

# FY2025 - FY2026 Economic Outlook

Structural changes and widening growth gaps on the back of Trump 2.0

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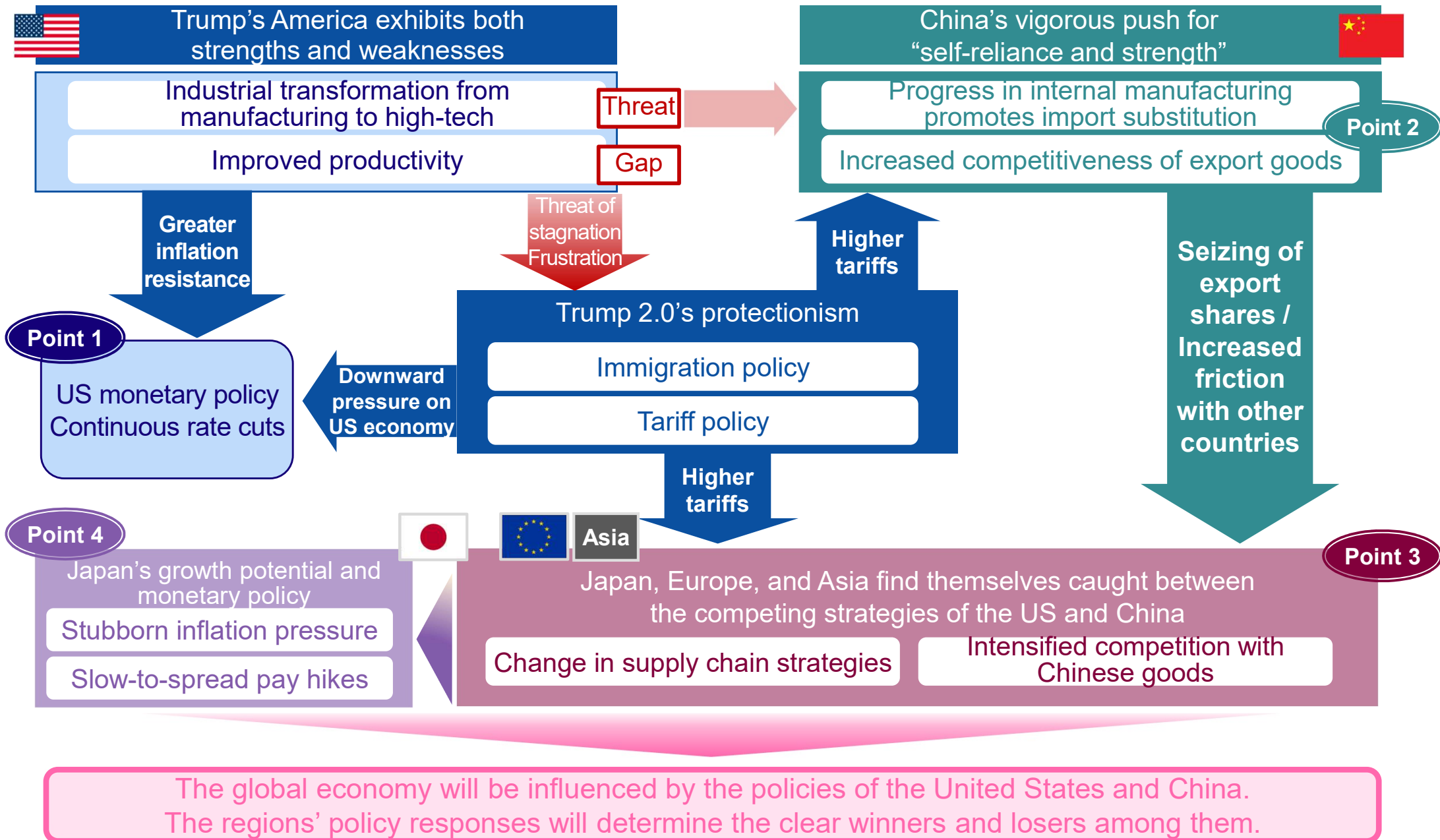


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## Key points of our outlook

- The global economy is expected to recover only slowly as the US raises tariffs in stages. With free trade facing headwinds, Japan and Europe will face intensified competition with China in export markets, which will hinder the recovery of exports. Meanwhile, in the US, the high-tech industry is expected to strengthen its competitiveness, while in China, the manufacturing sector will further enhance its competitiveness, leading to a widening gap in growth potential among countries.
- In the US, tariff hikes and other protectionist policies will weigh on the economy, but the country will avert a major downturn, thanks to the strength of the high-tech industry and the impact of fiscal measures from the end of 2025. Tariff hikes and anti-immigration policy are likely to push inflation upward, but improved productivity will curb the negative impacts. Inflation pressure will not be strong enough to warrant rate hikes, and the Federal Reserve is expected to cut rates to 3.50%-3.75%.
- In Europe, sustained high energy costs will weaken the EU's price competitiveness, particularly for Germany, and EU countries will be affected by intensifying competition with China inside and outside the region. The ECB will continue to cut rates through mid-2025. Easing measures will lead to economic recovery, but only at a slow pace due to the structural issues described above.
- China's domestic demand will remain sluggish because of the property market slump, but thanks to improved manufacturing competitiveness and progress in import substitution, external demand will support the economy with growth maintained at around 4%. In Asia, growing AI demand and export substitution from China will contribute to a recovery in exports, while rate cuts following cooling inflation will bolster their economies, although the pace of recovery will vary from country to country.
- In Japan, personal consumption will continue to rise, driven by the growing momentum for wage hikes. Continued investment demand in energy-saving technologies, etc. will cause a moderate domestic demand-led recovery, but price-adjusted real wages will be slow to rise, holding back a strong recovery in consumption. As labor cost pass-through onto prices progresses, core CPI is projected to increase by around +2% into FY2026.
- The BOJ is expected to continue raising rates in stages based on wage gains close to 5% and price increases of about 2%. Japan 10Y Bond Yield is expected to climb to the upper 1% range in the first half of 2026. With the interest rate gap between Japan and the US expected to narrow, the yen is likely to remain on a strengthening trend against the dollar, but will settle at the lower 140-yen level as the Fed pauses rate cuts at around the upper 3% range.

# Global overview: Structural changes amid Trump 2.0



# Outlook on the global economy: Trump's tariffs continue to weigh heavily, while competition with China is widening the growth gap.

## Outlook on the global economy

	(Y-o-y % change)			(%pt)	
	2024 (Expected result)	2025 (Outlook)	2026 (Outlook)	2025 (Comparison with December 2024 outlook)	2026
Global real GDP growth	3.2	3.0	3.0	-	-
Japan, US, Europe	1.6	1.4	1.2	-	-0.2
US	2.8	1.9	1.7	-	-0.1
Eurozone	0.7	0.8	0.9	-0.1	-0.1
UK	0.8	1.3	1.3	-0.1	-0.1
Japan	0.1	1.1	0.6	-0.1	-0.2
Asia	5.1	4.7	4.5	0.1	0.1
China	5.0	4.4	3.9	0.2	0.1
NIEs	3.0	1.7	2.0	-	-
ASEAN5	5.0	4.8	5.0	-	-
India	6.5	6.4	6.3	-	0.2
Australia	1.1	1.7	1.4	0.1	-
Japan (FY)	0.8	0.8	0.7	-0.2	-0.1

US tariffs will trigger a contraction in global trade. China's competitiveness will mitigate some of the impact, but manufacturing in vulnerable regions such as Japan and Europe is likely to slump and the growth gaps widen.

Despite the downward pressure from protectionist measures, the economy will avoid a setback due to improved productivity. The impact of tax cuts will help the economy maintain momentum thereafter.

The economy will pick up thanks to tax cuts, but only slowly due to high energy prices and growing competition with China.

Increased competitiveness will expand net exports, but the economy will slow with continued sluggish domestic demand and the impact of US tariffs.

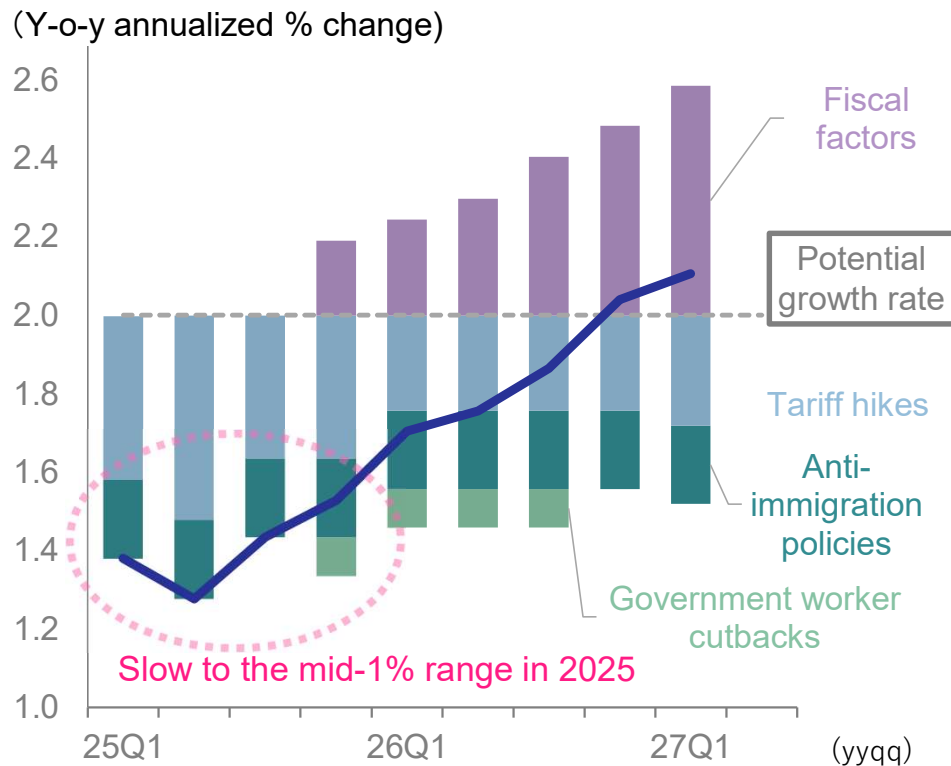
Continued wage hikes will fail to keep pace with inflation. Economic recovery will be slow as exports face intensive competition from China. Rising wages and prices will prompt the BOJ to raise the policy rate to 1%.

