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Japan's Economic Outlook No. 194 (Summary)

Domestic demand becomes driving force. In this report we examine the following: (1) Turning Point in US & Japan Economies, (2) Wage Trends, and (3) Regional Economies

Japan to see real GDP growth of +1.9% in FY17 and +1.2% in FY18, with nominal GDP growth of +2.1% in FY17, and +1.7% in FY18.

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Summary

- **Japan's economy continues growth led by domestic demand:** In light of the 1st preliminary Apr-Jun 2017 GDP release (Cabinet Office) we have revised our economic growth outlook. We now forecast real GDP growth of +1.9% in comparison with the previous year for FY17 (+1.5% in the previous forecast), +1.2% in comparison with the previous year for FY18 (+1.1% in the previous forecast). Overseas demand centering on exports to the US is expected to mark time, but Japan's economy is expected to continue growth led by domestic demand in the future due to the following factors: (1) growth in consumption due to improved employment environment, and (2) investment in improving productivity. In addition, three factors which were the cause of stagnation in personal consumption in the past are expected to dissipate. These include (1) elimination of the special case pension category, (2) increased tax and insurance burden for the working-age generation, and (3) reactionary decline following past economic stimulus measures. These factors will lose their negative effects in the near future, bringing in their stead positive factors for the outlook for personal consumption.
- **Growth accelerates considerably at +4.0% q/q annualized:** The real GDP growth rate for Apr-Jun 2017 (1st preliminary est) grew by +4.0% q/q annualized (+1.0% q/q), exceeding

market consensus (+2.4% q/q annualized, +0.6% q/q). All major domestic demand related GDP components exhibited growth, including personal consumption, capex, housing investment, government consumption, and public investment. (Note: growth in imports is a negative contribution to growth rate). As was the case during the 1st quarter, growth was led notably by domestic demand (contribution was +1.3%pt q/q). On the other hand, contribution from overseas demand, which led growth throughout CY2016 fell for the first time in seven quarters by -0.3%pt q/q. Meanwhile, terms of trade improved due to import prices settling down somewhat, and the GDP deflator grew for the first time in two quarters (+0.2% q/q) as a result of moderate progress in domestic price pass-through. Nominal GDP grew for the first time in two quarters by +4.6% q/q annualized (+1.1% q/q).

- **Domestic demand becomes driving force:** Performance by demand component in the Apr-Jun 2017 results shows private sector final consumption expenditure exhibiting growth for the sixth consecutive quarter by +0.9% q/q. In addition to continued improvements in the employment environment due to the labor shortage and economic expansion, the issue of higher prices for fresh foods, which had been weighing down consumption, 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 recording growth for the sixth consecutive quarter at +2.4% and services growing for the twelfth consecutive quarter at +0.6%. Favorable results continue due to 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. In addition, non-durables grew for the first time in five quarters at +1.8%, but semidurables suffered a setback at -2.5% due to a reactionary decline after the major growth experienced during the previous quarter.

Housing investment grew for the sixth consecutive quarter at +1.5% q/q. Housing investment has continued its growth trend with the help of a variety of factors, including low interest housing loans, growth in the construction of rental housing as a strategy in dealing with inheritance tax, and construction of the Olympic Village, which began in January to house athletes during the 2020 Tokyo Olympics and Paralympics. Housing investment helped to increase overall performance.

Capital expenditure is maintaining its growth trend at +2.4% q/q. Capital expenditure continues to grow backed by the high level of corporate earnings and recovery of the world economy. Behind this positive transition to favorable performance for capital expenditure lies growth in factory operating rates associated with recent increases in exports, and the growing seriousness of the shortage of manpower.

Meanwhile, private sector inventory continues to mark time with a contribution to GDP growth of +0.0%pt. Material & supplies inventory, which is provisional on the 1st preliminary GDP estimate, contributed +0.3%pt, while work in progress inventory contributed +0.0%, and finished goods inventory contributed -0.2%pt. Distribution inventory contributed -0.1%pt.

Public investment experienced a major acceleration of its growth rate in comparison to the previous period at +5.1% q/q. It appears that implementation of the FY2016 supplementary

budget has progressed. Government consumption is up by +0.3%, and on average is continuing its growth trend.

Exports declined for the first time in four quarters at -0.5% q/q. According to trade statistics for the Apr-Jun period, exports to the EU grew, while exports to the US appear to be about to peak out. Meanwhile, exports to Asia declined with ICs showing signs of taking a breather from their recent growth trend. This brought overall performance for exports down. On the other hand, imports grew for the third consecutive quarter at +1.4% thanks to the comeback in domestic demand. As a result, contribution of overseas demand to GDP growth decreased for the first time in seven quarters at -0.3%pt.

The GDP deflator grew for the first time in two quarters at +0.2% q/q. The domestic demand deflator grew for the first time in two quarters at +0.1% as a result of moderate progress in domestic price pass-through, while in addition, terms of trade also improved due to an increase in prices of natural resources and a lull in yen depreciation. Nominal GDP also grew for the first time in two quarters by +4.6% q/q annualized (+1.1% q/q).

- **Growth continues led by domestic demand. Caution regarding deteriorating overseas demand:** We expect Japan's economy to continue in a moderate expansion phase. Domestic demand is expected to continue its expansion centering on personal consumption, while overseas demand is expected to maintain steady growth backed by the recovery in the world economy, providing support for Japan's economic growth. However, downside risk remains for overseas demand requiring caution, due to fears that China's economy may slow down after the National Congress of the Communist Party in fall, and increased geopolitical risk. Meanwhile, we also urge caution regarding the slowdown of the US economy accompanying the Fed's tight money policy, and the problem of capital outflows from the emerging nations. Domestic demand components are expected to lead growth in the future. Until now the driving force behind Japan's economic growth was overseas demand, but there is a very good chance that this role is now shifting to domestic demand.

Personal consumption is expected to continue in a moderate expansion phase. The supply of labor is becoming increasingly tight, and this should provide underlying support for personal consumption through growth in employee compensation. However, caution is advised here as corporations may try to compensate for the cost of wage increases by flattening the wage curve and placing restrictions on overtime. This could create a slowdown in the pace of growth in employee compensation, as well as the expansion of consumption.

Housing investment is expected to experience a lull in its growth trend, and then move into a gradual descent from its current plateau. 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. Caution is required regarding a possible reactionary decline following the initially positive effect of inheritance tax strategies on growth in the construction of rental housing.

Capex is expected to see moderate growth. Operating rates in the manufacturing sector are on the rise 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 to accompany implementation of the government's FY2016 supplementary budget.

As for exports, with overseas economies continuing moderate growth, we can expect exports to maintain a firm undertone. US exports appear to be about to peak out, while exports to the EU and Asia are maintaining a firm undertone. As for exports to Asia, there is danger that the current weakening will continue, centering on components used to manufacture products whose final destination is the US. On the other hand, exports of electronic parts and other products oriented toward domestic demand in China are expected to maintain favorability, and this is expected to compensate for the slowdown in other parts of Asia.

