

FY2025 - FY2026 Economic Outlook

The Global Economy in a Transition Phase toward the Readjustment of Globalization

Mizuho Research & Technologies, Ltd.

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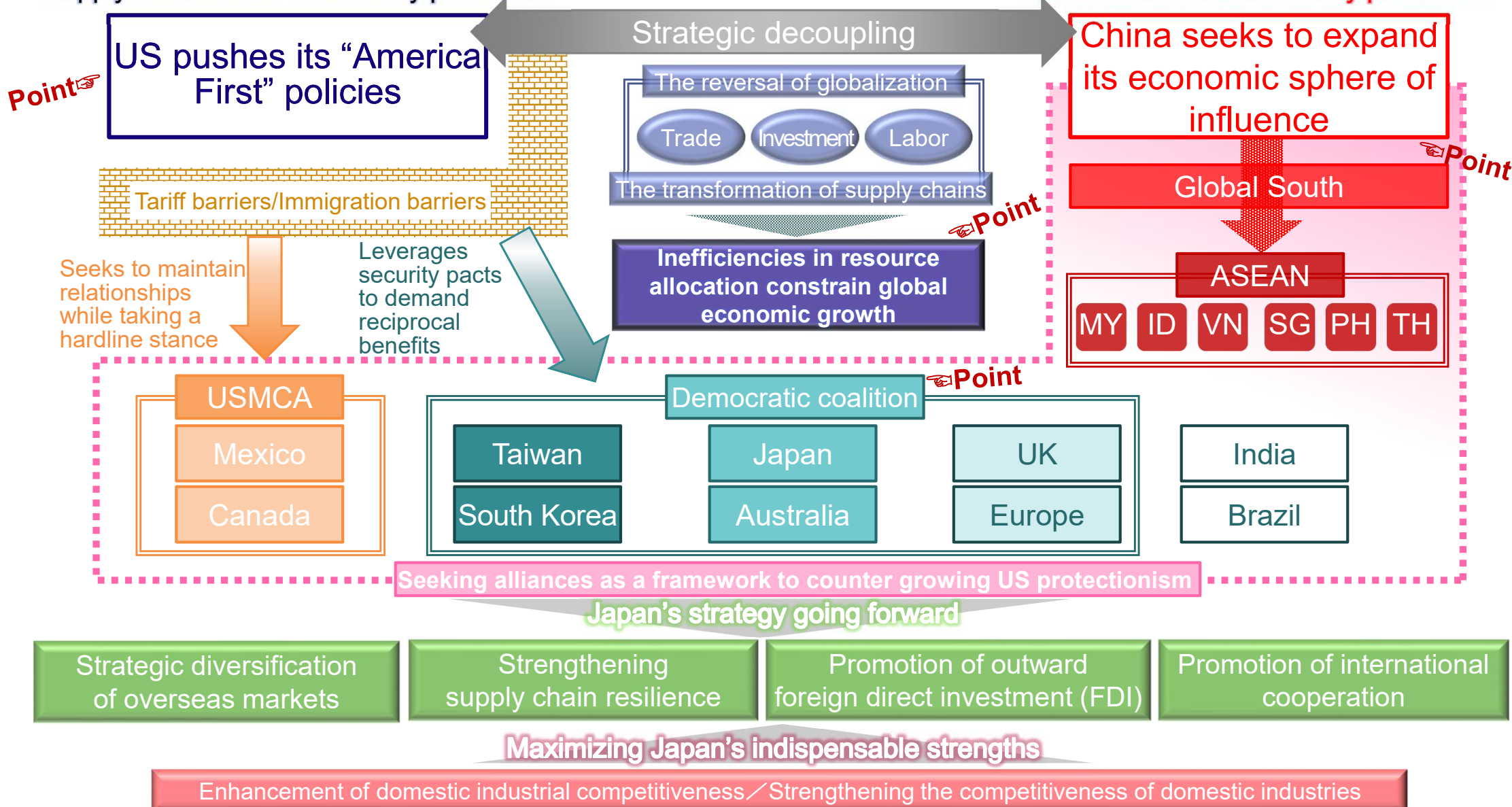
Key points of our outlook

- The global economy is expected to lose speed due to the United States' tariff hikes as part of its "America First" policy. As the center of the shock, the US economy will face a backlash and slacken significantly. Declines in exports to the US will also burden Europe, China, Asia, and Japan. In 2026, the impact of tariff hikes will fade, and fiscal expansion in the US and Europe will provide support, allowing the global economy to return to a trend-like growth pace.
- In the US, the impacts of tariff hikes are expected to slow significantly in 2025. High levies will curb corporate investment, while partial cost pass-through will lower households' real purchasing power and weaken personal spending which accounts for 70% of the US economy. The Federal Reserve is projected to lower interest rates to 3.25-3.50% to address the worsening labor market while keeping a close eye on inflation.
- In Europe, higher tariffs will lead to slower growth, particularly for those countries relying on exports to the US and on their manufacturing industries. The ECB is expected to implement a series of rate cuts through the summer of 2025 to support economic recovery. Along with the effects of easing measures, the effects of fiscal expansion will become visible, mainly in Germany, mitigating the damage of US tariff hikes and leading to an economic recovery from the end of 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 government measures factored in, achieving the growth target of around 5% will be difficult. 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 create downward pressure.
- Japan is predicted to post slow growth in FY2025 in the face of the headwinds of higher tariffs. Meanwhile, low crude oil prices will reduce import costs, allowing companies to maintain strong earnings. As businesses experience an intense labor shortage, wage hike momentum will continue. Personal spending will also recover moderately, helping the country to avoid a serious economic slump. The pass-through of labor and other costs will result in a core price increase of nearly 2% into FY2026.
- Considering the status of the economy, the Bank of Japan will keep interest rates unchanged in 2025. In 2026, rate hikes are expected to resume after seeing upper 4% wage growth and price increases of around 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. The latter half of 2026 will see the yen rising to the upper 130s yen range against the dollar.

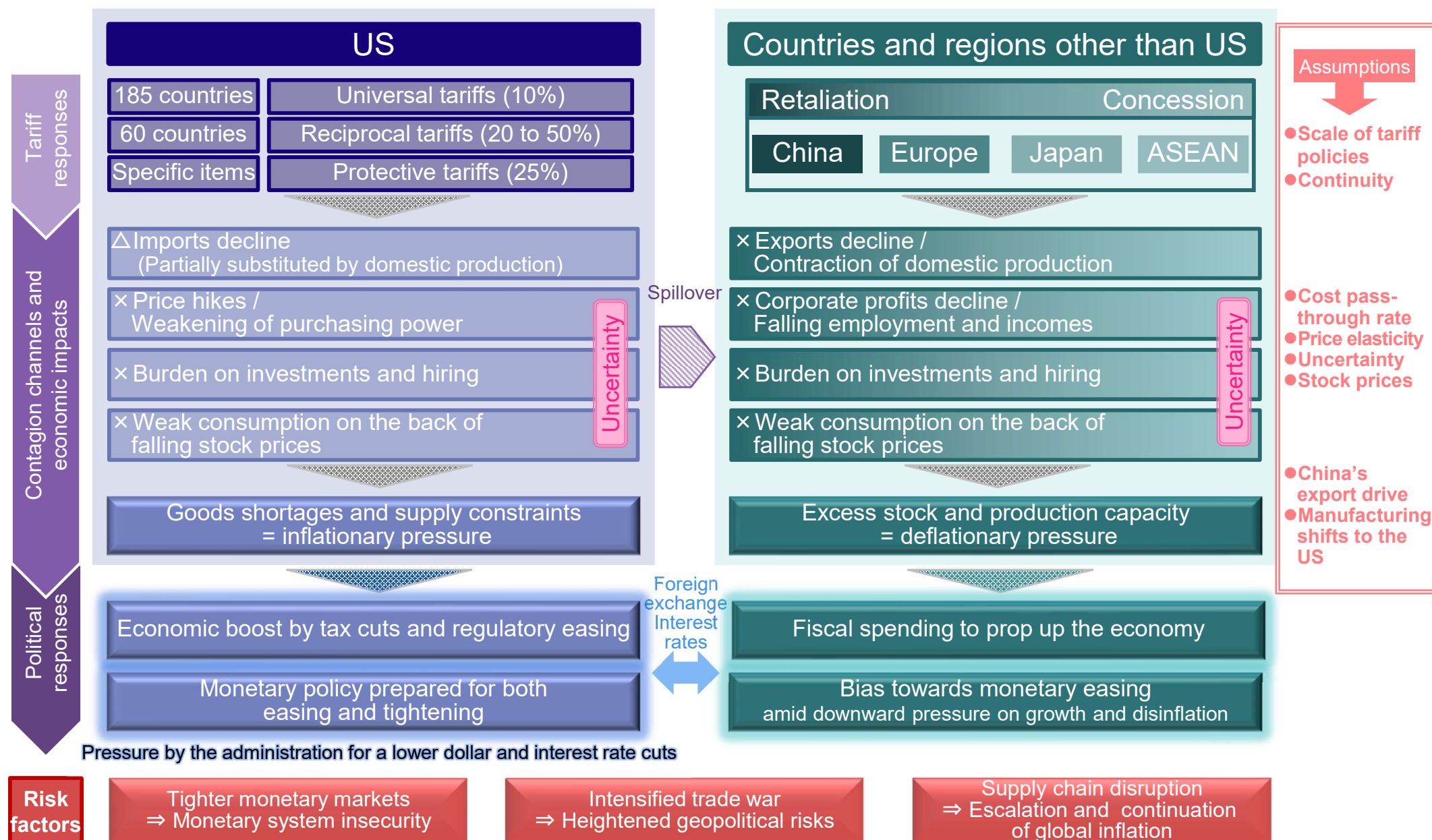
Global overview: US is turning inward. The world finds itself caught between “decoupling” and “cooperation.”

