MUFG Bank Economic Research Office

Global Economic Outlook Q2 2024

18 June 2024
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A member of MUFG, a global financial group

Global summary

The return of cautious optimism

- **The global economy has started the year on a relatively firm footing. Confidence has increased as concerns around a US hard landing have diminished, and there are signs that the global manufacturing cycle may have turned a corner. In light of generally stronger-than-expected growth in H1, we have revised up our forecasts for 2024 in most developed countries.**

- **Further ahead, we still look for a mild slowdown in the US around the turn of the year as consumer conditions worsen, and we also expect softer Chinese growth as concerns linger around the real estate sector. On the other hand, the improvement in households' real incomes is set to support a sustained recovery in both Japan and Europe, albeit at a gradual pace, and we expect for stronger expansions in many emerging economies. The net effect is set to be steady global growth this year and next.**

- **The global monetary policy cycle has turned with several central banks in developed economies, including the ECB, getting the ball rolling with rate cuts. While the US economy has broadly evolved as we set out in our previous quarterly outlook we have slightly scaled back our expectations for Fed easing this year to just one cut in Q4. The disinflation process has proved slightly bumpier than anticipated but we do now see clear signs of looser labor market conditions. This is set to pave the way for steady easing in 2025, with the ECB and the BoE following at a similar pace. The BoJ is likely to continue to move in the opposite direction with further, gradual tightening to come after the exit from negative rates this spring.**

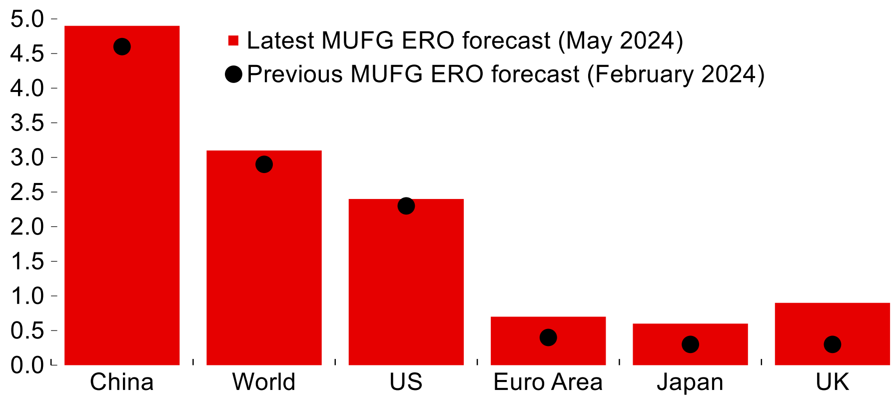
- **While we are cautiously optimistic about the outlook, a 'soft landing' for the global economy is not guaranteed. The full effect of monetary policy tightening is still yet to pass through to the real economy, with possible vulnerabilities in the commercial real estate sector. Meanwhile, global trade flows are still relatively sluggish and the threat of tit-for-tat tariff escalation between US/Europe and China has increased. Geopolitical risks stemming from the situation in both the Middle East and Ukraine also remain in focus.**

Key changes to our outlook

Clear signs of stronger momentum at the start of 2024

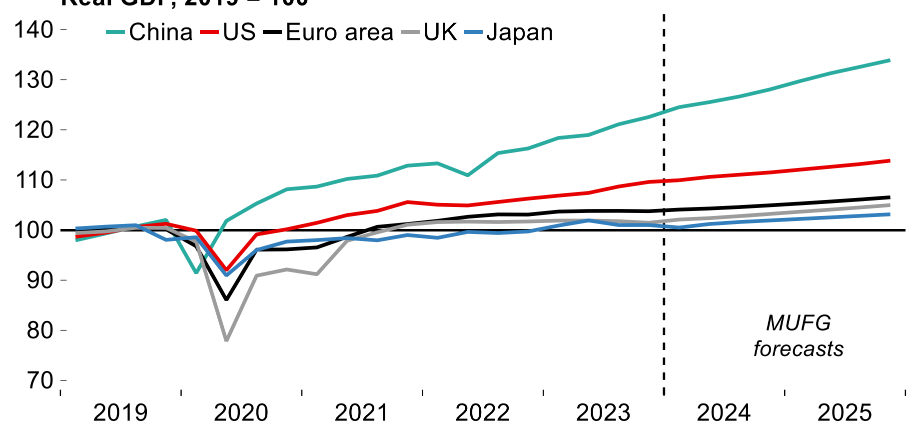
- We have revised our global growth forecast for 2024 up from 2.9% to 3.1%, with the slowdown in activity from 2023 (3.4%) less pronounced than previously expected.
- The near-term outlook looks brighter in many national economies. Japan looks set to bounce back more quickly than expected from its Q1 contraction (which was driven by one-off factors) with relatively healthy wage growth pointing to stronger consumption. The Chinese economy has been boosted by a pick-up in exports amid stronger sentiment in global manufacturing.
- The European economy performed considerably more strongly than expected in Q1. We see this as a matter of timing rather than the start of a spectacular expansion, with the recovery starting slightly sooner than anticipated but following a similar quarterly profile.
- We have increased our US growth figure only slightly, from 2.3 to 2.4%, and so far this year the economy has broadly followed our expected trajectory. The ongoing resilience of consumer spending has continued to support activity, but on a quarterly basis we still look for slower US growth later in 2024.

Real GDP, % Y/Y



Note: GDP growth figures for Japan are on a FY basis.
Source: MUFG Bank Economic Research Office

Real GDP, 2019 = 100



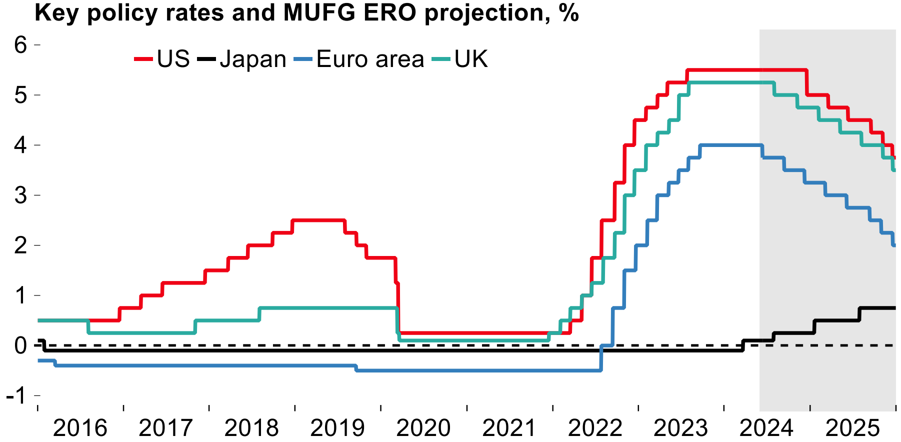
Source: Macrobond, MUFG Bank Economic Research Office

