



Japanese Economy Monthly Forecast

July 2024

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Headlines

Review of latest official data

The current forecast reflects data released through the end of July. With the exception of June data on household consumption, public works and the balance of payments, the basic monthly data necessary for Q2 GDP estimates has been updated.

The production index for June fell MoM by 3.6%. This was the first decline in two months. As a result, Q2 production only rose by 2.9% QoQ. The Ministry of Economy, Trade and Industry (METI) left its assessment of the production situation in June unchanged from the previous month, saying that “production is weakening, although it is moving back and forth”.

Comparing Q2 with Q1, the planned construction expenditures increased by 10.1% QoQ, the first increase in two quarters. The capital goods shipment index rose by 6.3% QoQ, the first increase in two quarters. Private residential investment and non-residential investment recovered from the previous quarter's slump. April-May average of the real consumption trend index declined -0.1%, a slight decline compared to the January-March average, while April-May average of public works increased by 6.3%. Private consumption appears to have bottomed out, and public fixed capital formation is recovering.

Comparing Q2 with Q1, real exports and imports rose by +0.5% and +3.2%, respectively. The contribution of net exports of goods to real 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. The production-side forecast figure is an annualized +1.2%. The average of the two is +1.6%, which is somewhat lower than the market consensus forecast figure (Figure 1).

2024 Q2 inflation forecast update

In June, the nation-wide core CPI rose by +2.6% YoY, marking the 34th month of inflation. The core-core CPI (excluding fresh food and energy) rose by 2.2% YoY, marking the 27th consecutive month of increase. The inflation rate has been slowing down for the last 9 months since September last year, but it accelerated in June from the previous month.

Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q2 are respectively +0.9% and +1.1% QoQ. Considering the deteriorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +1.0% QoQ (Figure 2).

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

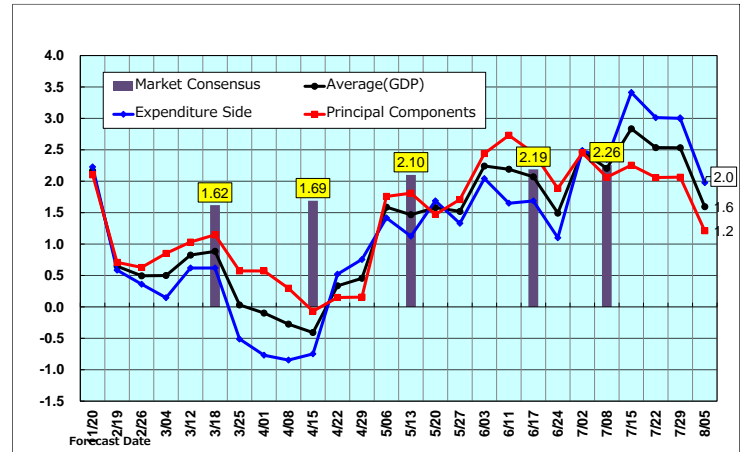
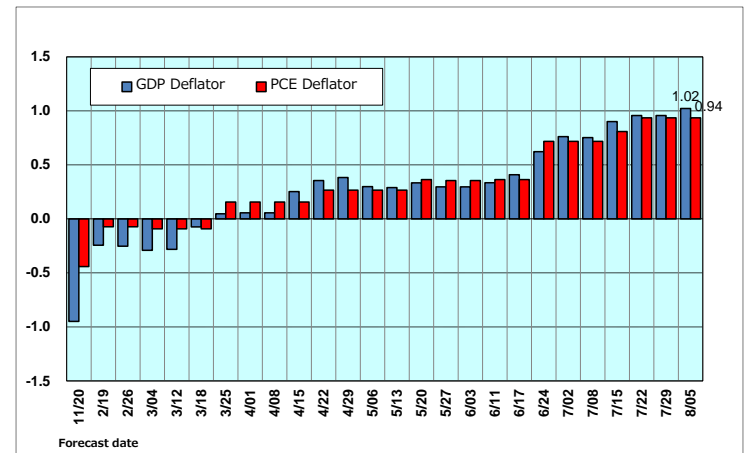


