Global Economic Outlook

Q3 2026

September 9, 2026

(Original Japanese version released August 31, 2026)

MUFG

Global summary

The global economy remains resilient despite energy-related headwinds from the Middle East

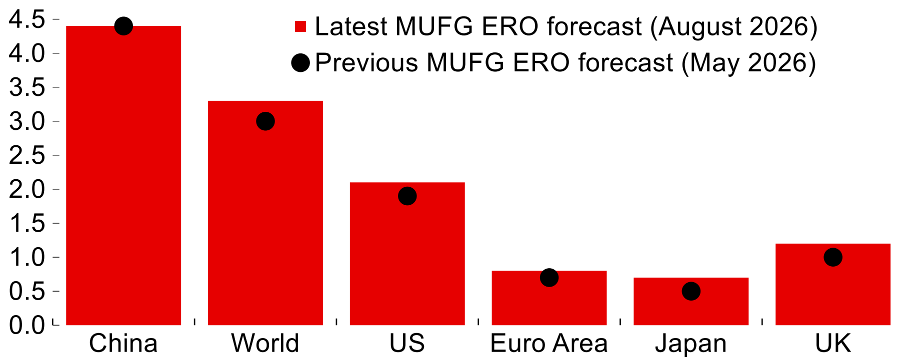
- **The global economy has remained resilient despite higher commodity prices and supply disruptions caused by the conflict in the Middle East. Strong AI-related investment continues to provide a boost, while easing inflation and supportive policy will be an additional tailwind. Our baseline assumes no significant escalation in geopolitical tensions, allowing for a gradual recovery in crude oil supply. We also assume broad stability in US trade policies, alongside continued investment in AI and in areas such as decarbonization, digitalization and economic security.**
- **Growth is increasingly being driven by sectors linked to AI, particularly through capital expenditure in the United States and semiconductor exports across Asia. While the pace of investment is likely to moderate from exceptionally strong levels recently, demand appears sufficiently broad-based for AI to become an increasingly important component of economic activity. In Japan, rising wages and investments aimed at lifting productive capacity will provide support to consumers and firms, opposing pressures from higher import costs and labor shortages.**
- **Inflation remains subject to developments in energy markets and AI-related investment. Oil supply is expected to recover gradually through 2027 as Middle Eastern exports normalize and non-OPEC+ producers provide additional support. However, WTI prices are likely to stabilize in the low $70/bbl range, above the pre-conflict average of around $60/bbl, due to a persistent geopolitical risk premium. At the same time, demand for semiconductors, electricity and data-centre capacity is contributing to tighter supply conditions in selected sectors.**
- **Monetary policy is expected to remain cautious as central banks balance moderating inflation against lingering uncertainty around energy prices and supply-side pressures. The Fed is likely to keep rates unchanged in the near term. The ECB is set to deliver one additional hike before entering an extended pause, with the deposit rate converging towards neutral next year. In contrast, the BoJ will continue its gradual normalisation cycle, with further rate increases supported by stronger wage growth and firmer underlying inflation. However, the pace of tightening could accelerate if domestic price pressures prove more persistent than expected.**
- **The balance of risks remains highly dependent on geopolitical developments and the durability of the AI investment cycle. Further disruptions in the Middle East could reignite pressures on commodity prices and global supply chains. At the same time, expectations for AI-related profitability remain exceptionally high. Should actual returns fall short of assumptions, a slowdown in investment and a reassessment of technology-sector valuations could weigh on business spending, financial conditions and confidence more broadly. Policy uncertainty in the United States and expansionary fiscal measures in several major economies could further amplify market volatility.**

Key changes to our outlook

Growth revised up on resilient activity, while inflation is revised down as energy pressures ease

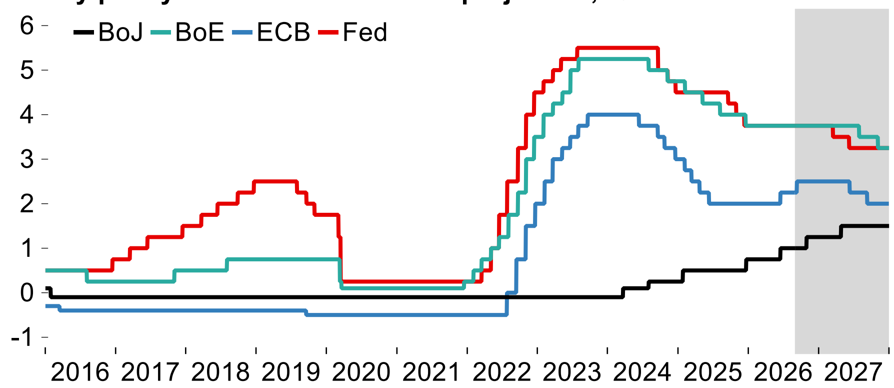
- **Growth:** We upgraded our 2026 real GDP forecast for the global economy to 3.3% y/y (+0.3% points) and left it unchanged at 3.1% y/y in 2027. This reflects greater resilience than expected in major economies in 2026, with US growth revised up to 2.1% y/y (+0.2% points), euro area to 0.8% y/y (+0.1% points) and Japan (FY) to 0.7% (+0.2% points). By contrast, the Chinese economy has been hindered by domestic headwinds, leading us to maintain our forecast of real GDP growth at 4.4% y/y for 2026 and 4.2% y/y for 2027.
- **Inflation:** We revised our global inflation forecast downwards to 2.7% y/y in 2026 (-0.2% points) and 2.2% y/y in 2027 (-0.1% points). The anticipated easing of energy price pressures should support continued disinflation, with average inflation in 2026 projected at 2.8% y/y in the euro area (-0.1% points) and 3.4% y/y in the US (-0.1% points).
- **Monetary policy:** We still expect the Federal Reserve to keep its policy rate unchanged through the rest of this year, and to resume easing in 2027. However, renewed inflationary pressures could prompt a more hawkish stance. Following a 25bp rate hike in June, the ECB left rates unchanged in July, and we expect a further 25bp hike in September, as inflation remains above target and economic activity has proven resilient. Thereafter, rates are expected to remain on hold before gradually converging towards a neutral level from around the middle of next year. In Japan, the BoJ is expected to continue its gradual normalization process, with an additional rate hike likely by October and another increase around next spring, bringing the policy rate to 1.50%. Stronger price pass-through and AI-related demand pressures could lead to a faster pace of tightening and to a higher terminal rate.