Supply constraints / inflationary pressures

Weak demand / deflationary pressures



How Trump's tariffs affect the US and global economy: Transmission channels and economic impact



Partial concessions will be made on reciprocal tariffs in the main scenario. Developments in the firm stance against China will determine future directions

		Upside risk scenario (25%)	Main scenario (60%)	Downside risk scenario (15%)	Negotiation breakdown scenario
Direct impacts of tariff hikes ↓ Uncertainty ↓ Return to domestic production	Assumptions on tariffs	Reciprocal tariffs : Suspension period extended (as good as eliminated) Universal tariffs : Maintained at 10% Tariffs on China : Maintained at 30% Specific products* : Maintained at 25%	Reciprocal tariffs : Reduced by half (from Q3 2025) Universal tariffs : Maintained at 10% Tariffs on China : Maintained at 30% Specific products* : Maintained at 25%	Reciprocal tariffs : Reduced by half (from Q3 2025) Universal tariffs : Maintained at 10% Tariffs on China : Raised to 54% Specific products* : Maintained at 25%	
	Pass-through ratio (Importing firms)	Same as the main scenario.	Importers pass on roughly 50% of the cost increases to prices and absorb the rest. ⇒ Corporate profits will decline.	Same as the main scenario.	
	Income elasticity of consumption	Same as the main scenario.	Elasticity of consumption in response to income stagnation caused by price hikes and job losses is set at 0.5.	Same as the main scenario.	
	Uncertainty / Stock prices	Uncertainty over tariffs greatly declines. Stock prices rise on the back of easing tensions.	Uncertainty declines, but the extent of the decline remains limited until the outcome of the US-China negotiations becomes clear. Stock prices stay around current levels and then recover from mid-year.	Uncertainty over tariffs persists. Due to the difficulties in the US-China negotiations, stock prices drop 20% from the recent peak and remain low thereafter.	
	Manufacturing shift to the US	Manufacturing shifts to the US emerge even for non-specific products such as automobiles and semiconductors. A decline in uncertainty encourages investment and boosted the economy.	Manufacturing shifts to the US 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.	Same as the main scenario.	
China's export drive		Same as the main scenario.	The Middle East, Africa, and Asia mainly see inflows of products redirected from the US. ⇒ Low deflationary pressure / Less competition with China	Same as the main scenario (with greater inflows). ⇒ High deflationary pressure / Greater competition with China	

*: Steel, aluminum / automobiles and their components / semiconductors, pharmaceuticals / wood, copper products. Source: Made by MHRT.

Outlook on the global economy: Contraction in trade resulting from US “tariff barriers” will weigh on the world economy

Outlook on the global economy

	(Y-o-y % change)			(%pt)	
	2024	2025	2026	2025	2026
		(Outlook)		(Comparison with February 2025 outlook)	
Global real GDP growth	3.3	2.7	3.0	-0.3	-
Japan, US, Europe	1.7	0.9	1.5	-0.5	0.3
US	2.8	1.1	1.7	-0.8	-
Eurozone	0.9	0.7	1.5	-0.1	0.6
UK	1.1	1.0	1.2	-0.3	-0.1
Japan	0.1	0.6	0.6	-0.5	-
Asia	5.2	4.6	4.3	-0.1	-0.2
China	5.0	4.4	3.8	-	-0.1
NIEs	3.1	1.5	1.7	-0.2	-0.3
ASEAN5	5.0	4.4	4.7	-0.4	-0.3
India	6.7	6.3	6.3	-0.1	-
Australia	1.1	1.5	1.8	-0.2	0.4
Japan (FY)	0.7	0.3	0.7	-0.5	-

“America First” tariff policies trigger a contraction in global trade, with the resulting the US economic slump causing a slowdown in global growth. As the impact of tariff hikes fades, growth will return to its trend rate in 2026.

The economy is expected to slow significantly in 2025, as higher tariffs raise prices and weigh on corporate earnings. However, growth is projected to recover gradually in the second half, returning to its potential rate around 2%, supported by tax cuts and other measures.

Despite headwinds created by higher tariffs, the effects of fiscal expansion will be seen from the end of 2025 to ease the negative impacts. Downward adjustments are made only to a limited degree.

While exports to third countries partly offset weaker exports to the US, the economy is expected to slow due to sluggish domestic demand. Even with government support, achieving the 5% growth target will be hard.

Exports and investments weaken under the impacts of higher tariffs. While wage growth is expected to lose momentum, but the upward trend is likely to persist. Inflation maintains around 2%. In response, the Bank of Japan raises its policy rate to 1%.

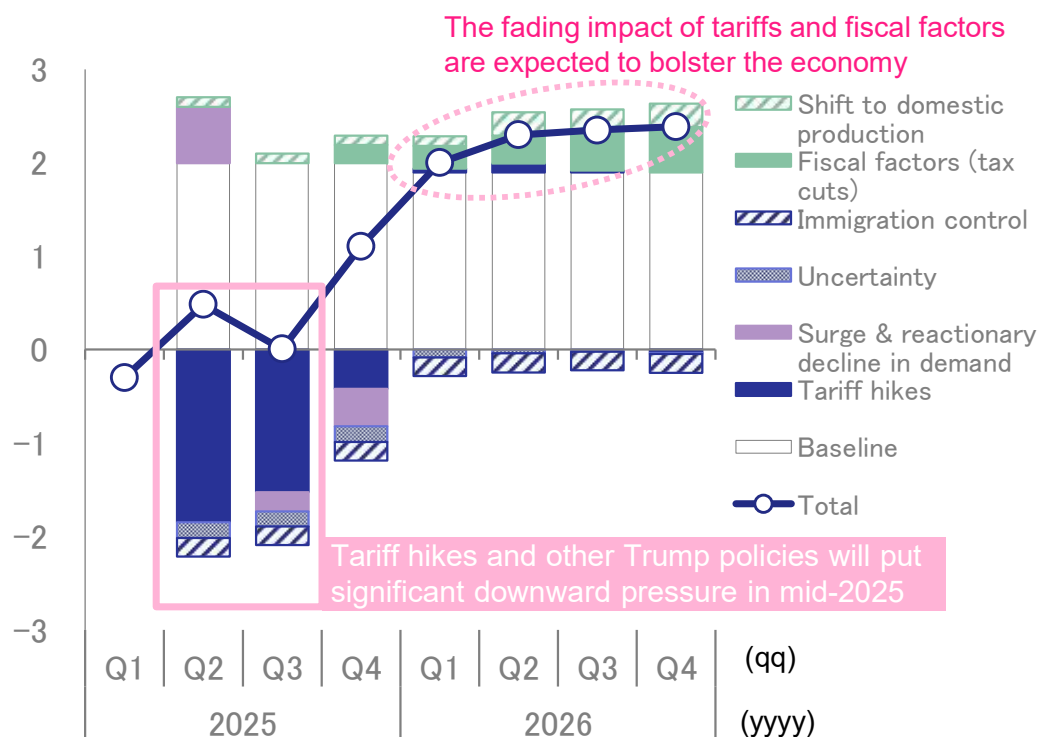
Note: Figures in the shaded areas are forecasts. The global growth rate is calculated based on the GDP share (PPP) by the IMF.
Source: Made by MHRT based on the IMF and the statistics of the relevant countries or regions.

