

## Mid-Year Economic Projection for FY2018

July 6, 2018  
Cabinet Office

Thanks to five and a half years of Abenomics, the Japanese economy is recovering at a moderate pace with a positive economic cycle progressing, as the improvement in the business sector spreads to the household sector.

Concerning future prospects, with the recovery of overseas economies continuing, the Japanese economy is expected to recover driven mainly by the growth in private demand such as private consumption and business investment, through further improvement in the employment and income situations supported by the effects of various policy measures. Prices are rising moderately as an underlying trend, with energy and other prices rising, and projected to continue to rise, reflecting the 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 FY2018 is projected to be approximately 1.5%, while the nominal growth rate is expected to be around 1.7%. The rate of increase in consumer prices (all items) is projected to rise gradually to around 1.1% in FY2018.

Concerning risks, attention should be given to the effects of situations over trade issues on the world economy, the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets, among other factors.

## Main Economic Indicators

(% or approximate %)

	FY2017 (Actual)	FY2018 (January projection)	FY2018 (New projection)
Real GDP	1.6	1.8	1.5
Private consumption expenditure	0.9	1.4	1.2
Private residential investment	-0.3	0.6	-0.7
Private non-residential investment	3.2	3.9	3.7
Government expenditure	0.9	0.4	0.3
Government final consumption expenditure	0.7	0.8	0.8
Public fixed capital formation	1.4	-1.2	-1.0
Exports of goods and services	6.2	4.0	4.3
Less: Imports of goods and services	4.0	3.4	3.9
Contribution of domestic demand	1.2	1.6	1.4
Contribution of private demand	1.0	1.5	1.3
Contribution of public demand	0.2	0.1	0.1
Contribution of external demand	0.4	0.1	0.1
Real GNI	1.3	1.8	1.0
Nominal GDP	1.7	2.5	1.7
Unemployment rate	2.7	2.7	2.5
Number of employees	1.5	0.7	0.9
Industrial production	4.1	2.7	2.4
Domestic corporate goods price index	2.7	2.3	2.9
Consumer price index (all items)	0.7	1.1	1.1
GDP deflator	0.1	0.8	0.2

(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 FY2018 are those shown in “FY2018 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 22, 2018)”.

(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 FY2019

Based on certain assumptions, the preliminary estimate for FY2019 envisages a real GDP growth rate of approximately 1.5%, a nominal GDP growth rate of approximately 2.8%, and a consumer price index (CPI) of approximately 1.5%

	(Approximate %)
	FY2019
Real GDP	1.5
Private consumption expenditure	1.2
Private residential investment	0.4
Private non-residential investment	3.4
Contribution of domestic demand	1.3
Contribution of external demand	0.2
Real GNI	1.7
Nominal GDP	2.8
Unemployment rate	2.4
Number of Employees	0.7
Domestic corporate goods price index	2.2
Consumer price index (all items)	1.5
GDP deflator	1.3

(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.

