

Capital Markets Strategy

Essential inCights for the C-Suite



VOLUME 2

The Global Economy in 2024

10 Key Themes for the Year ahead

JAN 2024



"We can see the computer age everywhere
but in the productivity statistics."

"If God had meant there to be more than two factors
of production [capital & labor], he would have made it
easier for us to draw three-dimensional diagrams."

"We have fluctuations all the time, business cycles, and
they come about in various ways, but normally what sets
them off is some reduction in the willingness of our
population, our businesses, and foreigners to buy."

***Robert M. Solow, US Economist,
MIT Professor & Nobel Laureate (1924 - 2023)***

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce

Managing Director
Capital Markets Strategist
New York, NY

Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr

Managing Director
Capital Markets Strategist
New York, NY

Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal

Vice President
Capital Markets Strategist
New York, NY

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun

Analyst
Capital Markets Strategist
New York, NY

Angela.Sun@mufgsecurities.com
(212) 405-6952

AUTHORS

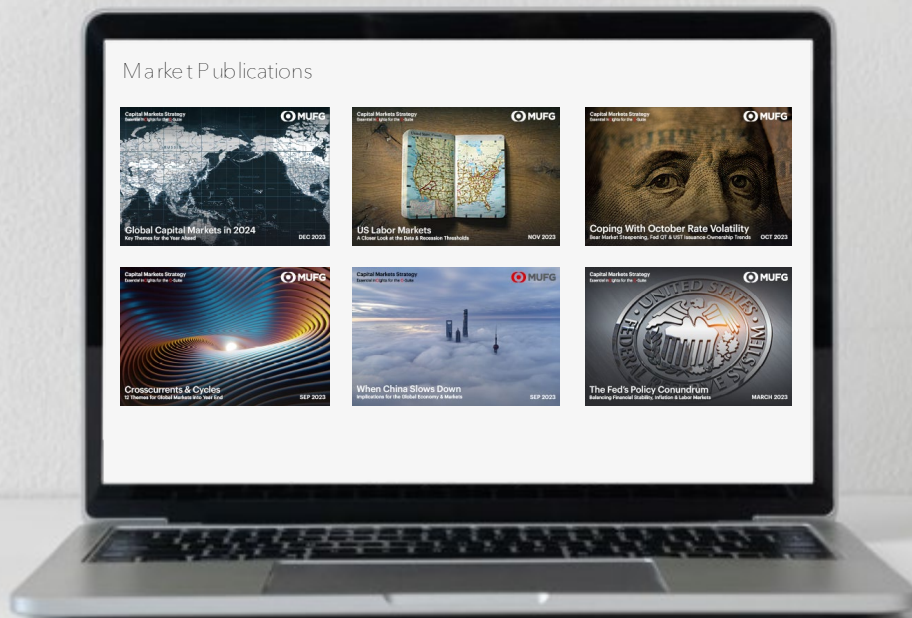


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2024 Global Economic Forecasts

The global economy is expected to grow at just 2.1% in 2024, well below its 3.5% long term average. Notably, not a single G7 economy is projected to grow above 1.5% in the year ahead. Risks to consensus growth forecasts are skewed to the downside.

GDP growth forecasts, y/y

Region / country	2023E	2024E	
North America			
 Mexico	3.3%	1.9%	↓
 US	2.4%	1.2%	↓
 Canada	0.9%	(-0.6%)	↓
Eurozone			
 Eurozone	0.5%	0.6%	
Ireland	(-2.1%)	1.8%	↑
Spain	2.4%	1.3%	↓
Netherlands	0.1%	0.8%	↑
France	0.8%	0.6%	↓
Finland	(-0.4%)	0.6%	↑
Italy	0.7%	0.5%	↓
Germany	(-0.2%)	(-0.1%)	↑
Other Europe			
Poland	0.7%	2.8%	↑
 Russia	3.0%	2.3%	↓
Denmark	1.1%	1.8%	↑
Switzerland	0.7%	1.2%	↑
Turkey	4.0%	1.0%	↓
Czech Republic	(-0.5%)	0.9%	↑
 UK	0.6%	0.5%	↓
Norway	0.1%	0.2%	↑
Sweden	(-0.4%)	(-0.1%)	↑

Region / country	2023E	2024E	
APAC			
 India	7.0%	5.7%	↓
 China	5.2%	4.4%	↓
Indonesia	5.1%	4.4%	↓
New Zealand	1.7%	2.1%	↑
Singapore	0.9%	2.0%	↑
South Korea	1.2%	1.4%	↑
 Australia	2.0%	1.2%	↓
 Japan	1.7%	0.7%	↓
LatAm			
Chile	(-0.1%)	1.6%	↑
 Brazil	2.9%	0.4%	↓
Colombia	1.1%	0.3%	↓
Argentina	(-1.4%)	(-1.8%)	↓
MENA			
 Saudi Arabia	(-0.5%)	5.0%	↑
UAE	2.5%	4.4%	↑
Sub-Saharan Africa	3.1%	3.3%	↑
Qatar	1.1%	2.5%	↑
Egypt	2.1%	2.3%	↑
Kuwait	1.6%	2.1%	↑
Oman	1.4%	1.7%	↑
South Africa	0.5%	0.7%	↑

Source: (1) Oxford Economics. Data as of January 9, 2023.



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10 Key Economic Themes in 2024

10 Key Economic Themes in 2024

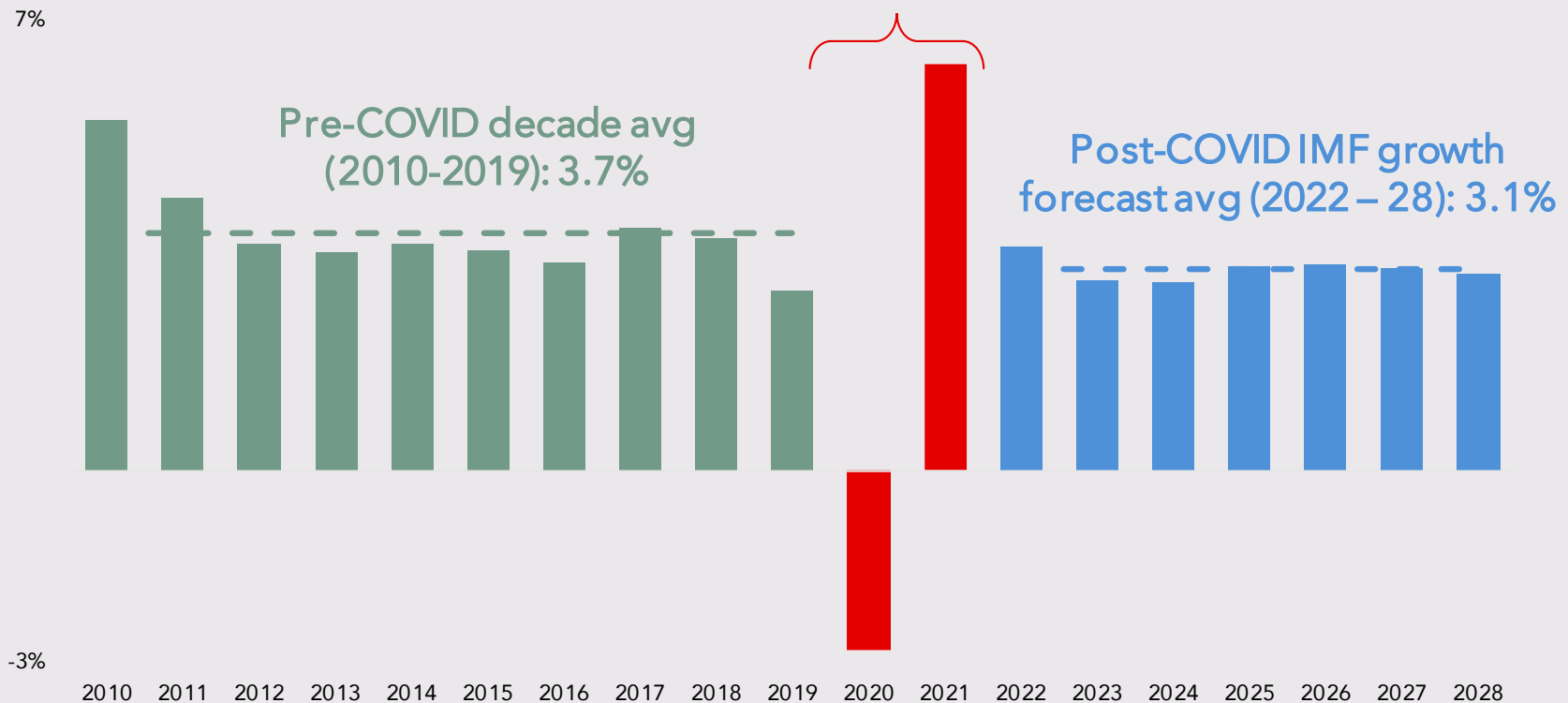
- 1.** Global Growth Below Trend
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- 6.** Europe's Manufacturing Recovery
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- 8.** De-globalization & Fragmentation
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#1. Global Growth Below Trend



The global economy has been far more resilient to higher rates and inflation than expected. However, with more limited fiscal and monetary policy, alongside elevated debt and aging demographics, global growth is expected to be structurally lower in the post-pandemic world. As 2024 unfolds, “rolling recessions” (by region or sector) will evolve into “rolling recoveries”, albeit less synchronized than the tightening cycle itself.

Global GDP growth, y/y



Source: (1) IMF World Economic Outlook, October 2023.

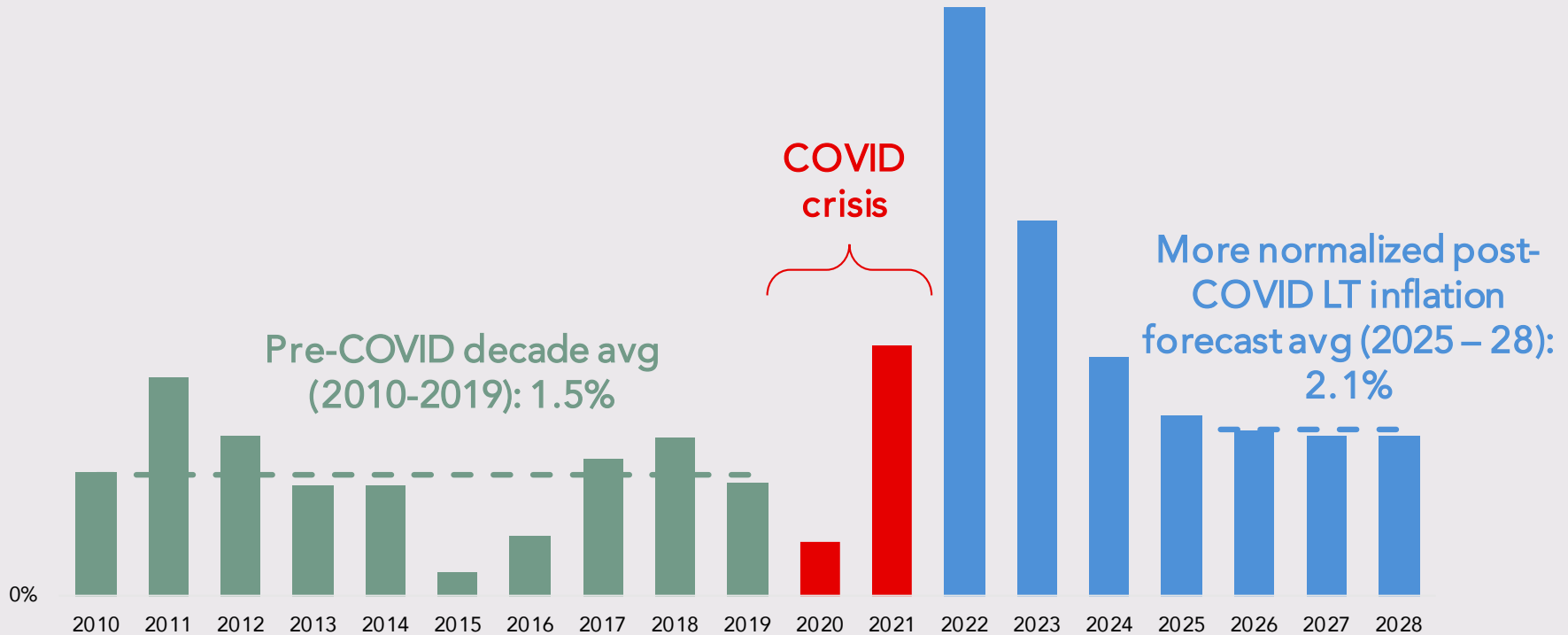
#2. Inflation Normalizing Above Trend



Advanced economy inflation is trending lower after the COVID induced supply-chain shocks. However, numerous global mega-trends are likely to keep advanced economy inflation structurally higher in the decade ahead, including: labor shortages, restructured supply chains, energy transition, and US-China structural rivalry. In 2024, look for the pace of disinflation to diverge more across economies.