Fig 2 CQM Forecast: Inflation Apr-Jun (Q2) 2024 (% , QoQ growth)



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-release Date	Data Month	Economic Indicator	Value/ Index Score	Change		
				MoM	YoY	
8/02	July	Food Buffer Stock (billion JPY)	-3.6		-15.8	
8/01	July	New Car Sales (vehicles)	338,703		+5.5%	
7/31	June	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	100.6	-3.6%		
		Shipments	99.4	-4.3%		
			Inventories	102.7	-0.6%	
	June	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	13,678.0	+0.6%	+3.7%	
	June	New Housing Starts				
	New housing starts (SA, Unit)	66,285	-5.9%	-6.7%		
	Planned residential construction expenditure (billion JPY)	1,363.7	-10.1%	-3.9%		
	June	Consumer Confidence Index (SA)	36.7	+0.3		
	May	Construction Costs Deflator (2015=100)				
		Housing construction	128.3		+4.5%	
		Public works	128.4		+4.9%	
7/30	June	Labor Force Survey				
		Total employment (millions)	67.86	+0.25		
		Total unemployment (millions)	1.76	-0.06		
		Unemployment rate (%)	2.5%	-0.1		
	June	General Job Placement Situation				
		Job offers-to-applicants ratio	1.23	-0.01		
7/29	June	Producer Price Index for Intermediate and Final Demand (2015=100)				
		Capital goods	109.7		+3.3%	
		Consumer goods	115.7		+4.2%	
7/26	May	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	111.2	+0.3		
		Coincident indicators	117.1	+1.9		
		Lagging indicators	108.2	+2.1		
	July	Tokyo Region Consumer Price Index (2020=100)				
		Core index	107.4	+0.3%	+2.2%	
7/25	May	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	297,162		+2.0%	
		Total working hours	136.8		+1.0%	
	June	Corporate Services Price Index (2020=100)				
		Overall index	107.1		+3.0%	
7/19	May	General Construction Statistics				
		Private non-residential construction (billion JPY)	896.7		+0.9%	
		Public works (billion JPY)	1,562.6		+2.1%	
	June	National Consumer Price Index (2020=100)				
		Core index	107.8	+0.4%	+2.6%	
7/18	June	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	+224.0	+26.8%	+513.4%	
		Exports (billion JPY)	9,208.6	-0.2%	+5.4%	

		Imports (billion JPY)	8,984.6	+1.6%	+3.2%
7/16	May	Tertiary Industry Activity Index (2015=100)	101.6	-0.4%	
7/12	May	Indices of Industrial Production (final figures, 2020=100)			
		Production	100.8	-0.9%	
		Shipments	100.0	-0.4%	
		Inventory	102.4	-0.2%	
		Production capacity index	98.0		-0.3%
		Capacity utilization ratio	103.8	+4.1%	
	June	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,719.7		-5.3%
		Number of contracts	23,405		+7.5%
7/11	May	Private Core Machinery Orders (billion JPY)	886.3	-9.8%	
7/10	June	Domestic Corporate Price Index (2020=100)			
		Corporate Price	122.7	+0.2%	+2.9%
		Export Price	144.4	+0.8%	+10.4%
		Import Price	172.3	+0.5%	+9.5%
7/08	May	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	297,151		+1.9%
		Total working hours	137.1		+1.2%
	May	Information Services Industry Sales (billion JPY)	1,215.0		+3.9%
	June	Economy Watchers Survey			
		Current Conditions Diffusion Index	47.0	+1.3	
		Future Conditions Diffusion Index	47.9	+1.6	
	May	Balance of Payments			
		Current account (billion JPY)	+2,849.9	-4.7%	+41.8%
		Exports (billion JPY)	8,132.4	+1.6%	+12.1%
		Imports (billion JPY)	9,241.3	+2.1%	+9.3%
7/05	May	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	290,328	0.0%	+1.4%
		Real consumption expenditure		-0.3%	-1.8%
	May	Consumption Trend Index (2020=100)	102.9	0.0%	
	May	Consumption Activity Index (2015=100)	97.0	0.0%	
	May	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	111.1	+0.2	
		Coincident indicators	116.5	+1.3	
		Lagging indicators	108.0	+2.1	

