Economist Letter

Japan's Economic Outlook for Fiscal Years 2020 and 2021

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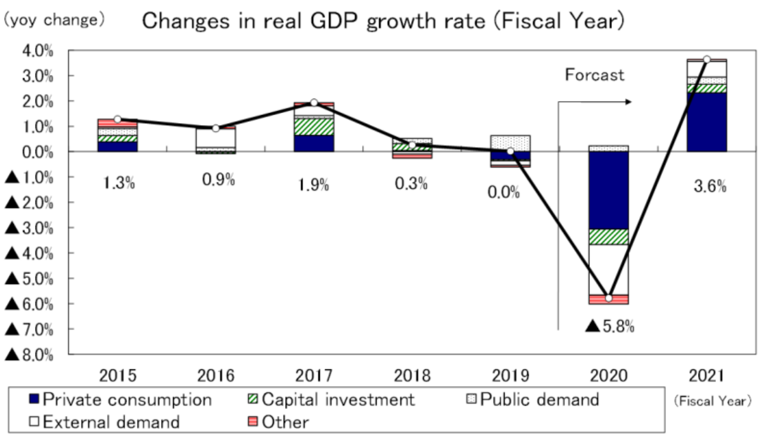
<Real GDP growth rate: FY 2020 - 5.8%, FY 2021 + 3.6% forecast>

1. The real gross domestic product (GDP) in the April–June quarter of 2020 marked a record minus annual growth of 27.8%, reflecting a sharp drop in private consumption due to self-restraint in going out following the declaration of a state of emergency.
2. The resumption of economic activities after the declaration of emergency was lifted will result in a high annual growth rate of 13.1% in the July–September quarter of 2020 compared to the previous quarter. However, as the number of people who tested positive for the new coronavirus is again increasing, there has been a growing trend toward self-restraint, and the normalization of the economy has been delayed.
3. It will take time for economic activity to return to its original level, as social distancing will curb spending on services such as dining out, travel, and entertainment. Moreover, bankruptcies and a sharp increase in unemployment have damaged the economic foundation for V-shaped recovery. The real GDP growth rate is forecast to be minus 5.8% in fiscal year (FY) 2020 and 3.6% in FY 2021.
4. Due to the rapid deterioration of the economy, the unemployment rate is expected to rise from the current high of 2% to approximately 4%. In 2020, employee compensation is expected to decrease for the first time in eight years. The disposable income of households will be pushed up by the provision of special fixed amount benefits in FY 2020, but it will inevitably drop in FY 2021 as a reaction. In the long run, the deterioration of the employment income environment is likely to delay the recovery of consumption.



(Source) Economic and Social Research Institute, Cabinet Office "Quarterly Estimates of GDP"

1. Record negative growth in April–June 2020 at an annualized rate of minus 27.8%

In the April–June quarter of 2020, real GDP declined by 7.8% (down 27.8% per annum) from the previous quarter, marking the third consecutive quarter of negative growth. The negative range of the growth rate exceeded that of the January–March quarter of 2009 (down 17.8% per annum), which followed the world financial crisis, and was the largest since at least 1955 (the earliest year to which GDP statistics can be traced).[*]1

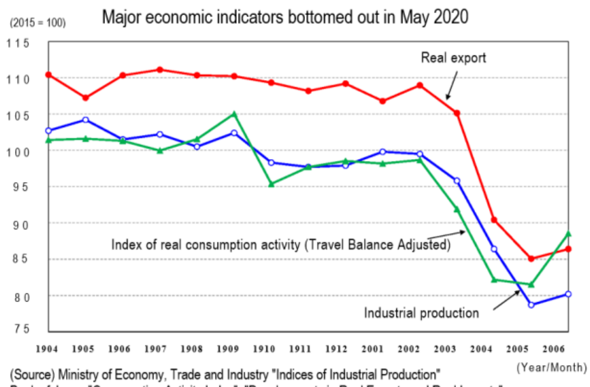
Private consumption dropped by 8.2% from the previos quarter due to self-restraint in going out and store closures following the declaration of a state of emergency in response to the spread of the new coronavirus. Capital investment decreased by 1.5%, the first decline in three quarters, due to worsening corporate earnings and growing uncertainty about the future. The use of medical institutions declined sharply to avoid infection with the new coronavirus, and government consumption declined by 0.3% from the previous quarter. As a result, public demand declined by 0.0% from the previous quarter, and domestic demand contributed minus by 4.8% (annual rate of minus 19.1%).

Exports declined by 18.5% from the previous quarter due to the rapid deterioration of overseas economies and the disappearance of inbound demand, while external demand contributed minus 3.0% (annual rate of minus 10.8%), significantly lowering the growth rate.

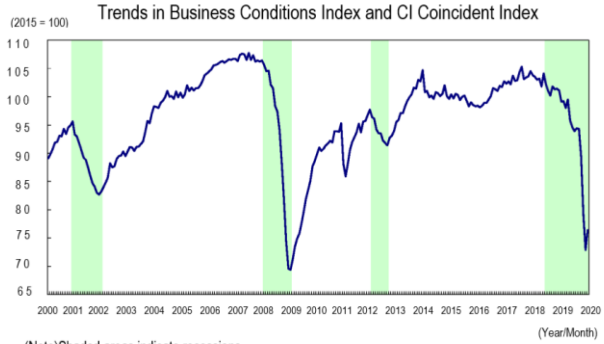
Real GDP fell by 10.0% from the October–December quarter of 2019 to the April–June quarter of 2020 (three quarters) due to the increase in consumption tax and outbreak of the new coronavirus infection. In comparison, the April–June quarter of 2008 to the January–March quarter of 2009—four quarters during the world financial crisis—saw a decline of more than 8.6%.

