Economist Letter

Japan's Economic Outlook for FY 2020-2022

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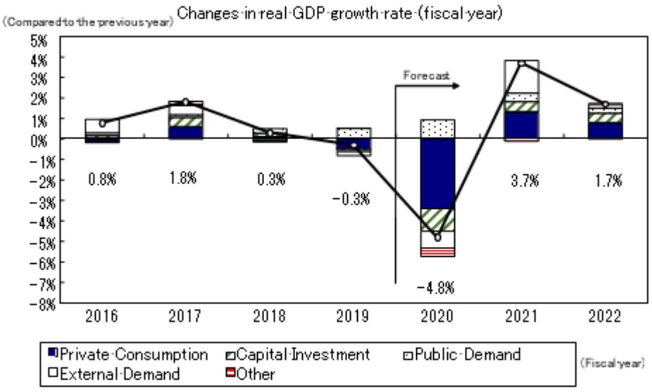
Real GDP growth rate: FY 2020 -4.8%, FY 2021 +3.7%, FY 2022 +1.7%

1. Real GDP in the October–December quarter of 2020 grew at an annual rate of 12.7%, a soaring rate following the highest growth rate of the July–September quarter, recapturing more than 90% of the decline in the April–June quarter. However, the level of real GDP is 2.9% below the recent peak (July–September 2019), and there is still a long way to go before economic activity normalizes.
2. In the January–March quarter of 2021, negative growth is expected to be inevitable, mainly due to a decline in private consumption following the re-declaration of the state of emergency. However, the decline is expected to be limited compared with that in the previous state of emergency, as increased exports will support the economy.
3. In the April–June quarter of 2021, the economy is expected to return to positive growth on the premise of lifting the state of emergency, and high growth is expected to continue in the course of economic normalization. However, when the number of infected people increases in winter, there is a risk that the economy will stagnate again if restrictive measures are taken to prevent the spread of infection.
4. The real GDP growth rate is forecast to be −4.8% in FY 2020, 3.7% in FY 2021 and 1.7% in FY 2022. It will take time for the level of economic activity to return to normal as ensuring social distance will continue to curb the consumption of face-to-face services. Real GDP will recover to pre-coronavirus (October–December quarter of 2019) levels in the April–June quarter of 2022, and return to its most recent peak (July–September quarter of 2019) in fiscal 2023.

Changes in real GDP growth rate (fiscal year)



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

1. In the October–December quarter of 2020, the economy grew at an annualized rate of 12.7%.

In the October–December quarter of 2020, real GDP grew 3.0% (12.7% per annum) from the previous quarter, marking the second consecutive quarter of double-digit annual growth.

Because of a recovery in global economic activity, exports grew at a high rate of 11.1% from the previous quarter, and external demand contributed to the growth rate by 1.0% (4.3%). Private consumption rose 2.2% from the previous quarter for the second consecutive quarter, supported by the Go To campaign as economic constraints were eased, and capital investment, which had fallen sharply due to the coronavirus pandemic, increased by 4.5% for the first time in three quarters. Government spending, boosted by the Go To Travel campaign, rose 2.0% quarter-over-quarter, and also boosted growth.

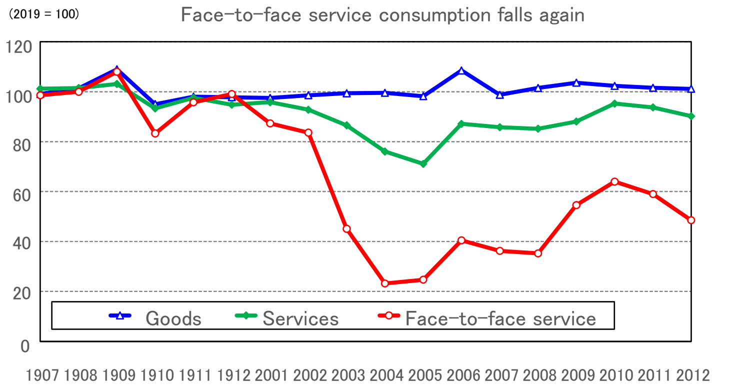
In 2020 , real GDP declined by 4.8% (in 2019, 0.3%) and the nominal GDP declined by 3.9% (in 2019, 0.9%), marking the first significant negative growth since 2009 (real GDP −5.7%, nominal GDP −6.2%) after the global financial crisis.

Real GDP in the October–December quarter of 2020 grew at an annual rate of 12.7%, a rapid growth rate following the highest growth rate of the July–September quarter, recapturing more than 90% of the decline in the April–June second quarter, when the economy posted record negative growth. The Japanese economy, however, had been affected by the consumption tax hike before the impact of the new coronavirus infection became apparent. Compared with the most recent peak in the July–September quarter of 2019, real GDP in the October–December quarter of 2020 was down 2.9% and private consumption was down 5.3%, indicating that there is still a long way to go before economic activity normalizes.

In addition, although the economy grew rapidly in the October–December quarter, there was a pause in the recovery toward the end of the year on a monthly basis.The hiatus in recovery came from responses to an increase in the number of people who had tested positive for the novel coronavirus, such as shortening the business hours of restaurants and other restrictions.

