FY2022 - FY2023 Economic Outlook

Despite prolonged US inflation, the global economy should remain on a steady recovery path.

February 18, 2022

Mizuho Research & Technologies, Ltd.

Key points of our outlook

- We expect that global economic growth in 2022 and 2023 will continue to follow a steady recovery path in the +3% range. Economic activity will normalize as concerns over medical care constraints recede due to factors such as the rollout of drugs for the treatment of Covid-19. The US economy will be underpinned by a favorable employment environment and asset market, despite the lingering impact of inflation. In China, a sharp economic slowdown will be avoided due to the increase of investment for the development of new industries.
- Regarding the impact of Covid-19, the spread of the Omicron variant is expected to come under control soon. The risk of resurgence is assumed to be limited due to the increase in the number of immunized people and the spread of booster vaccinations. Furthermore, the rollout of drugs to prevent severe cases will progress from the second half of 2022 to the first half of 2023. We thus expect that economic activity will start to normalize.
- Despite the global rise in inflation, its persistence will differ from country to country. Although import prices are indeed higher in Japan and Europe, domestic consumption is relatively weak, and the tightness of labor supply & demand is limited compared to the US, providing us with reason to believe that inflation will not continue for long. On the other hand, as for the US, high-pressure inflation will persist for some time, given the strength of consumption due to the strong employment environment and wealth effect, tightening of the labor market, and rise in wages. We expect the Fed to carry out five interest rate hikes in 2022 and to implement quantitative tightening (QT) in mid-2022. We expect the US dollar to strengthen along with the rise in US interest rates.
- As for the Chinese economy, the local containment of Covid-19 (zero tolerance policy) is serving to restrain personal consumption. On the other hand, real estate investment, albeit weak, is expected to bottom out. Investment in the development of strategic emerging industries will also increase steadily. A sharp economic slowdown will be avoided, and the Chinese economy should continue to grow at a pace on the +5% y-o-y range.
- The Japanese economy will grow a dramatic +3.7% in FY2022 due to a reactionary rebound after the Omicron wave subsides. However, a rise in wages is unlikely, given the limited shift of labor to high-productivity sectors, leading to our view that the underlying tone of consumption will be weak even after the normalization of economic activities, and our forecast on growth of +1.2% in FY2023.

1. Overview

Outlook on the global economy: continuation of a steady recovery despite downward pressure from the Omicron variant and rising inflation

- Although 2022 started out in the face of headwinds due to the spread of the Omicron variant, the global economy will continue to follow a recovery from the pandemic.
  - In the US, despite the lingering impact of inflation, the favorable employment environment and asset markets will support the economy, preventing the economy from slowing down.

Outlook for the global economy (revised in February)

	2020 CY	2021	2022 (Outlook)	2023 (Outlook)	2022 (Forecast as of December)	2023 (Forecast as of December)	2022 (Comparison with forecast in December)	2023 (Comparison with forecast in December)
	(Y-o-y % change)				(Y-o-y % change)		(% pt)	
Global real GDP growth	-3.1	5.8	3.8	3.3	4.1	3.2	-0.3	0.1
Japan, US, Europe	-5.0	5.2	3.8	2.3	4.1	2.3	-0.3	-
US	-3.4	5.7	3.5	2.3	4.1	2.4	-0.6	-0.1
Eurozone	-6.4	5.2	4.2	2.6	4.3	2.6	-0.1	-
UK	-9.4	7.5	4.4	1.6	4.4	1.2	-	0.4
Japan	-4.5	1.7	2.9	2.1	3.2	1.5	-0.3	0.6
Asia	-1.0	7.1	5.4	5.0	5.4	4.8	-	0.2
China	2.2	8.1	5.0	5.2	5.2	5.1	-0.2	0.1
NIEs	-0.8	5.3	3.2	2.5	3.2	2.4	-	0.1
ASEAN5	-3.5	3.3	5.5	4.8	5.5	4.5	-	0.3
India	-7.0	8.5	7.6	5.8	7.1	5.2	0.5	0.6
Australia	-2.2	4.1	2.9	2.6	3.0	2.6	-0.1	-
Brazil	-3.9	4.4	0.4	2.0	1.1	2.2	-0.7	-0.2
Mexico	-8.2	4.8	2.0	2.3	2.4	2.3	-0.4	-
Japan (FY)	-4.5	2.4	3.7	1.2	2.7	1.3	1.0	-0.1

Despite downward pressure from the Omicron variant and rise in inflation, growth in the upper-3% range is expected in 2022. Around 3% growth will continue for the global economy in 2023 and beyond.

Despite the negative effects of the rise in inflation and reduced fiscal spending, the favorable employment environment and wealth effect will support consumption. The US economy is expected to remain firm.

Although the zero-tolerance policy will be a drag on economic growth, the economy is expected to be supported by monetary and fiscal measures. Investment in new industries will also expand under the policy initiative, avoiding a slowdown of the economy.

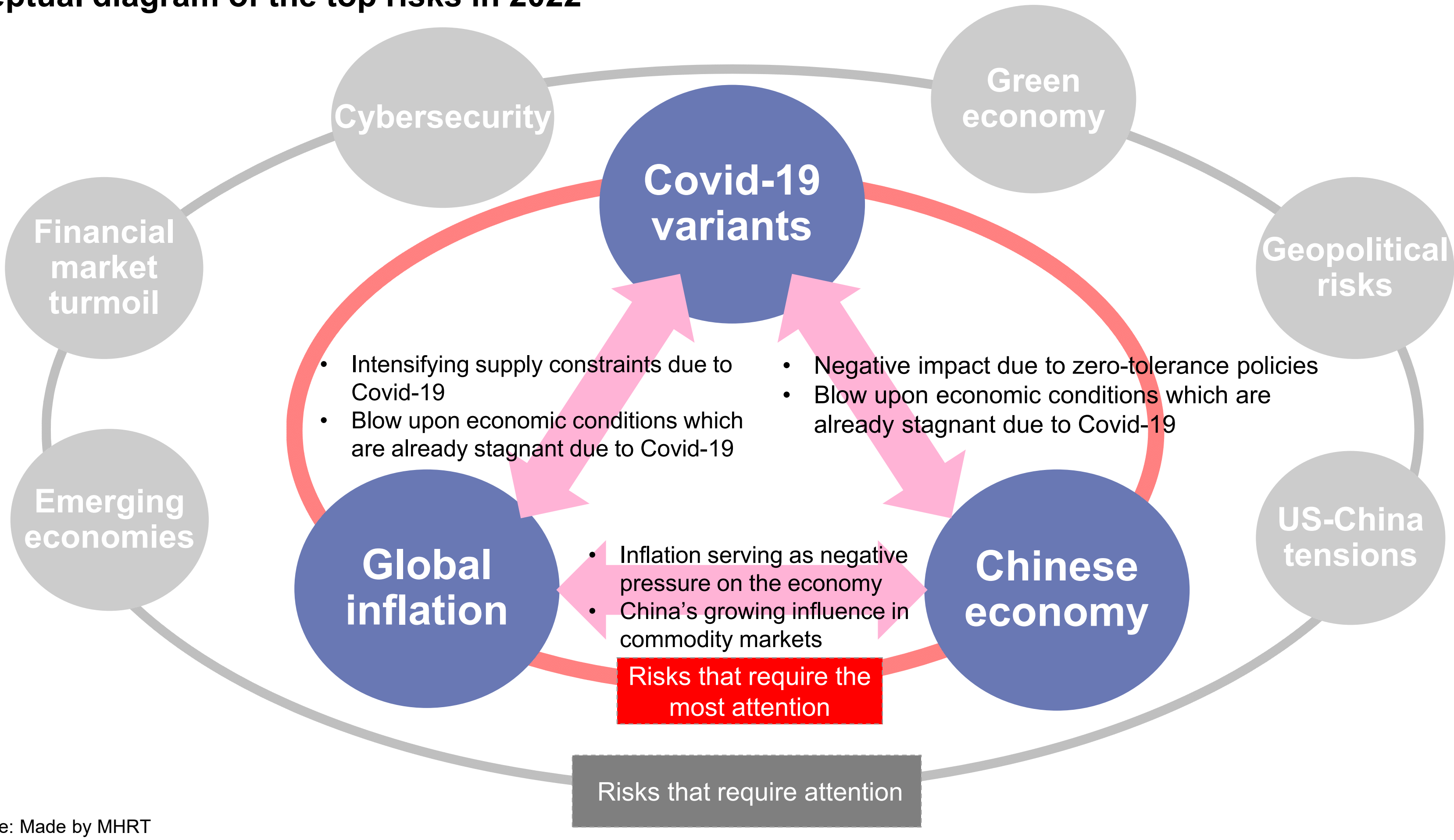
In FY2022, high growth is expected in a rebound from the Omicron variant. Thereafter, the pace of growth will slow down to a pace matching the economy's capacity. The rebound will remain slower than in Europe and the US.

Note: Figures in the shaded areas are forecasts. The total for forecasted regions is calculated based on GDP share (PPP) by the IMF.
Source: Made by MHRT based upon releases by the IMF and the statistics of relevant countries and regions

The future course of the top three risks will have a significant impact on the global economy

- Amid strong uncertainties, it will be necessary to pay close attention to the future course of the top three risks (Covid-19, inflation, and the Chinese economy).
  - Attention should also be paid to areas where the three risks are interconnected.

Conceptual diagram of the top risks in 2022

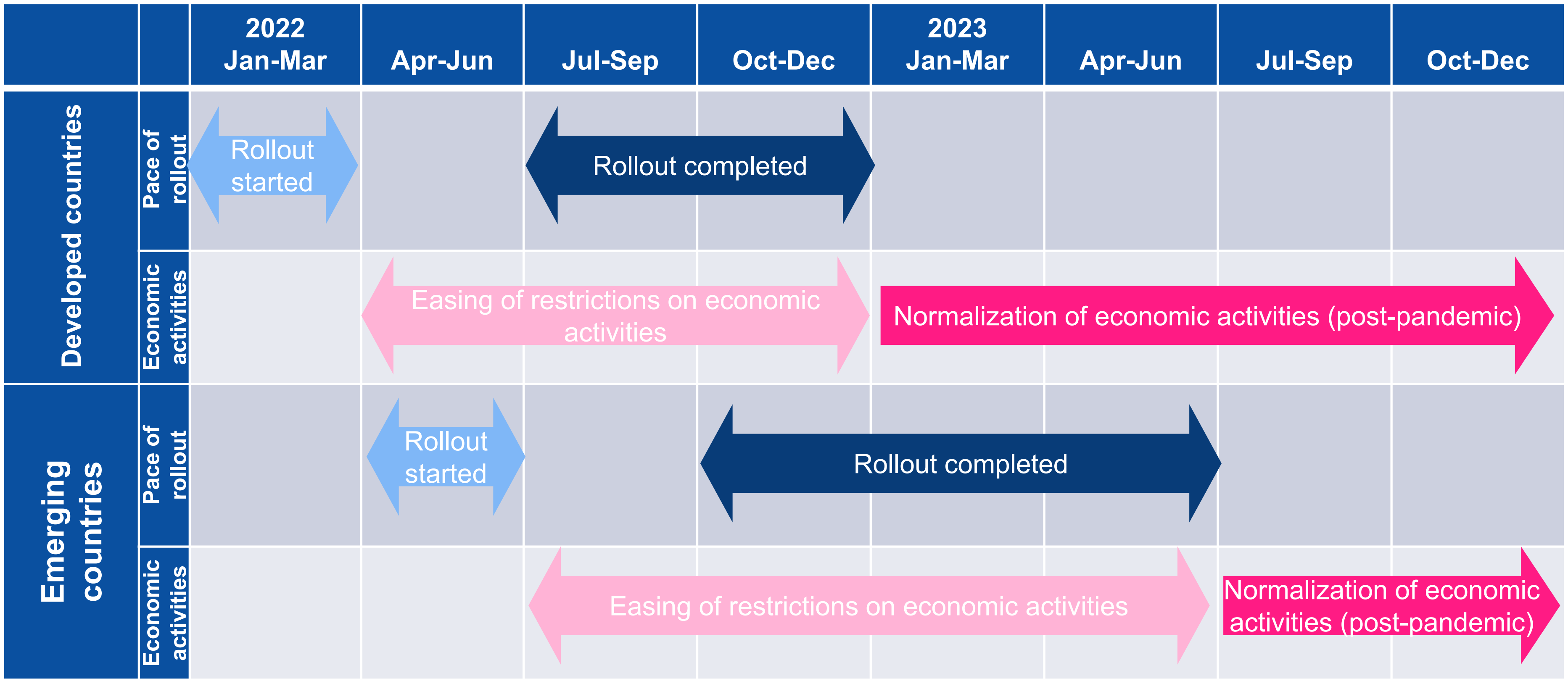


Source: Made by MHRT

In addition to vaccines, the development and rollout of oral treatment drugs will serve as a turning point in the measures to address Covid-19

- Restrictions on economic activities will be eased or lifted along with the rollout of treatments, leading to the normalization of economic activities.
  - Pfizer's production of oral treatment drugs during 2022 is projected to be 120 million doses. This will enable coverage of developed countries and some emerging countries.
  - The rollout is expected to accelerate in developed countries from mid-2022, with a lag of around one quarter with respect to some emerging countries.
  - The oral treatment drugs will also be rolled out in other emerging countries over the first half of 2023 due to the production of generic drugs.

