Economist Letter

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

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

1. Real GDP increased by 3.1% in the April-June quarter of 2024 on an annualized basis from the previous quarter, marking the first positive growth in the last two quarters. Private consumption escalated by 1.0% from the previous quarter, which was the first increase in five quarters. This increase was driven by a recovery in automobile sales following the lifting of production and shipment suspensions caused by the fraud scandal. In addition, strong corporate earnings boosted capital investments by 0.9% from the previous quarter, representing the first increase in the last two quarters.
2. Real GDP is expected to retain this strong growth in the July-September quarter by showing an increase of 2.8% on an annualized basis from the previous quarter. This growth is anticipated to be driven by greater private consumption induced by the additional disposable income resulting from the income and resident tax cuts implemented in June.
3. Annual real GDP growth is forecasted 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, while the second half of the year and beyond are predicted to increase at approximately 1% annually, which is slightly above the potential growth rate. This growth reflects a slowing of the rate of price increases and a stabilization of real wage growth in positive territory, primarily driven by private consumption and capital investment.
4. The consumer price index (excluding fresh food) is forecasted to be 2.3% for FY2024 and 1.8% for FY2025. The slower rate of increase in goods prices due to the stronger yen will offset the rise in service prices resulting from wage increases; therefore, the consumer price index is expected to continue its decline and fall below the 2% inflation rate targeted by the Bank of Japan for FY2025.

1. Positive growth of 3.1% on an annualized basis in the April-June quarter of 2024

Real GDP in the April-June quarter of 2024 increased by 0.8% from the previous quarter (3.1% on an annualized basis), marking the first positive growth in the last two quarters. Despite the persistent downward pressure from inflation, private consumption increased by 1.0% from the previous quarter, which was the first increase in five quarters. These enhanced spending levels related mainly to the recovery in automobile sales following the lifting of production and shipment suspensions caused by the fraud scandal. Capital investment also rose by 0.9% from the previous quarter due to strong corporate earnings, and this constituted the first increase in the last two quarters. In addition, government consumption (0.1% increase from the previous quarter) and public investment (4.5% increase from the previous quarter) contributed to the first rise in domestic demand in five quarters.

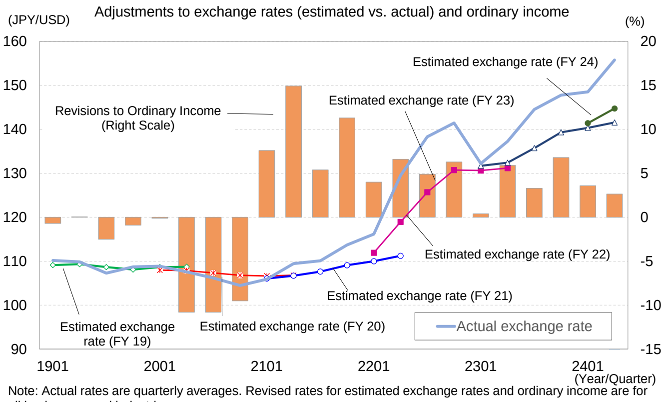
Exports of goods and services increased by 1.4% from the previous quarter, marking the first increase in the last two quarters; however, this was outpaced by a 1.7% rise in imports of goods and services, resulting in a -0.1% (annualized -0.4%) drag on external demand growth. The recovery in automobile production in the April-June quarter of 2024 from the previous quarter, driven by the easing of the certification fraud issue, contributed to boosting private consumption and capital investment.

The positive growth in the April-June quarter of 2024 is largely a reaction to the sharp decline in the previous quarter (-2.3% on an annualized basis), and the economy does not appear to have fully emerged from this back-and-forth pattern. In particular, the household sector has faced significant challenges since the COVID-19 pandemic. Although private consumption and residential investment increased in the April-June quarter of 2024, their levels remained lower (-1.1% and -12.0%, respectively) than the pre-COVID-19 levels (2019 average). To confirm a sustained recovery in the Japanese economy, the trends identified in the July-September quarter and onward must be closely monitored.

