

Outlook for the Japanese and Overseas Economies

ECONOMIC RESEARCH OFFICE

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1-1. Overview of Economic Outlook

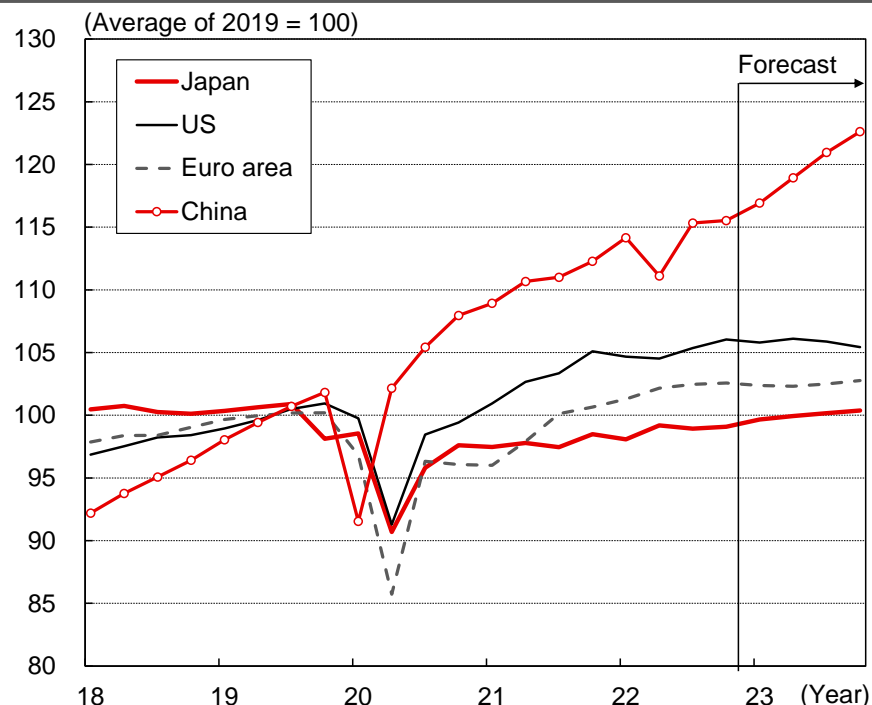
- In 2023, we will see inflation slowly subside and central banks around the world will start to phase out their rate hikes. Meanwhile, the cumulative effects of monetary tightening up until now is likely to weigh on economic activity. The global real GDP growth rate is expected to slow from 3.3% YoY in 2022 to 2.6% YoY in 2023.
- We have revised our forecast for global growth in 2023 upwards slightly from our November 2022 Outlook in light of China lifting its “zero-COVID-19” policy, a stronger-than-expected labour market in the US and increased fiscal spending and an easing of concerns about energy supplies in Europe thanks to a warm winter.

- ✓ **Pandemic:** Restrictions on movement of people are being eased globally. For all intents and purposes, China has ended its “zero COVID19” policy, yet the number of COVID-19 cases and government policies should be monitored.
- ✓ **Ukraine conflict:** The conflict looks set to be prolonged. Although the risk of a dramatic escalation is low, the prospect of a swift resolution through diplomatic channels is also bleak.
- ✓ **Energy issues:** The risk of serious energy shortages in Europe is low, but many uncertainties remain.
- ✓ **Economic security:** The US is stepping up its export restrictions. Nevertheless, restrictions will be limited to certain advanced technologies and the risk that they will be expanded is low.

Real GDP Outlook for Major Economies

(%)	2021	MUFG Forecast (March)			MUFG Forecast (November)		
		2022	2023	2023	2022	2023	
World	6.2	3.3	2.6		3.3	2.4	
US	5.9	2.1	(0.1)	0.6	-(0.2)	1.9	0.6
Euro area	5.3	3.5	(1.5)	0.4	-(0.1)	3.2	-0.2
UK	7.6	4.0	(0.5)	-0.1	-(0.1)	4.2	-0.7
Japan (FY)	2.6	1.4	(0.2)	1.1	(0.4)	1.9	1.2
Japan (CY)	2.1	1.1	(0.7)	1.2	(0.3)	1.5	1.5
Asia (total 11 economies)	7.4	4.1	4.8		4.3	4.6	
China	8.4	3.0	(1.3)	5.2	(3.9)	3.3	4.7
ASEAN 5	3.4	5.9	4.7		5.7	4.8	
Indonesia	3.7	5.3	(3.0)	4.7	(2.8)	5.2	4.7
Thailand	1.6	2.6	(1.6)	3.5	(3.9)	3.2	3.8
Malaysia	3.1	8.7	(6.9)	4.0	(4.2)	8.0	4.0
Philippines	5.7	7.6	(3.7)	5.2	(1.8)	6.8	5.3
Vietnam	2.6	8.0	6.2		7.6	6.2	

Real GDP Outlook for Select Major Economies



3 Note: Number in parentheses is growth rate when the 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

- Inflation is expected to peak during the first half of 2023 as energy prices fall and demand in the US and Europe slows.
- Inflation rates in the US and Europe are forecast to fall to around 2% in 2024 or after; however, central banks are expected to have stopped tightening their monetary policies for the most part by mid-2023 and will start to lower interest rates during the latter half of this year.
- The Bank of Japan (BoJ) is expected to maintain its accommodative monetary policy stance this year. Based on the statement given by the new governor for the BoJ, Kazuo Ueda, to the Japanese Diet, it is unlikely there will be any policy changes that will have a large impact on the domestic economy, such as ending negative interest rates while overseas economies are decelerating. Nevertheless, there is a high possibility that the BoJ will allow long-term yields to fluctuate in a wider range, which will have a relatively small effect on the economy and can be explained as a response to a deterioration in market functioning.

Outlook of Consumer Prices for Major Economies

(YoY, %)	2021	2022	MUFG Forecast (March)	
			2023	
World	4.6	8.6	6.6	
US	4.7	8.0	4.7	
Euro area	2.6	8.4	4.7	
UK	2.6	9.1	5.6	
Japan (FY)	0.1	3.0	1.7	
Asia (total 11 economies)	2.1	3.5	3.3	
China	0.9	1.9	2.4	
ASEAN 5	2.0	4.5	3.9	
Indonesia	1.6	4.2	4.2	
Thailand	1.2	6.1	2.9	
Malaysia	2.5	3.4	3.0	
Philippines	3.9	5.8	5.3	
Vietnam	1.8	3.2	3.7	

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	2022	MUFG Forecast (March)		
			2023		
			End Dec	End Dec	End Jun
(%)					
US	0.00- 0.25	4.25- 4.50	5.00- 5.25	4.75- 5.00	
Euro area	- 0.50	2.00	3.50	3.50	
UK	0.25	3.50	4.50	4.00	
Japan	- 0.10	- 0.10	- 0.10	- 0.10	
China	3.80	3.65	3.65	3.65	
ASEAN 5	Indonesia	3.50	5.50	5.75	5.75
	Thailand	0.50	1.25	1.75	1.75
	Malaysia	1.75	2.75	3.00	3.00
	Philippines	2.00	5.50	6.50	6.50
	Vietnam	4.00	6.00	6.50	6.50

Note: Policy rates are FF target rate for the US, Deposit Facility Rate for the euro area,

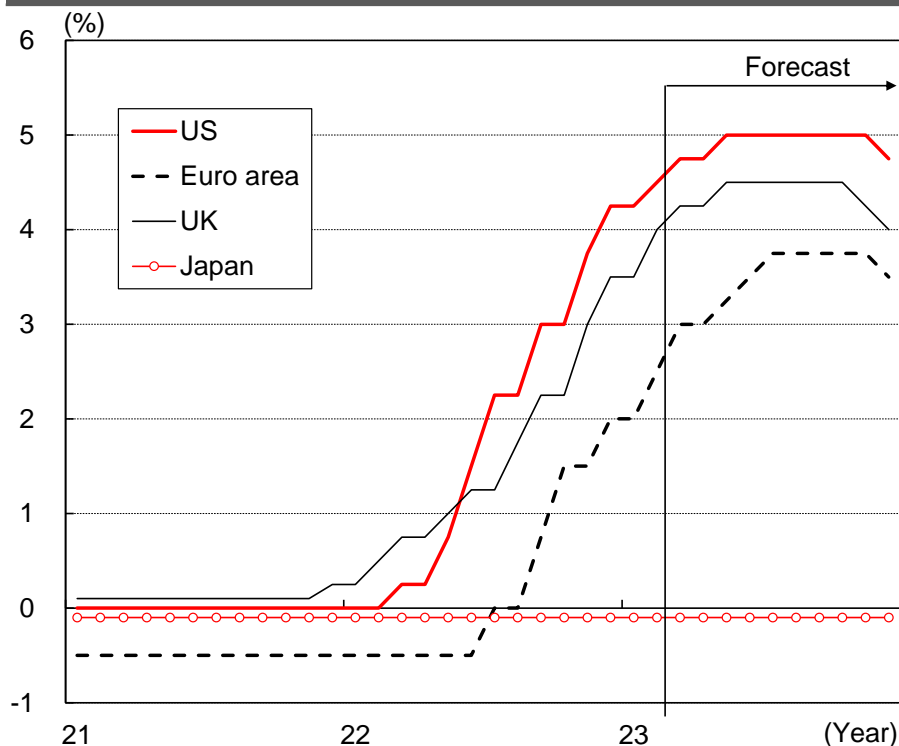
Bank Rate for the UK, Policy Balance Rate for Japan, and 1-year LPR for China.

