

## Mid-Year Economic Projection for FY2019

July 29, 2019  
Cabinet Office

The Japanese economy is recovering at a moderate pace. While weakness is seen recently in exports, private consumption and business investment are on the increase, supported by improvement in the employment and income situation and high corporate profits.

Concerning future prospects, though weakness remains for the time being, the recovery driven by domestic demand such as private consumption and business investment is expected with the improvement in employment and income situation continuing, helped by the effects of various policy measures. Prices are projected to moderately rise, reflecting the tightened demand and supply conditions under the economic recovery, while the fall in crude oil prices at the beginning of FY2019 is expected to contain the price increase.

In light of the aforementioned factors, the real GDP growth rate for FY2019 is projected to be approximately 0.9%, 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 by approximately 0.7% in FY2019.

Concerning risks, further attention should be given to the effects of situations over trade issues on the world economy, while the prospect of the Chinese economy, the uncertainty of situations and policies in overseas economies and the effects of fluctuations in the financial and capital markets also need attention.

## Main Economic Indicators

(% or approximate %)

	FY2018 (Actual)	FY2019 (January projection)	FY2019 (New projection)
Real GDP	0.7	1.3	0.9
Private consumption expenditure	0.4	1.2	0.9
Private residential investment	▲4.3	1.3	0.6
Private non-residential investment	3.5	2.7	2.5
Government expenditure	▲0.1	1.0	1.3
Government final consumption expenditure	0.9	1.0	1.1
Public fixed capital formation	▲3.9	1.2	2.6
Exports of goods and services	1.3	3.0	0.5
Less: Imports of goods and services	2.0	3.3	2.3
Contribution of domestic demand	0.8	1.4	1.2
Contribution of private demand	0.8	1.1	0.9
Contribution of public demand	▲0.0	0.2	0.3
Contribution of external demand	▲0.1	▲0.0	▲0.3
Real GNI	0.2	1.6	1.5
Nominal GDP	0.5	2.4	1.7
Unemployment rate	2.4	2.3	2.3
Number of employees	1.8	0.9	1.0
Industrial production	0.3	2.4	1.4
Domestic corporate goods price index	2.2	2.0	1.1
Consumer price index (all items)	0.7	1.1	0.7
GDP deflator	▲0.2	1.1	0.8

(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 FY2019 are those shown in “FY2019 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 28, 2019)”.

(Note 3) The effects of the consumption tax hike on consumer price index (all items) and GDP deflator are estimated to be approximately 0.5% points and 0.4% points, respectively. The effects of free early childhood education on consumer price index (all items) are estimated to be approximately ▲0.3% points.

(Note 4) 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 FY2020

Based on certain assumptions, the preliminary estimate for FY2020 envisages a real GDP growth rate of approximately 1.2%, a nominal GDP growth rate of approximately 2.0%, and a consumer price index (CPI) of approximately 0.8%

	(Approximate %)
	FY2020
Real GDP	1.2
Private consumption expenditure	1.0
Private residential investment	▲1.9
Private non-residential investment	1.9
Contribution of domestic demand	1.0
Contribution of external demand	0.2
Real GNI	1.2
Nominal GDP	2.0
Unemployment rate	2.3
Number of Employees	0.6
Domestic corporate goods price index	1.2
Consumer price index (all items)	0.8
GDP deflator	0.8

(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.

