13 September 2023

Report

The Japanese Economy in Fiscal 2023 and Fiscal 2024

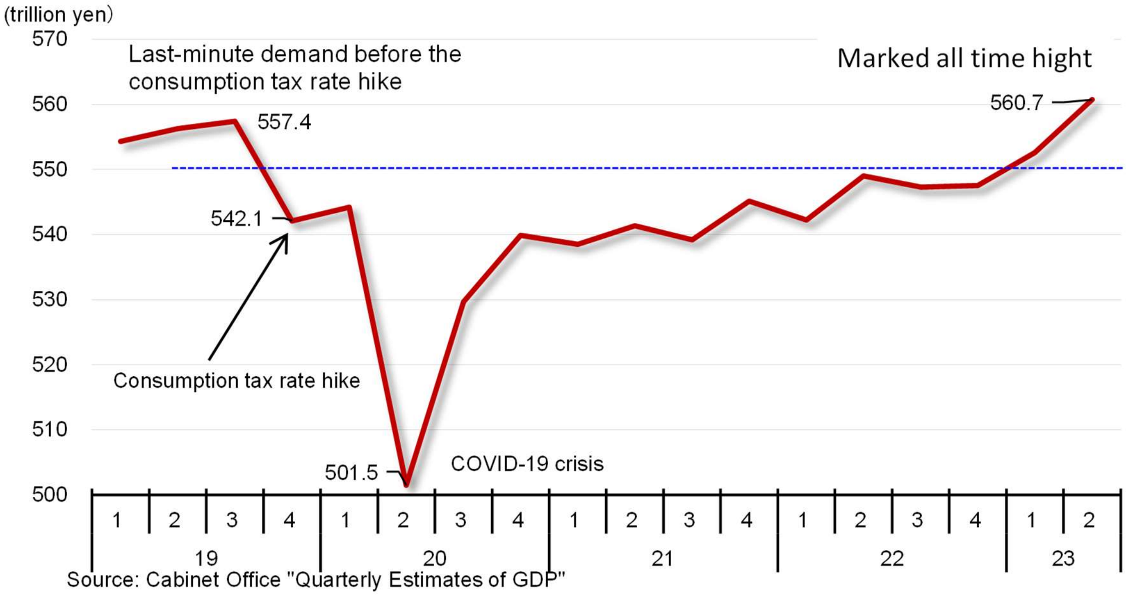
─The economy maintains a moderate recovery trend, reflecting the normalization of economic and social activities.─

(1) Current State of the Economy─recovering gradually

Real GDP figures show robust growth in April–June quarter, but the numbers are not so strong as they appear

The real GDP growth rate in the April–June quarter of 2023, announced on August 15, surged 1.5% from the previous quarter (annualized growth rate of +6.0%). This result shows that the economy continues to recover, and the growth rate exceeded the level in the July-September 2019 period, reaching a record high (Chart 1). However, factors like the strong boosting effect from a decline in imports indicate that the figures are not so firm as they appear, and the economic recovery remains at a moderate pace.

Chart 1. Real GDP growth rate



Source: Cabinet Office "Quarterly Estimates of GDP"

Domestic demand falls into the negative

Movements in demand category on the domestic demand side indicate that real personal consumption fell 0.5% from the previous quarter, a decline for the first time in three quarters. The reclassification of COVID-19 as a Class V infectious disease under the Act on the Prevention of Infectious Diseases helped accelerate activity toward the end of the pandemic, leading to increased spending on in-person services in accommodation, food services, passenger transportation, and leisure. Consequently, overall spending on services continued to rise 0.3% for the term. However, as the negative impact from the pandemic fades, the upward effects are gradually weakening, +1.3% in the October–December 2022 to +0.8% in January–March 2023 in real personal consumption. Also, while sales of semi-durable goods (clothing, personal effects, etc.) rose 2.8% from the previous quarter, boosted by increased personal movements, those of non-durable goods (food, energy, daily necessities, etc.) declined 1.9%. Sales of durable goods were down 3.3% as a sharp decline in sales of home appliances more than offset higher sales of automobiles brought about by the easing of production restraints. Upward pressure on the prices is increasing in all areas, and the rising prices could negatively affect consumer sentiment causing more people to hold back on purchases.

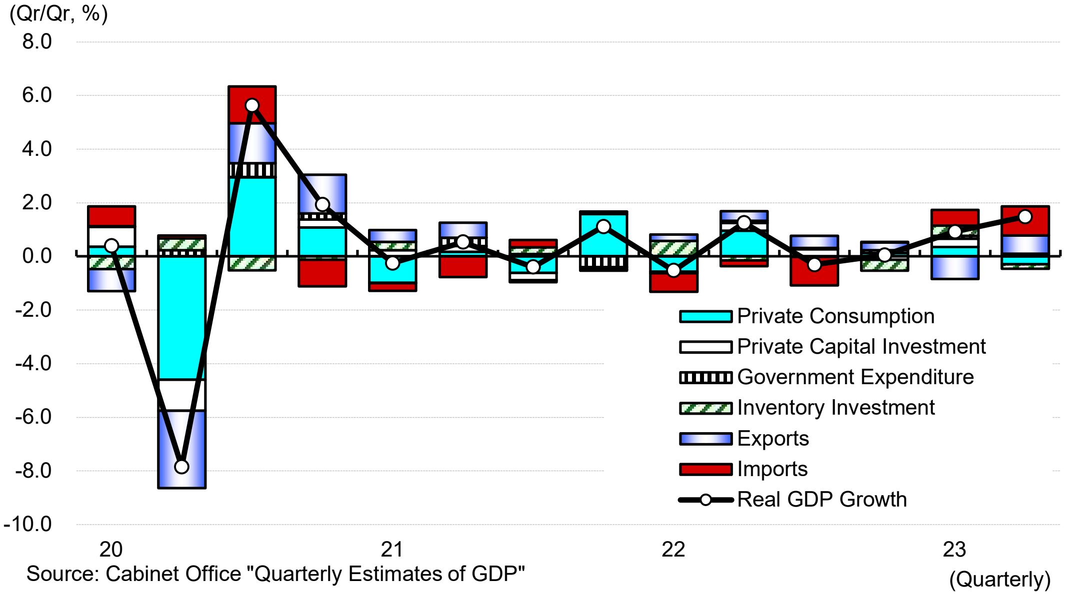
Real housing investment rose 1.9% compared to the previous quarter, the third straight quarterly increase, which reflects housing starts of owner-occupied houses remains sluggish due to soaring material prices, while the number of houses for rent is on a rising trend.

