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Japan's Economic Outlook No. 184 Update (Summary)

In this report we examine three issues facing Japan's economy: (1) The effects of cheap oil, (2) The return of capex spending to domestic investments, and (3) Is the Euro Zone Headed Toward Japanization?

Japan to see real GDP growth of -1.0% in FY14 and +1.9% in FY15, and +1.8% in FY16, with nominal GDP growth of +1.4% in FY14 and +2.7% in FY15, and +2.4% in FY16.

Economic Intelligence Team
Mitsumaru Kumagai
Satoshi Osanai
Masahiko Hashimoto
Shotaro Kugo
Hiroyuki Nagai

Main Points

- **Main economic scenario for Japan:** In light of the 2nd preliminary Oct-Dec GDP release (Cabinet Office), we have revised our economic growth outlook. We now forecast real GDP growth of -1.0% in comparison with the previous year for FY14 (-0.9% in the previous forecast), +1.9% in comparison with the previous year for FY15 (+1.9% in the previous forecast), and +1.8% in comparison with the previous year for FY16 (+1.8% in the previous forecast). As we have indicated in our previous outlook, Japan's economy is now seen as having entered a recession since having peaked in January 2014. However, the downtrend appears to have ended fairly quickly as of around late August. We expect Japan's economy to gradually recover due to the following factors: (1) Continuation of the virtuous circle brought on by Abenomics, and (2) The gradual firming up of exports centering on the US.
- **Real GDP revised downwards from 1st preliminary estimate:** The real GDP growth rate for Oct-Dec 2014 (2nd preliminary est) was revised downward from the 1st preliminary estimate (+2.2% q/q annualized, +0.6% q/q) to +1.5% q/q annualized (+0.4% q/q). Results also fell below market consensus at +2.2% q/q annualized despite predictions that there would be almost no change in comparison to the 1st preliminary report, while capex also shifted into a downward trend, thereby reflecting a somewhat negative tone.
- **Downward revision of both capex and inventory investment:** In terms of source of demand, the downward revision in capex and inventories brought downward pressure on the overall GDP figure. Capital expenditure was down by -0.1% q/q, a complete turnaround in

comparison to the figures reported in the 1st preliminary estimate (+0.1%), making this the third consecutive quarter to experience a decline. Despite corporate statistics having produced expectations for an upward revision in capex, the figure was ultimately revised downwards, thereby becoming a factor in GDP results falling below market consensus. Inventory investment was also expected to bring a positive contribution on the 1st preliminary estimate at +0.2%pt q/q, but finally was revised downwards to -0.2%pt, bringing a negative contribution to GDP. However, the downward revision of inventory investment is also a sign that inventory adjustment is progressing, hence these results by no means paint an overly pessimistic picture.

On the other hand, personal consumption, government consumption, and public investment were revised upwards from the 1st preliminary report, bringing a more positive note to results, and keeping the overall downward revision in GDP to a minimum. The upward revision in personal consumption, showing an acceleration in growth in comparison with the Jul-Sep period, brings an especially positive note to GDP results despite the overall downward revision.

- **Personal consumption makes comeback, but capex remains stagnant:** Looking at contributions from domestic and overseas demand to the Oct-Dec 2014 real GDP growth rate (quarterly basis), we see that contributions from both domestic and overseas demand made gains, with domestic demand contributing +0.2%pt (+0.3%pt on the 1st preliminary) and overseas demand contributing +0.2%pt (+0.2%pt on the 1st preliminary). As for domestic demand, the revision according to this report brought an increase in contribution from public sector demand in comparison with the 1st preliminary estimate, bringing in +0.1%pt in comparison with the +0.0%pt on the 1st preliminary. Meanwhile, capex and inventory investment were revised downwards, thereby causing the contribution from domestic demand to shrink, resulting in +0.1%pt q/q in comparison with +0.3%pt on the 1st preliminary estimate. These results have not changed our essential conclusion that the Japanese economy has entered a recovery phase after the slowdown in the first half of 2014, but the pace of growth does appear to be more moderate than it did on the 1st preliminary report.

Performance by demand component shows personal consumption up +0.5% q/q, its second consecutive quarter of growth. Looking at personal consumption by category, we see a comeback in durables, which had been sluggish ever since the increase in consumption tax. Durables were up by +1.8% q/q for the first time in three quarters. Meanwhile, services were also up by +0.6% q/q also for the first time in three quarters, thereby helping to push up overall results. The decline during the Apr-Jun period last year after the increase in consumption tax was especially steep, and personal consumption has not yet recovered to the level it was at before the tax hike. Performance is still very gradually making its way back up and out of the lows experienced during the reactionary decline after the tax hike in 2014.

Housing investment declined for the third consecutive quarter at -1.2%, continuing the downtrend it has experienced ever since the reactionary decline after the increase in consumption tax last year. New housing starts, a leading indicator for housing investment as a portion of GDP, bottomed out during the Jul-Sep period. Pressures stemming from the reactionary decline after last year's consumption tax increase appear to be gradually easing up.

Capex fell by -0.1% q/q for the third consecutive quarter in a continuation of its previous slowdown. Improvements can be seen in operating rates as production begins to recover, and

with the progressively weaker yen, corporate earnings continue to improve, especially in the area of major manufacturers. This should provide support for capex spending. However, corporations are still taking a somewhat reserved stance towards investment.

Public investment was up for the third quarter in a row at +0.8% q/q. Front-loading the FY2013 and FY2014 budgets helped to accelerate public investment during the Jul-Sep period, but the positive effect is gradually running out, and growth now shows signs of slowing.

Exports grew for the second consecutive quarter at +2.8% q/q. Exports to the US and Asia helped to push overall figures up, while imports also managed a comeback at +1.3% q/q, winning a second consecutive quarter of growth due to a comeback in domestic demand. Overseas demand (net exports) grew only slightly at +0.2%pt q/q.

- **GDP expected to continue growth trend in Jan-Mar 2015 period and beyond:** Results for the period showed that real GDP attained its first positive growth in three quarters. This indicates that Japan's economy is heading toward a comeback after a period of decline following the increase in consumption tax last year. We expect real GDP to continue this growth trend during the Jan-Mar 2015 period and beyond. We expect Japan's economy to continue expanding gradually.

We also see personal consumption continuing in a growth trend due mainly to improvements in real employee compensation, conditions positively influencing households. Meanwhile, the price of crude oil which has experienced steep declines since the summer of 2014 will bring downward pressure on consumer price, providing added support to growth in personal consumption, which is in turn affected by rising real wages. Meanwhile, housing investment, which suffered from the effects of the reactionary decline last year, is expected to move steadily toward recovery now that housing starts, a leading indicator, are clearly making a comeback.

As for capex, which continued to be slow on this report, a growth trend is expected during the Jan-Mar 2015 period and beyond. In addition to continued improvement in machinery orders, another leading indicator, the BOJ Tankan indicates that capex activities are reflecting a steady undertone. Production, which had been continually worsening since the beginning of 2014, is now making a comeback and operating rates are in a growth trend. Both non-manufacturing, which has reflected a growing sense of deficiency in capex for some time now, and the manufacturing sector will continue to be relieved of any surplus in capex, and this should encourage more capex related demand in the future. Meanwhile, as yen continues to be weak, some manufacturers appear to be increasing the percentage of their domestic production, while improvements in corporate earnings due to the major decline in the price of crude oil should also become a factor encouraging an increase in capex spending.

As for exports, moderate growth is seen continuing as overseas economies gradually recover. The major factor pulling exports along is the US whose economy continues to improve. Meanwhile, the expanding US economy is expected to help not only Japan's exports to the US, but exports of Japanese intermediate goods to Asia which is the location of final demand for many goods. One worrisome factor is Europe and China whose economies are still suffering a slowdown. However, Europe's economy is expected to move gradually toward a comeback

due to the effects of additional monetary easing on the part of the ECB, and so Japan's exports are seen strengthening their growth trend.

- **Three issues facing Japan's economy:** In this report we examine the following three issues facing Japan's economy. (1) The effects of cheap oil, (2) The return of capex spending to domestic investments, and (3) Is the Euro Zone headed toward Japanization?

