MUFG Bank Economic Research Office

Global Economic Outlook Q3 2024

September 5, 2024

(Original Japanese version released August 30, 2024)

Global summary

The moderate global expansion to continue with the US economy set for a slowdown rather than recession

- **The US economy is set to slow over coming months as consumer conditions weaken, but we continue to expect a ‘soft landing’ scenario. With inflation now approaching the 2% target, the Fed is set to begin its rate cutting cycle this month to avoid further cooling in the labor market. This proactive stance is likely to boost confidence and support economic activity, resulting in a labor market that continues to normalise rather than cool significantly. We see US growth slowing from 2.6% in 2024 to 1.9% in 2025 (i.e. a slowdown rather than a recession).**

- **The outlook remains relatively challenging in China. We expect slightly softer growth this year and next with concerns around the real estate sector still causing underlying weakness in domestic demand, despite bolstered policy support.**

- **Elsewhere, better household real income conditions are set to support a moderate recovery in both Japan and Europe (although the outlook is notably less favorable in Germany). We also expect stronger expansions in many emerging economies. All told, the net effect is set to be steady global growth ahead (3.2% in 2024 and 3.3% in 2025).**

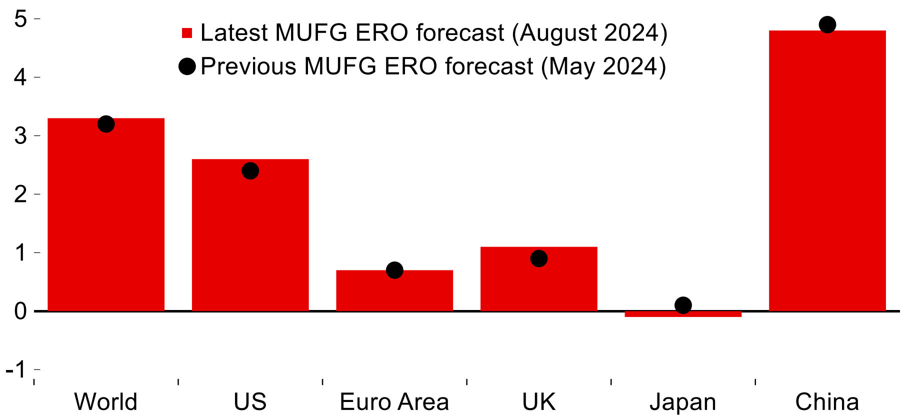
- **While our base scenario is for a steady global expansion, we judge that risks are tilted to the downside. Increased market volatility is likely as the US economy slows and investors weigh up the risks of recession. There is also uncertainty around the presidential election and possibility of tariffs weighing on global trade (our base case is mostly a continuation of the status quo regarding US domestic and foreign policy). Geopolitical risks stemming from the situation in both the Middle East and Ukraine will also remain in focus.**

Key changes to our outlook

Weaker outlook for China and Germany offset by better US growth in 2024

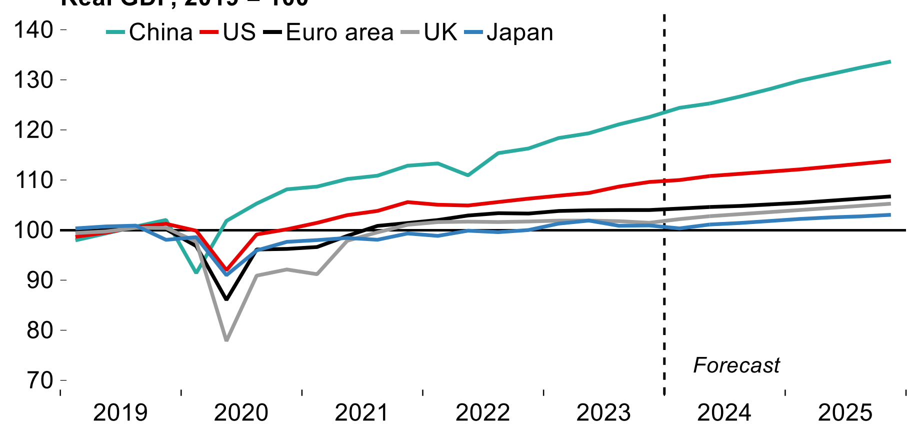
- There have been no significant shocks since May and our forecasts remain broadly similar to those in our previous quarterly outlook. We are tracking global GDP growth at 3.2% this year and 3.3% in 2025.
- We expect slightly higher US growth (2.6% in 2024 vs 2.4% previously). US domestic demand has remained firm in H1 and the Fed looks set to be more proactive with rate cuts, which supports the chances of a soft landing for the economy.
- Our calendar year annual growth forecast for Japan was lowered slightly (0.1% to -0.1%) after a downward revision to the initial estimate of Q1 GDP. However, we have raised our 2025 number from 1.2% to 1.4% as both consumer and investment conditions continue to improve.
- We have revised our China growth figures slightly lower as the real estate slump continues to weigh on demand, slowing the recovery.
- In Europe, we have upgraded our UK growth numbers after a strong start to the year. Our overall euro area outlook remains unchanged but this disguises some regional variation with a notably weaker outlook for Germany offset by ongoing resilience in activity elsewhere.

Real GDP 2024 forecast, % Y/Y



Source: MUFG Bank Economic Research Office

Real GDP, 2019 = 100



Source: Macrobond, MUFG Bank Economic Research Office

Monetary policy outlook

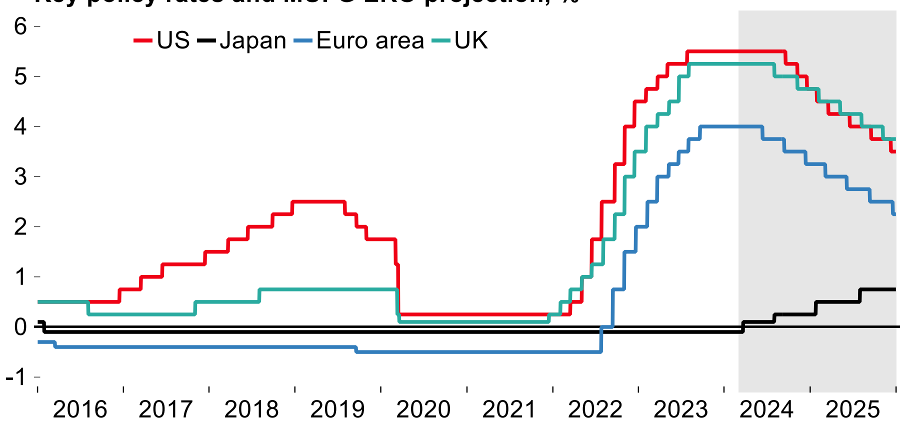
The Fed wants to be proactive – other central banks seem more cautious

- After the Fed indicated that it intends to begin its easing cycle this month, we expect a proactive approach with further cuts at every meeting until March. We then expect that policymakers will ease off the brakes and move to a quarterly schedule as nominal rates move closer to a neutral setting.

