

29 June 2020 (No. of pages: 11)

Japanese report: 23 Jun 2020

Japan's Economy: Monthly Outlook (June 2020)

Expiration date for “revenge consumption”: Two fiscal cliffs to watch out for

Economic Research Dept.
Shunsuke Kobayashi
Yutaro Suzuki

Summary

- Japan's economy has experienced a fierce and rapid reduction, but between the end of April early May the economy hit bottom, and most recently, has been heading toward a tentative recovery. Behind the recovery is the lifting of the declaration of emergency and a temporary increase in household income due to payment of benefits.
- Considering these factors, the possibility that a recovery in domestic consumption more rapid than has been generally foreseen could become a reality over the next month or two is undeniable. Amongst the various components affected, temporary leadership is promising from durable goods (consumer electronics, passenger vehicles, etc.) and amusement & recreation (travel & excursions), in a phenomenon known as “revenge consumption” occurring in those categories where the downturn in demand during the period of self-restraint measures was especially prominent. On the other hand, favorable winds for components associated with stay-at-home demand (virtual spaces and local businesses) are expected to dwindle.
- However, it is highly possible that a steep recovery will last for only a short period of time. First of all, stimulation of demand by the payment of benefits will have only a temporary effect. Moreover, there is concern that additional fiscal cliff will be generated by the diminished efficacy of the government's employment adjustment subsidy. The employment adjustment subsidy expansion measure will be terminated by end September. There is risk here of the over 5,970,000 people on leave of absence suddenly shifting to the unemployment role.
- In addition, risk still remains that the major assumption suggesting economic recovery, mainly the halt in spread of COVID-19 infection, may be overturned. Factory operating rates, which have suffered a major decline, may very well hold down capital expenditure and recovery in imports. There is a good possibility that Japan's economy may shift into an extremely slow pace of recovery after experiencing a short-term V-shaped recovery.

Signs of short-term V-shaped recovery, but doubts about long-term recovery

Japan's economy has experienced a fierce and rapid reduction¹, but between late April and early May the economy hit bottom, and most recently, appears to be headed toward recovery. (Real-time data in various sectors is shown in Charts 1, 4 & 5.) It goes without saying that economic activity hit bottom in mid-May with the lifting of the declaration of emergency. In addition, though temporary, household income is expected to experience a dramatic improvement even in the midst of the *Corona Disaster* due to fiscal measures (explained in more detail later in this report), including a special fixed benefit and the employment adjustment subsidy.

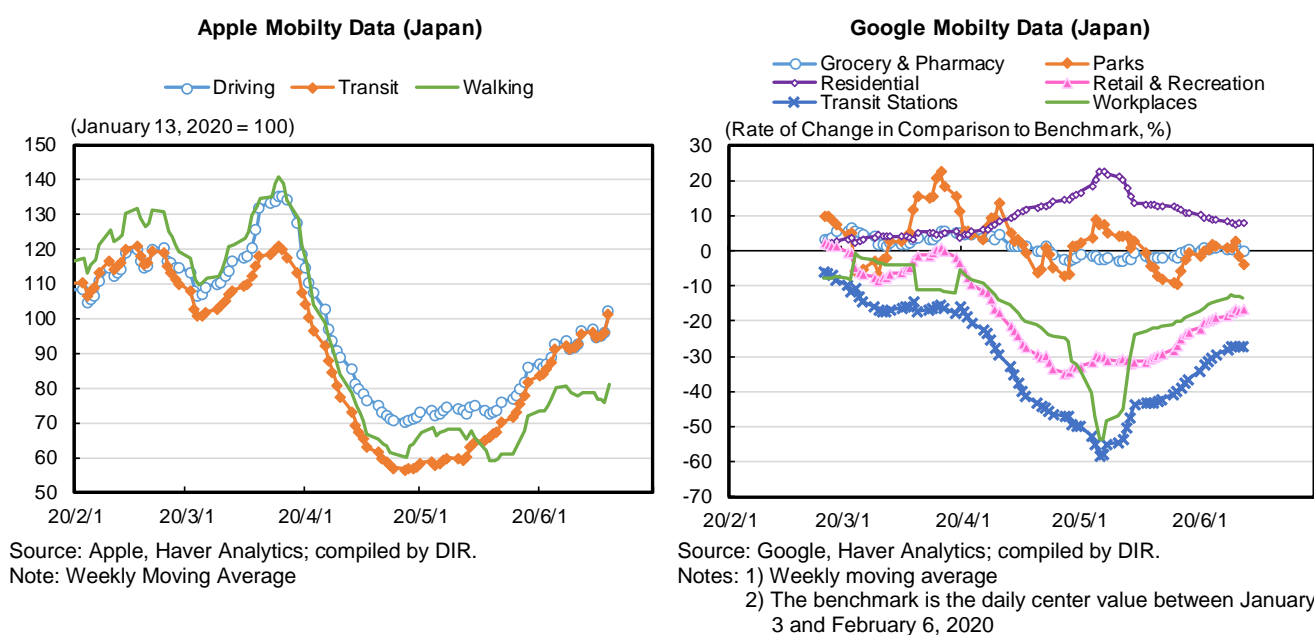
Considering these factors, the possibility that a recovery in domestic consumption more rapid than has been generally foreseen could become a reality over the next month or two is undeniable. However, at the same time, this also means that the V-shaped recovery will not last long. Along with the expiration date of the fiscal measures, demand is likely to decline dramatically again. In other words, a fiscal cliff is foreseen in the not too distant future.

