

Outlook for the Japanese and Overseas Economies

ECONOMIC RESEARCH OFFICE

13 December 2022 (original Japanese version released on 30th November)

Contents

1-1. Overview of Economic Outlook.....	3
1-2. Inflation and Monetary Policy.....	4
1-3. Varying Outlooks for Monetary Policy and Recession in Advanced Economies.....	5
2-1. The Japanese Economy.....	6
2-2. The US Economy.....	7
2-3. European Economies.....	8
2-4. Asian Economies.....	11
2-5. Latin American Economies.....	13
2-6. Oil Prices.....	15
Appendix.....	16

1-1. Overview of Economic Outlook

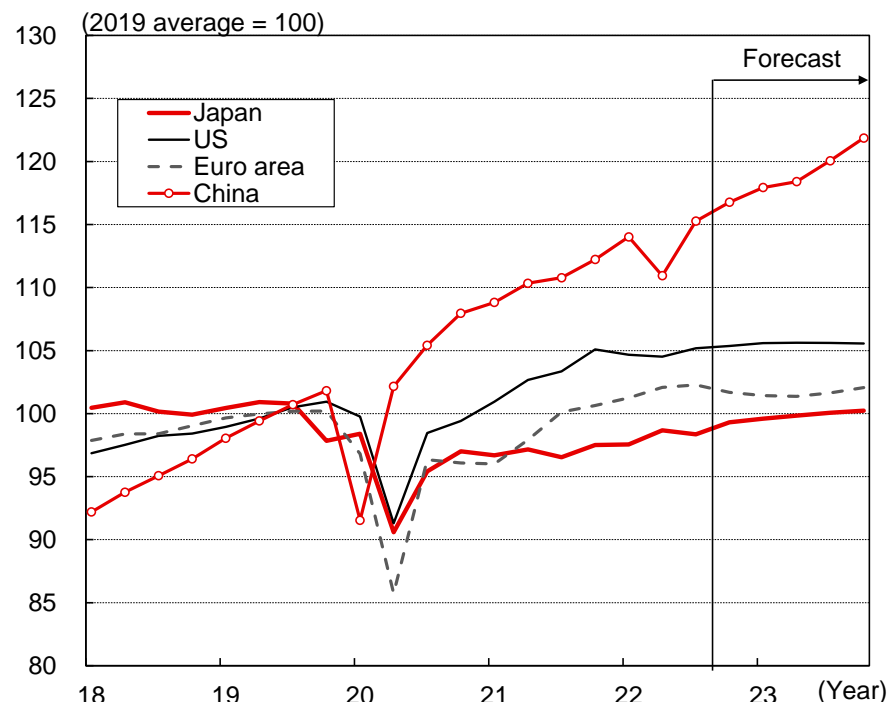
- In 2022, central banks of advanced economies demonstrated a clear focus on reining in rising inflation. While high inflation and accelerated monetary tightening have put downward pressure on economies, normalisation of economic activities continues to support economic recoveries in many countries.
- In 2023, we will see interest rate hikes run their course as energy prices fall and inflation gradually abates. Nevertheless, the cumulative effects of monetary tightening will put strong downward pressure on economies, pushing the European and US economies into a period of recession. The global real GDP growth rate is therefore projected to slow from 3.3% YoY in 2022 to 2.4% YoY in 2023.

- ✓ **Pandemic:** While restrictions on the movement of people are being eased around the world, China's adherence to its "zero COVID-19" policy will likely put downward pressure on its economy for the time being.
- ✓ **Ukraine situation:** As the conflict drags on, a dramatic escalation is unlikely, yet the prospect of a swift resolution through diplomatic channels is also bleak.
- ✓ **Energy issues:** Serious energy shortages that could force countries to cut demand will likely be avoided in Europe, but many uncertainties will persist.
- ✓ **Economic security:** Although the US is stepping up its export restrictions for certain advanced technologies, the impact on broader economic activity will be relatively limited.

Real GDP Outlook for Major Economies

(%)	2021	MUFG Forecast (November)				MUFG Forecast (August)	
		2022	2023	2024	2025	2022	2023
World	6.0	3.3	2.4		2.9	2.9	
US	5.9	1.9 (- 0.2)	0.6 (0.2)		1.7	1.1	
Euro area	5.3	3.2 (1.2)	-0.2 (- 0.1)		2.8	0.9	
UK	7.5	4.2 (0.6)	-0.7 (0.0)		3.4	0.2	
Japan (FY)	2.3	1.9 (0.4)	1.2 (0.7)		1.6	1.4	
Japan (Calendar year)	1.6	1.5 (0.6)	1.5 (0.9)		1.3	1.6	
Asia (11 countries)	7.1	4.3	4.6		4.5	5.2	
China	8.1	3.3 (1.8)	4.7 (2.5)		3.5	5.4	
ASEAN (5 countries)	3.4	5.7	4.8		5.6	5.1	
Indonesia	3.7	5.2 (2.9)	4.7 (3.1)		5.2	5.0	
Thailand	1.5	3.2 (2.4)	3.8 (2.5)		3.3	4.1	
Malaysia	3.1	8.0 (6.2)	4.0 (5.4)		6.8	4.5	
The Philippines	5.7	6.8 (3.0)	5.3 (2.8)		6.9	5.8	
Vietnam	2.6	7.6	6.2		7.4	6.5	

Real GDP Outlook for Select Major Economies



3 Note: Number in parentheses is growth rate when a carry-over effect is removed.
Source: Statistics from each country, MUFG Bank Economic Research Office

Source: Statistics from each country,
MUFG Bank Economic Research Office



1-2. Inflation and Monetary Policy

- Central banks have been carrying out monetary tightening at a markedly rapid pace. This decision is in response to the high and accelerating rates of inflation brought about by the prolonged conflict in Ukraine, a worsening of supply constraints, rising energy prices and tightening labour markets.
- Looking ahead, however, inflation will likely peak in the first half of 2023 as demand slows and labour markets loosen in Europe and the US. Although inflation is unlikely to revert to around 2% until 2024 at the earliest, European and US central banks are projected to wind down their monetary tightening by mid-2023 and start cutting interest rates in the second half of next year.

Outlook of Consumer Prices for Major Economies

(YoY, %)	2021	MUFG Forecast (November)	
		2022	2023
World	4.6	8.6	6.9
US	4.7	8.2	5.4
Euro area	2.6	8.2	5.9
UK	2.6	9.1	6.8
Japan (FY)	0.1	2.8	1.5
Asia (11 counties)	2.1	3.7	3.3
China	0.9	2.2	2.4
ASEAN(5 countries)	2.0	4.5	3.7
Indonesia	1.6	4.2	4.1
Thailand	1.2	6.1	2.8
Malaysia	2.5	3.5	3.2
The Philippines	3.9	5.5	4.1
Vietnam	1.8	3.5	3.6

Note: *Japan* number excludes fresh food. *Euro area* number is HICP (EU standard).
Source: Statistics from each country, MUFG Bank Economic Research Office

Outlook of Policy Rates for Major Economies

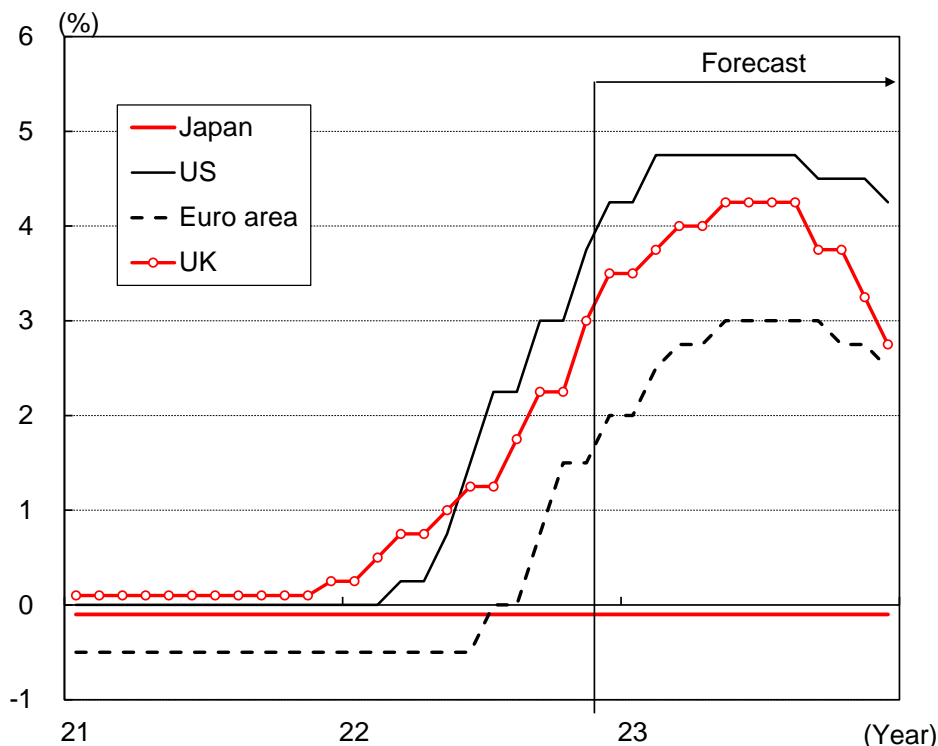
(%)	2021	MUFG Forecast (November)				
		2022		2023		
		Dec-end	June-end	Dec-end	June-end	
US	0.00- 0.25	1.50- 1.75	4.25- 4.50	4.75- 5.00	4.25- 4.50	
Euro area	-0.50	-0.50	2.00	3.00	2.50	
UK	0.25	1.25	3.50	4.25	2.75	
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	
China	3.80	3.70	3.65	3.65	3.65	
ASEAN (5 countries)	Indonesia	3.50	3.50	5.25	5.75	5.50
	Thailand	0.50	0.50	1.25	1.75	1.50
	Malaysia	1.75	2.00	2.75	3.25	3.00
	The Philippines	2.00	2.50	5.00	5.50	5.25
	Vietnam	4.00	4.00	6.50	7.00	6.50

Note: Policy rates are FF target rate for the US, Deposit Facility Rate for the euro area, Bank Rate for the UK, Policy Balance Rate for Japan, and 1-year LPR for China.
Source: Statistics from each country, MUFG Bank Economic Research Office

1-3. Varying Outlooks for Monetary Policy and Recession in Advanced Economies

- Interest rate hikes are projected to halt in early 2023 in the US and in mid-2023 in the euro area and the UK, reflecting the differences in when inflation may abate.
- Recession probabilities forecast by economists are rising for both Europe and the US. In the UK and euro area, the probability is relatively high at around 80-90%, while that for the US is lower at around 60% due to more diverse views on the economy. Meanwhile, the probability of a recession in Japan is generally perceived low, at around 30%.
- We project that recession will hit both Europe and the US. Based on the severity of inflation and how long it may take to abate, a European recession will likely come before a US recession, and the downturn will likely be deeper in Europe as well, especially in the UK.