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

1-3. Monetary Policy and Labour Markets in Advanced Economies

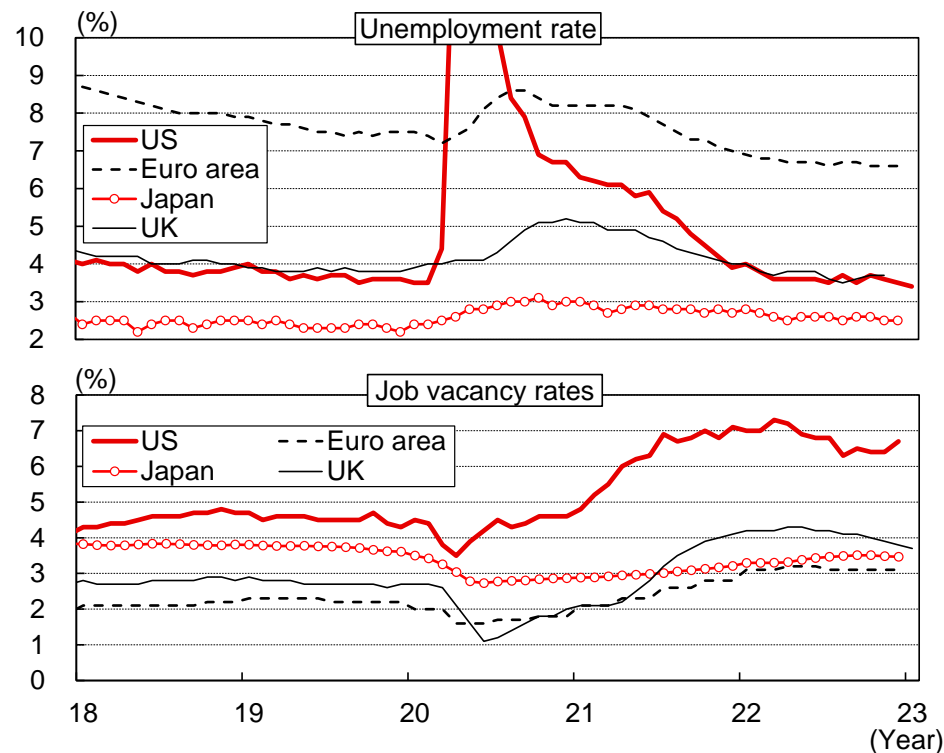
- Core inflation is slowing at different paces across countries, which in turn is affecting the pace at which central banks raise interest rates. The Fed has already started to slow the pace of its rate hikes in December last year, whereas the Bank of England is forecast to slow its rate hikes in March and it will be mid-2023 before the European Central Bank starts to do the same. On the other hand, Japan is expected to maintain its negative interest rate policy.
- Labour supplies are slow to recover; unemployment rates are low and job vacancy rates remain high. As a result, labour markets in advanced economies are tight. Given that inflation rates will very likely exceed 2% at the end of this year, advanced economies (excluding Japan) are forecast to keep their policy rates above neutral interest rates.

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.

Unemployment and Job Vacancy Rates in Advanced Economies



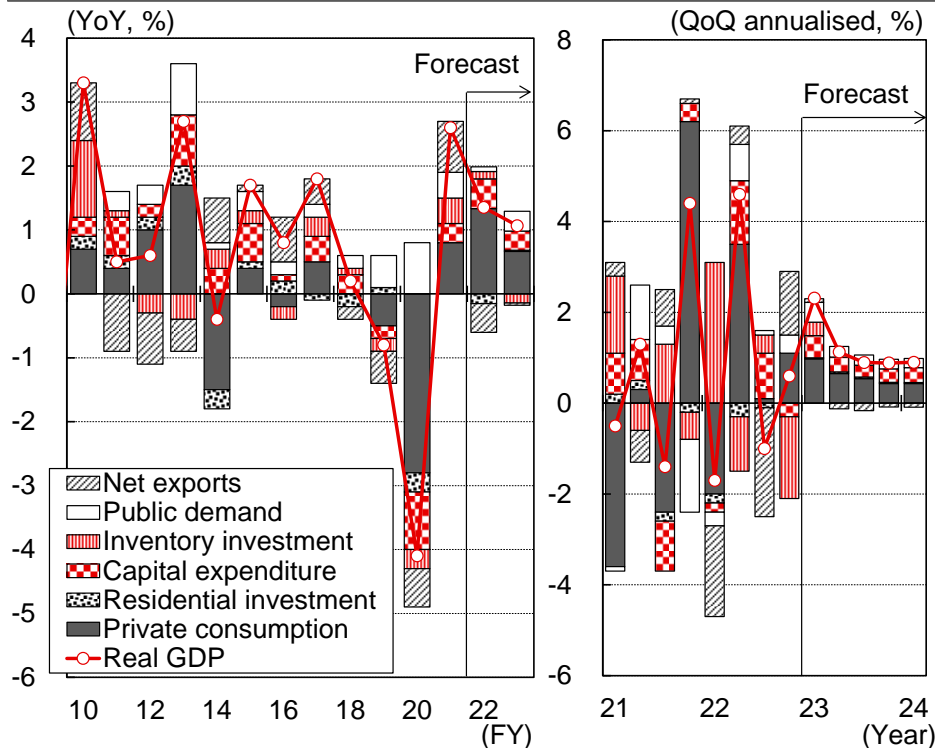
Source: National statistics from each country, MUFG Bank Economic Research Office

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

2-1. The Japanese Economy – Overview

- The real GDP growth rate for the October-December quarter last year was 0.6% QoQ annualised (preliminary estimate) – the first expansion in two quarters. While the contributions from capital expenditure and inventory investment were negative, real GDP growth was led by a recovery in private consumption, particularly services, and an improvement in net exports on the back of a rise in inbound tourism demand. Among final demand, private consumption has remained firm, resulting in the continued recovery of 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.
- The real GDP growth rate is forecast to be 1.4% YoY in FY2022 and 1.1% YoY in FY2023. Real GDP is forecast to return to its pre-pandemic level in the July-September quarter this year.

Japan Real GDP and Outlook (Fiscal Year)



Source: Cabinet Office, MUFG Bank Economic Research Office

Forecast of Consumer Prices Excluding Fresh Food

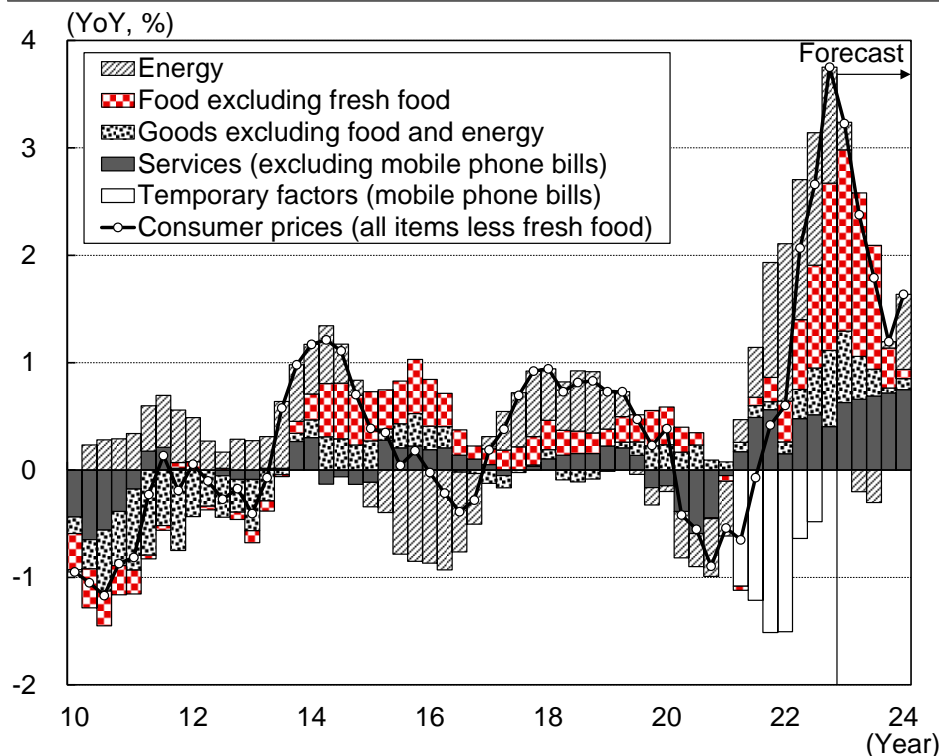
	(YoY, %)			
	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Outlook)	FY2023 (Outlook)
Real GDP	-4.1	2.6	1.4	1.1
Private consumption	-5.1	1.5	2.5	1.2
Residential investment	-7.6	-1.1	-4.5	0.6
Capital expenditure	-5.7	2.1	2.9	1.8
Inventory investment (contribution)	-0.3	0.4	0.1	-0.1
Public demand	3.1	1.3	0.3	1.2
Net exports (contribution)	-0.6	0.8	-0.4	-0.0
Exports	-10.0	12.3	5.2	1.7
Imports	-6.3	7.0	7.6	1.8
Nominal GDP	-3.5	2.4	1.9	2.6
GDP Deflator	0.7	-1.0	0.5	1.5

