

Key Points of the FY2024 Government Economic Outlook



December 2023

Minister of State for Economic and Fiscal Policy

The Message of the FY2024 Government Economic Outlook

1. Private demand-led growth

FY2023: Real GDP growth rate 1.6% (Domestic demand contribution 0.2% (private demand contribution -0.0%)、 Foreign demand contribution 1.4%)

FY2024: Real GDP growth rate 1.3% (Domestic demand contribution 1.4% (private demand contribution 1.2%)、 Foreign demand contribution -0.1%)

2. Overcome high prices by increasing wages and incomes through public-private partnerships

FY2023: Income growth rate 2.4%、 CPI 3.0%

FY2024: Income growth rate 3.8% (Including the effects of tax reductions, etc.)、 CPI 2.5%

3. Increased capital investment leading to higher potential growth

FY2023: Real capital investment growth rate 0.0% (nominal amount 100.1 Billion yen)

FY2024: Real capital investment growth rate 3.3% (nominal amount 104.8 Billion yen)

1. Private demand-led growth

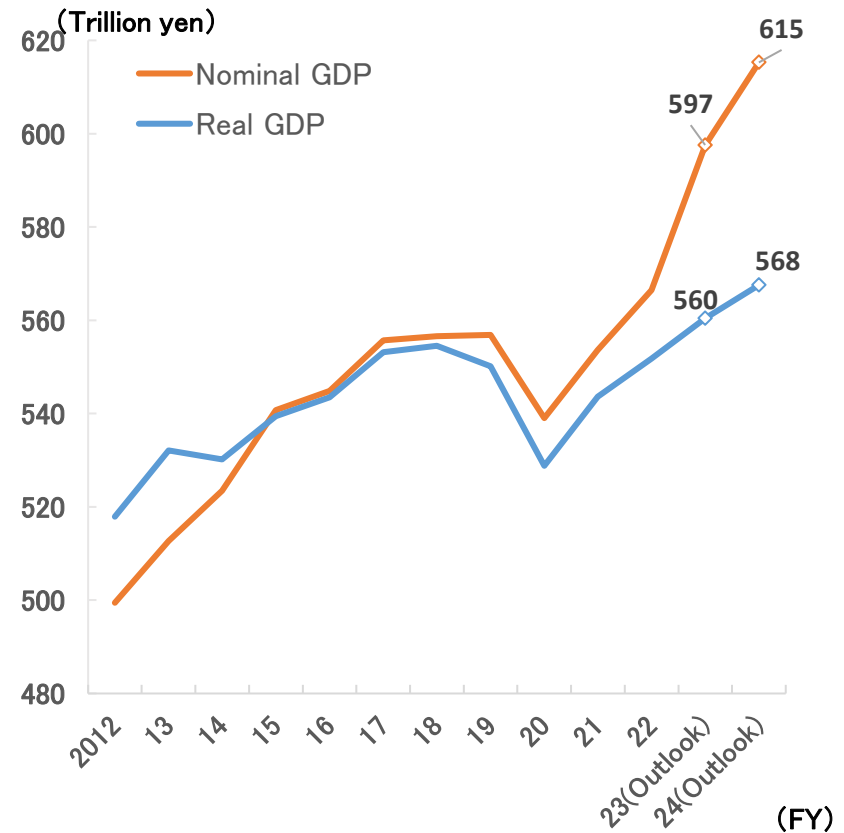
- In FY2023, GDP growth is projected to be approximately 1.6% in real terms and 5.5% in nominal terms. This growth is driven by external demand, including an upswing in exports due to the easing of supply constraints on semiconductors and a resurgence in inbound tourism demand.
- In FY2024, GDP growth is projected to be approximately 1.3% in real terms and 3.0% in nominal terms. This growth is driven by domestic demand, including private consumption and private investment, aligning with the progress of Comprehensive Economic Measures.

Main economic indicators

(year on year, %, Approximate %)
[¥ Trillion]

	FY2022	FY2023			FY2024		
	Actual	Mid-year Projection	Private consensus **	January Outlook	Mid-year Projection	Private consensus	January Outlook
Real GDP	1.5	1.3	1.5	1.6	1.2	0.9	1.3
Private Consumption	2.7	1.6	0.1	0.1	1.3	1.0	1.2
Private Non-res Investment	3.4	3.0	0.1	0.0	3.0	2.2	3.3
Domestic Demand (Contribution)	2.0	1.6	0.3	0.2	1.3	0.9	1.4
Net Exports (Contribution)	-0.5	-0.3	1.2	1.4	-0.1	-0.0	-0.1
Nominal GDP	2.3 [566]	4.4	5.6	5.5 [597]	2.5	2.6	3.0 [615]
GDP Deflator	0.8	3.0	4.0	3.8	1.3	1.7	1.7
CPI General*	3.2	2.6	2.9	3.0	1.9	2.2	2.5
Unemployment rate	2.6	2.5	2.6	2.6	2.4	2.5	2.5

