MUFG Bank Economic Research Office

Global Economic Outlook Q4 2024

December 20, 2024
(Original Japanese version released November 29, 2024)

A member of MUFG, a global financial group

Global summary

Steady global growth, but with a degree of uncertainty around government policies

- **The US economy has maintained its strong, consumer-led momentum in H2 2024 and some of Trump's policy proposals (e.g. tax cuts, deregulation) could boost confidence in the short term. With labor demand normalizing to a more sustainable level, we expect broader economic growth to follow and cool toward potential next year. However, there is enough uncertainty around the outlook and government policy for the Fed to want to tread cautiously as it lowers the policy rate towards a more neutral setting. We expect three more rate cuts in 2025.**

- **The outlook for China remains somewhat gloomy. We expect weaker growth next year (4.4%, from 4.8% in 2024) with concerns around tariffs added to persistent challenges for the real estate sector. As a result, underlying weakness in domestic demand is set to persist, despite bolstered policy support.**

- **In Japan, better consumer conditions are set to support an economic recovery next year. While this would bolster the case for the BoJ's gradual policy normalization, there is a risk of a slower pace of rate hikes if US tariffs weigh on activity.**

- **In Europe, the euro area recovery remains fragile and the threat of US tariffs is likely to weigh on activity - we see sluggish growth of just 0.9% in 2025. The UK economy is less vulnerable to US protectionism and will benefit from increased government expenditure, which is likely to leave growth ticking along close to potential.**

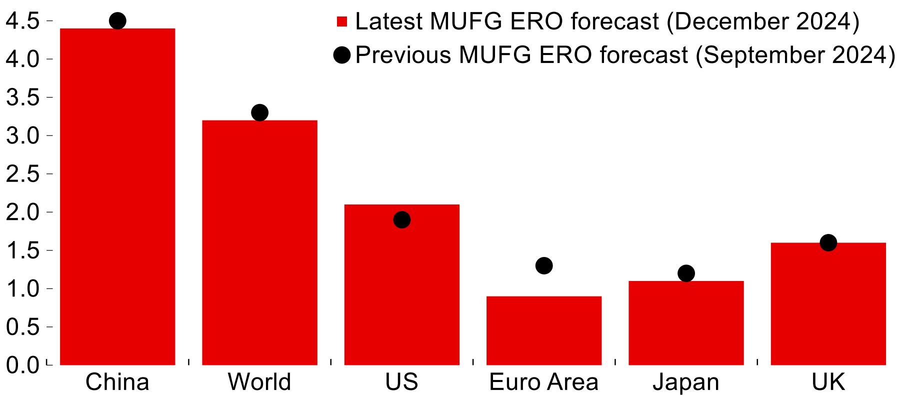
- **Overall, we see steady global growth ahead (3.2% in both 2024 and 2025), supported by looser monetary policy in advanced economies. A degree of divergence is likely, with the US set to continue to outperform most other developed economies.**

Key changes to our outlook

Stronger US growth but downgrades to our forecasts elsewhere

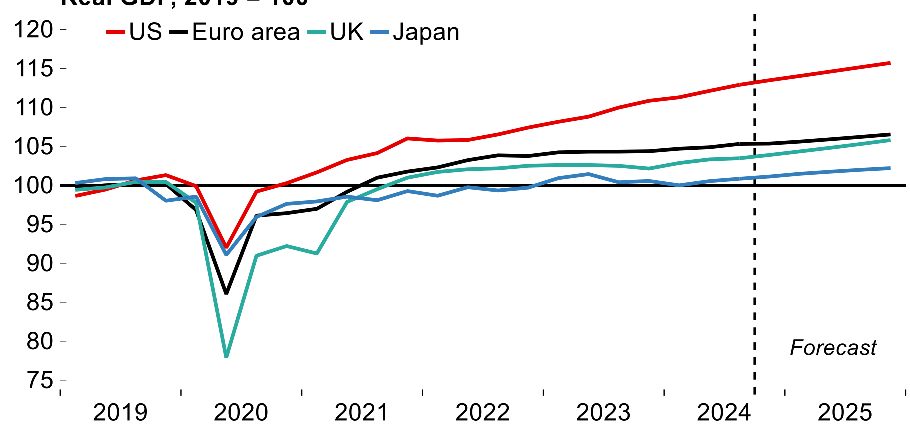
- We expect stronger US growth in 2025 (2.1% vs 1.9% previously). This reflects a carry-over of strong consumer-led activity in H2 2024 and an additional boost to confidence from Fed rate cuts and expectations of business-friendly policy changes (e.g. tax cuts, deregulation).
- Aside from the US, it's mostly a case of downgrades to our growth forecasts. We have revised our expectations for Chinese growth down from 4.5% to 4.4% in 2025, with expanded policy support failing to offset the drag from uncertainty around US trade policy.
- Our calendar year growth forecast for Japan has also been lowered, from 1.4% to 1.2% in 2025. However, this would still represent a strong recovery from the likely contraction this year, with growth set to be supported by stronger household consumption and capital expenditure.
- In Europe, we have revised our euro area growth figures lower with trade and political uncertainty set to weigh on what is still a fragile recovery. By contrast, the UK economy is less exposed to US tariffs and will be boosted by increased government spending next year – we have left our 2025 growth figure unchanged at 1.6%.

Real GDP, 2025 forecast, % Y/Y



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

Real GDP, 2019 = 100



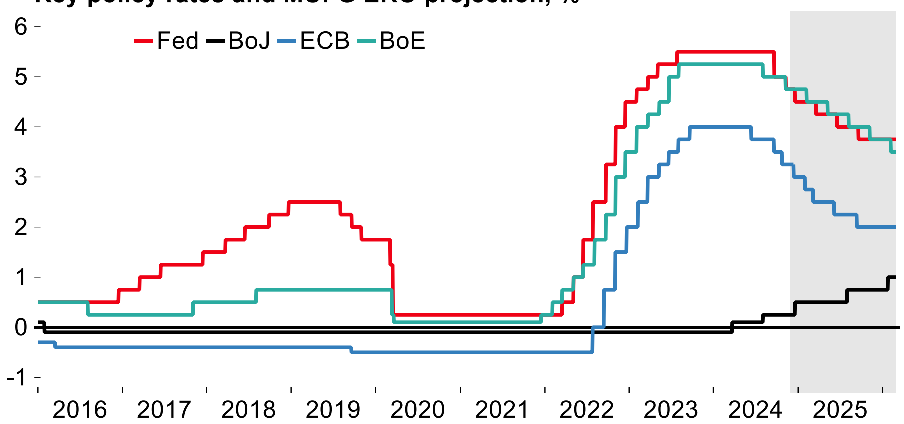
Source: Macrobond, MUFG Bank Economic Research Office

