

Economic Outlook 2026 - 2027

How AI and resilience investment
are reshaping the global economy
and Japan's growth outlook

Research Department
Mizuho Research Institute

Mizuho Research Institute is the name of an internal organization of Mizuho Bank, Ltd.

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MIZUHO

1. The global economy remains resilient despite the Middle East crisis

Strategic reserve releases, alternative sourcing, and the AI investment boom are cushioning the shock. The issue is not that geopolitical risks have diminished, but that economies have become more resilient and are buying time.

2. The race for AI, defense, and energy security is becoming the new growth engine

The world is shifting from prioritizing cost efficiency to resilience. Governments and businesses cannot afford to step back from this competition, making investment demand a new source of inflation.

3. The world is entering a new normal of higher inflation and higher interest rates

Even after oil prices stabilize, structural inflationary pressure from AI and resilience investment is likely to persist, keeping major central banks cautious and long-term interest rates elevated.

Global Economic Outlook: AI and Resilience Investment Offset the Middle East Shock

Global Economic Forecast Summary

	(Y-o-y % change)			(%pt)	
	2025	2026 (Outlook)	2027 (Outlook)	2026 (Comparison with February 2026 outlook)	2027
Global real GDP growth	3.4	2.9	3.1	▲ 0.4	-
Japan, US, Europe	1.7	1.4	1.7	▲ 0.3	-
US	2.1	2.2	2.1	▲ 0.2	-
Eurozone	1.4	0.8	1.4	▲ 0.6	-
UK	1.4	0.9	1.0	▲ 0.2	▲ 0.1
Japan	1.1	0.5	1.1	-	▲ 0.8
Asia	5.5	4.9	4.4	0.2	0.1
China	5.0	4.3	3.8	0.2	0.2
NIEs	4.1	4.6	2.5	1.6	0.3
ASEAN5	5.1	4.5	4.7	▲ 0.1	▲ 0.1
India	7.5	6.7	6.5	-	-
Australia	2.0	1.7	1.8	-	-
Japan (FY)	0.8	0.5	1.5	▲ 0.5	0.1

Despite the Middle East crisis, strategic petroleum reserve releases, alternative sourcing, and strong AI investment are cushioning the shock. Global growth slows only modestly and remains close to 3%, supported by continued AI and resilience investment.

Higher prices weigh on consumption, but AI, defense, and reshoring investment continue to support growth. Inflation remains persistent despite limited signs of a wage-price spiral, keeping the Fed cautious about rate cuts.

Higher energy costs weigh on growth, but fiscal support and defense and AI investment help avoid a sharp slowdown. The ECB is expected to raise rates twice in 2026 before beginning to ease in 2027.

Domestic energy production and inventories cushion the impact of supply disruptions. However, excess capacity and weak domestic demand keep deflationary pressure elevated.

Higher oil prices weigh on growth in FY2026, but AI-related exports and business investment limit the slowdown. Growth rebounds in FY2027 as geopolitical tensions ease, real incomes improve, and policy support strengthens domestic demand.

AI investment boosts exports and growth in the NIEs. ASEAN avoids a significant slowdown, although the impact varies considerably across countries.

Note: Shaded areas indicate forecasts. Global growth rates are calculated based on IMF GDP shares (PPP)
Source: IMF, national/regional statistics; made by Research Department, Mizuho Research Institute

Three Forces Supporting the Global Economy — Their Durability and Side Effects

Current Assessment

Despite escalating geopolitical tensions in the Middle East, the global economy has remained more resilient than expected.

Key Drivers

1. Greater resilience to supply shocks through inventory buildup and supplier diversification

2. Structural changes in corporate behavior driven by persistent supply constraints

3. A powerful AI investment boom supported by robust demand

Key Questions

Can resilience to supply shocks be sustained?

Will corporate resilience strategies become permanent?

Can the AI investment boom continue?

Bottom Line

A world where resilience and AI investments reinforce each other.
(Resilience and AI investments fuel renewed inflation)

Persistent inflationary pressure

Higher-for-longer interest rates

Widening resilience gap

The Strait of Hormuz Is Primarily an Asian Challenge

- The implications of a Strait of Hormuz disruption differ across regions.
 - For the U.S. and Europe: Primarily a cost issue.
 - For Japan and the rest of Asia: An energy security issue is effectively a survival issue.

Impact of a Strait of Hormuz Disruption by Region

	US	EU	Japan	China	ASEAN
Net energy position	Exporter	Importer	Heavy importer	Importer	Mixed
Energy trade balance (% of supply)	+9%	▲10%	▲87%	▲24%	▲95.2%~89.1%
Middle East crude oil dependency (CY2024)	6%	7%	95%	34%	21%~85%
Alternative pipeline / LNG route	✓	Partial	✗	Partial	✗
Impact of higher energy price	Benefit	Stress	Stress	Stress	Stress

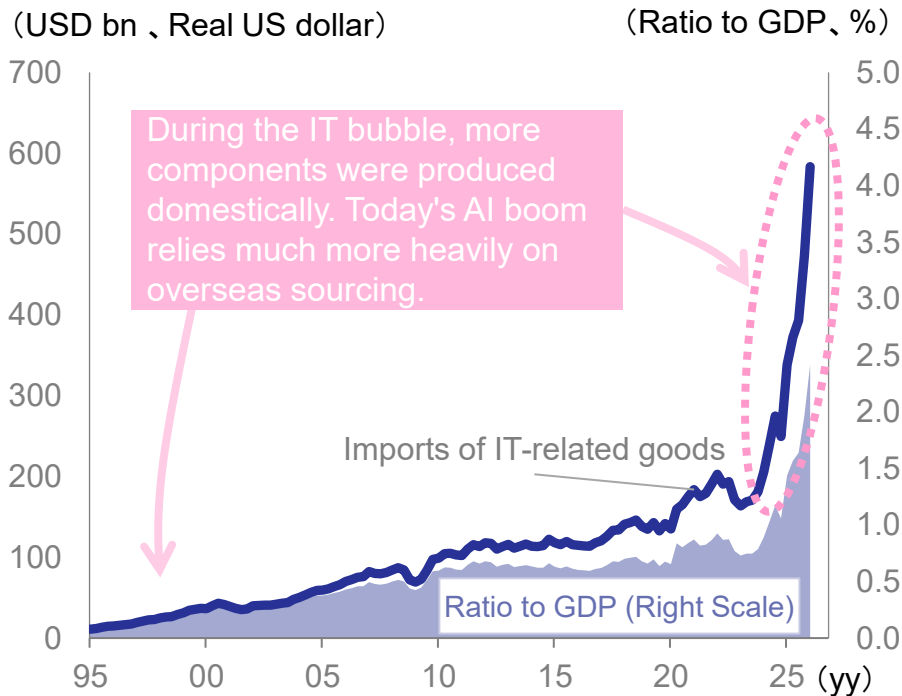
Note: Energy trade balance = Net imports (-) / net exports (+) of primary energy as a share of total primary energy supply. Middle East crude oil dependency = Share of crude oil imports sourced from the Middle East (2024).

Source: IEA, JODI, JOGMEC, national statistical agencies; made by Research Department, Mizuho Research Institute

U.S. AI Investment Is Driving Import Demand Across the Global Economy

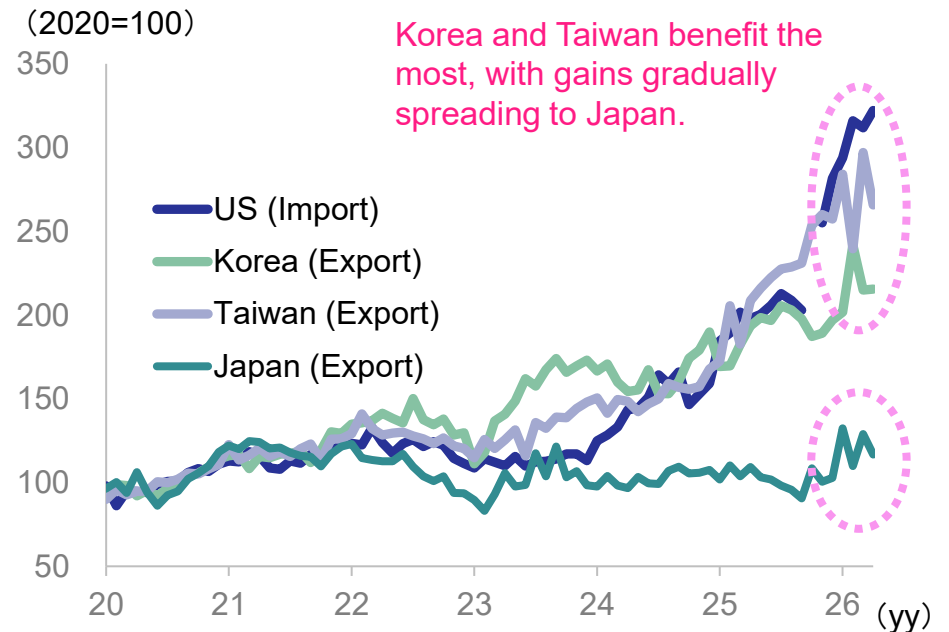
- U.S. AI investment relies heavily on overseas sourcing.
 - Strong AI investment demand has sharply boosted U.S. imports of IT-related goods.
 - Compared with the late-1990s IT boom, today's AI boom is much more dependent on foreign supply.
- Most imports consist of hardware, telecom equipment, and power-related products.
 - U.S. AI investment is generating demand across Asian supply chains.