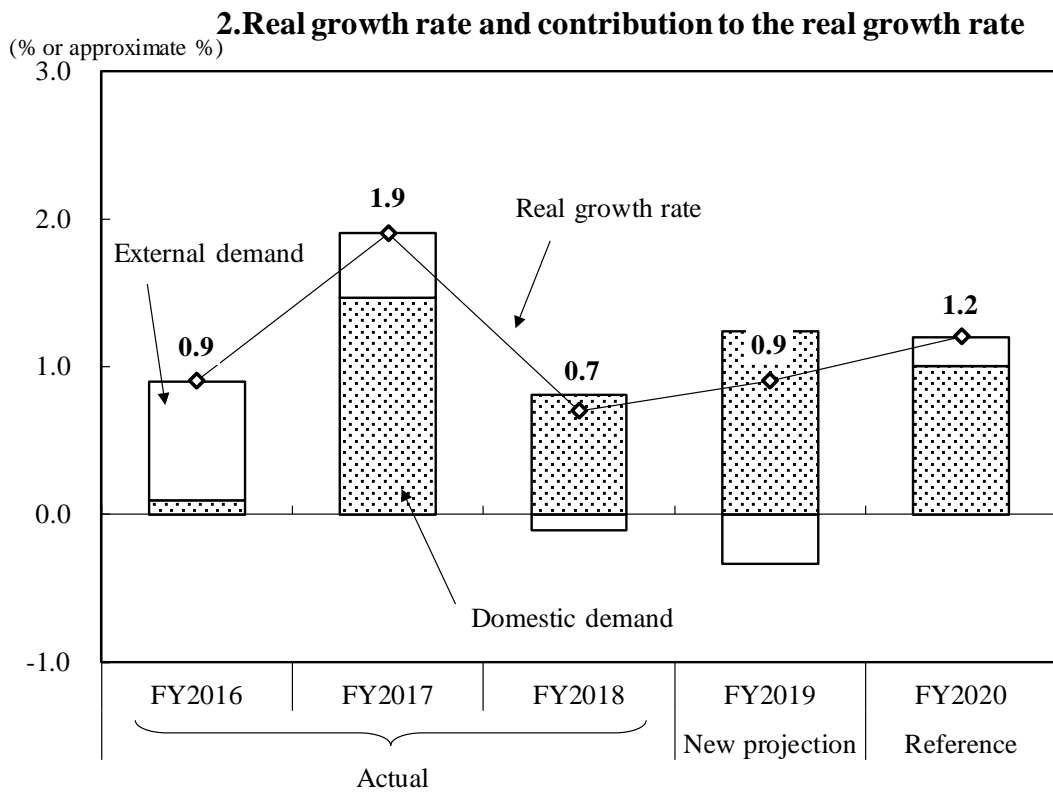
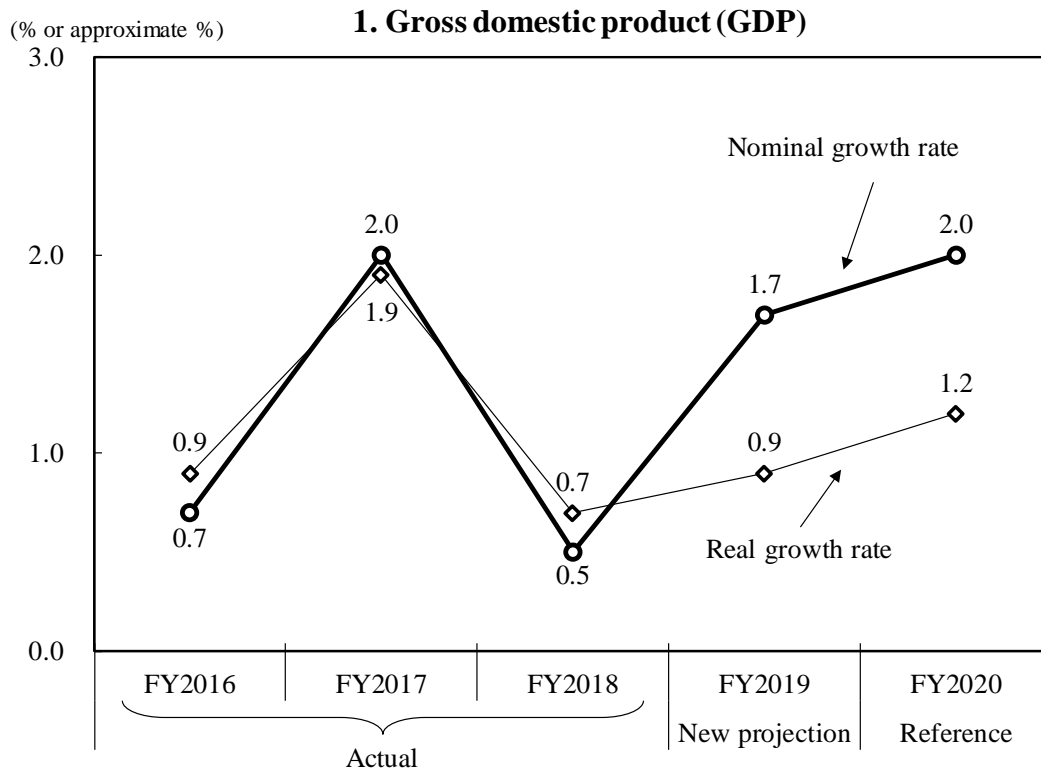
(Note 2) References for FY2020 indicate preliminary estimates intended for discussions on the macro economy in FY2020 and should be recognized as being subject to considerable upside and downside risks.

