Economist Letter

Japan's Economic Outlook for Fiscal Years 2023 to 2025 (February 2024)

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＜Real growth rate: FY2023, 1.2%; FY2024, 1.0%; FY2025, 1.1%＞

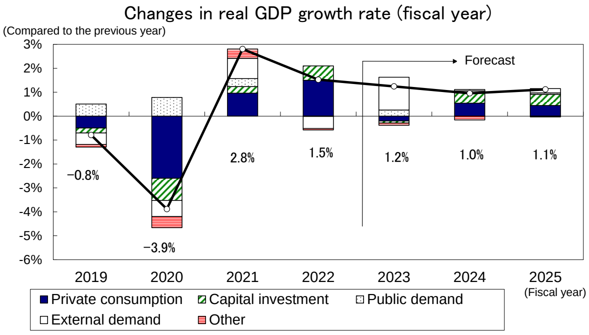
1．In the October–December quarter of 2023, the real GDP grew at an annualized rate of -0.4% from the previous quarter, which marked the second consecutive quarter of negative growth. This decline was primarily due to a drop in domestic demand. Despite the normalization of socioeconomic activities following the reclassification of COVID-19 as a Class 5 disease, both private consumption and capital investment declined for the third consecutive quarter.

2．Projections indicate that the real GDP growth will be 1.2% in FY2023, 1.0% in FY2024, and 1.1% in FY2025. In the second half of FY2024, a shift to domestic demand-led growth is expected. Moreover, real-wage growth is anticipated because of a slowdown in the inflation rate.

3．The nominal GDP continues to outpace the real GDP. The nominal GDP growth in FY2023 is expected to reach 5.2%, the highest in 32 years. Furthermore, the nominal GDP is projected to exceed 600 trillion yen in FY2024.

4．Consumer prices (excluding fresh food) are expected to rise to 2.8% in FY2023, 2.1% in FY2024, and 1.5% in FY2025. While the increase in the prices of goods has slowed down, the prices of services have risen to the 2% seen the previous year. The high prices of services are likely to persist, as companies continue to pass on the higher labor costs associated with wage increases to their consumers.

Changes in real GDP growth rate (fiscal year)



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

1. Annualized negative growth in the October–December quarter of 2023

The real GDP for the October–December quarter of 2023 decreased by -0.1% compared to the previous quarter (-0.4%) on an annualized basis, representing the second consecutive quarterly decline. This negative growth was mainly due to the decline in demand from the domestic private sector. Decreases were observed in private consumption (-0.2% from the previous quarter), housing investment (-1.0% from the previous quarter), and capital investment (-0.1% from the previous quarter). By contrast, foreign demand boosted the growth rate by 0.2% compared to the previous quarter. The substantial growth in the exports of goods and services (2.6% from the previous quarter) was mainly due to the growth in the latter, which exceeded the imports of goods and services (1.7% from the previous quarter). Nevertheless, this was insufficient to offset the decline in domestic demand.

Nominal GDP increased for the first time in two quarters to 0.3% from the previous quarter 1.2% on an annualized basis), outpacing real growth. On the other hand, the GDP deflator increased by 0.4% from the previous quarter (against 0.8% in the July–September quarter) and 3.8% year-on-year (against 5.2% in the July–September quarter). In addition to the rise in the prices of goods, the prices of services also increased because of the higher labor costs, boosting the domestic demand deflator for the 12th consecutive quarter (0.4% from the previous July–September quarter).

As a result, the real GDP in the calendar year 2023 was 1.9% (against 1.0% in 2022) and the nominal GDP was 5.7% (against 1.3% in 2022), and both show positive growth for the third consecutive year. The nominal GDP exhibited the highest growth in 32 years (since 1991, 6.5%).

(Exports are not expected to drive the economy)

Although the global economy has maintained a certain degree of resilience, with the growth rate hovering around 3% (according to the Institute's estimate), the global trade volume has continued to decline since the October–December quarter of 2022. Even though the non-manufacturing sector has tended to recover, partly because of pent-up demand in the post-COVID-19 period, global trade has experienced a decline because of continued stagnation in the manufacturing sector resulting from IT-related inventory adjustments and other factors.

