

Report

The Japanese Economy in Fiscal 2024 and Fiscal 2025

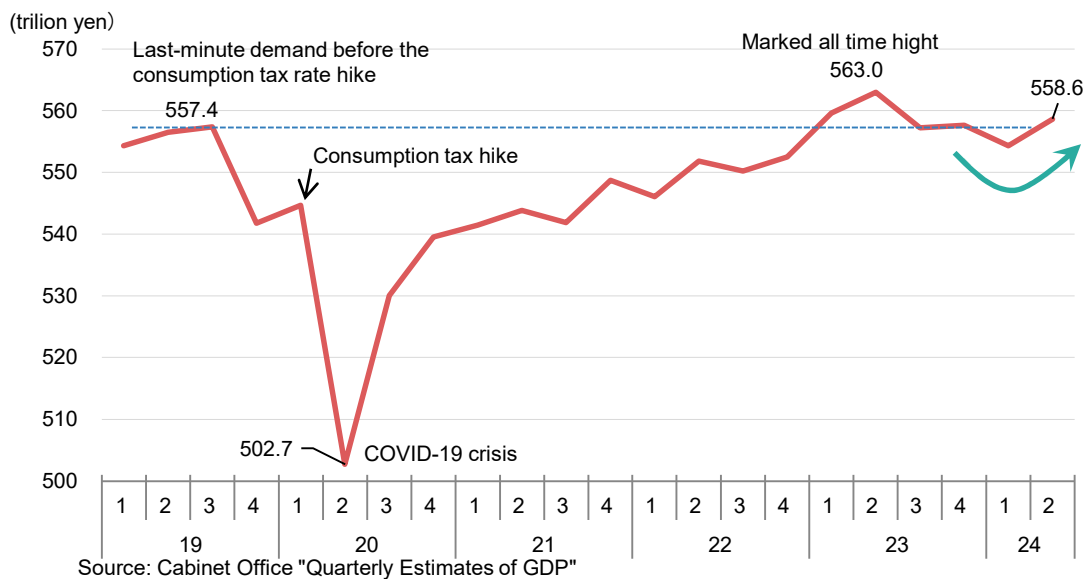
—Economic recovery continuing at a gradual pace—

(1) Current State of the Economy—Breaking out of its standstill toward a gradual recovery

Economy turning toward gradual recovery

The real GDP growth rate (first preliminary figures) for the April-June quarter of 2024 released by the Cabinet Office on August 15 showed a solid increase of +0.8% from the previous quarter (annualized growth rate of +3.1%). Domestic demand turned positive for the first time in five quarters and was generally solid across the board, which we view as indicating that the economy has broken out of its standstill and is turning toward a gradual recovery. In terms of amount as well, demand regained the pre-pandemic high of the July-September quarter of 2019 (Chart 1).

Chart 1. Real GDP growth rate



Domestic demand driving the overall economy

Within domestic demand, real private consumption rose for the first time in five quarters by +1.0% from the previous quarter and the increase spread showed relatively high growth (Chart 2). Broken down by category, spending for durable goods rose by a sharp +8.1% on a major contribution from the resumption of automobile production, which had been suspended due to certification scandals, and from increases in air conditioners, smartphones and other durables, which substantially boosted overall private consumption. Spending for semi-durable goods (clothing, personal effects, etc.) grew by a solid +2.0% on strong demand for clothing and other items, and spending on non-durable goods (food, energy, daily necessities, etc.) also

remained firm, rising by +0.8%. In terms of spending for services, it was flat with a -0.0% change from the previous term. Spending increased for restaurant dining, but its likely decrease for accommodation, leisure, and other items indicates that the post-pandemic growth momentum for demand may have run its course.

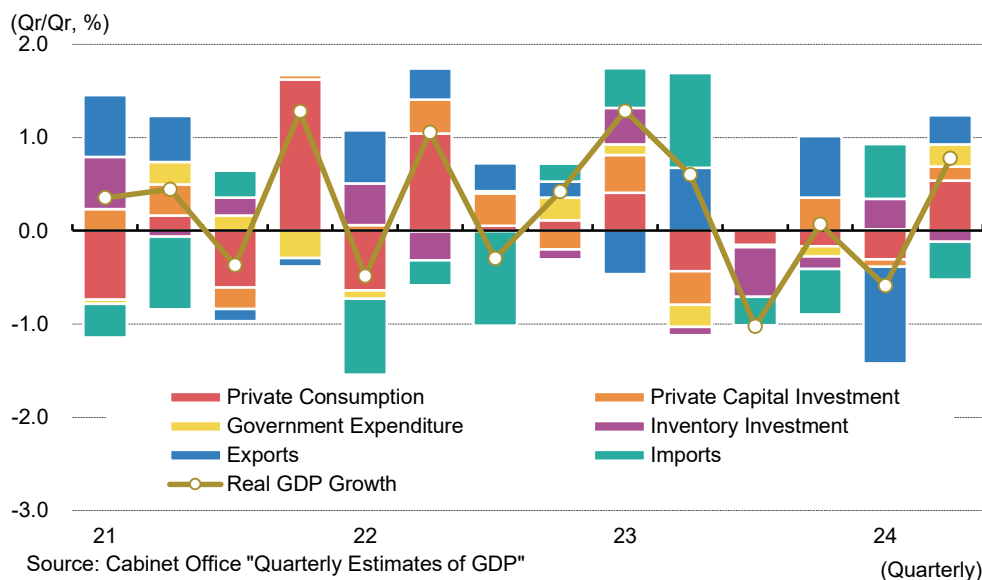
Real residential investment grew by +1.6% from the previous quarter, marking the first increase in four quarters, mainly due to the rise in housing starts in the April-June quarter for the first time in two quarters as the increase in construction costs slowed down.

