

Report

The Japanese Economy in Fiscal 2024 and Fiscal 2025

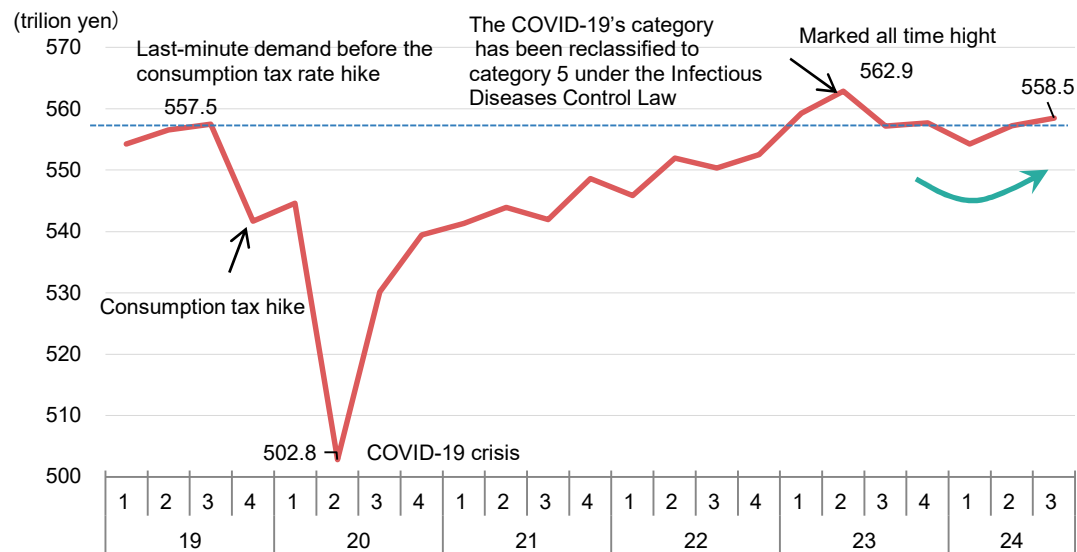
—Ongoing gradual economic recovery, but with downside risk—

(1) Current State of the Economy—Ongoing gradual recovery

Marginal growth, but strong domestic demand

The real GDP growth rate (first preliminary figures) for the July-September quarter of 2024 released by the Cabinet Office on November 15 showed a marginal increase of +0.2% from the previous quarter (annualized growth rate of +0.9%). Real GDP edged up just above the pre-pandemic high of July-September 2019 but remained below the all-time peak reached in April-June 2023 (Chart 1). Nevertheless, domestic demand is steadily increasing and the economy, despite lacking strength, continues on the recovery track.

Chart 1. Real GDP growth rate



Source: Cabinet Office "Quarterly Estimates of GDP"

Private consumption rose with some help from temporary factors

The breakdown of domestic demand by category reveals that real private consumption increased +0.9% from the previous quarter, gaining momentum from the +0.7% quarterly rise in the April-June quarter. Positive factors appear to have outbalanced negative factors to generate the uptick in private consumption in the July-September quarter. Negative factors included (1) deteriorating consumer sentiment due to high prices, (2) weak demand for leisure, travel, and other services due to unseasonable weather, including extreme heat and heavy rain, and a warning against a potential Nankai Trough earthquake, and (3) sluggish sales of fall apparel due to persisting high temperatures. Positive factors that boosted private consumption during the period included (4) higher income levels from a flat-amount tax cut, higher summer bonus payments, and

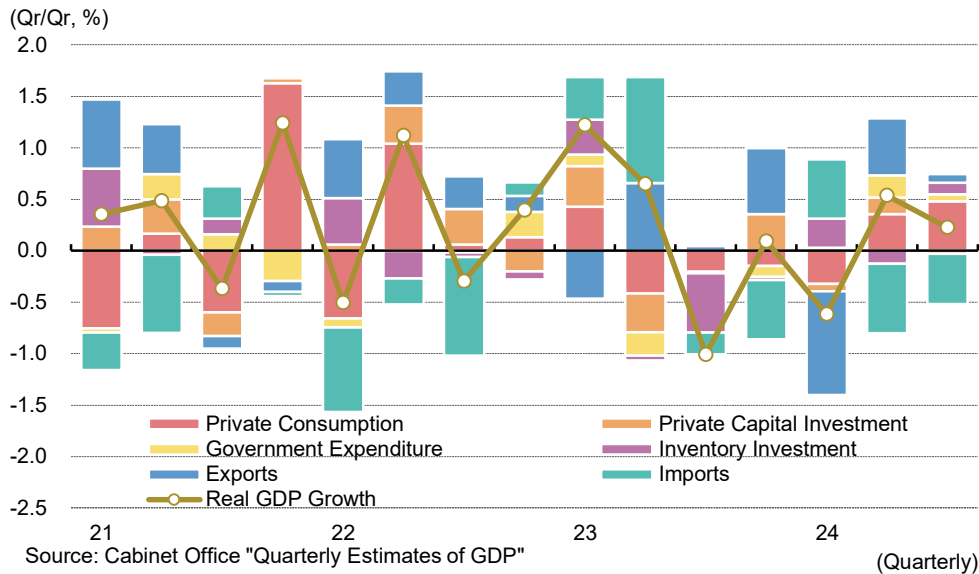
the widening implementation of significant wage increases after the spring wage negotiations, (5) increased automobile sales, and (6) the increase in sales of soft drinks and other items due to the extreme heat and the temporary high demand for stockpile items, such as drinking water and packaged rice, triggered by the warnings against natural disasters. By category, durable goods, including automobiles and home appliances, rose by +3.7% from the previous quarter for a second straight quarterly increase, while the sluggish demand for fall clothing led to a 2.8% decline for semi-durable goods, which include clothing and personal items.

