Global Economic Outlook

Q4 2025

December 5, 2025

(Original Japanese version released November 28, 2025)

A member of MUFG, a global financial group

Global summary

The global economy continues to show its resilience to tariffs and wider uncertainty

- **The key theme remains one of broad resilience with the outlook brightening somewhat since our previous update. Recent data have suggested that the global economy continues to weather tariff-related uncertainty in reasonable shape. We have revised up our global growth projection for 2025 by 0.3pp accordingly, with notable upgrades to the national figures for the US and Japan.**

- **Looking ahead, growth momentum is set to moderate slightly in 2026 but remain relatively firm with growth rates generally hovering close to potential. In the US, we see growth at 2.0% both this year and next, supported by resilient consumption and AI-driven investment, even as hiring slows. Japan is also likely to experience a steadier recovery, aided by fiscal stimulus and improving real wages. In China, headwinds from weak household sentiment and real estate concerns continue to linger, but policy support and strategic investment in sectors such as EVs and semiconductors are set to provide support. In Europe, we expect broadly steady growth in both the euro area and UK.**

- **Global inflation is tracking slightly lower in aggregate after some softer figures in Asia, but US price pressures remain sticky, with CPI likely to remain above 2.5% next year and core PCE near 3% well into 2026. In Japan, the disinflation process is set to continue, helped by base effects and policy measures. Euro area inflation is set to drift below target in 2026 while, after an extended uptick this year, UK inflation is likely to fade relatively quickly towards target from Q2 2026.**

- **Against that backdrop, the monetary policy outlook has shifted, but only slightly. After cutting in December, we see just one more Fed cut in 2026 as policy approaches neutral. The BoJ is now expected to deliver two hikes, taking rates to 1.0%. The ECB is clearly content with the current situation in the euro area, but we see some scope for calibration lower if inflation undershoots target as we expect. The BoE has more room to ease policy and we see three more cuts in the UK.**

- **With attention turning to domestic US legal challenges to tariffs, questions are likely to persist around the durability of the current trade equilibrium and uncertainty is set to remain a headwind. For our baseline, we assume broad stability in average tariff rates. As well as tariff uncertainty, geopolitical uncertainty (e.g. in Ukraine) and wider policy volatility in the US are likely to remain obvious sources of risks. Concerns around overheated asset markets and labor market distortions related to the rapid spread of AI could also become more of a focus.**

- **Overall, the global economy is entering 2026 on a somewhat firmer footing than expected earlier this year and risks to the outlook seem more balanced as policy measures and resilient private sector dynamics help to support activity.**

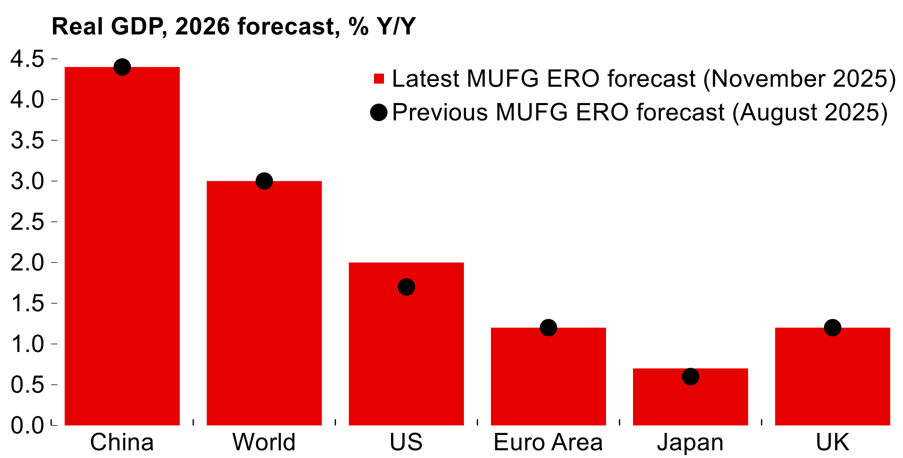
Key changes to our outlook

Global growth conditions have improved; BoJ to hike twice

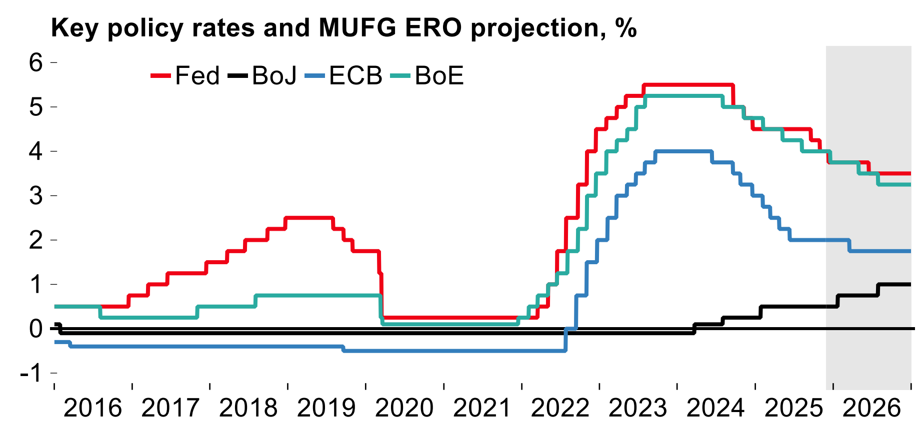
- **Growth:** Relative to our Q3 outlook, we have revised global growth up by 0.3pp in 2025 after stronger outturn data has confirmed the broad story of resilience to tariffs and related uncertainty. We have lifted our US growth figures up by 0.3pp in both 2025 and 2026, and we also expect slightly firmer Japanese growth due to policies implemented by the Takaichi administration and better external demand conditions. Our expectations for China and Europe are largely unchanged.

- **Inflation:** Our global aggregate inflation projection for 2025 is tracking slightly lower after softer prints from China and elsewhere in Asia, but the broader picture remains similar. The disinflation process is likely to continue in Japan with support from favorable base effects and government policy, but cost-push risks will remain. We continue to expect lower inflation in Europe. US inflation is likely to prove stickier – we expect CPI rates will remain above 2.5% next year.