The real GDP growth in the United States continues to exceed expectations, reaching an annualized 4.9% from the previous quarter in the July–September quarter of 2023 and an annualized 3.3% from the previous quarter in the October–December quarter of 2023. However, growth is expected to slow down by mid-2024 to an annualized 1% as a result of cumulative monetary tightening. The real GDP growth in the euro area is likely to remain low in 2024 (0.7%, following 0.5% in 2023). Furthermore, China's real GDP growth rate in 2023, which rose to 5.2%from 3.0% in 2022 after the end of the zero-COVID-19 policy, is expected to decline to about 4% in 2024 and 2025 because of the prolonged slump in the real estate market and other factors.

Therefore, the growth of the overseas economy slowed down significantly from about 6% in 2021 to 3% in 2022 and 2023 and is expected to remain around 3% in 2024 and 2025, which is below the average growth rate of approximately 4% seen since 1980.

After slowing down from 4.7% y/y in FY2022 to 4.2% y/y in FY2023, Japan's exports are expected to decrease below 3% y/y in both FY2024 and FY2025, partly because of the strong yen. Thus, exports are not expected to drive the Japanese economy in the foreseeable future.

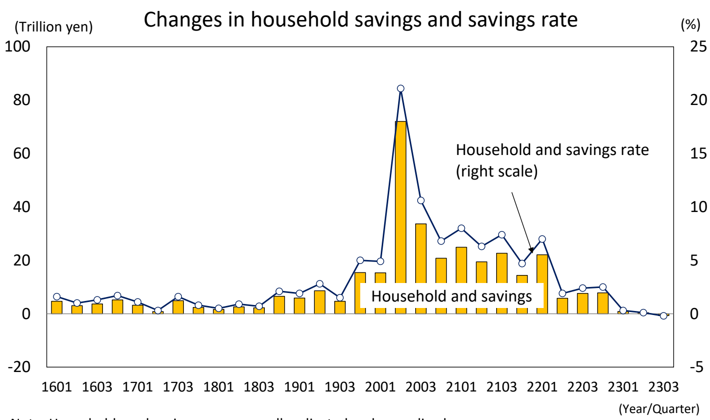
(Revenge consumption is subdued)

Personal consumption, which rapidly declined due to the impact of the COVID-19 pandemic, was expected to recover quickly as COVID-19 subsided and socioeconomic activities normalized. However, a sudden expansion of consumption—the so-called "revenge consumption"—has not materialized. In May 2023, COVID-19 was reclassified as a Class 5 disease under the Infectious Disease Control Law. However, private consumption as part of the GDP has declined for three consecutive quarters since the April–June quarter of 2023 and shows increasing signs of stagnation.

The negative effect of high prices partly explains the sluggish consumption despite the normalization of socioeconomic activities. Nonetheless, price increases exceeding 2% y/y began in April 2022 and personal consumption remained relatively firm during FY2022. This was probably due to the significant decline in consumption levels that resulted from the restrictions on activities in the wake of the COVID-19 pandemic, as well as various support measures such as the provision of special fixed benefits, which led to a high household savings rate.

The household savings rate averaged 1.2% from 2015 to 2019 (before the pandemic) but jumped to 21.1% in the April–June quarter of 2020 as a result of the sharp drop in consumption following the declaration of a state of emergency in April 2020 as well as the substantial increase in disposable income because of the provision of special fixed benefits. Subsequently, the savings rate declined as consumption rose as a result of the easing of COVID-19 restrictions. The high prices also played a role in this. Nonetheless, the savings rate remained higher than before the pandemic until 2022. Thus, despite the headwind of high prices, private consumption remained strong by lowering the savings rate.

However, the "Preliminary Quarterly Report on Household Disposable Income and Household Savings Ratio (Reference Series)" released by the Cabinet Office in January 2024 revealed that the household savings rate declined significantly after the start of 2023, turning slightly negative (-0.2%) in the July–September quarter of 2023. Thus, the consumption-boosting effect of the decrease in the savings rate has already disappeared.

