

Report

The Japanese Economy in Fiscal 2024 and Fiscal 2025

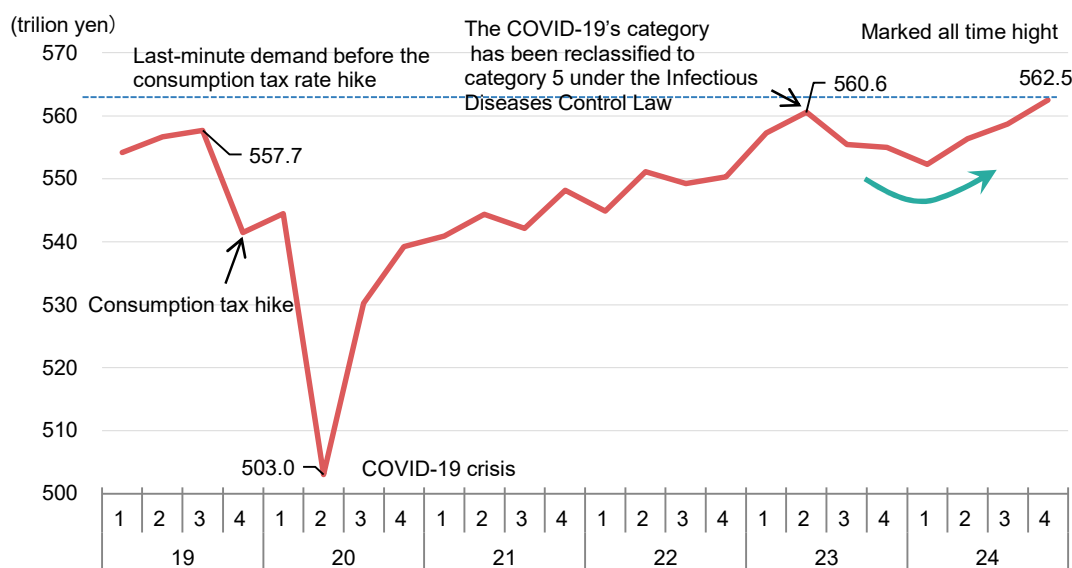
—Ongoing gradual economic recovery, but with downside risk—

(1) Current State of the Economy—Ongoing gradual recovery

Economic growth accelerated, but the numbers are not as strong as they appear

The real GDP growth rate (first preliminary figures) for the October-December quarter of 2024 released by the Cabinet Office on February 17 showed a +0.7% acceleration from the previous quarter (annualized growth rate of +2.8%). The positive growth trend has now extended to a third straight quarter, and reached a new quarterly high (Chart 1). The result confirms that the economy is gradually recovering, but the overall contribution from domestic demand was -0.1% compared to the previous quarter, suggesting that the economy is not as strong as it appears.

Chart 1. Real GDP growth rate



Source: Cabinet Office "Quarterly Estimates of GDP"

Considerable slowdown in private consumption growth

The breakdown of domestic demand by category reveals that real private consumption increased +0.1% from the previous quarter, marking a considerable slowing of momentum from the +0.7% rise in the July-September quarter. Real employee compensation rose a solid +1.5% from the previous quarter, but this did not lead higher spending due to factors including the fallback from the rise in demand for stockpile items during the summer, the sluggish sales of seasonal products due to high temperatures in autumn, and the growing sense among households of the need to restrain spending, particularly owing to the high food prices for rice and fresh produce. By type of goods, durable goods (automobiles, home appliances, furniture) rose by

+3.6% from the previous quarter for a third straight quarterly increase supported largely by increased demand for home appliances. However, semi-durable goods (clothing, personal items) declined -1.7% from the previous quarter due mainly to the sluggish demand for fall apparel, and non-durable goods (food, energy, daily necessities) fell -0.3% from the previous quarter amid soaring prices for food items. Spending on services edged up +0.1% on solid demand for lodging among other items.