- The ECB and BoE have cut rates before the Fed but both are likely to be in less of a rush to unwind restrictiveness given lingering signs of persistence in underlying inflationary pressures. A flexible, data-dependent approach with limited guidance over future moves is likely to remain the broad approach. We expect a gradual pace of easing with further cuts coming at a quarterly pace.

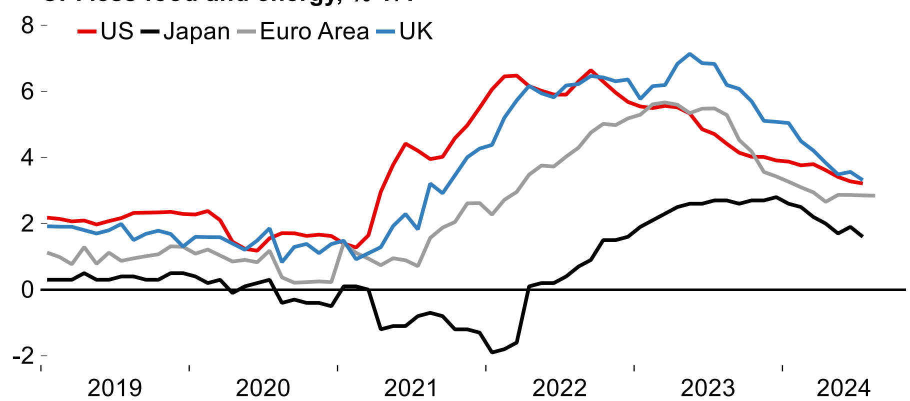
- The BoJ moved rates out of negative territory in March and then hiked again in July to 0.25%. This came after the outcome of the spring wage negotiations which had made it more likely that the 2% inflation target will be met sustainably. In 2025 we expect two further hikes, in January and July, which would take nominal rates towards the lower end of the 'neutral' range (~1%).

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

MUFG Bank GDP & Inflation projections

Steady global growth and an ongoing normalization of inflation

	GDP (% Y/Y)		
	2023	2024f	2025f
World	3.4	3.2	3.3
US	2.5	2.6	1.9
Euro area	0.4	0.7	1.3
Germany	-0.2	0.0	0.9
France	0.9	1.1	1.3
Italy	0.9	0.9	1.0
UK	0.1	1.1	1.6
Japan (FY)	0.8	0.6	1.2
China	5.2	4.8	4.5
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.4
Malaysia	3.7	4.4	4.3
Philippines	5.5	5.9	6.1
Vietnam	5.1	6.1	6.5

	CPI (% Y/Y)		
	2023	2024f	2025f
World	3.6	2.5	2.4
US	4.1	3.1	2.4
Euro area	5.5	2.5	2.1
Germany	6.1	2.5	2.1
France	5.7	2.6	2.1
Italy	6.0	1.3	1.8
UK	7.3	2.6	2.3
Japan (FY)	2.8	2.5	2.0
China	0.2	0.5	1.5
ASEAN 5	3.4	2.6	2.8
Indonesia	3.7	2.8	3.0
Thailand	1.2	0.7	1.6
Malaysia	2.5	2.2	2.4
Philippines	6.0	3.5	3.3
Vietnam	3.3	3.6	3.2

United States

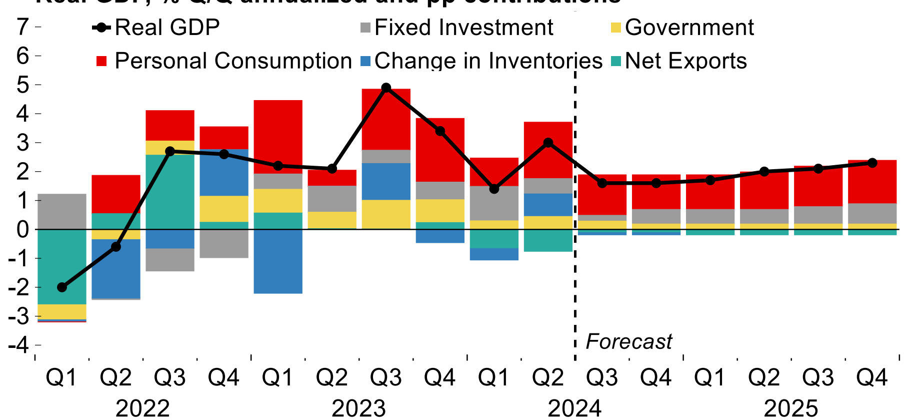
Easing inflation and a cooling labor market will trigger Fed rate cuts

- Real GDP growth accelerated in Q2 2024, expanding at an annual rate of 3.0% (second estimate), up from 1.4% in Q1. Private domestic demand remained strong with an acceleration in goods consumption and continued services spending, along with growth in nonresidential fixed investment. In the labor market, conditions have loosened over the past 6 months with vacancy rates having fallen to near pre-pandemic levels. Combined with increased immigration levels and growth in labor force participation, the gap between labor supply and demand has narrowed considerably, signaling less upward wage, and subsequent inflationary pressures. Risks of accelerating price growth remain low, with the core PCE Price Index consistent with the Fed's 2% target on a 1-month and 3-month growth basis.

- Looking ahead, rising delinquency rates and a cooling labor market are expected to weigh on consumer spending growth in H2 2024, but elevated household net worth will likely keep savings rates low and consumption growth in positive territory. New and re-entrants to the labor force will continue to drive the unemployment rate up toward its natural rate, and private sector layoffs are expected to gradually rise over the next few quarters as the labor market normalizes to pre-pandemic levels and rates. The Fed is expected to take a proactive approach to monetary policy and begin cutting rates in Q3 to prevent further cooling in the labor market and entrenched job losses.

