Economist Letter

Japan's Economic Outlook for Fiscal Years 2024–2026 (February 2025)

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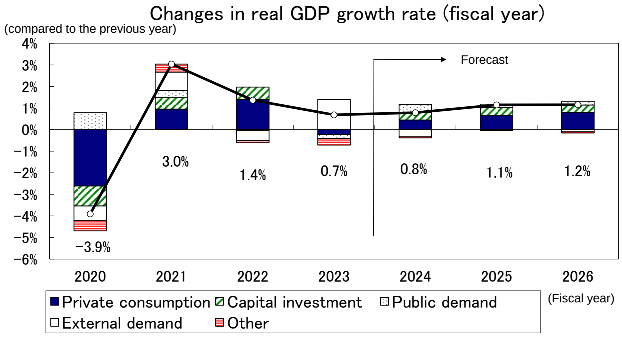
<Real GDP Growth Rate Forecast: 0.8% for FY 2024, 1.1% for FY 2025, and 1.2% for FY 2026>

1. In the October–December quarter of 2024, real GDP grew by 0.7% from the previous quarter (equivalent to an annualized rate of 2.8%), marking the third consecutive quarter of expansion. However, this growth was primarily driven by a significant increase in external demand due to a decline in imports, while domestic demand contracted for the first time in three quarters. As a result, the underlying economic conditions are weaker than the headline growth rate suggests.
2. Looking ahead, an increase in real disposable income, largely supported by rising employee compensation, is expected to bolster consumption. Meanwhile, capital investment is anticipated to continue its recovery, underpinned by strong corporate earnings.
3. The real GDP growth rate is projected to be 0.8% in FY 2024, 1.1% in FY 2025, and 1.2% in FY 2026. While exports are unlikely to be a driving force in the near term, domestic demand is expected to remain resilient, sustaining the recovery. However, downside risks include a sharp slowdown in the global economy triggered by U.S. tariff hikes and a potential decline in consumption due to stagnating real incomes amid rising prices.
4. The consumer price index (excluding fresh food) is expected to rise by 2.7% in FY 2024, 2.4% in FY 2025, and 1.7% in FY 2026. Inflation is projected to remain around 3% in the first half of 2025, driven primarily by higher energy and food prices, before gradually easing. However, it is likely to stay within the 2% range throughout 2025. A stronger yen is expected to reduce goods price inflation, offsetting the rise in service prices and ultimately bringing inflation below the Bank of Japan's 2% target in early 2026.

Changes in real GDP growth rate (fiscal year)



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

1. Positive Growth of 2.8% on an Annualized Basis in the October–December Quarter of 2024

In the October–December quarter of 2024, real GDP grew by 0.7% from the previous quarter (equivalent to an annualized rate of 2.8%), marking the third consecutive quarter of positive growth. Despite the ongoing negative impact of high prices, the effects of income tax and residential tax reductions have diminished, resulting in private consumption remaining nearly flat, increasing just 0.1% from the previous quarter. Capital investment, supported by strong corporate earnings, increased by 0.5%, while a decline in private inventories contributed negatively by 0.2 percentage points, leading to a 0.1% drop in domestic demand—the first decline in three quarters.

On the other hand, exports rose by 1.1%, marking their third consecutive quarter of growth, while imports declined by 2.1%. Consequently, net exports of goods and services contributed 0.7 percentage points to GDP growth, significantly boosting the overall growthrate.

Real GDP in the October–December quarter of 2024 has now exceeded the pre-COVID-19 average (2019 levels) by 1.8%, marking three straight quarters of positive growth. However, private consumption and residential investment remain below pre-COVID-19 levels, down 0.4% and 10.6%, respectively, indicating continued weakness in the household sector.

For the calendar year 2024, real GDP increased by 0.1% compared to the previous year (down from 1.5% in 2023), securing four consecutive years of positive growth. While the household sector remained weak (private consumption down 0.1%, private residential investment down 2.3%), capital investment (+1.2%) and public demand (+0.5%) contributed positively to economic growth.

