

Report

The Japanese Economy in Fiscal 2025 and Fiscal 2026

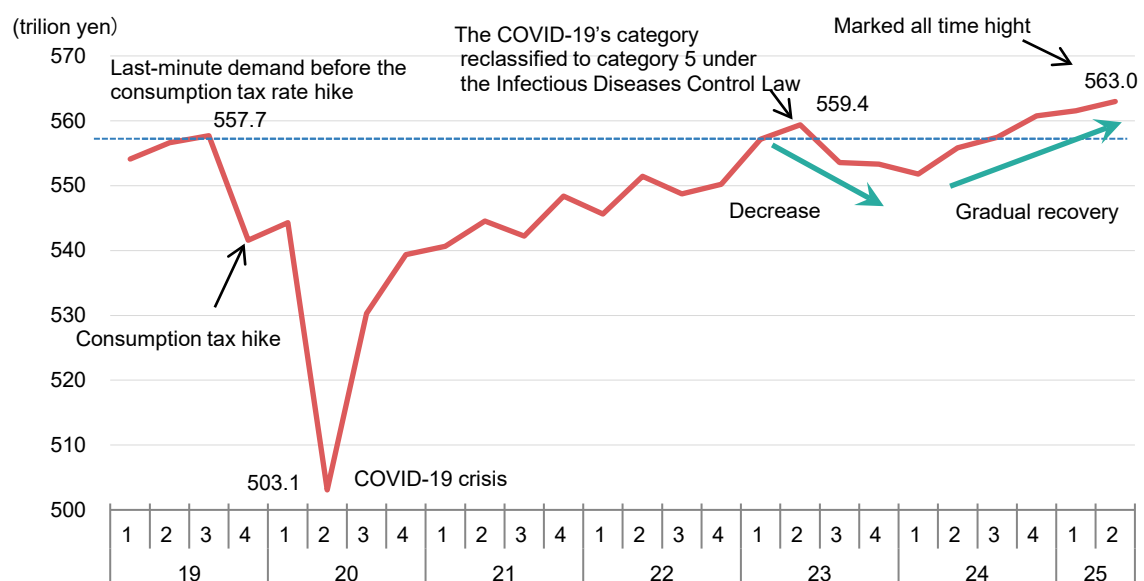
— Downside Risks Remain Despite Avoidance of a Sharp Downturn —

1. Current Economic Conditions - Gradual Recovery with Weak Momentum

Five Consecutive Quarters of Positive Growth, Yet Recovery Lacks Momentum

The real GDP growth rate for the April-June quarter of 2025 (first preliminary estimates) announced by the Cabinet Office on August 15 was +0.3% compared to the previous quarter (annualized rate of +1.0%). This marks the fifth consecutive quarter of positive growth, partly due to revisions to past figures, with the GDP level reaching a new historical high. However, the main factor driving this growth was the positive shift in the contribution of net exports (+0.3% points), due to the carryover of the significant negative impact of Trump tariffs into the subsequent quarters and the sluggish growth of imports following a rebound effect from the previous quarter. Regarding domestic demand, the contribution turned slightly negative, indicating a lack of strength. Although the economy is gradually recovering, its momentum remains weak.

Figure 1. Real GDP



Source: Cabinet Office "Quarterly Estimates of GDP"

Personal Consumption Continues to Stall Amid Rising Prices

Looking at the breakdown of major demand categories, private consumption within domestic demand increased slightly by +0.2% from the previous quarter. This marks the fifth consecutive quarter of positive growth, continuing a gradual upward trend. However, the growth is weak compared to the steady increase in compensation of employees and other incomes. The continued rise in prices, especially for foodstuffs, has strengthened the household tendency towards thrift, and the increase in income has not translated into increased spending. By category, non-durable goods (such as food, energy, and daily necessities) decreased by -0.5% from the previous quarter due to rising food prices, while services remained almost flat at -0.03%. On the other hand, durable goods (such as automobiles and home appliances) increased robustly by +2.6% from the previous quarter, and semi-durable goods (such as clothing and personal items) rose by +0.4%, driven mainly by clothing, contributing to the overall increase.

Real private residential investment continued to increase by +0.8% from the previous quarter, driven by the surge in housing starts due to last-minute demand at the end of the previous fiscal year. In the corporate sector, real capital investment increased by +1.3% from the previous quarter for the fifth consecutive quarter. Although investment costs are increasing, mainly due to construction expenses, corporate investment appetite remains solid thanks to labor shortages and ample cash flow, resulting in a continued upward trend in capital investment, especially in software and related areas. Real private inventory investment, however, turned negative with a contribution of -0.3% points from the previous quarter, reflecting a reaction to the sharp increase in the previous term.

