



Japanese Economy Monthly Forecast

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Headlines

● Review of latest official data

▶ This forecast reflects data released by the end of May, including the first official advance GDP estimate for 2024 Q1. About one-third of all data necessary for an accurate estimate of Q2 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 GDP estimate, real GDP in 2024 Q1 shrank by an annualized -2.0% QoQ, marking the first decline in two quarters. The figure was within the expected error range of APIR's final CQM forecast figure.

▶ The production index for April was -0.1% MoM, the first negative figure in two months, but it was still +2.6% higher than the average for January to March. METI's assessment of the underlying tone of production remained unchanged at "alternating between progress and regress but weakening".

▶ Compared with 2024 Q1 average, planned construction expenditure and capital goods shipments in April rose +14.0% and +3.0%, respectively. Private-sector housing and private-sector business investment recovered. The Q1 real consumption trend index rose by a modest +0.1% QoQ, marking the first increase in four quarters. Public works rose by +5.6% QoQ, marking the first increase in three quarters.

▶ Compared with 2024 Q1 average, real exports and imports in April increased by +1.3% and +2.9%, respectively (BOJ basis). The contribution of real net exports of goods to GDP growth was negative.

● 2024 Q2 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q2 is an annualized +2.0% QoQ. On the other hand, the production-side forecast figure is an annualized +2.4%. The average of the two forecasts is an annualized +2.2%, which is similar to the market consensus forecast figure of +2.10% (Figure 1).

● 2024 Q2 inflation forecast update

▶ In April, the nation-wide CPI rose by +2.2% YoY, marking the 32st month of inflation. The inflation rate slowed for the second month in a row. The core-core CPI (excluding fresh food and energy prices) rose by +2.4%. Core-core CPI inflation has continued for 25th consecutive months, but it has been decelerating for eight months in a row now.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q2 are respectively +0.4% and +0.6% QoQ. However, since the terms of trade are expected to deteriorate, we forecast a headline inflation rate (GDP deflator) of +0.3% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Apr-Jun (Q2) 2024 (% , QoQ annualized growth)

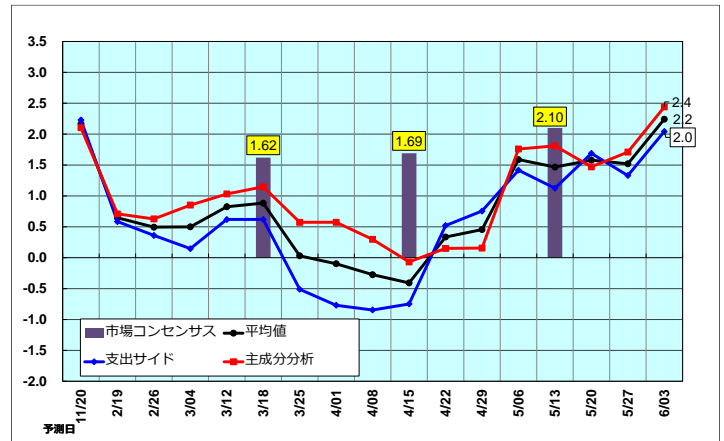
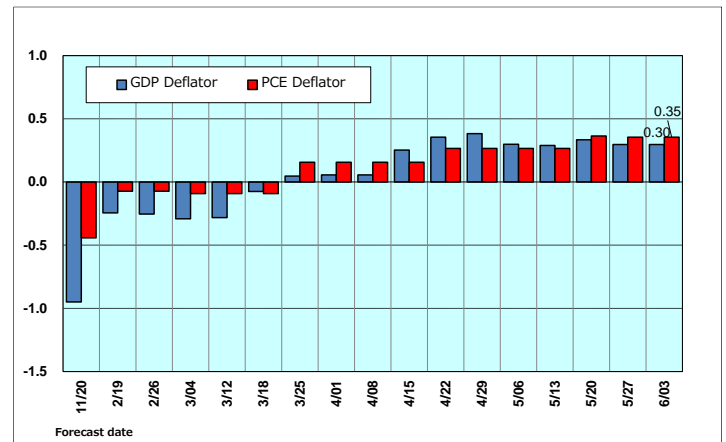


Fig 2 CQM Forecast: Inflation Apr-Jun (Q2) 2024 (% , QoQ growth)



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)

