Economist Letter

Japan's Economic Outlook for the Fiscal Years 2022 to 2024 (February 2023)

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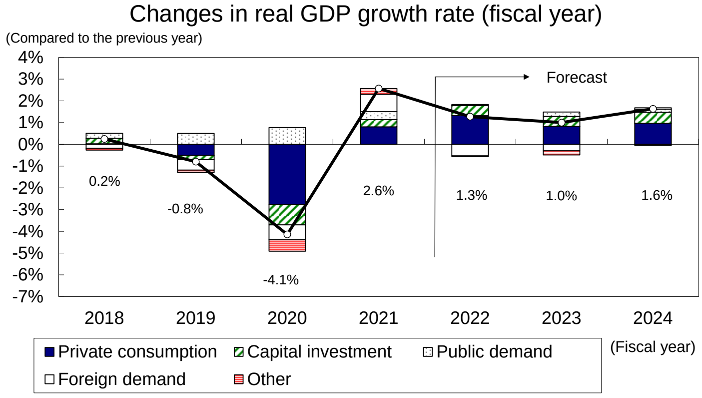
<Real GDP growth: 1.3% in FY 2022, 1.0% in FY 2023, 1.6% in FY 2024>

1. Real GDP grew at an annual rate of 0.6% from the previous quarter in the October–December quarter of 2022, which marked the first positive growth in two quarters yet was not sufficient to bring about a full recovery from the decline in the July–September quarter (down 1.0% from the previous quarter).
2. In the January–March quarter of 2023, Japan's economy is expected to grow at a low rate of around 0% per annum as exports start to decline against the backdrop of a slowdown in overseas economies. The main scenario for Japan is that a recession will be avoided because negative growth in the United States and the euro area will be only modest while the Chinese economy is continuing to recover from the lifting of its zero-COVID-19 policy, all of which indicate that economic recovery is fragile and downside risks remain.
3. Real GDP is expected to grow 1.3% in FY 2022, 1.0% in FY 2023, and 1.6% in FY 2024. Exports are not expected to be a driver of the economy, but private consumption and capital investment will increase on the back of high household savings and corporate earnings, and thus domestic demand-led growth will continue.
4. Consumer price inflation (excluding fresh food) will decline from the current 4% level to around 3% in February 2023 due to the government's measures to combat inflation, but energy prices will rise again after April when electricity rates are scheduled to rise. Moreover, the pause in high oil prices and the weak yen will weaken the movement to pass on raw material costs, while the pace of increase in service prices will gradually rise due to higher wage rates. Consumer price inflation (excluding fresh food) is forecast to be 3.0% in FY 2022, 2.3% in FY 2023, and 1.1% in FY 2024.

Changes in real GDP growth rate (fiscal year)



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

1. Positive growth of 0.6% per annum from the previous quarter in the October–December quarter of 2022

Real GDP grew 0.2% from the previous quarter (0.6% per annum from the previous quarter) in the October–December quarter of 2022, representing the first positive growth in two quarters.

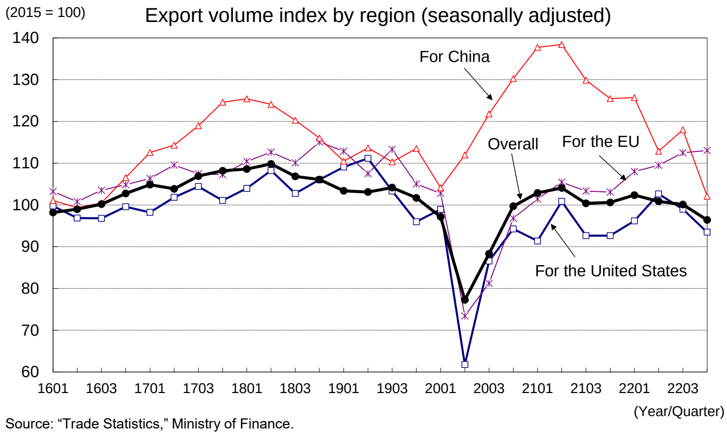
While private consumption remained strong at 0.5%, capital investment (down 0.5% from the previous quarter) and housing investment (down 0.1% from the previous quarter) declined. This in turn caused domestic demand to decline for the first time in five quarters, but external demand contributed 0.3% (1.4% per annum) to the growth rate. Although the economy grew marginally in the October–December quarter, it failed to recover from its decline in the July–September quarter (down 1.0% per annum from the previous quarter). Indeed, real GDP has seesawed between positive and negative growth for approximately two years.

In the calendar year 2022, the real GDP's growth rate was 1.1% (compared with 2.1% in 2021) and the nominal GDP's growth rate was 1.3% (compared with 1.9% in 2021), meaning that both enjoyed positive growth for the second consecutive year, albeit at a slightly lower level than before the COVID-19 crisis. On a quarterly basis, real GDP in the October–December quarter of 2022 was 1.0% above its pre-COVID-19 level (October–December 2019) but 1.8% below its peak in the July–September quarter of 2019, before the consumption tax rate hike. This indicates that economic normalization is still a long way off.

