



MUFG Bank Economic Research Office

Global Economic Outlook Q1 2024 - Americas

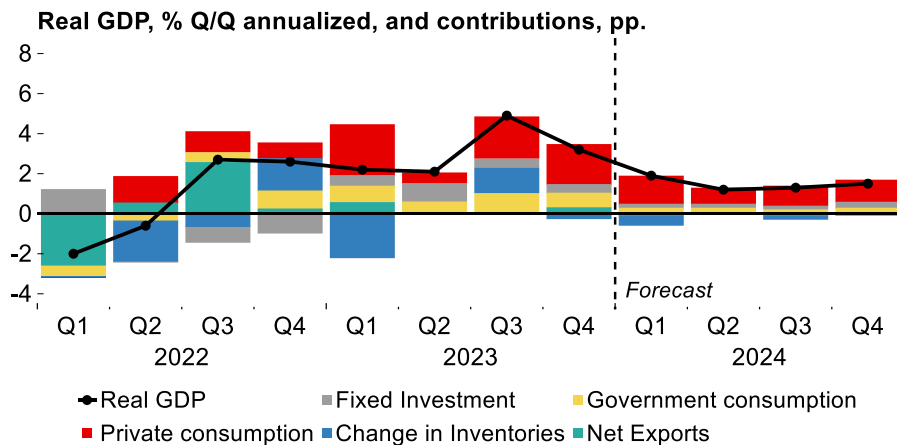
14 March 2024

(Original Japanese version released 29 February 2024)

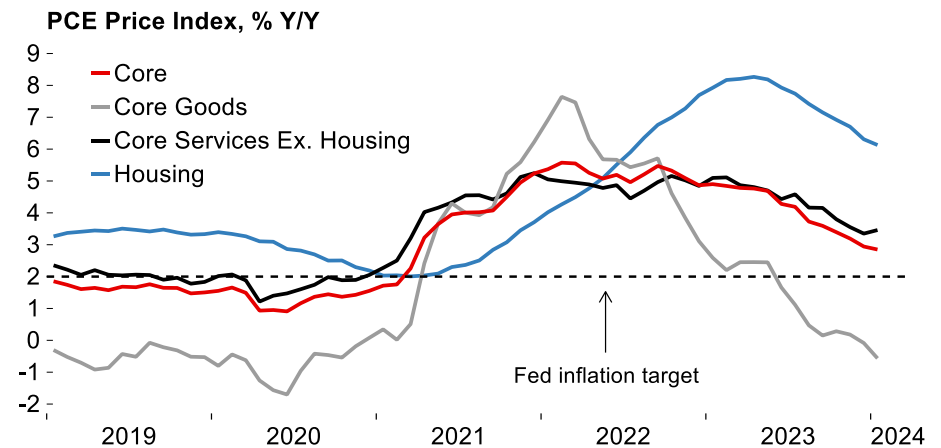
United States

The spending momentum is expected to slow in 2024, but aggressive rate cuts are unlikely

- The US economy continued to grow above potential, with real GDP expanding at an annualized rate of 3.2% in Q4 2023 (second estimate). **Personal consumption propelled overall growth**, expanding at an annual rate of 3.0% while annual PCE inflation eased to 2.8% in Q4 (down from 3.3% in Q3). The labor market has maintained full employment levels, and **ongoing labor shortages have kept wage growth elevated above inflation**.
- Looking ahead, high interest rates and stricter lending standards will continue to weigh on fixed investment growth. The **depletion of excess household savings** and **deteriorating credit conditions** will put downward pressure on personal consumption, contributing to a **slowdown in economic growth by mid-2024**. However, **the economy is set to avoid a contraction**, supported by low unemployment, easing inflation, and real wage growth. Real GDP is expected to grow by 2.3% in 2024, compared to 2.5% in 2023.
- The Federal Reserve is expected to maintain a “higher for longer” policy stance while the labor market remains tight and inflationary pressures persist, especially from the services sector. The **first rate cut is not expected until mid-2024**, when annual growth in the PCE deflator approaches near 2% and the unemployment rate begins to rise. Additional rate cuts are expected to occur at a moderate pace thereafter.



