



Japanese Economy Monthly Forecast

September 2026

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Headlines

Review of Data Released in September

► This forecast incorporates data released through October 2nd. Excluding August data on household consumption expenditure and public works, approximately two-thirds of the monthly data needed to estimate Q3 2026 GDP have been updated. The Bank of Japan's September Tankan survey is also added.

► Industrial production fell -1.7% MoM in August, its second consecutive monthly decline. However, the July–August average remained +0.3% above Q2. METI maintained its assessment of production as “one step forward, one step back.”

► Compared with Q2 average, July–August retail sales fell -0.6%, while planned construction costs rose 5.4% but declined in real terms. The capital goods shipment index increased +8.0%. Real private demand in Q3 is expected to remain sluggish, except for private non-residential investment.

► Public investment fell -2.3% in July from the Q2 average, while real public demand in Q3 is expected to remain broadly flat.

► Compared with Q2, real exports and imports in July–August rose +1.3% and +4.0%, respectively, based on Bank of Japan data. Real net exports of goods therefore made a negative contribution to GDP growth.

Trends in Real GDP Growth Forecasts for Q3

► Updated data put the expenditure-side CQM forecast for Q3 real GDP growth at approximately 0.0% QoQ and -0.1% on an annualized QoQ basis, down from +0.9% QoQ and below the September market consensus (Figure 1). The production-side model, based on principal component analysis, projects -3.1% QoQ, bringing the two-model average to -1.6% QoQ.

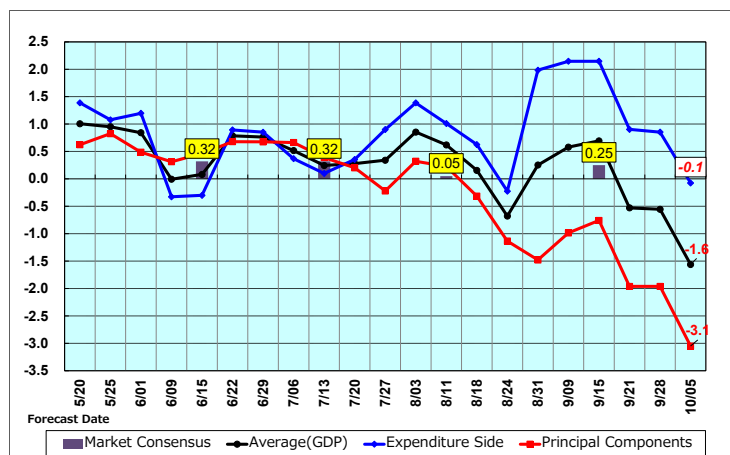
► Domestic demand is projected to contribute +0.4 percentage points (pp) to QoQ GDP growth, while net exports contribute -0.4 pp. The domestic demand contribution was revised down from +0.6 pp.

Trends in Inflation Forecasts for Q3

► The national CPI excluding fresh food rose 1.9% YoY in August, extending its increase to 60 consecutive months. Inflation nevertheless remained below 2% for the eighth consecutive month.

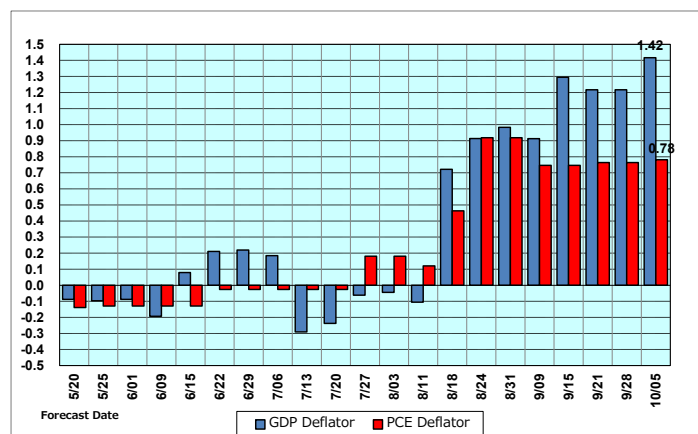
► The CQM projects the private final consumption expenditure deflator to rise +0.9% QoQ in Q3 and the domestic demand deflator +1.4%. With the terms of trade expected to improve, headline inflation (the GDP deflator) is also projected to rise +1.4% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jul-Sep (Q3) 2026 (% , QoQ annualized growth)



