Global Economic Outlook

Q1 2026

March 11, 2026

(Original Japanese version released February 27, 2026)

Global summary

A test of the economy's resilience

- **The global economy has shown signs of resilience as it enters a period of heightened geopolitical uncertainty. Ahead of the US-Israel attacks on Iran, we revised our global growth forecasts for 2026 slightly higher. The US sees the largest upgrade, as wealth effects and robust AI-driven capital investment offset concerns around a softer labor market. Elsewhere, Germany's fiscal boost is set to cushion European activity. In Japan, wage gains and investment targeted at structural issues (e.g., labor shortages and digitization) have helped offset weak external demand. In China, headwinds from weak household sentiment and real estate concerns persist, but policy support and strategic investment in certain sectors continue to provide a backstop. Strong semi-conductor demand continues to support Asian exports more broadly.**

- **Developments in the Middle East now pose clear stagflationary risks to the outlook. Higher energy costs and wider supply-chain disruption, if sustained, would push up prices and weigh on growth. Uncertainty is extremely elevated, but we judge that our forecasts would remain broadly valid if there is de-escalation in the weeks ahead.**

- **With attention now firmly on energy risks, underlying inflation dynamics vary across regions. In the US, tariff pass-through has kept goods prices firm, and we assume core PCE rates will decline only gradually, remaining above 2%. Japan's inflation outlook is stabilizing near the BoJ's target, supported by fiscal measures and an improving wage environment. In Europe, euro area headline inflation has been well-behaved and, provided there is swift de-escalation in the Middle East, could still undershoot the ECB's target this year. UK inflation is set to fall mechanically over the coming months due to government policy and various base effects.**

- **Against the current backdrop, we expect monetary policymakers will be minded to proceed cautiously. The Fed has paused after three consecutive cuts but is expected to lower rates toward a neutral stance as inflation softens and labor market conditions stabilize. In Europe, policymakers will be wary that household inflation expectations could drift higher. The ECB appears firmly on hold, with rates currently around neutral. We expect further easing from the BoE given labor market slack and the outlook for normalizing inflation. The BoJ is set to continue policy normalization with additional rate hikes, but will remain cautious.**

- **Middle East developments overshadow all else at the time of writing, but there are numerous other sources of risk. On trade, the Supreme Court ruling has injected fresh uncertainty, although we expect the previous US tariff equilibrium to be broadly maintained through alternative mechanisms. In Asia, Japan faces rising long-term fiscal pressures amid ambitious defense spending and broader growth strategies under the new prime minister. China continues to manage structural challenges related to property investment and demographic shifts. In Europe, UK political uncertainty remains elevated amid speculation that the prime minister may be forced out this year, which could raise market concerns around looser fiscal policy.**

- **Taken together, it seems likely that the resilience shown by the global economy at the start of the year could be thoroughly tested. While we are reassured by underlying macro fundamentals in many cases, risks around our forecasts are tilted to the downside.**

Our key projections - GDP & inflation

Resilient global growth and a more stable inflation backdrop ahead of the surge in geopolitical risk

	GDP (% Y/Y)		
	2025	2026f	2027f
World	3.6	3.2	3.2
US	2.2	2.5	2.2
Euro area	1.5	1.2	1.4
Germany	0.2	1.0	1.5
France	0.8	1.0	1.0
Italy	0.7	0.9	0.8
UK	1.3	1.0	1.4
Japan (FY)	0.7	0.8	0.9
India (FY)	7.3	6.7	6.7
China	5.0	4.4	4.2
ASEAN 5	5.0	4.8	4.9
Indonesia	5.1	5.0	5.0
Thailand	2.4	1.8	2.2
Malaysia	5.2	4.5	4.3
Philippines	4.4	5.2	6.0
Vietnam	8.0	7.2	6.9

	CPI (% Y/Y)		
	2025	2026f	2027f
World	1.9	2.0	2.1
US	2.7	2.5	2.3
Euro area	2.1	1.8	1.9
Germany	2.3	2.0	2.0
France	0.9	1.1	1.7
Italy	1.6	1.3	1.8
UK	3.4	2.4	2.0
Japan (FY)	2.7	2.0	1.9
India (FY)	2.1	3.7	4.0
China	0.0	0.5	1.0
ASEAN 5	1.7	2.3	2.4
Indonesia	1.9	2.7	2.7
Thailand	-0.1	0.2	0.8
Malaysia	1.4	1.8	1.9
Philippines	1.7	2.8	2.9
Vietnam	3.3	3.4	3.5

Note: Forecasts finalised on 27 February 2026.

