Monthly Economic Report

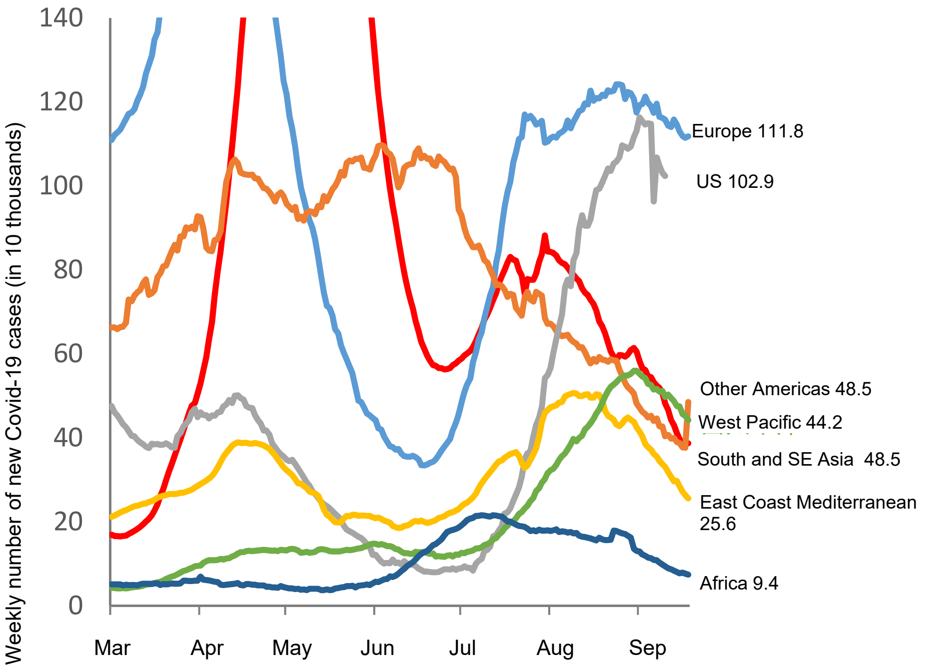
September 22, 2021

Mizuho Research & Technologies, Ltd.

Global Covid-19 infection trends: the number of new cases is following a downtrend

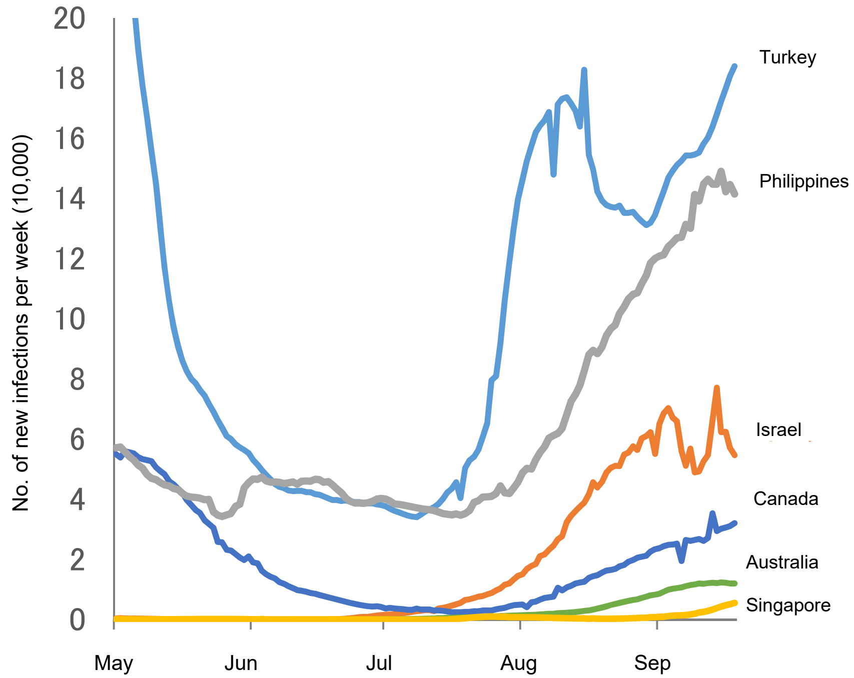
- The number of Covid-19 cases worldwide (cumulative) reached 228.93 million as of the morning of September 21.
- The weekly number of new Covid-19 cases around the world stood at 3.79 million (previous week: 3.99 million), continuing its downward trend from the previous week.
  - The number of new infections decreased in major European countries such as Germany, Italy and France. Infections in the US continued to flatten out at a high level. On the other hand, infections continued to spread in Turkey, the Philippines, Israel, Canada, and Australia. Even in Singapore, where nearly 80% of the population has been vaccinated, Covid-19 infections surged after restrictions were eased.

Weekly number of new Covid-19 cases reported worldwide



Note: Figures represent number of cases tallied as of September 20 (latest data as of September 18). Regional classification based upon WHO.
Source: Made by MHRT based upon Johns Hopkins University and WHO.

Weekly number of new Covid-19 cases in countries currently showing large increases

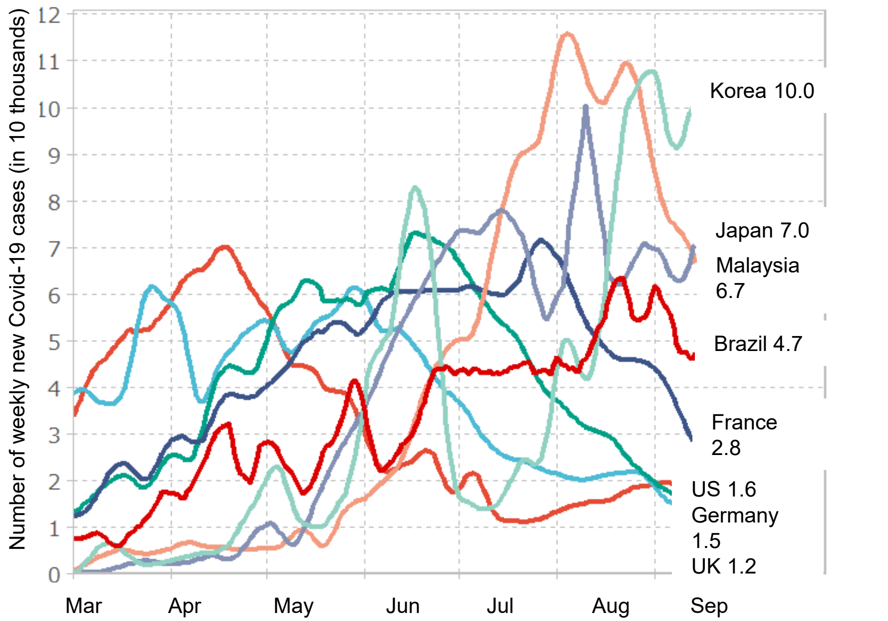


Note: Figures represent number of cases tallied as of September 20 (latest data as of September 18).
Source: Made by MHRT based upon Johns Hopkins University.

Global vaccination trends show vaccination rates in some emerging countries have risen to the level of major Western countries

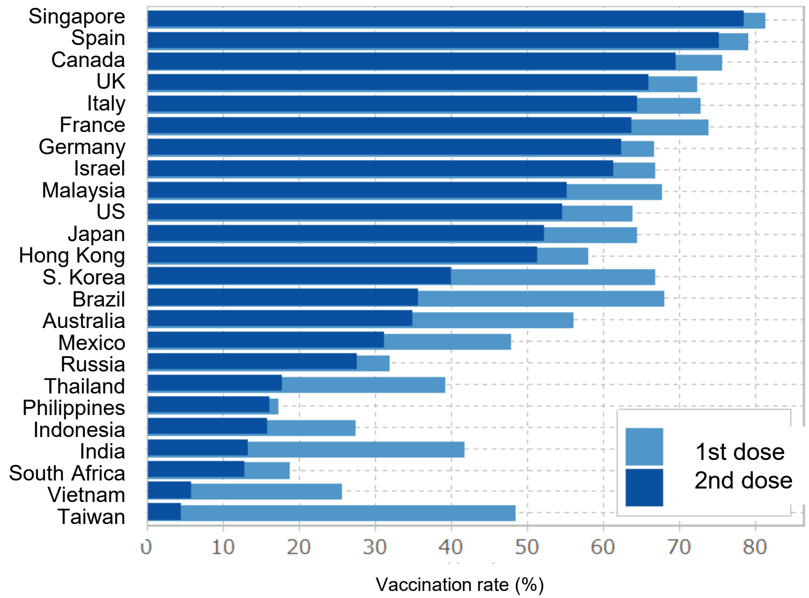
- The pace of vaccination continues to slow in major Western countries. In Japan and some emerging countries, the pace of vaccination remains steady.
  - The pace of vaccination continues to slow in major Western countries. At present, Spain is the only major country where the rate of those who received their second dose vaccination has exceeded 70%.
  - In terms of weekly vaccinations per 100 people, South Korea (10 doses) and Japan (7 doses) maintained a steady pace. Among emerging countries, Malaysia (6.7 doses) and Brazil (4.7 doses) also have fast vaccination paces, but slower than during their peak weeks.
- Vaccination rates in emerging countries have also risen to the same level as major Western countries.
  - In Malaysia, South Korea, and Brazil, the percentage of those that have received their first vaccination dose is on track to reach 70%. Looking forward, these countries have the momentum to achieve the same percentage for their second dose vaccinations.

Number of weekly vaccinations per 100 people (by country)



Note: Figures represent data tallied as of September 16 (latest data is from September 14)
Source: Made by MHRT based upon *Our World in Data*

Vaccination rates of 1st and 2nd doses in major countries (percentage of the total population)

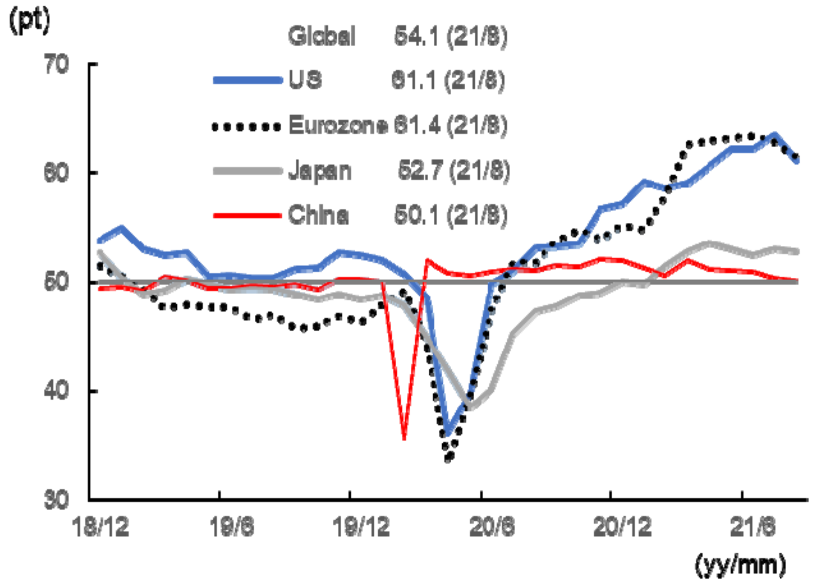


Note: Figures represent data tallied as of September 16 (latest data is from September 14)
Source: Made by MHRT based upon *Our World in Data*

Current state of the global economy: the pace of economic expansion is slowing down

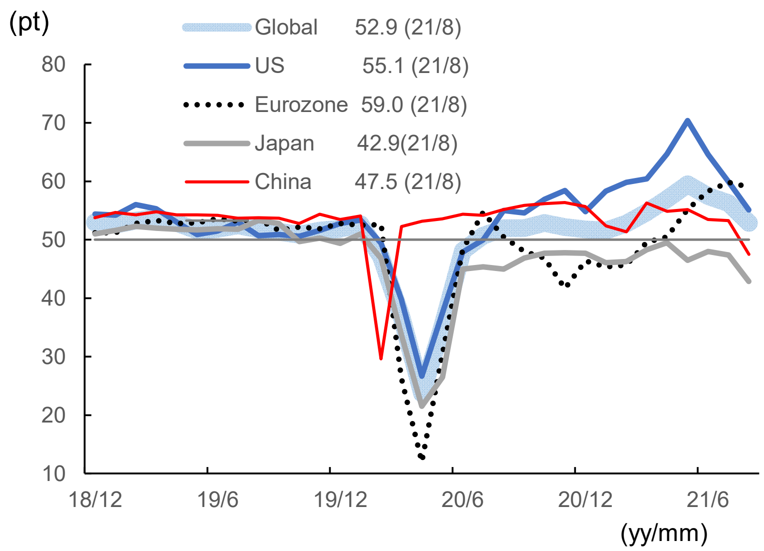
- In the US, the resurgence of Covid-19 infections served as a drag on service consumption, causing the nonmanufacturing PMI in August to fall for the third consecutive month.
  - In the US, manufacturing PMI also fell as supply constraints and hurricanes weighed on production.
  - Even in the Eurozone, the manufacturing PMI fell in August. Its nonmanufacturing PMI, which had been on an upward trend due to mobility restrictions easing, also came to a pause.
- In China, the PMI declined due to the impact of restrictions and voluntary restraints on going out caused by the resurgence of Covid-19 infections. The nonmanufacturing PMI fell below 50 for the first time since February 2020.
- In Japan, the nonmanufacturing PMI, which had continued to fall short of 50, fell further due to sluggish consumption under the declaration of a state of emergency. Sluggishness in the nonmanufacturing sector is expected for the time being.
  - In the manufacturing sector as well, semiconductor shortages and a decrease in the supply of parts from Southeast Asia, where infections are spreading, are putting downward pressure on production, which requires attention.

Manufacturing PMI



Note: The Purchasing Managers' Index (PMI) is an index calculated by weighting indexes such as new orders, output, order backlogs, prices, employment, and quantity of purchases. The reading of 50 in the PMI is the "expansion-contraction" threshold.
Source: Made by MHRT based upon IHS Markit, the National Bureau of Statistics of China.

Nonmanufacturing PMI

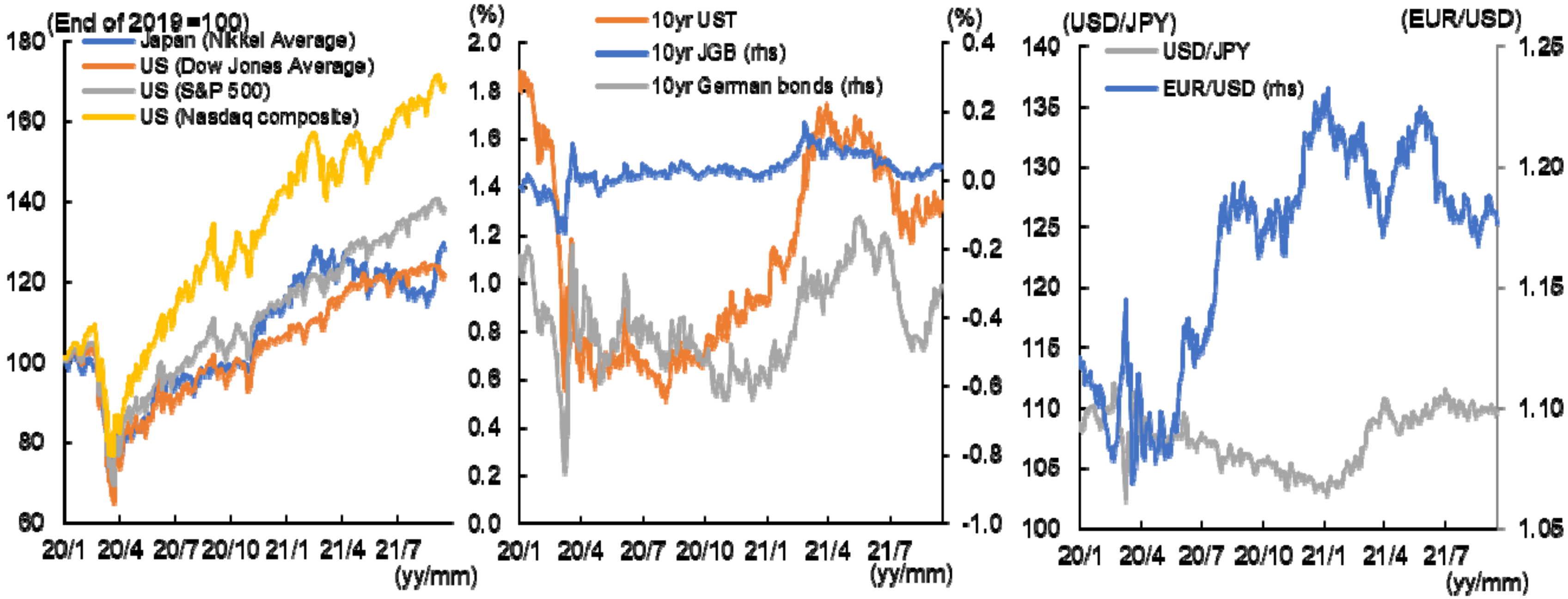


Note: The Purchasing Managers' Index (PMI) is an index calculated by weighting indexes such as new orders, output, order backlogs, prices, employment, and quantity of purchases. The reading of 50 in the PMI is the "expansion-contraction" threshold.
Source: Made by MHRT based upon IHS Markit, the National Bureau of Statistics of China.