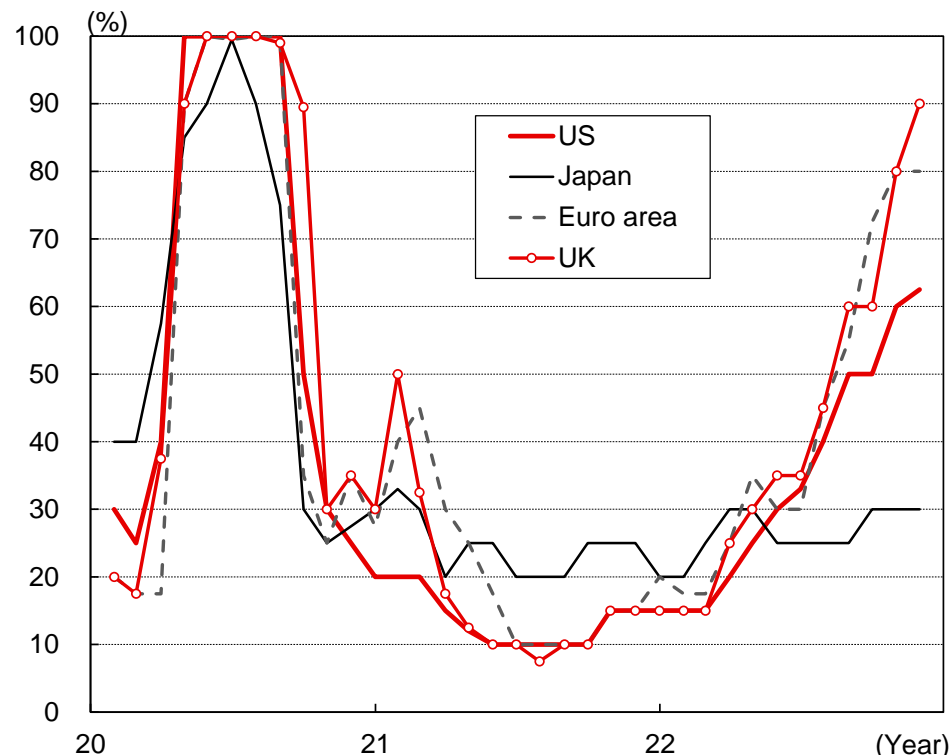
Policy Rates in Advanced Economies



Note: Policy rates are Policy Balance Rate for Japan, FF target rate lower bound for the US, Deposit Facility Rate for the euro area, Bank Rate for the UK.

Source: Statistics from each country, MUFG Bank Economic Research Office

Recession Probabilities for Advanced Economies



Note: Lines show median probabilities as forecast by economists

Source: Bloomberg, MUFG Bank Economic Research Office

2-1. The Japanese Economy

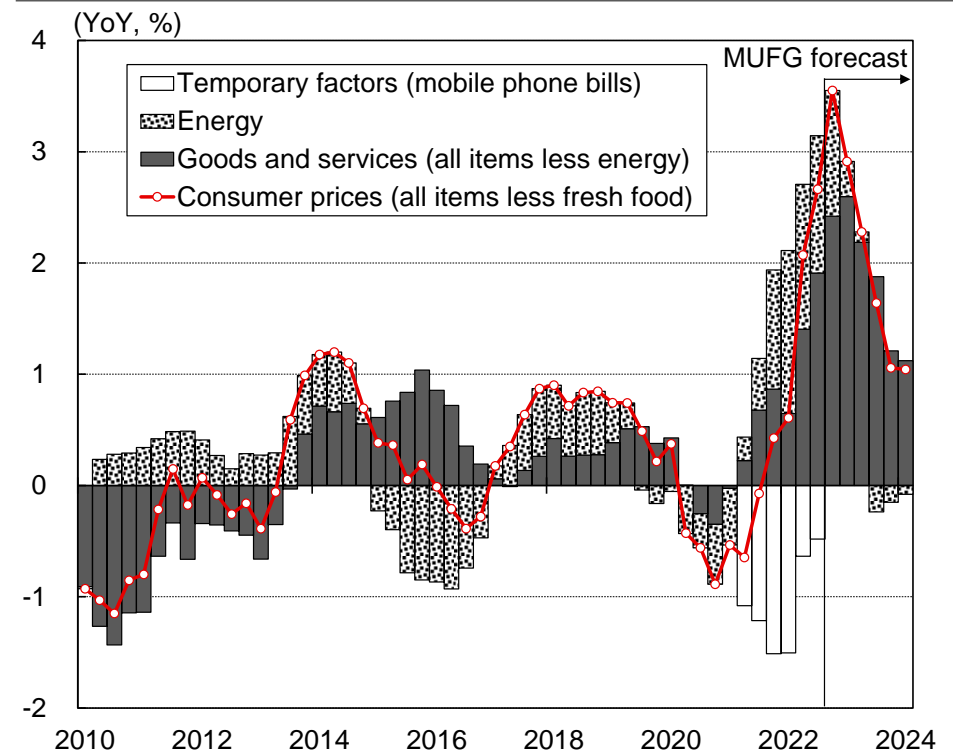
- Although the Japanese economy will experience downward pressure from higher prices and a slowdown of overseas economies, it is likely to continue to recover at a gradual pace. This is thanks to private consumption, which is picking up as economic activities normalise, and capital expenditure, which is rising thanks to an easing of supply constraints and improved corporate profits. Large-scale economic measures from the Kishida government are also expected to provide support for the economy.
- The real GDP growth rate is forecast to be 1.9% YoY in FY2022 and 1.2% YoY in FY2023. During the latter half of 2023, real GDP is predicted to return to its average level in 2019 before the pandemic. However, there are downside risks, such as the impact of an eighth wave of COVID-19 cases, elevated inflation and a deceleration of overseas economies that is worse than expected.
- Consumer prices less fresh food (core CPI) rose 3.6% YoY in October. Looking ahead, it is likely that growth of energy prices will be curbed by government policies which will come into effect from January 2023 and growth of goods prices (excluding energy) will slow, reflecting the fall in international commodity markets. The Bank of Japan will likely maintain its expansive monetary policy as recession and rate cuts are projected for next year in Europe and the US.

Japan Real GDP and Outlook (Fiscal Year)

	(YoY, %)			
	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Outlook)	FY2023 (Outlook)
Real GDP	-4.6	2.3	1.9	1.2
Private consumption	-5.4	2.6	2.9	1.0
Residential investment	-7.8	-1.7	-4.2	0.6
Capital expenditure	-7.7	0.6	3.6	2.3
Inventory investment (contribution)	-0.2	0.1	0.1	-0.0
Public demand	3.0	0.0	0.6	0.9
Net exports (contribution)	-0.6	0.8	-0.3	0.0
Exports	-10.0	12.4	4.5	1.3
Imports	-6.3	7.1	6.2	1.1
Nominal GDP	-3.9	1.3	1.6	2.3
GDP Deflator	0.7	-1.0	-0.2	1.1

Source: Cabinet Office, MUFG Bank Economic Research Office

Forecast of Consumer Prices Excluding Fresh Food



Note: Does not include the impact of consumption rate hikes

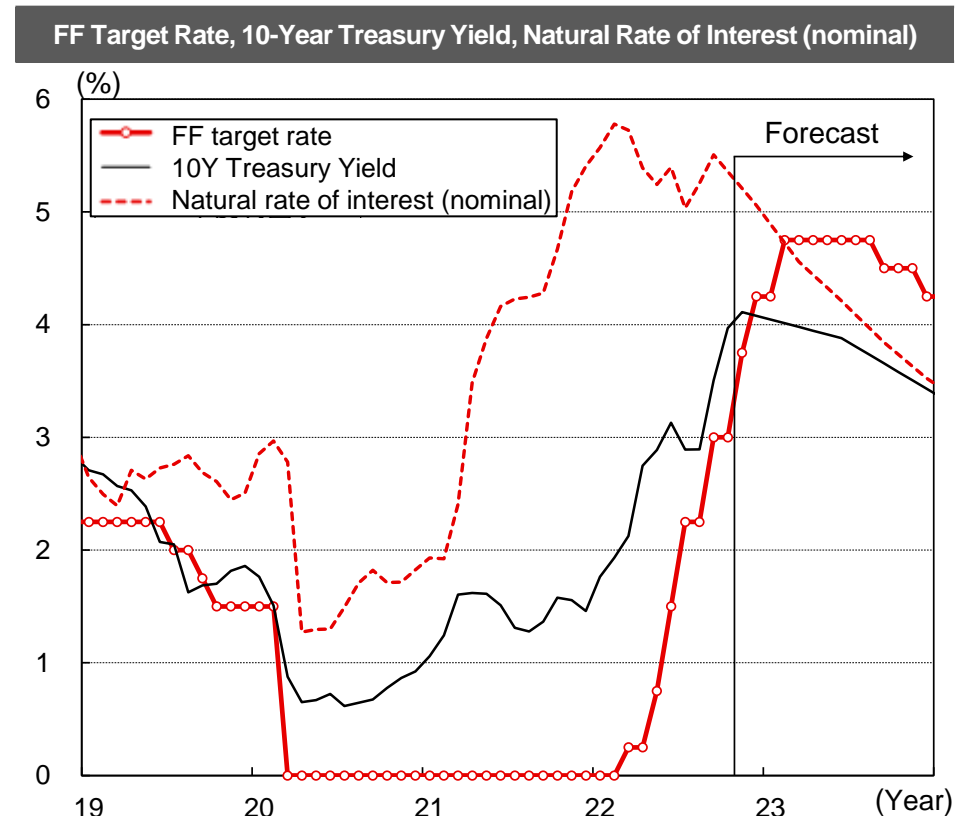
Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

2-2. The US Economy

- The inflation trend continues to far exceed 2% as the supply-demand balance remains tight both in the labour market and for goods. The Federal Open Market Committee (FOMC) is expected to raise interest rates further in order to cool demand, so the policy rate will likely remain at restrictive levels throughout 2023. US real GDP growth is expected to decelerate below the potential growth rate (somewhere between 1.5% and 1.9%) for a while in the future.
- As employment levels decline, households will tap further into savings, and the US will likely enter a mild recession in the second half of 2023. Real GDP growth rate is projected at 1.9% YoY in 2022 – on par with the potential growth rate – but is forecast to drop to 0.6% YoY in 2023.
- The Fed will likely raise its policy rate to levels above the sum of the inflation rate and the natural rate of interest (positive gap in real terms). However, as the economy and inflation slow, the Fed will likely shift gears and begin small rate cuts in the second half of 2023. Still, in order to avoid excessive easing of financial conditions before inflation slows sufficiently, the FOMC is likely to maintain a hawkish stance in the first half of 2023, and long-term interest rates would decline only mildly.

