Economist Letter

Japan's Economic Outlook for Fiscal Years 2022 to 2024 (November 2022)

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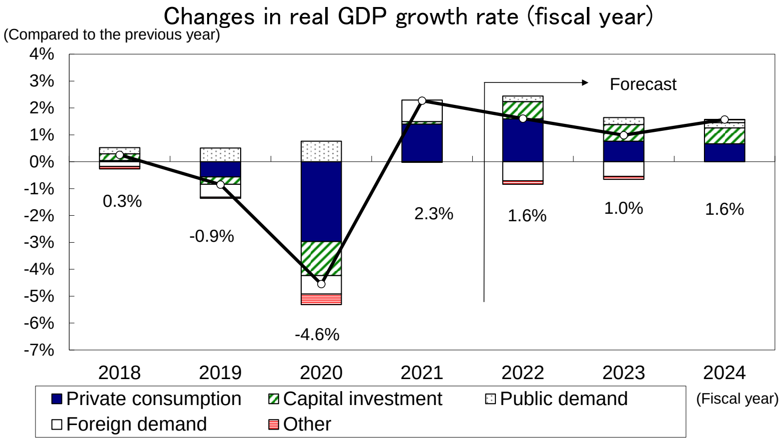
<Real GDP growth: 1.6% in FY 2022, 1.0% in FY 2023, 1.6% in FY 2024>

1. In the July–September quarter of 2022, real GDP contracted by an annualized rate of −1.2% from the previous quarter. However, this does not mean that the economy is deteriorating, as the main cause is the deterioration of external demand due to a substantial increase in imports. In the October–December quarter, positive growth is expected to be led by domestic demand, mainly in private consumption and capital investment.
2. Real GDP is expected to grow 1.6% in FY 2022, 1.0% in FY 2023, and 1.6% in FY 2024. Growth in FY 2023 will decline, mainly due to a decline in exports following the recessions in Europe and the United States. The current scenario indicates that the recovery trend will be maintained. However, if the recessions in Europe and the United States deepen, Japan will also inevitably face a recession.
3. Other downside risks include China's economic downturn due to its continued zero-COVID policy, limited economic activity due to electricity shortages, and uncertainty regarding policy responses to the spread of COVID-19.
4. Consumer price inflation (excluding fresh foods) will rise to the upper 3% range toward the end of 2022 and then fall to the 2% range in 2023 due to the impact of policy measures to combat inflation. We forecast 2.7% in FY 2022, 1.8% in FY 2023, and 1.2% in 2024. It is estimated that the impact of the policy measures on consumer price inflation will be −1.0% in FY 2022, −0.5% in FY 2023, and +0.3% in FY 2024.

Changes in real GDP growth rate (fiscal year)



Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office.

1. Negative growth of annualized rate of 1.2% in July–September 2022

In the July–September quarter of 2022, real GDP contracted for the first time in four quarters by 0.3% from the previous quarter (down 1.2% on an annual basis from the previous quarter).

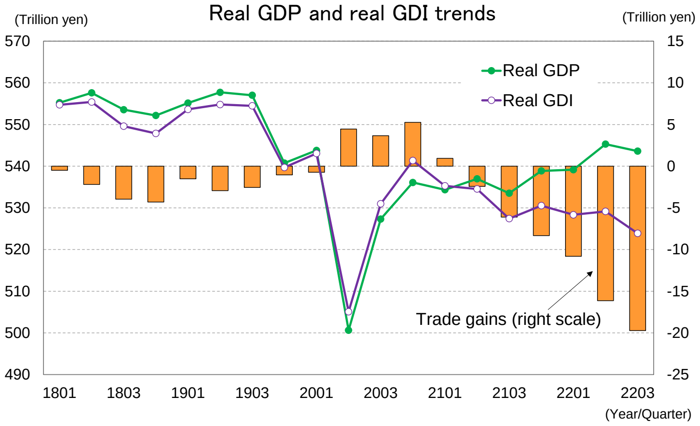
The main reason for the negative growth was that imports grew at a high rate of 5.2% from the previous quarter, far outpacing the growth in exports (1.9%), and the contribution of external demand declined 0.7% from the previous quarter (2.6% annualized), significantly depressing the growth rate. High corporate earnings helped boost capital investment by 1.5%, and despite headwinds from inflation and the spread of COVID-19, domestic demand remained firm, with private consumption rising 0.3%. However, this was not sufficient to make up for the decline in external demand.

Trade gains (losses), which represent the real amount of income generated by differences in import and export deflators, decreased by 3.6 trillion yen from the previous period. As a result, real GDI, which is the sum of real GDP and trade gains, contracted by 1.0% quarter-on-quarter (an annualized rate of 3.9% quarter-on-quarter), far less than the growth in real GDP.

Japan continues to experience income outflows overseas due to soaring international commodity prices and deteriorating terms of trade due to the weak yen. Trade gains in GDP statistics have declined for seven consecutive quarters since the January–March quarter of 2021, with a decline of 25 trillion yen in trade gains during the current period. In July–September 2022, real GDP was 0.5% above the level of the pre–COVID-19 period (October–December 2019), but real GDI was 2.9% below that of the pre–COVID-19 period.