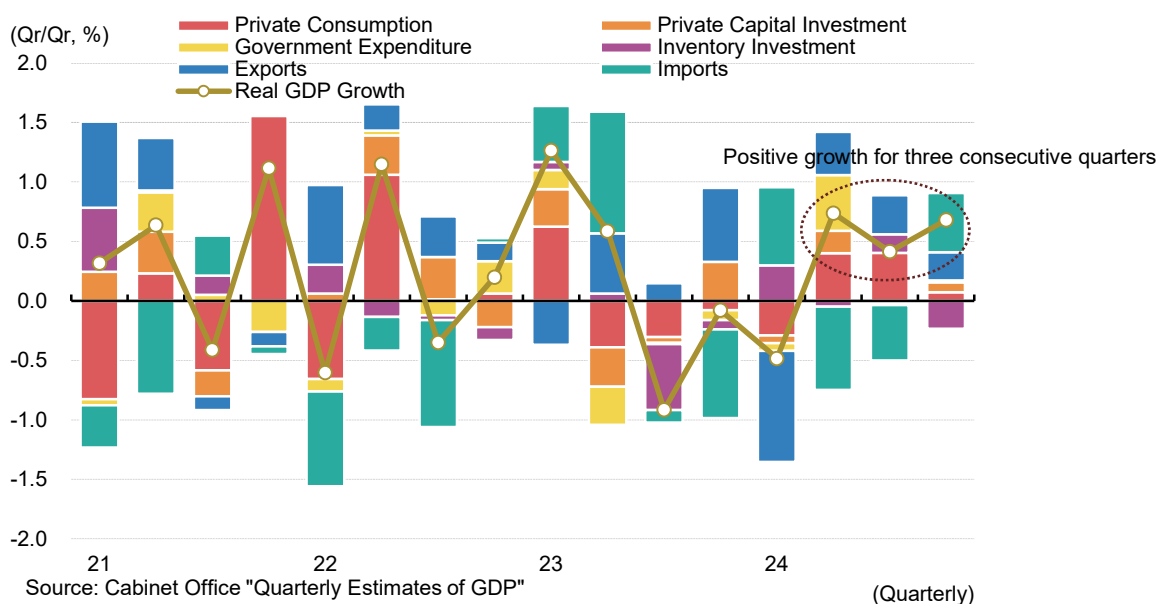
Real housing investment ticked up +0.1% compared to the previous quarter for a third straight quarterly increase, while housing starts remained essentially flat on average.

In the corporate sector, capital investment in real terms turned upward, rising by +0.5% from the previous quarter. Although prices, construction costs in particular, are rising, the shortage of labor and healthy earnings are fueling solid and growing corporate appetite for investment. The contribution of inventory investment in real terms to the real GDP growth rate contracted by -0.2%, partly as a reaction to the rise in the previous quarter.

In the government sector, general medical and nursing expenses grew in line with the aging of the population, and the rising trend in real government final consumption continued with an increase of +0.3% from the previous quarter. Public investment in real terms declined by -0.3%, for a second straight quarterly contraction, amid rising construction costs.

As a result, the overall contribution from internal demand was down by -0.1% compared to the previous quarter, for the first decline in three quarters. Conversely, the contribution from external demand rose +0.7%, marking the first positive growth in five quarters and boosting the growth rate as a whole. Goods exports remained essentially flat at +0.1% compared to the previous quarter, but higher demand from inbound tourists and for R&D services helped boost service exports which grew by +4.1%, resulting in a +1.1% rise in real exports. Real imports slowed -2.1% from the previous quarter on lower imports of pharmaceuticals and electronic components, boosting the export growth rate. (This was a positive factor for the growth rate, as lower imports amount to an increase in net exports.)

The nominal GDP growth rate continued steadily increasing, rising +1.3% compared to the previous quarter (annualized growth rate of +5.1%). The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up by +2.8% year on year, expanding on the +2.4% YoY increase in the July-September quarter. (The seasonally adjusted GDP deflator increased by +0.6% from the previous quarter.) One factor behind the rise was the increasing upward pressure on prices, particularly for goods, including food.

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


2024 GDP set to rise +0.1% year on year, positive growth reaches fourth year by a slim margin

Japan's real GDP growth continued for a fourth consecutive year in 2024, albeit by a slim margin of +0.1%, which is behind the GDP growth of +2.8% in the United States and +0.7% in the Eurozone. Capital investment rose +1.2% and government spending increased +0.9%, but the overall growth was slowed by the -0.1% decline in private consumption, which was primarily due to restrained household spending amid the high prices.

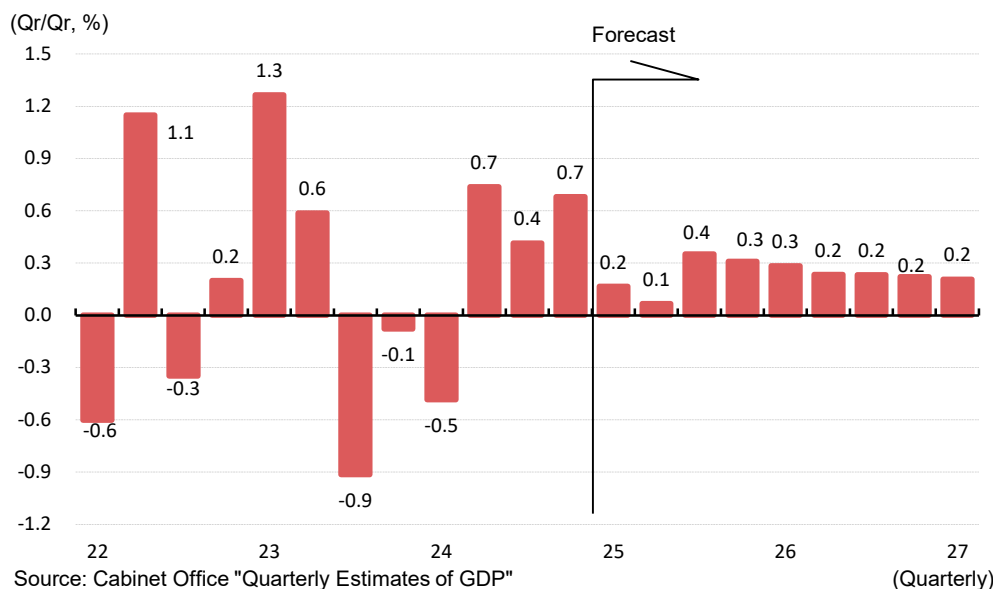
Nominal GDP was up a solid +2.9% year on year to 609.3 trillion yen, surpassing 600 trillion yen for the first time. However, the slight increase in real terms suggests the economy is not in a firm expansionary mode.

