

31 May 2017 (No. of pages: 20)

Japanese report: 24 May 2017

Japan's Economic Outlook No. 193 (Summary)

Where do Regional Economies Stand within Overall Economic Recovery? Correction of Long Work Hours and Influence of Premium Friday

Japan to see real GDP growth of +1.5% in FY17 and +1.1% in FY18, with nominal GDP growth of +1.8% in FY17, and +1.6% in FY18.

Mitsumaru Kumagai

Economic Research Dept.

Tomoya Kondo

Mikio Mizobata

Satoshi Osanai

Shunsuke Kobayashi

Miku Ishibashi

Kazuma Maeda

Akane Yamaguchi

Yota Hirono

Summary

- **Japan's economy moves toward balanced growth:** In light of the 1st preliminary Jan-Mar 2017 GDP release (Cabinet Office) we have revised our economic growth outlook. We now forecast real GDP growth of +1.5% in comparison with the previous year for FY17 (+1.4% in the previous forecast), +1.1% in comparison with the previous year for FY18 (+1.1% in the previous forecast). Japan's economy is expected to continue balanced growth in the future due to the following factors: (1) favorable overseas demand, and (2) inventory investment providing support for accelerated growth throughout FY2017, leading to genuine improvement in the employment environment and growth driven by investments in improving productivity in FY2018.
- **Growth picks up at +2.2% q/q annualized. Almost all major components record growth:** The real GDP growth rate for Jan-Mar 2017 (1st preliminary est) grew by +2.2% q/q annualized (+0.5% q/q), exceeding market consensus (+1.8% q/q annualized, +0.4% q/q). Almost all major GDP components exhibited growth, including personal consumption, capex, housing investment, public investment, government consumption, private sector inventory, exports, and imports (note: growth in imports is a negative contribution to growth rate). Performance was positive overall, and growth was led notably by domestic demand (contribution was +0.4%pt q/q). Meanwhile, terms of trade deteriorated due to growth in import prices, and the GDP deflator declined as a result.

- Domestic demand becomes driving force, centering on consumption and housing investment:** Performance by demand component in the Jan-Mar 2017 results shows private sector final consumption expenditure exhibiting growth for the fifth consecutive quarter by +0.4% q/q. In addition to continued improvements in the employment environment due to the labor shortage, the issue of higher prices for fresh foods, which weighed down consumption during the Oct-Dec 2016 period, appears to be resolving. Coupled with improvement in consumer confidence, this has contributed to a comeback in personal consumption. Looking at personal consumption by sector we see durables maintaining a steady undertone at +2.0% and services continuing to expand at +0.4%. Positive results have been encouraged by the gradual dissipation of the negative effects of pre-consumption over demand and Eco-car related tax breaks, which helped to increase consumption since 2009 along with the Ecopoint program effecting household electronics, as well as last-minute demand prior to the increase in consumption tax. Meanwhile, a comeback was also seen for semidurables (+3.2%), which were weak throughout CY2016. On the other hand, non-durables suffered their fourth consecutive quarter of decline at -0.6%.

Housing investment grew for the fifth consecutive quarter at +0.7% q/q. Housing investment has continued its growth trend with the help of a variety of factors, including low interest housing loans throughout the year 2016, growth in the construction of rental housing as a strategy in dealing with inheritance tax, and last minute demand associated with the additional increase in consumption tax originally planned for April 2017.

Capital expenditure is maintaining moderate growth at +0.2% q/q. Capital expenditure continues to maintain favorable performance backed by the high level of corporate earnings and coping with the labor shortage. Meanwhile, though small, private sector inventory brought a positive contribution to GDP growth for the first time in three quarters at +0.1%pt. Material & supplies inventory is provisional on the 1st preliminary GDP estimate and hence contributed -0.0%pt, while work in progress inventory contributed +0.0%pt and distribution inventory contributed +0.1%pt. Finished goods inventory contributed +0.0%pt.

Public investment declined for the third consecutive quarter though just slightly by -0.1% q/q. The government's FY2016 second supplementary budget appears to be behind schedule in implementation. Government consumption up by +0.1%, and on average is continuing in a growth trend.

Exports grew for the third consecutive quarter at +2.1% q/q. Considering trade statistics for the Jan-Mar period, exports to the US appear to be about to peak out, but exports to the EU and Asia continue to be favorable. Exports to the EU centered on passenger vehicles, while exports to Asia focusing especially on smartphone related business in China saw IC exports especially favorable. On the other hand, imports grew for the second consecutive quarter at +1.4% thanks to the comeback in domestic demand. As a result, contribution of overseas demand to GDP growth increased for the third consecutive quarter at +0.1%pt.

The GDP deflator suffered a major decline at -0.6% q/q. The domestic demand deflator declined to -0.0%, while the import deflator grew to +6.5% due to the rise in prices of natural resources, and the weak yen. The export deflator was also up at +2.8%, thereby suppressing growth of the overall deflator. Meanwhile, nominal GDP declined by -0.1% q/q annualized (-0.0% q/q).

Current results show the FY2016 GDP growth rate to have accelerated in comparison to FY2015, with y/y growth at +1.3%. Until now the driving force behind Japan's economic growth was overseas demand (y/y contribution to GDP growth rate +0.8%pt), but domestic demand has also recorded favorable growth, centering on private final consumption expenditure (+0.5% y/y), private housing investment (+6.5%), and private sector capital investment

(+2.3%). On the other hand, contribution to GDP by private sector inventory declined to -0.3%pt y/y, and public investment continues on the low side at -3.2%. The GDP deflator declined by -0.2%, dragged down by the slow performance of the domestic demand deflator at -0.4%. This brings the nominal GDP growth rate to +1.2%.

- **Moderate recovery expected with balanced domestic & overseas demand. Overseas factors present sole risk:** We expect Japan's economy to continue in a moderate expansion phase. Domestic demand is expected to maintain favorable performance despite ups and downs, while overseas demand is expected to expand due to recovery in the world economy, providing major support for Japan's economic growth. However, downside risk remains for overseas demand requiring caution due to US trade policy and rising geopolitical risk. Meanwhile, we also urge caution regarding rising interest rates accompanying the slowdown of the US economy, and the problem of capital outflows from the emerging nations.

Personal consumption is expected to continue in a moderate expansion phase. The supply of labor remains tight, and this should provide underlying support for personal consumption through growth in employee compensation. However, the one worrisome point is that the CPI has been on the rise due to growth in the price of crude oil. If real wages stagnate due to the influence of prices, personal consumption could also be suppressed. Meanwhile, the government is encouraging corporations to increase base salary rates during the annual spring labor offensive in 2017. However, many corporations, which are becoming worried about future business performance, are taking the stance that they will raise annual salaries but not monthly wages. Housing investment is expected to gradually slow down. Interest on housing loans remains low, and therefore should provide continued underlying support. However, housing starts, which had rapidly expanded with the expectation that there would be a rush to purchase homes before the additional increase in consumption tax originally planned for April 2017, are expected to decrease in the future, especially for condominiums in urban areas, and housing investment is also expected to begin declining after that point.

Capex is expected to see moderate growth. Operating rates in the manufacturing sector have been on the rise since the latter part of last year due to the expansion of exports thanks to the recovery in the world economy. However, if uncertainty grows regarding the future of the world economy, corporations are likely to lose their willingness to invest in capex, hence caution is required. On the other hand, research & development which is in growth phase, is expected to continue pushing up overall capex figures in the future. Meanwhile, investment in labor-saving and rationalization due to the continuing labor shortage is expected to continue its growth trend centering on the non-manufacturing industries. As for public investment, we expect a gradual comeback accompanying implementation of the government's second and third supplementary budgets.

As for exports, with overseas economies continuing moderate growth, we can expect exports to maintain a firm undertone. Exports to the US appear to be about to peak out, while exports to the EU and Asia are maintaining a firm undertone. Exports of construction equipment and electronic parts to China are expected to maintain favorable orders. Exports to China are expected to be the driving force of exports overall.