The outflow of income to foreign countries due to deteriorating terms of trade will be borne by companies and households. If companies are unable to pass on higher costs associated with higher import prices, corporate profits will be squeezed; if price pass-through is sufficient, the burden on companies will be reduced, while the burden on households will increase through higher consumer prices. Currently, corporate earnings are at record highs, and consumption remains strong on the back of high savings despite headwinds from inflation. Looking ahead, however, there is a risk that domestic demand will be undermined by a decline in real purchasing power at home due to the outflow of income overseas.

Real GDP and real GDI trends



Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office.

(The slowdown of overseas economies becomes clear)

After a sharp slowdown in 2020 due to the impact of the COVID-19 pandemic, the global economy recorded high growth in 2021 partly as a reaction. However, a deceleration trend has emerged recently.

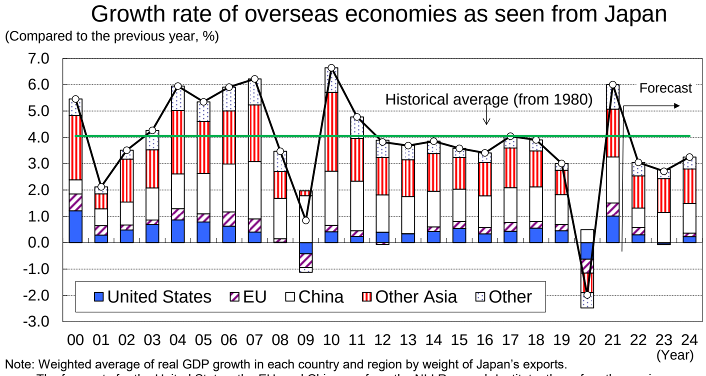
In the July–September quarter of 2022, real GDP grew at an annual rate of 2.6% in the United States and 0.8% in the euro area, but the global PMI continued its downward trend and is currently below the neutral level of 50. Both the United States and the euro area are likely to experience negative growth in the October–December quarter of 2022 and enter recessions as a result of high inflation and monetary tightening to curb it. The period of negative growth is assumed to be three quarters from October–December 2022 to April–June 2023 for the United States and two quarters from October–December 2022 to January–March 2023 for the euro area. China's economy is also likely to continue to face high downside risks from the country's zero-COVID policy, although it will continue to improve from the spring of 2020, when it plunged sharply due to the lockdown.

The growth rate of overseas economies, weighted by ’Japan’s exports, declined by approximately 2% in 2020 due to the impact of the COVID-19 pandemic, and then increased by approximately 6% in 2021 as a reaction to the decline. However, it will slow significantly to approximately 3% in 2022, and then further decline to the upper 2% range in 2023. This is because the United States’ real ’GDP’s growth is expected to be −0.2% in 2023 after being 1.8% in 2022 and 5.9% in 2021; the euro area’s GDP’s growth is expected to be −0.2% in 2023 after being 5.2% in 2021 and 3.0% in 2022.

In 2024, with ’China’s real GDP continuing to grow at the 5% level in 2023, and the United States and the euro area returning to modest positive growth of 1.3% and 1.0%, respectively, overseas economic growth for Japan will pick up slightly to the low 3% level, but will remain below the average growth rate since 1980 of approximately 4%.

Exports in FY 2021 grew 12.4% year-on-year, followed by FY 2022, which is expected to see its growth slow to 3.2% year-on-year, and in FY 2023, which is expected to decline 1.4% year-on-year for the first time in three years, due to a slowdown in overseas economies, albeit a boost from a weaker yen. In FY 2024, the figure will increase to 3.3%; however, this is not enough to drive the economy.

Growth rate of overseas economies as seen from Japan



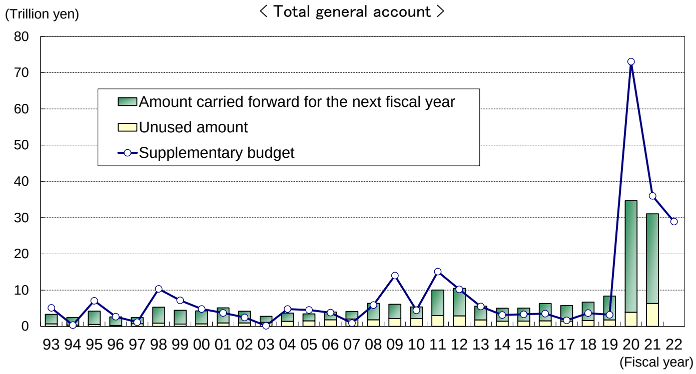
Note: Weighted average of real GDP growth in each country and region by weight of Japan’s exports.
The forecasts for the United States, the EU, and China are from the NLI Research Institute; those for other regions are from IMF data, as of October 2022.
Sources: “World Economic Outlook,” IMF; “Trade Statistics,” Ministry of Finance.