In the corporate sector, capital investment in real terms rose by +0.9% from the previous quarter. This was due to a solid corporate appetite for investment backed by healthy performances and an upturn in commercial vehicle sales following the resumption of automobile production. The contribution of inventory investment in real terms to the real GDP growth rate slightly contracted by -0.1% after the rise in the previous quarter.

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 +0.1% from the previous quarter. Public investment in real terms increased by a rather high +4.5% from the previous quarter, for the first rise in four quarters, which may reflect a boosting effect from the fiscal 2023 supplementary budget.

As a result, the overall contribution from internal demand was up by +0.9% compared to the previous quarter, representing the first increase in five quarters. Conversely, the contribution from external demand remained negative for a second straight quarter at -0.1%. Real exports improved by +1.4% from the previous quarter as goods exports rose by +0.6% with the return of automobile production and service exports increased by +4.2%. However, the growth in exports was more than offset by a +1.7% growth in real imports, led by goods imports. Inbound demand, which is included in services exports, fell by -4.2% for the first decline in eight quarters, although it is the second highest level on record.

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



Nominal GDP to reach 600 trillion yen for the first time

The nominal GDP growth rose sharply by +1.8% compared to the previous quarter (annualized growth rate of +7.4%), and the nominal amount (seasonally adjusted value of the annualized amount) was 607.9 trillion yen, marking the first ever rise above the 600 trillion yen milestone. Despite a slowdown from the +5.2% peak recorded in the July-September quarter of 2023, the GDP deflator, a measure of the comprehensive price trends in the economy as a whole, continued on its high-rising track at +3.0% year on year as higher import prices due to surging resource prices and other factors permeated domestic prices. (The seasonally adjusted GDP deflator was +1.0% from the previous quarter.)

(2) Economic Outlook for Fiscal 2024 and Fiscal 2025—Ongoing gradual recovery

Positive growth to continue in the July-September quarter

The Japanese economy will continue expanding in the July-September quarter and beyond with an ongoing moderately paced recovery (Chart 3).

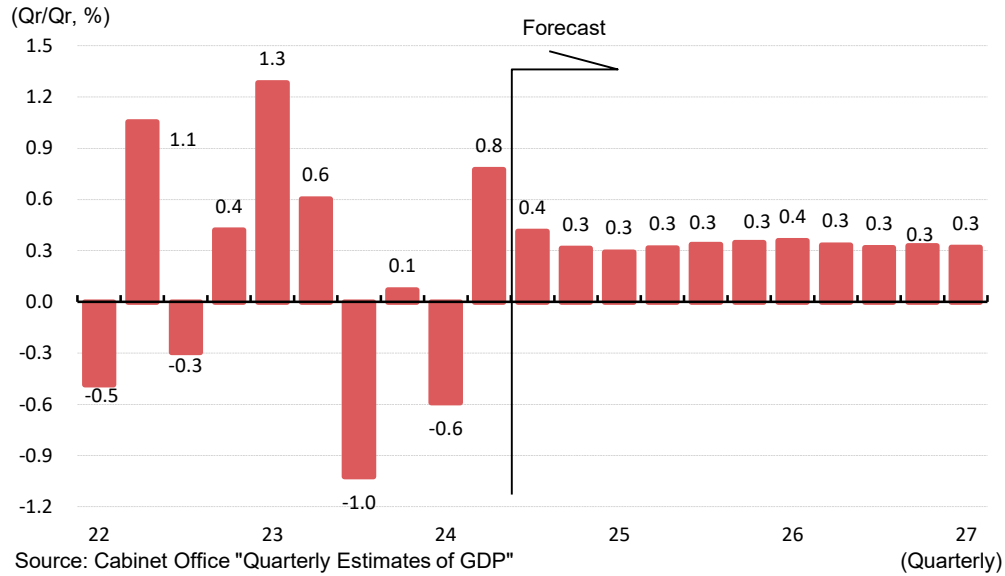
Private consumption will be a major determinant of whether the economic conditions will sustain. The environment for private consumption is favorable with the high percentage for annual wage increases coming out of the spring wage negotiations gradually working their way into salaries, steadily rising summer bonus payments, and disposable income set to rise from the flat-rate tax cut. In addition, the timing of these boosts likely means that most of the increased income did not contribute to the April-June quarter rise in private consumption and remains as ready cash for households. We expect those funds to start being used in mainly in July and the summer months.

