



Japanese Economy Monthly Forecast

September 2024

Yoshihisa Inada
Head of the Center for Quantitative Economic Analysis, APIR
e-mail: inada-y@apir.or.jp

Headlines

• Review of latest official data

▶ The current forecast reflects data released through the end of September. About two-thirds of monthly data required for an accurate Q3 GDP estimate have been released. August data on household consumption, construction statistics and the international balance of payments are not available yet. The September Tankan survey by the Bank of Japan was also released.

▶ The index of industrial production fell -3.3% MoM in August, marking the first decline in two months. As a result, the July-August average was -0.3% lower than the Q2 average (the Q2 figure itself was +2.7% higher than Q1). The stagnant state of production reflects the effect of natural disasters.

▶ Comparing the July-August average with the Q2 average, planned construction expenditure fell by -8.2% and the capital goods shipments index declined by -4.2%. The growth rate of private residential investment and private non-residential investment in Q3 is expected to decelerate from the previous quarter, and is likely to turn negative.

▶ The monthly data explaining the movements in private final consumption expenditure and public fixed capital formation for Q3 was updated only for July. Both indicators are likely to register positive growth in Q3.

▶ Comparing the July-August average with the Q2 average, real exports and imports (BOJ basis) increased by +2.4% and +3.6%, respectively. The contribution of net exports of goods to real GDP growth declined from the previous quarter.

• 2024 Q3 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in Q3 is an annualized +0.0% QoQ. The production-side forecast figure is an annualized -1.2%. The average of the two is -0.6%, which is substantially lower than the September market consensus forecast figure of +1.75% (Figure 1). Our zero-growth forecast reflects the negative impact of inflation and of natural disasters in Q3.

• 2024 Q3 inflation forecast update

▶ In August, the nation-wide core CPI rose by +2.8% YoY, marking the 36th month of inflation. CPI inflation accelerated for the fourth consecutive month. The core-core CPI (excluding fresh food and energy prices) rose for the 29th consecutive month, by +2.0%.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in Q3 2024 are respectively +0.8% and +0.7% QoQ. Considering the improving terms of trade, we forecast a headline inflation rate (GDP deflator) of +1.0% QoQ in Q3 (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jul-Sep (Q3) 2024 (% , QoQ annualized growth)

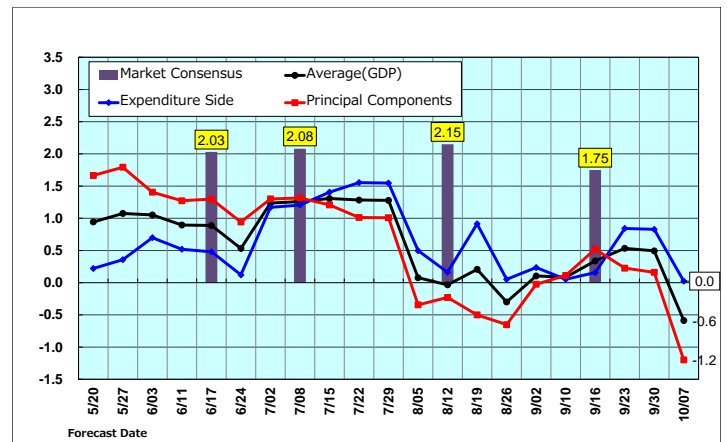
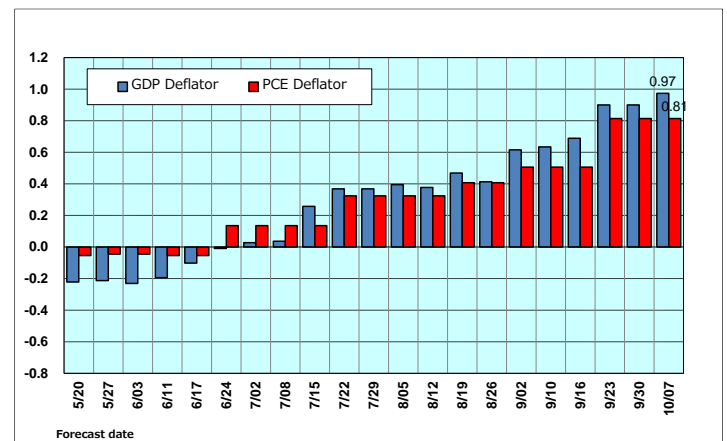