Real GDP, 2026 forecast, % Y/Y



Note: Forecasts for Japan are for the fiscal year
Source: Macrobond, MUFG Bank Economic Research Office

Key policy rates and MUFG ERO projection, %



Source: Macrobond, MUFG Bank Economic Research Office

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Our key projections - GDP & inflation

AI investment offsets the growth drag from the energy shock but complicates the inflation outlook

	GDP (% Y/Y)		
	2025	2026f	2027f
World	3.5	3.3	3.1
US	2.1	2.1	2.0
Euro area	1.2	0.8	1.2
Germany	0.2	0.9	1.2
France	0.8	0.6	0.9
Italy	0.5	0.9	0.7
UK	1.3	1.2	1.2
Japan (FY)	0.9	0.7	0.9
India (FY)	7.7	6.4	6.5
China	5.0	4.4	4.2
ASEAN 5	5.0	4.7	4.8
Indonesia	5.1	5.0	5.0
Thailand	2.4	1.9	2.1
Malaysia	5.2	4.9	4.6
Philippines	4.4	3.5	5.2
Vietnam	8.0	7.4	6.7

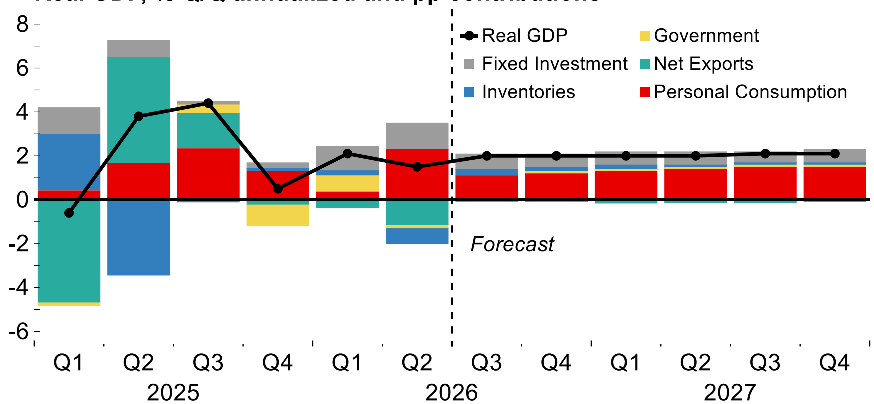
	CPI (% Y/Y)		
	2025	2026f	2027f
World	1.9	2.7	2.2
US	2.7	3.4	2.3
Euro area	2.1	2.8	2.2
Germany	2.3	2.8	2.3
France	0.9	2.4	2.0
Italy	1.6	2.8	2.0
UK	3.4	3.0	2.4
Japan (FY)	2.7	2.3	1.1
India (FY)	2.2	4.8	4.4
China	0.0	1.0	1.0
ASEAN 5	1.7	3.6	2.7
Indonesia	1.9	3.4	2.7
Thailand	-0.1	2.6	1.4
Malaysia	1.4	2.0	2.0
Philippines	1.7	5.8	3.7
Vietnam	3.3	4.6	3.7

United States

Growth is set to ease but expected to remain resilient

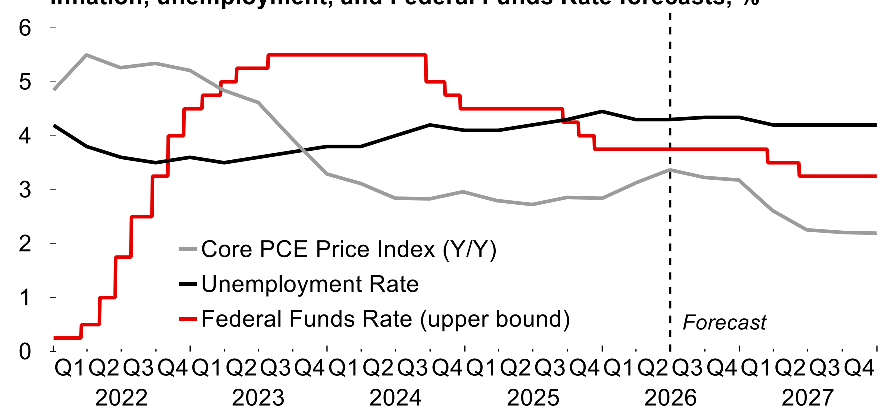
- Real GDP growth was 1.5% q/q annualized in Q2, down from 2.1% in Q1, largely due to inventory drawdowns and higher imports. Despite the deceleration in headline growth, underlying demand remained strong, with final private domestic demand rising 4.2%. Looking ahead, a softer labor market and the impact of elevated inflation on real incomes may weigh on near-term growth. As geopolitical uncertainties and inflation pressures ease, we expect only a moderate slowdown, supported by steady AI-related investments. Accordingly, we project real GDP growth of 2.1% y/y in 2026 and 2.0% in 2027.
- Following recent energy price spikes, inflation has moderated, with headline CPI slowing to 3.4% y/y and core CPI to 2.5% in July. While select prices including used cars and medical services saw increases, underlying inflation pressures appear contained. With housing inflation and producer-price pressures continuing to ease, inflation expectations have remained stable. Still, upside risks remain from a re-escalation of conflict in the Middle East and robust AI-related demand. Overall, core PCE inflation is projected to decelerate to the low 2% range by the second half of 2027.
- The Fed kept its policy rate unchanged at 3.50–3.75%, maintaining its wait-and-see stance. Recent communications confirm that policymakers are focused on the inflation side of the Fed's dual mandate. While recent data suggest easing labor market and inflation pressures, the Fed is likely to continue assessing underlying inflation trends when considering further policy adjustments. Our base case is for the Fed to keep rates on hold for the rest of the year, before gradually resuming cuts as disinflation becomes more firmly established. However, should inflationary pressures re-emerge, the possibility of further policy tightening cannot be ruled out.

