

Report

The Japanese Economy in Fiscal 2025 and Fiscal 2026

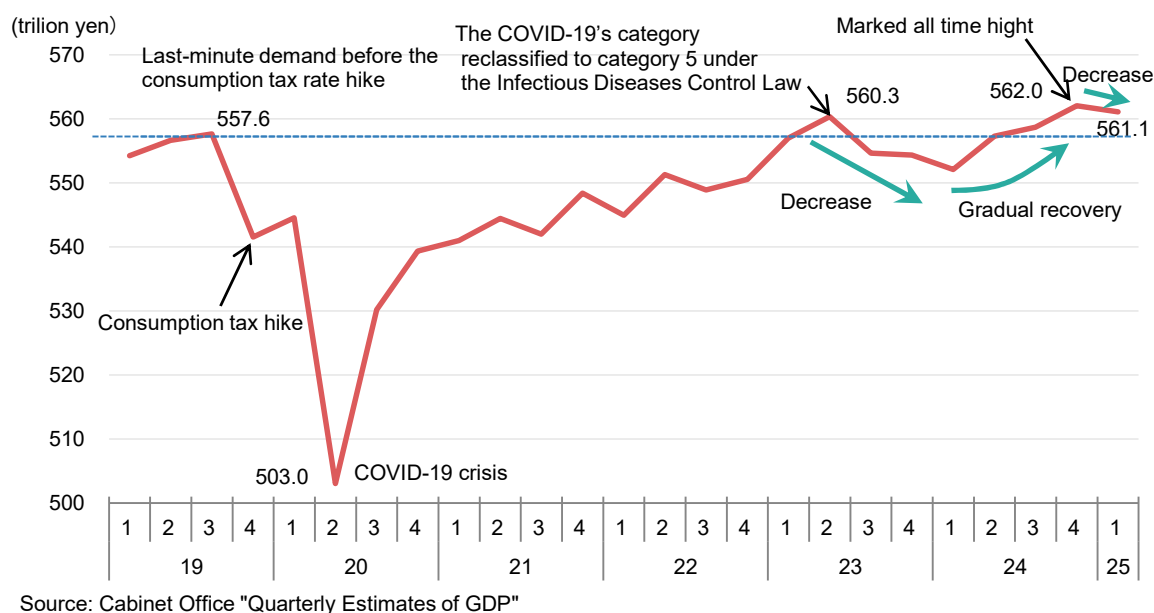
—Ongoing gradual economic recovery, but with downside risk—

1. Current Economic Conditions: Gradual Recovery Losing Momentum

Negative Growth for the First Time in Four Quarters as Domestic Demand Fails to Offset Increased Imports

The Cabinet Office's first preliminary estimates for the real GDP growth rate for the January-March quarter of 2025, released on May 16, showed a quarter-on-quarter decline of -0.2% (annualized growth rate of -0.7%) (Figure 1). The primary cause of this negative growth was a significant negative contribution from external demand due to a sharp increase in imports. However, the recovery in domestic demand was also lacking in strength and failed to sufficiently offset the decline in external demand. While the economy is gradually recovering, its momentum is weakening.

Figure 1. Real GDP



Stagnation in Private Consumption Amid Rising Prices

Examining the breakdown of major demand category, private consumption within domestic demand showed the +1.6% increase quarter-on-quarter in nominal term, largely driven by rising prices, but in real terms it barely increased for the fourth consecutive quarter, up only 0.04% quarter-on-quarter (Figure 2). The increasing burden on households has intensified their

inclination towards saving. By category, semi-durable goods, which include clothing and personal items, increased by +3.0% from the previous quarter for the first time in three quarters, and services, including restaurant dining, posted a modest but steady increase of +0.4% from the previous term. However, durable goods, such as automobiles and home appliances, declined by -1.5% from the previous quarter, and non-durable goods, such as food, energy, and daily necessities, decreased by -0.5% from the previous quarter due to rising food prices.

Real private residential investment turned positive with a +1.2% increase from the previous quarter, driven by a surge in housing starts towards the end of the fiscal year.

In the corporate sector, real capital investment increased by +1.4% quarter-on-quarter for the fourth consecutive term. Despite rising construction costs, the appetite for corporate investment remained strong due to labor shortages and favorable business performance. Real private inventories investment contributed +0.3% to the quarter-on-quarter growth, partly due to a rebound from the previous quarter's decline.

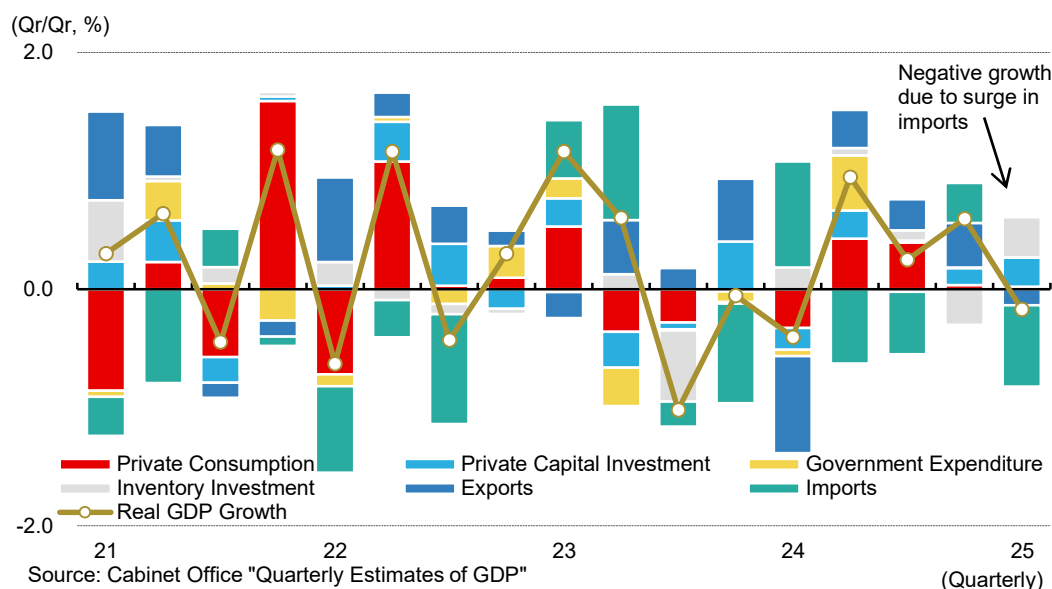
In the government sector, general medical expenses and nursing expenses continued to increase due to the aging population, but real government consumption dipped by -0.03% quarter-on-quarter, making the first decrease in five quarters. Real public investment also declined by -0.4% for the third consecutive quarter amid rising construction costs.

