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Japan's Economic Outlook No. 186 Update(Summary)

What Will Happen if China's Economic Bubble Bursts?

Japan's economy has entered a temporary lull, but according to our outlook, will avoid recession.

Japan to see real GDP growth of +1.0% in FY15 and +1.7% in FY16, with nominal GDP growth of +2.4% in FY15 and +2.2% in FY16.

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Main Points

- **Japan's economy enters a temporary lull:** In light of the 2nd preliminary Apr-Jun 2015 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 FY15 (+1.1% in the previous forecast) and +1.7% in comparison with the previous year for FY16 (+1.9% in the previous forecast). Japan's economy has entered a temporary lull, but we expect it to avoid falling into recession due to the following factors: (1) Continuation of the virtuous circle brought on by Abenomics, and (2) A gradual comeback in exports centering on the US.
- **Real GDP revised upwards from 1st preliminary report:** The real GDP growth rate for Apr-Jun 2015 (2nd preliminary est) was revised upwards to -1.2% q/q annualized (-0.3% q/q) in comparison to the 1st preliminary report (-1.6% q/q annualized and -0.4% q/q). Results also exceeded market consensus at -1.6% q/q annualized (-0.4% q/q). The fact that results exceeded market consensus is attributed to the extent to which inventory investment was revised upwards, coming in well above original expectations. Our comprehensive assessment of this modest revision of the real GDP growth rate is that the 2nd preliminary estimate confirms our previous opinion that Japan's economy is in a temporary lull due to weak exports and consumption. With inventories accumulating to an extent which was previously unexpected and capex receiving a downward revision, the substance of this revision does not look good.

- **While inventory investment was revised upwards more than expected, capex suffered a downward revision:** Performance by demand component in the revised Apr-Jun 2015 results shows capex suffering a downward revision, but inventory investment getting a larger upward revision than was originally expected, thereby providing some upward pressure to overall results. The results of corporate statistics brought capex investment down by -0.9% q/q, a downward revision in comparison to the 1st preliminary GDP estimate (-0.1%). Meanwhile inventory investment grew by +0.3%pt q/q, an upward revision from the 1st preliminary's +0.1%pt, exceeding market consensus by +0.2%pt q/q. Looking at inventory investment by category we see that all four major categories were revised upwards, with inventory growth seen in three areas – finished goods, raw materials, and distribution inventory. It should be noted, however, that there are recent signs of inventory accumulating. Meanwhile, public investment was revised downwards from the 1st preliminary report, but not so much as to have a great influence on the final GDP figure. Housing investment, imports and exports were flat in comparison to the 1st preliminary report, while personal consumption and government consumption were revised upwards.
- **Trends by demand component: Weak exports and consumption bring downward pressure on overall results :**Next we take a look at trends in demand components based on the results of the Apr-Jun 2015 (2nd preliminary est). Personal consumption was down by -0.7% q/q (-0.8% on the 1st preliminary report), its first decline in four quarters, taking a short breather from the recovery trend seen up to now. While the employment environment is improving for households, there have been several factors weighing down on personal consumption: (1) Real compensation of employees from a macro viewpoint declined for the first time in two quarters by -0.2% q/q (-0.2% on the 1st preliminary report), (2) Automobile sales centering on light vehicles have slowed down, (3) Unseasonable weather has brought downward pressure on the economy, and (4) Prices of foodstuffs have been on the rise, making households more budget-minded. Housing investment grew for the second consecutive quarter at +1.9% (also +1.9% on the 1st preliminary report). Looking at the trend in new housing starts, a leading indicator for housing investment as a portion of GDP, the effects of the reactionary decline after last year's consumption tax increase easing up, and the employment and income environment affecting households is improving, while interest on housing loans is at a low. These factors have helped housing starts make a gradual comeback since the Oct-Dec period of 2014. Housing investment is recorded on a progressive basis, hence there is a lag in performance in comparison to housing starts, but housing investment has now hit bottom and has shifted into a growth trend. Capex declined for the first time in three quarters by -0.9% q/q (-0.1% on the 1st preliminary report) apparently taking a short break from the recent growth trend. However, the sense of overcapacity is easing up amongst corporations and improvements can be seen in corporate earnings, hence the positive environment for capex continues. In addition, considering the fact that capex is experiencing moderate growth on the whole and that there is a firm undertone in corporate plans for capex spending according to the BOJ Tankan, these results should not be taken in an overly negative light. Public investment grew for the first time in two quarters by +2.1% q/q (+2.6% on the 1st preliminary report). Results for the period were favorable, but the effects of having front-loaded government budgets in the past are gradually running out, leaving the leading economic indicator of public investment weak. This means that additional economic measures will be needed in the future in order to avoid a gradual decline.

Exports suffered a decline for the first time in six quarters at -4.4% q/q (also -4.4% on the 1st preliminary report). A decline in exports to both the US and Asia are seen as having contributed to downward pressure on performance. Imports have also slowed down due to the decline in domestic demand (-2.6% q/q, unchanged from the 1st preliminary report) for the first time in four quarters. The major contributor to downward pressure on exports which has expanded during this period is overseas demand (net exports), falling for the second consecutive quarter by -0.3%pt (also -0.3%pt on the 1st preliminary report).

- **Japan's economy expected to gradually make a comeback, but a sense of uncertainty regarding the future has been increasing recently:** Our basic economic scenario sees Japan's economy gradually making a comeback. We expect real GDP to improve with personal consumption and exports, which contributed to downward pressure on this report, making a turnaround and capex gradually make a comeback. We expect the economy to return to a positive growth trend in the Jul-Sep 2015 period, even if only by a small amount. However, there is a certain amount of risk that real GDP could be sluggish for the time being. We suggest keeping an eye on the trend in inventory adjustment. Final demand during the Apr-Jun 2015 period was weak, and inventories have accumulated. For this reason we believe that there will be growing pressure to carry out inventory adjustment during the Jul-Sep 2015 period. In addition, considering the trends in the monthly indices, the pace of the comeback for personal consumption and exports could be slow. As for personal consumption, the positive environment for households in the areas of employment and income is expected to gradually lead to a recovery of the growth trend. Nominal wages and income are gaining support from positive factors including the following: (1) According to a survey carried out by the Japanese Trade Union Confederation, this year's pay scale increase is +0.69% y/y, (2) The FY2015 pension revision rate is +0.9% y/y (it was -0.7% in FY2014), and (3) Summer bonuses are expected to increase for the third consecutive year due to improvements in corporate business performance. This is expected to begin showing up in increases in household disposable income and promises to become a factor in increasing personal consumption a little further up the road. Meanwhile, the price of crude oil, which has experienced steep declines since the summer of 2014 is expected to continue at a low. There tends to be a time lag in the effects of this phenomenon, meaning that the consumer price will see downward pressure and real household wages will get a boost. However, considering the weak performance of personal consumption this period, chances are that households will continue to budget more carefully in response to the rush to raise prices of foodstuffs. Weakening consumer confidence is something which must be watched over carefully on into the future. Housing investment is expected to be free of the effects of the reactionary decline after the increase in consumption tax last year, and backed by improvements in the employment and income environment, is expected to move toward a moderate recovery now that housing starts, a leading indicator, are clearly making a comeback. As for exports, growth is seen gradually increasing centering on the advanced countries, and a shift to a growth trend is expected. However, both the US economy, and China's economy are becoming increasingly uncertain. There is some risk here that the recovery in exports could begin dragging its feet. The US economy experienced a major slowdown during the Jan-Mar 2015 period due to special factors, but has been making a comeback since the Apr-Jun 2015 period and should continue favorably in the future. The recovery in the US economy is expected to help not only Japan's exports to the US, but exports of Japanese intermediate goods to Asia since the US is the location of final demand for many goods. 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 continuing a steady undertone. As for China, whose economy has experienced slower growth recently, positive factors are now developing including the People's Bank of China showing stronger interest in monetary easing, and bringing expectations that moderate growth can be maintained on into the future and that the economy's back will not be broken due to recent developments. However, risk remains that US capital spending could remain in a downtrend due to weakening corporate earnings, and the possibility that the slowdown in the Chinese economy could continue unabated are factors which must be continually watched over with care in the future. As for capex, a moderately paced comeback is expected despite fluctuations. Machinery orders, another leading indicator, are expected to continue in a growth trend, while the BOJ Tankan indicates that capex activities are reflecting a steady undertone. 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 sense of surplus in capex, and this should encourage more capex related demand in the future. Meanwhile, as the 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. However, considerable downtrends being experienced in personal consumption and exports could, if they continue, bring cuts in industrial production and capacity utilization. If this occurs, it would throw a shadow over hoped for recovery in capex spending. We suggest vigilance in this area.

