3 September 2026

Report

# The Japanese Economy in Fiscal 2026 and Fiscal 2027

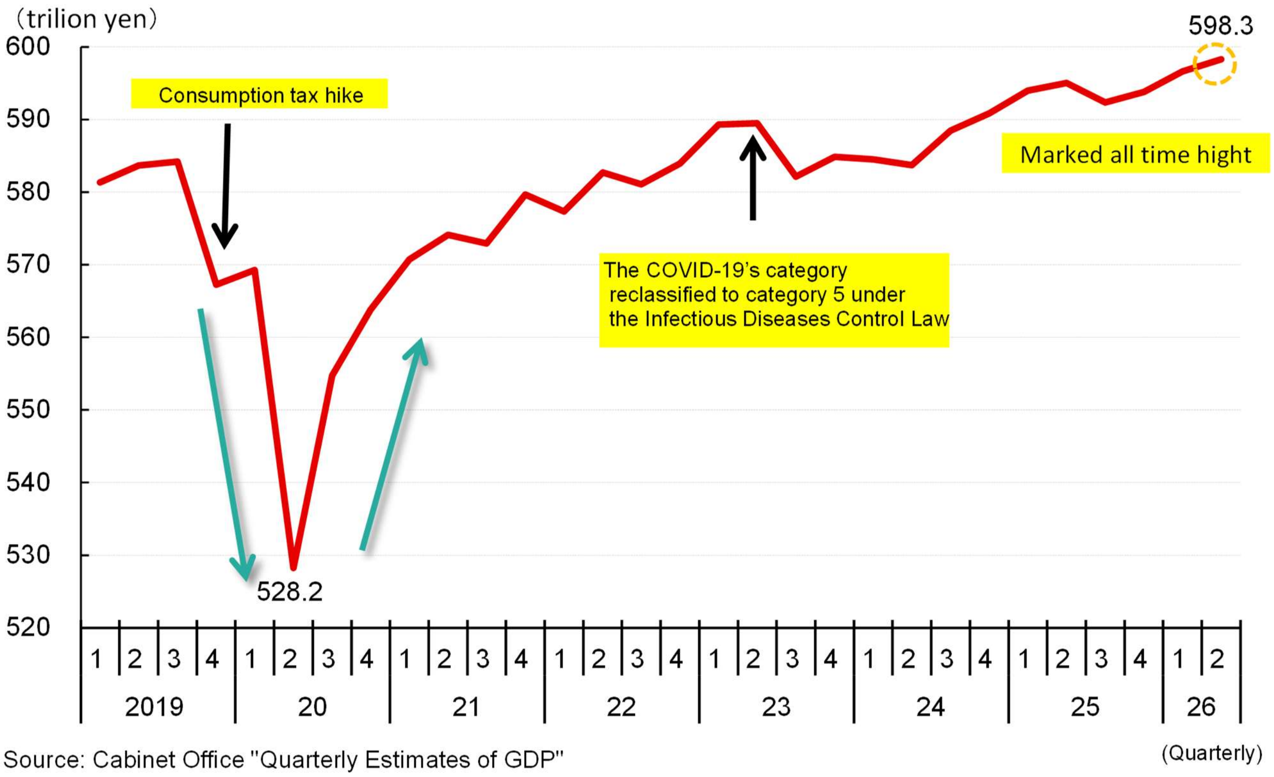
— Moderate Recovery to Continue, but Downside Risks Persist —

## I. Current Economic Conditions — The Domestic Economy Continues a Moderate Recovery

### Economy Posts Third Straight Quarter of Growth Despite Iran-Related Headwinds

According to the first preliminary estimates of real GDP for the April–June quarter released by the Cabinet Office on 17 August 2026, real GDP grew by 0.3% quarter-on-quarter (QoQ), or at an annualized growth rate of 1.1%, marking the third consecutive quarter of expansion and pushing the level of GDP to a new record high (Figure 1). While domestic demand lacked momentum, with both private consumption and capital investment declining, exports increased and imports fell, resulting in a positive contribution from net exports of goods and services that boosted overall growth. Although escalating tensions between the United States and Iran acted as a headwind, government measures to address rising prices and progress in securing alternative procurement helped support economic activity and maintain positive growth. As a result, the economy avoided the scenario initially feared, in which higher prices and supply constraints would exert significant downward pressure on overall economic activity.

**Figure 1. Real GDP**




Source: Cabinet Office "Quarterly Estimates of GDP"

## II. Outlook for the Japanese Economy in Fiscal 2026 and Fiscal 2027

**– Moderate Recovery to Continue, but Downside Risks Persist –**

### Positive Growth Expected to Continue in the July–September Quarter of 2026

The most significant source of uncertainty for the domestic economic outlook is the evolution of the situation in Iran. The confrontation between the United States and Iran has become increasingly protracted. While tensions temporarily eased in mid-June when the two countries agreed on a memorandum aimed at ending hostilities, sporadic clashes continued, and the 60-day negotiation deadline set in the memorandum expired in mid-August. As a result, there is still no clear prospect for a full resolution.

Initially, there were concerns that the deterioration in the situation surrounding Iran could adversely affect the Japanese economy through three channels: (1) higher fuel prices leading to increased costs; (2) supply constraints arising from disruptions to imports of crude oil and petroleum products; (3) a slowdown in exports due to disruptions to logistics and transport networks in the Middle East.

With respect to (1), crude oil prices remain elevated in the mid-USD 80s per barrel. This leaves a risk that further pass-through of higher input costs to selling prices by firms will weigh on private consumption going forward.