Note: Figures in the shaded areas are forecasts. The global growth rate is calculated based on the GDP share (PPP) by the IMF.  
Source: Made by MHRT based on the IMF and the statistics of the relevant countries or regions.

# US: Protectionism will slow the economy briefly, but not enough to alienate Trump supporters

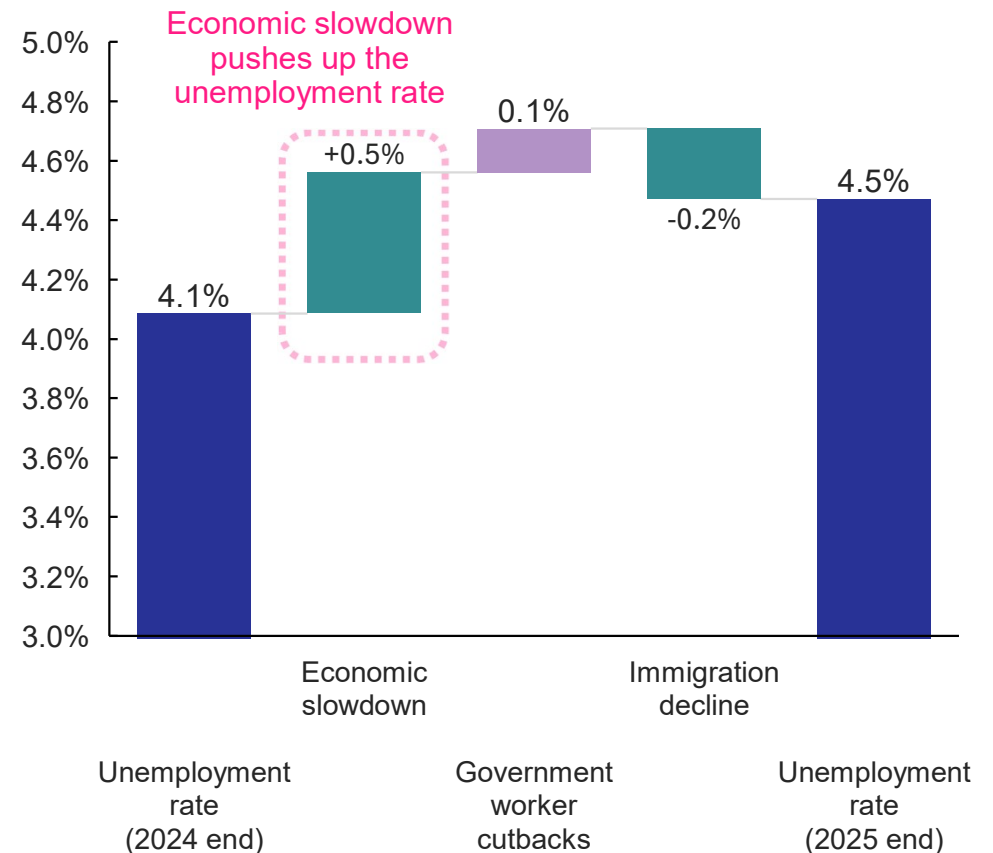
- Tariff hikes and anti-immigration measures will slow the economy temporarily without leading to a major downturn.
  - **Quarterly economic growth will slow to mid-1% in 2025.** From the end of 2025, the tax cuts and other measures will start to take effect. By Q4 2026, when the midterm elections will be held, the economy will regain growth of around 2%.
  - **The unemployment rate in 2025 is expected to rise to 4.5% amid the economic slowdown,** but it will begin to decline as the economy recovers. Since the negative impacts are temporary, supporters of Trump's "America First" agenda will remain loyal, suggesting that Trump will continue to promote these policies.

## Impact of Trump's policies



Source: Made by MHRT.

## Outlook on the unemployment rate

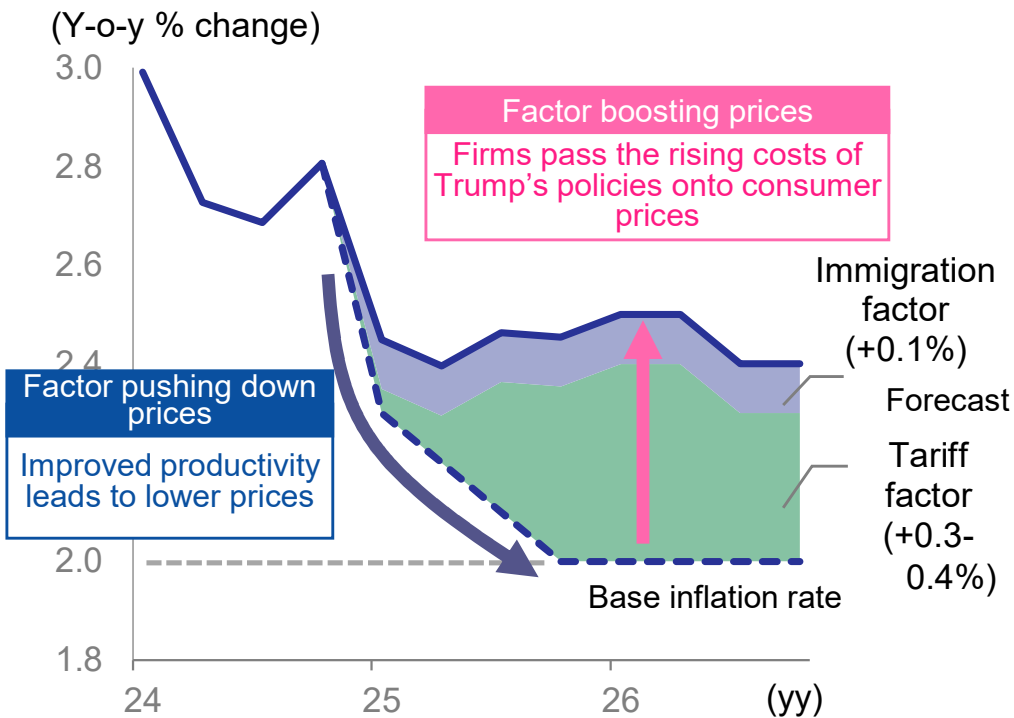


Source: Made by MHRT based on the US Department of Labor and others.

# US: Improved productivity offsets growing policy costs. The Fed will resume rate cuts to address the worsening unemployment situation.

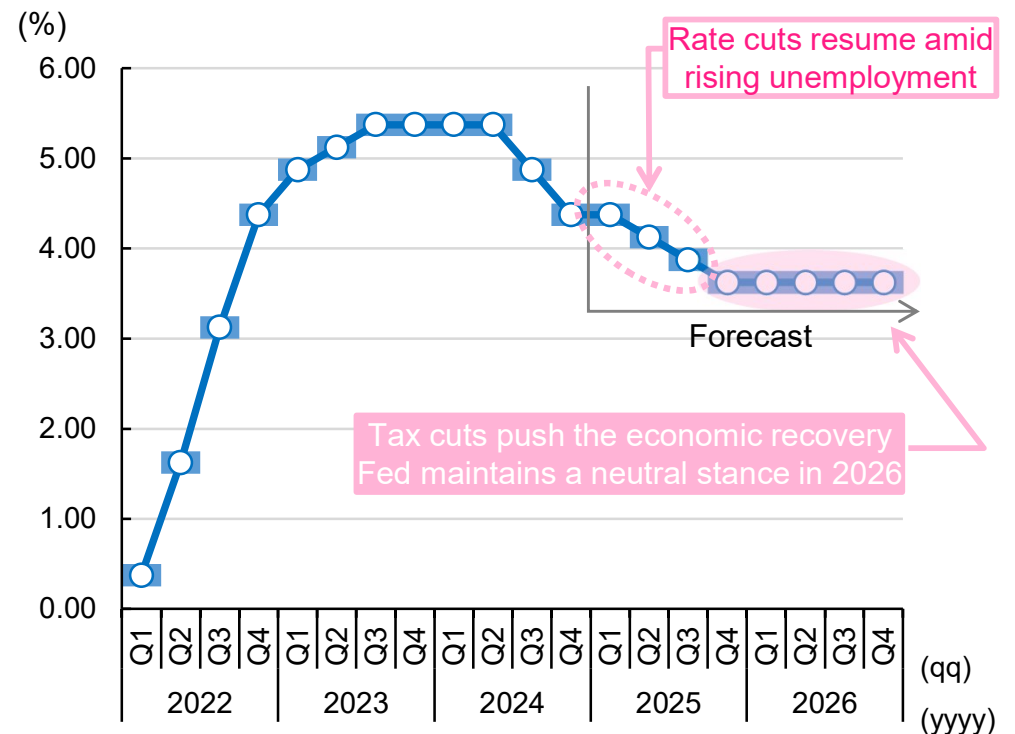
- Improved productivity will partially mitigate the growing costs of the Trump agenda.
  - Businesses are likely to pass the increased costs of tariff hikes and immigration measures onto consumers through higher prices, but improved productivity will ease the upward pressure on prices. The inflation rate at the end of 2025 is projected to be relatively high at around 2.5%, but overshooting will be averted.
- As concerns ease over rising inflation, the Fed will resume rate cuts to avoid an economic slowdown.
  - The Fed is expected to cut rates three times in 2025, before moving to a neutral stance in 2026 as the economy recovers following tax reductions and other measures.

