

REVISED
to reflect the 2nd
QE for the
Apr-Jun Qtr
of 2014

FY2014, FY2015 Economic Outlook

September 9, 2014

<The US Economy >

- ◆ A mild expansion of private demand amid the alleviation of downward pressures stemming from fiscal restraints.

2014: +2.1% (forecast in August +2.1%)

2015: +2.9% (forecast in August +2.9%)

<The Eurozone Economy >

- ◆ Despite the continuation of an export and capital investment-led recovery, eurozone growth is forecast to remain tepid, given lingering balance sheet adjustment pressures in many of the countries

2014: +0.8% (forecast in August +0.8%)

2015: +1.2% (forecast in August +1.2%)

<The Asian Economy >

- ◆ Look forward to a gradual expansion driven mainly by exports. While the Chinese economy is lifted temporarily by the impact of economic stimulus measures, a slowdown is expected again in 2015

2014: +6.1% (forecast in August +6.0%)

2015: +6.1% (forecast in August +6.0%)

<The Japanese Economy >

- ◆ Personal consumption and capital investment should pick up in the second half of the fiscal year

FY2014: +0.5% (forecast in August +0.5%)

- ◆ Exports and private demand will recover. The economy will remain on recovery track even after the second consumption tax hike

FY2015: +1.5% (forecast in August +1.5%)

This English-language translation is based upon the outlook in Japanese released on September 9, 2014. This publication is compiled solely for the purpose of providing readers with information and is in no way meant to encourage readers to buy or sell financial instruments. Although this publication is compiled on the basis of sources which Mizuho Research Institute Ltd. (MHRI) believes to be reliable and correct, MHRI does not warrant its accuracy and certainty. Readers are requested to exercise their own judgment in the use of this publication. Please also note that the contents of this publication may be subject to change without prior notice.

I. Overview of the *Second Preliminary Quarterly Estimates of GDP (2nd QE)* of the Apr-Jun quarter of 2014

The *2nd QE* of the Apr-Jun quarter revealed a downward revision mainly in capital investment

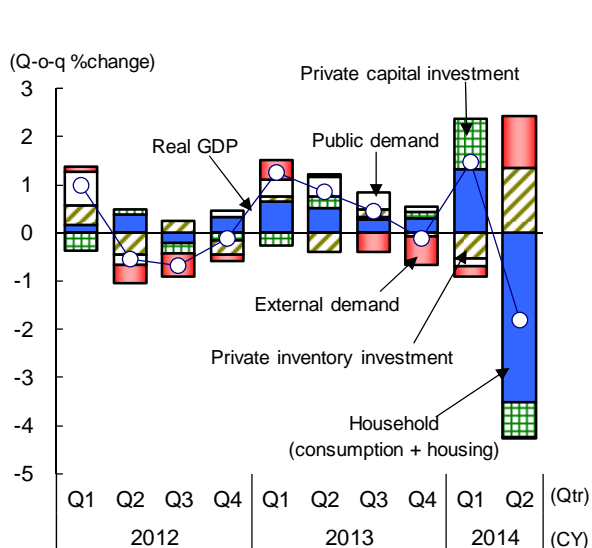
The *Second Preliminary Quarterly Estimates of GDP ("2nd QE")* for the Apr-Jun quarter of 2014 released by the Cabinet Office on September 8, 2014 revealed that Japan's real GDP contracted (-1.8% q-o-q, or -7.1% p.a.), in a slight downward revision from -1.7% q-o-q (-6.8% p.a.) in the *First Preliminary Quarterly Estimates of GDP ("1st QE")* (Chart 1).

Looking closer at each of the components of demand, capital investment was revised down sharply from -2.5% to -5.1%, in contrast to a dramatic upward revision of the contribution by private inventory investment from +1.0% pt in the *1st QE* to +1.4% pt. As for other components of domestic demand, in addition to the downward revision of personal consumption (*1st QE*: -5.0% q-o-q → *2nd QE*: -5.1% q-o-q), housing investment was also revised down slightly (*1st QE*: -10.3% q-o-q → *2nd QE*: -10.4% q-o-q). As a whole, domestic private-sector demand remained unchanged from the *1st QE* at -3.7% q-o-q (contribution -2.9% pt) (a downward revision when looking closer up to the second decimal place).