As a result, the contribution of domestic demand to quarter-on-quarter GDP growth was +0.7%, turning positive for the first time in two quarters. In contrast, the contribution of external demand was a significant negative at -0.8%, dragging down overall growth. While real exports of goods increased by +0.4% quarter-on-quarter due to a surge in automobile exports to the U.S., real exports of services fell sharply by -3.4% from the previous quarter due to a decline in research and development services, which had surged in the previous quarter, despite an increase in inbound tourism consumption. Consequently, real exports decreased by -0.6% compared to the previous quarter. On the other hand, real imports saw a high growth of +2.9% quarter-on-quarter, driven by a +2.4% q-o-q increase in goods, including semiconductors, and a +4.5% q-o-q increase in services, including advertising expenses, contributing to the decline in GDP growth (an increase in imports results in a decrease in net exports, which negatively impacts the growth).

The nominal GDP growth rate increased steadily by +0.8% quarter-on-quarter (annualized growth rate of +3.1%). The GDP deflator, a measure of comprehensive price trends in the economy as a whole, rose by +3.3% year-on-year, expanding from +2.9% in the October-December quarter (the

seasonally adjusted GDP deflator increased by +0.9% from the previous quarter). The upward pressure on prices, particularly for goods such as food, was a contributing factor. Meanwhile, compensation of employees, representing household wage income, increased robustly by +4.3% year-on-year in nominal terms, but the real increase was limited to +1.0% due to rising prices, potentially contributing to the stagnation in real private consumption.

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



Positive Growth for the Fourth Consecutive Year in Fiscal 2024

The real GDP growth rate for fiscal 2024 was +0.8% year-on-year, marking the fourth consecutive year of positive growth. One of the factors contributing to this positive growth was the increase in private consumption by +0.8% (contributing +0.4% to the annual growth rate). However, the strength was mainly in the first half of the fiscal year, and the growth stagnated in the second half due to the heightened inclination towards saving in response to rising prices. Additionally, capital investment remained robust, increasing by +2.6% (contributing +0.4%) due to strong corporate investment appetite. On the other hand, external demand contributed -0.4% to economic growth as the increase in imports (+3.4% year-on-year) outpaced the increase in exports (+1.7% year-on-year).

2. Economic Outlook for Fiscal 2025 and Fiscal 2026: Heightened Downside Risks Triggered by U.S. Tariff Increases

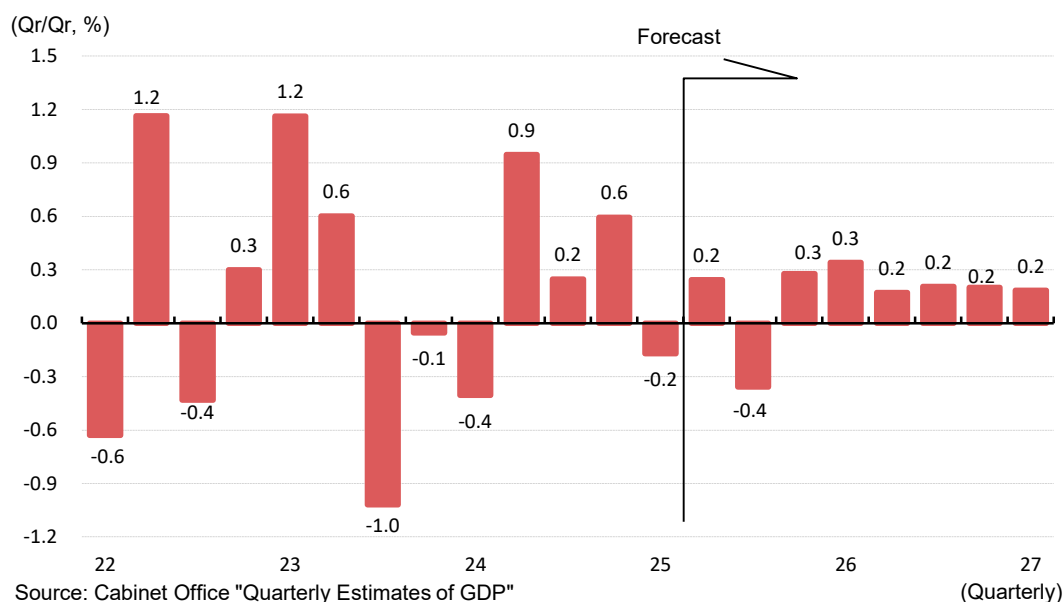
Positive Growth Expected to Resume in the April-June Quarter of 2025, but...

The April-June quarter of 2025 is expected to see a return to positive growth, albeit modestly (Figure 3). The reasons for this include: (a) a gradual recovery in private consumption driven by

increased income, and continued growth in corporate capital investment due to improved investment sentiment, maintaining positive domestic demand; (b) while automobile exports to the U.S. are expected to decline, exports to the U.S. excluding automobiles are expected to increase due to a surge in demand, and inbound tourism consumption is expected to increase, turning exports positive; and (c) the significant slowdown in import growth due to the rebound from the January-March quarter, turning the contribution of external demand positive.

