Global Economic Outlook
Q3 2025

September 11, 2025
(Original Japanese version released August 29, 2025)

A member of MUFG, a global financial group

Global summary

The global economy has shown its resilience to tariffs and related uncertainty

- The central theme of the last quarter has been resilience. **The global economy has so far weathered the shift in US tariffs relatively well**, despite the direct impact on export demand and broader challenges stemming from uncertainty and policy volatility. While valid questions remain about the future direction of US trade policy, **a more stable equilibrium appears to have emerged following the 2 April 'Liberation Day' shift and the subsequent fallout and negotiations**. Our current outlook assumes that the broad contours of US trade policy will remain unchanged over the projection horizon, given the clear risks to inflation and economic activity from any renewed escalation.

- Although a sharp slowdown has been avoided, tariffs are set to be a headwind. **Annual growth is still set to slow in 2025 across many economies, particularly those heavily reliant on exports to the US**. The impact of tariffs may also take longer to materialise than initially assumed. However, **policy support – especially in the US and China – is set to help mitigate the risk of a global recession**. We anticipate a return to moderate growth next year in many economies, supported by policy measures and favorable household income dynamics.

- **In the US, we forecast growth of 1.7% in both 2025 and 2026, from 2.8% in 2024**. Fiscal and monetary support is expected to cushion the slowdown to some extent. Inflation is likely to reaccelerate as firms' ability to absorb higher import costs through margin compression diminishes. Despite this, we expect the Fed will undertake a gradual easing cycle, moving toward a more neutral policy stance amid a weakening labor market. We anticipate two rate cuts in 2025, beginning in September, followed by two additional cuts in 2026.

- In Japan, we expect an economic slowdown due to weaker external demand, but this is likely to be temporary, with consumer and investment conditions expected to improve later in the forecast horizon. **While underlying inflation appears to be converging to the BoJ's target, the risk of a US tariff-related slowdown may prompt some caution in monetary policy decisions**. We expect the next rate hike to occur in the first half of next year, once the effects of tariffs subside and further evidence of wage-price pass-through emerges in the spring. In short, tariff uncertainty looks unlikely to derail Japan's exit from deflation or the return to positive interest rates.

- Chinese growth is projected to slow slightly to 4.8% this year and ease further to 4.4% in 2026 as the effects of US tariffs persist and the impact of policy measures fades. Recovery in the real estate sector is expected to be gradual. Nonetheless, a sense of resilience remains. **The Chinese government retains a range of fiscal and monetary tools to support activity**. Investment in advanced industries prioritised by policymakers – such as electric vehicles and semiconductors – is also likely to remain robust. While exports to the US have declined, there are signs that rerouting of shipments may have helped maintain overall export levels. However, uncertainty remains elevated. Although an agreement has been reached to postpone additional US tariffs until autumn, downside risks persist if negotiations falter.

- **A similar theme is playing out in Europe, where activity in the first half of the year has proven resilient to the US tariff shift and associated uncertainty**. Euro area growth is set to be supported by Germany's fiscal expansion and solid household income conditions. However, the ECB looks to have limited room for further monetary easing, and political uncertainty in France could become a drag on growth. We forecast euro area growth of around 1.2% in both 2025 and 2026. In the UK, activity may be affected by speculation around fiscal consolidation plans later this year, and so we expect weaker growth momentum into 2026.

Key changes to our outlook

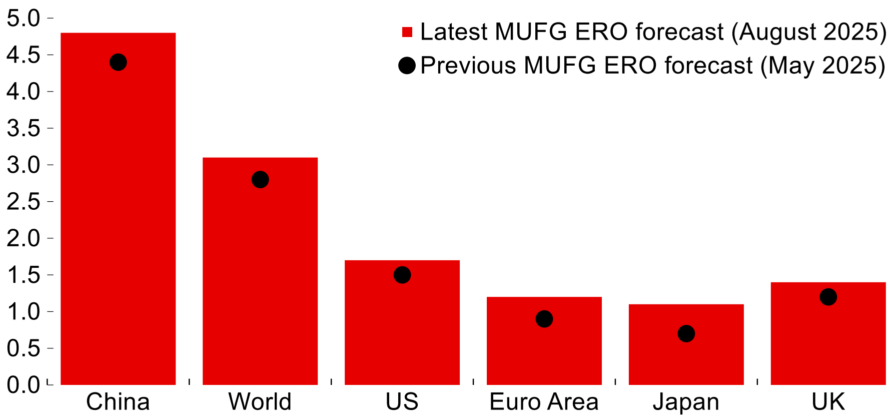
Slightly firmer global growth, earlier Fed easing

- **Growth:** We have made relatively small changes to our Q2 outlook. Q2 GDP data has painted a broad picture of resilience to US tariffs so far and we have revised both our Japan and China GDP forecasts up accordingly in 2025. In the US, we maintain our view that the economy is experiencing a cyclical deceleration, exacerbated by policy volatility/uncertainty and inflationary pressures, rather than a sharper slowdown. We have revised our euro area growth projection higher this year after the EU swallowed an unbalanced trade agreement rather than risk any retaliation. Overall, our global growth projection for 2026 is marginally higher (3.0%, from 2.9% previously).

- **Inflation:** The disinflation process has generally been firmer than expected in recent months and we are now tracking annual average inflation slightly lower in 2025 in many economies. Japan and the UK, where underlying inflation has proven more persistent, are notable exceptions.

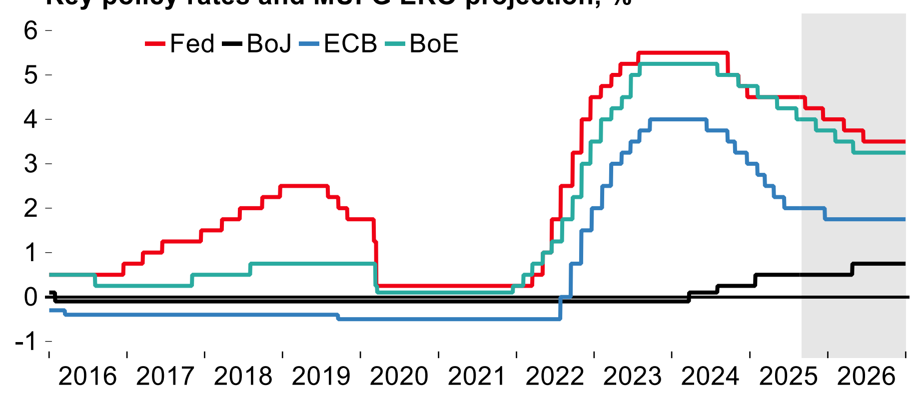
- **Monetary policy:** We have added an extra Fed rate cut, in September, after Chair Powell's comments at Jackson Hole and signs of labor market loosening in the US. We maintain our call for the next BoJ rate hike to H1 2026. In Europe, scope for further ECB easing looks more limited with inflation now hovering around target and German fiscal support to come.