Turning to public demand, although public investment remained unchanged from the *1st QE* at -0.5% q-o-q, government consumption was revised down slightly to +0.1% q-o-q (*1st QE*: +0.4% q-o-q). Public demand as a whole was revised downward from +0.2% q-o-q (contribution +0.0% pt) to -0.0% q-o-q (contribution -0.0% pt). The contribution of domestic demand – combining both private and public demand was revised downward from -2.8% pt to -2.9% pt.

Turning to external demand, exports were subject to a slight downward revision (*1st QE*: -0.4% q-o-q → *2nd QE*: -0.5% q-o-q), while imports (-5.6% q-o-q) and the contribution by external demand to real GDP (+1.1% pt) were unchanged from the *1st QE*.

[Chart 1: Apr-Jun quarter of 2014 (2nd QE)]



Note: Cabinet Office, *Preliminary Quarterly Estimates of GDP*.

	(Q-o-q % change)					1st QE Apr-Jun
	2013 Apr-Jun	Jul-Sep	Oct-Dec	2014 Jan-Mar	Apr-Jun	
Gross domestic production	0.8	0.4	-0.1	1.5	-1.8	-1.7
(Q-o-q change, p.a.)	3.4	1.8	-0.5	6.0	-7.1	-6.8
(Y-o-y change)	1.2	2.3	2.5	3.0	-0.1	-0.1
Domestic demand	0.8	0.8	0.5	1.6	-2.8	-2.7
(0.8)	(0.8)	(0.5)	(1.7)	(-2.9)	(-2.8)	
Private demand	0.5	0.6	0.5	2.4	-3.7	-3.7
(0.4)	(0.5)	(0.3)	(1.8)	(-2.9)	(-2.9)	
Personal consumption	0.7	0.2	0.4	2.0	-5.1	-5.0
Housing investment	2.1	4.7	2.4	2.0	-10.4	-10.3
Capital investment	1.8	0.5	1.0	7.8	-5.1	-2.5
Inventory investment	(-0.4)	(0.2)	(-0.1)	(-0.5)	(1.4)	(1.0)
Public demand	1.7	1.4	0.5	-0.7	-0.0	0.2
(0.4)	(0.4)	(0.1)	(-0.2)	(-0.0)	(0.0)	
Government consumption	0.6	0.1	0.2	-0.2	0.1	0.4
Public investment	5.8	7.1	1.4	-2.5	-0.5	-0.5
External demand	(0.1)	(-0.4)	(-0.6)	(-0.2)	(1.1)	(1.1)
Exports	3.1	-0.7	0.3	6.5	-0.5	-0.4
Imports	2.3	1.8	3.7	6.4	-5.6	-5.6
Nominal GDP	0.3	0.4	0.2	1.6	-0.2	-0.1
GDP deflator (y-o-y change)	-0.6	-0.4	-0.4	-0.1	2.0	2.0

Note: The figures in parentheses indicate the contributions to gross domestic production.
Source: Cabinet Office, *Preliminary Quarterly Estimates of GDP*.

Nominal GDP was also revised downward

The GDP deflator for the Apr-Jun quarter of 2014 remained unchanged at +2.0% y-o-y from the 1st QE. Like the rate of real GDP growth, nominal GDP was revised downward (-0.2% q-o-q, -0.7% p.a.) from the 1st QE (-0.1% q-o-q, -0.4% p.a.).

As shown above, even though the downward revision of GDP turned out to be relatively benign, the 2nd QE revealed the rise of inventory adjustment pressures amid the fall of personal consumption and capital investment.

