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Japan's Economy: Monthly Outlook (Jan 2021)

Jan-Mar period seen down just slightly, but risk of double-dip recession cannot be eliminated

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Summary

- Japan's economy is rapidly deteriorating with the declaration of a second state of emergency in response to the growing seriousness of the spread of COVID-19. In November 2020, consumption in the areas of eating out, travel and entertainment were at about -20% in comparison to what they were before the coronavirus crisis. The decline is seen to have ultimately reached around -50% due to the major decline in consumer turn-out. The declaration of a state of emergency affecting eleven prefectures is expected to push down real GDP by around 1.3 tril yen per month including the effects of the temporary suspension of the Go To Campaigns.
- Real GDP is estimated to see a monthly decline of around 0.4 tril yen due to the temporary suspension of the Go To Travel campaign. The extent of influence this is expected to have on regional economies by prefecture is especially large for Yamanashi and Okinawa, and also comparatively so for Fukui, Toyama, and Oita. If COVID-19 continues to spread in the future preventing the Go To Travel campaign from resuming for a longer period of time, the downturn in these regional economies will become even more severe.
- The 2021 Jan-Mar period real GDP growth rate is expected to suffer a decline of -2.8% q/q annualized. The outlook for the 2020 Oct-Dec period growth rate was revised upwards, but consumption is expected to be suppressed to a certain degree even in regions other than those for which the state of emergency was recently declared. Hence, figures were revised downwards from the economic outlook of January 12. If the state of emergency is extended for an additional month affecting all prefectures, leading to the same degree of suppression of consumption as was seen during the spring of 2020, then the 2021 Jan-Mar period real GDP growth rate could decline by as much as -11.7%. Since there is risk of a double-dip recession depending on how the COVID-19 situation develops in the future, it would be best for government policy to focus on preventing further spread of the infection for the time being.

1. Economy Deteriorating Rapidly due to Reissuance of State of Emergency

Consumer turn-out experienced major decline just before reissuance of state of emergency

Japan's economy is rapidly deteriorating with the declaration of a second state of emergency in response to the growing seriousness of the spread of COVID-19.

According to the DIR report issued on December 29, 2020 ("[Outlook for Japan's Economy in 2021](#)" by Keiji Kanda and Akane Yamaguchi), the main scenario sees a gradual recovery for the economy, with a possible upside assuming dissemination of a vaccine, leading to the rapid increase of economic activity. However, there is also downside risk, which assumes an explosion in infections both in Japan and abroad, leading to two consecutive years of negative growth. Although downside risk has not yet appeared, there is a very good possibility that the real GDP growth rate will suffer a decline in q/q terms during the 2021 Jan-Mar period as mentioned in this report.

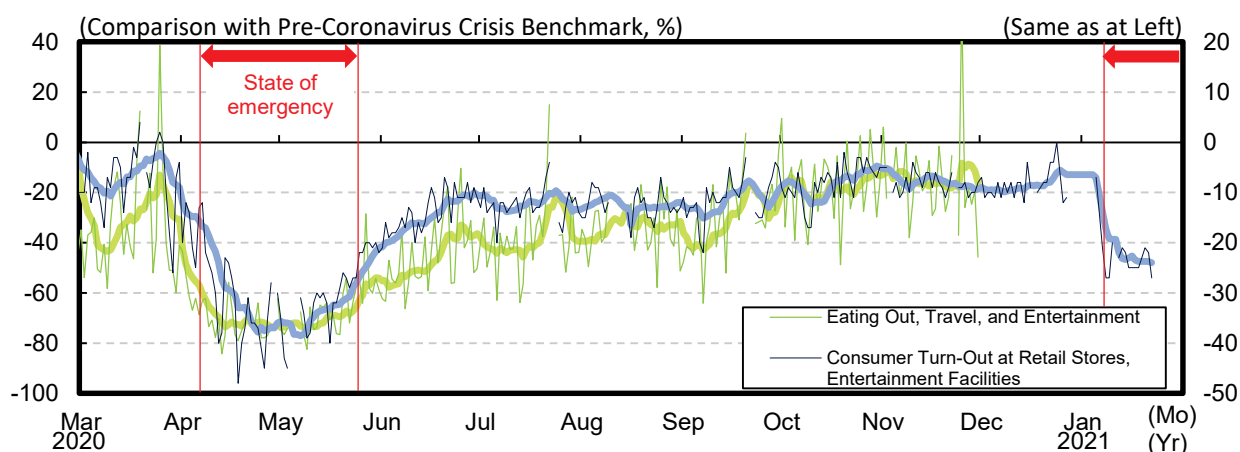
Looking at trends in consumer turn-out, we can see that effects of the reissuance of the state of emergency have clearly appeared. Chart 1 shows consumer turn-out at retail stores and entertainment facilities¹ according to Google Maps positioning data. The state of emergency was declared on January 7 affecting four prefectures. Consumer turn-out decreased rapidly between January 6th and 7th. The latest value from January 15 was -25% in comparison to pre-coronavirus crisis figures, somewhat less of a decline than the -35% experienced during the previous state of emergency. On the 14th, the state of emergency was extended to a total of eleven prefectures, while an increasing number of local governments also declared their own state of emergency. These developments are likely to lead to even further declines in consumer turn-out.