Real residential investment contracted, albeit by a slight -0.1% from the previous quarter, as housing starts remained flat on average.

In the corporate sector, capital investment in real terms fell by -0.2% from the previous quarter. We think the downturn is temporary considering the healthy earnings performances and the solid appetite for corporate investment amid the labor shortage and other conditions. The contribution of inventory investments in real terms to the real GDP growth rate turned to a positive +0.1%, which was partly a rebound from the dip in the previous quarter.

In the government sector, general medical and nursing expenses grew in line with the aging of the population, and the rising trend in real government final consumption continued with an increase of +0.5% from the previous quarter. Public investment in real terms declined by -0.9%, which can be attributed to the diminishing effects of the fiscal 2023 supplementary budget.

As a result, the overall contribution from internal demand was up by +0.6% from the previous quarter, extending the upturn in the previous quarter. Conversely, the contribution from external demand remained negative for a third straight quarter at -0.4%. Real exports increased by a marginal +0.4%. Goods exports increased by +1.9% as exports in information-related items and capital goods rose, while services exports fell by -4.2% due to a reactive decline from the previous quarter's sharp rise along with decreased demand from inbound tourists. Meanwhile, real imports increased by +2.1% from the previous quarter, which was led by goods imports, exceeding the growth of exports.

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


Nominal GDP is steadily growing

The nominal GDP growth rate continued steadily increasing, rising +0.5% compared to the previous quarter (annualized growth rate of +2.1%), and the nominal amount (seasonally adjusted value of the annualized amount) was 610.9 trillion yen, marking the second consecutive quarter above the 600 trillion yen milestone. The GDP deflator, a measure of comprehensive price trends in the economy as a whole, was up by +2.5% year on year, as the increase in import prices caused by the increase in the price of resources impacted the Japanese economy. While this rise fell short of the +5.3% peak recorded in the July-September 2023 quarter, the upward trend continued. (The seasonally adjusted GDP deflator increased by +0.3% from the previous quarter.)

(2) Economic Outlook for Fiscal 2024 and Fiscal 2025

—Ongoing gradual economic recovery, but with downside risk

Economy set to continue expanding in the second half of fiscal 2024

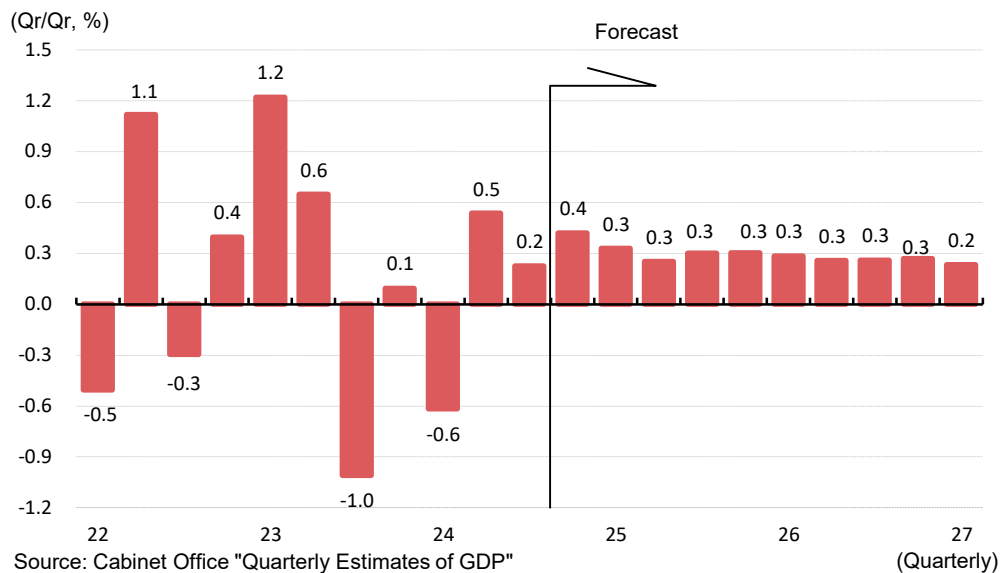
We expect the economy to continue expanding in the October-December quarter, but not at a high pace (Chart 3). Private consumption growth will likely slow considerably as the temporary factors that pushed up spending in the July-September quarter fall away, and due to concerns over high prices and the leveling off of service spending after the post-pandemic rebound. Additionally, the persisting warm temperatures into autumn could lead to sluggish sales of seasonal goods.

