Economist Letter

Japan's Economic Outlook for Fiscal Years 2025-2026 (May 2025)

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<Real GDP Growth Forecast: 0.3% in FY 2025, 0.9% in FY 2026>

1. Real gross domestic product (GDP) in the January–March quarter of 2025 posted a decline of 0.2% from the previous quarter (down 0.7% on an annualized basis), marking the first contraction in four quarters. There is no need for excessive concern given that the primary cause of this negative growth was a significant decline in external demand due to a sharp rise in imports. However, from the April–June quarter onward, US tariff increases are expected to exert adverse effects on the Japanese economy through multiple transmission channels.

2. With the recovery in domestic demand expected to remain moderate and a notable decline in exports anticipated—particularly to the US—real GDP is likely to post negative growth for a second consecutive quarter in the April–June 2025.

3. Real GDP growth is projected at 0.3% for FY 2025 and 0.9% for FY 2026. From the July–September quarter of 2025 onwards, a recovery in private consumption and capital investment is expected to support a return to positive growth as the effects of the tariff hikes gradually wane. However, if the currently suspended additional reciprocal tariffs are enacted, negative growth could persist, increasing the risk of the economy slipping into a recession.

4. The rate of increase in consumer prices (excluding fresh food) is projected to be 2.4% in FY 2025 and 1.6% in FY 2026. While high wage growth is expected to accelerate the rise in service prices, the appreciation of the yen and a decline in crude oil prices will likely lower import prices and moderate goods price inflation. As a result, the inflation rate is expected to fall below the Bank of Japan's 2% target in 2026.

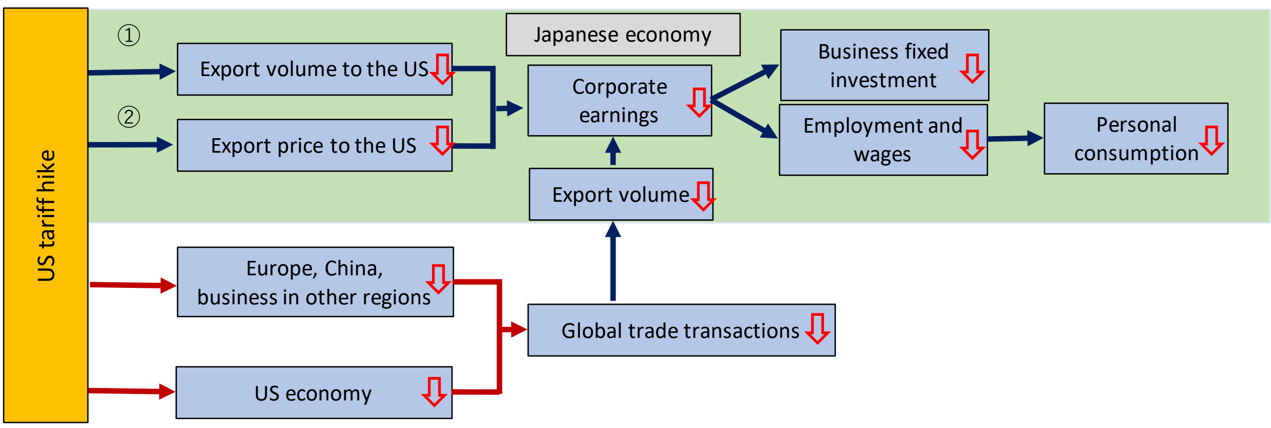
1. Negative Growth of 0.7% on an Annualized Basis in the January–March Quarter of 2025

Real GDP for the January–March quarter of 2025 recorded negative growth for the first time in four quarters, declining by 0.2% from the previous quarter (down 0.7% on an annualized basis).
While exports of goods and services declined by 0.6% from the previous quarter, imports of goods and services significantly increased by 2.9%, partly due to a rebound from the previous quarter's decline. As a result, external demand made a negative contribution of 0.8% (down 3.3% on an annualized basis), substantially dragging down overall growth.
Although capital investment sharply rose by 1.4% from the previous quarter—supported by strong corporate earnings—private consumption remained flat due to the impact of high prices. Consequently, domestic demand increased for the first time in two quarters, although this was insufficient to offset the decline in external demand.