In the U.S., the economy is expected to remain resilient for a while due to: (a) the accumulation of inventories imported before the tariff increases, delaying the pass-through of tariff increases to sales prices; (b) efforts to minimize price increases in the U.S. through cost-cutting measures such as reducing sales and logistics costs; and (c) a favorable employment and income situation, preventing a rapid cooling of demand despite some price increases.

Figure 3. Real GDP growth rate (Quarterly)



Unavoidable Economic Slowdown in Summer, Depth Hinges on Tariff Negotiations

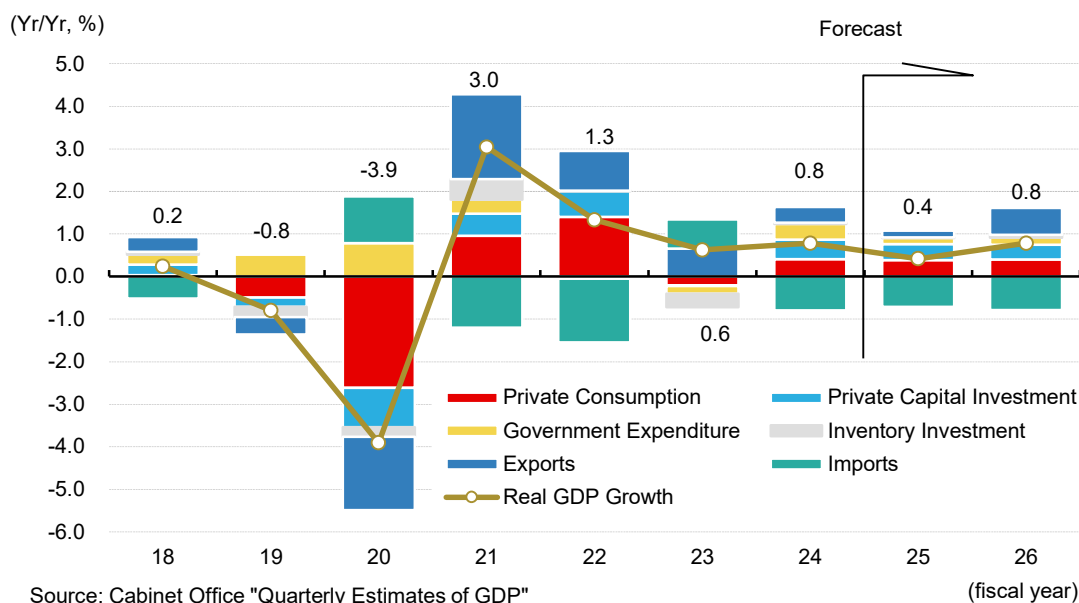
However, the already implemented tariff increases — 10% across the board, 30% on China, and 25% on Canada, Mexico, automobiles, and steel and aluminum products — are expected to have a gradual impact on both domestic and international economies starting from the summer. This impact is likely to occur regardless of the outcome of the tariff negotiations between the U.S. and other countries, as the already implemented tariff alone are expected a certain degree of pressure, leading to a return to negative growth in the July-September quarter.

The outlook for the July-September quarter and beyond will vary significantly depending on the progress and content of tariff negotiations between the U.S. and other countries. In this outlook,

the assumptions are: (a) negotiations with major countries, including China, will progress during the 90-day suspension period and the application of the reciprocal tariff surcharge will basically be exempted (although there is a possibility of extended negotiations, partial application of additional tariffs due to difficult negotiations, etc.); and (b) the 10% across-the-board tariffs, and the 25% tariffs on automobiles, steel, and aluminum products will be maintained (there is a possibility of additional tariffs on information and communication-related goods such as semiconductors, PCs, and smartphones, which are currently exempt). The Trump administration may ultimately be forced to make significant concessions to avoid a deterioration in the U.S. economy and financial market turmoil.

In Japan's economic measures, price control measures such as reductions in gasoline, electricity, and gas prices are already factored in, but consumption tax cuts and large-scale cash handouts are not assumed.

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



Negative Effects Expected to Subside in the July-September Quarter, with Economic Recovery in the Second Half of the Fiscal Year

The real GDP growth rate for fiscal 2025 is forecasted to be +0.4% year-on-year. This marks the fifth consecutive year of positive growth, but excluding the carry-over effect (+0.2%), the growth rate is expected to be nearly flat at +0.2%. While the contribution of domestic demand is expected to remain solid at +1.0%, the contribution of external demand is expected to be -0.6%, dragging down overall growth.

Quarterly movements are expected to show positive growth in the April-June quarter, followed by a return to negative growth in the July-September quarter. However, the negative effects of tariff increases, such as a decline in exports and production, are expected to subside, leading to an economic recovery in the second half of fiscal 2025, with positive growth continuing in the October-December and January-March quarters. During this period, domestic demand is expected to remain solid, supporting the overall economy. Firstly, the high wage increase rate achieved in the 2025 spring wage negotiations and the stabilization of prices are expected to gradually improve consumer sentiment, maintaining the upward trend in private consumption. Secondly, corporate investment appetite remains strong due to labor shortages and the need to improve productivity, and the upward trend in capital investment is expected to continue. Although long-term and short-term interest rates are rising due to the normalization of monetary policy, the increase is not significant, and the financial health of companies has improved, minimizing the restraining effect on capital investment. Additionally, the continued increase in inbound tourism consumption is also expected to be a positive factor for the economy.

The economic recovery is expected to continue into fiscal 2026. With the normalization of trade transactions, the global economy, including the U.S. and China, is expected to recover, and the real GDP growth rate for fiscal 2026 is expected to rise to +0.8% year-on-year.

