MUFG Bank Economic Research Office

Global Economic Outlook Q1 2025

March 11, 2025

(Original Japanese version released February 28, 2025)

Global summary

Despite the noise, our baseline remains one of steady global growth – but geopolitical risks will remain in sharp focus

- **Trump's second term as US president has started with a sudden shift in trade policy and the weakening of the transatlantic alliance. Global geopolitical risks have risen sharply and are set to remain elevated. Looking through the noise, however, we continue to highlight that macro fundamentals remain relatively firm. From a global perspective, the post-pandemic normalization of interest rates, inflation and growth is broadly continuing. Lower borrowing costs and recovering real income are likely to offset the drag from trade uncertainty and support growth in many developed economies, while bolstered fiscal policy measures could provide further impetus. We have left our overall global growth forecast unchanged.**

- **From a US perspective, new tariffs measures will push up inflation rates and wider policy uncertainty is likely to drag on confidence. However, the economy has carried firm momentum into 2025, supported by resilient consumer spending. Our baseline is that growth will slow, but not collapse, this year. The effect of past monetary easing is still passing through to the economy and we still see scope for further rate cuts this year and next.**

- **European policymakers have been jolted into action. We had assumed that there would be some fiscal easing in Germany after last month's election but the measures being discussed have far surpassed all expectations. Alongside wider European efforts to increase defense spending, there are now significant upside risks to our forecasts for Germany and the euro area as a whole. There may also be a boost to sentiment from any peace settle in the Russia-Ukraine conflict – provided that it is seen as credible.**

- **In Japan, core inflation is likely to moderate and we see scope for another meaningful increase in base wages this year. As a result, consumer spending is likely to support steady growth. There is scope for the BoJ to continue its gradual tightening cycle without derailing the recovery.**

- **In China, we expect that growth will continue to slow over our forecast horizon in the face of new tariffs and ongoing issues in the property market. That said, bold policy measures are likely to provide a floor to activity with growth likely to remain above the 4% Y/Y mark.**

Key changes to our outlook

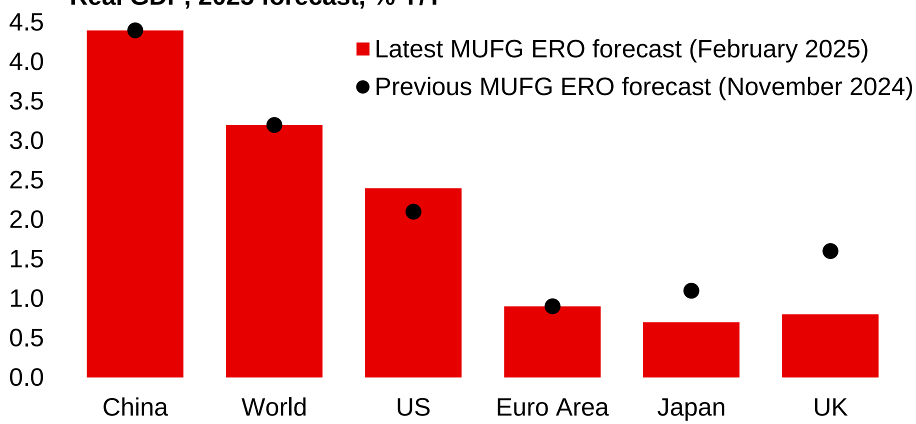
Policy action continues to alter the outlook

- Despite heightened policy uncertainty we have increased our US growth forecast for 2025 (2.4% vs 2.1% previously). This reflects stronger-than-expected carry-over effect from 2024 after Q4 growth surprised to the upside on the back of resilient consumer spending. However, Trump has moved faster and more forcibly with new tariff measures than we had assumed in our previous outlook. As a result, we have revised up our US inflation forecast from 2.3% to 2.8% this year, which is likely to contribute to slowing growth ahead.

- We have left our euro area forecast unchanged with Trump's opening salvo on tariffs on the EU more or less in line with our expectations as it stands. The threat of wider measures will continue to loom over the economy, but there are now significant upside risks to our forecast from the expansive fiscal plans which have been put forward in Germany. By contrast, we have tapered back our expectations for UK growth with the government likely to be forced to rein in some of its spending plans.

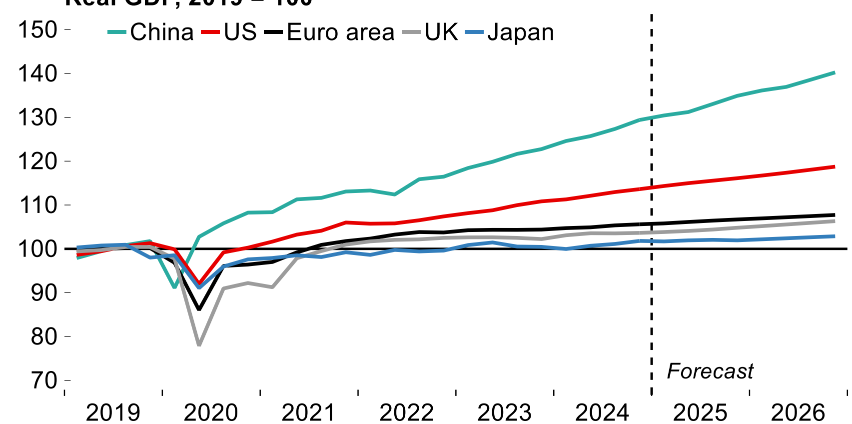
- We have lowered our growth profile for Japan with tariff uncertainty set to drag on growth. Against that background, the BoJ may be more circumspect about raising its policy rate than we had previously assumed – we have removed one hike from our profile.

