

FY2025 - FY2026 Economic Outlook

Global Economy in a Transition Phase amid Adjustments to Trump 2.0

Mizuho Research & Technologies, Ltd.

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Executive Summary

Point 1

Reciprocal tariffs expected to be effectively lifted; global outlook revised upward

- With tariff negotiations stalled outside China and the UK, and the US administration signaling an extension of the grace period for reciprocal tariffs, the latest outlook revision reflects the effective removal of the additional tariff layers.
- Meanwhile, the scope for negotiations in strategic sectors remains limited, and elevated tariffs on specific items—such as automobiles—are likely to persist over the long term.
- The easing of tariff assumptions has led to an upward revision of the global economic outlook for 2025. The US economy is projected to grow by 1.6% in the same year.

Point 2

Japan's wage growth momentum resilient; BOJ to resume rate hikes in Jan. 2026

- Despite headwinds from the US tariffs and a stronger yen, corporate profits remain at elevated levels, supported by lower input costs due to falling crude oil prices. With solid earnings and severe labor shortages, strong wage growth is expected to continue in 2026.
- Inflation is expected to remain near 2%, driven by continued food inflation and the pass-through of higher labor costs.
- The BOJ is expected to resume rate hikes in January 2026, following confirmation of continued wage growth. Long-term interest rates are projected to rise to the upper 1% range by mid-2026.

Point 3

Global supply chains are being restructured in response to US tariffs

- Higher tariffs are likely to accelerate a shift toward US-based production in sectors where American-made goods gain a price advantage—such as steel, automobiles, and electrical machinery. Recent data also indicate a gradual increase in investment in the US. In contrast, Asian economies to offer cost advantages in light industries such as apparel and toys.
- China's presence is growing as it pushes forward with its ambitions to become a global manufacturing powerhouse. Amid intensifying export competition, Japan must identify and strengthen its strategic growth sectors. In the ASEAN market, Japan's strong reputation for trustworthiness serves as a key advantage.

Key points of our outlook

- The global economy is expected to slow due to the US tariff hikes under its “America First” policy. While the US is bearing the brunt of the tariffs’ impact, other regions are also facing headwinds from reduced exports to the US, resulting in slower global growth in 2025. In 2026, the impact of higher tariffs is expected to dissipate, while fiscal expansion in the US and Europe provides additional support, allowing the global economy to return to its trend growth pace. In parallel, global supply chains are gradually being reorganized in response to the US tariffs, including shifts back to US-based manufacturing and efforts to cultivate new markets outside the US.
- In the US, economic growth is projected to decelerate in the second half of 2025, as the effects of tariff hikes begin to weigh on the economy. Rising prices driven by higher tariffs are expected to squeeze corporate cash flows and erode household purchasing power. As a result, private consumption, which accounts for 70% of the US economy, is likely to weaken. While the Fed is expected to remain vigilant on inflation, it is projected to lower interest rates to 3.25–3.50% by mid-2026 in response to labor market deterioration.
- In Europe, higher tariffs will lead to slower growth, particularly in manufacturing-heavy countries with high export exposure to the US. The ECB is forecast to cut interest rates to 1.75% to support recovery. In addition to the impact of monetary easing, fiscal support—such as increases in defense spending and stepped-up infrastructure investment—is expected to take effect, supporting a recovery from late 2025 into 2026.
- China will intensify its export drive and expand trade with third countries to partly offset the decline in exports to the US, but the economy is expected to slow due to sluggish domestic demand. Even with policy support, the growth target of around 5% will be challenging. Elsewhere in Asia, higher tariffs will adversely affect economies like Vietnam, which relies heavily on exports to the US. The inflow of Chinese goods redirected from the US market will also exert downward pressure.
- In Japan, higher tariffs are expected to weigh on growth, resulting in stagnation in FY2025. However, lower crude oil prices will help suppress input costs—especially in the non-manufacturing sector—enabling firms to maintain elevated profits. Supported by solid corporate earnings and an intense labor shortage, wage growth momentum will continue. Private consumption is also likely to recover gradually, helping the economy avoid a significant downturn. Core inflation is projected to approach 2% into FY2026, driven by persistent food inflation and continued pass-through of labor costs.
- Considering the effects of the US tariff hikes, the Bank of Japan (BOJ) will keep interest rates unchanged in 2025. In 2026, rate hikes are expected to resume after confirming upper 4% wage growth and inflation approaching 2%. The interest rate gap between Japan and the US will narrow, and the dollar-yen exchange rate is predicted to lean toward a stronger yen. By mid-2026, the yen is projected to rise to the upper-130s against the dollar.

Outlook on the global economy: Slowdown outlook persists, but revised upward on tariff easing

Outlook on the global economy

	(Y-o-y % change)			(%pt)	
	2024	2025 (Outlook)	2026 (Outlook)	2025 (Comparison with May 2025 outlook)	2026
Global real GDP growth	3.3	2.8	3.0	0.1	-
Japan, US, Europe	1.7	1.2	1.5	0.3	-
US	2.8	1.6	1.8	0.5	0.1
Eurozone	0.9	0.9	1.5	0.2	-
UK	1.1	1.1	1.2	0.1	-
Japan	0.2	0.7	0.7	0.1	0.1
Asia	5.2	4.7	4.3	0.1	-
China	5.0	4.5	3.8	0.1	-
NIEs	3.2	1.6	1.7	0.1	-
ASEAN5	5.0	4.6	4.8	0.2	0.1
India	6.7	6.5	6.3	0.2	-
Australia	1.1	1.4	1.8	▲ 0.1	-
Japan (FY)	0.8	0.4	0.7	0.1	-

“America First” tariff policy will put downward pressure on global economy, but the impact is likely to be limited thanks to partial easing. The growth rate is expected to return to 3% in 2026 as the tariff effects fade away.

The economy is expected to slow in 2025 due to higher costs caused by tariffs, but recession can be avoided by reciprocal tariff revisions. Growth rate is expected to return to its potential in 2026, supported by tax cuts and other measures.

Facing tariff-related headwinds, fiscal expansion led by Germany may help offset drag. Growth is likely to strengthen in 2026, supported by increased defense spending.

Exports and capex are likely to remain soft amid higher tariffs. Wage growth momentum may moderate in 2026 but will remain resilient. Inflation is projected to stay just under 2%, and the BOJ will raise its policy rate to 1%.

The economy is expected to partly offset US export losses via other markets, but weak domestic demand is likely to weigh. Achieving the 5% growth target remains challenging.