Consumption in the areas of eating out, travel and entertainment, which entails face-to-face contact and movement from place to place, continues to exhibit weak performance reflecting the fluctuations in consumer turn-out (Chart 1). In November 2020 it was at -20% in comparison to pre-coronavirus crisis figures. Considering the interrelationship between trends in consumer turn-out at retail stores and entertainment facilities, consumption in the areas of eating out, travel and entertainment is estimated to have fallen by somewhere around -50%.

¹ Shopping centers, restaurants and bars, amusement parks, and movie theaters are included, but stores selling daily necessities, such as super markets, fresh produce markets, and drugstores, are not included.

Consumer Turn-Out at Retail Stores and Entertainment Facilities, and Consumption in Eating Out, Travel, and Entertainment

Chart 1



Source: Ministry of Internal Affairs and Communications, Google, "COVID-19 Community Mobility Reports"; compiled by DIR.

Note: The benchmark used in the left side of the chart is the daily median between January 3 and February 6, 2020. The thick lines represent the 7-day central moving average. Eating out, travel, and entertainment related consumption is the total value of eating out, transportation, and culture & recreation services. Data from holidays falling on weekdays and the Obon Festival (8/10-14) and year-end/New Year (12/28-1/4) are excluded.

Declaration of state of emergency in eleven prefectures expected to cause decline in real GDP of around 1.3 tril yen per month

Chart 2 provides a description of what the state of emergency entails. The period it covers is from January 8 till February 7, with residents of the regions covered asked to strictly avoid unnecessary and non-emergency outings after 8 PM. Restaurants and bars are requested to shorten their hours and close by 8 PM², and large-scale events are limited to 5,000 persons at most, or half what they would normally be, whichever is the smaller figure. Corporations are asked to encourage employees to work from home, with reduction in the number of employees commuting to the office targeted at 70%. Elementary, junior high and high schools have not been required to close for the period as was done in the spring of 2020. In order to improve the effectiveness of the state of emergency, the cabinet order was amended so that governors of prefectures can announce the names of restaurants and bars that have not shortened their hours. Meanwhile, payments to business owners who have complied with the requirements have been improved, with maximum payment per day set at 60,000 yen.

The question is to what degree will Japan's economy be influenced by this new state of emergency. Using the DIR macro model, we estimated that Japan's real GDP declined by around 3.1 tril yen per month the last time a state of emergency was declared³. In contrast, this time around we estimate that Japan's real GDP will decline by around 1.3 tril yen per month (see Chart 2), including the effects of the temporary suspension of the Go To Campaigns (around -0.4 tril yen) regarding which more detail is provided later in this report.

² Establishments serving alcohol are asked to close by 8 PM (alcohol to be served until 7 PM). The rule was extended to all types of restaurants as of January 12. Takeout and delivery are not affected by the rule.

³ For more detail on the estimation method see the DIR report by Keiji Kanda and Akane Yamaguchi dated 31 July 2020, [Japan's Economy: Monthly Outlook \(July 2020\)](#). We recalculated our estimated value based on revisions to the Synthetic Consumption Index and the GDP, hence it differs from the original report.

Summary of Declaration of State of Emergency, and Effect on Japan's Economy

Chart 2

	This Time	Last Spring
Period	January 8 - February 7 2021	April 7 - May 25 2020
Regions Affected	At first affected 4 prefectures (Tokyo, Kanagawa, Saitama, and Chiba), and then was extended to 11 prefectures including Tochigi, Aichi, Gifu, Osaka, Hyogo, Kyoto, and Fukuoka.	At first affected 7 prefectures, then was extended to entire nation.
Influence on Business	<ul style="list-style-type: none"> Business hours shortened centering on restaurants and bars, with closing by 8 PM. Events limited to a maximum of 5,000 persons, or a 50% decrease in attendees. 	Restaurants and bars, hotels and other lodgings, and entertainment facilities requested to close temporarily or shorten hours.
Influence on Education	No school closings.	All schools closed by most local governments. (Implementation beginning in March.)
Others	Temporary suspension of Go To Campaigns.	
Effect on Real GDP	Around -1.3 tril yen	Around -3.1 tril yen

Source: Cabinet Office, Bank of Japan, and Various Media Outlets; compiled by DIR.