Risk of Economic Recession if Deterioration in External Demand Spreads to Domestic Demand

However, the Trump administration's policy management remains uncertain, and there is a possibility that tariff negotiations with other countries will be prolonged and difficult, leading to the actual application of additional tariffs. If this happens, the negative impact in the July-September quarter will not only expand but also pose a risk of economic stagnation or standstill from the October-December quarter onwards.

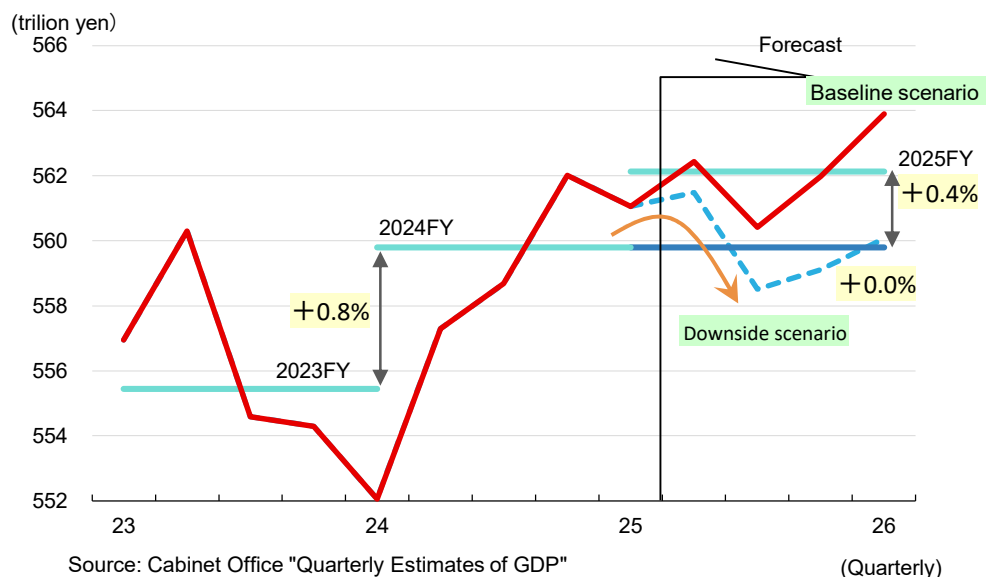
At present, the deterioration in external demand due to the global economic downturn is not expected to spread to domestic demand, such as private consumption and capital investment. However, if the global economic downturn, particularly in China, deepens due to tariff increases, there is a concern that Japan's exports will decrease not only to the U.S. but also to Asia, including China. This could accelerate the deterioration in corporate performance, particularly in the manufacturing sector, leading to a downturn in domestic demand.

Specifically, corporate capital investment may be revised downward due to the postponement of maintenance and renewal investments and the reduction or cancellation of capacity expansion investments. Furthermore, there is a risk that the improvement in the employment and income

situation, which is currently in good condition, will come to a halt. While the high growth in scheduled wages is expected to be maintained, reflecting the results of the spring wage negotiations, there is a possibility of reductions in year-end bonuses and a decrease in non-scheduled cash earnings, as well as an increase in small and medium-sized enterprises that cannot fully follow the spring wage negotiation results. Additionally, there is a possibility of a significant slowdown in the wage increase rate in the 2026 spring wage negotiations. As more firms give up on expanding their operations and consider downsizing their operations, the current labor shortage may be resolved, leading to a surplus of labor. The softening of the employment and income situation, combined with financial market turmoil such as a decline in stock prices, could worsen consumer sentiment and lead to a stagnation in consumption expenditure.

If domestic demand stagnates or deteriorates, the virtuous cycle of growth and distribution will be disrupted, and there will be a risk of a significant economic downturn. Figure 5 shows the current real GDP outlook and a case where the growth rate in each quarter of fiscal 2025 is around 0.2 percentage points lower than the previous quarter. Compared to the forecast of +0.4% for fiscal 2025, even a slight downward deviation could result in zero growth compared to fiscal 2024, and a slightly larger downward deviation could lead to negative growth for the first time in five years in fiscal 2025. In this case, an economic recession would be unavoidable.

Figure 5. Downside Scenario and Real GDP



Continued High Prices Also Pose a Downside Risk

Even if tariff negotiations proceed as assumed and the global economic downturn is avoided, the stagnation in private consumption due to high prices remains a concern. While the pace of price increases for energy is gradually slowing due to the stabilization of international commodity prices

such as crude oil, food prices, particularly rice, have surged since last autumn, negatively impacting consumer sentiment. In the future, there is a possibility that the pace of price increases in the service sector will accelerate due to factors such as adverse weather conditions, rising labor costs, and increased logistics costs. If the upward pressure on prices remains strong, consumer sentiment may deteriorate, leading to a stronger inclination towards saving and a renewed stagnation in private consumption. This could disrupt the virtuous cycle of growth and distribution, which has been continuing, albeit gradually.

Other negative factors include the risk of new capital investment and housing purchases being restrained by rising interest rates, and supply constraints due to labor shortages. If these negative factors intensify, the momentum of the economic recovery may weaken, and there is a risk of a slowdown even as the global economy recovers.