(Impact of Yen Appreciation on Corporate Earnings)

The Japanese yen continued to decline with reference to the US dollar due to the widening interest rate differential between the two countries, with the yen weakening to approximately 160 yen per dollar from the end of June to early July 2024. However, the yen began to appreciate against the dollar in mid-July as a reaction to factors such as the slowdown in the US consumer price index and the declaration by Donald Trump to correct the strong dollar. The Bank of Japan raised its policy rate on July 31, while the US employment report for July significantly undershot expectations and raised concerns of a possible US recession. These factors led to a sharp appreciation of the yen to 140 yen per dollar.

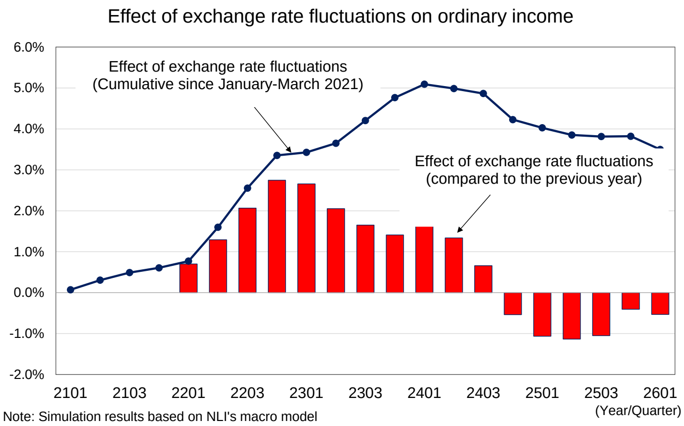
According to the June 2024 BOJ Tankan survey, the FY2024 current profit plan (all sizes, all industries) predicts a decrease of 7.5% year-over-year, with the assumed exchange rate for FY2024 set at ¥144.77 to the dollar across all sizes and industries. Since 2021, the actual exchange rate has been weaker than the assumed rate, resulting in upward revisions to earnings forecasts. For example, the assumed exchange rate for FY2023 was originally ¥131.72 to the dollar (as of March 2023), whereas the actual exchange rate was greater than 10 yen weaker than this figure (¥144.6 to the dollar FY2023 average) This resulted in a significant upward revision of current profits from the initially forecasted -2.6% to a revised 12.4% year-over-year.



Note: Actual rates are quarterly averages. Revised rates for estimated exchange rates and ordinary income are for all businesses and industries.
Source: "Nationwide Short-Term Economic Survey of Enterprises," Bank of Japan.

Although the current exchange rate is slightly weaker than the assumed rate, once the actual rate surpasses the assumed rate, the risk of downward revisions to corporate earnings increases.

This forecast assumes that the US will begin lowering interest rates in September 2024 while Japan raises its policy rate (unsecured overnight call rate) from the current 0.25% to 0.75% by the end of FY2025, leading to yen appreciation to 136 yen to the dollar by the end of FY2025.



Note: Simulation results based on NLI's macro model
Actual exchange rates were used for values up to 24/02, and NLI forecasts were used from 24/03 onward.

Using our macroeconomic model, we estimate that the impact of exchange rate fluctuations on current profits from 2021 onward has consistently positive due to yen depreciation. However, this cumulative boost is expected to peak in the January-March quarter of 2024, begin to decline, and become negative on a year-over-year basis from the October-December 2024 quarter onward.

