Economic Outlook for FY2009, FY2010 and FY2011

February 2010

Key points of Mizuho Research Institute's (MHRI) outlook on the economy in FY2009, FY2010 and FY2011

reflecting *The First Preliminary Quarterly Estimates of GDP (1st QE)* for the Oct-Dec quarter of 2009

<The US Economy>

	The US economy will gradually pick up, given the improvement of both the inventory cycle and the income environment
2010	+2.8% (previous outlook +1.9%)
2011	+2.2%

<The Japanese Economy>

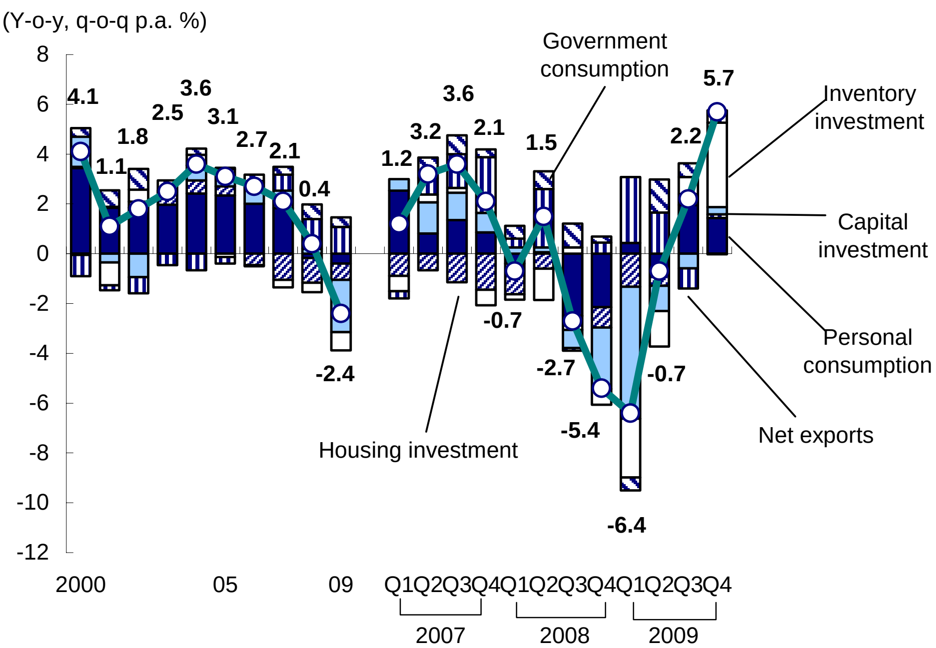
FY2009	-2.2% (previous outlook -2.8%)
	The Japanese economy will pick up due to the upturn of exports and economic stimulus measures
FY2010	+1.0% (previous outlook +1.0%)
	Private sector demand will be sluggish as companies remain burdened by excess labor and capacity
FY2011	+1.7%
	Private sector demand will strengthen but will be insufficient to push Japan's economy out of deflation

I. The US economy

US real GDP grew +5.7% q-o-q p.a. in the Oct-Dec quarter of 2009, marking the strongest expansion since 2003

According to advance estimates released by the Bureau of Economic Analysis, US real gross domestic product (GDP) grew +5.7% q-o-q p.a. in the Oct-Dec quarter of 2009, growing faster than the previous quarter. Inventory investment and personal consumption were the engines of the strongest growth since the Jul-Sep quarter of 2003 (+6.9% q-o-q p.a.) (**Chart 1**). The contribution by inventory investment reached +3.39% pt and personal consumption also continued to pick up at a mild pace (+2.0 % q-o-q p.a.) Capital investment also grew +2.9% q-o-q p.a., picking up for the first time in six quarters. A closer look reveals that despite the ongoing decline of construction investment, IT-related investment grew above the previous quarter and non-IT investment also picked up, marking an expansion on a quarter-on-quarter basis.

[Chart 1: US real GDP growth]



Note: The line represents real GDP (calendar year data on a y-o-y basis and quarterly data on a q-o-q p.a. basis). The bars represent the contribution to the line.
Source: US Department of Commerce.

Inventory cycle is continuing to improve

In the Oct-Dec quarter, the vitalization of production activity due to the progress of inventory adjustment led to the strong growth. Even though inventory investment itself continued to decline in the Oct-Dec quarter (-USD33.5 billion p.a.), the breadth of reduction narrowed considerably from the Jul-Sep quarter (-USD139.2 billion). Amid these conditions, industrial production continued to grow at the same pace as the previous quarter at 7.0% q-o-q p.a. in the Oct-Dec quarter. While we indicated that the US economy was propped up by policy measures in terms of car sales and housing sales in the Jul-Sep quarter at the time of release of our *Economic Outlook* in November 2009, these factors facilitated the progress of inventory adjustment in the Oct-Dec quarter and resulted in propping up the high level of production activity.