(Effects of Policy Measures Against Inflation)

On October 28th, the cabinet approved the Comprehensive Economic Measures to Combat Inflation and Realize Economic Revitalization, and on November 8th, the cabinet approved a FY 2022 supplementary budget with an additional expenditure of 28.9 trillion yen for the general account. The economic measures consist of (1) measures to fight price hikes and support wage increases, (2) recovery and strengthening the country’s earning power by taking advantage of the weak yen, (3) “acceleration of new capitalism,” (4) ensuring the safety and security of the people, and (5) preparation for the future.

The government estimates that the economic package will boost real GDP by approximately 4.6%.[*]1 However, this estimate is considered to be excessive considering that since FY 2020, large supplementary budgets associated with economic measures have become a regular occurrence and it is highly likely that the budget will not be fully consumed as the supplementary budget is drawn up near the end of the fiscal year. In fact, unspent budgets are quite large: 34.7 trillion yen (of which the amount carried forward for the following year was 30.8 trillion yen and the amount unused was 3.9 trillion yen) in FY 2020 and 31.1 trillion yen (of which the amount carried forward for the following year was 24.8 trillion yen and the amount unused was 6.3 trillion yen) in FY 2021.

Supplementary budget and unspent (carried forward for the next fiscal year + unused)
< Total general account >



Source: Ministry of Finance

1 Estimates of the boost to real GDP from economic packages are as follows: approximately 4.4% for the Emergency Economic Measures against COVID-19 implemented in April 2020, approximately 3.6% for the Comprehensive Economic Measures for Security and Hope that Protect People’s Lives and Livelihoods implemented in December 2020, and approximately 5.6% for the Economic Measures to Conquer COVID-19 and Create a New Era implemented in November 2021.

With regard to measures to combat inflation, the government has already implemented price controls on gasoline and kerosene through the mitigation measures of drastic changes in fuel oil prices since January 2022, and the addition of curbs on electricity and city gas charges from January 2023 will further reduce household burdens caused by inflation.

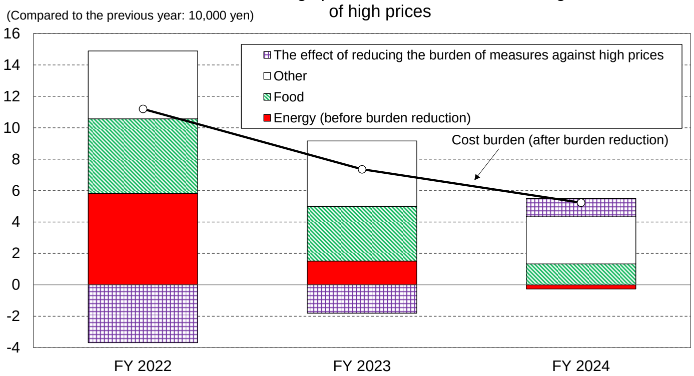
This forecast assumes that the fuel oil price increase mitigation measures will be continued from January 2023 until the end of FY 2024, the end of the forecast period; however, subsidies will be reduced. Although the reduced electricity and gas rates will continue until the end of FY 2024, the mitigation measures will be reduced by half in September 2023. [*]2

Based on these assumptions, it is estimated that the household burden per household (households of two or more people) in FY 2022 would have ballooned to 149,000 yen if not for the inflation measures. Of this, 58,000 yen, or about 40% of the total, is due to higher energy prices. It is estimated that the burden reduction (total electricity, gas, gasoline, and kerosene) due inflation measures will be 37,000 yen. As a result, FY ’2022’s burden from inflation will be reduced to 112,000 yen per household.

The effects of measures to combat inflation will continue in FY 2023. It is estimated that without these measures the cost to households in FY 2023 would be 92,000 yen, the reduction in the cost by such measures would be 18,000 yen, and the net cost to households would be 74,000 yen.

Since no additional burden reduction measures are projected for FY 2024, the burden on households compared to the previous fiscal years will be more inflated than it would have been without the measures.

Households' burden of high prices and the effect of reducing the burden of high prices



Note: Per household (households of two or more people). Energy costs include electricity, gas, gasoline and kerosene.
Estimation by NLI Research Institute based on "Family Income and Expenditure Survey" of Statistics Bureau, Ministry of Internal Affairs and Communications.

2. Real growth expected to be 1.6% in FY 2022, 1.0% in FY 2023 and 1.6% in 2024

(Summer 2022 consumption remained firm even during the COVID-19 outbreak)

Service consumption rebounded sharply in the April–June quarter of 2022 following the calming of the COVID-19 pandemic and the end of priority preventative measures, then stalled in the summer as infections once again increased. However, since no special restrictions were imposed and summer festivals and various events were held for the first time in three years, service consumption remained firm to a certain extent, with no fall in crowds as there had been during previous outbreaks.

Service consumption is expected to pick up after October, partly due to a boost from nationwide travel support. However, the deadline for nationwide travel support is December 20. Given the recent resurgence of COVID-19, an extension is likely to be shelved. Consumer spending is expected to stagnate again in winter.