Nominal GDP and Real GDP



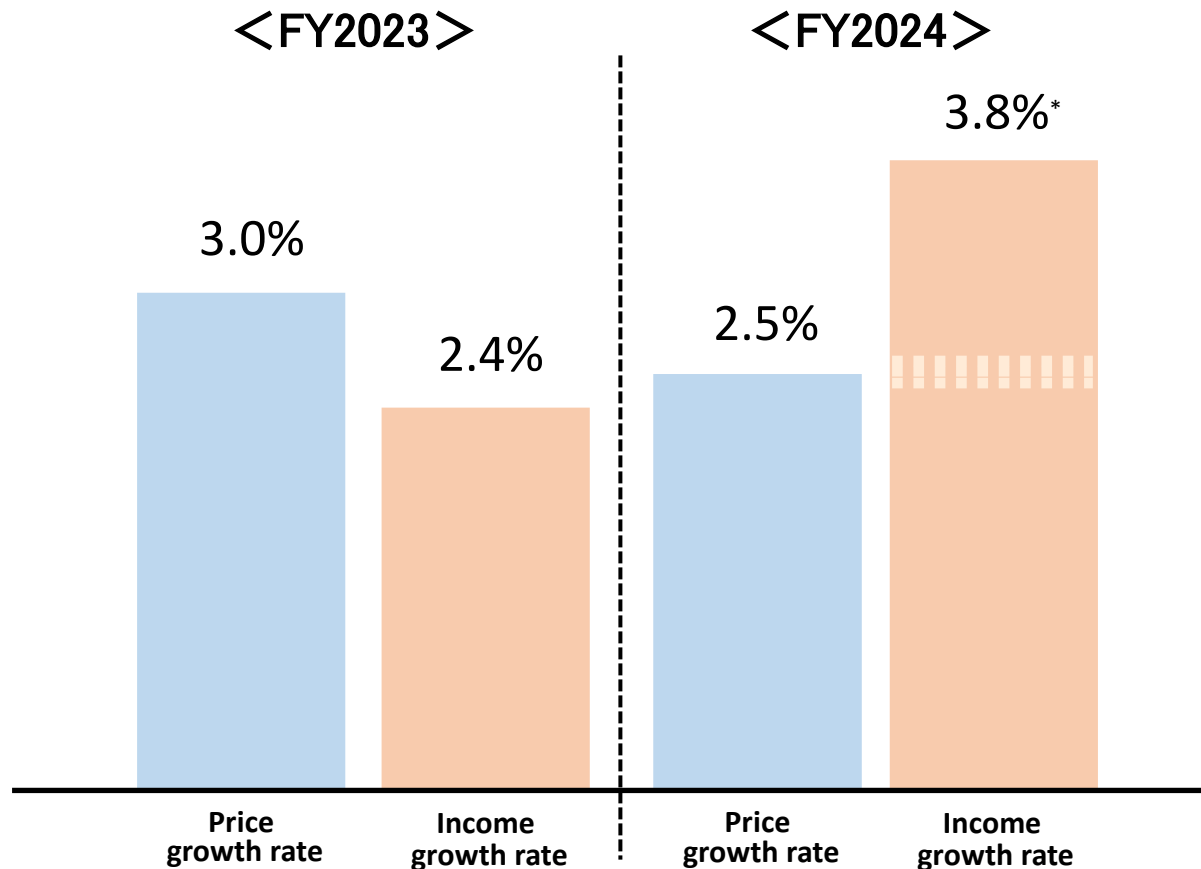
*The impact of the mitigation measure for electricity and gas price increases will be approximately -0.6 percentage point in FY2023 and +0.6 percentage point in FY2024.

**The term "Private consensus" refers to the average of forecasts provided by 15 private-sector firms. CPI in the Private consensus is all items less fresh food.

2. Overcome high prices by increasing wages and incomes through public-private partnerships

- Given the context of sustained growth and the tightening labor supply and demand, the wage growth rate in FY2024 is expected to surpass that of FY2023.
- Income growth rate is expected to surpass inflation, driven by wage increases coupled with the impact of tax reductions and other relevant measures.
- However, it should be noted that there are uncertainties in the outlook for prices, such as trends in resource prices.