Real GDP, 2025 forecast, % Y/Y



Source: Macrobond, MUFG Bank Economic Research Office

Key policy rates and MUFG ERO projection, %



Source: Macrobond, MUFG Bank Economic Research Office

Our key projections - GDP & inflation

Global growth to ease as the US economy loses some steam, but a sharp slowdown is not our base case

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.5	3.1	3.0
US	2.8	1.7	1.7
Euro area	0.9	1.2	1.2
Germany	-0.5	0.4	1.1
France	1.1	0.6	0.7
Italy	0.5	0.6	0.9
UK	1.1	1.4	1.2
Japan	0.1	1.1	0.6
China	5.0	4.8	4.4
ASEAN 5	5.0	4.5	4.6
Indonesia	5.0	4.8	4.9
Thailand	2.5	1.9	2.0
Malaysia	5.1	3.6	3.8
Philippines	5.6	5.6	5.7
Vietnam	7.1	6.3	6.0
Japan (FY)	0.8	0.7	0.6

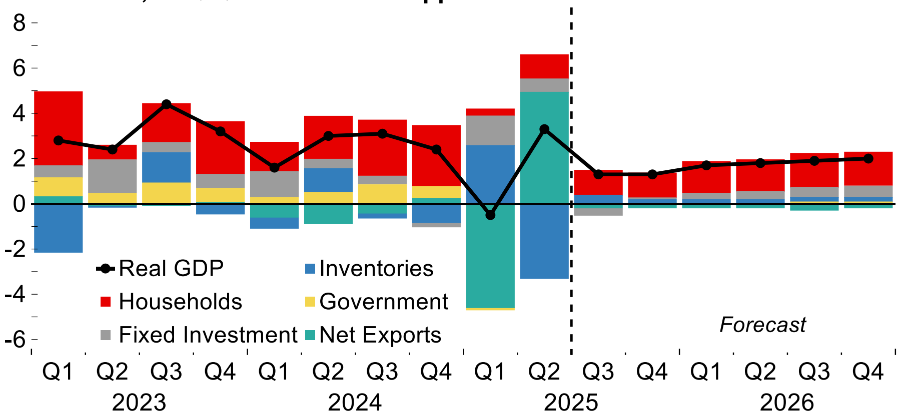
	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	2.1	2.1
US	2.9	2.7	2.7
Euro area	2.4	2.0	1.8
Germany	2.5	2.2	2.0
France	2.3	1.1	1.5
Italy	1.1	1.8	1.7
UK	2.5	3.4	2.4
Japan	2.6	2.9	1.6
China	0.2	0.1	0.6
ASEAN 5	2.2	1.9	2.5
Indonesia	2.3	2.0	2.7
Thailand	0.4	0.4	1.1
Malaysia	1.8	2.3	2.2
Philippines	3.2	1.8	2.8
Vietnam	3.6	3.1	3.4
Japan (FY)	2.7	2.6	1.5

United States

Fed easing and fiscal support set to cushion growth

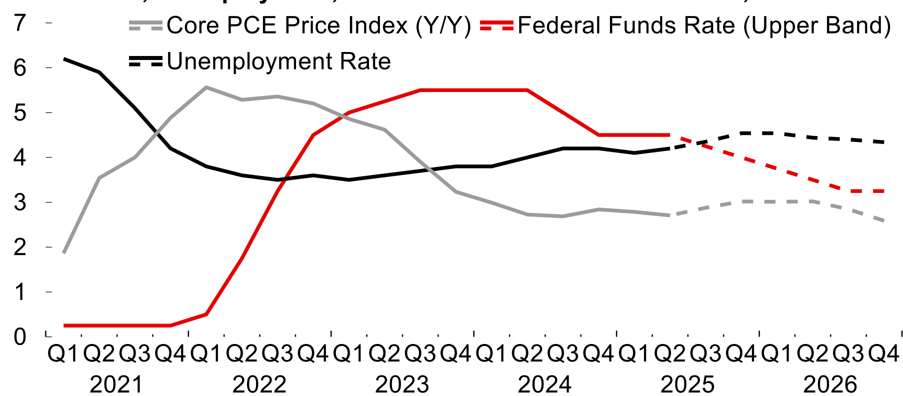
- The US economy expanded at an annualized rate of 3.3% Q/Q in Q2, largely driven by a rebound in net exports following earlier front-loaded imports. Personal consumption was weighed down by weaker demand for durable goods and travel-related services, while residential investment declined for a second consecutive quarter amid high mortgage rates, rising material costs, and labor shortages. Looking ahead, the July tax and spending bill (the One Big Beautiful Bill Act) is set to support personal consumption and investment, though the pace of recovery is likely to remain slow. We expect real GDP growth to be 1.7% Y/Y in both 2025 and 2026.
- Core CPI (ex. food and energy) increased by 3.1% Q/Q in July. While the growth of shelter, a heavily weighted housing-related component such as rent, continued to decelerate, growth in core goods and core services (ex. shelter) has been accelerating. Core CPI is expected to rise to around 3% Y/Y by early next year due to gradual tariff pass-through and is not expected to approach the 2% target until 2027. Companies are likely to remain cautious on hiring, and although the unemployment rate may rise to the mid-4% range by year-end, gradual rate cuts should help prevent a sharp decline in employment.
- The Fed left its policy rates unchanged in July but is expected to begin easing in September. While we believe that a sharp deterioration in employment is likely to be avoided, inflation risks stemming from tariffs persist. We therefore expect two rate cuts in both 2025 and 2026. Chair Powell is expected to serve through May 2026, preserving policy continuity, though policymaker changes could introduce volatility.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, Macrobond, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



