



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ The current forecast reflects data released through the end of January. Most of the basic monthly data required for an accurate estimate of Japan's GDP in Q4 2024 have been released. Data on household consumption, the international balance of payments and public works are not available yet.

▶ The index of industrial production in December rose by +0.3% MoM, marking the first increase in two months. On a quarterly basis, in Q4 2024, the index rose by +1.3% QoQ, which was the first increase in two quarters.

▶ Comparing the November-December averages of indicators related to private consumption with their averages in Q3 2024, demand-side indicators remained unchanged, while supply-side indicators deteriorated. These trends imply that private consumption expenditures in Q4 2024 are likely to have declined.

▶ Comparing the November-December averages with Q3 2024 averages, planned construction expenditure increased by +3.8%, while the capital goods shipments index rose by +5.3%. These trends imply that private business investment in Q4 2024 has recovered from the slump in the previous quarter.

▶ Real exports (BOJ basis) in Q4 2024 decreased by -1.1% QoQ, while real imports shrank by -3.9% QoQ. Since the decline in imports was larger, the contribution of net exports of goods to real GDP growth was positive.

• 2024 Q4 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q4 is +1.0% QoQ, which translates into an annualized +3.9%. In terms of contributions to QoQ growth by GDP components, domestic demand contributed +0.3 percentage points (pp), net exports contributed +0.7 pp. The substantial decline in imports boosted the contribution by net exports. On the other hand, APIR's production-side forecast figure is an annualized +1.7%, which is similar to the market consensus forecast figure of +1.2% (Figure 1).

• 2024 Q4 inflation forecast update

▶ In December, the nation-wide core CPI rose by +3.0% YoY, marking the 40th month of inflation. The CPI Inflation rate exceeded 3% for the first time since August 2023, when it was 3.1%.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q4 are respectively +0.8% and +0.6% QoQ. Considering the ameliorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.9% QoQ (Figure 2).

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

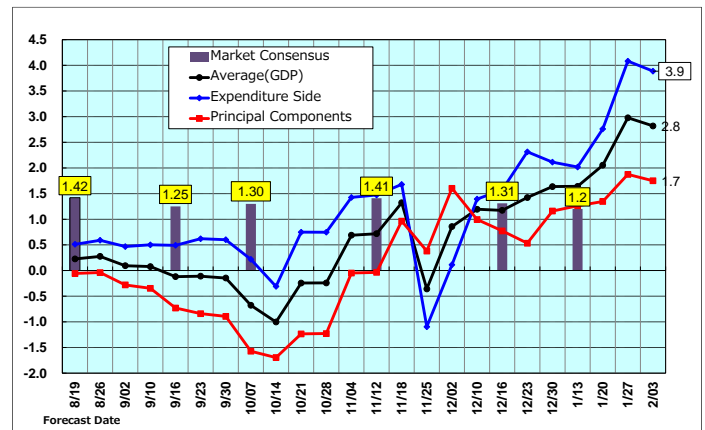
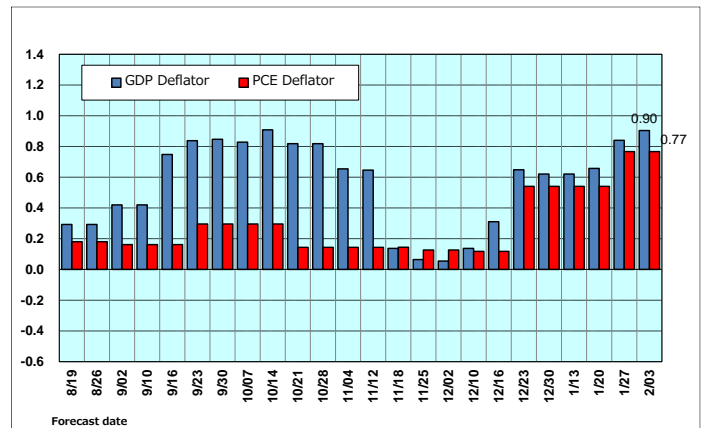


Fig 2 CQM Forecast: Inflation Oct-Dec (Q4) 2024 (% , QoQ growth)



