



Japanese Economy Monthly Forecast

May 2026

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Headlines

Review of latest official data

▶ This forecast reflects official data released through the end of May. We have also added the preliminary GDP estimate for the January–March quarter. Excluding April household consumption and public works-related data, approximately one-third of the underlying monthly data required for estimating 2026 Q2 GDP has been updated.

▶ According to the preliminary official GDP estimate released on May 19, real GDP in 2026 Q1 grew at an annualized rate of +2.1% QoQ, marking the second consecutive quarter of positive growth. The actual figure came in slightly above market consensus but was almost exactly in line with APIR's final CQM forecast (+2.2%).

▶ The April production index rose +0.8% MoM, marking the first increase in three months. As a result, the April figure showed a slight decline of -0.2% compared to the Q1 average. The Ministry of Economy, Trade and Industry maintained its assessment of the underlying trend in production as “one step forward, one step back,” unchanged from the previous month.

▶ Comparing April figures to the Q1 averages, retail sales rose +1.3%, planned construction costs fell -1.6%, and the capital goods shipment index rose +0.9%. Real private demand is expected to recover modestly in the second quarter.

▶ Comparing April's import and export trends (based on Bank of Japan data) with the Q1 averages, real export value fell by -3.1% and real import value by -5.3%. The decline in imports due to supply constraints exceeded the decline in exports. Therefore, the real net exports of goods in April contributed positively to the real GDP growth rate.

2026 Q2 real GDP growth forecast update

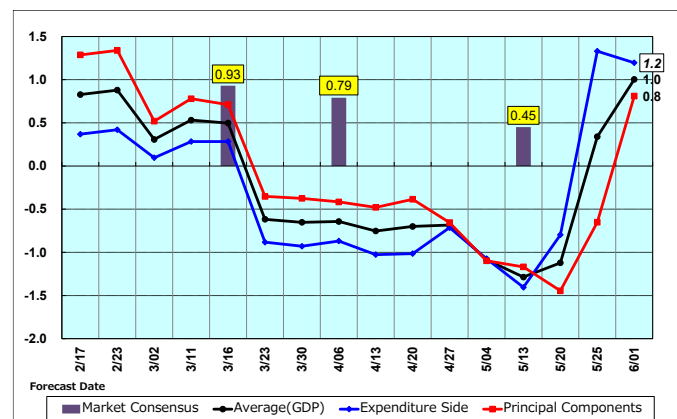
▶ As a result of the latest data updates, APIR's expenditure-side CQM forecast for 2026 Q2 real GDP growth is an annualized +1.2% QoQ. Meanwhile, the production-side model (principal component analysis) forecasts +0.8% for the same period. The average forecast of both models stands at +1.0% (see Figure 1). The May market consensus forecast stands at +0.45%, which is somewhat lower than the CQM forecast.

2026 Q2 inflation forecast update

▶ The April national core consumer price index (excluding fresh food) rose +1.4% YoY, marking the 56th consecutive month of increase. However, the inflation rate fell below 2% for the third consecutive month.

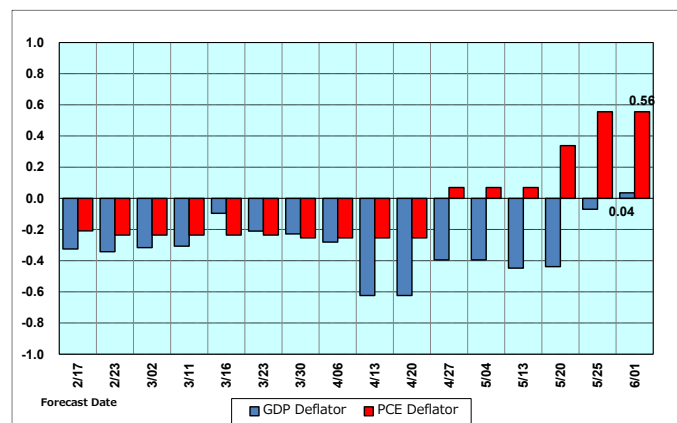
▶ APIR's CQM forecasts for the final private consumption expenditure deflator and the domestic demand deflator in 2026 Q2 are respectively +0.6% and +0.9% QoQ. However, as the terms of trade are expected to deteriorate during this period, we forecast a headline inflation rate of 0.0% QoQ in 2026 Q2 (see Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Apr-Jun (Q2) 2026 (% , QoQ annualized growth)