However, caution is required regarding overseas demand due to possible downside risk. As for the US, the Fed is continuing to implement its tight money policy. Meanwhile, there are signs of demand for Japan's major export to the US, passenger vehicles, peaking out, and the tight money policy may bring further downward pressure on the economy. The Fed's tight money policy may also cause an acceleration of capital flows from emerging nations. On the other hand, though there is little chance of China's economy slowing down much before the National Congress of the Communist Party to be held this fall, after that point there is risk that the economy could come under downward pressure due to a reactionary decline in demand, which had been kept artificially high until now by the implementation of economic measures. 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 downward pressure on Japan's economy.

- **Issue (1): At what point will US-Japan economies begin to decline?** Here we examine trends in the US economy's real average GDP during various phases such as temporary lulls and recessions. First of all, in the case of Japan, the most important point is whether or not the economy falls into a temporary lull or economic downturn due to decline in exports and trends in private sector demand. With the recent favorability of domestic demand, risk of falling into another temporary low is considered to be small at this time. On the other hand, the key to judging the current state of the US economy is the tenacity of personal consumption and the seriousness of inventory adjustment. Here too, there is no cause for fear of the economy's falling into a temporary lull. However, the narrowing of the differential between long and short-term interest rates suggests an increase in risk, requiring vigilance in regard to future trends.
- **Issue (2): To what extent is the growth rate in wages restrained?:** Here we examine the economic conditions under which worker wages tend to stagnate through a comparison of past periods of economic expansion and a calculation of wage functions during these times. The reason wages are stagnant during the current economic phase (beginning in Nov. 2012) as

compared to Japan's 12th business cycle (Oct. 1993 – May 1997), is that the ratio of low-paid part-time workers is growing at a faster pace than in that earlier cycle. This difference causes the average wage during the current cycle to decrease. In addition, the fact that the nominal regular base wage of general workers has been sluggish also drags down the overall numbers. The current growth rate in wages is estimated to be held back by 1.9%pt y/y in comparison to Japan's past wage structure. In the future it will be important to increase labor productivity by easing what are referred to as Japan's bedrock regulations in its traditional employment practices, and to find a way to connect this with sustainable wage growth.

- **Issue (3): The future of regional economies as seen through three possible scenarios:** The Daiwa Securities Group released its regional AI index in July, indicating business sentiment by region making use of its AI model. This report covers major industries in regional economies in greater detail than in the past, and presents findings indicating that growth models differ between regions and industries. Our analysis reveals the ways in which different regions may be influenced by overseas economies in the future given three possible scenarios: (1) global demand for semiconductors increases, (2) investment associated with US shale industry increases, and (3) US automobile market drops further into a slowdown. Grasping the relatedness to overseas economies gives us a vantage point from which to consider the future of regional economies, including questions such as whether they may benefit from a decrease in economic fluctuations and where the growth markets are which they can take advantage of.
- **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 +5.3% in FY17, and then decrease in FY18 at -1.8%.
- Average exchange rate of Y111.0/\$ in FY17, and Y111.0/\$ 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 %)	1.1	2.1	1.7	1.3	1.6	2.0
Real GDP (chained [2011]; y/y %)	1.3	1.9	1.2	1.0	1.8	1.4
Domestic demand (contribution, % pt)	0.5	1.8	1.1	0.4	1.4	1.3
Foreign demand (contribution, % pt)	0.8	0.0	0.1	0.6	0.3	0.0
GDP deflator (y/y %)	-0.2	0.3	0.5	0.3	-0.1	0.7
Index of All-industry Activity (y/y %)*	0.6	2.0	1.4	0.6	1.6	1.7
Index of Industrial Production (y/y %)	1.1	4.5	2.2	-0.2	4.5	2.7
Index of Tertiary Industry Activity (y/y %)	0.4	1.4	1.2	0.7	0.9	1.5
Corporate Goods Price Index (y/y %)	-2.4	2.6	2.0	-3.5	2.3	2.1
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.6	0.6	-0.3	0.5	0.6
Unemployment rate (%)	3.0	2.8	2.7	3.1	2.9	2.8
Government bond yield (10 year; %)	-0.05	0.04	0.04	-0.07	0.05	0.04
Money stock; M2 (end-period; y/y %)	3.6	3.9	3.9	3.4	3.9	3.9
Balance of payments						
Trade balance (Y tril)	5.8	3.9	4.7	5.5	4.2	4.6
Current balance (\$100 mil)	1,880	1,750	1,833	1,869	1,777	1,823
Current balance (Y tril)	20.4	19.6	20.6	20.3	19.9	20.2
(% of nominal GDP)	3.7	3.6	3.7	3.7	3.6	3.6
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	0.7 (0.4)	1.6 (0.9)	0.8 (0.5)	0.4 (0.2)	1.5 (0.8)	0.9 (0.5)
Private housing investment	6.5 (0.2)	2.3 (0.1)	0.8 (0.0)	5.6 (0.2)	3.9 (0.1)	0.3 (0.0)
Private fixed investment	2.5 (0.4)	4.6 (0.7)	1.8 (0.3)	1.3 (0.2)	4.6 (0.7)	2.2 (0.3)
Government final consumption	0.4 (0.1)	0.7 (0.1)	0.8 (0.2)	1.3 (0.3)	0.2 (0.0)	0.9 (0.2)
Public fixed investment	-3.2 (-0.2)	4.2 (0.2)	-2.0 (-0.1)	-3.0 (-0.2)	1.6 (0.1)	0.0 (0.0)
Exports of goods and services	3.2 (0.6)	4.3 (0.7)	3.0 (0.5)	1.2 (0.2)	5.4 (0.9)	2.9 (0.5)
Imports of goods and services	-1.4 (0.2)	4.1 (-0.7)	2.5 (-0.4)	-2.3 (0.4)	3.5 (-0.5)	2.7 (-0.5)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.6	3.7	3.5	3.4	3.8	3.6
Crude oil price (WTI futures; \$/bbl)	47.9	48.6	49.0	43.5	49.3	49.0
2. US economy						
US real GDP (chained [2009]; y/y %)	1.6	2.2	2.2	1.5	2.1	2.3
US Consumer Price Index (y/y %)	1.6	1.7	2.5	1.3	2.0	2.2
3. Japanese economy						
Nominal public fixed investment (y/y %)	-3.5	5.3	-1.8	-3.8	2.9	0.3
Exchange rate (Y/\$)	108.4	111.0	111.0	108.8	111.7	111.0
(Y/€)	118.7	128.6	130.0	120.6	126.1	130.0