However, caution is required regarding overseas demand due to possible downside risk. As for the US, the Fed implemented an interest rate increase in March 2017, and may raise rates multiple times during the rest of the year. Meanwhile, growth in personal consumption in the US began to soften during the Jan-Mar period, and with doubts now being raised regarding the Trump administration's policies, downside risk for the US economy has now appeared causing another worrisome point. If President Trump pushes through protectionist trade policies, the world economy could stagnate. This is a mid to long-term risk factor. Other issues include geopolitical risk such as rising tensions in North Korea. All of these risks require caution. Our

main scenario sees the world economy continuing its moderate growth. However, if uncertainty grows regarding the future of the world economy, Japan's exports are likely to decline, bringing the risk of causing downward pressure on Japan's economy.

- **Issue (1): Characteristics of regional economies now emerging from the industrial structure:** In this section we examine the effects of change in Japan's overall demand components on local economies using the input-output table and value added figures by industry in prefectural economic calculations. While production inducement in the Tokai region with its accumulation of manufacturing industries is major due to the expansion of exports, the southern Kanto region with its accumulation of service industries such as financial services also exhibits major production inducement, but in this case based on growth in domestic consumption. In this section we categorize each of Japan's prefectures into one of three growth models: (1) export driven, (2) domestic demand driven, and (3) local prefectural economy based, by comparing the production inducement effects of exports and consumption. Growth in overseas demand since the introduction of Abenomics has especially benefitted prefectures whose economies are based on export driven growth, but now that we can expect more balanced growth in the future based equally on overseas and domestic demand, all of Japan's prefectures are expected to reap the benefits of economic expansion.
- **Issue (2): Correction of long work hours – is Premium Friday helping to improve consumption?:** In this section we examine the quantitative effects of cutting back on work hours on consumption provided by changes in availability of free time. When total work hours are cut back the majority of people experience an increase in free time, but since the amount of time spent on entertainment and eating out is reduced, there has not been any recognizable effect on consumption overall. However, when we look at individual categories, we see that while foodstuffs, clothing and entertainment declined, utilities, culture & recreation, beauty & cosmetics, and accessories showed positive influence. In order to create a virtuous circle in which consumption overall attains growth, labor productivity must be improved through the implementation of wage increases. Approximately half of free time gained was spent watching television. However, time spent using the internet is on the rise for the working generation, and this brings expectations of growth in consumption of travel related items, foodstuffs, and household electronics products which have recorded large amounts in internet shopping purchases.
- **Issue (3): Examining the Pitfalls of the Global Economy:** As the economy recovers, both the US and the EU are moving toward changes in policy which now will be oriented toward the exit strategy from former monetary policy. China has also begun to adjust its monetary policy, gradually moving from neutral to monetary easing. However, as central banks in the US and EU move forward in their exit strategies, this will create yet another risk scenario, in which there is a possibility that the world economy could become susceptible to downward pressure, falling from the baseline scenario by -0.04% in 2017, -0.16% in 2018, and -0.31% in 2019. We suggest keeping a close watch on trends in the US bond market as a means of early detection of irregularities in the global financial markets. Additionally, a look at trends in government and corporate debt reveals a rapid surge in corporate debt in China. We recommend precaution as this is a major risk factor for the world economy.
- **Risk factors facing Japan's economy:** Risk factors for the Japanese economy are: (1) The policies of President Donald Trump, (2) The downward swing of China's economy, (3) Tumult in the economies of emerging nations in response to the US exit strategy, (4) Risk-off behavior of investors due to geopolitical risk and country risk, and (5) Negotiations regarding the UK's withdrawal from the EU (Brexit), and deleveraging at EU financial institutions.

- **BOJ's monetary policy:** We expect the BOJ to maintain current monetary policy for the time being. Considering the policy introduced in September 2016 to permanently battle deflation, the issue is expected to be creating a more flexible inflation target.

Our assumptions

- Public works spending is expected to increase by +3.8% in FY17, and then decrease in FY18 at -1.1%.
- Average exchange rate of Y112.5/\$ in FY17, and Y112.5/\$ in FY18.
- US real GDP growth of +2.1% in CY17, and +2.3% in CY18.

Main Economic Indicators and Real GDP Components

	FY16	FY17 (Estimate)	FY18 (Estimate)	CY16	CY17 (Estimate)	CY18 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.2	1.8	1.6	1.3	1.4	0.6
Real GDP (chained [2011]; y/y %)	1.3	1.5	1.1	1.0	1.6	1.2
Domestic demand (contribution, % pt)	0.5	1.1	1.1	0.4	1.0	1.2
Foreign demand (contribution, % pt)	0.8	0.5	-0.0	0.6	0.6	0.1
GDP deflator (y/y %)	-0.2	0.2	0.4	0.3	-0.2	-0.7
Index of All-industry Activity (y/y %)*	0.8	1.2	1.5	0.6	1.1	1.6
Index of Industrial Production (y/y %)	1.1	3.1	2.5	-0.2	3.4	2.6
Index of Tertiary Industry Activity (y/y %)	0.4	0.8	1.3	0.7	0.5	1.3
Corporate Goods Price Index (y/y %)	-2.4	2.6	1.8	-3.5	2.3	2.0
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.9	0.8	-0.3	0.7	0.8
Unemployment rate (%)	3.0	2.8	2.7	3.1	2.9	2.8
Government bond yield (10 year; %)	-0.05	0.00	0.00	-0.07	0.02	0.00
Money stock; M2 (end-period; y/y %)	3.7	4.1	4.1	3.5	4.1	4.1
Balance of payments						
Trade balance (Y tril)	5.8	6.8	7.2	5.5	6.3	7.1
Current balance (\$100 mil)	1,864	1,888	2,025	1,869	1,802	2,001
Current balance (Y tril)	20.2	21.5	23.0	20.3	20.3	22.5
(% of nominal GDP)	3.7	3.9	4.1	3.7	3.7	4.1
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	0.6 (0.4)	0.8 (0.5)	0.9 (0.5)	0.4 (0.2)	0.9 (0.5)	0.9 (0.5)
Private housing investment	6.5 (0.2)	0.7 (0.0)	2.2 (0.1)	5.6 (0.2)	2.6 (0.1)	1.0 (0.0)
Private fixed investment	2.3 (0.4)	2.2 (0.3)	2.1 (0.3)	1.3 (0.2)	2.5 (0.4)	2.0 (0.3)
Government final consumption	0.6 (0.1)	0.6 (0.1)	0.8 (0.2)	1.5 (0.3)	0.3 (0.1)	0.8 (0.2)
Public fixed investment	-3.2 (-0.2)	3.0 (0.1)	-1.3 (-0.1)	-3.0 (-0.2)	0.5 (0.0)	0.8 (0.0)
Exports of goods and services	3.1 (0.5)	5.3 (0.9)	2.1 (0.3)	1.2 (0.2)	6.2 (1.0)	2.1 (0.4)
Imports of goods and services	-1.4 (0.2)	2.4 (-0.4)	2.1 (-0.4)	-2.3 (0.4)	2.4 (-0.4)	1.9 (-0.3)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.6	3.5	3.5	3.4	3.6	3.5
Crude oil price (WTI futures; \$/bbl)	47.9	47.5	47.5	43.5	48.6	47.5
2. US economy						
US real GDP (chained [2009]; y/y %)	1.7	2.2	2.3	1.6	2.1	2.3
US Consumer Price Index (y/y %)	1.6	2.0	2.1	1.3	2.2	2.0
3. Japanese economy						
Nominal public fixed investment (y/y %)	-3.5	3.8	-1.1	-3.8	1.5	1.3
Exchange rate (Y/\$)	108.4	112.5	112.5	108.8	112.8	112.5
(Y/€)	118.7	123.5	123.5	120.6	122.6	123.5