(2) Economic Outlook for Fiscal 2024 and Fiscal 2025

—Ongoing gradual economic recovery, but with downside risk

Japan's economy set to grow for a fourth straight year in fiscal 2024

We expect the Japanese economy to continue expanding in the January-March quarter (Chart 3). We also expect the improving wages and employment conditions to support an ongoing improvement, although gradual, in private consumption. We also expect the strong corporate appetite for investment to continue driving growth in capital investment and provide a foundation for the overall economy. We expect goods export to accelerate ahead of potential tariff increases that may be enforced by U.S. President Trump. However, we also expect service exports to fall back from the high growth in the previous quarter and, when also factoring expectations for higher demand from inbound tourists, we expect the contribution of external demand to the economy to remain low.

Chart 3. Real GDP growth rate (Quarterly)


As a result, we forecast the real GDP growth rate growing for a fourth straight year in fiscal 2024 with +0.8% year-on-year growth (Chart 4). This is a slight improvement in line with the +0.7% growth in fiscal 2023, but it appears low due to the influence of the base effect (-0.6%). Excluding this effect, the expected rate is a solid +1.4%.

Fiscal 2025 downside risk warrants caution

We expect the Japanese economy to continue gradually recovering in fiscal 2025 at a +1.2% year-on-year pace, but the potential downside risks will warrant extra attention.

The primary positive factor ahead for the economy in 2025 is the annual spring wage negotiations, which we expect to yield a significant rise in worker incomes. This factor, combined with a softer upward pressure on the price of goods as the upward pressure on import prices subsides in the latter half of the fiscal year, should lead to gradually improving consumer sentiment that will support a rising trend in private consumption.

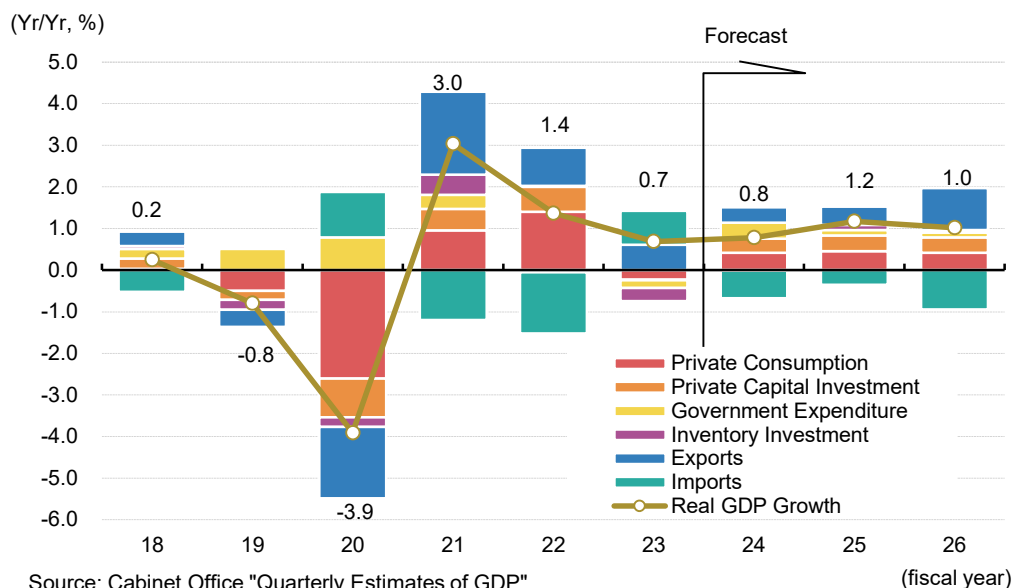
In addition, corporate appetite for investment is expected to remain solid, backed by strong business performances and labor shortages, and this capital investment should underpin the economy. The normalization of monetary policy could lead to higher long-term and short-term interest rates, but we do not expect that to seriously dampen capital investment because any rate hikes would likely be small and companies are continuing to strengthen their financial positions.

Furthermore, sustaining growth in demand from inbound tourists and the recovery in the global demand for semiconductors should also provide tailwinds for the economy.

We expect a limited positive effect from the government's new economic measures (Comprehensive Economic Measures to Foster the Safety and Security of Citizens and Sustained Growth), and

likewise a limited negative effect from the Bank of Japan's monetary tightening.