(Limited Impact of Yen Appreciation on Exports)

Since 2021, exports have remained relatively flat despite the significant depreciation of the yen. This stagnation is partially the result of a slowdown in overseas economies, supply constraints such as semiconductor shortages, and the shutdown of automobile plants due to the certification fraud issue. In addition, exports may have become less sensitive to exchange rate fluctuations. For example, companies previously tended to lower contract currency prices during periods of yen depreciation to boost export volumes and expand their overseas market share. However, during the current yen depreciation phase, which bottomed out in the April-June quarter of 2020, the export price index in contract currency terms has continued to rise, indicating that companies are maintaining prices to secure revenue in value terms as opposed to increasing export volumes.

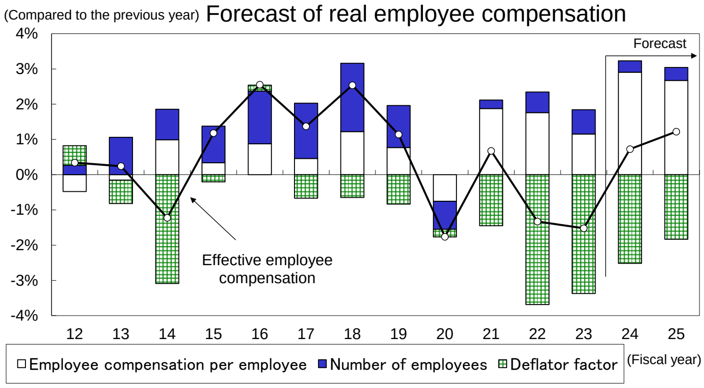
The increase in price competitiveness due to yen depreciation did not lead to a significant rise in export volumes; therefore, the downward pressure on export volumes from yen appreciation is also expected to be

limited. The major determinant of future exports will more likely be the income factor, namely the growth rate of overseas economies.
In terms of overseas economic conditions, US real GDP growth is expected to slow from 2.5% in 2024 to 1.6% in 2025, partly due to the cumulative effects of monetary tightening. In contrast, real GDP growth in the Eurozone (0.4% year-over-year in 2023), is expected to gradually recover to 0.7% in 2024 and 1.4% in 2025, although a strong recovery is not anticipated. China's real GDP growth accelerated from 3.0% in 2022 to 5.2% in 2023 due to the cancellation of the zero-COVID policy; however, this growth is expected to decelerate to 4.8% in 2024 and 4.3% in 2025, reflecting the ongoing slowdown in the real estate market. Overall, overseas economies are expected to recover moderately through FY2025, although the growth rates will remain at low levels.
The global adjustment in IT-related goods appears to be reaching a turning point, which is an encouraging sign. For example, global semiconductor sales, which have been declining year-over-year since the summer of 2019 and bottomed out in the spring of 2023, are now showing double-digit growth year-over-year. In addition, the domestic balance of shipments and inventories of electronic components and devices (shipments year-over-year minus inventories year-over-year) was positive in the July-September quarter of 2023 for the first time in eight quarters and remained positive for the next four consecutive quarters. Although export growth is unlikely to accelerate significantly due to continued low growth in overseas economies, the recovery trend is expected to continue, especially in IT-related goods. The GDP statistics relating to the exports of goods and services are forecasted to rise moderately by 2.0% year-over-year in FY2024 and 2.8% in FY2025.

(Wage Rate from the 2024 Spring Wage Negotiations Increases to 5% for the First Time in 33 Years)
According to the "Status of Spring Wage Hike Demands and Compensation Results of Major Private Corporations" released by the Ministry of Health, Labour and Welfare on August 2, 2024, the wage increase rate for 2024 was 5.33%. This corresponds to a 1.73 percentage point boost from the 3.60% reported in 2023, marking the first time since 1991 (5.65%) that the rate has exceeded 5%. Furthermore, RENGO's "2024 Spring Wage Struggle Final Response Tabulation Results" states that the average wage increase in 2024 was 5.10% and the "portion of wage increase" that corresponded to the base increase was 3.56% (2.12% in 2023). The real wage growth rate (nominal wages adjusted for consumer prices) has been negative since April 2022, but turned positive in June 2024, marking the first positive figure in two years and three months. However, this June turnaround was mainly due to a significant 7.6% year-over-year increase in special cash earnings, while regular cash earnings (scheduled earnings plus overtime earnings) remained negative, with a -1.1% year-over-year change in real terms. Most summer bonuses are paid in June and July; however, according to the Monthly Labour Survey, more establishments paid their summer bonuses in June compared to the previous year, which may have contributed to the high growth in special cash earnings in June. Special payroll growth is expected to slow significantly in July and possibly result in negative real wage growth.