At the same time, the environment for private consumption is favorable with the high percentage for annual wage increases coming out of the spring wage negotiations gradually working its way into salaries, the higher minimum wage adopted in October, and expectations for a solid increase in winter bonus payments. As a result, as upward pressure on prices gradually subsides, we expect consumer sentiment to gradually improve. This should prevent a decline in private consumption from being a cause for deteriorating economic conditions.

Corporate appetite for investment is also strong, supported by strong business performances and the labor shortage. Although supply constraints present some risk of investment delays, we see little concern that investment plans will be significantly reduced and expect capital investment to underpin the economy through fiscal 2024. We also see positive factors for the economy in the continuing growth of inbound demand as well as the recovery in the global demand for semiconductors and the start of semiconductor production in Kumamoto Prefecture. We expect these factors to support economic expansion into the January-March quarter of 2025.

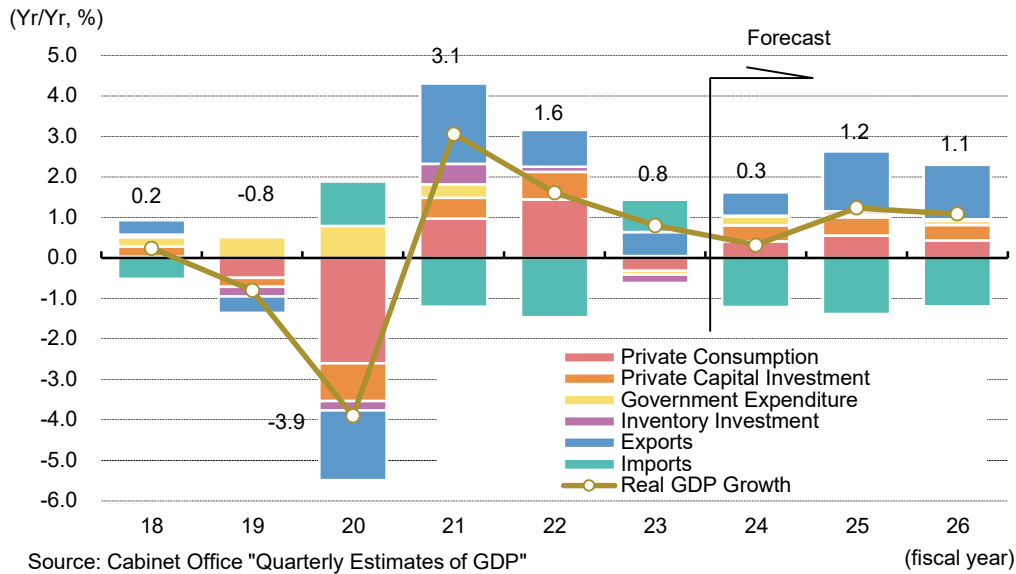
At present, we expect the government’s new economic measures to provide only a limited boost. Even if their scope were to increase, we think they would have a hard time generating new demand because anti-inflation measures, benefits for low-income earners, and other similar approaches are standard and well-worn. The government is mulling a revision to the “1.03 million yen barrier” on the tax-exempt income tax bracket, but the final decision is unlikely to come this fiscal year, so we do not expect any immediate impact.

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 +0.3% year-on-year growth (Chart 4). 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 +1.0%.

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



Growing uncertainty in the economic outlook, mainly due to overseas factors

Overall, the economic outlook has become more uncertain than in the past, mainly due to overseas factors. If the negative aspects intensify, risk will rise that Japan’s recovery momentum could weaken and even stall.