Re-lease Date	Data Month	Economic Indicator	Value/ Index Score	Change		
				MoM	YoY	
5/31	April	Labor Force Survey				
		Total employment (millions)	67.51	-0.09		
		Total unemployment (millions)	1.83	+0.01		
			Unemployment rate (%)	2.6%	0.0%pt	
	April	General Job Placement Situation				
		Job offers-to-applicants ratio	1.26	-0.02%pt		
	April	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	101.6	-0.1%		
		Shipments	100.6	+0.2%		
		Inventories	102.1	-0.5%		
	April	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	13,529.0	+1.2%	+2.4%	
	April	New Housing Starts				
		New housing starts (SA, Unit)	76,583	+15.8%	+13.9%	
	Planned residential construction expenditure (billion JPY)	1,493.9	+19.0%	+20.2%		
March	Construction Costs Deflator (2015=100)					
	Housing construction	124.9		+1.8%		
	Public works	124.7		+3.1%		
May	Tokyo Region Consumer Price Index (2020=100)					
	Core	106.7	+0.4%	+1.9%		
5/30	April	Producer Price Index for Intermediate and Final Demand (2015=100)				
		Capital goods	108.7		+2.9%	
		Consumer goods	113.1		+1.9%	
5/29	May	Consumer Confidence Index (SA)	36.2	-2.1		
5/28	April	Corporate Services Price Index (2015=100)				
		Overall index	111.9		+2.8%	
5/27	March	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	112.2	+0.1		
		Coincident indicators	113.6	+2.1		
		Lagging indicators	107.4	+0.4		
5/24	April	National Consumer Price Index (2020=100)				
		Core index	107.1	0.0%	+2.2%	
5/23	March	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	302,060		+1.0%	
		Total working hours	136.3		-2.6%	
5/22	March	Private Core Machinery Orders (billion JPY)	913.0	+2.9%		
	April	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	-462.5	-17.8%	-7.6%	
		Exports (billion JPY)	8,980.7	+0.9%	+8.3%	
		Imports (billion JPY)	9,443.3	-0.5%	+8.3%	
5/20	March	Tertiary Industry Activity Index (2015=100)	100.2	-2.4%		
5/17	March	General Construction Statistics				
		Private non-residential construction (billion JPY)	899.5		-2.4%	

		Public works (billion JPY)	2,272.2		+9.4%
5/16	March	Indices of Industrial Production (final figures, 2020=100)			
		Production	101.7	+4.4%	
		Shipments	100.4	+4.7%	
		Inventory	102.6	+1.0%	
		Production capacity index	98.2		-0.2%
		Capacity utilization ratio	99.4	+1.3%	
5/15	April	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	2,432.4		+18.8%
		Number of contracts	18,782		+3.7%
5/14	April	Domestic Corporate Price Index (2020=100)			
		Corporate Price	121.2	+0.3%	+0.9%
		Export Price	140.6	+2.0%	+10.8%
		Import Price	166.9	+1.8%	+6.4%
	March	Information Services Industry Sales (billion JPY)	2,360.1		+4.1%
5/10	March	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	318,713	+1.7%	+1.9%
		Real consumption expenditure		+1.2%	-1.2%
	March	Consumption Trend Index (2020=100)	104.0	0.0%	
	April	Economy Watchers Survey			
		Current Conditions Diffusion Index	47.7	-2.4	
		Business Outlook Diffusion Index	48.5	-2.7	
	March	Balance of Payments			
		Current account (billion JPY)	+3,398.8	+42.4%	+44.0%
		Exports (billion JPY)	9,370.7	+5.7%	+6.5%
		Imports (billion JPY)	8,879.7	+4.5%	-3.8%
5/9	March	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	301,193		+0.6%
		Total working hours	136.2		-2.7%
	March	Consumption Activity Index (2015=100)	96.8	-0.3%	
	March	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	111.4	-0.7	
		Coincident indicators	113.9	+2.4	
		Lagging indicators	106.2	-0.6	
5/2	April	Food Balance (billion JPY)	+6.3		+8.6
	April	Consumer Confidence Index (SA)	38.3	-1.2	
5/1	April	New Car Sales (vehicles)	258,762		-10.6%

