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# Outlook for Japan's Economy in 2021

**Outlook for 2021: Growth of more than +2% expected, but may fluctuate significantly depending on infection situation**

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## Summary

- We expect Japan's real GDP growth rate in 2021 to be at +2.3%. Working under the assumption that measures to prevent the spread of COVID-19 infections will be continued both in Japan and abroad, we expect recovery from the previous year's downturn (estimated at -5.3%) will likely be gradual. Looking at the outlook by demand component, personal consumption and exports are expected to achieve positive growth, but the amount of expected growth will still not make up for the extent of the previous year's decline. While capital expenditure and housing investment are expected to suffer slight declines, public demand is expected to continue its positive growth.
- There are five major factors providing a boost to economic recovery in 2021. These are (1) maintenance of accommodative fiscal and monetary policies, (2) improvement in global IT market conditions, (3) inauguration of Biden administration in the US, (4) progress in inventory adjustment, and (5) holding of the Tokyo Olympics and Paralympics.
- The economy may fluctuate significantly depending on the infection situation. In addition to our main scenario, which sees a gradual recovery for the economy, we also provide a vaccine dissemination scenario, which assumes that effective vaccines will spread rapidly from the latter half of 2021, and a risk scenario, which assumes that spread of COVID-19 infections will occur twice during 2021 in Japan, the US, and Europe. According to the vaccine dissemination scenario, the real GDP growth rate for 2021 will rise to +2.9%, with the 2022 growth rate expected to exceed 4%. On the other hand, the risk scenario sees GDP deteriorating to as much as -0.4%, with two consecutive years of negative growth expected.

## 1. Gradual Economic Recovery to Continue with COVID-19

### *Real GDP may have declined by around 30 trillion yen in 2020 due to the coronavirus crisis*

For Japan, 2020 was a year in which all economic entities were at the mercy of COVID-19. We expect real GDP growth in the same year to be -5.3% y/y. Tracing back through statistics, this is the greatest decline since 1956. Considering the fact that a year ago we had expected the real GDP growth rate to be +0.3% in 2020, the Japanese economy may have deteriorated by around 5.5% in terms of the proportion of GDP due to the coronavirus crisis, or about 30 trillion yen in value.

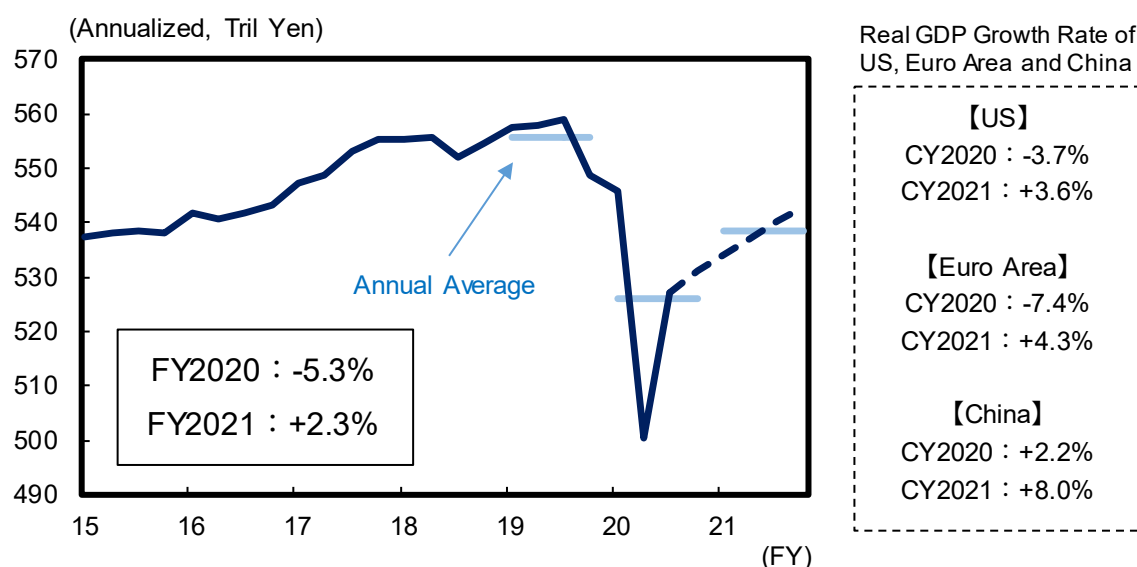
Amidst these circumstances, good news has arrived that the development of vaccines and therapeutic agents is steadily progressing. Vaccination began in December in the UK and the US. It will be implemented in Japan in the first half of 2021. On the other hand, COVID-19 infections have again been intensifying around the world since autumn and continuing into winter 2020, and many countries have been forced to strengthen measures to prevent the further spread of infection. What will the Japanese economy look like in 2021 amid strong uncertainty about the outlook for COVID-19?