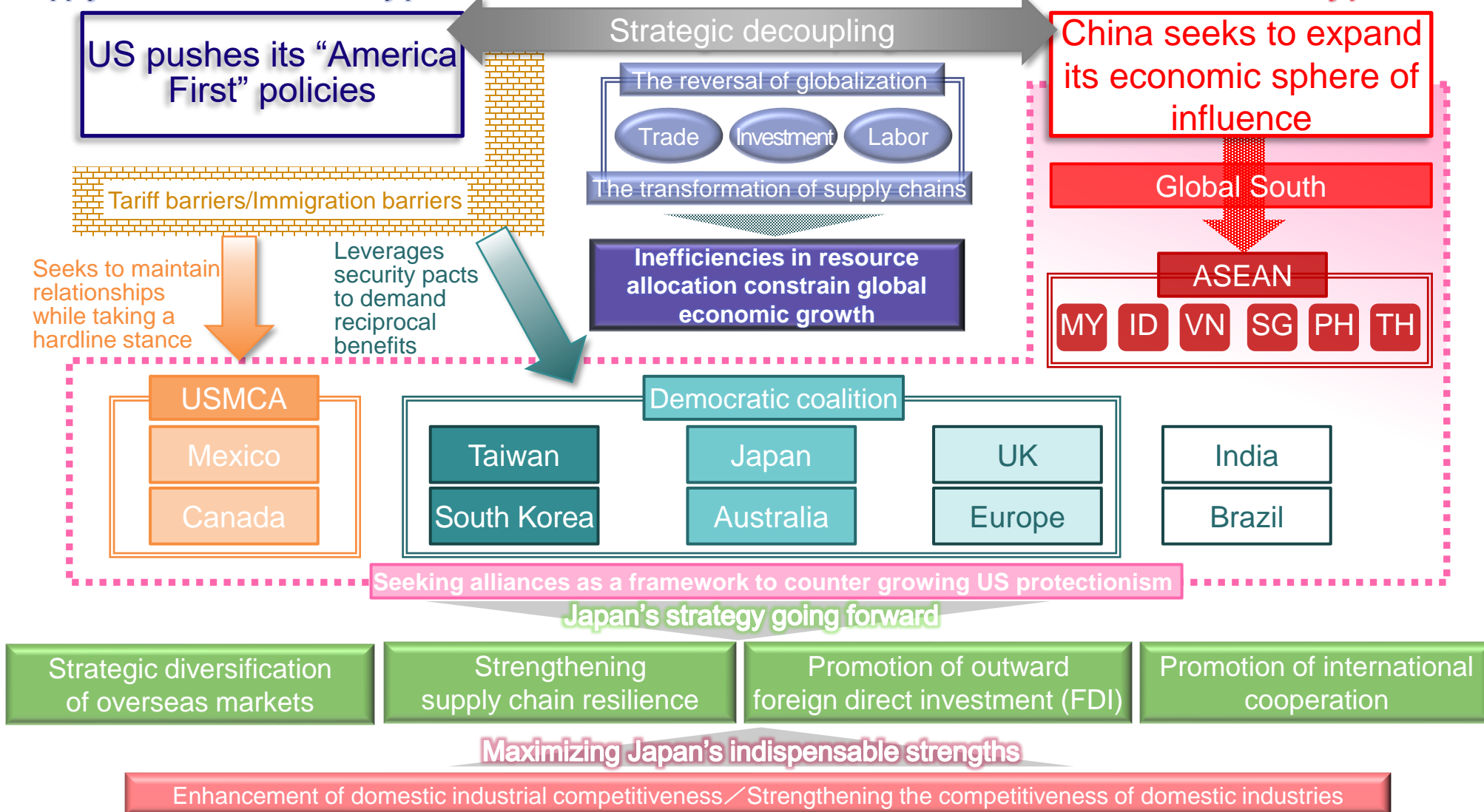
The forecasts have been revised upward from May, reflecting the assumption that the US government will ease its tariff policy.

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.

Global overview: US is turning inward. The world finds itself caught between “decoupling” and “cooperation.”

Supply constraints / inflationary pressures

Weak demand / deflationary pressures



Tariff rate assumptions: Tariff policy shifts toward pragmatism, while protection in strategic sectors tightens

Current			Outlook		
Tariffs on China	30%	In effect <small>Under litigation</small> excl. semiconductors, pharmaceuticals, etc.	Tariffs on China	30%	To remain in effect excl. semiconductors, pharmaceuticals, etc.
Universal Tariff	10%	In effect <small>Under litigation</small> excl. semiconductors, pharmaceuticals, etc.	Universal Tariff	10%	To remain in effect excl. semiconductors, pharmaceuticals, etc.
Reciprocal Tariffs	20-50%	Temporarily suspended (-7/9) <small>Under litigation</small>	Reciprocal Tariffs	0%	Not to be activated
Canada Mexico	25%	In effect <small>Under litigation</small> excl. USMCA products	Canada Mexico	25%	To remain in effect excl. USMCA products
Steel Aluminum	50%	In effect	Steel Aluminum	50%	To remain in effect
Automobiles & Parts	25%	In effect	Automobiles & Parts	25%	To remain in effect
Semiconductors, Pharmaceuticals	—	<u>Under review</u>	Semiconductors, Pharmaceuticals	25%	To be applied
Copper Products, Lumber, etc.	—	<u>Under review</u>	Copper Products, Lumber, etc.	25%	To be applied

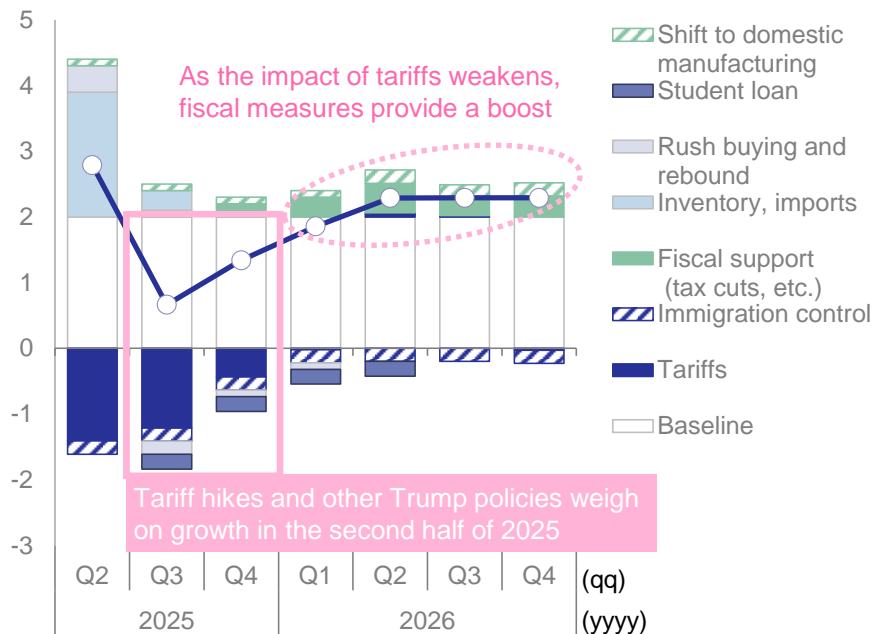
Tariffs in specific sectors are assumed to impose higher trade barriers.

US: Growth expected to slow in the second half of 2025, but regain 2% pace in 2026 on the back of tax cuts and other measures

- Growth rate is projected to slow in the second half of 2025 as tariffs begin to exert inflationary pressure.
 - The delayed pass-through of tariffs to consumer prices is expected to limit downward pressure on the economy in the first half of the year. However, inflationary pressure from higher tariffs is likely to intensify toward the end of 2025, further weighing on the US economy.
- From the end of 2025, fiscal measures (tax cuts) are expected to bolster the economy, contributing to growth of around 2%.

Growth rate and contribution by policy measures

(Contribution ratio to annualized q-o-q growth rate, %pt)



Source: Made by MHRT.

Negative factors

Tariffs

- Sharp decline in the US imports. Rising import prices weigh on household and corporate finances. High prices hit low-income households hard.
- However, the negative impact appears to be partially mitigated as domestic and foreign firms take measures to cope with the tariffs.

Positive factors

Fiscal support

- Helped in part by increased tariff revenues, the administration delivers on campaign pledges for additional tax cuts (including income tax reductions and tip tax elimination), providing a boost to the economy in 2026.

