



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ The current forecast reflects data released through the end of October. Apart from public works statistics, household consumption, and the international balance of payments, most of the monthly data required for an accurate Q3 GDP estimate have been updated.

▶ In September, the index of industrial production rose by +1.4% MoM, marking the first increase in two months. On a quarterly basis, however, the Q3 figure was -0.4% lower than Q2, marking the first decline in two quarters.

▶ Relative to Q2, Q3 planned construction expenditure decreased by -6.0%, and the capital goods shipments index fell by -4.7%. As a result, the growth of private residential investment and non-residential investment in Q3 is likely to have either decelerated or declined relative to the previous quarter.

▶ The July-August averages of various monthly data related to private final consumption expenditure and public fixed capital formation have improved relative to the Q2 averages, but only slightly. As a result, growth in Q3 domestic demand is likely to remain modest.

▶ Real exports and imports (BOJ basis) in Q3 increased by +4.0% QoQ and +4.3% QoQ, respectively. Since the latter increased more, 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 2024 is an annualized +0.4% QoQ. The production-side forecast figure is an annualized -0.7%. The average of the two is -0.1%, which is lower than the October market consensus forecast figure of +1.64% (Figure 1). The near-zero growth forecast reflects the impact of natural disasters and inflation.

• 2024 Q3 inflation forecast update

▶ In September, the nation-wide core CPI rose by +2.4% YoY, marking the 37th month of inflation. CPI inflation decelerated for the first time in five months. The core-core CPI (excluding fresh food and energy prices) rose by +2.7%, marking the 30th consecutive month of inflation.

▶ 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)

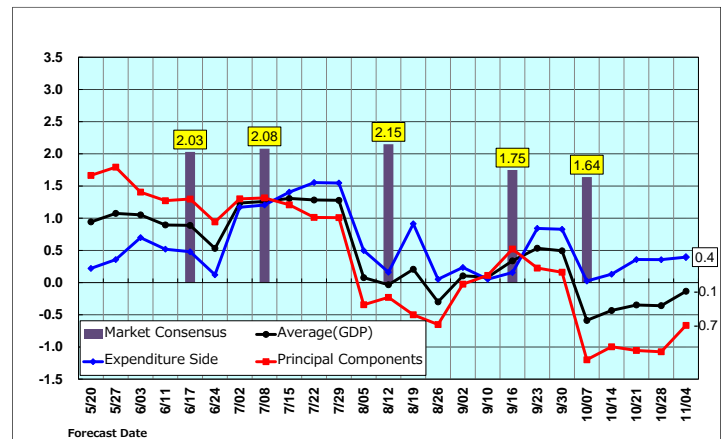
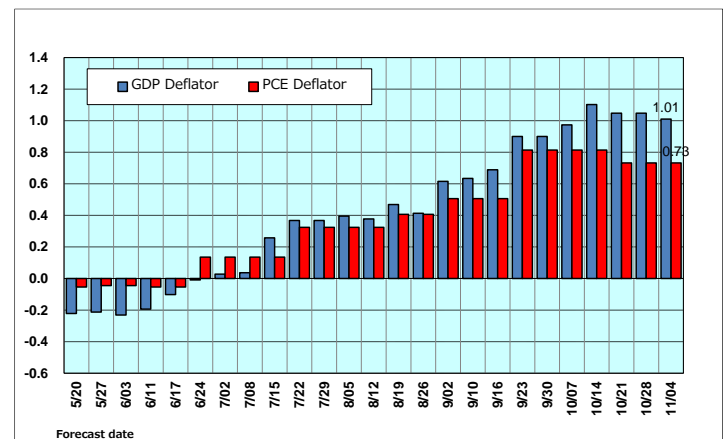


Fig 2 CQM Forecast: Inflation Jul-Sep (Q3) 2024 (% , QoQ growth)