Issue (1): The effects of cheap oil on Japan's economy: The sudden collapse of the price of crude oil in the summer of 2014 is expected to benefit both households and corporations, while giving a push to Japan's overall economic situation. Household purchasing should increase due to falling prices, while the increase in real wages should improve confidence, leading to improvements in personal consumption. As for the corporate sector, lower costs will be a factor in pushing up earnings, and this is expected to encourage increases in capex spending and higher wages. According to a simulation we ran using a macro model, lower crude oil prices since the summer of 2014 will give a boost to real GDP figures for fiscal years 2014-16 as follows: FY14 +0.20%, FY15 +0.50%, and FY16 +0.41%.

Issue (2): The return of capex spending to domestic investments: As the yen has become increasingly weak in recent years, some manufacturers are returning production facilities back to domestic locations from their former overseas operations. This new phenomenon has gotten a lot of media coverage of late. Calculating the ratio of overseas capex spending using a rolling regression model, we predict that it will begin to decline in FY2014 and beyond. Results of a survey sent out to corporations shows similar results. The manufacturing industry plans on cutting back on its overseas capex spending during the FY2014 year. As the effects of Abenomics gradually appear in the future, more capex spending is expected to return to domestic investments after a series of years where investment in overseas production facilities became excessive due to the high yen.

Issue (3): Is the Euro Zone headed toward Japanization?: In comparing the economies of the Euro Zone and Japan, we see that each has positive and negative factors. Overall, the Euro Zone still has room for additional policy moves, and if they can learn from Japan's lost decades, with government and the ECB cooperating to come up with the appropriate policies, they will be able to avoid falling into a long-term structural recession. However, the Euro Zone has one structural defect – they have a unified monetary policy, but have not combined the fiscal policies of the various countries. The biggest danger for the Euro Zone at this time is the possibility that the populism spreading in some member countries could become a fatal hindrance to attempts to free themselves from their predicament.

- **Four risk factors facing Japan's economy:** Risks factors for the Japanese economy are: (1) The Triple Weaknesses – a weak bond market, weak yen, and weak stock market stemming from the postponement of the additional consumption tax hike, (2) China's shadow banking problem, (3) tumult in the economies of emerging nations in response to the US exit strategy, and (4) a worldwide decline in stock values due to geopolitical risk.
- **BOJ's monetary policy:** Our current outlook is that it will be difficult for the BOJ to reach its target growth rate in consumer price of 2% by the original deadline. We expect additional monetary easing measures by the BOJ to take place at the beginning of fall in 2015, but the timing of monetary easing could come much earlier than that.

Our assumptions

- Public works spending will grow by +5.3% in FY14, then decline by -5.2% in FY15, and is expected to decline again in FY16 by -3.6%. An additional consumption tax hike is now planned for April 2017.
- Average exchange rate of Y109.9/\$ in FY14, Y120.0/\$ in FY15, and Y120.0/\$ in FY16.
- US real GDP growth of +3.0% in CY15 and +2.7% in CY16.

Main Economic Indicators and Real GDP Components

Japan's Economic Outlook No. 184 Update

	FY14 (Estimate)	FY15 (Estimate)	FY16 (Estimate)	CY14	CY15 (Estimate)	CY16 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.4	2.7	2.4	1.6	2.5	2.4
Real GDP (chained [2005]; y/y %)	-1.0	1.9	1.8	-0.0	1.0	1.9
Domestic demand (contribution, % pt)	-1.6	1.3	1.7	0.0	0.2	1.7
Foreign demand (contribution, % pt)	0.8	0.6	0.2	-0.0	0.8	0.1
GDP deflator (y/y %)	2.4	0.8	0.6	1.7	1.5	0.5
Index of All-industry Activity (y/y %)*	-1.4	2.1	2.5	-0.2	1.2	2.1
Index of Industrial Production (y/y %)	-0.1	4.6	4.9	2.0	3.7	4.1
Index of Tertiary Industry Activity (y/y %)	-1.9	1.5	1.9	-0.8	0.5	1.6
Corporate Goods Price Index (y/y %)	2.7	-1.5	0.9	3.2	-1.7	1.0
Consumer Price Index (excl. fresh food; y/y %)	2.8	0.3	1.1	2.6	0.6	1.0
Unemployment rate (%)	3.5	3.3	3.2	3.6	3.3	3.2
Government bond yield (10 year; %)	0.47	0.52	0.73	0.53	0.47	0.67
Money stock; M2 (end-period; y/y %)	3.2	3.4	4.0	3.4	3.3	3.9
Balance of payments						
Trade balance (Y tril)	-7.1	-1.3	-1.2	-10.4	-1.6	-0.9
Current balance (\$100 mil)	706	1,485	1,584	248	1,441	1,600
Current balance (Y tril)	8.1	17.8	19.0	2.6	17.3	19.2
(% of nominal GDP)	1.6	3.5	3.7	0.6	3.4	3.8
Real GDP components (Chained [2005]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	-3.0 (-1.8)	1.8 (1.0)	1.5 (0.9)	-1.2 (-0.7)	0.3 (0.2)	1.3 (0.8)
Private housing investment	-11.9 (-0.3)	1.9 (0.0)	6.0 (0.1)	-5.2 (-0.2)	-3.7 (-0.1)	5.1 (0.2)
Private fixed investment	-0.3 (-0.0)	3.8 (0.5)	5.5 (0.8)	4.1 (0.6)	1.0 (0.1)	5.2 (0.7)
Government final consumption	0.6 (0.1)	1.0 (0.2)	1.0 (0.2)	0.3 (0.1)	1.1 (0.2)	1.0 (0.2)
Public fixed investment	2.2 (0.1)	-5.6 (-0.2)	-4.8 (-0.2)	3.7 (0.2)	-3.5 (-0.2)	-5.3 (-0.3)
Exports of goods and services	7.5 (1.2)	6.8 (1.2)	5.5 (1.0)	8.2 (1.3)	7.1 (1.3)	5.3 (1.0)
Imports of goods and services	3.0 (-0.4)	3.9 (-0.6)	5.1 (-0.8)	7.2 (-1.4)	2.4 (-0.5)	4.4 (-0.9)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.5	3.7	3.6	3.3	3.7	3.6
Crude oil price (WTI futures; \$/bbl)	81.4	57.7	62.7	92.9	55.8	61.5
2. US economy						
US real GDP (chained [2009]; y/y %)	2.8	2.7	2.7	2.4	3.0	2.7
US Consumer Price Index (y/y %)	1.3	0.9	1.9	1.6	0.4	2.0
3. Japanese economy						
Nominal public fixed investment (y/y %)	5.3	-5.2	-3.6	6.8	-2.7	-4.2
Exchange rate (Y/\$)	109.9	120.0	120.0	105.8	119.8	120.0
(Y/€)	139.0	130.0	130.0	140.3	131.3	130.0
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 184 update)			Previous outlook (Outlook184)			Difference between previous and current outlooks		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Main economic indicators									
Nominal GDP (y/y %)	1.4	2.7	2.4	1.4	2.7	2.4	-0.0	0.0	0.0
Real GDP (chained [2005]; y/y %)	-1.0	1.9	1.8	-0.9	1.9	1.8	-0.1	-0.0	0.0
Domestic demand (contribution, % pt)	-1.6	1.3	1.7	-1.5	1.3	1.7	-0.1	-0.0	0.0
Foreign demand (contribution, % pt)	0.8	0.6	0.2	0.8	0.6	0.2	0.0	0.0	-0.0
GDP deflator (y/y %)	2.4	0.8	0.6	2.4	0.8	0.5	0.1	0.0	0.0
Index of All-industry Activity (y/y %)*	-1.4	2.1	2.5	-1.4	2.0	2.5	0.0	0.0	-0.0
Index of Industrial Production (y/y %)	-0.1	4.6	4.9	-0.4	4.3	4.9	0.3	0.3	0.0
Index of Tertiary Industry Activity (y/y %)	-1.9	1.5	1.9	-1.9	1.5	1.9	0.0	0.0	0.0
Corporate Goods Price Index (y/y %)	2.7	-1.5	0.9	2.7	-1.5	0.9	0.0	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	2.8	0.3	1.1	2.9	0.4	1.1	-0.0	-0.1	0.0
Unemployment rate (%)	3.5	3.3	3.2	3.5	3.3	3.2	0.0	0.0	0.0
Government bond yield (10 year; %)	0.47	0.52	0.73	0.47	0.52	0.73	0.00	0.00	0.00
Money stock; M2 (end-period; y/y %)	3.2	3.4	4.0	3.2	3.4	4.0	0.0	0.0	0.0
Balance of payments									
Trade balance (Y tril)	-7.1	-1.3	-1.2	-7.0	-1.1	-1.0	-0.0	-0.2	-0.3
Current balance (\$100 mil)	706	1,485	1,584	742	1,589	1,697	-36	-104	-113
Current balance (Y tril)	8.1	17.8	19.0	8.5	19.1	20.4	-0.4	-1.2	-1.4
(% of nominal GDP)	1.6	3.5	3.7	1.7	3.8	4.0	-0.1	-0.2	-0.3
Real GDP components (chained [2005]; y/y %)									
Private final consumption	-3.0	1.8	1.5	-3.1	1.6	1.5	0.1	0.1	0.0
Private housing investment	-11.9	1.9	6.0	-11.9	2.1	6.0	-0.0	-0.2	-0.0
Private fixed investment	-0.3	3.8	5.5	-0.2	3.8	5.5	-0.1	0.0	-0.0
Government final consumption	0.6	1.0	1.0	0.4	0.9	1.0	0.2	0.1	0.0
Public fixed investment	2.2	-5.6	-4.8	2.0	-5.7	-4.7	0.2	0.1	-0.1
Exports of goods and services	7.5	6.8	5.5	7.5	6.7	5.5	0.1	0.1	-0.0
Imports of goods and services	3.0	3.9	5.1	3.0	4.0	5.1	-0.0	-0.1	0.0
Major assumptions:									
1. World economy									
Economic growth of major trading partners	3.5	3.7	3.6	3.5	3.7	3.6	-0.0	-0.0	0.0
Crude oil price (WTI futures; \$/bbl)	81.4	57.7	62.7	81.4	57.7	62.7	0.0	0.0	0.0
2. US economy									
US real GDP (chained [2009]; y/y %)	2.8	2.7	2.7	2.9	2.8	2.7	-0.1	-0.0	-0.0
US Consumer Price Index (y/y %)	1.3	0.9	1.9	1.3	0.9	1.9	-0.0	0.0	0.0
3. Japanese economy									
Nominal public fixed investment (y/y %)	5.3	-5.2	-3.6	5.1	-5.3	-3.5	0.2	0.1	-0.1
Exchange rate (Y/\$)	109.9	120.0	120.0	109.9	120.0	120.0	0.0	0.0	0.0
(Y/€)	139.0	130.0	130.0	139.0	135.0	135.0	0.0	-5.0	-5.0
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