Real wage growth is predicted to stabilize and become positive from October to December 2024 onward, as the results of the 2024 Spring Wage Negotiations are reflected, with nominal wage growth (total cash earnings) led by scheduled earnings expected to be in the 3% range year-over-year. Meanwhile, the consumer price index (excluding imputed rent), which is currently approximately 3%, is expected to approach 2% range. The current forecast assumes that the wage hike rate in the 2025 Spring Wage Negotiations will slow to 4.50%, which is lower than the 2024 rate, but higher than that of 2023 (3.60%). Although yen appreciation will dampen corporate earnings growth, the continued strong sense of labor shortages in the corporate sector and the high consumer price index are expected to boost the wage hike rate.

Nominal employee compensation increased by 1.9% year-over-year in FY2023, marking the third consecutive year of growth. However, real employee compensation declined by 1.5% year-over-year for the second consecutive year due to high consumer price inflation. Nominal employee compensation is expected to maintain strong growth by increasing 3.2% year-over-year in FY2024 and 3.1% year-over-year in FY2025. Similarly, real employee compensation is forecasted to increase 0.7% year-over-year in FY2024, the first increase in three years, and 1.2% year-over-year in FY2025, supported by a slower rate of price increases.



Sources: "Quarterly Estimates of GDP," Cabinet Office; "Labour Force Survey," Statistics Bureau, Ministry of Internal Affairs and Communications.

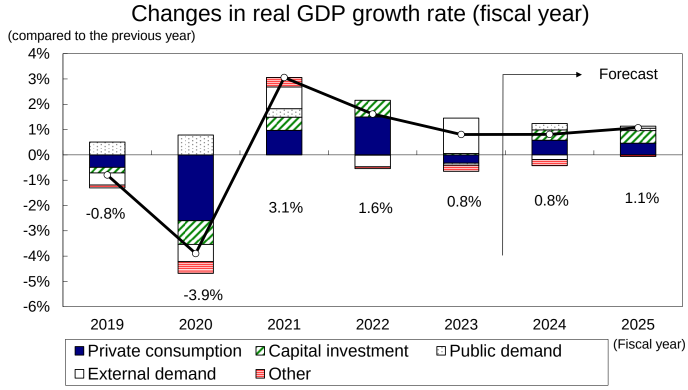
2. Real growth rate forecasted to be 0.8% in FY2024 and 1.1% in FY2025

(Higher Growth Expected in the July-September Quarter of 2024 Due to Tax Cuts)

In the April-June quarter of 2024, the automobile production sector recovered and contributed to an increase in private consumption and capital investment, leading to a 3.1% positive growth on an annualized basis. Continued strong growth is expected for the July-September quarter, as private consumption is projected to increase 0.9% from the previous quarter, supported by the income and resident tax cuts implemented in June, resulting in an annualized growth rate of 2.8%.

Although the effect of the tax cuts is temporary, real disposable income is expected to increase on a sustained basis from the October-December quarter onward, driven by stable positive real wage growth, which is expected to support consumption. Capital investment struggled in FY2023 but is showing signs of recovery as a result of strong corporate earnings. From the second half of FY2024 onward, growth is expected to continue at approximately 1% per year, which is slightly above the potential growth rate of the upper zero percent range, driven primarily by domestic private demand.