Source: Compiled by the author

Fig 2 CQM Forecast: Inflation Apr-Jun (Q2) 2026 (% , QoQ growth)



Source: Compiled by the author

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
5/29	April	Labor Force Survey			
		Total employment (millions)	68.76	+0.61	
		Total unemployment (millions)	1.79	-0.07	
		Unemployment rate (%)	2.50%	-0.2%pt	
	April	General Job Placement Situation			
		Effective job offers-to-applicants ratio	1.18	0.00pt	
		New job offers-to-applicants ratio	2.11	-0.04pt	
	April	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	102.8	0.8%	
		Shipments	101.2	1.5%	
		Inventories	96.1	-0.2%	
	April	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	13,217.0	1.3%	2.1%
	April	New Housing Starts			
		New housing starts (SA, Unit)	62,569	-1.7%	11.4%
		Planned residential construction expenditure (billion JPY)	1,424.5	-1.6%	20.3%
	May	Consumer Confidence Index (SA)	33.6	140.0%	
	May	Tokyo Region Consumer Price Index (2020=100)			
		Core index	112.0	0.2%	1.3%
	March	Construction Costs Deflator (2015=100)			
		Housing construction	134.2		5.3%
		Public works	135.7		5.0%
5/28	April	Producer Price Index for Intermediate and Final Demand (2020=100)			
		Capital goods	116.9		3.7%
		Consumer goods	125.6		2.2%
5/27	April	Corporate Services Price Index (2020=100)			
		Overall index	114.3		3.0%
5/26	March	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	114.0	80.0%	
		Coincident indicators	116.4	20.0%	
		Lagging indicators	112.4	-20.0%	
5/25	March	Information Services Industry Sales (billion JPY)	4,809.5		6.3%
5/22	March	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	318,563		3.1%
		Total working hours	133.4		0.5%
	April	National Consumer Price Index (2020=100)			
		Core index	112.5	0.0%	1.4%
5/21	March	Private Core Machinery Orders (billion JPY)	1,010.9	-9.4%	
	April	Trade Statistics (customs clearance level)			
		Trade balance (billion JPY)	301.9	150.1%	451.4
		Exports (billion JPY)	10,507.3	1.4%	14.8%
		Imports (billion JPY)	10,205.4	0.0%	9.7%
5/20	March	General Construction Statistics			
		Private non-residential construction (billion JPY)	955.0		3.3%
		Public works (billion JPY)	2,433.5		5.5%
5/19	March	Tertiary Industry Activity Index (2019-20=100)	105.7	-0.2%	
	March	Indices of Industrial Production (final figures, 2020=100)			
		Production	102.0	-0.4%	
		Shipments	99.7	-0.9%	
		Inventory	96.3	-1.8%	
		Production capacity index	95.1		-1.2%
		Capacity utilization ratio	103.7	-1.2%	
5/15	April	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	2,854.1		4.7%
		Number of contracts	18,638		0.0%
	April	Domestic Corporate Price Index (2020=100)			
		Corporate Price	132.8	2.3%	4.9%
		Export Price	161.4	4.0%	18.9%
		Import Price	182.7	5.6%	17.5%
5/13	April	Economy Watchers Survey			
		Current Conditions Diffusion Index	40.8	-140.0%	
		Future Conditions Diffusion Index	39.4	70.0%	
	March	International Balance of Payments			
		Current account (billion JPY)	4,681.5	44.4%	29.1%
		Exports (billion JPY)	10,822.0	3.3%	11.7%
		Imports (billion JPY)	9,991.5	-4.0%	10.0%
5/12	March	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	334,701	-0.9%	-1.3%
		Real consumption expenditure		-1.3%	-2.9%
	March	Consumption Trend Index (2020=100)	105.9	0.0%	
	March	Consumption Activity Index (2015=100)	105.4	-0.2%	
	March	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	114.5	130.0%	
		Coincident indicators	116.5	30.0%	
		Lagging indicators	113.4	50.0%	
5/8	March	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	317,254		2.7%
		Total working hours	132.7		0.0%
5/7	April	Food Buffer Stock (billion JPY)	-1.3		5270.0%
5/1	April	New Car Sales (vehicles)	314,816		9.7%