## Basis of the price outlook



Source: Made by MHRT.

## Outlook on the policy rate

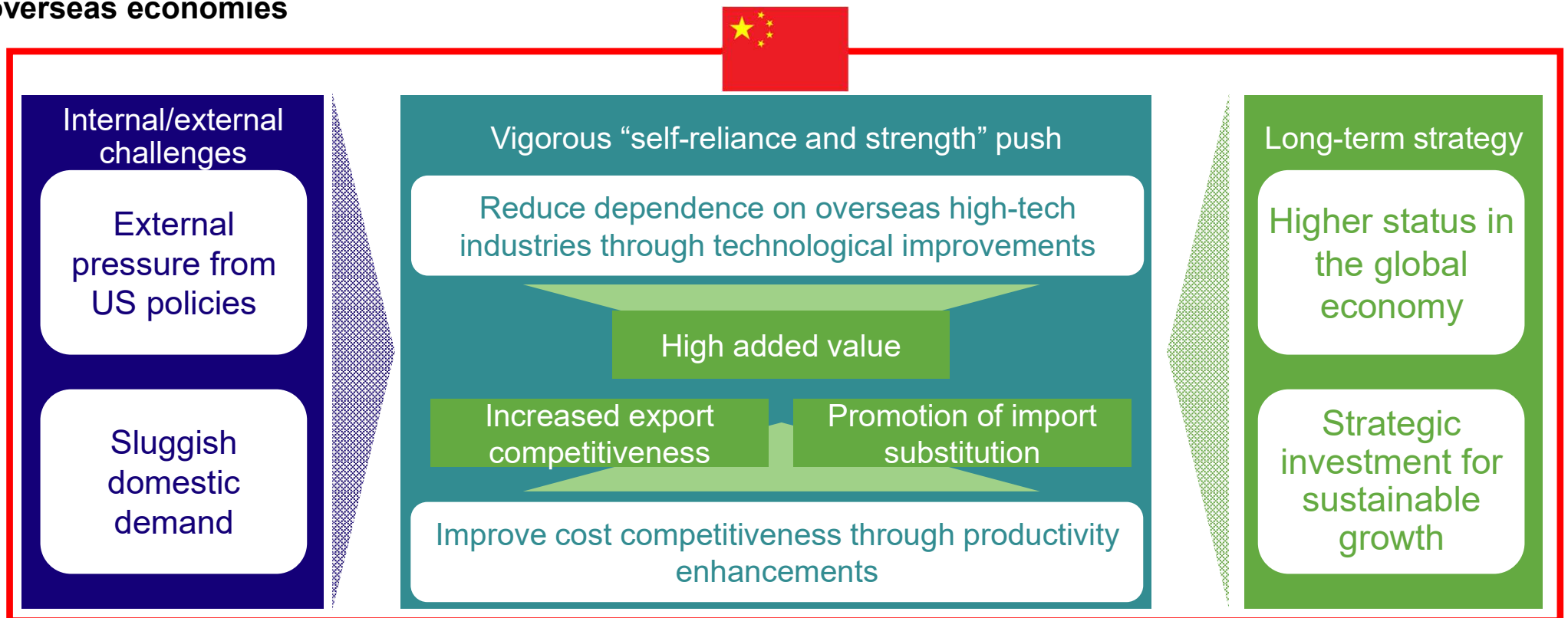


Source: Made by MHRT based on the FRB.

# China: Trump 2.0 will accelerate China's push toward "self-reliance and strength"

- Sluggish domestic demand and external pressure from the Trump administration will drive exports to third-country markets and import substitution.
- Combined with its long-term strategy to become a "manufacturing powerhouse," China's efforts toward "self-reliance and strength" have accelerated.

## China's growing competitiveness under its "self-reliance and strength" strategies and the impact on overseas economies

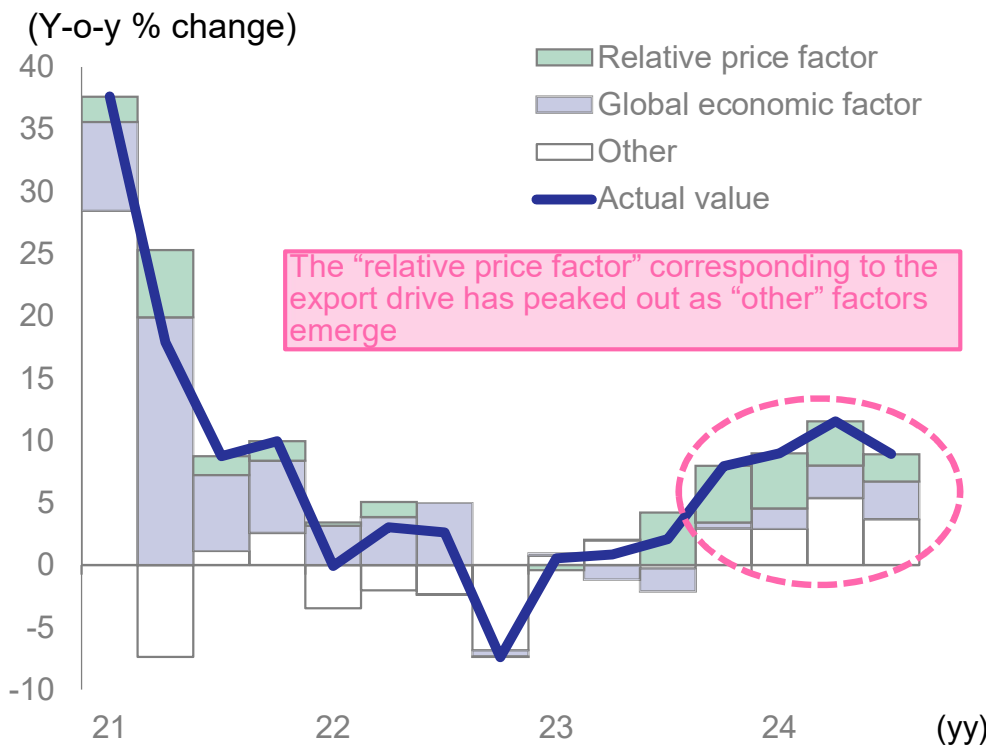


Overseas economies will face downward pressure stemming from the inflow of Chinese goods and the decline in exports

# China: Recently, rather than lowering unit prices, export shares is expanded through improved competitiveness and quality

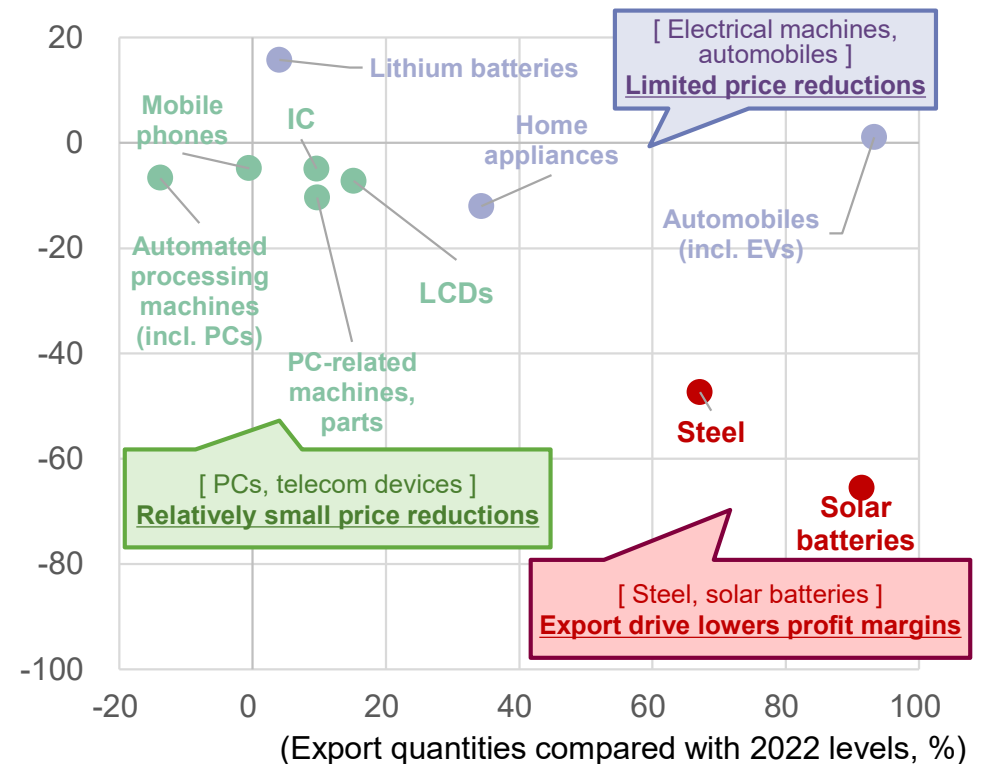
- Aside from the “export drive” on the back of lower unit prices, export growth in recent years has also been supported by the improved competitiveness of Chinese goods and other factors.
  - A breakdown of the factors behind growing exports indicates that the “relative price factor” corresponding to the export drive has peaked out.
  - Examining quantities and prices of the major export goods, some products (e.g., steel, solar batteries) appears to be specifically targeted by the export drive. Meanwhile, the export volumes of some other items are also rising, even with modest price reductions.
  - Automobiles, lithium batteries, and home appliances are examples where the improved competitiveness of Chinese products seems to be playing a part in export growth.