Needless to say, risk remains that the major assumption suggesting economic recovery, mainly the halt in spread of COVID-19 infection, may be overturned². Meanwhile, even if economic activity were to continue its gradual recovery, it is not difficult to imagine that it will take a certain amount of time for factory operating rates to return to the levels seen before the COVID-19 pandemic. This means that corporations will continue to find it difficult to develop the incentive to increase capital expenditure and employment for some time to come. Considering Japan's export structure, which has its strength in capital goods, as long as similarly low factory operating rates continue in the countries that are its major export destinations, this problem is likely to remain a drag on the Japanese economy through both domestic and overseas demand.

While keeping the big picture in mind, this report examines and attempts to understand the details of the current condition of Japan's economy.

Japan's Daily Mobility Data as Seen in Apple and Google Statistics

Chart 1



¹ For details on the time series, see the DIR report dated May 28, 2020: *Japan's Economy: Monthly Outlook (May 2020): Analyzing Corona Disaster using input-output table: comprehensive analysis of data on economic impact, and outlook for future*, by Shunsuke Kobayashi and Yutaro Suzuki.

² See Footnote 1 report for details.

Devastating Numbers Reported in April Economic Statistics

The latest economic statistics available are for the month of April. Performance values are shown in Charts 2 & 3. According to the Family Income and Expenditure Survey, in comparison to the month of January before the Corona Disaster hit, consumption was at -8.5%, while the Current Survey of Commerce was at -12.9% and industrial shipments were at -14.8%, with the Indices of Tertiary Industry Activity at -10.1%. All three of these statistics reported devastating declines in a matter of only three months. Moreover, the majority of these declines occurred during the months of March and April. It is easy to see how significantly the state of emergency declared on April 7 influenced the economy.

Looking at results by component, we can conclude from the findings of the Family Income and Expenditure Survey that the influence of stay-at-home orders was especially notable. Components such as eating out, travel, entertainment, accommodations, transportation, and apparel suffered declines, while foods & ingredients for eating at home, electricity & utility bills, and telecommunications fees experienced growth. The same components showed similar results on the Current Survey of Commerce, while at the same time, businesses located in the city center, including department stores and convenience stores, exhibited poor performance, while relatively speaking, businesses located in local areas, including supermarkets and home centers were notably favorable.

Influence of Corona Disaster on Consumption by Component

Chart 2

Family Income and Expenditure Survey		Current Survey of Commerce	
Overall Amount of Decline in April in Comparison to January	-8.5%	Overall Amount of Decline in April in Comparison to January	-12.9%
20 Worst Performing Items	Contribution Rate (%pt)	20 Worst Performing Items	Contribution Rate (%pt)
General Eating Out	-3.18	Departmentstores, Others	-0.72
Gratuities	-1.11	Departmentstores, Food and Beverages	-0.69
Package Tour Fees	-1.00	Departmentstores, Women's and Children's Clothes	-0.69
Other Cultural-Entertainment Expenses	-0.77	Departmentstores, Accessories	-0.44
Admission, Spectator, and Game Fees	-0.72	Convenience stores, Fast foods & Dailyfoods	-0.39
Domestic College Expenses	-0.71	Convenience stores, Processed Foods	-0.20
Monthly Allowance Sent to Children	-0.67	Convenience stores, Non-Foods	-0.20
Accommodation Fees	-0.61	Departmentstores, Men's Clothes	-0.20
Train Fare	-0.60	Supermarkets, Women's and Children's Clothes	-0.19
Women's Clothing	-0.56	Supermarkets, Others	-0.13
Beauty Salon Expenses	-0.49	Large-scale speciality retailers for home electric appliances, Home electric appliances	-0.11
Monthly Tuition	-0.45	Convenience stores, Sales of Services	-0.10
Women's Shirts & Sweaters	-0.26	Drugstore, Beauty care (cosmetic products and goods)	-0.10
Medical Fees	-0.25	Departmentstores, Restaurants and Café	-0.09
Sporting Goods	-0.23	Supermarkets, Men's Clothes	-0.09
Men's Clothing	-0.21	Departmentstores, Household Equipment	-0.07
Bags, Brief Cases	-0.19	Large-scale speciality retailers for home electric appliances, Others	-0.07
Airfare	-0.17	Large-scale speciality retailers for home electric appliances, Cameras	-0.06
Wedding Expenses	-0.16	Departmentstores, Gift Certificate	-0.06
Other Hospital Charges	-0.16	Supermarkets, Accessories	-0.05
Top 10 Growth Items	Contribution Rate (%pt)	Top 10 Growth Items	Contribution Rate (%pt)
Fresh Meat	0.51	Supermarkets, Food and Beverages	0.88
Fresh Produce	0.42	Drugstore, Food	0.28
Electricity	0.40	Drugstore, Household utensils, daily necessities, pet products	0.11
Purchase of Automobiles, etc.	0.38	Home improvement stores, D.I.Y. tools and materials	0.05
Medical Supplies	0.31	Large-scale speciality retailers for home electric appliances, Information appliances	0.05
College & University Fees, Private	0.30	Home improvement stores, Others	0.03
Spices, Seasonings	0.29	Home improvement stores, Gardening and exteriors	0.03
Mobile Phone Charges	0.27	Home improvement stores, Household utensils and daily necessities	0.03
Noodles	0.19	Drugstore, Dispensing pharmaceutical products	0.02
Water & Sewage Charges	0.16	Home improvement stores, Electric appliances	0.02

Source: Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry; compiled by DIR.

