

Mid-Year Economic Projection for FY2017

July 14, 2017
Cabinet Office

Thanks to four and a half years of Abenomics, a positive economic cycle is beginning to turn steadily as the nominal GDP and corporate profits are at a record high level and the employment and income situation is significantly improving. The Japanese economy is on a moderate recovery as private consumption is picking up moderately and, industrial production and exports continue to pick up, mainly reflecting the moderate recovery of overseas economies.

Concerning future prospects, the Japanese economy is expected to recover supported by further extension of the positive economic cycle, while the employment and income situation is improving with efforts toward the work style reforms as well as smooth and steady implementation of the FY 2016 second supplementary budget and FY 2017 budget. The rate of increase in consumer prices is projected to rise gradually, reflecting the expected tightening in demand and supply conditions with the progress of the economic recovery.

In light of the aforementioned factors, the real GDP growth rate for FY2017 is projected to be approximately 1.5 %, while the nominal growth rate is expected to be around 2.5%. The rate of increase in consumer prices (all items) is projected to rise gradually to around 1.1 % in FY2017.

Downside risks include the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

Main Economic Indicators

(% or approximate %)

	FY2016 (Actual)	FY2017 (January projection)	FY2017 (New projection)
Real GDP	1.2	1.5	1.5
Private consumption expenditure	0.6	0.8	0.9
Private residential investment	6.3	0.1	0.8
Private non-residential investment	2.5	3.4	3.6
Government expenditure	▲0.3	1.6	1.5
Government final consumption expenditure	0.4	1.0	1.0
Public-sector fixed capital formation	▲3.2	4.2	4.1
Exports of goods and services	3.1	3.2	4.6
Less: Imports of goods and services	▲1.4	2.6	3.5
Contribution of domestic demand	0.5	1.4	1.3
Contribution of private demand	0.5	1.0	1.0
Contribution of public demand	▲0.1	0.4	0.4
Contribution of external demand	0.8	0.1	0.2
Real GNI	0.9	1.7	1.7
Nominal GDP	1.1	2.5	2.5
Unemployment rate	3.0	2.9	2.8
Number of employees	1.4	0.8	0.9
Industrial production	1.1	2.7	3.2
Domestic corporate goods price index	▲2.3	2.0	2.1
Consumer price index (all items)	▲0.1	1.1	1.1
GDP deflator	▲0.2	0.9	0.9

(Note 1) The figures represent the year-over-year rate of change except for the unemployment rate and the contributions of domestic and external demand.

(Note 2) The figures for “January Projection” in FY2017 are those shown in “FY2017 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 20, 2017)”.

(Note 3) The Japanese economy mainly consists of private activity and is influenced by unforeseeable market fluctuations and other changes, especially those in the international environment. Accordingly, the main economic indicators above should be recognized as being subject to upside and downside risks.

Reference for FY2018

Based on certain assumptions, the preliminary estimate for FY2018 envisages a real GDP growth rate of approx. 1.4%, a nominal GDP growth rate of approx. 2.5%, and a consumer price index (CPI) of approx. 1.3%

