Economist Letter

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

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<Real GDP Growth Rate: Forecast at 0.6% for FY 2025, 0.9% for FY 2026>

1. Real GDP in the April–June quarter of 2025 grew by 0.3% from the previous quarter (1.0% on an annualized basis), marking the fifth consecutive quarter of positive growth. While domestic demand decreased by 0.1% from the previous quarter, exports increased by 2.0% despite the Trump tariffs. This resulted in external demand contributing 0.3% on a quarter-to-quarter basis, offsetting the sluggishness in domestic demand.
2. The impact of tariff hikes will become apparent in the July–September quarter, leading to a decline in exports. In addition, private residential investment is expected to sharply decline due to a reactionary decline following last-minute demand ahead of the amendments to the Energy Conservation Act for Buildings and the Building Standards Act. Consequently, real GDP is projected to contract by 1.3% on an annualized basis from the previous quarter, marking the first negative growth in six quarters. In the October–December quarter, real GDP is expected to return to modest positive growth at 0.3% on an annualized basis from the previous quarter as the pace of export decline moderates. However, the risk of continued negative growth will increase if tariffs are further raised.
3. The real GDP growth rate is projected at 0.6% for FY 2025 and 0.9% for FY 2026. After entering 2026, the negative impact of tariff hikes will gradually fade, exports will recover, and domestic demand will increase, led by private consumption and capital investment. As a result, growth of around 1% on an annualized basis is expected to continue, slightly above the potential growth rate.
4. The consumer price inflation rate (excluding fresh food) is forecast at 2.7% for FY 2025 and 1.6% for FY 2026. While strong wage increases are expected to accelerate the pace of service price hikes, the appreciation of the yen and lower crude oil prices will lead to a decline in import prices, thus slowing the pace of goods price inflation. Consequently, after entering 2026, the inflation rate is projected to fall below the Bank of Japan's 2% price stability target.

1. Positive Growth of 1.0% on an Annualized Basis in the April–June Quarter of 2025

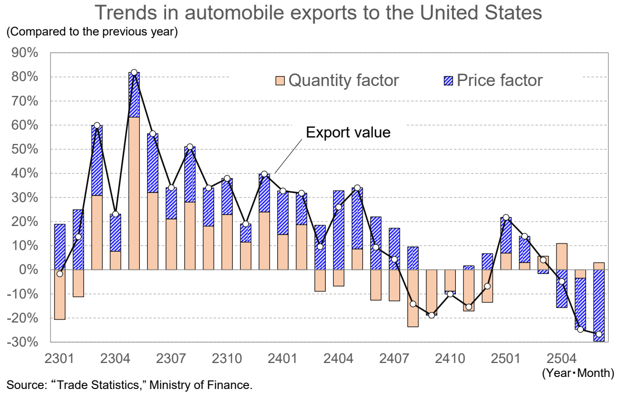
Real gross domestic product (GDP) in the April–June quarter of 2025 grew by 0.3% from the previous quarter (1.0% on an annualized basis), marking the fifth consecutive quarter of positive growth. While domestic demand decreased by 0.1% from the previous quarter, exports increased by 2.0% despite the Trump tariffs, and external demand contributed 0.3% on a quarter-to-quarter basis, offsetting the sluggishness in domestic demand. Supported by strong corporate earnings, capital investment significantly increased by 1.3% from the previous quarter, while private consumption also continued to increase by 0.2%. However, private demand as a whole remained flat at 0.0% from the previous quarter, due to a substantial negative contribution of -0.3% from the change in private inventories. Public demand declined for the third consecutive quarter, with government consumption flat at 0.0% and public investment falling by 0.5%, resulting in a 0.3% decrease from the previous quarter.

At the time of the First Preliminary Quarterly Estimates of GDP for the April–June quarter of 2025, past growth rates were revised due to updates in basic statistics and re-estimations of seasonal adjustments. The real GDP growth rate in the January–March quarter of 2025 was revised upward from negative growth of -0.2% on an annualized basis to positive growth of 0.6%, mainly due to an upward revision in private consumption. Consequently, real GDP recorded five consecutive quarters of positive growth since the April–June quarter of 2024.

