

## 【NEWS RELEASE】

November 20, 2025  
SMBC Nikko Securities Inc.

**Quarterly Economic Outlook for FY2025-2026**

November 20, 2025(JST), “SMBC NIKKO Japan Economic Outlook for FY2025-2026” has been released, responding to the first preliminary of GDP (July-September 2025 period)

**Corporate Sector and Stimulus Measures to Lift Economy**

- ◆ Real GDP : +0.9% in FY25, +1.0% in FY26
- ◆ Core CPI : +2.8% in FY25, +1.2% in FY26

**Summary**• **GDP growth outlook**

We revise our economic outlook to reflect the first preliminary Jul-Sep 2025 GDP data. We now forecast real GDP growth of +0.9% YoY in FY25 and +1.0% in FY26. We raise our FY25 forecast by 0.1ppt from our previous outlook (8 Sep), factoring in our forecast for healthy capex, which offsets a downturn in private sector housing. Overall, we see a moderate recovery in the Japanese economy through FY26.

- **Economic outlook**

Japan's real GDP growth slipped into negative territory for the first time in six quarters, at an annualized -1.8% QoQ for Jul-Sep 2025 based on the first preliminary estimate. While the slowdown is largely due to one-offs such as the dropping out of front-loaded exports and a downturn in private-sector housing following regulatory changes, the underlying economy still looks stagnant even if we strip these factors out.

This probably partly reflects weak consumer spending, which accounts for at least 50% of GDP and which continues to shuffle along in growth terms, despite a temporary boost from the earlier heat wave.

Meanwhile, capex is at a record high on the back of buoyant corporate earnings, growing signs of capacity shortages, and rising inflation expectations in the corporate sector. We expect a high level of capex activity to continue, free of the constraints from rate hikes that we might see in other circumstances.

We also see economic support ahead from the Takaichi administration's upcoming stimulus package, where one of the pillars will be fighting inflation. Given that Japan's stubborn inflation is a key factor behind its sluggish consumer spending, it's reasonable for the government in this climate to introduce policies that put downward pressure on prices in a bid to stimulate consumption.

- **BOJ monetary policy**

Expectations for an early rate hike are fading, amid a growing consensus that political considerations are making it difficult for the BOJ to move in that direction.

That said, the 10 November Summary of Opinions from the BOJ's October MPM included several comments that sounded supportive of a rate hike. Between now and the BOJ's December MPM, BOJ Governor Kazuo Ueda will speak at an economic gathering in Nagoya on 1 December and the December BOJ Tankan survey will be released on 15 December.

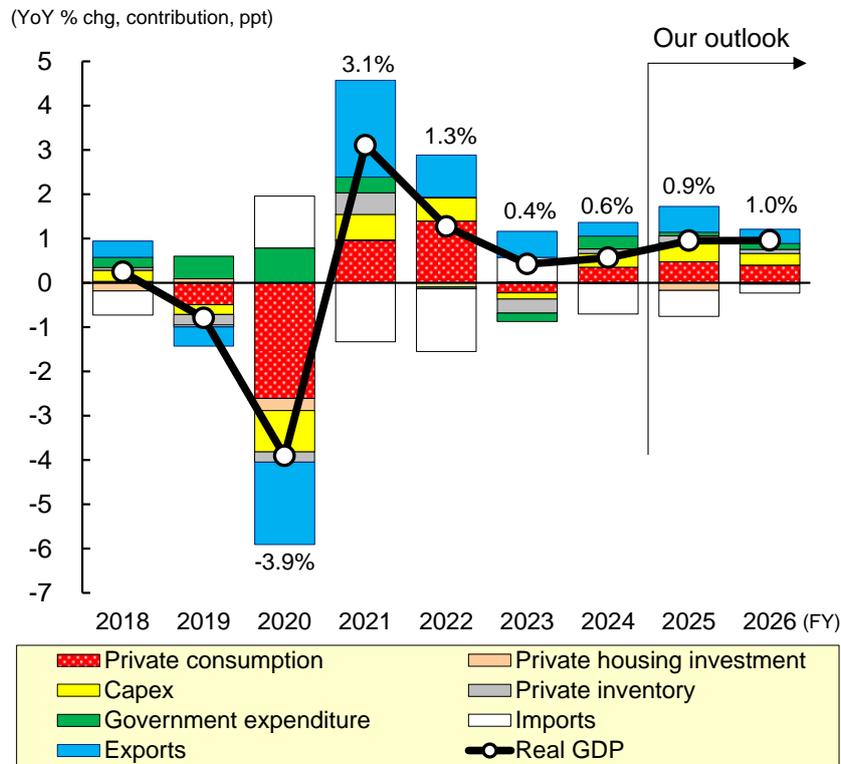
Given that both the Japanese Trade Union Confederation (Rengo) and Japan Business Federation (Keidanren) sound proactive on wage hikes, next year's spring labor negotiations, which the BOJ will be watching closely, look increasingly likely to reach a positive outcome, as long as the Tankan does not reflect a negative outlook among the corporate sector. If we add in the yen's recent depreciation, a rate hike at the December meeting doesn't seem out of the question, depending on how the BOJ Tankan looks.