## Factor analysis of China’s export quantities



## Change rates of the major export items’ average unit prices and quantities (2024)

(Average unit export prices compared with 2022 levels, %)



Source: Made by MHRT based on the Netherlands Bureau for Economic Policy Analysis.

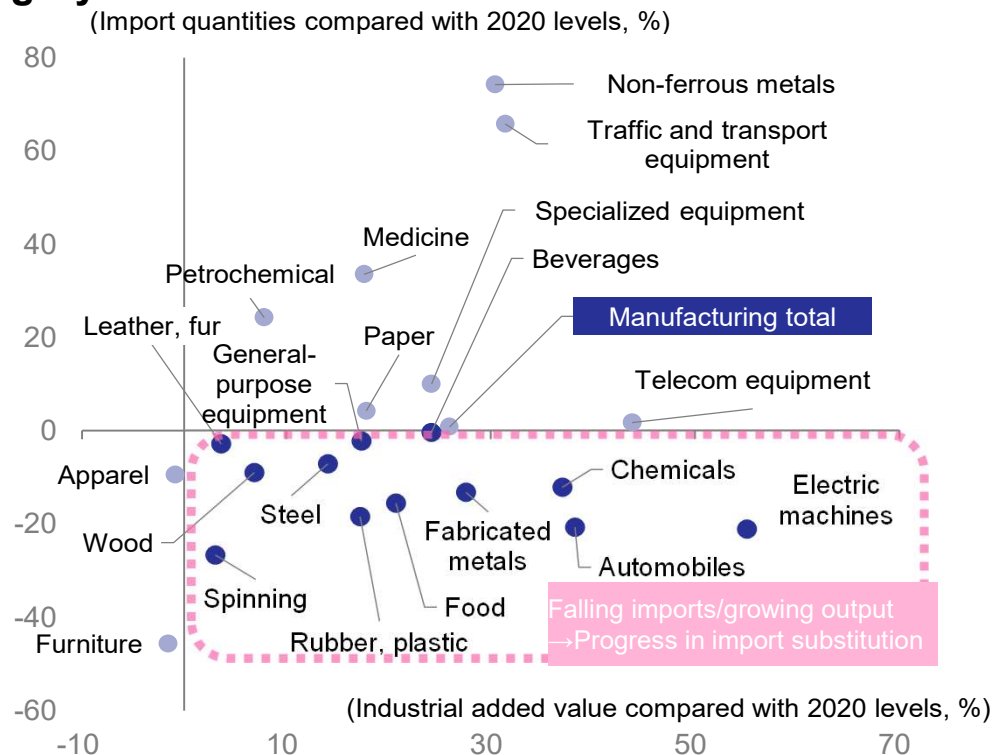
Source: Made by MHRT based on China’s General Administration of Customs and CEIC.



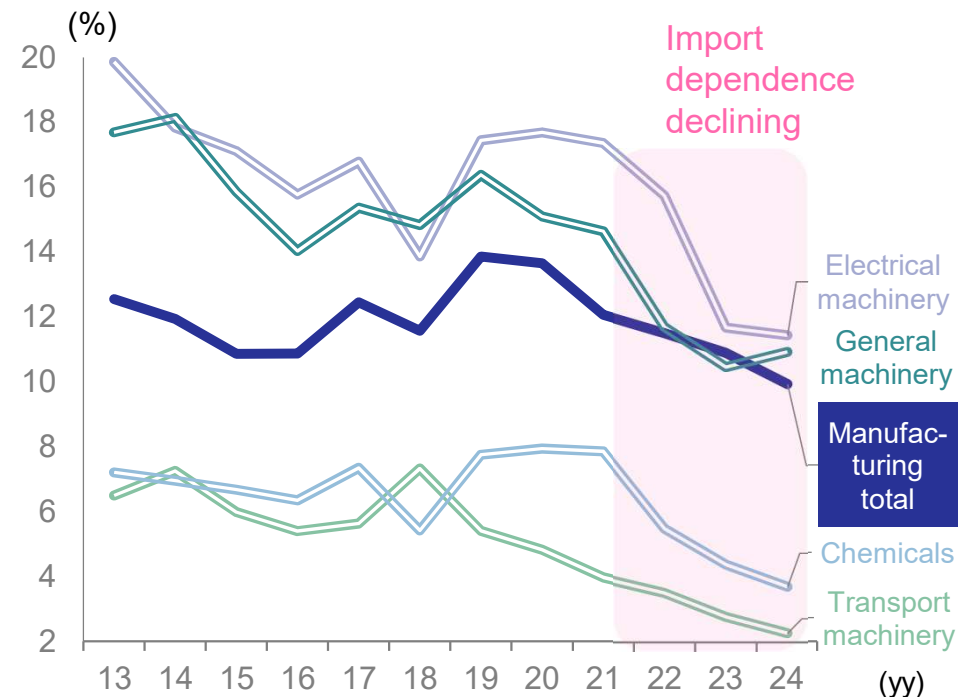
# China: Import substitution has also expanded in recent years, indicating improved overall manufacturing competitiveness

- Growing manufacturing competitiveness has driven import substitution of industrial products over the past few years, making steady progress toward the “self-reliance and strength” objective.
  - While industrial goods imports have been largely unchanged, production has increased significantly, indicating an expansion of import substitution.
  - Data indicate that the ratios of imports to the total domestic supply of industrial products have declined, verifying that import substitution is growing.
  - Declines are particularly evident in key industries such as electrical, machinery and transportation equipment, as well as some lower-priority sectors such as textiles and leather.

## Industrial production and import quantities by category



## Import ratios of total domestic supply of industrial goods



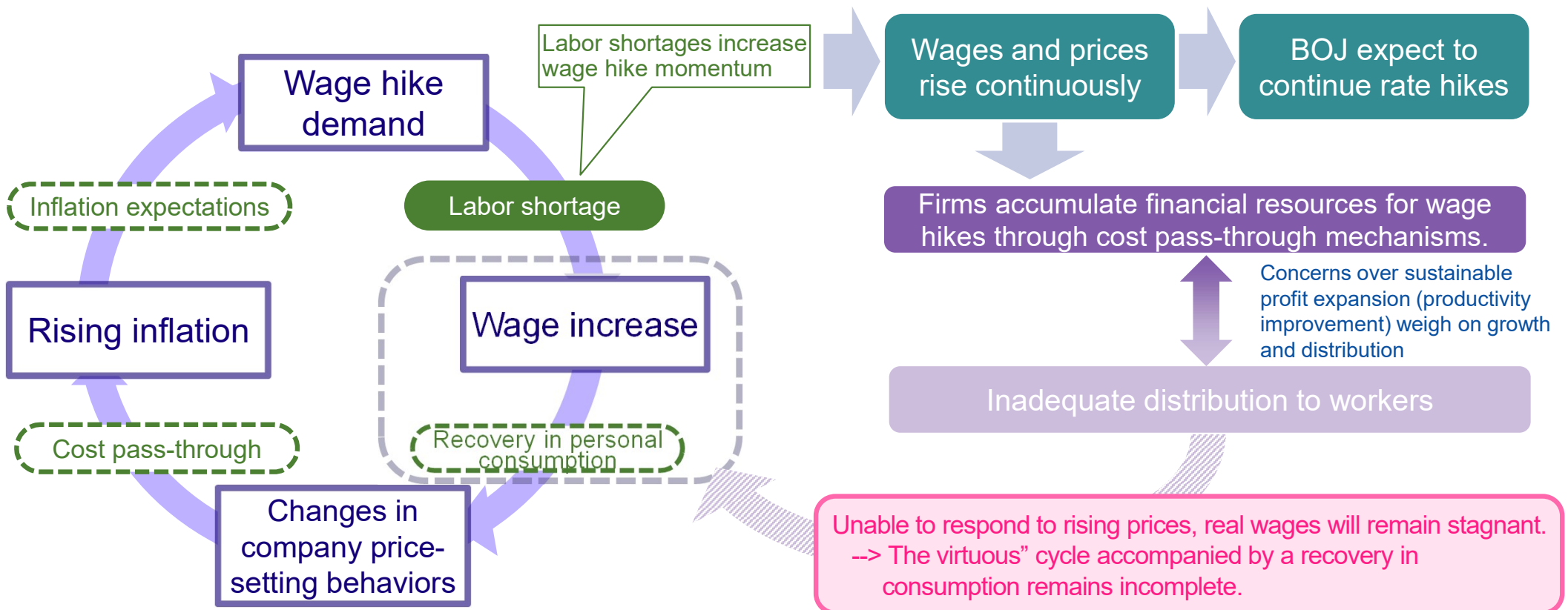
Note: Industrial production shows growth in 2024 from the 2020 levels on a value-added basis.  
Source: Made by MHRT based on China's National Bureau of Statistics and CEIC.