(US-Bound Export Volumes Remain Flat Even After Tariff Hikes)
The economic impact of US tariff hikes has gradually become evident but remains limited to date. According to the trade statistics published by the Ministry of Finance (seasonally adjusted by NLI Research Institute), the export volume index to the US in the April–June quarter of 2025 was up 0.4% from the previous quarter. Even under the Trump tariffs, US-bound exports in terms of volume have remained within a flat range.

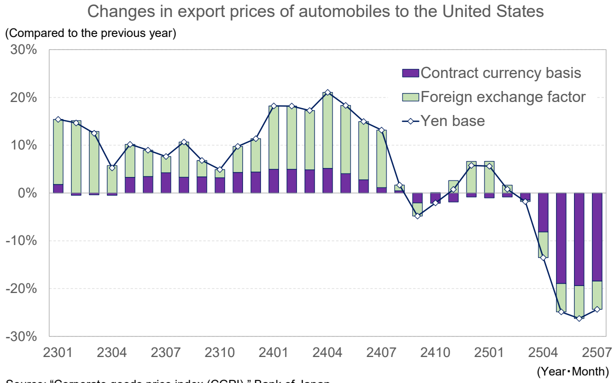
In terms of value, exports of automobiles to the US—which have been subject to an additional 25% tariff since April—declined by 4.8% compared to the previous April, marking the first decrease in four months, before subsequently sharply declining by over 20% in both May and June. While export volumes remained broadly flat, a sharp decline in export prices led to a substantial fall in export values.

Trends in automobile exports to the United States



Source: "Trade Statistics," Ministry of Finance.

Changes in export prices of automobiles to the United States



Source: "Corporate goods price index (CGPI)," Bank of Japan.

Although the export price index in the trade statistics is yen-based and therefore reflects foreign exchange fluctuations, the Bank of Japan's corporate goods price index (CGPI) provides export price indices in both contract-currency and yen terms. Looking at the contract-currency-based index for automobile exports to the US, the decline sharply accelerated from -1.5% compared to the previous year in March to -8.1% in April, remaining at nearly -20% since May.

On the other hand, estimates of US-bound export price indices for products other than automobiles—based on the trade statistics and the CGPI—indicate that while prices have fallen in yen terms due to yen appreciation, they have remained almost flat in contract-currency terms compared to the previous year. The impact of tariff hikes on exports can be attributed to the decline in volumes due to reduced price competitiveness, and exporters reducing prices to mitigate the drop in volumes. In the case of automobiles, exporters have managed to prevent a significant decline in export volumes by making substantial price cuts. Since many automobiles exported to the US are sold by Japanese subsidiaries in the US, it is inferred that Japanese parent companies are absorbing the tariff costs to maintain market share.

For exports other than automobiles, exporters have not reduced contract-currency prices, and export volumes have remained broadly flat. This suggests that the full pass-through of tariff costs to prices in the US has not yet materialized, meaning that the relative price increase of Japanese exports compared to domestically produced goods in the US has not yet become evident.

(Impact of Tariff Hikes Expected to Materialize Going Forward)
However, looking ahead, tariff costs are expected to be gradually passed on to prices in the US, making it difficult for Japanese exporters to avoid a decline in price competitiveness. In the case of automobiles, although large price cuts have helped mitigate declines in export volumes, this has worsened domestic corporate earnings. In fact, according to the June 2025 Tankan Survey by the Bank of Japan, operating profit plans for the automobile sector in FY 2025 were sharply revised downward by -24.9% compared to the previous survey in March, resulting in a projected decline of -23.4% compared to the previous year. This was due not only to a modest downward revision in export growth but also a substantial deterioration of -3.05 percentage points in the ordinary profit-to-sales ratio, with price cuts on exports being the main factor behind the declining profitability.

Maintaining market share through price reductions accompanied by a sharp deterioration in profits has its limits, and major Japanese automakers have begun to increase sales prices in the US. In the future, US-bound exports are expected to inevitably decline in volume, mainly due to Japan's loss of price competitiveness.

Although the tariff rate on automobiles was reduced from 27.5% to 15%, this still represents a significant increase compared to the original 2.5%, and the timing of implementation has not been determined. Moreover, reciprocal tariffs have been raised from 10% to 15%, leaving the average tariff rate on US-bound exports largely unchanged. The main assumptions regarding US tariff policy against Japan in this economic outlook are as follows: (i) reciprocal tariffs will remain at 15%; (ii) tariffs on steel, aluminum, and copper will remain at 50%; (iii) the automobile tariff will be reduced from 27.5% to 15% by the end of September 2025; and (iv) tariffs of 15% on semiconductors (including exempted items, average) and 25% on pharmaceuticals will be implemented by the end of September 2025.