Low inflation will persist. Lingering risks of a lapse into deflation

Turning to prices, the percentage rise of the core personal consumption expenditures (PCE) deflator excluding food and energy prices stood at +1.4% q-o-q p.a. (+1.4% y-o-y) in the Oct-Dec quarter, remaining at a low level as in the previous quarter. Along with stable inflation expectations, it appears that the output gap - as symbolized by the persistently high rate of unemployment - is sending downward pressures upon prices. While the Federal Open Market Committee (FOMC) also discussed the inflation mechanism at its meeting in December 2009, there are lingering risks of low inflation lapsing into deflation.

2010 real GDP growth is revised upward to +2.8% (previous outlook: +1.9%) Growth in 2011 will slow down to +2.2%

We have revised our forecast on US economic growth in 2010 to +2.8%, up +0.9 % pt from our forecast in our previous *Economic Outlook* in December 2009. On the other hand, we expect the rate of real GDP growth to slow down to +2.2% in 2011. Apart from the +0.6% pt "carry-over of growth from the previous year" (the rate of growth which would be achieved if the economy remains unchanged throughout 2009 at the level of GDP in the Oct-Dec quarter of 2009), there are two key factors in the upward revision of our 2010 outlook. They are the likelihood that (1) the global economic recovery has gained further momentum and (2) household income conditions will gradually improve even under the current "jobless recovery".

The environment surrounding US exports is improving

According to the *World Economic Outlook* of the International Monetary Fund (IMF) in January 2010, the global economy is predicted to grow +3.9% in 2010 – an upward revision by +0.8%pt from the IMF forecast in October 2009. Together with MHRI's outlook, the rate of real GDP growth of the countries which are destinations of US exports would be +4.0% - an upward revision of +0.5%pt from our readings based upon our previous forecast **(Chart 2**). We have revised upward our outlooks on US exports and imports, considering the likelihood that international trade will pick up amid more sanguine views on the global economy.

[Chart 2: US export destinations]

	Weight of exports	World Economic Outlook					
		2010	Contribution	Revision	Contribution	2011	Contribution
Euro zone	17.7	0.7	0.12	0.3	0.05	1.2	0.21
China	17.3	9.7	1.68	1.0	0.17	9.2	1.59
Canada*	15.2	2.6	0.40	0.5	0.08	3.6	0.55
Mexico*	9.7	4.0	0.39	0.7	0.07	4.7	0.46
NIES	9.6	4.6	0.44	0.2	0.02	4.2	0.40
Japan	8.7	1.5	0.13	0.4	0.03	1.3	0.11
UK*	4.3	1.3	0.06	0.4	0.02	2.7	0.12
ASEAN4	4.8	4.3	0.21	0.3	0.01	4.2	0.20
Brazil*	2.0	4.7	0.09	1.2	0.02	3.7	0.07
India*	1.6	7.7	0.12	1.3	0.02	7.8	0.13
Russia*	1.2	3.6	0.04	2.1	0.02	3.4	0.04
Total of major export destinations	92.2	4.0	3.69	0.6	0.53	4.2	3.9
Total of export destinations	100.0	4.0		0.5		4.4	

Notes: 1. The weight of exports are based upon 2009 releases by the US Federal Reserve Board.
2. Readings on countries marked with an asterisk and countries not indicated in the chart are based upon IMF forecasts.
3. The revisions are comparisons with the previous outlook.

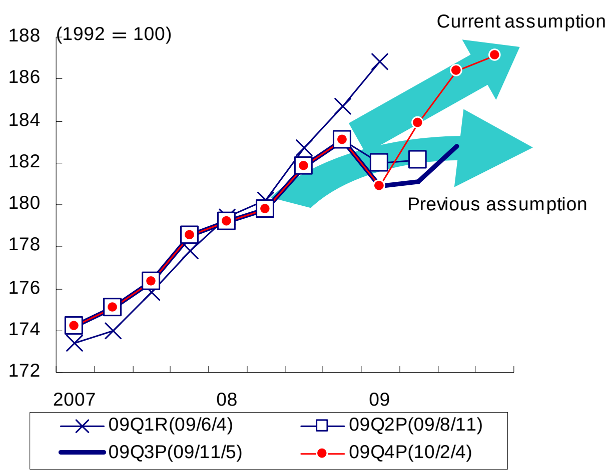
Sources: International Monetary Fund (IMF), US Federal Reserve Board (FRB), Mizuho Research Institute Ltd. (MHRI).

Data revisions suggest a gradual rise of hourly labor compensation

Our outlook on the economy is based upon the view that a "jobless recovery" will continue. However, given the dramatic upward revision of data regarding personal income (in particular labor compensation) since our previous *Economic Outlook*, we have shifted our view that wage growth will slow down and now stand upon the view that the gradual rise of wages will continue, despite lingering deflationary risks.

