Consumption-Led Growth is Key to Japan's Economy — Economic Forecast for FY 2001

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In fiscal 2000, strong growth in fixed business investment, along with a still modest improvement in household consumption, are offsetting lower public investment and helping the economy achieve 2.1% growth. In fiscal 2001, fixed business investment will ease off and exports will slow due to the cooling U.S. economy, but personal spending will grow, causing the real economic growth rate to dip to 1.9%, and the nominal growth rate of 1.1% to remain below the real rate. Meanwhile, the U.S. economy's heady pace of 5.1% in 2000 appears unsustainable, but the economy will manage to avert a hard landing and achieve 3.3% growth in 2001.

Note: Figures in this forecast are based on the new 1993 SNA standard at constant 1995 prices.

1. Economic Forecast for Japan

Despite slow improvement in consumption, the economy will grow 2.1% in fiscal 2000 as strong fixed business investment growth more than offsets the decline in public fixed investment. Economic growth will edge down to 1.9% in fiscal 2001 as fixed business investment eases and personal consumption gains momentum. But if the U.S. economy suddenly decelerates, Japan's economy could also turn downward in the second half of the fiscal year.

(1) Fiscal 2000 — Growing Dependence on Fixed Business Investment

1. Modest economic expansion continues in fiscal 2000

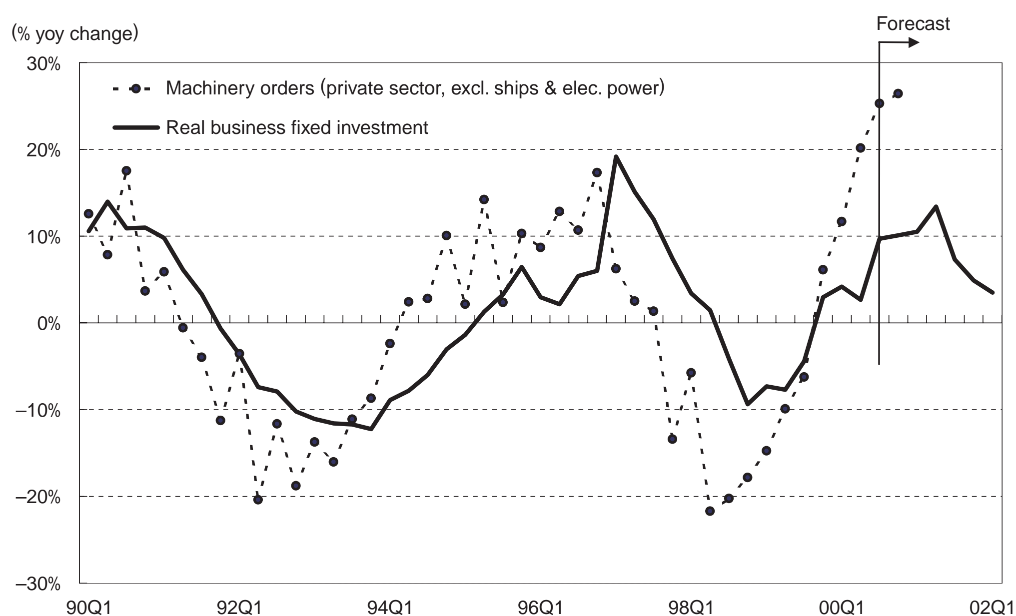
The present recovery began in April 1999, has been driven by both export growth amid Asia's economic recovery and the U.S. expansion, and higher corporate earnings as lower oil prices and corporate restructuring reduced input costs. Compared to the modest 0.7% consumption growth in the household sector, real investment spending in the corporate sector has growth 8.5% powered by earnings growth. Together, private sector demand is contributing 1.7% to the real economic growth rate of 2.1%. However, the nominal growth rate will reach only 0.6% due to the persistent deflationary undertone.

2. Continued expansion in business fixed investment

Although business fixed investment fell 2.5% sequentially in the April-June quarter, it revealed its underlying strength by surging 7.8% in the July-September quarter. Machinery orders (private demand excluding ships and electric power), a leading indicator for fixed business investment, surged 25.3% year-on-year in the July-September quarter, and is predicted to grow 26.4% in the October-December quarter. The strength in machinery orders suggests that fixed business investment will continue to recover for the time being.

In particular, based on growth in IT-related investment and computer software investment — a new category added in the latest GDP statistics revision — real fixed business investment will grow 8.5% in fiscal 2000, leading the economy recovery.

Figure 1 Machinery Orders and Business Fixed Investment



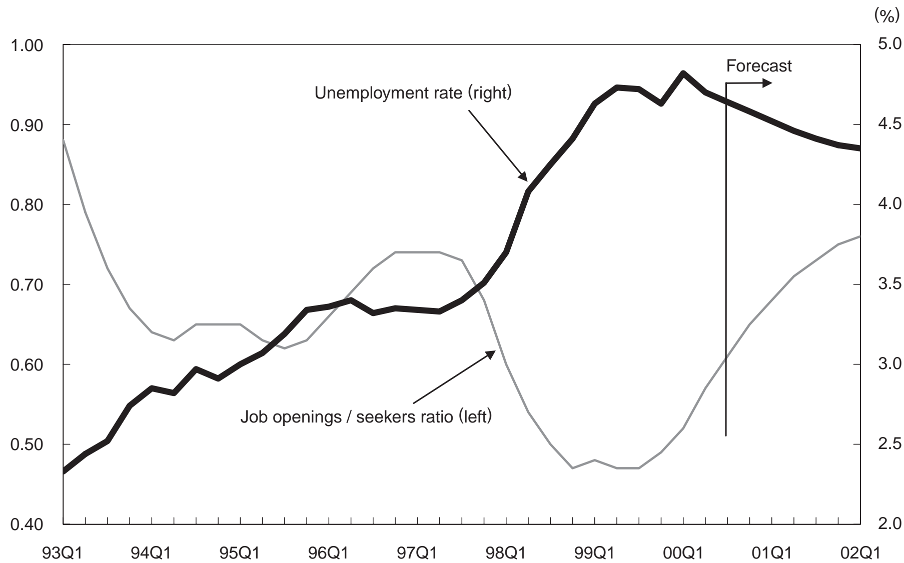
Note: Machinery orders for Oct-Dec 2000 is estimated; private fixed business investment for Oct-Dec 2000 forward is forecast by NLI Research Institute.
Source: EPA, *Annual Report on National Accounts;* and *Orders Received for Machinery.*

3. The lagging household sector

In contrast to the thriving corporate sector, improvement in the household sector has been quite modest. Although consumption grew 2.0% sequentially in the January-March 2000 quarter, the growth rate fell to 0.1% in April-June and 0.0% in July-September. The unemployment rate, which was approaching 5%, began retreating in fiscal 2000, while the effective ratio of job openings to seekers has improved, and summer bonuses rose 0.5% from the previous year. But despite these positive developments surrounding the consumption environment, consumption itself has remained subdued. However,

with winter bonuses up from the previous year due to earnings improvements, and the job environment continually improving, we predict real consumption growth in fiscal 2000 to increase 0.7%.

