



Japanese Economy Monthly Forecast

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Headlines

● Review of latest official data

▶ The current forecast reflects data released through the end of November. Apart from public works statistics, household consumption, and the international balance of payments, about one-third of the monthly data required for an accurate 2024 Q4 GDP estimate have been updated.

▶ According to the first official advance GDP estimate, Japan's real GDP in 2024 Q3 expanded by an annualized +0.9% QoQ, marking the second quarter in positive territory. However, the growth rate decelerated from the previous quarter (+2.2%). The figure was very similar to the November ESP forecast (+1.0%) and APIR's final CQM forecast (+0.7%).

▶ The index of industrial production rose +3.0% MoM in October, marking the second month of increase. The October figure was +2.9% higher than the 2024 Q3 average.

▶ Comparing October figures with the Q3 averages, planned construction expenditure increased +1.4%, and the capital goods shipments index rose by +7.9%. In the first month of 2024 Q4, private residential investment and non-residential investment seemed to be in a good shape.

▶ In October, real exports and imports (BOJ basis) both decreased relative to their Q3 averages, respectively by -2.0% and -1.7%. The contribution of net exports of goods to real GDP growth in October was smaller than it was in Q3.

● 2024 Q4 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q4 is an annualized +0.1% QoQ. Domestic demand will make a positive contribution, but it will be offset by the negative contribution of net exports, resulting in virtually no growth. On the other hand, the production-side forecast figure is an annualized +1.6%. The average of the two is +0.9%, which is lower than the November market consensus forecast figure of +1.41% (Figure 1).

● 2024 Q4 inflation forecast update

▶ In October, the nation-wide core CPI rose for the 38th month in a row, but inflation decelerated for the second consecutive month. The core-core CPI (excluding fresh food and energy prices) rose by +2.2%. Core-core CPI inflation continued for 39 consecutive months, and kept accelerating for the third month in a row.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q4 are respectively +0.1% and +0.2% QoQ. Considering the deteriorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.1% QoQ in Q4 (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Oct-Dec (Q4) 2024 (% , QoQ annualized growth)

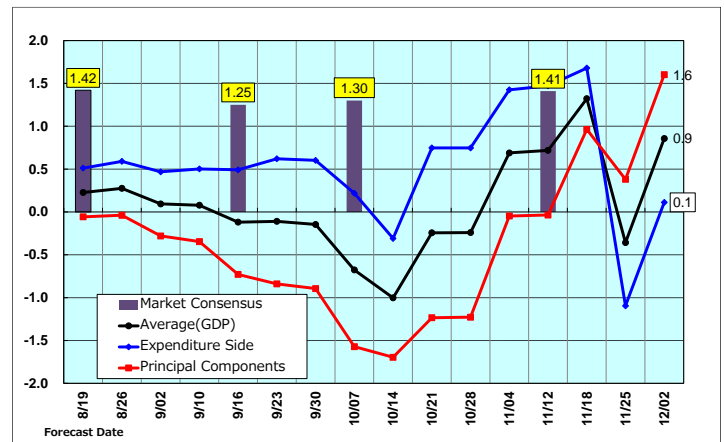
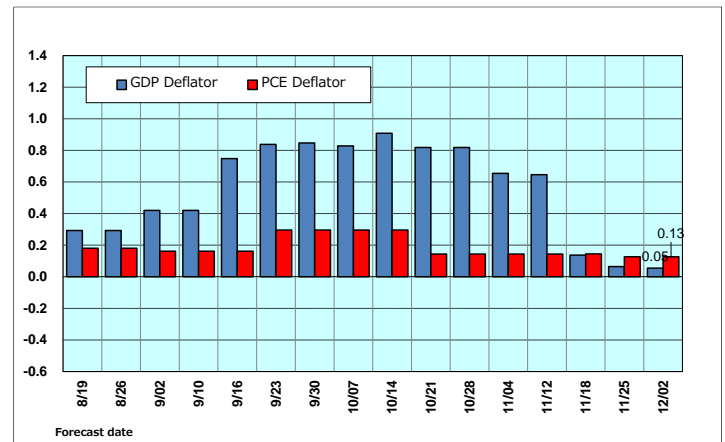


