Economic Outlook for FY2010 and FY2011

August 2010

Key points of Mizuho Research Institute's (MHRI) outlook on the economy in FY2010 and FY2011
reflecting *The First Preliminary Quarterly Estimates of GDP (1st QE)* for the Apr-Jun quarter of 2010

<The US Economy>

Even though the US economy will follow a gradual recovery, fiscal consolidation may serve as downside risks

2010 +2.8% (previous outlook +2.9%)

2011 +2.3% (previous outlook +2.4%)

<The Japanese Economy>

FY2010 +1.7% (previous outlook +2.2%)

Japan's economic recovery will stall in the second half of the fiscal year due to the fading impact of policy measures

FY2011 +1.6% (previous outlook +1.8%)

Despite a return to a mild recovery track, growth will not be sufficient to bail the nation out of deflation

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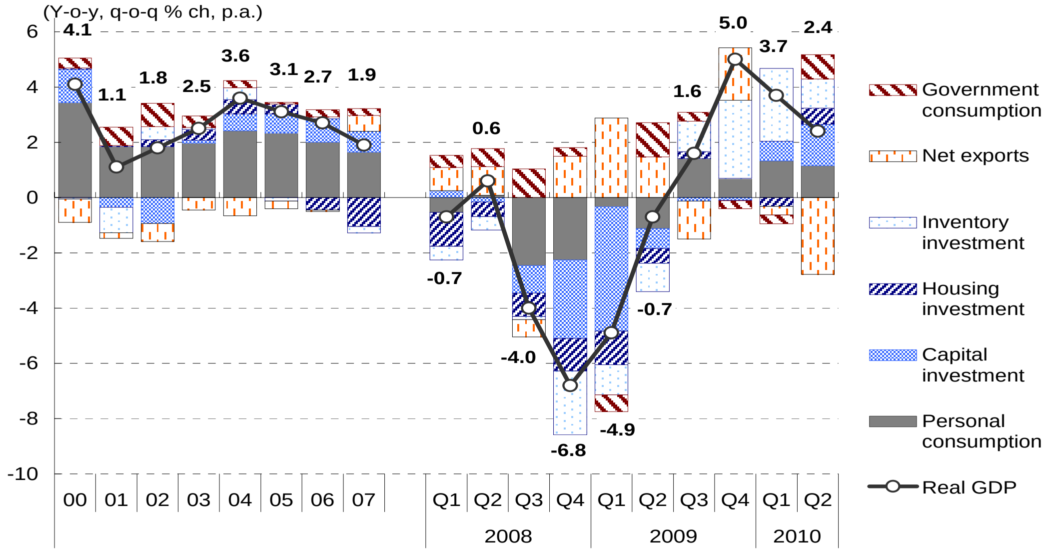
I. The US economy

US real GDP slowed down in the Apr-Jun quarter of 2010

According to advance estimates released by the Bureau of Economic Analysis, US real gross domestic product (GDP) grew +2.4% q-o-q p.a. in the Apr-Jun quarter of 2010, revealing a sharp slowdown (**Chart 1**). However, a close look at the components of demand indicates that the US economy is not necessarily headed directly for a double-dip.

[Chart 1: US real GDP growth]



Note: Quarterly data series are seasonally-adjusted. The figures in the graph represent the rate of real GDP growth (q-o-q % ch, p.a.)
Source: US Department of Commerce.

Three bright spots: (1) the surge of imports is not sustainable

As positive factors, we cite the three following points. Firstly, the sharp rise of imports which served as a drag upon growth in the Apr-Jun quarter is not sustainable. In the Apr-Jun quarter, imports surged in a wide range of items including petroleum & petroleum products, capital goods such as computers, automobiles & parts, and consumer goods. It now appears likely that this may be due to a rush of imports accompanying the termination of China's Value Added Tax (VAT) rebates on July 15th. Looking forward, the odds are high that imports will decline in a backlash and have a positive contribution to real GDP growth in the Jul-Sep quarter.

(2) The slowdown of consumer spending stems from a temporary stock market downturn

As the second factor, we note that the deceleration of consumer spending stems most likely from a temporary factor. Consumer spending slowed down despite the strong growth of disposable income (mainly of labor compensation) in the Apr-Jun quarter. A plausible cause of the slowdown is that the negative wealth effect accompanying the stock market downturn reflecting the European sovereign crisis led to restraints upon consumption through the rise of the saving rate. According to estimates by the MHRI, the rise of the saving rate (+1% pt) in the Apr-Jun quarter is roughly commensurate to the negative wealth effect due to the stock market downturn. On the other hand, note that the stock market has more or less bottomed out as of the end of June. If the stock market remains at the level as of early August, consumer spending in the Jul-Sep quarter will be underpinned by a short-term wealth effect.

