27 February 2026

Report

The Japanese Economy in Fiscal 2025 and Fiscal 2026

— Moderate Recovery Expected, but Downside Risks Remain —

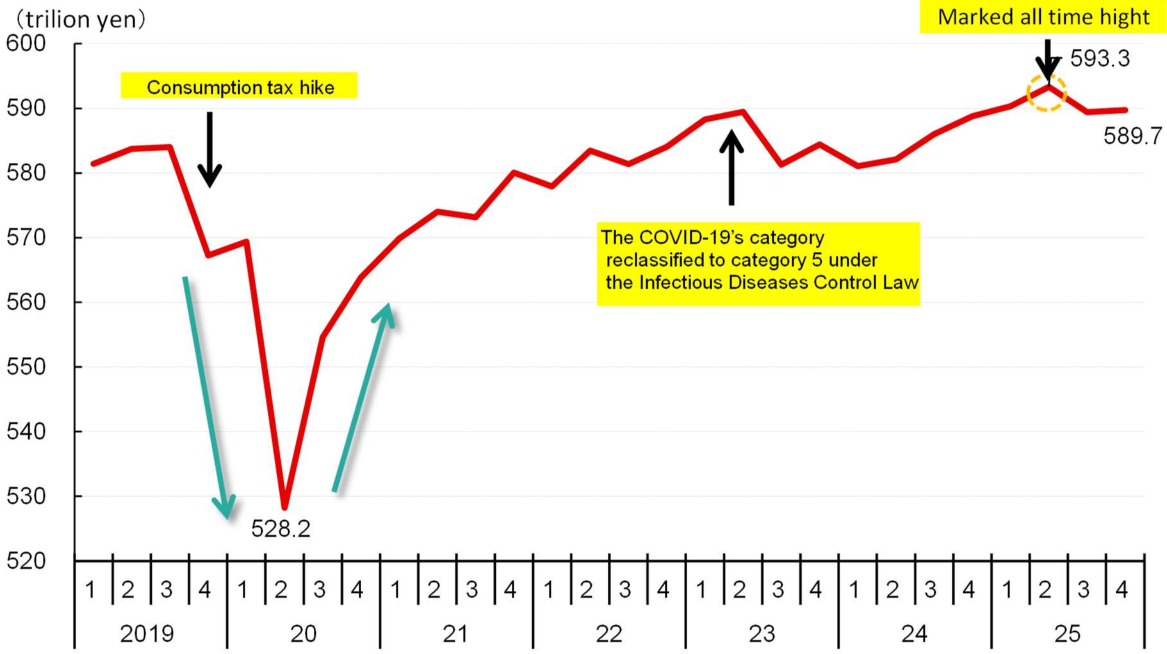
I. Current Economic Conditions — The Economy Is Recovering Moderately

Positive Growth After Two Quarters, Driven by Domestic Demand

According to the first preliminary estimates of real GDP for the October–December quarter of 2025 released by the Cabinet Office on February 16, 2026, the economy posted +0.1% quarter-on-quarter (QoQ), at an annualized rate (ann.) of +0.2%, marking a return to positive growth after two quarters (Figure 1). Private consumption and capital investment increased, while private residential investment—which had seen a substantial decline due to institutional changes—also turned positive on a quarter-on-quarter basis as housing starts recovered. The contraction in exports, which had been pronounced particularly to the United States due to the Trump tariffs, narrowed compared to the previous quarter, thereby providing additional support.

While the pace of recovery remained moderate in light of the negative growth recorded in the July–September quarter, this was mainly attributable to a decline in private inventories investment. Excluding inventory changes, final demand increased by +0.3% QoQ (+1.1% ann.), confirming a moderate recovery in domestic economic activity.

Figure 1. Real GDP



Source: Cabinet Office "Quarterly Estimates of GDP"

Private Consumption Increases for the Seventh Consecutive Quarter

Examining the breakdown of major demand by category, private consumption—a key component of domestic demand—increased slightly by +0.1% QoQ, marking the seventh consecutive quarter of growth. This was underpinned by improvements in household income conditions—real compensation of employees rose +0.5% QoQ for the third straight quarter—and a recovery in consumer sentiment. Demand for durable goods such as mobile phones rose (+2.1% QoQ) and services increased (+0.3%), while semi-durable goods (–1.3%) and non-durable goods (–0.5%) declined.