Fig 2 CQM Forecast: Inflation Jul-Sep (Q3) 2024 (% , QoQ growth)



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
10/2	September	Food Buffer Stock (billion JPY)	+22.1		+15.7
	September	Consumer Confidence Index (SA)	36.9	+0.2	
10/1	August	Labor Force Survey			
		Total employment (millions)	67.91	+0.25	
		Total unemployment (millions)	1.72	-0.15	
	August	Unemployment rate (%)	2.5%	-0.2%pt	
	August	General Job Placement Situation			
September	Job offers-to-applicants ratio	1.23	-0.01%pt		
	September	New Car Sales (vehicles)	366,212		+0.8%
9/30	August	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	99.7	-3.3%	
		Shipments	97.6	-4.0%	
	August	Inventories	102.4	-0.6%	
	August	Current Survey of Commerce (preliminary figures)			
	August	Retail trade (billion JPY)	13,772.0	+0.8%	+2.8%
	August	New Housing Starts			
	August	New housing starts (SA, Unit)	66,819	+0.5%	-5.1%
	August	Planned residential construction expenditure (billion JPY)	1,302.2	-6.8%	-7.0%
	July	Construction Costs Deflator (2015=100)			
July	Housing construction	129.8		+5.4%	
July	Public works	130.0		+6.3%	
9/27	July	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	109.3	+0.2	
		Coincident indicators	117.2	+3.1	
	September	Lagging indicators	107.2	+0.2	
	September	Tokyo Region Consumer Price Index (2020=100)			
September	Core index	107.3	-0.3%	+2.0%	
9/26	August	Producer Price Index for Intermediate and Final Demand (2015=100)			
		Capital goods	110.6		+2.9%
	August	Consumer goods	116.8		+4.4%
	July	Monthly Labor Statistics (final figures)			
July	Gross average salary per worker (JPY)	403,090		+3.4%	
July	Total working hours	141.5		+0.6%	
9/25	August	Corporate Services Price Index (2020=100)			
August	Overall index	107.6		+2.7%	
9/20	August	National Consumer Price Index (2020=100)			
August	Core index	108.7	+0.4%	+2.8%	
8/19	July	Private Core Machinery Orders (billion JPY)	874.9	-0.1%	
	August	Trade Statistics (customs clearance level)			
	August	Trade balance (billion JPY)	-695.3	-12.0%	-26.0%
August	Exports (billion JPY)	8,441.9	-3.9%	+5.6%	

		Imports (billion JPY)	9,137.2	-4.4%	+2.3%
9/17	July	Tertiary Industry Activity Index (2015=100)	102.6	+1.4%	
	July	General Construction Statistics			
		Private non-residential construction (billion JPY)	941.3		+2.4%
		Public works (billion JPY)	1,811.9		+3.9%
9/13	July	Indices of Industrial Production (final figures, 2020=100)			
		Production	103.1	+3.1%	
		Shipments	101.7	+2.7%	
		Inventory	103.0	+0.4%	
		Production capacity index	97.6		-0.8%
		Capacity utilization ratio	103.1	+2.5%	
	August	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,070.6		-3.9%
		Number of contracts	20,639		-7.1%
9/12	August	Domestic Corporate Price Index (2020=100)			
		Corporate Price	123.0	-0.2%	+2.5%
		Export Price	137.0	-5.1%	+2.6%
		Import Price	162.7	-6.1%	+2.6%
9/10	July	Information Services Industry Sales (billion JPY)	1,274.1		+6.9%
9/9	August	Economy Watchers Survey			
		Current Conditions Diffusion Index	49.0	+1.5	
		Future Conditions Diffusion Index	50.3	+2.0	
	July	International Balance of Payments			
		Current account (billion JPY)	+3,193.0	+57.82%	+15.1%
		Exports (billion JPY)	9,417.1	+1.1%	+9.7%
		Imports (billion JPY)	9,899.9	+0.5%	+16.8%
9/6	July	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	290,931	-1.5%	+3.3%
		Real consumption expenditure		-1.7%	+0.1%
	July	Consumption Trend Index (2020=100)	103.8	0.0%	
	July	Consumption Activity Index (2015=100)	97.7	+0.3%	
	July	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	109.5	+0.4	
		Coincident indicators	117.1	+3.0	
		Lagging indicators	107.9	+0.5	
9/5	June	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	403,490		+3.6%
		Total working hours	141.5		+0.6%