US: The pace of growth slows in mid-2025. The economy will regain 2% growth in 2026 on the back of tax cuts and other measures

- With tariffs driving up domestic prices will weigh heavily on the economy around the middle of 2025.
 - US GDP is expected to come under downward pressure of roughly 2% in mid-2025. While a recession will be avoided, growth is projected to hover around 0% in Q2 and Q3.
- In 2026, the impact of tariff hikes will weaken, while fiscal factors (tax reduction) are expected to bolster the economy, leading to growth exceeding 2%.

Growth rate and contribution by factor (Main scenario)

(Contribution ratio to y-o-y annual growth rate, % pt)



Source: Made by MHRT.

Negative factors

Tariffs

- Rising import prices burden household and corporate profits.
- High prices, mainly on essentials, hit low-income consumers hard.

Uncertainty

- Due to the Trump administration's unpredictable policy management, companies remain reluctant to invest capital for the time being.

Positive factors

Fiscal support

- While higher tariffs increase revenue, the government fulfills its pledges on additional tax cuts (cutting income taxes, eliminating taxes on tips, etc.) to boost the economy in 2026.

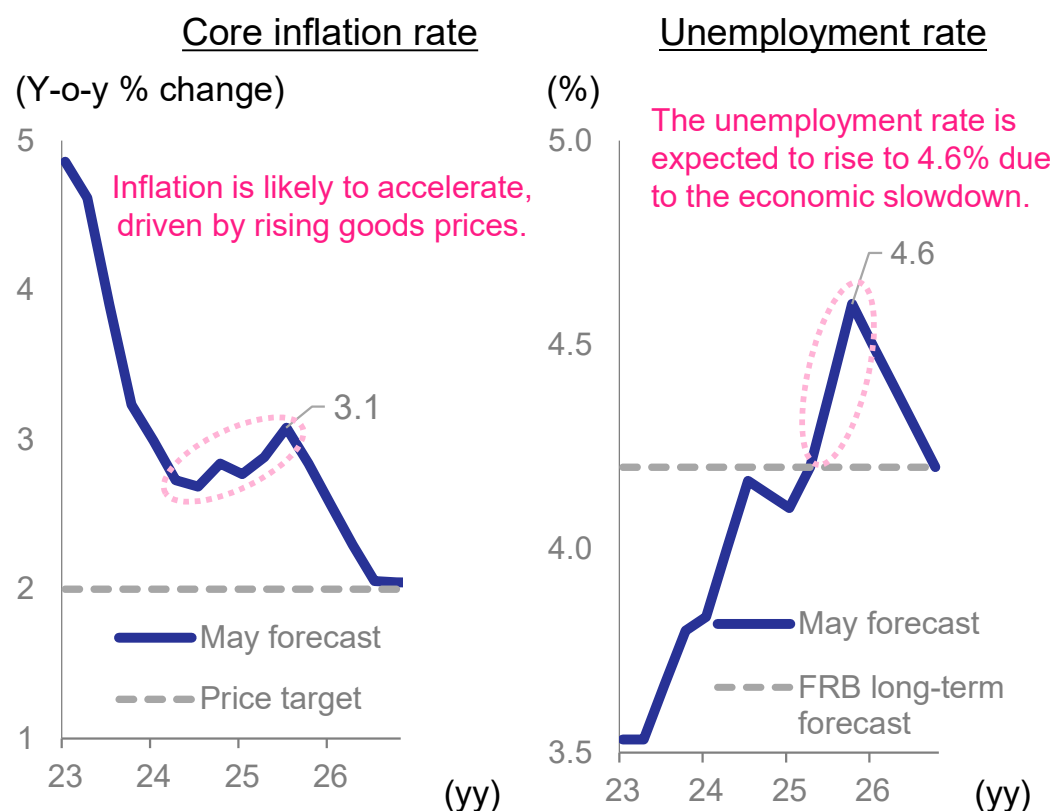
Manufacturing reshoring

- 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

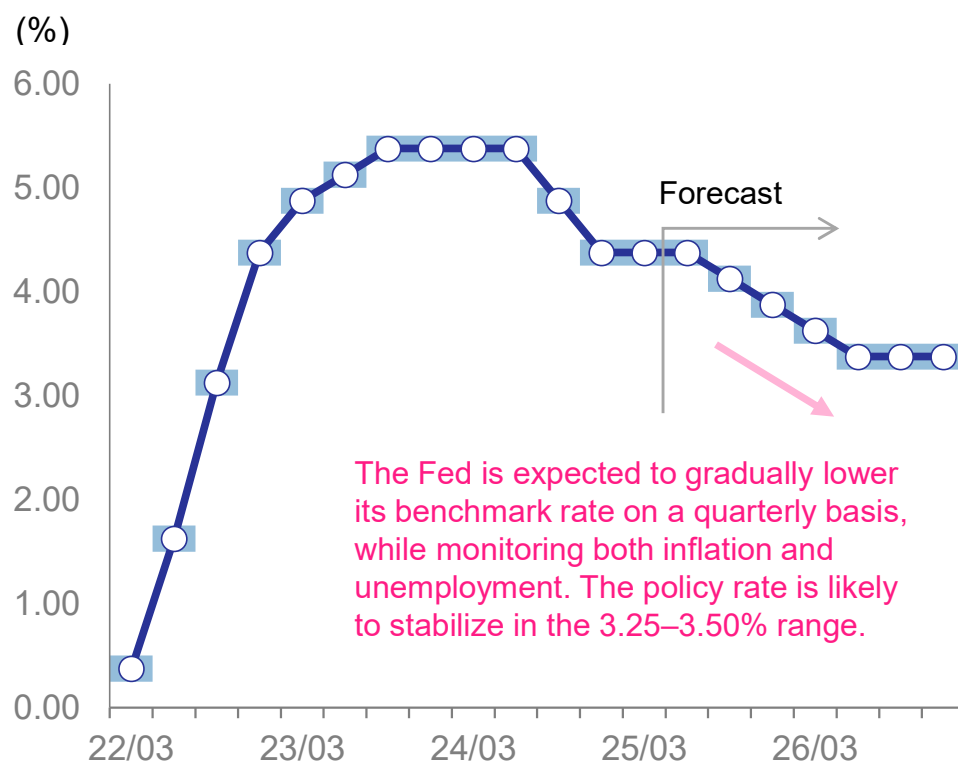
- With US tariff policies weighing on the labor market, the Fed is expected to reduce its benchmark rate four times (twice in 2025 and twice in 2026).
 - In 2025, higher tariffs are expected to raise import prices and create inflationary pressure. Meanwhile, as the economy weakens, the unemployment rate is projected to exceed the FOMC's longer run estimate, prompting the Fed to resume rate cuts.
 - In 2026, as inflation concerns gradually recede, the Fed is expected to lower its policy rate further to support labor market recovery.

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 Department of Labor.