As for industrial shipments, which indicate the general condition of the manufacturing industry, the decline in shipments of goods associated with passenger vehicles was especially notable³. Sales activities of passenger vehicles stopped due to the curtailing of the usual vacation activities in domestic Japan, and lockdowns occurring in major export destinations. On the other hand, shipments of items used at home, such as PCs, and LCD panels used in televisions and other devices, as well as production machinery used in their manufacture, and air conditioning systems, exhibited growth. Looking at the Indices of Tertiary Industry Activity, which indicates the condition of the services industry, major declines were recorded by industries associated with leisure activities, eating out, travel, and accommodations. This is consistent with the findings of the Family Income and Expenditure Survey and

³ Automobile purchases exhibited growth on the Family Income and Expenditure Survey. This is thought to be due to the sampling bias on that survey.

the Current Survey of Commerce. On the other hand, finance, software, telecommunications, food & beverages, welfare and medical services performed favorably. Roughly speaking, overall economic activity was dramatically reduced, while at the same time, a shift occurred from real spaces to virtual spaces, and from urban areas to local areas.

Influence of Corona Disaster on Corporate Activity
Chart 3

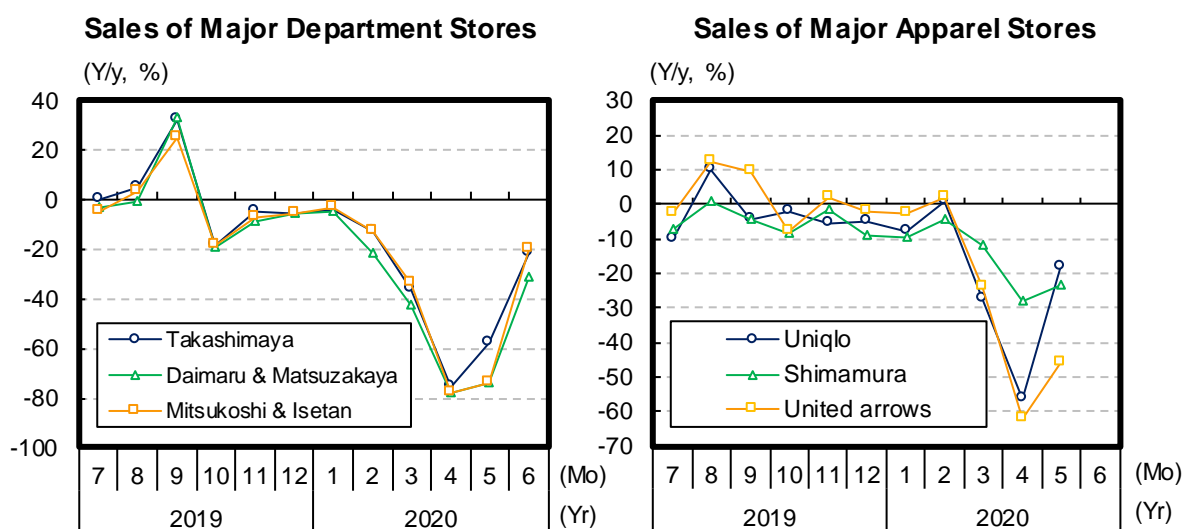
Industrial Shipments		Indices of Tertiary Industry Activity	
Overall Amount of Decline in April in Comparison to January	-14.8%	Overall Amount of Decline in April in Comparison to January	-10.1%
20 Worst Performing Items	Contribution Rate (%pt)	20 Worst Performing Items	Contribution Rate (%pt)
Large passenger cars	-3.29	Eating and Drinking Places, Take Out and Delivery Services	-2.28
Drive, transmission and control parts	-0.77	Wholesale Trade (Machinery and Equipment)	-0.75
Engines for motor vehicles	-0.65	Accommodations	-0.70
Gasoline	-0.45	Retail Trade (Dry Goods, Apparel and Apparel Accessories)	-0.64
Large trucks	-0.39	Laundry, Beauty and Bath Services	-0.64
Plastic products for machine tools and parts	-0.34	Railway Transport	-0.61
Aircraft fuselage parts	-0.33	Pachinko Parlors	-0.59
Midget passenger cars	-0.31	Real Estate Agencies	-0.43
Jet fuel	-0.30	Travel Agency	-0.40
Small passenger cars	-0.29	Retail Trade (Motor Vehicles)	-0.38
Shovel trucks	-0.28	Services incidental to Transport	-0.38
Chassis and body parts	-0.28	Road Passenger Transport	-0.35
Special hot-rolled steel	-0.22	Retail Trade, General Merchandise	-0.35
Interchangeable lenses for cameras	-0.20	Sports Facilities	-0.31
Heavy fuel oil	-0.19	Road Freight Transport	-0.29
Aircraft engine parts	-0.17	Amusement Parks and Theme Parks	-0.24
Steam turbines for industry	-0.16	Employment and Worker Dispatching Services	-0.22
Bearings	-0.15	Video Picture, Sound	-0.18
springs	-0.15	Information, Character Information Production & Distribution	-0.18
Electric luminaries for motor vehicles	-0.14	Air Transport	-0.17
		Ceremonial Occasions	-0.15
Top 10 Growth Items	Contribution Rate (%pt)	Top 10 Growth Items	Contribution Rate (%pt)
Flat-panel display products machinery	0.59	Computer Programming and Other Software Services	0.54
Active matrix LCDs (Liquid Crystal Devices) Middle and small	0.26	Financial Products Transaction and Futures Commodity Transaction Dealers	0.12
Kerosene	0.22	Life Insurance Institutions	0.11
Mold and die	0.15	Production, Transmission and Distribution of Electricity	0.08
Notebook computers	0.10	Retail Trade (Food and Beverages)	0.08
Active matrix LCDs (Liquid Crystal Devices) Large	0.09	Communications	0.06
Turbine generators for general use	0.09	Machine, etc. Repair Services, except Automobile Maintenance Services	0.06
Conveying cranes	0.08	Banking and Financial Institutions for Cooperative Organizations	0.05
Separate type air conditioners	0.06	Data Processing and Information Services	0.05
Compressors	0.05	Social welfare	0.04