(The environment surrounding wage increases has improved significantly)

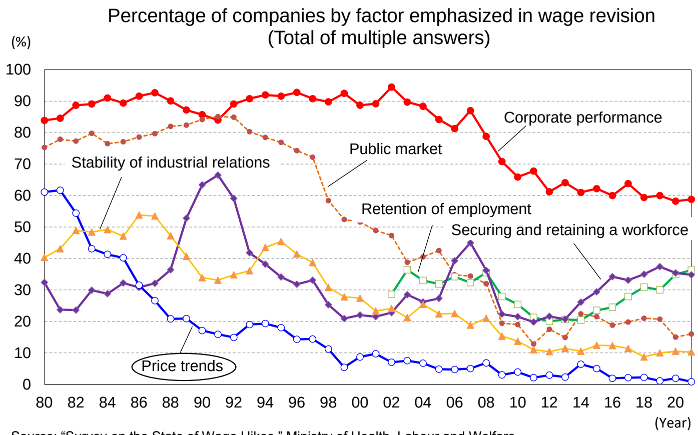
Nominal wages per capita fell sharply in FY 2020 due to the impact of the COVID-19 pandemic and have continued to rise since FY 2021; however, real wage growth has remained negative since April 2022 due to the significant rise in consumer price inflation.

The spring wage increase rate in 2022 improved by 0.34 percentage points from the previous year (1.86%) to 2.20% (the status of requests and settlements for spring wage increases by major private companies in the Ministry of Health, Labour and Welfare). The

2 In the mitigation measures for the increase in fuel oil prices, the subsidy for fuel is limited to December 2022; however, the economic package states that the subsidy upper limit will be gradually adjusted for gasoline after January 2023, and the subsidy will be gradually reduced after June 2023. The government also stated it would reduce the scope of drastic changes in electricity rates in September 2023.

rate of wage increases was higher than the previous year for the first time in four years, but the base increase, excluding regular wage increases of approximately 1.7%−1.8%, remains in the 0% range.−

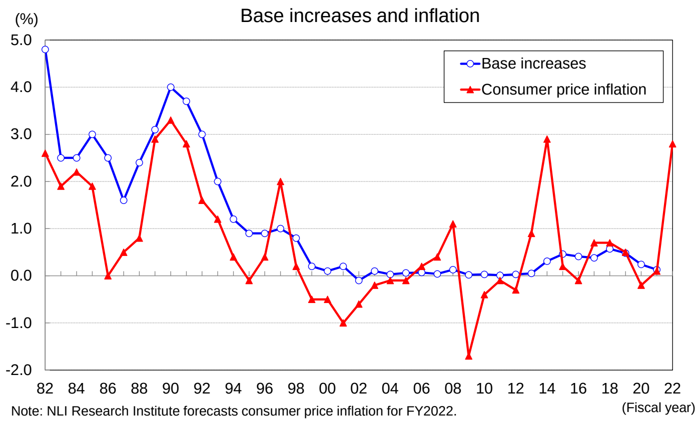
Looking at the environment surrounding the spring labor offensive in 2023, labor supply and demand remained tight, with the ratio of job offers to applicants remaining well above 1 and the unemployment rate in the mid 2% range. Seasonally adjusted ordinary profit in the Financial Statements statistics of Corporations by industry is at an all-time high, and consumer prices are rising at their fastest pace in nearly 30 years. Thus, the three factors that largely determine the rate of wage increases—labor supply and demand, corporate earnings, and prices—have all improved significantly.



Source: "Survey on the State of Wage Hikes," Ministry of Health, Labour and Welfare.

In particular, attention should be paid to price trends, which in recent years have hardly been a factor in wage negotiations. According to the Ministry of Health, Labour and 'Welfare's Survey on the Actual Condition of Wage Hikes, the percentage of companies that emphasized "price trends" when revising wages (multiple answers allowed) exceeded 60% in 1980. The percentage dropped rapidly in response to price stability that followed, but remained above 10% until the late 1990s. However, after falling below 10% in 1999, it remained in the low single digits for more than 20 years, with a record low of 0.8% in 2021.

However, with consumer prices in FY 2022 growing at such a rapid rate, there is a growing awareness of the erosion of real wages due to inflation and the spring wage negotiations in 2023 are likely to focus more on "price trends." In fact, the Japanese Trade Union Confederation, also known as RENGO, has increased its demand for wage increases in the 2023 spring offensive to approximately 5%, including the equivalent of regular salary increases, up from around 4%, which it has held since 2016. In addition, the chairperson of the Japan Business Federation (Keidanren) announced that he would call on member companies to raise wages, mainly by raising base salaries across the board.



Note: NLI Research Institute forecasts consumer price inflation for FY2022.
Source: Central Labor Relations Commission; Statistics Bureau, Ministry of Internal Affairs and Communications..

We expect the spring wage increase in 2023 to be 2.75%, an improvement of 0.55 percentage points from the previous year. It is likely to be higher than the 2.38% in 2015, which was the highest since Abenomics began in 2013. Excluding regular salary increases, however, the increase will be only approximately 1%, and FY 2023 is likely to follow FY 2022's lead and lag behind consumer prices. The recent rise in prices is largely due to temporary factors such as soaring prices of resources and grains and the rapid depreciation of the yen, thus it is difficult for the base increase to exceed these levels all at once. In the medium to long term, however, the goal should be for base increases to exceed inflation, as they did until the mid-1990s. Assuming a price stability target of 2%, a base increase above 2% would be a guide.