Real GDP for FY 2024 increased by 0.8% compared to the previous year (0.6% in FY 2023), and nominal GDP grew by 3.7% (4.9% in FY 2023), marking four consecutive years of positive growth for both. The GDP deflator also rose by 2.9% (4.2% in FY 2023), achieving a positive reading for the third consecutive year.

(Impact of Trump's Tariffs)
Since President Trump took office in January 2025, the US has introduced various tariff policies. At present, Japan faces a 10% reciprocal tariff, in addition to an extra 25% tariff on automobiles, auto parts, steel, and aluminum. Although reciprocal tariffs were initially scheduled to increase from 10% to 24% for Japan, a 90-day postponement was announced on April 9.

Main channels of transmission to the Japanese economy from US tariff hikes



① Shifting tariff costs to US selling prices
② Japanese companies absorb tariff costs
Note: Created by NLI Research Institute.

US tariff hikes affect the Japanese economy through various channels. First, they reduce the price competitiveness of Japanese exports against domestically produced goods in the US, resulting in lower export volumes, which in turn deteriorates Japan's domestic production and corporate earnings. While cutting export prices might soften the decline in export volume, it would reduce export revenues and thus damage corporate profits.

Moreover, global economic slowdown and the reduced trade volume due to US tariff hikes might further reduce Japan's exports. In addition, deteriorating corporate earnings and rising uncertainty surrounding trade policy might curb capital investment and wage hikes. A downturn in the corporate sector might spill over to the household sector, heightening the risk of weakening personal consumption due to deteriorating employment and income conditions.

Furthermore, financial market turmoil such as falling stock prices could undermine corporate and consumer sentiment and depress domestic demand. The worsening earnings of overseas affiliates of Japanese companies could also negatively affect domestic corporate profits through reduced direct investment income. These negative effects of US tariff hikes could spread widely through various channels and are likely to emerge with a time lag.

Japan's exports to the US amounted to ¥21.3 trillion in 2024, accounting for 19.9% of Japan's total exports (equivalent to 3.5% of nominal GDP). Among this amount, automobiles and auto parts—which are subject to the 25% additional tariff—accounted for ¥7.3 trillion, or 34.1% of total exports to the US.

In terms of the US trade deficit by country/region, Japan ranks sixth after China, the EU, Mexico, Vietnam, and Taiwan. Of Japan's ¥8.6 trillion trade surplus with the US in 2024, the majority comes from transportation equipment (¥7.0 trillion), general machinery (¥2.9 trillion), and electrical machinery (¥1.6 trillion), while deficits were recorded in mineral fuels (−¥1.9 trillion), food (−¥1.6 trillion), and chemical products (−¥0.8 trillion).

The key assumptions regarding tariff policy in this outlook are as follows:

① Reciprocal tariffs will remain at an average of 10% from July 2025 onwards.

② Tariffs on Chinese products will be 30%.

③ For Canada and Mexico, USMCA-compliant products will remain tariff-free, while non-compliant products will be subject to a 10% tariff.

④ Steel, aluminum, and automobiles will face a 25% tariff, and semiconductors and pharmaceuticals will see tariffs raised to 25% during the July–September quarter of 2025.

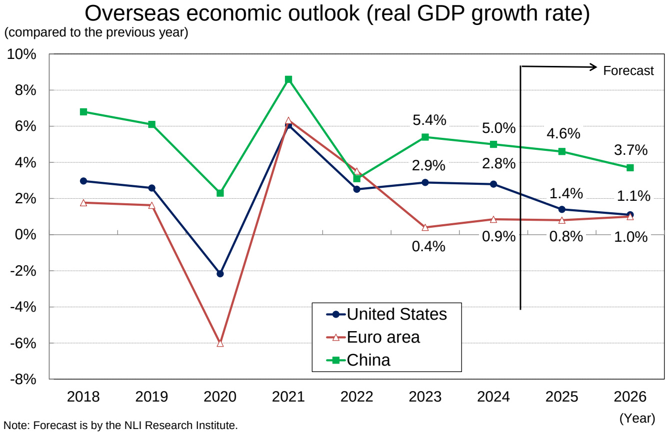
⑤ China will impose a 10% retaliatory tariff.