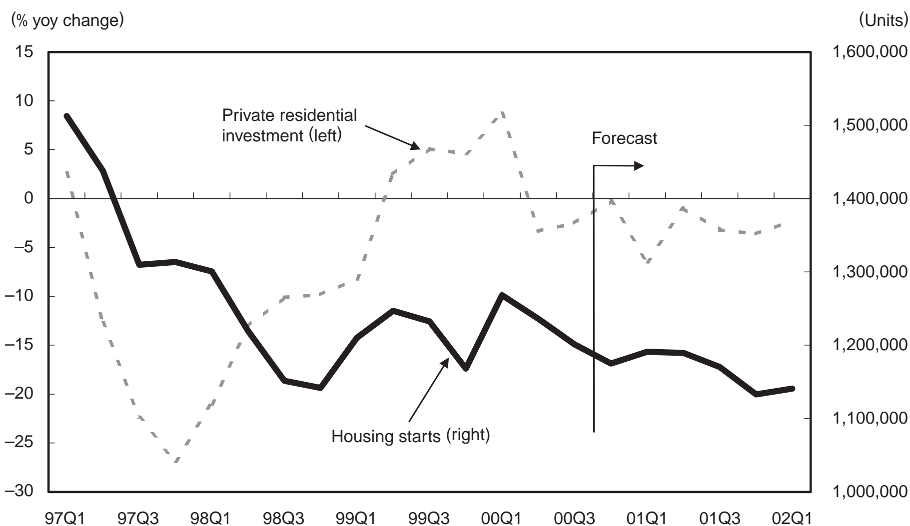
Figure 2 Unemployment Rate of Effective Ratio of Job Openings to Seekers



Source: MACA, *Labor Force Survey;* MOL, *Regular &Temporary Employment Placement Through Labor Exchanges.*

As for residential investment, demand has been artificially propped up by low interest rates and economic incentives. For this reason, policy measures to stimulate residential investment are thought to be ineffective, and not expected to grow despite the improving income environment, and decline 3.1% in fiscal 2000.

Figure 3 Residential Investment and Housing Starts

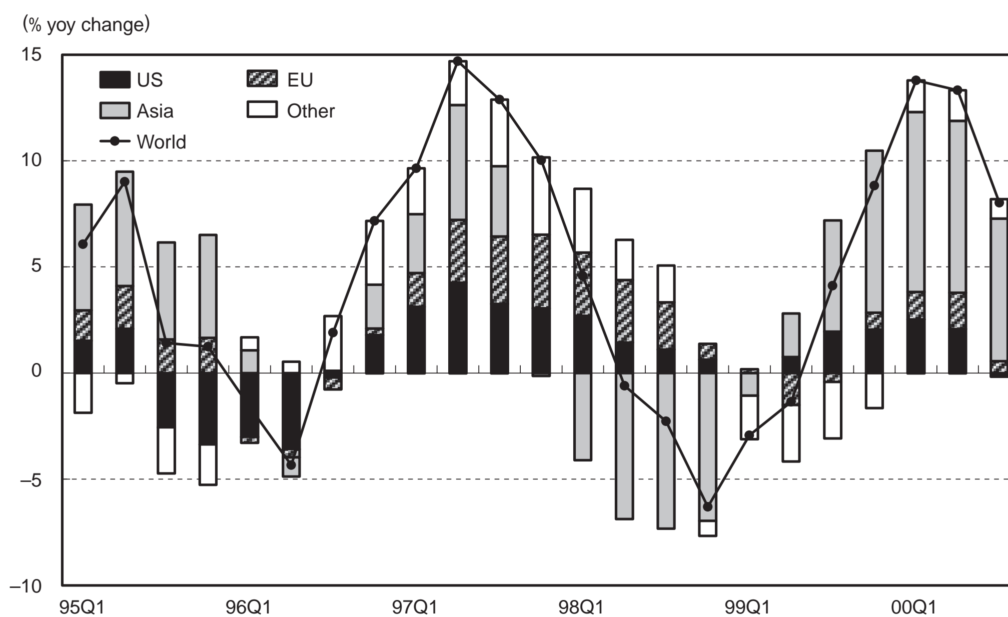


Notes: Seasonally adjusted. Figures for 4Q 2000 forward are predicted by NLI Research Institute.
Source: MOC, *Housing Start Statistics.*

4. Weakening support factors

The present recovery, which began in the spring of 1999, has been supported by growth in exports to recovering Asian economies and the expanding U.S. economy. However, export growth has begun to decline as the U.S. economy decelerates and the weak euro squeezes export profits to Europe. In addition, despite additional public works spending measures, autonomous project spending at the local level has decreased due to budgetary problems, causing public fixed capital formation to decline 3.9% in fiscal 2000 and make a negative contribution to economic growth.

Figure 4 Real Value of Exports by Destination

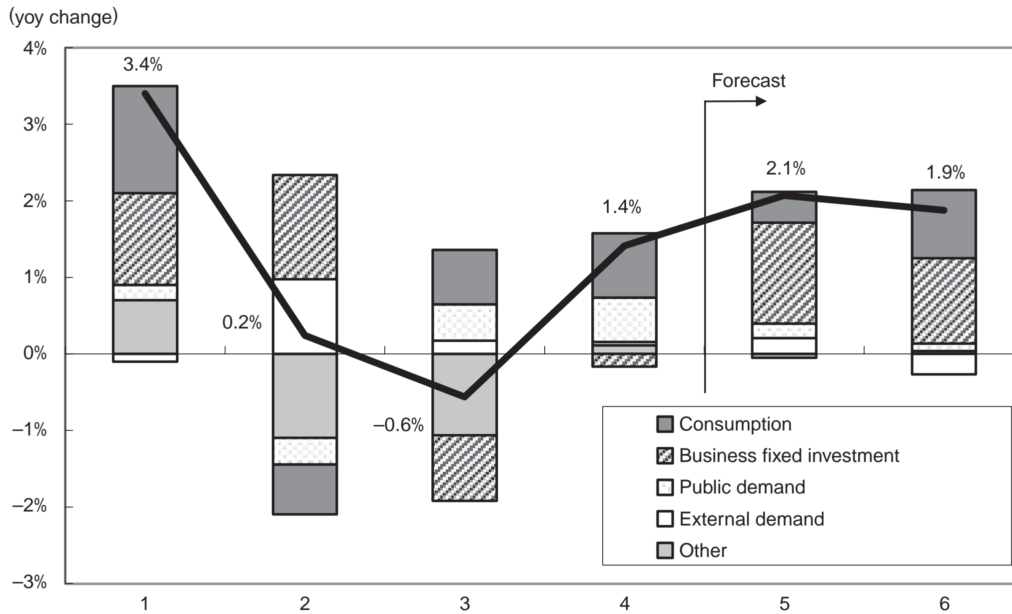


Note: Real values are obtained by applying export price index to export value.
Source: MOF, *Summary Report on the Trade of Japan.*

(2) The Economy in FY 2001

Despite continued growth in fixed business investment and increased consumption, the economy's real growth rate will edge down in fiscal 2001 to 1.9% due to declining public works investment and sluggish export demand. With moderate deflation being sustained in part by a stronger yen, the nominal economic growth rate of 1.1% will remain below the real growth rate.