United States

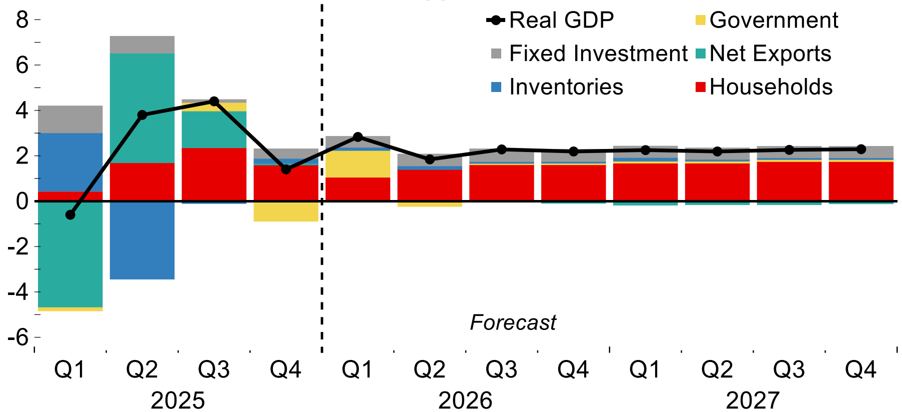
Soft labor market weighs on near-term growth; recovery expected later in the year

- Real GDP growth slowed to 1.4% q/q annualized in Q4 2025 from 4.4% in Q3, mainly reflecting the longest government shutdown on record and softer consumer spending. In contrast, business fixed investment remained firm, supported by AI-related investment. Looking ahead, a relatively soft labor market is expected to temper income growth in the near term, and caution over AI-related equity valuations is likely to limit the boost to consumption from wealth effects. Nevertheless, declining policy uncertainty, gradual rate cuts, and easing inflation should support a recovery later in the year. We therefore project real GDP growth of 2.5% y/y in 2026 and 2.2% y/y in 2027.

- The core PCE inflation accelerated to 3.0% y/y in December. Throughout 2025, slower growth in service price was largely offset by tariff-driven increases in goods prices, leaving overall inflation broadly flat. Despite uncertainty following court rulings on tariff constitutionality, newly announced tariffs by President Trump are expected to slightly lower the average effective tariff rate, with tariff pass-through to goods prices likely peaking in the first half of this year. Core PCE is expected to ease thereafter and approach the 2% target by the first half of 2027.

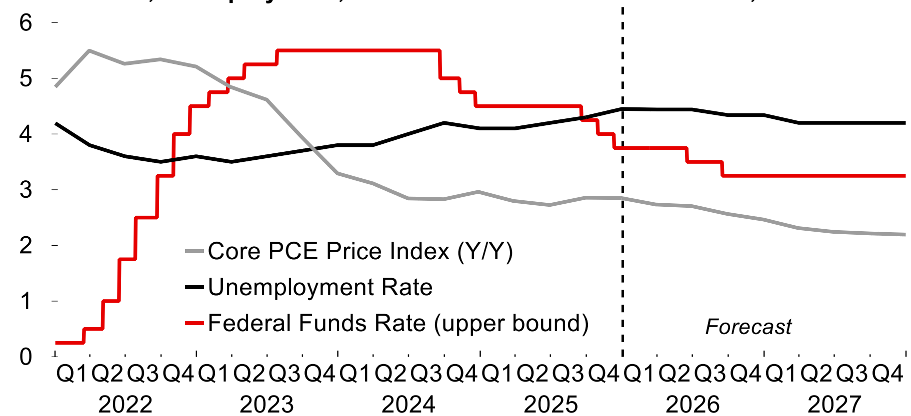
- The Fed held its interest rate unchanged in January at 3.50-3.75%. While views within the FOMC remain divided over the balance of risks between employment and inflation, as well as the level of the neutral rate, Fed's leadership change in May is expected to strengthen support for a less restrictive stance. We expect two rate cuts in June and September 2026, once inflation is confirmed to be on a downward trend.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, Macrobond, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



Source: BLS, BEA, Federal Reserve, Macrobond, MUFG Bank Economic Research Office

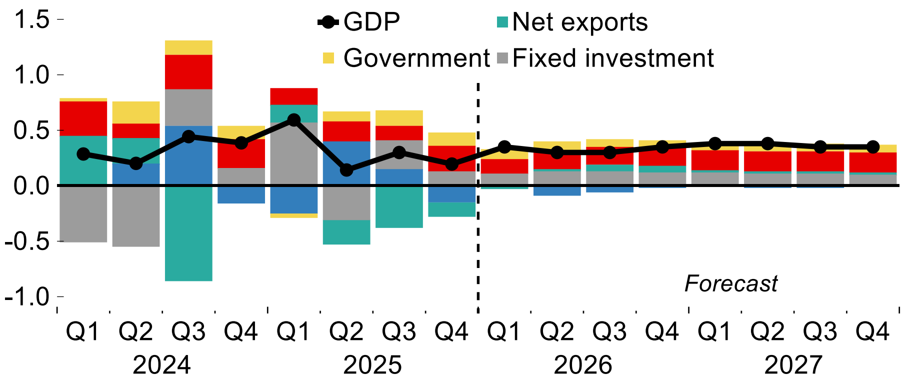
Euro area

Geopolitical developments will test the economy's resilience

- The euro area economy has started the year on a decent footing with steady growth momentum, well-behaved inflation and a resilient labor market. The German fiscal boost is also now becoming more apparent in the data, especially through defense channels, which supports our belief that there is an unfolding, moderate cyclical recovery in industry. In short, the macro fundamentals are reasonable as the economy enters a period of heightened geopolitical uncertainty. While we expect uncertainty around the Middle East and tariffs, to a lesser extent, will weigh on sentiment, for now our central scenario remains one of steady euro area growth this year.