However, increased income does not directly translate into increased consumption. Concern over the high prices of goods, low stock prices, the Nankai Trough earthquake advisory, and unseasonable weather like extreme heat and heavy rain all present risk that consumers will behave conservatively. With the post-pandemic recovery in spending on services also winding down, it's also possible that private consumption in the July-September quarter could slow substantially. On top of that, there are concerns that auto production might decrease again due to the recurrence of fraudulent activity in the auto industry.

Nevertheless, the increasing wages and gradually weakening upward pressure on prices should lead to improving consumer sentiment that will prevent a downturn in private consumption. We also expect real wages to begin growing year on year through the end of the year, which would be another factor helping to lift private consumption.

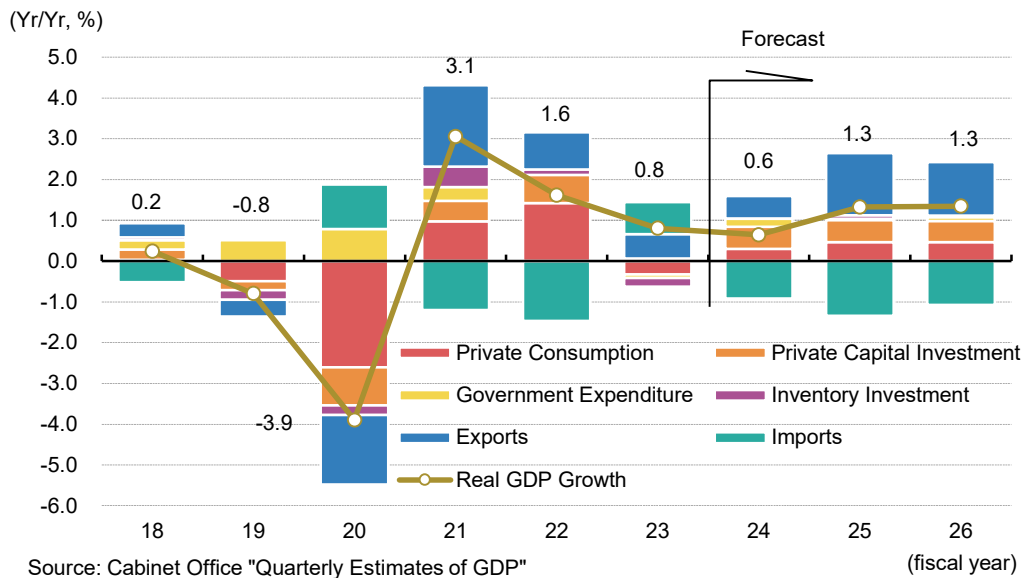
Corporate appetite for investment is also strong, backed by strong business performances and labor shortages, and this capital investment should also underpin the economy. Other positive factors for the economy are the ongoing growth in inbound tourism demand, the gradual recovery in automobile production, and the bottoming out of global demand for semiconductors.

Chart 3. Real GDP growth rate (Quarterly)



We forecast the real GDP growth rate growing for a fourth straight year in fiscal 2024 with a +0.6% year-on-year growth. This is slightly slower than the +0.8% growth in fiscal 2023, but we believe it appears low due to the influence of the base effect (-0.7%). Excluding this effect, the expected rate is a solid +1.3% (Chart 4).

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



Downside risk from high prices and economic slowdown overseas

Notwithstanding this forecast, many factors are in play that could trigger an economic downside. The biggest concern at the moment is the impact from high prices. The pace of inflation has been slowing for items like food and energy, but rising labor and logistics costs could cause service sector prices to start rising faster. Rising geopolitical risks, such as the intensifying situation in the Middle East, could also lead to higher prices for crude oil and other energy commodities. In this scenario,

deteriorating consumer sentiment and a growing sense among households of the need to restrain spending could once again dampen private consumption.

Concern also exists about slowing growth in overseas economies, particularly in the United States and China. The Chinese government's economic measures are expected to provide some stimulus, but there are concerns about a prolonged slump in the real estate industry. The U.S. economy has been exhibiting resilience, and an economic soft landing is becoming more likely. Receding upward pressure on prices is opening the door for interest rate cuts, which could then be used to stimulate the economy if a slowing trend begins to take hold. However, there is also lingering concern of economic slowing from the risk of excessive monetary tightening as well as from political instability depending on the outcome of the presidential election.