Nominal GDP for 2024 grew by 2.9% (down from 5.6% in 2023), marking four straight years of growth. The GDP deflator increased by 2.9% (compared to 4.1% in 2023), continuing its positive trend for a third consecutive year.

(Exports Are Unlikely Drive Economic Growth)
Although global trade volume turned positive in early 2024 and has gradually been increasing, Japan's exports remain stagnant.

Looking ahead, overseas economies—which influence Japan's export outlook—face growing uncertainty. In the United States, real GDP growth exceeded its potential growth rate in 2023 (2.9%) and 2024 (2.8%). However, economic policies under President Trump, particularly tariff hikes and the forced deportation of undocumented immigrants, are expected to accelerate inflation and slow down economic growth. As a result, U.S. GDP growth is expected to decelerate to 2.1% in 2025 and 1.8% in 2026.

Meanwhile, in China, a prolonged real estate downturn, coupled with the negative effects of additional U.S. tariffs, is expected to significantly slow real GDP growth from 5.0% in 2024 to 4.2% in 2025 and 3.5% in 2026.

In contrast, the euro area is forecast to experience a gradual recovery, with real GDP growth rising from 0.7% in 2024 to 1.0% in 2025 and 1.4% in 2026. However, given the sharp decline during the COVID-19 pandemic, the overall pace of recovery is expected to remain moderate.

While the global economy is projected to recover through 2026, growth rates are expected to remain low.

Given the prolonged low growth in overseas economies, Japan's export growth is unlikely to accelerate or serve as a driving force for economic recovery. Net exports of goods and services are forecast to grow 1.7% in FY 2024, 2.1% in FY 2025, and 1.7% in FY 2026, maintaining on a moderate growth trajectory.

(Bonuses Significantly Boost Wages)

Total cash earnings per worker accelerated in FY 2024, reaching a high growth rate of 3.9% in the October–December quarter compared to the previous year. The 2024 spring wage negotiations resulted in the highest wage hike in 33 years, leading to a rise in scheduled cash earnings. Additionally, substantial increases in year-end bonuses, following strong summer bonuses, further boosted total cash earnings.

The real wage growth rate, which had remained negative for over two years since April 2022, briefly turned positive in June and July 2024. However, it fell back into negative territory from August to October before rebounding in November and December. The primary factor behind this temporary improvement was the sharp increase in special cash earnings (bonuses), while regularly paid earnings (scheduled and non-scheduled cash earnings), which tend to follow stable trends, remained negative.

Trends in real wage growth

Note: Regular Salary = scheduled cash earnings + non-scheduled cash earnings

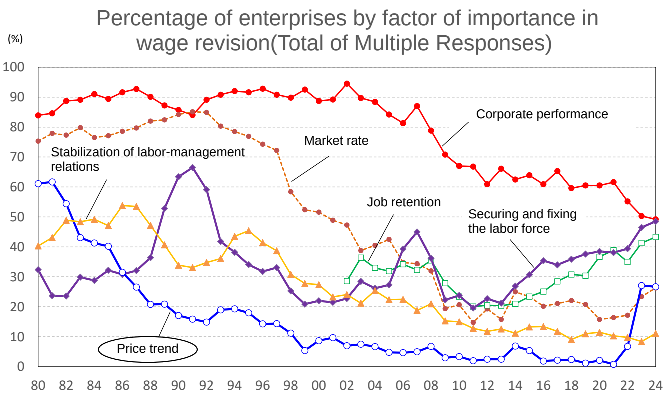
Source: "Monthly Labour Survey," Ministry of Health Labour and Welfare.

From January 2025 onward, when special cash earnings are rarely paid, the growth of nominal wages is expected to slow significantly, leading to a return to negative real wage growth. A sustained and stable increase in real wages is unlikely until after the start of FY 2025.

