	2.0 (1.2)	1.0 (0.6)	0.6 (0.4)
Private housing investment	9.5 (0.3)	-1.1 (-0.0)	-1.4 (-0.0)	8.9 (0.3)	3.0 (0.1)	-0.2 (-0.0)
Private fixed investment	2.6 (0.4)	8.3 (1.1)	4.8 (0.7)	-1.5 (-0.2)	10.7 (1.5)	4.6 (0.7)
Government final consumption	1.8 (0.4)	1.1 (0.2)	1.0 (0.2)	2.0 (0.4)	0.9 (0.2)	1.1 (0.2)
Public fixed investment	15.1 (0.7)	-3.6 (-0.2)	-11.4 (-0.5)	11.4 (0.5)	1.1 (0.1)	-9.6 (-0.5)
Exports of goods and services	4.7 (0.7)	7.9 (1.3)	7.8 (1.3)	1.7 (0.2)	8.7 (1.4)	7.1 (1.2)
Imports of goods and services	7.0 (-1.2)	6.1 (-0.9)	4.9 (-0.8)	3.4 (-0.6)	9.9 (-1.9)	3.5 (-0.7)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.2	3.5	3.9	3.0	3.3	3.9
Crude oil price (WTI futures; \$/bbl)	99.1	100.0	100.0	98.0	99.7	100.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.1	2.5	3.0	1.9	2.2	3.0
US Consumer Price Index (y/y %)	1.4	1.7	2.0	1.5	1.6	1.9
3. Japanese economy						
Nominal public fixed investment (y/y %)	17.1	-2.3	-10.2	12.8	2.7	-8.5
Exchange rate (Y/\$)	100.2	100.5	100.0	97.6	101.2	100.0
(Y/€)	135.1	140.3	140.0	130.6	140.3	140.0
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 181 Update)		Previous outlook (Outlook 181)		Difference between previous and current outlooks	
	FY14	FY15	FY14	FY15	FY14	FY15
Main economic indicators						
Nominal GDP (y/y %)	2.8	2.6	2.6	2.5	0.2	0.0
Real GDP (chained [2005]; y/y %)	1.1	1.5	1.0	1.5	0.2	0.0
Domestic demand (contribution, % pt)	0.9	0.9	0.7	0.9	0.2	0.0
Foreign demand (contribution, % pt)	0.4	0.6	0.4	0.6	-0.0	-0.0
GDP deflator (y/y %)	1.7	1.1	1.6	1.0	0.1	0.0
Index of All-industry Activity (y/y %)*	-0.1	2.0	0.1	2.0	-0.2	-0.0
Index of Industrial Production (y/y %)	2.9	6.0	4.1	6.2	-1.3	-0.2
Index of Tertiary Industry Activity (y/y %)	-0.6	1.0	-0.6	1.0	0.0	0.0
Corporate Goods Price Index (y/y %)	3.4	2.0	3.4	2.0	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	3.1	1.9	2.9	1.7	0.2	0.2
Unemployment rate (%)	3.6	3.5	3.6	3.5	0.0	0.0
Government bond yield (10 year; %)	0.67	0.84	0.67	0.84	0.00	0.00
Money stock; M2 (end-period; y/y %)	4.0	4.3	4.0	4.3	0.0	0.0
Balance of payments						
Trade balance (Y tril)	-12.5	-10.8	-12.4	-10.8	-0.0	-0.0
Current balance (\$100 mil)	9	339	6	337	3	2
Current balance (Y tril)	0.1	3.4	0.1	3.4	0.0	0.0
(% of nominal GDP)	0.0	0.7	0.0	0.7	0.0	0.0
Real GDP components (chained [2005]; y/y %)						
Private final consumption	-0.4	1.1	-0.4	1.1	-0.0	-0.0
Private housing investment	-1.1	-1.4	-1.1	-1.4	0.0	0.0
Private fixed investment	8.3	4.8	6.6	4.9	1.7	-0.0
Government final consumption	1.1	1.0	1.1	1.0	-0.0	0.0
Public fixed investment	-3.6	-11.4	-3.6	-11.4	0.0	0.0
Exports of goods and services	7.9	7.8	7.9	7.8	0.0	0.0
Imports of goods and services	6.1	4.9	6.1	4.9	0.0	0.0
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.5	3.9	3.4	3.9	0.0	0.0
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 %)	2.5	3.0	2.4	3.0	0.1	0.0
US Consumer Price Index (y/y %)	1.7	2.0	1.7	2.0	0.0	0.0
3. Japanese economy						
Nominal public fixed investment (y/y %)	-2.3	-10.2	-2.3	-10.3	0.0	0.0
Exchange rate (Y/\$)	100.5	100.0	100.5	100.0	0.0	0.0
(Y/€)	140.3	140.0	140.3	140.0	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

