

27 November 2017 (No. of pages: 20)

Japanese report: 21 Nov 2017

Japan's Economic Outlook No. 195 (Summary)

Pace of Growth to Peak Out in FY2017. In this report we examine the following: (1) Abenomics, (2) Restrictions on Overtime, (3) Regional Economies, and (4) China

Japan to see real GDP growth of +1.6% in FY17, +1.2% in FY18, and +0.6% in FY19, with nominal GDP growth of +1.6% in FY17, +1.6% in FY18, and +1.5% in FY19.

Mitsumaru Kumagai

Economic Research Dept.

Tomoya Kondo

Mikio Mizobata

Satoshi Osanai

Shunsuke Kobayashi

Kazuma Maeda

Akane Yamaguchi

Yota Hirono

Research Division

Midori Takeyama

Summary

- **Pace of growth to peak out in FY2017:** In light of the 1st preliminary Jul-Sep 2017 GDP release we have revised our economic growth outlook. We now forecast real GDP growth of +1.6% in comparison with the previous year for FY17 (+1.7% in the previous forecast), +1.2% in comparison with the previous year for FY18 (+1.3% in the previous forecast), and +0.6% in comparison with the previous year for FY19. Japan's economy has continued accelerated growth due to the following factors: (1) favorable overseas demand, (2) inventory investment, and (3) replacement demand for durables. However, the effects of these three factors will gradually fade away in the future, while in addition, the consumption tax increase planned for October 2019 is expected to have a negative impact on income. Hence we expect Japan's economy to continue a gradual slowdown through FY2019.
- **GDP wins seventh consecutive quarter of growth:** The real GDP growth rate for Jul-Sep 2017 (1st preliminary est) grew for the seventh consecutive quarter by +1.4% q/q annualized (+0.3% q/q), pretty much in line with market consensus (+1.5% q/q annualized, +0.4% q/q). Continuing bad weather was influential, with categories such as personal consumption and

public investment, which contributed to the acceleration of growth during the previous quarter, taking a negative turn. However, an increase in exports led growth in overall results. The GDP deflator grew for the first time in three quarters (+0.3% q/q) as a result of terms of trade having improved due to import prices settling down, and moderate progress in domestic price pass-through. Nominal GDP grew for the second consecutive quarter by +2.5% q/q annualized (+0.6% q/q).

- **Exports lead growth, while consumption and public investment take a negative turn:** Performance by demand component in the Jul-Sep 2017 results shows private sector final consumption expenditure suffering a decline for the first time in seven quarters by -0.5% q/q. In addition to continued improvements in the employment environment, consumer confidence remains at a positive level. However, bad weather appears to have brought down personal consumption, with record level rain especially in eastern Japan in August, and a series of typhoons hitting various areas of the country in September. Another aspect of the decline is a reaction to the favorable results of the Apr-Jun period when personal consumption grew by +0.7%. Looking at performance by sector we see services down by -0.7% due to bad weather, while semi-durables and non-durables maintained underlying strength in relative terms at +1.0% and +0.1% respectively. Meanwhile, durables, which have continued to chalk up growth since 2016, suffered a notable decline for the first time in seven quarters at -1.2%. We have seen 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, the effects of replacement demand for durables which has continued over the past six quarters may be moving closer to the point of peaking out.

Housing investment declined for the first time in seven quarters at -0.9% q/q. Low interest housing loans continue to provide underlying support. However, the positive effects of strategies in dealing with inheritance tax are beginning to disappear, and rising prices may be putting a damper on demand.

Capital expenditure grew for the fourth consecutive quarter though by just a small amount at +0.2% q/q. Capital expenditure continues to maintain an undercurrent of growth due to increased factory operating rates associated with recent growth in exports, and the growing seriousness of the shortage of manpower.

Private sector inventory increased its contribution to GDP growth at +0.2%pt q/q. This was the first time in five quarters for inventory to bring a positive contribution. Work in progress inventory and material & supplies inventory, which are provisional on the 1st preliminary GDP estimate, each contributed +0.0%pt, while both finished goods and distribution inventory contributed +0.1%pt. In terms of the inventory cycle, Japan's economy is currently in the recovery and accumulation phase, and these results are consistent with the cycle.

Public investment suffered a decline for the first time in three quarters at -2.5% q/q. The FY2016 supplementary budget was implemented during the Apr-Jun period for the most part (public investment was up by +5.8% during that quarter), with a reactionary decline manifesting during the Jul-Sep period. In addition, government consumption fell for the first time in two quarters by -0.1%.

Exports grew for the first time in two quarters at +1.5% q/q. According to trade statistics for the Jul-Sep period, exports to the EU fell due to a downturn for automobiles, while semiconductor manufacturing equipment drove up overall results, with exports to the US and Asia also registering growth. On the other hand, imports were down by -1.6% due to a decline in

domestic demand. As a result, contribution of overseas demand to GDP growth exhibited a major increase for the first time in two quarters at +0.5%pt.

- **Japan's economy to continue moderate expansion, but risk remains in the area of 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, 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.

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. Meanwhile, in the short-term the negative effects of bad weather in October on personal consumption are expected to have continued. Moreover, new model car sales, which had been maintaining favorability until now have been weakening recently, indicating that replacement demand is beginning to peak out as was mentioned earlier in this report. One automobile manufacturer halted production and shipments at its domestic factories for a period of about two weeks due to its being unprepared to carry out completion inspections, and this could become a factor in the decline in new car sales.

Housing investment is expected to take a breather from its recent growth trend, and then move into a gradual descent from its current plateau. Low interest housing loans continue to provide underlying support. However, the positive effects of strategies in dealing with inheritance tax are beginning to disappear, and a reaction to recent performance may appear in the near future, hence caution is urged.

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, there is not necessarily enough propensity to invest in capex to encourage a capacity increase. Possibilities are great that the leader in capex spending will be maintenance & repair of aging and existing facilities. Meanwhile, investment in labor-saving and rationalization due to the continuing labor shortage is expected to continue its growth. In addition, investment in research & development oriented toward increasing profitability has also been on the rise, and is expected to become a factor in pushing up capex with support provided by improvements in free corporate cash flow.

As for public investment, we expect to see a gradual decline though retaining relatively high levels, due to the increasing disappearance of the positive effects 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. However, caution is required regarding 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, China's economy risks the possibility of slowing down now that the meeting of the

National Congress of the Communist Party is over. A reactionary decline in demand could now occur the economic measures which had kept it artificially high until now. 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): The economic effects of Abenomics, and influence of planned 2019 consumption tax hike:** Here we examine the effects to date of Abenomics on corporate earnings and Japan's overall economy, and the influence of the consumption tax hike planned for October 2019. Based on a simulation performed by DIR, we estimate that due to the effects of bold monetary easing (1. Decline in real interest rate + 2. Yen depreciation/growth in stock prices), the real GDP growth rate was pushed upwards by around +0.45% annualized, while the unemployment rate was pushed downwards by an annual average of around -0.1%pt. Meanwhile, due to the consumption tax hike planned for 2019, real personal consumption in comparison to what it would be if there were no tax hike is expected to be pushed up in FY2018 by +0.3 tril yen (+0.1%), and then pushed downwards in FY2019 by -0.2 tril yen (-0.1%), and again in FY20 by -3.1 tril yen (-1.0%). We see the effects here of last-minute demand + reactionary decline + short-term income effect.
- **Issue (2): How to compensate for labor shortage with restrictions on overtime:** Here we perform a quantitative analysis of growth potential in the supply of labor looking at two aspects of the question, that of existing workers and new workers, as a means of considering methods of compensating for the shortage of labor under new restrictions on overtime. In the short-term, longer work hours on the part of existing workers are hoped for, but there are limits to the potential supply of labor in the construction and telecommunications industries. It is therefore essential to encourage both corporations and the government to work out ways of increasing labor productivity in addition to increasing the number of new workers through reducing the unemployment rate and other means.
- **Issue (3): How to reduce the regional income gap:** The regional income gap is shrinking somewhat around the entire nation, but progress varies widely depending on the region. However, the income gap is in a reduction trend in regions specializing in high value added industries, as well as regions which ship out and export a large amount. While seeking growth in shipments and exports in areas of specialization, it is important to avoid overly much growth in inbound shipments and imports in the process of extending the activities of these specialized industries. Disparity in regional labor productivity is often caused by differences in labor productivity within single industries. To reduce said disparity and shift employment to high value added industries is an important part of the effort to reduce the gap between regions.
- **Issue (4): How much longer can China endure the collapse in asset prices?:** China's balance of debt centering on corporations has been exhibiting major growth, and there are fears that this might trigger a global financial crisis. While China has managed to shift over to growth led by consumption, the key to future growth lies in trends in the household sector. According to our estimate, if asset prices in the area securities and real estate were to fall by close to 30%, net assets of households would deteriorate to a similar degree as was seen after the collapse of Japan's economic bubble and during the global financial crisis of 2008 which originated in the US. Currently, the household sector in China is maintaining its integrity

