Global Economic Outlook

Q2 2025

June 12, 2025

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A member of MUFG, a global financial group

Global summary

The economy has entered this period of uncertainty with reasonable underlying growth momentum

- The global economy is navigating a complex landscape of volatile trade policies and geopolitical uncertainty, yet underlying macroeconomic fundamentals remain relatively firm in many regions. **While we fully expect global growth to moderate in 2025-26, led by weakness from the US, our central scenario assumes that a sharp global slowdown will be avoided.** Central bank easing, lower energy prices and (in some cases) bolstered fiscal support are all set to underpin overall activity. Although uncertainty around trade policy is set to remain elevated, we also believe that there is scope for further de-escalation on tariffs, which may help lift sentiment.

- In the US, inflation is likely to rise in the near term and policy uncertainty is set to remain elevated, weighing on consumption and investment. **We expect US GDP growth will slow from 2.8% in 2024 to 1.5% this year**. Against that backdrop – supply-side price pressures but weaker demand – the Fed is likely to proceed cautiously, with gradual rate cuts to come once unemployment starts to increase more clearly.

- There was relatively buoyant growth in both the euro area and the UK at the start of the year. This surge is related to distortions from the front-loading of imports by US firms ahead of tariff hikes, and there will be payback in future data and hence a risk of quarterly contractions later in the year. However, underlying domestic demand appears to be in reasonable shape and there is further support to come from German-led fiscal easing. In terms of annual average rates, **we see broadly steady European growth** across our projection horizon.

- In Japan, there was a small Q1 GDP contraction with consumption flat amid persistent inflation pressures. US trade policy and associated uncertainty is set to drag on activity in the coming quarters. Despite this, we expect firm wage growth and corporate resilience will support a modest recovery further ahead. On prices, **Japanese inflation is set to fall below 2% next year, limiting the scope for further BoJ tightening**.

- China maintained 5.4% Y/Y growth in Q1 but faces clear challenges from trade tensions, while concerns around the domestic property market continue to weigh on sentiment. These headwinds will be partially mitigated by a strong policy response, but **we expect Chinese growth will slow to 4.4% in 2025**, even after the strong start to the year.

Key changes to our outlook

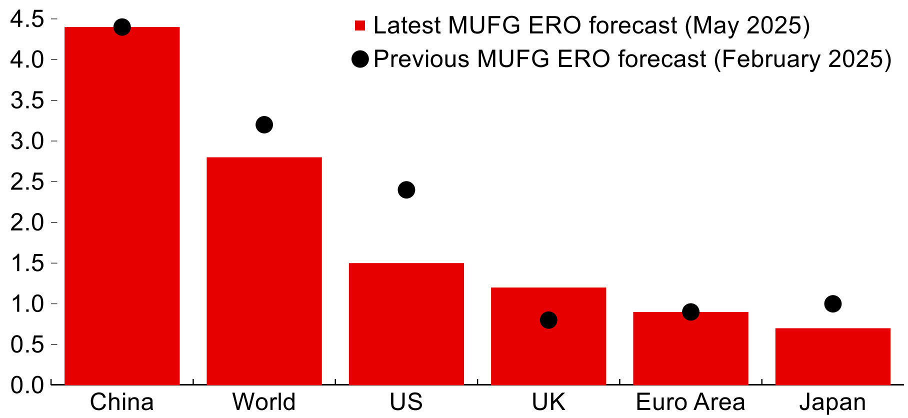
Lower US growth will drag on global activity, but central banks are still plotting a similar course

- **Growth:** Relative to our Q1 outlook, we have revised our US growth projection down to 1.5% in 2025 (-0.9pp) and 1.6% in 2026 (-0.6pp) following the sharp increase in trade policy volatility and clearer signs of a cyclical slowdown after above-trend growth in previous years. This weighs on global growth, which we now forecast at 2.8% in 2025, down from 3.2% previously. We have left our Chinese growth profile unchanged after a strong Q1 growth figure, with the assumption that officials have various policy options to support activity if required. Similarly, a strong start to the year lifts our European growth rates in 2025 while the shift in German fiscal policy will help to offset the trade-related drag. In Japan, we have revised our 2025 calendar year growth figure down from 1.0% to 0.7%, but expect a recovery in 2026.

- **Inflation:** We see higher inflation in the US following the introduction of tariffs. But our view is that weaker demand related to the introduction of tariffs will ultimately be disinflationary elsewhere and we have reduced our overall global aggregate inflation rate by 0.2pp this year.

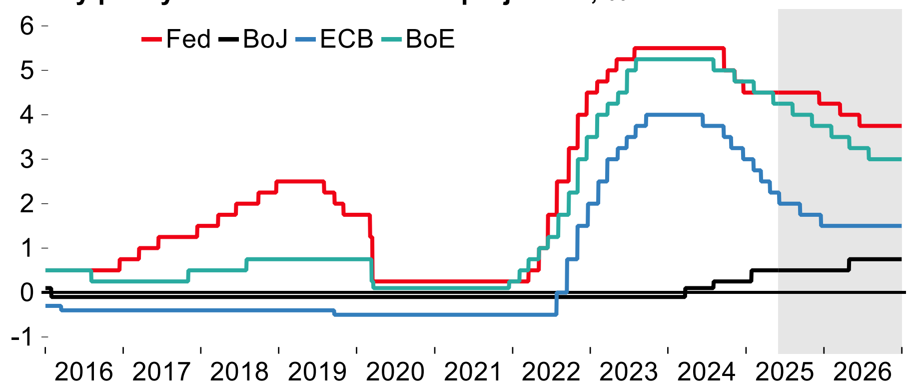
- **Monetary policy:** We maintain our call for just one Fed cut this year, but have pushed back the timing to Q4. We have also pushed back the timing of the next BoJ rate hike to H1 2026 with tariff uncertainty set to weigh on demand over coming quarters. In Europe, the ECB seems to be nearing the end of its rate cut cycle, as expected, but we still see scope for further easing as underlying price pressures moderate.