Advanced Economies CPI, y/y

8%



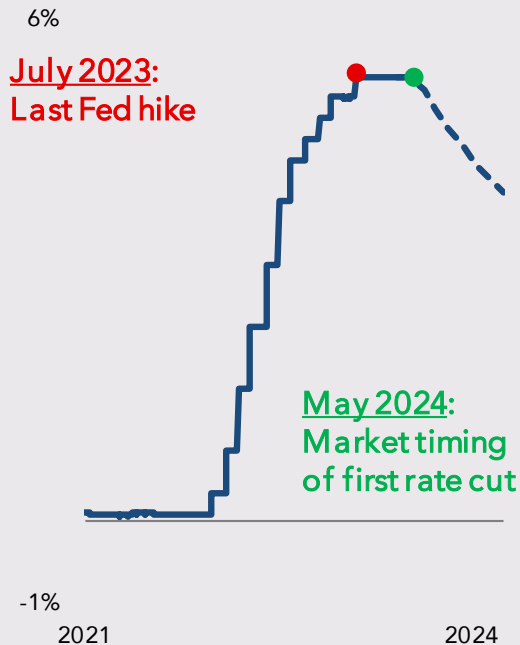
Source: (1) IMF World Economic Outlook, October 2023. CPI is yearly average. Post-COVID average is 2025 – 2028.

#3. Monetary Policy Easing

As we enter 2024, the G10 tightening cycle of 2022-23 is nearly complete, with most central banks expected to pivot toward a synchronized easing of policy in 2H 2024. While the Fed is forecasting three rate cuts (75 bps) in 2024, the market is currently expecting policy easing in 2024 at nearly double that pace. Nonetheless, the full impact of 2022-23 tightening will still operate with a lag as 2024 unfolds.



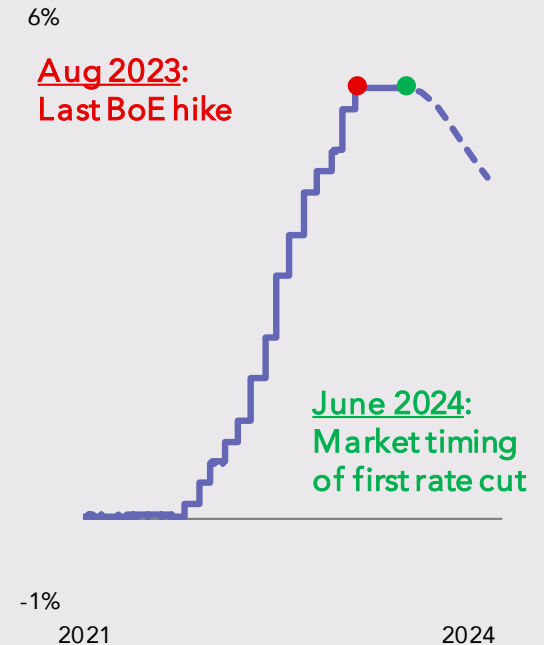
Fed Funds Rate



ECB Deposit Facility Rate



BoE Official Bank Rate



As the Fed pivots toward easing by mid-year, look for lower UST yields to drive a higher pace of fund flows into corporate credit

Source: (1-3) Bloomberg. Data as of January 9, 2023.

#4. Less Stimulative US Fiscal Impulse



Global fiscal and monetary policy will move in the same direction across many economies in 2024, but not in the US. As agreed in June's US debt ceiling agreement, and per the January 2024 spending agreement from Congress, US Government spending will remain roughly flat to 2023 in FY 2024 at \$1.59 trillion, thereby not providing the incremental fiscal impulse of the recent COVID crisis years. As important, the boom in COVID-era US state and local spending is expected to grow at half the pace in FY 2024, and even more slowly in FY 2025.

Deadlines for FY Congressional Appropriations Bills

■ Jan. 19, 2024

■ Feb. 2, 2024

Agriculture-FDA	Energy and Water	Military Construction-VA	Transportation HUD
Commerce Justice Science	Defense	Financial Services	Homeland Security
Interior Environment	Labor HHS Education	Legislative Branch	State and Foreign Operations

Source: (1) Bloomberg Government, "What too Know in Washington: Congress Strikes Broad Funding Bill" (January 8, 2024).



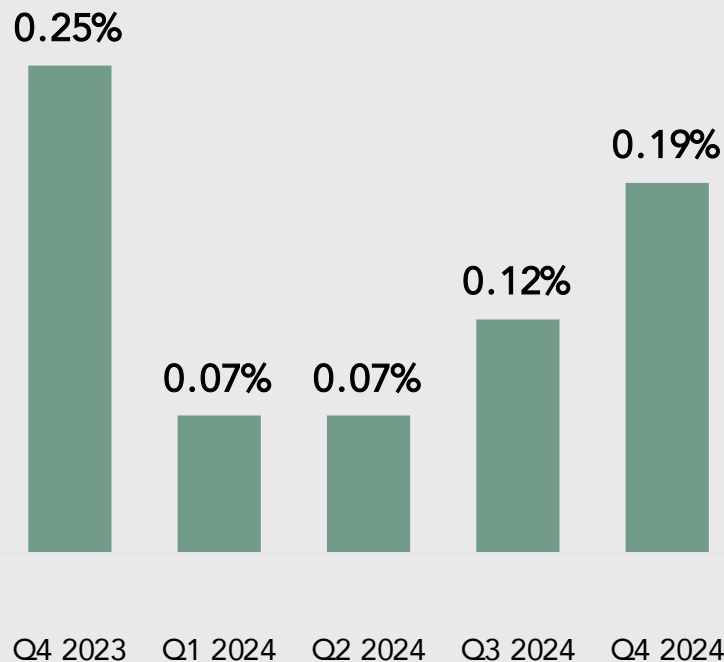
#5. US Recession Risk in Focus



While the US economy and consumer have been far more resilient than anticipated, dozens of economic and market metrics point to a 2024 slowdown. 32 of 56 economists surveyed by Bloomberg now assign > 50% probability of US recession in 2024. Given the pace of Fed tightening, impact of depleting savings and inflation on the consumer, and tighter bank lending standards, the US and global economy are poised to decelerate in 2024.

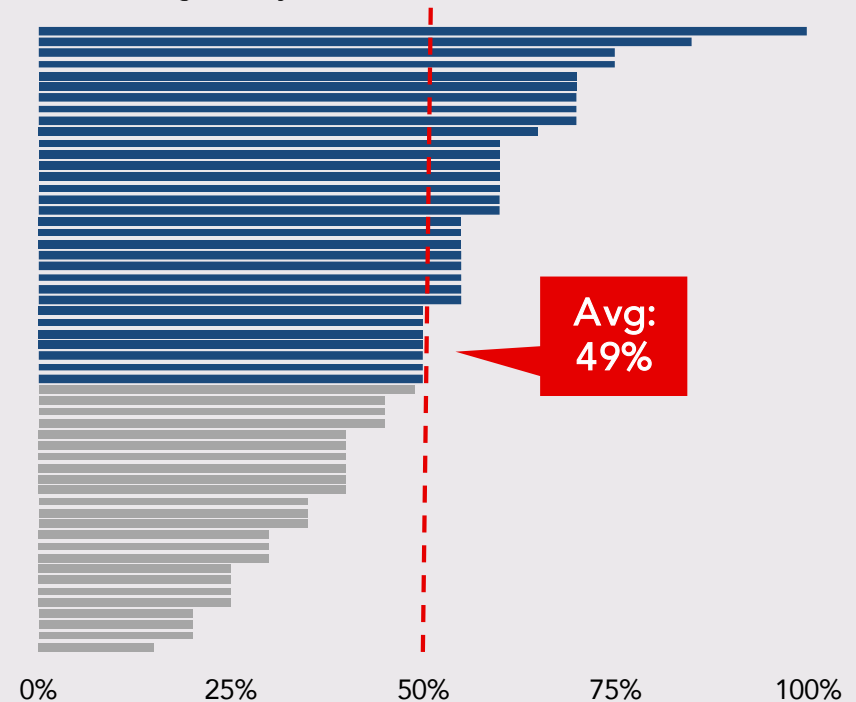
US GDP, Q/Q

US quarterly GDP growth forecast, q/q



Probability of US recession in 2024

Bloomberg survey of 56 economists



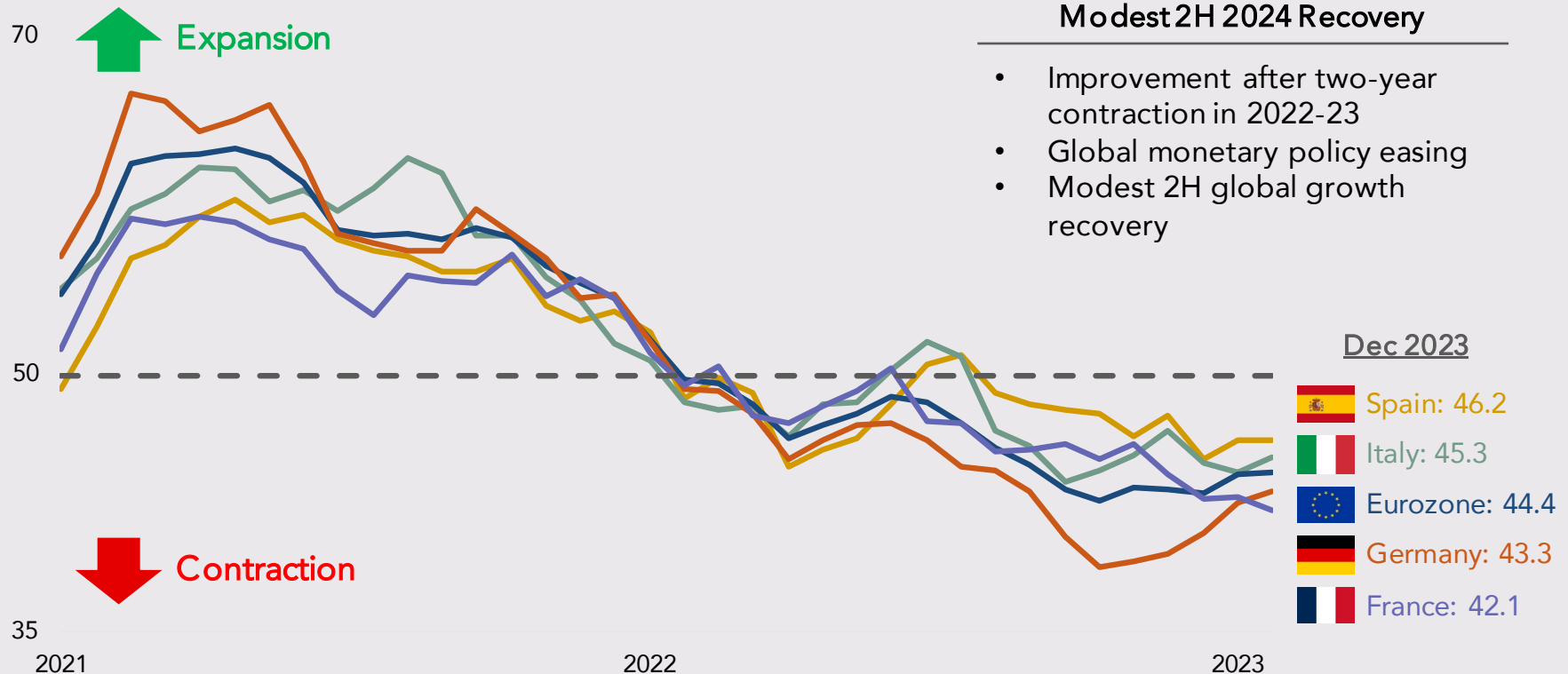
Source: (1) US GDP Q/Q is Oxford Economics. Data as of January 9, 2024. (2) Bloomberg. Data as of January 9, 2024. Recession probability forecasts from Bloomberg contributors.

