



# Japanese Economy Monthly Forecast

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Yoshihisa Inada

Head of the Center for Quantitative Economic Analysis, APIR

e-mail: inada-y@apir.or.jp

## Headlines

### ● Review of data released in October

▶ This forecast reflects data released by the beginning of November. Apart from household consumption and public works-related indicators, most data required for an accurate estimation of 2022 Q3 GDP have been released.

▶ In September, the Index of Industrial Production declined -1.6% from the previous month, marking the first decline in four months. METI maintained its assessment from the previous month, stating that production is gradually increasing. On a quarterly basis, however, the Q3 index rose +5.9% QoQ, marking the first increase in two quarters.

▶ Real gross wages in August fell for the fifth consecutive month, down -1.7% YoY. Consumption downward pressure is increasing.

▶ Both the real total Consumption Trend Index and the real Consumption Activity Index fell for the second consecutive month in August.

▶ In September, planned residential construction expenditure fell MoM for the first time in three months, and capital goods shipments declined for the first time in four months. On a QoQ basis, however, they rose respectively +2.5% and +11.4% in Q3.

▶ According to the Ministry of Finance, in Q3 volume-based exports fell -1.8% QoQ, while imports rose +0.9%. However, according to the Bank of Japan, exports expanded +3.0% and imports rose +2.5% QoQ in real terms. As a result, the contribution of net exports to GDP growth in Q3 was negative in volume terms but it was slightly positive in real terms.

### ● 2022 Q3 real GDP growth forecast update

▶ Our expenditure-side forecast for real GDP growth in 2022 Q3 is an annualized +0.4% QoQ. The production-side forecast figure is an annualized +3.1%. The average of the two is an annualized +1.8% (Figure 1). Our expenditure-side forecast is lower than the market consensus forecast figure, but the production-side one is higher.

### ● 2022 Q3 inflation forecast update

▶ In September, the National Consumer Price Index (CPI) rose +3.0% YoY, marking the 12th consecutive month of inflation. On a quarterly basis, CPI inflation in Q3 was +2.9% YoY, marking the fourth consecutive quarterly increase.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2022 Q2 are both +0.8 QoQ. However, as the terms of trade are deteriorating, we forecast a GDP deflator of -0.5% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jul-Sep (Q3) 2022 (% , QoQ annualized growth)

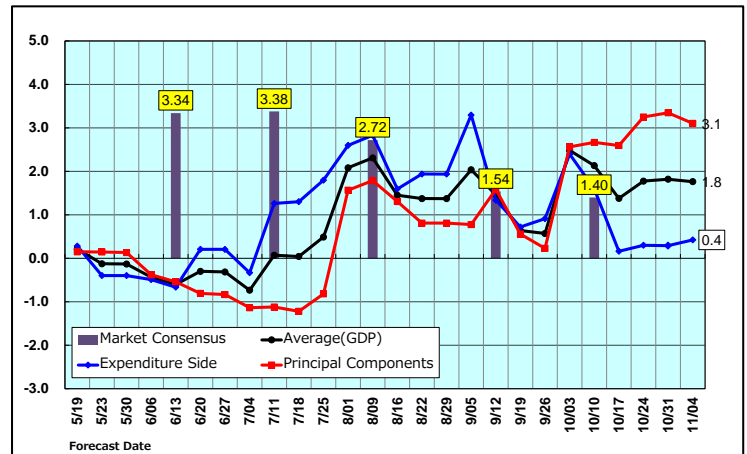
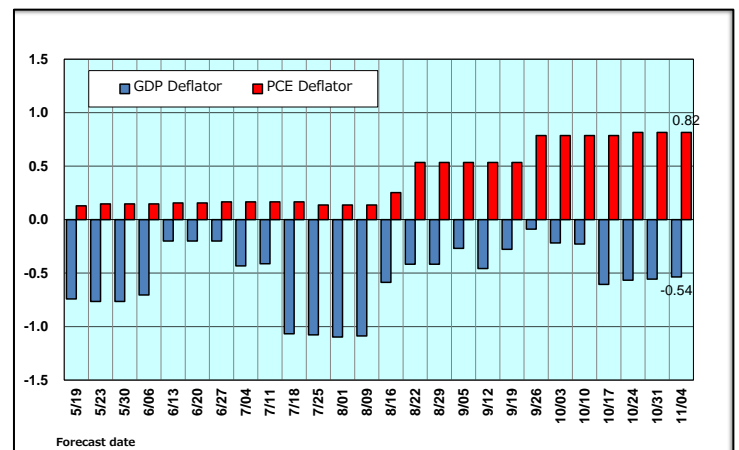