(Indexes of Business Conditions' underlying assessment is revised downward)

The Cabinet Office Indexes of Business Conditions, released on February 7, showed that the CI coincident index fell for four consecutive months in December 2022, down 0.4 points from the previous month, meaning the CI coincident index's underlying assessment was revised downward from "improving" to "weakening." The main reason for Indexes of Business Conditions' continued decline is that manufacturing activity has been weak due to sluggish exports against a backdrop of slowing overseas economies.

The export volume index (seasonally adjusted by the institute) for the October–December quarter of 2022 declined for the third consecutive quarter to -3.4% from the previous quarter, while the contraction widened from -0.4% in the July–September quarter. Regionally, exports to the EU remained firm, but those to China, whose economy has been in a slump since the spread of COVID-19 after the lifting of the zero-COVID-19 policy, fell sharply, while those to the United States, whose economy has been slowing, remained sluggish. By product category, sales of semiconductors and other electronic components as well as telecommunications equipment and other IT-related products have declined due to sluggish global demand for semiconductors, while sales of automobiles, which are still affected by supply constraints, have been seesawing.



Source: “Trade Statistics,” Ministry of Finance.

In the July–September quarter of 2022, the Industrial Production Index increased by as much as 5.8% from the previous quarter, but in the October–December period, production decreased by 3.0%—the first decrease in two quarters. Automobiles, which are still affected by supply constraints, decreased by 4.3% from the previous quarter, and electronic components and devices decreased by 5.9% from the previous quarter (down 7.8% in the July–September quarter), reflecting the adjustment of the global IT cycle.

The manufacturing industry production forecast index, which shows companies' production plans, did not rise at all from the previous month in January 2023 but it did increase by 4.1% in February. However, considering that actual production tends to deviate significantly from the forecast index, it can effectively be read as a production cut plan. While domestic demand's steady strength, particularly in consumer spending, will be supportive, production is expected to remain weak for the time being because exports are likely to remain sluggish against the backdrop of deteriorating overseas economies, especially in Europe and the United States.

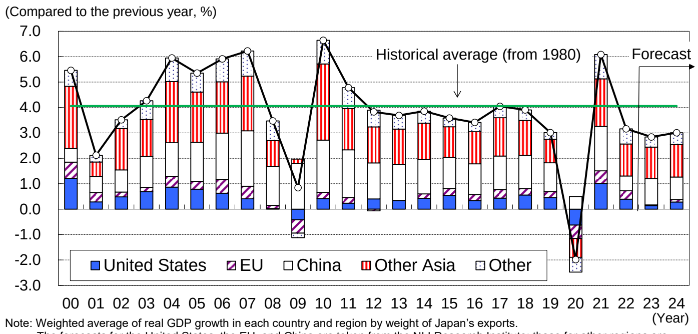
In the October–December quarter of 2022, real GDP grew at an annualized rate of 2.9% in the United States and at 0.4% in the euro area, but it is expected to contract in the January–March quarter of 2023 due to high inflation and monetary tightening. By contrast, China, which saw growth in real GDP growth rate drop sharply to 3.0% in 2022 from 8.4% in 2021 as a result of its zero-COVID-19 policy and the accompanying lockdown, is likely to recover in 2023 following the end of the zero-COVID-19 policy.

The growth rate of overseas economies, weighted by the weight of Japanese exports, declined by approximately 2% in 2020 as a result of the impact of the COVID-19 virus infection, then increased by as much as 6% in 2021 in response to the decline, but it will slow significantly again to around 3% in 2022 before declining further to the upper 2% range in 2023. This is because China’s real GDP's growth rate is expected to rise from 3% to 5%, the United States’ growth rate will fall to 0.7% in 2023 from 5.9% in 2021 and 2.1% in 2022, and the euro area’s growth rate will drop from 5.2% in 2021 to 3.5% in 2022 and finally to 0.4% in 2023.

In 2024, China's growth rate will drop to the 4% range, while the US and euro area will grow at slightly higher rates of 1.5% and 1.0%, respectively, so that the growth rate of the overseas economy from Japan's perspective will recover to around 3%, meaning it will remain below the average growth rate of around 4% since 1980.

Exports in FY 2021 grew 12.3% year on year, followed by FY 2022, which is expected to see its growth slow to 4.6% year on year, and FY 2023, which is expected to see a decline to 0.8% year on year for the first time in three years due to a slowdown in overseas economies, although there has been a boost from a weaker yen. In FY 2024, exports will grow 3.1% year on year, but this will not be sufficient to drive the economy to any kind of major success.

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 taken from the NLI Research Institute; those for other regions are from IMF data, as of January 2023.

