Economist Letter

Japan's Economic Outlook for Fiscal Years 2024 and 2025 (May 2024)

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<Real growth rate: 0.8% in FY2024 and 1.1% in FY2025>

1. Real GDP in the January–March quarter of 2024 contracted at an annualized rate of -2.0% from the previous quarter. This decline was due to reduced consumption, capital investment, and exports following the suspension of production and shipments in the wake of the automobile cheating scandal, amid ongoing downward pressure from inflation.
2. Real GDP is expected to grow at an annualized rate of 2.3% from the previous quarter in the April–June quarter of 2024, primarily due to the recovery in automobile production. It is then projected to grow at a high annualized rate of 3.0% in the July–September quarter, mainly due to private consumption, as the effects of income and inhabitant tax cuts become apparent.
3. Real GDP growth is forecast to be 0.8% in FY2024 and 1.1% in FY2025. The high growth in the first half of FY2024 is expected to be temporary. However, in the second half of FY2024, as real wage growth turns positive due to slower price growth, the economy will shift to domestic demand–led growth, driven mainly by private consumption and capital investment.
4. Consumer prices (total excluding fresh food) are forecast to rise by 2.5% in FY2024 and 1.8% in FY2025. The rate of increase in goods prices will rise temporarily due to the recent depreciation of the yen and the end of government's measures to ease the burden of electricity and city gas bills but will then gradually slow, reflecting the ongoing appreciation of the yen. Conversely, the rate of increase in service prices is likely to rise further, given that the rate of increase in wages is the highest in 33 years.

1. Negative growth of -2.0% on an annualized basis from the previous quarter in the January–March quarter of 2024

Real GDP in the January–March quarter of 2024 was -0.5% from the previous quarter (-2.0% on an annualized basis from the previous quarter), marking the first negative growth in two quarters.

Despite an increase in public demand, private consumption declined for the fourth consecutive quarter (-0.7% from the previous quarter) due to a sharp drop in automobile sales, following the suspension of production and shipments in the wake of the fraud scandal and amid continued downward pressure from inflation. Capital investment also declined for the first time in two quarters (-0.8% from the previous quarter) due to the Noto Peninsula earthquake and the automobile fraud scandal. Exports fell -5.0% from the previous quarter, exceeding the decline in imports (-3.4% from the previous quarter). Net exports pushed down the growth rate, contributing -0.3% from the previous quarter (-1.4% on an annualized basis). The negative impact of the auto cheating scandal was widespread, affecting private consumption, capital investment, and exports.

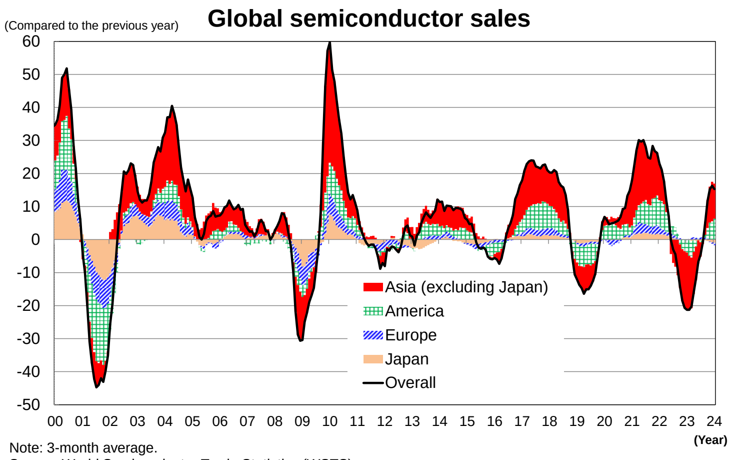
In FY 2023, real GDP growth was 1.2% compared to the previous year (1.6% in FY2022), and nominal GDP growth was 5.3% compared to the previous year (2.4% in FY 2022). Both marked positive growth for the third consecutive year. The nominal GDP growth rate was the highest in 32 years since FY1991 (5.3%).[1]

Real GDP grew for the third consecutive year in FY 2023, but the intra-year growth rate (the growth rate from the January–March quarter of 2023 to the January–March quarter of 2024) was -0.4%. The Japanese economy is judged to have remained stagnant throughout FY2023.

(Exports to pick up moderately)

Exports have remained sluggish but with signs of bottoming out. World trade volume has continued to decline compared to the previous year since the October–December quarter of 2022, but the pace of decline has recently slowed.