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
Nominal GDP (SAAR; Y tril)	474.8	470.1	470.8	475.1	478.1	479.1	480.1	486.9	472.6	481.5	473.8	478.0	
Q/q %	-1.1	-1.0	0.1	0.9	0.6	0.2	0.2	1.4					
Q/q %, SAAR	-4.3	-3.9	0.6	3.7	2.6	0.9	0.8	5.7					
Y/y %	2.1	-1.0	-1.0	-1.0	0.6	1.9	2.0	3.0	-0.2	1.9	0.5	0.9	
Real GDP (chained [2005]; SAAR; Y tril)	518.6	514.7	514.9	521.6	525.3	527.1	527.5	536.1	517.5	529.3	517.4	525.3	
Q/q %	-0.6	-0.8	0.0	1.3	0.7	0.3	0.1	1.6					
Q/q %, SAAR	-2.5	-3.0	0.2	5.3	2.9	1.3	0.3	6.7					
Y/y %	3.2	-0.2	-0.3	0.1	1.2	2.3	2.5	3.0	0.7	2.3	1.4	1.5	
Contribution to GDP growth (% pt)													
Domestic demand	-0.3	-0.2	0.2	0.9	0.6	0.8	0.6	1.9	1.4	2.8	2.3	1.9	
Foreign demand	-0.3	-0.6	-0.1	0.4	0.1	-0.5	-0.6	-0.3	-0.8	-0.5	-0.9	-0.3	
GDP deflator (y/y %)	-1.1	-0.7	-0.7	-1.0	-0.6	-0.4	-0.4	-0.1	-0.9	-0.4	-0.9	-0.6	
Index of All-Industry Activity (2005=100)	96.6	96.2	96.1	96.5	97.1	97.6	97.9	99.5	96.2	98.0	96.5	97.3	
Q/q %; y/y %	-0.2	-0.4	-0.0	0.4	0.6	0.5	0.3	1.6	0.2	1.9	1.2	0.8	
Index of Industrial Production (2010=100)	99.1	95.9	94.1	94.6	96.1	97.8	99.6	102.5	95.8	98.9	97.8	97.0	
Q/q %; y/y %	-2.1	-3.3	-1.8	0.5	1.6	1.7	1.8	3.0	-3.0	3.2	0.6	-0.8	
Index of Tertiary Industry Activity (2005=100)	99.0	99.0	99.3	99.8	100.1	100.2	100.0	101.7	99.2	100.5	99.3	100.0	
Q/q %; y/y %	0.0	0.0	0.3	0.5	0.4	0.0	-0.2	1.7	0.8	1.3	1.4	0.7	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	100.9	100.2	100.1	100.9	101.6	102.4	102.6	102.8	100.5	102.4	100.6	101.9	
Y/y %	-1.0	-1.9	-1.0	-0.3	0.6	2.2	2.5	1.9	-1.0	1.8	-0.9	1.3	
CPI (excl. fresh food; 2010=100)	99.9	99.6	99.6	99.3	99.9	100.3	100.7	100.6	99.6	100.4	99.7	100.1	
Y/y %	-0.0	-0.2	-0.1	-0.3	0.0	0.7	1.1	1.3	-0.2	0.8	-0.1	0.4	
Unemployment rate (%)	4.4	4.3	4.2	4.2	4.0	4.0	3.9	3.6	4.3	3.9	4.3	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; %)	0.85	0.78	0.76	0.66	0.77	0.73	0.64	0.61	0.56	0.64	0.80	0.74	
Money stock; M2 (y/y %)	2.4	2.4	2.3	2.9	3.5	3.8	4.2	4.0	2.5	3.9	2.5	3.6	
Trade balance (SAAR; Y tril)	-3.8	-5.3	-4.1	-7.8	-6.7	-9.3	-11.2	-15.2	-5.2	-10.9	-4.3	-8.8	
Current balance (SAAR; \$100 mil)	574	397	685	400	747	229	0	-546	508	79	587	331	
Current balance (SAAR; Y tril)	4.6	3.1	5.6	3.7	7.4	2.3	0.0	-5.6	4.2	0.8	4.7	3.2	
(% of nominal GDP)	1.0	0.7	1.2	0.8	1.5	0.5	0.0	-1.2	0.9	0.2	1.1	0.7	
Exchange rate (Y/\$)	80.1	78.6	81.2	92.3	98.8	98.9	100.4	102.8	83.1	100.2	79.8	97.6	
(Y/Euro)	101.2	98.2	108.2	122.0	129.6	130.7	139.9	140.3	107.4	135.1	103.5	130.6	

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

	2014			2015			2016		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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)
Nominal GDP (SAAR; Y tril)	489.5	493.2	496.6	499.9	502.9	507.9	508.0	511.1	495.1	507.8	492.1	504.9
Q/q %	0.6	0.8	0.7	0.7	0.6	1.0	0.0	0.6				
Q/q %, SAAR	2.2	3.0	2.7	2.7	2.4	4.1	0.0	2.4				
Y/y %	2.4	3.0	3.4	2.4	2.7	3.0	2.3	2.3	2.8	2.6	2.9	2.6
Real GDP (chained [2005]; SAAR; Y tril)	530.4	533.7	536.6	539.3	541.9	546.7	540.7	543.2	535.3	543.3	534.6	542.3
Q/q %	-1.1	0.6	0.5	0.5	0.5	0.9	-1.1	0.5				
Q/q %, SAAR	-4.2	2.5	2.1	2.1	1.9	3.6	-4.3	1.9				
Y/y %	1.0	1.3	1.7	0.5	2.1	2.4	0.8	0.8	1.1	1.5	1.8	1.4
Contribution to GDP growth (% pt)												
Domestic demand	-1.7	0.5	0.4	0.3	0.4	0.9	-1.5	0.2	0.9	0.9	2.2	0.9
Foreign demand	0.5	0.1	0.2	0.1	-0.0	-0.1	0.3	0.2	0.4	0.6	-0.5	0.5
GDP deflator (y/y %)	1.4	1.6	1.7	2.0	0.6	0.6	1.5	1.6	1.7	1.1	1.2	1.2
Index of All-Industry Activity (2005=100)	97.2	97.7	98.1	98.7	99.4	100.8	99.3	99.9	97.9	99.8	98.1	99.5
Q/q %; y/y %	-2.3	0.6	0.4	0.5	0.7	1.4	-1.5	0.6	-0.1	2.0	0.8	1.4
Index of Industrial Production (2010=100)	100.1	100.9	102.3	104.1	106.2	108.8	107.5	109.2	101.8	107.9	101.4	106.6
Q/q %; y/y %	-2.4	0.8	1.4	1.7	2.0	2.4	-1.1	1.6	2.9	6.0	4.6	5.1
Index of Tertiary Industry Activity (2005=100)	99.4	99.9	100.1	100.3	100.7	101.9	100.3	100.7	99.9	100.9	100.2	100.8
Q/q %; y/y %	-2.3	0.5	0.2	0.2	0.4	1.2	-1.6	0.4	-0.6	1.0	0.2	0.6
Corporate Goods Price Index components (2010=100)												
Domestic Company Goods Price Index	105.5	105.7	106.0	106.2	106.5	106.9	108.9	109.3	105.8	107.9	105.0	107.1
Y/y %	3.9	3.2	3.3	3.3	1.0	1.1	2.8	2.9	3.4	2.0	3.1	2.0
CPI (excl. fresh food; 2010=100)	103.2	103.5	103.7	103.6	104.3	104.6	106.4	106.4	103.5	105.4	102.7	104.7
Y/y %	3.3	3.1	3.0	3.0	1.0	1.1	2.6	2.7	3.1	1.9	2.7	2.0
Unemployment rate (%)	3.6	3.6	3.6	3.6	3.5	3.5	3.5	3.4	3.6	3.5	3.6	3.5
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
Government bond yield (10 year; %)	0.61	0.65	0.68	0.72	0.76	0.81	0.87	0.92	0.67	0.84	0.64	0.79
Money stock; M2 (y/y %)	3.9	4.0	4.1	4.1	4.2	4.3	4.3	4.3	4.0	4.3	4.0	4.2
Trade balance (SAAR; Y tril)	-13.3	-12.8	-12.2	-11.5	-11.4	-11.9	-10.4	-9.5	-12.5	-10.8	-13.4	-11.3
Current balance (SAAR; \$100 mil)	-189	-54	84	194	227	193	401	536	9	339	-176	254
Current balance (SAAR; Y tril)	-1.9	-0.5	0.8	1.9	2.3	1.9	4.0	5.4	0.1	3.4	-1.8	2.5
(% of nominal GDP)	-0.4	-0.1	0.2	0.4	0.5	0.4	0.8	1.0	0.0	0.7	-0.4	0.5
Exchange rate (Y/\$)	102.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.5	100.0	101.2	100.0
(Y/Euro)	141.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.3	140.0	140.3	140.0