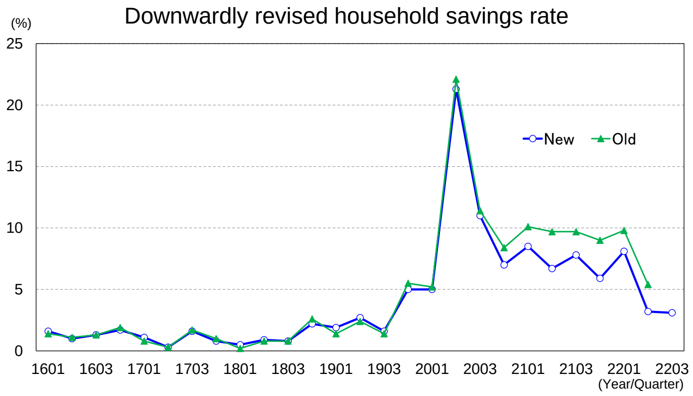
Sources: “World Economic Outlook,” IMF; “Trade Statistics,” Ministry of Finance.

(Household savings rate approaches pre-COVID-19 crisis level)

Despite the headwinds of inflation and the spread of the COVID-19 virus, consumer spending continues to show signs of recovery. This is because the repeated restrictions on movement during the COVID-19 crisis and the provision of special fixed benefits has enabled households to drastically reduce their consumption levels and thus make excess savings.

The household savings rate was 1.2% on average between 2015 and 2019 before the COVID-19 crisis, but it surged to 20% in the April–June quarter of 2020 due to a sharp drop in consumption caused by the state of emergency's April 2020 decree and a dramatic increase in disposable income caused by the provision of special fixed benefits. Since then, the savings rate has been on a downward trend, partly because consumption has picked up due to the easing of restrictions on movement, but nevertheless the level remains higher than in normal times.

Having said this, the FY 2021 Annual Estimates of the National Accounts released by the Cabinet Office in December 2022 revised downward both FY 2020 (13.1% to 12.1%) and FY 2021 (9.6% to 7.1%) household savings rates. In the April–June quarter of 2022, the household savings rate was revised downward from 5.4% to 3.2%, and in the July–September quarter of 2022 there was a further decline to 3.1%. This means the household savings rate is now closer to pre-COVID-19 levels than previously thought.



Source: "Quarterly Preliminary Report on Household Disposable Income and Household Savings Rates (Reference Series)," Cabinet Office.

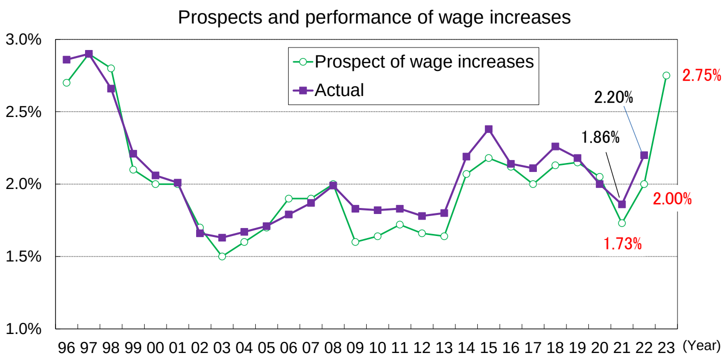
Consumer spending has continued to pick up on the back of high savings even as nominal wages have stagnated and real wages have fallen. However, once the household savings rate returns to normal levels, the trend in disposable income, especially wages, will largely determine consumer spending. Hence, we are now approaching a point where wage increases will become more important.

(The spring wage increase rate will reach a 26-year high)

In the spring wage negotiations, Prime Minister Kishida urged the business community to raise wages to above the inflation rate, while the Rengo also raised its wage demand to around 5% from around 4% in the previous year. The momentum for wage hikes has grown significantly in recent years, with a number of companies announcing significant wage hikes.

According to a survey on wage hikes released by the Institute of Labor Administration on January 30, the average wage increase forecast for 2023 (covering approximately 400 employers, labor unions, and labor economy experts) was 2.75%, which was 0.75 percentage points higher than in the previous year. Considering that the Ministry of Health, Labor, and Welfare's data on major companies tend to indicate slightly higher wage increases than was forecast in the survey, our latest forecast assumes a 2.90% spring wage increase rate for 2023 (compared with 2.20% for 2022).

If this projection is realized, the spring wage increase rate would be the highest in 26 years—that is, the highest since 1997. However, the increase, excluding regular wage increases, will be just over 1% in FY 2023, is likely to fall short of consumer price growth following FY 2022's result. The recent rise in prices is largely a consequence of temporary factors such as the sharp rise in the price of resources and grains and the rapid depreciation of the yen, so it is not realistic for wage growth, which is highly downward rigid and moving stably, to surpass this in the short term. Nevertheless, over the medium to long term, the goal should be for the base increase to exceed the rate of inflation. Assuming that the target for price stability is 2%, a base increase above 2% would be considered as a guideline.