Our forecast does not incorporate specific outcomes for the U.S. presidential election. At this point in time, we are assuming that the election result, whether Vice President Harris or former President Trump becomes the new president, will have a minimal either positive or negative effect on Japanese economy in the short term. If the Democratic Party remains in power, we would expect no major policy changes. But since it appears highly likely that the Republican party will gain control of the Senate, there are concerns surrounding conflicts with Congress. A Republican administration, however, could be expected to stimulate the economy with tax cuts, a revised decarbonization policy, and other measures, which could invite negative aspects such as rising prices and higher interest rates due to tariff hikes and stricter immigration policies.

Concerns within the Japanese economy include the impact from rising interest rates and that supply-side constraints due to labor shortages could restrain economic growth.

Nominal GDP heading for 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 passing through of rising labor and other costs. These factors should support a +2.8% increase in the nominal growth rate in fiscal 2024, from +4.9% in fiscal 2023, marking a fourth year of consecutive growth. In terms of amounts, we expect nominal GDP to surpass 600 trillion yen for the first time in a fiscal year, rising from 596.5 trillion yen in fiscal 2023 to 613.3 trillion yen in fiscal 2024. This forecast puts the GDP growth rate at +13.8% in the four years since fiscal 2020 when the COVID-19 pandemic greatly depressed results, which is significantly higher than the +12.3% growth rate over the 28 years from post-bubble fiscal 1991 to fiscal 2019.

However, in U.S. dollar terms, Japan's economic growth has been modest owing to the depreciation of the yen in recent years. The World Economic Outlook (in nominal U.S. dollars) published by the IMF in April 2024 predicts that Japan will fall behind India in 2025 to become the world's fifth-largest economy.

Continuing expansion in fiscal 2025 and fiscal 2026

We forecast continuing growth of 1.3% year-on-year in fiscal 2025. The size of the percentage increase in wages from the spring negotiations and how that influences private consumption will be influencing factors. The shortage of labor and improving corporate performances should support an environment conducive to higher wages, although likely with smaller increases than in the previous year. Upward pressure on import prices should also stabilize, which should slow the pace of price increases in Japan.

We also expect the improving corporate performances to supporting continuing growth in corporate capital investment. The normalization of monetary policy could lead to higher interest rates, we do not expect that to dampen capital investment because any rate hikes would likely be small and companies are continuing to strengthen their financial positions. For these reasons, we anticipate internal demand and the economic recovery to continue.

External demand will also contribute to the economy as stabilized prices and the end of monetary tightening support improving economies overseas, leading to growing Japanese exports.

We expect the Japanese economy to continue improving in fiscal 2026 as well. If the expansion of the economy, which bottomed out in May 2020, continues to July 2026, it would reach 73 straight months, which would match the longest period of growth in the post-war period. Reaching that mark will require a continuous virtuous cycle of growth and distribution.

Economic Outlook for fiscal 2023-2026
【GDP demand】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Nominal GDP	4.9	2.8	3.2	2.3	
Real GDP	0.8	0.6	1.3	1.3	
Contribution of domestic demand	-0.6	1.0	1.1	1.1	
Private consumption	-0.6	0.6	0.9	0.9	
Housing investment	0.3	-0.2	0.3	-0.4	
Private capital investment	0.3	3.1	3.0	2.8	
Contribution of inventory investment	-0.2	0.0	0.1	0.0	
Government expenditure	-0.3	0.7	0.1	0.4	
Government final consumption expenditure	-0.5	0.5	0.5	0.4	
Public investment	0.7	1.7	-1.3	0.2	
Contribution of external demand	1.4	-0.4	0.2	0.3	
Export of goods and services	2.8	2.6	6.7	5.7	
Import of goods and services	-3.2	4.0	5.5	4.5	
GDP deflator	4.0	2.2	1.9	1.0	

【Overseas economy and market data】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Real GDP (US) (CY)	2.5	2.5	1.6	1.7	
Real GDP (Euro zone) (CY)	0.5	0.7	1.2	1.4	
Real GDP (Asia)					
Real GDP (China)	5.2	4.8	4.4	4.5	
Yen/U.S.Dollar	144.6	146.6	136.5	134.3	
Uncollateralized call rates (O/N) (%)*	-0.029	0.183	0.642	0.720	
TIBOR (3months)	0.014	0.215	0.687	0.770	
Newly issued government bond yields (10years) (%)	0.62	1.00	1.25	1.35	
WTI future price (near month contract, US dollar/barrel)	77.8	76.8	76.3	78.7	
North Sea Brent Crude (US dollar/barrel)	82.1	80.9	80.3	82.7	