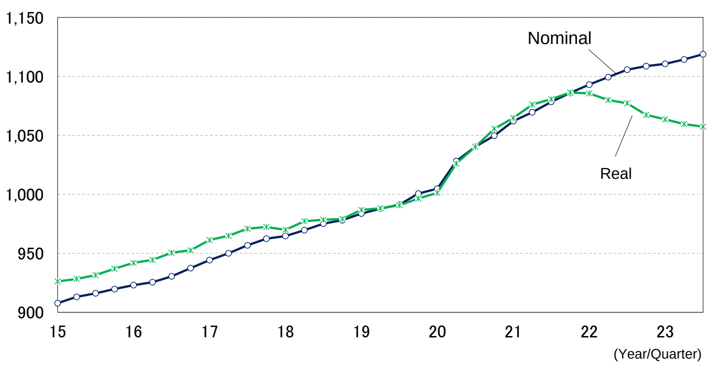


Note: Households and savings are seasonally adjusted and annualized.

Source: "Household Disposable Income and Household Savings Ratio Quarterly (Reference Series)."

Furthermore, flow-based savings are already below pre-COVID-19 levels. Therefore, although revenge consumption through a decrease in the saving rate is not expected to continue, households should have ample accumulated savings from the time of the pandemic. Accordingly, as a result of the accumulation of flow savings, households' cash and deposit balances as stock are increasing at an accelerated pace in response to the increase in savings during the pandemic. However, when household cash and deposit balances are realized by the 2020-based consumer price index, it is evident that they increased significantly during the COVID-19 pandemic but have been in decline since 2022. Therefore, high prices led to a decrease not only in income (flow) but also in financial assets (stock) accumulated during the pandemic and resulted in a lack of revenge consumption.

Household cash and deposits (nominal and real)



Note: Cash and cash balances are seasonally adjusted by the NLI Research Institute. Substantiation is based on the consumer price index (2020 base).

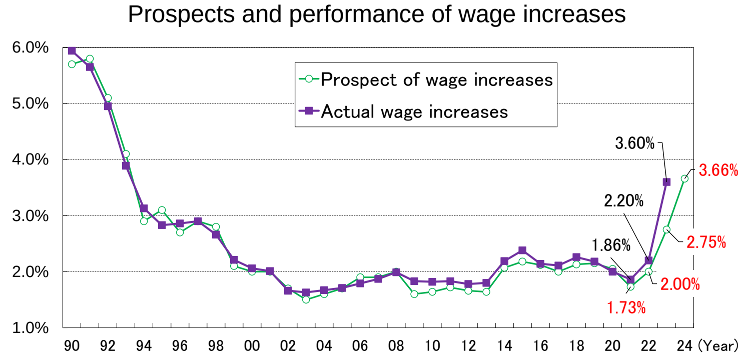
Source: "Flow of Funds Accounts," Bank of Japan.

(The spring wage offensive of 2024 is expected to result in a 4.0% wage increase)

The spring wage offensive of 2023 resulted in a 3.60% wage increase—the highest in 30 years—according to the "Status of Spring Wage Hike Demands and Compromises by Major Private Corporations" of the Ministry of Health, Labour and Welfare. Meanwhile, the unemployment rate has remained in the mid-2% range, and the labor supply-demand balance remains tight. Moreover, ordinary profit (seasonally adjusted) in the corporate sector is at record high levels, and consumer price inflation has remained high. Thus, the environment for wage increases remains favorable.

In the 2023 spring wage offensive, RENGO raised its demands for a rise from around 4% (including the portion equivalent to regular salary increases)—which dates back to 2015——to approximately 5%. Also, RENGO will demand a rise of 5% or more in the 2024 spring wage offensive. Furthermore, RENGO member unions are increasingly proposing high wage hikes. In addition, management shows a positive attitude toward wage increases, as evidenced by Keidanren's "2024 Report of the Special Committee on Management and Labor Policy," which states that contributing to the realization of structural wage increases is a "social responsibility."