In the corporate sector, capital investments in real terms were flat at 0.0% quarterly change but remained at the high level, given a sharp increase in the previous quarter. Corporate investment appetite is remaining strong on the backdrop of an ongoing improving trend in earnings in overall sectors. The contribution of inventory investment in real terms to the real GDP growth rate turned to -0.2% compared to the previous quarter due to slowing growth in raw material inventories and work-in-process inventories.

In the government sector, real government final consumption continued to increase 0.1% from the previous quarter, mainly due to an increase in general medical spending following the movements toward the containment of the pandemic outbreak. The effects of the second supplementary budget for fiscal 2022 helped boost public investment in real terms by 1.2% from the previous quarter, which increased the growth for five consecutive quarters.

As a result, the overall contribution from internal demand was -0.3% compared to the previous quarter. In external demand, real exports showed a solid 3.2% rise from the previous quarter supported by increasing automobile exports on the back of eliminating production constraints and demand from inbound tourists, which is included in service exports, continued recovering. On the other hand, real imports declined for the third straight quarter due to weak domestic demand and lower energy imports. As a result, the overall contribution from external demand increased significantly to +1.8% compared to the previous quarter, which makes it appear that external demand is the main driver of the acceleration in the economic recovery.

Chart 2. Real GDP growth rate by demand (Quarterly)



Source: Cabinet Office "Quarterly Estimates of GDP"

Growing homemade inflationary pressure

The nominal GDP growth rate, boosted in part by a higher GDP deflator, rose significantly to +2.9% compared to the previous quarter (annualized growth rate of 12.0%) and reached a record high for the second consecutive quarter. The GDP deflator, a measure of comprehensive prices trends in the economy as a whole, was up 3.4% year on year, as the rising import prices due to surging resource prices and other factors are gradually affecting domestic prices. The GDP deflator growth rate was the highest since +5.1% year on year in the January–March quarter of 1981. (The seasonally adjusted GDP deflator was +1.4% from the previous quarter.) Pressure by home-made inflation (price increases due to domestic factors) is building up, and domestic prices could be hard to decline even if resource and energy prices continued to decline.

(2) Outlook for the Economy in Fiscal 2023 and Fiscal 2024

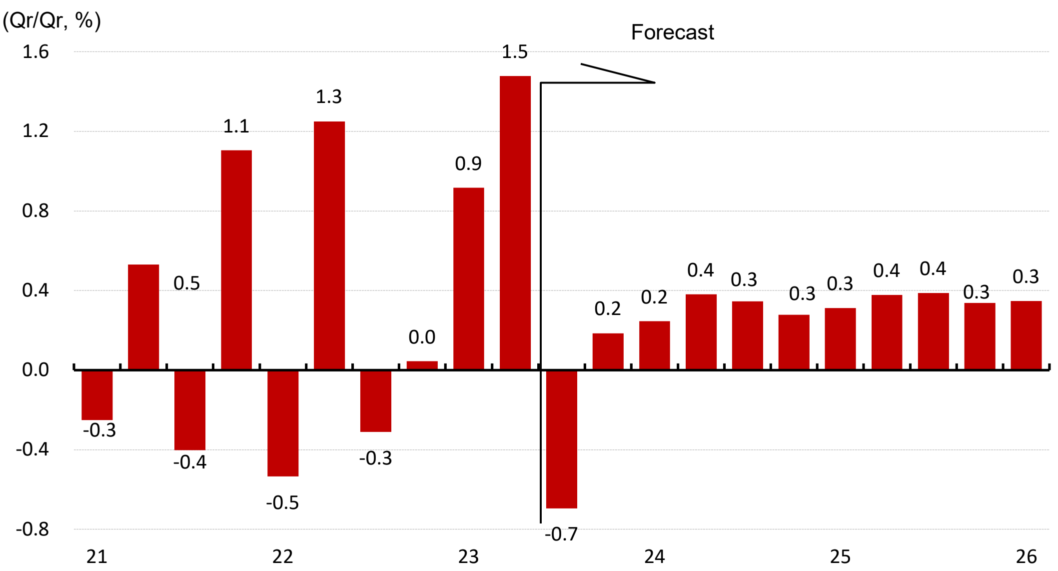
— The economy maintains a moderate recovery trend, reflecting the normalization of economic and social activities.

GDP is likely to contract in July–September quarter but not substantially enough to derail economic recovery

We expect the economy to continue its course of gradual recovery. During 2023, the economy is anticipated to completely shift from the COVID-19 era, in which the balance between preventing the spread of infection and breathing new life into economic and social activities had to be considered, to the post-pandemic era, in which most of the restrictions on social activities due to the COVID-19 pandemic will be lifted, and business conditions will be no longer impacted by pandemic developments. In such new “with Corona” era, COVID-19 is reclassified as a Class V infectious disease legally, which is the same as seasonal influenza, and movements toward the end of the pandemic are accelerating. Therefore, the household sector increases in spending on in-person services, which have been depressed until now, to return living standards to those before the pandemic. Similarly, the corporate sector resumes capital investments that have been held back until now and increases investments for growth in anticipation of the post-pandemic era. These movements in both sectors will be a driver of boosting economic conditions.