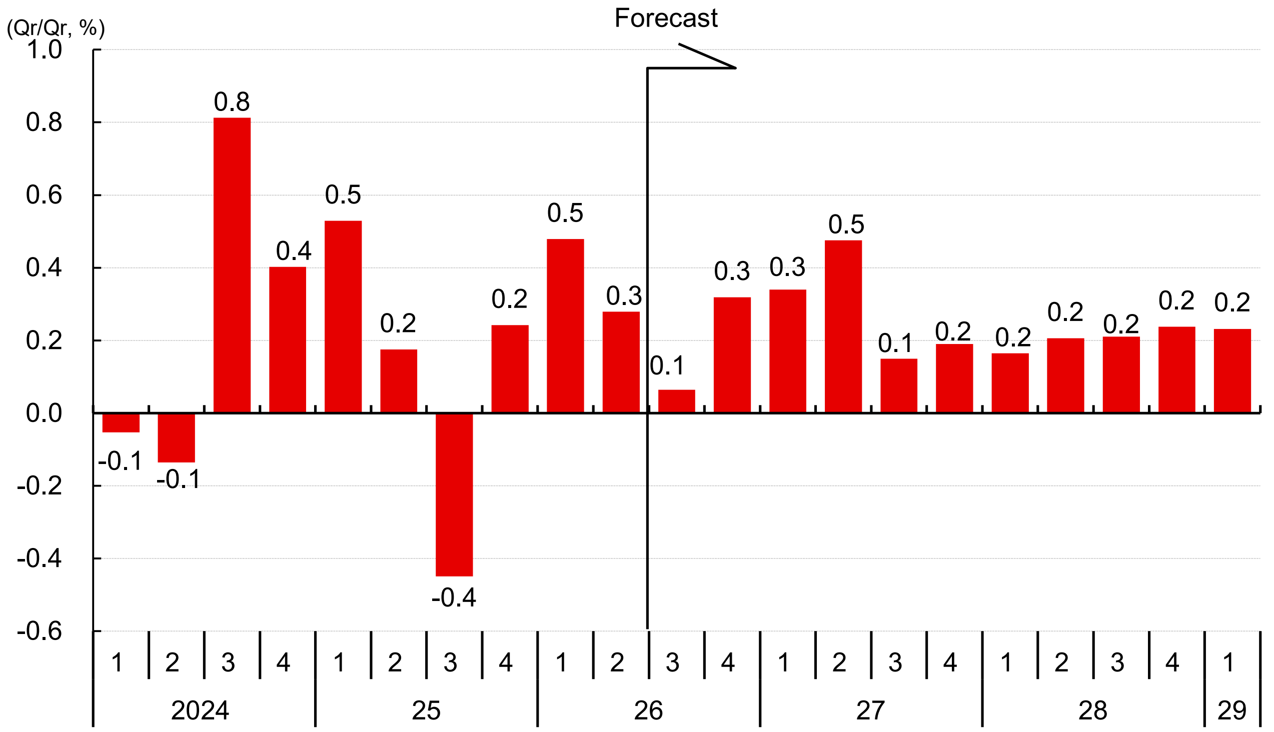
By contrast, concern about (2)—supply constraints arising from import disruptions—has receded substantially, as the government has made progress in securing alternative supplies from regions outside the Middle East. Indeed, data from the Ministry of Economy, Trade and Industry's Indices of Industrial Production show that production in the petroleum and coal products industry and the chemical industry, which temporarily declined following the deterioration in the Iran situation, has started to recover as progress has been made in securing raw materials.

Regarding (3), although exports to the Middle East fell sharply in March and April, they have been recovering since May as alternative shipping routes bypassing the Strait of Hormuz have been secured.

The easing of these supply constraints and the recovery in exports are expected to alleviate uncertainty among firms and households and thereby support the normalization of a wide range of economic activities. Within domestic demand, private consumption is expected to recover as consumer sentiment, which had weakened following the escalation of tensions involving Iran, gradually improves amid easing uncertainty, while robust wage increases secured during the annual spring wage negotiations, higher bonus payments, and other favorable employment and income conditions provide additional support for household spending.

Capital investment is also likely to recover. Against the backdrop of increasingly acute labor shortages, firms continue to show strong investment appetite, particularly for labor-saving and digitalization-related investment. As supply-side constraints ease and uncertainty about the outlook diminishes, companies are expected to move forward steadily with the implementation of their investment plans, leading to a recovery in capital investment. In addition, government subsidies for electricity and gas bills to be implemented in the July–September quarter will also help support the recovery in domestic demand by alleviating the burden on households and firms. Exports are likewise projected to remain resilient, as the earlier weakness in exports to the Middle East gradually subsides and solid global AI-related demand continues to provide support. In the July–September quarter, the contribution of net exports of goods and services could turn negative as imports recover with progress in securing alternative supplies. Nonetheless, the recovery in domestic demand is expected to provide support, allowing the Japanese economy to maintain positive growth (Figure 2).

