

Tentative Estimation of Economic Outlook for FY2009 (by Cabinet Office)

April 27, 2009
Cabinet Office

1. Concept of the Tentative Estimation of Economic Outlook

The global financial crisis and global recession have become even more serious and Japan's export markets have been shrinking rapidly. Japan saw a significant negative growth in the October-December quarter of 2008 and the economy has been deteriorating at an accelerating pace. The economic trend so far has been substantially below the growth path that the government expected in its last economic outlook (Cabinet decision in January 2009). In order to cope with such a critical situation, the government and the ruling parties have formulated the "Policy Package to Address Economic Crisis".

For the purpose of clarifying the future course of the Japanese economy under severe situations both at home and abroad, the Cabinet Office tentatively reviewed the economic outlook for FY2009. This tentative estimation includes the expected effects of the measures incorporated in the policy package.

2. Outline of the Tentative Estimation

In the latter half of FY2008, the economy deteriorated at an unprecedented speed. In addition to sharp declines in exports and production, private demand, such as capital investment, has decreased significantly. As a result, FY2009 has inevitably started from the worst negative growth rate.

Steady implementation of the policy package is expected to contribute significantly to avoiding the risk of the economy entering a negative spiral. It is expected that the Japanese economy will not be faced with spiral deterioration in FY2009, and that Japan's real GDP growth rate, which is projected by international organizations to be the worst among major industrial countries, will stay at the levels of other major industrial countries at around -3.3% compared with the previous fiscal year, diminishing the magnitude of decline.

Future developments of stabilization of the global financial system and world economy still remain uncertain. Therefore, we should pay attention to possible downward pressures on the Japanese economy and take careful note of employment situations in Japan. As economic trends at home and abroad may

show unforeseeable moves in the future, this tentative estimation should be construed flexibly.

3. Expected Economic Effects of the Policy Package to Address Economic Crisis

This tentative estimation includes the following effects.

○Real GDP growth rate for FY2009: pushed up around 1.9%

(Breakdown)

Private consumption expenditure: around 0.7%

Private residential investment: around 0.1%

Private non-residential investment: around 0.4%

Government final consumption expenditure: around 0.2%

Public-sector fixed asset formation: around 0.6%

(Due to rounding-off, the sum of the figures does not match the total.)

Including the effects to appear in FY2010 onward, the real GDP will increase around 2.9% in comparison with FY2008.

○Job creation in FY2009 Around 200,000 persons on average for the fiscal year

Main Economic Indicators

(%; approximate figures)

	FY2008		FY2009	
	(Estimate)	(Tentative estimation)	(Economic outlook)	(Tentative estimation)
Real GDP	▲ 0.8	▲ 3.1	0.0	▲ 3.3
Private consumption expenditure	0.2	▲ 0.3	0.4	0.3
Private residential investment	▲ 4.1	▲ 2.7	4.7	▲ 0.5
Private non-residential investment	▲ 4.7	▲ 8.8	▲ 4.2	▲ 14.1
Government expenditure	▲ 0.5	▲ 0.4	2.5	6.4
Government final consumption expenditure	0.3	0.2	2.6	3.7
Public-sector fixed asset formation	▲ 3.7	▲ 3.2	2.2	18.6
Exports of goods and services	▲ 0.2	▲ 10.4	▲ 3.2	▲ 27.6
Imports of goods and services	▲ 1.5	▲ 3.1	▲ 1.5	▲ 9.7
Contribution of domestic demand	▲ 1.0	▲ 1.8	0.3	▲ 0.5
Contribution of private demand	▲ 0.9	▲ 1.7	▲ 0.3	▲ 2.0
Contribution of public demand	▲ 0.1	▲ 0.1	0.6	1.5
Contribution of external demand	0.2	▲ 1.3	▲ 0.3	▲ 2.8
Nominal GDP	▲ 1.3	▲ 3.2	0.1	▲ 3.0
Unemployment rate	4.2	4.1	4.7	5.2
Number of employees	▲ 0.2	0.0	▲ 0.4	▲ 0.9
Industrial production	▲ 5.5	▲ 12.9	▲ 4.8	▲ 23.4
Domestic corporate goods price index	4.1	3.3	▲ 2.1	▲ 5.5
Consumer price index (total)	1.3	1.1	▲ 0.4	▲ 1.3
GDP deflator	▲ 0.5	▲ 0.1	0.1	0.3

(Note 1) 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, main economic indicators should be recognized as being subject to upside and downside risks.