The economic uncertainties will become more numerous in 2025 as they will include U.S. trade policy under president-elect Trump, concern about a rekindling of U.S.-China trade friction, and heightened geopolitical risks. The incoming president’s major policies—including raising tariffs on imports across the board, lowering the corporate tax rate, extending the Trump tax cuts to lower the top income tax rate, and strengthening measures against illegal immigration—all would encourage interest rates to rise because they increase upward pressure on prices and erode public finances. That outlook has increased expectation of an expanding U.S. economy and growing corporate profits, which is pushing up stock prices, turning long-term interest rates upward and ultimately strengthening the U.S. dollar. Depending on how these policies play out, the U.S. economy may well continue recovering, but high prices and interest rates would also increase risk of an economic downturn. The prevailing view in the U.S. has been that a soft landing is possible, but various other outcomes are also seen as plausible.

Inflation is still a concern. The pace of price inflation for food, energy, and other goods has been easing, but increasing labor and logistics costs are likely to accelerate the rise in service sector prices. The Japanese government is expected to reintroduce anti-inflation measures in the new year, which should hold down electricity and gas costs. However, the scope of the measures will likely gradually narrow and their ability to suppress prices fade. In addition, the recent depreciation of the yen could again cause higher import prices to exert upward pressure on domestic prices. That in turn could undermine consumer sentiment and cause households to restrain spending, which could once again put a damper on private consumption.

Factors at play in Japan include the risk that higher interest rates will suppress new capital investment and consumer demand, such as for home purchases, and that supply constraints caused by the labor shortage will hinder the economy's ability to recover. Among overseas factors, there is concern about a slowdown in the Chinese economy. 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.

Nominal GDP to reach 600 trillion yen in fiscal year

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 +3.0% 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 596.6 trillion yen in fiscal 2023 to 614.4 trillion yen in fiscal 2024. This forecast puts the GDP growth rate at +14.0% 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 latest World Economic Outlook (in nominal U.S. dollars) published by the IMF in October 2024 predicts that Japan will fall behind India in 2026 to become the world's fifth-largest economy.

Ongoing expansion in fiscal 2025 and 2026 amid increasing uncertainty

We forecast continuing growth of +1.2% year on year in fiscal 2025. The size of the percentage increase in wages from the spring negotiations and the resulting trend private consumption will be influencing factors. Although to a lesser degree than in 2024, improving corporate performances and a deepening labor shortage should support an environment conducive to a high percentage increase in wages coming out of the 2025 spring negotiations. Upward pressure on import prices should also stabilize, which should slow the pace of price increases in Japan. In this scenario, domestic demand should continue to be a main driver supporting ongoing economic recovery.

The normalization of monetary policy could lead to higher long- and short-term 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. 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.

Nevertheless, as mentioned earlier, the economic uncertainties will increase after 2025 around U.S. President-elect Trump's trade policies, renewed U.S.-China trade friction concern, and heightened

geopolitical risks. These and other factors could add to the economic downside potential and increase concern of an economic slowdown. Slowing economic growth overseas, declining exports, and other negative factors could proliferate and ultimately cause significant damage to the Japanese economy.

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. A number of conditions must be met for this to happen, including the continuation of a virtuous cycle of growth and distribution, price stability, and continuing recovery in overseas economies.

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	3.0	3.2	2.1	
Real GDP	0.8	0.3	1.2	1.1	
Contribution of domestic demand	-0.6	1.0	1.1	0.9	
Private consumption	-0.6	0.8	1.0	0.8	
Housing investment	0.3	-1.5	-0.5	-0.4	
Private capital investment	0.3	2.2	2.6	2.1	
Contribution of inventory investment	-0.2	0.0	0.1	0.0	
Government expenditure	-0.3	0.8	0.2	0.4	
Government final consumption expenditure	-0.5	0.8	0.5	0.4	
Public investment	0.6	0.8	-0.7	0.2	
Contribution of external demand	1.4	-0.6	0.1	0.1	
Export of goods and services	2.8	2.6	6.5	5.8	
Import of goods and services	-3.2	5.3	5.7	5.0	
GDP deflator	4.1	2.6	2.0	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)	2.9	2.7	1.8	1.7	
Real GDP (Euro zone) (CY)	0.5	0.8	0.9	1.2	
Real GDP (Asia)					
Real GDP (China)	5.2	4.7	4.5	4.5	
Yen/U.S.Dollar	144.6	149.6	139.6	135.5	
Uncollateralized call rates (O/N) (%)*	-0.029	0.183	0.642	0.720	
TIBOR (3months)	0.014	0.219	0.687	0.770	
Newly issued government bond yields (10years) (%)	0.62	0.99	1.26	1.38	
WTI future price (near month contract, US dollar/barrel)	77.8	74.5	72.3	74.5	
North Sea Brent Crude (US dollar/barrel)	82.1	78.4	76.3	78.5	

