21 December 2022

Report

The Japanese Economy in Fiscal 2022 and Fiscal 2023

―Recovery pace slowing but not worsening

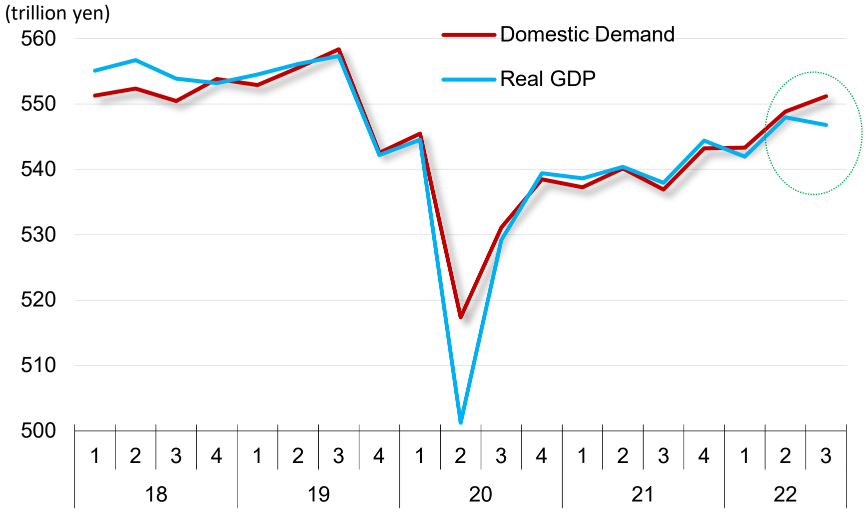
(1) Current State of the Economy

―Business conditions are gradually improving

Negative GDP growth, but business conditions are gradually improving

Real GDP growth rate in the July–September quarter of 2022 slowed to -0.3% from the previous quarter (for an annualized rate of -1.2%), marking the first contraction in four quarters. The biggest factor, however, was a sharp increase in service imports (which media reports suggest is a temporary factor caused by the cut-off errors of advertising services overseas), which decreased the contribution from external demand to a negative -0.7% compared to the previous quarter. Domestic demand contribution remained positive +0.4% compared to the previous quarter, which along with other factors suggest that the economy is continuing to recover at a moderate pace (Chart 1).

Chart 1. Real GDP & Domestic Demand



Source: Cabinet Office "Quarterly Estimates of GDP"

Personal consumption stalls due to the spread of the seventh pandemic wave and rising prices

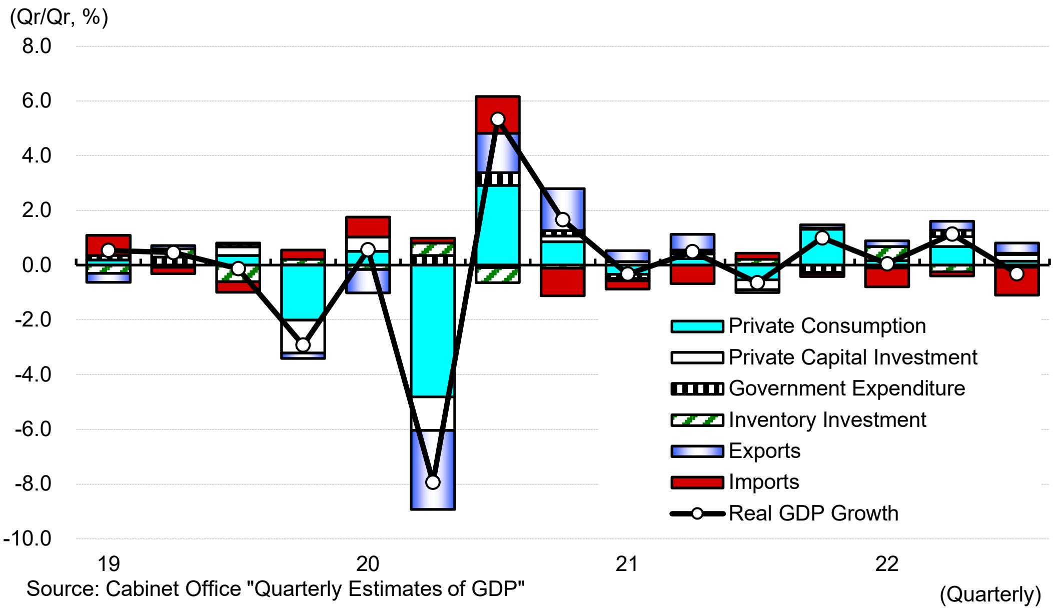
Real GDP demand category movements on the domestic demand side show personal consumption up +0.3% from the previous quarter, extending its growth streak to four quarters (Chart 2). The positive developments of normalizing economic and social activities and consumers enjoying the first summer holidays in years without movement constrictions were ultimately subdued by the restraint due to the spread of the seventh wave of COVID-19 infections and rising prices.

Looking at the breakdown of real personal consumption, services continued to increase by +0.3% compared to the previous quarter, as demand for in-person services such as lodging and food services, passenger transportation, and leisure continued to pick up. The increased flow of people also supported a strong +4.7% rise from the previous quarter in demand for semi-durable goods (clothes, personal items, etc.). However, demand fell -3.5% for durable goods (white goods, automobiles, telecom equipment, etc.) and rose a meager +0.1% for non-durable goods (food, energy, daily sundries, etc.), as both categories faced increasing pressure from rising prices. The higher prices likely adversely affected consumer sentiment, which could have discouraged consumers from making purchases.