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 194)		Previous outlook (Outlook 193 update)		Difference between previous and current outlooks	
	FY17	FY18	FY17	FY18	FY17	FY18
Main economic indicators						
Nominal GDP (y/y %)	2.1	1.7	1.8	1.6	0.4	0.1
Real GDP (chained [2011]; y/y %)	1.9	1.2	1.5	1.1	0.3	0.1
Domestic demand (contribution, % pt)	1.8	1.1	1.0	1.1	0.8	-0.0
Foreign demand (contribution, % pt)	0.0	0.1	0.5	-0.0	-0.4	0.1
GDP deflator (y/y %)	0.3	0.5	0.3	0.5	0.0	0.0
Index of All-industry Activity (y/y %)*	2.0	1.4	1.5	1.5	0.4	-0.1
Index of Industrial Production (y/y %)	4.5	2.2	3.8	2.4	0.7	-0.2
Index of Tertiary Industry Activity (y/y %)	1.4	1.2	1.0	1.3	0.4	-0.0
Corporate Goods Price Index (y/y %)	2.6	2.0	2.6	2.0	-0.0	-0.0
Consumer Price Index (excl. fresh food; y/y %)	0.6	0.6	0.8	0.9	-0.3	-0.3
Unemployment rate (%)	2.8	2.7	2.8	2.7	0.0	0.0
Government bond yield (10 year; %)	0.04	0.04	0.00	0.00	0.04	0.04
Money stock; M2 (end-period; y/y %)	3.9	3.9	4.1	4.1	-0.2	-0.2
Balance of payments						
Trade balance (Y tril)	3.9	4.7	6.8	7.2	-2.9	-2.5
Current balance (\$100 mil)	1,750	1,833	1,927	2,069	-178	-236
Current balance (Y tril)	19.6	20.6	21.5	23.1	-1.9	-2.5
(% of nominal GDP)	3.6	3.7	3.9	4.2	-0.4	-0.5
Real GDP components (chained [2011]; y/y %)						
Private final consumption	1.6	0.8	0.8	0.9	0.8	-0.1
Private housing investment	2.3	0.8	0.6	2.3	1.8	-1.5
Private fixed investment	4.6	1.8	2.3	2.1	2.3	-0.4
Government final consumption	0.7	0.8	0.5	0.8	0.2	0.0
Public fixed investment	4.2	-2.0	3.0	-1.3	1.2	-0.7
Exports of goods and services	4.3	3.0	5.3	2.1	-1.0	1.0
Imports of goods and services	4.1	2.5	2.4	2.1	1.6	0.4
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.7	3.5	3.6	3.5	0.2	0.0
Crude oil price (WTI futures; \$/bbl)	48.6	49.0	47.5	47.5	1.1	1.5
2. US economy						
US real GDP (chained [2009]; y/y %)	2.2	2.2	2.3	2.3	-0.1	-0.1
US Consumer Price Index (y/y %)	1.7	2.5	2.1	2.4	-0.4	0.2
3. Japanese economy						
Nominal public fixed investment (y/y %)	5.3	-1.8	3.8	-1.1	1.5	-0.7
Exchange rate (Y/\$)	111.0	111.0	110.5	110.5	0.5	0.5
(Y/€)	128.6	130.0	124.5	124.5	4.1	5.5

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)	529.4	531.8	530.9	536.0	536.2	536.7	539.4	539.2	532.0	537.9	530.2	537.1
Q/q %	0.2	0.4	-0.2	1.0	0.0	0.1	0.5	-0.0				
Q/q %, SAAR	0.7	1.8	-0.7	3.9	0.1	0.4	2.1	-0.2				
Y/y %	3.3	3.9	2.5	1.4	1.3	0.9	1.6	0.7	2.7	1.1	3.2	1.3
Real GDP (chained [2011]; SAAR; Y tril)	515.8	516.9	515.9	518.9	520.6	522.2	524.5	526.4	516.8	523.5	516.2	521.5
Q/q %	-0.1	0.2	-0.2	0.6	0.3	0.3	0.4	0.4				
Q/q %, SAAR	-0.5	0.9	-0.8	2.3	1.4	1.3	1.7	1.5				
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.7	1.5	1.3	1.3	1.1	1.0
Contribution to GDP growth (% pt)												
Domestic demand	-0.0	0.3	-0.2	0.2	0.3	-0.1	0.1	0.2	1.2	0.5	0.7	0.4
Foreign demand	-0.1	-0.1	-0.0	0.4	0.1	0.4	0.3	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	-0.1	-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	103.2	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	0.6	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	103.8	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	-0.3	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; %)	0.40	0.38	0.29	-0.01	-0.15	-0.12	0.00	0.07	0.26	-0.05	0.35	-0.07
Money stock; M2 (y/y %)	3.8	3.9	3.3	3.1	3.3	3.3	3.8	4.1	3.5	3.6	3.6	3.4
Trade balance (SAAR; Y tril)	-2.0	-2.1	1.1	3.8	4.6	5.8	6.8	5.3	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	1,908	1,487	1,880	1,341	1,869
Current balance (SAAR; Y tril)	16.5	15.7	17.8	20.7	19.0	19.4	20.6	21.7	17.9	20.4	16.2	20.3
(% of nominal GDP)	3.1	3.0	3.3	3.9	3.5	3.6	3.8	4.0	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)	135.0	135.6	131.5	128.0	120.7	114.7	119.2	120.2	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	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)	545.4	548.2	551.2	553.7	556.3	558.3	560.1	561.6	549.5	559.0	545.9	557.1	
Q/q %	1.1	0.5	0.5	0.5	0.5	0.3	0.3	0.3					
Q/q %, SAAR	4.6	2.1	2.2	1.9	1.9	1.4	1.3	1.1					
Y/y %	1.6	2.1	2.2	2.7	2.1	1.8	1.6	1.4	2.1	1.7	1.6	2.0	
Real GDP (chained [2011]; SAAR; Y tril)	531.5	532.3	533.7	535.9	537.6	539.2	540.4	541.6	533.2	539.6	530.8	538.2	
Q/q %	1.0	0.1	0.3	0.4	0.3	0.3	0.2	0.2					
Q/q %, SAAR	4.0	0.6	1.1	1.6	1.3	1.1	0.9	0.9					
Y/y %	2.0	1.9	1.8	1.8	1.2	1.3	1.2	1.1	1.9	1.2	1.8	1.4	
Contribution to GDP growth (% pt)													
Domestic demand	1.3	0.1	0.3	0.4	0.3	0.3	0.2	0.3	1.8	1.1	1.4	1.3	
Foreign demand	-0.3	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	0.1	0.3	0.0	
GDP deflator (y/y %)	-0.4	0.2	0.4	0.9	0.9	0.5	0.4	0.3	0.3	0.5	-0.1	0.7	
Index of All-Industry Activity (2010=100)	104.8	105.0	105.4	105.9	106.3	106.6	106.9	107.3	105.3	106.8	104.7	106.5	
Q/q %; y/y %	1.3	0.2	0.4	0.5	0.3	0.3	0.3	0.3	2.0	1.4	1.6	1.7	
Index of Industrial Production (2010=100)	102.1	102.7	103.3	103.9	104.5	105.0	105.5	106.0	103.0	105.3	102.0	104.8	
Q/q %; y/y %	2.1	0.6	0.6	0.6	0.6	0.5	0.5	0.5	4.5	2.2	4.5	2.7	
Index of Tertiary Industry Activity (2010=100)	104.9	105.0	105.4	105.9	106.2	106.5	106.8	107.1	105.3	106.6	104.9	106.4	
Q/q %; y/y %	1.1	0.1	0.4	0.4	0.3	0.3	0.3	0.3	1.4	1.2	0.9	1.5	
Corporate Goods Price Index components (2015=100)													
Domestic Company Goods Price Index	98.4	98.9	99.5	100.0	100.6	101.0	101.5	101.9	99.2	101.3	98.7	100.8	
Y/y %	2.1	2.9	3.1	2.1	2.2	2.1	2.0	1.9	2.6	2.0	2.3	2.1	
CPI (excl. fresh food; 2015=100)	100.2	100.3	100.5	100.2	101.2	100.7	101.0	100.6	100.3	100.9	100.2	100.8	
Y/y %	0.4	0.7	0.7	0.5	1.0	0.5	0.5	0.5	0.6	0.6	0.5	0.6	
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; %)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.04	
Money stock; M2 (y/y %)	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	
Trade balance (SAAR; Y tril)	2.8	4.3	4.3	4.5	4.5	4.8	4.8	4.7	3.9	4.7	4.2	4.6	
Current balance (SAAR; \$100 mil)	1,704	1,735	1,761	1,800	1,822	1,833	1,839	1,839	1,750	1,833	1,777	1,823	
Current balance (SAAR; Y tril)	18.9	19.3	19.5	20.0	20.2	20.3	20.4	20.4	19.6	20.6	19.9	20.2	
(% of nominal GDP)	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	
Exchange rate (Y/\$)	111.1	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.7	111.0	
(Y/Euro)	124.3	130.0	130.0	130.0	130.0	130.0	130.0	130.0	128.6	130.0	126.1	130.0	