(Economic developments after the lifting of the declaration of the state of emergency)

Although the April–June quarter of 2020 saw the largest negative growth on record, major economic indicators, such as production, exports, and consumption, bottomed out in May 2020 after the declaration of a state of emergency was lifted in late May. In the March–May quarter of 2020, when the impact of the new coronavirus was at its fullest, the coincident index (CI) of the business conditions index declined sharply by 21.4 points. In June, however, it increased by 3.5 points from the previous month, the first increase in five months, and all eight concordance lines (preliminary report) that make up the concordance index made a positive contribution. The recession, which began in November 2018, has already ended, and May 2020 is likely to be the trough. [*]2



(Source) Ministry of Economy, Trade and Industry "Indices of Industrial Production"
Bank of Japan "Consumption Activity Index", "Developments in Real Exports and Real Imports"



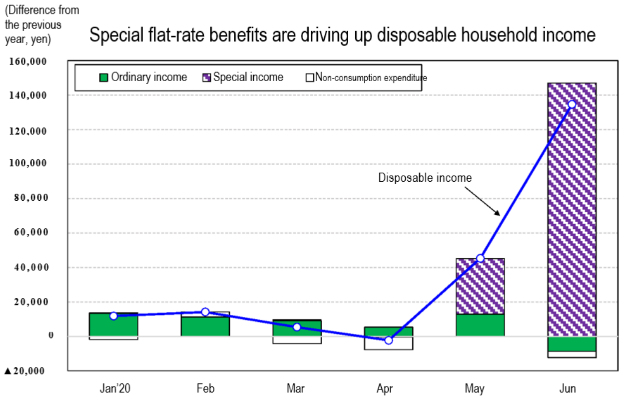
(Note)Shaded areas indicate recessions
(Source) Economic and Social Research Institute, Cabinet Office "Indexes of Business Conditions"

Personal consumption, which declined extremely sharply under the declaration of the state of emergency, generally bottomed out in May, though there are differences among industries. The real consumption expenditure in the Family Income and Expenditure

1 Simple retrospective series for 1955–1979 and 1980–1993, based on 68 SNA, 1990 basis.
2 The Economic and Social Research Institute of the Cabinet Office, with the agreement of the Study Group on the Indexes of Business Conditions held on July 30, decided to tentatively set the peak of the 16-economic cycle at October 2018. The period of 16 cycles of economic expansion was 71 months, falling short of 14 cycles of 73 months, the longest since the end of World War II.

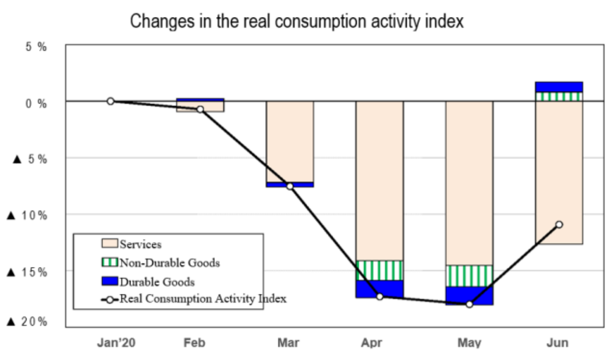
Survey showed a double-digit decrease in April and May under the declaration of a state of emergency, falling by 11.1% and 16.2%, respectively, from the previous year. In June, however, the decrease narrowed to 1.2% and increased 13.0% from the previous month. Demand for pent-ups (suppressed demand) following the lifting of the declaration of a state of emergency and the payment of a special fixed amount of 100,000 yen per person are believed to have pushed up consumption.

According to the Family Income and Expenditure Survey in June, the disposable income of working households rose by 18.9% in real terms from the previous year. Ordinary income, such as income from work, decreased by 1.1%, but special income increased by 1824.4% due to the payment of special fixed benefits. The actual amount of special income (per household) was 155,000 yen, up 147,000 yen from the previous year. According to the Ministry of Internal Affairs and Communications, of the total amount of 12.73 trillion yen, up to June 26 received 9.12 trillion yen (71.6%) and up to July 31 received 12.32 trillion yen (96.8%). Until July, disposable household income will be bolstered by special fixed benefits. After that, however, a decrease in work income due to the economic downturn will lead directly to a decrease in disposable income.

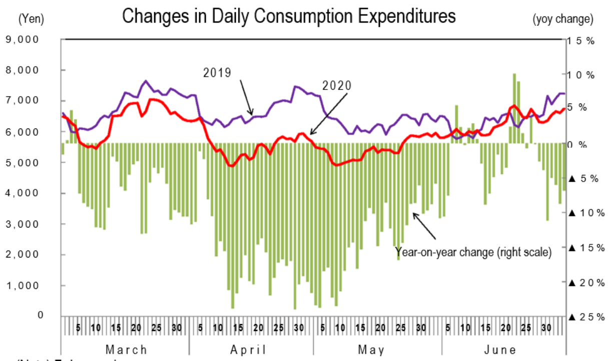


(Source) Statistics Bureau, Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey"

In June, consumption jumped sharply, but spending on services such as dining out, accommodation, and entertainment remained well below the levels before the new coronavirus. The real consumption activity index compiled by the Bank of Japan indicates that consumption of durable goods and non-durable goods dropped steeply in April and May following the declaration of a state of emergency. However, it rebounded rapidly in June due to the emergence of pent-up demand, exceeding the level in January 2020, before the impact of infectious disease became apparent. Meanwhile, spending on services, which were strongly affected by the government's decision to discourage the public from going out, fell far more than those of goods during the state of emergency and rebounded only minimally in June. The level of service consumption in June was down by more than 20% from January. The heavy consumption of goods in June was partly due to consumers buying in bulk after the declaration of the state of emergency was lifted. In fact, the Family Income and Expenditure Survey showed a year-on-year increase in consumption expenditure by day in early and middle June but a year-on-year decrease again in late June.