* 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	5.5	3.8	3.9	
Ammount (Yr/Yr,%)	-2.3	-1.9	4.3	3.2	
Value of imports (Yen base)	-10.3	5.3	0.8	3.0	
Ammount (Yr/Yr,%)	-5.2	1.3	4.4	2.5	
Balance (trillion yen)	-5.9	-6.0	-2.8	-1.8	
Current account balance (trillion yen)	26.6	28.9	29.9	30.7	
balance on goods (trillion yen)	-3.7	-4.2	-0.8	0.2	
balance on service (trillion yen)	-2.6	-3.6	-4.0	-4.5	
balance on income (trillion yen)	37.1	40.9	38.8	39.1	

【Corporations】

	FY 2023 (actual)	forecast			Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
Industrial production	-1.9	0.2	3.0	1.2	
Inventory index	-1.0	-0.1	0.4	0.4	
Sales	4.2	2.9	1.9	1.7	
Ordinary Profits	14.6	10.7	5.9	6.5	

【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	2.1	1.7	
Scheduled	1.3	2.4	2.3	1.9	
Non-scheduled	-0.3	1.0	0.5	0.5	
Real wage indices	-2.2	-0.0	0.0	0.3	
Number of employees	0.7	0.5	0.4	0.4	
Nominal compensation of employees*	1.8	3.6	2.6	2.1	
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)	
Domestic corporate goods prices	2.5	2.8	2.7	0.7	
excluding tax effects	2.4	2.8	2.7	0.8	
Consumer prices	3.0	2.6	1.8	1.3	
excluding freshfood	2.8	2.5	1.7	1.2	
excluding food (excluding alcoholic beverages) and energy	3.9	2.1	1.5	1.3	

【New housing starts】

	FY 2023 (actual)	forecast			annualized, ten thousand units Yr/Yr, %
		FY 2024 (forecast)	FY 2025 (forecast)	FY 2026 (forecast)	
New housing starts	80.0	79.8	79.5	79.0	
	-7.0	-0.3	-0.4	-0.7	
Owned	22.0	21.6	21.6	21.5	
	-11.5	-1.5	0.1	-0.8	
Rented	34.0	34.8	34.3	33.9	
	-2.0	2.4	-1.6	-1.2	
Built for Sale	23.5	22.6	22.9	22.9	
	-9.4	-3.9	1.3	0.3	

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	5.6	2.6	3.5	2.3	
Real GDP	1.7	-0.3	1.3	1.1	
Contribution of domestic demand	1.7	0.7	0.0	1.3	
Private consumption	0.7	-0.2	1.3	0.8	
Housing investment	0.9	-2.6	-0.1	-0.4	
Private capital investment	2.0	1.3	2.6	2.2	
Contribution of inventory investment	-0.2	-0.0	0.1	0.0	
Government expenditure	0.3	0.3	0.4	0.4	
Government final consumption expenditure	0.0	0.5	0.6	0.4	
Public investment	1.6	-0.8	-0.5	0.2	
Contribution of external demand	1.0	-0.3	0.0	0.1	
Export of goods and services	2.9	1.2	6.8	5.9	
Import of goods and services	-1.5	2.4	6.4	5.1	
GDP deflator	3.8	2.9	2.2	1.2	

【Overseas economy and market data】

	CY 2023 (actual)	forecast			Yr/Yr, %
		CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Real GDP (US) (CY)	2.9	2.7	1.8	1.7	
Real GDP (Euro zone) (CY)	0.5	0.8	0.9	1.2	
Real GDP (Asia)					
Real GDP (China)	5.2	4.7	4.5	4.5	
Yen/U.S.Dollar	140.5	150.6	141.3	136.5	
Uncollateralized call rates (O/N) (%)*	-0.033	0.120	0.525	0.720	
TIBOR (3months)	-0.000	0.162	0.565	0.770	
Newly issued government bond yields (10years) (%)	0.55	0.89	1.21	1.35	
WTI future price (near month contract, US dollar/barrel)	77.6	76.0	71.8	74.1	
North Sea Brent Crude (US dollar/barrel)	82.2	80.1	75.8	78.1	

* actual=average, forecast=end of period

【External demand (export and import)】

		forecast			Yr/Yr, %
	CY 2023 (actual)	CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Value of exports (Yen base)	2.8	6.2	4.1	4.0	
Ammount (Yr/Yr,%)	-4.0	-2.8	4.2	3.3	
Value of imports (Yen base)	-7.0	3.0	1.6	2.4	
Ammount (Yr/Yr,%)	-4.9	-1.8	5.3	2.6	
Balance (trillion yen)	-9.3	-6.4	-3.8	-2.1	
Current account balance (trillion yen)	22.6	27.7	29.2	30.2	
balance on goods (trillion yen)	-6.5	-4.9	-1.9	0.0	
balance on service (trillion yen)	-2.9	-3.6	-3.9	-4.4	
balance on income (trillion yen)	36.1	40.4	39.0	38.6	