Source: Compiled by the author

Fig 2 CQM Forecast: Inflation Jul-Sep (Q3) 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
10/2	September	Food Buffer Stock (billion JPY)	13.4		10.6
	August	Labor Force Survey			
		Total employment (millions)	68.3	0.0	
		Total unemployment (millions)	1.77	0.1	
		Unemployment rate (%)	2.5	+0.1%pt	
	August	General Job Placement Situation			
	September	Effective job offers-to-applicants ratio	1.2	0.00pt	
		Tokyo Region Consumer Price Index (2025=100)			
		Core index	102.6	+0.9%	+2.7%
10/1	September	New Car Sales (vehicles)	360,743		+0.9%
9/30	August	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	102.6	-1.7	
		Shipments	100.8	-2.5	
		Inventories	97.6	-0.5	
	August	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	13,052.0	-1.2	2.7
	August	New Housing Starts			
		New housing starts (SA, Unit)	63,974.0	-2.7	6.1
		Planned residential construction expenditure (billion JPY)	1,436.0	-6.3	15.0
	August	Price Index for Final and Intermediate Demand Goods (2020=100)			
		Capital goods	119.6		3.4
		Consumer goods	126.4		4.5
	July	Construction Costs Deflator (2020=100)			
		Housing construction	136.0		8.7
		Public works	134.5		8.6
9/29	July	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	117.7	1.5	
		Coincident indicators	120.6	1.7	
9/28	July	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	434,507.0		4.3
		Total working hours	141.6		-0.2
	August	Corporate Services Price Index (2020=100)			
		Overall index	115.4		3.7
9/24	July	Information Services Industry Sales (billion JPY)	2,945.3		8.2
9/18	August	National Consumer Price Index (2025=100)			
		Core index	102.0	0.1	1.7
9/17	July	General Construction Statistics			
		Private non-residential construction (billion JPY)	1,007.3		5.5
		Public works (billion JPY)	1,879.0		2.2
9/16	August	Trade Statistics (customs clearance level)			
		Trade balance (billion JPY)	-1,105.6	23.4	275.9
		Exports (billion JPY)	100,484.0	0.3	19.3
		Imports (billion JPY)	111,540.0	1.7	28.0
	August	Real Import and Export Trends (2020=100)			
		Real exports	119.0	-0.8	
		Real imports	116.6	1.6	
	July	Private Core Machinery Orders (billion JPY)	10,169.0	-3.7	
9/15	August	Tertiary Industry Activity Index (2019-20=100)	107.1	0.4	
		Public Works Advanced Securities Statistics			
		Number of contracts	19,297.0		0.5
		Contract amount (billion JPY)	1,073.7		-2.4
9/14	July	Indices of Industrial Production (final figures, 2020=100)			
		Production	104.4	-0.2	
		Shipments	103.4	2.1	
		Inventory	98.1	0.5	
		Production capacity index	94.7		-1.4
		Capacity utilization ratio	107.7	0.5	
9/11	August	Domestic Corporate Price Index (2020=100)			
		Corporate Price	136.1	0.2	7.6
		Export Price	162.1	0.7	17.9
		Import Price	193.7	3.0	24.8
9/8	July	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	436,401.0		4.7
		Total working hours	141.6		-0.2
	August	Economy Watchers Survey			
		Current Conditions Diffusion Index	46.4	0.7	
		Future Conditions Diffusion Index	48.3	2.5	
	July	International Balance of Payments			
		Current account (billion JPY)	2,988.9	80.6	15.6
		Exports (billion JPY)	112,561.0	5.5	24.1
		Imports (billion JPY)	116,560.0	3.8	25.9
9/7	July	Consumption Activity Index (2020=100)	106.7	0.2	
	July	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	117.9	1.7	
		Coincident indicators	120.6	1.7	
		Lagging indicators	113.3	1.6	
9/4	July	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	301,245	1.4	-1.5
		Real consumption expenditure		0.5	-3.6
9/4	July	Consumption Trend Index (2025=100)	100.6	0.0	
9/1	August	Consumer Confidence Index (SA)	35.5	0.6	