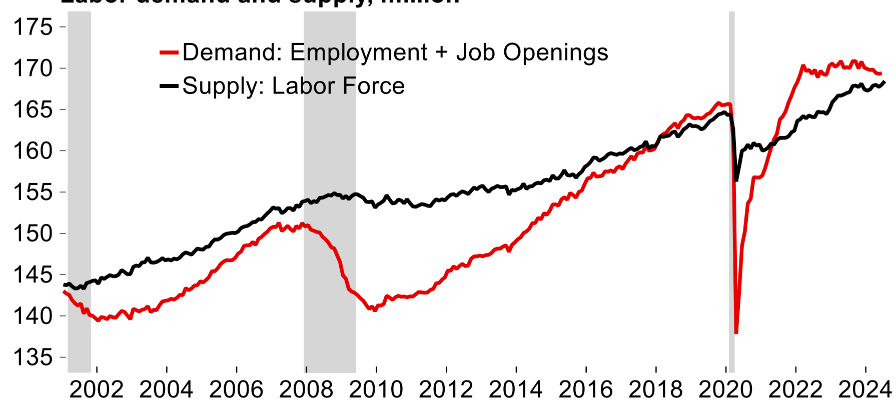
- The US is expected to avoid a major downturn, supported by resilient consumer spending and Fed rate cuts. Real GDP is forecasted to grow by 2.6% in 2024 and 1.9% in 2025, but there is a high degree of policy uncertainty on taxes, trade, and immigration from the presidential election.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, MUFG Bank Economic Research Office

Labor demand and supply, million



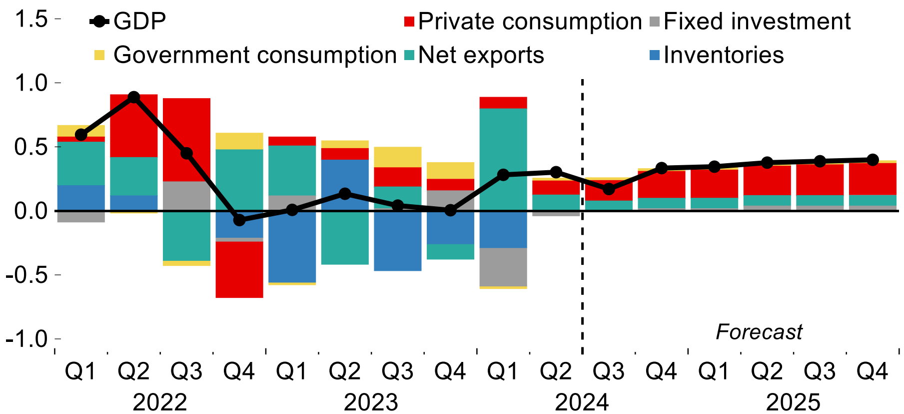
Note: Shaded areas reflect recession periods
Source: BLS, MUFG Bank Economic Research Office

Euro area

The German economy continues to act as a brake on euro area activity

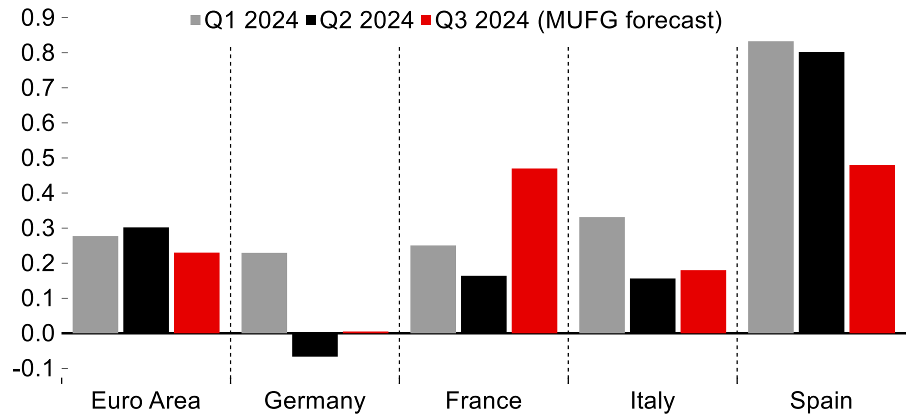
- The euro area economy expanded by 0.3% Q/Q in both Q1 and Q2 this year. That represents a steady expansion after a period of stagnation and means that our forecast for 0.7% annual average growth, which we've held since late 2023, remains unchanged.
- On a national level, the German economy is on course for another year of stagnation after a small contraction in Q2 and ongoing weakness in survey data. Longer-term structural issues (which include increased competition for auto exports, relatively higher energy costs and a lack of skilled workers) continue to weigh on German industry. Uncertainty related to both the war in Ukraine and the risk of higher US tariffs is another headwind. Meanwhile, the French economy is likely to have been boosted by the Olympic games in Q3 (with a probable reversal in Q4) but the underlying picture remains one of a moderate recovery, despite persistent political uncertainty.
- For the euro area as a whole we continue to expect that improving consumer dynamics will support better activity ahead. Real wages continue to recover as inflation normalizes and there is scope for savings ratios to fall lower. Gradual ECB easing (we expect two more cuts this year) is set to provide another tailwind to activity. However, the long-term structural issues weighing on German industry will remain which leaves it likely to be a middling recovery rather than a rapid rebound. We look for growth of 1.3% next year, which would be around potential.

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



Source: Eurostat, MUFG Bank Economic Research Office

Real GDP, % Q/Q



Source: National statistics agencies, MUFG Bank Economic Research Office

United Kingdom

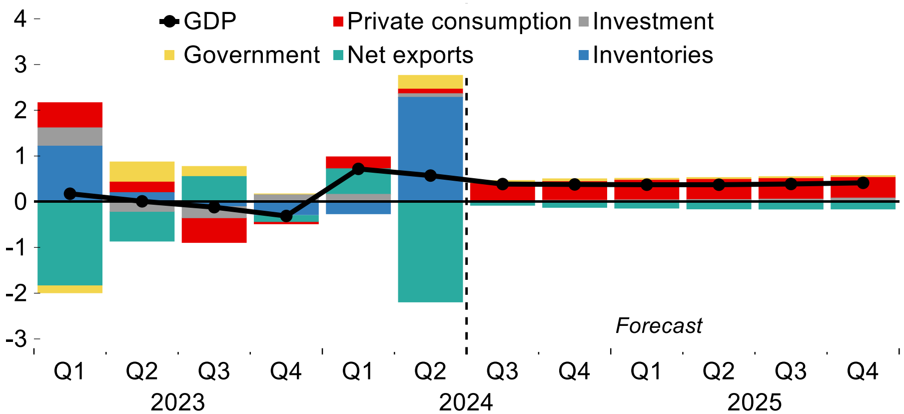
Slower growth ahead but narrative of outperformance set to remain

- UK growth came in at 0.6% Q/Q in Q2 following a 0.7% expansion in Q1 as the economy continues to outperform its European peers. We do expect a slight deceleration back towards trend in H2 as the boost from one-off factors (e.g. the decrease in public sector strike action) fades. However, consumer spending is set to provide support as real incomes continue to recover against a fairly firm labor market backdrop. We also expect support from better investment figures following the increase in political stability after July's general election.

