

## Report

# The Japanese Economy in Fiscal 2023 and Fiscal 2024

—Ongoing but slow-paced economic recovery as the post-pandemic return of demand ends—

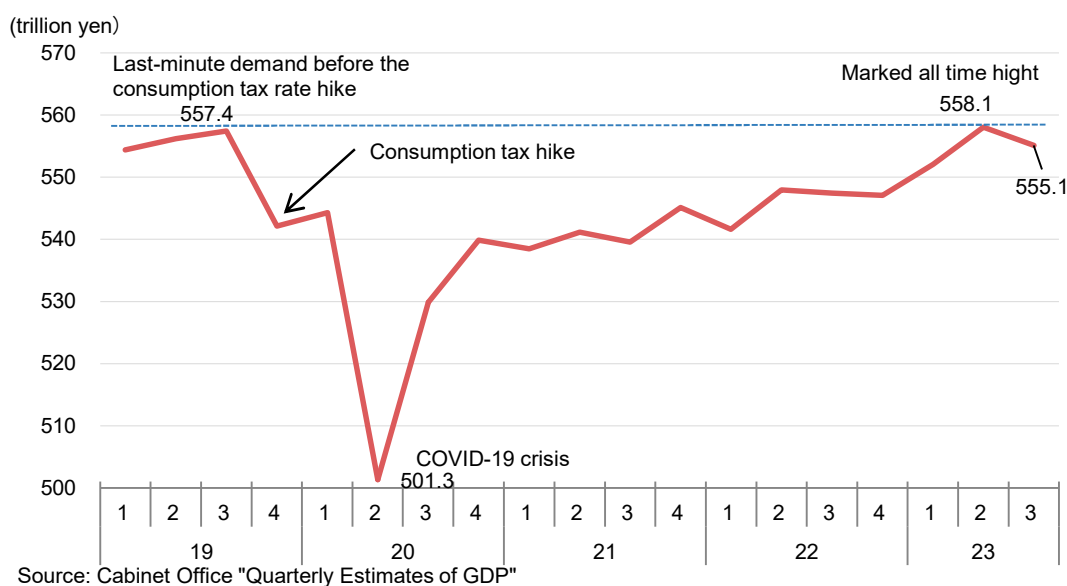
## (1) Current State of the Economy—recovering gradually

### Economic contraction as inflation hits hard

The real GDP growth rate in the July-September quarter of 2023, announced on November 15, fell into the negative at -0.5% from the previous quarter (annualized growth rate of -2.1%), the first contraction in three quarters. The economy remains on a gradual recovery path, but the pace has adjusted. The shift does not appear to point to an economic downturn, but the weakness shown by both domestic and external demand turning negative once again reveals the lack of dynamism in the economic recovery. One of the reasons for the contraction was the significant impact of high prices, which suppressed both private consumption and corporate capital investment.

Real GDP reached a record high in the April-June quarter, exceeding the pre-pandemic high reached in the July-September quarter of 2019, but it once again retreated below the pre-pandemic high (Chart 1).

**Chart 1. Real GDP growth rate**



### **Domestic demand declines for a second straight quarter**

The domestic demand movements indicate that real private consumption edged downward at -0.04% from the previous quarter (Chart 2). Broken down by category, the recovery in demand after the end of the pandemic has been supporting increased spending on in-person services in accommodation, food services, passenger transportation, and leisure. Overall spending on services rose by +0.2% during the term, marking a fourth straight quarterly increase. Conversely, spending declined by -3.3% for durable goods notably due to lower sales of automobiles and was down -0.5% for semi-durable goods (clothing, personal effects, etc.) and down -0.1% for non-durable goods (food, energy, daily necessities, etc.). In terms spending on goods, there is increasing upward pressure on prices. This situation, along with the deterioration of consumer sentiment and the decline in real incomes, may potentially lead to a wider trend of consumers refraining from purchases.

Real housing investment declined -0.1% compared to the previous quarter, the first downturn in five quarters. The decline reflects the gradually slowing number of new construction starts, mainly for owner-occupied houses and for-sale housing, due to soaring material prices and other factors. Increased construction costs may have been a negative factor.

In the corporate sector, capital investment in real terms declined -0.6% from the previous quarter. Corporate investment appetite remains strong supported by ongoing improving earnings, and nominal investment increased +0.2% from the previous quarter. However, investment in real terms declined for a second straight quarter owing to sharply rising construction costs, particularly for buildings and structures such as office buildings, stores, and factories. Investment in semiconductor manufacturing equipment and other devices also appears to have decreased as the prolonged slump in the semiconductor market continues. The contribution of inventory investment in real terms to the real GDP growth rate decreased -0.3% compared to the previous quarter marking a second straight quarterly decline. A decrease in product inventories, particularly of automobiles, had a strong impact.

