Economist Letter

Japan's Economic Outlook for Fiscal Years 2024–2026 (November 2024)

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＜Real Growth Rate: Forecasted at 0.4% for FY2024, 1.1% for FY2025, and 1.2% for FY2026＞

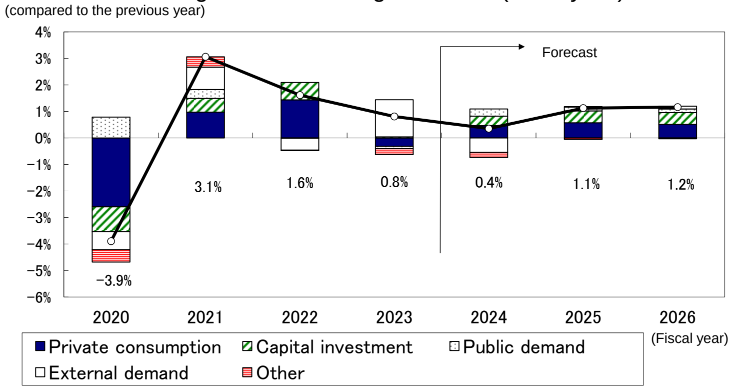
1．In the July–September quarter of 2024, Japan's real GDP grew by 0.9% on an annualized basis from the previous quarter, marking the second consecutive quarter of positive growth. The primary driver was strong private consumption growth supported by income and resident tax cuts.

2．Looking ahead, although the effects of the tax cuts are expected to diminish, an increase in real disposable income driven by recovery in real wages will likely support consumption. While capital investment remains in a state of fluctuation, the recovery trend is expected to persist, underpinned by high corporate earnings.

3．Real GDP growth is forecasted to be 0.4% in FY2024, 1.1% in FY2025, and 1.2% in FY2026. Although exports are unlikely to act as a key driver of economic growth in the near term, firm domestic demand is expected to maintain the recovery trend. Potential downside risks include a sharp slowdown in the global economy triggered by the economic policies of President-elect Trump and a decline in consumption caused primarily by a slump in real incomes due to rising prices.

4．The consumer price index (excluding fresh food) is forecasted to increase by 2.6% in FY2024, 2.0% in FY2025, and 1.7% in FY2026. While the pace of price increases is expected to accelerate toward the end of FY2024 as inflation mitigation measures are scaled back, this acceleration is anticipated to moderate after the effects of these measures subside. During the second half of FY2025, the upward pressure on service prices from wage increases will likely be offset by a slowdown in goods price growth driven by yen appreciation, causing the inflation rate to fall below the Bank of Japan's 2% target.

Changes in real GDP growth rate (fiscal year)



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

1. The July–September Quarter of 2024 Achieved 0.9% Positive Growth on an Annualized Basis

In the July–September quarter of 2024, Japan's real GDP grew by 0.2% from the previous quarter (0.9% on an annualized basis), marking the second consecutive quarter of positive growth. While private residential investment (-0.1% from the previous quarter) and capital investment (-0.2% from the previous quarter) showed slight declines, private consumption increased by a strong 0.9%, supported by an increase in disposable income resulting from income and resident tax cuts. With the downward pressure from rising prices, summer consumption faced further constraints from temporary train suspensions, travel cancellations, and factory shutdowns caused by typhoon activity and the Nankai Trough Earthquake Advisory. However, the income and resident tax cuts implemented since June have significantly boosted household disposable income, supporting consumption.

Exports grew by only 0.4% from the previous quarter, falling short of the 2.1% growth in imports. As a result, net external demand contributed negatively to growth (-0.4%). Nevertheless, increases in both private demand and public demand led to a positive contribution from domestic demand (+0.6%), outweighing the drag from external demand.

(Exports Continue a Modest Upward Trend.)
The global trade volume turned positive year-on-year after entering 2024 and has gradually gained momentum, while Japan's exports have remained flat.