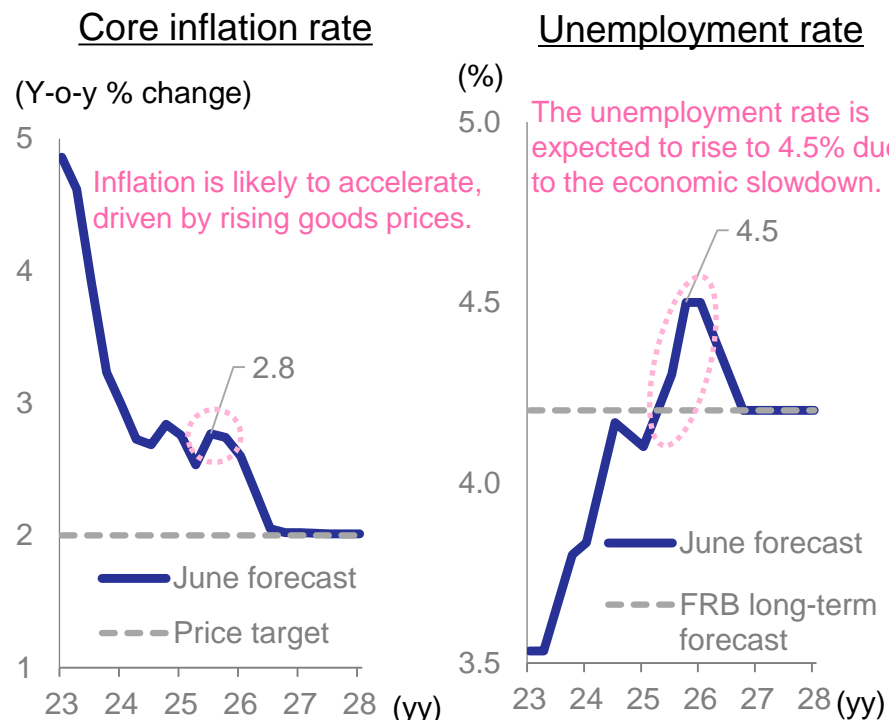
Manufacturing reshoring

- Manufacturing shifts become active among industries with a high domestic production capacity. Some manufacturers of specific products such as automobiles and semiconductors relocate their bases to the US.

US: Inflation concerns remain, but the Federal Reserve is expected to lower its policy rate to address the worsening employment situation

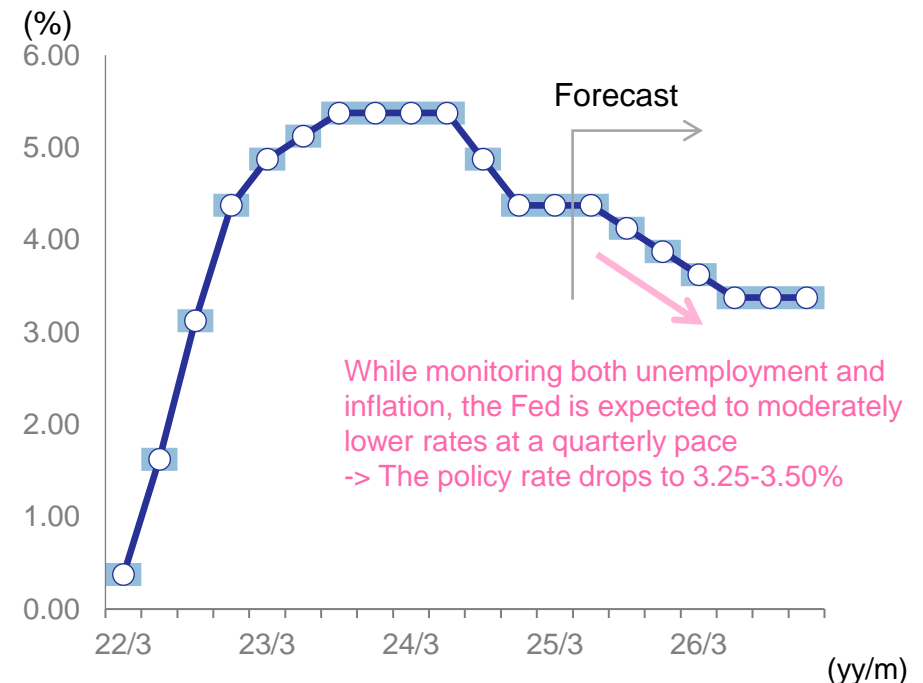
- With unemployment rising on the back of the US tariff policies, the Fed is expected to lower its policy rate four times times -- twice in 2025 and twice in 2026.
 - In 2025, higher tariffs increase import prices and create inflationary pressure. However, as the economy weakens, the unemployment rate is expected to exceed FOMC's long-term projection, prompting the Fed to resume interest rate cuts.
 - As inflationary concerns gradually diminish in 2026, the Fed is expected to lower rates further to support the labor market.

Outlook on inflation and unemployment rate



Note: The core inflation rate is based on the PCE deflator.
Source: Made by MHRT based on the US Department of Commerce and the US Department of Labor.

Outlook on the policy rate

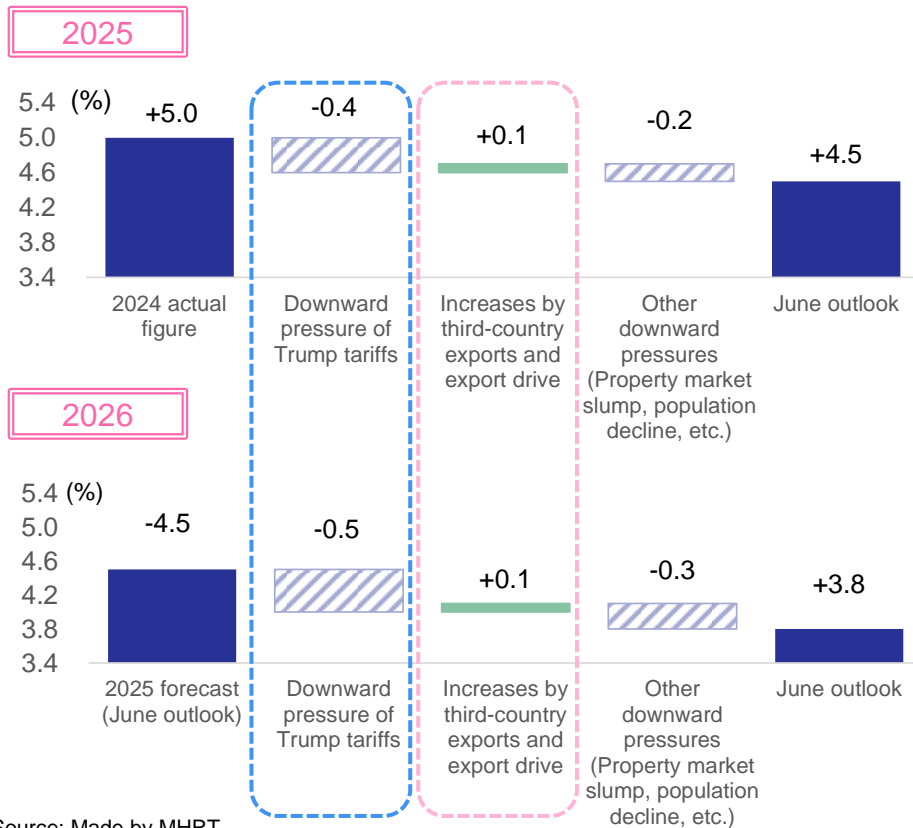


Source: Made by MHRT based on the FRB.