Economic Outlook for fiscal 2025-2026

【GDP demand】

	FY 2023 (actual)	FY 2024 (actual)	forecast FY 2025 (forecast)	Yr/Yr, % FY 2026 (forecast)
Nominal GDP	4.9	3.7	2.7	2.4
Real GDP	0.6	0.8	0.4	0.8
Contribution of domestic demand	-0.7	1.2	1.0	0.9
Private consumption	-0.4	0.8	0.7	0.7
Housing investment	0.8	-1.0	1.5	-1.2
Private capital investment	-0.1	2.6	2.1	1.9
Contribution of inventory investment	-0.3	0.0	0.0	0.1
Government expenditure	-0.7	1.4	0.5	0.7
Government final consumption expenditure	-0.8	1.5	0.6	0.7
Public investment	-0.3	1.4	0.3	0.5
Contribution of external demand	1.3	-0.4	-0.6	-0.2
Export of goods and services	3.1	1.7	0.7	2.8
Import of goods and services	-2.7	3.4	3.0	3.4
GDP deflator	4.2	2.9	2.3	1.6

【Overseas economy and market data】

	FY 2023 (actual)	FY 2024 (actual)	forecast FY 2025 (forecast)	Yr/Yr, % FY 2026 (forecast)
Real GDP (US) (CY)	2.9	2.8	1.3	1.2
Real GDP (Euro zone) (CY)	0.5	0.7	0.6	0.9
Real GDP (Asia)				
Real GDP (China)	5.4	5.0	4.4	3.9
Yen/U.S.Dollar	144.6	152.5	143.2	138.5
Uncollateralized call rates (O/N) (%)*	-0.029	0.225	0.485	0.720
TIBOR (3months)	-0.016	0.271	0.587	0.850
Newly issued government bond yields (10years) (%)	0.62	1.08	1.51	1.65
WTI future price (near month contract, US dollar/barrel)	77.8	74.3	60.4	60.0
North Sea Brent Crude (US dollar/barrel)	82.1	78.1	63.5	63.0

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2023 (actual)	FY 2024 (actual)	forecast		Yr/Yr, %
			FY 2025 (forecast)	FY 2026 (forecast)	
Value of exports (Yen base)	3.7	5.9	-2.9	-0.1	
Ammount (Yr/Yr,%)	-2.3	-2.4	-2.4	0.9	
Value of imports (Yen base)	-10.1	4.7	-5.5	-1.4	
Ammount (Yr/Yr,%)	-5.2	-0.3	0.9	1.0	
Balance (trillion yen)	-6.1	-5.2	-2.1	-0.7	
Current account balance (trillion yen)	26.2	30.4	26.2	26.8	
balance on goods (trillion yen)	-3.7	-4.0	-4.5	-3.1	
balance on service (trillion yen)	-3.2	-2.6	-4.1	-4.9	
balance on income (trillion yen)	37.3	41.7	39.7	39.6	

【Corporations】

	FY 2023 (actual)	FY 2024 (actual)	forecast		Yr/Yr, %
			FY 2025 (forecast)	FY 2026 (forecast)	
Industrial production	-1.9	-1.5	-0.7	0.9	
Inventory index	-1.0	-0.7	0.4	0.4	
Sales	4.2	2.9	0.8	1.4	
Ordinary Profits	14.6	7.2	1.4	5.0	

【Income and employment】

	FY 2023 (actual)	FY 2024 (actual)	forecast		Yr/Yr, %
			FY 2025 (forecast)	FY 2026 (forecast)	
Income per capita	1.3	3.0	2.7	2.2	
Scheduled	1.3	2.1	2.7	2.2	
Non-scheduled	-0.3	0.6	-0.3	0.4	
Real wage indices	-2.2	-0.5	-0.1	0.2	
Number of employees	0.7	0.8	0.7	0.4	
Nominal compensation of employees*	1.9	4.6	3.4	2.6	
Unemployment rate (%)	2.6	2.5	2.4	2.3	

*GDP base

【Goods prices】

	FY 2023 (actual)	FY 2024 (actual)	forecast		Yr/Yr、 %
			FY 2025 (forecast)	FY 2026 (forecast)	
Domestic corporate goods prices	2.5	3.2	0.8	1.2	
excluding tax effects	2.4	3.3	0.7	1.3	
Consumer prices	3.0	3.1	2.4	1.7	
excluding freshfood	2.8	2.7	2.2	1.6	
excluding food (excluding alcoholic beverages) and energy	3.9	2.3	2.3	1.6	

【New housing starts】

	FY 2023 (actual)	FY 2024 (actual)	forecast annualized, ten thousand units		Yr/Yr、 %
			FY 2025 (forecast)	FY 2026 (forecast)	
New housing starts	80.0	81.6	75.2	77.5	
	-7.0	2.0	-7.8	3.1	
Owned	22.0	22.3	21.4	21.6	
	-11.5	1.6	-3.9	0.6	
Rented	34.0	35.7	31.6	33.5	
	-2.0	4.8	-11.4	5.9	
Built for Sale	23.5	22.9	21.7	22.1	
	-9.4	-2.4	-5.4	1.6	

【GDP demand】

			forecast	Yr/Yr、%
	CY 2023 (actual)	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)
Nominal GDP	5.5	3.1	3.4	2.4
Real GDP	1.4	0.2	0.7	0.7
Contribution of domestic demand	1.5	0.5	0.2	1.4
Private consumption	0.8	-0.0	0.9	0.8
Housing investment	1.5	-2.5	2.4	-1.2
Private capital investment	1.5	1.3	2.9	1.7
Contribution of inventory investment	-0.3	-0.1	0.1	0.0
Government expenditure	0.1	0.5	0.8	0.7
Government final consumption expenditure	-0.3	0.9	0.8	0.7
Public investment	1.5	-1.1	0.6	0.9
Contribution of external demand	0.9	0.0	-0.7	-0.2
Export of goods and services	3.3	1.1	1.4	2.2
Import of goods and services	-0.8	1.0	4.1	2.9
GDP deflator	4.1	2.9	2.6	1.7