Chart 4. Real GDP growth rate by demand (Fiscal year)



However, the economic outlook has become more uncertain than in the past, mainly due to overseas factors. One significant factor of uncertainty is the potential impact from the Trump administration's policies in the United States. The Trump administration's policies of increasing tariffs on imports, lowering corporate tax rates, extending the Trump tax cuts to lower the top income tax rate, and strengthening measures against illegal immigration all would contribute to upward pressure on prices and deteriorating fiscal conditions, which would increase interest rates. This would increase expectations for U.S. economic growth and higher corporate profits, pushing up stock prices, turning long-term interest rates upward and ultimately strengthening the U.S. dollar. These policies could drive the economy into steady recovery, but they also carry the risk that the economy will fail to make a soft landing and high prices and interest rates will lead to an economic downturn. A deteriorating U.S. economy will inevitably impact the global economy, and growing negative factors, such as declining exports, could undermine the economic recovery momentum and even invite risks of economic stagnation.

Inflation is still a concern. The rising rate of energy prices has been gradually slowing as the international commodity markets, such as for crude oil, have stabilized. However, consumer sentiment has been negatively impact by the recent sharp increases in food prices, particularly for rice. The weak yen, unfavorable weather conditions, and rising labor and logistics costs could all work to also accelerate the pace of inflation in the service sector. Persisting strong upward pressure on prices could cause consumer sentiment to deteriorate and households to restrain spending, triggering another slowdown in private consumption. That scenario would lead to the risk of disrupting the gradual but continuing virtuous cycle of growth and distribution.

Other factors in Japan include the risk that higher interest rates will suppress new capital

investment, home purchases and other components of demand, and the growing negative factor of supply constraints caused by labor shortages, which could both weaken the momentum for economic recovery.

We expect the Japanese economy to continue improving in fiscal 2026 as well. If the expansion of the economy, which bottomed out in May 2020, continues to July 2026, it would reach 73 straight months, which would match the longest period of growth in the post-war period. A number of conditions must be met for this to happen, including the continuation of a virtuous cycle of growth and distribution, price stability, and continuing recovery in overseas economies.

Economic Outlook for fiscal 2023-2026

【GDP demand】

		forecast			Yr/Yr, %
	FY 2023 (actual)	FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Nominal GDP	4.9	3.7	3.2	2.4	
Real GDP	0.7	0.8	1.2	1.0	
Contribution of domestic demand	-0.7	1.1	1.1	0.9	
Private consumption	-0.4	0.8	0.9	0.8	
Housing investment	0.8	-1.2	-0.6	-0.4	
Private capital investment	-0.1	1.9	2.1	2.1	
Contribution of inventory investment	-0.3	-0.0	0.1	0.1	
Government expenditure	-0.7	1.5	0.5	0.4	
Government final consumption expenditure	-0.8	1.5	0.6	0.5	
Public investment	-0.3	1.7	-0.0	0.3	
Contribution of external demand	1.4	-0.3	0.1	0.1	
Export of goods and services	2.9	1.7	1.9	4.5	
Import of goods and services	-3.3	2.9	1.5	4.0	
GDP deflator	4.2	2.9	2.0	1.3	

【Overseas economy and market data】

		forecast			Yr/Yr, %
	FY 2023 (actual)	FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Real GDP (US) (CY)	2.9	2.8	2.2	2.0	
Real GDP (Euro zone) (CY)	0.5	0.7	0.6	0.9	
Real GDP (Asia)					
Real GDP (China)	5.4	5.0	4.6	4.4	
Yen/U.S.Dollar	144.6	153.0	150.4	146.0	
Uncollateralized call rates (O/N) (%)*	-0.029	0.225	0.646	0.720	
TIBOR (3months)	-0.016	0.284	0.746	0.820	
Newly issued government bond yields (10years) (%)	0.62	1.05	1.40	1.49	
WTI future price (near month contract, US dollar/barrel)	77.8	74.5	72.3	74.5	
North Sea Brent Crude (US dollar/barrel)	82.1	78.4	76.3	78.5	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2023 (actual)	forecast		Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	
Value of exports (Yen base)	3.7	5.9	2.5	2.0
Ammount (Yr/Yr,%)	-2.3	-1.6	1.8	2.8
Value of imports (Yen base)	-10.2	3.9	1.9	1.0
Ammount (Yr/Yr,%)	-5.2	-0.5	0.9	1.9
Balance (trillion yen)	-6.1	-4.2	-3.7	-2.7
Current account balance (trillion yen)	26.6	31.2	29.7	30.5
balance on goods (trillion yen)	-3.7	-2.2	-0.6	0.4
balance on service (trillion yen)	-2.6	-2.4	-3.0	-3.5
balance on income (trillion yen)	37.1	40.7	38.7	38.9

【Corporations】

	FY 2023 (actual)	forecast		Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	
Industrial production	-1.9	-0.4	1.8	1.3
Inventory index	-1.0	-1.2	0.4	0.4
Sales	4.2	2.9	1.9	1.7
Ordinary Profits	14.6	6.6	7.0	6.6