#6. Europe's Manufacturing Recovery



Europe's manufacturing sector, so critical to its export-driven economy, finished 2023 in deep contraction territory with a grim outlook for near-term recovery in early 2024. The manufacturing contraction has been historic in its length and remains broad-based. In fact, every major European manufacturing sector has been in negative territory on tighter credit conditions and slower global growth. As 2024 progresses, the two-year downturn across Europe's industrial sector should rebound modestly, as the global economy recovers and global central banks pivot policy toward easing.

Eurozone manufacturing PMIs



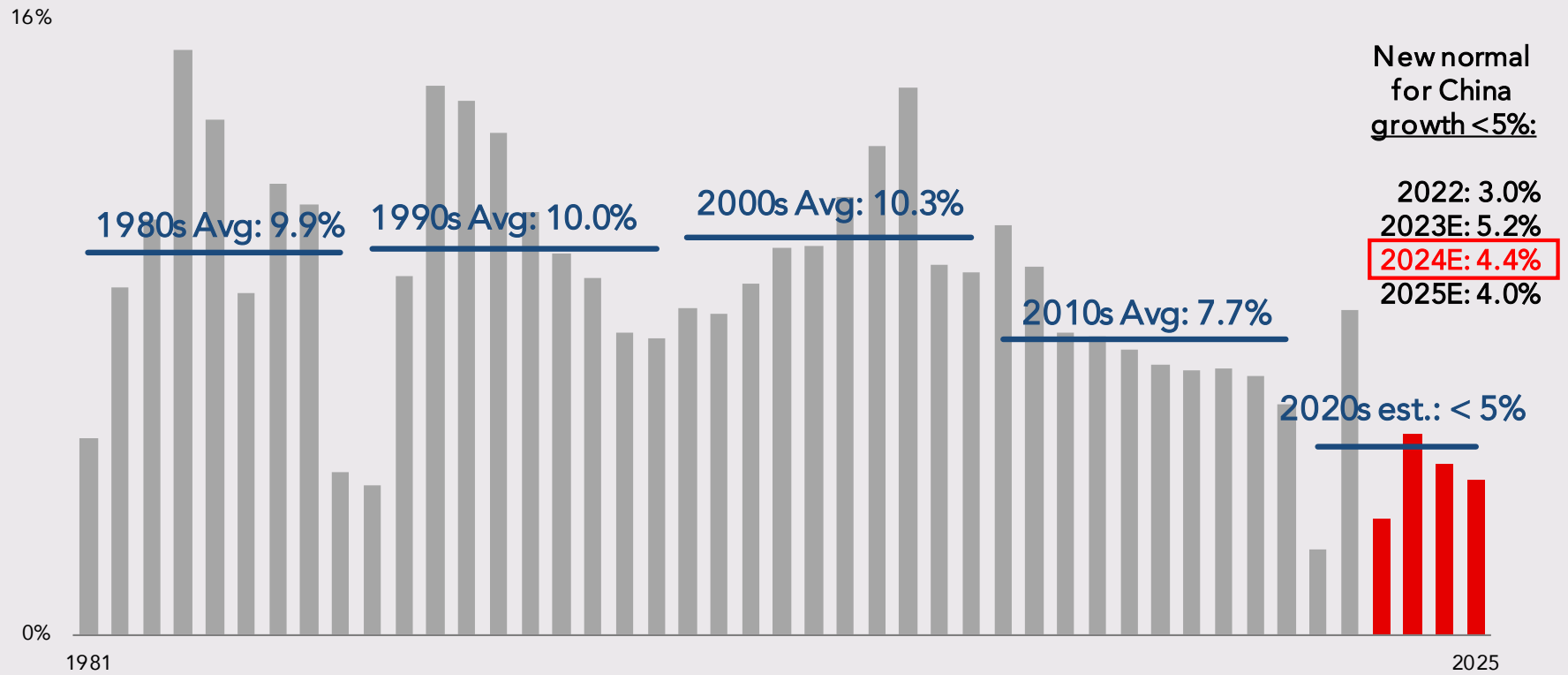
Source: (1) Oxford Economics. Bloomberg. Data as of January 9, 2024. Neutral is equal to 50.

#7. China's Structural Slowdown



After four decades of super-charged growth well above advanced economy rates, the new normal for post-COVID China growth in the decade ahead will likely fall below 5%. In fact, the IMF is forecasting China growth < 4% in coming years, less than half the rate of recent decades. The slowdown in China's economy has been broad based and driven by a plethora of structural and cyclical factors, both internal and external.

China Real GDP Growth



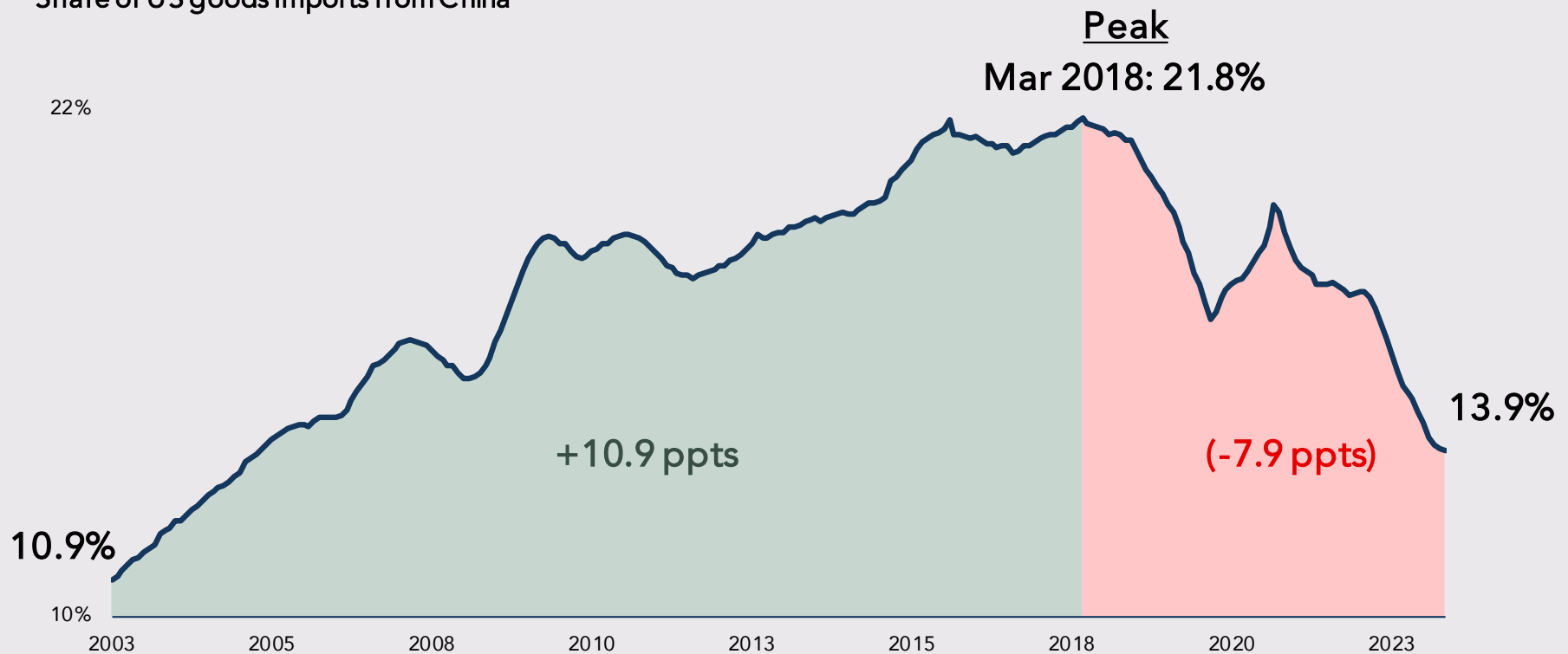
Source: (1) Oxford Economics. Data as of January 9, 2024.

#8. De-globalization & Fragmentation



Following their accession into the WTO in Dec 2001, China's market share of US imports more than doubled from about 10% to nearly 22% in just 15 years. Since the peak of the trade wars in 2018, China's market share of US imports has declined from approximately 22% to 14% in just 5 years as US MNCs restructure supply chains and diversify production into Mexico, Europe and Asia. While Vietnam and India have been the largest beneficiaries of China's five year net decline, supply chain shifts are occurring across dozens of industries and countries concurrently.

Share of US goods imports from China



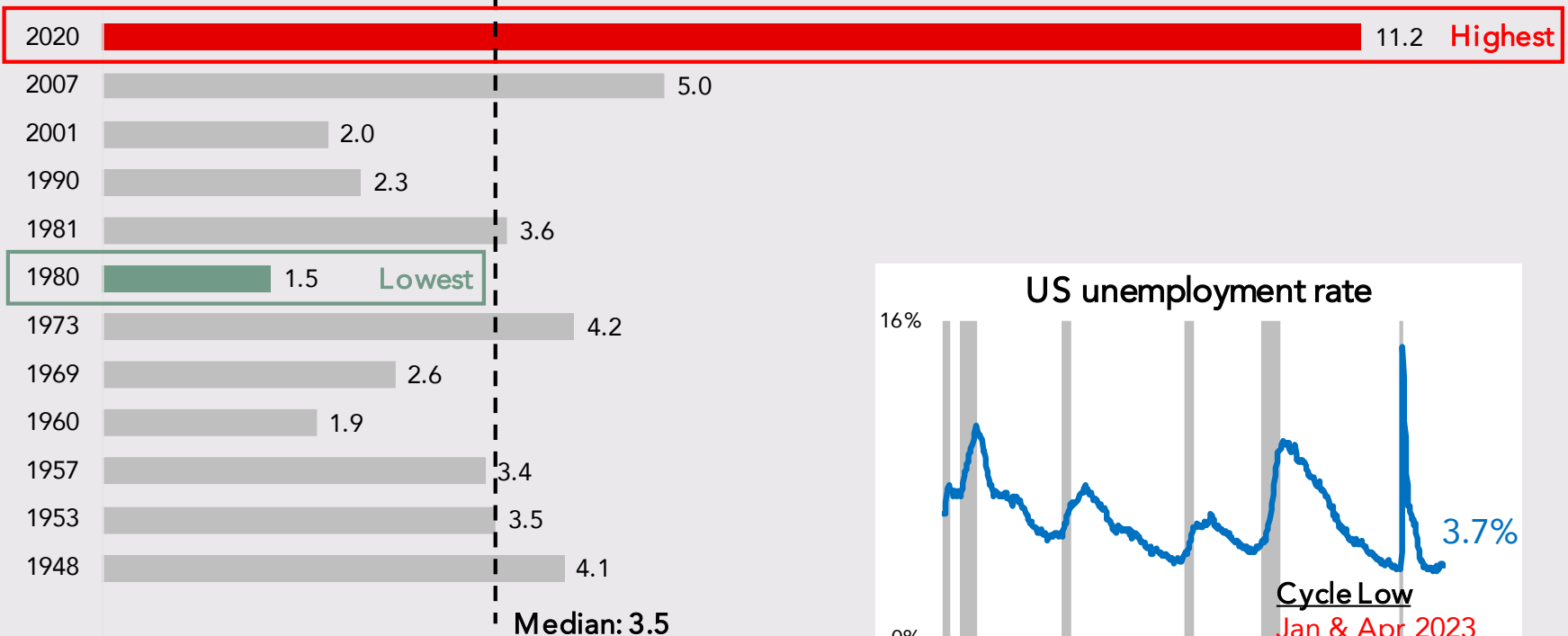
Source: (1) US Census Bureau. Data is rolling 12-month average through November 2023.