Source: BEA, MUFG Bank Economic Research Office

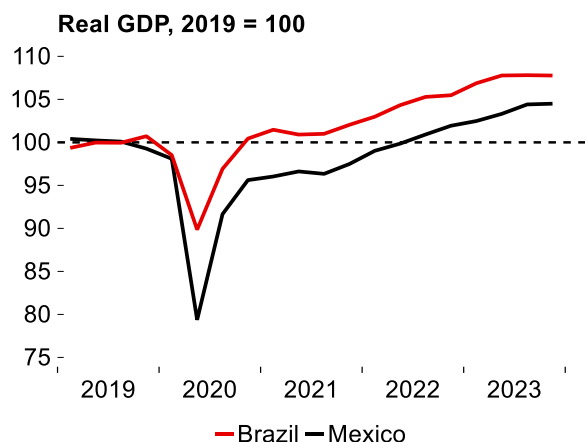


Source: BEA, MUFG Bank Economic Research Office

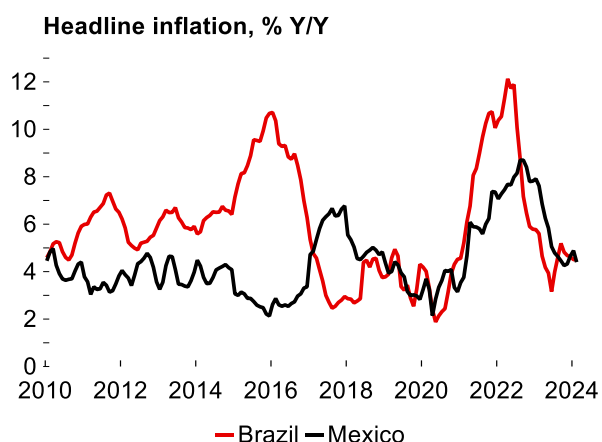
Latin America

Growth in both Brazil and Mexico is set to slow this year

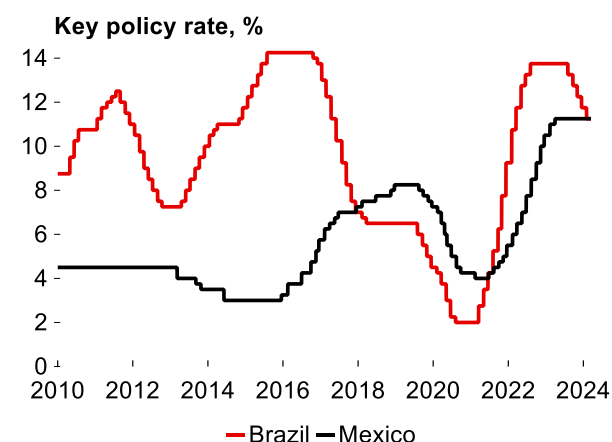
- **The Brazilian economy was stagnant in the second half of 2023.** Domestic demand is expected to be a drag on growth in early 2024, with private consumption having contracted in Q4 of last year. Exports growth slowed in late 2023, but fixed investments growth edged up into positive territory in Q4 after the Brazilian central bank started cutting the benchmark rate in August. **We expect growth to gradually recover by the second half of 2024,** when the effects of rate cuts feed into the broader economy. Real GDP growth is expected to slow to 1.5% in 2024, down from 2.9% in 2023.
- **Strong wage growth propelled private consumption and the overall Mexican economy in 2023.** Growth in fixed investments was also strong, supported by businesses “nearshoring” their global supply chains. Inflation accelerated a bit at the start of 2024, but the momentum of core prices continues to be disinflationary. We expect annual price growth to fall to 3.8% in 2024, down from 5.5% in 2023. Despite this, **high interest rates and an expected deceleration of the US economy will likely weigh on Mexico’s economy.** Growth in GDP is expected to slow to 2.0% in 2024, down from 3.3% in 2023.