Source: Made by MHRT based on ADB, China's National Bureau of Statistics, General Administration of Customs, and CEIC.

# Japan: Ongoing wage hikes are still insufficient from a distributional standpoint. The “virtuous” cycle of rising consumption remains unfulfilled.

- Due to labor shortages and strong corporate earnings, high-level pay hikes will continue, but the increase will fail to keep pace with rising prices.
  - Corporate revenues have grown on the back of higher prices, but the revenue increase has not been fully distributed to workers. Real wages are slow to rise despite labor shortages.
  - Sluggish real wage improvement will place downward pressure on consumption demand and be a factor behind the Japanese economy’s low growth. The “virtuous” cycle remains incomplete.
  - In areas facing labor shortages (inbound tourism, construction investment, etc.), demand is being curtailed to some degree by supply constraints.

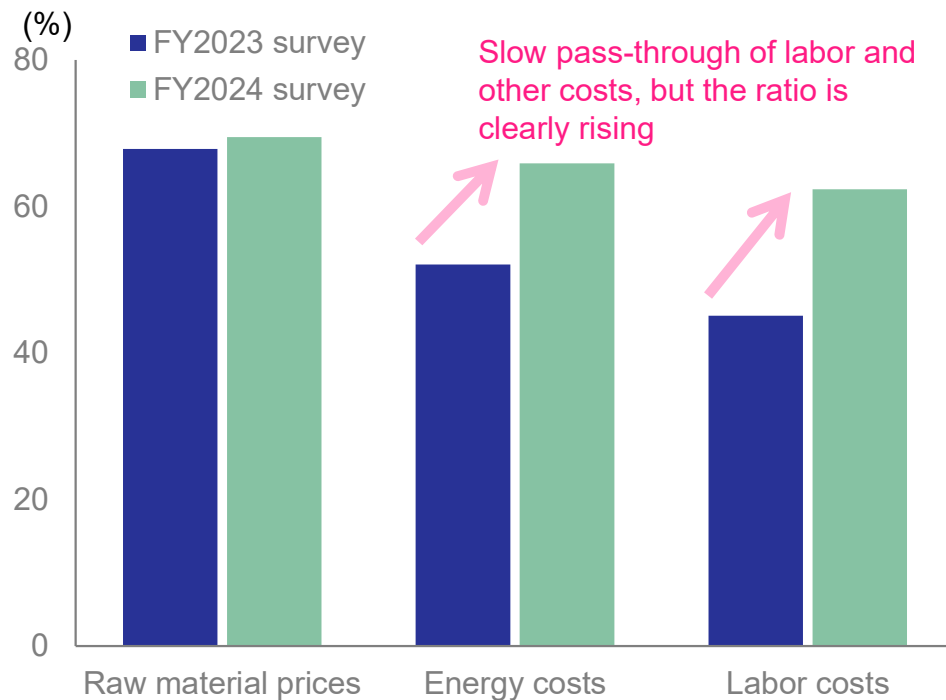
## Mechanism of a virtuous wage-price cycle and issues affecting the goal



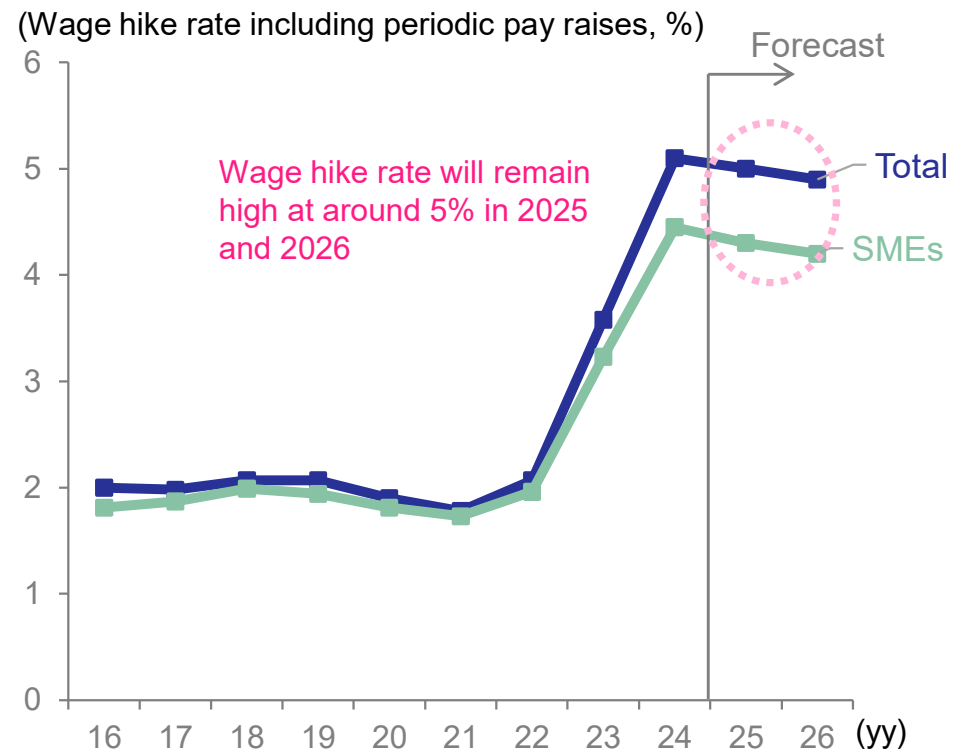
# Japan: The wage hikes are expected to remain in the 5% range, driven by a tightening labor market and strong corporate performance

- With companies including small and mid-sized firms performing well, wage hikes will remain at high level.
  - Cost pass-through will also grow among SMEs in FY2025. Higher marginal profits is expected to push up ordinary profits regardless of company size.
  - Firms will secure sufficient financial resources for raising wages.
- A favorable earnings situation will promote pay hikes. Annual wage talks for FY2025 and 2026 are likely to achieve wage increases of around 5%.

## Pass-through ratio by cost type



## Results and forecasts of the spring wage hike rates



Note: The pass-through ratio shows the rate of increase in transaction prices compared with the level proposed by sellers. The 2023 survey period is June 2022 to May 2023; the 2024 survey period is June 2023 to May 2024.

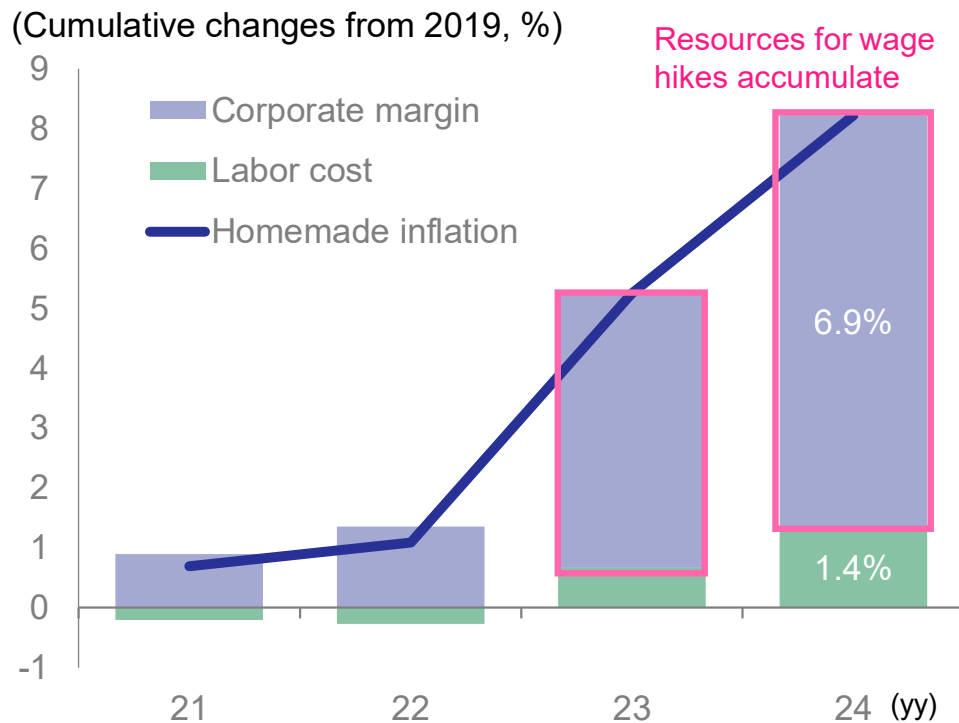
Source: Made by MHRT based on the Japan Fair Trade Commission, *Results of the Special Study on Efforts to Facilitate Smooth Price Pass-Through in FY2024*.

Note: Figures for "SMEs" are aggregates of labor unions with less than 300 members. Source: Made by MHRT based on the Japanese Trade Union Confederation (RENGO), *Results of Spring Wage Negotiation Final Responses*.