Considering the outlook for overseas economies, which will affect the outlook for exports, real GDP growth in the US is expected to continue to slow to 2.5% in 2023 from 1.9% in 2022, 2.3% in 2024, and 1.6% in 2025, partly due to the cumulative effects of monetary tightening. In the euro area, which grew only 0.4% in 2023 compared to the previous year, growth is not expected to recover strongly, although it will gradually pick up due to calming inflation and other factors. Additionally, China's real GDP growth in 2023 accelerated to 5.2% from 3.0% in 2022 due to the end of the zero-COVID-19 policy.



Note: 3-month average.
Source: World Semiconductor Trade Statistics (WSTS).

[1] Based on a simplified retrospective GDP series on the 2015 base expenditure side.

However, it is expected to continue to decelerate to 4.8% in 2024 and 4.3% in 2025 due to the impact of the real estate market slump. Overall, the forecast assumes that overseas economies will recover moderately in 2024 and through FY2025, the period of this forecast, but that growth will remain low.

On the other hand, the fact that the adjustment in global information technology goods has reached a point of no return is an encouraging sign. Global semiconductor sales had been declining year-on-year since the summer of 2019, but after bottoming out around spring 2023, they are currently showing double-digit growth compared to the previous year. Although export growth is not expected to accelerate significantly due to continued low growth overseas, the pick-up is expected to continue, especially for information technology goods. Exports of goods and services in the GDP statistics are expected to continue to grow moderately at 3.4% compared to the previous year in FY2024 and 3.3% in FY2025.

(The impact of the re-accelerating weak yen and persistently high oil prices)

Since 2022, when the US began raising policy rates to cope with high inflation, the yen has continued to weaken against the dollar on the back of the widening Japan–US interest rate differential. The yen stopped weakening in the second half of 2023 when the US stopped raising interest rates but has been weakening again since April 2024 because the US interest rate cut is no longer expected due to the high inflation rate and other factors.

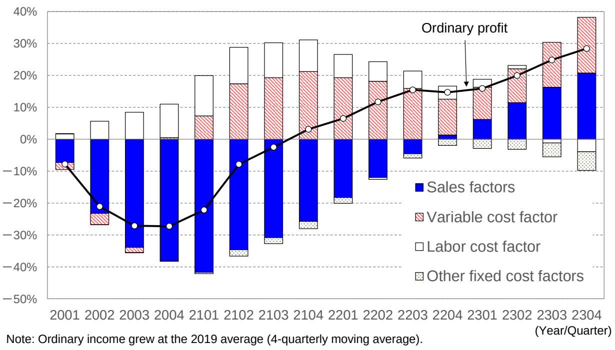
A weaker yen will improve corporate earnings, especially in the manufacturing sector, through higher exports. Additionally, the rise in import prices associated with a weaker yen will initially have a negative impact on households through a decline in real income associated with a rise in consumer prices. However, later, the improvement in corporate earnings will spill over to employment and wages, and households will generally benefit as well.

On the other hand, crude oil prices (WTI) have been calm recently, hovering around $80 per barrel, but remain high compared to pre-COVID-19 levels (2019 average in the low $50s per barrel). Rising oil prices will depress corporate earnings and reduce the real purchasing power of households through the outflow of income overseas due to worsening terms of trade.

During the current phase of price hikes, companies have been able to fully pass on the increased costs associated with higher import prices to their prices, thus mitigating the negative impact of the weaker yen and higher oil prices. Corporate ordinary income for the most recent period (October–December quarter, 2023) is 28.4% higher than the pre-COVID-19 period (2019 average). Although the labor cost factor has slightly pushed down earnings, reflecting the higher wage rate, they have been significantly boosted by a substantial increase in sales, which had previously fallen due to the COVID-19 disaster. This increase has been due to the higher value of exports from the weaker yen and the transfer of prices to the domestic market (sales factor). Additionally, although variable costs have increased due to the weak yen and high crude oil prices, companies' earnings have benefited from lower ratio of variable costs to sales due to sufficient price transfers (variable cost factor).