Fig 2 CQM Forecast: Inflation Oct-Dec (Q4) 2024 (% , QoQ growth)



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	
11/29	October	Labor Force Survey				
		Total employment (millions)	67.98	+0.16		
		Total unemployment (millions)	1.71	+0.03		
			Unemployment rate (%)	2.5%	+0.1%pt	
	October	General Job Placement Situation				
		Job offers-to-applicants ratio	1.25	+0.01%pt		
	October	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	104.3	+3.0%		
		Shipments	102.6	+2.8%		
		Inventories	102.2	-0.1%		
	October	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	13,859.0	+0.1%	+1.6%	
	October	New Housing Starts				
		New housing starts (SA, Unit)	69,669	-2.7%	-2.9%	
		Planned residential construction expenditure (billion JPY)	1,419.8	-3.0%	-3.0%	
September	Construction Costs Deflator (2015=100)					
	Housing construction	126.5		+3.3%		
	Public works	127.0		+4.3%		
November	Tokyo Region Consumer Price Index (2020=100)					
	Core index	108.3	+0.5%	+2.2%		
November	Consumer Confidence Index (SA)	36.4	+0.2			
11/28	October	Producer Price Index for Intermediate and Final Demand (2015=100)				
		Capital goods	111.0		+2.4%	
		Consumer goods	117.2		+3.9%	
11/26	October	Corporate Services Price Index (2020=100)				
	Overall index	108.7		+2.9%		
11/25	September	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	109.1	+2.2		
		Coincident indicators	115.3	+1.3		
		Lagging indicators	106.7	-1.2		
11/22	September	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	291,712		+2.5%	
		Total working hours	134.7		-2.7%	
October	National Consumer Price Index (2020=100)					
	Core index	108.8	+0.3%	+2.3%		
11/20	October	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	-461.2	+30.3%	-34.4%	
		Exports (billion JPY)	9,426.7	-0.7%	+3.1%	
		Imports (billion JPY)	9,887.9	+0.2%	+0.4%	
11/18	September	Private Core Machinery Orders (billion JPY)	852.0	-0.7%		
		General Construction Statistics				
		Private non-residential construction (billion JPY)	974.9		+2.7%	
	September	Public works (billion JPY)	2,142.9		+2.5%	

11/15	September	Tertiary Industry Activity Index (2015=100)	102.3	-0.2%		
	September	Indices of Industrial Production (final figures, 2020=100)				
		Production	101.3	+1.6%		
		Shipments	99.8	+2.4%		
		Inventory	102.3	+0.1%		
		Production capacity index	97.3		-1.2%	
		Capacity utilization ratio	101.9	+4.4%		
	October	Public Works Advanced Securities Statistics				
		Contract amount (billion JPY)	1,128.8		+3.2%	
		Number of contracts	22,342		+3.4%	
11/13	October	Domestic Corporate Price Index (2020=100)				
		Corporate Price	123.7	0.2%	+3.4%	
		Export Price	138.1	+2.6%	+1.0%	
		Import Price	162.6	+3.0%	-2.2%	
11/12	October	Economy Watchers Survey				
		Current Conditions Diffusion Index	47.5	-0.3		
			Future Conditions Diffusion Index	48.3	-1.4	
	September	International Balance of Payments				
		Current account (billion JPY)	+1,717.1	-59.6%	-41.9%	
Exports (billion JPY)		8,698.4	-0.5%	-4.5%		
		Imports (billion JPY)	9,013.6	+0.1%	+3.2%	
11/8	September	Household Expenditure (households with 2 or more people)				
		Nominal consumption expenditure (JPY)	287,963	-2.2%	+1.8%	
			Real consumption expenditure		-1.3%	-1.1%
	September	Consumption Trend Index (2020=100)	104.2	+0.1%		
	September	Consumption Activity Index (2015=100)	97.2	-0.2%		
	September	Information Services Industry Sales (billion JPY)	1,924.6		+5.5%	
	September	Index of Business Conditions (preliminary figures, 2020=100)				
		Leading indicators	109.4	+2.5		
		Coincident indicators	115.7	+1.7		
		Lagging indicators	106.4	-1.5		
11/7	September	Monthly Labor Statistics (preliminary figures)				
		Gross average salary per worker (JPY)	292,551		+2.8%	
		Total working hours	134.9		-2.5%	
11/4	October	Food Buffer Stock (billion JPY)	+29.6		-10.3	
11/1	October	New Car Sales (vehicles)	337,677		+1.0%	

