



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ The current forecast reflects data released through the end of December. Apart from the household consumption-related indicators, public works, and the Balance of Payments, about two-thirds of the basic monthly data necessary for an accurate 2024 Q4 GDP estimate have been updated.

▶ According to the second advance 2024 Q3 GDP estimate released on December 9, real GDP growth was annualized +1.2% QoQ, a slight upward revision from the first advance estimate (annualized +0.9% QoQ). 2024 Q3 was the second consecutive quarter of positive growth, but growth decelerated from the previous quarter (+2.2%).

▶ The index of industrial production fell -2.3% MoM in November, marking the first decline in three months. The October-November average, however, was +1.5% higher than the Q3 average.

▶ Comparing October-November averages with Q3 averages, planned construction expenditure increased by +2.8%, and the capital goods shipments index rose by +4.9%. Private capital investment in October-November seems to be recovering from the slump in Q3. Private non-residential investment is expected to recover from the previous quarter's decline in Q4.

▶ Comparing the October-November average with the Q3 average, real exports (BOJ basis) decreased by -3.1%, while real imports declined by -4.2%. Since the latter declined more, the contribution of net exports of goods to real GDP growth was larger than in Q3.

• 2024 Q4 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q4 is +0.5%, or an annualized +2.1%. This is a slight downward revision from our previous week forecast (+2.3%). Therein, domestic demand and net exports are expected to contribute +0.4 and +0.1 percentage points to real GDP growth, respectively. The production-side forecast figure is an annualized +1.2%. The average of the two is +1.6%, which is a tad higher than the market consensus forecast figure of +1.31% (Figure 1).

• 2024 Q4 inflation forecast update

▶ In November, the nation-wide core CPI rose by +2.7% YoY, with inflation accelerating for the first time in three months. This is because government subsidies were reduced, resulting in higher energy prices. The core-core CPI (excluding fresh food and energy prices) rose by +2.4%. Core-core CPI inflation kept accelerating for the fourth 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 +0.6% and +0.4% QoQ. Considering the improving terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.6% QoQ in 2024 Q4 (Figure 2).

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

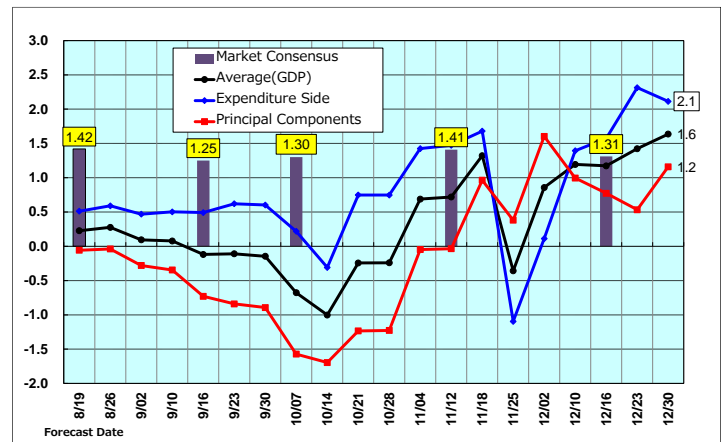
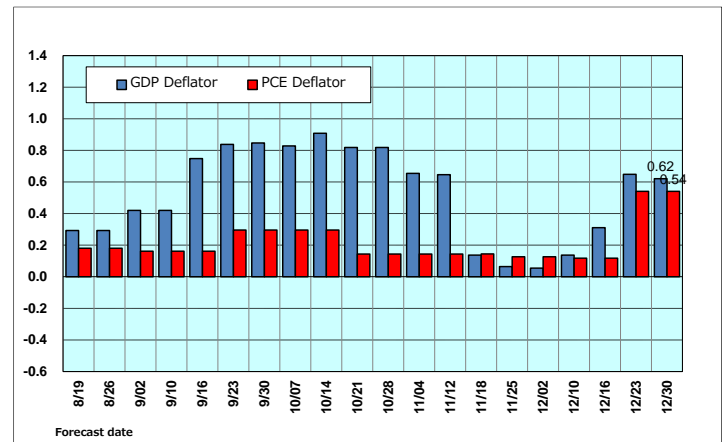


