

09 March 2018 (No. of pages: 22)

Japanese report: 08 Mar 2018

Japan's Economic Outlook No. 196 Update (Summary)

Pitfalls of the Global Economy: In this report we examine the following: (1) Five Risks Facing the Global Economy, (2) The Key to Realizing Wage Increase, (3) Regional Labor Productivity

Japan to see real GDP growth of +1.8% in FY17, +1.2% in FY18, and +0.8% in FY19, with nominal GDP growth of +1.9% in FY17, +1.6% in FY18, and +1.7% in FY19.

Mitsumaru Kumagai

Economic Research Dept.

Tomoya Kondo

Mikio Mizobata

Satoshi Osanai

Shunsuke Kobayashi

Kazuma Maeda

Akane Yamaguchi

Yota Hirono

Research Division

Daiki Fujino

Summary

- **Economy to continue favorable growth, but pace of growth to peak out in FY2017:** In light of the 2nd preliminary Oct-Dec 2017 GDP release we have revised our economic growth outlook. We now forecast real GDP growth of +1.8% in comparison with the previous year for FY17 (+1.7% in the previous forecast), +1.2% in comparison with the previous year for FY18 (+1.3% in the previous forecast), and +0.8% in comparison with the previous year for FY19 (+0.8% in the previous forecast). Japan's economy has continued accelerated growth due to the following factors: (1) favorable overseas demand, (2) inventory investment, and (3) replacement demand for durables. However, the effects of these three factors will gradually fade away in the future, while the consumption tax increase planned for October 2019 is expected to have a negative impact on income. Hence we expect Japan's economy to continue to slow down through FY2019.
- **Real GDP growth rate revised upwards from 1st preliminary, while also exceeding market consensus:** The real GDP growth rate for Oct-Dec 2017 (2nd preliminary est) was revised upwards to +1.6% q/q annualized (+0.4% q/q) in comparison to the 1st preliminary

report (+0.5% q/q annualized and +0.1% q/q), while at the same time exceeding market consensus (+0.8% q/q annualized and +0.2% q/q). Demand components receiving revisions included public investment receiving a reduction in the extent of its decline due to improvement in latest figures in fundamental statistics, while private sector capital investment was revised upwards due to positive results on corporate statistics (demand side statistics). Meanwhile, inventory investment was also revised upwards, getting a lift from material & supplies inventory, which is provisional on the 1st preliminary GDP estimate.

Private sector capital investment was revised upwards in response to results of corporate statistics, registering +1.0% q/q (+0.7% on the 1st preliminary). As for gross fixed capital formation by type, other machinery and equipment maintained favorable growth at +1.6%. Meanwhile, transport equipment, which maintained favorable growth through FY2016, suffered declines for three consecutive quarters ever since the Apr-June 2017 period, declining by -0.6% in the Oct-Dec 2017 period. Intellectual property products (+0.0%) and other buildings & structures (+0.1%) were pretty much marking time.

Private sector inventory increased its contribution to GDP growth at +0.1%pt q/q (-0.1%pt on the 1st preliminary). This was due to the fact that material & supplies inventory, which is provisional on the 1st preliminary GDP estimate, increased its contribution to +0.0%pt (-0.1%pt on the 1st preliminary). As for other components, private sector housing was revised upwards to -2.6% (-2.7% on the 1st preliminary), while government consumption recorded -0.0% (-0.1% on the 1st preliminary), and public investment was at -0.2% (-0.5% on the 1st preliminary) due mainly to the most recent results of fundamental statistics.

- **Growth was led by domestic demand, but issues remain: (1) decline in housing investment, (2) weak consumption, and (3) capital investment deflator brings unease:** Performance by demand component in the Oct-Dec 2017 2nd preliminary results shows private sector final consumption expenditure achieving growth for the first time in two quarters by +0.5% q/q. Stock price highs and the growing global economy brought support to an improvement in consumer confidence, while in addition, continued expansion of consumption was helped along by growth in consumption of durable goods (+3.4%) due to replacement demand. We have seen the gradual dissipation of the negative effects of pre-consumption over demand and Eco-car related tax breaks, which helped to increase consumption since 2009 along with the Ecopoint program effecting household electronics, as well as last-minute demand prior to the increase in consumption tax. Since 2016, moderate replacement demand for durables has appeared.

On the other hand, consumption of goods other than durables left something to be desired. While the consumer price index grows centering on the price of fresh foods and energy, real employee compensation fell by -0.4% q/q and there are hints that on the other side of the recent demand for durables lies an increasing tendency to pinch pennies. As for trends in goods and services, semi-durables continue to expand at +2.5%, while non-durables marked time at +0.1% along with services at +0.3%.

Housing investment declined for the second consecutive quarter at -2.6% q/q. The positive effects of strategies in dealing with inheritance tax are beginning to disappear, and rising prices may be putting a damper on demand. Meanwhile, housing inventory continues to accumulate.

Capital expenditure grew for the fifth consecutive quarter at +1.0% q/q. Capital expenditure continues to maintain an undercurrent of growth due to the expansion of production activities associated with recent growth in exports, and the growing seriousness of the shortage of manpower. In addition, ample funds allow corporations to promote a stable expansion of capital expenditure. However, caution should be exercised, as demand for capital expenditure nears the limits of supply as can be seen in the balance of machinery orders which continue to accumulate at an unprecedented rate. This indicates that the growth rate in quantitative capital expenditure (in real terms) will remain at a more moderate rate in comparison to the strength of demand for the time being. Hence manufacturers who benefit from capex spending are expected to move toward improved earnings due to rising prices and higher profitability. However, as of this point, a definite increase in the capital investment deflator has not been seen.

Private sector inventory recorded an increase in its contribution to GDP growth for the second consecutive quarter at +0.1%pt. Material & supplies inventory contributed +0.0%pt, while work in progress inventory was at +0.0%pt, and finished goods contributed +0.1%pt. Distribution inventory was at -0.0%pt.

Public investment suffered a decline for the second consecutive quarter at -0.2% q/q. The balance of orders is at a high level, and with the FY2016 supplementary budget carried out mostly during the Apr-Jun period, a moderate decline was experienced after that point.

Exports grew for the sixth consecutive quarter at +2.4% q/q. According to trade statistics for the Oct-Dec period, exports to the US declined due to a downturn for automobiles, while semiconductor manufacturing equipment and ICs were favorable, leading to growth in exports to the EU and Asia. On the other hand, imports grew by +2.9% for the first time in two quarters due to the recovery in domestic demand. As a result, contribution of overseas demand to GDP growth marked time at -0.0%pt.

- **Negative factors of the previous year had run their course by 2017, and balanced growth was recorded:** Looking at the 2017 real GDP growth rate based on calendar year, we see that growth sped up in y/y terms to +1.7%, recording the sixth consecutive year of growth for GDP. As for contribution to growth, domestic demand was responsible for +1.2%pt, while overseas demand brought +0.6%pt, indicating a continuation of balanced growth with domestic demand leading growth in relative terms. The year 2016 experienced turmoil in the global financial markets and the effects of a strong yen, while additionally, a negative wealth effect appeared in association with stock price lows. Neither exports, capital expenditure or consumption were influenced by these events, but negative factors were indeed present, and finally played themselves out, paving the way for each of the demand components to recover and head toward balanced growth, which seems to summarize the events of 2017. However, the concern is that the effects of price pass through are still weak while import prices have risen, causing the GDP deflator to record negative growth at -0.2%. As a result, the nominal growth rate remained at +1.5%.

Looking at growth rate by demand component, we see that private sector final consumption expenditure was up by +1.1% y/y, representing a major increase in growth rate. The effects of the previously explained replacement cycle are thought to have contributed greatly, but it is also very possible that stock prices rising in comparison to the lows experienced in 2016, as well as the positive effect on consumption produced by the asset effect amongst wealthy and retired persons, also contributed to the subsequent improvement of consumer confidence. Meanwhile, there are various undercurrents providing support for growth in consumption especially amongst younger people and women, including growth in employment, as well as growth in hourly wages and improvement in employment conditions such as changing employee status from non-regular to regular, implemented by corporations as a means of

dealing with the labor shortage. Meanwhile, we should not ignore the positive effect of growth in the number of dual income households and the increase in the number of hours worked by women employees bringing the issue of the need to reduce number of hours worked to the fore.

On the other hand, while the employment and income environment is improving for the younger generation and women, promotions and raises for middle senior male regular employees are being delayed, resulting in a fairly moderate growth rate for overall nominal compensation of employees. The growth rate in real compensation of employees peaked out in the middle of 2017 due mostly to growth in the price of fresh foods and energy. Because of these factors, the environment surrounding consumption is somewhat patchy.

Housing investment registered its second consecutive year of growth at +2.6% y/y, but the growth rate is now slowing down. Housing investment declined in 2014 and 2015 due to the reaction to last minute demand which appeared just prior to the increase in consumption tax in 2014, but then the use of housing investment as a strategy in dealing with inheritance taxes brought upward pressure, while low interest on housing loans contributed to growth in demand. However, by the latter part of the year rising prices began to bring downward pressure on demand, and housing inventory accumulated. Hence housing investment declined during the latter part of 2017 in comparison to earlier in the year.

