



# Japanese Economy Monthly Forecast

January 2024

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## Headlines

### ● Review of latest official data

▶ This forecast reflects official data released through the end of January. Apart from household consumption-related indicators, public works, and the balance of payments, most basic monthly data necessary for an accurate estimate of 2023 Q4 GDP are available.

▶ The December production index rose 1.8% MoM, marking the first increase in two months. As a result, the Q4 figure rose +1.4% QoQ, the first increase in two quarters. METI maintained its assessment of economic conditions unchanged from the previous month.

▶ Real wages fell for the 20th consecutive month in November, down -2.5% YoY.

▶ The real consumption trend index in November remained unchanged from the previous month. As a result, the October-November average was only slightly higher than the Q3 average (+0.1%). The trend in real household consumption has been weak.

▶ Comparing 2023 Q4 with the previous quarter, planned construction expenditures and the capital goods shipment index increased by +1.7% and +2.4%, respectively. Comparing the October-November average with the Q3 average, public works fell -2.0%.

▶ In Q4, real exports increased by +0.2% (for the third consecutive quarter) and real imports expanded by +0.9% (for the second consecutive quarter). The contribution of real net exports of goods to real GDP growth in Q4 was slightly negative.

### ● 2023 Q4 real GDP growth forecast update

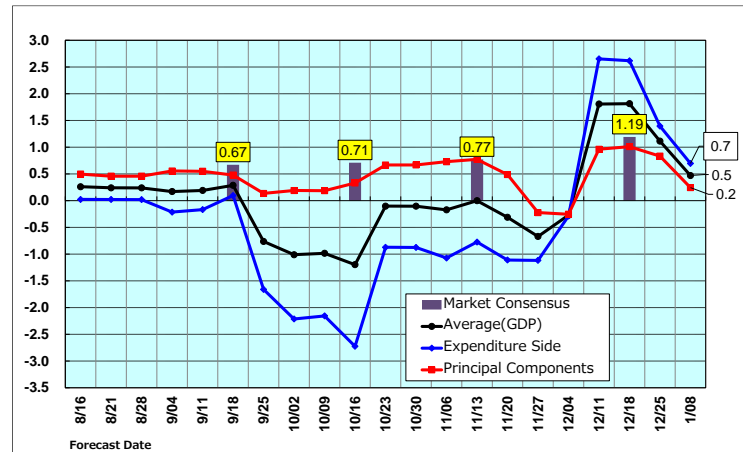
▶ According to APIR's expenditure-side CQM forecast, real GDP expanded at an annualized rate of +3.2% QoQ in Q4. The production-side forecast is an annualized +1.7%. The average of the two (an annualized +2.4%) is higher than the market consensus figure of +1.15% (Figure 1).

