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Japan's Economic Outlook No. 180 Update (Summary)

In this report we examine four major issues facing Japan's economy: (1) The need to increase wages, (2) BOJ's price stability target, (3) The current account deficit, and (4) Economic disparity

Japan to see real GDP growth of +2.2% in FY13, +1.0% in FY14, and +1.5% in FY15, with nominal GDP growth of +1.9%, +2.6%, and +2.5%

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Main Points

- **Main economic scenario for Japan:** In light of the second preliminary Oct-Dec GDP release (Cabinet Office), we have revised our economic growth outlook. We now forecast real GDP growth of +2.2% y/y for FY13 (previous forecast: +2.3%) and +1.0% for FY14 (+1.0%). Our new outlook for FY15 is +1.5% (unchanged from previous forecast). Japan's economy is expected to continue expanding in the future for the following reasons: (1) Firming up of exports due to US economic recovery, (2) Ongoing depreciation of the yen and stock price highs in response to BOJ's monetary easing, and (3) Effects of government's economic policy accompanying consumption tax hike.
- **Four major issues facing Japan's economy:** In this report we examine four major issues facing Japan's economy: (1) The need to increase wages, (2) BOJ's price stability target, (3) The current account deficit, and (4) Economic disparity.
- **Issue (1) The need to increase wages:** Will the government's attempt to increase wages as a means of stimulating a virtuous circle work? First, an international comparison of real wages demonstrates that wages are stagnating in Japan not because labor's share is low, but because there are issues involving labor productivity and corporate competitiveness. Thus the key is to increase labor productivity and improve corporate competitiveness by strengthening the third arrow of Abenomics (growth strategy) in order to raise real wages in Japan. Second, increasing wages promises to have a pump-priming effect. In particular, higher regular payments will invigorate personal consumption, centering on durable goods. Companies are encouraged to initiate wage increases on the early side if possible to avoid the "fallacy of composition". Third, a simulation of the future direction of wages reveals that wages are likely to gradually trend upward as the economy undergoes a cyclical recovery.

- **Issue (2) BOJ's price stability target:** Chances that the BOJ will reach its target of a 2% rise in prices have gradually improved since new governor Kuroda took office. However, this will still depend in part on trends in exchange rates, wages, and the expected inflation rate. And while the possibilities that the BOJ will reach its target cannot be discounted, our current main scenario does not expect the rate of increase in consumer price index to reach the 2% mark. We expect additional monetary easing measures by the BOJ to carry over beyond the 2014 Jul-Sep period.
- **Issue (3) The current account deficit:** Japan's current account balance should be able to eventually achieve a cyclical recovery and shake off the deficits which seem to have become entrenched in recent years. According to our calculations, the balance of trade has worsened by 7 tril yen in 2013 due to the hollowing-out effect, and then another 4 tril due to the shutdown of nuclear power plants. Considering these structural changes, it is impossible to expect the current account balance to recover to the tune of 10 tril yen in the black anytime soon. However, the trade deficit is expected to shrink somewhat on a cyclical basis and finally shake off its worst phase backed by a US-led worldwide economic recovery and further progress in the weakening of the yen. The main reason Japan's exports have been stagnant is the economic downturn overseas, and it is too soon to declare the J-curve effect a thing of the past.
- **Issue (4) Economic disparity:** The margin of recovery has widened recently for Japan's economy, and it appears that economic disparity should narrow a bit on a cyclical basis. The current economic recovery is being led by domestic demand such as public works spending and is a factor guarding against any further widening of disparity. The government must continue to strengthen the virtuous circle of domestic demand in order to ensure that economic disparity does not widen further.
- **Four risk factors facing Japan's economy:** Risks that will need to be kept in mind regarding the Japanese economy are: (1) turbulence in emerging economies, (2) China's shadow banking problem, (3) a reigniting of the European sovereign debt crisis, and (4) a surge in crude oil prices stemming from geopolitical risk.

Our assumptions

- Public works spending will grow +18.1% in FY13 and fall back to -3.0% in FY14, then decline again by -10.3% in FY15. The consumption tax rate hike is scheduled for April 2014 with yet another hike in October 2015.
- Average exchange rate of Y100.0/\$ in FY13, Y100.0/\$ in FY14, and Y100.0/\$ in FY15.
- US real GDP growth of +2.7% in CY14 and +3.1% in CY15.

Main Economic Indicators and Real GDP Components

	FY13 (Estimate)	FY14 (Estimate)	FY15 (Estimate)	CY13 (Actual)	CY14 (Estimate)	CY15 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.9	2.6	2.5	1.0	2.7	2.6
Real GDP (chained [2005]; y/y %)	2.2	1.0	1.5	1.5	1.5	1.6
Domestic demand (contribution, % pt)	2.5	0.7	0.9	1.9	1.9	1.1
Foreign demand (contribution, % pt)	-0.3	0.2	0.6	-0.3	-0.5	0.5
GDP deflator (y/y %)	-0.3	1.6	1.0	-0.6	1.2	1.0
Index of All-industry Activity (y/y %)*	1.9	1.2	2.0	0.7	2.0	1.7
Index of Industrial Production (y/y %)	3.5	4.3	6.3	-0.9	6.2	5.6
Index of Tertiary Industry Activity (y/y %)	1.0	0.3	0.9	0.6	0.6	0.8
Corporate Goods Price Index (y/y %)	1.8	3.4	2.1	1.3	3.1	2.2
Consumer Price Index (excl. fresh food; y/y %)	0.8	3.0	1.5	0.4	2.6	1.7
Unemployment rate (%)	3.9	3.8	3.7	4.0	3.8	3.7
Government bond yield (10 year; %)	0.69	0.70	0.89	0.74	0.67	0.84
Money stock; M2 (end-period; y/y %)	3.8	4.0	4.3	3.6	4.0	4.2
Balance of payments						
Trade balance (Y tril)	-10.1	-11.3	-9.5	-10.6	-12.1	-10.0
Current balance (\$100 mil)	197	183	583	339	30	485
Current balance (Y tril)	1.9	1.8	5.8	3.3	0.3	4.9
(% of nominal GDP)	0.4	0.4	1.2	0.7	0.1	1.0
Real GDP components (Chained [2005]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	2.3 (1.4)	-0.2 (-0.1)	1.0 (0.6)	1.9 (1.2)	0.8 (0.5)	0.7 (0.4)
Private housing investment	9.2 (0.2)	-1.2 (-0.0)	-1.4 (-0.0)	8.9 (0.3)	2.5 (0.1)	0.2 (0.0)
Private fixed investment	0.6 (0.1)	4.9 (0.6)	5.0 (0.7)	-1.6 (-0.2)	4.8 (0.7)	5.0 (0.7)
Government final consumption	2.3 (0.5)	1.5 (0.3)	1.0 (0.2)	2.2 (0.4)	1.7 (0.3)	1.1 (0.2)
Public fixed investment	16.1 (0.6)	-4.3 (-0.2)	-11.4 (-0.5)	11.4 (0.5)	1.9 (0.1)	-10.2 (-0.5)
Exports of goods and services	3.5 (0.6)	5.9 (0.9)	8.3 (1.4)	1.6 (0.2)	5.0 (0.8)	8.0 (1.4)
Imports of goods and services	5.7 (-0.8)	4.8 (-0.7)	5.2 (-0.8)	3.4 (-0.6)	6.7 (-1.3)	4.3 (-0.9)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.3	3.7	3.9	3.0	3.7	3.9
Crude oil price (WTI futures; \$/bbl)	99.4	100.0	100.0	98.0	100.0	100.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.3	2.7	3.1	1.9	2.7	3.1
US Consumer Price Index (y/y %)	1.4	1.8	2.1	1.5	1.7	2.0
3. Japanese economy						
Nominal public fixed investment (y/y %)	18.1	-3.0	-10.3	12.8	3.5	-9.1
Exchange rate (Y/\$)	100.0	100.0	100.0	97.6	100.5	100.0
(Y/€)	135.1	140.0	140.0	130.6	140.0	140.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10

Source: Compiled by DIR.