Real GDP 2025 forecast, % Y/Y



Source: MUFG Bank Economic Research Office

Key policy rates and MUFG ERO projection, %



Source: Macrobond, MUFG Bank Economic Research Office

Our key projections - GDP & inflation

Slower US growth is set to weigh on global activity

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.4	2.8	2.9
US	2.8	1.5	1.6
Euro area	0.8	0.9	1.1
Germany	-0.2	0.2	1.0
France	1.1	0.5	0.9
Italy	0.5	0.5	0.9
UK	1.1	1.2	1.3
Japan	0.2	0.7	0.6
China	5.0	4.4	4.2
ASEAN 5	4.9	4.4	4.5
Indonesia	5.0	4.8	4.9
Thailand	2.5	2.0	2.3
Malaysia	5.1	3.6	3.8
Philippines	5.6	5.6	5.7
Vietnam	6.5	5.8	5.5
Japan (FY)	0.8	0.4	0.6

	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	2.3	2.4
US	2.9	3.1	2.9
Euro area	2.4	2.2	1.9
Germany	2.5	2.2	2.0
France	2.3	1.1	1.6
Italy	1.1	1.9	1.7
UK	2.5	3.2	2.4
Japan	2.6	2.6	1.5
China	0.2	0.3	1.1
ASEAN 5	2.2	2.1	2.5
Indonesia	2.3	2.0	2.7
Thailand	0.4	0.7	1.1
Malaysia	1.8	2.3	2.2
Philippines	3.2	3.0	3.1
Vietnam	3.6	3.1	3.4
Japan (FY)	2.7	2.3	1.5

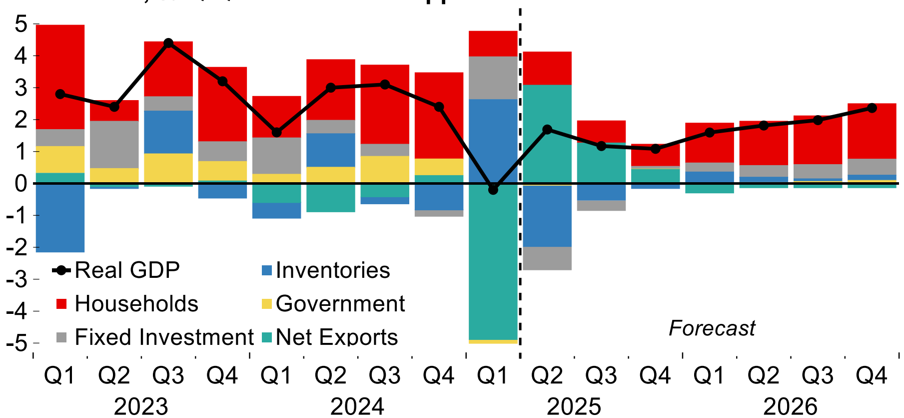
United States

More moderate growth and higher inflation lies ahead – but a sharp economic slowdown may be avoided

- The US economy experienced a mild contraction (-0.2% Q/Q ann.) in Q1 2025 amid distortions from a surge in imports ahead of tariff hikes. However, private domestic final demand rose by 2.5%, which indicates some resilience in underlying economic activity at the start of the year. Another consequence of tariff increases is that inflation is likely to accelerate into the summer. That is likely to weigh on personal consumption and keep fixed investment subdued. As the economy slows, we believe that the unemployment rate will rise to the mid-4% range in the latter half of the year. This would help to pave the way for further monetary easing, which would support economic activity and employment to an extent. On tariffs, while many aspects of the current US trade policy are likely to remain in place given the range of motivations for higher tariffs, we believe there is scope for sustained de-escalation in some areas.

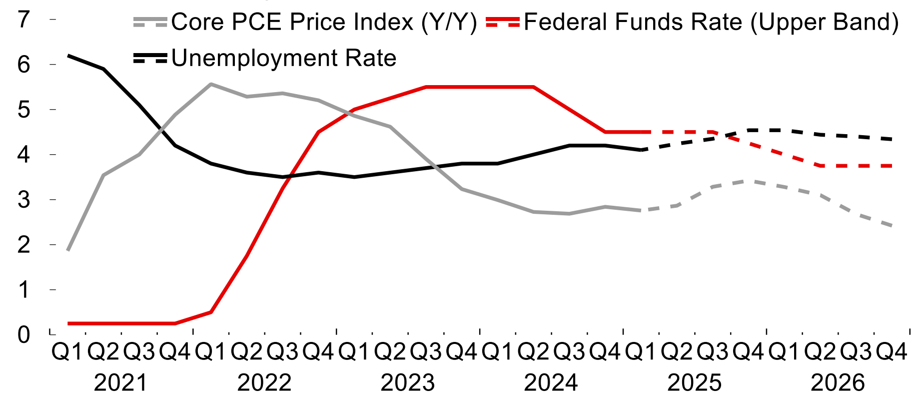
- Overall, we expect more muted annual average real GDP growth (1.5% in 2025 and 1.6% in 2026) compared to recent years – but a sharp slowdown is not our base case. The Fed has emphasized that it will maintain a "wait-and-see" approach until the effects of trade policy on inflation and employment become clearer. With inflation likely to remain well above 2% into next year, we expect rate cuts will be conducted at a cautious pace with one cut in December, followed by two at a quarterly pace in 2026. We then see the easing cycle being paused once the unemployment rate starts to edge lower, with the policy rate stabilizing at 3.5%-3.75%.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, Macrobond, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



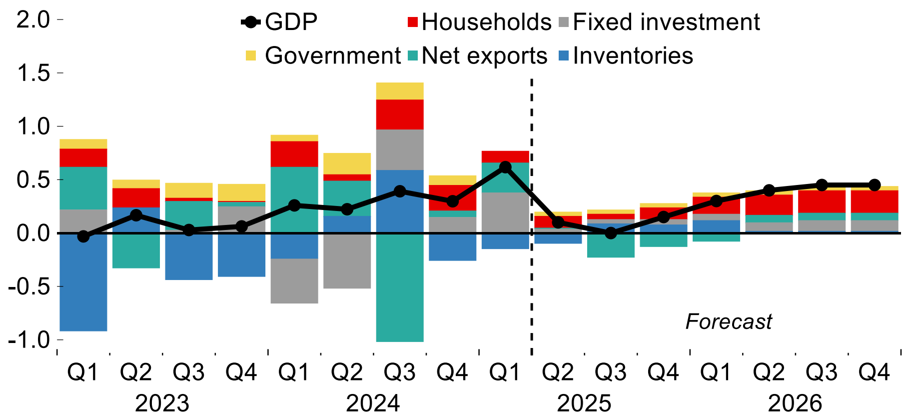
Note: Dashed lines show forecasts
Source: BLS, BEA, Federal Reserve, Macrobond, MUFG Bank Economic Research Office