(Note 3) The effects of the consumption tax hike on consumer price index (all items) and GDP deflator are estimated to be approximately 0.5% points and 0.4% points, respectively. The effects of free early childhood education and free tertiary education on consumer price index (all items) are estimated to be approximately ▲0.3% points and ▲0.1% points, respectively.

(Note 4) In the above preliminary estimate, public fixed capital formation in FY2020 is assumed to be the same amount as in FY2019 in nominal level.

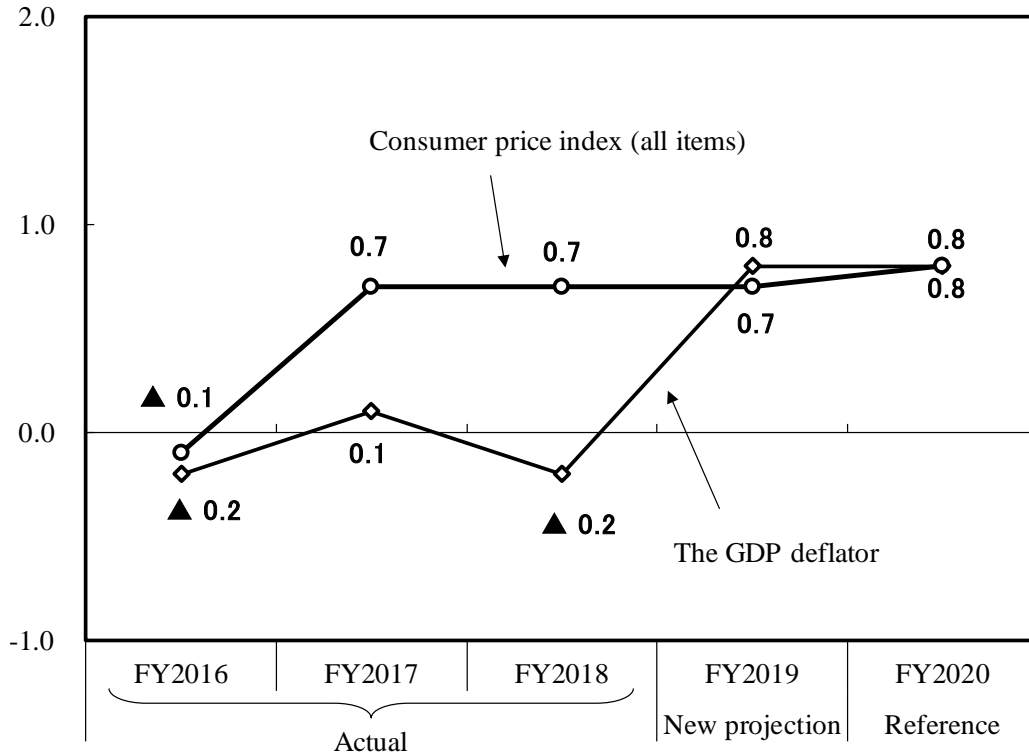
(Note 5) The government economic outlook for FY2020 will be announced in the “FY2020 Economic Outlook and Basic Stance for Economic and Fiscal Management”, which will be formulated and approved by the cabinet at the end of 2019, based on policy responses for the next fiscal year as well as future economic conditions.