- **What will happen if China's economic bubble bursts?:** In this report we examine the multiple dimensions of the consequences, as well as their magnitude, if China's economic bubble bursts. This is the key element of our report. According to our main economic scenario, the chances that China's economy could become mired in crisis are limited. Even if the amount of uncollectible loans held by China's banks were to suddenly surge in the future, it would be a bit hasty to assume that there would necessarily be an immediate fiscal crisis, though it cannot be denied that there is always the possibility that both China's economy and the global financial markets could be thrown into turmoil. What is more frightening is the risk of a major capital stock adjustment. According to a DIR simulation, if a capital stock adjustment were to occur, China's potential growth rate would at best fall to around 4%, while real economic growth would hover at around zero. A more serious meltdown would see China's potential growth rate falling to as little as 1.6%, with real economic growth bringing in significantly negative numbers. Furthermore, we are of the opinion that China's devaluation of the renminbi will have little effect, as it is merely a drop in the bucket.
- **Japan's main economic scenario – the economy will shake off the temporary lull and enter a moderate economic growth phase:** The major focal point for Japan's economy in the near future is the question of whether the current situation is merely a temporary lull, or whether Japan will become mired in a recession. Judging from the performance of major demand components according to GDP statistics, there is some risk of the economy falling into recession. However, examination of three major judgment criteria ("merkmal") suggests that Japan's economy will be able to avoid a recession and head toward a moderate economic growth phase.

- **Is the US economy going to be okay?:** We expect the weakness in the corporate sector of US economy to be set off by the household sector and that the US economy will be able to avoid falling into a lull, instead moving toward a substantial recovery. Considering the maturation of the economy, we expect the US to experience a sustained economic expansion.
- **Risk factors facing Japan's economy:** Risk factors for the Japanese economy are: (1) The downward swing of China's economy, (2) Tumult in the economies of emerging nations in response to the US exit strategy, (3) A worldwide decline in stock values due to geopolitical risk, (4) The worsening of the Eurozone economy, and (5) The *Triple Weaknesses* – a weak bond market, weak yen, and weak stock market due to loss of fiscal discipline. Our outlook places emphasis on China's business cycle, a question of the greatest concern at this time for those involved in the financial markets, and we provide an in-depth analysis of the situation. We believe that the bottom falling out of China's economy can be avoided for some time. China does not have a truly Capitalist system. Hence the problem can probably be delayed for the next year or two. Moreover, personal consumption in China is determined by real estate prices rather than stock prices, and real estate prices have recently begun to show signs of bottoming out. The other factor here is that the main driver of the world's economy remains the US, so even if China's economy slows down a bit, the negative influence on Japan's economy is fairly limited.
- **BOJ's monetary policy:** We expect additional monetary easing measures by the BOJ to be shelved until spring 2016 or later. It should be noted that the financial markets are now leaning more strongly toward the opinion that the BOJ will not carry out additional monetary easing measures.

Main Economic Indicators and Real GDP Components

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	FY14	FY15 (Estimate)	FY16 (Estimate)	CY14	CY15 (Estimate)	CY16 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.6	2.4	2.2	1.6	2.8	1.8
Real GDP (chained [2005]; y/y %)	-0.9	1.0	1.7	-0.1	0.6	1.3
Domestic demand (contribution, % pt)	-1.5	0.9	1.6	-0.1	0.4	1.3
Foreign demand (contribution, % pt)	0.6	-0.1	0.1	0.0	0.3	0.0
GDP deflator (y/y %)	2.5	1.4	0.5	1.7	2.1	0.5
Index of All-Industry Activity (y/y %)*	-1.5	0.2	2.1	-0.3	-0.3	1.2
Index of Industrial Production (y/y %)	-0.5	0.2	3.8	2.1	-0.4	2.6
Index of Tertiary Industry Activity (y/y %)	-1.7	0.5	1.7	-0.8	0.1	0.9
Corporate Goods Price Index (y/y %)	2.8	-1.7	0.4	3.2	-1.6	0.3
Consumer Price Index (excl. fresh food; y/y %)	2.8	0.0	0.8	2.6	0.5	0.6
Unemployment rate (%)	3.6	3.3	3.2	3.6	3.4	3.2
Government bond yield (10 year; %)	0.46	0.43	0.55	0.53	0.40	0.52
Money stock; M2 (end-period; y/y %)	3.3	3.6	4.0	3.4	3.6	3.9
Balance of payments						
Trade balance (Y tril)	-6.5	-0.9	-1.1	-10.4	-0.7	-0.7
Current balance (\$100 mil)	684	1,432	1,508	250	1,384	1,524
Current balance (Y tril)	7.8	17.3	18.1	2.6	16.7	18.3
(% of nominal GDP)	1.6	3.4	3.5	0.5	3.3	3.6
Real GDP components (Chained [2005]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	-3.1 (-1.9)	0.1 (0.0)	1.3 (0.8)	-1.3 (-0.8)	-0.9 (-0.6)	0.7 (0.4)
Private housing investment	-11.7 (-0.4)	4.5 (0.1)	7.0 (0.2)	-5.1 (-0.2)	-1.6 (-0.1)	6.8 (0.2)
Private fixed investment	0.5 (0.1)	2.9 (0.4)	5.5 (0.8)	3.9 (0.5)	1.7 (0.2)	4.5 (0.6)
Government final consumption	0.4 (0.1)	1.3 (0.2)	1.3 (0.2)	0.2 (0.0)	1.2 (0.2)	1.2 (0.3)
Public fixed investment	2.0 (0.1)	-3.6 (-0.2)	-5.3 (-0.2)	3.8 (0.2)	-1.7 (-0.1)	-6.4 (-0.3)
Exports of goods and services	7.9 (1.3)	-0.9 (-0.2)	4.8 (0.8)	8.4 (1.4)	1.5 (0.3)	2.7 (0.5)
Imports of goods and services	3.6 (-0.7)	-0.5 (0.1)	4.6 (-0.7)	7.4 (-1.4)	-0.2 (0.0)	2.4 (-0.5)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.4	3.4	3.6	3.3	3.3	3.6
Crude oil price (WTI futures; \$/bbl)	80.5	49.4	45.5	92.9	50.0	45.8
2. US economy						
US real GDP (chained [2009]; y/y %)	2.7	2.7	2.8	2.4	2.6	2.9
US Consumer Price Index (y/y %)	1.3	0.6	1.9	1.6	0.1	1.8
3. Japanese economy						
Nominal public fixed investment (y/y %)	5.1	-2.9	-4.1	6.8	-0.6	-5.4
Exchange rate (Y/\$)	109.9	120.9	120.0	105.8	120.7	120.0
(Y/€)	138.4	135.3	135.0	140.3	134.7	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 186 update)		Previous outlook (Outlook186)		Difference between previous and current outlooks	
	FY15	FY16	FY15	FY16	FY15	FY16
Main economic indicators						
Nominal GDP (y/y %)	2.4	2.2	2.6	2.5	-0.2	-0.3
Real GDP (chained [2005]; y/y %)	1.0	1.7	1.1	1.9	-0.2	-0.2
Domestic demand (contribution, % pt)	0.9	1.6	1.1	1.7	-0.1	-0.1
Foreign demand (contribution, % pt)	-0.1	0.1	-0.0	0.2	-0.1	-0.1
GDP deflator (y/y %)	1.4	0.5	1.4	0.6	-0.1	-0.1
Index of All-industry Activity (y/y %)*	0.2	2.1	0.4	2.4	-0.3	-0.4
Index of Industrial Production (y/y %)	0.2	3.8	0.7	5.0	-0.5	-1.2
Index of Tertiary Industry Activity (y/y %)	0.5	1.7	0.6	1.8	-0.2	-0.2
Corporate Goods Price Index (y/y %)	-1.7	0.4	-1.5	0.8	-0.3	-0.4
Consumer Price Index (excl. fresh food; y/y %)	0.0	0.8	0.0	0.8	0.0	-0.0
Unemployment rate (%)	3.3	3.2	3.3	3.2	0.0	0.0
Government bond yield (10 year; %)	0.43	0.55	0.44	0.55	-0.01	0.00
Money stock; M2 (end-period; y/y %)	3.6	4.0	3.6	4.0	0.0	0.0
Balance of payments						
Trade balance (Y tril)	-0.9	-1.1	-0.8	-0.6	-0.2	-0.5
Current balance (\$100 mil)	1,432	1,508	1,414	1,492	18	16
Current balance (Y tril)	17.3	18.1	17.5	18.6	-0.2	-0.6
(% of nominal GDP)	3.4	3.5	3.5	3.6	-0.0	-0.1
Real GDP components (chained [2005]; y/y %)						
Private final consumption	0.1	1.3	0.2	1.4	-0.2	-0.1
Private housing investment	4.5	7.0	4.5	7.0	0.0	-0.0
Private fixed investment	2.9	5.5	4.0	5.5	-1.1	0.0
Government final consumption	1.3	1.3	1.3	1.3	-0.0	-0.0
Public fixed investment	-3.6	-5.3	-3.5	-5.4	-0.1	0.1
Exports of goods and services	-0.9	4.8	0.1	5.5	-1.0	-0.7
Imports of goods and services	-0.5	4.6	0.3	4.8	-0.8	-0.2
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.4	3.6	3.2	3.6	0.1	-0.0
Crude oil price (WTI futures; \$/bbl)	49.4	45.5	49.3	49.0	0.0	-3.5
2. US economy						
US real GDP (chained [2009]; y/y %)	2.7	2.8	2.3	2.8	0.4	-0.0
US Consumer Price Index (y/y %)	0.6	1.9	0.7	2.0	-0.1	-0.1
3. Japanese economy						
Nominal public fixed investment (y/y %)	-2.9	-4.1	-2.8	-4.2	-0.1	0.1
Exchange rate (Y/\$)	120.9	120.0	123.7	125.0	-2.8	-5.0
(Y/€)	135.3	135.0	137.7	140.0	-2.4	-5.0
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