- **Monetary policy:** We have added another BoJ rate hike, taking rates to 1.0% next year. We project the Fed to cut rates in December, followed by one more cut in 2026. In Europe, we still expect that the ECB will calibrate rates lower once inflation begins to undershoot the target, but recent data has reduced our conviction around that call. In the UK, we continue to expect a terminal rate of 3.25%.



Source: Macrobond, MUFG Bank Economic Research Office



Source: Macrobond, MUFG Bank Economic Research Office

Our key projections - GDP & inflation

Policy measures and resilient private sector dynamics are likely to provide support for growth

	GDP (% Y/Y)				CPI (% Y/Y)		
	2024	2025f	2026f		2024	2025f	2026f
World	3.5	3.4	3.0	**World**	2.4	1.9	2.1
US	2.8	2.0	2.0	**US**	2.9	2.7	2.8
Euro area	0.9	1.4	1.2	**Euro area**	2.4	2.1	1.7
Germany	-0.5	0.3	1.1	Germany	2.5	2.2	2.0
France	1.1	0.8	0.9	France	2.3	1.0	1.5
Italy	0.5	0.5	0.8	Italy	1.1	1.7	1.6
UK	1.1	1.4	1.2	**UK**	2.5	3.4	2.4
Japan (FY)	0.8	1.0	0.8	**Japan (FY)**	2.7	2.6	1.4
India (FY)	6.5	6.7	6.4	**India (FY)**	4.6	2.3	4.3
China	5.0	4.9	4.4	**China**	0.2	-0.1	0.5
ASEAN 5	5.0	4.8	4.7	**ASEAN 5**	2.2	1.8	2.4
Indonesia	5.0	4.8	4.9	Indonesia	2.3	2.0	2.7
Thailand	2.5	1.9	2.0	Thailand	0.4	0.1	0.7
Malaysia	5.1	4.6	4.3	Malaysia	1.8	1.5	1.8
Philippines	5.6	5.1	5.7	Philippines	3.2	1.8	2.8
Vietnam	7.1	7.5	6.5	Vietnam	3.6	3.3	3.4

United States

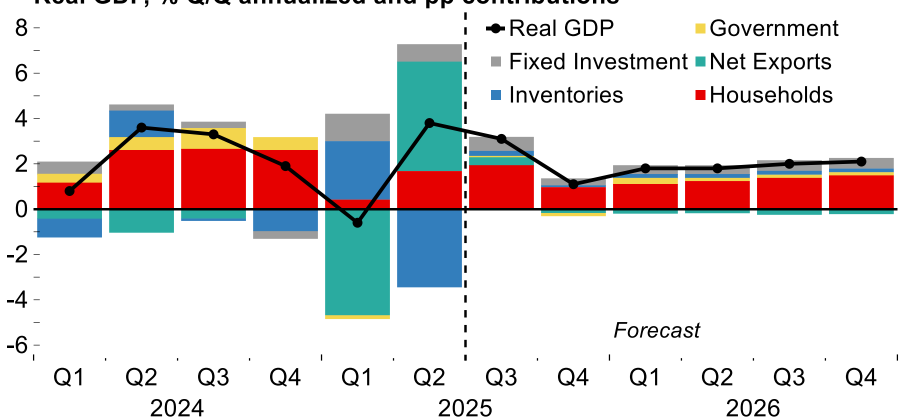
Government shutdown to weigh on Q4 growth, though AI investment and rate cuts set to support activity in 2026

- Real GDP growth in Q3 is likely to have remained resilient, supported by both business investment and consumer spending following an uptick in AI-related spending and asset price gains. The government shutdown means that some volatility is likely in Q4, with growth softening before rebounding in Q1 2026. More broadly, hiring is likely to remain subdued amid tariff uncertainty and rising costs, though tighter immigration and gradual rate cuts are likely to help underpin growth and prevent a sharp decline in the labor market. With consumption by high-income households and AI-related investment remaining resilient, we expect real GDP growth of 2.0% Y/Y in both 2025 and 2026.

- Core CPI (ex. food and energy) eased to 3.0% Y/Y in September. Tariff pass-through has been uneven, with notable price increases in recreational goods and durables, while overall core goods rose only 1.34% between December 2024 and September 2025. Looking ahead, tariff pass-through is expected to be gradual as the impact of front-loaded inventory purchases ahead of tariff hikes fades. We expect core PCE will hover near 3% Y/Y early next year, with a decline close to the 2% target likely not occurring until 2027.

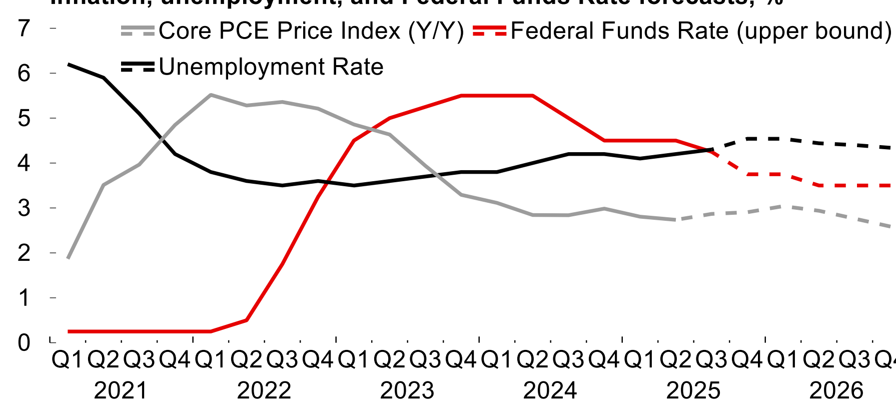
- The Fed cut rates by 25bps in October to 3.75-4.00%. While opinions within the FOMC remain divided, a further cut is likely at the upcoming December meeting to mitigate downside risks to employment. We then expect the pace of easing to slow as rates approach the neutral range, with policy held steady until mid-2026, by which time we expect clearer evidence of fading tariff effects and inflation pressures to emerge.