Prospects and performance of wage increases

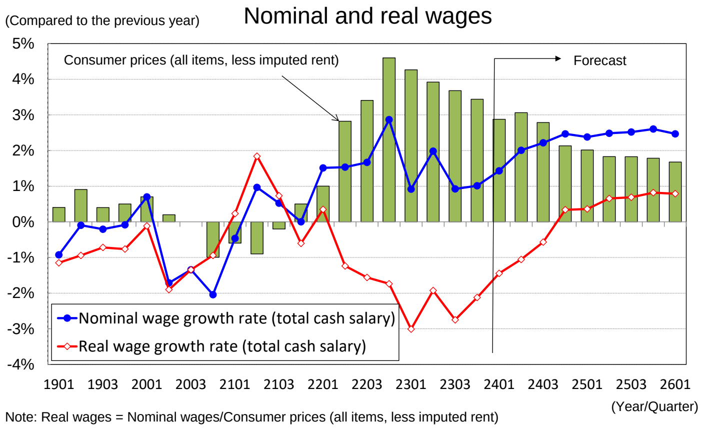


Note: Estimates of wage increases are based on the average of the labor side, management side, and experts surveyed by the "Questionnaire Survey on Wage Increases" of the Institute of Labor Administration.

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

According to the “Questionnaire Survey on Wage Increases,” released on January 31st by the Institute for the Study of Labor Administration, forecasts for 2024 indicate an average wage increase of 3.66% according to approximately 478 labor and management parties and experts in the labor economy. This is significantly higher than the previous year’s forecast (2.75%) and slightly higher than the actual result for 2023 (3.60%). Actual wage increases by major companies compiled by the Ministry of Health, Labour and Welfare tend to be slightly higher than those forecasted by the same survey, but the actual increase for 2023 was significantly higher. Taking these factors into account, the current forecast is for a 4.00% increase in the spring wage offensive of 2024.

Real wages have been negative since April 2022, mainly due to consumer price inflation. Although nominal wage growth is expected in the future, the decline in real wages is likely to continue for some time because consumer price inflation will remain high. Thus, real wage growth is not expected to turn positive until the second half of FY2024, when consumer price inflation is expected to fall below 2%.
In FY2022, nominal employee compensation increased for the second consecutive year (2.4% , but real employee compensation decreased (-1.3%) because of the increase in consumer prices. As a result, real employee compensation is expected to decline for the second consecutive year, to -1.5%. On the other hand, nominal employee compensation is expected to rise to 2.7% in FY2024 and 2.9% in FY2025 because of the wage increases resulting from the spring wage offensive. In addition, price hikes are expected to slow down. Therefore, real employee compensation is expected to increase to 0.4% y/y in FY2024, for the first time in three years, and then rise to 1.4% y/y in FY2025. At the same time, price increases are expected to slow down.



Note: Real wages = Nominal wages/Consumer prices (all items, less imputed rent)
Source: “Monthly Labor Survey(business establishment size of 5 or more),” Ministry of Health, Labor and Welfare.

2. The real growth rate is projected to be 1.2% in FY2023, 1.0% in FY2024, and 1.1% in FY2025.

(There is a high risk of a downturn in both domestic and foreign demand in the first half of 2024)
The October–December quarter of 2023 marked the second consecutive quarter of negative growth, mainly due to a drop in domestic demand. It is particularly concerning that private consumption and capital investment—the pillars of domestic demand—have declined for three consecutive quarters since the April–June quarter of 2023, despite the normalization of socioeconomic activities following the reclassification of COVID-19 to a Class 5 disease.

Industrial production, which is linked to the business cycle, increased by 1.3% from the previous quarter in the October–December quarter of 2023), the first increase in two quarters. However, a production cutback is inevitable in January 2024 because of the impact of production stoppages following the revelation of fraud at some automakers. The manufacturing production forecast index, which represents the production plans of companies, indicates -6.2% from the previous month for January and 2.2% from the previous month for February. Industrial production is expected to turn negative in the January–March quarter of 2024, mainly due to a sharp decline in automobile production.

The impact of production stoppages has already been felt in car sales which fell sharply by 11.5% in January 2024 from the previous month (seasonally adjusted by the Institute). In the January–March quarter of 2024, exports of goods and services are expected to remain sluggish because of the rebound from the increase in service exports in the October–December quarter of 2023. Moreover, domestic private demand, including private consumption and capital investment, is also expected to remain stagnant. Domestic private demand, including private consumption and capital investment, is forecasted to experience an annualized growth rate of 0.1% from the previous quarter (i.e., almost zero growth).