Mainly due to the rise in imports in contrast to the previous quarters, the real GDP growth rate is likely to turn negative on a quarter-on-quarter basis in July-September, however, the contraction will only be a reaction to the recent high economic growth and should only be adjustments in the ongoing moderate pace of economic recovery. We expect private consumption to turn positive on a quarter-on-quarter basis on rising demand for services during summer and the growing automobile sales. With capital investments and exports expected to continue growing, there is no concern that the economy will slow down. Rising inbound tourist demand should also provide a boost to the economy.

Chart 3. Real GDP growth rate (Quarterly)



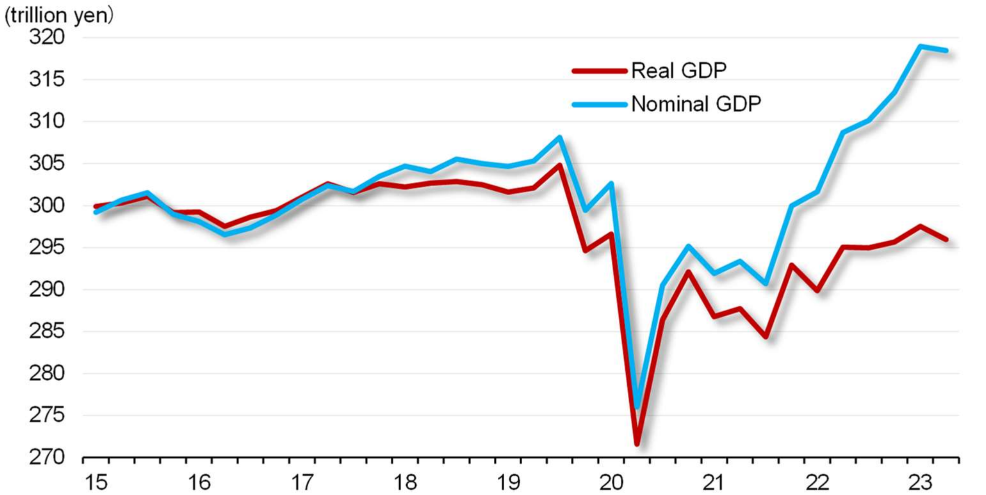
Source: Cabinet Office "Quarterly Estimates of GDP"

"Revenge consumption" may soon come to an end

The trend of economic recovery backed by the normalization of the economic and social activities may run out, as early as the first half of fiscal 2023, particularly in the household sector. Compared to pre-pandemic 2019, private consumption in the April-June quarter of 2023 was about 1.6% (equivalent to roughly 5 trillion yen) lower in real terms, but 4.6% (roughly 14 trillion yen) higher in nominal terms (Chart 4). In other words, spending in real terms still has room to rise until it returns to normal levels, but spending in nominal terms, normalization has already been achieved. Putting another way, households are already spending more money than they were before the pandemic.

Of course, as occurred in the April–June quarter, private consumption for services or goods is moving differently, and spending on services still has room to rise until it returns to the pre-pandemic level. However, if households do not clearly differentiate between spending on services and goods, then any increase in service spending could level off before reaching the pre-pandemic level.

Chart 4. Household Final Consumption Expenditure



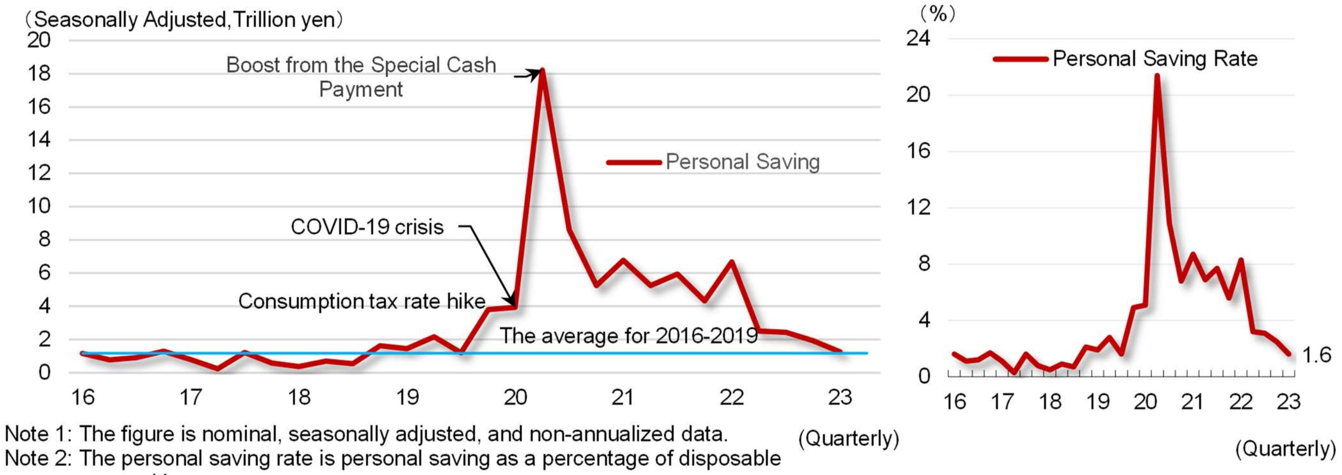
Note: Seasonally adjusted
Source: Cabinet Office "Quarterly Estimates of GDP"

Savings rates have fallen to pre-pandemic levels

Even so, consumption can be expected to continue increasing with funds from the forced savings accumulated during the pandemic. Household savings trends rose sharply during the pandemic, but in the January-March 2023 quarter were back down to 1.3 trillion yen, which is very close to the average of about 1.2 trillion yen in 2016-2019. As such, the level of savings also supports the view that household consumption is mostly back to the pre-pandemic status (Chart 5, left hand side). The savings rate was 1.6% in the January-March 2023 quarter, which matches the 1.6% average in 2016-2019 (Chart 5, right hand side). Savings data for the April-June quarter have not been released, but the personal consumption and employee compensation figures suggest that the situation is unlikely to have changed significantly.