Capital expenditure grew for the seventh consecutive year by +3.0% y/y. Capital expenditure continues to maintain an undercurrent of growth due to expansion of production activities associated with recent growth in exports, and the growing seriousness of the shortage of manpower. In addition, ample funds allow corporations to promote a stable expansion of capital expenditure. The rapid appreciation of the yen in 2016 along with turmoil in the global financial markets encouraged the practice of restraint when it came to capital expenditure. But these factors played themselves out by 2017 and the growth rate in capital expenditure increased.

Private sector inventory experienced a decline in its contribution to GDP growth for the second consecutive year at -0.1%pt y/y. Meanwhile, public investment grew for the first time in three years at +1.2%. Implementation of the FY2016 supplementary budget is seen as having increased the rate of contribution to GDP by public investment.

Exports achieved a major increase in growth rate at +6.8% y/y in their fifth consecutive year of growth. The global economy continues to expand, and negative factors experienced in 2016, including appreciation of the yen and turmoil in the global financial markets, played themselves out, opening the way for a rebound. Meanwhile, imports grew for the first time in two years by +3.6%, due to the recovery in domestic demand.

- **Japan's economy to continue moderate expansion, but risk remains in the future for both domestic and overseas demand:** We expect Japan's economy to continue in a moderate expansion phase. Domestic demand is expected to continue its expansion centering on personal consumption, while overseas demand is expected to maintain steady growth backed by the expansion of the world economy, providing support for Japan's economic growth. However, caution should be observed as overseas demand still has a strong sense of uncertainty, and domestic demand may be affected by rising prices and stagnant growth in real income. Moreover, some hesitation as regards capital investment may occur due to the strong yen, and housing investment could suffer a reactionary decline in response to recent growth spurred on by strategies in dealing with inheritance tax.

Personal consumption is expected to continue in a moderate expansion phase. The supply of labor is becoming increasingly tight, and this should provide underlying support for personal consumption through growth in employee compensation. However, caution is advised here as corporations may try to compensate for the cost of wage increases by flattening the wage curve and placing restrictions on overtime. This could create a slowdown in the pace of growth in employee compensation, as well as the expansion of consumption. Meanwhile, with all eyes on the spring labor offensive which will be working toward an increase in wages, there is a concern that the strong yen may bring a worsening of corporate earnings. Meanwhile, the price of fresh foods and energy continue to grow, hence caution is required in regard to the possible downward pressure this could have on consumption as a result of the situation of real income.

Housing investment is expected to take a breather from its recent growth trend, and then move into a gradual descent from its current plateau. Low interest housing loans continue to provide underlying support. However, the positive effects of strategies in dealing with inheritance tax are beginning to disappear, and a reaction to recent performance may appear in the near future, hence caution is urged. There is a concern that a future slowdown in housing investment could bring down Japan's overall economy along with it. Caution is required regarding the possible ripple effects caused by the decline in construction demand spreading to related industries. Meanwhile, though nothing has been detected as of this point, we also recommend being on the lookout for the possible limiting effects of deteriorating housing prices due to oversupply on consumption and other demand components in the form of the negative wealth effect.

Capex is expected to see moderate growth. Production activities in the manufacturing sector are on the rise due to the expansion of exports thanks to the recovery in the world economy. Meanwhile, investment in labor-saving and rationalization due to the continuing labor shortage is expected to continue its growth. In addition, investment in research & development oriented toward increasing profitability has also been on the rise, and is expected to become a factor in pushing up capex with support provided by improvements in free corporate cash flow. However, as was mentioned previously, caution is required regarding suppliers of products associated with capex spending, as they may be close to reaching their limits in terms of ability to supply. Meanwhile, concerns such as were present in 2016 that the strong yen could lead to a worsening of corporate earnings and hence to the practice of restraint in capital expenditure are beginning to resurface. As for public investment, we expect to see a gradual decline though retaining relatively high levels, due to the increasing disappearance of the positive effects of the government's FY2016 supplementary budget.

As for exports, with overseas economies continuing moderate growth, we can expect exports to maintain a firm undertone. However, caution is required regarding downside risk. As for the US, the Fed is continuing to implement its tight money policy. There is a risk that the tight money policy may bring downward pressure on both the market and the real economy. The Fed's tight money policy may also cause an acceleration of capital flows from emerging nations. On the other hand, China's economy risks the possibility of slowing down now that the meeting of the National Congress of the Communist Party is over. A reactionary decline in demand could occur now that the economic measures which had kept it artificially high are no longer being implemented. Other issues include geopolitical risk such as rising tensions in North Korea and the Middle East. All of these risks require caution. Our main scenario sees

the world economy continuing its moderate growth. However, if uncertainty grows regarding the future of the world economy, Japan's exports are likely to decline, bringing the risk of downward pressure on Japan's economy.

- **Pitfalls of the Global Economy:** Here we examine five risks facing the global economy. These are (1) Risk of global stock price lows and global production decline originating in the US: while there is still a chance that US stock prices may be on the high side, we do not think that the situation will go so far as to cause global production declines. (2) US exit strategy is expected to bring downward pressure on the global economy, with -0.08% seen in 2018 and -0.30% expected in 2019. (3) Yen appreciation: we urge caution regarding the possibility that the US may adopt a weak dollar policy. Yen appreciation of 10 yen will bring downward pressure of around -1.9 tril yen on current profits of Japanese corporations. (4) Increase in price of oil: crude oil was at 57.9 dls/bbl as of December 2017. If the price increases by 10 dls/bbl, it will bring negative pressure of around -0.12% on real GDP between the years 2018 and 2020. And finally, (5) China's excessive debt continues to be a concern. This factor makes China especially susceptible to the negative effects of higher interest rates.
- **The key to realizing wage increase in the sixth year of Abenomics:** Here we examine the issues surrounding attempts to increase wages in Japan from the viewpoint of an international comparison and the question of mobility of labor. In the mid to long-term, growth in real hourly wages is declining. This is because of the labor productivity factor which is seen to be declining in all of the countries we examined in our comparison. In order to increase labor productivity, which is the source of economic growth, resolving the problem of employment mismatch is an important issue, as well as the improvement of multifactor productivity (MFP) through investment in intangible assets centering on research & development. Meanwhile, the international comparison indicates that Japan's employment mobility is low, and this may be a factor causing a drag on growth in wages. Improving employment mobility through the relaxation of labor regulations and government policy supporting labor mobility, and then connecting this to improvement in labor productivity and growth in wages is an important issue.
- **Raising regional labor productivity is essential to wage increase:** The improvement of labor productivity is also an important regional issue in Japan as it effects the question of increasing wages. The capital equipment ratio and total factor productivity have both weakened in Japan's local regions, and one of the major factors is the quality of labor. In the western part of Japan, the growth rate in value-added share of the major industries in the area, medical care and welfare, is low, while the growth rate in number of employees is high. This becomes a negative factor for growth rate in labor productivity. Even with the same industry there is a gap in productivity between different regions. Disparity between regions is especially large in the case of large-scale businesses with fifty or more employees and micro-businesses with 1-4 employees. In the construction industry and the wholesale and retail industries, which have a big presence in regional areas, labor productivity is especially low in small to middle-sized operations. These types of businesses tend to have a high rate of employee retention, and it is difficult to get labor productivity up. While enhancing businesses and industries in which particular regions have a comparative advantage, it is also important to develop government policies which promote competitiveness, business environments which encourage M&A, exchange of high-level personnel between different regions, linkage between local universities and corporations, as well as local governments, and policies which encourage the accumulation of population in the local regions.

-
- **BOJ's monetary policy:** We expect the BOJ to maintain current monetary policy for the time being. Considering the policy introduced in September 2016 to permanently battle deflation, the issue is expected to be creating a more flexible inflation target.

Our assumptions

- Public works spending is expected to increase by +3.2% in FY17 and then decrease in FY18 to -1.7%, then is expected to return to growth in FY19 at +1.7%.
- Average exchange rate of Y110.8/\$ in FY17, Y106.0/\$ in FY18, and Y106.0/\$ in FY19.
- US real GDP growth of +2.6% in CY18, and +2.3% in CY19.

