



Japanese Economy Monthly Forecast

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Headlines

● Review of latest official data

▶ This forecast reflects data released by the end of February, as well as the first official advance GDP estimate for 2023 Q4. About one-third of all data necessary for an accurate estimate of 2024 Q1 GDP have been released. Data on household consumption-related indicators, public works, and the balance of payments are not available yet.

▶ According to the first official advance estimate, real GDP in Q4 shrank an annualized -0.4% QoQ, marking the second consecutive quarter of negative growth. The figure was significantly lower than both the market consensus final forecast and APIR's CQM final expenditure-side forecast.

▶ The Index of Industrial Production index in January declined substantially (-7.5% MoM), marking the first decline in two months. The figure was -6.9% lower than the 2023 Q4 average. Thus, METI downgraded its assessment of economic conditions.

▶ Compared with the 2023 Q4 average, planned construction expenditure in January declined by -1.6%, and the index of capital goods shipments fell by -12.6%. There is a clear downturn in private housing and private capital investment. The real consumption trend index in 2023 Q4 was -0.0% lower than Q3, marking the first decline in 2 quarters. Public works in Q4 shrank too (-2.1% relative to 2023 Q3), marking the first decline in four quarters.

▶ Compared to the Q4 average, real exports and imports in January shrank by -1.8% and -8.9%, respectively. Since imports declined by a larger margin, net exports of real goods to real GDP growth is positive.

● 2024 Q1 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q1 is an annualized +0.2% QoQ. On the other hand, the production-side forecast figure is an annualized -1.8%. The average of the two forecasts is an annualized -0.8%, which is significantly lower than the market consensus forecast figure (+0.39%, Figure 1).

● 2024 Q1 inflation forecast update

▶ The National Core CPI rose YoY for the 29th consecutive month in January to +2.0%, bringing inflation to the 2% level for the fifth consecutive month.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q1 are respectively -0.4% and -0.2% QoQ. However, since the terms of trade are expected to deteriorate, our headline inflation forecast (GDP deflator) is -0.6% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jan-Mar (Q1) 2024 (% , QoQ annualized growth)

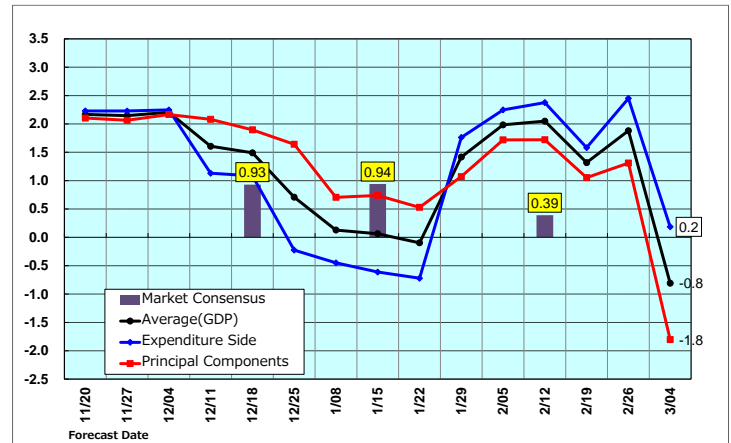
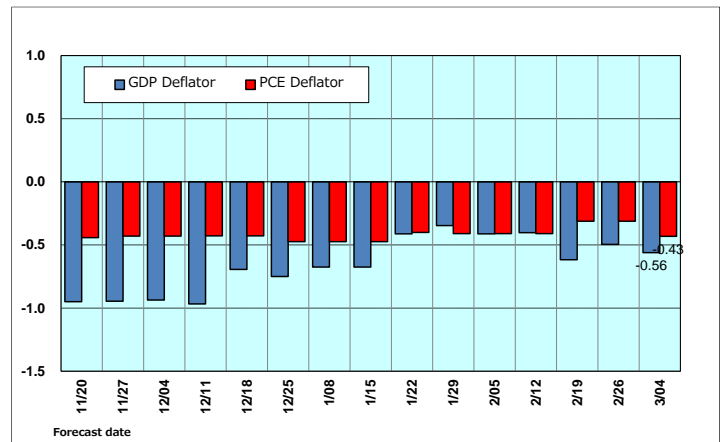


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2024 (% , QoQ growth)



We used the Current Quarter Model (CQM) methodology developed by Professor Emeritus L. R. Klein to create two forecasting models for the Japanese economy: a demand-side model and a production-side (principal component analysis) model. We refer to the forecasts by the former model as the main series, and those by the latter model, as well as the average of both models, as the reference series. Forecasts made using the CQM model are renewed continuously, incorporating the latest weekly data, which makes it possible to determine and trace the impacts of the latest short-term trends on macroeconomic conditions.