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
	2026Q2					2026Q3					2026Q4				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
5/19															
5/20	-0.8	-1.4	-1.1	-0.4	0.3	1.4	0.6	1.0	-0.1	-0.1					
5/25	1.3	-0.7	0.3	-0.1	0.6	1.1	0.8	1.0	-0.1	-0.1					
6/01	1.2	0.8	1.0	0.0	0.6	1.2	0.5	0.8	-0.1	-0.1					
6/08															
6/09	3.1	1.6	2.3	0.2	0.5	-0.3	0.3	-0.0	-0.2	-0.1					
6/15	3.0	1.2	2.1	-0.2	0.5	-0.3	0.5	0.1	0.1	-0.1					
6/22	3.1	1.6	2.4	-0.0	0.7	0.9	0.7	0.8	0.2	-0.0					
6/29	3.1	1.6	2.4	-0.0	0.7	0.9	0.7	0.8	0.2	-0.0					
7/06	2.8	1.8	2.3	-0.1	0.7	0.4	0.7	0.5	0.2	-0.0					
7/13	3.6	3.3	3.5	-0.2	0.7	0.1	0.4	0.2	-0.3	-0.0					
7/20	3.4	2.4	2.9	-0.2	0.7	0.4	0.2	0.3	-0.2	-0.0					
7/27	3.0	2.0	2.5	-0.2	0.8	0.9	-0.2	0.3	-0.1	0.2					
8/03	3.2	2.3	2.8	-0.2	0.8	1.4	0.3	0.9	-0.0	0.2					
8/11	2.7	2.0	2.4	-0.2	0.9	1.0	0.2	0.6	-0.1	0.1					
8/17	<u>1.1</u>			<u>0.9</u>	<u>1.1</u>										
8/18						0.6	-0.3	0.2	0.7	0.5	1.8	0.6	1.2	-0.0	-0.2
8/24						-0.2	-1.1	-0.7	0.9	0.9	1.7	0.7	1.2	-0.0	-0.2
8/31						2.0	-1.5	0.3	1.0	0.9	0.8	0.4	0.6	0.1	-0.2
9/08						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9/09						2.1	-1.0	0.6	0.9	0.7	0.9	0.4	0.7	0.1	-0.2
9/15						2.1	-0.8	0.7	1.3	0.7	0.9	0.6	0.8	0.4	-0.2
9/21						0.9	-2.0	-0.5	1.2	0.8	0.6	0.7	0.6	0.3	-0.2
9/28						0.9	-2.0	-0.6	1.2	0.8	0.6	0.7	0.6	0.3	-0.2
10/05						-0.1	-3.1	-1.6	1.4	0.8	0.5	0.1	0.3	0.4	-0.1

Note: Underlined figures are 1st preliminary estimates.
Source: Compiled by the author

Table 3-1: Gross Domestic Product at Chained 2020 Price: Y Billion

	Quarterly		Forecast			CY		FY	
	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2025	2026	2025	2026
GDP/GDE									
Gross Domestic Products	593,959	596,799	598,951	598,838.7	599,562.3	593,690	598,538	594,533	599,765
Private Consumption	309,357	310,743	310,766	310,677.6	311,188.6	308,065	310,844	309,073	311,047
Residential Investment	22,593	22,806	22,672	22,346.9	22,382.5	22,671	22,552	22,561	22,453
Nonresidential Investment	109,750	108,653	107,634	109,770.8	110,294.6	108,462	109,088	108,837	109,604
Change in Private Inventory	-1,368	-1,643	-89	547.0	-24.3	717	-302	-369	233
Government Consumption	122,689	123,150	125,211	124,533.5	125,066.9	122,044	124,490	122,492	125,104
Public Investment	27,360	27,731	27,604	26,169.5	26,368.2	27,531	26,968	27,593	26,594
Change in Public Inventory	-77	-99	-2,320	-288.7	-304.3	-48	-753	-78	-805
Net Exports	4,867	6,412	8,554	6,164.2	5,672.3	5,032	6,701	5,298	6,617
Exports of Goods & Services	106,354	108,156	108,593	107,906.7	108,196.2	106,486	108,213	107,074	108,360
Imports of Goods & Services	101,487	101,745	100,039	101,742.5	102,523.9	101,454	101,513	101,776	101,743
Gross National Income	623,296	625,647	623,308	623,454.5	627,038.1	622,291	624,862	624,099	625,740
Memo:									
Total Demand	695,446.4	698,543.9	698,989.7	700,581.2	702,086.2	695,144	700,050	696,309	701,508