Fig 2 CQM Forecast: Inflation Jul-Sep (Q3) 2022 (% , QoQ growth)



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)**

Release Date	Data Month	Economic Indicator	Value/ Index Score	Change		
				MoM	YoY	
11/2	October	<b>Food Buffer Stock (billion JPY)</b>	35.7		+13.2	
11/1	October	<b>New Car Sales (vehicles)</b>	295,809		+28.3%	
10/31	September	<b>Indices of Industrial Production (preliminary figures, 2015=100)</b>				
		Production	98.6	-1.6%		
		Shipments	95.2	-2.4%		
			Inventories	103.9	+3.0%	
	September	<b>Current Survey of Commerce (preliminary figures)</b>				
		Retail trade (billion JPY)	12,591.0	+1.1%	+4.5%	
	September	<b>New Housing Starts</b>				
		New housing starts (SA, Unit)	73,920	-5.1%	+1.0%	
		Planned residential construction expenditure (billion JPY)	1,269.6	-2.9%	+2.8%	
	August	<b>Construction Costs Deflator (2015=100)</b>				
	Housing construction	121.6		+6.5%		
	Public works	118.1		+5.8%		
October	<b>Consumer Confidence Index (SA)</b>	29.9	-0.9			
10/28	September	<b>Labor Force Survey</b>				
		Total employment (millions)	67.43	+0.13		
		Total unemployment (millions)	1.83	+0.08		
		Unemployment rate (%)	2.6%	+0.1%pt		
	September	<b>General Job Placement Situation</b>				
	Job offers-to-applicants ratio	1.34	+0.02%pt			
October	<b>Tokyo Region Consumer Price Index (2020=100)</b>					
	Core	103.2	+0.4%	+3.4%		
10/27	September	<b>Corporate Services Price Index (2015=100)</b>				
		Overall index	107.3		+2.1%	
	September	<b>Producer Price Index for Final Demand (2015=100)</b>				
	Capital goods	103.1		+3.3%		
	Consumer goods	109.6		+6.0%		
10/26	August	<b>Index of Business Conditions (revised figures, 2015=100)</b>				
		Leading indicators	101.3	+2.4		
		Coincident indicators	101.8	+1.7		
	Lagging indicators	98.9	+1.7			
10/25	August	<b>Monthly Labor Statistics (final figures)</b>				
		Total cash salary per capita (JPY)	279,346		+1.7%	
	Total working hours	132.2		+2.0%		
10/21	September	<b>National Consumer Price Index (2020=100)</b>				
		Core index	102.9	+0.4%	+3.0%	
10/20	September	<b>Trade Statistics (customs clearance level)</b>				
		Trade balance (billion JPY)	-2,094.0	-14.0%	+228.8%	
		Exports (billion JPY)	8,818.7	+3.2%	+28.9%	
	Imports (billion JPY)	10,912.6	-0.6%	+45.9%		
10/19	August	<b>General Construction Statistics</b>				
		Private non-residential construction (billion JPY)	905.9		+12.0%	
	Public works (billion JPY)	1,698.7		+0.1%		