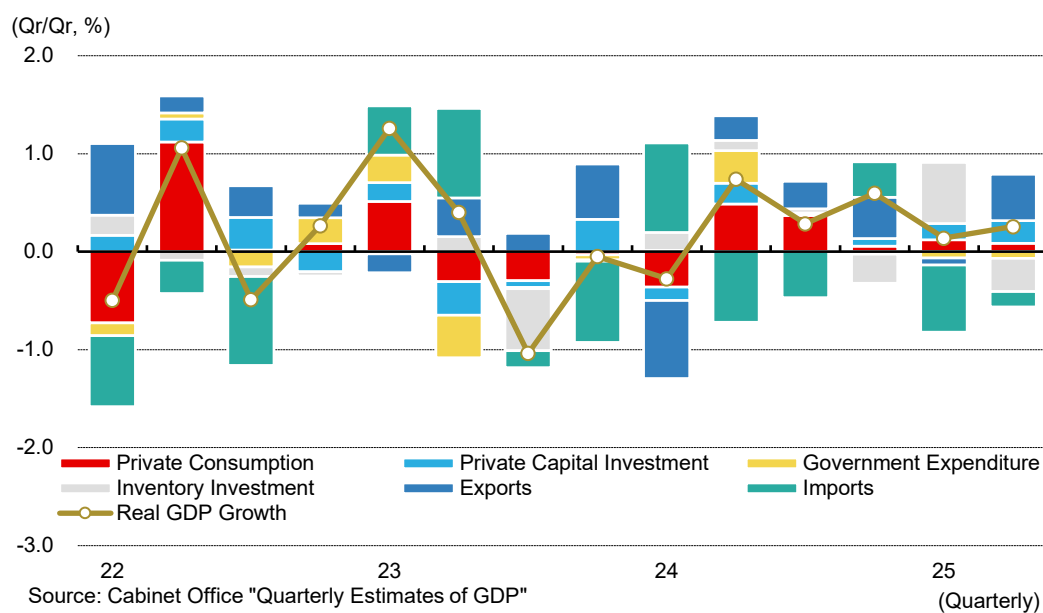
In the government sector, general medical expenses and nursing expenses are on the rise due to the advancing aging population. However, the real government consumption for this term showed a slight positive increase of +0.001% from the previous quarter. Additionally, real public investment decreased slightly by -0.5% amid rising construction costs.

As a result, the contribution of domestic demand to quarter-on-quarter GDP growth turned negative at -0.1% points for the first time in two quarters. In contrast, the contribution of net exports turned positive at +0.3% points, pushing up the overall growth rate. The export of goods, despite being impacted by a decline in passenger cars to the U.S., was supported by maintaining inventory levels for sales in the U.S. and strong exports of electronic components and devices amid a global demand recovery, resulting in a robust increase of +2.0% from the previous quarter despite the negative impact of Trump tariffs. Meanwhile, inbound tourism consumption decreased by -

2.9% due to a temporary decline in inbound tourists but service exports increased by +2.2% overall from the previous quarter, recovering from the previous term's decline. Consequently, real exports increased by +2.0% from the previous quarter. On the other hand, real imports saw a modest increase of +0.6% from the previous quarter, with goods rising by +1.3% while services decreased by -1.3% due to a reaction to the previous quarter's increase. This restrained growth in imports contributed positively to the growth rate as limited import growth enhances net exports' contribution to growth.

The nominal GDP growth rate increased steadily by +1.3% from the previous term (annualized rate of +5.1%). The GDP deflator, a measure of comprehensive price trends in the economy as a whole, showed a year-on-year increase of +3.0%, a slight reduction from the +3.3% in the January-March quarter, but the growth rate remains substantial. On a seasonally adjusted QoQ basis, the deflator rose by +1.0%. The continued rise in prices, primarily of goods such as foodstuffs, and the increased costs across sectors including construction and logistics, are contributing factors to this upward trend.

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



2. Economic Outlook for 2025/2026 - Recession Averted, Yet Downside Risks Remain

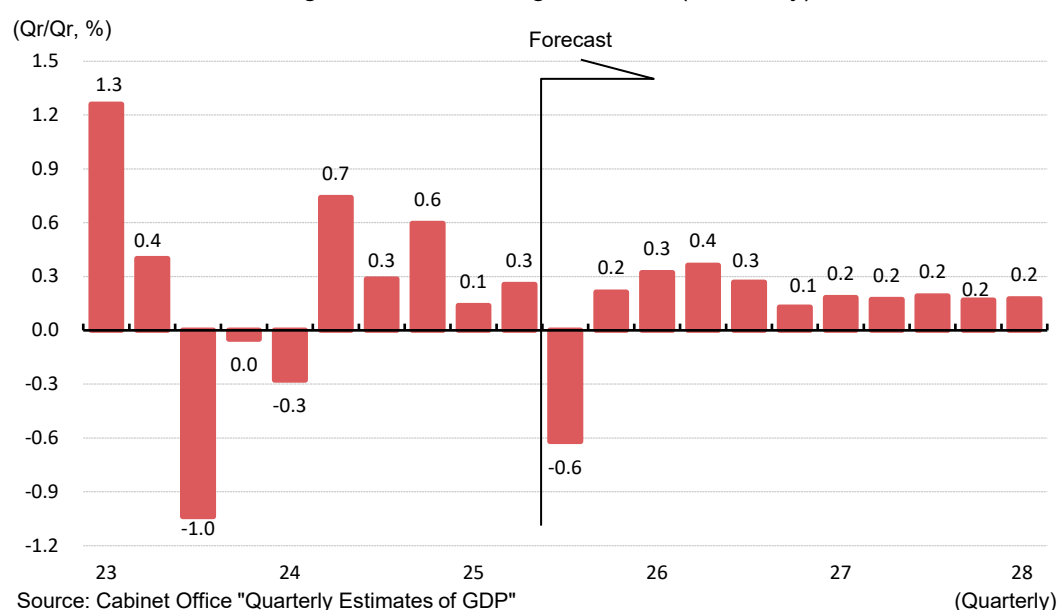
The July-September Quarter of 2025 is Expected to Experience Negative Growth

The July-September quarter of 2025 is likely to experience negative growth. Although the impact of the Trump tariffs was limited in the April-June quarter, the tariffs remain a factor suppressing exports. A sharp decline in exports, particularly of goods, is anticipated, and the contribution of

net exports is expected to turn negative. In addition, domestic demand remains weak: the pace of recovery in private consumption is slow, and a sharp decrease in private residential investment is projected, reflecting the rapid decline in housing starts since the beginning of fiscal 2025. While capital investment remains robust, it is insufficient to drive overall positive growth.