Monetary policy outlook

Central bank set to remain cautious amid heightened uncertainty

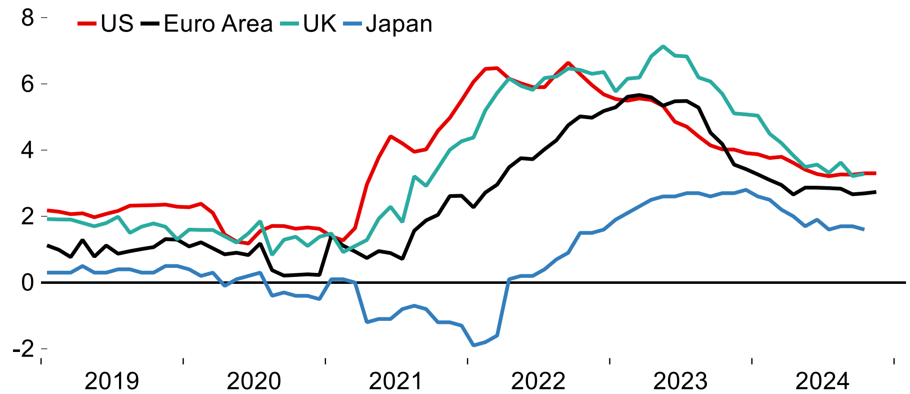
- After a proactive period we expect that the Fed will shift to a more gradual approach to rate cuts. US growth remains firm and there is considerable uncertainty around the inflationary consequences of the new administration's policies. We expect three rates cuts in 2025 with the final cut of the cycle in Q3, by which point there is likely to be greater clarity around the inflation outlook.
- In Europe, the weaker demand backdrop will likely promote a faster shift to a neutral setting from the ECB – we expect successive cuts into 2025 and then some further calibration to take rates to 2%. In the UK, where stronger underlying price pressures are likely to be bolstered by expansive fiscal policy, we expect a continuation of the quarterly pace of easing from the BoE.
- The BoJ is set to continue to move in the opposite direction. We expect there will be further evidence of structurally higher wage growth following the spring wage negotiations and that should give policymakers the confidence to continue the gradual rate hike cycle with three moves by January 2026. However, a downside surprise on growth related to US trade policy raises the risk that future moves could be postponed.

Key policy rates and MUFG ERO projection, %



Source: Macrobond, MUFG Bank Economic Research Office

CPI less food and energy, % Y/Y



Note: The series for Japan excludes all food.
Source: Macrobond, MUFG Bank Economic Research Office

GDP & Inflation projections

Steady global growth, slower disinflation

	GDP (% Y/Y)		
	2023	2024f	2025f
World	3.5	3.2	3.2
US	2.9	2.7	2.1
Euro area	0.4	0.7	0.9
Germany	-0.3	-0.1	0.5
France	0.9	1.2	1.1
Italy	0.7	0.5	0.7
UK	0.3	0.9	1.6
Japan	1.7	-0.3	1.2
China	5.2	4.8	4.4
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.1
Malaysia	3.7	4.6	4.3
Philippines	5.5	5.8	6.1
Vietnam	5.1	6.5	6.4
Japan (FY)	0.8	0.3	1.1

	CPI (% Y/Y)		
	2023	2024f	2025f
World	3.6	2.4	2.3
US	4.1	2.9	2.3
Euro area	5.5	2.3	1.9
Germany	6.1	2.4	1.9
France	5.7	2.3	2.0
Italy	6.0	1.1	1.6
UK	7.3	2.6	2.5
Japan	3.1	2.5	2.2
China	0.2	0.3	1.1
ASEAN 5	3.4	2.3	2.8
Indonesia	3.7	2.4	3.0
Thailand	1.2	0.5	1.6
Malaysia	2.5	2.0	2.4
Philippines	6.0	3.2	3.3
Vietnam	3.3	3.5	3.2
Japan (FY)	2.8	2.5	2.1

United States

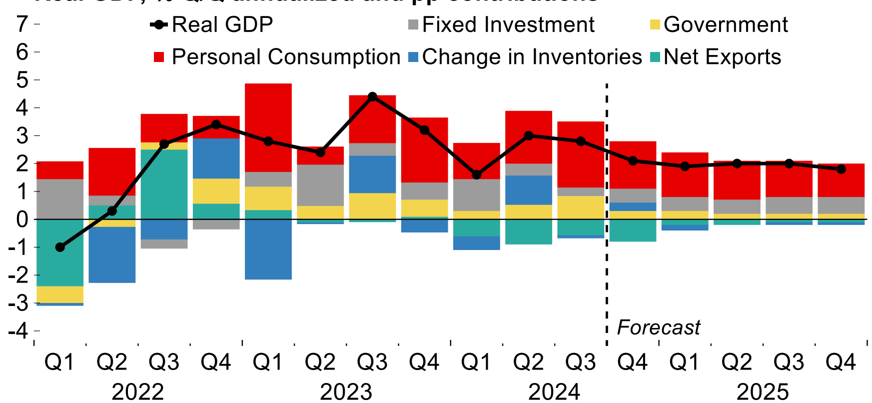
Strong economic growth and uncertain government policies will likely mean a cautious Fed

- US GDP growth remained strong in Q3 2024, expanding at an annual rate of 2.8%, (3.0% in Q2). Consumers continued to drive the economic expansion with personal consumption growth accelerating from 2.8% to 3.5% in Q3. The labor market has cooled considerably since the start of the year with monthly employment growth falling below the pre-pandemic average and unemployment now hovering above 4%. Wage pressures have subsequently eased, but inflation (particularly in the core services components) has trended upward since the summer.

- Looking ahead, the potential for expanded tax cuts and deregulation under Trump could support economic growth. However, layoffs are likely to gradually rise, pushing the unemployment rate up toward its natural rate of around 4.4%. Consumer spending is still set to be bolstered by growth in household disposable incomes (through real wage gains and net job creation) and appreciation in household net assets, but there may be a drag from rising delinquency rates. All told, we expect GDP growth to slow from a healthy 2.7% in 2024 to 2.1% in 2025, which would be close to the economy's potential rate.