10/17	August August	<b>Tertiary Industry Activity Index (2015=100)</b> <b>Indices of Industrial Production (final figures, 2015=100)</b> Production Shipments Inventory Production capacity index Capacity utilization ratio	100.0 100.2 97.5 100.9 95.3 95.6	+0.7% +3.4% +2.8% +0.7%  +1.2%	    -1.0%
10/14	September	<b>Public Works Advanced Securities Statistics</b> Contract amount (billion JPY) Number of contracts	1,298.5 26,027	  	-1.9% +2.4%
10/13	September	<b>Domestic Corporate Price Index (2015=100)</b> Corporate Price Export Price Import Price	116.3 131.9 188.1	+0.7% +2.9% +4.7%	+9.7% +20.1% +48.0%
10/12	August	<b>Private Core Machinery Orders (billion JPY)</b>	909.8	-5.8%	
10/11	September  August	<b>Economy Watchers Survey</b> Current Conditions Diffusion Index Future Conditions Diffusion Index <b>Balance of Payments</b> Current account (billion JPY) Exports (billion JPY) Imports (billion JPY)	48.4 49.2 58.9 8,059.6 10,550.2	+2.9 -0.2 -15.7% +0.4% +3.4%	  -96.1% +23.7% +52.9%
10/7	August  August  August August August	<b>Monthly Labor Statistics (preliminary figures)</b> Total cash salary per capita (JPY) Total working hours <b>Family Income and Expenditure Survey (households with 2 or more people)</b> Nominal consumption expenditure (JPY) Real consumption expenditure <b>Consumption Trend Index (2020=100)</b> <b>Consumption Activity Index (2015=100)</b> <b>Index of Business Conditions (preliminary, 2015=100)</b> Leading indicators Coincident indicators Lagging indicators	279,388 132.5 289,974 103.6 95.4 100.9 101.7 100.5	   -1.3% -1.7% -0.6% -1.1% +2.0 +1.6 +3.1	+1.7% +2.2% +8.8% +5.1%
10/6	July	<b>Synthetic Consumption Index (2015=100)</b>	98.6	0.0%	

**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
	2022Q2			2022Q3			2022Q4			2022Q4			2022Q4		
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
5/19	2.7	2.6	2.7	-2.2	-0.6	0.3	0.1	0.2	-0.7	0.1					
5/23	0.2	3.3	1.8	-1.4	0.6	-0.4	0.1	-0.1	-0.8	0.1					
5/30	0.2	3.4	1.8	-1.4	0.6	-0.4	0.1	-0.1	-0.8	0.1					
6/06	-0.4	2.6	1.1	-1.3	0.5	-0.5	-0.4	-0.4	-0.7	0.1					
<u>6/08</u>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
6/13	0.8	2.7	1.7	-0.8	0.5	-0.7	-0.5	-0.6	-0.2	0.2					
6/20	0.7	3.2	1.9	-0.9	0.5	0.2	-0.8	-0.3	-0.2	0.2					
6/27	0.7	3.3	2.0	-0.9	0.5	0.2	-0.8	-0.3	-0.2	0.2					
7/04	0.7	2.4	1.6	-1.1	0.5	-0.3	-1.1	-0.7	-0.4	0.2					
7/11	1.0	2.5	1.8	-1.1	0.5	1.3	-1.1	0.1	-0.4	0.2					
7/18	0.8	2.4	1.6	-1.3	0.5	1.3	-1.2	0.0	-1.1	0.2					
7/25	1.2	2.1	1.6	-1.3	0.5	1.8	-0.8	0.5	-1.1	0.1					
8/01	1.4	3.5	2.4	-1.3	0.5	2.6	1.6	2.1	-1.1	0.1					
8/09	3.0	4.2	3.6	-1.3	0.5	2.8	1.8	2.3	-1.1	0.1					
<u>8/15</u>	<u>2.2</u>			<u>-0.3</u>	<u>1.1</u>										
8/16						1.6	1.3	1.5	-0.6	0.3	1.8	1.5	1.7	-0.2	-0.3
8/22						1.9	0.8	1.4	-0.4	0.5	1.9	1.5	1.7	-0.2	-0.3
8/29						1.9	0.8	1.4	-0.4	0.5	1.9	1.5	1.7	-0.2	-0.3
9/05						3.3	0.8	2.0	-0.3	0.5	1.9	1.1	1.5	-0.2	-0.3
<u>9/08</u>	<u>3.5*</u>			<u>-0.2*</u>	<u>1.1*</u>										
9/12						1.3	1.6	1.5	-0.5	0.5	1.9	1.1	1.5	-0.2	-0.3
9/19						0.7	0.6	0.6	-0.3	0.5	1.6	0.6	1.1	0.2	-0.3
9/26						0.9	0.2	0.6	-0.1	0.8	1.6	0.4	1.0	0.3	-0.1
10/03						2.4	2.6	2.5	-0.2	0.8	1.7	1.8	1.8	0.2	-0.1
10/10						1.6	2.7	2.1	-0.2	0.8	1.7	1.9	1.8	0.2	-0.1
10/17						0.2	2.6	1.4	-0.6	0.8	1.0	1.9	1.4	-1.1	-0.1
10/24						0.3	3.3	1.8	-0.6	0.8	1.7	2.0	1.9	-1.0	-0.1
10/31						0.3	3.3	1.8	-0.6	0.8	1.7	2.1	1.9	-1.0	-0.1
11/04						0.4	3.1	1.8	-0.5	0.8	1.6	2.3	2.0	-1.0	-0.1