Real GDP, % Q/Q annualized and pp contributions



Source: BEA, Macrobond, MUFG Bank Economic Research Office

Inflation, unemployment, and Federal Funds Rate forecasts, %



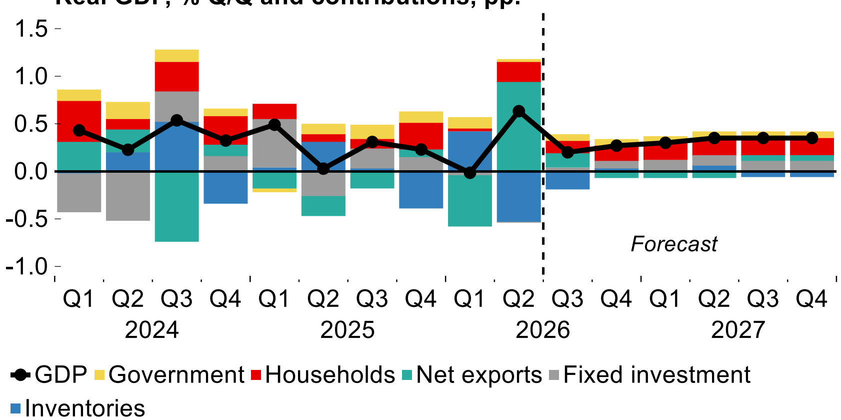
Source: BLS, BEA, Federal Reserve, Macrobond, MUFG Bank Economic Research Office

Euro area

Above target inflation and resilient activity support a final ECB hike

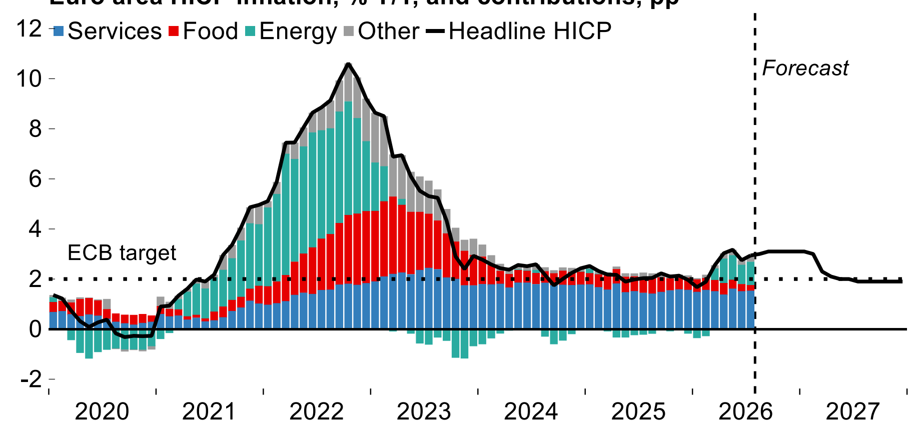
- Economic growth in the euro area accelerated in Q2 2026, with real GDP expanding by 0.6% q/q (2.6% q/q annualized) after stagnating in the first quarter. Growth remained resilient as the conflict in the Middle East appears to have had a more limited impact on economic activity than initially feared.
- Looking ahead, elevated energy prices and tighter financial conditions are expected to weigh on both household consumption and business investment. However, economic activity should recover gradually through 2027 as the effects of the Middle East shock fade and fiscal stimulus in Germany provides additional support to domestic demand. We forecast real GDP growth of 0.8% in 2026 and 1.2% in 2027.
- Risks to the outlook include supply chain disruptions and electricity shortages linked to summer heatwaves, as well as another rise in inflation rates due to upward pressure on natural gas prices in the winter resulting from relatively low inventories. In addition, there is a risk of a deterioration in trade relations with the US that leads to higher tariffs and weaker exports, and increased political uncertainty ahead of elections, including the French presidential election.
- The European Central Bank is set to raise the deposit facility rate to 2.5% at its September meeting, as headline inflation remains above target while recent growth and survey data point to resilient economic activity. As energy price pressures gradually ease and inflation moves back towards target, we expect the ECB to reverse the tightening and lower the deposit rate to its estimated neutral level of around 2.0% in 2027.

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



Source: Eurostat, MUFG Bank Economic Research Office

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



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

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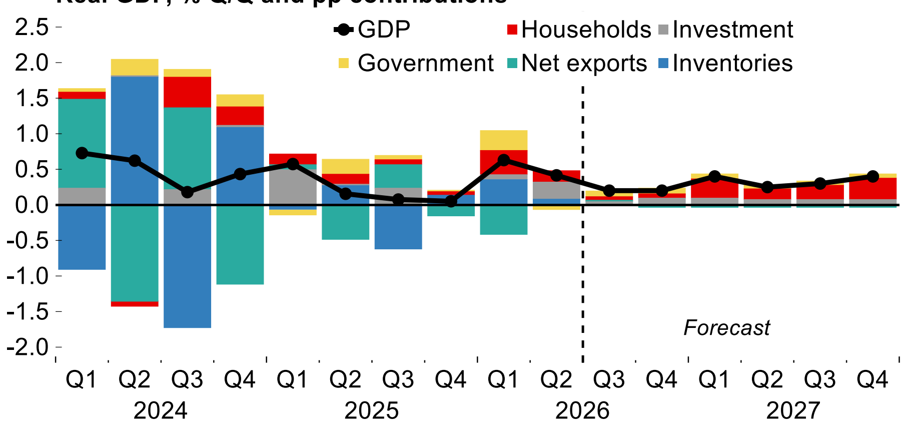
United Kingdom

Energy-driven inflation will peak in late 2026 before easing gradually

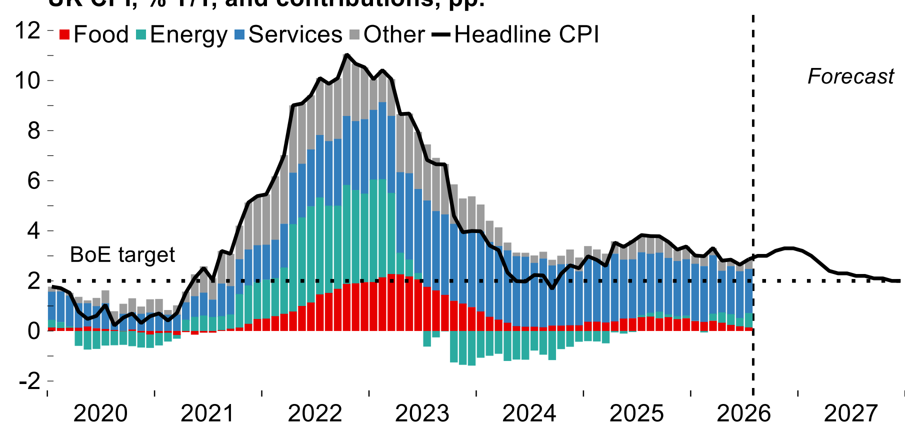
- Growth in the UK slowed to 0.4% q/q (1.7% q/q annualized) in Q2 2026 from 0.6% q/q (2.5% q/q annualized) in Q1. Activity was weighed down by weaker household and business sentiment following the conflict in the Middle East, although the overall impact on domestic demand appears to have been limited.
- Inflation is expected to rise further and peak towards the end of 2026, remaining above the Bank of England's 2% target until the second half of next year. However, the recent increase in inflation has been driven primarily by higher energy prices and the government's decision to raise the cap on household energy bills. Services inflation continues to moderate and there is limited evidence of second-round effects. Combined with signs of softness in the labor market, this allows the BoE to keep the policy rate unchanged at its current, moderately restrictive level. As inflation subsides in 2027, the Bank is likely to resume its easing cycle, taking the Bank Rate to 3.25%. We forecast real GDP growth of 1.2% in both 2026 and 2027, as the strong growth earlier this year is offset by the effects of prolonged restrictive monetary policy.
- A number of risks continue to cloud the outlook. As elsewhere in Europe, a particularly cold winter could put upward pressure on natural gas prices. Fiscal policy and the risk of financial market instability will also be important sources of uncertainty as the new Burnham government seeks to balance support for growth with limited fiscal headroom.