	2013			2014			2015			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2013	2014	2013	2014	
Nominal GDP (SAAR; Y tril)	479.7	482.1	481.6	487.5	488.3	485.4	489.2	499.7	483.1	490.8	480.1	487.6	
Q/q %	0.4	0.5	-0.1	1.2	0.2	-0.6	0.8	2.1					
Q/q %, SAAR	1.7	2.0	-0.4	4.9	0.7	-2.4	3.2	8.9					
Y/y %	0.8	1.9	2.0	2.5	1.8	0.6	1.4	2.6	1.8	1.6	1.0	1.6	
Real GDP (chained [2005]; SAAR; Y tril)	527.0	530.3	529.1	535.0	524.5	523.0	524.7	530.5	530.6	525.9	527.5	526.9	
Q/q %	0.6	0.6	-0.2	1.1	-2.0	-0.3	0.3	1.1					
Q/q %, SAAR	2.3	2.5	-0.9	4.5	-7.6	-1.1	1.3	4.5					
Y/y %	1.4	2.2	2.3	2.4	-0.4	-1.4	-1.0	-0.8	2.1	-0.9	1.6	-0.1	
Contribution to GDP growth (% pt)													
Domestic demand	0.6	0.9	0.3	1.4	-2.8	-0.4	0.0	1.2	2.6	-1.5	1.9	-0.1	
Foreign demand	-0.1	-0.3	-0.5	-0.2	0.9	0.1	0.3	-0.1	-0.5	0.6	-0.3	0.0	
GDP deflator (y/y %)	-0.6	-0.3	-0.3	0.1	2.2	2.1	2.4	3.5	-0.3	2.5	-0.6	1.7	
Index of All-Industry Activity (2005=100)	97.1	97.6	97.9	99.3	95.7	96.1	97.1	97.4	98.0	96.6	97.3	97.0	
Q/q %; y/y %	0.6	0.5	0.3	1.4	-3.7	0.4	1.1	0.3	1.9	-1.5	0.8	-0.3	
Index of Industrial Production (2010=100)	96.1	97.8	99.6	101.9	98.8	97.4	98.2	99.7	98.9	98.5	97.0	99.0	
Q/q %; y/y %	1.6	1.7	1.8	2.3	-3.1	-1.3	0.8	1.6	3.3	-0.5	-0.8	2.1	
Index of Tertiary Industry Activity (2005=100)	100.1	100.2	100.0	101.6	97.6	98.3	99.3	99.9	100.5	98.8	100.0	99.2	
Q/q %; y/y %	0.4	0.0	-0.2	1.6	-3.9	0.7	1.0	0.7	1.3	-1.7	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	103.3	102.4	105.3	101.9	105.1	
Y/y %	0.6	2.2	2.5	2.0	4.4	4.0	2.5	0.5	1.8	2.8	1.3	3.2	
CPI (excl. fresh food; 2010=100)	99.9	100.3	100.7	100.6	103.3	103.5	103.4	102.7	100.4	103.2	100.1	102.7	
Y/y %	0.0	0.7	1.1	1.3	3.3	3.2	2.7	2.1	0.8	2.8	0.4	2.6	
Unemployment rate (%)	4.0	4.0	3.9	3.6	3.6	3.6	3.5	3.5	3.9	3.6	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	0.34	0.69	0.46	0.70	0.53	
Money stock; M2 (y/y %)	3.5	3.8	4.2	3.9	3.2	3.0	3.5	3.5	3.9	3.3	3.6	3.4	
Trade balance (SAAR; Y tril)	-6.0	-9.3	-11.7	-15.8	-8.4	-10.6	-7.4	0.3	-11.0	-6.5	-8.8	-10.4	
Current balance (SAAR; \$100 mil)	967	315	-96	-518	313	193	931	1,299	147	684	403	250	
Current balance (SAAR; Y tril)	9.6	3.1	-1.0	-5.3	3.2	2.0	10.7	15.5	1.5	7.8	3.9	2.6	
(% of nominal GDP)	2.0	0.6	-0.2	-1.1	0.7	0.4	2.2	3.1	0.3	1.6	0.8	0.5	
Exchange rate (Y/\$)	98.8	98.9	100.4	102.8	102.1	103.9	114.5	119.1	100.2	109.9	97.6	105.8	
(Y/Euro)	129.6	130.7	139.9	140.3	139.5	137.8	143.8	132.6	135.1	138.4	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	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)	499.9	500.9	502.7	505.2	507.9	511.6	514.9	519.1	502.3	513.6	501.1	510.1	
Q/q %	0.1	0.2	0.4	0.5	0.5	0.7	0.7	0.8					
Q/q %, SAAR	0.2	0.8	1.4	2.0	2.2	2.9	2.7	3.3					
Y/y %	2.3	3.2	2.9	1.0	1.6	2.1	2.4	2.8	2.4	2.2	2.8	1.8	
Real GDP (chained [2005]; SAAR; Y tril)	529.0	529.5	531.1	533.4	535.5	538.3	540.9	544.5	531.0	540.1	530.3	537.2	
Q/q %	-0.3	0.1	0.3	0.4	0.4	0.5	0.5	0.7					
Q/q %, SAAR	-1.2	0.4	1.2	1.7	1.6	2.1	1.9	2.7					
Y/y %	0.8	1.3	1.3	0.5	1.2	1.6	1.8	2.1	1.0	1.7	0.6	1.3	
Contribution to GDP growth (% pt)													
Domestic demand	-0.0	0.1	0.3	0.3	0.4	0.5	0.4	0.9	0.9	1.6	0.4	1.3	
Foreign demand	-0.3	0.0	0.0	0.1	0.1	0.0	0.0	-0.2	-0.1	0.1	0.3	0.0	
GDP deflator (y/y %)	1.5	1.9	1.6	0.5	0.4	0.5	0.6	0.7	1.4	0.5	2.1	0.5	
Index of All-Industry Activity (2005=100)	96.5	96.5	96.8	97.2	97.7	98.2	98.8	100.2	96.7	98.8	96.8	98.0	
Q/q %; y/y %	-1.0	0.1	0.2	0.5	0.5	0.5	0.6	1.4	0.2	2.1	-0.3	1.2	
Index of Industrial Production (2010=100)	98.3	98.2	98.6	99.6	100.6	101.7	102.9	104.5	98.6	102.4	98.6	101.2	
Q/q %; y/y %	-1.4	-0.0	0.3	1.1	1.0	1.0	1.2	1.5	0.2	3.8	-0.4	2.6	
Index of Tertiary Industry Activity (2005=100)	99.0	99.1	99.3	99.6	100.0	100.4	100.9	102.3	99.2	100.9	99.3	100.2	
Q/q %; y/y %	-0.9	0.1	0.2	0.3	0.4	0.4	0.4	1.4	0.5	1.7	0.1	0.9	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	103.7	103.4	103.3	103.5	103.6	103.8	103.9	104.0	103.4	103.8	103.4	103.7	
Y/y %	-2.2	-3.0	-1.8	0.1	-0.1	0.4	0.6	0.5	-1.7	0.4	-1.6	0.3	
CPI (excl. fresh food; 2010=100)	103.4	103.3	103.3	103.1	103.7	104.1	104.3	104.2	103.3	104.1	103.2	103.8	
Y/y %	0.1	-0.2	-0.1	0.4	0.3	0.7	1.0	1.0	0.0	0.8	0.5	0.6	
Unemployment rate (%)	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.1	3.3	3.2	3.4	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; %)	0.40	0.41	0.46	0.47	0.50	0.53	0.56	0.60	0.43	0.55	0.40	0.52	
Money stock; M2 (y/y %)	3.9	3.4	3.5	3.6	3.8	3.9	4.2	4.1	3.6	4.0	3.6	3.9	
Trade balance (SAAR; Y tril)	-1.0	-1.1	-1.0	-0.5	-0.7	-0.8	-0.8	-2.1	-0.9	-1.1	-0.7	-0.7	
Current balance (SAAR; \$100 mil)	1388	1395	1452	1493	1523	1536	1544	1427	1432	1508	1384	1524	
Current balance (SAAR; Y tril)	16.8	17.1	17.4	17.9	18.3	18.4	18.5	17.1	17.3	18.1	16.7	18.3	
(% of nominal GDP)	3.4	3.4	3.5	3.5	3.6	3.6	3.6	3.3	3.4	3.5	3.3	3.6	
Exchange rate (Y/\$)	121.4	122.4	120.0	120.0	120.0	120.0	120.0	120.0	120.9	120.0	120.7	120.0	
(Y/Euro)	135.0	136.0	135.0	135.0	135.0	135.0	135.0	135.0	135.3	135.0	134.7	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)