Real housing investment was -0.4% from the previous quarter, marking the fifth consecutive negative growth, but the decline rate is narrowing. Housing starts were flat, but the higher material prices are only slowly being passed along to construction costs.

In the corporate sector, capital investment was up solid +1.5% from the previous quarter as improving corporate earnings are supporting a solid appetite for capital investment. As a result, the steady growth in capital investment boosted the overall economy. The contribution of inventory investment in real terms to the real GDP growth rate remained negative at -0.1%, as raw material inventories diminished when the production activity picked up during the summer.

Chart 2. Real GDP growth rate by demand (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

In the government sector, final consumption in real terms remained flat from the previous quarter as medical expenses are rising with the aging population, but vaccination-related spending came to an end. Public investment in real terms rose +1.2% from the previous quarter, for a second straight quarterly increase, due in part to the implementation of public works spending outlined in the economic policy adopted last year.

In external demand, real export rose +1.9% from the previous quarter for a fourth consecutive quarterly increase supported by growth in exports of goods, led mainly by automobiles and semiconductor manufacturing equipment, along with a steady increase in service exports. Imports of petroleum and coal products also steadily grew and, coupled with the previously mentions sharp +17.1% rise in service imports, supported a significant +5.2% increase in real imports. Note that the value of real exports and real imports are both at record high levels.

The nominal GDP growth rate also turned negative for the first time in four quarters, contracting -0.5% from the previous quarter (annualized rate of -2.0%). The higher prices led to increases across the board, including quarterly rises in personal consumption of +1.1%, capital investment +2.7%, and public investment +2.0%, which boosted the contribution to domestic demand to +1.3%. However, higher import prices triggered a sharp +11.4% rise for imports, which dropped the contribution to external demand by a steep -1.8% and weighed heavily on the overall contribution.

The GDP deflator, a measure of comprehensive price trends in the overall economy, remained negative at -0.5% year on year. The ongoing negative year-on-year comparisons reflect the steep rise in import prices, which is largely due to higher resource prices (higher import prices negatively impact the GDP deflator because imports are a deductible item for the GDP growth rate). Note that the domestic demand deflator has risen to +2.9% year on year, as the higher prices of imported goods are gradually surfacing in the prices of domestic goods. We think the stage is set for the GDP deflator to turn positive.

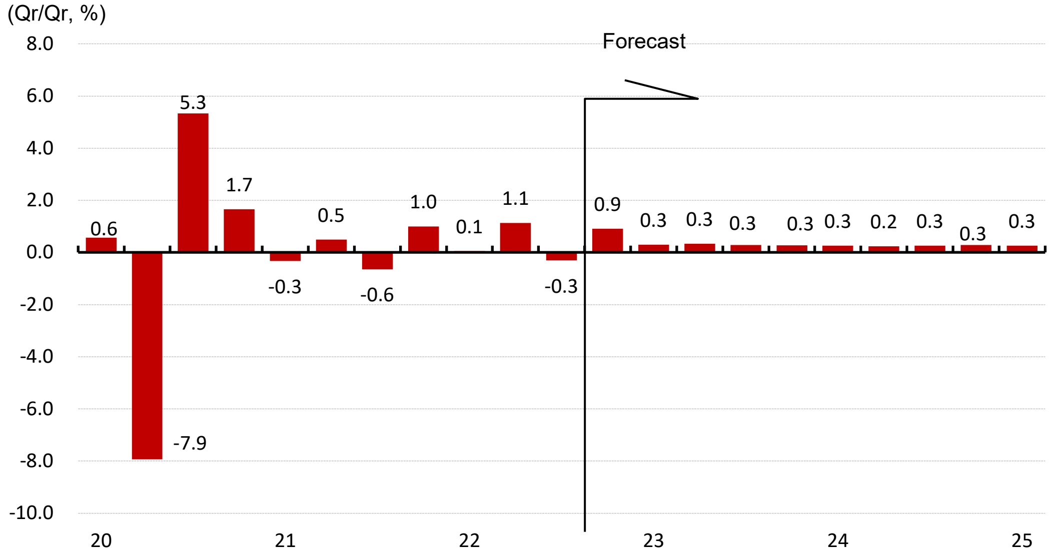
(2) Outlook for the Economy in Fiscal 2022 and Fiscal 2023
— Recovery pace slowing but not worsening

October-December quarter to bring a return to positive growth and accelerating growth rate

We expect Japan's economic growth to turn positive again in the October–December quarter with relatively large positive growth (Chart 3). At this time, we are projecting +0.9% growth from the previous quarter (for an annualized rate of +3.7%). We see three main factors driving the economy: ①continuing growth in personal consumption led by in-person services supported by the nationwide travel subsidies, ②continuing growth in capital investment backed by strong corporate sentiment, and ③growing demand from inbound tourists with the easing of border restrictions. Another boost should come from the contribution from external demand, which is positioned to rebound sharply from the previous quarter.

The eighth wave of COVID-19 infections that started accumulating in November is a point of concern, but since there no restrictions on public movement and pandemic prevention measures are in place, we think the overall impact will be limited even if consumers voluntarily cut down on their activities.