Overview of financial markets: Japanese stocks rose sharply on expectations for the next administration's economic measures

- Japanese stocks rose sharply in response to Prime Minister Yoshihide Suga's announcement that he would step down, raising expectations for economic measures by the next administration.
  - The Nikkei Stock Average recovered to the 30,000 yen level for the first time in about five months, and TOPIX rose to a level not seen for about 31 years. US stocks are facing a slightly heavy upside due to the spread of Covid-19 infections.
  - The 10yr UST yield temporarily rose to the upper 1.3% range, but fell to around 1.3% after steady auctions of 10-year and 30-year bonds. The German 10yr government bond yield rose against the backdrop of concerns over a reduction in bond purchases by the ECB. The ECB's Governing Council meeting on September 9 decided to reduce the amount of purchases.
  - Even though the euro rallied against the dollar on the back of the rise of interest rates in Europe and recovered to the 1 EUR=1.18 USD level, it has subsequently weakened slightly.

Major market trends

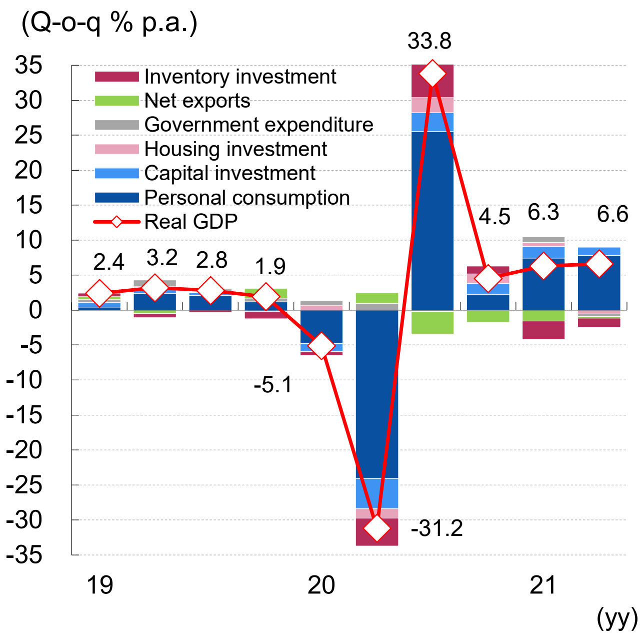


Note: All indexes show actual results up to September 16.
Source: Made by MHRT based upon Refinitiv.

US Economy: Apr-Jun quarter GDP (second estimate) was largely unchanged. Reconfirmed that growth acceleration was modest as supply constraints served as a drag

- The real GDP growth rate in the Apr-Jun quarter (second estimate) was +6.6% q-o-q p.a., almost unchanged from the first estimate.
  - Although the status of revision varies among components, the composition remains unchanged: personal consumption continued to show double-digit growth and capital investment was firm despite a slowdown, while declines in inventory investment and housing investment served as a drag on the overall growth rate against the backdrop of supply constraints.
    - Personal consumption, capital investment, and net exports were subject to upward revisions. Housing investment, inventory investment, and government expenditure were revised downward.

Real GDP growth



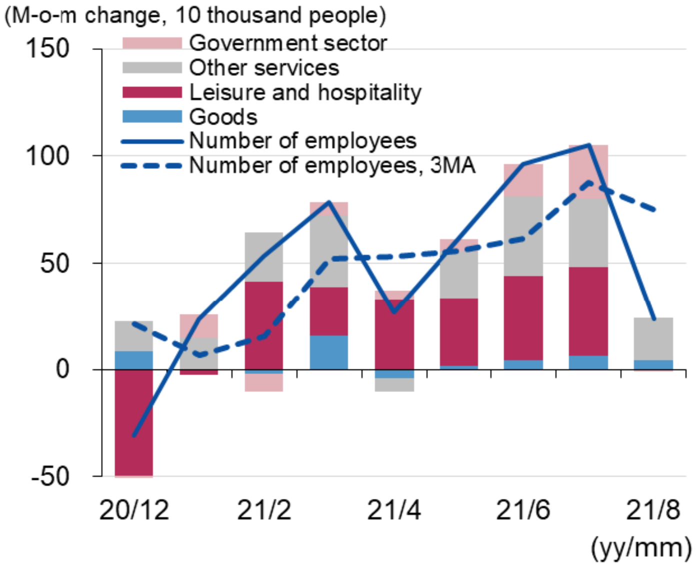
Source: Made by MHRT based upon US Department of Commerce.

	21Q1	21Q2 (First estimate)	21Q2 (Second estimate)	Key Points
Real GDP	+6.3	+6.5	+6.6	Modest acceleration in the growth in the Apr-Jun quarter
Personal consumption	+11.4	+11.8	+11.9	Substantial growth continues. Shift from goods to services is progressing amid easing of restrictions (goods consumption decelerating, services consumption accelerating).
Housing investment	+13.3	-9.8	-11.5	First decline in four quarters. Despite strong demand for housing, labor and material shortages (downward pressure on construction) and property shortages (downward pressure on sales commissions) are serving as a drag on housing investment.
Capital investment	+12.9	+8.0	+9.3	Growth decelerated. Construction investment continued to be sluggish, and machinery investment slowed, especially for motor vehicles.
Inventory investment (※)	-2.6	-1.1	-1.3	Negative growth for two consecutive quarters. Amid serious supply constraints, inventory recovery has been sluggish, with retailers drawing down inventories.
Government expenditure	+4.2	-1.5	-1.9	A reactionary drop from the previous quarter, when there was a large increase, mainly related to the financing program for small and medium-sized enterprises (Paycheck Protection Program, PPP) and vaccine purchases.
Net exports (※)	-1.6	-0.4	-0.2	Imports increased more than exports, with negative external demand contribution.
Exports	-2.9	+6.0	+6.6	Exports increased. However, despite tailwinds from the global economic recovery, the downturn in US domestic production and container shortages served as a drag on export recovery.
Imports	+9.3	+7.8	+6.7	Imports accelerated. Capital goods (expansion of investment in machinery) are the main driver for imports growth. Motor vehicle-related demand turned out to be weaker than expected.

Employment growth slowed due to the spread of Covid-19 infections. Labor supply is gradually improving

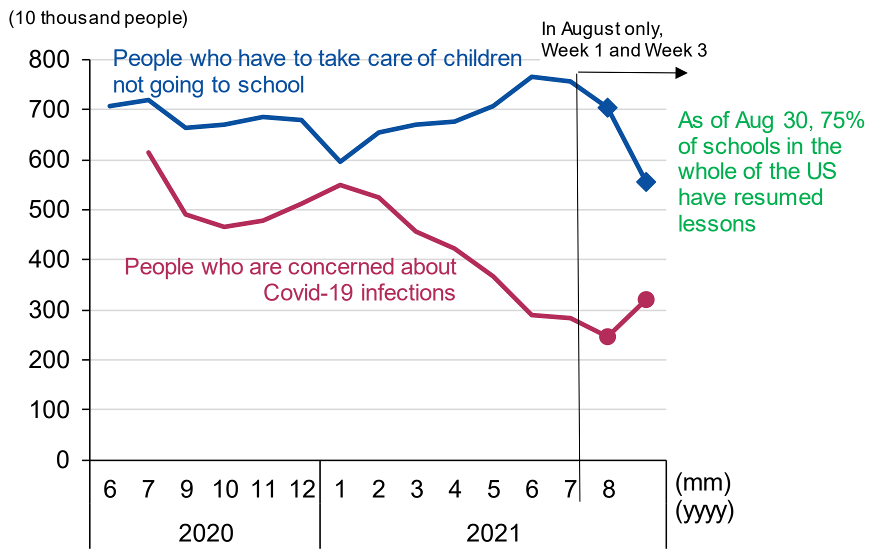
- Although the number of employees increased in August by +235 thousand m-o-m (July: +1,053 thousand m-o-m), the growth slowed significantly.
  - Employment growth in the leisure/hospitality industry slowed against the backdrop of a downturn in demand for dining out and accommodation due to the spread of Covid-19 infections. On the other hand, goods and other services remained firm.
  - Wages rose by +0.6% m-o-m (July: +0.4% m-o-m). Given the possibility that the acceleration of wage growth may stem from its composition, the pace of wage increases is gradual.
- A sharp fall of labor supply was not evident even amid the spread of infections. The resumption of face-to-face lessons largely offset the impact of increased concerns about infection.
  - The labor force participation rate remained unchanged at 61.7%. Even though the number of people not working due to concerns about infections increased, the number of people unable to work due to childcare declined sharply.
    - While the number of schools forced to hold remote classrooms due to cluster outbreaks after the resumption of face-to-face lessons is currently limited, future developments require attention.

Number of employees by industry



Source: Made by MHRT based upon US Department of Labor.

Trend of people deliberately not working due to the circumstances peculiar to the Covid-19 pandemic

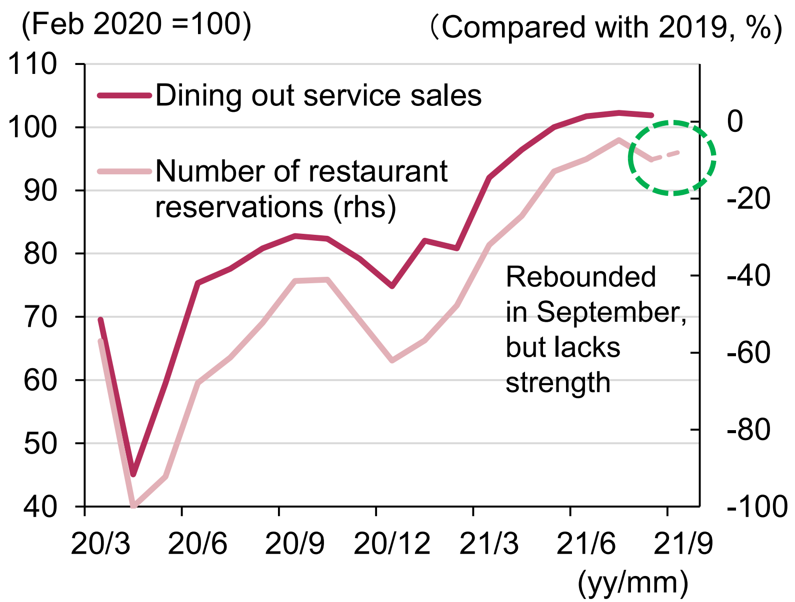


Source: Made by MHRT based upon US Department of Commerce.

Covid-19 infection concerns and supply constraints held down consumption in August. Rebound is expected in September but may lack strength

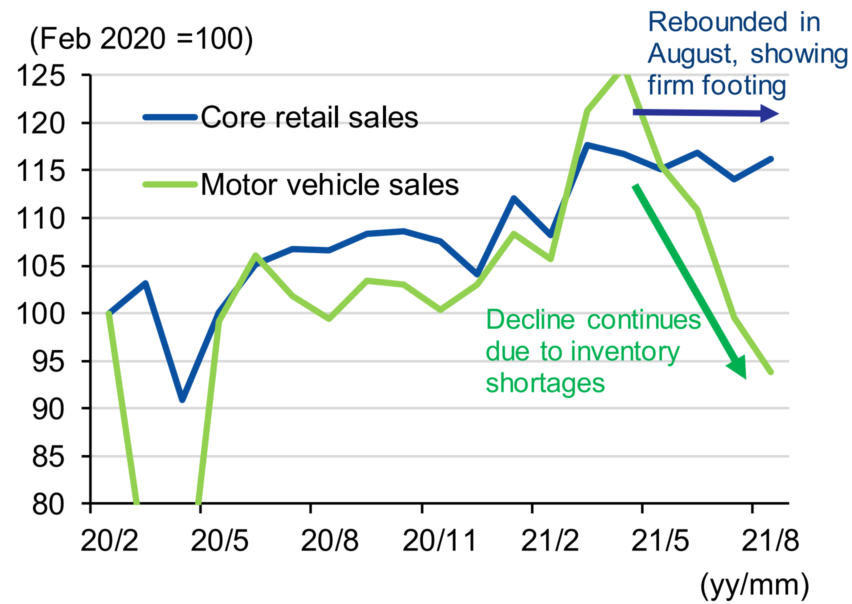
- In August, dining out sales in real terms (-0.4% m-o-m, MHRT estimate) fell for the first time in six months, due to the spread of Covid-19 infections weighing on services requiring face-to-face interactions. On the other hand, goods consumption was generally firm, except for motor vehicle-related sales (-5.8% m-o-m), which faces a severe inventory shortage.
  - Real core retail sales (+1.9% m-o-m) rebounded. In addition to increased demand for food products and online-related products, restraints upon dining out and increased back-to-school demand are viewed as the likely contributors to the rebound.
- Even though the number of restaurant reservations in the first half of September rebounded from August, this may be an upturn due to the national holiday (Labor Day). Services requiring face-to-face interactions are expected to lack strength in the short term amid lingering concerns about Covid-19 infections.

Dining out service sales in real terms and number of restaurant reservations



Note: Dining out service sales indicate real value estimated by MHRT. September restaurant reservation is average up to September 15.
Source: Made by MHRT based upon US Department of Commerce and Open Table.

Core retail sales and motor vehicle sales (in real terms)

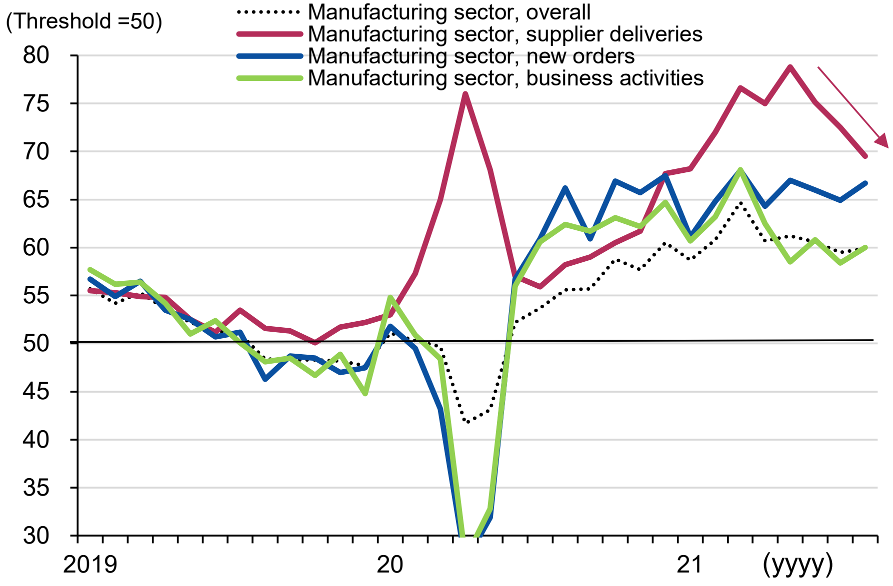


Note: Real value estimated by MHRT. Core retail sales excludes motor vehicles, building materials, gasoline, and dining out.
Source: Made by MHRT based upon US Department of Commerce.

Manufacturing sector's supply constraints are easing, but unclear whether the trend will last

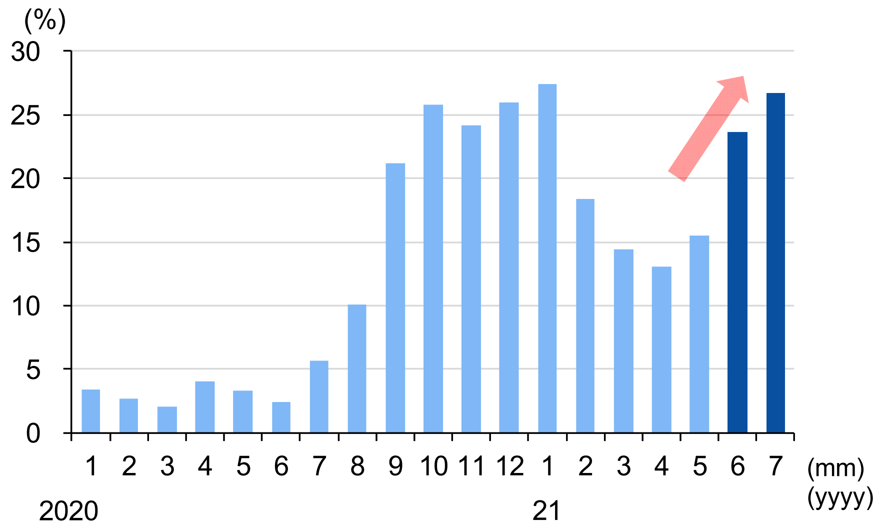
- The August ISM manufacturing index (59.9) rose at a high level. The new orders index and business activity index rose from the previous month, indicating favorable demand. The supplier deliveries index remained at a high level but dropped for the third consecutive month. Even though there are indications that supply constraints are easing, there are clouds over developments from September onward.
  - ■ Some corporations have pointed out that supply is stagnant due to operational restrictions in Southeast Asia, where Covid-19 infections continue to spread. The percentage of container vessels anchored offshore waiting to unload at the ports of Los Angeles (LA) and Long Beach (LB) rose sharply in June and July, and has remained high since August.
    - ◆ The number of containers waiting to be unloaded at Los Angeles (LA)/Long Beach (LB) ports was 60 in August and over 60 in September (50 in July, single digit at normal times).
  - ■ The impact of Hurricane Aida may aggravate confusion after the start of September.

