

**Executive Summary:
Mid-Year Economic Projection for FY2025**

**August 7, 2025
Cabinet Office**

1. Outlook for economic growth

Despite the impact of rising prices, the U.S. tariff measures, and the slowdown in global economic growth, the real GDP growth rate in FY2025 is projected to be approximately 0.7%, supported by increases in income, including wage increases, and the effects of various policy measures.

The real GDP growth rate in FY2026 is projected to be approximately 0.9%, supported by domestic demand.

Main Economic Indicators

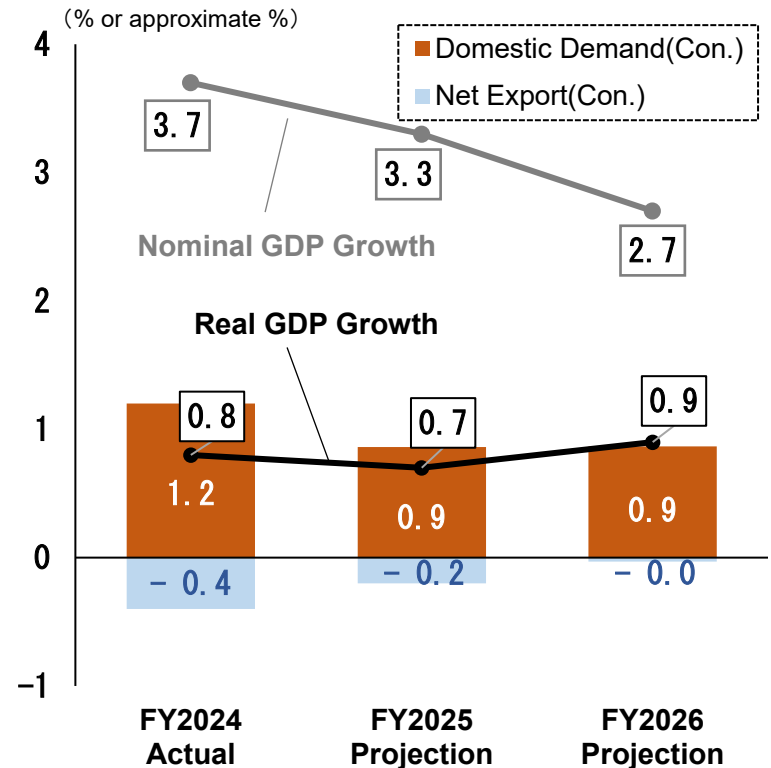
(% or approximate %)

	FY2024	FY2025			FY2026	
	Actual	January Projection	(Note 1) Projection by Private Sector	Mid-Year Projection	(Note 1) Projection by Private Sector	Mid-Year Projection
Real GDP	0.8	1.2	0.5	0.7	0.7	0.9
Private Consumption	0.8	1.3	0.8	1.0	0.8	1.1
Priv. Non-res. Investment	2.4	3.0	1.5	1.8	1.3	1.9
Domestic Demand (Con.)	1.2	1.3	0.8	0.9	0.8	0.9
Net Exports (Con.)	-0.4	-0.0	-0.4	-0.2	-0.1	-0.0
Nominal GDP	3.7	2.7	2.9	3.3	2.5	2.7
CPI (All items)	3.0	2.0	(Note 2) 2.5	2.4	(Note 2) 1.7	1.9
Unemployment rate	2.5	2.4	2.5	2.4	2.5	2.4

Assumption of external environment

	FY2025	FY2026
	January Projection	Mid-Year Projection
Exchange rate (yen/U.S.dollar)	153.6	145.7
Crude oil import price (U.S.dollar/barrel)	76.2	74.0
Real growth rate of world GDP (excluding Japan) (%)	2.9	2.5