Pace of rollout of oral treatment drugs



Source: Made by MHRT

Global inflation is rising; however, intensity of inflationary pressures differ among Japan, the US, and Europe

- Prices are rising in many countries. However, the future persistence of inflation depends on factors that contribute to the rise in prices.
  - Even though import prices are indeed higher, the underlying tone of domestic consumption lacks strength in Japan and Europe. As the tightness of labor supply-demand is limited compared to the US, wage growth will be weak. Even if prices rise temporarily, Japan and Europe will not see a sustained increase in inflationary pressure.
  - On the other hand, solid consumption, tight labor supply & demand, and rising wages have been detected in the US, reflecting the favorable employment environment and wealth effect. The odds are high that high-pressure inflation will persist for some time

Four processes affecting the trend of inflation

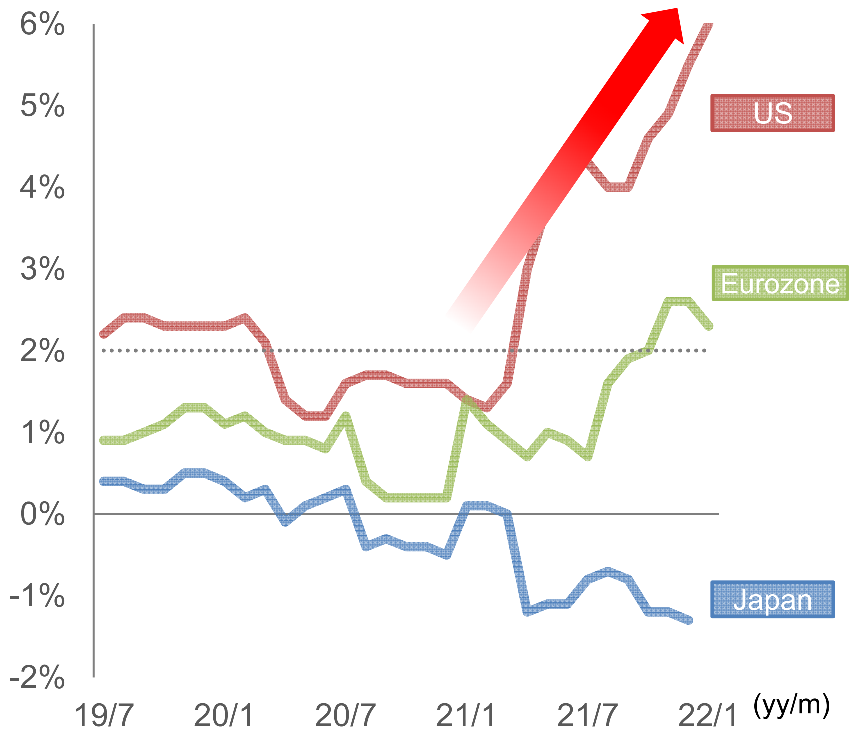
	Step 1 rise in import prices (overseas factor)	Step 2 rise in corporate prices (price pass-through to corporations)	Step 3 Expansion of domestic consumption (increase in demand)	Step 4 rise in wages (tight labor supply & demand)
US	Import prices rising (impacted by a rise in commodity prices, etc.)	Corporate prices rising (progress of price pass-through)	Solid consumption (Favorable employment environment and wealth effect)	Wages have risen already (labor supply & demand is tightening already)
Europe	Import prices rising (impacted by a rise in commodity prices, etc.)	Corporate prices rising (progress of price pass-through)	Consumption lacks strength	Tepid rise in wages (labor demand recovering slowly, having room for additional labor supply)
Japan	Import prices rising (impacted by a rise in commodity prices, etc.)	Corporate prices rising (progress of price pass-through)	Consumption lacks strength	Tepid rise in wages (labor demand recovering slowly, having room for additional labor supply)

Source: Made by MHRT

The main cause of inflation in Japan and Europe is the rise in energy and food prices; price rises are detected in a broader spectrum in the US

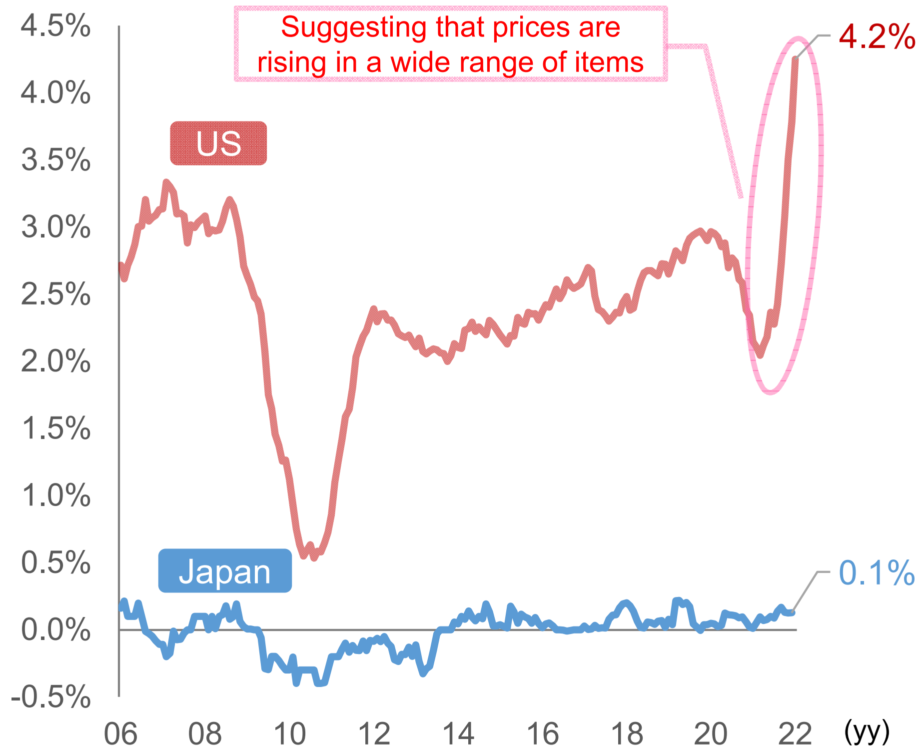
- The US core consumer price index rose to +6.0% y-o-y in January, recording a historical high in 40 years.
  - The Eurozone CPI is near 2%, and the CPI for Japan is in negative territory due to the impact of such factors as reductions in mobile phone rates. There is a significant gap in upward pressure on prices between Japan and the US.
- The weighted median CPI, which is considered to be an indicator or the underlying inflation rate, also rose to to 4.2% in the US—the highest since June 1991.
  - Japan's weighted median CPI remains near zero, suggesting that price increases have not been widespread.

Core CPI for Japan, US, and Europe



Note: Core CPI is the composite index, excluding energy and food
Source: Made by MHRT based upon the statistics of relevant countries and regions

Weighted median CPI for Japan and the US

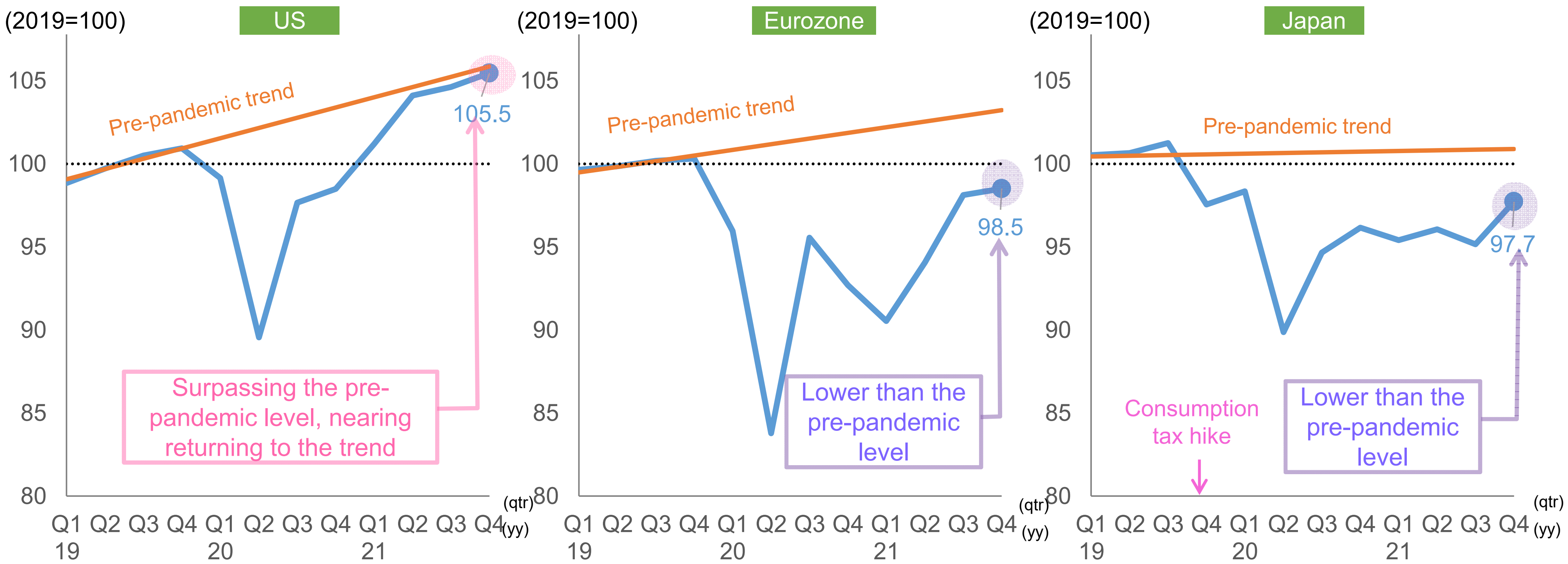


Note: The weighted median value is the value near the 50th percentile after accumulating the weights in the order of the rate of price rises
Source: Made by MHRT based upon releases by the Federal Reserve Bank of Cleveland and the Bank of Japan

In the US, the rise in prices in a broad range of items stems from strong demand

- Consumption in the US is following firm footing, amid a favorable employment environment. Note that consumption has already recovered to the pre-pandemic trend.
  - Even though the rise in prices and interest rates, and contraction of fiscal spending will put downward pressure on consumption, the increase in financial assets will support consumption.
- Consumption in Europe and Japan has yet to return to pre-pandemic levels.
  - Europe is not recovering to the pre-pandemic level, and Japanese consumption growth was weak even before the pandemic

Real personal consumption and pre-pandemic consumer trends

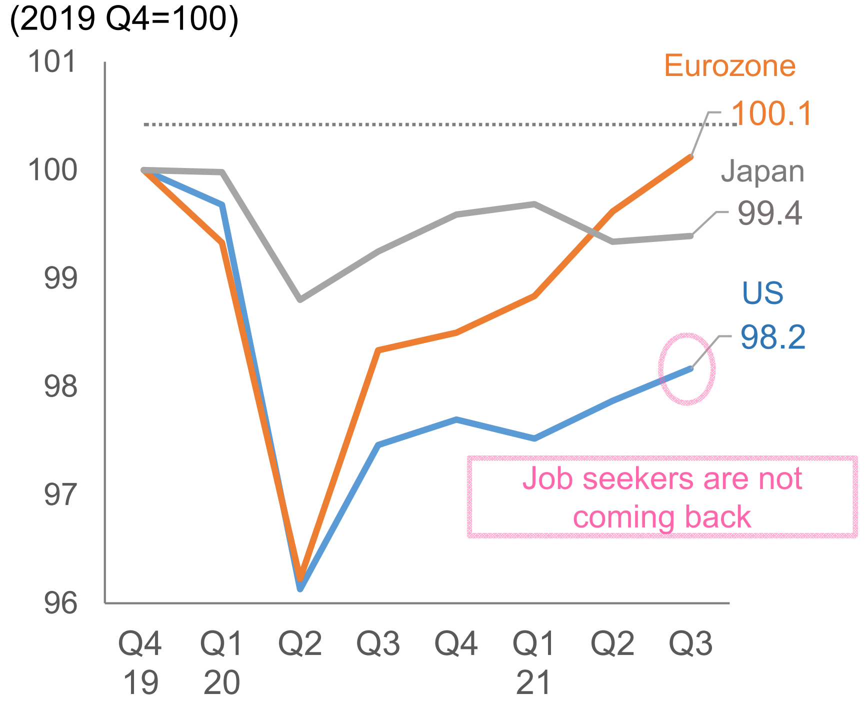


Note: Pre-pandemic trends refer to 2017−2019 data for the US and Europe and 2012−2018 data for Japan. The 2021 Q4 figure for the eurozone is estimated by MHRT.
Source: Made by MHRT based upon releases by the US Department of Commerce, Eurostat, and Japan's Cabinet Office