Fig 2 CQM Forecast: Inflation Oct-Dec (Q4) 2024 (% , QoQ growth)



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	
12/27	November	Labor Force Survey				
		Total employment (millions)	68.08	+0.10		
		Total unemployment (millions)	1.72	+0.01		
			Unemployment rate (%)	2.5%	0.0%pt	
	November	General Job Placement Situation				
		Job offers-to-applicants ratio	1.25	0.00%pt		
	November	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	101.7	-2.3%		
		Shipments	99.6	-2.7%		
		Inventories	101.4	-0.9%		
	November	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	14,217.0	+0.1%	+1.6%	
	November	New Housing Starts				
		New housing starts (SA, Unit)	65,037	-2.7%	-2.9%	
		Planned residential construction expenditure (billion JPY)	1,358.2	-3.0%	-3.0%	
November	Producer Price Index for Intermediate and Final Demand (2015=100)					
	Capital goods	111.0		+2.4%		
	Consumer goods	117.2		+3.9%		
November	Construction Costs Deflator (2015=100)					
	Housing construction	126.2		+2.2%		
	Public works	126.5		+3.2%		
November	Tokyo Region Consumer Price Index (2020=100)					
	Core index	108.6	+0.4%	+2.4%		
12/25	November	Corporate Services Price Index (2020=100)				
		Overall index	109.1		+3.0%	
	October	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	109.1	+0.2		
	Coincident indicators	116.8	+2.4			
	Lagging indicators	107.5	+0.8			
12/24	October	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	292,430		+2.2%	
	Total working hours	140.0		-0.4%		
12/20	October	National Consumer Price Index (2020=100)				
		Core index	109.2	+0.5%	+2.7%	
12/18	November	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	-117.6	+67.6%	-85.5%	
		Exports (billion JPY)	9,152.4	+0.2%	+3.8%	
	Imports (billion JPY)	9,270.0	+1.9%	-3.8%		
12/17	October	General Construction Statistics				
		Private non-residential construction (billion JPY)	990.0		+3.1%	
	Public works (billion JPY)	2,290.9		+3.4%		
12/16	October	Tertiary Industry Activity Index (2015=100)	102.3	+0.3%		
	October	Private Core Machinery Orders (billion JPY)	869.8	+2.1%		

12/13	October	Indices of Industrial Production (final figures, 2020=100)			
		Production	104.1	+2.8%	
		Shipments	102.4	+2.6%	
		Inventory	102.3	0.0%	
		Production capacity index	97.4		-1.2%
		Capacity utilization ratio	104.6	+2.6%	
12/11	November	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	799.9		+4.6%
		Number of contracts	16,354		-8.3%
12/9	November	Domestic Corporate Price Index (2020=100)			
		Corporate Price	124.3	+0.3%	+3.7%
		Export Price	140.2	+1.7%	+2.2%
		Import Price	165.0	+1.5%	-1.2%
12/6	October	Information Services Industry Sales (billion JPY)	1,300.3		+7.8%
	November	Economy Watchers Survey			
		Current Conditions Diffusion Index	49.4	+1.0	
		Future Conditions Diffusion Index	49.4	+1.1	
	October	International Balance of Payments			
		Current account (billion JPY)	+2,456.9	-59.6%	-41.9%
12/3	October	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	293,401		+2.6%
		Total working hours	139.8		-0.5%
	October	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	305,819	+3.3%	+1.3%
		Real consumption expenditure		+2.9%	-1.3%
	October	Consumption Trend Index (2020=100)	104.4	-0.1%	
	October	Consumption Activity Index (2015=100)	96.8	-0.4%	
	October	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	108.6	-0.3	
		Coincident indicators	116.5	+2.5	
	Lagging indicators	107.2	+0.3		
12/3	November	Food Buffer Stock (billion JPY)	+23.9		-5.9
12/2	November	New Car Sales (vehicles)	330,611		-3.9%
11/29	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%