Outlook on the policy rate



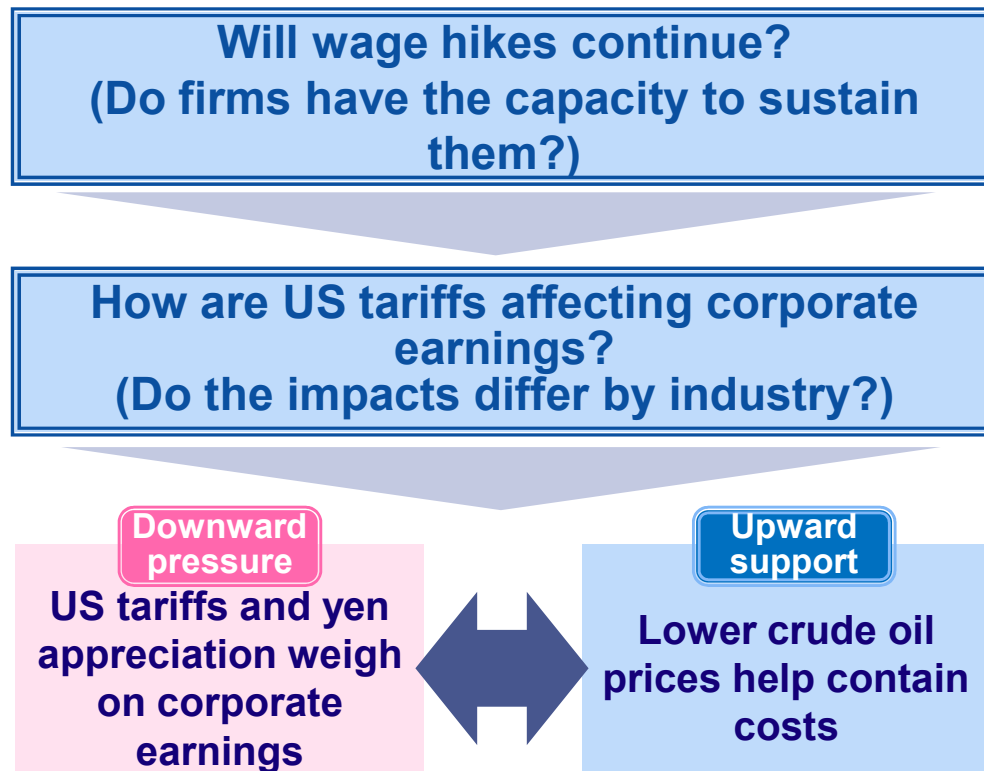
Source: Made by MHRT based on the FRB.

(yy/mm)

Japan: Despite the headwinds caused by US tariffs, Japanese firms are expected to maintain solid earnings, supported by lower crude oil prices that help contain costs.

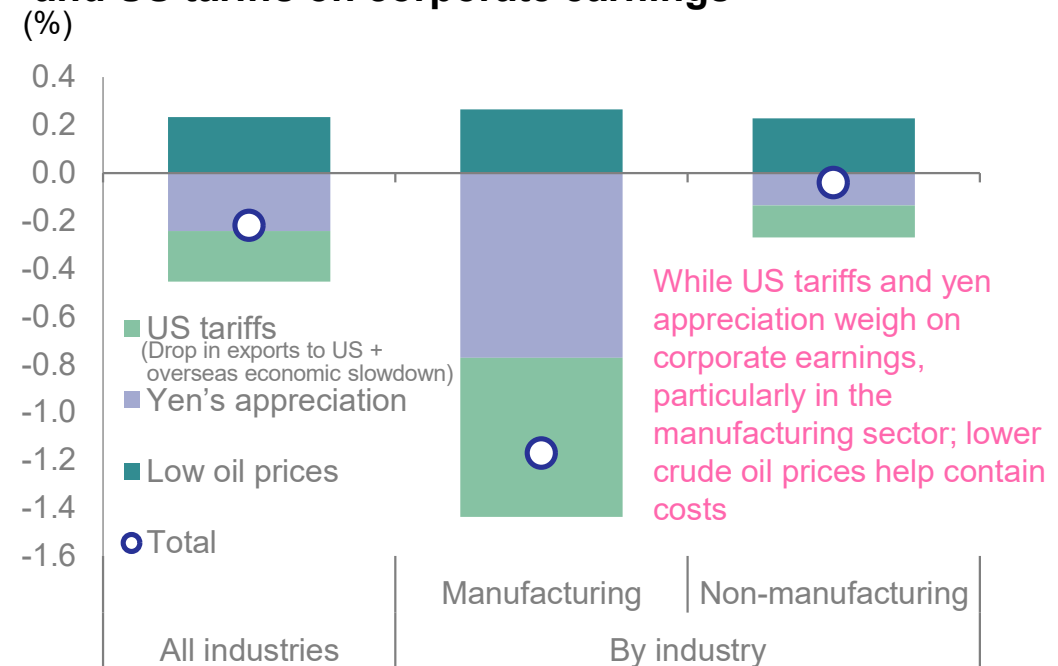
- In Japan, the durability of wage growth as a new norm will be a key focus. Assessing the extent to which U.S. tariffs weigh on corporate earnings is crucial.
- While higher US tariffs are expected to weigh on corporate earnings, particularly in the manufacturing sector, lower crude oil prices will help contain costs and sustain solid performance.
 - Declining exports to the US and a slowdown in overseas economies, both resulting from higher US tariffs, combined with a stronger yen, will significantly weigh on corporate profits, particularly in the manufacturing sector.
 - Meanwhile, lower crude oil prices, by reducing import costs, will allow non-manufacturing firms to largely offset the effects of yen appreciation and U.S. tariffs. As a result, the downturn in their corporate earnings is expected to remain limited.

Key points in examining the durability of wage growth



Source: Made by MHRT.

Impacts of yen appreciation, lower crude oil prices, and US tariffs on corporate earnings



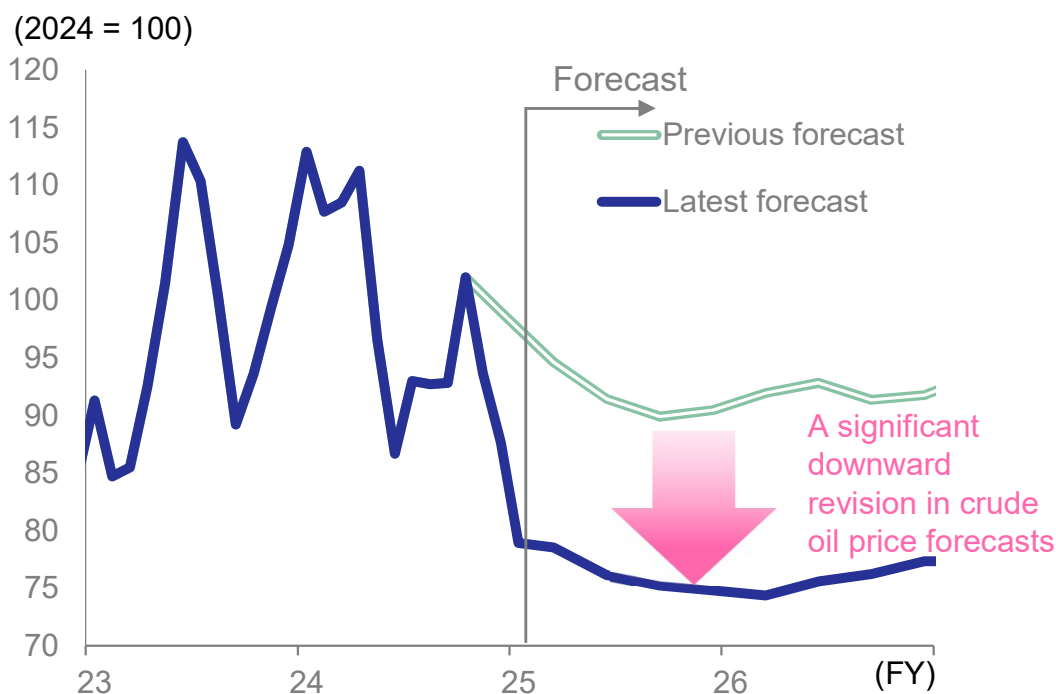
Note: Impact on Nominal Value Added from a 9% Yen Appreciation, a 17% Decline in Crude Oil Prices, and US Import Tariffs. (impact of yen appreciation) = (changes in import/export values) + (changes in profits from outward direct investment). (impact of US tariffs) = (decline in exports to the US) + (spillover effects from a global slowdown)

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

Japan: Crude oil prices are declining amid the global economic slowdown; lower import prices push down inflation