ISM manufacturing index



Source: Made by MHRT based upon Institute for Supply Management.

Percentage of containers waiting to be unloaded for more than 5 days at LA/LB ports

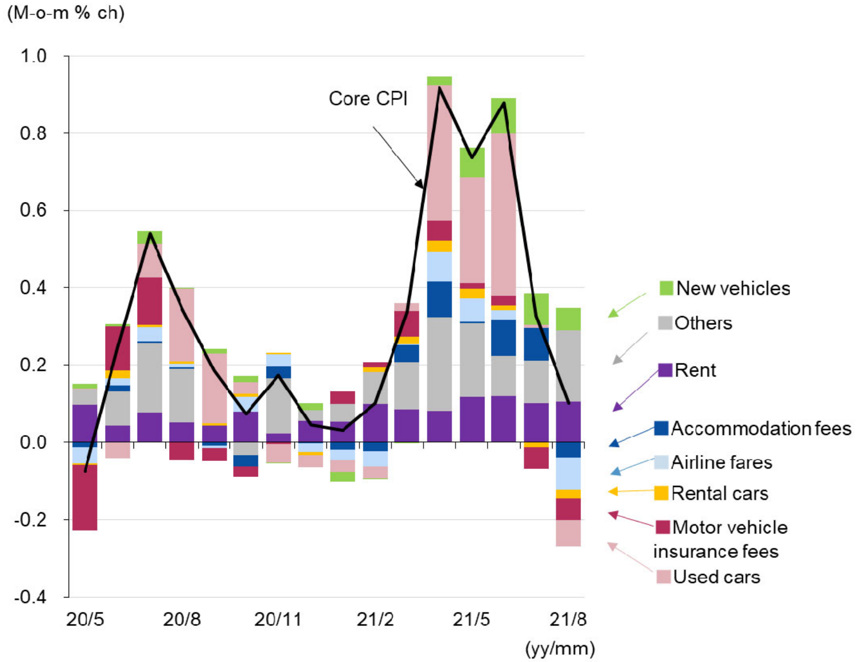


Note: Percentage of import containers waiting to be unloaded for more than five days at the US West Coast ports of Los Angeles and Long Beach. Empty containers are excluded.
Source: Made by MHRT based upon Port of Los Angeles.

Inflation is slowing due to easing supply-demand balance and decline in demand for services caused by the spread of Covid-19 infections

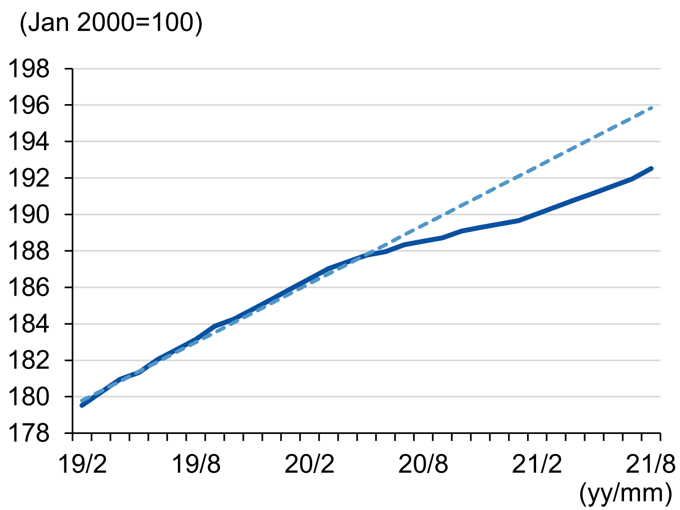
- In August, the rise of the core CPI slowed sharply to +0.1% m-o-m (July: +0.3% m-o-m). The impact of the spread of Covid-19 infections was also severe.
  - There are variations in the degree of easing of the tight supply-demand balance among goods. While used cars (-1.5% m-o-m) fell for the first time in six months, new cars and recreational goods continued to rise.
  - Accommodation fees, airline fares, and rental car expenses fell sharply due to the spread of Covid-19 infections. The contribution of these items was -0.1%pt.
  - The increase in rent (+0.3% m-o-m) accelerated. Although rent levels continued to fall short of pre-Pandemic trends, it is returning to the trend along with the improvement of the environment surrounding the rental residence market. Even though rents may rise at a high pace for some time, the rise should return to the usual pace after a return to the trend.
    - However, due to additional factors such as the impact of tight supply and demand in the owner-occupied housing market, the risk of higher-than-expected rise of rent requires attention.

Core CPI (m-o-m % ch)



Source: Made by MHRT based upon US Department of Labor.

Level of rent of primary residence



Note: The broken line shows the pre-Pandemic trend (trend from Jan. 2017 to Dec. 2019)
Source: Made by MHRT based upon US Department of Labor.

(Jackson Hole symposium) FRB Chair expressed confidence in progress toward maximum employment while paying attention to the risk of Delta variants

- While following the minutes of the July FOMC meeting, FRB Chair Jerome Powell stated that he "was of the view, as were most participants…to start reducing the pace of asset purchases this year." He also expressed confidence in progress toward maximum employment.
  - At the September FOMC meeting, he stated the committee's agreement that if progress continues broadly as expected toward the maximum employment and price stability goals "it could be appropriate to start reducing the pace of asset purchases this year."
- The Covid-19 delta variant is creating a high degree of uncertainty. The FOMC is expected to agree to and start tapering at the December meeting, while monitoring its impact on employment.
  - The CDC forecast for the number of new Covid-19 cases has currently improved, indicating a peak-out around mid-September. If there is no surge in the number of clusters due to schools reopening and if the number of infected people continues to decline steadily, the FOMC may decide on tapering in the November meeting.

Summary of FRB Chair Jerome Powell's speech at the Jackson Hole economic symposium

[Employment]
- With vaccinations rising, schools reopening, and enhanced unemployment benefits ending, some factors that may be holding back job seekers are likely fading.
- While the Delta variant presents a near-term risk, the prospects are good for continued progress toward maximum employment.

[Inflation]
- Inflation concern is tempered by a number of factors
  1. The absence so far of broad-based inflation pressures.
  2. Moderating inflation in higher-inflation items such as used cars.
  3. Rates of wages increase are consistent with our longer-term inflation objective, excluding compositional changes.
  4. Longer-term inflation expectations suggest that households and businesses believe that high inflation readings are likely to prove transitory.
  5. There is little reason to think that pre-Covid-19 global disinflationary factors have suddenly reversed or abated.

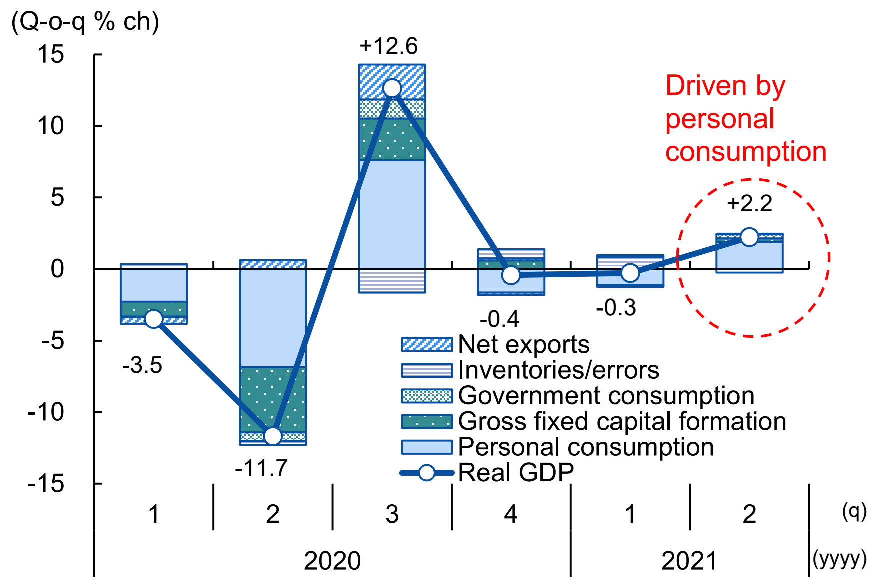
[Tapering]
- My view is that the "substantial further progress" test has been met for inflation. There has also been clear progress toward maximum employment.
- At the FOMC's recent July meeting, I was of the view, as were most participants, that it could be appropriate to start reducing the pace of asset purchases this year.
- Afterwards there was more progress in the form of a strong employment report for July, but also the further spread of the Delta variant.

Source: Made by MHRT based upon FRB

The Eurozone economy: Eurozone Apr-Jun quarter GDP grew for the first time in three quarters, reflecting a rapid recovery in consumption

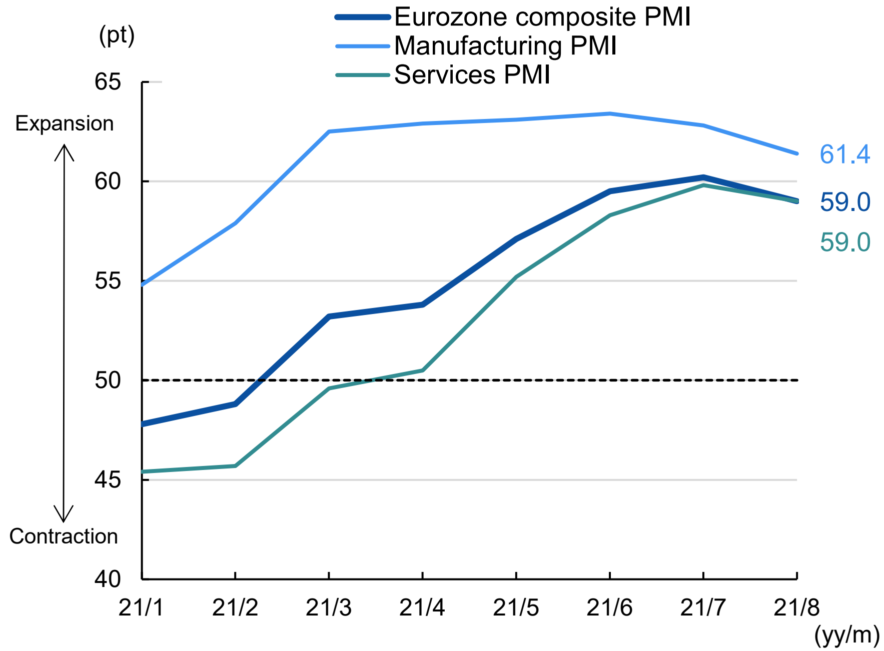
- Eurozone real GDP growth for the Apr-Jun quarter was revised upward by +0.2%pt from the flash estimate to +2.2% q-o-q. The recovery in household consumption (contribution +1.9%pt) following the easing of mobility restrictions served as the driver of the Eurozone economy.
  - Gross fixed capital formation and external demand were weak due to sluggish production caused by supply constraints.
- The Eurozone composite PMI in August fell slightly from the previous month, indicating a slowdown in the pace of economic recovery.
  - The PMI is still well above the threshold of 50, and the odds are high that Jul-Sep quarter GDP will continue to chart positive growth.

Eurozone: real GDP



Note: Real GDP q-o-q growth and the degree of contribution by demand component.
Source: Made by MHRT based upon Eurostat.

Eurozone: PMI



Note: The reading of 50 is the “expansion-contraction” threshold.
Source: Made by MHRT based upon Refinitiv and IHS Markit

Eurozone industrial production rose in July, but is expected to remain flat going forward

- Eurozone industrial production rose in July (+1.5% m-o-m) for the first time in three months, exceeding the pre-Pandemic level (Jan 2020=100, 100.4). Factors such as motor vehicle production (+2.7% m-o-m) boosted overall industrial production. However, since semiconductor shortages are continuing, the increase in production is likely to be temporary.
  - According to the Ifo Business survey (August), 91.5% of automakers mentioned material shortages. German passenger car production (industry statistics) dropped in August, revealing that motor vehicle production remains sluggish due to semiconductor shortages.
- Eurozone production is expected to remain flat due to supply constraints until the year-end.

Eurozone: industrial production

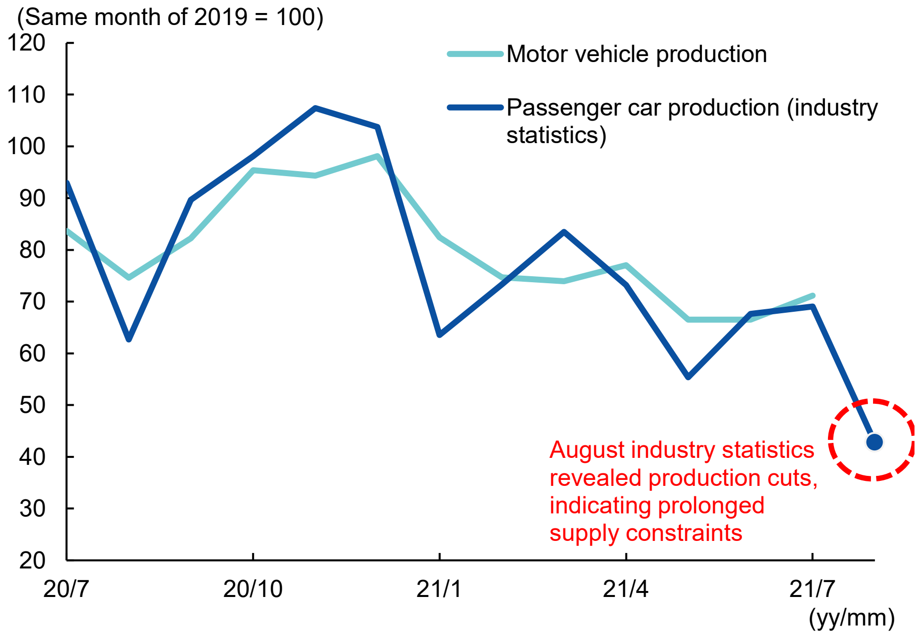
(M-o-m % ch) (%)

	2021				Compared to
	Apr	May	Jun	Jul	Jan 2020
Industrial production	0.7	-1.1	-0.1	1.5	0.4
Metal processing	1.4	-1.0	1.0	0.2	1.1
PC, electronics & optical	3.6	-1.1	-4.4	2.8	22.0
Electrical equipment	2.8	-0.7	1.4	-1.3	5.6
Other machinery	3.5	-1.0	-0.8	4.3	3.2
Motor vehicle	-2.5	-8.1	-1.3	2.7	-23.9

Increased production of motor vehicles boosted overall industrial production

Source: Made by MHRT based upon Eurostat.

Germany: motor vehicle production

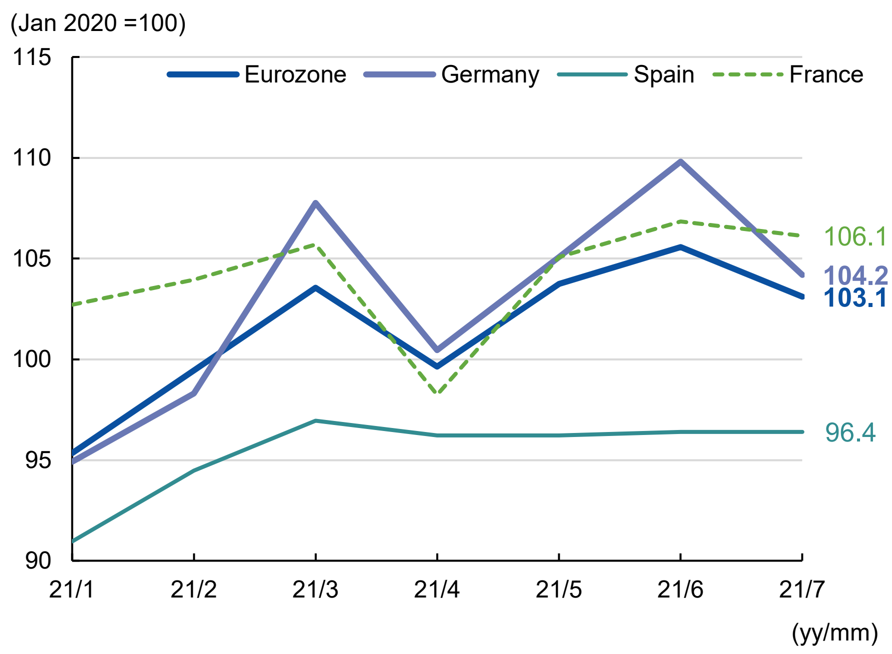


Note: Data on passenger car production is unadjusted.
Source: Made by MHRT based upon the German Association of the Automotive Industry (VDA) and Eurostat.