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	<u>0.9</u>			<u>0.3</u>	<u>0.3</u>										
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
12/09	1.2*			0.1*	0.2*										
12/10						1.4	1.0	1.2	0.1	0.1	-0.2	1.1	0.4	-0.2	-0.2
12/16						1.6	0.8	1.2	0.3	0.1	-0.2	1.0	0.4	-0.1	-0.2
12/23						2.3	0.5	1.4	0.6	0.5	-0.4	0.6	0.1	0.0	0.0
12/30						2.1	1.2	1.6	0.6	0.5	-0.7	0.1	-0.3	0.0	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	
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	552,433	555,411	557,124	560,044	559,064	556,999	556,253	555,784	557,911
Private Consumption	294,653	296,484	298,444	299,048	299,484	297,984	297,157	296,614	298,365
Residential Investment	18,120	18,345	18,410	18,187	18,398	18,778	18,265	18,629	18,335
Nonresidential Investment	91,743	92,765	92,654	94,435	94,423	91,395	92,899	91,217	93,569
Change in Private Inventory	900	597	1,371	719	-3	819	897	595	671
Government Consumption	118,369	119,515	119,688	120,086	120,572	118,264	119,414	118,037	119,965
Public Investment	25,306	26,619	26,327	26,502	26,382	26,428	26,188	25,969	26,457
Change in Public Inventory	30	-5	40	108	76	40	43	26	55
Net Exports	3,568	1,751	996	1,767	538	3,294	2,020	4,598	1,263
Exports of Goods & Services	110,374	112,050	113,287	110,399	109,443	111,684	111,528	112,046	111,295
Imports of Goods & Services	106,806	110,299	112,292	108,633	108,905	108,390	109,508	107,448	110,032
Gross National Income	576,811	584,416	586,432	586,701	585,812	579,061	583,590	579,905	585,840
Memo:									
Total Demand	659,239	665,710	669,416	668,677	667,969	665,389	665,760	663,233	667,943
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.6	0.5	0.3	0.5	-0.2				
SAAR	-2.2	2.2	1.2	2.1	-0.7				
% Change Year Ago	-0.9	-0.9	0.5	0.8	1.2	1.5	-0.1	0.7	0.4
Private Consumption	-0.6	0.6	0.7	0.2	0.1				
% Change Year Ago	-1.9	-0.6	0.6	0.9	1.6	0.8	-0.3	-0.4	0.6
Residential Investment	-2.7	1.2	0.4	-1.2	1.2				
% Change Year Ago	-3.1	-3.4	-2.1	-2.4	1.5	1.5	-2.7	0.8	-1.6
Nonresidential Investment	-0.4	1.1	-0.1	1.9	0.0				
% Change Year Ago	-0.7	2.4	2.6	2.5	2.9	1.5	1.6	-0.1	2.6
Government Consumption	0.2	1.0	0.1	0.3	0.4				
% Change Year Ago	-0.8	1.7	1.3	1.7	1.9	-0.3	1.0	-0.8	1.6
Public Investment	-2.1	5.2	-1.1	0.7	-0.5				
% Change Year Ago	-5.5	-0.8	0.2	2.5	4.3	1.5	-0.9	-0.3	1.9
Exports of Goods & Services	-4.1	1.5	1.1	-2.5	-0.9				
% Change Year Ago	1.6	0.8	1.4	-4.0	-0.8	3.0	-0.1	2.8	-0.7
Imports of Goods & Services	-2.4	3.3	1.8	-3.3	0.3				
% Change Year Ago	-3.5	3.8	4.9	-0.7	2.0	-1.5	1.0	-3.3	2.4
Gross National Income	-0.5	1.3	0.3	0.0	-0.2				
SAAR	-2.2	5.4	1.4	0.2	-0.6				
% Change Year Ago	0.5	0.1	1.3	1.2	1.6	2.3	0.8	2.0	1.0
Total Demand	-0.9	1.0	0.6	-0.1	-0.1				
SAAR	-3.4	4.0	2.2	-0.4	-0.4				
% Change Year Ago	0.0	14.5	1.2	0.6	1.3	1.0	0.1	0.0	0.7
Contribution to GDP Growth Rate									
Domestic Demand	-0.2	0.9	0.5	0.4	0.0	0.4	0.2	-0.7	1.1
Private Demand	-0.1	0.5	0.5	0.3	0.0	0.4	0.0	-0.5	0.7
Public demand	-0.1	0.5	0.0	0.1	0.1	0.0	0.2	-0.2	0.4
Net Exports	-0.4	-0.4	-0.2	0.1	-0.2	1.0	-0.3	1.4	-0.7

