

## Mid-Year Economic Projection for FY2022

July 25, 2022  
Cabinet Office

The Japanese economy has continued to show movements of picking up despite strong downward pressure due to COVID-19 pandemic. This movement continues despite global resource and other prices increases following Russia's invasion of Ukraine. Although consumer prices are rising, particularly for energy and food, the overall pace of increases remains gradual in Japan compared to that in other countries.

Concerning short-term prospects, the economy is expected to show a recovery, especially in consumption and investment, supported by the effects of policies, while preventing the spread of infectious disease and maintaining socio-economic activities. However, full attention should be given to further increases in raw material prices and supply-side constraints due to the prolonged situation in Ukraine, the trend of COVID-19 pandemic inside and outside the country, and fluctuations in the financial and capital markets.

The Government will implement the “Economic Measures for Overcoming Coronavirus Infections and Opening Up a New Era”, the FY2021 supplementary budget, and the FY2022 budget swiftly and properly and will implement Comprehensive Emergency Measures to Counter Soaring Crude Oil and other Prices under the COVID-19 Pandemic in response to the current price situation. Also, in the Task Force on Prices, Wages, and Daily Living, the Government will work seamlessly to take swift and comprehensive measures tailored to the situation of prices and the economy while making flexible use of reserve funds.

In addition, the government will give concrete shape immediately to the comprehensive measures for advancing our Basic Policy on Economic and Fiscal Management and Reform 2022 and a New Form of Capitalism and put into practice.

Based on this basic policy, GDP for FY2022 is projected to grow approximately 2.0% in real terms and 2.1% in nominal terms, mainly owing to the expected recovery in services consumption from the COVID-19 crisis, while the slowdown in overseas economies means that external demand will be a downward factor. The consumer price index (all items) is projected to rise by approximately 2.6%.

As a reference for considering the macro-economy for FY2023, with certain assumptions, GDP for that year is projected to grow approximately 1.1% in real terms and 2.2% in nominal terms as consumption and investment steadily increase while the pace of recovery from the COVID-19 crisis returns to “cruising speed”. The consumer price index (all items) is projected to rise by approximately 1.7%.

## Main Economic Indicators

(% or approximate %)

|  | FY2021 | FY2022             |                |
|--|--------|--------------------|----------------|
|  | Actual | January Projection | New Projection |
| Real GDP                                 | 2.2    | 3.2                | 2.0            |
| Private consumption expenditure          | 2.6    | 4.0                | 3.6            |
| Private residential investment           | ▲ 1.6  | 0.9                | ▲ 2.1          |
| Private non-residential investment       | 0.8    | 5.1                | 2.2            |
| Government expenditure                   | ▲ 0.4  | 0.1                | ▲ 0.3          |
| Government final consumption expenditure | 2.0    | 0.2                | 0.5            |
| Public fixed capital formation           | ▲ 9.4  | ▲ 0.3              | ▲ 4.1          |
| Exports of goods and services            | 12.5   | 5.5                | 2.5            |
| Less: Imports of goods and services      | 7.2    | 4.1                | 3.8            |
| Contribution of domestic demand          | 1.4    | 3.0                | 2.3            |
| Contribution of private demand           | 1.5    | 3.0                | 2.4            |
| Contribution of public demand            | ▲ 0.1  | 0.0                | ▲ 0.1          |
| Contribution of external demand          | 0.8    | 0.2                | ▲ 0.3          |
| Real GNI                                 | 0.6    | 3.1                | 1.7            |
| Nominal GDP                              | 1.2    | 3.6                | 2.1            |
| Unemployment rate                        | 2.8    | 2.4                | 2.4            |
| Number of employees                      | 0.3    | 0.4                | 0.5            |
| Industrial production                    | 5.8    | 5.0                | 2.0            |
| Domestic corporate goods price index     | 7.0    | 2.0                | 9.8            |
| Consumer price index (all items)         | 0.1    | 0.9                | 2.6            |
| GDP deflator                             | ▲ 1.0  | 0.4                | 0.0            |

(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” are those shown in the FY2022 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 17, 2022).

(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 and the trend of domestic and overseas infections. Accordingly, the main economic indicators above should be recognized as being subject to upside and downside risks.