U.S. Real Imports of IT-Related Goods



Note: IT-related goods include computers and peripherals, parts
 Source: U.S. Department of Commerce; made by Research Department, Mizuho Research Institute

U.S. IT-Related Imports and Semiconductor-Related Exports from Japan, Korea, and Taiwan



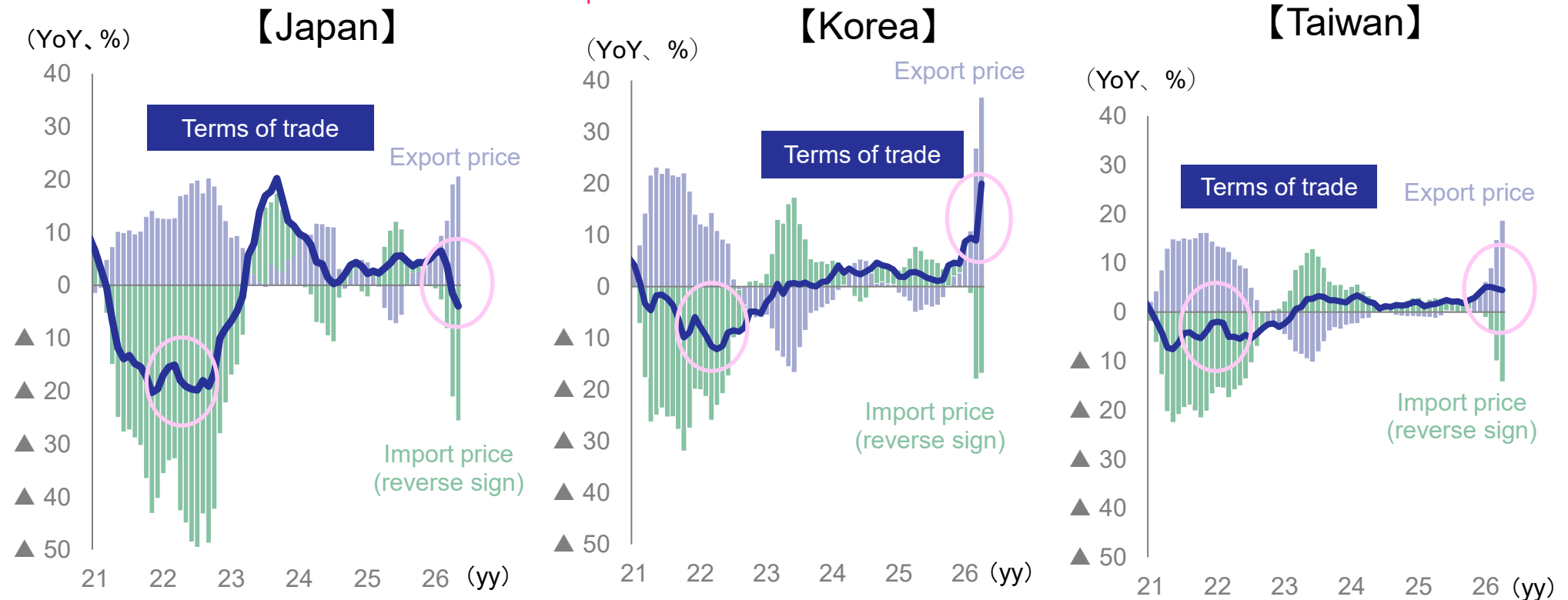
Note: All figures are based on global exports and imports. For the United States, real imports of semiconductors, PCs, peripherals, and communications equipment are shown. Japan exports integrated circuits (ICs), Korea exports semiconductors, and Taiwan exports machinery and electrical equipment
 Source: The Ministry of Finance of Japan, U.S. Department of Commerce, Bank of Korea, Ministry of Finance of Taiwan; made by Research Department, Mizuho Research Institute

The AI Boom Is Softening the Terms-of-Trade Shock

- Although higher import prices have worsened Asia's terms of trade, the deterioration has been far smaller than during the Ukraine crisis.
 - Moderate oil price increases and stronger export prices have limited the deterioration in Asia's terms of trade.
 - Improved energy resilience has kept oil prices relatively contained.
 - The AI boom has strengthened export prices through stronger demand and greater pricing power.

Terms of Trade: Japan, Korea, and Taiwan

Higher export prices have offset rising import costs. Korea and Taiwan have even recorded improvements in their terms of trade.



Note: Yen base for Japan, U.S. dollar base for Korea and Taiwan
 Source: Bank of Japan, Bank of Korea, DGBAS of Taiwan, CEIC; made by Research Department, Mizuho Research Institute

Resilience Investment Is Moving from Planning to Execution

- Rising geopolitical tensions are accelerating corporate resilience strategies.
 - Following Russia's invasion of Ukraine and escalating U.S.–China tensions, corporate resilience strategies are increasingly moving from planning to execution.
- Governments are reinforcing economic security through industrial policy.
 - Investment related to AI, resilience, and economic security is becoming a major driver of global growth.
 - In contrast, investment outside economic security–related sectors remains broadly subdued.

Survey Evidence of Corporate Resilience Investment

Up to 88% of global companies plan to reconfigure their supply chains in 2025.

Economist Impact / DP World, Trade in Transition 2025

78.3% of global CEOs expect to reshape their supply chains over the next 3–5 years.

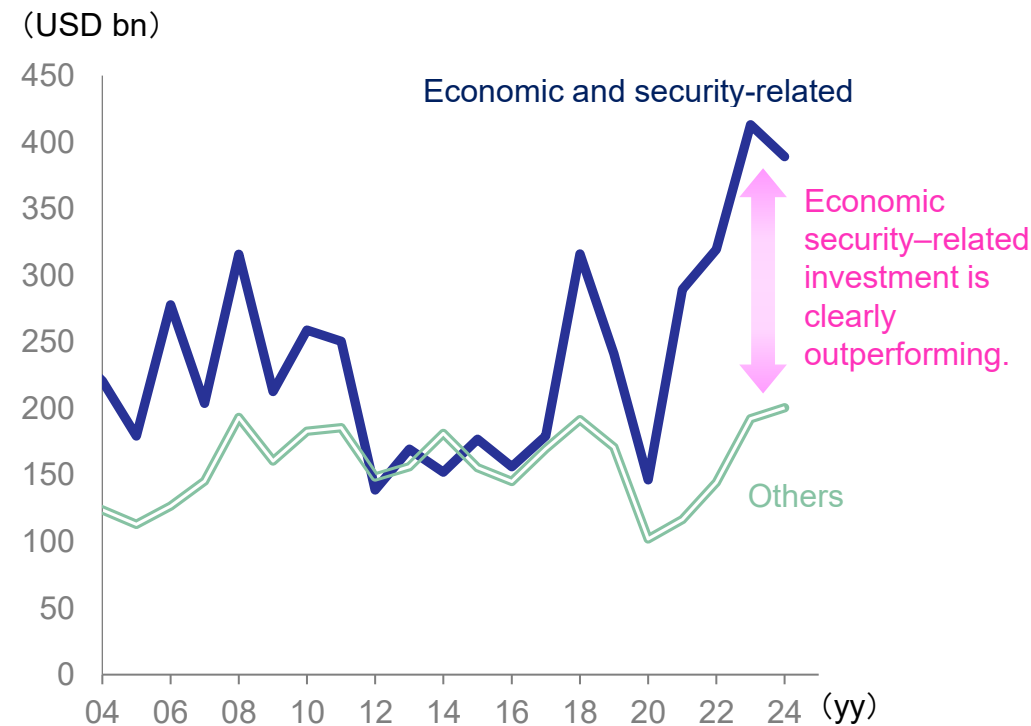
The Conference Board, C-Suite Outlook 2025

63% of business leaders plan to increase supply chain investment in 2025, up 15 percentage points from the previous year.