### ● 2023 Q4 inflation forecast update

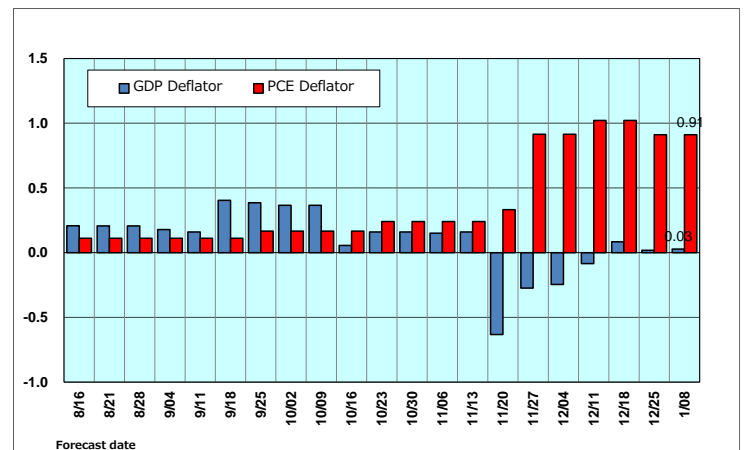
▶ The national core CPI rose +2.3% YoY in December, marking the 28th consecutive monthly increase. Inflation remained in the 2% range for four months in a row.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in Q4 are +1.0% and +0.6% QoQ, respectively. However, as the terms of trade are deteriorating, we forecast a headline inflation rate (GDP deflator) of +0.2% QoQ in Q4 (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
2/1	January	<b>Food Balance (billion JPY)</b>	+8.5		-17.5
	January	<b>New Car Sales (vehicles)</b>	285,431		-10.8%
	January	<b>Consumer Confidence Index (SA)</b>	38.0	+0.8	
1/31	December	<b>Indices of Industrial Production (preliminary figures, 2020=100)</b>			
		Production	105.9	+1.8%	
		Shipments	105.2	+2.5%	
	December	Inventories	102.9	-1.2%	
		<b>Current Survey of Commerce (preliminary figures)</b>			
	December	Retail trade (billion JPY)	15,515.0	-2.9%	+2.1%
	December	<b>New Housing Starts</b>			
		New housing starts (SA, Unit)	64,586	+3.1%	-4.0%
	November	Planned residential construction expenditure (billion JPY)	1,265.4	+5.7%	+8.8%
		<b>Construction Costs Deflator (2015=100)</b>			
Housing construction		124.3		-0.4%	
Public works	123.6		+1.6%		
1/30	December	<b>Labor Force Survey</b>			
		Total employment (millions)	67.63	-0.12	
		Total unemployment (millions)	1.69	-0.08	
	December	Unemployment rate (%)	2.4%	-0.1%pt	
		<b>General Job Placement Situation</b>			
	December	Job offers-to-applicants ratio	1.27	-0.01%pt	
	December	<b>Producer Price Index for Intermediate and Final Demand (2015=100)</b>			
		Capital goods	107.9		+3.7%
		Consumer goods	112.5		+0.4%
	1/26	November	<b>Index of Business Conditions (revised, 2020=100)</b>		
Leading indicators			107.6	-1.3	
Coincident indicators			114.6	-1.3	
December		Lagging indicators	105.7	-0.6	
		<b>Corporate Services Price Index (2015=100)</b>			
January		Overall index	110.4		+2.4%
January		<b>Tokyo Region Consumer Price Index (2020=100)</b>			
	Core	105.8	-0.1%	+1.6%	
1/24	December	<b>Trade Statistics (customs clearance level)</b>			
		Trade balance (billion JPY)	+62.1	+17.7%	+1,056.0
		Exports (billion JPY)	9,648.2	+5.8%	+9.8%
1/23	November	Imports (billion JPY)	9,586.1	+6.2%	-6.8%
		<b>Monthly Labor Statistics (final figures)</b>			
1/19	November	Gross average salary per worker (JPY)	289,905		+0.7%
		Total working hours	138.3		-0.3%
1/19	November	<b>Tertiary Industry Activity Index (2015=100)</b>	100.2	-0.7%	
		<b>General Construction Statistics</b>			
		Private non-residential construction (billion JPY)	958.6		-2.2%

	December	Public works (billion JPY) <b>National Consumer Price Index (2020=100)</b> Core index	2,096.7 106.4		+2.4% +2.3%
1/18	November	<b>Indices of Industrial Production (final figures, 2020=100)</b> Production Shipments Inventory Production capacity index Capacity utilization ratio	104.0 102.6 104.2 98.5 108.5	-0.9% -1.2% 0.0% +0.3%	0.0%
	November	<b>Private Core Machinery Orders (billion JPY)</b>	816.7	-4.9%	
1/16	December	<b>Domestic Corporate Price Index (2020=100)</b> Corporate Price Export Price Import Price	119.9 133.5 162.0	+0.3% -2.6% -3.0%	0.0% +5.5% -4.9%
1/15	November	<b>Information Services Industry Sales (billion JPY)</b>	1,237.3		+4.6%
	December	<b>Public Works Advanced Securities Statistics</b> Contract amount (billion JPY) Number of contracts	719.3 14,339		+14.5% +1.3%
1/12	December	<b>Economy Watchers Survey</b> Current Conditions Diffusion Index Business Outlook Diffusion Index	50.7 49.1	+1.2 -0.3	
	November	<b>Balance of Payments</b> Current account (billion JPY) Exports (billion JPY) Imports (billion JPY)	1,925.6 8,623.9 9,348.1	-28.1% -6.3% -2.6%	+8.7% -4.5% -11.4%
1/11	November	<b>Consumption Activity Index (2015=100)</b>	96.8	0.0%	
	November	<b>Index of Business Conditions (preliminary figures, 2020=100)</b> Leading indicators Coincident indicators Lagging indicators	107.7 114.5 105.2	-1.2 -1.4 -1.1	
1/10	November	<b>Monthly Labor Statistics (preliminary figures)</b> Gross average salary per worker (JPY) Total working hours	288,741 138.8		+0.2% 0.0%
1/9	November	<b>Family Income and Expenditure Survey (households with 2 or more people)</b> Nominal consumption expenditure (JPY) Real consumption expenditure	286,922	-1.0% -1.0%	+0.3% -2.9%
	November	<b>Consumption Trend Index (2020=100)</b>	104.4	0.0%	
	December	<b>Tokyo Region Consumer Price Index (2020=100)</b> Core	106.1	+0.2%	+2.1%