Source: Prepared by the author based on various official statistics.

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
	2025Q2					2025Q3					2025Q4				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
5/16															
5/19	0.4	1.9	1.1	0.7	0.2	0.4	0.4	0.4	0.3	0.2					
5/29	-0.5	1.6	0.6	0.8	0.3	0.6	0.7	0.6	0.3	0.2					
6/02	-1.9	-1.4	-1.6	0.6	0.3	-0.9	1.1	0.1	0.3	0.2					
6/09															
6/10	-1.8	-1.8	-1.8	0.7	0.3	-1.1	1.0	-0.0	0.3	0.2					
6/16	-1.4	-2.1	-1.7	0.8	0.3	-1.1	0.9	-0.1	0.4	0.2					
6/23	-0.9	-2.4	-1.7	0.8	0.3	-0.9	0.9	-0.0	0.5	0.2					
6/30	-0.7	-2.7	-1.7	0.8	0.3	-1.0	0.8	-0.1	0.5	0.2					
7/07	-0.5	-2.3	-1.4	0.9	0.3	-2.2	0.5	-0.8	0.4	0.2					
7/14	0.1	-2.4	-1.2	0.9	0.3	-2.1	0.5	-0.8	0.5	0.2					
7/21	-0.2	-2.8	-1.5	0.9	0.3	-1.0	0.6	-0.2	0.5	0.2					
7/28	0.1	-2.7	-1.3	0.9	0.3	-0.9	0.6	-0.1	0.5	0.2					
8/04	-0.1	-2.8	-1.4	0.9	0.3	-0.4	0.9	0.3	0.4	0.2					
8/11	0.2	-2.4	-1.1	0.9	0.3	-0.6	1.2	0.3	0.4	0.2					
8/15	<u>1.0</u>			<u>1.0</u>	<u>0.0</u>										
8/18						-0.5	1.0	0.2	0.5	-0.0	1.6	-0.3	0.6	0.2	0.5
8/25						-1.7	0.9	-0.4	0.5	0.1	1.5	-0.4	0.6	0.2	0.5
9/01						-2.6	-0.9	-1.8	0.5	0.1	1.7	-0.5	0.6	0.2	0.5
9/08	2.2*			1.1*	0.0*										
9/09						-4.3	-1.0	-2.6	0.5	0.1	1.5	-0.6	0.5	0.2	0.5
9/15						-4.2	0.5	-1.8	0.1	0.1	1.9	-0.3	0.8	0.0	0.5
9/22						-3.9	0.4	-1.7	0.0	-0.1	1.8	-0.2	0.8	-0.1	0.4
9/29						-3.8	0.2	-1.8	0.0	-0.1	1.7	-0.1	0.8	-0.1	0.4
10/06						-4.3	-0.8	-2.6	0.1	-0.1	1.5	-0.3	0.6	-0.0	0.4

Note: Underlined figures are 1st preliminary estimates.