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			2024Q3			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
6/10	-1.8*			0.5*	0.9*										
6/11						1.7	2.7	2.2	0.3	0.4	0.5	1.3	0.9	-0.2	-0.1
6/17						1.7	2.5	2.1	0.4	0.4	0.5	1.3	0.9	-0.1	-0.1
6/24						1.1	1.9	1.5	0.6	0.7	0.1	0.9	0.5	-0.0	0.1
7/01	-2.9*			0.5*	0.9*										
7/02						2.5	2.5	2.5	0.8	0.7	1.2	1.3	1.2	0.0	0.1
7/08						2.3	2.1	2.2	0.8	0.7	1.2	1.3	1.3	0.0	0.1
7/15						3.4	2.3	2.8	0.9	0.8	1.4	1.2	1.3	0.3	0.1
7/22						3.0	2.1	2.5	1.0	0.9	1.6	1.0	1.3	0.4	0.3
7/29						3.0	2.1	2.5	1.0	0.9	1.5	1.0	1.3	0.4	0.3
8/05						2.0	1.2	1.6	1.0	0.9	0.5	-0.3	0.1	0.4	0.3

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	558,676	558,761	554,728	557,449	558,142	560,226	557,365	553,895	559,239
Private Consumption	296,987	295,921	293,729	293,852	294,318	297,668	294,139	298,152	296,243
Residential Investment	18,626	18,351	17,827	17,816	18,006	18,569	17,865	18,336	18,398
Nonresidential Investment	91,040	92,878	92,510	94,322	94,253	92,113	93,983	91,586	91,933
Change in Private Inventory	1,000	536	1,860	2,124	1,618	2,270	1,611	3,021	1,823
Government Consumption	119,481	119,347	119,532	119,730	120,222	119,476	120,050	119,324	119,421
Public Investment	26,454	25,809	25,322	26,746	27,010	26,374	26,575	25,850	26,057
Change in Public Inventory	-37	-34	17	-208	-206	-10	-148	37	-20
Net Exports	5,074	6,277	4,006	3,143	2,997	3,686	3,365	-1,666	5,171
Exports of Goods & Services	112,219	115,330	109,416	110,703	111,595	111,834	110,989	108,927	112,176
Imports of Goods & Services	107,145	109,054	105,410	107,560	108,598	108,149	107,623	110,593	107,005
Gross National Income	580,985	581,694	576,953	583,412	584,158	580,884	582,682	569,743	581,628
Memo:									
Total Demand	665,822	667,814	660,137	665,009	666,740	668,374	664,988	664,489	666,244
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-1.0	0.0	-0.7	0.5	0.1				
SAAR	-4.0	0.1	-2.9	2.0	0.5				
% Change Year Ago	1.4	1.1	-0.8	-1.2	-0.1	1.8	-0.5	1.7	1.0
Private Consumption	-0.3	-0.4	-0.7	0.0	0.2				
% Change Year Ago	-0.1	-0.6	-2.1	-1.4	-0.9	0.6	-1.2	2.7	-0.6
Residential Investment	-0.9	-1.5	-2.9	-0.1	1.1				
% Change Year Ago	2.0	0.0	-3.6	-5.2	-3.3	1.0	-3.8	-3.3	0.3
Nonresidential Investment	-0.1	2.0	-0.4	2.0	-0.1				
% Change Year Ago	-1.0	2.2	-0.7	3.5	3.5	2.2	2.0	4.1	0.4
Government Consumption	0.2	-0.1	0.2	0.2	0.4				
% Change Year Ago	0.4	-0.3	-0.2	0.4	0.6	0.5	0.5	1.4	0.1
Public Investment	-2.1	-2.4	-1.9	5.6	1.0				
% Change Year Ago	2.9	0.0	-4.0	-1.0	2.1	1.8	0.8	-6.1	0.8
Exports of Goods & Services	0.3	2.8	-5.1	1.2	0.8				
% Change Year Ago	2.3	4.4	1.5	-1.0	-0.6	3.2	-0.8	4.9	3.0
Imports of Goods & Services	0.9	1.8	-3.3	2.0	1.0				
% Change Year Ago	-5.0	-2.4	-4.3	1.3	1.4	-1.3	-0.5	6.9	-3.2
Gross National Income	-0.8	0.1	-0.8	1.1	0.1				
SAAR	-3.3	0.5	-3.2	4.6	0.5				
% Change Year Ago	3.0	1.5	0.4	-0.4	0.5	2.4	0.3	0.6	2.1
Total Demand	-0.7	0.3	-1.1	0.7	0.3				
SAAR	-2.8	1.2	-4.5	3.0	1.0				