Goods consumption is expected to remain flat. The deterioration of consumer sentiment is serving as a drag on service consumption

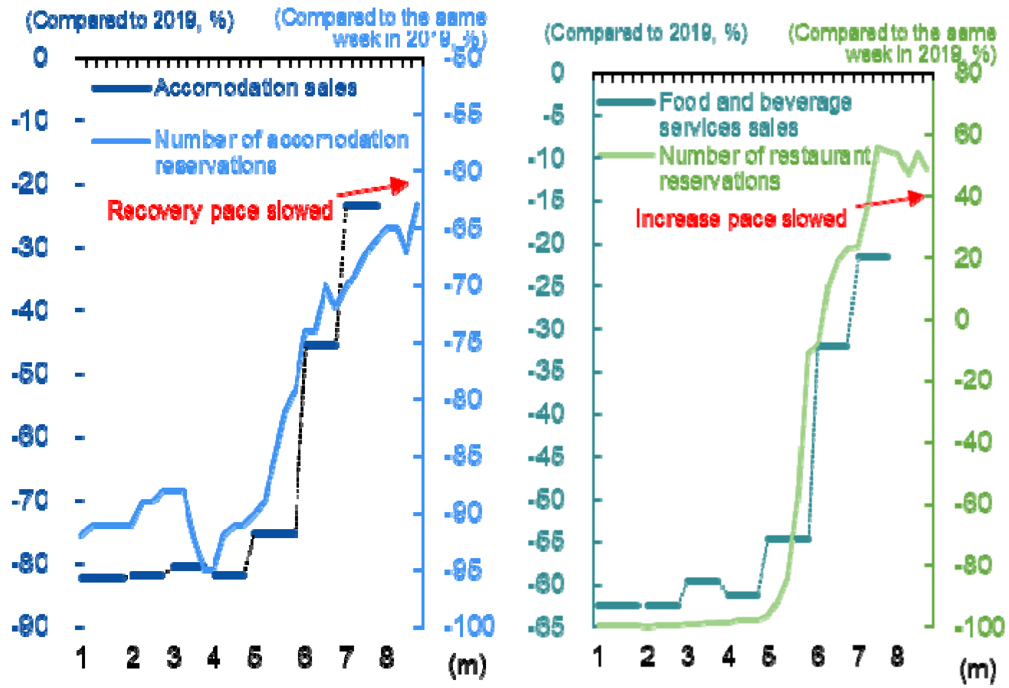
- Eurozone real retail sales (excluding motor vehicles) in July fell by -2.3% m-o-m, marking a decline for the first time in three months, in a reaction to the rapid consumption growth reflecting the lifting of Covid-19 infection control measures in major countries.
  - Goods consumption has recovered to the pre-Pandemic level (Jan 2020 = 100) and is expected to remain flat going forward.
- There have been signs indicating a slower pace of recovery in service consumption since around August. This stems from the deterioration of consumer sentiment due to the gradual resurgence of Covid-19 infections. Oct-Dec quarter personal consumption is expected to remain slightly positive.
  - The pace of increase in the number of accommodation and restaurant reservations in Germany has stalled since around August. A full-fledged recovery in service consumption is not expected until after the new year.

Eurozone: real retail sales



Note: Excludes motor vehicles.
Source: Made by MHRT based upon Eurostat.

Germany: accommodation sales and food and beverage services sales



Source: Made by MHRT based upon the Federal Statistical Office of Germany, Sojern, and OpenTable.

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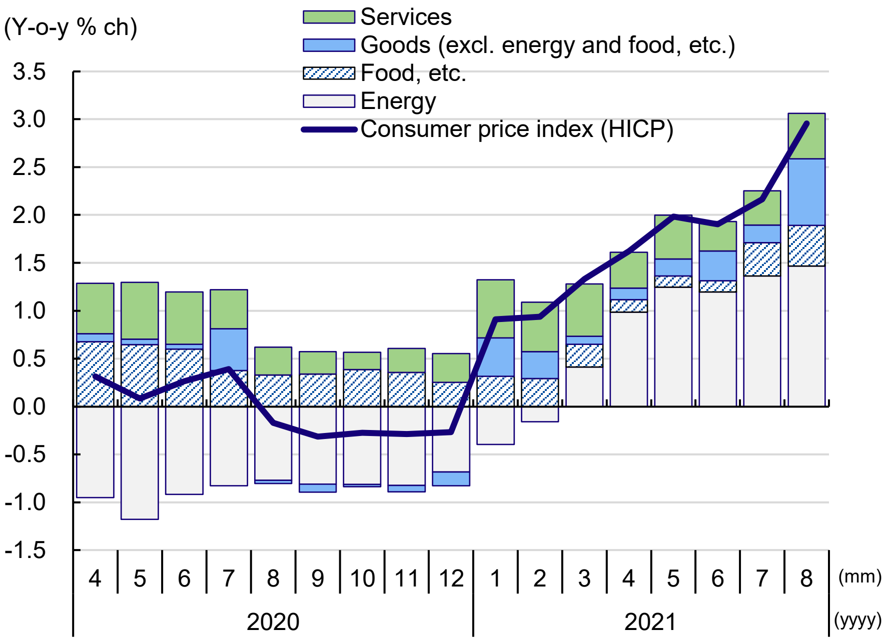
Eurozone core prices rose sharply in August due to a reactionary rebound from the previous year. Expected to trend around 2% for the rest of the year

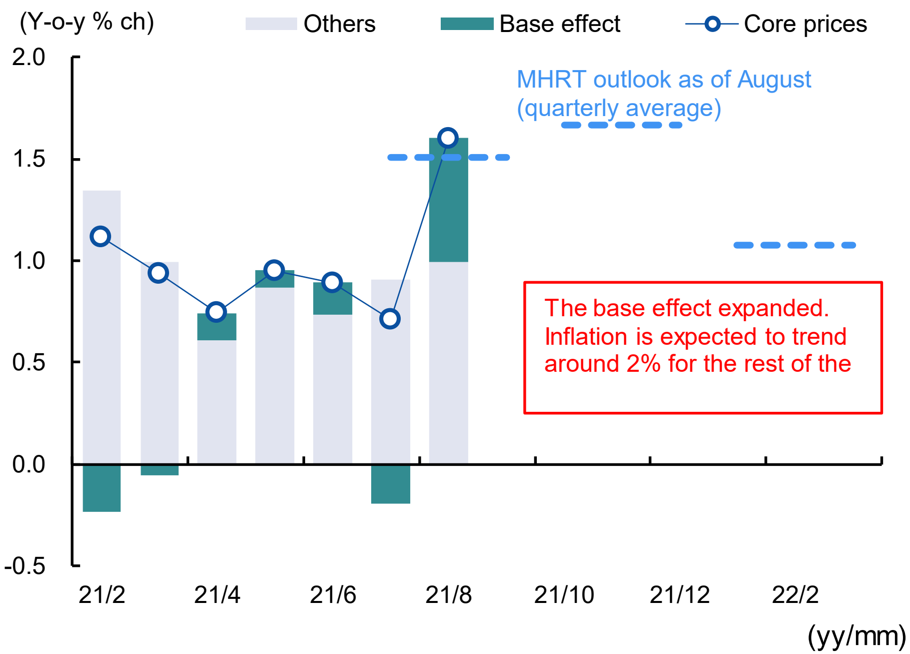
- In August, Eurozone consumer prices rose +3.0% y-o-y, the highest level since November 2011.
  - The rise in energy prices (+15.4% y-o-y) boosted the overall rise in consumer prices (contribution +1.5%pt).
- Core prices rose +1.6% y-o-y, the highest level since July 2012. The rise accelerated mainly in goods prices.
  - The rebound from the previous year, including the rebound derived from VAT tax reduction, lifted the y-o-y rise of core prices by about +0.6%. Due to the base effect, core prices are expected to trend around +2% for the rest of the year.

Eurozone: consumer price index (CPI)



Note: Degree of each components' contribution is based on a simplified estimate.
Source: Made by MHRT based upon Eurostat

Eurozone: core prices



Note: The base effect refers to the degree of the impacts on prices (y-o-y) associated with the policy effects of the previous year, etc. Calculated based on deviations from the 2012-19 average m-o-m change for each month.
Source: Made by MHRT based upon Eurostat.

ECB reduced its pace of PEPP purchases to a "moderately lower pace", against the background of a steady recovery in consumption

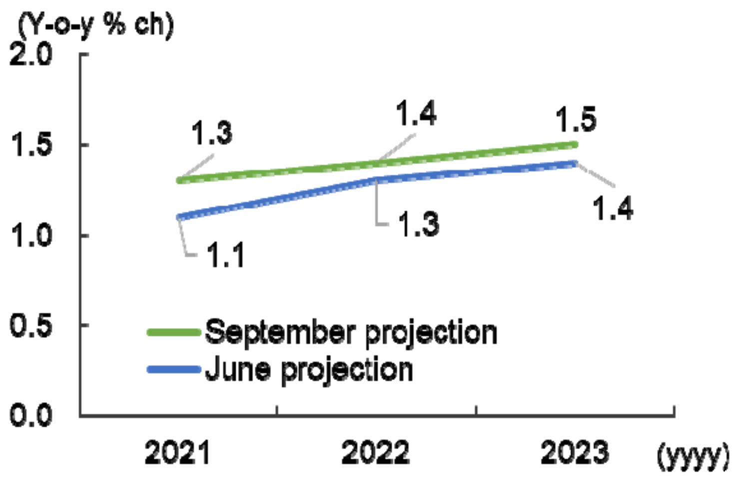
- At the Governing Council meeting on September 9, the ECB decided to reduce the pace of purchases of assets under the Pandemic Emergency Purchase Program (PEPP) to a "moderately lower pace" in the Oct-Dec quarter, against the backdrop of the progress of the current economic recovery as a result of increased vaccinations.
  - The ECB staff's GDP projection for 2021 is +5.0% y-o-y, an upwards revision of +0.4%pt from the previous projection in June. The inflation projection was also revised upward, referring to upside risks stemming from prolonged supply constraints.
- Council members are expected to discuss operations after the end of the PEPP purchase period and other matters at the December Governing Council meeting.

Key points of the ECB Governing Council meeting (September 9)

Economic situation	・GDP growth projections are +5.0% in 2021, +4.6% in 2022 and +2.1% in 2023. (June projections were +4.6%, +4.7% and +2.1% respectively) ・Progress in economic recovery. Success of the vaccination campaigns have allowed reopening of the economy. ・Economy is expected to exceed its pre-pandemic level by the end of the year.
Inflation outlook	・Inflation projections are +2.2% in 2021, +1.7% in 2022 and +1.5% in 2023. (March projections were +1.9%, +1.5%, +1.4% respectively) ・The current rise in inflation is expected to be largely temporary. ・If supply bottlenecks last longer and feed through into wage rises, price pressures could be more persistent.
Financing conditions ・Pandemic Emergency Purchase Program (PEPP)	・The slight improvement in the medium-term inflation outlook and the current level of financing conditions allow favourable financing conditions to be maintained with a moderately lower pace of net asset purchases under the PEPP. ・Lower pace of purchase isn't tapering (it will not continue to slow down), and will be recalibrated each quarter. ・Concerning the operation of the PEPP, the Council will address this at its December meeting.

Source: Made by MHRT based upon ECB.

ECB: projection of core prices

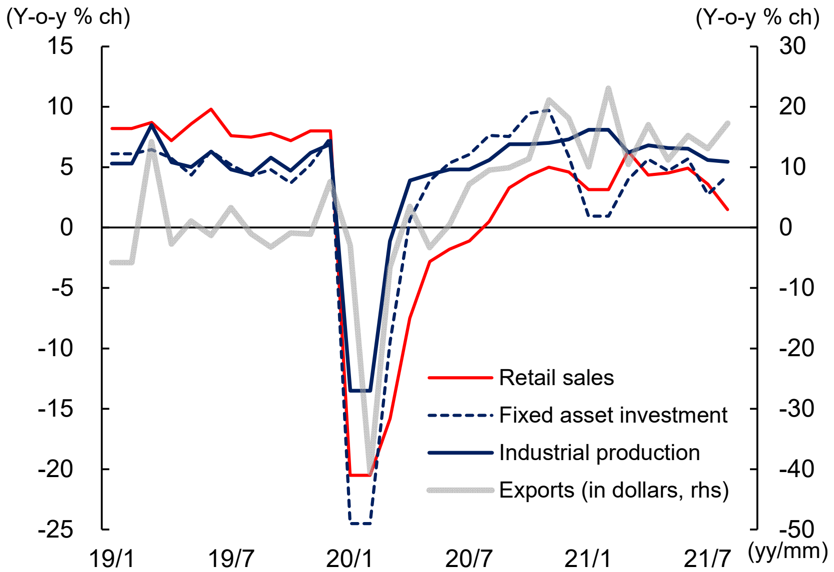


Source: Made by MHRT based upon ECB.

Chinese economy: key monthly indicators in August highlighted weak domestic demand due to the resurgence of Covid-19 infections

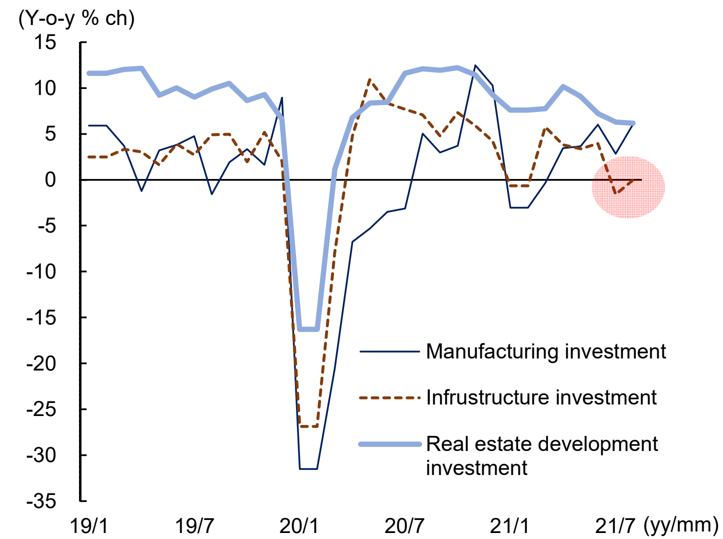
- The key monthly indicators for August were impacted by the resurgence of Covid-19 infections (during late July to mid-August), which led to a slowdown of consumption and production.
  - Consumption fell sharply, including in the service sector, reflecting the spread of Delta variant infections.
  - Investment picked up against the background of firm manufacturing investment. Infrastructure investment, which was sluggish in the previous month due to flooding and other reasons, showed signs of bottoming out.
  - In terms of production, even though the high-tech sector is on an expansionary trend, there was a slight decline due to a decrease in motor vehicle production caused by semiconductor shortages.
- While the spread of the Delta variant will intensify the sense of economic slowdown, the economy should continue to follow a recovery trach since the infection factor should alleviate from September onward.
  - However, there are lingering risks serving as downward pressure on domestic demand such as the outbreak of clusters in the Fujian province spreading to the rest of the country, as it did in late July.

Key monthly indicators



Note: Y-o-y growth until 2020, and average growth compared to 2019 from 2021 onward (annual conversion).
Source: Made by MHRT based upon the National Bureau of Statistics of China and CEIC data.

Fixed asset investment (breakdown by investment category)

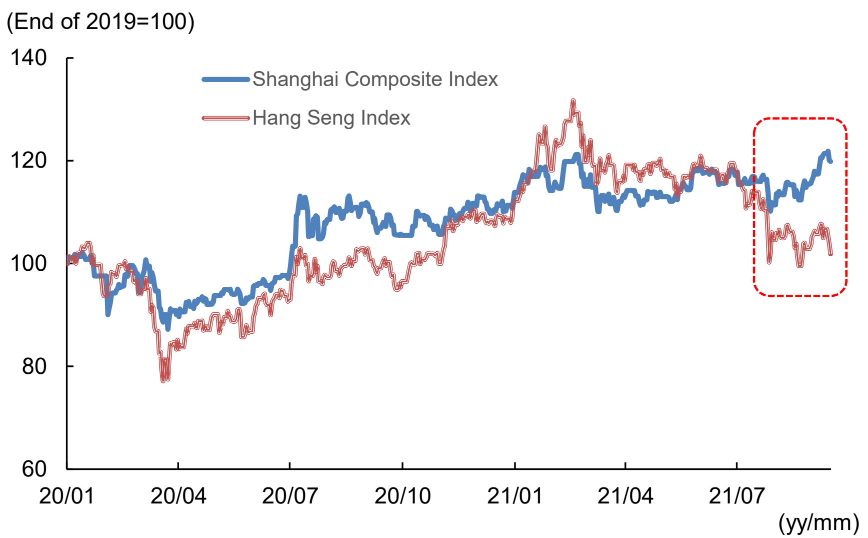


Note: Y-o-y growth until 2020, and average growth compared to 2019 from 2021 onward (annual conversion).
Source: Made by MHRT based upon the National Bureau of Statistics of China and CEIC data.