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



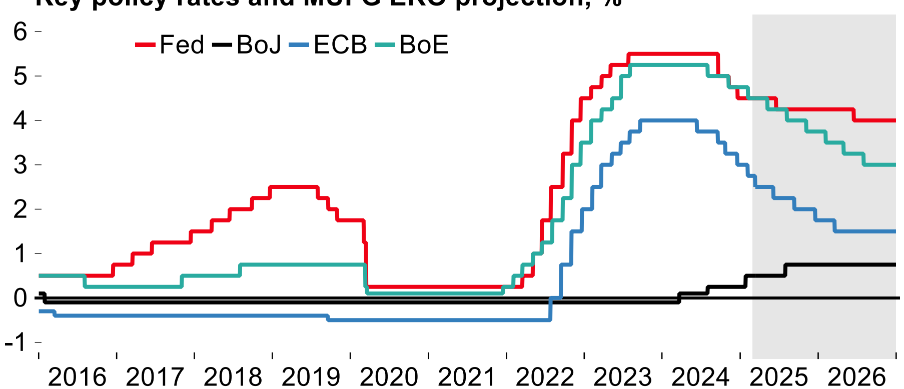
Source: Macrobond, MUFG Bank Economic Research Office

Monetary policy outlook

Central banks to proceed with rate cuts amid heightened trade policy uncertainty

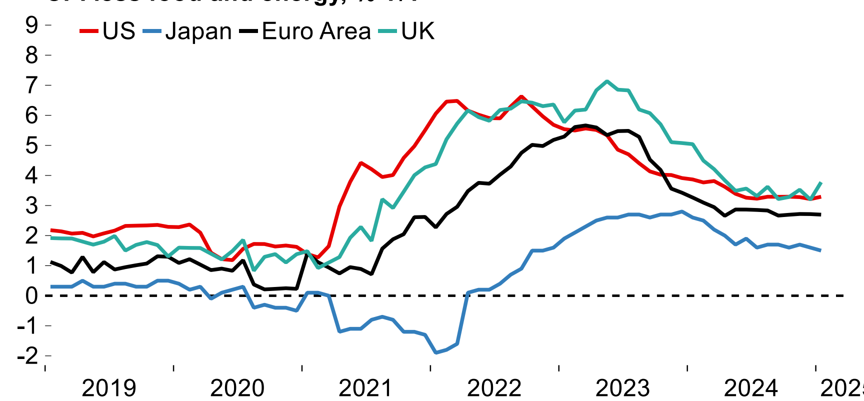
- We see just one Fed cut this year due to the likely upward pressure on prices from new tariff measures and concerns around the effect on inflation expectations. Further ahead we see scope for another cut in mid-2026 once the one-off effect of higher tariffs starts to fade.
- With encouraging signs that underlying inflation pressures are easing in the euro area, the ECB is set to continue its rate cut cycle this year. In our scenario we assume that policymakers will continue to bring rates below the neutral mark given the sluggish demand backdrop – but the sudden prospect of significant fiscal stimulus in Germany may jeopardise this.
- In the UK, inflation is set to rise over coming months due to energy costs but easing core price pressures are set to allow policymakers to continue with their gradual easing cycle.
- In Japan, we expect another firm rise in annual wage growth at negotiations this spring due to labour shortages and cost-push inflation. While the growth outlook remains somewhat muted, we see scope for another BoJ rate hike in the first half of FY 2025.

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

Global growth to slow slightly over coming years

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.4	3.2	3.0
US	2.8	2.4	2.2
Euro area	0.7	0.9	1.0
Germany	-0.2	0.5	0.9
France	1.1	0.7	0.9
Italy	0.5	0.7	1.0
UK	0.9	0.8	1.4
Japan	0.1	1.0	0.6
China	5.0	4.4	4.2
ASEAN 5	4.9	5.0	4.5
Indonesia	5.0	5.0	4.9
Thailand	2.5	3.1	2.3
Malaysia	5.1	4.3	3.8
Philippines	5.6	6.1	5.7
Vietnam	6.5	6.5	5.5
Japan (FY)	0.7	0.7	0.7

	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	2.5	2.3
US	2.9	2.8	2.6
Euro area	2.4	2.2	1.8
Germany	2.5	2.2	2.0
France	2.3	2.1	1.8
Italy	1.1	1.9	1.9
UK	2.5	3.3	2.6
Japan	2.6	2.3	1.4
China	0.2	1.1	1.4
ASEAN 5	2.2	2.7	2.6
Indonesia	2.3	3.0	2.7
Thailand	0.4	1.4	1.1
Malaysia	1.8	2.4	2.3
Philippines	3.2	3.3	3.2
Vietnam	3.6	3.2	3.5
Japan (FY)	2.6	2.0	1.4

United States

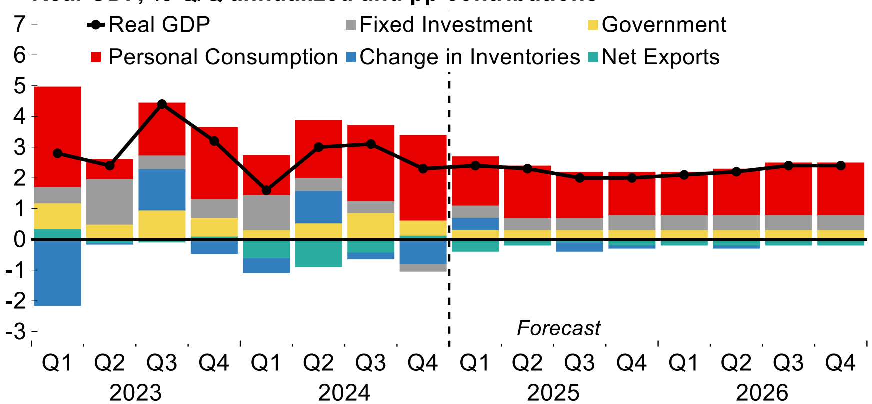
The economy has carried firm momentum into 2025, but tariff and wider policy uncertainty may weigh on activity

- Real GDP slowed to 2.3% QoQ ann. in Q4 2024, down from 3.1% in Q3. Consumer spending grew at a robust 4.2% rate, while private fixed investment and inventories declined, deducting 1.05 percentage points from GDP. Looking ahead, a solid employment and income growth, along with healthy households' balance sheets, are likely to support steady personal consumption. Business fixed investment, driven by AI-related sectors, is also likely to remain firm. As the supply and demand of labor is expected to remain generally balanced, the unemployment rate will be hovering in the low 4% range.

- However, uncertainties surrounding tariff policies, federal employee layoffs and hiring freezes will weigh on the sentiment and employment situation. Additionally, stricter immigration policies may exacerbate labor shortages in sectors heavily reliant on immigrant workers, such as construction, agriculture, and hospitality. We expect GDP growth to be 2.4% in 2025 and 2.2% in 2026, but there are downside risks due to faster and more forcible tariff measures.