(Spring Wage Increase Rate in 2025 Expected to Stay in the 5% Range for the Second Consecutive Year)

In the 2024 spring labor negotiations, the wage increase rate reached 5.33% (according to the Ministry of Health, Labour and Welfare's "Survey on Wage Increase Requests and Settlements by Major Private Enterprises"), marking the highest level in 33 years. Examining the environment surrounding the 2025 negotiations, the job openings-to-applicants ratio is declining but remains well above 1.0, while the unemployment rate continues to hover in the mid-2% range, indicating a persistently tight labor market. Additionally, ordinary corporate profits (seasonally adjusted) from the “Financial Statements Statistics of Corporations by Industry” remain near record-high levels, while consumer prices (excluding fresh food) remain elevated.

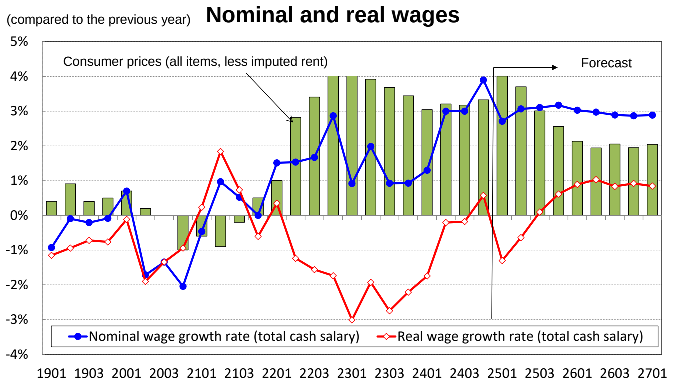
The recent acceleration in price increases, particularly for food, is also likely to further drive wage hikes. According to the Ministry of Health, Labour and Welfare's “Survey on Wage Revisions and Other Matters”, the percentage of companies citing “price trends” as a key factor in wage decisions (multiple responses allowed) had remained below 10% for over 20 years after falling below this threshold in 1999, hitting a record low of 0.8% in 2021. However, as prices surged from 2022 onward, this figure rose sharply to the high 20% range in 2023 and 2024, reaching levels last seen in the late 1980s.



Source: “Survey on the Actual Status of Wage Hikes, etc,” Ministry of Health, Labour and Welfare.

According to the “Survey on Wage Increases and Other Issues”, released by the Institute of Labor Administration on February 5, the expected wage increase rate for 2025—based on responses from approximately 485 labor and management representatives and labor market experts—averaged 4.60%. This figure significantly exceeds the previous year's forecast (3.66%) but falls short of the actual 5.33% increase recorded in 2024. Historically, the actual wage increase rate for major companies, compiled by the Ministry of Health, Labour and Welfare, has closely aligned with this survey's projections. However, in 2023 and 2024, actual increases exceeded forecasts by a considerable margin. Taking these trends into account, we project that the wage increase rate for the 2025 spring labor negotiations will remain elevated at 5.20%, marking the second consecutive year in the 5% range.

While nominal wages are expected to continue growing at a relatively high rate, their pace of increase is likely to slow after January 2025, when bonuses are not paid. As a result, real wage growth is highly likely to turn negative again. Sustainable and stable positive real wage growth is expected to be delayed until the July–September quarter of 2025, when consumer prices (excluding imputed rent for owner-occupied housing)—currently around 4%—are forecast to slow to approximately 3%.



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.

In FY 2023, nominal employee compensation increased by 1.9% compared to the previous year, marking the third consecutive year of growth. However, with persistently high consumer prices, real employee compensation declined by 1.4%, recording its second consecutive year of decrease.

For FY 2024, employment growth and a significant rise in per capita employee compensation are expected to drive a strong 4.5% increase in nominal employee compensation compared to the previous year. Meanwhile, real employee compensation is projected to turn positive, rising by 1.7%.