Monetary policy outlook

Lingering doubts around the persistence of inflation points to a gradual easing cycle

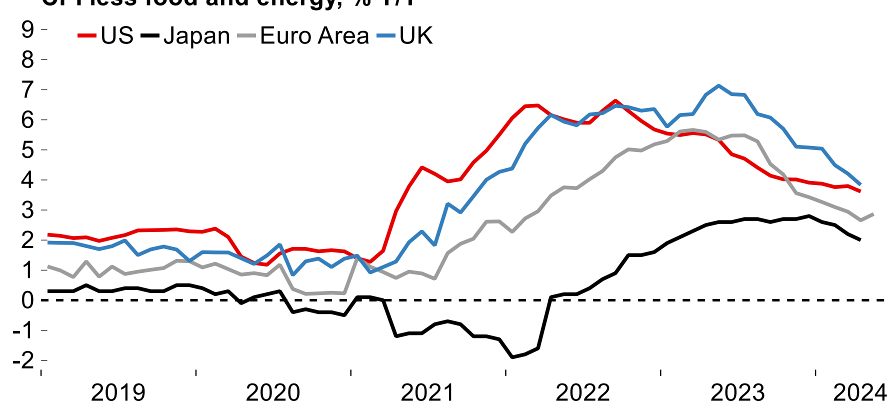
- The global monetary policy cycle has turned with several central banks in developed economies having now started to cut rates. However, the relatively favorable macro backdrop and lingering concerns about the persistence of inflationary pressures points to a gradual pace of rate cuts. Indeed, we now expect just one Fed rate cut in 2024 following a string of hot US inflation data earlier in the year. We maintain our view that the US economy is on the cusp of a mild slowdown due to worsening consumer conditions, and that this is likely to be more evident by year-end. Our expectation is for gradual easing in 2025 (we currently expect five rate cuts).
- In Europe, the ECB followed through with its well-signposted cut in June, but the relatively hawkish tone suggested that policymakers remain wary about the inflation outlook. We expect the data to improve over the summer and look for three cuts in total in 2024. In the UK, wage growth and services inflation remains elevated, which has complicated matters for the BoE. Our view is that conditions will improve in H2, clearing a path for two rate cuts this year.
- The BoJ is set to continue to move in the opposite direction. Underlying inflation pressures have risen following higher wage settlements. We expect the BoJ will raise rates at a gradual pace – twice this year, and twice in 2025

Key policy rates and MUFG ERO projection, %



Source: Macrobond, MUFG Bank Economic Research Office

CPI less food and energy, % Y/Y



Note: Chart shows HICP for EU countries. The series for Japan excludes all food.
Source: Macrobond, MUFG Bank Economic Research Office

MUFG Bank GDP & Inflation projections

Slightly slower global growth and normalizing inflation

	GDP (% Y/Y)		
	2023	2024f	2025f
World	3.4	3.1	3.2
US	2.5	2.4	1.8
Euro area	0.4	0.7	1.4
Germany	-0.3	0.2	1.1
France	0.7	0.8	1.3
Italy	0.9	0.8	1.0
UK	0.1	0.9	1.6
Japan (FY)	1.2	0.6	1.1
China	5.2	4.9	4.5
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.4
Malaysia	3.7	4.4	4.3
Philippines	5.5	5.9	6.1
Vietnam	5.1	6.0	6.5

	CPI (% Y/Y)		
	2023	2024f	2025f
World	3.6	2.5	2.4
US	4.1	3.2	2.5
Euro area	5.5	2.3	2.0
Germany	6.1	2.4	2.1
France	5.7	2.5	2.0
Italy	6.0	1.6	1.9
UK	7.3	2.6	2.3
Japan (FY)	2.8	2.7	2.0
China	2.0	0.7	1.5
ASEAN 5	3.4	2.6	2.8
Indonesia	3.7	2.8	3.0
Thailand	1.2	0.7	1.6
Malaysia	2.5	2.2	2.4
Philippines	6.0	3.5	3.3
Vietnam	3.3	3.6	3.2

United States

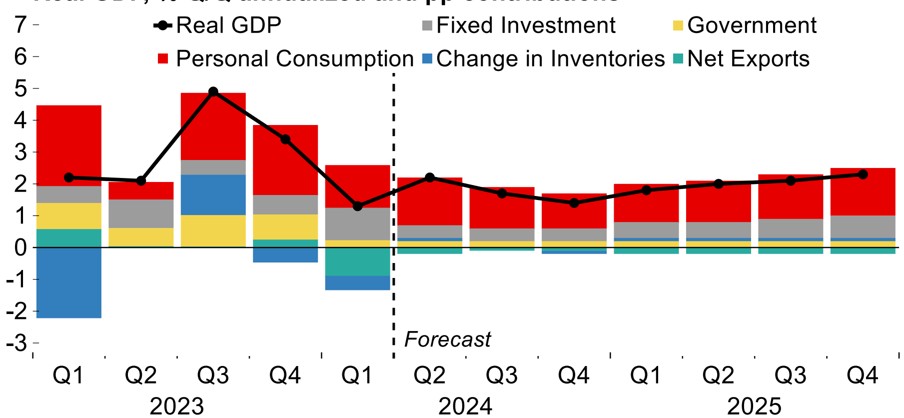
Elevated inflation and a strong labor market are expected to keep rates "higher for longer"

- Real GDP expanded at an annual rate of 1.3% in Q1 2024 (second estimate), down from 3.4% in Q4 2023. Though growth slowed overall, private domestic demand remained strong with an acceleration in services spending and growth in residential fixed investment of single-family homes. Monthly employment growth continues to trend above the pre-pandemic average, but job quits have fallen sharply, signaling an easing of wage pressures and an overall loosening of labor market conditions. Inflation accelerated in Q1, with the core PCE Price Index growing at an annual rate of 3.7% (up from 2% in Q4 2023), much of which came from core services spending components.

- Looking ahead, the lagged effects of high interest rates will weigh on fixed investment growth. The labor market is expected to further loosen as job openings fall and increased immigration levels improve the supply of labor. Slowing wage growth will negatively impact real household disposable incomes and combined with a slower pace of household asset value growth, consumer spending is expected to ease in H2 2024. Annual price growth will likely remain elevated above 2%, but a gradual easing is expected from month-to-month, especially in core services.