	2013			2014			2015			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2013	2014	2013	2014	
Gross domestic expenditure	527.0	530.3	529.1	535.0	524.5	523.0	524.7	530.5	530.6	525.9	527.5	526.9	
Q/q %, SAAR	2.3	2.5	-0.9	4.5	-7.6	-1.1	1.3	4.5					
Y/y %	1.4	2.2	2.3	2.4	-0.4	-1.4	-1.0	-0.8	2.1	-0.9	1.6	-0.1	
Domestic demand	518.2	522.8	524.1	531.4	516.2	514.5	514.7	520.4	524.5	516.7	519.9	519.4	
Q/q %, SAAR	2.7	3.6	1.0	5.7	-11.0	-1.3	0.1	4.5					
Y/y %	1.5	2.2	2.7	3.6	-0.4	-1.7	-1.9	-2.0	2.5	-1.5	1.9	-0.1	
Private demand	394.6	398.2	399.2	406.9	391.6	389.2	389.0	394.7	400.0	391.2	395.9	394.2	
Q/q %, SAAR	2.3	3.7	1.1	7.9	-14.3	-2.4	-0.2	6.0					
Y/y %	1.2	1.8	2.3	4.3	-0.7	-2.4	-2.7	-2.9	2.4	-2.2	1.6	-0.4	
Final consumption	315.0	316.1	315.3	321.9	305.8	306.8	307.8	308.9	317.2	307.4	314.6	310.6	
Q/q %, SAAR	3.9	1.3	-0.9	8.5	-18.5	1.3	1.3	1.5					
Y/y %	1.9	2.3	2.3	3.4	-2.9	-3.0	-2.4	-4.0	2.5	-3.1	2.1	-1.3	
Residential investment	14.1	14.8	15.2	15.6	13.9	13.0	12.9	13.1	15.0	13.2	14.5	13.8	
Q/q %, SAAR	6.1	20.0	12.3	8.4	-36.9	-22.9	-2.4	7.0					
Y/y %	6.6	8.3	10.2	11.9	-2.0	-12.4	-15.5	-15.4	9.3	-11.7	8.8	-5.1	
Non-residential investment	69.7	70.1	71.1	74.5	71.4	71.2	71.3	73.2	71.5	71.9	69.5	72.2	
Q/q %, SAAR	12.8	2.4	5.9	20.9	-15.9	-0.9	0.5	11.0					
Y/y %	-0.2	1.2	3.0	10.8	2.4	1.4	0.2	-1.4	4.0	0.5	0.4	3.9	
Change in inventories	-4.3	-2.8	-2.4	-5.0	0.5	-1.9	-3.0	-0.5	-3.7	-1.3	-2.7	-2.4	
Public demand	123.6	124.6	124.9	124.5	124.7	125.4	125.7	125.7	124.5	125.4	124.0	125.2	
Q/q %, SAAR	3.7	3.3	0.9	-1.2	0.6	2.2	1.1	0.0					
Y/y %	2.7	3.8	4.2	1.6	0.6	0.7	0.8	0.8	3.1	0.7	2.9	0.9	
Government final consumption	102.1	102.1	102.2	102.0	102.1	102.4	102.7	103.0	102.2	102.6	102.1	102.3	
Q/q %, SAAR	1.7	-0.1	0.3	-0.8	0.3	1.2	1.3	1.1					
Y/y %	2.6	2.0	1.5	0.2	-0.0	0.2	0.5	1.0	1.6	0.4	1.9	0.2	
Fixed investment	21.5	22.6	22.6	22.5	22.6	22.9	23.0	22.7	22.4	22.8	22.0	22.8	
Q/q %, SAAR	11.5	22.2	1.0	-3.0	1.8	6.7	0.9	-5.3					
Y/y %	3.6	14.1	16.1	6.6	4.4	2.0	2.3	0.2	10.3	2.0	8.0	3.8	
Change in inventories	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	-0.0	0.0	
Net exports of goods and services	9.4	8.0	5.8	6.0	9.6	10.5	12.3	12.4	7.3	11.2	8.1	9.6	
Exports of goods and services	84.0	83.8	83.7	88.4	88.9	90.5	93.0	94.6	85.0	91.8	83.2	90.2	
Q/q %, SAAR	14.2	-0.9	-0.7	24.6	2.3	7.3	11.6	6.7					
Y/y %	-0.6	2.6	6.8	9.1	5.7	7.7	11.3	7.2	4.4	7.9	1.2	8.4	
Imports of goods and services	74.6	75.8	77.9	82.5	79.3	80.0	80.7	82.1	77.8	80.6	75.1	80.6	
Q/q %, SAAR	14.5	7.0	11.3	25.6	-14.5	3.7	3.4	7.3					
Y/y %	0.5	2.9	8.9	14.8	6.0	5.2	3.8	-0.2	6.7	3.6	3.1	7.4	

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.