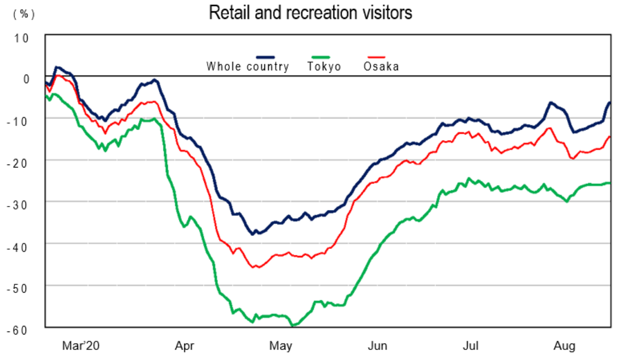


(Note)Rate of change starting from January 2020
(Source) Bank of Japan "Consumption Activity Index"



(Note) 7-day moving average
(Source) Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey"

After July, as the number of people who tested positive for the new coronavirus increased again, Aichi and Okinawa prefectures declared their own state of emergency. The Tokyo metropolitan government also requested that from August 3, restaurants and karaoke bars providing alcoholic beverages shorten their business hours (closing at 10 p.m.). According to Google's "Community mobility report," retail and entertainment traffic (in restaurants, cafes, shopping centers, theme parks, movie theaters, etc.) increased following the lifting of the state of emergency but has leveled off since July. It is highly likely that personal consumption has been at a standstill now, mainly in service consumption, such as dining out, accommodation, and entertainment.



(Note) Changes for each day are compared to a baseline value for that day of the week: The baseline is the median value, for the corresponding day of the week, during the 5 week period Jan 3–Feb 6, 2020.
(Source) Google "Community Mobility Report"

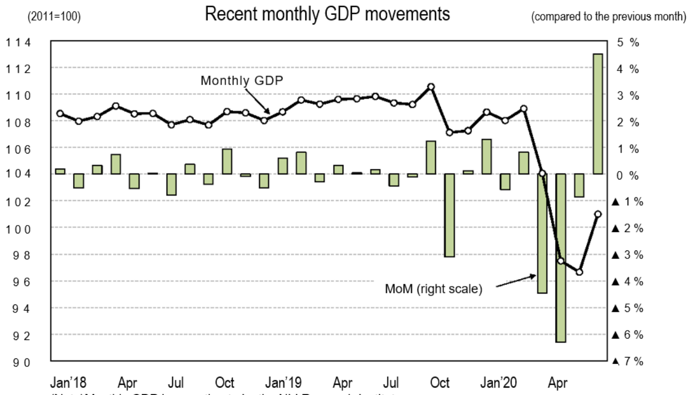
2. Real GDP growth rate is expected to decrease 5.8% in FY 2020 and increase 3.6% in FY 2021

(Strong growth of more than 10% per annum in the July–September 2020 quarter failed to fully recover from the decline in the April–June quarter)

Although the April–June quarter of 2020 saw the largest negative growth on record, monthly economic activity rebounded strongly in June, when the level of activity was much higher than the average for the April–June quarter.

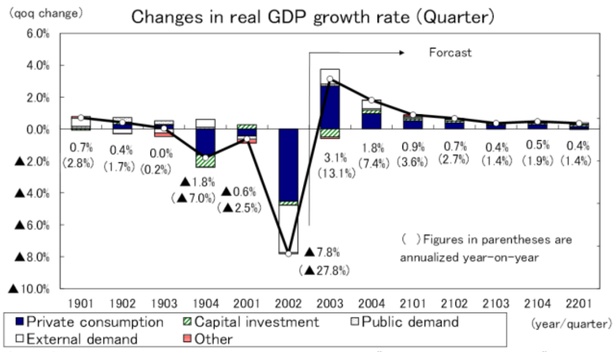
The monthly real GDP estimated by our Institute fell sharply in April 2020 to minus 6.3% from the previous month. In May, however, the decline narrowed to minus 0.9%, and June saw a high growth of 4.5%. Monthly GDP in June was 2.7% above the April–June average. This means that even if GDP remains flat in the July–September quarter, real GDP would grow by 2.7% (over 10% per annum) from the previous quarter.

In the July–September quarter, we expect annual growth of 13.1%, resulting partly from a higher launch pad. However, economic activity has been slow to normalize due to a limited recovery in the consumption of services, such as dining out and accommodation, and a growing call for self-restraint following a rising number of people who tested positive for the new coronavirus in July. While real GDP growth in the July–September quarter will be high on the surface, it is reasonable to assume that the pace of recovery will be slow given the sharp decline in the April–June quarter.

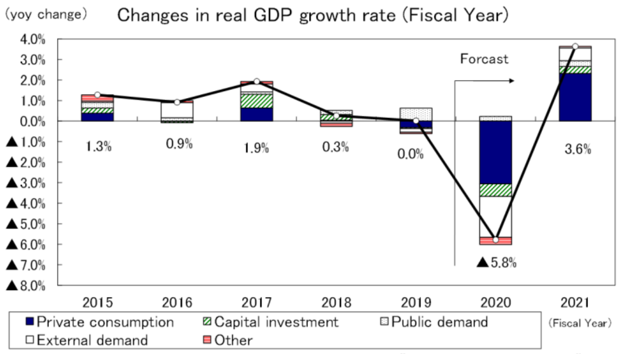


(Note)Monthly GDP is an estimate by the NLI Research Institute

By demand category, in the July–September quarter, private consumption grew by 4.9% from the previous quarter, but the slump in service consumption will prevent it from recovering from the decline in the April–June quarter (down 8.2% from the previous quarter). The rise in housing and capital investment, which is calculated on the basis of construction progress, will be delayed until the October–December quarter. Even if domestic economic activities return to normal, it is highly likely that it will be some time before restrictions on immigration are eased or lifted globally. As a result, exports and imports are expected to recover at a slow pace, particularly in services.