## Reference for FY2023

(Approximate %)

|                                      | FY 2023 |
|--------------------------------------|---------|
| Real GDP                             | 1.1     |
| Private consumption expenditure      | 2.0     |
| Private residential investment       | ▲ 0.5   |
| Private non-residential investment   | 3.9     |
| Contribution of domestic demand      | 0.9     |
| Contribution of external demand      | 0.2     |
| Real GNI                             | 1.3     |
| Nominal GDP                          | 2.2     |
| Unemployment rate                    | 2.3     |
| Number of Employees                  | 0.1     |
| Domestic corporate goods price index | 3.9     |
| Consumer price index (all items)     | 1.7     |
| GDP deflator                         | 1.0     |

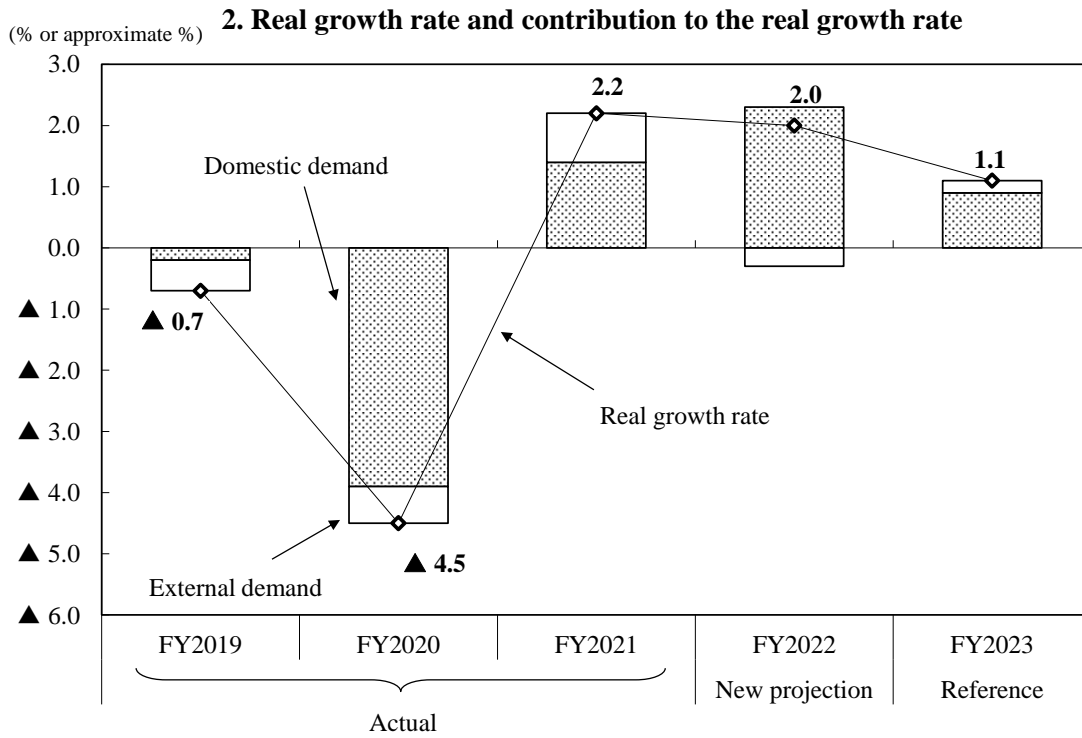
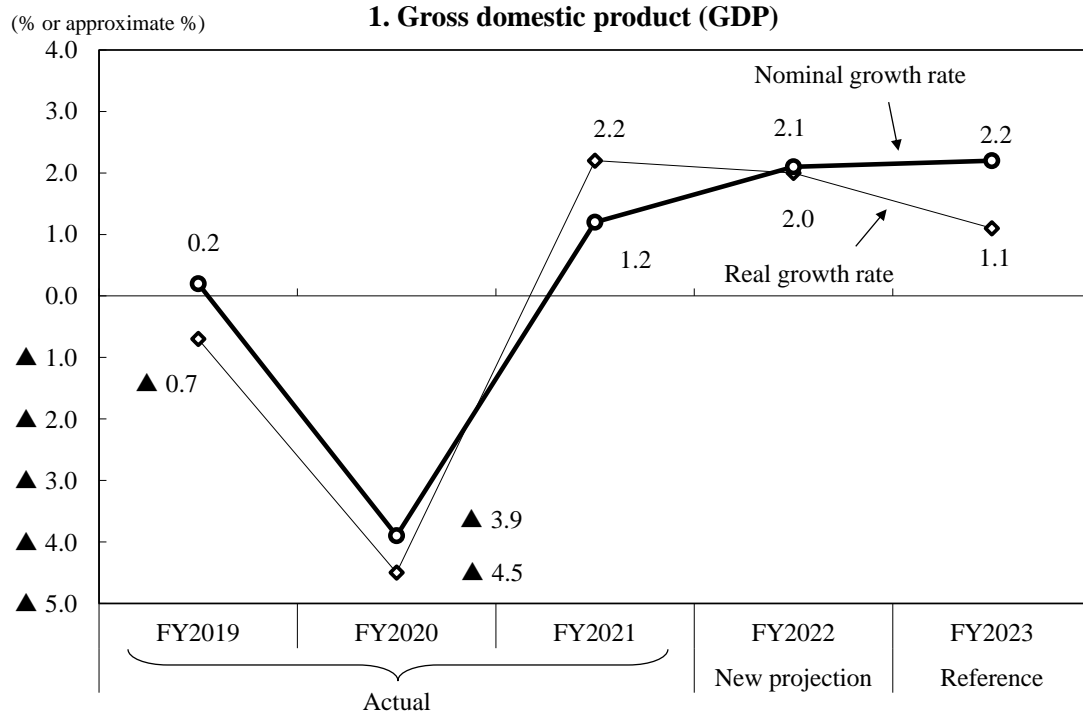
(Note 1) The figures represent the year-over-year rate of change except for the unemployment rate and the contributions of domestic and external demand.