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
	2024Q2					2024Q3					2024Q4				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
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															
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															
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					
8/12	1.4	1.5	1.4	1.0	0.9	0.2	-0.2	-0.0	0.4	0.3					
8/15	3.1			1.0	0.5										
8/19						0.9	-0.5	0.2	0.5	0.4	0.5	-0.1	0.2	0.3	0.2
8/26						0.1	-0.7	-0.3	0.4	0.4	0.6	-0.0	0.3	0.3	0.2
9/02						0.2	-0.0	0.1	0.6	0.5	0.5	-0.3	0.1	0.4	0.2
9/09	2.9*			1.0*	0.5*										
9/10						0.1	0.1	0.1	0.6	0.5	0.5	-0.3	0.1	0.4	0.2
9/16						0.2	0.5	0.3	0.7	0.5	0.5	-0.7	-0.1	0.7	0.2
9/23						0.8	0.2	0.5	0.9	0.8	0.6	-0.8	-0.1	0.8	0.3
9/30						0.8	0.2	0.5	0.9	0.8	0.6	-0.9	-0.1	0.8	0.3
10/07						0.0	-1.2	-0.6	1.0	0.8	0.2	-1.6	-0.7	0.8	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	
	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	557,498	554,141	558,061	558,095	558,400	559,374	557,175	558,154	558,402
Private Consumption	296,057	294,337	297,019	298,226	298,599	297,757	297,045	296,412	298,210
Residential Investment	18,360	17,879	18,188	17,865	17,240	18,561	17,793	18,391	17,625
Nonresidential Investment	92,946	92,504	93,221	93,626	93,836	92,120	93,297	91,962	93,717
Change in Private Inventory	356	2,004	1,379	1,164	192	2,269	1,185	1,847	793
Government Consumption	118,835	119,168	119,293	119,552	120,037	118,955	119,512	118,835	119,851
Public Investment	25,875	25,586	26,623	26,666	26,893	26,377	26,442	26,059	26,759
Change in Public Inventory	-37	19	-24	-53	-64	-10	-30	-18	-51
Net Exports	5,509	2,880	2,705	1,391	2,008	3,255	2,246	4,489	1,841
Exports of Goods & Services	115,097	109,747	111,372	113,623	114,642	111,694	112,346	112,023	113,647
Imports of Goods & Services	109,588	106,868	108,667	112,232	112,634	108,439	110,100	107,534	111,806
Gross National Income	581,186	577,595	584,847	588,307	591,578	580,462	585,582	581,045	589,468
Memo:									
Total Demand	667,086	661,009	666,728	670,327	671,034	667,814	667,274	665,688	670,209
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.1	-0.6	0.7	0.0	0.1				
SAAR	0.2	-2.4	2.9	0.0	0.2				
% Change Year Ago	0.9	-1.0	-0.9	0.2	0.2	1.7	-0.4	0.8	0.0
Private Consumption	-0.3	-0.6	0.9	0.4	0.1				
% Change Year Ago	-0.6	-1.9	-0.3	0.4	0.9	0.6	-0.2	-0.6	0.6
Residential Investment	-1.1	-2.6	1.7	-1.8	-3.5				
% Change Year Ago	-0.1	-3.5	-3.2	-3.7	-6.1	0.9	-4.1	0.3	-4.2
Nonresidential Investment	2.1	-0.5	0.8	0.4	0.2				
% Change Year Ago	2.2	-0.6	2.2	2.8	1.0	2.1	1.3	0.3	1.9
Government Consumption	-0.1	0.3	0.1	0.2	0.4				
% Change Year Ago	-0.7	-0.5	0.9	0.5	1.0	0.0	0.5	-0.5	0.9
Public Investment	-1.7	-1.1	4.1	0.2	0.9				
% Change Year Ago	-0.1	-3.7	-0.8	1.3	3.9	1.7	0.2	0.7	2.7
Exports of Goods & Services	3.0	-4.6	1.5	2.0	0.9				
% Change Year Ago	4.1	1.5	-0.2	1.7	-0.4	3.0	0.6	2.8	1.5
Imports of Goods & Services	2.0	-2.5	1.7	3.3	0.4				
% Change Year Ago	-2.5	-3.4	2.4	4.5	2.8	-1.4	1.5	-3.2	4.0
Gross National Income	0.2	-0.6	1.3	0.6	0.6				
SAAR	0.7	-2.4	5.1	2.4	2.2				
% Change Year Ago	1.4	0.3	0.1	1.4	1.8	2.3	0.9	2.0	1.4
Total Demand	0.4	-0.9	0.9	0.5	0.1				
SAAR	1.5	-3.6	3.5	2.2	0.4				
% Change Year Ago	0.0	13.6	-0.4	0.9	0.6	1.2	-0.1	0.1	0.7
Contribution to GDP Growth Rate									
Domestic Demand	-0.1	-0.1	0.8	0.2	-0.1	0.7	-0.2	-0.5	0.6
Private Demand	0.0	-0.2	0.5	0.2	-0.2	0.6	-0.3	-0.5	0.3
Public demand	-0.1	0.0	0.2	0.0	0.1	0.1	0.1	-0.1	0.3
Net Exports	0.2	-0.5	-0.1	-0.2	0.1	1.0	-0.2	1.3	-0.5