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

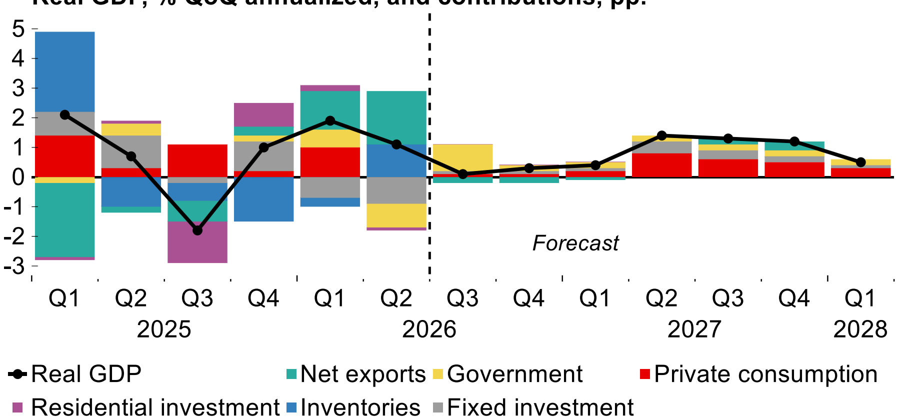
Growth supported by wages and investment, though risks remain

- The Japanese economy grew at an annualized rate of 1.1% q/q in Q2, marking a third consecutive quarter of positive growth. There was a modest decline in private consumption following weaker household sentiment related to tensions in the Middle East. Business and residential investment also fell, leaving domestic demand subdued. Meanwhile, continued growth in exports and lower crude oil imports boosted growth through a positive contribution from net exports. Looking ahead, growth may remain volatile due to fluctuations in crude oil imports. However, the planned consumption tax cut on food and government cost-of-living measures, strong wage growth, and firms' solid investment appetite should support the economy. That said, risks remain from higher resource prices linked to Middle East tensions. We forecast real GDP growth at 0.7% y/y in FY2026 and 0.9% in FY2027.

- Core CPI (ex. fresh food) rose 1.8% y/y in July. Looking ahead, food and goods are expected to remain key drivers of inflation, with persistent labor shortages continuing to support services inflation. The lagged impact of higher commodity prices is expected to push core CPI above 3% in the second half of FY2026. While core CPI is expected to remain around 2% in FY2027, the planned consumption tax cut on food is likely to lower its growth to below the mid-1% range, although the magnitude of its impact remains uncertain.

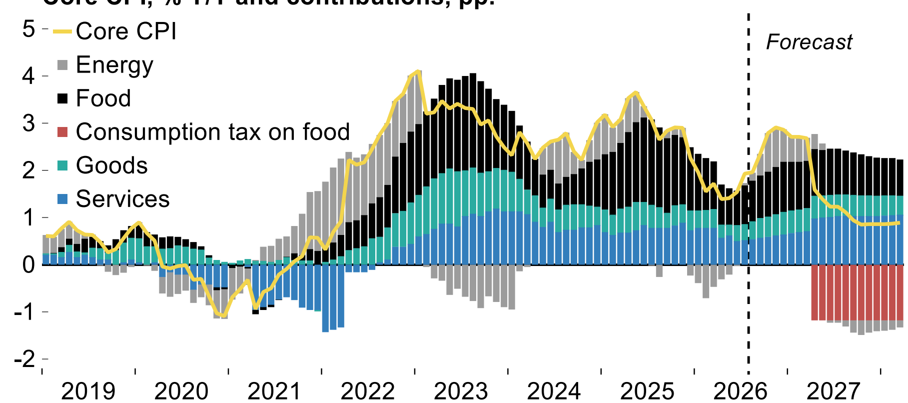
- Following the July policy meeting, Governor Ueda suggested that the timing of additional rate hikes could be brought forward depending on incoming developments. We expect the BoJ to raise rates by October as it assesses the impact of Middle East tensions and gains confidence that underlying inflation is approaching 2%, followed by another hike around next spring after confirming continued wage growth.

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



Source: Japan Cabinet Office, MUFG Bank Economic Research Office

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

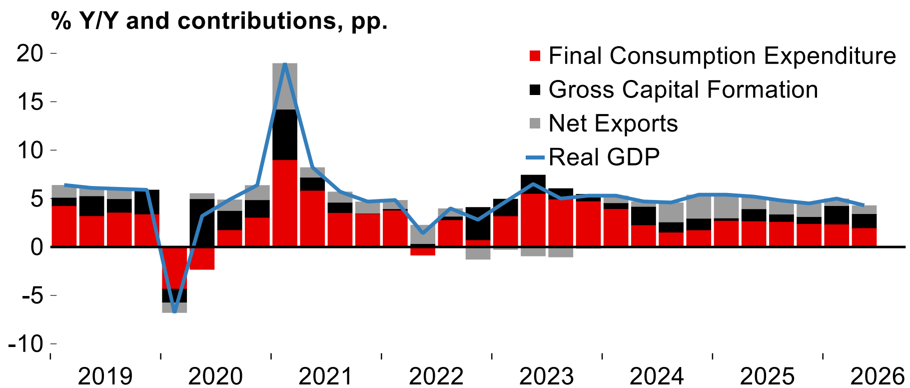


Note: Assumes a consumption tax cut on food will be implemented for two years from April 2027
Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