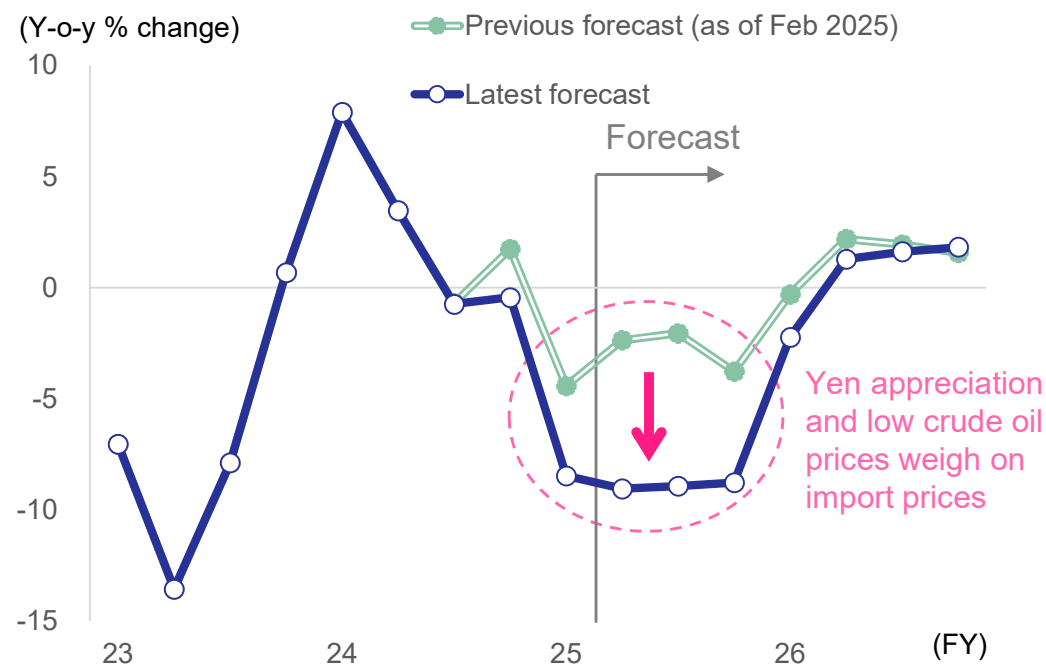
- The inflation forecast for FY2025–26 has been revised downward, primarily due to lower import prices stemming from a correction in the yen's depreciation and falling crude oil prices.
 - Lower import prices are expected to moderate the pace of increases in energy and food prices.
- Meanwhile, core CPI is projected to remain just below 2% year-on-year, supporting the Bank of Japan's continued rate hikes.
 - Firms are expected to continue passing on labor costs to prices. While this trend may moderate somewhat by FY2026, persistently high wage growth will remain a key underlying factor.

Outlook for crude oil prices (in yen terms)



Note: WTI crude oil prices, converted to yen and shown as period averages.
Source: Made by MHRT based on CEIC Data.

Comparison of the previous and latest import price forecasts

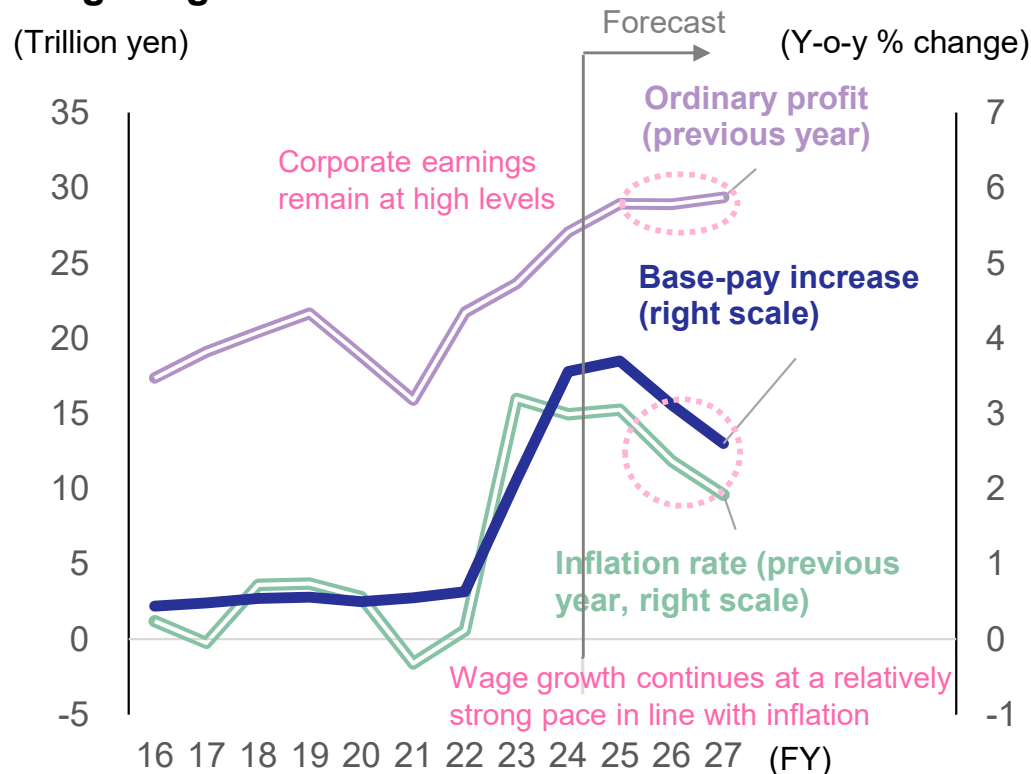


Note: Import prices include energy commodities such as crude oil, coal, and natural gas.
Source: Made by MHRT based on the Bank of Japan, *Corporate Goods Price Index*.

Japan: Strong corporate earnings enable firms to continue raising wages, while income and consumption maintain moderate growth

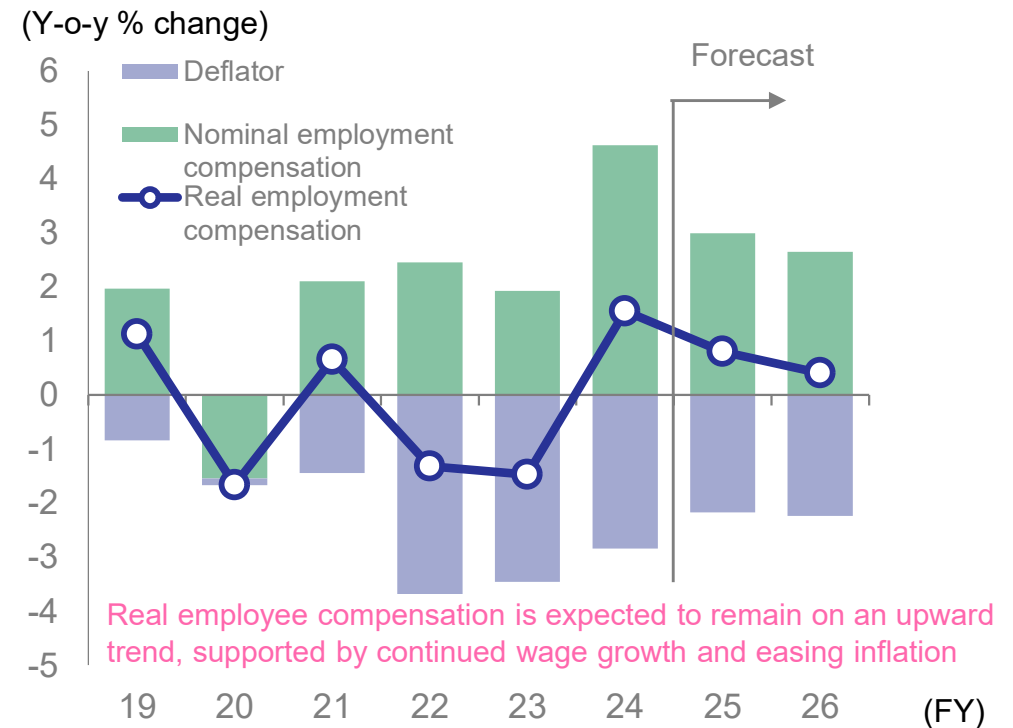
- Backed by strong corporate earnings, the annual spring wage negotiations are expected to result in another upper-4% wage increase in FY2026.
 - Despite the negative impact of Trump-era tariffs on corporate earnings growth, firms are expected to maintain strong profits, particularly in the non-manufacturing sector.
 - The base-pay increase rate is expected to remain in the 3% range, with firms continuing to raise wages in line with inflation.
- Real personal spending is expected to maintain a modest upward trend, supported by a moderate increase in real income.
 - Sustained strong wage growth and easing inflation are expected to underpin income and consumption.

