

Report

# The Japanese Economy in Fiscal 2024 and Fiscal 2025

—Economy breaks at out of its standstill and joins road to recovery—

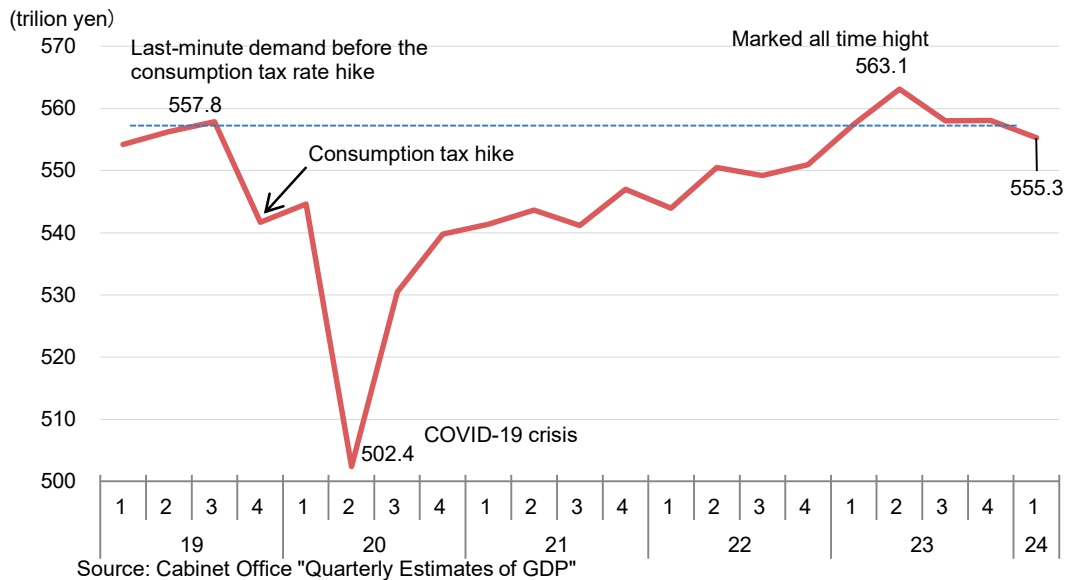
## (1) Current State of the Economy—At a standstill

### The economy falls back into negative growth

The real GDP growth rate (preliminary figure) in the January-March quarter of 2024, announced on May 15 by the Cabinet Office, turned negative at -0.5% from the previous quarter (annualized growth rate of -2.0%) for the first time in two quarters. The components of growth were also weak, as evidenced by domestic demand decreasing for the fourth quarter in a row, and the figures reiterate that the economy is at a standstill and may have already entered a recessionary phase. The real GDP level once again ended up below the pre-pandemic high of July-September 2019 (Chart 1).

The growth rate in the October-December quarter of 2023 was revised downward from +0.1% to +0.004% from the previous quarter, and downward revisions for three quarters in a row are a possibility going forward.

Chart 1. Real GDP growth rate



### Domestic demand declines for a fourth straight quarter

Within domestic demand, real private consumption continued its decline for the fourth straight quarter at -0.7% from the previous quarter, and the decrease spread also grew quarter-to-quarter (Chart 2). Broken down by category, spending for durable goods was impacted by production and sales interruptions due to safety test scandals, and fell abruptly by -12.2%, which strongly depressed overall private consumption.

Spending for non-durable goods (food, energy, daily necessities, etc.) was down for the fourth consecutive quarter at -0.1% as consumers increasingly looked to restrain spending in an inflationary context. Spending for semi-durable goods (clothing, personal effects, etc.) experienced modest growth at +0.2%. In terms of spending on services, it increased steadily by +1.0%. The in-person services category which include accommodation, food services, passenger transportation and leisure remained strong and contributed to alleviating the decline in private consumption.

Real residential investment went down as well by -2.5% compared to the previous quarter, reflecting weak housing starts amidst soaring material prices.

In the corporate sector, capital investment in real terms fell by -0.8% from the previous quarter. Driven by healthy performances, investment appetite remained strong, but the sustained rise in construction costs, particularly for buildings and structures such as office buildings, stores and factories, had a negative impact on capital investment activity, and sales of commercial vehicles decreased due to factory shutdowns. The contribution of inventory investments in real terms to the real GDP growth rate, which had stayed negative, turned positive for the first time in four quarters at +0.2%.

In the government sector, general medical and nursing expenses grew in line with the aging of the population, and real government final consumption increased by +0.2% from the previous quarter. Public investment in real terms increased for the first time in three quarters by a rather high +3.1% from the previous quarter.

As a result, the overall contribution from internal demand was down by -0.2% compared to the previous quarter, a fourth straight quarter of decline.

### **External demand temporarily experienced a sharp increase in services exports**

The contribution from external demand turned negative for the first time in two quarters at -0.3% compared to the previous quarter. Goods exports experienced a decline of by -4.1% from the previous quarter concentrated in automobiles and services exports significantly fell at -8% in reaction to the sharp increase in intellectual property royalties received in the previous quarter. As a result, real exports decreased by -5.0% quarter on quarter. Demand from inbound tourists, a component of services exports, increased steadily by +11.6% from the previous quarter and reached a record high in terms of amount, but was unable to make up for the decline in services overall. Real imports decreased by -3.4% from the previous quarter, mainly in goods. However, this decline was smaller than that of exports.