US Real GDP Outlook			
	(YoY, %)		
	2021 (Actual)	2022 (Forecast)	2023 (Forecast)
Real GDP	5.9	1.9	0.6
Personal consumption expenditures	8.3	2.6	0.8
Residential investment	10.7	-9.3	-6.8
Non-residential fixed investment	6.4	3.3	0.3
Change in private inventories (contribution)	0.3	0.7	-0.5
Government consumption expenditures	0.6	-0.9	0.4
Net exports (contribution)	-1.4	-0.7	0.7
Exports	6.1	7.3	2.4
Imports	14.1	8.4	-1.8
Nominal GDP	10.3	9.3	4.1

Source: Department of Commerce, MUFG Bank Economic Research Office



Note: Natural rate of interest (nominal rate) is the sum of core PCE deflator (YoY) and natural rate of interest.

Source: Bloomberg, MUFG Bank Economic Research Office

2-3. European Economies: Euro Area

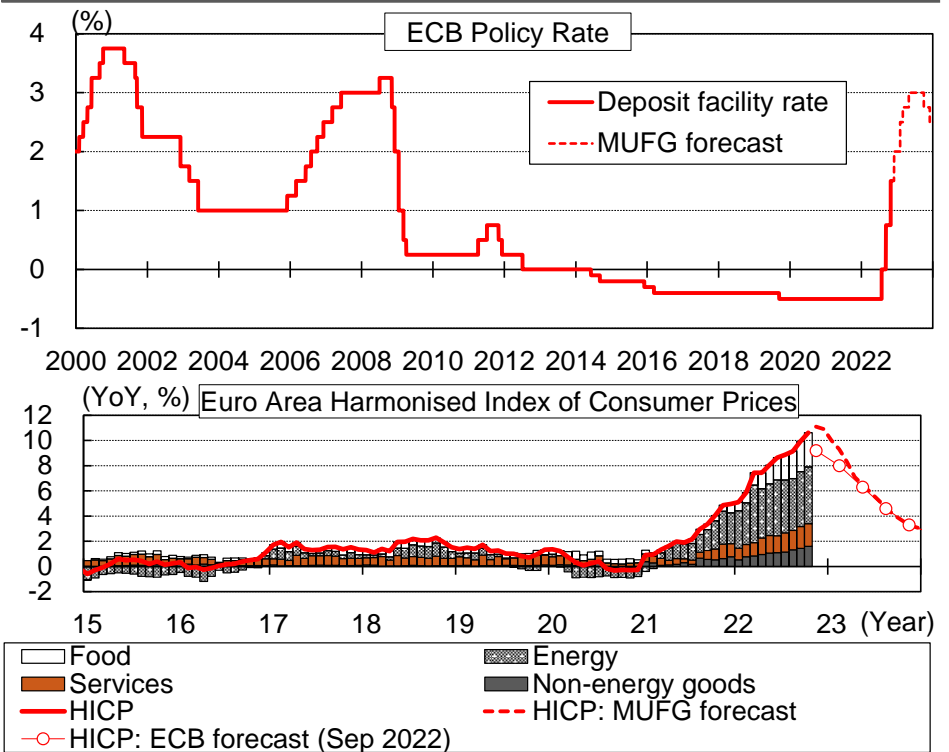
- Although Russia has reduced its supply of natural gas to Europe via pipelines, Europe is expected to avoid a serious energy shortage as it continues to procure more LNG and reduce gas consumption. However, spending on services has already recovered close to the trend it established before the COVID-19 pandemic, which means further growth will likely be limited. Meanwhile, countries are facing downward pressure from a huge rise in natural gas prices and economies are forecast to start to contract gradually.
- The real GDP growth rate is forecast to rise to a strong pace of 3.2% YoY in 2022 due to carry-over effects, but will then fall to -0.2% YoY in 2023. During this time, there is a risk of a natural gas shortage brought about by a cold winter, increased demand for LNG from Asia and other factors. In this case, countries will be forced to implement measures to significantly reduce demand.
- At its meeting on 27th October, the European Central Bank (ECB) raised its policy rate by 75 basis points for the second meeting in a row. The ECB indicated it would continue to raise rates, yet President Lagarde said, “we have made substantial progress in withdrawing monetary policy accommodation”. Rate hikes will likely stop around mid-2023, after which the ECB will start to cut rates as inflation slows.

Real GDP Forecast of Major European Countries

	(QoQ, %)					(YoY, %)		
	2021		2022			2021	2022	2023
	Q3	Q4	Q1	Q2	Q3	Actual	Forecast	Forecast
Euro area	2.3	0.5	0.6	0.8	0.2	5.3	3.2	-0.2
Germany	0.8	0.0	0.8	0.1	0.3	2.6	1.4	-0.8
France	3.3	0.6	-0.2	0.5	0.2	6.8	2.5	0.5
Italy	2.8	0.9	0.1	1.1	0.5	6.7	3.4	-0.3
UK	1.8	1.6	0.7	0.2	-0.2	7.5	4.2	-0.7

Source: Eurostat, Office of National Statistics, MUFG Bank Economic Research Office

ECB Policy Rate and CPI in the Euro Area

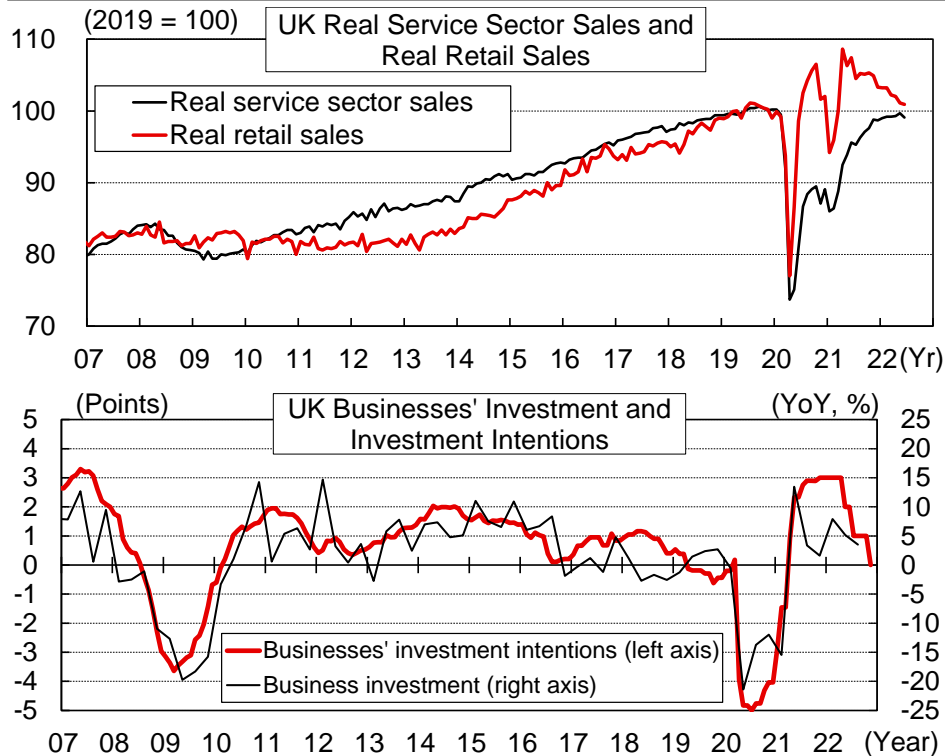


Source: Eurostat, Office of National Statistics, MUFG Bank Economic Research Office

2-3. European Economies: UK

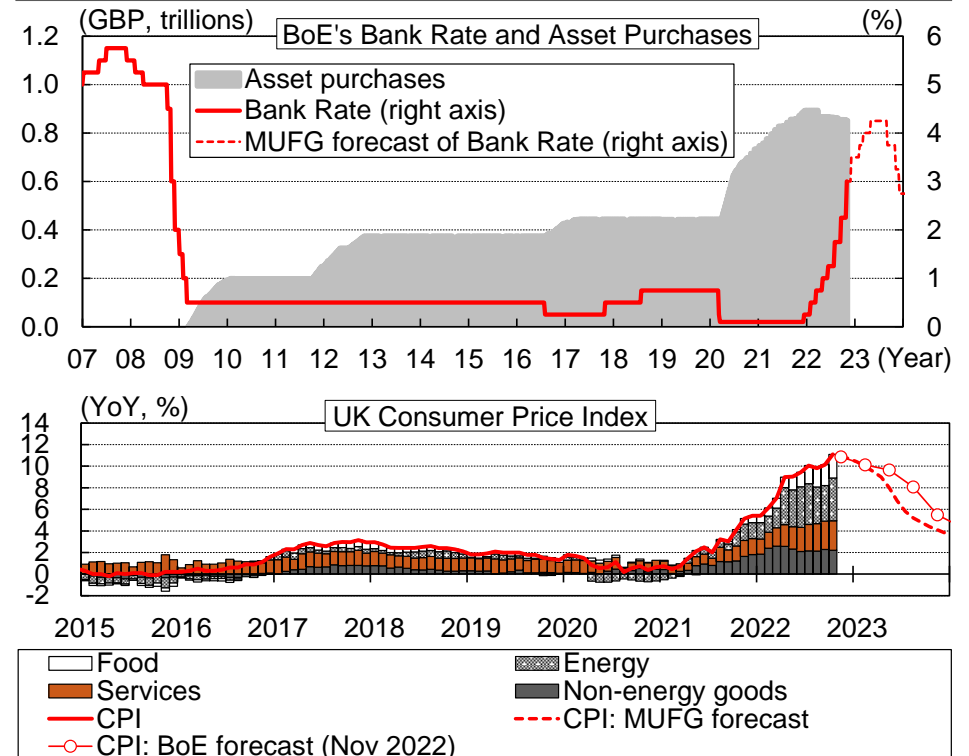
- Since last year, the UK has been easing restrictions on movement ahead of other major advanced economies. As a result, spending on services has recovered earlier compared with other countries and the scope for further increases is limited. In addition, inflation rates will remain high into next year and are expected to continue to put downward pressure on consumption. The Bank of England (BoE) has continued to raise its Bank Rate since the end of 2021 and businesses' investment intentions have cooled.
- The UK economy is forecast to continue to contract until mid-2023. Although real GDP will record strong growth of 4.2% YoY in 2022 owing to carry-over effects, it will then fall to -0.7% YoY in 2023.
- The inflation rate accelerated in October and the BoE is expected to continue to raise its Bank Rate. However, in its meeting minutes, it said "further increases in the Bank Rate might be required for a sustainable return of inflation to target, albeit to a peak lower than priced into financial markets" (around 5%), indicating it will stop its rate hikes in mid-2023. The BoE will likely start to lower its Bank Rate in the second half of 2023 as inflation will decelerate.