Main Economic Indicators and Real GDP Components

	FY17 (Estimate)	FY18 (Estimate)	FY19 (Estimate)	CY17	CY18 (Estimate)	CY19 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.9	1.6	1.7	1.5	1.7	1.7
Real GDP (chained [2011]; y/y %)	1.8	1.2	0.8	1.7	1.4	1.0
Domestic demand (contribution, % pt)	1.5	1.0	0.6	1.2	1.1	1.0
Foreign demand (contribution, % pt)	0.3	0.2	0.1	0.6	0.3	0.0
GDP deflator (y/y %)	0.1	0.3	1.0	-0.2	0.3	0.7
Index of All-industry Activity (y/y %)*	2.1	1.6	1.0	1.7	1.7	1.3
Index of Industrial Production (y/y %)	4.7	3.0	1.5	4.6	3.2	2.0
Index of Tertiary Industry Activity (y/y %)	1.2	1.5	0.8	0.7	1.5	1.1
Corporate Goods Price Index (y/y %)	2.7	2.7	3.2	2.3	2.8	2.7
Consumer Price Index (excl. fresh food; y/y %)	0.7	0.9	1.3	0.5	0.9	1.0
Unemployment rate (%)	2.7	2.5	2.5	2.8	2.5	2.4
Government bond yield (10 year; %)	0.05	0.05	0.05	0.05	0.05	0.05
Money stock; M2 (end-period; y/y %)	3.8	1.8	1.7	4.0	2.2	1.7
Balance of payments						
Trade balance (Y tril)	5.2	6.0	6.8	4.9	6.0	6.0
Current balance (\$100 mil)	2,026	2,241	2,347	1,950	2,228	2,252
Current balance (Y tril)	22.7	24.1	25.2	21.9	23.7	23.9
(% of nominal GDP)	4.1	4.3	4.4	4.0	4.3	4.2
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	1.1 (0.6)	0.7 (0.4)	0.1 (0.1)	1.1 (0.6)	0.8 (0.4)	0.7 (0.4)
Private housing investment	0.2 (0.0)	-1.2 (-0.0)	0.3 (0.0)	2.6 (0.1)	-2.4 (-0.1)	2.0 (0.1)
Private fixed investment	3.5 (0.6)	2.4 (0.4)	1.9 (0.3)	3.0 (0.5)	2.9 (0.5)	2.1 (0.3)
Government final consumption	0.4 (0.1)	0.7 (0.1)	0.8 (0.2)	0.1 (0.0)	0.6 (0.1)	0.8 (0.2)
Public fixed investment	1.6 (0.1)	-2.0 (-0.1)	1.3 (0.1)	1.2 (0.1)	-1.3 (-0.1)	0.1 (0.0)
Exports of goods and services	6.4 (1.0)	3.9 (0.7)	2.5 (0.4)	6.8 (1.1)	4.5 (0.8)	2.7 (0.5)
Imports of goods and services	4.2 (-0.7)	2.6 (-0.5)	1.7 (-0.3)	3.6 (-0.5)	2.8 (-0.5)	2.8 (-0.5)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	4.2	3.7	3.6	4.1	3.9	3.6
Crude oil price (WTI futures; \$/bbl)	53.6	62.5	62.5	50.9	62.6	62.5
2. US economy						
US real GDP (chained [2009]; y/y %)	2.5	2.5	2.3	2.3	2.6	2.3
US Consumer Price Index (y/y %)	2.1	2.6	2.4	2.1	2.7	2.3
3. Japanese economy						
Nominal public fixed investment (y/y %)	3.2	-1.7	1.7	2.8	-0.8	0.4
Exchange rate (Y/\$)	110.8	106.0	106.0	112.2	106.6	106.0
(Y/€)	130.5	131.5	131.5	127.2	132.0	131.5

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 196 Update)			Previous outlook (Outlook 196)			Difference between previous and current outlooks		
	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Main economic indicators									
Nominal GDP (y/y %)	1.9	1.6	1.7	1.7	1.3	1.7	0.2	0.2	0.0
Real GDP (chained [2011]; y/y %)	1.8	1.2	0.8	1.7	1.3	0.8	0.1	-0.1	-0.0
Domestic demand (contribution, % pt)	1.5	1.0	0.6	1.3	1.0	0.6	0.2	-0.1	0.0
Foreign demand (contribution, % pt)	0.3	0.2	0.1	0.3	0.2	0.1	0.0	0.0	0.0
GDP deflator (y/y %)	0.1	0.3	1.0	0.0	0.1	0.9	0.1	0.3	0.0
Index of All-industry Activity (y/y %)*	2.1	1.6	1.0	2.1	1.7	1.0	-0.0	-0.1	-0.0
Index of Industrial Production (y/y %)	4.7	3.0	1.5	4.4	3.1	1.6	0.3	-0.1	-0.0
Index of Tertiary Industry Activity (y/y %)	1.2	1.5	0.8	1.1	1.4	0.8	0.0	0.0	0.0
Corporate Goods Price Index (y/y %)	2.7	2.7	3.2	2.7	2.7	3.2	0.0	0.0	0.0
Consumer Price Index (excl. fresh food; y/y %)	0.7	0.9	1.3	0.7	0.9	1.3	-0.0	0.0	-0.0
Unemployment rate (%)	2.7	2.5	2.5	2.8	2.7	2.6	-0.1	-0.2	-0.1
Government bond yield (10 year; %)	0.05	0.05	0.05	0.05	0.05	0.05	0.00	0.00	0.00
Money stock; M2 (end-period; y/y %)	3.8	1.8	1.7	3.8	1.7	1.7	0.0	0.1	0.0
Balance of payments									
Trade balance (Y tril)	5.2	6.0	6.8	5.3	6.5	7.3	-0.1	-0.5	-0.6
Current balance (\$100 mil)	2,026	2,241	2,347	2,024	2,211	2,326	2	30	21
Current balance (Y tril)	22.7	24.1	25.2	22.6	23.7	24.9	0.1	0.4	0.3
(% of nominal GDP)	4.1	4.3	4.4	4.1	4.3	4.4	0.0	0.0	0.0
Real GDP components (chained [2011]; y/y %)									
Private final consumption	1.1	0.7	0.1	1.1	0.7	0.1	0.0	0.0	0.0
Private housing investment	0.2	-1.2	0.3	0.3	-1.2	0.3	-0.1	-0.1	-0.0
Private fixed investment	3.5	2.4	1.9	3.3	2.2	1.9	0.3	0.2	0.0
Government final consumption	0.4	0.7	0.8	0.4	0.7	0.8	0.0	-0.0	0.0
Public fixed investment	1.6	-2.0	1.3	1.3	-1.8	1.4	0.3	-0.1	-0.2
Exports of goods and services	6.4	3.9	2.5	6.4	3.9	2.5	0.0	0.0	0.0
Imports of goods and services	4.2	2.6	1.7	4.2	2.6	1.7	-0.0	-0.0	-0.0
Major assumptions:									
1. World economy									
Economic growth of major trading partners	4.2	3.7	3.6	4.2	3.7	3.6	-0.0	-0.0	-0.0
Crude oil price (WTI futures; \$/bbl)	53.6	62.5	62.5	53.4	62.0	62.0	0.2	0.5	0.5
2. US economy									
US real GDP (chained [2009]; y/y %)	2.5	2.5	2.3	2.5	2.5	2.3	-0.0	-0.0	-0.0
US Consumer Price Index (y/y %)	2.1	2.6	2.4	2.1	2.6	2.4	0.0	0.0	0.0
3. Japanese economy									
Nominal public fixed investment (y/y %)	3.2	-1.7	1.7	2.8	-1.5	1.9	0.3	-0.1	-0.2
Exchange rate (Y/\$)	110.8	106.0	106.0	110.7	106.0	106.0	0.2	0.0	0.0
(Y/€)	130.5	131.5	131.5	130.4	132.0	132.0	0.1	-0.5	-0.5

Source: Compiled by DIR.

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

* Excl. agriculture, forestry, and fisheries.