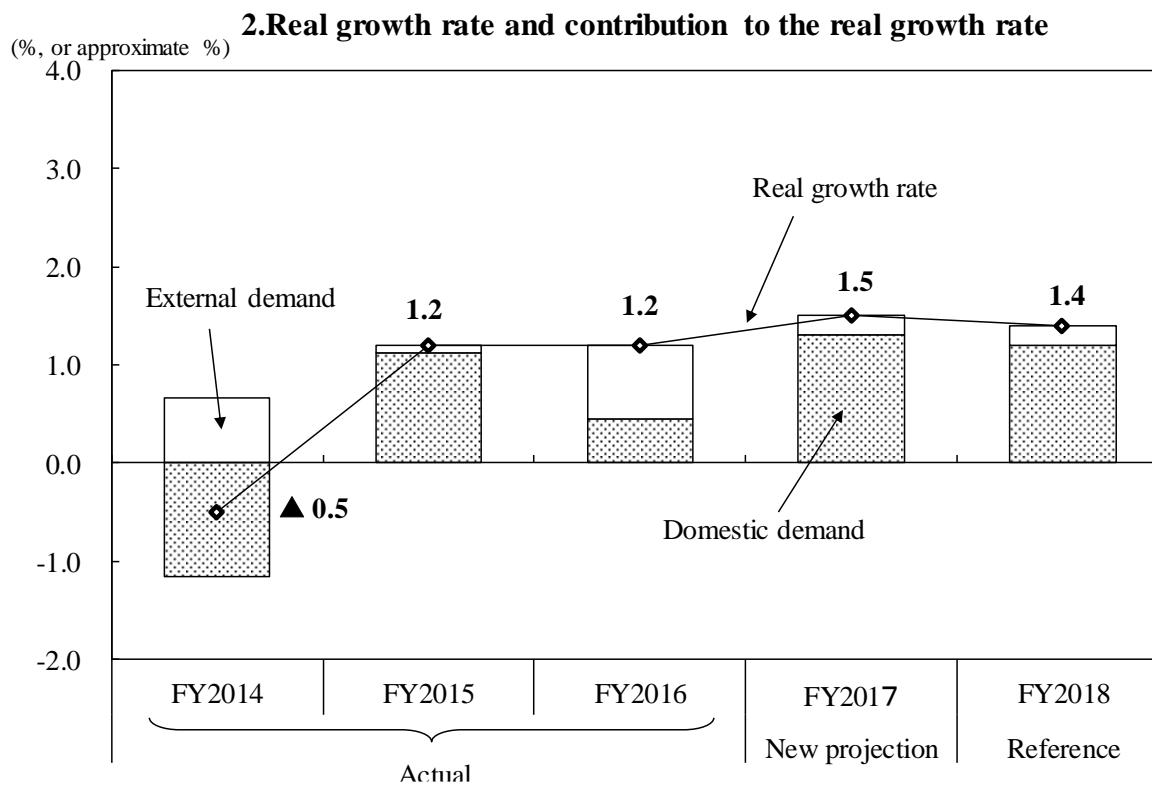
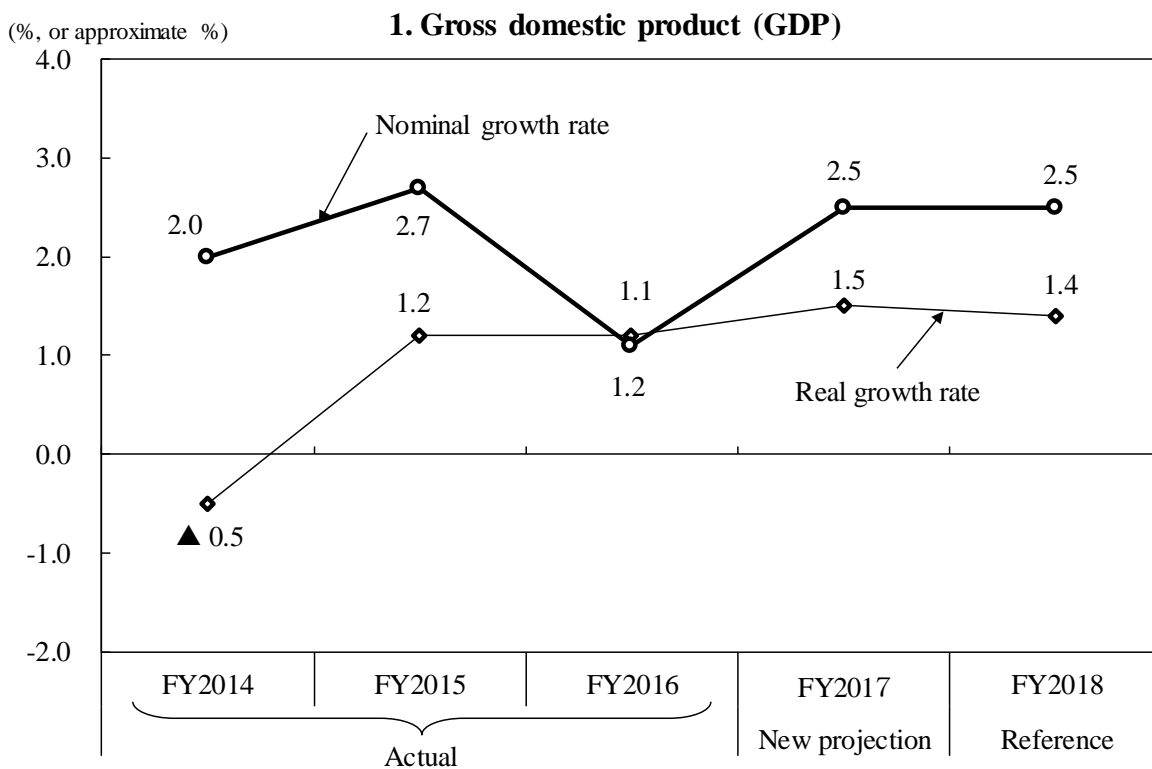
	(Approximate %)
	FY2018
Real GDP	1.4
Private consumption expenditure	1.1
Private residential investment	1.3
Private non-residential investment	3.6
Contribution of domestic demand	1.1
Contribution of external demand	0.2
Real GNI	1.5
Nominal GDP	2.5
Unemployment rate	2.7
Number of Employees	0.6
Domestic corporate goods price index	1.2
Consumer price index (all items)	1.3
GDP deflator	1.1