Falling consumption of face-to-face services

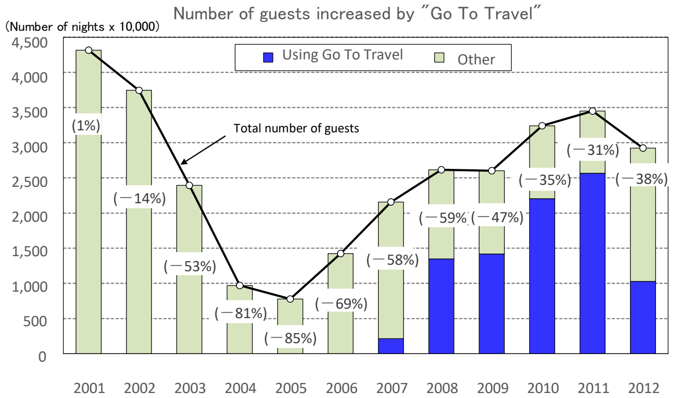
Personal consumption, which recorded an extremely sharp decline under the declaration of a state of emergency in April 2020, recovered after bottoming out in May, but weakened again toward the end of the year. Examining real consumer spending by type in the "Family Income and Expenditure Survey" (Statistics Bureau, Ministry of Internal Affairs) reveals that spending on goods has already exceeded the pre-coronavirus average in 2019 due to the expansion of stay-at-home consumption and the effects of special fixed benefits. Since the declaration of a state of emergency, however, spending on services has fallen significantly with a subsequent weak recovery. In particular, the consumption of face-to-face services (general dining out, transportation, accommodation, package tours, entertainment, and sports) dropped to about 20% of pre-coronavirus levels in April and May 2020. Supported by the Go To Travel campaign, face-to-face services recovered to about 60% in October but then fell again and returned to a little less than half of pre-coronavirus levels in December. The number of people who tested positive for the new coronavirus increased, prompting the Go To Travel campaign to suspend operations and restaurant operators to shorten business hours.



(Note)The face-to-face service covers general dining out, transportation, accommodation, package tours, entertainment, and sport s
Seasonally adjusted values by the NLI Research Institute (Year and month)

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

Started in July 2020, the Go To Travel campaign provided about 87.81 million nights of accommodation, and the amount of discount support reached about 539.9 billion yen. According to the "Accommodation Travel Statistics" issued by the Japan Tourism Agency, the total number of visitors decreased by 80% from the previous year in April and May 2020 under the declaration of a state of emergency, but domestic tourism has been recovering with the support of the Go To Travel campaign. Go To Travel's share of total guests increased from about 10% in July to 74% in November (the average from July to December was 52%). However, as the number of people who tested positive for the new coronavirus increased again, the use of the Go To Travel campaign was halted in some areas from late November to mid-December, and on December 28 the campaign was halted nationwide. As a result, the use of Go To Travel decreased by about 60% from November to December, and the year-over-year decrease in the percentage of visitors increased again from 31% in November to 38% in December.



(Note) ()Figures in parentheses indicate the total number of visitors compared to the previous year.

(Source) Japan Tourism Agency " Accommodation Travel Statistics ", "Usage of Go To Travel Service"

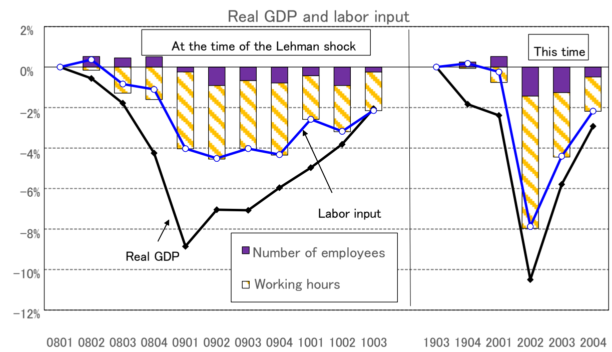
With a state of emergency re-declared, consumer spending is expected to fall further in 2021. Sales at major department stores fell sharply across the board due to the impact of shorter business hours, although much consumer-related data for January has yet to be released.

Meanwhile, the number of people visiting retail and entertainment facilities (restaurants, cafes, shopping centers, theme parks, movie theaters, etc.), which is highly correlated with face-to-face service consumption, has fallen sharply following the re-declaration of the state of emergency. The state of emergency, which had been in effect for one month until February 7, was extended to March 7 in 10 prefectures, excluding Tochigi Prefecture. As a result, the drop in consumption of face-to-face services is likely to continue through early March.

Employment situation remains severe despite positive signs

With economic activity picking up in the second half of 2020, the worsening employment situation is coming to an end. The ratio of job openings to job seekers, which reflects the supply–demand balance in the labor market, fell from 1.63 in April 2019 to 1.03 in September 2020, and then rose to 1.06 in December. The unemployment rate rose from 2.2% in December 2019 to 3.1% in October 2020, but slightly improved to 2.9% in November and December.

