



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ This forecast reflects official data released between the beginning of April and May 2. Almost all of the basic monthly data required for an accurate estimate of 2025 Q1 GDP have been released. Some data on household consumption, public works and the international balance of payments are not available yet.

▶ The March production index fell by -1.1% MoM, marking the first decrease in two months. On a quarterly basis, in 2025 Q1, industrial output shrank by -0.7%, marking the first decline in four quarters, and offsetting the growth registered in 2024 Q4. In March, METI kept its assessment of economic conditions ("fluctuating") unchanged from the previous month.

▶ Comparing 2025 Q1 with 2024 Q4, consumer spending increased by +2.6%, marking the second consecutive quarter of positive growth. Planned construction expenditures for dwelling increased by +17.8%, marking the second consecutive quarter of positive growth too. The index for shipments of capital goods fell by -1.8%, marking the first decline in two quarters. Overall, these trends indicate that real private demand is likely to recover in 2025 Q1.

▶ In 2025 Q1, real exports expanded by +3.2% QoQ, and real imports rose by +3.9% QoQ. Although both increased for the first time in two quarters, the net exports of goods made a negative contribution to real GDP growth in 2025 Q1.

• 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 Q1 2025 is +0.0% QoQ, or an annualized +0.1%. Within the +0.0% QoQ growth figure, domestic demand is expected to contribute +0.6 percentage point (pp), while net exports are expected to suppress growth by -0.5 pp. On the other hand, APIR's principal component analysis model forecasts an annualized growth of +0.6% in 2025 Q1. The average of the two forecasts is an annualized +0.3%. The March market consensus forecast is an annualized growth of +0.08% in Q1. Overall, it is likely that real GDP growth was close to 0% in Q1 2025 (Figure 1).

• 2025 Q1 inflation forecast update

▶ The national core CPI rose by +3.2% YoY in March, marking the 43rd consecutive month of inflation. CPI inflation exceeded the 3%-mark for four consecutive months. On a quarterly basis, the Q1 figure was +3.1% YoY.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2025 Q1 are respectively +1.0% and +0.8% QoQ. However, considering the deteriorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.5% QoQ in 2025 Q1 (Figure 2).

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

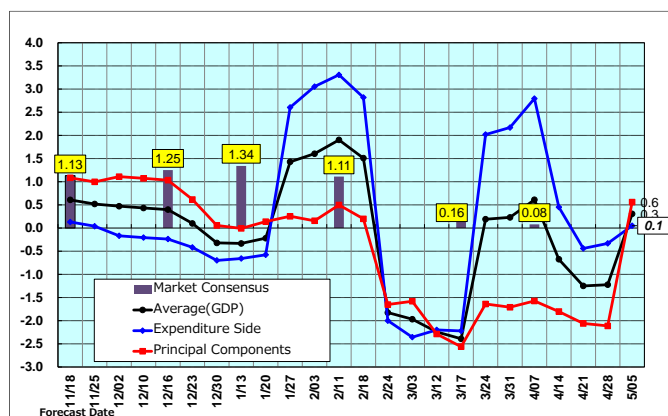
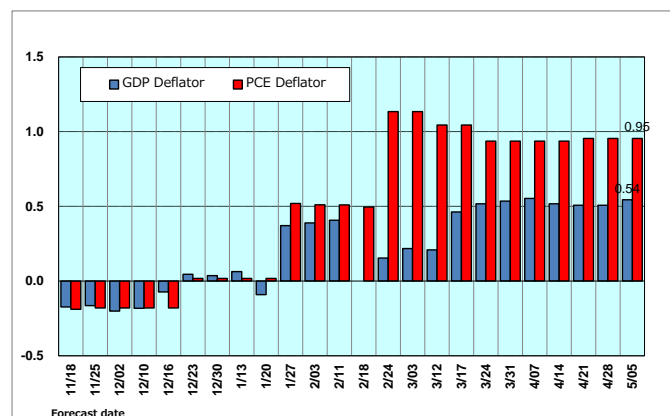


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2025 (% , QoQ growth)