### **The GDP deflator continues to rise at a high rate**

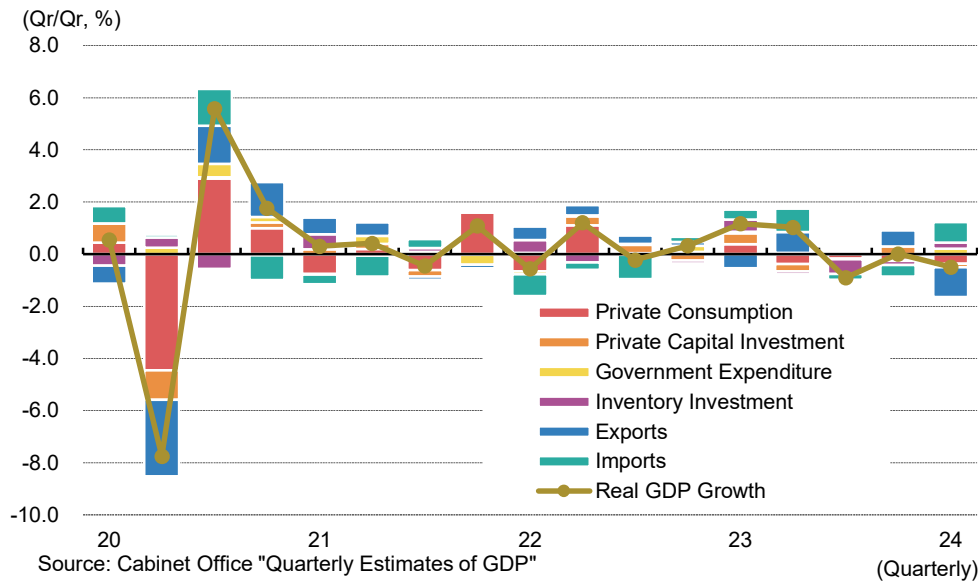
The nominal GDP growth rate remained positive at +0.1% compared to the previous quarter (annualized growth rate of 0.4%), but the value (or seasonally adjusted value of the annualized amount) landed at 599.0 trillion yen and as such did not reach the milestone figure of 600 trillion yen. The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up by +3.6% year on year, continuing on its high-rising track despite a slowdown from the +5.3% peak recorded in the July-September quarter. (The

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seasonally adjusted GDP deflator increased by +0.6% from the previous quarter.) This result reflects the effect of rising import prices, which are due to higher resource prices and other factors, permeating into domestic prices.

Although overall fiscal 2023 showed growth for the third straight year with a +1.2% increase year on year, this expansion is boosted by the base-level effect. Excluding this effect, the growth rate stands at +0.2%, revealing a slow economic recovery over the fiscal year.

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



**(2) Economic Outlook for Fiscal 2024 and Fiscal 2025**

**— Economy headed for recovery after breaking out of its standstill**

**GDP growth expected to turn positive in the April-June quarter**

Growth is expected to turn positive in the April-June quarter. Therefore, even supposing that the economy has already entered a recessionary phase, it is expected to be minor and short-lived, avoiding a serious downturn.

The main explanation behind the upturn is that the decline in the January-March quarter was largely due to temporary factors whose negative impact is wearing off. To begin with, the recovery in automobile production is expected to significantly contribute, as both production and shipments of passenger vehicles in the Indices of Industrial Production already turned positive in March compared to the previous month and the recovery trend is expected to strengthen further in April and beyond. Additionally, the negative impact of the Noto Peninsula Earthquake and the negative effect that services exports had in the previous quarter should wane.

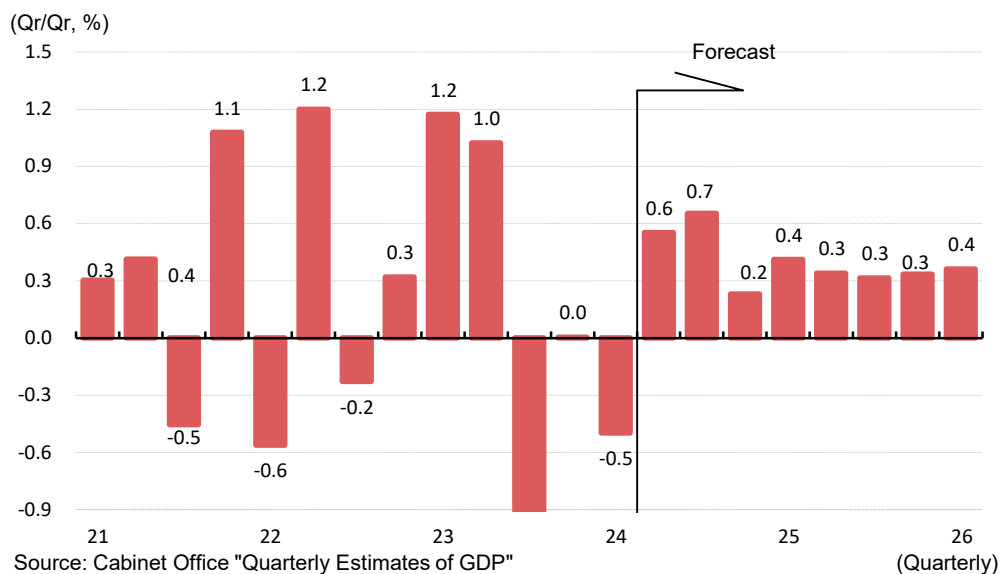
Following this return to expansion, we expect the positive trend to continue in the July-September and beyond (Chart 3). Firstly, we expect private consumption to bottom out, as a result of both the steady