The unemployment rate remained modest despite the sharp decline in economic activity partly due to employment adjustment subsidies and companies implementing deep cuts in working hours while retaining as many employees as possible (including time off). The relationship between real GDP and labor input shows that the adjustment of labor input is achieved mainly by reducing working hours, as was the case with the global



(Note)Rate of change starting from the most recent peak in real GDP

(Source) Cabinet Office "Quarterly Estimates of GDP",

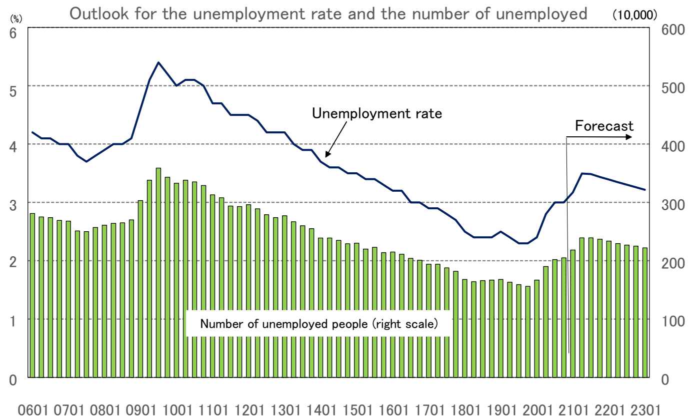
Statistics Bureau, Ministry of Internal Affairs and Communications "Labor Force survey",

Ministry of Health, Labor and Welfare "Monthly Labor Statistics" financial crisis, but this time the reduction in working hours is particularly large.

Note, however, that the reduction in labor input is smaller than the decline in real GDP, and labor productivity is waning. Since this situation continued for a long time after the global financial crisis, it took time for the employment situation to improve even after the economic downturn. The economic trough after the global financial crisis occurred in March 2009, yet the unemployment rate peaked in July 2009 at 5.5% and did not fall to below 5% until December 2010, more than a year and a half after the economy bottomed out. As economic activity picked up in the second half of 2020, labor input was trending down. Moreover, economic activity is once again expected to decline following the re-declaration of a state of emergency in the first half of 2021. It is highly likely that labor input adjustments will again be necessary.

In addition, maintaining employment without returning to the original level of economic activity may lead to a reduction in the number of new employees, especially new graduates. In fact, according to the Bank of Japan's Tankan survey of December 2020, the number of new graduate recruitment plans, which had been on the rise since fiscal 2011, declined by 2.6% in fiscal 2020 from the previous year (the first decline in 10 years) and 6.1% in fiscal 2021.

Although the economy has already bottomed out, the unemployment rate is a lagging indicator. An improvement in the employment situation might be delayed by the retention of employees in companies backed by the expansion of employment adjustment subsidies, which will hinder future job creation. The unemployment numbers increased from the last low of 2019 (October–December) of 1.56 million to 2.05 million in 2020 (October–December), but are expected rise to 2.39 million in 2021 (April–June). The unemployment rate rise to 3.5% after the beginning of fiscal 2021 due to the economic slump caused by the re-declaration of a state of emergency. In the latter half of fiscal 2021, the unemployment rate should gradually decline, but it is expected to remain moderate, at 3.2% by the end of fiscal 2022.



(Source) Statistics Bureau , Ministry of Internal Affairs and Communications "Labor Force survey"

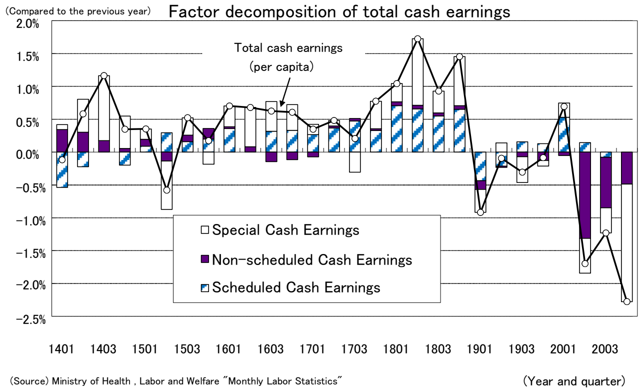
Employee pay will be down for second consecutive year

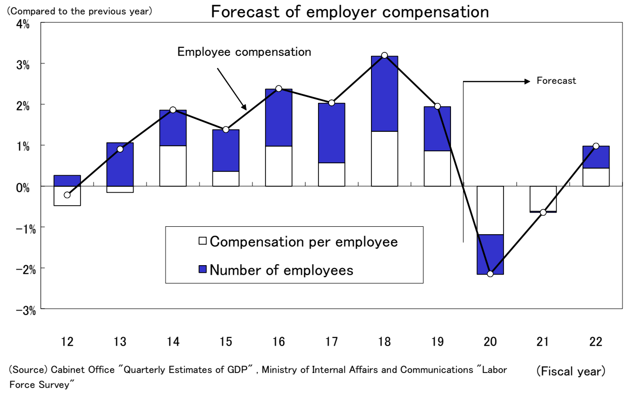
The decline in employment is coming to an end, but wage decreases have begun in earnest recently. According to the "Monthly Labor Statistics" published by the Ministry of Health, Labor and Welfare, total cash earnings (per capita) decreased from −1.2% in the July–September quarter of 2020 to −2.3% in the October–December quarter of 2020. In the spring of 2020, the main cause of the decline in wages was the fall in non-scheduled wages due to a significant reduction in overtime hours. Recently, however, a significant decrease in special wages (bonuses) has significantly reduced wages overall. Bonuses are likely to fall again in 2021 as the effects of poor business performance are reflected later.