Capgemini Research Institute, Investment Priorities for 2025

Source: Various surveys; made by Research Department, Mizuho Research Institute

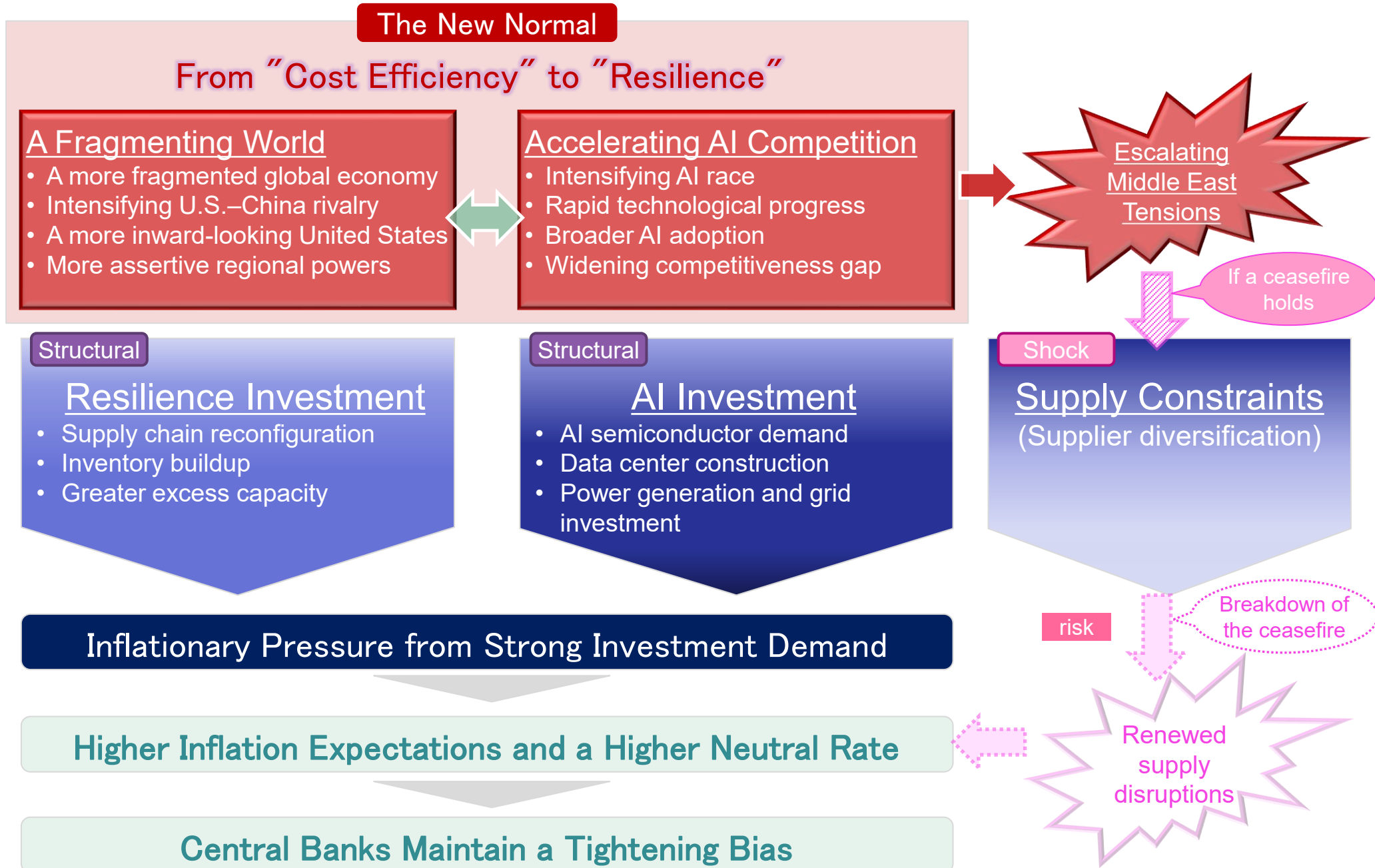
Global Economic Security–Related Investment



Note: Greenfield Investments related to economic security include sectors such as semiconductors, critical minerals, energy, and defense aggregated according to the UNCTAD classification

Source: UNCTAD; made by Research Department, Mizuho Research Institute

The New Normal: Two Inflationary Forces Keep Central Banks Focused on Inflation



Oil Prices: Volatile Through the Summer, Normalization in 2027

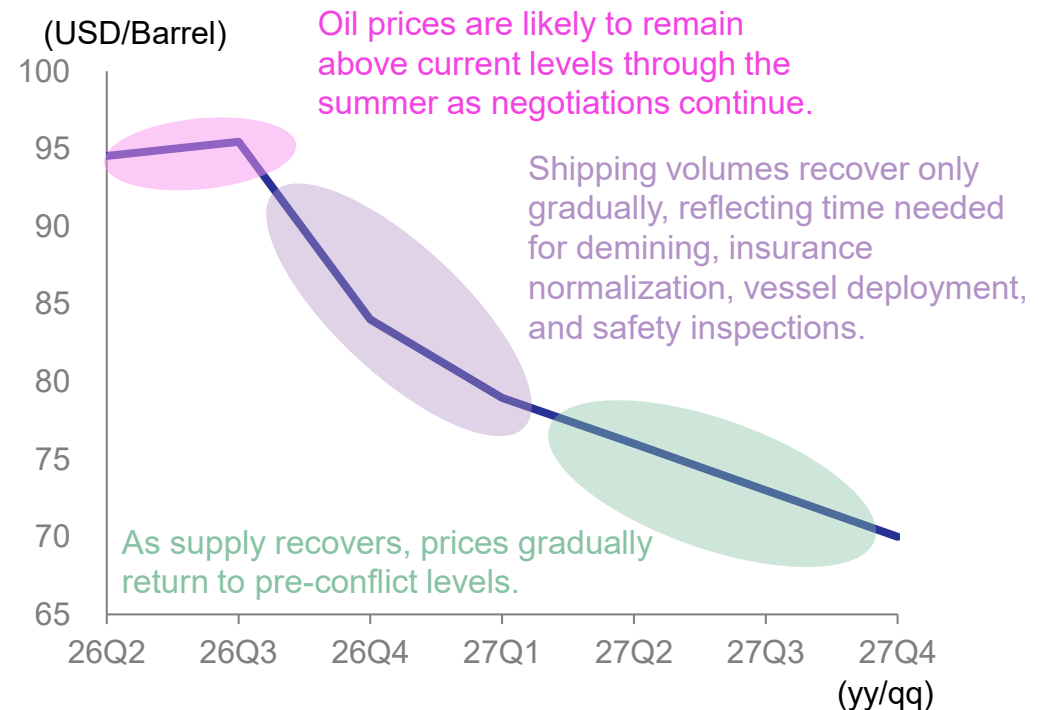
- Near-term uncertainty remains as the ceasefire moves toward a final agreement.
 - The ceasefire is likely to hold, but negotiations toward a final agreement remain uncertain.
 - Even after the Strait of Hormuz reopens, shipping volumes are expected to recover only gradually.
- Oil prices are likely to remain elevated before gradually easing.
 - WTI could temporarily rise above US\$90/bbl this summer. Prices should gradually decline as shipping normalizes, returning to pre-conflict levels by end-2027.

Scenario Overview : Base Case Scenario

Key Issue	Assumption
1. U.S.–Iran negotiations	■ Ceasefire largely holds while negotiations continue; progress toward reopening the Strait of Hormuz through the summer
2. Strait of Hormuz shipping	■ Traffic initially recovers to around 30–50% , followed by gradual normalization over roughly six months
3. Oil prices	■ WTI remains volatile through the summer and may temporarily exceed US\$90/bbl before easing toward pre-conflict levels by end-2027
4. Risks	■ Delays in implementing the agreement; renewed closure of the Strait of Hormuz; slower recovery due to infrastructure damage

Source: Made by Research Department, Mizuho Research Institute

WTI Oil Price (EIA Forecast) and Our Scenario



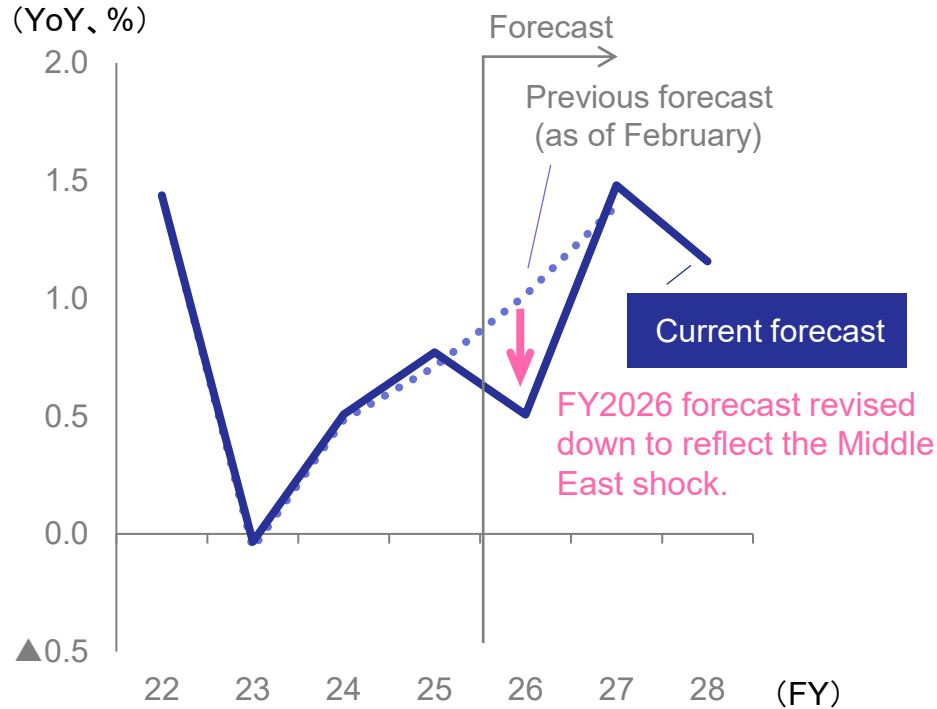
Note: Q2 2026 is the average from April 1 to Jun 24, 2026. From Q3 2026 onward, the forecasts are from the EIA (June 2026).

