



Japanese Economy Monthly Forecast

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Headlines

• Review of latest official data

▶ This forecast reflects official data released in July and the first week of August. With the exception of public works, the monthly data necessary for estimating 2025 Q2 GDP have been updated.

▶ The production index for June rose 1.7% MoM, marking the first increase in three months. As a result, the April-June period saw a 0.3% increase QoQ, the first increase in two quarters, but this was only enough to barely offset the decline in the previous quarter (-0.3% QoQ). The METI maintained its assessment of the production trend as "mixed."

▶ Comparing the April-June period with the previous quarter, the real consumption trend index increased by +0.4%. The planned construction expenditure for dwelling decreased significantly by -33.1%, while the capital goods shipment index increased by +4.4%. In addition, the average public works spending for April-May average increased by +4.1% compared to the January-March average. Real private demand and public demand are likely to expand slightly in the April-June quarter compared to the previous quarter.

▶ Comparing the April-June period's import and export trends (based on Bank of Japan data) with the previous quarter, real exports decreased by -3.7%, while real imports increased by +1.7%. Real net exports of goods in the April-June period contributed negatively to Q2 real GDP growth.

• 2025 Q2 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 Q2 is +0.0% QoQ, or an annualized +0.2%. Within the +0.0% QoQ growth figure, domestic demand is expected to contribute +0.2 percentage point (pp), while net exports are expected to contribute -0.2 pp. On the other hand, APIR's principal component analysis model forecasts an annualized growth of -2.4% in 2025 Q2. The average of the two forecasts is an annualized -1.1%. The growth rate from the expenditure side is likely to be close to zero. The latest market consensus is +0.01%, which is almost zero growth (Figure 1).

• 2025 Q2 inflation forecast update

▶ The national core CPI rose by +3.3% YoY in June, marking the 46th consecutive month of inflation. As a result, CPI inflation exceeded the 3%-mark for seven months in a row.

▶ APIR's CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2025 Q2 are respectively +0.3% and +0.4% QoQ. However, considering the ameliorating terms of trade, we forecast a headline inflation rate (GDP deflator) of +0.9% QoQ in 2025 Q2 (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Apr-Jun (Q2) 2025 (% , QoQ annualized growth)

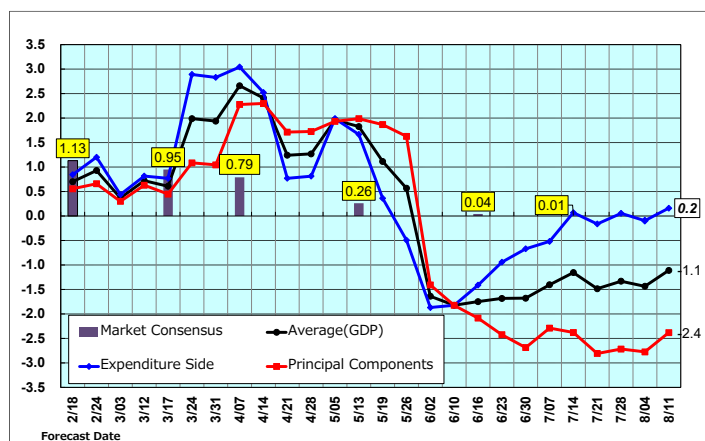
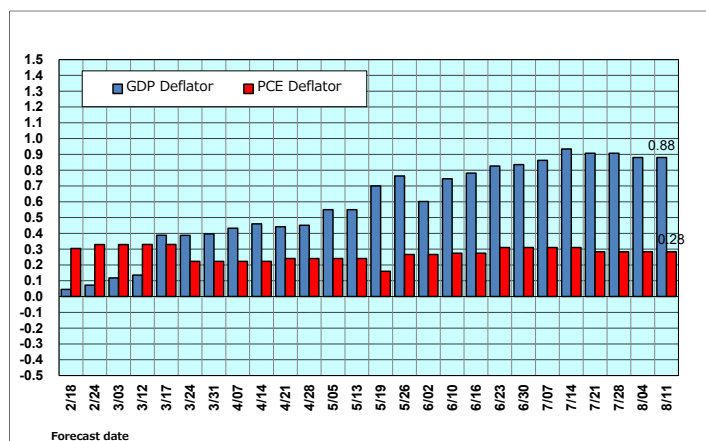


Fig 2 CQM Forecast: Inflation Apr-Jun (Q2) 2025 (% , QoQ growth)