(Note 1) The figures represent the year-over-year rate of change except for the unemployment rate and the contributions of domestic and external demand.

(Note 2) References for FY2018 indicate preliminary estimates intended for discussions on the macro economy in FY2018 and should be recognized as being subject to considerable upside and downside risks.

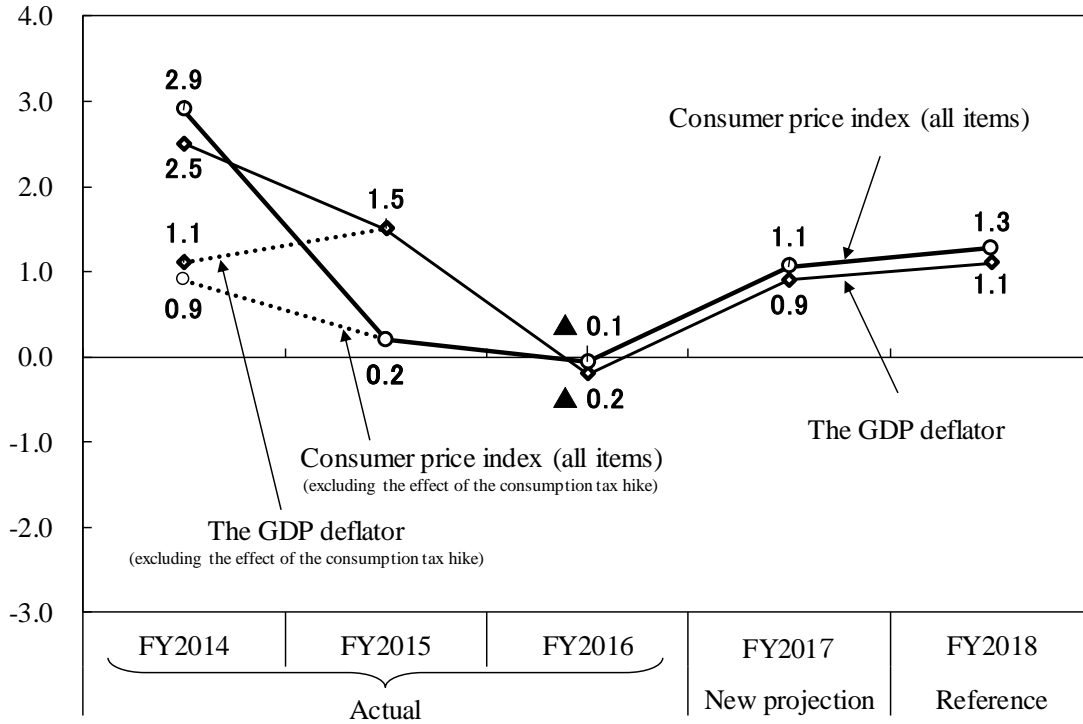
(Note 3) The government economic outlook for FY2018 will be announced in the “FY2018 Economic Outlook and Basic Stance for Economic and Fiscal Management”, which will be formulated and approved by the cabinet at the end of 2017, based on policy responses for the next fiscal year as well as future economic conditions.