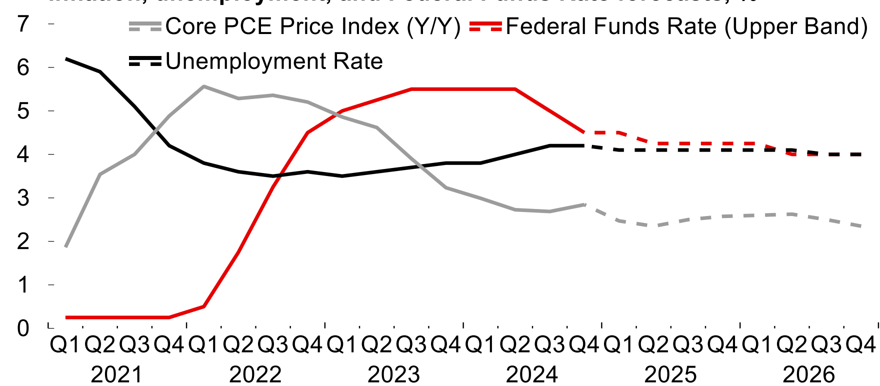
- In January, the Fed left its interest rate unchanged at 4.25% to 4.50%. Since last September, a cumulative 1 percentage point of rate cuts have been implemented, and with the economy maintaining its strength, Chair Powell explained that there is no need to rush further rate cuts. Looking ahead, while the underlying trend of inflation is expected to continue slowing, the impact of tariff hikes is anticipated to stall the deceleration of inflation from the latter half of this year to mid-next year. We therefore expect one rate cut each in 2025 and 2026.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



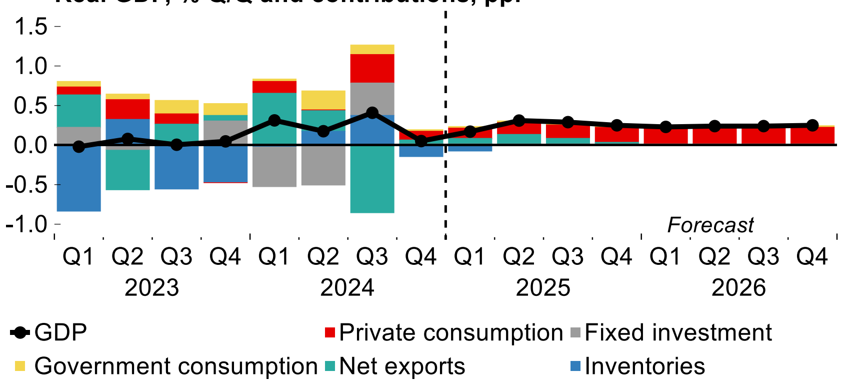
Note: Dashed lines show forecasts
Source: BLS, BEA, Federal Reserve, MUFG Bank Economic Research Office

Euro area

Reasons for optimism despite heightened geopolitical uncertainty

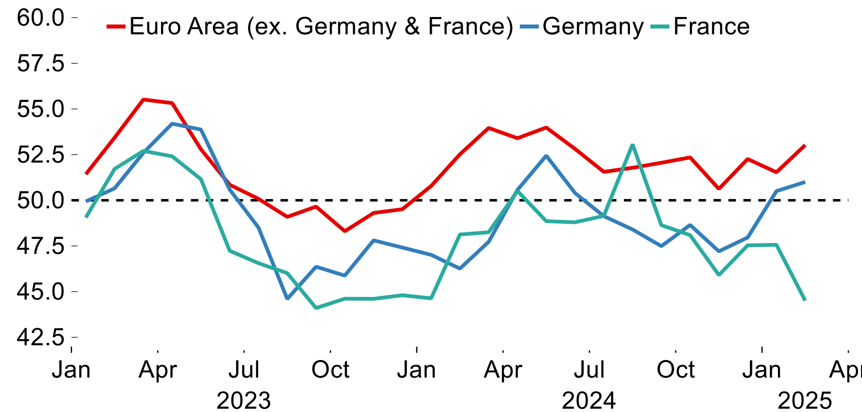
- We expect euro area growth to improve moderately on the 0.7% figure recorded in 2024. Despite heightened geopolitical uncertainty, we still see support to growth from recovering real incomes and ongoing monetary policy easing. We have increased conviction that underlying inflation pressures in the euro area have now largely subsided.
- As things stand, US trade policy towards Europe has evolved broadly as we expected with the announcement of targeted measures only. However, the threat of broader US tariff increases will continue to loom large over European producers and is likely to weigh on manufacturing output. There may be some boost to sentiment from any peace settlement between Russia and Ukraine (provided that it is seen as credible and durable).
- The most significant change since our previous quarterly outlook is the seismic shift in German fiscal policy which is now being pushed for by the likely coalition partners of the next government. The plan is to free significant space for military and infrastructure investment and, while we are still waiting the details, the sums being discussed (up to one trillion EUR over a 10-year horizon). This is well beyond expectations and provides significant upside risks to German and euro area growth in 2025 and 2026.

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



Note: The breakdown by component for Q4 2024 is MUFG's forecast
Source: Eurostat, MUFG Bank Economic Research Office

Composite PMI, above 50 indicates expansion



Source: S&P Global, MUFG Economic Research Office

United Kingdom

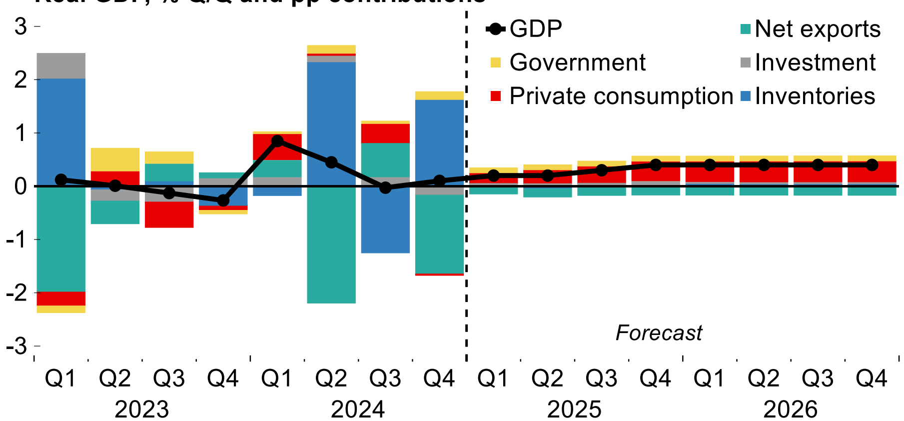
Growth momentum to improve after tough end to 2024

- The UK economy lost momentum in H2 2024 with uncertainty around the new government's fiscal policy weighing on confidence. The announcement of higher employer social security costs will likely contribute to a cooling labor market. However, ultimately the new government's budget was expansionary with the introduction of a significant amount of front-loaded new spending. While we now expect that the government will row back somewhat on these plans later this month after a reduction in its fiscal headroom, government expenditure is still likely to remain a key growth driver over the forecast horizon.