Looking ahead at overseas economies, which will influence the outlook for Japanese exports, the real GDP growth rate of the U.S. is expected to slow from 2.9% in 2023 to 2.7% in 2024, but still well above the potential growth rate. However, cumulative monetary tightening, along with President-elect Trump's pledged tariff hikes and inflationary pressures from the deportation of illegal immigrants, is expected to slow U.S. growth to 1.8% in 2025 and 1.4% in 2026. In the euro area, which recorded a low growth of 0.4% in 2023, inflation stabilization is anticipated to lead to a gradual recovery, with growth improving to 0.8% in 2024 and 1.4% in both 2025 and 2026. However, growth is expected to remain moderate compared to the sharp contraction during the COVID-19 crisis. In China, real GDP growth accelerated from 3.0% in 2022 to 5.2% in 2023 following the end of the zero-COVID-19 policy. However, growth is forecasted to decelerate to 4.7% in 2024, 4.2% in 2025, and 4.0% in 2026, reflecting a sluggish real estate market and slow improvements in employment and income conditions. Overall, while the global economy is expected to recover modestly through 2026, growth is likely to remain subdued.

On a brighter note, the global recovery in demand for IT-related goods continues. Global semiconductor sales, which had been declining year-on-year since the summer of 2019 and bottomed out in the spring of 2023, have recently achieved growth of over 20% year-on-year.
Although low global economic growth limits the potential for a sharp acceleration in export growth, Japan's exports are expected to show a gradual recovery, particularly exports of IT-related goods. In GDP statistics,

exports of goods and services are forecasted to grow moderately by 1.5% year-on-year in FY2024 and by 2.9% in both FY2025 and FY2026.

(Summer Bonuses Significantly Boosted Wages.)
Total cash earnings (per capita) grew by a robust 3.1% year-on-year in the July–September quarter of 2024, following a 3.0% increase in the April–June quarter. This reflects the results of the 2024 spring labor negotiations, which saw the highest wage increases in 33 years, as well as a significant rise in summer bonuses, boosting total cash earnings.

According to the Ministry of Health, Labour, and Welfare's November 7th announcement, summer bonuses in 2024 increased by 2.3% year-on-year, marking the third consecutive year of growth. However, this figure represents the average for workers at establishments that paid bonuses. When all establishments are included, the average bonus per worker grew by a substantial 5.7% year-on-year. This was due to an increase in the percentage of establishments paying bonuses, from 65.9% in 2023 to 73.0% in 2024, as well as a rise in the proportion of workers employed at such establishments from 80.0% to 84.3%. Many small- and medium-sized enterprises likely decided to pay bonuses amid improved corporate earnings and severe labor shortages.

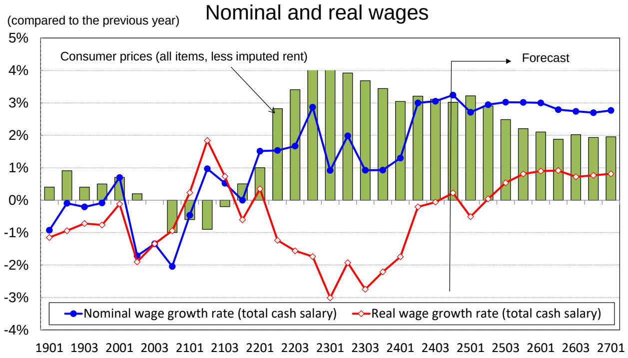
The real wage growth rate, calculated by adjusting nominal wages for consumer price inflation, turned positive for the first time in two years and three months in June 2024 (+1.1% year-on-year), followed by a 0.3% increase in July. However, these positive results were mainly driven by significant increases in special cash earnings (bonuses). In August (-0.8% year-on-year) and September (-0.1%), when fewer bonuses were paid, real wages turned negative again. Real wage growth is expected to turn positive again in October, primarily due to a slowdown in electricity and city gas price inflation under the "Emergency Assistance for Overcoming Severe Summer Heat" program, and in December, driven by strong year-end bonuses. However, after the program ends, inflation is likely to rise again, delaying sustained and stable real wage growth until after the start of FY2025.

(The Rate of Increase in Spring Wages in 2025 is Expected to Remain in the 5% Range for the Second Consecutive Year.)
The rate of wage increase in the 2024 spring labor negotiations was 5.33% (Ministry of Health, Labour and Welfare, "Spring Wage Demands and Compensation of Major Private Corporations"), the highest in 33 years. In 2025, the labor market is expected to remain tight, with the effective job openings-to-applicants ratio staying well above 1.0 and the unemployment rate hovering at the mid-2% range. In addition, ordinary income (seasonally adjusted) in the Financial Statements Statistics of Corporations by Industry continues to set new records, while consumer price inflation remains elevated.