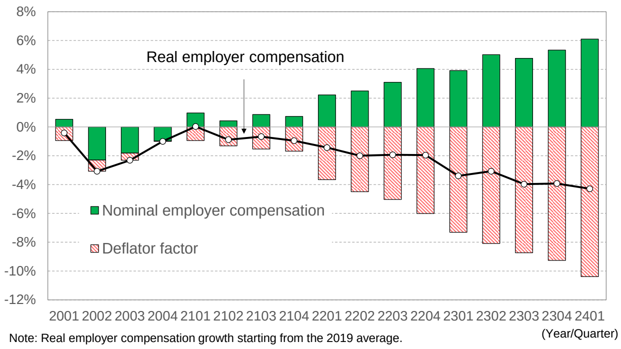
On the other hand, in the household sector, nominal employment compensation in the January–March quarter of 2024 increased by 6.1% from the pre-COVID-19 period (2019 average), but real employment compensation decreased by -4.3% because the household consumption deflator increased by 10.4% during that period. For the corporate sector, the benefits of a weaker yen outweighed the disadvantages of a weaker yen and higher oil prices, whereas, for the household sector, the disadvantages of a weaker yen and higher oil prices outweighed the benefits of a weaker yen.

Factorization of ordinary income



Note: Ordinary income grew at the 2019 average (4-quarterly moving average).
Source: "Financial Statements Statistics of Corporations by Industry," Ministry of Finance.

Factorization of real employer compensation



Note: Real employer compensation growth starting from the 2019 average.
Source: Cabinet Office "Quarterly Estimates of GDP."

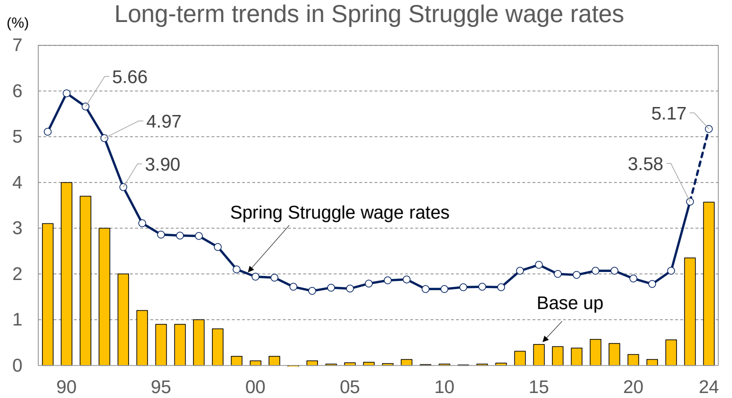
(The rate of increase in wages in the 2024 spring wage negotiations will reach 5% for the first time in 33 years)

According to the Results of the Fifth Round of Responses to the Spring 2024 Life Struggle released by RENGO on May 8, the average wage increase for 2024 was 5.17%, and the "portion of wage increase" corresponding to base increases was 3.57%. Because small and medium-sized enterprises, which have relatively low wage increases, will be late in concluding their contracts, the overall level is expected to be slightly lower in the final tally scheduled for July. However, if the final tally remains above 5%, it will be the highest level in 33 years since 1991 (5.66%).

The real wage growth rate, which is nominal wages discounted by consumer prices, has been negative compared to the previous year for 24 consecutive months from April 2022 to March 2024. This has been due to the persistently high rate of consumer price inflation and the continued sluggish growth of nominal wages.

Nominal wages are expected to increase to 3% compared to the previous year, the same level as the base salary increase, by the summer of 2024 when the results of the 2024 Spring Struggle are reflected. Meanwhile, consumer prices (excluding fresh food) are expected to continue growing in the upper 2% range for the time

Long-term trends in Spring Struggle wage rates



Note: The Haruyu wage increase rate was calculated by the federation. The results of the 5th survey in 2024.
The base increase was the Central Labor Relations Commission's Comprehensive Survey of Wage Conditions until 2023 and the United Nations in 2024.

being but will decline to the lower 2% range in the second half of FY2024, mainly due to a slowdown in the rate of increase in goods prices. Consequently, real wage growth is expected to turn positive in the October–December quarter of 2024.

2. Real growth rate forecast to be 0.8% in FY2024 and 1.1% in FY2025

(Positive growth in April–June quarter of 2024 due to recovery production of automobiles and so on.)

In the January–March quarter of 2024, consumption, capital investment, and exports fell due to the suspension of automobile production and shipments following the revelation of the cheating scandal, whereas prices remained high, resulting in negative growth of -2.0% on an annualized basis from the previous quarter. However, positive growth of 2.3% on an annualized basis is expected for the April–June quarter.