While Japanese exports have remained broadly flat, they are expected to decline in the July–September quarter of 2025, particularly to the US, as the impact of tariff hikes becomes more pronounced. This outlook assumes that no further tariff hikes will occur beyond those already in place, except for certain items such as semiconductors and pharmaceuticals. The decline in exports due to tariff hikes is expected to be contained by the end of FY 2025. However, with the slowdown of overseas economies—particularly in the US and China—and the contraction of global trade transactions, downward pressure on Japan's exports is likely to remain strong for the time being.

In addition, this outlook assumes that—reflecting US interest rate cuts and Bank of Japan rate hikes—the yen will appreciate against the US dollar to the mid-¥130 level by the end of FY 2026, which will also serve as a downward factor for exports. Exports of goods and services in the GDP statistics are expected to slow from an increase of 1.7% compared to the previous year in FY 2024 to 0.9% in FY 2025, remaining subdued at 1.2% in FY 2026.

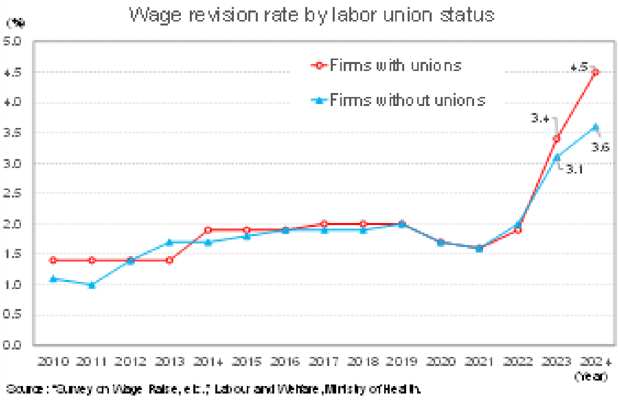
(Spring 2026 Wage Negotiations Expected to Show a Slower Pace of Wage Increases)
According to the Survey on Wage Demands and Settlements of Major Private Companies in Spring released by the Ministry of Health, Labour and Welfare on August 1, the wage increase rate in 2025 was 5.52%, surpassing 5.33% in 2024—which was the highest level in 33 years—by 0.19 percentage points. In addition, according to the Final Aggregated Results of 2025 Spring Wage Negotiations published by RENGO, the average wage increase rate in 2025 was 5.25% (5.10% in 2024), and the wage increase portion equivalent to a base wage increase was 3.70% (3.56% in 2024).

Real wages adjusted for consumer prices turned positive compared to the previous year in June, July, November, and December 2024, mainly due to a sharp increase in special cash earnings, although they remained negative in all other months. Regularly paid wages (scheduled cash earnings plus non-scheduled cash earnings) ,which is more stable than total cash earnings, have remained negative since February 2022 for more than three years.

The decline in real wages reflects not only persistently high consumer price inflation but also the fact that nominal wage growth has remained sluggish despite two consecutive years of wage increases above 5%. Total cash earnings per employee increased by 3.7% compared to the previous year in the October–

December quarter of 2024, mainly due to a sharp rise in year-end bonuses, although growth slowed to the low 2% range after entering 2025.

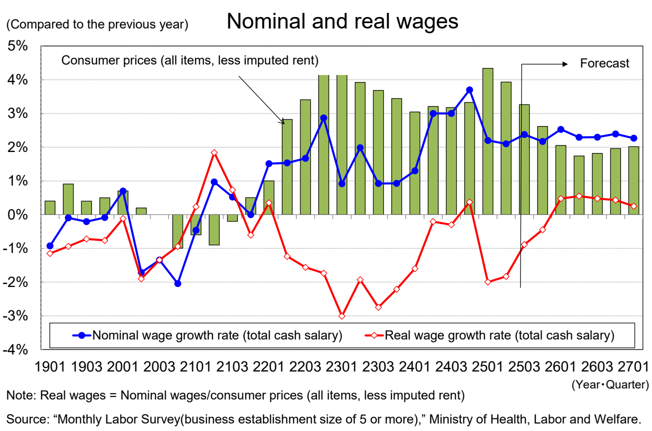
For regular workers, scheduled cash earnings are closely linked to the base wage increase, excluding regular seniority-based raises. However, in FY 2024, scheduled cash earnings for regular workers rose only 2.5% compared to the previous year, considerably below the 4.02% base wage increase reported by the Central Labour Relations Commission's Comprehensive Survey on Wage Conditions. One factor is that wage increase rates based on labor union negotiations no longer fully reflect overall labor market trends due to the declining unionization rate. Indeed, according to the Ministry of Health, Labour and Welfare's Survey on the Actual Situation of Wage Increases, the average wage revision rate in 2024 was 4.5% for firms with unions versus only 3.6% for those without, significantly widening the gap.