Source: Compiled by the author

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

	Quarterly		Forecast			CY		FY	
	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2025	2026	2025	2026
GDP/GDE									
Gross Domestic Products	589,441	590,673	593,693	595,459.5	597,233.0	591,057	596,300	587,135	591,911
Private Consumption	308,882	309,024	309,849	310,134.4	310,517.8	308,026	310,352	305,077	308,795
Residential Investment	21,247	22,300	22,417	22,392.0	22,285.9	22,433	22,353	23,057	22,255
Nonresidential Investment	106,135	107,589	107,890	108,594.0	109,019.4	106,215	108,737	104,530	107,004
Change in Private Inventory	484	-1,336	-1,651	-1,293.5	-408.3	723	-900	208	-281
Government Consumption	122,213	122,655	122,782	123,148.0	123,655.7	122,092	123,438	121,487	122,451
Public Investment	27,389	27,337	27,716	27,658.5	27,574.0	27,488	27,655	27,686	27,532
Change in Public Inventory	-47	-70	-87	10.0	-20.0	-48	-29	-47	-73
Net Exports	4,405	4,601	5,961	5,999.4	5,791.7	5,037	5,879	5,738	5,223
Exports of Goods & Services	106,056	106,248	108,083	105,659.3	106,370.5	106,491	106,802	104,992	107,014
Imports of Goods & Services	101,651	101,647	102,122	99,659.9	100,578.8	101,454	100,923	99,255	101,791
Gross National Income	621,344	620,337	623,577	624,092.9	624,090.5	619,659	624,863	613,373	621,493
Memo:									
Total Demand	691,091.9	692,320.4	695,815.3	695,119.4	697,811.8	692,511	697,223	686,389	693,702

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

Gross Domestic Products	-0.6	0.2	0.5	0.3	0.3				
SAAR	-2.5	0.8	2.1	1.2	1.2				
% Change Year Ago	0.5	0.4	0.4	0.4	1.3	1.1	0.9	0.5	0.8
Private Consumption	0.5	0	0.3	0.1	0.1				
% Change Year Ago	1.3	1.4	1	0.9	0.5	1.3	0.8	0.1	1.2
Residential Investment	-8.1	5	0.5	-0.1	-0.5				
% Change Year Ago	-7.9	-4	-3.1	-3.2	4.9	-2.5	-0.4	-0.7	-3.5
Nonresidential Investment	-0.1	1.4	0.3	0.7	0.4				
% Change Year Ago	1.2	3.2	2.8	2.2	2.7	2.1	2.4	0.8	2.4
Government Consumption	0.1	0.4	0.1	0.3	0.4				
% Change Year Ago	0.6	0.9	1.2	0.8	1.2	1.0	1.1	2.3	0.8
Public Investment	-1.1	-0.2	1.4	-0.2	-0.3				
% Change Year Ago	-1.7	-1.6	0.5	-0.1	0.7	-0.4	0.6	0.1	-0.6
Exports of Goods & Services	-1.6	0.2	1.7	-2.2	0.7				
% Change Year Ago	1.1	-0.3	1.9	-1.9	0.3	2.5	0.3	2.7	1.9
Imports of Goods & Services	-0.2	0	0.5	-2.4	0.9				
% Change Year Ago	1.2	3.2	1.4	-2.1	-1.1	3.8	-0.5	4.0	2.6
Gross National Income	0.2	-0.2	0.5	0.1	0.0				
SAAR	0.9	-0.6	2.1	0.3	0.0				
% Change Year Ago	1.4	1	1	0.7	0.4	1.6	0.8	1.1	1.3
Total Demand	-0.6	0.2	0.5	-0.1	0.4				
SAAR	-2.2	0.7	2	-0.4	1.6				
% Change Year Ago	2.4	2	0.6	0.0	1.0	1.5	0.7	1.0	1.1
Contribution to GDP Growth Rate									
Domestic Demand	-0.3	0.2	0.2	0.3	0.3	1.4	0.7	0.8	0.9
Private Demand	-0.3	0.1	0.2	0.2	0.3	1.2	0.5	0.3	0.8
Public demand	0	0.1	0.1	0.1	0.1	0.2	0.2	0.5	0.1
Net Exports	-0.3	0	0.3	0.0	0.0	-0.3	0.2	-0.3	-0.1