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

Gross Domestic Products	0.3	0.5	0.4	0.0	0.1				
SAAR	1.1	1.9	1.4	-0.1	0.5				
% Change Year Ago	0.5	0.5	0.7	1.1	0.9	1.2	0.8	0.9	0.9
Private Consumption	0.2	0.4	0	0.0	0.2				
% Change Year Ago	1.5	1.3	1.2	0.6	0.6	1.3	0.9	1.3	0.6
Residential Investment	5	0.9	-0.6	-1.4	0.2				
% Change Year Ago	-3.3	-1.9	-3	3.8	-0.9	-1.9	-0.5	-2.6	-0.5
Nonresidential Investment	1.3	-1	-0.9	2.0	0.5				
% Change Year Ago	3.6	1.4	-0.9	1.3	0.5	2.5	0.6	2.2	0.7
Government Consumption	0.4	0.4	1.7	-0.5	0.4				
% Change Year Ago	0.9	1.5	2.7	1.9	1.9	0.9	2.0	0.8	2.1
Public Investment	-0.5	1.4	-0.5	-5.2	0.8				
% Change Year Ago	-1.5	0.6	-0.7	-4.8	-3.6	-0.3	-2.0	-0.3	-3.6
Exports of Goods & Services	0.1	1.7	0.4	-0.6	0.3				
% Change Year Ago	-0.3	2.1	0.9	1.6	1.7	2.5	1.6	2.0	1.2
Imports of Goods & Services	-0.2	0.3	-1.7	1.7	0.8				
% Change Year Ago	3.1	1.3	-2.2	0.1	1.0	3.8	0.1	2.5	0.0
Gross National Income	-0.2	0.4	-0.4	0.0	0.6				
SAAR	-0.6	1.5	-1.5	0.1	2.3				
% Change Year Ago	1.2	1.1	0.1	-0.1	0.6	1.7	0.4	1.4	0.3
Total Demand	0.2	0.4	0.1	0.2	0.2				
SAAR	0.8	1.8	0.3	0.9	0.9				
% Change Year Ago	3	2.9	0.3	0.9	1.0	1.5	0.7	1.1	0.7
Contribution to GDP Growth Rate									
Domestic Demand	0.2	0.2	-0.1	0.4	0.2	1.5	0.4	1.0	0.5
Private Demand	0.1	0	0.1	0.4	0.1	1.3	0.3	0.9	0.5
Public demand	0.1	0.1	-0.2	0.0	0.1	0.2	0.1	0.1	0.0
Net Exports	0.1	0.3	0.5	-0.4	-0.1	-0.3	0.4	-0.1	0.4

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	675,000.9	680,104.3	689,219.1	698,822.6	702,521.2	666,441	692,667	672,670	699,266
Private Consumption	355,096.1	358,424.9	362,125.5	364,875.3	364,918.9	350,908	362,586	353,797	364,157
Residential Investment	27,895.60	28,522.40	28,742.50	28,948.6	29,275.4	27,730.40	28,872.20	27,827.30	29,053.30
Nonresidential Investment	129,506.20	129,774.30	130,483.70	134,914.4	137,016.7	126,270.40	133,047.30	128,004.30	135,333.10
Change in Private Inventory	-1968.1	-3,704.40	677.60	1,675.1	107.1	749.9	-311.1	-786.2	618.5
Government Consumption	133,028.50	134,459.10	138,040.30	138,297.3	138,908.0	131,593.80	137,426.20	132,621.80	138,691.80
Public Investment	32,804.40	33,586.90	33,930.50	33,219.8	33,035.4	32,574.40	33,443.20	32,964.70	33,264.70
Change in Public Inventory	-84.2	-95.4	-4866	-660.2	-666.6	-72.3	-1572	-99.9	-1715.1
Net Exports	-1,277.60	-863.50	84.9	-2,447.7	-73.8	-3,314.20	-825.00	-1,659.50	-137.00
Exports of Goods & Services	150,097.4	157,449.8	163,626.1	163,006.4	164,947.7	145,306	162,258	148,681	164,569
Imports of Goods & Services	151,375.0	158,313.4	163,541.2	165,454.1	165,021.5	148,621	163,083	150,341	164,706
Gross National Income	715,111.1	721,398.5	727,448.7	736,706.4	741,648.4	707,220	731,801	713,772	737,639
Memo:									
Total Demand	826,375.9	838,417.7	852,760.3	864,276.7	867,542.7	815,061.3	855,749.4	823,010.2	863,971.9
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	0.9	0.8	1.3	1.4	0.5				
SAAR	3.7	3.1	5.5	5.7	2.1				
% Change Year Ago	3.9	3.8	3.4	4.5	4.1	4.6	3.9	4.3	4
Private Consumption	0.7	0.9	1	0.8	0.0				
% Change Year Ago	4.1	3.4	3.8	3.5	2.8	4.3	3.3	4	2.9
Residential Investment	5.3	2.2	0.8	0.7	1.1				
% Change Year Ago	0	1.3	1	9.3	4.9	1.4	4.1	0.5	4.4
Nonresidential Investment	2.1	0.2	0.5	3.4	1.6				
% Change Year Ago	6.9	5.2	3.9	6.4	5.8	5.6	5.4	5.4	5.7
Government Consumption	0.7	1.1	2.7	0.2	0.4				
% Change Year Ago	2.7	3.5	5.3	4.7	4.4	3	4.4	2.7	4.6
Public Investment	0.4	2.4	1	-2.1	-0.6				
% Change Year Ago	1.7	4.2	3.7	1.7	0.7	3.2	2.7	3	0.9
Exports of Goods & Services	4.1	4.9	3.9	-0.4	1.2				
% Change Year Ago	3.3	9.2	14.5	13.1	9.9	3	11.7	3.7	10.7
Imports of Goods & Services	3.3	4.6	3.3	1.2	-0.3				
% Change Year Ago	3.4	4.3	12.8	12.9	9.0	1.6	9.7	1	9.6
Gross National Income	0.4	0.9	0.8	1.3	0.7				
SAAR	1.6	3.6	3.4	5.2	2.7				
% Change Year Ago	4	3.7	3	3.4	3.7	4.7	3.5	4.2	3.3
Memo:									
Total Demand	1.3	1.5	1.7	1.4	0.4				
SAAR	5.5	6	7	5.5	1.5				
% Change Year Ago	8.7	7.6	5.1	6.0	5.0	4.1	5	3.7	5
Compensation of Employee	1	1	2.1	1.2	0.1				
% Change Year Ago	3.4	3.8	5.1	5.4	4.4	3.7	4.6	3.6	4.7