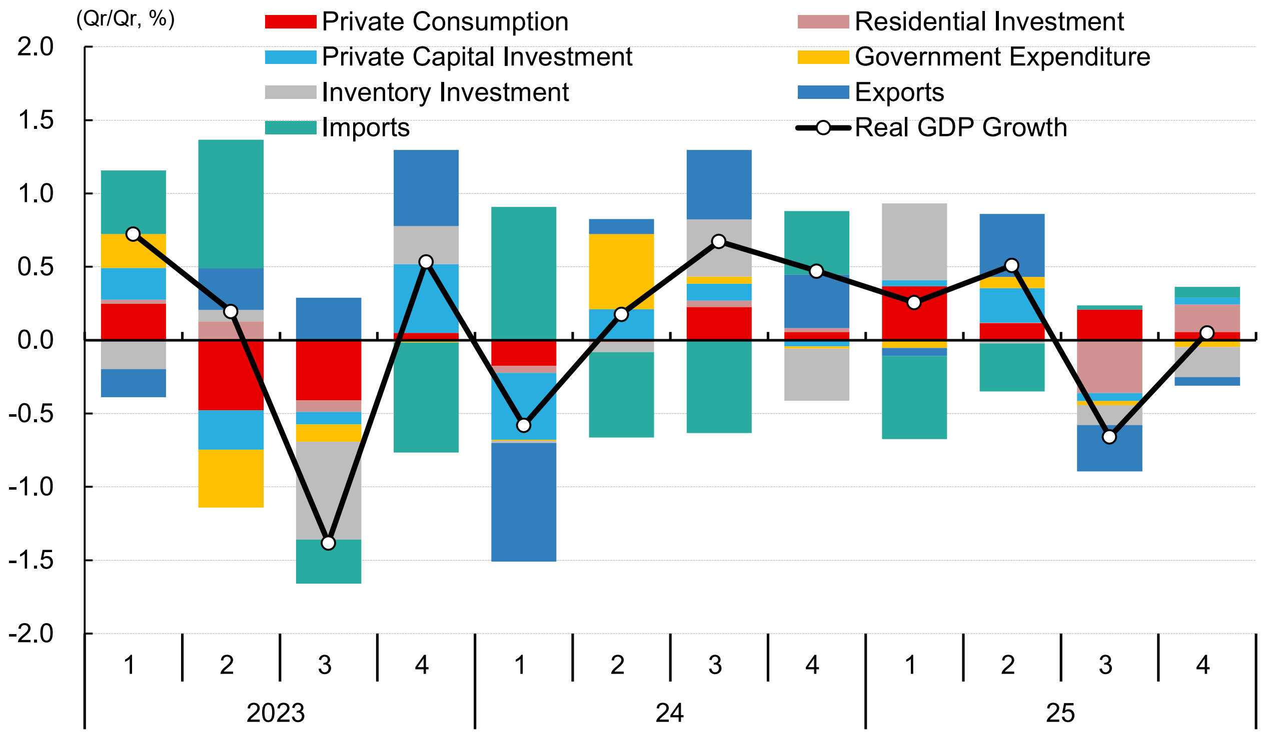
Private residential investment increased +4.8% QoQ, rebounding for the first time in two quarters. The previous quarter saw a sharp payback following a rush in demand ahead of amendments to the Building Standards Act; however, as housing starts —a leading indicator for private residential investment—bottomed out in May 2025 and subsequently recovered, that improvement fed through toward year-end, turning private residential investment positive on a quarter-on-quarter basis.

In the corporate sector, capital investment rose +0.2% QoQ, the first increase in two quarters. Despite continued upward pressure on investment costs, particularly construction costs, solid demand for labor-saving and digital investment amid intensifying labor shortages supported steady corporate investment activity. By contrast, the contribution of private inventory investment to quarter-on-quarter growth was –0.2% point, with weakness primarily in distribution inventories and reflecting a continued payback from the sizeable positive contribution seen in the January–March quarter.

In the public sector, government consumption increased +0.1% QoQ for the third consecutive quarter, mainly reflecting rising general medical expenses and nursing expenses amid population aging. Conversely, public investment remained weak, declining –1.3% QoQ for the second consecutive quarter, as rising construction costs weighed on real public investment. As a result, the contribution of domestic demand to quarter-on-quarter growth was +0.04% point, turning positive for the first time in two quarters, albeit marginally.

Similarly, the contribution of net exports of goods and services also turned slightly positive for the first time in two quarters, at +0.02% point. Exports decreased –0.3% QoQ for the second consecutive quarter. Goods exports fell –0.2% QoQ, but the pace of decline narrowed, particularly for shipments to the United States. Exports of services also continued to decrease (–0.4% QoQ). Although demand from inbound tourists—which had slumped due to rumors of natural disasters—showed signs of recovery, this renewed downward pressure emerged toward year-end amid heightened Japan–China tensions following remarks by Prime Minister Takaichi regarding a potential Taiwan contingency. Imports decreased –0.3% QoQ, mainly reflecting a reactionary decline in computers and related equipment, which had previously been supported by replacement demand following the end of Windows 10 support.

Figure 2. Breakdown of Real GDP Growth Rate by Demand



Source: Cabinet Office "Quarterly Estimates of GDP"