	2013			2014			2015		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014
Nominal GDP (SAAR; Y tril)	480.2	481.7	481.3	487.9	489.3	484.9	489.5	496.7	483.1	489.9	480.1	488.0
Q/q %	0.5	0.3	-0.1	1.4	0.3	-0.9	1.0	1.5				
Q/q %, SAAR	2.1	1.2	-0.3	5.6	1.2	-3.5	3.9	6.0				
Y/y %	0.8	1.9	2.0	2.5	1.8	0.6	1.6	1.6	1.8	1.4	1.1	1.6
Real GDP (chained [2005]; SAAR; Y tril)	528.0	529.8	528.3	534.9	526.1	522.6	524.6	528.4	530.6	525.4	527.4	527.2
Q/q %	0.8	0.4	-0.3	1.3	-1.6	-0.7	0.4	0.7				
Q/q %, SAAR	3.3	1.4	-1.2	5.1	-6.4	-2.6	1.5	2.9				
Y/y %	1.4	2.2	2.3	2.4	-0.3	-1.4	-0.8	-1.4	2.1	-1.0	1.6	-0.0
Contribution to GDP growth (% pt)												
Domestic demand	0.8	0.7	0.2	1.6	-2.7	-0.7	0.2	0.4	2.6	-1.6	1.9	0.0
Foreign demand	0.1	-0.4	-0.5	-0.3	1.1	0.1	0.2	0.3	-0.5	0.8	-0.3	-0.0
GDP deflator (y/y %)	-0.6	-0.3	-0.3	0.1	2.2	2.0	2.4	3.0	-0.3	2.4	-0.5	1.7
Index of All-Industry Activity (2005=100)	97.1	97.6	97.9	99.5	96.1	96.0	96.8	97.7	98.0	96.7	97.3	97.1
Q/q %; y/y %	0.6	0.5	0.3	1.6	-3.4	-0.1	0.8	1.0	1.9	-1.4	0.8	-0.2
Index of Industrial Production (2010=100)	96.1	97.8	99.6	102.5	98.6	96.7	98.3	101.9	98.9	98.8	97.0	98.9
Q/q %; y/y %	1.6	1.7	1.8	3.0	-3.8	-1.9	1.7	3.6	3.2	-0.1	-0.8	2.0
Index of Tertiary Industry Activity (2005=100)	100.1	100.2	100.0	101.8	97.9	98.3	98.9	99.2	100.5	98.6	100.0	99.2
Q/q %; y/y %	0.4	0.0	-0.2	1.8	-3.8	0.4	0.7	0.3	1.3	-1.9	0.7	-0.8
Corporate Goods Price Index components (2010=100)												
Domestic Company Goods Price Index	101.6	102.4	102.6	102.9	106.0	106.5	105.1	103.0	102.4	105.1	101.9	105.1
Y/y %	0.6	2.2	2.5	2.0	4.3	4.0	2.5	0.2	1.8	2.7	1.3	3.2
CPI (excl. fresh food; 2010=100)	99.9	100.3	100.7	100.6	103.3	103.5	103.4	102.8	100.4	103.2	100.1	102.7
Y/y %	0.0	0.7	1.1	1.3	3.3	3.2	2.7	2.2	0.8	2.8	0.4	2.6
Unemployment rate (%)	4.0	4.0	3.9	3.6	3.6	3.6	3.5	3.4	3.9	3.5	4.0	3.6
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
Government bond yield (10 year; %)	0.77	0.73	0.64	0.61	0.59	0.52	0.40	0.38	0.69	0.47	0.70	0.53
Money stock; M2 (y/y %)	3.5	3.8	4.2	4.0	3.3	3.0	3.4	3.0	3.9	3.2	3.6	3.4
Trade balance (SAAR; Y tril)	-6.0	-9.3	-11.6	-15.7	-8.3	-10.6	-7.4	-1.9	-11.0	-7.1	-8.8	-10.4
Current balance (SAAR; \$100 mil)	821	223	-141	-493	361	222	864	1,378	83	706	331	248
Current balance (SAAR; Y tril)	8.1	2.2	-1.4	-5.1	3.7	2.3	9.9	16.4	0.8	8.1	3.2	2.6
(% of nominal GDP)	1.7	0.5	-0.3	-1.0	0.8	0.5	2.0	3.3	0.2	1.6	0.7	0.6
Exchange rate (Y/\$)	98.8	98.9	100.4	102.8	102.1	103.9	114.5	119.0	100.2	109.9	97.6	105.8
(Y/Euro)	129.6	130.7	139.9	140.3	139.5	137.8	143.8	135.0	135.1	139.0	130.6	140.3