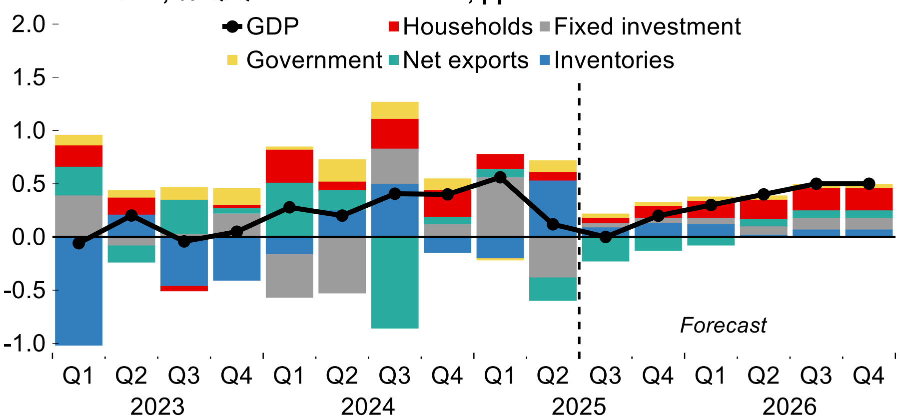
Note: Dashed lines show forecasts
Source: BLS, BEA, Federal Reserve, Macrobond, MUFG Bank Economic Research Office

Euro area

Growth has been resilient to tariff headwinds so far and conditions are set to improve somewhat into 2026

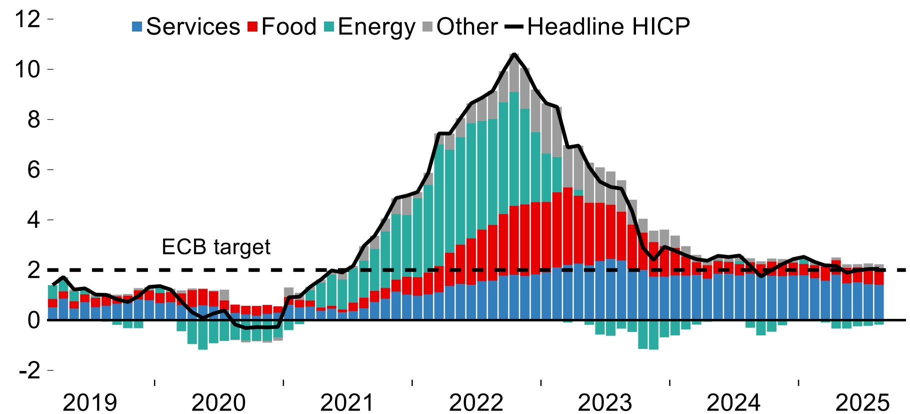
- The euro area economy expanded by 0.1% Q/Q in Q2 – a modest rate, but somewhat encouraging in the context of the reversal of the US frontloading boost. On tariffs, the EU has now agreed to a trade agreement with the US. While clearly tilted in the favour of the US, the deal provides some clarity and reduces downside risks.
- Away from trade distortions, the initial Q2 GDP details suggested signs of resilience in domestic demand supported by real income growth and a stable labor market. Business sentiment has generally improved in August and, alongside the German fiscal pivot, there now looks to be a platform in place for growth ahead. Broader European efforts to boost defence spending may also provide support, though the impact remains uneven and uncertain across member states where, in contrast to Germany, there could be fiscal consolidation efforts. Political uncertainty in France may also become more of a headwind. Overall, we expect annual average euro area growth of 1.2% in both 2025 and 2026.
- On monetary policy, the ECB has reduced rates to a neutral setting of 2% and inflation has stabilised around target in recent months. With trade risks also reduced, there is little urgency for more easing and, after the series of consecutive cuts, policymakers left rates unchanged at the last meeting. The bar for further cuts will be higher, but we still see scope for further easing as euro strength weighs on price pressures and forward-looking wage indicators suggest that lower pay growth will reinforce the disinflation process.

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



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

Euro area HICP inflation, % Y/Y, and contributions, pp



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

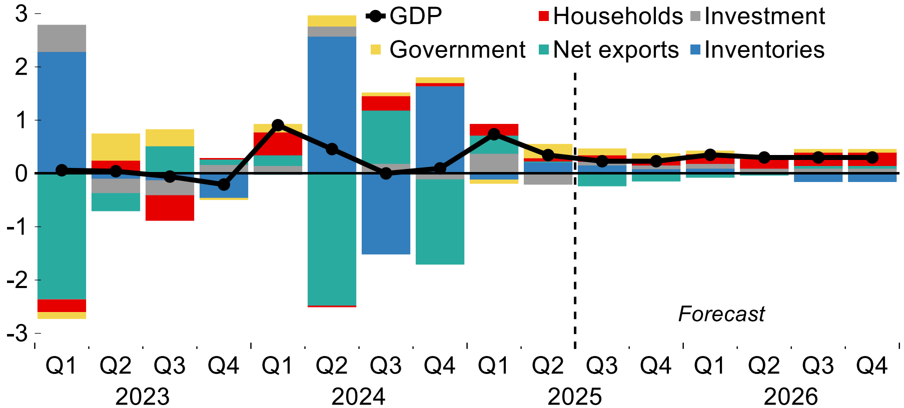
United Kingdom

Growth surprised to the upside in H1, but sticky inflation and uncertainty around fiscal policy is clouding the outlook

- UK GDP surprised to the upside in Q2 with growth of 0.3% Q/Q – a sharp slowdown from the Q1 figure, but not as bad as feared due to strong support from government (both capex and consumption). However, private sector demand looks weaker. The labor market continues to loosen and speculation around upcoming fiscal consolidation measures is likely to weigh on activity towards the end of the year. There is a broad expectation that the government will be forced to raise taxes in the autumn in order to meet its fiscal rules. While we have raised our 2025 growth forecast to 1.4% after the Q2 numbers, we expect slower activity around the turn of the year. Our 2026 forecast is slightly lower than before, at 1.2%.