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

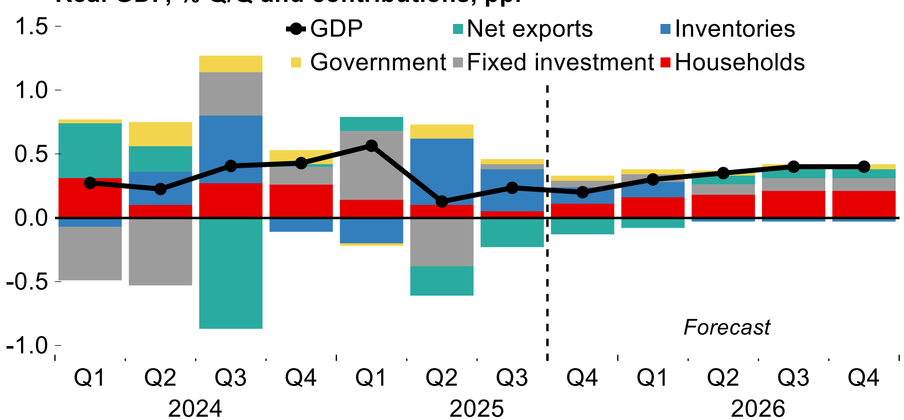
Euro area

Steady growth with scope for further disinflation

- The euro area economy continues to tick along in reasonable shape. Growth picked up to 0.2% Q/Q in Q3, driven by strong outturns in France (0.5%) and Spain (0.6%). Growth was flat in Germany and subdued in Italy (0.1%), but the overall picture remains one of resilience in the face of higher US tariffs. Forward-looking surveys point to steady momentum into 2026, and implementation of the German fiscal package is set to provide a strong tailwind for activity next year. The boost is likely to be offset to an extent by some consolidation elsewhere (e.g. Italy) and continued political uncertainty (e.g. France). Overall, we expect growth to hold near its potential rate at 1.2%, although volatility in Irish GDP could weigh on the aggregate after strong growth this year.

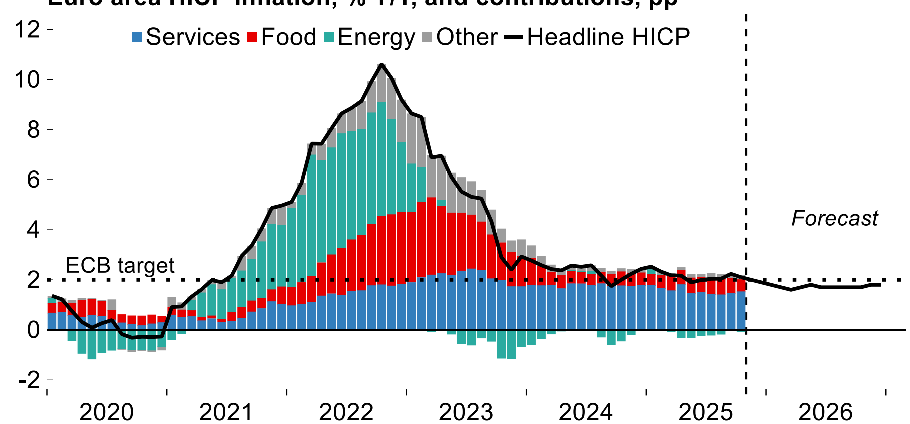
- Euro area inflation has hovered within 0.2pp of the ECB's target since March (latest: 2.2% in November). We anticipate the disinflation trend will reassert itself in 2026, with the headline rate averaging 1.7%. Softer wage dynamics, a stronger euro and trade diversion effects are all set to contribute to the decline. For now, the ECB is clearly content with its current policy setting – with a robust labor market backdrop and elevated services inflation, an abrupt pivot looks unlikely. Further ahead, however, we expect policymakers will be forced to confront the reality of undershooting inflation rates next year by calibrating rates slightly lower.

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



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

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



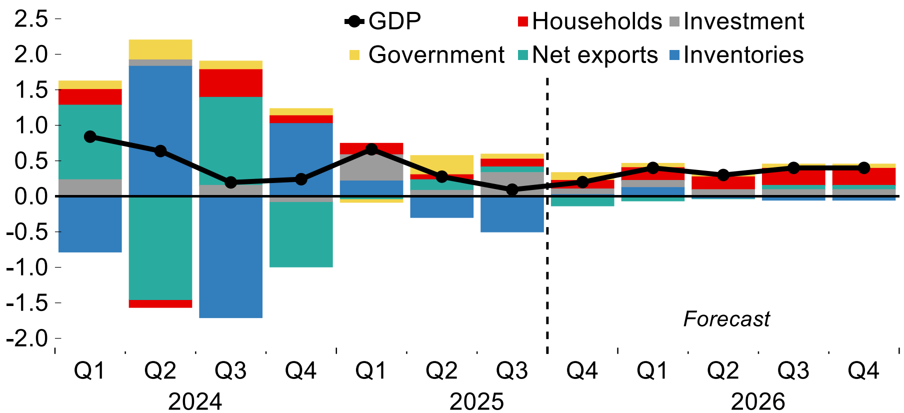
Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

United Kingdom

The path is set to clear for further BoE easing

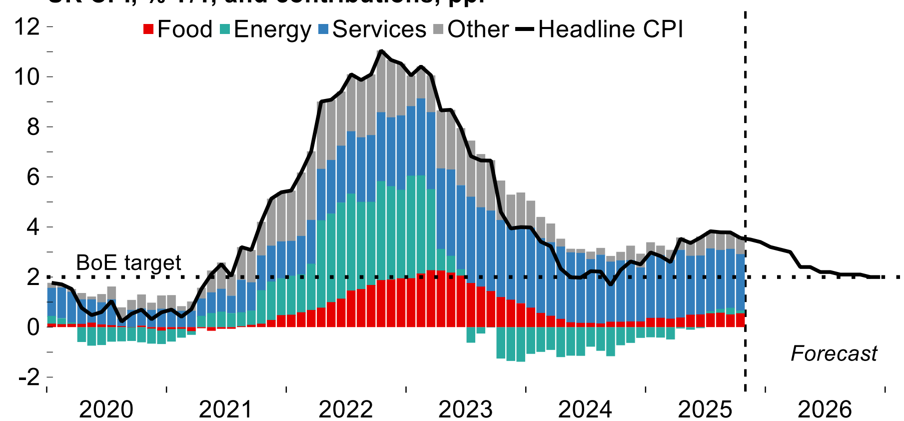
- After a strong start to the year, UK GDP growth slowed to just 0.1% Q/Q in Q3, though this was distorted by a temporary shutdown of automobile production. In Q4, sentiment has been dampened by speculation around fiscal measures ahead of the 26 November Budget. The government delivered a sizeable consolidation package, as expected, but most tax increases are backloaded and will not take effect for several years. In contrast, near-term giveaways (including measures to reduce household energy costs) should provide some support to confidence and activity. All told, we expect GDP growth to average a reasonable 1.2% next year, despite softer momentum heading into 2026.
- Inflation peaked at 3.8% this year and is set to drift lower before base effects and policy shifts drive a faster move toward target from Q2 2026. Labor market data also continue to suggest a degree of slack. Against this backdrop, we expect the Bank of England will cut rates at its next meeting and follow up with two further reductions in 2026, bringing rates to 3.25% by year-end.
- While the Budget was broadly market-tolerable, political risks could resurface next year if the governing Labour party underperforms in local elections, as current polling suggests. The backloaded nature of tax hikes and absence of any meaningful spending restraint means that market participants will remain wary of UK fiscal risks.