### *Real GDP growth rate in 2021 seen at +2.3% assuming a “living with COVID-19” situation*

According to our main scenario, real GDP growth is expected to be at +2.3% y/y. Growth will lack the strength to make up completely for the amount of the previous year’s downturn, and recovery will likely be slow (Chart 1).

While it is possible that the vaccine will be supplied on a large scale by the end of 2021, it will take time to confirm its safety and sustainability of its effect, as well as to establish the supply network. It is therefore difficult to predict exactly when the vaccine will become widely available. Hence our main scenario assumes that spread of infection will continue for the long term, and that measures to prevent the spread of the infection will continue to be implemented in various countries around the world.

### Outlook for Real GDP in Japan and Major World Economies Chart 1



Source: Cabinet Office, statistics from various countries; compiled by DIR.

Note: The dotted line in the chart represents estimated values provided by DIR. Outlooks for the US, Europe and China provided by DIR area experts.

However, once the spread of the vaccine is in sight, the normalization of social and economic activities will progress rapidly. Combined with the effects of the fiscal and monetary policies that have been implemented so far, the economic outlook will be significantly more on the upside. As will be described in the next chapter, if effective vaccines spread in Japan and overseas from the latter half of 2021 to

2022, and most of the savings that domestic households have rapidly accumulated after the coronavirus crisis are used for consumption, Japan's real GDP growth rate could reach around +3-4% between 2021 and 2022.

As for the overseas economies, our outlook (as of Dec. 17, 2020<sup>1</sup>) is based on the latest findings of DIR's own in-house area experts. Real GDP growth in 2021 is expected to be at +3.6% y/y for the US, with the Eurozone at +4.3%, and China at +8.0% (Chart 1). As for the US, the leaders in economic growth are expected to be consumer goods and housing investment, with GDP expected to recover to the level seen before the coronavirus crisis (the Oct-Dec period of 2019) by around the Oct-Dec period of 2021. On the other hand, economic recovery in the Eurozone is expected to be gradual, due in part to the effects of measures to prevent the spread of COVID-19, and growth is not expected to make up for declines experienced in 2020. Meanwhile, China is expected to achieve high growth, but when the growth rate for real GDP is averaged with 2020 results, the figure is +5.1% y/y, falling below the +6% experienced before the coronavirus crisis, and which had been thought at the time could be maintained for a while. But despite this fact, China is expected to see relatively high growth in comparison to the other major economies during the "with Corona era".

### ***Five factors providing support for economic recovery***

As for Japan's economy in 2021, repeated trial and error toward the coexistence of efforts to prevent further spread of COVID-19 and social and economic activity will gradually strengthen immunity of the society overall, and we expect that the level of economic activity will gradually rise. In addition, we believe that the following five factors will provide support for economic recovery.

The first factor is maintenance of accommodative fiscal and monetary policies. On December 8, 2020, the Suga administration decided on additional economic measures of about 73.6 tril yen in total scale of the operation, and about 40.0 tril yen in fiscal expenditure based on the idea of a 15-month budget. Included in the budget are expansion measures for employment adjustment subsidies, extension of the Go To Campaigns, extension of interest-free and unsecured loans, national resilience (addition of public investment for disaster prevention and mitigation, etc.), and establishment of a 2 tril yen fund for the purpose of achieving decarbonization by 2050, as well as the securing of 1.5 tril yen for temporary grants for regional revitalization. In addition, the FY2021 tax reform outline of the ruling party includes postponement of the increase in property tax burden, extension of mortgage tax reduction and eco-car tax reduction, and tax incentives for the introduction of the latest equipment that will lead to significant reduction of greenhouse gases. In other developments, the Bank of Japan plans to implement additional monetary easing measures as necessary, taking into account the COVID-19 situation. The Bank of Japan has extended the deadline for financing support measures for companies dealing with COVID-19 by about half a year from the former termination date of March 2021.