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

2.1 Real Gross Domestic Expenditure (chained [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	515.8	516.9	515.9	518.9	520.6	522.2	524.5	526.4	516.8	523.5	516.2	521.5	
Q/q %, SAAR	-0.5	0.9	-0.8	2.3	1.4	1.3	1.7	1.5					
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.7	1.5	1.3	1.3	1.1	1.0	
Domestic demand	522.8	524.3	523.3	524.5	526.0	525.4	526.0	527.2	523.6	526.0	523.3	525.4	
Q/q %, SAAR	-0.0	1.2	-0.8	0.9	1.1	-0.4	0.4	1.0					
Y/y %	1.6	1.8	1.1	0.2	0.7	0.2	0.5	0.5	1.2	0.5	0.7	0.4	
Private demand	392.6	393.9	392.4	391.9	395.1	394.5	395.7	396.8	392.6	395.5	392.8	394.3	
Q/q %, SAAR	0.0	1.4	-1.5	-0.5	3.2	-0.6	1.2	1.2					
Y/y %	1.5	2.0	1.2	-0.2	0.6	0.2	0.9	1.3	1.1	0.7	0.7	0.4	
Final consumption	294.8	296.5	294.8	295.6	296.0	297.2	297.6	298.8	295.4	297.4	295.4	296.6	
Q/q %, SAAR	-1.6	2.4	-2.3	1.2	0.5	1.6	0.6	1.5					
Y/y %	1.1	1.3	0.0	-0.1	0.4	0.3	1.0	1.1	0.6	0.7	-0.3	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	4.4	7.0	-3.0	4.3	13.3	11.5	1.0	3.5					
Y/y %	-3.0	6.2	4.8	3.0	5.4	6.6	7.2	7.0	2.8	6.5	-1.6	5.6	
Non-residential investment	79.0	79.5	79.7	79.9	80.4	80.4	82.1	82.9	79.5	81.5	79.6	80.7	
Q/q %, SAAR	-6.2	2.7	1.0	0.9	2.7	0.0	8.9	3.6					
Y/y %	1.4	0.9	0.9	-0.5	2.0	0.9	3.3	3.5	0.6	2.5	1.1	1.3	
Change in inventories	3.9	2.8	2.9	1.2	3.0	0.8	-0.3	-1.1	2.7	0.6	2.8	1.2	
Public demand	130.3	130.4	130.9	132.6	130.9	130.9	130.3	130.4	130.9	130.5	130.4	131.1	
Q/q %, SAAR	-0.3	0.5	1.4	5.3	-5.0	0.0	-1.8	0.2					
Y/y %	1.7	1.1	0.6	1.4	0.7	0.5	-0.6	-1.8	1.2	-0.3	0.8	0.5	
Government final consumption	104.3	104.7	105.5	107.0	105.6	105.8	105.9	105.8	105.3	105.7	104.6	106.0	
Q/q %, SAAR	0.3	1.7	2.9	5.8	-5.0	0.8	0.1	-0.3					
Y/y %	1.7	1.6	2.2	2.7	1.2	1.0	0.3	-1.1	2.0	0.4	1.7	1.3	
Fixed investment	26.0	25.7	25.4	25.4	25.2	25.1	24.4	24.6	25.6	24.7	25.8	25.0	
Q/q %, SAAR	-1.7	-3.9	-5.0	0.7	-3.2	-3.0	-9.5	2.3					
Y/y %	2.1	-0.1	-4.5	-3.4	-2.2	-1.8	-4.2	-4.1	-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	-7.2	-7.4	-7.5	-5.7	-5.4	-3.5	-2.0	-1.5	-6.9	-3.0	-7.2	-4.1	
Exports of goods and services	81.4	83.4	83.1	83.0	82.3	84.1	86.7	88.4	82.8	85.4	83.1	84.0	
Q/q %, SAAR	-13.7	9.8	-1.4	-0.2	-3.4	8.8	13.2	8.0					
Y/y %	2.0	2.9	-0.5	-1.4	0.7	0.8	4.6	6.6	0.7	3.2	2.9	1.2	
Imports of goods and services	88.6	90.8	90.6	88.7	87.7	87.5	88.7	89.9	89.7	88.5	90.3	88.2	
Q/q %, SAAR	-10.1	10.2	-1.1	-7.7	-4.6	-0.9	5.5	5.4					
Y/y %	0.9	1.8	0.6	-2.4	-1.1	-3.6	-2.0	1.2	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	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	531.5	532.3	533.7	535.9	537.6	539.2	540.4	541.6	533.2	539.6	530.8	538.2
Q/q %, SAAR	4.0	0.6	1.1	1.6	1.3	1.1	0.9	0.9				
Y/y %	2.0	1.9	1.8	1.8	1.2	1.3	1.2	1.1	1.9	1.2	1.8	1.4
Domestic demand	534.0	534.5	535.9	537.8	539.5	541.0	542.3	543.6	535.5	541.5	532.7	540.1
Q/q %, SAAR	5.2	0.4	1.0	1.4	1.2	1.1	1.0	1.0				
Y/y %	1.5	1.7	1.9	2.1	1.0	1.2	1.2	1.1	1.8	1.1	1.4	1.4
Private demand	402.0	402.3	403.6	405.3	406.8	408.3	409.5	410.9	403.3	408.9	401.0	407.4
Q/q %, SAAR	5.3	0.3	1.3	1.7	1.6	1.4	1.2	1.3				
Y/y %	1.7	2.0	1.9	2.3	1.2	1.5	1.5	1.4	2.0	1.4	1.7	1.6
Final consumption	301.5	301.8	302.2	302.8	303.7	304.3	304.7	305.1	302.0	304.4	301.0	303.8
Q/q %, SAAR	3.7	0.4	0.6	0.8	1.1	0.9	0.5	0.6				
Y/y %	1.8	1.5	1.5	1.4	0.7	0.9	0.8	0.8	1.6	0.8	1.5	0.9
Residential investment	16.5	16.5	16.4	16.4	16.4	16.5	16.6	16.8	16.4	16.6	16.4	16.5
Q/q %, SAAR	6.0	-1.8	-1.6	-0.8	1.0	2.4	2.8	3.4				
Y/y %	5.6	2.0	1.6	0.5	-0.9	0.3	1.3	2.4	2.3	0.8	3.9	0.3
Non-residential investment	84.9	84.9	85.3	85.7	86.1	86.5	86.9	87.4	85.3	86.8	84.4	86.3
Q/q %, SAAR	9.9	0.4	1.6	2.0	1.8	1.8	2.0	2.2				
Y/y %	5.8	5.8	3.7	3.5	1.3	1.8	2.0	1.9	4.6	1.8	4.6	2.2
Change in inventories	-0.9	-0.9	-0.3	0.4	0.7	1.0	1.3	1.6	-0.4	1.1	-0.8	0.8
Public demand	132.0	132.3	132.4	132.6	132.6	132.7	132.7	132.8	132.3	132.6	131.7	132.6
Q/q %, SAAR	5.0	0.8	0.4	0.6	0.3	0.2	0.1	0.0				
Y/y %	0.9	1.0	1.7	1.8	0.5	0.4	0.2	0.1	1.3	0.3	0.4	0.7
Government final consumption	106.1	106.4	106.6	106.9	107.1	107.3	107.5	107.7	106.5	107.3	106.2	107.1
Q/q %, SAAR	1.3	0.9	0.8	1.0	0.8	0.8	0.8	0.8				
Y/y %	0.5	0.5	0.7	1.0	0.9	0.8	0.8	0.8	0.7	0.8	0.2	0.9
Fixed investment	25.8	25.8	25.8	25.7	25.5	25.4	25.2	25.0	25.8	25.3	25.4	25.5
Q/q %, SAAR	21.9	0.4	-1.3	-1.3	-2.0	-2.3	-2.8	-3.1				
Y/y %	2.9	2.7	5.6	4.8	-1.4	-1.5	-2.2	-2.7	4.2	-2.0	1.6	0.0
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	-3.1	-3.0	-2.9	-2.7	-2.6	-2.5	-2.6	-2.8	-3.0	-2.6	-2.7	-2.6
Exports of goods and services	88.0	88.8	89.5	90.3	90.9	91.5	92.1	92.6	89.1	91.8	88.6	91.2
Q/q %, SAAR	-1.9	3.6	3.2	3.6	2.8	2.6	2.5	2.4				
Y/y %	6.6	5.6	3.1	2.1	3.4	3.1	3.0	2.6	4.3	3.0	5.4	2.9
Imports of goods and services	91.1	91.7	92.4	92.9	93.5	94.0	94.7	95.4	92.1	94.4	91.3	93.8
Q/q %, SAAR	5.6	2.8	2.8	2.4	2.2	2.5	2.8	3.0				
Y/y %	3.9	4.8	4.1	3.4	2.6	2.5	2.5	2.6	4.1	2.5	3.5	2.7