Note: Underlined figures are 1st preliminary estimates, and figures marked by \* are 2nd preliminary estimates.

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

	Quarterly		Forecast			CY		FY	
	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2021	2022	2021	2022
GDP/GDE									
Gross Domestic Products	539,095	539,376	544,022	544,597	546,809	535,989	543,701	536,862	545,715
Private Consumption	293,037	293,885	297,335	297,238	297,718	288,927	296,544	290,366	297,583
Residential Investment	18,358	18,096	17,758	17,509	17,749	18,633	17,778	18,496	17,729
Nonresidential Investment	83,415	83,304	84,987	87,350	87,586	83,919	85,807	83,692	86,924
Change in Private Inventory	153	3,094	1,614	2,021	2,484	-171	2,304	1,013	1,987
Government Consumption	116,026	116,487	117,307	117,853	118,372	115,419	117,505	116,021	118,107
Public Investment	26,908	26,045	26,297	26,942	27,159	28,352	26,611	27,309	26,898
Change in Public Inventory	5	-15	-46	28	57	-19	6	-15	26
Net Exports	1,535	-1,120	-750	-3,864	-3,836	1,110	-2,393	438	-3,058
Exports of Goods & Services	103,982	104,900	105,854	109,711	110,829	102,691	107,824	103,837	109,412
Imports of Goods & Services	102,447	106,021	106,604	113,575	114,665	101,581	110,216	103,399	112,470
Gross National Income	551,891	552,028	552,858	550,641	550,380	552,341	551,477	551,263	551,122
Memo:									
Total Demand	641,542	645,396	650,626	658,172	661,474	637,570	653,917	640,260	658,185
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.0	0.1	0.9	0.1	0.4				
<b>SAAR</b>	<b>3.9</b>	<b>0.2</b>	<b>3.5</b>	<b>0.4</b>	<b>1.6</b>				
% Change Year Ago	0.5	0.9	1.4	2.0	1.4	1.7	1.4	2.3	1.6
Private Consumption	2.4	0.3	1.2	0.0	0.2				
% Change Year Ago	1.3	2.2	3.0	3.9	1.6	1.3	2.6	2.6	2.5
Residential Investment	-1.3	-1.4	-1.9	-1.4	1.4				
% Change Year Ago	-0.9	-3.0	-6.3	-5.9	-3.3	-1.9	-4.6	-1.6	-4.1
Nonresidential Investment	0.2	-0.1	2.0	2.8	0.3				
% Change Year Ago	0.0	-1.0	0.0	4.9	5.0	-0.9	2.2	0.6	3.9
Government Consumption	-0.3	0.4	0.7	0.5	0.4				
% Change Year Ago	0.9	2.1	1.9	1.3	2.0	2.1	1.8	2.0	1.8
Public Investment	-3.7	-3.2	1.0	2.5	0.8				
% Change Year Ago	-9.4	-12.2	-9.0	-3.6	0.9	-2.6	-6.1	-7.5	-1.5
Exports of Goods & Services	0.6	0.9	0.9	3.6	1.0				
% Change Year Ago	6.0	4.6	2.5	6.2	6.6	11.8	5.0	12.5	5.4
Imports of Goods & Services	0.4	3.5	0.6	6.5	1.0				
% Change Year Ago	5.6	7.3	3.3	11.3	11.9	5.1	8.5	7.2	8.8
Gross National Income	0.7	0.0	0.2	-0.4	0.0				
<b>SAAR</b>	<b>2.8</b>	<b>0.1</b>	<b>0.6</b>	<b>-1.6</b>	<b>-0.2</b>				
% Change Year Ago	-1.7	-0.6	-0.3	0.5	-0.3	0.5	-0.2	0.7	0.0
Total Demand	0.9	0.6	0.8	1.2	0.5				
<b>SAAR</b>	<b>3.5</b>	<b>2.4</b>	<b>3.3</b>	<b>4.7</b>	<b>2.0</b>				
% Change Year Ago	0.0	11.0	1.7	3.5	3.1	2.2	2.6	3.0	2.8
Contribution to GDP Growth Rate									
Domestic Demand	0.9	0.5	0.8	0.7	0.4	0.6	2.1	1.5	2.3
Private Demand	1.2	0.6	0.6	0.4	0.3	0.3	2.1	1.5	2.0
Public demand	-0.3	-0.1	0.2	0.2	0.1	0.3	0.0	0.0	0.3
Net Exports	0.0	-0.5	0.1	-0.6	0.0	1.0	-0.7	0.8	-0.7