Note: On January 14, the state of emergency was extended to Tochigi, Aichi, Gifu, Osaka, Hyogo, Kyoto, and Fukuoka.

Downturn in personal consumption could be at around 30% of the last state of emergency

Chart 3 provides a comparison of the effect on personal consumption the last time a state of emergency was declared and this time around. Last year's state of emergency was initially declared for implementation in seven prefectures, and then was extended later to the entire nation. Influence on personal consumption is estimated to have been around -4.3 tril yen per month⁴. The current state of emergency is limited to eleven prefectures and is more focused, with a moderate approach to limiting economic activity. For this reason, the effect on personal consumption is expected to be around -1.2 tril yen per month, or about 30% of the size of the economic downturn caused by the last state of emergency.

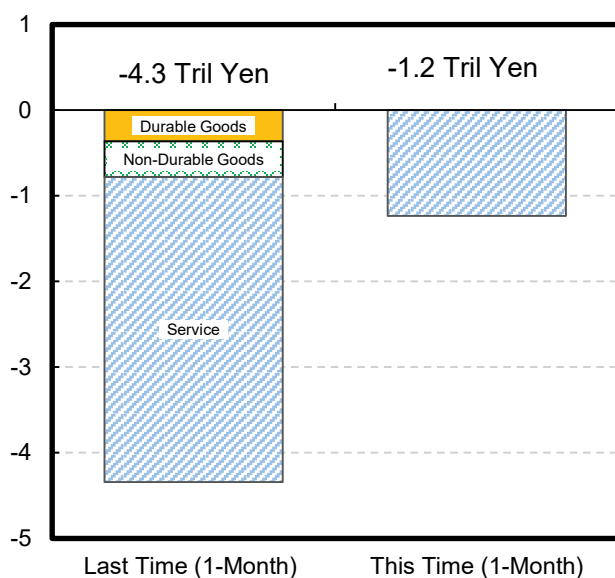
Assumptions used in the estimate are shown on the right side of Chart 3. Over 80% of suppressed consumption during the last state of emergency was in services. The situation was also influenced by retail shops closing temporarily and factories suspending operations. Consumption also declined in the area of durable and non-durable goods as well (this included semi-durables according to National Accounts). However, this time around, the confusion caused by the supply side experienced last time has not been observed, hence the effects on durable and non-durable goods is expected to be limited. (Overall consumption of goods is expected to mark time.) We therefore estimate the amount to which consumption of services is suppressed during the current state of emergency to reach around 60% of the amount experienced the last time a state of emergency was declared⁵.

⁴ The downturn in real GDP as shown in Chart 2 (around -3.1 tril yen) is smaller than the figure for the decline in personal consumption. This is because the decline in imports, a component which is excluded from the real GDP figure, is included in the personal consumption figure.

⁵ According to NHK News on January 13, 2021, the number of customers at restaurants and bars in the 4 prefectures where the state of emergency had been declared had declined by 60% in comparison to the month of December 2020 before the state of emergency was declared.

Amount Consumption Suppressed Per Month Due to Declaration of State of Emergency

Chart 3



Estimate for Current State of Emergency

Ratio of nationwide consumption accounted for by 11 prefectures: 58%

◆ Effects on durable and non-durable goods expected to be limited (overall consumption of goods expected to mark time)

◆ Amount of decline in consumption of services

Eating Out*	60% of last time
Travel, Accommodations	About same as last time
Railway & Airline Passengers	About half the amount seen last time
Buses & Taxis	
Weddings, Funerals, Etc.	About 30% of last time
Entertainment	

*Decline in consumption of alcohol about same as last time.

Decline in eating out, consumption of coffee & tea etc. assumed to be around half the amount seen last time.

Source: Cabinet Office, Bank of Japan, Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry, Japan Tourism Agency, Japan Foodservice Association; compiled by DIR.

Notes: 1) Non-durable goods includes semi-durables on the National Accounts.

2) The ratio of consumption accounted for by the 4 prefectures where the state of emergency was declared was estimated based on the weight of unnecessary/non-emergency consumption in all cities and prefectures (total expenditure in transportation, entertainment, leisure & culture, and eating out & accommodations in FY2017).