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

3.1 Nominal Gross Domestic Expenditure (¥ tril)

	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	529.4	531.8	530.9	536.0	536.2	536.7	539.4	539.2	532.0	537.9	530.2	537.1	
Q/q %, SAAR	0.7	1.8	-0.7	3.9	0.1	0.4	2.1	-0.2					
Y/y %	3.3	3.9	2.5	1.4	1.3	0.9	1.6	0.7	2.7	1.1	3.2	1.3	
Domestic demand	532.2	533.7	532.4	531.6	531.4	531.0	533.5	534.6	532.4	532.7	532.4	531.9	
Q/q %, SAAR	0.7	1.1	-1.0	-0.5	-0.2	-0.3	1.8	0.9					
Y/y %	1.6	1.8	1.1	-0.0	-0.1	-0.5	0.2	0.6	1.1	0.1	1.1	-0.1	
Private demand	400.1	401.4	399.6	397.5	399.6	399.2	401.8	402.6	399.6	400.9	400.0	399.6	
Q/q %, SAAR	1.1	1.3	-1.8	-2.0	2.1	-0.4	2.6	0.8					
Y/y %	1.7	2.1	1.3	-0.4	-0.1	-0.6	0.6	1.4	1.2	0.3	1.1	-0.1	
Final consumption	299.7	301.5	299.7	299.4	299.4	300.2	301.9	302.5	300.1	301.0	300.3	300.2	
Q/q %, SAAR	-0.9	2.4	-2.4	-0.4	0.1	1.1	2.2	0.8					
Y/y %	1.2	1.2	0.1	-0.3	-0.2	-0.4	0.7	1.1	0.5	0.3	0.1	-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	4.0	8.0	-3.3	0.8	11.2	12.7	4.0	5.7					
Y/y %	-3.0	6.4	4.9	2.3	4.2	5.4	6.9	8.1	2.7	6.2	-0.7	4.7	
Non-residential investment	80.8	81.4	81.3	81.1	81.5	81.3	83.0	84.1	81.2	82.5	81.3	81.7	
Q/q %, SAAR	-4.4	3.0	-0.9	-0.9	1.9	-0.8	8.9	5.1					
Y/y %	2.5	1.8	1.3	-0.9	0.9	-0.5	2.5	3.5	1.1	1.7	2.0	0.5	
Change in inventories	3.8	2.4	2.7	1.2	2.4	0.8	-0.2	-1.3	2.5	0.4	2.5	1.0	
Public demand	132.2	132.3	132.8	134.1	131.7	131.8	131.7	132.0	132.8	131.8	132.4	132.3	
Q/q %, SAAR	-0.3	0.5	1.5	3.9	-6.8	0.3	-0.4	0.9					
Y/y %	1.6	0.7	0.5	1.2	-0.1	-0.3	-0.9	-1.6	1.0	-0.8	1.1	-0.1	
Government final consumption	104.8	105.3	106.2	107.6	105.5	105.8	106.1	106.2	106.0	105.9	105.3	106.3	
Q/q %, SAAR	-0.4	1.9	3.3	5.4	-7.5	1.2	1.2	0.1					
Y/y %	1.2	1.0	1.8	2.8	0.5	0.4	-0.0	-1.2	1.7	-0.1	1.7	0.9	
Fixed investment	27.3	27.0	26.6	26.4	26.1	26.0	25.5	25.8	26.7	25.8	27.0	26.0	
Q/q %, SAAR	0.9	-5.1	-5.7	-2.5	-3.9	-2.7	-6.8	4.3					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.9	-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	-1.9	-1.5	4.4	4.8	5.6	6.0	4.6	-0.4	5.3	-2.2	5.2	
Exports of goods and services	92.9	95.2	91.0	87.4	84.8	85.0	89.6	94.6	91.7	88.6	93.6	86.8	
Q/q %, SAAR	-8.9	10.2	-16.4	-14.9	-11.7	1.2	23.6	24.1					
Y/y %	5.6	5.0	-4.5	-7.9	-9.2	-10.7	-1.3	8.1	-0.7	-3.4	3.8	-7.3	
Imports of goods and services	95.7	97.1	92.5	83.0	80.0	79.4	83.7	90.0	92.1	83.3	95.8	81.6	
Q/q %, SAAR	-8.2	5.8	-17.5	-35.1	-14.0	-2.9	23.5	33.8					
Y/y %	-3.5	-5.6	-11.3	-15.1	-16.6	-18.4	-9.4	8.3	-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	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	545.4	548.2	551.2	553.7	556.3	558.3	560.1	561.6	549.5	559.0	545.9	557.1
Q/q %, SAAR	4.6	2.1	2.2	1.9	1.9	1.4	1.3	1.1				
Y/y %	1.6	2.1	2.2	2.7	2.1	1.8	1.6	1.4	2.1	1.7	1.6	2.0
Domestic demand	542.0	544.2	547.0	549.2	551.6	553.4	555.2	556.7	545.7	554.3	541.8	552.4
Q/q %, SAAR	5.6	1.7	2.1	1.6	1.7	1.3	1.3	1.1				
Y/y %	1.9	2.5	2.5	2.9	1.8	1.7	1.5	1.4	2.4	1.6	1.9	1.9
Private demand	408.2	410.2	412.8	414.8	417.0	418.7	420.5	421.9	411.6	419.6	408.4	417.7
Q/q %, SAAR	5.7	1.9	2.6	2.0	2.2	1.7	1.7	1.4				
Y/y %	2.0	2.8	2.7	3.2	2.1	2.1	1.8	1.8	2.7	2.0	2.2	2.3
Final consumption	305.0	306.5	307.9	308.5	309.8	310.6	311.3	311.7	307.0	310.8	305.5	310.0
Q/q %, SAAR	3.4	2.0	1.8	0.8	1.7	1.0	0.9	0.6				
Y/y %	1.9	2.1	2.0	2.0	1.6	1.3	1.1	1.0	2.0	1.3	1.8	1.5
Residential investment	17.6	17.5	17.6	17.6	17.7	17.8	18.0	18.2	17.6	17.9	17.5	17.8
Q/q %, SAAR	6.3	-0.6	0.2	0.8	2.2	3.2	3.6	4.1				
Y/y %	7.3	3.7	2.9	1.8	0.6	1.6	2.4	3.2	3.9	2.0	5.4	1.6
Non-residential investment	86.5	87.0	87.6	88.2	88.8	89.3	89.8	90.4	87.4	89.6	86.2	89.0
Q/q %, SAAR	12.2	2.1	3.0	2.8	2.4	2.4	2.5	2.4				
Y/y %	6.4	7.2	5.4	5.1	2.5	2.6	2.6	2.4	5.9	2.5	5.5	3.3
Change in inventories	-0.9	-0.9	-0.3	0.4	0.7	1.1	1.4	1.7	-0.4	1.2	-0.8	0.9
Public demand	133.8	134.1	134.2	134.5	134.6	134.7	134.7	134.8	134.1	134.7	133.5	134.6
Q/q %, SAAR	5.5	1.0	0.5	0.7	0.4	0.3	0.2	0.1				
Y/y %	1.5	1.7	2.0	2.0	0.7	0.5	0.3	0.1	1.8	0.4	0.9	0.9
Government final consumption	106.6	106.8	107.1	107.4	107.6	107.8	108.1	108.3	106.9	108.0	106.7	107.7
Q/q %, SAAR	1.5	1.0	0.9	1.1	0.9	0.9	0.9	0.9				
Y/y %	0.9	1.0	0.9	1.1	1.0	0.9	1.0	0.9	0.9	1.0	0.4	1.0
Fixed investment	27.2	27.2	27.1	27.1	27.0	26.8	26.6	26.4	27.2	26.7	26.8	26.9
Q/q %, SAAR	22.9	0.8	-0.9	-1.0	-1.8	-2.1	-2.7	-3.0				
Y/y %	4.5	4.4	6.6	5.3	-1.1	-1.3	-2.0	-2.5	5.3	-1.8	2.9	0.3
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	3.4	4.0	4.1	4.5	4.7	4.9	4.9	4.9	4.0	4.8	4.0	4.7
Exports of goods and services	93.5	94.3	95.1	95.9	96.7	97.3	98.0	98.6	94.7	97.6	94.3	97.0
Q/q %, SAAR	-4.4	3.2	3.3	3.8	3.0	2.8	2.7	2.6				
Y/y %	10.3	10.9	5.9	1.4	3.4	3.2	3.1	2.8	6.9	3.1	8.7	2.8
Imports of goods and services	90.1	90.3	90.9	91.4	91.9	92.5	93.1	93.7	90.7	92.8	90.4	92.2
Q/q %, SAAR	0.7	0.8	2.6	2.3	2.1	2.4	2.7	2.9				
Y/y %	12.8	13.9	8.5	1.6	1.9	2.3	2.4	2.5	8.9	2.3	10.8	2.1

Source: Compiled by DIR.

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

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

E: DIR estimate.