- Overall we are fairly upbeat on the UK outlook and expect growth of 1.1% this year and 1.6% next year - but there are some risks. The government has flagged the prospect of "painful" tax rises in the upcoming autumn budget (30 October) which may weigh on activity and confidence. While not our base case, the UK services sector (0.8% Q/Q in Q2) would be also vulnerable to a significant slowdown in the US.

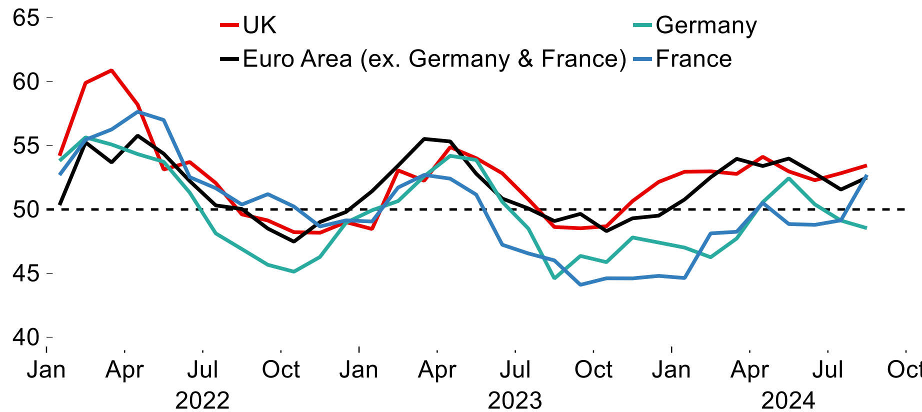
- On monetary policy, the BoE has now started the ball rolling on rate cuts but the strong growth performance in H1 and ongoing evidence of persistence in some underlying inflation components will give policymakers pause for thought. In the absence of a crisis, we expect a gradual easing cycle, with the second cut coming in November and then at around a quarterly pace.

UK GDP, % Q/Q and pp contributions



Source: ONS, MUFG Bank Economic Research Office

Composite PMI, above 50 indicates expansion



Source: S&P Global, MUFG Bank Economic Research Office

Japan

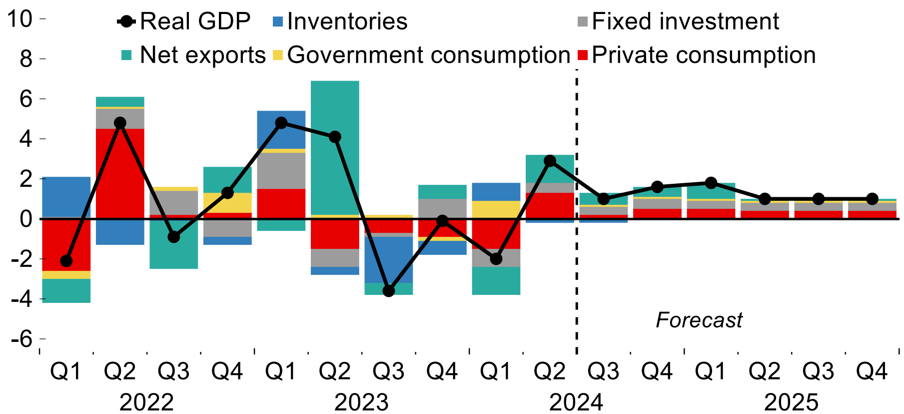
The economic recovery is set to continue as real wages gradually improve and capital investment grows

- Real GDP growth in Japan returned to positive territory in Q2 2024, following a contraction in Q1. Downward pressure on economic activity from production suspensions in the automotive industry are no longer present, and high increases from the spring wage negotiations are gradually being reflected in official data. Real wages are set to gradually improve, and with companies taking a proactive stance toward capital investment, we expect the economic recovery to continue. Real GDP is forecasted to grow by 0.6% in FY 2024, and by 1.2% in FY 2025.

- With growth in the labor supply remaining sluggish, due in part to workstyle reforms, labor shortages are expected to further intensify. The broadening imbalance between supply and demand will likely support resilient wage growth, and as a result, inflation is expected to hover around 2% in FY 2025.

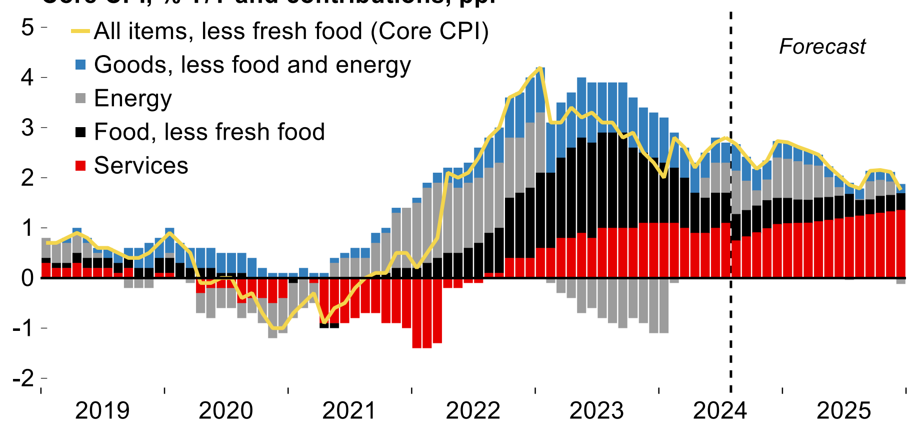
- In July, the BoJ raised interest rates to 0.25% and decided to gradually reduce purchases of long-term government bonds. We expect the BoJ to raise rates one more time this fiscal year and twice in FY 2025, normalizing toward the estimated nominal neutral rate of at or slightly above 1.0%. Although the reduction in the balance of government bond holdings will push up long-term interest rates in the future, we do not expect the impact to be significant.

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

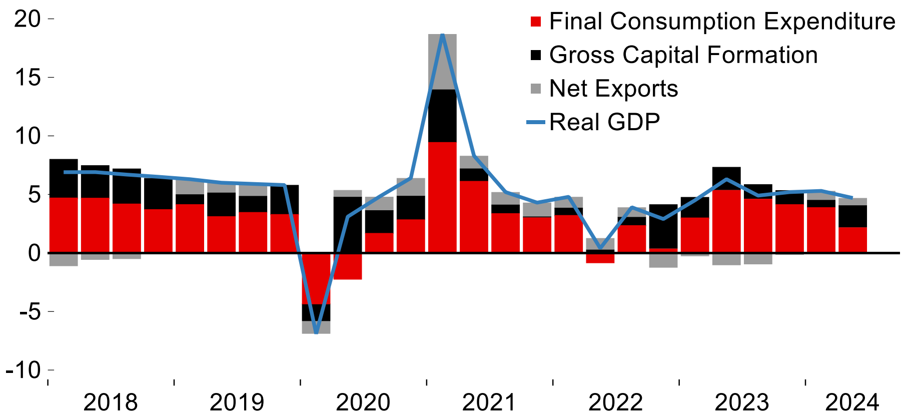
Growth to slow slightly as real estate worries continue to weigh on activity

- The Chinese economy expanded by 4.7% Y/Y in Q2, decelerating from the previous quarter (5.3%). The GDP deflator has now been in negative territory for five consecutive quarters pointing to underlying weakness in domestic demand and there was a pronounced slowdown in consumption in Q2 (partly offset by better investment growth). The economy continues to be supported by a range of government measures which means that companies remain cautious around the outlook. A self-sustainable recovery (i.e. with less government support) does not yet look feasible and ongoing weakness in employment conditions is weighing on household confidence.