【Income and employment】

	FY 2023 (actual)	forecast		Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	
Income per capita	1.3	3.3	2.8	2.1
Scheduled	1.3	2.4	2.7	2.1
Non-scheduled	-0.3	0.5	0.5	0.4
Real wage indices	-2.2	-0.2	-0.2	0.3
Number of employees	0.7	0.8	0.6	0.4
Nominal compensation of employees*	1.9	4.7	3.3	2.4
Unemployment rate (%)	2.6	2.5	2.4	2.2

*GDP base

【Goods prices】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Domestic corporate goods prices	2.5	3.2	3.0	0.5	
excluding tax effects	2.4	3.3	3.0	0.5	
Consumer prices	3.0	3.0	2.5	1.6	
excluding freshfood	2.8	2.7	2.1	1.4	
excluding food (excluding alcoholic beverages) and energy	3.9	2.3	1.9	1.6	

【New housing starts】

	FY 2023 (actual)	forecast			annualized, ten thousand units Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
New housing starts	80.0	79.2	78.5	78.0	
	-7.0	-1.0	-0.9	-0.6	
Owned	22.0	21.7	21.7	21.6	
	-11.5	-1.0	-0.1	-0.7	
Rented	34.0	34.1	33.6	33.2	
	-2.0	0.2	-1.6	-1.2	
Built for Sale	23.5	22.6	22.5	22.6	
	-9.4	-3.7	-0.4	0.3	

Economic Outlook for calendar 2023-2026

【GDP demand】

			forecast	Yr/Yr, %
	CY 2023 (actual)	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)
Nominal GDP	5.6	2.9	3.9	2.4
Real GDP	1.5	0.1	1.4	1.1
Contribution of domestic demand	1.5	0.5	0.2	1.2
Private consumption	0.8	-0.1	1.1	0.8
Housing investment	1.5	-2.3	-0.2	-0.4
Private capital investment	1.5	1.2	1.9	2.2
Contribution of inventory investment	-0.3	-0.0	0.1	0.1
Government expenditure	0.1	0.5	0.8	0.5
Government final consumption expenditure	-0.3	0.9	0.9	0.5
Public investment	1.5	-0.9	0.6	0.5
Contribution of external demand	1.0	-0.1	0.2	0.0
Export of goods and services	3.0	1.0	2.1	4.2
Import of goods and services	-1.5	1.3	1.2	4.0
GDP deflator	4.1	2.9	2.5	1.4

【Overseas economy and market data】

			forecast	Yr/Yr, %
	CY 2023 (actual)	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)
Real GDP (US) (CY)	2.9	2.8	2.2	2.0
Real GDP (Euro zone) (CY)	0.5	0.7	0.6	0.9
Real GDP (Asia)				
Real GDP (China)	5.4	5.0	4.6	4.4
Yen/U.S.Dollar	140.5	151.5	151.9	147.0
Uncollateralized call rates (O/N) (%)*	-0.033	0.120	0.570	0.720
TIBOR (3months)	-0.024	0.159	0.672	0.820
Newly issued government bond yields (10years) (%)	0.55	0.89	1.37	1.48
WTI future price (near month contract, US dollar/barrel)	77.6	76.0	71.8	74.1
North Sea Brent Crude (US dollar/barrel)	82.2	80.1	75.8	78.1

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2023 (actual)	CY 2024 (actual)	forecast		Yr/Yr, %
			CY 2025 (forecast)	CY 2026 (forecast)	
Value of exports (Yen base)	2.7	6.2	4.1	1.7	
Ammount (Yr/Yr,%)	-4.0	-2.6	2.3	2.5	
Value of imports (Yen base)	-6.8	1.8	2.5	0.9	
Ammount (Yr/Yr,%)	-4.9	-2.5	1.2	1.8	
Balance (trillion yen)	-9.5	-5.3	-3.8	-2.9	
Current account balance (trillion yen)	22.6	29.3	30.0	30.1	
balance on goods (trillion yen)	-6.5	-3.9	-0.7	0.2	
balance on service (trillion yen)	-2.9	-2.6	-2.9	-3.4	
balance on income (trillion yen)	36.1	40.2	38.9	38.5	

【Corporations】

	CY 2023 (actual)	CY 2024 (actual)	forecast		Yr/Yr, %
			CY 2025 (forecast)	CY 2026 (forecast)	
Industrial production	-1.3	-2.3	2.4	1.4	
Inventory index	-0.5	-2.0	1.1	0.4	
Sales*	5.0	2.7	2.3	1.7	
Ordinary Profits	12.0	9.0	6.4	6.9	

*Forecast starts from CY 2023.