⑥ Other countries/regions will not implement retaliatory tariffs against the US.

After turning positive around the end of 2023, global trade volume had gradually strengthened. However, ahead of the US tariff hikes, a rush in exports led to an acceleration in growth to about 4% in early 2025. Global trade volume is likely to shrink after April 2025, when the US began full-scale tariff increases.

Looking ahead to the overseas economies that influence Japanese exports, inflation triggered by tariff hikes is expected to suppress domestic demand, leading US real GDP growth to significantly slow from 2.8% in 2024 to 1.4% in 2025 and 1.1% in 2026. In China, where the scale of tariff hikes is larger than in other countries/regions, economic stimulus measures will only partially offset the negative effects. Thus, real GDP growth is expected to sharply slow from 5.0% in 2024 to 4.6% in 2025 and 3.7% in 2026. Meanwhile, the euro area's growth rate is projected to edge down from 0.9% in 2024 to 0.8% in 2025 but subsequently recover to 1.0% in 2026, supported by fiscal expansion related to defense and infrastructure. Overall, global economic growth is projected to remain subdued through the forecast horizon of 2026.

Overseas economic outlook (real GDP growth rate)

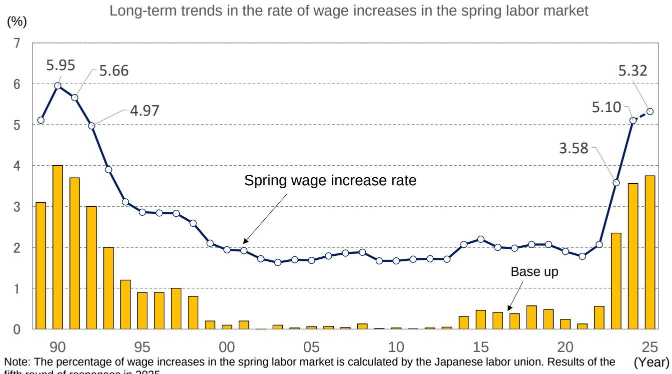


Note: Forecast is by the NLI Research Institute.

While Japan's exports have remained broadly flat, they are expected to significantly decline in the April–June quarter of 2025, particularly to the US, as the effects of tariff hikes become evident. This outlook assumes that no additional reciprocal tariffs will be imposed and export declines will begin to stabilize in the latter half of FY 2025. However, strong downward pressure on exports is likely to persist for the time being due to the ongoing slowdown in the US and Chinese economies and reduced global trade.
Exports of goods and services in GDP statistics are projected to decline from a 1.7% increase in FY 2024 to a 2.1% decrease in FY 2025, followed by a modest 1.0% increase in FY 2026.

(Spring Wage Negotiations in 2026 Expected to Show a Slower Pace of Wage Increases)
According to the fifth tally of the 2025 Spring Labour Offensive released by Rengo on May 8, the average wage increase rate in 2025 was 5.32%, up by 0.22 percentage points from the previous year, with the base wage hike component at 3.75%. The wage increase rate for 2025 is almost certain to remain in the 5% range, following the 5.10% achieved in 2024, marking the highest in 33 years.
The average increase was 4.93% among small and medium-sized enterprises (fewer than 300 union members), reflecting a 0.48 percentage point rise from the previous year. While this is below the 5.36% increase seen among large enterprises (300 or more union members, up 0.17 percentage points from the previous year), the gap has narrowed compared to 2024.
Rengo's basic policy for the 2025 negotiations called for wage hikes of over 5%, including

Long-term trends in the rate of wage increases in the spring labor market



Note: The percentage of wage increases in the spring labor market is calculated by the Japanese labor union. Results of the fifth round of responses in 2025.