The real GDP will probably increase in the April–June quarter of 2024 to an annualized rate of 1.6% from the previous quarter. However, because the real disposable income of households will not substantially increase until the summer of 2024—when the results of the 2024 spring wage offensive will be reflected and income tax and resident tax cuts will be implemented—a full recovery in consumption is not expected until then. In the first half of 2024, both domestic and foreign demand will continue to face high downside risks.

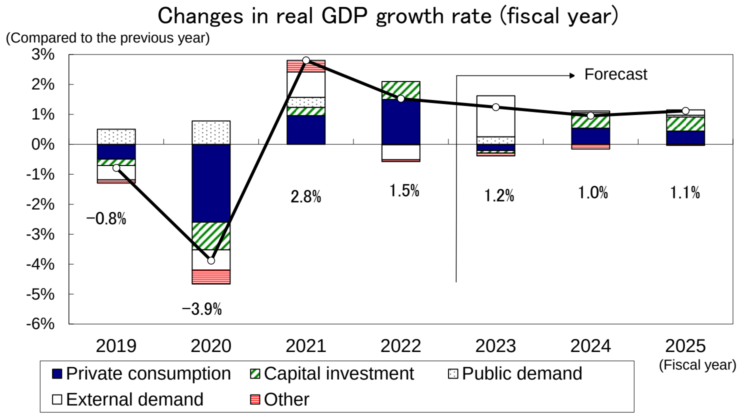
The tax cuts included in the economic stimulus package are scheduled to be implemented in June 2024 and will boost private consumption in the July–September quarter, which, as a result, is expected to show an annualized growth rate of 2.8% from the previous quarter. Nevertheless, the effects of the tax cuts will only be temporary, and from the October–December quarter onward, an annualized growth rate of around 1% is expected.

Therefore, the real GDP growth is projected to be 1.2% in FY2023, 1.0% in FY2024, and 1.1% in FY2025.

In FY2023, exports will grow slowly but imports will decline against a backdrop of weak domestic demand, thus, external demand will help boost the growth rate. Domestic demand is expected to decline for the first time in three years, mainly due to lower private consumption against a backdrop of lower real incomes accompanying rising prices.

In FY2024, domestic demand is expected to turn to growth, as private consumption is predicted to recover because of the increase in real employee compensation and the

Changes in real GDP growth rate (fiscal year)



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

effects of tax cuts. In addition, capital investment is predicted to remain strong against the backdrop of high corporate earnings.

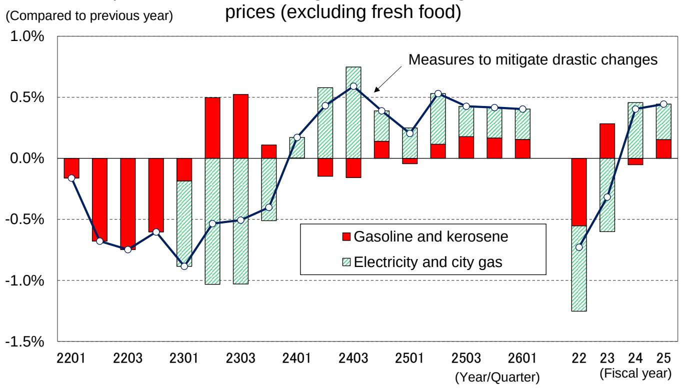
Although private consumption growth will slow down in FY2025 as a reaction to the tax cuts, capital investment will remain strong, ensuring growth of about 1%, which is slightly above the potential growth rate.

(Inflation outlook)

Consumer prices (excluding fresh food, hereafter, core CPI) rose to 4.2% y/y in January 2023, the highest increase in 41 years and 4 months (since September 1981), but then slowed down as a result of the measures taken by the government to ease the burden of electricity and city gas bills, and have remained hovering around the 2% range since September 2023.

The current price hikes were initially due to large increases in the prices of energy and food, triggered by a sharp rise in import prices because of high crude oil prices and a weak yen. However, energy prices peaked at around 20% y/y in early 2022 and continued to slow down. After entering 2023, energy prices have been negative, partly because of the government's drastic easing measures. In addition, food prices (excluding fresh food) rose to 9.2% y/y in August 2023 because of the spread of the price pass-on of higher raw material costs associated with soaring import prices, but decreased to 6.2% y/y in December, reflecting the stabilization of food prices in the upstream stage (i.e., import prices and domestic corporate prices).