According to the advance estimates of GDP for the Jul-Sep quarter of 2009, the basis of our previous *Economic Outlook*, labor compensation remained flat from the turn of the year in 2009. However, as a result of subsequent data revisions, labor compensation was revised upward by +1.1% in the Jul-Sep quarter of 2009 and continued to grow gradually in the Oct-Dec quarter. **Chart 3** shows the movement of hourly labor compensation in data releases on labor productivity. While US labor productivity statistics are revised and amended on a regular basis at the time of GDP data releases, hourly labor compensation was revised down sharply in August 2009 and continued to show movements suggesting a strong possibility of wage deflation setting in the US economy. Up to our previous *Economic Outlook*, we stood upon the view that consumer spending will languish along with a jobless recovery in view of the risks of wage deflation. However, a string of data releases from December 2009 to February 2010 were subject to major upward revisions, suggesting that hourly labor compensation will follow a gradual upward curve. Our forecasts on wages have been revised upward in view of the foregoing data revisions and upside risks of the economy.

[Chart 3: Hourly labor compensation (trends and assumed path)]



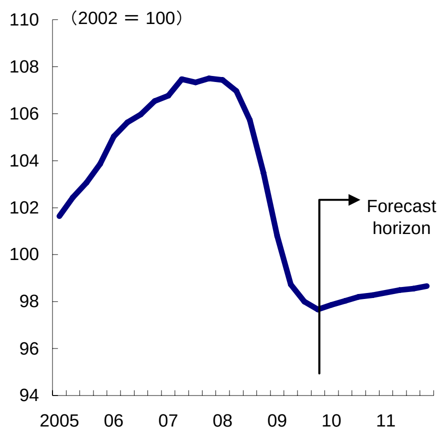
Notes: The "P" refers to provisional readings and the "R" refers to the revised reading. The dates refer to the date of data release.
Source: US Department of Labor.

Restocking of inventories will boost production activity and trigger labor demand, albeit at a gradual pace

Inventory investment should turn positive (start restocking inventories) from the Jan-Mar quarter of 2010. In particular, as in the second half of 2009, the rate of real GDP growth in the first half of 2010 should turn out to be strong due to the contribution of inventory investment. Even in terms of movements of the ISM manufacturing index, there are no signs that production activity is slowing sharply.

Labor demand (no. of employees × per capita work hours) will gradually rise along with the stimulation of production activity driven by moves to restock inventories (**Chart 4**). The rise of labor demand will not be as strong as the rise of production activity since the shift of employment will require time and corporate businesses will tend to curb the rise of labor share (wage costs).

[Chart 4: Labor demand]



Note: Labor demand = no. of workers x per capita total labor hours.
Sources: US Department of Labor, MHRI.

Gradual rise of labor demand and hourly labor compensation, along with low inflation, will contribute to the recovery of personal consumption

Given the rise of labor demand, labor compensation will grow as long as the hourly wage growth is maintained at a certain level. Even though our previous *Economic Outlook* said that the rise of wages is unlikely, we now expect hourly wages to expand at slightly above +2% p.a. and that the pace of labor compensation growth will be approximately +3% p.a. Considering that the inflation rate will trend low at the lower end of the 1%-level, household real income should follow a moderate but steady rate of growth slightly below 2%. The saving rate will likely trend around the current level (4% to 5%) in the absence of further balance sheet adjustment pressures as long as asset prices and the financial and credit markets remain stable (however, downside risks to asset prices will linger due to the rise of sovereign risks).

That said, the "jobless recovery" will continue

Even so, the recovery of labor demand will not necessarily lead to job growth. The current recession was accompanied not only by lay-offs but also the sharp fall of work hours per employee. In the ensuing recovery cycle, the recovery of labor demand will be absorbed largely by the shift in status of part-time workers to full-time workers and the rise of overtime among existing workers. Even though a slight increase of the nonfarm payroll is expected in the first half of 2010 when a relatively strong growth of production is likely amid the drive to restore inventories, the pace of new job growth should moderate from the second half of 2010 when the restoration of inventories loses steam. Judging from the growth of the 16-or-older population or the improvement of the labor participation rate accompanying the economic recovery, the unemployment rate should remain pinned at a high level, resulting in a *de facto* "jobless recovery".

Capital investment will pick up

In our latest *Economic Outlook*, we have also revised upward our forecast on capital investment along with the upward revision of exports and personal consumption. The current movement of the capital investment cycle shifting from an adjustment cycle to a recovery cycle is predicted to continue. According to estimations by MHRI, the expected rate of economic growth among corporate businesses is low, around the mid-1%-level as of the Oct-Dec quarter of 2009. Capital investment is forecast to pick up amid such low economic growth expectations.

In the absence of the contribution by inventory restoration, the US economy will slow down in 2011. Structural problems and downside risks will linger.

Even though the US economy will be driven by personal consumption (in the place of inventory investment) and capital investment in 2011, the momentum will ebb in comparison to 2010 (**Chart 5**). As the contribution by inventory restoration falls to zero, the strong growth of final demand is unlikely due to downward pressures and downside risks stemming from structural problems and policy-related factors.