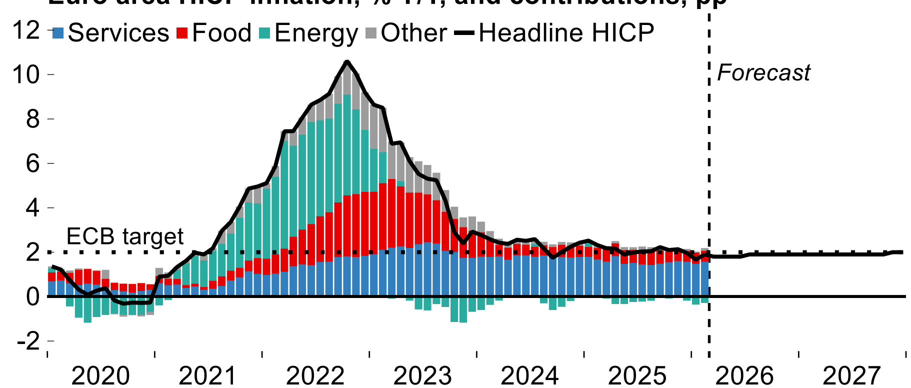
- Against that backdrop, the ECB is set to remain firmly on hold. The latest official projections show a sustained undershoot of the target and we have assumed an annual average HICP rate of 1.8% this year. Risks have now flipped towards a moderate overshoot if higher energy pricing is maintained. The legal ruling on US tariffs and subsequent reduction in tariff rates on EM economies have also reduced the prospect for trade diversion will weigh on prices. But while policymakers will be wary of any consequences for household inflation expectations, we do not see any urgency to tighten policy while the recovery is not yet secured. We expect the ECB will remain on hold across the forecast horizon.

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

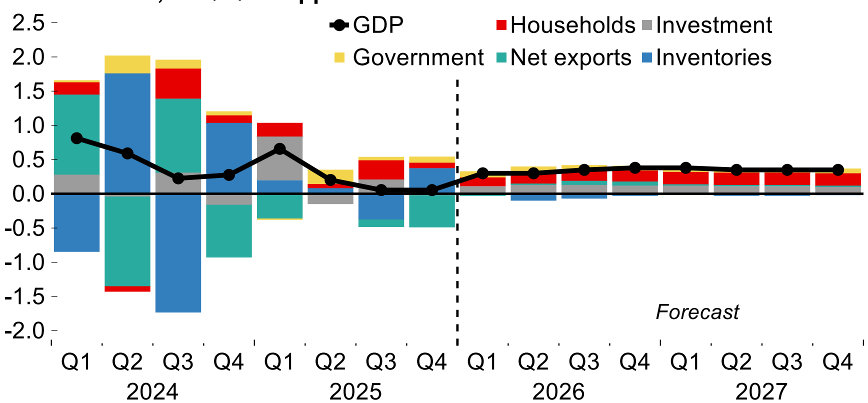
Steady growth and disinflation ahead – but domestic and external uncertainty remains a key risk theme

- UK growth faded in Q4 (0.1% q/q) with fiscal speculation proving to be a headwind for activity once again in the autumn. Growth carryover effects mean that we have revised our annual forecast down to 1.0% in 2026. However, recent survey evidence points to better momentum and we expect a good start to 2026, followed by reasonable growth on a quarterly basis. Headline inflation is set to fall mechanically from April on the back of various base effects and government measures, which will support consumer dynamics.

- We expect the BoE will ease policy further this year (we assume two more cuts, provided that energy pricing normalizes) which will also support activity. On the fiscal front, the spring forecast event was low-key, as expected, with the government hoping to end the cycle of speculation around the need for consolidation. Recent public finance data have been encouraging in that regard, with signs of better receipts.

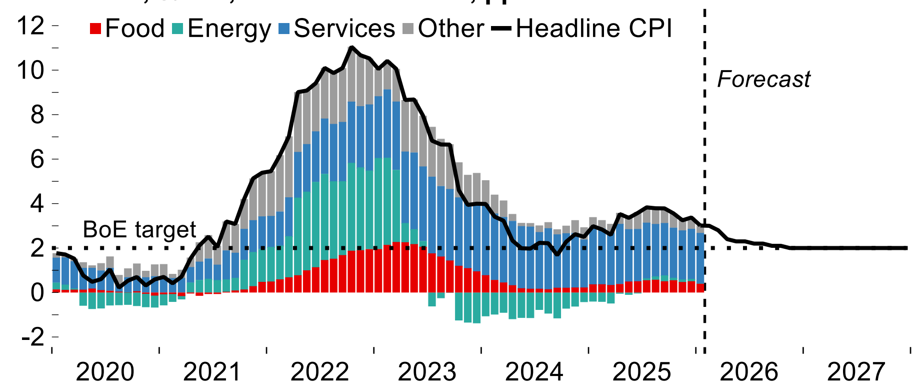
- There are plenty of risks to the outlook. A protracted conflict in the Middle East could build stagflationary pressures and limit the BoE's room for maneuvering - policymakers will remain attentive to the threat that household inflation expectations drift higher. Meanwhile, domestic political uncertainty also remains elevated amid speculation that the PM could be replaced after local elections in May. Market participants will be wary that alternative leadership could cause a shift towards looser fiscal policy.