- Headline UK inflation is set to rise over coming months on the back of higher energy costs. Nevertheless, real wage growth is likely to remain in positive territory and support consumer spending (and there may be further spending from a lower household saving rate). We expect firmer that business investment will benefit from the BoE's gradual but ongoing rate cut cycle. The UK also stands to benefit from wider European efforts to rapidly increase military spending in response to geopolitical uncertainty.

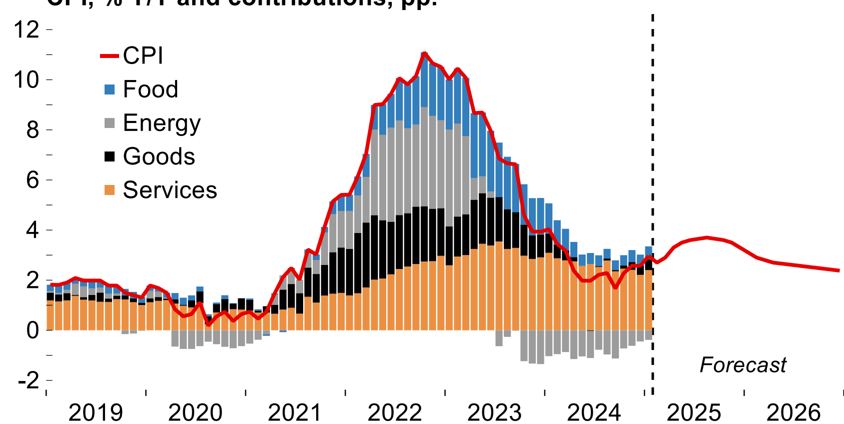
- The UK has avoided the new US tariffs, but that could quickly change. While the UK has a relatively low exposure to US goods demand compared to European peers, we still see a persistent drag on manufacturing confidence from trade policy uncertainty.

Real GDP, % Q/Q and pp contributions



Source: ONS, MUFG Bank Economic Research Office

CPI, % Y/Y and contributions, pp.



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

Japan

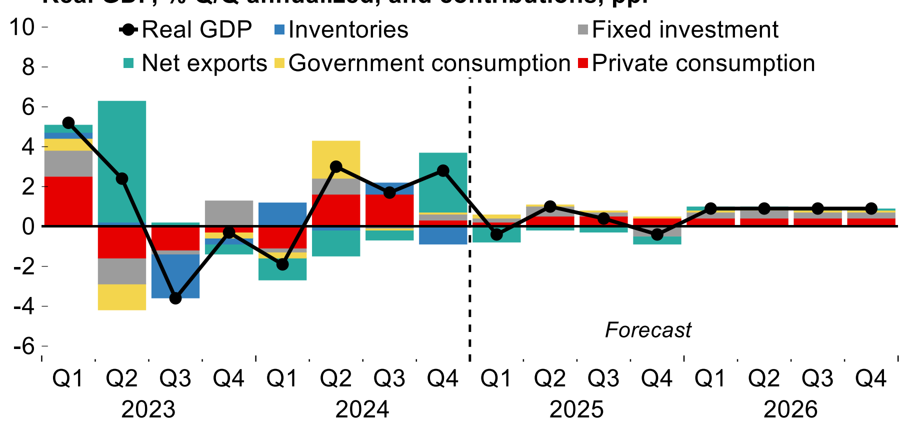
The economy is set to continue along its steady recovery path

- Real GDP expanded to 2.8% in Q4 2024, marking three consecutive quarters of growth. While the contribution of net exports played a major role, personal consumption and business fixed investment also showed a gradual recovery. Due to rising prices and labor shortages, this year's base wage increase rate is expected to exceed at least 3%, which will support a gradual economic recovery. However, the economy is expected to slow temporarily from mid-next fiscal year due to the overseas economic slowdown caused by President Trump's tariff hikes. Therefore, we expect real GDP to expand by 0.7% in FY 2024, with the same rate projected for FY 2025 and FY 2026.

- Core inflation (excluding fresh food) is currently hovering around 3%. While government measures to curb energy prices and the release of reserve rice are expected to temporarily suppress the inflation rate, price increases due to rising production costs are likely to continue for the time being. On the other hand, the contribution of services to core inflation remains low. While inflation in non-rent services is accelerating, the rates in rent and public services remain restrained and so we expect core inflation to fall below 2% again next year.

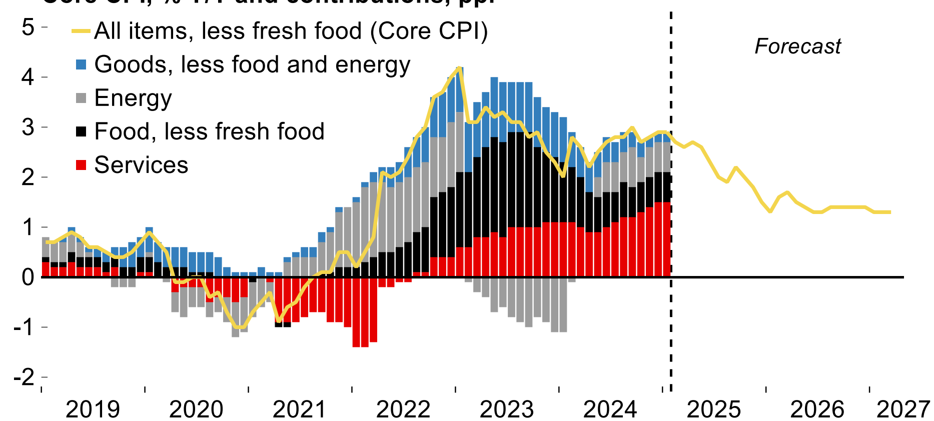
- The BoJ has been gradually raising interest rates since last year and has indicated that it will continue to do so in order to achieve its policy aims. Although the output gap remains negative at present, rising prices and improvements in real wages are expected to lead to a further interest rate hike in the first half of next fiscal year. Another rate hike is possible if the broader global economy remains resilient.