Source: Macrobond, MUFG Bank Economic Research Office



Source: Macrobond, MUFG Bank Economic Research Office



Source: Macrobond, MUFG Bank Economic Research Office

Appendix - Forecast tables

United States – Detailed forecasts

	2022				2023				2024				2022	2023	2024f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	-2.0	-0.6	2.7	2.6	2.2	2.1	4.9	3.2	1.9	1.2	1.3	1.5	1.9	2.5	2.3
Personal Consumption Expenditures	0.0	2.0	1.6	1.2	3.8	0.8	3.1	3.0	2.1	1.2	1.4	1.6	2.5	2.2	2.0
Fixed Investment (Residential)	-1.8	-14.1	-26.4	-24.9	-5.3	-2.2	6.7	2.9	1.0	0.5	1.6	2.0	-9.0	-10.6	1.9
Fixed Investment (Nonresidential)	10.7	5.3	4.7	1.7	5.7	7.4	1.4	2.4	1.2	1.0	1.2	1.5	5.2	4.4	1.8
Changes in Private Inventories (Contribution)	-0.1	-2.1	-0.7	1.6	-2.2	0.0	1.3	-0.3	0.0	-0.1	0.0	0.0	0.6	-0.3	0.1
Government Expenditures	-2.9	-1.9	2.9	5.3	4.8	3.3	5.8	4.2	1.9	1.8	1.3	1.5	-0.9	4.0	2.8
Net Exports (Contribution)	-2.6	0.6	2.6	0.3	0.6	0.0	0.0	0.3	-0.1	0.0	-0.1	-0.1	-0.5	0.6	0.0
Exports	-4.6	10.6	16.2	-3.5	6.8	-9.3	5.4	6.4	1.7	0.9	1.7	1.9	7.0	2.7	2.1
Imports	14.7	4.1	-4.8	-4.3	1.3	-7.6	4.2	2.7	1.7	0.7	1.8	2.2	8.6	-1.6	1.4
Final sales to private domestic purchasers	1.5	1.5	0.3	-0.2	3.6	1.7	3.0	2.9	4.4	1.0	1.4	1.6	2.3	1.9	2.6
Nominal GDP (QoQ annualized, %)	6.2	8.5	7.2	6.5	6.3	3.8	8.3	4.9	4.3	3.4	3.6	3.7	9.1	6.3	4.6
Industrial Production (QoQ annualized, %)	3.7	4.1	2.1	-2.5	-0.3	0.8	1.5	-2.3	-0.6	0.6	1.7	1.8	3.4	0.2	0.1
Unemployment Rate (%)	3.8	3.7	3.6	3.6	3.5	3.6	3.7	3.8	3.8	4.0	4.2	4.2	3.6	3.6	4.1
Producer Price Index (YoY, %)	10.7	11.2	9.0	7.3	4.4	1.2	1.6	0.9	1.1	1.8	1.3	1.7	9.5	2.0	1.5
Consumer Price Index (YoY, %)	8.0	8.6	8.3	7.1	5.8	4.0	3.5	3.2	3.0	2.9	2.6	2.5	8.0	4.1	2.8
Balance of Payments															
Trade Balance, Goods (USD billions)	-3,328	-3,089	-2,672	-2,741	-2,616	-2,739	-2,593	-2,669	-2,662	-2,661	-2,654	-2,644	-11,830	-10,617	-10,621
Current Account (USD billions)	-2,839	-2,488	-2,228	-2,162	-2,145	-2,168	-2,003	-2,079	-2,062	-2,051	-2,034	-2,014	-9,716	-8,394	-8,161
Financial Indicators															
Federal Funds Rate (upper limit, %)	0.50	1.75	3.25	4.50	5.00	5.25	5.50	5.50	5.50	5.25	5.00	4.75	4.50	5.50	4.75
3-Month Eurodollar Libor Rate (%)	0.3	1.3	2.8	4.2	4.8	5.1	5.4	5.3	5.3	5.2	4.9	4.7	2.2	5.2	5.0
10-Year Treasury Yield (%)	1.9	2.9	3.1	3.8	3.6	3.6	4.1	4.4	4.2	4.2	4.1	4.0	2.9	4.0	4.1

Note: Federal Funds Target Rate is for end of the period, and 3-Month Eurodollar Libor Rate and 10-Year Treasury Yield are period average. Current account balance for 4Q 2023 is a forecast.

Source: Compiled by MUFG Bank Economic Research Office from various reports and Bloomberg

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)				CPI (% Y/Y)		
	2022	2023	2024f		2022	2023	2024f
World	3.4	3.2	2.9	World	6.4	4.6	3.3
Advanced economies	2.5	1.6	1.4	Advanced economies	7.2	4.6	2.5
Emerging economies	4.3	4.9	4.5	Emerging economies	5.5	4.7	4.0
US	1.9	2.5	2.3	US	8.0	4.1	2.8
Japan (FY)	1.5	1.2	0.3	Japan (FY)	3.0	2.8	2.4
Euro area	3.4	0.5	0.4	Euro area	8.4	5.5	2.2
Germany	1.8	-0.3	0.2	Germany	8.6	6.1	2.4
France	2.5	0.9	0.7	France	5.9	5.7	2.4
Italy	3.7	0.7	0.5	Italy	8.7	6.0	2.0
UK	4.3	0.1	0.3	UK	9.1	7.3	2.6
Asia (11 economies)	4.2	5.0	4.7	Asia (11 economies)	3.6	2.1	2.2
China	3.0	5.2	4.6	China	2.0	0.2	1.0
India (FY)	7.2	6.6	6.3	India	6.7	5.3	4.7
NIEs (4 economies)	2.2	1.5	2.6	NIEs (4 economies)	4.3	3.3	2.3
South Korea	2.6	1.4	2.2	South Korea	5.1	3.6	2.6
Taiwan	2.6	1.4	3.1	Taiwan	2.9	2.5	1.9
Hong Kong SAR	-3.7	3.2	2.9	Hong Kong SAR	1.9	2.1	2.1
Singapore	3.8	1.1	2.5	Singapore	6.1	4.8	2.8
ASEAN 5	6.0	4.4	5.0	ASEAN 5	4.5	3.4	2.7
Indonesia	5.3	5.0	5.0	Indonesia	4.2	3.7	3.0
Thailand	2.6	1.9	3.4	Thailand	6.1	1.2	1.3
Malaysia	8.7	3.7	4.4	Malaysia	3.4	2.5	2.1
Philippines	7.6	5.6	5.8	Philippines	5.8	6.0	3.5
Vietnam	8.0	5.0	6.3	Vietnam	3.2	3.3	3.4
Australia	3.8	2.0	1.4	Australia	6.6	5.6	3.5
Latin America (6 economies)	3.7	2.0	1.9	Latin America (6 economies)	15.6	18.0	13.5
Brazil	3.0	2.9	1.5	Brazil	9.3	4.6	4.4
Mexico	3.9	3.3	2.0	Mexico	7.9	5.6	3.8

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