Up to 2023, based on the Central Labor Relations Commission's Comprehensive Survey of Wages, and in 2024 and 2025 was the Confederation of Trade Unions.

regular pay raises, and urged smaller unions to actively demand corrections to wage disparities. The current settlement outcomes align with this policy.

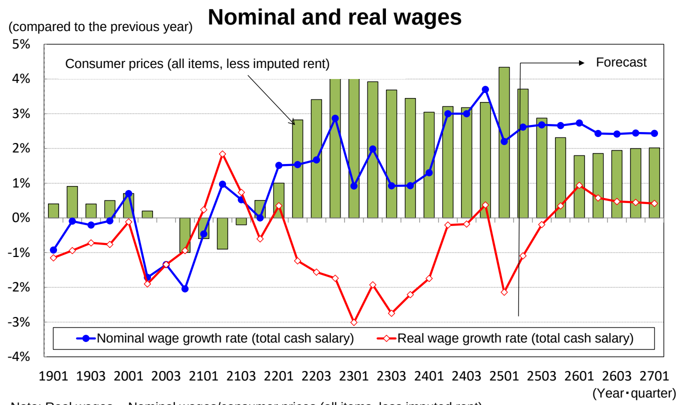
Total cash earnings per employee posted a strong 3.7% increase in the October–December quarter of 2024, mainly due to a significant rise in winter bonuses. However, the growth rate slowed to 2.2% with limited bonus payments in the January–March quarter of 2025.

Real wages—adjusted for consumer prices—showed positive growth compared to the previous year in June, July, November, and December 2024, largely due to increases in special cash earnings. However, they remained negative in other months.
Regular cash earnings (scheduled + non-scheduled earnings)—which are more stable than total cash earnings—have been in negative territory for over three years since February 2022.

Two consecutive years of 5% wage hikes can be attributed to substantial improvements in labor demand-supply conditions, corporate earnings, and prices. However, going forward, wage hike momentum is expected to weaken due to the economic slowdown caused by Trump's tariffs.
Although structural-demographic factors such as a declining population and aging society will continue to create a labor shortage, deteriorating corporate profits due to declining exports and slowing inflation are likely to suppress wage increases.

The spring wage hike rate for 2026 is projected to be 4.2%. According to the Ministry of Health, Labour and Welfare's Spring Wage Negotiation Status of Major Private Companies, the wage hike rate was 5.33% in 2024, the highest in 33 years, and is expected to remain in the 5% range in 2025 (NLI Research Institute forecast: 5.20%). Although a significant decline in 2026 seems inevitable, a wage hike rate in the low 4% range would still translate to a base wage increase (excluding regular raises) in the high 2% range, remaining above the Bank of Japan's 2% inflation target.

Real wages rose by 0.4% in the October–December quarter of 2024—the first increase in eleven quarters—mainly due to strong nominal wage growth driven by special cash earnings. However, real wages fell by 2.1% in the January–March quarter of 2025 as the nominal wage growth slowed while consumer prices sharply accelerated.
Given that consumer prices are expected to remain elevated into FY 2025, real wage growth is likely to remain negative for some time. Sustained and stable increases in real wages are expected from the October–December quarter of 2025 onwards, when nominal wage growth of around 3% coincides



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.

with a deceleration in the consumer price index (excluding imputed rent for owner-occupied housing) to the 2% range.