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
5/2	April	Food Buffer Stock (billion JPY)	-53.9		-60.2
	March	Labor Force Survey			
		Total employment (millions)	68.08	-0.08	
		Total unemployment (millions)	1.73	+0.05	
		Unemployment rate (%)	2.5%	+0.1%pt	
	March	General Job Placement Situation			
		Job offers-to-applicants ratio	1.26	+0.02%pt	
5/1	April	New Car Sales (vehicles)	287,104		+11.0%
	April	Consumer Confidence Index (SA)	31.2	-2.9	
4/30	March	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	101.1	-1.1%	
		Shipments	98.7	-2.8%	
		Inventories	101.8	+0.9%	
	March	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	14,063.0	-1.2%	+3.1%
	March	New Housing Starts			
		New housing starts (SA, Unit)	89,432	+34.1%	+39.1%
		Planned residential construction expenditure (billion JPY)	1,955.6	+35.0%	+59.9%
	February	Construction Costs Deflator (2015=100)			
		Housing construction	128.7		+3.7%
		Public works	129.7		+4.9%
	February	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	107.9	-0.3	
		Coincident indicators	117.3	+0.9	
		Lagging indicators	110.8	-0.5	
4/28	March	Producer Price Index for Intermediate and Final Demand (2015=100)			
		Capital goods	111.8		+2.9%
		Consumer goods	121.0		+6.9%
4/25	April	Tokyo Region Consumer Price Index (2020=100)			
		Core index	110.0	+0.5%	+3.4%
4/24	March	Corporate Services Price Index (2020=100)			
		Overall index	109.7		+3.1%
4/23	February	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	288,697		+2.7%
		Total working hours	130.8		-2.8%
	February	Tertiary Industry Activity Index (2015=100)	104.2	0.0%	
	February	Information Services Industry Sales (billion JPY)	2,771.5		+12.2%
4/18	February	General Construction Statistics			
		Private non-residential construction (billion JPY)	920.4		+1.4%
		Public works (billion JPY)	2,188.4		+4.0%
	March	National Consumer Price Index (2020=100)			
		Core index	110.2	+0.3%	+3.2%

4/17	March	Trade Statistics (customs clearance level) Trade balance (billion JPY) Exports (billion JPY) Imports (billion JPY)	544.1 9,847.8 9,303.8	-425.0 -3.8% +0.6%	+55.5% +3.9% +2.0%
4/16	February	Private Core Machinery Orders (billion JPY)	894.7	+4.3%	
4/15	March	Public Works Advanced Securities Statistics Contract amount (billion JPY) Number of contracts	1,722.0 16,123		+6.0% -0.7%
4/14	February	Indices of Industrial Production (final figures, 2020=100) Production Shipments Inventory Production capacity index Capacity utilization ratio	102.2 101.5 100.9 96.2 104.1	+2.3% +3.0% -1.7% -2.2% -1.1%	
4/10	March	Domestic Corporate Price Index (2020=100) Corporate Price Export Price Import Price	126.0 138.4 160.7	+0.4% -0.7% -1.6%	+4.2% +0.3% -2.2%
4/9	March	Consumer Confidence Index (SA)	34.1	-0.7	
4/8	March	Economy Watchers Survey Current Conditions Diffusion Index Future Conditions Diffusion Index	45.1 45.2	-0.5 -1.4	
	February	International Balance of Payments Current account (billion JPY) Exports (billion JPY) Imports (billion JPY)	4,060.7 9,005.5 8,292.6	+19.0% +13.2% -6.1%	+48.4% +10.4% -1.9%
4/7	February	Monthly Labor Statistics (preliminary figures) Gross average salary per worker (JPY) Total working hours	289,562 131.2		+3.1% -2.5%
	February	Consumption Activity Index (2015=100)	97.7	+1.2%	
	February	Index of Business Conditions (preliminary figures, 2020=100) Leading indicators Coincident indicators Lagging indicators	107.9 116.9 110.8	-0.3 +0.8 -0.4	
4/4	February	Household Expenditure (households with 2 or more people) Nominal consumption expenditure (JPY) Real consumption expenditure	290,511	+2.8% +3.5%	+3.8% -0.5%
	February	Consumption Trend Index (2020=100)	104.6	+0.1%	