Ordinary profits, base-pay increases in spring wage negotiations and the inflation rate



Source: Made by MHRT based on the Ministry of Internal Affairs and Communications, Ministry of Finance, and Rengo.

Real employee compensation



Source: Made by MHRT based on the Cabinet Office, Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and communications, and Rengo.

Japan: The BOJ is projected to keep the policy rate unchanged in 2025 and resume rate hikes in 2026. Long-term rates are expected to rise to the upper 1% range

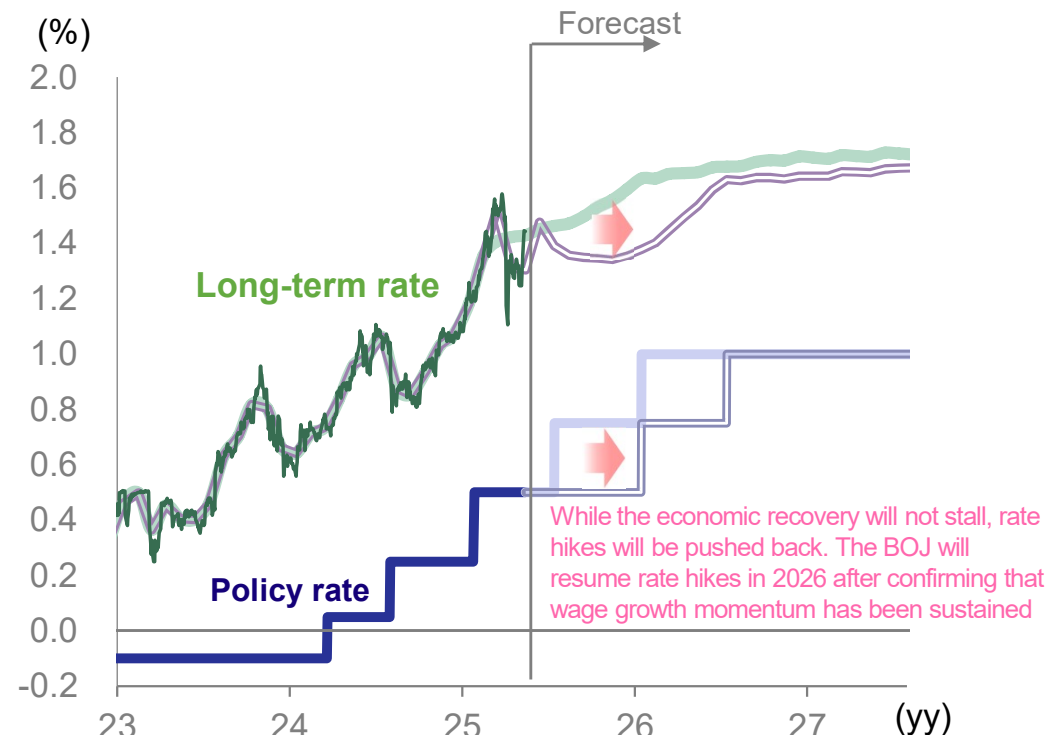
- The BOJ will keep the policy rate unchanged in 2025. After confirming that wage growth momentum has been sustained, it will resume gradual rate hikes on a semi-annual basis in 2026.
 - After confirming that the economic recovery has not stalled and that wage growth momentum has been sustained, the BOJ will resume rate hikes in 2026, given the still-low real interest rate level. However, Japan's slow growth will keep the BOJ cautious about raising rates above 1%.
- Long-term rates are expected to climb to the upper 1% range in mid-2026, in line with the rate hike path, and rate hikes are projected to pause reflecting the impact of US rate cuts.

Conditions for the BOJ to continue rate hikes (FY2025-26)

Support for hikes	Wages (Spring wage negotiations)	FY2025 wage negotiations achieved 5% hikes. FY2026 will see upper 4% hikes .
Support for hikes	Prices	The BOJ estimates the FY2026 core inflation rate at upper 1% and sees the underlying inflation rate on an upward trajectory.
No need for rapid hikes	Currency	US rate cuts will lead to the yen's moderate rise against the dollar.
Caution required	Trump tariffs	To avoid an economic slowdown, the BOJ will avoid additional rate hikes in 2025.

Source: Made by MHRT

Outlook on Japan's policy rate, long-term rate, and dollar-yen exchange rate



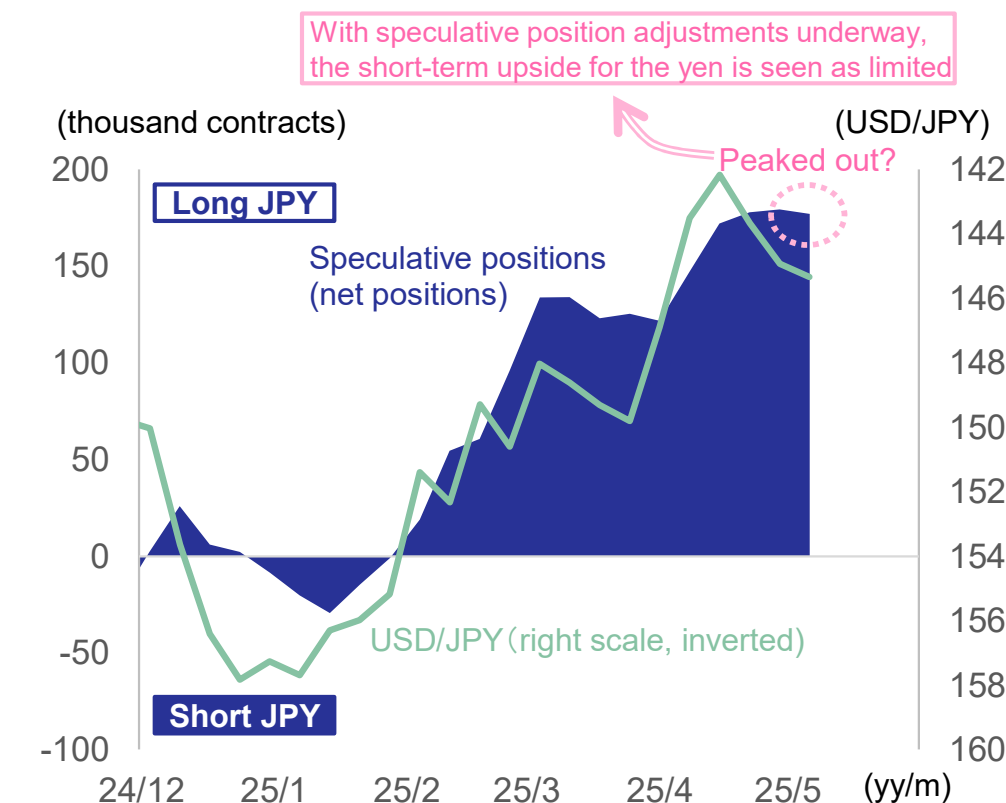
Note: The long-term rate is the 10-year JGB yield. Solid lines indicate actual values, double lines are forecasts, and broken lines show February forecasts.

Source: Made by MHRT based on LSEG.