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	
1/31	December	Labor Force Survey				
		Total employment (millions)	68.22	+0.14		
		Total unemployment (millions)	1.70	-0.02		
			Unemployment rate (%)	2.4%	-0.1%pt	
	December	General Job Placement Situation				
		Job offers-to-applicants ratio	1.25	0.00%pt		
	December	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	102.1	+0.3%		
		Shipments	100.3	+0.5%		
		Inventories	100.6	-0.7%		
	December	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	16,123.0	-0.7%	+3.7%	
	December	New Housing Starts				
		New housing starts (SA, Unit)	62,957	+1.6%	-2.5%	
		Planned residential construction expenditure (billion JPY)	1,299.7	+1.4%	+2.7%	
November	Construction Costs Deflator (2015=100)					
	Housing construction	128.4		+3.5%		
	Public works	129.0		+4.5%		
January	Tokyo Region Consumer Price Index (2020=100)					
	Core index	108.7	+0.3%	+2.5%		
1/30	December	Producer Price Index for Intermediate and Final Demand (2015=100)				
		Capital goods	111.1		+2.6%	
		Consumer goods	120.4		+6.8%	
1/29	January	Consumer Confidence Index (SA)	35.2	-1.0		
1/28	December	Corporate Services Price Index (2020=100)				
		Overall index	109.1		+2.9%	
1/27	November	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	107.5	-1.6		
		Coincident indicators	115.4	-1.4		
		Lagging indicators	108.1	+0.4		
1/24	November	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	308,486		+3.9%	
		Total working hours	140.2		-0.3%	
December	National Consumer Price Index (2020=100)					
	Core index	109.6	+0.5%	+3.0%		
1/23	December	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	+130.9	-91.5%	+304.7%	
		Exports (billion JPY)	9,910.6	+6.3%	+2.8%	
		Imports (billion JPY)	9,779.7	+2.2%	+1.8%	
1/21	November	General Construction Statistics				
		Private non-residential construction (billion JPY)	986.5		+3.7%	
		Public works (billion JPY)	2,328.9		+3.8%	

1/20	November	Indices of Industrial Production (final figures, 2020=100)				
		Production	101.8	-2.2%		
		Shipments	99.8	-2.5%		
		Inventory	101.3	-1.0%		
		Production capacity index	96.9		-1.7%	
	Capacity utilization ratio	102.6	-1.9%			
	November	Tertiary Industry Activity Index (2015=100)	101.8	-0.3%		
November	Private Core Machinery Orders (billion JPY)	899.6	+3.4%			
1/16	December	Domestic Corporate Price Index (2020=100)				
		Corporate Price	124.8	+0.3%	+3.8%	
		Export Price	139.6	-0.5%	+4.5%	
		Import Price	163.3	-1.0%	+1.0%	
1/15	November	Information Services Industry Sales (billion JPY)	1,307.4		+6.0%	
	December	Public Works Advanced Securities Statistics				
		Contract amount (billion JPY)	678.5		-5.7%	
		Number of contracts	12,892		-10.1%	
1/14	December	Economy Watchers Survey				
		Current Conditions Diffusion Index	49.9	+0.5		
			Future Conditions Diffusion Index	48.6	-0.6	
	November	International Balance of Payments				
		Current account (billion JPY)	+3,352.5	+25.9%	+54.5%	
		Exports (billion JPY)	8,910.4	-2.4%	+2.8%	
		Imports (billion JPY)	8,812.4	-4.0%	-5.7%	
1/10	November	Household Expenditure (households with 2 or more people)				
		Nominal consumption expenditure (JPY)	295,518	+0.9%	+3.0%	
			Real consumption expenditure		+0.4%	-0.4%
	November	Consumption Trend Index (2020=100)	104.1	0.0%		
	November	Consumption Activity Index (2015=100)	97.4	+0.1%		
	November	Index of Business Conditions (preliminary figures, 2020=100)				
		Leading indicators	107.0	-2.1		
		Coincident indicators	115.3	-1.5		
		Lagging indicators	108.7	+0.1		
1/9	November	Monthly Labor Statistics (preliminary figures)				
		Gross average salary per worker (JPY)	305,832		+3.0%	
		Total working hours	140.4		-0.2%	
1/8	December	Consumer Confidence Index (SA)	36.2	-0.2		
1/7	December	Food Buffer Stock (billion JPY)	+48.1		-16.3	
1/6	December	New Car Sales (vehicles)	280,450		-7.0%	

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	<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
1/13						2.0	1.3	1.6	0.6	0.5	-0.7	-0.0	-0.3	0.1	0.0
1/20						2.8	1.3	2.1	0.7	0.5	-0.6	0.1	-0.2	-0.1	0.0
1/27						4.1	1.9	3.0	0.8	0.8	2.6	0.3	1.4	0.4	0.5
2/03						3.9	1.7	2.8	0.9	0.8	3.1	0.2	1.6	0.4	0.5