The labor market is tightening in the US, as the labor force population is not returning to the pre-pandemic level

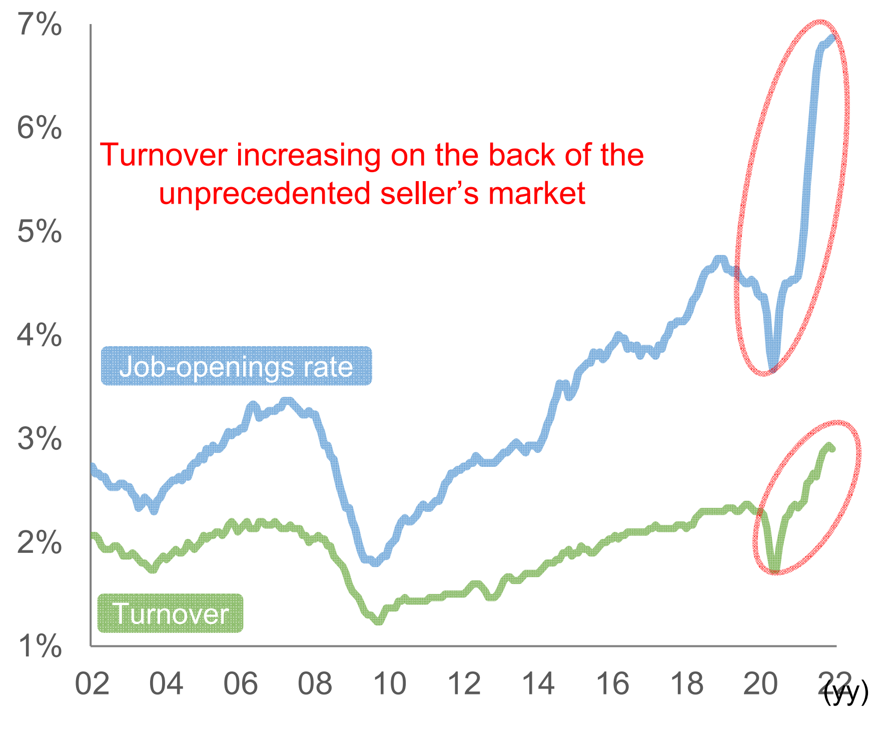
- The US is continuing to face a labor shortage.
  - In the US, the labor force population that fell amid the Covid-19 pandemic has not returned. This stems from the avoidance of infections and early retirement due to the wealth effect.
  - In terms of the number of hours worked per person, while the US is more than 1% above the pre-pandemic level, Japan and Europe are about 2% below the pre-pandemic level (i.e., they have supply capacity).
- The labor market is witnessing an unprecedented seller's market. Workers are leaving jobs in droves in search of better conditions.
  - Job openings reached a record high of 6.9%. Turnover also increased, reflecting the unprecedented seller's market, reaching the 3% level for the first time since relevant statistics were first recorded.

Comparison of labor force population (number of workers + number of job seekers) between Japan, US, and Europe



Note: The labor force population is aged 16+ for the US, 15+ for Japan, and 15−74 for the Eurozone.
Source: Made by MHRT based upon releases by the US Department of Labor, Eurostat, and the Ministry of Health, Labour and Welfare

US job openings rate and turnover

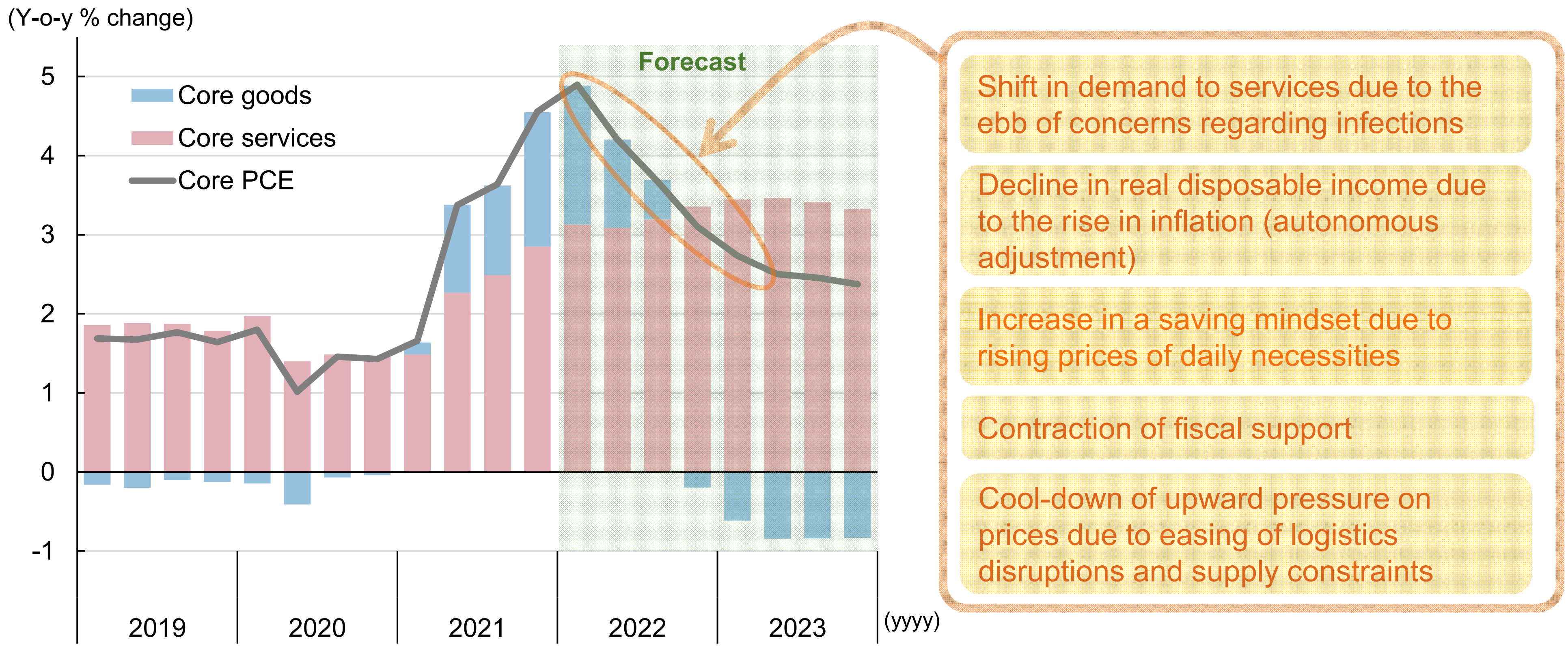


Note: The job-openings rate is based on the sum of the number of workers and the number of job openings, and the turnover is the ratio against the number of workers.
Source: Made by MHRT based upon releases by the US Department of Labor

Despite lingering concerns regarding inflation, our view remains unchanged that inflation will peak out in early spring

- Although the inflation rate is expected to be higher than our December outlook, our view remains unchanged that inflation will peak out in early spring.
  - The reason is the shift in demand from goods to services along with the ebb of concerns regarding infections and the easing of parts and material shortages and logistics disruptions.

Price outlook: breakdown by goods and services contribution

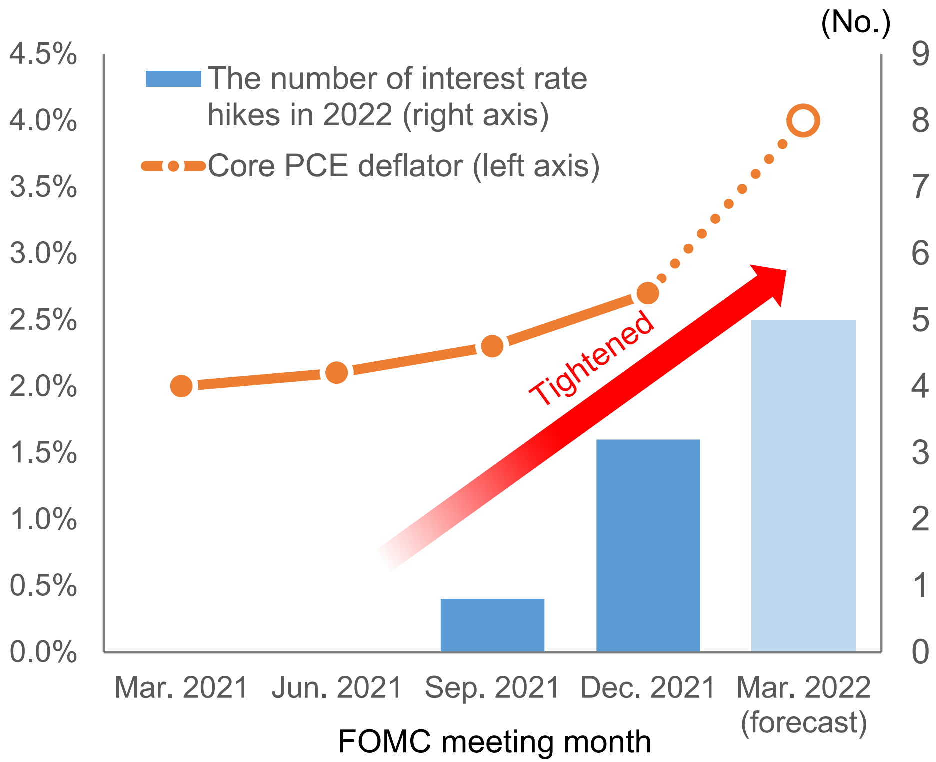


Source: Made by MHRT based upon releases by the US Department of Labor

The Fed will accelerate normalization of monetary policy due to concerns regarding the persistence of high inflation

- The Fed's increasingly hawkish stance stems from the tightening of the labor market. The risk of persistent high inflation is increasing.
  - Labor demand is at a historical high. A leisurely approach awaiting the resolution of supply constraints could lead to the risk of an upward spiral of wages and prices.
- We have revised our outlook for US monetary policy considering the rise in inflation risks and strong concerns held by the monetary authorities. Consecutive interest rate hikes and quantitative tightening are expected in 2022.
  - In 2022, interest rate hikes will begin in March, with consecutive hikes at the May, June, July, and September meetings (0.25% each). Quantitative tightening (QT) will begin at the June meeting.