Quarterly Forecast Tables

1.1 Selected Economic Indicators

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017
Nominal GDP (SAAR; Y tril)	538.7	538.0	539.3	540.7	545.5	549.2	550.7	553.3	539.3	549.6	538.4	546.5
Q/q %	0.1	-0.1	0.2	0.3	0.9	0.7	0.3	0.5				
Q/q %, SAAR	0.6	-0.5	1.0	1.1	3.6	2.7	1.1	1.9				
Y/y %	1.2	0.8	1.4	0.6	1.2	2.1	2.1	2.3	1.0	1.9	1.2	1.5
Real GDP (chained [2011]; SAAR; Y tril)	522.1	523.3	524.7	527.1	530.2	533.3	535.5	536.9	524.3	533.8	522.5	531.4
Q/q %	0.3	0.2	0.3	0.5	0.6	0.6	0.4	0.3				
Q/q %, SAAR	1.3	0.9	1.1	1.9	2.4	2.4	1.6	1.1				
Y/y %	0.7	0.9	1.5	1.4	1.5	1.9	2.0	1.8	1.2	1.8	0.9	1.7
Contribution to GDP growth (% pt)												
Domestic demand	0.3	-0.1	-0.1	0.4	0.9	0.1	0.4	0.2	0.4	1.5	0.4	1.2
Foreign demand	0.1	0.4	0.4	0.1	-0.3	0.5	-0.0	0.1	0.8	0.3	0.6	0.6
GDP deflator (y/y %)	0.4	-0.1	-0.1	-0.8	-0.3	0.2	0.1	0.5	-0.2	0.1	0.3	-0.2
Index of All-Industry Activity (2010=100)	102.6	103.2	103.6	103.5	105.2	104.9	105.6	105.7	103.2	105.4	103.0	104.8
Q/q %; y/y %	0.2	0.6	0.4	-0.1	1.7	-0.3	0.7	0.0	0.6	2.1	0.6	1.7
Index of Industrial Production (2010=100)	96.5	98.0	99.8	100.0	102.1	102.5	104.3	103.9	98.6	103.2	97.7	102.1
Q/q %; y/y %	0.2	1.6	1.9	0.2	2.1	0.4	1.8	-0.4	1.1	4.7	-0.2	4.6
Index of Tertiary Industry Activity (2010=100)	103.7	104.0	104.1	103.8	104.9	104.7	105.3	105.5	103.9	105.1	103.9	104.7
Q/q %; y/y %	0.0	0.3	0.1	-0.3	1.1	-0.2	0.6	0.1	0.4	1.2	0.7	0.7
Corporate Goods Price Index components (2015=100)												
Domestic Company Goods Price Index	96.4	96.1	96.5	98.0	98.4	98.9	99.8	100.6	96.8	99.4	96.5	98.8
Y/y %	-4.5	-3.8	-2.1	1.0	2.1	2.9	3.3	2.7	-2.3	2.7	-3.5	2.3
CPI (excl. fresh food; 2015=100)	99.8	99.6	99.8	99.7	100.2	100.2	100.7	100.5	99.7	100.4	99.7	100.2
Y/y %	-0.4	-0.5	-0.3	0.2	0.4	0.6	0.9	0.8	-0.2	0.7	-0.3	0.5
Unemployment rate (%)	3.1	3.0	3.1	2.9	2.9	2.8	2.7	2.5	3.0	2.7	3.1	2.8
Government bond yield (10 year; %)	-0.15	-0.12	0.00	0.07	0.04	0.05	0.05	0.05	-0.05	0.05	-0.07	0.05
Money stock; M2 (y/y %)	3.3	3.3	3.7	4.1	3.9	4.0	3.9	3.4	3.6	3.8	3.4	4.0
Trade balance (SAAR; Y tril)	5.1	5.7	6.6	5.3	3.2	6.2	5.1	6.1	5.8	5.2	5.5	4.9
Current balance (SAAR; \$100 mil)	1,825	1,751	1,921	1,919	1,793	2,064	2,058	2,190	1,880	2,026	1,869	1,950
Current balance (SAAR; Y tril)	19.7	17.9	21.0	21.8	19.9	22.9	23.2	23.7	20.4	22.7	20.3	21.9
(% of nominal GDP)	3.7	3.3	3.9	4.0	3.7	4.2	4.2	4.3	3.7	4.1	3.7	4.0
Exchange rate (Y/\$)	108.1	102.4	109.4	113.6	111.1	111.0	112.9	108.3	108.4	110.8	108.8	112.2
(Y/Euro)	120.7	114.7	119.2	120.2	124.3	131.3	133.2	133.3	118.7	130.5	120.6	127.2

Source: Compiled by DIR.

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

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

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

1.2 Selected Economic Indicators

	2018			2019			2020		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Nominal GDP (SAAR; Y tril)	555.1	556.6	558.9	561.8	564.2	567.4	568.7	570.7	558.1	567.7	555.9	565.5
Q/q %	0.3	0.3	0.4	0.5	0.4	0.6	0.2	0.3				
Q/q %, SAAR	1.3	1.1	1.6	2.2	1.7	2.3	0.9	1.4				
Y/y %	1.8	1.3	1.5	1.6	1.6	1.9	1.8	1.6	1.6	1.7	1.7	1.7
Real GDP (chained [2011]; SAAR; Y tril)	538.2	539.5	541.0	542.6	544.3	547.0	543.1	543.6	540.2	544.3	538.7	544.1
Q/q %	0.2	0.2	0.3	0.3	0.3	0.5	-0.7	0.1				
Q/q %, SAAR	1.0	1.0	1.1	1.2	1.3	2.0	-2.8	0.3				
Y/y %	1.5	1.2	1.0	1.1	1.1	1.4	0.4	0.2	1.2	0.8	1.4	1.0
Contribution to GDP growth (% pt)												
Domestic demand	0.2	0.2	0.3	0.3	0.4	0.8	-1.5	-0.1	1.0	0.6	1.1	1.0
Foreign demand	0.0	0.0	-0.0	-0.0	-0.1	-0.3	0.8	0.2	0.2	0.1	0.3	0.0
GDP deflator (y/y %)	0.3	0.2	0.4	0.5	0.5	0.6	1.4	1.4	0.3	1.0	0.3	0.7
Index of All-Industry Activity (2010=100)	106.5	106.9	107.3	107.6	107.9	108.3	108.0	108.2	107.1	108.1	106.5	107.9
Q/q %; y/y %	0.8	0.4	0.3	0.3	0.3	0.3	-0.2	0.2	1.6	1.0	1.7	1.3
Index of Industrial Production (2010=100)	105.7	106.0	106.4	107.0	107.6	108.2	107.8	107.9	106.3	107.9	105.4	107.6
Q/q %; y/y %	1.7	0.3	0.4	0.5	0.5	0.6	-0.4	0.1	3.0	1.5	3.2	2.0
Index of Tertiary Industry Activity (2010=100)	106.1	106.5	106.8	107.1	107.4	107.6	107.4	107.7	106.6	107.5	106.2	107.4
Q/q %; y/y %	0.6	0.4	0.3	0.3	0.2	0.2	-0.2	0.2	1.5	0.8	1.5	1.1
Corporate Goods Price Index components (2015=100)												
Domestic Company Goods Price Index	101.3	101.9	102.4	102.9	103.4	103.8	106.9	107.5	102.1	105.4	101.5	104.2
Y/y %	2.9	3.0	2.6	2.3	2.1	1.9	4.4	4.4	2.7	3.2	2.8	2.7
CPI (excl. fresh food; 2015=100)	101.1	101.2	101.5	101.3	101.9	102.0	103.3	103.2	101.3	102.6	101.1	102.1
Y/y %	0.9	1.0	0.8	0.8	0.8	0.8	1.8	1.8	0.9	1.3	0.9	1.0
Unemployment rate (%)	2.5	2.5	2.5	2.4	2.4	2.4	2.5	2.6	2.5	2.5	2.5	2.4
Government bond yield (10 year; %)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Money stock; M2 (y/y %)	2.2	1.9	1.5	1.6	1.7	1.9	1.8	1.6	1.8	1.7	2.2	1.7
Trade balance (SAAR; Y tril)	6.0	6.1	5.9	6.0	5.6	4.4	8.1	9.0	6.0	6.8	6.0	6.0
Current balance (SAAR; \$100 mil)	2,244	2,240	2,237	2,241	2,204	2,052	2,511	2,621	2,241	2,347	2,228	2,252
Current balance (SAAR; Y tril)	23.8	23.7	23.7	23.8	23.4	21.8	26.6	27.8	24.1	25.2	23.7	23.9
(% of nominal GDP)	4.3	4.3	4.2	4.2	4.1	3.8	4.7	4.9	4.3	4.4	4.3	4.2
Exchange rate (Y/\$)	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.6	106.0
(Y/Euro)	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	132.0	131.5

Source: Compiled by DIR.

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

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

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

E: DIR estimate.