Table 1: Main Economic Indicators (latest)

Release Date	Data Month	Economic Indicator	Value/ Index Score	Change	
				MoM	YoY
3/1	January	Labor Force Survey			
		Total employment (millions)	67.61	-0.03	
		Total unemployment (millions)	1.70	-0.02	
		Unemployment rate (%)	2.4%	-0.1%pt	
	January	General Job Placement Situation			
	Job offers-to-applicants ratio	1.27	-0.01%pt		
	February	New Car Sales (vehicles)	298,491		-16.2%
	February	Consumer Confidence Index (SA)	39.1	+1.1	
2/29	January	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	97.6	-7.5%	
		Shipments	96.2	-8.3%	
		Inventories	101.0	-1.8%	
	January	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	13,141.0	+0.8%	+2.3%
	January	New Housing Starts			
		New housing starts (SA, Unit)	58,849	-1.5%	-7.5%
		Planned residential construction expenditure (billion JPY)	1,140.7	-2.7%	-3.6%
	December	Construction Costs Deflator (2015=100)			
	Housing construction	125.1		+1.5%	
	Public works	124.5		+3.3%	
2/28	January	Producer Price Index for Intermediate and Final Demand (2015=100)			
		Capital goods	108.4		+4.1%
		Consumer goods	112.5		-0.2%
	December	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	110.2	+2.1	
		Coincident indicators	115.9	+1.3	
	Lagging indicators	105.9	+0.3		
2/27	December	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	572,334		+0.8%
		Total working hours	136.1		-0.9%
	January	National Consumer Price Index (2020=100)			
	Core index	106.4	+0.1%	+2.0%	
2/26	January	Corporate Services Price Index (2015=100)			
	Overall index	109.8		+2.1%	
2/20	January	Trade Statistics (customs clearance level)			
		Trade balance (billion JPY)	-1,758.3	+675.3	-49.9%
		Exports (billion JPY)	7,332.7	-3.6%	+11.9%
	Imports (billion JPY)	9,091.0	-10.5%	-9.6%	
2/19	December	Private Core Machinery Orders (billion JPY)	838.8	+2.7%	
2/16	December	Tertiary Industry Activity Index (2015=100)	100.2	+0.7%	
	December	General Construction Statistics			
	Private non-residential construction (billion JPY)	960.2		-0.9%	

		Public works (billion JPY)	2,152.2		+2.6%
2/15	December	Indices of Industrial Production (final figures, 2020=100)			
		Production	105.5	+1.4%	
		Shipments	104.9	+2.2%	
		Inventory	102.9	-1.2%	
		Production capacity index	98.5		+0.3%
		Capacity utilization ratio	108.4	-0.1%	
	January	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	573.4		+12.7%
		Number of contracts	9,269		-0.4%
2/13	January	Domestic Corporate Price Index (2020=100)			
		Corporate Price	120.1	0.0%	+0.2%
		Export Price	134.9	+1.0%	+8.9%
		Import Price	162.4	+0.2%	-0.2%
2/9	December	Information Services Industry Sales (billion JPY)	1,718.5		+4.8%
2/8	January	Economy Watchers Survey			
		Current Conditions Diffusion Index	50.2	-1.6	
		Business Outlook Diffusion Index	52.5	+2.1	
	December	Balance of Payments			
		Current account (billion JPY)	744.3	-4.0%	+7,711.8%
		Exports (billion JPY)	9,538.4	+7.5%	+9.4%
		Imports (billion JPY)	9,422.9	+4.3%	-5.4%
2/7	December	Consumption Activity Index (2015=100)	95.0	-2.0%	
	December	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	110.0	+1.9	
		Coincident indicators	116.2	+1.6	
		Lagging indicators	106.0	+0.3	
2/6	December	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	573,313		+1.0%
		Total working hours	136.4		-0.6%
	December	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	329,518	-1.0%	+0.4%
		Real consumption expenditure		-0.9%	-2.5%
	December	Consumption Trend Index (2020=100)	104.2	-0.1%	
2/1	January	Food Balance (billion JPY)	+8.5		-17.5
	January	New Car Sales (vehicles)	285,431		-10.8%
	January	Consumer Confidence Index (SA)	38.0	+0.8	
1/26	January	Tokyo Region Consumer Price Index (2020=100)			
		Core	105.8	-0.1%	+1.6%