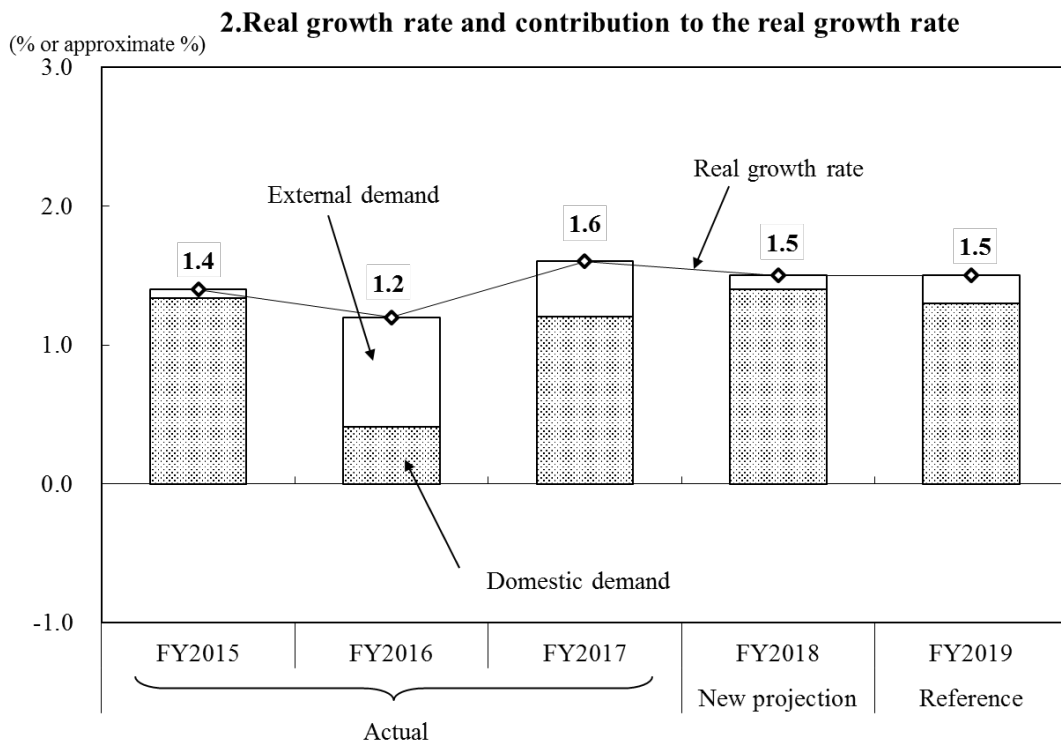
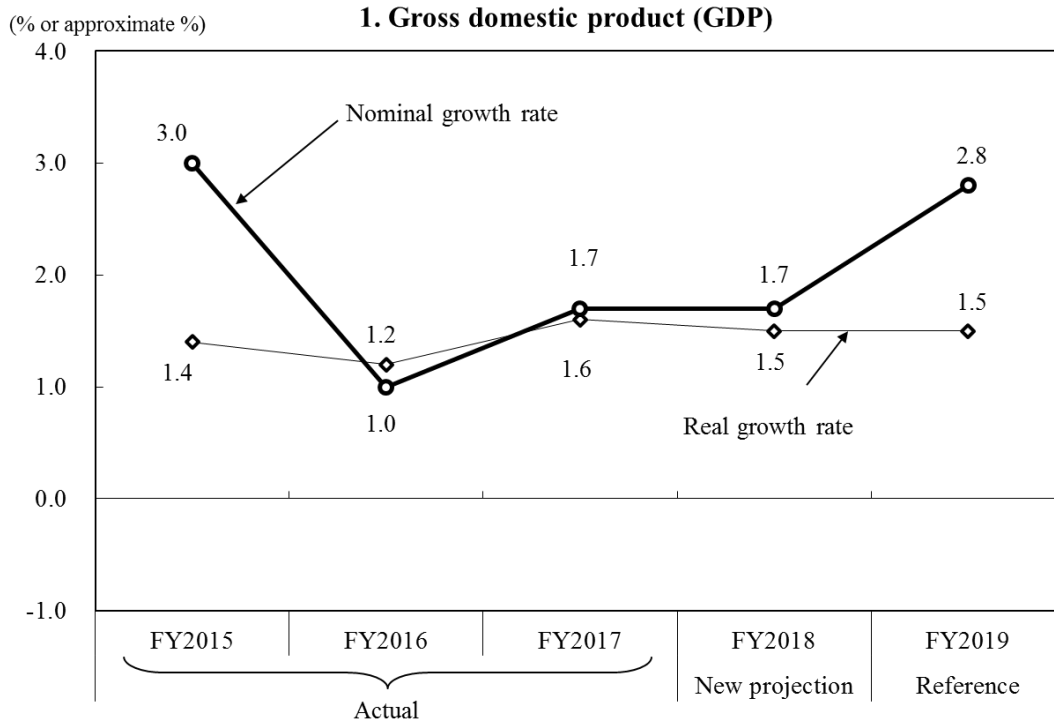
(Note 2) References for FY2019 indicate preliminary estimates intended for discussions on the macro economy in FY2019 and should be recognized as being subject to considerable upside and downside risks.

(Note 3) The government economic outlook for FY2019 will be announced in the “FY2019 Economic Outlook and Basic Stance for Economic and Fiscal Management”, which will be formulated and approved by the cabinet at the end of 2018, based on policy responses for the next fiscal year as well as future economic conditions.

(Note 4) The effects of the consumption tax hike on consumer price index (all items) and GDP deflator are estimated to be approximately 0.5% point and 0.4% point, respectively.

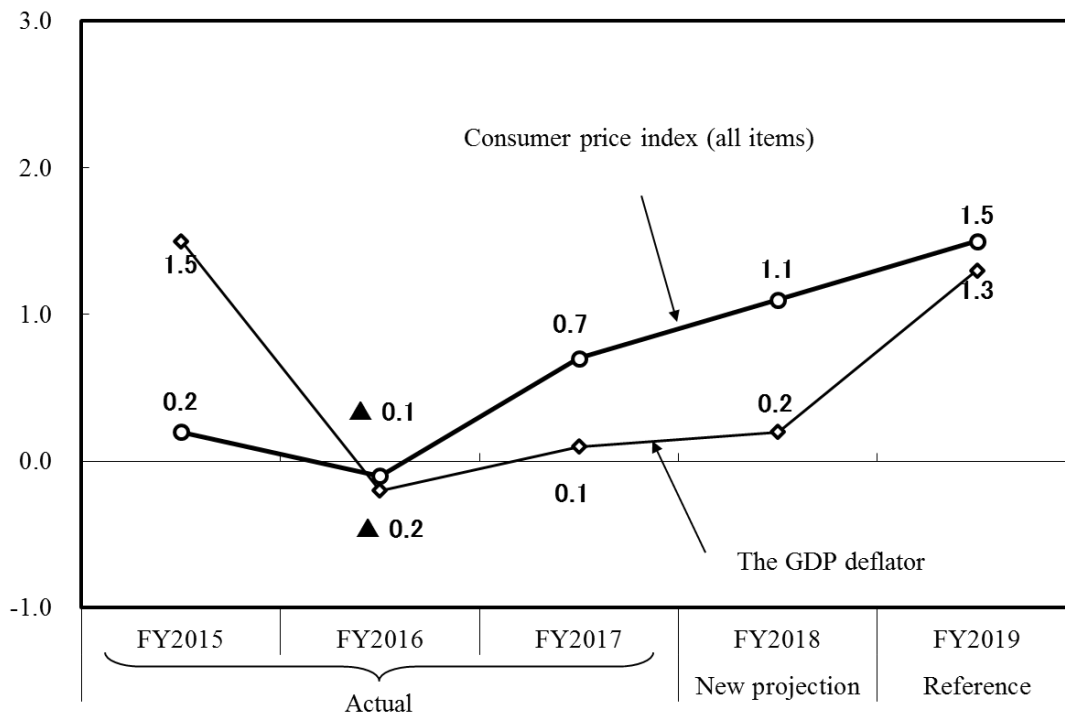
(Note 5) In the above preliminary estimate, public-fixed capital formation in FY2019 is assumed to be the same amount as in FY2018 in nominal level.