UK Service & Retail Sales and Businesses' Investment Intentions



Source: ONS, MUFG Bank Economic Research Office

BoE's Bank Rate & Asset Purchases and CPI

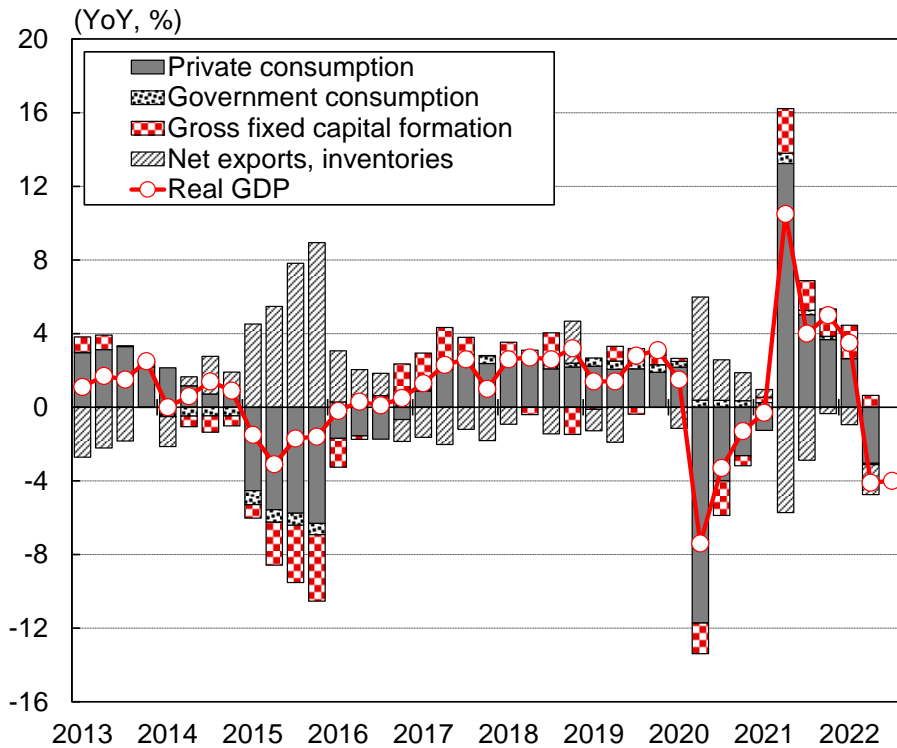


Source: Bank of England, ONS, MUFG Bank Economic Research Office

2-3. European Economies: Russia

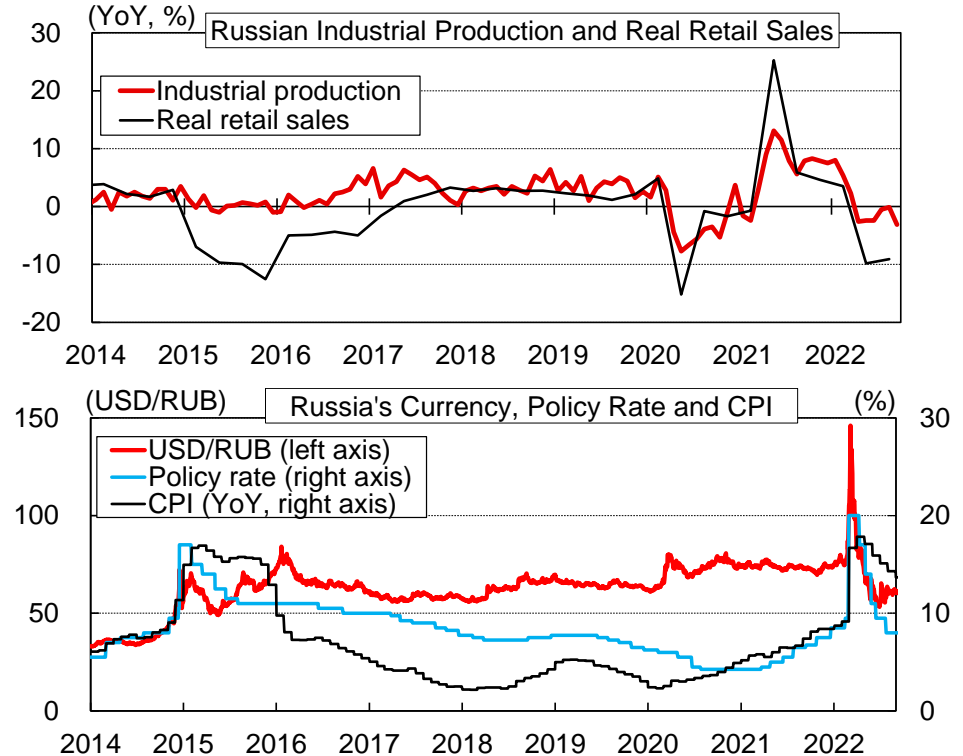
- Russia's real GDP growth rate for the July-September quarter was -0.4% YoY, contracting for the second quarter in a row. Inflation remained high owing to the impact of large-scale economic sanctions imposed by the West on Russia, and there was downward pressure on private consumption. Since April, industrial production has fallen below the level it recorded last year and the economy continues to worsen. It is unlikely that the economic sanctions will ease soon and the Russian economy is forecast to continue to contract.
- The rouble depreciated sharply following Russia's invasion of Ukraine but it has since rallied. As a result, the Central Bank of the Russian Federation (CBR) has continued to reduce its policy rate. However, at a meeting on 28th October, the CBR shifted its stance to address high inflation and it maintained its policy rate. Therefore, policy support for the economy will likely be limited in the future. The real GDP growth rate is forecast to decline to -4.5% YoY in 2022 and remain negative at -3.0% YoY in 2023.

Russia's Real GDP



Source: Rosstat, MUFG Bank Economic Research Office

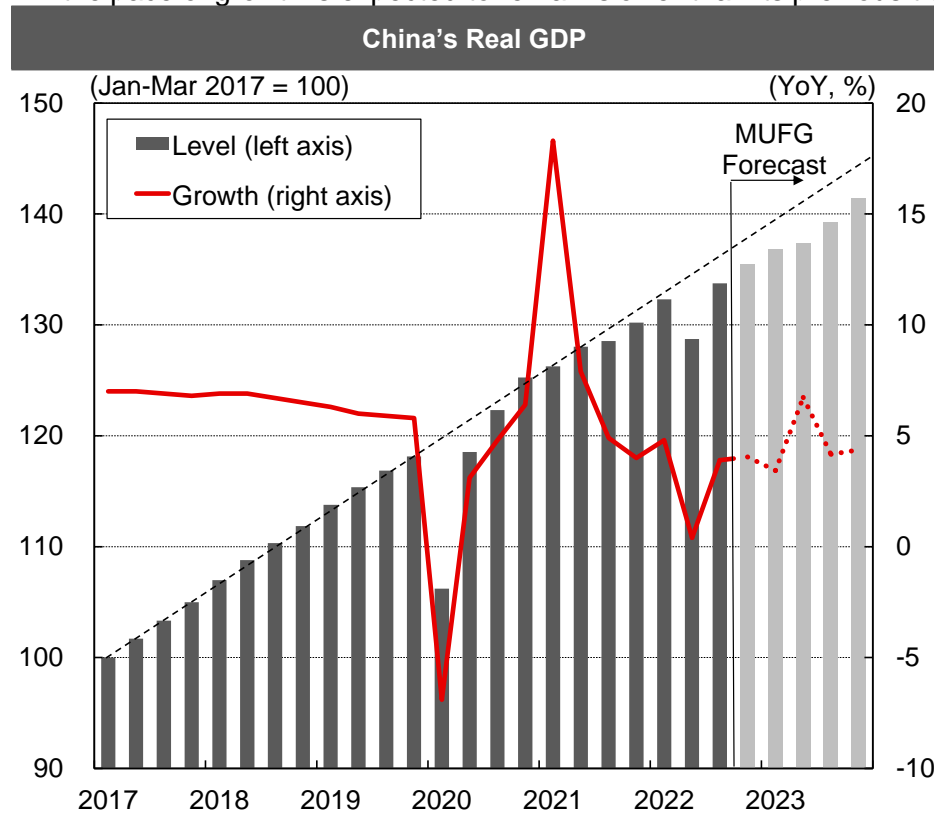
Industrial Production, Retail Sales, FX, Policy Rate & Consumer Prices