Looking ahead, as the pace of corporate earnings recovery slows, growth in special cash earnings is expected to decelerate, leading to a moderation in nominal employee compensation to 3.7% in FY 2025 and 3.3% in FY 2026. However, with inflation expected to ease, real employee compensation is projected to remain resilient, increasing by 1.6% in FY 2025 and 1.8% in FY 2026.

2. Real GDP Growth Rate Forecast at 0.8% for FY 2024, 1.1% for FY 2025, and 1.2% for FY 2026

(Steady Growth Around 1% Expected to Continue)
In the October–December quarter of 2024, real GDP grew by 2.8% on an annualized basis from the previous quarter. However, this growth was primarily driven by external demand, as imports declined, while domestic demand decreased for the first time in three quarters. This suggests that the actual strength of the economy may not be as robust as the headline growth rate implies.

For the January–March quarter of 2025, domestic demand is expected to turn positive, led by private consumption and capital investment. However, external demand is likely to turn negative due to a reactionary decline from the previous quarter, leading to a sharp slowdown in real GDP growth to 0.7% on an annualized basis.

Private consumption recorded strong growth of 0.7% from the previous quarter in both the April–June and July–September quarters of 2024, but growth slowed significantly to just 0.1% in the October–December quarter. A positive trend, however, is that real employee compensation increased year-over-year for the third consecutive quarter since April–June 2024, despite persistently high inflation.

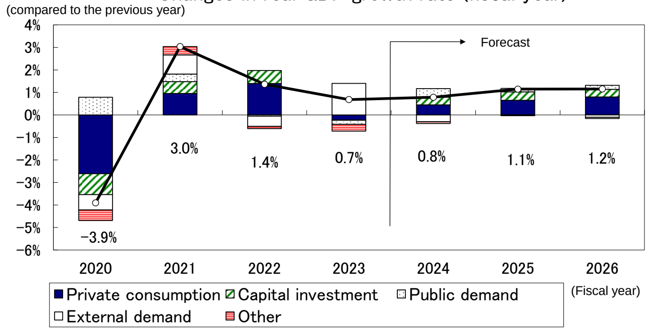
Currently, rising prices of rice and fresh food are weighing on consumer sentiment. However, as inflation moderates, private consumption is expected to recover, supported by improvements in employment and income conditions.

While capital investment has been constrained by supply constraints due to labor shortages, it continues to recover fundamentally, supported by strong corporate earnings. Moving forward, growth is expected to continue at an annualized rate of around 1%, slightly above the potential growth rate, mainly driven by domestic private demand.

Potential downside risks include a sharp global economic slowdown triggered by U.S. tariff hikes and weak consumer spending due to stagnating real incomes amid rising prices.

The real GDP growth rate is forecast to be 0.8% in FY 2024, 1.1% in FY 2025, and 1.2% in FY 2026. In FY 2023, real GDP grew by 0.7%, with domestic demand contributing negatively (-0.7 percentage points) for the first time in three years. However, weak domestic demand led to a 3.3% decline in imports, which in turn boosted external demand, contributing 1.4 percentage points to overall growth.

Changes in real GDP growth rate (fiscal year)



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

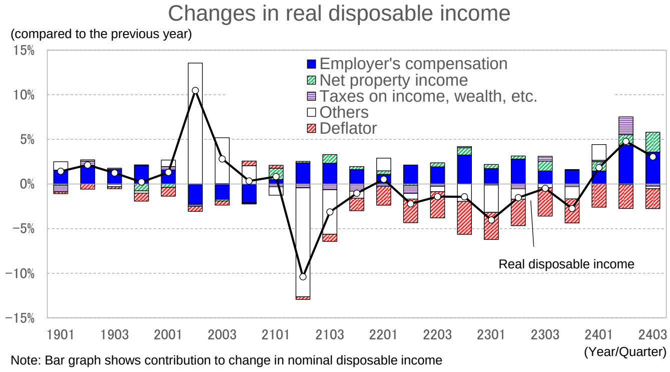
For FY 2024, domestic demand is expected to remain strong, primarily driven by private consumption and capital investment. However, as imports are expected to increase, the contribution from external demand is likely to turn negative. Looking ahead to FY 2025 and beyond, exports are not expected to be a driving force for economic growth. Instead, the economy is expected to continue to be driven mainly by domestic demand.