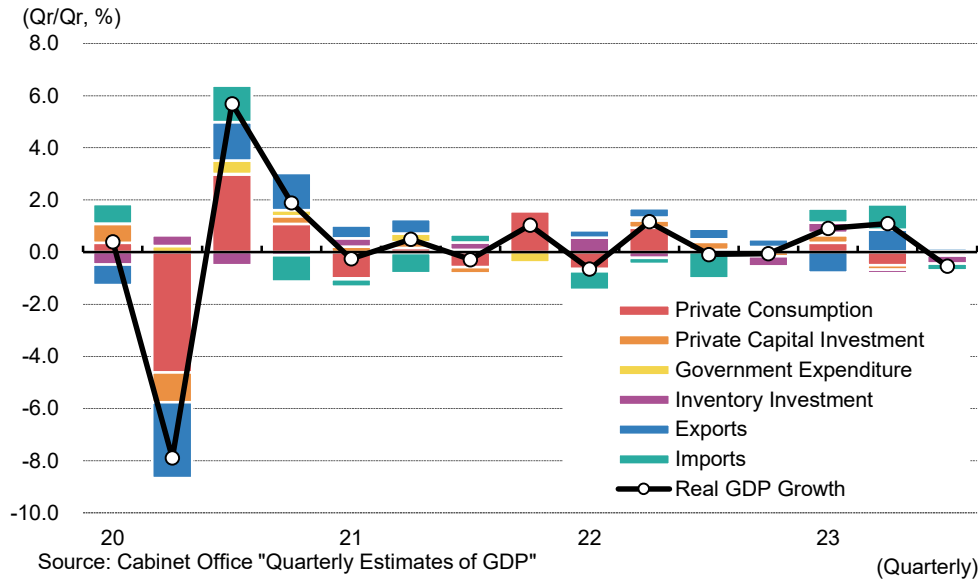
In the government sector, real government final consumption continued to increase, with a +0.3% rise from the previous quarter mainly due to growing general medical spending as the trend of refraining from seeking medical attention during the pandemic fades. The diminishing positive effects from the fiscal 2022 second supplementary budget led to public investment in real terms declining -0.5% from the previous quarter, which was the first decline in six quarters.

As a result, the overall contribution from internal demand was down by -0.4% compared to the previous quarter, for a second straight quarter of decline. Even with the diminishing pandemic impact and the gradual normalization of the economic activity, the data once again shows that the economic recovery is progressing slowly.

With respect to external demand, demand from inbound tourists, which is included in services exports, declined, albeit slightly, but export goods continued on an upward trajectory as automobiles increased on the back of progress in resolving production constraints and exports of IT-related items bottomed out. As such,

real exports kept growing with a +0.5% increase quarter on quarter. Real imports turned positive with a +1.0% increase from the previous quarter. This is explained by the fact that while real imports of good continued to decline from the weak internal demand, imports increased for services, such as copyright fees and other royalties. As a result, the overall contribution from external demand decreased -0.1% from the previous quarter.

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



**The GDP deflator reaches a record high**

The nominal GDP growth rate declined by -0.04% from the previous quarter (annualized growth rate of -0.2%), marking the first decline in four quarters.

The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up +5.1% year on year. The result reflects the effect of rising import prices, which are due to higher resource prices and other factors, permeating into domestic prices. The year-on-year changes of the GDP deflator matched the +5.1% change rate of the January–March quarter of 1981 and was the highest recorded since that quarter. (The seasonally adjusted GDP deflator increased by +0.5% from the previous quarter.)

**(2) Economic Outlook for Fiscal 2023 and Fiscal 2024**

**— Ongoing but slow-paced economic recovery as the post-pandemic return of demand ends**

**GDP to return to expansion, but economic recovery will be slow**

The economic recovery is continuing and has a high likelihood of reestablishing expansion in the October–December quarter and beyond.

Ongoing improvement of employment conditions and continuously rising nominal wages, along with strong corporate investment appetite are factors that will drive growth in domestic demand, including private consumption and capital investment. We also expect a receding downside risk from economic conditions