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
	2024Q1					2024Q2					2024Q3				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
11/20	2.2	2.1	2.2	-0.9	-0.4										
11/27	2.2	2.1	2.1	-0.9	-0.4										
12/04	2.2	2.2	2.2	-0.9	-0.4										
12/08															
12/11	1.1	2.1	1.6	-1.0	-0.4										
12/18	1.1	1.9	1.5	-0.7	-0.4										
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					
3/11															
3/12	-1.3	-2.9	-2.1	-0.6	-0.4	0.6	1.0	0.8	-0.3	-0.1					
3/18	-1.3	-3.2	-2.3	-0.3	-0.4	0.6	1.1	0.9	-0.1	-0.1					
3/25	-2.3	-4.2	-3.3	0.0	0.1	-0.5	0.6	0.0	0.0	0.2					
4/01	-3.0	-4.2	-3.6	0.0	0.1	-0.8	0.6	-0.1	0.1	0.2					
4/08	-2.7	-2.2	-2.5	0.0	0.1	-0.8	0.3	-0.3	0.1	0.2					
4/15	-3.5	-2.7	-3.1	0.0	0.1	-0.7	-0.1	-0.4	0.3	0.2					
4/22	-3.5	-2.0	-2.7	0.0	0.1	0.5	0.2	0.3	0.4	0.3					
4/29	-3.1	-2.0	-2.6	0.0	0.1	0.8	0.2	0.5	0.4	0.3					
5/06	-2.9	-1.7	-2.3	0.1	0.1	1.4	1.8	1.6	0.3	0.3					
5/13	-1.4	-1.5	-1.5	0.1	0.1	1.1	1.8	1.5	0.3	0.3					
5/16	<u>-2.0</u>			<u>0.6</u>	<u>0.9</u>										
5/20						1.7	1.5	1.6	0.3	0.4	0.2	1.7	0.9	-0.2	-0.1
5/27						1.3	1.7	1.5	0.3	0.4	0.4	1.8	1.1	-0.2	-0.0
6/03						2.0	2.4	2.2	0.3	0.4	0.7	1.4	1.1	-0.2	-0.0

Note: Underlined figures are 1st preliminary estimates.

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

	Quarterly			Forecast		CY		FY	
	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2023	2024	2022	2023
GDP/GDE									
Gross Domestic Products	558,020	558,041	555,264	558,079	559,051	559,111	558,120	552,126	558,768
Private Consumption	296,986	295,830	293,826	295,271	295,668	297,631	295,196	298,151	296,243
Residential Investment	18,609	18,356	17,888	17,966	18,345	18,542	18,112	18,287	18,403
Nonresidential Investment	89,550	91,169	90,440	91,641	91,714	90,477	91,400	89,884	90,231
Change in Private Inventory	997	196	1,306	1,316	429	2,270	821	3,021	1,574
Government Consumption	120,069	119,886	120,113	120,375	120,875	119,900	120,685	119,324	119,962
Public Investment	26,687	26,644	27,478	28,097	28,151	26,522	27,958	25,852	26,901
Change in Public Inventory	-37	-34	17	-120	-95	-10	-73	37	-20
Net Exports	5,078	6,291	4,145	3,484	3,914	3,686	3,971	-1,666	5,208
Exports of Goods & Services	112,223	115,343	109,525	111,175	112,082	111,834	111,364	108,927	112,205
Imports of Goods & Services	107,145	109,052	105,379	107,691	108,169	108,149	107,392	110,593	106,997
Gross National Income	580,323	580,944	577,268	578,797	578,904	579,772	578,911	567,975	581,097
Memo:									
Total Demand	665,165	667,093	660,643	665,770	667,220	667,260	665,513	662,719	665,765
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.9	0.0	-0.5	0.5	0.2				
SAAR	-3.6	0.0	-2.0	2.0	0.7				
% Change Year Ago	1.6	1.3	-0.4	-0.9	0.2	1.9	-0.2	1.6	1.2
Private Consumption	-0.3	-0.4	-0.7	0.5	0.1				
% Change Year Ago	-0.1	-0.7	-2.0	-0.9	-0.4	0.6	-0.8	2.7	-0.6
Residential Investment	-0.9	-1.4	-2.5	0.4	2.1				
% Change Year Ago	2.1	0.3	-3.0	-4.3	-1.4	1.1	-2.3	-3.4	0.6
Nonresidential Investment	-0.2	1.8	-0.8	1.3	0.1				
% Change Year Ago	-0.9	2.4	-0.9	2.2	2.4	2.1	1.0	3.4	0.4
Government Consumption	0.3	-0.2	0.2	0.2	0.4				
% Change Year Ago	1.0	0.2	0.2	0.5	0.7	0.9	0.7	1.4	0.5
Public Investment	-0.3	-0.2	3.1	2.3	0.2				
% Change Year Ago	3.4	2.7	5.0	5.0	5.5	2.8	5.4	-6.1	4.1
Exports of Goods & Services	0.3	2.8	-5.0	1.5	0.8				
% Change Year Ago	2.3	4.4	1.6	-0.6	-0.1	3.2	-0.4	4.9	3.0
Imports of Goods & Services	0.9	1.8	-3.4	2.2	0.4				
% Change Year Ago	-5.0	-2.4	-4.3	1.4	1.0	-1.3	-0.7	6.9	-3.3
Gross National Income	-0.7	0.1	-0.6	0.3	0.0				
SAAR	-2.9	0.4	-2.5	1.1	0.1				
% Change Year Ago	3.1	1.7	0.7	-1.0	-0.2	2.5	-0.1	0.5	2.3
Total Demand	-0.6	0.3	-1.0	0.8	0.2				
SAAR	-2.5	1.2	-3.8	3.1	0.9				
% Change Year Ago	0.0	14.7	-1.0	-0.5	0.3	1.4	-0.3	2.4	0.5
Contribution to GDP Growth Rate									
Domestic Demand	-0.7	-0.2	-0.2	0.6	0.1	0.9	-0.2	2.0	-0.2
Private Demand	-0.8	-0.1	-0.4	0.5	0.0	0.6	-0.6	2.0	-0.5
Public demand	0.0	0.0	0.2	0.1	0.1	0.3	0.4	0.0	0.3
Net Exports	-0.2	0.2	-0.3	-0.1	0.1	1.0	0.1	-0.4	1.4