increase in nominal wages reflecting the high wage increase rates of over 5% agreed upon during the spring wage negotiations, and the anticipated reduction in the negative gap of real wages in line with the progressive weakening of the upward pressure on prices. Moreover, the application of the flat-amount tax cut, which refunds 40,000 yen per person, and the increase in summer bonus amounts should provide a boost to private consumption. The completion of the domestic semiconductor production structure leading to a full momentum behind production toward the end of the fiscal year is another positive factor.

Secondly, a continuously strong corporate appetite for investment, supported by improving earnings results, could result in a solid level of capital investment. As labor shortages grow in seriousness, we expect an increase in labor-saving and informatization-related investments. We also anticipate higher investments in categories not easily exposed to economic fluctuations, including in R&D to prepare for the future, and in the response to environmental issues such as decarbonization.

In addition to the recovery of internal demand, the receding downside risk from economic conditions overseas, particularly in the United States, exports, which have remained stagnant, are expected to return to recovery. The sustained upturn in the number of foreign tourists on the back of the weak yen and the recovery in the global demand for IT-related items will also provide tailwinds for the economy.

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



We forecast a real GDP growth rate of +0.7% year on year in 2024, marking a fourth consecutive fiscal year of expansion. While the growth rate is expected to slow down from the +1.2% increase in 2023, it appears low due to the base-effect. Excluding this effect, the expected rate is a solid +1.3% (Chart 4).

**High prices are the biggest downside risk**

While the economy is on the road to recovery, potential downside factors are numerous, with the impact from high prices currently the biggest cause for concern. The government partially

terminated its anti-inflation measures in May 2024 and the ensuing increase in labor and logistics costs also render prices susceptible to upward pressure. In addition, this upward pressure could intensify if exchange rates were to settle at a higher level than the current 150 yen per dollar in the context of a weak yen. There are also concerns that rising geopolitical risks, such as the worsening situation in the Middle East, could lead to higher crude oil and other energy prices. In this scenario, the deterioration of consumer sentiment and a growing sense among households of the need to restrain their spending risks drawing out the stagnation of personal consumption.

Furthermore, spring wage negotiations affect the wage increase rate of employees of mostly large companies, and it is unclear whether small and medium-sized businesses and micro-enterprises will be able to follow suit. Additionally, there is a time lag before the results of the negotiations are reflected in the corporate sector as a whole, and wages may remain sluggish until around summer, as was the case in fiscal 2023.

The pace of economy could further slow down should other negative factors come into play, specifically a slowdown in overseas economies and a labor shortage that constrains supply.

### **Nominal GDP to reach the 600 trillion yen mark**

The nominal GDP growth rate is expected to increase steadily in line with the continuing moderate increase in real terms, the diffusion of higher import prices into the domestic market and the transfer of various costs, such as the raised labor costs. Due to the impact of these factors, the nominal growth rate should rise to 3.0% year-on-year compared to +5.3% year-on-year in fiscal 2023, marking a fourth year of consecutive growth. In terms of amounts, we expect nominal GDP to pass the 600 trillion yen mark and reach 615.2 trillion yen, compared to 597.1 trillion yen in fiscal 2023. This forecast puts the GDP growth rate at 14.7% over the four years since fiscal 2020 when the COVID-19 pandemic greatly depressed results, which is significantly higher than the 12.8% growth rate over the 28 years from the post-bubble fiscal 1991 to fiscal 2019.

However, due to the continuing yen depreciation these past recent years, growth in U.S. dollar terms appears limited, and the World Economic Outlook (in nominal U.S. dollars) published in April 2024 by the IMF predicts that Japan will retreat behind India in 2025 as the fifth nation in the world in terms of economic scale.