Japan: A gradual appreciation of the yen is expected through mid-2026, driven by a narrowing US–Japan yield spread

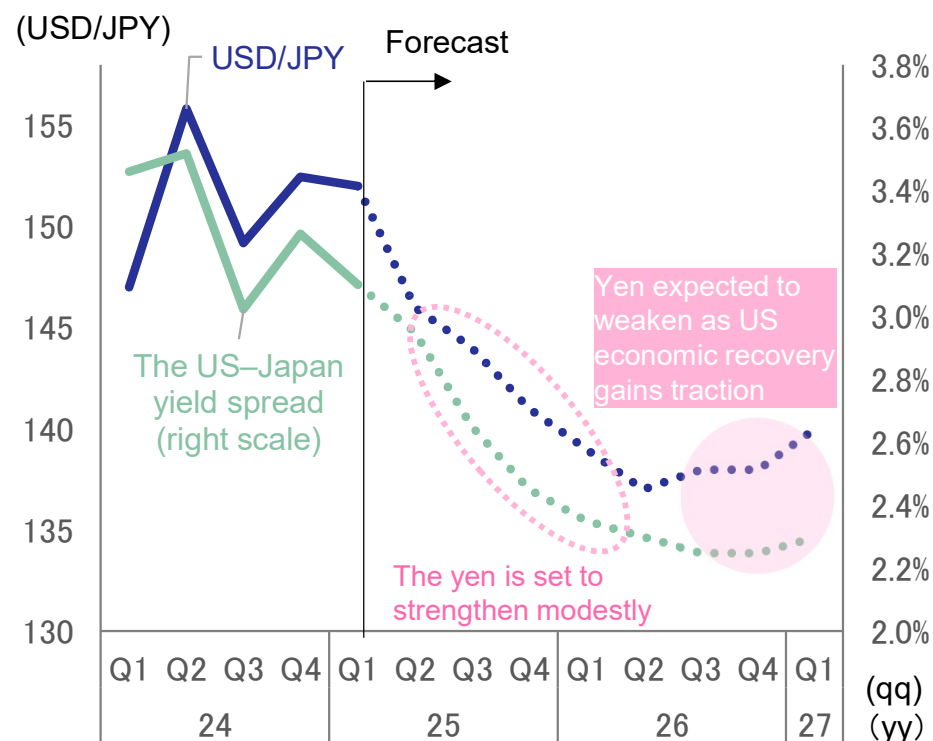
- In addition to the Fed's rate cuts, expectations that the BOJ will resume rate hikes are expected to lead to a gradual yen appreciation through mid-2026..
 - By the end of 2025, the psychologically significant threshold of 140 yen to the dollar is likely to come into view.
 - Notably, the yen-long positions that have built up since last year appear to have peaked, suggesting that the room for further short-term yen appreciation driven by speculative factors is likely to be limited.
 - In the latter half of 2026, the yen is expected to gradually weaken, reflecting a recovery in the U.S. economy.

USD/JPY Exchange Rate and IMM Speculative Yen Positions



Source: Made by MHRT based on LSEG.

USD/JPY Exchange Rate and the U.S.–Japan Interest Rate Differential



Note: The US–Japan yield spread refers to the spread between 10-year government bond yields.

Source: Made by MHRT based on LSEG.

U.S. 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	1.1	1.7	1.6	3.0	3.1	2.4	▲ 0.3	0.5	0.0	1.1	2.3	2.4	2.5	2.5
Personal consumptions	Q-o-q % ch p.a.	2.5	2.8	2.0	1.5	1.9	2.8	3.7	4.0	1.8	0.7	0.0	0.9	1.8	2.1	2.2	2.3
Housing investment	Q-o-q % ch p.a.	▲ 8.3	4.2	▲ 0.2	0.3	13.7	▲ 2.8	▲ 4.3	5.5	1.3	▲ 1.7	▲ 3.3	▲ 1.4	1.1	2.0	2.1	2.1
Capital investment	Q-o-q % ch p.a.	6.0	3.6	2.4	1.2	4.5	3.9	4.0	▲ 3.0	9.8	▲ 0.5	▲ 0.5	0.2	1.8	2.1	2.3	2.4
Inventory investment	Q-o-q contribution p.a. % pt	▲ 0.4	0.1	▲ 1.7	▲ 0.1	▲ 0.5	1.1	▲ 0.2	▲ 0.8	2.3	▲ 3.8	▲ 4.9	▲ 0.2	0.0	▲ 0.1	▲ 0.1	▲ 0.1
Government consumption	Q-o-q % ch p.a.	3.9	3.4	1.3	1.8	1.8	3.1	5.1	3.1	▲ 1.4	0.5	0.5	2.2	2.2	2.2	2.2	1.4
Net exports	Q-o-q contribution p.a. % pt	0.5	▲ 0.4	1.1	0.3	▲ 0.6	▲ 0.9	▲ 0.4	0.3	▲ 4.8	3.8	5.0	0.3	0.3	0.4	0.4	0.4
Exports	Q-o-q % ch p.a.	2.8	3.3	1.9	1.3	1.9	1.0	9.6	▲ 0.2	1.8	0.5	0.8	0.8	1.2	2.0	2.0	2.0
Imports	Q-o-q % ch p.a.	▲ 1.2	5.3	0.9	▲ 7.0	6.1	7.6	10.7	▲ 1.9	41.3	▲ 22.0	▲ 30.6	▲ 1.3	▲ 1.0	▲ 1.0	▲ 1.0	▲ 1.0
Unemployment rate	%	3.6	4.0	4.3	4.4	3.8	4.0	4.2	4.1	4.1	4.2	4.4	4.6	4.5	4.4	4.3	4.2
PCE deflator	Y-o-y % ch	3.8	2.5	2.7	2.2	2.7	2.6	2.3	2.5	2.5	2.6	2.8	2.7	2.4	2.2	2.0	2.0
Core, excl. food and energy	Y-o-y % ch	4.1	2.8	2.9	2.2	3.0	2.7	2.7	2.8	2.8	2.9	3.1	2.8	2.6	2.3	2.1	2.0

Note: Shaded figures are forecasts.

Source: Made by MHRT based on the U.S. Department of Commerce and the U.S. 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	0.7	1.5	0.3	0.2	0.4	0.2	0.3	▲ 0.0	▲ 0.2	0.4	0.6	0.6	0.5	0.4
Domestic demand	Q-o-q % ch p.a.	0.5	1.2	1.5	▲ 0.3	▲ 0.1	1.4	0.3	0.1	0.1	0.1	0.3	0.5	0.5	0.5	0.4
Personal consumption	Q-o-q % ch p.a.	1.1	0.9	1.3	0.5	0.0	0.6	0.4	0.2	0.1	0.0	0.3	0.4	0.4	0.4	0.3
Gross fixed capital formation	Q-o-q % ch p.a.	▲ 1.8	1.1	1.6	▲ 1.9	▲ 2.5	1.8	0.7	0.1	0.0	0.0	0.4	0.5	0.5	0.5	0.4
Government consumption	Q-o-q % ch p.a.	2.7	1.5	1.6	0.3	1.1	0.9	0.5	0.2	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	0.0	0.1	▲ 0.2	0.2	0.4	▲ 0.2	▲ 0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External demand	Q-o-q contribution p.a. % pt	0.4	▲ 0.3	0.0	0.6	0.2	▲ 0.9	▲ 0.0	0.3	▲ 0.1	▲ 0.3	0.1	0.1	0.1	0.0	0.0
Exports	Q-o-q % ch p.a.	1.1	0.7	▲ 0.0	1.1	1.5	▲ 1.3	0.0	2.1	▲ 0.3	▲ 2.2	0.5	0.4	0.3	0.2	0.2
Imports	Q-o-q % ch p.a.	0.3	1.5	▲ 0.1	▲ 0.2	1.1	0.5	0.1	1.7	▲ 0.1	▲ 1.8	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	2.2	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

	2023	2024	2025	2026								
	(Outlook)				2023				2024			
					Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Asia	5.6	5.2	4.6	4.3	4.8	6.3	5.6	5.9	5.8	5.1	4.7	5.2
China	5.4	5.0	4.4	3.8	4.7	6.5	5.0	5.3	5.3	4.7	4.6	5.4
NIEs	1.5	3.1	1.5	1.7	▲ 0.0	1.2	1.8	3.2	4.2	3.3	2.9	2.3
South Korea	1.4	2.0	0.9	1.6	1.1	1.0	1.4	2.1	3.3	2.3	1.5	1.2
Taiwan	1.1	4.6	1.8	1.6	▲ 3.5	1.5	1.6	4.7	6.6	4.9	4.2	2.9
Hong Kong	3.2	2.5	2.3	1.8	2.7	1.6	4.2	4.3	2.8	3.1	1.9	2.4
Singapore	1.8	4.4	2.2	2.0	1.0	1.3	1.9	3.1	3.2	3.4	5.7	5.0
ASEAN5	4.4	5.0	4.4	4.7	4.6	4.1	4.3	4.6	4.7	5.2	5.1	5.1
Indonesia	5.0	5.0	4.7	4.9	5.0	5.2	4.9	5.0	5.1	5.0	4.9	5.0
Thailand	2.0	2.5	2.1	2.3	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.2
Malaysia	3.6	5.1	4.2	4.2	5.5	2.8	3.1	2.9	4.2	5.9	5.4	5.0
Philippines	5.5	5.7	5.4	5.7	6.4	4.3	6.0	5.5	5.9	6.5	5.2	5.3
Vietnam	5.1	7.1	5.2	6.1	3.5	4.3	5.4	6.8	6.0	7.2	7.4	7.6
India	8.8	6.7	6.3	6.3	6.9	9.7	9.3	9.5	8.4	6.5	5.6	6.2
Australia	2.0	1.1	1.5	1.8	2.8	2.0	2.2	1.2	1.2	1.1	0.8	1.3
Ref. NIEs+ASEAN5	3.3	4.3	3.3	3.6	2.9	3.0	3.4	4.0	4.5	4.5	4.2	4.1
Ref. Asia, excl. China	6.0	5.5	4.9	5.0	4.9	6.3	6.3	6.7	6.4	5.5	4.9	5.1