China: Tariffs hit exports to the US, but shipping via ASEAN and others mitigates the impact

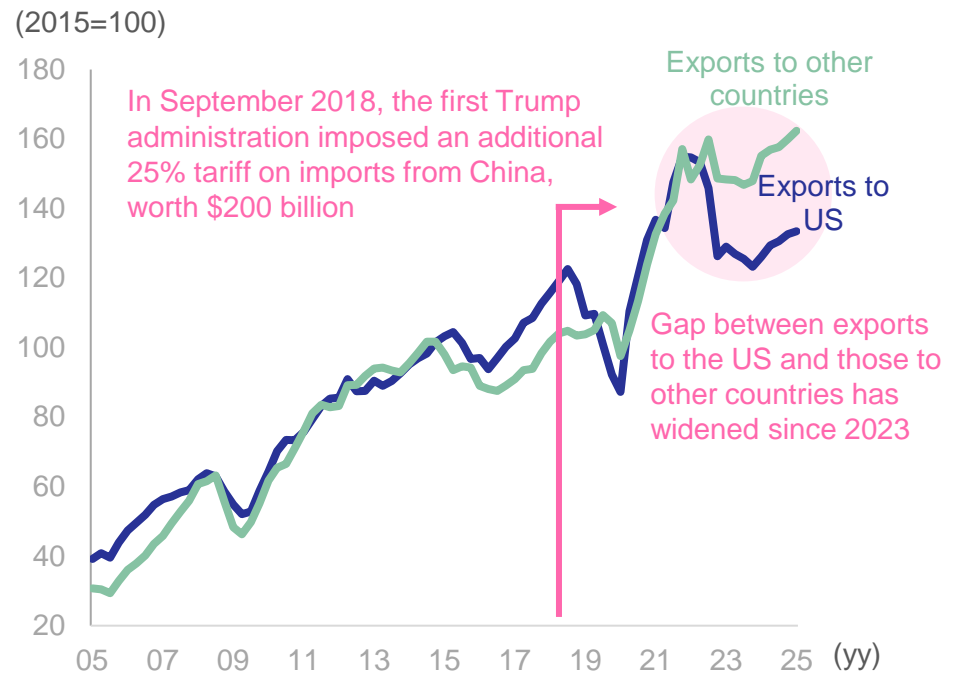
- Exports to the US are projected to decline due to the US tariff hikes, exerting downward pressure on domestic income and demand, and thereby slowing economic growth.
- Meanwhile, negative impacts are expected to be partially offset by increased exports to third countries and by the “export drive,” which involves price reductions to boost volumes.
 - Since 2023, exports to the US have been lower than those to other economies, highlighting China’s decreasing dependence on the US market. Heightened US-China friction, combined with tariff policies under the Trump administration, will prompt China to seek alternative markets.

Factors behind the real GDP growth forecast for 2025-2026



Source: Made by MHRT.

Exports to the US and elsewhere



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

Japan: Oil price decline offsets tariff impact; corporate profits remain elevated and stable

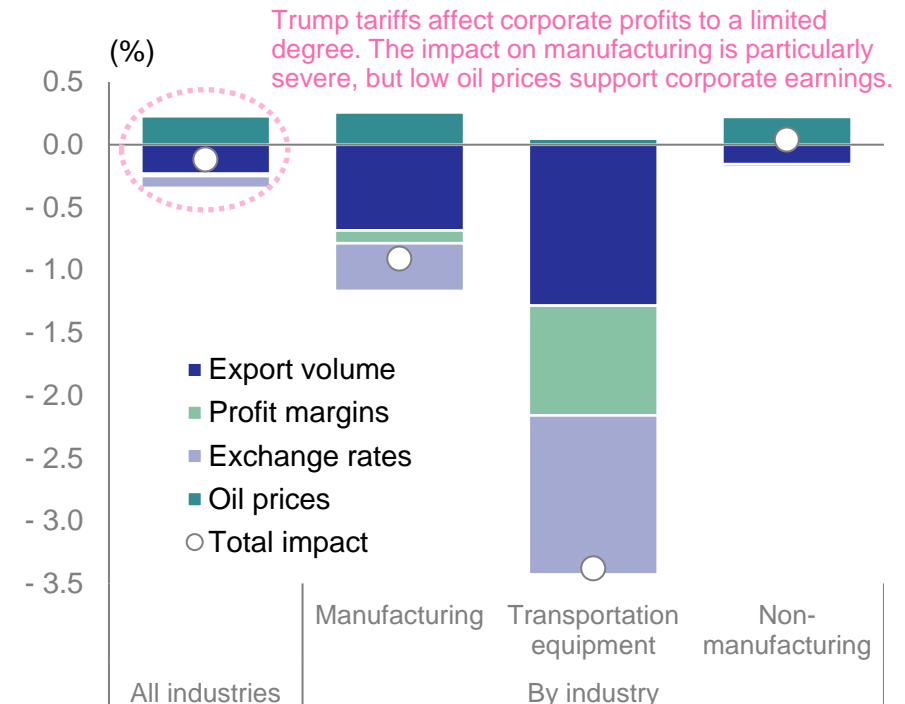
- Firms bear a portion of the tariff costs on exports to the US. Yen appreciation also negatively affects the profits of manufacturers.
 - With its high dependence on exports to the US, the transportation equipment sector will feel a particularly heavy burden of tariff costs resulting from lower export prices.
- However, corporate profits remain elevated overall. The impact of tariff hikes on the non-manufacturing sector is limited, while lower oil prices support corporate profits.
 - Crude oil prices have declined amid projections of a global economic slowdown. While uncertainty over the Middle East situation remains, lower oil prices are helping to reduce costs.
 - A stronger yen and lower oil prices improve the profitability of non-manufacturing, domestic demand-related businesses.

Key issues concerning corporate earnings

Negative	Export volumes	Trump tariffs exert downward pressure. Auto tariffs particularly drag down exports, though the impact is smaller than originally estimated.
	Profit margins	Companies exporting goods to the US bear part of the tariff costs. Some firms lower export prices toward the year-end (= erosion of profit margins).
	Exchange rates	Stronger yen will put downward pressure mainly on manufacturing firms.
Positive	Oil prices	The projection of a global economic slowdown drives down crude oil prices. Lower costs support corporate profits, but uncertainty over the Middle East situation remains.

Source: Made by MHRT.

Estimates of the impact on corporate earnings



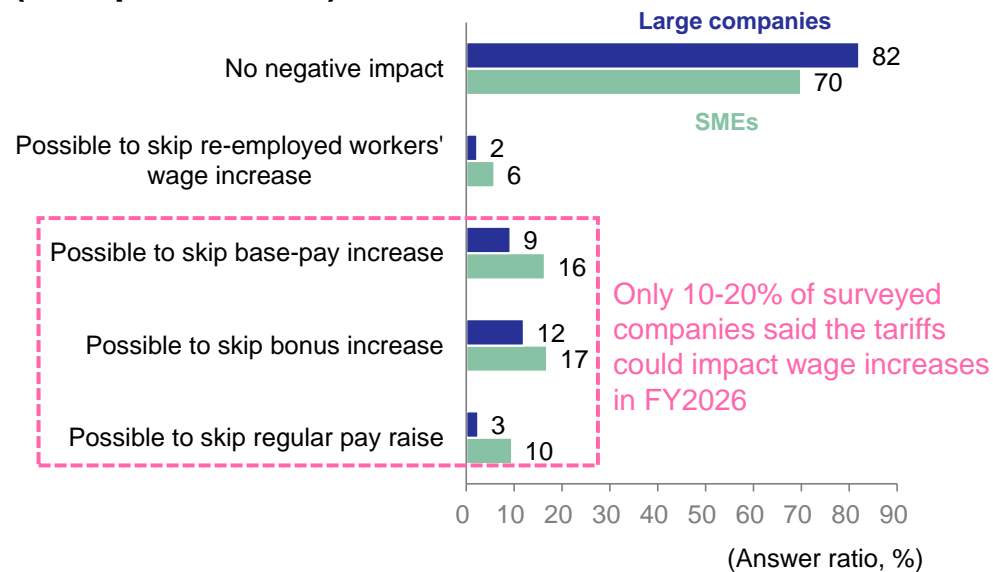
Note: Impacts on nominal value added based on the assumptions of the yen's 7% rise, 16% decline in crude oil prices, and the US import tariffs.