FOMC members' projections for prices and FF rates (midpoint of target)



Note: The figure for Mar. 2022 is based upon forecasts by MHRI.
Source: Made by MHRT based upon releases by FRB

Comparison of past phases in US employment, prices, and FRB-held bonds

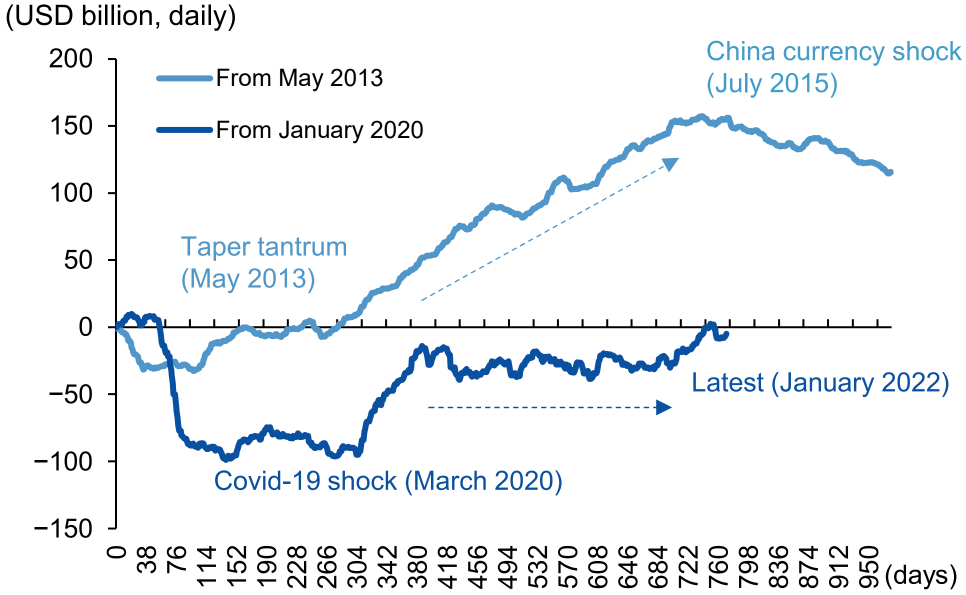
	Latest	Previous interest rate hike (2015 Q4)
Unemployment rate	3.9% (Longer-run=4.0%)	5.0% (Longer-run=4.9%)
Excess job openings (Job openings − Unemployed)	4.61 million (Job openings greater)	−2.1 million (Unemployed greater)
Wage hike rate	+4.0%	+2.0%
Core inflation rate	+4.9%	+1.1%
Inflation expectations	+3.1%	+2.6%
Balance and average maturity of FRB-held bonds	USD 8.2 trillion Ave. 7.6 years	USD 4.2 trillion Ave. 8.7 years

Note: Wage growth is the y-o-y rate of increase in the employment cost index. Core inflation is the rate of rise in the core personal consumption expenditure deflator. Inflation expectations are for the next five years (survey by the University of Michigan). Bonds held by the FRB are those at the end of 2021 vs. the end of 2015. Maturities are for US treasury bonds.
Source: Made by MHRT based upon releases by the US Department of Commerce, the US Department of Labor, and the FRB

Capital outflows from emerging countries may be smaller than in the past; default risks are also lower than in the past

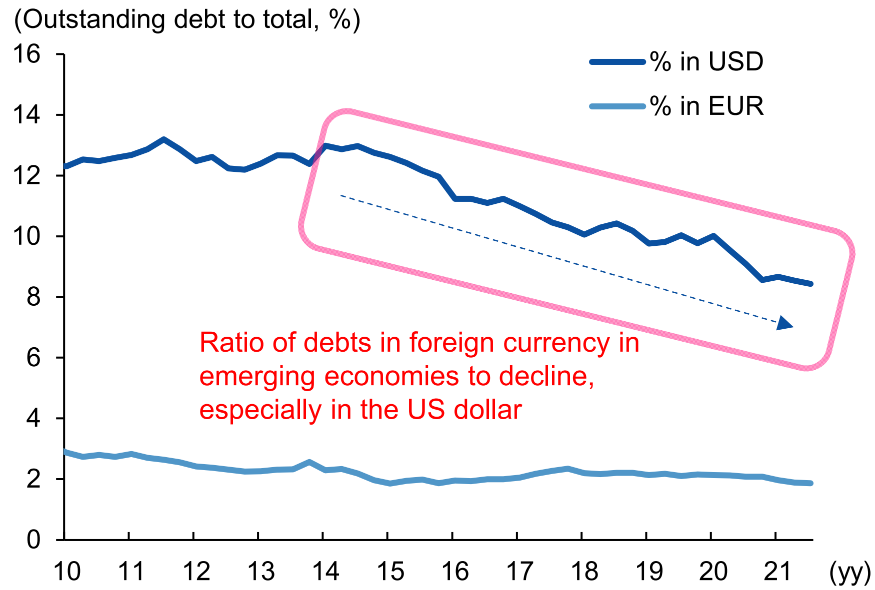
- Currently, there is not much overheating in capital inflows to emerging countries.
  - Current conditions differ from the past (the China currency shock in 2015) when focus upon economic slowdown and vulnerabilities of emerging countries led to capital outflows.
- The ratio of debts denominated in foreign currencies is declining in many major emerging economies. The risk of default due to currency depreciation is lower than in the past.
  - Emerging countries are improving their debt dependence on foreign currencies, based on lessons learned from the taper tantrum (2013) and the China currency shock.

Cumulative changes in capital flows



Note: Taking the cumulative change from the beginning of each period for daily capital flows (stocks + bonds)
Source: Made by MHRT based upon releases by the Institute of International Finance (IIF)

Change in the ratio of debts in foreign currency



Note: The ratio of dollar-denominated and euro-denominated debts outstanding to the total outstanding debts of the business sector (including finance) and the government sector; covering 22 countries that are monitored by the IIF
Source: Made by MHRT based upon releases by IIF

The zero-tolerance policy will continue in 2022; a full-fledged recovery of consumption will be in 2023 onward

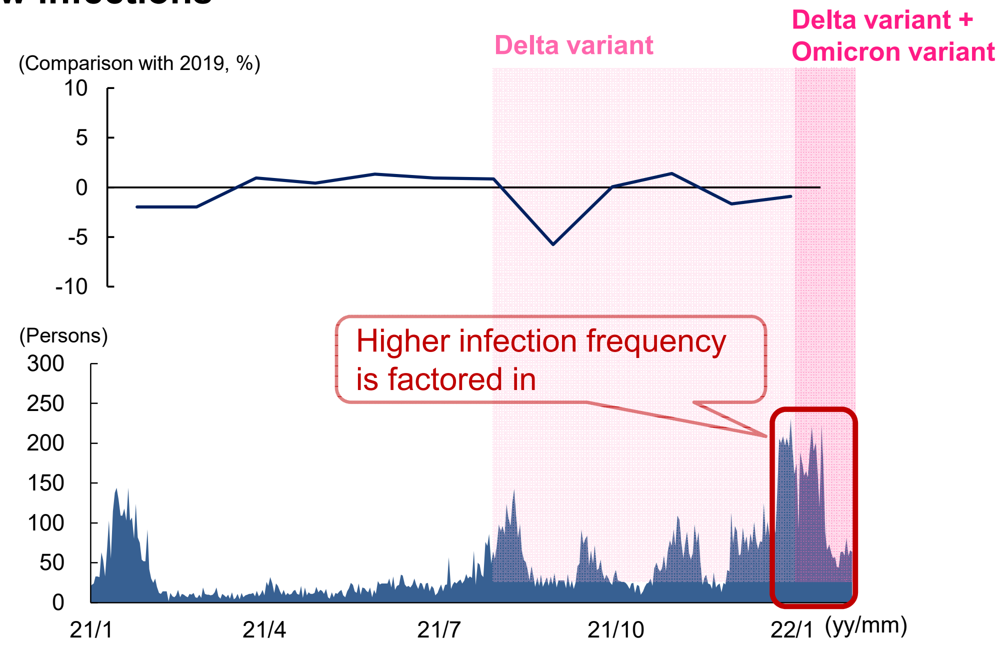
- The three key points in our outlook on the Chinese economy are (1) the impact of the zero-tolerance policy for Covid-19, (2) the future course of real estate investment, and (3) the development of new industries.
- Our assumption is that the zero-tolerance policy will be lifted in 2023, when domestically produced mRNA vaccines are expected to be rolled out.
  - An mRNA vaccine developed by a Chinese company is in the clinical trial stage and, according to media reports, will be commercialized by the end of 2022.
  - The number of infected persons (per day) after detection of the Omicron variant is approximately double than at the time of the Delta variant. We assume that replacement with the highly infectious Omicron variant will double the extent to which services consumption is suppressed by the Delta variant (pushing down GDP by approximately 0.3% pt).

Key points of our outlook

	Evaluation
Point 1 Impact of zero-tolerance policy	Zero-tolerance policy to curb consumption in 2022, full-fledged recovery expected in 2023
Point 2 Future course of real estate investment	Investment slowdown will be averted and will pick up in 2023 (falling short of serving as a driver of the economy)
Point 3 The driver of new growth	Top-down investment expansion for the strategic development of emerging industries

Source: Made by MHRT

Consumption of dining-out services and the number of new infections

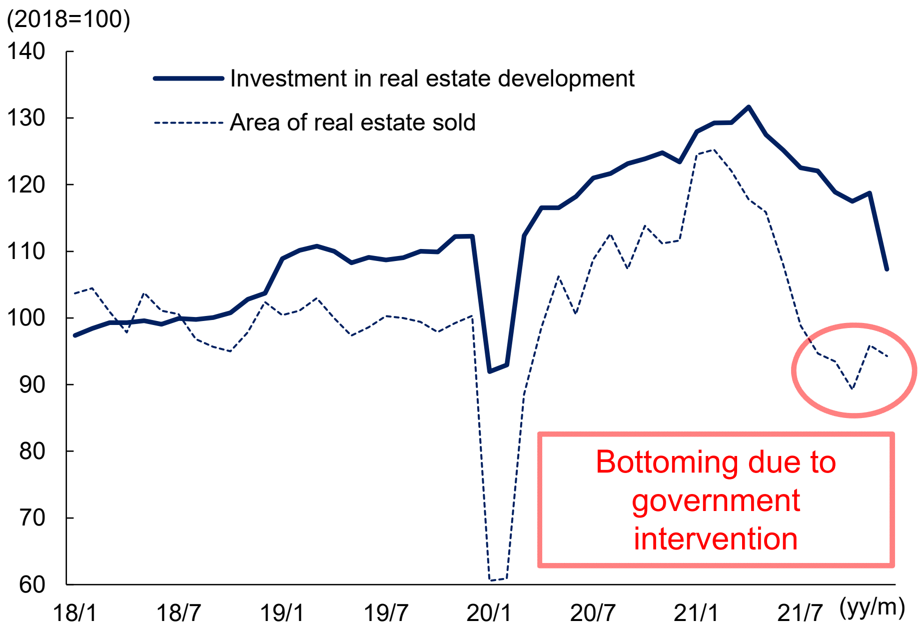


Note: Consumption in 2021 is the growth rate (annualized) compared to 2019; the number of infected persons excludes infected persons without symptoms.
Source: Made by MHRT based upon releases by the National Health Commission of the People's Republic of China, CEIC data

Leading indicators are bottoming out despite sluggish real estate investment; real demand stemming from urbanization is serving as support

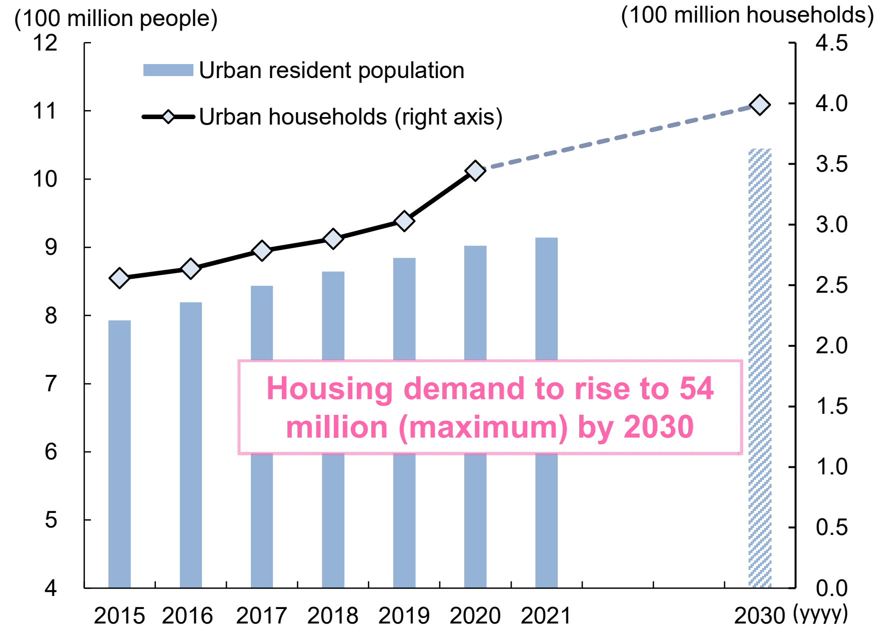
- Although investment in real estate development is forecast to remain sluggish for some time, leading indicators are showing signs of bottoming out.
  - Government-initiated adjustments have started, including the framework for real estate companies possessing sound financial standing to acquire development projects of underperforming companies. Sales (by area), a leading indicator of real estate investment, have stopped falling.
- Although a slowdown of real estate investment may not be avoided, reflecting restraints upon speculative demand, investment based on actual demand will continue.
  - The Chinese government is of the stance to promote urbanization while paying due regard to food production (maintenance of self-sufficiency). China's urban resident population is projected to increase by approximately 140 million (equivalent to 54 million households) by 2030, and serve to support real estate investment.