(3) Strong capital investment

As a third point, we cite the strong growth of capital investment. In particular, investment in IT equipment has been growing strongly since 2009, portraying a positive investment stance among companies which are seeking to improve their efficiency. Even though the weakness of indicators on capital investment sentiment was a source of concern since early spring, actual investment in plant and equipment has turned out stronger than suggested by the indicators. While the overseas economic slowdown is a downside risk, corporate capital investment should remain strong for some time, driven in part by tax incentives on capital investment. Furthermore, the solid investment in IT equipment will also gather attention as a positive factor for consumption since it will lead to the rise of corporate productivity and in turn may serve as a driver of a stock market upturn through expectations toward the recovery of corporate earnings.

Inventory investment as a driver of growth is fading out

On the other hand, the contribution to growth by the replenishment of inventories is gradually contracting. In the Apr-Jun quarter, inventory investment rose at a faster pace than the previous quarter, serving as a driver of growth. However, the level of inventory investment has already reached levels equivalent to the peak of the economic recovery cycles in the 1990s and 2000s. In other words, even if inventories continue to increase, its contribution to economic growth is unlikely.

Forecast on real GDP growth downgraded to +2.8% in 2010 and+2.3% in 2011

We have revised our outlook on US economic growth to +2.8% in 2010 and +2.3% in 2011, downgrading both by 0.1%pt from our previous *Economic Outlook* in June 2010. While we have revised our outlook on the components of demand mainly with respect to the Jul-Sep quarter in view of the movement in the Apr-Jun quarter, our fundamental view (main scenario) on the US economy remains unchanged.

(1) The contribution to economic growth by inventory investment will contract. (2) Fiscal policy will shift into tightening mode. (3) Given the weak recovery of employment, the economy will continue to follow a “jobless recovery”. (4) Apart from the fading impact of the tax cuts, the housing market will likely remain sluggish due to the jobless recovery and the lingering effect of the mortgage loan crisis. (5) Disinflation will persist amid the weak recovery of the economy, leading to higher risks of deflation. (6) Monetary policy easing will persist during the forecast horizon.

However, risk scenarios look increasingly likely

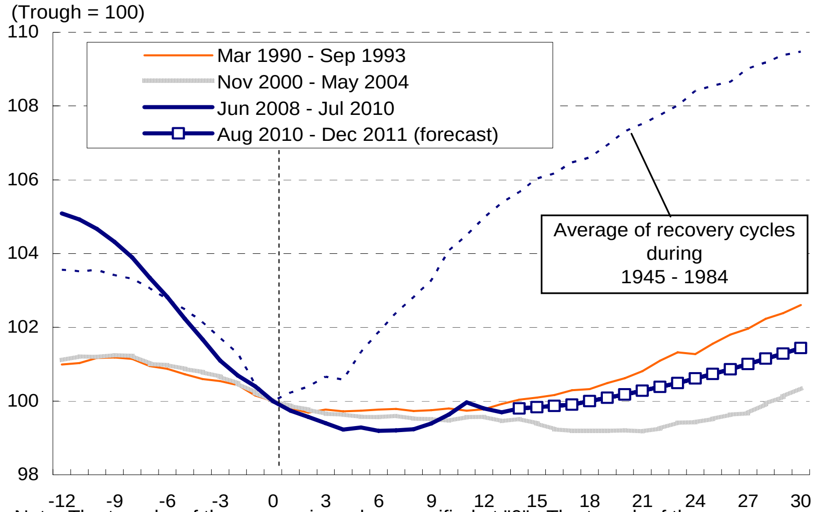
Meanwhile, it would be necessary to cite the two following points as downside risks to US economic growth: (1) an unexpected fiscal tightening (expiration of the Bush tax cuts), (2) a Japanese-style deflationary equilibrium (a condition where deflation stabilizes under a zero interest rate environment). Risk scenarios look increasingly likely due to fierce partisan Congressional clashes with respect to (1) above, and the persistence of disinflation and a wide output gap with respect to (2).

In the following sections, we shall comment on our risk scenarios after a brief explanation of a “jobless recovery” which comprises the third point in our main scenario outlook.