The real GDP growth rate in FY2023 was 0.8%, with domestic demand contributing -0.6%, marking the first negative contribution in three years. However, the decline in imports by 3.2% year-over-year due to weak domestic demand resulted in a 1.4% positive contribution from external demand, which significantly boosted the growth rate. In FY2024 and FY2025, while private consumption and capital investment are expected to drive domestic demand, the positive impact of external demand is expected to decrease as imports increase, and real GDP is forecasted to be 0.8% and 1.1% for those years, respectively. Growth is expected to remain centered on domestic demand in the future.



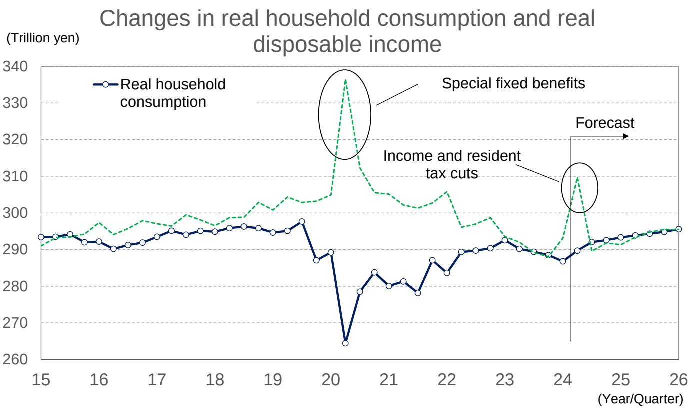
Source: "Quarterly Estimates of GDP," Economic and Social Research Institute, Cabinet Office.

(Personal Consumption Driven by Disposable Income)

The household savings rate surged to 21.1% in the April-June quarter of 2020 due to the sharp drop in consumption following the state of emergency declaration in April 2020 and the significant increase in disposable income due to the provision of special cash payments. Subsequently, the easing of behavioral restrictions and rising prices caused the savings rate to decline to approximately 0% in 2023 as consumption rebounded. However, the rate increased to 2.1% in the January-March quarter of 2024 (from -0.3% in the October-December quarter of 2023) due to continued sluggish consumption and the increased benefits for low-income earners included in the economic stimulus package in November 2023.

In the April-June quarter of 2024, disposable income was significantly boosted by reductions in income and resident taxes, which are predicted to lead to a further increase in the household savings rate. In the July-September quarter, the savings rate is expected to decline sharply as a portion of these tax cuts is spent, and the rate will likely remain slightly below the pre-COVID-19 level (average 1.2% in 2019) thereafter.

The boost to consumption from the income and resident tax cuts will be temporary, while future consumption will be driven by the underlying trend in real disposable income, excluding temporary factors. While real disposable income is currently below pre-COVID-19 levels, due to the impact of inflation, it is expected to remain firm going forward, mainly due to an acceleration in the pace of nominal wage growth and an increase in real employee compensation as the rate or price inflation slows.



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

Private consumption declined by 0.6% year-over-year in FY2023, which was the first decline in three years. Moderate growth of

1.1% in FY2024 and 0.9% in FY2025 is expected for this factor. Although the growth in real employee compensation is predicted to be modest in FY2024, disposable income will be elevated by the income and resident tax cuts. The effects of the tax cuts will dissipate in FY2025; however, stronger growth in real employee compensation is expected to contribute to an increase in real disposable income.

(Outlook for Prices)

Consumer prices (excluding fresh food, hereinafter referred to as "core CPI") escalated by 4.2% year-over-year in January 2023, and this was the largest increase since September 1981 (41 years and 4 months). Subsequently, government measures to alleviate the burden of electricity and city gas bills have reduced prices to the 2% range, where they have been maintained since September 2023.