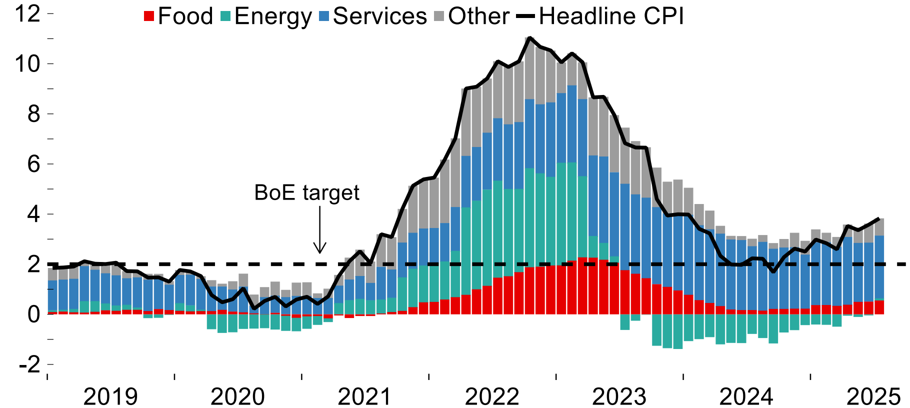
- With inflation also rising through the year to around 4%, there is now a hint of stagflation to the UK outlook. That is never easy for monetary policymakers to navigate. The BoE cut rates at its last meeting but there are deep divisions around the relative risks from a cooling jobs market and sticky inflation expectations. We still expect the path for UK rates will remain downwards (we see a terminal rate of 3.25%), but there are now plenty of question marks around the timing. A slower pace of easing from the established quarterly pace of rate cuts may be the compromise for more hawkish members of the MPC.

Real GDP, % Q/Q and pp contributions



Source: ONS, Macrobond, MUFG Bank Economic Research Office

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



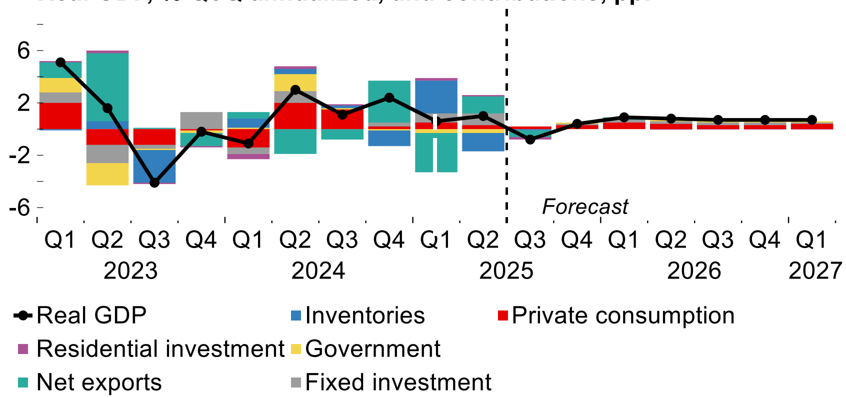
Source: ONS, Macrobond, MUFG Bank Economic Research Office

Japan

Resilient economy persists amid inflation and US trade policy

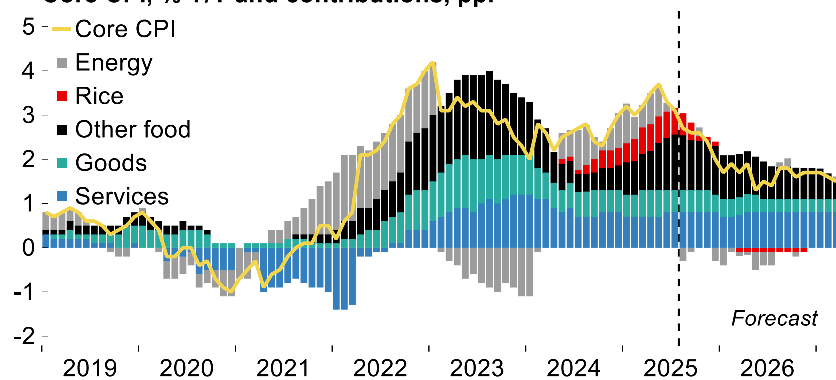
- The Japan economy grew at an annualized rate of 2.2% Q/Q in Q2, supported by firm capital investment and a rebound in exports. Personal consumption remained sluggish, as rising prices – particularly for food – weighing on real incomes and consumer sentiment. Looking ahead, growth may temporarily soften due to external headwinds from US trade policy. However, corporate earnings are expected to remain resilient, and wage growth is also expected to stay robust amid ongoing labor shortages. Overall, the economy is set to continue to show its resilience, with growth forecast at 0.7% Y/Y in FY 2025 and 0.6% Y/Y in FY 2026 (based on the first estimate of GDP).
- Core CPI (ex. fresh food) slowed to 3.1% Y/Y in July. We expect upward pricing pressure from cost-push factors to persist, although government measures to curb energy and rice prices may have a mitigating effect. However, with non-labor cost pressures expected to ease and limited room for service prices to accelerate, we expect core CPI to fall below 2% over the next year.
- Regarding monetary policy, the BoJ left its policy rates unchanged in July. Governor Ueda noted that while the US-Japan trade agreement has helped reduce uncertainty, unresolved negotiations with other regions, such as China, continue to weigh on Japan's economic outlook. The current stance is expected to be maintained for the time being, given the risk of a temporary slowdown stemming from US tariff measures. We expect the next rate hike to occur around spring next year, once the impacts of tariffs fade and the spring wage negotiations confirm the continuation of the virtuous cycle between wages and prices.

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



Note: Forecast based on the first estimate of GDP for Q2 2025
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

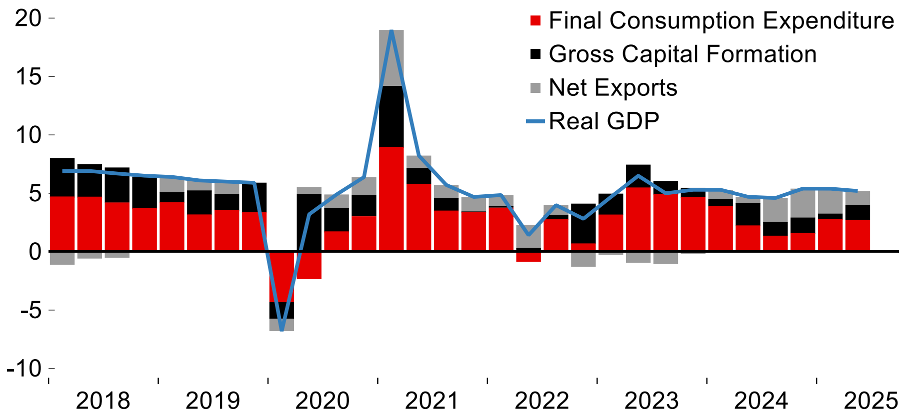
China to face headwinds from a decrease in foreign demand due to US tariffs

- The Chinese economy expanded by 5.2% Y/Y in Q2, a small slowdown from Q1 (5.4%). Consumption remained firm following government policies to support spending. Net exports slowed as exports to the US fell, but remained positive overall due to strong exports to other destinations. On US trade policy, the Trump administration has agreed to postpone higher tariffs on Chinese goods until early November.