(Real GDP will surpass its most recent peak in FY 2024.)

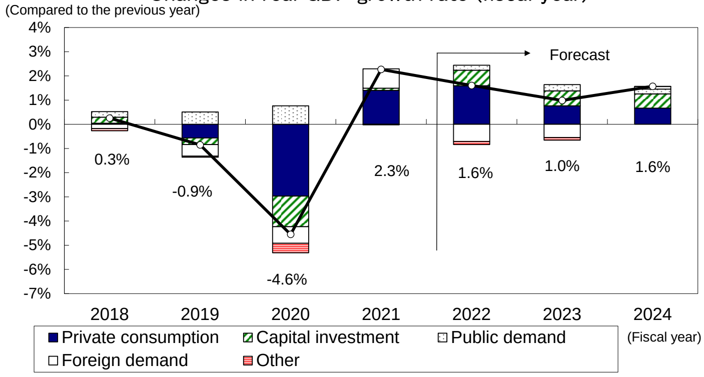
In the July–September quarter of 2022, the economy contracted for the first time in four quarters. However, this was mainly due to a significant increase in imports and does not mean that the economy is deteriorating. The economy is judged to be on a recovery track as solid activity continues, mainly in consumption and capital investment.

In the October–December quarter of 2022, real GDP is expected to grow at an annual rate of 2.3%. While exports are expected to decline due to sluggish overseas economies, private consumption will grow at a higher rate due to a boost from nationwide travel support, and capital investment will remain strong on the back of high corporate earnings. However, the forecast for the January–March quarter of 2023 is for a slight contraction of 0.5% on an annualized basis from the previous quarter, due to a larger decline in exports amid continued negative growth in Europe and the United States and a renewed slowdown in private consumption in response to the spread of COVID-19. Although exports are not expected to be a driver of the economy once FY 2023 starts, positive growth is expected to continue in the absence of special action restrictions, mainly due to increased private consumption and capital investment backed by substantial household savings and corporate earnings.

For now, the current scenario indicates that negative growth in the United States and the euro area will be small, while the recovery trend in Japan will be maintained. However, if the recessions in the United States and the euro area intensify, a recession in Japan will become inevitable. Other downside risks are China's zero-COVID policy, curbs on economic activity due to winter electricity shortages, and uncertainty about policy responses to the spread of COVID-19.

It is difficult to completely eradicate COVID-19 and the number of new positive cases is expected to rise and fall in the future. To ensure that economic and social activities are not restricted even in the event of an outbreak, COVID-19 should be reviewed under the Infectious Diseases Act and medical care systems should be developed.

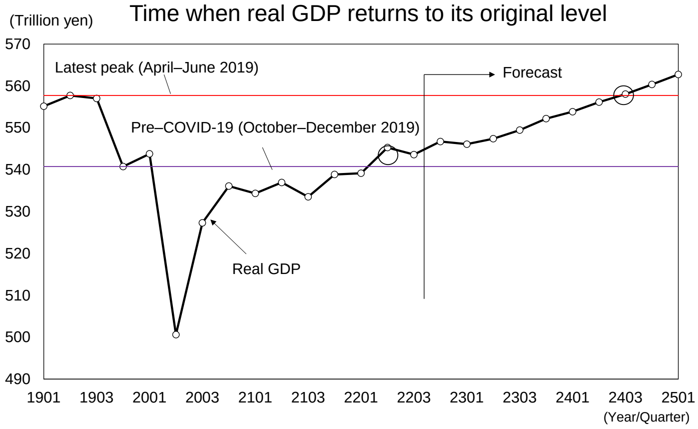
Changes in real GDP growth rate (fiscal year)



Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office.

Real GDP is expected to grow 1.6% in FY 2022, 1.0% in FY 2023, and 1.6% in FY 2024. In FY 2023, private consumption and capital investment will remain strong in domestic demand, but the growth rate will decline mainly due to a decline in exports against the backdrop of a slowdown in overseas economies. The growth rate will be higher in FY 2024 as exports start to increase in response to the recovery of overseas economies.

Time when real GDP returns to its original level



Source: "Quarterly Estimates of GDP," Cabinet Office.

Although the economy contracted in the July–September quarter of 2022, the level in real GDP is 0.5% higher than that in the pre–COVID-19 period (October–December 2019). However, due to the impact of the consumption tax rate hike, Japan's economy contracted at an annualized rate of 11.2% in the October–December quarter of 2019 compared to the previous quarter, and the level of economic activity dropped significantly before the impact of the COVID-19 pandemic became apparent.

Compared to the most recent peak in the April–June quarter of 2019, real GDP was down 2.5% in the July–September quarter of 2022, which means there is still a long way to go to normalize the economy.

We expect real GDP to recover its most recent peak in the April–June quarter of 2019 in the July–September quarter of 2024.