Source: Cabinet Office, MUFG Bank Economic Research Office

2-1. The Japanese Economy – Prices and Monetary Policy

- Consumer prices (excluding fresh food) rose 4.2% YoY in January owing to an increase in food prices. Although services are forecast to put upward pressure on prices due to a rise in wages, CPI will slow due to the downward pressure from goods resulting from a fall in international commodity markets and government measures to address high prices.
- In his speech to the Japanese Diet, Kazuo Ueda, nominee for governor of the Bank of Japan (BoJ), highlighted the importance of maintaining room for enacting monetary policy. On the other hand, he said that swift monetary tightening when the economy was losing momentum would put pressure on business activities and he was cautious about hasty rate hikes.
- Assuming there will be an economic recession in the US and Europe and that central banks will start to lower their policy rates this calendar year, it will be difficult for the BoJ to raise its policy rate and it is likely it will maintain Japanese government bond yields (JGB) at current levels in FY2023. In this case, the fall in the 10-year US Treasury yield will reduce the upward pressure on the 10-year JGB yield, which means there is likely to be less need for further widening the range of fluctuations in the 10-year JGB yield. However, if the US and European economies are robust and monetary tightening is prolonged, there is a possibility the BoJ will adjust its yield curve control before Europe and the US start to cut rates.

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

Summary of Statement by Kazuo Ueda

Price target	<ul style="list-style-type: none"> Hitting the price stability target will lead to a rise in nominal interest rates, which will increase the room for monetary easing in the event of an economic downturn. Inflation of around 2% is an appropriate margin. We are in a stage where the underlying trend in prices is starting to have positive effects. There is no need to review the joint statement right away.
Monetary policy	<ul style="list-style-type: none"> The current monetary policy is necessary and appropriate for achieving the price stability target of 2%. In the future, it will be appropriate to continue monetary easing while making the best use of measures in response to the situation at hand. The economy lacks strength in that it is taking time to achieve the price stability target. In this situation, there are concerns that rapid monetary tightening would put pressure on healthy companies and disrupt new businesses. YCC may have had side effects. Since December last year, the BoJ has introduced various measures aimed at easing these side effects, and is currently monitoring their impact. When the price stability target is reached, the BoJ will stop purchasing large amounts of JGBs. Rather than selling the JGBs it holds, the BoJ is considering raising interest rates on current account deposits at the Bank. If the underlying price forecast improves further, we will review YCC with an eye on normalisation. I will refrain from going through each option one by one in detail. A dialogue with markets is extremely important. Monetary policy decisions can sometimes be surprising for financial markets since every decision is made based on the latest economic development and the BoJ's outlook, which can change rapidly. In order to minimise the negative impact of these surprises, it is important for the BoJ to regularly explain its view and monetary policy more simply. The BoJ will verify the impact and side effects of its policies in addition to its monetary policy meeting if needed and after discussion with other board members.

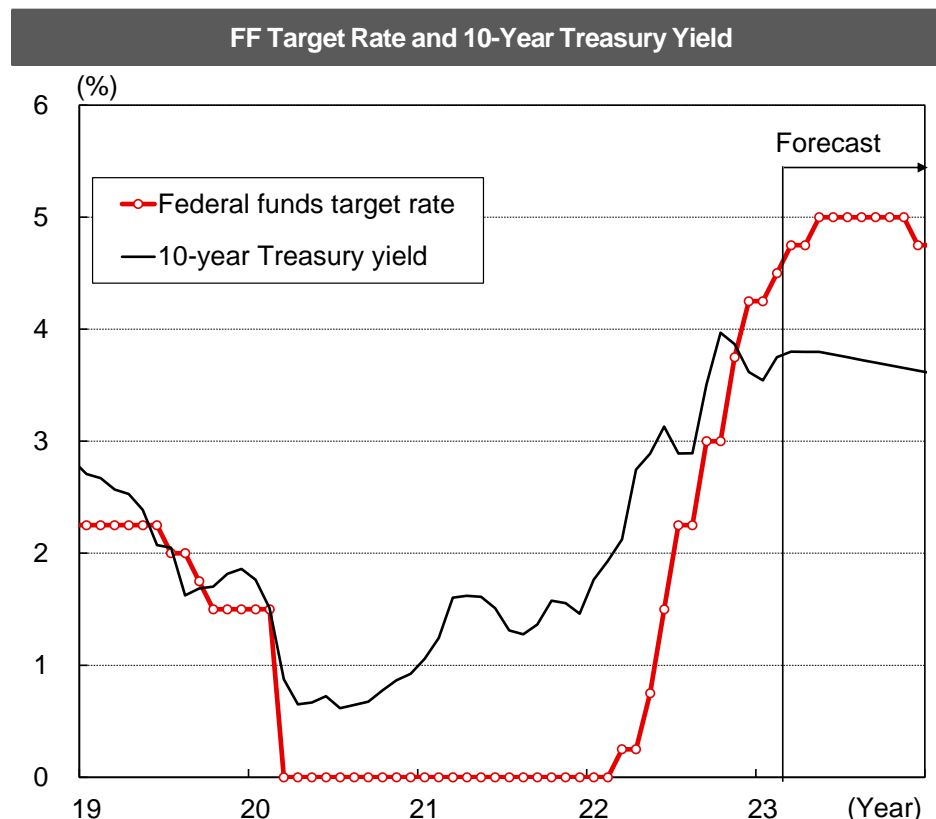
Source: Various media reports, MUFG Bank Economic Research Office

2-2. The US Economy

- On the whole, the labour market is still robust and tight. However, industries which are sensitive to the business cycle have already seen a deceleration in the growth of employees. In addition, the scope for some households to withdraw from their excess savings, which had underpinned private consumption up until now, appears to be declining and downward pressure on the economy from the tightening of financial conditions is increasing.
- As a result of the above, GDP growth will remain below the potential growth rate and the economy is projected to gradually fall into recession during the latter half of the year. The real GDP growth rate was 2.1% YoY in 2022 and will slow to 0.6% YoY in 2023.
- As a recession takes hold and inflation slows further, the Fed is likely to cut rates by the end of the year and long-term interest rates will start to follow a gradual, downward trend.

US Real GDP Outlook			
	(YoY, %)		
	2021 (Actual)	2022 (Actual)	2023 (Forecast)
Real GDP	5.9	2.1	0.6
Personal consumption expenditures	8.3	2.8	0.8
Residential investment	10.7	- 10.7	- 6.8
Non-residential fixed investment	6.4	3.8	0.3
Change in private inventories (contribution)	0.2	0.7	- 0.5
Government consumption expenditures	0.6	- 0.6	0.4
Net exports (contribution)	- 1.3	- 0.4	0.7
Exports	6.1	7.2	2.4
Imports	14.1	8.2	- 1.8
Nominal GDP	10.7	9.2	4.1

Source: Department of Commerce, MUFG Bank Economic Research Office



Note: Federal funds rate uses the lower limit of the target range
Source: Bloomberg, MUFG Bank Economic Research Office

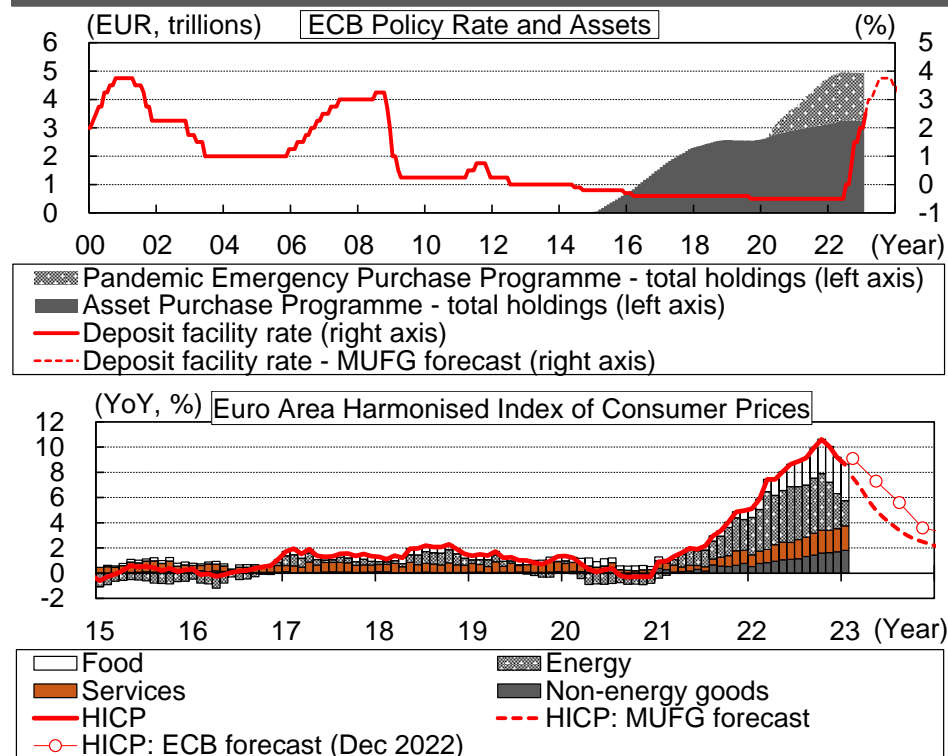
2-3. European Economies: Euro Area

- Europe has avoided a serious energy shortage this winter and energy prices have fallen due to its increased LNG purchases and reductions to gas consumption. However, core CPI has continued to accelerate and there remains widespread, strong upward pressure on prices. This means downward pressure on private consumption from a decrease in households' real income is likely to continue for a while. In addition, the lagged impact of cumulative monetary policy tightening will put downward pressure on economies.
- Real GDP is projected to expand by 0.4% YoY in 2023 (real GDP increased 3.5% YoY in 2022). During the forecast period, there is a risk that the natural gas supply and demand will tighten due to a rise in demand for LNG from Asia. In this case, economies could worsen significantly from a sharp rise in energy prices.
- The ECB maintains its focus on curbing inflation: President Lagarde suggested there was a strong possibility that the ECB will continue to raise its interest rates after March. The Bank is expected to carry out a 25 bp rate hike at its May, June and July meetings and will start to lower interest rates at the end of the year when the inflation rate has decelerated to around the target (2.0% YoY).