**Figure 2. Forecast of Real GDP Growth Rate (Quarterly)**



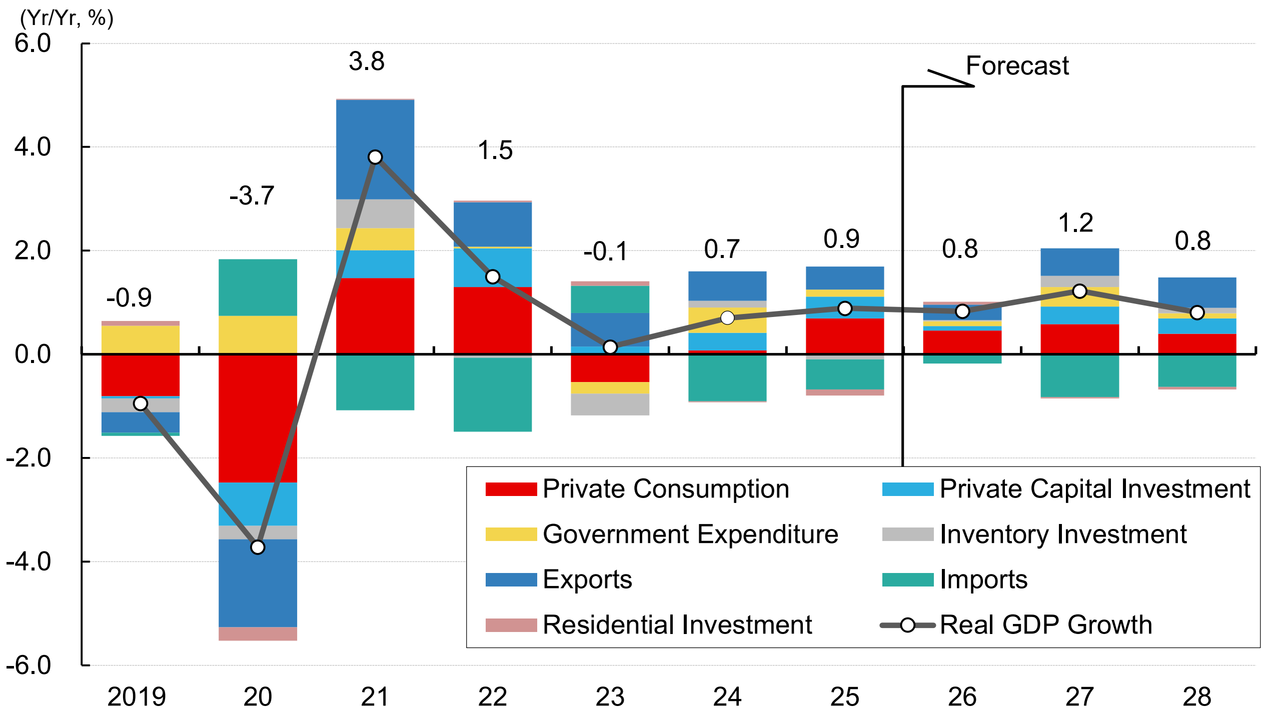

Source: Cabinet Office "Quarterly Estimates of GDP"

### Recovery Momentum Expected to Strengthen in the Latter Half of Fiscal 2026

Looking toward the second half of the fiscal year, relations between the United States and Iran are expected to move gradually toward improvement. In this outlook, while negotiations between the two countries are assumed to remain difficult, a complete breakdown in talks and a slide into

full-scale war are avoided. Under this assumption, crude oil prices are projected to gradually settle at around USD 70 per barrel. Against this backdrop, uncertainty about the outlook is expected to ease further, and the recovery in the domestic economy is likely to gain further traction.
Although further pass-through of elevated import costs to consumer prices could push up inflation and remain a drag on private consumption, private consumption is expected to continue recovering, underpinned by a favorable employment and income environment and improving consumer confidence. Capital investment is also projected to continue its recovery, supported by strong investment appetite and continued improvement in corporate earnings as the Iran situation eases. Exports are likewise expected to remain firm, supported by strong global AI-related demand. Overall, the economy is projected to continue a moderate recovery path. Real GDP in fiscal 2026 is expected to grow by 0.8% year-on-year (YoY), maintaining positive growth (Figure 3).

**Figure 3. Forecast of Real GDP Growth Rate (Fiscal Year)**




Source: Cabinet Office "Quarterly Estimates of GDP"

### Consumption Tax Cut to Provide Additional Support in Fiscal 2027

In fiscal 2027, the consumption tax rate on food items is scheduled to be reduced to 1% for a two-year period. The tax cut is expected to provide a temporary boost to private consumption. If relations between the United States and Iran continue to improve, uncertainty related to the supply of crude oil and petroleum products and logistical constraints on exports to the Middle East—which have been weighing on corporate activity—will ease further. This is expected to strengthen the recovery in both capital investment and exports. In addition, as the procurement of raw materials normalizes, firms are likely to rebuild inventories that were run down in response to the deterioration in the Iran situation. This inventory rebuilding is also expected to support production. As a result, real GDP growth in fiscal 2027 is projected to accelerate to 1.2%.

### Persistent Downside Risks to the Outlook

Despite the baseline scenario of a moderate recovery, downside risks to the economic outlook remain. The most significant concern continues to be the potential adverse impact of an escalation in the confrontation between the United States and Iran. Should a closure of the Strait of Hormuz become prolonged, inflationary pressures could intensify through persistently high crude oil prices, leading to weaker growth in private consumption and capital investment. Although government efforts to secure alternative supplies have mitigated supply-side concerns, the risk of a renewed tightening in supply constraints cannot be ruled out.

Additional downside factors include the potential weakening of demand from inbound tourists due to a deterioration in Japan–China relations, the possibility of tighter export controls on strategic materials, and heightened uncertainty surrounding U.S. trade policy. intensifying labor shortages and natural disasters—such as the Kumamoto earthquake that occurred on 28 July—also represent downside risks to economic activity.