#9. Structurally Tight Labor Markets

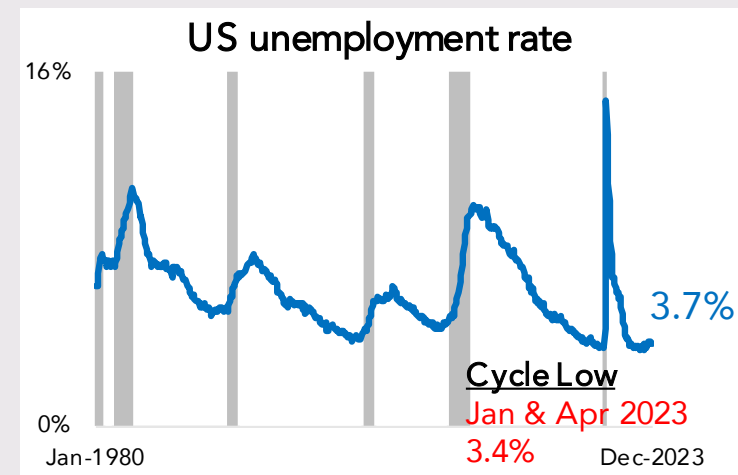
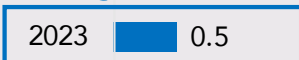


On average, the unemployment rate rises by approximately 3.5 percentage points from its cyclical trough to peak during and after US recessions. Additionally, in every post-WWII recession, the US unemployment rate has risen above 6.0%. Structurally tight post-COVID US labor markets could support a “soft landing”, delay expected rate cut timing and keep the unemployment rate below 6% for the first time during a US recession.

Change in unemployment rate, from trough to peak, during and after recession (percentage points)



Change in 2023 Cycle



Source: (1-2) Bureau of Labor Statistics. Data as of January 9, 2024.

#10. Productivity Cycle Optimism



The US economy has not had a sustained acceleration in productivity since the late 1990s. Following a transitory surge during COVID due to a temporary surge in unemployment, US productivity growth is poised to remain above its multi-decade 1.5% average on a multi-year basis. While an element of productivity growth is cyclical and therefore tied to growth, we believe that an acceleration in capital investment, innovation and productivity is emerging as a sustainable mega-theme in the post-COVID period.

Non-financial corporates productivity 5Y average, q/q



Source: (1) Bureau of Labor Statistics. Data as of January 9, 2024.



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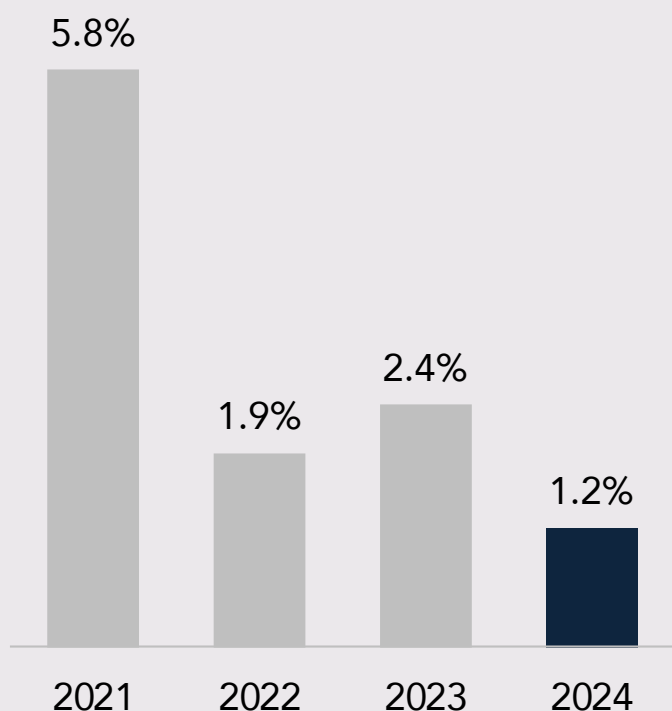
2024 Country Profiles: Americas

2024 US Growth Outlook



2023 growth outperformed expectations due to more robust consumer spending and resilient corporate balance sheets. While 2024 growth is expected to decelerate, numerous tailwinds, including tight labor markets, stronger consumer balance sheets and technology driven innovation, should limit the downside risk in potential recession scenarios.

US GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Structurally tight labor markets and wage growth
	✓	Stronger corporate and consumer balance sheets
	✓	Implementation of budgeted large-scale infrastructure (Inflation Reduction Act, CHIPS Act)
	✓	Advances in productivity enhancing technology (AI)
	✓	Inflation normalizing
	✗	Depleted excess savings / restart of student loan payments
	✗	More restricted access to capital for smaller businesses
	✗	Contracting business investment
	✗	Election uncertainty and posturing in Washington impacting fiscal policy / budgeting (ongoing shutdown risk, tighter fiscal policy)

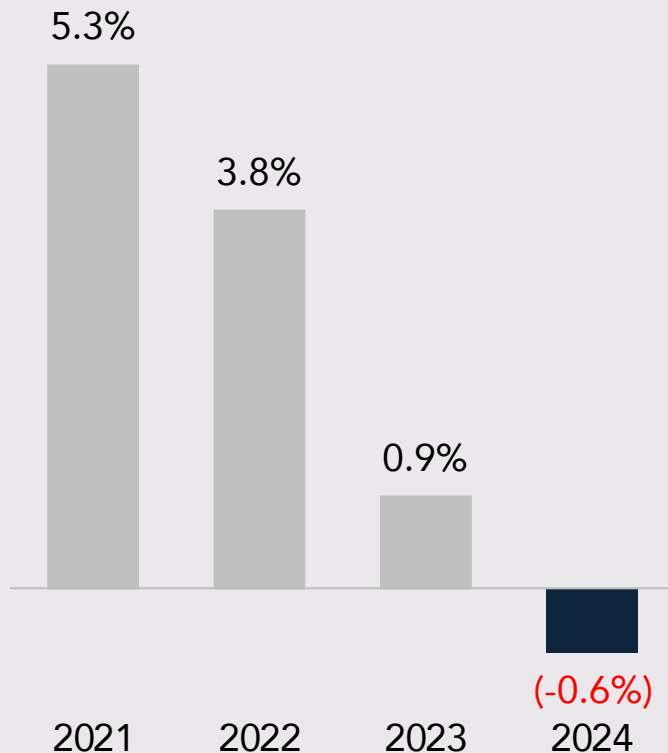
Source: (1) Oxford Economics, "Growth to slow from unsustainable levels"; "The only way is down from Q3 GDP". Data as of January 8, 2024. CreditSights, "2024 Sector Snapshot: US Consumer".

2024 Canada Growth Outlook



The technical recession in Q2 and Q3 2023 (according to advance estimates) is expected to broaden and deepen into early 2024 as the full impact of tighter monetary policy weighs on demand. Consumers and businesses should lead the transition from moderate recession to modest recovery in 2H 2024.

Canada GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Inflation returning to BoC target by late 2024
	✓	BoC easing cycle tailwinds in 2H 2024
	✓	Resilient medium-long term commodity price outlook
	✓	Linkages to resilient US economy
	✗	Lagging impact of 2023 policy tightening
	✗	High household debt levels / mortgage rate exposure
	✗	Weaker corporate investment activity / labor market weakness
	✗	Record breaking 2023 wildfire season
	✗	Deceleration in global and US economy in 2024 (challenge for Canadian exports)
	✗	Extended CAD weakness

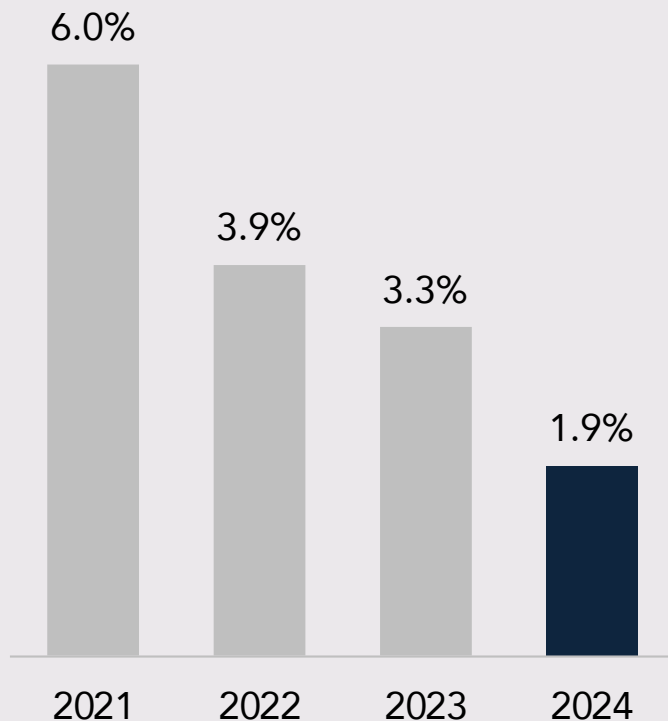
Source: (1) Oxford Economics, "Shallow recession now underway expected to deepen"; "Population boom will lift the economy, but only overtime". Data as of January 8, 2024.

2024 Mexico Growth Outlook



Mexico's growth largely exceeded expectations in 2023 as it benefitted from strong domestic demand, declining inflation and "near shoring" by US companies. Going forward, while growth is expected to moderate in 2024, numerous economic tailwinds should support Mexico's growth prospects in the medium term.