Our estimates regarding the consumption of services are based on the following assumptions. The amount of suppression of consumption of services experienced during the last time a state of emergency was declared were divided into the following categories: eating out, travel, accommodations, entertainment, railway & airline passengers, buses & taxis, and weddings & funerals. Each of these categories was then calculated⁶ and the amount of suppression of consumption estimated for the current state of emergency. As for eating out, consumption of alcohol (including meals in which alcohol is also consumed) is expected to be suppressed by about same amount as last time. We assume that eating out and consumption of coffee & tea etc. will be around half the amount seen last time, and hence we expect eating out overall to decline by around 60% of the amount experienced during the last state of emergency⁷. Meanwhile, travel and accommodations are expected to be suppressed by about the same amount as last time. As for entertainment, while business hours and the maximum number of people allowed at events will be limited, facilities such as amusement parks will not be required to shut down as they were last time. Hence, the amount to which consumption is suppressed is expected to be around 30% of what it was during the last state of emergency. As for railway and airline passengers, as well as buses and taxis, the practice of self-restraint in travel is expected, but normal commuting such as going to school or transportation for entertainment purposes is not expected to be restricted to the extent it was the last time around. Hence, we expect the decline to be about half of what it was last year. Weddings and funerals most often take place earlier than the required closing time of 8PM for various facilities, so this will not affect these kinds of gatherings, but large numbers of guests at dinners and receptions will not be allowed, so it is in this area where the effects will be felt. The amount to which consumption amount is expected to be suppressed should be about half of what it was during the last state of emergency.

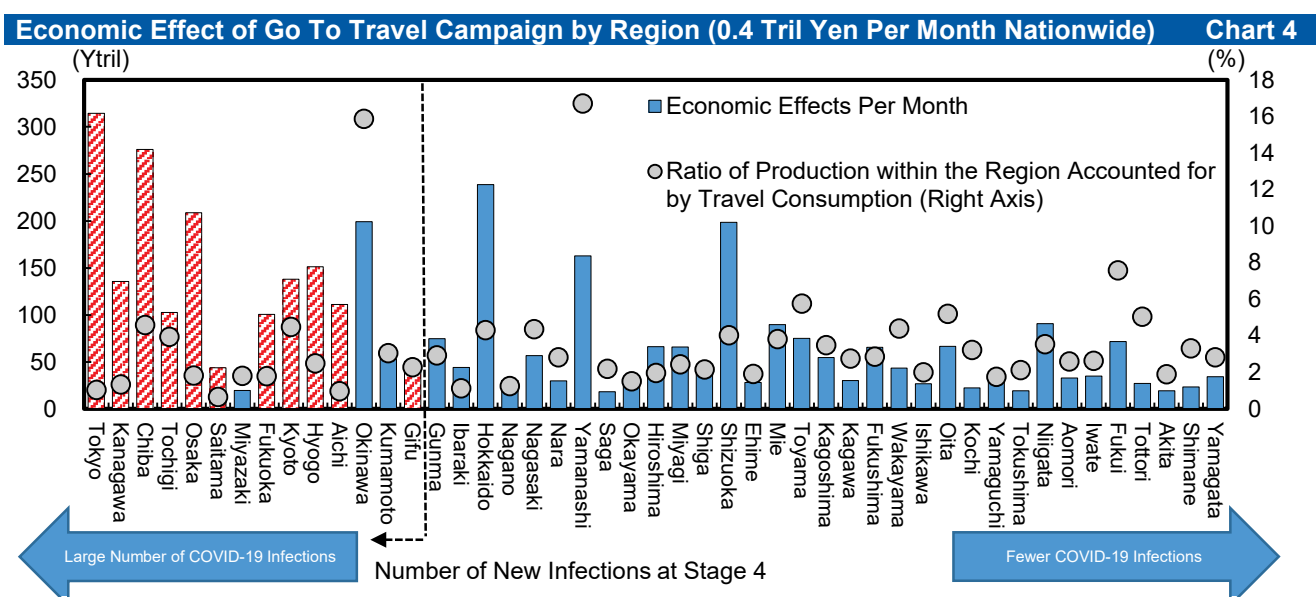
⁶ We used the Bank of Japan's fundamental statistics on services as used in the bank's Consumption Activity Index in our calculations.

⁷ Our calculations are based on the amount of consumption during the last state of emergency as appears in the Family Income and Expenditure Survey published by the Ministry of Internal Affairs and Communications.

Influence of temporary suspension of Go To Travel Campaign expected to be huge even in regions where state of emergency not in effect

With the reissue of the state of emergency, the nationwide suspension period for the Go To Travel Campaign was also extended to February 7. Since the latter half of 2020, travel demand was in a recovery trend, partly due to the support of the campaign, but the tourism-related industry was hit by headwinds again at the end of the year. We estimate that the amount of decrease in real GDP due to the suspension of the campaign will be about 0.4 tril yen per month.