(Price outlook)

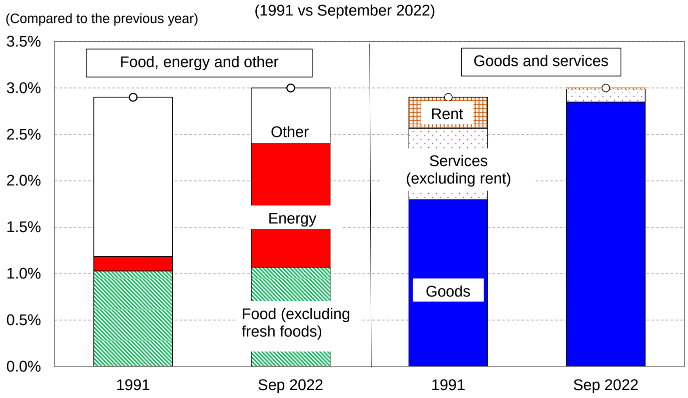
Consumer prices (total CPI excluding fresh foods; hereafter core CPI) rose to 3.0% in September 2022 from a year earlier, mainly due to higher energy and food prices, and excluding the impact of the consumption tax rate hike, rose to 3%, the first 3% increase in 31 years and one month since August 1991. In October, core CPI inflation is expected to accelerate to the mid 3% range, as the impact of steep cuts in mobile phone bills passes and food (excluding fresh food) growth accelerates sharply.

The reason for the current price increases is very different than from 31 years ago. The main cause of the recent rise in prices is a sharp rise in the cost of energy and food (excluding fresh foods), which has been driven by rising prices of resources and grains and the weakening yen. Energy and food contributed more than 80% of the 3.0% core CPI increase in September 2022. In comparison, energy and food contributed only 40% in 1991.

By goods and services, almost all of the rise in prices in September 2022 came from goods, while the contribution of services was almost zero. Declines in household-related services and medical and welfare services, as well as low rent growth, are contributing to the low service prices. In contrast, goods contributed about 60% and services about 40% in 1991.

Service prices are closely linked to wages, and they will not rise as wages continue to stagnate. A rise in service prices through wage increases is a condition for stable and sustained price increases.

Comparison of the breakdown of consumer prices (excluding fresh foods)
(1991 vs September 2022)



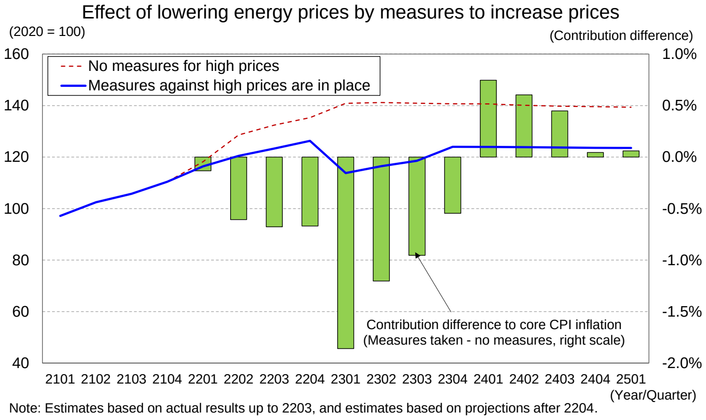
Source: "Consumer Price Index," Statistics Bureau, Ministry of Internal Affairs and Communications.

With U.S. interest rate hikes coming to an end around the beginning of 2023, the forecast assumes that the yen will accelerate moderately and that crude oil prices, which peaked in the middle of 2022, will rise only moderately. Therefore, although prices will continue to rise for some time in the form of price pass-through increases in raw material prices, the pace of the increase in goods prices is expected to slow after the arrival of FY 2023. However, service prices, which are currently growing at almost 0%, will rise modestly in response to higher wage increases.

Major changes in energy prices due to policy measures against inflation will determine price trends in the future. As for energy prices, gasoline and kerosene prices have been suppressed by the mitigation measures toward drastic changes in fuel oil prices since January 2022, and the additional suppression of electricity and gas bills from January 2023 will greatly expand the suppression effect of energy prices.

According to our estimates, the downward effect on core CPI inflation due to the suppression of energy prices as a result of measures against inflation will sharply increase from approximately 0.7% in July–September and October–December 2022 to nearly 2% in January–March 2023. Core CPI inflation for the October–December quarter of 2022 is expected to be 3.6%, but it would be in the 4% range if there were no inflation measures. In the January–March 2023 period, core CPI inflation is likely to decline sharply to 2.3%, mainly due to the downward effect of measures to combat inflation.

Effect of lowering energy prices by measures to increase prices



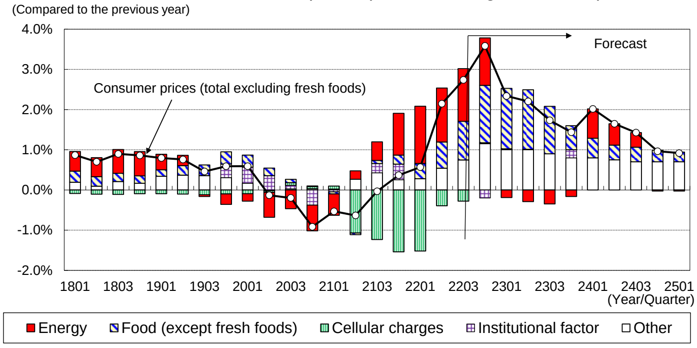
Note: Estimates based on actual results up to 2203, and estimates based on projections after 2204.