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



Source: CAO, MUFG Bank Economic Research Office

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

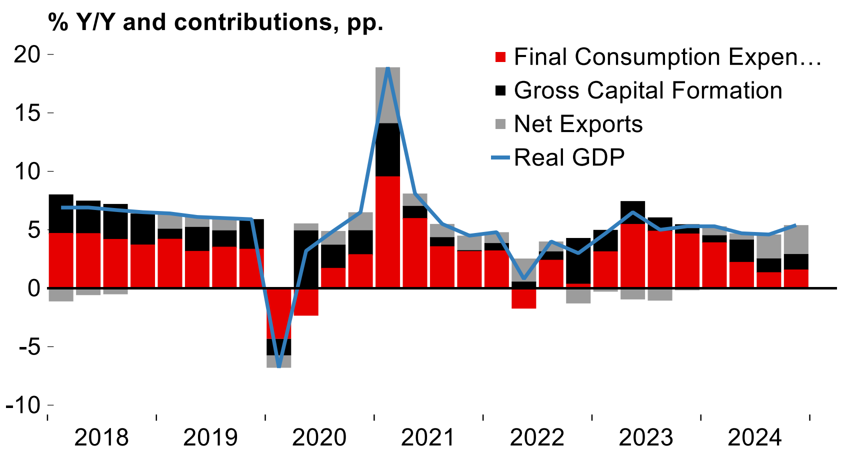


Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

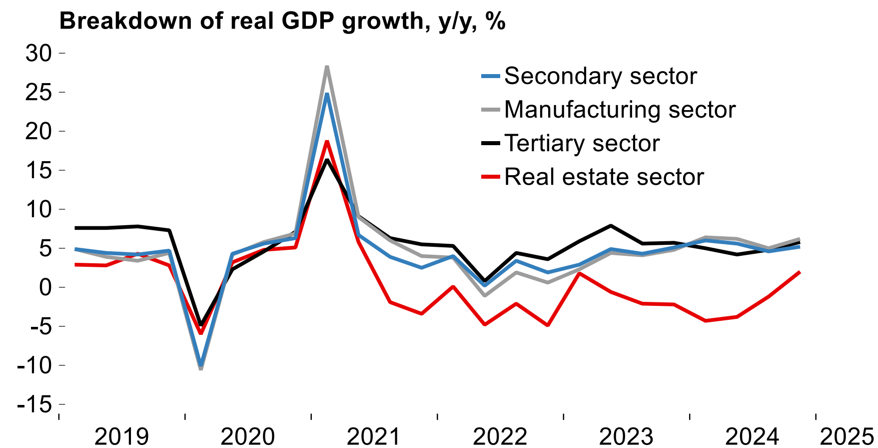
China

Policy measures to continue supporting activity despite drag from new tariff measures

- GDP growth accelerated in China to 5.4% YoY in Q4 from 4.6% the previous quarter. This was mostly due to an increase in exports during the latter half of 2024. However, we see limited scope for net exports to sustainably drive growth given the additional 10% tariffs imposed on Chinese goods by the US in February and the announcement that this will be raised by a further 10% in March.
- Domestically, a recovery in wage growth and the labor market is yet to materialise. However, the effects of government support measures have started to become apparent. The real estate sector expanded for the first time in seven quarters after being a continued source of downward pressure.
- It remains a tough picture – nominal growth has remained below real growth for around two years and deflationary trends are becoming entrenched – but we expect that government support for the economy will start to play a bigger role in underpinning growth. We forecast GDP will increase 4.4% YoY this year and 4.2% YoY in 2026.



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

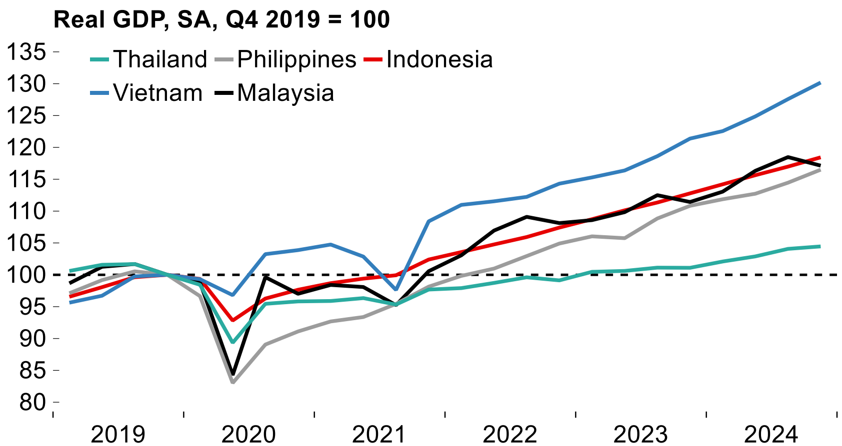


Source: National Bureau of Statistics, MUFG Bank Economic Research Office

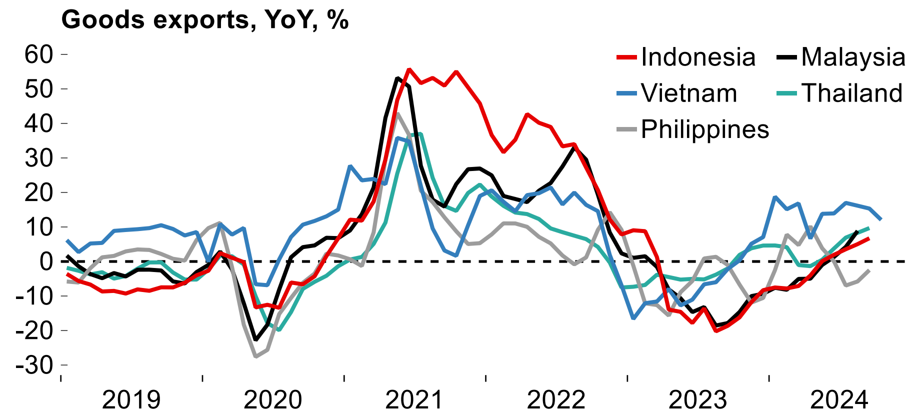
ASEAN economies

Impact of US trade policy on ASEAN economies could be a mixed bag

- The five major ASEAN economies (Indonesia, Thailand, Malaysia, Philippines and Vietnam) continued to expand in Q4 2024 from the previous year with Malaysia decelerating slightly. While there was weakness in durable goods expenditure in some economies, private consumption remained firm for the most part owing to support from government policies. Exports maintained their upward trend in most economies.
- Looking ahead, we expect ASEAN exports of components and raw materials to China to weigh on total exports. This is due to a fall in Chinese exports to the US caused by new US tariffs on Chinese goods. However, there is possibility that direct exports from ASEAN economies to the US and foreign investments in this region will accelerate as US imports from China decrease and manufacturing shifts away from China. On the other hand, we expect there will be a relatively large impact on Vietnam and Malaysia's electronic industries given that they account for a high proportion of value added in Chinese exports to the US. In recent years, there has been a large inflow of direct investment in Vietnam, but this trend may slow or reverse as the US decouples from China.
- We forecast real GDP for the five economies as a whole to expand by 5.0% YoY this year and 4.5% YoY in 2026, underpinned by better income conditions and infrastructure investment as central banks cut rates.