### **Continuing expansion in fiscal 2025**

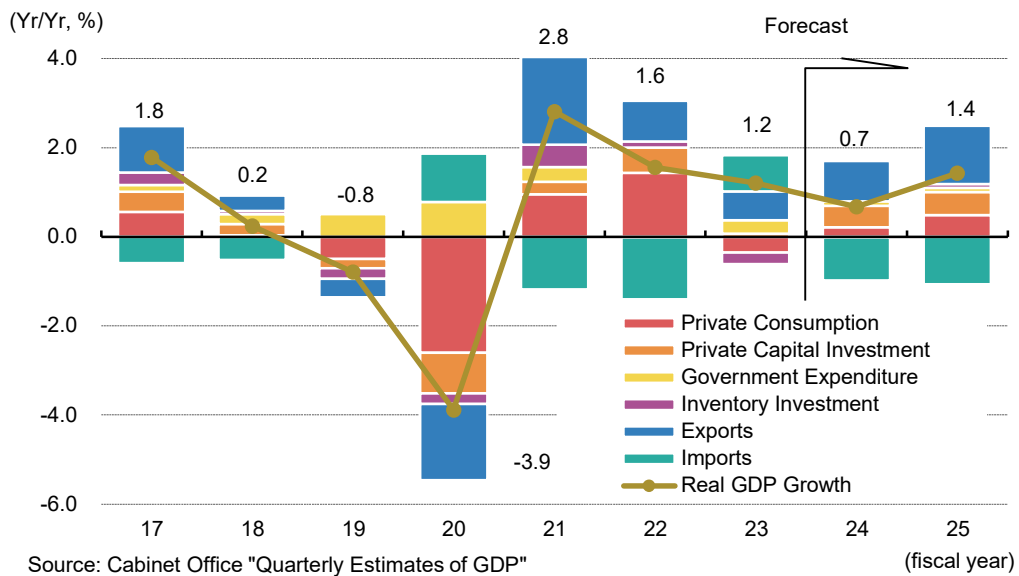
We forecast sustained growth at a +1.4% year-on-year pace in fiscal 2025. Following 2024, the amplitude of wage increases and price stability will be key influencing factors in the progress of the economy. Still, in a context of labor shortages and better corporate performances, the environment should remain conducive to higher wages, the domestic inflation rate is expected to slow as upward pressure on import prices stabilizes, resulting in a steady growth of private consumption. Moreover, we expect the increase in corporate capital investment to continue on the back of improved corporate performance. For these reasons, we anticipate a continuing economic recovery, especially in internal

demand.

External demand will also have a boosting effect on the overall upturn, as exports are expected to increase as overseas economies recover against a backdrop of price stability and the lifting of monetary tightening.

We expect the growth in nominal GDP to reach +2.8% on a year-over-year basis, a slight slowdown in momentum but still a relatively high pace. As such, we do not expect there to be a strong sense that economic conditions are severe.

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



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

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Nominal GDP	2.4	5.3	3.0	2.8	
Real GDP	1.6	1.2	0.7	1.4	
Contribution of domestic demand	2.0	-0.3	0.7	1.2	
Private consumption	2.7	-0.6	0.4	0.9	
Housing investment	-3.4	0.6	-1.0	-0.1	
Private capital investment	3.4	0.4	2.8	3.0	
Contribution of inventory investment	0.1	-0.3	-0.0	0.1	
Government expenditure	-0.1	1.1	0.4	0.3	
Government final consumption expenditure	1.4	0.5	0.6	0.5	
Public investment	-6.1	4.1	-0.3	-0.2	
Contribution of external demand	-0.5	1.5	-0.1	0.2	
Export of goods and services	4.9	3.0	4.2	5.6	
Import of goods and services	6.9	-3.3	4.2	4.4	
GDP deflator	0.8	4.1	2.3	1.4	

**【Overseas economy and market data】**

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Real GDP (US) (CY)	1.9	2.5	2.4	1.6	
Real GDP (Euro zone) (CY)	3.5	0.5	0.7	1.2	
Real GDP (Asia)					
Real GDP (China)	3.0	5.2	4.8	4.4	
Yen/U.S.Dollar	135.4	144.6	151.3	143.9	
Uncollateralized call rates (O/N) (%)*	-0.027	-0.029	0.165	0.438	
TIBOR (3months)	-0.017	0.014	0.250	0.563	
Newly issued government bond yields (10years) (%)	0.29	0.62	1.01	1.23	
WTI future price (near month contract, US dollar/barrel)	89.7	77.8	80.7	82.5	
North Sea Brent Crude (US dollar/barrel)	95.1	82.1	84.8	86.5	

\* actual=average, forecast=end of period

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

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Value of exports (Yen base)	15.5	3.7	10.8	4.4	
Ammount (Yr/Yr,%)	-2.3	-2.3	2.2	3.6	
Value of imports (Yen base)	32.5	-10.3	8.6	1.1	
Ammount (Yr/Yr,%)	-1.9	-5.2	2.0	2.2	
Balance (trillion yen)	-22.1	-5.9	-4.1	-0.4	
Current account balance (trillion yen)	9.1	25.3	26.9	29.3	
balance on goods (trillion yen)	-17.8	-3.6	-2.1	1.6	
balance on service (trillion yen)	-5.4	-2.5	-3.3	-4.0	
balance on income (trillion yen)	35.3	35.5	36.3	35.7	

**【Corporations】**

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Industrial production	-0.3	-1.9	1.9	1.8	
Inventory index	2.2	-1.0	0.3	0.4	
Sales	6.6	4.3	2.7	1.9	
Ordinary Profits	8.8	12.1	7.6	8.0	