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)

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
Gross domestic expenditure	518.6	514.7	514.9	521.6	525.3	527.1	527.5	536.1	517.5	529.3	517.4	525.3	
Q/q %, SAAR	-2.5	-3.0	0.2	5.3	2.9	1.3	0.3	6.7					
Y/y %	3.2	-0.2	-0.3	0.1	1.2	2.3	2.5	3.0	0.7	2.3	1.4	1.5	
Domestic demand	508.9	507.7	508.7	513.0	515.9	519.9	523.1	533.0	509.6	523.4	508.8	517.9	
Q/q %, SAAR	-1.1	-0.9	0.7	3.4	2.3	3.1	2.5	7.9					
Y/y %	3.3	1.4	0.5	0.6	1.4	2.3	2.9	4.3	1.4	2.7	2.3	1.8	
Private demand	388.8	387.6	388.0	390.5	391.6	393.9	396.5	407.1	388.7	397.6	388.2	393.1	
Q/q %, SAAR	-0.2	-1.2	0.4	2.6	1.1	2.4	2.7	11.1					
Y/y %	4.0	1.4	-0.0	0.5	0.8	1.6	2.1	4.7	1.4	2.3	2.4	1.2	
Final consumption	308.1	306.6	308.0	311.2	313.4	314.1	315.3	322.3	308.4	316.4	307.3	313.5	
Q/q %, SAAR	1.6	-1.9	1.8	4.2	2.9	0.9	1.5	9.2					
Y/y %	3.0	0.9	0.7	1.5	1.8	2.4	2.3	3.7	1.5	2.6	2.0	2.0	
Residential investment	13.2	13.5	13.8	14.0	14.1	14.6	15.2	15.7	13.6	14.9	13.3	14.5	
Q/q %, SAAR	13.1	7.5	10.0	7.2	3.2	13.9	18.2	13.0					
Y/y %	4.7	1.5	5.8	9.4	6.9	8.6	10.5	11.9	5.3	9.5	2.9	8.9	
Non-residential investment	69.8	68.8	68.6	67.1	67.8	68.4	69.5	74.8	68.5	70.3	69.2	68.1	
Q/q %, SAAR	2.1	-5.9	-0.9	-8.4	3.7	3.8	6.6	34.2					
Y/y %	8.4	3.8	-4.2	-3.3	-2.8	-0.8	1.1	11.6	0.8	2.6	3.7	-1.5	
Change in inventories	-2.4	-1.2	-2.4	-1.8	-3.7	-3.2	-3.5	-5.8	-1.9	-4.0	-1.5	-3.0	
Public demand	120.1	120.1	120.6	122.4	124.3	126.0	126.5	126.0	120.9	125.8	120.6	124.8	
Q/q %, SAAR	-3.7	0.0	1.8	6.1	6.1	5.7	1.7	-1.7					
Y/y %	1.1	1.3	2.4	0.9	3.3	4.8	5.3	3.0	1.4	4.1	1.9	3.5	
Government final consumption	99.7	100.1	100.7	101.7	102.1	102.3	102.5	102.6	100.6	102.4	100.2	102.2	
Q/q %, SAAR	-2.5	1.7	2.7	3.7	1.7	0.8	0.8	0.4					
Y/y %	1.3	1.5	2.0	1.4	2.5	2.2	1.8	0.9	1.5	1.8	1.7	2.0	
Fixed investment	20.5	20.0	19.9	20.8	22.2	23.7	24.0	23.3	20.3	23.4	20.4	22.7	
Q/q %, SAAR	-7.9	-9.4	-1.0	19.8	28.1	30.2	4.7	-10.5					
Y/y %	0.2	0.7	4.8	-0.7	8.2	19.0	20.8	11.4	1.3	15.1	2.8	11.4	
Change in inventories	-0.0	0.0	-0.0	-0.1	-0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	
Net exports of goods and services	10.6	7.5	6.4	8.9	10.0	7.7	5.3	5.4	8.4	7.1	9.1	8.0	
Exports of goods and services	84.2	80.9	78.4	81.7	84.1	83.6	83.9	89.0	81.3	85.2	82.0	83.4	
Q/q %, SAAR	-2.1	-15.1	-11.6	18.1	12.1	-2.6	1.8	26.3					
Y/y %	9.2	-4.8	-5.0	-3.3	0.0	3.2	7.0	8.9	-1.2	4.7	-0.1	1.7	
Imports of goods and services	73.6	73.4	72.0	72.8	74.1	75.9	78.7	83.6	72.9	78.1	72.9	75.4	
Q/q %, SAAR	5.9	-1.4	-7.3	4.6	7.3	10.1	15.5	27.6					
Y/y %	9.0	5.0	1.0	0.3	0.8	3.2	9.2	14.9	3.7	7.0	5.3	3.4	
Residual	-0.9	-0.5	-0.2	-0.3	-0.6	-0.5	-0.8	-2.3	-0.4	-1.2	-0.5	-0.6	

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)