Mexico GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	US "nearshoring" of supply chains
	✓	Inflation declining toward target
	✓	Robust private consumption
	✓	Strong construction and auto production sectors
	✓	Well capitalized banking system (NPLs near record lows)
	✓	Tight labor market
	✗	Very low total factor productivity vs. global peers
	✗	Decelerating US growth
	✗	Looser fiscal policy expected

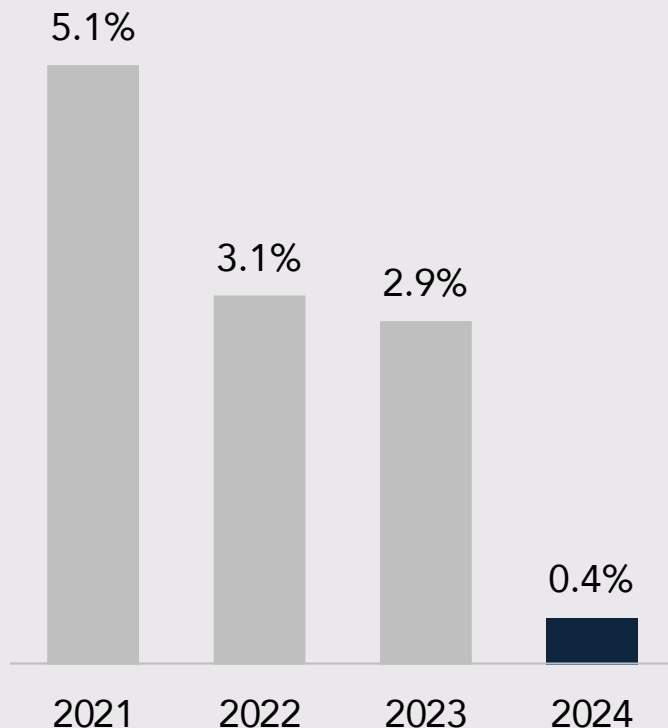
Source: (1) Oxford Economics. Data as of January 8, 2024. IMF, "2023 Article IV Consultation".

2024 Brazil Growth Outlook



Annual growth in Brazil is expected to decelerate meaningfully in 2024 as higher public and private debt constrain growth and services inflation remains elevated. Steady easing of monetary policy will be a modest tailwind in 2024, but volatility in commodity prices will be a challenge.

Brazil GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Supply chain diversification away from China
	✓	Easing from heavily restrictive monetary policy
	✓	Long-term infrastructure investment plan
	✓	Relatively strong domestic demand
	✓	Inflation declining (slowly) toward target
	✗	Elevated and rising government debt
	✗	Very low total factor productivity vs. global peers
	✗	Volatile commodity prices
	✗	Impact of slower China growth

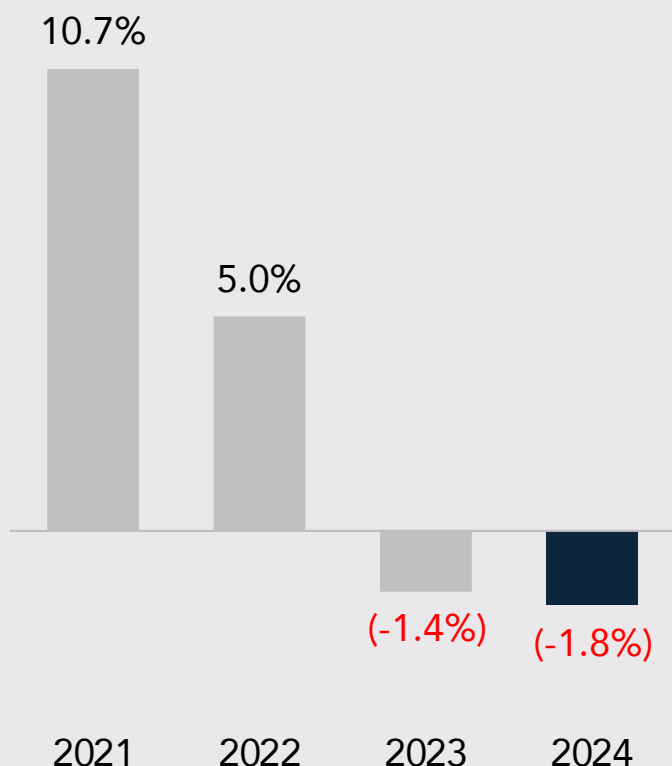
Source: (1) Oxford Economics, "Weak Q3 GDP might debut a technical recession". Data as of January 8, 2024.

2024 Argentina Growth Outlook



Argentina's economy is expected to stay deep in contractionary territory in 2024 as newly elected President Javier Milei implements his "shock policy" to tame hyperinflation. While a divided Congress will limit the policies Milei can implement early on, markets should expect sizable fiscal consolidation and the removal of some capital and FX controls. Near term, reforms may cause a surge in inflation and weaker growth; however, structural reform is necessary to support the longer term economic outlook.

Argentina GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Moderating commodity prices
	✓	Resilient labor market
	✓	Improved export taxes expected due to end of drought
	✓	Energy surplus expected in 2024
	✗	Hyperinflation (>140% y/y) / deteriorating real income
	✗	President Javier Milei policy reforms (capital control removal, fuel subsidy cuts, fiscal consolidations, trade liberalization, privatization of some public companies)
	✗	Fragmented Congress will make some reforms more challenging (i.e., dollarization)
	✗	Currency volatility & controls
	✗	High foreign currency public debt obligations

Source: (1) Oxford Economics. Data as of January 8, 2024. BBVA Research.



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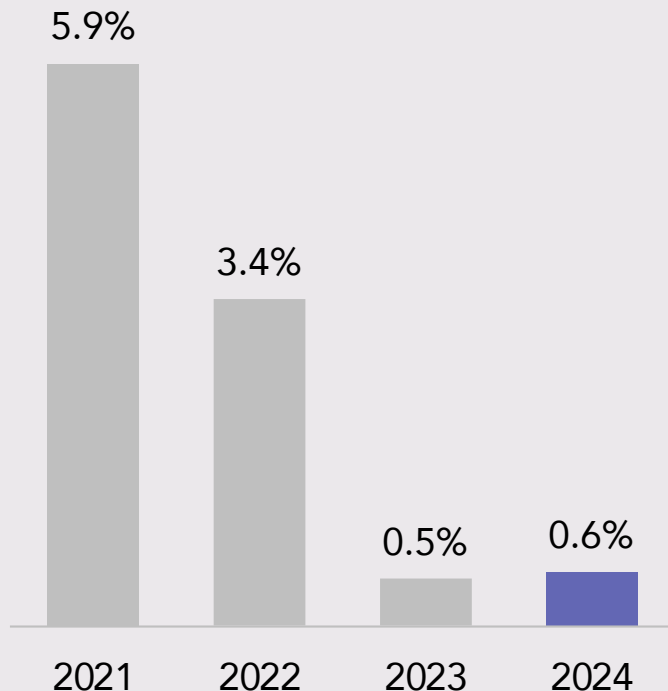
2024 Country Profiles: EMEA



2024 Eurozone Growth Outlook

Successive COVID, inflation, and energy shocks have challenged the Eurozone economy and weighed heavily on consumer sentiment. Since Q3 2022, Eurozone growth has averaged just 0.1% q/q with individual economies (i.e., Germany) suffering technical recessions in that time period. While 2024 growth may modestly rebound from the 2023 lows, numerous headwinds are expected to persist.

Eurozone GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Tight labor markets / solid wage growth
	✓	Easing inflation
	✓	Lower energy prices
	✓	Slower decline in excess savings vs. US
	✓	Manufacturing recovery after 2023 contraction
	✗	Lackluster spending & investment
	✗	Tighter credit conditions / declining loan demand
	✗	Energy supply disruption risk
	✗	Exposure to decelerating China & global economy

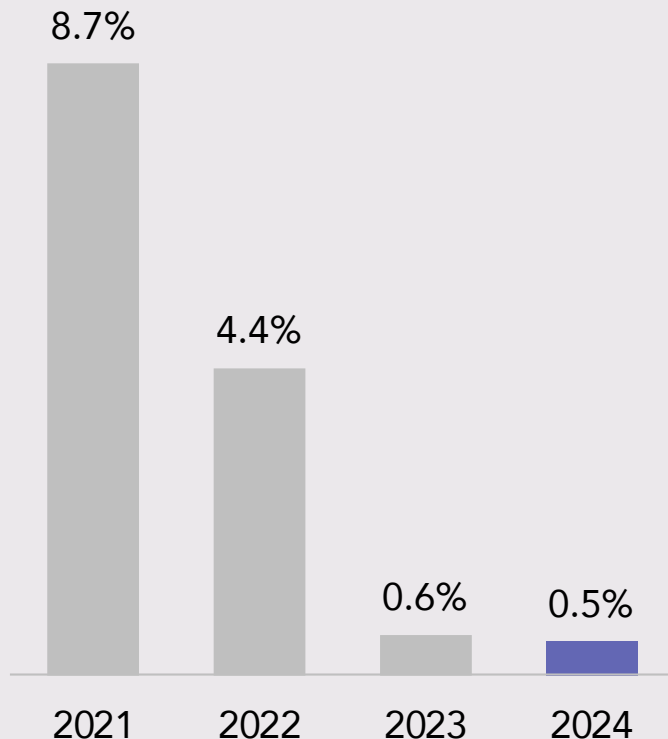
Source: (1) Oxford Economics, "Outlook for 2024 GDP growth revised lower"; "No light at the end of the tunnel for eurozone industry"; "Key themes 2024- A fragile recovery will gain impulse". Data as of January 8, 2024.

2024 UK Growth Outlook



The lagged impact of monetary tightening and significantly more restrictive fiscal policy are expected to weigh on 2024 growth. While activity is forecast to remain soft in early 2024, sticky price and wage inflation are likely to prevent the BoE from cutting rates in the first half of the year.

UK GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Wage growth / real income increasing
	✓	Inflation normalizing faster than expected
	✓	Public sector pay disputes declining gradually, fewer strike disruptions
	✓	Short term pre-election fiscal support
	✓	Declining energy costs
	✗	1.5 mm mortgagors due to refinance at higher rates by YE 2024
	✗	Household debt interest 2x 2022 levels
	✗	Loss of energy support payments to households
	✗	Housing market correction
	✗	More restrictive fiscal policy (tax increases)
	✗	Restrictive monetary policy in 1H 2024
	✗	Brexit related export weakness (quotas, tariffs)

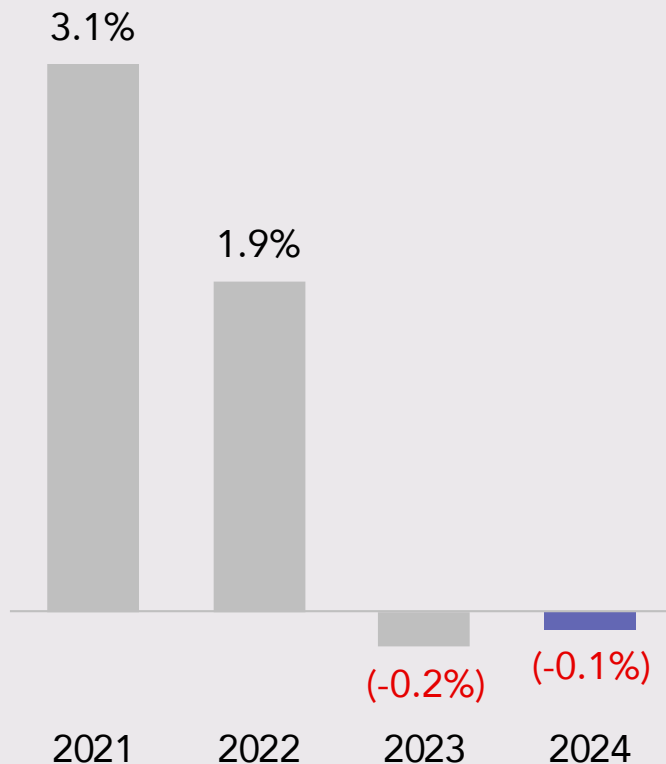
Source: (1) Oxford Economics, "The BoE will hold firm despite weak growth outlook"; "Key themes 2024 - Tight policy settings weigh on growth". Data as of January 8, 2024.