Real GDP Forecast of Major European Countries

	(QoQ, %)					(YoY, %)		
	2021		2022			2021	2022	2023
	Q4	Q1	Q2	Q3	Q4	Actual	Actual	Forecast
Euro area	0.5	0.6	0.9	0.3	0.1	5.3	3.5	0.4
Germany	0.0	0.8	0.1	0.5	-0.2	2.6	1.8	0.0
France	0.6	-0.2	0.5	0.2	0.1	6.8	2.6	0.7
Italy	0.9	0.1	1.1	0.5	-0.1	6.7	3.9	0.2
UK	1.5	0.5	0.1	-0.2	0.0	7.6	4.0	-0.1

ECB's Policy Rate and Assets and Euro Area HICP

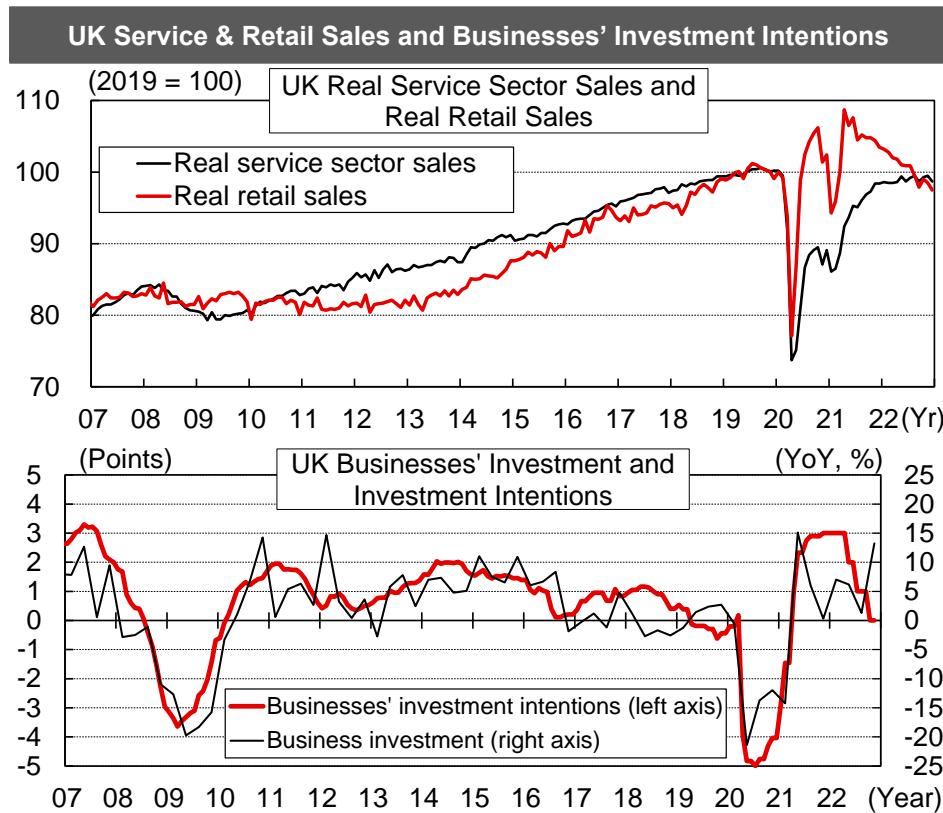


Source: Eurostat, Office of National Statistics, MUFG Bank Economic Research Office

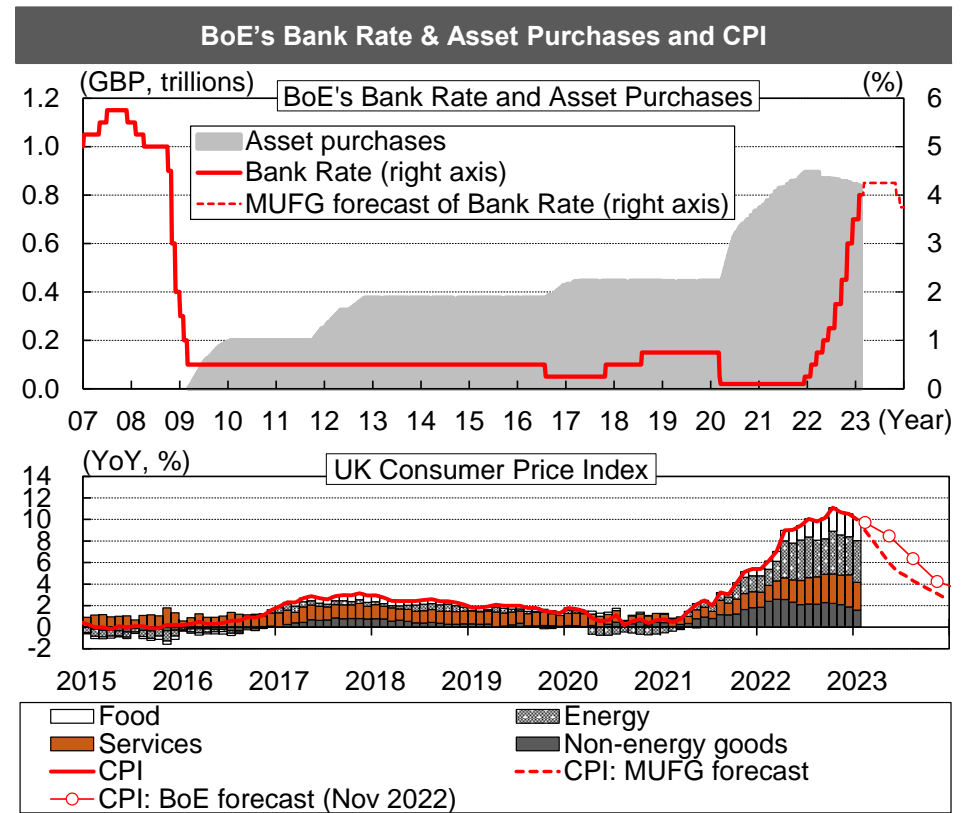
Source: ECB, European Commission, MUFG Bank Economic Research Office

2-3. European Economies: UK

- The UK eased its restrictions on movement before most other major developed countries, which has allowed service sector sales to recover to their pre-pandemic levels for the most part. Sales growth has now plateaued and scope for further rises is limited. Spending on goods is sluggish as the real retail sales continue to fall due to high inflation. As the Bank of England (BoE) continues to raise its Bank Rate, businesses' investment intentions have cooled and the UK economy is expected to contract gradually until mid-2023. The real GDP growth rate for 2023 is forecast to be negative at -0.1% YoY (4.0% YoY for 2022).
- The BoE has been raising its Bank Rate since the end of 2021 – ahead of central banks in other major economies. At its meeting in February, the BoE hinted that it is close to ending its rate hikes. We forecast the BoE will raise its Bank Rate by 25bp at its next two meetings in March and May, after which it is not likely to make any changes for a while.