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	596,152	607,506	610,243	617,202	616,396	591,913	607,776	595,184	612,837
Private Consumption	323,877	328,306	331,022	333,500	334,034	322,530	329,176	323,062	331,716
Residential Investment	21,841	22,445	22,525	22,221	22,460	22,356	22,258	22,235	22,413
Nonresidential Investment	103,719	105,835	106,127	108,707	109,198	100,992	106,097	101,843	107,467
Change in Private Inventory	616	1,204	1,615	993	64	930	1,107	640	969
Government Consumption	122,763	125,241	125,858	126,680	127,194	122,976	125,135	122,458	126,243
Public Investment	29,927	31,814	31,568	31,363	31,176	30,621	31,168	30,378	31,480
Change in Public Inventory	40	-4	55	100	74	77	48	51	57
Net Exports	-6,629	-7,335	-8,526	-6,364	-7,804	-8,569	-7,214	-5,483	-7,507
Exports of Goods & Services	133,922	139,106	138,938	136,209	136,876	129,342	137,044	132,250	137,782
Imports of Goods & Services	140,552	146,440	147,464	142,572	144,679	137,911	144,257	137,733	145,289
Gross National Income	632,637	647,857	651,334	654,488	653,673	627,124	646,579	631,312	651,838
Memo:									
Total Demand	736,703	753,947	757,707	759,774	761,075	729,824	752,033	732,917	758,126
Compensation of Employee	306,794	311,913	313,450	315,146	315,139	301,296	311,826	302,364	313,912
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.1	1.9	0.5	1.1	-0.1				
SAAR	-0.6	7.8	1.8	4.6	-0.5				
% Change Year Ago	2.2	2.2	2.9	3.4	3.4	5.6	2.7	4.9	3.0
Private Consumption	0.2	1.4	0.8	0.7	0.2				
% Change Year Ago	0.5	1.8	2.7	3.1	3.1	3.9	2.1	2.4	2.7
Residential Investment	-1.7	2.8	0.4	-1.3	1.1				
% Change Year Ago	-2.0	-0.4	0.7	0.0	2.8	1.8	-0.4	0.9	0.8
Nonresidential Investment	0.5	2.0	0.3	2.4	0.5				
% Change Year Ago	3.1	6.2	5.7	5.3	5.3	5.1	5.1	3.5	5.5
Government Consumption	-0.2	2.0	0.5	0.7	0.4				
% Change Year Ago	-1.6	3.0	2.6	3.0	3.6	1.8	1.8	0.3	3.1
Public Investment	-1.4	6.3	-0.8	-0.6	-0.6				
% Change Year Ago	-2.1	2.8	3.1	3.4	4.2	5.1	1.8	3.1	3.6
Exports of Goods & Services	-3.1	3.9	-0.1	-2.0	0.5				
% Change Year Ago	9.9	10.6	6.1	-1.4	2.2	7.1	6.0	7.1	4.2
Imports of Goods & Services	-1.3	4.2	0.7	-3.3	1.5				
% Change Year Ago	-0.6	11.0	8.5	0.1	2.9	-2.6	4.6	-5.8	5.5
Gross National Income	-0.1	2.4	0.5	0.5	-0.1				
SAAR	-0.5	10.0	2.2	2.0	-0.5				
% Change Year Ago	2.7	2.8	3.6	3.3	3.3	5.4	3.1	4.9	3.3
Memo:									
Total Demand	-0.4	2.3	0.5	0.3	0.2				
SAAR	-1.4	9.7	2.0	1.1	0.7				
% Change Year Ago	0.0	37.1	3.9	2.8	3.3	0.0	3.9	0.0	2.7
Compensation of Employee	1.3	1.7	0.5	0.5	0.0				
% Change Year Ago	2.0	4.0	4.1	4.0	2.7	2.0	3.5	1.9	3.8