Moreover, given that the Takaichi administration has pledged “responsible and proactive fiscal policy,” market concerns about a deterioration in the supply–demand balance of Japanese government bonds remain pronounced, and upward pressure on interest rates is intensifying. If interest rates were to rise more than anticipated, they could weigh on the economic recovery by restraining private residential investment and capital investment.

# Economic Outlook for Fiscal Years 2025-2028

【GDP demand】

forecast

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Nominal GDP | 4.3 | 3.0 | 3.1 | 2.9 |
| Real GDP | 0.9 | 0.8 | 1.2 | 0.8 |
| Contribution of domestic demand | 1.0 | 0.7 | 1.5 | 0.9 |
| Private consumption | 1.3 | 0.9 | 1.1 | 0.8 |
| Housing investment | -2.6 | 1.4 | -0.5 | -1.2 |
| Private capital investment | 2.3 | 0.5 | 1.8 | 1.5 |
| Contribution of inventory investment | -0.1 | 0.0 | 0.2 | 0.1 |
| Government expenditure | 0.6 | 0.4 | 1.5 | 0.4 |
| Government final consumption expenditure | 0.8 | 2.1 | 0.4 | 0.4 |
| Public investment | -0.3 | 0.3 | 0.3 | 0.3 |
| Contribution of external demand | -0.1 | 0.1 | -0.3 | -0.0 |
| Export of goods and services | 2.0 | 1.3 | 2.3 | 2.5 |
| Import of goods and services | 2.5 | 0.8 | 3.5 | 2.7 |
| GDP deflator | 3.3 | 2.2 | 1.8 | 2.0 |

【Overseas economy and market data】

forecast

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Real GDP (US) (CY) | 2.1 | 2.0 | 2.0 | 2.2 |
| Real GDP (Euro zone) (CY) | 1.3 | 0.8 | 1.0 | 1.1 |
| Real GDP (Asia) | | | | |
| Real GDP (China) | 5.0 | 4.5 | 4.1 | 4.0 |
| Yen/U.S.Dollar | 150.7 | 159.1 | 154.6 | 155.5 |
| Uncollateralized call rates (O/N) (%)* | 0.547 | 0.997 | 1.425 | 1.477 |
| Newly issued government bond yields (10years) (%) | 1.74 | 2.78 | 2.99 | 3.03 |
| WTI future price (near month contract, US dollar/barrel) | 64.9 | 81.6 | 70.0 | 70.0 |
| North Sea Brent Crude (US dollar/barrel) | 68.9 | 84.9 | 74.0 | 74.0 |

*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 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Value of exports (Yen base) | 3.9 | 11.6 | -0.1 | 2.2 |
| Ammount (Yr/Yr,%) | 0.6 | 2.1 | 1.8 | 1.6 |
| Value of imports (Yen base) | 0.5 | 14.7 | -2.4 | 2.6 |
| Ammount (Yr/Yr,%) | 3.9 | -0.2 | 2.1 | 1.0 |
| Balance (trillion yen) | -1.8 | -5.6 | -2.5 | -3.1 |
| Current account balance (trillion yen) | 34.6 | 29.8 | 31.8 | 31.3 |
| balance on goods (trillion yen) | 1.3 | -1.2 | 1.6 | 1.3 |
| balance on service (trillion yen) | -3.8 | -5.6 | -6.5 | -7.0 |
| balance on income (trillion yen) | 42.3 | 40.9 | 40.9 | 41.0 |

【Corporations】

forecast

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Industrial production | -0.2 | 2.0 | 0.5 | 0.6 |
| Inventory index | -5.3 | 3.5 | 1.1 | 0.8 |
| Sales* | 0.8 | 3.4 | 2.0 | 2.4 |
| Ordinary Profits* | 8.7 | 2.4 | 6.9 | 6.4 |

*Forecast starts from FY 2025.

【Income and employment】

forecast

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Income per capita | 2.5 | 3.1 | 2.5 | 2.3 |
| Scheduled | 2.4 | 3.2 | 2.4 | 2.1 |
| Non-scheduled | 1.8 | 2.8 | 2.2 | 2.2 |
| Real wage indices | -0.5 | 0.8 | 2.1 | 0.3 |
| Number of employees | 0.8 | 1.7 | 0.5 | 0.5 |
| Nominal compensation of employees* | 3.6 | 4.2 | 2.9 | 2.8 |
| Unemployment rate (%) | 2.6 | 2.5 | 2.4 | 2.4 |

*GDP base

## 【Goods prices】

forecast

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| Domestic corporate goods prices | 2.7 | 6.0 | -1.1 | 1.8 |
| excluding tax effects | 2.7 | 6.0 | -0.2 | 1.8 |
| Consumer prices | 2.6 | 2.0 | 0.4 | 1.8 |
| excluding freshfood | 2.7 | 2.0 | 0.6 | 1.8 |
| excluding food (excluding alcoholic beverages) and energy | 3.0 | 2.2 | 1.0 | 2.0 |

## 【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

| | FY 2025 (actual) | FY 2026 (forecast) | FY 2027 (forecast) | FY 2028 (forecast) |
|---|---|---|---|---|
| New housing starts | 71.1 | 75.1 | 74.4 | 73.6 |
| | -12.9 | 5.5 | -0.9 | -1.1 |
| Owned | 19.5 | 20.5 | 20.7 | 20.5 |
| | -12.6 | 5.0 | 1.0 | -1.2 |
| Rented | 30.9 | 34.9 | 33.7 | 33.2 |
| | -13.5 | 12.9 | -3.4 | -1.3 |
| Built for Sale | 20.1 | 19.3 | 19.6 | 19.5 |
| | -12.6 | -3.9 | 1.5 | -0.4 |