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 193)		Previous outlook (Outlook 192 update)		Difference between previous and current outlooks	
	FY17	FY18	FY17	FY18	FY17	FY18
Main economic indicators						
Nominal GDP (y/y %)	1.8	1.6	1.7	1.8	0.1	-0.2
Real GDP (chained [2011]; y/y %)	1.5	1.1	1.4	1.1	0.1	0.0
Domestic demand (contribution, % pt)	1.1	1.1	1.2	1.1	-0.1	0.0
Foreign demand (contribution, % pt)	0.5	-0.0	0.2	0.0	0.2	-0.0
GDP deflator (y/y %)	0.2	0.4	0.3	0.6	-0.0	-0.2
Index of All-industry Activity (y/y %)*	1.2	1.5	1.4	1.4	-0.2	0.1
Index of Industrial Production (y/y %)	3.1	2.5	3.2	2.0	-0.1	0.5
Index of Tertiary Industry Activity (y/y %)	0.8	1.3	1.0	1.2	-0.2	0.0
Corporate Goods Price Index (y/y %)	2.6	1.8	2.0	2.6	0.6	-0.8
Consumer Price Index (excl. fresh food; y/y %)	0.9	0.8	0.9	0.7	0.0	0.1
Unemployment rate (%)	2.8	2.7	3.0	3.0	-0.2	-0.3
Government bond yield (10 year; %)	0.00	0.00	0.00	0.00	0.00	0.00
Money stock; M2 (end-period; y/y %)	4.1	4.1	3.9	3.9	0.3	0.3
Balance of payments						
Trade balance (Y tril)	6.8	7.2	5.4	5.5	1.4	1.7
Current balance (\$100 mil)	1,888	2,025	1,708	1,812	179	213
Current balance (Y tril)	21.5	23.0	19.6	20.8	1.8	2.2
(% of nominal GDP)	3.9	4.1	3.6	3.7	0.3	0.4
Real GDP components (chained [2011]; y/y %)						
Private final consumption	0.8	0.9	0.7	0.9	0.1	0.0
Private housing investment	0.7	2.2	0.2	2.7	0.5	-0.5
Private fixed investment	2.2	2.1	2.1	2.2	0.1	-0.0
Government final consumption	0.6	0.8	0.8	0.8	-0.2	-0.0
Public fixed investment	3.0	-1.3	3.9	-1.7	-0.9	0.4
Exports of goods and services	5.3	2.1	3.9	2.3	1.4	-0.3
Imports of goods and services	2.4	2.1	2.4	2.1	0.0	0.0
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.5	3.5	3.5	3.5	-0.0	-0.1
Crude oil price (WTI futures; \$/bbl)	47.5	47.5	52.9	52.9	-5.4	-5.4
2. US economy						
US real GDP (chained [2009]; y/y %)	2.2	2.3	2.3	2.7	-0.1	-0.4
US Consumer Price Index (y/y %)	2.0	2.1	2.7	2.5	-0.7	-0.4
3. Japanese economy						
Nominal public fixed investment (y/y %)	3.8	-1.1	4.6	-1.5	-0.8	0.4
Exchange rate (Y/\$)	112.5	112.5	113.9	113.9	-1.4	-1.4
(Y/€)	123.5	123.5	120.4	120.4	3.1	3.1

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

	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
Nominal GDP (SAAR; Y tril)	529.6	532.0	530.5	535.3	536.6	537.0	539.2	539.0		531.8	538.0	530.0	537.0
Q/q %	0.3	0.4	-0.3	0.9	0.2	0.1	0.4	-0.0					
Q/q %, SAAR	1.3	1.8	-1.1	3.7	1.0	0.3	1.7	-0.1					
Y/y %	3.3	3.8	2.5	1.4	1.3	1.0	1.6	0.8		2.7	1.2	3.2	1.3
Real GDP (chained [2011]; SAAR; Y tril)	515.9	516.7	515.4	518.7	520.9	522.2	524.0	526.8		516.6	523.5	516.0	521.3
Q/q %	-0.1	0.2	-0.3	0.6	0.4	0.2	0.3	0.5					
Q/q %, SAAR	-0.3	0.6	-1.0	2.6	1.7	1.0	1.4	2.2					
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.7	1.6		1.2	1.3	1.1	1.0
Contribution to GDP growth (% pt)													
Domestic demand	0.1	0.2	-0.3	0.2	0.5	-0.1	-0.0	0.4		1.2	0.5	0.7	0.4
Foreign demand	-0.2	-0.1	0.0	0.4	-0.1	0.4	0.4	0.1		0.1	0.8	0.4	0.6
GDP deflator (y/y %)	1.5	1.8	1.6	0.9	0.4	-0.1	-0.0	-0.8		1.5	-0.2	2.1	0.3
Index of All-Industry Activity (2010=100)	102.5	102.5	102.3	102.5	102.6	103.2	103.6	103.5		102.6	103.4	102.5	103.0
Q/q %; y/y %	-0.1	0.0	-0.2	0.2	0.2	0.6	0.4	-0.1		0.9	0.8	0.4	0.6
Index of Industrial Production (2010=100)	98.0	97.0	97.1	96.2	96.5	98.0	99.8	100.0		97.5	98.6	97.8	97.7
Q/q %; y/y %	-1.3	-1.0	0.0	-0.9	0.2	1.6	1.9	0.2		-1.0	1.1	-1.2	-0.2
Index of Tertiary Industry Activity (2010=100)	103.3	103.4	103.3	103.7	103.7	104.0	104.1	103.9		103.5	103.9	103.2	103.9
Q/q %; y/y %	0.2	0.1	-0.1	0.5	0.0	0.3	0.1	-0.2		1.4	0.4	0.9	0.7
Corporate Goods Price Index components (2015=100)													
Domestic Company Goods Price Index	100.9	99.9	98.6	97.0	96.4	96.1	96.5	98.0		99.1	96.8	100.0	96.5
Y/y %	-2.3	-3.7	-3.6	-3.7	-4.5	-3.8	-2.1	1.0		-3.3	-2.4	-2.3	-3.5
CPI (excl. fresh food; 2015=100)	100.2	100.1	100.1	99.5	99.8	99.6	99.8	99.7		100.0	99.7	100.0	99.7
Y/y %	0.2	-0.2	-0.1	-0.1	-0.4	-0.5	-0.3	0.2		-0.0	-0.2	0.5	-0.3
Unemployment rate (%)	3.4	3.4	3.3	3.2	3.2	3.0	3.1	2.9		3.3	3.0	3.4	3.1
Government bond yield (10 year; %)	0.46	0.35	0.27	-0.05	-0.23	-0.09	0.04	0.07		0.26	-0.05	0.35	-0.07
Money stock; M2 (y/y %)	3.9	4.0	3.4	3.2	3.4	3.4	3.9	4.1		3.6	3.7	3.7	3.5
Trade balance (SAAR; Y tril)	-2.0	-2.1	1.1	3.8	4.6	5.8	6.8	4.9		0.3	5.8	-0.9	5.5
Current balance (SAAR; \$100 mil)	1,361	1,285	1,463	1,792	1,754	1,898	1,882	1,619		1,487	1,864	1,341	1,869
Current balance (SAAR; Y tril)	16.5	15.7	17.8	20.7	19.0	19.4	20.6	18.4		17.9	20.2	16.2	20.3
(% of nominal GDP)	3.1	3.0	3.3	3.9	3.5	3.6	3.8	3.4		3.3	3.7	3.1	3.7
Exchange rate (Y/\$)	121.4	122.2	121.5	115.4	108.1	102.4	109.4	113.6		120.1	108.4	121.0	108.8
(Y/Euro)	137.2	135.0	131.8	127.7	114.4	113.4	122.7	119.8		132.5	118.7	133.7	120.6

Source: Compiled by DIR.