	2014			2015			2016		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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)
Gross domestic expenditure	530.4	533.7	536.6	539.3	541.9	546.7	540.7	543.2	535.3	543.3	534.6	542.3
Q/q %, SAAR	-4.2	2.5	2.1	2.1	1.9	3.6	-4.3	1.9				
Y/y %	1.0	1.3	1.7	0.5	2.1	2.4	0.8	0.8	1.1	1.5	1.8	1.4
Domestic demand	524.5	527.1	529.0	530.8	532.8	537.6	529.7	530.9	528.0	532.8	528.6	532.8
Q/q %, SAAR	-6.3	2.0	1.4	1.3	1.6	3.6	-5.8	0.9				
Y/y %	1.5	1.4	1.0	-0.4	1.7	2.0	0.0	0.1	0.9	0.9	2.1	0.8
Private demand	398.5	400.9	402.7	404.8	407.7	413.0	405.3	406.6	401.9	408.3	402.4	407.7
Q/q %, SAAR	-8.1	2.4	1.8	2.1	2.9	5.3	-7.2	1.2				
Y/y %	1.6	1.8	1.4	-0.5	2.2	3.0	0.6	0.6	1.1	1.6	2.4	1.3
Final consumption	312.9	315.1	315.8	316.8	318.4	322.8	315.7	317.0	315.2	318.5	316.6	318.5
Q/q %, SAAR	-11.2	2.8	1.0	1.2	2.0	5.7	-8.5	1.7				
Y/y %	-0.2	0.4	0.2	-1.8	1.8	2.4	-0.0	0.1	-0.4	1.1	1.0	0.6
Residential investment	15.0	14.5	14.7	14.9	15.2	15.4	14.2	13.3	14.7	14.5	14.9	14.9
Q/q %, SAAR	-17.5	-11.5	4.9	5.3	9.1	6.1	-27.7	-22.6				
Y/y %	5.9	-0.7	-3.5	-5.2	1.6	6.4	-3.1	-10.3	-1.1	-1.4	3.0	-0.2
Non-residential investment	74.9	75.5	76.5	77.5	78.6	79.7	80.1	80.9	76.2	79.9	75.4	78.9
Q/q %, SAAR	0.8	3.2	4.9	5.6	5.7	6.0	1.6	4.1				
Y/y %	10.5	10.6	10.1	3.5	4.9	5.5	4.7	4.4	8.3	4.8	10.7	4.6
Change in inventories	-4.3	-4.3	-4.3	-4.4	-4.5	-5.0	-4.7	-4.7	-4.2	-4.7	-4.6	-4.6
Public demand	125.9	126.2	126.3	126.0	125.1	124.6	124.3	124.3	126.1	124.6	126.1	125.1
Q/q %, SAAR	-0.1	0.9	0.1	-1.0	-2.6	-1.8	-0.8	-0.1				
Y/y %	1.3	0.2	-0.4	-0.1	-0.3	-1.2	-1.8	-1.6	0.2	-1.2	1.0	-0.8
Government final consumption	103.0	103.3	103.6	104.0	104.2	104.4	104.6	104.8	103.5	104.5	103.2	104.3
Q/q %, SAAR	1.4	1.3	1.3	1.2	0.8	0.8	0.8	0.8				
Y/y %	0.8	1.0	1.1	1.3	1.2	1.0	0.9	0.8	1.1	1.0	0.9	1.1
Fixed investment	22.9	22.9	22.6	22.0	20.9	20.2	19.7	19.5	22.5	20.0	22.9	20.7
Q/q %, SAAR	-6.2	-0.9	-5.0	-10.7	-17.4	-14.1	-8.6	-4.8				
Y/y %	3.5	-3.6	-5.9	-5.6	-8.7	-11.8	-12.7	-11.4	-3.6	-11.4	1.1	-9.6
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	7.8	8.4	9.4	10.4	10.8	10.9	12.8	14.1	9.0	12.2	7.8	11.3
Exports of goods and services	89.9	91.1	92.4	94.1	96.0	98.0	100.0	102.2	91.9	99.1	90.6	97.0
Q/q %, SAAR	4.1	5.3	6.1	7.4	8.2	8.7	8.7	9.1				
Y/y %	6.8	9.0	10.1	5.7	6.8	7.6	8.2	8.7	7.9	7.8	8.7	7.1
Imports of goods and services	82.1	82.6	83.0	83.7	85.1	87.1	87.3	88.1	82.9	86.9	82.9	85.8
Q/q %, SAAR	-7.0	2.4	2.0	3.2	7.0	9.5	0.8	4.1				
Y/y %	10.7	9.0	5.6	0.0	3.7	5.3	5.1	5.3	6.1	4.9	9.9	3.5
Residual	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.7	-1.7	-1.7	-1.7

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)

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
Gross domestic expenditure	474.8	470.1	470.8	475.1	478.1	479.1	480.1	486.9	472.6	481.5	473.8	478.0	
Q/q %, SAAR	-4.3	-3.9	0.6	3.7	2.6	0.9	0.8	5.7					
Y/y %	2.1	-1.0	-1.0	-1.0	0.6	1.9	2.0	3.0	-0.2	1.9	0.5	0.9	
Domestic demand	483.4	480.3	481.8	486.6	488.6	493.5	498.2	507.8	483.0	497.5	483.2	491.6	
Q/q %, SAAR	-3.4	-2.6	1.3	4.0	1.7	4.0	3.9	7.9					
Y/y %	2.4	0.4	-0.1	-0.2	1.0	2.7	3.4	4.9	0.6	3.0	1.6	1.8	
Private demand	366.2	362.8	364.0	366.6	367.2	370.2	374.5	384.2	364.8	374.3	365.1	369.5	
Q/q %, SAAR	-1.9	-3.6	1.2	2.9	0.6	3.3	4.7	10.8					
Y/y %	3.3	0.4	-0.6	-0.3	0.3	2.0	2.8	5.3	0.6	2.6	1.7	1.2	
Final consumption	288.9	285.6	287.6	290.3	291.9	293.3	295.6	302.2	288.1	295.8	287.7	292.8	
Q/q %, SAAR	-0.4	-4.5	2.8	3.8	2.2	1.9	3.2	9.2					
Y/y %	2.2	-0.3	-0.0	0.5	1.1	2.6	2.8	4.3	0.6	2.7	1.2	1.8	
Residential investment	13.6	13.8	14.2	14.6	14.8	15.4	16.2	16.8	14.0	15.8	13.7	15.3	
Q/q %, SAAR	11.6	6.3	11.5	10.2	8.4	17.2	21.6	14.3					
Y/y %	3.8	0.2	5.4	9.9	9.1	11.8	14.2	15.3	4.7	12.7	2.2	11.4	
Non-residential investment	66.1	64.7	64.7	63.5	64.2	65.0	66.3	71.2	64.7	66.9	65.3	64.7	
Q/q %, SAAR	2.1	-7.8	-0.5	-7.1	4.9	4.8	8.0	33.4					
Y/y %	8.4	3.2	-4.5	-3.3	-2.5	0.2	2.3	12.4	0.5	3.5	3.4	-0.9	
Change in inventories	-2.3	-1.3	-2.5	-1.7	-3.8	-3.6	-3.6	-6.0	-1.9	-4.2	-1.6	-3.2	
Public demand	117.2	117.4	117.8	120.0	121.4	123.3	123.7	123.5	118.1	123.1	118.0	122.1	
Q/q %, SAAR	-7.8	0.7	1.4	7.5	5.0	6.2	1.4	-0.6					
Y/y %	-0.2	0.5	1.3	0.4	3.2	5.1	5.2	3.5	0.5	4.2	1.1	3.5	
Government final consumption	96.1	96.8	97.3	98.4	98.4	98.5	98.4	98.8	97.1	98.5	96.9	98.4	
Q/q %, SAAR	-7.2	2.9	2.0	5.0	-0.4	0.6	-0.5	1.8					
Y/y %	-0.2	0.7	0.7	0.8	2.3	1.9	1.0	0.5	0.5	1.4	0.9	1.5	
Fixed investment	21.1	20.6	20.6	21.7	23.1	24.8	25.3	24.7	21.0	24.6	21.1	23.7	
Q/q %, SAAR	-9.6	-9.7	0.2	21.9	28.9	33.8	8.1	-9.7					
Y/y %	0.1	-0.1	4.6	-0.5	9.0	20.9	23.4	13.6	1.1	17.1	2.6	12.8	
Change in inventories	-0.0	0.0	-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	-8.7	-10.2	-11.0	-11.5	-10.5	-14.3	-18.1	-20.9	-10.3	-16.0	-9.4	-13.6	
Exports of goods and services	71.3	68.3	67.7	74.2	77.9	78.4	79.7	83.7	70.4	79.9	69.8	77.6	
Q/q %, SAAR	-2.5	-15.8	-3.4	44.1	21.2	2.6	6.7	22.0					
Y/y %	5.7	-7.6	-4.2	3.8	9.0	14.6	17.8	12.8	-0.7	13.5	-2.1	11.2	
Imports of goods and services	80.0	78.5	78.7	85.7	88.4	92.7	97.8	104.6	80.8	95.9	79.2	91.2	
Q/q %, SAAR	3.3	-7.3	1.2	40.6	12.9	21.1	23.6	31.2					
Y/y %	7.2	1.2	1.5	8.2	10.3	17.9	24.5	22.1	4.5	18.7	4.7	15.2	