Table 2: CQM Forecast: GDP Tracking

Forecast date	Real GDP			Deflator		Real GDP			Deflator		Real GDP			Deflator	
	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE
	2023Q4					2024Q1					2024Q2				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
11/20	-1.1	0.5	-0.3	-0.6	0.3	2.2	2.1	2.2	-0.9	-0.4					
11/27	-1.1	-0.2	-0.7	-0.3	0.9	2.2	2.1	2.1	-0.9	-0.4					
12/04	-0.3	-0.3	-0.3	-0.2	0.9	2.2	2.2	2.2	-0.9	-0.4					
12/08															
12/11	2.7	1.0	1.8	-0.1	1.0	1.1	2.1	1.6	-1.0	-0.4					
12/18	2.6	1.0	1.8	0.1	1.0	1.1	1.9	1.5	-0.7	-0.4					
12/25	1.4	0.8	1.1	0.0	0.9	-0.2	1.6	0.7	-0.8	-0.5					
1/08	0.7	0.2	0.5	0.0	0.9	-0.4	0.7	0.1	-0.7	-0.5					
1/15	1.8	2.1	1.9	0.1	0.9	-0.6	0.7	0.1	-0.7	-0.5					
1/22	1.8	1.6	1.7	0.2	1.0	-0.7	0.5	-0.1	-0.4	-0.4					
1/29	2.5	1.8	2.2	0.2	1.0	1.8	1.1	1.4	-0.3	-0.4					
2/05	3.2	1.7	2.4	0.2	1.0	2.2	1.7	2.0	-0.4	-0.4					
2/12	2.0	1.7	1.9	0.2	1.0	2.4	1.7	2.0	-0.4	-0.4					
2/15	-0.4			0.4	0.2										
2/19						1.6	1.1	1.3	-0.6	-0.3	0.6	0.7	0.6	-0.2	-0.1
2/26						2.4	1.3	1.9	-0.5	-0.3	0.4	0.6	0.5	-0.3	-0.1
3/04						0.2	-1.8	-0.8	-0.6	-0.4	0.1	0.9	0.5	-0.3	-0.1

Note: Underlined figures are 1st preliminary estimates.