Chart 3. Real GDP growth rate (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

Risk of an economic downturn could still grow

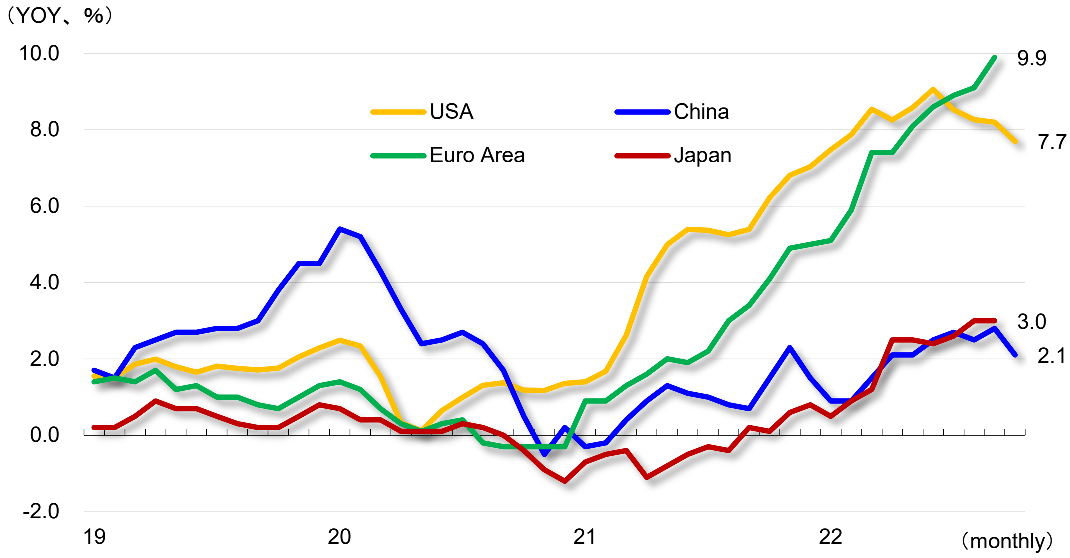
On the other hand, many downside risks to the economy are still present, and the recovery pace could slow if these risks materialize.

The first risk is a negative impact from rising prices. The constrained supply when the COVID-19 was spreading and the quick return of demand when the pandemic ebbed pushed the supply and demand for goods and services out of balance, which in turn caused prices to rise. In particular, the price rises for crude oil and other resources increased at the start of 2021 and accelerated again after Russia invaded Ukraine, causing inflation in all countries (Chart 4). Prices for major resources are factoring in a slowdown in the global economy and are already reaching their peak, which is easing the upward pressure on upstream prices. But since it will take time for that trend to work its way downstream, individual country price indexes are not yet showing clear signs that the upward pressure on prices is easing.

Among others, in Japan's case, the rise in import prices has been exacerbated by the rapid depreciation of the yen triggered by the disparity in interest rates with the United States. The increased cost burden could erode corporate earnings, creating the risk of then leading to cuts in capital investment, employment, and wages.

Additionally, if companies were to pass the higher costs onto product prices, this would weaken household purchasing power through higher consumer prices. Compared to other countries, consumer price growth rate in Japan has been low; however, the overall consumer price index was up +3.0% in September from a year earlier. Food and energy prices have risen at a particularly steep pace of +7.0%. Rising prices of everyday items like these could undermine consumer sentiment. Consumer spending could result in a severe cutback through restrained spending and weakening of real purchasing power.

Chart 4. CPI by Major Economies



*All items
Source: U.S. Bureau of Labor Statistics, EuroStat、National Bureau of Statistics of China、Statistics Bureau of Japan

The second risk is a global economic downturn. Major countries but Japan have responded to the rising prices by tightening monetary policy and raising interest rates. Higher prices affect personal consumption, and rising interest rates slow investment and overall economic activity. Monetary tightening by the United States could set off the depreciation of currencies and stock prices in emerging countries, which in turn could trigger turbulence in international financial markets. Debt balances have been growing in all countries during the pandemic, and higher interest rates would only add to the debt burden. Slowing in global economic growth would lead to contraction of the Japanese economy through a drop in exports.

In addition, there is a risk that logistics disruptions and difficulties in procuring components from overseas could lead to production constraints and shortages, which would suppress demand. The negative impacts of the lockdowns in Shanghai all but disappeared during the summer. However, China maintaining its zero-COVID policy and the consequent economic stagnation may have wide-ranging repercussions across many regions and industries. There are also concerns that prolonged disruption and expansion to other regions could lead to supply constraint issues in various sectors. Rising geopolitical risk could also trigger similar crises of supply chain stagnation and disruptions.

The post-pandemic demand recovery is also causing a gradual tightening of labor supply and demand that is making companies increasingly concerned about labor shortages. Consequently, there are concerns about supply constraints due to labor shortages, particularly in the in-person service sector, where worker numbers plummeted during the pandemic.

In addition, there is a risk that production constraints and shortages could worsen due to logistics disruptions and difficulties in procuring components from overseas, thereby restraining demand. Negatives

caused by lockdowns in Shanghai have largely been resolved. However, China maintaining its zero-COVID policy, and the resulting stagnation of economic activity may have wide-ranging repercussions across many regions and industries. There are also concerns that prolonged disruption and expansion to other regions could lead to supply constraint issues in various sectors.
Moreover, the labor supply and demand balance is gradually tightening, as demand recovers from the pandemic. Companies are becoming increasingly concerned about labor shortages; consequently, raising concerns about supply constraints due to labor shortages mainly in the in-person service sector, where the number of workers has fallen sharply during the pandemic.

Will economic stimulus work?

