



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 latest official data

▶ This forecast reflects data released by the end of November as well as the first official advance GDP estimate for 2023 Q3. About one-third of all data necessary for an accurate estimate of Q4 GDP have been released. Data on household consumption-related indicators, public works, and the balance of payments are not available yet.

▶ According to the first official advance estimate, real GDP in Q3 shrank an annualized -2.1% QoQ, marking the first decline in three quarters. The figure was significantly lower than the market consensus final forecast. APIR's CQM final expenditure-side forecast was in the bull's eye.

▶ The Index of Industrial Production index in October rose +1.0% MoM, marking the second consecutive month of positive growth. The October figure was +1.1% higher than the Q3 average. METI left its assessment of economic conditions unchanged.

▶ Compared with the Q3 average, planned construction expenditure in October increased by +6.8%, and the index of capital goods shipments rose by +0.5%. In Q3, public works expanded for the third quarter in a row in Q3 (+0.3% QoQ).

▶ Compared to the Q3 average, real exports in October increased by +0.8%, while real imports declined by -0.1%. Net goods exports made a small positive contribution to real GDP growth.

● 2023 Q4 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2023 Q4 is an annualized -0.3% QoQ. The production-side forecast figure is also an annualized +0.3%. The average of the two forecasts (-0.3%) is lower than the market consensus forecast figure of +0.77% (Figure 1).

● 2023 Q4 inflation forecast update

▶ In October, the nationwide CPI rose by +2.9% YoY, marking the 26th month of inflation. The inflation rate remained in the 2% range for the second month in a row.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2023 Q4 are respectively +0.9% and +0.3% QoQ. However, since the terms of trade are expected to deteriorate, we forecast a GDP deflator of -0.3% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Oct-Dec (Q4) 2023 (% , QoQ annualized growth)

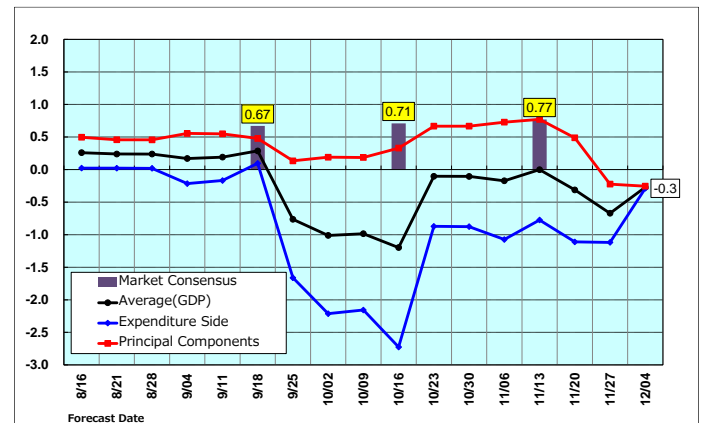
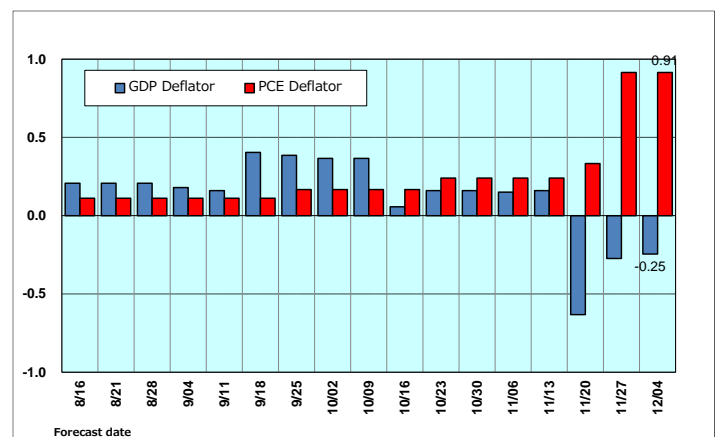


Fig 2 CQM Forecast: Inflation Oct-Dec (Q4) 2023 (% , QoQ growth)