Source: EIA, LSEG; made by Research Department, Mizuho Research Institute

Japan: Middle East Shock Cuts Growth, but Recovery Remains Intact

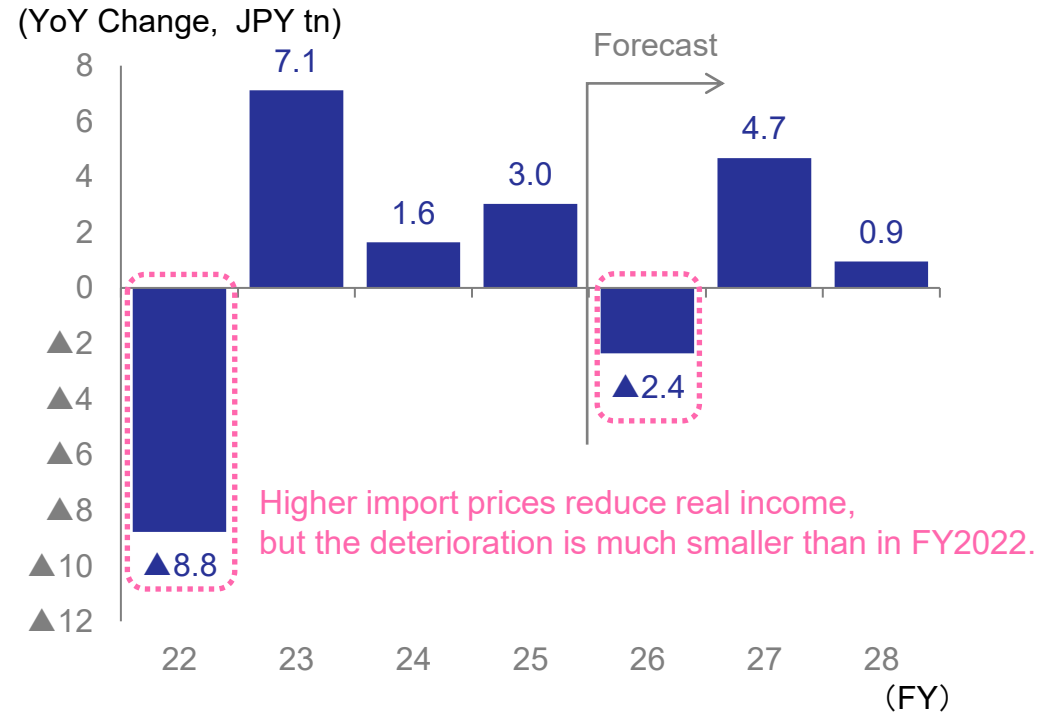
- FY2026 GDP growth is revised down to +0.5%.
 - Higher import prices reduce real income, weighing on consumption and investment.
 - Stronger export prices—supported by robust AI-related demand—help cushion the shock.
 - Compared with the 2022 energy crisis, the deterioration in the terms of trade is expected to be much smaller.
- FY2027 growth remains solid.
 - Tax cuts and investment support measures are expected to sustain the recovery.

GDP Forecast Revision



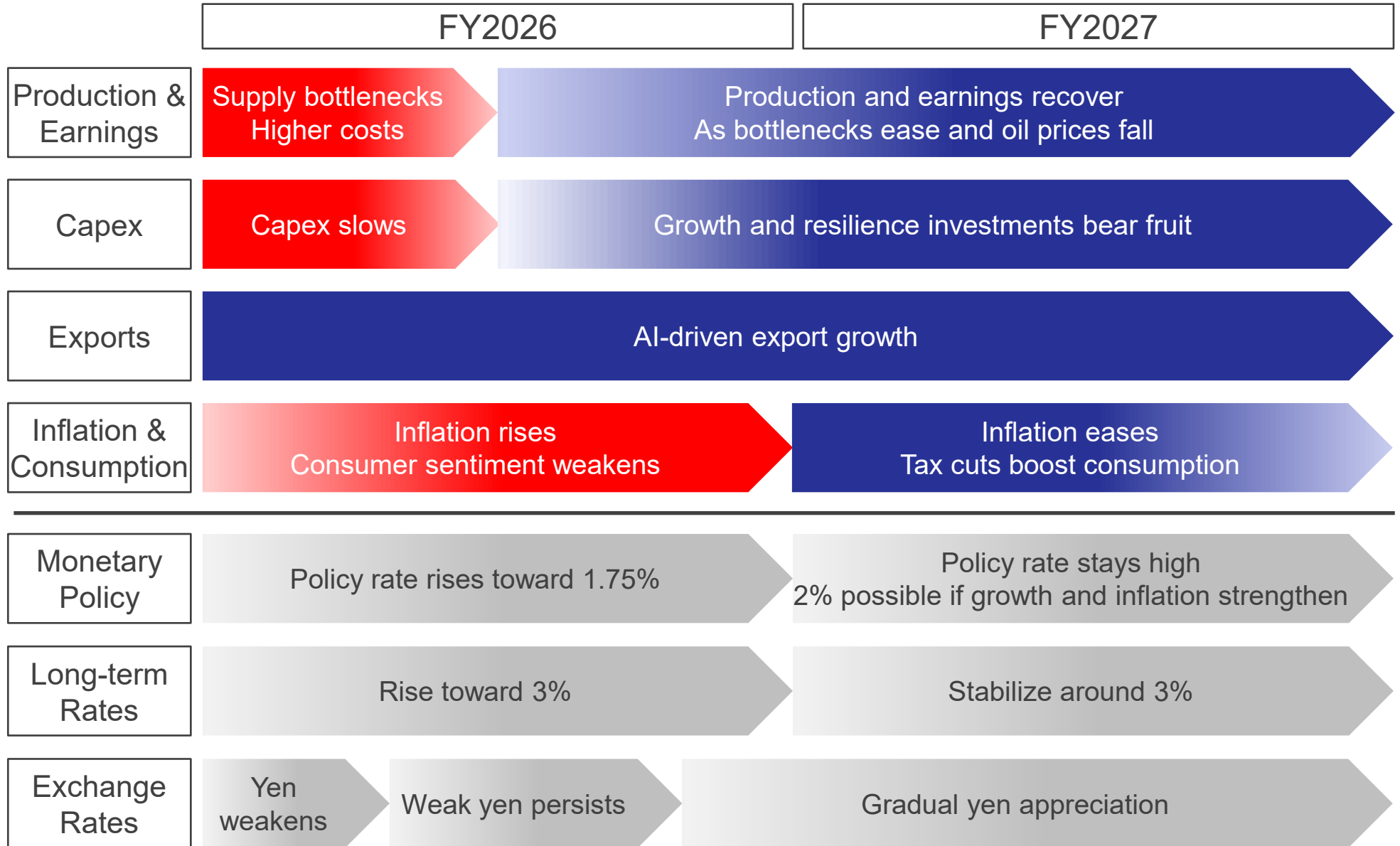
Source: Cabinet Office “Quarterly GDP Bulletin”; made by Research Department, Mizuho Research Institute

Changes in the Terms of Trade



Note: Trade gains and losses refer to the inflow or outflow of real income to overseas markets arising from changes in the export-import price ratio (terms of trade).
 Source: Cabinet Office “Quarterly GDP Bulletin”; made by Research Department, Mizuho Research Institute