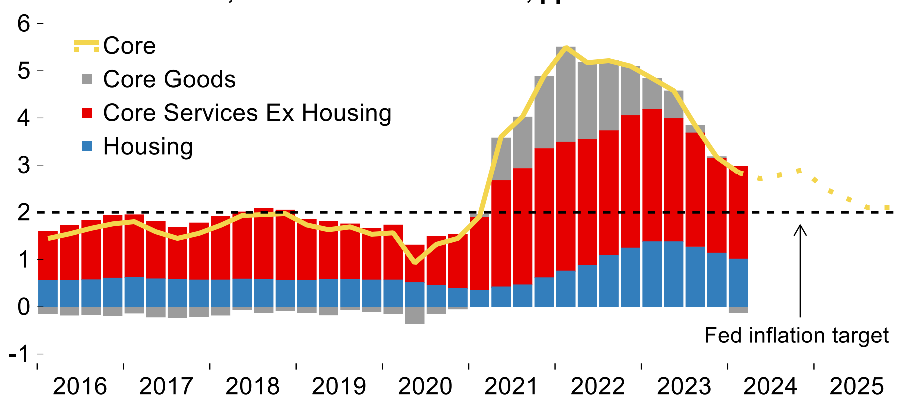
- The first Fed rate cut is not expected until Q4 2024, when annualized quarterly growth in the core PCE deflator approaches near 2%, and the unemployment rate rises above 4%. The US economy is expected to avoid a big downturn, supported by the strong labor market and a year end interest rate cut. Real GDP is forecasted to grow by 2.4% in 2024 and 1.8% in 2025.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, MUFG Bank Economic Research Office

PCE Price Index, % Y/Y and contributions, pp.



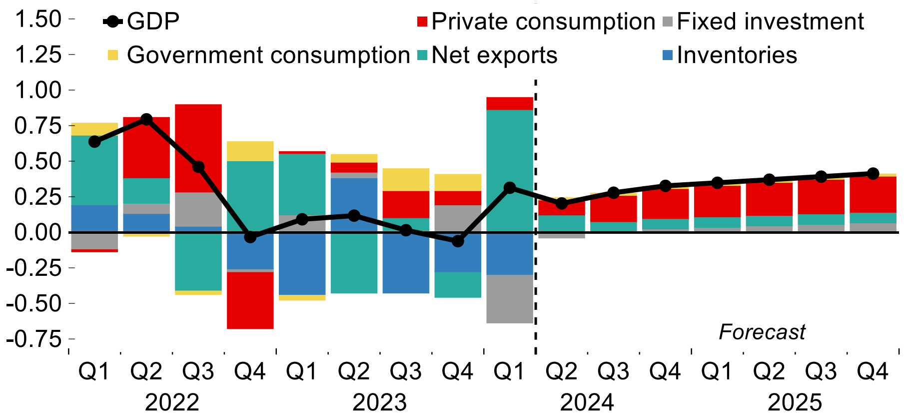
Note: Data are quarterly averages. Dotted line represents forecast.
Source: BEA, San Francisco Fed, MUFG Bank Economic Research Office

Euro area

The economy has returned to growth but headwinds are likely to limit the pace of the recovery

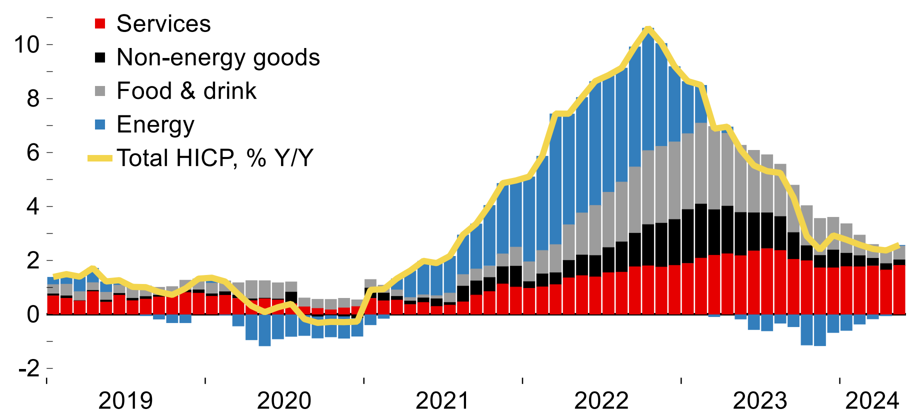
- The euro area economy expanded by 0.3% Q/Q in the first quarter of the year, with all the major national economies growing at a faster-than-expected rates. This may well mark an inflection point after an extended period of stagnation. We expect growth conditions will continue to improve over coming months as real incomes recover and the ECB eases policy (we expect three rate cuts in total this year).
- However, it's likely to be a case of moderate recovery this year rather than a rapid rebound. Monetary policy will remain in restrictive territory even after rate cuts. Many governments will need to make fiscal consolidation efforts after expansive spending in recent years, and structural pressures are set to continue to weigh on European manufacturing. Political risk has also increased in France, the second largest economy, following a strong showing for the far-right in the recent European Parliament election. For these reasons we do not see growth sustainably exceeding potential this year or next. We expect average growth of 1.4% in the euro area in 2025.
- The recent rise in headline inflation (2.6% in May) should be seen as a temporary blip related to one-off factors. With high frequency indicators still pointing to lower price pressures ahead, we foresee the euro area disinflation process reasserting itself in H2 this year. We expect the headline inflation rate will average 2.3% in 2024 and 2.0% in 2025.