Although scheduled wages, which account for about three quarters of total wages, have remained flat from the previous year, the growth rate is likely to decline further from April, when the results of the 2021 shunto negotiations are reflected.

A February 3 Institute of Labor Administration "Survey on Wage Increases" covered about 500 labor and management officials as well as labor and economic experts. The average wage increase forecast for 2021 was 1.73%—down 0.32% from the previous year. The wage increase rate (major private-sector companies' demands for wage increases in the spring) calculated by the Ministry of Health, Labor and Welfare in the spring labor offensive reached the 2% level in 2014 for the first time in 13 years after the start of Abenomics. Although the rate of wage increases kept steady at 2% until 2020, it is certain that it will fall below 2% in 2021 for the first time in 8 years. The Institute expects wage increases in 2021 to be 1.75%. This means that there will be almost no wage increase except for a regular pay raise, which is said to be about 1.7–1.8%.

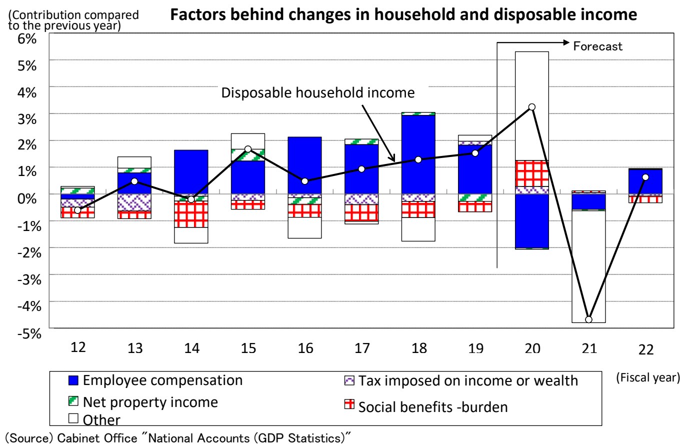
Employers' remuneration has been growing steadily mainly due to an increase in the number of employees because of companies' labor shortages. However, due to the decrease in both the number of employees and wages per employee, it is expected that in FY 2020 it will decrease by 2.1% from the previous year, the first decrease in 8 years. Although the decline in the number of employees will be halted in fiscal 2022, due to the continued decline in per capita wages, the figure is forecast to decline 0.6% from the previous year for the second consecutive year, and to increase 1.0% in fiscal 2022 from the previous year for the first time in 3 years.





The 100,000 yen per person special fixed benefits had pushed up disposable household income, but the impact has already passed. According to the "Quarterly Estimates of Household Disposable Income and Household Savings Ratio (reference series)" by the Cabinet Office, household disposable income in the April–June quarter of 2020 was +11.6% of the previous year's level, and in the July–September quarter it was +2.9% of the previous year's level. However, the payment of the special fixed benefit was almost completed in September, and in the October–December quarter, the decrease in employee compensation seems to be directly related to the decrease in disposable income.

On a macroeconomic basis, the amount of special fixed benefits paid was 12.7 trillion yen, far exceeding the decrease of 6.2 trillion yen in employee remuneration in fiscal 2020. Therefore, households' disposable income in fiscal 2020 will increase by 3.2% from the previous year, and this plays a role in easing the decline in consumption. However, the rise in the amount of special fixed benefits is only temporary, so disposable income in fiscal 2021 is expected to decline sharply in reaction to this. In the long run, the deterioration of the employment income environment is likely to delay the recovery of consumption.



2. The real growth rate is expected to be −4.8% in FY 2020, 3.7% in FY 2021 and 1.7% in FY 2022.

Real GDP will exceed its most recent peak in FY 2023

In 2020, the Japanese economy declined rapidly in the first half of the year due to calls for self-restraint in response to the spread of the new coronavirus infection and the declaration of a state of emergency (January–March: down 2.2% annualized compared to the previous quarter; April–June: down 29.3%). However, economic activities resumed following the lifting of the state of emergency, and the economy recovered in the second half at a faster pace than expected (July–September quarter: 22.7%; October–December quarter: 12.7%).

The economy, however, is likely to post negative growth in the first quarter of 2021, as the state of emergency has been re-declared. Previously, restaurants, amusement facilities, and department stores were forced to close down, but this time the scope of regulations is narrow, such as shortening restaurant business hours and limiting the number of large-scale events. In the previous state of emergency, the target area was initially limited to seven prefectures but was later expanded to the whole country. Currently, the state of emergency is limited to 11 prefectures (from January 8–13: four prefectures; from February 8 onward: 10 prefectures). Furthermore, before a state of emergency was re-declared, consumption was already at a lower level than normal. Given these factors, it is highly likely that the negative impacts on personal consumption will be smaller than during the previous state of emergency.