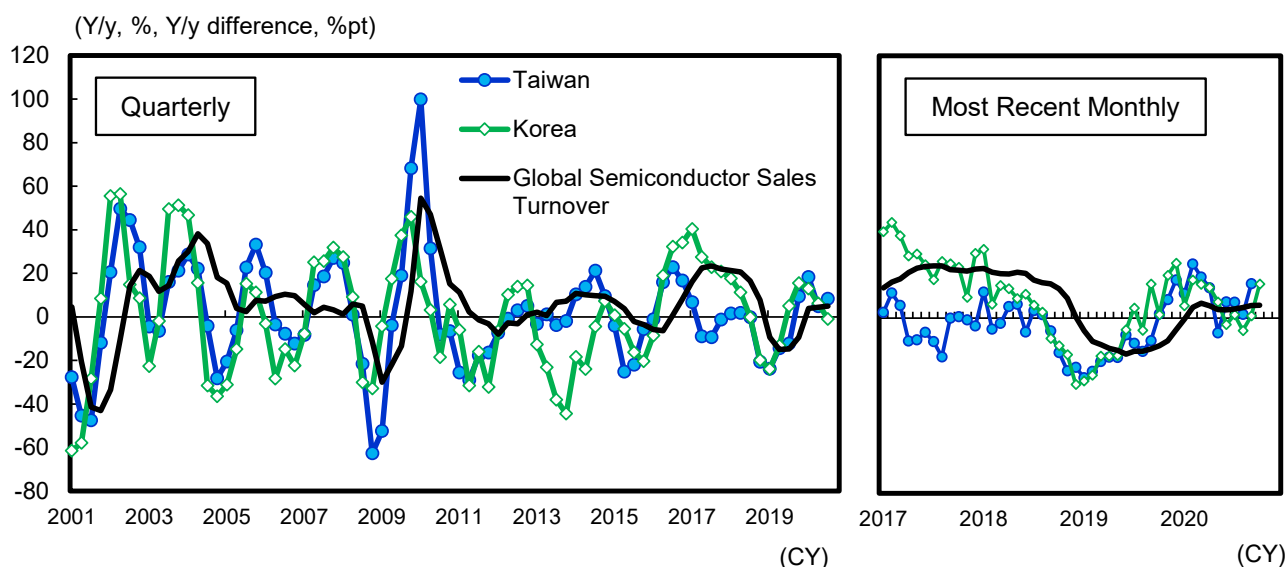
The second factor is improvement in global IT market conditions. Global semiconductor demand, known as the silicon cycle, generally moves in a four-year pattern, with upswings and downswings each lasting two years (Chart 2). The silicon cycle began improving around the middle of 2019, but since the Apr-Jun period of 2020 after the coronavirus crisis hit, it has been weakening. However, it has been able to avoid major deterioration since in addition to progress in worldwide recommencement of economic activities, telecommuting has spread rapidly both in Japan and abroad as a means of dealing with the COVID-19 threat. This has caused an increase in demand for IT equipment and telecommunications networks. Looking at the balance between shipments and inventories of electronic parts and devices in Korea and Taiwan, which tends to lead the silicon cycle by around 3-5 months, we see that the situation in both areas has been heading for a comeback since the fall of 2020 (Chart 2, right side). Meanwhile, as developments progress in the full-fledged utilization of 5G telecommunications, improvement in the

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<sup>1</sup> The US economic outlook was announced on December 18.

global IT market is also boosting Japan's domestic manufacturing, centering on electronic parts and devices.

### Global Semiconductor Sales Turnover and the Shipping & Inventory Balance of Electronic Parts and Devices in Taiwan and Korea Chart 2



Source: KOSTAT, MOEA, SIA, Haver Analytics; compiled by DIR.

The third factor is the inauguration of Biden administration in the US. The “America first” policy pushed forward by the Trump administration brought the US into intense conflict with China. The US imposed high levels of additional tariffs on imported goods from China in the process of trade negotiations. World trade stagnated from around 2018 due to the rapid increase in uncertainty about the future, and business conditions in Japan deteriorated, especially in the manufacturing industry. Although Trump's hardline stance and additional tariffs are expected to be maintained for the time being after the inauguration of the Biden administration, Mr. Biden attaches great importance to multilateralism and relations with allies. Uncertainty about the future will decrease, and it is unlikely that turmoil having a major impact on the real economy and financial markets like the Trump tariffs will occur. This will support the construction of the corporate global supply chain and capital expenditure. Mr. Biden has also promised a fiscal policy larger than President Trump in the presidential election. It is highly likely that congress will be divided, leading to gridlock, which will significantly reduce the ability to execute policies, but it will stimulate the US and Japanese economies to some extent<sup>2</sup>.

The fourth factor is progress in inventory adjustment. Looking at the inventory rate index of the manufacturing industry in the Ministry of Economy, Trade and Industry's Indices of Industrial Production, we see that it increased significantly in the spring of 2020 when the effects of the coronavirus crisis became apparent. During the global financial crisis triggered by the Lehman Brothers bankruptcy in September 2008, it took about a year and a half for the rising inventory rate to peak and then return to pre-crisis levels. Inventory adjustment has progressed at a much faster pace than during the global financial crisis, partly due to the rapid recovery in production and exports of transportation equipment from July, which had initially suffered an especially major downturn, and the steady demand for IT products. The October inventory index was the lowest since February, before the effects of the spread of COVID-19 were in full swing. Once the inventory cycle moves beyond the adjustment phase, increased demand will be more likely to lead to production activities in the manufacturing industry.

<sup>2</sup> The influence of Biden administration policies on Japan's real GDP, despite the expected gridlock in Congress, is expected to be +0.33% in 2022, +0.54% in 2023, and +0.61% in 2024.