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



Source: Eurostat, MUFG Bank Economic Research Office

Headline HICP inflation, % Y/Y, and contributions, pp



Source: Eurostat, MUFG Bank Economic Research Office

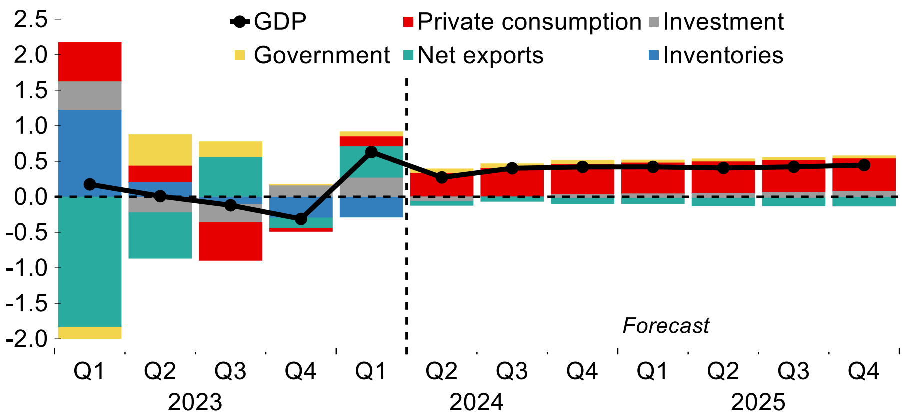
United Kingdom

Growth prospects look brighter in 2024 as household purchasing power continues to recover

- The UK recession economy started 2024 strongly with robust growth of 0.6% Q/Q in Q1, marking a swift end to what was a mild recession in H2 2023. With consumer conditions continuing to improve (pay growth in real terms is now above 2% Y/Y) we expect household expenditure to drive activity. However, monetary policy is set to remain in restrictive territory, even if the BoE does start to gradually ease policy this year as we expect. For that reason we doubt that growth will exceed potential rates - we look for annual average growth of 0.9% in 2024 and 1.6% in 2025. Inflationary pressures look slightly sticky in the UK and we see HICP averaging 2.3% in 2025 (but around target by year-end).

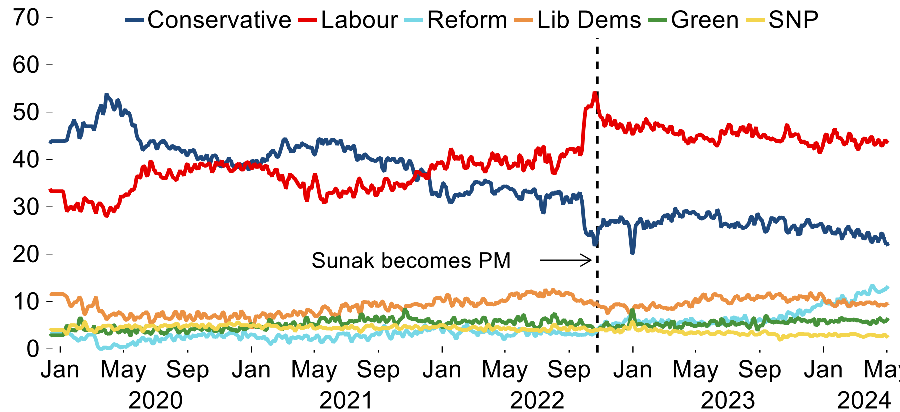
- The UK will hold a snap general election on 4 July. There is no sign that the governing Conservative party will be able to close the polling gap, leaving the Labour party poised to form a government after 14 years in opposition. The Labour Party in its current incarnation is moderate and centrist. It has indicated that it would follow a pro-business approach and err on the side of caution when it comes to public finances. We don't see huge downside or upside risks to growth from policy shifts under a Labour government. However, the UK economy may well benefit from the period of relative calm and stability that a new government with a sizeable majority would bring after the Brexit years and five prime ministers in eight years.

UK GDP, % Q/Q and pp contributions



Source: ONS, MUFG Bank Economic Research Office

UK voting intention, %, smoothed



Source: Macrobond, MUFG Bank Economic Research Office

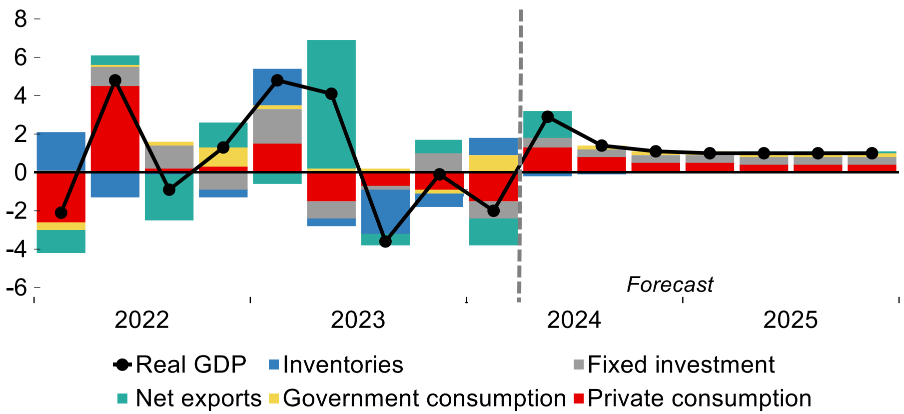
Japan

Recovering real income conditions and better capital investment to support stronger growth ahead

- The Japanese economy contracted in Q1, as expected, following the Noto Peninsula earthquake and the suspension of production by some automakers. We expect a healthy bounce back this quarter and maintain our relatively positive view on the outlook through the rest of the year. The spring wage negotiations point to a sustained acceleration in real pay growth which is set to boost private consumption, and survey indicators point to improved capital investment. Overall, we expect GDP growth will pick up from 0.6% in FY 2024 (with the annual figure dragged lower by carry-over effects) to 1.1% in FY 2025.

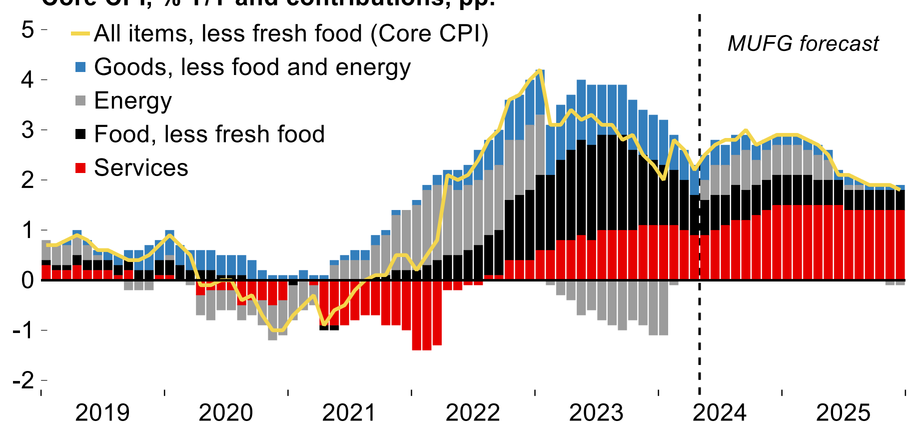
- We expect that inflationary pressures in the food and goods components will continue to ease, despite upward pressure on import prices from the weak yen. However, it is increasingly clear that underlying inflation has risen following the increase in base wages at this year's spring wage negotiations. We see another increase in base wages of about 3% next spring, which will support the headline inflation rate remaining close to 2% in FY 2025. Against this backdrop, we expect the BoJ will raise rates at a gradual pace – twice this year, and twice in 2025. We also expect the BoJ will begin reducing its asset purchases by the first half of FY2025, but this will not be used as a primary policy tool.