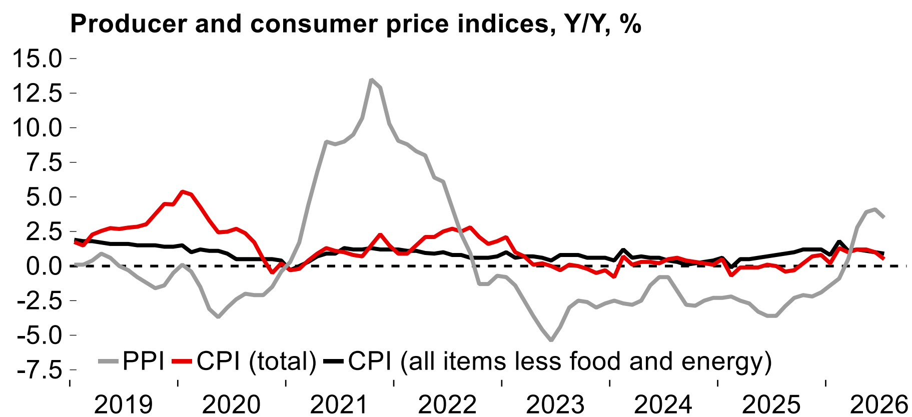
China

Chinese economy to decelerate gradually as government navigates structural and global pressures

- Economic growth in China slowed in the second quarter of 2026 to 4.3% y/y from 5.0% y/y the previous quarter. Although business results in 1H were generally robust, the picture across industries was mixed – AI-related sectors benefitting from increased global demand while the automotive and construction materials industries remained sluggish.
- We expect the Chinese economy will slow gradually as the soft labor market drags on growth amid demographic challenges and the real estate downturn. The government and central bank will likely respond with flexible fiscal and monetary policy to underpin the economy against downward pressure from the Middle East conflict and US tariff policy. We forecast real GDP growth of 4.4% y/y in 2026 and 4.2% y/y in 2027.
- Thanks to relatively high oil inventories, China is reducing its oil imports and there are signs that the inflation rate has peaked. If there is an escalation in the Middle East conflict, we expect the Chinese government will take measures to curb any spillover effects. In addition, if the US raises its tariff rates on Chinese goods again, there is a risk China will increase its exports of cheap goods to third countries and reduce its imports, amplifying negative spillovers to the global economy. At the same time, however, we expect the Chinese government will strengthen or adjust its policies to manage the growth of the Chinese economy as a whole.



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



Source: China National Bureau of Statistics (NBS), MUFG Bank Economic Research Office

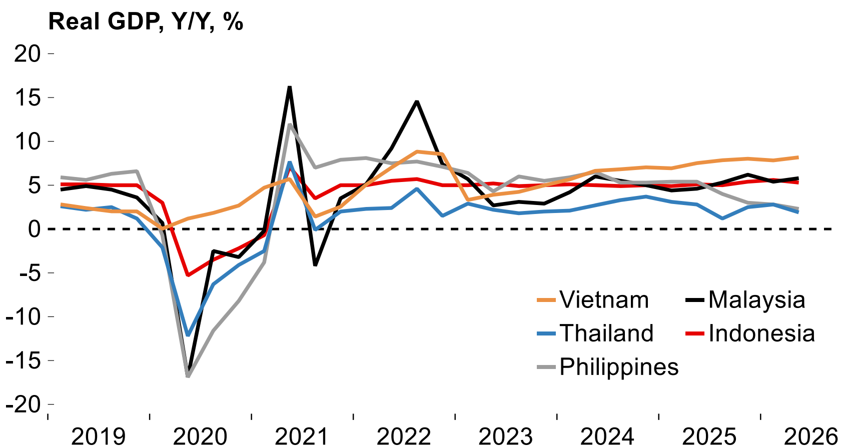
ASEAN economies

ASEAN economies remain resilient despite a rise in prices, geopolitical risks and weaker foreign demand

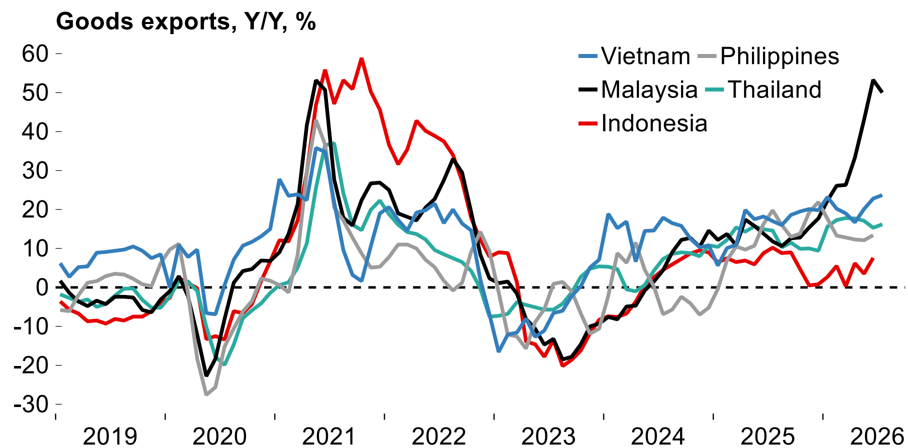
- Real GDP growth slowed in Indonesia, Thailand and the Philippines in Q2 as a rise in prices triggered by the situation in the Middle East put downward pressure on economic activities. Still, ASEAN economies remained resilient overall as governments introduced measures to curb inflation, alternative supplies of oil and other commodities were secured, and AI-related demand supported exports and investments.

- Looking ahead, while we expect AI-related demand will continue to underpin some ASEAN economies, we expect downward pressure on consumption from the high inflation rates in 2026 and government policies to curb demand. In addition, foreign demand will likely face headwinds from higher transportation costs, which could constrain both logistics and tourism. As a result, we forecast real GDP growth will slow to 4.7% y/y in 2026 before recovering to 4.8% y/y in 2027, as the effects of the Middle East conflict fade and AI-related demand provides continued support.

- In addition to the risks to ASEAN economies from the conflict in the Middle East and a slowdown in AI-related demand, there are also downside risks to industries and labor – particularly in manufacturing – from US restrictions on Chinese imports routed through the region as well as increased inflows of cheap Chinese goods. There is also the possibility of downward pressure on economies from the effects of an historically strong El Niño.