However, the economy has lost much of its endurance even if limits on economic activities are less severe than they were at the time of the declaration of the state of emergency. For example, ordinary income fell more than 20% below pre-coronavirus levels. In particular, the hotel and restaurant industries, which were strongly affected by the new coronavirus, posted losses for three consecutive quarters from the first quarter of 2020. In addition, earned surplus (so-called internal reserves), which had been increasing substantially, declined in the April–June and July–September quarters of 2020 due to a sharp decline in corporate earnings. In particular, the earned surplus of the lodging industry and the food and drink service industry declined by half from the previous year, and the actual amount of earned surplus of SMEs with capital of 10–20 million yen was negative. Although the impact of the state of emergency itself is small, the risk of companies closing down or going bankrupt has increased rapidly. Additionally, the risk of rising unemployment has spiked, and is higher than at the time of the previous state of emergency last year.

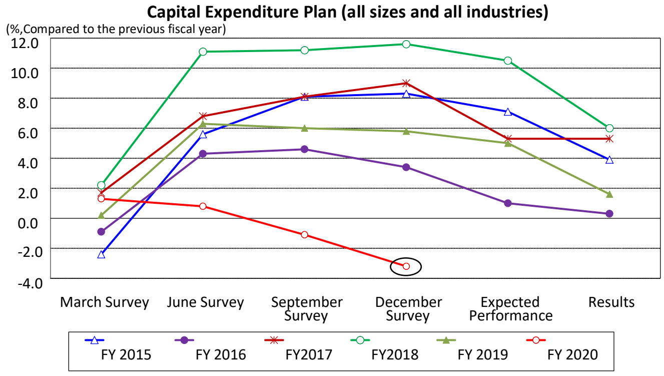
In the January–March quarter of 2021, the real GDP growth rate is expected to drop 1.6% (down 6.4% per annum) from the previous quarter, the first negative growth in three quarters. Private consumption is likely to drop 2.8% from the previous quarter for the first time in three quarters, and capital investment is likely to drop 1.3%.

In the October–December 2020 quarter, capital investment increased, reflecting a recovery in exports and production and a halt to deteriorating corporate earnings. According to the Tankan December 2020 survey, however, the capital investment plan for fiscal 2020 (including software and R&D investments and excluding land investments) was revised downward by 2.1% from the September 2020 survey, and was 3.0% (all sizes and all industries) down from the previous year.

Capital investment is expected to weaken again in 2021 as economic activity once more declines. Although corporate earnings have recovered, they remain at low levels. Indeed, the assumption of ample cash flows that can support strong capital investments has collapsed. In addition, machinery investment in the manufacturing sector is expected to remain firm as production activity recovers, while construction investment in the non-manufacturing sector, including the restaurant and accommodation industries, is expected to remain sluggish. It is highly likely that it will take some time for capital investment to recover as a whole.

While the first quarter will see negative growth, the drop is likely to be much smaller than it was at the time of the previous state of emergency. The decline in private consumption was only about a third of the level of the previous state of emergency (April–June 2020: down 8.4% compared to the previous quarter; January–March 2021: down 2.8%), and that external demand, which significantly

Capital Expenditure Plan (all sizes and all industries)



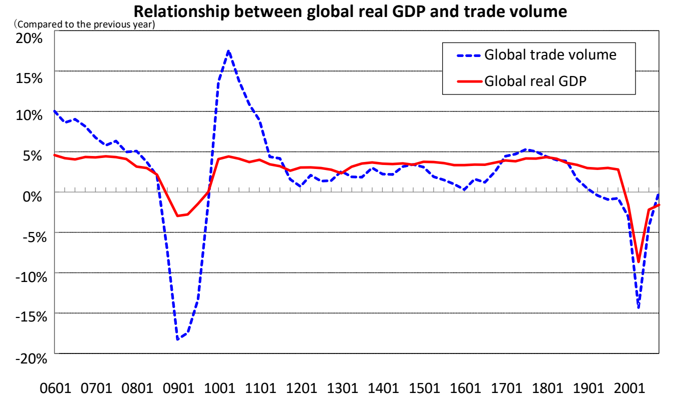
(Note)Capital expenditures including software (excluding land investment)
Figures up to the December 2017 survey are based on the old data before the review of surveyed

(Source) Bank of Japan , "Short-Term Economic Survey of Enterprises" pushed down the growth rate in the April–June quarter of 2020, was the driving force behind the growth rate.

Since the winter of 2020, moves to restrict economic activities have again been spreading in Europe and the United States. The service industry has been strongly affected by this trend, with an increase in pent-up demand and stay-at-home consumption leading to steady consumption of goods on the whole. Moreover, production activities in the manufacturing industry have been robust. The situation is quite different from the spring of 2020, when imports and exports dropped sharply due to the shutdown of factories in many countries.

According to the CPB Netherlands Bureau for Economic Policy Analysis, the spring 2020 volume of world trade declined by about 15% from the previous year, exceeding the real GDP decline. By the end of 2020, however, trade volume recovered rapidly to the level of the previous year due to strong global production activity. Japanese exports to Europe—where negative growth is expected in the January-March quarter of 2021as well as the October–December quarter of 2020 —are expected to remain weak. Overall exports, however, are expected to remain strong as exports to the United States and China remain robust.

