



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ This forecast reflects official data released through the first week of April. About two-thirds of the basic monthly data required for an accurate estimate of 2025 Q1 GDP have been released. Data on public works and the international balance of payments are not available yet.

▶ According to the second advance official GDP estimate released on March 11, Japan's real GDP grew at an annualized rate of +2.2% in 2024 Q4, marking the third consecutive quarter of positive growth. There was a downward revision from the first advance estimate (+2.8%).

▶ The February production index rose +2.5% MoM, marking the first increase in four months. The January-February average, however, was -0.6% lower than the 2024 Q4 average.

▶ Comparing the January-February averages with the 2024 Q4 averages, real consumption trend index increased by +0.1%, planned construction expenditures for dwelling increased by +4.4%, while the index for shipments of capital goods fell by -1.8%. These trends indicate that real private demand is likely to recover in 2025 Q1.

▶ Comparing the January-February averages with the 2024 Q4 averages, real exports expanded by +3.5% and real imports rose by +4.5%. Since the impact of the Chinese New Year is wearing off, the net exports of goods will make a small negative contribution to real GDP growth in January-February. However, the net exports of services will remain robust, making a positive contribution to the overall growth rate.

• 2025 Q1 real GDP growth forecast update

▶ As a result of the latest data update, APIR's expenditure-side CQM forecast for real GDP growth in 2025 Q1 is +0.7% QoQ, or an annualized +2.8%. Within the +0.7% QoQ growth figure, domestic demand is expected to contribute +0.4 percentage point (pp), while net exports are expected to contribute +0.3 pp. On the other hand, APIR's principal component analysis model forecasts an annualized growth of -1.6% in 2025 Q1. The average of the two forecasts is an annualized +0.6%, which is higher than the market consensus forecast in March (an annualized +0.16%, Figure 1).

• 2025 Q1 inflation forecast update

▶ The national core CPI rose by +3.0% YoY in February, marking the 42nd consecutive month of inflation. As a result, CPI inflation exceeded the 3%-mark for three consecutive months.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2025 Q1 are respectively +0.9% and +0.8% QoQ. However, considering the deteriorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.6% QoQ in 2025 Q1 (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jan-Mar (Q1) 2025 (% , QoQ annualized growth)

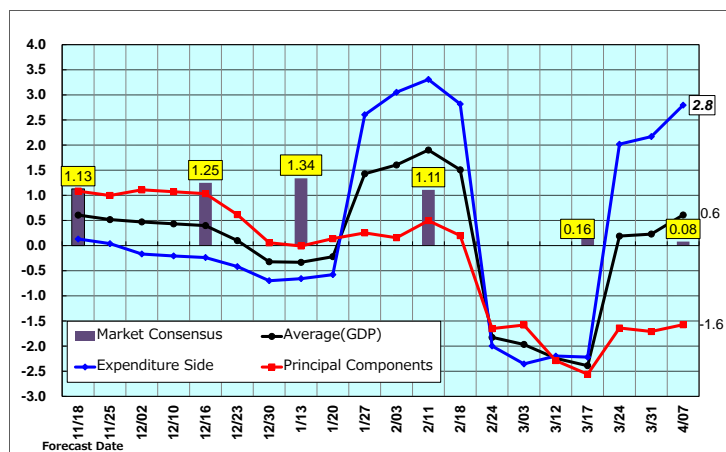
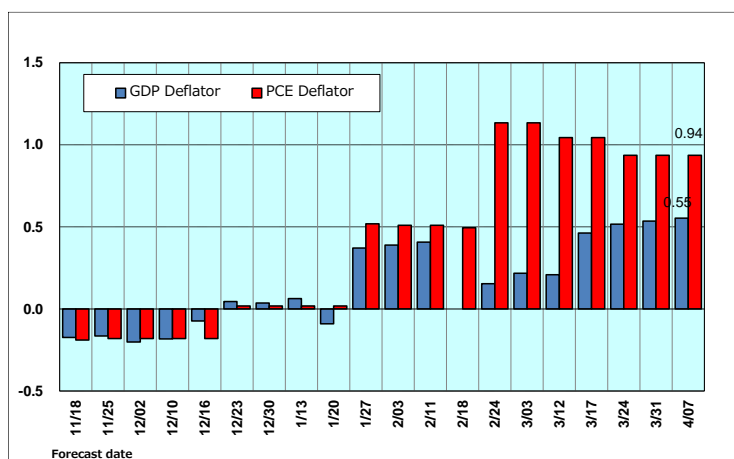