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
	2024Q3					2024Q4					2025Q1				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
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															
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					
11/12	0.7	-0.6	0.0	0.9	0.7	1.5	-0.0	0.7	0.6	0.1					
11/15	0.9			0.3	0.3										
11/18						1.7	1.0	1.3	0.1	0.1	0.1	1.1	0.6	-0.2	-0.2
11/25						-1.1	0.4	-0.4	0.1	0.1	0.0	1.0	0.5	-0.2	-0.2
12/02						0.1	1.6	0.9	0.1	0.1	-0.2	1.1	0.5	-0.2	-0.2

Note: Underlined figures are 1st preliminary estimates.

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

	Quarterly			Forecast		CY		FY	
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	554,282	557,253	558,506	558,662	558,429	559,275	557,176	558,124	558,213
Private Consumption	294,447	296,374	298,993	299,718	300,151	297,925	297,383	296,534	298,809
Residential Investment	17,861	18,110	18,093	17,728	17,817	18,555	17,948	18,387	17,937
Nonresidential Investment	92,472	93,347	93,184	95,434	95,437	92,029	93,609	91,871	94,351
Change in Private Inventory	2,072	1,459	2,012	1,455	955	2,183	1,750	1,828	1,470
Government Consumption	119,152	119,245	119,851	120,091	120,579	118,915	119,585	118,796	119,941
Public Investment	25,556	26,603	26,364	26,505	26,409	26,352	26,257	26,028	26,470
Change in Public Inventory	30	-5	33	80	49	-10	35	-18	39
Net Exports	2,915	2,620	787	-1,535	-2,154	3,246	1,197	4,516	-70
Exports of Goods & Services	109,851	112,678	113,107	110,349	110,392	111,639	111,496	111,990	111,631
Imports of Goods & Services	106,936	110,057	112,320	111,884	112,545	108,393	110,299	107,474	111,702
Gross National Income	578,884	585,672	587,813	585,158	584,229	581,474	584,382	582,403	585,718
Memo:									
Total Demand	661,218	667,311	670,825	670,547	670,975	667,668	667,475	665,598	669,914
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.6	0.5	0.2	0.0	0.0				
SAAR	-2.4	2.2	0.9	0.1	-0.2				
% Change Year Ago	-0.9	-1.0	0.2	0.2	0.7	1.7	-0.4	0.8	0.0
Private Consumption	-0.6	0.7	0.9	0.2	0.1				
% Change Year Ago	-2.0	-0.6	0.7	1.2	1.9	0.7	-0.2	-0.6	0.8
Residential Investment	-2.9	1.4	-0.1	-2.0	0.5				
% Change Year Ago	-3.5	-3.4	-2.6	-3.6	-0.2	0.9	-3.3	0.3	-2.4
Nonresidential Investment	-0.4	0.9	-0.2	2.4	0.0				
% Change Year Ago	-0.6	2.5	2.5	2.8	3.2	2.0	1.7	0.3	2.7
Government Consumption	0.3	0.1	0.5	0.2	0.4				
% Change Year Ago	-0.5	0.8	0.8	1.1	1.2	0.0	0.6	-0.5	1.0
Public Investment	-1.1	4.1	-0.9	0.5	-0.4				
% Change Year Ago	-3.7	-0.8	0.3	2.6	3.3	1.6	-0.4	0.6	1.7
Exports of Goods & Services	-4.5	2.6	0.4	-2.4	0.0				
% Change Year Ago	1.6	1.0	1.2	-4.0	0.5	2.9	-0.1	2.8	-0.3
Imports of Goods & Services	-2.4	2.9	2.1	-0.4	0.6				
% Change Year Ago	-3.4	3.7	4.9	2.1	5.2	-1.5	1.8	-3.2	3.9
Gross National Income	-0.7	1.2	0.4	-0.5	-0.2				
SAAR	-2.8	4.8	1.5	-1.8	-0.6				
% Change Year Ago	0.5	0.0	1.1	0.4	0.9	2.5	0.5	2.2	0.6
Total Demand	-0.9	0.9	0.5	0.0	0.1				
SAAR	-3.6	3.7	2.1	-0.2	0.3				
% Change Year Ago	0.0	14.7	1.0	0.5	1.5	1.1	0.0	0.1	0.6
Contribution to GDP Growth Rate									
Domestic Demand	-0.2	0.6	0.6	0.4	0.1	0.6	0.1	-0.5	1.0
Private Demand	-0.2	0.4	0.5	0.4	0.0	0.6	0.0	-0.5	0.7
Public demand	0.0	0.2	0.1	0.1	0.1	0.1	0.1	-0.1	0.3
Net Exports	-0.4	-0.1	-0.4	-0.4	-0.1	1.0	-0.5	1.4	-1.0