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)

	2014			2015			2016			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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
Gross domestic expenditure	489.5	493.2	496.6	499.9	502.9	507.9	508.0	511.1	495.1	507.8	492.1	504.9	
Q/q %, SAAR	2.2	3.0	2.7	2.7	2.4	4.1	0.0	2.4					
Y/y %	2.4	3.0	3.4	2.4	2.7	3.0	2.3	2.3	2.8	2.6	2.9	2.6	
Domestic demand	507.7	510.9	513.5	516.1	519.1	524.8	523.2	525.3	512.1	523.2	510.1	520.9	
Q/q %, SAAR	-0.1	2.5	2.1	2.0	2.4	4.5	-1.3	1.6					
Y/y %	3.8	3.6	2.9	1.6	2.3	2.8	1.7	1.8	2.9	2.2	3.8	2.1	
Private demand	382.9	385.7	388.1	390.9	394.7	400.8	398.8	400.9	387.0	399.0	385.3	396.3	
Q/q %, SAAR	-1.4	2.9	2.6	2.9	3.9	6.4	-2.0	2.0					
Y/y %	4.1	4.2	3.5	1.8	3.0	3.9	2.7	2.8	3.4	3.1	4.3	2.8	
Final consumption	299.6	302.1	303.2	304.6	306.9	312.0	310.4	312.3	302.4	310.5	301.9	308.6	
Q/q %, SAAR	-3.4	3.3	1.5	1.9	3.0	6.8	-2.1	2.5					
Y/y %	2.6	3.0	2.6	0.7	2.5	3.3	2.4	2.5	2.2	2.7	3.1	2.2	
Residential investment	16.2	15.7	15.9	16.2	16.6	16.9	15.7	14.8	16.0	16.0	16.2	16.3	
Q/q %, SAAR	-12.8	-11.1	5.3	5.9	10.0	7.4	-24.8	-21.7					
Y/y %	9.2	1.9	-1.7	-3.6	2.2	7.2	-1.5	-8.7	1.1	-0.2	5.7	1.0	
Non-residential investment	71.5	72.3	73.3	74.6	75.8	77.0	77.6	78.6	73.0	77.3	72.1	76.2	
Q/q %, SAAR	1.6	4.3	6.2	6.8	6.7	6.9	2.8	5.5					
Y/y %	11.2	11.3	10.8	4.6	6.0	6.6	5.8	5.5	9.1	6.0	11.4	5.7	
Change in inventories	-4.4	-4.4	-4.4	-4.5	-4.6	-5.1	-4.8	-4.8	-4.4	-4.8	-4.8	-4.7	
Public demand	124.7	125.2	125.4	125.2	124.5	124.0	124.3	124.4	125.1	124.2	124.8	124.6	
Q/q %, SAAR	3.9	1.5	0.6	-0.6	-2.3	-1.5	1.0	0.4					
Y/y %	2.6	1.5	1.2	1.1	0.2	-0.9	-1.0	-1.0	1.6	-0.7	2.2	-0.2	
Government final consumption	100.3	100.8	101.2	101.6	101.9	102.2	102.9	103.3	101.0	102.6	100.3	102.2	
Q/q %, SAAR	6.3	1.7	1.7	1.7	1.2	1.2	2.8	1.2					
Y/y %	2.0	2.3	3.0	2.8	1.6	1.5	1.7	1.6	2.5	1.6	2.0	1.9	
Fixed investment	24.4	24.4	24.1	23.5	22.5	21.7	21.3	21.1	24.1	21.6	24.4	22.3	
Q/q %, SAAR	-5.2	0.3	-3.9	-9.6	-16.4	-13.0	-7.2	-3.7					
Y/y %	5.6	-2.0	-4.9	-4.5	-7.6	-10.8	-11.5	-10.3	-2.3	-10.2	2.7	-8.5	
Change in inventories	0.1	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	-18.1	-17.6	-16.9	-16.1	-16.2	-16.9	-15.2	-14.2	-17.2	-15.6	-18.4	-16.1	
Exports of goods and services	84.7	86.0	87.6	89.5	91.6	93.7	96.0	98.4	87.0	94.9	85.6	92.7	
Q/q %, SAAR	4.9	6.4	7.4	9.1	9.3	9.8	10.0	10.4					
Y/y %	8.9	9.8	9.8	6.9	8.0	8.9	9.6	9.9	8.8	9.1	10.3	8.4	
Imports of goods and services	102.9	103.7	104.5	105.7	107.8	110.6	111.1	112.6	104.2	110.6	104.0	108.8	
Q/q %, SAAR	-6.6	3.2	3.2	4.5	8.3	10.8	2.0	5.3					
Y/y %	16.4	11.9	6.8	1.0	4.8	6.6	6.4	6.6	8.7	6.1	14.0	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.