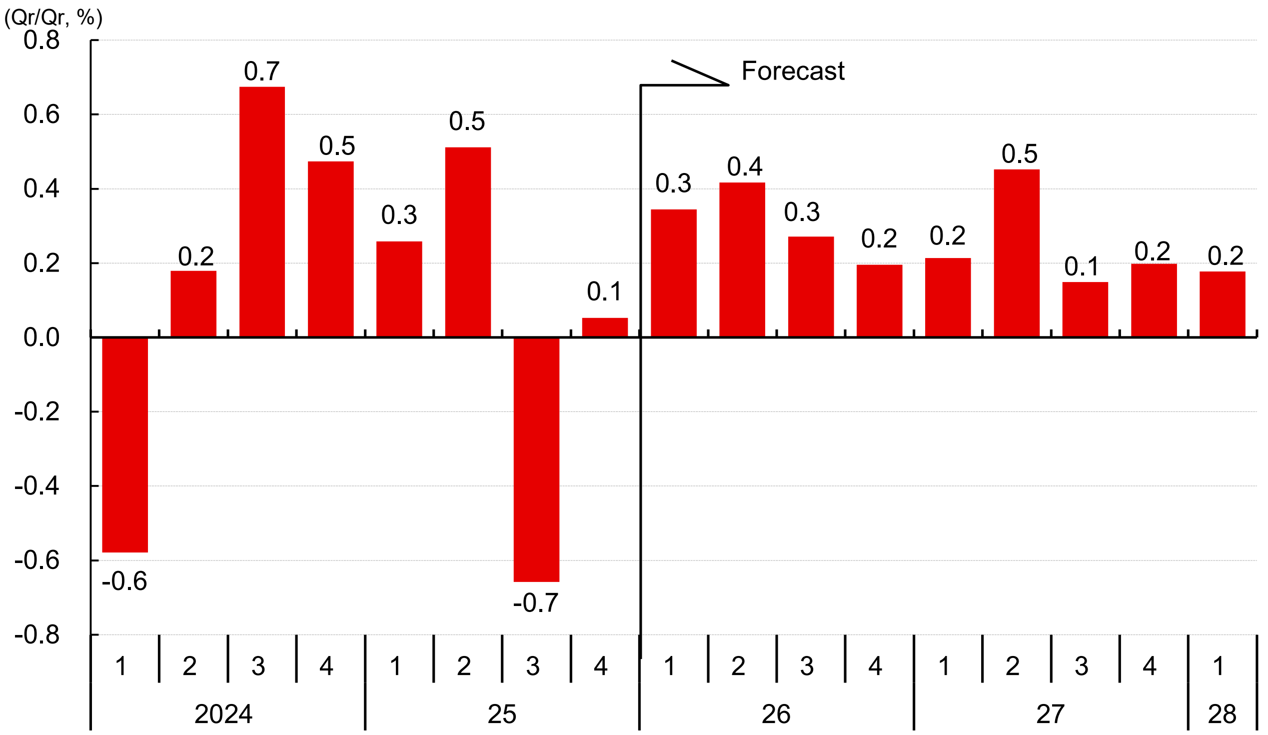
During this period, the nominal GDP growth rate, which includes the effects of price increases, registered +0.6% QoQ (+2.3% ann.), returning to positive growth for the first time in two quarters. Although upward pressure on prices is gradually easing, the cost pass-through continues, and the GDP deflator, a measure of comprehensive price trends in the economy as a whole, rose +3.4% year-on-year (YoY) (+0.5% QoQ, seasonally adjusted), contributing to the increase in nominal GDP. Simultaneously with the October–December quarter results, the annual figures for calendar year 2025 were also released. Real GDP growth stood at +1.1% YoY, returning to positive growth for the first time in two years. Nominal GDP reached 662.8 trillion yen (+4.5% YoY), marking the fifth consecutive year of increase and a new record high. Nominal GDP has exceeded the 600 trillion yen target set by former Prime Minister Abe for three consecutive years, indicating steady progress in the transition from a deflationary to an inflationary economy.

II. Economic Outlook for FY 2025 and FY 2026
— Moderate Recovery Continues, but Downside Risks Remain

Positive Growth Expected in the January–March Quarter of 2026; FY2025 Likely to Mark a Second Consecutive Year of Expansion

The economy is forecast to continue its positive momentum in the January–March quarter of 2026, with a projected +0.3% QoQ (+1.4% ann.) increase (Figure 3). In the January–March quarter, the period coincides with the Chinese New Year, and although a decline in visitors from China—stemming from deteriorating Japan–China relations—is expected to exert significant downward pressure on inbound consumption, upward pressure on prices has eased due to government measures to address high prices, including the abolition of the provisional gasoline tax rate and subsidies for electricity and gas bills. As a result, private consumption is expected to strengthen, and real GDP is projected to increase for the second consecutive quarter. Consequently, real GDP for FY2025 is projected to increase +0.8% YoY (with the contribution of domestic demand at +1.0% point and net exports of goods and services at –0.2% point), marking the second consecutive year of positive growth. However, given the loss of momentum from summer through the latter half of the year due to the impact of the Trump tariffs, the underlying growth rate—excluding the carry-over effect (+0.6% point)—is expected to be a modest +0.2% YoY, a point worth noting.

Figure 3. Forecast of Real GDP Growth Rate



Source: Cabinet Office "Quarterly Estimates of GDP"

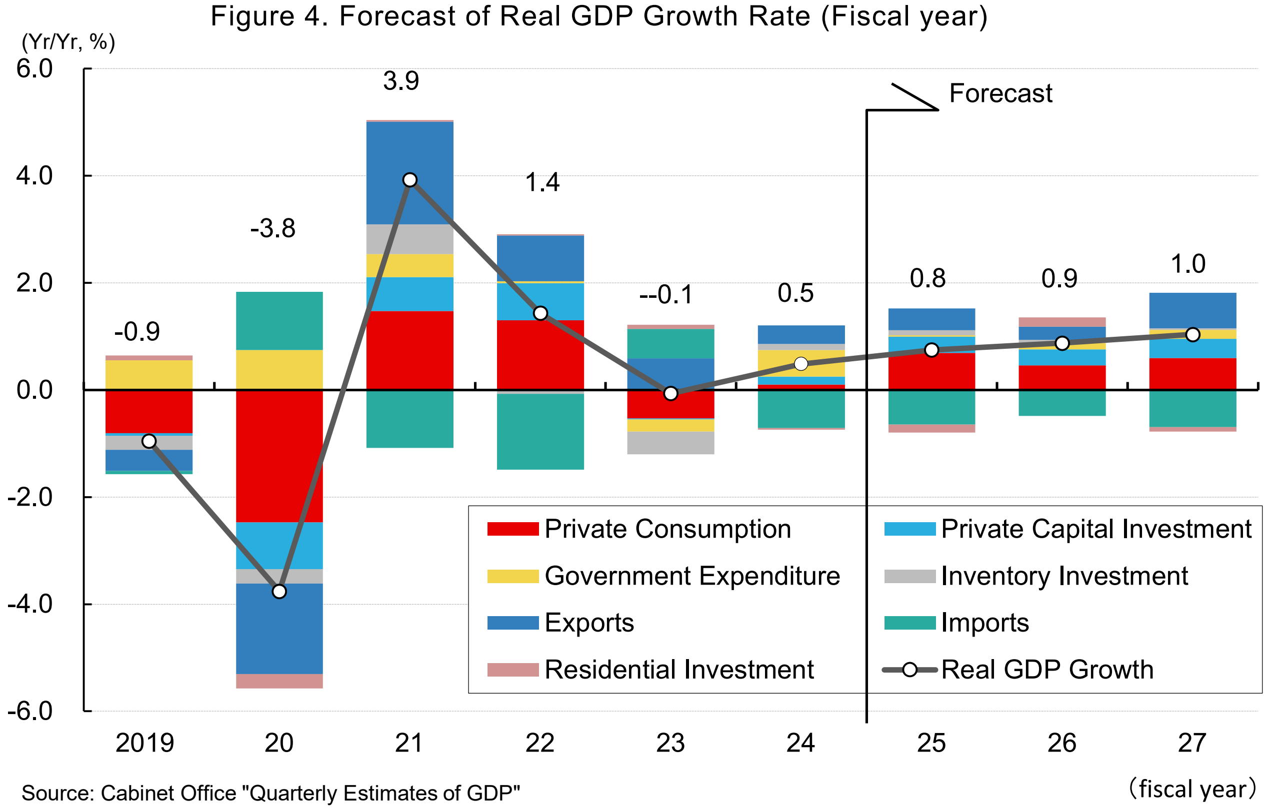
A New Postwar Record for Expansion Duration Comes into View in FY2026