The aforementioned "jobless recovery", the weakness of the financial and credit markets and the stock adjustment in the housing market are expected to serve as structural drags. Robust consumer spending is unlikely as long as unemployment remains high. Credit market conditions will continue to serve as lingering restraints upon durable goods consumption requiring borrowings by consumers. The housing market will remain in a stock adjustment cycle, making a sustained rise of residential prices unlikely. Rather, there are concerns as to whether the housing market will remain stable even after the termination of the MBS (mortgage-backed securities) Purchase Program (at the end of March) and the mortgage tax breaks (at the end of the April) by the FRB.

Turning to policy-related factors, the impact stemming from the shift of monetary and fiscal policy around the world is a source of concern. Even though the US will continue to take a monetary easing stance, the fading effect of the American Recovery and Reinvestment Act of 2009 and the effect stemming from the contraction of the fiscal deficit in FY2011 are worrying factors. The Budget Message forecasts that the US fiscal deficit (as a percentage of GDP) will contract by more than 2%pt y-o-y. Looking abroad, the slowdown of the Chinese economy (due to government tightening measures), the rise of sovereign risks triggered by the Greek crisis and a "premature fiscal rehabilitation" provide reasons to be concerned. Financial asset prices may turn volatile and serve as risks toward economic activity among households, business enterprises and financial institutions.

[Chart 5: Outlook on the US economy]

(%)

	2009	2010 (Forecast)	2011 (Forecast)	2009		2010 (Forecast)		2011 (Forecast)	
				1H	2H	1H	2H	1H	2H
GDP	−2.4	2.8	2.2	−4.8	2.3	3.6	1.9	2.3	2.4
Personal consumption	−0.6	1.7	1.7	−0.7	1.7	1.8	1.7	1.7	1.7
Housing investment	−20.4	0.5	0.3	−31.1	3.4	1.8	−4.6	0.7	4.5
Capital investment	−17.9	3.6	6.9	−28.0	−4.7	5.4	8.8	7.2	4.5
Inventory investment (USD100 million)	−1,117	96	175	−1,371	−864	91	100	125	225
Government consumption	1.9	1.8	1.2	0.6	2.9	1.3	1.5	1.1	1.2
Net exports (USD100 million)	−3,539	−3,599	−3,536	−3,585	−3,493	−3,478	−3,720	−3,607	−3,465
Exports	−9.9	11.4	8.3	−21.6	12.0	13.1	7.6	8.1	9.4
Imports	−14.2	9.5	6.5	−26.8	8.5	10.4	8.8	5.4	6.4
Domestic final demand	−2.7	1.9	2.1	−4.7	1.3	2.0	2.2	2.1	1.9
Unemployment rate	9.3	9.9	10.4	8.7	9.8	9.8	10.0	10.3	10.6
Nonfarm payrolls (per month, 1,000 persons)	−490	−72	47	−651	−350	−0	63	38	50
PCE deflator <y-o-y change>	0.2	1.8	1.3	0.1	0.3	2.0	1.5	1.3	1.3
Core PCE deflator <y-o-y change>	1.5	1.2	1.0	1.7	1.3	1.3	1.2	1.0	1.0
Current account balance (USD100 million)	−4,280	−4,937	−5,268	−2,024	−2,256	−2,362	−2,575	−2,693	−2,809
<as a percentage of nominal GDP>	−3.0	−3.3	−3.5	−2.9	−3.1	−3.2	−3.4	−3.5	−3.6

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.

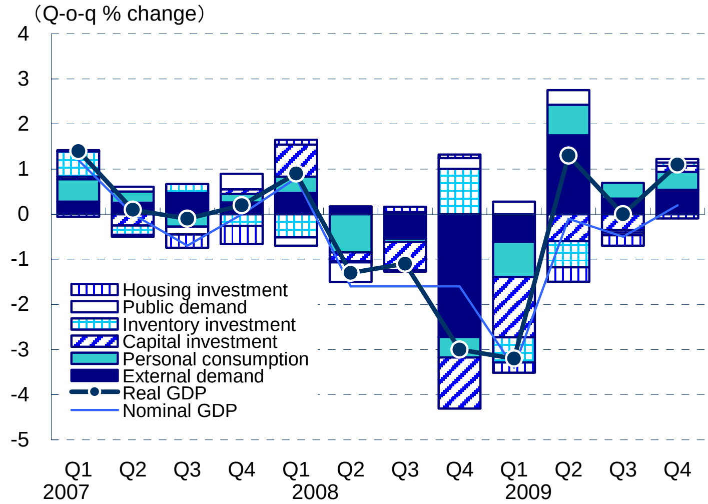
II. The Japanese economy

(1) The current state of the economy

Japan's economy expanded for the third quarter in a row

Japan's real GDP grew at a rate of +1.1% q-o-q (+4.6% in annualized terms) in the Oct-Dec quarter of 2009, expanding for three quarters in a row following the Apr-Jun quarter (+1.3% q-o-q), and the Jul-Sep quarter (+0.0% q-o-q) (**Chart 6**). Looking closer at each of the components of demand, the contribution by external demand expanded to 0.5%pt from +0.3%pt in the Jul-Sep quarter.