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

	Quarterly		Forecast			CY		FY	
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	597,441	607,672	610,880	611,395	609,928	592,966	606,847	596,622	609,969
Private Consumption	324,054	327,753	331,796	333,001	332,901	322,553	329,151	323,014	331,363
Residential Investment	21,496	22,127	22,084	21,656	21,779	22,048	21,841	21,902	21,911
Nonresidential Investment	104,398	106,381	106,624	109,761	110,299	101,573	106,791	102,438	108,266
Change in Private Inventory	1,244	2,703	2,506	1,817	1,008	2,315	2,067	1,920	2,008
Government Consumption	123,838	124,571	125,594	126,323	126,834	122,907	125,081	122,974	125,830
Public Investment	30,129	31,656	31,539	31,418	31,237	30,474	31,185	30,352	31,463
Change in Public Inventory	-46	-21	31	38	13	-6	0	-57	15
Net Exports	-7,671	-7,497	-9,292	-12,618	-14,143	-8,898	-9,270	-5,921	-10,888
Exports of Goods & Services	132,879	138,969	138,284	133,315	133,814	129,044	135,862	131,852	136,095
Imports of Goods & Services	140,550	146,466	147,576	145,933	147,957	137,942	145,131	137,774	146,983
Gross National Income	634,337	648,408	652,388	650,324	648,703	628,507	646,364	633,188	649,955
Memo:									
Total Demand	737,991	754,138	758,456	757,328	757,885	730,908	751,978	734,396	756,952
Compensation of Employee	306,146	310,248	311,572	313,605	313,445	300,498	310,393	301,864	312,218
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.3	1.7	0.5	0.1	-0.2				
SAAR	-1.0	7.0	2.1	0.3	-1.0				
% Change Year Ago	2.4	2.1	2.8	2.1	2.1	5.6	2.3	4.9	2.2
Private Consumption	0.3	1.1	1.2	0.4	0.0				
% Change Year Ago	0.4	1.8	2.8	3.1	2.7	3.7	2.0	2.2	2.6
Residential Investment	-1.8	2.9	-0.2	-1.9	0.6				
% Change Year Ago	-2.5	-0.3	0.2	-1.1	1.3	1.0	-0.9	0.2	0.0
Nonresidential Investment	0.5	1.9	0.2	2.9	0.5				
% Change Year Ago	3.1	6.4	5.5	5.6	5.7	5.5	5.1	3.7	5.7
Government Consumption	0.4	0.6	0.8	0.6	0.4				
% Change Year Ago	0.0	2.2	2.3	2.4	2.4	1.7	1.8	0.7	2.3
Public Investment	-0.4	5.1	-0.4	-0.4	-0.6				
% Change Year Ago	-0.6	2.8	3.2	3.9	3.7	4.9	2.3	3.7	3.7
Exports of Goods & Services	-4.0	4.6	-0.5	-3.6	0.4				
% Change Year Ago	9.5	10.8	5.9	-3.7	0.7	6.9	5.3	6.8	3.2
Imports of Goods & Services	-1.3	4.2	0.8	-1.1	1.4				
% Change Year Ago	-0.6	11.0	8.5	2.5	5.3	-2.6	5.2	-5.8	6.7
Gross National Income	-0.3	2.2	0.6	-0.3	-0.2				
SAAR	-1.1	9.2	2.5	-1.3	-1.0				
% Change Year Ago	2.9	2.7	3.5	2.2	2.3	5.4	2.8	4.9	2.6
Memo:									
Total Demand	-0.5	2.2	0.6	-0.1	0.1				
SAAR	-1.8	9.0	2.3	-0.6	0.3				
% Change Year Ago	0.0	37.2	3.9	2.1	2.7	0.0	3.9	0.0	2.7
Compensation of Employee	1.3	1.3	0.4	0.7	-0.1				
% Change Year Ago	2.4	3.5	3.7	3.8	2.4	1.7	3.3	1.8	3.4