Source: Compiled by the author

Table 3-3: Deflator : 2020=100

	Quarterly		Forecast			CY		FY	
	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2025	2026	2025	2026
GDP/GDE									
Gross Domestic Products	113.6	114	115.1	116.7	117.2	112.3	115.7	113.1	116.6
Private Consumption	114.8	115.3	116.5	117.4	117.3	113.9	116.7	114.5	117.1
Residential Investment	123.5	125.1	126.8	129.5	130.8	122.3	128	123.3	129.4
Nonresidential Investment	118	119.4	121.2	122.9	124.2	116.5	122	117.5	123.5
Government Consumption	108.4	109.2	110.3	111.1	111.1	107.8	110.4	108.3	110.9
Public Investment	119.9	121.1	122.9	126.9	125.3	118.3	124.1	119.3	125.1
Exports of Goods & Services	141.1	145.6	150.7	151.1	152.5	136.4	149.9	138.8	151.9
Imports of Goods & Services	149.2	155.6	163.5	162.6	161.0	146.5	160.7	147.7	161.9
Unit Profit	118.8	119	119.2	121.2	122.2	117.4	120.4	118.6	121.5
Unit Labor Cost	108.7	109.2	111.1	112.4	112.4	107.3	111.3	107.8	111.8

UpperRow : %change from the previous quarter LowerRow : %change from a year earlier

Gross Domestic Products	0.7	0.3	1.0	1.4	0.4				
	3.4	3.3	2.6	3.4	3.1	3.4	3.1	3.4	3.1
Private Consumption	0.5	0.5	1.0	0.8	-0.2				
	2.7	2.1	2.6	2.9	2.2	3	2.4	2.7	2.3
Residential Investment	0.4	1.3	1.4	2.2	1.0				
	3.4	3.3	4.1	5.3	5.9	3.3	4.7	3.2	4.9
Nonresidential Investment	0.9	1.2	1.5	1.4	1.1				
	3.2	3.8	4.9	5.0	5.3	3	4.7	3.1	5.1
Government Consumption	0.2	0.7	1.0	0.7	0.0				
	1.8	2.0	2.6	2.7	2.4	2.1	2.4	1.9	2.4
Public Investment	0.9	1.0	1.5	3.3	-1.3				
	3.3	3.6	4.5	6.8	4.5	3.5	4.9	3.3	4.8
Exports of Goods & Services	4.0	3.2	3.5	0.3	0.9				
	3.6	6.9	13.5	11.3	8.0	0.5	9.9	1.6	9.4
Imports of Goods & Services	3.4	4.3	5.1	-0.5	-1.0				
	0.3	2.9	15.3	12.8	7.9	-2.2	9.7	-1.5	9.6
Unit Profit	0.0	0.1	0.2	1.6	0.8				
	0.0	6.0	1.0	2.5	2.8	4.4	2.5	4	2.4
Unit Labor Cost	0.0	0.5	1.8	1.2	0.0				
	0.0	4.0	4.4	4.2	3.4	2.5	3.7	2.7	3.7

Source: Compiled by the author