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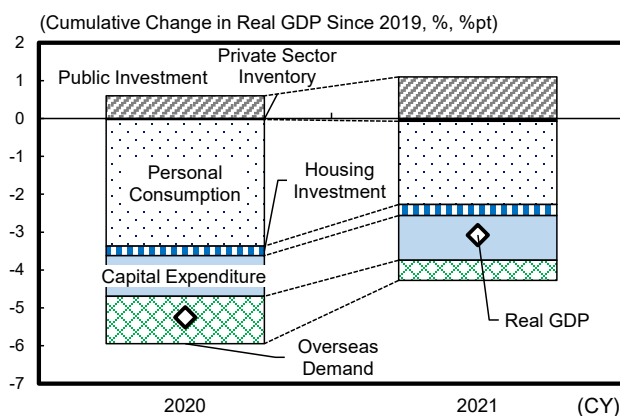
The fifth factor is the holding of the Tokyo Olympics and Paralympics. Based on the budget of the Tokyo 2020 Organizing Committee and estimates made by the Tokyo metropolitan government, the economic effect of holding the Games is estimated to be about 0.8 tril yen. However, it is difficult to hold events when the spread of infection has not been brought under control. The number of spectators and events will have to be limited to some extent. Therefore, our economic outlook assumes that the economic effect of the tournament will be reduced to about half of what the Olympics would bring in when held under normal circumstances, and that it will boost real GDP by about 0.4 tril yen, mainly in the Jul-Sep period of 2021.

## ***Recovery expected to be slow for consumption and exports with private sector investment in a slump, while public demand remains firm***

Looking at Japan's economy in 2021 by demand component, though personal consumption and exports are expected to win positive growth, they will not make up for the decline in the previous year. Capital expenditure and housing investment are expected to decline slightly, while public demand is expected to continue its positive growth (Chart 3).

**Outlook for Real GDP by Demand Component**

**Chart 3**



	(Y/y, %)	2020CY	2021CY
Real GDP		-5.3	2.3
Personal Consumption		-6.1	2.2
Private Sector Housing Investment		-6.9	-1.0
Private Sector Capital Expenditure		-6.5	-0.7
Government Consumption		2.2	2.1
Public Investment		2.9	1.5
Exports		-13.3	7.2
Imports		-6.7	2.6

Source: Cabinet Office; compiled by DIR.

Note: Estimated values by DIR

Personal consumption, which accounts for around 60% of GDP, is expected to recover only slightly in 2021 in comparison to the previous year's -6.1%, at +2.2%/y/y. The future depends on consumption of services, which are particularly affected by the coronavirus crisis. Looking at the Bank of Japan's Consumption Activity Index, which captures trends in personal consumption on a monthly basis, real service consumption fell by around 30% in April and May of 2020 in comparison with the level seen before the coronavirus crisis (January 2020). After that, it continued in a recovery trend with the resumption of economic activity, while in October the extent of decline shrank to about -10% due to the effect of the Go To Campaigns. However, since the latter half of November, the spread of COVID-19 has become more serious, and the Campaigns have been suspended in some areas, so service consumption seems to have weakened. It will take a considerable amount of time for personal consumption to recover in earnest as the spread of infection is expected to continue for a long time.

The outlook for exports in 2021 is +7.2% y/y, but in comparison to the rate of decline during the previous year (-13.3%) recovery is slow. Exports to China, where economic activity is particularly progressing, are expected to remain firm, while exports to Europe and the US are expected to recover only moderately. Since exports to Europe and the US are made up of a large proportion of capital goods such as general machinery, they are easily affected by sluggish capital investment due to the strong uncertainty about the future of the economy. In addition, the dissipation of pent-up demand for motor vehicles (the carry-over of demand suppressed during the lockdown), which had recently been boosting exports to the US, will likely be a drag on exports in the future.

Private sector capital expenditure is expected to fall -0.7% y/y in 2021, in a repeat of the previous year's sharp decline. Corporations are expected to postpone some investments, mainly for increasing capacity and investment for non-urgent maintenance and renewal, due to the deterioration of corporate profits and growing uncertainty regarding the future of the domestic and overseas economies, and the low level of factory operating rates. Software investment related to digitalization, labor saving, and manpower reduction is expected to remain firm, but the weak trend will continue, centered on machinery investment and construction investment. With regard to private sector housing investment, the slow improvement in the employment and income environment and growing uncertainty regarding the future are expected to reduce the willingness to buy homes, and y/y decline is expected to continue (down -1.0% in 2021).

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Part of the reason is that the trend of private housing investment was weak before the coronavirus crisis due to the declining and aging population, the strengthening of monitoring of apartment loans by the Financial Services Agency, the end of demand for inheritance tax measures, and the consumption tax hike.

Private sector demand and overseas demand are expected to recover only moderately, while public demand is expected to remain firm. Public investment has recently been at a high level, supported by the three-year emergency measures for disaster prevention/mitigation and national resilience, and other economic measures. Although the period covered by the three-year emergency measures will end in FY2020, execution has been delayed due to labor shortages in the construction industry, and it is thought that the unexecuted portion will be carried over to the next fiscal year. In addition, as mentioned above, the additional economic measures decided by the Cabinet on December 8, 2020 included the promotion of national resilience. As a result, public works spending in 2021 is expected to continue increasing by +1.5% y/y.