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	
11/1	October	New Car Sales (vehicles)	337,677		+1.0%	
10/31	September	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	101.1	+1.4%		
		Shipments	99.7	+2.3%		
			Inventories	102.3	+0.1%	
	September	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	13,489.0	-2.3%	+0.5%	
	September	New Housing Starts				
		New housing starts (SA, Unit)	68,548	+3.0%	-0.6%	
	Planned residential construction expenditure (billion JPY)	1,368.1	+10.9%	+4.4%		
August	Construction Costs Deflator (2015=100)					
	Housing construction	127.0		+3.3%		
	Public works	127.4		+3.8%		
10/30	October	Consumer Confidence Index (SA)	36.2	-0.7		
10/29	September	Labor Force Survey				
		Total employment (millions)	67.82	-0.09		
		Total unemployment (millions)	1.68	-0.04		
			Unemployment rate (%)	2.4%	-0.1%pt	
	September	General Job Placement Situation				
		Job offers-to-applicants ratio	1.24	+0.01%pt		
	September	Producer Price Index for Intermediate and Final Demand (2015=100)				
		Capital goods	110.5		+2.8%	
	Consumer goods	115.9		+3.6%		
10/25	August	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	106.9	-2.4		
		Coincident indicators	114.0	-3.2		
		Lagging indicators	107.9	+0.4		
	September	Corporate Services Price Index (2020=100)				
		Overall index	107.6		+2.6%	
October	Tokyo Region Consumer Price Index (2020=100)					
	Core index	107.9	+0.4%	+1.8%		
10/24	August	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	296,154		+2.8%	
	Total working hours	132.2		-1.1%		
10/18	August	General Construction Statistics				
		Private non-residential construction (billion JPY)	959.1		+3.7%	
		Public works (billion JPY)	1,947.8		+3.2%	
	September	National Consumer Price Index (2020=100)				
	Core index	108.2	-0.3%	+2.4%		
10/17	August	Tertiary Industry Activity Index (2015=100)	102.7	-1.1%		
	September	Trade Statistics (customs clearance level)				
	Trade balance (billion JPY)	-294.3	-60.3%	-354.9		

		Exports (billion JPY)	9,038.2	+2.0%	-1.7%
		Imports (billion JPY)	9,332.5	-1.2%	+2.1%
10/16	August	Private Core Machinery Orders (billion JPY)	858.1	-1.9%	
10/15	August	Indices of Industrial Production (final figures, 2020=100)			
		Production	99.7	-3.3%	
		Shipments	97.5	-4.1%	
		Inventory	102.2	-0.8%	
		Production capacity index	97.6		-1.0%
		Capacity utilization ratio	97.6	-5.3%	
	September	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,275.2		-1.9%
		Number of contracts	24,467		-2.4%
10/10	September	Domestic Corporate Price Index (2020=100)			
		Corporate Price	123.1	-0.2%	+2.5%
		Export Price	134.6	-5.1%	+2.6%
		Import Price	157.8	-6.1%	+2.6%
	August	Information Services Industry Sales (billion JPY)	1,237.2		+6.9%
10/8	August	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	296,588		+3.6%
		Total working hours	132.6		-0.9%
	August	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	297,487	+2.6%	+1.5%
		Real consumption expenditure		+2.0%	-1.9%
	August	Consumption Trend Index (2020=100)	103.8	0.0%	
	August	Economy Watchers Survey			
		Current Conditions Diffusion Index	47.8	-1.2	
		Future Conditions Diffusion Index	49.7	-0.6	
	August	International Balance of Payments			
		Current account (billion JPY)	+3,803.6	+7.6%	+65.8%
		Exports (billion JPY)	8,388.8	-4.6%	+6.2%
		Imports (billion JPY)	8,766.8	-5.7%	+1.3%
10/7	August	Consumption Activity Index (2015=100)	97.1	-0.0%	
	August	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	106.7	-2.6	
		Coincident indicators	113.5	-3.7	
		Lagging indicators	107.8	+0.6	
10/2	September	Food Buffer Stock (billion JPY)	+22.1		+15.7
	September	Consumer Confidence Index (SA)	36.9	+0.2	