[Chart 6：Japan's quarterly GDP growth]



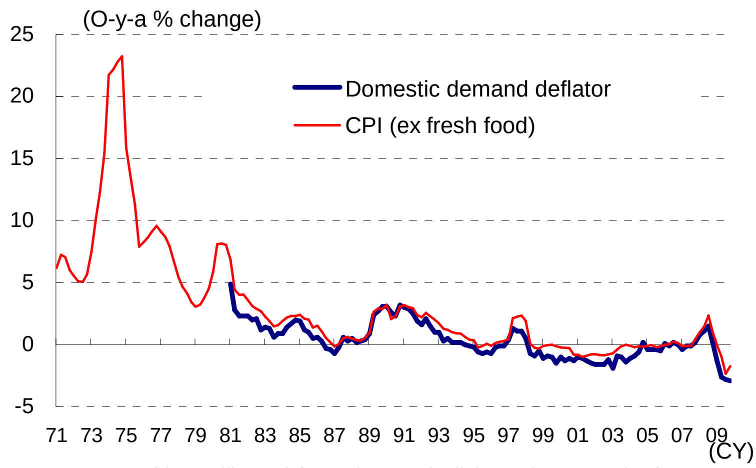
Source: Made by MHRI, based upon Cabinet Office, *Preliminary Quarterly Estimates of GDP.*

Exports continued to grow strongly in the Oct-Dec quarter (+5.0% q-o-q) (Jul-Sep quarter: +8.4% q-o-q). In terms of geographic destinations, the strong export growth was driven by exports to China and the countries of Asia. In terms of goods, IT-related goods and construction machinery served as the drivers of exports. Meanwhile, import growth slowed down to +1.3% q-o-q in the Oct-Dec quarter from +5.4% q-o-q in the Jul-Sep quarter. Turning to domestic demand, the contributions by private and public demand were +0.5%pt and +0.1%pt respectively. Personal consumption grew +0.7% q-o-q in the Oct-Dec quarter, up from +0.6% q-o-q in the Jul-Sep quarter. A breakdown of household final consumption expenditures revealed the strong growth of durable goods (+8.9%) in contrast to the lackluster results for semi-durable goods (-0.1% q-o-q), non-durable goods (+0.2% q-o-q), and services (-0.3% q-o-q). It appears that the policy measures to stimulate purchases of durable goods such as the Eco-Point Program (subsidizing purchases of environment-friendly appliances) are still stimulating consumer incentive to purchase durable goods. A closer look at private investment activity revealed that housing investment fell (-3.4% q-o-q) while both capital investment (+1.0% q-o-q) and inventory investment (contribution to quarterly growth: 0.1%pt) grew. Even though we should keep in mind that the outlook on capital investment and inventory investment may change quite dramatically depending upon the results of the *Financial Statements Statistics of Corporations by Industry* in the Oct-Dec quarter, private investment activity appears to be bottoming out. Turning to public demand, government consumption grew +0.8% q-o-q amid the steady rise of social security-related expenditures such as healthcare costs. On the other hand, public investment fell (-1.6% q-o-q), marking the second consecutive quarter of decline (Jul-Sep quarter: -1.6% q-o-q). Even though the decline stems most likely from the loss of steam due to the front-loading of public investment under the former Aso administration, it is quite possible that the impact of the suspension of certain public works after the power shift is starting to emerge.

Deflationary pressures are intensifying

The pace of decline of the GDP deflator, a broad measure of price changes, accelerated sharply from -0.6% y-o-y in the Jul-Sep quarter to -3.0% y-o-y in the previous quarter. While this may be described as an irregularity accompanying the sharp contraction of the year-on-year decline of the import deflator (-26.3% → -7.5%), the domestic demand deflator also recorded a historical fall of -2.9% y-o-y following the decline in the Jul-Sep quarter (-2.8% y-o-y) (**Chart 7**). The Japanese economy is showing more signs of intensifying deflation.

[Chart 7：The domestic demand deflator and the CPI]



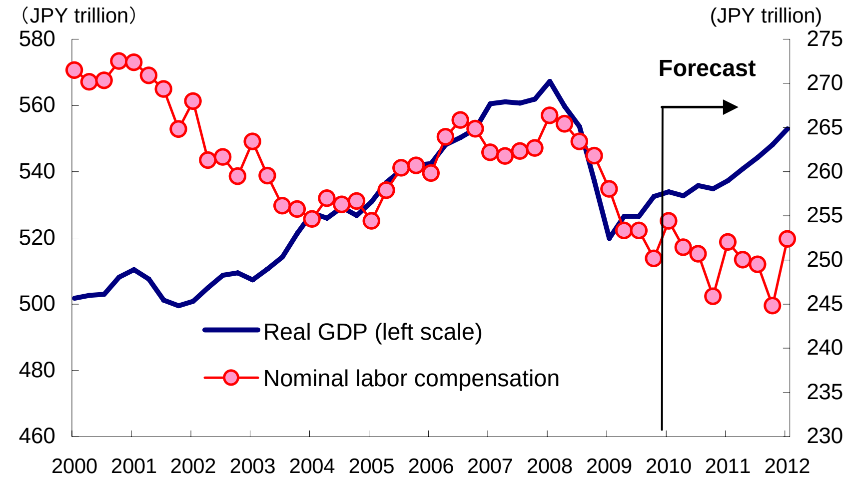
Sources: Cabinet Office, Ministry of Internal Affairs and Communications.