2024 Germany Growth Outlook



German industrial activity may have bottomed in Q4 2023, but the outlook remains gloomy into 2024 despite the fact that the German economy has barely grown since before the pandemic. German industrial activity is also highly levered to a structurally slower Chinese economy. Domestically, consumer confidence and consumption remain weak due, in part, to weaker real income.

Germany GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Rapidly falling inflation
	✓	Financial conditions easing
	✓	Property value decline expected to slow
	✓	Weak industrial sector, though recovering from 2023 contraction
	✓	Lower energy costs
	x	Subdued consumption, weak consumer confidence, lower real income
	x	Technical recession already in 2022 / 2023
	x	Constitutionally mandated fiscal consolidation (debt-brake rule)
	x	Declining longer term potential growth
	x	Rising unemployment

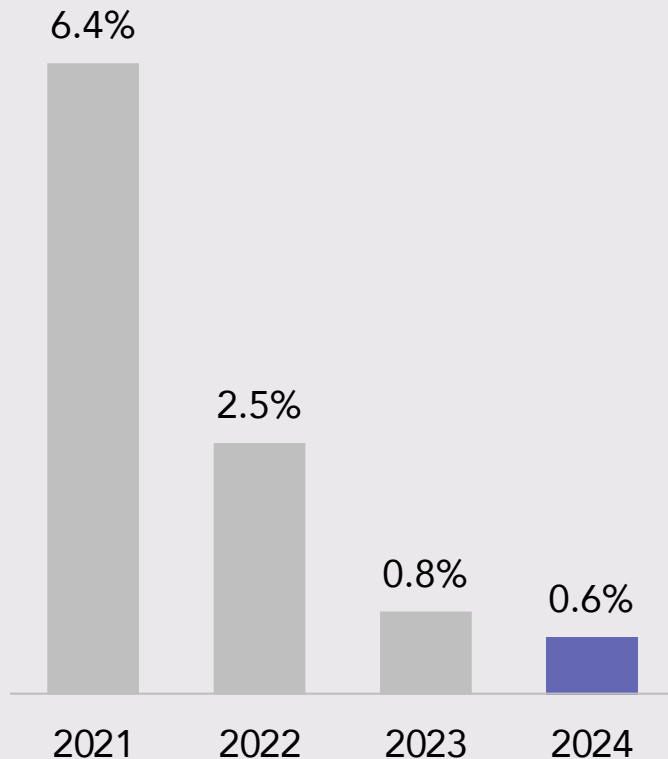
Source: (1) Oxford Economics, "Outlook is still bleak despite stronger-than-expected Q3 GDP". Data as of January 8, 2024.

2024 France Growth Outlook



France's economy proved more resilient than many anticipated in 2023 as domestic demand and investment surprised to the upside. However, the full impact of the ECB's monetary tightening is expected to drag on 2024 growth with bank credit tighter and loan demand declining. Longer term, a divided government could challenge structural reforms.

France GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Resilient domestic demand, stronger public and private consumption
	✓	Tight labor markets
	✓	Wage negotiations expected to yield solid pay increases
	✓	Inflation expected to normalize to 2% area in 2024
	✓	Lower energy costs
	✗	Unfavorable external conditions / falling net exports
	✗	Sticky services inflation
	✗	Weaker consumer confidence
	✗	Tight bank lending conditions / declining loan demand
	✗	Declining home prices
	✗	Dividend Parliament challenging structural reforms
	✗	High corporate debt levels

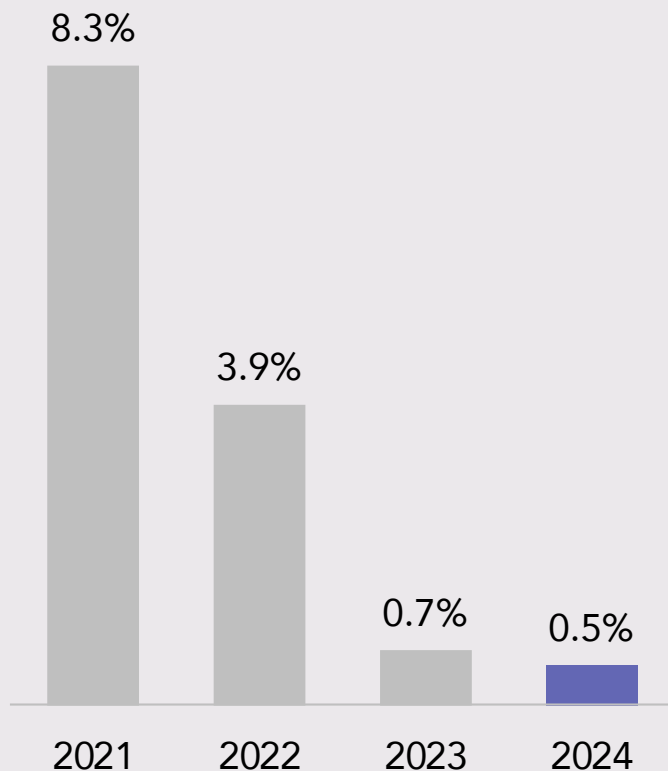
Source: (1) Oxford Economics, "Growth slows but resists". Data as of January 8, 2024.

2024 Italy Growth Outlook



Italy's economy largely stagnated into year-end 2023 while fears of fiscal loosening and debt sustainability caused sovereign bond yields to move meaningfully wider in Q3. Yields have recovered into year end, but longer term sustainability concerns remain while near-term consumer and industrial activity has weakened.

Italy GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Improved disposable income in 2024
	✓	Inflation below 2%
	✓	Next Generation EU recovery package
	✓	Retail sales recovering
	✗	Economy stagnating in late 2023
	✗	Wider sovereign spreads on debt sustainability questions
	✗	Industrial sector recession
	✗	Weaker business confidence
	✗	Depressed consumption levels

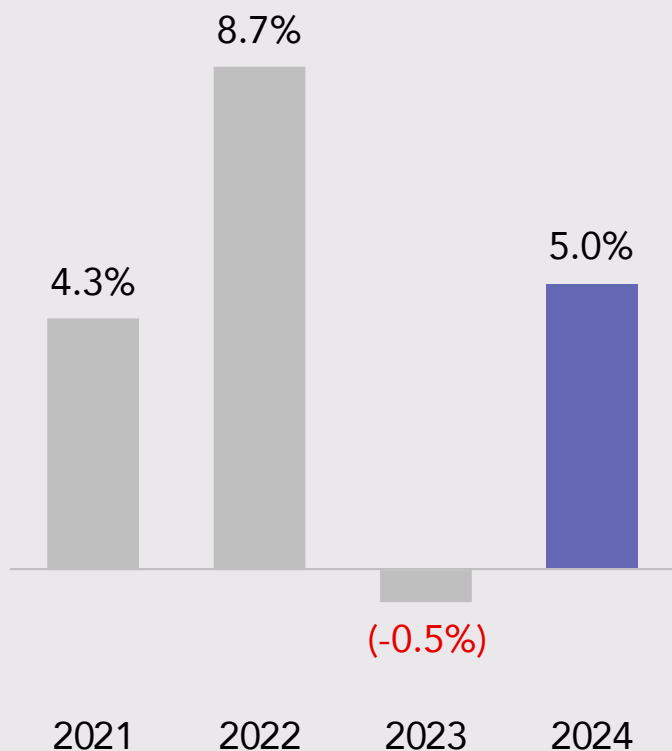
Source: (1) Oxford Economics, "Outlook still subdued despite better-than-expected GDP". Data as of January 8, 2024.

2024 Saudi Arabia Growth Outlook



Saudi Arabia's economy is highly vulnerable to oil price swings and while the government is committed to extensive reform and investment diversification, the programs require taking on large debt loads. That said, growth is expected to recover strongly in 2024 due to demographic tailwinds and a government commitment of nearly \$1 tn in Vision 2030 projects.

Saudi Arabia GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Structural reform spending supporting non-hydrocarbon diversification
	✓	Inflation pressure easing
	✓	Low / sustainable public debt levels
	✓	Young population / demographics
	✓	Strong wealth buffers
	✓	Structural changes improving "Ease of Doing Business Rankings"
	✓	Unemployment rising but near historic lows
	✗	Oil price volatility (oil related GDP is ~40% of total)
	✗	Voluntary oil production cuts
	✗	Elevated interest rates likely to weigh on credit
	✗	Household spending growth expected to moderate

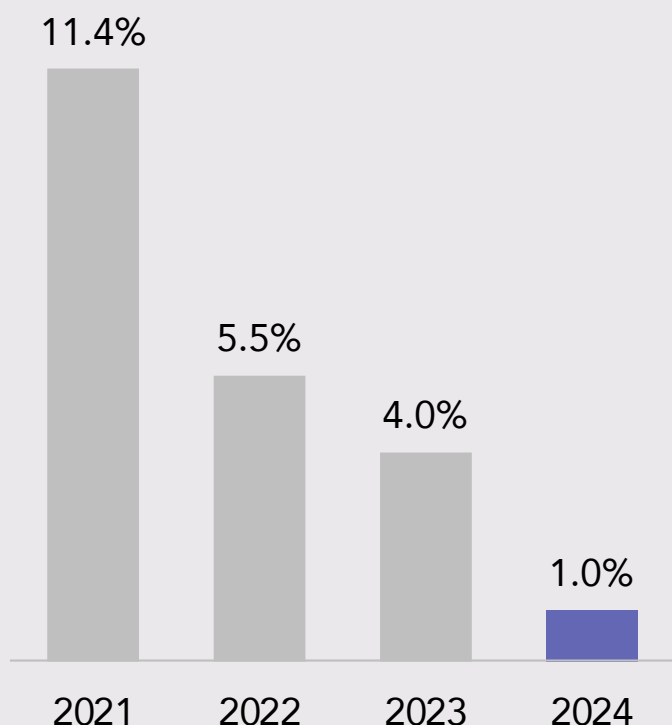
Source: (1) Oxford Economics. Data as of January 8, 2024. BNP Paribas, "Saudi Arabia - Favourable Economic Momentum". Fitch Solutions, "Saudi Arabia 2024 Consumer Outlook".

2024 Turkey Growth Outlook



After elections in May of 2023, Turkey's central bank pivoted to tighter monetary policy in an attempt to reign in hyperinflation. The shift in policy has helped investor sentiment, but should slow growth in 2024. Turkey is undertaking structural reform that will challenge the near-term outlook but is necessary for fiscal soundness over the medium and long term.

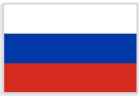
Turkey GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Moderate financial sector liberalization
	✓	Tighter financial conditions reducing pressure on Lira (though confidence still low after successive devaluations and bouts of volatility)
	✓	Large reconstruction efforts after February 2023 earthquake likely to support growth in 2024
	✗	Pivot to tighter monetary policy / weaker fiscal balance
	✗	Persistent hyperinflation (though expected to peak in mid 2024)
	✗	Central bank reserve pressures
	✗	High inequality
	✗	Weaker exports due to slower European and global growth

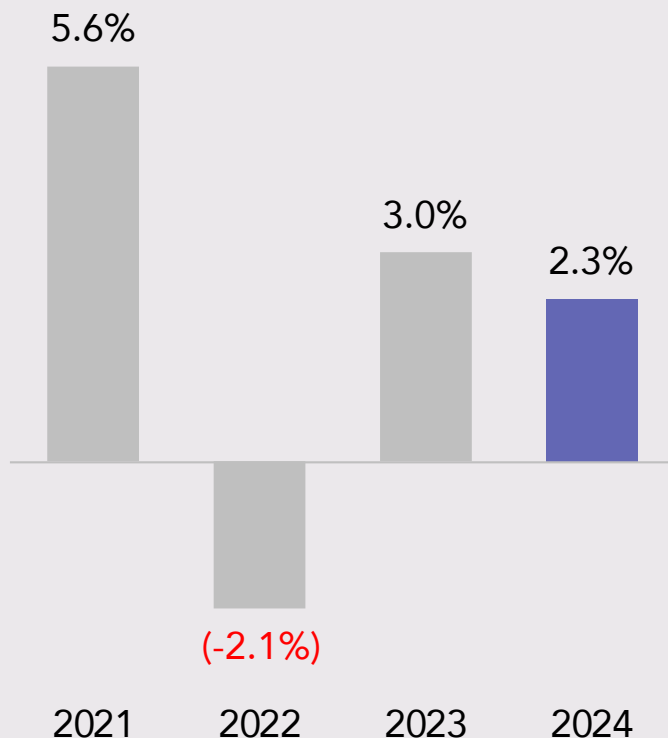
Source: (1) Oxford Economics. Data as of January 8, 2024. IMF, "IMF Staff Concludes Staff Visit to Türkiye". The World Bank, "The World Bank in Türkiye".