However, the negative impact of the Trump tariffs on exports is expected to largely run its course by the end of the year, with the adverse effects on the broader economy gradually diminishing thereafter. The negative effects of the tariff hikes are significant but are expected to stabilize exports and limit the damage to exporters' performance, given that reciprocal tariffs, including on automobiles, were settled at 15%. Consequently, the latter half of the fiscal year will be influenced more by domestic demand than external demand.

Figure 3. Real GDP growth rate (Quarterly)



Avoiding Economic Downturn Through Recovery in Domestic Demand

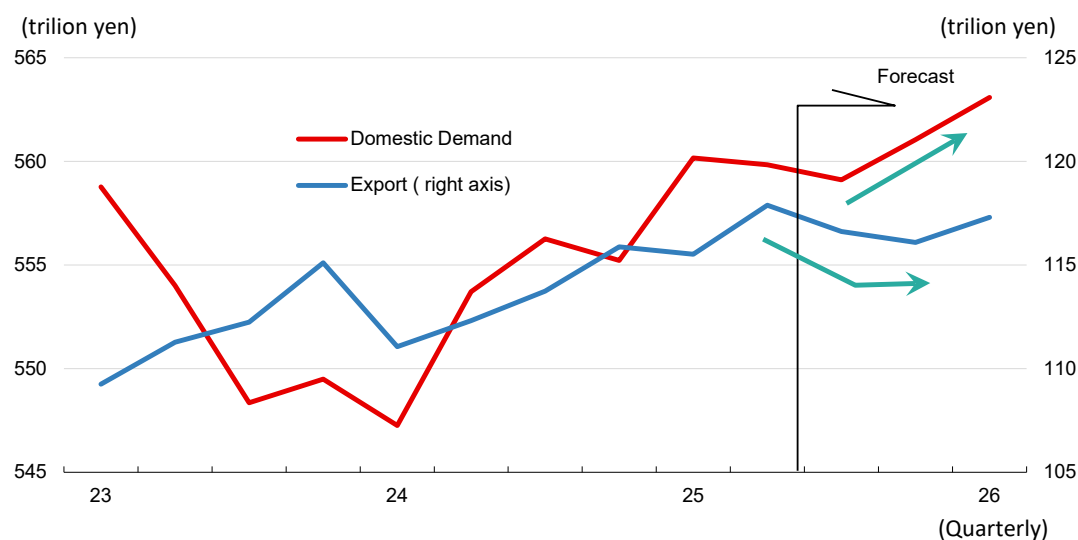
Regarding domestic demand, the favorable income environment surrounding households, including high wage hike rates from the spring labor negotiations and increased bonus payments, is expected to persist. As the inflation rate gradually moderates towards the fiscal year-end, consumer sentiment is expected to improve, maintaining a trend of increasing private consumption. With regard to the various measures to address rising prices proposed by each political party in their manifestos for the July Upper House election, we have not incorporated a reduction or abolition of the consumption tax into our baseline scenario. However, we consider it highly likely that a cash benefit of around 20,000 yen per person will be provided. Such policy

measures are also expected to temporarily support personal consumption.

In addition, the firm appetite for corporate investment is expected to provide a buffer for the economy. There remains a strong demand for IT-related investments to address labor shortages, as well as for research and development investments and environmental investments that are less sensitive to economic trends. Furthermore, while exports, particularly to the U.S., are expected to decline and stagnate, the risk of severe restructuring, such as curtailing domestic capital investment, reducing employment, or cutting wages due to deteriorating corporate performance, remains small, and the impact on domestic demand is expected to be minimal.

Figure 4 shows the breakdown of real GDP into domestic demand and exports. Exports will begin to decline in the July–September quarter and may bottom out by the end of the year. However, they are expected to remain sluggish thereafter, reflecting the continued dampening effect of the Trump tariffs and the delayed recovery in exports to Asia, including China. Even if exports begin to recover, they are unlikely to serve as a driving force for the economy for some time. In contrast, domestic demand appears to have bottomed out in the July–September quarter and is expected to gradually pick up toward the end of the fiscal year, helping to avert a sharp downturn in the overall economy.