Source: Ministry of Economy, Trade and Industry; Compiled by DIR.

Recovery after Lifting of State of Emergency and Trends in Shifting back from Local to Urban, and from Virtual to Real

Beginning in May and beyond, the tide has clearly changed. As is shown in Chart 1, economic activities have gotten started again due to the lifting of the state of emergency, and people who had been staying in residential areas have begun to return to the city. Charts 4 & 5 illustrate this trend. The recovery in sales of department stores and apparel stores located in urban areas is notable, while supermarkets and home centers – industries which benefitted from the tailwind of the *living-with-Corona* market – have begun to lose speed. The same trend can be seen in the JCB Consumption Now statistics. Meanwhile, according to the JCB Consumption NOW statistics, favorable performance is being maintained by consumption activities in virtual spaces, such as content distribution and EC (various product retailers), while growth in expenditure has slowed for liquor stores and the electricity, gas, heat supply, and water supply industries. In contrast, a recovery in consumption has been observed in real space businesses, such as coffee shops and cafes, Japanese style pubs, and family restaurants.

Department Store and Apparel Sales **Chart 4**

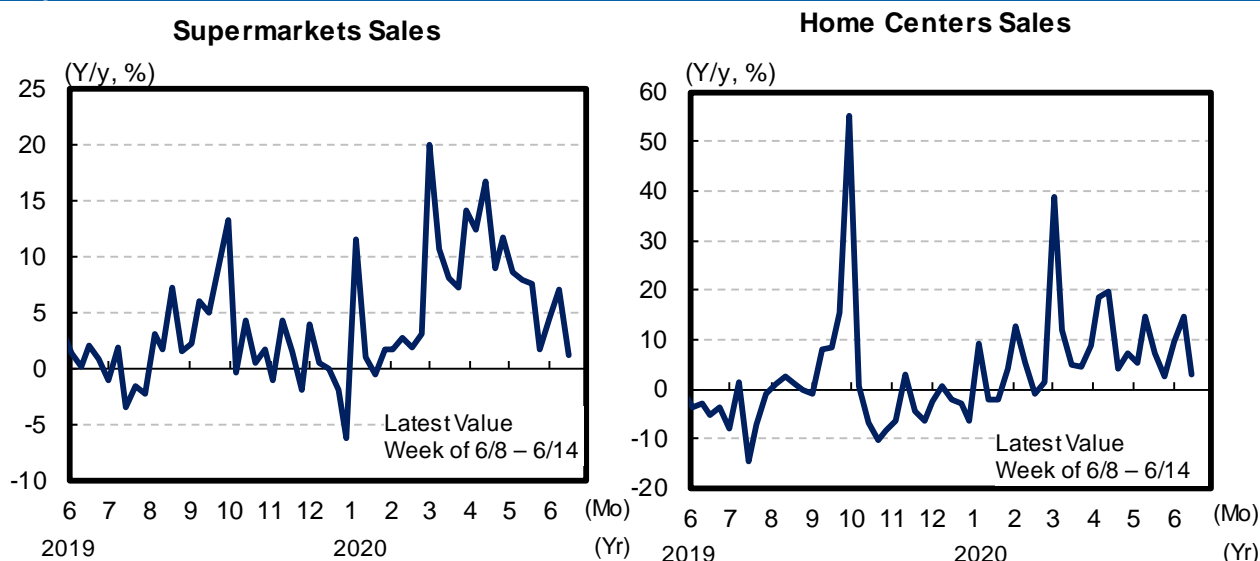


Source: corporate data, compiled by DIR.

Note: 1) Department stores: based on existing stores. June figures run through the 14th for department store.

2) Apparel: based on existing stores. Figures for Uniqlo and United Arrows include online sales. As for Shimamura, compilation of monthly figures runs from the 21st of the previous month to the 20th of the current month.