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
12/1	November	New Car Sales (vehicles)	344,045		+11.7%
	October	Labor Force Survey Total employment (millions) Total unemployment (millions) Unemployment rate (%)	67.49 1.75 2.5%	-0.07 -0.02 -0.1%pt	
	October	General Job Placement Situation Job offers-to-applicants ratio	1.30	+0.01%pt	
11/30	October	Indices of Industrial Production (preliminary figures, 2020=100) Production Shipments Inventories	104.6 103.6 104.4	+1.0% +0.2% +0.8%	
	October	Current Survey of Commerce (preliminary figures) Retail trade (billion JPY)	13,648.0	-1.6%	+4.2%
	October	New Housing Starts New housing starts (SA, Unit) Planned residential construction expenditure (billion JPY)	71,769 1,463.2	+1.0% +6.8%	-6.3% +11.4%
	September	Construction Costs Deflator (2015=100) Housing construction Public works	121.5 120.9		+1.1% +3.5%
	November	Consumer Confidence Index (SA)	36.1	+0.4	
11/29	October	Producer Price Index for Intermediate and Final Demand (2015=100) Capital goods Consumer goods	107.5 112.5		+3.4% +1.4%
11/26	October	Corporate Services Price Index (2015=100) Overall index	110.2		+2.3%
11/24	October	National Consumer Price Index (2020=100) Core index	106.4	+0.5%	+2.9%
	September	Index of Business Conditions (revised, 2015=100) Leading indicators Coincident indicators Lagging indicators	108.9 114.7 106.2	-0.3 +0.1 +0.4	
11/21	September	Monthly Labor Statistics (final figures) Gross average salary per worker (JPY) Total working hours	277,700 136.5		+0.6% -0.6%
11/17	September	General Construction Statistics Private non-residential construction (billion JPY) Public works (billion JPY)	956.7 1,939.1		+0.5% +4.0%
11/16	September	Tertiary Industry Activity Index (2015=100)	101.3	-1.0%	
	September	Private Core Machinery Orders (billion JPY)	852.9	+1.4%	
	October	Trade Statistics (customs clearance level) Trade balance (billion JPY) Exports (billion JPY)	-662.5 9,147.1	+9.9% -1.2%	-70.0% +1.6%

		Imports (billion JPY)	9,809.6	-0.7%	-12.5%
11/15	September	Indices of Industrial Production (final figures, 2020=100)			
		Production	103.6	+0.5%	
		Shipments	103.4	+0.6%	
		Inventory	103.6	-1.3%	
		Production capacity index	98.4		0.0%
		Capacity utilization ratio	106.6	+0.4%	
	October	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,093.3		+3.6%
		Number of contracts	21,599		-0.8%
11/13	October	Domestic Corporate Price Index (2020=100)			
		Corporate Price	119.1	-0.4%	+0.8%
		Export Price	136.7	+0.7%	+2.4%
		Import Price	166.5	+2.3%	-11.7%
11/10	September	Information Services Industry Sales (billion JPY)	1,831.7		+7.7%
11/9	October	Economy Watchers Survey			
		Current Conditions Diffusion Index	49.5	-0.4	
		Business Outlook Diffusion Index	48.4	-1.1	
	September	Balance of Payments			
		Current account (billion JPY)	2,723.6	+33.8%	+258.4%
		Exports (billion JPY)	9,060.1	+6.2%	+2.6%
		Imports (billion JPY)	8,718.9	+2.3%	-18.1%
11/8	September	Consumption Activity Index (2015=100)	96.2	-1.0%	
	September	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	108.7	-0.5	
		Coincident indicators	114.7	+0.1	
		Lagging indicators	105.7	-0.2	
11/7	September	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	278,304		+1.2%
		Total working hours	136.8		-0.3%
	September	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	282,969	+0.3%	+0.7%
		Real consumption expenditure		+0.3%	-2.8%
	September	Consumption Trend Index (2020=100)	103.3	0.0%	
11/2	October	Food Balance (billion JPY)	+39.9		+4.2
11/1	October	New Car Sales (vehicles)	334,485		+13.1%
10/27	October	Tokyo Region Consumer Price Index (2020=100)			
		Core	106.0	+0.7%	+2.7%