Main Economic Indicators



3. Percentage change in price index

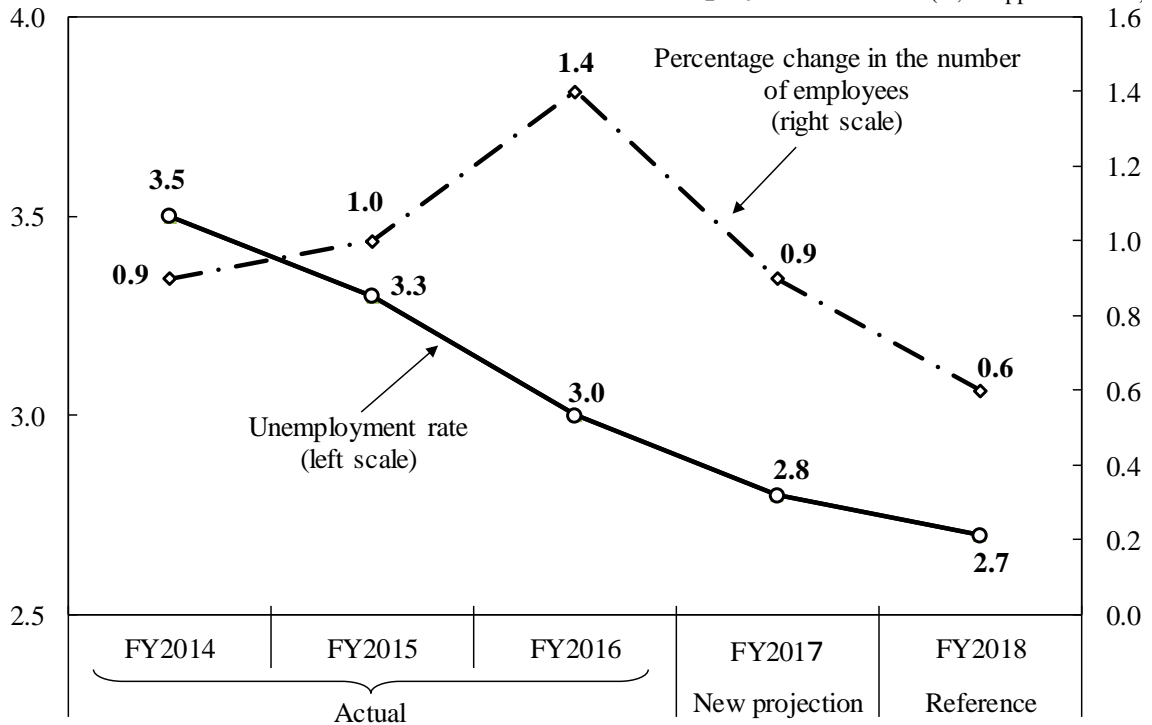
(%, or approximate %)



4. Unemployment rate and percentage change in the number of employees

(%, or approximate %)

(%, or approximate %)



Notes on the Mid-Year Economic Projection for FY2017

The projections are based on the assumptions shown below. These are technical assumptions for projection and not the forecasts of the Cabinet Office.

	FY 2017		FY 2018 (Reference)
	(January projection)	(Mid-year projection)	
Real growth rate of world GDP (excluding Japan) (%)	3.2	3.2	3.3
Exchange rate (yen/dollar)	111.5	111.5	111.5
Crude oil import price (dollar/barrel)	48.2	49.6	48.2

Remarks

- (1) The real growth rate of world GDP (excluding Japan) has been calculated based on economic forecasts of international organizations and other institutions.
- (2) The exchange rate is assumed to stay constant at 111.5 yen/dollar (monthly average from June 8 to July 7, 2017) from July 10, 2017 onward.
- (3) The crude oil import price is assumed to stay constant at 48.2 dollars/barrel (the monthly average spot price of Dubai crude from June 8 to July 7, 2017, plus freight and insurance) from July 10, 2017 onward.