Supermarket and Home Center Sales **Chart 5**



Source: Ministry of Economy, Trade and Industry; compiled by DIR.

Note: METI weekly data from POS retail sales index. Excludes consumption tax. Seasonal adjustment by DIR.

“Revenge Consumption” Encouraged by Special Fixed Benefit

Of course, the recent activation of consumption has not been brought on by the lifting of the state of emergency alone. The fact that fiscal measures, including the special fixed benefit and the employment adjustment subsidy, have had the effect of boosting the outlook for household income, and consequently consumption, cannot be ignored.

The special fixed benefit is a policy according to which every individual resident of domestic Japan can be paid a benefit amount of 100,000 yen. A total of 12.73 trillion yen has been budgeted for this purpose. This is an amount equivalent to about 0.5 months of total household disposable income in Japan. The amount in benefits that have been paid as of June 17 is 6.94 trillion yen, as shown in Chart 6. Approximately 1 trillion yen per week in benefits has been paid since May. Assuming payments continue at the same rate through the month of July, household disposable income will have been raised by around 15-20%pt during the three months lasting from May to July.

The same phenomenon has been observed in the US. With the astronomical numbers of unemployed generated by this crisis, totaling over 20 million, household disposable income was expected to decline in April. However, as is shown in Chart 7, it has actually experienced a major increase. The major factor in generating this difference was the cash benefit policy (this is counted as Other Social Benefits in Chart 7). The cash payment in the US was a maximum of 1,200 dollars per individual (500 dollars for persons under the age of 17), or a total of 290 billion dollars. Most of this was paid out in April.

The result was a major improvement in household income. During the following month, in May, retail sales recorded a rapid recovery, exceeding previous expectations. According to the same logic, Japan is also likely to experience a rapid recovery in domestic consumption exceeding widely held expectations. This should be all the more so considering the fact that Japan’s benefits were larger than the US, both in terms of total household disposable income and proportion of GDP.

Amount Paid in Japan’s Special Fixed Benefit **Chart 6**

	Amount in Benefits Paid (Tril Yen)	Ratio in Comparison to Budget Amount (%)
6/5/2020	3.85	30.2
6/10/2020	4.91	38.5
6/12/2020	5.96	46.8
6/17/2020	6.94	54.5

Source: Ministry of Internal Affairs and Communications; compiled by DIR.

Household Income in the US (April 2020)

Chart 7

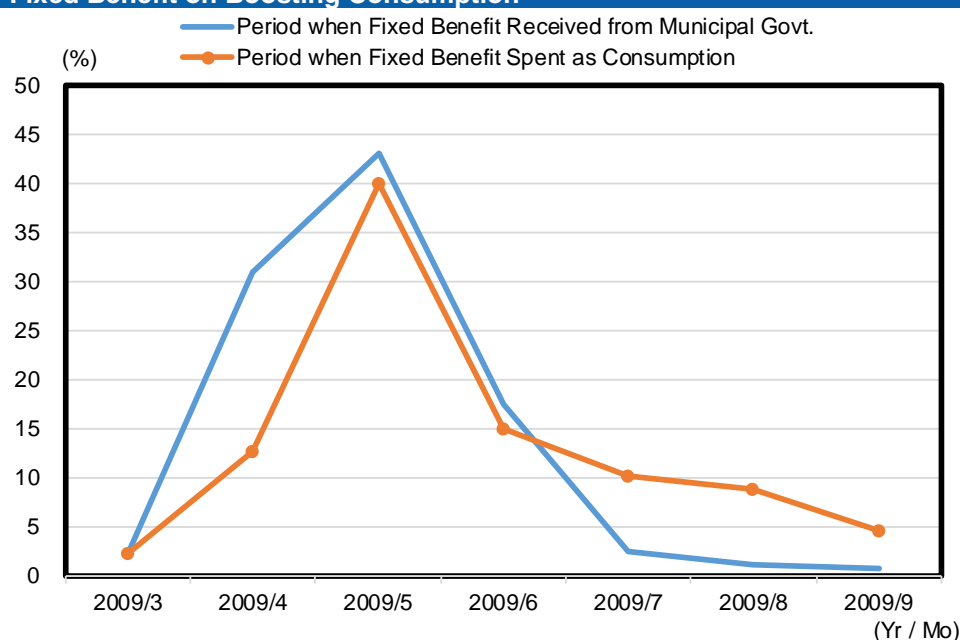
	Household Income (Bil Dlr, Annual Rate)								(Deduction) Social Security Premium
	Employee Compensation	Business Owner Income	Rental Income	Asset Income	Income Transfer from Govt. Etc.	Unemploy- ment Benefits	Other Social Benefits		
Actual Amount	20,674.5	10,477.9	1,424.5	800.8	2,959.8	6,347.1	430.1	3,122.1	1,335.6
Difference from Last Month	1,965.9	-878.5	-197.7	0.1	-45.2	2,999.1	360.5	2,593.8	-88.1

Source: BEA, Haver Analytics; compiled by DIR.