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	107.9	109.4	109.5	110.2	110.3	106.3	109.3	107.1	109.8
Private Consumption	109.9	110.7	110.9	111.5	111.5	108.2	110.8	108.9	111.2
Residential Investment	120.5	122.4	122.4	122.2	122.1	119.0	121.9	119.4	122.2
Nonresidential Investment	113.1	114.1	114.5	115.1	115.7	110.6	114.2	111.6	114.9
Government Consumption	103.7	104.8	105.2	105.5	105.5	104.0	104.8	103.7	105.2
Public Investment	118.3	119.5	119.9	118.3	118.2	115.9	119.0	116.9	119.0
Exports of Goods & Services	121.3	124.2	122.6	123.4	125.1	115.7	122.9	118.0	123.8
Imports of Goods & Services	131.6	132.8	131.3	131.2	132.9	127.2	131.7	128.2	132.0
Unit Profit	113.7	115.5	115.6	117.0	116.9	113.2	115.4	114.3	116.3
Unit Labor Cost	103.1	104.2	104.4	104.4	104.6	100.4	104.0	101.0	104.4
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.4	1.4	0.1	0.6	0.0				
	3.2	3.2	2.4	2.6	2.2	4.1	2.8	4.3	2.6
Private Consumption	0.8	0.7	0.2	0.6	0.0				
	2.5	2.5	2.1	2.3	1.5	3.0	2.4	2.9	2.1
Residential Investment	1.0	1.5	0.0	-0.1	-0.1				
	1.1	3.1	2.9	2.4	1.3	0.3	2.4	0.1	2.4
Nonresidential Investment	0.9	0.9	0.4	0.5	0.5				
	3.8	3.7	3.0	2.7	2.3	3.6	3.3	3.6	2.9
Government Consumption	-0.4	1.0	0.4	0.3	0.0				
	-0.8	1.3	1.3	1.3	1.7	2.1	0.8	1.2	1.4
Public Investment	0.7	1.1	0.3	-1.3	-0.2				
	3.6	3.7	2.9	0.8	-0.1	3.5	2.7	3.5	1.8
Exports of Goods & Services	1.1	2.3	-1.2	0.6	1.4				
	8.2	9.7	4.6	2.8	3.1	4.0	6.2	4.2	4.9
Imports of Goods & Services	1.1	0.9	-1.1	-0.1	1.2				
	3.0	7.0	3.5	0.9	1.0	-1.0	3.6	-2.6	3.0
Unit Profit	0.0	1.6	0.1	1.2	-0.1				
	0.0	15.1	1.1	1.9	2.9	8.0	2.0	7.5	1.7
Unit Labor Cost	0.0	1.1	0.2	0.0	0.2				
	0.0	18.9	3.7	3.2	1.5	0.5	3.6	1.3	3.4