

Mid-Year Economic Projection for FY2012

August 17, 2012
Cabinet Office

The Japanese economy is on the way to recover at a moderate pace, supported by the growth of broader components of domestic demand, reflecting the steady implementation of the reconstruction measures and an improvement in employment and business environment. On the other hand, the recent slowdown of the world economy has been dragging Japan's exports.

Concerning future prospect, although contribution from external demand is expected to remain weak, economic growth will be supported by reconstruction demand, together with a modest increase in private consumption owing to the improvements in employment and income environment. With corporate profit improving, an increase in business investment is expected as indicated by the current steady trend of investments in information and communication sector and energy sector. These underlying economic trends suggest that a modest economic recovery would continue with private sector demands including consumption and investment expected to remain on a steady trend.

In light of the aforementioned factors, the real GDP growth rate for FY2012 is projected to be approximately 2.2 %, while the nominal growth rate is expected to be about 1.9 %.

The consumer price index (total) is projected to show the first upward trend in four years, due to the steadily narrowing GDP gap (excess supply) and effects of rising energy prices.

Downside risks include the followings: a volatility in financial and capital markets and a further slowdown in the overseas economy possibly caused by events such as the European sovereign debt crisis; the appreciation of the yen and its impacts; electric power supply constraints and accompanying rising costs.

Main Economic Indicators

(% or approximate %)

	FY2011 (Actual)	FY2012 (January projection)	FY 2012 (New projection)
Real GDP	-0.0	2.2	2.2
Private consumption expenditure	1.2	1.1	1.7
Private residential investment	3.8	6.3	2.8
Private non-residential investment	1.1	5.1	3.5
Government expenditure	2.2	0.6	1.5
Government final consumption expenditure	1.9	0.8	1.6
Public-sector fixed capital formation	2.9	-1.0	1.0
Exports of goods and services	-1.4	6.5	4.8
Less: Imports of goods and services	5.6	3.3	4.7
Contribution of domestic demand	1.0	1.8	2.2
Contribution of private demand	0.5	1.6	1.8
Contribution of public demand	0.5	0.2	0.4
Contribution of external demand	-1.0	0.4	-0.0
Nominal GDP	-2.0	2.0	1.9
Unemployment rate	4.5	4.3	4.3
Number of Employees	-0.1	0.8	0.5
Industrial production	-1.0	6.1	3.0
Domestic corporate goods price index	1.4	0.7	-0.2
Consumer price index (total)	-0.1	0.1	0.2
GDP deflator	-1.9	-0.2	-0.3

(Note 1) The figures of “January Projection” for FY2012 are those shown in “FY 2012 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 24, 2012)”.

(Note 2) 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.

(Note 3) Concerning the figures for “unemployment rate” and “Number of Employees” for “FY2011 (Actual),” as the figures published by Ministry of Internal Affairs and Communications as national values while excluding those of Iwate, Miyagi, and Fukushima Prefectures, the Cabinet Office has calculated its own national figures based on the data “Estimated figures augmenting the labor force survey following the Great East Japan Earthquake” (Ministry of Internal Affairs and Communications).

(Note 4) The base year for “Domestic corporate goods price index” for FY2011 (Actual) and FY2012 (New projection) is CY2010. The base year for FY2012 (January projection) is CY2005.

Reference for FY2013

Under some assumptions, the preliminary estimations for FY2013 are: Real GDP growth rate approx. 1.7%, Nominal GDP growth rate approx. 1.9%, and Consumer price inflation rate (CPI) approx. 0.5%

(Approximate %)