and there is not much short-term risk. However, we urge caution regarding any changes that might occur in asset prices in the future.

- **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.
- **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 +4.4% in FY17, and then decrease in FY18 at -1.5%, with another decrease expected in FY19 at -1.2%.
- Average exchange rate of Y112.3/\$ in FY17, Y113.5/\$ in FY18, and Y113.5/\$ in FY19.
- US real GDP growth of +2.2% in CY17, +2.4% in CY18, and +2.1% in CY19.

Main Economic Indicators and Real GDP Components

	FY17 (Estimate)	FY18 (Estimate)	FY19 (Estimate)	CY17 (Estimate)	CY18 (Estimate)	CY19 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.6	1.6	1.5	1.3	1.7	1.5
Real GDP (chained [2011]; y/y %)	1.6	1.2	0.6	1.5	1.3	0.9
Domestic demand (contribution, % pt)	1.1	0.9	0.5	0.9	0.9	0.9
Foreign demand (contribution, % pt)	0.4	0.2	0.1	0.6	0.3	0.0
GDP deflator (y/y %)	0.1	0.4	0.8	-0.3	0.4	0.6
Index of All-industry Activity (y/y %)*	2.3	1.4	1.2	1.9	1.7	1.3
Index of Industrial Production (y/y %)	5.0	2.7	1.9	4.8	3.4	2.0
Index of Tertiary Industry Activity (y/y %)	1.2	1.1	1.0	0.8	1.2	1.1
Corporate Goods Price Index (y/y %)	2.5	2.5	3.8	2.3	2.3	3.3
Consumer Price Index (excl. fresh food; y/y %)	0.6	0.7	1.2	0.5	0.7	1.0
Unemployment rate (%)	2.8	2.7	2.7	2.8	2.8	2.7
Government bond yield (10 year; %)	0.05	0.05	0.05	0.05	0.05	0.05
Money stock; M2 (end-period; y/y %)	4.0	4.0	4.0	4.0	4.0	4.0
Balance of payments						
Trade balance (Y tril)	5.7	7.1	8.2	5.3	7.1	7.4
Current balance (\$100 mil)	2,111	2,310	2,433	2,018	2,300	2,342
Current balance (Y tril)	24.0	26.5	27.9	22.7	26.1	26.6
(% of nominal GDP)	4.4	4.8	5.0	4.2	4.7	4.7
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	0.9 (0.5)	0.6 (0.3)	0.1 (0.1)	1.0 (0.6)	0.6 (0.3)	0.7 (0.4)
Private housing investment	1.8 (0.1)	-0.0 (-0.0)	0.3 (0.0)	3.6 (0.1)	-0.5 (-0.0)	2.0 (0.1)
Private fixed investment	2.1 (0.3)	1.9 (0.3)	1.9 (0.3)	2.7 (0.4)	1.7 (0.3)	2.1 (0.3)
Government final consumption	0.8 (0.2)	0.8 (0.2)	0.8 (0.2)	0.2 (0.0)	0.8 (0.2)	0.8 (0.2)
Public fixed investment	2.8 (0.1)	-1.9 (-0.1)	-1.7 (-0.1)	0.7 (0.0)	-0.4 (-0.0)	-1.8 (-0.1)
Exports of goods and services	5.1 (0.8)	3.4 (0.6)	2.4 (0.4)	5.9 (1.0)	3.5 (0.6)	2.6 (0.5)
Imports of goods and services	2.3 (-0.4)	2.1 (-0.4)	1.6 (-0.3)	2.4 (-0.4)	1.6 (-0.3)	2.6 (-0.4)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	4.1	3.7	3.5	4.1	3.9	3.6
Crude oil price (WTI futures; \$/bbl)	51.1	54.0	54.0	50.5	54.0	54.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.4	2.3	2.1	2.2	2.4	2.1
US Consumer Price Index (y/y %)	1.9	2.4	2.4	2.1	2.2	2.5
3. Japanese economy						
Nominal public fixed investment (y/y %)	4.4	-1.5	-1.2	2.3	0.2	-1.5
Exchange rate (Y/\$)	112.3	113.5	113.5	112.3	113.5	113.5
(Y/€)	129.9	132.0	132.0	126.9	132.0	132.0

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 195)			Previous outlook (Outlook 194 update)		Difference between previous and current outlooks	
	FY17	FY18	FY19	FY17	FY18	FY17	FY18
Main economic indicators							
Nominal GDP (y/y %)	1.6	1.6	1.5	1.9	1.8	-0.3	-0.3
Real GDP (chained [2011]; y/y %)	1.6	1.2	0.6	1.7	1.3	-0.1	-0.1
Domestic demand (contribution, % pt)	1.1	0.9	0.5	1.6	1.2	-0.4	-0.2
Foreign demand (contribution, % pt)	0.4	0.2	0.1	0.1	0.1	0.4	0.1
GDP deflator (y/y %)	0.1	0.4	0.8	0.2	0.6	-0.2	-0.1
Index of All-industry Activity (y/y %)*	2.3	1.4	1.2	2.4	1.5	-0.0	-0.1
Index of Industrial Production (y/y %)	5.0	2.7	1.9	4.4	2.5	0.6	0.2
Index of Tertiary Industry Activity (y/y %)	1.2	1.1	1.0	1.4	1.3	-0.2	-0.2
Corporate Goods Price Index (y/y %)	2.5	2.5	3.8	2.6	2.1	-0.0	0.4
Consumer Price Index (excl. fresh food; y/y %)	0.6	0.7	1.2	0.6	0.7	0.1	0.1
Unemployment rate (%)	2.8	2.7	2.7	2.8	2.7	-0.0	0.0
Government bond yield (10 year; %)	0.05	0.05	0.05	0.04	0.04	0.01	0.01
Money stock; M2 (end-period; y/y %)	4.0	4.0	4.0	3.9	3.9	0.1	0.1
Balance of payments							
Trade balance (Y tril)	5.7	7.1	8.2	4.2	5.0	1.5	2.2
Current balance (\$100 mil)	2,111	2,310	2,433	1,791	1,881	320	429
Current balance (Y tril)	24.0	26.5	27.9	20.0	20.9	4.0	5.6
(% of nominal GDP)	4.4	4.8	5.0	3.6	3.7	0.7	1.0
Real GDP components (chained [2011]; y/y %)							
Private final consumption	0.9	0.6	0.1	1.6	0.8	-0.6	-0.2
Private housing investment	1.8	-0.0	0.3	2.3	0.8	-0.6	-0.8
Private fixed investment	2.1	1.9	1.9	2.7	2.1	-0.6	-0.2
Government final consumption	0.8	0.8	0.8	0.7	0.8	0.0	-0.0
Public fixed investment	2.8	-1.9	-1.7	4.7	-2.4	-1.8	0.5
Exports of goods and services	5.1	3.4	2.4	4.3	3.0	0.8	0.3
Imports of goods and services	2.3	2.1	1.6	3.7	2.5	-1.4	-0.5
Major assumptions:							
1. World economy							
Economic growth of major trading partners	4.1	3.7	3.5	3.8	3.5	0.4	0.2
Crude oil price (WTI futures; \$/bbl)	51.1	54.0	54.0	48.6	49.0	2.5	5.0
2. US economy							
US real GDP (chained [2009]; y/y %)	2.4	2.3	2.1	2.3	2.2	0.1	0.1
US Consumer Price Index (y/y %)	1.9	2.4	2.4	1.7	2.5	0.2	-0.1
3. Japanese economy							
Nominal public fixed investment (y/y %)	4.4	-1.5	-1.2	5.6	-2.1	-1.2	0.6
Exchange rate (Y/\$)	112.3	113.5	113.5	110.3	110.0	2.0	3.5
(Y/€)	129.9	132.0	132.0	128.6	130.0	1.3	2.0