Figure 4. Downside Risks to the Economy and Real GDP



Source: Cabinet Office "Quarterly Estimates of GDP"

Achieving Positive Growth for the Fifth Consecutive Year in Fiscal 2025

The real GDP growth rate for fiscal 2025 is projected at +0.5% year-on-year, marking the fifth consecutive year of positive growth. However, due to the weakening momentum in the first half of

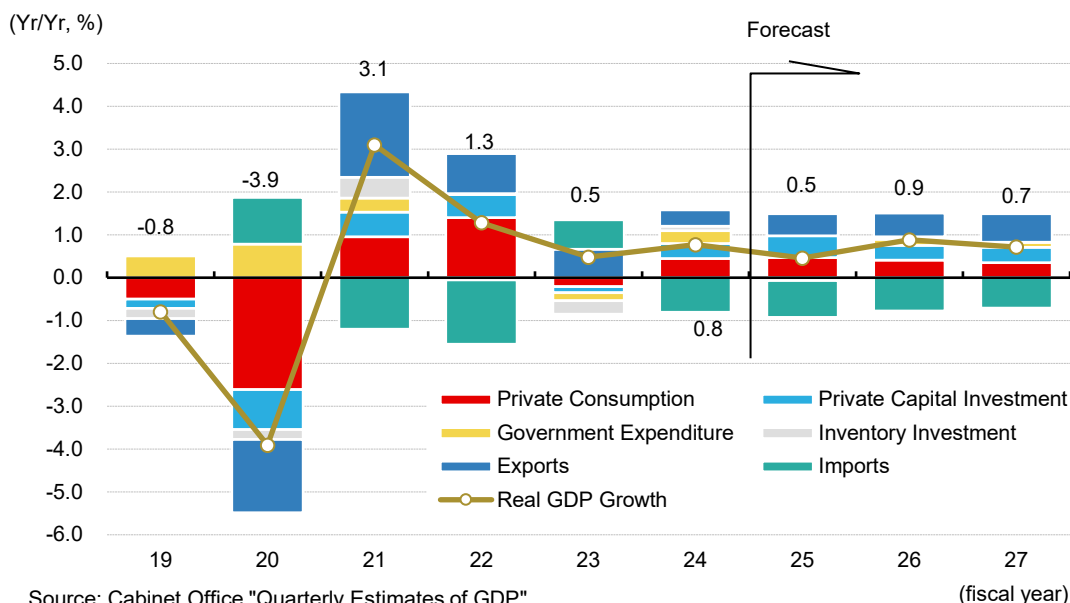
the fiscal year, growth excluding the statistical carryover effect (+0.5%) is expected to remain nearly flat. The contribution of domestic demand is anticipated to be firm at +0.8% point, while the contribution of external demand is expected to be -0.3% point, dragging down the overall growth.

In terms of quarterly trends, following a contraction in the July-September quarter, the economy is expected to begin recovering in the second half of fiscal 2025, as the adverse effects of the tariff hike—such as declining exports and reduced production—largely dissipate. Positive GDP growth is anticipated for the October-December and January-March quarters. Although exports are expected to stabilize, they lack the strength to drive the economy, leaving economic trends dependent on domestic demand. Sustained growth in private consumption and capital investment is expected to avoid an economic downturn.

With the normalization of monetary policy, both short- and long-term interest rates are on the rise. However, the increase is not significant, and the financial health of companies is improving, minimizing the potential dampening effect on capital investment. Furthermore, the increasing trend in demand from inbound tourists remains a positive factor for the economy.

Looking beyond the next fiscal year, as prices stabilize and the global economy recovers, the positive trend is expected to continue, with the real GDP growth rate projected to rise to +0.9% in fiscal 2026 and +0.7% in fiscal 2027 year-on-year.

Figure 5. Real GDP growth rate by demand (Fiscal year)



Remaining Downside Risks to the Economy

Nonetheless, downside risks remain. The impact of policies under President Trump continues to be an uncertain factor. While the baseline assumption is that trade negotiations with countries such as China, Canada, and Mexico will reach agreements comparable to those with other major economies—thereby avoiding a deterioration in the global economy—there is a risk that stalled negotiations could lead to economic downturns in the U.S. and globally. In particular, if U.S.–China negotiations become prolonged or contentious, and additional reciprocal tariffs or portions are actually implemented, the negative growth in the July–September quarter could deepen, and the economy may stagnate even beyond the October–December quarter.

Another concern is the continued weakness in private consumption due to elevated prices. Although the inflationary pace of energy prices is gradually easing due to the stabilization of international commodity markets such as crude oil, the sharp rise in food prices, especially rice, since last fall has negatively impacted consumer sentiment. Although the release of stockpiled rice is stabilizing rice prices, there is a possibility that food prices will surge due to persistently high prices for this year's newly harvested rice and unfavorable weather conditions. Additionally, rising labor and logistics costs could further accelerate price increases in the service sector. If inflationary pressures remain strong, prolonged weakness in consumer sentiment could further strengthen household spending restraint, potentially leading to a decline in private consumption. This could interrupt the virtuous cycle of growth and distribution that has been modest but ongoing.

Other downside factors include the risk that rising interest rates may suppress demand for new capital investment and housing purchases, as well as supply-side constraints stemming from labor shortages. Should these negative factors intensify, not only could the recovery lose momentum, but Japanese economy may falter even as the global economy begins to recover.