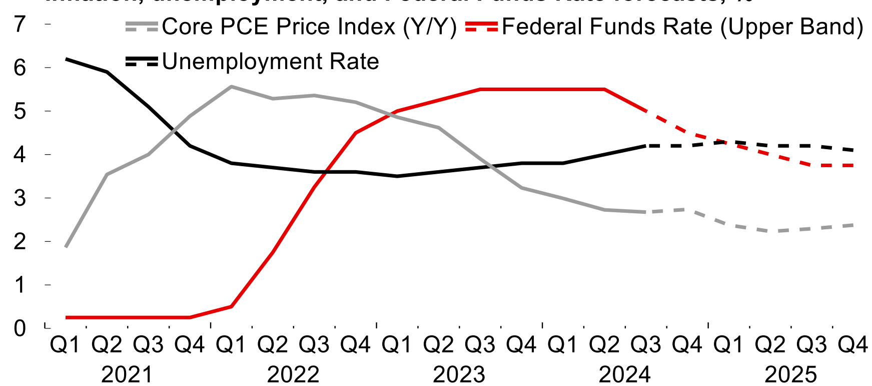
- On inflation, the potential for tariffs and slower population growth under Trump will likely apply some upward price and wage pressures, while expanded tax cuts could boost demand. But given the current lack of a solid policy framework and lags in implementation, the macroeconomic effects may not fully materialize until 2026. Against the backdrop of current economic strength and heightened policy uncertainty we expect that the Fed will proceed cautiously with rate cuts with three moves in 2025.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



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

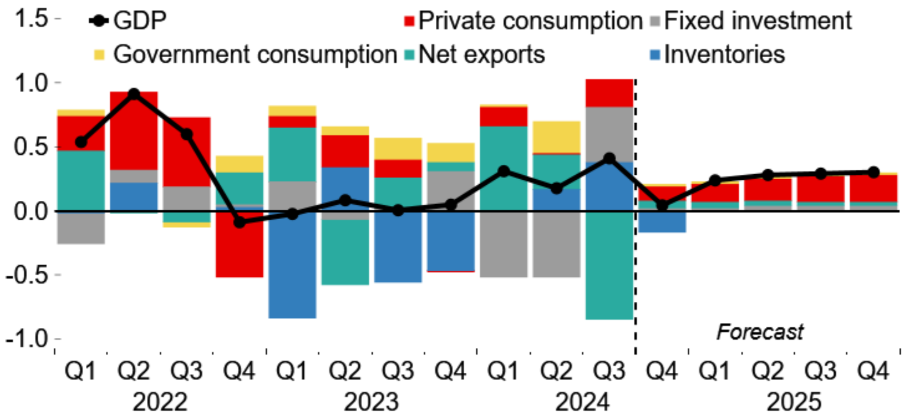
Euro area

The fragile recovery leaves the economy vulnerable to tariffs

- Euro area growth surprised to the upside in Q3 (0.4% Q/Q) but it remains a fragile recovery which now faces additional headwinds from political and trade uncertainty. Confidence indicators have weakened markedly since the US election. We expect some targeted US tariffs will be applied on imports from the EU, and the risk of further escalation will remain in focus. Germany, already facing a range of structural industrial issues, is most exposed to increased US protectionism. On the other hand, the early election in Germany could be net positive if it opens the door to a better functioning government and greater fiscal support further ahead. In France, the political crisis which has followed the snap vote in the summer will continue to exert an additional drag on sentiment.

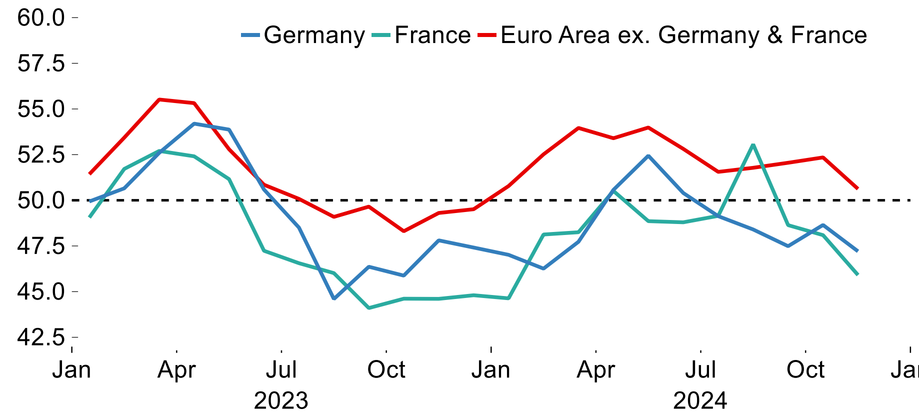
- There is likely to be some support from stronger consumer spending growth following the recovery in real wages, although this has been so far been limited by the trend for higher savings rates. Spending related to the EU recovery fund will also support activity in peripheral countries, while the ECB is set to continue its current pace of easing and bring policy to a neutral setting next year. We see headline euro area inflation averaging 1.9% in 2025, helped by slightly lower energy costs and the weak demand backdrop. On growth, we expect another year of muted activity with only a slight acceleration from 0.7% in 2024 to 0.9% in 2025.

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



Source: Eurostat, MUFG Bank Economic Research Office

Composite PMI, above 50 indicates expansion



Source: S&P Global, MUFG Economic Research Office

United Kingdom

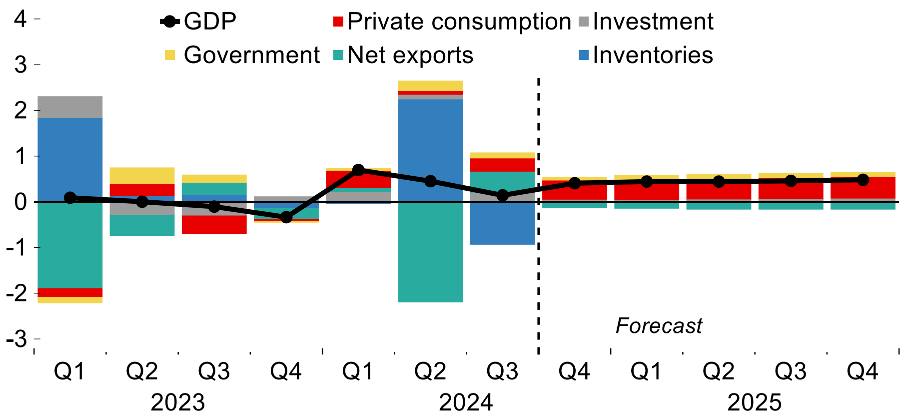
Relatively favorable growth conditions to remain

- The UK economy lost momentum after a strong start to the year (0.1% Q/Q in Q3) but the breakdown showed some encouraging signs in household consumption and business investment figures. The slowdown was partly related to uncertainty about fiscal policy. The new government’s first budget introduced a range of tax rises and spending increases. While an increase in employers’ wage costs is likely to weigh on employment and pay growth, it was ultimately an expansive budget with a range of front-loaded boosts to capital and current spending.