Price growth rate and income growth rate (estimate)



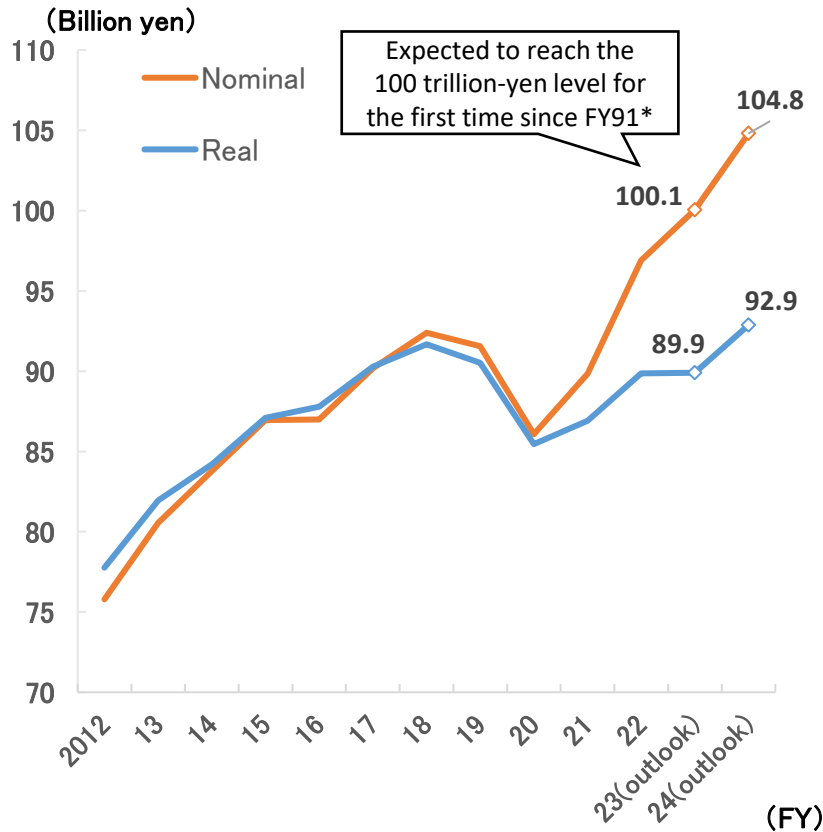
*The impact of tax reductions (estimated at approximately 4 trillion yen) and other related factors is expected to contribute approximately 1.3%.

**"Price growth rate" is CPI general, and "income growth rate" is the rate of increase in per capita employment compensation.

3. Increased capital investment leading to higher potential growth

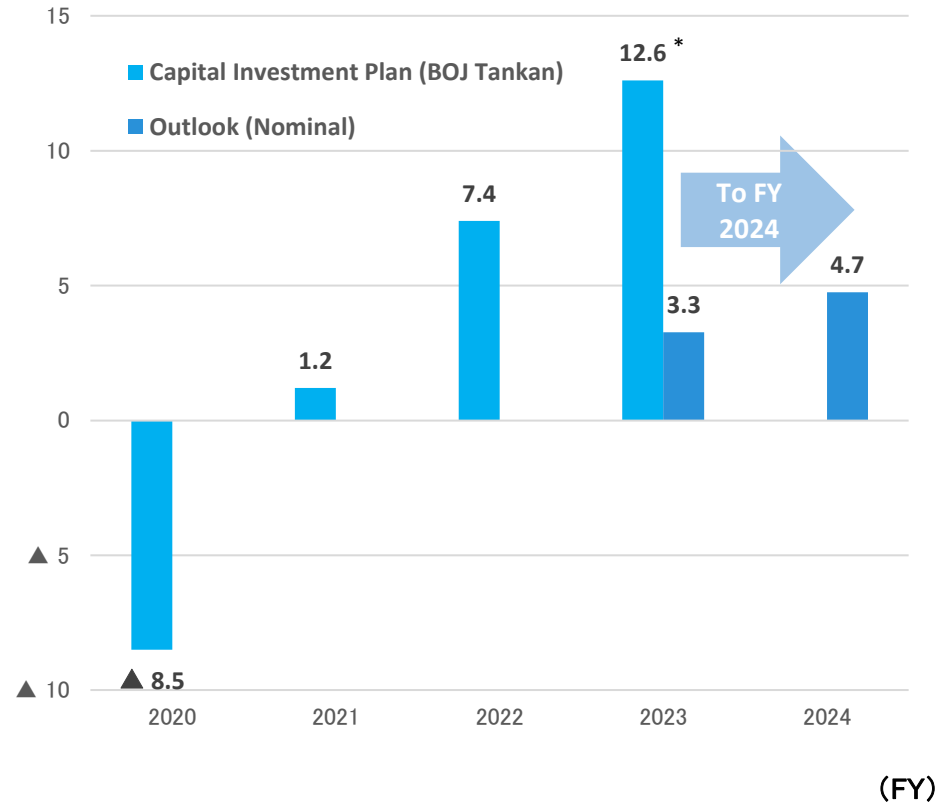
- Private investment is expected to expand, driven by high corporate willingness to invest in plant and equipment, along with the positive effects of Comprehensive Economic Measures.
- However, the actual results have not been growing at the same pace as the enthusiasm for private investment. Therefore, it is important to swiftly implement economic measures and establish a direct connection between the high willingness and real investment.

Private investment



*The FY1991 figures have been adjusted to align with current standards

Strong corporate appetite for capital investment (yoy, %)



Capital Expenditure Plan (BOJ Tankan survey): FY2020-FY2022 are actual figures. Figures for FY2023 are planned figures as of the December survey.