

## 【NEWS RELEASE】

August 20, 2024  
SMBC Nikko Securities Inc.

**Quarterly Economic Outlook for FY2024-2025**

August 20, 2024(JST), “SMBC NIKKO Japan Economic Outlook for FY2024-2025” has been released, responding to the first preliminary of GDP (April-June 2024 period)

**Japan to Recover as Inflation Subsides**

- ◆ Real GDP: +0.7% in FY24, +1.5% in FY25
- ◆ Nominal GDP: +2.6% in FY24, +3.1% in FY25

**Summary**• **GDP growth outlook**

We revise our outlook to reflect the first preliminary Apr-Jun 2024 data. We forecast real GDP growth of +0.7% YoY in FY24 and +1.5% in FY25. Compared to our previous outlook (10 June), we raise our FY24 forecast by 0.2ppt and lower our FY25 forecast by 0.1ppt. We raise the former to reflect stronger-than-expected Apr-Jun results, but lower the latter to reflect lower public investment.

- **Outlook for the economy**

Real GDP growth in Apr-Jun 2024 was +3.1% QoQ annualized, up from -2.3% in Jan-Mar. There were rebounds in consumer durables, auto exports, and capex as major production cutbacks due to the auto certification misconduct eased in Jan-Mar. That said, annualized average growth for Jan-Mar and Apr-Jun was low at around +0.4% QoQ.

Real GDP is still well below nominal GDP, so high inflation is curbing demand.

Getting inflation to cool down is key, and with recent yen weakness correcting, upward pressure on domestic prices from imports should fade. We expect real wages to rise as inflation subsides and private consumption and the domestic economy start recovering from around 2H 2025.

- **BOJ monetary policy**

Upside risks to domestic inflation are diminishing as yen weakness reverses. In addition, the output gap, which affects the underlying inflation rate, is likely to remain roughly flat based on the BOJ's GDP outlook and potential GDP estimates, so we do not expect inflation to suddenly accelerate due to tightness in the output gap.

We expect the BOJ to look for an accommodative monetary stance for the time being as it monitors economic and price trends while monitoring the potential for sustained yen gains.

Quarterly forecasts for Japan's economy

	《Actual》→《Forecasts》												《A》→《F》 (Unit:%)			Comparison with previous forecasts (as at 10 Jun 2024)		
	2023				2024				2025				2026	FY23	FY24	FY25	FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q					
Real GDP growth (QoQ)	1.3	0.6	-1.0	0.1	-0.6	0.8	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.8	0.7	1.5	0.2	-0.1
(annual rate)	5.2	2.4	-4.0	0.3	-2.3	3.1	1.6	1.6	1.6	1.7	1.0	1.5	1.5	1.7	0.0	1.6	0.0	0.0
(Calendar year base)																		
Domestic demand, contribution (QoQ)	1.3	-1.1	-0.7	-0.1	-0.2	0.9	0.4	0.3	0.3	0.4	0.3	0.4	0.4	-0.4	0.9	1.5	0.3	0.1
Private consumption (QoQ)	0.7	-0.8	-0.3	-0.3	-0.6	1.0	0.4	0.4	0.3	0.4	0.4	0.5	0.5	-0.6	0.9	1.6	0.4	0.2
Capex (QoQ)	0.9	1.4	-1.2	-1.1	-2.6	1.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3	-0.5	2.0	1.4	0.0
Residential investment (QoQ)	2.3	-2.1	-0.1	2.1	-0.4	0.9	0.3	0.8	0.6	0.6	0.6	0.5	0.5	0.3	2.3	2.4	0.7	0.0
Public investment (QoQ)	2.6	1.0	-1.9	-1.7	-1.1	4.5	1.0	-0.4	0.5	0.7	0.7	0.7	0.7	0.7	0.7	1.3	-2.9	-1.5
Foreign demand, contribution (QoQ)	0.0	1.7	-0.3	0.2	-0.4	-0.1	0.0	0.1	0.0	0.0	-0.1	-0.1	-0.1	1.2	-0.2	0.0	-0.1	-0.2
Exports (QoQ)	-2.1	3.2	0.1	3.0	-4.6	1.4	1.0	1.0	1.0	0.8	0.5	0.5	0.5	2.8	0.9	3.1	1.8	-0.2
Imports (QoQ)	-1.7	-4.1	1.3	2.0	-2.5	1.7	0.5	0.5	0.8	0.8	0.8	0.9	0.9	-3.2	1.9	3.1	2.3	0.7
Nominal GDP growth (QoQ)	2.4	2.0	-0.1	0.7	-0.2	1.8	0.7	0.7	0.7	0.7	0.6	0.7	0.7	5.5	2.6	3.1	0.3	0.2
Industrial production (YoY)	-1.8	0.8	-3.6	-0.9	-4.3	-2.9	-1.3	-1.9	4.0	1.7	2.5	3.0	3.5	-2.0	-0.6	3.2	0.7	-6.3
Trade balance (Y tn, SAAR)	-17.7	-9.5	-5.5	-4.9	-5.3	-6.8	-5.7	-4.5	-3.8	-3.3	-3.3	-3.3	-3.4	-6.3	-5.2	-3.3	-2.2	-3.4
Unemployment rate (%)	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.6	2.5	2.4	0.0	0.0
Core CPI (YoY)	3.5	3.2	3.0	2.5	2.5	2.5	2.3	1.6	1.9	1.4	1.4	1.7	1.5	2.8	2.0	1.5	-0.2	-0.6
IOER (Eop)	-0.1	-0.1	-0.1	-0.1	0.1	0.3	0.3	0.3	0.5	0.5	0.8	0.8	1.0	0.1	0.5	1.0	0.4	0.7
US real GDP growth (QoQ annualized)	2.2	2.1	4.9	3.4	1.4	2.8	2.5	1.6	1.7	1.7	1.6	1.8	2.0	2.5	2.7	1.8	0.2	0.2
US unemployment rate (%)	3.5	3.6	3.7	3.8	3.8	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	3.7	4.1	4.3	0.1	0.0
US core CPI (YoY)	5.6	5.2	4.4	4.0	3.8	3.4	3.2	2.9	2.6	2.3	2.3	2.3	2.3	4.8	3.3	2.4	0.0	0.1
Fed rate (Eop)	4.875	5.125	5.375	5.375	5.375	5.375	5.375	4.875	4.625	4.375	4.125	3.875	3.625	5.375	4.875	3.875	-0.25	-0.20