- Despite recent survey weakness, we see better conditions ahead once noise around the budget fades and expect consumers will become less cautious over coming quarters. The UK economy, which mostly exports services to the US, is also less exposed than other European countries to any Trump tariffs (although a euro area slump remains a key downside risk).

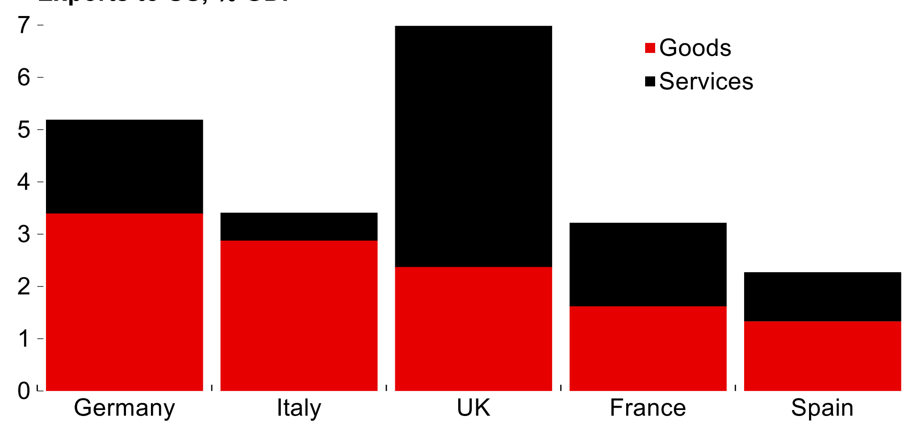
- All told, we expect growth will pick up this quarter and then we see average growth at 1.6% next year, which would be around potential. We expect inflation will remain above target (averaging 2.5% in 2025) with the government’s fiscal shift set to hold up the disinflation process. Against that background the BoE is set to remain cautious and continue rate cuts at the current quarterly pace.

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



Source: ONS, MUFG Bank Economic Research Office

Exports to US, % GDP



Source: OECD, Eurostat, ONS, MUFG Bank Economic Research Office

Japan

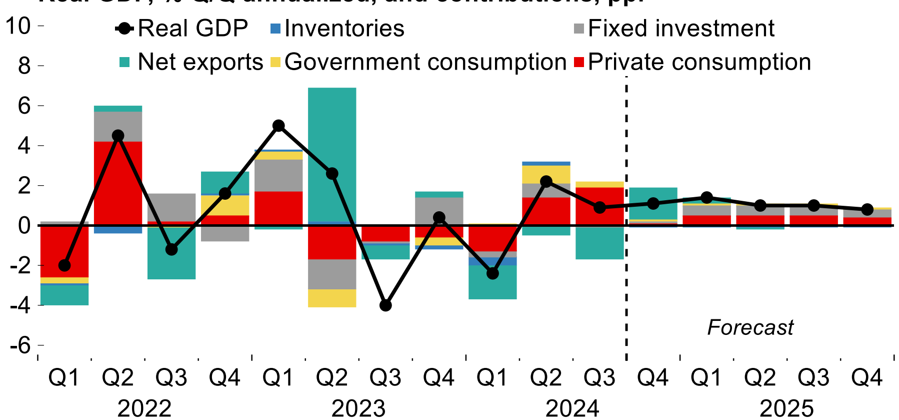
The economic recovery is set to continue as consumer conditions improve

- Real GDP expanded at an annual rate of 0.9% in Q3 2024, marking two consecutive quarters of growth. The robust expansion of personal consumption can be attributed to a large increase in disposable income from last quarter's bonuses and flat personal income tax cut. Real wage growth has bottomed out, and economic measures, including raising the "annual income barrier" (income tax threshold), are likely to support personal consumption next year. As a result, the economic recovery is set to continue, though we expect that real GDP will only expand by 0.3% in FY 2024 due to the negative carry-over effect. We then see growth accelerating to 1.1% in FY 2025.

- Core inflation (excluding fresh food) has slowed to around 2% due to government energy price controls. The contribution of food and goods to core inflation remains large, and the growth in service prices has plateaued. Over 1,000 food items are set for price increases in 2025, signaling continued price growth next year. In the services sector, items such as rent and public services, which comprise a significant share of service inflation and where price adjustments are far less flexible, are expected to rise in price more gradually. Despite fluctuations from energy price controls, core inflation is set to hover slightly below 2% in the latter half of next fiscal year.

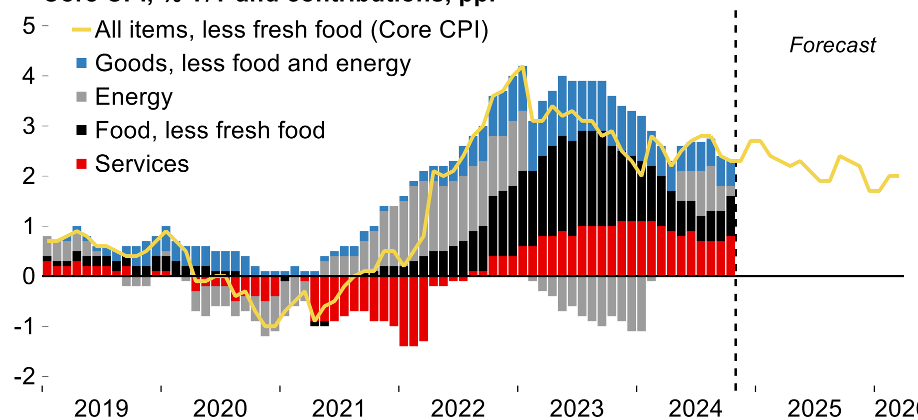
- The BoJ ended its negative interest rate policy in March and raised rates again in July. Governor Ueda indicated that concerns about the US economy have eased, and another hike is likely by Q1 2025. Solid wage increases are anticipated following the 2025 spring labor negotiations, and we expect further rate hikes in July and then in January 2026. However, the implementation of new tariffs by Trump could result in future interest rate hikes being postponed.