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

	2015			2016			2017			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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)	
Nominal GDP (SAAR; Y tril)	498.8	501.6	504.3	507.3	510.4	514.0	516.6	520.3	503.1	515.3	500.4	512.2	
Q/q %	0.4	0.6	0.6	0.6	0.6	0.7	0.5	0.7					
Q/q %, SAAR	1.7	2.3	2.2	2.4	2.5	2.8	2.0	3.0					
Y/y %	2.0	3.5	3.1	2.2	2.3	2.5	2.4	2.5	2.7	2.4	2.5	2.4	
Real GDP (chained [2005]; SAAR; Y tril)	531.3	533.9	536.1	538.5	541.0	543.8	545.7	549.2	535.1	545.0	532.5	542.4	
Q/q %	0.5	0.5	0.4	0.4	0.5	0.5	0.3	0.6					
Q/q %, SAAR	2.2	1.9	1.7	1.8	1.9	2.1	1.4	2.6					
Y/y %	1.0	2.2	2.2	2.0	1.8	1.9	1.8	1.9	1.9	1.8	1.0	1.9	
Contribution to GDP growth (% pt)													
Domestic demand	0.5	0.4	0.3	0.4	0.4	0.5	0.3	0.8	1.3	1.7	0.2	1.7	
Foreign demand	0.1	0.1	0.1	0.1	0.1	0.0	0.0	-0.2	0.6	0.2	0.8	0.1	
GDP deflator (y/y %)	1.0	1.3	0.8	0.2	0.5	0.6	0.6	0.6	0.8	0.6	1.5	0.5	
Index of All-Industry Activity (2005=100)	98.0	98.4	98.9	99.4	100.0	100.6	101.2	102.8	98.7	101.1	98.3	100.3	
Q/q %; y/y %	0.3	0.4	0.5	0.5	0.6	0.6	0.6	1.5	2.1	2.5	1.2	2.1	
Index of Industrial Production (2010=100)	102.1	102.9	103.8	104.9	106.1	107.5	109.1	111.4	103.4	108.5	102.6	106.8	
Q/q %; y/y %	0.2	0.8	0.9	1.0	1.2	1.3	1.5	2.1	4.6	4.9	3.7	4.1	
Index of Tertiary Industry Activity (2005=100)	99.5	99.9	100.2	100.6	101.1	101.5	101.9	103.4	100.1	102.0	99.7	101.3	
Q/q %; y/y %	0.3	0.3	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.9	0.5	1.6	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	103.0	103.3	103.7	104.0	104.3	104.5	104.6	104.7	103.5	104.5	103.3	104.3	
Y/y %	-2.8	-2.9	-1.3	1.0	1.2	1.1	0.8	0.6	-1.5	0.9	-1.7	1.0	
CPI (excl. fresh food; 2010=100)	103.3	103.5	103.8	103.7	104.3	104.6	105.0	104.9	103.6	104.7	103.3	104.4	
Y/y %	0.1	-0.0	0.4	0.9	1.0	1.1	1.1	1.2	0.3	1.1	0.6	1.0	
Unemployment rate (%)	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.2	
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; %)	0.45	0.49	0.54	0.59	0.64	0.70	0.76	0.83	0.52	0.73	0.47	0.67	
Money stock; M2 (y/y %)	3.2	3.4	3.5	3.6	3.8	3.9	4.2	4.1	3.4	4.0	3.3	3.9	
Trade balance (SAAR; Y tril)	-1.6	-1.4	-1.2	-1.0	-0.8	-0.8	-0.9	-2.5	-1.3	-1.2	-1.6	-0.9	
Current balance (SAAR; \$100 mil)	1412	1458	1514	1556	1596	1619	1631	1491	1485	1584	1441	1600	
Current balance (SAAR; Y tril)	16.9	17.5	18.2	18.7	19.2	19.4	19.6	17.9	17.8	19.0	17.3	19.2	
(% of nominal GDP)	3.4	3.5	3.6	3.7	3.8	3.8	3.8	3.4	3.5	3.7	3.4	3.8	
Exchange rate (Y/\$)	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	119.8	120.0	
(Y/Euro)	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	131.3	130.0	

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]; ¥ tril)

	2013			2014			2015		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014
Gross domestic expenditure	528.0	529.8	528.3	534.9	526.1	522.6	524.6	528.4	530.6	525.4	527.4	527.2
Q/q %, SAAR	3.3	1.4	-1.2	5.1	-6.4	-2.6	1.5	2.9				
Y/y %	1.4	2.2	2.3	2.4	-0.3	-1.4	-0.8	-1.4	2.1	-1.0	1.6	-0.0
Domestic demand	518.7	522.3	523.4	531.7	517.2	514.1	515.0	517.3	524.4	516.0	519.8	519.7
Q/q %, SAAR	3.0	2.8	0.9	6.5	-10.5	-2.4	0.7	1.8				
Y/y %	1.5	2.2	2.7	3.6	-0.3	-1.6	-1.7	-2.8	2.5	-1.6	1.9	-0.0
Private demand	395.0	397.6	398.4	407.5	392.3	388.5	389.1	391.7	399.9	390.3	395.8	394.5
Q/q %, SAAR	2.5	2.7	0.8	9.4	-14.1	-3.8	0.5	2.8				
Y/y %	1.1	1.7	2.2	4.3	-0.6	-2.3	-2.5	-4.1	2.4	-2.4	1.5	-0.3
Final consumption	314.8	315.8	315.3	322.2	305.9	306.8	308.3	309.8	317.1	307.7	314.5	310.8
Q/q %, SAAR	3.3	1.3	-0.7	9.0	-18.7	1.1	2.0	2.0				
Y/y %	1.9	2.3	2.3	3.4	-2.8	-3.0	-2.2	-3.9	2.5	-3.0	2.1	-1.2
Residential investment	14.2	14.8	15.2	15.5	13.9	13.0	12.8	13.0	14.9	13.2	14.5	13.8
Q/q %, SAAR	7.8	17.7	10.7	10.0	-35.3	-25.1	-4.6	7.4				
Y/y %	6.6	8.2	10.1	11.8	-2.0	-12.4	-15.6	-16.2	9.3	-11.9	8.7	-5.2
Non-residential investment	69.5	70.0	70.9	75.1	71.3	71.2	71.1	71.9	71.5	71.3	69.5	72.3
Q/q %, SAAR	9.2	3.0	5.2	25.8	-18.5	-0.6	-0.3	4.1				
Y/y %	-0.2	1.2	3.0	10.8	2.6	1.6	0.3	-4.4	4.0	-0.3	0.4	4.1
Change in inventories	-3.5	-3.0	-2.9	-5.3	1.2	-2.4	-3.2	-3.0	-3.7	-1.9	-2.7	-2.4
Public demand	123.7	124.7	125.0	124.2	124.9	125.6	126.0	125.6	124.5	125.6	124.0	125.2
Q/q %, SAAR	4.8	3.2	1.1	-2.5	2.1	2.3	1.4	-1.2				
Y/y %	2.7	3.8	4.2	1.6	0.7	0.8	0.9	1.2	3.1	0.9	2.9	1.0
Government final consumption	102.2	102.2	102.2	101.9	102.3	102.5	102.8	103.1	102.2	102.7	102.1	102.4
Q/q %, SAAR	2.5	-0.3	0.3	-1.2	1.5	0.9	1.2	1.1				
Y/y %	2.6	2.0	1.5	0.2	0.1	0.3	0.6	1.2	1.6	0.6	1.9	0.3
Fixed investment	21.5	22.6	22.8	22.3	22.5	23.0	23.2	22.5	22.4	22.9	21.9	22.8
Q/q %, SAAR	13.4	23.6	2.6	-8.6	4.5	8.7	3.3	-10.9				
Y/y %	3.6	14.0	16.1	6.5	4.3	1.9	2.1	1.4	10.3	2.2	8.0	3.7
Change in inventories	0.0	-0.1	0.0	0.0	0.1	0.1	-0.0	-0.0	0.0	0.0	-0.0	0.0
Net exports of goods and services	9.8	8.1	5.7	5.8	10.0	10.5	11.9	13.4	7.3	11.4	8.1	9.5
Exports of goods and services	84.1	83.6	83.5	89.0	88.7	90.0	92.5	94.7	85.1	91.5	83.2	90.1
Q/q %, SAAR	12.8	-2.0	-0.7	28.8	-1.3	6.2	11.5	10.0				
Y/y %	-0.1	3.1	6.8	9.2	5.4	7.5	10.9	6.4	4.7	7.5	1.5	8.2
Imports of goods and services	74.3	75.6	77.8	83.2	78.7	79.5	80.6	81.3	77.7	80.1	75.1	80.5
Q/q %, SAAR	9.7	7.2	12.5	30.3	-19.7	4.2	5.3	3.6				
Y/y %	0.5	2.9	8.9	14.7	5.8	5.1	3.8	-2.3	6.7	3.0	3.1	7.2