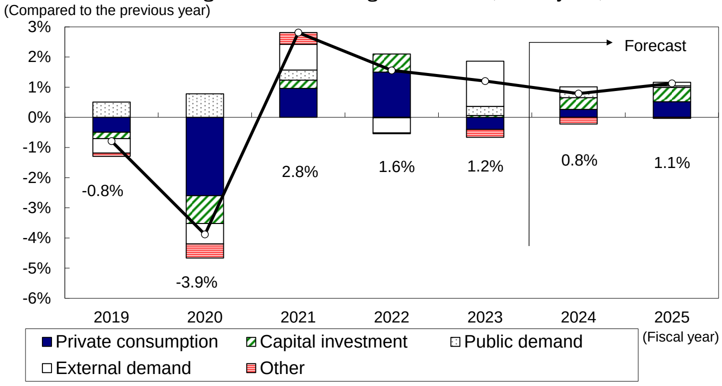
Automobile production in the January–March quarter of 2024 fell sharply by -17.3% from the previous quarter. However, after rapidly declining in January (-15.9% from the previous month) and February (-8.1% from the previous month) on a monthly basis, it grew by a high 9.9% month-on-month in March as factories resumed operations. The production plan for transportation machinery (of which automobiles account for more than 80%) showed high month-on-month growth of 6.1% in April and 10.5% in May. The already-released April 2024 auto sales figures reflect the pickup in production, with an increase of 9.2% from the previous month (seasonally adjusted by the institute).

In the April–June quarter of 2024, unlike the January–March quarter, the recovery in automobile production is expected to boost consumption, capital investment, and exports.

The income and inhabitant tax cuts included in the economic stimulus package formulated in November 2023, scheduled to be implemented in June 2024, will boost private consumption in the July–September quarter, which is expected to grow at a high 3.0% on an annualized basis. Although the effects of the tax cut will only be temporary, consumption will be supported by a sustained increase in real disposable income in the October–December quarter and beyond as real wage growth turns positive. Although capital investment remained sluggish in FY2023, the underlying trend is toward recovery against a backdrop of high corporate profits. From the second half of FY2024, growth will continue to be around 1% per annum, slightly above the potential growth rate of the upper zero percent range, mainly driven by domestic private demand.

Real GDP growth is forecast to be 0.8% in FY2024 and 1.1% in FY2025. The 1.2% real GDP growth in FY2023 marked the first time in three years that the contribution of domestic demand was negative (-0.2%), whereas the contribution of external demand was significantly higher at 1.5% due to a -3.3% decline in imports compared to the previous year on

Changes in real GDP growth rate (fiscal year)



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

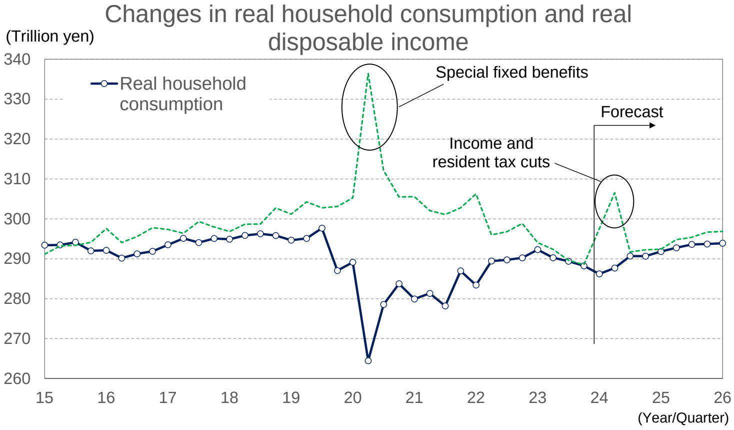
the back of weak domestic demand. In FY2024 and FY2025, private consumption and capital investment will continue to be the main drivers of domestic demand, while the contribution of external demand will shrink as imports are expected to increase. Growth is expected to remain centered on domestic demand.

(Personal consumption dependent on disposable income)

The household savings rate averaged 1.2% in 2015–2019 before the COVID-19 pandemic but rose sharply to 21.1% in the April–June quarter of 2020. This was due to a sharp drop in consumption following the state of emergency declared in April 2020 and a large increase in disposable income due to the provision of special fixed benefits. Subsequently, the savings rate continued to decline due to a pickup in consumption caused by the easing of action restrictions and higher prices. It has been almost zero since entering FY2023 (0.5% in the April–June quarter, -0.1% in the July–September quarter, and -0.3% in the October–December quarter of FY2023).