Figure 5 Real GDP Growth Rate



Source: EPA, *Annual Report of National Accounts*. Forecast is by NLI Research Institute.

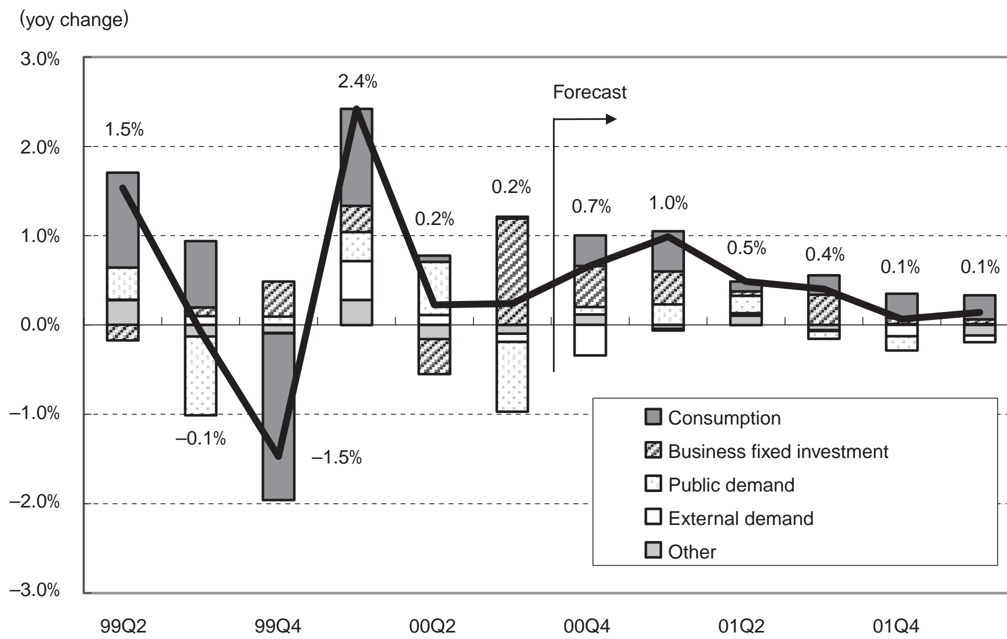
1. Forecast assumptions

1. The public works allocation in the fiscal 2001 budget will be unchanged, and a substantial additional spending measure will be implemented during the fiscal year.
2. Monetary policy will remain unchanged during fiscal 2001.
3. The WTI oil price will average $27.50 per barrel in fiscal 2001 (compared to $31.10 in fiscal 2000).
4. The yen will rise gradually to ¥105 per dollar in January-March 2002.

While most of the public works allocation in the November 2000 supplementary budget will be deployed in fiscal 2001, the fact that the carryover is not significantly different from fiscal 2000, and that autonomous local projects are on the decline, suggest that public works spending will continue to decline in fiscal 2001. Barring a serious economic slump, additional fiscal measures are likely to be rejected. With no additional allocations other than the annual allocation for disaster reconstruction in the supplementary budget, public fixed capital formation will decline 3.2% in fiscal 2001.

Considering the economy's modest growth pace and further reining in of fiscal measures, it will be difficult to tone down the monetary stimulus measures. On the other hand, the modest improvement in the employment picture hardly calls for emergency measures such as a zero-interest rate policy. We thus expect monetary policy to remain unchanged and the call rate to stay at 0.25% throughout fiscal 2001. Oil prices will decline as the slowing U.S. economy cools down the rest of the world economy.

Figure 6 Demand Component Movements in Fiscal 2000-01



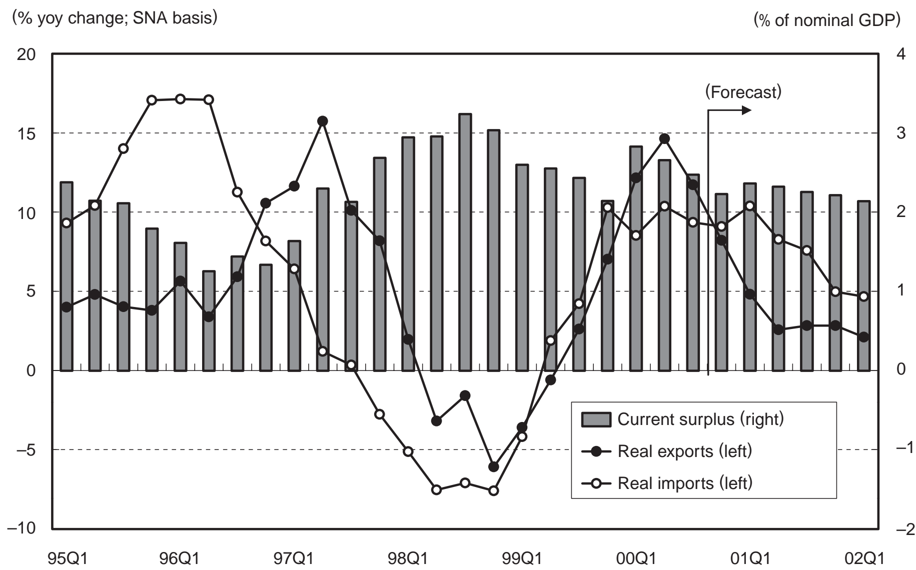
Source: EPA, *Annual Report on National Accounts.*

2. Modest improvement in consumption

While capital investment will continue to grow in fiscal 2001, the pace will shift down to 6.8% from 8.5% in fiscal 2000. Consumption growth, which was mild 0.7% in fiscal 2000, will be restrained in fiscal 2001 by low wage growth. But helped by the continued moderate improvement in the job environment, consumption will increase 1.6%, replacing capital investment as the driving force behind the economy.