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
	2023Q3					2023Q4					2024Q1				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
8/16	2.0	-0.1	0.9	0.7	0.2	0.0	0.5	0.2	0.2	0.1					
8/21	1.7	0.3	0.5	0.7	0.4	0.0	0.5	0.2	0.2	0.1					
8/28	1.6	0.3	1.0	0.7	0.4	0.0	0.5	0.2	0.2	0.1					
9/04	1.6	0.2	0.9	0.7	0.4	-0.2	0.6	0.2	0.2	0.1					
9/08															
9/11	2.3	0.2	1.3	0.5	0.4	-0.2	0.5	0.2	0.2	0.1					
9/18	2.2	-0.3	0.9	0.8	0.4	0.1	0.5	0.3	0.4	0.1					
9/25	0.7	-1.1	-0.2	0.8	0.5	-1.7	0.1	-0.8	0.4	0.2					
10/02	0.0	-1.2	-0.6	0.9	0.5	-2.2	0.2	-1.0	0.4	0.2					
10/09	-0.4	-0.2	-0.3	0.9	0.5	-2.2	0.2	-1.0	0.4	0.2					
10/16	-2.5	-0.1	-1.3	0.7	0.5	-2.7	0.3	-1.2	0.1	0.2					
10/23	-1.8	0.2	-0.8	0.8	0.5	-0.9	0.7	-0.1	0.2	0.2					
10/30	-1.8	0.2	-0.8	0.8	0.5	-0.9	0.7	-0.1	0.2	0.2					
11/06	-1.8	0.0	-0.9	0.7	0.5	-1.1	0.7	-0.2	0.2	0.2					
11/13	-1.8	0.2	-0.8	0.7	0.5	-0.8	0.8	-0.0	0.2	0.2					
11/15	-2.1			0.5	0.5										
11/20						-1.1	0.5	-0.3	-0.6	0.3	2.2	2.1	2.2	-0.9	-0.4
11/27						-1.1	-0.2	-0.7	-0.3	0.9	2.2	2.1	2.1	-0.9	-0.4
12/04						-0.3	-0.3	-0.3	-0.2	0.9	2.2	2.2	2.2	-0.9	-0.4

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	
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	552,035	558,082	555,082	554,683	557,772	545,927	554,970	548,706	556,405
Private Consumption	297,499	294,831	294,700	294,923	295,279	293,692	295,488	295,746	294,933
Residential Investment	18,363	18,685	18,669	18,948	19,236	18,229	18,666	18,202	18,884
Nonresidential Investment	91,416	90,489	89,918	90,295	90,141	89,188	90,530	90,326	90,211
Change in Private Inventory	2,642	2,011	493	-821	122	2,315	1,081	2,252	451
Government Consumption	118,773	118,814	119,163	119,325	119,821	118,445	119,019	118,632	119,281
Public Investment	27,024	27,099	26,962	27,009	27,212	26,456	27,024	26,669	27,070
Change in Public Inventory	-48	-42	-23	2	-24	-103	-28	-104	-22
Net Exports	-3,608	4,850	4,342	4,144	5,128	-1,697	2,432	-2,364	4,616
Exports of Goods & Services	107,009	111,211	111,796	113,300	114,256	107,997	110,829	108,501	112,641
Imports of Goods & Services	110,617	106,360	107,454	109,156	109,128	109,694	108,397	110,866	108,025
Gross National Income	567,983	580,260	577,101	571,403	571,982	562,662	574,187	564,545	575,187
Memo:									
Total Demand	662,652	664,442	662,536	663,839	666,900	655,621	663,367	659,572	664,429
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.9	1.1	-0.5	-0.1	0.6				
SAAR	3.7	4.5	-2.1	-0.3	2.2				
% Change Year Ago	1.9	1.9	1.4	1.4	1.0	0.9	1.7	1.3	1.4
Private Consumption	0.7	-0.9	0.0	0.1	0.1				
% Change Year Ago	2.8	0.1	-0.1	-0.2	-0.7	2.0	0.6	2.5	-0.3
Residential Investment	0.5	1.8	-0.1	1.5	1.5				
% Change Year Ago	-0.5	3.4	3.2	3.7	4.8	-3.7	2.4	-3.2	3.8
Nonresidential Investment	1.7	-1.0	-0.6	0.4	-0.2				
% Change Year Ago	4.5	1.6	-0.9	0.5	-1.4	1.8	1.5	3.0	-0.1
Government Consumption	0.1	0.0	0.3	0.1	0.4				
% Change Year Ago	0.6	0.2	0.5	0.5	0.9	1.2	0.5	0.7	0.5
Public Investment	1.4	0.3	-0.5	0.2	0.7				
% Change Year Ago	3.1	2.8	1.2	1.4	0.7	-7.3	2.1	-3.2	1.5
Exports of Goods & Services	-3.5	3.9	0.5	1.3	0.8				
% Change Year Ago	2.0	4.0	2.3	2.1	6.8	5.1	2.6	4.5	3.8
Imports of Goods & Services	-2.1	-3.8	1.0	1.6	0.0				
% Change Year Ago	4.3	-0.8	-4.7	-3.4	-1.3	8.0	-1.2	7.2	-2.6
Gross National Income	0.3	2.2	-0.5	-1.0	0.1				
SAAR	1.3	8.9	-2.2	-3.9	0.4				
% Change Year Ago	1.1	3.1	2.9	0.9	0.7	0.0	2.0	0.3	1.9
Total Demand	0.4	0.3	-0.3	0.2	0.5				
SAAR	1.6	1.1	-1.1	0.8	1.9				
% Change Year Ago	0.0	14.2	0.4	0.6	0.6	2.0	1.2	2.3	0.7
Contribution to GDP Growth Rate									
Domestic Demand	1.1	-0.7	-0.4	0.0	0.4	1.5	0.7	1.8	-0.1
Private Demand	1.0	-0.7	-0.4	-0.1	0.3	1.6	0.4	1.9	-0.3
Public demand	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	0.0	0.2
Net Exports	-0.2	1.8	-0.1	0.0	0.2	-0.6	1.0	-0.5	1.5