In its basic policy announced on October 18, RENGO stated that it would again demand wage increases of 5% or more (including regular salary increases) in 2025, and that small- and medium-sized labor unions would actively seek additional increases to address wage disparities. Based on this context, the current forecast assumes that the rate of spring wage increase for 2025 would be 5.20%, maintaining a high level in the 5% range for the second consecutive year.

Nominal wages are forecasted to grow by approximately 3% year-on-year. However, given the volatility of consumer prices due to policy changes, real wages are expected to alternate between positive and negative growth in the short term. Sustained and stable positive real wage growth is not anticipated until the July–September quarter of 2025, when consumer price inflation (excluding imputed rent of owner-occupied houses), currently around 3%, is expected to decelerate to the mid-2% range.

Nominal and real wages

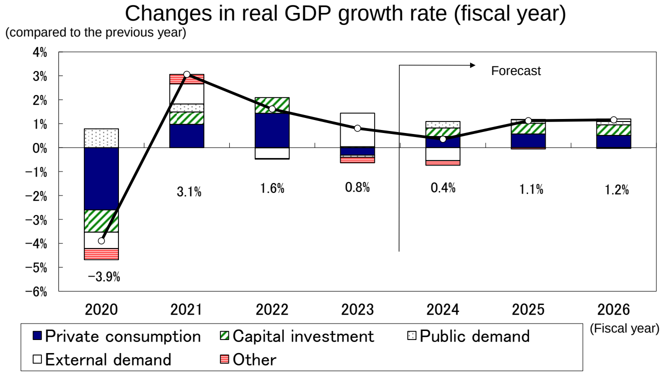


Note: Real wages = Nominal wages/Consumer prices (all items, less imputed rent)
Source: "Monthly Labor Survey(business establishment size of 5 or more)," Ministry of Health, Labor and Welfare.

2. The Real Growth Rate is Forecasted at 0.4% in FY2024, 1.1% in FY2025, and 1.2% in FY2026

(Growth Rate Expected to Remain Around 1% Annually.)
Real GDP in the July–September quarter of 2024 recorded positive growth for the second consecutive quarter, primarily driven by strong growth in private consumption supported by the effects of income and resident tax cuts. Looking ahead, while the effects of the tax cuts are expected to wane, recovery in real wages and a resulting increase in real disposable income are anticipated to underpin consumption. Although capital investment remains stagnant with ups and downs, it is expected to continue its recovery trend, supported by high corporate earnings. Starting in the second half of FY2024, growth driven by domestic private demand is forecasted to slightly exceed the potential growth rate, around the upper-zero-percent range, while maintaining an annual rate of approximately 1%.

Changes in real GDP growth rate (fiscal year)



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

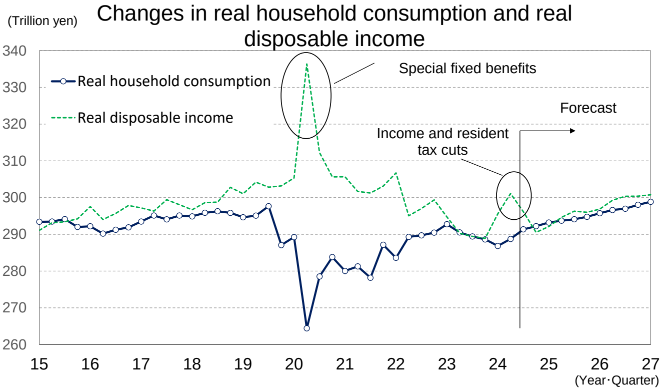
The real GDP growth rate is forecasted to be 0.4% in FY2024, 1.1% in FY2025, and 1.2% in FY2026. Downside risks include a potential sharp slowdown in the global economy caused by President-elect Trump's economic policies and a decline in consumption stemming from reduced real incomes due to rising prices.