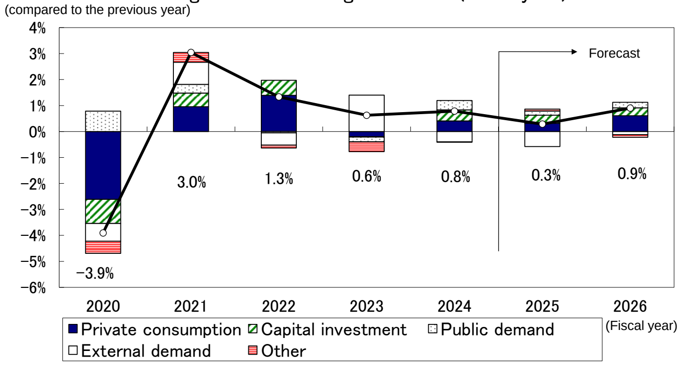
2. Real GDP Growth Forecast: 0.3% in FY 2025 and 0.9% in FY 2026

(Two Consecutive Quarters of Negative Growth Expected in the April–June Quarter of 2025)
While real GDP in the January–March quarter of 2025 declined by 0.7% on an annualized basis—marking the first contraction in four quarters—this was mainly due to a sharp decline in external demand following the previous quarter's surge. On a trend basis, the economy continues to moderately recover.

Looking ahead, exports are expected to decline significantly due to US tariff hikes. Persistently high consumer price inflation will likely dampen private consumption, and increased uncertainty surrounding Trump's tariff policies might restrain capital investment. As a result, real GDP for the April–June quarter of 2025 is projected to shrink by 0.9% on an annualized basis, marking two consecutive quarters of contraction due to sluggish domestic demand and falling exports.
In the July–September quarter, a slower pace of export decline and a mild recovery in private consumption—supported by decelerating inflation—are expected to lead to a modest 0.4% expansion on an annualized basis. However, if the currently suspended additional reciprocal tariffs are enacted, the economy could continue to contract, increasing the risk of a recession.
From the second half of FY 2025 onwards, the negative impact of tariff hikes is expected to gradually subside. With exports stabilizing, domestic demand—mainly driven by private consumption and capital investment—is projected to rise, supporting annualized growth of around 1%, slightly above Japan's potential growth rate.

Real GDP is projected to grow by 0.3% in FY 2025 and 0.9% in FY 2026. By demand component, domestic demand turned positive in FY 2024 for the first time in two years and is expected to continue growing in FY 2025 and FY 2026. However, the Trump tariffs are also likely to affect domestic demand, moderating the pace of expansion. External demand is projected to make a negative contribution for the second consecutive year, with a −0.6% contribution in FY 2025 following a −0.4% contribution in FY 2024. While the 2024 decline was driven by a 3.4% increase in imports, in FY 2025, exports are expected to fall by 2.1% due to US tariff hikes. Although exports are projected to rise in FY 2026, the continuing global economic slowdown and appreciation of the yen are expected to limit growth. As a result, external demand is forecast to make a −0.1% contribution in FY 2026 and is not expected to drive overall growth.

Changes in real GDP growth rate (fiscal year)



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

(Corporate Investment Behavior Likely to Become More Cautious)

Capital investment rose by 1.4% in the January–March quarter of 2025 compared to the previous quarter, marking the fourth consecutive quarterly increase and exceeding the 0.8% gain seen in the October–December quarter of 2024.

Investment has continued to recover, supported by robust corporate earnings, with a focus on labor-saving measures in response to workforce shortages, digital transformation, and construction investment related to the expansion of e-commerce.

However, moving forward, growing uncertainty over US tariff policy and a worsening earnings environment are expected to make businesses more cautious in their investment decisions.

According to the Bank of Japan's March 2025 Tankan Survey, capital investment plans for FY 2024 (including software and R&D investment, excluding land acquisition) were revised downward by 1.5% from the December 2024 survey to 8.4% growth from the previous year (all industries and enterprise sizes).

The initial capital investment plan for FY 2025 indicated 2.2% growth from the previous year, lower than the 4.5% increase projected at the beginning of FY 2024.

The current profit plan for FY 2024 shows a 1.6% increase from the previous year, turning positive after previous forecasts of a decline. However, the rate of profit growth has significantly slowed compared with FY 2021–FY 2023.

The initial plan for FY 2025 indicates a 1.4% decline from the previous year. While initial profit forecasts tend to be conservative, it should be noted that the March 2025 Tankan did not reflect the impact of the US tariff policy announced between late March and early April. Therefore, unlike in previous years, both investment and earnings plans could be revised downward moving forward.