**【Income and employment】**

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Income per capita	1.8	1.3	2.5	2.0	
Scheduled	1.1	1.3	2.6	2.2	
Non-scheduled	4.1	0.4	0.8	0.7	
Real wage indices	-1.8	-2.2	-0.4	0.5	
Number of employees	0.6	0.7	0.5	0.3	
Nominal compensation of employees*	2.4	1.8	2.9	2.4	
Unemployment rate (%)	2.6	2.6	2.5	2.3	

\*GDP base



**【Goods prices】**

	FY 2022 (actual)	FY 2023 (actual)	forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
Domestic corporate goods prices	9.5	2.3	3.8	1.5	
excluding tax effects	9.5	2.2	3.9	1.5	
Consumer prices	3.2	3.0	2.4	1.3	
excluding freshfood	3.0	2.8	2.4	1.3	
excluding food (excluding alcoholic beverages) and energy	2.2	3.9	1.6	1.2	

**【New housing starts】**

	FY 2022 (actual)	FY 2023 (actual)	annualized, ten thousand units forecast		Yr/Yr, %
			FY 2024 (forecast)	FY 2025 (forecast)	
New housing starts	86.1	80.0	80.5	80.2	
	-0.6	-7.0	0.6	-0.4	
Owned	24.8	22.0	22.2	22.0	
	-11.8	-11.5	0.9	-0.7	
Rented	34.7	34.0	34.2	33.7	
	5.0	-2.0	0.3	-1.5	
Built for Sale	26.0	23.5	23.7	24.0	
	4.5	-9.4	0.8	1.4	

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

	CY 2022 (actual)	CY 2023 (actual)	forecast	
			CY 2024 (forecast)	CY 2025 (forecast)
	Yr/Yr, %			
Nominal GDP	1.3	5.7	2.8	3.3
Real GDP	1.0	1.9	0.1	1.6
Contribution of domestic demand	1.5	1.5	0.9	-0.1
Private consumption	2.2	0.6	-0.5	1.1
Housing investment	-3.5	1.1	-2.3	0.5
Private capital investment	1.9	2.1	1.5	3.2
Contribution of inventory investment	0.3	-0.1	-0.2	0.1
Government expenditure	-0.6	1.2	0.7	0.2
Government final consumption expenditure	1.7	0.9	0.4	0.5
Public investment	-9.6	2.8	1.9	-1.2
Contribution of external demand	-0.5	1.0	0.2	0.2
Export of goods and services	5.5	3.2	2.4	6.4
Import of goods and services	7.9	-1.3	1.3	5.2
GDP deflator	0.3	3.8	2.7	1.7

**【Overseas economy and market data】**

	CY 2022 (actual)	CY 2023 (actual)	forecast	
			CY 2024 (forecast)	CY 2025 (forecast)
	Yr/Yr, %			
Real GDP (US) (CY)	1.9	2.5	2.4	1.6
Real GDP (Euro zone) (CY)	3.5	0.5	0.7	1.2
Real GDP (Asia)				
Real GDP (China)	3.0	5.2	4.8	4.4
Yen/U.S.Dollar	131.4	140.5	151.5	145.3
Uncollateralized call rates (O/N) (%)*	-0.026	-0.033	0.103	0.375
TIBOR (3months)	-0.028	-0.000	0.169	0.500
Newly issued government bond yields (10years) (%)	0.23	0.55	0.91	1.19
WTI future price (near month contract, US dollar/barrel)	94.2	77.6	79.7	81.9
North Sea Brent Crude (US dollar/barrel)	98.9	82.2	84.0	85.9

\* actual=average, forecast=end of period

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

	CY 2022 (actual)	CY 2023 (actual)	forecast		Yr/Yr, %
			CY 2024 (forecast)	CY 2025 (forecast)	
Value of exports (Yen base)	18.2	2.8	10.0	6.2	
Ammount (Yr/Yr,%)	-0.6	-4.0	0.3	4.5	
Value of imports (Yen base)	39.6	-7.0	5.2	2.7	
Ammount (Yr/Yr,%)	-0.3	-4.9	-1.0	3.2	
Balance (trillion yen)	-20.3	-9.3	-4.9	-1.2	
Current account balance (trillion yen)	11.4	21.4	25.8	28.5	
balance on goods (trillion yen)	-15.5	-6.5	-3.2	0.7	
balance on service (trillion yen)	-5.6	-2.9	-3.2	-3.9	
balance on income (trillion yen)	35.0	34.9	36.2	35.7	

**【Corporations】**

	CY 2022 (actual)	CY 2023 (actual)	forecast		Yr/Yr, %
			CY 2024 (forecast)	CY 2025 (forecast)	
Industrial production	-0.1	-1.3	-0.7	3.0	
Inventory index	2.7	-0.5	0.0	0.4	
Sales*	7.4	5.0	2.4	2.4	
Ordinary Profits	11.2	12.0	5.4	9.7	

\*Forecast starts from CY 2023.