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

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2015	2016	2015	2016	
	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	
Gross domestic expenditure	529.0	529.5	531.1	533.4	535.5	538.3	540.9	544.5	531.0	540.1	530.3	537.2	
Q/q %, SAAR	-1.2	0.4	1.2	1.7	1.6	2.1	1.9	2.7					
Y/y %	0.8	1.3	1.3	0.5	1.2	1.6	1.8	2.1	1.0	1.7	0.6	1.3	
Domestic demand	520.1	520.4	521.8	523.6	525.5	528.1	530.5	535.2	521.6	530.1	520.8	527.0	
Q/q %, SAAR	-0.3	0.2	1.1	1.4	1.4	2.0	1.8	3.6					
Y/y %	0.7	1.2	1.3	0.6	1.1	1.5	1.5	2.3	1.0	1.6	0.3	1.2	
Private demand	393.4	394.2	396.2	398.2	399.9	402.2	404.4	408.9	395.8	404.1	394.9	401.2	
Q/q %, SAAR	-1.3	0.7	2.1	2.0	1.7	2.4	2.2	4.5					
Y/y %	0.5	1.3	1.9	0.9	1.5	2.0	1.9	2.9	1.2	2.1	0.2	1.6	
Final consumption	306.8	306.9	307.8	308.7	309.2	310.0	311.4	316.1	307.6	311.7	307.7	309.9	
Q/q %, SAAR	-2.7	0.1	1.2	1.2	0.6	1.1	1.7	6.1					
Y/y %	0.3	0.1	0.0	-0.1	0.8	1.0	1.2	2.4	0.1	1.3	-0.9	0.7	
Residential investment	13.4	13.7	14.0	14.1	14.3	14.7	15.0	15.1	13.8	14.8	13.6	14.5	
Q/q %, SAAR	8.0	11.2	7.1	2.4	5.3	13.4	7.0	4.5					
Y/y %	-3.3	5.9	8.4	7.0	6.4	7.0	6.9	7.5	4.5	7.0	-1.6	6.8	
Non-residential investment	72.5	73.4	74.3	75.2	76.3	77.3	78.4	79.7	73.9	78.0	73.4	76.7	
Q/q %, SAAR	-3.6	4.6	5.1	5.3	5.5	5.6	5.7	7.0					
Y/y %	1.5	3.1	4.2	2.6	5.2	5.3	5.5	6.0	2.9	5.5	1.7	4.5	
Change in inventories	0.7	0.2	0.2	0.2	0.2	0.2	-0.3	-2.0	0.4	-0.5	0.2	0.1	
Public demand	126.7	126.2	125.6	125.4	125.6	125.9	126.1	126.4	125.9	126.0	126.0	125.8	
Q/q %, SAAR	3.0	-1.4	-1.9	-0.6	0.7	0.8	0.8	0.8					
Y/y %	1.5	0.7	-0.3	-0.3	-0.4	-0.2	0.3	0.7	0.3	0.1	0.6	-0.1	
Government final consumption	103.5	103.7	103.9	104.3	104.6	105.0	105.3	105.7	103.9	105.2	103.6	104.8	
Q/q %, SAAR	2.0	0.6	1.0	1.4	1.4	1.4	1.4	1.4					
Y/y %	1.4	1.3	1.2	1.3	1.1	1.3	1.4	1.4	1.3	1.3	1.2	1.2	
Fixed investment	23.2	22.6	21.7	21.1	21.0	20.9	20.8	20.7	22.0	20.8	22.4	21.0	
Q/q %, SAAR	8.9	-10.0	-14.5	-9.6	-2.6	-2.0	-2.1	-2.1					
Y/y %	2.2	-1.8	-6.0	-6.3	-9.1	-7.2	-4.0	-2.4	-3.6	-5.3	-1.7	-6.4	
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	10.4	10.6	10.7	11.2	11.5	11.7	11.8	10.8	10.7	11.5	11.1	11.6	
Exports of goods and services	90.4	90.4	90.9	92.1	93.3	94.6	95.9	97.3	90.9	95.3	91.6	94.0	
Q/q %, SAAR	-16.6	0.0	2.2	5.7	5.3	5.6	5.7	5.9					
Y/y %	1.5	-0.0	-2.4	-2.7	3.4	4.6	5.6	5.7	-0.9	4.8	1.5	2.7	
Imports of goods and services	80.0	79.7	80.1	80.9	81.8	82.9	84.1	86.5	80.2	83.9	80.5	82.4	
Q/q %, SAAR	-10.1	-1.2	2.0	4.1	4.5	5.3	5.9	12.1					
Y/y %	0.7	-0.2	-0.8	-1.6	2.4	3.9	5.0	7.0	-0.5	4.6	-0.2	2.4	