Source: Compiled by the author

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

	Quarterly		Forecast			CY		FY	
	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2025	2026	2025	2026
GDP/GDE									
Gross Domestic Products	665,439.1	671,656.8	677,233.4	679,471.7	680,916.5	663,435	680,284	642,781	669,970
Private Consumption	352,624.6	354,712.3	357,013.8	359,319.8	359,289.9	350,782	358,763	340,185	353,398
Residential Investment	26,146.60	27,578.00	28,119.50	28,465.0	28,517.0	27,448.00	28,414.90	27,563.30	27,478.70
Nonresidential Investment	124,044.40	127,008.30	128,669.60	130,743.3	132,271.8	123,644.10	131,366.80	119,190.90	125,817.80
Change in Private Inventory	435.8	-1,836.20	-2,992.10	-1,180.6	883.3	759.3	-708.4	197.3	-428
Government Consumption	132,231.10	133,020.20	133,928.50	134,968.0	135,527.6	131,665.90	135,127.40	129,100.30	132,604.90
Public Investment	32,562.90	32,773.90	33,559.40	33,953.3	33,992.2	32,522.80	33,851.40	32,018.60	32,902.90
Change in Public Inventory	-43.2	-73.3	-79.4	-17.8	-42.3	-72.3	-45.5	-76.3	-91.3
Net Exports	-2,563.10	-1,526.50	-985.9	-6,779.2	-9,523.0	-3,314.20	-6,485.60	-5,397.60	-1,712.40
Exports of Goods & Services	144,493.7	149,904.8	156,278.1	160,159.5	163,396.6	145,306.2	161,538.7	143,444.4	148,614.6
Imports of Goods & Services	147,056.8	151,431.2	157,264.1	166,938.7	172,919.5	148,621	168,024	148,842	150,327
Gross National Income	708,832.8	712,033.8	719,335.2	724,587.5	725,744.7	704,215	724,963	682,510	711,055
Memo:									
Total Demand	812,495.9	823,088.0	834,497.5	846,410.4	853,836.0	812,055.8	848,308.1	791,623.4	820,297.2
Compensation of Employee	323,700.10	327,134.10	329,023.20	332,717.5	332,986.6	323,092.80	332,168.00	314,173.20	325,385.70

	Upper Row : % change from the previous quarter					Lower Row : % change from a year earlier			
Gross Domestic Products	0.1	0.9	0.8	0.3	0.2				
SAAR	0.3	3.8	3.4	1.3	0.9				
% Change Year Ago	4	3.8	3.9	2.2	2.3	4.5	2.5	3.7	4.2
Private Consumption	1	0.6	0.6	0.6	0.0				
% Change Year Ago	4.1	4.1	3	2.9	1.9	4.2	2.3	2.8	3.9
Residential Investment	-7.1	5.5	2	1.2	0.2				
% Change Year Ago	-4.7	-0.8	0.4	1.2	9.1	0.7	3.5	2.6	-0.3
Nonresidential Investment	0.9	2.4	1.3	1.6	1.2				
% Change Year Ago	4.3	6.6	6.6	6.3	6.6	5.1	6.2	4.2	5.6
Government Consumption	0.7	0.6	0.7	0.8	0.4				
% Change Year Ago	2.5	2.7	3.1	2.7	2.5	3.1	2.6	4.6	2.7
Public Investment	-0.2	0.6	2.4	1.2	0.1				
% Change Year Ago	1.8	1.7	4.2	4.1	4.4	3.1	4.1	3.9	2.8
Exports of Goods & Services	0.7	3.7	4.3	2.5	2.0				
% Change Year Ago	1.2	3.2	8.8	11.6	13.1	3	11.2	7.9	3.6
Imports of Goods & Services	1.2	3	3.9	6.2	3.6				
% Change Year Ago	-1.5	3.3	4.2	14.9	17.6	1.6	13.1	7.2	1
Gross National Income	0.8	0.5	1	0.7	0.2				
SAAR	3.1	1.8	4.2	3.0	0.6				
% Change Year Ago	4.4	3.9	3.8	3.0	2.4	4.6	2.9	4.1	4.2
Memo:									
Total Demand	0.3	1.3	1.4	1.4	0.9				
SAAR	1.1	5.3	5.7	5.8	3.6				
% Change Year Ago	6.9	5.6	3.9	4.5	5.1	4	4.5	4.4	3.6
Compensation of Employee	0.5	1.1	0.6	1.1	0.1				
% Change Year Ago	3.5	3.4	3.5	3.3	2.9	3.7	2.8	4.1	3.6