Sluggish recovery of employment will persist

The US economy should continue to follow a “jobless recovery” (**Chart 2**). This stems from our view that new job growth will be suppressed due to limited labor demand and the slow rise of labor hours amid a gradual rise of productivity. Even though labor productivity dipped in the Apr-Jun quarter (-0.9% q-o-q p.a.), the so-called Okun’s law – indicating the relationship between economic growth and unemployment – still holds true, providing reason to believe that there are no structural changes in productivity. Even though labor hours fell sharply amid the recession, they are starting to rise again and should continue to do so. Furthermore, the movement of the UV-curve since 2008 suggests a sharp expansion of a labor market mismatch, leading to our view that structural problems as well as the shortage of demand will serve to drag down the recovery of employment.

[Chart 2: Recovery of employment in economic recovery cycles]



Note: The troughs of the economic cycle are unified at "0". The trough of the current economic cycle is assumed to be June 2009. The two economic downturns during the period from 1980 to 1982 are deemed as a single cycle, and the recovery cyle from 1982 is used as a sample.

Sources: US Department of Labor, MHRI.

State and local government budgetary restraints will send negative pressures upon employment

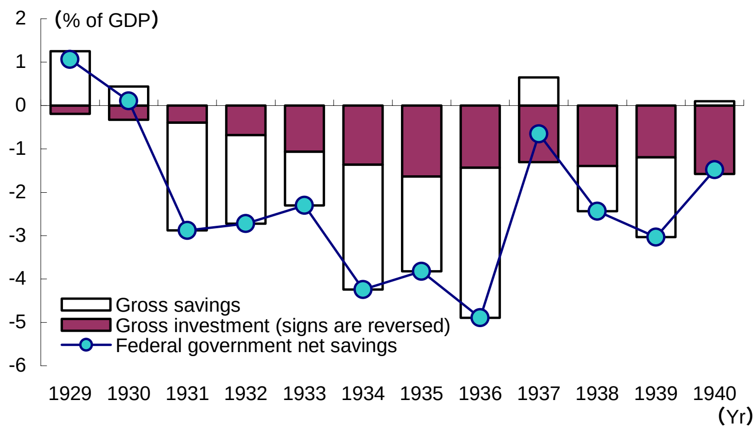
In addition, the government sector will serve as a drag upon the improvement of the labor market during the forecast horizon. The decrease of U.S. Census workers will contribute to the decline of employment up to around October. Furthermore, note the revenue shortfall among state and local governments. A look at state government coffers reveals an acute shortage of revenues in almost all states which is also said to be true with respect to local governments. In the absence of fiscal support by the federal government, state and local governments would have to cover the revenue shortfall by themselves. This, in turn, would lead to downward pressures upon employment as a result of moves to reduce budget expenditures.

Risk scenario (1) : sharp fiscal tightening - a nightmare scenario of the Recession of 1937

As we mentioned in our *Economic Outlook* in May, the US economy will also lose its support on the federal government level as the impact of the economic stimulus measures loses steam. Looking forward, the major concern in the risk scenario is a further fiscal tightening. More specifically, the risks stem from the expiration of the Bush tax cuts (scheduled at the end of 2010 under current legislation). The Bush tax cuts (both its extension and making permanent thereof) are mostly exempted from fiscal rehabilitation under the PAYGO rules and are not required to be "budget neutral". However, uncertainties are intensifying regarding the future course of the Bush tax cuts due to the rise of partisan clashes in Congress over further economic stimulus measures and tax hikes toward the wealthy.

In the event the Bush tax cuts expire, budget tightening pressures of nearly 2% of GDP will occur in 2011 and drag the US economy into a double-dip recession, if the fading impact of the economic stimulus measures is also taken into consideration. An example of fiscal tightening leading to economic deterioration is the Recession of 1937. Even though the US economy at the time was nearly booming after its recovery from the Great Depression (real GDP growth in 1936 stood at 12.9%), drastic spending cuts of nearly 4% of GDP (**Chart 3**) led to a sharp drop of production activity surpassing the Great Depression.

[Chart 3: Investment-savings balance of the US federal government in the 1930s]



Note: Negative savings represent borrowings.
Source: US Department of Commerce.

Risk scenario (2): a Japanese-style deflationary equilibrium

In June, US core inflation stood at +0.9% y-o-y in terms of CPI and +1.4% y-o-y in terms of the personal consumption expenditures (PCE) deflator. Not only is this lower than the long-term inflation rate set forth by the Federal Reserve Board (FRB) or the "comfort zone" (1.7% to +2.0%), the subdued inflation trends (as mentioned in the statement of the Federal Open Market Committee meeting in August) indicates that the risks of deflation (price falls) are intensifying.