【Corporations】

		forecast			Yr/Yr, %
	CY 2023 (actual)	CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Industrial production	-1.3	-2.1	4.0	1.3	
Inventory index	-0.5	-0.3	0.3	0.4	
Sales*	5.0	2.7	2.3	1.7	
Ordinary Profits	12.0	12.6	5.9	6.7	

*Forecast starts from CY 2023.

【Income and employment】

		forecast			Yr/Yr, %
	CY 2023 (actual)	CY 2024 (forecast)	CY 2025 (forecast)	CY 2026 (forecast)	
Income per capita	1.2	2.7	2.3	1.8	
Scheduled	1.1	2.2	2.5	2.0	
Non-scheduled	0.2	0.2	1.0	0.4	
Real wage indices	-2.5	-0.3	-0.1	0.3	
Number of employees	0.6	0.6	0.4	0.4	
Nominal compensation of employees*	1.7	3.4	2.8	2.2	
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,%)	4.4	2.3	2.9	1.1	
excluding tax effects	4.3	2.3	2.9	1.2	
Consumer prices	3.3	2.6	2.0	1.3	
excluding freshfood	3.1	2.5	2.0	1.3	
excluding food (excluding alcoholic beverages) and energy	3.9	2.4	1.8	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	79.5	79.7	79.2	
	-4.5	-3.2	0.3	-0.6	
Owned	22.5	21.7	21.8	21.6	
	-11.2	-3.6	0.3	-0.8	
Rented	34.4	34.8	34.5	34.0	
	-0.2	1.1	-1.0	-1.2	
Built for Sale	24.7	22.4	22.8	22.9	
	-3.4	-9.4	2.1	0.3	

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	0.8	-0.3	1.7	0.5	1.1	0.9	1.1	0.4	0.5	0.8	0.5	0.3	0.4	0.8
	Annualized rate	8.3	-0.6	3.2	-1.0	7.0	2.1	4.3	3.5	4.6	1.7	1.9	3.4	2.2	1.2	1.7	3.1
	(Yr/Yr,%)	5.8	6.6	4.9	2.5	2.0	2.9	2.9	4.1	3.6	3.5	2.9	2.9	2.2	2.1	2.0	2.1
Real GDP	(Qr/Qr,%)	0.6	-1.0	0.1	-0.6	0.5	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
	Annualized rate	2.6	-4.0	0.4	-2.4	2.2	0.9	1.7	1.3	1.0	1.2	1.2	1.1	1.0	1.0	1.1	0.9
	(Yr/Yr,%)	1.9	1.3	0.9	-0.8	-1.1	0.3	0.5	1.5	1.2	1.4	1.2	1.2	1.1	1.1	1.1	1.0
Contribution of domestic demand (Qr/Qr,%)		-1.0	-0.8	0.0	-0.2	0.7	0.6	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Private consumption		-0.7	-0.4	-0.3	-0.6	0.7	0.9	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing investment		0.3	-0.2	-0.6	-1.9	-0.6	0.7	1.0	2.0	1.5	0.8	0.9	0.9	0.8	0.8	0.8	0.8
Private capital investment		1.2	-0.9	-1.0	-2.9	1.4	-0.1	0.5	-0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contribution of inventory investment (Qr/Qr,%)		3.0	1.9	0.1	-3.7	-3.3	-2.5	-1.1	1.1	-0.3	-0.3	-0.9	-0.4	-0.4	-0.4	-0.4	-0.4
Government expenditure		-2.2	-0.1	2.1	-0.4	0.9	-0.2	1.0	0.8	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Government final consumption expenditure		1.1	-1.4	2.2	-0.6	2.6	2.4	1.4	2.6	2.2	3.0	2.6	2.4	2.3	2.1	2.1	2.0
Public investment		-0.0	-0.6	-0.0	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	0.0	-0.4	0.1	0.8	0.3	-0.1	-0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Government final consumption expenditure		0.2	0.6	-0.8	-1.2	0.6	0.9	1.0	0.8	0.2	0.1	0.3	0.4	0.4	0.4	0.4	0.4
Public investment		-1.2	0.5	-0.1	0.3	0.1	0.5	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Contribution of external demand (Qr/Qr,%)		-0.7	-0.1	-0.8	-0.4	0.8	0.8	0.9	0.7	0.7	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Export of goods and services		1.0	-2.0	-1.7	-1.1	4.1	-0.9	-0.8	-0.7	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.0
Import of goods and services		6.2	2.9	-0.4	-4.4	-0.0	0.6	1.1	1.2	-1.8	-1.1	-0.5	0.1	0.4	0.3	0.2	0.1
GDP deflator (Yr/Yr,%)		1.7	-0.2	0.1	-0.4	-0.1	-0.4	0.2	0.1	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Export of goods and services		3.1	0.2	2.9	-4.5	2.6	0.4	2.6	1.7	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Import of goods and services		3.4	2.4	4.0	1.3	1.0	1.5	0.9	7.3	6.2	7.6	6.2	5.9	6.0	5.9	5.7	5.6
GDP deflator (Yr/Yr,%)		-4.1	0.9	2.4	-2.4	2.9	2.1	1.6	1.2	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.2
GDP deflator (Yr/Yr,%)		-1.9	-5.3	-2.3	-3.3	3.9	4.9	4.3	8.1	6.6	5.7	5.3	5.3	5.1	5.0	5.0	4.9
GDP deflator (Yr/Yr,%)		3.8	5.3	4.0	3.4	3.1	2.5	2.4	2.5	2.3	2.1	1.7	1.7	1.1	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,%)	2.5	4.4	3.2	1.6	3.0	2.8	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,%)	0.2	0.2	0.2	1.2	0.8	1.6	0.8	0.8	0.8	0.8	0.8	1.4	1.4	1.4	1.4	1.3
Real GDP (Asia)	(Yr/Yr,%)	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Real GDP (China)	(Yr/Yr,%)	6.3	4.9	5.2	5.3	4.7	4.6	4.5	4.4	4.5	4.6	4.5	4.4	4.5	4.5	4.6	4.6
Yen/U.S.Dollar		137.4	144.5	147.9	148.6	155.9	149.2	148.7	144.7	141.5	140.0	139.0	138.0	137.0	136.0	135.0	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	0.220	0.259	0.282	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	0.93	0.99	1.10	1.20	1.25	1.30	1.30	1.35	1.35	1.40	1.40
WTI future price (near month contract, US dollar/barrel)		73.8	82.3	78.3	77.0	80.6	75.1	71.2	71.0	71.4	72.0	72.6	73.2	73.8	74.4	74.9	75.0
North Sea Brent Crude (US dollar/barrel)		78.0	86.0	82.7	81.8	85.0	78.5	75.1	75.0	75.4	76.0	76.6	77.2	77.8	78.4	78.9	79.0