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



Source: CAO, MUFG Bank Economic Research Office

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



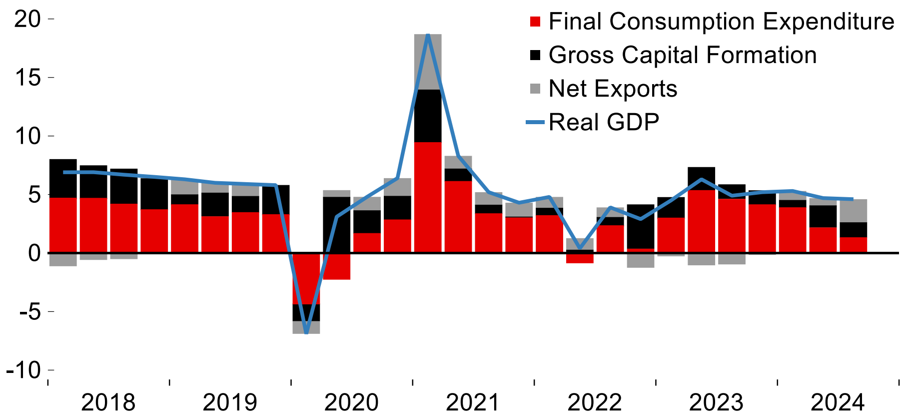
Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

China

Expanded policy support as real estate and tariff troubles weigh on growth outlook

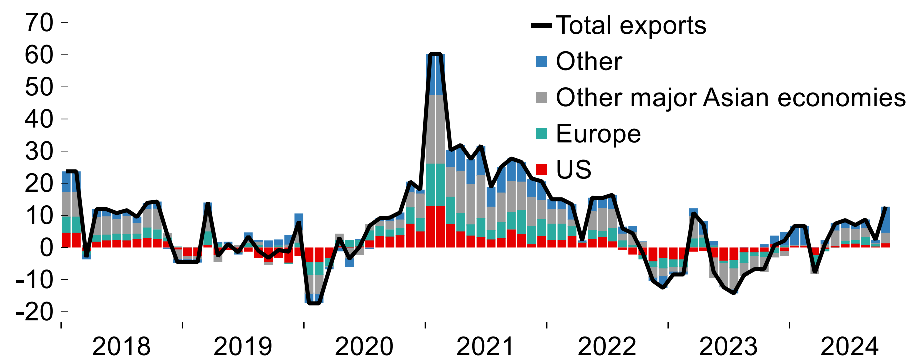
- The Chinese economy expanded by 4.6% Y/Y in Q3, decelerating from the previous quarter (4.7%). Growth was supported by external demand but domestic conditions remain challenging. There is no sign of the housing market bottoming out yet and ongoing weakness in employment conditions continues to weigh on household confidence.
- The US election result is set to pose additional headwinds with Trump stating that he will prioritize tariffs on China. While China's export share to the US has fallen since Trump's first term, new tariffs will inevitably still drag on activity and wider sentiment. That said, there could be a boost to trade prior to Trump's inauguration as firms look to pre-empt the introduction of any new tariffs.
- Against that background, the government has expanded its fiscal and monetary support and stressed that plenty of firepower remains should it be required. This is likely to underpin activity to an extent but we still expect that the Chinese economy will continue to struggle against a range of headwinds. We see annual average GDP growth slowing from 4.8% in 2024 to 4.4% in 2025, with a self-sustainable recovery (i.e. without government support measures) still not feasible.

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



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

Exports, % Y/Y and contributions, pp.



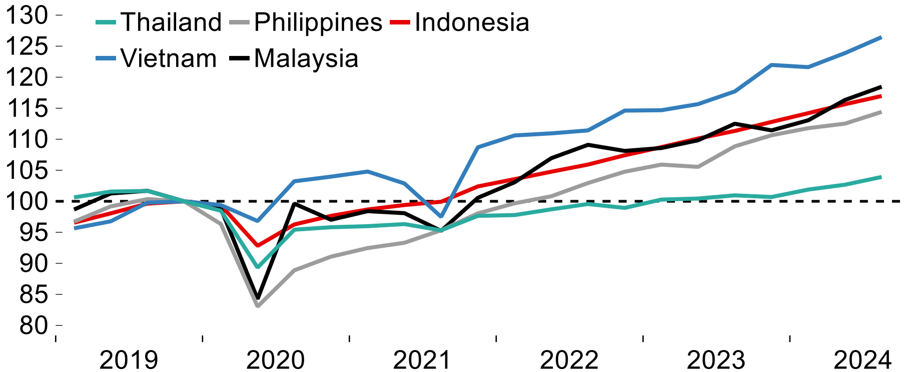
Source: General Administration of Customs of the People's Republic of China, MUFG Bank Economic Research Office

ASEAN economies

An improvement in incomes and infrastructure investment to offset the drag from trade policy uncertainty

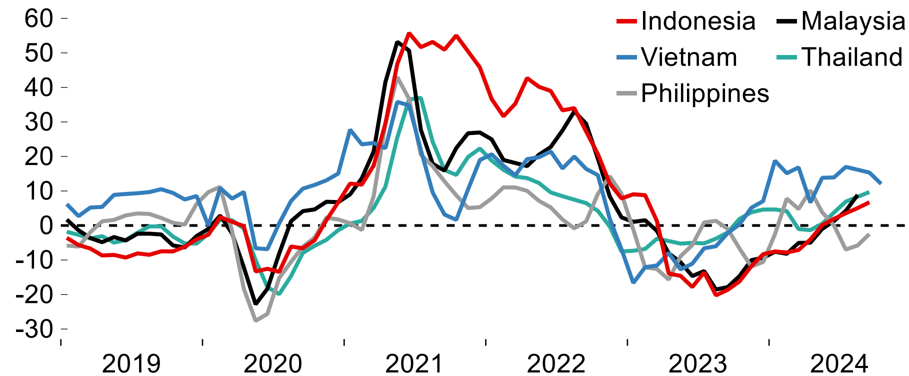
- The five major ASEAN economies (Indonesia, Thailand, Malaysia, Philippines and Vietnam) all continued to expand in Q3 2024, albeit at a slightly slower pace. While there was weakness in durable goods expenditure in some economies, exports maintained their upward trend and private consumption remained firm for the most part (with support from government policies).
- Looking ahead, we expect goods exports to continue to rise. However, it is likely that new US tariffs on Chinese goods will lead to downward pressure on exports of components and raw materials to China from ASEAN economies in the short term. Further ahead, we see scope for more positive effects due to restructuring of supply chains and a rise in investment outside China but this may be hampered by uncertainty around the direction of future US trade policy.
- Our base scenario is that growth conditions will remain somewhat favourable. We forecast real GDP for the five economies as a whole to expand by 4.8% YoY this year and 5.0% YoY in 2025, underpinned by better income conditions and infrastructure investment.