Economic Growth



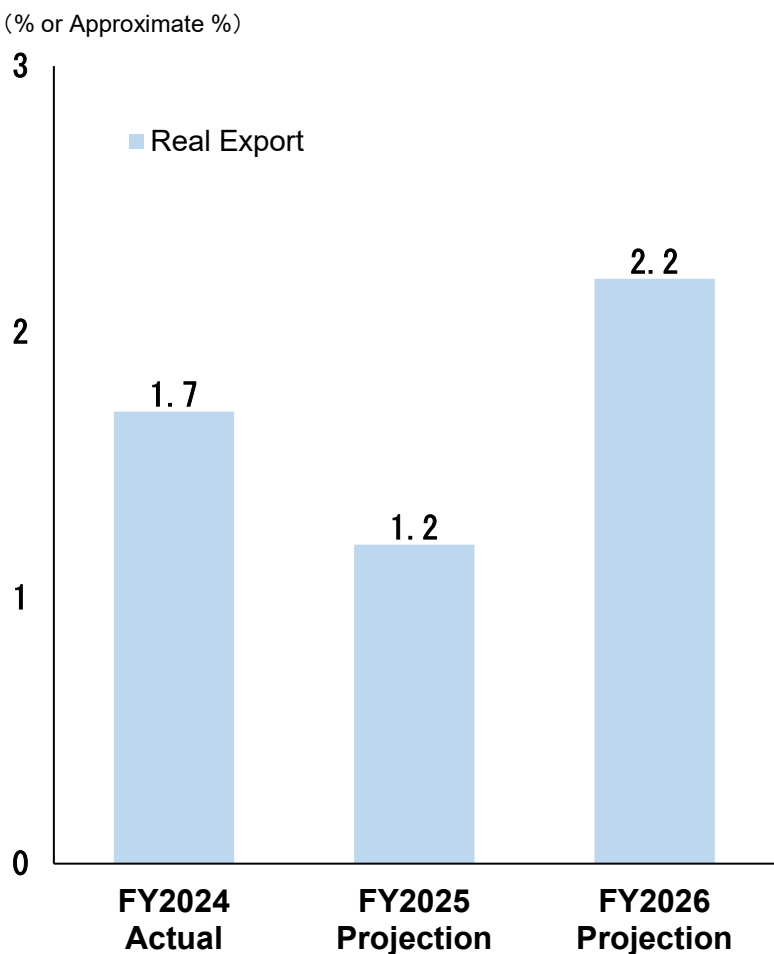
(Notes)

- The average rates of ESP Forecast July 2025 (Survey period: June 26 – July 3, released on July 9).
- All items less fresh food.
- Assumptions of external environment:
 - The exchange rate is assumed to stay constant at 146.0 yen/U.S. dollar from July 19, 2025, onward, which is the average exchange rate from June 19 to July 18, 2025.
 - The real growth rate of the world GDP is calculated based on economic outlooks of international organizations.
 - The assumptions on the U.S. tariff measures are based on the agreement between Japan and the U.S. on July 22, 2025 (U.S. time). The assumptions on other measures, including tariff rates for each country, are based on the announcements by the U.S. government as of July 31, 2025 (U.S. time).