The impact of the suspension of the Go To Travel Campaign on local economies will vary greatly depending on the size of tourism demand and the extent of dependence on tourism in each region. The bar graph in Chart 4 shows the monthly economic effects of the Go To Travel Campaign, which are apportioned by prefecture based on the amount of travel consumption (places visited) in 2019. They are listed in descending order based on the number of new infections per population of 100,000 in the last week (as of January 13). The areas covered by the state of emergency are shown in red. Areas with large economic effects include metropolitan areas such as Tokyo, Chiba, and Kanagawa, and regional metropolitan areas (Hokkaido, Aichi, Kyoto, Osaka, Hyogo, Fukuoka), as well as Shizuoka, Okinawa, and Yamanashi.



Source: Cabinet Office, Ministry of Internal Affairs and Communications, Japan Tourism Agency; compiled by DIR.

Notes: 1) Estimate when entire budget is used to subsidize travel expenses, value-added basis.

2) Listed in order of greatest number of new infections per population of 100,000 during the most recent week (as of January 13, 2021).

3) The 11 prefectures shown in red are the areas where the current state of emergency is in effect.

On the other hand, from the perspective of the impact on the local economy, regions that are more dependent on tourism demand are more likely to be affected by the suspension of the campaign. The dots in Chart 4 show the amount of travel consumption before the spread of infection in comparison with the gross regional product (GDP by region), which is particularly high in Yamanashi and Okinawa. This ratio is relatively high in Fukui, Toyama, Oita, etc. If the outbreak continues to spread and the campaign cannot be resumed for a long time, the economic downturn in these regions will be even more severe.

2. Economic Outlook for Jan-Mar Period of 2021 by Scenario

Real GDP growth rate in Jan-Mar period revised downwards to -2.8%

During the Jan-Mar period of 2021, the real GDP growth rate is expected to be negative compared to the previous period due to the recurrence of the state of emergency and the decline in personal consumption. However, the magnitude of the negative range will depend on the future infection situation and the strictness of measures to prevent its further spread.

Chart 5 shows the outlook for real GDP according to different scenarios. The real GDP growth rate during the Oct-Dec period is seen at around +6.0% q/q annualized⁸. Our economic outlook published on December 10 2020⁹ predicted that it would be at +3.0%, but ultimately GDP was revised upwards due mostly to exports and personal consumption having been more favorable than expected.

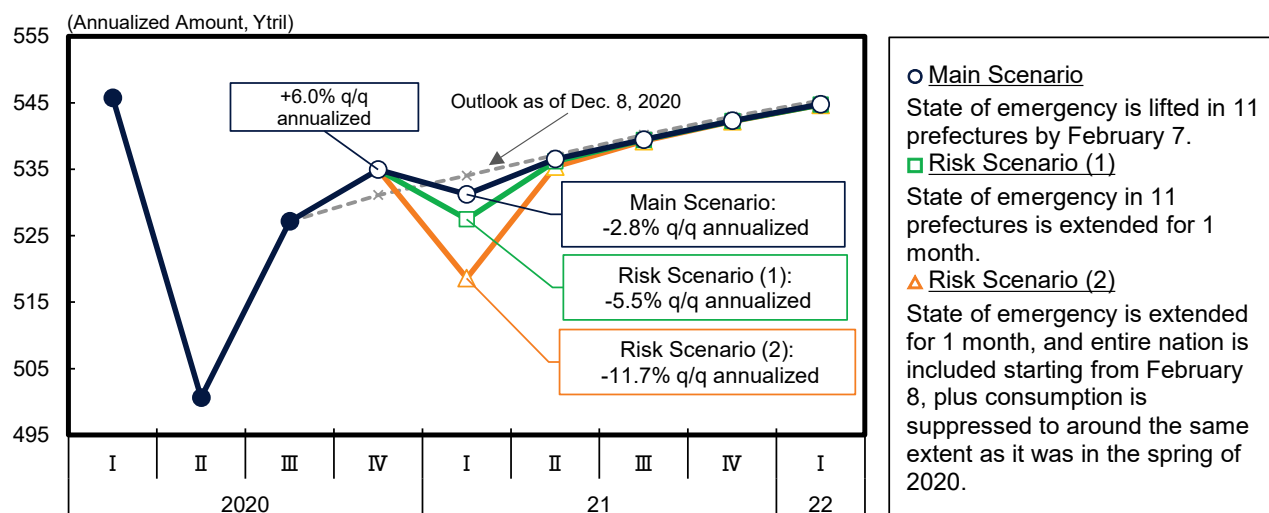
Our main scenario assumes that the state of emergency in the 11 prefectures effected will be lifted as scheduled on February 7. Based on the assumptions above, consumption in the areas affected by the state of emergency is expected to be suppressed. Meanwhile, six additional prefectures have declared their own local states of emergency¹⁰. These include Ibaraki, Mie, Nagasaki, Kumamoto, Miyazaki, and Okinawa. Consumption in these prefectures is expected to be suppressed to around the same degree as the original 11 prefectures. Other than these areas, states of emergency have not been declared, but consumption is expected to be suppressed by a certain amount. We therefore assume in our estimates that consumption will be suppressed in these areas by around half that seen in the prefectures affected by the state of emergency. As a result, the 2021 Jan-Mar period real GDP growth rate is expected to be at -2.8% q/q annualized.