2.1 Real Gross Domestic Expenditure (chained [2011]; Y tril)

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017
Gross domestic expenditure	522.1	523.3	524.7	527.1	530.2	533.3	535.5	536.9	524.3	533.8	522.5	531.4
Q/q %, SAAR	1.3	0.9	1.1	1.9	2.4	2.4	1.6	1.1				
Y/y %	0.7	0.9	1.5	1.4	1.5	1.9	2.0	1.8	1.2	1.8	0.9	1.7
Domestic demand	527.5	526.7	526.2	528.5	533.2	533.6	536.0	536.8	527.2	534.9	526.5	532.7
Q/q %, SAAR	1.0	-0.6	-0.4	1.7	3.6	0.3	1.8	0.6				
Y/y %	0.5	0.1	0.4	0.5	1.1	1.3	1.8	1.7	0.4	1.5	0.3	1.2
Private demand	395.8	394.6	394.9	396.9	400.1	401.2	403.6	404.4	395.6	402.4	394.8	400.4
Q/q %, SAAR	2.0	-1.2	0.2	2.1	3.2	1.1	2.4	0.8				
Y/y %	0.2	-0.3	0.5	0.8	1.1	1.6	2.2	2.0	0.3	1.7	0.1	1.4
Final consumption	295.8	297.1	297.2	298.2	300.9	299.0	300.5	301.1	297.1	300.3	296.5	299.7
Q/q %, SAAR	-0.5	1.8	0.2	1.3	3.7	-2.6	2.1	0.8				
Y/y %	-0.2	-0.1	0.6	0.8	1.8	0.6	1.1	0.9	0.3	1.1	0.1	1.1
Residential investment	15.7	16.1	16.3	16.4	16.6	16.3	15.9	15.9	16.1	16.2	15.9	16.3
Q/q %, SAAR	8.8	10.4	3.2	4.8	3.8	-6.6	-10.1	-0.6				
Y/y %	5.1	6.3	6.8	6.5	5.7	1.4	-2.4	-3.4	6.2	0.2	5.6	2.6
Non-residential investment	82.0	81.9	83.1	83.3	84.3	85.1	86.0	86.4	82.6	85.5	82.2	84.6
Q/q %, SAAR	1.7	-0.8	6.2	0.7	4.9	4.2	4.2	2.0				
Y/y %	1.3	-0.2	1.7	1.8	2.9	3.8	3.5	3.9	1.2	3.5	0.6	3.0
Change in inventories	2.3	-0.5	-1.8	-1.0	-1.7	0.8	1.2	1.0	-0.2	0.4	0.2	-0.2
Public demand	131.7	132.1	131.4	131.6	133.1	132.4	132.4	132.4	131.6	132.5	131.8	132.3
Q/q %, SAAR	-1.9	1.4	-2.2	0.6	4.7	-1.9	-0.2	0.2				
Y/y %	1.3	1.4	0.1	-0.6	1.1	0.3	0.7	0.7	0.5	0.7	1.0	0.4
Government final consumption	105.5	105.9	105.7	105.9	106.1	106.2	106.2	106.4	105.7	106.2	105.9	106.0
Q/q %, SAAR	-4.5	1.8	-0.7	0.6	0.9	0.2	-0.0	0.8				
Y/y %	1.2	1.3	0.2	-0.6	0.6	0.2	0.4	0.4	0.5	0.4	1.3	0.1
Fixed investment	26.2	26.2	25.7	25.7	26.9	26.2	26.2	26.0	25.9	26.3	25.9	26.2
Q/q %, SAAR	10.1	0.8	-7.4	-0.7	20.5	-9.8	-0.8	-2.3				
Y/y %	1.8	2.3	0.0	-0.1	3.7	0.3	1.3	1.6	0.9	1.6	-0.1	1.2
Change in inventories	0.0	-0.0	-0.1	-0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	0.0
Net exports of goods and services	-5.6	-3.8	-2.1	-1.9	-3.6	-0.6	-1.1	-0.5	-3.3	-1.5	-4.4	-1.8
Exports of goods and services	82.6	84.4	86.7	88.4	88.4	90.3	92.5	93.1	85.6	91.1	84.2	89.9
Q/q %, SAAR	-1.9	9.4	11.0	8.1	0.1	8.8	10.1	2.8				
Y/y %	0.9	1.0	4.8	6.7	6.8	6.9	6.8	5.3	3.4	6.4	1.3	6.8
Imports of goods and services	88.1	88.2	88.8	90.3	92.0	90.9	93.5	93.6	88.9	92.6	88.5	91.7
Q/q %, SAAR	-3.5	0.6	2.4	7.1	7.9	-4.7	12.0	0.4				
Y/y %	-0.8	-3.3	-1.6	1.5	4.5	2.8	5.5	3.7	-1.0	4.2	-1.9	3.6

Source: Compiled by DIR.

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

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

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

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

	2018			2019			2020		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	538.2	539.5	541.0	542.6	544.3	547.0	543.1	543.6	540.2	544.3	538.7	544.1
Q/q %, SAAR	1.0	1.0	1.1	1.2	1.3	2.0	-2.8	0.3				
Y/y %	1.5	1.2	1.0	1.1	1.1	1.4	0.4	0.2	1.2	0.8	1.4	1.0
Domestic demand	538.0	539.2	540.6	542.4	544.5	548.9	540.6	540.1	540.0	543.5	538.6	544.0
Q/q %, SAAR	0.8	0.9	1.1	1.3	1.6	3.2	-5.9	-0.4				
Y/y %	0.9	1.1	0.8	1.1	1.2	1.8	-0.0	-0.4	1.0	0.6	1.1	1.0
Private demand	405.5	406.5	407.8	409.4	411.3	415.3	406.6	405.3	407.4	409.6	406.0	410.6
Q/q %, SAAR	1.1	1.0	1.3	1.5	1.9	3.9	-8.1	-1.3				
Y/y %	1.3	1.4	1.0	1.3	1.4	2.1	-0.3	-0.9	1.2	0.6	1.4	1.1
Final consumption	301.7	302.2	302.8	303.6	304.4	308.2	300.3	299.2	302.6	303.0	301.9	304.1
Q/q %, SAAR	0.8	0.8	0.8	1.0	1.1	5.1	-9.9	-1.4				
Y/y %	0.2	1.1	0.8	0.8	0.9	2.0	-0.8	-1.4	0.7	0.1	0.8	0.7
Residential investment	15.9	15.9	16.0	16.1	16.4	16.8	15.6	15.3	16.0	16.0	15.9	16.2
Q/q %, SAAR	0.4	0.8	1.8	3.2	7.4	9.5	-25.2	-7.8				
Y/y %	-4.4	-2.6	0.7	1.5	3.3	5.5	-2.4	-5.1	-1.2	0.3	-2.4	2.0
Non-residential investment	86.8	87.3	87.8	88.3	88.8	89.7	88.9	89.6	87.6	89.3	87.1	88.9
Q/q %, SAAR	1.8	2.1	2.4	2.4	2.1	4.1	-3.6	3.0				
Y/y %	3.0	2.6	2.1	2.2	2.3	2.7	1.2	1.4	2.4	1.9	2.9	2.1
Change in inventories	1.1	1.1	1.2	1.4	1.7	0.6	1.9	1.3	1.2	1.4	1.1	1.4
Public demand	132.5	132.6	132.8	133.0	133.3	133.6	133.9	134.7	132.7	133.9	132.5	133.4
Q/q %, SAAR	0.1	0.5	0.5	0.7	0.7	0.9	1.1	2.3				
Y/y %	-0.4	0.1	0.3	0.4	0.7	0.7	0.9	1.3	0.1	0.9	0.2	0.7
Government final consumption	106.6	106.8	107.0	107.2	107.4	107.7	107.9	108.1	106.9	107.7	106.7	107.5
Q/q %, SAAR	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9				
Y/y %	0.5	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.6	0.8
Fixed investment	25.9	25.8	25.8	25.8	25.8	25.9	26.0	26.6	25.8	26.1	25.9	25.9
Q/q %, SAAR	-2.5	-0.8	-0.7	0.5	0.4	1.4	2.1	8.5				
Y/y %	-4.3	-1.8	-1.4	-1.0	0.0	0.4	1.0	3.1	-2.0	1.3	-1.3	0.1
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	-0.3	-0.2	-0.2	-0.4	-0.9	-2.5	2.0	3.0	-0.3	0.4	-0.3	-0.5
Exports of goods and services	93.7	94.2	94.8	95.4	96.0	96.6	97.1	97.6	94.6	97.0	94.0	96.5
Q/q %, SAAR	2.4	2.3	2.6	2.5	2.5	2.2	2.0	2.1				
Y/y %	6.1	4.4	2.5	2.8	3.0	2.5	2.4	2.1	3.9	2.5	4.5	2.7
Imports of goods and services	94.0	94.5	95.1	95.8	96.9	99.0	95.1	94.6	95.0	96.6	94.3	96.9
Q/q %, SAAR	1.6	2.0	2.6	3.2	4.5	9.1	-15.1	-2.0				
Y/y %	2.1	4.0	1.6	2.8	3.5	4.9	0.0	-1.5	2.6	1.7	2.8	2.8

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)