Impact of measures to mitigate drastic changes in consumer prices (excluding fresh food)



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

The price stabilization measures for gasoline and kerosene, in effect since January 2022, will continue until the end of April 2024. In addition, the measures for electricity and city gas, in effect since February 2023, will continue until April 2024, with an expected reduction of subsidies in May.

The current over-the-counter price of gasoline is about 190 yen per liter, without subsidies, and unless the yen appreciates and crude oil prices fall significantly, the price will remain well above the government's target of 175 yen per liter for May 2024. Hence, it is highly probable that the drastic easing measures for gasoline and kerosene will continue after May 2024.

The current forecast assumes that the gasoline subsidy will remain as it is until the end of FY2024 and will continue in FY2025 with a reduced amount and that the subsidies for electricity and city gas will continue throughout FY2024 with a reduced amount and will end in FY2025.

The drastic easing measures depressed the core CPI inflation rate until the October–December quarter of 2023 but will boost it starting in the January–March quarter of 2024. On a fiscal year basis, the impact of the drastic easing measures on the core CPI inflation rate is expected to be about -0.7% in FY2022, -0.3% in FY2023, 0.4% in FY2024, and 0.4% in FY2025.

The rise in import prices, which are the main cause of high prices, has stopped and the increase rate in the prices of goods has already peaked. By contrast, the prices of services, which are linked to labor costs, have grown at about 2% y/y since August 2023, whereas, in December, the prices of goods (excluding fresh food) and services grew at the same rate (2.3%).

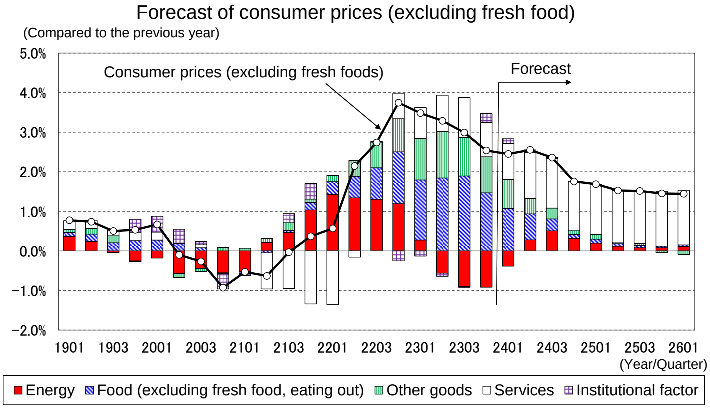
Furthermore, the prices of services which continue to grow in the low 2% range, slightly above the base salary increase in 2023, and will remain high as companies continue to pass on increased labor costs to their consumers.

Although the increase rate of the core CPI continues to be influenced by various support measures taken by the government, the underlying trend continues to slow down. Notwithstanding, the core CPI growth rate is not expected to fall below the BOJ's target of 2% until the second half of FY2024, when the positive effect of the weaker yen is expected to wane, and the increase rate of the prices of food and other goods is expected to slow down.

The increases in the prices of goods and services in FY2022 were mostly due to rises in the prices of energy and food (excluding fresh food and eating out). Nonetheless, the focus of price increases is shifting from goods to services, and from FY2024 onward, services will exceed goods in their contribution to CPI growth.

The core CPI is projected to be 2.8% in FY2023, 2.1% in FY2024, and 1.5% in FY2025, following the 3.0% seen in FY2022. In addition, the core CPI is projected to be 3.8% y/y in FY2023, 1.9% in FY2024, and 1.5% in FY2025 following the 2.2% seen in FY2022.

Forecast of consumer prices (excluding fresh food)



Note: Factors influencing the system include consumption tax, free education, Go To Travel Campaign, and nationwide travel support.
Source: "Consumer Price Index," Statistics Bureau, Ministry of Internal Affairs and Communications.