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

* Excl. agriculture, forestry, and fisheries.

Estimate: DIR estimate.

Comparison with Previous Outlook

	Current outlook (Outlook 180 Update)			Current outlook (Outlook 180)			Difference between previous and current outlooks		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
Main economic indicators									
Nominal GDP (y/y %)	1.9	2.6	2.5	2.0	2.7	2.5	-0.0	-0.1	-0.0
Real GDP (chained [2005]; y/y %)	2.2	1.0	1.5	2.3	1.0	1.5	-0.0	-0.1	-0.0
Domestic demand (contribution, % pt)	2.5	0.7	0.9	2.6	0.8	1.0	-0.1	-0.1	-0.0
Foreign demand (contribution, % pt)	-0.3	0.2	0.6	-0.3	0.2	0.6	0.0	0.0	0.0
GDP deflator (y/y %)	-0.3	1.6	1.0	-0.3	1.6	1.0	-0.0	-0.0	-0.0
Index of All-industry Activity (y/y %)*	1.9	1.2	2.0	1.8	1.2	2.0	0.1	0.0	-0.0
Index of Industrial Production (y/y %)	3.5	4.3	6.3	3.1	4.3	6.3	0.4	-0.0	0.0
Index of Tertiary Industry Activity (y/y %)	1.0	0.3	0.9	1.0	0.3	0.9	0.0	0.0	0.0
Corporate Goods Price Index (y/y %)	1.8	3.4	2.1	1.8	3.4	2.1	0.0	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	0.8	3.0	1.5	0.8	3.0	1.5	-0.0	-0.1	-0.0
Unemployment rate (%)	3.9	3.8	3.7	4.0	3.8	3.7	-0.0	0.0	0.0
Government bond yield (10 year; %)	0.69	0.70	0.89	0.69	0.7	0.89	0.00	0.00	0.00
Money stock; M2 (end-period; y/y %)	3.8	4.0	4.3	3.8	4.0	4.28	0.0	0.0	0.0
Balance of payments									
Trade balance (Y tril)	-10.1	-11.3	-9.5	-12.0	-13.3	-11.8	-	-	-
Current balance (\$100 mil)	197	183	583	206	199	602	-9	-17	-19
Current balance (Y tril)	1.9	1.8	5.8	2.0	2.0	6.0	-0.1	-0.2	-0.2
(% of nominal GDP)	0.4	0.4	1.2	0.4	0.4	1.2	-0.0	-0.0	-0.0
Real GDP components (chained [2005]; y/y %)									
Private final consumption	2.3	-0.2	1.0	2.3	-0.2	1.0	-0.1	-0.0	0.0
Private housing investment	9.2	-1.2	-1.4	9.3	-1.2	-1.4	-0.0	-0.0	0.0
Private fixed investment	0.6	4.9	5.0	1.0	5.2	5.0	-0.4	-0.3	0.0
Government final consumption	2.3	1.5	1.0	2.2	1.5	1.0	0.2	-0.0	0.0
Public fixed investment	16.1	-4.3	-11.4	16.1	-4.4	-11.4	-0.1	0.0	0.0
Exports of goods and services	3.5	5.9	8.3	3.5	5.9	8.3	-0.0	-0.0	0.0
Imports of goods and services	5.7	4.8	5.2	5.8	4.8	5.2	-0.0	-0.0	0.0
Major assumptions:									
1. World economy									
Economic growth of major trading partners	3.3	3.7	3.9	3.3	3.7	3.9	0.0	0.0	0.0
Crude oil price (WTI futures; \$/bbl)	99.4	100.0	100.0	99.4	100.0	100.0	0.0	0.0	0.0
2. US economy									
US real GDP (chained [2009]; y/y %)	2.3	2.7	3.1	2.3	2.7	3.1	0.0	0.0	0.0
US Consumer Price Index (y/y %)	1.4	1.8	2.1	1.4	1.8	2.1	0.0	0.0	0.0
3. Japanese economy									
Nominal public fixed investment (y/y %)	18.1	-3.0	-10.3	18.1	-3.0	-10.3	-0.0	0.0	0.0
Exchange rate (Y/\$)	100.0	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0
(Y/€)	135.1	140.0	140.0	135.1	140.0	140.0	0.0	0.0	0.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.00	0.00	0.00

Source: Compiled by DIR.

Notes: Due to rounding, differences do not necessarily conform to calculations based on figures shown.

* Excl. agriculture, forestry, and fisheries.

The trade balance estimate is based on the Fifth Edition of the IMF's Balance of Payments Manual.

As of March 10, figures are based on the Sixth Edition of the IMF's Balance of Payments Manual.

Quarterly Forecast Tables

1.1 Selected Economic Indicators

	2012			2013			2014		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013
Nominal GDP (SAAR; Y tril)	475.2	470.3	470.8	474.1	479.0	479.6	481.1	487.4	472.6	481.6	473.8	478.4
Q/q %	-0.9	-1.0	0.1	0.7	1.0	0.1	0.3	1.3				
Q/q %, SAAR	-3.5	-4.0	0.4	2.8	4.2	0.5	1.2	5.4				
Y/y %	2.1	-1.0	-1.0	-1.0	0.7	1.9	2.2	2.8	-0.2	1.9	0.5	1.0
Real GDP (chained [2005]; SAAR; Y tril)	519.0	514.8	514.9	520.7	525.9	527.2	528.0	534.9	517.5	528.9	517.4	525.4
Q/q %	-0.4	-0.8	0.0	1.1	1.0	0.2	0.2	1.3				
Q/q %, SAAR	-1.7	-3.2	0.1	4.5	4.1	0.9	0.7	5.3				
Y/y %	3.2	-0.2	-0.3	0.0	1.2	2.3	2.6	2.7	0.6	2.2	1.4	1.5
Contribution to GDP growth (% pt)												
Domestic demand	-0.1	-0.3	0.2	0.7	0.9	0.7	0.7	1.4	1.4	2.5	2.3	1.9
Foreign demand	-0.3	-0.6	-0.1	0.4	0.1	-0.5	-0.5	-0.1	-0.8	-0.3	-0.9	-0.3
GDP deflator (y/y %)	-1.1	-0.7	-0.7	-1.0	-0.5	-0.4	-0.3	0.1	-0.9	-0.3	-0.9	-0.6
Index of All-Industry Activity (2005=100)	96.6	96.2	96.1	96.1	97.1	97.7	97.9	99.5	96.2	98.0	96.5	97.2
Q/q %; y/y %	-0.2	-0.4	-0.0	-0.0	1.0	0.6	0.3	1.6	0.2	1.9	1.2	0.7
Index of Industrial Production (2010=100)	99.1	95.9	94.1	94.7	96.1	97.7	99.5	103.8	95.8	99.1	97.8	97.0
Q/q %; y/y %	-2.1	-3.3	-1.8	0.6	1.5	1.7	1.8	4.2	-3.0	3.5	0.6	-0.9
Index of Tertiary Industry Activity (2005=100)	99.0	99.0	99.3	99.5	100.2	100.1	99.8	100.8	99.2	100.2	99.3	99.9
Q/q %; y/y %	0.0	0.0	0.3	0.2	0.6	-0.0	-0.3	1.0	0.8	1.0	1.4	0.6
Corporate Goods Price Index components (2010=100)												
Domestic Company Goods Price Index	100.9	100.2	100.1	100.9	101.6	102.4	102.6	102.8	100.5	102.3	100.6	101.9
Y/y %	-1.0	-1.9	-1.0	-0.3	0.6	2.2	2.5	1.9	-1.0	1.8	-0.9	1.3
CPI (excl. fresh food; 2010=100)	99.9	99.6	99.6	99.3	99.9	100.3	100.7	100.5	99.6	100.4	99.7	100.1
Y/y %	-0.0	-0.2	-0.1	-0.3	0.0	0.7	1.1	1.3	-0.2	0.8	-0.1	0.4
Unemployment rate (%)	4.4	4.3	4.2	4.2	4.0	4.0	3.9	3.8	4.3	3.9	4.3	4.0
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Government bond yield (10 year; %)	0.85	0.78	0.76	0.66	0.77	0.73	0.64	0.63	0.76	0.69	0.80	0.74
Money stock; M2 (y/y %)	2.4	2.4	2.3	2.9	3.5	3.8	4.2	3.8	2.5	3.8	2.5	3.6
Trade balance (SAAR; Y tril)	-3.8	-5.2	-4.1	-7.8	-6.7	-9.2	-11.1	-13.5	-6.9	-10.1	-5.8	-10.6
Current balance (SAAR; \$100 mil)	576	401	688	396	750	231	21	-215	524	197	605	339
Current balance (SAAR; Y tril)	4.6	3.2	5.6	3.7	7.4	2.3	0.2	-2.2	4.4	1.9	4.8	3.3
(% of nominal GDP)	1.0	0.7	1.2	0.8	1.5	0.5	0.0	-0.4	0.9	0.4	1.1	0.7
Exchange rate (Y/\$)	80.1	78.6	81.2	92.3	98.8	98.9	100.4	102.0	83.1	100.0	79.8	97.6
(Y/Euro)	101.2	98.2	108.2	122.0	129.6	130.7	139.9	140.0	107.4	135.1	103.5	130.6