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

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

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

1.2 Selected Economic Indicators

	2017			2018			2019			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)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Nominal GDP (SAAR; Y tril)	543.3	546.7	549.2	551.1	552.9	555.0	557.5	559.2		547.6	556.2	544.5	547.5
Q/q %	0.8	0.6	0.5	0.3	0.3	0.4	0.4	0.3					
Q/q %, SAAR	3.2	2.5	1.9	1.4	1.3	1.6	1.8	1.3					
Y/y %	1.2	1.8	1.9	2.2	1.8	1.5	1.5	1.5	1.8	1.6		1.4	0.6
Real GDP (chained [2011]; SAAR; Y tril)	529.1	530.9	532.4	534.1	535.6	537.0	538.2	539.5		531.6	537.6	529.8	536.2
Q/q %	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2					
Q/q %, SAAR	1.8	1.4	1.1	1.3	1.2	1.0	0.9	0.9					
Y/y %	1.6	1.7	1.6	1.4	1.2	1.2	1.1	1.0	1.5	1.1		1.6	1.2
Contribution to GDP growth (% pt)													
Domestic demand	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.1	1.1		1.0	1.2
Foreign demand	0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.5	-0.0		0.6	0.1
GDP deflator (y/y %)	-0.3	0.1	0.3	0.8	0.5	0.4	0.4	0.5	0.2	0.4		-0.2	-0.7
Index of All-Industry Activity (2010=100)	103.8	104.3	104.7	105.2	105.6	105.9	106.2	106.5	104.7	106.2		104.1	105.8
Q/q %; y/y %	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.2	1.2	1.5		1.1	1.6
Index of Industrial Production (2010=100)	100.5	101.2	101.9	102.7	103.4	103.9	104.4	104.8	101.6	104.1		100.9	103.6
Q/q %; y/y %	0.5	0.7	0.7	0.7	0.6	0.5	0.5	0.4	3.1	2.5		3.4	2.6
Index of Tertiary Industry Activity (2010=100)	104.2	104.6	105.0	105.4	105.7	106.0	106.2	106.4	104.7	106.1		104.5	105.9
Q/q %; y/y %	0.2	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.8	1.3		0.5	1.3
Corporate Goods Price Index components (2015=100)													
Domestic Company Goods Price Index	98.4	98.9	99.5	100.1	100.5	100.9	101.2	101.5	99.2	101.0		98.7	100.7
Y/y %	2.1	2.9	3.1	2.1	2.1	1.9	1.7	1.4	2.6	1.8		2.3	2.0
CPI (excl. fresh food; 2015=100)	100.3	100.5	100.9	100.6	101.0	101.3	101.7	101.5	100.6	101.4		100.3	101.1
Y/y %	0.5	0.9	1.1	1.0	0.7	0.7	0.8	0.9	0.9	0.8		0.7	0.8
Unemployment rate (%)	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.8	2.7		2.9	2.8
Government bond yield (10 year; %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.02	0.00
Money stock; M2 (y/y %)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1		4.1	4.1
Trade balance (SAAR; Y tril)	6.3	6.8	7.0	7.1	7.2	7.2	7.2	7.1	6.8	7.2		6.3	7.1
Current balance (SAAR; \$100 mil)	1,792	1,874	1,925	1,959	1,989	2,016	2,038	2,057	1,888	2,025		1,802	2,001
Current balance (SAAR; Y tril)	20.2	21.1	21.7	22.0	22.4	22.7	22.9	23.1	21.5	23.0		20.3	22.5
(% of nominal GDP)	3.7	3.9	3.9	4.0	4.0	4.1	4.1	4.1	3.9	4.1		3.7	4.1
Exchange rate (Y/\$)	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5		112.8	112.5
(Y/Euro)	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5		122.6	123.5

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

2.1 Real Gross Domestic Expenditure (chained [2011]; 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
Gross domestic expenditure	515.9	516.7	515.4	518.7	520.9	522.2	524.0	526.8		516.6	523.5	516.0	521.3
Q/q %, SAAR	-0.3	0.6	-1.0	2.6	1.7	1.0	1.4	2.2					
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.7	1.6		1.2	1.3	1.1	1.0
Domestic demand	523.0	524.3	522.9	523.9	526.4	525.6	525.5	527.6		523.4	526.2	523.1	525.2
Q/q %, SAAR	0.5	1.0	-1.1	0.8	1.9	-0.6	-0.1	1.6					
Y/y %	1.5	1.8	1.1	0.2	0.7	0.3	0.5	0.7		1.1	0.5	0.7	0.4
Private demand	392.6	393.8	392.0	391.5	395.1	394.5	395.0	397.0		392.4	395.4	392.6	394.0
Q/q %, SAAR	0.5	1.2	-1.8	-0.5	3.7	-0.6	0.5	2.0					
Y/y %	1.5	2.0	1.2	-0.2	0.6	0.1	0.8	1.4		1.1	0.8	0.7	0.3
Final consumption	294.6	296.3	294.4	295.4	295.9	296.9	297.1	298.1		295.2	297.0	295.2	296.3
Q/q %, SAAR	-1.6	2.2	-2.4	1.3	0.7	1.4	0.2	1.4					
Y/y %	1.0	1.2	-0.1	-0.1	0.3	0.3	0.9	1.0		0.5	0.6	-0.4	0.4
Residential investment	14.9	15.2	15.0	15.2	15.7	16.1	16.2	16.3		15.1	16.1	15.0	15.8
Q/q %, SAAR	4.3	6.9	-3.0	4.6	13.1	11.3	1.4	3.0					
Y/y %	-3.0	6.2	4.8	3.0	5.4	6.6	7.3	6.9		2.8	6.5	-1.6	5.6
Non-residential investment	79.2	79.6	79.6	79.7	80.7	80.5	82.0	82.2		79.5	81.4	79.6	80.7
Q/q %, SAAR	-4.4	2.2	0.2	0.2	5.2	-0.9	7.6	0.9					
Y/y %	1.4	0.9	0.9	-0.5	2.0	0.9	3.3	3.0		0.6	2.3	1.1	1.3
Change in inventories	3.9	2.8	2.9	1.3	2.8	0.9	-0.2	0.4		2.7	0.9	2.8	1.2
Public demand	130.4	130.5	130.9	132.4	131.3	131.2	130.5	130.6		130.9	130.8	130.5	131.3
Q/q %, SAAR	0.5	0.2	1.2	4.7	-3.2	-0.4	-2.0	0.4					
Y/y %	1.7	1.1	0.6	1.5	0.9	0.6	-0.5	-1.4		1.2	-0.1	0.8	0.6
Government final consumption	104.3	104.7	105.5	107.0	105.8	106.0	106.1	106.3		105.4	106.0	104.6	106.2
Q/q %, SAAR	0.4	1.7	3.0	5.6	-4.2	0.8	0.3	0.6					
Y/y %	1.7	1.6	2.2	2.7	1.4	1.2	0.5	-0.6		2.1	0.6	1.7	1.5
Fixed investment	26.1	25.8	25.4	25.3	25.5	25.1	24.4	24.4		25.6	24.8	25.8	25.0
Q/q %, SAAR	1.9	-5.3	-6.2	-1.3	2.7	-4.9	-11.4	-0.3					
Y/y %	2.1	-0.1	-4.5	-3.4	-2.2	-1.8	-4.2	-4.0		-1.9	-3.2	-2.1	-3.0
Change in inventories	-0.0	-0.0	-0.0	0.1	0.0	0.0	0.0	0.0		0.0	0.0	-0.0	0.1
Net exports of goods and services	-7.3	-7.6	-7.5	-5.3	-5.5	-3.7	-2.0	-1.4		-6.9	-3.2	-7.2	-4.1
Exports of goods and services	81.4	83.2	83.0	83.4	82.2	83.8	86.6	88.5		82.8	85.3	83.1	84.1
Q/q %, SAAR	-15.1	9.3	-1.0	2.1	-5.6	8.0	14.1	8.9					
Y/y %	2.0	2.9	-0.5	-1.4	0.7	0.8	4.6	6.1		0.7	3.1	2.9	1.2
Imports of goods and services	88.6	90.8	90.5	88.7	87.7	87.5	88.7	89.9		89.7	88.5	90.3	88.2
Q/q %, SAAR	-10.2	10.3	-1.3	-7.7	-4.4	-0.9	5.3	5.5					
Y/y %	0.9	1.8	0.6	-2.4	-1.1	-3.6	-2.0	1.3		0.2	-1.4	0.8	-2.3

Source: Compiled by DIR.