Implications Considering Measured Effect of Fixed Benefit Implemented in 2009

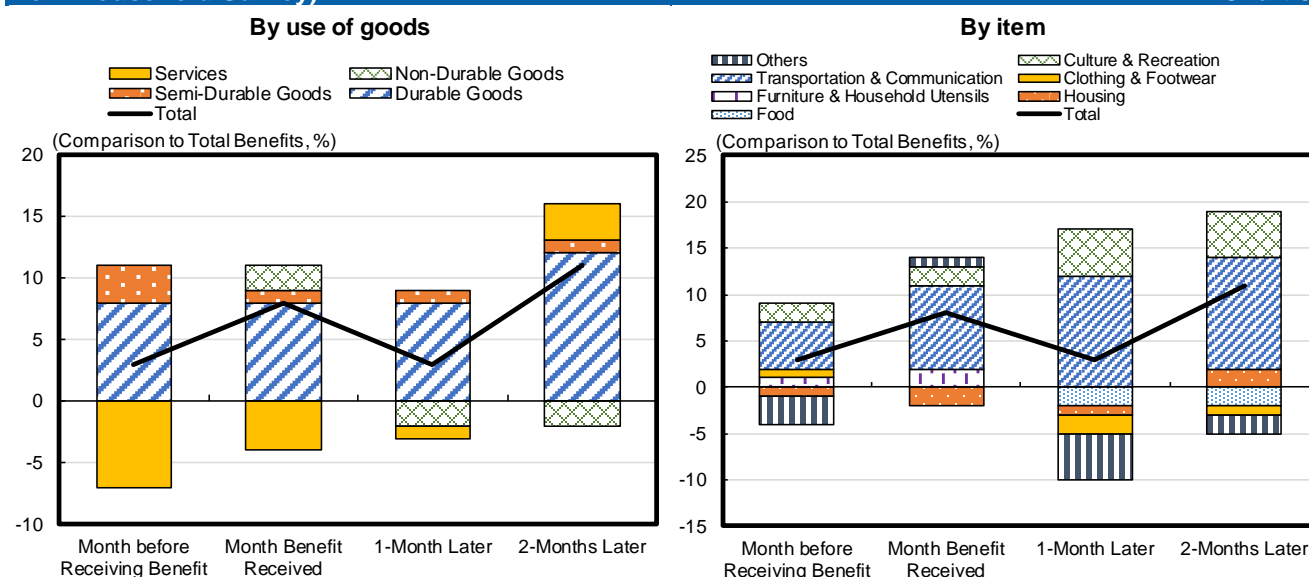
The problem that arises here is to what degree the benefit actually has the effect of boosting consumption (in terms of marginal propensity to consume). And furthermore, when will the effects appear and in what areas? To give us a better idea we look back at the effect the fixed benefit policy implemented in 2009 had on stimulating consumption. According to the Cabinet Office’s Survey on Consumption Related to the Fixed Benefit, most of these effects occurred immediately after people received the benefit (Chart 8). Meanwhile, according to the Cabinet Office report “Did the Fixed Benefit Influence Household Consumption? Analysis Using Individual Data from the Household Survey,” the amount received is estimated to have had the effect of boosting consumption (marginal propensity to consume) of 25%. Details of this analysis are shown in Chart 9. The effect of boosting consumption was especially large in the area of durable consumer goods, while in terms of components, transportation & communication, and culture & recreation had especially large effects.

Effect of 2009 Fixed Benefit on Boosting Consumption **Chart 8**



Source: Cabinet Office; compiled by DIR.

Effect of Fixed Benefit Implemented in 2009 on Boosting Consumption (Analysis of Individual Data from Household Survey) **Chart 9**



Source: Cabinet Office; compiled by DIR.

Short-Term V-Shaped Recovery Expected, but Won't Last Long

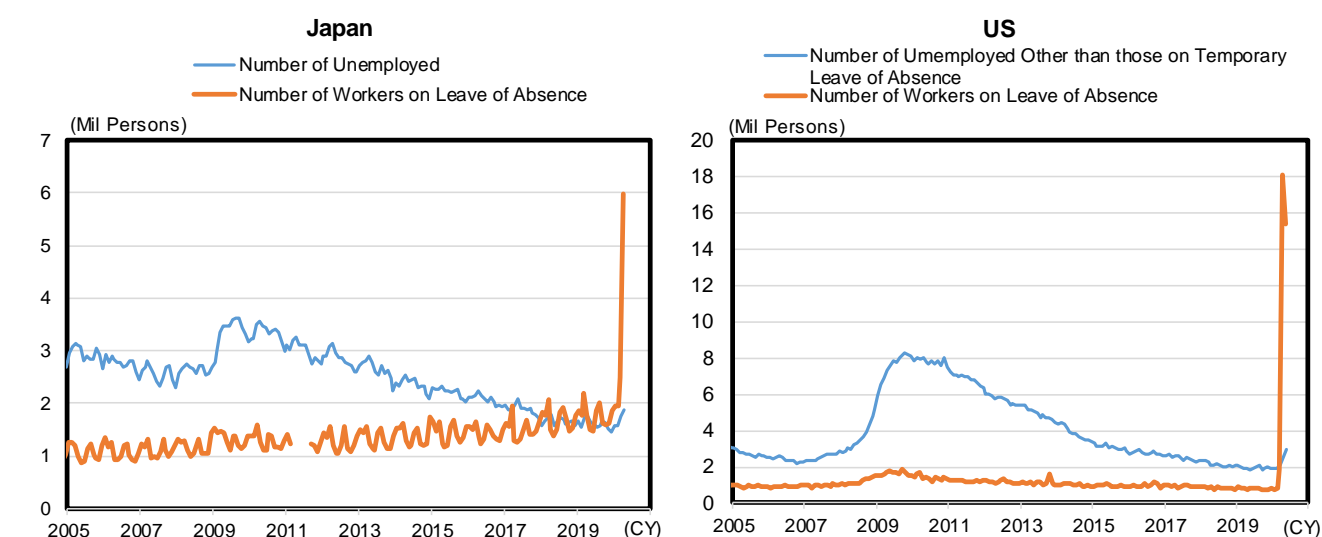
In predicting the effects of the current fixed benefit, simply deducing in a linear manner from the effect the fixed benefit policy implemented in 2009 had on stimulating consumption may not be very insightful. On the other hand, in the qualitative sense, there is a good possibility that demand will be stimulated in sectors where the consumption stimulating effect was confirmed last time, including some durable goods, travel & leisure, etc. Demand could become stronger for household electronics for improving productivity and comfort of working at home, and passenger vehicles for going out during stay-at-home measures which could be implemented again. Sales of passenger vehicles are still slow, however, as was previously pointed out, demand is strong for PCs, LCD panels, etc. Meanwhile, demand for air conditioning has also been favorable recently. In addition, with the support of the “Go To Campaign” to begin in August, it has been pointed out that there may be a recovery in demand for vacations and excursions this summer, making up for the lost vacation time the Japanese were forced to put up with in spring.