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

1.2 Selected Economic Indicators

	2014			2015			2016			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
Nominal GDP (SAAR; Y tril)	488.9	492.5	495.9	499.1	502.0	507.9	507.0	509.9	494.0	506.6	491.1	503.9	
Q/q %	0.3	0.7	0.7	0.6	0.6	1.2	-0.2	0.6					
Q/q %, SAAR	1.2	3.0	2.8	2.6	2.4	4.8	-0.8	2.3					
Y/y %	2.1	2.7	3.0	2.4	2.7	3.1	2.3	2.2	2.6	2.5	2.7	2.6	
Real GDP (chained [2005]; SAAR; Y tril)	528.9	532.6	535.7	538.4	540.9	546.4	539.8	542.0	533.9	542.2	533.0	541.3	
Q/q %	-1.1	0.7	0.6	0.5	0.5	1.0	-1.2	0.4					
Q/q %, SAAR	-4.4	2.8	2.4	2.0	1.9	4.1	-4.7	1.7					
Y/y %	0.6	1.1	1.4	0.7	2.2	2.6	0.8	0.7	1.0	1.5	1.5	1.6	
Contribution to GDP growth (% pt)													
Domestic demand	-1.5	0.5	0.4	0.3	0.4	1.0	-1.6	0.2	0.7	0.9	1.9	1.1	
Foreign demand	0.3	0.2	0.2	0.1	0.0	-0.1	0.3	0.2	0.2	0.6	-0.5	0.5	
GDP deflator (y/y %)	1.5	1.6	1.6	1.7	0.4	0.5	1.5	1.5	1.6	1.0	1.2	1.0	
Index of All-Industry Activity (2005=100)	98.5	99.1	99.5	100.0	100.6	101.7	101.1	101.5	99.3	101.2	99.2	100.9	
Q/q %; y/y %	-1.1	0.6	0.4	0.5	0.6	1.1	-0.7	0.4	1.2	2.0	2.0	1.7	
Index of Industrial Production (2010=100)	101.1	102.8	104.2	106.0	108.2	110.8	109.8	111.6	103.4	110.0	102.9	108.7	
Q/q %; y/y %	-2.5	1.6	1.4	1.7	2.0	2.4	-0.9	1.7	4.3	6.3	6.2	5.6	
Index of Tertiary Industry Activity (2005=100)	100.1	100.4	100.6	100.9	101.1	101.9	101.3	101.4	100.5	101.4	100.5	101.3	
Q/q %; y/y %	-0.7	0.4	0.2	0.2	0.2	0.8	-0.6	0.1	0.3	0.9	0.6	0.8	
Corporate Goods Price Index components (2010=100)													
Domestic Company Goods Price Index	105.5	105.7	106.0	106.3	106.6	107.0	109.1	109.6	105.8	108.1	105.0	107.3	
Y/y %	3.9	3.2	3.3	3.4	1.1	1.2	3.0	3.1	3.4	2.1	3.1	2.2	
CPI (excl. fresh food; 2010=100)	103.1	103.2	103.5	103.5	104.0	104.1	105.8	105.7	103.3	104.9	102.6	104.3	
Y/y %	3.2	2.9	2.8	2.9	0.8	0.8	2.2	2.2	3.0	1.5	2.6	1.7	
Unemployment rate (%)	3.8	3.8	3.8	3.8	3.7	3.7	3.6	3.6	3.8	3.7	3.8	3.7	
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Government bond yield (10 year; %)	0.65	0.68	0.72	0.76	0.81	0.87	0.92	0.96	0.70	0.89	0.67	0.84	
Money stock; M2 (y/y %)	3.9	4.0	4.1	4.1	4.2	4.3	4.3	4.3	4.0	4.3	4.0	4.2	
Trade balance (SAAR; Y tril)	-12.5	-11.7	-10.8	-10.1	-10.1	-10.4	-9.2	-8.5	-11.3	-9.5	-12.1	-10.0	
Current balance (SAAR; \$100 mil)	-31	109	259	394	445	451	650	786	183	583	30	485	
Current balance (SAAR; Y tril)	-0.3	1.1	2.6	3.9	4.4	4.5	6.5	7.9	1.8	5.8	0.3	4.9	
(% of nominal GDP)	-0.1	0.2	0.5	0.8	0.9	0.9	1.3	1.5	0.4	1.2	0.1	1.0	
Exchange rate (Y/\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.5	100.0	
(Y/Euro)	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