Euro area

The economy is navigating the trade winds in reasonable shape so far – but tariff uncertainty will continue to loom large

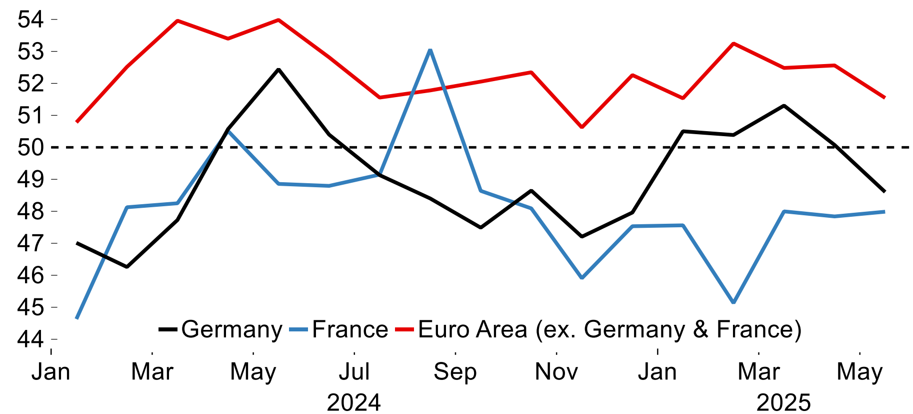
- The euro area economy expanded by 0.6% Q/Q in Q1, with both Germany and France returning to growth after previous contractions and another strong performance from Spain. There was also a large boost from volatile Irish numbers (+9.7% Q/Q). However, with signs of resilience in domestic demand, it is encouraging that the euro area entered this period of policy volatility with reasonable growth momentum.
- Growth is set to slow markedly in the coming quarters as the threat of higher US tariffs looms large and trade distortions reverse. However, recent survey data has been slightly firmer than anticipated. We continue to highlight the cushioning effects from German fiscal reforms and tax changes, as well as broader European efforts to boost defence spending. The tariff shock also appears to be reinforcing the disinflation process (via lower energy prices and a stronger EUR) which will boost real incomes. At this stage, we assume that any GDP contraction would be relatively mild and short-lived. Our central scenario is for the muted expansion to continue, with the euro area growing at a similar annual average rate to last year, but we acknowledge that risks are tilted to the downside given elevated uncertainty around US trade policy.
- The ECB is likely to preserve flexibility amid ongoing uncertainty but is likely to be now approaching the end of its easing cycle. We expect that there will be two further cuts to a terminal rate of 1.5% by year-end.

Real GDP, % Q/Q and contributions, pp.