# Economic Outlook for Calendar Years 2025-2028

【GDP demand】

forecast

Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Nominal GDP | 4.6 | 3.1 | 3.5 | 2.7 |
| Real GDP | 1.2 | 0.7 | 1.2 | 0.8 |
| Contribution of domestic demand | -0.0 | 1.5 | 0.5 | 1.6 |
| Private consumption | 1.3 | 1.0 | 1.0 | 0.8 |
| Housing investment | -1.9 | 0.8 | -0.1 | -1.2 |
| Private capital investment | 2.5 | 0.3 | 2.0 | 1.3 |
| Contribution of inventory investment | 0.2 | -0.2 | 0.3 | 0.1 |
| Government expenditure | 0.7 | 0.4 | 1.7 | 0.4 |
| Government final consumption expenditure | 0.9 | 2.0 | 0.7 | 0.4 |
| Public investment | -0.3 | 0.6 | 0.2 | 0.3 |
| Contribution of external demand | -0.3 | 0.2 | -0.3 | -0.1 |
| Export of goods and services | 2.5 | 1.7 | 1.8 | 2.5 |
| Import of goods and services | 3.8 | 0.5 | 3.2 | 2.8 |
| GDP deflator | 3.4 | 2.3 | 2.2 | 1.8 |

【Overseas economy and market data】

forecast

Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Real GDP (US) (CY) | 2.1 | 2.0 | 2.0 | 2.2 |
| Real GDP (Euro zone) (CY) | 1.3 | 0.8 | 1.0 | 1.1 |
| Real GDP (Asia) | | | | |
| Real GDP (China) | 5.0 | 4.5 | 4.1 | 4.0 |
| Yen/U.S.Dollar | 149.6 | 158.8 | 155.9 | 154.5 |
| Uncollateralized call rates (O/N) (%)* | 0.469 | 0.872 | 1.362 | 1.477 |
| Newly issued government bond yields (10years) (%) | 1.55 | 2.60 | 2.96 | 3.01 |
| WTI future price (near month contract, US dollar/barrel) | 64.8 | 82.0 | 70.0 | 70.0 |
| North Sea Brent Crude (US dollar/barrel) | 68.2 | 85.9 | 74.0 | 74.0 |

*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 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Value of exports (Yen base) | 3.1 | 13.7 | 0.7 | 1.2 |
| Ammount (Yr/Yr,%) | -0.2 | 3.0 | 1.4 | 1.6 |
| Value of imports (Yen base) | 0.5 | 14.5 | -0.3 | 0.8 |
| Ammount (Yr/Yr,%) | 3.6 | 0.8 | 1.9 | 1.0 |
| Balance (trillion yen) | -2.9 | -4.3 | -3.1 | -2.6 |
| Current account balance (trillion yen) | 32.2 | 32.2 | 31.5 | 31.5 |
| balance on goods (trillion yen) | -0.6 | 0.0 | 1.1 | 1.6 |
| balance on service (trillion yen) | -3.4 | -5.3 | -6.3 | -6.9 |
| balance on income (trillion yen) | 41.8 | 41.7 | 41.0 | 40.8 |

## 【Corporations】

forecast

Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Industrial production | -0.3 | 2.2 | 0.5 | 0.6 |
| Inventory index | -2.8 | 0.6 | 1.3 | 0.8 |
| Sales | 1.6 | 2.9 | 2.3 | 2.3 |
| Ordinary Profits | 6.1 | 6.2 | 4.8 | 6.7 |

## 【Income and employment】

forecast

Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Income per capita | 2.3 | 3.1 | 2.6 | 2.4 |
| Scheduled | 2.0 | 3.3 | 2.5 | 2.2 |
| Non-scheduled | 1.3 | 2.8 | 2.3 | 2.2 |
| Real wage indices | -1.3 | 1.1 | 1.5 | 0.8 |
| Number of employees | 1.0 | 0.7 | 0.6 | 0.5 |
| Nominal compensation of employees* | 3.7 | 4.1 | 3.1 | 2.9 |
| Unemployment rate (%) | 2.5 | 2.5 | 2.5 | 2.4 |

*GDP base

## 【Goods prices】

forecast →

Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| Domestic corporate goods prices (Yr/Yr,%) | 3.2 | 5.4 | 0.2 | 0.9 |
| excluding tax effects | 3.2 | 5.4 | 1.0 | 1.2 |
| Consumer prices | 3.2 | 1.7 | 1.0 | 1.3 |
| excluding freshfood | 3.1 | 1.8 | 1.2 | 1.4 |
| excluding food (excluding alcoholic beverages) and energy | 3.0 | 2.1 | 1.6 | 1.6 |

## 【New housing starts】

forecast →

annualized, ten thousand units
Yr/Yr、%

| | CY 2025 (actual) | CY 2026 (forecast) | CY 2027 (forecast) | CY 2028 (forecast) |
|---|---|---|---|---|
| New housing starts | 74.0 | 75.1 | 74.7 | 74.0 |
| | -6.5 | 1.4 | -0.5 | -0.9 |
| Owned | 20.2 | 20.6 | 20.7 | 20.5 |
| | -7.4 | 2.0 | 0.8 | -1.0 |
| Rented | 32.4 | 34.4 | 33.9 | 33.5 |
| | -5.4 | 6.3 | -1.4 | -1.2 |
| Built for Sale | 20.9 | 19.6 | 19.6 | 19.6 |
| | -7.3 | -5.9 | -0.2 | -0.2 |