# Main Economic Indicators



### 3. Percentage change in price index

(% or approximate %)

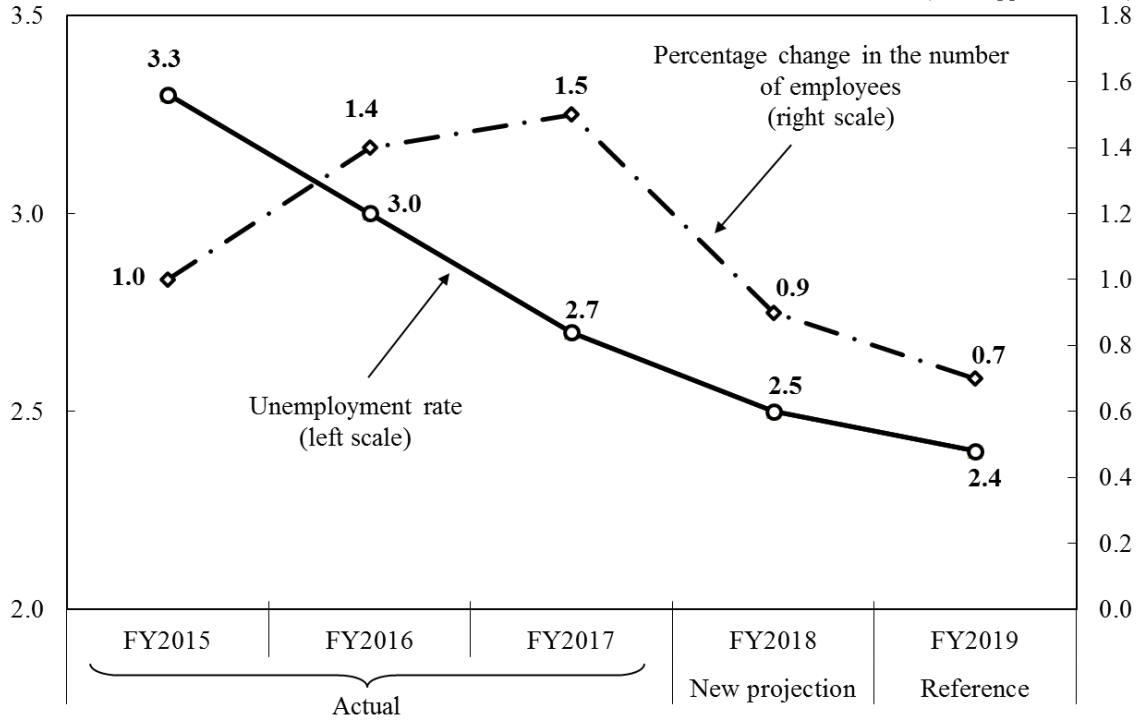


※ The effects of the consumption tax hike on consumer price index (all items) and GDP deflator for FY2019 are estimated to be approximately 0.5% point and 0.4% point, respectively.

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

(% or approximate %)

(%, or approximate %)



## Notes on the Mid-Year Economic Projection for FY2018

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

	FY 2018		FY 2019 (Reference)
	(January projection)	(Mid-year projection)	
Real growth rate of world GDP (excluding Japan) (%)	3.4	3.7	3.5
Exchange rate (yen/dollar)	112.6	109.6	109.8
Crude oil import price (dollar/barrel)	61.6	75.0	76.4

### 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 109.8yen/dollar (monthly average from May 22 to June 21, 2018) from June 22, 2018 onward.
- (3) The crude oil import price is assumed to stay constant at 76.4 dollars/barrel (the monthly average spot price of Dubai crude from May 22 to June 21, 2018, plus freight and insurance) from June 22, 2018 onward.