

## “GDP” growth rate was revised based on new measurement standard

“GDP” is an abbreviation of Gross Domestic Product. It is the aggregate of added value of products and services produced in a certain period and is deemed to measure size of economic activities in a country. Generally, the economic growth rate is shown by “GDP” growth rate. Every five years, the measurement standard is revised. This time, revision was made from 2016 July - September second preliminary estimate based on new international standard of “2008SNA”.

### Point 1

#### 2016 Jul.-Sep. real “GDP” growth rate was revised downward

This revision was a little surprise as market expected no big change

- 2016 Jul.-Sep. real “GDP” growth rate (Second preliminary estimate) announced on 8<sup>th</sup> December 2016 was +0.3% QoQ (+1.3% YoY, annualized), revised down from +0.5% QoQ (+2.2% YoY, annualized) of initial estimate. From the demand components, private consumption and private residential investment were revised up while private non-residential investment was revised down.
- Downside revision of second preliminary estimate was taken as a little surprise since majority expected not much of revision from first preliminary estimate based on Financial Statements Statistics of Corporations by Industry announced on 1<sup>st</sup> December 2016.

### Point 2

#### New GDP is based on “2008SNA”

GDP of FY2013 to FY2015 were revised upward

- Second preliminary estimate was calculated based on new international standard of “2008SNA” besides revised from initial estimate as usual. The most significant change was the recognition of R&D spending as capital expenditure, counted as a “GDP” component which is considered as an investment to generate added value.
- “GDP” of FY2013 to FY2015 were revised upward by 0.4% ~ 0.6%, as measurement standard was changed. Relevant reasons of upward revisions were; (i) increase in capital expenditure by improvement of estimation method of construction sector for FY2013, (ii) also due to abovementioned “2008SNA” adopted in FY 2014 and (iii) increase in private consumption by introduction of detailed basic statistics from preliminary estimate to annual estimate for FY2015.

#### "2016 Jul.-Sep.GDP (Second Preliminary estimate, %)"

	Real GDP Growth rate	
	Before Revision	After Revision
2016 Jul.-Sep.	2.2	1.3
FY2015	0.9	1.3
FY2014	▲ 0.9	▲ 0.4
FY2013	2.0	2.6

(Note) 2016 Jul.-Sep. is Qi (annualized), FY2013 to FY2015 is YoY.  
(Source) SMAM, based on Cabinet Office, Japan data.

# Achievement of JPY 600 trillion nominal GDP target set by Abe government is becoming realizable

- Japanese nominal “GDP” of FY2015 increased by more than JPY 30 trillion from JPY 500.6 trillion (before revision of measurement standard) to JPY 532.2 trillion as R&D spending was included in “GDP” based on revised measurement standard. If Japan can keep its nominal GDP growth similar to FY2013 to FY2015 (Average of about 2.5%) , Abe government seems to be able to achieve its target of nominal “GDP” of JPY 600 trillion by around year 2020.

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