(Note 2) Figures other than the unemployment rate are changes from the previous fiscal year.

(Note 3) The domestic corporate goods price index for FY2008 (tentative estimation) is the actual performance.

(Note 4) The tentative estimation is based on the predetermined economic and fiscal policies and the assumptions shown below. These assumptions are neither projections nor forecasts of the Cabinet Office.

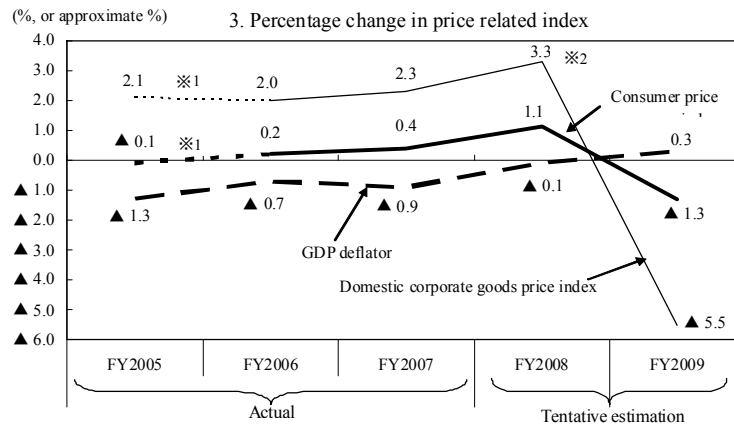
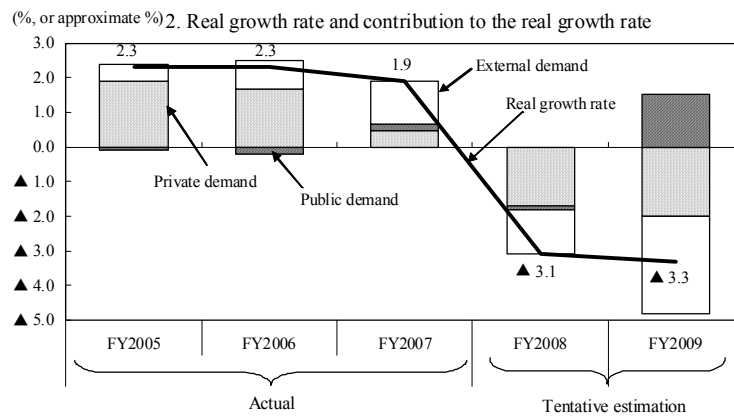
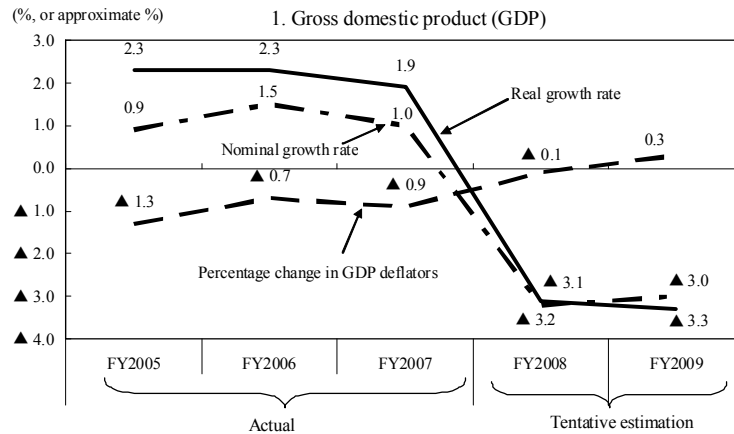
	FY2009	
	At the time of making economic outlook	Tentative estimation
Real growth rate of world GDP (excluding Japan) (%)	1.2	▲ 1.4
Exchange rate (yen/dollar)	96.9	97.8
Crude oil import price (dollar/barrel)	58.4	47.6

(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 97.8 yen/dollar (monthly average for March 2009) in April 2009 onward.
3. The crude oil import price is assumed to stay constant at 47.6 dollar/barrel (value including the monthly average spot price of Dubai for March 2009 and freight and insurance) in April 2009 onward.

(Reference)

Main Economic Indicators



※1 Figures for fiscal year 2005 represent percentage changes from 2000, and those for fiscal year 2006 through fiscal year 2009 represent percentage changes from 2005, respectively.

※2 Domestic corporate goods price index for FY2008 shows actual performance.