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

	Quarterly		Forecast			CY		FY	
	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	598,801	597,091	607,580	613,508	618,913	592,848	609,273	596,459	614,905
Private Consumption	322,942	323,843	328,476	332,484	333,906	322,346	329,677	322,853	332,124
Residential Investment	21,858	21,509	22,239	22,180	21,457	22,048	21,846	21,902	21,825
Nonresidential Investment	103,874	104,352	106,294	107,608	108,430	101,556	106,671	102,421	107,931
Change in Private Inventory	421	1,067	2,436	1,994	624	2,421	1,530	1,942	1,396
Government Consumption	123,391	123,805	124,338	125,010	125,514	122,907	124,667	122,968	125,219
Public Investment	30,224	30,128	31,688	32,100	32,149	30,474	31,517	30,352	31,982
Change in Public Inventory	-66	-60	-41	-85	-93	-6	-70	-57	-78
Net Exports	-3,843	-7,551	-7,850	-7,784	-3,074	-8,898	-6,565	-5,921	-5,495
Exports of Goods & Services	138,198	132,983	137,886	137,310	136,088	129,044	136,067	131,852	136,974
Imports of Goods & Services	142,040	140,534	145,735	145,094	139,161	137,942	142,631	137,774	142,469
Gross National Income	633,970	632,580	646,836	655,357	660,693	627,177	648,867	631,472	656,166
Memo:									
Total Demand	740,841	737,625	753,316	758,602	758,074	730,790	751,904	734,233	757,374
Compensation of Employee	302,128	306,072	310,487	310,672	311,892	300,498	309,781	301,864	311,369
	Upper Row : % change from the previous quarter					Lower Row : % change from a year earlier			
Gross Domestic Products	0.7	-0.3	1.8	1.0	0.9				
SAAR	2.8	-1.1	7.2	4.0	3.6				
% Change Year Ago	5.1	2.4	2.2	3.2	3.4	5.5	2.8	4.9	3.1
Private Consumption	0.1	0.3	1.4	1.2	0.4				
% Change Year Ago	2.1	0.5	2.1	3.1	3.4	3.6	2.3	2.2	2.9
Residential Investment	-0.7	-1.6	3.4	-0.3	-3.3				
% Change Year Ago	-0.3	-2.5	0.0	0.7	-1.8	1.0	-0.9	0.2	-0.4
Nonresidential Investment	2.9	0.5	1.9	1.2	0.8				
% Change Year Ago	5.3	3.1	6.2	6.6	4.4	5.5	5.0	3.7	5.4
Government Consumption	0.4	0.3	0.4	0.5	0.4				
% Change Year Ago	0.2	0.0	2.2	1.7	1.7	1.7	1.4	0.7	1.8
Public Investment	-1.1	-0.3	5.2	1.3	0.2				
% Change Year Ago	2.6	-0.6	2.9	5.1	6.4	4.9	3.4	3.7	5.4
Exports of Goods & Services	6.2	-3.8	3.7	-0.4	-0.9				
% Change Year Ago	8.2	9.5	9.5	5.5	-1.5	6.9	5.4	6.8	3.9
Imports of Goods & Services	4.8	-1.1	3.7	-0.4	-4.1				
% Change Year Ago	-5.8	-0.5	9.8	7.0	-2.0	-2.6	3.4	-5.8	3.4
Gross National Income	0.8	-0.2	2.3	1.3	0.8				
SAAR	3.1	-0.9	9.3	5.4	3.3				
% Change Year Ago	4.0	2.7	2.8	4.2	4.2	5.2	3.5	4.7	3.9
Memo:									
Total Demand	1.4	-0.4	2.1	0.7	-0.1				
SAAR	5.9	-1.7	8.8	2.8	-0.3				
% Change Year Ago	0.0	34.2	3.6	3.9	2.3	0.0	3.9	0.0	2.7
Compensation of Employee	0.6	1.3	1.4	0.1	0.4				
% Change Year Ago	1.2	2.3	3.5	3.4	3.2	1.7	3.1	1.8	3.1