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2025 (% , QoQ growth)



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)

Re- lease Date	Data Month	Economic Indicator	Value/ Index Score	Change	
				MoM	YoY
4/4	February	Household Expenditure (households with 2 or more people) Nominal consumption expenditure (JPY)	290,511	+2.8%	+3.8%
		Real consumption expenditure		+3.5%	-0.5%
	February	Consumption Trend Index (2020=100)	104.6	+0.1%	
4/2	March	Food Buffer Stock (billion JPY)	+3.3		-43.6
4/1	March	New Car Sales (vehicles)	420,879		+9.6%
	February	Labor Force Survey Total employment (millions)	68.16	-0.11	
		Total unemployment (millions)	1.68	-0.06	
		Unemployment rate (%)	2.4%	-0.1%pt	
	February	General Job Placement Situation Job offers-to-applicants ratio	1.24	-0.02%pt	
3/31	February	Indices of Industrial Production (preliminary figures, 2020=100) Production	102.4	+2.5%	
		Shipments	101.5	+3.0%	
		Inventories	100.9	-1.7%	
	February	Current Survey of Commerce (preliminary figures) Retail trade (billion JPY)	12,193.0	+0.5%	+1.4%
	February	New Housing Starts New housing starts (SA, Unit)	60,583	+4.1%	+2.4%
		Planned residential construction expenditure (billion JPY)	1,295.0	+5.6%	+13.2%
	January	Construction Costs Deflator (2015=100) Housing construction	127.4		+2.8%
		Public works	128.4		+4.1%
3/28	March	Tokyo Region Consumer Price Index (2020=100) Core index	109.1	+0.5%	+2.4%
	February	Producer Price Index for Intermediate and Final Demand (2015=100) Capital goods	111.6		+2.8%
		Consumer goods	120.3		+6.8%
3/26	January	Index of Business Conditions (revised, 2020=100) Leading indicators	108.3	+0.4	
		Coincident indicators	116.1	+1.0	
		Lagging indicators	111.2	+1.8	
	January	Information Services Industry Sales (billion JPY)	2,650.4		+15.4%
	February	Corporate Services Price Index (2020=100) Overall index	108.7		+3.0%
3/21	February	National Consumer Price Index (2020=100) Core index	109.7	-0.1%	+3.0%
3/19	January	Indices of Industrial Production (final figures, 2020=100) Production	99.9	-1.1%	
		Shipments	98.5	-1.0%	
		Inventory	102.6	+1.5%	
		Production capacity index	96.6		-1.9%

		Capacity utilization ratio	105.3	+4.5%	
	January	Private Core Machinery Orders (billion JPY)	857.9	-3.5%	
	January	General Construction Statistics			
		Private non-residential construction (billion JPY)	945.6		+3.1%
		Public works (billion JPY)	2,242.7		+4.0%
	February	Trade Statistics (customs clearance level)			
		Trade balance (billion JPY)	584.5	+783.6	+99.99
		Exports (billion JPY)	9,191.1	+4.0%	+11.4%
		Imports (billion JPY)	8,606.6	-4.1%	-0.7%
3/18	January	Tertiary Industry Activity Index (2015=100)	101.6	-0.3%	
3/14	February	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	691.4		-22.5%
		Number of contracts	9,158		-14.0%
3/12	February	Domestic Corporate Price Index (2020=100)			
		Corporate Price	125.3	0.0%	+4.0%
		Export Price	139.4	-1.3%	+1.7%
		Import Price	163.5	-1.7%	-0.7%
3/11	January	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	305,521	-3.8%	+5.5%
		Real consumption expenditure		-4.5%	+0.8%
	January	Consumption Trend Index (2020=100)	104.4	-0.1%	
	January	Consumption Activity Index (2015=100)	95.5	-1.3%	
3/10	February	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	295,505		+2.8%
		Total working hours	128.6		-0.1%
	January	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	108.0	+0.1	
		Coincident indicators	116.2	+0.1	
		Lagging indicators	109.6	+2.0	
	February	Economy Watchers Survey			
		Current Conditions Diffusion Index	45.6	-3.0	
		Future Conditions Diffusion Index	46.6	-1.4	
	January	International Balance of Payments			
		Current account (billion JPY)	-257.6	-29.1%	-591.9
		Exports (billion JPY)	7,502.2	-8.0%	+2.1%
		Imports (billion JPY)	10,440.1	+10.7%	+17.7%
3/4	February	Consumer Confidence Index (SA)	35.0	-0.2	
2/25	December	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	617,375		+4.4%
		Total working hours	136.7		-1.1%