Even if the US economy falls into a state of deflation, it would only be a temporary phenomenon and the inflation rate could be coaxed upward as long as there is leeway for policy maneuver. However, in addition to the Congressional clashes regarding fiscal policy as stated above, all possible monetary policy measures are being utilized under a zero interest rate environment. Therefore, once the economy falls into deflation, a climb out of such a condition may prove extremely difficult. A state of chronic deflation under a zero interest rate environment is also referred to as a "Japanese-style" deflationary equilibrium.

Inflation expectations hold the key

Apart from the remaining monetary policy steps as well as their effectiveness, inflation expectations and the level of the natural unemployment rate hold the key to whether the US economy might fall into deflation. According to estimations by the MHRI, inflation expectations (that is, adaptive expectations) will remain around +1.5% even at the end of the forecast horizon, and thus keep deflation at bay (main scenario). Even so, the core inflation rate would still dip below +0.5% y-o-y and bring the economy close to the brink of deflation.

In the event inflation expectations are revised downward, reflecting the subdued inflation trends thus far, the probability of deflation would rise. More than ever, the FRB will be faced with the necessity to maintain inflation expectations.

"Deflation tolerance" resulting from the rise of natural unemployment

On the other hand, the sharp rise of long-term unemployment and the movement of the UV-curve indicate that the rate of natural unemployment in the US is worsening sharply - currently reaching approximately 7% - subsequent to the financial crisis. This leads to our view that deflationary pressures are not as strong as indicated by superficial unemployment and that deflation can be avoided.

[Chart 4: Outlook on the US economy]

(%)

	2009	2010	2011	2009		2010 (Forecast)		2011(Forecast)	
	(Actual)	(Forecast)	(Forecast)	1H	2H	1H	2H	1H	2H
GDP	-2.6	2.8	2.3	-4.3	1.9	3.7	2.0	2.3	2.6
Personal consumption	-1.2	1.5	2.1	-1.5	0.8	1.6	2.1	2.0	2.1
Housing investment	-22.9	-0.6	0.7	-31.6	-0.7	-0.5	-0.7	-0.5	4.7
Capital investment	-17.1	6.0	6.7	-26.0	-3.1	7.6	12.4	5.8	3.3
Inventory investment (USD 100 million)	-1,131	378	348	-1,438	-825	599	158	184	513
Government consumption	1.6	0.3	-0.3	0.3	1.9	-0.1	-0.7	-0.3	0.0
Net exports (USD 100 million)	-3,630	-3,768	-3,468	-3,656	-3,605	-3,822	-3,715	-3,534	-3,402
Exports	-9.5	11.3	7.7	-20.4	11.6	14.2	5.5	7.8	9.6
Imports	-13.8	9.8	4.8	-26.7	8.6	13.8	3.4	4.5	6.7
Domestic final demand	-3.1	1.6	2.0	-4.9	0.6	1.7	2.5	1.9	1.9
Unemployment rate	9.3	9.9	10.0	8.7	9.8	9.7	10.0	10.0	10.0
Nonfarm payrolls (per month, 1,000 persons)	-489	-52	107	-649	-351	32	78	120	112
PCE deflator <y-o-y change>	0.2	1.7	0.8	-0.0	0.4	2.2	1.2	0.8	0.7
Core PCE deflator <y-o-y change>	1.5	1.4	0.5	1.5	1.5	1.6	1.1	0.7	0.4
Current account balance (US 100 million)	-3,784	-4,628	-4,324	-1,800	-1,984	-2,386	-2,242	-2,082	-1,977
<as a percentage of nominal GDP>	-2.7	-3.2	-2.9	-2.6	-2.8	-3.3	-3.0	-2.8	-2.6

Notes: 1. Calendar-year figures refer to the rate of change from the previous year. Half-year term figures refer to the rate of change from the previous half-year term (annualized).
2. The shaded columns are forecasts.
3. Regarding the current account balance, figures for the half-year terms are adjusted for seasonal factors and the calendar-year figures are the totals. The percentages of nominal GDP are annualized.

Sources: US Department of Commerce, US Department of Labor, MHRI.