Quarterly forecasts for Japan's economy

	《Actual》←→《Forecasts》												《A》←→《F》 (Unit:%)			Comparison with previous forecasts (as at 8 Sep 2025)		
	2024				2025				2026				2027	FY24	FY25	FY26	FY25	FY26
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q					
Real GDP growth (QoQ)	-0.5	0.4	0.4	0.7	0.2	0.6	-0.4	0.0	0.2	0.4	0.3	0.4	0.4	0.6	0.9	1.0	0.1	0.0
(annual rate)	-1.8	1.7	1.8	2.9	0.9	2.3	-1.8	0.2	0.7	1.6	1.3	1.4	1.5	-0.2	1.3	0.7	0.2	-0.1
(Calendar year base)																		
Domestic demand, contribution (QoQ)	-0.5	0.9	0.8	-0.3	0.9	0.3	-0.2	0.1	0.1	0.4	0.3	0.3	0.3	1.0	0.9	0.8	0.1	0.0
Private consumption (QoQ)	-0.7	0.7	0.8	0.0	0.3	0.4	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.7	0.9	0.8	0.1	0.0
Capex (QoQ)	-3.2	1.5	0.8	-0.1	1.3	0.3	-9.4	0.6	0.5	0.4	0.4	0.4	0.4	-0.6	-5.2	-0.9	-7.1	-2.3
Residential investment (QoQ)	-1.2	1.4	0.0	0.6	0.9	0.8	1.0	0.1	0.2	0.4	0.4	0.5	0.6	1.9	2.6	1.6	1.1	1.0
Public investment (QoQ)	-1.2	2.6	-0.4	-0.7	0.5	-0.1	0.1	-0.2	0.0	0.1	0.2	0.2	0.2	0.6	0.0	0.3	1.3	0.2
Foreign demand, contribution (QoQ)	0.0	-0.5	-0.3	1.0	-0.7	0.2	-0.2	-0.1	0.0	0.0	0.1	0.1	0.1	-0.4	0.0	0.1	0.0	-0.2
Exports (QoQ)	-4.1	0.7	2.0	2.0	-0.4	2.3	-1.2	0.2	0.3	0.5	0.6	0.7	0.7	1.5	2.8	1.5	0.0	0.1
Imports (QoQ)	-3.9	2.7	3.3	-2.2	2.5	1.3	-0.1	0.1	0.2	0.3	0.3	0.4	0.4	3.5	2.9	1.0	0.2	0.9
Nominal GDP growth (QoQ)	-0.1	1.9	1.0	1.2	0.9	1.6	0.1	0.5	0.6	0.7	0.4	0.6	0.8	3.7	3.7	2.2	-0.2	-0.2
Industrial production (YoY)	-4.3	-3.5	-1.8	-2.5	2.5	0.8	0.6	0.4	0.9	0.6	0.8	0.8	0.8	-1.4	0.7	0.8	0.6	0.0
Trade balance (Y tn, SAAR)	-5.3	-7.3	-6.2	-2.7	-3.5	-3.6	-3.1	-2.0	-1.6	-1.0	-0.3	0.4	1.1	-4.9	-2.6	0.0	-4.8	-8.0
Unemployment rate (%)	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.3	2.5	2.5	2.4	0.2	0.2
Core CPI (YoY)	2.5	2.5	2.7	2.6	3.1	3.5	2.9	2.9	2.0	0.9	1.3	1.1	1.7	2.7	2.8	1.2	0.0	-0.2
IOER (Eop)	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	0.50	0.75	1.00	0.3	0.2
Yen/Dollar rate (JPY/USD)	148	156	149	152	153	145	147	152	149	147	146	145	143	153	148	145	2.9	4.5
US real GDP growth (QoQ annualized)	0.8	3.6	3.3	1.9	-0.6	3.8	1.8	2.0	1.8	1.9	2.0	2.1	2.0	2.8	1.9	2.0	0.2	0.3
US unemployment rate (%)	3.8	4.0	4.2	4.2	4.1	4.2	4.3	4.4	4.5	4.5	4.4	4.3	4.3	4.1	4.3	4.4	0.0	0.0
US core CPI (YoY)	3.8	3.4	3.2	3.3	3.1	2.8	3.1	2.8	2.6	2.5	2.4	2.3	2.2	3.4	3.0	2.5	0.2	0.1
Fed rate (Eop)	5.375	5.375	4.875	4.375	4.375	4.375	4.125	3.875	3.875	3.625	3.375	3.375	3.125	4.375	3.875	3.375	0.00	0.00

Notes: 1) US GDP on a calendar year basis, US unemployment rate is the average for the period, FF rate is at the end of the period. US GDP and unemployment rate are actual values up to 2Q 2025.  
 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 from SMBC NIKKO.  
 Sources: CAO, MIC, METI, BOJ, SMBC NIKKO estimates

Outlook for real GDP growth



Sources: CAO, SMBC NIKKO estimates

## APPENDIX

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