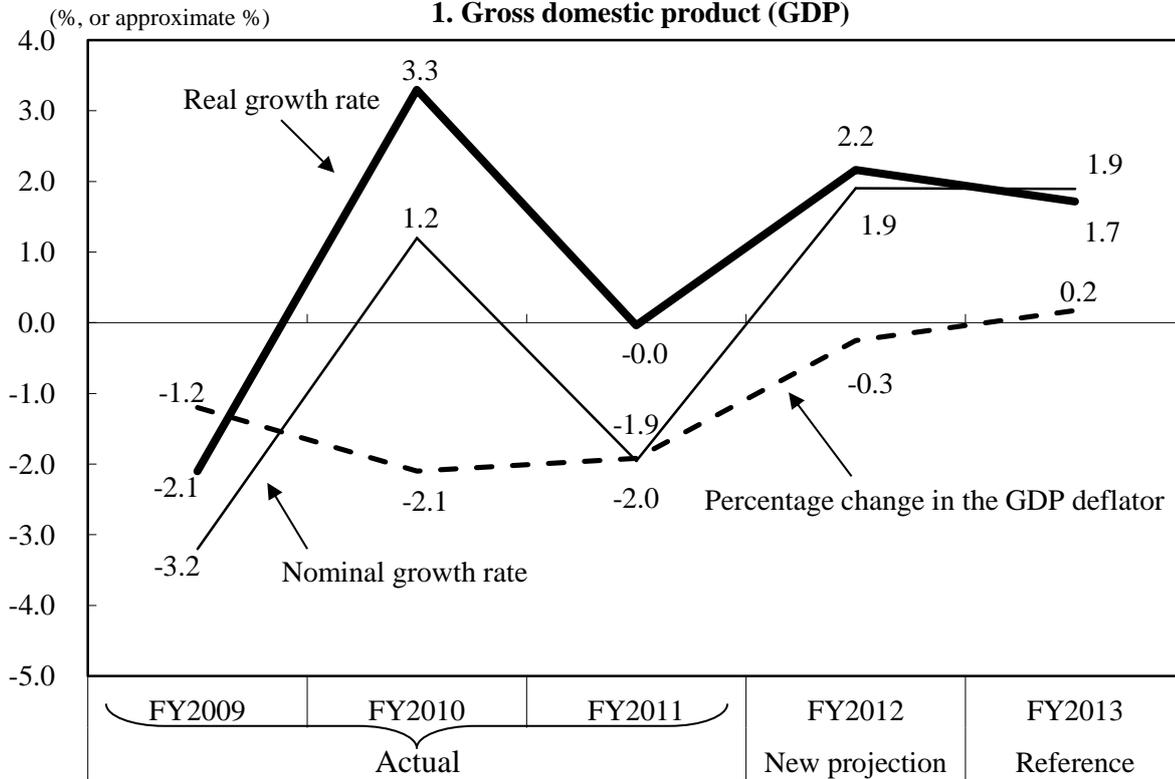
	FY2013
Real GDP	1.7
Private consumption expenditure	1.6
Private residential investment	5.1
Private non-residential investment	3.8
Contribution of domestic demand	1.4
Contribution of private demand	1.7
Contribution of public demand	-0.3
Contribution of external demand	0.3
Nominal GDP	1.9
Unemployment rate	4.1
Number of Employees	0.6
Domestic corporate goods price index	0.8
Consumer price index (total)	0.5
GDP deflator	0.2

(Note 1) “Reference for FY2013” indicates preliminary estimates intended for discussing the macro economy for FY2013, and should be recognized as being subject to considerable upside and downside risks.