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

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
Gross domestic expenditure	91.6	91.3	91.4	91.1	91.0	90.9	91.0	90.8	91.3	91.0	91.6	91.0	
Q/q %, SAAR	-0.5	-0.2	0.1	-0.4	-0.1	-0.1	0.1	-0.2					
Y/y %	-1.1	-0.7	-0.7	-1.0	-0.6	-0.4	-0.4	-0.1	-0.9	-0.4	-0.9	-0.6	
Private final consumption	93.8	93.1	93.4	93.3	93.1	93.4	93.8	93.7	93.4	93.5	93.6	93.4	
Q/q %, SAAR	-0.5	-0.7	0.2	-0.1	-0.2	0.3	0.4	-0.0					
Y/y %	-0.8	-1.1	-0.7	-1.0	-0.7	0.2	0.4	0.6	-0.9	0.1	-0.8	-0.3	
Private residential investment	103.0	102.7	103.1	103.8	105.1	105.8	106.6	106.9	103.2	106.1	103.0	105.4	
Q/q %, SAAR	-0.3	-0.3	0.4	0.7	1.2	0.7	0.7	0.3					
Y/y %	-0.8	-1.3	-0.4	0.5	2.0	3.0	3.4	3.0	-0.5	2.9	-0.7	2.3	
Private non-residential investment	94.6	94.1	94.2	94.6	94.8	95.1	95.4	95.2	94.4	95.1	94.4	94.9	
Q/q %, SAAR	0.0	-0.5	0.1	0.4	0.3	0.3	0.3	-0.1					
Y/y %	0.0	-0.6	-0.3	-0.0	0.2	1.0	1.2	0.7	-0.2	0.8	-0.3	0.6	
Government final consumption	96.4	96.7	96.5	96.8	96.3	96.3	96.0	96.3	96.6	96.2	96.7	96.3	
Q/q %, SAAR	-1.2	0.3	-0.2	0.3	-0.5	-0.0	-0.3	0.4					
Y/y %	-1.4	-0.7	-1.3	-0.6	-0.2	-0.3	-0.8	-0.4	-1.0	-0.4	-0.8	-0.5	
Public fixed investment	103.2	103.2	103.5	103.9	104.1	104.8	105.7	105.9	103.5	105.3	103.4	104.7	
Q/q %, SAAR	-0.5	-0.1	0.3	0.4	0.2	0.7	0.8	0.2					
Y/y %	-0.1	-0.9	-0.2	0.2	0.8	1.6	2.1	1.9	-0.2	1.7	-0.2	1.2	
Exports of goods and services	84.7	84.5	86.4	90.8	92.6	93.8	94.9	94.1	86.6	93.9	85.1	93.1	
Q/q %, SAAR	-0.1	-0.2	2.2	5.1	2.0	1.3	1.2	-0.9					
Y/y %	-3.2	-2.9	0.9	7.3	9.0	11.0	10.1	3.6	0.5	8.4	-2.0	9.4	
Imports of goods and services	108.6	107.0	109.4	117.8	119.3	122.2	124.2	125.1	110.7	122.8	108.6	121.0	
Q/q %, SAAR	-0.6	-1.5	2.2	7.7	1.3	2.4	1.7	0.7					
Y/y %	-1.7	-3.6	0.5	7.8	9.4	14.2	13.9	6.2	0.8	10.9	-0.6	11.4	

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.

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

	2014			2015			2016		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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)
Gross domestic expenditure	92.3	92.4	92.5	92.7	92.8	92.9	94.0	94.1	92.5	93.5	92.0	93.1
Q/q %, SAAR	1.6	0.1	0.1	0.2	0.1	0.1	1.1	0.1				
Y/y %	1.4	1.6	1.7	2.0	0.6	0.6	1.5	1.6	1.7	1.1	1.2	1.2
Private final consumption	95.8	95.9	96.0	96.2	96.4	96.7	98.3	98.5	96.0	97.5	95.3	96.9
Q/q %, SAAR	2.1	0.1	0.1	0.2	0.2	0.3	1.7	0.2				
Y/y %	2.8	2.7	2.4	2.6	0.7	0.8	2.4	2.4	2.6	1.6	2.1	1.6
Private residential investment	108.4	108.5	108.6	108.8	109.0	109.3	110.4	110.7	108.6	109.8	108.1	109.4
Q/q %, SAAR	1.4	0.1	0.1	0.2	0.2	0.3	1.0	0.3				
Y/y %	3.1	2.5	1.9	1.8	0.6	0.7	1.7	1.8	2.3	1.2	2.6	1.2
Private non-residential investment	95.4	95.6	95.9	96.2	96.4	96.6	96.9	97.3	95.8	96.8	95.5	96.5
Q/q %, SAAR	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.4				
Y/y %	0.6	0.6	0.6	1.1	1.1	1.0	1.0	1.1	0.7	1.1	0.6	1.1
Government final consumption	97.5	97.5	97.6	97.7	97.8	97.9	98.4	98.5	97.6	98.1	97.2	98.0
Q/q %, SAAR	1.2	0.1	0.1	0.1	0.1	0.1	0.5	0.1				
Y/y %	1.2	1.3	1.8	1.4	0.4	0.4	0.8	0.8	1.4	0.6	1.0	0.7
Public fixed investment	106.2	106.5	106.8	107.1	107.5	107.8	108.2	108.6	106.7	108.1	106.4	107.6
Q/q %, SAAR	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.3				
Y/y %	2.0	1.6	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.3	1.6	1.2
Exports of goods and services	94.3	94.5	94.8	95.2	95.4	95.6	95.9	96.2	94.7	95.8	94.4	95.6
Q/q %, SAAR	0.2	0.2	0.3	0.4	0.2	0.3	0.3	0.3				
Y/y %	2.0	0.7	-0.3	1.2	1.1	1.2	1.3	1.1	0.9	1.2	1.5	1.2
Imports of goods and services	125.2	125.5	125.9	126.2	126.6	127.0	127.4	127.8	125.7	127.2	125.5	126.8
Q/q %, SAAR	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3				
Y/y %	5.2	2.7	1.2	0.9	1.0	1.2	1.3	1.2	2.4	1.2	3.7	1.1