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
4/14						0.5	-1.8	-0.7	0.5	0.9	2.5	2.3	2.4	0.5	0.2
4/21						-0.4	-2.1	-1.2	0.5	1.0	0.8	1.7	1.2	0.4	0.2
4/28						-0.3	-2.1	-1.2	0.5	1.0	0.8	1.7	1.3	0.5	0.2
5/05						0.1	0.6	0.3	0.5	1.0	2.0	1.9	2.0	0.5	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	562,049	564,823	557,019	557,485	556,000	559,946
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	19,556	21,075	18,779	18,325	18,629	18,683
Nonresidential Investment	92,717	92,657	93,179	93,685	93,917	91,394	92,534	91,212	93,059
Change in Private Inventory	649	1,156	-415	594	816	818	447	587	496
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	25,874	25,694	26,428	26,150	25,970	26,327
Change in Public Inventory	-26	24	-76	-108	-234	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	590,039	592,137	579,069	585,268	580,083	588,490
Memo:									
Total Demand	666,996	671,136	671,840	676,545	679,743	665,397	667,284	663,425	671,630
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.8	0.4	0.6	0.0	0.5				
SAAR	3.2	1.4	2.2	0.1	2.0				
% Change Year Ago	-0.7	0.7	1.2	1.7	1.4	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	6.3	7.8				
% Change Year Ago	-3.4	-2.1	-1.2	8.0	14.9	1.5	-2.4	0.8	0.3
Nonresidential Investment	1.1	-0.1	0.6	0.5	0.2				
% 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	-1.4	-0.7				
% Change Year Ago	-0.3	0.6	1.5	2.2	-4.0	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	0.0	0.4				
SAAR	6.1	2.0	1.2	0.0	1.4				
% Change Year Ago	0.3	1.6	1.7	2.3	1.1	2.3	1.1	2.1	1.4
Total Demand	1.2	0.6	0.1	0.7	0.5				
SAAR	4.7	2.5	0.4	2.8	1.9				
% Change Year Ago	0.0	15.4	1.0	2.6	1.9	1.0	0.3	0.0	1.2
Contribution to GDP Growth Rate									
Domestic Demand	1.1	0.5	-0.2	0.6	0.5	0.5	0.2	-0.7	1.1
Private Demand	0.6	0.5	-0.2	0.5	0.4	0.4	0.0	-0.5	0.7
Public demand	0.5	0.0	0.0	0.0	0.0	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	623,413	629,965	591,913	609,433	595,275	616,280
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	24,262	26,479	22,356	22,369	22,235	22,967
Nonresidential Investment	105,788	106,102	107,460	108,715	109,613	100,992	105,694	101,837	107,016
Change in Private Inventory	1,164	1,327	-468	773	1,098	930	547	631	699
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	-193	77	-19	51	-51
Net Exports	-7,176	-7,415	-1,918	-7,109	-5,706	-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	150,559	137,911	144,587	137,733	147,840
Gross National Income	648,817	653,965	658,706	663,280	668,310	627,124	648,701	631,403	656,192
Memo:									
Total Demand	754,995	759,822	764,141	777,522	780,524	729,824	754,020	733,008	764,120
Compensation of Employee	312,004	314,091	319,140	315,361	316,914	301,296	313,531	302,364	315,149
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	2.2	0.7	1.1	0.6	1.1				
SAAR	8.9	2.9	4.6	2.2	4.3				
% Change Year Ago	2.4	3.2	4.0	4.6	3.5	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	7.3	9.1				
% Change Year Ago	-0.4	0.7	1.8	11.1	18.0	1.8	0.1	0.9	3.3
Nonresidential Investment	2.0	0.3	1.3	1.2	0.8				
% 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	-2.3				
% Change Year Ago	10.9	8.8	0.8	9.2	2.9	-2.6	4.8	-5.8	7.3
Gross National Income	2.6	0.8	0.7	0.7	0.8				
SAAR	10.6	3.2	2.9	2.8	3.1				
% Change Year Ago	3.0	3.9	4.1	4.8	3.0	5.4	3.4	4.9	3.9
Memo:									
Total Demand	2.4	0.6	0.6	1.8	0.4				
SAAR	10.2	2.6	2.3	7.2	1.6				
% Change Year Ago	0.0	38.2	3.4	5.5	3.4	0.0	4.0	0.0	2.7
Compensation of Employee	1.7	0.7	1.6	-1.2	0.5				
% Change Year Ago	3.9	4.3	5.5	2.8	1.6	2.0	4.1	1.9	4.2

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	111.5	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	124.1	125.6	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	121.5	122.5	115.9	119.8	116.9	120.6
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	131.0	127.2	131.7	128.2	132.4
Unit Profit	115.6	116.1	116.2	118.9	120.3	113.2	115.2	114.3	116.7
Unit Labor Cost	104.0	104.3	105.4	104.1	104.1	100.4	104.4	100.9	104.4
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	0.6				
	3.1	2.5	2.8	2.8	2.0	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	0.9	1.3				
	3.1	2.9	3.0	2.9	2.7	0.3	2.5	0.1	3.0
Nonresidential Investment	0.9	0.4	0.7	0.6	0.6				
	3.8	3.0	2.9	2.7	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	0.3	0.9				
	3.7	3.0	3.2	2.8	2.5	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	-2.7				
	6.9	3.3	0.9	2.0	-1.4	-1.0	3.5	-2.6	3.3
Unit Profit	0.0	0.4	0.1	2.4	1.1				
	0.0	15.6	1.2	4.8	4.0	8.0	1.7	7.5	2.1
Unit Labor Cost	0.0	0.3	1.0	-1.2	0.0				
	0.0	19.0	4.2	1.0	0.1	0.5	4.0	1.2	3.5