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



Source: CAO, MUFG Bank Economic Research Office

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



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

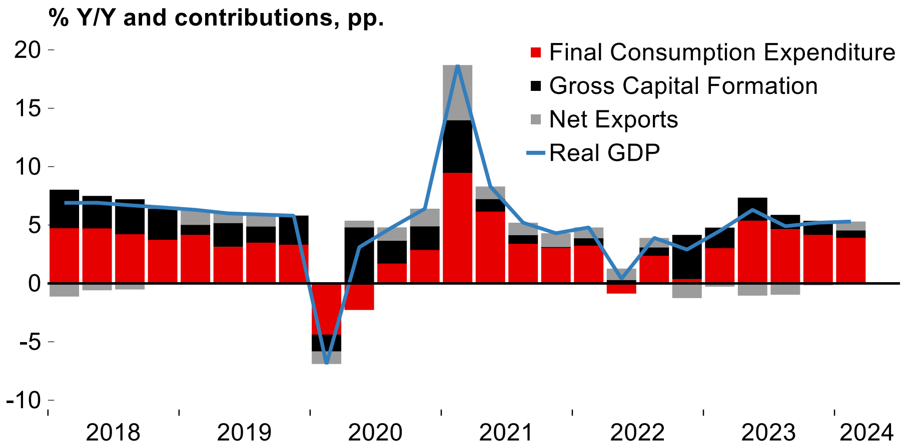
China

Growth to slow slightly as real estate worries continue to weigh on activity

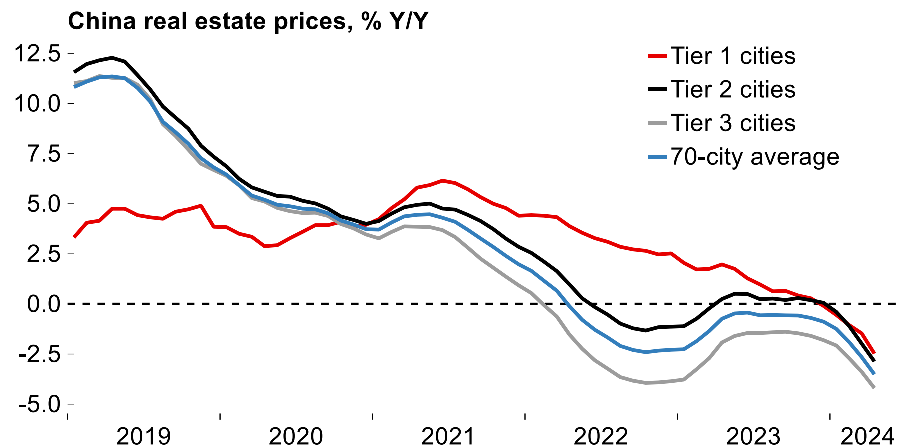
- The Chinese economy expanded by 5.3% Y/Y in Q1, a slight acceleration from the previous quarter. Growth was supported by net trade after a pickup in exports with continued signs of recovery in the manufacturing sector and stronger trade flows globally. There was also stronger services consumption over the Chinese New Year period. However, the GDP deflator has now been in negative territory for four consecutive quarters, which points to underlying weakness in domestic demand. The protracted period of weakness in the real estate sector continues to weigh on confidence.

- Looking ahead, real estate concerns are set to remain a drag, despite ongoing fiscal and monetary support measures from the government. In terms of external demand, we expect the recovery in global trade to continue and underpin Chinese exports, but there are also risks of escalating protectionism with both the US and EU. There has been firmer rhetoric recently around Chinese overproduction and dumping, in particular in the EV market, and the risk of tit-for-tat tariffs could become more of a headwind.

- All told, a gradual slowdown in activity remains our base case. We expect Chinese annual average GDP growth will slow from 5.2% last year to 4.9% in 2024 and 4.5% in 2025.



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



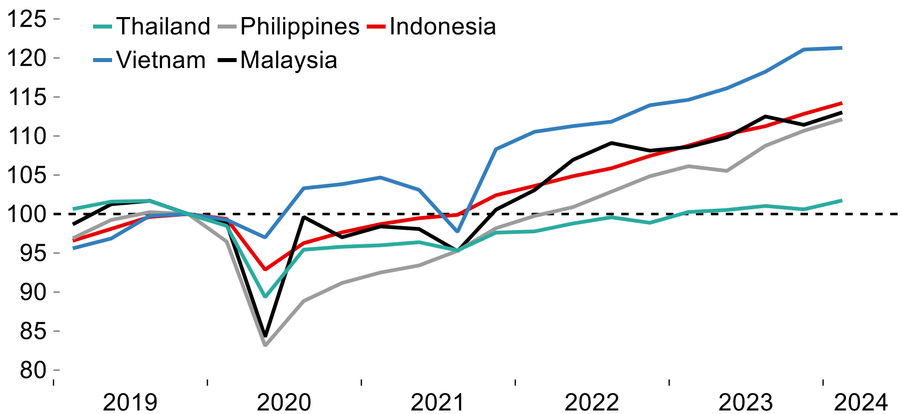
Source: NBS, MUFG Bank Economic Research Office

ASEAN economies

Growth to accelerate slightly in ASEAN economies in 2024 and 2025 despite downward pressure from inflation