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
	2024Q4					2025Q1					2025Q2				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
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															
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					
2/11	2.5	3.1	2.8	1.0	0.9	3.3	0.5	1.9	0.4	0.5					
2/17	2.8			0.6	0.1										
2/18						2.8	0.2	1.5	0.0	0.5	0.8	0.6	0.7	0.0	0.3
2/24						-2.0	-1.7	-1.8	0.2	1.1	1.2	0.7	0.9	0.1	0.3
3/03						-2.4	-1.6	-2.0	0.2	1.1	0.4	0.3	0.4	0.1	0.3
3/11	2.2*			0.6*	0.1*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3/12						-2.2	-2.3	-2.2	0.2	1.0	0.8	0.6	0.7	0.1	0.3
3/17						-2.2	-2.6	-2.4	0.5	1.0	0.8	0.4	0.6	0.4	0.3
3/24						2.0	-1.6	0.2	0.5	0.9	2.9	1.1	2.0	0.4	0.2
3/31						2.2	-1.7	0.2	0.5	0.9	2.8	1.0	1.9	0.4	0.2
4/07						2.8	-1.6	0.6	0.6	0.9	3.0	2.3	2.7	0.4	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	
	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	556,891	558,869	561,977	561,358	562,435	557,019	557,485	556,000	559,774
Private Consumption	297,346	299,525	299,620	299,974	300,361	297,985	297,966	296,762	299,116
Residential Investment	18,348	18,431	18,396	18,820	18,959	18,779	18,325	18,629	18,499
Nonresidential Investment	92,717	92,657	93,179	93,636	93,934	91,394	92,534	91,212	93,047
Change in Private Inventory	649	1,156	-415	654	374	818	447	587	511
Government Consumption	119,463	119,632	120,112	120,628	121,115	118,264	119,377	118,029	119,959
Public Investment	26,752	26,430	26,252	25,908	25,741	26,428	26,150	25,970	26,336
Change in Public Inventory	-26	24	-76	-108	-127	40	-13	26	-47
Net Exports	2,031	1,529	5,090	2,012	2,245	3,306	3,007	4,638	2,666
Exports of Goods & Services	112,136	113,796	114,954	116,509	117,165	111,684	112,806	112,063	114,349
Imports of Goods & Services	110,105	112,268	109,863	114,497	114,920	108,378	109,799	107,425	111,683
Gross National Income	585,507	588,353	590,060	589,353	589,467	579,069	585,268	580,083	588,318
Memo:									
Total Demand	666,996	671,136	671,840	675,855	677,355	665,397	667,284	663,425	671,457

Upper Row: % change from the previous quarter Lower Row: % change from a year earlier