Japan: AI Exports and Investment Support Growth Despite Middle East Tensions

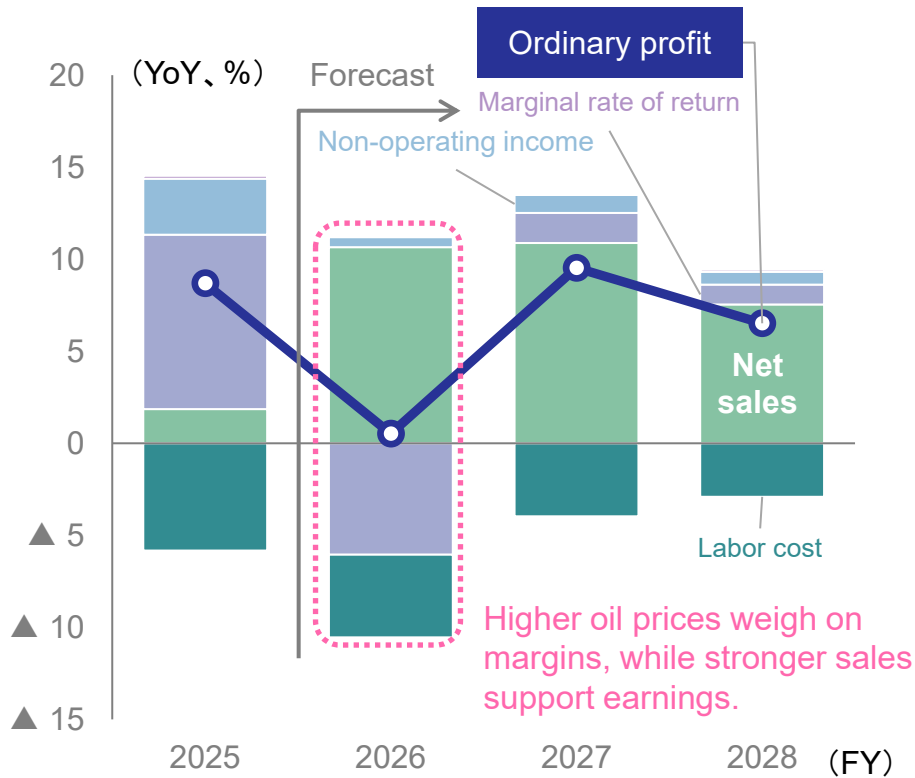


Source: Made by Research Department, Mizuho Research Institute

Japan: Earnings Improve, Capex Remains Solid

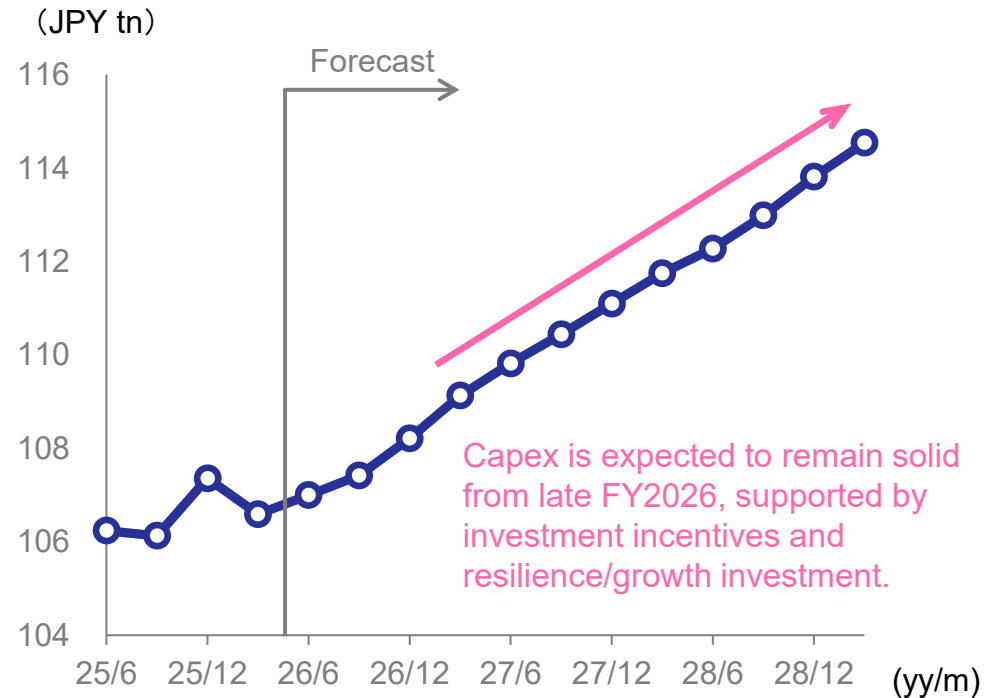
- Corporate earnings are expected to remain on an improving trend.
 - Recurring profits are forecast to rise by only +0.5% in FY2026, but remain positive. Higher oil prices weigh on margins, while stronger AI-related demand supports sales.
 - Earnings growth should continue in FY2027, supported by AI demand, price pass-through, and tax cuts.
- Capex is expected to remain solid.
 - Structural demand and policy incentives keep capex resilient.

Corporate Earnings by Factor



Note: All sizes and industries (excluding finance and insurance)
 Source: Ministry of Finance, "Survey of Corporations by Industry"; made by Research Department, Mizuho Research Institute

Real Capex

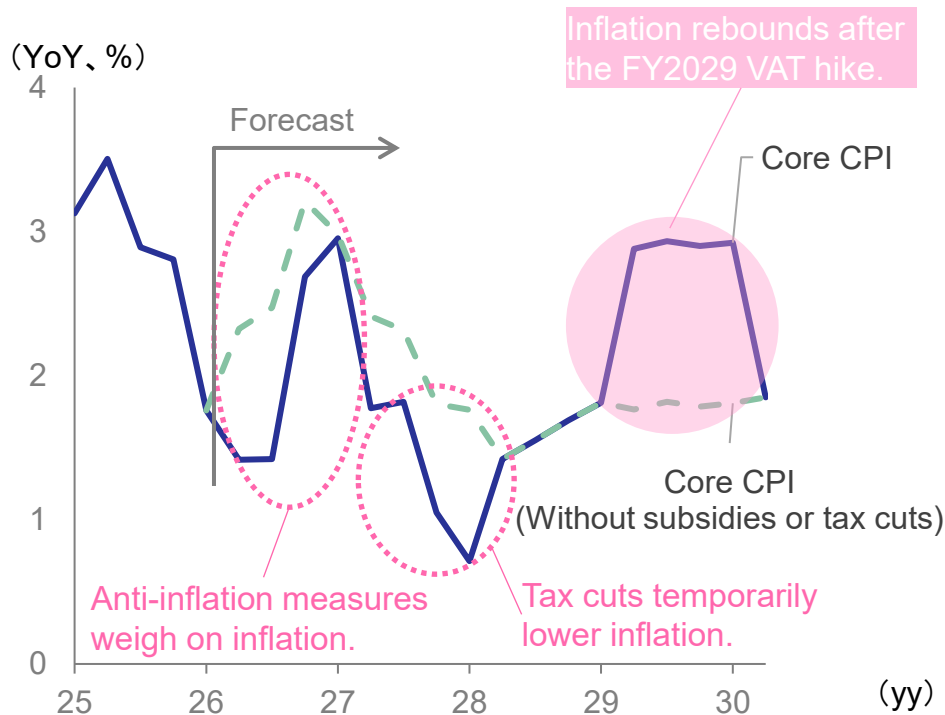


Note: Seasonally Adjusted, Outlook by Mizuho Research Institute, Research Department
 Source: Cabinet Office "Quarterly GDP Bulletin"; made by Research Department, Mizuho Research Institute

Japan: Inflation Peaks in FY2026, Tax Cuts Ease Inflation in FY2027

- Inflation is expected to peak in late FY2026.
 - Higher energy costs push core CPI toward 3%.
 - Subsidies cushion inflation, but price pass-through remains strong.
- Inflation moderates in FY2027.
 - Lower oil prices and monetary tightening slow inflation. Consumption tax cuts temporarily push core CPI below 1%. A consumption tax hike in FY2029 lifts inflation again.

Core CPI Forecast



Note: Measures to ease the drastic changes in gasoline and other fuel oils (limited to 170 yen/L) are expected to continue within FY2026.

Source: Ministry of Internal Affairs and Communications "Consumer Price Index"; made by Research Department, Mizuho Research Institute

Key Fiscal Measures

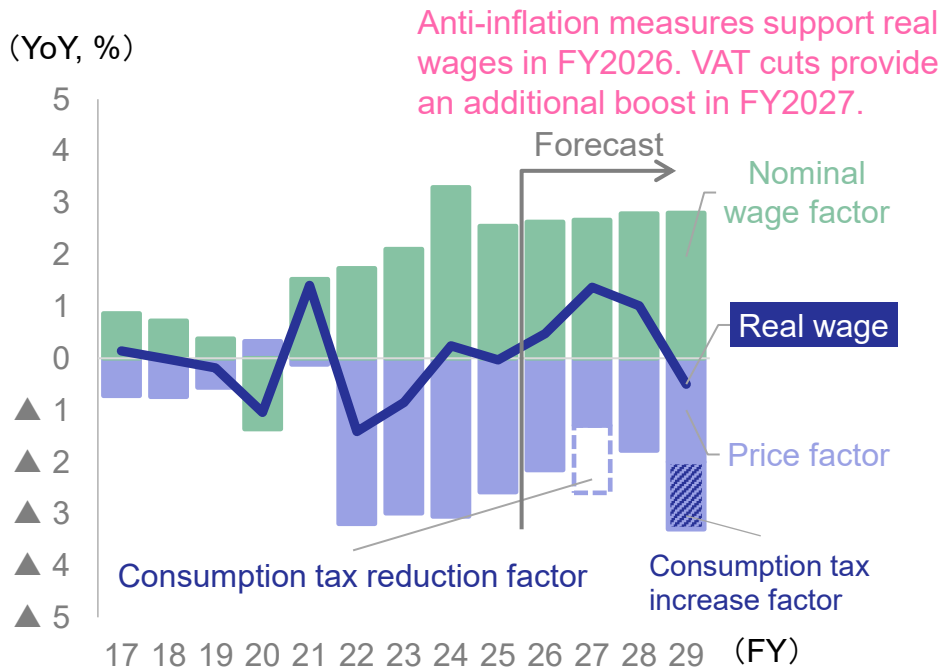
Fiscal measure	Size	Main measures
FY2026 Supplementary Budget	JPY 3 tn	<ul style="list-style-type: none"> ■ Electricity and gas subsidies for July–September; additional inflation relief, including continued gasoline subsidies
VAT Cuts FY2027–28	Approx. JPY 5 tn per year	<ul style="list-style-type: none"> ■ Cut VAT on food and beverages from 8% to 1%; the 1% portion is offset through cash benefits and subsidies
Refundable Tax Credit From FY2029	Approx. JPY 3 tn per year	<ul style="list-style-type: none"> ■ Initially launched as cash benefits only; annual payments of several tens of thousands of yen to low- and middle-income workers; gradually expanded for households with children