2.1 Real Gross Domestic Expenditure (chained [2005]; Y tril)

	2012			2013			2014		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013
Gross domestic expenditure	519.0	514.8	514.9	520.7	525.9	527.2	528.0	534.9	517.5	528.9	517.4	525.4
Q/q %, SAAR	-1.7	-3.2	0.1	4.5	4.1	0.9	0.7	5.3				
Y/y %	3.2	-0.2	-0.3	0.0	1.2	2.3	2.6	2.7	0.6	2.2	1.4	1.5
Domestic demand	509.2	507.8	508.7	512.1	516.4	520.0	523.4	530.4	509.5	522.7	508.8	517.9
Q/q %, SAAR	-0.3	-1.1	0.7	2.7	3.4	2.8	2.7	5.5				
Y/y %	3.3	1.4	0.5	0.5	1.4	2.3	3.0	3.7	1.4	2.6	2.3	1.8
Private demand	389.2	387.7	387.8	390.0	392.0	393.7	396.1	403.2	388.7	396.2	388.2	392.9
Q/q %, SAAR	0.6	-1.5	0.1	2.3	2.1	1.8	2.5	7.3				
Y/y %	4.0	1.4	-0.0	0.4	0.7	1.5	2.1	3.4	1.4	1.9	2.4	1.2
Final consumption	308.1	306.6	308.0	311.2	313.1	313.8	315.0	320.3	308.5	315.5	307.3	313.3
Q/q %, SAAR	1.7	-1.9	1.8	4.2	2.6	0.8	1.6	6.8				
Y/y %	3.0	0.9	0.7	1.5	1.7	2.2	2.3	2.9	1.5	2.3	2.0	1.9
Residential investment	13.2	13.5	13.8	14.0	14.1	14.6	15.2	15.5	13.6	14.9	13.3	14.5
Q/q %, SAAR	13.4	7.5	9.6	7.2	3.5	13.9	17.6	8.7				
Y/y %	4.7	1.5	5.8	9.3	6.9	8.6	10.4	10.8	5.3	9.2	2.9	8.9
Non-residential investment	70.0	68.7	68.1	67.4	68.1	68.2	68.7	70.4	68.5	68.9	69.2	68.1
Q/q %, SAAR	1.8	-7.6	-3.5	-3.7	4.2	0.4	3.0	10.0				
Y/y %	8.4	3.8	-4.2	-3.4	-2.6	-0.8	1.0	4.4	0.7	0.6	3.7	-1.6
Change in inventories	-2.2	-1.1	-2.0	-2.6	-3.4	-2.9	-2.8	-3.0	-1.9	-3.1	-1.5	-3.0
Public demand	120.1	120.1	120.9	122.1	124.4	126.3	127.3	127.3	120.9	126.5	120.6	125.1
Q/q %, SAAR	-3.1	0.2	2.6	4.2	7.7	6.1	3.2	-0.1				
Y/y %	1.1	1.3	2.4	0.9	3.5	5.0	5.7	4.5	1.4	4.7	1.9	3.7
Government final consumption	99.6	100.1	100.9	101.5	102.4	102.6	103.1	103.5	100.6	102.9	100.2	102.4
Q/q %, SAAR	-2.0	1.8	3.0	2.6	3.5	1.0	1.9	1.8				
Y/y %	1.3	1.5	1.9	1.4	2.7	2.5	2.2	2.0	1.5	2.3	1.7	2.2
Fixed investment	20.5	20.0	20.1	20.7	22.1	23.7	24.2	23.7	20.3	23.6	20.4	22.7
Q/q %, SAAR	-6.3	-9.0	1.7	13.3	30.2	31.9	8.7	-7.8				
Y/y %	0.2	0.7	4.8	-0.7	8.1	19.0	20.7	14.7	1.3	16.1	2.8	11.4
Change in inventories	-0.0	0.0	-0.0	-0.1	-0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0
Net exports of goods and services	10.6	7.5	6.4	8.9	10.0	7.7	5.3	5.2	8.4	7.0	9.1	8.0
Exports of goods and services	84.2	80.8	78.4	81.7	84.1	83.5	83.9	85.3	81.3	84.2	82.0	83.3
Q/q %, SAAR	-2.1	-15.2	-11.3	17.8	12.2	-2.7	1.7	6.7				
Y/y %	9.2	-4.8	-5.0	-3.3	0.0	3.2	6.8	4.2	-1.2	3.5	-0.1	1.6
Imports of goods and services	73.6	73.4	72.0	72.8	74.1	75.9	78.5	80.1	72.9	77.1	72.9	75.3
Q/q %, SAAR	5.9	-1.5	-7.2	4.5	7.2	10.1	14.7	8.0				
Y/y %	9.0	5.0	1.0	0.3	0.8	3.2	9.0	9.9	3.7	5.7	5.3	3.4
Residual	-0.8	-0.5	-0.2	-0.4	-0.5	-0.5	-0.7	-0.7	-0.4	-0.8	-0.5	-0.5

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

2.2 Real Gross Domestic Expenditure (chained [2005]; Y tril)

	2014			2015			2016			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
Gross domestic expenditure	528.9	532.6	535.7	538.4	540.9	546.4	539.8	542.0	533.9	542.2	533.0	541.3	
Q/q %, SAAR	-4.4	2.8	2.4	2.0	1.9	4.1	-4.7	1.7					
Y/y %	0.6	1.1	1.4	0.7	2.2	2.6	0.8	0.7	1.0	1.5	1.5	1.6	
Domestic demand	523.0	525.6	527.5	529.2	531.2	536.6	528.5	529.6	526.3	531.4	526.6	531.3	
Q/q %, SAAR	-5.5	2.0	1.5	1.3	1.6	4.1	-5.9	0.8					
Y/y %	1.2	1.1	0.7	-0.2	1.6	2.2	0.1	0.1	0.7	1.0	1.7	0.9	
Private demand	396.0	398.4	400.2	402.3	405.1	411.1	403.2	404.3	399.3	405.9	399.3	405.3	
Q/q %, SAAR	-6.9	2.4	1.9	2.0	2.9	6.0	-7.5	1.1					
Y/y %	1.0	1.2	1.0	-0.1	2.2	3.2	0.7	0.6	0.8	1.7	1.6	1.5	
Final consumption	312.8	314.6	315.3	316.3	317.9	322.3	315.4	316.6	314.7	318.0	315.7	317.9	
Q/q %, SAAR	-9.0	2.3	1.0	1.2	2.0	5.7	-8.4	1.7					
Y/y %	-0.1	0.3	0.1	-1.2	1.6	2.4	-0.0	0.1	-0.2	1.0	0.8	0.7	
Residential investment	14.8	14.5	14.7	14.8	15.2	15.4	14.2	13.2	14.7	14.5	14.9	14.9	
Q/q %, SAAR	-17.2	-8.5	4.9	5.3	9.1	6.1	-28.7	-23.6					
Y/y %	4.8	-0.8	-3.6	-4.4	2.5	6.4	-3.4	-10.9	-1.2	-1.4	2.5	0.2	
Non-residential investment	70.9	71.7	72.6	73.6	74.7	75.8	76.1	76.8	72.3	75.9	71.4	75.0	
Q/q %, SAAR	3.2	4.5	5.3	5.6	5.7	6.0	1.6	4.1					
Y/y %	4.1	5.2	5.7	4.6	5.3	5.6	4.7	4.4	4.9	5.0	4.8	5.0	
Change in inventories	-2.5	-2.4	-2.4	-2.5	-2.6	-2.4	-2.4	-2.4	-2.5	-2.5	-2.6	-2.5	
Public demand	127.0	127.2	127.2	126.9	126.1	125.5	125.3	125.3	127.1	125.5	127.2	126.1	
Q/q %, SAAR	-0.9	0.7	0.2	-1.0	-2.5	-1.9	-0.8	-0.1					
Y/y %	1.9	0.8	-0.2	-0.5	-0.3	-1.1	-1.8	-1.6	0.5	-1.2	1.7	-0.9	
Government final consumption	104.0	104.3	104.7	105.0	105.2	105.4	105.6	105.8	104.5	105.5	104.2	105.3	
Q/q %, SAAR	1.6	1.4	1.3	1.2	0.8	0.8	0.8	0.8					
Y/y %	1.5	1.7	1.5	1.4	1.2	1.0	0.9	0.8	1.5	1.0	1.7	1.1	
Fixed investment	23.0	22.9	22.6	21.9	21.0	20.1	19.7	19.5	22.6	20.0	23.1	20.7	
Q/q %, SAAR	-11.3	-2.5	-5.0	-10.7	-16.9	-14.6	-8.6	-4.8					
Y/y %	4.0	-3.7	-6.8	-7.5	-8.9	-11.8	-12.7	-11.3	-4.3	-11.4	1.9	-10.2	
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net exports of goods and services	6.6	7.7	8.9	9.9	10.4	10.5	12.1	13.2	8.3	11.5	7.1	10.7	
Exports of goods and services	86.7	88.2	89.9	91.7	93.5	95.5	97.5	99.6	89.1	96.5	87.5	94.6	
Q/q %, SAAR	7.0	7.1	7.8	8.2	8.2	8.7	8.7	9.1					
Y/y %	3.0	5.7	7.2	7.6	7.9	8.2	8.4	8.6	5.9	8.3	5.0	8.0	
Imports of goods and services	80.1	80.5	81.0	81.8	83.2	85.0	85.4	86.4	80.8	85.0	80.4	83.8	
Q/q %, SAAR	0.0	2.0	2.4	4.1	7.0	9.1	2.0	4.9					
Y/y %	8.0	6.1	3.1	2.1	3.9	5.6	5.5	5.7	4.8	5.2	6.7	4.3	
Residual	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