# Economic Outlook (Quarterly)

forecast → (from FY 2026 7-9)

Qr/Qr,%
Yr/Yr,%

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 |
| Nominal GDP (Qr/Qr,%) | 1.8 | 0.3 | 0.9 | 0.7 | 1.2 | 0.2 | 1.2 | 0.9 | 0.6 | 0.7 | 0.4 | 0.5 | 1.3 | 0.7 | 0.3 | 0.4 |
| Annualized rate | 7.5 | 1.1 | 3.7 | 2.9 | 4.8 | 0.7 | 5.0 | 3.9 | 2.5 | 2.6 | 1.7 | 1.8 | 5.3 | 3.0 | 1.3 | 1.5 |
| (Yr/Yr,%) | 5.4 | 4.1 | 3.8 | 3.8 | 3.2 | 2.0 | 3.2 | 3.7 | 3.1 | 4.0 | 3.0 | 2.2 | 2.8 | 2.8 | 2.9 | 2.9 |
| Real GDP (Qr/Qr,%) | 0.2 | -0.4 | 0.2 | 0.5 | 0.3 | 0.1 | 0.3 | 0.3 | 0.5 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Annualized rate | 0.7 | -1.8 | 1.0 | 1.9 | 1.1 | 0.3 | 1.3 | 1.4 | 1.9 | 0.6 | 0.8 | 0.7 | 0.8 | 0.8 | 1.0 | 0.9 |
| (Yr/Yr,%) | 2.1 | 0.6 | 0.4 | 0.5 | 0.7 | 0.7 | 1.0 | 1.0 | 1.0 | 1.7 | 1.3 | 1.0 | 0.8 | 0.8 | 0.8 | 0.9 |
| Contribution of domestic demand (Qr/Qr,%) | 0.2 | -0.3 | 0.2 | 0.2 | -0.2 | 0.8 | 0.4 | 0.2 | 0.5 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Private consumption | 0.1 | 0.5 | 0.1 | 0.5 | -0.0 | 0.2 | 0.2 | 0.2 | 0.5 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| | 1.3 | 1.3 | 1.3 | 1.3 | 1.1 | 0.8 | 0.9 | 0.7 | 1.2 | 1.1 | 1.0 | 1.1 | 0.7 | 0.8 | 0.8 | 0.8 |
| Housing investment | 0.5 | -8.0 | 5.0 | 0.9 | -0.5 | 0.6 | 0.8 | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 |
| | 2.4 | -7.2 | -3.4 | -1.9 | -2.8 | 6.1 | 1.8 | 0.5 | 0.8 | -0.2 | -1.3 | -1.2 | -1.2 | -1.2 | -1.2 | -1.2 |
| Private capital investment | 1.4 | -0.3 | 1.3 | -1.0 | -1.2 | 1.5 | 0.8 | 0.6 | 0.2 | 0.3 | 0.4 | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 |
| | 2.7 | 1.3 | 3.9 | 1.3 | -1.1 | 0.8 | -0.1 | 1.9 | 3.1 | 1.8 | 1.4 | 1.0 | 1.3 | 1.4 | 1.6 | 1.7 |
| Contribution of inventory investment (Qr/Qr,%) | -0.2 | -0.2 | -0.4 | -0.1 | 0.3 | 0.1 | -0.0 | -0.0 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Government expenditure | 0.4 | -0.0 | 0.2 | 0.6 | -0.8 | 1.1 | 0.7 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | 0.5 | 0.1 | 0.4 | 1.2 | 0.1 | -0.6 | 0.8 | 1.1 | 2.0 | 2.7 | 1.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Government final consumption expenditure | 0.5 | 0.1 | 0.4 | 0.4 | 1.6 | -0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 |
| | 0.5 | 0.5 | 0.8 | 1.4 | 2.6 | 2.2 | 1.9 | 1.6 | 0.1 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Public investment | 0.7 | -1.1 | -0.4 | 1.5 | -0.1 | -0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | 1.5 | -1.4 | -1.9 | 0.8 | 0.1 | 0.3 | 1.0 | -0.1 | 0.0 | 0.6 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Contribution of external demand (Qr/Qr,%) | -0.0 | -0.2 | 0.1 | 0.3 | 0.5 | -0.7 | -0.1 | 0.1 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | 0.0 | 0.0 |
| Export of goods and services | 1.6 | -1.4 | 0.1 | 1.7 | 0.5 | -1.3 | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| | 5.3 | 1.2 | -0.6 | 2.3 | 1.3 | 1.0 | 2.1 | 0.8 | 0.8 | 3.1 | 2.6 | 2.6 | 2.6 | 2.5 | 2.5 | 2.5 |
| Import of goods and services | 1.8 | -0.6 | -0.1 | 0.3 | -1.5 | 2.1 | 1.4 | 0.3 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 |
| | 4.5 | 1.3 | 3.2 | 1.3 | -1.9 | 0.6 | 2.0 | 2.2 | 4.7 | 3.4 | 2.8 | 3.1 | 2.9 | 2.8 | 2.6 | 2.5 |
| GDP deflator (Yr/Yr,%) | 3.2 | 3.5 | 3.4 | 3.2 | 2.6 | 1.3 | 2.2 | 2.7 | 2.1 | 2.3 | 1.7 | 1.2 | 2.0 | 2.1 | 2.1 | 1.9 |