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	2013	2014	2013	2014	
Gross domestic expenditure	479.7	482.1	481.6	487.5	488.3	485.4	489.2	499.7	483.1	490.8	480.1	487.6	
Q/q %, SAAR	1.7	2.0	-0.4	4.9	0.7	-2.4	3.2	8.9					
Y/y %	0.8	1.9	2.0	2.5	1.8	0.6	1.4	2.6	1.8	1.6	1.0	1.6	
Domestic demand	490.6	496.2	499.8	508.0	501.8	500.0	501.0	505.3	499.0	502.2	493.8	502.8	
Q/q %, SAAR	1.3	4.7	2.9	6.7	-4.8	-1.4	0.8	3.5					
Y/y %	1.2	2.8	3.4	4.4	2.2	0.7	0.2	-0.5	2.9	0.6	1.9	1.8	
Private demand	369.5	374.0	377.2	384.8	376.6	373.7	374.4	378.3	376.7	375.9	372.0	377.4	
Q/q %, SAAR	1.5	5.0	3.5	8.3	-8.2	-3.1	0.7	4.3					
Y/y %	0.7	2.3	3.0	5.1	2.0	-0.2	-0.9	-1.6	2.8	-0.2	1.6	1.4	
Final consumption	293.1	294.8	295.7	302.2	292.1	293.1	294.3	293.9	296.5	293.4	293.5	295.5	
Q/q %, SAAR	3.2	2.4	1.3	9.1	-12.7	1.4	1.6	-0.5					
Y/y %	1.2	2.7	2.9	4.2	-0.3	-0.7	-0.5	-2.8	2.7	-1.0	1.9	0.7	
Residential investment	14.9	15.6	16.3	16.6	15.3	14.2	14.2	14.5	15.9	14.5	15.3	15.0	
Q/q %, SAAR	11.0	21.7	17.6	9.4	-29.0	-24.6	-1.6	8.4					
Y/y %	8.9	11.6	13.9	15.0	2.8	-9.0	-13.0	-12.9	12.5	-8.5	11.3	-1.8	
Non-residential investment	66.1	66.7	67.8	71.2	68.5	68.6	69.0	70.9	68.2	69.4	66.0	69.4	
Q/q %, SAAR	13.1	3.8	7.0	21.8	-14.4	0.4	2.3	11.4					
Y/y %	0.2	2.3	4.3	11.7	3.6	2.6	1.6	-0.1	4.9	1.8	1.2	5.1	
Change in inventories	-4.5	-3.0	-2.6	-5.3	0.7	-2.2	-3.1	-1.0	-3.9	-1.4	-2.8	-2.5	
Public demand	121.1	122.2	122.6	123.1	125.2	126.3	126.6	127.0	122.4	126.3	121.7	125.4	
Q/q %, SAAR	0.9	3.7	1.3	1.8	6.7	3.7	0.9	1.2					
Y/y %	2.8	4.3	4.3	2.1	2.9	3.6	3.3	3.0	3.3	3.2	3.0	3.0	
Government final consumption	98.7	98.7	98.6	99.2	100.7	101.2	101.6	102.2	98.8	101.5	98.8	100.7	
Q/q %, SAAR	-2.1	-0.1	-0.4	2.6	6.3	2.0	1.5	2.3					
Y/y %	2.5	1.9	1.0	0.0	2.1	2.7	3.0	3.1	1.3	2.7	1.7	2.0	
Fixed investment	22.3	23.6	23.9	23.9	24.4	24.9	25.0	24.7	23.6	24.8	23.0	24.6	
Q/q %, SAAR	11.4	25.4	5.2	-1.3	8.4	9.7	0.6	-4.6					
Y/y %	4.5	16.0	18.8	8.7	8.3	5.9	5.0	2.6	12.4	5.1	9.5	6.8	
Change in inventories	0.0	-0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.1	-0.0	0.1	
Net exports of goods and services	-10.9	-14.1	-18.2	-20.5	-13.5	-14.6	-11.8	-5.6	-15.9	-11.4	-13.6	-15.2	
Exports of goods and services	78.4	78.8	79.0	83.5	83.9	86.5	91.5	91.1	80.0	88.3	77.5	86.4	
Q/q %, SAAR	26.2	2.3	1.0	24.5	2.1	12.8	25.6	-1.7					
Y/y %	8.5	14.1	17.8	13.2	6.6	9.6	16.2	9.3	13.3	10.4	10.8	11.4	
Imports of goods and services	89.2	92.9	97.2	104.0	97.4	101.1	103.3	96.7	95.9	99.7	91.2	101.5	
Q/q %, SAAR	20.2	17.6	19.7	31.0	-23.0	16.1	9.2	-23.2					
Y/y %	10.3	17.9	24.5	22.2	8.6	8.7	6.9	-7.1	18.8	3.9	15.2	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.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2015			2016			2017			FY		CY	
	4-6	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	499.9	500.9	502.7	505.2	507.9	511.6	514.9	519.1	502.3	513.6	501.1	510.1	
Q/q %, SAAR	0.2	0.8	1.4	2.0	2.2	2.9	2.7	3.3					
Y/y %	2.3	3.2	2.9	1.0	1.6	2.1	2.4	2.8	2.4	2.2	2.8	1.8	
Domestic demand	505.6	506.5	508.4	510.7	513.5	517.3	520.9	526.8	507.9	519.8	506.5	515.6	
Q/q %, SAAR	0.2	0.7	1.5	1.8	2.2	3.0	2.8	4.6					
Y/y %	0.7	1.3	1.4	1.1	1.6	2.2	2.3	3.3	1.1	2.4	0.7	1.8	
Private demand	378.4	379.7	382.1	384.5	386.9	390.3	393.5	399.0	381.4	392.6	379.8	388.8	
Q/q %, SAAR	0.1	1.3	2.6	2.5	2.5	3.5	3.3	5.7					
Y/y %	0.5	1.6	2.1	1.7	2.1	2.8	2.8	4.0	1.5	2.9	0.6	2.4	
Final consumption	292.7	293.1	294.3	295.5	296.4	298.0	300.0	305.2	294.0	300.0	293.6	297.5	
Q/q %, SAAR	-1.7	0.6	1.6	1.6	1.3	2.1	2.7	7.2					
Y/y %	0.2	0.1	-0.0	0.5	1.3	1.6	1.9	3.3	0.2	2.0	-0.7	1.4	
Residential investment	14.7	15.1	15.4	15.6	15.8	16.4	16.7	17.0	15.2	16.5	15.0	16.1	
Q/q %, SAAR	7.6	12.1	8.2	3.5	6.5	15.1	8.5	6.0					
Y/y %	-3.4	6.6	9.2	7.7	7.5	8.2	8.3	9.0	5.0	8.3	-0.5	7.9	
Non-residential investment	70.4	71.3	72.2	73.3	74.5	75.7	77.1	78.7	71.9	76.6	71.2	75.1	
Q/q %, SAAR	-2.8	5.1	5.5	6.1	6.7	6.9	7.2	8.6					
Y/y %	2.6	4.0	4.8	3.2	5.9	6.2	6.7	7.4	3.6	6.6	2.6	5.4	
Change in inventories	0.7	0.2	0.2	0.2	0.2	0.2	-0.3	-1.9	0.3	-0.5	0.1	0.1	
Public demand	127.2	126.8	126.3	126.2	126.6	127.0	127.4	127.9	126.4	127.2	126.7	126.8	
Q/q %, SAAR	0.5	-1.1	-1.6	-0.2	1.2	1.3	1.3	1.3					
Y/y %	1.3	0.3	-0.4	-0.8	0.1	0.2	0.8	1.2	0.1	0.6	1.0	0.1	
Government final consumption	101.9	102.2	102.5	103.0	103.4	103.9	104.3	104.8	102.4	104.1	102.2	103.7	
Q/q %, SAAR	-1.2	1.0	1.4	1.8	1.8	1.8	1.8	1.8					
Y/y %	1.1	0.8	0.9	0.7	1.5	1.7	1.7	1.8	0.9	1.7	1.5	1.4	
Fixed investment	25.2	24.6	23.7	23.2	23.1	23.1	23.1	23.0	24.0	23.1	24.4	23.1	
Q/q %, SAAR	9.2	-9.3	-13.6	-8.5	-1.4	-0.7	-0.7	-0.7					
Y/y %	3.3	-1.5	-5.2	-5.5	-8.1	-6.1	-2.7	-1.0	-2.9	-4.1	-0.6	-5.4	
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	
Net exports of goods and services	-5.7	-5.6	-5.7	-5.6	-5.6	-5.7	-6.0	-7.7	-5.6	-6.2	-5.6	-5.7	
Exports of goods and services	88.1	88.1	88.6	89.9	91.0	92.3	93.6	94.9	88.6	92.9	89.0	91.7	
Q/q %, SAAR	-12.5	0.0	2.2	5.7	5.3	5.6	5.7	5.9					
Y/y %	4.7	2.0	-3.3	-1.4	3.5	4.7	5.7	5.6	0.3	4.9	3.0	3.1	
Imports of goods and services	93.8	93.8	94.4	95.4	96.6	98.0	99.6	102.6	94.3	99.2	94.6	97.4	
Q/q %, SAAR	-11.6	-0.2	2.6	4.6	5.1	5.9	6.5	12.7					
Y/y %	-3.9	-7.2	-9.0	-1.3	3.1	4.5	5.7	7.5	-5.4	5.2	-6.9	3.0	

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	2013	2014	2013	2014
Gross domestic expenditure	91.0	90.9	91.0	91.1	93.1	92.8	93.2	94.2	91.0	93.3	91.0	92.5
Q/q %, SAAR	-0.1	-0.1	0.1	0.1	2.2	-0.3	0.5	1.0				
Y/y %	-0.6	-0.3	-0.3	0.1	2.2	2.1	2.4	3.5	-0.3	2.5	-0.6	1.7
Private final consumption	93.0	93.3	93.8	93.9	95.5	95.5	95.6	95.2	93.5	95.5	93.3	95.1
Q/q %, SAAR	-0.2	0.2	0.6	0.1	1.7	0.0	0.1	-0.5				
Y/y %	-0.7	0.3	0.5	0.8	2.7	2.4	2.0	1.3	0.2	2.1	-0.3	2.0
Private residential investment	105.0	105.4	106.6	106.9	110.1	109.5	109.7	110.1	106.0	109.8	105.3	108.9
Q/q %, SAAR	1.1	0.4	1.2	0.2	3.0	-0.5	0.2	0.3				
Y/y %	2.1	3.0	3.4	2.9	4.9	3.9	2.9	2.9	2.9	3.6	2.3	3.5
Private non-residential investment	94.8	95.1	95.4	95.6	96.0	96.3	96.7	96.8	95.3	96.5	95.0	96.1
Q/q %, SAAR	0.1	0.3	0.3	0.2	0.4	0.3	0.5	0.1				
Y/y %	0.4	1.2	1.2	0.9	1.2	1.2	1.4	1.3	0.9	1.3	0.7	1.1
Government final consumption	96.6	96.6	96.4	97.3	98.7	98.9	99.0	99.3	96.7	98.9	96.7	98.4
Q/q %, SAAR	-0.9	-0.0	-0.2	0.9	1.5	0.2	0.1	0.3				
Y/y %	-0.1	-0.1	-0.5	-0.2	2.1	2.5	2.5	2.1	-0.2	2.3	-0.2	1.7
Public fixed investment	104.1	104.7	105.8	106.3	108.0	108.7	108.6	108.8	105.4	108.6	104.8	107.8
Q/q %, SAAR	-0.0	0.7	1.0	0.4	1.6	0.7	-0.1	0.2				
Y/y %	0.9	1.7	2.3	2.0	3.8	3.8	2.6	2.4	1.8	3.0	1.3	2.9
Exports of goods and services	93.3	94.0	94.4	94.4	94.4	95.5	98.4	96.4	94.1	96.2	93.2	95.7
Q/q %, SAAR	2.5	0.8	0.4	-0.0	-0.0	1.2	3.0	-2.0				
Y/y %	9.1	11.1	10.3	3.7	0.9	1.8	4.4	2.0	8.5	2.3	9.5	2.7
Imports of goods and services	119.6	122.5	124.8	126.1	122.8	126.3	128.1	117.8	123.3	123.7	121.4	126.0
Q/q %, SAAR	1.2	2.4	1.8	1.1	-2.6	2.9	1.4	-8.0				
Y/y %	9.8	14.6	14.3	6.4	2.4	3.3	3.0	-6.9	11.3	0.3	11.7	3.7

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.