3.1 Nominal Gross Domestic Expenditure (¥ tril)

	2012			2013			2014		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013
Gross domestic expenditure	475.2	470.3	470.8	474.1	479.0	479.6	481.1	487.4	472.6	481.6	473.8	478.4
Q/q %, SAAR	-3.5	-4.0	0.4	2.8	4.2	0.5	1.2	5.4				
Y/y %	2.1	-1.0	-1.0	-1.0	0.7	1.9	2.2	2.8	-0.2	1.9	0.5	1.0
Domestic demand	483.9	480.4	481.8	485.6	489.5	493.9	499.0	506.0	482.9	497.2	483.2	491.9
Q/q %, SAAR	-2.5	-2.9	1.2	3.1	3.3	3.6	4.2	5.7				
Y/y %	2.4	0.4	-0.2	-0.2	1.1	2.7	3.6	4.4	0.6	2.9	1.6	1.8
Private demand	366.7	362.9	363.8	365.9	368.0	370.3	374.6	381.5	364.8	373.5	365.1	369.6
Q/q %, SAAR	-0.9	-4.1	1.0	2.3	2.3	2.5	4.7	7.6				
Y/y %	3.3	0.4	-0.6	-0.4	0.3	2.0	2.9	4.3	0.6	2.4	1.7	1.2
Final consumption	288.9	285.6	287.5	290.3	291.9	293.2	295.7	300.8	288.1	295.3	287.7	292.8
Q/q %, SAAR	-0.3	-4.5	2.7	3.9	2.2	1.9	3.4	7.1				
Y/y %	2.2	-0.3	-0.0	0.5	1.1	2.6	2.8	3.6	0.6	2.5	1.2	1.8
Residential investment	13.6	13.8	14.2	14.5	14.8	15.5	16.2	16.6	14.0	15.8	13.7	15.3
Q/q %, SAAR	11.6	6.5	11.7	9.7	8.4	17.5	21.7	9.1				
Y/y %	3.8	0.2	5.4	9.9	9.1	11.8	14.2	14.1	4.7	12.4	2.2	11.4
Non-residential investment	66.2	64.7	64.1	63.7	64.7	64.9	65.5	67.2	64.6	65.7	65.3	64.7
Q/q %, SAAR	1.7	-9.3	-3.2	-2.4	5.9	1.4	4.1	10.8				
Y/y %	8.4	3.2	-4.5	-3.5	-2.3	0.2	2.3	5.6	0.5	1.6	3.4	-0.9
Change in inventories	-2.0	-1.2	-2.1	-2.7	-3.4	-3.3	-2.9	-3.1	-1.9	-3.2	-1.6	-3.1
Public demand	117.2	117.5	118.0	119.7	121.6	123.6	124.5	124.5	118.1	123.6	118.0	122.3
Q/q %, SAAR	-7.4	1.0	2.0	5.8	6.4	6.8	2.7	0.1				
Y/y %	-0.2	0.5	1.3	0.4	3.4	5.3	5.5	4.4	0.5	4.7	1.1	3.6
Government final consumption	96.1	96.8	97.3	98.3	98.6	98.8	98.9	99.3	97.1	98.8	96.9	98.6
Q/q %, SAAR	-6.8	3.1	2.2	4.0	1.2	1.0	0.2	1.9				
Y/y %	-0.2	0.7	0.7	0.8	2.6	2.1	1.4	0.9	0.5	1.7	0.9	1.7
Fixed investment	21.1	20.6	20.8	21.5	23.0	24.9	25.6	25.1	21.0	24.8	21.1	23.7
Q/q %, SAAR	-8.4	-8.8	2.6	15.4	31.1	35.8	11.9	-6.7				
Y/y %	0.1	-0.1	4.6	-0.5	9.0	20.9	23.4	16.9	1.1	18.1	2.6	12.8
Change in inventories	-0.0	0.0	-0.1	-0.1	-0.0	-0.1	0.0	0.0	-0.0	-0.0	0.0	-0.0
Net exports of goods and services	-8.7	-10.1	-11.0	-11.5	-10.5	-14.3	-18.0	-18.6	-10.3	-15.4	-9.4	-13.6
Exports of goods and services	71.3	68.4	67.8	74.2	77.8	78.4	79.6	81.2	70.4	79.2	69.8	77.5
Q/q %, SAAR	-2.8	-15.4	-3.1	43.1	21.1	3.1	6.4	7.8				
Y/y %	5.7	-7.6	-4.2	3.8	9.0	14.6	17.6	9.2	-0.7	12.5	-2.1	11.1
Imports of goods and services	80.0	78.5	78.8	85.7	88.4	92.7	97.6	99.8	80.8	94.6	79.2	91.1
Q/q %, SAAR	3.4	-7.6	2.0	39.5	13.2	21.0	23.0	9.1				
Y/y %	7.2	1.2	1.5	8.2	10.3	17.9	24.1	16.3	4.5	17.1	4.7	15.1

Source: Compiled by DIR.