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

Composite PMI, above 50 indicates expansion

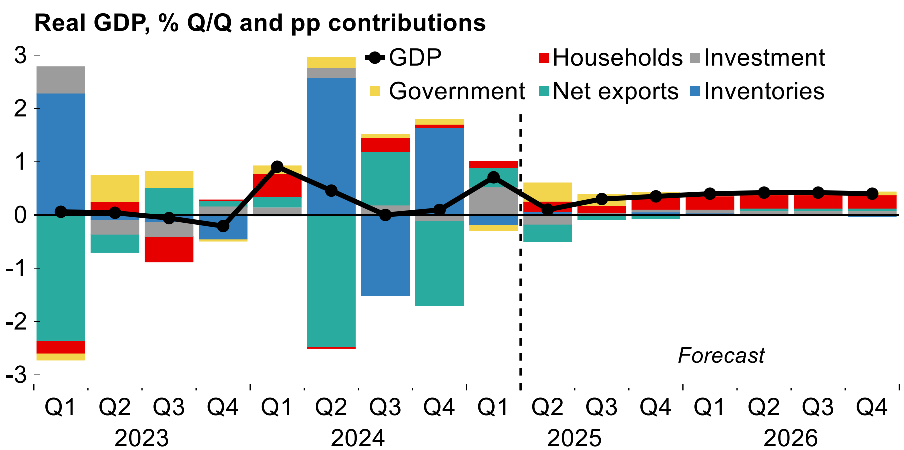


Source: S&P Global, Macrobond, MUFG Economic Research Office

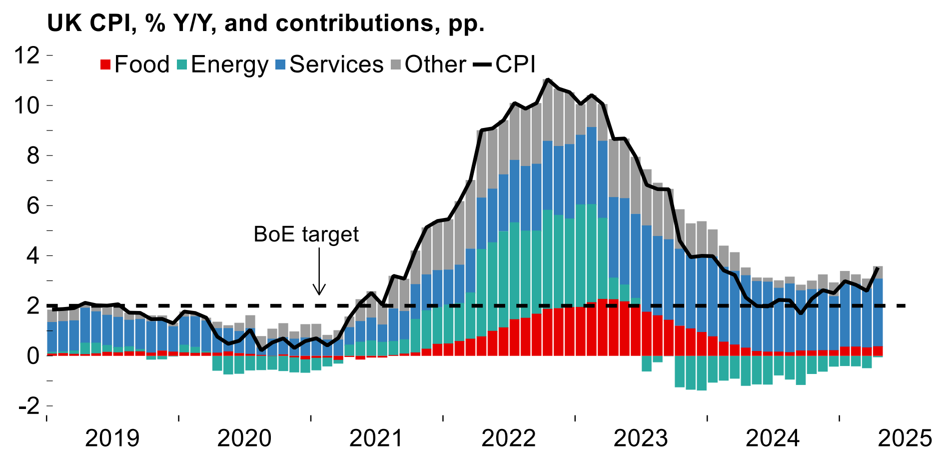
United Kingdom

The economy has started the year on a firm footing, but a slowdown is likely

- The UK economy made another flying start to the year with 0.7% Q/Q growth, the fastest rate since Q1 2024. Growth was supported by net trade and a notable uptick in business investment. The release gave a strong signal that the economy has started the year with useful momentum.
- Looking ahead, we expect UK growth will cool in coming quarters as tariff front-loading effects fade, global demand softens and wider policy volatility remains a drag. Trade policy uncertainty is likely to remain a headwind to growth, despite the trade deals announced in recent weeks (with the US, EU and India). The prospect of difficult fiscal decisions at the autumn budget will continue to loom over the economy as well. Still, it's encouraging that the UK seems to have entered this period of uncertainty from a position of relative strength and recent data suggests that consumer resilience is likely to have continued into Q2.
- We also expect that the BoE will extend its gradual easing cycle as it gains confidence that underlying inflation pressures are easing. Overall, we are now tracking 2025 annual average GDP growth at 1.2% which would be a relatively good outcome for the economy under the circumstances.



Source: ONS, Macrobond, MUFG Bank Economic Research Office



Source: ONS, Macrobond, MUFG Bank Economic Research Office

Japan

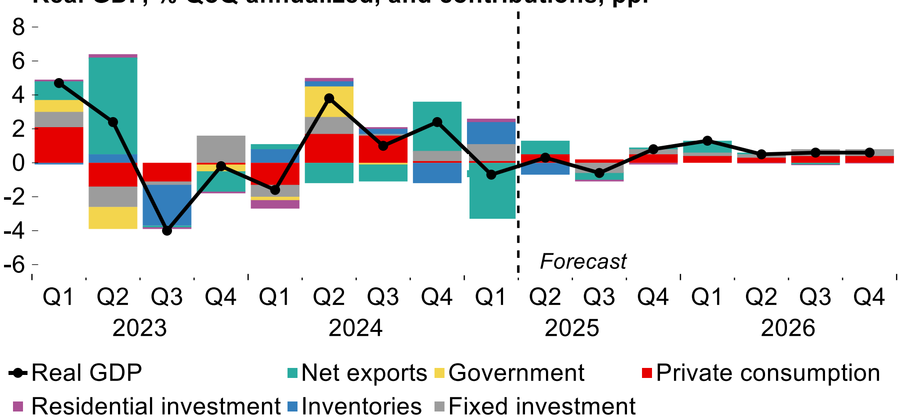
The recovery path remains workable despite the contraction in Q1

- Real GDP contracted in Q1 with personal consumption flat amid persistent inflation. Growth is likely to remain muted over the summer due to weaker external demand stemming from US trade policy. That said, we expect corporate earnings will remain somewhat resilient, and wage growth is also expected to remain relatively high amid ongoing labor shortages. All told, we expect that the underlying economic recovery will remain intact, with growth projected to slow to 0.4% Y/Y in FY 2025 and then recover to 0.6% Y/Y in FY 2026.

- Core CPI inflation (ex. fresh food) is currently hovering around 3% Y/Y. Looking ahead, government measures to curb energy prices and address rising rice prices are likely to at least partially suppress cost-push inflation pressures. Although rice prices have surged since last summer and may remain high, the additional impact on core inflation (ex. fresh food) is set to diminish over time. That is set to combine with what we see as limited space for services price hikes, despite rising wages, and result in the inflation rate falling below 2% Y/Y next year.

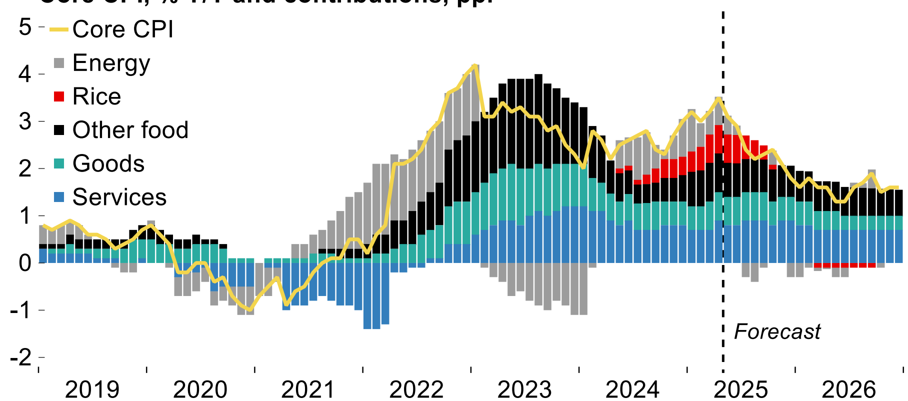
- In May, the BoJ kept its policy rates unchanged but policymakers remain open to further rate hikes. We believe that policy will be left unchanged amid the likely tariff-related economic slowdown. We expect the next rate hike to occur around April next year - once the effects of US tariffs have subsided and the outcomes of the spring wage negotiations become clearer. However, with the inflation rate projected to fall well below target in the latter half of next year, the bar for further moves beyond that is likely to remain high.

Real GDP, % QoQ annualized, and contributions, pp.



Source: Japan Cabinet Office, MUFG Bank Economic Research Office

Core CPI, % Y/Y and contributions, pp.