Capital investment is expected to continue growing—up 2.6% in FY 2024, 1.9% in FY 2025, and 1.8% in FY 2026—although the pace of increase will likely slow.

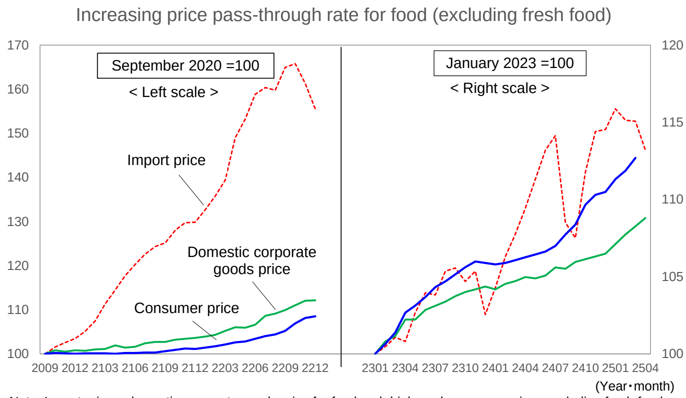
(Price Outlook)

The core consumer price index (excluding fresh food, hereafter referred to as core CPI) had remained in the 2% range since September 2023 but surged to 3.0% in December 2024 due to a sharp increase in electricity and city gas prices following the end of emergency energy subsidies. The 3% range of inflation continued through March 2025.

Prices for food excluding fresh food peaked at 9.2% in August 2023, slowed to 2.6% by July 2024 and subsequently began accelerating again due to renewed increases in import prices and surging domestic rice prices, reaching 6.2% in March 2025.

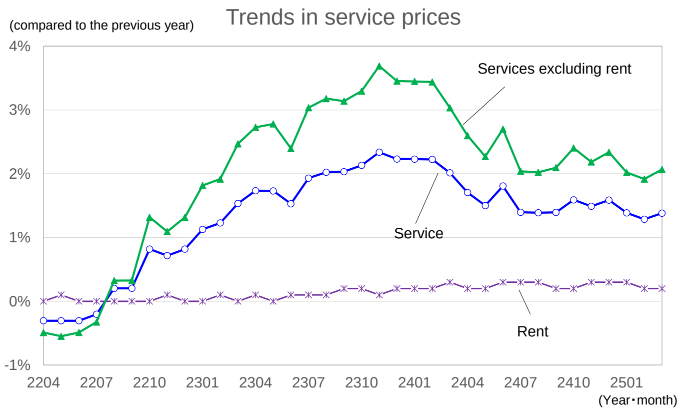
While upstream food price growth (import prices) remains lower than in summer 2023, downstream price pass-through (consumer prices) is increasing. Food import prices rose about 60% between fall 2020 and the end of 2023, although the consumer price increase was just under 10%.

By contrast, food import prices have only risen by about 15% since early 2023—about a quarter of the previous surge—but consumer food prices have already increased more than 10%. This reflects a reduced resistance among firms to passing costs onto consumers, alongside higher labor and logistics costs and persistent inflation. Food prices are expected to remain elevated for the time being.



Note: Import prices, domestic corporate goods price for food and drink, and consumer prices excluding fresh food
Source: "Corporate goods price index (CGPI)," Bank of Japan; "Consumer Price Index," Statistics Bureau, Ministry of Internal Affairs and Communications.

Service prices—which had been growing at a pace in the low 2% range since the second half of 2023—decelerated to the mid-1% range entering FY 2024.
Within services, those excluding rent peaked at the high 3% range in late 2023 but have slowed while still maintaining 2% growth. Meanwhile, rent—which accounts for about 40% of services—remains in the low 0% range and continues to dampen overall service inflation.
However, in Tokyo’s 23 wards, rising housing prices pushed rent inflation to 1.3% in April 2025, reflecting a sharp 0.5 percentage point increase from the previous month. While rent growth is likely to remain weak in rural areas experiencing population decline, rents in major metropolitan areas are expected to gradually increase nationwide.
Labor costs—a key driver of service prices—are likely to continue rising, supported by high wage increases. As firms continue passing on higher labor and logistics costs, service price inflation is expected to accelerate again.