(Source) Economic and Social Research Institute, Cabinet Office "Quarterly Estimates of GDP"

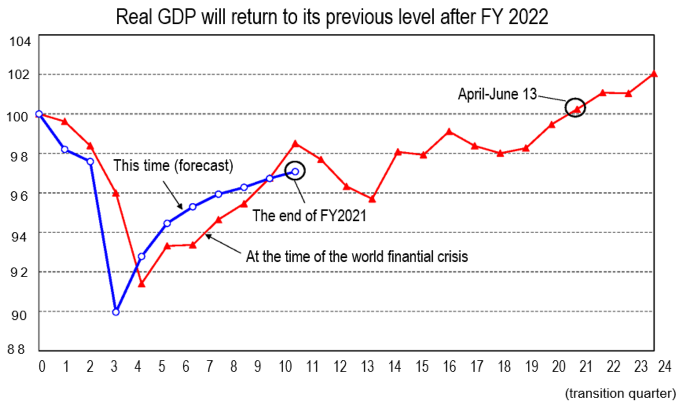


(Source) Economic and Social Research Institute, Cabinet Office "Quarterly Estimates of GDP"

The economy is believed to have bottomed out in May 2020, but the pace of recovery is likely to remain moderate after a sharp downturn. The practice of a "new way of life" is a constant factor in curbing service expenditures, such as dining out and travel. In addition, the contraction of economic activity over a substantial period has necessarily resulted in bankruptcies and a large increase in unemployment. This damage to the economic base makes it difficult for demand to return to its previous level in a short period, even with the removal of restrictions on economic activity. Declines in employee income and deteriorating corporate earnings will continue to exert downward pressure on personal consumption and capital investment.

Furthermore, people are more likely than ever to avoid crowded places, which may lead to a decline in the demand for leisure activities. Even during a normal flu outbreak, many people avoid eating out, traveling, concerts, and other events. Therefore, it is possible that people may change their leisure activities significantly if high daily numbers of infected people and deaths are reported even during an ordinary flu epidemic. While the new lifestyle prompted by the coronavirus epidemic is expected to create demand that has not existed before, it will be difficult to recover the loss of traditional demand in a short period.

The real GDP growth rate is forecast to be minus 5.8% in FY 2020 and positive 3.6% in FY 2021. At the end of the forecast period in January–March 2022, real GDP will be 2.9% lower than the latest peak (July–September 2019). Real GDP will not return to its previous level until FY 2022 or later.



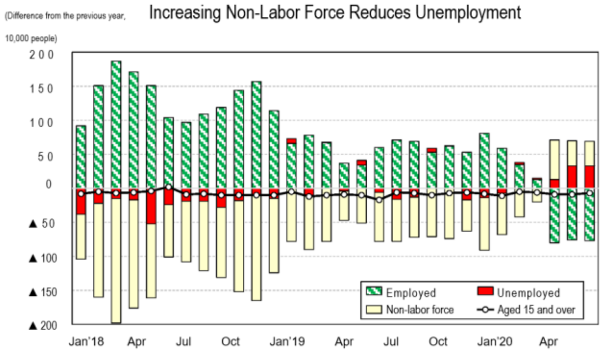
(Note)Nearest peak = 100. When Lehman Brothers collapsed, the financial year ended March 31, 2009. This time, July-September, 2019.
(Source) Cabinet Office "Quarterly Estimates of GDP "

(Unemployment rises to 4% and employee compensation falls for the first time in eight years)

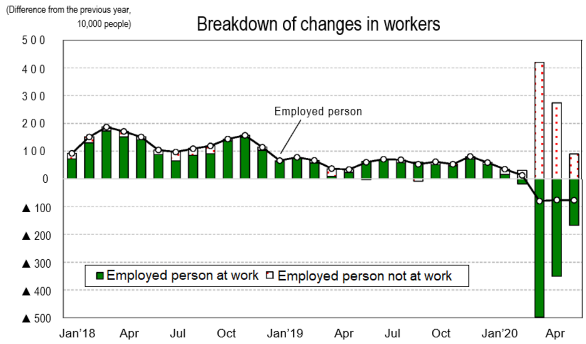
The employment situation, which had been improving, has begun to worsen in response to the rapid deterioration of the economy. The ratio of active job openings to active job applicants, which reflects the supply-demand balance in the labor market, peaked in April 2019 at 1.63. In June 2020, however, it dropped to 1.11, and the unemployment rate rose from the low 2% range to the high 2% range. At present, the rise in the unemployment rate has been limited in spite of the sharp decline in economic activity. This is partly due to an increase in the number of people who did not seek employment after losing their jobs and so were not counted as part of the labor force. If those who have left the labor market start to look for jobs again, Some of them will become unemployed , increasing the unemployment rate.

In addition, the fact that many of those who lost their jobs due to the suspension of economic activities were only those who took time off from work, which is a breakdown of the number of employees, due to the expansion of employment adjustment subsidies has also restrained the increase in the number of unemployed.In April 20, when a state of emergency was declared, the number of employed persons not at work reached a record high of 5.97 million (up 4.2 million from the previous year), gradually decreasing to

4.23 million in May (up 2.74 million from the previous year) and 2.36 million in June (up 900,000 from the previous year). In May and June, 40% of those who were not at work in the previous month reengaged in work. Less than 2% of them became unemployed. At present, the expansion of employment adjustment subsidies plays a role in preventing an increase in the number of unemployed individuals.