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			2024Q4			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	<u>3.1</u>			<u>1.0</u>	<u>0.5</u>										
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
10/14						0.1	-1.0	-0.4	1.1	0.8	-0.3	-1.7	-1.0	0.9	0.3
10/21						0.4	-1.1	-0.3	1.0	0.7	0.7	-1.2	-0.2	0.8	0.1
10/28						0.4	-1.1	-0.4	1.0	0.7	0.7	-1.2	-0.2	0.8	0.1
11/04						0.4	-0.7	-0.1	1.0	0.7	1.4	-0.0	0.7	0.7	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	
	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	557,498	554,141	558,061	558,611	560,591	559,374	557,851	558,154	559,587
Private Consumption	296,057	294,337	297,019	298,443	298,774	297,757	297,143	296,412	298,354
Residential Investment	18,360	17,879	18,188	18,104	17,887	18,561	18,015	18,391	18,045
Nonresidential Investment	92,946	92,504	93,221	93,511	93,456	92,120	93,173	91,962	93,443
Change in Private Inventory	356	2,004	1,379	861	314	2,269	1,140	1,847	723
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	26,711	26,923	26,377	26,461	26,059	26,766
Change in Public Inventory	-37	19	-24	-53	-62	-10	-30	-18	-51
Net Exports	5,509	2,880	2,705	1,825	3,604	3,255	2,753	4,489	2,797
Exports of Goods & Services	115,097	109,747	111,372	112,206	114,958	111,694	112,071	112,023	113,363
Imports of Goods & Services	109,588	106,868	108,667	110,381	111,354	108,439	109,317	107,534	110,566
Gross National Income	581,186	577,595	584,847	591,314	596,149	580,462	587,476	581,045	592,559
Memo:									
Total Demand	667,086	661,009	666,728	668,992	671,945	667,814	667,168	665,688	670,153
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.1	-0.6	0.7	0.1	0.4				
SAAR	0.2	-2.4	2.9	0.4	1.4				
% Change Year Ago	0.9	-1.0	-0.9	0.3	0.6	1.7	-0.3	0.8	0.3
Private Consumption	-0.3	-0.6	0.9	0.5	0.1				
% Change Year Ago	-0.6	-1.9	-0.3	0.5	0.9	0.6	-0.2	-0.6	0.7
Residential Investment	-1.1	-2.6	1.7	-0.5	-1.2				
% Change Year Ago	-0.1	-3.5	-3.2	-2.4	-2.6	0.9	-2.9	0.3	-1.9
Nonresidential Investment	2.1	-0.5	0.8	0.3	-0.1				
% Change Year Ago	2.2	-0.6	2.2	2.7	0.5	2.1	1.1	0.3	1.6
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	0.3	0.8				
% Change Year Ago	-0.1	-3.7	-0.8	1.5	4.1	1.7	0.3	0.7	2.7
Exports of Goods & Services	3.0	-4.6	1.5	0.7	2.5				
% Change Year Ago	4.1	1.5	-0.2	0.4	-0.1	3.0	0.3	2.8	1.2
Imports of Goods & Services	2.0	-2.5	1.7	1.6	0.9				
% Change Year Ago	-2.5	-3.4	2.4	2.7	1.6	-1.4	0.8	-3.2	2.8
Gross National Income	0.2	-0.6	1.3	1.1	0.8				
SAAR	0.7	-2.4	5.1	4.5	3.3				
% Change Year Ago	1.4	0.3	0.1	1.9	2.6	2.3	1.2	2.0	2.0
Total Demand	0.4	-0.9	0.9	0.3	0.4				
SAAR	1.5	-3.6	3.5	1.4	1.8				
% Change Year Ago	0.0	13.6	-0.4	0.7	0.7	1.2	-0.1	0.1	0.7
Contribution to GDP Growth Rate									
Domestic Demand	-0.1	-0.1	0.8	0.3	0.0	0.7	-0.1	-0.5	0.6
Private Demand	0.0	-0.2	0.5	0.2	-0.1	0.6	-0.2	-0.5	0.3
Public demand	-0.1	0.0	0.2	0.1	0.1	0.1	0.1	-0.1	0.3
Net Exports	0.2	-0.5	-0.1	-0.2	0.3	1.0	-0.1	1.3	-0.4