As a result of the slowdown of the U.S. economy, the contribution of external demand will decline from positive 0.2% in fiscal 2000 to negative 0.3% in fiscal 2001. Due partly to falling oil prices, the current account surplus will remain at approximately 2% of nominal GDP.

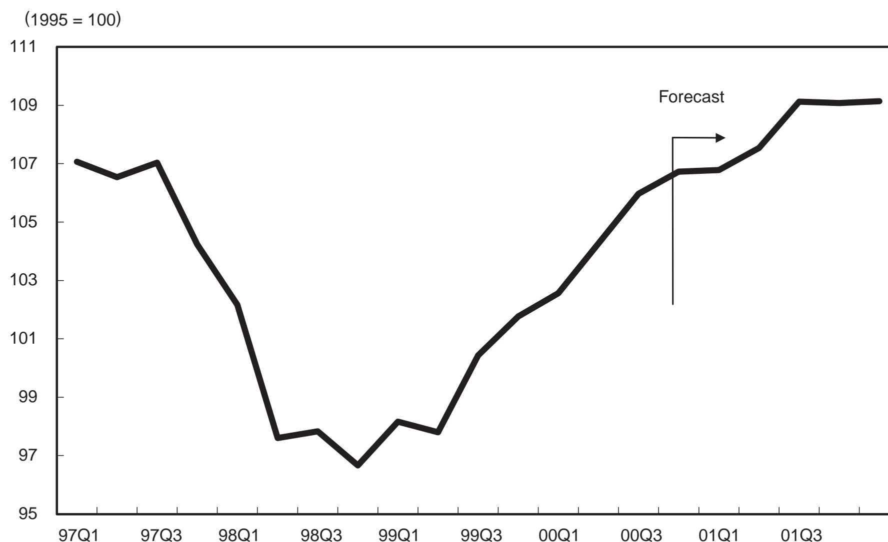
Figure 7 Real Exports & Imports, and the Current Account Surplus Ratio to Nominal GDP



Sources: EPA, *Annual Report on National Accounts;* BOJ, *Balance of Payments Monthly*.

Consumption will pick up in fiscal 2001, but the economy's growth will edge down in the second half of the fiscal year as capital investment loses steam and exports are affected by the cooling U.S. economy. Lower export growth has reduced but not damaged the growth undertone of industrial production, which is predicted to continue in fiscal 2001. However, there is concern that industrial production could peak out in the second half depending on the strength of consumption.

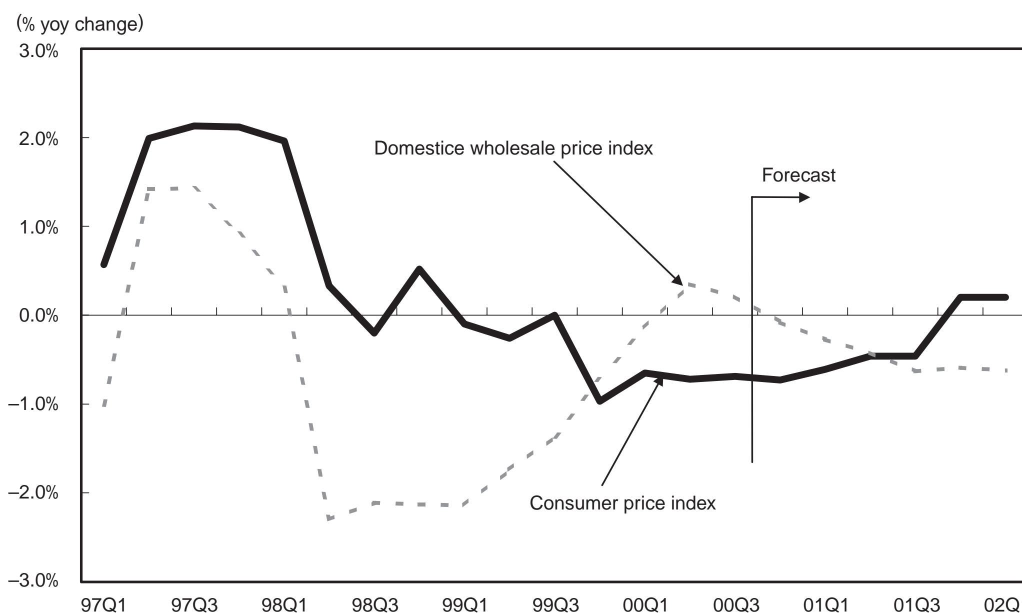
Figure 8 Industrial Production Index



Source: MITI, *Industrial Statistics Monthly*. Forecast from Q4 2000 forward is by NLI Research Institute.

The long-term interest rate will remain low due to offsetting factors: upward pressure from bond market concerns associated with reform of the Fiscal Investment Loan Program, and concerns over the growing fiscal debt, and downward pressure from the strong yen and sustained deflation. As for exchange rates, while the expected soft landing for the U.S. economy will pull the yen down in early 2001, the U.S. current account deficit is likely to become a problem during fiscal 2001, causing the dollar to move downward against both the yen and euro.

Figure 9 Wholesale and Consumer Prices



Sources: MACA, *Consumer Price Indexes;* and BOJ, *Wholesale Price Indexes*. Forecast from 00Q4 is by NLI Research Institute.

(3) Risk Factors and Other Issues in Fiscal 2001

1. Outlook for overseas economies grows murkier

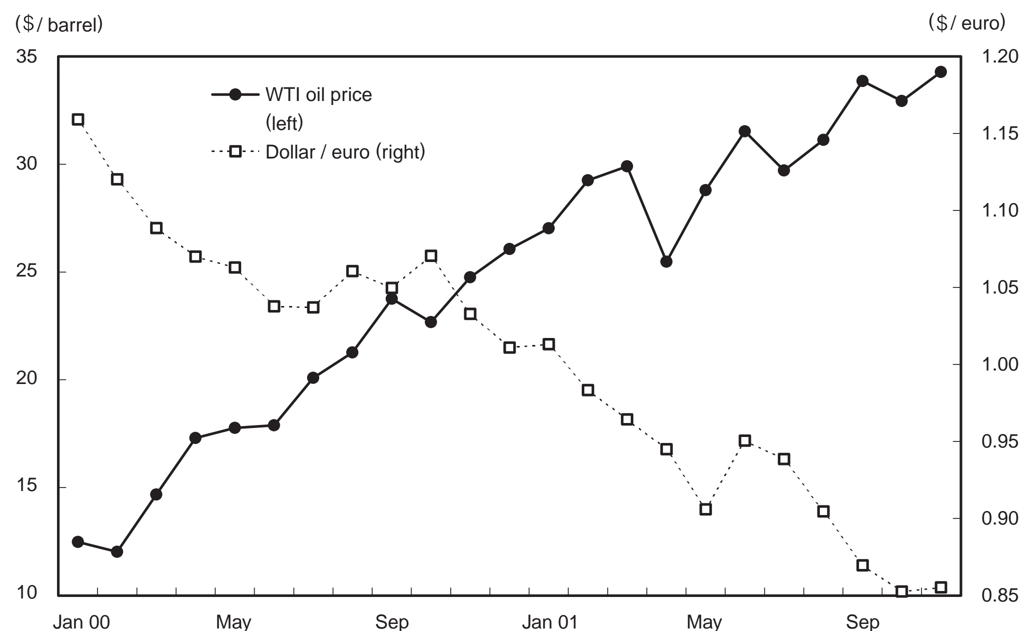
Despite the risk of delayed improvement in consumption, no serious risks on the domestic scene threaten to lead to recession. On the other hand, many risks exist in the overseas economic environment.