Economic Outlook for calendar 2025-2027

【GDP demand】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Nominal GDP	3.7	3.0	2.1	2.2	
Real GDP	0.8	0.5	0.9	0.7	
Contribution of domestic demand	1.2	0.8	1.1	0.8	
Private consumption	0.8	0.9	0.8	0.7	
Housing investment	-0.4	-2.8	4.2	-2.0	
Private capital investment	2.0	2.9	1.9	2.0	
Contribution of inventory investment	0.1	-0.0	0.1	0.0	
Government expenditure	1.2	-0.1	0.6	0.5	
Government final consumption expenditure	1.3	0.0	0.6	0.5	
Public investment	0.8	-0.4	0.4	0.3	
Contribution of external demand	-0.4	-0.3	-0.2	-0.0	
Export of goods and services	1.7	2.3	2.5	3.0	
Import of goods and services	3.4	3.6	3.4	3.1	
GDP deflator	2.9	2.5	1.2	1.5	

【Overseas economy and market data】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Real GDP (US) (CY)	2.8	1.3	0.8	0.7	
Real GDP (Euro zone) (CY)	0.9	1.3	1.0	0.6	
Real GDP (Asia)					
Real GDP (China)	5.0	4.8	4.0	4.2	
Yen/US.Dollar	152.5	144.7	140.5	137.8	
Uncollateralized call rates (O/N) (%)*	0.225	0.489	0.895	0.980	
TORF (3months)	0.271	0.509	0.925	1.000	
Newly issued government bond yields (10years) (%)	1.08	1.55	1.73	1.83	
WTI future price (near month contract, US dollar/barrel)	74.3	64.2	64.0	64.0	
North Sea Brent Crude (US dollar/barrel)	78.1	67.2	67.0	67.0	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Value of exports (Yen base)	5.9	-2.4	-1.0	0.7	
Ammount (Yr/Yr,%)	-2.4	-1.2	0.7	1.4	
Value of imports (Yen base)	4.7	-1.5	-0.8	-0.4	
Ammount (Yr/Yr,%)	-0.3	4.0	1.1	1.2	
Balance (trillion yen)	-5.2	-6.1	-6.2	-5.1	
Current account balance (trillion yen)	30.4	27.1	27.5	28.3	
balance on goods (trillion yen)	-4.0	-3.3	-3.1	-2.2	
balance on service (trillion yen)	-2.6	-3.4	-3.7	-4.4	
balance on income (trillion yen)	41.7	39.2	39.1	39.7	

【Corporations】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Industrial production	-1.5	-0.3	0.5	0.6	
Inventory index	-0.7	-0.5	0.0	0.4	
Sales	3.3	1.7	1.2	1.7	
Ordinary Profits	7.2	-0.7	6.1	5.2	

【Income and employment】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Income per capita	3.0	2.6	2.4	2.3	
Scheduled	2.1	2.4	2.4	2.2	
Non-scheduled	0.6	0.8	0.4	0.3	
Real wage indices	-0.5	-0.6	0.5	0.1	
Number of employees	0.8	0.8	0.5	0.4	
Nominal compensation of employees*	4.6	3.5	2.8	2.6	
Unemployment rate (%)	2.5	2.5	2.4	2.3	

*GDP base

【Goods prices】

	FY 2024 (actual)	forecast			Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
Domestic corporate goods prices	3.2	1.5	-0.5	0.6	
excluding tax effects	3.3	1.5	-0.5	0.6	
Consumer prices	3.1	2.8	1.6	1.9	
excluding freshfood	2.7	2.8	1.6	1.8	
excluding food (excluding alcoholic beverages) and energy	2.3	3.0	1.9	2.0	

【New housing starts】

	FY 2024 (actual)	forecast			annualized, ten thousand units Yr/Yr, %
		FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)	
New housing starts	81.6	70.4	77.5	77.4	
	2.0	-13.7	10.1	-0.2	
Owned	22.3	19.5	21.1	21.1	
	1.6	-12.7	8.4	-0.1	
Rented	35.7	30.3	33.4	33.2	
	4.9	-15.2	10.3	-0.5	
Built for Sale	23.0	19.6	21.9	21.9	
	-2.3	-14.8	11.7	0.1	

【GDP demand】

	CY 2024 (actual)	forecast			Yr/Yr, %
		CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)	
Nominal GDP	3.0	3.7	2.1	2.3	
Real GDP	0.1	0.9	0.7	0.8	
Contribution of domestic demand	0.3	0.1	1.3	1.0	
Private consumption	-0.1	1.1	0.8	0.7	
Housing investment	-2.0	-1.2	2.8	-1.2	
Private capital investment	0.9	3.0	2.1	2.0	
Contribution of inventory investment	-0.1	0.2	-0.0	0.0	
Government expenditure	0.4	0.0	0.5	0.5	
Government final consumption expenditure	0.9	0.1	0.6	0.5	
Public investment	-1.4	0.1	0.4	0.3	
Contribution of external demand	0.0	-0.4	-0.3	-0.0	
Export of goods and services	1.1	2.8	2.1	3.1	
Import of goods and services	1.0	4.5	3.3	3.2	
GDP deflator	2.9	2.8	1.4	1.5	

【Overseas economy and market data】

	CY 2024 (actual)	forecast			Yr/Yr, %
		CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)	
Real GDP (US) (CY)	2.8	1.3	0.8	0.7	
Real GDP (Euro zone) (CY)	0.9	1.3	1.0	0.6	
Real GDP (Asia)					
Real GDP (China)	5.0	4.8	4.0	4.2	
Yen/U.S.Dollar	151.5	147.0	141.5	138.3	
Uncollateralized call rates (O/N) (%)*	0.120	0.463	0.780	0.980	
TORF (3months)	0.159	0.490	0.813	1.000	
Newly issued government bond yields (10years) (%)	0.89	1.49	1.70	1.80	
WTI future price (near month contract, US dollar/barrel)	75.7	66.1	64.0	64.0	
North Sea Brent Crude (US dollar/barrel)	79.8	69.1	67.0	67.0	