Furthermore, the rising share of part-time workers—who have relatively low wage levels—has been a factor in depressing average wages. In addition, the Monthly Labour Survey suffers from statistical breaks every January due to sample replacement, contributing to wage growth rates being lower than high spring wage increase rates suggest. The difference between old and new samples for total cash earnings (pre-replacement minus post-replacement) was +0.6% in January 2022, +0.2% in January 2023, -0.2% in January 2024, and -0.9% in January 2025. Consequently, the wage growth rate in the survey was overstated in 2022 and 2023, and understated in 2024 and 2025.

Although the wage increase rate in the spring negotiations remained at a high 5% range for two consecutive years, the outlook suggests a worsening environment for wage negotiations due to the economic slowdown caused by the Trump tariffs. While structural demographic factors such as population decline and aging are likely to sustain a sense of labor shortage among firms, declining corporate earnings due to reduced exports and falling inflation rates are expected to limit wage increases.

The wage increase rate in the 2026 spring negotiations is projected at 4.5% (based on the Ministry of Health, Labour and Welfare's survey), inevitably lower than the previous year. However, a wage increase rate in the mid-4% range translates to about 3% in terms of base wage increases excluding seniority raises, still exceeding the Bank of Japan's 2% price stability



target. Real wages—which have been declining by around -2% compared to the previous year since early 2025—are expected to see the pace of decline narrow mainly due to a slowdown in consumer price inflation. Sustained and stable positive growth in real wages is projected from the January–March quarter of 2026 onward, when nominal wage growth is expected to remain in the 2% range while consumer price inflation falls below 2%.

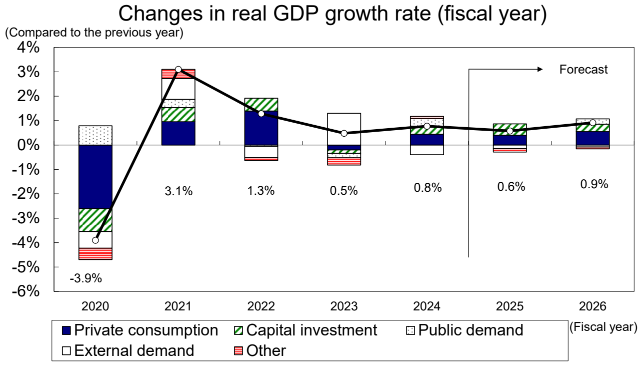
2. Real Growth Rate Forecast: 0.6% for FY 2025, 0.9% for FY 2026

(Negative Growth in the July–September Quarter of 2025)

While exports remained resilient under the Trump tariffs—resulting in positive growth of 1.0% on an annualized basis in the April–June quarter of 2025—the economy is expected to contract in the July–September quarter. Exports will decline as the impact of tariff hikes becomes more pronounced, and private residential investment will sharply fall due to a reactionary decline following last-minute demand ahead of the amendments to the Energy Conservation Act for Buildings and the Building Standards Act. Therefore, real GDP is expected to contract by -1.3% on an annualized basis from the previous quarter, marking the first negative growth in six quarters. The economy is expected to narrowly return to positive growth at 0.3% on an annualized basis in the October‑December quarter, with the pace of export decline moderating and private consumption gradually recovering amid slowing inflation. However, if tariffs are further raised, the risk of prolonged negative growth and a recession will increase.