# Japan: The distribution of increased profits to wages remains inadequate.

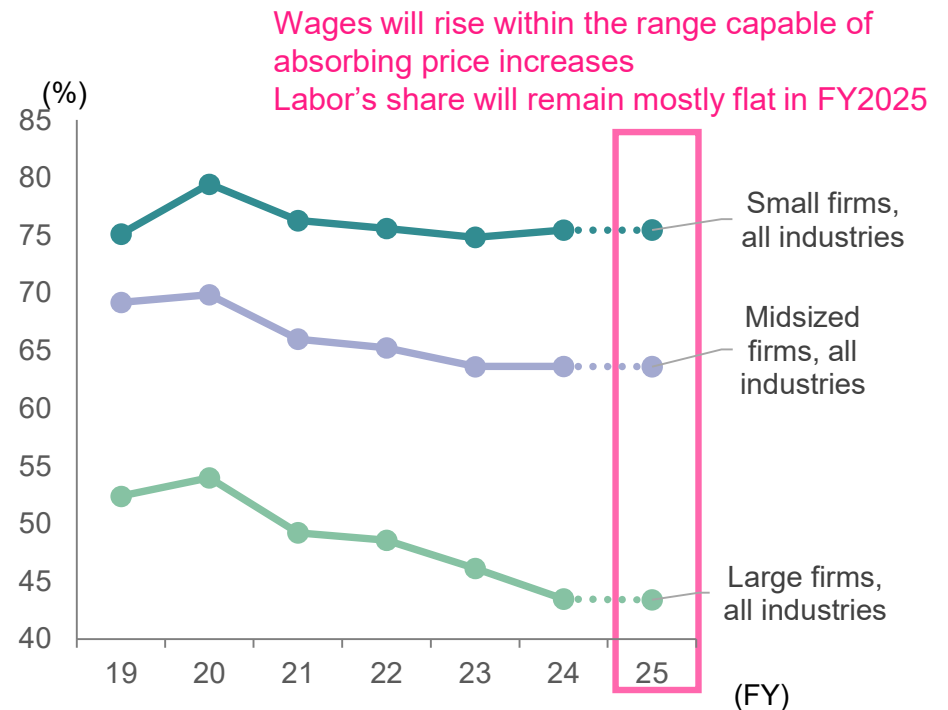
- Price hikes have increased corporate earnings. Financial resources have accumulated for raising wages, but the distribution of profits to workers' wages remains inadequate.
  - Revenues boosted by price hikes (excluding the portions attributable to inflated import prices) are being returned to workers, but companies are accumulating a greater portion of their revenue as internal reserves.
    - ◆ Corporate profits are not being fully reflected in wages. “The virtuous cycle of growth and distribution” has yet to be achieved.
- With the distribution issue likely to continue in the future, labor’s share is predicted to remain flat.

## Distribution of price hike profits between companies and workers



Note: Homemade inflation is based on the GDP deflator. Labor cost (ULC) is calculated by dividing the labor expenses by real value-added. Corporate margin (UP) is calculated as residuals.  
 Source: Made by MHRT based on the Finance Ministry, *Financial Statements Statistics of Corporations by Industry, Quarterly*, and the Cabinet Office, *National Accounts*.

## Outlook on labor’s share

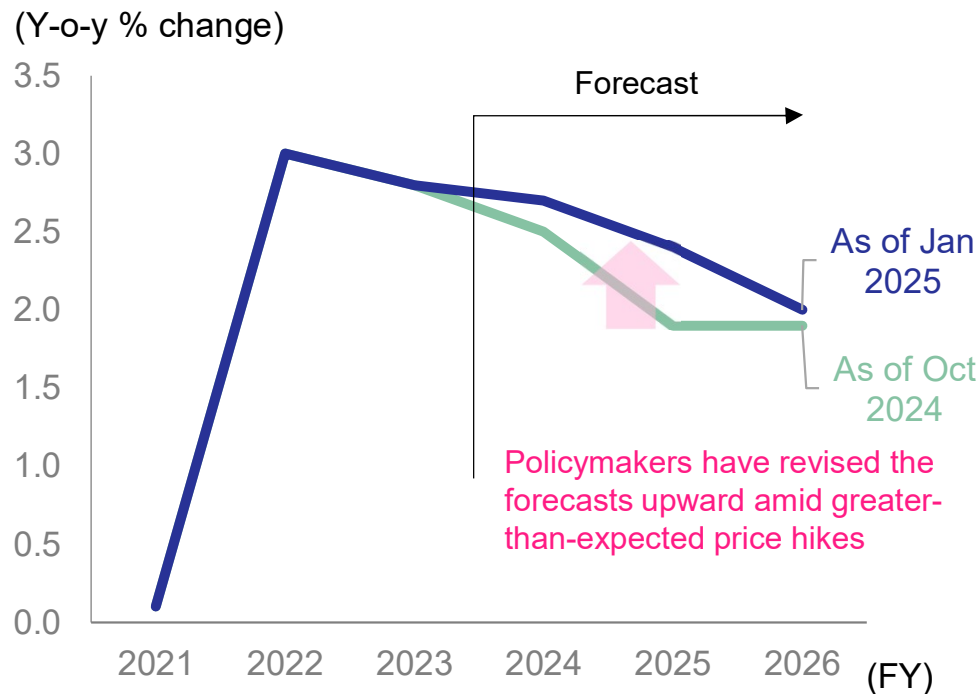


Note: The simulation was run by setting assumptions of companies’ profit and loss. Broken lines indicate estimates for FY2025. Figures for FY2024 were calculated based on actual values for the first half of the fiscal year.  
 Source: Made by MHRT based on the Finance Ministry, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

# Japan: Persistent upward pressure on prices, but real wages are slow to rise. Personal consumption will lack strength for the time being.

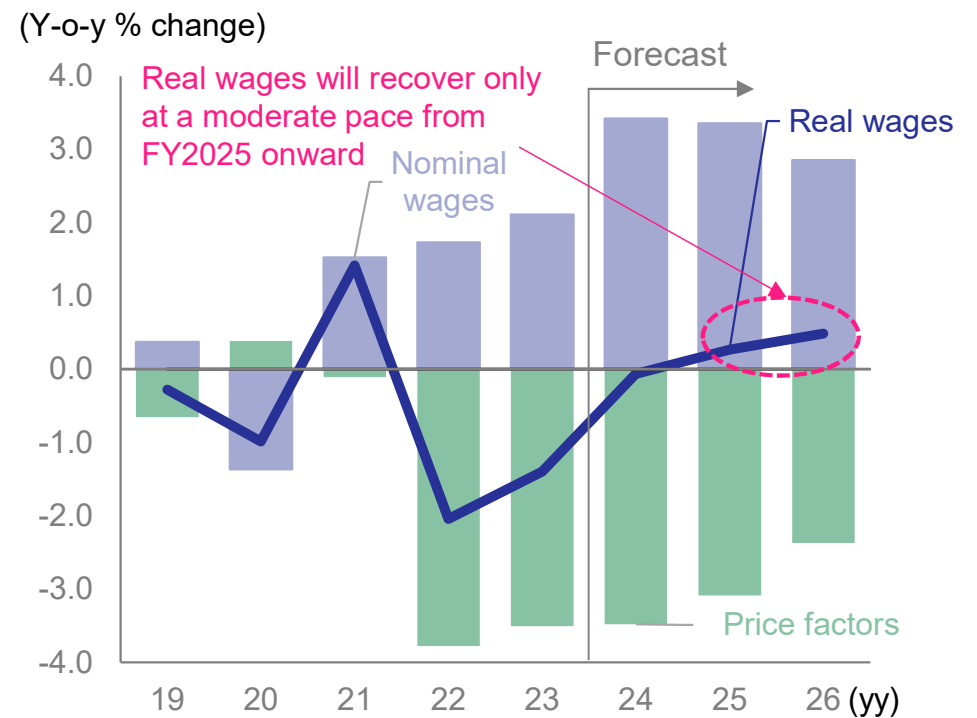
- BOJ board members have revised their median core inflation rate forecasts upward.
  - The move comes amid persistent upward pressure on prices due to greater-than-expected price hikes on the back of growing cost pass-through efforts and the weakening yen.
- Sluggish real wage growth will likely see consumption recover at a slow pace.
  - Real private consumption in FY2025 is expected to rise by less than 0.3% from the pre-coronavirus pandemic level in FY2019, despite the boost from income tax reductions. The virtuous cycle remains incomplete.

## BOJ board members' core inflation rate forecasts



Note: Figures for FY2021-2023 are actual values. Figures from FY2024 are the BOJ board members' median forecasts.  
 Source: Made by MHRT based on the Bank of Japan, *Outlook for Economic Activity and Prices*.

## Year-on-year comparison of real wages



Note: Common establishments basis. CPI for all items excluding imputed rent. Figures from January 2025 are estimates.  
 Source: Made by MHRT based on the Ministry of Health, Labour and Welfare, *Monthly Labour Survey*, and the Ministry of Internal Affairs and Communications, *Consumer Price Index*.