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

Core CPI inflation is projected to remain in the 3% range for a while into FY 2025. However, as energy prices are pushed down by government measures over the summer, the inflation rate is expected to fall into the 2% range. With the yen’s appreciation slowing goods price inflation and wage-driven service price increases offsetting one another, core CPI inflation is projected to dip below the Bank of Japan’s 2% target in 2026.
Core CPI is projected to rise by 2.7% in FY 2024, 2.4% in FY 2025, and 1.6% in FY 2026, while core-core CPI (excluding fresh food and energy) is forecast to increase by 2.3% in FY 2024, 2.5% in FY 2025, and 1.7% in FY 2026.

Outlook for the Japanese economy

(Units,%)

	FY 2023 Results	FY 2024 Results	FY 2025 Forecast	FY 2026 Forecast	24/4-6 Results	24/7-9 Results	24/10-12 Results	25/1-3 Results	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(2025.3) FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast
Real GDP	0.6	0.8	0.3	0.9	0.9	0.2	0.6	- 0.2	- 0.2	0.1	0.2	0.3	0.2	0.3	0.3	0.3	0.8	1.1	1.2
					3.8	1.0	2.4	- 0.7	- 0.9	0.4	0.9	1.0	0.7	1.0	1.0	1.1			
					- 0.6	0.8	1.3	1.7	0.5	0.3	- 0.1	0.4	0.7	0.9	0.9	1.0			
Contribution to domestic demand	(- 0.7)	(1.2)	(0.9)	(1.0)	(1.2)	(0.5)	(- 0.1)	(0.7)	(0.1)	(0.1)	(0.2)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(1.1)	(1.2)	(1.3)
Private demand	(- 0.5)	(0.9)	(0.7)	(0.8)	(0.8)	(0.5)	(- 0.1)	(0.7)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)	(1.0)	(1.1)
Public demand	(- 0.2)	(0.4)	(0.2)	(0.2)	(0.5)	(- 0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.4)	(0.2)	(0.2)
Contribution to external demand	(1.4)	(- 0.4)	(- 0.6)	(- 0.1)	(- 0.3)	(- 0.3)	(0.7)	(- 0.8)	(- 0.3)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.0)	(- 0.3)	(- 0.1)	(- 0.1)
Private final consumption expenditure	- 0.4	0.8	0.6	1.1	0.8	0.7	0.1	0.0	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.2	0.9	1.1	1.6
Private residential investment	0.8	- 1.0	0.3	- 1.2	1.2	0.7	- 0.2	1.2	0.2	- 0.8	- 0.4	- 0.4	0.3	- 0.7	- 0.6	0.1	- 1.4	- 0.1	- 1.0
Private nonresidential investment	- 0.1	2.6	1.9	1.8	1.4	0.1	0.8	1.4	- 0.0	0.1	0.4	0.7	0.4	0.5	0.3	0.4	2.1	2.4	2.0
Government final consumption expenditure	- 0.8	1.5	0.6	0.8	0.9	0.1	0.3	- 0.0	0.1	0.2	0.3	0.1	0.2	0.2	0.3	0.2	1.6	0.7	0.5
Public investment	- 0.3	1.4	0.8	1.0	5.7	- 1.1	- 0.7	- 0.4	1.0	0.2	0.6	0.7	- 0.3	- 0.1	0.8	0.7	1.7	0.5	0.9
Exports of goods & services	3.1	1.7	- 2.1	1.0	1.5	1.2	1.7	- 0.6	- 2.3	- 1.1	0.5	0.3	0.3	0.4	0.3	0.4	1.7	1.7	1.6
Import of goods & services	- 2.7	3.4	0.7	1.6	2.7	2.2	- 1.4	2.9	- 0.9	- 1.0	0.6	0.5	0.5	0.4	0.5	0.4	3.2	2.1	2.2
