

Mid-Year Economic Projection for FY2023

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Cabinet Office

The Japanese economy is recovering at a moderate pace as socioeconomic activities have returned to normal since the pandemic. With private consumption and investment continuing to pick up, the economy is expected to continue recovering at a moderate pace, as the employment and income environment is expected to improve and the policy supports take effect. On the other hand, full attention should be given to the risk of a downturn in overseas economies due to prolonged global monetary tightening, and to the impact on the Japanese economy of price increases and fluctuations in the financial and capital markets.

Based on the “Basic Policies for Economic and Fiscal Management and Reform 2023” (Cabinet decision on June 16, 2023), the Government will accelerate the efforts for the New Form of Capitalism initiative to expand investment for the future and achieve structural wage increases. Through these efforts, the Government will aim for realization of “virtuous cycle of wages and prices” accompanied by wage increases, securing appropriate price transfers and markups for costs, as well as “virtuous cycle of growth and distribution” backed by an increase in growth potential and broad increases in household income, by pursuing continuous expansion of domestic investment in the areas of human resources, green and economic security through cooperation between public and private sectors.

Furthermore, the Government will swiftly and steadily implement the “Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy” (Cabinet decision on October 28, 2022) and the FY2022 second supplementary budget, additional measures compiled at the Headquarters for Comprehensive Measures on Prices, Wages, and Livelihoods, and the FY2023 budget.

Based on these basic policies, GDP for FY2023 is projected to grow approximately 1.3% in real terms and 4.4% in nominal terms, mainly owing to the recovery in private consumption, especially in service consumption, and the increase in private investment, although a slowdown in exports is expected to be a drag on the economy. The consumer price index (all items) is projected to rise by approximately 2.6%.

By the projection calculated under certain assumptions as a reference for considering the macro-economy for FY2024, GDP for FY2024 is projected to grow approximately 1.2% in real terms and 2.5% in nominal terms, a moderate growth, led by private demand. The consumer price index (all items) is projected to rise by approximately 1.9%.

Main Economic Indicators

(% or approximate %)

	FY2022 Actual	FY2023	
		January Projection	New Projection
Real GDP	1.4	1.5	1.3
Private consumption expenditure	2.4	2.2	1.6
Private residential investment	▲4.4	1.1	0.3
Private non-residential investment	3.1	5.0	3.0
Government expenditure	0.2	▲1.9	0.9
Government final consumption expenditure	1.1	▲2.3	0.5
Public fixed capital formation	▲3.0	▲0.5	2.2
Exports of goods and services	4.4	2.4	0.8
Less: Imports of goods and services	7.2	2.5	1.8
Contribution of domestic demand	2.0	1.6	1.6
Contribution of private demand	1.9	2.1	1.4
Contribution of public demand	0.1	▲0.5	0.2
Contribution of external demand	▲0.6	▲0.1	▲0.3
Real GNI	0.5	1.8	2.1
Nominal GDP	2.0	2.1	4.4
Unemployment rate	2.6	2.4	2.5
Number of employees	0.6	0.2	0.5
Industrial production	▲0.3	2.3	0.9
Domestic corporate goods price index	9.4	1.4	2.6
Consumer price index (all items)	3.2	1.7	2.6
GDP deflator	0.6	0.6	3.0

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

(Note 2) The figures for “January Projection” are those shown in the FY2023 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet Decision, January 23, 2023).

(Note 3) The Japanese economy mainly consists of private activity and is influenced by unforeseeable market fluctuations and other changes, especially those in the international environment. Accordingly, the main economic indicators above should be recognized as being subject to upside and downside risks.

Reference for FY2024

(Approximate %)

	FY2024
Real GDP	1.2
Private consumption expenditure	1.3
Private residential investment	0.2
Private non-residential investment	3.0
Contribution of domestic demand	1.3
Contribution of external demand	▲0.1
Real GNI	1.3
Nominal GDP	2.5
Unemployment rate	2.4
Number of Employees	0.3
Domestic corporate goods price index	0.6
Consumer price index (all items)	1.9
GDP deflator	1.3

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

(Note 2) References for FY2024 indicate preliminary estimates intended for discussions on the macro economy in FY2024 and should be recognized as being subject to considerable upside and downside risks with various uncertainties.

(Note 3) In the above preliminary estimate, public fixed capital formation (excluding increases due to increased expenditures under the “Defense Buildup Program” (approved by the National Security Council and Cabinet on December 16, 2022)) in FY2024 is assumed to be the average amount over the recent five years (FY2018 to 2022) at the nominal level.

(Note 4) The government economic outlook for FY2024 will be announced in the FY2024 Economic Outlook and Basic Stance for Economic and Fiscal Management, which will be formulated and approved by the Cabinet at the end of 2023, based on policy responses for the next fiscal year as well as future economic conditions.

Notes on the Mid-Year Economic Projection for FY2023

The projections are based on the assumptions shown below. These are technical assumptions for projection and not forecasts of the Cabinet Office.

	FY2023		FY2024 (Reference)
	(January projection)	(Mid-year projection)	
Real growth rate of world GDP (excluding Japan) (%)	2. 3	2. 6	2. 9
Exchange rate (yen/U.S. dollar)	142. 1	140. 4	141. 4
Crude oil import price (U.S. dollar/barrel)	89. 1	81. 7	81. 3

Remarks

- (1) The real growth rate of world GDP (excluding Japan) has been calculated based on economic forecasts of international organizations.
- (2) The exchange rate is assumed to stay constant at 141.4 yen/U.S. dollar (monthly average from June 1 to June 30, 2023) from July 1, 2023 onward.
- (3) The crude oil import price is assumed to stay constant at 81.3 U.S. dollars/barrel (the monthly average spot price of Dubai crude from June 1 to June 30, 2023 plus freight and insurance) from July 1, 2023 onward.