II. Forecast on the Japanese economy in FY2014 and FY2015

Growth should pick up in the Jul-Sep quarter due to the fading backlash to the last-minute rush of demand

Japan's economic growth is expected to return to positive territory in the Jul-Sep quarter. Since the fall of imports stemming from a backlash to the last-minute rush of demand should generally dissipate amid the tepid recovery of exports, the contribution by external demand is forecast to contract sharply from the Apr-Jun quarter. The contribution to growth by inventory investment will likely dip into negative territory amid restraints upon inventories. Meanwhile, given the fading impact of the backlash to the last-minute rush of demand, the increase of summer bonus payments will serve as underpinnings and lead to the upturn of personal consumption. In addition to the rebound of capital investment from the sharp fall in the Apr-Jun quarter, public investment is also expected to pick up slightly due to the progress of public works projects earmarked in the FY2013 supplementary budget and the FY2014 budget. Even though the restraints upon inventories will serve as downward pressures in the Jul-Sep quarter, the pace of Japan's growth should pick up at a faster pace (forecast: +4.7% q-o-q p.a.) as personal consumption picks up from the fall after the consumption tax hike, and the rise of capital investment and public demand contributes to push up the rate of growth.

FY2014 growth rate will decline to +0.5%

In the second half of FY2014 (Oct-Dec quarter of 2014, Jan-Mar quarter of 2015) the impact of the early implementation of public works projects should come to a halt, leading to a gradual decline of public investment. On the other hand, the ongoing recovery of personal consumption and rise of capital investment should keep domestic demand on a recovery track. Exports are also expected to grow albeit at a mild pace, reflecting the weak yen and overseas economic recovery.

Even so, in terms of the full year FY2014, the decline of personal consumption reflecting the erosion of real income due to the consumption tax hike should serve as a significant drag upon growth. We forecast that the Japanese economy will grow at a slower pace of +0.5% in FY2014 (forecast in August: +0.5%) (**Chart 2**).

FY2015 real GDP growth rate will rise to +1.5%. While growth in 1H will be pushed up by the last-minute rush of demand, a backlash will ensue in 2H

In FY2015, we assume that the consumption tax rate will be raised as scheduled to 10% in October. Therefore, the last-minute rush of demand and its backlash accompanying the consumption tax hike will serve as a major volatile factor upon growth in FY2015. According to a trial calculation based upon movements at the time of the tax hike in FY1997 as well as recent trends, the rate of real GDP growth would be pushed up by approximately 0.5% pt (on a q-o-q basis) in the first half of FY2015 and be dragged down by approximately 1.5% pt in the second half of FY2015.

Again in FY2015, we also expect the compilation of an economic stimulus package totaling approximately JPY2 trillion (of which approximately JPY1.5 trillion will be earmarked for public works) to prevent the economy from falling into a recession after the consumption tax hike. We expect the additional public works projects to be implemented in the second half of the fiscal year and push up the rate of real GDP in FY2015 by approximately 0.3% pt. Furthermore, we also assume that a reduced tax rate will be applied for food (excluding alcoholic beverages and restaurant meals) at the time of the consumption tax hike in FY2015.

As shown above, we expect growth in FY2015 to be pushed up by a last-minute rush of demand in the first half of the fiscal year, followed by a sharp fall into negative territory again in the Oct-Dec quarter immediately after the consumption tax hike. Even so, the Japanese economy should pick up toward the end of the fiscal year (end of March 2016) due to the upturn of capital investment and implementation of public works projects. Hence, we forecast that the Japanese economy will grow +1.5% in FY2015 (forecast in August: +1.5%).

Slow improvement of the output gap

As of the Apr-Jun quarter of 2014, the output gap (the gap between actual GDP and potential GDP) in negative territory estimated by MHRI widened to -2.2% of potential GDP (meaning an excess of supply of approximately JPY12 trillion). While the breadth of the negative output gap should narrow again in the Jul-Sep quarter of 2014, the excess of supply is expected to persist. In FY2015, while the excess supply should be resolved temporarily in the Jul-Sep quarter in the run-up to the next consumption tax hike, the output gap should fall into negative territory once again after the tax hike. Due in part to the impacts of the two consumption tax hikes, the output gap is only expected to improve at a slow pace.

Even though the y-o-y change of the core CPI (ex impact of consumption tax hike) will fail to reach 2% in FY2015, the inflationary trend will improve steadily

The core CPI (general, excluding fresh food) – excluding the impact of the consumption tax hike – has been shrinking since peaking in April 2014 (+1.5% y-o-y), declining to +1.3% y-o-y as of July 2014. It appears that the upward pressure upon the percentage change of the CPI stemming from the weak yen is starting to fade. Looking forward, the rise of energy prices stemming from the weak yen and higher crude oil prices and the movements to cover the rise of import costs should continue to fade from August onward. Furthermore, the

expansion of the negative output gap due to the consumption tax hike should serve to curb the rise of inflation for the time being. The rise of the core CPI should continue to moderate at a gradual pace until the autumn months.