Stock market clearly diverged between Shanghai and Hong Kong. The RMB exchange rate continued to fluctuate within a narrow range

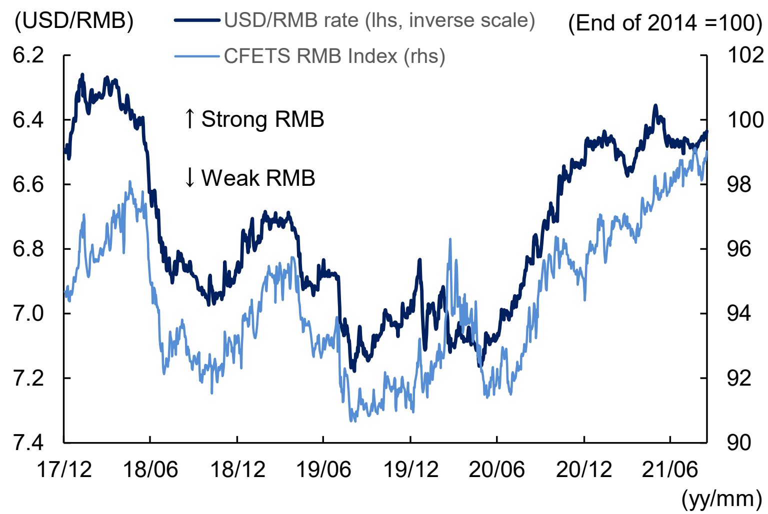
- After the regulatory shocks at the end of July, the stock market clearly diverged between Shanghai, with its large number of state-owned enterprise listings, and Hong Kong with its large number of Chinese capital-funded high-tech stocks.
  - The Shanghai market is driven by consumer and renewable energy stocks, surpassing the pre-regulatory shock levels and reaching its highest level since August 2015 (3,715).
  - The Hong Kong market fell, failing to regain pre-regulatory shock levels, amid continued tightening of guidance for IT platformers.
- The yuan remained around in the 1 USD=6.4 RMB range, with little reaction to the Jackson Hole symposium in the US and key economic indicators.
  - A senior official of the People's Bank of China commented at a press conference on September 7 that the supply and demand of liquidity will maintain a basic balance over the next few months.
  - A certain degree of pressure to strengthen the yuan is persisting due to a large trade surplus against the backdrop of strong exports and the inflow of foreign funds into the bond market.

Shanghai Composite Index and Hang Seng Index



Note: Latest readings are as of September 15, 2021.
Source: Made by MHRT based upon Shanghai Stock Exchange, Hang Seng Indexes Company, and CEIC Data.

RMB-USD rate and CFETS RMB index

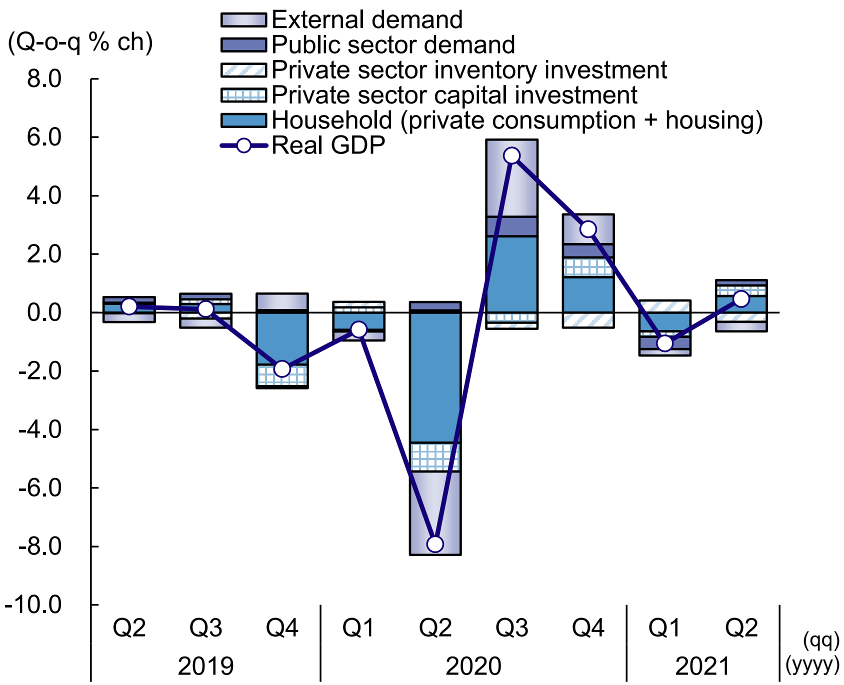


Note: The CFETS RMB Index are estimates by MHRT. Daily data. Latest readings are as of September 15, 2021.
Source: Made by MHRT based upon CFETS, CEIC data.

The Japanese economy: despite upward revision of the Apr-Jun qtr *2nd QE*, the rebound is weak, leading to our view that the economy remained stagnant

- The *Second Preliminary Quarterly Estimates of GDP ("2nd QE")* revealed that Japan's real GDP growth in the Apr-Jun quarter of 2021 was +0.5% q-o-q (+1.9% p.a.), an upward revision from the *1st QE* (+1.3% p.a.). This was due mainly to an upturn in capital investment and government consumption (medical benefits). Our view remains unchanged that Japan's economy remained sluggish in the Apr-Jun quarter.
  - Personal consumption mainly in services was revised downward (from +0.6% q-o-q to +0.2% q-o-q) on a nominal basis. In real terms, however, personal consumption was revised upward due to a decline of the deflator accompanying the rebase of the CPI.
  - Despite the upward revision, the recovery was weak compared to the drop in the Jan-Mar quarter (-4.2% q-o-q p.a.) and was only within the range of a rebound. Our view remains unchanged that the Japanese economy remained sluggish because the third declaration of a state of emergency served as a drag.

Apr-Jun quarter of 2021 (*2nd QE*)



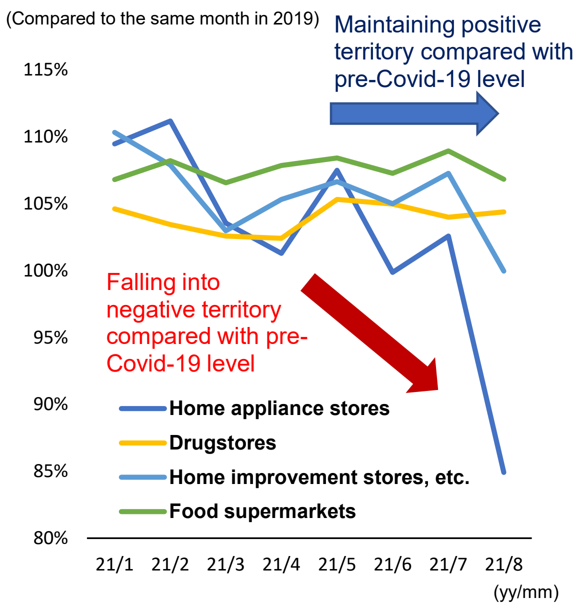
	2020 Apr-Jun	Jul-Sep	Oct-Dec	2021 Jan-Mar	Apr-Jun	1st QE
Real GDP	-7.9	5.4	2.8	-1.1	0.5	0.3
(Q-o-q % change, p.a.)	-28.1	23.2	11.9	-4.2	1.9	1.3
(Y-o-y % change)	-10.1	-5.5	-0.9	-1.3	7.6	7.5
Domestic demand	-5.1	2.6	1.8	-0.8	0.8	0.6
	(-5.1)	(2.7)	(1.8)	(-0.8)	(0.8)	(0.6)
Private sector demand	-7.2	2.7	1.9	-0.6	0.8	0.9
	(-5.4)	(2.1)	(1.4)	(-0.4)	(0.6)	(0.6)
Personal consumption	-8.3	5.3	2.3	-1.3	0.9	0.8
Housing investment	0.6	-5.7	0.0	1.0	2.1	2.1
Capital investment	-6.0	-2.1	4.3	-1.3	2.3	1.7
Inventory investment	(0.1)	(-0.2)	(-0.5)	(0.4)	(-0.3)	(-0.2)
Public sector demand	1.1	2.3	1.7	-1.6	0.7	0.1
	(0.3)	(0.7)	(0.5)	(-0.4)	(0.2)	(0.0)
Government consumption	0.7	2.8	1.9	-1.7	1.3	0.5
Public investment	3.0	0.6	0.9	-1.1	-1.7	-1.5
External demand	(-2.9)	(2.6)	(1.0)	(-0.2)	(-0.3)	(-0.3)
Exports	-17.5	7.3	11.7	2.4	2.8	2.9
Imports	-0.7	-8.2	4.8	4.0	5.0	5.1
Nominal GDP	-7.6	5.4	2.3	-1.1	-0.1	0.1
GDP deflator (y-o-y % change)	1.4	1.1	0.1	-0.2	-1.1	-0.7

Note: Figures in the right-hand chart are on a q-o-q basis (in real terms) unless otherwise noted. The figures in parentheses represent the contribution to growth. Figures for the Jul-Sep quarter 2021 are forecasts.
Source: Made by MHRT based upon Cabinet Office, *Quarterly Estimates of GDP*.

Stay-at-home demand for home appliances slowed. Services consumption remains weak

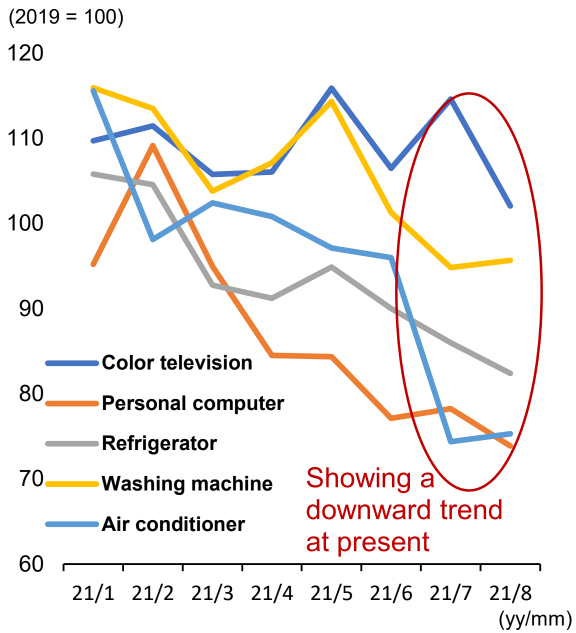
- In contrast to the firm demand for non-durable goods, sales of home appliances is falling sharply at the moment.
  - Sales of home appliances, which had been strong, slowed down in the summer months. In addition to the rainy weather in August serving as a drag on sales of seasonal home appliances, it appears that work-from-home demand and stay-at-home demand for items such as personal computers has run its course.
- In the Jul-Sep quarter, personal consumption is expected to drop from the April-Jun quarter.
  - In addition to the weakness of home appliances sales, the fourth declaration of a state of emergency and motor vehicle output cuts are expected to serve as a drag on goods consumption during the Jul-Sep quarter.
  - Service consumption in the Jul-Sep quarter is expected to weaken due to a decline in mobility caused by the spread of Covid-19 infections during the summer.

Industry trends based on corporate sales data



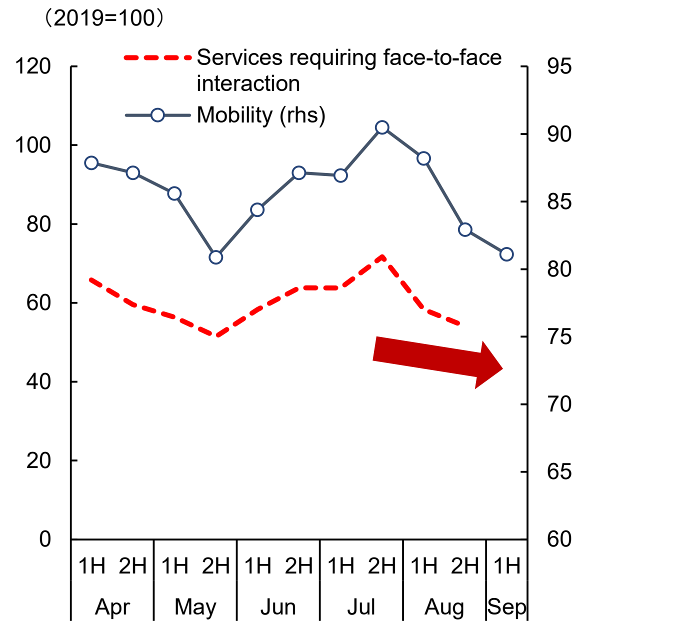
Source: Made by MHRT based upon corporate monthly IR information

Breakdown of home appliance consumption as seen from POS data



Note: Adjusted for seasonal factors by MHRT
Source: Made by MHRT based upon Ministry of Economy, Trade and Industry, *METI POS retail sale index.*

Consumption of services requiring face-to-face interactions and mobility



Note: Consumption-related index (reference data series) is adjusted for seasonal factors by MHRT
Source: Made by MHRT based upon JCB and Nowcast, *JCB Consumption NOW,* and Google LLC.

In the Jul-Sep quarter, motor vehicle output cuts will expand to the mid-500 thousand unit level

- Against the backdrop of semiconductor shortages and delay in parts supply due to the spread of Covid-19 infections in Southeast Asia, motor vehicle output cuts in the Jul-Sep quarter will reach up to around 550 thousand units compared to the baseline (output cut rate: -25%). The impact from Southeast Asia is expected to mitigate in the second half of the Oct-Dec quarter, but uncertainties remain.
  - According to estimates that consider spillover effects on other industries, GDP for the Jul-Sep quarter will decline by about -1.9%, and by about -0.9% for the full FY2021 (the FY2021 growth rate is calculated to decline by about -0.3%pt compared to August).
  - It is expected that part of the output cuts will be mitigated by the generation of alternative demand, but the impact will gradually expand. Close attention is required to the announcement of output cut plans of other manufacturers.

Impact of motor vehicle output cuts due to semiconductor shortages, etc.

Timing of Outlook		Volume of output cut (10,000 units) / Percentage of output cut (%)	2021				2022	CY2021	FY2021
			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar		
1	As of August Outlook	Volume of output cut	-12	-31	-22	-11	-7	-76	-70
		Percentage of output cut (%)	-5%	-15%	-10%	-5%	-3%	-9%	-8%
2	As of September 20	Volume of output cut	-12	-31	-55	-16	-7	-115	-110
		Percentage of output cut (%)	-5%	-15%	-25%	-7%	-3%	-13%	-12%
Difference (2−1)		Volume of output cut	0	0	-34	-5	0	-39	-39
		Percentage of output cut (%)	0%	0%	-15%	-2%	0%	-4%	-4%

Source: Made by MHRT based upon corporate press releases, etc.

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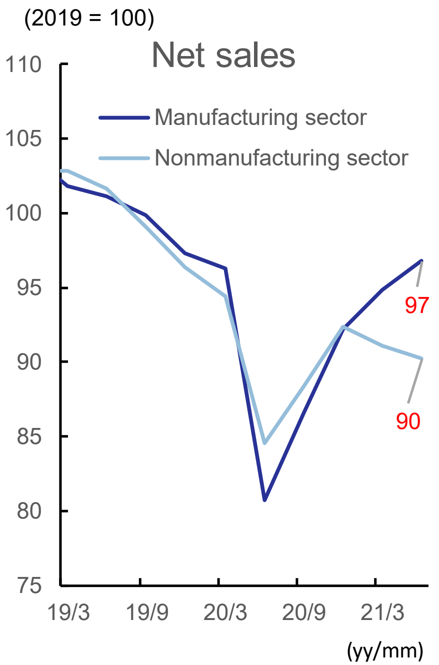
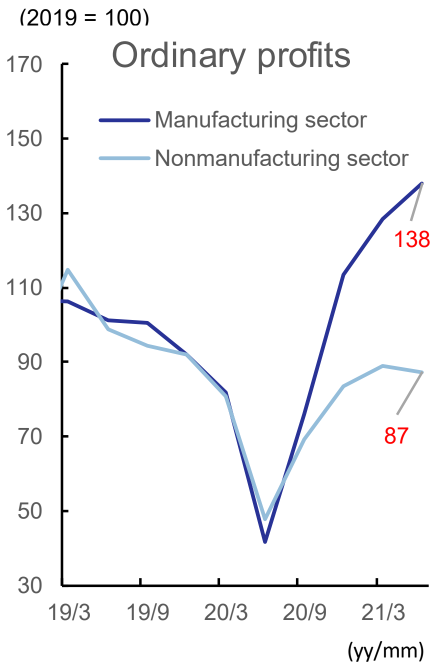
Nonmanufacturing sector earnings are sluggish. Manufacturers secured profits by cutting costs

- Nonmanufacturing sector earnings were sluggish due to the impact of the declaration of a state of emergency. Both sales and profits are below pre-Pandemic levels.
- In the manufacturing sector as a whole, profits rose due to cost cuts, as sales fell short of pre-Pandemic levels.
  - Both sales and profits have recovered in industries such as information and communication machinery and production machinery.
  - Industries such as motor vehicles and chemical producers secured profits by cutting costs.