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
8/8	June	Household Expenditure (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	295,419	-5.3%	+5.2%
	June	Real consumption expenditure		-5.2%	+1.3%
		Consumption Trend Index (2020=100)	105.3	+0.1%	
	July	Economy Watchers Survey			
		Current Conditions Diffusion Index	45.2	+0.2	
	June	Future Conditions Diffusion Index	47.3	+1.4	
		International Balance of Payments			
	June	Current account (billion JPY)	+1,348.2	-14.9%	-23.6%
		Exports (billion JPY)	8,962.7	+3.0%	-2.4%
		Imports (billion JPY)	8,493.0	-0.0%	-1.3%
8/7	June	Consumption Activity Index (2015=100)	98.3	+0.9%	
	June	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	106.1	+1.3	
		Coincident indicators	116.8	+0.8	
		Lagging indicators	112.0	-1.5	
8/6	June	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	511,210		+2.5%
		Total working hours	139.7		-0.3%
8/4	July	Food Buffer Stock (billion JPY)	-37.1		-33.5
8/1	June	Labor Force Survey			
		Total employment (millions)	68.32	-0.05	
		Total unemployment (millions)	1.72	0.0	
		Unemployment rate (%)	2.5%	0.0%pt	
	June	General Job Placement Situation			
		Job offers-to-applicants ratio	1.22	-0.02%pt	
8/1	July	New Car Sales (vehicles)	326,326		-3.7%
7/31	June	Indices of Industrial Production (preliminary figures, 2020=100)			
		Production	102.9	+1.7%	
		Shipments	101.4	-0.8%	
		Inventories	99.1	-0.4%	
	June	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	12,966.0	+1.0%	+2.0%
	June	New Housing Starts			
		New housing starts (SA, Unit)	55,956	+22.4%	-15.6%
		Planned residential construction expenditure (billion JPY)	1,190.0	+21.2%	-12.7%
	May	Construction Costs Deflator (2015=100)			
		Housing construction	128.8		+0.9%
		Public works	129.8		+1.6%
	July	Consumer Confidence Index (SA)	33.7	-0.8	
7/29	June	Producer Price Index for Intermediate and Final Demand (2020=100)			
		Capital goods	113.0		+2.9%
		Consumer goods	122.5		+5.5%

7/25	May	Index of Business Conditions (revised, 2020=100)			
		Leading indicators	104.8	+0.6	
		Coincident indicators	116.0	0.0	
		Lagging indicators	113.5	+1.1	
	June	Corporate Services Price Index (2020=100)			
		Overall index	110.7		+3.2%
	July	Tokyo Region Consumer Price Index (2020=100)			
		Core index	110.5	+0.5%	+2.9%
7/24	May	Monthly Labor Statistics (final figures)			
		Gross average salary per worker (JPY)	617,375		+4.4%
		Total working hours	136.7		-1.1%
	May	Information Services Industry Sales (billion JPY)	2,650.4		+15.4%
7/18	June	National Consumer Price Index (2020=100)			
		Core index	109.7	-0.1%	+3.0%
7/17	May	General Construction Statistics			
		Private non-residential construction (billion JPY)	945.6		+3.1%
		Public works (billion JPY)	2,242.7		+4.0%
	June	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%
7/15	June	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	691.4		-22.5%
		Number of contracts	9,158		-14.0%
7/14	May	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%	
	May	Tertiary Industry Activity Index (2015=100)	101.6	-0.3%	
	May	Private Core Machinery Orders (billion JPY)	857.9	-3.5%	
7/11	June	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%

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
	2025Q1					2025Q2					2025Q3				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
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															
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					
5/13	0.3	1.1	0.7	0.6	1.0	1.7	2.0	1.8	0.5	0.2					
5/16	<u>-0.7</u>			<u>0.9</u>	<u>1.5</u>										
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	-0.2*			0.9*	1.5*										
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

Note: Underlined figures are 1st preliminary estimates.