Government consumption is expected to increase +2.1% y/y. In Japan, where the population is aging, the cost of medical and long-term care benefits is increasing every year, and this is included in government consumption. Since the spread of COVID-19, the tendency to refrain from visiting medical institutions due to concerns about infection has increased. This has been a factor in reducing government consumption. However, measures to prevent the further spread of COVID-19, such as strengthening the ability to provide medical care and improving the inspection system, as well as economic measures such as extending the Go To Campaigns will boost government consumption.



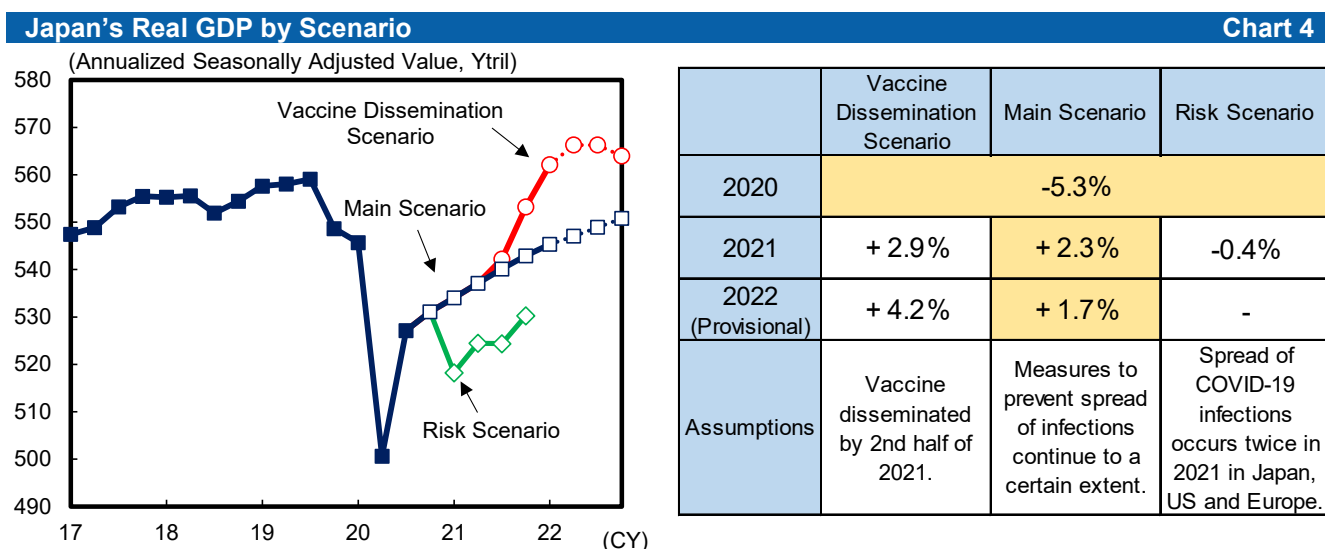
## 2. Upside & Downside Scenarios in 2021

### *Three possible scenarios for Japan's economy depending on status of COVID-19 infections*

According to our main scenario, Japan's economy is expected to achieve a moderate recovery, but depending on the status of COVID-19 infections in 2021, there is both an upside and at the same time the risk of a downside. Chart 4 illustrates these two other scenarios – one in which a vaccine is disseminated, and the other, the risk scenario, in which spread of COVID-19 infections is predicted to occur in Japan and overseas.

The vaccine dissemination scenario foresees the rapid dissemination of an effective vaccine from the 2<sup>nd</sup> half of 2021 through 2022. During this time demand is expected to grow, centering on personal consumption and exports, as well as capital expenditure. According to the vaccine dissemination scenario, the real GDP growth rate is expected to be +2.9% in 2021 and +4.2% in 2022. This outlook sees an upside of +0.6%pt and +2.5%pt respectively in excess of the outlook according to our main scenario. (The real GDP growth rate from the Apr-Jun period and beyond according to the main scenario is a provisional estimate based on extension of the Jan-Mar 2022 period real GDP growth rate.)

On the other hand, the risk scenario assumes that spread of COVID-19 infections will occur in Japan, the US, and Europe in the 1<sup>st</sup> and 2<sup>nd</sup> halves of 2021, and that states of emergencies and lockdowns lasting for one month will be implemented. The GDP outlook here is produced on a quarterly basis, hence spread of COVID-19 infections is expected to occur in March and September. According to the risk scenario, the 2021 real GDP growth rate is expected to deteriorate from +2.3% in the main scenario to -0.4%, with two consecutive years of negative growth seen.



Source: Cabinet Office, Statistics from Each Country; compiled by DIR.

Notes: 1) The main scenario is based on the DIR report dated December 10, 2020, *Japan's Economic Outlook No. 207 Update (Summary)*.

2) The risk scenario assumes that spread of COVID-19 infections will occur in Japan, the US, and Europe in March and September of 2021, and that states of emergencies and lockdowns lasting for one month will be implemented.