The most serious risk is a sharp downturn of the long robust U.S. economy. The economy's initial weakness has already dampened Japan's exports to the U.S., and a further slowdown will not only hurt Japan's direct exports but slow down exports to Asian economies that heavily depend on the U.S. market. While this risk of a hard landing for the U.S. economy is relatively small, it is a serious one nonetheless.

The second risk is the weak euro's impact and possibility of a sudden correction. Since its inauguration in January 1999 at $1.18, the euro has consistently fallen, losing 25% of its value at $0.88 recently. While this partly reflects a correction of excessive expectations regarding monetary union, the euro is now believed to be undervalued. The euro's depreciation, combined with rising oil prices, has aggravated inflation in Europe and necessitated monetary tightening. Since the depreciation has been due to capital outflows from Europe to the U.S., a U.S. slowdown is likely to reverse the capital flow and strengthen the euro. However, a sudden eruo correction also posses the risk of a massive capital flow back to Europe, causing the dollar to plunge and interest rates to surge in the U.S. and consequently globally.

Oil prices remained stable after surging as a result of the Gulf War of 1990. Then prices plummeted after the Asian currency crisis, and spiked to $37 with the recovery in Asia and expansion in the U.S. Japan has managed to withstand the effect of high oil prices due to a reduced dependence on oil following the two oil crises, and the strong yen. But since other Asian economies are still heavily dependent on oil, higher oil prices could stifle their fragile recoveries, thereby affecting Japan indirectly.

Figure 10 Oil Price and Dollar/Euro Exchange Rate Trends



Source: Nihon Keizai Shimbunsha.

2. Issues for Japan's economy

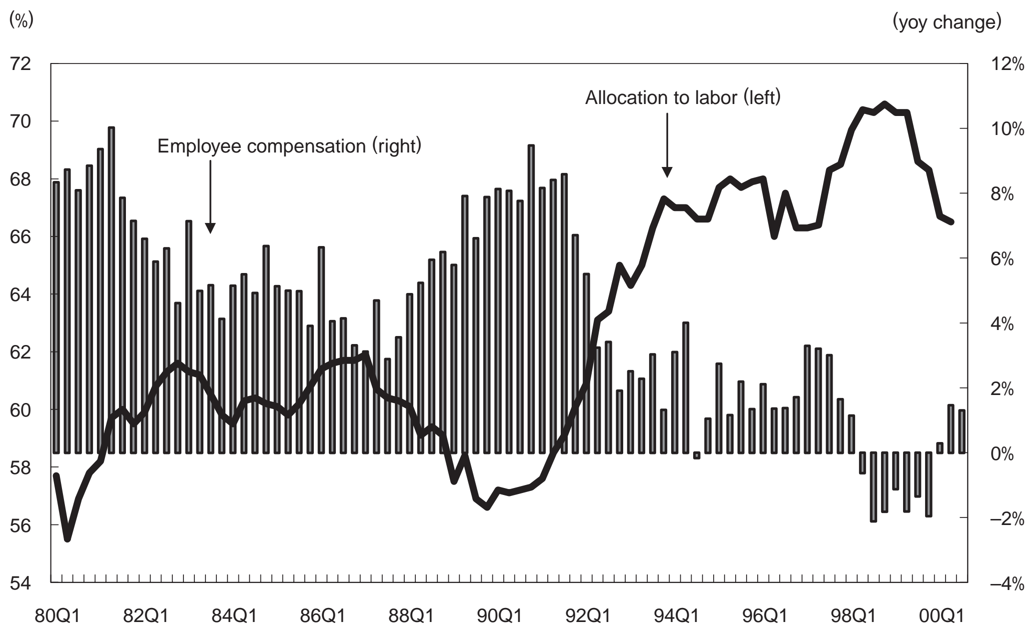
Reducing the fiscal deficit — Despite additional public works spending under the economic package implemented last November, public fixed capital formation in fiscal 2000 is expected to decrease 3.9% in real terms. Judging from the decline in local autonomous public works projects, it would be fair to

say that fiscal policy has already turned in the direction of reducing deficit spending. In the fiscal 2001 budget, as economic priorities shift with growing clarity from nursing the economy to reducing deficit spending, public fixed capital formation will decline 3.2%.

We acknowledge the existence of the effect of fiscal deficits in restraining consumption due to anticipation of future tax increases. But in the short term, budget balancing measures such as tax increases and spending cuts will negatively affect the economy. In the present fiscal year, the economic recovery and reduction in local public works projects have combined to trim the deficit. But the reduction is minor — through the multiplier effect, the 3.9% reduction in real public fixed capital formation in fiscal 2000 will contribute -0.4% to the economic growth rate, while shaving the deficit by approximately ¥2 trillion — a mere 0.4% of nominal GDP. Obviously, the fiscal 2000 deficit, which is expected to reach approximately 10% of nominal GDP, cannot be reduced by relying on the economic recovery alone. As the new century starts, we need a grand economic strategy comparable to the Maekawa report of the late 1980s, which enabled economic growth, stable external balances, and deficit cutting at the same time.