【Income and employment】

	CY 2023 (actual)	CY 2024 (actual)	forecast		Yr/Yr, %
			CY 2025 (forecast)	CY 2026 (forecast)	
Income per capita	1.2	2.9	2.9	2.1	
Scheduled	1.1	2.1	2.8	2.1	
Non-scheduled	0.2	0.1	0.5	0.4	
Real wage indices	-2.5	-0.4	-0.5	0.3	
Number of employees	0.6	0.8	0.8	0.4	
Nominal compensation of employees*	2.0	4.1	3.6	2.5	
Unemployment rate (%)	2.6	2.5	2.4	2.3	

*GDP base

【Goods prices】

	CY 2023 (actual)	CY 2024 (actual)	forecast CY 2025 (forecast)	Yr/Yr, % CY 2026 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	4.4	2.3	3.7	0.8
excluding tax effects	4.3	2.3	3.7	0.8
Consumer prices	3.3	2.7	2.9	1.6
excluding freshfood	3.1	2.6	2.5	1.5
excluding food (excluding alcoholic beverages) and energy	3.9	2.4	2.1	1.5

【New housing starts】

	CY 2023 (actual)	CY 2024 (actual)	forecast CY 2025 (forecast)	annualized, ten thousand units Yr/Yr, % CY 2026 (forecast)
New housing starts	82.1	79.2	78.6	78.2
	-4.5	-3.5	-0.7	-0.6
Owned	22.5	21.8	21.7	21.6
	-11.2	-3.1	-0.4	-0.6
Rented	34.4	34.2	33.7	33.3
	-0.2	-0.5	-1.5	-1.2
Built for Sale	24.7	22.5	22.5	22.6
	-3.4	-8.8	-0.1	0.3

Economic Outlook (Quarterly)

		FY 2023				FY 2024				FY 2025				FY 2026			
		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,%)	2.0	-0.0	0.3	-0.1	2.1	0.7	1.3	1.1	0.8	0.4	0.5	0.7	0.9	0.4	0.4	0.5
	Annualized rate	8.3	-0.0	1.1	-0.3	8.9	3.0	5.1	4.4	3.2	1.6	2.0	2.9	3.4	1.5	1.6	2.0
	(Yr/Yr,%)	5.8	6.7	5.0	2.2	2.3	3.0	4.1	5.4	3.9	3.6	2.7	2.6	2.5	2.4	2.2	2.3
Real GDP	(Qr/Qr,%)	0.6	-0.9	-0.1	-0.5	0.7	0.4	0.7	0.2	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.2
	Annualized rate	2.4	-3.6	-0.3	-1.9	3.0	1.7	2.8	0.7	0.3	1.4	1.2	1.1	0.9	0.9	0.9	0.8
	(Yr/Yr,%)	1.7	1.1	0.8	-0.8	-0.8	0.6	1.2	2.0	1.4	1.3	0.9	1.1	1.2	1.1	0.9	0.9
Contribution of domestic demand (Qr/Qr,%)		-0.9	-1.0	0.0	-0.2	1.1	0.5	-0.1	0.2	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Private consumption		-0.7	-0.6	-0.1	-0.5	0.7	0.7	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		0.5	-0.0	-0.3	-1.8	-0.6	0.9	1.1	1.8	1.2	0.7	0.7	0.9	0.8	0.8	0.8	0.7
Private capital investment		1.6	-0.8	-1.2	-2.8	1.4	0.5	0.1	-0.7	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contribution of inventory investment (Qr/Qr,%)		3.7	2.5	0.6	-3.3	-3.3	-2.1	-0.7	1.2	-0.1	-0.7	-0.9	-0.4	-0.4	-0.4	-0.4	-0.4
Government expenditure		-1.9	-0.3	1.9	-0.4	1.1	-0.1	0.5	0.3	0.8	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Government final consumption expenditure		0.8	-1.9	1.6	-0.7	2.4	2.5	1.1	1.8	1.4	2.3	2.2	2.5	2.2	2.0	2.0	2.0
Public investment		0.1	-0.6	-0.1	0.3	-0.0	0.2	-0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of external demand (Qr/Qr,%)		-1.2	-0.0	-0.3	-0.3	1.8	-0.1	0.1	0.0	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Export of goods and services		-0.2	0.4	-1.0	-2.0	1.3	1.2	1.5	1.9	0.4	0.5	0.5	0.6	0.5	0.5	0.4	0.4
Import of goods and services		-1.5	0.5	-0.0	0.2	0.9	0.1	0.3	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
GDP deflator (Yr/Yr,%)		-1.1	-0.2	-1.0	-0.8	1.6	1.3	1.5	1.6	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4
Contribution of external demand (Qr/Qr,%)		0.1	-2.0	-1.8	-2.0	5.7	-1.1	-0.3	-0.6	0.6	0.0	0.1	0.1	0.0	0.1	0.0	0.1
Export of goods and services		5.3	2.3	-0.7	-6.2	0.5	0.9	1.9	3.1	-1.1	-0.2	0.1	0.8	0.5	0.5	0.2	0.2
Import of goods and services		1.5	0.0	-0.1	-0.3	-0.3	-0.1	0.7	-0.0	-0.3	0.1	0.0	0.0	0.0	0.0	-0.0	-0.0
GDP deflator (Yr/Yr,%)		2.4	0.7	2.8	-4.1	1.7	1.5	1.1	-0.4	-0.7	1.6	1.2	1.1	1.0	1.0	1.0	1.0
GDP deflator (Yr/Yr,%)		3.5	2.4	4.0	1.4	1.1	1.9	-0.2	4.1	1.3	1.4	1.8	3.1	5.1	4.6	4.2	4.0
GDP deflator (Yr/Yr,%)		-4.1	0.4	3.1	-2.8	3.0	2.0	-2.1	-0.3	0.6	1.2	1.1	1.0	1.0	1.0	1.0	1.0
GDP deflator (Yr/Yr,%)		-1.9	-5.3	-2.4	-3.4	3.8	5.3	-0.0	2.6	0.2	-0.7	2.6	3.9	4.2	4.1	3.9	3.9
GDP deflator (Yr/Yr,%)		4.1	5.5	4.2	3.1	3.1	2.4	2.8	3.3	2.6	2.3	1.7	1.5	1.3	1.3	1.3	1.4