* 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	4.5	3.4	5.5	3.4	4.2	3.2	4.2	3.8	4.0	3.9	3.9
	Amount (Yr/Yr,%)	-4.0	-2.6	-2.0	-0.7	-3.5	-5.1	-1.8	3.3	4.8	5.4	3.4	3.5	3.4	3.2	3.1	3.2
	Amount (Qr/Qr,%)	2.2	1.1	-1.2	-3.4	-0.7	1.0	1.6	1.0	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	7.1	6.9	3.6	3.9	-0.3	2.7	0.2	0.5	2.1	3.6	3.2	2.9
	Amount (Yr/Yr,%)	-5.2	-6.4	-3.2	-5.9	-3.4	-0.3	2.3	6.7	7.4	4.8	2.9	2.7	2.5	2.5	2.5	2.5
	Amount (Qr/Qr,%)	0.0	-0.1	-1.0	-3.3	0.1	3.2	2.5	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Balance (trillion yen)		-1.8	-0.9	-1.4	-1.8	-1.5	-1.6	-1.5	-1.4	-0.5	-1.3	-0.6	-0.4	-0.0	-1.2	-0.4	-0.2
Current account balance (trillion yen)*		6.2	6.5	7.0	6.2	7.1	7.3	7.3	7.0	7.3	7.4	7.5	7.5	7.5	7.6	7.6	7.6
	Balance on goods (trillion yen)*	-1.1	-0.7	-1.1	-1.3	-1.4	-1.0	-1.1	-1.0	-0.5	-0.3	-0.1	-0.1	-0.0	0.0	0.1	0.1
	Balance on service (trillion yen)*	-0.8	-1.1	0.1	-0.8	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.2	-1.2
	Balance on income (trillion yen)*	9.2	9.3	9.0	9.3	10.2	10.3	10.2	9.9	9.8	9.7	9.7	9.6	9.7	9.7	9.7	9.7