【Overseas economy and market data】

forecast → (from FY 2026 7-9)

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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,%) | 3.8 | 4.4 | 0.5 | 2.1 | 1.5 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Real GDP (Euro zone) (Annualized Qr/Qr rate,%) | -0.0 | 1.3 | 0.8 | 0.0 | 1.8 | 0.6 | 0.6 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.3 | 1.7 | 1.2 |
| Real GDP (Asia) (Yr/Yr,%) | | | | | | | | | | | | | | | | |
| Real GDP (China) (Yr/Yr,%) | 5.2 | 4.8 | 4.5 | 5.0 | 4.3 | 4.3 | 4.3 | 4.3 | 4.2 | 4.0 | 4.0 | 4.1 | 4.0 | 4.0 | 4.0 | 4.1 |
| Yen/U.S.Dollar | 144.5 | 147.5 | 154.1 | 156.9 | 159.4 | 159.8 | 159.0 | 158.0 | 156.5 | 155.0 | 154.0 | 153.0 | 154.0 | 155.0 | 156.0 | 157.0 |
| Uncollateralized call rates (O/N) (%)* | 0.478 | 0.477 | 0.504 | 0.728 | 0.765 | 0.977 | 1.019 | 1.227 | 1.269 | 1.477 | 1.477 | 1.477 | 1.477 | 1.477 | 1.477 | 1.477 |
| Newly issued government bond yields (10years) (%) | 1.40 | 1.56 | 1.79 | 2.21 | 2.57 | 2.79 | 2.85 | 2.90 | 2.95 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.05 | 3.05 |
| WTI future price (near month contract, US dollar/barrel) | 63.7 | 64.9 | 59.1 | 71.9 | 95.9 | 82.4 | 78.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 |
| North Sea Brent Crude (US dollar/barrel) | 66.8 | 68.1 | 63.1 | 77.8 | 97.0 | 86.7 | 82.0 | 74.0 | 74.0 | 74.0 | 74.0 | 74.0 | 74.0 | 74.0 | 74.0 | 74.0 |

* 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 2026 7-9)

Yr/Yr、%

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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) | -0.1 | 0.3 | 4.9 | 10.5 | 17.0 | 16.6 | 11.0 | 2.7 | 0.6 | -0.2 | -0.3 | -0.4 | 0.7 | 1.7 | 2.6 | 3.6 |
| Ammount (Yr/Yr,%) | 1.2 | -1.4 | -0.8 | 3.6 | 1.4 | 4.1 | 3.2 | -0.2 | 1.7 | 2.0 | 1.8 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Ammount (Qr/Qr,%) | -0.0 | -1.9 | 1.5 | 3.9 | -1.4 | 0.1 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Value of imports (Yen base) | -3.1 | -3.1 | 2.6 | 5.8 | 15.9 | 20.6 | 16.0 | 6.8 | -0.1 | -3.8 | -3.3 | -2.1 | 0.1 | 1.6 | 3.4 | 5.2 |
| Ammount (Yr/Yr,%) | 5.7 | 3.2 | 2.6 | 4.2 | -3.0 | -0.0 | 2.1 | 0.1 | 3.9 | 2.5 | 1.2 | 1.1 | 1.0 | 0.9 | 1.0 | 1.0 |
| Ammount (Qr/Qr,%) | 3.1 | -0.6 | -0.6 | 2.3 | -3.3 | 1.7 | 1.5 | 0.3 | 0.4 | 0.3 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.2 |
| Balance (trillion yen) | -0.7 | -0.7 | 0.2 | -0.5 | -0.5 | -2.0 | -1.3 | -1.7 | -0.3 | -0.7 | -0.3 | -1.2 | -0.1 | -0.7 | -0.5 | -1.8 |
| Current account balance (trillion yen)* | 7.4 | 8.9 | 8.3 | 9.9 | 8.8 | 7.0 | 7.3 | 7.7 | 8.0 | 8.0 | 8.0 | 7.9 | 8.0 | 8.0 | 7.8 | 7.6 |
| Balance on goods (trillion yen)* | -0.1 | 0.0 | 0.4 | 1.0 | 0.1 | -0.8 | -0.5 | -0.1 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.2 | -0.0 |
| Balance on service (trillion yen)* | -0.5 | -1.1 | -0.9 | -1.3 | -0.3 | -1.4 | -1.4 | -1.5 | -1.5 | -1.5 | -1.6 | -1.6 | -1.7 | -1.7 | -1.7 | -1.7 |
| Balance on income (trillion yen)* | 9.6 | 11.4 | 10.0 | 11.1 | 10.1 | 10.2 | 10.2 | 10.3 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.3 | 10.3 |

*seasonally adjusted

【Corporations】

forecast

Yr/Yr, %

| | | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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, %) | -0.5 | -1.1 | 0.3 | 2.5 | 0.2 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 |
| | (Yr/Yr, %) | 0.0 | -0.7 | -1.0 | 1.2 | 1.7 | 3.0 | 2.8 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Inventory index | (Qr/Qr, %) | -2.0 | 0.1 | -1.2 | -2.3 | 1.3 | 1.0 | 0.6 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| | (Yr/Yr, %) | -3.0 | -2.3 | -2.8 | -5.3 | -2.2 | -1.2 | 0.6 | 3.5 | 2.5 | 1.8 | 1.3 | 1.1 | 0.9 | 0.8 | 0.8 | 0.8 |
| Sales* | | 0.8 | 0.5 | 0.7 | 1.1 | 2.8 | 3.9 | 3.8 | 3.0 | 2.4 | 1.9 | 1.9 | 1.9 | 2.3 | 2.4 | 2.4 | 2.6 |
| Ordinary profits* | | 0.2 | 19.7 | 4.7 | 14.6 | 5.3 | 3.6 | 1.5 | -0.9 | 5.8 | 7.1 | 7.6 | 7.4 | 6.3 | 6.7 | 6.4 | 6.3 |

*Forecast starts from 2026 4-6.