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

	Quarterly			Forecast		CY		FY	
	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2021	2022	2021	2022
GDP/GDE									
Gross Domestic Products	541,857	544,114	547,472	545,084	541,915	541,369	544,646	541,581	544,052
Private Consumption	295,971	299,392	306,250	308,642	308,937	291,932	305,805	293,818	308,350
Residential Investment	21,104	21,101	20,996	20,950	21,132	20,618	21,045	20,921	21,052
Nonresidential Investment	86,313	87,009	89,912	93,559	94,419	85,787	91,225	86,327	93,277
Change in Private Inventory	-203	2,532	1,808	2,163	2,442	-407	2,236	581	2,004
Government Consumption	116,933	118,480	118,571	119,411	119,853	116,150	119,079	117,185	119,555
Public Investment	29,329	28,713	29,354	30,211	30,367	30,361	29,661	29,594	30,066
Change in Public Inventory	14	-3	-88	-4	20	-39	-19	-21	-11
Net Exports	-7,603	-13,110	-19,330	-29,847	-35,255	-3,033	-24,385	-6,824	-30,242
Exports of Goods & Services	105,808	109,376	116,804	124,425	128,920	100,041	119,881	103,698	125,321
Imports of Goods & Services	113,412	122,486	136,134	154,272	164,174	103,073	144,266	110,521	155,563
Gross National Income	563,808	568,256	572,686	572,347	570,055	562,015	570,836	563,314	571,323
Memo:									
Total Demand	655,269	666,600	683,606	699,356	706,089	644,442	688,913	652,102	699,614
Compensation of Employee	288,279	291,028	292,248	291,775	291,905	288,104	291,739	288,703	292,029
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.4	0.4	0.6	-0.4	-0.6				
<b>SAAR</b>	<b>1.8</b>	<b>1.7</b>	<b>2.5</b>	<b>-1.7</b>	<b>-2.3</b>				
% Change Year Ago	-0.8	0.2	1.1	1.0	0.0	0.8	0.6	1.3	0.5
Private Consumption	2.2	1.2	2.3	0.8	0.1				
% Change Year Ago	1.2	2.8	5.4	6.6	4.4	0.8	4.8	2.4	4.9
Residential Investment	1.0	0.0	-0.5	-0.2	0.9				
% Change Year Ago	8.6	6.2	2.1	0.2	0.1	3.1	2.1	5.6	0.6
Nonresidential Investment	1.0	0.8	3.3	4.1	0.9				
% Change Year Ago	2.9	2.2	3.9	9.4	9.4	0.6	6.3	3.1	8.1
Government Consumption	-0.8	1.3	0.1	0.7	0.4				
% Change Year Ago	2.1	3.7	2.5	1.3	2.5	2.6	2.5	3.1	2.0
Public Investment	-2.5	-2.1	2.2	2.9	0.5				
% Change Year Ago	-5.5	-8.4	-4.3	0.5	3.5	-0.3	-2.3	-4.3	1.6
Exports of Goods & Services	4.8	3.4	6.8	6.5	3.6				
% Change Year Ago	18.2	15.7	18.2	23.2	21.8	19.3	19.8	22.9	20.9
Imports of Goods & Services	7.2	8.0	11.1	13.3	6.4				
% Change Year Ago	34.8	32.8	35.2	45.8	44.8	20.9	40.0	30.3	40.8
Gross National Income	0.7	0.8	0.8	-0.1	-0.4				
<b>SAAR</b>	<b>2.8</b>	<b>3.2</b>	<b>3.2</b>	<b>-0.2</b>	<b>-1.6</b>				
% Change Year Ago	-0.4	0.9	1.9	2.2	1.1	0.9	1.6	1.7	1.4
Memo:									
Total Demand	1.5	1.7	2.6	2.3	1.0				
<b>SAAR</b>	<b>6.3</b>	<b>7.1</b>	<b>10.6</b>	<b>9.5</b>	<b>3.9</b>				
% Change Year Ago	0.0	21.2	6.5	8.4	7.8	0.0	3.5	0.0	5.3
Compensation of Employee	0.0	1.0	0.4	-0.2	0.0				
% Change Year Ago	1.2	0.8	1.6	1.3	1.3	1.7	1.3	1.8	1.2