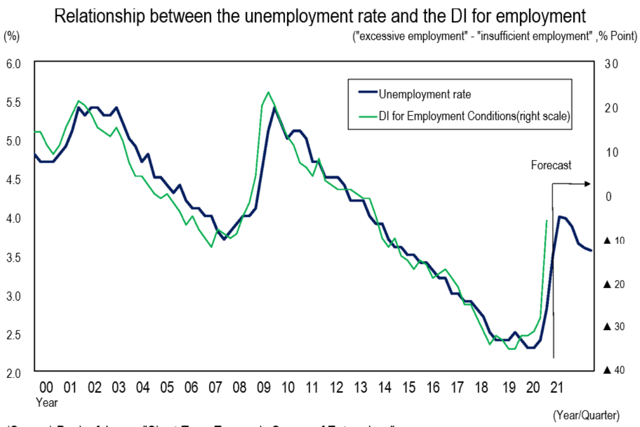
(Note) Aged 15 and over = Employed + Unemployed + Non-labor force
(Source) Statistics Bureau , Ministry of Internal Affairs and Communications " Labour Force Survey"



(Note)Employed person = Employed person at work + Employed person not at work
(Source) Statistics Bureau, Ministry of Internal Affairs and Communications "Labour Force Survey"

However, the unemployment rate will inevitably rise further, given that the number of workers on leave remains at a high level compared with normal times. Companies are also likely to further curb new employment amid deteriorating corporate earnings and heightened economic uncertainty.

Until now, companies have been feeling a labor shortage, which the new coronavirus has greatly reduced. The Bank of Japan's Tankan employment index (deficiency excess) has been negative for approximately seven years since the March 2013 survey. In the June 2020 survey, however, it increased by 22 points from the March survey to -6, significantly narrowing the gap between surplus and deficit. The correlation between the employment index and unemployment rate is high, and the unemployment rate tends to fluctuate slightly behind the employment index. Although the increase in bankruptcies and unemployment will be curbed to some extent by the expanded employment adjustment subsidies, the unemployment rate is certain to rise sharply, likely increasing by 4% in the October–December quarter of 2020.

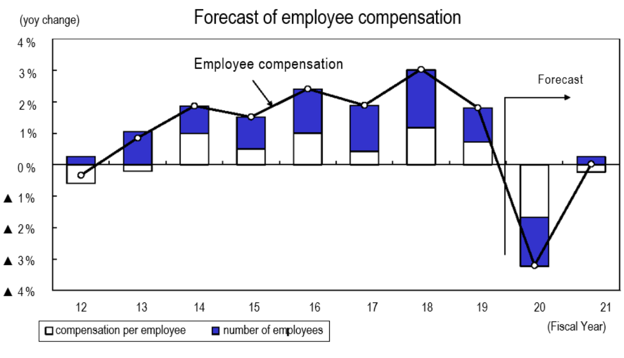


(Source) Bank of Japan; "Short-Term Economic Survey of Enterprises";
Statistics Bureau . Ministry of Internal Affairs and Communications : "Labour Force Survey "

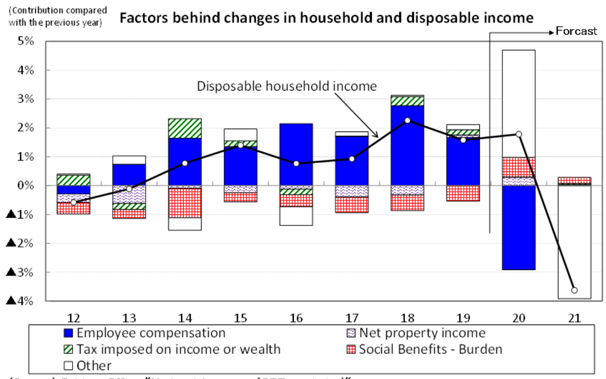
The effects of the new coronavirus are also evident in wages. The epidemic's impact on the consumption tax hike has complicated the 2020 spring labor offensive, or wage negotiations. In 2020, the wage increase rate ("Major private-sector companies' demand for wage increases in the spring" by the Ministry of Health, Labor, and Welfare) decreased by 0.18 percentage points from the previous year to 2.00%. Bonuses that are highly linked to business performance have declined even more severely than base salaries. According to a survey by *Nihon Keizai Shimbun*, bonuses in the summer of 2020 dropped by 5.37% compared to the previous year. Corporate profits had already deteriorated following the slowdown of overseas economies and the hike in the consumption tax rate. In FY 2020, however, many companies were facing a deficit due to the impact of the new coronavirus, and the margin of decrease is expected to exceed that of the world financial crisis. Bonuses are likely to fall further after the winter of 2020.

Employers' remuneration grew steadily, mainly due to an increase in the number of employees because of labor shortages at companies. However, with a decrease in the number of employees and in wages per employee in the April–June quarter of 2020, it declined by 2.7% from the previous year, the first decline since the January–March quarter of 2013. Nominal employee compensation in FY 2020 is expected to decrease by 3.2% from the previous year, the first decrease in eight years.

Yet the provision of special flat-sum benefits will boost households' disposable income. On a macro basis, the amount of special fixed benefits paid was 12.7 trillion yen, exceeding the decrease of 9.2 trillion yen in employee compensation. Therefore, households' disposable income in FY 2020 will increase by 1.8% from the previous year, which will ease the decline in consumption. However, because the rise in the amount of special flat-rate benefits is only temporary, disposable income in FY 2021 is expected to decline sharply as a reaction. In the long run, the deterioration of the employment income environment is likely to delay the recovery of consumption.