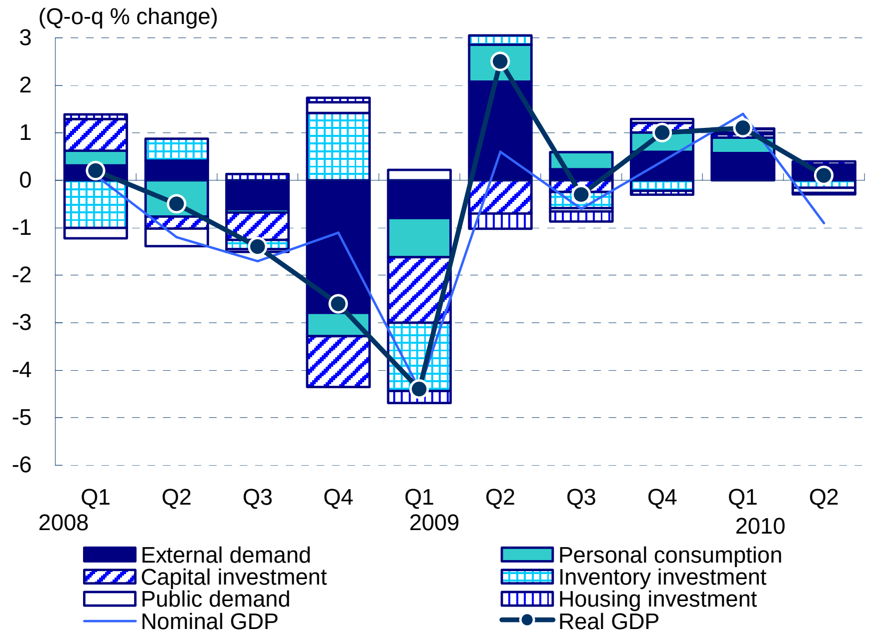
II. The Japanese economy

(1) The current state of the economy

Despite the growth of the Japanese economy for the third consecutive quarter, the pace is slowing sharply

According to the *First Preliminary Quarterly Estimates of GDP (1st QE)*, Japan's real GDP grew at a rate of +0.1% q-o-q (+0.4% in annualized terms) in the Apr-Jun quarter of 2010, growing for the third quarter in a row since the Oct-Dec quarter of 2009. However, note that the pace of growth has slowed sharply in comparison to the two preceding quarters (**Chart 5**). The results turned out to be considerably weaker than consensus forecasts among private research institutions.

[Chart 5：Japan's quarterly GDP growth]



Source: Made by MHRI based upon Cabinet Office, *Preliminary Quarterly Estimates of GDP.*

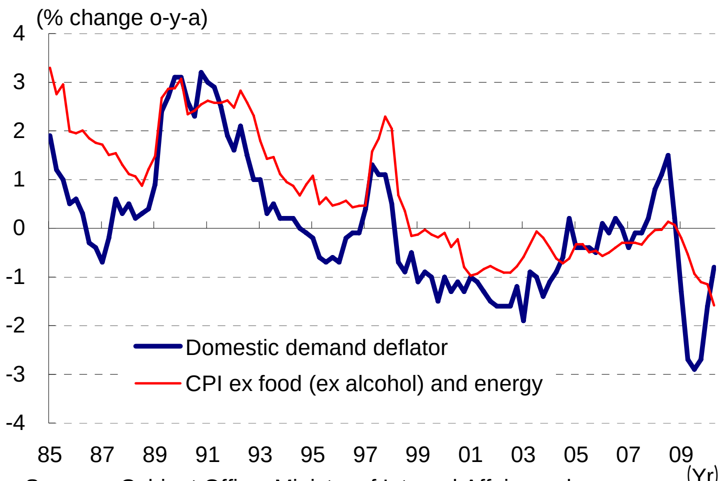
Looking closer at each of the components of demand, external demand contributed +0.3% pt, continuing to underpin Japan's economic recovery. Even though its contribution to growth fell from the previous quarter (+0.6% pt), the results are not as bad as they seem since the lower contribution by external demand stems from the rise of imports (+4.3% q-o-q, Jan-Mar quarter +3.0% q-o-q) amid the strong growth of exports (+5.9% q-o-q, Jan-Mar quarter +7.0% q-o-q).