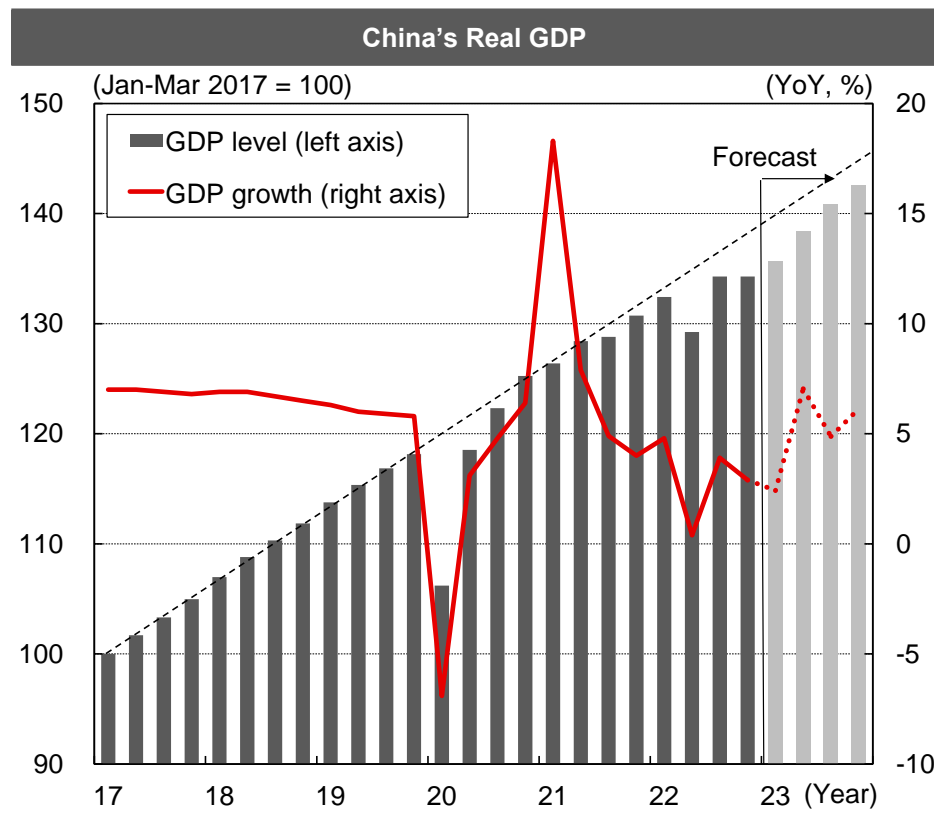
Source: ONS, MUFG Bank Economic Research Office



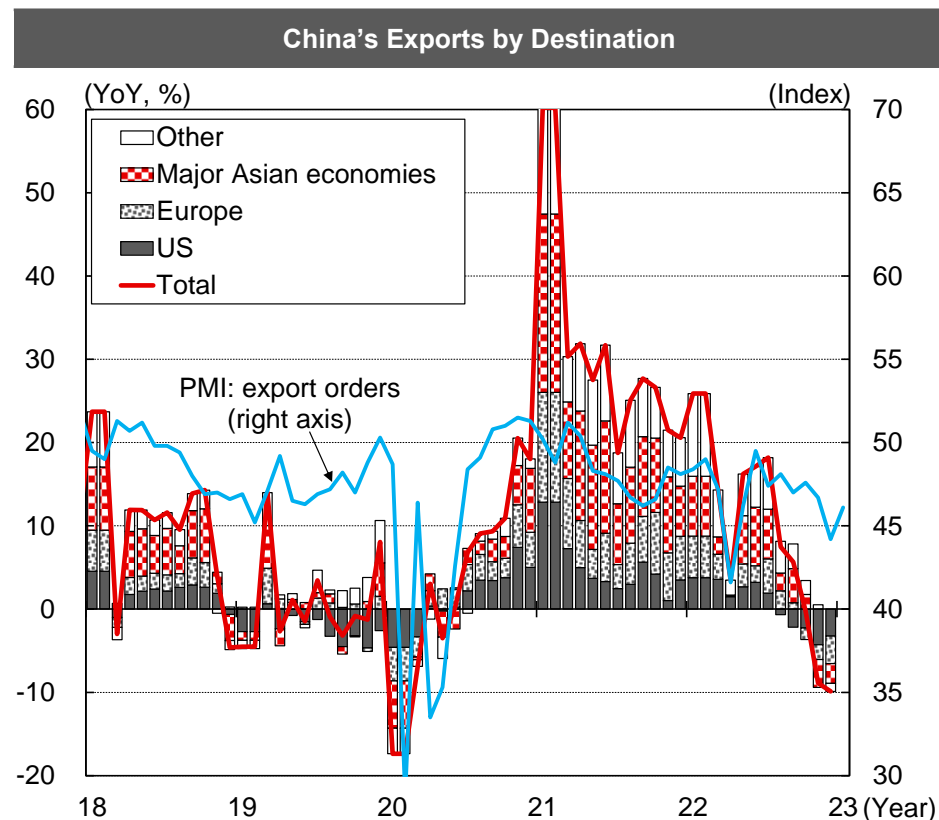
Source: Bank of England, ONS, MUFG Bank Economic Research Office

2-4. Asian Economies: China

- The real GDP growth rate for the October-December quarter last year slowed to 2.9% YoY from 3.9% YoY the previous quarter. Downward pressure on the economy came from the stringent restrictions on movement of people under the “zero COVID-19” policy which remained in place until November 2022 and then the disruption that occurred from a rise in cases when the policy was lifted. That being said, the number of cases has peaked now and economic activity has restarted – the number of subway passengers has quickly recovered to above its 2021 average.
- The prolonged downturn in the real estate market and deceleration in overseas economies will cause exports to fall, which will put downward pressure on the Chinese economy. Nevertheless, the economy is projected to pick up as economic activity normalises now the “zero COVID-19” policy has been lifted, which had been acting as a significant weight on the economy. The government has said it will aim for stable economic growth and the economy will likely be underpinned by proactive fiscal policy and accommodative monetary policies. The real GDP growth rate for 2022 will be sluggish at 3.0% YoY but is forecast to return to its previous trend in 2023 and accelerate to 5.2% YoY.
- China has only recently changed its policy and it will be important to keep an eye on the possible downside risk of a huge rise in cases due to a COVID-19 variant.



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

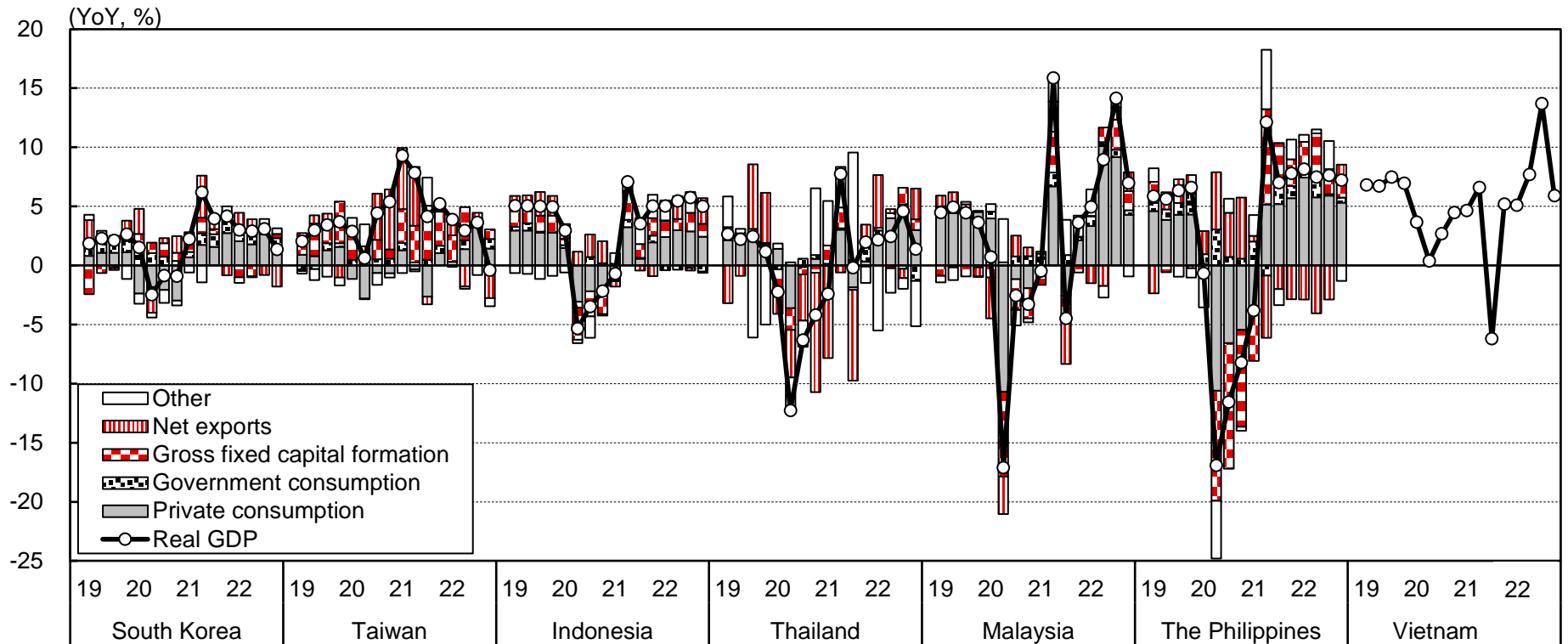


Source: National Bureau of Statistics of China, MUFG Bank Economic Research Office

2-4. Asian Economies: NIEs and ASEAN

- NIEs and ASEAN (five major countries) registered real GDP growth rates of 0.4% YoY and 5.0% YoY, respectively, in the October-December quarter last year. High inflation and the resulting rate hikes acted as a weight on private consumption. There was a sharp deceleration in exports owing to the economic slowdown in the US and Europe and the rise in COVID-19 cases in China, which was also a source of downward pressure on Asian economies. However, ASEAN has greater scope for private consumption to recover compared with NIEs and has maintained comparatively strong growth despite headwinds.
- NIEs: Exports will be underpinned by the economic recovery in China following the end of its “zero COVID-19” policy. Nevertheless, the impact of the slump in US and European economies will be large and exports are forecast to fall considerably from last year. Private consumption is expected to remain firm, but there is unlikely to be a large boost due to high inflation. The real GDP growth rate for 2023 is forecast to remain low for the region at 1.8% YoY (2.1% YoY in 2022).
- ASEAN: Economies will experience the same downward pressure from exports. Nevertheless, there will be tailwinds for ASEAN economies from a faster recovery of international tourism due to China lifting its border restrictions and the restructuring of supply chains on the back of tension between the US and China. While ASEAN economies will slow along with the global economy, they are forecast to maintain some degree of firmness and the real GDP growth rate for 2023 will be 4.7% YoY (5.9% YoY in 2022).