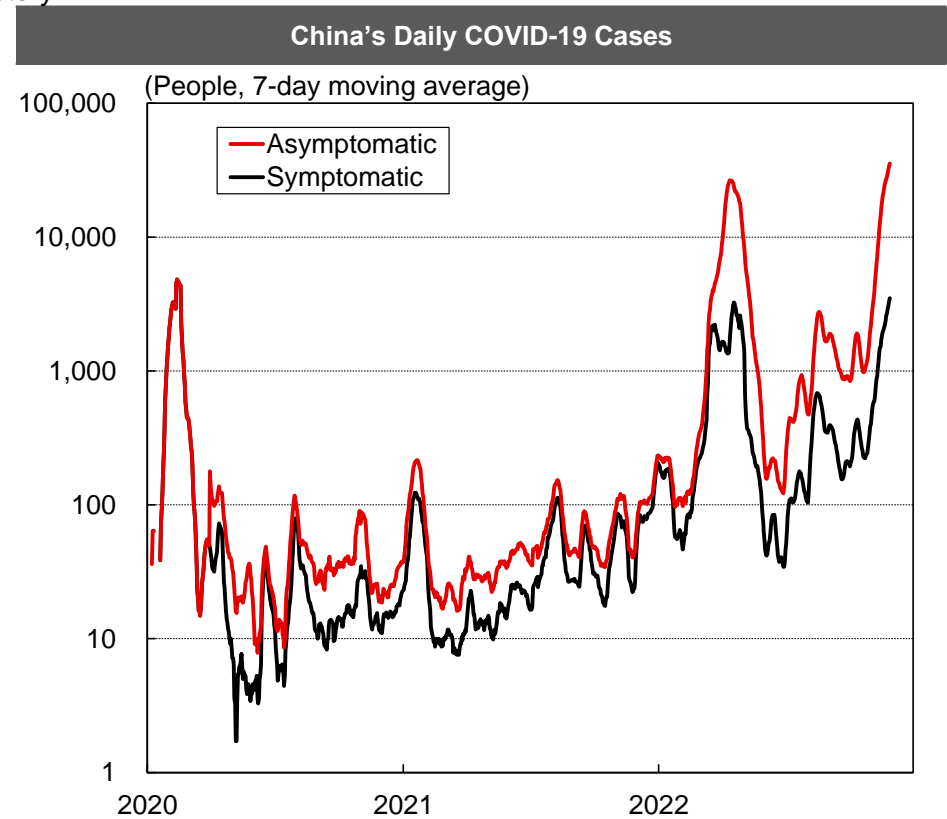
Source: Rosstat, Central Bank of the Russian Federation, Macrobond, MUFG Bank Economic Research Office

2-4. Asian Economies: China

- Since August, the economy has experienced downward pressure from a tightening of restrictions on the movement of people in large cities. However, the economy rebounded significantly from its sharp declaration the previous quarter. That being said, China's economic recovery lacks momentum due to the continued rise in COVID-19 cases and intermittent tightening of restrictions on movement.
- Looking ahead, China is forecast to face several headwinds: its "zero COVID-19" policy, the slump in its real estate market and the deceleration of demand in overseas economies. There is considerable dissatisfaction in China regarding the "zero COVID-19" policy and it is likely the policy will be adjusted in stages. However, the policy is unlikely to be abandoned completely given the government emphasised adherence to policy at its National Congress. The government aims to stimulate the economy with fiscal policies such as infrastructure investment, but it is unlikely to be enough to offset the headwinds.
- We project the real GDP growth rate for 2022 will be low at 3.3% YoY. Next year, downward pressure on the economy from restrictions on the movement of people will slowly ease compared with 2022, causing the real GDP growth rate to accelerate to 4.7% YoY. Nevertheless, the pace of growth is expected to remain slower than its previous trajectory.



Note: The black dotted line shows the trend of "Real GDP" from 2017 to 2019
 Source: National Bureau of Statistics of China, MUFG Bank Economic Research Office

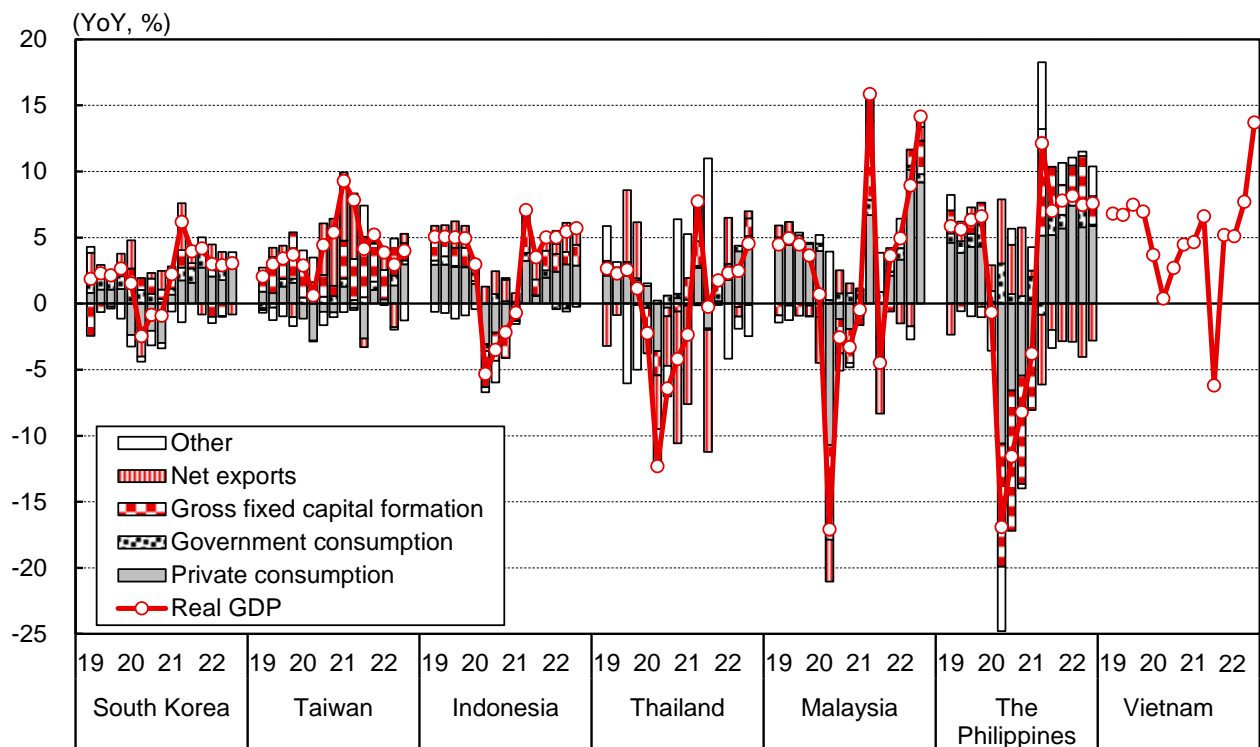


Source: National Health Commission of the People's Republic of China,
 MUFG Bank Economic Research Office

2-4. Asian Economies: NIEs and ASEAN

- NIEs and ASEAN (five major countries) registered real GDP growth rates of 2.8% YoY and 7.9% YoY, respectively, in the July-September quarter. Growth was strong in ASEAN economies thanks to a rebound from the large slump the previous year caused by the spread of the Delta variant. According to the breakdown by demand components, exports remained robust in NIEs and ASEAN economies and an easing of restrictions on the movement of people led to an acceleration of private consumption growth.
- Looking ahead, NIEs and ASEAN economies are predicted to slow gradually into next year as the tailwind from pent-up demand when economies re-opened wears off. In terms of domestic demand, high inflation and interest rates are expected to weigh on private consumption. On the external demand front, services exports will pick up as international travel resumes and the number of foreign visitors increases. On the other hand, the deceleration of advanced economies will put the brakes on export growth, thereby diminishing the driving force behind the recovery of NIEs and ASEAN economies.
- The real GDP growth rate for NIEs is forecast to be 2.5% YoY in 2022 and 2.0% YoY in 2023. For ASEAN, the rate for 2022 is expected to be comparatively stronger at 5.7% YoY due to a rebound from the previous year, and will slow to 4.8% YoY in 2023.

Real GDP of Major Asian Economies



Outlook for ASEAN (five countries)

Country	Outlook
Indonesia	As a domestic demand-driven country, Indonesia is less susceptible to stagnation of overseas economies and growth will remain relatively strong next year.
Thailand	Recovery has been the slowest in ASEAN, but growth will accelerate when tourism regains momentum next year.
Malaysia	The growth rate for 2022 will be high due to strong exports, but there are downside risks from the ongoing political disruption.
The Philippines	Although it is domestic demand-driven country, there is downward pressure on private consumption caused by a decrease in overseas worker remittances as foreign economies slow.
Vietnam	High dependence on exports means there will be relatively strong downward pressure from decreased demand in advanced economies.

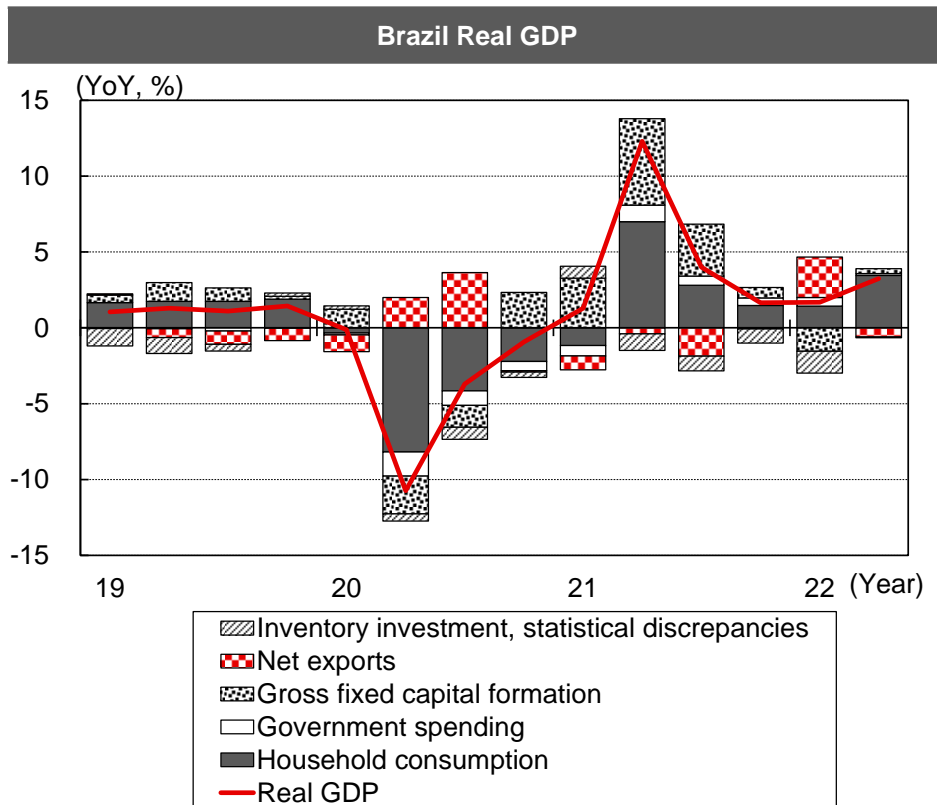
Note: Breakdown of data is not available for Vietnam.