In FY2026, the domestic economy is expected to continue its moderate recovery, with real GDP projected to grow +0.9% YoY (Figure 4). While the contribution of net exports of goods and services is expected to remain negative at –0.2% point due to sluggish inbound demand, robust increases in private consumption and capital investment are anticipated to drive domestic demand, with its contribution projected at +1.1% point, suggesting that the recovery will remain domestic-demand-led.

Regarding domestic demand, favorable household income conditions—supported by high wage increases in the spring wage negotiations and higher bonus payments—are expected to persist, and, together with a deceleration in inflation, this is set to further improve consumer sentiment, thereby sustaining the upward trend in private consumption. Amid intensifying labor shortages, appetite for corporate investment—particularly in labor-saving and digital-related areas—should remain strong, supporting continued growth in capital investment.

On the external demand front, exports of goods are expected to firm further, especially to the United States, as exporters adapt to the Trump tariffs. However, with no signs of improvement in Japan–China relations and Chinese visitors accounting for around 20% of all inbound tourists, the continued decline in Chinese visitors is expected to weigh on demand from inbound tourists, resulting in a continued YoY decline in total exports of goods and services.

Figure 4. Forecast of Real GDP Growth Rate (Fiscal year)



Source: Cabinet Office "Quarterly Estimates of GDP"

Assuming that the economic trough occurred in May 2020 and that no new peak has been reached since, the current economic expansion would match the 71-month Abenomics expansion (December 2012–October 2018) in April 2026 and surpass the 73-month expansion mainly during the Koizumi administration (February 2002–February 2008) in July, setting a new postwar record for the longest expansion.

Remaining Downside Risks to the Economy

However, achieving a new postwar record for economic expansion will not be an easy path. First, there are concerns that high prices may constrain private consumption. According to the Bank of Japan's Opinion Survey on the General Public's Views and Behavior (December 2025), 56.2% of respondents reported that their living conditions had become less comfortable compared with a year earlier, with roughly 90% citing "higher prices" as the main reason. In such an environment, households may become more defensive, leading to increased consumer thrift. While government measures—such as the abolition of the provisional gasoline tax rate and subsidies for electricity and gas bills—are expected to slow the pace of price increases, this does not imply that the price level itself will decline once raised.

Should the inflation rate remain high due to factors such as yen depreciation, there is a risk that high prices will weigh on the recovery in consumption.

Deteriorating Japan–China relations also pose a concern. The number of Chinese visitors to Japan has nearly halved from the previous year due to the Chinese government's advisory against travel to Japan, raising concerns about negative impacts on the economy—particularly regional economies—through reduced demand from inbound tourists. Furthermore, if export restrictions on rare earths are tightened, the adverse effects could spread, especially in the manufacturing sector.

The impact of President Trump's policies on the global and U.S. economies remains another source of uncertainty. While the risk of one of the worst-case scenarios— a global economic downturn stemming from escalating economic confrontation—has been averted, as most major countries have reached provisional agreements with the United States on tariff negotiations, the potential for renewed tensions ahead of the midterm elections remains. In addition, the U.S. economic outlook is clouded by soft indicators—including sluggish labor market conditions—pointing to weakening momentum.

Continued vigilance is also required regarding the risk of a U.S. economic downturn due to higher prices resulting from tariff increases.

Other concerns include the dampening of demand for housing purchases and capital investment due to rising interest rates, and the intensification of supply constraints stemming from labor shortages. Should these negative factors intensify, not only could the pace of economic recovery slow, but there is also a risk that the Japanese economy could lose momentum even as the global economy continues to recover.

Economic Policies Provide a Temporary Lift to the Economy, but Side Effects Warrant Caution

Economic policy under the Takaichi administration is attracting significant attention. In her policy speech on October 24, 2025, the Prime Minister emphasized the realization of a "strong economy" through "responsible proactive fiscal policy," aiming not only for short-term economic stimulus through strategic fiscal outlays but also for medium- to long-term economic growth. As the first concrete measure, the "Comprehensive Economic Measures to Build a "Strong Japanese Economy" was approved by the Cabinet on November 21. This package consists of three pillars: (i) protecting people's daily lives from rising prices; (ii) advancing strategic investments that enhance resilience against potential crises and promote growth, thereby building a strong economy; and (iii) strengthening defense and diplomatic capabilities.

The scale of fiscal expenditure amounts to 21.3 trillion yen, with the total project size—including national and local governments and private-sector funds—reaching 42.8 trillion yen.