(Personal Consumption Dependent on Disposable Income.)
The household savings rate surged to 21.1% in the April–June quarter of 2020, reflecting a sharp drop in consumption caused by the state of emergency declaration in April 2020 and a significant increase in disposable income due to special fixed benefits. Subsequently, the savings rate declined as a result of

recovery in consumption driven by the easing of behavioral restrictions and the impact of rising prices, remaining close to 0% throughout 2023. After entering 2024, disposable income increased significantly due to benefits for low-income households and income and resident tax cuts. However, consumption growth remained moderate, leading to an increase in the savings rate up to 3.7% in the April–June quarter of 2024. Although the household savings rate for the July–September quarter has not yet been published, considering the strong consumption growth, it is likely to have fallen significantly to around 1%, a level comparable to that in the pre-COVID-19 period.

Thus, future consumption will largely depend on the fundamental trend of real disposable income, excluding temporary factors. After a temporary decline due to the fading effects of income and resident tax cuts, real disposable income is expected to remain solid, primarily supported by high nominal wage growth and an increase in real employee compensation caused by a slowdown in inflation. Private consumption, which declined by 0.6% year-on-year in FY2023 for the first time in three years, is forecasted to increase moderately by 0.9% in FY2024, 1.1% in FY2025, and 1.0% in FY2026. In FY2024, growth in real employee compensation will remain modest, but income and resident tax cuts will boost disposable income. From FY2025 onward, while the effects of tax cuts will dissipate, stronger growth in real employee compensation will contribute to an increase in real disposable income.

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.

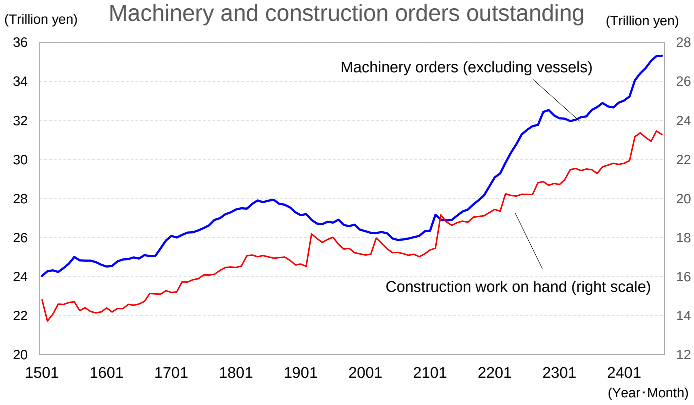
(Labor Shortages Restrain the Pace of Capital Investment Recovery.)

Capital investment grew by only 0.3% year-on-year in FY2023 but is forecasted to recover gradually, with an expected growth of 2.2% in FY2024, 2.7% in FY2025, and 2.6% in FY2026.

According to the September 2024 Bank of Japan Tankan Survey, capital investment plans for FY2024 (covering all sizes and industries, including software and R&D investment, but excluding land investment) were revised downward by 0.5% from the June survey. However, the year-on-year growth rate remained high at 10.1%.

Within capital investment, machinery orders, a leading indicator of machinery investment, and construction work orders, a leading indicator of construction investment, have remained flat. However, the backlog of machinery and

Machinery and construction orders outstanding



Source: "Machinery Order Statistics," Cabinet Office; "Construction Order Dynamics (Survey of 50 Major Companies)," Ministry of Land, Infrastructure and Transport.

construction orders has continued to increase. While the high order backlog suggests future expansion of capital investment, it may also reflect supply-side constraints such as labor shortages, which have delayed machinery production and construction progress.

Capital investment is expected to continue its recovery, supported by strong corporate earnings. Key drivers include labor-saving investments to address labor shortages, IT-related investments for digitalization, and construction investments associated with the expansion of e-commerce. However, the pace of increase is likely to remain moderate due to supply-side constraints, such as labor shortages, which are acting as a limiting factor in capital investment.

(Outlook for Prices)
Consumer prices (excluding prices of fresh food, hereafter core consumer price index [CPI]) have been significantly influenced by various policy measures since the COVID-19 pandemic, making it challenging to discern the underlying trend.