Turning to domestic demand, the contribution by private sector demand and public sector demand both turned out to be negative at -0.1% pt. Personal consumption was stagnant at +0.0% q-o-q (+0.5% q-o-q in the Jan-Mar quarter). A breakdown of household final consumption expenditures reveals a downturn of durable goods (-1.3% q-o-q) and semi-durable goods (-0.3% q-o-q). It appears that durable goods were hit hard by the backlash to the last-minute rush of demand for flat-panel TVs at the end of March accompanying the change of items covered by the Eco-Point Program. Semi-durable goods appear to have been affected by the sluggish sales of summer clothing items due to unseasonable weather conditions. Even so, consumption of non-durable goods (+0.1% q-o-q) and services (+0.1% q-o-q) also lacked strength, providing us with reason to believe that the bearish stock market since early spring has had a negative effect upon consumer sentiment. Turning to private sector investment activity, housing investment (-1.3% q-o-q) declined for the first time in two quarters. Both inventory investment (contribution to q-o-q growth -0.2% pt) and capital investment (+0.5% q-o-q) lacked strength. As for public demand, although government consumption rose (+0.2% q-o-q), public investment fell (Apr-Jun quarter -3.4% q-o-q, Jan-Mar quarter -1.2% q-o-q), recording a steeper decline for the fourth quarter in a row. The impact of the large-scale reduction of public works-related spending in the FY2010 budget is starting to emerge.

Deflationary conditions remain unchanged

The domestic demand deflator stood at -0.8% y-o-y in the Apr-Jun quarter (Jan-Mar quarter -1.6% y-o-y) (**Chart 6**). Even though the breadth of price falls is narrowing, the Japanese economy is still in a state of deflation due to factors such as the wide output gap.

[Chart 6：The domestic demand deflator and the CPI]



Sources: Cabinet Office, Ministry of Internal Affairs and Communications.

(2) Outlook on the Japanese economy in FY2010 and FY2011

Viewed overall, the Japanese economy should continue to recover through FY2010 and FY2011 despite temporary production adjustments.

The Japanese economy in the second half of FY2010

The rate of real GDP growth in FY2010 is forecast to reach +1.7% y-o-y (previous outlook: +2.2% y-o-y).

In view of economic trends over the short-term, the Japanese economy should pick up in the Jul-Sep quarter, driven mainly by personal consumption. Even though the level of spending itself is still low, summer bonus payments are rising and the "child allowance" paid out in June is propping up disposable income. This should serve as a positive factor for consumer spending in the short run. Furthermore, the decision to terminate the Eco-Car subsidies at the end of September is currently creating a last-minute rush of demand, serving to push up consumption in the near term. However, given the strong possibility that automobile-related sales and production will be subject to considerable adjustment and forecasts that exports will slow along with the deceleration of the overseas economies, the Japanese economy should gradually turn stagnant. In the second half of FY2010, the odds are high that demand and production will soften in Japan.

Nevertheless, we do not expect Japan's economic recovery to collapse. Even if a temporary slowdown of overseas economies should occur, a complete derailment from recovery is unlikely. Japan's export growth should continue under these conditions. On the domestic front, we continue to look forward to a recovery of private sector demand. In the household sector, personal consumption should tread on solid grounds along with a gradual improvement of the income environment. In the corporate sector, capital investment will expand along with an upturn of the capacity utilization rate. That said, note that companies still feel burdened by excessive capacity and labor. Coupled with the stagnant growth expectations toward domestic demand, the pace of recovery of private sector demand should remain slow.

The Japanese economy in FY2011

The Japanese economy should continue to recover in FY2011. Domestic private sector demand is expected to grow. Amid the progress of the stock adjustment process, investment in plant & equipment, housing, and inventories should grow at a commensurately high pace. Even though the marginal effect of the income support measures such as the child allowance will wear off, the odds are high that personal consumption will continue to increase mildly, reflecting the gradual recovery of labor market conditions. While public demand will continue to fall due to a counteraction to the increase of income distribution to the private sector, domestic demand as a whole should increase. Although exports will continue to climb, the pace should moderate amid the overseas economic slowdown from the second half of FY2010. In FY2011, the pace of Japan's real

GDP growth is forecast to reach +1.6% y-o-y (previous outlook: +1.8% y-o-y)

Pausing on the road out of deflation

On the basis of our outlook, the breadth of the output gap in negative territory (the "deflationary gap", currently estimated to be around JPY 24 trillion) is still predicted to be around JPY 11 trillion even in the Jan-Mar quarter of 2012. Even though downward price pressures should ease due to the contraction of the deflationary gap, Japan is still far from emerging out of deflation in view of the following factors: (1) the contraction of the deflationary gap will come to a pause in the second half of FY2010 due to a temporary weakening of the economy, and (2) the current appreciation of the yen is sending fresh deflationary pressures through import prices. The consumer price index (excluding fresh food) is predicted to remain on a downward path in both FY2010 (-0.9% y-o-y) and FY2011 (-0.2% y-o-y). The major target of the government's macroeconomic management set forth in the "New Growth Strategy" decided by the Cabinet in June, that is to "achieve the stable rise of prices by FY2011" will not be possible if no further actions are taken.