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	103.3	103.0	102.8	102.8	102.4	102.9	102.8	102.7	103.0
Q/q %, SAAR	0.3	0.2	0.0	0.4	-0.3	-0.2	0.1	-0.4				
Y/y %	1.5	1.8	1.6	0.9	0.4	-0.1	-0.1	-0.8	1.5	-0.2	2.1	0.3
Private final consumption	101.7	101.7	101.7	101.3	101.1	101.0	101.4	101.3	101.6	101.2	101.6	101.2
Q/q %, SAAR	0.2	0.0	-0.0	-0.4	-0.1	-0.1	0.4	-0.2				
Y/y %	0.1	-0.0	0.1	-0.2	-0.5	-0.7	-0.2	0.0	-0.0	-0.4	0.4	-0.4
Private residential investment	105.8	106.0	105.9	105.1	104.6	104.9	105.7	106.2	105.7	105.4	105.9	105.1
Q/q %, SAAR	-0.1	0.2	-0.1	-0.8	-0.5	0.3	0.7	0.5				
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	102.4	102.0	101.5	101.3	101.1	101.1	101.4	102.0	101.3	102.1	101.3
Q/q %, SAAR	0.5	0.1	-0.5	-0.5	-0.2	-0.2	-0.0	0.3				
Y/y %	1.1	0.9	0.4	-0.4	-1.1	-1.4	-0.7	-0.0	0.4	-0.8	0.9	-0.9
Government final consumption	100.5	100.6	100.7	100.6	99.9	100.0	100.3	100.4	100.6	100.2	100.7	100.2
Q/q %, SAAR	-0.2	0.1	0.1	-0.1	-0.7	0.1	0.3	0.1				
Y/y %	-0.5	-0.6	-0.4	0.0	-0.7	-0.6	-0.4	-0.2	-0.4	-0.4	0.1	-0.4
Public fixed investment	105.1	104.8	104.6	103.8	103.6	103.7	104.4	105.0	104.5	104.2	104.7	103.9
Q/q %, SAAR	0.6	-0.3	-0.2	-0.8	-0.2	0.1	0.7	0.5				
Y/y %	1.5	0.6	0.6	-0.6	-1.4	-1.2	-0.2	1.2	0.4	-0.3	1.4	-0.8
Exports of goods and services	114.1	114.2	109.6	105.3	103.0	101.1	103.4	107.0	110.8	103.7	112.6	103.2
Q/q %, SAAR	1.4	0.1	-4.0	-3.9	-2.2	-1.8	2.2	3.5				
Y/y %	3.6	2.1	-4.1	-6.6	-9.8	-11.4	-5.7	1.5	-1.4	-6.4	0.8	-8.4
Imports of goods and services	108.0	106.9	102.2	93.6	91.2	90.7	94.3	100.1	102.6	94.2	106.1	92.5
Q/q %, SAAR	0.5	-1.0	-4.4	-8.4	-2.6	-0.5	4.0	6.1				
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	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	102.6	103.0	103.3	103.3	103.5	103.5	103.7	103.7	103.1	103.6	102.8	103.5
Q/q %, SAAR	0.2	0.4	0.3	0.1	0.1	0.1	0.1	0.0				
Y/y %	-0.4	0.2	0.4	0.9	0.9	0.5	0.4	0.3	0.3	0.5	-0.1	0.7
Private final consumption	101.2	101.6	101.9	101.9	102.0	102.0	102.2	102.2	101.6	102.1	101.5	102.0
Q/q %, SAAR	-0.1	0.4	0.3	-0.0	0.1	0.0	0.1	0.0				
Y/y %	0.0	0.6	0.4	0.6	0.9	0.4	0.3	0.3	0.4	0.5	0.3	0.5
Private residential investment	106.3	106.6	107.1	107.5	107.9	108.1	108.3	108.4	106.9	108.2	106.6	107.9
Q/q %, SAAR	0.1	0.3	0.5	0.4	0.3	0.2	0.2	0.2				
Y/y %	1.7	1.7	1.4	1.2	1.5	1.3	1.1	0.8	1.5	1.2	1.4	1.3
Private non-residential investment	102.0	102.4	102.8	103.0	103.1	103.3	103.4	103.4	102.6	103.3	102.1	103.2
Q/q %, SAAR	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1				
Y/y %	0.6	1.3	1.6	1.5	1.2	0.8	0.6	0.5	1.3	0.7	0.8	1.0
Government final consumption	100.4	100.4	100.5	100.5	100.5	100.5	100.6	100.6	100.5	100.6	100.5	100.6
Q/q %, SAAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Y/y %	0.4	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.2	0.1
Public fixed investment	105.2	105.3	105.4	105.4	105.5	105.6	105.6	105.6	105.3	105.6	105.2	105.5
Q/q %, SAAR	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0				
Y/y %	1.6	1.6	0.9	0.4	0.3	0.2	0.2	0.2	1.1	0.2	1.3	0.3
Exports of goods and services	106.4	106.2	106.2	106.3	106.3	106.4	106.4	106.5	106.3	106.4	106.5	106.4
Q/q %, SAAR	-0.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0				
Y/y %	3.4	5.0	2.8	-0.6	-0.1	0.1	0.2	0.1	2.5	0.1	3.1	-0.1
Imports of goods and services	98.9	98.5	98.4	98.4	98.4	98.3	98.3	98.3	98.6	98.3	99.0	98.4
Q/q %, SAAR	-1.2	-0.5	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0				
Y/y %	8.6	8.6	4.3	-1.7	-0.6	-0.2	-0.1	-0.1	4.7	-0.2	7.1	-0.7

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.

5.1 Contribution to Real GDP Growth by Component

	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) Q/q %													
GDP growth rate	-0.1	0.2	-0.2	0.6	0.3	0.3	0.4	0.4	1.3	1.3	1.1	1.0	