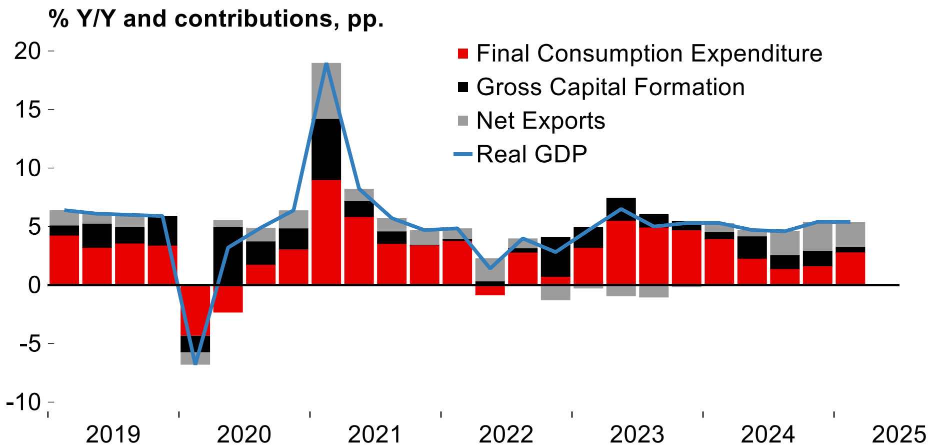


Note: "Core CPI" excludes fresh food. "Other food" excludes fresh food and rice. "Goods" excludes food and energy.
Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

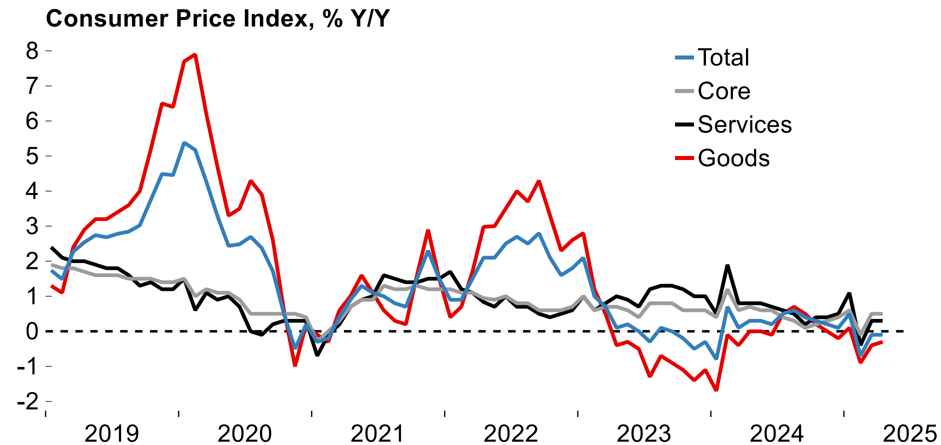
China

Policy measures to continue supporting activity, but China faces significant domestic and external headwinds

- GDP growth remained unchanged in Q1 at 5.4% Y/Y. Consumption picked up at the start of the year as the government ramped up its policies to support spending. Foreign demand also remained strong, although that is likely to be related to the front-loading of imports ahead of the introduction of additional tariffs by the US.
- We expect the fiscal and monetary policies set out by the National People's Congress in March will help to underpin the economy. However, China still faces the downturn in real estate sector, resulting in stagnant consumer sentiment, labor market weakness and deflationary pressures.
- On top of this, China also faces clear headwinds to foreign demand resulting from US tariffs. China and the US have both lowered tariffs on each other for a limited time, but China remains open to imposing additional retaliatory tariffs on the US and there is a risk that the tension over tariffs will be prolonged or increase again.
- As a result, it will likely take some time before any meaningful improvement in underlying growth can be seen. We forecast GDP will increase 4.4% Y/Y this year and 4.2% Y/Y in 2026, with risks tilted to the downside.



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



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

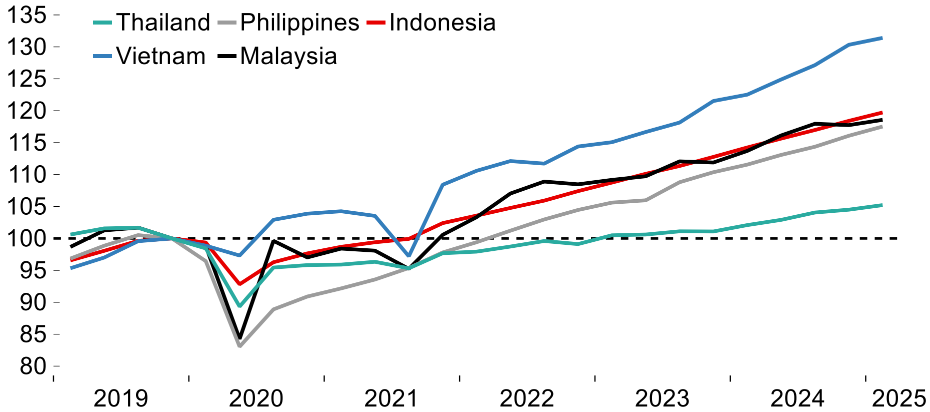
MUFG

ASEAN economies

US trade policy shifts present challenges for export-orientated ASEAN economies

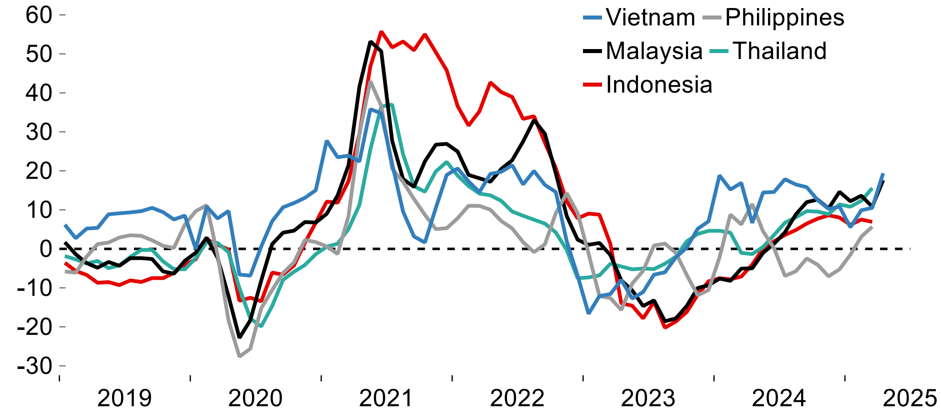
- The five major ASEAN economies (Indonesia, Thailand, Malaysia, Philippines and Vietnam) continued to expand – albeit at a slower pace – in Q1 2025 compared with the previous year, with the exception of the Philippines, which accelerated slightly. Exports have maintained an upward trend in most economies with the increased demand from front-loaded imports caused by US tariffs. Private consumption remains mostly firm, with some weakness in Thailand and Indonesia due to high interest rates and tighter lending standards.
- As US firms consider shifting supply chains and moving production and export bases in light of higher tariffs, ASEAN economies may maintain an advantage over China. However, in the short term, we expect downward pressure on ASEAN economies from a decrease in foreign demand and investment, and a decline in consumer sentiment. Economies that are highly dependent on exports, such as Malaysia and Thailand, will likely be most affected. There is also a risk that exports and investment will be hit if the US tightens restrictions on imports from China via other Asian countries. There is also a possibility that an influx of cheaper Chinese goods resulting from the US-China trade tensions will put pressure on industries and labor markets.
- Overall, we forecast real GDP for the five economies as a whole to expand by 4.4% Y/Y this year and 4.5% Y/Y in 2026, a small slowdown on last year's rate (4.9% Y/Y).