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

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
Nominal GDP (SAAR; Y tril)	536.5	536.6	539.2	539.1	542.4	545.8	548.2	550.5	537.9	546.6	537.0	543.8
Q/q %	0.1	0.0	0.5	-0.0	0.6	0.6	0.4	0.4				
Q/q %, SAAR	0.5	0.1	1.9	-0.1	2.5	2.5	1.8	1.7				
Y/y %	1.3	0.9	1.6	0.7	1.0	1.7	1.7	2.1	1.1	1.6	1.3	1.3
Real GDP (chained [2011]; SAAR; Y tril)	521.1	522.2	524.3	525.6	529.0	530.8	532.5	534.2	523.3	531.5	521.4	529.4
Q/q %	0.5	0.2	0.4	0.3	0.6	0.3	0.3	0.3				
Q/q %, SAAR	2.0	0.9	1.6	1.0	2.6	1.4	1.3	1.3				
Y/y %	0.9	1.0	1.6	1.5	1.4	1.7	1.6	1.6	1.3	1.6	1.0	1.5
Contribution to GDP growth (% pt)												
Domestic demand	0.4	-0.1	0.1	0.1	0.9	-0.2	0.3	0.2	0.5	1.1	0.4	0.9
Foreign demand	0.1	0.4	0.3	0.1	-0.2	0.5	0.1	0.1	0.8	0.4	0.6	0.6
GDP deflator (y/y %)	0.4	-0.1	-0.0	-0.8	-0.4	0.1	0.1	0.5	-0.2	0.1	0.3	-0.3
Index of All-Industry Activity (2010=100)	102.6	103.2	103.6	103.5	105.2	105.2	106.0	106.2	103.2	105.6	103.0	105.0
Q/q %; y/y %	0.2	0.6	0.4	-0.1	1.7	-0.0	0.8	0.2	0.6	2.3	0.6	1.9
Index of Industrial Production (2010=100)	96.5	98.0	99.8	100.0	102.1	102.5	104.6	104.8	98.6	103.5	97.7	102.3
Q/q %; y/y %	0.2	1.6	1.9	0.2	2.1	0.4	2.1	0.2	1.1	5.0	-0.2	4.8
Index of Tertiary Industry Activity (2010=100)	103.7	104.0	104.1	103.8	104.9	104.8	105.3	105.5	103.9	105.1	103.9	104.8
Q/q %; y/y %	0.0	0.3	0.1	-0.3	1.1	-0.2	0.5	0.2	0.4	1.2	0.7	0.8
Corporate Goods Price Index components (2015=100)												
Domestic Company Goods Price Index	96.4	96.1	96.5	98.0	98.4	98.9	99.4	100.0	96.8	99.2	96.5	98.7
Y/y %	-4.5	-3.8	-2.1	1.0	2.1	2.9	3.0	2.1	-2.3	2.5	-3.5	2.3
CPI (excl. fresh food; 2015=100)	99.8	99.6	99.8	99.7	100.2	100.2	100.7	100.4	99.7	100.4	99.7	100.2
Y/y %	-0.4	-0.5	-0.3	0.2	0.4	0.6	0.9	0.7	-0.2	0.6	-0.3	0.5
Unemployment rate (%)	3.2	3.0	3.1	2.9	2.9	2.8	2.8	2.8	3.0	2.8	3.1	2.8
Government bond yield (10 year; %)	-0.15	-0.12	0.00	0.07	0.04	0.05	0.05	0.05	-0.05	0.05	-0.07	0.05
Money stock; M2 (y/y %)	3.3	3.3	3.7	4.1	3.9	4.0	4.0	4.0	3.6	4.0	3.4	4.0
Trade balance (SAAR; Y tril)	4.6	5.8	6.8	5.3	2.7	6.5	6.6	6.9	5.8	5.7	5.5	5.3
Current balance (SAAR; \$100 mil)	1,754	1,898	1,882	1,908	1,717	2,210	2,235	2,281	1,880	2,111	1,869	2,018
Current balance (SAAR; Y tril)	19.0	19.4	20.6	21.7	19.1	24.5	25.4	25.9	20.4	24.0	20.3	22.7
(% of nominal GDP)	3.5	3.6	3.8	4.0	3.5	4.5	4.6	4.7	3.7	4.4	3.7	4.2
Exchange rate (Y/\$)	108.1	102.4	109.4	113.6	111.1	111.0	113.5	113.5	108.4	112.3	108.8	112.3
(Y/Euro)	120.7	114.7	119.2	120.2	124.3	131.3	132.0	132.0	118.7	129.9	120.6	126.9

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

	2018			2019			2020		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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Nominal GDP (SAAR; Y tril)	552.1	553.7	556.7	558.4	560.2	564.1	564.4	565.0	555.2	563.4	553.2	561.7
Q/q %	0.3	0.3	0.5	0.3	0.3	0.7	0.0	0.1				
Q/q %, SAAR	1.2	1.2	2.2	1.2	1.3	2.8	0.2	0.4				
Y/y %	1.8	1.4	1.5	1.4	1.4	1.9	1.4	1.2	1.6	1.5	1.7	1.5
Real GDP (chained [2011]; SAAR; Y tril)	535.7	537.0	538.3	539.8	541.4	543.9	539.7	539.5	537.7	541.0	536.2	541.1
Q/q %	0.3	0.2	0.3	0.3	0.3	0.5	-0.8	-0.0				
Q/q %, SAAR	1.1	1.0	1.0	1.1	1.2	1.9	-3.1	-0.1				
Y/y %	1.3	1.2	1.1	1.1	1.0	1.3	0.2	-0.1	1.2	0.6	1.3	0.9
Contribution to GDP growth (% pt)												
Domestic demand	0.3	0.2	0.3	0.3	0.4	0.7	-1.6	-0.2	0.9	0.5	0.9	0.9
Foreign demand	0.0	0.0	-0.0	-0.0	-0.1	-0.3	0.8	0.2	0.2	0.1	0.3	0.0
GDP deflator (y/y %)	0.5	0.3	0.5	0.4	0.4	0.6	1.1	1.2	0.4	0.8	0.4	0.6
Index of All-Industry Activity (2010=100)	106.6	107.0	107.3	107.7	108.0	108.3	108.6	108.8	107.2	108.4	106.8	108.2
Q/q %; y/y %	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.4	1.2	1.7	1.3
Index of Industrial Production (2010=100)	105.5	106.1	106.6	107.1	107.6	108.1	108.6	109.0	106.3	108.4	105.8	107.9
Q/q %; y/y %	0.7	0.5	0.5	0.5	0.5	0.5	0.4	0.4	2.7	1.9	3.4	2.0
Index of Tertiary Industry Activity (2010=100)	105.8	106.2	106.5	106.8	107.0	107.3	107.5	107.7	106.3	107.3	106.0	107.2
Q/q %; y/y %	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	1.1	1.0	1.2	1.1
Corporate Goods Price Index components (2015=100)												
Domestic Company Goods Price Index	100.6	101.3	102.0	102.8	103.6	104.4	106.5	107.4	101.7	105.5	101.0	104.3
Y/y %	2.2	2.4	2.6	2.8	3.0	3.1	4.4	4.5	2.5	3.8	2.3	3.3
CPI (excl. fresh food; 2015=100)	100.9	101.0	101.4	101.2	101.7	101.7	103.1	102.9	101.1	102.3	100.9	101.9
Y/y %	0.7	0.7	0.7	0.8	0.8	0.8	1.7	1.7	0.7	1.2	0.7	1.0
Unemployment rate (%)	2.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.7
Government bond yield (10 year; %)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Money stock; M2 (y/y %)	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Trade balance (SAAR; Y tril)	6.9	7.2	7.2	7.2	7.0	5.9	9.5	10.3	7.1	8.2	7.1	7.4
Current balance (SAAR; \$100 mil)	2,297	2,303	2,320	2,320	2,297	2,169	2,584	2,685	2,310	2,433	2,300	2,342
Current balance (SAAR; Y tril)	26.1	26.1	26.3	26.3	26.1	24.6	29.3	30.5	26.5	27.9	26.1	26.6
(% of nominal GDP)	4.7	4.7	4.7	4.7	4.7	4.4	5.2	5.4	4.8	5.0	4.7	4.7
Exchange rate (Y/\$)	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5
(Y/Euro)	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0