Source: Various materials; made by Research Department, Mizuho Research Institute

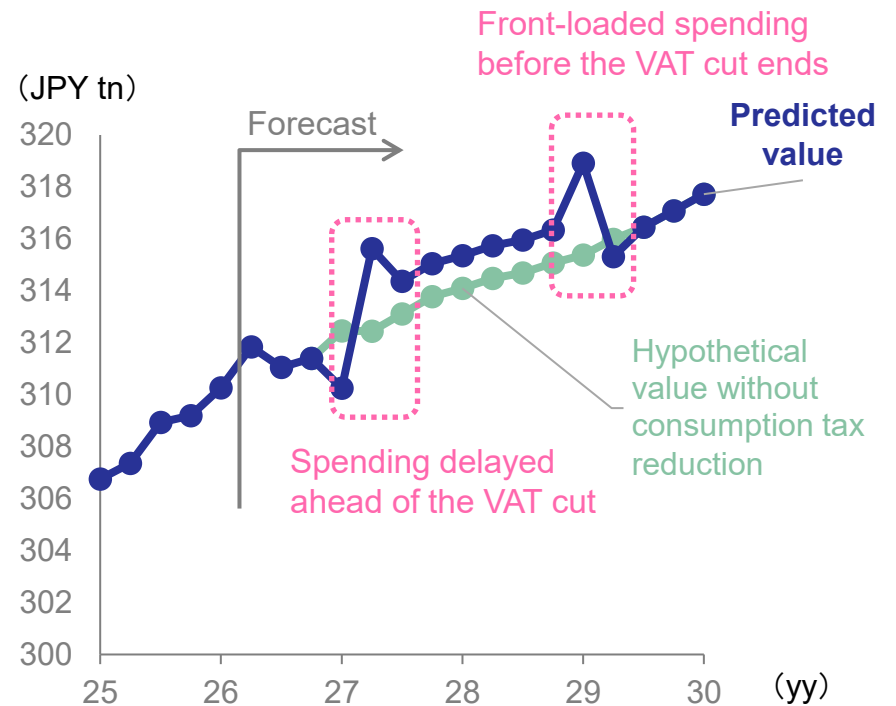
Japan: Consumption Holds Up in FY2026 and Strengthens in FY2027

- Consumption is expected to remain resilient in FY2026.
 - Despite higher inflation, real wages improve modestly, supported by anti-inflation measures.
 - Temporary spending delays are expected ahead of the VAT cut.
- Consumption strengthens in FY2027.
 - VAT cuts and income support boost household spending. When the VAT cut ends in FY2029, new transfers cushion the income shock.

Real Wage Growth



Real Private Consumption



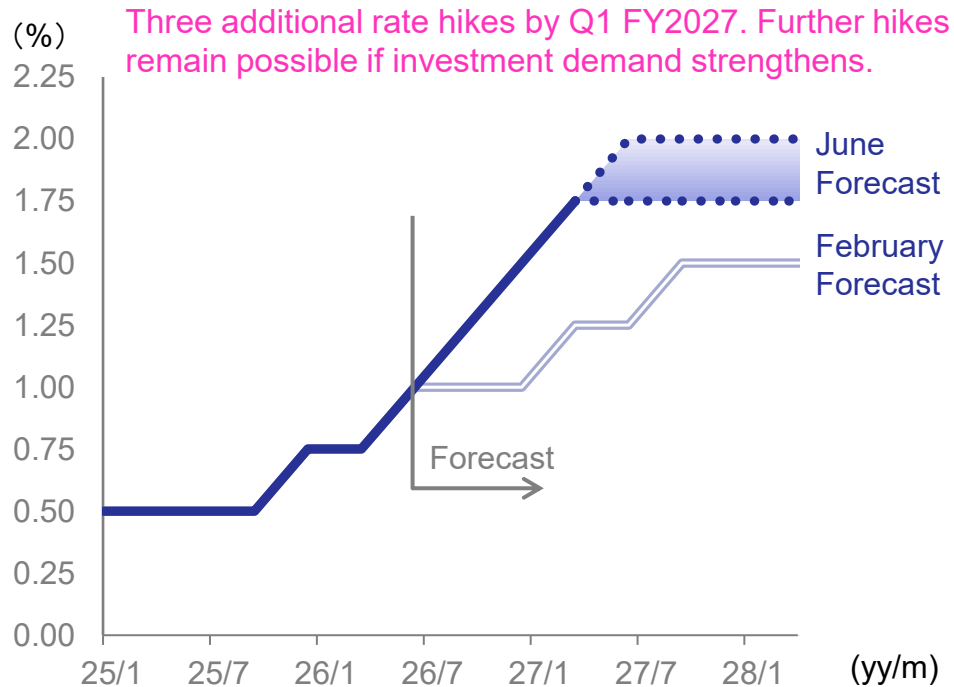
Note: Nominal wages are the total cash benefits per person (based on common workplaces). Prices are based on CPI composite
 Source: Ministry of Health, Labor and Welfare "Monthly Labor Statistics", Ministry of Internal Affairs and Communications "Consumer Price Index"; made by Research Department, Mizuho Research Institute

Source: Cabinet Office "Quarterly GDP Bulletin"; made by Research Department, Mizuho Research Institute

Japan: Earlier BOJ Tightening Supports a Gradually Stronger Yen

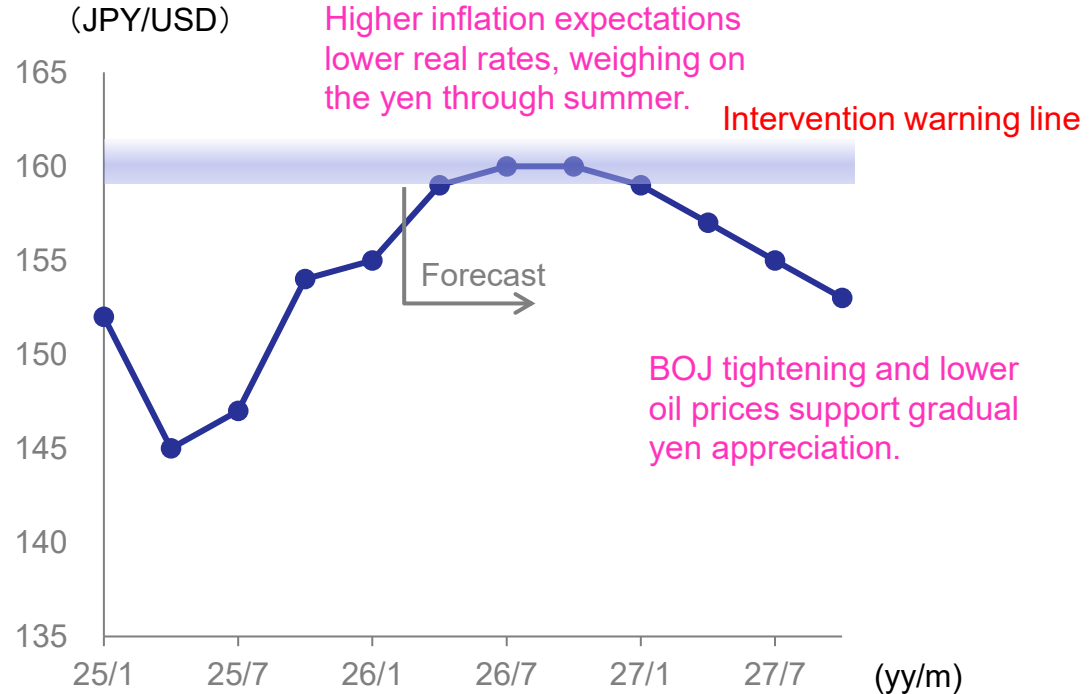
- The BOJ is expected to front-load rate hikes.
 - Three additional rate hikes are expected by Q1 FY2027, followed by an extended pause. The BOJ aims to prevent further easing in financial conditions and inflationary pressure from yen depreciation.
- The yen remains weak through FY2026 before gradually strengthening.
 - Higher oil prices and lower real interest rates keep the yen weak in FY2026.
 - BOJ tightening and lower oil prices support a gradual appreciation from FY2027.