Source: Made by MHRT based on the Cabinet Office, Ministry of Finance, Bank of Japan, and OECD.

Japan: Wage growth momentum holds despite tariffs; Strong wage hike again next year

- Survey results indicate that about 10-20% of firms believe the Trump tariffs could impact their base-pay, bonuses, or regular pay increases in FY2026.
 - While the pace of wage growth may decelerate in some export-oriented sectors among SMEs, overall wage hike momentum is expected to be sustained, supported by strong corporate earnings and a serious labor shortage.
- Spring wage negotiations in FY2026 are projected to deliver sizable pay hikes of around 4.7%.
 - Even with the drag from the US tariffs, companies are expected to post solid ordinary profits, maintaining their capacity for pay increases.
 - Companies facing labor shortages are likely to continue pay increases in line with still-elevated inflation.

Trump tariff effects on FY2026 wage increases (multiple answers)



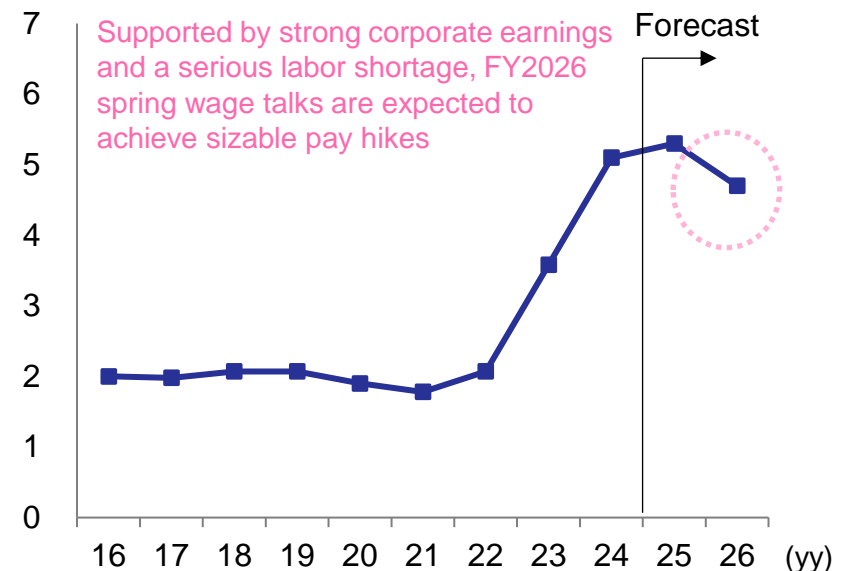
Note: 1. The survey period was from June 2 to 9, 2025.

2. Large companies are defined as those with capital of 100 million yen or more. SMEs have capital of less than 100 million yen. A total of 431 large companies and 5,377 SMEs responded to the survey.

Source: Made by MHRT based on Tokyo Shoko Research, June 2025 questionnaire survey on "Trump tariffs."

Wage increase rate in the spring wage negotiations

(Wage increase rate including regular pay raises, %)

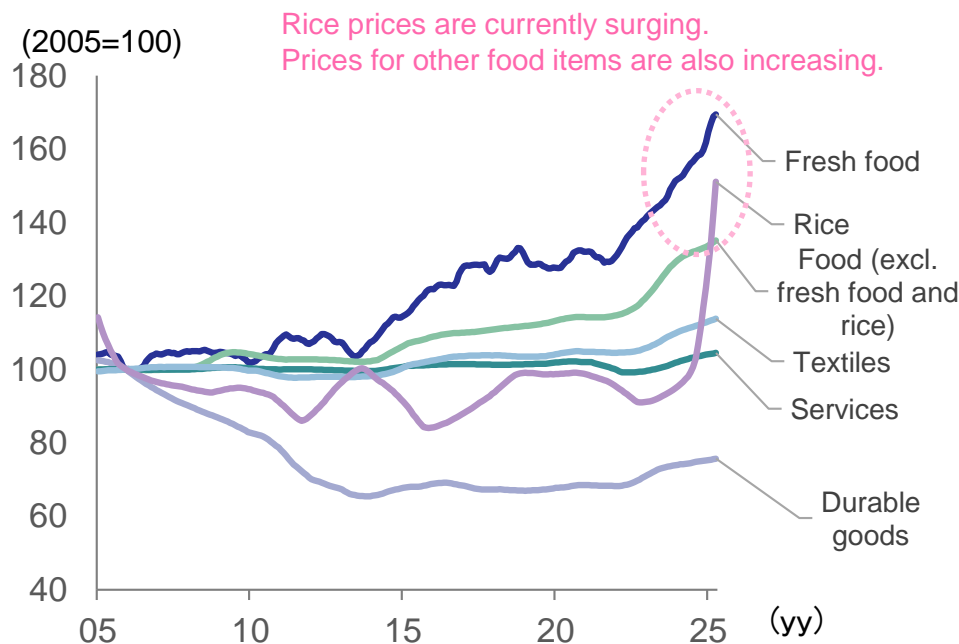


Source: Made by MHRT based on the Japanese Trade Union Confederation (RENGO).

Japan: Persistent food inflation to keep core CPI hovering around 2% into 2026

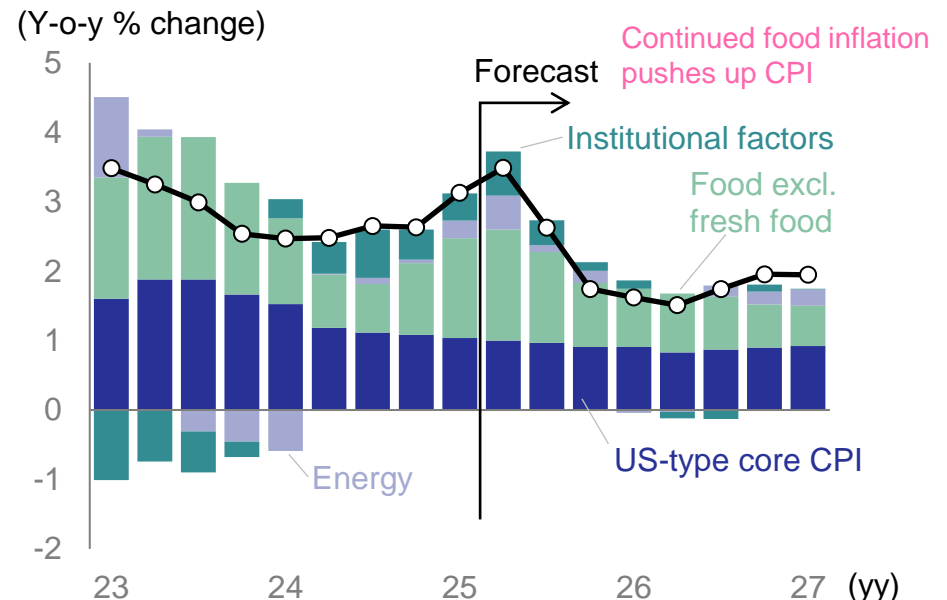
- Food inflation, driven by surging rice prices, is expected to moderate around autumn 2025. However, some inflationary pressure is likely to persist.
 - The MAFF expects that a further escalation of the rice shortage will be avoided. However, as the supply-demand balance remains tight, the 2025 harvest is still expected to command high prices.
 - Cost pass-through continues for other food items. Even if rice price growth slows, overall food inflation is expected to persist.
- Core CPI inflation is projected to decelerate around autumn 2025 and hover around 2% into 2026.
 - Falling crude oil prices in 2025 will exert downward pressure. As the surge in rice prices pauses, the pace of food inflation will gradually slow.
 - However, food prices will continue to put upward pressure on underlying inflation.