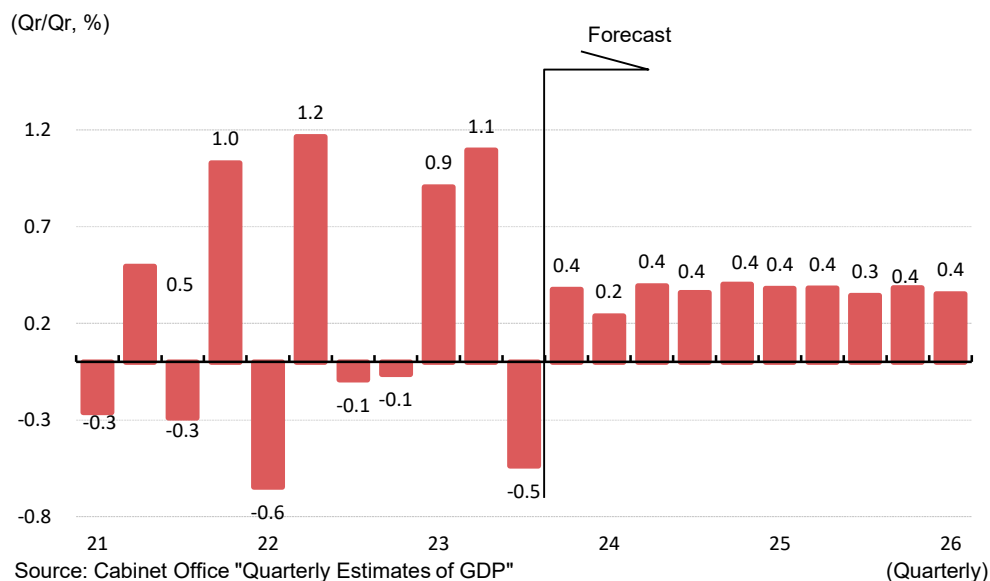
overseas, particularly in the United States, as well as increasing personal consumption and exports following the elimination of automobile production constraints. In addition, we expect the upturn in demand from inbound tourists and the bottoming out of global demand for semiconductors to provide tailwinds for the economy.

Meanwhile, concerns include cooling consumer sentiment due to the persisting strong upward pressure on prices, and the ending of post-pandemic return of demand, which has boosted the economy to date, is believed to have largely run its course. With these factors in play, it is difficult to expect a sharp improvement in personal consumption. A further concern is supply constraints as the impacts from the labor shortage grow across a wider range of industries.

In these conditions, we expect only gradual economic recovery in the second half of fiscal 2023. In the October-December quarter, we forecast a real quarterly GDP growth of +0.4% (annualized growth rate of +1.5%), which would fall short of making up for the previous quarter's contraction (Chart 3). We do not see the conditions changing significantly in the January-March quarter of 2024 and expect the sluggish growth pace to continue. As a result, we see the real GDP growth rate for fiscal 2023 at +1.5% year on year, only slightly higher than the +1.3% year-on-year growth in fiscal 2022. In the end, despite the normalization of economic and social activities post-pandemic, the outcome is likely to be relatively modest growth.

We anticipate that the nominal GDP growth rate, which more accurately reflects people's perception of the economic climate rather than the actual economic conditions, will rise from +2.0% year-on-year in fiscal 2022 to +5.4% year-on-year in fiscal 2023, marking the highest increase since the +8.5% year-on-year growth in fiscal 1990. As such, despite the sluggish economic recovery in real terms, we do not expect the pessimism about the economic outlook to become widespread.

**Chart 3. Real GDP growth rate (Quarterly)**



### **The 2024 spring wage negotiations will grow more important**

We expect the economy to continue gradually recovering in fiscal 2024 with real GDP growth of 1.2% year on year, extending the years of consecutive growth to four (Chart 4).

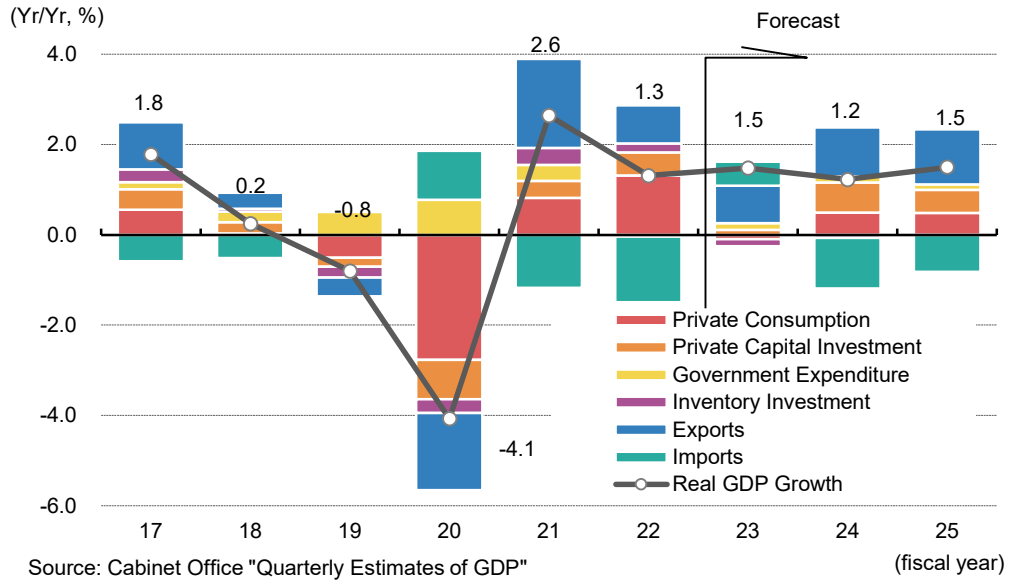
However, the many downside factors create concern that the growth pace could slow. The negative impact from high prices is currently the biggest cause for concern. Assuming that the government will terminate its anti-inflation measures in April 2024, as the measures' effects fade, we expect the rise in labor and distribution costs and the strong upward pressure on prices to continue. In that scenario, a growing sense among households of a need to restrain spending might hold back personal consumption. Risk also exists that the pace of economic recovery will slow further if other negative factors come into play, specifically a slowdown in overseas economies and a labor shortage that constrains supply.