# Main Economic Indicators



### 3. Percentage change in price index

(% or approximate %)

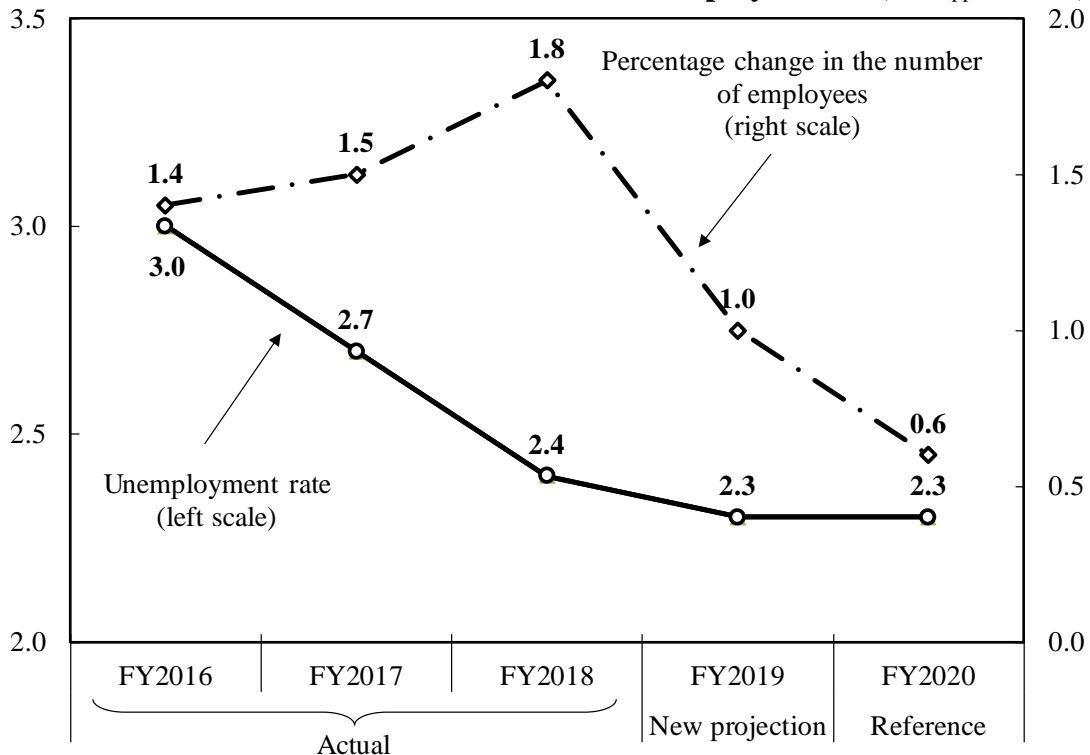


※ The effects of the consumption tax hike on consumer price index (all items) and GDP deflator for FY2019 and FY2020 are estimated to be approximately 0.5% points and 0.4% points, respectively. The effects of free early childhood education on consumer price index (all items) for FY2019 and FY2020 are estimated to be approximately ▲0.3% points. The effects of free tertiary education on consumer price index (all items) for FY2020 are estimated to be approximately ▲0.1% points.

### 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 FY2019

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

	FY 2019		FY 2020 (Reference)
	(January projection)	(Mid-year projection)	
Real growth rate of world GDP (excluding Japan) (%)	3.3	3.1	3.0
Exchange rate (yen/dollar)	113.4	108.5	108.1
Crude oil import price (dollar/barrel)	68.6	66.3	64.5

### 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 108.1yen/dollar (monthly average from June 3 to June 28, 2019) from July, 2019 onward.
- (3) The crude oil import price is assumed to stay constant at 64.5 dollars/barrel (the monthly average spot price of Dubai crude from June 3 to June 28, 2019, plus freight and insurance) from July, 2019 onward.