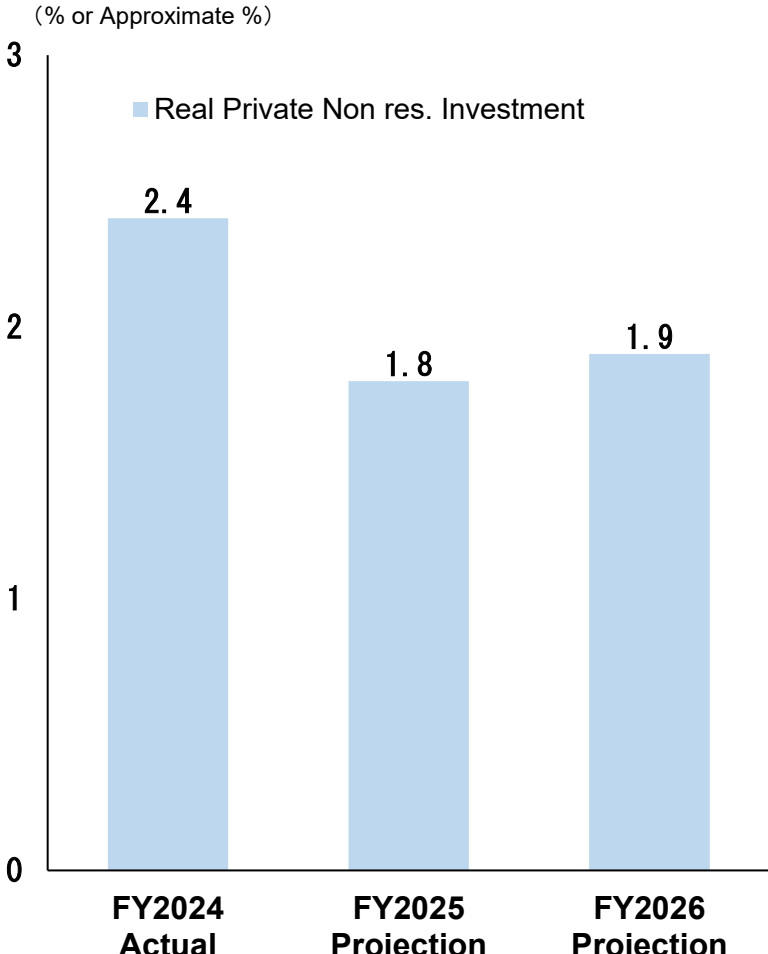
2. Outlook for Exports and Investment

- Affected by the U.S. tariff measures and the slowdown in global economic growth, the growth in real exports is expected to slow down in FY2025, while it is expected to accelerate in FY2026 amid global economic growth.
- While affected by the impact of weak exports, the growth in real private non-res. investment is expected to accelerate toward FY2026 under the promotion of domestic investments through public-private collaboration.

Outlook for exports



Outlook for investment



3. Outlook for Wage and Private Consumption

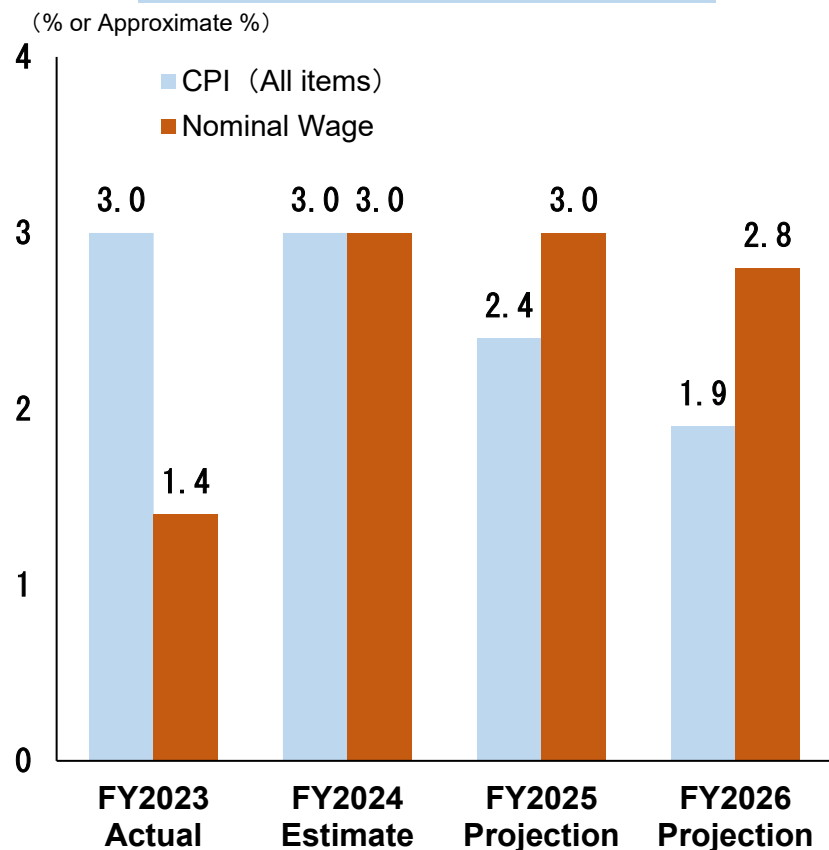
In FY2025, rise in prices are expected to slow down toward the latter half of the fiscal year, partly due to the effects of measures to mitigate the impact of inflation. Real wages are expected to expand, as wages have been raised by more than 5% for the second consecutive year.

In FY2026, with the inflation rate stabilizing around 2%, the nominal wage increase rate is projected to be approximately 2.8%. As such, progress will be seen in establishing a norm of around 1% annual real wage growth in the Japanese economy.

Amid continued increases in real wages, real private consumption is also projected to continue growing at a moderate pace.

※Real wages are nominal wage increases deflated by CPI (all items).

Outlook for wage and prices



(Note) CPI (All items) in FY2024 is actual.

Outlook for private consumption