2024 Russia Growth Outlook



After a steep decline in 2022 following Russia's invasion of Ukraine, Russian growth rebounded in 2023 and is expected to hold steady between 2 – 2.5% in 2024. While ongoing sanctions from the US, Europe and other global economies have restricted access to Russia's economy, the ability to continue exporting oil at a minimal discount to Brent has supported Russia's fiscal stance. Longer term, structural issues around the sustainability of mortgage and other subsidies may be a challenge, though they should support the economy in 2024.

Russia GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Low 2023 fiscal deficit / pre-2024 election spending
	✓	Low oil price discount / Rouble support measures
	✓	Strong retail sales growth
	✓	Government war-time spending & subsidies
	✓	Construction sector expansion
	✓	Unemployment rate near historic low of 3% / positive wage growth
	✗	Ongoing sanctions and war related fallout
	✗	High and rising inflation
	✗	Very high policy rate with risk of further hikes
	✗	Slowing corporate credit growth
	✗	Limited progress on structural reform

Source: (1) Oxford Economics, "New US and EU measures target shadow oil tanker fleet". Data as of January 8, 2024.



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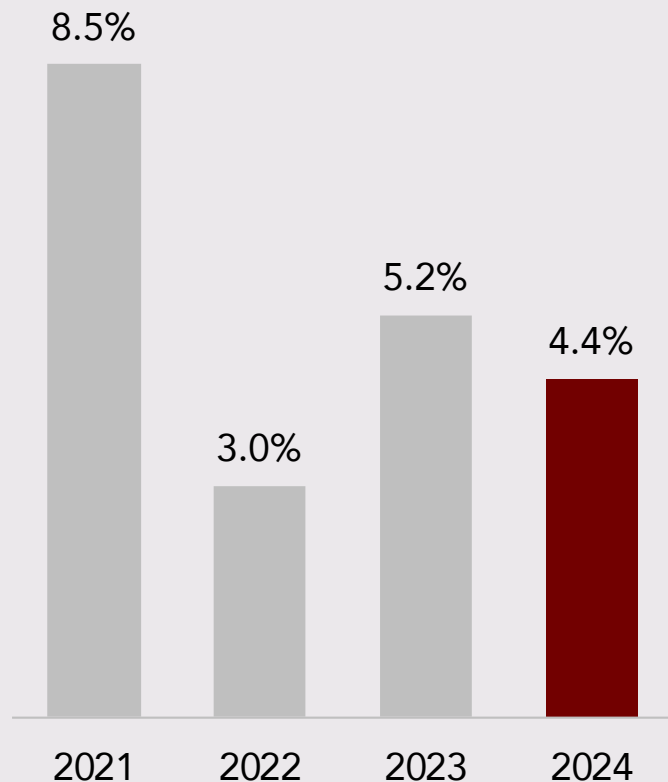
2024 Country Profiles: Asia-Pacific



2024 China Growth Outlook

The dual challenges of domestic structural slowdown (property sector, demographics, rebalancing investment vs. consumption driven growth) and weaker external demand (global growth deceleration, geopolitics) are expected to weigh on China's 2024 growth. While the "policy put" still exists in China, stimulus programs will focus on "quality" rather than "quantity" and will be more targeted in nature.

China GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Targeted stimulus programs and expected RRR cuts
	✓	Benign inflation backdrop
	✓	Key role in emerging industries (renewables, EVs)
	✓	Savings rate gradually moving lower (supporting consumption)
	✗	Elevated local government and property sector debt
	✗	Weak consumer and business sentiment
	✗	Aging population / slower urbanization
	✗	Total factor productivity declining
	✗	Decelerating global economy
	✗	Global supply chain diversification / de-risking
	✗	Domestic regulatory uncertainty / differentiation between strategic and non-strategic industries
	✗	US-China policy friction

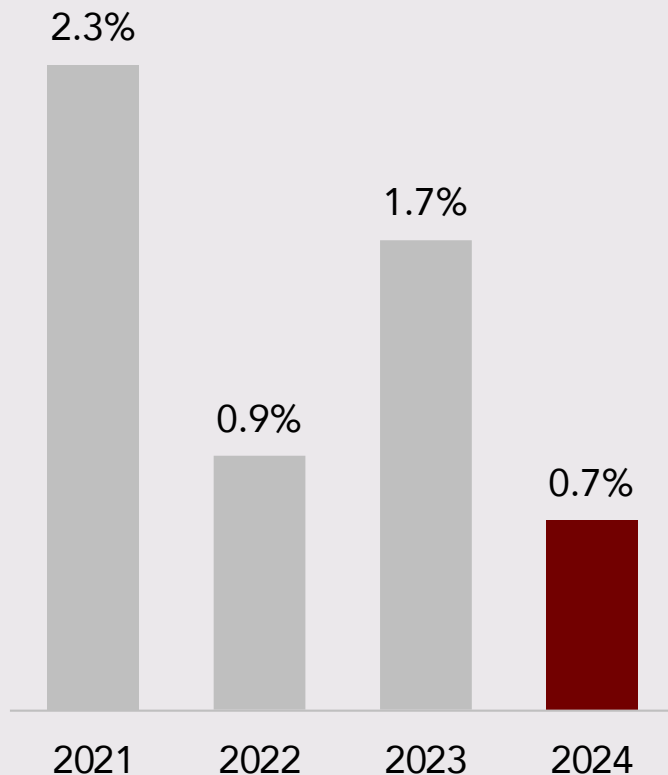
Source: (1) Oxford Economics. "Key themes 2024 – A slower, but healthier, dragon year"; "Policy continues to lead macro data". Data as of January 8, 2024.

2024 Japan Growth Outlook



Japan's economy is expected to decelerate in 2024; however, numerous tailwinds are likely to support growth at or above long term potential. Structural reform to the corporate sector should support long term labor market efficiency and increased productivity, but may cause an uptick in failed companies in the near term.

Japan GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Further BoJ policy "normalization" supporting capital inflows
	✓	Ongoing corporate governance reform
	✓	Wage inflation at ~2% for 2nd year in a row
	✓	One-off tax refund to drive positive disposable income growth for first time in 4 years
	✓	Larger fiscal budget and ongoing fuel subsidies
	✓	Elevated consumer excess savings
	✓	Gradual consumption recovery on stable prices and rising income
	✓	JPY appreciation from very weak levels
	✓	Stable, wage-driven inflation to support nominal GDP growth
	✗	Labor shortages (structural reform underway)
	✗	Weaker export demand due to low global capex and growth
	✗	Near term volatility in JGBs (BoJ, Fed policy speculation)
	✗	Stagnant business investment

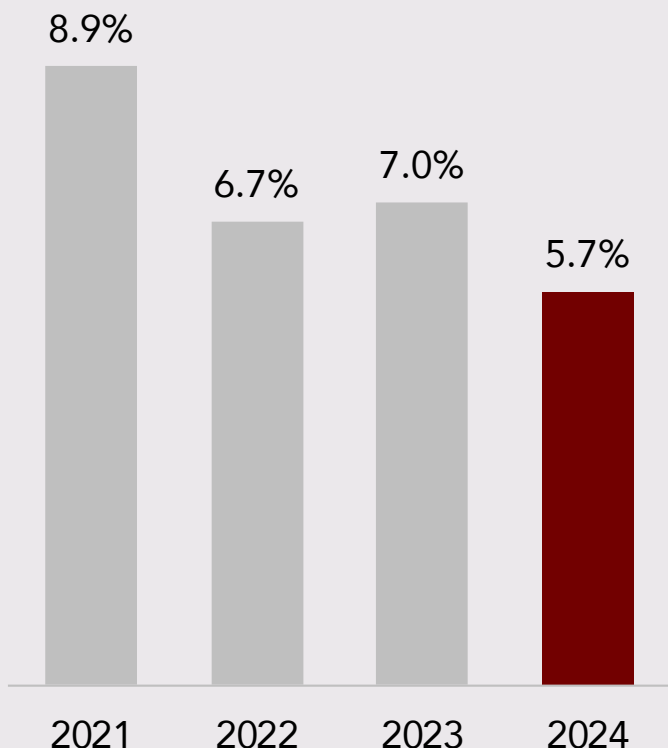
Source: (1) Oxford Economics, "A modest upward revision in growth reflects US upgrade"; "Key themes 2024- Will wage-led inflation gain momentum". Data as of January 8, 2024.

2024 India Growth Outlook



India's economy surprised markets with its resilience in 2023. While the economy will benefit from long-term tailwinds (demographics, strong and growing digital infrastructure, solid domestic demand), 2024 growth is likely to decelerate while structural reforms will be needed to reach the economy's long term potential.

India GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Digital infrastructure build out
	✓	Demographic tailwinds (most populous country; median age 28)
	✓	Supply chain diversification away from China
	✓	Healthy bank balance sheets
	✓	Higher total household net savings vs. pre-pandemic (though falling rapidly)
	✓	Relatively strong domestic demand
	✓	Inflation declining toward target
	✓	Strong FX reserve position (steady/appreciating INR)
	✓	Modest subsidies ahead of election
	✗	Significant COVID-era government debt build (75% of GDP to 88.5%; ~80% today)
	✗	Fiscal consolidation
	✗	Softer labor markets (structural reform needed)
	✗	Low / negative real income growth
	✗	Higher household debt levels and servicing costs

✗	Weaker external demand for both goods and services
✗	Erratic monsoon season causing uncertainty for agricultural outlook

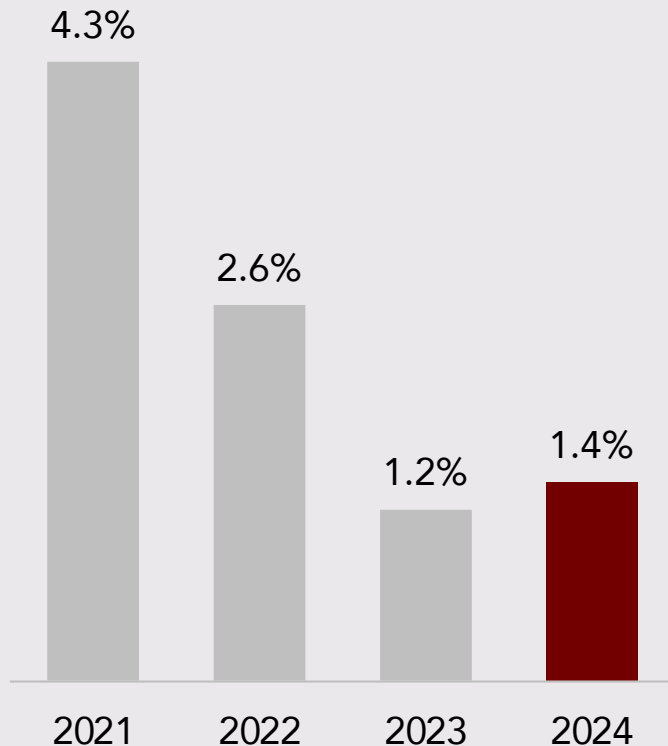
Source: (1) Oxford Economics, "Key themes 2024 – A slowdown is coming, eventually"; "A slowdown won't be avoided". Data as of January 8, 2024.