- While there are downside risks to the outlook if US trade negotiations turn sour and the tariff rate is raised, we expect the Chinese government would try to support the pace of economic growth in that case by adjusting its fiscal and monetary policies. Indeed, we expect the economy will avoid a severe downturn due to support from fiscal and monetary policies. Looking further ahead, we forecast China's economic expansion to gradually slow in light of issues such as its declining birth rate and the downturn in the real estate sector, resulting in sluggish household sentiment, labor market weakness and deflationary pressures.

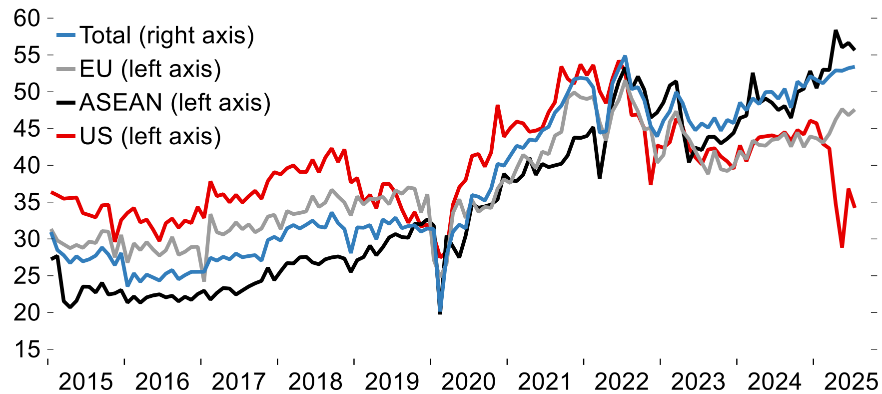
- Overall, we expect that GDP growth will slow slightly from 5.0% Y/Y in 2024 to 4.8% Y/Y as foreign demand slows during the latter half of the year. In 2026, we expect growth to slow to 4.4% Y/Y as the effects of government policies fade and downward pressure on foreign demand from tariffs persists.

% Y/Y and contributions, pp.



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

Chinese exports, USD billions **Chinese exports, USD billions**



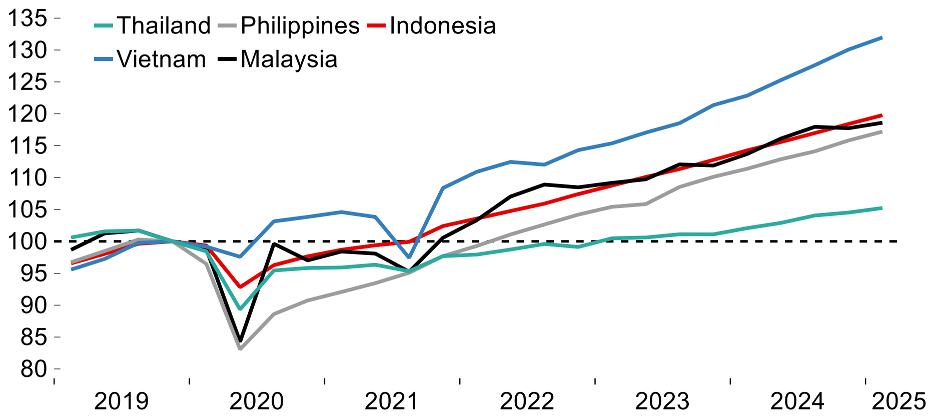
Note: Data is seasonally adjusted
Source: China General Administration of Customs (GAC), MUFG Bank Economic Research Office

ASEAN economies

Slower foreign demand to put downward pressure on export-orientated ASEAN economies

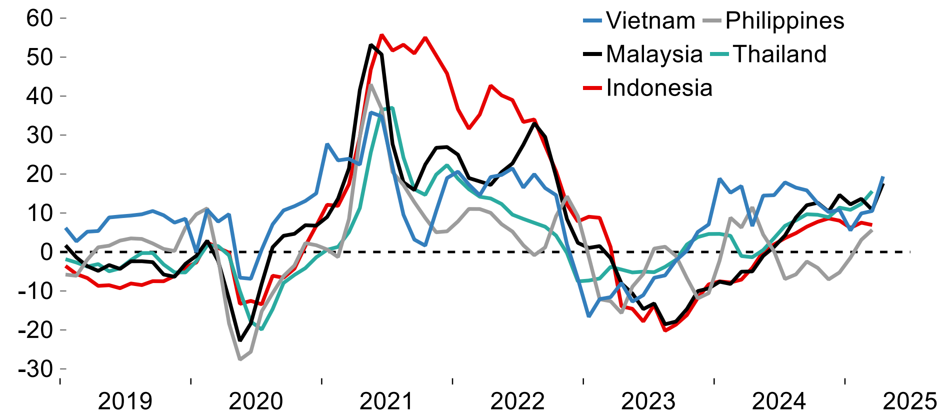
- Real GDP growth accelerated to 5.1% Y/Y in Q2 across the five major ASEAN economies (an aggregate of Indonesia, Thailand, Malaysia, Philippines and Vietnam). Exports were boosted by an increase in foreign demand ahead of US tariff changes. Domestically, private consumption remained firm despite some weakness in durable goods spending due to high interest rates and tighter lending standards.
- We expect the general increase in demand for semiconductors to continue, but, in the short term, overall foreign demand is likely to slow and we expect this will put downward pressure on investment and consumption in economies dependent on exports, such as Vietnam, Malaysia and Thailand. While some ASEAN economies could see an advantage over China as US firms consider shifting supply chains and moving production or export bases, uncertainty will remain high. US trade policy is hard to predict and there is a risk that exports and investment will be affected 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 could put pressure on industries and labor markets.
- Overall, we forecast real GDP for the five economies as a whole to slow to 4.5% Y/Y this year, from 5.0% in 2024. We expect a similar figure next year (4.6% Y/Y).