Of these, the short-term economic boost is expected mainly from (i) measures to address high prices, which, according to Cabinet Office estimates, will reduce the burden on households by approximately 5 trillion yen over the next year. In addition, measures under (ii) and (iii) — including investments in 17 strategic sectors such as AI, semiconductors, shipbuilding, aerospace, and marine industries, as well as increased defense spending—are estimated to boost real GDP by about 24 trillion yen. Furthermore, following the LDP's landslide victory in the February 2026 House of Representatives election, further expansion of proactive fiscal policy—including a consumption tax cut—is anticipated. Given the significant impact of a consumption tax cut, this outlook assumes a temporary reduction of the consumption tax on foodstuffs for two years starting in FY2027, which is expected to reduce the annual tax burden on households by about 5 trillion yen. Given that economic stimulus packages have been implemented almost every year, the lift to real GDP is likely to be limited; even so, these policy measures are still expected to deliver a certain degree of short-term support to economic activity.

On the other hand, with respect to crisis-management and growth investments aimed at expanding the economy over the medium to long term, labor shortages are likely to serve as a bottleneck, and in certain sectors Japan is reported to lag behind other countries in terms of technology and profitability; as a result, the effectiveness of these measures may remain limited. Moreover, caution is warranted regarding side effects such as unexpected rises in interest rates and yen depreciation resulting from proactive fiscal policy. Since the inauguration of the Takaichi administration, market concerns over fiscal expansion have led to rising interest rates and yen depreciation in financial markets, with the yield on newly issued 10-year JGBs temporarily reaching the 2.3% range—the highest level in 27 years since 1999—and the yen approaching the 160 yen per U.S. dollar level.

Although the government has indicated that the consumption tax cut will not be financed by deficit-covering government bonds, the risk remains that the amount of government bond issuance could exceed expectations, given the anticipated increases in defense spending and interest payments due to higher interest rates. The government aims to maintain fiscal sustainability and secure market confidence by keeping the growth rate of government debt outstanding within the pace of economic growth and reducing the government debt-to-GDP ratio. In managing future fiscal policy, careful communication with financial market participants and prudent responses to avoid unexpected disruptions will be essential.

Economic Outlook for calendar 2024-2027

【GDP demand】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Nominal GDP	3.0	4.5	3.0	2.2
Real GDP	-0.2	1.1	0.7	1.1
Contribution of domestic demand	-0.0	-0.2	1.3	1.0
Private consumption	-0.6	1.4	0.9	1.1
Housing investment	-1.0	-2.5	3.0	-1.3
Private capital investment	-0.2	1.5	1.7	1.9
Contribution of inventory investment	-0.1	0.3	-0.0	0.0
Government expenditure	0.9	0.5	0.5	0.6
Government final consumption expenditure	1.6	0.7	0.7	0.7
Public investment	-1.8	-0.7	-0.5	0.6
Contribution of external demand	-0.0	-0.3	-0.3	-0.0
Export of goods and services	0.9	2.9	0.3	3.1
Import of goods and services	0.9	4.0	1.7	3.1
GDP deflator	3.2	3.4	2.3	1.2

【Overseas economy and market data】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Real GDP (US) (CY)	2.8	2.2	2.3	1.6
Real GDP (Euro zone) (CY)	0.9	1.5	1.1	1.4
Real GDP (Asia)				
Real GDP (China)	5.0	5.0	4.2	4.0
Yen/U.S.Dollar	151.5	149.6	156.9	152.5
Uncollateralized call rates (O/N) (%)*	0.120	0.469	0.832	0.978
TORF (3months)	0.159	0.512	0.874	1.000
Newly issued government bond yields (10years) (%)	0.89	1.55	2.32	2.53
WTI future price (near month contract, US dollar/barrel)	75.7	64.8	58.0	57.0
North Sea Brent Crude (US dollar/barrel)	79.8	68.2	62.1	61.0

*actual=average, forecast=end of period
*CY figures calculated from monthly data by the authors. Same below.

【External demand (export and import)】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Value of exports (Yen base)	6.2	3.1	6.5	0.2
Ammount (Yr/Yr,%)	-2.6	-0.1	1.2	1.8
Value of imports (Yen base)	2.1	0.3	5.8	-0.4
Ammount (Yr/Yr,%)	-2.5	3.7	1.4	1.0
Balance (trillion yen)	-5.6	-2.6	-2.0	-1.2
Current account balance (trillion yen)	28.7	31.9	30.1	30.8
balance on goods (trillion yen)	-3.7	-0.8	1.2	2.0
balance on service (trillion yen)	-2.8	-3.4	-5.1	-5.3
balance on income (trillion yen)	39.7	41.6	38.8	39.0

【Corporations】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Industrial production	-2.6	0.8	1.3	0.3
Inventory index	-1.9	-2.8	-0.4	0.4
Sales*	2.7	1.6	1.4	1.5
Ordinary Profits*	10.0	4.7	3.6	5.2

*Forecast starts from CY 2025.

【Income and employment】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Income per capita	2.8	2.3	2.2	2.1
Scheduled	2.1	2.0	2.1	2.0
Non-scheduled	0.0	1.3	0.7	0.7
Real wage indices	-0.4	-1.3	0.6	1.7
Number of employees	0.8	1.0	0.7	0.8
Nominal compensation of employees*	3.7	3.7	2.9	2.9
Unemployment rate (%)	2.5	2.5	2.5	2.4

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
Domestic corporate goods prices (Yr/Yr,%)	2.4	3.2	1.7	-0.2
excluding tax effects	2.5	3.2	1.7	0.6
Consumer prices	2.7	3.2	1.4	0.5
excluding freshfood	2.6	3.1	1.4	0.7
excluding food (excluding alcoholic beverages) and energy	2.4	3.0	2.2	0.8