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017
Gross domestic expenditure	538.7	538.0	539.3	540.7	545.5	549.2	550.7	553.3	539.3	549.6	538.4	546.5
Q/q %, SAAR	0.6	-0.5	1.0	1.1	3.6	2.7	1.1	1.9				
Y/y %	1.2	0.8	1.4	0.6	1.2	2.1	2.1	2.3	1.0	1.9	1.2	1.5
Domestic demand	533.5	532.5	533.4	536.2	541.6	542.3	546.1	548.6	534.0	544.7	533.2	541.5
Q/q %, SAAR	-0.1	-0.8	0.7	2.2	4.0	0.5	2.9	1.8				
Y/y %	-0.2	-0.7	0.0	0.6	1.4	1.8	2.4	2.4	-0.1	2.0	-0.2	1.6
Private demand	400.6	399.0	400.4	402.8	406.2	407.3	411.1	413.4	400.8	409.6	399.9	406.8
Q/q %, SAAR	1.1	-1.6	1.4	2.5	3.4	1.2	3.7	2.3				
Y/y %	-0.6	-1.2	0.1	0.9	1.3	2.0	2.7	2.7	-0.2	2.2	-0.5	1.7
Final consumption	299.2	299.8	300.9	302.0	304.5	302.3	305.2	307.0	300.5	304.7	299.9	303.5
Q/q %, SAAR	-0.6	0.8	1.4	1.5	3.4	-2.8	3.8	2.4				
Y/y %	-0.8	-0.9	0.3	0.9	1.8	0.8	1.5	1.6	-0.2	1.4	-0.4	1.2
Residential investment	16.5	16.9	17.2	17.5	17.7	17.5	17.1	17.1	17.0	17.4	16.7	17.4
Q/q %, SAAR	7.3	11.2	6.3	7.0	5.1	-4.0	-9.2	1.0				
Y/y %	4.0	5.2	6.7	7.7	7.5	3.7	-0.6	-1.8	5.9	2.1	4.9	4.4
Non-residential investment	83.1	82.7	84.0	84.5	85.8	86.9	87.6	88.3	83.6	87.2	83.2	86.2
Q/q %, SAAR	0.7	-2.0	6.9	2.4	6.1	5.1	3.4	3.0				
Y/y %	0.3	-1.6	0.9	1.9	3.4	4.9	4.4	4.4	0.4	4.3	-0.3	3.6
Change in inventories	1.8	-0.4	-1.7	-1.2	-1.8	0.6	1.2	1.0	-0.3	0.2	0.1	-0.3
Public demand	133.0	133.5	133.0	133.4	135.4	135.0	135.1	135.2	133.2	135.1	133.3	134.7
Q/q %, SAAR	-3.6	1.5	-1.3	1.2	6.1	-1.3	0.4	0.3				
Y/y %	0.9	1.0	-0.2	-0.6	1.8	1.2	1.5	1.4	0.3	1.5	0.6	1.0
Government final consumption	105.8	106.3	106.3	106.4	107.0	107.2	107.3	107.6	106.2	107.3	106.5	107.0
Q/q %, SAAR	-6.6	1.9	-0.3	0.6	2.4	0.5	0.6	1.0				
Y/y %	1.1	1.1	-0.2	-1.0	1.1	0.8	1.0	1.1	0.2	1.0	1.1	0.5
Fixed investment	27.1	27.2	26.8	27.0	28.3	27.8	27.7	27.6	27.0	27.8	26.9	27.7
Q/q %, SAAR	8.9	0.7	-4.9	2.8	20.9	-7.8	-0.4	-2.1				
Y/y %	0.3	1.0	-0.2	1.2	5.3	2.5	3.0	2.4	0.6	3.2	-0.9	2.8
Change in inventories	0.0	-0.0	-0.1	-0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	0.0
Net exports of goods and services	5.1	5.6	5.9	4.5	3.9	6.9	4.5	4.7	5.3	5.0	5.2	5.0
Exports of goods and services	85.1	85.0	89.4	94.6	94.2	97.3	100.0	101.2	88.6	98.2	86.8	96.6
Q/q %, SAAR	-10.2	-0.3	21.9	25.7	-1.6	13.6	11.6	4.9				
Y/y %	-9.1	-10.6	-1.3	8.2	10.5	14.6	11.9	7.0	-3.4	10.9	-7.2	11.3
Imports of goods and services	80.0	79.5	83.4	90.1	90.3	90.4	95.5	96.5	83.3	93.2	81.6	91.6
Q/q %, SAAR	-14.7	-2.4	21.4	36.3	0.8	0.4	24.4	4.5				
Y/y %	-16.6	-18.4	-9.4	8.3	13.1	13.5	14.4	7.1	-9.5	11.9	-14.9	12.3

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.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2018			2019			2020		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	555.1	556.6	558.9	561.8	564.2	567.4	568.7	570.7	558.1	567.7	555.9	565.5
Q/q %, SAAR	1.3	1.1	1.6	2.2	1.7	2.3	0.9	1.4				
Y/y %	1.8	1.3	1.5	1.6	1.6	1.9	1.8	1.6	1.6	1.7	1.7	1.7
Domestic demand	550.3	551.9	554.3	557.3	560.2	565.0	561.6	562.5	553.5	562.4	551.3	561.0
Q/q %, SAAR	1.3	1.2	1.7	2.2	2.1	3.5	-2.4	0.6				
Y/y %	1.6	1.8	1.4	1.6	1.8	2.4	1.3	1.0	1.6	1.6	1.8	1.8
Private demand	415.0	416.4	418.5	421.2	423.7	428.1	423.2	423.2	417.9	424.6	415.8	424.1
Q/q %, SAAR	1.6	1.3	2.0	2.6	2.4	4.2	-4.6	0.0				
Y/y %	2.1	2.3	1.7	2.0	2.1	2.8	1.1	0.5	2.0	1.6	2.2	2.0
Final consumption	307.9	308.6	309.8	311.7	313.0	317.1	312.6	312.8	309.5	313.9	308.3	313.6
Q/q %, SAAR	1.2	1.0	1.6	2.4	1.7	5.3	-5.5	0.2				
Y/y %	1.1	2.1	1.5	1.6	1.7	2.7	0.9	0.3	1.6	1.4	1.6	1.7
Residential investment	17.2	17.3	17.4	17.6	17.9	18.3	17.3	17.0	17.4	17.6	17.3	17.8
Q/q %, SAAR	1.6	1.5	2.5	3.9	8.1	10.0	-20.6	-7.4				
Y/y %	-2.8	-1.5	1.7	2.3	4.0	6.1	-0.5	-3.3	-0.1	1.6	-1.1	3.0
Non-residential investment	88.8	89.4	90.1	90.7	91.2	92.2	91.4	92.2	89.8	91.8	89.1	91.3
Q/q %, SAAR	2.5	2.7	3.0	2.7	2.4	4.4	-3.2	3.5				
Y/y %	3.5	3.0	2.7	2.7	2.7	3.0	1.5	1.7	2.9	2.2	3.4	2.5
Change in inventories	1.1	1.1	1.2	1.3	1.6	0.6	1.8	1.2	1.2	1.3	1.1	1.4
Public demand	135.3	135.5	135.8	136.1	136.4	136.8	138.5	139.3	135.7	137.8	135.5	137.0
Q/q %, SAAR	0.3	0.6	0.7	0.9	1.0	1.2	4.8	2.5				
Y/y %	0.0	0.4	0.5	0.6	0.9	1.0	1.9	2.4	0.4	1.6	0.6	1.1
Government final consumption	107.9	108.1	108.4	108.7	109.0	109.3	110.6	110.8	108.3	109.9	108.0	109.4
Q/q %, SAAR	1.0	1.0	1.1	1.0	1.0	1.1	5.0	0.9				
Y/y %	0.8	0.9	1.0	1.0	1.0	1.1	2.0	2.0	0.9	1.5	0.9	1.3
Fixed investment	27.4	27.4	27.4	27.4	27.4	27.6	27.8	28.4	27.4	27.9	27.4	27.6
Q/q %, SAAR	-2.3	-0.6	-0.6	0.6	0.6	1.8	4.1	8.9				
Y/y %	-3.6	-1.5	-1.2	-0.9	0.2	0.7	1.7	3.9	-1.7	1.7	-0.8	0.4
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services	4.8	4.7	4.6	4.5	4.1	2.4	7.1	8.2	4.7	5.5	4.7	4.6
Exports of goods and services	102.1	102.9	103.7	104.4	105.1	105.8	106.5	107.1	103.3	106.2	102.5	105.5
Q/q %, SAAR	3.7	3.2	3.0	2.7	3.0	2.6	2.4	2.5				
Y/y %	8.5	5.7	3.7	3.1	2.9	2.9	2.7	2.6	5.2	2.8	6.1	2.9
Imports of goods and services	97.3	98.2	99.1	99.8	101.0	103.4	99.3	98.9	98.6	100.6	97.8	100.9
Q/q %, SAAR	3.5	3.5	3.7	3.1	4.9	9.5	-14.7	-1.6				
Y/y %	7.7	8.7	3.8	3.4	3.8	5.2	0.2	-0.9	5.8	2.0	6.8	3.1

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.

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

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017
Gross domestic expenditure	103.2	102.8	102.8	102.6	102.9	103.0	102.8	103.0	102.8	103.0	103.1	102.8
Q/q %, SAAR	-0.2	-0.4	-0.0	-0.2	0.3	0.1	-0.1	0.2				
Y/y %	0.4	-0.1	-0.1	-0.8	-0.3	0.2	0.1	0.5	-0.2	0.1	0.3	-0.2
Private final consumption	101.2	100.9	101.2	101.3	101.2	101.1	101.5	102.0	101.1	101.5	101.1	101.3
Q/q %, SAAR	-0.0	-0.2	0.3	0.0	-0.1	-0.1	0.4	0.4				
Y/y %	-0.6	-0.8	-0.3	0.1	0.0	0.2	0.3	0.7	-0.4	0.3	-0.5	0.2
Private residential investment	104.7	104.9	105.7	106.3	106.6	107.3	107.6	108.0	105.4	107.4	105.2	107.0
Q/q %, SAAR	-0.3	0.2	0.7	0.5	0.3	0.7	0.2	0.4				
Y/y %	-1.1	-1.0	-0.1	1.1	1.7	2.3	1.8	1.7	-0.2	1.9	-0.7	1.7
Private non-residential investment	101.2	100.9	101.1	101.5	101.8	102.1	101.9	102.1	101.2	102.0	101.2	101.8
Q/q %, SAAR	-0.3	-0.3	0.1	0.4	0.3	0.2	-0.2	0.2				
Y/y %	-1.0	-1.4	-0.8	0.0	0.5	1.1	0.8	0.5	-0.7	0.7	-0.9	0.6
Government final consumption	100.4	100.4	100.5	100.5	100.9	100.9	101.1	101.1	100.5	101.0	100.5	100.9
Q/q %, SAAR	-0.5	0.0	0.1	0.0	0.4	0.1	0.1	0.0				
Y/y %	-0.1	-0.2	-0.4	-0.4	0.5	0.6	0.6	0.6	-0.3	0.6	-0.2	0.3
Public fixed investment	103.6	103.6	104.3	105.2	105.3	105.9	106.0	106.0	104.2	105.8	103.9	105.6
Q/q %, SAAR	-0.3	-0.0	0.7	0.9	0.1	0.6	0.1	0.0				
Y/y %	-1.5	-1.2	-0.2	1.3	1.6	2.1	1.7	0.8	-0.3	1.5	-0.8	1.6
Exports of goods and services	103.1	100.7	103.1	107.1	106.6	107.8	108.1	108.7	103.5	107.9	103.1	107.4
Q/q %, SAAR	-2.2	-2.3	2.4	3.8	-0.4	1.1	0.3	0.5				
Y/y %	-10.0	-11.5	-5.8	1.4	3.4	7.2	4.8	1.6	-6.5	4.2	-8.5	4.2
Imports of goods and services	90.7	90.1	94.0	99.8	98.1	99.4	102.1	103.1	93.7	100.7	92.1	99.9
Q/q %, SAAR	-3.0	-0.7	4.3	6.2	-1.7	1.3	2.7	1.0				
Y/y %	-15.9	-15.6	-7.9	6.7	8.2	10.4	8.4	3.3	-8.6	7.4	-13.2	8.4