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2021	2022	2021	2022
GDP/GDE									
Gross Domestic Products	100.5	100.9	100.6	100.1	99.1	101.0	100.2	100.9	99.7
Private Consumption	101.0	101.9	103.0	103.8	103.8	101.0	103.1	101.2	103.6
Residential Investment	115.0	116.6	118.2	119.7	119.1	110.6	118.4	113.1	118.8
Nonresidential Investment	103.5	104.5	105.8	107.1	107.8	102.3	106.3	103.1	107.3
Government Consumption	100.8	101.7	101.1	101.3	101.3	100.6	101.3	101.0	101.2
Public Investment	109.0	110.3	111.6	112.1	111.8	107.1	111.5	108.2	111.8
Exports of Goods & Services	101.8	104.3	110.3	113.4	116.3	97.4	111.1	99.8	114.5
Imports of Goods & Services	110.7	115.5	127.7	135.8	143.2	101.4	130.6	106.8	138.1
Unit Profit	102.1	101.8	101.8	100.9	99.2	102.5	100.9	102.2	100.2
Unit Labor Cost	99.2	100.1	99.7	99.4	99.1	99.7	99.6	99.8	99.3
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.5	0.4	-0.2	-0.5	-1.0				
	-1.3	-0.7	-0.3	-0.9	-1.4	-0.9	-0.8	-1.0	-1.2
Private Consumption	-0.2	0.9	1.1	0.8	-0.1				
	-0.1	0.6	2.3	2.6	2.7	-0.5	2.1	-0.2	2.4
Residential Investment	2.3	1.4	1.4	1.2	-0.5				
	9.5	9.5	8.9	6.5	3.6	5.0	7.1	7.3	5.0
Nonresidential Investment	0.8	0.9	1.3	1.2	0.7				
	2.9	3.3	3.9	4.3	4.2	1.5	3.9	2.4	4.1
Government Consumption	-0.5	0.9	-0.6	0.2	-0.1				
	1.2	1.6	0.7	0.1	0.5	0.5	0.7	1.1	0.2
Public Investment	1.3	1.2	1.3	0.5	-0.3				
	4.3	4.3	5.2	4.2	2.6	2.5	4.1	3.4	3.3
Exports of Goods & Services	4.1	2.5	5.8	2.8	2.6				
	11.5	10.6	15.3	16.1	14.3	6.8	14.1	9.4	14.7
Imports of Goods & Services	6.8	4.4	10.5	6.4	5.4				
	27.6	23.7	30.9	31.0	29.3	14.9	28.8	21.6	29.3
Unit Profit	0.0	-0.2	0.0	-0.9	-1.7				
	0.0	1.4	-0.8	-1.2	-2.8	-1.9	-1.6	-1.5	-2.0
Unit Labor Cost	0.0	0.9	-0.4	-0.3	-0.4				
	0.0	14.2	0.1	-0.7	-0.2	0.0	-0.2	-0.5	-0.5