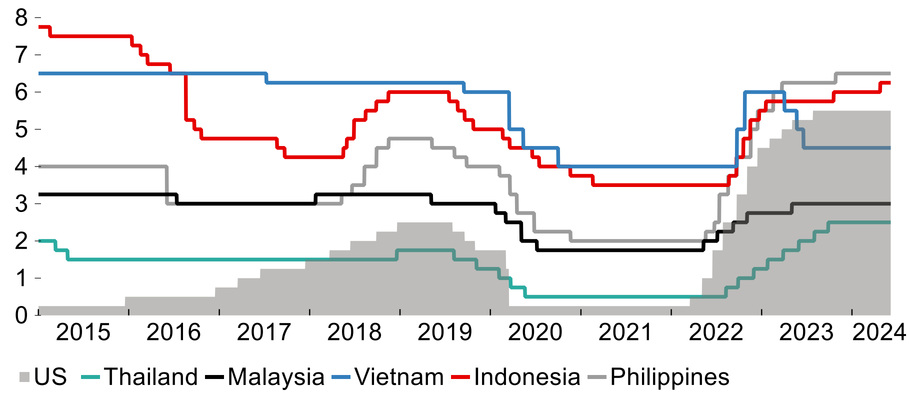
- The five major ASEAN economies (Indonesia, Thailand, Malaysia, Philippines and Vietnam) all expanded in the first quarter of 2024. While private consumption showed some weakness, particularly of durable goods such as automobiles, economies were supported by the continued recovery in international tourism and a rise in goods exports.
- On the whole, inflation rates have fallen on the back of lower commodity prices. However, there are upside risks to inflation from minimum wage rises, tax changes and a rise in import prices caused by El Niño and an escalation of the war in Gaza. Despite downward pressure from inflation, we foresee a robust expansion of ASEAN economies driven by the continued recovery in foreign demand and increased FDI. Real GDP growth for 2024 is expected to accelerate to 4.8% Y/Y in 2024 and 5.0% Y/Y in 2025.
- While central banks in the region have mostly stopped raising rates, there was an additional rate hike from Bank Indonesia in April as expectations of a rate cut by the US Fed in the near future were pushed back. Benchmark rates in ASEAN are likely to remain high for the time being due to upside risks to inflation and prolonged high interest rates in the US.

Real GDP, SA, Q4 2019 = 100



Source: National sources, MUFG Bank Economic Research Office

Central bank benchmark policy rates, %



Note: US is the upper bound for the Federal Funds Target Rate
Source: Macrobond, MUFG Bank Economic Research Office

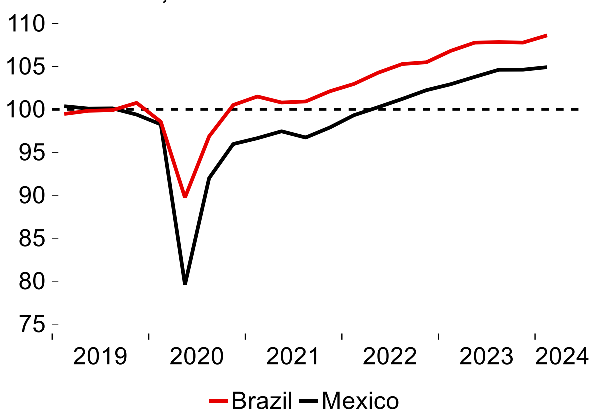
Latin America

Growth is set to recover in both Brazil and Mexico

- The Brazilian economy returned to positive growth in Q1 2024. Consumer spending expanded on the back of a favorable income environment, and fixed capital formation grew rapidly as the cumulative impact of interest rate cuts that began in August of last year feed into the broader economy. Consumer price inflation re-accelerated in May after months of easing, particularly in core services, which is likely to slow the pace of future rate cuts. Looking ahead, growth is expected to remain positive, with real GDP forecasted to grow 2.1% in 2024 and 2.0% in 2025.

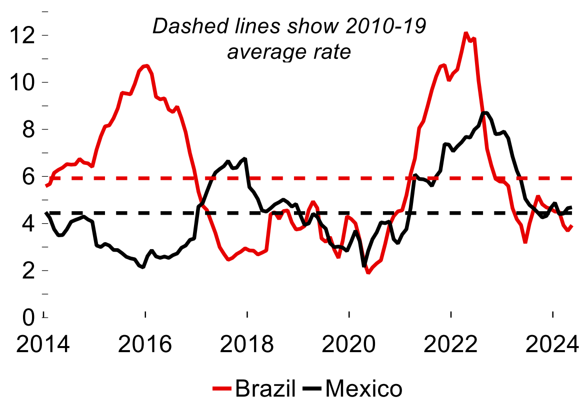
- Economic growth recovered in Mexico, with real GDP expanding by 0.3% Q/Q in Q1 2024, up from the stagnant 0% growth in Q4 2023. However, consumer spending, particularly on goods, appears to have stagnated, and inventories appear to have slowed growth as production adjustments in U.S. manufacturing extended to Mexico. But even with high real interest rates weighing on the economy, business fixed investment grew at a record high last year, and business fixed investment due to near-shoring is likely to continue to boom. Banxico will likely be cautious about further interest rate cuts, as core inflation continues to fall but core services inflation pressures persist due to high wage increases. Real GDP is forecasted to grow 2.2% in 2024 and 1.8% in 2025.

Real GDP, 2019 = 100



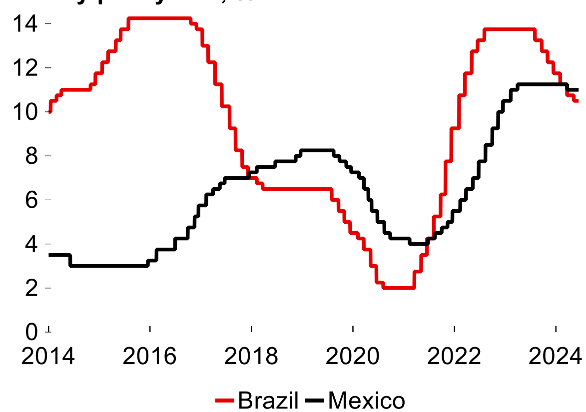
Source: Macrobond, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: Macrobond, MUFG Bank Economic Research Office

Key policy rate, %



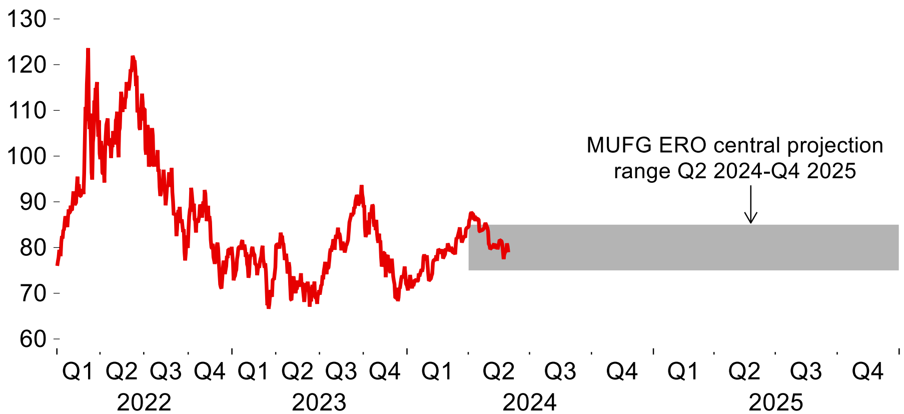
Source: Macrobond, MUFG Bank Economic Research Office