Source: Macrobond, MUFG Bank Economic Research Office



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

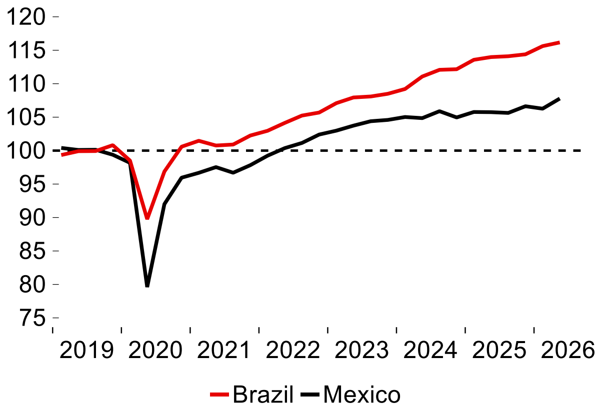
Latin America

Resilient growth outlook despite persistent inflation risks

- Brazil's GDP growth remained steady at 1.8% y/y in Q1 2026. Stronger private consumption and solid exports, particularly to China, helped offset continued weakness in fixed investment. Inflation rose to 4.6% y/y in June, while core inflation remained sticky amid a tight labor market. Although the central bank began cutting rates in March, it has maintained a cautious stance given elevated uncertainty, particularly surrounding the inflation outlook. Looking ahead, high interest rates are expected to weigh on activity, but growth should remain resilient, supported by solid exports. We expect real GDP growth at 2.2% in 2026 and 1.9% in 2027. Key risks include weaker agricultural output due to El Niño and increased interest-rate volatility linked to fiscal policy uncertainty ahead of the presidential election.

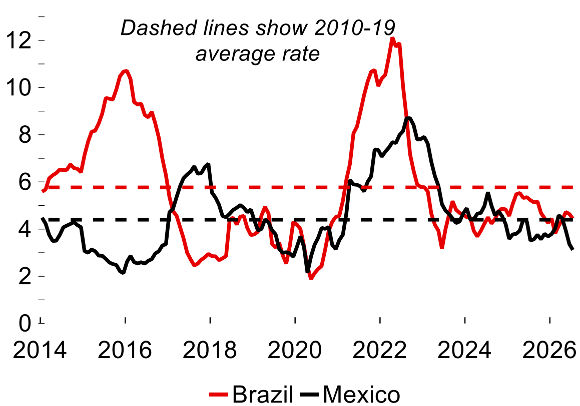
- Mexico's GDP growth accelerated to 2.2% y/y in Q2 2026, with fixed investment returning to growth and demand related to the FIFA World Cup supporting activity. Inflation rose to 4.6% y/y in March amid higher energy prices but eased to 3.4% in June. However, core inflation has remained in the low-4% range, prompting the Bank of Mexico to signal that policy rates will remain on hold for now. Looking ahead, the drag from US tariff-related investment weakness appears to have faded, while strong semiconductor-related exports to the US should support activity. As a result, we expect real GDP growth to recover gradually to 1.3% in 2026 and 1.8% in 2027. However, higher food prices associated with El Niño could weigh on private consumption through higher inflation in 2027.

Real GDP, 2019 = 100



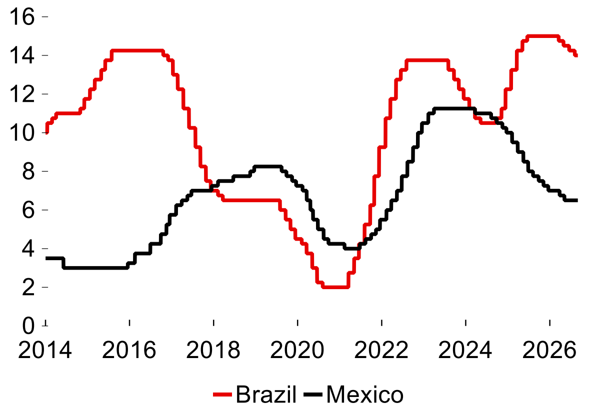
Source: IBGE, INEGI, MUFG Bank Economic Research Office

Headline inflation, % Y/Y



Source: IBGE, INEGI, MUFG Bank Economic Research Office

Key policy rate, %



Source: Macrobond, MUFG Bank Economic Research Office

Oil market

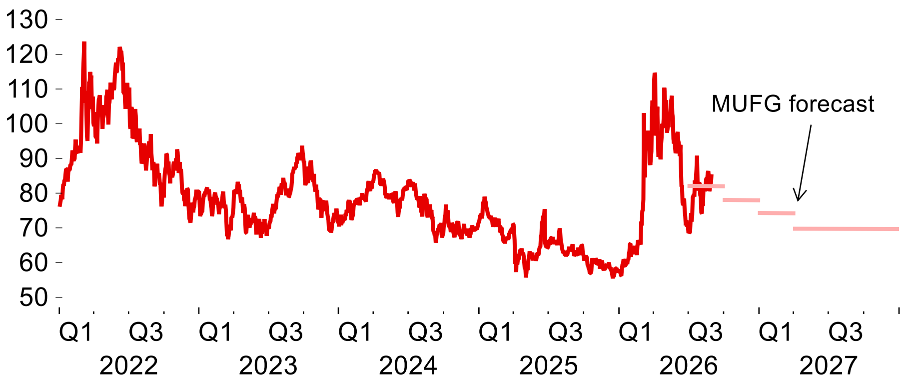
Geopolitical uncertainty keeps the global oil market on a rocky recovery path

- Regional crude supply in the Middle East has recovered to roughly 70% of pre-conflict levels (approximately 34.5 million barrels per day). However, renewed U.S.-Iran tensions, limited progress toward a diplomatic agreement, and risks to shipping through the Bab el-Mandeb Strait continue to cloud the outlook for Middle Eastern supply and the broader oil market.

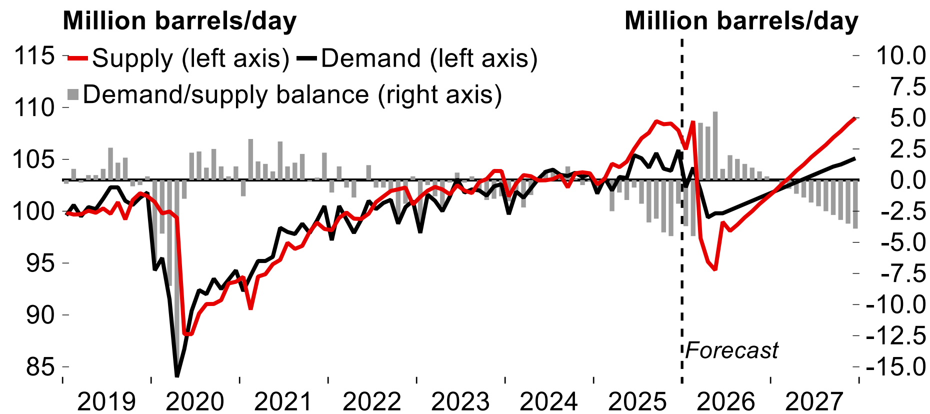
- Assuming neither side seeks to completely disrupt oil flows, OPEC+ supply should gradually recover, albeit unevenly, as concerns over export constraints persist while the Strait of Hormuz blockade remains a key bargaining tool for negotiations. Outside the Middle East, we anticipate US shale oil production to increase as oil prices remain above the break-even cost for new drilling (around USD 66/bbl). However, we expect the increase to be modest, as sentiment among shale producers revealed to be cautious. Boosted activity from other oil-producing countries like Canada and Brazil is likely to further support global supply.