Policies affecting consumer prices during this period include the “Go To Travel Project” (July–December 2020) and “National Travel Assistance” (October 2022–July 2023) aimed at stimulating travel demand, as well as measures implemented to combat rising prices, such as the “Mitigation Measures for Drastic Changes in Fuel Oil Prices” (from January 2022) and the “Measures to Mitigate Drastic Changes in Electricity and Gas Prices” (from February 2023). These policies suppressed the year-on-year growth rate of consumer prices during their implementation but worked to raise prices once their effects subsided.

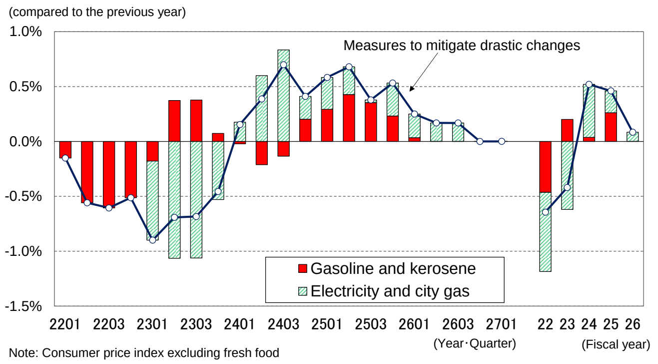
Estimates suggest that the impact of these policies on core CPI growth acted as a suppressing factor for approximately two years starting in January 2022. However, since February 2024, the reduction in electricity and city gas price discounts and the temporary suspension of policies have turned these into upward factors. For instance, the “Measures to Mitigate Drastic Changes in Electricity and Gas Prices” ended with usage through May 2024 (billed in June), and the “Emergency Assistance for Overcoming Severe Summer Heat” began for usage in August–October 2024. However, the reduced discounts compared to the same period in the previous year have contributed to the upward pressure on the year-on-year growth rate of core CPI.

Looking ahead, core CPI growth will likely continue to be influenced by policy measures. Currently, support measures for electricity and city gas prices are in effect until usage in October 2024 (billed in November), and mitigation measures for gasoline and kerosene are set to continue through the end of 2024. However, the economic stimulus package to be formulated in November is highly likely to include the resumption of support for electricity and city gas prices and an extension of mitigation measures for gasoline and kerosene.

Under the current outlook, support measures for electricity and city gas prices are expected to resume for usage starting in January 2025 (billed in February) and continue through August 2025 (billed in September), with a reduction in discounts starting in March. Mitigation measures for gasoline and kerosene are assumed to gradually phase out subsidies, with the price ceiling raised from the current 175 yen to 185 yen over two months starting in December 2024, before termination.

The upward impact of these energy-related measures on consumer prices is estimated to narrow from approximately 0.7% in the July–September quarter of 2024 to about 0.4% in the October–December quarter but will likely expand again after entering 2025 due to the reduction in subsidies or cessation of subsidy policies. On a fiscal-year basis, the impact of energy-related measures on core CPI growth was a suppressing factor in FY2022 (around -0.6%) and FY2023 (-0.4%). However, they are expected to act as upward factors from FY2024 onward, contributing approximately 0.5% in FY2024 and FY2025 and 0.1% in FY2026.

Impact of measures to mitigate drastic changes in consumer prices



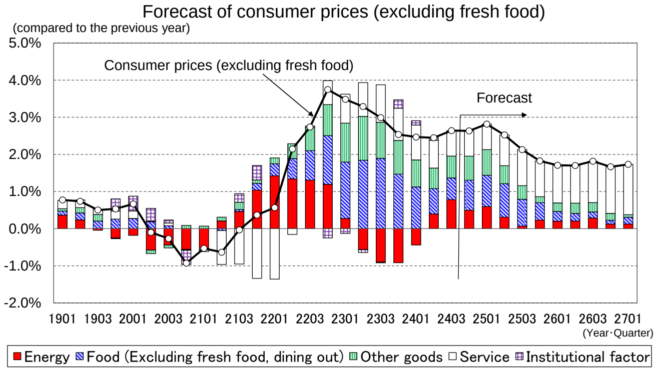
Note: Consumer price index excluding fresh food

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

The core CPI growth rate is forecasted to rise rapidly from the low 2% range to approximately 3% in December 2024, following the conclusion of the "Emergency Assistance for Overcoming Severe Summer Heat." However, it is expected to slow after February 2025, when support measures for electricity and city gas prices are anticipated to resume. Nonetheless, the smaller discounts on electricity and city gas prices compared to those in the summer of 2024, coupled with reduced subsidies for gasoline and kerosene, will accelerate energy price growth from late 2024 to early 2025. As a result, core CPI growth is expected to remain in the 2% range for the time being, falling below the Bank of Japan's price target of 2% only in the second half of FY2025, primarily due to a slowdown in goods price increases caused by yen appreciation.