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

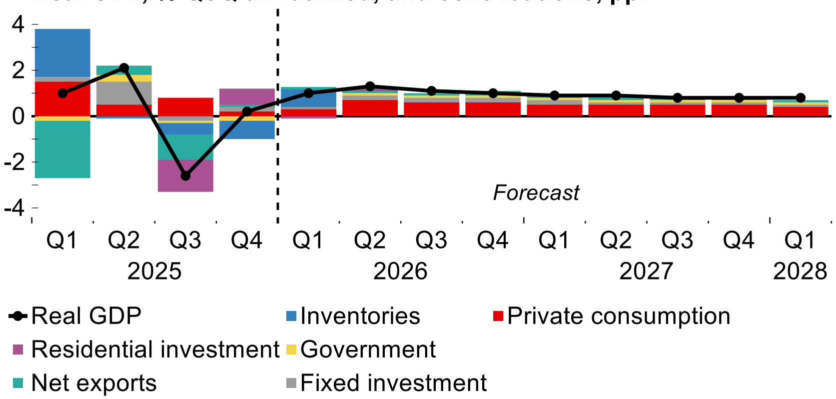
Business investment and proactive fiscal policy to support a moderate recovery

- The Japanese economy returned to positive growth in Q4, supported by personal consumption and business investment. Resilient corporate profits and wage hikes from last year's spring negotiations are underpinning incomes, while exports continue to face external headwinds. Looking ahead, inflation is expected to ease as government measures take effect, and strong corporate profits and labor shortages are likely to drive further wage increases this spring. Despite ongoing uncertainty over U.S. tariff policies, solid investment and continued policy support are expected to sustain a moderate recovery, with growth projected at 0.7% y/y in FY2025, 0.8% in FY2026, and 0.9% in FY2027.

- Core CPI (ex. fresh food) slowed to 2.0% y/y in January, reflecting the effects of government policy measures. Going forward, price pressures for food (ex. rice) are expected to remain elevated, as easing non-labor cost pressures are offset by a broader pass-through of rising labor costs. While core CPI (ex. fresh food) may fluctuate due to policy effects, we expect core core CPI (ex. fresh food and energy) to remain close to the BoJ's 2% target.

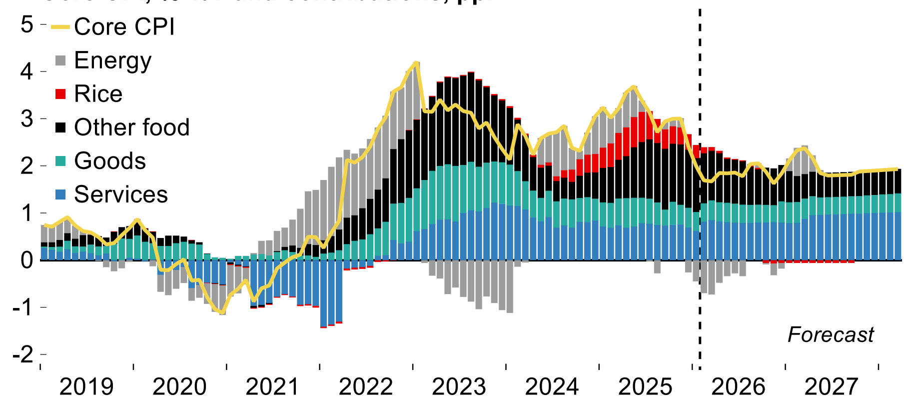
- Following the January policy meeting, Governor Ueda signaled that further rate hikes will proceed in line with improvements in economic and inflation conditions. We expect the next rate hike to occur in July this year, when the resilience of consumption can be confirmed, followed by another hike in April next year, after confirmation of continued strong wage gains in the spring labor negotiations.

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



Note: Forecast based on the first estimate of GDP for Q4 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

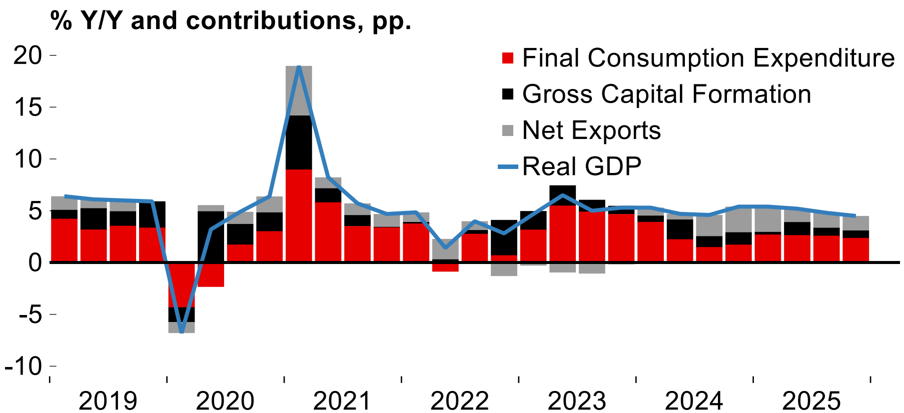
China

Fiscal and monetary policy to underpin economy as it gradually slows amid continued headwinds