Real estate investment-related indicators



Note: Seasonally adjusted by MHRT
Source: Made by MHRT based upon releases by the National Bureau of Statistics of China and CEIC data

Population and households in urban areas



Note: The population in 2030 is estimated based on UN projections, and the number of households is based on the number of persons per household as of 2020.
Source: Made by MHRT based upon releases by the National Bureau of Statistics of China and media reports

Investment in development of strategic emerging industries will grow steadily

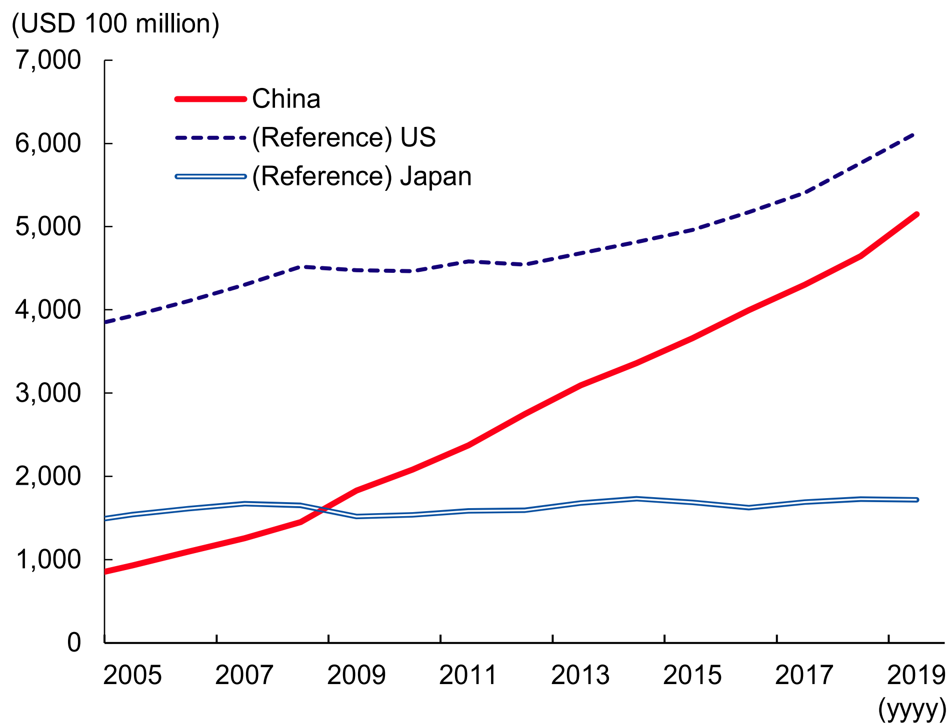
- China's 14th Five-Year Plan emphasizes "self-reliance and self-reinforcement of science and technology."
  - The policy is to increase competitiveness in (1) the high-tech manufacturing sector currently highly dependent on overseas markets (semiconductors, etc.) and (2) the digital sector in which China has a competitive advantage (AI, use of big data, etc.). Industrial development will be promoted through R&D tax cuts and financial support by government-affiliated financial institutions, etc.
  - The ability to make and execute political decisions, as well as the abundance of funds and human resources, with data on about 1.4 billion people, will be a competitive edge globally.

Areas of enhancement in the 14th Five-Year Plan (≈ Strategic emerging industries)

Core competitive areas in manufacturing	➢ High-end new materials ➢ Critical technology facilities (e.g., railroads) ➢ Smart manufacturing and robotics ➢ Aero engines and gas turbines ➢ Industrialization of BeiDou (Chinese version of GPS) ➢ Vehicles on new energies and smart cars ➢ High-end medical equipment and drug development ➢ Agricultural machinery and equipment
Science & technology frontier	➢ Next-generation AI ➢ Quantum information ➢ Integrated circuits ➢ Brain science and brain-mimetic artificial intelligence research ➢ Genes and biotechnology ➢ Clinical medicine and healthcare ➢ Deep space, deep underground, deep sea, and polar exploration
Modernization infrastructure	➢ Communication infrastructure ➢ Transportation infrastructure ➢ Energy infrastructure

Source: Made by MHRT based upon the State Council website

R&D cost



Source: Made by MHRT based upon releases by OECD

2. Japanese economy

Japanese economy: although the Omicron variant is currently serving as a drag, the Japanese economy should continue to follow a recovery

- According to the *First Preliminary Quarterly Estimates of GDP (1st QE)*, Oct-Dec quarter GDP grew a strong +1.3% q-o-q (+5.4% per annum). Growth was pushed up due to a significant recovery of personal consumption reflecting the easing of restrictions on social activities and the recovery of motor vehicle production due to the normalization of parts supply from Southeast Asia. On the other hand, personal consumption and production were pushed down by the spread of the Omicron variant in the Jan-Mar quarter, nudging growth into slightly negative territory. Our forecast on FY2021 growth is +2.4%.
- We expect strong growth of +3.7% in FY2022, in reaction to the impact of the Omicron variant in the previous fiscal year. Personal consumption and motor vehicle production will continue to recover along with the abatement of the Omicron variant. While consumption activities are expected to normalize in the second half of the fiscal year, pent-up demand for service consumption will be limited due to factors such as the digital shift in consumption. In the first half of the fiscal year, the deterioration of terms of trade will serve as a negative factor, and the recovery of motor vehicle production is expected to be limited due to the prolonged shortage of semiconductors.
- Our forecast on growth in FY2023 is +1.2%. Given that a rise in wages is unlikely due to limited labor mobility to high-productivity sectors, economic activity will gradually return to cruise mode. Although green investments in energy conservation, renewable energy, and EV components are expected, they will not be strong enough to serve as the driver of the economy.
- Core CPI (y-o-y) is forecast to be +1.2% in FY2022. This will rise to +1.6% in the Apr-Jun quarter, when the impact of lower telecommunications rates fades away. Growth is expected to slow gradually as the surge of commodity prices comes to a pause.

Japan: GDP growth will continue to recover in FY2022 (+3.7%) and FY2023 (+1.2%)

- We expect strong growth of +3.7% y-o-y in FY2022, in a reactionary rebound from the impact of the Omicron variant. Personal consumption and motor vehicle production will continue to recover along with the abatement of the Omicron variant. Pent-up demand for service consumption will be limited due to the factors such as the digital shift in consumption. In the first half of the fiscal year, the deterioration of terms of trade will serve as a negative factor, and the catch-up production of motor vehicles is expected to be limited due to the prolonged shortage of semiconductors.
- Our forecast on growth in FY2023 is +1.2%. Given the scant prospects of the rise in wages and capital investment due to the slumping rate of economic growth, economic activity will gradually return to cruise mode. Although green investments such as in energy conservation and renewable energy investment is expected, they will not be strong enough to serve as the drivers of the economy.

Outlook for the Japanese economy

		2020	2021	2022	2023	2021				2022				2023				2024
		FY	(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
GDP (real)	Q-o-q % ch.	-4.5	2.4	3.7	1.2	-0.5	0.6	-0.7	1.3	-0.3	1.9	1.3	1.0	0.1	0.0	0.3	0.2	0.2
	Q-o-q % ch. p.a.	—	—	—	—	-2.1	2.4	-2.7	5.4	-1.0	7.9	5.2	3.9	0.3	0.1	1.0	0.6	0.7
Domestic demand	Q-o-q % ch.	-3.9	1.4	3.3	1.0	-0.4	0.7	-0.8	1.1	-0.3	1.8	1.1	0.8	0.1	-0.0	0.2	0.2	0.2
Private-sector demand	Q-o-q % ch.	-6.2	1.9	3.6	1.1	-0.3	1.0	-1.2	1.9	-0.5	1.9	1.2	0.8	0.1	-0.0	0.2	0.2	0.2
Personal consumption	Q-o-q % ch.	-5.4	2.5	3.9	1.2	-0.8	0.7	-0.9	2.7	-1.4	2.3	1.3	0.7	0.6	-0.2	0.1	0.1	0.1
Housing investment	Q-o-q % ch.	-7.8	-1.1	-1.7	-0.6	0.9	1.0	-1.6	-0.9	0.4	-0.7	-1.6	1.6	0.1	-0.4	-0.4	-0.4	-0.4
Capital investment	Q-o-q % ch.	-7.5	1.3	3.5	2.2	0.4	2.0	-2.4	0.4	0.9	1.5	1.4	0.9	0.1	0.6	0.6	0.4	0.5
Inventory investment	Q-o-q contribution, % pt	(-0.2)	(-0.1)	(0.0)	(-0.2)	(0.1)	(0.0)	(0.1)	(-0.1)	(0.2)	(-0.0)	(0.0)	(0.0)	(-0.3)	(-0.0)	(0.0)	(0.0)	(0.0)
Public-sector demand	Q-o-q % ch.	3.0	-0.1	2.4	0.8	-0.8	-0.1	0.2	-0.9	0.3	1.5	1.0	0.6	0.1	-0.1	0.3	0.3	0.2
Government consumption	Q-o-q % ch.	2.5	1.9	2.7	0.8	-0.6	0.7	1.1	-0.3	0.4	1.4	0.7	0.4	0.2	-0.1	0.2	0.2	0.2
Public investment	Q-o-q % ch.	5.2	-7.5	1.3	1.2	-1.6	-3.3	-3.0	-3.3	-0.5	1.5	1.9	1.3	-0.3	-0.3	0.5	0.5	0.4
External demand	Q-o-q contribution, % pt	(-0.6)	(1.0)	(0.5)	(0.2)	(-0.1)	(-0.1)	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)	(0.2)	(-0.0)	(0.1)	(0.0)	(-0.0)	(-0.0)
Exports	Q-o-q % ch.	-10.5	12.6	5.4	3.0	2.2	3.1	-0.3	1.0	0.8	2.1	1.8	1.3	0.4	0.8	0.7	0.4	0.5
Imports	Q-o-q % ch.	-6.7	6.2	2.7	2.0	3.0	3.8	-0.9	-0.3	0.5	1.6	1.1	0.3	0.5	0.4	0.4	0.5	0.6
GDP (nominal)	Q-o-q % ch.	-3.9	1.2	4.6	1.9	-0.4	0.2	-1.0	0.5	0.3	2.3	2.2	0.3	0.9	0.4	0.5	-0.9	0.7
GDP deflator	Y-o-y % ch.	0.7	-1.1	0.9	0.7	-0.2	-1.1	-1.2	-1.3	-0.8	-0.3	1.1	1.3	1.5	1.7	0.9	0.3	0.1
Domestic demand deflator	Y-o-y % ch.	-0.3	1.0	1.0	0.3	-0.4	0.2	0.5	1.2	1.9	1.7	1.6	0.8	0.1	0.3	0.2	0.4	0.3

Note: Figures in the shaded areas are forecasts.
Source: Made by MHRT based upon the Cabinet Office, *Quarterly Estimates of GDP*

Japan: recovery in employment and wages is slow; core CPI growth rose to the upper-1% range in the Apr-Jun quarter

- Although labor compensation will begin to recover as economic activities regain momentum, a full-fledged recovery is not expected at least until FY2023 due to downward pressure from a decline in corporate earnings caused by the deterioration of terms of trade and other factors in FY2022. Given that a rise in wages is unlikely due to limited labor mobility to high-productivity sectors, post-pandemic personal consumption and price increases should also be moderate.
- The core CPI (y-o-y) is forecast to be +1.2% in FY2022. It is expected to rise to +1.6% in the Apr-Jun quarter, when the downward impact of lower telecommunications rates fades. The rise in the core CPI should gradually slow down as the surge in commodity prices comes to a pause. In FY2023, we expect the core CPI to move around the mid-0% range.