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

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

E: DIR estimate.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2014			2015			2016			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
Gross domestic expenditure	488.9	492.5	495.9	499.1	502.0	507.9	507.0	509.9	494.0	506.6	491.1	503.9	
Q/q %, SAAR	1.2	3.0	2.8	2.6	2.4	4.8	-0.8	2.3					
Y/y %	2.1	2.7	3.0	2.4	2.7	3.1	2.3	2.2	2.6	2.5	2.7	2.6	
Domestic demand	506.2	509.0	511.5	513.9	517.0	523.4	521.1	523.3	510.1	521.1	508.1	518.8	
Q/q %, SAAR	0.2	2.2	2.0	1.9	2.4	5.1	-1.8	1.7					
Y/y %	3.3	3.1	2.4	1.6	2.1	2.9	1.7	1.8	2.6	2.1	3.3	2.1	
Private demand	381.0	383.4	385.7	388.4	392.1	399.0	396.8	398.9	384.7	396.7	382.8	394.0	
Q/q %, SAAR	-0.5	2.6	2.4	2.8	3.9	7.3	-2.2	2.1					
Y/y %	3.5	3.6	2.9	2.0	2.8	4.1	2.8	2.8	3.0	3.1	3.6	2.9	
Final consumption	299.6	301.4	302.3	303.7	306.0	311.2	309.6	311.7	301.7	309.6	301.0	307.6	
Q/q %, SAAR	-1.5	2.3	1.3	1.8	3.0	7.0	-2.0	2.7					
Y/y %	2.6	2.8	2.2	1.0	2.1	3.2	2.4	2.6	2.2	2.6	2.8	2.2	
Residential investment	16.0	15.7	15.9	16.1	16.5	16.8	15.6	14.7	16.0	15.9	16.1	16.3	
Q/q %, SAAR	-12.4	-8.1	5.3	5.9	10.0	7.4	-25.8	-22.7					
Y/y %	8.1	1.7	-1.9	-2.7	3.0	7.2	-1.8	-9.3	1.0	-0.2	5.0	1.4	
Non-residential investment	67.9	68.8	69.9	71.1	72.3	73.5	74.0	75.0	69.5	73.8	68.5	72.7	
Q/q %, SAAR	4.1	5.5	6.6	6.8	6.7	6.9	2.8	5.5					
Y/y %	5.0	6.2	6.7	5.7	6.4	6.7	5.8	5.5	5.9	6.1	5.8	6.2	
Change in inventories	-2.6	-2.5	-2.5	-2.6	-2.7	-2.5	-2.5	-2.5	-2.5	-2.6	-2.7	-2.6	
Public demand	125.2	125.6	125.8	125.6	124.9	124.4	124.3	124.4	125.5	124.4	125.3	124.8	
Q/q %, SAAR	2.3	1.2	0.6	-0.6	-2.2	-1.6	-0.3	0.4					
Y/y %	2.8	1.6	1.0	0.6	0.2	-0.9	-1.3	-1.4	1.5	-0.9	2.4	-0.4	
Government final consumption	100.7	101.2	101.6	102.0	102.3	102.7	103.0	103.3	101.4	102.8	100.7	102.5	
Q/q %, SAAR	5.7	1.8	1.7	1.6	1.2	1.2	1.2	1.2					
Y/y %	2.2	2.4	2.9	2.8	1.6	1.4	1.3	1.2	2.6	1.4	2.1	1.8	
Fixed investment	24.5	24.4	24.1	23.5	22.5	21.7	21.3	21.1	24.1	21.6	24.6	22.3	
Q/q %, SAAR	-10.4	-1.3	-3.9	-9.6	-15.9	-13.5	-7.2	-3.7					
Y/y %	6.2	-2.1	-5.7	-6.4	-7.9	-10.8	-11.6	-10.2	-3.0	-10.3	3.5	-9.1	
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net exports of goods and services	-17.3	-16.5	-15.6	-14.9	-15.0	-15.5	-14.1	-13.4	-16.1	-14.5	-17.0	-14.9	
Exports of goods and services	82.8	84.5	86.4	88.5	90.5	92.6	94.8	97.2	85.5	93.8	83.7	91.6	
Q/q %, SAAR	8.3	8.5	9.3	10.0	9.3	9.8	10.0	10.4					
Y/y %	6.5	7.8	8.4	9.1	9.2	9.6	9.8	9.8	7.9	9.6	7.9	9.4	
Imports of goods and services	100.1	101.0	102.0	103.3	105.4	108.1	108.9	110.6	101.6	108.2	100.7	106.5	
Q/q %, SAAR	1.4	3.7	4.1	5.3	8.3	10.4	3.2	6.2					
Y/y %	13.3	9.1	4.4	3.6	5.3	6.9	6.8	7.0	7.4	6.5	10.6	5.7	

Source: Compiled by DIR.

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

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

E: DIR estimate.

4.1 Gross Domestic Expenditure, Implicit Deflators (2005=100)

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013	
Gross domestic expenditure	91.6	91.4	91.4	91.1	91.1	91.0	91.1	91.1	91.3	91.1	91.6	91.1	
Q/q %, SAAR	-0.5	-0.2	0.1	-0.4	0.0	-0.1	0.1	0.0					
Y/y %	-1.1	-0.7	-0.7	-1.0	-0.5	-0.4	-0.3	0.1	-0.9	-0.3	-0.9	-0.6	
Private final consumption	93.8	93.1	93.4	93.3	93.2	93.5	93.9	93.9	93.4	93.6	93.6	93.5	
Q/q %, SAAR	-0.5	-0.7	0.2	-0.1	-0.1	0.3	0.4	0.0					
Y/y %	-0.8	-1.1	-0.7	-1.0	-0.6	0.3	0.6	0.7	-0.9	0.2	-0.8	-0.2	
Private residential investment	103.0	102.7	103.2	103.8	105.0	105.8	106.8	106.9	103.2	106.1	103.1	105.4	
Q/q %, SAAR	-0.4	-0.2	0.5	0.6	1.2	0.8	0.9	0.1					
Y/y %	-0.8	-1.3	-0.4	0.5	2.0	3.0	3.4	2.9	-0.5	2.9	-0.7	2.3	
Private non-residential investment	94.6	94.1	94.2	94.5	94.9	95.1	95.4	95.6	94.4	95.3	94.4	95.0	
Q/q %, SAAR	-0.0	-0.5	0.1	0.3	0.4	0.2	0.3	0.2					
Y/y %	0.0	-0.6	-0.3	-0.0	0.4	1.0	1.2	1.1	-0.2	1.0	-0.3	0.6	
Government final consumption	96.4	96.7	96.5	96.8	96.3	96.3	95.9	96.0	96.6	96.0	96.7	96.3	
Q/q %, SAAR	-1.3	0.3	-0.2	0.3	-0.6	0.0	-0.4	0.0					
Y/y %	-1.4	-0.7	-1.3	-0.6	-0.2	-0.3	-0.8	-1.0	-1.0	-0.6	-0.8	-0.5	
Public fixed investment	103.2	103.2	103.5	103.9	104.1	104.9	105.7	106.0	103.5	105.3	103.4	104.7	
Q/q %, SAAR	-0.6	0.1	0.2	0.5	0.2	0.7	0.7	0.3					
Y/y %	-0.2	-0.9	-0.2	0.2	0.8	1.6	2.2	1.9	-0.2	1.7	-0.2	1.3	
Exports of goods and services	84.6	84.6	86.5	90.8	92.5	93.9	94.9	95.2	86.6	94.1	85.1	93.1	
Q/q %, SAAR	-0.2	-0.1	2.2	5.0	1.9	1.5	1.1	0.2					
Y/y %	-3.2	-2.9	0.9	7.3	9.0	11.0	10.1	4.8	0.5	8.6	-2.0	9.3	
Imports of goods and services	108.7	106.9	109.5	117.7	119.3	122.1	124.3	124.6	110.7	122.6	108.6	120.9	
Q/q %, SAAR	-0.6	-1.6	2.4	7.5	1.4	2.4	1.8	0.2					
Y/y %	-1.7	-3.6	0.5	7.8	9.4	14.2	13.8	5.8	0.8	10.8	-0.6	11.3	

Source: Compiled by DIR.

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

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

E: DIR estimate.