Real GDP, SA, Q4 2019 = 100



Source: National sources, Macrobond, MUFG Bank Economic Research Office

Goods exports, Y/Y, %



Source: National sources, Macrobond, MUFG Bank Economic Research Office

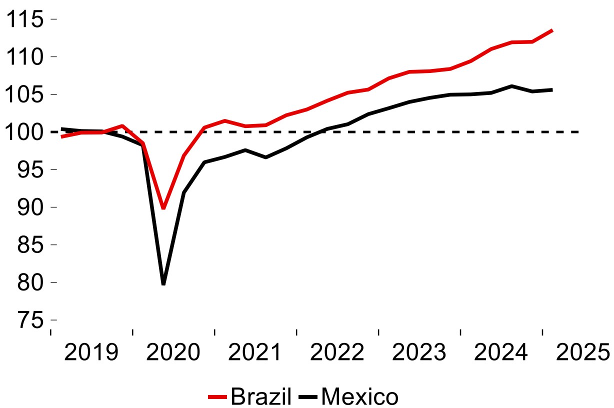
Latin America

Some signs of resilience amid US tariff uncertainty

- The Brazilian economy continued to demonstrate its resilience. Firm personal consumption has been underpinned by a resilient labor market, and there has been continued growth in fixed investment. On prices, CPI inflation accelerated to 5.5% Y/Y in April 2025, with core inflation also rising to 5.1% Y/Y. Against that background, the central bank has continued to raise interest rates, lifting the policy rate to 14.75% (the highest in 19 years). Looking ahead, these high interest rates are likely to increasingly weigh on economic activity, and the export environment is also likely to remain challenging. We expect real GDP to slow to 1.7% Y/Y in 2025 and 1.2% Y/Y in 2026.

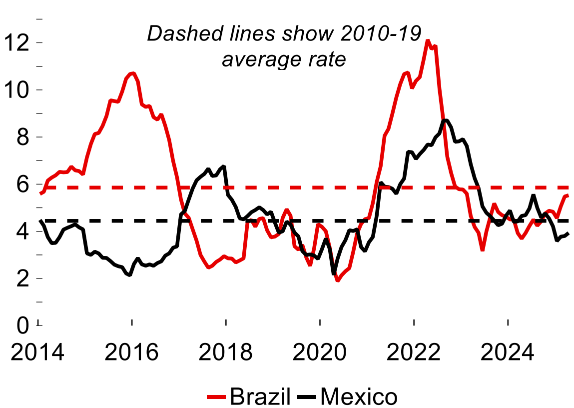
- In Mexico, the economy remains more sluggish, as uncertainty surrounding US tariff policy has led to weaker fixed investment. Deteriorating consumer sentiment has also weighed on personal consumption. We project real GDP growth to slow to 0.5% Y/Y in 2025. However, Mexico's role as a key supplier of low value-added goods to the US and the long-standing economic partnership between the two countries is likely to remain broadly intact. As such, business investment is likely to bottom out in the coming year, with growth projected to recover to 1.0% Y/Y in 2026. With inflation having slowed since mid-2024, the central bank began cutting rates in August 2024, bringing the policy rate to 8.5%. However, as both headline and core inflation have shown slight increases recently, the pace of further rate cuts is likely to be more gradual.

Real GDP, 2019 = 100



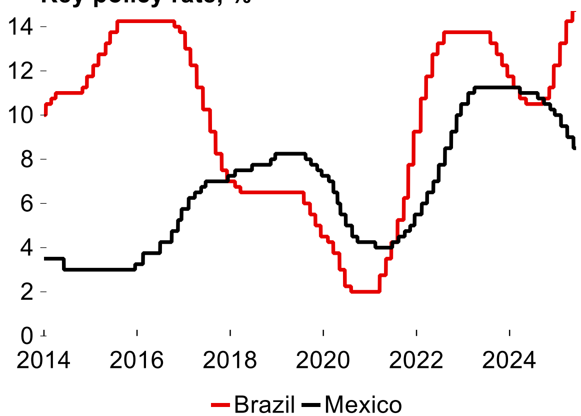
Source: Macrobond, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: Macrobond, MUFG Bank Economic Research Office