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

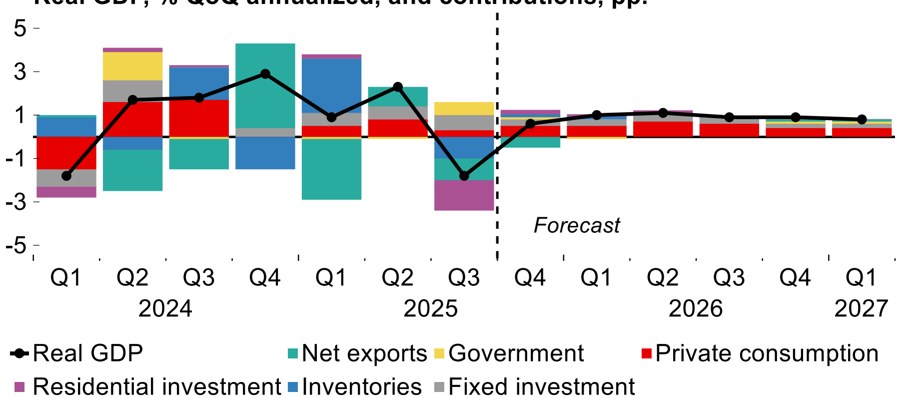
Recovery on track as external demand improves and wage growth holds

- The Japanese economy contracted at an annualized rate of 1.8% Q/Q in Q3. While robust wage hikes during this year's spring negotiations have lifted incomes, persistent price increases – particularly food – continue to weigh on consumer sentiment and spending. Looking ahead, government stimulus under the Takaichi administration should provide additional support. Combined with improving real wages and solid capital investment, the economy is projected to maintain a moderate recovery, with real GDP growth forecast at 1.0% Y/Y in FY2025 and 0.8% Y/Y in FY2026.

- Core CPI (ex. fresh food) accelerated slightly to 3.1% Y/Y in October. Going forward, government measures to curb energy prices will partially offset inflation, though the persistence of cost-push pressures remains a key risk. Core CPI is expected to fall below 2% over the course of next year, while core-core CPI (ex. fresh food and energy), which is highly sensitive to policy factors, is anticipated to hover around the BoJ's 2% target throughout the next year.

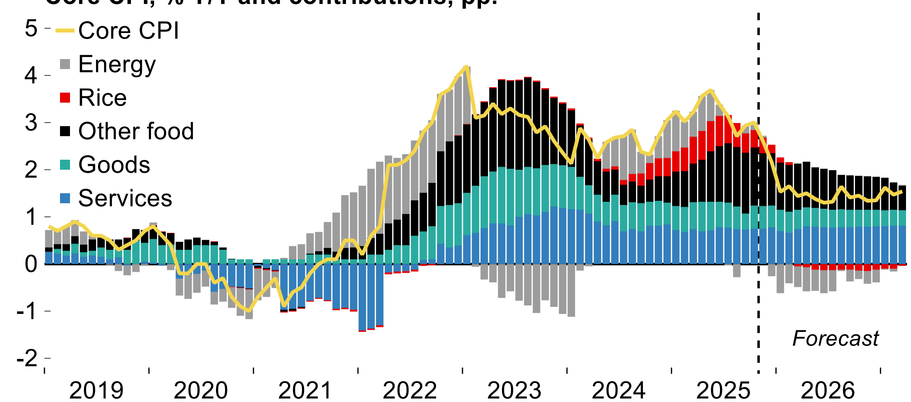
- Following the October policy meeting, Governor Ueda stated that sustained wage growth will be pivotal for future rate hikes and indicated that the BoJ could act before the final results are available if early momentum in next spring's wage negotiations is confirmed. We expect a rate hike early next year as underlying inflation approaches the BoJ's target, followed by another around mid-year.

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



Note: Forecast based on the first estimate of GDP for Q3 2025
Source: Japan Cabinet Office, MUFG Bank Economic Research Office

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



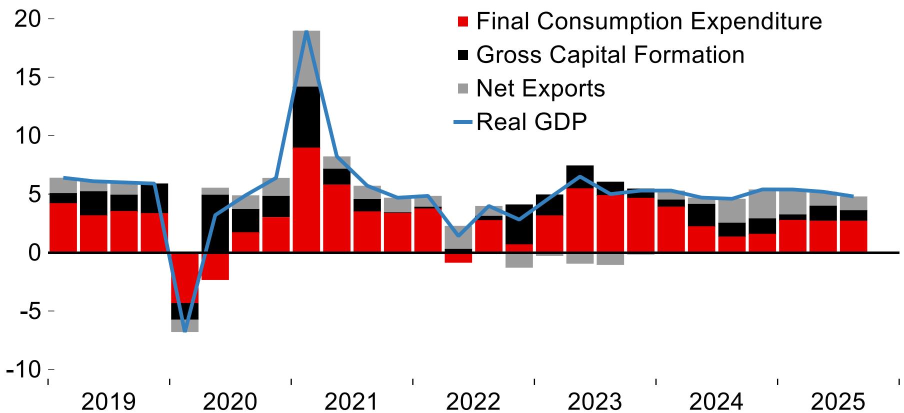
Note: "Core CPI" excludes fresh food. "Other food" excludes fresh food and rice. "Goods" excludes food and energy.
Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