4.2 Gross Domestic Expenditure, Implicit Deflators (2005=100)

	2014			2015			2016		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)
Gross domestic expenditure	92.4	92.5	92.6	92.7	92.8	93.0	93.9	94.1	92.5	93.4	92.1	93.1
Q/q %, SAAR	1.4	0.0	0.1	0.1	0.1	0.2	1.0	0.2				
Y/y %	1.5	1.6	1.6	1.7	0.4	0.5	1.5	1.5	1.6	1.0	1.2	1.0
Private final consumption	95.8	95.8	95.9	96.0	96.3	96.5	98.2	98.4	95.9	97.3	95.3	96.8
Q/q %, SAAR	2.0	0.0	0.1	0.2	0.3	0.3	1.7	0.2				
Y/y %	2.8	2.5	2.1	2.2	0.5	0.8	2.4	2.5	2.4	1.6	2.0	1.5
Private residential investment	108.4	108.5	108.6	108.7	109.0	109.3	110.4	110.7	108.5	109.8	108.0	109.3
Q/q %, SAAR	1.4	0.1	0.1	0.1	0.2	0.3	1.0	0.3				
Y/y %	3.2	2.5	1.7	1.8	0.6	0.7	1.7	1.8	2.2	1.2	2.5	1.2
Private non-residential investment	95.8	96.0	96.3	96.6	96.8	97.0	97.3	97.6	96.2	97.2	95.9	96.9
Q/q %, SAAR	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.4				
Y/y %	0.9	0.9	1.0	1.1	1.1	1.0	1.0	1.1	1.0	1.1	1.0	1.1
Government final consumption	96.9	97.0	97.1	97.2	97.3	97.4	97.5	97.6	97.0	97.4	96.7	97.3
Q/q %, SAAR	1.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	0.7	0.7	1.3	1.4	0.4	0.4	0.4	0.4	1.0	0.4	0.4	0.6
Public fixed investment	106.2	106.6	106.9	107.2	107.5	107.9	108.3	108.6	106.8	108.1	106.4	107.7
Q/q %, SAAR	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3				
Y/y %	2.1	1.6	1.1	1.2	1.2	1.2	1.3	1.3	1.4	1.3	1.6	1.2
Exports of goods and services	95.5	95.8	96.1	96.5	96.7	97.0	97.3	97.6	96.0	97.2	95.6	96.9
Q/q %, SAAR	0.3	0.3	0.4	0.4	0.2	0.3	0.3	0.3				
Y/y %	3.4	2.0	1.1	1.4	1.2	1.3	1.3	1.1	2.0	1.2	2.8	1.3
Imports of goods and services	125.0	125.5	126.0	126.4	126.8	127.2	127.5	127.9	125.8	127.4	125.3	127.0
Q/q %, SAAR	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3				
Y/y %	5.0	2.8	1.3	1.5	1.3	1.3	1.3	1.2	2.6	1.3	3.6	1.3

Source: Compiled by DIR.

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

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

E: DIR estimate.

5.1 Contribution to Real GDP Growth by Component

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013	
1) Q/q %													
GDP growth rate	-0.4	-0.8	0.0	1.1	1.0	0.2	0.2	1.3	0.6	2.2	1.4	1.5	
Domestic demand	-0.1	-0.3	0.2	0.7	0.9	0.7	0.7	1.4	1.4	2.5	2.3	1.9	
Private demand	0.1	-0.3	0.0	0.4	0.4	0.3	0.5	1.4	1.1	1.5	1.9	0.9	
Private consumption	0.2	-0.3	0.3	0.6	0.4	0.1	0.2	1.0	0.9	1.4	1.2	1.2	
Residential investment	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.3	
Private fixed investment	0.1	-0.3	-0.1	-0.1	0.1	0.0	0.1	0.3	0.1	0.1	0.5	-0.2	
Change in private inventories	-0.3	0.2	-0.2	-0.1	-0.2	0.1	0.0	-0.0	-0.1	-0.2	0.1	-0.3	
Public demand	-0.2	0.0	0.2	0.3	0.5	0.4	0.2	-0.0	0.3	1.1	0.5	0.9	
Government final consumption	-0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.3	0.5	0.3	0.4	
Public fixed investment	-0.1	-0.1	0.0	0.1	0.3	0.3	0.1	-0.1	0.1	0.6	0.1	0.5	
Change in public inventories	-0.0	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	
Net exports of goods and services	-0.3	-0.6	-0.1	0.4	0.1	-0.5	-0.5	-0.1	-0.8	-0.3	-0.9	-0.3	
Exports of goods and services	-0.1	-0.6	-0.4	0.6	0.4	-0.1	0.1	0.3	-0.2	0.6	-0.0	0.2	
Imports of goods and services	-0.2	0.1	0.3	-0.2	-0.3	-0.4	-0.6	-0.4	-0.6	-0.8	-0.9	-0.6	
2) Y/y %													
GDP growth rate	3.2	-0.2	-0.3	0.0	1.2	2.3	2.6	2.7	0.6	2.2	1.4	1.5	
Domestic demand	3.3	1.4	0.6	0.6	1.4	2.4	3.1	3.9	1.4	2.5	2.3	1.9	
Private demand	3.1	1.1	0.0	0.4	0.5	1.1	1.6	2.6	1.1	1.5	1.9	0.9	
Private consumption	1.9	0.5	0.4	0.9	1.0	1.4	1.4	1.7	0.9	1.4	1.2	1.2	
Residential investment	0.1	0.0	0.2	0.3	0.2	0.3	0.3	0.3	0.1	0.2	0.1	0.3	
Private fixed investment	1.0	0.5	-0.5	-0.5	-0.3	-0.1	0.1	0.7	0.1	0.1	0.5	-0.2	
Change in private inventories	0.0	-0.0	-0.0	-0.3	-0.4	-0.4	-0.2	-0.1	-0.1	-0.2	0.1	-0.3	
Public demand	0.3	0.3	0.6	0.2	0.9	1.2	1.5	1.2	0.3	1.1	0.5	0.9	
Government final consumption	0.3	0.3	0.4	0.3	0.6	0.5	0.4	0.4	0.3	0.5	0.3	0.4	
Public fixed investment	0.0	0.0	0.2	-0.0	0.3	0.8	1.0	0.8	0.1	0.6	0.1	0.5	
Change in public inventories	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	
Net exports of goods and services	-0.1	-1.6	-0.9	-0.5	-0.1	-0.1	-0.5	-1.2	-0.8	-0.3	-0.9	-0.3	
Exports of goods and services	1.3	-0.8	-0.7	-0.5	0.0	0.5	1.0	0.7	-0.2	0.6	-0.0	0.2	
Imports of goods and services	-1.4	-0.8	-0.2	-0.1	-0.1	-0.6	-1.5	-1.8	-0.6	-0.8	-0.9	-0.6	

Source: Compiled by DIR.

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

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

E: DIR estimate.

5.2 Contribution to Real GDP Growth by Component

	2014			2015			2016			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
1) Q/q %													
GDP growth rate	-1.1	0.7	0.6	0.5	0.5	1.0	-1.2	0.4	1.0	1.5	1.5	1.6	
Domestic demand	-1.5	0.5	0.4	0.3	0.4	1.0	-1.6	0.2	0.7	0.9	1.9	1.1	
Private demand	-1.4	0.4	0.4	0.4	0.6	1.1	-1.5	0.2	0.6	1.2	1.5	1.3	
Private consumption	-1.4	0.3	0.1	0.2	0.3	0.9	-1.3	0.2	-0.1	0.6	0.5	0.4	
Residential investment	-0.2	-0.1	0.0	0.0	0.1	0.0	-0.3	-0.2	-0.0	-0.0	0.1	0.0	
Private fixed investment	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.6	0.7	0.7	0.7	
Change in private inventories	0.1	0.0	0.0	-0.0	-0.0	0.0	0.0	0.0	0.1	-0.0	0.1	0.0	
Public demand	-0.1	0.0	0.0	-0.1	-0.2	-0.1	-0.1	-0.0	0.1	-0.3	0.4	-0.3	
Government final consumption	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.3	0.2	0.3	0.2	
Public fixed investment	-0.2	-0.0	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2	-0.5	0.1	-0.5	
Change in public inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net exports of goods and services	0.3	0.2	0.2	0.1	0.0	-0.1	0.3	0.2	0.2	0.6	-0.5	0.5	
Exports of goods and services	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.9	1.4	0.8	1.4	
Imports of goods and services	0.0	-0.1	-0.1	-0.2	-0.4	-0.5	-0.1	-0.3	-0.7	-0.8	-1.3	-0.9	
2) Y/y %													
GDP growth rate	0.6	1.1	1.4	0.7	2.2	2.6	0.8	0.7	1.0	1.5	1.5	1.6	
Domestic demand	1.3	1.1	0.7	-0.2	1.6	2.2	-0.0	-0.0	0.7	0.9	1.9	1.1	
Private demand	0.8	1.0	0.7	-0.1	1.7	2.5	0.5	0.4	0.6	1.2	1.5	1.3	
Private consumption	-0.1	0.2	0.1	-0.8	1.0	1.5	-0.0	0.1	-0.1	0.6	0.5	0.4	
Residential investment	0.1	-0.0	-0.1	-0.1	0.1	0.2	-0.1	-0.3	-0.0	-0.0	0.1	0.0	
Private fixed investment	0.5	0.7	0.7	0.7	0.7	0.8	0.6	0.7	0.6	0.7	0.7	0.7	
Change in private inventories	0.2	0.1	0.1	0.1	-0.0	0.0	-0.0	0.0	0.1	-0.0	0.1	0.0	
Public demand	0.5	0.2	-0.1	-0.2	-0.1	-0.3	-0.5	-0.5	0.1	-0.3	0.4	-0.3	
Government final consumption	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.2	
Public fixed investment	0.2	-0.2	-0.4	-0.5	-0.4	-0.5	-0.7	-0.6	-0.2	-0.5	0.1	-0.5	
Change in public inventories	0.0	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net exports of goods and services	-1.0	-0.3	0.5	0.8	0.6	0.3	0.3	0.3	0.2	0.6	-0.5	0.5	
Exports of goods and services	0.5	0.9	1.2	1.2	1.4	1.4	1.4	1.5	0.9	1.4	0.8	1.4	
Imports of goods and services	-1.5	-1.2	-0.6	-0.4	-0.8	-1.2	-1.1	-1.2	-0.7	-0.8	-1.3	-0.9	