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	107.4	107.8	108.9	109.9	110.8	106.0	109.4	106.9	110.1
Private Consumption	109.1	110.0	110.6	111.5	111.8	108.3	111.0	108.9	111.4
Residential Investment	119.1	120.3	122.3	124.2	124.5	118.8	122.8	119.1	123.9
Nonresidential Investment	111.8	112.8	114.0	114.9	115.6	110.3	114.3	111.3	115.2
Government Consumption	103.8	103.9	104.2	104.6	104.6	103.3	104.3	103.5	104.5
Public Investment	116.8	117.8	119.0	120.4	119.5	115.5	119.2	116.4	119.5
Exports of Goods & Services	120.1	121.2	123.8	120.9	118.7	115.4	121.1	117.7	120.6
Imports of Goods & Services	129.6	131.5	134.1	129.3	123.6	127.2	129.6	128.1	127.5
Unit Profit	115.5	114.0	115.5	117.7	119.3	113.4	116.6	114.5	117.9
Unit Labor Cost	100.6	102.5	103.2	103.3	103.6	99.7	103.2	100.4	103.5
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.6	0.3	1.0	1.0	0.8				
	4.1	3.4	3.1	3.0	3.2	3.8	3.2	4.1	3.1
Private Consumption	0.4	0.9	0.5	0.8	0.3				
	2.7	2.5	2.4	2.7	2.5	3.0	2.5	2.8	2.3
Residential Investment	0.3	1.1	1.6	1.5	0.2				
	-0.3	1.1	3.3	4.6	4.5	0.1	3.4	-0.1	4.0
Nonresidential Investment	0.8	0.9	1.1	0.8	0.5				
	3.1	3.8	3.9	3.7	3.4	3.4	3.7	3.4	3.5
Government Consumption	0.5	0.1	0.3	0.3	0.0				
	0.9	0.5	1.3	1.2	0.7	1.7	1.0	1.2	1.0
Public Investment	0.7	0.8	1.1	1.1	-0.7				
	2.7	3.1	3.6	3.7	2.3	3.1	3.2	3.0	2.7
Exports of Goods & Services	3.1	0.9	2.2	-2.4	-1.8				
	3.9	7.9	9.8	3.7	-1.1	3.8	5.0	3.9	2.5
Imports of Goods & Services	2.7	1.5	2.0	-3.6	-4.4				
	-3.4	2.9	7.2	2.5	-4.7	-1.1	1.9	-2.7	-0.5
Unit Profit	0.0	-1.3	1.4	1.9	1.3				
	0.0	13.5	1.8	2.7	3.3	7.9	2.8	7.3	3.0
Unit Labor Cost	0.0	1.9	0.7	0.1	0.3				
	0.0	16.9	4.5	3.3	3.1	0.1	3.5	1.0	3.1