In the face of these many potential downside factors in the economy, whether or not the economy can continue to recover in fiscal 2024 will depend largely on the inflation conditions and the percentage increase in wages that emerges from the spring wage negotiations. The government is expecting companies to increase wage significantly and is offering tax incentives. The Japanese Trade Union Confederation (Rengo) has indicated in its unified demands for the spring wage negotiations for 2024 that it will set the target for wage increase, including regular salary increase, to “5% or more,” compared to “about 5%” this year. A growing number of companies are showing a positive attitude toward increasing wages and are taking steps in that direction. Without a doubt, the conditions are right for higher wages, including growing corporate profits, tight labor market conditions, and rising prices.

However, raising wages would also bring some uncertainties, regarding for example the possibility to transfer higher labor costs to product sales prices. As such, it may be difficult to increase wages by a significant amount over last year. There is also the problem that not all firms may necessarily adopt the high wage rate increase that comes out of the spring wage negotiations.

We forecast the economy to continue growing at a +1.5% year-on-year pace in fiscal 2025. Whether wages will continue to rise will be a key point, but we expect inflation to slow down as the upward pressure from cost-push inflation recedes. Therefore, as long as economies overseas maintain momentum, we expect Japan's economy to continue to recover driven mainly by domestic demand. We expect the growth in nominal GDP to slow to +3.1% in fiscal 2024 and +2.1% in fiscal 2025 but still remain at a relatively high pace. As such, we do not expect there to be a sense that the economic conditions are harsh.

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



**Economic Outlook for fiscal 2022-2025**
**【GDP demand】**

	FY 2022 (actual)	forecast			Yr/Yr, %
		FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)	
Nominal GDP	2.0	5.4	3.1	2.1	
Real GDP	1.3	1.5	1.2	1.5	
Contribution of domestic demand	1.9	0.1	1.3	1.1	
Private consumption	2.5	-0.2	0.9	0.9	
Housing investment	-3.2	3.2	1.3	-0.1	
Private capital investment	3.0	0.6	3.8	2.9	
Contribution of inventory investment	0.2	-0.2	-0.1	-0.0	
Government expenditure	-0.1	0.6	0.5	0.5	
Government final consumption expenditure	0.7	0.4	0.5	0.5	
Public investment	-3.2	1.1	0.5	0.3	
Contribution of external demand	-0.6	1.4	-0.0	0.4	
Export of goods and services	4.5	3.9	5.0	5.4	
Import of goods and services	7.2	-2.1	4.9	3.5	
GDP deflator	0.7	3.9	1.9	0.6	

**【Overseas economy and market data】**

	FY 2022 (actual)	forecast			Yr/Yr, %
		FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)	
Real GDP (US) (CY)	1.9	2.4	1.6	1.6	
Real GDP (Euro zone) (CY)	3.4	0.5	0.6	1.1	
Real GDP (Asia)					
Real GDP (China)	3.0	5.3	4.4	4.9	
Yen/U.S.Dollar	135.4	144.7	141.4	133.0	
Uncollateralized call rates (O/N) (%)*	-0.027	-0.038	-0.025	0.050	
TIBOR (3months)	-0.017	0.003	0.043	0.150	
Newly issued government bond yields (10years) (%)	0.29	0.71	1.13	1.20	
WTI future price (near month contract, US dollar/barrel)	89.7	78.6	79.1	81.5	
North Sea Brent Crude (US dollar/barrel)	95.1	82.5	83.1	85.5	

\* actual=average, forecast=end of period

**【External demand (export and import)】**

	FY 2022 (actual)	forecast			Yr/Yr, %
		FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)	
Value of exports (Yen base)	15.5	4.1	4.8	2.3	
Ammount (Yr/Yr,%)	-3.9	-0.6	3.2	3.2	
Value of imports (Yen base)	32.5	-9.5	1.0	0.7	
Ammount (Yr/Yr,%)	-1.5	-1.7	3.0	1.7	
Balance (trillion yen)	-22.0	-6.5	-2.6	-0.9	
Current account balance (trillion yen)	8.3	24.8	26.8	26.7	
balance on goods (trillion yen)	-18.0	-2.1	1.3	2.9	
balance on service (trillion yen)	-5.4	-4.8	-5.6	-5.9	
balance on income (trillion yen)	34.7	35.9	35.3	33.8	

**【Corporations】**

	FY 2022 (actual)	forecast			Yr/Yr, %
		FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)	
Industrial production	-0.3	-0.5	2.9	1.6	
Inventory index	2.3	-2.8	-1.7	-0.4	
Sales	6.6	4.5	2.3	1.5	
Ordinary Profits	8.8	11.3	6.7	6.2	