Overseas economy and market data

		FY 2023				FY 2024				FY 2025				FY 2026			
		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)		2.5	4.4	3.2	1.6	3.0	3.1	2.3	1.9	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9
Real GDP (Euro zone)		0.3	0.0	0.2	1.3	0.7	1.6	0.2	0.4	0.6	0.7	0.7	1.0	1.0	1.0	1.0	0.9
Real GDP (Asia)																	
Real GDP (China)		6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.0	4.8	4.2	4.3	4.2	4.3	4.4	4.6	4.6
Yen/U.S.Dollar		137.4	144.5	147.9	148.6	155.9	149.2	152.4	154.6	152.5	151.0	149.5	148.5	147.5	146.5	145.5	144.5
Uncollateralized call rates (O/N) (%)		-0.044	-0.055	-0.016	-0.002	0.077	0.177	0.227	0.418	0.480	0.663	0.720	0.720	0.720	0.720	0.720	0.720
TIBOR (3months)		-0.027	-0.050	-0.011	0.025	0.104	0.200	0.307	0.525	0.580	0.763	0.820	0.820	0.820	0.820	0.820	0.820
Newly issued government bond yields (10years) (%)		0.42	0.60	0.76	0.70	0.93	0.93	1.01	1.33	1.35	1.40	1.40	1.45	1.45	1.50	1.50	1.50
WTI future price (near month contract, US dollar/barrel)		73.8	82.3	78.3	77.0	80.6	75.1	71.2	71.0	71.4	72.0	72.6	73.2	73.8	74.4	74.9	75.0
North Sea Brent Crude (US dollar/barrel)		78.0	86.0	82.7	81.8	85.0	78.5	75.1	75.0	75.4	76.0	76.6	77.2	77.8	78.4	78.9	79.0

* actual=average, forecast=end of period

External demand (export and import)

		FY 2023				FY 2024				FY 2025				FY 2026			
		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)		1.6	1.1	3.7	8.8	8.8	4.5	3.2	7.4	2.7	3.5	2.9	0.7	2.3	1.9	1.9	1.7
Amount (Yr/Yr,%)		-4.0	-2.6	-2.0	-0.7	-3.5	-5.1	-0.9	3.4	2.2	3.3	0.4	1.2	3.6	2.7	2.4	2.4
Amount (Qr/Qr,%)		2.2	1.1	-1.2	-3.4	-0.7	1.0	1.7	1.0	-1.7	1.4	0.8	0.7	0.6	0.6	0.6	0.5
Value of imports (Yen base)		-8.7	-16.0	-10.2	-5.1	6.9	6.8	-0.5	2.7	0.8	3.3	3.0	0.6	0.5	1.5	1.0	1.0
Amount (Yr/Yr,%)		-5.2	-6.4	-3.2	-5.9	-3.4	-0.3	-0.4	2.3	2.0	-0.6	1.0	1.3	2.0	1.9	1.9	1.9
Amount (Qr/Qr,%)		0.1	-0.1	-0.9	-3.3	0.1	3.2	-1.2	0.2	-0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Balance (trillion yen)		-1.8	-1.0	-1.5	-1.8	-1.5	-1.6	-0.5	-0.6	-1.0	-1.6	-0.5	-0.6	-0.5	-1.5	-0.3	-0.4
Current account balance (trillion yen)*		6.2	6.5	7.0	6.2	7.1	7.3	8.2	7.9	7.1	7.3	7.4	7.4	7.4	7.4	7.5	7.4
Balance on goods (trillion yen)*		-1.1	-0.7	-1.1	-1.3	-1.4	-1.1	0.0	0.1	-0.5	-0.2	-0.1	0.0	0.0	0.1	0.1	0.1
Balance on service (trillion yen)*		-0.8	-1.1	0.1	-0.8	-0.7	-0.9	-0.2	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-1.0	-1.0	-1.0
Balance on income (trillion yen)*		9.2	9.3	9.0	9.3	10.2	10.4	9.7	9.8	9.7	9.7	9.6	9.6	9.6	9.6	9.6	9.7