After entering 2026, the impact of tariff hikes is expected to gradually diminish, exports will recover, and domestic demand will expand, led by private consumption and capital investment. Growth of around 1% on an annualized basis is projected to continue, slightly above the potential growth rate. The real GDP growth rate is forecast at 0.6% for FY 2025 and 0.9% for FY 2026. By demand component, domestic demand—which turned to positive growth in FY 2024 for the first time in two years—will continue to expand in FY 2025 and FY 2026, although the pace will remain modest as the effects of the Trump tariffs spill over into domestic demand. External demand is projected to make a negative contribution of -0.1% in FY 2025 following -0.4% in FY 2024. Although exports are expected to recover in FY 2026, a continued slowdown in overseas economies and yen appreciation will subdue growth. External demand is projected to make a negative contribution of -0.1%, meaning it cannot be expected to serve as a driver of growth.

Changes in real GDP growth rate (fiscal year)



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

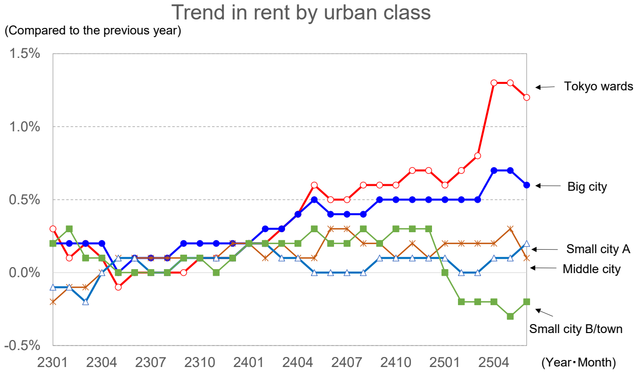
(Outlook for Prices)
Core consumer prices (excluding fresh food) have remained in the 3% range compared to the previous year since December 2024. Mainly driven by faster rises in food prices, inflation accelerated to 3.7% in May 2025, but slowed to 3.3% in June as energy price increases significantly moderated.

Food prices (excluding fresh food)—which had slowed from a peak of 9.2% compared to the previous year in August 2023 to 2.6% in July 2024—began to rise again due to the rebound in import prices and soaring rice prices, reaching 8.2% in June 2025. While the rise in upstream food prices (import prices) has remained lower than in the summer of 2023, the pass-through rate to downstream consumer prices has increased. Import prices of food rose by about 60% from autumn 2020 to the end of 2023, while consumer prices of food (excluding fresh food) increased by less than 10% during the same period. By contrast, since early 2023, food import prices rose by only about 15% at their peak—about one-fourth of the previous surge—but consumer food prices have increased at almost the same rate of 15%. In addition to pass-through of labor and logistics costs, prolonged high inflation appears to have reduced resistance for firms to engage in price hikes.

Meanwhile, according to Teikoku Databank's Survey on Price Trends of 195 Major Food Companies, the number of food items subject to price hikes in 2025 is increasing at a pace exceeding that of 2024. However, there are signs that the pace of this increase might level off over the next three months. While the inflation rate for food is likely to remain elevated for the time being, it is expected to level off toward the latter half of FY 2025.

Service prices—which had been rising in the low 2% range since the second half of 2023—slowed to the mid-1% range after the start of FY 2024. Among service prices, services excluding rents peaked in the high 3% range compared to the previous year around the end of 2023, but have since slowed while maintaining growth in the 2% range. Rents—which account for slightly less than 40% of services—have continued to rise in the low 0% range, restraining overall service price growth. However, rents in the Tokyo metropolitan area rose from 0% during the COVID-19 pandemic to 1.3% compared to the previous year in April 2025, reflecting soaring housing prices and marking a sharp acceleration of 0.5 percentage points from the previous month. Looking at rents in the consumer price index by city size, rents in small cities B and towns/villages (population less than 50,000) were negative compared to the previous year, those in small cities A (population 50,000–150,000) and medium cities (population 150,000–1,000,000) rose in the low 0% range, while those in large cities (government-designated cities and Tokyo's 23 wards) increased in the high 0% range. While rents in depopulated regions are likely to remain sluggish, nationwide rents—led by large metropolitan areas—are expected to gradually accelerate.