Assumptions:

Forex rate (annual mean): Y150/\$ in FY24 and Y141/\$ in FY25. Crude oil price (WTI annual mean): \$77/bbl in FY24 and \$70/bbl in FY25.

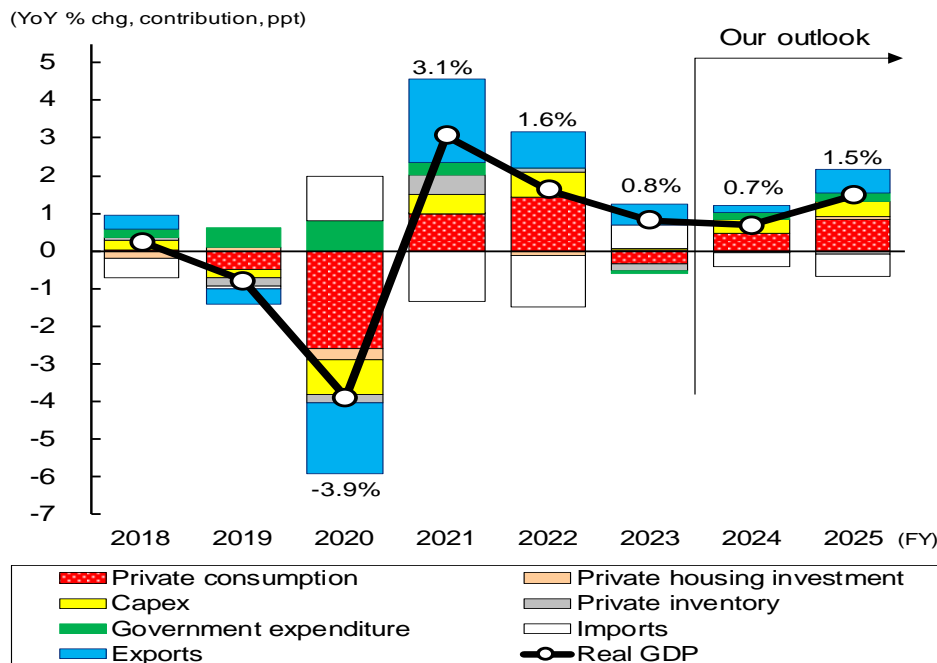
Notes: 1) US GDP on a calendar basis, US unemployment rate is the average for the period, FF rate is at end of year

2) Actual figures from Cabinet Office (CAO), Ministry of Internal Affairs and Communications (MIC),

Ministry of Economy, Trade and Industry (METI), and Bank of Japan (BOJ). Estimates are SMBC NIKKO estimates.

Sources: Cabinet Office, MIC, METI, BOJ, SMBC NIKKO estimates

Outlook for real GDP growth



Sources: Cabinet Office, SMBC NIKKO estimates

## APPENDIX

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