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

	Quarterly		Forecast			CY		FY	
	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2023	2024	2022	2023
GDP/GDE									
Gross Domestic Products	594,492	598,439	598,963	603,758	603,426	592,168	603,115	566,770	597,059
Private Consumption	322,671	322,772	323,463	326,214	326,494	322,316	325,966	315,921	322,789
Residential Investment	22,071	21,849	21,480	21,667	22,189	22,017	21,856	21,800	21,911
Nonresidential Investment	99,300	101,920	101,879	104,001	104,502	99,768	103,821	96,904	100,482
Change in Private Inventory	994	294	1,494	2,056	938	2,421	1,279	3,611	2,083
Government Consumption	124,041	124,348	124,810	125,491	126,011	123,903	125,710	122,092	124,145
Public Investment	30,990	31,076	32,284	33,259	33,281	30,647	32,999	29,278	31,335
Change in Public Inventory	-66	-70	-71	-136	-116	-6	-110	-64	-60
Net Exports	-5,508	-3,750	-6,376	-8,794	-9,872	-8,898	-8,405	-22,772	-5,626
Exports of Goods & Services	130,383	137,707	132,423	136,199	137,749	129,044	136,351	123,431	131,807
Imports of Goods & Services	135,892	141,456	138,799	144,993	147,620	137,942	144,756	146,203	137,432
Gross National Income	629,121	633,550	633,290	637,991	638,059	626,497	637,620	601,497	632,017
Memo:									
Total Demand	730,384	739,895	737,762	748,751	751,046	730,110	747,872	712,973	734,491
Compensation of Employee	300,343	302,000	304,186	301,886	302,954	300,498	302,994	296,382	301,809
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.2	0.7	0.1	0.8	-0.1				
SAAR	-0.6	2.7	0.4	3.2	-0.2				
% Change Year Ago	6.7	5.3	3.2	1.4	1.5	5.7	1.8	2.4	5.3
Private Consumption	0.3	0.0	0.2	0.9	0.1				
% Change Year Ago	3.0	2.0	0.4	1.4	1.2	3.6	1.1	5.9	2.2
Residential Investment	-0.8	-1.0	-1.7	0.9	2.4				
% Change Year Ago	1.3	-0.1	-1.9	-2.7	0.5	1.1	-0.7	1.5	0.5
Nonresidential Investment	0.8	2.6	0.0	2.1	0.5				
% Change Year Ago	2.3	5.5	2.7	5.6	5.2	5.5	4.1	7.9	3.7
Government Consumption	0.6	0.2	0.4	0.5	0.4				
% Change Year Ago	1.9	0.9	0.6	1.8	1.6	2.5	1.5	2.8	1.7
Public Investment	0.5	0.3	3.9	3.0	0.1				
% Change Year Ago	6.3	5.3	8.1	7.8	7.4	5.9	7.7	-1.7	7.0
Exports of Goods & Services	3.2	5.6	-3.8	2.9	1.1				
% Change Year Ago	3.9	8.1	9.3	7.8	5.6	6.9	5.7	18.9	6.8
Imports of Goods & Services	2.1	4.1	-1.9	4.5	1.8				
% Change Year Ago	-11.9	-5.9	-1.6	8.9	8.6	-2.6	4.9	32.3	-6.0
Gross National Income	-0.3	0.7	0.0	0.7	0.0				
SAAR	-1.0	2.8	-0.2	3.0	0.0				
% Change Year Ago	6.2	4.2	3.4	1.1	1.4	5.4	1.8	3.2	5.1
Memo:									
Total Demand	0.3	1.3	-0.3	1.5	0.3				
SAAR	1.0	5.3	-1.1	6.1	1.2				
% Change Year Ago	0.0	34.6	2.2	2.8	2.8	0.0	4.1	0.0	7.3
Compensation of Employee	-0.2	0.6	0.7	-0.8	0.4				
% Change Year Ago	1.6	1.2	2.1	0.3	0.9	1.7	0.8	2.4	1.8