If the spread of infection subsides enough to allow the current state of emergency to be lifted in about a month, the Japanese economy will have only a small amount of negative growth, and in the April-June period, a high positive growth rate will likely be achieved due to the resumption of economic activities. After the complete cancellation of the previous state of emergency, pent-up demand was generated mainly for durable goods, but this time it seems that the restraint on consumption of goods is limited, hence the April-June period is not expected to see a boost in growth rate due to pent-up demand.

⁸ The GDP statistics for the 4th quarter of 2020 will be announced at the middle of this month. The DIR report on the 2020 Oct-Dec period GDP (1st preliminary) appeared on January 29 (Japanese only).

⁹ See the DIR report by Mitsumaru Kumagai et al. dated 10 December 2020, [Japan's Economic Outlook No. 207 Update \(Summary\)](#).

¹⁰ Mie Prefecture has declared an emergency alert. In addition, some areas within the prefecture have also declared their own local emergencies. Other than Miyazaki, these prefectures have scheduled their local emergencies to last until February 7. (Miyazaki Prefecture originally set its state of emergency to last till around January 22, but extend the period till February 7.)



Source: Cabinet Office; compiled by DIR.

Note: The dotted line in the chart represents estimated values provided by DIR.

Economy could fall into a double-dip recession if state of emergency is both lengthier, and extended to entire nation with stricter measures to prevent spread of infection

If the reissuance of the state of emergency does not stop the spread of COVID-19, the period covered by the state of emergency will be extended. In view of this possibility, we put together our risk scenario (1), in which the issuance period is extended by one month and consumption during the period is suppressed to the same extent as the main scenario, with the real GDP growth rate for the Jan-Mar period of 2021 expected to be at -5.5% q/q annualized (Chart 5). The level of the real GDP is almost the same as in the Jul-Sep period of 2020. It is unlikely that it will fall as much as it did during the Apr-Jun period.

However, the possibility that the central and local governments could find that the current measures, which are more moderate than those during the state of emergency declared in the spring of 2020, unable to sufficiently suppress the disease, and then request a broad range of businesses to close temporarily is undeniable. For this possibility we have created risk scenario (2), which assumes that in addition to a one-month extension of the state of emergency, it will also effect the entire country from February 8, and suppress consumption to the same degree as in the spring of 2020. If this occurs, the 2021 Jan-Mar GDP growth rate is expected to suffer a double-digit decline at -11.7% q/q annualized (Chart 5). This is the double-dip recession that was spoken of earlier.

While personal consumption according to risk scenario (2) is expected to fall below the level seen during the Apr-Jun period of 2020, the downturn in real GDP overall is expected to be less than experienced during the last state of emergency. As will be explained further, the current state of emergency differs from the last one in that underlying support from overseas demand can be expected. In addition, capital expenditure is expected to maintain positive growth.

Export of goods expected to provide support for economy during Jan-Mar period

The export of goods achieved major growth during the Oct-Dec period of 2020, and is expected to continue growing at a moderate pace during the Jan-Mar period of 2021. Domestic demand is now falling significantly, and overseas demand is likely to take on the role of providing underlying support for the economy. Additional economic measures were passed in the US at the end of the year in 2020. It was decided to make a cash payment of a maximum of 600 dlr per person and to expand unemployment insurance. Furthermore, President Biden has announced additional economic measures totaling 1.9 tril dlr, which includes cash payments to individuals coming to a maximum of 140 mil dlr. Distribution of the 600 dlr payment has already begun, and is expected to boost personal consumption in the US during the Jan-Mar period. It should also encourage growth in Japanese exports to the US.