Key policy rate, %



Source: Macrobond, MUFG Bank Economic Research Office

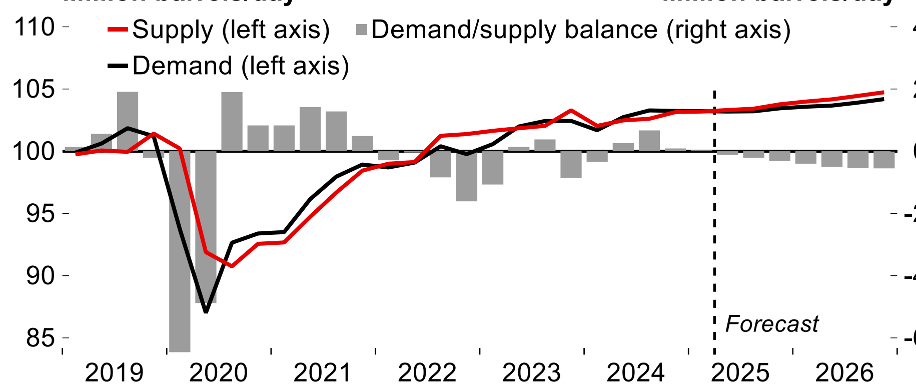
Oil market

Steady global growth supports a moderate upward trend in oil demand

- WTI spot prices rose above USD 70/bbl at the end of March as President Trump suggested the US would impose additional sanctions on Russia, Iran and Venezuela. However, at the start of April, prices plummeted to just above USD 50/bbl due to concerns about excess oil supply in light of the "reciprocal tariffs" announced by the White House and a statement by OPEC+ that production would increase from May. Concerns later faded somewhat when the US lowered tariff rates and oil prices rebounded. Currently, oil prices are around USD 60-65/bbl.
- We expect that oil demand will maintain a moderate upward trend in line with global economic growth, although some volatility is possible. On the supply side, output is likely to be gradually increased from OPEC and Latin America with the former easing production cuts. But in the case of a significant fall in oil prices we'd expect production cuts to be eased in order to support prices.
- All told, we expect oil prices will fluctuate around the USD 65/bbl mark in our base scenario. Prices could move lower if the global economy slows more than expected or Middle East supply exceeds expectations. On the other hand, additional sanctions against Russia and Iran could disrupt production and feasibly push prices above USD 80/bbl.

WTI spot price, close, USD/barrel

Source: Macrobond, MUFG Bank Economic Research Office



Source: EIA, EI, MUFG Bank Economic Research Office

Appendix - Forecast tables

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.4	2.8	2.9
Advanced economies	1.8	1.2	1.4
Emerging economies	5.0	4.4	4.3
US	2.8	1.5	1.6
Japan (FY)	0.8	0.4	0.6
Euro area	0.8	0.9	1.1
Germany	-0.2	0.2	1.0
France	1.1	0.5	0.9
Italy	0.5	0.5	0.9
UK	1.1	1.2	1.3
Asia (11 economies)	5.2	4.6	4.5
China	5.0	4.4	4.2
India (FY)	6.1	6.2	6.4
Advanced Asian Economies	3.0	1.8	1.7
South Korea	2.0	1.1	1.4
Taiwan	4.3	2.5	1.9
Hong Kong SAR	2.7	2.2	1.9
Singapore	4.0	2.3	2.0
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Indonesia	5.0	4.8	4.9
Thailand	2.5	2.0	2.3
Malaysia	5.1	3.6	3.8
Philippines	5.6	5.6	5.7
Vietnam	6.5	5.8	5.5
Australia	1.3	1.9	2.1
Latin America (5 economies)	2.5	1.4	1.4
Brazil	3.4	1.7	1.2
Mexico	1.5	0.5	1.0

	CPI (% Y/Y)		
	2024	2025f	2026f
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Emerging economies	2.1	2.0	2.4
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France	2.3	1.1	1.6
Italy	1.1	1.9	1.7
UK	2.5	3.2	2.4
Asia (11 economies)	1.8	1.6	2.2
China	0.2	0.3	1.1
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South Korea	2.3	1.7	1.9
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Indonesia	2.3	2.0	2.7
Thailand	0.4	0.7	1.1
Malaysia	1.8	2.3	2.2
Philippines	3.2	3.0	3.1
Vietnam	3.6	3.1	3.4
Australia	3.2	2.4	2.8
Latin America (5 economies)	4.5	4.5	3.6
Brazil	4.4	5.5	4.5
Mexico	4.7	3.8	3.0

* Advanced Asian Economies is an aggregate of South Korea, Taiwan, Hong Kong SAR and Singapore, formerly classified as NIEs

United States – Detailed forecasts

	2024				2025				2026				2024	2025f	2026f
	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	1.6	3.0	3.1	2.5	-0.2	1.7	1.2	1.1	1.6	1.8	2.0	2.4	2.8	1.5	1.6
Personal Consumption Expenditures	1.9	2.8	3.7	4.0	1.2	1.5	1.0	1.0	1.8	2.0	2.2	2.5	2.8	2.1	1.7
Fixed Investment (Residential)	13.7	-2.8	-4.3	5.5	-0.6	1.0	1.5	1.5	1.8	2.0	2.2	2.5	4.2	0.6	1.8
Fixed Investment (Nonresidential)	4.5	3.9	4.0	-2.9	10.3	-5.0	-2.5	0.2	1.5	2.0	2.5	2.8	3.6	1.4	0.6
Changes in Private Inventories (Contributic	-0.4	1.1	-0.2	-0.8	3.1	-1.9	-0.5	-0.2	0.3	0.2	0.1	0.2	0.1	0.2	-0.1
Government Expenditures	1.8	3.1	5.1	3.1	-0.7	-0.4	-0.2	0.1	0.2	0.2	0.4	0.6	3.4	1.1	0.2
Net Exports (Contribution)	-0.6	-0.9	-0.4	0.3	-4.9	3.1	1.3	0.5	-0.3	-0.1	-0.1	-0.1	-0.4	-0.6	0.3
Exports	1.9	1.0	9.6	-0.2	2.4	-3.0	-3.0	-3.0	0.0	1.5	1.5	1.5	3.3	0.6	-0.6
Imports	6.1	7.6	10.7	-1.9	42.6	-20.0	-10.0	-5.0	2.0	2.0	2.0	2.0	5.3	4.6	-2.5
Final sales to private domestic purchasers	2.9	2.7	3.4	2.9	2.5	0.3	0.4	0.9	1.7	2.0	2.3	2.6	3.0	2.1	1.6
Nominal GDP (QoQ annualized, %)	4.7	5.6	5.0	4.8	3.4	4.6	4.6	4.2	4.4	4.2	4.2	4.5	5.3	4.4	4.4
Unemployment Rate (%)	3.8	4.0	4.2	4.2	4.1	4.2	4.4	4.5	4.5	4.4	4.4	4.3	4.1	4.3	4.4
Consumer Price Index (YoY, %)	3.2	3.2	2.6	2.7	2.7	2.8	3.4	3.4	3.2	3.1	2.7	2.5	2.9	3.1	2.9
Balance of Payments															
Trade Balance, Goods (USD billions)	-279	-299	-310	-326	-466	-367	-327	-314	-323	-327	-331	-336	-1,213	-1,475	-1,317
Current Account (USD billions)	-243	-277	-310	-304	-445	-345	-305	-292	-301	-305	-309	-314	-1,134	-1,387	-1,229
Financial Indicators															
Federal Funds Rate (upper limit, %)	5.50	5.50	5.00	4.50	4.50	4.50	4.50	4.25	4.00	3.75	3.75	3.75	4.50	4.25	3.75
3-Month Eurodollar Libor Rate (%)	5.3	5.3	5.1	4.5	4.3	4.3	4.3	4.2	3.9	3.7	3.6	3.6	5.1	4.3	3.7
10-Year Treasury Yield (%)	4.1	4.4	4.0	4.3	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.2	4.4	4.2