* actual=average, forecast=end of period

【External demand (export and import)】

		forecast		Yr/Yr, %
	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)
Value of exports (Yen base)	6.2	0.9	-2.7	0.6
Ammount (Yr/Yr,%)	-2.6	-0.6	-0.3	1.5
Value of imports (Yen base)	2.0	0.7	-1.4	-0.6
Ammount (Yr/Yr,%)	-2.5	4.2	1.5	1.2
Balance (trillion yen)	-5.5	-5.3	-6.7	-5.3
Current account balance (trillion yen)	29.4	28.3	27.2	28.2
balance on goods (trillion yen)	-3.7	-3.9	-3.5	-2.2
balance on service (trillion yen)	-2.8	-3.2	-3.5	-4.2
balance on income (trillion yen)	40.4	40.8	39.0	39.4

【Corporations】

		forecast		Yr/Yr, %
	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)
Industrial production	-2.6	0.2	0.1	0.6
Inventory index	-1.9	0.0	0.0	0.4
Sales*	2.7	2.8	0.9	1.7
Ordinary Profits	10.0	0.1	4.7	5.4

*Forecast starts from CY 2023.

【Income and employment】

		forecast		Yr/Yr, %
	CY 2024 (actual)	CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)
Income per capita	2.8	2.5	2.4	2.3
Scheduled	2.1	2.2	2.5	2.2
Non-scheduled	0.0	1.0	0.4	0.3
Real wage indices	-0.4	-1.1	0.4	0.2
Number of employees	0.8	1.0	0.5	0.4
Nominal compensation of employees*	4.1	3.8	2.9	2.7
Unemployment rate (%)	2.5	2.5	2.4	2.3

*GDP base

【Goods prices】

	CY 2024 (actual)	forecast			Yr/Yr, %
		CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)	
Domestic corporate goods prices (Yr/Yr,%)	2.3	2.6	-0.8	0.6	
excluding tax effects	2.3	2.7	-0.8	0.6	
Consumer prices	2.7	3.1	1.8	1.9	
excluding freshfood	2.6	3.0	1.7	1.8	
excluding food (excluding alcoholic beverages) and energy	2.4	3.0	2.1	2.0	

【New housing starts】

	CY 2024 (actual)	forecast			Yr/Yr, %
		CY 2025 (forecast)	CY 2026 (forecast)	CY 2027 (forecast)	
New housing starts	79.1	73.4	77.4	76.9	
	-3.6	-7.3	5.5	-0.6	
Owned	21.8	20.1	21.1	21.0	
	-3.2	-7.6	4.9	-0.9	
Rented	34.2	32.1	33.3	33.0	
	-0.7	-6.1	3.8	-1.0	
Built for Sale	22.5	20.2	21.8	21.9	
	-8.9	-10.2	8.0	0.2	

Economic Outlook (Quarterly)

forecast																Qr/Qr,%	
																Yr/Yr,%	
		FY 2024				FY 2025				FY 2026				FY 2027			
		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,%)	2.2	0.7	1.3	1.0	1.3	-0.2	0.0	1.1	0.5	0.5	0.5	0.7	0.6	0.3	0.6	0.6
	Annualized rate	9.1	2.6	5.3	3.9	5.1	-0.6	0.1	4.5	1.9	1.9	2.0	3.0	2.4	1.3	2.4	2.2
	(Yr/Yr,%)	2.4	3.2	4.1	5.2	4.2	3.3	2.0	2.4	1.3	2.1	2.4	2.4	2.2	2.2	2.2	2.2
Real GDP	(Qr/Qr,%)	0.7	0.3	0.6	0.1	0.3	-0.6	0.2	0.3	0.4	0.3	0.1	0.2	0.2	0.2	0.2	0.2
	Annualized rate	3.0	1.1	2.4	0.6	1.0	-2.5	0.9	1.3	1.5	1.1	0.5	0.7	0.7	0.8	0.7	0.7
	(Yr/Yr,%)	-0.7	0.8	1.2	1.8	1.2	0.4	0.0	0.2	0.3	1.2	1.1	1.0	0.7	0.7	0.7	0.7
Contribution of domestic demand (Qr/Qr,%)		1.2	0.5	-0.2	0.9	-0.1	-0.1	0.4	0.4	0.4	0.3	0.1	0.2	0.2	0.2	0.2	0.2
	Private consumption	0.9	0.7	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
		-0.5	0.9	1.0	1.9	1.1	0.8	0.8	0.8	0.9	0.8	0.7	0.7	0.7	0.7	0.6	0.6
	Housing investment	1.5	0.8	-0.1	1.4	0.8	-8.0	1.5	3.0	3.6	1.0	-2.0	-0.5	-0.4	-0.3	-0.3	-0.3
		-2.8	-1.3	-0.9	3.5	3.0	-6.0	-4.6	-3.1	-0.3	9.4	5.6	2.0	-1.9	-3.2	-1.5	-1.3
	Private capital investment	1.2	0.1	0.5	1.0	1.3	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		2.1	2.4	1.0	2.7	2.9	3.1	3.1	2.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Contribution of inventory investment (Qr/Qr,%)		0.1	0.0	-0.3	0.6	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0
	Government expenditure	1.3	0.1	-0.1	-0.2	-0.3	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		1.1	1.3	1.2	1.0	-0.5	-0.2	-0.1	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.4	0.4
	Government final consumption expenditure	1.0	0.0	0.2	-0.5	0.0	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
		1.6	1.2	1.7	0.7	-0.2	-0.1	-0.2	0.5	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5
	Public investment	2.5	0.1	-0.8	0.1	-0.5	0.2	0.2	0.1	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.1
		-0.6	1.1	0.3	1.9	-0.8	-0.9	-0.1	0.0	0.8	0.5	0.3	0.2	0.4	0.3	0.2	0.3
Contribution of external demand (Qr/Qr,%)		-0.5	-0.2	0.8	-0.8	0.3	-0.5	-0.1	-0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
	Export of goods and services	1.1	1.3	1.9	-0.3	2.0	-1.1	-0.5	1.0	1.0	0.8	0.8	0.7	0.7	0.7	0.7	0.7
		1.1	1.5	0.5	3.9	4.9	2.3	0.3	1.7	0.5	2.5	3.7	3.3	3.2	3.1	2.9	2.9
	Import of goods and services	3.1	2.0	-1.5	2.9	0.6	1.0	0.1	1.2	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7
		3.3	4.6	-0.4	6.5	3.9	2.9	4.7	2.9	3.3	3.1	3.7	3.3	3.2	3.1	3.0	3.0
GDP deflator (Yr/Yr,%)		3.1	2.4	2.9	3.3	3.0	2.9	2.0	2.2	0.9	0.9	1.4	1.4	1.5	1.5	1.5	1.5