The Japanese Cabinet unveiled a massive economic stimulus package on October 28, aimed at alleviating the impact of inflation and revitalizing the economy. The package is expected to be activated at the start of next year after a supplementary budget is created to supply the funds. This is a large-scale economic package with a project size of ¥71.6 trillion and a fiscal expenditure of ¥39.0 trillion and its contents are diverse, including measures to combat rising consumer prices, raise wages, promote regional development that takes advantage of the weak yen, accelerate moves toward a “new capitalism,” and ensure public safety and security.

Measures most likely to impact the economy in the near term include measures against rising prices to curb the rise in energy costs, measures to stimulate demand such as nationwide travel support and event discount, and financial support for pregnancy and childbirth. Even if these measures are indeed implemented, we would expect any additional economic boost they might add to be limited.

Measures against rising prices to curb the rise in prices for electricity, city gas, and gasoline would alleviate some of the burden on household incomes. But even if the burden is reduced, prices would still be high, so consumers would have little sense of the situation having improved, making it unlikely that they would use much of the amount of reduction for personal consumption (the government estimates ¥45,000 for a typical household). Also, domestic travel demand may already be high even without the nationwide travel support, so there may not be any additional latent tourism demand to draw out from people who were not already planning to travel.

This suggests that even if the package were to have some effect, it’s uncertain whether it can create new demand or add to the economic growth rate. Our outlook therefore considers the economic stimulus package but doesn’t anticipate a significant increase in economic growth.

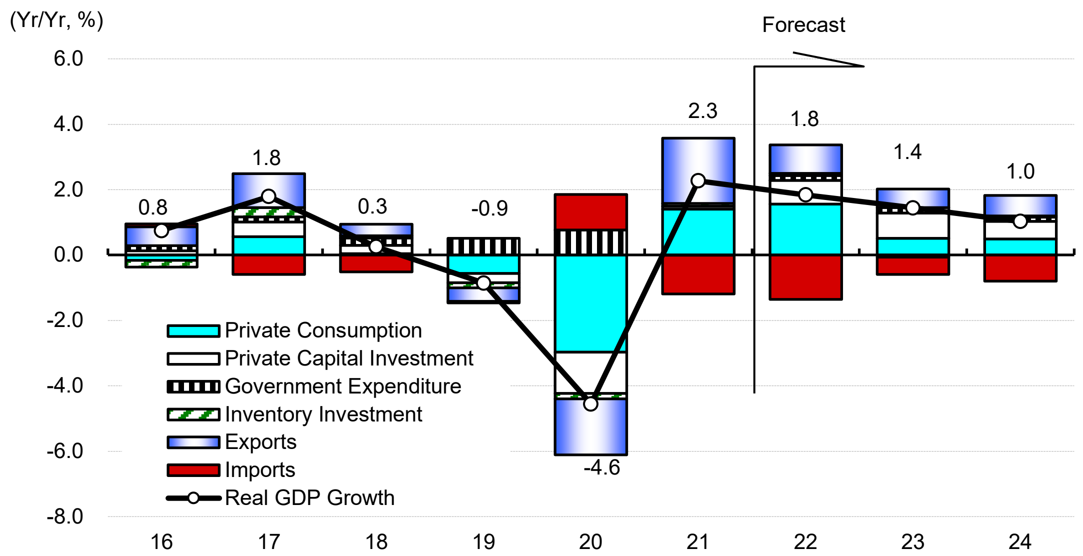
Gradual recovery to continue in the second half of fiscal 2022

Fiscal 2022 can be called the year that society learned how to live with the coronavirus. For this reason, the government must continue to carefully balance measures to prevent the virus from spreading and to stimulate economic and social activities, which will act as a limiting factor on demand recovery. Considering that the eighth wave of COVID-19 infections is currently on the rise, we expect the nationwide travel support to end as planned at the end of 2022. Meanwhile, the ongoing vaccination program, steps to fortify the healthcare structure, the securing of medications, and other pandemic measures should make it possible to avoid new states of emergency or priority preventive measures even if infections rise. Accordingly, the degree of economic downturn from outbreaks should gradually diminish.

As society looks ahead to the post-pandemic era in the second half of fiscal 2022, we can see a scenario where the strong buoyancy to return to the level of pre-pandemic economic and social activity becomes a powerful driving force for the economy. We expect personal consumption to drive ongoing economic recovery combined with demand-stimulating measures such as nationwide travel support, is expected to boost the economy. Additionally, the economy will be underpinned by the continued firmness of business investment sentiment and the continued increase in inbound demand due to the relaxation of border measures.

We expect real GDP growth rate to remain positive in the January-March quarter, following the October-December quarter, although the pace is expected to slow down, and the economy is not expected to halt. Based on this outlook, we expect the real GDP growth rate for fiscal 2022 to be +1.8% year on year (or +1.4% excluding the base-level effect) (Chart 5). Economic contraction could occur if risk factors materialize, but we think an economic recession will be avoided.

Chart 5. Real GDP growth rate by demand (Fiscal year)



Source: Cabinet Office "Quarterly Estimates of GDP"

Continuing recovery in fiscal 2023 slowed by high prices and economic slowdown overseas

In fiscal 2023, we expect domestic demand to be the main driver of gradual economic recovery as society moves into a post-pandemic era in which the restrictions on economic and social activities are mostly gone.

Nevertheless, we still expect recovery to be slow because, although there should be minimal downward risk from a resurgence in the pandemic, high prices and sluggish economies overseas will likely exert downward pressure, especially in the first half of the fiscal year. Government measures to offset price rises should quell any increases at least until summer, but households could very likely restrain spending while the specter of inflation persists. Simultaneously, any remaining “revenge consumption” will likely peter out. Export growth is also expected to slow due to the slowdown in overseas economies.