With the household savings rate having fallen to the pre-COVID-19 level and with no hope of a boost from excess savings, real disposable income will determine future consumption. Real disposable income is currently below the pre-COVID-19 level. Inflation will continue to restrain real income, but wage hikes and income and inhabitant tax cuts are expected to provide a boost. Although the effect of the tax cuts will be temporary, real disposable income is expected to remain firm from the second half of FY2024, mainly due to an increase in real employee compensation as the rate of inflation slows.

Changes in real household consumption and real disposable income



Source: "Quarterly Estimates of GDP" and "Household Disposable Income and Household Savings Rate Quarterly Bulletin (Reference Series)," Cabinet Office.

Since only 20–30% of the tax cuts are expected to go to consumption, the household savings rate will temporarily rise significantly. However, after the tax cut effects wear off, it is expected to decline to almost zero.

Private consumption declined -0.6% compared to the previous year in FY2023, the first decline in three years, but is expected to increase by 0.5% in FY2024, followed by an increase of 1.0% in FY2025. Although the effect of the tax cuts will wear off in FY2025, higher growth in real employee compensation will contribute to the increase in disposable income.

(Businesses have a strong appetite for capital investment)

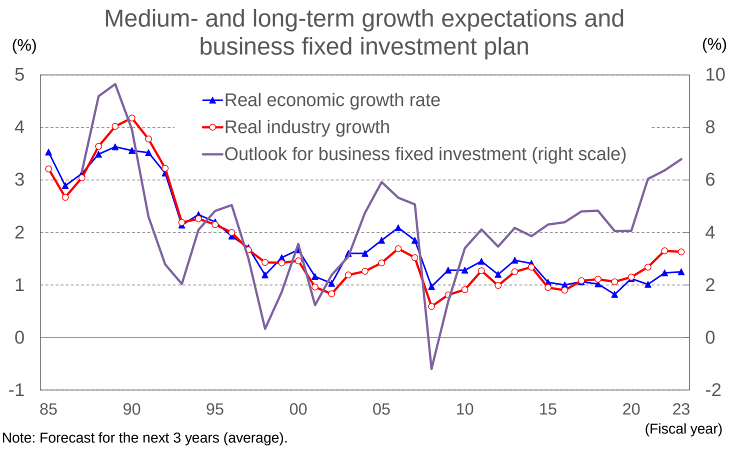
Capital investment in FY2023 grew at a modest 0.4% compared to the previous year. However, it is expected to remain steady at 2.4% in FY2024 and 2.9% in FY2025.

In the Bank of Japan's March 2024 Tankan survey, capital investment plans for FY2023 (all sizes and all industries, including software and R&D investment but excluding land investment) were revised downward by -1.9% from the December 2023 survey but still showed a significant growth of 10.2% compared to the previous year. The initial plan for FY2024 is 4.5% year on year, which is approximately the same level of growth as the FY2023 initial plan (4.4% year on year).

Although capital investment in the GDP statistics has been sluggish partly due to supply constraints caused by labor shortages, the underlying trend appears to be recovering. This is mainly in response to labor shortages, telework-related investment, and software investment for digitization, supported by high corporate earnings.

A major influence on medium- to long-term trends in capital investment is the expected growth rate of companies. One reason for the long-term sluggishness in expected growth rates can be attributed to the belief among many corporate managers that a shrinking domestic market is inevitable due to a declining population.

According to the Cabinet Office's Questionnaire Survey on Business Behavior (FY2023), firms' outlook for real economic growth over the next three years increased modestly from the previous year for the second consecutive year, reaching 1.3%. Additionally, the real growth rate forecast for their industry demand had been lower than the real economic growth rate forecast for 18 consecutive years since FY1999, but since FY2017, it has exceeded the real economic growth rate, reaching 1.6% in FY 2023. The upturn in industry demand growth expectations is a positive aspect of the outlook for capital investment. Furthermore, the outlook for capital investment is 6.8% in FY2023 (the annual average for the next three years), the highest level in 33 years since FY1990 (7.9%). Although supply constraints due to labor shortages are slowing construction progress in some respects, the willingness of companies to make capital investments appears very strong.