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

	Quarterly		Forecast			CY		FY	
	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2024	2025	2023	2024
GDP/GDE									
Gross Domestic Products	558,655	561,766	561,542	561,767	560,968	557,445	561,860	555,440	559,870
Private Consumption	299,407	299,681	300,112	301,462	301,790	297,852	301,388	296,787	299,167
Residential Investment	18,429	18,399	18,651	17,358	15,325	18,305	16,698	18,629	18,443
Nonresidential Investment	92,805	93,360	94,369	96,150	96,934	92,563	96,293	91,195	93,369
Change in Private Inventory	1,183	-295	2,649	1,433	359	483	1,243	592	1,130
Government Consumption	119,562	119,886	119,282	119,479	119,951	119,362	119,785	118,029	119,551
Public Investment	26,428	26,235	26,071	26,818	26,872	26,138	26,676	25,968	26,306
Change in Public Inventory	41	-58	60	-150	-169	-11	-103	26	5
Net Exports	1,364	4,860	864	-266	422	3,129	399	4,229	2,385
Exports of Goods & Services	113,850	115,783	115,153	113,670	115,489	113,271	115,071	112,389	114,306
Imports of Goods & Services	112,487	110,923	114,289	113,936	115,067	110,142	114,673	108,160	111,921
Gross National Income	588,392	590,065	592,025	589,897	591,118	585,359	591,410	579,641	589,319
Memo:									
Total Demand	671,141	672,688	675,830	675,703	676,035	667,587	676,532	663,600	671,791
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.2	0.6	0.0	0.0	-0.1				
SAAR	0.9	2.2	-0.2	0.2	-0.6				
% Change Year Ago	0.7	1.4	1.7	0.8	0.4	0.2	0.8	0.6	0.8
Private Consumption	0.7	0.1	0.1	0.4	0.1				
% Change Year Ago	0.9	1.0	1.8	1.4	0.8	0.0	1.2	-0.4	0.8
Residential Investment	0.7	-0.2	1.4	-6.9	-11.7				
% Change Year Ago	-2.1	-1.5	3.2	-5.2	-16.8	-2.5	-8.8	0.8	-1.0
Nonresidential Investment	0.1	0.6	1.1	1.9	0.8				
% Change Year Ago	2.8	1.2	3.1	3.7	4.4	1.3	4.0	-0.1	2.4
Government Consumption	0.1	0.3	-0.5	0.2	0.4				
% Change Year Ago	1.3	1.7	0.7	0.0	0.3	0.9	0.4	-0.8	1.3
Public Investment	-1.2	-0.7	-0.6	2.9	0.2				
% Change Year Ago	0.5	1.4	3.0	0.3	1.7	-1.1	2.1	-0.3	1.3
Exports of Goods & Services	1.2	1.7	-0.5	-1.3	1.6				
% Change Year Ago	1.3	0.6	3.9	1.0	1.4	1.1	1.6	3.1	1.7
Imports of Goods & Services	2.2	-1.4	3.0	-0.3	1.0				
% Change Year Ago	4.6	-0.3	6.7	3.6	2.3	1.0	4.1	-2.7	3.5
Gross National Income	0.3	0.3	0.3	-0.4	0.2				
SAAR	1.3	1.1	1.3	-1.4	0.8				
% Change Year Ago	1.7	1.9	2.7	0.6	0.5	1.2	1.0	2.0	1.7
Total Demand	0.5	0.2	0.5	0.0	0.0				
SAAR	2.2	0.9	1.9	-0.1	0.2				
% Change Year Ago	0.0	15.7	2.5	1.2	0.7	0.3	1.3	0.1	1.2
Contribution to GDP Growth Rate									
Domestic Demand	0.5	-0.2	0.8	0.2	-0.3	0.2	1.4	-0.7	1.2
Private Demand	0.5	-0.1	0.9	0.1	-0.4	0.0	1.2	-0.5	0.9
Public demand	0.0	0.0	-0.1	0.1	0.1	0.1	0.2	-0.2	0.3
Net Exports	-0.2	0.7	-0.8	-0.2	0.1	0.0	-0.6	1.3	-0.4

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

	Quarterly			Forecast		CY		FY	
	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2024	2025	2023	2024
GDP/GDE									
Gross Domestic Products	612,874	619,806	625,321	631,091	632,945	609,459	631,535	594,708	617,010
Private Consumption	332,237	333,164	338,712	341,196	342,142	329,674	341,597	323,194	333,283
Residential Investment	22,534	22,629	23,172	21,531	18,852	22,344	20,639	22,235	22,672
Nonresidential Investment	106,295	107,796	109,943	112,805	114,431	105,747	113,297	101,820	107,583
Change in Private Inventory	1,395	-352	2,835	1,467	133	591	1,150	636	1,344
Government Consumption	126,270	127,388	126,944	127,932	128,444	125,644	128,069	122,458	126,477
Public Investment	31,745	31,800	31,869	32,955	32,946	31,318	32,682	30,378	31,802
Change in Public Inventory	42	-88	17	-138	-153	-15	-104	51	-16
Net Exports	-7,645	-2,531	-8,171	-6,656	-3,849	-5,844	-5,795	-6,064	-6,136
Exports of Goods & Services	139,591	142,929	142,887	133,557	134,570	139,221	136,526	132,640	141,363
Imports of Goods & Services	147,235	145,460	151,059	140,213	138,419	145,065	142,322	138,703	147,499
Gross National Income	654,123	659,095	667,822	668,793	671,348	648,927	670,825	631,034	657,851
Memo:									
Total Demand	760,109	765,266	776,380	771,304	771,364	754,524	773,856	733,412	764,508
Compensation of Employee	314,115	319,083	321,215	328,756	330,574	313,531	328,031	302,364	316,386
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.5	1.1	0.9	0.9	0.3				
SAAR	2.1	4.6	3.6	3.7	1.2				
% Change Year Ago	3.2	4.2	5.1	3.5	3.3	3.1	3.6	4.9	3.7
Private Consumption	1.0	0.3	1.7	0.7	0.3				
% Change Year Ago	3.0	3.0	4.5	3.7	3.0	2.2	3.6	2.5	3.1
Residential Investment	0.7	0.4	2.4	-7.1	-12.4				
% Change Year Ago	0.7	1.4	6.2	-3.8	-16.3	-0.1	-7.6	0.9	2.0
Nonresidential Investment	0.5	1.4	2.0	2.6	1.4				
% Change Year Ago	5.9	4.2	6.3	6.6	7.7	4.7	7.1	3.5	5.7
Government Consumption	0.7	0.9	-0.3	0.8	0.4				
% Change Year Ago	2.9	4.0	3.2	2.0	1.7	2.2	1.9	0.3	3.3
Public Investment	-0.7	0.2	0.2	3.4	0.0				
% Change Year Ago	3.5	4.7	6.6	3.1	3.8	2.3	4.4	3.1	4.7
Exports of Goods & Services	-0.2	2.4	0.0	-6.5	0.8				
% Change Year Ago	6.0	3.7	6.4	-4.5	-3.6	7.3	-1.9	7.4	6.6
Imports of Goods & Services	0.7	-1.2	3.8	-7.2	-1.3				
% Change Year Ago	8.1	0.5	6.8	-4.1	-6.0	4.5	-1.9	-5.2	6.3
Gross National Income	0.6	0.8	1.3	0.1	0.4				
SAAR	2.6	3.1	5.4	0.6	1.5				
% Change Year Ago	3.9	4.2	5.7	2.9	2.6	3.5	3.4	4.8	4.2
Memo:									
Total Demand	0.6	0.7	1.5	-0.7	0.0				
SAAR	2.2	2.7	5.9	-2.6	0.0				
% Change Year Ago	0.0	39.2	5.4	2.0	1.5	0.0	3.3	0.0	2.8
Compensation of Employee	0.7	1.6	0.7	2.3	0.6				
% Change Year Ago	4.3	5.5	4.7	5.4	5.2	4.1	4.6	1.9	4.6