Domestic demand	-0.0	0.3	-0.2	0.2	0.3	-0.1	0.1	0.2	1.2	0.5	0.7	0.4	
Private demand	0.0	0.3	-0.3	-0.1	0.6	-0.1	0.2	0.2	0.9	0.6	0.5	0.3	
Private consumption	-0.2	0.3	-0.3	0.2	0.1	0.2	0.1	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	0.1	0.0	0.3	0.1	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	-0.4	0.6	-0.3	
Public demand	-0.0	0.0	0.1	0.3	-0.3	0.0	-0.1	0.0	0.3	-0.1	0.2	0.1	
Government final consumption	0.0	0.1	0.1	0.3	-0.3	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	-0.0	-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	-0.1	-0.1	-0.0	0.4	0.1	0.4	0.3	0.1	0.1	0.8	0.4	0.6	
Exports of goods and services	-0.7	0.4	-0.1	-0.0	-0.2	0.4	0.6	0.3	0.1	0.6	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	1.5	1.3	1.3	1.1	1.0	
Domestic demand	1.6	1.9	1.1	0.3	0.6	0.3	0.5	0.6	1.2	0.5	0.7	0.4	
Private demand	1.2	1.6	0.9	-0.1	0.4	0.1	0.7	1.0	0.9	0.6	0.5	0.3	
Private consumption	0.6	0.8	0.0	-0.0	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	0.6	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	-0.4	0.4	-0.4	0.6	-0.3	
Public demand	0.4	0.3	0.2	0.4	0.2	0.1	-0.2	-0.5	0.3	-0.1	0.2	0.1	
Government final consumption	0.3	0.3	0.4	0.6	0.2	0.2	0.1	-0.2	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	1.1	0.9	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	1.1	0.1	0.6	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		2018		2019		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)	2017 (E)	2018 (E)	2017 (E)	2018 (E)
1) Q/q %												
GDP growth rate	1.0	0.1	0.3	0.4	0.3	0.3	0.2	0.2	1.9	1.2	1.8	1.4
Domestic demand	1.3	0.1	0.3	0.4	0.3	0.3	0.2	0.3	1.8	1.1	1.4	1.3
Private demand	1.0	0.1	0.2	0.3	0.3	0.3	0.2	0.2	1.5	1.1	1.3	1.2
Private consumption	0.5	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.9	0.5	0.8	0.5
Residential investment	0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
Private fixed investment	0.4	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.7	0.3	0.7	0.3
Change in private inventories	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	-0.2	0.3	-0.4	0.3
Public demand	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.1	0.2
Government final consumption	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.2
Public fixed investment	0.2	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.2	-0.1	0.1	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	-0.3	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	0.1	0.3	0.0
Exports of goods and services	-0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.7	0.5	0.9	0.5
Imports of goods and services	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.7	-0.4	-0.5	-0.5
2) Y/y %												
GDP growth rate	2.0	1.9	1.8	1.8	1.2	1.3	1.2	1.1	1.9	1.2	1.8	1.4
Domestic demand	1.5	1.7	1.9	2.1	1.0	1.2	1.2	1.1	1.8	1.1	1.4	1.3
Private demand	1.3	1.5	1.5	1.7	0.9	1.1	1.1	1.1	1.5	1.1	1.3	1.2
Private consumption	1.0	0.9	0.9	0.8	0.4	0.5	0.5	0.4	0.9	0.5	0.8	0.5
Residential investment	0.2	0.1	0.0	0.0	-0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0
Private fixed investment	0.8	0.9	0.6	0.6	0.2	0.3	0.3	0.3	0.7	0.3	0.7	0.3
Change in private inventories	-0.7	-0.3	-0.0	0.3	0.3	0.4	0.3	0.2	-0.2	0.3	-0.4	0.3
Public demand	0.2	0.2	0.4	0.4	0.1	0.1	0.0	0.0	0.3	0.1	0.1	0.2
Government final consumption	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.0	0.2
Public fixed investment	0.1	0.1	0.3	0.3	-0.1	-0.1	-0.1	-0.1	0.2	-0.1	0.1	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	0.5	0.1	-0.2	-0.2	0.1	0.1	0.1	-0.0	0.0	0.1	0.3	0.0
Exports of goods and services	1.1	0.9	0.5	0.3	0.6	0.5	0.5	0.4	0.7	0.5	0.9	0.5
Imports of goods and services	-0.6	-0.8	-0.7	-0.6	-0.4	-0.4	-0.4	-0.5	-0.7	-0.4	-0.5	-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