Price developments of goods and services



Source: Made by MHRT based on the Ministry of Internal Affairs and Communications, *Consumer Price Index*.

Breakdown of the core CPI inflation



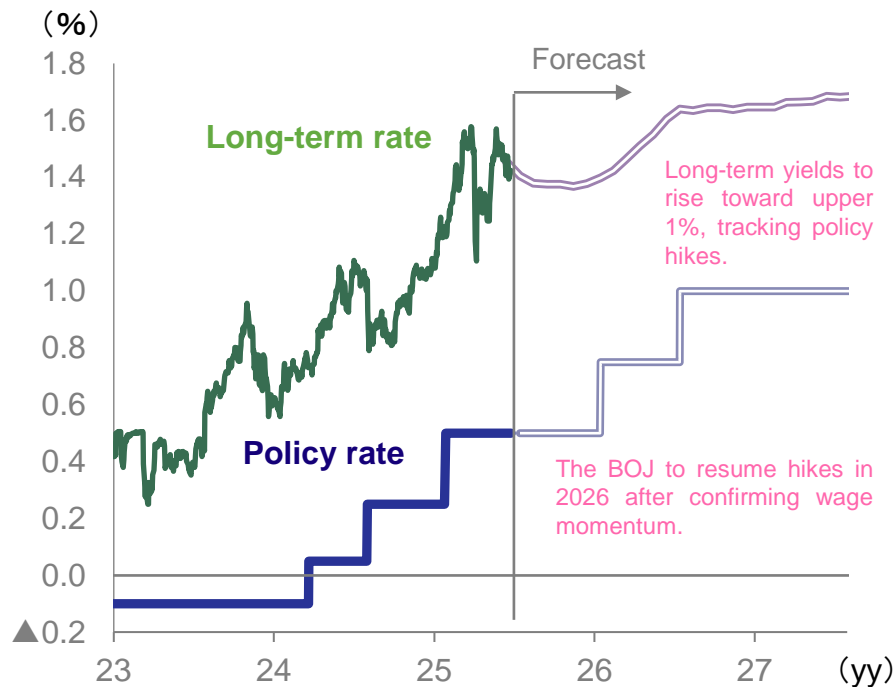
Note: Core CPI is a general index excluding fresh food. US-type core CPI is a general index excluding food and energy. Institutional factors include the free high school tuition program and energy subsidies. Due to the margin of error, the contribution ratios do not add up to the core CPI.

Source: Made by MHRT based on Ministry of Internal Affairs and Communications, *Consumer Price Index*.

Japan: The BOJ is projected to resume rate hikes in 2026. Gradual JPY appreciation is expected toward mid-2026

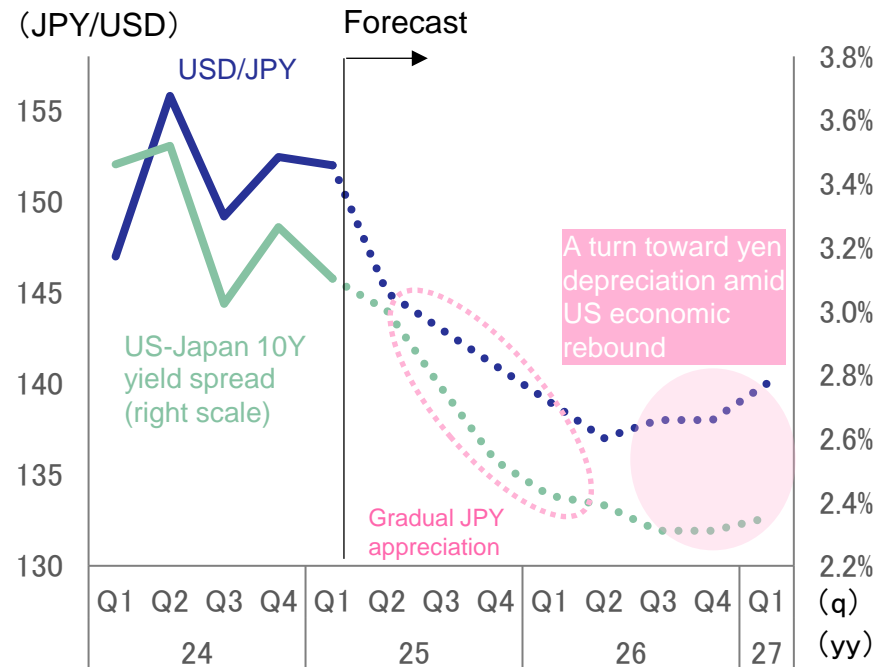
- The BOJ is expected to keep its policy rate unchanged in 2025, then gradually resume semi-annual rate hikes in 2026 after confirming sustained wage growth momentum.
 - Japan's long-term rates are expected to level off in the second half of 2025, reflecting domestic economic slowdown and declining US rates.
 - If the BOJ resumes hiking in early 2026, long-term yields are projected to rise to the upper 1% range in mid-2026, in line with the rate hike path.
- At the end of 2025, the yen may dip below 140 as markets price in interest rate cuts by the Fed and hikes by the BOJ.
 - The yen is projected to appreciate moderately toward mid-2026, followed by a reversal in the second half amid a rebounding US economy.

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



Note: Long-term rate = 10Y JGB yield. Solid = actual, double = forecast.
Source: Made by MHRT based on LSEG.

Dollar-yen exchange rate and US-Japan interest rate differential



Source: Made by MHRT based on LSEG.