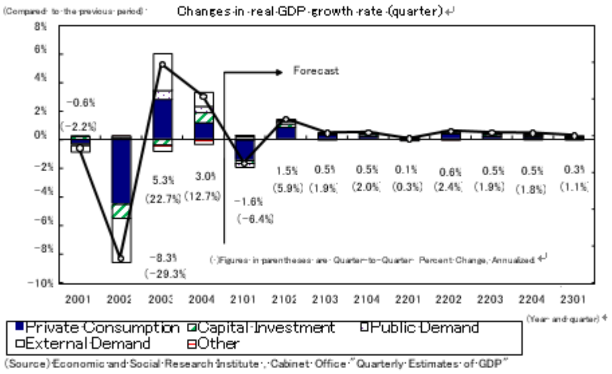
Relationship between global real GDP and trade volume

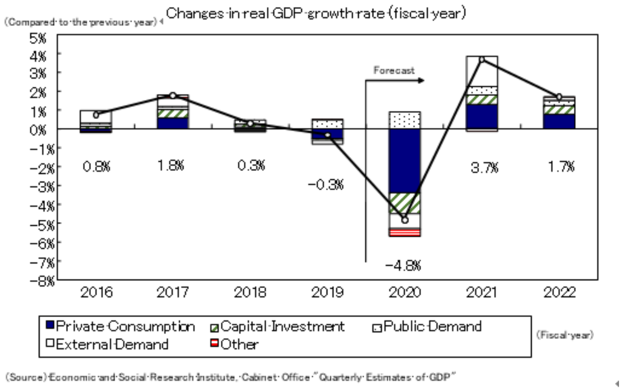


(Note)Global real GDP is estimated by the NLI Research Institute.
(Source) CPB Netherlands Bureau for Economic Policy Analysis, datastream

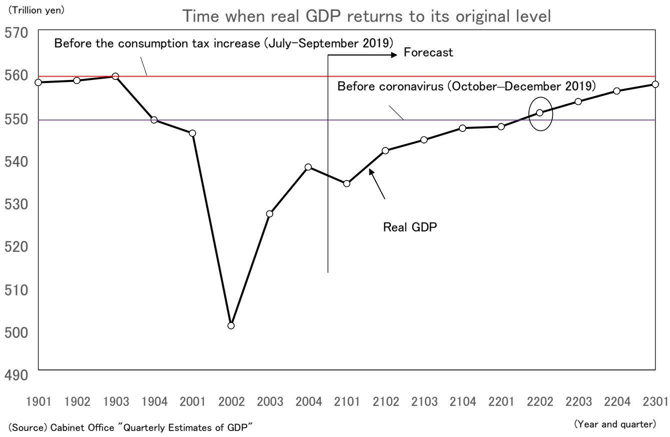
On the premise that the state of emergency will be lifted, the economy is expected to grow in the April–June quarter of 2021 at an annual rate of 5.9% from the previous quarter. Continued growth is then expected at a rate clearly higher than the potential growth rate as the economy is in the process of normalization. However, it will take time for economic activity to return to the pre-coronavirus level. Even if a state of emergency is lifted, social distancing from the pandemic will continue to restrain the consumption of face-to-face services while deteriorating corporate earnings and lowering employment and income, which exerts downward pressure on future demand. In addition, a decline in supply capacity caused by the pandemic may slow the recovery of future demand in industries where demand has remained largely depressed. For example, in the accommodation industry, which has been strongly affected by the loss of inbound demand, the number of guest rooms required to accommodate foreign visitors has declined significantly due to a series of bankruptcies and the downsizing of businesses. These effects are likely to exert downward pressure on demand in the medium to long term.

Furthermore, it is expected that the number of coronavirus infections will decrease to a certain extent from April 2021 due to the spread of vaccines. However, it is unlikely that the number of infected people will drop to zero, and it is inevitable that the number of cases will increase in winter when the virus becomes active and immune systems deteriorate due to falling temperatures. In such cases, public health measures aimed at preventing the spread of the disease may stagnate economic activity, particularly personal consumption.





The real GDP growth rate is forecast to be −4.8% in fiscal 2020, 3.7% in fiscal 2021, and 1.7% in fiscal 2022. Real GDP will exceed pre-coronavirus (October–December quarter of 2019) levels in the April–June quarter of 2022, but will not return to its most recent peak (occurring before the consumption tax increase in July–September quarter of 2019) until 2023.