(Source) Cabinet Office "Quarterly Estimates of GDP" , Ministry of Internal Affairs and Communications "Labour Force Survey"

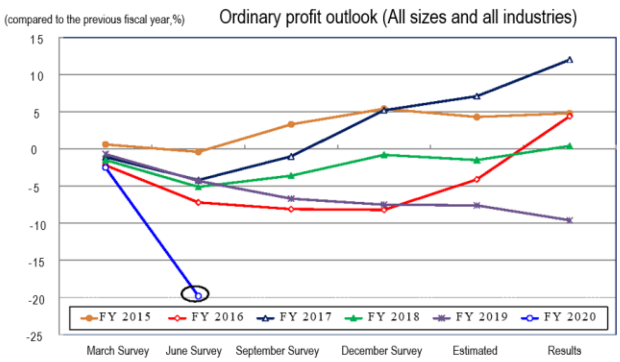


(Source) Cabinet Office "National Accounts (GDP statistics)"

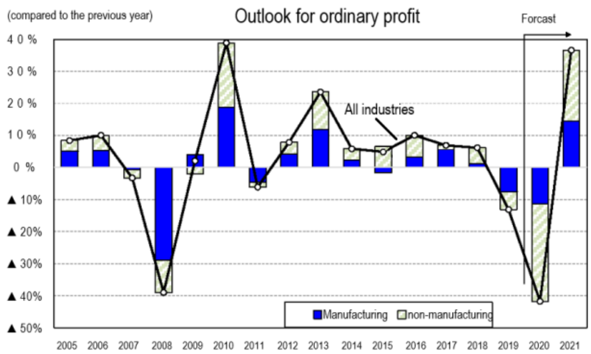
(Corporate revenues fall beyond the world financial crisis)

According to the Bank of Japan's Tankan 2020 June survey, which was conducted after the effects of the new coronavirus epidemic became clear, the recurring profit plan for FY 2020 was significantly revised downward from the March survey to a year-on-year decrease of 19.8%. The June survey also showed a drop in profits exceeding those of 2009 (down 16.4%) after the world financial crisis.

In FY 2019, the Financial Statements Statistics of Corporations by Industry showed a decline in ordinary income for the first time in eight years, down by 13.1% compared to the previous year. In FY 2020, ordinary income will decrease by 41.8% from the previous year, exceeding the 39.0% decrease in FY 2008. In FY 2021, ordinary profit will increase by 36.6% from the previous year, but the declines in FY 2019 and FY 2020 have been so large that ordinary profit in FY 2021 will remain more than 30% below the FY 2018 level, which marked a record high. By comparison, in FY 2008, approximately three-quarters of decline was attributable to the manufacturing sector because the manufacturing sector experienced a sharp decline of 65.5% from the previous year,. However, because principally non-manufacturing industries, such as retail, transportation, restaurants, and lodging, are affected by the new coronavirus, it is highly likely that the non-manufacturing sector will experience a larger decline in FY 2020 than the manufacturing sector.

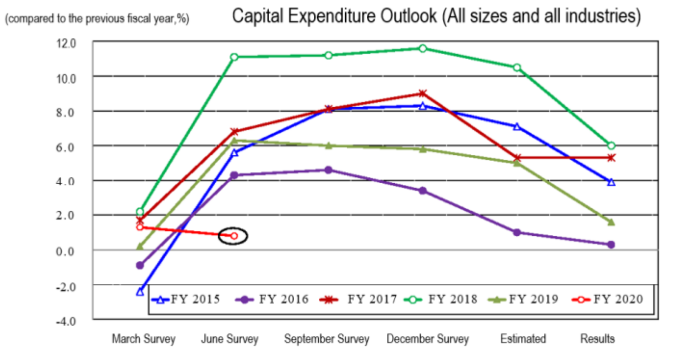


(Source) Bank of Japan "Short-Term Economic Survey of Enterprises"



(Source) Ministry of Finance "Financial Statements Statistics of Corporations by Industry"

According to the Bank of Japan's Tankan 2020 June survey, capital investment in FY 2020 (of all company sizes and for all industries, including software investments but excluding land investments) was revised downward by 3.7% from the March survey, a 0.8% increase from the previous year. Although the increase plan was maintained, the growth rate in the June survey was the lowest since FY 2009 (down 12.7% from the previous year). Although some investments in telecommuting and remote service-related businesses have been expanding, overall, there have been increasing moves to postpone or cancel investment plans due to worsening corporate profits and growing economic uncertainty. The capital investment plan is likely to be revised downward again after the September survey following further deterioration of corporate profits, and the FY 2020 results are expected to show the first decrease since FY 2010 (down 2.2% from the previous year).



(Note)Capital expenditures including software (excluding land investment)
Figures up to the December 2017 survey are based on the old data before the review of surveyed companies.
(Source) Bank of Japan "Short-Term Economic Survey of Enterprises"

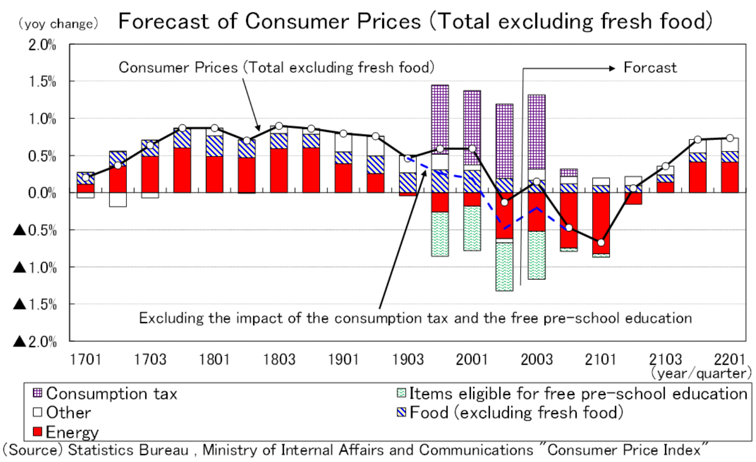
Capital investment has remained firm, mainly in the areas of labor-saving methods to cope with labor shortages, urban redevelopment, inbound construction, and research and development (R & D), thanks to ample cash flow from increased corporate earnings. If cash flow declines significantly, reflecting a sharp downturn in corporate earnings, companies will inevitably become more cautious about capital investment, and it will take time for capital investment to recover fully even after corporate earnings turn upward.