Note: Forecast for the next 3 years (average).
Source: "Survey on Corporate Behavior," Cabinet Office.

(Outlook for prices)

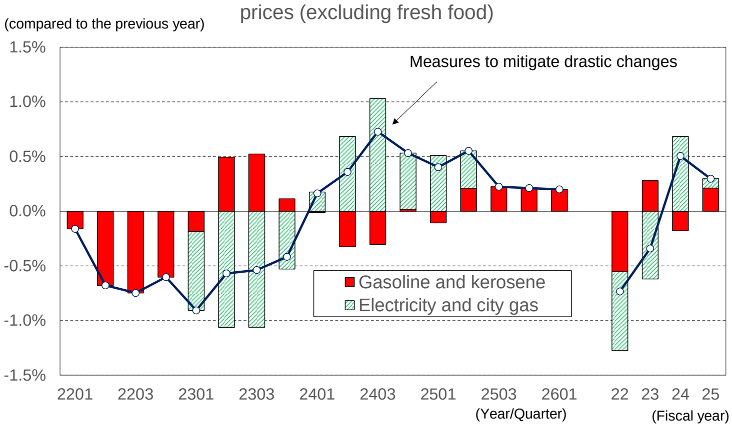
Consumer prices (excluding fresh food, hereinafter "core CPI") grew by 4.2% compared to the previous year in January 2023, the highest growth in 41 years and 4 months since September 1981. However, the rate of increase has slowed due to the government's measures to ease the burden of electricity and city gas bills, remaining in the 2% range since September 2023.

The measures to mitigate drastic changes in gasoline and kerosene prices, which have been in effect since January 2022, will be extended beyond May 2024. On the other hand, the measures to drastically reduce the price of electricity and city gas, which have been in effect since February 2023, will not be extended after

June 2024, with a reduction in the measure for May 2024. The current forecast assumes that the mitigation measures for gasoline and kerosene prices will remain in effect until the end of FY2024 and continue in FY2025 with a reduced subsidy rate.

The impact of these easing measures on the CPI rate of increase was a depressing factor until the October–December quarter of 2023. However, it became a boosting factor in the January–March quarter of 2024. The termination of the easing measures on electricity and city gas bills is expected to raise the rate of increase by approximately 0.7% in the July–September quarter of 2024. On a fiscal year basis, the impact of these easing measures on the core CPI growth rate is expected to be around -0.7% in FY 2022, -0.3% in FY 2023, 0.5% in FY 2024, and 0.3% in FY 2025.

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.

Energy prices have been negative compared to the previous year since February 2023. However, the unit price of the levy to promote renewable energy generation on electricity bills will be raised from 1.40 yen to 3.49 yen per kWh from May 2024, and discounts on electricity and city gas bills will be halved in May 2024 (reflected in the CPI in June) and eliminated after June. This will turn the rate of increase in electricity and city gas prices positive again, contributing to an increase in the core CPI. The rate of increase in energy prices is expected to reach high double-digit growth compared to the previous year around summer 2024, expanding its contribution to the core CPI increase to approximately 1%.

Service prices have been growing in the low 2% range. The pace of increase is likely to accelerate further because the rate of spring wage increases in 2024 will be much higher than the previous year.

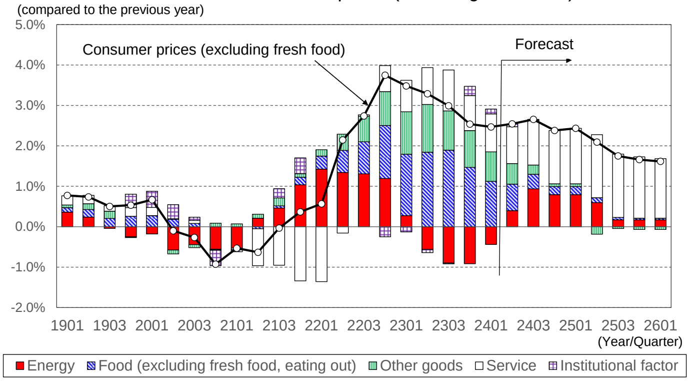
Compared to goods, service prices are largely determined by labor costs. The linkage between service prices and wages is significant, and the rate of increase in service prices in 2023 was 1.8% compared to the previous year, roughly in line with the base increase of approximately 2% in 2023. Given that RENGO's tabulation results show that the "wage increase portion," which corresponds to the base salary increase, is 3.57% (5th tabulation results) for the 2024 spring wage increase rate, the rate of increase in service prices is expected to rise to the 3% level.