【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	1.3	1.2
Real GDP (Euro zone) (CY)	0.5	0.7	0.6	0.9
Real GDP (Asia)				
Real GDP (China)	5.4	5.0	4.4	3.9
Yen/U.S.Dollar	140.5	151.5	146.0	139.5
Uncollateralized call rates (O/N) (%)*	-0.033	0.120	0.464	0.665
TIBOR (3months)	-0.024	0.159	0.493	0.850
Newly issued government bond yields (10years) (%)	0.55	0.89	1.47	1.64
WTI future price (near month contract, US dollar/barrel)	77.6	75.7	63.3	60.0
North Sea Brent Crude (US dollar/barrel)	82.2	79.8	66.4	63.0

* actual=average, forecast=end of period

Economic Outlook for calendar 2025-2026

【External demand (export and import)】

	CY 2023 (actual)	CY 2024 (actual)	forecast CY 2025 (forecast)	Yr/Yr, % CY 2026 (forecast)
Value of exports (Yen base)	2.7	6.2	0.7	-2.3
Ammount (Yr/Yr,%)	-4.0	-2.6	-1.5	-0.4
Value of imports (Yen base)	-6.8	2.0	-1.8	-3.7
Ammount (Yr/Yr,%)	-4.9	-2.5	1.8	0.6
Balance (trillion yen)	-9.5	-5.5	-2.6	-1.0
Current account balance (trillion yen)	22.2	29.4	27.6	26.7
balance on goods (trillion yen)	-6.6	-3.7	-5.2	-3.2
balance on service (trillion yen)	-3.3	-2.8	-3.5	-4.6
balance on income (trillion yen)	36.3	40.4	41.1	39.4

【Corporations】

	CY 2023 (actual)	CY 2024 (actual)	forecast CY 2025 (forecast)	Yr/Yr, % CY 2026 (forecast)
Industrial production	-1.3	-2.6	-0.1	0.3
Inventory index	-0.5	-1.9	1.1	0.3
Sales*	5.0	2.7	1.4	1.1
Ordinary Profits	12.0	10.0	1.6	4.1

*Forecast starts from CY 2023.

【Income and employment】

	CY 2023 (actual)	CY 2024 (actual)	forecast CY 2025 (forecast)	Yr/Yr, % CY 2026 (forecast)
Income per capita	1.2	2.8	2.6	2.3
Scheduled	1.1	2.1	2.3	2.4
Non-scheduled	0.2	0.0	-0.1	0.3
Real wage indices	-2.5	-0.4	-0.7	0.4
Number of employees	0.6	0.8	0.8	0.4
Nominal compensation of employees*	2.0	4.1	3.7	2.7
Unemployment rate (%)	2.6	2.5	2.4	2.3

*GDP base

【Goods prices】

forecast

Yr/Yr, %

	CY 2023 (actual)	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	4.4	2.3	2.0	0.6
excluding tax effects	4.3	2.3	2.0	0.6
Consumer prices	3.3	2.7	2.9	1.7
excluding freshfood	3.1	2.6	2.6	1.6
excluding food (excluding alcoholic beverages) and energy	3.9	2.4	2.5	1.7

【New housing starts】

forecast annualized, ten thousand units

Yr/Yr, %

	CY 2023 (actual)	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)
New housing starts	82.1	79.1	78.0	77.5
	-4.4	-3.6	-1.5	-0.6
Owned	22.5	21.8	22.0	21.6
	-11.2	-3.2	0.8	-1.8
Rented	34.4	34.2	33.3	33.5
	-0.2	-0.7	-2.5	0.3
Built for Sale	24.7	22.5	22.2	22.0
	-3.4	-8.9	-1.2	-0.9

Economic Outlook (Quarterly)