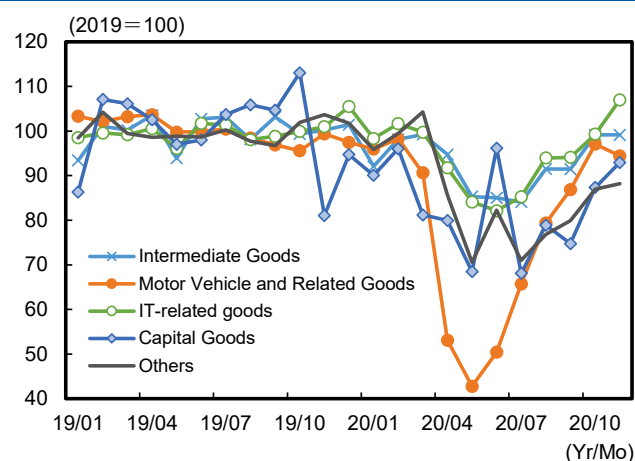
Exports to China, which had provided a boost to exports overall until now, can be expected to continue stable performance. Real estate development and infrastructure projects (in other words fixed asset investments) were leading economic growth in China in 2020, hence growth in Japan's exports to China centered on intermediate goods such as iron & steel products and nonferrous metals. Exports of intermediate goods to China are expected to maintain a high level for some time with abundant issuance of local government special bonds seen in 2021, which will be the source of infrastructure investment. Meanwhile, China's retail sales have been in a recovery trend until recently, hence exports of consumer goods are also expected to see moderate growth.

On the other hand, exports to Europe are expected to decline during the Jan-Mar period. Exports to Europe maintained a growth trend in October and November of 2020 despite the implementation of strict measures to prevent the spread of COVID-19 in the fall, including a lockdown in major cities. One factor at work here may be the major decline in inventory associated with the reopening of economic activity around May last year. Recent growth in exports likely includes those for the purpose of replenishing inventories, and this type of growth in demand is expected to dissipate with final demand disappearing.

Chart 6 takes a look at export volume by types of goods. After the lockdown was lifted in spring of 2020, growth in exports was led by transport equipment, but more recently, IT-related and capital goods have also contributed to boosting exports. We can confirm in the overseas demand category in the machinery orders statistics¹¹ that demand for these goods is making a comeback (Chart 7). Overseas demand according to machinery orders tends to lead exports by around one quarter, hence there is a good possibility that growth in orders due to overseas demand will become manifest in actual exports during the Jan-Mar period. This type of recovery in demand for goods may provide underlying support for exports during the Jan-Mar period.

Export Volume Index by Types of Goods

Chart 6

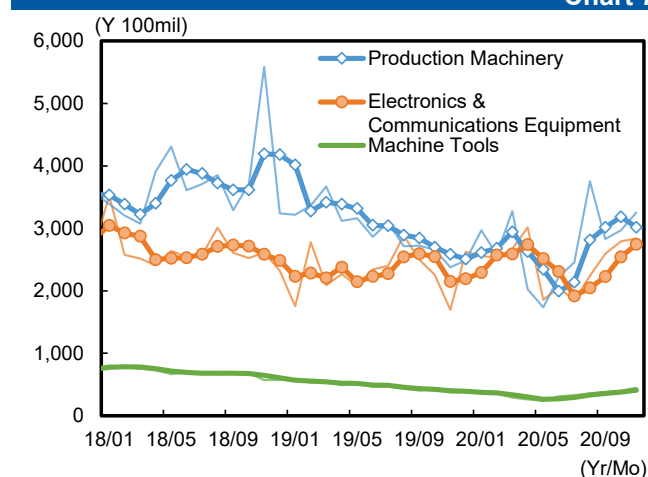


Source: Ministry of Finance; compiled by DIR

Notes: 1) Categories based on Bank of Japan, Real Imports and Exports
2) Seasonal adjustment by DIR.

Machinery Orders Associated with Overseas Demand by Type of Machinery

Chart 7



Source: Cabinet Office; compiled by DIR

Note: Seasonal adjustment by DIR, 3-month moving average indicated by thick line

Lessons learned must be used to strike a balance between measures to prevent the spread of infection and social and economic activities

For the time being, it is necessary to focus on preventing the spread of infection and to bring it in check as soon as possible. On top of that, if there is a prospect of resuming socio-economic activities, we

¹¹ For details, see the DIR report by Wakaba Kobayashi dated 14 January 2021, *November 2020 Machinery Orders*.

should take advantage of the lessons learned from the reissuance of the state of emergency to both prevent the spread of infection and achieve the reopening of social and economic activities.

Looking back on the process leading up to the reissuance of a state of emergency, it is apparent that a clear policy framework was lacking which could be used to determine at what point and in what way to put the brakes on social and economic activity as a means of preventing the infection situation from getting to stage 4 (explosive growth of infections). According to information released by the Subcommittee on Novel Coronavirus Disease Control on August 7, 2020, in stage 3 (gradual increase in infection), it is suggested that the government should request the populace to refrain from going out at night to restaurants and bars that serve alcoholic beverages and to observe guidelines. The holding of events should also be reconsidered. There were also proposals such as requesting the closure of restaurants and bars serving alcoholic beverages that are not following guidelines, and to review the question of holding events. However, the central and local governments were not necessarily aggressive in implementing these proposals.