Outlook for the Japanese economy

(Units,%) Previous forecast(2023.12)

	FY 2022 Actual	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast	23/4-6 Actual	23/7-9 Actual	23/10-12 Actual	24/1-3 Forecast	24/4-6 Forecast	24/7-9 Forecast	24/10-12 Forecast	25/1-3 Forecast	25/4-6 Forecast	25/7-9 Forecast	25/10-12 Forecast	26/1-3 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast
Real GDP	1.5	1.2	1.0	1.1	1.0	- 0.8	- 0.1	0.0	0.4	0.7	0.3	0.3	0.2	0.3	0.3	0.2	1.5	1.3	1.1
					4.0	- 3.3	- 0.4	0.1	1.6	2.8	1.1	1.3	0.8	1.0	1.1	0.9			
					2.3	1.7	1.0	0.0	- 0.3	1.1	1.3	1.8	1.5	1.0	1.0	1.0			
Contribution to domestic demand	(2.0)	(- 0.2)	(0.9)	(0.9)	(- 0.7)	(- 0.8)	(- 0.3)	(0.2)	(0.3)	(0.7)	(0.3)	(0.3)	(0.1)	(0.2)	(0.3)	(0.1)	(0.3)	(1.3)	(1.0)
Private demand	(2.0)	(- 0.4)	(0.8)	(0.9)	(- 0.8)	(- 0.8)	(- 0.2)	(0.2)	(0.3)	(0.6)	(0.2)	(0.3)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(1.2)	(0.9)
Public demand	(- 0.0)	(0.3)	(0.1)	(0.1)	(0.1)	(0.0)	(- 0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(- 0.0)	(0.0)	(- 0.0)	(0.1)	(- 0.0)	(0.3)	(0.1)	(0.1)
Contribution to external demand	(- 0.5)	(1.4)	(0.1)	(0.2)	(1.7)	(- 0.0)	(0.2)	(- 0.2)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(- 0.0)	(0.1)	(1.1)	(- 0.0)	(0.1)
Private final consumption expenditure	2.7	- 0.4	1.0	0.8	- 0.7	- 0.3	- 0.2	0.1	0.4	0.8	0.1	0.2	0.2	0.1	0.2	0.1	0.2	1.6	0.8
Private residential investment	- 3.4	1.4	- 0.5	- 0.2	1.8	- 0.6	- 1.0	0.0	0.2	- 0.1	- 0.3	0.5	- 0.3	- 0.1	- 0.2	0.1	1.4	- 0.5	0.1
Private nonresidential investment	3.4	- 0.5	2.6	2.9	- 1.4	- 0.6	- 0.1	0.7	0.6	1.2	1.0	0.7	0.5	0.6	0.7	0.5	0.5	2.9	3.2
Government final consumption expenditure	1.4	0.5	0.3	0.1	- 0.1	0.3	- 0.1	0.0	0.1	0.1	0.0	0.0	- 0.0	0.0	0.1	- 0.0	0.6	0.2	0.2
Public investment	- 6.1	2.9	0.5	0.8	2.2	- 1.0	- 0.7	0.7	0.2	- 0.0	0.7	- 0.3	0.2	- 0.1	1.1	- 0.2	3.1	1.3	0.8
Exports of goods & services	4.7	4.2	2.7	2.7	3.8	0.9	2.6	- 0.7	0.6	0.5	1.0	0.7	0.7	0.6	0.6	0.7	2.8	1.9	2.7
Import of goods & services	6.9	- 2.4	2.6	1.9	- 3.6	1.0	1.7	0.3	0.4	0.4	1.0	0.4	0.4	0.3	0.7	0.3	- 2.6	2.2	2.3
Nominal GDP	2.3	5.2	2.4	2.1	2.5	- 0.1	0.3	0.3	0.9	1.2	0.1	0.5	0.6	0.8	- 0.0	0.3	5.6	2.6	2.1