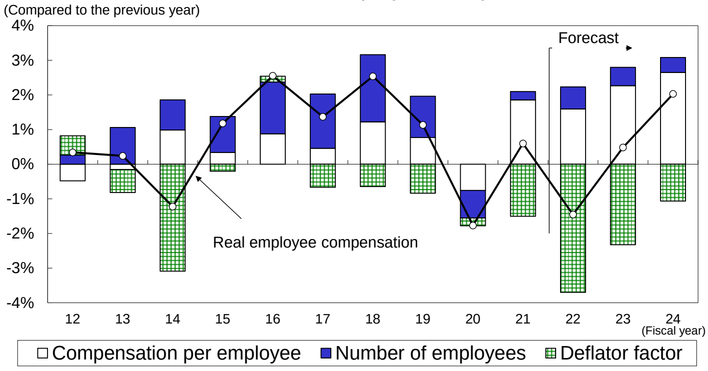
Note: Estimates of wage increases are based on the average of the labor side, management side, and experts surveyed by the Institute of Labor Administration's "Questionnaire Survey on Wage Increases."

Source of actual results: "Major Private Companies' Spring Wage Demand and Settlement Status," Ministry of Health, Labour and Welfare.

Nominal wages per capita have continued to increase, but real wage growth has been negative since the start of FY 2022 due to a significant increase in the rate of consumer price inflation. Although the spring wage increase rate in 2023 will be significantly higher than in the previous year, the decline in real wages is likely to continue in FY 2023 due to the persistently high rate of consumer price inflation. We expect real wage growth to become positive in the second half of FY 2023, when the rate of consumer price inflation is expected to slow.

Furthermore, nominal employee compensation in FY 2022 is expected to increase for the second consecutive year to 2.2%, but real employee compensation is expected to decline by 1.5% due to the accelerated pace of consumer price inflation. In FY 2023, nominal employee compensation is expected to increase by 2.8% from the previous year, primarily due to higher per capita wage growth, while real employee compensation is expected to increase by a modest 0.5% from the previous year as the pace of price inflation slows. In FY 2024, employee compensation is expected to increase from the previous year, by 3.1% in nominal terms and 2.0% in real terms.

Forecast of real employee compensation



Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office, "Labour Force Survey," Statistics Bureau, Ministry of Internal Affairs and Communications.

2. Real GDP growth rate expected to be 1.3% in FY 2022, 1.0% in FY 2023, and 1.6% in FY 2024

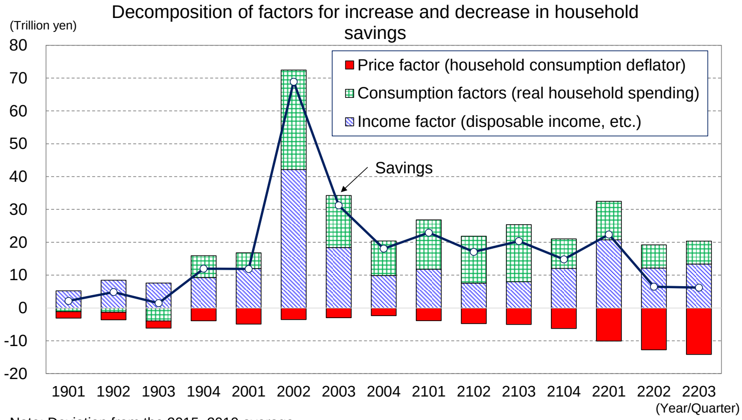
(Inflation will be a factor in declining savings)

Consumer spending is still on the rise, but the pace of price increases has led to some sluggish growth.

As noted above, household savings remain at a high level, but they are gradually approaching pre-COVID-19 crisis levels. When the gap between household savings during the COVID-19 crisis and normal times (2015–2019 average) is broken down into income factors (disposable income, etc.), consumption factors (real household consumption expenditure), and price factors (household consumption deflator), the decline in consumption levels, various support measures such as special fixed benefits and Go To Travel, and the recovery of employee compensation have contributed to the increase in savings. However, the accelerating pace of price increases has led to a fall in savings. In the July–September quarter of 2022, household savings were 6.2 trillion yen (seasonally adjusted and annualized) higher than normal, but lower consumption levels and an increase in disposable income pushed up 20.1 trillion yen, while price increases pushed down 13.9 trillion yen.