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	562,459	566,703	556,999	556,856	555,784	560,424
Private Consumption	294,653	296,484	298,444	298,877	299,367	297,984	297,114	296,614	298,293
Residential Investment	18,120	18,345	18,410	18,180	18,404	18,778	18,264	18,629	18,335
Nonresidential Investment	91,743	92,765	92,654	94,721	94,901	91,395	92,971	91,217	93,760
Change in Private Inventory	900	597	1,371	358	22	819	807	595	587
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	26,230	25,997	26,428	26,121	25,969	26,293
Change in Public Inventory	30	-5	40	148	120	40	53	26	76
Net Exports	3,568	1,751	996	4,664	8,127	3,294	2,745	4,598	3,884
Exports of Goods & Services	110,374	112,050	113,287	113,249	117,079	111,684	112,240	112,046	113,917
Imports of Goods & Services	106,806	110,299	112,292	108,585	108,953	108,390	109,496	107,448	110,032
Gross National Income	576,811	584,416	586,432	590,001	593,812	579,061	584,415	579,905	588,666
Memo:									
Total Demand	659,239	665,710	669,416	671,043	675,656	665,389	666,352	663,233	670,456
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.6	0.5	0.3	1.0	0.8				
SAAR	-2.2	2.2	1.2	3.9	3.1				
% Change Year Ago	-0.9	-0.9	0.5	1.2	2.6	1.5	0.0	0.7	0.8
Private Consumption	-0.6	0.6	0.7	0.1	0.2				
% Change Year Ago	-1.9	-0.6	0.6	0.8	1.6	0.8	-0.3	-0.4	0.6
Residential Investment	-2.7	1.2	0.4	-1.3	1.2				
% Change Year Ago	-3.1	-3.4	-2.1	-2.4	1.6	1.5	-2.7	0.8	-1.6
Nonresidential Investment	-0.4	1.1	-0.1	2.2	0.2				
% Change Year Ago	-0.7	2.4	2.6	2.8	3.4	1.5	1.7	-0.1	2.8
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	-0.4	-0.9				
% Change Year Ago	-5.5	-0.8	0.2	1.5	2.7	1.5	-1.2	-0.3	1.3
Exports of Goods & Services	-4.1	1.5	1.1	0.0	3.4				
% Change Year Ago	1.6	0.8	1.4	-1.6	6.1	3.0	0.5	2.8	1.7
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	0.6	0.6				
SAAR	-2.2	5.4	1.4	2.5	2.6				
% Change Year Ago	0.5	0.1	1.3	1.7	2.9	2.3	0.9	2.0	1.5
Total Demand	-0.9	1.0	0.6	0.2	0.7				
SAAR	-3.4	4.0	2.2	1.0	2.8				
% Change Year Ago	0.0	14.5	1.2	0.9	2.5	1.0	0.1	0.0	1.1
Contribution to GDP Growth Rate									
Domestic Demand	-0.2	0.9	0.5	0.3	0.1	0.4	0.2	-0.7	1.1
Private Demand	-0.1	0.5	0.5	0.2	0.1	0.4	0.0	-0.5	0.7
Public demand	-0.1	0.5	0.0	0.1	0.0	0.0	0.1	-0.2	0.4
Net Exports	-0.4	-0.4	-0.2	0.7	0.6	1.0	-0.2	1.4	-0.3