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

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

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

2.2 Real Gross Domestic Expenditure (chained [2011]; Y tril)

	2017			2018			2019			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)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	529.1	530.9	532.4	534.1	535.6	537.0	538.2	539.5		531.6	537.6	529.8	536.2
Q/q %, SAAR	1.8	1.4	1.1	1.3	1.2	1.0	0.9	0.9					
Y/y %	1.6	1.7	1.6	1.4	1.2	1.2	1.1	1.0		1.5	1.1	1.6	1.2
Domestic demand	529.5	531.1	532.5	534.1	535.8	537.2	538.6	540.0		531.8	537.8	530.2	536.4
Q/q %, SAAR	1.5	1.2	1.0	1.3	1.2	1.1	1.0	1.1					
Y/y %	0.6	1.0	1.3	1.3	1.2	1.2	1.1	1.1		1.1	1.1	0.9	1.2
Private demand	398.0	399.1	400.1	401.5	403.1	404.5	405.8	407.2		399.6	405.1	398.5	403.7
Q/q %, SAAR	1.0	1.1	1.0	1.5	1.6	1.4	1.3	1.4					
Y/y %	0.7	1.2	1.2	1.2	1.3	1.4	1.4	1.5		1.1	1.4	1.2	1.3
Final consumption	298.6	299.2	299.6	300.4	301.2	301.9	302.3	302.7		299.4	302.0	298.9	301.4
Q/q %, SAAR	0.7	0.7	0.6	1.0	1.1	0.9	0.5	0.6					
Y/y %	1.0	0.7	0.8	0.7	0.8	0.9	0.9	0.8		0.8	0.9	0.9	0.9
Residential investment	16.2	16.2	16.1	16.2	16.3	16.4	16.6	16.8		16.2	16.5	16.2	16.4
Q/q %, SAAR	-1.7	-1.2	-0.4	0.8	2.4	3.6	4.5	5.3					
Y/y %	3.3	0.2	0.0	-0.5	0.4	1.7	2.8	3.9		0.7	2.2	2.6	1.0
Non-residential investment	82.6	82.9	83.3	83.8	84.2	84.6	85.2	85.7		83.2	85.0	82.7	84.4
Q/q %, SAAR	1.8	1.9	1.9	2.1	2.1	2.1	2.5	2.5					
Y/y %	2.3	3.1	1.5	2.0	2.0	2.0	2.3	2.3		2.2	2.1	2.5	2.0
Change in inventories	0.6	0.8	1.0	1.2	1.4	1.6	1.8	2.0		0.9	1.7	0.7	1.5
Public demand	131.6	132.1	132.4	132.6	132.7	132.7	132.8	132.8		132.1	132.7	131.7	132.7
Q/q %, SAAR	2.9	1.6	1.0	0.7	0.1	0.0	0.2	0.1					
Y/y %	0.2	0.6	1.6	1.6	0.9	0.5	0.2	0.1		1.0	0.4	0.3	0.8
Government final consumption	106.4	106.6	106.8	107.0	107.2	107.4	107.7	107.9		106.7	107.5	106.5	107.3
Q/q %, SAAR	0.6	0.6	0.7	1.0	0.8	0.8	0.8	0.8					
Y/y %	0.6	0.5	0.6	0.7	0.8	0.8	0.8	0.8		0.6	0.8	0.3	0.8
Fixed investment	25.1	25.5	25.6	25.6	25.5	25.3	25.1	24.9		25.5	25.2	25.2	25.4
Q/q %, SAAR	13.3	6.1	2.0	-0.2	-2.7	-2.9	-2.5	-2.5					
Y/y %	-1.4	1.2	5.3	5.4	1.3	-0.8	-2.2	-2.8		3.0	-1.3	0.5	0.8
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	-1.1	-0.8	-0.7	-0.7	-0.7	-0.8	-0.9	-1.1		-0.8	-0.9	-1.0	-0.8
Exports of goods and services	89.1	89.6	90.1	90.5	90.9	91.4	91.9	92.4		89.8	91.7	89.3	91.2
Q/q %, SAAR	2.5	2.4	2.1	2.0	1.9	2.0	2.1	2.2					
Y/y %	8.5	6.8	3.9	2.3	2.0	2.0	2.1	2.1		5.3	2.1	6.2	2.1
Imports of goods and services	90.1	90.4	90.7	91.2	91.7	92.2	92.8	93.5		90.6	92.6	90.3	92.0
Q/q %, SAAR	1.0	1.3	1.4	1.9	2.1	2.4	2.7	2.9					
Y/y %	2.8	3.3	2.3	1.4	1.7	2.0	2.3	2.5		2.4	2.1	2.4	1.9

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)

	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
Gross domestic expenditure	529.6	532.0	530.5	535.3	536.6	537.0	539.2	539.0		531.8	538.0	530.0	537.0
Q/q %, SAAR	1.3	1.8	-1.1	3.7	1.0	0.3	1.7	-0.1					
Y/y %	3.3	3.8	2.5	1.4	1.3	1.0	1.6	0.8		2.7	1.2	3.2	1.3
Domestic demand	532.4	533.6	532.0	531.0	531.8	531.2	533.1	535.1		532.2	532.9	532.2	531.8
Q/q %, SAAR	1.2	0.9	-1.2	-0.7	0.6	-0.5	1.5	1.5					
Y/y %	1.6	1.8	1.0	-0.0	-0.1	-0.5	0.2	0.8		1.1	0.1	1.1	-0.1
Private demand	400.0	401.2	399.2	397.3	399.6	399.1	401.3	403.0		399.4	400.8	399.8	399.3
Q/q %, SAAR	1.3	1.2	-2.0	-1.9	2.3	-0.5	2.2	1.8					
Y/y %	1.6	2.1	1.2	-0.4	-0.1	-0.6	0.6	1.5		1.1	0.4	1.1	-0.1
Final consumption	299.5	301.3	299.4	299.1	299.3	300.1	301.4	302.0		299.8	300.7	300.1	300.0
Q/q %, SAAR	-0.8	2.5	-2.6	-0.3	0.2	1.1	1.8	0.8					
Y/y %	1.1	1.2	-0.0	-0.3	-0.2	-0.4	0.7	1.0		0.5	0.3	-0.0	-0.0
Residential investment	15.8	16.1	15.9	16.0	16.4	16.9	17.1	17.3		15.9	16.9	15.8	16.6
Q/q %, SAAR	3.4	7.7	-3.0	1.7	10.5	12.1	4.9	5.7					
Y/y %	-3.0	6.4	4.9	2.3	4.2	5.4	7.1	8.0		2.7	6.2	-0.7	4.8
Non-residential investment	80.9	81.4	81.2	81.0	81.7	81.3	83.0	83.5		81.2	82.4	81.3	81.7
Q/q %, SAAR	-3.5	2.5	-1.1	-1.3	3.6	-1.9	8.6	2.7					
Y/y %	2.5	1.8	1.3	-0.9	0.9	-0.5	2.5	3.0		1.1	1.6	2.0	0.5
Change in inventories	3.8	2.4	2.7	1.2	2.2	0.9	-0.2	0.2		2.5	0.8	2.5	1.0
Public demand	132.4	132.4	132.8	133.8	132.2	132.1	131.9	132.0		132.8	132.0	132.4	132.4
Q/q %, SAAR	0.8	0.1	1.2	2.9	-4.5	-0.4	-0.7	0.5					
Y/y %	1.6	0.8	0.5	1.2	0.0	-0.2	-0.8	-1.2		1.0	-0.6	1.1	0.0
Government final consumption	104.9	105.4	106.2	107.5	105.8	106.0	106.4	106.5		106.0	106.2	105.3	106.4
Q/q %, SAAR	-0.0	1.8	3.4	4.7	-6.1	0.8	1.4	0.4					
Y/y %	1.2	1.0	1.8	2.8	0.7	0.6	0.2	-0.7		1.7	0.2	1.7	1.0
Fixed investment	27.5	27.0	26.5	26.2	26.4	26.1	25.5	25.5		26.7	25.8	27.0	26.0
Q/q %, SAAR	4.9	-6.3	-7.2	-4.7	2.7	-4.7	-9.1	1.2					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.8		-1.4	-3.5	-0.8	-3.8
Change in inventories	-0.0	-0.0	0.0	0.1	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Net exports of goods and services	-2.8	-1.7	-1.5	4.3	4.8	5.7	6.0	3.9		-0.4	5.1	-2.2	5.2
Exports of goods and services	92.8	95.3	91.0	87.6	84.6	84.9	89.7	94.3		91.7	88.4	93.6	86.8
Q/q %, SAAR	-9.6	11.0	-16.5	-14.4	-12.7	1.4	24.8	21.7					
Y/y %	5.6	5.0	-4.5	-7.9	-9.2	-10.7	-1.3	7.5		-0.7	-3.5	3.8	-7.3
Imports of goods and services	95.6	96.9	92.5	83.3	79.9	79.2	83.7	90.3		92.1	83.3	95.8	81.6
Q/q %, SAAR	-9.7	5.8	-17.0	-34.3	-15.6	-3.3	24.9	35.5					
Y/y %	-3.5	-5.6	-11.3	-15.1	-16.6	-18.4	-9.4	8.4		-8.9	-9.5	-6.8	-14.9