- The housing market is showing no clear signs of bottoming out despite government support measures, which were bolstered in May. We expect that the sector will remain sluggish this year and next. As a result, lower real estate investment is set to continue to drag on the overall economy, although is to be offset to some extent by better capital expenditure related to infrastructure and manufacturing. On the latter, some improvement in global demand has supported Chinese exports, but there are clear risks around the possibility of an escalating tariff battle following the US presidential election which is set to drag on sentiment.

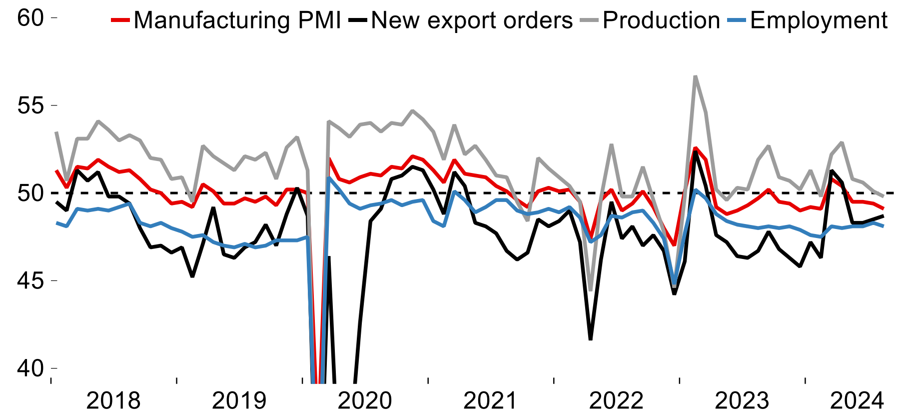
- All told, we expect Chinese annual average GDP growth will slow slightly from 5.2% last year to 4.8% in 2024 and 4.5% in 2025.

% Y/Y and contributions, pp.



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

China manufacturing PMI, above 50 indicates expansion



Source: China Federation of Logistics & Purchasing, MUFG Bank Economic Research Office

ASEAN economies

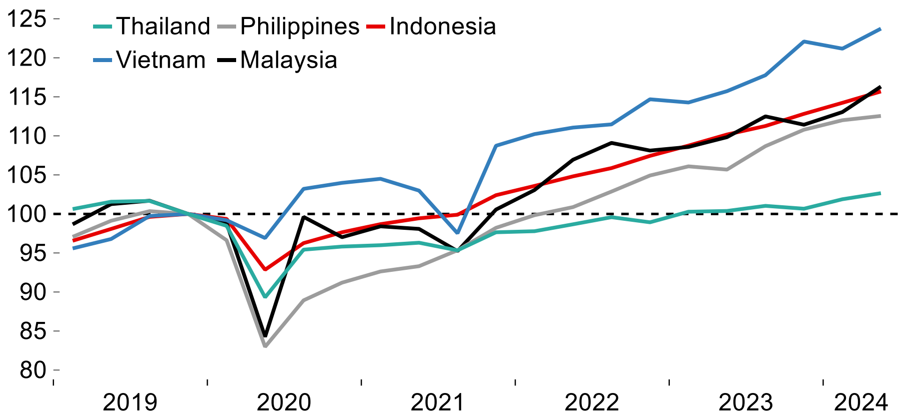
A rise in exports and improved private consumption to support firm growth in ASEAN economies

- The five major ASEAN economies (Indonesia, Thailand, Malaysia, Philippines and Vietnam) all expanded in the second quarter of 2024. Despite some weakness in durable goods expenditure, private consumption remained firm for the most part with support from government policies. Exports rebounded from a downturn last year and returned to positive territory in most economies and the number of tourists to the region continued to pick up, albeit at a slower pace.

- Looking ahead, we expect goods exports to continue to rise, supported by increased demand for semiconductors. While it is likely Chinese tourist numbers will take time to recover due to weakness of the Chinese economy, we foresee an improvement in service exports as governments ease visa restrictions.

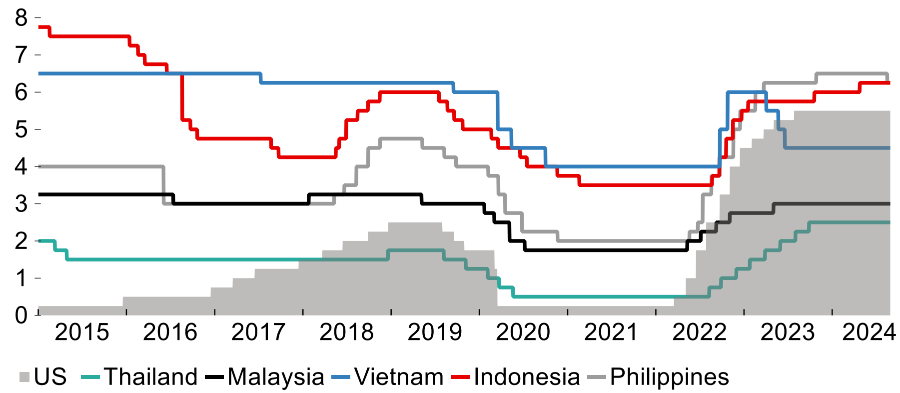
- In economies where high interest rates and stringent credit standards have had a greater impact due to a higher rate of household debt, such as Thailand, we forecast a slower recovery of durable goods consumption. However, we expect private consumption will be underpinned by minimum wage rises and rate cuts by central banks as inflation rates fall. All told, we forecast real GDP for the five economies as a whole to expand by a healthy 4.8% YoY this year and 5.0% YoY in 2025.