Trend in rent by urban class

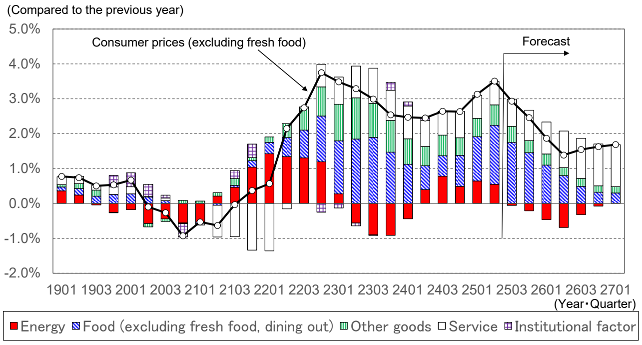


Source: "Consumer Price Index," Statistics Bureau, Ministry of Internal Affairs and Communications.

Labor costs—which have a major impact on service prices—are projected to continue rising amid strong wage increases. With the ongoing pass-through of labor and logistics costs, service price inflation is likely to accelerate again. The core consumer price index (CPI) inflation rate is projected to fall below 3% in the July–September quarter of 2025 due to the impact of government subsidies for electricity and city gas, further slowing to the low 2% range toward the end of 2025 as the provisional gasoline tax is abolished. As slower rises in goods prices due to yen appreciation offset higher service prices driven by wage increases, the core CPI inflation rate is expected to fall below the Bank of Japan’s 2% target after entering 2026.

Core CPI is projected at 2.7% in FY 2025 and 1.6% in FY 2026, following 2.7% in FY 2024. Core-core CPI (excluding fresh food and energy) is projected at 3.0% in FY 2025 and 2.0% in FY 2026, following 2.3% in FY 2024.

Forecast of consumer prices (excluding fresh food)



Note: Factors influencing the system include consumption tax, free education, Go To Travel campaign, and nationwide travel support.
Source: “Consumer Price Index,” Statistics Bureau, Ministry of Internal Affairs and Communications.

Outlook for the Japanese economy

(Units,%) Previous forecast(2025.6)

	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	24/4-6 Actual	24/7-9 Actual	24/10-12 Actual	25/1-3 Actual	25/4-6 Actual	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(2025.6) FY 2025 Forecast	Previous forecast(2025.6) FY 2026 Forecast
Real GDP	0.5	0.8	0.6	0.9	0.7	0.3	0.6	0.1	0.3	- 0.3	0.1	0.3	0.3	0.2	0.3	0.3	0.3	0.9
					3.0	1.1	2.4	0.6	1.0	- 1.3	0.3	1.1	1.4	0.9	1.1	1.4		
					- 0.7	0.8	1.2	1.8	1.2	0.7	0.1	0.4	0.4	0.9	1.1	1.2		
Contribution to domestic demand	(- 0.8)	(1.2)	(0.7)	(1.0)	(1.2)	(0.5)	(- 0.2)	(0.9)	(- 0.1)	(- 0.0)	(0.1)	(0.3)	(0.3)	(0.2)	(0.3)	(0.4)	(0.9)	(1.0)
Private demand	(- 0.7)	(0.9)	(0.7)	(0.8)	(0.9)	(0.4)	(- 0.2)	(1.0)	(0.0)	(- 0.1)	(0.1)	(0.2)	(0.3)	(0.2)	(0.2)	(0.3)	(0.7)	(0.8)
Public demand	(- 0.2)	(0.3)	(- 0.0)	(0.2)	(0.3)	(0.0)	(- 0.0)	(- 0.1)	(- 0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
Contribution to external demand	(1.3)	(- 0.4)	(- 0.1)	(- 0.1)	(- 0.5)	(- 0.2)	(0.8)	(- 0.8)	(0.3)	(- 0.3)	(- 0.1)	(- 0.0)	(0.0)	(- 0.0)	(0.0)	(- 0.0)	(- 0.6)	(- 0.1)
Private final consumption expenditure	- 0.4	0.8	0.8	1.0	0.9	0.7	0.1	0.2	0.2	0.1	0.2	0.3	0.3	0.2	0.3	0.3	0.7	1.1
Private residential investment	0.7	- 0.4	- 4.1	- 0.8	1.5	0.8	- 0.1	1.4	0.8	- 7.3	- 1.3	0.5	1.3	- 0.3	0.3	0.6	0.2	- 1.2
Private nonresidential investment	- 0.8	2.0	2.8	1.8	1.2	0.1	0.5	1.0	1.3	0.3	0.2	0.5	0.5	0.4	0.6	0.5	1.9	1.9
Government final consumption expenditure	- 0.8	1.3	0.1	0.7	1.0	0.0	0.2	- 0.5	0.0	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.5	1.0
Public investment	- 0.4	0.8	- 0.2	1.3	2.5	0.1	- 0.8	0.1	- 0.5	0.2	0.5	0.3	- 0.0	0.3	0.7	0.3	0.8	1.0
Exports of goods & services	3.1	1.7	0.9	1.2	1.1	1.3	1.9	- 0.3	2.0	- 2.4	- 0.7	0.5	0.8	0.7	0.5	0.6	- 2.0	1.1
Import of goods & services	- 2.7	3.4	1.7	1.6	3.1	2.0	- 1.5	2.9	0.6	- 1.0	- 0.4	0.5	0.6	0.8	0.5	0.7	0.9	1.8
Nominal GDP	4.7	3.7	3.2	2.2	2.2	0.7	1.3	1.0	1.3	- 0.0	0.1	1.5	0.3	0.4	0.3	1.6	2.5	2.2