(Note 2) References for FY2023 indicate preliminary estimates intended for discussions on the macro economy in FY2023 and should be recognized as being subject to considerable upside and downside risks with various uncertainties.

(Note 3) In the above preliminary estimate, public fixed capital formation in FY2023 is assumed to be the average amount over the recent five years (FY2017 to 2021) at the nominal level.

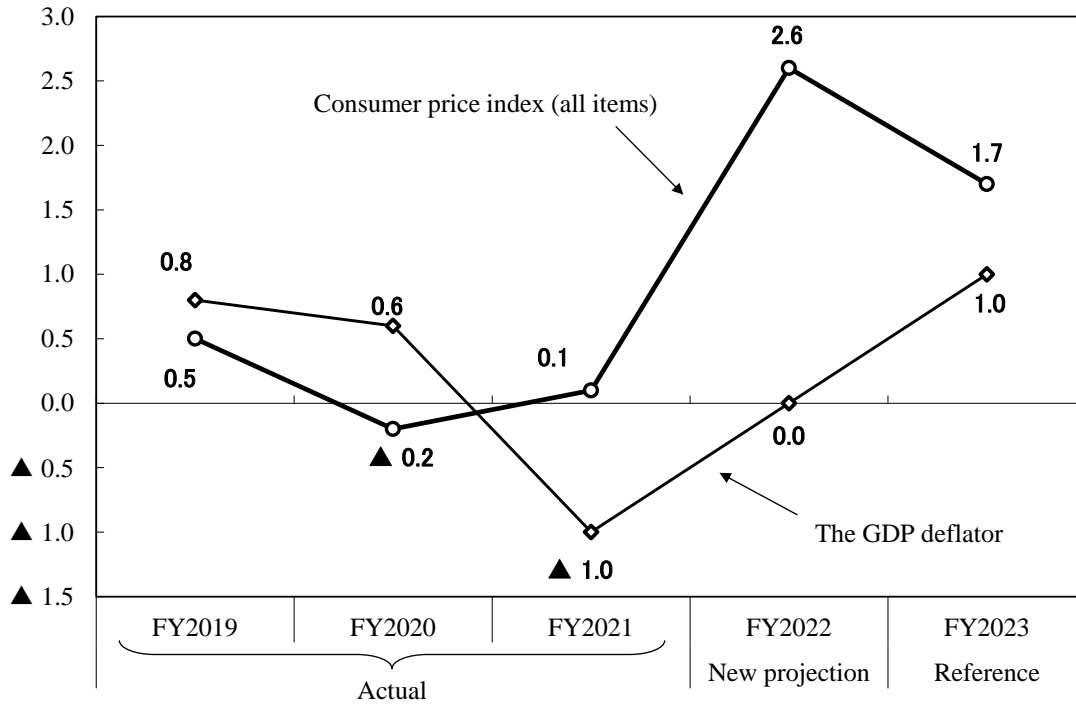
(Note 4) The government economic outlook for FY2023 will be announced in the FY2023 Economic Outlook and Basic Stance for Economic and Fiscal Management, which will be formulated and approved by the Cabinet at the end of 2022, based on policy responses for the next fiscal year as well as future economic conditions.