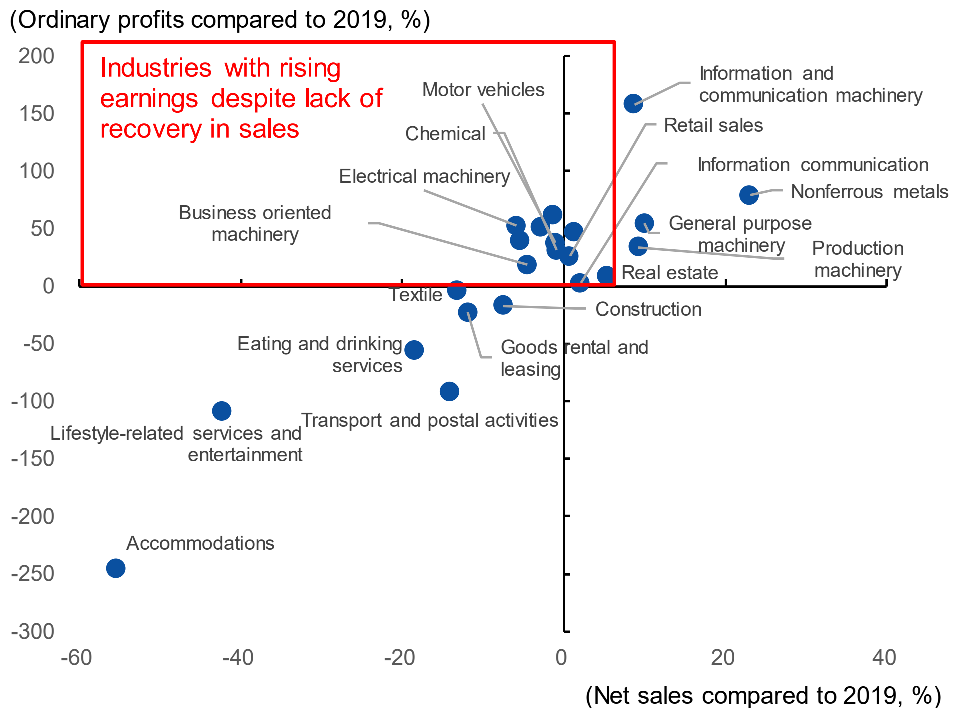
State of recovery of net sales and ordinary profits





Note: Corporations with all sizes of capital.
Source: Made by MHRT based upon Ministry of Finance, *The Financial Statements Statistics of Corporations by Industry*.

State of recovery of net sales and ordinary profits (by industry)



Note: Large corporations with capital of 1 billion yen or over. Seasonally adjusted by MHRT.
Source: Made by MHRT based upon Ministry of Finance, *The Financial Statements Statistics of Corporations by Industry*.

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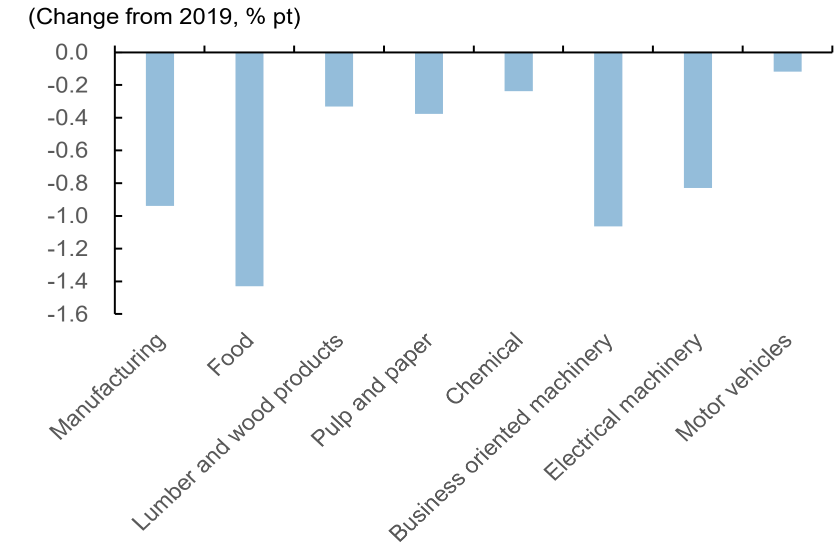
Worsening terms of trade may hinder the recovery of corporate profits going forward

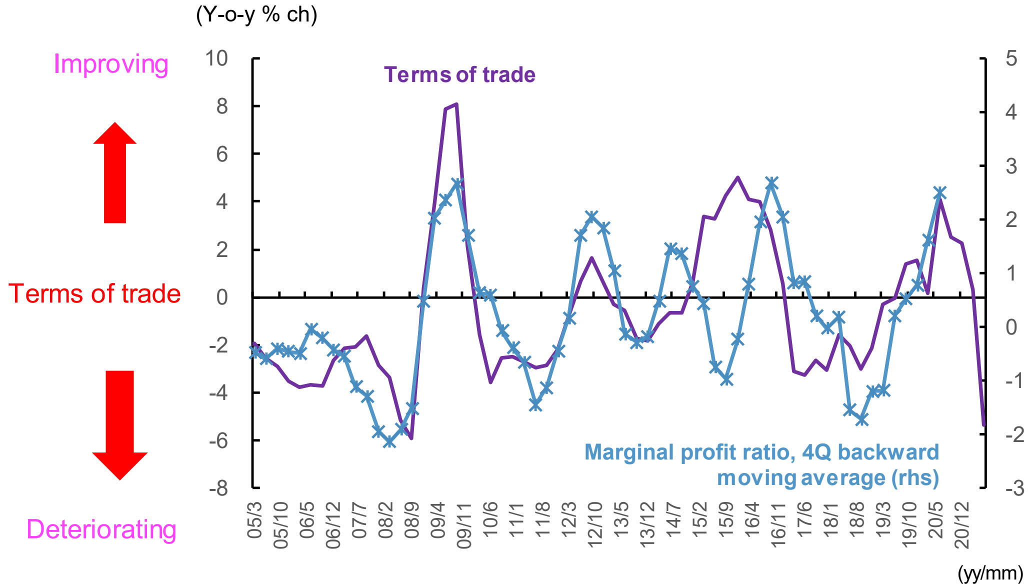
- The decline of SG&A expenses (including business trip, entertainment, and advertising expenses, etc.) is lifting profits at the moment.
- In the manufacturing sector, production is unlikely to increase due to supply constraints and the fading recovery of goods demand. Amid these conditions, the deterioration of terms of trade will serve as a drag on the recovery of corporate profits.
  - ■ Marginal profit ratio (profitability) is expected to worsen going forward due to the current deterioration of terms of trade.
- The nonmanufacturing sector is expected to remain sluggish in the Jul-Sep quarter due to the declaration of a state of emergency. A gradual recovery is expected from the Oct-Dec quarter, when vaccinations have increased and the declaration of a state of emergency is lifted.

Changes in SG&A expenses to sales ratio since the pre-Pandemic level



Note: Large corporations with capital of 1 billion yen or over. Manufacturing companies whose sales decreased and ordinary profits increased compared to the pre-Pandemic level have been extracted.
Source: Made by MHRT based upon Ministry of Finance, *The Financial Statements Statistics of Corporations by Industry.*

Terms of trade and marginal profit ratio of the manufacturing sector



Note: Terms of trade = output price index/input price index. Marginal profit ratio is the four-quarter moving average of (sales - variable costs)/sales. Large corporations with capital of 1 billion yen or over.
Source: Made by MHRT based upon Bank of Japan, *Input-Output Price Index of the Manufacturing Industry,* and Ministry of Finance, *The Financial Statements Statistics of Corporations by Industry.*

Bank of Japan: announced *Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses*

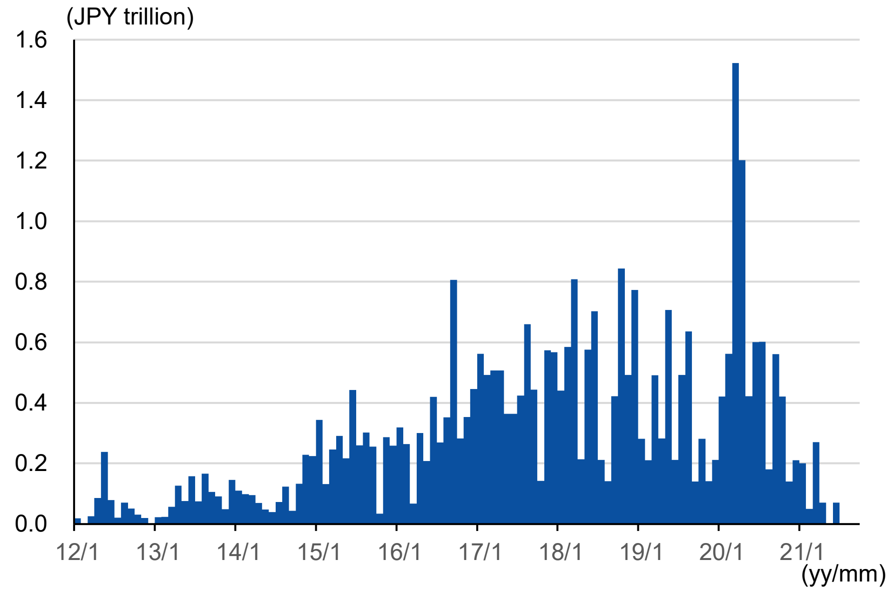
- At the September Monetary Policy meeting (September 20 and 21), the Bank of Japan (BOJ) decided to maintain its current monetary policy. The BOJ also released details of the system structure of the "*Principal Terms and Conditions*" of the *Funds-Supplying Operations to Support Financing for Climate Change Responses.*
  - In the *Principal Terms and Conditions of the Funds-Supplying Operations to Support Financing for Climate Change Responses*, the details of the outline presented at the July Monetary Policy meeting were decided. The BOJ clarified the disclosure standards of financial institutions to be funded with the four thematic areas (governance, strategy, risk management, and metrics and targets) in the *Task Force on Climate-related Financial Information Disclosures* (TCFD) recommendations, and the targets and actual results of their investment. They also clarified the investment and loan standards that are eligible for back financing.
- The BOJ is expected to continue its current monetary easing framework for the time being.
  - ETF purchases by the BOJ have been drastically reduced since the March meeting, and the monthly ETF purchases have been reduced to zero in August as was the case in July.

Outline of the *Funds-Supplying Operations to Support Financing for Climate Change Responses*

Eligible counterparties	Financial institutions that disclose information on the four thematic areas (governance, strategy, risk management, and metrics and targets) in the TCFD recommendations and targets and actual results for their investment or loans
Duration	One year in principle (counterparties may receive long-term financing by using the operations successively)
Interest rate, etc.	• The interest rate is 0 percent per annum • In the Interest Scheme to Promote Lending, the operations fall under Category III, for which the applied interest rate is 0 percent • Twice as much as the amount outstanding of funds counterparties receive is added to the Macro Add-on Balances in their current accounts at the Bank.
Investment or loans to contribute to addressing climate change	• Domestic investment or loans (those that reduce greenhouse gas emissions in Japan, those that contribute to reduction through the results of supply chains, research and development) • Overseas investment or loans (those that contribute to the achievement of Japan's greenhouse gas emission reduction targets through the bilateral credit system)
Implementation period, etc.	Through March 31, 2031. The BOJ started accepting applications for the operations on September 22, 2021. The first loan disbursement is planned to take place in late December. Thereafter, loans will be offered biannually in principle.

Source: Made by MHRT based upon the Bank of Japan.

The BOJ's monthly ETF purchases



Note: Data for September 2021 is actual results for the period from Sep 1 to Sep 9, with no actual purchases as of Sep 9.
Source: Made by MHRT based upon the Bank of Japan.

Sustainability: Japan's response to climate change is expected to progress further this fall

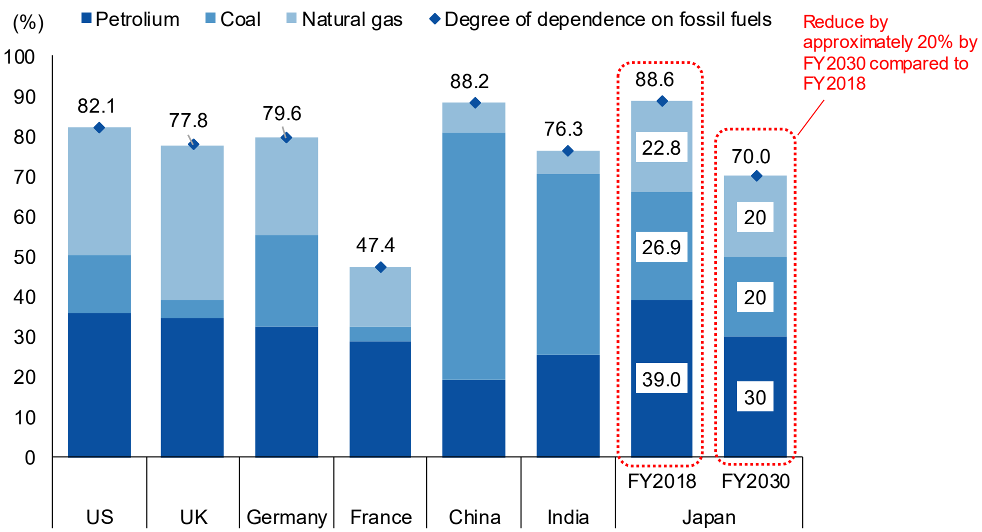
- Japan's response to climate change is expected to progress further in preparation for the COP26 summit scheduled to take place from late October to November.
  - In September, Japan began public comments on the draft of the Sixth Basic Energy Plan, which is expected to be approved by the Cabinet in October. The draft plan aims to raise the ratio of renewable energy to 36%-38% (previously: 22%-24%) towards reducing greenhouse gas emissions by -46% in 2030 (compared to 2013 levels).
- Greenhouse gas reduction will contribute to improving energy self-sufficiency. The issue is economic efficiency.
  - Japan has the highest dependence on fossil fuels as a primary energy, at about 90%, when compared to other major countries. Achieving the new 2030 target for the ratio of renewable energy will reduce this dependency by approximately 20% compared to the current level.

Current status and issues of major climate change-related policies in Japan

Issues	Current status	Issues going forward
Basic Energy Plan	Announcement of the draft of the Sixth Basic Energy Plan (public comments to be conducted in September-October)	Cabinet decision on the Basic Energy Plan (expected in October)
Green Growth Strategy	Announced in December 2020 and detailed in June 2021	Promotion of green investment in various sectors
Carbon pricing	Ministry of Economy, Trade and Industry (METI) study group and Ministry of the Environment (MOE) subcommittee to prepare interim report	Decision on the direction of development (within 2021)
Sustainable financing	Basic Principles for transition finance formulated in May 2021. Report by the Expert Panel on Sustainable Finance published in June 2021	Development of guidelines and information infrastructure for attracting domestic and foreign private capital to carbon-neutral markets

Source: Made by MHRT based upon the 13th meeting of the Committee on the Growth Strategy of the Cabinet Secretary, press releases, etc.