Real GDP, SA, Q4 2019 = 100



Source: National sources, MUFG Bank Economic Research Office

Goods exports, YoY, %



Source: National sources, MUFG Bank Economic Research Office

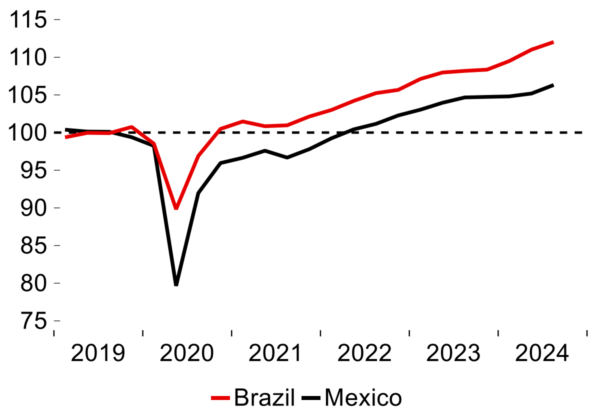
Latin America

Personal consumption supports growth in Brazil and Mexico

- In Brazil, real GDP growth accelerated to 4.0% in Q3, up from 3.3% in Q2. Growth was driven by strong private consumption on the back of a solid employment and income environment. In the industry sector, annual growth in output slowed to 3.6% in Q3, down from 4% in Q2. CPI inflation has accelerated, and persistent inflationary pressures and currency depreciation prompted the central bank to raise rates to 11.25% in November. The economic recovery is likely to continue as the employment and income situation for households continues to be favorable, but the pace of growth is set to slow as downward pressure from high interest rates and weaker external demand emerges. We expect real GDP growth of 3.3% in 2024 and 1.8% in 2025.

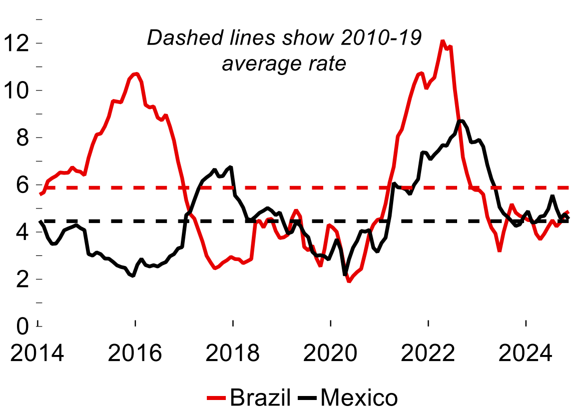
- In Mexico, real GDP growth slowed to 1.5% in Q3, from 2.1% in Q2. Growth was underpinned by an increase in capital investment related to near-shoring but also by a decline in exports resulting from production adjustments in the US. CPI inflation accelerated slightly to 4.8% in October, reflecting higher food and energy prices. However, core inflation is showing a moderate downward trend, with the rate easing to 3.8% in October. Although economic growth is slower, we believe that a recession will be avoided given firm personal consumption on the back of a solid employment environment. Our base case is for real GDP of 1.8% in 2024 and 1.5% in 2025, but we are mindful of risks to exports and domestic capital investment from US trade policy.

Real GDP, 2019 = 100



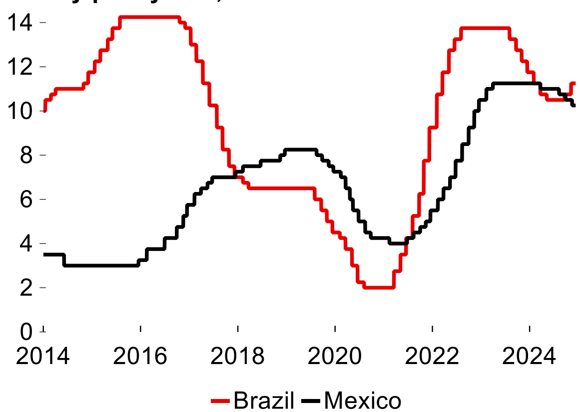
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %

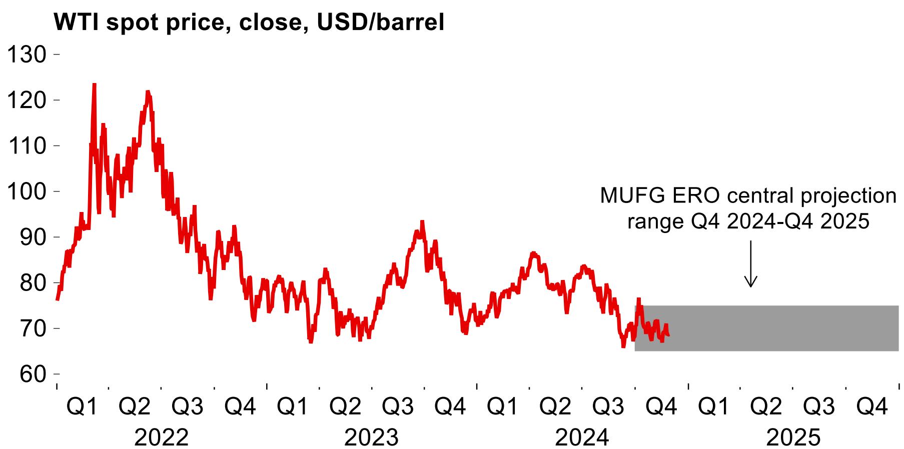


Source: Macrobond, MUFG Bank Economic Research Office

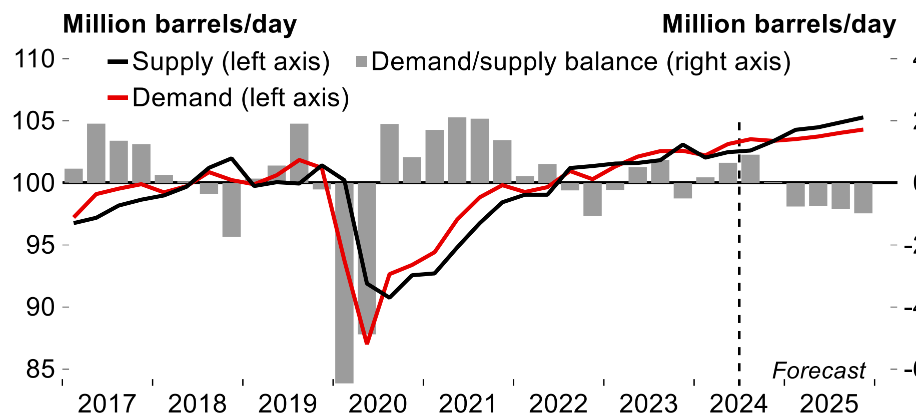
Oil market

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

- WTI spot prices fell below USD 70/bbl in September on the back of expectations of an increase in oil production by Saudi Arabia and Libya. However, attacks on Iranian oil facilities by Israeli forces in October caused oil prices to rebound. In November, oil prices fell again to around 67/bbl owing to an easing of concerns over the situation in the Middle East and pessimism over future Chinese oil demand.
- Looking ahead, there is heightened uncertainty around geopolitical risks and the new US administration's policies. However, our base case is that global growth will remain broadly steady, supported by central bank easing, and we expect oil demand will gradually increase. On the supply side, OPEC+ production cuts have underpinned prices but we expect a moderate rise in the global oil supply as the US expands its shale oil production under the new Trump administration.
- All told, we forecast oil prices will fluctuate around the USD 70/bbl mark in our base scenario. Risks around this are broadly balanced. An escalation of the conflict in the Middle East or additional US economic sanctions against Iran could cause a disruption in the oil supply and a sudden rise in prices. On the other hand, a stronger-than-expected slowdown of China's economy would dampen demand.



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	3.5	3.2	3.2
Advanced economies	1.7	1.6	1.7
Emerging economies	5.2	4.9	4.6
US	2.9	2.7	2.1
Japan (FY)	0.8	0.3	1.1
Euro area	0.4	0.7	0.9
Germany	-0.3	-0.1	0.5
France	0.9	1.2	1.1
Italy	0.7	0.5	0.7
UK	0.3	0.9	1.6
Asia (11 economies)	5.3	5.1	4.8
China	5.2	4.8	4.4
India (FY)	8.2	6.8	6.6
Advanced Asian Economies	1.5	2.8	2.3
South Korea	1.4	2.3	2.1
Taiwan	1.3	3.9	2.5
Hong Kong SAR	3.2	2.7	2.8
Singapore	1.1	3.1	2.2
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.1
Malaysia	3.7	4.6	4.3
Philippines	5.5	5.8	6.1
Vietnam	5.1	6.5	6.4
Australia	2.1	1.3	2.3
Latin America (5 economies)	2.5	2.4	1.8
Brazil	2.9	3.3	1.8
Mexico	3.2	1.8	1.5

	CPI (% Y/Y)		
	2023	2024f	2025f
World	3.6	2.4	2.3
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Emerging economies	2.6	2.2	2.4
US	4.1	2.9	2.3
Japan (FY)	2.8	2.5	2.1
Euro area	5.5	2.3	1.9
Germany	6.1	2.4	1.9
France	5.7	2.3	2.0
Italy	6.0	1.1	1.6
UK	7.3	2.6	2.5
Asia (11 economies)	2.2	1.8	2.2
China	0.2	0.3	1.1
India (FY)	5.4	4.7	4.5
Advanced Asian Economies	3.3	2.2	1.9
South Korea	3.6	2.3	2.1
Taiwan	2.5	2.2	1.6
Hong Kong SAR	2.1	1.8	2.2
Singapore	4.8	2.3	1.9
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Thailand	1.2	0.5	1.6
Malaysia	2.5	2.0	2.4
Philippines	6.0	3.2	3.3
Vietnam	3.3	3.5	3.2
Australia	5.6	3.2	2.9
Latin America (5 economies)	5.8	4.4	3.6
Brazil	4.6	4.3	3.6
Mexico	5.5	4.5	3.5

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

United States – Detailed forecasts

	2023				2024				2025				2023	2024f	2025f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	2.8	2.5	4.4	3.2	1.6	3.0	2.8	2.1	1.9	2.0	2.0	1.8	2.9	2.7	2.1
Personal Consumption Expenditures	5.0	1.0	2.5	3.5	1.9	2.8	3.5	2.5	2.3	2.0	1.9	1.7	2.5	2.6	2.4
Fixed Investment (Residential)	-4.3	4.5	7.7	2.5	13.7	-2.8	-5.0	1.5	2.5	3.5	4.0	4.2	-8.3	3.9	1.5
Fixed Investment (Nonresidential)	5.3	9.9	1.1	3.8	4.5	3.9	3.8	3.0	2.5	2.7	3.0	3.0	6.0	4.0	3.0
Changes in Private Inventories (Contribution)	-2.2	-0.1	1.3	-0.5	-0.4	1.1	-0.1	0.3	-0.2	0.0	-0.1	-0.1	-0.3	0.2	0.0
Government Expenditures	5.1	2.9	5.7	3.6	1.8	3.1	5.0	2.0	1.7	1.5	1.5	1.5	3.9	3.3	2.1
Net Exports (Contribution)	0.3	-0.1	-0.1	0.1	-0.6	-0.9	-0.6	-0.8	-0.2	-0.2	-0.1	-0.1	0.6	-0.5	-0.4
Exports	2.0	-4.8	4.9	6.2	1.9	1.0	7.5	7.0	2.4	2.2	1.8	1.4	2.8	3.5	3.6
Imports	-0.8	-3.1	4.7	4.2	6.1	7.6	10.2	10.0	3.0	2.5	2.0	1.5	-1.2	6.0	5.1
Final sales to private domestic purchasers	4.6	2.5	2.6	3.5	2.9	2.7	3.2	2.5	2.3	2.2	2.2	2.0	2.5	2.9	2.4
Nominal GDP (QoQ annualized, %)	6.6	4.3	7.7	4.8	4.7	5.6	4.7	4.2	4.2	4.3	4.3	4.3	6.6	5.2	4.4
Industrial Production (QoQ annualized, %)	0.0	0.3	1.2	-1.8	-1.8	2.5	-0.6	1.0	1.4	1.6	1.7	1.8	0.2	0.0	1.5
Unemployment Rate (%)	3.5	3.6	3.7	3.8	3.8	4.0	4.2	4.2	4.3	4.2	4.2	4.1	3.7	4.1	4.2
Producer Price Index (YoY, %)	4.4	1.2	1.6	1.0	1.6	2.6	2.1	2.5	2.2	1.8	1.8	1.9	2.0	2.2	1.9
Consumer Price Index (YoY, %)	5.8	4.0	3.5	3.2	3.2	3.2	2.6	2.6	2.2	2.1	2.4	2.5	4.1	2.9	2.3
Balance of Payments															
Trade Balance, Goods (USD billions)	-267	-274	-258	-265	-277	-297	-307	-316	-318	-320	-322	-323	-1,063	-1,197	-1,283
Current Account (USD billions)	-230	-233	-221	-222	-241	-267	-245	-253	-254	-255	-256	-256	-905	-1,006	-1,021
Financial Indicators															
Federal Funds Rate (upper limit, %)	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.75	5.50	4.50	3.75
3-Month Eurodollar Libor Rate (%)	4.8	5.1	5.4	5.3	5.3	5.3	5.1	4.5	4.2	4.0	3.7	3.5	5.2	5.1	3.9
10-Year Treasury Yield (%)	3.6	3.6	4.1	4.4	4.1	4.4	4.0	4.3	4.4	4.4	4.4	4.4	4.0	4.2	4.4