US 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.	2.8	1.6	1.8	1.6	3.0	3.1	2.4	▲ 0.5	2.8	0.7	1.3	1.9	2.3	2.3	2.3
Personal consumptions	Q-o-q % ch p.a.	2.8	1.9	1.5	1.9	2.8	3.7	4.0	0.5	1.2	0.6	1.2	1.4	2.0	2.1	2.2
Housing investment	Q-o-q % ch p.a.	4.2	▲ 0.6	0.4	13.7	▲ 2.8	▲ 4.3	5.5	▲ 1.3	▲ 0.6	▲ 2.8	▲ 1.0	1.2	1.8	1.8	1.8
Capital investment	Q-o-q % ch p.a.	3.6	2.9	1.2	4.5	3.9	4.0	▲ 3.0	10.3	1.1	▲ 0.0	0.3	1.3	1.7	2.1	2.0
Inventory investment	Q-o-q contribution p.a. % pt	0.1	▲ 0.5	▲ 0.5	▲ 0.5	1.1	▲ 0.2	▲ 0.8	2.6	▲ 3.4	▲ 2.7	▲ 0.0	0.2	▲ 0.0	▲ 0.0	▲ 0.0
Government consumption	Q-o-q % ch p.a.	3.4	1.5	1.6	1.8	3.1	5.1	3.1	▲ 0.6	0.5	0.5	1.9	1.9	1.9	1.9	1.4
Net exports	Q-o-q contribution p.a. % pt	▲ 0.4	0.1	0.9	▲ 0.6	▲ 0.9	▲ 0.4	0.3	▲ 4.6	5.1	3.0	0.1	0.2	0.2	0.2	0.2
Exports	Q-o-q % ch p.a.	3.3	1.1	1.2	1.9	1.0	9.6	▲ 0.2	0.4	▲ 1.7	0.8	0.8	1.2	2.0	2.0	2.0
Imports	Q-o-q % ch p.a.	5.3	0.0	▲ 5.1	6.1	7.6	10.7	▲ 1.9	37.9	▲ 31.0	▲ 18.7	▲ 0.3	▲ 0.2	▲ 0.0	▲ 0.0	▲ 0.0
Unemployment rate	%	4.0	4.3	4.4	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.5	4.5	4.4	4.3	4.2
PCE deflator	Y-o-y % ch	2.5	2.5	2.1	2.7	2.6	2.3	2.5	2.5	2.3	2.6	2.5	2.3	2.2	1.9	2.0
Core, excl. food and energy	Y-o-y % ch	2.8	2.7	2.2	3.0	2.7	2.7	2.8	2.8	2.6	2.8	2.7	2.6	2.3	2.1	2.0

Note: Shaded figures are forecasts.

Source: Made by MHRT based on US Department of Commerce and 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.	0.9	0.9	1.5	0.3	0.2	0.4	0.3	0.6	▲ 0.1	▲ 0.3	0.4	0.6	0.6	0.5	0.4
Domestic demand	Q-o-q % ch p.a.	0.4	1.4	1.5	▲ 0.4	▲ 0.1	1.5	0.2	0.4	0.0	0.1	0.3	0.5	0.5	0.4	0.3
Personal consumption	Q-o-q % ch p.a.	1.1	1.1	1.3	0.5	0.1	0.5	0.5	0.2	0.1	0.1	0.3	0.4	0.4	0.4	0.3
Gross fixed capital formation	Q-o-q % ch p.a.	▲ 1.7	1.8	1.3	▲ 1.9	▲ 2.4	1.8	0.7	1.8	▲ 1.3	0.1	0.4	0.5	0.5	0.5	0.4
Government consumption	Q-o-q % ch p.a.	2.5	1.2	1.6	0.3	0.9	0.7	0.4	▲ 0.0	0.2	0.2	0.3	0.5	0.5	0.5	0.4
Inventory investment	Q-o-q contribution p.a. % pt	▲ 0.3	0.1	0.1	▲ 0.2	0.1	0.5	▲ 0.2	▲ 0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
External demand	Q-o-q contribution p.a. % pt	0.4	▲ 0.4	▲ 0.0	0.6	0.3	▲ 1.0	0.1	0.3	▲ 0.1	▲ 0.4	0.1	0.1	0.1	0.0	0.0
Exports	Q-o-q % ch p.a.	1.1	▲ 0.1	▲ 0.3	0.7	2.1	▲ 1.6	▲ 0.0	1.9	▲ 0.7	▲ 2.7	0.5	0.4	0.3	0.2	0.2
Imports	Q-o-q % ch p.a.	0.2	0.7	▲ 0.3	▲ 0.6	1.6	0.5	▲ 0.1	1.4	▲ 0.5	▲ 2.0	0.4	0.3	0.2	0.2	0.2
CPI	Y-o-y % ch	2.4	2.1	1.8	2.6	2.5	2.2	2.2	2.3	2.1	2.0	1.7	1.5	1.7	1.9	2.0
Core, excl. food and energy	Y-o-y % ch	2.8	2.2	1.9	3.1	2.8	2.8	2.7	2.6	2.4	2.1	1.8	1.6	1.8	2.0	2.0

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

Emerging Country Economic Outlook Summary Table

	2024	2025	2026	2023				2024				2025
		(Outlook)		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Asia	5.2	4.7	4.3	4.8	6.4	5.6	6.0	5.8	5.0	4.7	5.3	5.5
China	5.0	4.5	3.8	4.7	6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.4
NIEs	3.2	1.6	1.7	0.1	1.3	1.8	3.2	4.2	3.2	2.8	2.5	2.4
South Korea	2.0	1.0	1.7	1.3	1.2	1.5	2.2	3.4	2.2	1.4	1.1	▲ 0.0
Taiwan	4.8	2.0	1.7	▲ 3.5	1.5	1.6	4.7	6.6	4.9	4.2	3.8	5.5
Hong Kong	2.5	2.3	1.8	2.7	1.6	4.2	4.3	2.8	3.0	1.9	2.5	3.1
Singapore	4.4	2.3	2.0	1.0	1.3	1.9	3.1	3.2	3.4	5.7	5.0	3.9
ASEAN5	5.0	4.6	4.8	4.7	4.1	4.3	4.5	4.7	5.2	5.1	5.1	4.9
Indonesia	5.0	4.8	4.9	5.0	5.2	4.9	5.0	5.1	5.0	4.9	5.0	4.9
Thailand	2.5	2.4	2.4	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.3	3.1
Malaysia	5.1	4.3	4.2	5.7	2.7	3.1	2.8	4.2	5.9	5.4	4.9	4.4
Philippines	5.7	5.4	5.7	6.4	4.3	6.0	5.5	5.9	6.5	5.2	5.3	5.4
Vietnam	7.1	6.0	6.4	3.5	4.3	5.4	6.8	6.0	7.2	7.4	7.6	6.9
India	6.7	6.5	6.3	6.9	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4
Australia	1.1	1.4	1.8	2.9	2.0	2.2	1.2	1.3	1.1	0.8	1.2	1.4
Ref. NIEs+ASEAN5	4.3	3.5	3.7	2.9	3.0	3.4	4.0	4.5	4.5	4.2	4.2	4.0
Ref. Asia, excl. China	5.5	5.1	5.0	5.0	6.3	6.3	6.7	6.4	5.5	4.9	5.3	5.7