Outlook for the Japanese economy (key economic indicators)

		2020	2021	2022	2023	2021				2022				2023				2024
		FY	(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Industrial production	Q-o-q % ch.	-9.5	5.9	6.4	3.9	2.9	1.1	-3.7	1.0	0.9	3.2	2.3	1.5	1.0	1.0	0.8	0.4	0.2
Ordinary profits	Y-o-y % ch.	-15.6	32.5	16.0	7.3	26.0	93.9	35.1	14.1	9.7	21.3	13.4	13.6	14.5	8.2	9.4	6.9	5.2
Nominal compensation of employees	Y-o-y % ch.	-1.5	1.5	0.8	1.3	0.5	2.9	2.3	1.0	-0.6	0.4	0.9	0.9	1.1	1.6	1.3	1.2	0.9
Unemployment rate	%	2.9	2.8	2.7	2.4	2.8	2.9	2.8	2.7	2.8	2.7	2.7	2.7	2.7	2.5	2.4	2.4	2.4
New housing starts	P.a., 10,000 units	81.2	86.1	85.8	85.5	83.5	86.5	86.7	85.5	85.4	82.5	87.5	86.5	86.3	86.0	85.6	85.3	85.0
Current account balance	P.a., JPY tril	16.3	12.7	12.6	16.3	18.5	18.9	11.3	12.7	6.9	6.7	10.4	13.0	15.2	15.9	15.6	14.0	14.5
Domestic corporate goods price	Y-o-y % ch.	-1.4	6.9	0.4	-0.8	-0.3	4.6	6.1	8.8	8.0	4.5	1.3	-1.5	-2.5	-2.0	-1.2	-0.1	-0.0
" (Excl. consumption tax)	Y-o-y % ch.	-2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer prices, excl. fresh food	Y-o-y % ch.	-0.4	0.1	1.2	0.5	-0.5	-0.6	-0.0	0.4	0.8	1.6	1.5	1.0	0.6	0.5	0.5	0.5	0.5
" (Excl. institutional factors)	Y-o-y % ch.	-0.4	-0.0	1.4	0.3	-0.4	-0.6	-0.2	-0.0	0.8	1.7	1.7	1.2	0.8	0.4	0.3	0.3	0.3
Consumer prices, excl. fresh food and energy	Y-o-y % ch.	0.1	-0.6	0.7	0.6	-0.0	-0.9	-0.5	-0.7	-0.2	0.6	0.7	0.9	0.6	0.7	0.5	0.5	0.5
" (Excl. institutional factors)	Y-o-y % ch.	-	-0.8	0.9	0.4	0.1	-0.9	-0.7	-1.1	-0.2	0.7	0.9	1.1	0.8	0.6	0.3	0.3	0.3

Note: 1. Figures in the shaded areas are forecasts.The readings above may differ from public releases because the rates of change are calculated on the basis of real-terms data.
2. Ordinary profits are based upon the *Financial Statements Statistics of Corporations by Industry* (all industries basis) (ex finance & insurance).
3. The Consumer Price Index reflects the 2020 base-revision. "Institutional factors" in consumer prices refer to the impacts of the consumption tax, free education, and the GoTo Travel program.
Source: Made by MHRT based upon relevant statistics

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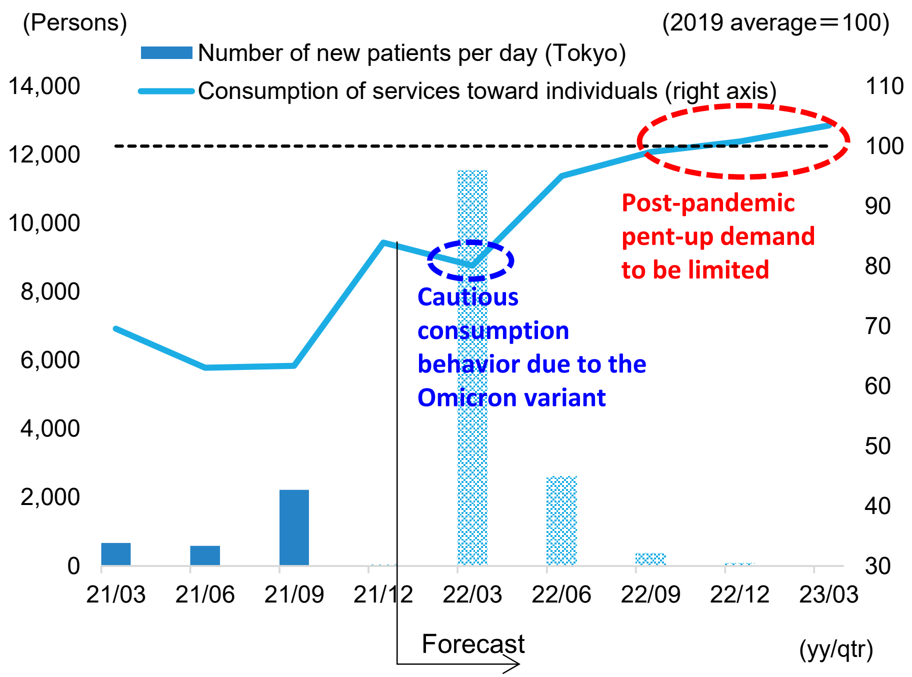
Japan: given the spread of the Omicron variant, we have revised our high-growth forecast to near zero growth for the Jan-Mar quarter of 2022

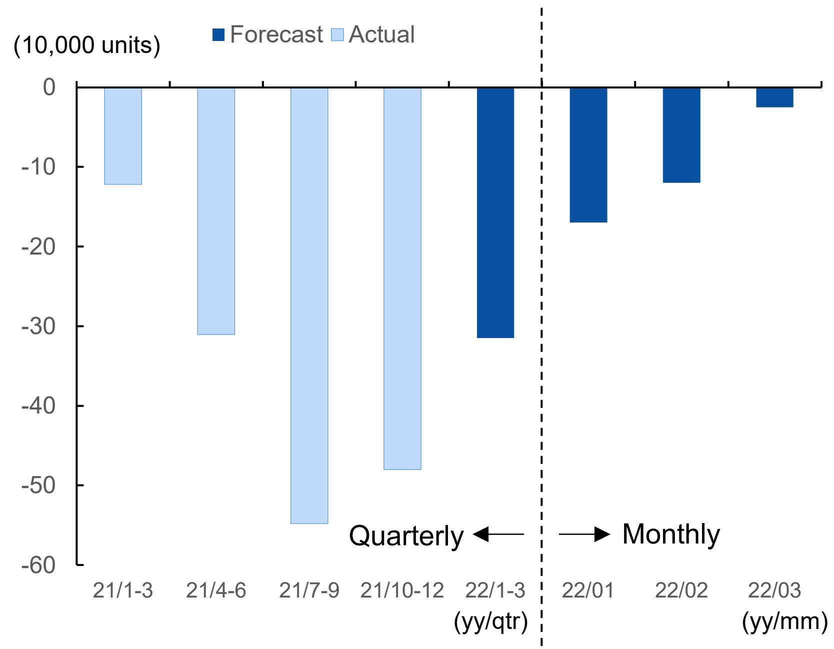
- Decline in consumption of services toward individuals and motor vehicle output cuts have pushed down GDP growth in the Jan-Mar quarter of 2022 by 2% pt.
  - In addition to services toward individuals, durable goods consumption was weak due to motor vehicle output cuts. Motor vehicle production will drop by more than 300,000 units in the Jan-Mar of 2022 due to disruptions in production and logistics caused by such factors as the spread of the Omicron variant.
- Although services toward individuals and motor vehicle sales (production) will both pick up from the Apr-Jun quarter of 2022, the pace of recovery will be moderate.
  - In addition to the persistence of a cautious stance regarding the pandemic, the rise in prices, especially in daily necessities, will serve as restraints on consumption.

Outlook for the consumption of services toward individuals



Note: The dotted line shows the pre-pandemic level of consumption of services toward individuals (2019 average).
Source: Made by MHRT based upon JCB & Nowcast, "JCB Consumption NOW"

Outlook for motor vehicle output cuts in the Jan-Mar quarter

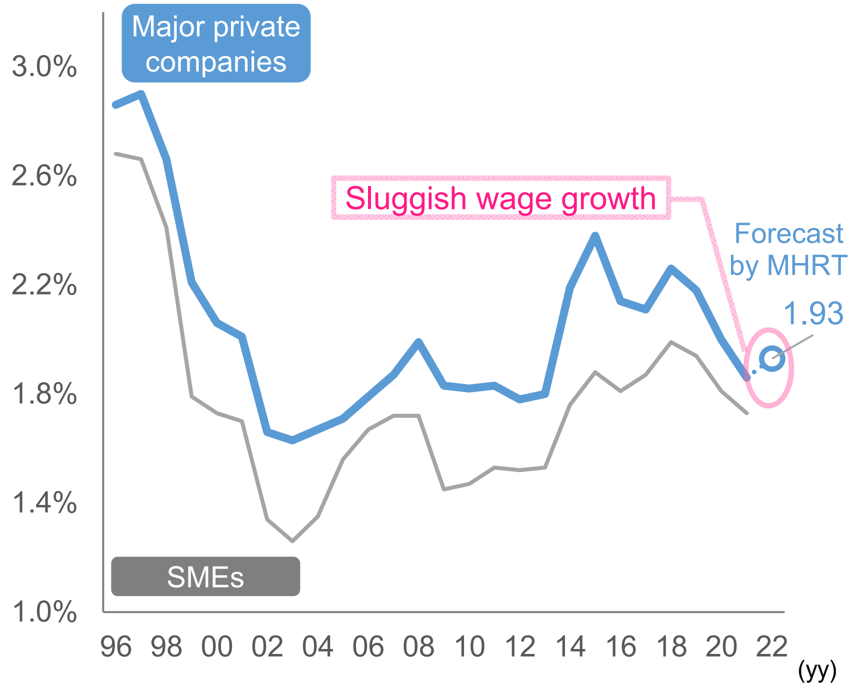


Note: The range of output cuts is the number of units compared to the baseline (before the occurrence of supply constraints).
Source: Made by MHRT based upon media reports and financial information from motor vehicle manufacturers, etc.

Japan: wage growth is sluggish; the underlying tone of personal consumption will be weak even after the pandemic

- Despite Prime Minister Fumio Kishida's call for wage hikes, the response by companies is currently tepid.
  - The rate of wage increases from the spring wage negotiations (spring labor offensive) of 2022 is not expected to reach 2%. The wage curve will continue to flatten out. Wage adjustments for older workers, especially children of the baby-boomer generation, will put downward pressure on overall wages.
- The rise in food and energy prices will serve as further downward pressure on personal consumption.
  - The sense of burden is equivalent to a 1.6% consumption tax hike. Price hikes in daily necessities have also raised lifestyle thrift-consciousness, serving to curb unnecessary and non-urgent spending.

Outlook for 2022 spring labor offensive



Note: SMEs are firms with less than 300 employees. MHRT estimates are as of February.
Source: Made by MHRT based upon Japan's Ministry of Health, Labour and Welfare in its "Spring wage increase demand by major companies in the private-sector and the result of negotiation" and on the results of surveys by the RENGO Spring Labor Offensive.

Burden from food and energy price increases (by annual income bracket)

Annual income	Increase in annual expenses in 2022 (JPY)			Rate of increase (% pt)
	Food	Energy	Total	
Lower than JPY 3 million	22,840	19,499	42,339	+1.8
JPY 3 million to 4 million	26,147	21,361	47,508	+1.4
JPY 4 million to 5 million	28,484	23,121	51,605	+1.2
JPY 5 million to 6 million	29,194	24,004	53,198	+1.0
JPY 6 million to 7 million	31,305	24,261	55,566	+0.9
JPY 7 million to 8 million	32,205	24,467	56,672	+0.8
JPY 8 million to 9 million	33,205	26,167	59,373	+0.7
JPY 9 million to 10 million	35,939	26,596	62,535	+0.7
Higher than JPY 10 million	40,690	27,308	67,998	+0.5
Average	30,135	23,517	53,652	+0.9

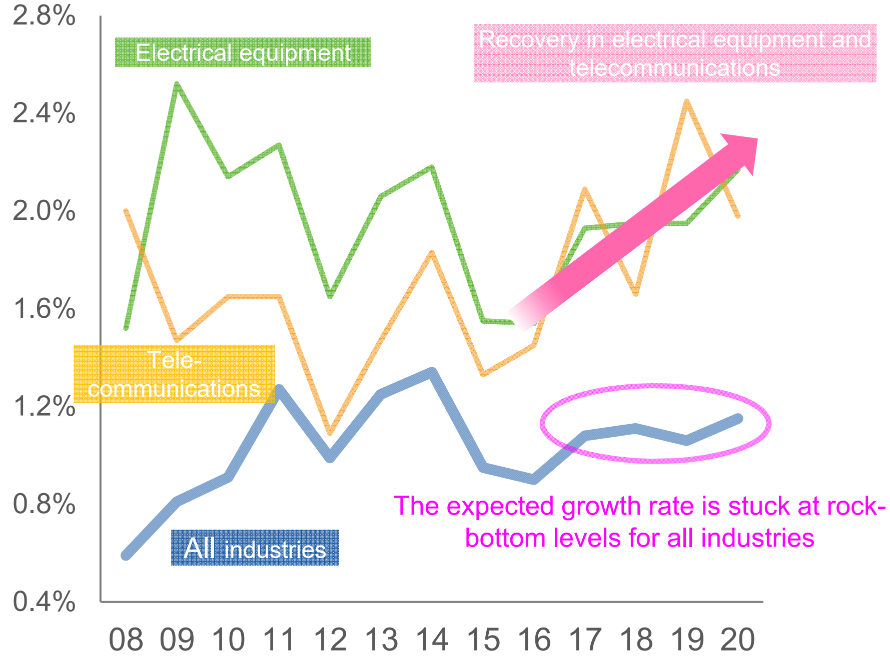
Equivalent to a consumption tax hike of 1.6%