Gross Domestic Products	0.8	0.4	0.6	-0.1	0.2				
SAAR	3.2	1.4	2.2	-0.4	0.8				
% Change Year Ago	-0.7	0.7	1.2	1.6	1.0	1.5	0.1	0.7	0.7
Private Consumption	0.8	0.7	0.0	0.1	0.1				
% Change Year Ago	-0.3	0.9	1.1	1.7	1.0	0.8	0.0	-0.4	0.8
Residential Investment	1.4	0.5	-0.2	2.3	0.7				
% Change Year Ago	-3.4	-2.1	-1.2	4.0	3.3	1.5	-2.4	0.8	-0.7
Nonresidential Investment	1.1	-0.1	0.6	0.5	0.3				
% Change Year Ago	2.4	2.6	1.2	2.1	1.3	1.5	1.2	-0.1	2.0
Government Consumption	1.0	0.1	0.4	0.4	0.4				
% Change Year Ago	1.6	1.3	1.7	1.9	1.4	-0.3	0.9	-0.8	1.6
Public Investment	5.7	-1.2	-0.7	-1.3	-0.6				
% Change Year Ago	-0.3	0.6	1.5	2.3	-3.8	1.5	-1.1	-0.3	1.4
Exports of Goods & Services	1.7	1.5	1.0	1.4	0.6				
% Change Year Ago	0.9	1.7	-0.1	5.6	4.5	3.0	1.0	2.9	2.0
Imports of Goods & Services	3.0	2.0	-2.1	4.2	0.4				
% Change Year Ago	3.7	5.3	-0.1	7.1	4.4	-1.5	1.3	-3.3	4.0
Gross National Income	1.5	0.5	0.3	-0.1	0.0				
SAAR	6.1	2.0	1.2	-0.5	0.1				
% Change Year Ago	0.3	1.6	1.7	2.2	0.7	2.3	1.1	2.1	1.4
Total Demand	1.2	0.6	0.1	0.6	0.2				
SAAR	4.7	2.5	0.4	2.4	0.9				
% Change Year Ago	0.0	15.4	1.0	2.5	1.6	1.0	0.3	0.0	1.2
Contribution to GDP Growth Rate									
Domestic Demand	1.1	0.5	-0.2	0.4	0.2	0.5	0.2	-0.7	1.1
Private Demand	0.6	0.5	-0.2	0.4	0.1	0.4	0.0	-0.5	0.7
Public demand	0.5	0.0	0.0	0.0	0.1	0.0	0.1	-0.2	0.4
Net Exports	-0.3	-0.1	0.7	-0.5	0.0	1.0	-0.1	1.4	-0.4

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

	Quarterly		Forecast			CY		FY	
	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	608,723	613,018	619,966	622,452	626,409	591,913	609,433	595,275	616,040
Private Consumption	329,125	332,348	332,914	336,485	337,718	322,530	329,800	323,167	332,718
Residential Investment	22,447	22,547	22,613	23,299	23,665	22,356	22,369	22,235	22,726
Nonresidential Investment	105,788	106,102	107,460	108,651	109,619	100,992	105,694	101,837	107,000
Change in Private Inventory	1,164	1,327	-468	839	635	930	547	631	716
Government Consumption	125,417	126,333	127,691	128,951	129,476	122,976	125,657	122,458	127,098
Public Investment	31,991	31,743	31,783	31,429	31,480	30,621	31,327	30,378	31,737
Change in Public Inventory	-33	31	-110	-93	-108	77	-19	51	-51
Net Exports	-7,176	-7,415	-1,918	-7,109	-6,077	-8,569	-5,942	-5,483	-5,904
Exports of Goods & Services	139,096	139,390	142,258	147,000	144,853	129,342	138,645	132,250	141,936
Imports of Goods & Services	146,272	146,804	144,175	154,109	150,929	137,911	144,587	137,733	147,840
Gross National Income	648,817	653,965	658,706	662,319	664,753	627,124	648,701	631,403	655,952
Memo:									
Total Demand	754,995	759,822	764,141	776,561	777,338	729,824	754,020	733,008	763,879
Compensation of Employees	312,004	314,091	319,140	315,726	317,226	301,296	313,531	302,364	315,240

Upper Row: % change from the previous quarter Lower Row: % change from a year earlier