Japan – Detailed forecasts

	2024				2025				2026				2027	FY2024	FY2025f	FY2026f
	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	-1.6	3.8	1.0	2.4	-0.7	0.3	-0.6	0.8	1.3	0.5	0.6	0.6	0.6	0.8	0.4	0.6
Private Consumption	-2.4	3.2	2.9	0.3	0.2	1.0	0.4	1.0	1.0	1.0	0.7	0.7	0.7	0.8	0.8	0.9
Housing Investment	-12.1	5.0	2.8	-0.7	5.0	-1.0	-2.6	-2.5	-1.4	-1.4	-1.4	-1.4	-1.4	- 1.0	- 0.2	- 1.6
Private Business Fixed Investment	-4.2	5.7	0.4	3.4	5.8	0.2	-3.4	1.1	1.1	1.5	2.1	2.1	1.6	2.6	1.1	1.3
Business Inventory (Contribution)	0.2	0.1	0.1	-0.3	0.3	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- 0.1	0.0
Government Expenditures	-0.8	7.3	-0.3	0.1	0.0	0.9	0.8	0.6	0.6	0.6	0.6	0.6	0.6	1.4	0.5	0.6
Public Investment	-8.6	24.7	-4.5	-2.8	-1.8	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.4	- 0.2	1.1
Net Exports (Contribution)	0.1	-0.3	-0.3	0.7	-0.8	0.8	-0.4	0.1	0.7	0.1	-0.1	-0.0	-0.0	- 0.4	- 0.1	0.3
Exports	-13.7	6.1	4.9	6.9	-2.3	4.5	-3.9	0.8	1.9	4.5	1.7	1.5	1.5	1.7	1.3	1.9
Imports	-14.1	11.2	9.2	-5.5	12.1	0.5	-3.8	2.5	0.5	2.3	2.1	2.1	1.8	3.4	1.7	1.5
Nominal GDP	0.1	10.0	2.2	4.8	3.1	5.1	-0.5	1.0	3.2	4.4	0.9	0.3	2.3	3.7	2.8	2.1
GDP Deflator (YoY)	3.1	3.1	2.4	2.9	3.3	3.0	2.8	2.3	1.7	1.5	1.6	1.4	1.4	2.9	2.4	1.5
Industrial Production Index (QoQ)	-5.2	2.1	0.3	0.4	-0.7	0.5	-0.8	0.2	0.3	0.6	0.4	0.4	0.3	- 1.5	- 0.2	1.3
Domestic Corporate Goods Price Index (YoY)	0.6	1.9	2.9	3.8	4.2	2.8	2.5	-0.3	-1.1	-0.4	-0.6	0.1	0.1	3.2	1.0	0.0
Consumer Price Index (excl. fresh food, YoY)	2.5	2.5	2.7	2.6	3.1	3.2	2.3	2.1	1.6	1.3	1.7	1.5	1.5	2.7	2.3	1.5
Balance of Payments																
Trade Balance (JPY billions)	-1,265	-1,256	-950	-18	-1,546	-401	-561	-803	-803	-772	-866	-947	-941	-3,769	-2,568	-3,526
Current Balance (JPY billions)	6,545	7,191	7,249	8,208	7,663	8,739	8,622	8,423	8,466	8,539	8,489	8,450	8,499	30,311	34,249	33,977
Financial																
Uncollateralized overnight call rate	0.0	0.1	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.5	0.5	0.7
Euro-Yen TIBOR (3-month rate)	0.0	0.1	0.2	0.3	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.3	0.5	0.7
Newly Issued 10-Year Government Bonds Yield	0.7	0.9	0.9	1.0	1.3	1.4	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.1	1.5	1.6
Exchange Rate (USD/JPY)	148	156	149	153	152	144	143	141	140	139	138	137	135	152	142	137

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2024	2025f	2026f	2024	2025f	2026f
Euro Area	0.8	0.9	1.1	2.4	2.2	1.9
Germany	-0.2	0.2	1.0	2.5	2.2	2.0
France	1.1	0.5	0.9	2.3	1.1	1.6
Italy	0.5	0.5	0.9	1.1	1.9	1.7
United Kingdom	1.1	1.2	1.3	2.5	3.2	2.4

	Euro Area (YoY, %)			UK (YoY, %)		
	2024	2025f	2026f	2024	2025f	2026f
Nominal GDP	3.7	3.5	3.0	5.1	5.1	3.6
Real GDP	0.8	0.9	1.1	1.1	1.2	1.3
Domestic demand (contribution)	0.4	1.4	1.3	2.4	2.5	2.1
Foreign demand (contribution)	0.4	- 0.5	- 0.2	- 1.3	- 1.4	- 0.8
Private consumption	1.0	1.1	1.1	0.6	0.9	1.4
Government consumption	2.7	1.5	0.8	3.0	2.2	2.1
Gross fixed capital formation	- 1.9	1.2	1.3	1.5	2.6	1.1
Inventory investment (contribution)	- 1.0	0.4	0.4	0.2	0.1	-0.1
Exports	1.0	0.5	1.4	- 1.2	0.9	1.2
Imports	0.3	1.6	1.9	2.7	4.4	1.4

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