Looking ahead, inflation will continue to drive down savings, while higher wage increases and higher disposable

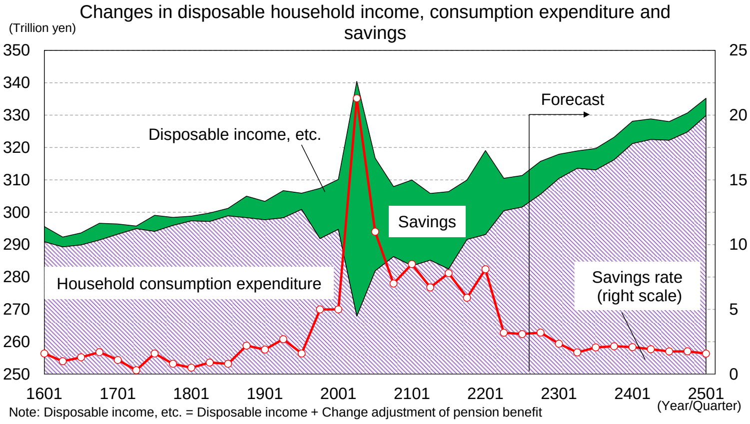
Decomposition of factors for increase and decrease in household savings



Note: Deviation from the 2015–2019 average

Source: "Quarterly Estimates of Household Disposable Income and Household Saving Ratio (Reference series)," Cabinet Office.

Changes in disposable household income, consumption expenditure and savings



Note: Disposable income, etc. = Disposable income + Change adjustment of pension benefit

Source: "Quarterly Estimates of GDP," "Quarterly Estimates of Household Disposable Income and Household Saving Ratio (Reference series)," Cabinet Office.

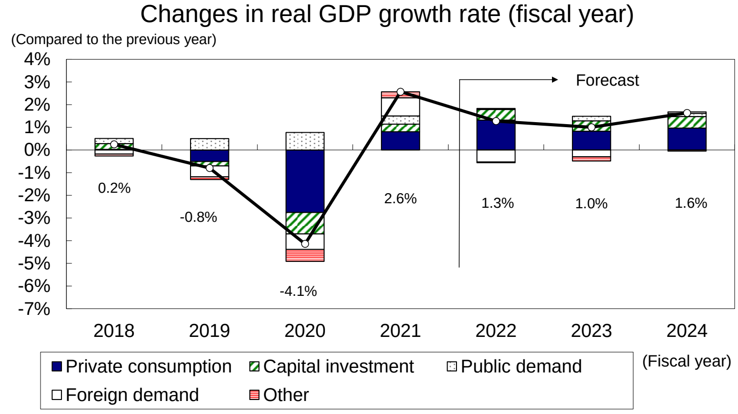
income growth will drive up savings. This forecast assumes that the household savings rate will decline from 3.1% in the most recent period (July–September 2022) to the upper 1% range at the end of the fiscal year 2024, approaching the level it was at prior to the COVID-19 crisis (1.2% of the 2015–2019 average).

(Real GDP will surpass its most recent peak in the fiscal year 2024)

In the October–December quarter of 2022, real GDP growth rate barely maintained a positive trend at an annualized rate of 0.6% from the previous quarter because private consumption grew at a higher rate (which was due in part to a boost from nationwide travel assistance) and because external demand provided a boost to the growth rate (although capital investment, which had been strong, declined for the first time in three quarters). In the January–March quarter of 2023, the economy is expected to continue at a low annualized rate of 0.7% from the previous quarter because exports will start to decline while Europe and the United States will experience negative growth and domestic demand (mainly private consumption) will remain firm. After entering FY 2023, although exports are not expected to continue to drive the economy, the economic recovery, particularly in domestic demand, including private consumption and capital investment, will continue.

Real GDP growth rate is expected to be 1.3% in FY 2022, 1.0% in FY 2023, and 1.6% in FY 2024. In FY 2023, growth will decline primarily as a result of exports falling against a backdrop of slowing overseas economies. In FY 2024, growth will be higher as exports start to grow again in response to a rebound in overseas economies, while domestic demand will remain resilient.

Changes in real GDP growth rate (fiscal year)

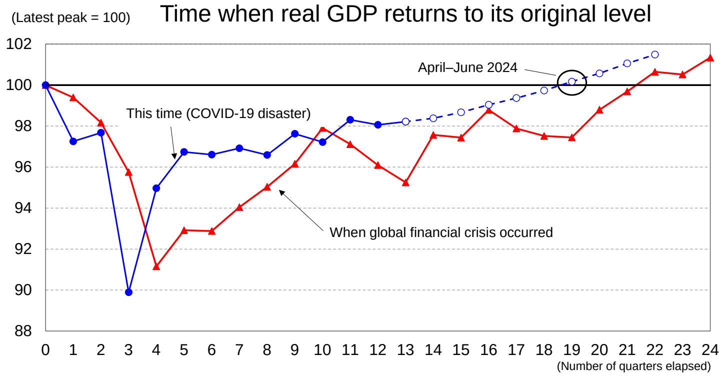


Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office.

For now, the main scenario is that negative growth in the United States and the euro area will remain modest, while the recovery trend in Japan will be maintained. However, if the recession in the United States and the euro area intensifies, a recession in Japan will become inevitable.

In the October–December quarter of 2022, real GDP was 1.0% above its pre-COVID-19 crisis level (October–December 2019) but 1.8% below its most recent peak (July–September 2019). We expect real GDP to recover its most recent peak level only in the April–June quarter of 2024. It took more than 5 years (22 quarters) for real GDP levels to return to their previous peak during the global financial crisis, and it now seems likely that it will take a comparable length of time for this to happen in respect to the COVID-19 crisis.