Real GDP, SA, Q4 2019 = 100



Source: National sources, MUFG Bank Economic Research Office

Central bank benchmark policy rates, %



Note: US is the upper bound for the Federal Funds Target Rate
Source: Macrobond, MUFG Bank Economic Research Office

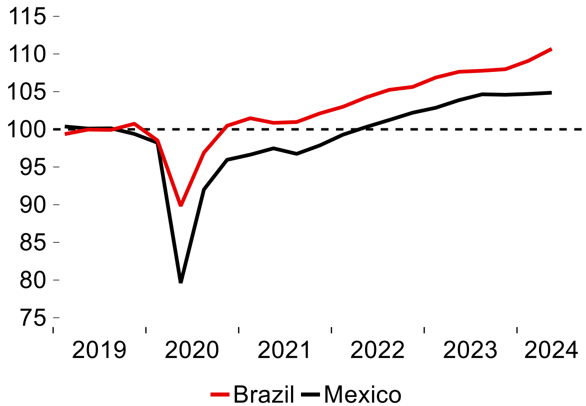
Latin America

Growth continues to recover in both Brazil and Mexico

- The Brazilian economy expanded, with real GDP growing by 1.4% Q/Q in Q2, up from 1.0% Q/Q in Q1. Private consumption remained strong as labor market conditions continue to improve with the unemployment rate falling to 6.9% in June (the lowest level in about nine years) and real income growth accelerating to 6.1% from a year ago. Growth in fixed capital formation remained positive and government spending accelerated, helping to push up overall growth in the second quarter. With peak inflation having passed, the central bank has been consistently cutting interest rates since August of last year, but rates have held steady at 10.5% since June on fears of a resurgence in price growth and a weaker real. As the effects of easing monetary policy gradually materialize, moderate economic growth is expected to continue. Real GDP is forecasted to grow by 2.2% in 2024 and 2.0% in 2025.

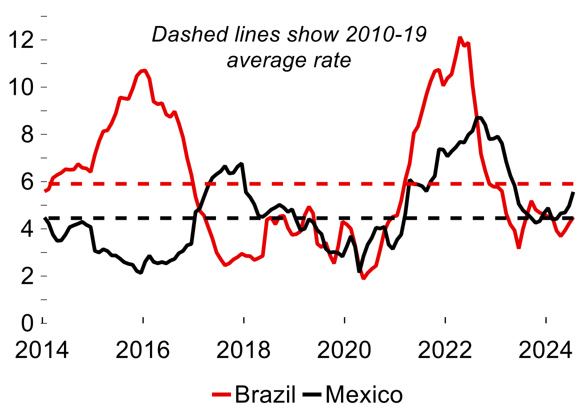
- Real GDP in Mexico accelerated slightly in Q2, growing by 0.2% Q/Q in Q2, compared to 0.1% Q/Q in Q1. Strong consumer spending, supported by a favorable labor market, and increased fixed capital formation from near-shoring investments helped to boost growth. However, exports and production have weakened with automotive demand slowing in the US, and business sentiment has deteriorated. Annual growth in inflation slowed to 4.6% in Q1 but picked up in June from higher food and energy prices. Core inflation slowed to 4.1% due in part to the effects of monetary tightening. Looking ahead, production adjustments in the US manufacturing sector and the impact of high interest rates will likely weigh on the economy, but moderate growth is expected to be maintained from continued near-shoring investments and government-led wage growth. Real GDP is forecasted to grow by 1.8% in 2024 and 2.2% in 2025.

Real GDP, 2019 = 100



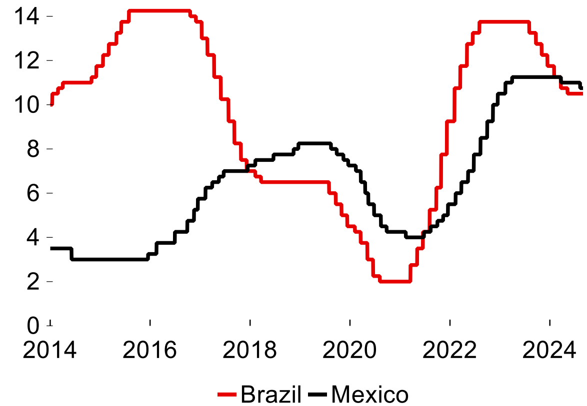
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %



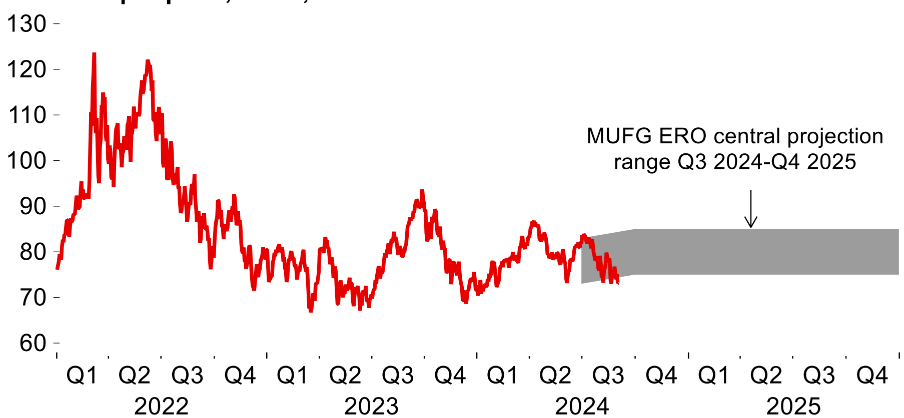
Source: Macrobond, MUFG Bank Economic Research Office

Oil prices

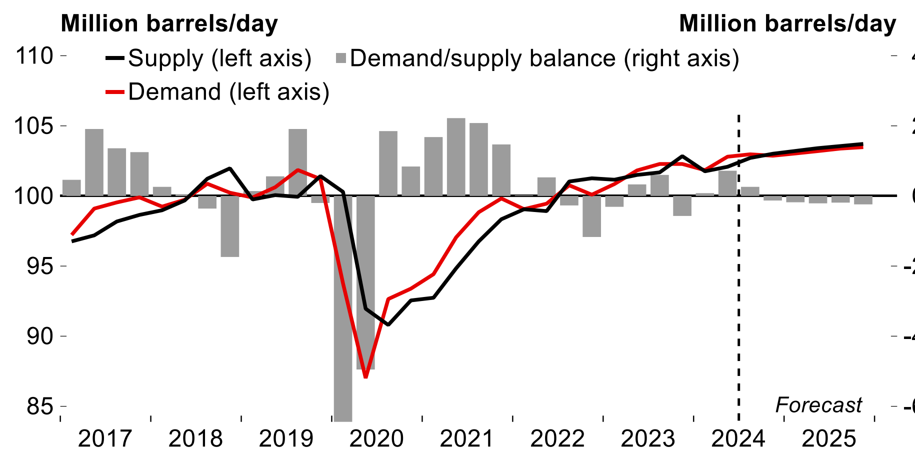
Oil prices set to remain broadly stable with gradual supply expansion matched by increasing demand