Gross Domestic Products	2.2	0.7	1.1	0.4	0.6				
SAAR	8.9	2.9	4.6	1.6	2.6				
% Change Year Ago	2.4	3.2	4.0	4.5	2.9	5.6	3.0	4.9	3.5
Private Consumption	1.4	1.0	0.2	1.1	0.4				
% Change Year Ago	2.1	3.1	3.1	3.7	2.6	3.9	2.3	2.5	3.0
Residential Investment	2.8	0.4	0.3	3.0	1.6				
% Change Year Ago	-0.4	0.7	1.8	6.7	5.4	1.8	0.1	0.9	2.2
Nonresidential Investment	2.0	0.3	1.3	1.1	0.9				
% Change Year Ago	6.2	5.6	4.1	4.8	3.6	5.1	4.7	3.5	5.1
Government Consumption	2.1	0.7	1.1	1.0	0.4				
% Change Year Ago	3.0	2.9	4.1	5.0	3.2	1.8	2.2	0.3	3.8
Public Investment	6.9	-0.8	0.1	-1.1	0.2				
% Change Year Ago	3.4	3.6	4.8	5.0	-1.6	5.1	2.3	3.1	4.5
Exports of Goods & Services	3.9	0.2	2.1	3.3	-1.5				
% Change Year Ago	10.6	6.4	3.0	9.8	4.1	7.1	7.2	7.1	7.3
Imports of Goods & Services	3.7	0.4	-1.8	6.9	-2.1				
% Change Year Ago	10.9	8.8	0.8	9.2	3.2	-2.6	4.8	-5.8	7.3
Gross National Income	2.6	0.8	0.7	0.5	0.4				
SAAR	10.6	3.2	2.9	2.2	1.5				
% Change Year Ago	3.0	3.9	4.1	4.7	2.5	5.4	3.4	4.9	3.9
Memo:									
Total Demand	2.4	0.6	0.6	1.6	0.1				
SAAR	10.2	2.6	2.3	6.7	0.4				
% Change Year Ago	0.0	38.2	3.4	5.4	3.0	0.0	4.0	0.0	2.7
Compensation of Employees	1.7	0.7	1.6	-1.1	0.5				
% Change Year Ago	3.9	4.3	5.5	2.9	1.7	2.0	4.1	1.9	4.3

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2023	2024	2023	2024
GDP/GDE									
Gross Domestic Products	109.3	109.7	110.3	110.9	111.4	106.3	109.3	107.1	110.1
Private Consumption	110.7	111.0	111.1	112.2	112.4	108.2	110.7	108.9	111.2
Residential Investment	122.3	122.3	122.9	123.8	124.8	119.0	122.0	119.4	122.9
Nonresidential Investment	114.1	114.5	115.3	116.0	116.7	110.6	114.3	111.6	115.0
Government Consumption	105.0	105.6	106.3	106.9	106.9	104.0	105.2	103.8	106.0
Public Investment	119.6	120.1	121.1	121.3	122.3	115.9	119.8	116.9	120.5
Exports of Goods & Services	124.0	122.5	123.8	126.2	123.6	115.7	122.9	118.0	124.1
Imports of Goods & Services	132.9	130.8	131.2	134.6	131.3	127.2	131.7	128.2	132.4
Unit Profit	115.6	116.1	116.2	118.6	119.3	113.2	115.2	114.3	116.6
Unit Labor Cost	104.0	104.3	105.4	104.4	104.7	100.4	104.4	100.9	104.5

Upper Row: % change from the previous quarter Lower Row: % change from a year earlier

Gross Domestic Products	1.4	0.4	0.6	0.5	0.4				
	3.1	2.5	2.8	2.8	1.9	4.1	2.9	4.2	2.8
Private Consumption	0.7	0.2	0.1	1.0	0.2				
	2.4	2.1	2.0	2.0	1.6	3.0	2.3	2.9	2.2
Residential Investment	1.4	0.0	0.5	0.7	0.8				
	3.1	2.9	3.0	2.7	2.0	0.3	2.5	0.1	2.9
Nonresidential Investment	0.9	0.4	0.7	0.6	0.6				
	3.8	3.0	2.9	2.6	2.3	3.6	3.4	3.6	3.1
Government Consumption	1.2	0.6	0.7	0.6	0.0				
	1.4	1.6	2.3	3.0	1.8	2.1	1.2	1.2	2.1
Public Investment	1.2	0.4	0.8	0.2	0.8				
	3.7	3.0	3.2	2.6	2.3	3.5	3.4	3.5	3.1
Exports of Goods & Services	2.2	-1.3	1.0	2.0	-2.0				
	9.6	4.6	3.1	4.0	-0.3	4.0	6.2	4.2	5.2
Imports of Goods & Services	0.6	-1.6	0.4	2.6	-2.4				
	6.9	3.3	0.9	2.0	-1.1	-1.0	3.5	-2.6	3.3
Unit Profit	0.0	0.4	0.1	2.1	0.6				
	0.0	15.6	1.2	4.4	3.2	8.0	1.7	7.5	2.0
Unit Labor Cost	0.0	0.3	1.0	-1.0	0.3				
	0.0	19.0	4.2	1.3	0.7	0.5	4.0	1.2	3.6