Keep a close eye on fiscal and monetary policy

MHRI's economic outlook is based upon the assumption that the Eco-Point Program for household electrical appliances will be phased out as scheduled at the end of 2010 and that the child allowance will not be increased from the amount in FY2010 in FY2011. Therefore, our scenario on the economy may be affected, depending upon the future course of fiscal policy management. Given the government authorities' apparent sense of crisis over the surge of the yen and weak GDP growth figures for the Apr-Jun quarter, there have been media reports on discussions regarding a possible extension of the Eco-Point Program for household electrical appliances. Furthermore, there are voices from within the Democratic Party of Japan (DPJ) placing emphasis upon implementation of the *DPJ Manifesto*, calling for doubling (or full payment) of the child allowance. Given the potential of fiscal policy management to have a large impact upon the future course of the economy, attention is gathering around policy steps including the Bank of Japan's adoption or abstention from further monetary easing steps.

[Chart 7: Outlook on the Japanese economy]

		FY2009	FY2010	FY2011	2009			2010				2011				2012
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP (real)	Q-o-q % ch	-1.9	1.7	1.6	2.5	-0.3	1.0	1.1	0.1	0.4	0.0	0.1	0.5	0.5	0.7	0.8
	Q-o-q % ch p.a.	--	--	--	10.4	-1.0	4.1	4.4	0.4	1.4	0.1	0.4	1.9	1.9	2.8	3.4
Domestic demand	Q-o-q % ch	-2.3	0.5	1.1	0.4	-0.5	0.4	0.5	-0.2	0.5	-0.2	-0.1	0.4	0.3	0.6	0.7
Private sector demand	Q-o-q % ch	-3.9	1.1	1.5	-0.1	-0.6	0.4	0.6	-0.1	0.9	0.0	0.2	0.5	0.2	0.5	0.7
Personal consumption	Q-o-q % ch	0.7	1.0	0.4	1.3	0.6	0.7	0.5	0.0	0.4	-0.4	-0.1	0.3	0.1	0.2	0.3
Housing investment	Q-o-q % ch	-18.5	-3.4	5.3	-9.6	-7.2	-2.9	0.3	-1.3	0.1	0.9	1.2	1.4	1.5	1.7	2.0
Capital investment	Q-o-q % ch	-15.3	2.3	4.3	-4.8	-1.8	1.5	0.6	0.5	0.6	0.7	0.9	1.1	1.1	1.4	1.6
Inventory investment	Q-o-q contribution, % pt	-0.5	0.0	0.2	0.2	-0.3	-0.2	0.0	-0.2	0.3	0.1	0.1	0.0	-0.1	0.0	0.0
Public sector demand	Q-o-q % ch	3.0	-1.6	-0.2	1.8	-0.3	0.3	0.3	-0.5	-1.1	-0.8	-1.1	0.1	0.7	0.8	0.9
Government consumption	Q-o-q % ch	1.7	1.3	0.8	0.2	0.1	0.7	0.6	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3
Public investment	Q-o-q % ch	9.3	-16.4	-4.3	9.5	-1.8	-1.3	-1.2	-3.4	-7.8	-6.7	-8.6	-0.5	4.0	4.6	5.1
External demand	Q-o-q contribution, % pt	0.4	1.2	0.4	2.1	0.2	0.6	0.6	0.3	-0.1	0.2	0.2	0.0	0.1	0.1	0.1
Exports	Q-o-q % ch	-9.5	17.4	5.7	10.4	8.5	5.7	7.0	5.9	-0.1	1.0	1.4	1.1	1.9	1.9	2.1
Imports	Q-o-q % ch	-11.8	9.2	3.6	-5.0	6.3	1.5	3.0	4.3	0.6	-0.6	0.3	1.1	1.5	1.7	1.9
GDP (nominal)	Q-o-q % ch	-3.6	0.3	1.1	0.6	-0.6	0.4	1.4	-0.9	0.1	-0.1	0.6	-0.5	0.6	0.7	1.3
GDP deflator	Y-o-y % ch	-1.8	-1.4	-0.4	-0.7	-0.7	-2.8	-2.8	-1.7	-1.5	-1.3	-1.0	-0.7	-0.4	-0.4	-0.2
Domestic demand deflator	Y-o-y % ch	-2.5	-0.7	0.1	-2.7	-3.0	-2.7	-1.7	-0.8	-0.5	-0.7	-0.7	-0.4	0.0	0.1	0.5

Note: The readings above may differ from public releases because the rates of change are calculated based upon actual results.
Source: Made by MHRI based upon Cabinet Office, *Preliminary Quarterly Estimates of GDP* .