Oil prices

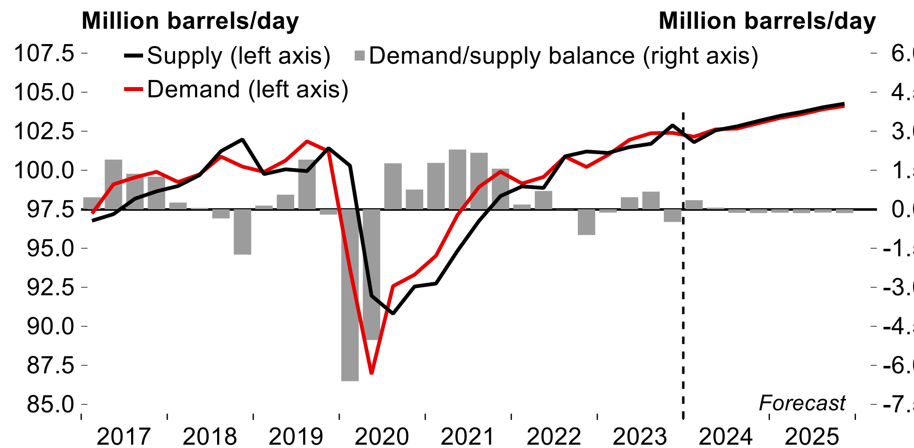
Oil prices set to remain broadly stable with gradual supply expansion matched by increasing demand

- Better-than-expected growth in the US and tensions between Israel and Iran put upward pressure on oil prices, causing a rise to above USD 85/bbl in April. However, spot prices have since fallen as geopolitical risks subsided with WTI remaining steady around USD 80/bbl on the back of a broadly stable supply-demand balance.
- Global oil demand has remained on a moderate upward trend, largely driven by economic expansion in developing countries. We expect that demand will continue to increase, albeit at a gradual pace, with restrictive monetary policy still exerting a drag. On the supply side, oil production cuts by OPEC+ have underpinned oil prices and we expect OPEC+ cooperation to continue despite some signs that cohesion over output cuts is weakening. Stronger profits in the US shale sector and some expansion of production in South America point to a gradual expansion of supply.
- All told, we expect that the current balance between oil supply and demand will continue and prices will remain around the current level (USD 80/bbl) in our base scenario. The risk of escalation in the Middle East remains, however, which could again put upward pressure on prices. On the other hand, a stronger-than-expected slowdown in global growth would likely put a dampener on demand.

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)		
	2023	2024f	2025f
World	3.4	3.1	3.2
Advanced economies	1.6	1.5	1.7
Emerging economies	5.2	4.8	4.6
US	2.5	2.4	1.8
Japan (FY)	1.2	0.6	1.1
Euro area	0.4	0.7	1.4
Germany	-0.3	0.2	1.1
France	0.7	0.8	1.3
Italy	0.9	0.8	1.0
UK	0.1	0.9	1.6
Asia (11 economies)	5.3	5.0	4.8
China	5.2	4.9	4.5
India (FY)	7.7	6.7	6.5
Advanced Asian Economies	1.5	2.8	2.4
South Korea	1.4	2.6	2.1
Taiwan	1.3	3.5	2.5
Hong Kong SAR	3.2	3.0	2.8
Singapore	1.1	2.5	2.8
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.4
Malaysia	3.7	4.4	4.3
Philippines	5.5	5.9	6.1
Vietnam	5.1	6.0	6.5
Australia	2.1	1.4	2.3
Latin America (5 economies)	2.5	2.1	2.0
Brazil	2.9	2.1	2.0
Mexico	3.2	2.2	1.8

	CPI (% Y/Y)		
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Philippines	6.0	3.5	3.3
Vietnam	3.3	3.6	3.2
Australia	5.6	3.3	2.7
Latin America (5 economies)	5.8	4.1	3.7
Brazil	4.6	4.1	3.8
Mexico	5.5	4.0	4.0

United States – Detailed forecasts

	2023				2024				2025				2023	2024f	2025f
	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	2.2	2.1	4.9	3.4	1.3	2.2	1.7	1.4	1.8	2.0	2.1	2.3	2.5	2.4	1.8
Personal Consumption Expenditures	3.8	0.8	3.1	3.3	2.0	2.2	1.9	1.6	1.8	1.9	2.0	2.2	2.2	2.3	1.9
Fixed Investment (Residential)	-5.3	-2.2	6.7	2.8	15.4	2.0	1.6	1.9	2.6	4.2	4.8	4.8	-10.6	5.6	3.0
Fixed Investment (Nonresidential)	5.7	7.4	1.4	3.7	3.3	2.2	2.0	1.8	2.6	2.7	3.0	3.2	4.5	2.9	2.5
Changes in Private Inventories (Contribution)	-2.2	0.0	1.3	-0.5	-0.3	0.3	0.0	-0.1	0.1	0.1	0.1	0.1	-0.3	0.0	0.0
Government Expenditures	4.8	3.3	5.8	4.6	1.3	1.5	1.4	1.4	1.5	1.5	1.5	1.5	4.1	2.6	1.4
Net Exports (Contribution)	0.6	0.0	0.0	0.3	-0.9	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	0.6	-0.3	-0.2
Exports	6.8	-9.3	5.4	5.1	1.2	1.2	0.5	0.2	1.6	2.0	2.0	2.4	2.6	1.6	1.4
Imports	1.3	-7.6	4.2	2.2	7.7	2.0	1.2	0.8	2.6	2.8	3.0	3.2	-1.7	2.9	2.2
Final sales to private domestic purchasers	3.6	1.7	3.0	3.3	2.8	2.5	1.9	1.5	2.1	2.2	2.4	2.6	1.9	2.9	2.2
Nominal GDP (QoQ annualized, %)	6.3	3.8	8.3	5.1	4.3	4.9	4.1	3.7	4.0	4.1	4.2	4.3	6.3	5.0	4.1
Industrial Production (QoQ annualized, %)	-0.3	0.8	1.6	-1.9	-1.8	1.2	1.1	1.3	1.7	1.8	1.7	1.8	0.2	-0.1	1.7
Unemployment Rate (%)	3.5	3.6	3.7	3.8	3.8	3.9	4.1	4.2	4.2	4.1	4.1	4.1	3.6	4.0	4.1
Producer Price Index (YoY, %)	4.4	1.2	1.6	1.0	1.6	2.5	2.0	2.4	2.0	1.8	1.8	1.8	2.0	2.1	1.9
Consumer Price Index (YoY, %)	5.8	4.0	3.5	3.2	3.2	3.3	3.1	3.1	2.7	2.5	2.3	2.3	4.1	3.2	2.5
Balance of Payments															
Trade Balance, Goods (USD billions)	-2,616	-2,739	-2,592	-2,649	-2,759	-2,745	-2,734	-2,726	-2,707	-2,690	-2,670	-2,650	-10,596	-10,963	-10,717
Current Account (USD billions)	-2,127	-2,150	-1,964	-1,948	-2,159	-2,135	-2,114	-2,096	-2,067	-2,040	-2,010	-1,980	-8,188	-8,503	-8,097
Financial Indicators															
Federal Funds Rate (upper limit, %)	5.00	5.25	5.50	5.50	5.50	5.50	5.50	5.25	5.00	4.75	4.50	4.00	5.50	5.25	4.00
3-Month Eurodollar Libor Rate (%)	4.8	5.1	5.4	5.3	5.3	5.3	5.3	5.2	4.9	4.7	4.3	3.8	5.2	5.3	4.4
10-Year Treasury Yield (%)	3.6	3.6	4.1	4.4	4.1	4.5	4.4	4.3	4.1	4.0	3.9	3.8	4.0	4.3	4.0