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	CY 2024 (actual)	CY 2025 (actual)	CY 2026 (forecast)	CY 2027 (forecast)
New housing starts	79.1	74.2	76.0	75.4
	-3.6	-6.2	2.4	-0.8
Owned	21.8	20.2	21.2	21.1
	-3.2	-7.3	5.0	-0.6
Rented	34.2	32.6	33.3	33.0
	-0.7	-4.7	2.2	-1.0
Built for Sale	22.5	20.9	21.0	20.8
	-8.9	-7.3	0.5	-0.7

Economic Outlook for calendar 2024-2027

【GDP demand】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Nominal GDP	3.7	4.1	2.8	2.0
Real GDP	0.5	0.8	0.9	1.0
Contribution of domestic demand	0.8	1.0	1.1	1.1
Private consumption	0.2	1.3	0.9	1.1
Housing investment	-0.7	-3.4	4.1	-2.0
Private capital investment	0.8	1.7	1.6	1.9
Contribution of inventory investment	0.1	0.1	0.1	0.0
Government expenditure	2.0	0.1	0.5	0.7
Government final consumption expenditure	2.3	0.5	0.6	0.7
Public investment	0.1	-1.5	0.0	0.6
Contribution of external demand	-0.4	-0.2	-0.2	-0.0
Export of goods and services	1.6	1.8	1.1	2.9
Import of goods and services	3.2	2.8	2.2	3.0
GDP deflator	3.2	3.3	1.9	0.9

【Overseas economy and market data】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Real GDP (US) (CY)	2.8	2.2	2.3	1.6
Real GDP (Euro zone) (CY)	0.9	1.5	1.1	1.4
Real GDP (Asia)				
Real GDP (China)	5.0	5.0	4.2	4.0
Yen/U.S.Dollar	152.5	150.8	156.1	152.0
Uncollateralized call rates (O/N) (%)*	0.225	0.547	0.894	0.978
TORF (3months)	0.271	0.580	0.938	1.000
Newly issued government bond yields (10years) (%)	1.08	1.75	2.38	2.58
WTI future price (near month contract, US dollar/barrel)	74.3	62.2	57.0	57.0
North Sea Brent Crude (US dollar/barrel)	78.1	65.8	61.0	61.0

*actual=average, forecast=end of period
*FY figures calculated from monthly data by the authors. Same below.

【External demand (export and import)】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Value of exports (Yen base)	5.9	2.5	5.6	0.2
Ammount (Yr/Yr,%)	-2.4	-0.2	1.7	1.7
Value of imports (Yen base)	4.8	-0.4	5.3	-0.6
Ammount (Yr/Yr,%)	-0.3	3.5	1.0	1.0
Balance (trillion yen)	-5.4	-2.2	-1.9	-1.0
Current account balance (trillion yen)	29.5	31.3	30.2	31.3
balance on goods (trillion yen)	-4.0	0.7	1.2	2.2
balance on service (trillion yen)	-2.6	-4.0	-5.1	-5.5
balance on income (trillion yen)	40.8	40.1	38.9	39.3

【Corporations】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Industrial production	-1.4	1.3	0.4	0.7
Inventory index	-0.7	-3.3	-0.8	0.4
Sales	3.3	0.6	1.8	1.4
Ordinary Profits	7.2	4.8	3.9	5.2

【Income and employment】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Income per capita	3.0	2.3	2.2	2.1
Scheduled	2.1	2.1	2.1	1.9
Non-scheduled	0.6	1.2	0.7	0.6
Real wage indices	-0.5	-0.8	0.5	2.1
Number of employees	0.8	0.9	0.8	0.8
Nominal compensation of employees*	4.1	3.5	2.9	2.8
Unemployment rate (%)	2.5	2.5	2.5	2.4

*GDP base

【Goods prices】

forecast

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
Domestic corporate goods prices	3.3	2.6	1.4	-0.5
excluding tax effects	3.4	2.6	1.4	0.6
Consumer prices	3.1	2.6	1.5	-0.0
excluding freshfood	2.7	2.7	1.5	0.3
excluding food (excluding alcoholic beverages) and energy	2.3	3.0	2.1	0.4

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

	FY 2024 (actual)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2027 (forecast)
New housing starts	81.6	71.1	76.1	75.7
	2.0	-12.9	6.9	-0.5
Owned	22.3	19.5	21.2	21.1
	1.6	-12.5	8.7	-0.5
Rented	35.7	30.8	33.4	33.2
	4.9	-13.6	8.2	-0.6
Built for Sale	23.0	20.1	20.9	20.8
	-2.3	-12.4	3.9	-0.2

Economic Outlook (Quarterly)

forecast (from FY 2025 1-3)