2024 South Korea Growth Outlook

South Korea's central bank has repeatedly revised down its forecast for 2024 growth due to weaker consumer spending and softer construction investment. Though growth is still expected to accelerate vs. 2023, South Korean households are challenged by higher real estate prices and higher mortgage rates. On the other hand, semiconductor exports likely bottomed in 2023 and are expected to re-accelerate in the year ahead.

South Korea GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Inflation declining toward target
	✓	Expected increase in semiconductor exports (1/5 of total goods exports)
	✓	Recovery in tourism industry
	✓	Falling energy import costs
	✗	Tighter monetary policy to weigh on domestic demand
	✗	Geopolitical uncertainty (global semiconductor supply chain, US-China relations)
	✗	Tepid external demand environment
	✗	Structural slowdown in China growth
	✗	Weaker consumer spending growth
	✗	80% increase in real estate prices over ~5 years (has increased household debt)
	✗	>80% of mortgages are floating rate

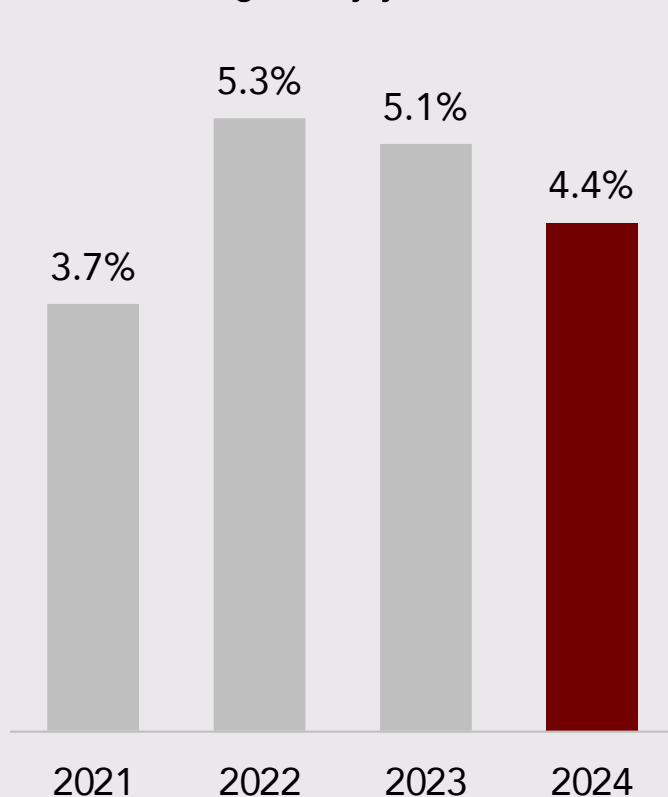
Source: (1) Oxford Economics. Data as of January 8, 2024. Yonhap News Agency, "IMF raises S. Korea's 2024 inflation forecast to 2.4 pct".

2024 Indonesia Growth Outlook



Indonesia's growth is expected to moderate below trend in 2024 but still benefit from strong and steady domestic demand. In contrast to a stronger domestic backdrop, the external environment is expected to soften with lower China growth and weaker commodity prices. The impact of tight monetary policy will drag on growth, but a focus on stabilizing the Rupiah will likely prevent Bank Indonesia from cutting rates until at least mid-2024.

Indonesia GDP growth, y/y



KEY DRIVERS OF 2024 OUTLOOK	✓	Strong and steady domestic demand
	✓	Supply chain diversification away from China
	✓	Inflation declining toward target
	✓	Commodity down streaming (nickel, coal)
	✓	Pre-election government spending
	✓	Demographics support growing labor force
	✓	Government projects supporting public investment
	✓	Tourism recovery to support service exports
	✓	Tax reforms supporting higher government revenue
	✗	Slower China growth to weigh on external demand
	✗	Monetary policy focus on stabilizing IDR (current account deficit in 2023 after two years of surplus)
	✗	Post-election revenue reform focus
	✗	External funding / sensitivity to global rate environment
	✗	Weaker commodity prices to challenge terms of trade

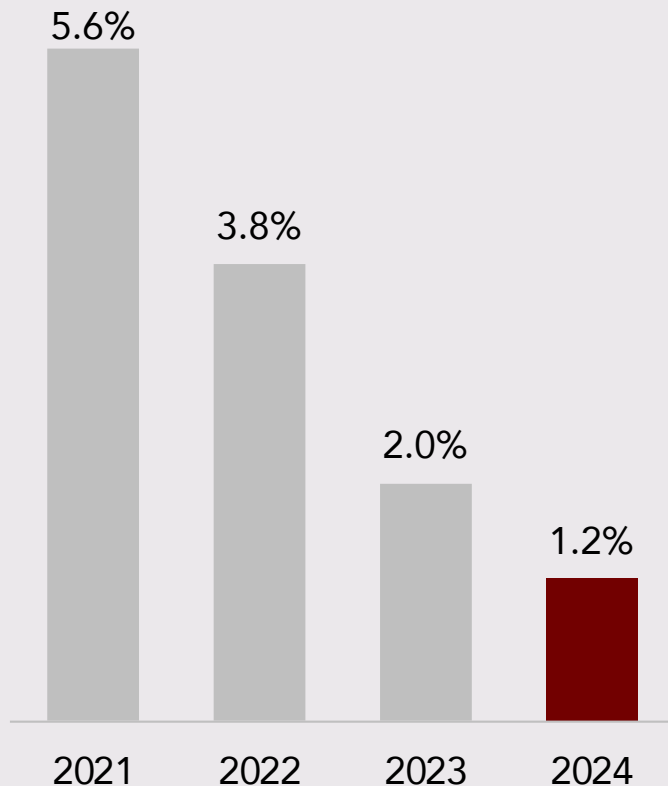
Source: (1) Oxford Economics. Data as of January 8, 2024.



2024 Australia Growth Outlook

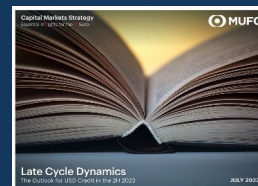
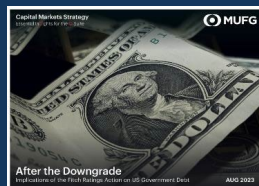
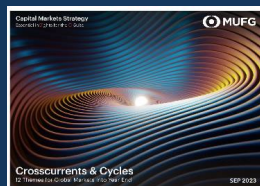
Cost-of-living subsidies supported households in 2023; however, the strength and breadth of core inflation pressures remains a concern for Australia and is likely to keep RBA policy relatively hawkish. While tight labor markets and strong population growth will support consumption, overall growth is expected to decelerate in 2024.

Australia GDP growth, y/y

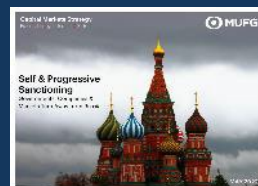
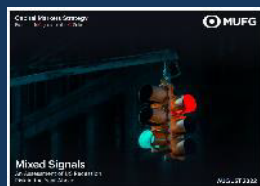
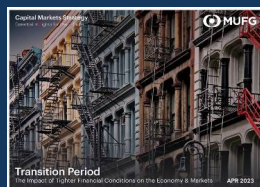
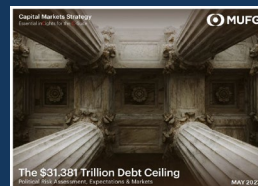


KEY DRIVERS OF 2024 OUTLOOK	✓	Rising real household income in 2024
	✓	Strong business investment intentions
	✓	Labor market showing early cooling signs, but still tight broadly (wage growth rising)
	✓	Strong population growth
	✓	Modestly stronger consumption growth in 2024
	✗	Inflation still elevated (above target)
	✗	RBA policy to remain restrictive
	✗	Stricter bank lending standards for household borrowing
	✗	Mortgage payments rising to >10% of disposable income
	✗	Weaker external demand, particularly with structurally weaker China
	✗	Savings rate below pre-COVID levels

Source: (1) Oxford Economics, "RBA's hike aims to deal with lingering inflation". Data as of January 8, 2024.



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About the Authors



Tom Joyce

Managing Director
Capital Markets Strategist
New York, NY

Tom.Joyce@mufgsecurities.com
(212) 405-7472

Role

Tom Joyce is a Managing Director and Capital Markets Strategist within MUFG's global capital markets and investment banking business. Based in New York, Tom heads a team that creates customized analytical content for multi-national S&P 500 companies. His team provides in depth analysis on the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Tom has over 25 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Over the last 15 years, Tom created and built the Capital Markets Strategy role, advising corporate C-Suite executives (Boards, CEOs, CFOs, and Treasurers) on the pervasive macro forces driving markets. Tom also presents at dozens of corporate events each year including Board meetings, CEO ExCo sessions, CFO and Treasury off-sites, corporate leadership events and conferences.

Education

Tom's educational background includes a year of study at Oxford University from 1991 - 1992, a Bachelor of Arts in Political Science from Holy Cross College in 1993, and a MBA from Kellogg Business School, Northwestern University in 2000.

Personal

Tom resides in New Canaan, CT with his wife and four sons, where he serves on the Board of Trustees of the New Canaan Library as well as the Holy Cross College President's Council.

About the Authors



Hailey Orr

Managing Director
Capital Markets Strategist
New York, NY

Hailey.Orr@mufgsecurities.com
(212) 405-7429

Role

Hailey Orr is a Managing Director in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Hailey has a decade of Wall Street experience, including three years as a Consumer Sector Specialist in Equity Sales and seven years as a Capital Markets Strategist. Hailey is also a member of MUFG's Inclusion & Diversity Council and has devoted years to participating in and developing Wall Street recruiting programs.

Education

Hailey graduated with honors from the University of Michigan's Ross School of Business with a BBA and a minor in International Studies.

Personal

In March 2020, Crain's New York Business Magazine named Hailey one of the "Rising Stars in Banking and Finance".

About the Authors



Stephanie Kendal

Vice President
Capital Markets Strategist
New York, NY

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Role

Stephanie Kendal is a Vice President in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Stephanie has spent over six years as a Capital Markets Strategist. She is an active member of the University of Michigan recruiting team and is focused on the diversity recruiting effort at MUFG. Stephanie is also a part of MUFG's DEI, Culture & Philanthropy (DCP) Council.

Education

Stephanie graduated with honors from the University of Michigan's Ross School of Business with a BBA.

Personal

Stephanie is actively involved in NYC's iMentor program, mentoring high school students with their journey to college graduation. She also volunteers at Experience Camps, a free summer camp program for grieving children.



Angela Sun

Analyst
Capital Markets Strategist
New York, NY

Angela.Sun@mufgsecurities.com
(212) 405-6952

Role

Angela Sun is an Analyst in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Angela previously interned at MUFG working in Capital Markets within the Equity Capital Markets and Leveraged Finance divisions. She is also an active member of the Carnegie Mellon University recruiting team.

Education

Angela graduated with honors from Carnegie Mellon University's Tepper School of Business with a BS in Business Administration with an additional major in Statistics and a minor in Media Design. She was a member of Alpha Kappa Psi business fraternity and the Undergraduate Entrepreneurship Association.

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