% Change Year Ago	0.0	14.8	-1.4	-0.8	0.1	1.3	-0.5	2.5	0.3
Contribution to GDP Growth Rate									
Domestic Demand	-0.8	-0.2	-0.3	0.6	0.2	0.8	-0.5	2.1	-0.4
Private Demand	-0.8	0.0	-0.3	0.4	0.0	0.6	-0.6	2.1	-0.5
Public demand	-0.1	-0.1	0.0	0.3	0.1	0.2	0.1	0.0	0.0
Net Exports	-0.2	0.2	-0.4	-0.2	0.0	1.0	0.0	-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	595,187	598,783	597,414	606,429	609,613	593,428	606,512	568,663	597,272
Private Consumption	322,690	322,879	323,346	326,491	328,065	322,359	326,738	315,921	322,789
Residential Investment	22,095	21,844	21,424	21,650	22,094	22,048	21,756	21,859	21,907
Nonresidential Investment	100,975	103,821	104,321	107,330	107,891	101,569	107,170	98,738	102,417
Change in Private Inventory	880	167	835	2,039	1,958	2,421	1,456	3,611	1,911
Government Consumption	123,430	123,781	124,152	124,769	125,288	123,460	125,001	122,092	123,582
Public Investment	30,690	30,112	29,783	32,502	32,860	30,474	32,018	29,278	30,353
Change in Public Inventory	-66	-70	-71	-205	-203	-6	-168	-64	-60
Net Exports	-5,508	-3,750	-6,376	-8,147	-8,340	-8,898	-7,460	-22,772	-5,626
Exports of Goods & Services	130,383	137,707	132,423	136,576	138,414	129,044	136,804	123,431	131,807
Imports of Goods & Services	135,892	141,456	138,799	144,722	146,754	137,942	144,264	146,203	137,432
Gross National Income	629,816	633,894	631,740	645,521	648,833	627,757	644,574	603,391	632,231
Memo:									
Total Demand	731,078	740,240	736,213	751,152	756,367	731,370	750,776	714,867	734,704
Compensation of Employee	300,331	302,051	304,378	307,151	306,977	300,498	306,529	296,382	301,866
	Upper Row : % change from the previous quarter					Lower Row : % change from a year earlier			
Gross Domestic Products	-0.3	0.6	-0.2	1.5	0.5				
SAAR	-1.2	2.4	-0.9	6.2	2.1				
% Change Year Ago	6.5	5.1	2.5	1.6	2.4	5.6	2.2	2.5	5.0
Private Consumption	0.3	0.1	0.1	1.0	0.5				
% Change Year Ago	3.0	2.1	0.4	1.5	1.7	3.6	1.4	5.9	2.2
Residential Investment	-0.8	-1.1	-1.9	1.1	2.1				
% Change Year Ago	1.2	-0.3	-2.5	-2.8	0.0	1.0	-1.3	1.7	0.2
Nonresidential Investment	0.9	2.8	0.5	2.9	0.5				
% Change Year Ago	2.2	5.3	3.0	7.2	6.8	5.5	5.5	8.5	3.7
Government Consumption	0.5	0.3	0.3	0.5	0.4				
% Change Year Ago	1.3	0.5	0.2	1.6	1.5	2.1	1.2	2.8	1.2
Public Investment	-1.5	-1.9	-1.1	9.1	1.1				
% Change Year Ago	5.9	2.5	-1.1	4.3	7.1	4.9	5.1	-1.7	3.7
Exports of Goods & Services	3.2	5.6	-3.8	3.1	1.3				
% Change Year Ago	3.9	8.1	9.3	8.1	6.2	6.9	6.0	18.9	6.8
Imports of Goods & Services	2.1	4.1	-1.9	4.3	1.4				
% Change Year Ago	-11.9	-5.9	-1.6	8.7	8.0	-2.6	4.6	32.3	-6.0
Gross National Income	-0.4	0.6	-0.3	2.2	0.5				
SAAR	-1.6	2.6	-1.4	9.0	2.1				
% Change Year Ago	6.0	4.0	2.7	2.1	3.0	5.3	2.7	3.3	4.8
Memo:									
Total Demand	0.1	1.3	-0.5	2.0	0.7				
SAAR	0.5	5.1	-2.2	8.4	2.8				
% Change Year Ago	0.0	34.6	1.7	2.9	3.5	0.0	4.0	0.0	7.4
Compensation of Employee	-0.3	0.6	0.8	0.9	-0.1				
% Change Year Ago	1.6	1.2	2.2	2.0	2.2	1.7	2.0	2.4	1.9