Japan – Detailed forecasts

	2023				2024				2025				2026	FY2023	FY2024f	FY2025f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	5.0	2.6	-4.0	0.4	-2.4	2.2	0.9	1.1	1.4	1.0	1.0	0.8	0.8	0.8	0.3	1.1
Private Consumption	3.1	-3.0	-1.5	-1.1	-2.4	2.6	3.6	0.2	1.0	1.0	0.9	0.8	0.7	- 0.6	0.7	1.0
Housing Investment	2.9	5.0	-3.4	-3.9	-11.0	5.7	-0.4	-1.9	-1.9	-1.9	-1.9	-3.4	-3.4	0.3	- 1.9	- 2.1
Private Business Fixed Investment	9.5	-8.4	-0.4	8.7	-1.6	3.8	-0.7	0.6	3.0	3.0	2.7	2.4	2.1	0.3	1.8	2.3
Business Inventory (Contribution)	0.3	0.0	-0.6	0.0	0.3	-0.1	0.1	-0.6	0.0	0.0	0.0	0.0	0.0	- 0.2	- 0.1	- 0.0
Government Expenditures	1.7	-3.4	0.0	-1.6	0.5	3.3	1.1	0.5	0.5	0.5	0.5	0.5	0.5	- 0.3	1.0	0.5
Public Investment	10.4	4.1	-7.6	-6.6	-4.3	17.4	-3.6	0.3	0.3	0.3	0.3	0.3	0.3	0.6	1.2	0.1
Net Exports (Contribution)	-0.1	1.7	-0.2	0.1	-0.4	-0.1	-0.4	1.6	0.3	-0.1	-0.0	0.0	0.0	1.4	- 0.4	0.2
Exports	-8.3	13.1	0.8	12.2	-16.8	10.7	1.5	2.9	3.1	2.4	2.6	2.7	2.4	2.8	1.4	2.6
Imports	-6.3	-15.5	3.6	9.8	-9.4	12.2	8.5	-4.8	1.6	2.9	2.8	2.7	2.3	- 3.2	3.5	1.9
Nominal GDP	9.8	8.3	-0.6	3.2	-1.0	7.0	2.1	2.7	3.0	2.4	2.3	2.2	2.2	4.9	2.8	2.5
GDP Deflator (YoY)	2.4	3.8	5.3	4.0	3.4	3.1	2.5	2.3	2.3	1.5	1.5	1.4	1.4	4.1	2.6	1.4
Industrial Production Index (QoQ)	-1.7	1.3	-1.4	1.1	-5.2	2.7	-0.4	0.4	0.6	0.6	0.5	0.5	0.5	- 2.0	- 1.1	1.9
Domestic Corporate Goods Price Index (YoY)	8.5	5.3	3.2	0.7	0.6	1.9	2.9	3.4	2.9	1.8	0.7	1.4	1.4	2.4	2.8	1.3
Consumer Price Index (excl. fresh food, YoY)	3.5	3.2	3.0	2.5	2.5	2.5	2.7	2.5	2.5	2.2	2.1	2.1	1.9	2.8	2.5	2.1
Balance of Payments																
Trade Balance (JPY billions)	-3,542	-1,117	-657	-1,144	-1,300	-1,355	-992	-208	17	-77	-173	-257	-283	-4,218	-2,538	-790
Current Balance (JPY billions)	2,832	6,250	6,494	7,019	6,178	7,122	7,350	8,242	8,512	8,441	8,368	8,307	8,303	25,941	31,226	33,418
Financial																
Uncollateralized overnight call rate	- 0.0	- 0.1	- 0.1	- 0.0	0.0	0.1	0.2	0.3	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	0.9	1.0	1.2	1.3	1.5	1.7	1.8	0.6	1.0	1.6
Exchange Rate (USD/JPY)	132	138	145	148	148	156	149	152	151	148	146	143	141	145	152	145

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Euro Area	0.4	0.7	0.9	5.5	2.3	1.9
Germany	- 0.3	-0.1	0.5	6.1	2.4	1.9
France	0.9	1.2	1.1	5.7	2.3	2.0
Italy	0.7	0.5	0.7	6.0	1.1	1.6
United Kingdom	0.3	0.9	1.6	7.3	2.6	2.5

	Euro Area (YoY, %)			UK (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Nominal GDP	6.4	3.3	2.5	7.7	3.8	3.9
Real GDP	0.4	0.7	0.9	0.3	0.9	1.6
Domestic demand (contribution)	0.2	- 0.4	0.6	- 0.1	2.4	2.5
Foreign demand (contribution)	0.2	1.2	0.3	0.5	- 1.5	- 0.8
Private consumption	0.7	0.7	1.1	0.7	0.8	2.6
Government consumption	1.6	1.9	0.6	0.6	2.2	2.1
Gross fixed capital formation	1.8	- 3.1	- 0.2	- 0.1	1.5	1.6
Inventory investment (contribution)	- 0.5	- 1.4	0.0	- 0.9	0.2	0.3
Exports	- 0.5	1.9	2.4	- 2.2	- 2.0	1.1
Imports	- 1.1	- 0.4	2.1	- 3.4	2.6	3.4

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