- Global crude oil demand has partially recovered from the decline at the start of the conflict, though it remains below pre-conflict levels. Looking ahead, demand should continue growing moderately in line with global economic growth. At the same time, inventory rebuilding is likely to help cushion oil-price volatility. Oil prices likely peaked in Q2 this year and should ease through next year as oil supply gradually recovers and global supply-demand conditions move back towards balance. We expect prices to remain above the pre-conflict level of around USD 60/bbl, settling in the low USD 70s/bbl, as the risk of a renewed closure of the Strait of Hormuz remains priced in. If a full agreement is reached between the U.S. and Iran, the risk premium currently factored in should disappear, but if the situation escalates again, the premium may rise.

WTI spot price, close, USD/barrel



Source: Macrobond, MUFG Bank Economic Research Office



Source: EIA, Energy Institute, MUFG Bank Economic Research Office

MUFG Projections

MUFG Bank GDP & Inflation projections

	GDP (% Y/Y)				CPI (% Y/Y)		
	2025	2026f	2027f		2025	2026f	2027f
World	3.5	3.3	3.1	**World**	1.9	2.7	2.2
Advanced economies	1.9	1.8	1.6	Advanced economies	2.5	3.0	2.2
Emerging economies	5.1	4.6	4.5	Emerging economies	1.3	2.4	2.3
US	2.1	2.1	2.0	**US**	2.7	3.4	2.3
Japan (FY)	0.9	0.7	0.9	**Japan (FY)**	2.7	2.3	1.1
Euro area	1.2	0.8	1.2	**Euro area**	2.1	2.8	2.2
Germany	0.2	0.9	1.2	Germany	2.3	2.8	2.3
France	0.8	0.6	0.9	France	0.9	2.4	2.0
Italy	0.5	0.9	0.7	Italy	1.6	2.8	2.0
UK	1.3	1.2	1.2	**UK**	3.4	3.0	2.4
Asia (11 economies)	5.5	5.1	4.7	**Asia (11 economies)**	0.9	2.1	2.0
China	5.0	4.4	4.2	**China**	0.0	1.0	1.0
India (FY)	7.7	6.4	6.5	**India (FY)**	2.2	4.8	4.4
Advanced Asian Economies	4.1	5.6	2.8	**Advanced Asian Economies**	1.8	2.3	1.9
South Korea	1.0	3.2	2.2	South Korea	2.1	2.6	2.1
Taiwan	8.8	10.5	4.1	Taiwan	1.7	1.9	1.7
Hong Kong SAR	3.6	4.0	2.5	Hong Kong SAR	1.4	2.2	1.8
Singapore	5.0	4.5	2.6	Singapore	0.9	2.2	2.0
ASEAN 5	5.0	4.7	4.8	**ASEAN 5**	1.7	3.6	2.7
Indonesia	5.1	5.0	5.0	Indonesia	1.9	3.4	2.7
Thailand	2.4	1.9	2.1	Thailand	-0.1	2.6	1.4
Malaysia	5.2	4.9	4.6	Malaysia	1.4	2.0	2.0
Philippines	4.4	3.5	5.2	Philippines	1.7	5.8	3.7
Vietnam	8.0	7.4	6.7	Vietnam	3.3	4.6	3.7
Australia	2.0	1.9	1.8	**Australia**	2.8	4.3	2.8
Latin America (5 economies)	1.7	1.9	2.0	**Latin America (5 economies)**	4.3	4.3	4.3
Brazil	2.3	2.2	1.9	Brazil	5.0	4.9	4.6
Mexico	0.5	1.3	1.8	Mexico	3.8	3.7	4.2

* 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	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f			
Main Economic Indicators															
Real GDP (QoQ annualized, %)	-0.6	3.8	4.4	0.5	2.1	1.5	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.0
Personal Consumption Expenditures	0.6	2.5	3.5	1.9	0.5	3.4	1.6	1.8	1.9	2.0	2.1	2.1	2.6	2.0	2.0
Fixed Investment (Residential)	-1.0	-5.1	-7.1	-1.7	-7.8	1.3	1.5	1.5	1.5	1.5	1.5	1.5	-2.2	-3.1	1.5
Fixed Investment (Nonresidential)	9.5	7.3	3.2	2.4	10.6	8.5	3.9	3.5	3.2	3.2	3.1	3.1	4.1	6.2	3.6
Changes in Private Inventories (Contribution)	3.0	-4.3	-0.4	0.0	0.2	-0.7	0.3	0.2	0.2	0.1	0.1	0.1	-0.1	-0.3	0.1
Government Expenditures	-1.0	-0.1	2.2	-5.6	4.4	-1.0	0.1	0.5	0.5	0.6	0.6	0.6	1.1	0.1	0.4
Net Exports (Contribution)	-4.7	4.8	1.6	-0.2	-0.4	-1.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2	0.1	-0.2
Exports	0.2	-1.8	9.6	-3.2	10.9	4.5	2.0	2.0	2.0	2.2	2.2	2.5	1.6	4.3	2.2
Imports	38.0	-29.3	-4.4	-1.0	11.8	12.5	2.0	2.0	2.5	2.5	2.5	2.5	2.7	2.4	2.9
Final sales to private domestic purchasers	1.9	2.9	2.9	1.8	1.7	4.2	3.6	2.1	2.1	2.2	2.3	2.3	2.6	2.7	2.5
Nominal GDP (QoQ annualized, %)	2.9	6.0	8.3	4.2	5.8	8.0	4.6	4.4	4.2	4.3	4.3	4.3	5.0	6.0	4.6
Unemployment Rate (%)	4.1	4.2	4.3	4.5	4.3	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.3	4.3	4.2
Consumer Price Index (YoY, %)	2.7	2.4	2.9	2.8	2.7	3.9	3.5	3.4	3.0	2.0	2.0	2.0	2.7	3.4	2.3
Balance of Payments															
Trade Balance, Goods (USD billions)	-456	-265	-279	-259	-251	-291	-294	-296	-301	-306	-310	-314	-1260	-1132	-1232
Current Account (USD billions)	-438	-255	-263	-221	-227	-270	-272	-275	-281	-286	-290	-294	-1177	-1044	-1151
Financial Indicators															
Federal Funds Rate (upper limit, %)	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.75	3.50	3.25	3.25	3.25	3.75	3.75	3.25
3-Month SOFR (%)	4.3	4.3	4.2	3.8	3.7	3.7	3.7	3.6	3.4	3.2	3.1	3.1	4.2	3.7	3.2
10-Year Treasury Yield (%)	4.5	4.4	4.3	4.1	4.2	4.4	4.6	4.5	4.3	4.1	4.0	4.0	4.3	4.4	4.1