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.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2017			2018			2019			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)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	543.3	546.7	549.2	551.1	552.9	555.0	557.5	559.2		547.6	556.2	544.5	547.5
Q/q %, SAAR	3.2	2.5	1.9	1.4	1.3	1.6	1.8	1.3					
Y/y %	1.2	1.8	1.9	2.2	1.8	1.5	1.5	1.5		1.8	1.6	1.4	0.6
Domestic demand	537.9	540.7	542.9	544.7	546.5	548.6	551.1	553.0		541.7	549.9	539.1	541.6
Q/q %, SAAR	2.1	2.1	1.7	1.3	1.3	1.6	1.8	1.4					
Y/y %	1.1	1.8	1.8	1.9	1.6	1.5	1.5	1.5		1.6	1.5	1.4	0.4
Private demand	404.8	407.0	408.9	410.4	412.1	414.1	416.5	418.3		407.8	415.3	405.9	407.8
Q/q %, SAAR	1.8	2.1	1.9	1.5	1.7	2.0	2.3	1.7					
Y/y %	1.2	2.0	1.8	1.9	1.8	1.8	1.9	2.0		1.7	1.8	1.7	0.5
Final consumption	303.1	304.6	305.9	306.7	307.6	308.9	310.3	311.1		305.1	309.5	303.9	305.1
Q/q %, SAAR	1.5	2.0	1.7	1.0	1.2	1.7	1.9	1.0					
Y/y %	1.3	1.5	1.5	1.5	1.5	1.4	1.4	1.5		1.5	1.4	1.3	0.4
Residential investment	17.3	17.4	17.4	17.5	17.7	17.9	18.1	18.4		17.4	18.0	17.4	17.4
Q/q %, SAAR	0.7	0.8	1.1	2.2	3.4	4.4	5.2	5.9					
Y/y %	5.7	2.9	2.1	1.3	1.9	2.8	3.8	4.7		3.0	3.3	4.6	0.3
Non-residential investment	84.0	84.5	85.0	85.5	86.1	86.6	87.2	87.8		84.8	87.0	84.3	84.8
Q/q %, SAAR	2.5	2.3	2.3	2.5	2.5	2.5	2.9	2.9					
Y/y %	2.9	4.1	2.3	2.5	2.4	2.4	2.7	2.6		2.9	2.5	3.1	0.6
Change in inventories	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0		0.4	0.8	0.3	0.5
Public demand	133.1	133.7	134.1	134.4	134.4	134.5	134.6	134.7		133.9	134.5	133.2	133.8
Q/q %, SAAR	3.2	1.9	1.1	0.9	0.2	0.1	0.3	0.2					
Y/y %	0.7	1.2	1.7	1.8	1.0	0.6	0.3	0.1		1.4	0.5	0.6	0.4
Government final consumption	106.7	106.9	107.1	107.4	107.7	107.9	108.1	108.4		107.1	108.1	106.8	107.0
Q/q %, SAAR	0.8	0.8	0.8	1.1	0.9	0.9	0.9	0.9					
Y/y %	0.9	0.9	0.7	0.8	0.8	0.9	0.9	0.9		0.8	0.9	0.4	0.2
Fixed investment	26.4	26.8	26.9	26.9	26.8	26.6	26.4	26.3		26.8	26.5	26.4	26.8
Q/q %, SAAR	13.7	6.5	2.4	0.0	-2.5	-2.7	-2.4	-2.4					
Y/y %	-0.3	2.4	6.0	5.6	1.7	-0.6	-2.0	-2.5		3.8	-1.1	1.5	1.3
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	5.4	6.0	6.2	6.3	6.4	6.4	6.4	6.3		6.0	6.4	5.4	6.0
Exports of goods and services	94.6	95.0	95.5	96.1	96.6	97.1	97.6	98.2		95.3	97.4	94.9	95.3
Q/q %, SAAR	1.3	2.0	2.2	2.2	2.1	2.2	2.3	2.4					
Y/y %	12.0	11.8	6.4	2.0	2.0	2.2	2.2	2.2		7.8	2.2	9.3	0.5
Imports of goods and services	89.2	89.0	89.3	89.7	90.2	90.7	91.3	91.9		89.3	91.0	89.5	89.3
Q/q %, SAAR	-4.9	-0.7	1.2	1.8	2.0	2.3	2.6	2.8					
Y/y %	11.8	12.5	6.6	-0.6	1.1	1.8	2.2	2.4		7.2	1.9	9.7	-0.2

Source: Compiled by DIR.

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

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

E: DIR estimate.

4.1 Gross Domestic Expenditure, Implicit Deflators (2011=100)

	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
Gross domestic expenditure	102.7	102.9	102.9	103.2	103.0	102.8	102.9	102.3		102.9	102.8	102.7	103.0
Q/q %, SAAR	0.4	0.3	-0.0	0.3	-0.2	-0.2	0.1	-0.6					
Y/y %	1.5	1.8	1.6	0.9	0.4	-0.1	-0.0	-0.8		1.5	-0.2	2.1	0.3
Private final consumption	101.7	101.7	101.7	101.3	101.2	101.1	101.5	101.3		101.6	101.3	101.6	101.2
Q/q %, SAAR	0.2	0.1	-0.0	-0.4	-0.1	-0.1	0.4	-0.2					
Y/y %	0.1	-0.1	0.1	-0.2	-0.5	-0.7	-0.2	0.1		-0.0	-0.3	0.4	-0.4
Private residential investment	105.7	105.9	105.9	105.2	104.6	104.8	105.7	106.3		105.7	105.3	105.9	105.1
Q/q %, SAAR	-0.2	0.2	-0.0	-0.7	-0.6	0.2	0.9	0.7					
Y/y %	0.0	0.2	0.2	-0.7	-1.1	-1.1	-0.2	1.1		-0.1	-0.3	0.9	-0.8
Private non-residential investment	102.3	102.3	102.0	101.6	101.2	101.0	101.2	101.6		102.0	101.3	102.1	101.3
Q/q %, SAAR	0.2	0.1	-0.3	-0.4	-0.4	-0.3	0.2	0.4					
Y/y %	1.1	0.9	0.4	-0.4	-1.1	-1.4	-0.7	0.0		0.4	-0.7	0.9	-0.9
Government final consumption	100.6	100.6	100.7	100.5	100.0	100.0	100.3	100.2		100.6	100.2	100.7	100.2
Q/q %, SAAR	-0.1	0.0	0.1	-0.2	-0.5	0.0	0.3	-0.0					
Y/y %	-0.5	-0.6	-0.4	0.0	-0.7	-0.6	-0.4	-0.1		-0.4	-0.4	0.1	-0.4
Public fixed investment	105.2	104.9	104.6	103.7	103.7	103.7	104.4	104.8		104.5	104.2	104.7	103.9
Q/q %, SAAR	0.7	-0.3	-0.3	-0.9	0.0	0.1	0.6	0.4					
Y/y %	1.5	0.6	0.6	-0.6	-1.5	-1.2	-0.2	1.2		0.4	-0.3	1.4	-0.8
Exports of goods and services	114.1	114.5	109.7	105.0	102.9	101.3	103.6	106.5		110.8	103.6	112.6	103.2
Q/q %, SAAR	1.6	0.4	-4.2	-4.3	-1.9	-1.6	2.3	2.8					
Y/y %	3.6	2.1	-4.1	-6.6	-9.8	-11.4	-5.7	1.4		-1.4	-6.4	0.8	-8.4
Imports of goods and services	107.8	106.7	102.2	93.9	91.0	90.4	94.4	100.5		102.6	94.2	106.1	92.5
Q/q %, SAAR	0.1	-1.0	-4.2	-8.2	-3.0	-0.6	4.4	6.5					
Y/y %	-4.3	-7.2	-11.8	-13.0	-15.6	-15.3	-7.6	7.0		-9.1	-8.3	-7.5	-12.9

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.