(Real Disposable Income on the Path to Recovery)

Real disposable income had been in a prolonged slump due to high inflation, but recent data indicates a positive turnaround. Household real disposable income saw a significant increase in FY 2020 due to various support measures, including the special fixed benefits provided during the COVID-19 pandemic. However, it had been declining since FY 2021.

Since the January–March quarter of 2024, real disposable income has increased for three consecutive quarters. While government benefits for low-income households and tax cuts (income and residential) contributed to this rise in 2024, even after excluding these factors, disposable income continued to increase.

Changes in real disposable income



Note: Bar graph shows contribution to change in nominal disposable income
Other = Operating surplus/mixed income + Social benefits (net) + Other current transfers (net)
Source: "Household disposable income and household savings ratio quarterly preliminary report (reference series)," Cabinet Office.

The main reason for the recovery in real disposable income is the substantial increase in employee compensation, driven by accelerating per capita wage growth amid continued employment expansion. Real employee compensation had been declining year-over-year since the October–December quarter of 2021.

However, it turned positive in the April–June quarter of 2024 for the first time in 11 quarters and has grown for three consecutive quarters, reaching a strong 3.3% growth rate in the October–December quarter of 2024.

Additionally, household property income, which had been sluggish due to ultra-low interest rates, has recently surged. This increase is mainly driven by rising dividend payments, supported by strong corporate earnings, further boosting disposable income.

Although the positive effect of income and residential tax cuts on real disposable income will fade, it is expected to remain resilient, supported by high nominal wage growth and increasing real employee compensation as inflation slows.

In FY 2025, while the effects of the tax cuts introduced in FY 2024 will dissipate, other factors such as rising dividend income from robust corporate performance and higher interest income due to elevated interest rates are expected to support disposable income.

Private consumption decreased by 0.4% in FY 2023 compared to the previous year, marking the first decline in three years. However, it is projected to grow moderately, with an increase of 0.8% in FY 2024, 1.2% in FY 2025, and 1.5% in FY 2026.

(Capital Investment Continues to Recover Gradually)
Capital investment in FY 2023 fell by 0.1% from the previous year, representing the first decrease in three years, though the drop was minimal. Looking ahead, capital investment is expected to continue its gradual recovery, rising by 2.1% in FY 2024, 2.3% in FY 2025, and 2.0% in FY 2026.

According to the December 2024 “Short-Term Economic Survey of Enterprises” (Tankan) by the Bank of Japan, capital investment plans for FY 2024 (covering all industries and company sizes, including software and R&D investments but excluding land investments) were revised downward by 0.1% compared to the September survey. Nevertheless, these plans still indicate a robust increase of 10.0% compared to the previous year.

The recovery in capital investment is being driven by strong corporate earnings, with a focus on labor-saving investments to address labor shortages, IT-related investments for digitalization, and construction investments related with the expansion of e-commerce. However, as the pace of recovery in ordinary profits gradually slows and supply constraints, such as labor shortages, continue to be limiting factors, the growth rate of capital investment is expected to remain moderate.

(Outlook for Prices)
Consumer prices (excluding fresh food, hereafter referred to as core CPI) had been increasing at a rate of around 2% year-on-year since September 2023. However, following a sharp rise in electricity and city gas

prices after the end of the “Emergency Support for Overcoming Extreme Heat”, core CPI growth accelerated to 3.0% in December 2024.

Until January 2024, government measures to curb energy prices had suppressed core CPI growth. However, from February 2024 onward, the reduction in electricity and city gas discounts, along with the temporary suspension of certain policies, has contributed to an increase in core CPI.