Note: The increase in expenses in 2022 relative to 2021; households with two or more persons. The expense rate is the ratio of "food + energy" spending to income.
Source: Made by MHRT based upon Japan's Ministry of Internal Affairs and Communications in its *The Family Income and Expenditure Survey*

Japan: Japanese companies' expected growth rates are still low; the rise in capital investment is tepid

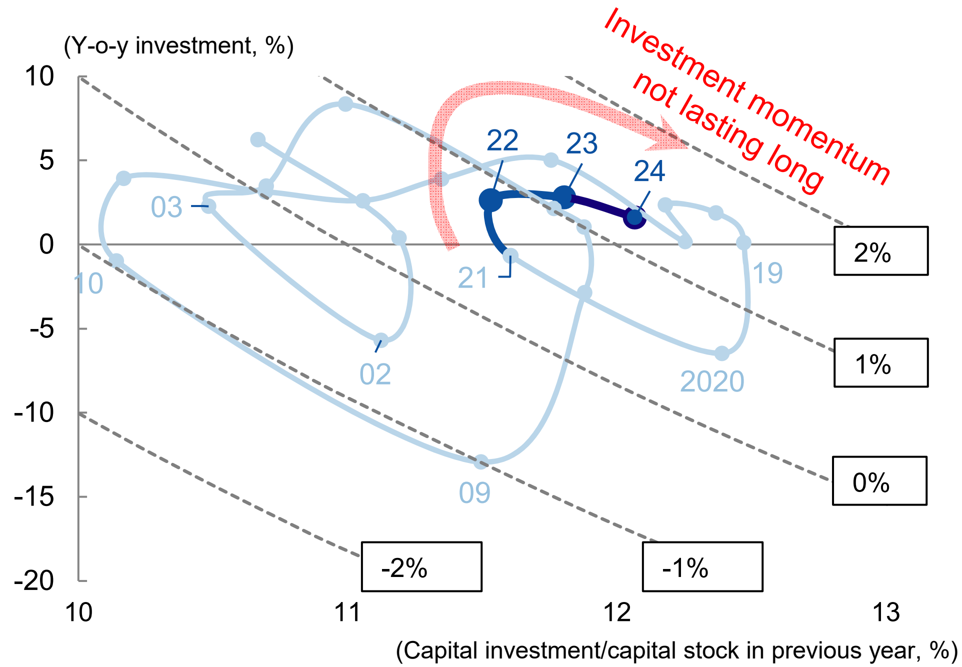
- The expected growth rates of companies (outlook on industrial-sector demand) have remained more or less flat from before the pandemic.
  - The expected growth rates of transportation equipment and retailing is low, as domestic demand is tapering off due to the declining population.
  - On the other hand, some industries, such as electrical equipment and telecommunications, are recovering on expectations of increase in demand for semiconductors and data communications volume.
- Although the rise in capital investment will continue until around 2024, we expect that it will lack strength in the absence of the rise in expected growth rates.
  - The rise in capital investment will most likely be commensurate to the rise in the expected growth rate of around 1%. Growth in capital investment will gradually taper off along with the gradual buildup of capital stock.

Industry demand outlook by industries (next 5 years)



Source: Made by MHRT based upon Japan's Cabinet Office in its *Annual Survey of Corporate Behavior*

Private sector and capital stock circulation

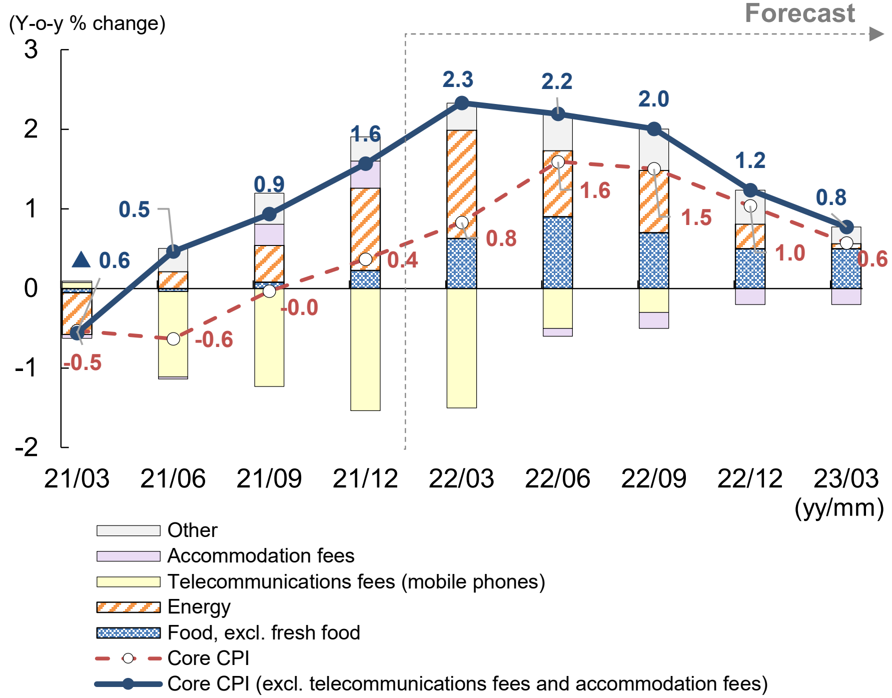


Note: Calendar year basis; the dotted lines represent the combination of capital investment y-o-y and capital stock ratio corresponding to the expected growth rate. Readings for 2022 and beyond are forecasts.
Source: Made by MHRT based upon Cabinet Office, *National Accounts*

Japan: the core CPI (excl. special factors) will reach the 2% range in 2022, and slow down to the 0% range in 2023

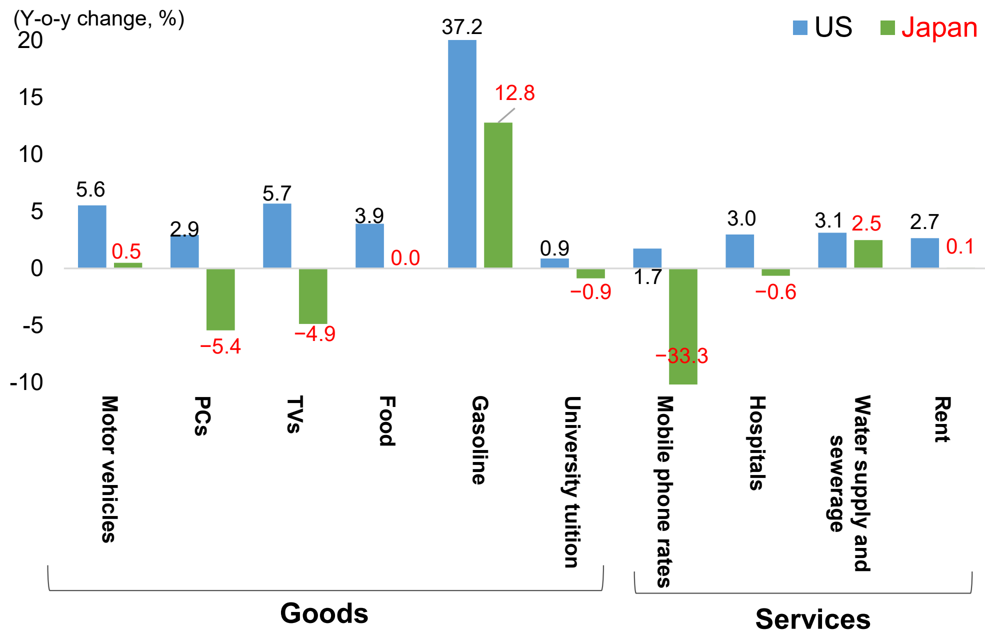
- In the Apr-Jun quarter of 2022, the core CPI is expected to rise +1.6% y-o-y as the impact of telecom rate reductions fade, recording the highest rate of rise since March 2015 when the consumption tax was raised. The core CPI excluding special factors (telecom charges and the GoTo Travel program) will remain in the lower half of the 2% range until mid-2022.
  - The rise in the core CPI will slow down subsequent to a pause in the surge of commodity prices. In FY2023, the core CPI is projected to move around the mid-0% range, reflecting factors such as the tepid rise in wages.
- The major reasons for Japan's low underlying inflation is the weakness of wages and consumer spending compared to the US and the limited B-to-C pass-over of prices.
  - Private brands are taking a strategy to keep food prices unchanged. Durable consumer goods such as home appliances will be pushed down due to intensifing price competition caused by the spread of e-commerce.
  - It should also be noted that there is a structural factor which is keeping the service CPI (such as in university tuition and hospital services) from rising.

Core CPI contributions



Source: Made by MHRT based upon Japan's Ministry of Internal Affairs and Communications in its *Consumer Price Index*

CPI comparison of goods and services between the US and Japan (compared to 2021)



Note: Average year-on-year growth rate from Jan. to Dec. 2021, for Japan and the US
Source: Made by MHRT based upon the US Department of Labor, *Consumer Price Index*, and Japan's Ministry of Internal Affairs and Communications, *Consumer Price Index*

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(Reference) US: a gradual economic slowdown is expected, with the growth forecast at +3.5% in 2022 and +2.3% in 2023

- In 2022, although the pace of growth will gradually slow down, the US economy, especially personal consumption, will remain firm due to favorable employment and income conditions.
  - The economy will be negatively affected by (1) the decline in real purchasing power of households due to accelerating inflation, (2) a tighter financial environment due to higher interest rates and lower stock prices, (3) reduced fiscal stimulus, and (4) a delay in easing supply constraints due to spread of Covid-19 variants.
  - While we expect inflation to be pushed up due to the pass-over of higher labor costs stemming from the rise in wages caused by the shortage of labor, it should slow down along with the easing of the supply-demand balance for goods.
- In 2023, economic activities will normalize due to the rollout of oral treatment drugs, and a moderate economic expansion will be sustained, mainly in services consumption.
  - The real GDP growth rate is expected to remain near the potential growth rate of slightly under +2.0% on a quarterly basis.

Outlook for the US economy

		2020	2021	2022	2023	2021				2022				2023			
		CY	(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch. p.a.	-3.4	5.7	3.5	2.3	6.3	6.7	2.3	6.9	1.5	3.4	3.1	2.4	2.1	1.9	1.9	2.0
Personal consumption	Q-o-q % ch. p.a.	-3.8	7.9	2.6	2.4	11.4	12.0	2.0	3.3	-0.7	3.2	3.6	2.5	2.2	2.0	2.0	2.2
Housing investment	Q-o-q % ch. p.a.	6.8	9.0	-0.4	1.7	13.3	-11.7	-7.7	-0.8	2.0	3.5	2.1	1.9	1.8	1.3	1.0	1.0
Capital investment	Q-o-q % ch. p.a.	-5.3	7.3	3.7	3.2	12.9	9.2	1.7	2.0	4.3	3.9	3.8	3.4	3.0	2.9	3.0	3.0
Inventory investment	Q-o-q contribution p.a. % pt	-0.5	0.3	1.4	-0.1	-2.6	-1.3	2.2	4.9	0.9	0.3	0.0	0.0	-0.1	-0.2	-0.2	-0.1
Government consumption	Q-o-q % ch. p.a.	2.5	0.5	-0.0	0.8	4.2	-2.0	0.9	-2.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Net exports	Q-o-q contribution p.a. % pt	-0.3	-1.4	-0.1	0.1	-1.6	-0.2	-1.3	0.0	0.2	0.1	-0.0	0.0	0.1	0.1	0.1	0.0
Exports	Q-o-q % ch. p.a.	-13.6	4.6	8.6	6.2	-2.9	7.6	-5.3	24.5	7.7	7.5	6.6	6.3	6.2	6.0	5.9	5.7
Imports	Q-o-q % ch. p.a.	-8.9	14.0	7.1	4.3	9.3	7.1	4.7	17.7	4.2	4.8	5.1	4.6	4.1	3.8	3.7	3.9
Unemployment rate	%	8.1	5.4	3.5	3.3	6.2	5.9	5.1	4.2	3.9	3.6	3.4	3.3	3.2	3.3	3.3	3.4
PCE deflator	Y-o-y % ch.	1.2	3.9	4.2	2.0	1.8	3.9	4.3	5.5	5.8	5.0	4.0	2.7	2.0	1.9	2.0	2.1
Core, excl. food and energy	Y-o-y % ch.	1.4	3.3	4.0	2.5	1.7	3.4	3.6	4.6	4.9	4.2	3.7	3.1	2.7	2.5	2.5	2.4

Note: Figures in the shaded areas are forecasts by MHRT.
Source: Made by MHRT based upon releases by the US Department of Commerce and the US Department of Labor

(Reference) Eurozone: high growth is expected in 2022 due to a reactionary rebound from the pandemic; the economy in 2023 will be supported by green investment

- Real GDP growth for 2022 and 2023 is forecast to be +4.2% and +2.6%, respectively.
  - 2022: even though the spread of the Omicron variant at the beginning of the year will serve as a drag, exports and personal consumption will increase from early spring along with the alleviation of supply constraints and infection control measures. We expect a temporary acceleration of the pace of economic expansion.
  - 2023: the pace of economic expansion is expected to settle down around the pre-pandemic cruise speed. Spurred by the European Recovery Fund, capital investment in green and digital sectors, etc., will boost the economy.