Even so, in the second half of FY2014, we expect to see moves to pass on the recovery of wages to prices along with the gradual recovery of domestic demand. The year-on-year change of the core CPI (excluding the impact of the consumption tax hike) for the full year in FY2014 should stand at +1.1% (+3.1% when including the impact of the consumption tax hike), surpassing the rise in FY2013 (**Chart 3**).

Again in FY2015, the fall of demand after the consumption tax hike should keep the rise of the inflation rate subdued. During the full year FY2015, the year-on-year change of the core CPI (excluding the impact of the consumption tax hike) is expected to reach +1.1% (+1.7% when including the impact of the consumption tax hike), rising at a pace on par with FY2014. Hence, the rise will still fall short of the Bank of Japan's (BOJ) inflation target of "2% in two years". Even so, we expect the steady improvement of the inflation rate (excluding the impact of energy prices) given the gradual spread of moves to raise wages.

[Chart 2: Outlook on the Japanese economy (GDP)]

		2012	2013	2014	2015	2013	2014				2015				2016
		FY				Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
GDP (real)	Q-o-q % ch	0.7	2.3	0.5	1.5	-0.1	1.5	-1.8	1.2	0.7	0.3	0.5	0.6	-0.9	0.7
	Q-o-q % ch p.a.	--	--	--	--	-0.5	6.0	-7.1	4.7	2.9	1.4	1.9	2.3	-3.6	2.9
Domestic demand	Q-o-q % ch	1.4	2.7	0.0	1.4	0.5	1.6	-2.8	1.0	0.7	0.4	0.5	0.8	-1.4	0.4
Private sector demand	Q-o-q % ch	1.4	2.2	-0.1	1.5	0.5	2.4	-3.7	1.1	1.1	0.6	0.6	1.0	-2.1	0.4
Personal consumption	Q-o-q % ch	1.5	2.5	-1.9	1.7	0.4	2.0	-5.1	1.3	0.9	0.5	0.7	1.6	-3.0	0.7
Housing investment	Q-o-q % ch	5.4	9.5	-8.2	-0.2	2.4	2.0	-10.4	-3.3	1.8	1.8	3.0	-0.6	-6.2	-3.9
Capital investment	Q-o-q % ch	0.7	2.7	3.8	4.2	1.0	7.8	-5.1	2.0	2.2	1.3	0.8	0.8	0.3	0.5
Inventory investment	Q-o-q contribution, % pt	-0.1	-0.5	0.8	-0.4	-0.1	-0.5	1.4	-0.1	-0.1	-0.1	-0.2	-0.3	0.3	-0.1
Public sector demand	Q-o-q % ch	1.4	4.2	0.3	0.9	0.5	-0.7	-0.0	0.8	-0.3	-0.3	0.3	0.2	0.8	0.7
Government consumption	Q-o-q % ch	1.5	1.8	0.7	1.7	0.2	-0.2	0.1	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Public investment	Q-o-q % ch	1.3	15.1	-1.3	-2.6	1.4	-2.5	-0.5	2.3	-3.0	-3.1	-0.5	-0.9	2.2	1.5
External demand	Q-o-q contribution, % pt	-0.8	-0.5	0.6	0.1	-0.6	-0.2	1.1	0.1	-0.0	-0.0	-0.0	-0.2	0.5	0.3
Exports	Q-o-q % ch	-1.3	4.8	5.4	4.3	0.3	6.5	-0.5	0.7	0.7	1.2	1.1	1.1	1.2	1.0
Imports	Q-o-q % ch	3.6	7.0	1.6	3.0	3.7	6.4	-5.6	-0.0	0.8	1.1	1.2	2.0	-1.6	-0.3
GDP (nominal)	Q-o-q % ch	-0.2	1.9	2.2	2.4	0.2	1.6	-0.2	0.6	1.0	0.3	1.2	0.0	0.2	0.8
GDP deflator	Y-o-y % ch	-0.9	-0.4	1.7	0.9	-0.4	-0.1	2.0	1.7	1.5	1.4	0.5	0.4	1.2	1.3
Domestic demand deflator	Y-o-y % ch	-0.8	0.3	1.8	0.9	0.5	0.6	2.4	1.7	1.5	1.4	0.5	0.6	1.2	1.3

Notes: Figures in the shaded areas are forecasts.