Source: Compiled by DIR.

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

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

E: DIR estimate.

6.1 Major Assumptions

	2012			2013			2014			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2012	2013 (E)	2012	2013	
1) World economy													
Economic growth of major trading partners													
Y/y %	2.9	2.9	3.6	2.4	2.9	3.1	3.3	3.9	3.1	3.3	3.3	3.0	
Crude oil price (WTI futures; \$/bbl)	93.4	92.2	88.2	94.4	94.2	105.8	97.6	100.0	92.0	99.4	94.1	98.0	
Y/y %	-8.8	3.0	-6.2	-8.4	0.9	14.8	10.6	6.0	-5.4	8.0	-1.0	4.1	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	15,428	15,534	15,540	15,584	15,680	15,839	15,966	16,020	15,521	15,876	15,471	15,767	
Q/q %, SAAR	1.2	2.8	0.1	1.1	2.5	4.1	3.2	1.4					
Y/y %	2.8	3.1	2.0	1.3	1.6	2.0	2.7	2.8	2.3	2.3	2.8	1.9	
Consumer Price Index (1982-84 avg=100)	229.0	229.9	231.3	232.0	232.2	233.5	234.1	235.3	230.6	233.8	229.6	233.0	
Q/q %, SAAR	1.4	1.7	2.4	1.2	0.4	2.2	1.1	2.0					
Y/y %	1.9	1.7	1.9	1.7	1.4	1.6	1.2	1.4	1.8	1.4	2.1	1.5	
Producer Price Index (Finished goods; 1982=100)	192.8	194.7	195.9	196.3	195.8	196.9	197.3	198.5	194.9	197.1	194.2	196.6	
Q/q %, SAAR	-1.4	3.9	2.5	0.9	-1.0	2.3	0.7	2.4					
Y/y %	1.1	1.5	1.7	1.5	1.5	1.2	0.8	1.1	1.4	1.1	1.9	1.2	
FF rate (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	1.82	1.64	1.71	1.95	2.00	2.71	2.75	2.80	1.78	2.56	1.80	2.35	
3) Japanese economy													
Nominal government final consumption													
Y tri1; SAAR	96.1	96.8	97.3	98.3	98.6	98.8	98.9	99.3	97.1	98.8	96.9	98.6	
Q/q %, SAAR	-6.8	3.1	2.2	4.0	1.2	1.0	0.2	1.9					
Y/y %	-0.2	0.7	0.7	0.8	2.6	2.1	1.4	0.9	0.5	1.7	0.9	1.7	
Nominal public fixed investment													
Y tri1; SAAR	21.1	20.6	20.8	21.5	23.0	24.9	25.6	25.1	21.0	24.8	21.1	23.7	
Q/q %, SAAR	-8.4	-8.8	2.6	15.4	31.1	35.8	11.9	-6.7					
Y/y %	0.1	-0.1	4.6	-0.5	9.0	20.9	23.4	16.9	1.1	18.1	2.6	12.8	
Exchange rate (Y/\$)	80.1	78.6	81.2	92.3	98.8	98.9	100.4	102.0	83.1	100.0	79.8	97.6	
(Y/€)	101.2	98.2	108.2	122.0	129.6	130.7	139.9	140.0	107.4	135.1	103.5	130.6	
Call rate (end-period; %)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	

Source: Compiled by DIR.

Notes: 1) Japanese consumption tax hike in April 2014 and a second one expected in October 2015.

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

E: DIR estimate.

6.2 Major Assumptions

	2014			2015			2016			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2014 (E)	2015 (E)	2014 (E)	2015 (E)	
1) World economy													
Economic growth of major trading partners													
Y/y %	3.8	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.7	3.9	3.7	3.9	
Crude oil price (WTI futures; \$/bbl)													
Y/y %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
	6.2	-5.5	2.4	0.0	0.0	0.0	0.0	0.0	0.6	0.0	2.0	0.0	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)													
Q/q %, SAAR	16,131	16,236	16,366	16,497	16,620	16,748	16,881	17,017	16,308	16,817	16,188	16,687	
Y/y %	2.8	2.6	3.2	3.3	3.0	3.1	3.2	3.2	2.7	3.1	2.7	3.1	
Consumer Price Index (1982-84 avg=100)													
Q/q %, SAAR	236.2	237.3	238.4	239.6	240.8	242.2	243.5	244.9	237.9	242.9	236.8	241.5	
Y/y %	1.6	1.8	1.9	2.0	2.1	2.3	2.2	2.2	1.8	2.1	1.7	2.0	
Producer Price Index (Finished goods; 1982=100)													
Q/q %, SAAR	199.6	200.8	202.1	203.5	205.1	206.8	208.5	210.1	201.5	207.6	200.2	206.0	
Y/y %	2.3	2.4	2.6	2.9	3.1	3.4	3.3	3.2	2.2	3.0	1.9	2.9	
FF rate (%) (Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.25	0.75	0.25	0.50	
	3.09	3.25	3.42	3.62	3.82	4.06	4.27	4.30	3.35	4.11	3.14	3.94	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	100.7	101.2	101.6	102.0	102.3	102.7	103.0	103.3	101.4	102.8	100.7	102.5	
Q/q %, SAAR	5.7	1.8	1.7	1.6	1.2	1.2	1.2	1.2	2.6	1.4	2.1	1.8	
Y/y %	2.2	2.4	2.9	2.8	1.6	1.4	1.3	1.2					
Nominal public fixed investment													
Y tril; SAAR	24.5	24.4	24.1	23.5	22.5	21.7	21.3	21.1	24.1	21.6	24.6	22.3	
Q/q %, SAAR	-10.4	-1.3	-3.9	-9.6	-15.9	-13.5	-7.2	-3.7	-3.0	-10.3	3.5	-9.1	
Y/y %	6.2	-2.1	-5.7	-6.4	-7.9	-10.8	-11.6	-10.2					
Exchange rate (Y/\$)													
(Y/€)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.5	100.0	
	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0	
Call rate (end-period; %)													
	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	

Source: Compiled by DIR.

Notes: 1) Japanese consumption tax hike in April 2014 and a second one expected in October 2015.

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

E: DIR estimate.