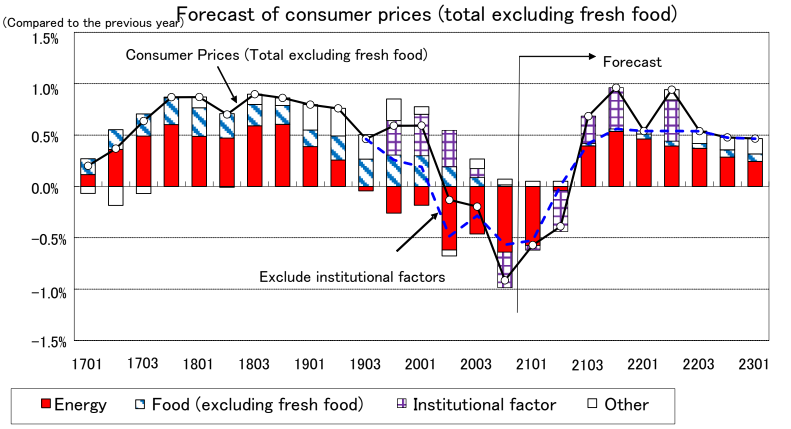


Consumer price outlook

In December 2020, the Consumer Price Index (total excluding fresh food, or core CPI) declined 1.0% from the previous year, falling for the first time in 10 years more than 1%. The main reasons for this decline were a fall in energy prices due to a decline in crude oil prices and a sharp drop in accommodation charges due to the Go To Travel campaign. Excluding these two factors, the core CPI growth rate was almost 0%, and the underlying trend in prices has not weakened despite the sharp decline in economic activity. Prices may have remained bouyant because the consumption of goods such as foods, daily necessities, and home electric appliances has been steady due to the expansion in stay-at-home consumption. Unlike an ordinary economic downturn, it is not possible to expect current demand to be stimulated by price reductions for services such as dining out, for which demand has declined sharply due to requests for self-restraint.

As for the outlook, the rate of decline in energy prices is expected to become smaller and turn positive in summer as a result of the recent sharp rise in crude oil prices. Also, since Go To Travel has been halted since December 28, the rate of increase in the core CPI since January 2021 will be pushed up by around 0.4% due to a smaller drop in accommodation prices. We expect Go To Travel to resume in April after the state of emergency is lifted and finish at the end of June. As a result, the rate of increase in the core CPI in the April–June quarter of 2021 will again decline by about 0.4%. In the same quarter of 2022, it will be pushed up by the same amount.

The rate of increase in the core CPI is expected to remain negative for the time being, and to increase in the July–September quarter of 2021 for the first time in six quarters. However, since downward pressure from the supply–demand side remains and falling wages are a factor in lowering service prices, the underlying trend of prices cannot be expected to increase significantly. Core CPI growth rates are forecast to decline 0.4% in fiscal 2020, followed by increases of 0.4% in fiscal 2021, and 0.6% in fiscal 2022.



(Note)Factors behind the system include consumption tax, free education, and the Go To Travel business.
(Source) Statistics Bureau , Ministry of Internal Affairs and Communications "Consumer Price Index"

Outlook for the Japanese Economy

(Units,%) Previous Forecast (2020.12)

	FY 2019	FY 2020	FY 2021	FY 2022	20/4-6	20/7-9	20/10-12	21/1-3	21/4-6	21/7-9	21/10-12	22/1-3	22/4-6	22/7-9	22/10-12	23/1-3	FY 2020	FY 2021	FY 2022
	Actual	Forecast	Forecast	Forecast	Actual	Actual	chievemen	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	-0.3	-4.8	3.7	1.7	-8.3	5.3	3.0	-1.6	1.5	0.5	0.5	0.1	0.6	0.5	0.5	0.3	-5.2	3.4	1.7
					-29.3	22.7	12.7	-6.4	5.9	1.9	2.0	0.3	2.4	1.9	1.8	1.1			
					-10.3	-5.8	-1.2	-2.2	8.5	3.4	0.7	2.6	1.6	1.7	1.5	1.9			
Contribution to domestic demand	(-0.1)	(-4.0)	(2.1)	(1.5)	(-5.2)	(2.6)	(2.0)	(-1.9)	(1.4)	(0.4)	(0.5)	(0.0)	(0.6)	(0.5)	(0.4)	(0.2)	(-3.9)	(2.4)	(1.5)
Private demand	(-0.6)	(-4.9)	(1.6)	(1.2)	(-5.4)	(1.9)	(1.5)	(-1.6)	(1.1)	(0.4)	(0.4)	(-0.0)	(0.5)	(0.4)	(0.3)	(0.2)	(-4.7)	(2.0)	(1.3)
Public demand	(0.5)	(0.9)	(0.4)	(0.3)	(0.2)	(0.7)	(0.5)	(-0.3)	(0.2)	(-0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.7)	(0.4)	(0.2)
Contribution of external demand	(-0.2)	(-0.8)	(1.6)	(0.2)	(-3.1)	(2.6)	(1.0)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(-1.3)	(1.0)	(0.2)
Private final consumption expenditure	-1.0	-6.3	2.4	1.4	-8.4	5.1	2.2	-2.8	1.6	0.6	0.4	-0.2	0.7	0.4	0.3	0.1	-5.7	3.7	1.6
Private residential investment	2.5	-7.7	-1.2	0.8	0.5	-5.7	0.1	-1.0	0.4	0.2	0.8	-0.3	0.3	0.3	0.1	0.0	-6.9	-0.6	0.5
Private Nonresidential investment	-0.6	-6.7	3.1	2.9	-5.9	-2.4	4.5	-1.3	1.5	0.4	0.9	0.4	0.9	0.8	0.6	0.7	-7.8	1.4	2.9
Government final consumption expenditure	2.0	3.3	1.5	0.9	0.2	2.8	2.0	-1.3	0.8	-0.2	0.3	0.3	0.2	0.2	0.4	0.3	2.6	1.1	0.6
Public investment	1.5	4.3	2.0	1.4	2.2	0.9	1.3	-0.3	0.9	0.4	0.5	-0.4	0.3	1.0	0.5	-0.3	4.3	2.4	1.2
Exports of goods & services	-2.6	-10.7	12.4	3.3	-17.2	7.4	11.1	2.4	1.8	1.2	0.8	0.7	0.8	0.7	0.9	0.9	-12.9	9.8	3.5
Import of goods & services	-1.3	-6.4	3.1	2.5	1.3	-8.2	4.1	1.2	1.3	0.8	0.7	0.5	0.7	0.6	0.4	0.6	-5.9	3.9	2.5
Nominal GDP	0.5	-4.1	3.3	2.0	-8.0	5.5	2.5	-1.2	0.6	1.1	0.2	0.5	0.3	1.0	0.1	0.7	-4.3	3.2	1.9