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]; ¥ tril)

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
Gross domestic expenditure	521.1	522.2	524.3	525.6	529.0	530.8	532.5	534.2	523.3	531.5	521.4	529.4
Q/q %, SAAR	2.0	0.9	1.6	1.0	2.6	1.4	1.3	1.3				
Y/y %	0.9	1.0	1.6	1.5	1.4	1.7	1.6	1.6	1.3	1.6	1.0	1.5
Domestic demand	526.3	525.5	525.9	526.6	531.3	530.6	532.1	533.4	526.0	531.8	525.4	530.0
Q/q %, SAAR	1.6	-0.6	0.3	0.5	3.6	-0.5	1.1	1.0				
Y/y %	0.7	0.2	0.5	0.5	0.9	1.0	1.2	1.4	0.5	1.1	0.4	0.9
Private demand	395.5	394.5	395.5	396.3	398.9	399.0	400.2	401.2	395.5	399.8	394.2	398.5
Q/q %, SAAR	4.1	-1.0	1.1	0.7	2.7	0.1	1.2	1.1				
Y/y %	0.6	0.1	0.9	1.3	0.8	1.1	1.1	1.3	0.7	1.1	0.4	1.1
Final consumption	296.0	297.2	297.6	298.7	300.8	299.4	300.1	300.6	297.3	300.2	296.6	299.7
Q/q %, SAAR	0.4	1.7	0.5	1.4	2.8	-1.8	1.0	0.6				
Y/y %	0.4	0.3	1.0	1.0	1.6	0.7	0.8	0.6	0.7	0.9	0.4	1.0
Residential investment	15.7	16.1	16.2	16.3	16.5	16.3	16.3	16.2	16.1	16.4	15.8	16.4
Q/q %, SAAR	13.3	12.3	1.1	3.5	4.6	-3.5	-2.0	-0.8				
Y/y %	5.4	6.6	7.2	7.2	5.5	1.5	0.7	-0.4	6.6	1.8	5.6	3.6
Non-residential investment	80.7	80.6	82.1	82.5	82.9	83.1	83.3	83.6	81.5	83.2	80.7	82.9
Q/q %, SAAR	5.6	-0.4	7.6	2.0	1.9	1.0	1.2	1.6				
Y/y %	2.0	0.9	3.2	3.6	2.8	3.0	1.4	1.5	2.5	2.1	1.3	2.7
Change in inventories	3.2	0.6	-0.3	-1.2	-1.2	0.2	0.5	0.8	0.6	0.0	1.2	-0.5
Public demand	130.8	131.0	130.4	130.4	132.4	131.6	131.9	132.2	130.5	132.0	131.1	131.5
Q/q %, SAAR	-5.2	0.6	-1.9	0.0	6.4	-2.4	1.0	0.8				
Y/y %	0.7	0.5	-0.6	-1.8	1.3	0.5	1.3	1.5	-0.3	1.1	0.5	0.3
Government final consumption	105.5	105.9	105.9	105.8	106.5	106.3	106.7	106.9	105.7	106.5	106.0	106.3
Q/q %, SAAR	-5.4	1.2	0.1	-0.1	2.4	-0.5	1.2	1.0				
Y/y %	1.2	1.0	0.3	-1.1	0.9	0.4	0.7	1.0	0.4	0.8	1.3	0.2
Fixed investment	25.2	25.1	24.5	24.5	25.9	25.3	25.3	25.2	24.7	25.4	25.0	25.2
Q/q %, SAAR	-2.8	-1.4	-10.3	0.5	25.3	-9.7	0.0	-0.1				
Y/y %	-2.2	-1.8	-4.2	-4.2	3.5	0.8	3.5	3.4	-3.2	2.8	-3.0	0.7
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Net exports of goods and services	-5.3	-3.6	-2.1	-1.7	-3.1	-0.3	-0.1	0.3	-3.1	-0.8	-4.2	-1.3
Exports of goods and services	82.3	84.1	86.6	88.3	88.1	89.4	90.3	91.2	85.4	89.7	84.0	89.0
Q/q %, SAAR	-3.0	8.7	12.6	8.0	-0.8	6.0	4.1	3.8				
Y/y %	0.7	0.8	4.6	6.5	6.8	6.4	4.2	3.2	3.2	5.1	1.2	5.9
Imports of goods and services	87.6	87.7	88.8	90.0	91.2	89.8	90.4	90.9	88.5	90.6	88.2	90.3
Q/q %, SAAR	-4.9	0.3	5.0	5.6	5.7	-6.2	2.8	2.2				
Y/y %	-1.1	-3.6	-1.9	1.3	4.2	2.3	1.8	1.0	-1.3	2.3	-2.3	2.4

Source: Compiled by DIR.