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	107.8	109.1	109.4	109.4	109.2	106.0	108.9	106.9	109.3
Private Consumption	110.1	110.6	111.0	111.1	110.9	108.3	110.7	108.9	110.9
Residential Investment	120.4	122.2	122.1	122.2	122.2	118.8	121.7	119.1	122.2
Nonresidential Investment	112.9	114.0	114.4	115.0	115.6	110.4	114.1	111.4	114.7
Government Consumption	103.9	104.5	104.8	105.2	105.2	103.4	104.6	103.5	104.9
Public Investment	117.9	119.0	119.6	118.5	118.3	115.7	118.8	116.5	118.9
Exports of Goods & Services	121.0	123.3	122.3	120.8	121.2	115.5	121.8	117.7	121.9
Imports of Goods & Services	131.4	133.1	131.4	130.4	131.5	127.2	131.6	128.2	131.6
Unit Profit	114.0	115.8	116.3	115.7	115.2	113.5	115.5	114.6	115.7
Unit Labor Cost	102.5	103.3	103.5	104.2	104.2	99.7	103.4	100.4	103.8
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.4	1.2	0.3	0.1	-0.2				
	3.3	3.1	2.6	1.9	1.3	3.9	2.7	4.1	2.2
Private Consumption	0.9	0.5	0.4	0.1	-0.2				
	2.5	2.4	2.2	1.9	0.8	3.0	2.2	2.8	1.8
Residential Investment	1.1	1.5	-0.1	0.1	0.1				
	1.0	3.1	2.9	2.6	1.6	0.1	2.4	-0.1	2.6
Nonresidential Investment	0.9	0.9	0.4	0.5	0.5				
	3.8	3.7	3.0	2.8	2.4	3.5	3.3	3.5	3.0
Government Consumption	0.1	0.5	0.3	0.4	0.0				
	0.5	1.4	1.5	1.3	1.2	1.7	1.2	1.2	1.4
Public Investment	0.7	0.9	0.5	-0.9	-0.2				
	3.2	3.6	2.9	1.3	0.3	3.2	2.7	3.1	2.0
Exports of Goods & Services	0.5	2.0	-0.9	-1.2	0.3				
	7.8	9.6	4.7	0.4	0.2	3.8	5.5	3.9	3.6
Imports of Goods & Services	1.2	1.3	-1.3	-0.7	0.8				
	2.9	7.0	3.4	0.4	0.0	-1.0	3.4	-2.6	2.7
Unit Profit	0.0	1.6	0.4	-0.5	-0.4				
	0.0	15.4	1.6	0.2	1.0	8.0	1.7	7.4	1.0
Unit Labor Cost	0.0	0.8	0.2	0.6	0.0				
	0.0	17.9	3.5	3.6	1.6	0.1	3.7	1.0	3.4