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

Lack of a real sense of economic recovery

Looking forward, the Japanese economy should continue to expand through FY2010 and FY2011 without straying off the current recovery track. That said, there will be a lack of a real sense of recovery due to factors such as (1) the level of real GDP falling short of the recent peak (Jan-Mar quarter of 2008) even in the final quarter of the forecast horizon (Jan-Mar quarter of 2012), and (2) the external demand-led nature of Japan's economic recovery, and the slow recovery of the domestic private sector – in particular employment and income (**Chart 8**).

[Chart 8: Real GDP and nominal labor compensation]



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

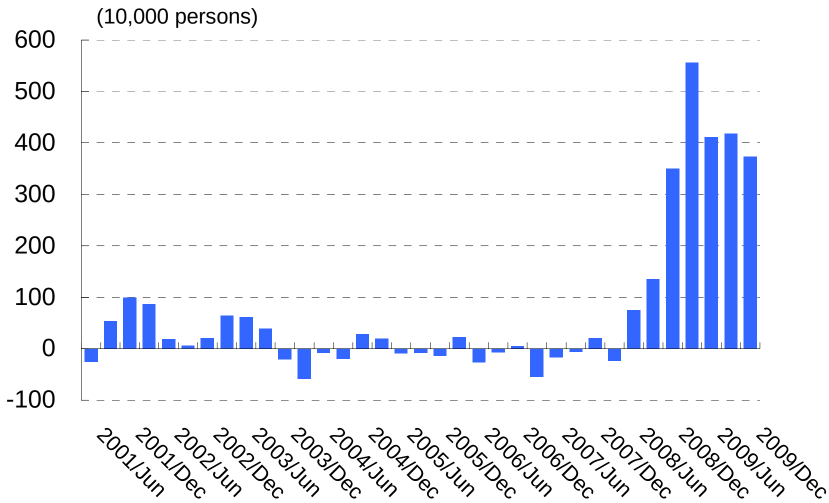
Major assumptions regarding fiscal policy

We have based our economic outlook on the following major assumptions regarding fiscal policy. Assuming that the measures in the initial budget currently under Diet deliberation are carried out, our outlook presupposes that the payment of the child allowance will start toward the end of June, and that the Eco-Car Program and the Eco-Point Program will be terminated at the end of September and December respectively. As for FY2011, we assumed that the full amount of the child care allowance will be paid and that part of the fiscal sources will be covered by the decline of public demand such as public investment.

The Japanese economy in FY2010

In FY2010, the Japanese economy should continue to grow even as it goes through an ebb-and-flow pattern. Domestic private demand is forecast to remain weak. Capital investment and housing investment are finally showing signs of bottoming out and should start to pick up going forward. However, given the lingering sense of excess production capacity and excess housing stock, the odds are high that the rebound after bottoming out will remain subdued. On the other hand, the household sector will continue to face harsh conditions. Based upon the premise that labor productivity is following the trend before the Lehman Shock, approximately 4 million potential unemployed workers are estimated to be retained within companies as of the Oct-Dec quarter (**Chart 9**). It will still take considerable time for the benefits of the economic recovery to reach the household sector. However, personal consumption growth should remain on solid grounds since measures such as the childcare allowance will serve to underpin income. As for fiscal policy measures, we expect a sharp reduction of public investment and the termination of subsidies for purchases of durable consumer goods. Given the intermittent positive and negative impact of fiscal policy measures, domestic demand will likely follow an ebb-and-flow pattern throughout FY2010. Turning to exports, the odds are high that export growth will continue since the overseas economies mainly in Asia (in particular demand for IT-related goods) will continue to pick up. Even so, the pace of growth should moderate in the second half of FY2010 as the overseas economic momentum starts to lose steam. The pace of real GDP growth is forecast to reach +1.0% y-o-y in FY2010 (previous outlook: +1.0% y-o-y).

[Chart 9: Estimation of potential unemployed workers]

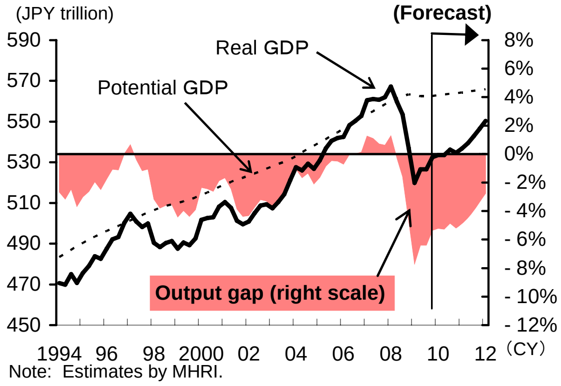


Sources: Estimates by MHRI, based upon Cabinet Office, *National Accounts* , Ministry of Internal Affairs and Communications, *Labor Force Survey* .