Time when real GDP returns to its original level



Note: The previous peak during the global financial crisis was in the January–March quarter of 2008, and the previous peak for this time (COVID-19 Crisis) was in the July–September quarter of 2019. The dashed lines in this report are based on forecasts by NLI Research Institute.

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

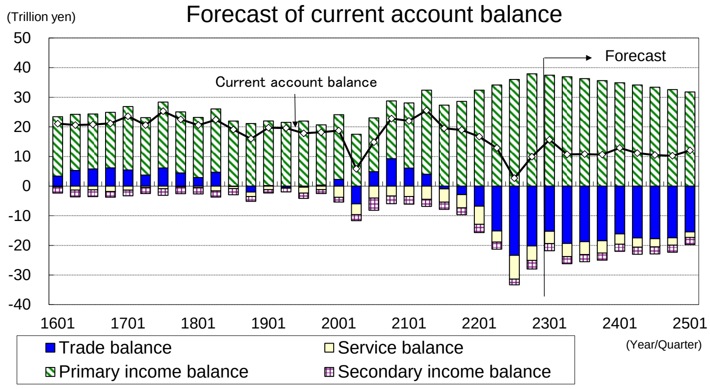
(Current account balance outlook)

Current account balance, which peaked at 25.6 trillion yen (seasonally adjusted and annualized) in the April–June quarter of 2021, continued to decline, before increasing from 2.7 trillion yen in the July-September quarter of 2022 to 10 trillion yen in the October–

December quarter. The narrowing of the trade deficit due to a decline in the value of imports following a pause in the rise in crude oil prices and the depreciation of the yen, and the narrowing of the deficit in the services balance caused primarily by an improvement in the travel balance following the relaxation of border measures, contributed to the expansion of current account balance's surplus.

As for the outlook for current account balance, it is likely that the trade balance will remain in a deep deficit, with the increase in the value of imports coming to a halt and exports remaining sluggish as overseas economies undergo a slowdown. The service balance, meanwhile, is likely to see a further easing of border measures in response to the change in the classification of the COVID-19 virus under the Infectious Diseases Act to Category 5, while the trend of narrowing the deficit, especially in regard to travel, is expected to continue. However, the primary income balance has expanded to the upper 30 trillion yen level on an annual basis on the back of a large amount of net foreign assets and a weak yen, but the surplus is expected to shrink slightly, albeit at a high level, because the yen continues to strengthen during the forecast period.

Until the end of the fiscal year 2024, which is when the forecast period will close, it is likely that the trade and services balance deficits will be supplemented by a high primary income balance surplus. Current account balance is expected to contract significantly from 20.3 trillion yen (3.7% of nominal GDP) in FY 2021 to 10.3 trillion yen (1.8%) in FY 2022, followed by 11.3 trillion yen (1.9%) in FY 2023 and 11 trillion yen (1.8%) in FY 2024, remaining around 10 trillion yen.

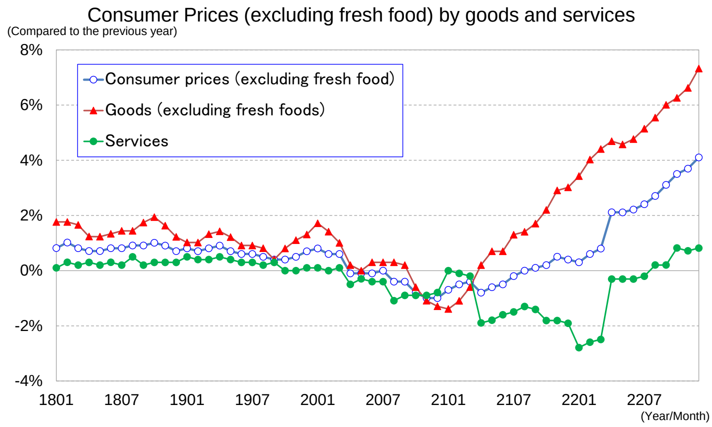


Note: Seasonally adjusted and annualized.
Source: "Balance of Payments," Ministry of Finance, Bank of Japan.

(Price outlook)

Consumer prices (total CPI excluding fresh foods, hereafter core CPI) rose 4.0% in December 2022—the highest increase in 41 years since December 1981—which was mainly due to higher energy and food prices.

While the rise in energy prices has plateaued at a high level, which is due in part to the government's measures to ease the burden on the economy, the pace of increase in food prices (excluding fresh foods) has accelerated. In the past, most of the increase in prices was caused by the rise in commodity prices, which was driven by the rise in resource and grain prices and the rise in import prices in response to the depreciation of the yen; however, since the summer of 2022, service prices have also increased slightly.