* actual=average, forecast=end of period

【External demand (export and import)】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Value of exports (Yen base)	3.7	5.3	3.3	4.6	
Ammount (Yr/Yr,%)	-2.3	-0.8	4.5	3.2	
Value of imports (Yen base)	-10.3	6.8	-1.2	3.2	
Ammount (Yr/Yr,%)	-5.2	-1.1	2.8	2.0	
Balance (trillion yen)	-5.9	-7.9	-2.9	-1.4	
Current account balance (trillion yen)	25.1	23.8	26.7	28.4	
balance on goods (trillion yen)	-3.7	-5.1	-0.5	1.1	
balance on service (trillion yen)	-2.6	-4.3	-4.5	-5.0	
balance on income (trillion yen)	35.6	37.2	35.7	36.2	

【Corporations】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Industrial production	-1.9	1.3	2.5	1.1	
Inventory index	-1.0	0.2	0.4	0.3	
Sales	4.2	2.4	2.1	1.7	
Ordinary Profits	14.6	5.1	7.4	6.2	

【Income and employment】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Income per capita	1.3	3.0	2.2	1.7	
Scheduled	1.3	2.8	2.3	1.8	
Non-scheduled	-0.3	1.1	0.6	0.5	
Real wage indices	-2.2	0.4	0.4	0.3	
Number of employees	0.7	0.4	0.4	0.3	
Nominal compensation of employees*	1.8	3.6	2.5	2.0	
Unemployment rate (%)	2.6	2.5	2.4	2.3	

*GDP base

【Goods prices】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2026 (forecast)
Domestic corporate goods prices	2.3	2.7	1.3	0.9	
excluding tax effects	2.2	2.8	1.2	1.0	
Consumer prices	3.0	2.3	1.5	1.2	
excluding freshfood	2.8	2.2	1.5	1.2	
excluding food (excluding alcoholic beverages) and energy	3.9	1.8	1.4	1.3	

【New housing starts】

	FY 2023 (actual)	forecast			annualized, ten thousand units	Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	FY 2026 (forecast)	
New housing starts	80.0	80.6	80.0	79.5		
	-7.0	0.7	-0.7	-0.6		
Owned	22.0	21.6	21.6	21.4		
	-11.5	-1.6	-0.0	-0.8		
Rented	34.0	34.8	34.4	33.9		
	-2.0	2.4	-1.4	-1.2		
Built for Sale	23.5	23.3	23.3	23.4		
	-9.4	-0.8	-0.3	0.5		

Economic Outlook for calendar 2023-2026
【GDP demand】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Nominal GDP	5.5	2.4	3.6	2.4	
Real GDP	1.7	-0.0	1.4	1.4	
Contribution of domestic demand	1.7	0.7	0.1	1.3	
Private consumption	0.6	-0.3	1.0	0.9	
Housing investment	0.9	-1.9	1.1	-0.4	
Private capital investment	2.1	1.9	3.2	2.8	
Contribution of inventory investment	-0.1	-0.1	0.1	0.0	
Government expenditure	0.3	0.2	0.2	0.4	
Government final consumption expenditure	0.0	0.3	0.5	0.5	
Public investment	1.7	0.0	-0.8	0.2	
Contribution of external demand	1.0	-0.1	0.2	0.2	
Export of goods and services	3.0	1.0	7.1	5.8	
Import of goods and services	-1.4	1.4	6.1	4.6	
GDP deflator	3.8	2.4	2.2	1.0	

【Overseas economy and market data】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Real GDP (US) (CY)	2.5	2.5	1.6	1.7	
Real GDP (Euro zone) (CY)	0.5	0.7	1.2	1.4	
Real GDP (Asia)					
Real GDP (China)	5.2	4.8	4.4	4.5	
Yen/U.S.Dollar	140.5	148.9	137.7	134.5	
Uncollateralized call rates (O/N) (%)*	-0.033	0.120	0.525	0.720	
TIBOR (3months)	-0.000	0.159	0.563	0.770	
Newly issued government bond yields (10years) (%)	0.55	0.89	1.20	1.33	
WTI future price (near month contract, US dollar/barrel)	77.6	77.3	75.8	78.1	
North Sea Brent Crude (US dollar/barrel)	82.2	81.6	79.8	82.1	

* actual=average, forecast=end of period

【External demand (export and import)】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Value of exports (Yen base)	2.8	6.1	3.6	4.4	
Ammount (Yr/Yr,%)	-4.0	-2.0	4.7	3.3	
Value of imports (Yen base)	-7.0	4.5	-0.7	2.7	
Ammount (Yr/Yr,%)	-4.9	-3.3	3.0	2.0	
Balance (trillion yen)	-9.3	-8.1	-3.5	-1.7	
Current account balance (trillion yen)	21.4	22.8	26.1	27.6	
balance on goods (trillion yen)	-6.5	-6.0	-1.2	0.5	
balance on service (trillion yen)	-2.9	-4.3	-4.4	-4.9	
balance on income (trillion yen)	34.9	37.1	35.6	35.9	

【Corporations】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Industrial production	-1.3	-1.4	3.9	1.2	
Inventory index	-0.5	-0.1	0.4	0.4	
Sales*	5.0	2.2	2.4	1.7	
Ordinary Profits	12.0	7.5	6.9	6.3	

*Forecast starts from CY 2023.