Positive factors for the economy will be improving employment conditions, rising wages and continuing growth in corporate capital investment. The economy could even gain real traction for recovery in the second half of the year if the upward pressure on prices eases and the slowdown in overseas economies levels off. Our forecast is predicated on the assumption that the measures against rising prices will be terminated during the first half of the year as originally planned, but if extended, they will provide support for consumer spending.

We expect a real GDP growth rate for fiscal 2023 of +1.4% year on year (+0.8% excluding the base-level effect). Due to the slow pace of recovery, we do not expect quarterly real GDP growth to reach the historical high attained in July–September 2019 in fiscal 2023. (We expect new record highs to be reached in April–June 2024.)

As the economy picks up, labor supply and demand will gradually tighten. The rapid spread of various attempts to promote telework and remote operations during the pandemic, combined with the development of telecommunications and other infrastructure, increasing use of AI and other new technologies, and work-style reforms should support an increase in the labor force, the creation of leisure time, and people holding second and concurrent jobs. We expect these developments to improve labor productivity and enhance latent potential for growth.

We expect the recovery to continue in fiscal 2024 but at a slower +1.0% (+0.7% excluding the base-level effect) pace as the boost from the pandemic recovery fades.

Economic Outlook for fiscal 2021-2024

【GDP demand】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Nominal GDP	1.3	1.9	4.5	2.5
Real GDP	2.3	1.8	1.4	1.0
Contribution of domestic demand	1.5	2.3	1.4	1.2
Private consumption	2.6	2.9	0.9	0.9
Housing investment	-1.7	-4.0	0.7	0.1
Private capital investment	0.6	4.5	4.5	3.1
Contribution of inventory investment	0.1	0.1	-0.1	0.0
Government expenditure	-0.0	0.5	0.6	0.5
Government final consumption expenditure	2.0	1.3	0.6	0.6
Public investment	-7.5	-2.5	0.6	0.1
Contribution of external demand	0.8	-0.5	0.0	-0.2
Export of goods and services	12.4	4.5	2.6	2.7
Import of goods and services	7.1	6.6	2.0	3.0
GDP deflator	-1.0	0.1	3.0	1.4

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Real GDP (US) (CY)	5.9	1.8	0.6	1.2
Real GDP (Euro zone) (CY)	5.2	3.3	0.5	0.8
Real GDP (Asia)				
Real GDP (China)	8.1	3.2	4.5	4.6
Yen/U.S.Dollar	112.3	137.9	135.3	130.5
Uncollateralized call rates (O/N) (%)*	-0.024	-0.019	0.015	0.050
TIBOR (3months)	-0.063	-0.011	0.040	0.125
Newly issued government bond yields (10years) (%)	0.09	0.24	0.25	0.38
WTI future price (near month contract, US dollar/barrel)	77.0	95.2	90.1	91.9
North Sea Brent Crude (US dollar/barrel)	79.9	100.5	95.1	96.9

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Value of exports (Yen base)	23.6	19.5	4.2	2.1
Ammount (Yr/Yr,%)	10.4	-0.8	2.1	2.4
Value of imports (Yen base)	33.4	40.4	0.6	-0.6
Ammount (Yr/Yr,%)	3.8	0.3	1.2	1.1
Balance (trillion yen)	-5.5	-25.6	-22.0	-19.0
Current account balance (trillion yen)	20.3	7.1	9.0	11.1
balance on goods (trillion yen)	-1.6	-21.3	-17.5	-14.5
balance on service (trillion yen)	-4.8	-5.1	-3.6	-3.0
balance on income (trillion yen)	29.2	35.6	32.0	30.4

【Corporations】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Industrial production	5.9	1.8	4.7	1.7
Inventory index	6.8	4.3	1.0	0.5
Sales	7.1	7.6	4.5	1.9
Ordinary Profits	36.8	2.9	2.6	6.7

*Forecast starts from FY 2021.

【Income and employment】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Income per capita	0.7	1.7	1.1	0.9
Scheduled	0.4	1.1	0.9	0.7
Non-scheduled	7.1	4.9	2.6	1.7
Real wage indices	0.6	-1.6	-1.5	-0.5
Number of employees	0.2	0.8	0.4	0.3
Nominal compensation of employees*	1.8	2.2	1.6	1.1
Unemployment rate (%)	2.8	2.5	2.3	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
Domestic corporate goods prices	7.1	8.6	4.5	2.0
excluding tax effects	7.1	8.6	4.5	2.0
Consumer prices	0.1	2.8	2.3	1.1
excluding freshfood	0.1	2.6	2.3	1.2
excluding food (excluding alcoholic beverages) and energy	-0.7	1.8	1.2	0.5

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	FY 2021 (actual)	FY 2022 (forecast)	FY 2023 (forecast)	FY 2024 (forecast)
New housing starts	86.6	86.2	87.8	87.6
	6.6	-0.4	1.8	-0.2
Owned	28.1	25.9	26.7	26.5
	6.9	-8.0	3.4	-0.7
Rented	33.1	34.2	34.8	34.7
	9.2	3.4	1.7	-0.2
Built for Sale	24.8	25.5	25.6	25.7
	3.9	2.8	0.3	0.4