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 2025	FY 2026
Industrial production (QoQ)	- 1.9	- 1.4	- 0.5	0.9	2.1	0.3	0.4	- 0.3	0.4	- 1.6	0.1	0.5	0.3	0.3	0.3	0.4	- 1.8	1.1
Domestic corporate goods prices (YoY)	2.4	3.3	1.8	0.3	1.9	2.9	3.8	4.2	3.4	2.5	1.1	0.3	0.1	0.0	0.5	0.5	2.0	- 0.0
Consumer prices (YoY)	3.0	3.0	2.6	1.6	2.7	2.8	2.9	3.8	3.4	2.9	2.3	1.8	1.4	1.5	1.7	1.7	2.3	1.6
Consumer prices (excluding fresh food)	2.8	2.7	2.7	1.6	2.4	2.6	2.6	3.1	3.5	2.9	2.5	1.9	1.4	1.5	1.6	1.7	2.5	1.6
Current account balance (¥trillion)	26.2	30.4	29.7	26.9	28.8	29.0	32.8	30.9	30.1	31.0	29.5	28.2	27.6	27.2	26.4	26.2	25.6	21.2
(Ratio to nominal GDP)	(4.4)	(4.9)	(4.7)	(4.1)	(4.7)	(4.7)	(5.3)	(4.9)	(4.8)	(4.9)	(4.7)	(4.4)	(4.3)	(4.2)	(4.1)	(4.0)	(4.1)	(3.3)
Unemployment rate (%)	2.6	2.5	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6
Housing starts (10 thousand)	80.0	81.6	70.4	75.0	80.8	78.7	77.8	88.8	60.1	73.7	73.8	74.2	75.2	74.8	74.9	75.3	75.3	76.5
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	0.75	1.00
10-year government bond rate	0.6	1.0	1.6	1.8	0.9	0.9	1.0	1.3	1.4	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.5	1.7
USD/JPY	145	152	144	138	156	149	152	153	145	147	144	141	140	139	137	136	142	136.0
Crude oil price (CIF, Dollar/Barrel)	86	83	71	68	87	88	77	79	76	74	69	67	68	68	68	68	69	67.0
Ordinary profit (YoY)	14.6	7.2	- 1.4	3.1	13.2	- 3.3	13.5	3.8	- 1.1	- 0.5	- 4.8	0.8	1.2	3.0	3.9	4.8	- 0.7	2.4

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). 25/4-6 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	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	2.9	2.8	1.7	1.7	1.6	3.0	3.1	2.5	- 0.5	3.0	1.2	1.2	1.7	1.7	2.0	2.5
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	4.4	4.3	4.2	4.5	4.0	4.3	4.4	4.4	4.4	4.5	4.4	4.3	4.2	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	Actual	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Real GDP	Annual rate,% QoQ	0.5	0.9	1.1	0.9	1.5	0.8	1.7	1.2	2.3	0.5	- 0.9	0.1	1.7	1.5	1.4	1.4
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
German 10 year government bond rate	Average,%	2.4	2.3	2.5	2.4	2.3	2.5	2.3	2.2	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.4
Exchange rate against the dollar	Average, Dollars	1.08	1.09	1.12	1.17	1.09	1.08	1.10	1.07	1.05	1.13	1.17	1.19	1.20	1.21	1.21	1.22