		FY2009	FY2010	FY2011	2009			2010				2011				2012
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Industrial production	Q-o-q % ch	-8.9	10.9	3.5	6.6	5.3	5.9	7.0	1.5	-0.0	-0.4	0.6	1.1	1.3	1.4	1.6
Ordinary profits	Y-o-y % ch	2.1	25.8	10.4	-53.0	-32.4	102.2	163.8	62.3	39.2	13.1	5.8	6.8	15.2	10.0	10.5
Nominal labor compensation	Y-o-y ch	-3.5	0.0	0.4	-4.6	-3.8	-4.5	-0.2	0.9	0.2	0.5	-2.1	-0.2	0.8	0.4	0.6
Unemployment rate	%	5.2	5.1	4.9	5.1	5.4	5.2	4.9	5.2	5.1	5.1	5.1	5.0	4.9	4.9	4.8
New housing starts	P.a., 10,000 units	77.5	79.1	85.6	76.9	71.3	79.1	83.7	76.0	78.7	80.2	81.7	83.0	84.7	86.5	88.2
Current account balance	P.a., JPY tril	15.8	15.8	16.3	14.1	14.5	15.9	18.6	14.6	14.8	16.7	16.8	15.6	15.7	16.0	17.3
Domestic corporate goods prices	Y-o-y % ch	-5.3	0.4	1.1	-5.5	-8.3	-5.2	-1.7	0.2	0.1	0.8	0.5	0.4	1.1	1.4	1.5
Consumer prices	Y-o-y % ch	-1.6	-0.9	-0.2	-1.0	-2.3	-1.7	-1.2	-1.2	-1.1	-0.7	-0.7	-0.5	-0.2	-0.1	0.0
Uncollateralized overnight call rate	%	0.08	0.10	0.10	0.11	0.10	0.09	0.08	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Yield on newly-issued 10-yr JGBs	%	1.35	0.99	1.11	1.42	1.34	1.32	1.34	1.21	1.02	0.85	0.90	1.00	1.10	1.15	1.20
Nikkei average	JPY	9,974	10,100	10,900	9,294	10,141	9,959	10,503	10,343	9,500	10,000	10,300	10,500	10,700	11,000	11,300
Exchange rate	JPY/USD	93.0	88.0	92.0	97.3	93.6	89.7	91.0	92.0	87.0	87.0	88.0	89.0	90.0	92.0	95.0
Crude oil price (WTI nearest term contract)	USD/bbl	71.0	80.0	87.0	59.8	68.2	76.1	79.0	78.0	79.0	84.0	78.0	83.0	91.0	88.0	85.0

Notes: 1. The readings above may differ from public releases because the rates of change are calculated based upon actual results.
2. Ordinary profits are based upon the *Financial Statements Statistics of Corporations by Industry (all industries)* .
3. Consumer prices exclude fresh food.
4. Quarterly data on the unemployment rate, new housing starts and current account balance are seasonally-adjusted.
5. Of the finance-relate indices, the uncollateralized overnight call rate refers to the rate at the end of term and all others are averages during the relevant terms.

Sources: Made by MHRI based upon Cabinet Office, *Preliminary Quarterly Estimates of GDP* , Ministry of Economy, Trade and Industry, *Indices of Industrial Production* , Ministry of Finance, *Financial Statements Statistics of Corporations by Industry, Quarterly* , Ministry of Internal Affairs and Communications, *Labor Force Survey, Consumer Price Index* , Ministry of Land, Infrastructure, Transport and Tourism, *Current Survey on Construction Statistics* , Bank of Japan, *Balance of Payments* , *Corporate Goods Price Index* , *Financial and Economic Statistics Monthly, Foreign Exchange Rates* , Japan Bond Trading Co., Ltd., *Latest Daily JGB Rates* , Nikkei Inc. and Bloomberg.

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