**【Income and employment】**

	CY 2022 (actual)	CY 2023 (actual)	forecast		Yr/Yr, %
			CY 2024 (forecast)	CY 2025 (forecast)	
Income per capita	1.9	1.2	2.2	2.2	
Scheduled	1.1	1.1	2.3	2.4	
Non-scheduled	5.0	0.2	1.0	0.7	
Real wage indices	-1.1	-2.5	-0.8	0.4	
Number of employees	0.4	0.6	0.7	0.4	
Nominal compensation of employees*	2.3	1.7	2.7	2.6	
Unemployment rate (%)	2.6	2.6	2.5	2.4	

\*GDP base

**【Goods prices】**

	CY 2022 (actual)	CY 2023 (actual)	forecast	
			CY 2024 (forecast)	CY 2025 (forecast)
	Yr/Yr, %			
Domestic corporate goods prices (Yr/Yr,%)	9.8	4.2	2.8	2.6
excluding tax effects	9.8	4.1	2.9	2.6
Consumer prices	2.5	3.3	2.5	1.6
excluding freshfood	2.3	3.1	2.5	1.6
excluding food (excluding alcoholic beverages) and energy	1.1	3.9	2.1	1.2

**【New housing starts】**

	CY 2022 (actual)	CY 2023 (actual)	forecast	
			CY 2024 (forecast)	CY 2025 (forecast)
	annualized, ten thousand units Yr/Yr, %			
New housing starts	85.9	82.1	80.0	80.6
	0.4	-4.5	-2.6	0.7
Owned	25.3	22.5	22.1	22.1
	-11.2	-11.2	-1.8	0.2
Rented	34.5	34.4	34.2	33.9
	7.5	-0.2	-0.6	-0.9
Built for Sale	25.6	24.7	23.2	24.1
	4.6	-3.4	-5.9	3.6

**Economic Outlook (Quarterly)**

		forecast															
		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,%)	1.0	-0.5	1.9	2.2	2.6	-0.2	0.7	0.1	1.2	0.9	1.2	0.8	0.7	0.4	0.5	0.7
	Annualized rate	4.0	-2.1	8.0	9.1	10.7	-0.6	2.7	0.4	4.7	3.8	4.8	3.3	2.7	1.7	2.1	2.8
	(Yr/Yr,%)	1.2	1.2	2.1	4.9	6.1	6.9	5.2	3.4	1.8	3.0	3.2	4.1	3.5	3.1	2.4	2.4
Real GDP	(Qr/Qr,%)	1.2	-0.2	0.3	1.2	1.0	-0.9	0.0	-0.5	0.6	0.7	0.2	0.4	0.3	0.3	0.3	0.4
	Annualized rate	4.9	-0.9	1.3	4.8	4.1	-3.6	0.0	-2.0	2.2	2.6	0.9	1.7	1.4	1.3	1.3	1.5
	(Yr/Yr,%)	1.5	1.5	0.6	2.6	2.3	1.6	1.2	-0.2	-0.8	0.7	0.8	1.9	1.6	1.3	1.4	1.4
Contribution of domestic demand (Qr/Qr,%)		1.1	0.4	-0.0	1.3	-0.7	-0.8	-0.2	-0.2	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Private consumption		2.0	0.1	0.2	0.7	-0.7	-0.3	-0.4	-0.7	0.7	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		2.8	3.9	1.0	3.1	0.2	-0.2	-0.7	-1.9	-0.6	-0.0	0.6	1.6	1.0	0.9	0.9	0.9
Private capital investment		-2.5	0.2	0.4	0.7	1.8	-0.9	-1.4	-2.5	1.5	0.4	0.1	0.0	-0.1	-0.1	-0.1	-0.1
Contribution of inventory investment (Qr/Qr,%)		-5.5	-4.2	-2.8	-1.3	3.2	2.2	0.4	-3.1	-3.1	-2.1	-1.0	2.2	0.4	-0.1	-0.3	-0.4
Government expenditure		2.2	1.9	-1.4	2.5	-1.7	-0.2	1.8	-0.8	1.0	1.2	0.8	0.7	0.7	0.7	0.7	0.7
Contribution of inventory investment (Qr/Qr,%)		1.1	4.2	2.9	5.2	1.4	-1.1	2.5	-1.0	1.9	3.1	2.3	3.7	3.5	2.9	2.9	2.8
Government expenditure		-0.3	-0.0	-0.1	0.5	-0.1	-0.6	-0.2	0.2	-0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Government expenditure		0.1	0.2	0.9	0.2	0.2	0.2	-0.1	0.8	-0.0	-0.2	-0.0	0.2	0.1	0.1	0.1	0.2
Government final consumption expenditure		-0.9	-1.5	0.6	1.5	1.4	1.5	0.4	1.3	0.8	0.4	0.5	-0.1	0.2	0.3	0.4	0.5
Government final consumption expenditure		0.6	0.1	0.7	0.2	-0.1	0.3	-0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.2
Public investment		1.6	0.4	2.1	1.6	0.8	1.0	0.1	0.2	0.5	0.4	0.6	0.7	0.6	0.5	0.5	0.4
Public investment		-2.2	1.5	0.4	0.9	2.2	-0.3	-0.2	3.1	-1.0	-1.4	-0.6	0.1	0.1	0.1	0.0	0.1
Public investment		-12.3	-8.2	-5.7	0.6	5.7	3.4	2.2	5.2	1.9	0.6	-0.2	-2.8	-1.7	-0.3	0.3	0.5
Contribution of external demand (Qr/Qr,%)		0.1	-0.6	0.3	-0.2	1.7	-0.1	0.2	-0.3	-0.0	0.2	-0.1	0.1	0.1	0.0	0.1	0.1
Export of goods and services		2.1	1.7	0.7	-2.4	3.8	0.3	2.8	-5.0	4.4	2.0	0.8	1.6	1.4	1.3	1.4	1.4
Export of goods and services		3.3	6.3	7.8	2.0	3.6	2.7	4.3	1.4	2.1	4.1	1.8	8.9	5.9	5.3	5.7	5.5
Import of goods and services		1.4	4.8	-1.0	-1.5	-3.6	0.9	1.8	-3.4	4.1	0.9	1.2	1.1	1.1	1.1	1.0	1.0
Import of goods and services		3.2	10.8	10.1	3.8	-1.6	-5.0	-2.1	-4.2	3.2	3.3	2.8	7.5	4.3	4.6	4.4	4.3
GDP deflator (Yr/Yr,%)		-0.3	-0.3	1.4	2.3	3.7	5.2	3.9	3.6	2.7	2.2	2.3	2.2	1.8	1.8	1.0	1.0