(Price outlook)

The core CPI (all items excluding fresh food), which has been rising since January 2017, declined by 0.2% in April 2020 from the previous year for the first time in three years and four months. This decline resulted from a further decrease in energy prices following the sharp drop in oil prices, as well as reductions in domestic travel, accommodation prices reflecting a heavy cutback in overseas travel, and package tours abroad. In June, CPI is expected to increase slightly in July,mainly due to a rise in energy prices. However, excluding the effects of the consumption tax rate hike and the free preschool education system, the rate of increase remains negative. Because the effects of the consumption tax rate hike (as well as free preschool education) will run their course from October, the rate of increase in headlines is likely to turn negative again.

Although the future rate of increase in the core CPI will depend largely on the trend of crude oil prices, the underlying price trend will remain weak for the time being because the GDP gap remains negative throughout the forecast period. Downward pressure from the supply and demand side also will continue, and a fall in wages will cause a decline in service prices.

Core CPI growth is forecast to be down by 0.3% (-0.8%) in FY 2020 and by 0.5% in FY 2021 (the figures in parentheses exclude the effects of the consumption tax hike and the free preschool education program).



(Source) Statistics Bureau , Ministry of Internal Affairs and Communications "Consumer Price Index"

Outlook for the Japanese Economy

(Units,%) previous forecast (2020.6)

	FY2018 actual	FY2019 actual	FY2020 forecast	FY2021 forecast	19/4-6 actual	19/7-9 actual	19/10-12 actual	20/1-3 actual	20/4-6 actual	20/7-9 forecast	20/10-12 forecast	21/1-3 forecast	21/4-6 forecast	21/7-9 forecast	21/10-12 forecast	22/1-3 forecast	FY2020 forecast	FY2021 forecast
Real GDP	0.3	0.0	▲5.8	3.6	0.4	0.0	▲1.8	▲0.6	▲7.8	3.1	1.8	0.9	0.7	0.4	0.5	0.4	▲5.4	3.6
					1.7	0.2	▲7.0	▲2.5	▲27.8	13.1	7.4	3.6	2.7	1.4	1.9	1.4		
					0.9	1.7	▲0.7	▲1.8	▲9.9	▲7.2	▲3.8	▲2.3	6.8	3.8	2.3	1.9		
Contribution to domestic demand	(0.4)	(0.2)	(▲3.8)	(3.0)	(0.7)	(0.3)	(▲2.3)	(▲0.4)	(▲4.8)	(2.2)	(1.3)	(0.8)	(0.6)	(0.4)	(0.4)	(0.3)	(▲4.6)	(3.3)
private demand	(0.2)	(▲0.4)	(▲4.0)	(2.7)	(0.4)	(0.1)	(▲2.4)	(▲0.4)	(▲4.8)	(2.1)	(1.2)	(0.7)	(0.5)	(0.3)	(0.4)	(0.2)	(▲4.9)	(3.0)
Public demand	(0.2)	(0.6)	(0.2)	(0.3)	(0.3)	(0.2)	(0.1)	(▲0.0)	(▲0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)	(0.3)	(0.3)
Contribution of external demand	(▲0.1)	(▲0.2)	(▲2.0)	(0.6)	(▲0.3)	(▲0.2)	(0.5)	(▲0.2)	(▲3.0)	(0.9)	(0.5)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(▲0.8)	(0.3)
Private final consumption expenditure	0.1	▲0.6	▲5.5	4.1	0.5	0.4	▲2.9	▲0.8	▲8.2	4.9	1.7	0.9	0.7	0.5	0.5	0.3	▲5.7	4.5
Private Residential investment	▲4.9	0.5	▲7.4	0.1	▲0.2	1.2	▲2.2	▲4.2	▲0.2	▲4.8	0.4	0.7	0.5	▲0.1	0.1	0.4	▲11.7	1.5
Private Nonresidential investment	1.8	▲0.3	▲3.8	2.1	0.8	0.2	▲4.7	1.7	▲1.5	▲2.9	1.3	0.8	0.7	0.5	0.5	0.7	▲8.3	2.7
Government final consumption expenditure	0.9	2.3	0.4	0.8	1.0	0.8	0.3	0.0	▲0.3	0.3	0.1	0.2	0.3	0.2	0.2	0.2	1.2	0.9
Public investment	0.6	3.3	3.0	2.0	1.4	1.1	0.6	▲0.5	1.2	0.8	1.3	0.8	0.7	▲0.2	0.2	▲0.2	1.8	2.0
Exports of goods & services	1.7	▲2.6	▲11.9	10.0	0.2	▲0.6	0.4	▲5.4	▲18.5	11.5	6.1	2.3	1.5	0.7	0.6	1.1	▲20.0	10.1
Imports of goods & services	2.6	▲1.5	▲0.1	5.2	1.8	0.7	▲2.4	▲4.2	▲0.5	4.1	2.3	1.6	1.1	0.6	0.3	0.5	▲14.7	7.3
Nominal GDP	0.1	0.8	▲4.5	3.9	0.5	0.4	▲1.5	▲0.5	▲7.4	4.0	1.6	0.8	0.2	1.1	0.7	0.2	▲5.2	3.7

(Note)The upper column of real GDP is compared with the previous period, the middle column is annual growth over the previous period, and the lower column is compared with the previous year.
All other demand items are compared with the previous period.