【Income and employment】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Income per capita	1.2	2.7	2.4	1.7	
Scheduled	1.1	2.4	2.6	1.9	
Non-scheduled	0.2	0.4	0.9	0.5	
Real wage indices	-2.5	-0.1	0.4	0.3	
Number of employees	0.6	0.6	0.4	0.3	
Nominal compensation of employees*	1.7	3.3	2.8	2.1	
Unemployment rate (%)	2.6	2.5	2.4	2.3	

*GDP base

【Goods prices】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Domestic corporate goods prices (Yr/Yr,%)	4.2	2.1	1.9	0.8	
excluding tax effects	4.1	2.1	1.9	0.9	
Consumer prices	3.3	2.4	1.7	1.2	
excluding freshfood	3.1	2.3	1.7	1.2	
excluding food (excluding alcoholic beverages) and energy	3.9	2.2	1.4	1.3	

【New housing starts】

	CY 2023 (actual)	forecast			annualized, ten thousand units Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
New housing starts	82.1	80.2	80.3	79.8	
	-4.5	-2.4	0.1	-0.6	
Owned	22.5	21.7	21.7	21.6	
	-11.2	-3.6	0.2	-0.8	
Rented	34.4	34.8	34.6	34.2	
	-0.2	1.0	-0.6	-1.2	
Built for Sale	24.7	23.0	23.2	23.3	
	-3.4	-6.7	0.8	0.5	

Economic Outlook (Quarterly)

		forecast															
		FY 2023				FY 2024				FY 2025				FY 2026			
		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,%)	2.0	-0.1	0.7	-0.2	1.8	0.1	0.9	1.4	0.9	0.3	0.6	0.7	0.9	0.2	0.6	0.6
	Annualized rate	8.2	-0.3	2.8	-1.0	7.4	0.5	3.7	5.8	3.7	1.3	2.3	2.9	3.5	0.7	2.4	2.6
	(Yr/Yr,%)	5.8	6.6	4.8	2.5	2.1	2.5	2.4	4.3	3.3	3.6	3.2	2.6	2.4	2.4	2.3	2.4
Real GDP	(Qr/Qr,%)	0.6	-1.0	0.1	-0.6	0.8	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
	Annualized rate	2.4	-4.0	0.3	-2.3	3.1	1.7	1.3	1.2	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.3
	(Yr/Yr,%)	2.0	1.3	0.9	-0.9	-0.8	0.7	0.8	1.9	1.3	1.3	1.3	1.4	1.3	1.4	1.3	1.3
Contribution of domestic demand (Qr/Qr,%)		-1.1	-0.7	-0.1	-0.1	0.9	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private consumption		-0.8	-0.3	-0.3	-0.6	1.0	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		0.2	-0.2	-0.6	-1.8	-0.2	0.3	0.6	1.5	0.8	0.8	0.9	1.0	0.9	0.9	0.8	0.8
Private capital investment		1.4	-1.2	-1.1	-2.6	1.6	1.0	0.5	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contribution of inventory investment (Qr/Qr,%)		3.1	1.9	-0.0	-3.7	-3.3	-1.1	0.5	3.1	1.5	0.4	-0.2	-0.4	-0.4	-0.4	-0.4	-0.4
Government expenditure		-2.1	-0.1	2.1	-0.4	0.9	1.2	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Government final consumption expenditure		1.2	-1.3	2.3	-0.6	2.4	3.6	2.5	3.6	3.5	2.9	2.9	2.8	2.8	2.8	2.8	2.8
Public investment		-0.1	-0.5	-0.1	0.3	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government expenditure		-0.9	0.1	-0.4	0.1	0.9	0.1	-0.1	-0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Government final consumption expenditure		0.2	0.6	-0.7	-1.2	0.7	0.6	0.9	0.7	0.0	-0.0	0.1	0.4	0.5	0.4	0.4	0.3
Public investment		-1.2	0.6	-0.1	0.3	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Contribution of external demand (Qr/Qr,%)		-0.7	-0.0	-0.7	-0.4	0.8	0.3	0.5	0.4	0.4	0.5	0.5	0.6	0.5	0.5	0.4	0.3
Export of goods and services		1.0	-1.9	-1.7	-1.1	4.5	0.1	-1.0	-1.4	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Import of goods and services		6.3	3.1	-0.3	-4.4	0.6	2.0	2.3	1.8	-1.9	-2.2	-1.3	-0.0	0.4	0.3	0.2	0.1
GDP deflator (Yr/Yr,%)		1.7	-0.3	0.2	-0.5	-0.1	-0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Export of goods and services		3.2	0.1	3.0	-4.6	1.4	2.3	2.1	1.7	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Import of goods and services		3.4	2.5	4.1	1.2	-0.4	2.2	1.0	7.6	7.7	7.1	6.2	5.9	5.9	5.9	5.7	5.6
GDP deflator (Yr/Yr,%)		-4.1	1.3	2.0	-2.5	1.7	2.2	1.5	1.4	1.3	1.2	1.1	1.1	1.1	1.1	1.1	1.1
GDP deflator (Yr/Yr,%)		-1.8	-5.2	-2.3	-3.3	2.6	3.5	3.0	7.0	6.6	5.5	5.2	4.9	4.7	4.5	4.5	4.4
GDP deflator (Yr/Yr,%)		3.7	5.2	3.9	3.4	3.0	1.7	1.5	2.4	2.0	2.3	1.9	1.2	1.0	1.0	0.9	1.0