	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 %	3.8	3.5	3.3	3.2	3.4	3.4	3.7	3.9	3.5	3.6	3.7	3.4	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	57.8	46.5	42.2	33.6	45.6	44.9	49.3	51.8	45.0	47.9	48.8	43.5	
	-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)													
	16,461	16,528	16,548	16,572	16,664	16,778	16,851	16,903	16,527	16,799	16,472	16,716	
Q/q %, SAAR	2.7	1.6	0.5	0.6	2.2	2.8	1.8	1.2					
Y/y %	3.3	2.4	2.0	1.4	1.2	1.5	1.8	2.0	2.3	1.6	2.9	1.5	
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	112.0	109.9	110.9	109.9	110.4	
Q/q %, SAAR	0.9	0.5	-2.2	0.7	1.5	1.0	2.3	3.3					
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 (%) (Target rate for the forecast period, end-period)													
	0.25	0.25	0.50	0.50	0.50	0.50	0.75	1.00	0.50	1.00	0.50	0.75	
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	104.8	105.3	106.2	107.6	105.5	105.8	106.1	106.2	106.0	105.9	105.3	106.3	
Q/q %, SAAR	-0.4	1.9	3.3	5.4	-7.5	1.2	1.2	0.1					
Y/y %	1.2	1.0	1.8	2.8	0.5	0.4	-0.0	-1.2	1.7	-0.1	1.7	0.9	
Nominal public fixed investment													
Y tril; SAAR	27.3	27.0	26.6	26.4	26.1	26.0	25.5	25.8	26.7	25.8	27.0	26.0	
Q/q %, SAAR	0.9	-5.1	-5.7	-2.5	-3.9	-2.7	-6.8	4.3					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.9	-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/€)	135.0	135.6	131.5	128.0	120.7	114.7	119.2	120.2	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			2018			2019			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	2017	2018	2017	2018	
	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	(E)	
1) World economy													
Economic growth of major trading partners													
Y/y %	3.9	3.7	3.6	3.7	3.5	3.5	3.5	3.5	3.7	3.5	3.8	3.6	
Crude oil price (WTI futures; \$/bbl)	48.1	48.2	49.0	49.0	49.0	49.0	49.0	49.0	48.6	49.0	49.3	49.0	
Y/y %	5.5	7.3	-0.6	-5.4	1.8	1.7	0.0	0.0	1.4	0.8	13.4	-0.6	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	17,011	17,121	17,224	17,317	17,409	17,500	17,590	17,680	17,168	17,544	17,065	17,454	
Q/q %, SAAR	2.6	2.6	2.4	2.2	2.1	2.1	2.1	2.1					
Y/y %	2.1	2.0	2.2	2.4	2.3	2.2	2.1	2.1	2.2	2.2	2.1	2.3	
Consumer Price Index													
(1982-84 avg=100)	243.9	244.8	246.3	247.8	249.3	251.0	252.8	254.4	245.7	251.9	244.8	250.2	
Q/q %, SAAR	-0.3	1.4	2.6	2.5	2.5	2.7	2.9	2.6					
Y/y %	1.9	1.8	1.7	1.5	2.2	2.6	2.6	2.7	1.7	2.5	2.0	2.2	
Producer Price Index													
(Final demand; 2009.Nov=100)	112.7	113.2	113.8	114.4	115.0	115.6	116.3	117.0	113.5	116.0	112.9	115.3	
Q/q %, SAAR	2.6	1.7	2.2	2.1	2.1	2.3	2.4	2.2					
Y/y %	2.3	2.5	2.4	2.1	2.0	2.1	2.2	2.2	2.3	2.2	2.3	2.1	
FF rate (%)	1.25	1.25	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; %)	2.26	2.31	2.52	2.68	2.72	2.93	3.14	3.35	2.44	3.03	2.38	2.87	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	106.6	106.8	107.1	107.4	107.6	107.8	108.1	108.3	106.9	108.0	106.7	107.7	
Q/q %, SAAR	1.5	1.0	0.9	1.1	0.9	0.9	0.9	0.9					
Y/y %	0.9	1.0	0.9	1.1	1.0	0.9	1.0	0.9	0.9	1.0	0.4	1.0	
Nominal public fixed investment													
Y tril; SAAR	27.2	27.2	27.1	27.1	27.0	26.8	26.6	26.4	27.2	26.7	26.8	26.9	
Q/q %, SAAR	22.9	0.8	-0.9	-1.0	-1.8	-2.1	-2.7	-3.0					
Y/y %	4.5	4.4	6.6	5.3	-1.1	-1.3	-2.0	-2.5	5.3	-1.8	2.9	0.3	
Exchange rate (Y/\$)	111.1	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.0	111.7	111.0	
(Y/€)	124.3	130.0	130.0	130.0	130.0	130.0	130.0	130.0	128.6	130.0	126.1	130.0	

Source: Compiled by DIR.

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

E: DIR estimate.