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

[Chart 3: Outlook on the Japanese economy (major economic indicators)]

		2012	2013	2014	2015	2013	2014				2015				2016
		FY				Jan-Mar	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Industrial production	Q-o-q % ch	-2.9	3.2	0.0	2.2	1.8	2.9	-3.8	-0.5	0.8	1.0	0.9	1.4	-1.3	-0.6
Ordinary profits	Y-o-y % ch	8.1	20.9	1.5	3.3	25.1	17.2	2.8	3.2	0.7	-0.2	5.3	3.2	3.5	1.6
Nominal compensation of employees	Y-o-y % ch	0.1	1.0	1.6	1.6	1.6	0.5	1.3	1.6	2.0	1.6	1.7	1.7	1.9	0.8
Unemployment rate	%	4.3	3.9	3.6	3.5	3.9	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.5	3.5
New housing starts	P.a., 10,000 units	89.3	98.7	91.2	88.4	104.1	93.4	88.7	89.9	91.7	94.9	95.3	88.3	84.7	85.8
Current account balance	P.a., JPY tril	4.2	0.8	2.5	3.4	0.0	-5.5	2.6	3.4	5.2	0.4	2.8	2.0	7.2	3.4
Domestic corporate goods prices	Y-o-y % ch	-1.1	1.9	4.1	2.3	2.5	1.9	4.4	4.1	3.9	3.9	1.2	1.4	3.2	3.4
Consumer prices	Y-o-y % ch	-0.2	0.8	3.1	1.7	1.1	1.3	3.3	3.1	3.0	3.0	1.1	1.1	2.3	2.3
Consumer prices (ex consumption tax)	Y-o-y % ch	-0.2	0.8	1.1	1.1	1.1	1.3	1.4	1.1	1.0	1.0	1.1	1.1	1.2	1.2
Uncollateralized overnight call rate	%	0.06	0.04	0~0.10	0~0.10	0.07	0.04	0.06	0~0.10	0~0.10	0~0.10	0~0.10	0~0.10	0~0.10	0~0.10
Yield on newly-issued 10-yr JGBs	%	0.78	0.69	0.61	1.04	0.64	0.63	0.60	0.53	0.60	0.70	0.90	1.00	1.10	1.15
Nikkei average	JPY	9,650	14,424	15,700	17,500	14,972	14,964	14,650	15,500	16,100	16,400	16,900	17,400	17,600	18,100
Exchange rate	JPY/USD	83.0	100.0	105.0	110.0	101.0	103.0	102.0	104.0	107.0	108.0	109.0	110.0	111.0	112.0
Crude oil price (WTI nearest term contract)	USD/bbl	92.0	99.0	97.0	94.0	98.0	99.0	103.0	95.0	95.0	95.0	94.0	94.0	94.0	94.0

Notes: 1. Figures in the shaded areas are forecasts. 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) (ex finance & insurance, and production, transmission and distribution of electricity services).

3. Consumer prices exclude fresh food (2010 base). Based upon the assumption that the consumption tax will be raised to 8% in Apr 2014 and 10% in Oct 2015 (with a reduced tax rate to be applied to food (ex alcoholic beverages and restaurant meals) in Oct 2015).

4. Quarterly data on the unemployment rate, new housing starts and current account balance are seasonally-adjusted.

5. Of the finance-related indices, the uncollateralized overnight call rate refers to the rate at the end of term, the yield on newly-issued 10-yr JGBs refers to the average of the end-of-month rates during the relevant term, and all others are averages during the relevant terms.