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,%)	2.1	1.2	1.1	0.9	2.1	-0.0	0.6	0.9	0.8	0.7	0.6	0.7	0.4	0.2	0.5	0.6
Nominal GDP Annualized rate	8.5	4.8	4.5	3.5	8.5	-0.1	2.3	3.6	3.4	2.6	2.6	2.7	1.6	1.0	2.0	2.4
Nominal GDP (Yr/Yr,%)	2.4	3.5	3.7	5.3	5.3	4.1	3.4	3.6	2.2	3.0	3.2	3.0	2.2	1.9	1.9	1.8
Real GDP (Qr/Qr,%)	0.2	0.7	0.5	0.3	0.5	-0.7	0.1	0.3	0.4	0.3	0.2	0.2	0.5	0.1	0.2	0.2
Real GDP Annualized rate	0.7	2.7	1.9	1.0	2.1	-2.6	0.2	1.4	1.7	1.1	0.8	0.9	1.8	0.6	0.8	0.7
Real GDP (Yr/Yr,%)	-1.2	0.8	0.6	1.6	2.0	0.6	0.1	0.4	0.1	1.1	1.2	1.1	1.2	1.0	1.0	1.0
Contribution of domestic demand (Qr/Qr,%)	0.6	0.8	-0.3	0.9	0.4	-0.4	0.0	0.5	0.4	0.3	0.2	0.2	0.5	0.2	0.2	0.2
Private consumption	0.0	0.4	0.1	0.7	0.2	0.4	0.1	0.2	0.2	0.2	0.2	0.2	0.6	0.1	0.2	0.2
	-1.1	0.3	0.2	1.4	1.4	1.5	1.3	1.0	1.0	0.8	0.8	0.9	1.3	1.1	1.1	1.1
Housing investment	-0.4	1.0	0.6	-0.2	0.0	-8.4	4.8	1.5	3.2	1.0	-2.0	-0.5	-0.4	-0.3	-0.3	-0.3
	-3.2	-0.6	0.1	0.9	1.6	-8.0	-4.2	-2.7	0.5	10.8	3.7	1.6	-1.9	-3.2	-1.5	-1.3
Private capital investment	1.1	0.6	-0.2	0.2	1.3	-0.3	0.2	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	0.8	1.6	-0.8	1.6	2.1	0.8	1.7	2.0	0.8	2.0	1.7	1.8	2.0	1.9	1.9	1.8
Contribution of inventory investment (Qr/Qr,%)	-0.1	0.4	-0.4	0.5	-0.0	-0.1	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0
Government expenditure	2.0	0.2	-0.1	-0.2	0.3	-0.1	-0.2	0.4	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1
	1.7	2.2	2.1	2.0	0.2	0.0	-0.3	0.4	0.3	0.4	0.7	0.5	0.7	0.7	0.7	0.6
Government final consumption expenditure	2.1	-0.1	0.1	-0.3	0.5	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1
	2.5	2.4	2.4	1.9	0.2	0.4	0.5	1.0	0.6	0.5	0.6	0.6	0.7	0.7	0.7	0.6
Public investment	0.8	1.0	-0.2	-0.2	0.0	-1.5	-1.3	1.0	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.2
	-2.5	0.5	0.5	1.2	1.1	-1.7	-3.1	-1.6	-1.2	-0.4	1.0	0.4	0.7	0.6	0.6	0.6
Contribution of external demand (Qr/Qr,%)	-0.5	-0.2	0.8	-0.6	0.1	-0.3	0.0	-0.2	0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0
Export of goods and services	0.5	2.2	1.7	-0.2	1.9	-1.4	-0.3	-0.5	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.7
	0.9	1.3	0.3	4.1	5.9	2.1	-0.2	-0.2	-1.6	0.8	2.1	3.2	3.2	3.0	2.8	2.7
Import of goods and services	2.6	2.8	-1.9	2.5	1.4	-0.1	-0.3	0.4	0.7	0.9	0.8	0.8	0.7	0.7	0.7	0.7
	3.1	4.4	-0.7	6.0	4.7	1.9	3.5	1.3	0.7	1.7	2.9	3.3	3.3	3.1	3.0	2.9
GDP deflator (Yr/Yr,%)	3.6	2.6	3.0	3.6	3.2	3.5	3.4	3.2	2.1	1.8	2.0	1.8	1.0	0.9	0.9	0.8

【Overseas economy and market data】

forecast (from FY 2025 1-3)

	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,%)	3.6	3.3	1.9	-0.6	3.8	4.4	2.3	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5
Real GDP (Euro zone) (Annualized Qr/Qr rate,%)	0.9	1.8	1.6	2.3	0.6	1.1	1.4	0.9	0.9	1.4	1.4	1.5	1.5	1.2	1.2	0.9
Real GDP (Asia) (Yr/Yr,%)																
Real GDP (China) (Yr/Yr,%)	4.7	4.6	5.4	5.4	5.2	4.8	4.5	4.4	4.3	4.2	4.0	4.1	4.0	4.0	3.9	4.0
Yen/U.S.Dollar	155.9	149.2	152.4	152.5	144.5	147.5	154.1	157.0	158.0	157.0	155.5	154.0	153.0	152.0	151.0	152.0
Uncollateralized call rates (O/N) (%)*	0.077	0.177	0.227	0.417	0.478	0.477	0.504	0.728	0.728	0.894	0.978	0.978	0.978	0.978	0.978	0.978
TORF (3months)	0.104	0.200	0.307	0.472	0.489	0.514	0.571	0.746	0.750	1.000	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	1.56	1.79	2.23	2.30	2.35	2.40	2.45	2.50	2.55	2.60	2.65
WTI future price (near month contract, US dollar/barrel)	80.6	75.1	70.3	71.4	63.7	64.9	59.1	61.1	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0
North Sea Brent Crude (US dollar/barrel)	85.0	78.5	74.0	74.9	66.8	68.1	63.1	65.2	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0

* actual=average, forecast=end of period
* Quarterly figures calculated from monthly data by the authors. Same below.

【External demand (export and import)】

forecast (from FY 2025 1-3)