4.2 Gross Domestic Expenditure, Implicit Deflators (2011=100)

	2017			2018			2019			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)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	102.7	103.0	103.2	103.2	103.2	103.4	103.6	103.7		103.0	103.5	102.8	102.1
Q/q %, SAAR	0.4	0.3	0.2	0.0	0.0	0.1	0.2	0.1					
Y/y %	-0.3	0.1	0.3	0.8	0.5	0.4	0.4	0.5		0.2	0.4	-0.2	-0.7
Private final consumption	101.5	101.8	102.1	102.1	102.1	102.3	102.7	102.8		101.9	102.5	101.7	101.2
Q/q %, SAAR	0.2	0.3	0.3	0.0	0.0	0.2	0.3	0.1					
Y/y %	0.4	0.8	0.6	0.8	0.6	0.5	0.5	0.7		0.6	0.6	0.4	-0.5
Private residential investment	107.0	107.5	107.9	108.3	108.6	108.7	108.9	109.1		107.7	108.8	107.2	106.4
Q/q %, SAAR	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.1					
Y/y %	2.3	2.6	2.1	1.9	1.4	1.1	1.0	0.7		2.2	1.1	2.0	-0.7
Private non-residential investment	101.8	101.9	102.0	102.1	102.2	102.3	102.4	102.5		102.0	102.4	101.8	100.4
Q/q %, SAAR	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Y/y %	0.6	1.0	0.8	0.5	0.4	0.4	0.4	0.4		0.7	0.4	0.6	-1.4
Government final consumption	100.3	100.3	100.4	100.4	100.4	100.4	100.5	100.5		100.4	100.5	100.3	99.7
Q/q %, SAAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Y/y %	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1		0.2	0.1	0.1	-0.6
Public fixed investment	104.9	105.0	105.1	105.1	105.2	105.2	105.3	105.3		105.0	105.3	104.9	105.5
Q/q %, SAAR	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0					
Y/y %	1.2	1.2	0.6	0.3	0.3	0.2	0.2	0.2		0.8	0.2	1.0	0.6
Exports of goods and services	106.2	106.1	106.1	106.1	106.2	106.2	106.3	106.3		106.1	106.2	106.2	104.5
Q/q %, SAAR	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0					
Y/y %	3.2	4.6	2.5	-0.3	-0.0	0.2	0.1	0.2		2.4	0.1	2.9	-1.6
Imports of goods and services	99.0	98.5	98.4	98.4	98.4	98.4	98.3	98.3		98.6	98.4	99.1	97.1
Q/q %, SAAR	-1.5	-0.5	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0					
Y/y %	8.8	8.9	4.2	-2.0	-0.6	-0.1	-0.1	-0.1		4.7	-0.2	7.2	-2.0

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.

5.1 Contribution to Real GDP Growth by Component

	2015 4-6	7-9	10-12	2016 1-3	4-6	7-9	10-12	2017 1-3	FY		CY	
									2015	2016	2015	2016
1) Q/q %												
GDP growth rate	-0.1	0.2	-0.3	0.6	0.4	0.2	0.3	0.5	1.2	1.3	1.1	1.0
Domestic demand	0.1	0.2	-0.3	0.2	0.5	-0.1	-0.0	0.4	1.2	0.5	0.7	0.4
Private demand	0.1	0.2	-0.3	-0.1	0.7	-0.1	0.1	0.4	0.9	0.6	0.5	0.3
Private consumption	-0.2	0.3	-0.4	0.2	0.1	0.2	0.0	0.2	0.3	0.4	-0.2	0.2
Residential investment	0.0	0.1	-0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.2	-0.0	0.2
Private fixed investment	-0.2	0.1	0.0	0.0	0.2	-0.0	0.3	0.0	0.1	0.4	0.2	0.2
Change in private inventories	0.5	-0.2	0.0	-0.3	0.3	-0.4	-0.2	0.1	0.4	-0.3	0.6	-0.3
Public demand	0.0	0.0	0.1	0.3	-0.2	-0.0	-0.1	0.0	0.3	-0.0	0.2	0.1
Government final consumption	0.0	0.1	0.1	0.3	-0.2	0.0	0.0	0.0	0.4	0.1	0.3	0.3
Public fixed investment	0.0	-0.1	-0.1	-0.0	0.0	-0.1	-0.1	-0.0	-0.1	-0.2	-0.1	-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	-0.2	-0.1	0.0	0.4	-0.1	0.4	0.4	0.1	0.1	0.8	0.4	0.6
Exports of goods and services	-0.7	0.4	-0.0	0.1	-0.3	0.3	0.6	0.4	0.1	0.5	0.5	0.2
Imports of goods and services	0.5	-0.5	0.1	0.4	0.2	0.0	-0.2	-0.2	-0.0	0.2	-0.2	0.4
2) Y/y %												
GDP growth rate	1.7	2.0	0.9	0.5	0.9	1.1	1.7	1.6	1.2	1.3	1.1	1.0
Domestic demand	1.5	1.8	1.1	0.3	0.6	0.3	0.5	0.8	1.2	0.5	0.7	0.4
Private demand	1.1	1.5	0.9	-0.1	0.4	0.1	0.6	1.1	0.9	0.6	0.5	0.3
Private consumption	0.6	0.7	-0.0	-0.1	0.2	0.2	0.5	0.6	0.3	0.4	-0.2	0.2
Residential investment	-0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2	-0.0	0.2
Private fixed investment	0.2	0.1	0.1	-0.1	0.3	0.1	0.5	0.5	0.1	0.4	0.2	0.2
Change in private inventories	0.4	0.5	0.7	-0.1	-0.2	-0.4	-0.6	-0.2	0.4	-0.3	0.6	-0.3
Public demand	0.4	0.3	0.2	0.4	0.2	0.2	-0.1	-0.4	0.3	-0.0	0.2	0.1
Government final consumption	0.4	0.3	0.4	0.6	0.3	0.2	0.1	-0.1	0.4	0.1	0.3	0.3
Public fixed investment	0.1	-0.0	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-0.1	-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	0.2	0.2	-0.2	0.2	0.3	0.8	1.2	0.8	0.1	0.8	0.4	0.6
Exports of goods and services	0.3	0.5	-0.1	-0.2	0.1	0.1	0.8	1.0	0.1	0.5	0.5	0.2
Imports of goods and services	-0.2	-0.4	-0.1	0.4	0.2	0.7	0.4	-0.2	-0.0	0.2	-0.2	0.4

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.