The core CPI is expected to remain in the upper 2% range compared to the previous year in the first half of FY2024 as the slowdown in the growth rate of food (excluding fresh food) is offset by the accelerated pace of energy price hikes. After the start of FY2025, prices are expected to fall below the BOJ's 2% price target.

By goods and services, most of the price increase in FY2022 was due to the rise in goods, mainly energy and food (excluding fresh food and eating out). However, in FY2023, the rate of increase in service prices is rising, and the focus of price increases is shifting from goods to services. From the second half of FY2024 to FY2025, services will exceed goods in their contribution to the CPI growth rate.

The core CPI is projected to be 2.5% in FY2024 and 1.8% in FY2025 after being 2.8% in FY2023. The core CPI (excluding fresh food and energy) is projected to be 1.9% in FY2024 and 1.6% in FY2025 after being 3.9% in FY 2023.

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(2024.3)

	FY 2022 Actual	FY 2023 Actual	FY 2024 Forecast	FY 2025 Forecast	23/4-6 Actual	23/7-9 Actual	23/10-12 Actual	24/1-3 Actual	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	1.6	1.2	0.8	1.1	1.0	- 0.9	0.0	- 0.5	0.6	0.7	0.3	0.3	0.2	0.3	0.2	0.3	1.3	1.0	1.1
					4.1	- 3.6	0.0	- 2.0	2.3	3.0	1.3	1.1	0.8	1.1	0.9	1.0			
					2.3	1.6	1.2	- 0.2	- 0.7	0.8	1.0	2.0	1.5	1.1	1.0	1.0			
Contribution to domestic demand	(2.0)	(- 0.2)	(0.6)	(1.0)	(- 0.6)	(- 0.8)	(- 0.2)	(- 0.2)	(0.2)	(0.7)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(- 0.1)	(1.0)	(1.0)
Private demand	(2.0)	(- 0.5)	(0.4)	(1.0)	(- 0.7)	(- 0.8)	(- 0.1)	(- 0.4)	(0.2)	(0.7)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(- 0.3)	(0.9)	(0.9)
Public demand	(- 0.0)	(0.3)	(0.2)	(0.1)	(0.1)	(0.0)	(- 0.0)	(0.2)	(- 0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(- 0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)
Contribution to external demand	(- 0.5)	(1.5)	(0.2)	(0.1)	(1.7)	(- 0.1)	(0.2)	(- 0.3)	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(1.4)	(0.0)	(0.2)
Private final consumption expenditure	2.7	- 0.6	0.5	1.0	- 0.7	- 0.3	- 0.4	- 0.7	0.4	0.9	0.2	0.3	0.2	0.2	0.2	0.2	- 0.5	0.9	0.8
Private residential investment	- 3.4	0.6	- 3.2	- 0.6	1.8	- 0.9	- 1.4	- 2.5	- 0.8	0.7	0.1	- 0.4	- 0.4	0.1	- 0.1	- 0.3	1.4	- 0.5	- 0.2
Private nonresidential investment	3.4	0.4	2.4	2.9	- 1.7	- 0.2	1.8	- 0.8	0.6	1.1	0.9	0.8	0.8	0.5	0.5	0.6	0.8	3.3	3.1
Government final consumption expenditure	1.4	0.5	0.1	0.1	- 0.1	0.3	- 0.2	0.2	- 0.1	0.0	0.0	0.0	0.0	- 0.0	0.0	- 0.0	0.5	0.3	0.2
Public investment	- 6.1	4.1	3.1	0.9	2.2	- 0.3	- 0.2	3.1	0.3	0.5	0.5	0.1	0.1	- 0.1	0.5	0.5	2.9	0.5	0.8
Exports of goods & services	4.9	3.0	3.4	3.3	3.8	0.3	2.8	- 5.0	4.5	1.1	1.0	0.6	0.8	0.8	0.8	0.9	4.2	2.8	2.7
Import of goods & services	6.9	- 3.3	2.7	2.9	- 3.6	0.9	1.8	- 3.4	2.8	0.9	1.0	0.6	0.8	0.5	0.8	0.8	- 2.3	2.8	2.1
Nominal GDP	2.4	5.3	2.8	2.6	2.6	- 0.2	0.7	0.1	1.0	0.9	0.8	1.1	0.4	0.6	0.1	1.1	5.3	2.4	2.1

(Note)The upper row of Real GDP is from the previous quarter, the middle row is on an annualized basis, and the lower row is compared to the previous year. All other demand items are from the previous quarter.