Goods prices, particularly those related to energy, will likely remain volatile due to policy factors. However, they are expected to gradually decelerate as lower import prices from the yen appreciation take effect. Meanwhile, service prices, which had been growing at a rate of over 2% since the second half of FY2023, have slowed to the mid-1% range in FY2024. Nevertheless, with high wage growth expected to continue beyond 2025, the pace of service price increases is likely to accelerate again as rising labor costs are passed on to prices. Between FY2025 and FY2026, service prices are expected to contribute more to consumer price growth than goods prices.

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.

Core CPI is forecasted to increase by 2.8% year-on-year in FY2023, followed by 2.6% in FY2024, 2.0% in FY2025, and 1.7% in FY2026. Core-core CPI (excluding fresh food and energy) is forecasted to grow by 3.9% in FY2023, then slow to 2.3% in FY2024, 2.0% in FY2025, and 1.7% in FY2026.

Outlook for the Japanese economy

(Units,%)

	FY 2023 Actual	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	24/4-6 Actual	24/7-9 Actual	24/10-12 Forecast	25/1-3 Forecast	25/4-6 Forecast	25/7-9 Forecast	25/10-12 Forecast	26/1-3 Forecast	26/4-6 Forecast	26/7-9 Forecast	26/10-12 Forecast	27/1-3 Forecast	Previous forecast(2024.9) FY 2024 Forecast	FY 2025 Forecast
Real GDP	0.8	0.4	1.1	1.2	0.5	0.2	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.7	1.1
					2.2	0.9	1.4	1.3	0.9	1.0	1.1	1.2	1.3	0.9	1.3	1.2		
					- 1.1	0.3	0.5	1.6	1.2	1.2	1.1	1.1	1.1	1.1	1.2	1.2		
Contribution to domestic demand	(- 0.6)	(1.0)	(1.1)	(1.1)	(0.7)	(0.6)	(0.2)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.9)	(1.1)
Private demand	(- 0.5)	(0.7)	(0.9)	(0.9)	(0.4)	(0.6)	(0.2)	(0.2)	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)	(0.9)
Public demand	(- 0.1)	(0.3)	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)
Contribution to external demand	(1.4)	(- 0.5)	(0.0)	(0.1)	(- 0.1)	(- 0.4)	(0.1)	(0.1)	(0.0)	(- 0.0)	(0.0)	(0.0)	(0.1)	(- 0.0)	(0.0)	(0.0)	(- 0.2)	(0.0)
Private final consumption expenditure	- 0.6	0.9	1.1	1.0	0.7	0.9	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.8	1.0
Private residential investment	0.3	- 2.0	- 1.1	- 0.8	1.4	- 0.1	- 1.1	0.4	- 0.7	- 0.5	0.3	0.2	- 0.7	- 0.7	0.5	0.0	- 2.4	- 0.7
Private nonresidential investment	0.3	2.2	2.7	2.6	0.9	- 0.2	0.9	0.8	0.7	0.7	0.6	0.6	0.8	0.6	0.7	0.6	2.6	3.0
Government final consumption expenditure	- 0.5	0.8	0.5	0.4	0.1	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.3
Public investment	0.6	1.8	0.9	1.1	4.1	- 0.9	0.6	0.1	0.3	- 0.1	0.6	0.4	0.3	- 0.2	0.5	0.4	2.6	1.3
Exports of goods & services	2.8	1.5	2.9	2.9	2.6	0.4	1.1	0.6	0.8	0.6	0.9	0.6	0.8	0.6	0.8	0.6	1.9	2.9
Import of goods & services	- 3.2	4.4	2.8	2.4	2.9	2.1	0.5	0.3	0.6	0.7	0.9	0.5	0.4	0.7	0.6	0.4	3.0	2.9
Nominal GDP	4.9	3.0	2.8	2.6	1.7	0.5	0.7	1.1	0.7	0.2	0.8	0.8	0.6	0.3	0.9	0.9	3.1	2.4