Source: National statistics of each country, MUFG Bank Economic Research Office

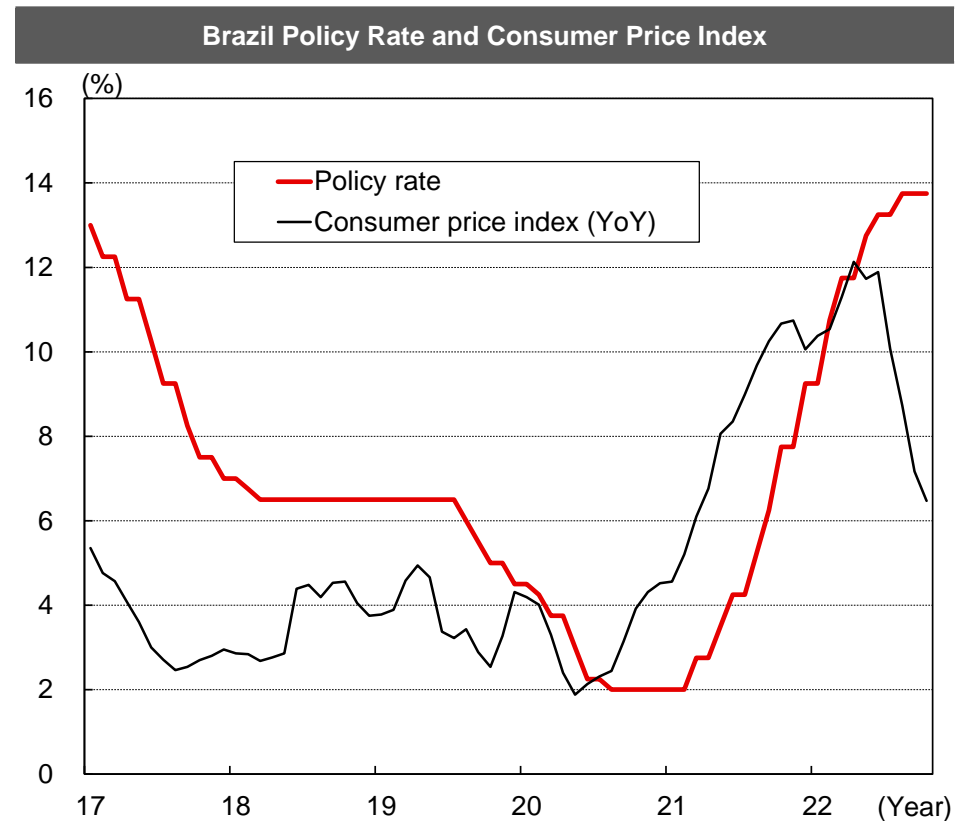
Source: Various resources, MUFG Bank Economic Research Office

2-5. Latin American Economies: Brazil

- Brazil's real GDP growth rate accelerated to 3.2% YoY in the April-June quarter. Improvements in employment and the postponing of Carnival parades until April (triggered by rises in COVID-19 cases) helped boost consumer spending for that quarter.
- Consumer price index growth has been slowing due to a fall in commodity prices and cuts to fuel tax. The Central Bank of Brazil has maintained its policy rate at 13.75% since August.
- Looking ahead, Brazil's economic growth is on track to decelerate due to the cumulative effects of past interest rate hikes. The real GDP growth rate is projected to slow to 2.6% YoY in 2022 and 0.8% YoY in 2023. While there is an upcoming change in government, fiscal discipline is unlikely to loosen significantly as the new government under President-elect Lula will need to form a coalition with centrists and some conservatives.



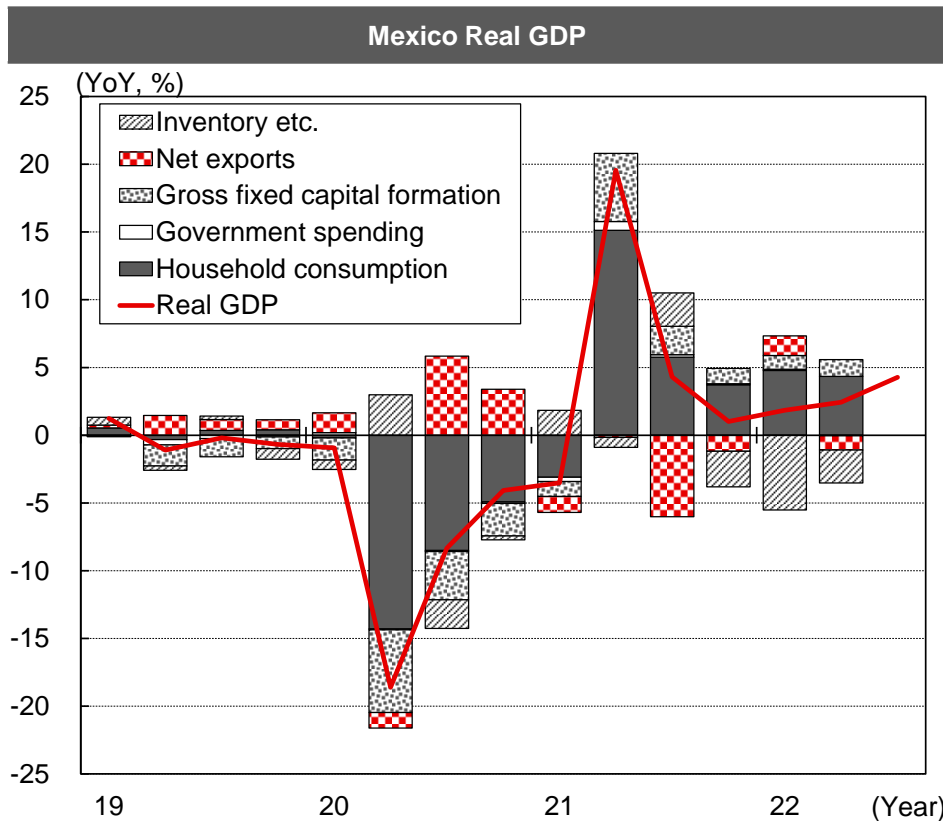
Source: Brazilian Institute of Geography and Statistics, Institute for International Monetary Affairs



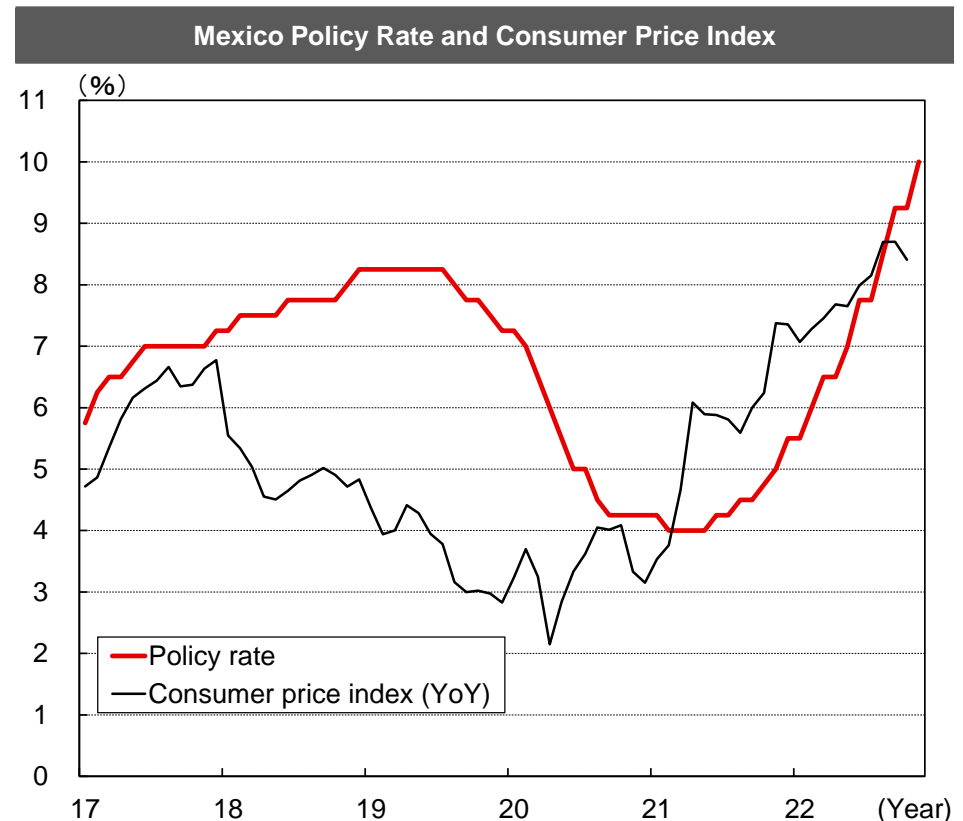
Source: Central Bank of Brazil, Institute for International Monetary Affairs

2-5. Latin American Economies: Mexico

- Mexico's real GDP growth rate accelerated to 4.3% YoY in the July-September quarter. Supply constraints in the manufacturing sector are easing and the negative impacts of a subcontracting ban (introduced in second half of 2021) are gradually fading.
- Consumer price index growth has been high due in part to sharp rises in wages. The Bank of Mexico (central bank) raised its policy rate to 10.0% in November and is expected to continue raising rates for a while.
- Looking ahead, the deceleration of the US economy and continued rate hikes will likely put downward pressure on the Mexican economy. We project that Mexico's real GDP will increase by 2.8% YoY for 2022, but growth is then projected to slow to 1.2% YoY in 2023.