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

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

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

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

	2018			2019			2020		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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	535.7	537.0	538.3	539.8	541.4	543.9	539.7	539.5	537.7	541.0	536.2	541.1
Q/q %, SAAR	1.1	1.0	1.0	1.1	1.2	1.9	-3.1	-0.1				
Y/y %	1.3	1.2	1.1	1.1	1.0	1.3	0.2	-0.1	1.2	0.6	1.3	0.9
Domestic demand	534.8	536.1	537.5	539.1	541.0	545.0	536.4	535.3	536.8	539.4	535.3	540.2
Q/q %, SAAR	1.0	1.0	1.0	1.2	1.5	3.0	-6.2	-0.8				
Y/y %	0.7	1.0	1.0	1.1	1.2	1.7	-0.2	-0.7	0.9	0.5	1.0	0.9
Private demand	402.5	403.7	405.0	406.5	408.3	412.2	403.6	402.2	404.4	406.5	403.0	407.5
Q/q %, SAAR	1.2	1.2	1.3	1.5	1.8	3.9	-8.2	-1.3				
Y/y %	0.9	1.2	1.2	1.4	1.4	2.1	-0.4	-1.0	1.2	0.5	1.1	1.1
Final consumption	301.1	301.6	302.2	302.9	303.8	307.5	299.6	298.6	301.9	302.3	301.3	303.4
Q/q %, SAAR	0.7	0.7	0.8	1.0	1.1	5.1	-9.9	-1.4				
Y/y %	0.1	0.8	0.7	0.8	0.9	2.0	-0.8	-1.4	0.6	0.1	0.6	0.7
Residential investment	16.3	16.3	16.4	16.5	16.8	17.2	16.0	15.6	16.3	16.4	16.3	16.6
Q/q %, SAAR	0.4	0.8	1.8	3.2	7.4	9.5	-25.2	-7.8				
Y/y %	-1.6	-0.5	0.5	1.5	3.3	5.5	-2.3	-5.1	-0.0	0.3	-0.5	2.0
Non-residential investment	84.0	84.5	85.0	85.5	86.0	86.8	86.0	86.7	84.8	86.4	84.3	86.0
Q/q %, SAAR	1.9	2.2	2.5	2.2	2.3	4.1	-3.6	3.0				
Y/y %	1.4	1.8	2.1	2.2	2.3	2.7	1.2	1.4	1.9	1.9	1.7	2.1
Change in inventories	1.1	1.3	1.4	1.6	1.8	0.7	1.9	1.3	1.3	1.4	1.1	1.5
Public demand	132.3	132.4	132.5	132.6	132.7	132.8	132.9	133.1	132.4	132.8	132.3	132.7
Q/q %, SAAR	0.4	0.2	0.3	0.3	0.4	0.4	0.2	0.5				
Y/y %	-0.0	0.6	0.4	0.2	0.4	0.4	0.3	0.4	0.3	0.3	0.6	0.3
Government final consumption	107.1	107.3	107.5	107.8	108.0	108.2	108.4	108.7	107.4	108.3	107.2	108.0
Q/q %, SAAR	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9				
Y/y %	0.6	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Fixed investment	25.2	25.0	24.9	24.8	24.7	24.6	24.4	24.4	25.0	24.5	25.1	24.7
Q/q %, SAAR	-1.4	-2.0	-1.9	-1.9	-1.4	-1.6	-2.6	-1.0				
Y/y %	-3.3	-1.0	-1.5	-2.0	-1.6	-1.7	-1.8	-1.6	-1.9	-1.7	-0.4	-1.8
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	0.4	0.4	0.3	0.2	-0.2	-1.7	2.7	3.6	0.3	1.1	0.3	0.3
Exports of goods and services	91.8	92.5	93.1	93.7	94.2	94.8	95.3	95.8	92.8	95.0	92.1	94.5
Q/q %, SAAR	3.0	2.7	2.7	2.7	2.4	2.3	2.2	2.1				
Y/y %	4.3	3.4	3.1	2.8	2.6	2.5	2.4	2.2	3.4	2.4	3.5	2.6
Imports of goods and services	91.5	92.1	92.7	93.5	94.4	96.5	92.6	92.2	92.5	93.9	91.8	94.2
Q/q %, SAAR	2.6	2.7	2.8	3.2	4.1	9.1	-15.1	-2.0				
Y/y %	0.2	2.6	2.6	2.8	3.2	4.8	-0.1	-1.4	2.1	1.6	1.6	2.6

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

3.1 Nominal Gross Domestic Expenditure (¥ tril)

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
Gross domestic expenditure	536.5	536.6	539.2	539.1	542.4	545.8	548.2	550.5	537.9	546.6	537.0	543.8
Q/q %, SAAR	0.5	0.1	1.9	-0.1	2.5	2.5	1.8	1.7				
Y/y %	1.3	0.9	1.6	0.7	1.0	1.7	1.7	2.1	1.1	1.6	1.3	1.3
Domestic demand	531.7	531.1	533.3	534.2	538.9	539.1	541.1	542.9	532.6	540.5	531.8	538.2
Q/q %, SAAR	0.2	-0.4	1.7	0.7	3.6	0.2	1.5	1.3				
Y/y %	-0.1	-0.6	0.2	0.6	1.3	1.5	1.4	1.7	0.0	1.5	-0.1	1.2
Private demand	400.1	399.1	401.6	402.2	404.9	405.4	407.0	408.5	400.9	406.4	399.5	404.8
Q/q %, SAAR	2.9	-1.0	2.5	0.6	2.7	0.5	1.6	1.5				
Y/y %	-0.1	-0.6	0.6	1.4	1.1	1.5	1.3	1.6	0.3	1.4	-0.1	1.3
Final consumption	299.4	300.3	301.9	302.6	304.2	302.9	303.9	304.7	301.0	303.9	300.2	303.4
Q/q %, SAAR	-0.0	1.2	2.1	1.0	2.2	-1.8	1.4	1.1				
Y/y %	-0.2	-0.4	0.7	1.1	1.6	0.9	0.7	0.7	0.3	1.0	-0.0	1.1
Residential investment	16.4	16.9	17.1	17.3	17.6	17.6	17.5	17.6	16.9	17.6	16.6	17.5
Q/q %, SAAR	11.8	12.7	3.7	6.5	5.9	-0.6	-0.2	0.8				
Y/y %	4.2	5.4	6.9	8.4	7.3	4.0	2.9	1.5	6.2	3.8	4.7	5.5
Non-residential investment	81.6	81.4	83.0	83.7	84.4	84.9	85.4	86.0	82.5	85.2	81.7	84.5
Q/q %, SAAR	4.2	-1.2	8.0	3.7	3.3	2.4	2.4	2.6				
Y/y %	0.9	-0.5	2.5	3.6	3.4	4.2	2.8	2.7	1.7	3.2	0.4	3.5
Change in inventories	2.7	0.6	-0.3	-1.4	-1.4	0.0	0.1	0.2	0.4	-0.3	1.0	-0.7
Public demand	131.6	132.0	131.7	132.0	134.1	133.8	134.1	134.5	131.8	134.1	132.3	133.5
Q/q %, SAAR	-7.4	1.2	-0.7	0.9	6.3	-0.9	1.2	0.9				
Y/y %	-0.1	-0.3	-0.9	-1.6	1.9	1.4	1.9	1.9	-0.8	1.8	-0.1	0.9
Government final consumption	105.4	105.9	106.1	106.3	106.8	107.0	107.4	107.7	105.9	107.2	106.3	106.9
Q/q %, SAAR	-8.2	1.9	0.9	0.6	1.9	0.7	1.4	1.1				
Y/y %	0.5	0.4	-0.0	-1.2	1.3	1.0	1.1	1.2	-0.1	1.2	0.9	0.6
Fixed investment	26.1	26.0	25.6	25.7	27.2	26.8	26.8	26.8	25.8	26.9	26.0	26.6
Q/q %, SAAR	-3.5	-1.3	-7.2	2.5	26.1	-7.1	0.4	0.1				
Y/y %	-3.6	-3.0	-4.4	-2.9	5.2	3.0	5.0	4.5	-3.5	4.4	-3.8	2.3
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	4.8	5.5	5.9	4.8	3.5	6.7	7.1	7.6	5.3	6.3	5.2	5.6
Exports of goods and services	84.8	84.8	89.5	94.9	93.9	96.6	97.6	98.6	88.6	96.7	86.8	95.8
Q/q %, SAAR	-12.1	0.1	23.9	26.3	-4.3	12.4	4.2	4.0				
Y/y %	-9.2	-10.7	-1.3	8.1	10.5	14.1	8.9	4.0	-3.4	9.2	-7.3	10.4
Imports of goods and services	80.0	79.3	83.6	90.1	90.4	90.0	90.5	91.0	83.3	90.5	81.6	90.2
Q/q %, SAAR	-14.1	-3.3	23.6	34.5	1.3	-1.8	2.6	2.1				
Y/y %	-16.6	-18.4	-9.4	8.3	13.1	13.3	8.1	1.1	-9.5	8.6	-14.9	10.6

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)

