

Economic Forecast for FY 2005  
(Cabinet Office Estimate)

August 9, 2005  
Cabinet Office

The Cabinet Office has made an economic forecast for FY 2005 using the latest economic indicators as follows.

By virtue of the spillover of good corporate sector performances to the household sector, the Japanese economy will continue to follow a growth path of recovery mainly led by private demand. On the other hand, the possible ramifications of oil price fluctuations on the domestic and overseas economy require attention.

With regard to prices, the Japanese economy is still in a mild deflationary period. The Government, cooperating with the Bank of Japan, will further strengthen and enhance its policy efforts to ensure a breakaway from deflation.

This forecast is estimated independently by the Cabinet Office and should not be regarded as a revision of the official Economic Outlook (January 21, 2005).

(Annual percent change unless otherwise noted(approx.))

	FY2004 (Actual)	FY2005 (Economic Outlook)	FY2005 (Forecast)
Real GDP	1.9	1.6	1.6
Private consumption	1.2	0.9	1.5
Residential investment	2.1	-0.6	-0.6
Non-Residential investment	5.3	3.3	3.9
Government expenditure	-1.4	0.4	0.6
Government consumption	2.7	1.5	1.6
Public investment	-15.1	-3.5	-2.8
Net exports (*2)	0.5	0.4	0.2
Nominal GDP	0.8	1.3	1.0
Unemployment rate (*3)	4.6	4.6	4.3
Industrial production	4.1	1.8	1.2
Domestic corporate goods price index	1.5	0.4	1.3
Consumer price index	-0.1	0.1	0.1
GDP deflator	-1.1	-0.3	-0.6

1 In light of the fact that private economic activities account for the majority of the Japanese economy and that there are numerous unforeseeable factors, particularly in terms of changes in the international economic environment, projections of the above economic indicators should be recognized as figures subject to upside and downside uncertainties.

2 Contribution to changes in GDP.

3 Ratio of unemployed in labor force.

4 The main assumptions are as follows. These assumptions are neither projections nor forecasts of the government.

1.) Exchange rate : 110.9 yen/dollar

Crude oil price : 52.4 dollar/barrel

2.) Current economic and fiscal policies are maintained