Currently, the balance between income and consumption has therefore almost returned to pre-pandemic levels. Savings amounts could even start shrinking if households start withdrawing from the forced savings to fund consumption. Assuming the amount of savings from Jan-Mar 2020 to Jan-Mar 2023 that exceeds the 2016-2019 average (roughly 1.2 trillion yen) as forced savings, the cumulative total would be about 57.8 trillion yen, which is quite a lot of money, that is expected to have a positive effect on consumption.

Chart 5. Personal Saving and Saving Rate



Note 1: The figure is nominal, seasonally adjusted, and non-annualized data.
Note 2: The personal saving rate is personal saving as a percentage of disposable personal income
Source: Cabinet Office

Specter of rising prices could prevent the use of savings

One point of concern, however, is that the recovery in private consumption has slowed recently as consumers have become more cautious amid the rising prices and are restraining their spending on goods. Households may therefore feel uncertain about the future and become cautious about using their savings in order to be prepared for higher prices, which would prevent the funds from being used for consumption. In addition, the continued negative real wages are another concern. This is due to the delay in reflecting the rate of wage increases, which is settled in the annual spring labor negotiations, to the wage statistics. The Continuous decline would create risk of undermining expectations that the forced savings could be used to boost consumption.

We forecast the rise in consumer prices to gradually slow, primarily as resource and energy prices peak out. We also assume that measures to ease the high electricity and gas rates will continue during the current fiscal year. At the same time, there is concern that persisting price rises for food and daily necessities could delay any improvement in consumer sentiment. Risk also exists that the recent yen weakness could once again trigger a rise in import prices.

Global economic outlook remains uncertain

There is also a risk that the global economy could deteriorate. Major countries outside Japan are responding to the rising prices by aggressively tightening monetary policy, causing interest rates to rise. Higher prices give negative impact on personal consumption, and rising interest rates slow investment and overall economic activity. Continued monetary tightening by the United States could set off the depreciation of currencies and stock prices in emerging countries, which in turn could trigger turbulence in international financial markets. Debt balances have been growing in all countries during the pandemic, and higher interest rates would only add to the debt burden. Slowing in global economic growth would lead to contraction of the Japanese economy through a drop in exports.

Numerous other elements are also adding to the uncertainty, including the issue of the quagmire of the Ukraine situation, declining global demand for IT-related goods and prolonging inventory adjustments, and the growing geopolitical risks such as the escalating tension in the Taiwan Strait, which could slow or disrupt supply chains.

However, with the growth in the global economy slowing, commodity prices have already peaked out and price indicators in all countries have also peaked out as the reduced upward pressure on upstream prices gradually affects its way downstream. Prices have been slow to come down due to rising services prices reflecting higher wages and high energy and logistics costs. Nevertheless, prices are stabilizing, and the end of the monetary tightening phase is approaching, in our view. Other positive factors for the global economy include the fact that employment conditions remain favorable in the U.S. and European countries, and the negative impact of high prices and interest rates has remained minor. Although the outlook remains uncertain and unpredictable, the risk of deterioration in the global economy seems to be less than it was last year.

Responding to the labor shortage is an urgent issue

Another issue in Japan is the constrained supply in some sectors resulting from the post-pandemic return of demand and consequent abrupt tightening of the labor supply and demand balance. The shortage of labor started becoming a bigger issue for companies in 2022 when the negative impacts from the pandemic began subsiding and consumer demand started to recover. This trend has been growing more acute in 2023, particularly for in-person services sector, while the accommodation, food services and other sectors are already facing a more severe shortage than before the pandemic.

Demand for in-person services is expected to ramp up from summer to autumn, not the least from higher inbound tourist demand, but the sector could still be forced to lower operating rates and shorten working hours. At the same time, these conditions will very likely lead to higher prices for services, raising concern that prices could become another factor dampening demand. While labor shortages have the positive effects of encouraging companies to increase capital investments and raise wages, the negative effects are likely to be greater in the short term.

Economic recovery will continue in fiscal 2023 as economic and social activities normalize

Amid this mix of positive and negative factors, we expect the Japanese economy to be ultimately continue gradually recovering driven mainly by internal demand.

Government measures to offset the rise in prices should restrain inflation but they will not be sufficient. Households will likely restrain their spending even more against a backdrop of inflationary caution. In addition, any post-pandemic "revenge consumption" is likely to run out of steam around summer, and the economy may see the impact of the constrained supply caused by the labor shortage. Further, even if overseas economies can avoid serious downturns, regaining full momentum will take time, meaning that a recovery for exports from Japan is likely to be slow. Therefore, the pace of economic recovery can lull temporary.

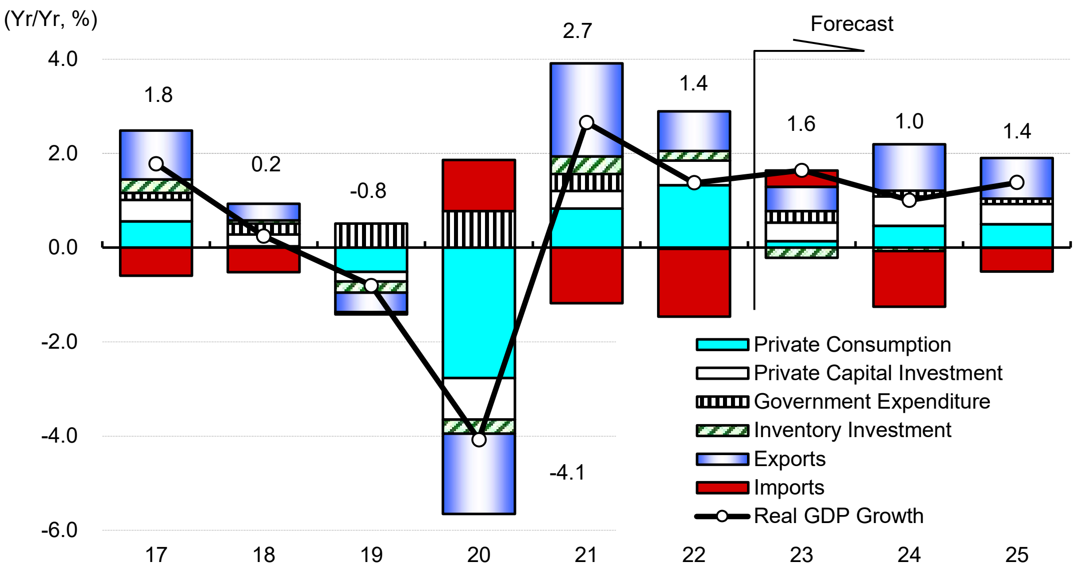
At the same time, positive forces for the economy will be improving employment conditions and rising wages, increasing corporate capital investment as companies look ahead to post-pandemic business, growing demand from inbound tourists, and the progress in eliminating automobile production constraints.