Real GDP of Major Asian Economies

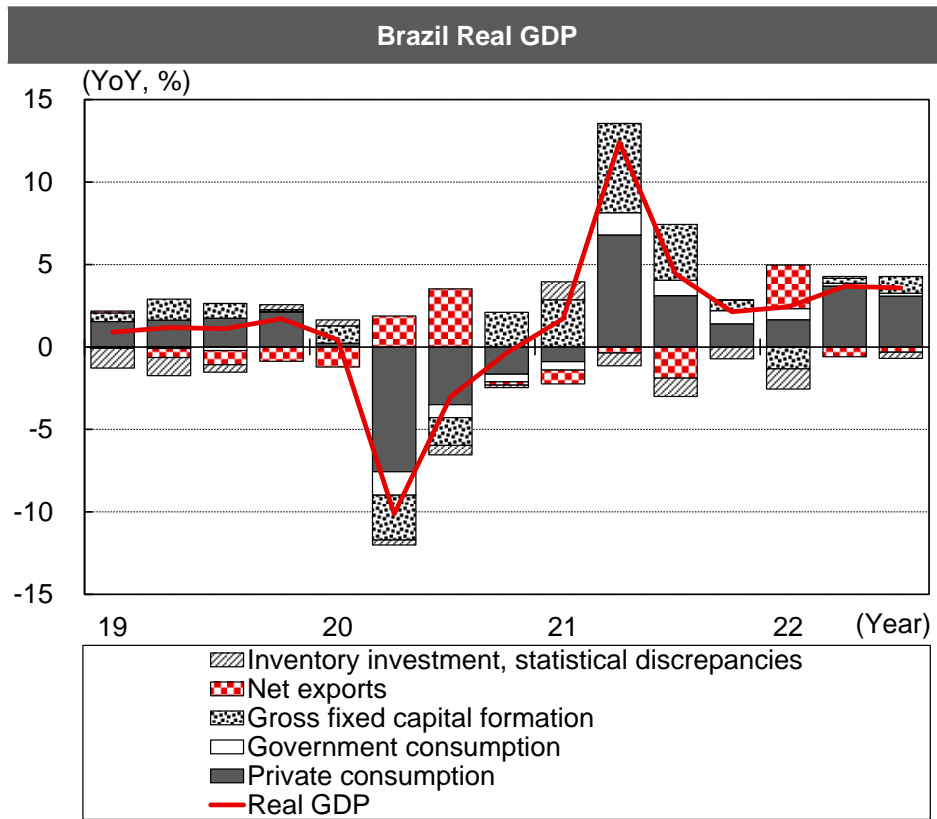


Note: Breakdown of data is not available for Vietnam.

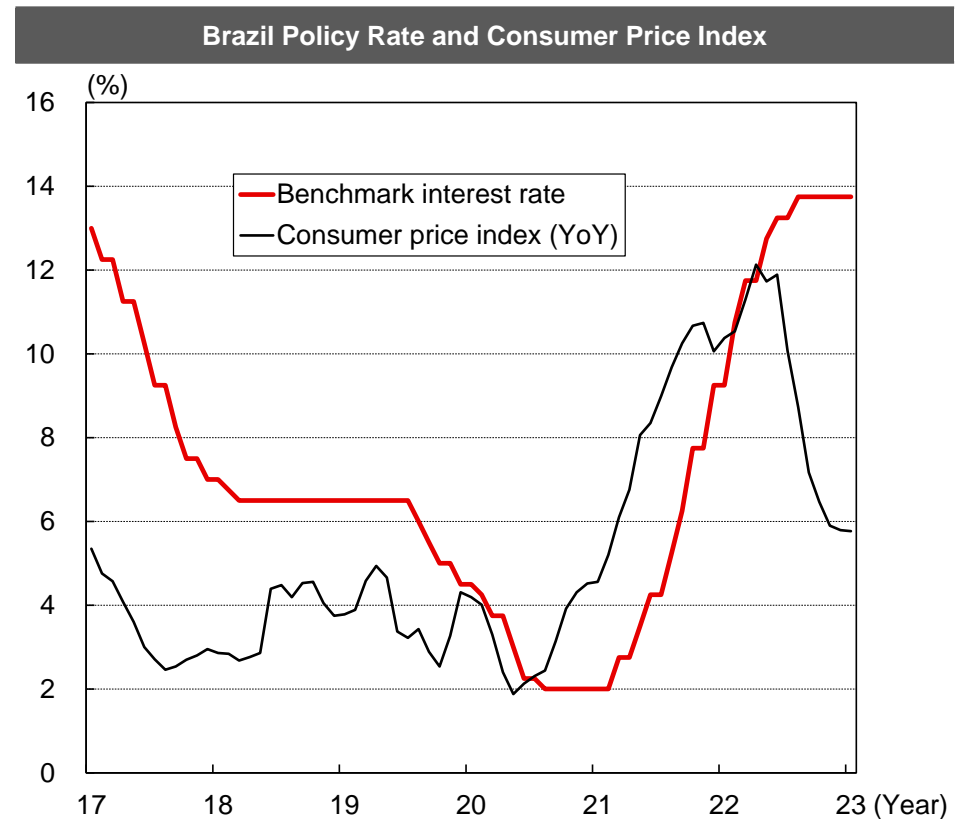
Source: National statistics of each country, MUFG Bank Economic Research Office

2-5. Latin American Economies: Brazil

- Brazil's real GDP growth rate for the July-September quarter remained almost unchanged from the previous quarter at 3.6% YoY. Improvements in the labour market supported private consumption and there was a moderate acceleration in the growth of gross fixed capital formation. The real GDP growth rate for 2022 is forecast at 3.0% YoY.
- CPI has started to slow since the latter half of last year as a result of a fall in commodity prices and government policies, such as tax cuts. The Central Bank of Brazil has held its policy rate at 13.75% since August as inflation slows.
- Brazil's economic growth is on track to decelerate due to the cumulative effects of interest rate hikes up until now. The real GDP growth rate is projected to slow to 0.8% YoY in 2023. The new Lula government has started to call for rate cuts and there is a risk that markets will lose confidence in the independence of Brazil's central bank.