Economic Outlook for calendar 2021-2024

【GDP demand】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Nominal GDP	0.8	1.2	4.0	3.2
Real GDP	1.6	1.5	1.6	1.1
Contribution of domestic demand	-3.8	0.6	2.1	1.6
Private consumption	1.3	2.9	1.2	0.9
Housing investment	-2.0	-4.3	0.2	0.2
Private capital investment	-0.9	2.2	5.6	3.2
Contribution of inventory investment	-0.1	0.8	-0.2	0.0
Government expenditure	1.1	-0.2	0.8	0.5
Government final consumption expenditure	2.1	1.6	0.7	0.6
Public investment	-2.7	-6.7	1.2	0.2
Contribution of external demand	1.0	-0.6	0.0	-0.1
Export of goods and services	11.8	4.5	3.3	2.5
Import of goods and services	5.1	7.3	2.7	2.4
GDP deflator	-0.9	-0.2	2.3	2.1

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Real GDP (US) (CY)	5.9	1.8	0.6	1.2
Real GDP (Euro zone) (CY)	5.2	3.3	0.5	0.8
Real GDP (Asia)				
Real GDP (China)	8.1	3.2	4.5	4.6
Yen/U.S.Dollar	109.8	132.0	137.0	131.5
Uncollateralized call rates (O/N) (%)*	-0.024	-0.018	-0.003	0.050
TIBOR (3months)	-0.064	-0.023	0.021	0.113
Newly issued government bond yields (10years) (%)	0.06	0.22	0.25	0.33
WTI future price (near month contract, US dollar/barrel)	67.9	96.2	90.1	91.3
North Sea Brent Crude (US dollar/barrel)	70.8	100.9	95.3	96.3

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Value of exports (Yen base)	21.5	18.9	7.6	2.4
Ammount (Yr/Yr,%)	12.0	-1.0	1.4	2.5
Value of imports (Yen base)	24.8	42.1	7.8	-1.4
Ammount (Yr/Yr,%)	5.0	0.7	0.7	1.2
Balance (trillion yen)	-1.8	-21.8	-23.7	-19.4
Current account balance (trillion yen)	21.6	9.7	8.1	10.7
balance on goods (trillion yen)	1.7	-17.4	-19.1	-14.9
balance on service (trillion yen)	-4.2	-5.7	-3.7	-3.2
balance on income (trillion yen)	26.6	35.0	32.9	30.7

【Corporations】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Industrial production	5.6	0.6	5.1	2.0
Inventory index	4.9	6.0	2.3	1.1
Sales*	4.1	8.0	5.4	2.2
Ordinary Profits	41.8	8.7	-2.1	7.8

【Income and employment】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Income per capita	0.3	1.8	1.1	0.9
Scheduled	0.3	1.1	0.9	0.7
Non-scheduled	3.9	5.1	3.1	1.8
Real wage indices	0.5	-1.2	-1.3	-1.1
Number of employees	0.2	0.5	0.6	0.3
Nominal compensation of employees*	1.7	1.9	1.8	1.2
Unemployment rate (%)	2.8	2.6	2.4	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	4.6	9.5	4.6	3.3
excluding tax effects	4.6	9.5	4.6	3.3
Consumer prices	-0.2	2.4	2.1	1.8
excluding freshfood	-0.2	2.2	2.1	1.8
excluding food (excluding alcoholic beverages) and energy	-0.5	0.9	1.7	0.5

【New housing starts】

forecast

annualized, ten thousand units
Yr/Yr、%

	CY 2021 (actual)	CY 2022 (forecast)	CY 2023 (forecast)	CY 2024 (forecast)
New housing starts	85.5	86.2	87.6	87.7
	4.7	0.7	1.6	0.2
Owned	28.5	25.7	26.7	26.6
	9.1	-9.7	3.7	-0.5
Rented	32.1	34.2	34.6	34.8
	4.1	6.8	1.2	0.5
Built for Sale	24.4	25.6	25.6	25.7
	1.5	5.0	-0.2	0.4

Economic Outlook (Quarterly)