(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＞

	FY 2019	FY 2020	FY 2021	FY 2022	20/4-6	20/7-9	20/10-12	21/1-3	21/4-6	21/7-9	21/10-12	22/1-3	22/4-6	22/7-9	22/10-12	23/1-3	FY 2020	FY 2021	FY 2022
Industrial production (QoQ)	-3.8	-10.0	8.4	2.0	-16.9	8.7	6.4	1.0	1.6	0.5	0.6	0.2	0.8	0.4	0.5	0.4	-10.6	7.3	2.1
Domestic Corporate Goods Pr	0.1	-1.4	1.3	0.7	-2.3	-0.8	-2.1	-0.7	2.0	1.5	1.3	0.6	0.5	0.5	0.8	0.9	-1.9	0.7	0.5
Consumer Prices (YoY)	0.5	-0.3	0.4	0.6	0.1	0.2	-0.8	-0.6	-0.3	0.6	0.9	0.5	0.9	0.5	0.5	0.5	-0.4	0.3	0.5
Consumer Prices (excluding fresh food)	0.6	-0.4	0.4	0.6	-0.1	-0.2	-0.9	-0.6	-0.4	0.7	1.0	0.5	0.9	0.5	0.5	0.5	-0.6	0.3	0.5
(excluding consumption tax)	(0.1)	(-1.0)	(0.4)	(0.6)	(-1.1)	(-1.2)	(-1.0)	(-0.6)	(-0.4)	(0.7)	(1.0)	(0.5)	(0.9)	(0.5)	(0.5)	(0.5)	(-1.1)	(0.3)	(0.5)
Current account balance (¥ trillion)	20.1	19.5	26.5	27.2	7.9	16.1	26.4	27.6	26.0	26.9	26.1	27.2	25.8	27.0	27.2	28.9	15.2	16.9	17.2
(Ratio to nominal GDP)	(3.6)	(3.6)	(4.8)	(4.8)	(1.5)	(3.0)	(4.8)	(5.1)	(4.7)	(4.8)	(4.7)	(4.9)	(4.6)	(4.8)	(4.8)	(5.1)	(2.8)	(3.1)	(3.1)
Unemployment rate (%)	2.3	3.0	3.5	3.3	2.8	3.0	3.0	3.2	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.1	3.4	3.3
Housing starts (10 thousand)	88.4	80.5	80.3	81.2	80.9	81.3	80.5	79.2	79.7	80.0	80.9	80.6	80.9	81.2	81.3	81.3	81.8	82.8	83.1
10 year JGB yield (over-the-counter quotation)	-0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
USD/JPY	109	106	106	108	108	106	104	104	105	106	106	107	107	108	108	109	106	106	108
Crude oil price (CIF, Dollar/Barrel)	68	43	62	66	32	41	44	56	60	61	63	64	65	65	66	66	42	53	56
Ordinary profit (YoY)	-13.1	-28.0	19.6	8.4	-46.6	-28.4	-10.9	-20.4	37.3	12.9	9.6	22.1	10.8	9.0	6.7	7.4	-28.2	20.6	9.1

(Note)Yields on 10 year government bonds, Foreign exchange rates and Crude oil prices are average data of the period. Oridinary income of 20/7-9 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

		2019	2020	2021	2022	2020				2021				2022				2023
						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
		(Actual)	(Actual)	(Forecast)	(Forecast)	(Actual)	(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Real GDP	Annual rate,% YoY	2.2	-3.5	5.7	3.8	-5.0	-31.4	33.4	4.0	3.5	8.8	7.0	4.6	2.1	2.5	2.8	3.1	2.7
FF rate target	End, Upper,%	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
10-year govt. bond interest rate	Average,%	2.1	0.9	1.2	1.5	1.4	0.7	0.6	0.8	1.1	1.2	1.3	1.3	1.4	1.4	1.5	1.6	1.6

(Source) Datastream, NLI Research Institute

Outlook for the European (Euro area) Economy

		2019	2020	2021	2022	2020				2021				2022			
						1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
		(Actual)	(Preliminary)	(Forecast)	(Forecast)	(Actual)	(Actual)	(Actual)	(Preliminary)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Real GDP	Annual rate,% YoY	1.3	-6.8	3.5	3.3	-14.1	-39.2	59.9	-2.8	-5.2	8.2	7.8	3.1	2.0	1.9	1.9	1.9
ECB Refinancing rate	End of period,%	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,%	-0.2	-0.5	-0.5	-0.4	-0.4	-0.4	-0.5	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4	-0.3
EUR/USD	Average, Dollars	1.12	1.14	1.20	1.20	1.10	1.10	1.17	1.19	1.21	1.20	1.20	1.20	1.20	1.20	1.19	1.19