**【Income and employment】**

	FY 2022 (actual)	forecast			Yr/Yr, %
		FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)	
Income per capita	1.9	1.6	1.3	1.2	
Scheduled	1.1	1.4	1.2	1.2	
Non-scheduled	4.1	0.5	0.8	0.7	
Real wage indices	-1.9	-1.7	-0.5	0.2	
Number of employees	0.6	0.7	0.4	0.4	
Nominal compensation of employees*	2.0	2.3	1.8	1.5	
Unemployment rate (%)	2.6	2.6	2.4	2.2	

\*GDP base



**【Goods prices】**

forecast

Yr/Yr, %

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
Domestic corporate goods prices	9.4	2.0	2.3	0.2
excluding tax effects	9.4	2.0	2.3	0.2
Consumer prices	3.2	2.8	1.6	0.9
excluding freshfood	3.0	2.7	1.7	0.9
excluding food (excluding alcoholic beverages) and energy	2.0	3.4	1.1	0.9

**【New housing starts】**

forecast

annualized, ten thousand units

Yr/Yr, %

	FY 2022 (actual)	FY 2023 (forecast)	FY 2024 (forecast)	FY 2025 (forecast)
New housing starts	86.1	80.8	81.2	80.6
	-0.6	-6.1	0.5	-0.8
Owned	24.8	22.9	22.9	22.7
	-11.8	-7.8	0.0	-0.9
Rented	34.7	34.1	33.8	33.2
	5.0	-1.9	-0.9	-1.7
Built for Sale	26.0	23.4	24.1	24.2
	4.5	-9.9	3.0	0.6

**Economic Outlook for calendar 2022-2025**
**【GDP demand】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Nominal GDP	1.2	5.3	3.4	2.5	
Real GDP	0.9	1.7	1.1	1.5	
Contribution of domestic demand	1.2	1.5	0.8	0.9	
Private consumption	2.0	0.6	0.6	0.9	
Housing investment	-3.7	2.3	1.8	0.1	
Private capital investment	1.8	1.7	3.1	3.2	
Contribution of inventory investment	1.2	-0.1	-0.1	-0.0	
Government expenditure	-0.6	0.8	0.4	0.5	
Government final consumption expenditure	1.2	0.5	0.5	0.6	
Public investment	-7.3	2.0	0.1	0.4	
Contribution of external demand	-0.6	0.9	0.2	0.4	
Export of goods and services	5.1	2.6	5.4	5.3	
Import of goods and services	8.0	-1.2	4.0	3.6	
GDP deflator	0.3	3.6	2.3	0.9	

**【Overseas economy and market data】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Real GDP (US) (CY)	1.9	2.4	1.6	1.6	
Real GDP (Euro zone) (CY)	3.4	0.5	0.6	1.1	
Real GDP (Asia)					
Real GDP (China)	3.0	5.3	4.4	4.9	
Yen/U.S.Dollar	131.4	140.8	143.9	135.0	
Uncollateralized call rates (O/N) (%)*	-0.026	-0.035	-0.030	0.035	
TIBOR (3months)	-0.028	-0.000	0.020	0.138	
Newly issued government bond yields (10years) (%)	0.23	0.58	1.07	1.20	
WTI future price (near month contract, US dollar/barrel)	94.2	78.2	78.6	80.9	
North Sea Brent Crude (US dollar/barrel)	98.9	82.6	82.6	84.9	

\* actual=average, forecast=end of period

**【External demand (export and import)】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Value of exports (Yen base)	18.2	2.8	6.6	2.5	
Ammount (Yr/Yr,%)	-1.9	-4.1	3.8	3.1	
Value of imports (Yen base)	39.6	-7.5	1.2	0.1	
Ammount (Yr/Yr,%)	-0.1	-3.6	3.4	1.8	
Balance (trillion yen)	-20.3	-8.7	-3.5	-0.9	
Current account balance (trillion yen)	10.7	21.6	26.4	27.0	
balance on goods (trillion yen)	-15.7	-5.1	0.3	2.8	
balance on service (trillion yen)	-5.5	-4.6	-5.6	-5.9	
balance on income (trillion yen)	34.5	35.5	35.8	34.2	

**【Corporations】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Industrial production	-0.1	-1.5	3.0	1.8	
Inventory index	2.7	0.2	-2.0	-0.1	
Sales*	7.4	4.8	2.7	1.6	
Ordinary Profits	11.2	9.9	7.2	6.6	

**【Income and employment】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Income per capita	2.0	1.5	1.4	1.2	
Scheduled	1.1	1.2	1.3	1.2	
Non-scheduled	5.0	0.6	0.8	0.7	
Real wage indices	-1.1	-2.1	-0.7	0.1	
Number of employees	0.4	0.6	0.5	0.4	
Nominal compensation of employees*	2.0	2.0	2.0	1.6	
Unemployment rate (%)	2.6	2.6	2.4	2.2	