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

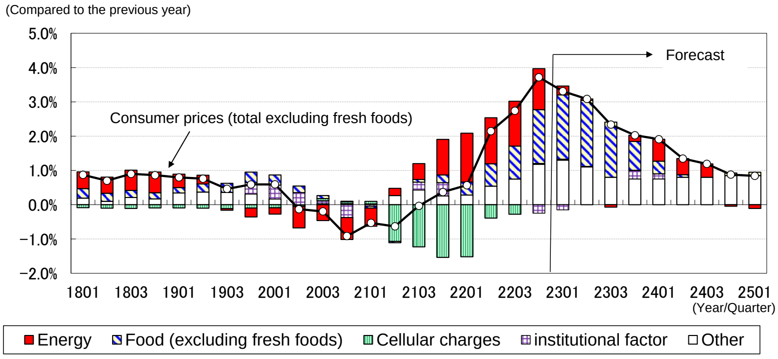
Future consumer prices are largely determined by the government's measures to ease the economic burden and by the increase in electricity rates. Since January 2022, gas and kerosene prices have been suppressed by mitigation measures that were introduced to halt the drastic changes in fuel oil prices. From February 2023 onwards, the additional suppression of electricity and city gas costs will greatly expand the effect of the measures to ease the burden on energy prices. The core CPI will increase to the low 4% range in January 2023 but is likely to drop sharply to around 3% in February.

By contrast, utilities have applied for increases from April, and, if approved, electricity prices will rise again significantly. High oil prices and a pause in the yen's decline have put a brake on rising import prices, which have been the main cause of inflation. However, a renewed rise in energy prices due to higher electricity prices is likely to boost prices. Energy prices, which include electricity, gas, gasoline, and kerosene, are expected to decline for a time in February 2023 but then increase in June and increase once more in October when the easing of the burden is reduced.

With U.S. interest rate hikes coming to an end in the first half of 2023, it has been forecast that the dollar-yen rate will remain on a strong trajectory and that oil prices, which peaked in the middle of 2022, will rise only moderately. Therefore, it is expected that there will be less movement to pass on the cost of raw materials to prices after FY 2023. Meanwhile, the pace of increase in service prices, which are currently growing in the zero percent range, will gradually increase in response to higher wage increases.

Core CPI inflation is expected to be 3.0% y/y in FY 2022, 2.3% y/y in FY 2023, and 1.1% y/y in FY 2024.

Forecast of consumer prices (total excluding fresh foods)



Note: Factors influencing the system include consumption tax, free education, free education, Go To travelcampaign, and nationwide travel support.

Source: "Consumer Price Index," Statistics Bureau, Ministry of Internal Affairs and Communications. 2015 basis until 2004, 2020 basis after 2101.

Outlook for the Japanese economy

(Units,%)

	FY 2021 Actual	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	22/4-6 Actual	22/7-9 Actual	22/10-12 Actual	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(2022.12) FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Real GDP	2.6	1.3	1.0	1.6	1.1	- 0.3	0.2	0.2	0.3	0.4	0.3	0.4	0.4	0.4	0.5	0.4	1.4	1.0	1.6
					4.6	- 1.0	0.6	0.7	1.2	1.5	1.3	1.5	1.8	1.6	1.9	1.7			
					1.7	1.5	0.6	1.3	0.5	1.0	1.1	1.4	1.5	1.5	1.7	1.8			
Contribution to domestic demand	(1.8)	(1.8)	(1.3)	(1.6)	(1.0)	(0.4)	(- 0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.5)	(0.3)	(0.5)	(0.4)	(2.1)	(1.6)	(1.5)
Private demand	(1.4)	(1.7)	(1.1)	(1.4)	(0.8)	(0.3)	(- 0.3)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.4)	(0.3)	(2.0)	(1.3)	(1.4)
Public demand	(0.4)	(0.0)	(0.2)	(0.1)	(0.2)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)
Contribution to external demand	(0.8)	(- 0.5)	(- 0.3)	(0.1)	(0.1)	(- 0.6)	(0.3)	(- 0.3)	(- 0.1)	(0.0)	(- 0.0)	(0.0)	(- 0.0)	(0.1)	(0.0)	(0.0)	(- 0.7)	(- 0.6)	(0.0)
Private final consumption expenditure	1.5	2.5	1.5	1.8	1.6	0.0	0.5	0.3	0.5	0.3	0.4	0.4	0.5	0.4	0.5	0.4	2.6	1.6	1.3
Private residential investment	- 1.1	- 4.4	- 0.0	- 0.3	- 1.9	- 0.4	- 0.1	0.3	- 0.6	0.6	- 0.2	0.6	- 0.4	- 0.4	- 0.0	- 0.3	- 4.2	0.2	0.5
Private nonresidential investment	2.1	2.9	2.8	3.0	2.1	1.5	- 0.5	0.8	0.9	1.0	0.5	0.7	1.1	0.5	0.6	0.8	3.9	4.0	3.9
Government final consumption expenditure	3.4	1.2	0.6	0.4	0.8	0.1	0.3	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.2	0.2	1.2	0.6	0.4
Public investment	- 6.4	- 3.8	0.9	1.0	0.5	0.7	- 0.5	- 0.5	0.5	0.4	0.7	- 0.1	0.2	0.0	0.6	0.4	- 2.2	2.0	1.2
Exports of goods & services	12.3	4.6	- 0.8	3.1	1.5	2.5	1.4	- 2.2	- 1.3	0.4	0.7	0.9	0.7	1.0	0.8	0.7	3.1	- 1.5	3.1
Import of goods & services	7.0	7.4	0.7	2.7	0.9	5.5	- 0.4	- 0.8	- 0.7	0.4	0.7	0.7	0.8	0.6	0.7	0.5	6.9	1.3	2.7
Nominal GDP	2.4	2.0	3.4	2.9	1.0	- 0.8	1.3	1.9	0.4	0.9	0.3	1.3	0.6	0.7	0.3	1.2	1.8	2.4	2.6