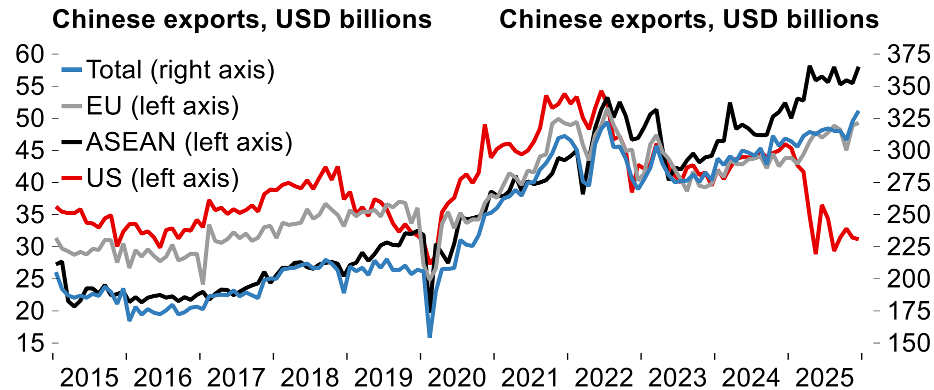
- China's economy slowed to 4.5% y/y in the final quarter of 2025, reflecting weaker domestic demand as real-estate development investment continued to decline and employment uncertainty weighed on consumption. Meanwhile, despite the fall in exports to the US due to higher tariffs, total exports have remained solid, with signs that Chinese exports have been redirected from the US to other destinations, such as Europe, or shipped to the US via ASEAN economies.

- Looking ahead, against the backdrop of demographic challenges and the ongoing real estate downturn, the Chinese economy is expected to slow, weighed down by weaker household sentiment, a softer labor market, and low inflation. In terms of foreign demand, while US tariffs on China are expected to decline in the near term following the ruling by the US Supreme Court that they are unconstitutional, there is a risk that tension between the US and China will increase again. In the short term, we expect the government and central bank to respond with flexible fiscal and monetary policy to underpin the economy amid uncertain external demand and soft domestic demand.

- We expect real GDP growth to slow from 5.0% y/y in 2025 to 4.4% y/y in 2026 and 4.2% y/y in 2027.



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



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

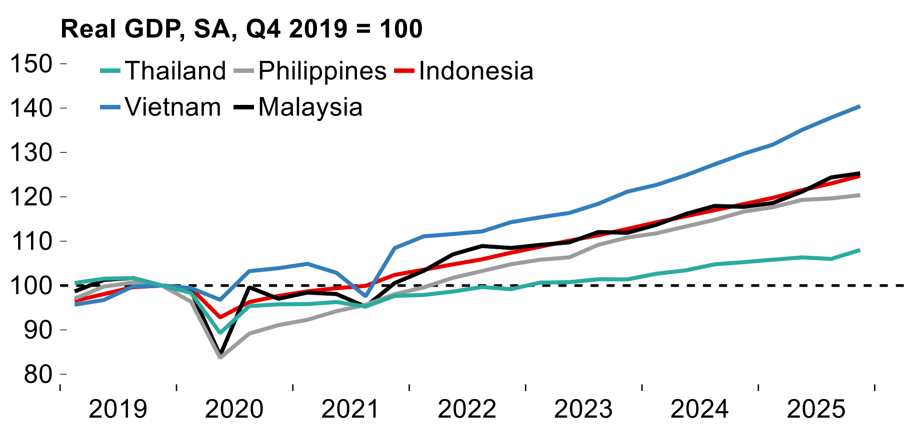
ASEAN economies

Exports to weigh on 2026 growth but a shift in supply chain and AI-related demand will support economies through 2027

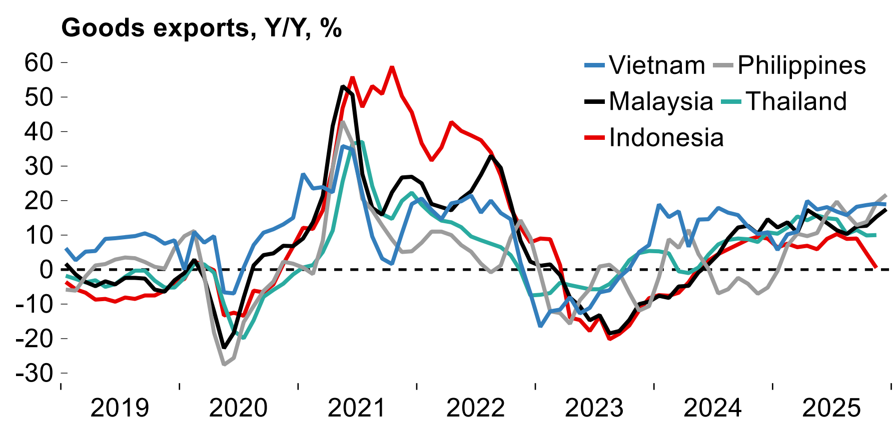
- Real GDP grow picked up to 5.2% y/y in the last quarter of 2025 across the five major ASEAN economies (an aggregate of Indonesia, Thailand, Malaysia, Philippines and Vietnam) and recorded 5.0% y/y for the whole of the year. Consumption remained firm on the whole in 2025, despite weak durable goods consumption due to high interest rates and tighter lending standards in Indonesia and Thailand. Export growth was robust, buoyed by the front-loading of orders ahead of US tariffs in the first half of the year as well as AI-related demand.