The “Emergency Support for Overcoming Extreme Heat” for electricity and city gas ended in October 2024. However, under the economic measures formulated in November 2024, the “Electricity and Gas Price Burden Reduction Support Program” was implemented for usage from January to March 2025, with the subsidy amount decreasing in March. The scale of the discount is smaller than the one provided during the summer of 2024.

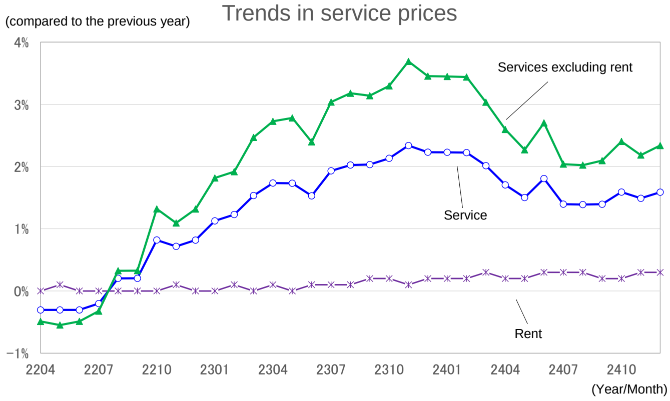
Additionally, the “Mitigation Measures of Drastic Changes in Fuel Oil Prices” for gasoline, kerosene, and other fuels, originally set to expire at the end of 2024, have been extended into 2025. However, subsidies have been reduced, leading to an increase in regular gasoline prices from around 175 yen per liter in mid-December 2024 to approximately 185 yen per liter in mid-January 2025. As a result, energy prices are expected to remain elevated for the time being.

Food prices (excluding fresh food) peaked at a 9.2% increase in August 2023 before slowing to 2.6% in July 2024. However, the rate of increase picked up again, reaching 4.4% in December 2024, due to the renewed rise in import prices and soaring rice prices. While food price hikes are likely to continue for some time, upstream price trends (such as import prices and domestic corporate goods prices) for food items are lower than during the summer of 2023. At present, food price inflation in consumer prices is expected to rise to around 5% before stabilizing.

Service prices, which had been increasing at around 2% in the latter half of 2023, slowed to the mid-1% range in FY 2024. Breaking down service prices, those excluding rent peaked in the high 3% range in late 2023 before decelerating, though they continue to grow at rates exceeding 2%.

On the other hand, rent, which accounts for nearly 40% of service prices, has continued to rise at a modest rate of around 0%. In Tokyo’s 23 wards, however, rent has increased from near 0% during the COVID-19 pandemic to nearly 1%, driven by soaring housing prices. While rent is expected to remain sluggish in rural areas where

Trends in service prices

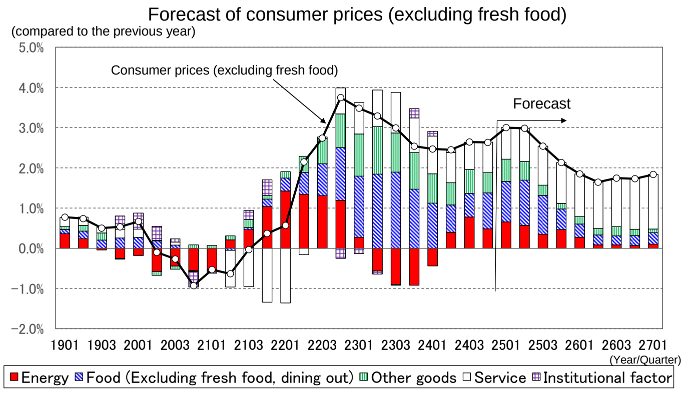


Source: “Consumer Price Index,” Statistics Bureau, Ministry of Internal Affairs and Communications.

population decline is more pronounced, nationwide rent increases are expected to gradually accelerate, particularly in major metropolitan areas.