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)

	2015			2016			2017			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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)	
Gross domestic expenditure	531.3	533.9	536.1	538.5	541.0	543.8	545.7	549.2	535.1	545.0	532.5	542.4	
Q/q %, SAAR	2.2	1.9	1.7	1.8	1.9	2.1	1.4	2.6					
Y/y %	1.0	2.2	2.2	2.0	1.8	1.9	1.8	1.9	1.9	1.8	1.0	1.9	
Domestic demand	519.8	521.9	523.7	525.7	527.8	530.4	532.0	536.6	522.9	531.8	520.7	529.0	
Q/q %, SAAR	1.9	1.6	1.4	1.5	1.6	1.9	1.2	3.5					
Y/y %	0.5	1.6	1.6	1.7	1.6	1.6	1.5	2.1	1.3	1.7	0.2	1.6	
Private demand	394.4	396.6	398.5	400.4	402.6	405.1	406.6	411.2	397.6	406.4	395.2	403.6	
Q/q %, SAAR	2.7	2.3	1.9	2.0	2.1	2.5	1.6	4.6					
Y/y %	0.5	2.1	2.4	2.4	2.0	2.1	1.9	2.8	1.9	2.2	0.2	2.1	
Final consumption	311.5	312.7	313.5	314.4	315.4	316.4	317.5	322.2	313.1	317.9	311.9	316.0	
Q/q %, SAAR	2.2	1.5	1.1	1.2	1.2	1.3	1.3	6.1					
Y/y %	1.8	2.0	1.7	1.5	1.3	1.2	1.3	2.5	1.8	1.5	0.3	1.3	
Residential investment	13.2	13.4	13.5	13.6	13.7	14.2	14.4	14.6	13.4	14.2	13.3	14.0	
Q/q %, SAAR	5.7	4.5	3.2	2.4	4.5	13.9	7.0	4.5					
Y/y %	-5.0	3.2	5.2	4.0	3.6	5.9	6.8	7.3	1.9	6.0	-3.7	5.1	
Non-residential investment	72.6	73.5	74.4	75.4	76.4	77.5	78.5	79.9	74.1	78.1	73.0	76.9	
Q/q %, SAAR	4.5	4.9	5.1	5.3	5.5	5.6	5.7	7.0					
Y/y %	1.9	3.4	4.7	5.0	5.2	5.3	5.5	5.9	3.8	5.5	1.0	5.2	
Change in inventories	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.8	-5.5	-3.0	-3.8	-3.0	-3.2	
Public demand	125.4	125.3	125.3	125.3	125.3	125.3	125.3	125.4	125.3	125.4	125.5	125.4	
Q/q %, SAAR	-0.6	-0.3	-0.2	0.1	-0.0	0.1	0.2	0.2					
Y/y %	0.6	-0.2	-0.8	-0.4	0.1	0.1	-0.0	0.0	-0.2	0.0	0.2	-0.1	
Government final consumption	103.3	103.6	103.8	104.1	104.4	104.7	104.9	105.2	103.8	104.9	103.5	104.6	
Q/q %, SAAR	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1					
Y/y %	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.0	1.1	1.0	
Fixed investment	22.1	21.7	21.4	21.2	20.9	20.6	20.4	20.2	21.6	20.5	22.0	20.8	
Q/q %, SAAR	-7.4	-6.0	-5.7	-4.5	-5.3	-4.7	-4.1	-4.2					
Y/y %	-1.6	-5.6	-7.7	-6.0	-5.5	-5.0	-4.6	-4.5	-5.6	-4.8	-3.5	-5.3	
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	13.9	14.3	14.7	15.1	15.6	15.8	16.0	14.9	14.5	15.6	14.1	15.6	
Exports of goods and services	95.9	97.0	98.3	99.6	100.9	102.3	103.7	105.2	97.7	103.1	96.5	101.7	
Q/q %, SAAR	4.9	5.0	5.2	5.4	5.5	5.6	5.7	5.9					
Y/y %	8.2	7.9	6.2	5.2	5.3	5.4	5.6	5.6	6.8	5.5	7.1	5.3	
Imports of goods and services	82.0	82.7	83.6	84.4	85.4	86.5	87.7	90.3	83.2	87.5	82.4	86.0	
Q/q %, SAAR	3.4	3.7	4.1	4.3	4.5	5.3	5.7	12.6					
Y/y %	4.2	4.1	3.6	3.9	4.1	4.5	5.0	7.0	3.9	5.1	2.4	4.4	

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)

	2013			2014			2015		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014
Gross domestic expenditure	480.2	481.7	481.3	487.9	489.3	484.9	489.5	496.7	483.1	489.9	480.1	488.0
Q/q %, SAAR	2.1	1.2	-0.3	5.6	1.2	-3.5	3.9	6.0				
Y/y %	0.8	1.9	2.0	2.5	1.8	0.6	1.6	1.6	1.8	1.4	1.1	1.6
Domestic demand	491.0	495.9	499.6	508.1	502.5	499.7	501.9	503.1	499.0	501.8	493.8	503.2
Q/q %, SAAR	1.8	4.0	3.0	7.0	-4.3	-2.3	1.8	1.0				
Y/y %	1.2	2.8	3.4	4.4	2.3	0.7	0.4	-1.1	2.9	0.6	1.9	1.9
Private demand	370.1	373.7	376.9	384.9	377.5	373.2	375.0	376.8	376.7	375.5	372.0	377.7
Q/q %, SAAR	2.3	4.0	3.5	8.7	-7.4	-4.5	2.0	1.9				
Y/y %	0.7	2.3	3.0	5.1	2.0	-0.2	-0.7	-2.3	2.8	-0.3	1.6	1.5
Final consumption	292.9	294.6	296.1	302.3	292.3	293.2	295.3	296.1	296.6	294.2	293.5	295.8
Q/q %, SAAR	3.1	2.4	1.9	8.6	-12.5	1.2	2.8	1.2				
Y/y %	1.2	2.7	2.9	4.2	-0.1	-0.6	-0.3	-2.1	2.7	-0.8	1.9	0.8
Residential investment	14.9	15.6	16.2	16.6	15.3	14.2	14.1	14.4	15.9	14.5	15.3	15.0
Q/q %, SAAR	12.0	21.0	16.7	9.6	-27.8	-25.4	-2.6	7.0				
Y/y %	8.9	11.6	13.9	15.0	2.8	-9.0	-13.0	-13.6	12.5	-8.6	11.3	-1.8
Non-residential investment	65.9	66.6	67.6	71.7	68.5	68.5	68.7	69.2	68.2	68.7	66.0	69.4
Q/q %, SAAR	10.3	4.1	5.9	26.7	-16.6	0.1	1.4	2.8				
Y/y %	0.2	2.3	4.3	11.7	3.9	2.7	1.7	-3.6	4.9	0.8	1.2	5.2
Change in inventories	-3.7	-3.2	-2.9	-5.6	1.4	-2.8	-3.1	-2.9	-3.9	-1.9	-2.8	-2.6
Public demand	121.0	122.2	122.7	123.2	125.0	126.5	126.9	126.3	122.4	126.2	121.7	125.4
Q/q %, SAAR	0.3	4.1	1.5	1.8	5.9	4.7	1.5	-1.9				
Y/y %	2.8	4.3	4.3	2.1	3.0	3.7	3.4	2.6	3.3	3.2	3.0	3.0
Government final consumption	98.6	98.7	98.5	99.4	100.6	101.3	101.7	101.9	98.8	101.4	98.8	100.8
Q/q %, SAAR	-3.0	0.2	-0.5	3.7	4.9	2.8	1.6	0.7				
Y/y %	2.5	1.9	1.0	0.0	2.1	2.8	3.1	2.5	1.3	2.6	1.7	2.0
Fixed investment	22.3	23.7	24.1	23.7	24.3	25.0	25.2	24.4	23.6	24.8	23.0	24.6
Q/q %, SAAR	13.6	26.7	6.5	-6.4	11.2	11.6	3.1	-11.6				
Y/y %	4.5	16.0	18.8	8.7	8.3	5.9	4.9	3.4	12.4	5.3	9.5	6.8
Change in inventories	0.0	-0.1	0.1	0.1	0.1	0.1	-0.0	-0.0	0.0	0.0	-0.0	0.1
Net exports of goods and services	-10.9	-14.2	-18.3	-20.3	-13.3	-14.8	-12.4	-6.4	-15.9	-11.7	-13.6	-15.2
Exports of goods and services	78.1	78.8	79.1	83.6	83.6	86.4	91.3	93.5	80.0	88.8	77.5	86.3
Q/q %, SAAR	23.6	3.9	1.8	24.7	-0.4	14.1	24.9	10.0				
Y/y %	9.0	14.6	17.8	13.2	6.5	9.5	16.0	11.7	13.6	10.9	11.2	11.3
Imports of goods and services	88.9	93.0	97.4	103.9	96.8	101.2	103.7	99.9	95.9	100.5	91.2	101.5
Q/q %, SAAR	18.4	19.8	20.5	29.3	-24.6	19.1	10.6	-13.9				
Y/y %	10.3	17.9	24.5	22.1	8.5	8.6	7.0	-3.9	18.7	4.8	15.2	11.3