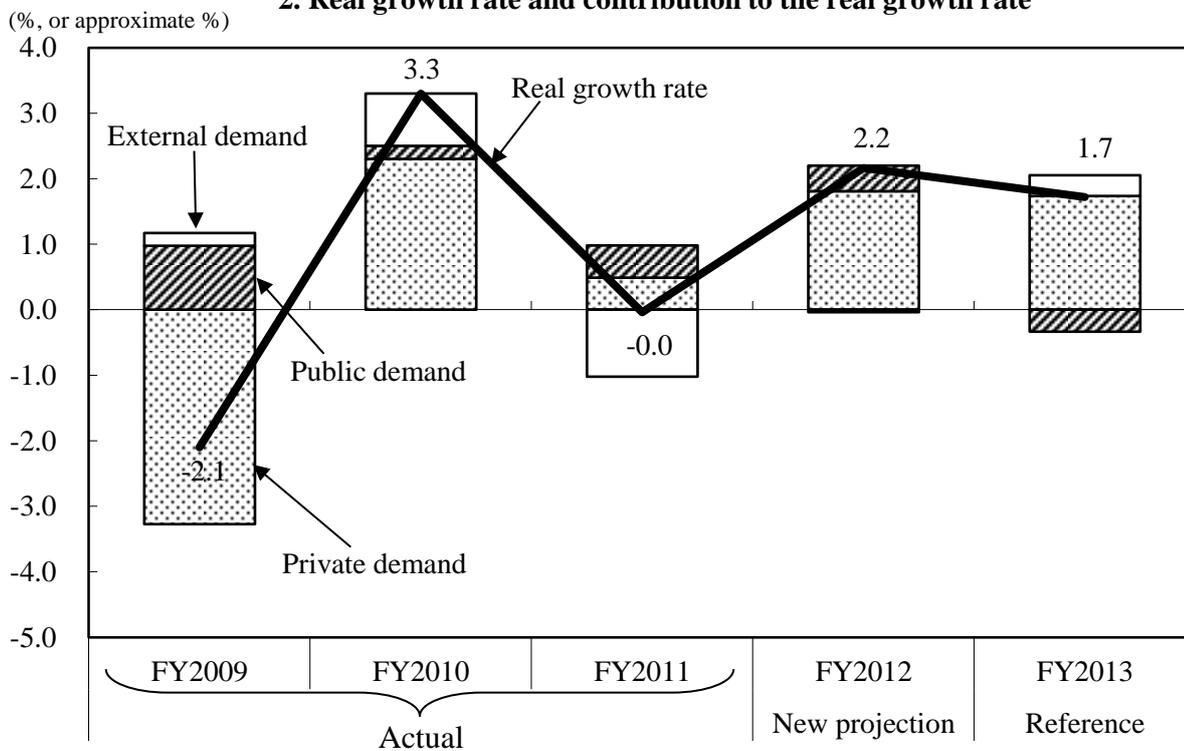
(Note 2) The non-preliminary economic outlook for FY2013 will be announced in the *FY2013 Economic Outlook and Basic Stance for Economic and Fiscal Management*, which is formulated and approved by the cabinet at the end of 2012, based on policy responses for the next fiscal year as well as future economic conditions.