- Oil prices rose above USD 80/bbl in June on the back of a deal by OPEC+ to extend output cuts to December 2025. However, concerns of downward pressure on oil demand from an economic slowdown in China and the US led WTI spot prices to fall. There was a rebound to around USD 75/bbl as concerns about the US outlook eased and geopolitical risks in the Middle East rose.
- We expect the lagged effects of monetary tightening will continue to weigh on growth of the global economy and oil demand this year. However, further ahead, stronger growth in emerging economies along with interest rate cuts by central banks in the US and Europe are set to result in a moderate rise in oil demand into 2025. On the supply side, OPEC+ production cuts, particularly by Saudi Arabia, have underpinned prices. However, we expect the global oil supply to continue to rise owing to an expansion of output in Latin America and the US on the back of increased investment in oil.
- We forecast oil supply will gradually increase in line with the rise in demand for the most part and prices will remain around the current level (USD 80/bbl) in our base scenario. There is still a risk of escalation of the war in Gaza, however, which could put upward pressure on prices due to supply disruptions. On the other hand, a stronger-than-expected slowdown in global growth, especially China and/or the US, would likely put a dampener on demand and lead to a fall in oil prices.

WTI spot price, close, USD/barrel



Source: Macrobond, MUFG Bank Economic Research Office



Source: EIA, EI, MUFG Bank Economic Research Office

Appendix - Forecast tables

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)		
	2023	2024f	2025f
World	3.4	3.2	3.3
Advanced economies	1.5	1.6	1.7
Emerging economies	5.2	4.9	4.8
US	2.5	2.6	1.9
Japan (FY)	0.8	0.6	1.2
Euro area	0.4	0.7	1.3
Germany	-0.2	0.0	0.9
France	0.9	1.1	1.3
Italy	0.9	0.9	1.0
UK	0.1	1.1	1.6
Asia (11 economies)	5.3	5.1	4.9
China	5.2	4.8	4.5
India (FY)	8.2	6.8	6.6
Advanced Asian Economies	1.5	2.8	2.4
South Korea	1.4	2.5	2.1
Taiwan	1.3	3.6	2.5
Hong Kong SAR	3.2	2.9	2.8
Singapore	1.1	2.5	2.8
ASEAN 5	4.4	4.8	5.0
Indonesia	5.0	5.0	5.0
Thailand	1.9	2.6	3.4
Malaysia	3.7	4.4	4.3
Philippines	5.5	5.9	6.1
Vietnam	5.1	6.1	6.5
Australia	2.1	1.3	2.3
Latin America (5 economies)	2.5	2.0	2.3
Brazil	2.9	2.2	2.0
Mexico	3.2	1.8	2.2

	CPI (% Y/Y)		
	2023	2024f	2025f
World	3.6	2.5	2.4
Advanced economies	4.6	2.8	2.3
Emerging economies	2.6	2.2	2.6
US	4.1	3.1	2.4
Japan (FY)	2.8	2.5	2.0
Euro area	5.5	2.5	2.1
Germany	6.1	2.5	2.1
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Italy	6.0	1.3	1.8
UK	7.3	2.6	2.3
Asia (11 economies)	2.2	1.9	2.4
China	0.2	0.5	1.5
India (FY)	5.4	4.6	4.5
Advanced Asian Economies	3.3	2.4	1.9
South Korea	3.6	2.6	2.1
Taiwan	2.5	2.1	1.6
Hong Kong SAR	2.1	2.1	2.2
Singapore	4.8	2.7	1.9
ASEAN 5	3.4	2.6	2.8
Indonesia	3.7	2.8	3.0
Thailand	1.2	0.7	1.6
Malaysia	2.5	2.2	2.4
Philippines	6.0	3.5	3.3
Vietnam	3.3	3.6	3.2
Australia	5.6	3.5	2.9
Latin America (5 economies)	5.8	4.3	3.7
Brazil	4.6	4.1	3.8
Mexico	5.5	4.5	4.0

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

United States – Detailed forecasts

	2023				2024				2025				2023	2024f	2025f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	2.2	2.1	4.9	3.4	1.4	3.0	1.6	1.6	1.7	2.0	2.1	2.3	2.5	2.6	1.9
Personal Consumption Expenditures	3.8	0.8	3.1	3.3	1.5	2.9	2.0	1.7	1.8	1.9	2.0	2.2	2.2	2.3	1.9
Fixed Investment (Residential)	-5.3	-2.2	6.7	2.8	16.0	-2.0	-2.5	4.5	2.6	4.2	4.8	5.2	-10.6	4.6	2.7
Fixed Investment (Nonresidential)	5.7	7.4	1.4	3.7	4.4	4.6	2.2	2.4	2.6	2.7	3.0	3.2	4.5	3.7	2.7
Changes in Private Inventories (Contribution)	-2.2	0.0	1.3	-0.5	-0.3	0.8	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.3	0.1	0.0
Government Expenditures	4.8	3.3	5.8	4.6	1.8	2.7	1.6	1.4	1.5	1.5	1.5	1.5	4.1	3.0	1.5
Net Exports (Contribution)	0.6	0.0	0.0	0.3	-0.7	-0.8	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	0.6	-0.3	-0.2
Exports	6.8	-9.3	5.4	5.1	1.6	1.6	1.6	1.6	2.0	2.4	2.6	2.8	2.6	2.0	2.0
Imports	1.3	-7.6	4.2	2.2	6.1	7.0	2.0	2.0	2.6	2.8	3.0	3.2	-1.7	3.6	2.8
Final sales to private domestic purchasers	3.6	1.7	3.0	3.3	2.6	2.9	1.7	1.8	1.9	2.2	2.3	2.5	1.9	3.0	2.4
Nominal GDP (QoQ annualized, %)	6.3	3.8	8.3	5.1	4.5	5.5	4.0	3.9	3.9	4.1	4.2	4.3	6.3	5.1	4.1
Industrial Production (QoQ annualized, %)	0.0	0.3	1.2	-1.8	-1.8	3.4	-0.3	1.0	1.2	1.4	1.7	1.8	0.2	0.4	1.9
Unemployment Rate (%)	3.5	3.6	3.7	3.8	3.8	4.0	4.2	4.3	4.4	4.3	4.3	4.3	3.7	4.1	4.3
Producer Price Index (YoY, %)	4.4	1.2	1.6	1.0	1.6	2.5	2.0	2.5	2.2	1.8	1.8	1.8	2.0	2.1	1.9
Consumer Price Index (YoY, %)	5.8	4.0	3.5	3.2	3.2	3.2	2.9	2.9	2.5	2.4	2.4	2.3	4.1	3.1	2.4
Balance of Payments															
Trade Balance, Goods (USD billions)	-2,669	-2,740	-2,578	-2,646	-2,777	-2,965	-2,980	-2,995	-3,016	-3,035	-3,056	-3,078	-10,633	-11,717	-12,184
Current Account (USD billions)	-2,303	-2,326	-2,207	-2,218	-2,376	-2,355	-2,360	-2,365	-2,376	-2,385	-2,396	-2,408	-9,054	-9,456	-9,564
Financial Indicators															
Federal Funds Rate (upper limit, %)	5.00	5.25	5.50	5.50	5.50	5.50	5.25	4.75	4.25	4.00	3.75	3.50	5.50	4.75	3.50
3-Month Eurodollar Libor Rate (%)	4.8	5.1	5.4	5.3	5.3	5.2	5.1	4.7	4.2	4.0	3.6	3.3	5.2	5.1	3.7
10-Year Treasury Yield (%)	3.6	3.6	4.1	4.4	4.1	4.4	4.0	3.9	3.8	3.8	3.7	3.6	4.0	4.1	3.7