< 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	- 1.9	1.2	1.4	1.3	- 1.4	1.1	- 5.2	4.1	1.0	0.5	0.5	0.3	0.2	0.2	0.4	- 1.2	1.6	1.7
Domestic Corporate Goods Prices (YoY)	9.5	2.3	1.6	0.6	5.0	3.0	0.6	0.7	1.4	1.7	1.8	1.4	0.9	0.6	0.5	0.4	2.2	0.9	0.5
Consumer Prices (YoY)	3.2	3.0	2.5	1.8	3.3	3.2	2.9	2.5	2.6	2.7	2.4	2.4	2.1	1.8	1.7	1.6	3.0	2.1	1.5
Consumer Prices (excluding fresh food)	3.0	2.8	2.5	1.8	3.3	3.0	2.5	2.5	2.5	2.7	2.4	2.4	2.1	1.8	1.7	1.6	2.8	2.1	1.5
Current account balance (¥trillion)	9.1	25.3	27.4	28.1	23.4	24.4	26.5	24.4	27.8	24.5	28.2	28.9	28.8	27.4	27.8	28.2	24.8	23.9	21.8
(Ratio to nominal GDP)	(1.6)	(4.2)	(4.5)	(4.5)	(3.9)	(4.1)	(4.4)	(4.1)	(4.6)	(4.0)	(4.6)	(4.6)	(4.6)	(4.4)	(4.4)	(4.4)	(4.2)	(3.9)	(3.5)
Unemployment rate (%)	2.6	2.6	2.4	2.2	2.6	2.6	2.5	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.5	2.4	2.2
Housing starts (10 thousand)	86.1	80.0	79.5	79.7	81.8	80.0	80.3	78.6	78.4	79.6	80.2	79.9	79.6	79.8	79.8	79.7	80.6	80.7	80.8
Call Rate (target rate)	--	0.1	0.3	0.5	--	--	--	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.5	0.5	0.1	0.1	0.1
10-year government bond rate (over-the-counter quotation)	0.3	0.6	1.0	1.2	0.4	0.6	0.8	0.7	0.9	1.0	1.1	1.1	1.1	1.2	1.2	1.2	0.6	0.9	1.1
USD/JPY	135	145	151	141	137	145	148	149	156	153	149	147	144	142	139	138	144	141	135
Crude oil price (CIF, Dollar/Barrel)	102	86	90	91	83	83	93	84	89	89	90	91	91	91	91	91	86	89	90
Ordinary profit (YoY)	8.8	12.4	7.6	5.2	11.6	20.1	13.0	6.5	4.1	6.4	10.1	10.6	4.9	5.7	5.2	5.2	12.4	7.5	5.4

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 24/1-3 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	Actual	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	3.4	1.6	1.8	1.1	1.4	1.7	1.7	1.7	1.7
FF rate target	End of period, Upper,%	4.50	5.50	5.25	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.50	5.25	5.25	5.00	4.75	4.50
10-year government bond rate	Average,%	3.0	3.9	4.3	3.8	3.6	3.7	4.1	4.3	4.2	4.5	4.4	4.2	4.0	3.9	3.8	3.6

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	Actual	Forecast	Forecast	Actual	Actual	Actual	Actual	Rivised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	3.4	0.4	0.7	1.5	0.2	0.6	- 0.2	- 0.2	1.3	1.1	1.2	1.5	1.7	1.6	1.4	1.4
Deposit facility rate	End of period,%	2.00	4.00	3.25	2.50	3.00	3.50	4.00	4.00	4.00	3.75	3.50	3.25	3.00	2.75	2.75	2.50
10-year German govt. bond rate	Average,%	1.14	2.44	2.27	2.05	2.31	2.36	2.56	2.51	2.28	2.30	2.30	2.20	2.10	2.10	2.00	2.00
EUR/USD	Average, Dollars	1.05	1.08	1.08	1.11	1.07	1.09	1.09	1.08	1.09	1.07	1.07	1.08	1.09	1.10	1.11	1.12