China

Fiscal and monetary policy to continue to support economy against headwinds

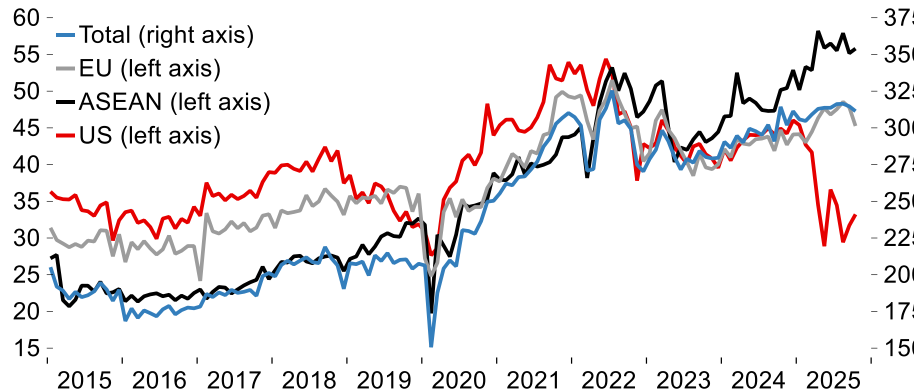
- China's economy is slowing but remains broadly resilient, with growth at 4.8% Y/Y in Q3. A range of headwinds (e.g. weak household sentiment, real estate concerns, employment uncertainty and deflationary pressures) are weighing on domestic activity, offset by policy support and notably strong non-US exports.
- Consumption remains subdued despite targeted government support measures, while manufacturing investment is concentrated within certain industries. While there is a shift towards higher-value added industries, there is a pattern of selective growth drivers rather than broad-based expansion. Against that backdrop, policymakers are likely to maintain moderately accommodative monetary policy and active fiscal measures to prevent a sharp downturn, while investment into key strategic sectors (e.g. EVs, AI, semiconductors) is likely to continue. We expect GDP growth of 4.9% in 2025 and 4.4% in 2026.
- On US-China trade, both sides agreed to postpone a planned US tariff hike and delay Chinese restrictions on rare earth exports until after next year's US midterm elections. This temporary truce eases near-term escalation risks but does not resolve structural disputes (e.g. alleged unfair trade practices), so tensions are likely to persist. The risk that tariff issues could re-emerge is likely to continue to weigh on sentiment.

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



Source: National Bureau of Statistics, Macrobond, 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

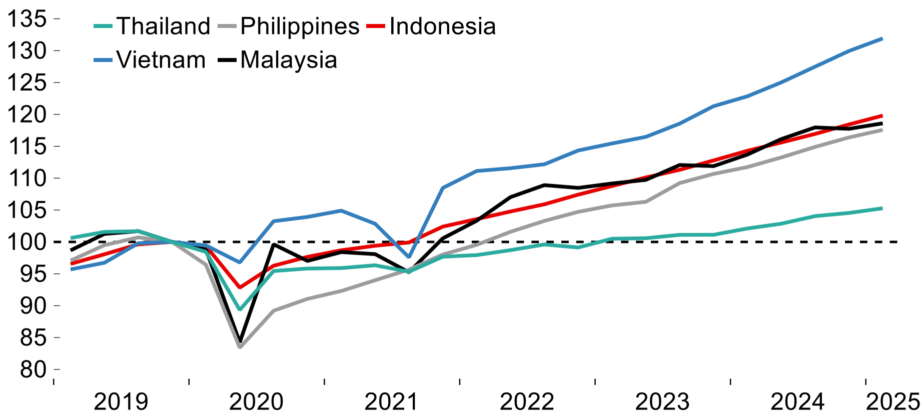
Large volatility in US tariff impacts on ASEAN, but economic growth to remain stable due to fiscal policy support

- Real GDP growth slowed to 4.8% Y/Y in Q3 across the five major ASEAN economies (an aggregate of Indonesia, Thailand, Malaysia, Philippines and Vietnam). Exports were strong during 2025 1H, supported by the front-loading of orders ahead of US tariffs. However, the initial boost has now faded and foreign demand has slowed, resulting in mixed export growth across ASEAN economies in Q3.

- Looking ahead, we expect a lasting impact from US tariffs. Some ASEAN economies could see an advantage over China as US firms consider shifting supply chains and moving production or export bases. However, overall foreign demand is likely to be weaker and we expect this will put downward pressure on investment and consumption in export-dependent economies in the short term. Compared with other regions, there is large volatility in the impact of US policies in ASEAN owing to product-specific tariffs on items such as semiconductors, as well as US measures that target imports via third countries (primarily Chinese products). Despite a decline in sentiment caused by US tariffs, consumption is likely to remain resilient owing to labor market improvements, stable inflation and additional rate cuts by central banks.

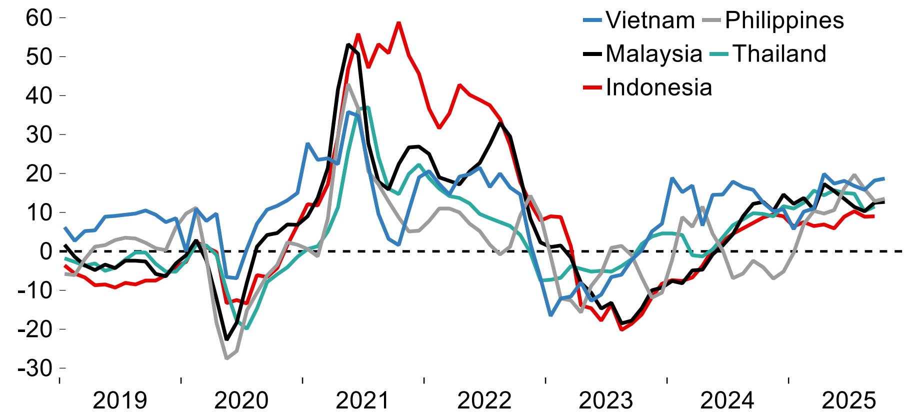
- We forecast real GDP for the five economies as a whole to slow to 4.8% YoY. In 2026, the initial impacts of tariffs will have eased and we expect fiscal policies will provide support for economies, resulting in stable growth of 4.7% YoY.