Real GDP, SA, Q4 2019 = 100



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

Goods exports, Y/Y, %



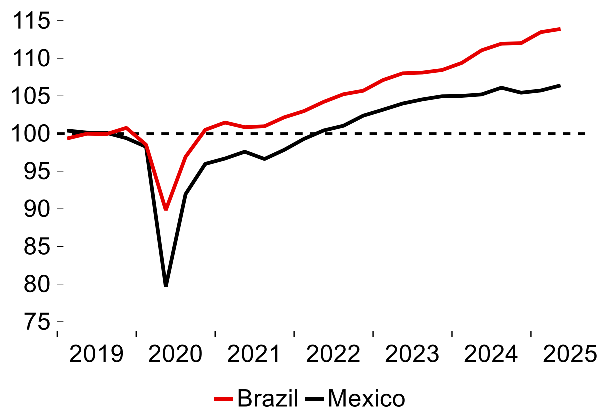
Source: National sources, Macrobond, MUFG Bank Economic Research Office

Latin America

Navigating US trade policy uncertainty

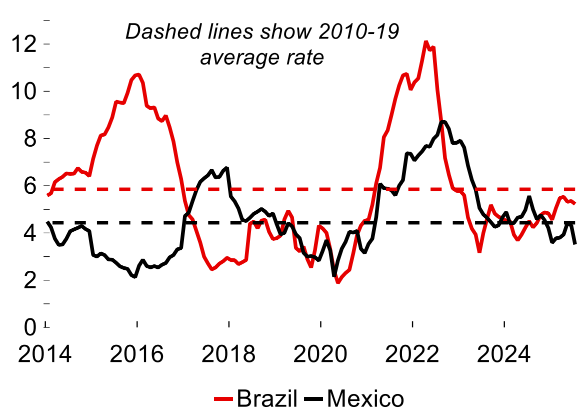
- In Brazil, real GDP growth slowed to 0.4% Q/Q in Q2, from 1.3% in the previous quarter. There was a strong drag from fixed capital formation (-2.2% Q/Q) while consumer spending slowed from 1.0% to 0.5% Q/Q amid elevated inflation and tighter monetary policy. CPI and core CPI both rose to 5.4% Y/Y in June, prompting the central bank to lift its policy rate to 15.0%, the highest in 19 years. Looking ahead, the impact from US tariffs, even if maintained at 50%, is expected to be limited as the Brazil's exports to the US only represent 12% of total exports. Exports to China, which had declined sharply at the end of last year, are showing signs of recovery. But the broader range of headwinds for the economy (e.g. tariffs, persistent inflation, tighter monetary policy) points to a slowdown in GDP growth (MUFG: 2.1% in 2025, 1.3% in 2026).
- In Mexico, the latest national accounts data showed growth improved to 0.6% Q/Q in Q2 (from 0.3% in Q1), despite US trade policy weighing on consumer and business sentiment. Headline inflation eased from 4.3% to 3.5% in July, prompting the central bank to lower its policy rate to 7.75%. The economic relationship between the US and Mexico is now expected to remain stable under the USMCA framework, although uncertainty surrounding the upcoming review may continue to weigh on capital investment decisions. Looking ahead, growth is projected to recover somewhat in 2026 as the effects of rate cuts gradually take hold.

Real GDP, 2019 = 100



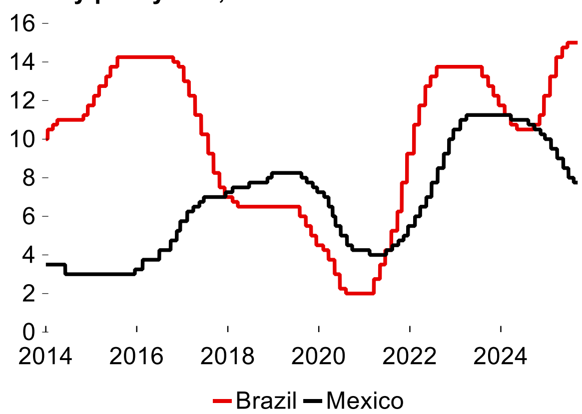
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %



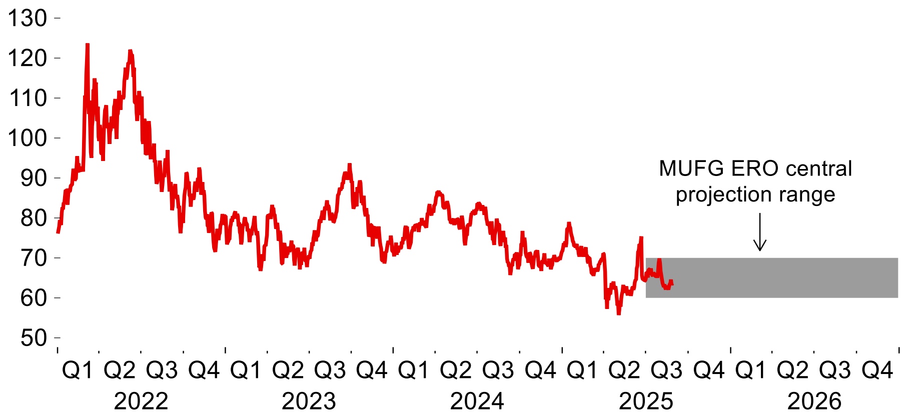
Source: Macrobond, MUFG Bank Economic Research Office