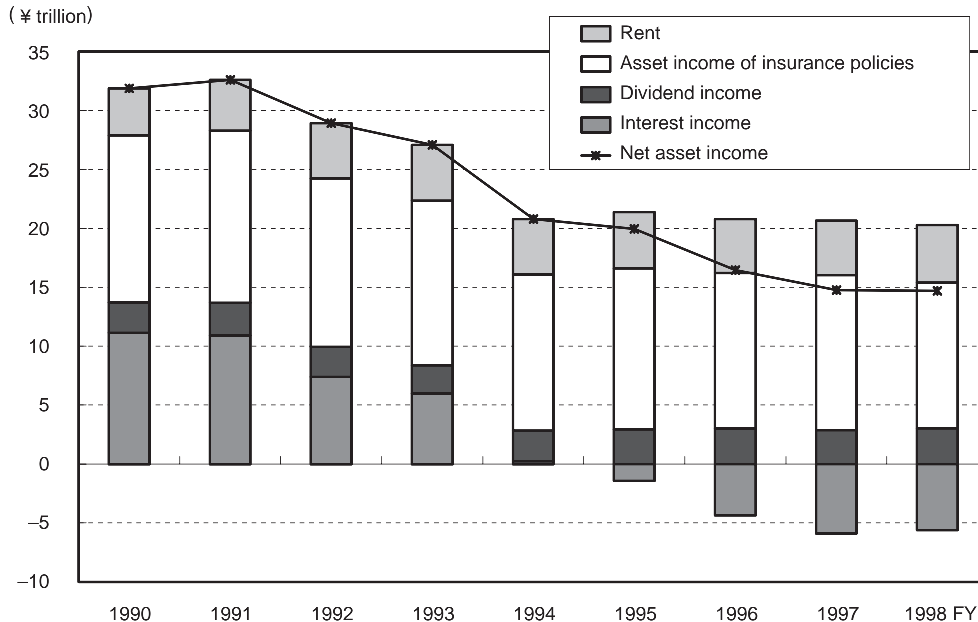
Achieving income growth to spur consumption — Much of the economy's growth prospects for fiscal 2001 depend on the strength of consumption. For consumption to achieve sustained growth, higher propensity to consume by improving the desire to consume, and growth in household incomes. But corporate restructuring makes it unrealistic to expect significant wage growth. Amid disappointing earnings, the allocation to labor in the 1990s rose significantly due to slow progress in reining in wages and cutting payrolls. In the present economic recovery from spring 1999, although corporate earnings have improved substantially, wage growth has been restrained — the spring labor offensive produced the lowest wage increase on record of 2.06%, while summer bonuses in 2000 rose only 0.5%. But while the allocation to labor has declined to 1993 levels, it is still high compared to the 1980s, leaving little to hope for in the way of significant wage growth.

Figure 11 Allocation to Labor and Employee Compensation



Notes: Allocation to labor (seasonally adjusted) = Labor cost / (Current profit + Depreciation cost + Interest payments + Labor cost)
Compensation prior to 1990 is based on 68 SNA.
Sources: MOF, *Financial Statements of Incorporated Enterprises;* EPA, *Annual Report on National Accounts*.

Figure 12 Net Asset Income



Note: Shows net income (income minus expenses) for each category.
Source: EPA, *Annual Report on National Accounts* (1995 standard).

In addition to wages, sluggish household income growth can also be attributed to a significant decline in asset income as a result of the sustained low-interest rate policy. Households own ¥1,400 trillion in financial assets, which in the past generated substantial net asset income each year. But since July 1991, when monetary easing began to reduce interest rates substantially, household interest income has continued to decline despite an increase in financial assets. While households have benefited from lower home loan payments, the household sector has actually been a net interest payer since fiscal 1995, meaning that low interest rates have reduced household income growth.

Considering the large allocation to labor, the suppressed wage growth is reasonable, in the short term companies use the restrained earned income and monetary easing to reduce the pressure of their excess debt. But to spur consumption in the medium term, corporate earnings growth achieved by suppressing wages needs to be returned to households in the form of asset income growth such as dividend increases. Otherwise, household incomes will fail to grow and consumption growth will be dampened.

(4) Conclusion

Despite the prevalence of external risks, Japan's economy will continue growing as the focus gradually shifts from capital investment in fiscal 2000 to consumption led growth in fiscal 2001. For this transition to proceed smoothly, alleviate anxieties about future household social security reforms to better support the aging society such as pensions, health and long-term care insurance, so that the conditions for consumption growth are set in place for the medium term. In fiscal 2001 — the first year of the new century — the challenge for Japan's economy is to resume the growth track in the medium term, and at the same time reduce the massive fiscal deficit and implement new laws and systems for economic rejuvenation.

2. Forecast for the U.S. Economy

(1) Soft Landing in 2001

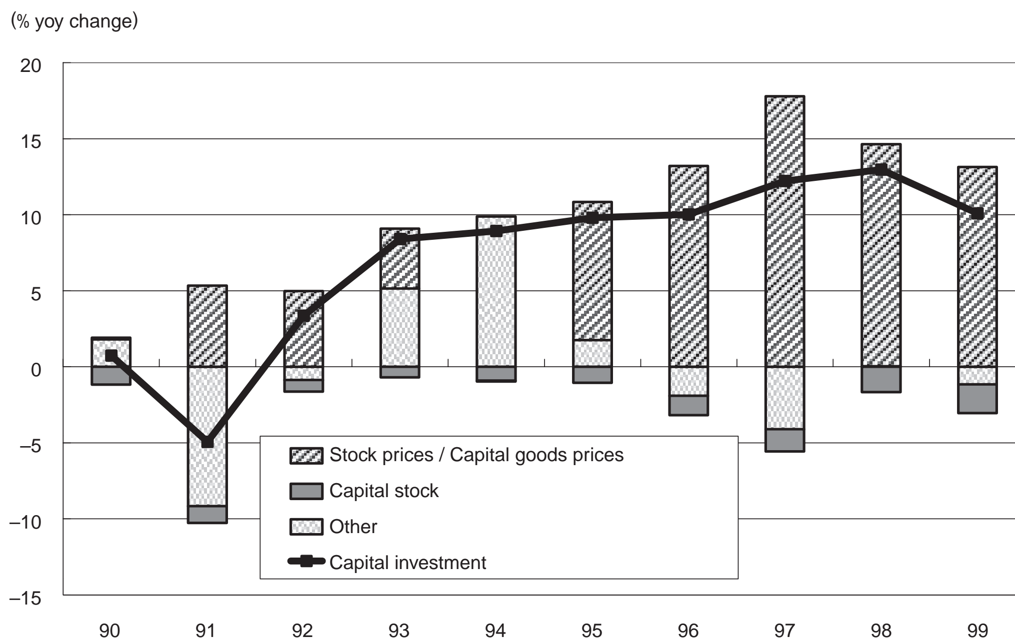
The longest U.S. expansion on record that began in 1991 is likely to slow down in 2001. In the third quarter of 2000, real GDP growth slowed to a 2.4% pace sequentially, the lowest rate in four years. However, rather than a hard landing that causes a deflationary spiral and possibly leads to recession, we anticipate a soft landing where the economy adjusts to a potential growth rate (3.5 to 4%) that was increased by the labor force inflow in the 1990s and IT-induced productivity growth.