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

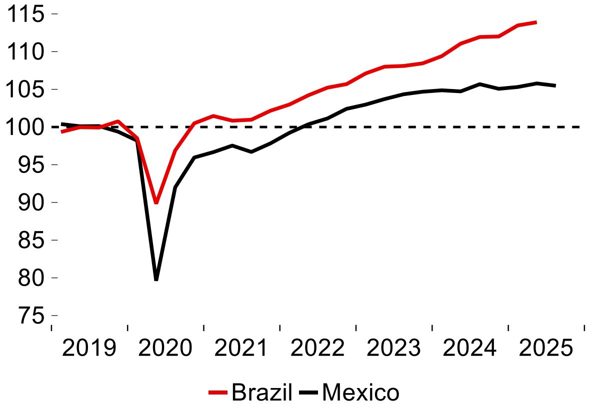
Latin America

Growth headwinds amid inflation and tariff pressures

- In Brazil, real GDP growth slowed to 2.2% Y/Y in Q2, down from 2.9% in the previous quarter. Contributions to GDP growth from both consumer spending and fixed capital formation decreased relative to Q1, as elevated inflation and high interest rates weighed on domestic demand. CPI remains stuck in the mid-5% Y/Y range, while core CPI edged up to 5.6% Y/Y in September. After initiating rate hikes in September last year and raising the policy rate to 15.0% in June, the central bank has held the rate unchanged since then. Exports to the US declined sharply due to tariffs, while strong demand from Asia helped keep overall exports resilient at 9.1% Y/Y. Nevertheless, persistent inflation and tight monetary conditions remain significant headwinds, with GDP growth projected at 2.1% Y/Y in 2025 and 1.3% Y/Y in 2026.

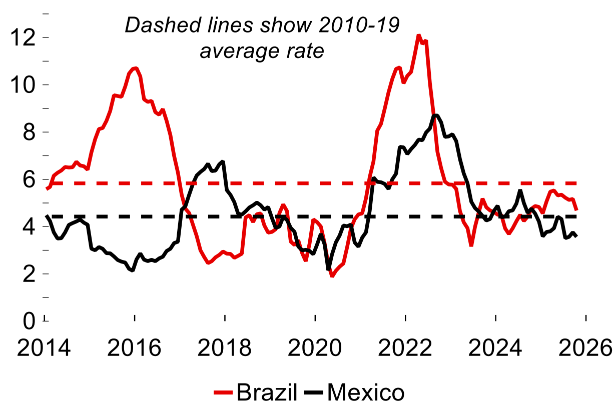
- In Mexico, real GDP growth fell 0.2% Y/Y in Q3, down from flat growth in the previous quarter. US tariff measures weighed on consumer sentiment, dampening consumer spending, while ongoing caution among businesses appears to have sustained the decline in fixed capital formation. Headline inflation eased to 3.6% Y/Y in October, though core CPI inflation remained elevated at 4.3% Y/Y. The central bank has slowed the pace of rate cuts, keeping the policy rate at 7.25%. Growth is expected to remain weak at 0.1% Y/Y in 2025. However, as the impact of tariffs fades and exports stabilize, combined with disinflation and the lagged effect of prior rate cuts, growth is projected to recover to 1.0% Y/Y in 2026.

Real GDP, 2019 = 100



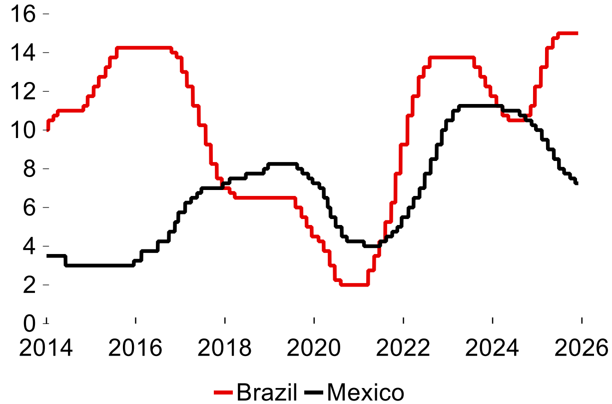
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %

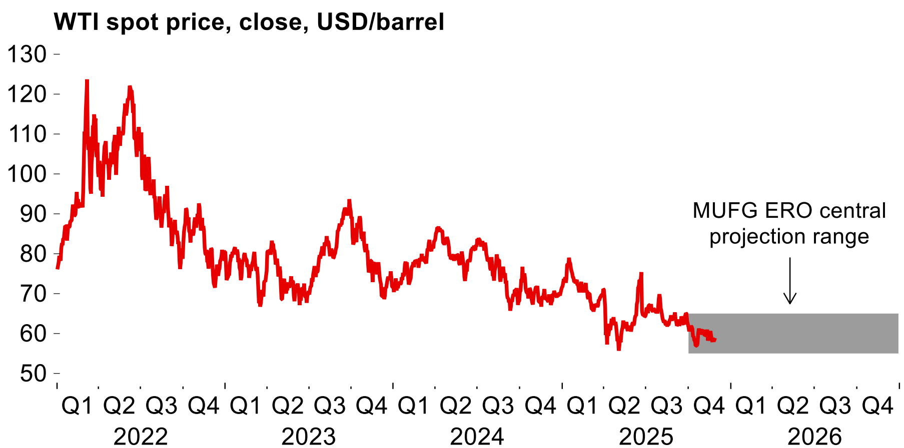


Source: Macrobond, MUFG Bank Economic Research Office

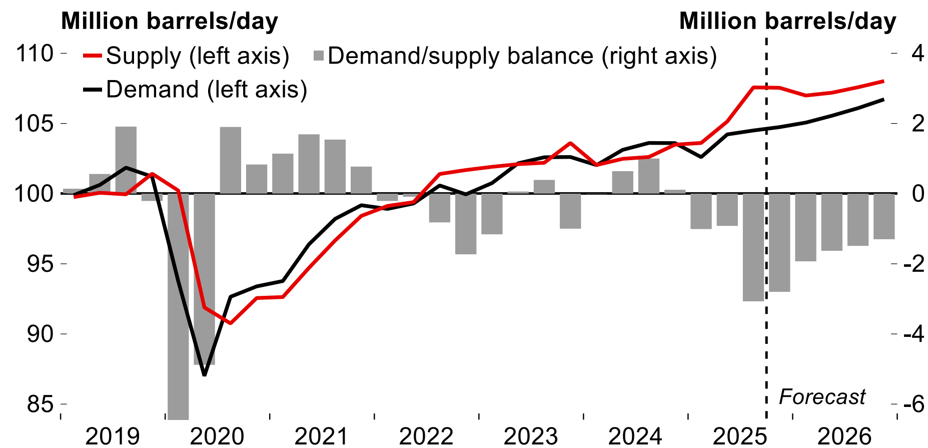
Oil market

Excess oil supply to slowly decrease as demand recovers

- The WTI spot price moved above 65 USD/bbl in September after Ukrainian strikes on Russian refineries increased supply risks, before falling back to the 55-60 range as OPEC+ eased production cuts and tensions in the Middle East faded following an Israel-Hamas ceasefire.
- Looking ahead, oil demand is set to recover as global growth stabilizes after the initial tariff shock, supported by monetary easing and fiscal stimulus. Demand growth is likely to be led by China (~16% of global demand), partly due to strategic stockpiling, while demand in India (~5%) benefits from strong economic expansion.
- On supply, we expect that OPEC+ will increase output gradually to protect market share, while US shale growth continues to be constrained by sub-60 prices (likely below the breakeven mark for new drilling, despite efficiency gains). Overall, we expect moderate supply expansion.
- The supply-demand balance is currently tilted towards excessive supply, but this is likely to narrow as demand strengthens. Our base case sees oil prices fluctuating around 60 USD/bbl next year. Geopolitical risks, sanctions and US-China trade tensions remain key sources of uncertainty.



Source: Macrobond, MUFG Bank Economic Research Office



Source: EIA, EI, MUFG Bank Economic Research Office

MUFG Projections

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)		
	2024	2025f	2026f
World	3.5	3.4	3.0
Advanced economies	1.8	1.8	1.6
Emerging economies	5.0	4.9	4.4
US	2.8	2.0	2.0
Japan (FY)	0.8	1.0	0.8
Euro area	0.9	1.4	1.2
Germany	-0.5	0.3	1.1
France	1.1	0.8	0.9
Italy	0.5	0.5	0.8
UK	1.1	1.4	1.2
Asia (11 economies)	5.2	5.2	4.6
China	5.0	4.9	4.4
India (FY)	6.5	6.7	6.4
Advanced Asian Economies	3.2	2.8	1.9
South Korea	2.0	1.0	1.8
Taiwan	4.8	5.9	2.0
Hong Kong SAR	2.5	2.8	1.9
Singapore	4.4	3.1	2.0
ASEAN 5	5.0	4.8	4.7
Indonesia	5.0	4.8	4.9
Thailand	2.5	1.9	2.0
Malaysia	5.1	4.6	4.3
Philippines	5.6	5.1	5.7
Vietnam	7.1	7.5	6.5
Australia	1.0	1.6	2.1
Latin America (5 economies)	2.5	1.5	1.4
Brazil	3.4	2.1	1.3
Mexico	1.4	0.1	1.0

	CPI (% Y/Y)		
	2024	2025f	2026f
World	2.4	1.9	2.1
Advanced economies	2.6	2.5	2.2
Emerging economies	2.1	1.3	2.0
US	2.9	2.7	2.8
Japan (FY)	2.7	2.6	1.4
Euro area	2.4	2.1	1.7
Germany	2.5	2.2	2.0
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Australia	3.2	2.6	2.7
Latin America (5 economies)	4.5	4.5	3.5
Brazil	4.4	5.3	4.0
Mexico	4.7	3.9	3.3

* 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	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f
Main Economic Indicators															
Real GDP (QoQ annualized, %)	0.8	3.6	3.3	1.9	-0.6	3.8	3.1	1.1	1.8	1.8	2.0	2.1	2.8	2.0	2.0
Personal Consumption Expenditures	1.7	3.9	4.0	3.9	0.6	2.5	2.8	1.4	1.6	1.8	2.0	2.2	2.9	2.5	1.9
Fixed Investment (Residential)	8.2	-2.0	-4.8	4.3	-1.0	-5.1	-2.5	1.0	1.5	2.0	2.2	2.5	3.2	-1.4	0.7
Fixed Investment (Nonresidential)	1.5	2.5	3.5	-3.7	9.5	7.3	4.0	2.0	2.5	2.5	3.0	3.0	2.9	4.2	3.0
Changes in Private Inventories (Contributic	-0.7	1.2	-0.1	-0.9	3.0	-4.3	0.2	0.1	0.2	0.2	0.2	0.2	0.1	-0.1	-0.1
Government Expenditures	2.3	3.3	5.4	3.3	-1.0	-0.1	0.4	-0.8	1.6	0.8	0.8	0.8	3.8	1.2	0.6
Net Exports (Contribution)	-0.4	-1.0	-0.4	-0.1	-4.7	4.8	0.3	-0.2	-0.2	-0.2	-0.3	-0.2	-0.4	-0.4	0.2
Exports	4.6	0.7	8.9	-0.9	0.2	-1.8	1.0	1.0	1.0	1.2	1.2	1.5	3.6	0.8	0.9
Imports	6.9	8.4	10.1	-0.2	38.0	-29.3	-1.5	1.8	2.0	2.0	2.5	2.5	5.8	3.3	-0.8
Final sales to private domestic purchasers	2.0	3.4	3.5	2.7	1.9	2.9	2.8	1.5	1.8	1.9	2.2	2.3	3.0	2.7	2.2
Nominal GDP (QoQ annualized, %)	4.0	6.3	5.1	4.3	2.9	6.0	6.1	4.1	5.3	4.4	4.2	4.3	5.3	4.7	4.9
Unemployment Rate (%)	3.8	4.0	4.2	4.2	4.1	4.2	4.3	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	2.9	2.9	2.8	3.0	2.8	2.6	2.9	2.7	2.8
Balance of Payments															
Trade Balance, Goods (USD billions)	-278	-299	-309	-329	-466	-270	-260	-265	-271	-276	-283	-290	-1,215	-1,260	-1,120
Current Account (USD billions)	-261	-286	-326	-312	-440	-244	-234	-239	-245	-250	-258	-264	-1,185	-1,157	-1,017
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	3.7	3.5	3.4	3.3	3.3	5.1	4.1	3.4
10-Year Treasury Yield (%)	4.1	4.4	4.0	4.3	4.5	4.4	4.3	4.1	4.1	4.0	4.0	4.0	4.2	4.3	4.0

