

Economic Projection for FY 2008 (by Cabinet Office)

July 22, 2008
Cabinet Office

The Cabinet Office has made an economic projection for FY2008 based on the latest economic indicators.

Since the government officially approved its "Economic Outlook" in January 2008, we have experienced additional crude oil price hike, the U.S. economic slowdown and the appreciation of the yen. While the economic recovery appears to be pausing, weak movements are seen recently. Accordingly, the GDP growth rate for this fiscal year in both real and nominal terms will be well below the growth that the government expected in its last "Economic Outlook," and the consumer price index will be above the level estimated in the outlook. Since the global economy is expected to make a comeback from slowdown and improve slowly in early 2009 in tandem with the U.S. economic pickup due to effects of the fiscal and monetary policies, and thanks to recovery in housing investment, the Japanese economy will also recuperate moderately. However, attention should be given to downside risks increased by the recession risk in the U.S. economy and hikes in crude and grain prices.

This projection is estimated independently by the Cabinet Office, and should not be regarded as a revision of the official "Economic Outlook".

(% , approximate figures)

	FY2007 (Actual)	FY2008 (Economic Outlook)	FY2008 (Projection)
Real GDP	1.6	2.0	1.3
Private consumption expenditure	1.4	1.3	1.0
Private residential investment	▲ 13.3	9.0	2.8
Private non-residential investment	0.0	3.3	0.6
Government expenditure	0.2	0.1	▲ 0.3
Government final consumption expenditure	0.7	1.1	1.1
Public-sector fixed asset formation	▲ 1.8	▲ 4.9	▲ 6.4
Contribution of external demand	1.3	0.4	0.5
Nominal GDP	0.6	2.1	0.3
Unemployment rate	3.8	3.8	4.0
Industrial production	2.6	2.2	0.8
Domestic corporate goods price index	2.3	0.6	4.1
Consumer price index (total)	0.4	0.3	1.7
GDP deflator	▲ 1.0	0.1	▲ 1.0

- (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 above should be recognized as being subject to upside and downside risks to some extent.
- (Note 2) Figures other than the unemployment rate are changes from the previous fiscal year.
- (Note 3) The projection 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.
1. Exchange rate (yen/dollar): 106.3 yen/dollar (Annual average for fiscal 2008)
(111.2 yen/dollar at the time of making the last “Economic Outlook”)
The exchange rate is assumed to stay constant at 106.9 yen/dollar (monthly average for June, 2008) in July 2008 onward.
 2. Crude oil import price (dollar/barrel): 127.3 dollar/barrel (Annual average for fiscal 2008)
(83.0 dollar/barrel at the time of making the last “Economic Outlook”)
The crude oil import price is assumed to stay constant at 132.9 dollar/barrel (value including the monthly average spot price of Dubai for June, 2008 and freight and insurance) in July 2008 onward.