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)

	2015			2016			2017		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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)
Gross domestic expenditure	498.8	501.6	504.3	507.3	510.4	514.0	516.6	520.3	503.1	515.3	500.4	512.2
Q/q %, SAAR	1.7	2.3	2.2	2.4	2.5	2.8	2.0	3.0				
Y/y %	2.0	3.5	3.1	2.2	2.3	2.5	2.4	2.5	2.7	2.4	2.5	2.4
Domestic demand	505.0	507.6	510.2	513.0	516.1	519.7	522.5	528.3	509.0	521.7	506.5	517.8
Q/q %, SAAR	1.5	2.1	2.0	2.2	2.4	2.9	2.2	4.5				
Y/y %	0.5	1.6	1.6	2.1	2.2	2.4	2.3	3.1	1.4	2.5	0.7	2.2
Private demand	378.8	381.4	383.9	386.5	389.4	392.9	395.5	401.0	382.7	394.8	380.1	391.0
Q/q %, SAAR	2.1	2.8	2.6	2.8	3.0	3.6	2.7	5.7				
Y/y %	0.3	2.2	2.4	2.8	2.7	3.0	2.9	3.9	1.9	3.1	0.6	2.9
Final consumption	297.1	298.6	299.9	301.4	302.8	304.5	306.3	311.6	299.3	306.3	298.0	303.8
Q/q %, SAAR	1.4	2.0	1.8	1.9	2.0	2.3	2.3	7.2				
Y/y %	1.6	1.9	1.6	1.8	1.9	1.9	2.1	3.4	1.7	2.3	0.7	2.0
Residential investment	14.6	14.8	14.9	15.1	15.3	15.8	16.2	16.4	14.8	15.9	14.7	15.6
Q/q %, SAAR	6.1	5.3	4.2	3.5	5.6	15.5	8.5	6.0				
Y/y %	-4.7	3.9	5.7	4.9	4.7	7.1	8.2	8.8	2.5	7.2	-2.5	6.3
Non-residential investment	70.0	70.9	71.9	73.0	74.2	75.5	76.8	78.4	71.5	76.3	70.4	74.8
Q/q %, SAAR	4.5	5.3	5.9	6.4	6.7	6.9	7.2	8.6				
Y/y %	2.2	3.6	4.7	5.6	6.1	6.4	6.7	7.3	4.1	6.7	1.4	6.2
Change in inventories	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-3.7	-5.4	-2.9	-3.7	-2.9	-3.1
Public demand	126.2	126.2	126.3	126.5	126.6	126.8	127.0	127.3	126.3	126.9	126.3	126.8
Q/q %, SAAR	-0.3	0.1	0.3	0.5	0.4	0.6	0.7	0.7				
Y/y %	1.1	-0.3	-0.6	-0.1	0.6	0.5	0.5	0.5	0.0	0.5	0.7	0.4
Government final consumption	102.3	102.6	103.0	103.3	103.7	104.1	104.5	104.8	102.8	104.3	102.4	103.9
Q/q %, SAAR	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5				
Y/y %	1.6	1.2	1.3	1.4	1.4	1.5	1.4	1.5	1.3	1.5	1.6	1.4
Fixed investment	24.0	23.7	23.4	23.2	22.9	22.7	22.6	22.4	23.5	22.7	23.9	22.9
Q/q %, SAAR	-7.0	-5.2	-4.7	-3.4	-4.1	-3.4	-2.8	-2.8				
Y/y %	-1.2	-5.5	-7.3	-5.2	-4.5	-3.8	-3.3	-3.2	-5.2	-3.6	-2.7	-4.2
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	-6.3	-6.1	-5.9	-5.7	-5.6	-5.8	-6.0	-7.9	-6.0	-6.3	-6.2	-5.8
Exports of goods and services	94.6	95.8	97.2	98.5	99.9	101.3	102.7	104.2	96.6	102.1	95.3	100.7
Q/q %, SAAR	4.9	5.2	5.6	5.7	5.7	5.8	5.7	5.9				
Y/y %	13.5	11.0	6.1	5.4	5.4	5.7	5.9	5.7	8.9	5.7	10.5	5.6
Imports of goods and services	100.9	101.9	103.0	104.2	105.5	107.1	108.7	112.1	102.6	108.4	101.5	106.5
Q/q %, SAAR	3.9	4.1	4.5	4.8	5.1	5.9	6.3	13.2				
Y/y %	4.4	0.8	-0.9	4.3	4.5	5.0	5.6	7.5	2.1	5.7	0.0	4.9

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)

	2013			2014			2015	FY		CY		
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014
Gross domestic expenditure	91.0	90.9	91.1	91.2	93.0	92.8	93.3	94.0	91.1	93.2	91.0	92.6
Q/q %, SAAR	-0.3	-0.0	0.2	0.1	2.0	-0.2	0.6	0.7				
Y/y %	-0.6	-0.3	-0.3	0.1	2.2	2.0	2.4	3.0	-0.3	2.4	-0.5	1.7
Private final consumption	93.1	93.3	93.9	93.8	95.6	95.6	95.8	95.6	93.5	95.6	93.3	95.2
Q/q %, SAAR	-0.1	0.3	0.7	-0.1	1.9	0.0	0.2	-0.2				
Y/y %	-0.7	0.3	0.6	0.8	2.7	2.4	2.0	1.9	0.3	2.2	-0.2	2.0
Private residential investment	104.8	105.5	106.9	106.8	109.8	109.7	110.3	110.2	106.1	110.0	105.3	109.1
Q/q %, SAAR	1.0	0.7	1.3	-0.1	2.8	-0.1	0.5	-0.1				
Y/y %	2.1	3.1	3.4	2.9	4.9	4.0	3.1	3.1	2.9	3.7	2.3	3.5
Private non-residential investment	94.9	95.2	95.3	95.5	96.1	96.2	96.6	96.3	95.3	96.3	95.0	96.1
Q/q %, SAAR	0.2	0.3	0.2	0.2	0.6	0.2	0.4	-0.3				
Y/y %	0.4	1.2	1.2	0.8	1.2	1.1	1.4	0.9	0.9	1.1	0.7	1.1
Government final consumption	96.5	96.6	96.4	97.6	98.4	98.9	99.0	98.9	96.7	98.7	96.7	98.4
Q/q %, SAAR	-1.4	0.1	-0.2	1.2	0.8	0.5	0.1	-0.1				
Y/y %	-0.1	-0.1	-0.5	-0.2	2.1	2.5	2.5	1.3	-0.2	2.1	-0.2	1.7
Public fixed investment	104.1	104.8	105.8	106.4	108.0	108.8	108.7	108.5	105.4	108.6	104.8	107.9
Q/q %, SAAR	0.0	0.6	0.9	0.6	1.6	0.7	-0.1	-0.2				
Y/y %	0.9	1.8	2.3	2.0	3.9	3.8	2.8	2.0	1.9	3.0	1.4	3.0
Exports of goods and services	92.8	94.2	94.8	94.0	94.2	95.9	98.7	98.7	94.0	97.0	93.2	95.8
Q/q %, SAAR	2.3	1.5	0.6	-0.8	0.2	1.8	2.9	0.0				
Y/y %	9.1	11.1	10.3	3.7	1.0	1.9	4.6	4.9	8.5	3.2	9.5	2.8
Imports of goods and services	119.7	123.0	125.2	124.9	123.0	127.2	128.7	122.9	123.4	125.5	121.4	126.0
Q/q %, SAAR	1.9	2.8	1.7	-0.2	-1.6	3.4	1.2	-4.5				
Y/y %	9.8	14.6	14.3	6.5	2.5	3.3	3.1	-1.6	11.3	1.7	11.7	3.8