Source: National sources, MUFG Bank Economic Research Office



Source: National sources, MUFG Bank Economic Research Office

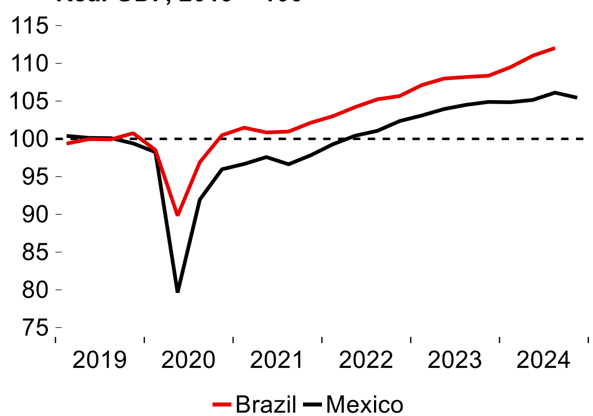
Latin America

Consumer spending supports Brazil, Mexico amid uncertainty in Trump administration's policies

- In Brazil, real GDP growth accelerated to 4.0% YoY in Q3 2024, up from 3.3% in Q2. Growth was driven by accelerating private consumption and rising fixed capital formation on the back of improving real income. However, concerns about fiscal deterioration led to significant depreciation of Brazilian real and four rate hikes after September, bringing the policy rate to 13.25%. CPI inflation reached 4.8% in December, and we expect real GDP growth to slow to 1.8% in 2025 and 1.3% in 2026 as exports to China are projected to fall in Q4 due to the slowdown in the Chinese economy.

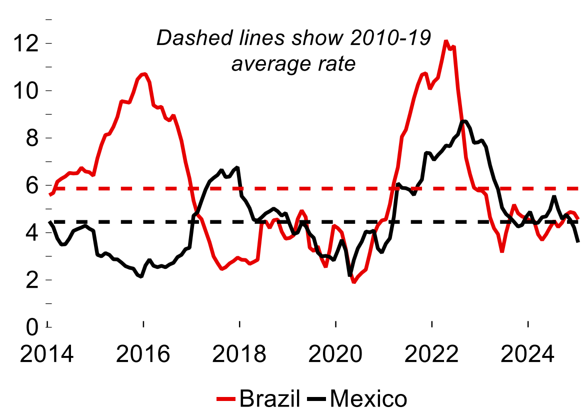
- In Mexico, real GDP growth slowed to 0.5% YoY in Q4 2024, down from 1.7% in Q3. Personal consumption remained firm, especially in services, due to improved real wages. However, corporate investment behavior became more cautious in light of increased uncertainty in US-Mexico relations following President Trump's election victory, leading to a drag on capital investment. Although CPI inflation eased to 4.2% in December with core inflation also slowing to 3.6%, the central bank has been cutting rates to support the economy. Due to stagnant investment, a decline in exports, and slowing growth in personal consumption caused by uncertainty about Trump administration's policies, real GDP growth is expected to fall to 0.8% in 2025. However, we see a muted recovery to 1.2% in 2026.

Real GDP, 2019 = 100



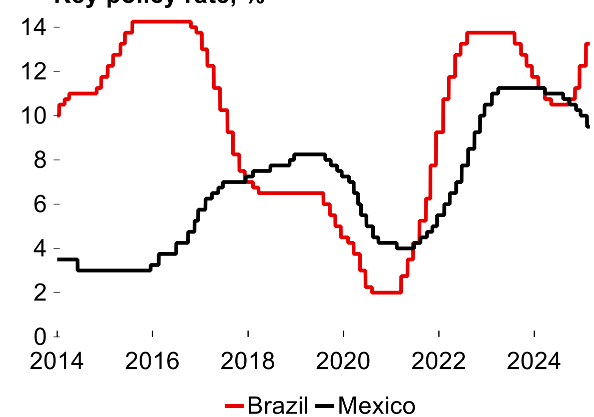
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %



Source: Macrobond, MUFG Bank Economic Research Office

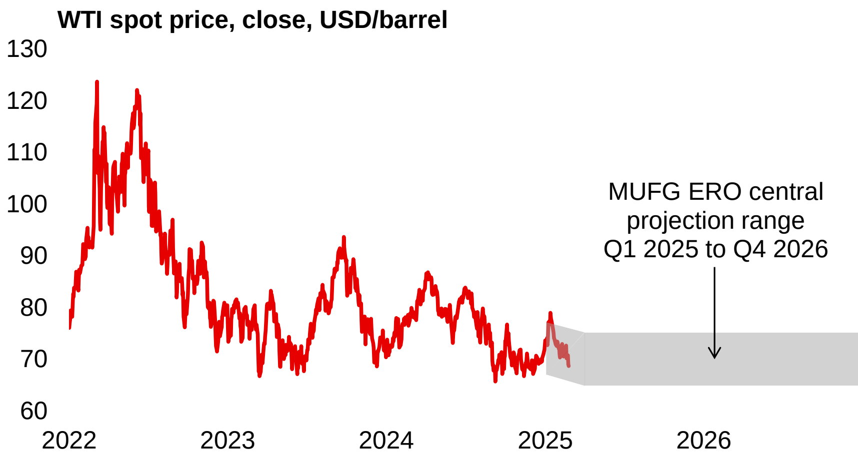
Energy prices

Oil prices set to remain broadly stable as an expansion of production by the US and others is matched by increased demand