\*GDP base

**【Goods prices】**

	CY 2022 (actual)	forecast			Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
Domestic corporate goods prices (Yr/Yr,%)	9.7	4.3	1.4	0.8	
excluding tax effects	9.7	4.3	1.4	0.8	
Consumer prices	2.5	3.1	1.8	1.0	
excluding freshfood	2.3	3.0	1.9	1.0	
excluding food (excluding alcoholic beverages) and energy	1.0	3.6	1.6	0.9	

**【New housing starts】**

	CY 2022 (actual)	forecast			annualized, ten thousand units Yr/Yr, %
		CY 2023 (forecast)	CY 2024 (forecast)	CY 2025 (forecast)	
New housing starts	85.9	82.4	81.4	80.9	
Owned	0.4	-4.1	-1.3	-0.5	
Rented	25.3	23.1	22.9	22.8	
Built for Sale	-11.1	-8.7	-0.9	-0.7	
	34.5	34.5	33.9	33.4	
	7.5	0.1	-1.7	-1.5	
	25.5	24.3	24.0	24.3	
	4.5	-4.8	-1.1	1.1	

## Economic Outlook (Quarterly)

		FY 2022				FY 2023				FY 2024				FY 2025			
		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,%)	0.9	-0.8	1.3	2.3	2.5	-0.0	1.0	0.8	1.0	0.6	0.6	0.8	0.4	0.3	0.5	0.6
	Annualized rate	3.7	-3.1	5.4	9.4	10.5	-0.2	4.1	3.1	3.9	2.6	2.6	3.3	1.8	1.3	2.0	2.4
	(Yr/Yr,%)	1.3	1.0	1.6	4.0	5.2	6.4	5.6	4.5	2.8	3.5	2.9	3.2	2.5	2.1	2.0	1.9
Real GDP	(Qr/Qr,%)	1.2	-0.1	-0.1	0.9	1.1	-0.5	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4
	Annualized rate	4.7	-0.4	-0.2	3.7	4.5	-2.1	1.5	1.0	1.6	1.4	1.6	1.5	1.5	1.4	1.5	1.4
	(Yr/Yr,%)	1.5	1.4	0.3	2.0	1.7	1.2	1.8	1.2	0.5	1.4	1.4	1.6	1.5	1.5	1.5	1.5
	Contribution of domestic demand (Qr/Qr,%)	1.0	0.5	-0.3	1.1	-0.7	-0.4	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3
	Private consumption	1.7	0.2	0.2	0.7	-0.9	-0.0	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	Housing investment	2.6	3.6	0.9	2.8	0.0	-0.2	-0.1	-0.4	0.7	1.0	1.0	0.9	0.9	0.9	0.9	0.9
	Private capital investment	-2.1	0.1	1.0	0.5	1.8	-0.1	1.0	0.2	0.5	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.1
	Contribution of inventory investment (Qr/Qr,%)	-5.5	-4.3	-2.4	-0.6	3.4	3.2	3.2	2.9	1.6	1.9	0.9	0.8	0.2	-0.1	-0.3	-0.4
	Contribution of inventory investment (Yr/Yr,%)	1.7	1.9	-0.9	1.7	-1.0	-0.6	1.0	1.5	1.0	0.9	0.9	0.8	0.7	0.6	0.6	0.6
	Government expenditure	0.9	3.9	2.4	4.6	1.8	-1.0	0.9	0.9	3.0	4.4	4.3	3.7	3.4	3.0	2.7	2.5
	Government expenditure	-0.2	0.1	-0.4	0.4	-0.1	-0.3	0.2	-0.1	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0
	Government expenditure	0.4	-0.0	0.4	0.3	0.1	0.2	0.0	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
	Government expenditure	-0.7	-1.4	0.4	1.1	0.6	0.8	0.6	0.3	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.4
	Government final consumption expenditure	0.4	-0.0	0.1	0.1	0.0	0.3	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.1
	Public investment	1.2	-0.1	1.1	0.6	0.3	0.5	0.5	0.5	0.6	0.4	0.5	0.5	0.6	0.5	0.6	0.5
Public investment	0.5	1.1	0.0	1.4	0.3	-0.5	-0.2	-0.1	0.5	0.2	0.0	0.1	0.0	0.1	0.1	0.0	
Public investment	-9.3	-5.2	-2.5	2.9	3.0	1.4	1.0	-0.6	-0.2	0.6	0.6	0.8	0.4	0.2	0.2	0.2	
Contribution of external demand (Qr/Qr,%)	0.1	-0.6	0.3	-0.2	1.8	-0.1	-0.2	-0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
Export of goods and services	1.9	2.2	1.5	-3.5	3.9	0.5	1.3	1.1	1.3	1.2	1.4	1.2	1.4	1.3	1.4	1.3	
Export of goods and services	2.8	5.8	7.3	1.9	4.0	2.6	2.0	6.9	4.3	5.2	5.1	5.2	5.3	5.4	5.4	5.4	
Import of goods and services	1.2	5.1	0.2	-2.1	-3.8	1.0	1.8	1.7	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	
Import of goods and services	3.3	10.9	10.5	4.4	-1.0	-4.6	-3.2	0.6	5.5	5.5	4.6	3.8	3.6	3.6	3.5	3.5	
GDP deflator (Yr/Yr,%)	-0.2	-0.3	1.2	2.0	3.5	5.1	3.7	3.3	2.3	2.1	1.5	1.6	0.9	0.6	0.5	0.4	