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

	2015			2016			2017		FY		CY	
	4-6	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	94.5	94.6	94.6	94.7	94.8	95.0	95.2	95.3	94.6	95.1	94.5	94.9
Q/q %, SAAR	0.3	0.1	0.1	0.1	0.1	0.2	0.2	0.1				
Y/y %	1.5	1.9	1.6	0.5	0.4	0.5	0.6	0.7	1.4	0.5	2.1	0.5
Private final consumption	95.4	95.5	95.6	95.7	95.9	96.1	96.3	96.6	95.6	96.2	95.4	96.0
Q/q %, SAAR	0.3	0.1	0.1	0.1	0.2	0.2	0.2	0.2				
Y/y %	-0.1	-0.0	-0.0	0.6	0.5	0.6	0.8	0.9	0.1	0.7	0.3	0.6
Private residential investment	110.0	110.2	110.5	110.7	111.1	111.5	111.9	112.3	110.3	111.7	110.2	111.3
Q/q %, SAAR	-0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.4				
Y/y %	-0.1	0.6	0.7	0.6	1.0	1.2	1.3	1.4	0.5	1.2	1.1	1.0
Private non-residential investment	97.0	97.1	97.2	97.4	97.7	98.0	98.3	98.7	97.2	98.2	97.0	97.8
Q/q %, SAAR	0.2	0.1	0.1	0.2	0.3	0.3	0.3	0.4				
Y/y %	1.1	0.9	0.5	0.6	0.7	0.9	1.1	1.3	0.8	1.0	1.0	0.8
Government final consumption	98.5	98.6	98.7	98.8	98.9	99.0	99.1	99.2	98.5	98.9	98.7	98.9
Q/q %, SAAR	-0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	-0.3	-0.4	-0.2	-0.5	0.4	0.4	0.4	0.4	-0.4	0.4	0.3	0.2
Public fixed investment	108.9	109.1	109.4	109.8	110.1	110.5	110.9	111.3	109.4	110.8	109.1	110.3
Q/q %, SAAR	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.4				
Y/y %	1.0	0.4	0.8	0.8	1.0	1.3	1.3	1.4	0.7	1.3	1.2	1.1
Exports of goods and services	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.2	97.5
Q/q %, SAAR	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Y/y %	3.1	2.0	-1.0	1.3	0.1	0.0	0.1	-0.0	1.3	0.0	1.5	0.4
Imports of goods and services	117.3	117.6	117.7	117.9	118.1	118.2	118.4	118.6	117.6	118.3	117.5	118.1
Q/q %, SAAR	-0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	-4.6	-7.0	-8.2	0.3	0.7	0.6	0.7	0.5	-5.0	0.6	-6.7	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	2013	2014	2013	2014	
1) Q/q %													
GDP growth rate	0.6	0.6	-0.2	1.1	-2.0	-0.3	0.3	1.1	2.1	-0.9	1.6	-0.1	
Domestic demand	0.6	0.9	0.3	1.4	-2.8	-0.4	0.0	1.2	2.6	-1.5	1.9	-0.1	
Private demand	0.4	0.7	0.2	1.5	-2.9	-0.5	-0.1	1.2	1.8	-1.7	1.2	-0.3	
Private consumption	0.6	0.2	-0.1	1.3	-3.1	0.2	0.2	0.2	1.5	-1.9	1.3	-0.8	
Residential investment	0.0	0.1	0.1	0.1	-0.4	-0.2	-0.0	0.0	0.3	-0.4	0.3	-0.2	
Private fixed investment	0.4	0.1	0.2	0.7	-0.6	-0.0	0.0	0.4	0.5	0.1	0.1	0.5	
Change in private inventories	-0.6	0.3	0.1	-0.6	1.2	-0.5	-0.2	0.5	-0.5	0.5	-0.4	0.1	
Public demand	0.2	0.2	0.1	-0.1	0.0	0.2	0.1	0.0	0.8	0.2	0.7	0.3	
Government final consumption	0.1	-0.0	0.0	-0.0	0.0	0.1	0.1	0.1	0.3	0.1	0.4	0.0	
Public fixed investment	0.1	0.2	0.0	-0.0	0.0	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	-0.3	-0.5	-0.2	0.9	0.1	0.3	-0.1	-0.5	0.6	-0.3	0.0	
Exports of goods and services	0.5	-0.0	-0.0	0.9	0.1	0.3	0.5	0.3	0.7	1.3	0.2	1.4	
Imports of goods and services	-0.6	-0.3	-0.5	-1.2	0.8	-0.2	-0.2	-0.4	-1.2	-0.7	-0.5	-1.4	
2) Y/y %													
GDP growth rate	1.4	2.2	2.3	2.4	-0.4	-1.4	-1.0	-0.8	2.1	-0.9	1.6	-0.1	
Domestic demand	1.5	2.3	2.8	3.6	-0.2	-1.7	-1.9	-2.0	2.6	-1.5	1.9	-0.1	
Private demand	0.9	1.4	1.8	3.2	-0.4	-1.9	-2.2	-2.2	1.8	-1.7	1.2	-0.3	
Private consumption	1.1	1.4	1.4	2.0	-1.8	-1.9	-1.5	-2.5	1.5	-1.9	1.3	-0.8	
Residential investment	0.2	0.3	0.3	0.4	-0.1	-0.4	-0.5	-0.5	0.3	-0.4	0.3	-0.2	
Private fixed investment	-0.0	0.2	0.4	1.7	0.3	0.2	0.0	-0.2	0.5	0.1	0.1	0.5	
Change in private inventories	-0.4	-0.5	-0.4	-0.8	1.1	0.2	-0.2	1.0	-0.5	0.5	-0.4	0.1	
Public demand	0.7	0.9	1.1	0.5	0.1	0.2	0.2	0.2	0.8	0.2	0.7	0.3	
Government final consumption	0.5	0.4	0.3	0.0	-0.0	0.0	0.1	0.2	0.3	0.1	0.4	0.0	
Public fixed investment	0.1	0.6	0.8	0.4	0.2	0.1	0.1	0.0	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	-0.2	-0.1	-0.5	-1.3	-0.2	0.2	1.1	1.2	-0.5	0.6	-0.3	0.0	
Exports of goods and services	-0.1	0.4	0.9	1.4	0.9	1.2	1.8	1.2	0.7	1.3	0.2	1.4	
Imports of goods and services	-0.1	-0.5	-1.5	-2.7	-1.1	-1.0	-0.7	0.0	-1.2	-0.7	-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	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	-0.3	0.1	0.3	0.4	0.4	0.5	0.5	0.7	1.0	1.7	0.6	1.3
Domestic demand	-0.0	0.1	0.3	0.3	0.4	0.5	0.4	0.9	0.9	1.6	0.4	1.3
Private demand	-0.2	0.1	0.4	0.4	0.3	0.4	0.4	0.8	0.9	1.6	0.2	1.3
Private consumption	-0.4	0.0	0.2	0.2	0.1	0.2	0.2	0.9	0.0	0.8	-0.6	0.4
Residential investment	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2	-0.1	0.2
Private fixed investment	-0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.8	0.2	0.6
Change in private inventories	0.3	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.3	0.3	-0.2	0.5	-0.0
Public demand	0.2	-0.1	-0.1	-0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2	-0.1
Government final consumption	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3
Public fixed investment	0.1	-0.1	-0.2	-0.1	-0.0	-0.0	-0.0	-0.0	-0.2	-0.2	-0.1	-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	-0.3	0.0	0.0	0.1	0.1	0.0	0.0	-0.2	-0.1	0.1	0.3	0.0
Exports of goods and services	-0.8	0.0	0.1	0.2	0.2	0.2	0.2	0.3	-0.2	0.8	0.3	0.5
Imports of goods and services	0.6	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.5	0.1	-0.7	0.0	-0.5
2) Y/y %												
GDP growth rate	0.8	1.3	1.3	0.5	1.2	1.6	1.8	2.1	1.0	1.7	0.6	1.3
Domestic demand	0.7	1.2	1.3	0.6	1.1	1.5	1.5	2.3	0.9	1.6	0.4	1.3
Private demand	0.4	1.0	1.4	0.7	1.1	1.5	1.4	2.1	0.9	1.6	0.2	1.3
Private consumption	0.2	0.0	0.0	-0.0	0.5	0.6	0.7	1.4	0.0	0.8	-0.6	0.4
Residential investment	-0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	-0.1	0.2
Private fixed investment	0.2	0.4	0.5	0.4	0.7	0.7	0.7	1.0	0.4	0.8	0.2	0.6
Change in private inventories	0.1	0.4	0.6	0.1	-0.1	0.0	-0.1	-0.4	0.3	-0.2	0.5	-0.0
Public demand	0.3	0.2	-0.1	-0.1	-0.1	-0.0	0.1	0.2	0.1	0.0	0.2	-0.1
Government final consumption	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Public fixed investment	0.1	-0.1	-0.3	-0.3	-0.3	-0.3	-0.2	-0.1	-0.2	-0.2	-0.1	-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	0.0	-0.3	-0.2	0.2	0.2	0.2	-0.1	-0.1	0.1	0.3	0.0
Exports of goods and services	0.3	-0.0	-0.4	-0.5	0.6	0.8	0.9	1.0	-0.2	0.8	0.3	0.5
Imports of goods and services	-0.1	0.0	0.1	0.2	-0.4	-0.6	-0.8	-1.1	0.1	-0.7	0.0	-0.5