With these underlying conditions, if the slowdown in overseas economies comes to an end and the upward pressure on prices weakens, we think the Japanese economy will gain real traction for economic recovery towards the end of fiscal 2023. The prerequisites for this scenario will be the anti-inflation measures implemented beginning in January 2023 being sustained throughout the fiscal year and serving as a buoy for personal consumption.

We forecast a real GDP growth rate for fiscal 2023 of +1.6% year on year (or +1.0% excluding the base-level effect). While the economy will face downward pressures from high prices and slowing economic activity overseas, as the economy moves into the post-pandemic era where the economy is no longer influenced by COVID-19 conditions and where economic and social activity is normalizing, we expect the economy in Japan to continue to recover gradually, mainly driven by domestic demand, and avoid an economic downturn.

We expect the real GDP growth rate for fiscal 2024 to be +1.0% year on year (or +0.8% excluding the base-level effect) and for fiscal 2025 to be +1.4% (or +0.9% excluding the base-level effect). Although the boost from the recovery from the COVID-19 pandemic will run its course, we expect positive factors, including rising nominal wages on a backdrop of tight labor supply and demand, a slowdown in the rate of price increases, forward-looking corporate capital investment, and the recovery of overseas economies, to continue sustaining a moderate economic recovery.

Chart 6. Real GDP growth rate by demand (Fiscal year)



Source: Cabinet Office "Quarterly Estimates of GDP"

Economic Outlook for fiscal 2022-2025

【GDP demand】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Nominal GDP	2.0	5.0	2.5	2.3
Real GDP	1.4	1.6	1.0	1.4
Contribution of domestic demand	1.9	0.7	1.2	1.0
Private consumption	2.5	0.3	0.9	0.9
Housing investment	-3.0	5.5	1.8	-0.1
Private capital investment	3.1	2.3	3.6	2.4
Contribution of inventory investment	0.2	-0.2	-0.1	-0.0
Government expenditure	-0.1	0.9	0.5	0.4
Government final consumption expenditure	0.7	0.3	0.5	0.5
Public investment	-3.1	3.2	0.3	0.3
Contribution of external demand	-0.6	0.9	-0.2	0.4
Export of goods and services	4.5	2.4	4.6	4.0
Import of goods and services	7.2	-1.4	5.1	2.1
GDP deflator	0.7	3.3	1.4	0.9

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Real GDP (US) (CY)	2.1	2.0	1.2	1.2
Real GDP (Euro zone) (CY)	3.4	0.6	0.8	1.2
Real GDP (Asia)				
Real GDP (China)	3.0	5.2	4.8	5.0
Yen/U.S.Dollar	135.4	138.4	129.8	125.8
Uncollateralized call rates (O/N) (%)*	-0.027	-0.035	-0.023	0.050
TIBOR (3months)	-0.017	-0.004	0.023	0.150
Newly issued government bond yields (10years) (%)	0.29	0.61	0.91	1.15
WTI future price (near month contract, US dollar/barrel)	89.7	79.4	83.2	84.6
North Sea Brent Crude (US dollar/barrel)	95.1	83.5	87.2	88.6

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Value of exports (Yen base)	15.5	1.0	1.3	2.1
Ammount (Yr/Yr,%)	-3.8	-0.8	4.7	2.9
Value of imports (Yen base)	32.3	-8.2	1.2	-1.3
Ammount (Yr/Yr,%)	-1.6	-0.1	3.7	1.2
Balance (trillion yen)	-21.8	-10.8	-10.9	-7.3
Current account balance (trillion yen)	9.4	17.4	14.8	17.4
balance on goods (trillion yen)	-18.0	-6.5	-6.5	-2.9
balance on service (trillion yen)	-5.2	-4.2	-4.9	-5.0
balance on income (trillion yen)	35.6	31.7	28.8	27.8

【Corporations】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Industrial production	-0.3	0.7	3.0	1.7
Inventory index	2.3	1.9	0.4	0.4
Sales	6.6	4.2	2.5	1.5
Ordinary Profits	8.8	5.3	9.5	6.3

【Income and employment】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Income per capita	1.9	2.0	1.4	1.0
Scheduled	1.1	1.7	1.2	0.8
Non-scheduled	4.1	0.8	1.8	1.1
Real wage indices	-1.9	-1.3	-0.7	0.0
Number of employees	0.6	0.5	0.4	0.3
Nominal compensation of employees*	2.0	2.6	1.8	1.3
Unemployment rate (%)	2.6	2.5	2.3	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Domestic corporate goods prices	9.4	2.6	1.1	0.3
excluding tax effects	9.4	2.6	1.2	0.3
Consumer prices	3.2	2.7	1.7	0.9
excluding freshfood	3.0	2.8	1.9	0.8
excluding food (excluding alcoholic beverages) and energy	2.0	3.3	1.0	0.9