### *Dissemination of a vaccine has the potential of restoring consumer spending in particular*

The vaccine dissemination scenario assume that the vaccine will be disseminated from the 2<sup>nd</sup> half of 2021, thereby significantly reducing the need for measures to prevent the spread of the disease. This scenario paints a picture of a strong recovery for demand in both Japan and overseas with improvement in household and corporate sentiment.

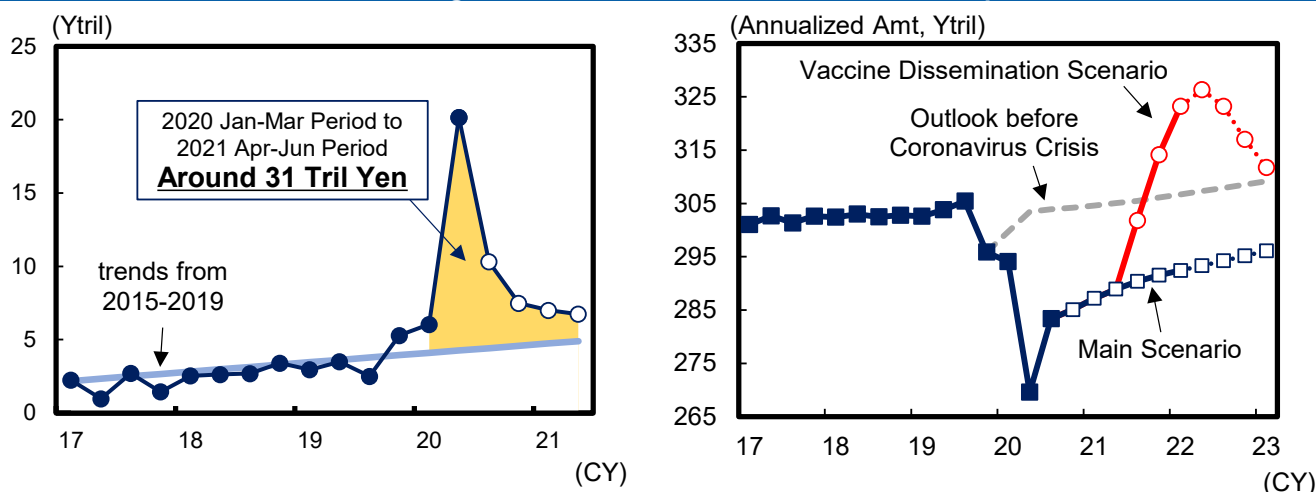


One of the factors expected to recover is personal consumption<sup>3</sup>. In addition to the average household propensity to spend (the ratio of disposable income used for consumption) rising toward the level before the coronavirus crisis, in the short term, savings which rapidly accumulated after the crisis hit may be devoted to consumption of travel and entertainment services.

Household savings according to the main scenario are expected to grow by around 58 tril yen between the Jan-Mar period of 2020 and the Apr-Jun period of 2021. The tendency to put a certain percentage of household disposable income toward savings was seen even before the coronavirus crisis, and considering this fact, surplus savings which are on the high side due to the past trend are expected to total around 31 tril yen during the same period (Chart 5 left side). It is thought that the fixed benefit of 100,000 yen per person (a total of 12.66 tril yen in benefit payouts distributed as of September 25), and the practice of restraint in the consumption of services have contributed to the growth in savings. The vaccine dissemination scenario assumes that this surplus savings will be used for consumption, with real personal consumption trending as shown in the right side of Chart 5. After a rapid recovery between the 2<sup>nd</sup> half of 2021 and the 1<sup>st</sup> half of 2022, personal consumption is expected to adjust to a level that meets income. Then, by the Jan-Mar period of 2023, consumption is expected to reach the level we had predicted it would before the coronavirus crisis.

Accumulation of Household Savings and Outlook for Real Personal Consumption

Chart 5



Source: Cabinet Office; compiled by DIR.

Notes: 1) Seasonally adjusted values. Unshaded circles (on right) estimated by DIR.

2) Savings amount = disposable income – final household consumption expenditure.

3) The main scenario shown in the right side of the chart is based on the DIR report dated December 10, 2020, *Japan's Economic Outlook No. 207 Update (Summary)*. The outlook before the coronavirus crisis is based on the DIR report dated December 9, 2019, *Japan's Economic Outlook No. 203 Update (Summary)*. In both cases, outlook for dates from the Apr-Jun period of 2022 and beyond were estimated by extension from the 2022 Jan-Mar period estimate.