【Income and employment】

forecast

Yr/Yr、%

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 2.3 | 2.4 | 2.2 | 3.0 | 3.4 | 3.0 | 3.0 | 2.9 | 2.6 | 2.5 | 2.5 | 2.4 | 2.4 | 2.3 | 2.3 | 2.3 |
| Scheduled | 2.0 | 2.0 | 2.2 | 3.3 | 3.2 | 3.3 | 3.3 | 2.8 | 2.5 | 2.4 | 2.4 | 2.4 | 2.2 | 2.2 | 2.0 | 2.2 |
| Non-scheduled | 1.1 | 1.4 | 1.6 | 3.1 | 3.5 | 2.0 | 2.6 | 3.0 | 1.8 | 2.1 | 2.4 | 2.6 | 1.8 | 2.2 | 2.3 | 2.5 |
| Real wage indices | -1.6 | -1.0 | -0.7 | 1.4 | 1.7 | 0.9 | 0.7 | -0.2 | 1.7 | 2.0 | 2.3 | 2.4 | 0.5 | 0.3 | 0.2 | 0.0 |
| Number of employees | 1.1 | 0.9 | 0.8 | 0.3 | 0.9 | 0.8 | 0.7 | 1.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Nominal compensation of employees* | 4.0 | 3.4 | 3.5 | 3.5 | 5.0 | 4.0 | 3.8 | 3.7 | 2.9 | 3.0 | 3.0 | 2.9 | 2.8 | 3.0 | 2.8 | 2.7 |
| Unemployment rate (%) | 2.5 | 2.5 | 2.6 | 2.7 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.3 | 2.3 |

※GDP base

【Goods prices】

forecast

Yr/Yr、%

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 3.3 | 2.6 | 2.6 | 2.5 | 6.4 | 6.9 | 5.8 | 4.7 | -0.9 | -1.6 | -1.0 | -1.0 | 1.0 | 1.6 | 2.0 | 2.6 |
| Consumer prices | 3.6 | 3.0 | 2.5 | 1.4 | 1.5 | 1.9 | 2.1 | 2.7 | 0.8 | 0.5 | 0.2 | 0.1 | 1.7 | 1.8 | 1.8 | 1.9 |
| excluding freshfood | 3.5 | 2.9 | 2.7 | 1.7 | 1.5 | 1.9 | 2.0 | 2.6 | 1.0 | 0.7 | 0.4 | 0.3 | 1.6 | 1.7 | 1.8 | 1.9 |
| excluding food (excluding alcoholic beverages) and energy | 3.3 | 3.2 | 3.0 | 2.5 | 1.8 | 2.0 | 2.1 | 2.8 | 1.5 | 1.2 | 0.8 | 0.6 | 1.9 | 2.0 | 2.0 | 2.0 |

【New housing starts】

forecast

annualized, ten thousand units

Yr/Yr、%

| | FY 2025 | | | | FY 2026 | | | | FY 2027 | | | | FY 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 62.0 | 71.9 | 75.6 | 74.7 | 75.6 | 75.2 | 75.0 | 74.8 | 74.8 | 74.7 | 74.5 | 74.3 | 74.1 | 73.9 | 73.8 | 73.6 |
| | -25.6 | -8.9 | -2.1 | -14.3 | 20.2 | 5.1 | -0.6 | -0.2 | -1.4 | -0.7 | -0.7 | -0.8 | -1.2 | -1.0 | -1.0 | -1.1 |
| Owned | 16.5 | 19.8 | 20.7 | 21.1 | 20.2 | 20.5 | 20.6 | 20.7 | 20.8 | 20.8 | 20.7 | 20.6 | 20.6 | 20.5 | 20.5 | 20.4 |
| | -23.4 | -9.1 | -6.7 | -11.7 | 21.6 | 3.6 | -0.4 | -1.8 | 2.7 | 1.5 | 0.2 | -0.6 | -1.2 | -1.2 | -1.3 | -1.2 |
| Rented | 28.4 | 31.0 | 31.5 | 32.1 | 36.0 | 35.0 | 34.5 | 34.1 | 34.0 | 33.9 | 33.8 | 33.7 | 33.6 | 33.5 | 33.4 | 33.3 |
| | -24.3 | -9.9 | -1.4 | -17.3 | 24.3 | 13.2 | 9.6 | 5.9 | -6.7 | -3.2 | -2.2 | -1.6 | -1.7 | -1.1 | -1.2 | -1.3 |
| Built for Sale | 16.1 | 20.6 | 22.9 | 20.9 | 19.0 | 19.3 | 19.4 | 19.5 | 19.6 | 19.6 | 19.6 | 19.6 | 19.6 | 19.5 | 19.5 | 19.5 |
| | -31.0 | -6.2 | 2.1 | -12.7 | 17.1 | -6.9 | -14.6 | -6.8 | 3.3 | 1.7 | 0.9 | 0.1 | -0.3 | -0.5 | -0.4 | -0.5 |