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	621,605	628,739	591,913	608,877	595,184	617,023
Private Consumption	323,877	328,306	331,022	334,050	336,309	322,530	329,314	323,062	332,422
Residential Investment	21,841	22,445	22,525	22,269	22,597	22,356	22,270	22,235	22,459
Nonresidential Investment	103,719	105,835	106,127	109,104	109,927	100,992	106,196	101,843	107,748
Change in Private Inventory	616	1,204	1,615	627	192	930	1,015	640	909
Government Consumption	122,763	125,241	125,858	126,671	127,177	122,976	125,133	122,458	126,237
Public Investment	29,927	31,814	31,568	31,223	30,952	30,621	31,133	30,378	31,389
Change in Public Inventory	40	-4	55	132	110	77	56	51	73
Net Exports	-6,629	-7,335	-8,526	-2,471	1,476	-8,569	-6,240	-5,483	-4,214
Exports of Goods & Services	133,922	139,106	138,938	140,877	150,170	129,342	138,211	132,250	142,273
Imports of Goods & Services	140,552	146,440	147,464	143,348	148,694	137,911	144,451	137,733	146,487
Gross National Income	632,637	647,857	651,334	659,747	667,030	627,124	647,894	631,312	656,492
Memo:									
Total Demand	736,703	753,947	757,707	764,952	777,432	729,824	753,327	732,917	763,510
Compensation of Employee	306,794	311,913	313,450	315,908	315,964	301,296	312,016	302,364	314,309
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.1	1.9	0.5	1.9	1.1				
SAAR	-0.6	7.8	1.8	7.7	4.7				
% Change Year Ago	2.2	2.2	2.9	4.1	5.5	5.6	2.9	4.9	3.7
Private Consumption	0.2	1.4	0.8	0.9	0.7				
% Change Year Ago	0.5	1.8	2.7	3.3	3.8	3.9	2.1	2.4	2.9
Residential Investment	-1.7	2.8	0.4	-1.1	1.5				
% Change Year Ago	-2.0	-0.4	0.7	0.2	3.5	1.8	-0.4	0.9	1.0
Nonresidential Investment	0.5	2.0	0.3	2.8	0.8				
% Change Year Ago	3.1	6.2	5.7	5.7	6.0	5.1	5.2	3.5	5.8
Government Consumption	-0.2	2.0	0.5	0.6	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	-1.1	-0.9				
% Change Year Ago	-2.1	2.8	3.1	2.9	3.4	5.1	1.7	3.1	3.3
Exports of Goods & Services	-3.1	3.9	-0.1	1.4	6.6				
% Change Year Ago	9.9	10.6	6.1	2.0	12.1	7.1	6.9	7.1	7.6
Imports of Goods & Services	-1.3	4.2	0.7	-2.8	3.7				
% Change Year Ago	-0.6	11.0	8.5	0.7	5.8	-2.6	4.7	-5.8	6.4
Gross National Income	-0.1	2.4	0.5	1.3	1.1				
SAAR	-0.5	10.0	2.2	5.3	4.5				
% Change Year Ago	2.7	2.8	3.6	4.2	5.4	5.4	3.3	4.9	4.0
Memo:									
Total Demand	-0.4	2.3	0.5	1.0	1.6				
SAAR	-1.4	9.7	2.0	3.9	6.7				
% Change Year Ago	0.0	37.1	3.9	3.5	5.5	0.0	3.9	0.0	2.7
Compensation of Employee	1.3	1.7	0.5	0.8	0.0				
% Change Year Ago	2.0	4.0	4.1	4.3	3.0	2.0	3.6	1.9	4.0

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	110.5	111.0	106.3	109.3	107.1	110.1
Private Consumption	109.9	110.7	110.9	111.8	112.3	108.2	110.8	108.9	111.4
Residential Investment	120.5	122.4	122.4	122.5	122.8	119.0	121.9	119.4	122.5
Nonresidential Investment	113.1	114.1	114.5	115.2	115.8	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	119.0	119.1	115.9	119.2	116.9	119.4
Exports of Goods & Services	121.3	124.2	122.6	124.4	128.3	115.7	123.1	118.0	124.9
Imports of Goods & Services	131.6	132.8	131.3	132.0	136.5	127.2	131.9	128.2	133.1
Unit Profit	113.7	115.5	115.6	117.9	119.8	113.2	115.7	114.3	117.2
Unit Labor Cost	103.1	104.2	104.4	104.2	103.5	100.4	104.0	101.0	104.1
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.4	1.4	0.1	0.9	0.4				
	3.2	3.2	2.4	2.8	2.8	4.1	2.9	4.3	2.8
Private Consumption	0.8	0.7	0.2	0.8	0.5				
	2.5	2.5	2.1	2.5	2.2	3.0	2.4	2.9	2.3
Residential Investment	1.0	1.5	0.0	0.1	0.2				
	1.1	3.1	2.9	2.7	1.9	0.3	2.4	0.1	2.6
Nonresidential Investment	0.9	0.9	0.4	0.6	0.6				
	3.8	3.7	3.0	2.8	2.5	3.6	3.3	3.6	3.0
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	-0.7	0.0				
	3.6	3.7	2.9	1.4	0.7	3.5	2.8	3.5	2.1
Exports of Goods & Services	1.1	2.3	-1.2	1.4	3.1				
	8.2	9.7	4.6	3.6	5.7	4.0	6.4	4.2	5.8
Imports of Goods & Services	1.1	0.9	-1.1	0.5	3.4				
	3.0	7.0	3.5	1.4	3.7	-1.0	3.7	-2.6	3.9
Unit Profit	0.0	1.6	0.1	2.0	1.5				
	0.0	15.1	1.1	2.7	5.4	8.0	2.2	7.5	2.5
Unit Labor Cost	0.0	1.1	0.2	-0.2	-0.7				
	0.0	18.9	3.7	3.0	0.4	0.5	3.6	1.3	3.1