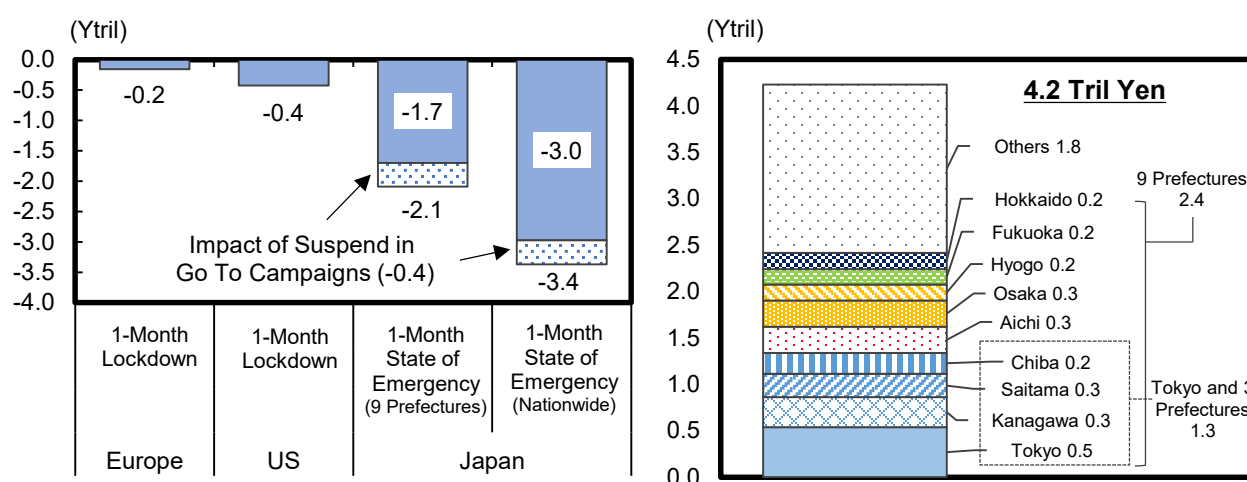
### ***Concern that two consecutive years of negative growth could occur if spread of COVID-19 infections occurs in Japan, the US, and Europe***

According to our risk scenario mentioned previously, spread of COVID-19 infections is predicted to occur twice during 2021 in Japan, the US, and Europe. Meanwhile, the implementation of strict measures to prevent the spread of infections will be unavoidable, including restrictions on economic activity and requests for self-restraint in daily activities. States of emergency lasting for one month each are expected to be declared effecting all regions of Japan.

<sup>3</sup> Exports are expected to recover to around pre-coronavirus crisis levels by the end of 2022, driven by a recovery in inbound demand. Capital expenditure is expected to recover to its highest level before the coronavirus crisis by the latter half of 2022, partly due to the emergence of postponed demand. On the other hand, with regard to imports, both goods and services are expected to increase due to the expansion of domestic demand and the increase in overseas travelers. Public demand and housing investment are based on the same outlook as the main scenario.

Chart 6 shows the effects on real GDP in the case that strict measures to prevent the spread of infections are implemented in Japan, the US, and Europe. According to our estimates using the DIR macro model, and taking into consideration trends in Japan's real exports and personal consumption since the 1<sup>st</sup> wave of the pandemic, if lockdowns and states of emergency of the kind which occurred in Japan, the US, and Europe in April and May of this year were to be implemented for a period of one month, Japan's real GDP would be depressed by a total of around 4.0 tril yen. According to the risk scenario, rather than economic activity recovering all at once when lockdowns and states of emergency are lifted, the level of economic activity is expected to recover in stages lasting over a period of two months. Therefore, the negative effects of measures to prevent the spread of infections on the real economy are estimated on the high side as shown on the left side of Chart 6.

**Effects on Real GDP by Individual Risk (Left), and Amount Consumption Suppressed by 1-Month State of Emergency**  
Chart 6



Source: Cabinet Office, Ministry of Finance, Bank of Japan; compiled by DIR.

- Notes: 1) Items on left side of the chart were estimated using the DIR macro model after first calculating the amounts by which exports and personal consumption would be suppressed in each of the scenarios. The effects of the suspension of the Go To Campaigns were calculated taking into consideration direct effects, the ripple effect, and usage amount in October.
- 2) Amounts in the right hand side of the chart were estimated using the amounts by which consumption was suppressed in March and April (the average value of amounts calculated from the Consumption Activity Index and the Synthetic Consumption Index), and the weight of consumption in each of Japan's prefectures (total expenditure on transportation, entertainment, leisure, and culture, and eating out & accommodations in FY2017).

In the US, the number of new infections per day has recently reached a record high, but the Trump administration is reluctant to implement lockdowns like in Europe. Meanwhile, Joe Biden of the Democratic Party, who is sure to win the presidential election, is focusing on measures to deal with COVID-19. If the spread of the infection becomes more serious, it may severely restrict economic activities after he takes office. If a lockdown such as occurred in April and May is implemented throughout the United States for one month, Japan's real GDP is expected to be suppressed by about 0.4 tril yen.