Oil market

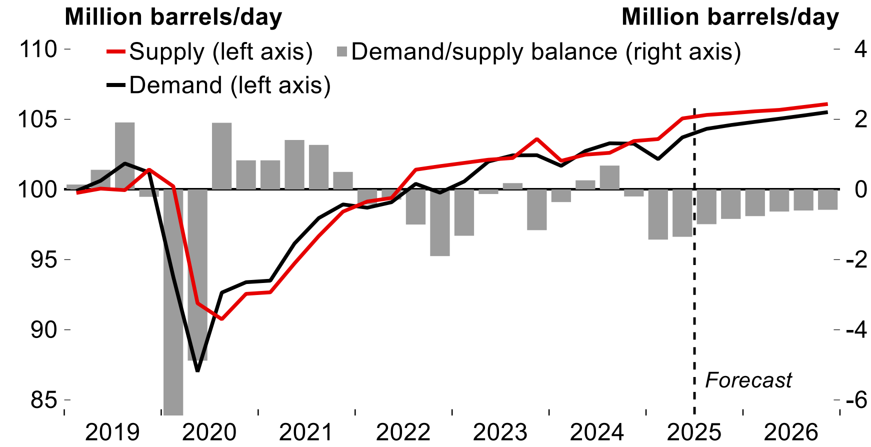
Recovering demand to be matched by a gradual increase in production

- The WTI spot price rose to USD 78/bbl in June after US involvement in the conflict between Israel and Iran triggered concerns about the risk to oil supplies. The spot price then fell below USD 70/bbl after a ceasefire was agreed. July saw oil prices rise again due to concerns about supply when the Trump administration announced it was considering secondary sanctions on countries importing Russian oil. A subsequent announcement by OPEC+ that they would reduce their production cuts caused a fall in oil prices, which are now around USD 60-65/bbl.
- We expect oil demand will stagnate for a while as US tariffs cause the global economy to slow, before picking up again as central bank easing supports economic recoveries. On the supply side, output is likely to gradually increase as Saudi Arabia and other OPEC+ members invest in their oil production facilities and increase output more than previously planned. We do not expect a large increase in US shale oil production given oil prices remain around the break-even cost for drilling new wells (around USD 65/bbl).
- Although the supply-demand balance shows a small excess of supply, we expect this to reach an equilibrium as demand recovers. We forecast oil prices will fluctuate around the USD 65/bbl mark in our base scenario. However, there is a risk that additional US sanctions against Russia and Iran will disrupt their oil exports and cause a sharp rise in oil prices (potentially up to ~USD 80/bbl).

WTI spot price, close, USD/barrel



Source: Macrobond, MUFG Bank Economic Research Office



Source: EIA, EI, MUFG Bank Economic Research Office

Forecast tables

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.5	3.1	3.0
Advanced economies	1.8	1.5	1.4
Emerging economies	5.0	4.7	4.4
US	2.8	1.7	1.7
Japan (FY)	0.8	0.7	0.6
Euro area	0.9	1.2	1.2
Germany	-0.5	0.4	1.1
France	1.1	0.6	0.7
Italy	0.5	0.6	0.9
UK	1.1	1.4	1.2
Asia (11 economies)	5.2	4.9	4.6
China	5.0	4.8	4.4
India (FY)	6.5	6.2	6.4
Advanced Asian Economies	3.0	2.0	1.7
South Korea	2.0	1.0	1.4
Taiwan	4.3	3.7	1.9
Hong Kong SAR	2.7	2.2	1.9
Singapore	4.0	2.3	2.0
ASEAN 5	5.0	4.5	4.6
Indonesia	5.0	4.8	4.9
Thailand	2.5	1.9	2.0
Malaysia	5.1	3.6	3.8
Philippines	5.6	5.6	5.7
Vietnam	7.1	6.3	6.0
Australia	1.3	1.6	2.1
Latin America (5 economies)	2.5	1.6	1.4
Brazil	3.4	2.1	1.3
Mexico	1.4	0.5	1.0

	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	2.1	2.1
Advanced economies	2.7	2.4	2.2
Emerging economies	2.1	1.7	2.1
US	2.9	2.7	2.7
Japan (FY)	2.7	2.6	1.5
Euro area	2.4	2.0	1.8
Germany	2.5	2.2	2.0
France	2.3	1.1	1.5
Italy	1.1	1.8	1.7
UK	2.5	3.4	2.4
Asia (11 economies)	1.7	1.3	1.9
China	0.2	0.1	0.6
India (FY)	4.6	3.8	4.3
Advanced Asian Economies	2.2	1.6	1.8
South Korea	2.3	1.7	1.9
Taiwan	2.2	1.8	1.7
Hong Kong SAR	1.7	1.8	1.9
Singapore	2.4	1.0	1.6
ASEAN 5	2.2	1.9	2.5
Indonesia	2.3	2.0	2.7
Thailand	0.4	0.4	1.1
Malaysia	1.8	2.3	2.2
Philippines	3.2	1.8	2.8
Vietnam	3.6	3.1	3.4
Australia	3.2	2.9	2.7
Latin America (5 economies)	4.5	4.4	3.4
Brazil	4.4	5.3	4.0
Mexico	4.7	3.8	3.0

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

United States – Detailed forecasts

	2024				2025				2026						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f
Main Economic Indicators															
Real GDP (QoQ annualized, %)	1.6	3.0	3.1	2.5	-0.5	3.3	1.3	1.3	1.7	1.8	1.9	2.0	2.8	1.7	1.7
Personal Consumption Expenditures	1.9	2.8	3.7	4.0	0.5	1.6	1.5	1.5	2.0	2.0	2.2	2.2	2.8	2.1	1.9
Fixed Investment (Residential)	13.7	-2.8	-4.3	5.5	-1.3	-4.7	-2.5	1.0	2.0	2.2	2.5	2.5	4.2	-1.2	0.9
Fixed Investment (Nonresidential)	4.5	3.9	4.0	-2.9	10.3	5.7	0.5	1.3	1.5	2.0	2.5	2.5	3.6	3.9	1.9
Changes in Private Inventories (Contributic	-0.4	1.1	-0.2	-0.8	3.0	-4.1	0.4	0.2	0.2	0.2	0.2	0.2	0.1	-0.1	-0.1
Government Expenditures	1.8	3.1	5.1	3.1	-0.6	-0.2	0.0	0.1	0.2	0.2	0.4	0.6	3.4	1.2	0.2
Net Exports (Contribution)	-0.6	-0.9	-0.4	0.3	-4.6	5.0	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.4	-0.4	0.2
Exports	1.9	1.0	9.6	-0.2	0.4	-1.3	0.5	0.8	1.0	1.2	1.2	1.5	3.3	1.1	0.8
Imports	6.1	7.6	10.7	-1.9	38.0	-29.8	1.5	1.8	2.0	2.0	2.5	2.5	5.3	3.2	-0.4
Final sales to private domestic purchasers	2.9	2.7	3.4	2.9	1.9	1.9	1.2	1.5	1.9	2.0	2.2	2.2	3.0	2.4	2.0
Nominal GDP (QoQ annualized, %)	4.7	5.6	5.0	4.8	3.2	5.3	4.2	4.3	4.9	4.4	4.2	4.2	5.3	4.5	4.5
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	2.4	2.8	2.8	2.7	2.9	2.7	2.5	2.9	2.7	2.7
Balance of Payments															
Trade Balance, Goods (USD billions)	-278	-299	-309	-329	-466	-269	-275	-280	-286	-291	-299	-306	-1,215	-1,290	-1,182
Current Account (USD billions)	-261	-286	-326	-312	-450	-254	-259	-265	-271	-276	-283	-290	-1,185	-1,228	-1,120
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	4.2	3.9	3.7	3.4	3.3	3.3	5.1	4.2	3.4
10-Year Treasury Yield (%)	4.1	4.4	4.0	4.3	4.5	4.4	4.3	4.2	4.1	4.0	4.0	4.0	4.2	4.3	4.0