Source: National Institute of Statistics and Geography (INEGI),
Institute for International Monetary Affairs

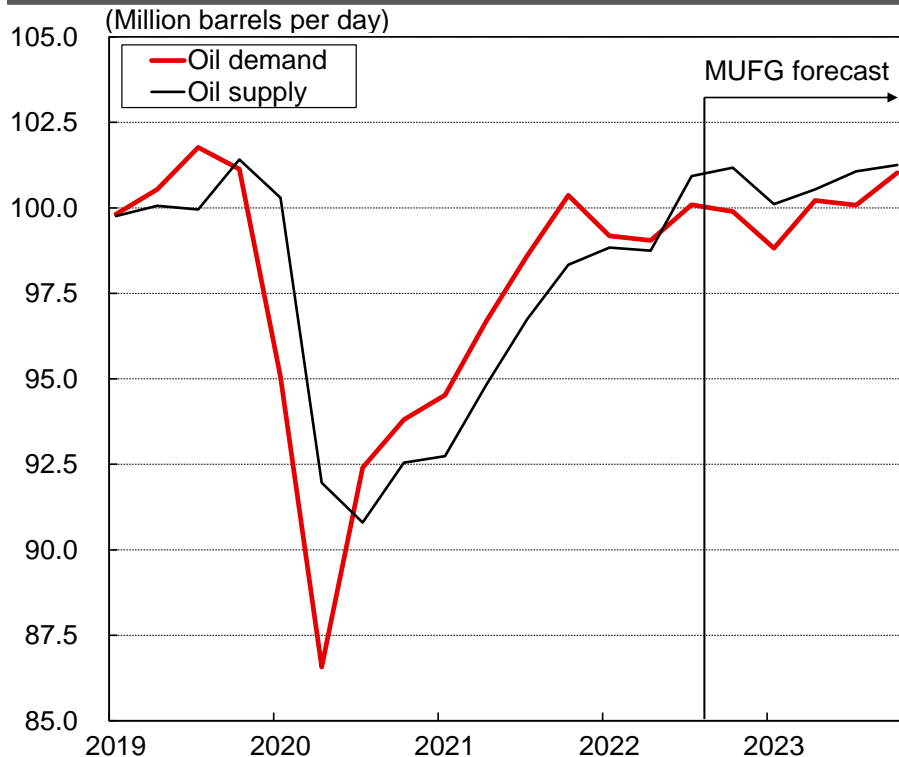


Source: Bank of Mexico, National Institute of Statistics and Geography (INEGI),
Institute for International Monetary Affairs

2-6. Oil Prices

- The pace of global economic expansion is forecast to slow due to high inflation around the world and the resulting rate hikes by central banks. While oil demand will maintain an upward trend, the pace of growth is expected to remain gradual. On the other hand, oil supply will increase, albeit at a gradual pace. As a result, the excess of supply in the oil supply-demand balance will likely continue but to a lesser extent than this year.
- Although it will be slight, the oil supply-demand balance will remain tipped towards excess supply and oil prices are forecast to stay at current levels or fall a little. While it is important to bear in mind both upside and downside risks, for the time being, attention should be focused on the consequences of China's "zero COVID-19" policy, Europe's ban on imports of Russian crude oil and Russia's oil production in response to the ban.

Forecast of Global Supply and Demand



Note: Forecast for period from November 2022 onwards by MUFG Economic Research Office
Source: EIA, MUFG Bank Economic Research Office

Forecast of Oil Prices

	WTI Price (USD/barrel)	YoY (%)	Brent Price (USD/barrel)	YoY (%)
Q1 2021	58.1	27.0%	61.3	20.7%
Q2	66.1	136.1%	69.1	106.9%
Q3	70.5	72.3%	73.2	69.0%
Q4	77.1	80.6%	79.7	76.0%
Q1 2022	95.0	63.4%	97.9	59.7%
Q2	108.5	64.2%	112.0	62.1%
Q3	91.4	29.7%	97.7	33.4%
Q4	83.0	7.7%	86.0	8.0%
Q1 2023	82.5	-13.2%	85.5	-12.7%
Q2	82.0	-24.4%	85.0	-24.1%
Q3	81.5	-10.9%	84.5	-13.5%
Q4	81.0	-2.4%	84.0	-2.3%
2021	68.0	72.8%	70.8	63.9%
2022	94.5	39.0%	98.4	38.9%
2023	81.8	-13.5%	84.8	-13.9%

Forecast

Note: Prices shown are average for period
Source: Bloomberg, MUFG Bank Economic Research Office

Appendix: Global Economic Outlook

Forecast for the Global Economy

		World (weighted average of nominal GDP)					Japan (FY)	Americas					Europe				
		Advanced economies	Emerging economies	Other	US	Central and South America (6 countries)			Euro area (19 countries)			UK	Russia				
						Brazil		Mexico	Argentina	Germany	France			Italy			
Nominal GDP	USD trillions	146.6	56.1	58.9	31.6	5.6	23.0	9.0	3.4	2.7	1.1	17.5	4.9	3.4	2.7	3.4	4.5
	Japan = 100	2,615	1,000	1,051	563	100	410	161	61	48	19	313	87	60	49	61	80
Real GDP (YoY, %)	2021 Actual	6.0	5.3	7.0	5.5	2.3	5.9	6.7	4.6	4.8	10.4	5.3	2.6	6.8	6.7	7.5	4.7
	2022 Forecast	3.3	2.5	3.6	3.9	1.9	1.9	3.1	2.6	2.8	4.0	3.2	1.4	2.5	3.4	4.2	-4.5
	2023 Forecast	2.4	0.5	3.7	3.5	1.2	0.6	1.1	0.8	1.2	2.0	-0.2	-0.8	0.5	-0.3	-0.7	-3.0
CPI (YoY, %)	2021 Actual	4.6	3.2	3.7	8.7	0.1	4.7	10.9	8.3	5.7	48.4	2.6	3.2	2.1	2.0	2.6	6.7
	2022 Forecast	8.6	7.3	6.0	15.8	2.8	8.2	14.6	6.5	8.0	72.4	8.2	7.6	5.6	7.8	9.1	13.0
	2023 Forecast	6.9	5.1	5.2	13.1	1.5	5.4	13.6	5.5	6.5	13.6	5.9	6.7	4.6	5.3	6.8	7.0

		Asia and Oceania														
		Asia (11 countries and regions)														Australia
		China	India (FY)	NIEs (4 countries and regions)				ASEAN (5 countries)								
S. Korea	Taiwan			Hong Kong	Singapore	Indonesia	Thailand	Malaysia	Philippines	Vietnam						
Nominal GDP	USD trillions	50.5	27.2	10.2	5.1	2.5	1.5	0.5	0.6	8.0	3.6	1.3	1.0	1.0	1.1	1.5
	Japan = 100	901	485	182	91	45	26	9	11	143	64	24	17	18	20	26
Real GDP (YoY, %)	2021 Actual	7.1	8.1	8.7	5.5	4.1	6.6	6.3	7.6	3.4	3.7	1.5	3.1	5.7	2.6	4.7
	2022 Forecast	4.3	3.3	7.0	2.5	2.6	3.3	-2.0	3.7	5.7	5.2	3.2	8.0	6.8	7.6	3.8
	2023 Forecast	4.6	4.7	5.7	2.0	1.5	2.3	3.5	2.4	4.8	4.7	3.8	4.0	5.3	6.2	1.7
CPI (YoY, %)	2021 Actual	2.1	0.9	5.5	2.2	2.5	2.0	1.6	2.3	2.0	1.6	1.2	2.5	3.9	1.8	2.9
	2022 Forecast	3.7	2.2	6.9	4.4	5.2	3.0	2.1	6.2	4.5	4.2	6.1	3.5	5.5	3.5	6.6
	2023 Forecast	3.3	2.4	5.3	3.1	3.4	2.2	2.1	4.4	3.7	4.1	2.8	3.2	4.1	3.6	5.1

Note: 1. "Nominal GDP" is based on purchasing power parity

2. For "CPI", Japan is composite figure excluding fresh food. CPI refers to the HCIP for the euro area and member countries (HICP)

3. Figures for Japan and India based on their financial years (April to following March) except Japan's nominal GDP

4. "World", "developed countries", "emerging countries" calculated using Japan data based on the calendar year, India data based on the fiscal year for nominal GDP only and other countries' data based on the calendar year

5. "Advanced economies" is a total of Japan, NIEs (4 countries and regions), Australia, US, Euro area (19 countries) and the UK. "Emerging economies" is a total of China, India, ASEAN (5 countries), Central and South America (6 countries) and Russia

6. "Central and South America (6 countries)" is a total of Brazil, Mexico, Argentina, Colombia, Chile and Peru

7. "Other" uses the IMF forecast for October as a reference.

Source: National statistics of each country, MUFG Bank Economic Research Office

Appendix: Outlook for the Japanese Economy and Financial Markets

Outlook for the Japanese Economy (First Preliminary Estimate of GDP Statistics for July-September 2022)