Labor costs, which have a significant impact on service prices, are expected to continue rising, supported by strong wage growth. As businesses pass on higher labor and logistics costs to consumers, the pace of service price increases is likely to pick up again.

The core CPI growth rate is expected to remain around 3% in the first half of 2025, mainly due to increases in energy and food prices. However, as the growth rate of goods prices slows, core CPI is expected to gradually decelerate while remaining in the 2% range throughout 2025. The rise in service prices driven by wage hikes is likely to be offset by the decline in goods price inflation due to yen appreciation, leading to core CPI falling below the Bank of Japan's 2% inflation target after entering2026.



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 forecast to increase by 2.8% in FY 2023, followed by 2.7% in FY 2024, 2.4% in FY 2025, and 1.7% in FY 2026. Core-core CPI (excluding fresh food and energy) is expected to rise by 3.9% in FY 2023, 2.3% in FY 2024, 2.1% in FY 2025, and 1.8% in FY 2026.

Outlook for the Japanese economy

(Units,%) Previous forecast(2024.12)

	FY 2023 Actual	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	24/4-6 Actual	24/7-9 Actual	24/10-12 Actual	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(2024.12) FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast
Real GDP	0.7	0.8	1.1	1.2	0.7	0.4	0.7	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	1.1	1.2
					3.0	1.7	2.8	0.7	0.9	1.0	1.0	1.3	1.0	1.3	1.1	1.4			
					- 0.8	0.6	1.2	2.0	1.4	1.3	0.9	1.1	1.0	1.2	1.2	1.2			
Contribution to domestic demand	(- 0.7)	(1.1)	(1.2)	(1.3)	(1.1)	(0.5)	(- 0.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(1.1)	(1.1)	(1.3)
Private demand	(- 0.5)	(0.7)	(1.0)	(1.1)	(0.6)	(0.6)	(- 0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)	(0.7)	(1.0)	(1.1)
Public demand	(- 0.2)	(0.4)	(0.2)	(0.2)	(0.5)	(- 0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)	(0.4)	(0.1)	(0.1)
Contribution to external demand	(1.4)	(- 0.3)	(- 0.0)	(- 0.1)	(- 0.3)	(- 0.1)	(0.7)	(- 0.2)	(- 0.1)	(- 0.0)	(- 0.1)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.0)	(0.0)	(- 0.7)	(0.0)	(- 0.0)
Private final consumption expenditure	- 0.4	0.8	1.2	1.5	0.7	0.7	0.1	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.7	1.2	1.3
Private residential investment	0.8	- 1.3	- 0.1	- 1.2	1.4	0.5	0.1	- 0.9	0.5	- 0.2	0.4	- 0.7	- 1.1	0.4	0.1	- 0.1	- 1.8	- 1.0	- 0.7
Private nonresidential investment	- 0.1	2.1	2.3	2.0	1.1	- 0.1	0.5	0.7	0.7	0.6	0.4	0.6	0.6	0.4	0.5	0.6	2.3	2.4	2.7
Government final consumption expenditure	- 0.8	1.5	0.6	0.6	0.9	0.1	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.0	1.5	0.5	0.4
Public investment	- 0.3	2.0	0.5	0.8	5.7	- 1.1	- 0.3	0.4	0.2	- 0.0	0.5	0.2	- 0.1	0.0	0.8	0.3	1.9	0.8	1.1
Exports of goods & services	2.9	1.7	2.1	1.7	1.7	1.5	1.1	0.2	0.5	0.4	0.4	0.2	0.5	0.4	0.6	0.5	1.2	2.4	2.1
Import of goods & services	- 3.3	3.3	2.2	2.3	3.0	2.0	- 2.1	1.3	0.9	0.6	0.7	0.3	0.6	0.5	0.8	0.5	4.5	2.4	2.4
Nominal GDP	4.9	3.7	3.3	2.6	2.1	0.7	1.3	1.0	1.0	0.2	0.2	1.6	0.6	0.2	0.1	1.8	3.0	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 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	FY 2026
Industrial production (QoQ)	- 1.9	- 0.8	1.4	1.1	2.7	- 0.3	1.1	0.2	0.4	0.2	0.2	0.4	0.3	0.3	0.1	0.3	- 0.8	1.6	1.3
Domestic Corporate Goods Prices (YoY)	2.4	3.2	2.2	0.7	1.9	2.9	3.8	4.1	3.2	2.4	2.0	1.2	1.0	0.8	0.7	0.5	2.7	0.8	0.6
Consumer Prices (YoY)	3.0	3.0	2.4	1.7	2.7	2.8	2.9	3.5	3.2	2.6	2.2	1.7	1.6	1.8	1.7	1.8	2.8	2.1	1.7
Consumer Prices (excluding fresh food)	2.8	2.7	2.4	1.7	2.4	2.6	2.6	3.0	3.0	2.5	2.1	1.8	1.6	1.7	1.7	1.8	2.6	2.1	1.7
Current account balance (¥trillion)	26.6	29.8	29.9	29.6	28.5	29.0	32.7	28.8	29.5	29.6	30.4	30.0	29.6	29.2	29.8	29.8	27.6	27.6	26.4
(Ratio to nominal GDP)	(4.5)	(4.8)	(4.7)	(4.5)	(4.7)	(4.7)	(5.3)	(4.6)	(4.7)	(4.7)	(4.8)	(4.6)	(4.6)	(4.5)	(4.6)	(4.5)	(4.5)	(4.4)	(4.1)
Unemployment rate (%)	2.6	2.5	2.4	2.4	2.6	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.5	2.4	2.3
Housing starts (10 thousand)	80.0	79.0	78.3	77.5	81.9	78.3	78.0	77.7	78.2	78.2	78.6	78.0	77.1	77.6	77.7	77.7	79.5	77.4	75.9
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	1.00	1.25	0.50	1.00	1.3
10-year government bond rate	0.6	1.0	1.3	1.5	0.9	0.9	1.0	1.3	1.2	1.2	1.3	1.4	1.4	1.4	1.5	1.6	1.0	1.3	1.5
USD/JPY	145	153	151	145	156	149	152	155	153	153	150	149	148	147	144	142	152	148	141.5
Crude oil price (CIF, Dollar/Barrel)	86	83	80	79	87	88	77	79	81	81	79	79	79	79	79	79	82	75	75.0
Ordinary profit (YoY)	14.6	7.0	4.5	3.6	13.2	- 3.3	9.5	6.6	3.1	10.2	2.8	3.2	3.2	5.0	2.8	3.5	6.7	4.7	4.3