Table 3-1: Gross Domestic Product at Chained 2015 Price: Y Billion

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	562,626	557,886	557,292	557,551	557,755	548,376	558,716	551,921	558,839
Private Consumption	297,989	296,955	296,266	296,269	296,665	295,859	297,793	298,114	296,870
Residential Investment	18,733	18,619	18,430	18,315	18,235	18,346	18,546	18,288	18,524
Nonresidential Investment	89,710	89,158	89,090	86,802	87,034	88,623	89,760	89,874	88,690
Change in Private Inventory	3,639	1,252	1,124	1,640	1,446	2,927	2,661	3,025	1,914
Government Consumption	119,739	120,078	119,925	119,978	120,479	118,857	119,903	119,327	119,930
Public Investment	26,886	26,619	26,433	26,558	26,392	25,807	26,529	25,853	26,624
Change in Public Inventory	-28	-36	-31	-14	-4	22	-5	37	-27
Net Exports	5,121	5,119	6,263	8,211	7,716	-1,358	3,393	-1,842	6,179
Exports of Goods & Services	111,248	112,300	115,274	113,641	114,053	108,215	111,507	108,739	113,116
Imports of Goods & Services	106,128	107,180	109,011	105,430	106,337	109,572	108,114	110,581	106,937
Gross National Income	583,920	580,026	580,117	578,502	576,904	564,726	579,025	567,174	580,641
Memo:									
Total Demand	668,753	665,066	666,303	662,981	664,092	657,948	666,830	662,502	665,776
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.0	-0.8	-0.1	0.0	0.0				
SAAR	4.0	-3.3	-0.4	0.2	0.1				
% Change Year Ago	2.3	1.6	1.1	0.1	-0.9	1.0	1.9	1.5	1.3
Private Consumption	-0.7	-0.3	-0.2	0.0	0.1				
% Change Year Ago	0.3	-0.1	-0.5	-1.2	-0.4	2.2	0.7	2.7	-0.4
Residential Investment	1.8	-0.6	-1.0	-0.6	-0.4				
% Change Year Ago	3.1	2.1	0.4	-0.5	-2.7	-3.5	1.1	-3.4	1.3
Nonresidential Investment	-1.4	-0.6	-0.1	-2.6	0.3				
% Change Year Ago	1.3	-1.0	-0.6	-4.6	-3.0	1.9	1.3	3.4	-1.3
Government Consumption	-0.1	0.3	-0.1	0.0	0.4				
% Change Year Ago	0.8	1.0	0.2	0.1	0.6	1.7	0.9	1.4	0.5
Public Investment	2.2	-1.0	-0.7	0.5	-0.6				
% Change Year Ago	5.4	3.2	2.5	1.0	-1.8	-9.6	2.8	-6.1	3.0
Exports of Goods & Services	3.8	0.9	2.6	-1.4	0.4				
% Change Year Ago	3.7	2.5	3.8	6.1	2.5	5.3	3.0	4.7	4.0
Imports of Goods & Services	-3.6	1.0	1.7	-3.3	0.9				
% Change Year Ago	-1.4	-5.0	-2.6	-4.2	0.2	7.9	-1.3	6.9	-3.3
Gross National Income	2.1	-0.7	0.0	-0.3	-0.3				
SAAR	8.5	-2.6	0.1	-1.1	-1.1				
% Change Year Ago	3.5	3.2	1.8	1.1	-1.2	-0.1	2.5	0.4	2.4
Total Demand	0.2	-0.6	0.2	-0.5	0.2				
SAAR	0.9	-2.2	0.7	-2.0	0.7				
% Change Year Ago	0.0	14.3	0.5	-0.6	-0.7	2.0	1.3	2.4	0.5
Contribution to GDP Growth Rate									
Domestic Demand	-0.7	-0.8	-0.3	-0.3	0.1	1.5	0.9	2.0	-0.4
Private Demand	-0.7	-0.8	-0.2	-0.3	0.1	1.6	0.5	2.0	-0.6
Public demand	0.1	0.0	-0.1	0.0	0.1	-0.2	0.3	0.0	0.2
Net Exports	1.7	-0.1	0.2	0.3	-0.1	-0.5	1.0	-0.4	1.6

Table 3-2: Gross Domestic Product at Current Prices: Y Billion

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	594,975	594,625	596,370	593,297	591,771	559,710	591,482	566,481	594,817
Private Consumption	321,732	322,840	322,795	321,400	321,533	311,063	322,457	315,843	322,192
Residential Investment	22,215	22,076	21,904	21,760	21,683	21,780	22,016	21,800	21,989
Nonresidential Investment	98,516	98,825	99,481	97,561	98,432	94,591	98,934	96,889	98,596
Change in Private Inventory	5,251	1,245	1,218	1,540	1,437	3,596	2,785	3,616	2,313
Government Consumption	123,306	124,057	124,466	124,748	125,276	120,881	123,900	122,092	124,144
Public Investment	30,991	30,874	30,801	30,896	30,806	28,944	30,650	29,278	30,891
Change in Public Inventory	-25	-46	-33	-5	3	-96	2	-64	-27
Net Exports	-7,011	-5,246	-4,262	-4,603	-7,398	-21,047	-9,261	-22,973	-5,281
Exports of Goods & Services	125,850	130,799	137,201	135,898	137,083	120,571	128,660	123,245	132,437
Imports of Goods & Services	132,861	136,045	141,463	140,501	144,482	141,618	137,921	146,218	137,717
Gross National Income	629,729	628,865	631,730	629,078	627,524	593,729	625,426	600,549	629,850
Memo:									
Total Demand	727,836	730,670	737,833	733,798	736,253	701,328	729,403	712,699	732,534
Compensation of Employee	300,974	300,507	301,700	301,303	302,637	295,385	300,569	296,382	301,121
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	2.5	-0.1	0.3	-0.5	-0.3				
SAAR	10.4	-0.2	1.2	-2.0	-1.0				
% Change Year Ago	6.3	6.7	5.1	2.2	-0.5	1.3	5.7	2.3	5.0
Private Consumption	-0.3	0.3	0.0	-0.4	0.0				
% Change Year Ago	3.3	3.0	2.2	-0.4	-0.1	5.1	3.7	5.9	2.0
Residential Investment	1.6	-0.6	-0.8	-0.7	-0.4				
% Change Year Ago	2.7	1.3	0.0	-0.5	-2.4	3.4	1.1	1.5	0.9
Nonresidential Investment	-0.5	0.3	0.7	-1.9	0.9				
% Change Year Ago	4.6	2.2	2.3	-1.4	-0.1	6.2	4.6	7.8	1.8
Government Consumption	-0.5	0.6	0.3	0.2	0.4				
% Change Year Ago	3.3	1.9	1.0	0.7	1.6	2.9	2.5	2.8	1.7
Public Investment	3.2	-0.4	-0.2	0.3	-0.3				
% Change Year Ago	8.6	6.2	5.0	2.9	-0.6	-5.2	5.9	-1.7	5.5
Exports of Goods & Services	4.5	3.9	4.9	-1.0	0.9				
% Change Year Ago	5.6	4.1	7.5	12.8	8.9	20.4	6.7	18.7	7.5
Imports of Goods & Services	-5.9	2.4	4.0	-0.7	2.8				
% Change Year Ago	-4.2	-11.9	-6.0	-0.4	8.7	37.4	-2.6	32.3	-5.8
Gross National Income	2.9	-0.1	0.5	-0.4	-0.2				
SAAR	12.3	-0.5	1.8	-1.7	-1.0				
% Change Year Ago	6.5	6.2	4.2	2.8	-0.4	2.5	5.3	3.1	4.9
Memo:									
Total Demand	0.9	0.4	1.0	-0.5	0.3				
SAAR	3.5	1.6	4.0	-2.2	1.3				
% Change Year Ago	0.0	32.9	2.7	1.7	1.2	0.0	7.0	0.0	7.3
Compensation of Employee	0.8	-0.2	0.4	-0.1	0.4				
% Change Year Ago	2.4	1.7	1.2	1.0	0.6	2.3	1.8	2.4	1.6