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	0.4	0.7	▲0.3	1.0	0.2	0.6	▲0.0	▲0.2	▲0.0	0.3	0.3	0.1	0.2	0.1	0.1
	Q-o-q % ch p.a.	—	—	—	▲1.3	3.9	0.9	2.2	▲0.2	▲0.6	▲0.1	1.3	1.3	0.2	1.0	0.5	0.4
Domestic demand	Q-o-q % ch	1.2	0.8	0.6	▲0.4	1.2	0.5	▲0.2	0.8	▲0.0	▲0.0	0.3	0.3	▲0.0	0.2	0.2	0.1
Private-sector demand	Q-o-q % ch	1.2	0.9	0.5	▲0.5	1.1	0.7	▲0.2	1.2	▲0.2	▲0.1	0.3	0.3	▲0.1	0.2	0.2	0.1
Personal consumption	Q-o-q % ch	0.8	0.6	0.6	▲0.6	0.8	0.7	0.1	0.1	0.0	0.0	0.5	0.1	▲0.0	0.1	0.1	0.1
Housing investment	Q-o-q % ch	▲1.0	▲1.6	1.4	▲3.2	1.2	0.7	▲0.2	1.4	1.1	▲3.8	▲2.6	2.1	1.7	0.8	▲0.2	▲0.5
Capital investment	Q-o-q % ch	2.4	0.9	1.0	▲0.7	1.3	0.1	0.6	1.1	▲0.2	▲0.2	0.2	0.3	0.3	0.3	0.3	0.2
Inventory investment	Q-o-q contribution, % pt	0.1	0.2 (▲0.1)		(0.2)	(0.1)	(0.1)	(▲0.3)	(0.6)	(▲0.2)	(0.1)	(0.0)	(0.0)	(▲0.2)	(0.0)	(0.0)	(0.0)
Public-sector demand	Q-o-q % ch	1.3	0.6	0.8	▲0.1	1.7	▲0.1	▲0.0	▲0.4	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Government consumption	Q-o-q % ch	1.3	0.7	1.0	0.5	0.8	0.1	0.3	▲0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Public investment	Q-o-q % ch	1.3	▲0.1	▲0.1	▲2.2	5.6	▲1.2	▲0.7	▲0.6	0.8	0.2	0.1	▲0.4	0.0	0.2	0.3	▲0.5
External demand	Q-o-q contribution, % pt (▲0.4)	(▲0.4)	(▲0.5)	(0.1)	(0.1)	(▲0.3)	(▲0.3)	(0.7)	(▲0.8)	(▲0.1)	(▲0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(▲0.0)	(▲0.0)
Export	Q-o-q % ch	1.7	▲0.4	2.5	▲3.6	1.5	1.2	1.7	▲0.5	▲1.3	▲0.1	0.3	0.7	1.1	0.6	0.3	0.5
Import	Q-o-q % ch	3.5	1.7	1.9	▲3.8	2.7	2.2	▲1.4	3.0	▲0.6	0.0	0.2	0.4	0.8	0.4	0.5	0.5
GDP (nominal)	Q-o-q % ch	3.7	2.7	2.1	0.1	2.4	0.5	1.1	0.9	1.1	▲0.3	0.1	1.4	0.5	0.1	0.2	1.1
GDP deflator	Y-o-y % ch	2.9	2.4	1.2	3.1	3.1	2.4	2.9	3.3	3.1	2.6	1.8	1.8	1.2	1.3	1.5	1.3
Domestic demand deflator	Y-o-y % ch	2.5	1.5	1.6	2.0	2.6	2.2	2.3	2.8	2.3	1.8	1.1	1.1	1.2	1.4	1.8	1.8

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	▲ 1.4	1.1	0.2	▲ 5.2	2.1	0.3	0.4	▲ 0.3	1.2	▲ 0.4	0.2	0.3	0.1	0.0	▲ 0.2	0.0
Ordinary profit	Y-o-y % ch	7.2	0.0	1.7	15.1	13.2	▲ 3.3	13.5	3.8	▲ 0.0	▲ 0.1	▲ 0.1	0.3	0.2	2.6	2.6	2.1
Nominal compensation of employees	Y-o-y % ch	4.6	3.0	2.6	1.7	4.3	4.0	5.6	4.4	3.5	3.3	2.4	2.8	2.5	2.6	2.7	2.7
Unemployment rate	%	2.5	2.5	2.5	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Number of new housing starts	annual rate, ten thousand units	81.6	75.7	77.4	79.2	80.8	78.7	77.8	88.6	74.9	75.0	74.6	77.3	77.6	77.3	77.0	76.5
Current account balance	annual rate, trillion yen	30.3	28.6	26.6	26.2	28.8	29.0	32.8	30.7	31.0	27.7	27.9	27.8	27.2	26.6	26.1	26.4
Corporate goods price index	Y-o-y % ch	3.2	1.2	1.5	0.6	1.9	2.9	3.8	4.2	3.4	1.2	0.1	▲ 0.1	0.6	1.0	2.0	2.3
CPI excl. fresh food	Y-o-y % ch	2.7	2.4	1.8	2.5	2.5	2.7	2.6	3.1	3.5	2.6	1.7	1.6	1.5	1.7	2.0	1.9
CPI excl. fresh food and policy factors	Y-o-y % ch	2.2	2.1	1.8	2.2	2.0	1.9	2.2	2.7	2.9	2.3	1.6	1.5	1.6	1.9	1.9	1.9
CPI excl. fresh food and energy	Y-o-y % ch	2.3	2.2	1.7	3.2	2.2	2.0	2.3	2.7	2.9	2.4	1.8	1.7	1.7	1.7	1.6	1.6
CPI excl. fresh food and energy and policy factors	Y-o-y % ch	2.3	2.4	1.8	3.1	2.2	2.0	2.3	2.7	3.1	2.6	2.0	1.9	1.9	1.9	1.7	1.8

Note: Shaded figures are forecasts.

Source: Made by MHRT based on various statistics of Japan

Financial Markets Outlook Summary Table

		2024	2025	2026	2024			2025				2026				2027
		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, %	0.50	0.75	1.00	0.10	0.25	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Newly issued JGBs	10-year, %	1.05	1.11~ 1.63	1.36~ 1.85	0.93	0.93	1.01	1.35	1.11~ 1.57	1.19~ 1.59	1.17~ 1.57	1.23~ 1.63	1.36~ 1.76	1.44~ 1.84	1.44~ 1.84	1.45~ 1.85
Nikkei Stock Average	JPY	38,566	30,000~ 43,500	38,000~ 46,000	38,693	38,121	38,943	38,505	30,000~ 41,000	36,000~ 42,500	36,500~ 43,000	37,000~ 43,500	38,000~ 44,000	38,000~ 44,000	38,000~ 45,000	38,500~ 46,000
US																
Federal Funds Rate (lower end)	End of period value, %	4.25	3.50	3.25	5.25	4.75	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Newly issued government bonds	10-year, %	4.28	3.45~ 4.60	3.55~ 4.35	4.45	3.96	4.28	4.46	4.00~ 4.60	3.70~ 4.60	3.45~ 4.30	3.45~ 4.20	3.55~ 4.30	3.55~ 4.30	3.55~ 4.30	3.60~ 4.35
Dow Jones Average	USD	41,483	36,600~ 51,200	40,700~ 55,000	38,812	40,597	43,280	43,244	36,600~ 44,000	38,700~ 49,300	39,500~ 50,300	40,200~ 51,200	40,700~ 51,900	41,500~ 52,900	42,400~ 54,000	43,200~ 55,000
Eurozone																
ECB deposit facility rate	End of period value, %	2.50	1.75	1.75	3.75	3.50	3.00	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
German government bonds	10-year, %	2.40	1.90~ 2.90	2.00~ 2.75	2.50	2.28	2.26	2.58	2.20~ 2.90	2.00~ 2.70	1.90~ 2.60	1.90~ 2.60	2.00~ 2.70	2.00~ 2.70	2.00~ 2.70	2.05~ 2.75
Exchange rates																
USD/JPY	USD/JPY	152	134~ 151	133~ 149	156	149	152	152	139~ 151	138~ 151	136~ 150	134~ 148	133~ 146	133~ 147	133~ 147	135~ 149
EUR/USD	EUR/USD	1.07	1.07~ 1.23	1.13~ 1.23	1.08	1.10	1.07	1.05	1.07~ 1.17	1.11~ 1.20	1.13~ 1.22	1.14~ 1.23	1.14~ 1.23	1.13~ 1.22	1.13~ 1.22	1.13~ 1.22

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

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