# Main Economic Indicators



### 3. Percentage change in price index

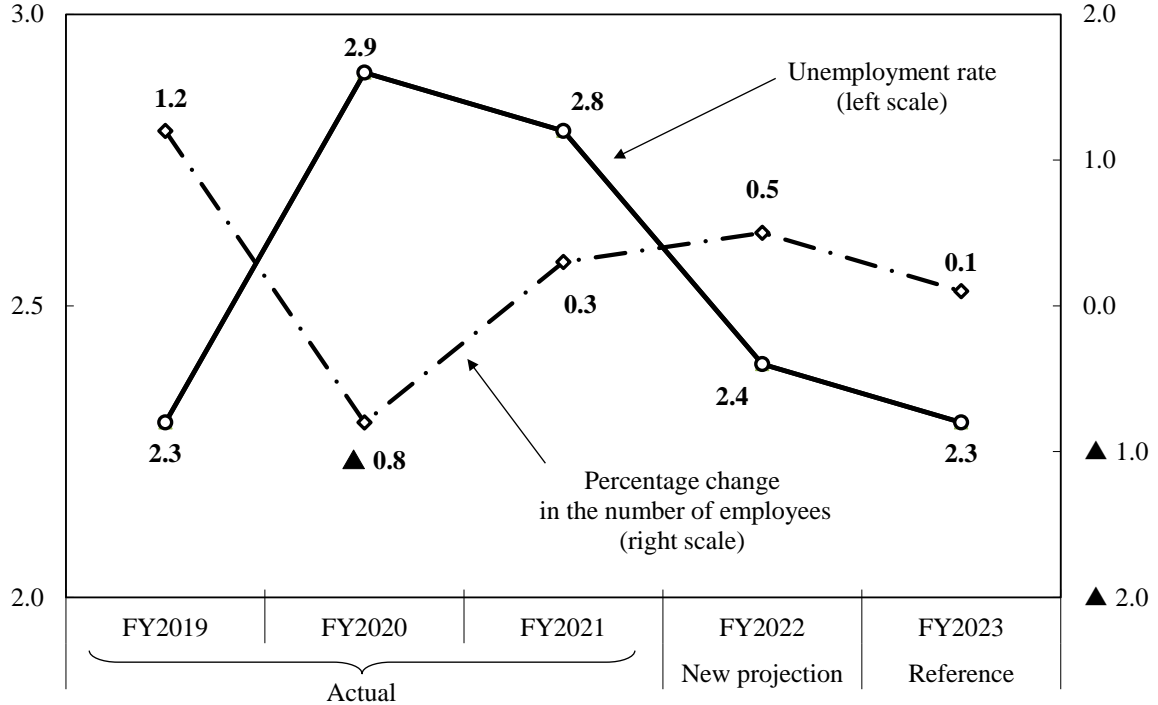
(% or approximate %)



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

(% or approximate %)

(%, or approximate %)



## Notes on the Mid-Year Economic Projection for FY2022

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

|  | FY 2022                 |                          | FY 2023<br>(Reference) |
|--|-------------------------|--------------------------|------------------------|
|  | (January<br>projection) | (Mid-year<br>projection) |                        |
| Real growth rate of world<br>GDP (excluding Japan) (%) | 4.0                     | 2.4                      | 2.4                    |
| Exchange rate (yen/U.S.<br>dollar)                     | 114.1                   | 134.0                    | 135.4                  |
| Crude oil import price (U.S.<br>dollar/barrel)         | 83.0                    | 115.5                    | 116.7                  |

### Remarks

- (1) The real growth rate of world GDP (excluding Japan) has been calculated based on economic forecasts of international organizations.
- (2) The exchange rate is assumed to stay constant at 135.4 yen/U.S. dollar (monthly average from June 9<sup>th</sup> to July 8<sup>th</sup>, 2022) from July 8<sup>th</sup>, 2022 onward.
- (3) The crude oil import price is assumed to stay constant at 116.7 U.S. dollars/barrel (the monthly average spot price of Dubai crude from June 9<sup>th</sup> to July 8<sup>th</sup> 2022 plus freight and insurance) from July 8<sup>th</sup>, 2022 onward.