Table 3-3: Deflator : 2015=100

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	105.8	106.6	107.0	106.4	106.1	102.1	105.9	102.6	106.4
Private Consumption	108.0	108.7	109.0	108.5	108.4	105.1	108.3	105.9	108.5
Residential Investment	118.6	118.6	118.9	118.8	118.9	118.7	118.7	119.2	118.7
Nonresidential Investment	109.8	110.8	111.7	112.4	113.1	106.8	110.3	107.8	111.2
Government Consumption	103.0	103.3	103.8	104.0	104.0	101.7	103.3	102.3	103.5
Public Investment	115.3	116.0	116.5	116.3	116.7	112.2	115.5	113.1	116.0
Exports of Goods & Services	113.1	116.5	119.0	119.6	120.2	111.3	115.3	113.3	117.1
Imports of Goods & Services	125.2	126.9	129.8	133.3	135.9	129.0	127.5	132.2	128.8
Unit Profit	113.4	114.4	114.7	113.6	112.5	104.6	113.0	106.2	114.0
Unit Labor Cost	99.3	100.0	100.5	100.3	100.7	100.0	99.8	99.7	100.0
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.5	0.8	0.4	-0.6	-0.3				
	3.9	5.0	3.9	2.2	0.3	0.3	3.7	0.8	3.7
Private Consumption	0.4	0.7	0.2	-0.4	-0.1				
	3.0	3.1	2.7	0.9	0.4	2.9	3.0	3.2	2.5
Residential Investment	-0.2	0.0	0.2	0.0	0.1				
	-0.4	-0.8	-0.5	0.0	0.3	7.2	0.0	5.1	-0.4
Nonresidential Investment	1.0	0.9	0.7	0.7	0.6				
	3.3	3.2	2.9	3.3	3.0	4.2	3.3	4.3	3.2
Government Consumption	-0.4	0.3	0.5	0.2	0.0				
	2.5	0.9	0.8	0.6	1.0	1.2	1.6	1.3	1.2
Public Investment	1.0	0.6	0.5	-0.2	0.3				
	3.0	2.9	2.5	1.9	1.3	4.9	3.0	4.7	2.6
Exports of Goods & Services	0.6	3.0	2.2	0.5	0.5				
	1.8	1.5	3.6	6.4	6.3	14.3	3.6	13.4	3.3
Imports of Goods & Services	-2.4	1.4	2.2	2.7	2.0				
	-2.8	-7.2	-3.6	3.9	8.5	27.3	-1.2	23.8	-2.6
Unit Profit	0.0	0.9	0.3	-1.0	-1.0				
	0.0	14.0	8.1	3.5	-0.8	-0.8	8.0	0.7	7.4
Unit Labor Cost	0.0	0.7	0.5	-0.2	0.4				
	0.0	14.0	0.1	0.9	1.4	1.3	-0.1	0.8	0.3