- In most ASEAN economies, we expect consumption to remain resilient as labor markets and household incomes improve and inflation slows. After robust export sales in 2025 due to front-loading, we expect export growth to decline in 2026, affecting export-dependent countries in particular. In 2027, shifts in supply chains and production caused by US tariffs are likely to support exports in ASEAN economies, particularly Vietnam. In addition, we expect an increase in AI-related demand will drive growth in the semiconductor market and underpin exports in Vietnam and Malaysia, where IT is a major sector.

- We forecast real GDP to slow to 4.8% y/y in 2026 before picking up slightly to 4.9% y/y in 2027.



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



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

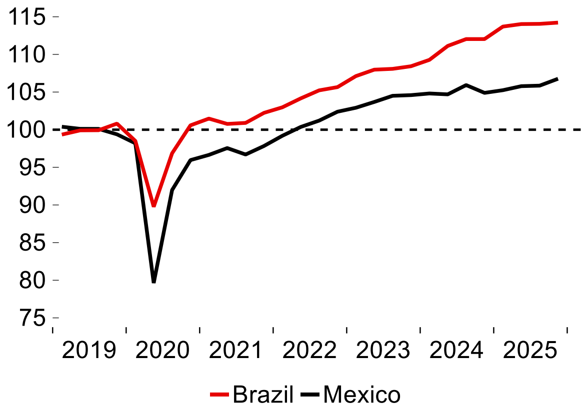
Latin America

Growth headwinds amid inflation and tariff pressures

- Brazil's real GDP growth remained modest at 1.8% y/y in Q4. While net exports made a positive contribution, supported by strong exports, both private consumption and fixed capital formation dragged on growth, reflecting weaker domestic demand. CPI inflation rose 4.4% y/y in January but remained within the central bank's target range. Against this backdrop, the central bank—which has kept the policy rate at 15.0% amid persistent inflation—signaled the possibility of future rate cuts. Looking ahead, real GDP growth is projected to slow to 1.8% y/y in 2026, from 2.3% in 2025. As inflation eases, a gradual monetary easing cycle is expected to support a recovery to 2.0% y/y growth in 2027.

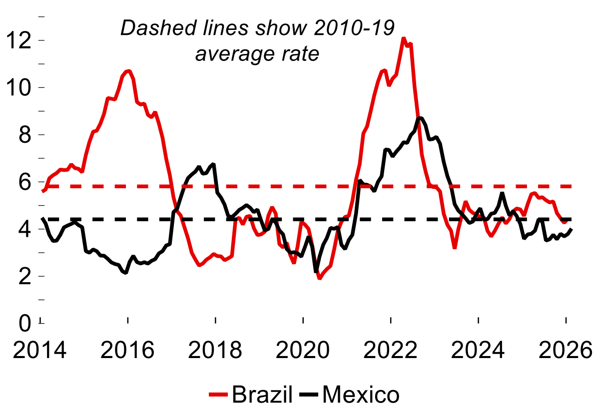
- In Mexico, real GDP growth rebounded to 1.8% y/y in Q4 2025, from a contraction of 0.1% in Q3. While fixed investment remained weak, a recovery in exports—particularly in tariff-exempt items under the USMCA—helped supported economic activity. CPI inflation stood at 3.8% y/y in January, remaining stable within the central bank's target range, although core inflation remained elevated at 4.5% y/y. Following a policy rate cut to 7.0% in December, the central bank has kept the policy rate unchanged. Looking ahead, supported by solid non-automotive exports to the U.S. and the expected spillover effects of future rate cuts, we expect growth to follow a gradual recovery path, reaching 1.3% y/y in 2026 and 1.7% y/y in 2027.

Real GDP, 2019 = 100



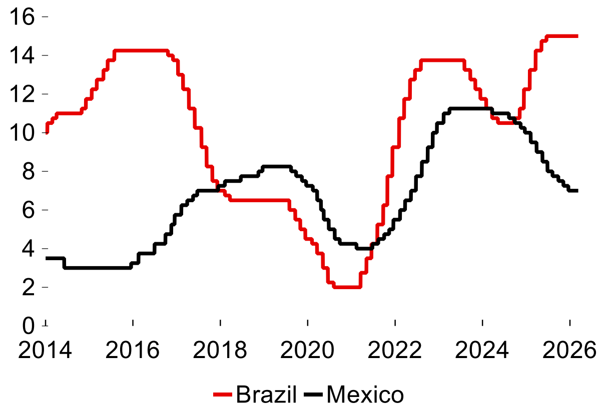
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %



Source: Macrobond, MUFG Bank Economic Research Office

MUFG Projections

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)		
	2025	2026f	2027f
World	3.6	3.2	3.2
Advanced economies	2.0	1.9	1.8
Emerging economies	5.1	4.6	4.5
US	2.2	2.5	2.2
Japan (FY)	0.7	0.8	0.9
Euro area	1.5	1.2	1.4
Germany	0.2	1.0	1.5
France	0.8	1.0	1.0
Italy	0.7	0.9	0.8
UK	1.3	1.0	1.4
Asia (11 economies)	5.5	4.8	4.7
China	5.0	4.4	4.2
India (FY)	7.3	6.7	6.7
Advanced Asian Economies	4.0	3.0	2.4
South Korea	1.0	2.0	2.0
Taiwan	8.7	5.0	3.1
Hong Kong SAR	3.5	2.6	2.5
Singapore	5.0	2.8	2.3
ASEAN 5	5.0	4.8	4.9
Indonesia	5.1	5.0	5.0
Thailand	2.4	1.8	2.2
Malaysia	5.2	4.5	4.3
Philippines	4.4	5.2	6.0
Vietnam	8.0	7.2	6.9
Australia	1.8	2.1	2.1
Latin America (5 economies)	1.7	1.7	2.0
Brazil	2.3	1.8	2.0
Mexico	0.6	1.3	1.7

	CPI (% Y/Y)		
	2025	2026f	2027f
World	1.9	2.0	2.1
Advanced economies	2.5	2.1	2.1
Emerging economies	1.3	1.9	2.1
US	2.7	2.5	2.3
Japan (FY)	2.7	2.0	1.9
Euro area	2.1	1.8	1.9
Germany	2.3	2.0	2.0
France	0.9	1.1	1.7
Italy	1.6	1.3	1.8
UK	3.4	2.4	2.0
Asia (11 economies)	0.9	1.6	1.9
China	0.0	0.5	1.0
India (FY)	2.1	3.7	4.0
Advanced Asian Economies	1.8	1.7	1.8
South Korea	2.1	1.9	1.9
Taiwan	1.7	1.5	1.6
Hong Kong SAR	1.4	1.7	1.8
Singapore	0.9	1.6	1.6
ASEAN 5	1.7	2.3	2.4
Indonesia	1.9	2.7	2.7
Thailand	-0.1	0.2	0.8
Malaysia	1.4	1.8	1.9
Philippines	1.7	2.8	2.9
Vietnam	3.3	3.4	3.5
Australia	2.8	3.4	2.7
Latin America (5 economies)	4.4	3.5	3.3
Brazil	5.0	4.0	3.8
Mexico	3.9	3.3	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

	2025				2026				2027				2025	2026f	2027f
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	-0.6	3.8	4.4	1.4	2.8	1.8	2.3	2.2	2.2	2.2	2.3	2.3	2.2	2.5	2.2
Personal Consumption Expenditures	0.6	2.5	3.5	2.4	1.5	2.0	2.3	2.3	2.4	2.4	2.5	2.5	2.7	2.2	2.4
Fixed Investment (Residential)	-1.0	-5.1	-7.1	-1.5	1.5	1.8	2.0	2.0	2.0	2.0	2.0	2.0	-2.2	-0.5	2.0
Fixed Investment (Nonresidential)	9.5	7.3	3.2	3.7	3.0	3.2	3.4	3.2	3.0	3.0	3.0	3.0	4.2	3.5	3.1
Changes in Private Inventories (Contributic	3.0	-4.3	-0.4	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1	-0.1	-0.2	0.1
Government Expenditures	-1.0	-0.1	2.2	-5.1	7.2	-1.3	0.4	0.5	0.5	0.5	0.5	0.5	1.2	0.9	0.4
Net Exports (Contribution)	-4.7	4.8	1.6	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	0.5	-0.1
Exports	0.2	-1.8	9.6	-0.9	0.8	0.8	1.0	1.0	1.0	1.2	1.2	1.5	1.7	1.4	1.1
Imports	38.0	-29.3	-4.4	-1.3	0.8	0.8	1.0	1.5	2.0	2.0	2.0	2.0	2.7	-2.5	1.7
Final sales to private domestic purchasers	1.9	2.9	2.9	2.4	1.8	2.2	2.5	2.4	2.5	2.5	2.6	2.6	2.7	2.6	2.5
Nominal GDP (QoQ annualized, %)	2.9	6.0	8.3	5.1	5.7	4.4	4.6	4.5	4.5	4.4	4.5	4.5	5.1	5.5	4.5
Unemployment Rate (%)	4.1	4.2	4.3	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.2	4.3	4.4	4.2
Consumer Price Index (YoY, %)	2.7	2.4	2.9	2.8	2.4	2.6	2.4	2.4	2.3	2.2	2.2	2.2	2.7	2.5	2.3
Balance of Payments															
Trade Balance, Goods (USD billions)	-464	-269	-266	-241	-242	-243	-245	-248	-254	-259	-264	-268	-1,241	-978	-1,045
Current Account (USD billions)	-440	-249	-226	-202	-203	-204	-205	-208	-214	-219	-224	-229	-1,117	-820	-887
Financial Indicators															
Federal Funds Rate (upper limit, %)	4.50	4.50	4.25	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.75	3.25	3.25
3-Month Eurodollar Libor Rate (%)	4.3	4.3	4.2	3.8	3.6	3.4	3.2	3.1	3.1	3.1	3.1	3.1	4.2	3.3	3.1
10-Year Treasury Yield (%)	4.5	4.4	4.3	4.1	4.1	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.1	4.0