Sources: Made by MHRl 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

[Chart 4: Outlook on the global economy]

Calendar year	(Y-o-y % change)					(Y-o-y % change)	
	2011 (Actual)	2012 (Actual)	2013 (Actual)	2014 (Forecast)	2015 (Forecast)	2014 (August forecast)	2015 (August forecast)
Total of forecast area	3.9	3.2	3.1	3.2	3.6	3.1	3.5
Japan, US, Eurozone	1.3	1.2	1.2	1.5	2.1	1.5	2.1
US	1.6	2.3	2.2	2.1	2.9	2.1	2.9
Eurozone	1.6	-0.6	-0.4	0.8	1.2	0.8	1.2
Japan	-0.5	1.5	1.5	1.2	1.4	1.2	1.3
Asia	7.6	6.1	6.1	6.1	6.1	6.0	6.0
NIEs	4.2	2.0	2.8	3.4	3.4	3.5	3.5
ASEAN5	4.5	6.2	5.2	4.6	5.1	4.4	5.0
China	9.3	7.7	7.7	7.5	7.3	7.5	7.3
India	7.7	4.8	4.7	5.0	5.1	4.7	4.8
Australia	2.6	3.6	2.4	3.1	2.6	3.0	2.6
Brazil	2.7	1.0	2.5	0.2	1.0	0.8	1.2
Russia	4.3	3.4	1.3	0.1	1.0	0.1	1.0
Japan (FY)	0.3	0.7	2.3	0.5	1.5	0.5	1.5
Crude oil price (WTI,USD/bbl)	95	94	98	98	94	100	97

Note: The total of the forecast area is calculated upon the 2012 GDP share (PPP) by the IMF.
Sources: International Monetary Fund (IMF), MHRl.

[Chart 5: Outlook on the US economy]

	2014				2015 (Forecast)				2013 (Actual)	2014 (Forecast)	2015 (Forecast)
	Jan-Mar (Actual)	Apr-Jun (Actual)	Jul-Sep (Forecast)	Oct-Dec (Forecast)	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec			
GDP (q-o-q % ch, p.a.)	-2.1	4.2	3.0	3.6	2.1	2.7	3.2	3.2	2.2	2.1	2.9
Personal consumption (q-o-q % ch, p.a.)	1.2	2.5	1.4	2.8	2.5	2.5	2.6	2.6	2.4	2.2	2.4
Housing investment (q-o-q % ch, p.a.)	-5.3	7.2	12.0	9.0	12.0	14.0	14.0	14.0	11.9	2.7	11.9
Capital investment (q-o-q % ch, p.a.)	1.6	8.4	7.5	7.0	7.0	7.0	7.0	7.0	3.0	6.1	7.2
Inventory investment (contribution, q-o-q % pt ch)	-1.2	1.4	0.0	0.0	-0.9	-0.4	0.0	0.0	0.1	0.1	-0.2
Government spending (q-o-q % ch, p.a.)	-0.8	1.4	-2.1	0.1	2.3	2.3	2.3	2.3	-2.0	-0.9	1.3
Exports (q-o-q % ch, p.a.)	-9.2	10.1	10.0	6.0	3.0	3.0	3.0	3.0	3.0	3.8	4.8
Imports (q-o-q % ch, p.a.)	2.2	11.0	0.2	2.4	4.6	4.6	4.6	4.6	1.1	3.6	4.0
Domestic final demand (q-o-q % ch, p.a.)	0.7	3.1	1.8	3.1	3.4	3.4	3.5	3.5	1.9	2.1	3.2
Unemployment rate (%)	6.7	6.2	6.2	6.3	6.2	6.1	6.1	6.0	7.4	6.4	6.1
Nonfarm payrolls (per month, 1,000)	169	252	213	196	197	198	198	199	189	202	203
PCE deflator (y-o-y % ch)	1.1	1.6	1.5	1.6	1.5	1.3	1.3	1.3	1.2	1.4	1.3
Core PCE deflator ex food and energy (y-o-y % ch)	1.2	1.5	1.5	1.5	1.6	1.5	1.6	1.6	1.3	1.4	1.6

Note: Readings from the Jul-Sep qtr of 2014 are forecasts by MHRl.
Sources: US Department of Commerce, US Department of Labor, MHRl.