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

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
1) Q/q %													
GDP growth rate	-0.6	-0.8	0.0	1.3	0.7	0.3	0.1	1.6	0.7	2.3	1.4	1.5	
Domestic demand	-0.3	-0.2	0.2	0.9	0.6	0.8	0.6	1.9	1.4	2.8	2.3	1.9	
Private demand	-0.1	-0.2	0.1	0.5	0.2	0.5	0.5	2.0	1.1	1.7	1.9	1.0	
Private consumption	0.2	-0.3	0.3	0.6	0.4	0.1	0.2	1.4	0.9	1.6	1.2	1.2	
Residential investment	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.3	0.1	0.3	
Private fixed investment	0.1	-0.2	-0.0	-0.3	0.1	0.1	0.2	1.1	0.1	0.4	0.5	-0.2	
Change in private inventories	-0.5	0.2	-0.3	0.1	-0.4	0.1	-0.1	-0.5	-0.1	-0.5	0.1	-0.3	
Public demand	-0.2	-0.0	0.1	0.4	0.4	0.4	0.1	-0.1	0.4	1.1	0.5	0.9	
Government final consumption	-0.1	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.3	0.4	0.4	0.4	
Public fixed investment	-0.1	-0.1	-0.0	0.2	0.3	0.3	0.1	-0.1	0.1	0.7	0.1	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	-0.3	-0.6	-0.1	0.4	0.1	-0.5	-0.6	-0.3	-0.8	-0.5	-0.9	-0.3	
Exports of goods and services	-0.1	-0.6	-0.4	0.6	0.4	-0.1	0.1	1.0	-0.2	0.7	-0.0	0.2	
Imports of goods and services	-0.2	0.1	0.3	-0.2	-0.3	-0.4	-0.6	-1.2	-0.6	-1.2	-0.9	-0.6	
2) Y/y %													
GDP growth rate	3.2	-0.2	-0.3	0.1	1.2	2.3	2.5	3.0	0.7	2.3	1.4	1.5	
Domestic demand	3.3	1.4	0.6	0.6	1.4	2.4	3.0	4.3	1.4	2.8	2.3	1.9	
Private demand	3.1	1.1	0.0	0.4	0.6	1.2	1.6	3.4	1.1	1.7	1.9	1.0	
Private consumption	1.9	0.5	0.4	0.9	1.1	1.5	1.4	2.2	0.9	1.6	1.2	1.2	
Residential investment	0.1	0.0	0.2	0.3	0.2	0.3	0.3	0.4	0.2	0.3	0.1	0.3	
Private fixed investment	1.0	0.5	-0.5	-0.5	-0.4	-0.1	0.1	1.8	0.1	0.4	0.5	-0.2	
Change in private inventories	0.0	-0.0	-0.0	-0.3	-0.4	-0.4	-0.2	-0.8	-0.1	-0.5	0.1	-0.3	
Public demand	0.3	0.3	0.6	0.2	0.8	1.2	1.4	0.8	0.4	1.1	0.5	0.9	
Government final consumption	0.3	0.3	0.4	0.3	0.5	0.4	0.4	0.2	0.3	0.4	0.4	0.4	
Public fixed investment	0.0	0.0	0.2	-0.0	0.3	0.8	1.0	0.6	0.1	0.7	0.1	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	-1.6	-0.9	-0.5	-0.1	-0.1	-0.5	-1.3	-0.8	-0.5	-0.9	-0.3	
Exports of goods and services	1.3	-0.8	-0.7	-0.5	0.0	0.5	1.0	1.4	-0.2	0.7	-0.0	0.2	
Imports of goods and services	-1.4	-0.8	-0.2	-0.1	-0.1	-0.6	-1.5	-2.7	-0.6	-1.2	-0.9	-0.6	

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

	2014			2015			2016		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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)
1) Q/q %												
GDP growth rate	-1.1	0.6	0.5	0.5	0.5	0.9	-1.1	0.5	1.1	1.5	1.8	1.4
Domestic demand	-1.7	0.5	0.4	0.3	0.4	0.9	-1.5	0.2	0.9	0.9	2.2	0.9
Private demand	-1.7	0.4	0.4	0.4	0.6	1.0	-1.5	0.2	0.8	1.2	2.0	1.2
Private consumption	-1.8	0.4	0.1	0.2	0.3	0.9	-1.3	0.2	-0.2	0.6	0.6	0.4
Residential investment	-0.2	-0.1	0.0	0.0	0.1	0.0	-0.3	-0.2	-0.0	-0.0	0.1	-0.0
Private fixed investment	0.0	0.1	0.2	0.2	0.2	0.2	0.1	0.2	1.1	0.7	1.5	0.7
Change in private inventories	0.3	0.0	0.0	-0.0	-0.0	-0.1	0.1	0.0	-0.0	-0.1	-0.3	-0.0
Public demand	-0.0	0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.0	0.1	-0.3	0.3	-0.2
Government final consumption	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Public fixed investment	-0.1	-0.0	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2	-0.5	0.1	-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	0.5	0.1	0.2	0.1	-0.0	-0.1	0.3	0.2	0.4	0.6	-0.5	0.5
Exports of goods and services	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	1.3	1.3	1.4	1.2
Imports of goods and services	0.4	-0.1	-0.1	-0.2	-0.4	-0.5	-0.0	-0.2	-0.9	-0.8	-1.9	-0.7
2) Y/y %												
GDP growth rate	1.0	1.3	1.7	0.5	2.1	2.4	0.8	0.8	1.1	1.5	1.8	1.4
Domestic demand	1.6	1.5	1.0	-0.5	1.7	2.1	-0.1	-0.0	0.9	0.9	2.2	0.9
Private demand	1.3	1.4	1.1	-0.4	1.8	2.4	0.4	0.4	0.8	1.2	2.0	1.2
Private consumption	-0.1	0.2	0.1	-1.1	1.1	1.5	-0.0	0.1	-0.2	0.6	0.6	0.4
Residential investment	0.2	-0.0	-0.1	-0.2	0.1	0.2	-0.1	-0.3	-0.0	-0.0	0.1	-0.0
Private fixed investment	1.3	1.4	1.3	0.6	0.7	0.8	0.6	0.7	1.1	0.7	1.5	0.7
Change in private inventories	-0.1	-0.2	-0.1	0.2	-0.1	-0.1	-0.1	-0.0	-0.0	-0.1	-0.3	-0.0
Public demand	0.3	0.0	-0.1	-0.1	-0.1	-0.3	-0.5	-0.5	0.1	-0.3	0.3	-0.2
Government final consumption	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public fixed investment	0.1	-0.2	-0.3	-0.3	-0.3	-0.5	-0.7	-0.6	-0.2	-0.5	0.1	-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	-0.9	-0.3	0.5	0.9	0.4	0.2	0.4	0.4	0.4	0.6	-0.5	0.5
Exports of goods and services	1.1	1.5	1.6	1.0	1.2	1.3	1.4	1.5	1.3	1.3	1.4	1.2
Imports of goods and services	-2.0	-1.7	-1.1	-0.0	-0.8	-1.1	-1.1	-1.1	-0.9	-0.8	-1.9	-0.7