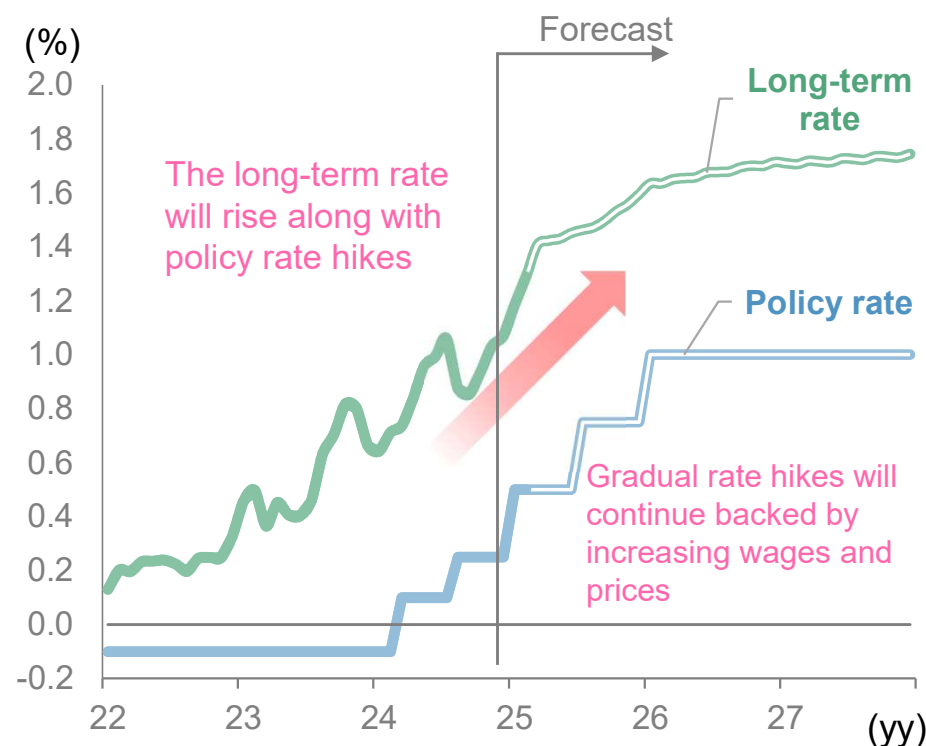
# Japan: The BOJ will continue to cautiously raise rates; Japan's long-term interest rate will rise to the upper 1% range.

- Rising wages and prices are expected to prompt the BOJ to gradually raise the policy rate in stages to 1%, during the Jul-Sep 2025 and Jan-Mar 2026 periods.
  - The yen is anticipated to appreciate moderately against the dollar. In the absence of an urgent need to increase the policy rate to address yen depreciation, the BOJ is likely to implement gradual rate hikes at a semi-annual pace, carefully monitoring the impact of Trump tariffs and the broader economic effects of these adjustments.
  - Meanwhile, as the BOJ remains uncertain about the Japanese economy's growth potential, it will remain cautious about hiking the rate beyond 1%.
- The long-term rate is expected to move on an upward path and climb moderately to the upper 1% range over the first half of 2026.

## Conditions for the BOJ to continue rate hikes (FY2025)

<b>Boost for hikes</b>	<b>Wages</b>	Pay hikes of around 5% expected in the FY2025 wage negotiations
<b>Boost for hikes</b>	<b>Prices</b>	Core inflation rate likely to remain in the 2% range through FY2025
<b>No need for rapid hikes</b>	<b>Currency</b>	Yen's modest appreciation against the dollar
<b>Caution required</b>	<b>Trump tariffs</b>	Greater-than-expected downward risk to the economy

## Outlook on Japan's policy rate and long-term rate



Source: Made by MHRT.

Note: The long-term rate is the 10-year government bond yield. Solid lines indicate actual values. Double lines are estimates.  
Source: Made by MHRT based on LSEG.

# US Economic Outlook Summary Table

		2023	2024	2025	2026	2024				2025				2026			
				(Outlook)		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch p.a.	2.9	2.8	1.9	1.7	1.6	3.0	3.1	2.3	1.5	1.4	1.5	1.5	1.7	1.8	1.8	2.0
Personal consumptions	Q-o-q % ch p.a.	2.5	2.8	2.3	1.4	1.9	2.8	3.7	4.2	1.5	1.4	1.6	1.3	1.4	1.4	1.4	1.6
Housing investment	Q-o-q % ch p.a.	▲ 8.3	4.2	2.7	2.5	13.7	▲ 2.8	▲ 4.3	5.3	4.3	4.1	3.1	3.1	2.0	2.0	2.0	2.0
Capital investment	Q-o-q % ch p.a.	6.0	3.7	1.3	2.2	4.5	3.9	4.0	▲ 2.2	1.6	1.4	1.7	1.9	2.2	2.4	2.6	2.8
Inventory investment	Q-o-q contribution p.a. % pt	▲ 0.4	0.0	0.0	0.0	▲ 0.5	1.1	▲ 0.2	▲ 0.9	0.0	0.0	0.0	0.0	0.1	0.1	0.0	▲ 0.1
Government consumption	Q-o-q % ch p.a.	3.9	3.4	1.6	1.8	1.8	3.1	5.1	2.5	0.5	0.5	0.5	1.6	1.5	2.0	3.0	4.5
Net exports	Q-o-q contribution p.a. % pt	0.5	0.0	▲ 0.0	▲ 0.1	▲ 0.6	▲ 0.9	▲ 0.4	0.0	0.0	▲ 0.0	▲ 0.1	▲ 0.0	▲ 0.0	▲ 0.0	▲ 0.1	▲ 0.1
Exports	Q-o-q % ch p.a.	3	3.2	2.3	2.0	1.9	1.0	9.6	▲ 0.8	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Imports	Q-o-q % ch p.a.	▲ 1.2	5.4	2.6	1.8	6.1	7.6	10.7	▲ 0.8	1.2	1.7	2.0	1.8	1.6	1.7	1.9	2.3
Unemployment rate	%	3.6	4.0	4.3	4.3	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.5	4.4	4.3	4.3	4.3
PCE deflator	Y-o-y % ch	3.8	2.5	2.2	2.4	2.7	2.6	2.3	2.4	2.1	2.1	2.3	2.4	2.5	2.5	2.4	2.4
Core, excl. food and energy	Y-o-y % ch	4.1	2.8	2.4	2.4	3.0	2.7	2.7	2.8	2.4	2.4	2.5	2.5	2.5	2.5	2.4	2.4

Note: Shaded figures are forecasts.

Source: Made by MHRT based on the U.S. Department of Commerce and the US Department of Labor.

# Eurozone Economic Outlook Summary Table

		2024	2025	2026	2024				2025				2026			
		(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch p.a.	0.7	0.8	0.9	0.3	0.2	0.4	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Domestic demand	Q-o-q % ch p.a.	0.3	1.1	1.0	▲ 0.4	▲ 0.1	1.3	▲ 0.0	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Personal consumption	Q-o-q % ch p.a.	0.9	0.8	1.1	0.3	0.0	0.7	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Gross fixed capital formation	Q-o-q % ch p.a.	▲ 2.0	0.7	0.8	▲ 2.3	▲ 2.4	2.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Government consumption	Q-o-q % ch p.a.	2.3	1.0	0.7	0.1	1.1	0.6	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2
Inventory investment	Q-o-q contribution p.a. % pt	▲ 0.3	0.2	0.1	▲ 0.0	0.2	0.3	▲ 0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External demand	Q-o-q contribution p.a. % pt	0.5	▲ 0.2	▲ 0.1	0.6	0.3	▲ 0.8	0.1	0.1	0.0	▲ 0.0	▲ 0.0	▲ 0.0	▲ 0.0	▲ 0.0	▲ 0.0
Exports	Q-o-q % ch p.a.	1.1	0.4	0.5	1.1	1.5	▲ 1.5	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Imports	Q-o-q % ch p.a.	0.1	0.9	0.7	▲ 0.3	1.1	0.2	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
CPI	Y-o-y % ch	2.4	2.2	2.0	2.6	2.5	2.2	2.2	2.3	2.2	2.1	2.1	2.0	2.0	1.9	1.9
Core, excl. food and energy	Y-o-y % ch	2.8	2.2	2.0	3.1	2.8	2.8	2.7	2.5	2.3	2.2	2.0	2.0	2.0	1.9	1.9

Note: Shaded figures are forecasts.  
Source: Made by MHRT based on Eurostat.



# Emerging Country Economic Outlook Summary Table

	2023	2024	2025	2026	2023				2024		
		( Outlook )				Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Asia	5.4	5.1	4.7	4.5	4.6	6.0	5.3	5.7	5.6	5.1	4.7
China	5.4	5.0	4.4	3.9	4.7	6.5	5.0	5.3	5.3	4.7	4.6
NIEs	1.4	3.0	1.7	2.0	▲ 0.1	1.1	1.6	3.0	4.2	3.2	2.8
South Korea	1.4	2.0	1.5	1.9	1.1	1.0	1.4	2.1	3.3	2.3	1.5
Taiwan	1.1	4.3	1.8	2.0	▲ 3.5	1.5	1.6	4.7	6.6	4.9	4.2
Hong Kong	3.3	2.5	2.3	2.0	2.8	1.6	4.2	4.3	2.8	3.2	1.8
Singapore	1.1	4.0	2.0	2.0	0.5	0.5	1.0	2.2	3.1	3.2	5.4
ASEAN5	4.4	5.0	4.8	5.0	4.6	4.1	4.3	4.5	4.6	5.2	5.1
Indonesia	5.0	5.0	4.8	5.0	5.0	5.2	4.9	5.0	5.1	5.0	4.9
Thailand	1.9	2.4	2.9	2.8	2.6	1.8	1.4	1.7	1.6	2.2	3.0
Malaysia	3.6	5.1	4.5	4.4	5.5	2.8	3.1	2.9	4.2	5.9	5.3
Philippines	5.5	5.6	5.8	6.0	6.4	4.3	6.0	5.5	5.8	6.4	5.2
Vietnam	5.1	7.1	6.3	6.8	3.5	4.3	5.4	6.8	6.0	7.2	7.4
India	7.7	6.5	6.4	6.3	6.2	8.2	8.1	8.6	7.8	6.7	5.4
Australia	2.0	1.1	1.7	1.4	2.8	2.0	2.2	1.2	1.2	1.1	0.9
Ref. NIEs+ASEAN5	3.3	4.2	3.7	3.9	2.8	2.9	3.3	4.0	4.5	4.5	4.2
Ref. Asia, excl. China	5.5	5.4	5.1	5.1	4.6	5.6	5.7	6.2	6.1	5.6	4.8

Note: Real GDP growth (y/y, %); Shaded figures are forecasts.  
Source: Made by MHRT based on National Statistics and IMF.