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
New housing starts	86.1	83.3	84.3	83.5
	-0.6	-3.2	1.1	-0.9
Owned	24.8	23.1	23.2	23.0
	-11.8	-6.9	0.6	-1.1
Rented	34.7	35.0	34.9	34.2
	5.0	0.6	-0.2	-2.0
Built for Sale	26.0	24.7	25.6	25.7
	4.5	-4.8	3.6	0.6

Economic Outlook for calendar 2022-2025

【GDP demand】

forecast

Yr/Yr、%

	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Nominal GDP	1.3	5.2	2.6	2.4
Real GDP	1.0	1.9	1.0	1.3
Contribution of domestic demand	1.2	1.6	1.3	1.0
Private consumption	2.1	0.9	0.6	0.9
Housing investment	-3.5	4.0	3.0	0.1
Private capital investment	1.9	3.0	3.1	2.9
Contribution of inventory investment	1.3	-0.2	-0.1	-0.0
Government expenditure	-0.5	1.0	0.5	0.4
Government final consumption expenditure	1.2	0.4	0.4	0.5
Public investment	-7.2	3.6	0.7	0.2
Contribution of external demand	-0.6	0.5	0.0	0.2
Export of goods and services	5.1	1.6	4.9	4.1
Import of goods and services	8.0	-0.7	4.4	2.8
GDP deflator	0.2	3.2	1.6	1.1

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Real GDP (US) (CY)	2.1	2.0	1.2	1.2
Real GDP (Euro zone) (CY)	3.4	0.6	0.8	1.2
Real GDP (Asia)				
Real GDP (China)	3.0	5.2	4.8	5.0
Yen/U.S.Dollar	131.4	137.5	132.0	126.3
Uncollateralized call rates (O/N) (%)*	-0.026	-0.032	-0.030	0.038
TIBOR (3months)	-0.028	-0.004	-0.003	0.138
Newly issued government bond yields (10years) (%)	0.23	0.54	0.85	1.10
WTI future price (near month contract, US dollar/barrel)	94.2	78.0	82.8	84.2
North Sea Brent Crude (US dollar/barrel)	98.9	82.6	86.8	88.2

* actual=average, forecast=end of period

【External demand (export and import)】

forecast

Yr/Yr、%

		CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Value of exports (Yen base)		18.2	0.4	2.9	1.5
	Ammount (Yr/Yr,%)	-1.9	-4.5	5.5	3.1
Value of imports (Yen base)		39.2	-6.3	2.0	-1.6
	Ammount (Yr/Yr,%)	-0.2	-2.3	4.3	1.4
Balance (trillion yen)		-20.0	-12.2	-11.6	-8.3
Current account balance (trillion yen)		11.5	16.9	14.3	16.7
	balance on goods (trillion yen)	-15.7	-8.1	-7.0	-3.8
	balance on service (trillion yen)	-5.4	-4.3	-4.8	-5.0
	balance on income (trillion yen)	35.2	33.2	28.9	28.0

【Corporations】

forecast

Yr/Yr、%

	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Industrial production	-0.1	-0.6	3.2	1.9
Inventory index	2.7	3.9	1.0	0.8
Sales*	7.4	4.6	3.0	1.6
Ordinary Profits	11.2	4.3	9.6	6.7

【Income and employment】

forecast

Yr/Yr、%

		CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Income per capita		2.0	1.8	1.5	1.0
	Scheduled	1.1	1.4	1.4	0.9
	Non-scheduled	5.0	0.7	1.7	1.2
Real wage indices		-1.1	-1.8	-0.6	-0.1
Number of employees		0.4	0.5	0.5	0.3
Nominal compensation of employees*		2.0	2.4	2.0	1.4
Unemployment rate (%)		2.6	2.5	2.4	2.2

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	9.7	4.5	1.2	0.4
excluding tax effects	9.7	4.5	1.2	0.4
Consumer prices	2.5	3.1	1.9	1.0
excluding freshfood	2.3	3.1	2.0	1.0
excluding food (excluding alcoholic beverages) and energy	1.0	3.5	1.5	0.9

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	CY 2022 (actual)	CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)
New housing starts	85.9	84.2	84.4	83.8
	0.4	-2.1	0.3	-0.7
Owned	25.3	23.3	23.3	23.0
	-11.1	-8.2	0.1	-1.0
Rented	34.5	35.1	35.0	34.4
	7.5	1.8	-0.2	-1.9
Built for Sale	25.5	25.3	25.5	25.8
	4.5	-1.0	1.0	1.1

Economic Outlook (Quarterly)

forecast (from FY 2023 4-6)