【Overseas economy and market data】

[Overseas economy and market data]					forecast												
	FY 2024				FY 2025				FY 2026				FY 2027				
	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,%)	3.0	3.1	2.5	-0.5	3.0	-1.2	0.1	1.0	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.2	
Real GDP (Euro zone)																	
(Annualized Qr/Qr rate,%)	0.8	1.7	1.2	2.3	0.4	0.9	0.9	1.1	1.1	1.2	1.2	1.5	1.5	1.5	1.5	1.5	
Real GDP (Asia)																	
(Yr/Yr,%)																	
Real GDP (China)																	
(Yr/Yr,%)	4.7	4.6	5.4	5.4	5.2	4.5	4.3	4.1	3.7	4.0	4.4	4.4	4.2	4.1	4.0	4.1	
Yen/U.S.Dollar	155.9	149.2	152.4	152.5	144.5	146.6	144.5	143.0	142.0	141.0	140.0	139.0	138.5	138.0	137.5	137.0	
Uncollateralized call rates (O/N) (%)*	0.077	0.177	0.227	0.417	0.478	0.479	0.480	0.520	0.720	0.900	0.980	0.980	0.980	0.980	0.980	0.980	
TORF (3months)	0.104	0.200	0.307	0.472	0.489	0.497	0.500	0.550	0.750	0.950	1.000	1.000	1.000	1.000	1.000	1.000	
Newly issued government bond yields (10years) (%)	0.93	0.93	1.01	1.43	1.40	1.54	1.60	1.65	1.70	1.70	1.75	1.75	1.80	1.80	1.85	1.85	
WTI future price (near month contract, US dollar/barrel)	80.6	75.1	70.3	71.4	63.7	65.1	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	
North Sea Brent Crude (US dollar/barrel)	85.0	78.5	74.0	74.9	66.8	67.9	67.0	67.0	67.0	67.0	67.0	67.0	67.0	67.0	67.0	67.0	

* actual=average, forecast=end of period

【External demand (export and import)】

【External demand (export and import)】					forecast												Yr/Yr, %	
		FY 2024				FY 2025				FY 2026				FY 2027				
		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)		8.8	4.5	3.2	7.4	-0.0	-0.1	-3.0	-6.5	-2.6	-2.1	0.2	0.6	0.5	0.6	0.7	0.9	
	Ammount (Yr/Yr,%)	-3.5	-5.1	-0.9	0.2	1.6	-1.0	-3.1	-2.3	-1.6	0.4	2.1	1.8	1.5	1.4	1.3	1.3	
	Ammount (Qr/Qr,%)	-0.5	0.9	0.8	-0.2	-0.1	-1.5	-1.3	0.7	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.3	
Value of imports (Yen base)		7.0	6.8	-0.5	5.9	-3.2	-1.3	1.5	-3.1	0.3	-1.2	-1.4	-1.0	-0.8	-0.5	-0.2	0.1	
	Ammount (Yr/Yr,%)	-3.5	-0.3	-0.4	3.3	5.7	3.2	4.4	2.9	0.5	1.0	1.6	1.3	1.2	1.2	1.2	1.2	
	Ammount (Qr/Qr,%)	0.5	2.2	-1.4	2.0	2.9	-0.3	-0.2	0.5	0.4	0.2	0.3	0.2	0.3	0.2	0.3	0.2	
Balance (trillion yen)		-1.5	-1.6	-0.5	-1.6	-0.6	-1.3	-1.7	-2.4	-1.4	-1.6	-1.3	-2.0	-1.0	-1.3	-1.0	-1.8	
Current account balance (trillion yen)*		7.2	7.2	8.2	7.7	7.5	7.4	6.7	6.6	6.7	6.8	6.9	6.9	7.0	7.1	7.1	7.2	
Balance on goods (trillion yen)*		-1.3	-0.9	-0.0	-1.5	-0.2	-0.6	-1.2	-1.0	-0.9	-0.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.4	
Balance on service (trillion yen)*		-0.8	-0.9	-0.1	-0.8	-0.3	-0.6	-0.7	-0.8	-0.8	-0.9	-0.9	-1.0	-1.0	-1.0	-1.1	-1.1	
Balance on income (trillion yen)*		10.3	10.3	9.6	11.2	9.7	9.9	9.8	9.7	9.7	9.8	9.8	9.8	9.8	9.9	9.9	9.9	