【Overseas economy and market data】

		forecast															
		FY 2023				FY 2024				FY 2025				FY 2026			
		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,%)	2.1	4.9	3.4	1.4	2.8	1.5	1.6	1.5	1.4	1.5	1.7	1.8	1.8	1.8	1.8	1.6
Real GDP (Euro zone)	(Annualized Qr/Qr rate,%)	0.5	0.2	0.0	1.1	1.2	0.8	0.8	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.2
Real GDP (Asia)	(Yr/Yr,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Real GDP (China)	(Yr/Yr,%)	6.3	4.9	5.2	5.3	4.7	4.6	4.5	4.3	4.5	4.5	4.4	4.6	4.4	4.5	4.5	4.5
Yen/U.S.Dollar		137.4	144.5	147.9	148.6	155.9	149.0	142.0	139.7	138.0	137.0	136.0	135.0	135.0	134.0	134.0	134.0
Uncollateralized call rates (O/N) (%)		-0.044	-0.055	-0.016	-0.002	0.077	0.177	0.227	0.251	0.480	0.647	0.720	0.720	0.720	0.720	0.720	0.720
TIBOR (3months)		-0.008	-0.003	0.013	0.053	0.116	0.217	0.250	0.275	0.525	0.683	0.770	0.770	0.770	0.770	0.770	0.770
Newly issued government bond yields (10years) (%)		0.42	0.60	0.76	0.70	0.93	0.95	1.00	1.10	1.20	1.25	1.25	1.30	1.30	1.35	1.35	1.40
WTI future price (near month contract, US dollar/barrel)		73.8	82.3	78.3	77.0	80.6	76.8	75.0	75.0	75.4	76.0	76.6	77.2	77.8	78.4	79.0	79.6
North Sea Brent Crude (US dollar/barrel)		78.0	86.0	82.7	81.8	85.0	80.6	79.0	79.0	79.4	80.0	80.6	81.2	81.8	82.4	83.0	83.6

* actual=average, forecast=end of period

【External demand (export and import)】

		forecast															
		FY 2023				FY 2024				FY 2025				FY 2026			
		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)		1.6	1.1	3.7	8.8	8.8	5.4	1.9	5.3	2.6	2.7	4.0	4.0	4.3	4.4	4.7	5.2
	Amount (Yr/Yr,%)	-4.0	-2.6	-2.0	-0.7	-3.5	-3.2	-0.7	4.6	6.2	4.7	3.6	3.5	3.4	3.2	3.1	3.2
	Amount (Qr/Qr,%)	2.2	1.1	-1.2	-3.4	-0.7	2.0	1.7	1.2	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.7
Value of imports (Yen base)		-8.8	-16.1	-10.4	-5.0	7.0	10.6	5.7	3.8	-1.1	-5.0	-0.2	1.6	2.6	2.9	3.6	3.8
	Amount (Yr/Yr,%)	-5.2	-6.4	-3.2	-6.0	-3.4	-2.7	-1.0	3.1	3.7	2.7	2.4	2.2	2.0	1.9	1.9	1.9
	Amount (Qr/Qr,%)	0.0	-0.1	-1.0	-3.3	0.1	1.5	0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Balance (trillion yen)		-1.8	-0.9	-1.4	-1.8	-1.5	-2.4	-2.5	-1.5	-0.5	-0.2	-1.3	-0.9	-0.1	0.2	-1.0	-0.5
Current account balance (trillion yen)*		5.9	6.1	6.6	5.8	6.7	5.3	5.8	6.5	6.6	6.7	6.7	6.8	6.9	7.0	7.1	7.2
	Balance on goods (trillion yen)*	-1.1	-0.7	-1.1	-1.3	-1.3	-2.3	-1.3	-0.5	-0.3	-0.2	-0.1	-0.0	0.1	0.1	0.3	0.3
	Balance on service (trillion yen)*	-0.8	-1.1	0.1	-0.8	-0.8	-0.8	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	-1.2
	Balance on income (trillion yen)*	8.8	8.9	8.6	8.9	9.7	9.4	9.0	8.9	8.9	8.9	8.9	8.9	8.9	9.0	9.0	9.1