	2018			2019			2020		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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	552.1	553.7	556.7	558.4	560.2	564.1	564.4	565.0	555.2	563.4	553.2	561.7
Q/q %, SAAR	1.2	1.2	2.2	1.2	1.3	2.8	0.2	0.4				
Y/y %	1.8	1.4	1.5	1.4	1.4	1.9	1.4	1.2	1.6	1.5	1.7	1.5
Domestic demand	544.3	545.8	548.7	550.4	552.5	557.8	553.6	553.1	547.3	554.2	545.4	553.5
Q/q %, SAAR	1.0	1.1	2.1	1.3	1.5	3.9	-3.0	-0.3				
Y/y %	1.0	1.2	1.4	1.4	1.5	2.2	0.9	0.5	1.3	1.3	1.3	1.5
Private demand	409.7	411.0	413.7	415.3	417.2	422.3	416.8	416.1	412.5	418.1	410.7	417.8
Q/q %, SAAR	1.2	1.3	2.6	1.5	1.8	5.0	-5.1	-0.6				
Y/y %	1.2	1.4	1.6	1.8	1.8	2.7	0.7	0.2	1.5	1.4	1.5	1.7
Final consumption	305.3	305.9	307.8	308.6	309.6	313.5	309.5	308.6	306.9	310.3	305.9	310.3
Q/q %, SAAR	0.7	0.8	2.5	1.1	1.2	5.2	-5.0	-1.3				
Y/y %	0.3	1.0	1.3	1.3	1.4	2.5	0.6	-0.0	1.0	1.1	0.8	1.4
Residential investment	17.6	17.7	17.8	18.0	18.3	18.8	17.7	17.4	17.8	18.1	17.7	18.2
Q/q %, SAAR	1.6	1.5	2.5	3.9	8.1	10.0	-20.6	-7.4				
Y/y %	0.3	0.9	1.6	2.3	4.0	6.1	-0.5	-3.3	1.3	1.6	1.1	3.0
Non-residential investment	86.5	87.1	87.8	88.3	88.9	89.8	89.1	89.9	87.5	89.4	86.8	89.0
Q/q %, SAAR	2.7	2.8	3.1	2.4	2.5	4.4	-3.2	3.5				
Y/y %	2.5	2.7	2.9	2.7	2.7	3.1	1.4	1.8	2.7	2.2	2.7	2.5
Change in inventories	0.2	0.3	0.3	0.3	0.4	0.1	0.4	0.3	0.3	0.3	0.2	0.3
Public demand	134.6	134.8	135.0	135.1	135.3	135.5	136.8	137.0	134.9	136.2	134.7	135.7
Q/q %, SAAR	0.6	0.4	0.5	0.4	0.6	0.6	3.9	0.6				
Y/y %	0.5	0.8	0.6	0.4	0.6	0.5	1.4	1.3	0.6	1.0	0.9	0.7
Government final consumption	107.9	108.2	108.5	108.7	109.0	109.3	110.7	110.9	108.3	110.0	108.1	109.5
Q/q %, SAAR	1.0	1.0	1.1	1.0	1.0	1.1	5.0	0.9				
Y/y %	1.1	1.1	1.1	1.0	1.0	1.0	2.0	2.0	1.1	1.5	1.1	1.3
Fixed investment	26.7	26.6	26.5	26.4	26.3	26.2	26.2	26.1	26.5	26.2	26.7	26.3
Q/q %, SAAR	-1.2	-1.8	-1.8	-1.8	-1.2	-1.2	-0.6	-0.6				
Y/y %	-2.4	-0.7	-1.3	-1.8	-1.4	-1.5	-1.2	-0.8	-1.5	-1.2	0.2	-1.5
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services	7.8	7.9	8.0	8.0	7.7	6.3	10.8	11.9	7.9	9.2	7.8	8.3
Exports of goods and services	99.4	100.1	100.8	101.5	102.2	102.8	103.4	104.0	100.5	103.1	99.7	102.5
Q/q %, SAAR	3.1	2.9	2.9	2.9	2.6	2.5	2.4	2.3				
Y/y %	5.9	3.5	3.3	2.9	2.8	2.8	2.5	2.5	3.9	2.6	4.2	2.7
Imports of goods and services	91.6	92.2	92.8	93.5	94.4	96.5	92.6	92.1	92.5	93.9	91.9	94.2
Q/q %, SAAR	2.5	2.6	2.7	3.1	4.0	9.0	-15.2	-2.1				
Y/y %	1.3	2.5	2.5	2.7	3.1	4.6	-0.2	-1.5	2.3	1.5	1.9	2.5

Source: Compiled by DIR.

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

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

E: DIR estimate.

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

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
Gross domestic expenditure	103.0	102.8	102.8	102.6	102.5	102.8	102.9	103.0	102.8	102.8	103.0	102.7
Q/q %, SAAR	-0.4	-0.2	0.1	-0.3	-0.0	0.3	0.1	0.1				
Y/y %	0.4	-0.1	-0.0	-0.8	-0.4	0.1	0.1	0.5	-0.2	0.1	0.3	-0.3
Private final consumption	101.2	101.0	101.4	101.3	101.2	101.2	101.3	101.4	101.2	101.3	101.2	101.2
Q/q %, SAAR	-0.1	-0.1	0.4	-0.1	-0.2	0.0	0.1	0.1				
Y/y %	-0.5	-0.7	-0.2	0.1	-0.0	0.2	-0.2	0.1	-0.3	0.0	-0.4	0.0
Private residential investment	104.7	104.8	105.5	106.2	106.5	107.3	107.8	108.3	105.3	107.5	105.0	107.0
Q/q %, SAAR	-0.3	0.1	0.6	0.7	0.3	0.8	0.4	0.4				
Y/y %	-1.2	-1.2	-0.2	1.1	1.7	2.4	2.2	1.9	-0.4	2.0	-0.8	1.8
Private non-residential investment	101.2	101.0	101.1	101.6	101.9	102.2	102.5	102.8	101.3	102.4	101.3	102.0
Q/q %, SAAR	-0.3	-0.2	0.1	0.4	0.3	0.3	0.3	0.2				
Y/y %	-1.1	-1.4	-0.7	0.0	0.6	1.1	1.3	1.2	-0.7	1.1	-0.9	0.7
Government final consumption	99.9	100.1	100.2	100.4	100.3	100.6	100.7	100.7	100.2	100.6	100.2	100.5
Q/q %, SAAR	-0.7	0.2	0.2	0.2	-0.1	0.3	0.0	0.0				
Y/y %	-0.7	-0.6	-0.3	-0.1	0.4	0.5	0.4	0.3	-0.4	0.4	-0.4	0.3
Public fixed investment	103.6	103.6	104.5	105.0	105.2	105.9	106.0	106.1	104.2	105.8	103.9	105.5
Q/q %, SAAR	-0.2	0.0	0.9	0.5	0.2	0.7	0.1	0.1				
Y/y %	-1.5	-1.2	-0.2	1.3	1.6	2.2	1.5	1.0	-0.3	1.5	-0.8	1.6
Exports of goods and services	103.0	100.9	103.3	107.5	106.5	108.1	108.1	108.2	103.7	107.8	103.3	107.6
Q/q %, SAAR	-2.4	-2.1	2.4	4.0	-0.9	1.5	0.0	0.0				
Y/y %	-9.8	-11.4	-5.7	1.5	3.5	7.3	4.6	0.8	-6.4	3.9	-8.3	4.2
Imports of goods and services	91.3	90.5	94.2	100.1	99.0	100.2	100.2	100.1	94.1	99.9	92.5	99.9
Q/q %, SAAR	-2.5	-0.9	4.1	6.2	-1.1	1.2	-0.0	-0.0				
Y/y %	-15.6	-15.3	-7.6	6.9	8.5	10.7	6.2	0.0	-8.3	6.1	-12.9	8.0

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.