Policy Rate



Source: Bank of Japan; made by Research Department, Mizuho Research Institute

USD/JPY Forecast



Source: LSEG; made by Research Department, Mizuho Research Institute

Appendix

US Economic Outlook Summary Table

		2025	2026	2027	2025				2026				2027			
		(outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch p.a.	2.1	2.2	2.1	▲ 0.6	3.8	4.4	0.5	2.1	2.4	1.9	1.8	2.2	2.2	2.3	2.2
Personal consumption	Q-o-q % ch p.a.	2.6	1.8	2.0	0.6	2.5	3.5	1.9	0.5	1.9	1.8	2.1	2.1	2.1	2.1	2.1
Housing investment	Q-o-q % ch p.a.	▲ 2.2	▲ 2.7	1.8	▲ 1.0	▲ 5.1	▲ 7.1	▲ 1.7	▲ 7.8	3.3	1.6	1.6	1.8	1.8	1.8	1.8
Capital investment	Q-o-q % ch p.a.	4.1	5.6	4.5	9.5	7.3	3.2	2.4	10.6	4.9	4.3	3.3	5.0	4.9	4.9	4.9
Inventory investment	Q-o-q contribution p.a. % pt	▲ 0.1	▲ 0.2	▲ 0.1	2.6	▲ 3.4	▲ 0.1	0.1	0.2	0.2	0.0	▲ 0.1	▲ 0.1	▲ 0.1	0.0	0.0
Government consumption	Q-o-q % ch p.a.	1.1	0.8	1.4	▲ 1.0	▲ 0.1	2.2	▲ 5.6	4.4	1.5	1.4	1.4	1.4	1.4	1.4	1.1
Net exports	Q-o-q contribution p.a. % pt	▲ 0.2	0.3	▲ 0.2	▲ 4.7	4.8	1.6	▲ 0.2	▲ 0.4	▲ 0.2	▲ 0.3	▲ 0.3	▲ 0.2	▲ 0.2	▲ 0.2	▲ 0.2
Exports	Q-o-q % ch p.a.	1.6	3.9	2.5	0.2	▲ 1.8	9.6	▲ 3.2	10.9	2.3	2.3	2.3	2.6	2.6	2.6	2.6
Imports	Q-o-q % ch p.a.	2.7	1.1	3.3	38.0	▲ 29.3	▲ 4.4	▲ 1.0	11.8	3.2	3.5	3.5	3.1	3.2	3.1	3.2
Unemployment rate	%	4.3	4.3	4.2	4.1	4.2	4.3	4.5	4.3	4.3	4.4	4.3	4.3	4.2	4.2	4.2
PCE deflator	Y-o-y % ch	2.6	3.5	2.2	2.6	2.4	2.7	2.8	3.1	3.8	3.6	3.4	2.9	2.1	2.0	2.0
Core, excl. food and energy	Y-o-y % ch	2.8	3.1	2.4	2.8	2.7	2.9	2.9	3.1	3.2	3.1	3.0	2.7	2.4	2.3	2.2

Note: Shaded values are forecasts by Research Department, Mizuho Research Institute

Source: U.S. Department of Commerce, U.S. Department of Labor; made by Research Department, Mizuho Research Institute

Eurozone Economic Outlook Summary Table

		2025	2026	2027	2025				2026				2027			
		(outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch p.a.	1.4	0.8	1.4	0.7	0.1	0.3	0.2	▲ 0.2	0.6	0.3	0.3	0.3	0.4	0.4	0.4
Domestic demand	Q-o-q contribution p.a. % pt	2.0	1.3	1.3	0.3	0.4	0.6	0.6	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.4
Personal consumption	Q-o-q % ch p.a.	1.4	1.0	1.4	0.4	0.3	0.2	0.4	0.2	0.2	0.2	0.2	0.4	0.5	0.5	0.5
Gross fixed capital formation	Q-o-q % ch p.a.	3.0	1.1	1.5	2.7	▲ 1.4	1.2	0.8	▲ 0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4
Government consumption	Q-o-q % ch p.a.	1.4	1.8	1.2	▲ 0.2	0.4	0.7	0.6	0.5	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Inventory investment	Q-o-q contribution p.a. % pt	0.2	0.1	▲ 0.0	▲ 0.4	0.5	0.0	0.0	▲ 0.1	0.1	0.1	0.1	▲ 0.2	0.0	0.0	0.0
External demand	Q-o-q contribution p.a. % pt	▲ 0.5	▲ 0.4	0.1	0.3	▲ 0.3	▲ 0.3	▲ 0.4	▲ 0.3	0.4	0.1	0.0	0.0	▲ 0.0	▲ 0.0	▲ 0.0
Exports	Q-o-q % ch p.a.	2.1	0.3	1.0	2.8	▲ 0.7	0.7	▲ 0.6	▲ 0.2	0.7	0.2	0.2	0.2	0.2	0.2	0.2
Imports	Q-o-q % ch p.a.	3.5	1.3	0.7	2.3	▲ 0.2	1.4	0.3	0.5	▲ 0.2	0.0	0.1	0.2	0.3	0.3	0.3
CPI	Y-o-y % ch	2.1	2.9	2.1	2.3	2.0	2.1	2.1	2.0	3.2	3.1	3.1	3.0	2.2	1.7	1.5
Core, excl. food and energy	Y-o-y % ch	2.4	2.3	2.2	2.6	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.5	2.2	2.1	2.1

Note: Shaded values are forecasts by Research Department, Mizuho Research Institute
Source: Eurostat; made by Research Department, Mizuho Research Institute

Emerging Country Economic Outlook Summary Table

	2025	2026	2027	2024			2025			2026	
		(outlook)		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Asia	5.5	4.9	4.4	5.3	5.0	5.5	5.4	5.5	5.6	5.5	5.9
China	5.0	4.3	3.8	4.7	4.6	5.4	5.4	5.2	4.8	4.5	5.0
NIEs	4.1	4.6	2.5	3.7	3.3	2.6	2.6	3.7	4.4	5.7	7.6
South Korea	1.1	2.1	2.0	2.6	1.6	1.1	0.2	0.7	2.1	1.6	3.8
Taiwan	8.8	9.5	3.8	5.3	4.7	4.1	5.5	7.7	8.4	13.0	14.5
Hong Kong	3.6	2.9	1.5	3.0	2.1	2.5	3.2	3.3	3.8	4.0	5.9
Singapore	5.0	2.9	2.0	4.8	7.0	5.3	4.5	5.4	4.5	5.7	6.0
ASEAN5	5.1	4.5	4.7	5.3	5.2	5.2	4.9	5.2	4.8	5.2	5.1
Indonesia	5.1	4.7	5.0	5.0	4.9	5.0	4.9	5.1	5.0	5.4	5.6
Thailand	2.4	1.9	2.1	2.7	3.3	3.7	3.1	2.8	1.2	2.5	2.8
Malaysia	5.2	4.5	4.2	6.0	5.5	5.0	4.4	4.6	5.3	6.2	5.4
Philippines	4.4	4.0	5.2	6.5	5.3	5.3	5.4	5.4	4.0	3.0	2.8
Vietnam	8.0	6.9	6.5	7.2	7.4	7.5	7.0	8.2	8.3	8.5	7.8
India	7.5	6.7	6.5	7.5	6.6	7.4	7.0	6.8	8.3	8.0	7.8
Australia	2.0	1.7	1.8	1.0	0.9	1.1	1.4	1.9	2.0	2.5	2.6
Ref. NIEs+ASEAN5	4.7	4.5	3.9	4.7	4.5	4.2	4.1	4.6	4.7	5.4	6.1
Ref. Asia, excl. China	6.2	5.7	5.3	6.1	5.5	5.8	5.6	5.8	6.6	6.8	7.1

Note: Shaded values are forecasts by Research Department, Mizuho Research Institute. All values in the table represent real GDP growth rates (year-on-year, %).
Source: Statistics by country, CEIC, IMF; made by Research Department, Mizuho Research Institute