Source: “Consumer Price Index,” Statistics Bureau, Ministry of Internal Affairs and Communications.

The downward effect of the measures against higher prices will gradually diminish after the April–June quarter of 2023, and after the January–March quarter of 2024; the rebound will push up the year-on-year rate of energy prices. The annual impact of inflation measures on core CPI inflation is expected to be −1.0% in FY 2022, −0.5% in FY 2023 and +0.3% in FY 2024. While this forecast assumes that measures to combat inflation will continue through the end of FY 2024, even with the reduction of subsidies, it should be noted that measures to combat inflation will make it difficult to gauge the trend of prices.

Core CPI inflation is expected to be 2.7% year-on-year in FY 2022, 1.8% year-on-year in FY 2023 and 1.2% year-on-year in FY 2024.

Forecast of consumer prices (total excluding fresh foods)



Note: Factors behind the system include consumption tax, free education, and the Go To Travel campaign.

Source: “Consumer Price Index,” Statistics Bureau, Ministry of Internal Affairs and Communications.
Up to 2004 (year and quarter) based on year 2015; 2101 (year and quarter) and later based on year 2020.

Outlook for the Japanese economy

(Units,%) Previous forecast(2022.9)

	FY 2021 Actual	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	22/4-6 Actual	22/7-9 Actual	22/10-12 Forecast	23/1-3 Forecast	23/4-6 Forecast	23/7-9 Forecast	23/10-12 Forecast	24/1-3 Forecast	24/4-6 Forecast	24/7-9 Forecast	24/10-12 Forecast	25/1-3 Forecast	Previous forecast (2022.9) FY 2022 Forecast	Previous forecast (2022.9) FY 2023 Forecast
Real GDP	2.3	1.6	1.0	1.6	1.1	- 0.3	0.6	- 0.1	0.2	0.4	0.5	0.3	0.4	0.3	0.4	0.4	1.8	1.6
					4.6	- 1.2	2.3	- 0.5	0.9	1.5	2.0	1.2	1.7	1.4	1.7	1.7		
					1.7	1.8	1.6	1.4	0.4	1.1	1.0	1.5	1.6	1.6	1.5	1.7		
Contribution to domestic demand	(1.5)	(2.3)	(1.5)	(1.5)	(1.0)	(0.4)	(0.6)	(0.1)	(0.4)	(0.4)	(0.4)	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)	(2.2)	(1.5)
Private demand	(1.5)	(2.1)	(1.3)	(1.3)	(0.7)	(0.3)	(0.5)	(0.1)	(0.4)	(0.4)	(0.3)	(0.1)	(0.4)	(0.3)	(0.3)	(0.3)	(2.0)	(1.3)
Public demand	(- 0.0)	(0.2)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(- 0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)
Contribution to external demand	(0.8)	(- 0.7)	(- 0.5)	(0.1)	(0.2)	(- 0.7)	(- 0.1)	(- 0.3)	(- 0.2)	(- 0.0)	(0.1)	(0.1)	(- 0.0)	(0.0)	(0.0)	(0.0)	(- 0.3)	(0.1)
Private final consumption expenditure	2.6	2.9	1.4	1.2	1.2	0.3	0.6	- 0.1	0.6	0.4	0.4	0.0	0.4	0.3	0.4	0.2	3.0	1.3
Private residential investment	- 1.7	- 4.0	0.6	0.5	- 1.9	- 0.4	0.5	0.3	- 0.4	0.6	0.3	- 0.1	0.0	0.4	0.1	- 0.1	- 4.3	0.1
Private nonresidential investment	0.6	4.1	3.9	3.6	2.4	1.5	1.5	0.6	0.7	1.2	0.8	0.9	1.0	0.8	0.7	1.0	3.5	4.2
Government final consumption expenditure	2.0	1.5	0.7	0.6	0.8	0.0	0.3	0.2	0.2	0.0	0.2	0.1	0.1	0.1	0.2	0.2	1.2	0.4
Public investment	- 7.5	- 1.6	1.9	1.4	1.0	1.2	1.4	0.9	0.2	- 0.5	0.6	0.6	0.2	- 0.0	0.5	1.0	- 1.7	1.9
Exports of goods & services	12.4	3.2	- 1.4	3.3	1.8	1.9	- 0.8	- 2.4	- 0.6	0.3	0.8	1.0	0.6	1.0	0.7	1.2	1.9	1.7
Import of goods & services	7.1	6.9	1.3	2.6	0.8	5.2	- 0.4	- 1.1	0.5	0.5	0.4	0.4	0.7	0.9	0.6	0.9	3.4	1.3
Nominal GDP	1.3	1.6	2.1	2.7	0.8	- 0.5	1.5	- 0.6	0.8	0.7	0.9	0.3	1.0	0.7	0.4	0.4	2.3	2.8

Note: The upper column of real GDP is compared with the previous period, the middle column is annual growth over the previous period and the lower column is compared with the previous year. All other demand items are compared with the previous period.