Japan – Detailed forecasts

	2025				2026				2027				2028	FY2025	FY2026f	FY2027f
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	1.0	2.1	-2.6	0.2	1.0	1.3	1.1	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.9
Private Consumption	2.8	0.9	1.6	0.4	0.5	1.4	1.2	1.1	1.0	0.9	0.9	0.9	0.8	1.3	1.0	0.9
Housing Investment	-0.7	0.1	-29.7	20.4	-2.8	3.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	- 3.9	0.3	0.1
Private Business Fixed Investment	0.9	5.2	-1.2	1.0	0.6	1.3	1.1	1.0	0.9	0.7	0.7	0.7	0.7	1.4	0.9	0.8
Business Inventory (Contribution)	0.5	0.0	-0.1	-0.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Government Expenditures	-0.7	1.2	-0.4	-0.8	-0.1	0.2	0.4	0.4	0.4	0.5	0.5	0.5	0.5	- 0.0	0.1	0.4
Public Investment	-0.7	0.2	-5.9	-5.1	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	- 1.6	0.6	1.4
Net Exports (Contribution)	-0.6	0.1	-0.3	0.0	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	- 0.1	0.1	0.1
Exports	-1.0	8.0	-5.5	-1.1	0.9	1.6	1.2	1.3	0.9	1.1	0.7	0.7	0.7	2.0	0.5	1.0
Imports	10.3	5.7	-0.5	-1.3	0.2	1.1	0.4	0.4	0.2	0.3	0.1	0.1	0.1	2.8	0.3	0.2
Nominal GDP	3.5	8.5	-0.1	2.3	-1.5	8.4	2.7	2.6	-0.1	7.1	1.9	2.4	-0.2	3.8	2.9	2.9
GDP Deflator (YoY)	3.6	3.2	3.5	3.4	2.1	2.3	2.0	1.9	2.2	2.0	1.9	1.9	1.9	3.0	2.1	1.9
Industrial Production Index (QoQ)	-0.3	0.4	0.1	0.8	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	1.0	1.2	0.7
Domestic Corporate Goods Price Index (YoY)	4.3	3.3	2.6	2.6	2.1	2.9	2.9	2.3	2.1	1.5	1.6	1.8	2.0	2.6	2.5	4.4
Consumer Price Index (excl. fresh food, YoY)	3.1	3.4	2.9	2.8	1.8	1.8	2.0	1.8	2.3	2.0	1.9	1.9	2.0	2.7	2.0	1.9
Balance of Payments																
Trade Balance (JPY billions)	-1,506	-189	54	593	619	697	796	925	1,061	1,132	1,115	1,093	1,074	1,077	3,480	4,414
Current Balance (JPY billions)	7,512	7,187	8,330	8,311	8,421	8,548	8,699	8,880	9,067	9,128	9,101	9,070	9,041	32,250	35,195	36,340
Financial																
Uncollateralized overnight call rate	0.5	0.5	0.5	0.6	0.7	0.7	1.0	1.0	1.0	1.2	1.2	1.2	1.2	0.7	1.0	1.2
Euro-Yen TIBOR (3-month rate)	0.5	0.5	0.5	0.6	0.7	0.8	1.0	1.0	1.1	1.2	1.2	1.2	1.3	0.6	1.0	1.2
Newly Issued 10-Year Government Bonds Yield	1.3	1.4	1.6	1.8	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5	2.6	1.7	2.3	2.5
Exchange Rate (USD/JPY)	153	145	147	154	156	155	154	154	153	152	152	151	150	150	154	151

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2025	2026f	2027f	2025	2026f	2027f
Euro Area	1.5	1.2	1.4	2.1	1.8	1.9
Germany	0.2	1.0	1.5	2.3	2.0	2.0
France	0.8	1.0	1.0	0.9	1.1	1.7
Italy	0.7	0.9	0.8	1.6	1.3	1.8
United Kingdom	1.3	1.0	1.4	3.4	2.4	2.0

	Euro Area (YoY, %)			UK (YoY, %)		
	2025	2026f	2027f	2025	2026f	2027f
Nominal GDP	3.8	3.1	3.4	5.1	3.7	3.7
Real GDP	1.5	1.2	1.4	1.3	1.0	1.4
Domestic demand (contribution)	2.0	1.4	1.3	2.2	1.4	1.5
Foreign demand (contribution)	- 0.5	- 0.2	0.1	- 0.9	- 0.4	- 0.1
Private consumption	1.3	1.0	1.3	1.1	1.0	1.5
Government consumption	1.8	1.7	1.2	1.7	1.8	1.4
Gross fixed capital formation	2.7	1.8	2.2	3.4	1.5	1.9
Inventory investment (contribution)	0.5	0.2	0.0	- 0.1	- 0.3	0.0
Exports	2.1	1.4	1.7	1.6	0.8	1.4
Imports	3.7	2.0	1.6	4.2	1.8	1.6

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