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

	Quarterly		Forecast			CY		FY	
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	574,146	588,679	588,452	586,553	584,345	556,743	584,457	562,308	587,007
Private Consumption	319,028	317,537	318,949	322,108	321,113	308,340	319,406	312,744	319,927
Residential Investment	21,818	22,128	22,076	22,352	22,695	21,631	22,094	21,684	22,313
Nonresidential Investment	99,335	99,224	99,444	100,538	101,040	95,115	99,635	97,276	100,061
Change in Private Inventory	2,135	3,132	161	-1,422	-726	2,795	1,002	2,593	286
Government Consumption	122,225	122,085	122,925	123,273	123,768	120,826	122,627	121,470	123,012
Public Investment	30,791	31,149	31,176	31,310	31,209	29,649	31,106	30,170	31,211
Change in Public Inventory	-21	-38	-65	-9	-29	-254	-33	-242	-35
Net Exports	-21,166	-6,538	-6,213	-11,597	-14,726	-21,357	-11,378	-23,386	-9,768
Exports of Goods & Services	119,873	125,272	129,461	134,533	135,824	120,233	127,285	122,795	131,272
Imports of Goods & Services	141,039	131,810	135,674	146,129	150,550	141,591	138,663	146,181	141,041
Gross National Income	606,269	623,612	622,522	619,204	617,910	591,072	617,902	596,790	620,812
Memo:									
Total Demand	715,186	720,489	724,125	732,682	734,894	698,334	723,120	708,490	728,047
Compensation of Employee	297,597	300,408	300,390	300,176	300,178	294,492	299,643	295,376	300,288
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	2.3	2.5	0.0	-0.3	-0.4				
SAAR	9.4	10.5	-0.2	-1.3	-1.5				
% Change Year Ago	3.7	5.4	6.2	4.5	1.8	1.2	5.0	2.0	4.4
Private Consumption	1.8	-0.5	0.4	1.0	-0.3				
% Change Year Ago	5.9	3.0	2.9	2.8	0.7	4.9	3.6	5.6	2.3
Residential Investment	0.1	1.4	-0.2	1.3	1.5				
% Change Year Ago	1.1	2.9	2.1	2.5	4.0	3.1	2.1	1.7	2.9
Nonresidential Investment	2.0	-0.1	0.2	1.1	0.5				
% Change Year Ago	8.3	4.9	2.1	3.2	1.7	6.0	4.8	7.4	2.9
Government Consumption	0.2	-0.1	0.7	0.3	0.4				
% Change Year Ago	2.1	1.7	1.2	1.0	1.3	2.6	1.5	2.1	1.3
Public Investment	1.7	1.2	0.1	0.4	-0.3				
% Change Year Ago	6.8	5.8	3.8	3.4	1.4	-2.9	4.9	1.2	3.4
Exports of Goods & Services	-5.8	4.5	3.3	3.9	1.0				
% Change Year Ago	9.5	5.5	3.4	5.7	13.3	20.0	5.9	18.3	6.9
Imports of Goods & Services	-7.0	-6.5	2.9	7.7	3.0				
% Change Year Ago	15.1	-4.3	-12.0	-3.7	6.7	37.4	-2.1	32.3	-3.5
Gross National Income	1.0	2.9	-0.2	-0.5	-0.2				
SAAR	4.0	11.9	-0.7	-2.1	-0.8				
% Change Year Ago	3.5	5.6	5.7	3.1	1.9	2.5	4.5	2.8	4.0
Memo:									
Total Demand	0.3	0.7	0.5	1.2	0.3				
SAAR	1.1	3.0	2.0	4.8	1.2				
% Change Year Ago	0.0	31.0	2.2	2.7	2.8	0.0	6.9	0.0	7.0
Compensation of Employee	0.5	0.9	0.0	-0.1	0.0				
% Change Year Ago	1.5	2.4	1.9	1.3	0.9	2.0	1.7	2.0	1.7