*seasonally adjusted

【Corporations】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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, %)	1.3	-1.4	1.1	-5.2	2.7	-0.3	1.1	0.2	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	(Yr/Yr, %)	0.9	-3.9	-0.7	-4.0	-2.9	-1.4	-0.9	3.9	1.5	2.4	1.8	1.5	1.3	1.4	1.4	1.2	1.2
Inventory index	(Qr/Qr, %)	1.8	-1.8	-0.9	-0.1	0.0	-0.3	-1.7	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	(Yr/Yr, %)	5.7	0.0	-0.5	-1.0	-2.7	-1.3	-2.0	-1.2	-1.1	-0.7	1.1	0.4	0.4	0.4	0.4	0.4	0.4
Sales		5.8	5.0	4.2	2.3	3.5	2.6	2.6	3.1	2.0	2.2	1.9	1.7	1.8	1.7	1.7	1.7	1.7
Ordinary profits		11.6	20.1	13.0	15.1	13.2	-3.3	9.4	5.0	0.2	15.0	8.6	7.6	6.5	6.8	6.6	6.5	6.5

*Forecast starts from 2023 10-12.

【Income and employment】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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		2.0	0.9	0.9	1.3	3.0	2.9	3.9	3.0	3.1	2.9	2.6	2.4	2.2	2.1	2.0	2.0	2.0
	Scheduled	1.3	1.2	1.2	1.6	2.0	2.4	2.5	2.8	2.7	3.0	2.6	2.4	2.2	2.1	1.9	2.1	2.1
	Non-scheduled	0.6	-0.1	-0.6	-1.2	0.2	0.2	1.1	0.5	0.4	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Real wage indices		-1.9	-2.8	-2.3	-1.7	-0.2	-0.2	0.4	-1.1	-0.8	-0.4	0.2	0.4	0.4	0.3	0.2	0.1	0.1
Number of employees		0.5	0.7	0.6	0.9	0.5	0.6	1.1	1.0	1.0	0.8	0.3	0.4	0.4	0.4	0.4	0.3	0.3
Nominal compensation of employees*		2.8	1.6	1.6	1.7	4.3	4.0	5.8	4.3	3.9	3.6	3.0	2.8	2.6	2.5	2.4	2.3	2.3
Unemployment rate (%)		2.6	2.6	2.5	2.5	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.2

※GDP base

【Goods prices】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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		5.4	3.2	0.7	0.7	1.9	2.9	3.8	4.3	4.3	3.4	2.7	1.6	0.4	0.5	0.5	0.5	0.5
Consumer prices		3.4	3.1	2.9	2.5	2.7	2.8	2.9	3.6	3.3	2.8	2.1	1.7	1.5	1.6	1.6	1.6	1.6
excluding freshfood		3.2	3.0	2.5	2.5	2.5	2.7	2.6	3.0	2.8	2.3	1.9	1.6	1.4	1.4	1.4	1.4	1.4
excluding food (excluding alcoholic beverages) and energy		4.2	4.3	3.9	3.2	2.2	2.0	2.3	2.6	2.4	2.1	1.5	1.4	1.6	1.6	1.6	1.6	1.6

【New housing starts】

		FY 2023				FY 2024				FY 2025				FY 2026				annualized, ten thousand units Yr/Yr, %
		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		81.8	80.0	80.3	78.6	81.9	78.3	78.0	78.7	78.7	78.6	78.5	78.4	78.2	78.1	78.0	77.8	77.8
		-4.7	-7.7	-6.3	-9.6	0.5	-2.0	-2.4	0.0	-3.8	0.2	0.7	-0.5	-0.6	-0.7	-0.6	-0.7	-0.7
	Owned	22.8	22.7	20.6	21.9	21.4	21.8	22.1	21.7	21.8	21.7	21.7	21.6	21.6	21.6	21.5	21.5	21.5
		-11.9	-8.6	-16.2	-9.0	-6.0	-3.9	8.3	-1.5	2.0	-0.5	-1.4	-0.3	-0.8	-0.8	-0.6	-0.9	-0.9
	Rented	34.7	33.8	33.8	34.1	35.6	34.6	32.6	33.9	33.8	33.7	33.6	33.5	33.4	33.3	33.2	33.1	33.1
		2.0	-2.6	-3.3	-4.3	2.9	2.5	-3.7	-1.2	-5.1	-2.6	3.1	-1.4	-1.1	-1.2	-1.2	-1.3	-1.3
	Built for Sale	23.8	23.0	25.3	22.0	24.2	21.2	22.6	22.4	22.5	22.5	22.5	22.5	22.5	22.6	22.6	22.6	22.6
		-6.6	-13.5	-0.3	-16.9	2.2	-8.1	-10.5	2.0	-6.8	6.2	-0.5	0.6	0.4	0.2	0.3	0.3	0.3

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