Meanwhile, the possibility of spread of infections is increasing in Japan. If a state of emergency is issued to all prefectures, it is estimated that personal consumption will be curtailed by about 4.2 tril yen per month (Chart 6, right). According to the DIR macro model, the impact on real GDP, including the impact of a decrease in imports, would be about -3.0 tril yen (Chart 6, left). In reality, the status of infection varies greatly from region to region, so when an emergency declaration is issued, it is highly likely that the target will be limited to metropolitan areas where the spread of infection is likely to become serious. If limited to the nine most populous prefectures<sup>4</sup>, the amount by which consumption is expected to be suppressed could reach about 2.4 tril yen per month, and real GDP would be pushed down by about 1.7 tril yen. In either case, the Go To Campaigns are expected to be suspended during the state of emergency, further reducing real GDP by about 0.4 tril yen.

<sup>4</sup> Hokkaido, Tokyo, Kanagawa, Saitama, Chiba, Aichi, Osaka, Hyogo, and Fukuoka.

With progress in vaccine development, the possibility of risk scenarios occurring has decreased, but for the time being, it is necessary to balance measures to prevent the spread of infection with social and economic activities. The major challenge in 2021 will likely be how to avoid the spread of infection by pinpointing preventive measures, while at the same time maintaining social and economic activities with the use of programs to stimulate demand that people can use with peace of mind.

## Japan's Economic Outlook No. 207 Update (December 10, 2020)

## Chart 7

		2019				2020				2021				2022	FY2019	FY2020	FY2021
		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
Real GDP	Q/q %; annualized	2.3	0.3	0.7	-7.2	-2.1	-29.2	22.9	3.0	2.2	2.3	2.3	2.1	1.8			
	Y/y	0.3	0.6	1.3	-1.1	-2.0	-10.3	-5.7	-3.2	-2.2	7.3	2.5	2.2	2.1	-0.3	-5.3	3.4
Private spending	Q/q %; annualized	-0.3	1.6	2.1	-11.9	-2.4	-29.4	22.1	2.4	3.0	2.4	2.0	1.6	1.2	-0.9	-6.1	3.3
Private housing investment	Q/q %; annualized	11.2	6.5	0.2	-7.2	-14.1	2.0	-21.2	4.1	3.2	0.8	0.8	0.8	1.2	2.5	-6.9	0.2
Capex	Q/q %; annualized	-2.9	0.9	4.0	-17.3	5.8	-20.8	-9.3	1.6	2.4	4.3	3.4	3.4	3.4	-0.6	-8.0	2.5
Government final consumption	Q/q %; annualized	1.4	2.4	3.1	1.7	-1.1	1.1	11.6	0.3	0.6	1.0	1.6	0.3	0.4	2.0	2.7	1.4
Public investment	Q/q %; annualized	9.1	-2.7	5.0	5.0	-0.2	7.8	1.9	0.9	1.1	1.1	0.4	1.0	0.5	1.5	3.4	0.8
Exports	Q/q %; annualized	-6.2	-0.3	-2.1	0.8	-19.6	-52.8	31.2	31.1	4.9	6.6	6.1	5.7	5.3	-2.6	-12.9	9.9
Imports	Q/q %; annualized	-14.9	7.1	3.9	-11.9	-12.0	5.5	-30.8	21.6	5.7	6.1	4.5	2.8	2.8	-1.2	-6.2	4.0
Nominal GDP	Q/q %; annualized	4.2	1.0	1.3	-4.8	-1.8	-28.1	23.9	2.6	1.9	2.5	2.6	2.6	1.9	0.5	-4.5	3.6
GDP deflator	Y/y	0.1	0.4	0.6	1.5	0.9	1.4	1.2	0.5	0.5	-0.0	0.0	0.2	0.2	0.9	0.9	0.1
Industrial production	Q/q	-2.1	0.0	-1.1	-3.7	0.4	-16.9	8.8	6.8	0.0	0.8	0.6	0.5	0.3	-3.7	-10.0	7.0
Core CPI	Y/y	0.8	0.8	0.5	0.6	0.6	-0.1	-0.2	-1.0	-1.1	-0.4	-0.3	0.2	0.2	0.6	-0.6	-0.1
Unemployment rate	%	2.5	2.4	2.3	2.3	2.4	2.8	3.0	3.2	3.2	3.1	3.0	2.9	2.8	2.4	3.0	3.0
Trade balance (goods, services)	Y tril; annualized	0.3	-1.2	0.3	1.6	2.5	-6.6	5.5	4.3	4.7	4.8	5.3	5.4	6.0	0.7	2.0	5.4
Current account balance	Y tril; annualized	20.2	19.9	19.3	21.7	19.8	7.9	16.0	19.0	18.2	18.0	18.2	19.1	19.6	20.1	15.3	18.7
Major assumptions																	
Crude oil price (WTI futures)	\$/bbl	54.9	59.9	56.4	56.9	45.8	28.0	40.9	42.1	45.5	45.5	45.5	45.5	45.5	54.7	39.1	45.5
Exchange rate	Yen/\$	110.2	109.8	107.3	108.7	108.9	107.6	106.1	104.5	104.0	104.0	104.0	104.0	104.0	108.7	105.6	104.0

Source: Compiled by DIR.

Note: GDP through Jul-Sep 2020: actual; thereafter: DIR estimates.