The Japanese economy in FY2011

The pace of Japan's economic recovery will gradually pick up in FY2011. Domestic private demand should keep growing. Given the adjustment of excessive stock, we expect a considerably strong growth of investment in plant and equipment, housing and inventories. Even though labor market conditions will fall short of a full-fledged recovery, personal consumption should continue to grow because of the ongoing support of household income such as the payment of the full amount of childcare allowance. While public demand will continue to decline in a counteraction to the full payment of childcare allowances, overall domestic demand should grow. Although exports will most likely continue to grow, the pace will moderate amid the overseas economic slowdown from the second half of FY2010. The pace of Japan's real GDP growth is forecast to reach +1.7% y-o-y in FY2011.

[Chart 10: Japan's output gap]

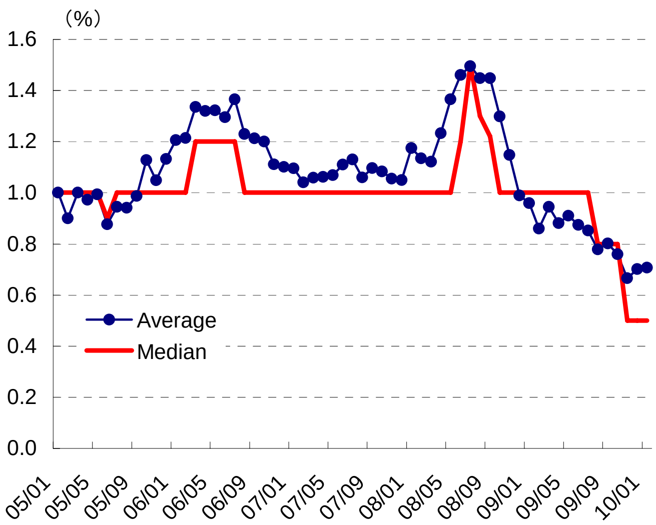


Note: Estimates by MHRI.
Sources: Cabinet Office, Ministry of Economy, Trade and Industry, Ministry of Internal Affairs and Commhnications, and others.

Deflation will linger in Japan

Japan's potential rate of GDP growth should move around the lower half of the 0%-level for some time. On the basis of our outlook set forth herein, an output gap (currently estimated to be around JPY 30 trillion) of approximately JPY15 trillion will exist even in the Jan-Mar quarter of 2012 (**Chart 10**). As for inflation expectations, the Bank of Japan's (BOJ) statement of its strong commitment to fight deflation that it would "not tolerate zero or negative growth in the consumer price index (on a year-on-year basis)" at the end of last year have not had much of an impact upon long-term inflation expectations among investors, leading to the entrenchment of disinflation expectations (**Chart 11**). In view of the foregoing, the chances are remote that Japan will emerge out of deflation by FY2011. The odds are high that both the domestic demand deflator (-1.3% y-o-y in FY2010, -0.2% y-o-y in FY2011) and the CPI (ex fresh food) (-0.8% y-o-y in FY2010 and -0.2% y-o-y in FY2011) will continue to fall.

[Chart 11: Inflation expectations among bond market investors]



Source: QUICK Survey System.

[Chart 12: Outlook on the Japanese economy]