Note: 10 year JGB yield, foreign exchange and oil prices were averages during the period. Call rates are uncollateralized overnight rates at the end of the period (upper limit if range). 24/10-12 Ordinary Income is Projected

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

		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	Actual	Forecast	Forecast	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	2.9	2.8	2.1	1.8	1.6	3.0	3.1	2.3	2.2	1.6	1.6	1.6	1.8	1.8	2.0	2.1
FF rate target	End of period, Upper,%	5.50	4.50	4.25	4.00	5.50	5.50	5.00	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.00
10 year JGB interest rate	Average,%	3.9	4.3	4.4	4.3	4.2	4.5	4.0	4.3	4.5	4.4	4.4	4.4	4.3	4.3	4.3	4.2

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	Revised	Forecast	Forecast	Actual	Actual	Actual	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	0.5	0.7	1.0	1.4	1.3	0.7	1.6	0.2	0.8	1.3	1.4	1.4	1.4	1.4	1.4	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	2.2	2.1	2.3	2.5	2.3	2.2	2.4	2.2	2.1	2.1	2.1	2.1	2.1	2.1
EUR/USD	Average, Dollars	1.08	1.09	1.04	1.08	1.09	1.08	1.10	1.07	1.04	1.03	1.04	1.05	1.06	1.07	1.07	1.08