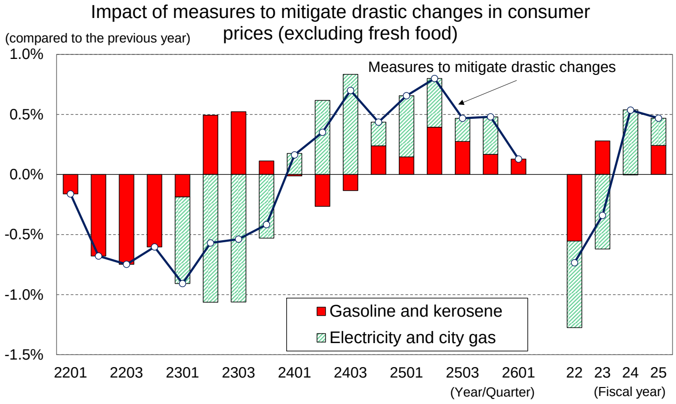
Energy prices turned positive in April 2024 for the first time in a year and three months. Following this, they rose sharply in May and June due to an increase in the unit price of the renewable energy generation levy and a reduction in discounts under the drastic price reduction measures for electricity and gas. These drastic easing measures are expected to temporarily end in July, at which time energy prices are predicted to show double-digit year-over-year growth. From September to November (for usage from August to October), the "Support Measures to Overcome Severe Summer Heat" are expected to significantly lower electricity and city gas bills, leading to a slowdown in energy price growth. However, once these support measures end in December, the growth rate is expected to recover.

The drastic easing measures implemented by the government for gasoline, kerosene, and other fuels are scheduled to expire at the end of 2024; however, since the current gasoline retail price is approximately 190 yen per liter without subsidies and this is well above the government's target of 175 yen per liter, it is likely that these measures will continue into 2025.

Currently, it is assumed that the support measures for electricity and city gas will continue until November 2024, the drastic easing measures for gasoline, kerosene, and other fuels will remain in place until the end of FY2024, and the subsidy rates will be reduced in FY2025.

The drastic easing measures had a downward impact on the core CPI growth rate until the October-December quarter of 2023. However, this reversed in the January-March quarter of 2024, and the impact of the end of these measures for electricity and city gas bills is expected to increase the growth rate by approximately 0.7% in the July-September quarter of 2024. In September-November 2024, the "Support Measures to Overcome Severe Summer Heat" will lower electricity and city gas prices, but

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 impact year-over-year will remain positive as the support measures implemented in the previous year had lowered the price level during that term.

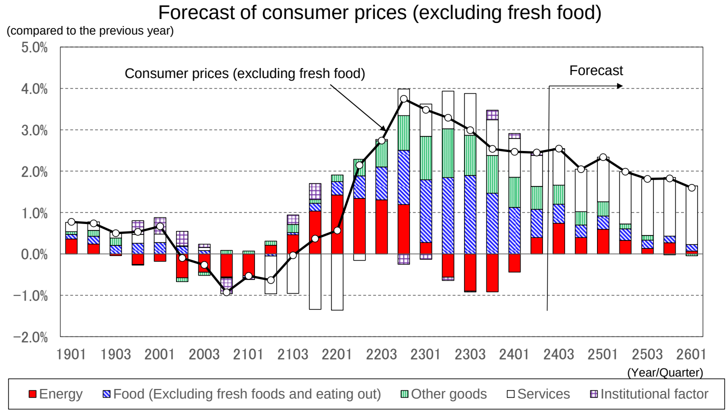
On a fiscal year basis, the impact of the drastic easing measures on the core CPI growth rate was -0.7% in FY2022 and -0.3% in FY2023 and is predicted to be 0.5% in FY2024 and 0.5% in FY2025.

The core CPI growth rate is predicted to temporarily fall below 2% in October 2024 due to the slowdown in electricity and city gas growth under the "Support Measures to Overcome Severe Summer Heat"; however, once the support measures end, the rate is expected to return to the 2% range. Thereafter, the growth rate of core CPI is expected to continue decreasing, as the slower rate of increase in goods prices due to yen appreciation offsets the rise in service prices driven by wage increases. As a result, the core CPI growth rate for FY2025 is predicted to fall below the 2% inflation rate targeted by the Bank of Japan.