		FY2008	FY2009	FY2010	FY2011	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1
GDP (real)	Q-o-q % ch	-3.7	-2.2	1.0	1.7	-3.2	1.3	0.0	1.1	0.2	0.0	0.5	-0.3	0.4	0.5	0.6	0.7	0.7
	Q-o-q % ch p.a.	--	--	--	--	-12.3	5.2	0.0	4.6	0.7	0.1	1.9	-1.0	1.5	1.9	2.5	2.8	2.8
Domestic demand	Q-o-q % ch	-2.6	-2.6	0.1	1.3	-2.6	-0.5	-0.3	0.6	-0.2	-0.2	0.4	-0.3	0.3	0.3	0.5	0.6	0.6
Private sector demand	Q-o-q % ch	-3.0	-4.1	0.8	1.8	-3.7	-1.0	-0.4	0.7	0.0	0.1	0.6	-0.2	0.4	0.5	0.6	0.7	0.6
Personal consumption	Q-o-q % ch	-1.8	0.5	0.8	0.8	-1.3	1.1	0.6	0.7	0.1	0.1	0.4	-0.3	0.1	0.3	0.4	0.3	0.3
Housing investment	Q-o-q % ch	-3.7	-18.6	0.6	6.1	-6.5	-9.4	-7.8	-3.4	0.9	1.5	1.8	1.1	0.9	1.3	1.4	2.4	3.1
Capital investment	Q-o-q % ch	-6.8	-16.0	0.6	4.3	-8.7	-4.2	-2.5	1.0	-1.5	0.5	0.8	0.8	1.0	1.1	1.1	1.2	1.2
Inventory investment	Q-o-q contribution, % pt	-0.1	-0.4	0.1	0.2	-0.6	-0.6	-0.1	0.1	0.1	-0.1	0.1	-0.1	0.1	0.0	0.1	0.1	0.0
Public sector demand	Q-o-q % ch	-1.3	2.5	-2.1	-0.3	1.2	1.4	-0.2	0.4	-0.7	-1.2	-0.2	-0.8	0.1	-0.1	0.0	0.2	0.3
Government consumption	Q-o-q % ch	-0.1	1.9	1.8	1.3	0.8	0.3	0.1	0.8	-0.1	0.6	0.6	0.5	0.5	0.3	0.3	0.2	0.0
Public investment	Q-o-q % ch	-6.6	6.1	-22.0	-10.0	3.6	6.4	-1.6	-1.6	-3.8	-10.3	-5.2	-8.5	-2.7	-2.7	-2.1	0.6	2.1
External demand	Q-o-q contribution, % pt	-1.2	0.3	0.8	0.4	-0.6	1.7	0.3	0.5	0.3	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Exports	Q-o-q % ch	-10.4	-10.8	11.0	6.0	-23.8	9.2	8.4	5.0	3.3	2.3	1.4	0.4	0.9	1.8	1.8	2.0	2.0
Imports	Q-o-q % ch	-4.2	-12.3	5.0	3.9	-17.6	-3.9	5.4	1.3	1.4	1.0	0.9	0.4	0.4	1.2	1.2	1.4	1.4
GDP (nominal)	Q-o-q % ch	-4.2	-3.9	-0.5	0.7	-3.4	-0.1	-0.5	0.2	0.5	-0.9	0.0	-0.2	0.6	-0.2	0.0	0.3	1.2
GDP deflator	Y-o-y % ch	-0.4	-1.8	-1.5	-1.1	0.3	-0.7	-0.7	-3.0	-2.8	-1.8	-1.9	-1.2	-1.2	-0.8	-1.0	-1.5	-1.0
Domestic demand deflator	Y-o-y % ch	0.4	-2.6	-1.3	-0.2	-1.3	-2.7	-2.9	-2.9	-2.0	-1.1	-1.6	-1.2	-1.2	-0.6	-0.3	-0.2	0.4

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.*

		FY2008	FY2009	FY2010	FY2011	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1
Industrial production	Q-o-q % ch	-12.6	-9.8	8.3	3.9	-22.2	8.3	7.4	4.6	2.9	1.2	0.7	0.1	0.3	1.0	1.5	1.7	1.7
Ordinary profits	Y-o-y % ch	-39.0	-19.3	53.1	21.0	-69.0	-53.0	-32.4	3.4	106.6	66.8	64.5	56.8	30.6	16.3	21.4	26.8	21.2
Nominal labor compensation	Y-o-y ch	-0.3	-4.2	-0.7	0.1	-2.8	-4.6	-3.8	-4.5	-3.6	-0.3	-0.8	-1.2	-0.6	-0.0	-0.1	0.2	0.4
Unemployment rate	%	4.1	5.3	5.0	4.9	4.4	5.2	5.5	5.1	5.2	5.1	5.0	5.0	5.0	5.0	4.9	4.9	4.8
New housing starts	P.a., 10,000 units	103.9	76.7	81.6	88.3	89.7	76.9	71.3	79.1	80.3	80.7	78.5	82.7	85.1	85.9	84.8	90.3	92.9
Current account balance	P.a., JPY tril	12.3	15.5	18.7	17.3	7.2	15.8	15.2	15.1	13.5	16.7	18.1	19.4	17.0	19.3	18.4	14.3	14.6
Domestic corporate goods prices	Y-o-y % ch	3.2	-5.3	-0.9	0.8	-1.9	-5.5	-8.3	-5.2	-1.9	-1.1	-1.0	-0.6	-0.7	0.0	0.5	1.2	1.5
Consumer prices	Y-o-y % ch	1.2	-1.5	-0.8	-0.2	0.0	-1.0	-2.3	-1.7	-1.0	-0.8	-0.8	-0.8	-0.8	-0.6	-0.2	-0.0	0.1
Uncollateralized overnight call rate	%	0.09	0.10	0.10	0.10	0.09	0.11	0.10	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Yield on newly-issued 10-yr JGBs	%	1.44	1.35	1.15	1.35	1.29	1.42	1.34	1.32	1.27	1.20	1.15	1.10	1.10	1.20	1.30	1.40	1.50
Nikkei average	JPY	10,802	9,950	10,950	11,800	7,930	9,294	10,141	9,959	10,400	10,500	10,800	11,100	11,300	11,500	11,700	11,900	12,100
Exchange rate	JPY/USD	100.5	93.0	91.0	100.0	93.6	97.3	93.6	89.7	89.0	89.0	90.0	91.0	93.0	96.0	99.0	101.0	102.0
Crude oil price (WTI nearest term contract)	USD/bbl	85.9	70.0	77.0	87.0	43.0	59.6	68.1	76.1	76.0	77.0	80.0	76.0	74.0	83.0	91.0	88.0	87.0

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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