forecast

Qr/Qr,%
Yr/Yr,%

		FY 2021				FY 2022				FY 2023				FY 2024			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Nominal GDP	(Qr/Qr,%)	-0.2	-0.7	0.6	0.4	0.8	-0.5	1.2	1.0	1.7	1.0	1.1	0.7	0.7	0.5	0.1	0.2
	Annualized rate	-0.7	-2.6	2.6	1.5	3.4	-2.0	5.0	4.2	6.8	4.1	4.6	3.0	3.0	1.9	0.4	0.7
	(Yr/Yr,%)	6.0	0.0	-0.7	0.1	1.3	1.3	2.2	2.8	3.3	4.9	5.0	4.8	3.7	2.9	1.7	1.7
Real GDP	(Qr/Qr,%)	0.5	-0.6	1.0	0.1	1.1	-0.3	0.9	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3
	Annualized rate	2.0	-2.5	4.1	0.2	4.6	-1.2	3.7	1.2	1.4	1.2	1.1	1.0	1.0	1.1	1.1	1.0
	(Yr/Yr,%)	7.2	1.2	0.5	0.6	1.7	1.8	1.7	2.2	1.5	1.9	1.0	1.4	1.1	1.1	1.0	0.9
Contribution of domestic demand	(Qr/Qr,%)	0.6	-0.7	1.0	0.5	1.0	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private consumption		0.5	-1.0	2.5	0.3	1.2	0.3	0.4	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
		6.8	0.4	1.5	2.0	3.1	4.3	2.3	1.9	1.1	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Housing investment		1.6	-1.8	-1.4	-1.3	-1.9	-0.4	0.3	0.5	0.1	0.2	0.1	0.0	-0.1	-0.1	0.1	0.0
		-2.8	-0.1	-0.9	-2.9	-6.1	-5.0	-3.3	-1.5	0.5	1.1	0.9	0.4	0.3	-0.1	0.0	0.0
Private capital investment		1.1	-2.3	0.3	-0.1	2.4	1.5	1.6	1.5	1.0	0.8	0.8	0.8	0.8	0.7	0.7	0.7
		3.1	0.9	-0.3	-1.0	0.4	4.1	5.4	7.3	5.9	5.0	4.1	3.4	3.2	3.1	3.0	2.9
Contribution of inventory investment	(Qr/Qr,%)	0.1	0.2	-0.0	0.5	-0.2	-0.1	-0.1	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government expenditure		0.2	0.2	-1.0	-0.3	0.8	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1
		2.1	0.6	-1.3	-1.3	-0.0	-0.3	1.0	1.4	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Government final consumption expenditure		0.9	1.2	-0.3	0.4	0.8	0.0	0.1	0.2	0.1	0.2	0.2	0.1	0.1	0.2	0.2	0.1
		3.0	2.0	0.9	2.1	2.1	0.9	1.4	1.1	0.4	0.6	0.7	0.6	0.6	0.5	0.6	0.6
Public investment		-2.4	-3.6	-3.7	-3.0	1.0	1.2	0.3	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
		-1.6	-4.5	-9.3	-12.6	-8.9	-4.3	-0.4	2.3	1.8	0.6	0.4	0.1	0.2	0.2	0.2	0.1
Contribution of external demand	(Qr/Qr,%)	-0.1	0.1	-0.0	-0.5	0.2	-0.7	0.5	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Export of goods and services		3.4	-0.6	0.6	1.1	1.8	1.9	0.1	0.8	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7
		27.2	15.6	5.8	4.5	3.0	5.6	5.0	4.6	4.0	1.8	2.6	1.8	2.4	2.5	3.1	2.9
Import of goods and services		4.2	-1.3	0.7	3.6	0.8	5.2	-2.1	0.8	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
		4.9	11.4	5.2	7.3	3.5	10.6	8.0	4.3	3.5	-0.1	3.3	1.4	2.4	2.5	3.3	3.7
GDP deflator	(Yr/Yr,%)	-1.1	-1.1	-1.2	-0.5	-0.4	-0.5	0.5	0.7	1.8	2.9	3.9	3.4	2.5	1.8	0.7	0.7

【Overseas economy and market data】

forecast

		FY 2021				FY 2022				FY 2023				FY 2024			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Real GDP (US)	(Annualized Qr/Qr rate,%)	7.0	2.7	7.0	-1.6	-0.6	2.6	0.1	0.3	0.4	0.7	1.0	1.3	1.4	1.5	1.6	1.6
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	8.2	9.0	2.0	2.7	3.1	0.6	0.6	-0.0	-0.0	0.5	0.5	1.0	1.0	1.0	1.0	1.0
Real GDP (Asia)	(Yr/Yr,%)																
Real GDP (China)	(Yr/Yr,%)	7.9	4.9	4.0	4.8	0.4	3.9	3.8	3.0	6.8	4.0	4.3	4.5	4.6	4.7	4.7	4.9
Yen/U.S.Dollar		109.4	110.1	113.7	116.2	129.6	138.4	143.7	140.0	138.0	136.0	134.0	133.0	132.0	131.0	130.0	129.0
Uncollateralized call rates (O/N) (%)*		-0.020	-0.031	-0.031	-0.015	-0.017	-0.020	-0.020	-0.020	-0.020	-0.020	0.050	0.050	0.050	0.050	0.050	0.050
TIBOR (3months)		-0.065	-0.072	-0.065	-0.049	-0.037	-0.007	0.000	0.000	0.005	0.005	0.075	0.075	0.125	0.125	0.125	0.125
Newly issued government bond yields (10years) (%)		0.07	0.03	0.07	0.18	0.23	0.22	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.35	0.40	0.45
WTI future price (near month contract, US dollar/barrel)		66.1	70.6	77.2	94.3	108.4	91.6	90.3	90.3	90.0	90.0	90.0	90.4	91.0	91.6	92.2	92.8
North Sea Brent Crude (US dollar/barrel)		69.0	73.2	79.8	97.4	111.8	97.8	96.5	96.0	95.0	95.0	95.0	95.4	96.0	96.6	97.2	97.8

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

		FY 2021				FY 2022				FY 2023				FY 2024			
		4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Value of exports (Yen base)		45.0	24.9	15.7	14.5	15.9	23.2	21.4	17.6	9.3	3.0	2.5	2.5	2.8	2.6	1.5	1.5
	Ammount (Yr/Yr,%)	34.5	13.6	0.8	-0.9	-3.1	0.2	0.0	-0.3	1.3	2.2	2.2	2.5	2.4	2.4	2.5	2.4
	Ammount (Qr/Qr,%)	1.4	-3.3	0.9	0.1	-0.9	-0.3	0.1	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Value of imports (Yen base)		24.0	37.1	37.6	34.6	40.8	47.6	44.1	30.3	10.9	0.7	-4.4	-3.2	-1.7	-0.8	-0.0	0.0
	Ammount (Yr/Yr,%)	5.2	7.8	1.3	1.3	-1.2	1.1	1.7	-0.3	0.7	0.8	1.8	1.5	1.2	1.1	1.1	1.1
	Ammount (Qr/Qr,%)	2.3	-1.8	-1.6	2.6	-0.5	0.3	-0.7	0.5	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)		0.4	-0.9	-1.7	-3.3	-4.6	-6.4	-7.5	-7.1	-5.5	-5.8	-5.3	-5.4	-4.3	-4.9	-4.9	-5.0
Current account balance (trillion yen)*		6.4	4.9	4.7	4.2	3.2	0.8	1.3	1.7	2.0	2.2	2.4	2.7	2.6	2.8	2.9	3.0
Balance on goods (trillion yen)*		1.0	-0.2	-0.7	-1.7	-3.8	-5.8	-6.2	-5.6	-4.9	-4.5	-4.1	-3.8	-3.7	-3.6	-3.6	-3.5
Balance on service (trillion yen)*		-1.1	-1.1	-1.1	-1.5	-0.9	-1.9	-1.4	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
Balance on income (trillion yen)*		7.1	6.8	7.2	8.1	8.5	9.0	9.4	8.7	8.3	8.1	7.9	7.9	7.7	7.6	7.6	7.6