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

	2018			2019			2020		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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	103.1	103.1	103.4	103.4	103.5	103.7	104.6	104.7	103.3	104.1	103.2	103.8
Q/q %, SAAR	0.0	0.0	0.3	0.0	0.0	0.2	0.8	0.1				
Y/y %	0.5	0.3	0.5	0.4	0.4	0.6	1.1	1.2	0.4	0.8	0.4	0.6
Private final consumption	101.4	101.4	101.9	101.9	101.9	101.9	103.3	103.3	101.6	102.6	101.5	102.3
Q/q %, SAAR	0.0	0.0	0.4	0.0	0.0	0.0	1.3	0.0				
Y/y %	0.2	0.2	0.6	0.5	0.5	0.5	1.4	1.4	0.4	1.0	0.3	0.7
Private residential investment	108.6	108.8	109.0	109.2	109.3	109.4	111.1	111.2	108.9	110.2	108.6	109.7
Q/q %, SAAR	0.3	0.2	0.2	0.2	0.2	0.1	1.5	0.1				
Y/y %	1.9	1.3	1.1	0.8	0.7	0.6	1.9	1.9	1.3	1.2	1.6	1.0
Private non-residential investment	103.0	103.1	103.3	103.3	103.4	103.5	103.5	103.7	103.2	103.5	103.0	103.4
Q/q %, SAAR	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	1.1	0.9	0.7	0.5	0.4	0.3	0.3	0.3	0.8	0.3	1.0	0.4
Government final consumption	100.8	100.8	100.9	100.9	101.0	101.0	102.1	102.1	100.9	101.6	100.8	101.3
Q/q %, SAAR	0.1	0.0	0.1	0.1	0.1	0.1	1.0	-0.0				
Y/y %	0.5	0.2	0.2	0.2	0.2	0.2	1.2	1.1	0.3	0.7	0.3	0.5
Public fixed investment	106.2	106.2	106.3	106.3	106.4	106.5	107.0	107.1	106.2	106.8	106.2	106.5
Q/q %, SAAR	0.1	0.0	0.0	0.0	0.0	0.1	0.5	0.1				
Y/y %	0.9	0.3	0.2	0.2	0.2	0.2	0.7	0.7	0.4	0.5	0.6	0.3
Exports of goods and services	108.2	108.3	108.3	108.3	108.4	108.4	108.5	108.5	108.3	108.5	108.3	108.4
Q/q %, SAAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Y/y %	1.6	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.5	0.2	0.6	0.2
Imports of goods and services	100.1	100.1	100.1	100.0	100.0	100.0	100.0	99.9	100.1	100.0	100.1	100.0
Q/q %, SAAR	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0				
Y/y %	1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.2	-0.1	0.2	-0.1

Source: Compiled by DIR.

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

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

E: DIR estimate.

5.1 Contribution to Real GDP Growth by Component

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
1) Q/q %												
GDP growth rate	0.5	0.2	0.4	0.3	0.6	0.3	0.3	0.3	1.3	1.6	1.0	1.5
Domestic demand	0.4	-0.1	0.1	0.1	0.9	-0.2	0.3	0.2	0.5	1.1	0.4	0.9
Private demand	0.7	-0.2	0.2	0.1	0.5	0.0	0.2	0.2	0.6	0.8	0.3	0.9
Private consumption	0.1	0.2	0.1	0.2	0.4	-0.3	0.1	0.1	0.4	0.5	0.2	0.6
Residential investment	0.1	0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	0.2	0.1	0.2	0.1
Private fixed investment	0.2	-0.0	0.3	0.1	0.1	0.0	0.0	0.1	0.4	0.3	0.2	0.4
Change in private inventories	0.4	-0.5	-0.2	-0.2	0.0	0.2	0.1	0.1	-0.4	-0.1	-0.3	-0.3
Public demand	-0.3	0.0	-0.1	0.0	0.4	-0.2	0.1	0.0	-0.1	0.3	0.1	0.1
Government final consumption	-0.3	0.1	0.0	-0.0	0.1	-0.0	0.1	0.0	0.1	0.2	0.3	0.0
Public fixed investment	-0.0	-0.0	-0.1	0.0	0.3	-0.1	0.0	-0.0	-0.2	0.1	-0.2	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	0.4	0.3	0.1	-0.2	0.5	0.1	0.1	0.8	0.4	0.6	0.6
Exports of goods and services	-0.1	0.4	0.5	0.3	-0.0	0.2	0.2	0.2	0.5	0.8	0.2	1.0
Imports of goods and services	0.2	-0.0	-0.2	-0.2	-0.2	0.2	-0.1	-0.1	0.2	-0.4	0.4	-0.4
2) Y/y %												
GDP growth rate	0.9	1.0	1.6	1.5	1.4	1.7	1.6	1.6	1.3	1.6	1.0	1.5
Domestic demand	0.6	0.2	0.5	0.6	0.9	1.0	1.2	1.4	0.5	1.1	0.4	0.9
Private demand	0.4	0.1	0.7	1.0	0.6	0.8	0.8	1.0	0.6	0.8	0.3	0.9
Private consumption	0.2	0.2	0.5	0.6	0.9	0.4	0.5	0.4	0.4	0.5	0.2	0.6
Residential investment	0.1	0.2	0.2	0.2	0.2	0.1	0.0	-0.0	0.2	0.1	0.2	0.1
Private fixed investment	0.3	0.1	0.5	0.6	0.4	0.5	0.2	0.3	0.4	0.3	0.2	0.4
Change in private inventories	-0.2	-0.4	-0.6	-0.4	-0.8	-0.1	0.1	0.4	-0.4	-0.1	-0.3	-0.3
Public demand	0.2	0.1	-0.2	-0.5	0.3	0.1	0.3	0.4	-0.1	0.3	0.1	0.1
Government final consumption	0.2	0.2	0.1	-0.2	0.2	0.1	0.1	0.2	0.1	0.2	0.3	0.0
Public fixed investment	-0.1	-0.1	-0.2	-0.2	0.1	0.0	0.2	0.2	-0.2	0.1	-0.2	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	0.8	1.1	0.9	0.5	0.7	0.4	0.4	0.8	0.4	0.6	0.6
Exports of goods and services	0.1	0.1	0.8	1.1	1.1	1.0	0.7	0.5	0.5	0.8	0.2	1.0
Imports of goods and services	0.2	0.7	0.3	-0.2	-0.6	-0.3	-0.3	-0.2	0.2	-0.4	0.4	-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