In the case of the Go To Travel Campaign as well, the decision-making process involved in the temporary suspension and halting of the program was ambiguous. Then at the middle of December the suspension of the program was suddenly announced, causing confusion amongst both business owners and users of the program. If policies to prevent spread of the infection and to stimulate the economy are managed with more clarity, and decisions regarding the infection situation and how related policy should be implemented are left to the experts, outbreaks in the infection can be suppressed more quickly than has been done in the past. Moreover, improving predictability will decrease the negative effects on the economic activities of households and corporations.

Vaccination began in Europe and the US at the end of 2020, and will begin in Japan in late February 2021. Medical workers and the elderly will be given priority in vaccination, but there is a possibility that the vaccine will spread widely to the general public by the end of the year. The fight against COVID-19 is expected to continue for a while, but in the meantime, it is necessary to give top priority to avoiding further outbreaks of the infection, and to seek a balance between prevention of the spread of infection and social and economic activities while mitigating the impact on the economy through fiscal and monetary policies.

Japan's Economic Outlook No. 208 Update (January 20, 2021)														Chart 8			
		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	6.0	-2.8	4.1	2.2	2.1	1.8			
	Y/y	0.3	0.6	1.3	-1.1	-2.0	-10.3	-5.7	-2.5	-2.7	7.1	2.3	1.4	2.6	-0.3	-5.3	3.3
Private spending	Q/q %; annualized	-0.3	1.6	2.1	-11.9	-2.4	-29.4	22.1	5.5	-7.9	6.1	2.6	2.2	1.8	-0.9	-6.4	2.7
Private housing investment	Q/q %; annualized	11.2	6.5	0.2	-7.2	-14.1	2.0	-21.2	-1.1	3.2	1.2	1.2	1.2	1.6	2.5	-7.4	-0.2
Capex	Q/q %; annualized	-2.9	0.9	4.0	-17.3	5.8	-20.8	-9.3	4.0	1.6	4.3	3.4	3.4	3.4	-0.6	-7.8	2.6
Government final consumption	Q/q %; annualized	1.4	2.4	3.1	1.7	-1.1	1.1	11.6	0.1	-0.8	1.6	1.6	0.3	0.4	2.0	2.6	1.3
Public investment	Q/q %; annualized	9.1	-2.7	5.0	5.0	-0.2	7.8	1.9	5.3	1.1	0.6	0.4	1.0	0.5	1.5	4.0	1.2
Exports	Q/q %; annualized	-6.2	-0.3	-2.1	0.8	-19.6	-52.8	31.2	41.3	3.6	6.1	5.7	5.3	4.9	-2.6	-12.1	10.4
Imports	Q/q %; annualized	-14.9	7.1	3.9	-11.9	-12.0	5.5	-30.8	22.0	-2.0	7.4	6.1	4.1	4.1	-1.2	-6.6	3.4
Nominal GDP	Q/q %; annualized	4.2	1.0	1.3	-4.8	-1.8	-28.1	23.9	6.0	-3.2	4.7	2.8	2.3	2.0	0.5	-4.4	3.5
GDP deflator	Y/y	0.1	0.4	0.6	1.5	0.9	1.4	1.2	0.6	0.5	0.2	0.2	0.3	0.3	0.9	0.9	0.3
Industrial production	Q/q	-2.1	0.0	-1.1	-3.7	0.4	-16.9	8.8	5.9	-1.7	1.5	1.4	1.2	0.9	-3.7	-10.8	7.1
Core CPI	Y/y	0.8	0.8	0.5	0.6	0.6	-0.1	-0.2	-0.9	-1.0	-0.6	-0.1	0.3	0.2	0.6	-0.6	-0.0
Unemployment rate	%	2.5	2.4	2.3	2.3	2.4	2.8	3.0	3.0	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	5.8	6.5	6.4	6.6	6.5	6.8	0.7	2.8	6.6
Current account balance	Y tril; annualized	20.2	19.9	19.3	21.7	19.8	7.9	16.0	20.9	20.6	20.1	19.9	20.4	20.6	20.1	16.3	20.2
Major assumptions																	
Crude oil price (WTI futures)	\$/bbl	54.9	59.9	56.4	56.9	45.8	28.0	40.9	42.7	52.0	52.0	52.0	52.0	52.0	54.7	40.9	52.0
Exchange rate	Yen/\$	110.2	109.8	107.3	108.7	108.9	107.6	106.1	104.5	103.9	103.9	103.9	103.9	103.9	108.7	105.5	103.9

Source: Compiled by DIR.

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