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	2013	2014	2013	2014	
1) World economy													
Economic growth of major trading partners													
Y/y %	2.8	3.0	3.4	3.2	3.3	3.5	3.2	3.3	3.1	3.4	3.0	3.3	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	94.2	105.8	97.6	98.6	103.0	97.2	73.2	48.6	99.1	80.5	98.0	92.9	
	0.9	14.8	10.6	4.5	9.4	-8.1	-25.0	-50.7	7.6	-18.7	4.1	-5.2	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)													
Q/q %, SAAR	1.1	3.0	3.8	-0.9	4.6	4.3	2.1	0.6					
Y/y %	0.9	1.5	2.5	1.7	2.6	2.9	2.5	2.9	1.7	2.7	1.5	2.4	
Consumer Price Index (1982-84 avg=100)													
Q/q %, SAAR	-0.1	2.3	1.4	2.1	2.4	1.2	-0.9	-3.1	233.8	236.7	233.0	236.7	
Y/y %	1.4	1.6	1.2	1.4	2.1	1.8	1.2	-0.1	1.4	1.3	1.5	1.6	
Producer Price Index (Finished goods; 1982=100)													
Q/q %, SAAR	-1.4	2.2	1.6	4.2	3.4	0.5	-5.1	-11.2	197.4	198.8	196.6	200.4	
Y/y %	1.5	1.2	0.8	1.6	2.8	2.5	0.8	-3.2	1.3	0.7	1.2	1.9	
FF rate (%) (Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	2.00	2.71	2.75	2.76	2.62	2.50	2.28	1.97	2.55	2.34	2.35	2.54	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	98.7	98.7	98.6	99.2	100.7	101.2	101.6	102.2	98.8	101.5	98.8	100.7	
Q/q %, SAAR	-2.1	-0.1	-0.4	2.6	6.3	2.0	1.5	2.3					
Y/y %	2.5	1.9	1.0	0.0	2.1	2.7	3.0	3.1	1.3	2.7	1.7	2.0	
Nominal public fixed investment													
Y tril; SAAR	22.3	23.6	23.9	23.9	24.4	24.9	25.0	24.7	23.6	24.8	23.0	24.6	
Q/q %, SAAR	11.4	25.4	5.2	-1.3	8.4	9.7	0.6	-4.6					
Y/y %	4.5	16.0	18.8	8.7	8.3	5.9	5.0	2.6	12.4	5.1	9.5	6.8	
Exchange rate (Y/\$)													
(Y/€)	98.8	98.9	100.4	102.8	102.1	103.9	114.5	119.1	100.2	109.9	97.6	105.8	
	129.6	130.7	139.9	140.3	139.5	137.8	143.8	132.6	135.1	138.4	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	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 %	3.4	3.2	3.3	3.6	3.6	3.5	3.6	3.5	3.4	3.6	3.3	3.6
Crude oil price (WTI futures; \$/bbl)												
Y/y %	57.8	46.9	46.6	46.2	45.9	45.6	45.3	45.0	49.4	45.5	50.0	45.8
	-43.9	-51.8	-36.4	-4.8	-20.6	-2.6	-2.7	-2.7	-38.7	-7.9	-46.2	-8.4
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)												
	16,324	16,454	16,572	16,692	16,804	16,916	17,033	17,144	16,511	16,974	16,382	16,861
Q/q %, SAAR	3.7	3.2	2.9	2.9	2.7	2.7	2.8	2.6				
Y/y %	2.7	2.4	2.6	3.2	2.9	2.8	2.8	2.7	2.7	2.8	2.6	2.9
Consumer Price Index (1982-84 avg=100)												
	236.9	237.9	238.4	239.5	240.9	242.2	243.3	244.3	238.2	242.7	237.1	241.5
Q/q %, SAAR	3.0	1.6	0.9	1.9	2.3	2.2	1.8	1.7				
Y/y %	-0.0	0.1	0.6	1.8	1.7	1.8	2.1	2.0	0.6	1.9	0.1	1.8
Producer Price Index (Finished goods; 1982=100)												
	194.8	197.8	197.6	197.7	198.7	203.0	203.3	202.2	197.0	201.9	195.9	200.7
Q/q %, SAAR	3.7	6.2	-0.4	0.2	2.1	8.9	0.6	-2.2				
Y/y %	-3.3	-1.9	-0.7	2.4	2.0	2.6	2.9	2.3	-0.9	2.5	-2.3	2.5
FF rate (%) (Target rate for the forecast period, end-period)												
	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75	0.75	1.75	0.50	1.50
Government bond yield (10 year; %)												
	2.17	2.23	2.46	2.66	2.85	3.00	3.21	3.40	2.38	3.12	2.21	2.93
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	101.9	102.2	102.5	103.0	103.4	103.9	104.3	104.8	102.4	104.1	102.2	103.7
Q/q %, SAAR	-1.2	1.0	1.4	1.8	1.8	1.8	1.8	1.8				
Y/y %	1.1	0.8	0.9	0.7	1.5	1.7	1.7	1.8	0.9	1.7	1.5	1.4
Nominal public fixed investment												
Y tril; SAAR	25.2	24.6	23.7	23.2	23.1	23.1	23.1	23.0	24.0	23.1	24.4	23.1
Q/q %, SAAR	9.2	-9.3	-13.6	-8.5	-1.4	-0.7	-0.7	-0.7				
Y/y %	3.3	-1.5	-5.2	-5.5	-8.1	-6.1	-2.7	-1.0	-2.9	-4.1	-0.6	-5.4
Exchange rate (Y/\$)												
	121.4	122.4	120.0	120.0	120.0	120.0	120.0	120.0	120.9	120.0	120.7	120.0
(Y/€)	135.0	136.0	135.0	135.0	135.0	135.0	135.0	135.0	135.3	135.0	134.7	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) Japanese consumption tax hike expected in April 2017.

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

E: DIR estimate.