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	FY 2024
Industrial production (QoQ)	5.8	- 0.1	1.0	2.8	- 2.7	5.8	- 3.0	- 1.2	0.6	1.2	1.0	0.6	0.8	0.5	0.5	0.7	1.5	2.0	2.1
Domestic Corporate Goods Prices (YoY)	7.1	9.6	1.6	0.2	9.7	9.6	10.0	9.0	4.9	2.8	- 0.0	- 1.0	0.0	0.2	0.4	0.3	8.7	1.6	- 0.1
Consumer Prices (YoY)	0.1	3.1	2.3	1.1	2.4	2.9	3.9	3.3	3.0	2.2	2.0	1.9	1.3	1.2	0.9	0.8	3.0	1.9	1.1
Consumer Prices (excluding fresh food)	0.1	3.0	2.3	1.1	2.1	2.7	3.7	3.3	3.1	2.3	2.0	1.9	1.3	1.2	0.9	0.8	2.9	1.9	1.1
Current account balance (¥trillion)	20.3	10.3	11.3	11.0	12.9	2.7	10.0	15.7	10.7	10.8	10.7	12.9	11.1	10.5	10.3	12.1	8.3	5.4	5.8
(Ratio to nominal GDP)	(3.7)	(1.8)	(1.9)	(1.8)	(2.3)	(0.5)	(1.8)	(2.7)	(1.9)	(1.9)	(1.8)	(2.2)	(1.9)	(1.8)	(1.7)	(2.0)	(1.5)	(0.9)	(1.0)
Unemployment rate (%)	2.8	2.5	2.3	2.2	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.5	2.3	2.2
Housing starts (10 thousand)	86.6	85.5	85.4	85.2	85.3	86.3	85.1	85.5	84.9	85.5	85.3	85.8	85.5	85.1	85.1	84.9	86.2	86.6	86.8
10-year government bond rate (over-the-counter quotation)	0.1	0.3	0.7	0.7	0.2	0.2	0.3	0.5	0.5	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.2	0.3	0.3
USD/JPY	112	135	125	121	130	138	141	131	128	126	124	123	122	121	120	119	137.0	131.5	125.8
Crude oil price (CIF, Dollar/Barrel)	77	102	94	97	109	112	101	85	89	93	96	97	97	97	97	97	101.5	93.2	96.0
Ordinary profit (YoY)	36.8	10.1	3.0	8.3	17.6	18.3	4.9	1.4	1.7	2.7	2.6	5.2	7.5	8.1	9.2	8.5	10.6	5.9	9.1

Note: 10-year government bond rate, Foreign exchange rates and Crude oil prices are average data of the period. Oridinary profit of 22/10-12 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	Actual	Forecast	Forecast	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	5.9	2.1	0.7	1.5	- 1.6	- 0.6	3.2	2.9	- 1.2	- 0.4	0.7	1.7	1.7	1.6	1.9	1.9
FF rate target	End of period, Upper,%	0.25	4.50	5.25	3.75	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.75	4.25	4.00	3.75
10-year government bond rate	Average,%	1.4	3.0	3.7	3.1	2.0	2.9	3.2	3.9	3.7	3.9	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	Actual	Forecast	Forecast	Actual	Actual	Actual	Revison	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	5.2	3.5	0.4	1.0	2.6	3.4	1.2	0.4	- 0.1	0.1	0.0	0.2	0.5	2.1	2.2	2.1
ECB Refinancing rate	End of period,%	0.00	2.50	3.75	2.00	0.00	0.00	1.25	2.50	3.50	3.75	3.75	3.75	3.50	3.00	2.50	2.00
10-year German govt. bond rate	Average,%	- 0.4	1.1	2.4	2.1	0.1	1.1	1.3	2.1	2.2	2.4	2.4	2.4	2.2	2.1	2.0	2.0
EUR/USD	Average, Dollars	1.18	1.05	1.09	1.11	1.12	1.06	1.01	1.02	1.08	1.08	1.09	1.09	1.10	1.10	1.11	1.11