Dependence on fossil fuels by country



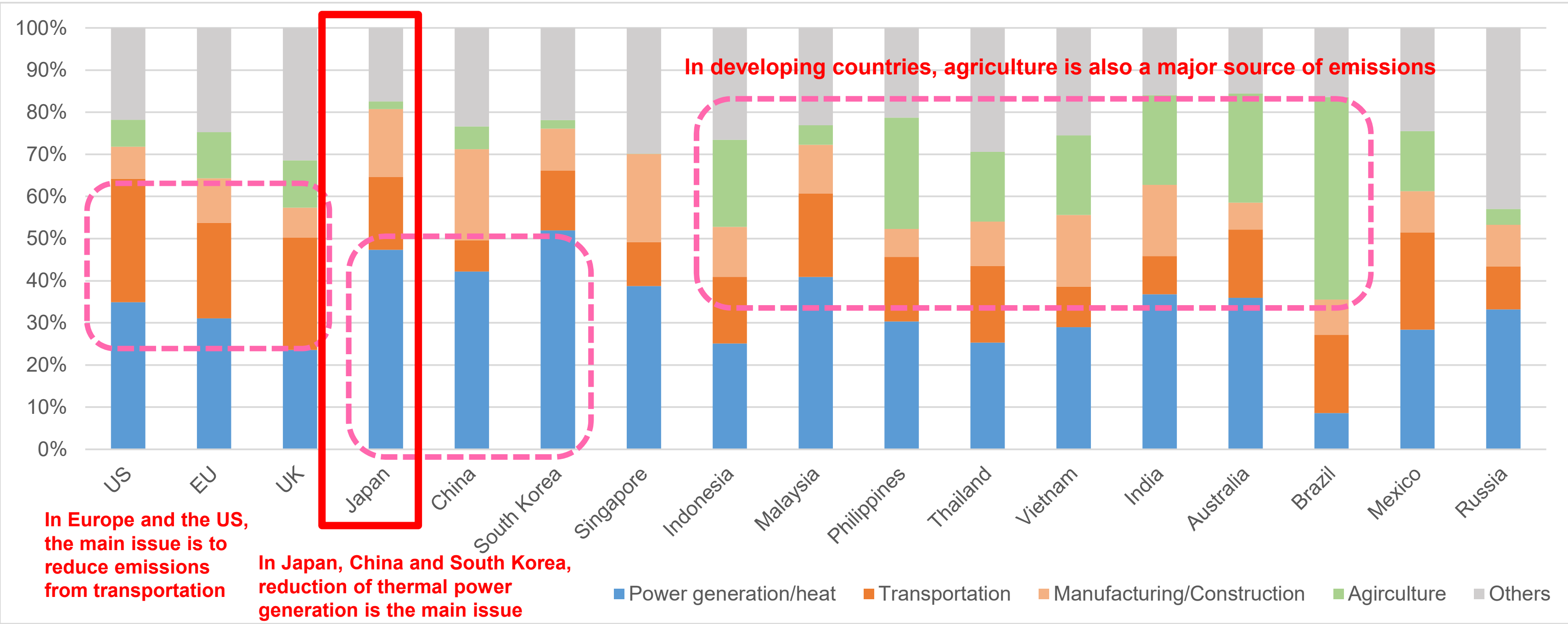
Note: The figures for each country are as of FY2018, as published in the *White Paper Annual Report on Energy*. Japan's figures for FY2030 are based on its draft Strategic Energy Plan. Note that simple comparison is not possible.

Source: Made by MHRT based upon the Agency for Natural Resources and Energy, *White Paper Annual Report on Energy 2021* and *Outline of the Strategic Energy Plan (Draft) of July 21, 2021*.

Japan's response to climate change is likely to progress first mainly in the electric power sector

- Going forward, it is expected that efforts for decarbonization will be promoted in each country. However, since the initial conditions (emission status of each industry, etc.) are different, the priority sectors will differ among countries.
- In Japan, because greenhouse gas emissions from power generation account for more than 40% of the total, the major issue is to reduce emissions from the electric power sector for the time being.
  - In the US, UK, and EU, while the portion of emissions from power generation is lower than in Japan, China, and South Korea, transportation is a priority issue accounting for about a quarter of the total. The challenges are the electrification of motor vehicles and trains for passenger and freight transport.
  - In developing countries, emissions from the agricultural sector are also a major issue (≒ future business opportunities).

Percentage of GHG emissions by industry in each country

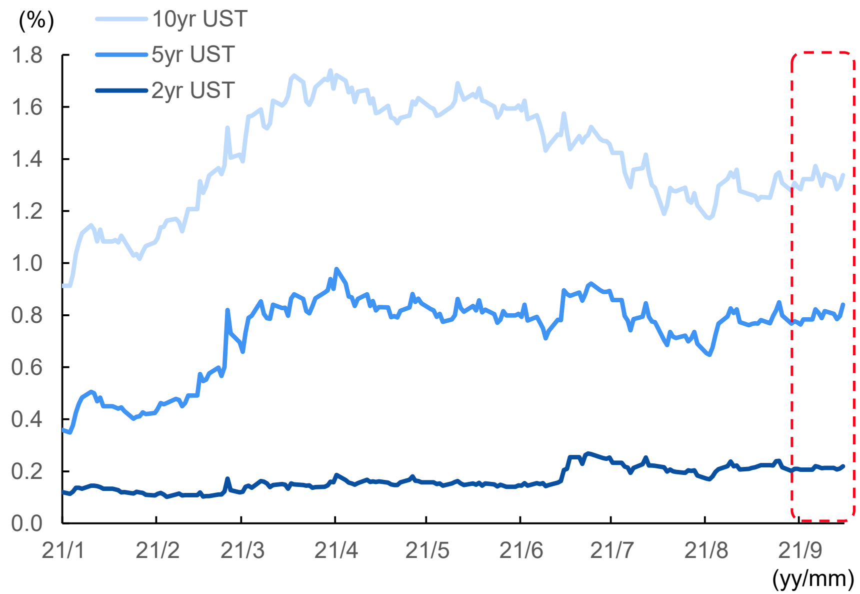


Source: Made by MHRT based upon Climate Watch. 2020. GHG Emissions. Washington, DC: World Resources Institute. https://www.climatewatchdata.org/ghg-emissions

US bond market: the 10yr UST yield is expected to move around 1.2% to 1.5%

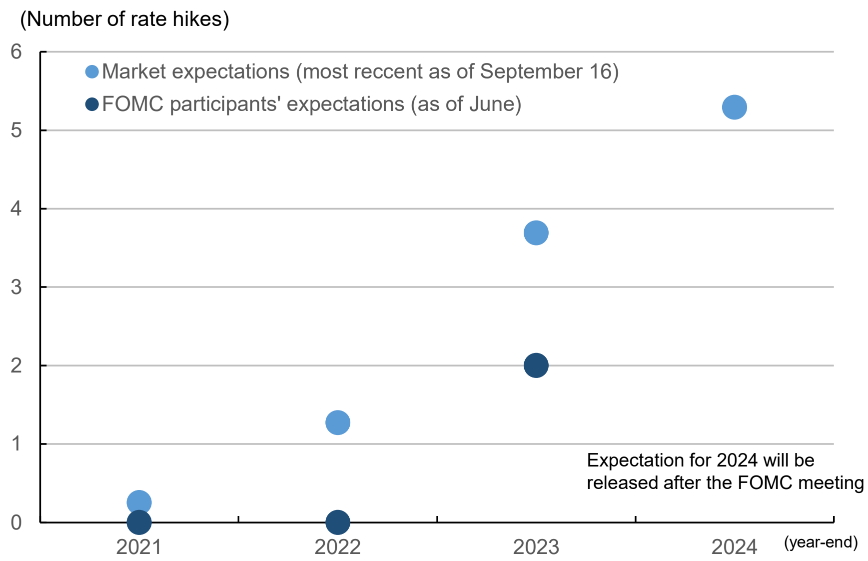
- As the market factored in the start of tapering by the end of the year, the 10yr UST yield moved within a narrow range around the upper 1.2% to mid-1.3% reflecting a mixed bag of economic,. Medium-term interest rates remained flat.
- The 10yr UST yield is expected to rise to around 1.2% to 1.5%, as the market factored in interest rate hikes amid the recovery of the economy.
  - Currently, the market is factoring in more than one interest rate hike in 2022 and more than three hikes in 2023. If the FOMC participants' policy rate outlook at the September FOMC turns out to be higher than market expectations, interest rates are expected to rise, especially in medium-term rates. However, note also the possibility that long-term interest rates will decline, if Covid-19 infections and September employment statistics deteriorate, or if medium- to long-term inflation expectations decline due to concerns regarding earlier tightening.

Trends of UST yields



Source: Made by MHRT based upon Bloomberg.

Number of interest rate hikes expected by the market and FOMC participants

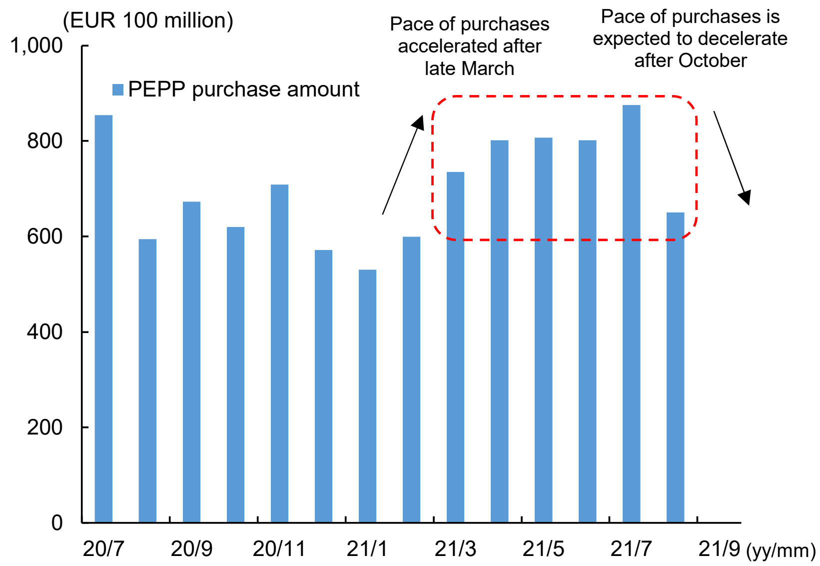


Note: Market expectations are calculated from Eurodollar futures (December contract), while FOMC participants' forecasts are based on the median of their policy rate expectations at the end of each year. The rise in rates per one rate hike is assumed to be 0.25%.
Source: Made by MHRT based upon Bloomberg.

Eurozone bond market: German 10yr government bond yield expected to move around -0.4% to -0.2%

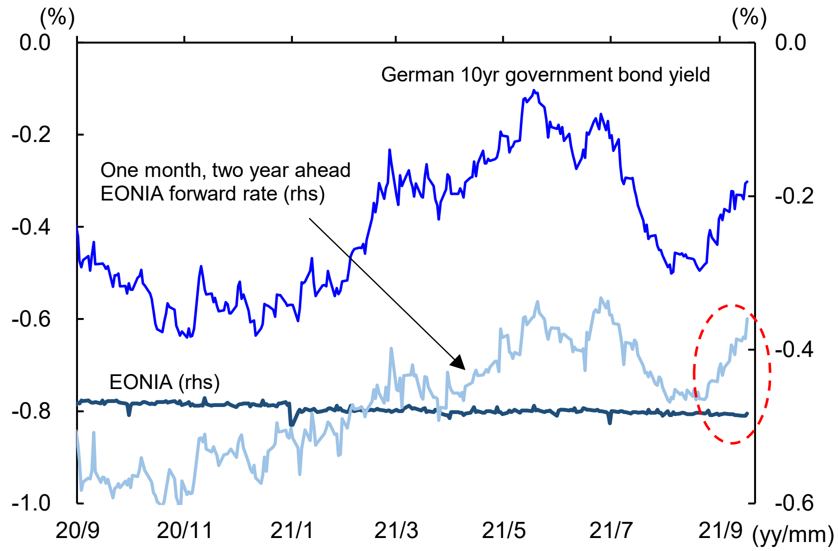
- The German 10yr government bond yield rose to the lower half of the -0.3% range following a sharp rise of the Eurozone CPI in August and a series of comments by ECB officials regarding the reduction of the amount of PEPP purchases.
  - At the ECB's Governing Council on September 9, the ECB decided to slow down the pace of PEPP purchases. However, as the market had already factored in the decision, interest rates fell immediately after the meeting.
- German 10-year government bond yields are expected to rise and trend around -0.4% to -0.2% along with the recovery of economic conditions in Europe and the rise of US interest rates.
  - The market is factoring in a rate hike of around 10bp in two years time (2023). However, the ECB's inflation projection falls short of its forward guidance even with respect to 2023, leading to our view that monetary policy will remain accommodative for a prolonged time period.

Trends of PEPP purchase amount



Source: Made by MHRT based upon ECB.

German 10yr government bond yield and factoring in rate hikes

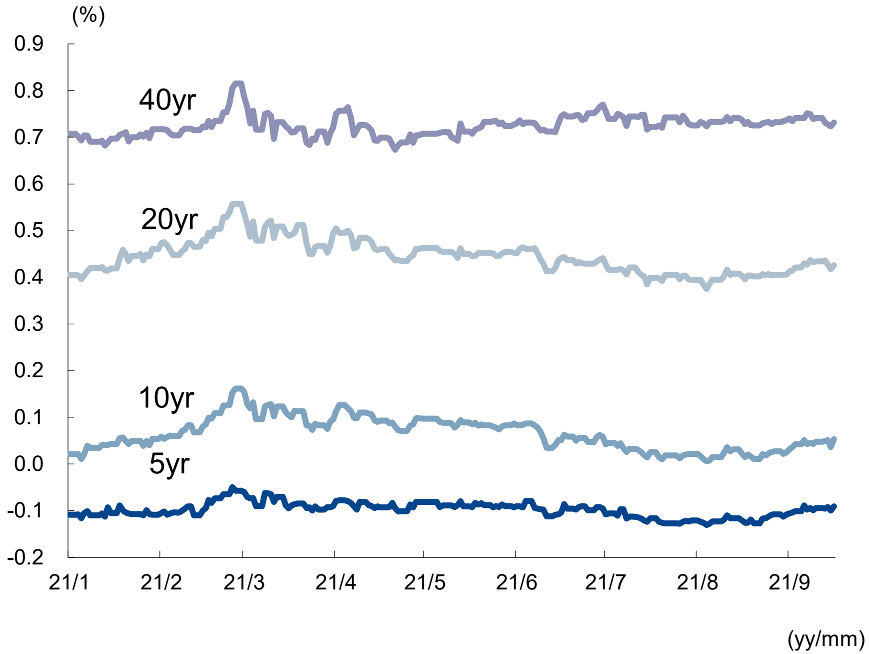


Note: The EONIA forward rate is the floating rate for interest rate swap transactions and refers to the EONIA, which is the short-term interest rate that the ECB is referencing. If the EONIA forward rate is lower than the EONIA, this may be viewed as an indication that expectations for future rate cuts are rising.
Source: Made by MHRT based upon Bloomberg.

Japanese bond market: the 10yr JGB yield is projected to move around the lower half of the 0.0% range

- The 10yr JGB yield rose to its highest level in approximately two and a half months reflecting the rise of US long-term interest rates and Japanese stocks. Although the 10yr JGB yield temporarily fell slightly reflecting the fall of US interest rates due to concerns regarding the slow recovery of the US economic, the JGB yield is maintaining the same level at the moment.
- Amid a gradual rise of US long-term interest rates, the 10yr JGB yield is expected to move around the lower half of the 0. % range.
  - Fumio Kishida and Taro Kono, the leading candidates for the LDP presidential election (September 29), both take the stance that they will keep the current monetary policy unchanged. It is unlikely that the change of prime minister will trigger a rise in interest rates due to concerns about a change in monetary policy.

Trends in JGB yields



Source: Made by MHRT based upon Bloomberg.