**【Overseas economy and market data】**

		forecast															
		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	3.4	1.6	1.8	1.6	1.7	1.6	1.5	1.6	1.9	2.1
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	3.3	1.9	-0.0	0.2	0.6	-0.2	-0.2	1.3	0.8	1.2	1.2	1.2	1.2	1.2	1.2	1.1
Real GDP (Asia)	(Yr/Yr,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Real GDP (China)	(Yr/Yr,%)	0.4	3.9	2.9	4.5	6.3	4.9	5.2	5.3	4.9	4.7	4.5	4.1	4.4	4.5	4.5	4.5
Yen/U.S.Dollar		129.6	138.4	141.4	132.3	137.4	144.5	147.9	148.6	154.5	153.0	150.0	147.5	146.0	144.5	143.0	142.0
Uncollateralized call rates (O/N) (%)		-0.017	-0.020	-0.051	-0.019	-0.044	-0.055	-0.016	-0.002	0.077	0.085	0.250	0.250	0.250	0.500	0.500	0.500
TIBOR (3months)		-0.037	-0.012	-0.014	-0.004	-0.008	-0.003	0.013	0.053	0.109	0.139	0.375	0.375	0.375	0.625	0.625	0.625
Newly issued government bond yields (10years) (%)		0.23	0.22	0.28	0.44	0.42	0.60	0.76	0.70	0.89	1.00	1.05	1.10	1.20	1.20	1.25	1.25
WTI future price (near month contract, US dollar/barrel)		108.4	91.6	82.6	76.1	73.8	82.3	78.3	77.0	81.5	80.0	80.4	81.0	81.6	82.2	82.8	83.4
North Sea Brent Crude (US dollar/barrel)		111.8	97.8	88.6	82.2	78.0	86.0	82.7	81.8	85.7	84.0	84.4	85.0	85.6	86.2	86.8	87.4

\* actual=average, forecast=end of period

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

		forecast															
		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	3.7	8.8	12.7	10.2	8.5	12.1	5.8	4.3	3.6	4.1
Amount (Yr/Yr,%)		-2.6	2.1	-1.2	-7.4	-4.0	-2.6	-2.0	-0.7	-0.6	0.2	2.2	7.3	4.5	3.5	3.0	3.4
Amount (Qr/Qr,%)		-1.3	-0.1	-2.4	-3.5	2.2	1.1	-1.2	-3.4	3.1	1.8	1.1	0.8	0.7	0.8	0.8	0.9
Value of imports (Yen base)		41.0	47.7	34.4	10.9	-8.8	-16.1	-10.4	-5.0	9.1	9.1	7.9	8.3	1.5	0.1	1.5	1.3
Amount (Yr/Yr,%)		-0.8	1.2	-3.0	-4.7	-5.2	-6.4	-3.2	-6.0	-0.1	0.3	2.0	6.1	2.1	2.4	2.2	2.1
Amount (Qr/Qr,%)		-0.6	0.1	-2.6	-2.7	0.0	-0.1	-1.0	-3.3	4.4	0.3	0.7	0.6	0.6	0.6	0.5	0.5
Balance (trillion yen)		-4.7	-6.4	-5.8	-5.2	-1.8	-0.9	-1.4	-1.8	-1.1	-0.8	-1.3	-1.0	0.1	0.4	-0.7	-0.2
Current account balance (trillion yen)*		2.8	0.4	2.7	2.8	5.9	6.1	6.6	6.1	6.3	6.4	6.7	6.8	7.0	7.0	7.1	7.3
Balance on goods (trillion yen)*		-3.8	-5.5	-5.0	-3.5	-1.1	-0.7	-1.1	-1.1	-1.1	-1.0	-0.5	-0.2	-0.1	0.1	0.2	0.5
Balance on service (trillion yen)*		-1.1	-1.9	-1.2	-1.2	-0.8	-1.1	0.1	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	-1.0	-1.0
Balance on income (trillion yen)*		8.3	8.4	9.7	8.6	8.8	8.9	8.6	8.9	9.1	9.0	8.9	8.9	8.9	8.8	8.8	8.8