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	0.4	4.9	4.7	8.7	8.5	4.5	1.0	0.1	-0.1	-0.0	0.8
Ammount (Yr/Yr,%)	-3.5	-5.1	-0.9	0.2	1.6	-1.2	-0.8	-0.3	0.4	3.2	1.5	1.9	1.7	1.7	1.7	1.7
Ammount (Qr/Qr,%)	-0.5	0.9	0.8	-0.2	-0.1	-2.4	2.1	0.0	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Value of imports (Yen base)	7.1	7.0	-0.4	5.8	-3.3	-3.4	2.4	2.7	7.7	7.6	5.5	0.6	-0.8	-0.8	-0.7	0.1
Ammount (Yr/Yr,%)	-3.5	-0.3	-0.4	3.3	5.7	3.3	2.7	2.5	-0.1	0.8	2.3	1.0	1.1	1.0	1.0	1.0
Ammount (Qr/Qr,%)	0.3	2.2	-1.4	2.0	2.9	-0.6	-1.2	1.5	0.3	0.3	0.3	0.2	0.3	0.2	0.3	0.2
Balance (trillion yen)	-1.5	-1.7	-0.5	-1.6	-0.6	-0.6	0.2	-1.1	-0.4	-0.4	-0.1	-1.0	-0.2	-0.2	0.1	-0.8
Current account balance (trillion yen)*	7.0	7.0	8.0	7.5	7.2	8.3	8.3	7.5	7.5	7.6	7.7	7.7	7.7	7.8	7.8	8.0
Balance on goods (trillion yen)*	-1.3	-0.9	-0.0	-1.5	-0.2	0.1	0.6	0.3	0.2	0.3	0.4	0.4	0.5	0.5	0.6	0.6
Balance on service (trillion yen)*	-0.8	-0.9	-0.1	-0.8	-0.4	-1.2	-1.0	-1.2	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.4	-1.4
Balance on income (trillion yen)*	10.1	10.1	9.4	11.0	9.5	10.9	9.8	9.6	9.7	9.7	9.7	9.7	9.7	9.7	9.8	9.9

*seasonally adjusted

【Corporations】

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
Industrial production	(Qr/Qr, %)	2.1	0.3	0.4	-0.3	0.4	0.1	0.8	1.4	-1.2	0.2	0.2	0.1	0.2	0.1	0.2	0.1
	(Yr/Yr, %)	-3.3	-1.8	-1.5	1.0	0.9	0.7	0.7	2.7	1.0	1.1	0.5	-0.8	0.7	0.6	0.6	0.6
Inventory index	(Qr/Qr, %)	-0.5	-0.1	-1.2	1.0	-2.8	0.7	-1.7	0.5	-0.8	-0.1	0.0	0.1	0.1	0.1	0.1	0.1
	(Yr/Yr, %)	-2.6	-1.2	-1.9	-0.7	-3.1	-2.4	-2.8	-3.3	-1.3	-2.1	-0.4	-0.8	0.1	0.3	0.4	0.4
Sales*		3.5	2.6	2.5	4.3	0.8	0.5	0.7	0.3	1.6	2.2	1.6	1.7	1.4	1.4	1.4	1.4
Ordinary profits*		13.2	-3.3	13.5	3.8	0.2	19.7	-0.7	4.1	3.0	1.5	5.7	5.4	5.0	5.2	5.1	5.5

*Forecast starts from 2025 10-12.

【Income and employment】

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
Income per capita		3.0	2.9	3.7	2.3	2.3	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.0	2.0
	Scheduled	2.0	2.4	2.5	1.6	2.0	2.0	2.2	2.2	2.2	2.2	2.0	2.1	2.0	2.0	1.8	2.0
	Non-scheduled	0.2	0.2	1.0	1.2	1.1	1.4	1.4	1.0	0.7	0.6	0.5	1.0	0.7	0.6	0.4	0.8
Real wage indices		-0.2	-0.2	0.2	-2.0	-1.6	-1.0	-0.7	0.4	0.6	0.7	0.7	0.0	2.2	2.1	2.1	2.2
Number of employees		0.5	0.6	1.1	1.2	1.1	0.9	0.8	0.6	0.7	0.9	0.7	0.7	0.8	0.8	0.8	0.8
Nominal compensation of employees*		3.5	4.0	5.1	3.9	4.0	3.4	3.5	3.1	2.8	2.8	2.8	3.1	2.9	2.8	2.8	2.8
Unemployment rate (%)		2.6	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.3

GDP base

【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		2.2	3.1	3.9	4.2	3.3	2.6	2.6	1.7	1.9	1.7	1.3	0.9	-0.8	-0.5	-0.5	-0.4
Consumer prices		2.7	2.8	2.9	3.8	3.4	2.9	2.7	1.7	1.5	1.3	1.3	1.9	0.1	0.0	0.0	-0.1
	excluding freshfood	2.5	2.7	2.6	3.1	3.5	2.9	2.8	1.7	1.4	1.2	1.3	1.9	0.4	0.3	0.2	0.2
	excluding food (excluding alcoholic beverages) and energy	2.2	2.0	2.3	2.7	3.2	3.2	3.0	2.6	2.2	2.1	1.9	2.2	0.5	0.4	0.3	0.3

【New housing starts】

forecast

annualized, ten thousand units

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
New housing starts		80.8	78.7	77.8	88.8	60.1	71.7	76.4	76.1	76.2	76.0	75.8	75.6	75.5	75.3	75.2	75.0
		0.5	-2.0	-2.4	13.3	-25.6	-8.9	-2.1	-14.2	26.5	5.6	-1.4	0.2	-0.5	-0.4	-0.4	-0.7
	Owned	21.5	21.9	22.1	23.8	16.4	19.8	20.7	21.2	21.3	21.2	21.2	21.1	21.1	21.0	21.0	21.0
		-6.0	-3.9	8.3	10.5	-23.4	-9.1	-6.7	-11.2	29.6	6.7	1.4	0.5	-0.3	-0.4	-0.6	-0.7
	Rented	35.0	34.5	32.8	40.4	26.4	31.0	32.5	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	-9.9	-1.4	-17.9	26.2	7.0	1.1	1.1	-0.6	-0.4	-0.6	-1.0
	Built for Sale	23.6	21.7	22.2	24.1	16.3	20.5	22.6	21.2	20.9	20.9	20.8	20.8	20.8	20.8	20.8	20.8
		2.2	-8.1	-10.5	7.6	-31.0	-6.2	2.1	-11.8	28.1	1.6	-7.6	-1.4	-0.5	-0.3	0.1	-0.2