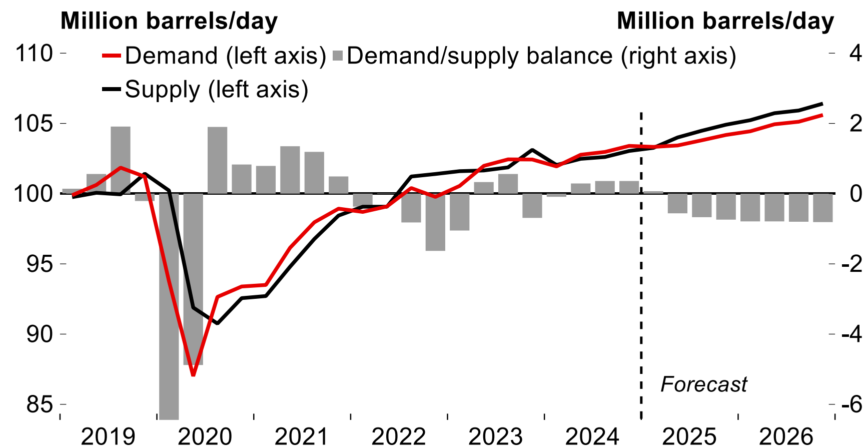
- WTI spot prices rose to just below USD 80/bbl at the end of 2024 on the back of concerns of a decrease in oil production following statements by President Biden and President-elect Trump regarding additional sanctions on Russia and Iran. However, these concerns faded after President Trump's inauguration where he declared an energy emergency, causing expectations of a rise in US oil production to increase. In addition, a slower pace of rate cuts by the Fed has led to concerns about growth of the US economy and downward pressure on oil demand. As a result, oil prices fell to around USD 70/bbl.

- We forecast OPEC+ will continue with their production cuts which have underpinned oil prices up until now. However, unless there is a significant fall in oil prices, the size of production cuts are likely to be limited as members try to maintain their market share after it fell due to an increase in output from other countries like the US since the start of the Ukraine War. In light of this and other factors, such as the US National Energy Emergency and increased oil production by Brazil, we expect the global oil supply will gradually increase. On the demand front, we expect an easing of monetary policy in Europe and the US will support economic expansion and a gradual rise in oil demand.

- All told, we forecast oil prices will continue to fluctuate around the USD 70/bbl mark in our base scenario.



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	3.2	3.0
Advanced economies	1.7	1.7	1.5
Emerging economies	5.0	4.6	4.3
US	2.8	2.4	2.2
Japan (FY)	0.7	0.7	0.7
Euro area	0.7	0.9	1.0
Germany	-0.2	0.5	0.9
France	1.1	0.7	0.9
Italy	0.5	0.7	1.0
UK	0.9	0.8	1.4
Asia (11 economies)	5.2	4.8	4.5
China	5.0	4.4	4.2
India (FY)	6.4	6.6	6.4
Advanced Asian Economies	3.0	2.3	1.8
South Korea	2.0	1.9	1.7
Taiwan	4.3	2.5	1.9
Hong Kong SAR	2.7	2.8	1.9
Singapore	4.0	3.2	2.0
ASEAN 5	4.9	5.0	4.5
Indonesia	5.0	5.0	4.9
Thailand	2.5	3.1	2.3
Malaysia	5.1	4.3	3.8
Philippines	5.6	6.1	5.7
Vietnam	6.5	6.5	5.5
Australia	1.3	2.3	1.6
Latin America (5 economies)	2.5	1.6	1.5
Brazil	3.4	1.8	1.3
Mexico	1.5	0.8	1.2

	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	2.5	2.3
Advanced economies	2.6	2.5	2.2
Emerging economies	2.1	2.5	2.5
US	2.9	2.8	2.6
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Euro area	2.4	2.2	1.8
Germany	2.5	2.2	2.0
France	2.3	2.1	1.8
Italy	1.1	1.9	1.9
UK	2.5	3.3	2.6
Asia (11 economies)	1.8	2.2	2.3
China	0.2	1.1	1.4
India (FY)	4.8	4.5	4.5
Advanced Asian Economies	2.2	2.0	1.9
South Korea	2.3	2.0	2.0
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Thailand	0.4	1.4	1.1
Malaysia	1.8	2.4	2.3
Philippines	3.2	3.3	3.2
Vietnam	3.6	3.2	3.5
Australia	3.2	2.9	2.7
Latin America (5 economies)	4.5	4.5	3.4
Brazil	4.3	5.5	4.0
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						
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f
Main Economic Indicators															
Real GDP (QoQ annualized, %)	1.6	3.0	3.1	2.3	2.4	2.3	2.0	2.0	2.1	2.2	2.4	2.4	2.8	2.4	2.2
Personal Consumption Expenditures	1.9	2.8	3.7	4.2	2.3	2.5	2.2	2.0	2.0	2.2	2.4	2.4	2.8	2.9	2.2
Fixed Investment (Residential)	13.7	-2.8	-4.3	5.4	2.0	2.5	2.8	2.8	3.0	3.0	3.2	3.2	4.2	1.8	2.9
Fixed Investment (Nonresidential)	4.5	3.9	4.0	-3.2	2.7	2.8	3.0	3.2	3.2	3.2	3.4	3.4	3.6	1.9	3.2
Changes in Private Inventories (Contribution)	-0.4	1.1	-0.2	-0.8	0.4	0.0	-0.3	-0.1	0.0	-0.1	0.0	0.0	0.1	0.0	-0.1
Government Expenditures	1.8	3.1	5.1	2.9	1.8	1.8	1.8	1.8	2.0	2.0	2.0	2.0	3.4	2.5	1.9
Net Exports (Contribution)	-0.6	-0.9	-0.4	0.1	-0.4	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.4	-0.3	-0.2
Exports	1.9	1.0	9.6	-0.5	2.0	1.5	1.0	0.5	1.0	1.5	1.6	1.6	3.2	2.1	1.1
Imports	6.1	7.6	10.7	-1.2	4.0	2.5	1.5	1.5	1.8	2.2	2.3	2.3	5.4	3.3	1.9
Final sales to private domestic purchasers	2.9	2.7	3.4	3.0	2.4	2.6	2.4	2.2	2.2	2.4	2.6	2.6	0.7	4.9	0.3
Nominal GDP (QoQ annualized, %)	4.7	5.6	5.0	4.8	4.8	4.7	4.6	4.6	4.7	4.4	4.7	4.7	5.3	4.8	4.6
Industrial Production (QoQ annualized, %)	-1.8	2.4	-0.6	-1.4	1.8	1.0	1.2	1.4	1.4	1.6	1.6	1.8	-0.3	0.9	0.7
Unemployment Rate (%)	3.8	4.0	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.0	4.0	4.1	4.1	4.1
Producer Price Index (YoY, %)	1.6	2.6	2.2	3.0	3.2	3.1	3.4	3.3	3.2	3.1	2.7	2.4	2.3	3.3	2.9
Consumer Price Index (YoY, %)	3.2	3.2	2.6	2.7	2.7	2.6	3.0	2.9	2.6	2.6	2.5	2.5	2.9	2.8	2.6
Balance of Payments															
Trade Balance, Goods (USD billions)	-279	-299	-309	-326	-330	-333	-334	-336	-339	-341	-343	-345	-1,212	-1,334	-1,367
Current Account (USD billions)	-241	-275	-311	-309	-314	-316	-318	-320	-322	-324	-326	-328	-1,136	-1,268	-1,301
Financial Indicators															
Federal Funds Rate (upper limit, %)	5.50	5.50	5.00	4.50	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.50	4.25	4.00
3-Month Eurodollar Libor Rate (%)	5.3	5.3	5.1	4.5	4.3	4.2	4.1	4.1	4.1	3.9	3.8	3.8	5.1	4.2	3.9
10-Year Treasury Yield (%)	4.1	4.4	4.0	4.3	4.6	4.6	4.5	4.5	4.4	4.4	4.4	4.4	4.2	4.5	4.4