Japan – Detailed forecasts

	2023				2024				2025				2026	FY2023	FY2024f	FY2025f
	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	4.8	4.1	-3.6	0.0	-2.0	2.8	1.4	1.1	1.0	1.0	1.0	1.0	1.0	1.2	0.6	1.1
Private Consumption	2.8	-2.7	-1.2	-1.5	-2.7	2.4	1.6	1.0	1.0	0.7	0.7	0.7	0.7	- 0.6	0.3	0.9
Housing Investment	2.8	7.6	-3.4	-5.3	-9.8	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	0.6	- 3.4	- 1.0
Private Business Fixed Investment	10.3	-6.6	-0.7	7.4	-3.2	3.1	3.0	2.9	2.5	2.5	2.5	2.5	2.5	0.4	2.1	2.5
Business Inventory (Contribution)	0.5	-0.1	-0.6	-0.2	0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	- 0.3	- 0.1	- 0.0
Government Expenditures	0.9	0.9	0.7	-0.6	3.3	-0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	1.1	0.8	0.6
Public Investment	3.7	9.3	-1.1	-0.6	13.1	-1.0	1.2	1.0	1.0	1.0	1.0	1.0	1.0	4.1	2.3	1.0
Net Exports (Contribution)	-0.2	1.7	-0.1	0.2	-0.3	1.4	0.0	-0.0	-0.0	0.1	0.1	0.1	0.1	1.5	0.1	0.1
Exports	-9.4	15.9	1.3	11.6	-18.7	18.5	2.9	2.2	1.7	2.8	2.8	2.8	2.8	3.0	2.7	2.5
Imports	-5.7	-13.5	3.7	7.3	-12.8	11.4	2.9	2.4	2.0	2.3	2.3	2.3	2.3	- 3.3	2.2	2.3
Nominal GDP	9.1	10.7	-0.6	2.7	0.4	5.4	2.9	2.6	2.6	2.4	2.4	2.4	2.4	5.3	2.7	2.5
GDP Deflator (YoY)	2.3	3.7	5.2	3.9	3.6	2.7	2.3	2.0	1.8	1.5	1.5	1.4	1.4	4.1	2.2	1.4
Industrial Production Index (QoQ)	-1.7	1.3	-1.4	1.1	-5.4	5.2	0.6	0.5	0.4	0.5	0.5	0.5	0.5	- 2.0	1.9	2.1
Domestic Corporate Goods Price Index (YoY)	8.4	5.0	3.0	0.6	0.6	1.4	1.7	0.8	0.8	0.5	-0.2	-0.4	-0.5	2.3	1.2	- 0.2
Consumer Price Index (excl. fresh food, YoY)	3.5	3.2	3.0	2.5	2.5	2.5	2.9	2.8	2.8	2.4	2.0	1.9	1.7	2.8	2.7	2.0
Balance of Payments																
Trade Balance (JPY billions)	-3,542	-1,117	-657	-1,144	-1,133	-1,426	-1,616	-1,703	-1,781	-1,768	-1,811	-1,864	-1,848	-4,051	-6,526	-7,291
Current Balance (JPY billions)	2,785	5,861	6,106	6,631	6,092	5,956	5,812	5,746	5,671	5,706	5,683	5,650	5,686	24,690	23,186	22,725
Financial																
Uncollateralized overnight call rate	- 0.0	- 0.1	- 0.1	- 0.0	0.0	0.1	0.2	0.2	0.5	0.5	0.7	0.7	1.0	0.0	0.5	1.0
Euro-Yen TIBOR (3-month rate)	- 0.0	- 0.0	- 0.1	- 0.0	0.0	0.1	0.2	0.3	0.5	0.5	0.7	0.8	1.0	- 0.0	0.3	0.8
Newly Issued 10-Year Government Bonds Yield	0.4	0.4	0.6	0.8	0.7	0.9	1.1	1.2	1.2	1.3	1.4	1.5	1.5	0.6	1.1	1.4
Exchange Rate (USD/JPY)	132	138	145	148	148	155	154	151	147	145	142	139	137	145	152	141

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Euro Area	0.4	0.7	1.4	5.5	2.3	2.0
Germany	- 0.2	0.2	1.1	6.1	2.4	2.1
France	0.7	0.8	1.3	5.7	2.5	2.0
Italy	0.9	0.8	1.0	6.0	1.6	1.9
United Kingdom	0.1	0.9	1.6	7.3	2.6	2.3

	Euro Area (YoY, %)			UK (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Nominal GDP	6.5	3.8	3.4	7.2	3.5	3.8
Real GDP	0.4	0.7	1.4	0.1	0.9	1.6
Domestic demand (contribution)	0.4	0.8	1.1	- 0.2	0.5	2.1
Foreign demand (contribution)	0.0	- 0.1	0.3	0.3	0.3	- 0.4
Private consumption	0.6	1.1	1.6	0.3	0.7	2.8
Government consumption	0.8	1.0	0.4	0.5	1.9	1.0
Gross fixed capital formation	1.4	0.4	0.5	2.2	0.9	0.8
Inventory investment (contribution)	0.0	- 0.2	0.0	- 0.9	- 0.6	0.0
Exports	- 1.0	0.6	2.4	- 0.5	- 1.0	1.9
Imports	- 1.4	0.8	2.0	- 1.5	- 2.0	3.2

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