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	0.3	0.7	▲0.4	0.9	0.2	0.6	▲0.2	▲0.1	▲0.1	0.2	0.3	0.1	0.2	0.2	0.1
	Q-o-q % ch p.a.	—	—	—	▲1.6	3.8	1.0	2.4	▲0.7	▲0.4	▲0.2	1.0	1.1	0.6	0.7	0.7	0.6
Domestic demand	Q-o-q % ch	1.2	0.9	0.6	▲0.5	1.2	0.5	▲0.1	0.6	0.2	0.0	0.2	0.2	0.1	0.1	0.2	0.1
Private-sector demand	Q-o-q % ch	1.1	1.0	0.6	▲0.6	1.0	0.7	▲0.2	0.9	0.2	▲0.0	0.2	0.2	0.1	0.1	0.1	0.1
Personal consumption	Q-o-q % ch	0.8	0.5	0.6	▲0.6	0.8	0.7	0.1	0.0	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Housing investment	Q-o-q % ch	▲1.0	▲1.3	1.2	▲3.2	1.2	0.7	▲0.2	1.2	0.1	▲2.3	▲1.7	1.0	1.5	0.8	▲0.2	▲0.5
Capital investment	Q-o-q % ch	2.6	0.8	0.9	▲1.1	1.4	0.1	0.8	1.4	▲0.2	▲0.7	▲0.0	0.3	0.4	0.3	0.2	0.3
Inventory investment	Q-o-q contribution, % pt	0.0	0.4 (▲0.1)	(0.2)	(0.1)	(0.1)	(▲0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(▲0.0)	(▲0.1)	(▲0.1)	(0.0)	(0.0)	(0.0)
Public-sector demand	Q-o-q % ch	1.4	0.6	0.9	▲0.2	1.8	▲0.1	0.0	0.0	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Government consumption	Q-o-q % ch	1.5	0.8	1.0	0.3	0.9	0.1	0.3	▲0.0	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Public investment	Q-o-q % ch	1.4	▲0.1	0.4	▲2.2	5.7	▲1.1	▲0.7	▲0.4	0.8	0.0	0.1	0.0	0.0	0.3	0.4	0.0
External demand	Q-o-q contribution, % pt	(▲0.4)	(▲0.7)	(0.1)	(0.1)	(▲0.3)	(▲0.3)	(0.7)	(▲0.8)	(▲0.3)	(▲0.1)	(0.0)	(0.0)	(▲0.0)	(0.1)	(0.0)	(▲0.0)
Export	Q-o-q % ch	1.7	▲1.3	2.0	▲3.6	1.5	1.2	1.1	▲0.6	▲1.9	▲0.4	0.2	0.4	0.6	0.8	0.6	0.6
Import	Q-o-q % ch	3.4	1.6	1.6	▲3.7	2.7	2.2	▲2.1	2.9	▲0.4	▲0.1	0.1	0.2	0.6	0.5	0.5	0.6
GDP (nominal)	Q-o-q % ch	3.7	3.2	2.5	0.0	2.4	0.5	1.2	0.8	1.4	▲0.2	0.7	1.3	0.6	▲0.0	0.6	1.3
GDP deflator	Y-o-y % ch	2.9	2.9	1.8	3.1	3.1	2.4	2.9	3.2	3.4	2.9	2.8	2.8	1.8	1.8	1.6	1.8
Domestic demand deflator	Y-o-y % ch	2.5	1.5	1.6	2.0	2.6	2.2	2.3	2.8	2.1	1.4	1.3	1.3	1.3	1.7	1.7	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	▲ 1.5	▲ 1.7	0.1	▲ 5.2	2.1	0.3	0.4	▲ 0.7	▲ 1.4	▲ 0.3	0.2	▲ 0.1	0.0	0.1	0.0	0.1
Ordinary profit	Y-o-y % ch	7.9	▲ 0.1	1.6	15.1	13.2	▲ 3.3	13.5	6.4	▲ 0.4	6.9	▲ 3.3	▲ 2.0	▲ 0.7	3.7	3.1	1.3
Nominal compensation of employees	Y-o-y % ch	4.6	3.0	2.6	1.7	4.3	4.0	5.6	4.3	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	31.9	32.4	26.2	28.8	29.0	32.8	30.7	32.3	31.4	32.0	32.1	32.4	31.9	32.6	32.8
Corporate goods price index	Y-o-y % ch	3.2	1.0	1.6	0.6	1.9	2.9	3.8	4.2	2.6	1.0	0.3	0.2	1.2	1.7	1.8	1.8
CPI. excl. fresh food	Y-o-y % ch	2.7	2.0	1.9	2.5	2.5	2.7	2.6	3.1	3.1	1.7	1.7	1.5	1.6	2.1	1.8	1.9
CPI. excl. fresh food and policy factors	Y-o-y % ch	2.2	1.8	1.8	2.2	2.0	1.9	2.2	2.7	2.5	1.9	1.5	1.4	1.6	1.8	1.8	1.9
CPI. excl. fresh food and energy	Y-o-y % ch	2.3	2.0	1.7	3.2	2.2	2.0	2.3	2.7	2.6	2.0	1.8	1.7	1.7	1.6	1.6	1.6
CPI. excl. fresh food and energy and policy factors	Y-o-y % ch	2.3	2.2	1.7	3.1	2.2	2.0	2.3	2.7	2.8	2.3	2.0	1.9	1.7	1.7	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~ 1.55	1.40~ 1.80	0.93	0.93	1.01	1.35	1.11~ 1.55	1.20~ 1.50	1.20~ 1.50	1.25~ 1.55	1.40~ 1.70	1.50~ 1.80	1.50~ 1.80	1.50~ 1.80
Nikkei Stock Average	JPY	38,566	30,000~ 40,000	35,000~ 42,500	38,693	38,121	38,943	38,505	30,000~ 39,000	32,000~ 39,000	33,000~ 39,400	34,000~ 40,000	35,000~ 40,300	36,000~ 41,500	36,500~ 42,000	37,000~ 42,500
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~ 4.50	3.55~ 4.35	4.45	3.96	4.28	4.46	4.00~ 4.50	3.65~ 4.55	3.50~ 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	36,000~ 46,000	41,000~ 49,000	38,812	40,597	43,280	43,244	36,000~ 44,000	37,500~ 45,000	39,000~ 45,500	40,500~ 46,000	41,000~ 46,500	41,500~ 47,000	42,000~ 48,000	42,500~ 49,000
Eurozone																
ECB deposit facility rate	End of period value, %	2.50	1.50	2.00	3.75	3.50	3.00	2.50	2.00	1.50	1.50	1.50	1.50	1.75	2.00	2.00
German government bonds	10-year, %	2.40	2.05~ 2.85	2.10~ 2.90	2.50	2.28	2.26	2.58	2.15~ 2.85	2.05~ 2.75	2.05~ 2.75	2.10~ 2.80	2.10~ 2.80	2.15~ 2.85	2.15~ 2.85	2.20~ 2.90
Exchange rates																
USD/JPY	USD/JPY	152	134~ 155	133~ 146	156	149	152	152	137~ 155	136~ 151	135~ 149	134~ 146	133~ 145	133~ 145	133~ 145	134~ 146
EUR/USD	EUR/USD	1.07	1.05~ 1.20	1.11~ 1.20	1.08	1.10	1.07	1.05	1.05~ 1.17	1.08~ 1.17	1.10~ 1.19	1.11~ 1.20	1.11~ 1.20	1.11~ 1.20	1.11~ 1.20	1.11~ 1.20

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

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