However, the steep economic recovery will unfortunately be most likely short-term. It goes without saying that demand stimulated by the fixed benefit will only be temporary. Moreover, the reward points program introduced in October 2019 as a countermeasure to the consumption tax hike will expire at the end of June. It is highly possible that merchandise and stores which benefitted from that program may again head for decline, with possible last-minute demand followed by reactionary decline. This indicates the possibility that the recently favorable demand for air conditioning may be partly due to this phenomenon.

Employment Adjustment Subsidy Creates Additional Fiscal Cliff

One more worrisome problem is that the employment adjustment subsidy could lead to additional fiscal cliff. The set of government policies including this program provides a payment of subsidies to corporations which maintained employment despite being hit hard by the *Corona Disaster*. These policies are a response to the current economic crisis, and include a significant relaxation of terms of employment and an increase of the upper limit of salary payments. It should not be ignored that these policies have the effect of preventing the catastrophic decrease of employment and household income. To put it another way, it can also be said that the possible impact if these policies expire or if subsidies are reduced should not be underestimated.

Labor Markets in the US and Japan Chart 10



Source: Ministry of Internal Affairs and Communications, BLS, Haver Analytics; compiled by DIR.

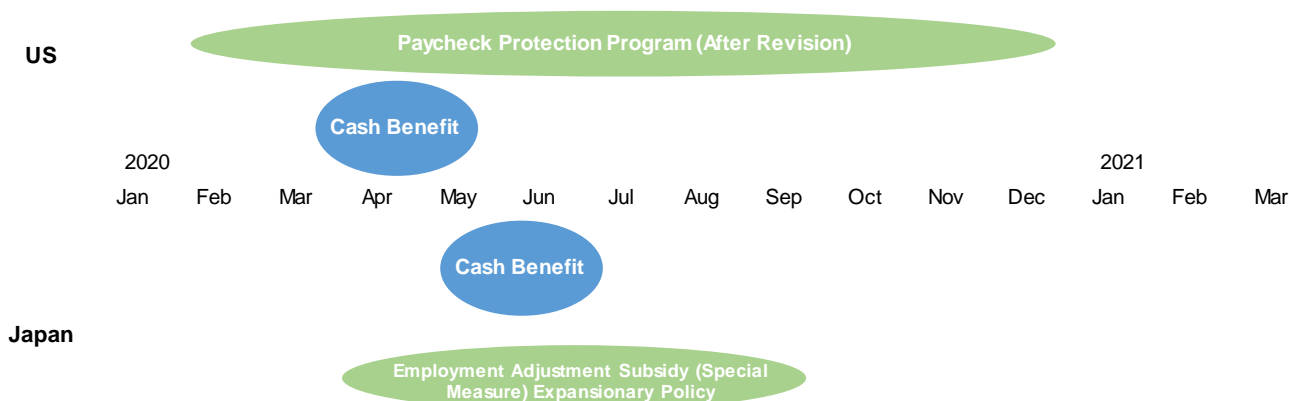
Data supporting this view is shown in Chart 10.

There have been remarks highlighting the differences between Japan and other countries such as the United States, pointing to the fact that the increase in unemployment in Japan was moderate despite the significant contraction of economic activity. However, this is a factual error. In this case, the employment environment in Japan and the US is very similar. The number of unemployed did not increase significantly in Japan, but workers on leave of absence (employees who had not worked at all as of the last week of the month) reached a total of 5,970,000 as of April, the largest number recorded since December 1967. If workers on leave of absence are included in the unemployment statistics, Japan actually has an unemployment rate of about 13%. Statistics in the US define workers on leave of absence as unemployed. Hence the unemployment rate appears to have risen dramatically, though the bulk is actually made up of workers on leave of absence. In other words, the difference between the US and Japan is largely a question of the definitions used in statistics.