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

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2012	2013	2012	2013	
1) World economy													
Economic growth of major trading partners													
Y/y %	2.9	2.9	3.7	2.5	2.9	3.1	3.4	3.3	3.2	3.2	3.3	3.0	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	93.4	92.2	88.2	94.4	94.2	105.8	97.6	98.6	92.0	99.1	94.1	98.0	
	-8.8	3.0	-6.2	-8.4	0.9	14.8	10.6	4.5	-5.4	7.6	-1.0	4.1	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)													
	15,428	15,534	15,540	15,584	15,680	15,839	15,942	15,903	15,521	15,841	15,471	15,761	
Q/q %, SAAR	1.2	2.8	0.1	1.1	2.5	4.1	2.6	-1.0					
Y/y %	2.8	3.1	2.0	1.3	1.6	2.0	2.6	2.0	2.3	2.1	2.8	1.9	
Consumer Price Index (1982-84 avg=100)													
	229.0	229.9	231.3	232.0	232.2	233.5	234.1	235.2	230.6	233.8	229.6	233.0	
Q/q %, SAAR	1.4	1.7	2.4	1.2	0.4	2.2	1.1	1.9					
Y/y %	1.9	1.7	1.9	1.7	1.4	1.6	1.2	1.4	1.8	1.4	2.1	1.5	
Producer Price Index (Finished goods; 1982=100)													
	192.8	194.7	195.9	196.3	195.8	196.9	197.4	199.2	194.9	197.3	194.2	196.6	
Q/q %, SAAR	-1.4	3.9	2.5	0.9	-1.0	2.3	0.9	3.8					
Y/y %	1.1	1.5	1.7	1.5	1.5	1.2	0.8	1.5	1.4	1.2	1.9	1.2	
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; %)													
	1.82	1.64	1.71	1.95	2.00	2.71	2.75	2.76	1.78	2.55	1.80	2.35	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	96.1	96.8	97.3	98.4	98.4	98.5	98.4	98.8	97.1	98.5	96.9	98.4	
Q/q %, SAAR	-7.2	2.9	2.0	5.0	-0.4	0.6	-0.5	1.8					
Y/y %	-0.2	0.7	0.7	0.8	2.3	1.9	1.0	0.5	0.5	1.4	0.9	1.5	
Nominal public fixed investment													
Y tril; SAAR	21.1	20.6	20.6	21.7	23.1	24.8	25.3	24.7	21.0	24.6	21.1	23.7	
Q/q %, SAAR	-9.6	-9.7	0.2	21.9	28.9	33.8	8.1	-9.7					
Y/y %	0.1	-0.1	4.6	-0.5	9.0	20.9	23.4	13.6	1.1	17.1	2.6	12.8	
Exchange rate (Y/\$)													
	80.1	78.6	81.2	92.3	98.8	98.9	100.4	102.8	83.1	100.2	79.8	97.6	
(Y/€)	101.2	98.2	108.2	122.0	129.6	130.7	139.9	140.3	107.4	135.1	103.5	130.6	
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) Japanese consumption tax hike expected in October 2015.

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

E: DIR estimate.

6.2 Major Assumptions

	2014			2015			2016			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)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
1) World economy													
Economic growth of major trading partners													
Y/y %	3.3	3.3	3.2	3.8	3.8	3.9	3.9	3.9	3.5	3.9	3.3	3.9	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.7	100.0	
	6.2	-5.5	2.4	1.4	0.0	0.0	0.0	0.0	1.0	0.0	1.6	0.3	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)													
Q/q %, SAAR	4.1	2.7	2.9	3.2	3.0	2.9	2.9	2.9					
Y/y %	2.4	2.1	2.2	3.2	2.9	3.0	3.0	2.9	2.5	3.0	2.2	3.0	
Consumer Price Index (1982-84 avg=100)													
Q/q %, SAAR	1.6	1.7	1.8	1.8	2.0	2.1	2.3	2.4					
Y/y %	1.7	1.6	1.8	1.7	1.8	1.9	2.0	2.2	1.7	2.0	1.6	1.9	
Producer Price Index (Finished goods; 1982=100)													
Q/q %, SAAR	2.3	2.4	2.6	2.9	3.1	3.4	3.3	3.2					
Y/y %	2.3	2.3	2.8	2.5	2.7	3.0	3.2	3.2	2.5	3.0	2.2	2.9	
FF rate (%) (Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	2.61	2.83	3.01	3.13	3.35	3.59	3.84	4.02	2.90	3.70	2.80	3.48	
3) Japanese economy													
Nominal government final consumption													
Y tri; SAAR	100.3	100.8	101.2	101.6	101.9	102.2	102.9	103.3	101.0	102.6	100.3	102.2	
Q/q %, SAAR	6.3	1.7	1.7	1.7	1.2	1.2	2.8	1.2					
Y/y %	2.0	2.3	3.0	2.8	1.6	1.5	1.7	1.6	2.5	1.6	2.0	1.9	
Nominal public fixed investment													
Y tri; SAAR	24.4	24.4	24.1	23.5	22.5	21.7	21.3	21.1	24.1	21.6	24.4	22.3	
Q/q %, SAAR	-5.2	0.3	-3.9	-9.6	-16.4	-13.0	-7.2	-3.7					
Y/y %	5.6	-2.0	-4.9	-4.5	-7.6	-10.8	-11.5	-10.3	-2.3	-10.2	2.7	-8.5	
Exchange rate (Y/\$)													
(Y/€)	102.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.5	100.0	101.2	100.0	
	141.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.3	140.0	140.3	140.0	
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) Japanese consumption tax hike expected in October 2015.

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

E: DIR estimate.