

Mid-Year Economic Projection for FY2024

July 19, 2024
Cabinet Office

The Japanese economy has continued to recover at a moderate pace, although it has recently appeared to be pausing. Going forward, this moderate recovery is expected to continue, led by private demand supported by the highest wage increases in 33 years, strong corporate profits, and policy effects such as tax reductions, while careful attention should be given to the impact of heightened import prices associated with the yen's depreciation.

The Government will promote efforts to completely overcome deflation and ensure the transition of the Japanese economy to a new growth-oriented stage, based on the Basic Policy on Economic and Fiscal Management and Reform 2024 (Cabinet decision on June 21, 2024). The Government will realize strong wage increases in small and medium-sized enterprises and local economies, achieve and consolidate wage increases that exceed price increases, and implement strategic investments towards solving social issues and achieving sustainable growth through public-private cooperation.

Based on these basic policies, the economic outlook for FY2024 projects a gradual recovery against the backdrop of rising incomes, including wage increases, and solid capital investment, despite the impact of the recent suspension of production and shipments by some automakers. GDP growth is projected to be moderate at approximately 0.9% in real terms and 3.0% in nominal terms. The consumer price index (all items) is projected to rise by approximately 2.8%.

The economic outlook for FY2025, estimated under certain assumptions as a reference for discussions on the macroeconomy, projects that moderate growth will continue, led by private demand. The GDP growth rate is projected to be approximately 1.2% in real terms and 2.8% in nominal terms. The consumer price index (all items) is projected to rise by approximately 2.2%.

Main Economic Indicators

(% or approximate %)

| | FY2023 Actual | FY2024 | |
|------------------------------------------|------------------|-----------------------|------------------------|
| | | January Projection | Mid-Year Projection |
| Real GDP | 1.0 | 1.3 | 0.9 |
| Private consumption expenditure | -0.6 | 1.2 | 0.5 |
| Private residential investment | 0.3 | -0.3 | -2.7 |
| Private non-residential investment | 0.4 | 3.3 | 3.3 |
| Government expenditure | 0.1 | 0.7 | 0.5 |
| Government final consumption expenditure | 0.1 | 0.0 | -0.0 |
| Public fixed capital formation | 0.8 | 3.5 | 2.3 |
| Exports of goods and services | 3.0 | 3.0 | 3.0 |
| Less: Imports of goods and services | -3.2 | 3.4 | 3.0 |
| Contribution of domestic demand | -0.5 | 1.4 | 0.9 |
| Contribution of private demand | -0.5 | 1.2 | 0.8 |
| Contribution of public demand | 0.0 | 0.2 | 0.1 |
| Contribution of external demand | 1.4 | -0.1 | -0.0 |
| Real GNI | 2.1 | 1.4 | 0.9 |
| Nominal GDP | 5.0 | 3.0 | 3.0 |
| Unemployment rate | 2.6 | 2.5 | 2.5 |
| Number of employees | 0.7 | 0.2 | 0.2 |
| Industrial production | -1.9 | 2.3 | 1.4 |
| Domestic corporate goods price index | 2.3 | 1.6 | 2.1 |
| Consumer price index (all items) | 3.0 | 2.5 | 2.8 |
| GDP deflator | 4.0 | 1.7 | 2.2 |

(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 FY2024 Economic Outlook and Basic Stance for Economic and Fiscal Management (Cabinet decision, January 26, 2024).

(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.

Economic Projection for FY2025 for reference

(Approximate %)

| | FY2025 |
|--------------------------------------|--------|
| Real GDP | 1.2 |
| Private consumption expenditure | 1.0 |
| Private residential investment | -0.4 |
| Private non-residential investment | 3.4 |
| Contribution of domestic demand | 1.1 |
| Contribution of external demand | 0.1 |
| Real GNI | 1.2 |
| Nominal GDP | 2.8 |
| Unemployment rate | 2.4 |
| Number of employees | 0.2 |
| Domestic corporate goods price index | 2.0 |
| Consumer price index (all items) | 2.2 |
| GDP deflator | 1.6 |

(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 FY2025 indicate preliminary estimates provided for discussions on the macroeconomy in FY2025 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 is assumed to stay constant at the same amount as that for FY2024 at the nominal level.

(Note 4) The government economic outlook for FY2025 will be announced in the FY2025 Economic Outlook and Basic Stance for Economic and Fiscal Management, which is planned to be formulated and approved by the Cabinet at the end of 2024, based on policy responses for the next fiscal year as well as future economic conditions.

Notes on the Mid-Year Economic Projection for FY2024

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.

| | FY2024 | | FY2025 (Reference) |
|-----------------------------------------------------|-------------------------|--------------------------|-----------------------|
| | (January Projection) | (Mid-Year Projection) | |
| Real growth rate of world GDP (excluding Japan) (%) | 3.0 | 2.9 | 3.0 |
| Exchange rate (yen/U.S. dollar) | 149.8 | 158.8 | 159.7 |
| Crude oil import price (U.S. dollar/barrel) | 89.1 | 88.3 | 88.1 |

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 159.7 yen/U.S. dollar from July 10, 2024, onward, which is the average exchange rate from June 11 to July 10, 2024.
- (3) The crude oil import price is assumed to stay constant at 88.1 U.S. dollars/barrel from July 10, 2024, onward, which is the average spot price of Dubai crude from June 11 to July 10, 2024. The values include the costs of freight and insurance.