*seasonally adjusted

【Corporations】

forecast

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Industrial production (Qr/Qr, %)	0.2	-1.9	0.2	0.8	-2.7	5.8	-1.0	2.3	1.3	0.8	0.4	0.4	0.4	0.4	0.4	0.4
(Yr/Yr, %)	19.8	5.4	0.9	-0.6	-3.7	4.2	2.6	4.2	8.4	3.4	4.7	2.8	1.9	1.6	1.5	1.6
Inventory index (Qr/Qr, %)	1.3	2.3	2.0	1.0	-1.3	4.2	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
(Yr/Yr, %)	-5.1	0.4	4.9	6.8	4.2	6.1	6.0	4.3	5.9	1.8	2.3	1.0	0.8	0.7	1.1	0.5
Sales	10.4	4.6	5.7	7.9	7.2	9.6	7.2	6.4	6.7	5.2	3.5	2.8	2.3	2.0	1.7	1.7
Ordinary profits	93.9	35.1	24.7	13.7	17.6	11.7	-7.4	-8.7	-8.6	4.1	8.1	11.0	6.9	7.1	6.5	6.3

*Forecast starts from 2022 7-9.

【Income and employment】

forecast

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Income per capita	0.9	0.5	0.1	1.5	1.6	1.7	2.3	0.9	1.2	1.2	1.2	0.9	0.9	0.9	0.9	0.7
Scheduled	0.6	0.1	0.0	0.9	1.1	1.2	1.2	0.9	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.6
Non-scheduled	13.8	7.4	3.5	4.5	5.1	5.2	5.5	4.0	3.0	3.0	2.5	2.0	1.8	1.8	1.8	1.5
Real wage indices	1.9	0.7	-0.6	0.3	-1.3	-1.6	-2.0	-1.6	-1.4	-0.8	-1.4	-2.7	-1.4	-1.0	0.4	0.1
Number of employees	0.8	0.7	-0.3	-0.2	0.7	0.5	1.0	1.0	0.4	0.5	0.4	0.3	0.3	0.3	0.3	0.3
Nominal compensation of employees*	2.9	2.3	1.0	1.0	1.6	1.8	2.9	2.3	1.8	1.7	1.5	1.5	1.3	1.2	1.0	0.9
Unemployment rate (%)	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1

※GDP base

【Goods prices】

forecast

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Domestic corporate goods prices	4.5	5.9	8.6	9.3	9.7	9.6	9.1	6.1	4.3	3.4	4.8	5.6	4.4	3.3	0.2	0.2
Consumer prices	-0.7	-0.2	0.5	0.9	2.4	2.9	3.7	2.1	2.3	1.7	2.2	3.0	2.0	1.7	0.5	0.4
excluding freshfood	-0.6	0.0	0.4	0.6	2.1	2.7	3.5	2.1	2.2	1.7	2.3	3.1	2.1	1.7	0.5	0.5
excluding food (excluding alcoholic beverages) and energy	-0.8	-0.5	-0.7	-0.9	0.8	1.4	2.3	2.5	2.0	1.3	0.8	0.6	0.5	0.5	0.5	0.5

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr, %

	FY 2021				FY 2022				FY 2023				FY 2024			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
New housing starts	86.5	86.7	85.5	87.3	85.2	86.1	85.9	87.1	87.5	87.7	87.9	88.0	87.8	87.7	87.4	87.2
	8.1	7.2	6.1	4.9	-1.3	-0.0	0.4	-0.0	2.7	2.2	2.3	1.1	0.4	0.0	-0.6	-0.8
Owned	28.1	29.5	28.6	26.0	25.7	25.4	25.9	26.5	26.7	26.8	26.7	26.7	26.6	26.5	26.5	26.4
	11.7	14.7	7.2	-6.9	-8.9	-12.9	-9.2	1.8	4.0	6.0	3.5	0.6	-0.4	-0.7	-0.9	-1.0
Rented	33.0	32.6	31.7	34.9	33.7	34.3	34.0	34.4	34.5	34.7	34.9	35.0	34.9	34.8	34.6	34.4
	10.0	7.2	6.4	13.5	2.5	6.1	6.9	-1.2	2.5	1.5	2.6	1.9	1.1	0.4	-1.1	-1.6
Built for Sale	24.7	24.0	24.7	26.0	25.3	25.8	25.4	25.6	25.5	25.6	25.6	25.6	25.7	25.7	25.7	25.7
	2.1	-0.3	6.4	7.6	2.7	7.1	3.1	-1.4	1.0	-0.7	0.6	0.4	0.5	0.4	0.4	0.4