< Key economic indicators >

(Units,%)

	FY 2021	FY 2022	FY 2023	FY 2024	22/4-6	22/7-9	22/10-12	23/1-3	23/4-6	23/7-9	23/10-12	24/1-3	24/4-6	24/7-9	24/10-12	25/1-3	FY 2022	FY 2023
Industrial production (QoQ)	5.8	1.7	1.9	2.3	- 2.7	5.8	0.1	- 0.5	0.2	0.5	0.5	0.3	0.8	0.6	0.6	0.7	0.8	3.2
Domestic Corporate Goods Prices (YoY)	7.1	8.7	2.0	- 0.2	9.7	9.6	8.8	6.6	3.9	2.4	1.0	0.7	0.4	- 0.1	- 0.3	- 0.5	7.2	1.5
Consumer Prices (YoY)	0.1	2.8	1.8	1.2	2.4	2.9	3.7	2.2	2.1	1.7	1.4	2.0	1.6	1.4	1.0	0.9	2.5	1.1
Consumer Prices (excluding fresh food)	0.1	2.7	1.8	1.2	2.1	2.7	3.6	2.3	2.2	1.7	1.4	2.0	1.6	1.4	1.0	0.9	2.5	1.1
Current account balance (¥trillion)	20.3	7.5	5.3	8.0	12.9	3.1	7.2	6.9	5.1	1.7	6.4	7.9	8.8	5.6	8.3	9.3	3.9	4.8
(Ratio to nominal GDP)	(3.7)	(1.4)	(0.9)	(1.4)	(2.3)	(0.6)	(1.3)	(1.3)	(0.9)	(0.3)	(1.1)	(1.4)	(1.5)	(1.0)	(1.4)	(1.6)	(0.7)	(0.8)
Unemployment rate (%)	2.8	2.5	2.3	2.2	2.6	2.6	2.5	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.5	2.4
Housing starts (10 thousand)	86.6	86.2	86.9	87.1	85.2	86.1	86.6	86.8	86.4	86.9	87.1	87.0	86.9	87.2	87.2	87.0	85.0	85.4
10-year JGB yield (over-the-counter quotation)	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
USD/JPY	112	138	135	129	130	138	144	141	138	136	133	132	130	129	129	128	135.6	132.3
Crude oil price (CIF, Dollar/Barrel)	77	106	107	108	109	112	100	101	104	107	107	108	108	108	108	108	106.0	106.0
Ordinary profit (YoY)	36.8	10.8	6.4	9.5	17.6	22.0	4.6	1.8	4.1	6.9	6.6	8.3	9.3	9.1	9.8	9.9	9.8	8.2

Note: Yields on 10 year government bonds, Foreign exchange rates and Crude oil prices are average data of the period. Oridinary profit of 22/7-9 is forecast.

Sources: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office; "Indices of Industrial Production," Ministry of Economy, Trade and Industry; "Consumer Price Index," Ministry of Internal Affairs and Communications; "Financial Statements Statistics of Corporations by Industry, Quarterly," Ministry of Finance and others.

Outlook for the U.S. economy

		2021	2022	2023	2024	2022				2023				2024			
						1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
		Actual	Forecast	Forecast	Forecast	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% YoY	5.9	1.8	- 0.2	1.3	- 1.6	- 0.6	2.6	- 0.4	- 1.8	- 1.2	1.3	1.5	1.4	1.4	1.6	1.7
FF rate target	End of period, Upper,%	0.25	4.50	5.00	3.50	0.50	1.75	3.25	4.50	5.00	5.00	5.00	5.00	4.50	4.00	3.75	3.50
10-year government bond rate	Average,%	1.4	3.0	3.8	3.1	2.0	2.9	3.2	4.0	3.9	3.8	3.7	3.6	3.3	3.1	3.0	2.9

Outlook for the European (Euro area) economy

		2021	2022	2023	2024	2022				2023				2024			
						1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
		Actual	Forecast	Forecast	Forecast	Actual	Actual	Revision	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% YoY	5.3	3.0	- 0.2	1.0	2.4	3.3	0.8	- 2.6	- 1.5	1.8	0.6	0.1	0.4	2.0	1.9	1.8
ECB Refinancing rate	End of period,%	0.00	2.75	3.50	2.00	0.00	0.00	1.25	2.75	3.50	3.50	3.50	3.50	3.50	3.00	2.50	2.00
10-year German govt. bond rate	Average,%	- 0.4	1.3	2.7	2.3	0.1	1.1	1.3	2.6	2.7	2.7	2.7	2.7	2.7	2.3	2.0	2.0
EUR/USD	Average, Dollars	1.18	1.05	1.05	1.07	1.12	1.06	1.01	1.00	1.03	1.05	1.06	1.06	1.06	1.07	1.07	1.08