*seasonally adjusted

【Corporations】

		FY 2024				FY 2025				FY 2026				FY 2027				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, %)	2.1	0.3	0.4	-0.3	0.4	-0.9	-0.3	0.4	0.3	0.1	0.2	0.1	0.2	0.1	0.2	0.1	
	(Yr/Yr, %)	-3.3	-1.8	-1.5	1.0	0.9	-0.4	-0.6	-1.2	-0.4	0.6	1.2	0.4	0.6	0.6	0.7	0.4	
Inventory index	(Qr/Qr, %)	-0.5	-0.1	-1.2	1.0	-2.8	2.6	-0.5	0.2	-0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
	(Yr/Yr, %)	-2.6	-1.2	-1.9	-0.7	-3.1	-0.5	0.0	-0.5	2.0	-0.4	0.0	0.0	0.5	0.4	0.4	0.4	
Sales		3.5	2.6	2.5	4.3	3.0	2.4	1.4	0.3	0.4	1.1	1.6	1.6	1.7	1.7	1.7	1.7	
Ordinary profits		13.2	-3.3	13.5	3.8	-4.5	7.5	-3.8	0.7	5.1	6.4	6.6	6.3	5.0	5.3	5.3	5.4	

*Forecast starts from 2023 10-12.

【Income and employment】

		FY 2024				FY 2025				FY 2026				FY 2027				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		3.0	2.9	3.7	2.3	2.1	2.6	2.9	2.7	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.2	
	Scheduled	2.0	2.4	2.5	1.6	2.1	2.5	2.4	2.8	2.5	2.5	2.4	2.4	2.2	2.3	2.1	2.3	
	Non-scheduled	0.2	0.2	1.0	1.2	1.2	1.0	0.5	0.5	0.3	0.4	0.5	0.5	0.3	0.3	0.3	0.3	
Real wage indices		-0.2	-0.2	0.2	-2.0	-1.9	-0.8	0.1	0.1	0.7	0.5	0.4	0.3	0.1	0.1	0.2	0.1	
Number of employees		0.5	0.6	1.1	1.2	1.1	1.1	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	
Nominal compensation of employees*		4.3	4.0	5.6	4.4	3.7	3.7	3.4	3.2	3.0	2.9	2.7	2.7	2.7	2.7	2.5	2.5	
Unemployment rate (%)		2.6	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	

※GDP base

【Goods prices】

【Goods prices】					forecast												Yr/Yr, %			
					FY 2024				FY 2025				FY 2026				FY 2027			
					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					1.9	2.9	3.8	4.2	3.4	2.5	0.6	-0.9	-1.2	-1.1	0.0	0.6	0.5	0.6	0.6	0.6
Consumer prices					2.7	2.8	2.9	3.8	3.4	3.0	2.5	2.3	1.5	1.6	1.7	1.7	1.9	1.9	1.9	1.9
excluding freshfood					2.5	2.7	2.6	3.1	3.5	2.9	2.6	2.2	1.4	1.6	1.6	1.7	1.9	1.9	1.8	1.8
excluding food (excluding alcoholic beverages) and energy					2.2	2.0	2.3	2.7	3.2	3.3	2.9	2.7	2.0	1.8	1.8	1.9	2.0	2.0	2.0	2.0

【New housing starts】

		FY 2024				FY 2025				FY 2026				FY 2027				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		80.8	78.7	77.8	88.8	60.1	70.2	74.4	77.3	77.6	77.4	77.3	77.2	77.0	76.9	76.7	76.6	
		0.5	-2.0	-2.4	13.3	-25.6	-11.3	-4.6	-12.8	28.7	10.1	3.8	0.7	-0.2	-0.2	-0.1	-0.6	
	Owned	21.5	21.9	22.1	23.8	16.4	19.7	20.7	21.2	21.1	21.1	21.1	21.0	21.0	20.9	20.9	20.8	
		-6.0	-3.9	8.3	10.5	-23.4	-10.5	-6.2	-11.2	28.5	7.2	1.6	-0.2	0.0	-0.0	0.1	-0.7	
	Rented	35.0	34.5	32.8	40.4	26.4	29.5	32.1	33.2	33.5	33.3	33.2	33.1	33.0	32.9	32.8	32.7	
		2.9	2.5	-3.6	19.2	-24.3	-14.7	-2.8	-17.9	26.2	12.6	3.4	1.2	-0.5	-0.3	-0.3	-1.0	
	Built for Sale	23.6	21.7	22.2	24.1	16.3	19.9	20.5	21.7	21.8	21.8	21.8	21.8	21.9	21.9	21.9	21.9	
		2.2	-8.1	-10.5	7.6	-31.0	-8.6	-7.7	-9.6	33.7	9.5	6.7	0.9	0.1	0.0	0.2	0.1	

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