\*seasonally adjusted

**【Corporations】**

		forecast												Yr/Yr, %			
		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	-1.7	1.3	-1.4	1.1	-5.2	5.3	0.3	0.6	0.5	0.5	0.5	0.4	0.5
	(Yr/Yr, %)	-3.4	4.0	-0.2	-1.3	0.9	-3.9	-0.7	-4.0	-0.6	1.0	0.8	6.8	1.9	1.9	1.9	1.9
Inventory index	(Qr/Qr, %)	-1.5	3.5	-0.3	0.5	1.8	-1.8	-0.9	-0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
	(Yr/Yr, %)	4.7	6.2	2.7	2.2	5.7	0.0	-0.5	-1.0	-2.6	-1.0	0.0	0.3	0.3	0.4	0.4	0.4
Sales		7.2	8.3	6.1	5.0	5.8	5.0	4.2	2.5	2.7	2.3	2.1	3.6	2.3	1.9	1.8	1.8
Ordinary profits		17.6	18.3	-2.8	4.3	11.6	20.1	13.0	5.3	0.9	5.4	11.0	14.6	9.1	8.2	7.4	7.3

\*Forecast starts from 2023 10-12.

**【Income and employment】**

		forecast												Yr/Yr, %			
		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		1.5	1.7	2.9	1.0	2.0	0.9	0.9	1.2	1.9	2.7	2.8	2.6	2.3	2.1	1.9	1.9
	Scheduled	1.1	1.3	1.3	0.7	1.3	1.2	1.2	1.6	2.2	2.7	2.9	2.7	2.5	2.2	2.1	2.0
	Non-scheduled	5.1	5.2	5.3	1.0	0.6	-0.1	-0.6	1.9	0.5	0.8	1.0	0.8	0.7	0.7	0.6	0.7
Real wage indices		-1.2	-1.6	-1.7	-3.1	-1.9	-2.8	-2.3	-1.8	-1.2	-0.4	0.1	0.1	0.2	0.5	0.7	0.7
Number of employees		0.7	0.5	0.7	0.4	0.5	0.7	0.6	0.9	0.6	0.5	0.6	0.4	0.4	0.4	0.4	0.3
Nominal compensation of employees*		2.2	2.1	3.3	1.6	2.6	1.5	1.3	2.1	2.3	3.0	3.3	3.2	2.7	2.4	2.2	2.2
Unemployment rate (%)		2.6	2.5	2.5	2.6	2.6	2.6	2.5	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3

※GDP base

**【Goods prices】**

		forecast												Yr/Yr, %			
		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		9.8	9.8	10.1	8.3	5.0	3.0	0.6	0.7	2.4	3.0	5.4	4.7	3.2	2.6	0.1	0.2
Consumer prices		2.4	2.9	3.9	3.6	3.4	3.1	2.9	2.5	2.6	2.6	2.3	2.2	1.8	1.4	1.0	1.0
	excluding freshfood	2.1	2.7	3.8	3.5	3.2	3.0	2.5	2.5	2.5	2.7	2.4	2.2	1.8	1.4	1.0	1.0
	excluding food (excluding alcoholic beverages) and energy	0.8	1.5	2.8	3.5	4.2	4.3	3.9	3.2	2.2	1.8	1.3	1.2	1.2	1.2	1.2	1.1

**【New housing starts】**

		forecast												annualized, ten thousand units				
		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		85.6	86.7	85.4	86.4	81.8	80.0	80.3	78.6	80.2	80.6	80.7	80.8	80.7	80.5	80.4	80.3	
		-1.3	0.0	-1.6	0.6	-4.7	-7.7	-6.3	-9.6	-1.8	0.8	0.8	2.8	0.3	-0.4	-0.7	-0.7	
	Owned		25.8	25.0	24.4	23.9	22.8	22.7	20.6	21.9	22.1	22.2	22.2	22.2	22.2	22.1	22.1	22.0
			-8.9	-12.8	-15.7	-8.9	-11.9	-8.6	-16.2	-9.0	-2.5	-1.9	7.7	1.1	-0.1	-0.5	-1.1	-1.0
	Rented		34.0	34.5	34.9	35.4	34.7	33.8	33.8	34.1	34.3	34.2	34.2	34.1	34.0	33.9	33.8	33.6
			2.5	6.3	8.4	3.0	2.0	-2.6	-3.3	-4.3	-1.0	1.4	1.4	-0.6	-1.3	-1.5	-1.5	-1.5
Built for Sale		25.3	26.5	25.4	26.6	23.8	23.0	25.3	22.0	23.3	23.7	23.9	24.0	24.1	24.1	24.1	24.1	
		2.7	7.1	1.8	6.5	-6.6	-13.5	-0.3	-16.9	-2.1	2.9	-5.5	9.1	3.0	1.3	0.7	0.7	

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