Source: Compiled by DIR.

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

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

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

	2018			2019			2020		FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
Gross domestic expenditure	103.1	103.2	103.3	103.6	103.7	103.7	104.7	105.0	103.3	104.3	103.2	103.9
Q/q %, SAAR	0.1	0.0	0.1	0.2	0.1	0.1	0.9	0.3				
Y/y %	0.3	0.2	0.4	0.5	0.5	0.6	1.4	1.4	0.3	1.0	0.3	0.7
Private final consumption	102.1	102.1	102.3	102.7	102.8	102.9	104.1	104.5	102.3	103.6	102.1	103.1
Q/q %, SAAR	0.1	0.0	0.2	0.4	0.2	0.0	1.2	0.4				
Y/y %	0.9	1.0	0.7	0.7	0.7	0.7	1.8	1.8	0.8	1.3	0.8	1.0
Private residential investment	108.4	108.6	108.8	108.9	109.1	109.2	110.9	111.0	108.7	110.0	108.4	109.5
Q/q %, SAAR	0.3	0.2	0.2	0.2	0.2	0.1	1.5	0.1				
Y/y %	1.7	1.1	1.0	0.8	0.7	0.6	2.0	1.9	1.2	1.3	1.4	1.0
Private non-residential investment	102.3	102.4	102.6	102.6	102.7	102.8	102.8	103.0	102.5	102.8	102.3	102.7
Q/q %, SAAR	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Y/y %	0.5	0.4	0.6	0.5	0.4	0.3	0.3	0.3	0.5	0.3	0.5	0.4
Government final consumption	101.2	101.2	101.3	101.4	101.4	101.5	102.5	102.5	101.3	102.0	101.3	101.7
Q/q %, SAAR	0.0	0.1	0.1	0.1	0.1	0.1	1.0	0.0				
Y/y %	0.3	0.3	0.2	0.2	0.2	0.2	1.2	1.1	0.3	0.7	0.4	0.5
Public fixed investment	106.1	106.1	106.2	106.2	106.3	106.4	106.9	107.0	106.2	106.7	106.1	106.5
Q/q %, SAAR	0.1	0.0	0.0	0.0	0.0	0.1	0.5	0.1				
Y/y %	0.8	0.3	0.2	0.2	0.2	0.2	0.7	0.7	0.3	0.5	0.5	0.3
Exports of goods and services	109.0	109.2	109.3	109.4	109.5	109.6	109.7	109.8	109.2	109.5	109.1	109.3
Q/q %, SAAR	0.3	0.2	0.1	0.0	0.1	0.1	0.1	0.1				
Y/y %	2.2	1.2	1.2	0.3	-0.1	0.4	0.3	0.6	1.2	0.3	1.5	0.2
Imports of goods and services	103.6	103.9	104.2	104.2	104.3	104.4	104.5	104.6	103.8	104.2	103.7	104.1
Q/q %, SAAR	0.5	0.4	0.3	-0.0	0.1	0.1	0.1	0.1				
Y/y %	5.5	4.5	2.2	0.6	0.3	0.3	0.2	0.6	3.1	0.4	3.8	0.4

Source: Compiled by DIR.

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

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

E: DIR estimate.

5.1 Contribution to Real GDP Growth by Component

	2016			2017			2018			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017	
1) Q/q %													
GDP growth rate	0.3	0.2	0.3	0.5	0.6	0.6	0.4	0.3	1.2	1.8	0.9	1.7	
Domestic demand	0.3	-0.1	-0.1	0.4	0.9	0.1	0.4	0.2	0.4	1.5	0.4	1.2	
Private demand	0.4	-0.2	0.1	0.4	0.6	0.2	0.4	0.1	0.3	1.3	0.1	1.1	
Private consumption	-0.1	0.2	0.0	0.2	0.5	-0.4	0.3	0.1	0.2	0.6	0.0	0.6	
Residential investment	0.1	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.0	0.2	0.0	0.2	0.1	
Private fixed investment	0.1	-0.0	0.2	0.0	0.2	0.2	0.2	0.1	0.2	0.6	0.1	0.5	
Change in private inventories	0.3	-0.5	-0.2	0.1	-0.1	0.4	0.1	-0.0	-0.3	0.1	-0.2	-0.1	
Public demand	-0.1	0.1	-0.1	0.0	0.3	-0.1	-0.0	0.0	0.1	0.2	0.2	0.1	
Government final consumption	-0.2	0.1	-0.0	0.0	0.0	0.0	-0.0	0.0	0.1	0.1	0.3	0.0	
Public fixed investment	0.1	0.0	-0.1	-0.0	0.2	-0.1	-0.0	-0.0	0.0	0.1	-0.0	0.1	
Change in public inventories	-0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0	0.0	-0.0	0.0	
Net exports of goods and services	0.1	0.4	0.4	0.1	-0.3	0.5	-0.0	0.1	0.8	0.3	0.6	0.6	
Exports of goods and services	-0.1	0.4	0.5	0.3	0.0	0.4	0.4	0.1	0.6	1.0	0.2	1.1	
Imports of goods and services	0.2	-0.0	-0.1	-0.3	-0.3	0.2	-0.4	-0.0	0.2	-0.7	0.3	-0.5	
2) Y/y %													
GDP growth rate	0.7	0.9	1.5	1.4	1.5	1.9	2.0	1.8	1.2	1.8	0.9	1.7	
Domestic demand	0.5	0.2	0.4	0.5	1.1	1.2	1.8	1.7	0.4	1.5	0.4	1.2	
Private demand	0.1	-0.2	0.4	0.7	0.8	1.2	1.6	1.5	0.3	1.3	0.1	1.1	
Private consumption	-0.1	-0.1	0.3	0.5	1.0	0.3	0.6	0.5	0.2	0.6	0.0	0.6	
Residential investment	0.1	0.2	0.2	0.2	0.2	0.0	-0.1	-0.1	0.2	0.0	0.2	0.1	
Private fixed investment	0.2	-0.0	0.2	0.3	0.4	0.6	0.5	0.7	0.2	0.6	0.1	0.5	
Change in private inventories	-0.0	-0.3	-0.4	-0.3	-0.8	0.2	0.5	0.4	-0.3	0.1	-0.2	-0.1	
Public demand	0.3	0.4	0.0	-0.1	0.3	0.1	0.2	0.2	0.1	0.2	0.2	0.1	
Government final consumption	0.2	0.3	0.0	-0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.3	0.0	
Public fixed investment	0.1	0.1	0.0	-0.0	0.2	0.0	0.1	0.1	0.0	0.1	-0.0	0.1	
Change in public inventories	0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	0.0	
Net exports of goods and services	0.3	0.8	1.1	0.9	0.4	0.7	0.3	0.3	0.8	0.3	0.6	0.6	
Exports of goods and services	0.2	0.2	0.8	1.1	1.1	1.1	1.1	0.9	0.6	1.0	0.2	1.1	
Imports of goods and services	0.1	0.6	0.3	-0.2	-0.7	-0.4	-0.8	-0.6	0.2	-0.7	0.3	-0.5	

Source: Compiled by DIR.