<key economic indicators>

(Units,%)

	FY2018	FY2019	FY2020	FY2021	19/4-6	19/7-9	19/10-12	20/1-3	20/4-6	20/7-9	20/10-12	21/1-3	21/4-6	21/7-9	21/10-12	22/1-3	FY2020	FY2021
Industrial production (qoq)	0.3	▲3.8	▲10.4	7.0	0.0	▲1.1	▲3.6	0.4	▲16.9	10.5	2.7	1.4	1.1	0.7	0.7	0.3	▲9.9	7.3
Domestic Corporate Goods Prices(yoy)	2.2	0.1	▲1.7	0.9	0.6	▲0.9	0.2	0.6	▲2.2	▲1.2	▲1.9	▲1.6	0.4	0.7	0.7	1.6	▲2.1	0.4
Consumer Prices(yoy)	0.7	0.5	▲0.2	0.5	0.8	0.3	0.5	0.5	0.1	0.2	▲0.4	▲0.7	0.1	0.4	0.7	0.7	▲0.4	0.5
Consumer Prices (excluding fresh food)	0.8	0.6	▲0.3	0.5	0.8	0.5	0.6	0.6	▲0.1	0.1	▲0.4	▲0.7	0.1	0.4	0.7	0.7	▲0.5	0.5
(excluding consumption tax)	(0.8)	(0.1)	(▲0.8)	(0.5)	(0.8)	(0.5)	(▲0.3)	(▲0.4)	(▲1.1)	(▲0.9)	(▲0.5)	(▲0.7)	(0.1)	(0.4)	(0.7)	(0.7)	(▲1.0)	(0.5)
Current account balance (¥ trillion)	19.5	19.7	14.7	17.9	19.4	18.8	21.2	19.4	8.5	15.6	18.0	16.9	15.7	18.2	19.4	18.2	16.4	16.4
(Ratio to nominal GDP)	(3.6)	(3.6)	(2.8)	(3.3)	(3.5)	(3.4)	(3.9)	(3.6)	(1.7)	(3.0)	(3.4)	(3.1)	(2.9)	(3.3)	(3.5)	(3.3)	(3.1)	(3.0)
Unemployment rate (%)	2.4	2.3	3.6	3.7	2.4	2.3	2.3	2.4	2.8	3.5	4.0	4.0	3.9	3.6	3.6	3.6	3.6	3.4
Housing starts (10 thousand)	95.3	88.4	79.9	81.5	92.5	90.6	86.5	86.3	79.8	78.3	80.3	81.2	81.6	81.4	81.4	81.6	76.3	80.1
10 year JGB yield (over-the-counter quotation)	0.0	▲0.1	0.0	0.1	▲0.1	▲0.2	▲0.1	▲0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	▲0.0	0.1
USD/JPY	111	109	107	109	110	107	109	109	108	106	107	108	109	109	109	110	109	110
Crude oil price (CIF, Dollar/Barrel)	72	68	43	54	72	66	66	68	32	42	48	50	52	54	54	55	44	52
Ordinary profit (yoy)	6.2	▲13.1	▲41.8	36.6	▲12.0	▲5.3	▲4.6	▲28.4	▲78.5	▲51.3	▲35.6	14.7	177.0	46.2	20.7	4.3	▲40.9	41.6

(Note)Yields on 10 year government bonds, Foreign exchange rates and Crude oil prices are average data of the period. Oridinary income of 20/4 -6 is forecast.
(Source) Economic and Social Research Institute, Cabinet Office "Quarterly Estimates of GDP"; Ministry of Economy, Trade and Industry "Indices of Industrial Production";
Ministry of Internal Affairs and Communications "Consumer Price Index",Ministry of Finance "Financial Statements Statistics of Corporations by Industry, Quarterly"; and others

Outlook for the U.S. Economy

		2018 (Actual)	2019 (Actual)	2020 (Forecast)	2021 (Forecast)	2019 1-3 (Actual)	2019 4-6 (Actual)	2019 7-9 (Actual)	2019 10-12 (Actual)	2020 1-3 (Actual)	2020 4-6 (Actual)	2020 7-9 (Forecast)	2020 10-12 (Forecast)	2021 1-3 (Forecast)	2021 4-6 (Forecast)	2021 7-9 (Forecast)	2021 10-12 (Forecast)
Real GDP	Annual rate,% YoY	3.0	2.2	▲ 5.2	3.6	2.9	1.5	2.6	2.4	▲ 5.0	▲ 32.9	19.1	5.4	5.1	5.2	3.9	3.8
FF rate target	End, Upper,%	2.50	1.75	0.25	0.25	2.50	2.50	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
10 year government bond	Average,%	2.9	2.1	0.9	1.0	2.6	2.3	1.7	1.8	1.4	0.7	0.6	0.8	0.9	0.9	1.0	1.0

Outlook for the European (Eurozone) Economy

		2018 (Actual)	2019 (Actual)	2020 (Forecast)	2021 (Forecast)	2019 1-3 (Actual)	2019 4-6 (Actual)	2019 7-9 (Actual)	2019 10-12 (Actual)	2020 1-3 (Actual)	2020 4-6 (Actual)	2020 7-9 (Forecast)	2020 10-12 (Forecast)	2021 1-3 (Forecast)	2021 4-6 (Forecast)	2021 7-9 (Forecast)	2021 10-12 (Forecast)
Real GDP	Annual rate,% YoY	1.9	1.3	▲ 8.2	5.3	2.0	0.8	1.1	0.1	▲ 13.6	▲ 40.3	32.3	15.3	6.4	2.2	2.2	2.2
ECBRefinancing rate	End,%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10-year German govt. bond yield	Average,%	0.5	▲ 0.2	▲ 0.5	▲ 0.4	0.1	▲ 0.1	▲ 0.5	▲ 0.3	▲ 0.4	▲ 0.4	▲ 0.5	▲ 0.5	▲ 0.4	▲ 0.4	▲ 0.4	▲ 0.3
EUR/USD	Average,dollar	1.18	1.12	1.08	1.05	1.14	1.12	1.11	1.11	1.10	1.09	1.08	1.07	1.06	1.05	1.05	1.04