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)

	2015			2016			2017		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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)
Gross domestic expenditure	93.9	94.0	94.1	94.2	94.3	94.5	94.7	94.8	94.0	94.5	94.0	94.4
Q/q %, SAAR	-0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1				
Y/y %	1.0	1.3	0.8	0.2	0.5	0.6	0.6	0.6	0.8	0.6	1.5	0.5
Private final consumption	95.4	95.5	95.7	95.8	96.0	96.2	96.5	96.7	95.6	96.4	95.5	96.1
Q/q %, SAAR	-0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2				
Y/y %	-0.2	-0.1	-0.1	0.3	0.6	0.8	0.8	0.9	-0.0	0.8	0.4	0.6
Private residential investment	110.3	110.5	110.8	111.1	111.4	111.8	112.2	112.6	110.7	112.0	110.5	111.6
Q/q %, SAAR	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.4				
Y/y %	0.4	0.7	0.5	0.8	1.0	1.1	1.2	1.4	0.6	1.2	1.3	1.1
Private non-residential investment	96.3	96.4	96.6	96.9	97.1	97.4	97.8	98.1	96.6	97.7	96.4	97.3
Q/q %, SAAR	0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.4				
Y/y %	0.3	0.2	-0.0	0.6	0.8	1.0	1.2	1.3	0.3	1.1	0.4	0.9
Government final consumption	99.0	99.1	99.2	99.3	99.4	99.5	99.6	99.6	99.0	99.4	99.0	99.4
Q/q %, SAAR	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	0.5	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.6	0.4
Public fixed investment	108.6	108.8	109.1	109.4	109.8	110.2	110.6	110.9	109.0	110.5	108.8	110.0
Q/q %, SAAR	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.4				
Y/y %	0.5	0.0	0.4	0.8	1.1	1.3	1.3	1.4	0.4	1.3	0.8	1.1
Exports of goods and services	98.7	98.7	98.8	98.9	99.0	99.0	99.0	99.0	98.9	99.1	98.8	99.0
Q/q %, SAAR	-0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0				
Y/y %	5.0	2.9	-0.1	0.2	0.2	0.3	0.3	0.1	1.9	0.2	3.1	0.2
Imports of goods and services	123.1	123.2	123.3	123.4	123.6	123.8	124.0	124.1	123.3	123.9	123.1	123.7
Q/q %, SAAR	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	0.2	-3.1	-4.3	0.4	0.4	0.5	0.6	0.6	-1.8	0.5	-2.3	0.5

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.

5.1 Contribution to Real GDP Growth by Component

	2013			2014			2015			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014	
1) Q/q %													
GDP growth rate	0.8	0.4	-0.3	1.3	-1.6	-0.7	0.4	0.7	2.1	-1.0	1.6	-0.0	
Domestic demand	0.8	0.7	0.2	1.6	-2.7	-0.7	0.2	0.4	2.6	-1.6	1.9	0.0	
Private demand	0.5	0.5	0.2	1.7	-2.8	-0.8	0.1	0.5	1.8	-1.8	1.2	-0.2	
Private consumption	0.5	0.2	-0.1	1.3	-3.1	0.2	0.3	0.3	1.5	-1.8	1.3	-0.7	
Residential investment	0.1	0.1	0.1	0.1	-0.3	-0.2	-0.0	0.0	0.3	-0.3	0.3	-0.2	
Private fixed investment	0.3	0.1	0.2	0.8	-0.7	-0.0	-0.0	0.1	0.5	-0.0	0.1	0.6	
Change in private inventories	-0.4	0.1	0.0	-0.5	1.4	-0.8	-0.2	0.0	-0.5	0.3	-0.4	0.1	
Public demand	0.3	0.2	0.1	-0.2	0.1	0.1	0.1	-0.1	0.8	0.2	0.7	0.2	
Government final consumption	0.1	-0.0	0.0	-0.1	0.1	0.0	0.1	0.1	0.3	0.1	0.4	0.1	
Public fixed investment	0.1	0.2	0.0	-0.1	0.1	0.1	0.0	-0.1	0.5	0.1	0.4	0.2	
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	-0.4	-0.5	-0.3	1.1	0.1	0.2	0.3	-0.5	0.8	-0.3	-0.0	
Exports of goods and services	0.4	-0.1	-0.0	1.1	-0.1	0.3	0.5	0.4	0.7	1.2	0.2	1.3	
Imports of goods and services	-0.4	-0.3	-0.5	-1.3	1.1	-0.2	-0.3	-0.1	-1.2	-0.4	-0.5	-1.4	
2) Y/y %													
GDP growth rate	1.4	2.2	2.3	2.4	-0.3	-1.4	-0.8	-1.4	2.1	-1.0	1.6	-0.0	
Domestic demand	1.5	2.3	2.8	3.6	-0.2	-1.6	-1.7	-2.8	2.6	-1.6	1.9	0.0	
Private demand	0.9	1.3	1.7	3.2	-0.3	-1.8	-2.0	-3.1	1.8	-1.8	1.2	-0.2	
Private consumption	1.1	1.4	1.4	2.0	-1.7	-1.8	-1.4	-2.3	1.5	-1.8	1.3	-0.7	
Residential investment	0.2	0.3	0.3	0.4	-0.1	-0.4	-0.5	-0.5	0.3	-0.3	0.3	-0.2	
Private fixed investment	-0.0	0.2	0.4	1.7	0.3	0.2	0.0	-0.7	0.5	-0.0	0.1	0.6	
Change in private inventories	-0.4	-0.5	-0.4	-0.8	1.1	0.2	-0.1	0.4	-0.5	0.3	-0.4	0.1	
Public demand	0.7	0.9	1.1	0.5	0.2	0.2	0.2	0.3	0.8	0.2	0.7	0.2	
Government final consumption	0.5	0.4	0.3	0.0	0.0	0.1	0.1	0.2	0.3	0.1	0.4	0.1	
Public fixed investment	0.1	0.6	0.8	0.4	0.2	0.1	0.1	0.1	0.5	0.1	0.4	0.2	
Change in public inventories	-0.0	-0.0	0.0	0.1	0.0	0.1	-0.0	-0.0	0.0	0.0	-0.0	0.0	
Net exports of goods and services	-0.1	0.0	-0.5	-1.2	-0.2	0.2	1.0	1.4	-0.5	0.8	-0.3	-0.0	
Exports of goods and services	-0.0	0.5	0.9	1.4	0.9	1.2	1.7	1.0	0.7	1.2	0.2	1.3	
Imports of goods and services	-0.1	-0.5	-1.5	-2.7	-1.1	-1.0	-0.7	0.4	-1.2	-0.4	-0.5	-1.4	