Japan – Detailed forecasts

	2024				2025				2026				2027	FY2024	FY2025f	FY2026f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	-1.1	3.0	1.1	2.4	0.6	1.0	-0.6	0.4	0.9	0.8	0.7	0.7	0.7	0.8	0.7	0.6
Private Consumption	-2.6	3.6	2.7	0.4	0.9	0.6	0.4	0.6	1.0	0.8	0.6	0.6	0.8	0.8	0.8	0.7
Housing Investment	-11.5	6.3	3.1	-0.3	5.6	3.2	-5.5	0.5	-1.4	-1.4	-1.4	-1.4	-1.4	- 0.4	0.9	- 1.4
Private Business Fixed Investment	-3.2	5.0	0.2	1.8	3.9	5.5	0.2	0.5	1.1	1.2	1.0	1.0	0.6	2.0	2.5	0.9
Business Inventory (Contribution)	0.2	0.1	0.0	-0.3	0.6	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	- 0.0	- 0.0
Government Expenditures	0.2	5.2	0.3	-0.4	-1.0	-1.1	0.0	0.2	0.0	0.5	0.5	0.5	0.5	1.2	- 0.5	0.4
Public Investment	-4.4	10.6	0.3	-3.2	0.6	-2.1	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.8	- 0.4	0.7
Net Exports (Contribution)	0.1	-0.5	-0.2	0.8	-0.8	0.3	-0.4	-0.1	0.2	0.1	0.2	0.1	0.0	- 0.4	0.1	0.1
Exports	-13.3	4.6	5.1	7.8	-1.2	8.4	-4.2	-1.7	2.3	1.6	2.0	1.7	1.3	1.7	2.2	1.0
Imports	-14.3	13.0	8.2	-5.9	12.0	2.6	-2.6	-1.5	1.6	1.1	1.3	1.3	1.1	3.4	1.9	0.7
Nominal GDP	-0.2	9.1	2.6	5.3	3.9	5.1	2.1	0.2	1.7	4.7	2.1	0.7	1.2	3.7	3.3	2.1
GDP Deflator (YoY)	3.1	3.1	2.4	2.9	3.3	3.0	3.3	2.4	1.8	1.8	1.4	1.5	1.4	2.9	2.6	1.5
Industrial Production Index (QoQ)	-5.2	2.1	0.3	0.4	-0.3	0.3	-0.4	-0.1	0.4	0.3	0.3	0.3	0.2	- 1.4	0.0	0.8
Domestic Corporate Goods Price Index (YoY)	0.6	1.9	2.9	3.8	4.3	3.4	2.9	0.1	-1.1	-0.3	-0.7	-0.2	0.2	3.2	1.3	0.0
Consumer Price Index (excl. fresh food, YoY)	2.5	2.5	2.7	2.6	3.1	3.4	2.8	2.3	1.7	1.6	1.5	1.6	1.5	2.7	2.6	1.5
Balance of Payments																
Trade Balance (JPY billions)	-1,265	-1,256	-950	-18	-1,506	-174	-403	-550	-680	-793	-912	-1,029	-1,139	-3,730	-1,806	-3,873
Current Balance (JPY billions)	6,545	7,191	7,249	8,208	7,736	7,523	8,867	8,744	8,638	8,549	8,455	8,363	8,277	30,384	33,773	33,644
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	152	153	145	146	144	141	139	137	134	132	153	144	135

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Euro Area	0.9	1.2	1.2	2.4	2.0	1.8
Germany	- 0.5	0.4	1.1	2.5	2.2	2.0
France	1.1	0.6	0.7	2.3	1.1	1.5
Italy	0.5	0.6	0.9	1.1	1.8	1.7
United Kingdom	1.1	1.4	1.2	2.5	3.4	2.4

	Euro Area (YoY, %)			UK (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Nominal GDP	3.9	3.6	3.0	5.2	4.8	3.3
Real GDP	0.9	1.2	1.2	1.1	1.4	1.2
Domestic demand (contribution)	0.4	1.5	1.3	2.4	2.5	1.5
Foreign demand (contribution)	0.5	- 0.3	- 0.2	- 1.3	- 1.1	- 0.3
Private consumption	1.1	1.1	1.1	0.6	0.8	1.1
Government consumption	2.5	1.2	0.8	3.0	1.8	1.7
Gross fixed capital formation	- 1.9	3.6	1.3	1.5	1.8	1.5
Inventory investment (contribution)	- 1.0	- 0.1	0.4	0.2	0.5	0.0
Exports	0.8	2.0	1.4	- 1.2	2.8	1.6
Imports	- 0.2	2.9	1.9	2.7	5.7	2.2

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MUFG Bank Economic Research Office

www.bk.mufg.jp/global/research

Tokyo
1-4-5, Marunouchi
Chiyoda-ku
Tokyo, 100-8388
Japan

London
Ropemaker Place
25 Ropemaker Street
London, EC2Y 9AN
United Kingdom

New York
1251 Avenue of the Americas
New York, NY
10020-1104
United States

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