Source: Compiled by the author

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2025	2026	2025	2026
GDP/GDE									
Gross Domestic Products	112.9	113.7	114.1	114.1	114.0	112.2	114.1	109.5	113.2
Private Consumption	114.2	114.8	115.2	115.9	115.7	113.9	115.6	111.5	114.4
Residential Investment	123.1	123.7	125.4	127.1	128.0	122.4	127.1	119.5	123.5
Nonresidential Investment	116.9	118.1	119.3	120.4	121.3	116.5	120.8	114	117.5
Government Consumption	108.2	108.5	109.1	109.6	109.6	107.8	109.5	106.3	108.3
Public Investment	118.9	119.9	121.1	122.8	123.3	118.3	122.4	115.6	119.4
Exports of Goods & Services	136.2	141.1	144.6	151.6	153.6	136.4	151.3	136.6	138.9
Imports of Goods & Services	144.7	149	154	167.5	171.9	146.5	166.5	150	147.6
Unit Profit	117.7	118.4	119.1	118.3	118.3	116.9	118.5	113.7	118.3
Unit Labor Cost	108.3	109.2	109.3	110.2	109.9	107.8	109.8	105.4	108.3

	UpperRow : %change from the previous quarter					LowerRow : %change from a year earlier			
Gross Domestic Products	0.7	0.7	0.3	0.0	-0.1				
	3.5	3.5	3.4	1.8	1.0	3.4	1.6	3.2	3.4
Private Consumption	0.5	0.6	0.4	0.6	-0.1				
	2.8	2.7	2.1	2.0	1.4	2.9	1.5	2.7	2.6
Residential Investment	1.1	0.5	1.4	1.3	0.7				
	3.5	3.4	3.6	4.5	4.0	3.3	3.9	3.3	3.3
Nonresidential Investment	1.0	1.0	1.0	1.0	0.8				
	3.1	3.2	3.7	4.0	3.8	3	3.7	3.3	3.1
Government Consumption	0.6	0.2	0.6	0.5	0.0				
	2.0	1.8	1.9	1.9	1.3	2.1	1.5	2.2	1.9
Public Investment	0.9	0.8	1.0	1.4	0.4				
	3.6	3.3	3.7	4.2	3.7	3.5	3.5	3.8	3.3
Exports of Goods & Services	2.3	3.6	2.5	4.8	1.3				
	0.1	3.6	6.8	13.9	12.8	0.5	10.9	5.1	1.6
Imports of Goods & Services	1.4	3.0	3.4	8.8	2.6				
	-2.7	0.1	2.8	17.4	18.8	-2.2	13.7	3.1	-1.6
Unit Profit	0.0	0.6	0.6	-0.7	0.0				
	0.0	5.6	3.8	0.7	0.5	4.2	1.4	2.9	4
Unit Labor Cost	0.0	0.9	0.1	0.8	-0.2				
	0.0	4.0	3.1	2.9	1.5	2.6	1.9	3.6	2.7

Source: Compiled by the author