The main factor in the slowdown has been weakness in capital investment. Throughout the 1990s, the expansion had been led by capital investment, which rose from 9.1% of real GDP in 1991 to 14.1% in 1999. Capital investment growth in the 1990s is attributed to low capital goods prices amid increasing

globalization, and to an improving investment climate as strong earnings and low interest rates pushed up stock prices. This in turn induced higher demand, causing earnings and employment to improve, while on the supply side productivity growth from IT-related investment helped to suppress inflation while sustaining growth. However, the cumulative effect of the FRB's monetary tightening policies increased financing costs by pushing down stock prices and raising corporate bond yields, thereby dampening investment in 2000. A leading indicator for capital investment, non-defense capital goods orders, peaked in June and has been declining since.

However, IT-related investment continued to expand at a rapid pace in the third quarter, increasing 17.1% sequentially. With the IT revolution spreading across Asia and Europe (including the effect of Japan's new IT Basic Law), production and investment in America's highly competitive IT related sector will continue to be sustained by orders from abroad, helping to support the overall corporate sector.

Figure 13 Capital Investment



Note: Capital investment is estimated using the following equation.
ln (Capital investment) = 10.04 + 0.589 * ln (Stock prices / Capital goods prices)
– 0.486 * ln (Capital stock at t-1)
with R-squared = 0.936, D.W. = 1.53, and standard error = 0.072

The household sector is expected to remain steady. Looking ahead, lower corporate earnings will affect the household sector by causing the labor market to ease and suppressing wages. But consumption already exceeds disposable income, and the savings rate has been negative since last summer. This is attributed mainly to factors other than income such as the wealth effect of stock prices and increase in consumer credit. The cumulative increase in wealth from the stock market, along with the rising increase in consumer credit as a proportion of disposable income, the restraining effect of the recovery

in savings rate will be limited. In addition, the decline in mortgage loan rates, residential investment is predicted to recover from its decline in the first half of last year.

Should a hard landing occur as a result of weakness in the stock market, policymakers still have substantial resources to draw on, given the $237 billion fiscal surplus and 6.5% federal funds rate. Indeed, in light of concerns about the possible absence of leadership from the new administration in the wake of the contested election, or from the closely divided Congress, we expect monetary to play an increasingly important role in 2001.

(2) Shift to a Neutral Monetary Stance and Possible Interest Rate Cuts

To achieve a soft landing scenario that circumvents inflation, the FRB raised policy rates six times since last June, and is credited with sustaining the economy's growth thus far.

Despite a tight labor market and rising oil prices, the core inflation rate has been declining since last July. An increase in part time workers has made the labor market more flexible, thereby reducing inflationary pressure. Growth in non-farm workers has slowed, while employment cost increases are also expected to be restrained in 2001. Oil prices are predicted to peak out from 2001 as the U.S. and world economies slow down and OPEC and non-OPEC producers increase production. These supply side factors, together with the slowdown in final demand, will cause inflation to decline in 2001.

Judging from these factors and remarks by the FOMC on productivity growth, we expect the FRB to shift from its present cautious stance to a neutral stance in the near future. Depending on the pace of the economy's slowdown, interest rate cuts are also a strong possibility.

In the financial markets, the stock market correction in 2000 has reduced price to earnings ratios and dissipated bubble conditions except for the Nasdaq. We predict that financial markets will remain firm as corporate earnings growth bottoms out in the first quarter of 2001, and interest rates remain neutral or trend down. Reflecting monetary easing expectations and the economic slowdown, long-term interest rates will decline, and the inverse yield curve will steepen.

(3) Hard Landing Risk and the Growing Current Account Deficit

As discussed above, while demand trends and policy measures point to the likelihood of a soft landing scenario, one risk that could cause a hard landing is the expansion of the current account deficit.

The current deficit is expected to surpass $400 billion in 2000. Despite double digit growth, exports continue to underperform imports. The current deficit reflects excess domestic consumption that must be financed by capital inflows, which in turn strengthens the dollar and leads to larger deficits.

Because the strong dollar and dampened capital investment will restrain supply side capacity, the current deficit is expected to continue growing in 2001. While most of the capital inflow has originated from Euroland, the trade deficit with Japan and the rest of Asia is expanding. Should a strong euro and Euroland economic recovery reverse the capital flow, not only will the dollar weaken, triggering inflation and depressing stock markets in the U.S., but repercussions will be felt in Asia as well. Thus the U.S. current deficit is a factor that can trigger a chain reaction throughout the global economy.

While the Bush administration's Treasury Department is expected to retain a strong dollar policy, it will become more sensitive to an overly strong dollar caused by the euro's speculative weakness, particularly with the economy showing signs of weakness. The dollar has already deviated upward from its trend level. From the perspective of the dollar's sustainability, we predict that the G7 will make a concerted intervention in the exchange market to prevent any sudden decline. At present for Euroland, the predicted economic slowdown, delays in structural reforms, and the fact that capital inflows to the U.S. have increased not only in portfolio investments but direct investments centered around M&A activity, indicate that a large-scale reversal of capital flow is unlikely. However, given the private sector's excessive accumulation of debt during the long economic expansion, a serious economic slowdown in the U.S. could occur due to balance sheet adjustments. For the U.S. to recover its growth track following a soft landing, the debt must be reduced and savings rate increased in the medium term.

Figure 14 The U.S. Current Account Balance and Effective Dollar Exchange Rate

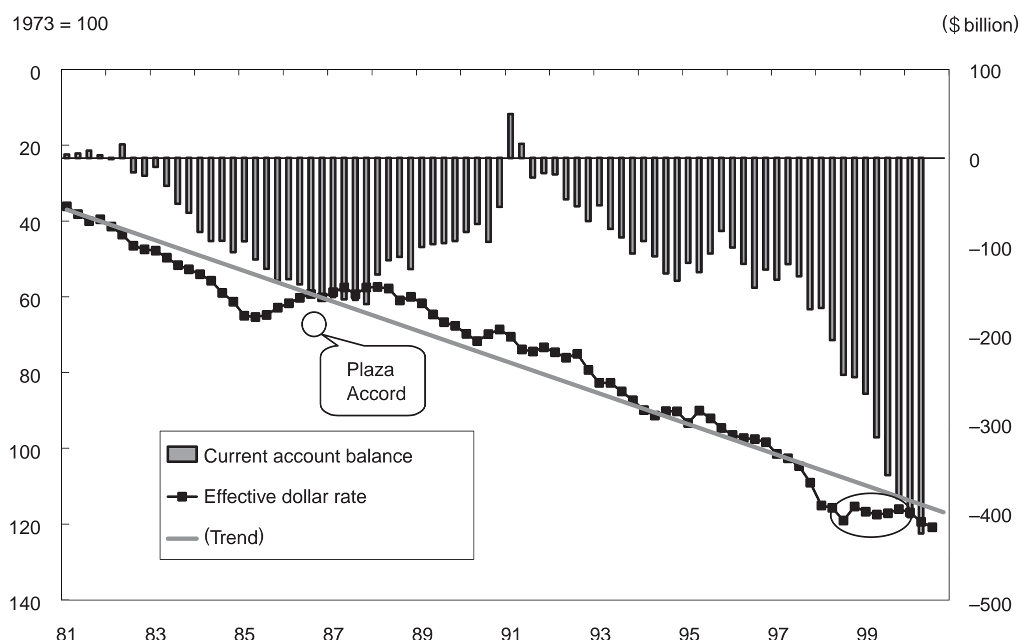


Figure 15 Forecast for the U.S.