	Forecast												Forecast			
	2021				2022				2023				2024	FY2021	FY2022	FY2023
	Q1	2Q	3Q	4Q	Q1	2Q	3Q	4Q	Q1	Q2	Q3	Q4	Q1			
1. The Real Economy (QoQ annualized change)																
Real GDP	-1.3	2.0	-2.5	4.1	0.2	4.6	-1.2	3.9	1.1	1.0	0.9	0.7	0.5	2.3	1.9	1.2
Private Consumption	-2.5	1.8	-3.9	10.2	1.3	5.1	1.1	1.4	1.0	1.0	1.0	0.8	0.6	2.6	2.9	1.0
Housing Investment	2.9	6.4	-7.0	-5.4	-5.2	-7.4	-1.7	0.4	0.8	1.2	0.6	0.4	0.2	-1.7	-4.2	0.6
Private Business Fixed Investment	3.6	4.4	-8.9	1.3	-0.5	9.9	6.3	2.4	2.2	2.0	2.0	1.8	1.8	0.6	3.6	2.3
Business Inventory (Contribution)	-0.4	0.4	0.7	-0.2	2.0	-0.9	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	-0.0
Government Expenditures	-2.3	0.7	0.6	-3.9	-1.2	3.4	0.9	2.0	1.1	0.6	0.6	0.6	0.6	0.0	0.6	0.9
Public Investment	-0.2	-9.3	-13.7	-14.0	-11.5	4.2	4.9	2.8	2.4	0.6	0.6	0.6	0.6	-7.5	-2.1	1.4
Net Exports (Contribution)	0.4	-0.4	0.4	0.0	-1.9	0.7	-2.6	2.3	-0.0	-0.1	-0.1	-0.2	-0.2	0.8	-0.3	0.0
Exports	10.1	14.3	-2.5	2.6	4.6	7.2	7.9	1.2	1.2	0.8	0.8	0.6	0.8	12.4	4.5	1.3
Imports	7.9	18.0	-5.2	2.8	15.1	3.3	22.6	-9.6	1.2	1.2	1.4	1.6	2.0	7.1	6.2	1.1
Nominal GDP	-2.3	-0.7	-2.6	2.6	1.5	3.4	-2.0	3.6	4.6	1.5	1.7	1.2	4.3	1.3	1.6	2.3
GDP Deflator (YoY)	-0.1	-1.1	-1.1	-1.2	-0.5	-0.4	-0.5	-0.3	0.4	0.7	1.2	1.2	1.4	-1.0	-0.2	1.1
Industrial Production Index (QoQ)	2.6	0.2	-1.9	0.2	0.8	-2.7	5.9	0.3	0.4	0.3	0.4	0.4	0.3	5.8	2.4	2.8
Domestic Corporate Goods Price Index (YoY)	-0.5	4.5	5.9	8.6	9.3	9.7	9.6	8.5	6.4	4.0	3.5	3.0	2.6	7.1	8.5	3.3
Consumer Price Index (excl. fresh food, YoY)	-0.5	-0.6	0.0	0.4	0.6	2.1	2.7	3.6	2.9	2.3	1.6	1.1	1.0	0.1	2.8	1.5
2. Balance of Payments																
Trade Balance (JPY billions)	1,527	1,005	-230	-715	-1,688	-3,775	-5,849	-5,094	-4,657	-4,387	-4,176	-3,882	-3,456	-1,619	-19,375	-15,902
Current Balance (JPY billions)	5,505	6,388	4,882	4,745	4,177	3,221	782	2,037	2,399	2,721	2,934	3,205	3,606	20,275	8,438	12,466
3. Financial																
Uncollateralized overnight call rate	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Euro-Yen TIBOR (3-month rate)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Newly Issued 10-Year Government Bonds Yield	0.1	0.1	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Exchange Rate (USD/JPY)	106	109	110	114	116	130	138	143	138	137	136	134	132	112	137	135

Note: Uncollateralized overnight call rate is the average rate during the last month of the period. Euro-Yen TIBOR (3-month rate), Newly Issued 10-Year Government Bonds Yield and Exchange Rate (USD/JPY) are averages during the period.

Source: Various statistics, Bloomberg, MUFG Bank Economic Research Office

Appendix: Outlook for the US Economy and Financial Markets

Outlook for the US Economy

	2021				2022				2023				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
1. Main Economic Indicators															
Real GDP (QoQ annualized, %)	6.3	7.0	2.7	7.0	-1.6	-0.6	2.6	0.7	0.8	0.2	-0.1	-0.2	5.9	1.9	0.6
Personal Consumption Expenditures	10.8	12.1	3.0	3.1	1.3	2.0	1.4	1.1	1.0	0.6	-0.1	-0.4	8.3	2.6	0.8
Fixed Investment (Residential)	11.6	-4.8	-5.8	-1.1	-3.1	-17.8	-26.4	-6.0	-0.9	-1.0	-1.0	-0.9	10.7	-9.3	-6.8
Fixed Investment (Nonresidential)	8.9	9.9	0.6	1.1	7.9	0.1	3.7	0.2	0.1	-0.1	-0.8	-1.0	6.4	3.3	0.3
Changes in Business Inventories (Contribution)	-2.5	-0.8	2.0	5.0	0.2	-1.9	-1.6	-0.4	-0.2	-0.2	0.0	0.0	0.3	0.7	-0.5
Government Expenditures	6.5	-3.0	-0.2	-0.9	-2.3	-1.6	2.4	0.6	0.7	-0.1	-0.3	-0.4	0.6	-0.9	0.4
Net Exports (Contribution)	-1.0	-0.6	-1.1	-0.2	-3.1	1.2	3.2	0.4	0.2	0.0	0.2	0.4	-1.4	-0.7	0.7
Exports	0.4	4.8	-1.1	23.5	-4.6	13.8	14.4	-0.4	-0.2	-0.5	0.3	1.4	6.1	7.3	2.4
Imports	7.6	7.9	6.6	18.6	18.4	2.3	-6.9	-2.4	-1.4	-0.4	-0.8	-1.0	14.1	8.4	-1.8
Domestic Private End User Demand	10.5	10.9	2.2	2.6	2.2	0.9	0.6	0.7	0.8	0.4	-0.3	-0.5	8.1	2.2	0.5
Nominal GDP (QoQ annualized, %)	11.7	7.7	15.2	14.3	6.6	8.5	6.7	4.2	3.6	2.9	2.6	2.4	10.3	9.3	4.1
Industrial Production (QoQ annualized, %)	3.1	6.5	3.5	4.8	4.7	5.2	2.9	-1.7	-1.9	-2.3	-3.2	-3.5	4.9	4.1	-1.2
Unemployment Rate (%)	6.2	5.9	5.1	4.2	3.8	3.6	3.5	3.7	3.9	4.2	4.6	4.9	5.4	3.6	4.4
Producer Price Index (YoY, %)	2.9	7.0	8.5	9.6	10.7	11.2	9.0	8.1	5.6	2.9	3.1	2.8	7.0	9.7	3.6
Consumer Price Index (YoY, %)	1.9	4.8	5.3	6.7	8.0	8.6	8.3	7.7	6.9	5.3	4.9	4.4	4.7	8.2	5.4
2. Balance of Payments															
Trade Balance (USD billions)	-265	-267	-273	-285	-342	-311	-270	-303	-298	-295	-292	-288	-1,090	-1,225	-1,173
Current Account (USD billions)	-189	-206	-226	-225	-283	-229	-211	-226	-243	-240	-236	-231	-846	-949	-950
3. Financial Indicators															
FF Rate Target (%)	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.25-0.50	1.50-1.75	3.00-3.25	4.25-4.50	4.75-5.00	4.75-5.00	4.50-4.75	4.25-4.50	0.00-0.25	4.25-4.50	4.25-4.50
Euro Dollar (3M) (%)	0.2	0.2	0.1	0.2	0.5	1.5	3.0	4.4	4.9	5.0	4.8	4.5	0.2	2.4	4.8
10-year Treasury Note's Yield (%)	1.6	1.6	1.3	1.5	1.9	2.9	3.1	4.1	4.0	3.9	3.7	3.5	1.5	3.0	3.8

Note: FF Rate Target is for end of the period, and Euro Dollar (3M) and 10-year Note's Yields are period averages. Current account balance for Q3 2022 is a forecast.

Source: Compiled by MUFG Bank Economic Research Office from various reports and Bloomberg

Appendix: Outlook for the European Economies and Financial Markets

Outlook for European Economies

1. Overview

	Real GDP Growth Rate (YoY, %)			CPI (YoY, %)			Current Account (USD billions)		
	2021 (Actual)	2022 (Forecast)	2023 (Forecast)	2021 (Actual)	2022 (Forecast)	2023 (Forecast)	2021 (Actual)	2022 (Forecast)	2023 (Forecast)
Euro Area	5.3	3.2	- 0.2	2.6	8.2	5.9	3359	76	814
Germany	2.6	1.4	- 0.8	3.2	7.6	6.7	3167	1380	1540
France	6.8	2.5	0.5	2.1	5.6	4.6	105	- 469	- 529
Italy	6.7	3.4	- 0.3	2.0	7.8	5.3	642	- 169	- 122
UK	7.5	4.2	- 0.7	2.6	9.1	6.8	- 629	- 1271	- 933
Russia	4.7	- 4.5	-3.0	6.7	13.0	7.0	1223	2100	1380

2. Forecast by Demand Component

(YoY, %)

	Euro Area			UK		
	2021 (Actual)	2022 (Forecast)	2023 (Forecast)	2021 (Actual)	2022 (Forecast)	2023 (Forecast)
Nominal GDP	7.5	6.9	2.3	7.9	8.6	1.3
Real GDP	5.3	3.2	- 0.2	7.5	4.2	- 0.7
Contribution by domestic demand	4.0	3.1	0.1	8.5	5.2	- 0.6
Contribution by foreign demand	1.3	0.1	- 0.3	- 1.0	- 1.0	- 0.1
Private consumption	3.7	3.8	- 0.0	6.2	4.6	- 0.6
Government consumption	4.3	1.8	1.0	12.6	1.4	1.8
Gross fixed capital formation	3.7	2.3	- 0.3	5.6	5.5	- 0.1
Inventory investment (contribution)	0.3	0.7	- 0.0	0.9	1.8	0.1
Exports	10.5	6.9	2.7	- 0.3	9.9	7.0
Imports	8.3	7.1	3.5	2.8	13.0	6.9

Note: 1. "Euro area" is total of 19 countries - Germany, France, Italy, Ireland, Estonia, Austria, The Netherlands, Cyprus, Greece, Spain, Slovakia, Slovenia, Finland, Belgium, Portugal, Malta, Luxembourg, Lithuania

2. "CPI" is the standardised inflation rate for the euro area, Germany, France and Italy (HICP)

Source: Eurostat, UK Office for National Statistics, MUFG Bank Economic Research Office

-
- **This report is intended for information purposes only and shall not be construed as solicitation to take any action. In taking any action, each reader is requested to do so on the basis of their own judgment.**
 - **This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice.**
 - **This report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source.**

Contact Information

MUFG Bank, Economic Research Office

Authors: Akira Watanabe (Chief Economist)

Rei Tsuruta (Overview)

Tooru Kanahori (Overview)

Nana Matsui (Japan and oil prices)

Yuki Hasegawa (Japan)

Sai Yabuki (US)

Takasuke Tanaka (Europe)

Yohei Nose (Asia and Australia)

Kengo Nakayama (Oil prices and FX)

Rina Takasu (Oil prices)

e-mail: akira_7_watanabe@mufg.jp

e-mail: rei_tsuruta@mufg.jp

e-mail: tooru_kanahori@mufg.jp

e-mail: nana_matsui@mufg.jp

e-mail: yuuki_4_hasegawa@mufg.jp

e-mail: sai_yabuki@mufg.jp

e-mail: takasuke_tanaka@uk.mufg.jp

e-mail: youhei_nose@mufg.jp

e-mail: kengo_nakayama@mufg.jp

e-mail: rina_takasu@mufg.jp

Translators: Elizabeth Foster (London)

Chie Okada-Wighe (New York)