		FY 2023				FY 2024				FY 2025				FY 2026				Qr/Qr,% 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	
Nominal GDP	(Qr/Qr,%)	2.1	-0.1	0.2	0.0	2.4	0.5	1.2	0.8	1.0	-0.2	0.5	0.9	0.9	0.5	0.3	0.6	
	Annualized rate	8.6	-0.3	0.9	0.1	10.0	2.2	4.8	3.1	4.2	-0.6	1.9	3.5	3.5	2.2	1.1	2.5	
	(Yr/Yr,%)	5.8	6.7	4.9	2.3	2.5	3.2	4.2	5.0	3.6	2.9	2.0	2.4	2.1	2.7	2.5	2.5	
Real GDP	(Qr/Qr,%)	0.6	-1.0	-0.1	-0.4	0.9	0.2	0.6	-0.2	0.2	-0.4	0.3	0.3	0.2	0.2	0.2	0.2	
	Annualized rate	2.4	-4.0	-0.2	-1.6	3.8	1.0	2.4	-0.7	1.0	-1.4	1.1	1.4	0.7	0.8	0.8	0.7	
	(Yr/Yr,%)	1.6	1.1	0.6	-0.7	-0.6	0.8	1.3	1.7	0.9	0.3	0.0	0.5	0.4	1.0	0.9	0.8	
Contribution of domestic demand (Qr/Qr,%)		-0.8	-1.0	0.3	-0.5	1.2	0.5	-0.1	0.7	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.2	
Private consumption		-0.6	-0.5	-0.0	-0.6	0.8	0.7	0.1	0.0	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	
Housing investment		0.5	-0.0	-0.3	-1.6	-0.5	0.9	1.0	1.6	1.0	0.5	0.6	0.8	0.8	0.8	0.7	0.7	
Private capital investment		1.5	-0.7	-0.8	-3.2	1.2	0.7	-0.2	1.2	3.5	-3.5	-0.5	0.2	-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	-1.5	2.9	5.3	0.9	0.6	-0.5	-3.9	-0.5	-0.1	-0.4	
Government expenditure		-1.8	-0.3	2.4	-1.1	1.4	0.1	0.8	1.4	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5	
Government final consumption expenditure		0.8	-1.9	1.6	-0.8	2.4	2.7	1.2	3.9	2.4	2.8	2.3	1.2	1.7	1.9	2.0	2.0	
Public investment		0.1	-0.6	-0.0	0.2	0.1	0.1	-0.3	0.3	-0.2	0.1	-0.1	0.1	-0.0	0.0	-0.0	-0.0	
Contribution of external demand (Qr/Qr,%)		-1.2	-0.0	-0.3	-0.2	1.8	-0.1	0.0	0.0	0.2	0.3	0.3	0.1	0.2	0.1	0.1	0.1	
Export of goods and services		-0.2	0.4	-1.0	-2.0	1.3	1.2	1.4	1.6	0.2	0.5	0.6	0.8	0.9	0.7	0.5	0.5	
Import of goods and services		-1.5	0.4	-0.1	0.3	0.9	0.1	0.3	-0.0	0.2	0.1	0.2	0.1	0.3	0.1	0.2	0.1	
GDP deflator (Yr/Yr,%)		-1.1	-0.2	-1.0	-0.8	1.6	1.3	1.7	1.3	0.6	0.6	0.5	0.7	0.7	0.7	0.7	0.6	
Contribution of external demand (Qr/Qr,%)		0.1	-2.0	-1.6	-2.2	5.7	-1.1	-0.7	-0.4	-0.0	1.1	0.5	0.0	0.0	0.1	0.0	0.0	
Export of goods and services		5.3	2.3	-0.8	-6.2	0.4	0.9	1.2	2.7	-1.9	0.1	1.1	1.4	1.9	0.7	0.0	-0.1	
Import of goods and services		1.4	-0.0	-0.3	0.1	-0.3	-0.3	0.7	-0.8	0.2	-0.6	0.1	0.0	-0.0	-0.0	-0.0	-0.0	
GDP deflator (Yr/Yr,%)		2.1	0.8	2.4	-3.6	1.5	1.2	1.7	-0.6	0.9	-2.0	0.8	0.9	0.9	0.9	0.9	0.9	
GDP deflator (Yr/Yr,%)		3.7	2.9	4.3	1.4	1.1	1.5	0.5	3.7	3.1	-0.2	-0.8	0.8	0.6	3.6	3.6	3.5	
GDP deflator (Yr/Yr,%)		-3.9	0.9	3.4	-3.7	2.7	2.2	-1.4	2.9	0.1	0.6	0.4	0.9	0.9	0.9	0.9	0.9	
GDP deflator (Yr/Yr,%)		-1.4	-4.6	-1.6	-3.3	3.3	4.6	-0.4	6.4	3.8	2.0	4.1	2.0	2.8	3.2	3.7	3.7	
GDP deflator (Yr/Yr,%)		4.1	5.5	4.2	3.1	3.1	2.4	2.9	3.3	2.6	2.6	2.0	1.9	1.7	1.7	1.6	1.6	

【Overseas economy and market data】

		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	
Real GDP (US)		2.5	4.4	3.2	1.6	3.0	3.1	2.5	-0.3	1.7	-0.5	0.9	1.4	1.8	1.8	1.7	1.7	
Real GDP (Euro zone)		0.3	0.0	0.2	1.3	0.7	1.7	1.0	1.5	-0.1	0.9	0.9	1.1	1.1	1.2	1.2	1.5	
Real GDP (Asia)																		
Real GDP (China)		6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.4	4.9	4.0	3.6	3.4	3.6	3.9	4.6	4.6	
Yen/U.S.Dollar		137.4	144.5	147.9	148.6	155.9	149.2	152.4	152.5	145.7	144.0	142.0	141.0	140.0	139.0	138.0	137.0	
Uncollateralized call rates (O/N) (%)		-0.044	-0.055	-0.016	-0.002	0.077	0.177	0.227	0.417	0.479	0.480	0.480	0.500	0.720	0.720	0.720	0.720	
TIBOR (3months)		-0.027	-0.050	-0.011	0.025	0.104	0.200	0.307	0.472	0.498	0.500	0.500	0.850	0.850	0.850	0.850	0.850	
Newly issued government bond yields (10years) (%)		0.42	0.60	0.76	0.70	0.93	0.93	1.01	1.43	1.39	1.50	1.55	1.60	1.65	1.65	1.65	1.65	
WTI future price (near month contract, US dollar/barrel)		73.8	82.3	78.3	77.0	80.6	75.1	70.3	71.4	61.7	60.0	60.0	60.0	60.0	60.0	60.0	60.0	
North Sea Brent Crude (US dollar/barrel)		78.0	86.0	82.7	81.8	85.0	78.5	74.0	74.9	64.8	63.0	63.0	63.0	63.0	63.0	63.0	63.0	

* actual=average, forecast=end of period

【External demand (export and import)】

		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	
Value of exports (Yen base)		1.6	1.1	3.7	8.8	8.8	4.5	3.2	7.4	2.7	-2.6	-3.7	-7.7	-4.2	0.9	1.7	1.3	
Amount (Yr/Yr,%)		-4.0	-2.1	-2.0	-0.7	-3.5	-5.1	-0.9	0.2	1.4	-3.8	-3.5	-3.5	-2.0	1.6	2.2	1.8	
Amount (Qr/Qr,%)		2.6	0.9	-1.9	-2.7	-0.5	0.9	0.8	-0.2	-0.5	-3.5	0.3	0.5	0.5	0.5	0.5	0.5	
Value of imports (Yen base)		-8.7	-16.0	-10.2	-4.8	7.0	6.8	-0.5	5.9	-2.8	-5.2	-4.8	-9.1	-5.3	-0.5	0.1	0.2	
Amount (Yr/Yr,%)		-5.2	-6.4	-3.2	-6.0	-3.5	-0.3	-0.4	3.3	2.5	-0.1	1.6	-0.2	0.3	1.1	1.2	1.3	
Amount (Qr/Qr,%)		0.3	-0.9	-1.2	-2.6	0.5	2.2	-1.4	2.0	-0.3	-0.4	0.2	0.2	0.2	0.3	0.3	0.3	
Balance (trillion yen)		-1.8	-1.0	-1.5	-1.9	-1.5	-1.6	-0.5	-1.6	0.0	-0.9	-0.1	-1.1	0.3	-0.5	0.3	-0.8	
Current account balance (trillion yen)*		6.1	6.5	6.8	6.5	7.2	7.2	8.2	7.7	6.7	6.5	6.5	6.5	6.7	6.7	6.7	6.7	
Balance on goods (trillion yen)*		-1.2	-0.6	-1.1	-1.3	-1.3	-0.9	-0.0	-1.5	-1.1	-1.3	-1.1	-1.0	-0.8	-0.7	-0.7	-0.7	
Balance on service (trillion yen)*		-0.8	-1.2	-0.1	-1.1	-0.8	-0.9	-0.1	-0.8	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	
Balance on income (trillion yen)*		9.1	9.3	9.1	10.0	10.3	10.3	9.6	11.2	10.0	9.9	9.9	9.8	9.9	9.9	9.9	9.9	