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 2022	FY 2023	FY 2024	FY 2025	23/4-6	23/7-9	23/10-12	24/1-3	24/4-6	24/7-9	24/10-12	25/1-3	25/4-6	25/7-9	25/10-12	26/1-3	FY 2023	FY 2024	FY 2025
Industrial production (QoQ)	- 0.3	- 0.9	1.0	1.7	1.4	- 1.2	1.3	- 2.0	1.4	0.7	0.4	0.4	0.5	0.3	0.3	0.4	- 0.8	1.1	1.5
Domestic Corporate Goods Prices (YoY)	9.5	2.2	0.9	0.4	5.0	3.0	0.6	0.4	0.8	1.2	1.1	0.7	0.7	0.3	0.3	0.4	2.0	- 0.3	0.5
Consumer Prices (YoY)	3.2	2.9	2.1	1.5	3.3	3.2	2.9	2.4	2.7	2.4	1.8	1.7	1.5	1.5	1.5	1.4	2.9	2.0	1.4
Consumer Prices (excluding fresh food)	3.0	2.8	2.1	1.5	3.3	3.0	2.5	2.4	2.6	2.4	1.8	1.7	1.5	1.5	1.5	1.4	2.8	2.0	1.4
Current account balance (¥trillion)	8.3	25.1	24.5	22.5	23.5	25.7	25.3	26.0	25.5	23.7	24.5	24.2	23.6	22.4	22.3	21.6	25.8	24.7	20.5
(Ratio to nominal GDP)	(1.5)	(4.2)	(4.0)	(3.6)	(3.9)	(4.3)	(4.2)	(4.3)	(4.2)	(3.9)	(4.0)	(3.9)	(3.8)	(3.6)	(3.6)	(3.4)	(4.3)	(4.0)	(3.3)
Unemployment rate (%)	2.6	2.6	2.4	2.2	2.6	2.7	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.6	2.5	2.3
Housing starts (10 thousand)	86.1	80.6	80.7	80.7	81.8	80.0	80.3	80.4	80.7	80.7	80.4	80.9	80.8	80.7	80.6	80.8	80.9	81.4	81.6
Call Rate (target rate)	--	--	0.1	0.1	--	--	--	--	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	--	0.1	0.1
10-year government bond rate (over-the-counter quotation)	0.3	0.6	0.9	1.1	0.4	0.6	0.8	0.7	0.8	0.9	1.0	1.0	1.0	1.0	1.1	1.1	0.7	1.0	1.1
USD/JPY	135	145	141	135	137	145	148	149	145	142	139	138	136	135	134	133	144	138	132
Crude oil price (CIF, Dollar/Barrel)	102	85	89	90	83	83	93	83	85	89	90	90	90	90	90	90	84	88	90
Ordinary profit (YoY)	8.8	12.8	6.7	5.3	11.6	20.1	15.3	6.0	2.5	5.9	8.5	10.9	5.4	6.5	4.7	4.8	13.0	7.5	5.5

Note: 10-year government bond rate, Foreign exchange rates and Crude oil prices are average data of the period. The call rate is the unsecured overnight price at the end of the period (upper limit). Oridinary profit of 23/10-12 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

		2022	2023	2024	2025	2023				2024				2025			
						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	1.9	2.5	2.3	1.6	2.2	2.1	4.9	3.3	2.3	0.9	1.1	1.5	1.7	1.7	1.7	1.8
FF rate target	End of period, Upper,%	4.50	5.50	4.75	3.75	5.00	5.25	5.50	5.50	5.50	5.25	5.00	4.75	4.50	4.25	4.00	3.75
10-year government bond rate	Average,%	3.0	3.9	4.1	3.6	3.6	3.7	4.1	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.4

Outlook for the European (Euro area) economy

		2022	2023	2024	2025	2023				2024				2025			
						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	Revised	Forecast	Forecast	Actual	Actual	Actual	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	3.4	0.5	0.7	1.5	0.4	0.5	- 0.5	0.2	0.7	1.0	1.8	1.5	1.5	1.5	1.3	1.3
ECB Refinancing rate	End of period,%	2.50	4.50	3.50	2.25	3.50	4.00	4.50	4.50	4.50	4.50	4.00	3.50	3.00	2.50	2.25	2.25
10-year German govt. bond rate	Average,%	1.1	2.4	2.2	2.0	2.3	2.4	2.6	2.5	2.3	2.3	2.2	2.0	2.0	2.0	2.0	2.0
EUR/USD	Average, Dollars	1.05	1.08	1.10	1.13	1.07	1.09	1.09	1.08	1.08	1.10	1.10	1.11	1.11	1.12	1.13	1.14