[Chart 6: Outlook on the Eurozone economy]

	2012	2013	2014	2015	2013		2014		2015	
	(Actual)	(Actual)	(Forecast)	(Forecast)	1H	2H	1H	2H (Forecast)	1H (Forecast)	2H (Forecast)
Real GDP	-0.6	-0.4	0.8	1.2	-0.6	0.8	0.8	0.7	1.1	1.6
Y-o-y % ch of 4th qtr of each year (% ch o-y-a for half year terms)	-1.0	0.5	0.7	1.5	-0.9	0.1	0.8	0.8	0.9	1.4
Private-sector consumption	-1.4	-0.6	0.7	0.7	-0.8	0.6	0.7	0.6	0.7	0.9
Government consumption	-0.6	0.2	0.8	0.4	0.5	0.2	1.2	0.5	0.4	0.4
Fixed capital formation	-3.8	-2.8	1.2	2.0	-4.4	2.0	1.1	0.8	1.6	3.7
External demand (contribution)	1.5	0.5	-0.1	0.3	0.5	-0.1	-0.1	0.0	0.5	0.3
Exports	2.8	1.5	2.7	4.4	0.1	3.9	2.0	3.1	4.7	5.3
Imports	-0.8	0.4	3.1	4.0	-1.0	4.5	2.4	3.3	3.9	5.1
Inventories, balancing items (contribution)	-0.5	-0.0	0.1	-0.0	0.1	0.2	0.0	0.1	-0.1	0.1
Domestic demand	-2.2	-0.9	0.9	0.9	-1.1	1.0	0.9	0.7	0.7	1.4
Consumer prices	2.5	1.4	0.5	0.8	1.6	1.1	0.6	0.5	0.7	1.0
Core inflation rate	1.5	1.1	0.8	1.0	1.2	1.0	0.8	0.8	0.9	1.0

Notes: 1. Calendar-year data refer to the y-o-y % ch. Half-year term figures refer to the % change from the previous term (p.a.) for GDP, and the % change from the previous year for consumer prices. The shaded columns are forecasts.
2. Growth rate adjusted for operating days.
Sources: Eurostat, MHRl.

[Chart 7: Outlook on the Asian economies]

	2011	2012	2013	2014	2015	2014		2015	
	(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	(Previous: Aug forecast)	(Previous: Aug forecast)	(Previous: Aug forecast)	(Previous: Aug forecast)
Asia	7.6	6.1	6.1	6.1	6.1	6.0	6.0	6.0	6.0
China	9.3	7.7	7.7	7.5	7.3	7.5	7.3	7.5	7.3
NIEs	4.2	2.0	2.8	3.4	3.4	3.5	3.5	3.5	3.5
South Korea	3.7	2.3	3.0	3.6	3.7	3.6	3.7	3.6	3.7
Taiwan	4.2	1.5	2.1	3.5	3.2	3.5	3.2	3.5	3.2
Hong Kong	4.8	1.5	2.9	2.0	1.9	3.0	2.8	3.0	2.8
Singapore	6.1	2.5	3.9	3.5	3.8	3.5	3.8	3.5	3.8
ASEAN5	4.5	6.2	5.2	4.6	5.1	4.4	5.0	4.4	5.0
Indonesia	6.5	6.3	5.8	5.1	5.2	5.1	5.2	5.1	5.2
Thailand	0.1	6.5	2.9	1.0	4.1	0.5	4.0	0.5	4.0
Malaysia	5.2	5.6	4.7	5.8	4.7	5.2	4.6	5.2	4.6
Philippines	3.7	6.8	7.2	6.2	6.3	6.0	6.4	6.0	6.4
Vietnam	6.2	5.3	5.4	5.6	5.7	5.6	5.7	5.6	5.7
India	7.7	4.8	4.7	5.0	5.1	4.7	4.8	4.7	4.8
Australia	2.6	3.6	2.4	3.1	2.6	3.0	2.6	3.0	2.6

Notes: 1. Real GDP growth rate (y-o-y ch).
2. Averages are calculated by the 2012 GDP share (PPP basis) by the IMF.
Sources: Statistical data of relevant countries, MHRl.

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