Table 3-3: Deflator : 2015=100

	Quarterly		Forecast			CY		FY	
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	104.0	105.5	106.0	105.8	104.8	102.0	105.3	102.5	105.5
Private Consumption	107.2	107.7	108.2	109.2	108.8	105.0	108.1	105.7	108.5
Residential Investment	118.8	118.4	118.3	118.0	118.0	118.7	118.4	119.1	118.2
Nonresidential Investment	108.7	109.7	110.6	111.3	112.1	106.7	110.1	107.6	110.9
Government Consumption	102.9	102.8	103.2	103.3	103.3	102.0	103.0	102.4	103.1
Public Investment	113.9	115.0	115.6	115.9	114.7	112.1	115.1	113.0	115.3
Exports of Goods & Services	112.0	112.6	115.8	118.7	118.9	111.2	114.8	113.1	116.5
Imports of Goods & Services	127.5	123.9	126.3	133.9	138.0	128.9	127.9	131.8	130.5
Unit Profit	108.7	112.1	112.6	112.0	110.5	104.2	111.4	105.6	111.8
Unit Labor Cost	100.0	99.9	100.4	100.4	99.9	100.1	100.2	99.9	100.1
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.4	1.4	0.5	-0.3	-0.9				
	1.8	3.5	4.7	3.0	0.7	0.3	3.3	0.7	3.0
Private Consumption	1.2	0.4	0.5	0.9	-0.4				
	3.0	2.9	3.0	3.0	1.4	2.8	3.0	3.0	2.6
Residential Investment	-0.4	-0.3	-0.2	-0.2	0.0				
	1.6	-0.5	-1.0	-1.1	-0.7	7.1	-0.2	5.1	-0.8
Nonresidential Investment	0.3	0.9	0.9	0.7	0.7				
	3.7	3.3	3.0	2.8	3.2	4.1	3.2	4.2	3.0
Government Consumption	0.1	-0.2	0.4	0.2	0.0				
	1.4	1.5	0.6	0.5	0.4	1.4	1.0	1.4	0.7
Public Investment	0.3	0.9	0.6	0.3	-1.1				
	3.6	2.9	2.5	2.0	0.7	4.8	2.7	4.6	2.0
Exports of Goods & Services	-2.4	0.6	2.8	2.5	0.1				
	7.3	1.4	1.0	3.5	6.1	14.2	3.2	13.2	3.0
Imports of Goods & Services	-5.1	-2.8	1.9	6.0	3.1				
	10.3	-3.4	-7.7	-0.4	8.2	27.2	-0.8	23.4	-1.0
Unit Profit	0.0	3.1	0.5	-0.5	-1.3				
	0.0	11.7	9.6	6.5	1.7	-0.6	6.8	0.6	5.9
Unit Labor Cost	0.0	-0.1	0.5	0.0	-0.6				
	0.0	14.0	0.5	-0.1	-0.2	1.0	0.1	0.7	0.3