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	107.7	108.8	109.2	105.9	108.8	102.6	106.8
Private Consumption	108.7	109.1	110.1	111.1	111.5	108.3	111.1	106.0	109.0
Residential Investment	118.6	119.0	120.2	121.5	122.7	118.7	121.8	119.2	119.1
Nonresidential Investment	110.9	111.8	112.8	113.8	114.5	110.3	114.0	107.8	111.3
Government Consumption	103.3	103.7	103.9	104.2	104.2	103.3	104.1	102.3	103.5
Public Investment	116.0	116.7	117.6	121.5	121.7	115.5	120.4	113.1	116.4
Exports of Goods & Services	116.2	119.4	121.0	123.4	124.0	115.3	123.3	113.3	117.5
Imports of Goods & Services	126.8	129.7	131.7	134.6	135.1	127.5	134.0	132.1	128.4
Unit Profit	114.5	115.2	114.6	116.5	117.7	113.5	116.8	106.7	114.6
Unit Labor Cost	99.8	100.3	101.8	102.2	102.1	99.5	102.1	99.3	100.2
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.7	0.6	0.5	1.0	0.4				
	5.0	4.0	3.3	2.8	2.5	3.8	2.7	0.8	4.0
Private Consumption	0.6	0.4	0.9	0.9	0.3				
	3.1	2.7	2.5	2.8	2.6	3.0	2.6	3.2	2.8
Residential Investment	0.1	0.4	1.0	1.1	1.0				
	-0.8	-0.3	1.1	2.6	3.4	0.0	2.6	5.2	-0.1
Nonresidential Investment	1.0	0.8	0.9	0.9	0.6				
	3.2	3.0	3.7	3.6	3.2	3.3	3.4	4.3	3.3
Government Consumption	0.3	0.4	0.1	0.3	0.0				
	0.9	0.8	0.4	1.2	0.9	1.6	0.8	1.3	1.2
Public Investment	0.6	0.6	0.8	3.3	0.1				
	2.9	2.6	3.1	5.4	4.9	3.0	4.2	4.7	2.9
Exports of Goods & Services	2.8	2.8	1.4	1.9	0.5				
	1.5	3.6	7.7	9.2	6.8	3.6	6.9	13.4	3.7
Imports of Goods & Services	1.1	2.3	1.5	2.2	0.4				
	-7.3	-3.6	2.8	7.3	6.6	-1.2	5.1	23.8	-2.8
Unit Profit	0.0	0.6	-0.5	1.6	1.0				
	0.0	14.8	3.7	2.4	2.7	8.0	2.9	0.9	7.5
Unit Labor Cost	0.0	0.6	1.5	0.4	-0.2				
	0.0	14.4	3.0	3.3	2.3	-0.1	2.5	0.7	0.9