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2023	2024	2022	2023
GDP/GDE									
Gross Domestic Products	106.5	107.2	107.9	108.2	107.9	105.9	108.1	102.6	106.8
Private Consumption	108.7	109.1	110.1	110.5	110.4	108.3	110.4	106.0	109.0
Residential Investment	118.6	119.0	120.1	120.6	121.0	118.7	120.7	119.2	119.1
Nonresidential Investment	110.9	111.8	112.7	113.5	113.9	110.3	113.6	107.8	111.3
Government Consumption	103.3	103.7	103.9	104.3	104.3	103.3	104.2	102.3	103.5
Public Investment	116.1	116.6	117.5	118.4	118.2	115.5	118.0	113.1	116.4
Exports of Goods & Services	116.2	119.4	120.9	122.5	122.9	115.3	122.4	113.3	117.4
Imports of Goods & Services	126.8	129.7	131.7	134.6	136.5	127.5	134.8	132.1	128.4
Unit Profit	114.4	115.3	115.2	117.4	116.6	113.2	116.7	106.3	114.7
Unit Labor Cost	99.9	100.4	101.7	100.4	100.6	99.7	100.7	99.6	100.2
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.8	0.7	0.6	0.3	-0.2				
	5.0	4.0	3.6	2.3	1.3	3.8	2.0	0.8	4.1
Private Consumption	0.6	0.4	0.9	0.4	-0.1				
	3.1	2.7	2.5	2.3	1.6	3.0	2.0	3.2	2.8
Residential Investment	0.0	0.4	0.9	0.4	0.3				
	-0.8	-0.3	1.1	1.7	2.0	0.0	1.6	5.2	-0.1
Nonresidential Investment	1.0	0.8	0.8	0.8	0.4				
	3.2	3.0	3.6	3.3	2.8	3.3	3.0	4.3	3.3
Government Consumption	0.3	0.4	0.2	0.3	0.0				
	0.9	0.8	0.5	1.2	0.9	1.6	0.8	1.3	1.2
Public Investment	0.8	0.4	0.7	0.8	-0.1				
	2.9	2.5	3.0	2.7	1.8	3.0	2.2	4.7	2.9
Exports of Goods & Services	2.8	2.8	1.3	1.3	0.3				
	1.5	3.6	7.6	8.4	5.8	3.6	6.2	13.4	3.7
Imports of Goods & Services	1.1	2.3	1.5	2.2	1.4				
	-7.3	-3.6	2.8	7.4	7.6	-1.2	5.7	23.8	-2.8
Unit Profit	0.0	0.8	-0.1	1.9	-0.6				
	0.0	14.8	4.7	3.5	2.0	8.2	3.1	0.8	7.9
Unit Labor Cost	0.0	0.5	1.2	-1.3	0.2				
	0.0	14.6	2.5	1.2	0.7	-0.2	1.0	0.8	0.6