In any case, Japan has implemented the employment adjustment subsidy as a safety feature to prevent the large number of workers on leave of absence from becoming unemployed. In the US there is what is called the Paycheck Protection Program (PPP). As long as these programs are in force, it will be possible to slow the pace of unemployment increase (as defined here in Japan). However, these measures have a time limit, and as shown in Chart 11, both Japan and the US are expected to lose their policy effects in the not-too-distant future.

In addition to the fiscal cliff problem such as this one, as was pointed out at the beginning of this report, risk remains that the major assumption suggesting economic recovery, mainly the halt in spread of COVID-19 infection, may be overturned. Meanwhile, even if economic activity were to continue its gradual recovery, it is not difficult to imagine that it will take a certain amount of time for factory operating rates to return to the levels seen before the COVID-19 pandemic. As was touched upon earlier in this report, this problem is likely to remain a drag on the Japanese economy through both domestic and overseas demand. It is therefore highly possible that Japan’s economy may shift into an extremely slow pace of recovery after experiencing a short-term V-shaped recovery.

Timeline of US & Japan Household Support and Employment Maintenance Measures **Chart 11**



Source: Produced by DIR.

Japan's Economic Outlook No.205 Update

	FY19 (Estimate)	FY20 (Estimate)	FY20 (Estimate)	CY19	CY20 (Estimate)	CY20 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	0.8	-4.5	2.5	1.3	-4.1	1.5
Real GDP (chained [2011]; y/y %)	0.0	-5.1	2.9	0.7	-5.0	1.8
Domestic demand (contribution, % pt)	0.2	-4.2	2.2	0.8	-4.1	1.4
Foreign demand (contribution, % pt)	-0.2	-0.9	0.7	-0.2	-0.9	0.5
GDP deflator (y/y %)	0.8	0.7	-0.4	0.6	0.9	-0.4
Index of All-industry Activity (y/y %)*	-1.3	-7.0	3.0	-0.3	-7.2	1.7
Index of Industrial Production (y/y %)	-3.7	-5.3	3.8	-2.8	-6.3	3.0
Index of Tertiary Industry Activity (y/y %)	-0.7	-7.8	3.1	0.5	-10.6	1.5
Corporate Goods Price Index (y/y %)	0.1	-3.8	0.4	0.2	-2.7	-0.8
Consumer Price Index (excl. fresh food; y/y %)	0.6	-0.9	-0.8	0.7	-0.3	-1.1
Unemployment rate (%)	2.4	3.8	3.5	2.4	3.4	3.7
Government bond yield (10 year; %)	-0.12	0.00	0.00	-0.11	-0.02	0.00
Balance of payments						
Trade balance (Y tril)	0.6	1.1	4.0	0.6	0.9	3.6
Current balance (\$100 mil)	1,818	1,870	2,194	1,840	1,813	2,134
Current balance (Y tril)	19.8	20.4	24.0	20.1	19.8	23.4
(% of nominal GDP)	3.6	3.9	4.4	3.6	3.7	4.3
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	-0.6 (-0.3)	-5.2 (-2.9)	3.1 (1.7)	0.1 (0.1)	-5.4 (-3.0)	2.2 (1.2)
Private housing investment	0.5 (0.0)	-8.2 (-0.2)	-0.8 (-0.0)	2.0 (0.1)	-8.2 (-0.3)	-2.2 (-0.1)
Private fixed investment	-0.2 (-0.0)	-7.2 (-1.2)	1.1 (0.2)	0.7 (0.1)	-6.0 (-1.0)	-1.0 (-0.2)
Government final consumption	2.4 (0.5)	1.3 (0.3)	0.8 (0.2)	1.9 (0.4)	1.6 (0.3)	1.0 (0.2)
Public fixed investment	3.3 (0.2)	-0.7 (-0.0)	3.2 (0.2)	2.9 (0.1)	-0.8 (-0.0)	4.0 (0.2)
Exports of goods and services	-2.7 (-0.5)	-17.2 (-2.9)	12.0 (1.8)	-1.6 (-0.3)	-17.0 (-3.0)	8.5 (1.3)
Imports of goods and services	-1.7 (0.3)	-11.5 (2.0)	6.6 (-1.1)	-0.7 (0.1)	-12.0 (2.1)	5.3 (-0.8)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	1.8	-2.6	5.3	3.0	-3.5	4.7
Crude oil price (WTI futures; \$/bbl)	54.7	36.3	39.0	57.0	38.0	39.0
2. US economy						
US real GDP (chained [2012]; y/y %)	1.7	-5.5	4.6	2.3	-4.8	3.2
US Consumer Price Index (y/y %)	1.9	0.5	2.0	1.8	0.9	1.7
3. Japanese economy						
Nominal public fixed investment (y/y %)	4.9	-0.4	3.1	4.5	0.1	3.7
Exchange rate (Y/\$)	108.7	109.2	109.5	109.0	109.0	109.5
(Y/€)	120.9	122.4	123.5	122.2	121.6	123.5

Source: Compiled by DIR.

Notes: 1) Index of All-Industry Activity Index: excl. agriculture, forestry, and fisheries.

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