Japan – Detailed forecasts

	2024				2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	FY2024	FY2025f	FY2026f
The Real Economy (QoQ annualized change)																
Real GDP	-1.8	1.7	1.8	2.9	0.9	2.3	-1.8	0.6	1.0	1.1	0.9	0.9	0.8	0.8	1.0	0.8
Private Consumption	-2.8	3.0	3.1	0.1	1.0	1.5	0.6	1.0	1.0	1.2	1.1	0.8	0.8	0.8	1.1	1.0
Housing Investment	-12.3	6.2	3.4	-0.3	5.4	1.3	-32.5	5.0	3.9	3.9	0.5	0.5	0.5	- 0.4	- 4.8	- 0.1
Private Business Fixed Investment	-4.9	5.7	0.0	2.4	3.5	3.3	4.2	1.8	1.9	2.3	1.9	1.4	1.0	2.0	2.9	2.0
Business Inventory (Contribution)	0.2	-0.1	0.4	-0.4	0.6	0.0	-0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2	- 0.0
Government Expenditures	0.1	5.3	-0.4	0.0	-0.4	-0.3	2.2	0.5	-0.4	-0.2	0.1	0.4	0.4	1.2	0.3	0.2
Public Investment	-4.7	10.9	-1.5	-2.6	2.2	-0.4	0.5	-0.0	0.2	-0.3	-0.3	-0.3	-0.3	0.8	- 0.0	- 0.1
Net Exports (Contribution)	0.0	-0.5	-0.3	1.0	-0.7	0.2	-0.2	-0.5	-0.0	-0.0	-0.0	0.1	0.1	- 0.4	- 0.1	- 0.1
Exports	-15.4	2.8	8.4	8.2	-1.6	9.6	-4.5	-2.9	0.7	0.8	0.8	0.9	0.9	1.7	2.3	0.0
Imports	-14.8	11.5	14.1	-8.4	10.4	5.1	-0.4	-0.4	0.9	0.9	0.9	0.4	0.6	3.4	2.8	0.6
Nominal GDP	-0.4	7.9	4.1	5.1	3.8	6.5	0.5	2.5	-0.1	5.1	4.1	0.3	-0.3	3.7	3.6	2.4
GDP Deflator (YoY)	3.2	3.3	2.6	3.1	3.3	2.9	2.8	2.8	1.8	1.8	2.0	1.4	1.4	2.9	2.5	1.6
Industrial Production Index (QoQ)	-5.2	2.1	0.3	0.4	-0.3	0.4	0.1	-0.1	0.3	0.3	0.3	0.2	0.2	- 1.4	0.5	0.9
Domestic Corporate Goods Price Index (YoY)	0.7	2.2	3.0	3.9	4.3	3.3	2.6	0.8	1.9	2.5	2.5	2.2	1.6	3.4	2.2	2.2
Consumer Price Index (excl. fresh food, YoY)	2.5	2.5	2.7	2.6	3.1	3.4	2.9	2.6	1.5	1.4	1.5	1.4	1.4	2.7	2.6	1.4
Balance of Payments																
Trade Balance (JPY billions)	-1,265	-1,256	-950	-18	-1,506	-189	-673	-149	-329	-383	-451	-466	-474	-3,730	-1,341	-1,774
Current Balance (JPY billions)	6,545	7,191	7,249	8,208	7,736	7,411	8,614	9,294	9,163	9,136	9,095	9,106	9,124	30,384	34,483	36,462
Financial																
Uncollateralized overnight call rate	0.0	0.1	0.2	0.2	0.5	0.5	0.5	0.5	0.7	0.7	1.0	1.0	1.0	0.5	0.7	1.0
Euro-Yen TIBOR (3-month rate)	0.0	0.1	0.2	0.3	0.5	0.5	0.5	0.6	0.7	0.8	1.0	1.0	1.0	0.3	0.6	0.9
Newly Issued 10-Year Government Bonds Yield	0.7	0.9	0.9	1.0	1.3	1.4	1.6	1.7	1.8	1.9	1.9	1.9	1.9	1.1	1.6	1.9
Exchange Rate (USD/JPY)	148	156	149	152	153	145	148	154	153	151	148	146	144	153	150	147

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Euro Area	0.9	1.4	1.2	2.4	2.1	1.7
Germany	- 0.5	0.3	1.1	2.5	2.2	2.0
France	1.1	0.8	0.9	2.3	1.0	1.5
Italy	0.5	0.5	0.8	1.1	1.7	1.6
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	3.8	3.8	3.0	4.8	5.3	4.2
Real GDP	0.8	1.4	1.2	1.1	1.4	1.2
Domestic demand (contribution)	0.5	2.0	1.4	1.8	2.5	1.5
Foreign demand (contribution)	0.3	- 0.6	- 0.2	- 0.7	- 1.1	- 0.3
Private consumption	1.2	1.2	1.1	- 0.2	0.9	1.1
Government consumption	2.2	1.4	0.9	3.4	2.0	1.6
Gross fixed capital formation	- 2.1	2.0	0.8	1.8	3.6	2.6
Inventory investment (contribution)	- 0.6	0.7	0.5	0.1	0.0	0.1
Exports	0.5	1.7	1.2	0.6	2.9	1.0
Imports	- 0.1	3.1	1.9	2.6	3.8	1.1

Note: 1. "Euro area" is total of 19 countries - Germany, France, Italy, Ireland, Estonia, Austria, The Netherlands, Cyprus, Greece, Spain, Slovakia, Slovenia, Finland, Belgium, Portugal, Malta, Luxembourg, Lithuania

2. "CPI" is the standardised inflation rate for the EU (HICP)

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

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