## [Overseas economy and market data]

		FY 2022				FY 2023				FY 2024				FY 2025			
		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,%)	-0.6	2.7	2.6	2.2	2.1	4.9	1.1	1.0	1.2	1.2	1.3	1.6	1.8	2.1	2.4	
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	3.3	1.4	-0.1	0.2	0.6	-0.4	-0.2	1.0	1.0	1.0	1.0	1.2	1.2	1.2	1.2	
Real GDP (Asia)	(Yr/Yr,%)																
Real GDP (China)	(Yr/Yr,%)	0.4	3.9	2.9	4.5	6.3	4.9	5.3	4.1	4.1	4.6	4.7	4.9	4.7	5.0	5.0	
Yen/U.S.Dollar		129.6	138.4	141.4	132.3	137.4	143.6	149.9	148.0	145.0	142.5	140.0	138.0	136.0	134.0	132.0	130.0
Uncollateralized call rates (O/N) (%)		-0.017	-0.020	-0.051	-0.019	-0.044	-0.047	-0.030	-0.030	-0.030	-0.030	-0.030	-0.010	0.050	0.050	0.050	0.050
TIBOR (3months)		-0.037	-0.012	-0.014	-0.004	-0.008	-0.003	0.014	0.010	0.010	0.010	0.050	0.100	0.150	0.150	0.150	0.150
Newly issued government bond yields (10years) (%)		0.23	0.22	0.28	0.44	0.42	0.60	0.87	0.97	1.05	1.10	1.15	1.20	1.20	1.20	1.20	1.20
WTI future price (near month contract, US dollar/barrel)		108.4	91.6	82.6	76.1	73.8	82.3	80.5	78.0	78.2	78.8	79.4	80.0	80.6	81.2	81.8	82.4
North Sea Brent Crude (US dollar/barrel)		111.8	97.8	88.6	82.2	78.0	86.0	84.2	82.0	82.2	82.8	83.4	84.0	84.6	85.2	85.8	86.4

\* actual=average, forecast=end of period

## [External demand (export and import)]

		FY 2022				FY 2023				FY 2024				FY 2025			
		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)		15.9	23.2	18.7	4.8	1.6	1.1	4.0	10.3	9.2	5.3	2.3	2.9	2.4	2.2	2.4	2.4
Amount (Yr/Yr,%)		-3.1	0.2	-3.7	-8.8	-5.7	-2.5	0.8	5.8	4.2	2.6	3.0	3.0	3.1	3.2	3.2	3.3
Amount (Qr/Qr,%)		-1.1	-0.8	-3.0	-4.1	2.4	2.4	0.3	0.7	0.8	0.7	0.8	0.7	0.9	0.8	0.9	0.8
Value of imports (Yen base)		41.0	47.7	34.4	10.8	-8.8	-16.2	-12.0	0.4	3.7	1.4	-0.3	-0.6	-0.2	0.2	1.0	1.9
Amount (Yr/Yr,%)		-1.1	1.3	-2.0	-4.3	-4.0	-5.0	-1.0	3.3	3.5	3.7	3.0	1.9	1.8	1.7	1.7	1.7
Amount (Qr/Qr,%)		-1.0	0.1	-2.2	-2.1	0.4	0.3	-98.9	35.8	-63.1	-11.4	-6.4	-6.8	-0.0	-0.0	-0.0	-0.0
Balance (trillion yen)		-4.7	-6.4	-5.8	-5.2	-1.8	-0.9	-0.8	-2.9	-0.5	0.1	-0.1	-2.0	0.2	0.6	0.3	-2.0
Current account balance (trillion yen)*		2.9	0.8	2.2	2.4	5.9	6.2	6.7	6.3	6.6	6.8	6.8	6.8	6.9	6.8	6.8	6.6
Balance on goods (trillion yen)*		-3.7	-5.6	-5.2	-3.7	-1.0	-0.7	-0.2	-0.6	-0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.6
Balance on service (trillion yen)*		-1.1	-2.0	-1.1	-1.3	-0.7	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.4	-1.4	-1.4	-1.4
Balance on income (trillion yen)*		8.3	8.8	9.1	8.6	8.6	9.2	9.2	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4