Qr/Qr,%
Yr/Yr,%

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Nominal GDP (Qr/Qr,%)	1.0	-0.8	1.2	2.3	2.9	-0.1	0.1	0.7	1.2	0.5	0.3	0.7	0.8	0.6	0.3	0.6
Nominal GDP Annualized rate	4.1	-3.3	4.9	9.5	12.0	-0.5	0.5	2.7	4.9	2.0	1.3	2.8	3.3	2.3	1.3	2.6
Nominal GDP (Yr/Yr,%)	1.4	1.1	1.6	4.0	5.4	6.3	4.9	3.5	2.2	2.4	2.5	2.7	2.3	2.4	2.4	2.3
Real GDP (Qr/Qr,%)	1.3	-0.3	0.0	0.9	1.5	-0.7	0.2	0.2	0.4	0.3	0.3	0.3	0.4	0.4	0.3	0.3
Real GDP Annualized rate	5.1	-1.2	0.2	3.7	6.0	-2.7	0.7	1.0	1.5	1.4	1.1	1.3	1.5	1.6	1.4	1.4
Real GDP (Yr/Yr,%)	1.7	1.5	0.4	2.0	2.0	1.6	1.8	1.1	0.4	1.2	1.2	1.3	1.3	1.4	1.4	1.4
Contribution of domestic demand (Qr/Qr,%)	1.1	0.3	-0.3	1.2	-0.3	0.1	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2
Private consumption	1.8	-0.0	0.2	0.6	-0.5	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	2.7	3.6	1.0	2.7	0.2	0.5	0.3	-0.0	0.7	0.8	1.0	0.9	0.9	0.9	0.9	0.9
Housing investment	-1.8	-0.1	0.9	0.7	1.9	3.0	0.5	0.2	0.5	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.1
	-5.2	-4.1	-2.2	-0.4	3.5	6.6	6.2	5.6	4.3	1.4	1.0	0.8	0.2	-0.1	-0.3	-0.4
Private capital investment	1.7	1.7	-0.7	1.8	0.0	0.3	0.7	0.9	1.2	0.9	0.8	0.7	0.5	0.5	0.5	0.5
	0.9	4.0	2.5	4.7	2.9	1.4	2.8	2.0	3.2	3.7	3.8	3.7	3.0	2.5	2.2	2.0
Contribution of inventory investment (Qr/Qr,%)	-0.1	0.0	-0.4	0.4	-0.2	-0.2	0.1	-0.1	-0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.0
Government expenditure	0.3	0.0	0.4	0.4	0.3	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
	-0.7	-1.3	0.5	1.1	1.0	1.1	1.0	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.4	0.4
Government final consumption expenditure	0.4	-0.0	0.2	0.1	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.1
	1.2	-0.1	1.2	0.6	0.3	0.4	0.3	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Public investment	0.1	1.1	0.3	1.7	1.2	0.3	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.0
	-9.2	-5.1	-2.4	3.0	4.7	3.8	3.3	1.6	0.7	0.4	0.2	0.2	0.3	0.2	0.2	0.2
Contribution of external demand (Qr/Qr,%)	0.1	-0.6	0.3	-0.3	1.8	-0.8	-0.1	-0.0	0.0	-0.0	0.0	0.0	0.1	0.1	0.1	0.1
Export of goods and services	1.9	2.4	1.5	-3.8	3.2	0.7	0.6	1.1	1.2	1.2	1.2	1.1	0.9	0.9	0.9	0.9
	2.9	5.9	7.3	1.8	3.2	1.2	0.5	4.9	5.0	5.2	4.6	3.8	4.4	4.4	3.9	3.5
Import of goods and services	1.1	5.5	-0.1	-2.3	-4.3	3.8	1.0	1.0	1.0	1.1	1.1	0.8	0.3	0.3	0.3	0.3
	3.2	10.9	10.4	4.2	-1.6	-3.0	-2.0	1.2	7.3	4.9	4.5	3.8	3.2	2.5	1.7	1.2
GDP deflator (Yr/Yr,%)	-0.3	-0.4	1.2	2.0	3.4	4.6	3.0	2.3	1.8	1.2	1.3	1.4	0.9	1.0	1.0	0.9

【Overseas economy and market data】

forecast (from FY 2023 4-6)

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Real GDP (US) (Annualized Qr/Qr rate,%)	-0.6	3.2	2.6	2.0	2.4	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.2	1.1	1.0	-100.0
Real GDP (Euro zone) (Annualized Qr/Qr rate,%)	3.3	1.3	-0.2	0.3	0.5	0.5	0.0	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.3	0.9
Real GDP (Asia) (Yr/Yr,%)																
Real GDP (China) (Yr/Yr,%)	0.4	3.9	2.9	4.5	6.3	4.6	5.3	4.5	4.4	4.9	5.1	5.1	4.9	5.0	5.0	5.1
Yen/U.S.Dollar	129.6	138.4	141.4	132.3	137.4	141.4	139.0	136.0	133.0	130.3	128.7	127.0	126.5	126.0	125.5	125.0
Uncollateralized call rates (O/N) (%)*	-0.017	-0.020	-0.051	-0.019	-0.044	-0.035	-0.030	-0.030	-0.030	-0.030	-0.030	0.000	0.050	0.050	0.050	0.050
TIBOR (3months)	-0.037	-0.012	-0.014	-0.004	-0.008	-0.003	-0.003	-0.003	-0.003	-0.003	-0.003	0.100	0.150	0.150	0.150	0.150
Newly issued government bond yields (10years) (%)	0.23	0.22	0.28	0.44	0.42	0.58	0.70	0.75	0.80	0.90	0.95	1.00	1.10	1.10	1.20	1.20
WTI future price (near month contract, US dollar/barrel)	108.4	91.6	82.6	76.1	73.8	80.0	82.0	82.0	82.4	83.0	83.6	83.8	83.8	84.2	84.8	85.4
North Sea Brent Crude (US dollar/barrel)	111.8	97.8	88.6	82.2	78.0	84.1	86.0	86.0	86.4	87.0	87.6	87.8	87.8	88.2	88.8	89.4

* actual=average, forecast=end of period

【External demand (export and import)】

forecast (from FY 2023 4-6)