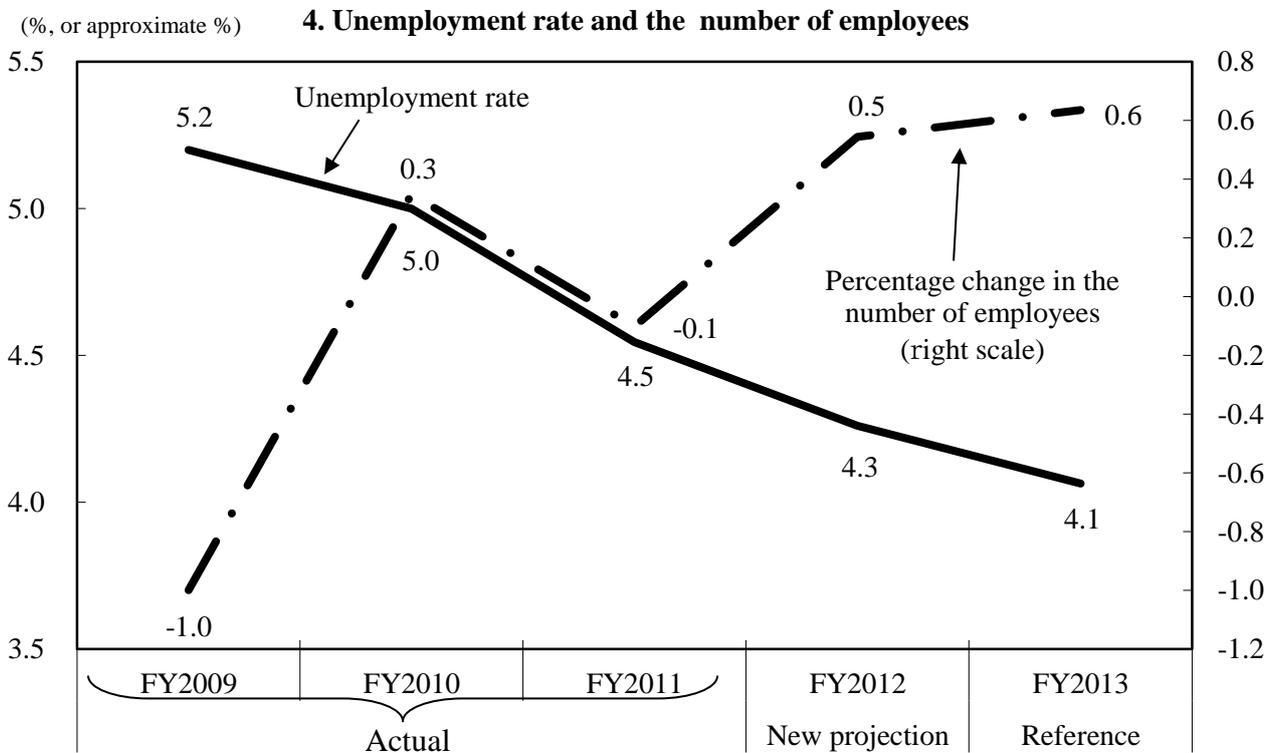
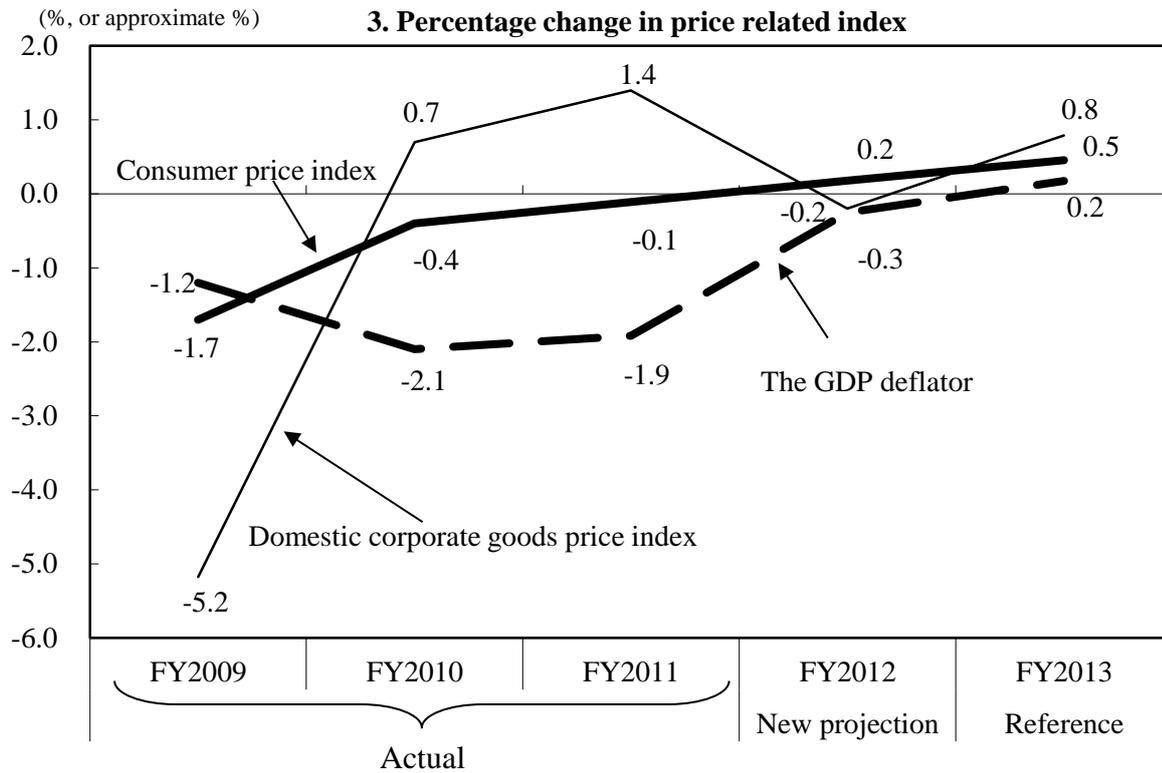
Main Economic Indicators

1. Gross domestic product (GDP)



2. Real growth rate and contribution to the real growth rate





Notes on “Mid-year Economic Projection for FY2012”

1 Figures other than the contributions and the unemployment rate are changes from the previous fiscal year.

2 The projections are based on the assumptions shown below. These are not forecasts of the Cabinet Office.

	FY 2012		FY 2013 (Reference)
	(January projection)	(Mid-year projection)	
Real growth rate of world GDP (excluding Japan) (%)	3.1	2.7	3.1
Exchange rate (yen/dollar)	77.5	79.3	79.0
Crude oil import price (dollar/barrel)	113.0	109.4	105.3

(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 79.0 yen/dollar (monthly average from July 2 to July 31, 2012) in August, 2012 onward.
- (3) The crude oil import price is assumed to stay constant at 105.3 dollars/barrel (the monthly average spot price of Dubai from July 2 to July 31, 2012, plus freight and insurance) in August, 2012 onward.