Nominal GDP	4.9	3.7	2.4	2.3	2.4	0.5	1.2	0.8	0.6	0.3	0.2	0.8	1.0	0.2	0.1	1.0	3.7	3.3	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 Accounting 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	- 1.4	- 2.4	1.2	2.1	0.3	0.4	- 0.3	- 2.2	- 0.7	0.2	0.7	0.3	0.3	0.3	0.4	- 0.8	1.5	1.2
Domestic Corporate Goods Prices (YoY)	2.4	3.3	2.0	- 0.1	1.9	2.9	3.8	4.2	3.6	2.6	1.6	0.4	- 0.4	- 0.2	- 0.1	0.3	3.2	1.9	0.8
Consumer Prices (YoY)	3.0	3.0	2.3	1.7	2.7	2.8	2.9	3.8	3.2	2.5	2.0	1.5	1.6	1.6	1.7	1.7	3.1	2.4	1.7
Consumer Prices (excluding fresh food)	2.8	2.7	2.4	1.6	2.4	2.6	2.6	3.1	3.2	2.5	2.2	1.7	1.5	1.6	1.7	1.7	2.7	2.4	1.7
Current account balance (¥trillion)	26.2	30.4	25.8	21.5	28.8	29.0	32.8	30.7	26.8	26.9	27.4	22.0	22.1	22.6	22.5	18.7	29.7	29.9	29.0
(Ratio to nominal GDP)	(4.4)	(4.9)	(4.1)	(3.3)	(4.7)	(4.7)	(5.3)	(4.9)	(4.3)	(4.3)	(4.3)	(3.4)	(3.4)	(3.5)	(3.5)	(2.9)	(4.8)	(4.7)	(4.4)
Unemployment rate (%)	2.6	2.5	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4
Housing starts (10 thousand)	80.0	81.6	75.4	76.7	80.8	78.7	77.8	88.6	70.4	76.4	77.5	77.4	77.5	76.8	76.2	76.2	78.8	78.2	77.5
Call Rate (target rate)	0.10	0.50	0.75	1.00	0.10	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	0.50	1.00	1.3
10-year government bond rate	0.6	1.0	1.5	1.6	0.9	0.9	1.0	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.1	1.4	1.6
USD/JPY	145	152	143	136	156	149	152	153	146	145	142	139	137	137	136	134	152	149	143.3
Crude oil price (CIF, Dollar/Barrel)	86	83	69	67	87	88	77	79	73	69	67	67	67	67	67	67	83	77	77.5
Ordinary profit (YoY)	14.6	7.3	- 0.9	2.4	13.2	- 3.3	13.5	4.0	0.1	- 0.9	- 4.4	1.4	1.9	1.0	2.9	3.5	8.0	4.7	3.6

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). 25/1-3 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	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	2.9	2.8	1.4	1.1	1.6	3.0	3.1	2.5	- 0.3	1.2	1.0	1.0	0.9	1.2	1.4	2.0
FF rate target	End of period, Upper,%	5.50	4.50	4.00	3.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	4.00	3.75	3.50	3.50	3.50
10 year JGB interest rate	Average,%	3.9	4.3	4.5	4.4	4.2	4.5	4.0	4.3	4.4	4.4	4.5	4.6	4.5	4.4	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	Actual	Forecast	Forecast	Actual	Actual	Actual	Actual	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	0.4	0.9	0.8	1.0	1.3	0.7	1.7	1.0	1.3	- 0.2	0.0	0.8	1.3	1.3	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	2.00	2.00	2.00	2.00	2.00	2.00	2.00
10-year German govt. bond rate	Average,%	2.4	2.3	2.5	2.4	2.3	2.5	2.3	2.2	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4
EUR/USD	Average, Dollars	1.08	1.09	1.11	1.16	1.09	1.08	1.10	1.07	1.05	1.12	1.13	1.14	1.15	1.16	1.16	1.17