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

	2015		2016		2017		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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)
1) Q/q %												
GDP growth rate	0.5	0.5	0.4	0.4	0.5	0.5	0.3	0.6	1.9	1.8	1.0	1.9
Domestic demand	0.5	0.4	0.3	0.4	0.4	0.5	0.3	0.8	1.3	1.7	0.2	1.7
Private demand	0.5	0.4	0.4	0.4	0.4	0.5	0.3	0.8	1.4	1.7	0.2	1.8
Private consumption	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.9	1.0	0.9	0.2	0.8
Residential investment	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	-0.1	0.2
Private fixed investment	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.8	0.1	0.7
Change in private inventories	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.3	-0.2	-0.2	-0.1	-0.0
Public demand	-0.0	-0.0	-0.0	0.0	-0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.0
Government final consumption	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Public fixed investment	-0.1	-0.1	-0.1	-0.0	-0.1	-0.0	-0.0	-0.0	-0.2	-0.2	-0.2	-0.3
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	0.1	0.1	0.0	0.0	-0.2	0.6	0.2	0.8	0.1
Exports of goods and services	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	1.2	1.0	1.3	1.0
Imports of goods and services	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-0.6	-0.8	-0.5	-0.9
2) Y/y %												
GDP growth rate	1.0	2.2	2.2	2.0	1.8	1.9	1.8	1.9	1.9	1.8	1.0	1.9
Domestic demand	0.5	1.5	1.6	1.7	1.5	1.6	1.4	2.1	1.3	1.7	0.2	1.7
Private demand	0.3	1.6	1.8	1.8	1.5	1.6	1.4	2.1	1.4	1.7	0.2	1.8
Private consumption	1.0	1.2	1.0	0.9	0.8	0.7	0.7	1.4	1.0	0.9	0.2	0.8
Residential investment	-0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.0	0.1	-0.1	0.2
Private fixed investment	0.2	0.5	0.6	0.8	0.7	0.7	0.7	0.9	0.5	0.8	0.1	0.7
Change in private inventories	-0.8	-0.1	0.1	-0.0	0.0	0.0	-0.2	-0.5	-0.2	-0.2	-0.1	-0.0
Public demand	0.1	-0.0	-0.2	-0.1	0.0	0.0	-0.0	0.0	-0.1	0.0	0.0	-0.0
Government final consumption	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public fixed investment	-0.1	-0.2	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3
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	0.7	0.5	0.3	0.3	0.3	0.2	-0.1	0.6	0.2	0.8	0.1
Exports of goods and services	1.4	1.4	1.1	0.9	1.0	1.0	1.0	1.0	1.2	1.0	1.3	1.0
Imports of goods and services	-0.6	-0.6	-0.5	-0.6	-0.6	-0.7	-0.8	-1.1	-0.6	-0.8	-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

	2013			2014			2015		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2013	2014 (E)	2013	2014
1) World economy												
Economic growth of major trading partners												
Y/y %	3.0	3.2	3.6	3.3	3.3	3.4	3.3	3.8	3.2	3.5	3.1	3.3
Crude oil price (WTI futures; \$/bbl)												
Y/y %	94.2	105.8	97.6	98.6	103.0	97.2	73.2	52.0	99.1	81.4	98.0	92.9
	0.9	14.8	10.6	4.5	9.4	-8.1	-25.0	-47.3	7.6	-17.9	4.1	-5.2
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)												
Q/q %, SAAR	15,607	15,780	15,916	15,832	16,010	16,206	16,294	16,400	15,784	16,228	15,710	16,085
Y/y %	1.8	4.5	3.5	-2.1	4.6	5.0	2.2	2.6	2.3	2.8	2.2	2.4
Consumer Price Index (1982-84 avg=100)												
Q/q %, SAAR	232.1	233.4	234.2	235.4	236.8	237.5	237.0	236.1	233.8	236.9	233.0	236.7
Y/y %	-0.1	2.3	1.4	2.1	2.4	1.2	-0.9	-1.6	1.4	1.3	1.5	1.6
Producer Price Index (Finished goods; 1982=100)												
Q/q %, SAAR	195.7	196.8	197.6	199.6	201.3	201.5	198.9	196.9	197.4	199.7	196.6	200.4
Y/y %	-1.4	2.2	1.6	4.2	3.4	0.5	-5.1	-4.0	1.3	1.2	1.2	1.9
FF rate (%) (Target rate for the forecast period, end-period)												
Government bond yield (10 year; %)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	2.00	2.71	2.75	2.76	2.62	2.50	2.28	2.09	2.55	2.37	2.35	2.54
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	98.6	98.7	98.5	99.4	100.6	101.3	101.7	101.9	98.8	101.4	98.8	100.8
Q/q %, SAAR	-3.0	0.2	-0.5	3.7	4.9	2.8	1.6	0.7	1.3	2.6	1.7	2.0
Y/y %	2.5	1.9	1.0	0.0	2.1	2.8	3.1	2.5	1.3	2.6	1.7	2.0
Nominal public fixed investment												
Y tril; SAAR	22.3	23.7	24.1	23.7	24.3	25.0	25.2	24.4	23.6	24.8	23.0	24.6
Q/q %, SAAR	13.6	26.7	6.5	-6.4	11.2	11.6	3.1	-11.6	12.4	5.3	9.5	6.8
Y/y %	4.5	16.0	18.8	8.7	8.3	5.9	4.9	3.4	12.4	5.3	9.5	6.8
Exchange rate (Y/\$)												
(Y/€)	98.8	98.9	100.4	102.8	102.1	103.9	114.5	119.0	100.2	109.9	97.6	105.8
	129.6	130.7	139.9	140.3	139.5	137.8	143.8	135.0	135.1	139.0	130.6	140.3
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 April 2017.

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

E: DIR estimate.

6.2 Major Assumptions

	2015			2016			2017		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)	2015 (E)	2016 (E)	2015 (E)	2016 (E)
1) World economy												
Economic growth of major trading partners												
Y/y %	3.8	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.6	3.7	3.6
Crude oil price (WTI futures; \$/bbl)												
Y/y %	55.8	57.1	58.3	59.6	60.8	62.1	63.3	64.6	57.7	62.7	55.8	61.5
	-45.8	-41.3	-20.3	14.6	9.0	8.8	8.6	8.4	-29.1	8.7	-39.9	10.1
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)												
Q/q %, SAAR	16,510	16,617	16,723	16,833	16,943	17,062	17,173	17,279	16,671	17,114	16,563	17,003
Y/y %	2.7	2.6	2.6	2.7	2.6	2.8	2.6	2.5	2.7	2.7	3.0	2.7
Consumer Price Index (1982-84 avg=100)												
Q/q %, SAAR	237.2	238.4	239.5	241.1	242.2	243.0	243.7	245.5	239.1	243.6	237.8	242.5
Y/y %	1.9	2.1	1.8	2.8	1.7	1.4	1.2	2.9	0.9	1.9	0.4	2.0
Producer Price Index (Finished goods; 1982=100)												
Q/q %, SAAR	197.7	199.0	199.5	201.0	202.2	203.2	203.9	204.8	199.3	203.6	198.3	202.6
Y/y %	1.6	2.6	1.0	3.2	2.4	1.9	1.4	1.7	-0.2	2.1	-1.0	2.2
FF rate (%) (Target rate for the forecast period, end-period)												
Government bond yield (10 year; %)	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75	0.75	1.75	0.50	1.50
	2.33	2.51	2.71	2.93	3.09	3.26	3.43	3.55	2.62	3.33	2.41	3.18
3) Japanese economy												
Nominal government final consumption												
Y triI; SAAR	102.3	102.6	103.0	103.3	103.7	104.1	104.5	104.8	102.8	104.3	102.4	103.9
Q/q %, SAAR	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.3	1.5	1.6	1.4
Y/y %	1.6	1.2	1.3	1.4	1.4	1.5	1.4	1.5	1.3	1.5	1.6	1.4
Nominal public fixed investment												
Y triI; SAAR	24.0	23.7	23.4	23.2	22.9	22.7	22.6	22.4	23.5	22.7	23.9	22.9
Q/q %, SAAR	-7.0	-5.2	-4.7	-3.4	-4.1	-3.4	-2.8	-2.8	-5.2	-3.6	-2.7	-4.2
Y/y %	-1.2	-5.5	-7.3	-5.2	-4.5	-3.8	-3.3	-3.2	-5.2	-3.6	-2.7	-4.2
Exchange rate (Y/\$)												
(Y/€)	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	119.8	120.0
	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	131.3	130.0
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 April 2017.

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

E: DIR estimate.