*seasonally adjusted

【Corporations】

		forecast																Yr/Yr, %
		FY 2023				FY 2024				FY 2025				FY 2026				
		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, %)	1.3	-1.4	1.1	-5.2	2.7	2.2	1.3	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	
	(Yr/Yr, %)	0.9	-3.9	-0.7	-4.0	-2.9	0.4	0.8	6.9	4.4	2.5	1.7	1.5	1.3	1.0	1.2	1.2	
Inventory index	(Qr/Qr, %)	1.8	-1.8	-0.9	-0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
	(Yr/Yr, %)	5.7	0.0	-0.5	-1.0	-2.7	-1.1	-0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.3	
Sales		5.8	5.0	4.2	2.3	2.1	2.1	2.2	3.0	2.8	2.1	1.9	1.8	1.7	1.7	1.7	1.7	
Ordinary profits		11.6	20.1	13.0	15.1	1.5	5.4	9.7	4.7	8.1	7.6	7.2	6.8	5.9	6.4	6.3	6.3	

*Forecast starts from 2023 10-12.

【Income and employment】

		forecast																Yr/Yr, %
		FY 2023				FY 2024				FY 2025				FY 2026				
		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		2.0	0.9	0.9	1.3	3.0	2.8	3.3	3.0	2.4	2.1	2.1	1.9	1.7	1.6	1.6	1.7	
	Scheduled	1.3	1.2	1.2	1.6	2.1	3.0	3.1	3.1	2.7	2.3	2.4	2.0	1.8	1.8	1.9	1.8	
	Non-scheduled	0.6	-0.1	-0.6	-1.2	0.3	0.5	2.0	1.5	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5	
Real wage indices		-1.9	-2.8	-2.3	-1.7	-0.2	-0.2	1.1	0.6	0.4	0.5	0.3	0.5	0.3	0.3	0.2	0.3	
Number of employees		0.5	0.7	0.6	0.9	0.5	0.4	0.5	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	
Nominal compensation of employees*		2.6	1.5	1.3	2.1	3.8	3.6	3.6	3.5	2.9	2.5	2.3	2.3	2.1	2.0	1.9	2.0	
Unemployment rate (%)		2.6	2.6	2.5	2.5	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	

※GDP base

【Goods prices】

		forecast																Yr/Yr, %
		FY 2023				FY 2024				FY 2025				FY 2026				
		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		5.0	3.0	0.6	0.7	2.3	3.1	2.4	3.1	1.7	1.0	1.7	0.6	0.8	0.9	1.0	1.0	
Consumer prices		3.4	3.1	2.9	2.5	2.7	2.6	1.9	2.1	1.7	1.4	1.6	1.2	1.2	1.2	1.2	1.2	
	excluding freshfood	3.2	3.0	2.5	2.5	2.5	2.5	1.9	2.1	1.7	1.4	1.6	1.2	1.2	1.2	1.2	1.2	
	excluding food (excluding alcoholic beverages) and energy	4.2	4.3	3.9	3.2	2.3	1.8	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	

【New housing starts】

		forecast																annualized, ten thousand units Yr/Yr, %
		FY 2023				FY 2024				FY 2025				FY 2026				
		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		81.8	80.0	80.3	78.6	81.9	79.8	80.4	80.4	80.4	80.2	80.1	80.0	79.9	79.8	79.6	79.5	
		-4.7	-7.7	-6.3	-9.6	0.5	-0.2	0.3	2.3	-1.8	0.3	-0.6	-0.6	-0.5	-0.6	-0.6	-0.6	
	Owned		22.8	22.7	20.6	21.9	21.4	21.8	21.7	21.8	21.7	21.7	21.7	21.6	21.6	21.5	21.5	21.4
			-11.9	-8.6	-16.2	-9.0	-6.0	-3.7	5.0	-0.9	1.9	-0.5	-0.6	-1.0	-0.8	-0.7	-0.9	-0.9
	Rented		34.7	33.8	33.8	34.1	35.6	34.4	34.9	34.7	34.6	34.5	34.4	34.3	34.2	34.1	34.0	33.9
			2.0	-2.6	-3.3	-4.3	2.9	1.8	3.5	1.3	-2.7	0.1	-1.6	-1.4	-1.1	-1.2	-1.2	-1.3
	Built for Sale		23.8	23.0	25.3	22.0	24.2	22.9	23.0	23.1	23.2	23.2	23.3	23.3	23.3	23.3	23.4	23.4
		-6.6	-13.5	-0.3	-16.9	2.2	-0.9	-9.0	5.2	-3.8	1.5	0.9	0.7	0.6	0.4	0.5	0.5	

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