Outlook for the eurozone economy

		2020	2021	2022	2023	2021				2022				2023			
		(CY)	(Outlook)			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
GDP (real)	Q-o-q % ch.	-6.4	5.2	4.2	2.6	-0.2	2.2	2.3	0.3	-0.2	1.5	2.0	1.3	0.0	0.1	0.1	0.2
Domestic demand	Q-o-q % ch.	-6.2	3.9	3.3	2.3	-0.3	2.4	2.1	0.4	-0.1	0.7	1.4	1.0	0.4	0.2	0.1	0.2
Personal consumption	Q-o-q % ch.	-7.9	3.6	4.3	2.2	-2.3	3.9	4.3	0.4	-0.9	1.0	1.7	1.0	0.1	0.1	0.2	0.2
Gross fixed capital formation	Q-o-q % ch.	-7.0	3.1	3.5	4.5	-0.0	1.2	-0.9	0.2	0.8	1.4	2.2	2.0	0.8	0.5	0.3	0.4
Government consumption	Q-o-q % ch.	1.3	3.8	1.2	-0.1	-0.6	2.1	0.5	0.1	0.4	0.1	0.1	-0.4	0.0	0.1	0.0	0.0
Inventory investment	Q-o-q contribution, % pt	-0.5	0.4	-0.1	0.1	1.0	-0.4	-0.1	0.1	0.2	-0.2	-0.0	0.0	0.2	-0.1	-0.0	0.0
External demand	Q-o-q contribution, % pt	-0.3	1.3	1.0	0.4	0.1	-0.1	0.2	-0.0	-0.1	0.8	0.7	0.4	-0.4	-0.1	-0.0	0.0
Exports	Q-o-q % ch.	-9.1	9.5	6.9	7.2	1.2	2.5	1.4	0.8	0.1	2.5	4.0	3.5	1.3	0.5	-0.0	0.5
Imports	Q-o-q % ch.	-9.1	7.2	5.3	7.0	1.0	3.0	1.0	0.9	0.3	1.0	2.9	3.0	2.2	0.7	0.0	0.6
CPI	Y-o-y % ch.	0.3	2.6	3.8	1.1	1.1	1.8	2.8	4.6	5.3	4.2	3.3	2.3	1.5	1.0	0.9	1.0
Core, excl. food and energy	Y-o-y % ch.	0.7	1.5	2.0	1.7	1.2	0.9	1.4	2.4	2.3	2.1	1.9	1.8	1.8	1.7	1.7	1.6

Note: Figures in the shaded areas are forecasts by MHRT.
Source: Made by MHRT based upon releases by Eurostat

(Reference) Emerging economies: while the spread of infections will weigh on consumption recovery in 2022; a full-fledged recovery is expected in 2023

- Recovery in personal consumption will slow down in 2022 along with the spread of the Omicron variant.
  - In China, the zero-tolerance policy will be continued in 2022. Mobility will also decline in other emerging countries due to the spread of the Omicron variant.
  - On the other hand, infections are expected to peak out earlier than previous outbreaks, limiting the negative impact on the economy.
- From the Oct-Dec quarter of 2022 onward, both domestic and external demand will normalize due to the rollout of domestically produced vaccines and oral treatment drugs in China.
  - However, the rising debt burden of the household sector and the fiscal rehabilitation of the government will serve as restraints on future growth.

Outlook for Asian and emerging economies

	2020	2021	2022	2023	2020				2021			
			(Outlook)		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Asia	-1.0	7.1	5.4	5.0	-	-	-	-	-	-	-	-
China	2.2	8.1	5.0	5.2	-6.9	3.1	4.8	6.4	18.3	7.9	4.9	4.0
NIEs	-0.8	5.3	3.2	2.5	-	-	-	-	-	-	-	-
South Korea	-0.9	4.0	3.1	2.4	1.5	-2.6	-1.0	-1.1	1.9	6.0	4.0	4.1
Taiwan	3.4	6.3	3.8	2.5	3.0	0.6	4.3	5.3	9.2	7.8	3.7	4.9
Hong Kong	-6.1	6.4	2.7	3.0	-9.1	-9.0	-3.6	-3.4	8.0	7.6	5.5	4.8
Singapore	-5.4	7.2	2.7	2.6	0.0	-13.3	-5.8	-2.4	1.6	15.3	7.1	5.9
ASEAN5	-3.5	3.3	5.5	4.8	-	-	-	-	-	-	-	-
Indonesia	-2.1	3.7	5.0	4.4	3.0	-5.3	-3.5	-2.2	-0.7	7.1	3.5	5.0
Thailand	-6.1	1.5	3.6	3.7	-2.1	-12.1	-6.4	-4.2	-2.6	7.6	-0.3	-
Malaysia	-5.6	3.1	6.6	4.3	0.7	-17.2	-2.7	-3.4	-0.5	16.1	-4.5	3.6
Philippines	-9.6	5.6	6.3	5.7	-0.7	-17.0	-11.6	-8.3	-3.9	12.0	6.9	7.7
Vietnam	2.9	2.6	7.5	6.7	3.7	0.4	2.7	4.5	4.7	6.7	-6.0	5.2
India	-7.0	8.5	7.6	5.8	3.0	-24.4	-7.4	0.5	1.6	20.1	8.4	-
Australia	-2.2	4.1	2.9	2.6	1.6	-6.0	-3.8	-0.5	1.3	9.5	3.9	-
Brazil	-3.9	4.4	0.4	2.0	-0.1	-10.7	-3.7	-0.9	1.3	12.3	4.0	-
Mexico	-8.2	4.8	2.0	2.3	-1.0	-18.7	-8.5	-4.4	-3.8	19.9	4.5	1.0

Note: Real GDP growth rate (y-o-y, %); figures in the shaded areas are forecasts. Average figures are calculated based on the GDP share (PPP) by the IMF.
Source: Made by MHRT based upon releases by the IMF and the statistics of relevant countries and regions

(Reference) Financial markets: US long-term interest rates are forecast to rise to the lower half of the 2% range over the second half of 2022

- US long-term interest rates will rise to the lower half of the 2% range over the second half of 2022, against a background of the continuation of high inflation, and to edge nearer to 2.5% in the second half of 2023 due to additional rate hikes and the impact of QT.
- Although we expect the US stock market to soften slightly until the Jan-Mar quarter of 2023, mainly due to the rise in US interest rates, the market should follow a gradual uptrend from then onward. Japanese stock prices will rise moderately along with EPS growth.
- Regarding the USD/JPY exchange rate, we expect the dollar to strengthen against both the yen and the euro from 2022 to 2023.

Outlook on financial markets

		2020 FY	2021 FY	2022 FY	2023 FY	2021 Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2022 Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2023 Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2024 Jan-Mar
Japan																		
Interest rate on the policy rate balance	(End-of period value, %)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Newly issued JGBs	(10-year, %)	0.03	0.03 to 0.20	0.10 to 0.20	0.15 to 0.25	0.07	0.07	0.03	0.07	0.10 to 0.20	0.10 to 0.20	0.10 to 0.20	0.10 to 0.20	0.10 to 0.20	0.15 to 0.25	0.15 to 0.25	0.15 to 0.25	0.15 to 0.25
Nikkei Stock Average	(JPY)	24,462	27,500 to 28,962	27,500 to 28,900	28,800 to 32,050	28,988	28,962	28,568	28,824	27,500 to 28,500	27,500 to 28,500	27,500 to 28,500	27,900 to 28,900	27,900 to 28,900	28,800 to 29,800	29,150 to 30,650	29,850 to 31,350	30,550 to 32,050
US																		
Federal Funds Rate	(End-of period value, %)	0.00 to 0.25	0.25 to 0.50	1.75 to 2.00	2.00 to 2.25	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25	0.25 to 0.50	0.75 to 1.00	1.25 to 1.50	1.25 to 1.50	1.75 to 2.00	2.00 to 2.25	2.00 to 2.25	2.00 to 2.25	2.00 to 2.25
Newly issued government bonds	(10-year, %)	0.87	1.32 to 1.90	1.85 to 2.45	2.30 to 2.60	1.30	1.58	1.32	1.53	1.70 to 1.90	1.85 to 2.05	2.05 to 2.25	2.05 to 2.25	2.25 to 2.45	2.30 to 2.50	2.35 to 2.55	2.35 to 2.55	2.40 to 2.60
Dow Jones Average	(USD)	28,110	33,800 to 35,600	32,800 to 35,300	33,000 to 35,700	31,493	34,121	34,910	35,515	33,800 to 35,600	33,500 to 35,300	33,300 to 35,100	33,300 to 35,100	32,800 to 34,600	33,000 to 34,800	33,300 to 35,100	33,700 to 35,500	33,900 to 35,700
Eurozone																		
ECB deposit facility rate	(End-of period value, %)	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
German government bonds	(10-year, %)	-0.48	-0.37 to 0.20	0.10 to 0.35	-0.05 to 0.25	-0.41	-0.22	-0.37	-0.24	0.00 to 0.20	0.10 to 0.30	0.15 to 0.35	0.15 to 0.35	0.10 to 0.30	0.05 to 0.25	0.00 to 0.20	-0.05 to 0.15	-0.05 to 0.15
Exchange rates																		
USD/JPY	(USD/JPY)	106	109 to 116	115 to 120	118 to 121	106	109	110	114	114 to 116	115 to 117	116 to 119	116 to 119	118 to 120	118 to 120	118 to 121	118 to 121	119 to 121
EUR/USD	(EUR/USD)	1.17	1.12 to 1.21	1.10 to 1.14	1.08 to 1.12	1.21	1.21	1.18	1.14	1.12 to 1.14	1.11 to 1.14	1.11 to 1.13	1.11 to 1.13	1.10 to 1.12	1.09 to 1.12	1.09 to 1.11	1.09 to 1.11	1.08 to 1.11

Note: Forecast values (expressed in ranges) indicate that the average value for the period is expected to fall within the relevant range.
Source: Made by MHRT based upon releases by Bloomberg

Reference: Key political events

	2022		2023		2024	
US	Nov	Mid-term elections	Mar	20 years since the Iraq War	Nov	Presidential election
Europe	Apr	France: presidential election	1H	Italy: legislative election	May	Russia: end of term of President Vladimir Putin
	Jun	France: legislative election			May	UK: parliamentary elections European Parliamentary elections
					Jul-Sep	Paris Olympic and Paralympic Games
					Oct	End of term of European Commission President Ursula von der Leyen
Japan	Jul	End of term of office of members of House of Councilors	Apr	End of term of Bank of Japan Governor Haruhiko Kuroda	Jul	End of term of the governor of Tokyo
			Apr	Nationwide local elections		
			Apr	End of term of office of the governor of Osaka prefecture and mayor of Osaka city		
Asia	Feb-Mar	Beijing Olympic and Paralympic Games	By Mar	Thailand: election of the House of Representatives (lower house)	Jan	Taiwan: presidential election
	Mar	South Korea: presidential election	By Mar	Cambodia: general election	Feb	Indonesia: presidential and parliamentary elections
	Mar	Hong Kong: Chief Executive election	By Aug	Myanmar: general election	1H	South Korea: legislative election
	Around May	The Philippines: presidential and legislative elections	By Sep	Malaysia: general election	By mid-year	India: general election
	Autumn	China: 20th National Congress of the Communist Party				
Other	1H	Australia: Senate and House of Representatives elections	By year-end	Turkey: presidential and legislative elections	Jun	Mexico: presidential election
	Oct	Brazil: presidential election				

Source: Made by MHRT based upon media reports

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