\*seasonally adjusted

**【Corporations】**

		FY 2022				FY 2023				FY 2024				FY 2025			
		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, %)	-1.4	3.1	-1.7	-1.8	1.4	-1.2	0.3	2.0	0.8	0.6	0.5	0.4	0.4	0.4	0.4	0.4
	(Yr/Yr, %)	-3.4	4.0	-0.2	-1.3	1.0	-3.6	-1.7	2.7	1.9	3.5	3.7	2.3	1.8	1.5	1.5	1.6
Inventory index	(Qr/Qr, %)	-1.5	3.5	-0.3	0.7	1.9	-2.1	-1.5	-1.1	-0.7	-0.5	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
	(Yr/Yr, %)	4.7	6.2	2.7	2.3	5.9	0.2	0.2	-2.8	-5.4	-3.8	-2.0	-1.7	-1.1	-0.7	-0.1	-0.4
Sales		7.2	8.3	6.1	5.0	5.8	5.0	3.6	3.7	2.6	2.4	2.2	1.9	1.6	1.5	1.4	1.3
Ordinary profits		17.6	18.3	-2.8	4.3	11.6	7.9	15.3	10.0	2.0	10.3	8.6	7.7	6.3	6.5	6.0	5.9

\*Forecast starts from 2023 7-9.

**【Income and employment】**

		FY 2022				FY 2023				FY 2024				FY 2025			
		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		1.6	1.7	2.9	1.0	2.0	1.0	1.7	1.4	1.1	1.6	1.4	1.2	1.2	1.4	1.3	1.1
	Scheduled	1.1	1.3	1.3	0.7	1.2	1.4	1.5	1.5	1.0	1.4	1.2	1.2	1.1	1.3	1.1	1.1
	Non-scheduled	5.1	5.2	5.3	1.0	0.6	0.3	0.5	0.8	0.5	1.0	1.0	0.8	0.8	0.7	0.7	0.6
Real wage indices		-1.3	-1.6	-1.7	-3.1	-1.9	-2.6	-1.1	-1.3	-1.2	-0.5	-0.1	-0.4	0.0	0.4	0.2	0.0
Number of employees		0.7	0.5	0.7	0.4	0.5	0.6	0.8	0.8	0.4	0.5	0.4	0.4	0.4	0.4	0.3	0.3
Nominal compensation of employees*		2.1	1.9	2.5	1.4	2.6	1.7	2.3	2.4	1.8	2.1	1.7	1.7	1.6	1.5	1.5	1.5
Unemployment rate (%)		2.6	2.6	2.5	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2

※GDP base

**【Goods prices】**

		FY 2022				FY 2023				FY 2024				FY 2025			
		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		9.7	9.6	10.0	8.4	5.2	3.2	0.3	-0.6	1.6	2.3	2.4	2.8	0.7	0.0	0.0	0.0
Consumer prices		2.4	2.9	3.9	3.6	3.4	3.1	2.4	2.3	1.9	1.7	1.3	1.3	1.0	0.8	0.9	0.9
	excluding freshfood	2.1	2.7	3.8	3.5	3.2	3.0	2.4	2.2	2.1	1.9	1.4	1.4	1.0	0.8	0.8	0.8
	excluding food (excluding alcoholic beverages) and energy	0.8	1.4	2.5	3.2	3.8	3.9	3.3	2.7	1.6	1.1	0.9	0.8	0.9	0.9	0.9	0.9

**【New housing starts】**

		FY 2022				FY 2023				FY 2024				FY 2025				
		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		85.3	86.3	85.1	87.6	81.5	79.7	81.0	81.5	81.4	81.3	81.2	81.1	81.0	80.9	80.8	80.6	
		-1.3	0.0	-1.6	0.6	-4.7	-7.7	-4.9	-7.0	0.0	2.2	0.2	-0.7	-0.7	-0.8	-0.9	-0.6	
	Owned		25.7	25.2	24.2	23.9	22.7	23.0	22.9	23.0	23.0	22.9	22.9	22.8	22.8	22.7	22.7	22.7
			-8.9	-12.8	-15.7	-8.9	-11.9	-8.6	-5.7	-4.1	1.2	-0.1	-0.3	-0.8	-0.8	-0.9	-1.0	-0.8
	Rented		33.9	34.4	34.9	35.7	34.6	33.7	34.0	34.1	33.9	33.8	33.7	33.6	33.5	33.3	33.2	33.0
			2.5	6.3	8.4	3.0	2.0	-2.6	-2.6	-4.3	-1.8	0.5	-0.9	-1.6	-1.5	-1.7	-1.8	-1.7
Built for Sale		25.1	26.0	25.4	27.5	23.6	22.5	23.6	23.9	24.0	24.1	24.2	24.2	24.3	24.3	24.4	24.5	
		2.7	7.1	1.8	6.5	-6.6	-13.5	-6.7	-12.8	1.8	7.4	2.4	0.6	0.5	0.5	0.5	0.9	

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