Provisional translation

# Mid-Year Economic Projection for FY 2026

July 30, 2026
Cabinet Office

The Japanese economy is recovering at a moderate pace, while attention should be given to the effects caused from the situation in the Middle East.

Under these circumstances, as immediate economic and fiscal management, the government will implement the FY 2026 budget and the FY 2026 supplementary budget, which was compiled to minimize risks, in an appropriate and flexible manner in response to developments in the situations. While striving to underpin private demand, in response to the situation in the Middle East, through alternative procurement of crude oil and the release of oil stockpiles, the government will work to ensure a stable supply of crude oil when the situation requires it. The government will also work to ensure a stable supply and the smooth distribution of critical materials. The government will continue to analyze the impact on the Japanese economy and prices and will not hesitate to take sufficient and flexible measures to protect people’s lives and business activities.

Furthermore, based on the “Basic Policy on Economic and Fiscal Management and Reform 2026” approved by the Cabinet on July 21, 2026, the government will ensure the transition to a growth-oriented economy by not returning to deflation, while responding flexibly to various risks such as rising prices, global economic uncertainty, geopolitical risks, fluctuations in the financial and capital markets, and natural disasters.

Based on these basic policies, the Japanese economy in FY 2026 is projected as follows: Despite the downward pressure derived from higher crude oil prices, GDP growth is projected to be approximately 0.9% in real terms and approximately 3.0% in nominal terms, supported by higher income from wage increases and various policy measures. The Consumer Price Index (all items) is projected to rise by approximately 2.2%.

In FY 2027, as a projection under certain assumptions to provide a reference for discussions on macroeconomy, the GDP growth rate is projected to be approximately 1.1% in real terms and approximately 3.9% in nominal terms, under the recovery in domestic demand which is expected to continue with the strengthening of efforts to promote strategic investments that enhance resilience against potential crises and investments that promote growth. The Consumer Price Index (all items) is projected to rise by approximately 2.1%.

However, attention should be given continuously to the effects caused from the situation in the Middle East. Also, attention should be given to the effects of global economic uncertainty, fluctuations in the financial and capital markets and so on.

Main Economic Indicators

(% or approximate %)

| | FY 2025 Actual | FY 2026 January Projection | FY 2026 Mid-Year Projection |
|---|---|---|---|
| Real GDP | 0.8 | 1.3 | 0.9 |
| Private consumption | 1.3 | 1.3 | 0.9 |
| Private residential investment | -3.4 | 1.3 | -0.2 |
| Private non-residential investment | 2.0 | 2.8 | 2.3 |
| Government expenditure | 0.5 | 1.1 | 0.3 |
| Government consumption | 0.8 | 1.0 | 0.7 |
| Public investment | -0.5 | 1.3 | -0.9 |
| Exports of goods and services | 2.0 | 2.0 | 2.3 |
| Less: Imports of goods and services | 2.5 | 2.9 | 2.1 |
| Contribution of domestic demand | 0.9 | 1.5 | 0.9 |
| Contribution of private demand | 0.8 | 1.3 | 0.8 |
| Contribution of public demand | 0.1 | 0.3 | 0.1 |
| Contribution of net exports | -0.1 | -0.2 | 0.1 |
| Real GNI | 1.3 | 1.7 | 0.6 |
| Nominal GDP | 4.1 | 3.4 | 3.0 |
| Unemployment rate | 2.6 | 2.4 | 2.6 |
| Number of employees | 0.8 | 0.4 | 0.6 |
| Industrial production | -0.2 | 1.2 | 1.6 |
| Domestic corporate goods price index | 2.7 | 1.4 | 7.0 |
| Consumer price index (all items) | 2.6 | 1.9 | 2.2 |
| GDP deflator | 3.3 | 2.0 | 2.0 |

(Note 1) The figures represent the year-over-year rate of change, except for the unemployment rate and the contributions of domestic demand and net exports.

(Note 2) The figures for “January Projection” are those shown in the FY 2026 Economic Outlook and Basic Stance on Economic and Fiscal Management (Cabinet decision, January 23, 2026).

(Note 3) The contribution of public demand in the “Mid-Year Projection” includes a contribution of approximately -0.1% from changes in public inventories due to the release of crude oil stockpiles.

(Note 4) The Japanese economy mainly consists of private activity and could be influenced by unforeseeable market fluctuations and other changes, especially those in the international environment. Accordingly, the main economic indicators above should be understood as being subject to upside and downside risks.

Economic Projection for FY 2027 for reference

(Approximate %)

| | FY 2027 |
|---|---|
| Real GDP | 1.1 |
| Private consumption | 1.0 |
| Private residential investment | -0.7 |
| Private non-residential investment | 2.6 |
| Contribution of domestic demand | 1.3 |
| Contribution of net exports | -0.3 |
| Real GNI | 1.3 |
| Nominal GDP | 3.9 |
| Unemployment rate | 2.5 |
| Number of employees | 0.3 |
| Domestic corporate goods price index | 3.8 |
| Consumer price index (all items) | 2.1 |
| GDP deflator | 2.8 |

(Note 1) The figures represent the year-over-year rate of change, except for the unemployment rate and the contributions of domestic demand and net exports.

(Note 2) References for FY 2027 are a preliminary projection provided for discussions on the macroeconomy in FY 2027 and should be understood as being subject to considerable upside and downside risks with various uncertainties.

(Note 3) In the above preliminary projection, based on “Medium- to Long-Term Economic and Fiscal Projections under Japan’s Growth Strategy” (Published on June 24, 2026, by the Cabinet Office), it is assumed that, other than separately-managed budget with secured funding sources, an additional 10 trillion yen will be spent as necessary government spending for economic growth.

(Note 4) The government economic outlook for FY 2027 will be released as the FY 2027 Economic Outlook and Basic Stance on Economic and Fiscal Management, which is planned to be formulated and approved by the Cabinet at the end of 2026, based on policy measures for the next fiscal year as well as the latest economic conditions.

Notes on the Mid-Year Economic Projection for FY 2026

The projections are based on the assumptions shown below. These are technical assumptions for the projections, and they do not represent the view of the Cabinet Office.

| | FY 2026 | | FY 2027 (Reference) |
|---|---|---|---|
| | (January Projection) | (Mid-Year Projection) | |
| Real growth rate of world GDP (excluding Japan) (%) | 2.8 | **2.7** | **2.8** |
| Exchange rate (yen/U.S. dollar) | 155.2 | **161.4** | **161.9** |
| Crude oil import price (U.S. dollar/barrel) | 68.0 | **92.5** | **85.4** |

Notes

(1) The real growth rate of world GDP (excluding Japan) is calculated based on economic outlooks of international organizations.

(2) The exchange rate is assumed to stay constant at 161.9 yen/U.S. dollar from July 17, 2026, onward, which is the average exchange rate from June 17 to July 16, 2026.

(3) The crude oil import price (weighted average price by import source (Dubai and WTI)) is assumed to stay constant at 85.4 U.S. dollars/barrel from July 17, 2026, onward, which is the average price from June 17 to July 16, 2026, plus the cost of freight and insurance.