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2024	2025	2023	2024
GDP/GDE									
Gross Domestic Products	109.7	110.3	111.4	112.3	112.8	109.3	112.4	107.1	110.2
Private Consumption	111.0	111.2	112.9	113.2	113.4	110.7	113.3	108.9	111.4
Residential Investment	122.3	123.0	124.2	124.0	123.0	122.0	123.6	119.4	122.9
Nonresidential Investment	114.5	115.5	116.5	117.3	118.1	114.3	117.7	111.6	115.2
Government Consumption	105.6	106.3	106.4	107.1	107.1	105.2	106.9	103.8	105.8
Public Investment	120.1	121.2	122.2	122.9	122.6	119.8	122.5	116.9	120.8
Exports of Goods & Services	122.6	123.5	124.1	117.5	116.5	122.9	118.7	118.0	123.7
Imports of Goods & Services	130.9	131.1	132.2	123.1	120.3	131.7	124.1	128.2	131.8
Unit Profit	116.0	116.2	117.5	116.8	117.0	115.2	117.2	114.2	116.5
Unit Labor Cost	104.3	105.4	106.1	108.6	109.4	104.4	108.3	101.0	104.9
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.3	0.6	0.9	0.9	0.4				
	2.5	2.8	3.3	2.7	2.9	2.9	2.8	4.2	2.9
Private Consumption	0.3	0.2	1.5	0.3	0.2				
	2.1	2.0	2.7	2.3	2.2	2.3	2.4	2.9	2.3
Residential Investment	0.0	0.6	1.0	-0.2	-0.8				
	2.9	3.0	3.0	1.5	0.6	2.5	1.3	0.1	3.0
Nonresidential Investment	0.4	0.8	0.9	0.7	0.6				
	3.0	3.0	3.1	2.8	3.1	3.4	2.9	3.6	3.2
Government Consumption	0.6	0.6	0.2	0.6	0.0				
	1.6	2.3	2.5	2.0	1.4	1.2	1.6	1.2	1.9
Public Investment	0.5	0.9	0.9	0.5	-0.2				
	3.0	3.3	3.5	2.8	2.1	3.4	2.3	3.5	3.4
Exports of Goods & Services	-1.4	0.7	0.5	-5.3	-0.8				
	4.6	3.0	2.4	-5.5	-5.0	6.2	-3.5	4.2	4.8
Imports of Goods & Services	-1.5	0.2	0.8	-6.9	-2.3				
	3.4	0.9	0.1	-7.4	-8.1	3.5	-5.8	-2.6	2.8
Unit Profit	0.0	0.1	1.2	-0.6	0.2				
	0.0	15.7	3.7	0.8	0.8	1.8	1.8	7.4	2.0
Unit Labor Cost	0.0	1.0	0.7	2.3	0.7				
	0.0	20.2	2.9	4.6	4.8	3.9	3.8	1.3	3.8