*seasonally adjusted

【Corporations】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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	
		forecast				forecast				forecast				forecast				
Industrial production	(Qr/Qr, %)	1.3	-1.4	1.1	-5.2	2.7	-0.3	2.5	0.7	0.8	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	(Yr/Yr, %)	0.9	-3.9	-0.7	-4.0	-2.9	-1.4	-0.4	5.8	3.6	4.6	2.2	1.8	1.3	1.2	1.2	1.2	1.2
Inventory index	(Qr/Qr, %)	1.8	-1.8	-0.9	-0.1	0.0	-0.3	0.1	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	-1.3	-0.3	-0.1	0.0	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Sales		5.8	5.0	4.2	2.3	3.5	2.5	2.5	3.1	2.0	2.1	1.9	1.7	1.7	1.7	1.7	1.7	1.7
Ordinary profits		11.6	20.1	13.0	15.1	13.2	8.7	13.2	7.4	2.2	7.5	7.5	7.3	6.4	6.7	6.6	6.6	6.6

*Forecast starts from 2023 10-12.

【Income and employment】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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	
		forecast				forecast				forecast				forecast				
Income per capita		2.0	0.9	0.9	1.3	3.0	3.0	3.2	2.7	2.3	2.2	2.1	2.0	1.9	1.8	1.6	1.7	
	Scheduled	1.3	1.2	1.2	1.6	2.0	2.4	2.6	2.7	2.5	2.4	2.3	2.2	2.1	2.0	1.9	1.8	
	Non-scheduled	0.6	-0.1	-0.6	-1.2	0.2	0.3	1.5	2.0	0.7	0.7	0.6	0.2	0.5	0.5	0.5	0.5	
Real wage indices		-1.9	-2.8	-2.3	-1.7	-0.2	-0.2	0.4	-0.2	-0.4	0.1	0.2	0.2	0.4	0.4	0.2	0.2	
Number of employees		0.5	0.7	0.6	0.9	0.5	0.6	0.5	0.4	0.5	0.3	0.4	0.4	0.4	0.3	0.3	0.3	
Nominal compensation of employees*		2.6	1.5	1.3	2.1	3.8	3.6	3.8	3.4	2.9	2.6	2.5	2.4	2.3	2.1	2.0	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	2.2	

※GDP base

【Goods prices】

		FY 2023				FY 2024				FY 2025				FY 2026				Yr/Yr, %
		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	
		forecast				forecast				forecast				forecast				
Domestic corporate goods prices		5.4	3.2	0.7	0.7	1.9	2.9	3.6	3.1	3.4	2.7	2.2	2.3	0.7	0.8	0.8	0.7	
Consumer prices		3.4	3.1	2.9	2.5	2.7	2.8	2.4	2.5	2.3	1.8	1.6	1.5	1.2	1.2	1.3	1.3	
	excluding freshfood	3.2	3.0	2.5	2.5	2.5	2.7	2.3	2.4	2.2	1.7	1.6	1.5	1.2	1.2	1.2	1.2	
	excluding food (excluding alcoholic beverages) and energy	4.2	4.3	3.9	3.2	2.2	2.0	2.1	2.2	2.0	1.7	1.2	1.2	1.2	1.3	1.3	1.3	

【New housing starts】

		FY 2023				FY 2024				FY 2025				FY 2026				annualized, ten thousand units Yr/Yr, %
		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	
		forecast				forecast				forecast				forecast				
New housing starts		81.8	80.0	80.3	78.6	81.9	78.3	79.3	79.9	79.8	79.7	79.6	79.4	79.3	79.2	79.0	78.9	
		-4.7	-7.7	-6.3	-9.6	0.5	-2.0	-1.1	1.6	-2.5	1.6	0.1	-0.7	-0.6	-0.7	-0.7	-0.7	
	Owned		22.8	22.7	20.6	21.9	21.4	21.8	21.7	21.8	21.8	21.7	21.7	21.6	21.6	21.5	21.5	
			-11.9	-8.6	-16.2	-9.0	-6.0	-3.9	5.3	-0.7	2.1	-0.4	-0.6	-1.0	-0.8	-0.8	-0.9	-0.9
	Rented		34.7	33.8	33.8	34.1	35.6	34.6	34.8	34.6	34.5	34.4	34.3	34.2	34.1	34.0	33.9	33.8
			2.0	-2.6	-3.3	-4.3	2.9	2.5	3.0	0.9	-3.1	-0.6	-1.5	-1.4	-1.1	-1.2	-1.2	-1.3
Built for Sale		23.8	23.0	25.3	22.0	24.2	21.2	22.1	22.8	22.8	22.8	22.9	22.9	22.9	22.9	22.9	22.9	
		-6.6	-13.5	-0.3	-16.9	2.2	-8.1	-12.9	3.5	-5.3	7.8	3.6	0.6	0.4	0.2	0.2	0.3	

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