Japan – Detailed forecasts

	2025				2026				2027				2028	FY2025	FY2026f	FY2027f
	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f			
The Real Economy (QoQ annualized change)																
Real GDP	2.1	0.7	-1.8	1.0	1.9	1.1	0.1	0.3	0.4	1.4	1.3	1.2	0.5	0.9	0.7	0.9
Private Consumption	2.6	0.5	2.1	0.4	1.9	-0.1	0.2	0.2	0.3	1.5	1.2	0.9	0.6	1.3	0.6	0.9
Housing Investment	-1.9	2.2	-28.2	21.5	3.8	-1.8	0.4	0.5	0.5	0.8	0.7	0.6	0.1	- 2.6	0.7	0.6
Private Business Fixed Investment	4.5	5.7	-1.0	5.3	-3.8	-4.6	0.7	0.7	0.8	2.3	1.7	1.2	0.4	2.3	- 1.0	1.3
Business Inventory (Contribution)	0.7	-0.2	-0.2	-0.4	-0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- 0.1	- 0.0	0.0
Government Expenditures	-0.6	1.7	-0.2	0.9	2.3	-3.2	3.6	0.7	0.6	0.6	0.8	0.6	0.6	0.6	0.5	0.8
Public Investment	-2.8	2.7	-4.3	-1.6	6.0	-0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	- 0.3	0.9	1.0
Net Exports (Contribution)	-0.6	0.0	-0.2	0.1	0.3	0.5	-0.2	-0.2	-0.1	-0.0	0.2	0.3	0.0	- 0.1	0.5	0.0
Exports	-2.9	6.8	-5.3	0.6	7.1	2.1	0.7	1.7	1.9	1.6	1.7	2.1	1.8	2.0	2.0	1.7
Imports	8.4	7.2	-2.3	-0.6	1.1	-6.0	2.1	2.8	2.7	1.9	0.9	0.4	0.2	2.5	- 0.7	1.7
Nominal GDP	3.5	7.5	1.1	3.7	2.9	4.8	3.5	6.2	0.6	-0.3	2.6	6.0	0.3	4.3	3.7	2.2
GDP Deflator (YoY)	3.6	3.2	3.5	3.4	3.2	2.6	2.6	3.4	3.2	1.9	1.4	1.1	1.0	3.3	2.9	1.3
Industrial Production Index (QoQ)	0.0	-0.5	-1.1	0.3	2.5	0.0	0.2	0.3	0.3	0.4	0.3	0.3	0.2	- 0.3	2.0	1.3
Domestic Corporate Goods Price Index (YoY)	4.3	3.3	2.6	2.6	2.5	6.4	3.7	5.1	4.6	0.8	2.8	1.3	1.2	2.7	5.0	1.4
Consumer Price Index (excl. fresh food, YoY)	3.1	3.4	2.9	2.8	1.7	1.5	2.0	2.9	2.7	1.4	1.1	0.9	0.9	2.7	2.3	1.1
Balance of Payments																
Trade Balance (JPY billions)	-995	-136	42	377	1,020	1,020	1,543	1,975	2,162	2,433	2,449	2,515	2,587	1,303	6,701	9,985
Current Balance (JPY billions)	7,580	7,355	8,910	8,272	9,878	9,878	10,192	10,655	10,889	11,145	11,146	11,197	11,254	34,415	41,614	44,742
Financial																
Uncollateralized overnight call rate	0.5	0.5	0.5	0.6	0.7	0.8	1.0	1.2	1.2	1.5	1.5	1.5	1.5	0.7	1.2	1.5
3-month TORF	0.5	0.5	0.5	0.6	0.8	0.9	1.1	1.2	1.3	1.5	1.5	1.5	1.5	0.6	1.1	1.5
Newly Issued 10-Year Government Bonds Yield	1.3	1.4	1.6	1.8	2.2	2.6	2.8	2.8	2.9	2.9	2.9	2.9	2.9	1.7	2.8	2.9
Exchange Rate (USD/JPY)	153	145	147	154	157	159	160	158	157	156	155	154	153	151	159	155

Europe – Detailed forecasts

	Real GDP (YoY, %)			CPI (YoY, %)		
	2025	2026f	2027f	2025	2026f	2027f
Euro Area	1.2	0.8	1.2	2.1	2.8	2.2
Germany	0.2	0.9	1.2	2.3	2.8	2.3
France	0.8	0.6	0.9	0.9	2.4	2.0
Italy	0.5	0.9	0.7	1.6	2.8	2.0
United Kingdom	1.3	1.2	1.2	3.4	3.0	2.4

	Euro Area (YoY, %)			UK (YoY, %)		
	2025	2026f	2027f	2025	2026f	2027f
Nominal GDP	3.7	3.4	3.8	5.0	4.3	3.8
Real GDP	1.2	0.8	1.2	1.3	1.2	1.2
Domestic demand (contribution)	1.9	1.2	1.3	2.1	1.7	1.3
Foreign demand (contribution)	- 0.6	- 0.4	- 0.0	- 0.8	- 0.5	- 0.1
Private consumption	1.5	1.0	1.3	1.1	1.1	1.1
Government consumption	1.5	2.0	1.2	1.7	1.9	1.2
Gross fixed capital formation	3.1	0.6	1.7	4.0	2.1	1.9
Inventory investment (contribution)	0.3	0.2	0.0	- 0.1	0.1	0.0
Exports	2.0	0.5	1.9	1.9	1.4	1.4
Imports	3.6	1.5	2.1	4.1	2.8	1.6

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