(% yoy change unless otherwise noted)

	98	99	2000 (forecast)	2001 (forecast)
Real GDP	4.4	4.2	5.1	3.3
Personal consumption expenditures	4.7	5.3	5.4	4.1
Nonresidential fixed investment	13.0	10.1	13.1	7.6
Residential fixed investment	8.3	5.9	-0.2	2.1
Inventory investment ＊	0.2	–0.4	0.3	0.0
Govt. consumption expend. & gross invest	2.1	3.3	2.7	3.3
Net exports ＊	–1.2	–1.0	–1.0	–0.4
Exports	2.3	2.9	10.6	8.6
Imports	11.9	10.7	14.9	9.0
Nominal GDP	5.7	5.7	7.5	5.5

	98	99	2000 (forecast)	2001 (forecast)
Industrial production index	4.3	3.5	5.4	3.1
Producer price index	–0.9	1.8	3.6	2.1
Consumer price index	1.6	2.2	3.2	2.8
Unemployment rate	4.5	4.2	4.0	4.2
Current account balance($ bil.)	–$217.1	–$331.5	–$411.7	–$432.2

Federal funds rate	5.4%	5.0%	6.3%	6.3%
10-year Treasury rate	5.3%	5.6%	6.0%	5.8%

＊ Inventory investment and net exports are shown as contribution to GDP.

Figure 16 Forecast for Japan

→ Forecast (% sequential change) Previous forecast

		FY 99 (a)	FY2000 (f)	FY2001 (f)	2000/4-6 (a)	7-9 (a)	10-12 (f)	2001/1-3 (f)	4-6 (f)	7-9 (f)	10-12 (f)	2002/1-3 (f)	FY2000 (68SNA)
Real GDP	sequential change	1.4	2.1	1.9	0.2	0.2	0.7	1.0	0.5	0.4	0.1	0.1	2.7
	sequential change at annual rate				0.9	1.0	2.7	4.0	2.0	1.6	0.3	0.6	
	change from previous year				1.3	1.5	3.1	2.4	3.0	2.3	1.5	0.8	
By contribution to changes in GDP:													
Domestic demand		1.4	1.9	2.1	0.1	0.3	1.0	1.0	0.5	0.4	0.2	0.2	2.3
Private demand		0.8	1.7	2.0	–0.5	1.1	0.9	0.8	0.3	0.5	0.3	0.2	2.4
Public demand		0.6	0.2	0.1	0.6	–0.8	0.1	0.2	0.2	–0.1	–0.2	0.0	–0.1
External demand		0.0	0.2	–0.3	0.1	–0.1	–0.3	–0.0	0.0	–0.0	–0.1	–0.1	0.5
Private final consumption expenditure		1.5	0.7	1.6	0.1	0.0	0.6	0.8	0.2	0.4	0.5	0.5	2.3
Private residential fixed investment		5.1	–3.1	–2.5	–5.4	0.5	0.6	–2.0	–0.3	–1.5	0.6	–1.2	–0.4
Private nonresidential fixed investment		–1.0	8.5	6.8	–2.5	7.8	2.8	2.2	0.3	2.0	0.4	0.3	5.3
Government final consumption expenditure		4.0	3.1	2.1	1.2	0.5	0.2	0.6	1.0	0.3	0.1	0.4	1.1
Public fixed capital formation		–0.7	–3.9	–3.2	5.4	–10.7	0.7	1.9	0.5	–1.9	–2.5	–0.8	–3.4
Exports of goods & services		5.3	9.7	2.6	4.0	0.0	–0.4	1.1	1.8	0.3	–0.4	0.4	14.1
Imports of goods & services		6.2	9.8	6.3	3.9	1.1	3.4	1.6	1.9	0.5	0.9	1.3	12.9
Nominal GDP		–0.2	0.6	1.1	–0.4	–0.5	0.5	1.3	0.1	–0.5	0.8	–0.1	1.1

Notes: 1. For real GDP, the three rows show sequential change, sequential change at annual rate, and yoy change. Other demand components are expressed as sequential change.
2. Assumptions: ODR unchanged at 0.5%; oil price of $31.10 per barrel in FY 2000, $27.50 in FY 2001.
3. This forecast uses the 1993 SNA basis; previous forecast used the 1968 SNA basis.

Source: EPA, *Annual Report on National Accounts.*

Major indicators

(% unless noted otherwise) Previous forecast

	FY 99	FY 00	FY 01	2000/4-6	7-9	10-12	2001/1-3	4-6	7-9	10-12	2002/1-3	FY 2000
Industrial production. (seq. change)	3.4	5.3	2.6	1.7	1.6	0.7	0.1	0.7	1.5	–0.1	0.1	6.1
Domestic wholesale price index (yoy change)	–1.0	0.1	–0.6	0.3	0.2	–0.1	–0.3	–0.4	–0.6	–0.6	–0.6	0.3
Consumer price index (yoy change)	–0.5	–0.7	–0.3	–0.7	–0.7	–0.7	–0.6	–0.5	–0.5	–0.2	–0.2	–0.3
Current account balance (\ trillion)	12.6	12.5	11.7	13.7	12.7	11.5	12.3	12.1	11.7	11.6	11.2	12.2
(ratio to nominal GDP)	2.5	2.4	2.2	2.7	2.5	2.2	2.4	2.3	2.3	2.2	2.1	2.4
Unemployment rate	4.7	4.6	4.2	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.4	4.6
Housing starts (million)	1.23	1.20	1.16	1.24	1.20	1.17	1.19	1.19	1.17	1.13	1.14	1.21
20–year JGB yield	1.8	1.8	1.9	1.8	1.9	1.8	1.7	1.8	1.9	1.9	1.9	1.9
Exchange rate	¥112	¥108	¥107	¥107	¥108	¥109	¥110	¥109	¥108	¥107	¥105	¥106

Sources: MITI, *Industrial Statistics Monthly;* BOJ, *Price Indexes Monthly;* MACA, *Monthly Report of Retail Prices; MOC, Monthly Construction Statistics;* others.