*seasonally adjusted

【Corporations】

		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
Industrial production	(Qr/Qr, %)	1.3	-1.4	1.1	-5.2	2.1	0.3	0.4	-0.3	-0.3	-0.8	0.2	0.3	0.3	0.3	0.3	0.3
	(Yr/Yr, %)	0.9	-3.9	-0.7	-3.9	-3.3	-1.8	-1.5	1.0	0.2	-1.0	-0.7	-1.4	0.1	1.2	1.4	0.8
Inventory index	(Qr/Qr, %)	1.8	-1.8	-0.9	0.2	-0.5	-0.1	-1.2	1.0	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	-2.6	-1.2	-1.9	-0.7	0.0	0.0	1.1	0.4	0.4	0.5	0.3	0.4
Sales		5.8	5.0	4.2	2.3	3.5	2.6	2.5	2.9	1.4	0.9	0.5	0.5	0.9	1.4	1.6	1.7
Ordinary profits		11.6	20.1	13.0	15.1	13.2	-3.3	13.5	3.5	-1.7	9.7	-2.4	2.5	3.0	5.4	6.0	6.3

*Forecast starts from 2023 10-12.

【Income and employment】

		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
Income per capita		2.0	0.9	0.9	1.3	3.0	2.9	3.7	2.2	2.5	2.7	2.8	2.8	2.2	2.2	2.1	2.1
	Scheduled	1.3	1.2	1.2	1.6	2.0	2.4	2.5	1.6	2.0	2.8	2.9	3.1	2.3	2.3	2.0	2.2
	Non-scheduled	0.6	-0.1	-0.6	-1.2	0.2	0.2	1.0	0.9	-0.3	-0.5	-0.4	0.0	0.2	0.4	0.5	0.3
Real wage indices		-1.9	-2.8	-2.3	-1.7	-0.2	-0.2	0.2	-2.1	-1.2	-0.2	0.3	0.9	0.5	0.1	0.1	0.0
Number of employees		0.5	0.7	0.6	0.9	0.5	0.6	1.1	0.9	1.0	0.9	0.5	0.5	0.4	0.4	0.4	0.3
Nominal compensation of employees*		2.8	1.6	1.6	1.7	4.3	4.0	5.6	4.3	3.8	3.6	3.2	3.2	2.8	2.7	2.4	2.5
Unemployment rate (%)		2.6	2.6	2.5	2.6	2.6	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.3	2.3	2.3

※GDP base

【Goods prices】

		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
Domestic corporate goods prices		5.4	3.2	0.7	0.7	1.9	2.9	3.8	4.2	3.1	0.8	0.0	-0.9	0.1	1.6	1.6	1.7
Consumer prices		3.4	3.1	2.9	2.5	2.7	2.8	2.9	3.8	3.2	2.6	2.2	1.7	1.5	1.9	1.7	1.8
excluding freshfood		3.2	3.0	2.5	2.5	2.5	2.7	2.6	3.1	3.0	2.2	2.0	1.6	1.4	1.7	1.6	1.5
excluding food (excluding alcoholic beverages) and energy		4.2	4.3	3.9	3.2	2.2	2.0	2.3	2.7	2.8	2.6	2.1	1.9	1.6	1.6	1.6	1.5

【New housing starts】

		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
New housing starts		81.3	80.3	80.1	79.2	80.8	78.7	77.8	88.6	70.5	74.9	77.8	77.7	77.6	77.4	77.3	77.1
		-4.7	-7.7	-6.3	-9.6	0.5	-2.0	-2.4	13.1	-12.8	-5.5	-0.3	-12.4	10.0	3.2	-0.8	0.3
	Owned	22.9	22.8	20.6	21.8	21.5	21.9	22.1	23.8	20.9	21.5	21.7	21.6	21.6	21.6	21.5	21.5
		-11.9	-8.6	-16.2	-9.0	-6.0	-3.9	8.3	10.3	-2.9	-2.1	-1.8	-9.2	2.9	0.3	-0.7	-0.0
	Rented	34.6	33.7	34.0	34.5	35.0	34.5	32.8	40.4	28.2	31.1	33.7	33.6	33.5	33.4	33.3	33.2
		2.0	-2.6	-3.3	-4.3	2.9	2.5	-3.6	19.0	-19.1	-10.4	2.1	-16.8	18.8	7.2	-1.5	0.3
	Built for Sale	23.2	23.4	25.0	22.5	23.6	21.7	22.2	24.0	20.9	22.0	22.0	22.0	22.0	22.0	22.0	22.0
		-6.6	-13.5	-0.3	-16.8	2.2	-8.1	-10.5	7.4	-11.3	0.6	-1.0	-8.4	5.5	0.0	0.1	0.5

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