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

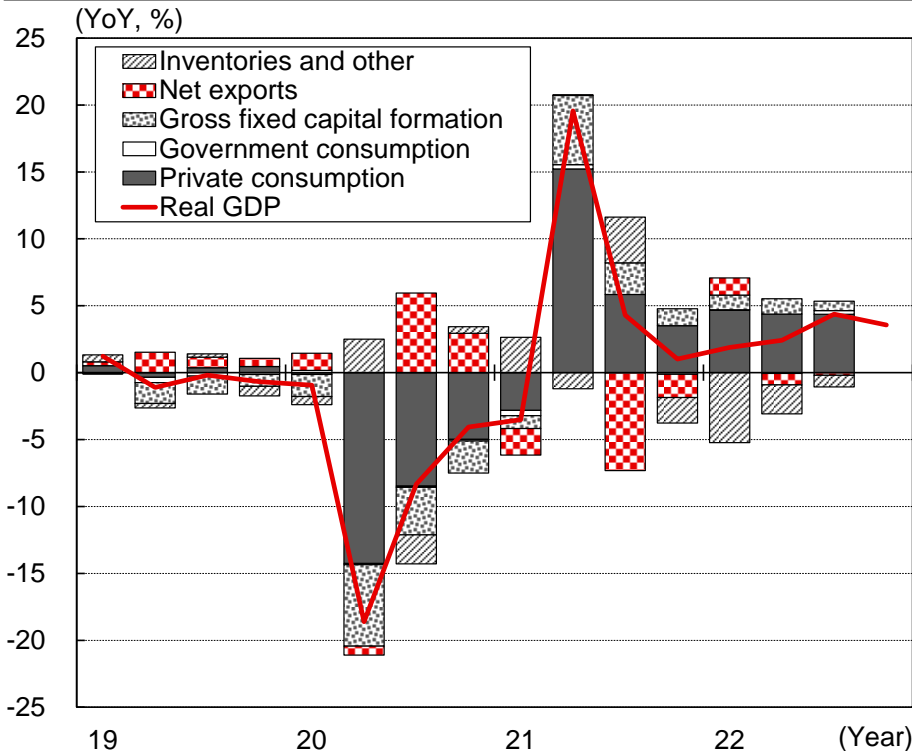


Source: Central Bank of Brazil, Institute for International Monetary Affairs

2-5. Latin American Economies: Mexico

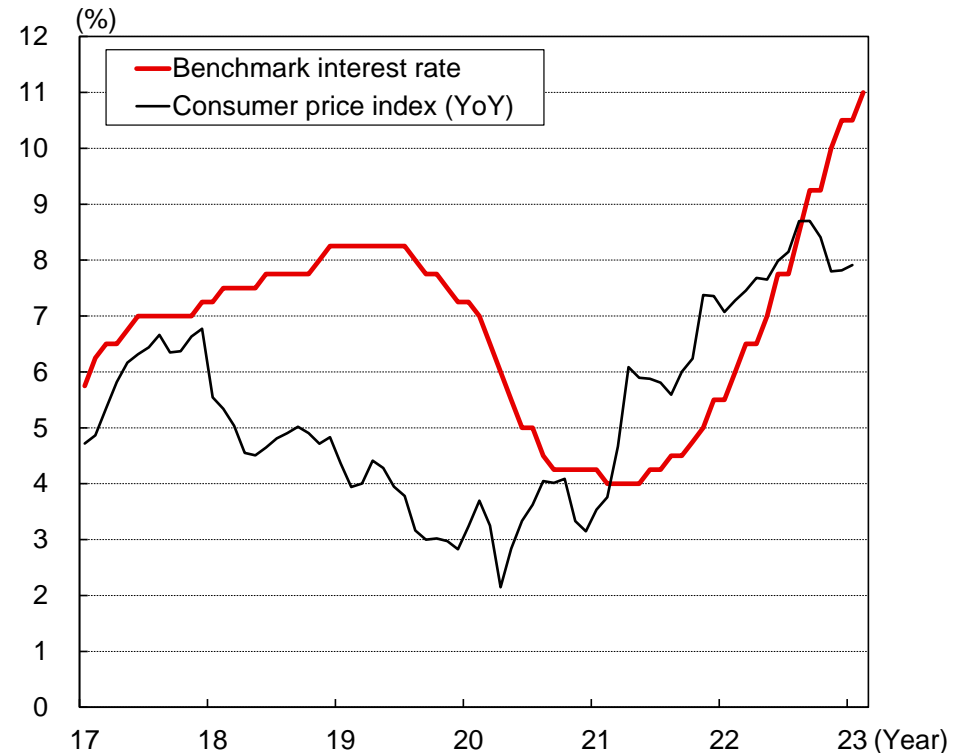
- Mexico's real GDP growth rate accelerated to 4.4% YoY in the July-September quarter. The unemployment rate fell to its lowest level since 2005 and wage growth was strong. As a result, there was upward pressure on private consumption from the favourable labour market and wage conditions. In addition, the provisional growth rate for the October-December decelerated slightly but remained firm at 3.6% YoY. The real GDP growth rate for 2022 is 3.1% YoY.
- The consumer price index remains high as wages rise at a fast pace. The Banco de México (Mexico's central bank) raised its benchmark interest rate to 11.0% in February and rate hikes are expected to continue for a while.
- Looking ahead, the economic slowdown in the US and continued rate hikes are likely to weigh on Mexico's economic recovery. The real GDP growth rate for 2023 is forecast to decelerate to 1.2% YoY.

Mexico Real GDP



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

Mexico Policy Rate and Consumer Price Index

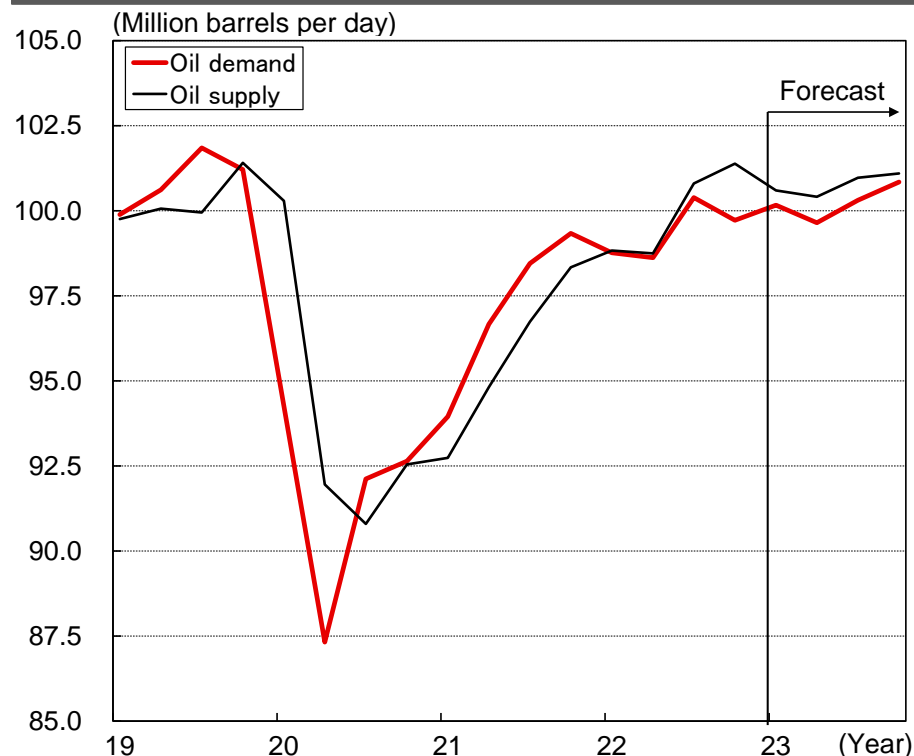


Source: Bank of Mexico, Institute for International Monetary Affairs

2-6. Oil Prices

- In December last year, the G7 and others set an upper limit of USD 60 for the import price of Russian oil, and Europe imposed a ban on Russian-produced oil. Nevertheless, Russia's oil exports have not changed significantly since these measures were put in place, and Russia has made up the losses from the decrease in oil exports to Europe with a rise in oil exports to India and China.
- It is very likely that China's oil demand continue to rise as its economy recovers now that its "zero COVID-19" policy has been effectively lifted. Nevertheless, economies in Europe and the US are forecast to stagnate owing to monetary tightening carried out by central banks, which means the increase in oil demand is expected to remain at a more gradual pace than last year.
- The excess supply of oil will continue, albeit by a small amount. As a result, oil prices are forecast to remain at current levels or fall slightly. Upside and downside risks to oil prices will come from a sharp rise in demand from China with the lifting of its "zero COVID-19" policy, a deceleration in the rise of US shale oil production owing to a fall in oil prices, a sudden fall in oil output from Russia (the impact of measures from the G7 to put an upper limit on Russian-produced oil prices) and a successful conclusion of talks to revive the Iran nuclear deal (oil output from Iran will increase).

Forecast of Global Supply and Demand



Note: Forecast for 2022 and 2023 by MUFG Economic Research Office
Source: EIA, BP, MUFG Bank Economic Research Office

Forecast of Oil Prices

	WTI price (USD/barrel)	YoY (%)	Brent Price (USD/barrel)	YoY (%)
2021 Q1	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%
2022 Q1	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	82.6	7.2%	88.6	11.3%
2023 Q1	78.0	-17.9%	81.0	-17.3%
Q2	77.5	-28.6%	80.5	-28.1%
Q3	77.0	-15.8%	80.0	-18.1%
Q4	76.5	-7.4%	79.5	-10.3%
2021	68.0	72.8%	70.8	63.9%
2022	94.3	38.8%	99.0	39.8%
2023	77.3	-18.1%	80.3	-19.0%

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	6.2	5.4	7.3	5.7	2.6	5.9	6.8	5.0	4.7	10.4	5.3	2.6	6.8	6.7	7.6	5.6
	2022 Actual	3.3	2.6	3.5	4.3	1.4	2.1	3.4	3.0	3.0	4.0	3.5	1.8	2.6	3.9	4.0	-4.5
	2023 Forecast	2.6	0.7	3.9	3.4	1.1	0.6	1.1	0.8	1.2	2.0	0.4	0.0	0.7	0.2	-0.1	-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 Actual	8.6	7.2	6.1	15.8	3.0	8.0	15.7	9.3	8.0	72.4	8.4	8.6	5.9	8.7	9.1	13.8
	2023 Forecast	6.6	4.4	5.2	13.1	1.7	4.7	13.8	6.0	6.5	76.1	4.7	5.1	4.2	5.0	5.6	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	7.4	8.4	9.1	5.6	4.1	6.5	6.4	8.9	3.4	3.7	1.6	3.1	5.7	2.6	5.2
	2022 Actual	4.1	3.0	6.8	2.1	2.6	2.5	-3.5	3.6	5.9	5.3	2.6	8.7	7.6	8.0	3.7
	2023 Forecast	4.8	5.2	6.0	1.8	1.3	2.0	3.4	1.9	4.7	4.7	3.5	4.0	5.2	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 Actual	3.5	1.9	6.5	4.3	5.1	2.9	1.9	6.1	4.5	4.2	6.1	3.4	5.8	3.2	6.6
	2023 Forecast	3.3	2.4	5.0	3.2	3.6	2.1	2.3	4.5	3.9	4.2	2.9	3.0	5.3	3.7	5.5

Note: 1. Real GDP values for Brazil, Argentina and India for 2022 are all forecasts

2. "Nominal GDP" is based on purchasing power parity

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

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

5. "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

6. "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

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

8. "Other" uses the IMF forecast for January 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 October-December 2022)