5.2 Contribution to Real GDP Growth by Component

	2017 4-6 (E)	7-9 (E)	10-12 (E)	2018 1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	2019 1-3 (E)	FY		CY	
	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)
1) Q/q %												
GDP growth rate	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	1.5	1.1	1.6	1.2
Domestic demand	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.1	1.1	1.0	1.2
Private demand	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.3	0.8	1.0	0.9	1.0
Private consumption	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.5	0.5	0.5	0.5
Residential investment	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Private fixed investment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.4	0.3
Change in private inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.2	-0.1	0.2
Public demand	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.1	0.2
Government final consumption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.2
Public fixed investment	0.1	0.1	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.1	-0.1	0.0	0.0
Change in public inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0
Net exports of goods and services	0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.5	-0.0	0.6	0.1
Exports of goods and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9	0.3	1.0	0.4
Imports of goods and services	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4	-0.3
2) Y/y %												
GDP growth rate	1.6	1.7	1.6	1.4	1.2	1.2	1.1	1.0	1.5	1.1	1.6	1.2
Domestic demand	0.6	1.0	1.3	1.3	1.2	1.2	1.1	1.1	1.1	1.1	1.0	1.2
Private demand	0.5	0.9	0.9	0.9	0.9	1.0	1.1	1.1	0.8	1.0	0.9	1.0
Private consumption	0.6	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5
Residential investment	0.1	0.0	0.0	-0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Private fixed investment	0.3	0.5	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.4	0.3
Change in private inventories	-0.5	-0.0	0.2	0.2	0.2	0.1	0.2	0.1	-0.0	0.2	-0.1	0.2
Public demand	0.1	0.2	0.4	0.4	0.2	0.1	0.0	0.0	0.3	0.1	0.1	0.2
Government final consumption	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2
Public fixed investment	-0.1	0.1	0.3	0.3	0.1	-0.0	-0.1	-0.1	0.1	-0.1	0.0	0.0
Change in public inventories	-0.0	-0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.0	0.0
Net exports of goods and services	0.9	0.6	0.2	0.1	0.1	0.0	-0.0	-0.1	0.5	-0.0	0.6	0.1
Exports of goods and services	1.4	1.1	0.6	0.4	0.3	0.3	0.3	0.3	0.9	0.3	1.0	0.4
Imports of goods and services	-0.5	-0.5	-0.4	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3

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

	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
1) World economy													
Economic growth of major trading partners													
Y/y %	3.7	3.5	3.3	3.2	3.4	3.4	3.7	3.8	3.4	3.6	3.6	3.4	
Crude oil price (WTI futures; \$/bbl)	57.8	46.5	42.2	33.6	45.6	44.9	49.3	51.8	45.0	47.9	48.8	43.5	
Y/y %	-43.9	-52.2	-42.4	-30.8	-21.1	-3.4	16.9	54.0	-44.1	6.4	-47.5	-10.9	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	16,374	16,455	16,491	16,525	16,583	16,727	16,813	16,842	16,461	16,741	16,397	16,662	
Q/q %, SAAR	2.6	2.0	0.9	0.8	1.4	3.5	2.1	0.7					
Y/y %	3.0	2.2	1.9	1.6	1.3	1.7	2.0	1.9	2.2	1.7	2.6	1.6	
Consumer Price Index													
(1982-84 avg=100)	236.8	237.7	237.9	238.0	239.4	240.4	242.2	244.1	237.7	241.5	237.0	240.0	
Q/q %, SAAR	2.4	1.5	0.4	0.1	2.3	1.8	3.0	3.1					
Y/y %	-0.0	0.1	0.5	1.1	1.0	1.1	1.8	2.5	0.4	1.6	0.1	1.3	
Producer Price Index													
(Final demand; 2009.Nov=100)	110.1	110.2	109.6	109.8	110.2	110.5	111.1	112.1	109.9	111.0	109.9	110.4	
Q/q %, SAAR	0.9	0.5	-2.2	0.7	1.5	1.0	2.3	3.5					
Y/y %	-0.8	-0.9	-1.3	0.0	0.1	0.2	1.4	2.0	-0.8	0.9	-0.9	0.4	
FF rate (%)	0.25	0.25	0.50	0.50	0.50	0.50	0.75	1.00	0.50	1.00	0.50	0.75	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	2.17	2.22	2.19	1.92	1.75	1.56	2.13	2.44	2.12	1.97	2.14	1.84	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	104.9	105.4	106.2	107.5	105.8	106.0	106.4	106.5	106.0	106.2	105.3	106.4	
Q/q %, SAAR	-0.0	1.8	3.4	4.7	-6.1	0.8	1.4	0.4					
Y/y %	1.2	1.0	1.8	2.8	0.7	0.6	0.2	-0.7	1.7	0.2	1.7	1.0	
Nominal public fixed investment													
Y tril; SAAR	27.5	27.0	26.5	26.2	26.4	26.1	25.5	25.5	26.7	25.8	27.0	26.0	
Q/q %, SAAR	4.9	-6.3	-7.2	-4.7	2.7	-4.7	-9.1	1.2					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.8	-1.4	-3.5	-0.8	-3.8	
Exchange rate (Y/\$)	121.4	122.2	121.5	115.4	108.1	102.4	109.4	113.6	120.1	108.4	121.0	108.8	
(Y/€)	137.2	135.0	131.8	127.7	114.4	113.4	122.7	119.8	132.5	118.7	133.7	120.6	

Source: Compiled by DIR.

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

6.2 Major Assumptions

	2017 4-6 (E)	7-9 (E)	10-12 (E)	2018 1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	2019 1-3 (E)	FY 2017 (E)	2018 (E)	CY 2017 (E)	2018 (E)
1) World economy												
Economic growth of major trading partners												
Y/y %	3.7	3.5	3.3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.6	3.5
Crude oil price (WTI futures; \$/bbl)	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	48.6	47.5
Y/y %	4.1	5.7	-3.6	-8.3	0.0	0.0	0.0	0.0	-0.9	0.0	11.7	-2.2
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)	16,967	17,068	17,161	17,255	17,353	17,452	17,552	17,656	17,113	17,503	17,010	17,403
Q/q %, SAAR	3.0	2.4	2.2	2.2	2.3	2.3	2.3	2.4				
Y/y %	2.3	2.0	2.1	2.4	2.3	2.2	2.3	2.3	2.2	2.3	2.1	2.3
Consumer Price Index (1982-84 avg=100)	244.4	245.6	246.9	248.2	249.5	250.9	252.2	253.5	246.2	251.5	245.2	250.2
Q/q %, SAAR	0.5	1.9	2.1	2.2	2.1	2.2	2.2	2.1				
Y/y %	2.1	2.1	1.9	1.7	2.1	2.1	2.2	2.1	2.0	2.1	2.2	2.0
Producer Price Index (Final demand; 2009.Nov=100)	112.4	112.8	113.4	113.9	114.5	115.0	115.5	116.1	113.1	115.3	112.7	114.7
Q/q %, SAAR	1.1	1.7	1.9	1.9	1.9	1.9	1.9	1.9				
Y/y %	2.0	2.2	2.1	1.6	1.8	1.9	1.9	1.9	2.0	1.9	2.1	1.8
FF rate (%)	1.25	1.50	1.50	1.50	1.75	2.00	2.25	2.50	1.50	2.50	1.50	2.25
(Target rate for the forecast period, end-period)												
Government bond yield (10 year; %)	2.42	2.66	2.82	2.87	3.07	3.30	3.51	3.72	2.69	3.40	2.59	3.19
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	106.7	106.9	107.1	107.4	107.7	107.9	108.1	108.4	107.1	108.1	106.8	107.0
Q/q %, SAAR	0.8	0.8	0.8	1.1	0.9	0.9	0.9	0.9				
Y/y %	0.9	0.9	0.7	0.8	0.8	0.9	0.9	0.9	0.8	0.9	0.4	0.2
Nominal public fixed investment												
Y tril; SAAR	26.4	26.8	26.9	26.9	26.8	26.6	26.4	26.3	26.8	26.5	26.4	26.8
Q/q %, SAAR	13.7	6.5	2.4	0.0	-2.5	-2.7	-2.4	-2.4				
Y/y %	-0.3	2.4	6.0	5.6	1.7	-0.6	-2.0	-2.5	3.8	-1.1	1.5	1.3
Exchange rate (¥/\$)	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.8	112.5
(¥/€)	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	122.6	123.5

Source: Compiled by DIR.

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

E: DIR estimate.