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

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

5.2 Contribution to Real GDP Growth by Component

	2018		2019		2020			FY		CY		
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)
1) Q/q %												
GDP growth rate	0.2	0.2	0.3	0.3	0.3	0.5	-0.7	0.1	1.2	0.8	1.4	1.0
Domestic demand	0.2	0.2	0.3	0.3	0.4	0.8	-1.5	-0.1	1.0	0.6	1.1	1.0
Private demand	0.2	0.2	0.2	0.3	0.4	0.7	-1.6	-0.2	0.9	0.4	1.0	0.8
Private consumption	0.1	0.1	0.1	0.1	0.2	0.7	-1.4	-0.2	0.4	0.1	0.4	0.4
Residential investment	0.0	0.0	0.0	0.0	0.1	0.1	-0.2	-0.1	-0.0	0.0	-0.1	0.1
Private fixed investment	0.1	0.1	0.1	0.1	0.1	0.2	-0.1	0.1	0.4	0.3	0.5	0.3
Change in private inventories	0.0	0.0	0.0	0.0	0.1	-0.2	0.2	-0.1	0.2	0.0	0.2	0.0
Public demand	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.2	0.0	0.2
Government final consumption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.2
Public fixed investment	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.1	-0.1	0.1	-0.1	0.0
Change in public inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.0
Net exports of goods and services	0.0	0.0	-0.0	-0.0	-0.1	-0.3	0.8	0.2	0.2	0.1	0.3	0.0
Exports of goods and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7	0.4	0.8	0.5
Imports of goods and services	-0.1	-0.1	-0.1	-0.1	-0.2	-0.4	0.7	0.1	-0.5	-0.3	-0.5	-0.5
2) Y/y %												
GDP growth rate	1.5	1.2	1.0	1.1	1.1	1.4	0.4	0.2	1.2	0.8	1.4	1.0
Domestic demand	0.9	1.1	0.8	1.1	1.2	1.8	-0.0	-0.4	1.0	0.6	1.1	1.0
Private demand	1.0	1.0	0.8	1.0	1.1	1.6	-0.2	-0.7	0.9	0.4	1.0	0.8
Private consumption	0.1	0.6	0.4	0.5	0.5	1.1	-0.5	-0.8	0.4	0.1	0.4	0.4
Residential investment	-0.1	-0.1	0.0	0.0	0.1	0.2	-0.1	-0.1	-0.0	0.0	-0.1	0.1
Private fixed investment	0.4	0.4	0.3	0.4	0.3	0.4	0.2	0.3	0.4	0.3	0.5	0.3
Change in private inventories	0.5	0.1	-0.0	0.1	0.1	-0.1	0.1	-0.0	0.2	0.0	0.2	0.0
Public demand	-0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.3	0.0	0.2	0.0	0.2
Government final consumption	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2
Public fixed investment	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.2	-0.1	0.1	-0.1	0.0
Change in public inventories	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0
Net exports of goods and services	0.7	0.1	0.2	-0.0	-0.1	-0.4	0.4	0.6	0.2	0.1	0.3	0.0
Exports of goods and services	1.0	0.7	0.4	0.5	0.5	0.4	0.4	0.4	0.7	0.4	0.8	0.5
Imports of goods and services	-0.4	-0.7	-0.3	-0.5	-0.6	-0.9	-0.0	0.3	-0.5	-0.3	-0.5	-0.5

Source: Compiled by DIR.

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

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

E: DIR estimate.

6.1 Major Assumptions

	2016			2017			2018		FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3 (E)	2016	2017 (E)	2016	2017
1) World economy												
Economic growth of major trading partners												
Y/y %	3.4	3.4	3.7	3.9	4.0	4.3	4.1	4.3	3.6	4.2	3.5	4.1
Crude oil price (WTI futures; \$/bbl)	45.6	44.9	49.3	51.8	48.1	48.2	55.3	62.8	47.9	53.6	43.5	50.9
Y/y %	-21.1	-3.4	16.9	54.0	5.5	7.2	12.2	21.2	6.4	11.9	-10.9	17.0
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)	16,664	16,778	16,851	16,903	17,031	17,164	17,272	17,379	16,799	17,211	16,716	17,093
Q/q %, SAAR	2.2	2.8	1.8	1.2	3.1	3.2	2.5	2.5				
Y/y %	1.2	1.5	1.8	2.0	2.2	2.3	2.5	2.8	1.6	2.5	1.5	2.3
Consumer Price Index (1982-84 avg=100)	239.5	240.5	242.2	243.9	244.0	245.3	247.3	249.9	241.5	246.6	240.0	245.1
Q/q %, SAAR	2.7	1.8	2.7	3.0	0.1	2.1	3.3	4.2				
Y/y %	1.0	1.1	1.8	2.5	1.9	2.0	2.1	2.4	1.6	2.1	1.3	2.1
Producer Price Index (Final demand; 2009.Nov=100)	110.2	110.5	111.1	112.0	112.6	113.1	114.3	115.2	110.9	113.8	110.4	113.0
Q/q %, SAAR	1.5	1.2	2.2	3.2	2.3	1.8	4.2	3.1				
Y/y %	0.1	0.2	1.4	2.0	2.2	2.4	2.8	2.8	0.9	2.6	0.4	2.3
FF rate (%) (Target rate for the forecast period, end-period)	0.50	0.50	0.75	1.00	1.25	1.25	1.50	1.75	1.00	1.75	0.75	1.50
Government bond yield (10 year; %)	1.75	1.56	2.13	2.44	2.26	2.24	2.37	2.78	1.97	2.41	1.84	2.33
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	105.8	106.3	106.3	106.4	107.0	107.2	107.3	107.6	106.2	107.3	106.5	107.0
Q/q %, SAAR	-6.6	1.9	-0.3	0.6	2.4	0.5	0.6	1.0				
Y/y %	1.1	1.1	-0.2	-1.0	1.1	0.8	1.0	1.1	0.2	1.0	1.1	0.5
Nominal public fixed investment												
Y tril; SAAR	27.1	27.2	26.8	27.0	28.3	27.8	27.7	27.6	27.0	27.8	26.9	27.7
Q/q %, SAAR	8.9	0.7	-4.9	2.8	20.9	-7.8	-0.4	-2.1				
Y/y %	0.3	1.0	-0.2	1.2	5.3	2.5	3.0	2.4	0.6	3.2	-0.9	2.8
Exchange rate (Y/\$)	108.1	102.4	109.4	113.6	111.1	111.0	112.9	108.3	108.4	110.8	108.8	112.2
(Y/€)	120.7	114.7	119.2	120.2	124.3	131.3	133.2	133.3	118.7	130.5	120.6	127.2

Source: Compiled by DIR.

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

6.2 Major Assumptions

	2018			2019			2019			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	2018 (E)	2019 (E)	2018 (E)	2019 (E)	
1) World economy													
Economic growth of major trading partners													
Y/y %	4.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.9	3.6	
Crude oil price (WTI futures; \$/bbl)	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.6	62.5	
Y/y %	29.8	29.7	13.0	-0.4	0.0	0.0	0.0	0.0	16.6	0.0	23.0	-0.1	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	17,485	17,588	17,687	17,785	17,885	17,986	18,085	18,183	17,636	18,035	17,535	17,935	
Q/q %, SAAR	2.5	2.4	2.3	2.2	2.3	2.3	2.2	2.2					
Y/y %	2.7	2.5	2.4	2.3	2.3	2.3	2.2	2.2	2.5	2.3	2.6	2.3	
Consumer Price Index													
(1982-84 avg=100)	251.1	252.3	253.7	255.2	256.7	258.3	259.9	261.5	253.1	259.1	251.7	257.5	
Q/q %, SAAR	2.0	1.9	2.3	2.3	2.4	2.5	2.5	2.5					
Y/y %	2.9	2.9	2.6	2.1	2.2	2.4	2.4	2.5	2.6	2.4	2.7	2.3	
Producer Price Index													
(Final demand; 2009.Nov=100)	115.7	116.1	116.7	117.3	117.9	118.5	119.2	119.8	116.4	118.8	115.9	118.2	
Q/q %, SAAR	1.7	1.7	2.0	2.0	2.1	2.2	2.2	2.1					
Y/y %	2.7	2.7	2.1	1.9	1.9	2.1	2.1	2.1	2.3	2.1	2.6	2.0	
FF rate (%)	2.00	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.50	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	2.95	3.14	3.24	3.27	3.42	3.44	3.46	3.48	3.15	3.45	3.03	3.40	
3) Japanese economy													
Nominal government final consumption													
Y tril; SAAR	107.9	108.1	108.4	108.7	109.0	109.3	110.6	110.8	108.3	109.9	108.0	109.4	
Q/q %, SAAR	1.0	1.0	1.1	1.0	1.0	1.1	5.0	0.9					
Y/y %	0.8	0.9	1.0	1.0	1.0	1.1	2.0	2.0	0.9	1.5	0.9	1.3	
Nominal public fixed investment													
Y tril; SAAR	27.4	27.4	27.4	27.4	27.4	27.6	27.8	28.4	27.4	27.9	27.4	27.6	
Q/q %, SAAR	-2.3	-0.6	-0.6	0.6	0.6	1.8	4.1	8.9					
Y/y %	-3.6	-1.5	-1.2	-0.9	0.2	0.7	1.7	3.9	-1.7	1.7	-0.8	0.4	
Exchange rate (Y/\$)	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.0	106.6	106.0	
(Y/€)	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	131.5	132.0	131.5	

Source: Compiled by DIR.

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

E: DIR estimate.