Japan Economic Outlook Summary Table

		2024	2025	2026	2027	2025				2026				2027				2028
		FY	FY	FY(Outlook)		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
GDP (real)	Q-o-q % ch	0.5	0.8	0.5	1.5	0.5	0.3	▲0.6	0.2	0.5	0.2	▲0.2	0.2	0.0	1.2	0.0	0.3	0.3
	Q-o-q % ch p.a.	—	—	—	—	2.0	1.1	▲2.3	0.7	1.8	0.8	▲0.7	1.0	0.1	4.7	0.1	1.3	1.1
Domestic demand	Q-o-q % ch	0.8	0.9	0.2	1.8	1.1	0.2	▲0.3	0.1	0.1	▲0.1	▲0.0	0.4	0.2	1.2	0.0	0.3	0.3
Private-sector demand	Q-o-q % ch	0.5	1.0	0.2	1.7	1.6	0.0	▲0.3	0.1	0.0	0.5	▲0.5	0.3	▲0.0	1.5	▲0.0	0.4	0.3
Personal consumption	Q-o-q % ch	0.1	1.3	0.7	1.3	0.6	0.2	0.5	0.1	0.3	0.5	▲0.2	0.1	▲0.4	1.7	▲0.4	0.2	0.1
Housing investment	Q-o-q % ch	▲0.7	▲3.4	▲0.4	▲0.1	▲0.5	▲0.0	▲8.0	5.0	0.9	▲0.7	▲0.9	▲0.1	▲0.2	0.0	0.3	0.2	0.1
Capital investment	Q-o-q % ch	0.8	2.0	1.3	2.6	1.2	1.0	▲0.1	1.2	▲0.7	0.4	0.4	0.7	0.8	0.6	0.6	0.6	0.6
Inventory investment	Q-o-q contribution, % pt	(0.2)	(▲0.1)	(▲0.5)	(0.1)	(0.7)	(▲0.3)	(▲0.2)	(▲0.4)	(▲0.1)	(0.0)	(▲0.3)	(0.0)	(▲0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Public-sector demand	Q-o-q % ch	2.0	0.5	0.2	2.1	▲0.2	0.5	▲0.1	0.3	0.5	▲2.0	1.4	0.9	0.9	0.4	0.2	0.2	0.2
Government consumption	Q-o-q % ch	2.3	0.8	0.9	0.8	▲0.3	0.6	0.1	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public investment	Q-o-q % ch	0.1	▲0.5	2.6	1.3	▲0.8	0.4	▲1.0	▲0.1	1.5	0.5	0.5	1.0	1.0	0.0	0.0	0.0	0.0
Public inventory	Q-o-q contribution, % pt	(0.0)	(▲0.0)	(▲0.2)	(0.3)	(0.0)	(▲0.0)	(0.0)	(▲0.0)	(▲0.0)	(▲0.6)	(0.3)	(0.1)	(0.1)	(0.1)	(▲0.0)	(▲0.0)	(▲0.0)
External demand	Q-o-q contribution, % pt	(▲0.3)	(▲0.1)	(0.3)	(▲0.3)	(▲0.6)	(0.1)	(▲0.3)	(0.0)	(0.3)	(0.4)	(▲0.1)	(▲0.2)	(▲0.2)	(▲0.0)	(▲0.0)	(▲0.0)	(▲0.0)
Export	Q-o-q % ch	2.7	2.0	1.8	3.9	▲0.6	1.6	▲1.6	0.2	1.8	▲0.8	1.2	1.1	0.9	1.1	1.0	0.9	0.8
Import	Q-o-q % ch	4.0	2.5	0.5	5.2	2.2	1.1	▲0.2	▲0.0	0.4	▲2.4	1.8	1.9	1.5	1.2	1.0	0.9	0.8
GDP (nominal)	Q-o-q % ch	3.7	4.1	2.9	4.4	0.9	1.9	0.2	0.9	0.6	1.1	▲0.1	1.3	0.4	2.6	0.3	1.2	▲0.1
GDP deflator	Y-o-y % ch	3.2	3.3	2.4	2.8	3.6	3.2	3.5	3.4	3.2	2.5	1.9	2.4	2.7	3.1	3.3	2.9	2.2

Note: Shaded values are forecasts by Research Department, Mizuho Research Institute
Source: Cabinet Office "Quarterly GDP Bulletin"; made by Research Department, Mizuho Research Institute

Japan Economic Outlook Summary Table

		2024	2025	2026	2027	2025				2026				2027				2028
		FY	FY	FY(Outlook)		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Industrial production	Q-o-q % ch	▲1.5	▲0.2	2.2	1.9	0.0	▲0.5	▲1.1	0.3	2.5	0.0	▲0.1	0.7	0.6	0.5	0.4	0.4	0.4
Ordinary profit	Y-o-y % ch	7.2	8.7	0.5	9.5	3.8	0.2	19.7	4.7	14.6	3.8	0.3	0.6	▲2.8	8.6	10.3	8.8	10.7
Nominal compensation of employees	Y-o-y % ch	4.1	3.6	3.7	2.9	3.9	4.0	3.4	3.5	3.5	3.9	3.9	3.3	3.6	2.9	2.9	3.0	3.0
Unemployment rate	%	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.6	2.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Number of new housing starts	annual rate, ten thousand units	81.6	71.1	75.4	76.0	86.7	62.0	71.9	75.6	74.7	74.4	76.2	75.3	75.1	75.7	76.0	76.0	76.1
Current account balance	annual rate, trillion yen	30.0	34.5	38.8	45.2	30.3	29.4	35.6	33.1	39.1	44.9	38.5	36.2	35.4	47.6	45.3	45.5	42.0
Corporate goods price index	Y-o-y % ch	3.3	2.7	5.0	0.5	4.2	3.3	2.6	2.6	2.5	5.3	5.4	4.9	4.6	0.6	0.7	0.4	0.3
CPI excl. fresh food	Y-o-y % ch	2.7	2.7	2.1	1.3	3.1	3.5	2.9	2.8	1.8	1.4	1.4	2.7	3.0	1.8	1.8	1.1	0.7
CPI excl. fresh food and policy factors	Y-o-y % ch	2.2	2.5	2.7	2.1	2.8	2.9	2.9	2.6	1.8	2.3	2.5	3.2	3.0	2.4	2.3	1.8	1.8
CPI excl. fresh food and energy	Y-o-y % ch	2.3	3.0	2.0	1.1	2.7	3.2	3.2	3.0	2.5	1.8	1.7	2.3	2.3	1.1	1.1	1.1	1.0
CPI excl. fresh food and energy and policy factors	Y-o-y % ch	2.3	3.0	2.2	2.3	2.7	3.4	3.4	3.1	2.8	1.9	1.9	2.5	2.5	2.3	2.3	2.3	2.2

Note 1. The rate of change is calculated by Research Department, Mizuho Research Institute from level data and may not match the published value. Shaded values are forecasts.

2. Ordinary profit is based on the Corporate Statistics Survey for all scales and industries (excluding finance and insurance)

3. The "exclusion of institutional factors" for consumer prices is calculated excluding the effects of government support for electricity and gas rates, gasoline subsidies and abolition of provisional tax rates, free high school tuition, and consumption tax reductions

Source: Various statistics; made by Research Department, Mizuho Research Institute

Financial Markets Outlook Summary Table

		2024 FY	2025 FY	2026 FY (outlook)	2027					2026				2027				2028
						Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	
Japan																		
uncollateralized overnight call rate	End of period value, %	0.50	0.75	1.75	1.75	0.50	0.50	0.75	0.75	1.00	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75
Newly issued JGBs	10-year, %	1.05	1.74	2.3~3.2	2.7~3.2	1.40	1.56	1.80	2.20	2.3~2.8	2.6~3.1	2.6~3.1	2.7~3.2	2.7~3.2	2.7~3.2	2.7~3.2	2.7~3.2	2.7~3.2
Nikkei Stock Average	JPY	38,566	45,724	52,400~ 80,200	65,100~ 83,800	36,741	42,213	49,583	54,357	52,400~ 72,500	62,700~ 78,700	63,500~ 79,500	64,200~ 80,200	65,100~ 81,100	66,000~ 82,000	66,900~ 82,900	67,800~ 83,800	67,800~ 83,800
US																		
Federal Funds Rate (lower end)	End of period value, %	4.25	3.50	3.50	3.50	4.25	4.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Newly issued government bonds	10-year, %	4.28	4.22	4.1~4.7	4.0~4.6	4.36	4.26	4.09	4.19	4.2~4.7	4.2~4.7	4.1~4.6	4.1~4.6	4.0~4.5	4.0~4.5	4.0~4.5	4.0~4.5	4.0~4.5
Dow Jones Average	USD	41,483	45,569	45,700~ 57,000	49,600~ 59,400	41,454	45,053	47,309	48,458	45,700~ 53,700	47,800~ 55,800	48,400~ 56,400	49,000~ 57,000	49,600~ 57,600	50,200~ 58,200	50,800~ 58,800	51,400~ 59,400	51,400~ 59,400
Eurozone																		
ECB deposit facility rate	End of period value, %	2.50	2.00	2.50	2.00	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00
German government bonds	10-year, %	2.40	2.74	2.7~3.3	2.6~3.1	2.60	2.71	2.79	2.85	2.8~3.3	2.8~3.3	2.8~3.3	2.7~3.2	2.6~3.1	2.6~3.1	2.6~3.1	2.6~3.1	2.6~3.1
Exchange rates																		
USD/JPY	USD/JPY	152	151	155~165	145~160	144	147	154	157	155~163	155~165	155~165	155~162	152~160	150~160	148~157	145~155	145~155
EUR/USD	EUR/USD	1.07	1.16	1.08~1.22	1.12~1.24	1.13	1.17	1.16	1.17	1.12~1.19	1.08~1.18	1.10~1.20	1.12~1.22	1.12~1.22	1.12~1.22	1.13~1.23	1.14~1.24	1.14~1.24

Note: Shaded values are forecasts by Research Department, Mizuho Research Institute
Source: LSEG; made by Research Department, Mizuho Research Institute

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