Japan – Detailed forecasts

	2023				2024				2025				2026	FY2023	FY2024f	FY2025f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	5.2	2.4	-4.0	0.3	-2.3	3.1	1.0	1.6	1.8	1.0	1.0	1.0	1.0	0.8	0.6	1.2
Private Consumption	3.0	-3.1	-1.1	-1.2	-2.2	4.0	0.4	1.0	1.0	0.7	0.7	0.7	0.7	- 0.6	0.6	0.8
Housing Investment	3.6	5.6	-4.8	-4.2	-10.1	6.7	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	0.3	- 2.1	- 2.2
Private Business Fixed Investment	9.7	-8.1	-0.6	8.6	-1.8	3.6	2.6	3.1	2.5	2.5	2.5	2.5	2.5	0.3	2.6	2.6
Business Inventory (Contribution)	0.4	-0.1	-0.5	-0.1	0.3	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	- 0.2	- 0.1	- 0.0
Government Expenditures	1.7	-3.5	0.5	-1.7	0.2	3.7	0.4	0.5	0.5	0.5	0.5	0.5	0.5	- 0.3	0.9	0.5
Public Investment	10.6	3.9	-7.3	-6.5	-4.3	19.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.7	2.4	0.3
Net Exports (Contribution)	0.0	1.7	-0.3	0.2	-0.5	-0.1	0.6	0.5	0.8	0.1	0.1	0.1	0.1	1.4	- 0.1	0.3
Exports	-8.3	13.5	0.4	12.6	-17.2	5.9	3.9	5.0	6.3	2.8	2.8	2.8	2.8	2.8	1.1	3.7
Imports	-6.5	-15.3	5.2	8.3	-9.6	7.1	0.9	2.3	2.4	2.3	2.3	2.3	2.3	- 3.2	1.7	2.2
Nominal GDP	9.8	8.2	-0.3	2.8	-1.0	7.4	1.8	3.3	3.3	2.3	2.3	2.3	2.3	4.9	2.9	2.6
GDP Deflator (YoY)	2.3	3.7	5.2	3.9	3.4	3.0	2.2	1.9	2.0	1.3	1.5	1.4	1.4	4.0	2.3	1.4
Industrial Production Index (QoQ)	-1.7	1.3	-1.4	1.1	-5.2	2.9	0.7	0.8	0.9	0.5	0.5	0.5	0.5	- 2.0	0.2	2.6
Domestic Corporate Goods Price Index (YoY)	8.4	5.0	3.0	0.6	0.6	2.2	2.5	1.2	0.4	-0.1	-0.2	-0.3	-0.5	2.3	1.6	- 0.3
Consumer Price Index (excl. fresh food, YoY)	3.5	3.2	3.0	2.5	2.5	2.5	2.6	2.4	2.6	2.2	1.9	2.0	1.7	2.8	2.5	2.0
Balance of Payments																
Trade Balance (JPY billions)	-3,542	-1,117	-657	-1,144	-1,300	-1,330	-1,260	-1,265	-1,157	-1,172	-1,232	-1,287	-1,274	-4,218	-5,013	-4,965
Current Balance (JPY billions)	2,785	5,861	6,106	6,631	5,790	6,707	6,747	6,722	6,860	6,874	6,843	6,817	6,859	24,388	27,035	27,394
Financial																
Uncollateralized overnight call rate	- 0.0	- 0.1	- 0.1	- 0.0	0.0	0.1	0.2	0.2	0.5	0.5	0.7	0.7	1.0	0.0	0.5	1.0
Euro-Yen TIBOR (3-month rate)	- 0.0	- 0.0	- 0.1	- 0.0	0.0	0.1	0.2	0.3	0.5	0.5	0.7	0.8	1.0	- 0.0	0.3	0.8
Newly Issued 10-Year Government Bonds Yield	0.4	0.4	0.6	0.8	0.7	0.9	1.0	1.0	1.2	1.3	1.5	1.6	1.7	0.6	1.0	1.5
Exchange Rate (USD/JPY)	132	138	145	148	148	156	150	145	143	140	138	136	134	145	148	137

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Euro Area	0.4	0.7	1.3	5.5	2.5	2.1
Germany	- 0.2	0.0	0.9	6.1	2.5	2.1
France	0.9	1.1	1.3	5.7	2.6	2.1
Italy	0.9	0.9	1.0	6.0	1.3	1.8
United Kingdom	0.1	1.1	1.6	7.3	2.6	2.3

	Euro Area (YoY, %)			UK (YoY, %)		
	2023	2024f	2025f	2023	2024f	2025f
Nominal GDP	6.5	3.7	3.2	7.2	3.8	3.7
Real GDP	0.4	0.7	1.3	0.1	1.1	1.6
Domestic demand (contribution)	0.2	- 0.1	1.0	- 0.2	2.3	2.7
Foreign demand (contribution)	0.2	0.8	0.3	0.3	- 1.2	- 1.1
Private consumption	0.7	0.9	1.6	0.3	0.6	2.7
Government consumption	1.0	1.0	0.4	0.5	2.4	1.2
Gross fixed capital formation	1.2	- 0.9	0.4	2.2	0.9	1.0
Inventory investment (contribution)	- 0.3	- 1.6	0.0	- 0.9	0.1	0.3
Exports	- 0.4	1.6	2.4	- 0.5	- 0.8	1.7
Imports	- 1.1	- 0.0	2.0	- 1.5	2.8	4.9

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