Japan – Detailed forecasts

	2024				2025				2026				2027	FY2024f	FY2025f	FY2026f
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	-1.9	3.0	1.7	2.8	-0.4	1.0	0.4	-0.4	0.9	0.9	0.9	0.9	0.9	0.7	0.7	0.7
Private Consumption	-2.1	3.0	3.0	0.5	0.4	1.0	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.7
Housing Investment	-10.6	5.7	2.0	0.4	-1.0	-1.0	-2.6	-2.5	-1.4	-1.4	-1.4	-1.4	-1.4	- 1.2	- 1.1	- 1.6
Private Business Fixed Investment	-1.4	4.4	-0.3	1.9	1.2	3.0	1.3	-2.8	1.6	2.6	2.1	2.1	2.1	2.0	1.2	1.5
Business Inventory (Contribution)	0.3	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- 0.0	- 0.1	0.0
Government Expenditures	-1.0	7.4	-0.3	0.2	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.5	0.5	0.5
Public Investment	-7.9	25.0	-4.4	-1.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.6	- 0.2	0.3
Net Exports (Contribution)	-0.3	-0.3	-0.1	0.7	-0.8	-0.2	-0.3	-0.4	0.2	0.1	0.1	0.1	0.1	- 0.3	- 0.0	0.0
Exports	-15.5	6.8	6.1	4.3	1.8	2.0	0.1	-2.5	1.4	2.7	2.8	2.4	2.4	1.8	1.5	1.6
Imports	-10.6	12.6	8.1	-8.0	6.3	2.9	1.7	-0.5	0.5	2.5	2.1	2.1	2.1	3.3	1.6	1.6
Nominal GDP	-0.3	8.9	3.0	5.1	2.0	4.5	1.5	-0.4	2.0	4.4	1.7	1.0	1.7	3.6	2.7	2.0
GDP Deflator (YoY)	3.1	3.1	2.4	2.8	2.9	2.4	2.3	1.7	1.4	1.4	1.3	1.3	1.3	2.8	2.0	1.3
Industrial Production Index (QoQ)	-5.2	2.7	-0.3	1.3	0.3	0.5	0.1	-0.6	0.3	0.6	0.5	0.5	0.5	- 0.7	1.2	1.3
Domestic Corporate Goods Price Index (YoY)	0.6	1.9	2.9	3.8	3.6	1.3	0.8	-0.8	-1.3	-0.4	-0.3	-0.1	-0.2	3.1	- 0.0	0.0
Consumer Price Index (excl. fresh food, YoY)	2.5	2.5	2.7	2.6	2.8	2.5	2.0	1.7	1.5	1.4	1.4	1.4	1.3	2.6	2.0	1.4
Balance of Payments																
Trade Balance (JPY billions)	-1,300	-1,355	-992	3	-75	-136	-316	-476	-488	-578	-585	-597	-579	-2,418	-1,415	-2,338
Current Balance (JPY billions)	6,178	7,122	7,350	8,174	8,172	8,114	7,964	7,835	7,854	7,795	7,818	7,836	7,886	30,818	31,766	31,335
Financial																
Uncollateralized overnight call rate	0.0	0.1	0.2	0.2	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.5	0.7	0.7
Euro-Yen TIBOR (3-month rate)	0.0	0.1	0.2	0.3	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.3	0.7	0.7
Newly Issued 10-Year Government Bonds Yield	0.7	0.9	0.9	1.0	1.3	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.0	1.5	1.6
Exchange Rate (USD/JPY)	148	156	149	153	154	150	148	146	144	142	140	138	136	153	147	139

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2024	2025f	2026f	2024	2025f	2026f
Euro Area	0.7	0.9	1.0	2.4	2.2	1.8
Germany	- 0.2	0.5	0.9	2.5	2.2	2.0
France	1.1	0.7	0.9	2.3	2.1	1.8
Italy	0.5	0.7	1.0	1.1	1.9	1.9
United Kingdom	0.9	0.8	1.4	2.5	3.3	2.6

	Euro Area (YoY, %)			UK (YoY, %)		
	2024	2025f	2026f	2024	2025f	2026f
Nominal GDP	3.5	3.0	2.9	4.8	4.0	3.7
Real GDP	0.7	0.9	1.0	0.9	0.8	1.4
Domestic demand (contribution)	0.2	1.0	0.9	2.2	2.5	2.1
Foreign demand (contribution)	0.5	- 0.1	0.1	- 1.3	- 1.7	- 0.7
Private consumption	0.9	1.2	1.4	0.7	1.2	2.3
Government consumption	2.3	0.9	0.4	2.0	2.2	2.0
Gross fixed capital formation	- 2.1	0.7	0.4	1.3	0.7	1.1
Inventory investment (contribution)	- 1.0	0.3	0.0	0.2	1.0	0.0
Exports	1.1	1.6	2.0	- 2.2	- 1.6	1.4
Imports	0.1	2.0	2.0	1.6	3.6	3.2

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