The price increase in FY2022 was mainly due to the rise in goods prices, particularly those of energy and food (excluding fresh food and eating out). In FY2023, the rate of increase in service prices rose, and the focus of price increases began to shift from goods to services. From the second half of FY2024 to FY2025, the contribution of services to the consumer price index is expected to exceed that of goods.

The core CPI is forecasted to be 2.3% in FY2024 and 1.8% in FY2025, following a 2.8% year-over-year increase in FY2023. The core-core CPI (excluding fresh food and energy) is predicted to be 2.0% in FY2024 and 1.7% in FY2025, following a 3.9% year-over-year increase in FY2023.

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,%)

	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 Actual	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	Previous forecast(2024.6) FY 2024 Forecast	Previous forecast(2024.6) FY 2025 Forecast
Real GDP	1.6	0.8	0.8	1.1	0.6	- 1.0	0.1	- 0.6	0.8	0.7	0.2	0.3	0.2	0.3	0.2	0.3	0.7	1.1
					2.4	- 4.0	0.3	- 2.3	3.1	2.8	0.8	1.1	0.8	1.3	0.9	1.0		
					2.0	1.3	0.9	- 0.9	- 0.8	1.0	1.0	2.0	1.3	1.0	1.0	1.0		
Contribution to domestic demand	(2.1)	(- 0.6)	(1.0)	(1.0)	(- 1.1)	(- 0.7)	(- 0.1)	(- 0.1)	(0.9)	(0.5)	(0.1)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.5)	(1.1)
Private demand	(2.1)	(- 0.5)	(0.8)	(0.9)	(- 0.8)	(- 0.8)	(0.0)	(- 0.2)	(0.6)	(0.5)	(0.1)	(0.3)	(0.2)	(0.3)	(0.1)	(0.2)	(0.4)	(1.0)
Public demand	(- 0.0)	(- 0.1)	(0.2)	(0.1)	(- 0.2)	(0.0)	(- 0.1)	(0.0)	(0.2)	(0.1)	(0.0)	(- 0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)	(0.1)
Contribution to external demand	(- 0.5)	(1.4)	(- 0.2)	(0.1)	(1.7)	(- 0.3)	(0.2)	(- 0.5)	(- 0.1)	(0.2)	(0.1)	(0.0)	(- 0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Private final consumption expenditure	2.7	- 0.6	1.1	0.9	- 0.8	- 0.3	- 0.3	- 0.6	1.0	0.9	0.1	0.2	0.2	0.2	0.1	0.2	0.4	1.2
Private residential investment	- 3.3	0.3	- 2.0	- 0.4	1.4	- 1.2	- 1.1	- 2.6	1.6	- 0.9	- 0.3	0.3	0.3	- 0.4	- 0.4	- 0.7	- 3.1	- 0.9
Private nonresidential investment	4.1	0.3	2.5	3.0	- 2.1	- 0.1	2.1	- 0.4	0.9	0.6	0.5	0.9	0.9	0.7	0.6	0.7	2.5	2.7
Government final consumption expenditure	1.4	- 0.5	0.5	0.2	- 1.2	0.6	- 0.1	0.3	0.1	0.2	0.0	- 0.0	0.1	0.0	0.1	- 0.0	0.1	0.1
Public investment	- 6.1	0.7	3.0	1.2	1.0	- 1.9	- 1.7	- 1.1	4.5	0.3	0.3	0.1	0.3	0.3	0.6	0.3	3.2	0.9
Exports of goods & services	4.9	2.8	2.0	2.8	3.2	0.1	3.0	- 4.6	1.4	2.4	1.3	0.7	0.3	0.4	0.7	0.6	3.1	3.3
Import of goods & services	7.3	- 3.2	3.0	2.5	- 4.1	1.3	2.0	- 2.5	1.7	1.6	0.7	0.7	0.6	0.3	0.5	0.4	2.5	3.0
Nominal GDP	2.5	4.9	3.1	2.5	2.0	- 0.1	0.7	- 0.2	1.8	0.7	0.5	1.3	0.3	0.6	0.1	1.0	2.8	2.6

(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.