Monetary Policy stance of LDP Presidential election candidates

	Economic and Financial Stance
Fumio Kishida (Former Chair of the Policy Research Council) (Kishida faction)	• Succeed the three pillars of Abenomics (aggressive monetary easing, flexible fiscal spending, and a growth strategy) • Maintain the 2% inflation target • (In the past) Reviewed monetary easing and changed the 2% inflation target
Taro Kono (Minister in charge of Administrative Reform) (Aso faction)	• Favorable evaluation of Abenomics • No change in monetary policy • Difficult to achieve 2% inflation target due to the Covid-19 pandemic • (In the past) Reviewed the BOJ's massive purchases of JGBs, etc., and emphasized a fair and healthy competitive environment

Source: Made by MHRT based upon various media reports and releases

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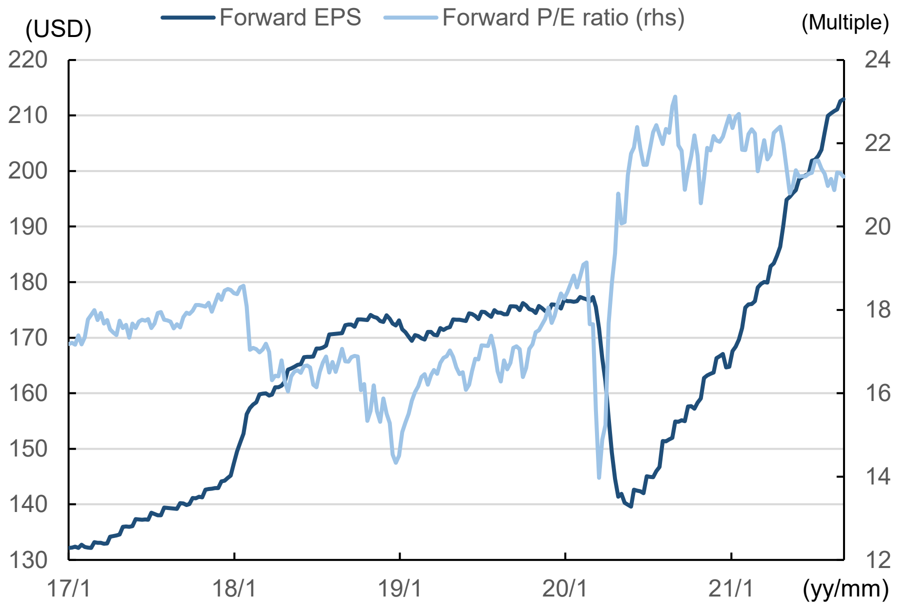
US stock market: expansion of corporate earnings is expected to support the market

- The US stock market is weakening slightly due to such factors as rising concerns that the pace of economic recovery may slow down, against the backdrop of the spread of Covid-19 infections.
- The forward EPS remains on an expansionary trend reflecting strong second quarter corporate earnings.
  - Although the stock market has softened slightly at present, the P/E ratio remains slightly overvalued at 21.2x.
- In the US stock market, despite the intermittent rise of concerns regarding a slowdown in the pace of economic recovery, analysts continue to expect favorable corporate earnings for the third quarter, and the earnings growth should serve as a factor supporting the market.

S&P 500 forward EPS and forward P/E ratio



Note: Forward EPS and forward P/E ratio are based on a 12-month forward forecast.
Source: Made by MHRT based upon Refinitiv.

Analysts' forward EPS growth rate for US corporations in the third quarter

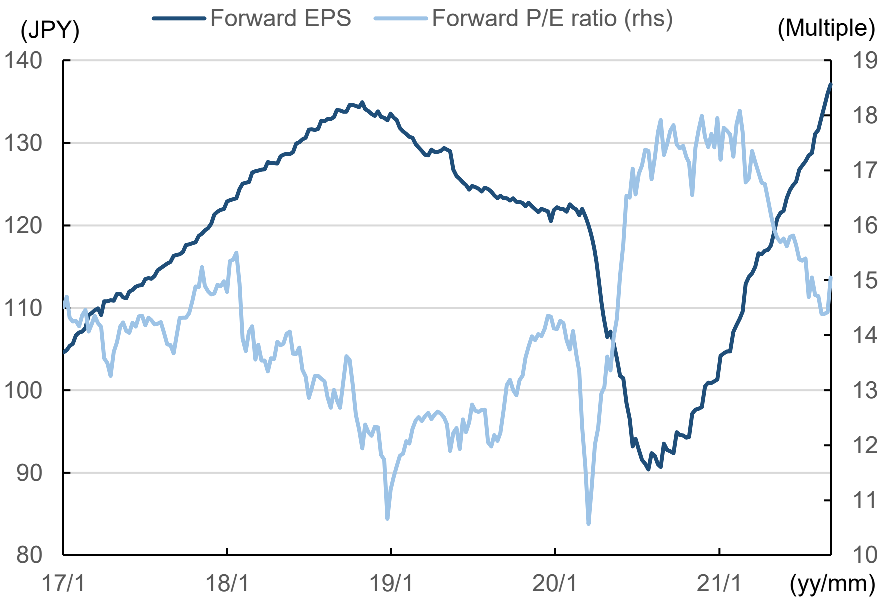
	Analysts' EPS growth estimate as of April (v.s. the same quarter of the previous year)	Estimate as of July	Estimate as of September
General consumer goods	14.9%	15.0%	10.3%
Consumer staples	5.9%	4.7%	2.4%
Energy	923.2%	1233.5%	1418.4%
Finance	5.7%	14.8%	18.5%
Healthcare	9.6%	7.9%	14.2%
Capital goods	80.8%	85.2%	87.3%
Materials	40.3%	70.2%	94.4%
Real estate	7.9%	15.5%	17.9%
Information technologies	16.3%	22.1%	28.3%
Communication services	11.8%	15.7%	23.9%
Public services	3.8%	2.7%	0.4%
S&P500	19.5%	24.7%	29.8%

Source: Made by MHRT based upon Refinitiv。

Japanese stock market: moderate rise expected going forward, on the back of steady corporate earnings growth

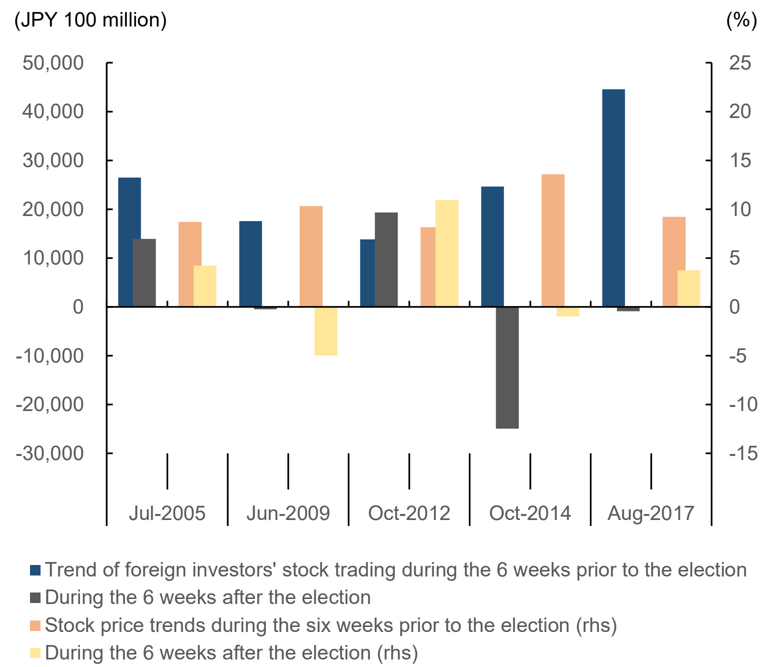
- The Nikkei Stock Average followed firm footing on the back of speculation about the LDP presidential and House of Representatives elections and expectations for subsequent economic measures following Prime Minister Yoshihide Suga's announcement that he will not run for the next LDP presidency.
- The 12-month forward EPS surpassed the pre-Pandemic level (end of 2019) and is nearing the highest level in the last five years.
  - On the other hand, the forward P/E ratio rose slightly to 15.1x, due to the recent rise of stock prices.
- Uncertainty remains as to whether the inflow of funds into the Japanese stock market by foreign investors ahead of the House of Representatives election will continue after the election. However, even in the event of a temporary market adjustment, solid corporate earnings will support the market. Looking forward, we expect a gradual rise of the market.

TOPIX forward EPS and forward P/E ratio



Note: Forward EPS and forward P/E ratio are based on a 12-month forward forecast.
Source: Made by MHRT based upon Refinitiv.

Foreign investor trading trends and stock prices before and after the House of Representatives elections

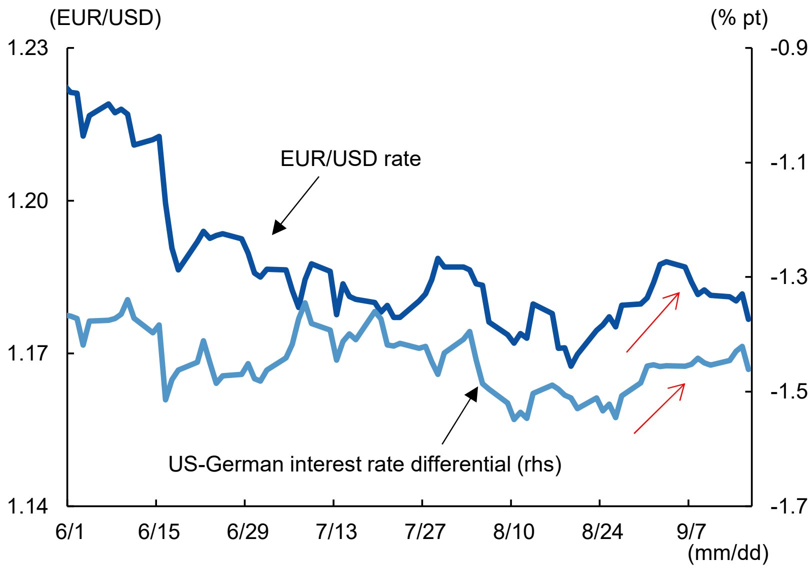


Note: Trading trends are the sum of cash and futures trades
Source: Made by MHRT based upon various media reports and Bloomberg

Forex market: a moderate dollar-appreciation is expected in both the USD/JPY and EUR/USD exchange rates going forward

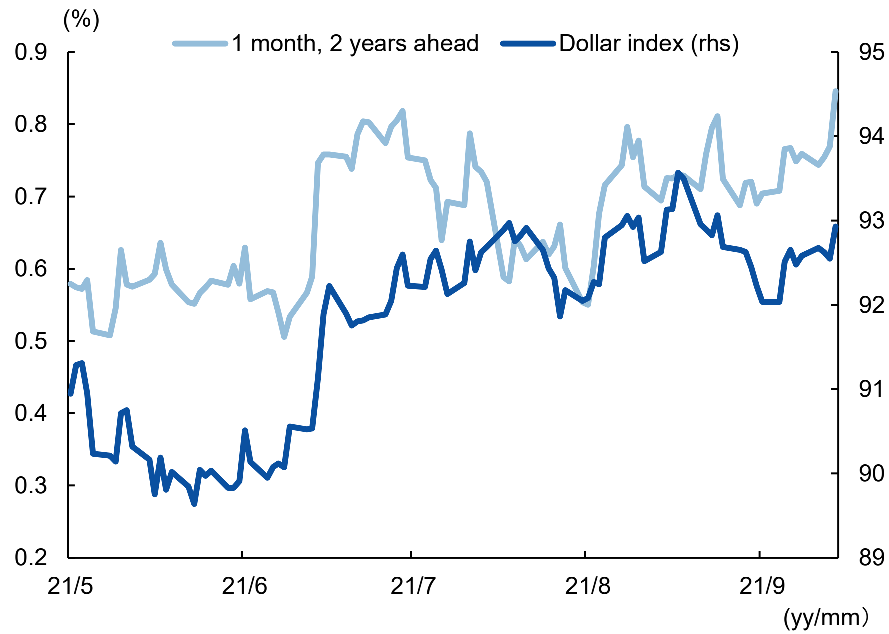
- The USD/JPY exchange rate has been flat, given a mix of dollar-buying and yen-buying amid both strong and weak US economic indicators.
- As for the EUR/USD exchange rate, the euro strengthened against the dollar, reflecting the rise of European interest rates due to a sharp rise of speculation on the reduction of PEPP purchases ahead of the September ECB Governing Council meeting on September 9. Subsequently, the euro weakened against the backdrop of factors such as favorable US economic indicators, and remained flat compared to mid-August.
- Looking forward, the dollar index is expected to rise as the market focuses upon future interest rate hikes along with the recovery of the US. As a result, a moderate dollar appreciation is expected in both the USD/JPY and EUR/USD currency pairs.

EUR/USD rates and US-Germany interest rate differentials



Note: US-German interest rate differential = German 5yr interest rate – US 5yr interest rate
Source: Made by MHRT based upon Bloomberg.

Trend of OIS forward rates and the dollar index

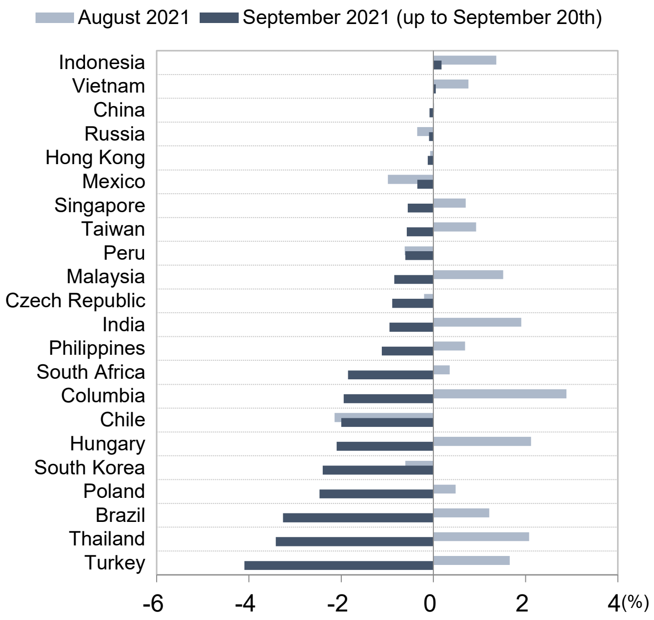


Source: Made by MHRT based upon Bloomberg.

EM financial markets: EM currencies are weakening again

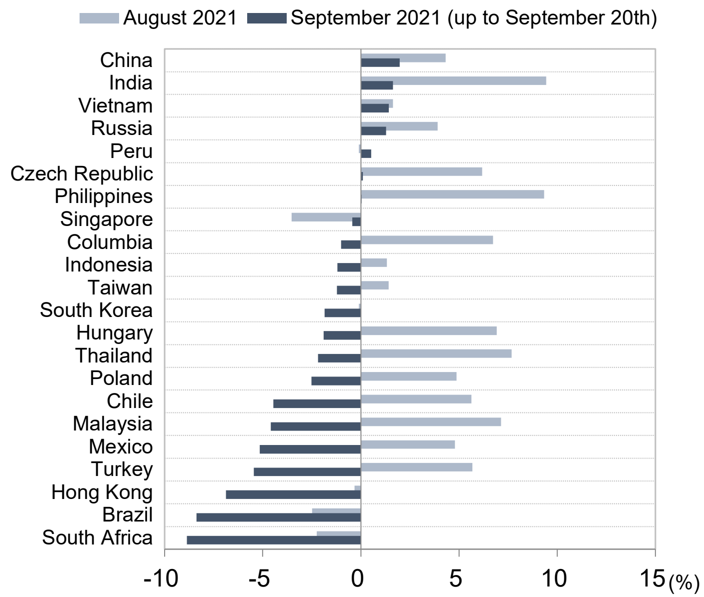
- The forex market remained bullish regarding the dollar and bearish with respect to EM currencies, against the backdrop of a major Chinese real estate developer's debt crisis.
  - In China, there are signs of economic slowdown such as declines in both manufacturing and nonmanufacturing PMIs. In addition, there are growing concerns regarding default by a major Chinese real estate developer, leading to the global rise of risk-aversion in the financial markets.
  - The impact of default concerns in China has also extended to the stock market, with stock prices declining in Hong Kong, where the Chinese real estate developer is listed.
- Even the countries of Latin America and South Korea, which have shifted to interest rate hikes, have failed to halt the depreciation of their currencies, leading to our view that EM currencies will remain weak.
  - In Turkey, concerns that the central bank might ease its tightening stance amid high inflation have contributed to the further fall of the Turkish lira.

Rise and fall of EM currencies against the US dollar



Source: Made by MHRT based upon Refinitiv.

Rise and fall of EM stocks



Source: Made by MHRT based upon Refinitiv.

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Outlook on the financial markets

		September 21, 2021	Jul-Sep	Oct-Dec	Jan-Mar
Japan	Interest rate on Policy-Rate balances (End-of-quarter, %)	-0.10	-0.10	-0.10	-0.10
	Newly-issued JGBs (10yr, %)	0.04	0.00 to 0.10	0.05 to 0.15	0.05 to 0.15
	Nikkei Stock Average (JPY)	29,840	28,500 to 29,500	29,500 to 30,500	30,000 to 31,000
US	Federal Funds Rate (End-of-quarter, %)	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25
	Long-term UST (10yr, %)	1.32	1.40 to 1.60	1.60 to 1.80	1.60 to 1.80
	Dow Jones Average (USD)	33,920	34,100 to 35,100	34,500 to 35,500	34,500 to 35,500
Eurozone	ECB deposit facility rate (End-of-quarter, %)	-0.50	-0.50	-0.50	-0.50
	Long-term government bond (Germany, 10yr, %)	-0.32	-0.35 to -0.15	-0.30 to -0.10	-0.30 to -0.10
Forex	USD/JPY rate (USD/JPY)	109.23	109 to 111	110 to 112	110 to 112
	EUR/USD rate (EUR/USD)	1.173	1.17 to 1.19	1.16 to 1.18	1.15 to 1.17

Note: 1. The foreign exchange rates (actual) are NY closing rates.
2. The projected policy interest rate indicated for the Jul-Sep, Oct-Dec, and Jan-Mar quarter is the end of quarter closing rate, while others indicate that the average value in the quarter will fall within the range indicated.

Source: Made by MHRT based Bloomberg