Yr/Yr、%

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Value of exports (Yen base)	15.9	23.2	18.7	4.8	1.6	-2.1	-1.9	7.1	3.4	0.7	0.6	0.4	0.9	1.9	2.5	3.1
Ammount (Yr/Yr,%)	-3.1	0.2	-3.7	-8.8	-5.7	-4.0	0.5	6.7	5.7	5.2	4.3	3.6	2.9	2.9	2.9	2.8
Ammount (Qr/Qr,%)	-1.1	-0.8	-3.0	-4.1	2.4	1.1	1.6	1.5	1.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Value of imports (Yen base)	40.6	47.3	34.0	11.2	-8.5	-13.5	-10.9	1.1	6.1	1.9	-0.8	-1.8	-1.8	-1.5	-1.3	-0.6
Ammount (Yr/Yr,%)	-1.2	1.1	-2.0	-4.1	-3.9	-2.4	1.4	4.7	5.4	4.2	3.0	2.1	1.4	1.1	1.1	1.1
Ammount (Qr/Qr,%)	-1.0	0.1	-2.2	-2.1	0.4	1.6	1.5	1.1	1.0	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Balance (trillion yen)	-4.6	-6.3	-5.7	-5.2	-1.8	-2.6	-2.6	-3.8	-2.5	-2.9	-2.3	-3.2	-1.8	-2.0	-1.2	-2.3
Current account balance (trillion yen)*	3.2	1.0	2.5	2.7	5.9	4.5	3.7	3.2	3.7	3.8	3.8	3.7	4.1	4.3	4.5	4.5
Balance on goods (trillion yen)*	-3.7	-5.6	-5.2	-3.7	-0.9	-1.5	-1.9	-2.2	-1.7	-1.6	-1.4	-1.4	-1.1	-0.8	-0.5	-0.4
Balance on service (trillion yen)*	-1.1	-1.9	-1.0	-1.2	-0.9	-1.1	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3	-1.2	-1.2	-1.3	-1.3
Balance on income (trillion yen)*	8.6	9.1	9.4	8.8	8.7	8.0	7.5	7.2	7.3	7.3	7.2	7.0	7.0	7.0	6.9	6.8

*seasonally adjusted

【Corporations】

forecast

Yr/Yr, %

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Industrial production (Qr/Qr, %)	-1.4	3.1	-1.7	-1.8	1.4	0.1	0.9	1.0	0.8	0.6	0.6	0.4	0.4	0.4	0.4	0.4
(Yr/Yr, %)	-3.4	4.0	-0.2	-1.3	1.0	-1.9	0.1	3.7	2.9	3.6	3.0	2.6	2.0	1.7	1.4	1.5
Inventory index (Qr/Qr, %)	-1.5	3.5	-0.3	0.7	1.9	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(Yr/Yr, %)	4.7	6.2	2.7	2.3	5.9	3.4	3.9	1.9	0.1	1.0	1.0	0.4	0.4	0.7	0.8	0.4
Sales	7.2	8.3	6.1	5.0	5.1	4.8	3.4	3.8	3.1	2.7	2.4	1.9	1.6	1.5	1.4	1.3
Ordinary profits	17.6	18.3	-2.8	4.3	-2.3	4.9	12.0	8.3	10.2	11.0	9.0	7.9	6.4	6.6	6.2	6.0

*Forecast starts from 2023 1-3.

【Income and employment】

forecast

Yr/Yr, %

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Income per capita	1.6	1.7	2.9	1.0	2.0	1.9	2.1	1.9	1.6	1.4	1.3	1.1	1.1	0.9	1.0	0.9
Scheduled	1.1	1.3	1.3	0.7	1.3	1.7	1.8	1.9	1.5	1.2	1.0	1.0	0.9	0.8	0.8	0.9
Non-scheduled	5.1	5.2	5.3	1.0	0.7	0.5	0.8	1.2	1.8	2.0	1.8	1.5	1.3	1.1	0.9	1.1
Real wage indices	-1.3	-1.6	-1.7	-3.1	-1.9	-1.9	-0.8	-0.5	-1.1	-0.6	-0.4	-0.6	0.2	-0.0	-0.0	-0.2
Number of employees	0.7	0.5	0.7	0.4	0.5	0.4	0.6	0.7	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Nominal compensation of employees*	2.1	1.9	2.5	1.4	2.6	2.4	2.8	2.5	2.1	1.8	1.7	1.4	1.4	1.3	1.4	1.2
Unemployment rate (%)	2.6	2.6	2.5	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2

※GDP base

【Goods prices】

forecast

Yr/Yr, %

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Domestic corporate goods prices	9.7	9.6	10.0	8.4	5.2	3.5	1.3	0.8	1.7	1.4	0.7	0.7	0.2	0.2	0.3	0.5
Consumer prices	2.4	2.9	3.9	3.6	3.4	3.1	2.4	2.0	2.3	1.7	1.5	1.4	0.8	0.8	0.9	1.0
excluding freshfood	2.1	2.7	3.8	3.5	3.2	3.1	2.4	2.3	2.5	1.9	1.6	1.5	0.8	0.8	0.8	0.9
excluding food (excluding alcoholic beverages) and energy	0.8	1.4	2.5	3.2	3.8	3.8	3.1	2.5	1.5	1.0	0.9	0.8	0.9	0.9	0.9	0.9

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr, %

	FY 2022				FY 2023				FY 2024				FY 2025			
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
New housing starts	85.3	86.3	85.1	87.6	81.5	83.4	84.2	84.5	84.5	84.4	84.2	84.1	83.9	83.7	83.5	83.3
	-1.3	0.0	-1.6	0.6	-4.7	-3.2	-1.3	-3.6	3.7	1.4	-0.0	-0.7	-0.9	-1.0	-1.0	-0.8
Owned	25.7	25.2	24.2	23.9	22.7	23.2	23.3	23.3	23.3	23.3	23.2	23.1	23.1	23.0	22.9	22.9
	-8.9	-12.8	-15.7	-8.9	-11.9	-7.7	-4.3	-2.7	2.6	0.8	-0.5	-0.8	-0.9	-0.9	-1.2	-1.2
Rented	33.9	34.4	34.9	35.7	34.6	34.9	35.1	35.2	35.1	35.0	34.8	34.6	34.4	34.3	34.1	33.9
	2.5	6.3	8.4	3.0	2.0	1.3	0.5	-1.4	1.5	0.2	-1.0	-1.7	-1.9	-2.1	-2.1	-2.0
Built for Sale	25.1	26.0	25.4	27.5	23.6	24.7	25.3	25.4	25.5	25.6	25.7	25.7	25.8	25.9	25.9	26.0
	2.7	7.1	1.8	6.5	-6.6	-4.7	-0.2	-7.5	8.1	3.7	1.8	0.8	0.6	0.5	0.5	0.9