	2021				2022				2023				2024	Forecast		
	Q1	2Q	3Q	4Q	Q1	2Q	3Q	4Q	Q1	Q2	Q3	Q4	Q1	FY2021	FY2022	FY2023
1. The Real Economy (QoQ annualized change)																
Real GDP	-0.5	1.3	-1.4	4.4	-1.7	4.6	-1.0	0.6	2.3	1.1	0.9	0.9	0.9	2.6	1.4	1.1
Private Consumption	-6.4	0.6	-4.5	12.3	-3.6	6.6	0.1	2.0	1.8	1.2	1.0	0.8	0.8	1.5	2.5	1.2
Housing Investment	6.2	6.0	-6.4	-5.2	-6.5	-7.3	-1.7	-0.5	0.6	1.2	1.0	0.8	0.6	-1.1	-4.5	0.6
Private Business Fixed Investment	6.2	5.7	-6.8	2.4	-1.1	8.8	6.3	-2.1	3.0	2.0	1.6	1.8	2.0	2.1	2.9	1.8
Business Inventory (Contribution)	1.7	-0.6	1.3	-0.6	3.1	-1.2	0.4	-1.8	0.3	0.0	0.0	0.0	0.0	0.4	0.1	-0.1
Government Expenditures	-0.5	4.6	1.5	-5.7	-1.0	2.9	0.2	1.4	1.7	0.9	0.8	0.8	0.8	1.3	0.3	1.2
Public Investment	0.4	-7.7	-13.0	-12.0	-12.3	2.2	2.6	-2.1	2.4	1.2	1.0	0.8	0.6	-6.4	-3.5	1.0
Net Exports (Contribution)	0.3	-0.7	0.8	0.1	-2.0	0.4	-2.4	1.4	0.1	-0.1	-0.2	-0.1	-0.1	0.8	-0.4	-0.0
Exports	10.4	13.0	-1.5	1.8	4.7	6.2	10.4	5.7	0.4	0.2	0.4	0.8	1.2	12.3	5.2	1.7
Imports	8.6	18.8	-6.0	1.3	16.3	3.8	24.0	-1.6	0.0	0.8	1.2	1.2	1.6	7.0	7.6	1.8
Nominal GDP	-0.0	1.6	-2.1	2.8	0.9	4.2	-3.1	5.2	5.4	1.8	1.2	2.8	2.1	2.4	1.9	2.6
GDP Deflator (YoY)	0.0	-0.5	-0.2	-0.3	0.4	-0.3	-0.4	1.1	1.5	1.5	2.3	1.4	1.0	-0.1	0.5	1.5
Industrial Production Index (QoQ)	2.6	0.2	-1.9	0.2	0.8	-2.7	5.8	-3.0	-3.1	1.3	0.4	0.4	0.5	-0.7	-0.7	1.9
Domestic Corporate Goods Price Index (YoY)	-0.5	4.5	5.9	8.6	9.3	9.7	9.6	10.0	8.0	5.0	3.0	1.0	0.7	9.3	2.4	0.3
Consumer Price Index (excl. fresh food, YoY)	-0.5	-0.6	0.0	0.4	0.6	2.1	2.7	3.8	3.2	2.4	1.8	1.2	1.6	3.0	1.7	1.2
2. Balance of Payments																
Trade Balance (JPY billions)	1,527	1,005	-230	-715	-1,688	-3,775	-5,841	-5,047	-4,910	-4,792	-4,631	-4,425	-4,129	-1,619	-19,573	-17,977
Current Balance (JPY billions)	5,505	6,388	4,882	4,745	4,177	3,221	676	2,491	2,318	2,674	2,840	3,026	3,301	20,275	8,706	11,841
3. Financial																
Uncollateralized overnight call rate	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-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	0.3	0.5	0.5	0.5	0.5	0.4	0.1	0.3	0.5
Exchange Rate (USD/JPY)	106	109	110	114	116	130	138	141	133	134	133	131	129	112	136	132

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				Forecast				2021	2022	Forecast
	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12	1~3	4~6	7~9	10~12			
1. Main Economic Indicators															
Real GDP (QoQ annualized, %)	6.3	7.0	2.7	7.0	-1.6	-0.6	3.2	2.7	-0.9	1.2	-0.8	-1.7	5.9	2.1	0.6
Personal Consumption Expenditures	10.8	12.1	3.0	3.1	1.3	2.0	2.3	1.4	1.0	1.8	-0.5	-1.4	8.3	2.8	1.1
Fixed Investment (Residential)	11.6	-4.8	-5.8	-1.1	-3.1	-17.8	-27.1	-25.9	-0.2	-0.3	-0.4	-0.5	10.7	-10.7	-10.7
Fixed Investment (Nonresidential)	8.9	9.9	0.6	1.1	7.9	0.1	6.2	3.3	-1.6	-0.1	-1.8	-4.5	6.4	3.8	0.4
Changes in Business Inventories (Contribution)	-2.5	-0.8	2.0	5.0	0.2	-1.9	-1.2	1.5	-1.3	-0.2	0.0	0.0	0.2	0.7	-0.6
Government Expenditures	6.5	-3.0	-0.2	-0.9	-2.3	-1.6	3.7	3.6	-1.5	0.9	-1.1	-2.0	0.6	-0.6	0.6
Net Exports (Contribution)	-1.0	-0.6	-1.1	-0.2	-3.1	1.2	2.9	0.5	0.2	0.0	0.0	0.3	-1.3	-0.4	0.7
Exports	0.4	4.8	-1.1	23.5	-4.6	13.8	14.6	-1.6	-1.5	-1.9	-1.7	-0.4	6.1	7.2	1.2
Imports	7.6	7.9	6.6	18.6	18.4	2.3	-7.3	-4.2	-1.9	-1.2	-1.2	-2.1	14.1	8.2	-2.6
Domestic Private End User Demand	10.6	10.7	2.1	2.6	2.1	0.5	1.1	0.1	0.5	1.4	-0.8	-1.9	8.1	2.1	0.6
Nominal GDP (QoQ annualized, %)	11.7	13.8	9.0	14.3	6.6	8.5	7.7	6.7	1.8	4.2	2.0	1.0	10.7	9.2	4.2
Industrial Production (QoQ annualized, %)	3.1	6.5	3.5	4.8	4.7	5.0	1.3	-2.4	-5.1	-1.3	-4.0	-5.8	4.9	3.8	-2.4
Unemployment Rate (%)	6.2	5.9	5.1	4.2	3.8	3.6	3.5	3.6	3.3	3.4	4.0	4.4	5.4	3.6	3.8
Producer Price Index (YoY, %)	2.9	7.0	8.5	9.6	10.7	11.2	9.0	7.3	4.8	2.3	2.7	3.2	7.0	9.5	3.2
Consumer Price Index (YoY, %)	1.9	4.8	5.3	6.7	8.0	8.6	8.3	7.1	5.9	4.5	4.2	4.1	4.7	8.0	4.7
2. Balance of Payments															
Trade Balance (hundred million dollars)	-2,653	-2,674	-2,726	-2,850	-3,401	-3,093	-2,696	-2,727	-2,909	-2,906	-2,901	-2,868	-10,903	-11,918	-11,585
Current Account (hundred million dollars)	-1,887	-2,064	-2,264	-2,248	-2,825	-2,387	-2,171	-2,251	-2,192	-2,191	-2,187	-2,155	-8,464	-9,635	-8,726
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	5.00-5.25	5.00-5.25	4.75-5.00	0.00-0.25	4.25-4.50	4.75-5.00
Euro Dollar (3M) (%)	0.2	0.2	0.1	0.2	0.5	1.5	3.0	4.5	4.9	5.2	5.2	5.1	0.2	2.4	5.1
10-year Treasury Note's Yield (%)	1.6	1.6	1.3	1.5	1.9	2.9	3.1	3.8	3.7	3.8	3.7	3.7	1.5	2.9	3.7

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 (Actual)	2023 (Forecast)	2021 (Actual)	2022 (Actual)	2023 (Forecast)	2021 (Actual)	2022 (Actual)	2023 (Forecast)
Euro Area	5.3	3.5	0.4	2.6	8.4	4.7	3359	- 1064	- 633
Germany	2.6	1.8	0.0	3.2	8.6	5.1	3167	1542	1560
France	6.8	2.6	0.7	2.1	5.9	4.2	104	- 550	- 531
Italy	6.7	3.9	0.2	2.0	8.7	5.0	642	- 131	- 121
UK	7.6	4.0	- 0.1	2.6	9.1	5.6	- 470	- 1271	- 897
Russia	5.6	- 4.5	-3.0	6.7	13.8	7.0	1223	2274	1380

2. Forecast by Demand Component

(YoY, %)

	Euro Area			UK		
	2021 (Actual)	2022 (Actual)	2023 (Forecast)	2021 (Actual)	2022 (Actual)	2023 (Forecast)
Nominal GDP	7.5	7.4	3.1	7.6	7.6	7.6
Real GDP	5.3	3.5	0.4	7.6	4.0	- 0.1
Contribution by domestic demand	4.0	3.8	0.6	8.8	4.9	- 1.5
Contribution by foreign demand	1.3	- 0.3	- 0.3	- 1.2	- 0.8	1.4
Private consumption	3.7	4.1	0.1	6.2	5.4	- 0.4
Government consumption	4.3	1.2	0.7	12.5	1.9	1.0
Gross fixed capital formation	3.7	4.4	1.4	6.1	7.7	1.2
Inventory investment (contribution)	0.3	0.9	- 0.0	1.0	0.0	-0.1
Exports	10.4	7.5	3.5	2.2	10.3	6.2
Imports	8.2	8.6	4.3	6.2	12.6	1.7

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

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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

Translator: Elizabeth Foster (London)