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	614,311	620,539	592,848	609,880	596,459	616,016
Private Consumption	322,942	323,843	328,476	332,454	333,324	322,346	329,524	322,853	331,848
Residential Investment	21,858	21,509	22,239	22,412	22,128	22,048	22,072	21,902	22,266
Nonresidential Investment	103,874	104,352	106,294	107,486	108,017	101,556	106,537	102,421	107,635
Change in Private Inventory	421	1,067	2,436	1,658	720	2,421	1,470	1,942	1,296
Government Consumption	123,391	123,805	124,338	125,011	125,518	122,907	124,668	122,968	125,222
Public Investment	30,224	30,128	31,688	31,919	31,860	30,474	31,399	30,352	31,790
Change in Public Inventory	-66	-60	-41	-85	-92	-6	-69	-57	-78
Net Exports	-3,843	-7,551	-7,850	-6,545	-937	-8,898	-5,721	-5,921	-3,963
Exports of Goods & Services	138,198	132,983	137,886	135,318	133,541	129,044	134,932	131,852	135,068
Imports of Goods & Services	142,040	140,534	145,735	141,863	134,478	137,942	140,652	137,774	139,031
Gross National Income	633,970	632,580	646,836	658,341	664,784	627,177	650,636	631,472	659,072
Memo:									
Total Demand	740,841	737,625	753,316	756,173	755,017	730,790	750,533	734,233	755,046
Compensation of Employee	302,128	306,072	310,487	309,103	310,172	300,498	308,958	301,864	310,087
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.7	-0.3	1.8	1.1	1.0				
SAAR	2.8	-1.1	7.2	4.5	4.1				
% Change Year Ago	5.1	2.4	2.2	3.3	3.6	5.5	2.9	4.9	3.3
Private Consumption	0.1	0.3	1.4	1.2	0.3				
% Change Year Ago	2.1	0.5	2.1	3.1	3.2	3.6	2.2	2.2	2.8
Residential Investment	-0.7	-1.6	3.4	0.8	-1.3				
% Change Year Ago	-0.3	-2.5	0.0	1.8	1.2	1.0	0.1	0.2	1.7
Nonresidential Investment	2.9	0.5	1.9	1.1	0.5				
% Change Year Ago	5.3	3.1	6.2	6.5	4.0	5.5	4.9	3.7	5.1
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	0.7	-0.2				
% Change Year Ago	2.6	-0.6	2.9	4.5	5.4	4.9	3.0	3.7	4.7
Exports of Goods & Services	6.2	-3.8	3.7	-1.9	-1.3				
% Change Year Ago	8.2	9.5	9.5	4.0	-3.4	6.9	4.6	6.8	2.4
Imports of Goods & Services	4.8	-1.1	3.7	-2.7	-5.2				
% Change Year Ago	-5.8	-0.5	9.8	4.6	-5.3	-2.6	2.0	-5.8	0.9
Gross National Income	0.8	-0.2	2.3	1.8	1.0				
SAAR	3.1	-0.9	9.3	7.3	4.0				
% Change Year Ago	4.0	2.7	2.8	4.6	4.9	5.2	3.7	4.7	4.4
Memo:									
Total Demand	1.4	-0.4	2.1	0.4	-0.2				
SAAR	5.9	-1.7	8.8	1.5	-0.6				
% Change Year Ago	0.0	34.2	3.6	3.5	1.9	0.0	3.9	0.0	2.7
Compensation of Employee	0.6	1.3	1.4	-0.4	0.3				
% Change Year Ago	1.2	2.3	3.5	2.9	2.7	1.7	2.8	1.8	2.7

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	110.0	110.7	106.0	109.3	106.9	110.1
Private Consumption	109.1	110.0	110.6	111.4	111.6	108.3	110.9	108.9	111.2
Residential Investment	119.1	120.3	122.3	123.8	123.7	118.8	122.5	119.1	123.4
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	119.5	118.3	115.5	118.7	116.4	118.8
Exports of Goods & Services	120.1	121.2	123.8	120.6	116.2	115.4	120.4	117.7	119.2
Imports of Goods & Services	129.6	131.5	134.1	128.5	120.8	127.2	128.7	128.1	125.8
Unit Profit	115.5	114.0	115.5	118.6	120.1	113.4	117.0	114.5	118.6
Unit Labor Cost	100.6	102.5	103.2	102.7	102.7	99.7	102.8	100.4	102.8
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	0.7				
	4.1	3.4	3.1	3.0	3.1	3.8	3.2	4.1	3.0
Private Consumption	0.4	0.9	0.5	0.7	0.2				
	2.7	2.5	2.4	2.6	2.3	3.0	2.4	2.8	2.1
Residential Investment	0.3	1.1	1.6	1.2	-0.1				
	-0.3	1.1	3.3	4.3	3.9	0.1	3.2	-0.1	3.6
Nonresidential Investment	0.8	0.9	1.1	0.8	0.6				
	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	0.4	-1.0				
	2.7	3.1	3.6	3.0	1.3	3.1	2.7	3.0	2.0
Exports of Goods & Services	3.1	0.9	2.2	-2.6	-3.7				
	3.9	7.9	9.8	3.5	-3.3	3.8	4.4	3.9	1.3
Imports of Goods & Services	2.7	1.5	2.0	-4.2	-6.0				
	-3.4	2.9	7.2	1.8	-6.8	-1.1	1.2	-2.7	-1.8
Unit Profit	0.0	-1.3	1.4	2.6	1.3				
	0.0	13.5	1.8	3.4	4.0	7.9	3.2	7.3	3.6
Unit Labor Cost	0.0	1.9	0.7	-0.5	0.0				
	0.0	16.9	4.5	2.7	2.1	0.1	3.1	1.0	2.5