(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 2023	FY 2024	FY 2025	FY 2026	24/4-6	24/7-9	24/10-12	25/1-3	25/4-6	25/7-9	25/10-12	26/1-3	26/4-6	26/7-9	26/10-12	27/1-3	FY 2024	FY 2025
Industrial production (QoQ)	- 1.9	- 0.6	1.4	0.9	2.7	- 0.3	1.3	0.6	0.2	0.2	0.1	0.3	0.3	0.1	0.3	0.3	0.1	1.6
Domestic Corporate Goods Prices (YoY)	2.4	2.6	0.7	0.6	1.9	2.9	3.0	2.4	1.2	0.6	0.5	0.6	0.7	0.6	0.6	0.5	2.2	0.3
Consumer Prices (YoY)	3.0	2.8	2.0	1.7	2.7	2.8	2.6	2.8	2.5	2.1	1.8	1.7	1.7	1.8	1.7	1.8	2.4	1.8
Consumer Prices (excluding fresh food)	2.8	2.6	2.0	1.7	2.4	2.6	2.6	2.8	2.5	2.1	1.8	1.7	1.7	1.8	1.7	1.7	2.3	1.8
Current account balance (¥trillion)	26.6	28.1	28.7	28.7	28.5	29.4	28.5	27.4	28.4	29.9	29.3	27.2	27.3	29.8	29.8	27.7	27.7	26.4
(Ratio to nominal GDP)	(4.5)	(4.6)	(4.5)	(4.4)	(4.7)	(4.8)	(4.6)	(4.4)	(4.5)	(4.8)	(4.6)	(4.3)	(4.3)	(4.6)	(4.6)	(4.2)	(4.5)	(4.2)
Unemployment rate (%)	2.6	2.5	2.4	2.3	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.6	2.4
Housing starts (10 thousand)	80.0	79.6	77.7	76.1	81.9	78.3	79.1	79.1	78.2	77.5	77.5	77.4	76.6	75.8	76.1	76.0	79.7	78.3
Call Rate (target rate)	0.10	0.50	1.00	1.25	0.10	0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.25	1.25	0.50	0.75
10-year government bond rate	0.6	1.0	1.3	1.5	0.9	0.9	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.4	1.5	1.6	1.0	1.2
USD/JPY	145	153	149	143	156	149	153	153	151	149	148	146	145	144	141	140	148	138
Crude oil price (CIF, Dollar/Barrel)	86	82	74	74	87	88	78	74	73	74	74	74	74	74	74	74	83	81
Ordinary profit (YoY)	14.6	10.1	4.0	4.4	13.2	10.8	10.7	5.2	1.8	4.8	5.3	5.0	3.8	4.4	4.6	5.0	9.5	3.0

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 24/7-9 is forecast.

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

U.S. economic outlook

		2023	2024	2025	2026	2024				2025				2026			
						1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
		Actual	Forecast	Forecast	Forecast	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	2.9	2.7	1.8	1.4	1.6	3.0	2.8	1.8	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4
FF rate target	End of period, Upper,%	5.50	4.50	4.00	3.75	5.50	5.50	5.00	4.50	4.25	4.00	4.00	4.00	4.00	4.00	4.00	3.75
10 year JGB interest rate	Average,%	3.9	4.3	4.2	4.2	4.2	4.5	4.0	4.3	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.0

Outlook for the European (Euro area) economy

		2023	2024	2025	2026	2024				2025				2026			
						1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
		Actual	Forecast	Forecast	Forecast	Actual	Actual	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	0.4	0.8	1.4	1.4	1.2	0.8	1.5	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Deposit facility rate	End of period,%	4.00	3.00	2.00	2.00	4.00	3.75	3.50	3.00	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.00
10-year German govt. bond rate	Average,%	2.4	2.3	2.1	2.1	2.3	2.5	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
EUR/USD	Average, Dollars	1.08	1.09	1.07	1.11	1.09	1.08	1.10	1.07	1.06	1.07	1.07	1.08	1.08	1.09	1.10	1.11