< Main 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 2024	FY 2025
Industrial production (QoQ)	- 0.3	- 1.9	0.3	1.6	1.3	- 1.4	1.1	- 5.2	2.7	1.7	0.3	0.2	0.3	0.4	0.3	0.3	0.4	1.6
Domestic Corporate Goods Prices (YoY)	9.5	2.3	2.2	0.5	5.0	3.0	0.6	0.7	2.3	2.7	2.2	1.9	0.9	0.4	0.3	0.3	1.7	0.4
Consumer Prices (YoY)	3.2	3.0	2.4	1.8	3.3	3.2	2.9	2.5	2.7	2.5	2.0	2.3	2.0	1.8	1.8	1.6	2.5	1.8
Consumer Prices (excluding fresh food)	3.0	2.8	2.3	1.8	3.3	3.0	2.5	2.5	2.4	2.5	2.0	2.3	2.0	1.8	1.8	1.6	2.5	1.8
Current account balance (¥trillion)	9.1	25.1	27.4	26.5	23.4	24.4	26.5	23.2	26.8	25.8	28.6	28.2	27.7	26.7	26.2	25.3	28.0	28.5
(Ratio to nominal GDP)	(1.6)	(4.2)	(4.4)	(4.2)	(3.9)	(4.1)	(4.4)	(3.9)	(4.4)	(4.2)	(4.6)	(4.5)	(4.4)	(4.3)	(4.2)	(4.0)	(4.6)	(4.5)
Unemployment rate (%)	2.6	2.6	2.6	2.4	2.6	2.6	2.5	2.5	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.3
Housing starts (10 thousand)	86.1	80.0	80.2	78.8	81.8	80.0	80.3	78.6	81.9	79.9	79.4	79.5	79.5	79.1	78.7	78.1	80.0	79.4
Call Rate (target rate)	--	0.10	0.50	0.75	--	--	--	0.10	0.10	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.25	0.50
10-year government bond rate (over-the-counter quotation)	0.3	0.6	1.0	1.3	0.4	0.6	0.8	0.7	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.1	1.3
USD/JPY	135	145	148	139	137	145	148	149	156	150	144	143	141	139	138	136	152	141
Crude oil price (CIF, Dollar/Barrel)	102	86	85	83	83	83	93	84	87	87	85	82	82	83	84	84	85	84
Ordinary profit (YoY)	8.8	14.6	7.3	3.9	11.6	20.1	13.0	15.1	6.8	7.6	9.7	5.6	4.3	3.4	4.0	3.7	7.0	5.3

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 24/4-6 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	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	1.9	2.5	2.5	1.6	2.2	2.1	4.9	3.4	1.4	2.8	1.5	1.3	1.5	1.5	1.7	1.7
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	5.50	5.25	4.75	4.50	4.25	4.00	3.75
10 year JGB interest rate	Average,%	3.0	3.9	4.2	3.7	3.6	3.7	4.1	4.3	4.2	4.5	4.1	4.0	3.9	3.8	3.6	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	Actual	Rivised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	3.5	0.4	0.7	1.4	0.0	0.5	0.2	0.0	1.1	1.2	1.1	1.3	1.7	1.6	1.5	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,%	1.1	2.4	2.3	2.1	2.3	2.4	2.6	2.5	2.3	2.5	2.3	2.2	2.1	2.1	2.0	2.0
EUR/USD	Average, Dollars	1.05	1.08	1.09	1.11	1.07	1.09	1.09	1.08	1.09	1.08	1.09	1.10	1.10	1.10	1.11	1.12