# Japan Economic Outlook Summary Table

		2024	2025	2026	2024				2025				2026				2027
		FY(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
GDP (real)	Q-o-q % ch	0.8	0.8	0.7	▲0.5	0.7	0.4	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
	Q-o-q % ch p.a.	—	—	—	▲1.9	3.0	1.7	2.8	0.3	0.3	0.6	0.5	0.5	0.5	0.9	0.9	0.7
Domestic demand	Q-o-q % ch	1.1	0.8	0.9	▲0.2	1.0	0.5	▲0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Private-sector demand	Q-o-q % ch	0.9	0.8	0.9	▲0.2	0.8	0.7	▲0.1	0.0	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2
Personal consumption	Q-o-q % ch	0.7	0.6	0.7	▲0.5	0.7	0.7	0.1	▲0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Housing investment	Q-o-q % ch	▲1.3	▲0.5	▲0.7	▲2.8	1.4	0.5	0.1	▲1.0	0.1	0.1	▲0.0	▲0.2	▲0.2	▲0.2	▲0.3	▲0.3
Capital investment	Q-o-q % ch	2.0	1.5	1.6	▲0.4	1.1	▲0.1	0.5	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Inventory investment	Q-o-q contribution, % pt	0.0	0.0	(0.0)	(0.3)	(▲0.0)	(0.2)	(▲0.2)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Public-sector demand	Q-o-q % ch	1.6	0.7	0.8	▲0.3	1.8	▲0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.1	0.3	0.3	0.2
Government consumption	Q-o-q % ch	1.5	0.9	1.1	0.2	0.9	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2
Public investment	Q-o-q % ch	2.1	0.3	▲0.3	▲2.0	5.7	▲1.1	▲0.3	0.3	0.3	0.0	0.1	0.1	▲1.0	0.4	0.4	0.4
External demand	Q-o-q contribution, % pt	(▲0.3)	(0.0)	(▲0.2)	(▲0.3)	(▲0.3)	(▲0.1)	(0.7)	(▲0.0)	(▲0.1)	(▲0.1)	(▲0.1)	(▲0.1)	(▲0.0)	(▲0.0)	(▲0.0)	(▲0.0)
Export	Q-o-q % ch	1.7	1.5	1.4	▲4.1	1.7	1.5	1.1	0.1	0.3	0.1	0.3	0.4	0.4	0.3	0.4	0.4
Import	Q-o-q % ch	3.0	1.4	2.3	▲2.8	3.0	2.0	▲2.1	0.2	0.8	0.5	0.6	0.8	0.6	0.4	0.5	0.6
GDP (nominal)	Q-o-q % ch	3.5	2.7	2.0	▲0.1	2.1	0.7	1.3	0.1	1.1	0.8	0.2	0.3	0.6	0.7	0.3	0.4
GDP deflator	Y-o-y % ch	2.6	2.0	1.3	3.1	3.1	2.4	2.8	2.4	1.9	2.3	1.8	1.9	1.4	1.2	1.2	1.3
Domestic demand deflator	Y-o-y % ch	2.3	1.6	1.2	2.0	2.6	2.2	2.2	2.2	1.7	1.7	1.5	1.4	1.3	1.3	1.3	1.3

Note: Shaded figures are forecasts.

Source: Made by MHRT based on the Cabinet Office, National Accounts

# Japan Economic Outlook Summary Table

		2024	2025	2026	2024				2025				2026				2027
		FY(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Industrial production	Q-o-q % ch	▲ 0.5	1.1	0.5	▲ 5.2	2.7	▲ 0.3	1.1	0.2	0.2	0.1	0.4	0.2	0.1	▲ 0.0	▲ 0.0	0.1
Ordinary profit	Y-o-y % ch	6.4	3.3	4.4	15.1	13.2	▲ 3.3	7.4	6.2	▲ 1.0	9.8	5.4	1.4	2.9	5.1	5.3	4.6
Nominal compensation of employees	Y-o-y % ch	4.5	3.7	3.4	1.7	4.3	4.0	5.8	3.3	3.8	3.4	3.6	3.8	3.5	3.5	3.3	3.4
Unemployment rate	%	2.6	2.5	2.4	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3
Number of new housing starts	annual rate, ten thousand units	79.1	78.1	77.5	78.6	81.9	78.3	78.0	78.3	78.3	78.3	78.1	78.0	77.8	77.6	77.4	77.1
Current account balance	annual rate, trillion yen	30.3	31.7	30.7	24.7	28.5	29.0	32.7	31.2	32.4	31.4	31.6	31.5	31.2	30.4	30.6	30.4
Corporate goods price index	Y-o-y % ch	3.1	1.8	1.8	0.7	1.9	2.9	3.8	3.8	2.7	1.9	1.4	1.1	1.7	1.9	1.8	1.8
CPI. excl. fresh food	Y-o-y % ch	2.7	2.5	1.9	2.5	2.4	2.6	2.6	3.0	3.0	2.5	2.3	2.1	1.9	1.9	1.9	1.9
CPI. excl. fresh food and policy factors	Y-o-y % ch	2.2	1.9	1.8	2.2	2.0	1.9	2.2	2.6	2.3	2.0	1.8	1.7	1.7	1.8	1.8	1.8
CPI. excl. fresh food and energy	Y-o-y % ch	2.3	2.1	1.9	3.2	2.2	2.0	2.3	2.5	2.4	2.1	2.0	1.9	1.9	1.9	1.8	1.8
CPI. excl. fresh food and energy and policy factors	Y-o-y % ch	2.3	2.1	1.9	3.1	2.2	2.0	2.3	2.5	2.4	2.1	2.0	1.9	1.9	1.9	1.8	1.8

Note: Shaded figures are forecasts.

Source: Made by MHRT based on various statistics of Japan

# Financial Markets Outlook Summary Table

		2023	2024	2025	2026	2024			2025				2026				2027
		FY	FY	FY	FY	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Japan																	
Interest rate on the policy rate balance	End of period value, %	0.10	0.50	1.00	1.00	0.10	0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Newly issued JGBs	10-year, %	0.62	0.74 ~1.50	1.30 ~1.80	1.50 ~1.85	0.93	0.93	1.01	1.08 ~1.50	1.30 ~1.60	1.35 ~1.65	1.40 ~1.70	1.50 ~1.80	1.50 ~1.80	1.55 ~1.85	1.55 ~1.85	1.55 ~1.85
Nikkei Stock Average	JPY	33,227	31,150 ~41,000	37,500 ~42,500	39,000 ~43,500	38,693	38,121	38,943	36,500 ~41,000	37,500 ~41,500	38,000 ~42,000	38,000 ~42,500	38,500 ~42,500	39,000 ~43,000	39,000 ~43,000	39,000 ~43,500	39,500 ~43,500
US																	
Federal Funds Rate (lower end)	End of period value, %	5.25	4.25	3.50	3.50	5.25	4.75	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50	3.50	3.50
Newly issued government bonds	10-year, %	4.08	3.62 ~4.85	3.65 ~4.75	3.75 ~4.55	4.45	3.96	4.28	4.10 ~4.85	3.90 ~4.75	3.70 ~4.50	3.65 ~4.35	3.70 ~4.40	3.75 ~4.45	3.80 ~4.50	3.85 ~4.55	3.85 ~4.55
Dow Jones Average	USD	35,441	37,600 ~47,700	42,900 ~49,600	44,700 ~51,800	38,812	40,597	43,280	41,800 ~47,700	42,900 ~48,100	43,100 ~48,500	43,700 ~49,100	44,200 ~49,600	44,700 ~50,300	45,100 ~50,700	45,700 ~51,300	46,200 ~51,800
Eurozone																	
ECB deposit facility rate	End of period value, %	4.00	2.50	2.00	2.00	3.75	3.50	3.00	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
German government bonds	10-year, %	2.44	2.00 ~2.70	1.85 ~2.60	1.95 ~2.80	2.50	2.28	2.26	2.00 ~2.70	1.90 ~2.60	1.90 ~2.60	1.85 ~2.55	1.90 ~2.60	1.95 ~2.65	2.00 ~2.70	2.05 ~2.75	2.10 ~2.80
Exchange rates																	
USD/JPY	USD/JPY	145	139 ~162	137 ~157	135 ~147	156	149	152	147 ~162	144 ~157	140 ~151	138 ~149	137 ~148	136 ~147	136 ~147	136 ~147	135 ~146
EUR/USD	EUR/USD	1.08	1.00 ~1.12	1.01 ~1.11	1.04 ~1.11	1.08	1.10	1.07	1.00 ~1.06	1.01 ~1.07	1.03 ~1.10	1.04 ~1.11	1.04 ~1.11	1.04 ~1.11	1.04 ~1.11	1.04 ~1.11	1.04 ~1.11

Note: Shaded figures are forecasts.  
Source: Made by MHRT based on LSEG.

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