	2018			2019			2020			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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)	
1) Q/q %													
GDP growth rate	0.3	0.2	0.3	0.3	0.3	0.5	-0.8	-0.0	1.2	0.6	1.3	0.9	
Domestic demand	0.3	0.2	0.3	0.3	0.4	0.7	-1.6	-0.2	0.9	0.5	0.9	0.9	
Private demand	0.2	0.2	0.2	0.3	0.3	0.7	-1.6	-0.2	0.9	0.4	0.8	0.8	
Private consumption	0.1	0.1	0.1	0.1	0.2	0.7	-1.5	-0.2	0.3	0.1	0.3	0.4	
Residential investment	0.0	0.0	0.0	0.0	0.1	0.1	-0.2	-0.1	-0.0	0.0	-0.0	0.1	
Private fixed investment	0.1	0.1	0.1	0.1	0.1	0.2	-0.1	0.1	0.3	0.3	0.3	0.3	
Change in private inventories	0.1	0.0	0.0	0.0	0.0	-0.2	0.2	-0.1	0.2	0.0	0.3	0.1	
Public demand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	
Government final consumption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	
Public fixed investment	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-0.1	-0.0	-0.1	
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	0.0	0.0	-0.0	-0.0	-0.1	-0.3	0.8	0.2	0.2	0.1	0.3	0.0	
Exports of goods and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.4	0.6	0.5	
Imports of goods and services	-0.1	-0.1	-0.1	-0.1	-0.2	-0.4	0.7	0.1	-0.4	-0.3	-0.3	-0.4	
2) Y/y %													
GDP growth rate	1.3	1.2	1.1	1.1	1.0	1.3	0.2	-0.1	1.2	0.6	1.3	0.9	
Domestic demand	0.7	1.0	1.0	1.1	1.2	1.7	-0.2	-0.7	0.9	0.5	0.9	0.9	
Private demand	0.7	0.9	0.9	1.0	1.1	1.6	-0.3	-0.7	0.9	0.4	0.8	0.8	
Private consumption	0.1	0.4	0.4	0.4	0.5	1.1	-0.5	-0.8	0.3	0.1	0.3	0.4	
Residential investment	-0.0	-0.0	0.0	0.0	0.1	0.2	-0.1	-0.2	-0.0	0.0	-0.0	0.1	
Private fixed investment	0.2	0.3	0.3	0.4	0.3	0.4	0.2	0.3	0.3	0.3	0.3	0.3	
Change in private inventories	0.5	0.2	0.2	0.1	0.1	-0.1	0.1	-0.1	0.2	0.0	0.3	0.1	
Public demand	-0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Government final consumption	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Public fixed investment	-0.1	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.0	-0.1	
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	0.7	0.1	0.1	-0.0	-0.1	-0.4	0.4	0.6	0.2	0.1	0.3	0.0	
Exports of goods and services	0.7	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.6	0.4	0.6	0.5	
Imports of goods and services	-0.0	-0.4	-0.4	-0.5	-0.6	-0.8	0.0	0.2	-0.4	-0.3	-0.3	-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.

E: DIR estimate.

6.1 Major Assumptions

	2016		2017			2018			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12 (E)	1-3 (E)	2016	2017 (E)	2016	2017 (E)
1) World economy												
Economic growth of major trading partners												
Y/y %	3.5	3.4	3.7	3.9	4.0	4.2	4.1	4.3	3.6	4.1	3.4	4.1
Crude oil price (WTI futures; \$/bbl)	45.6	44.9	49.3	51.8	48.1	48.2	54.0	54.0	47.9	51.1	43.5	50.5
Y/y %	-21.1	-3.4	16.9	54.0	5.5	7.2	9.6	4.3	6.4	6.6	-10.9	16.3
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)	16,664	16,778	16,851	16,903	17,031	17,157	17,271	17,366	16,799	17,206	16,716	17,090
Q/q %, SAAR	2.2	2.8	1.8	1.2	3.1	3.0	2.7	2.2				
Y/y %	1.2	1.5	1.8	2.0	2.2	2.3	2.5	2.7	1.6	2.4	1.5	2.2
Consumer Price Index (1982-84 avg=100)	239.4	240.4	242.2	244.1	243.9	245.2	247.0	248.1	241.5	246.0	240.0	245.0
Q/q %, SAAR	2.3	1.8	3.0	3.1	-0.3	2.0	3.0	1.9				
Y/y %	1.0	1.1	1.8	2.5	1.9	2.0	2.0	1.6	1.6	1.9	1.3	2.1
Producer Price Index (Final demand; 2009.Nov=100)	110.2	110.5	111.1	112.0	112.6	113.0	114.0	114.5	110.9	113.5	110.4	112.9
Q/q %, SAAR	1.5	1.0	2.3	3.3	2.2	1.4	3.7	1.6				
Y/y %	0.1	0.2	1.4	2.0	2.2	2.3	2.6	2.2	0.9	2.3	0.4	2.3
FF rate (%) (Target rate for the forecast period, end-period)	0.50	0.50	0.75	1.00	1.25	1.25	1.50	1.50	1.00	1.50	0.75	1.50
Government bond yield (10 year; %)	1.75	1.56	2.13	2.44	2.26	2.24	2.44	2.56	1.97	2.38	1.84	2.35
3) Japanese economy												
Nominal government final consumption												
Y tri; SAAR	105.4	105.9	106.1	106.3	106.8	107.0	107.4	107.7	105.9	107.2	106.3	106.9
Q/q %, SAAR	-8.2	1.9	0.9	0.6	1.9	0.7	1.4	1.1				
Y/y %	0.5	0.4	-0.0	-1.2	1.3	1.0	1.1	1.2	-0.1	1.2	0.9	0.6
Nominal public fixed investment												
Y tri; SAAR	26.1	26.0	25.6	25.7	27.2	26.8	26.8	26.8	25.8	26.9	26.0	26.6
Q/q %, SAAR	-3.5	-1.3	-7.2	2.5	26.1	-7.1	0.4	0.1				
Y/y %	-3.6	-3.0	-4.4	-2.9	5.2	3.0	5.0	4.5	-3.5	4.4	-3.8	2.3
Exchange rate (Y/\$)	108.1	102.4	109.4	113.6	111.1	111.0	113.5	113.5	108.4	112.3	108.8	112.3
(Y/€)	120.7	114.7	119.2	120.2	124.3	131.3	132.0	132.0	118.7	129.9	120.6	126.9

Source: Compiled by DIR.

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

6.2 Major Assumptions

	2018			2019			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)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
1) World economy												
Economic growth of major trading partners												
Y/y %	4.0	3.6	3.6	3.6	3.6	3.5	3.5	3.5	3.7	3.5	3.9	3.6
Crude oil price (WTI futures; \$/bbl)	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Y/y %	12.2	12.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7	0.0	6.9	0.0
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)	17,459	17,551	17,643	17,735	17,829	17,924	18,020	18,116	17,597	17,972	17,505	17,877
Q/q %, SAAR	2.2	2.1	2.1	2.1	2.1	2.2	2.2	2.2				
Y/y %	2.5	2.3	2.2	2.1	2.1	2.1	2.1	2.2	2.3	2.1	2.4	2.1
Consumer Price Index												
(1982-84 avg=100)	249.6	251.2	252.8	254.4	255.9	257.4	258.9	260.4	252.0	258.1	250.4	256.6
Q/q %, SAAR	2.4	2.6	2.7	2.5	2.3	2.3	2.4	2.3				
Y/y %	2.3	2.5	2.4	2.5	2.5	2.5	2.4	2.3	2.4	2.4	2.2	2.5
Producer Price Index												
(Final demand; 2009.Nov=100)	115.1	115.7	116.3	117.0	117.5	118.1	118.7	119.3	116.0	118.4	115.4	117.8
Q/q %, SAAR	2.0	2.2	2.3	2.2	2.0	2.0	2.0	2.0				
Y/y %	2.2	2.4	2.0	2.2	2.2	2.1	2.0	2.0	2.2	2.1	2.2	2.1
FF rate (%)	1.75	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.50
(Target rate for the forecast period, end-period)												
Government bond yield (10 year; %)	2.61	2.83	3.05	3.28	3.47	3.49	3.52	3.55	2.94	3.51	2.76	3.44
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	107.9	108.2	108.5	108.7	109.0	109.3	110.7	110.9	108.3	110.0	108.1	109.5
Q/q %, SAAR	1.0	1.0	1.1	1.0	1.0	1.1	5.0	0.9				
Y/y %	1.1	1.1	1.1	1.0	1.0	1.0	2.0	2.0	1.1	1.5	1.1	1.3
Nominal public fixed investment												
Y tril; SAAR	26.7	26.6	26.5	26.4	26.3	26.2	26.2	26.1	26.5	26.2	26.7	26.3
Q/q %, SAAR	-1.2	-1.8	-1.8	-1.8	-1.2	-1.2	-0.6	-0.6				
Y/y %	-2.4	-0.7	-1.3	-1.8	-1.4	-1.5	-1.2	-0.8	-1.5	-1.2	0.2	-1.5
Exchange rate (Y/\$)	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5
(Y/€)	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0	132.0

Source: Compiled by DIR.

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

E: DIR estimate.