**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	<u>-2.1</u>			<u>0.5</u>	<u>0.5</u>										
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
12/08	-2.9*			0.7*	0.6*										
12/11						2.7	1.0	1.8	-0.1	1.0	1.1	2.1	1.6	-1.0	-0.4
12/18						2.6	1.0	1.8	0.1	1.0	1.1	1.9	1.5	-0.7	-0.4
12/25						1.4	0.8	1.1	0.0	0.9	-0.2	1.6	0.7	-0.8	-0.5
1/08						0.7	0.2	0.5	0.0	0.9	-0.4	0.7	0.1	-0.7	-0.5
1/15						1.8	2.1	1.9	0.1	0.9	-0.6	0.7	0.1	-0.7	-0.5
1/22						1.8	1.6	1.7	0.2	1.0	-0.7	0.5	-0.1	-0.4	-0.4
1/29						2.5	1.8	2.2	0.2	1.0	1.8	1.1	1.4	-0.3	-0.4
2/05						3.2	1.7	2.4	0.2	1.0	2.2	1.7	2.0	-0.4	-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	557,430	562,338	558,240	562,650	565,786	548,362	560,165	551,814	562,254
Private Consumption	300,070	298,203	297,754	297,906	298,310	295,859	298,483	298,122	298,043
Residential Investment	18,414	18,727	18,627	18,677	18,779	18,346	18,611	18,289	18,702
Nonresidential Investment	91,022	89,819	89,416	89,767	90,094	88,623	90,006	89,874	89,774
Change in Private Inventory	4,885	3,537	1,255	322	1,047	2,927	2,500	3,025	1,541
Government Consumption	119,855	119,786	120,179	120,478	120,988	118,857	120,075	119,334	120,358
Public Investment	26,275	26,665	26,453	26,292	26,384	25,807	26,421	25,853	26,448
Change in Public Inventory	72	-18	-13	91	42	22	33	37	26
Net Exports	-3,128	4,609	4,171	8,717	9,744	-1,372	3,593	-1,936	6,811
Exports of Goods & Services	107,227	111,338	111,742	115,282	117,236	108,215	111,397	108,774	113,900
Imports of Goods & Services	110,354	106,729	107,571	106,565	107,492	109,587	107,805	110,711	107,089
Gross National Income	572,476	583,850	580,339	578,091	580,801	564,725	578,689	567,147	580,770
Memo:									
Total Demand	667,785	669,067	665,811	669,215	673,278	657,949	667,970	662,525	669,343
Upper Row: % change from the previous quarter Lower Row: % change from a year earlier									
Gross Domestic Products	1.2	0.9	-0.7	0.8	0.6				
<b>SAAR</b>	<b>5.0</b>	<b>3.6</b>	<b>-2.9</b>	<b>3.2</b>	<b>2.2</b>				
% Change Year Ago	2.5	2.3	1.6	2.2	1.5	1.0	2.2	1.5	1.9
Private Consumption	0.9	-0.6	-0.2	0.1	0.1				
% Change Year Ago	3.0	0.4	0.1	0.2	-0.6	2.2	0.9	2.7	0.0
Residential Investment	0.3	1.7	-0.5	0.3	0.5				
% Change Year Ago	-1.2	3.1	2.2	1.7	2.0	-3.5	1.4	-3.4	2.3
Nonresidential Investment	1.8	-1.3	-0.4	0.4	0.4				
% Change Year Ago	4.9	1.4	-0.8	0.4	-1.0	1.9	1.6	3.4	-0.1
Government Consumption	0.2	-0.1	0.3	0.2	0.4				
% Change Year Ago	1.6	0.8	1.0	0.7	0.9	1.7	1.0	1.4	0.9
Public Investment	1.9	1.5	-0.8	-0.6	0.3				
% Change Year Ago	0.9	4.5	2.5	2.0	0.4	-9.6	2.4	-6.1	2.3
Exports of Goods & Services	-3.6	3.8	0.4	3.2	1.7				
% Change Year Ago	2.2	3.9	2.0	3.7	9.3	5.3	2.9	4.7	4.7
Imports of Goods & Services	-1.5	-3.3	0.8	-0.9	0.9				
% Change Year Ago	4.1	-0.8	-4.7	-4.9	-2.6	7.9	-1.6	7.1	-3.3
Gross National Income	0.5	2.0	-0.6	-0.4	0.5				
<b>SAAR</b>	<b>2.1</b>	<b>8.2</b>	<b>-2.4</b>	<b>-1.5</b>	<b>1.9</b>				
% Change Year Ago	1.5	3.5	3.1	1.5	1.5	-0.1	2.5	0.4	2.4
Total Demand	0.8	0.2	-0.5	0.5	0.6				
<b>SAAR</b>	<b>3.1</b>	<b>0.8</b>	<b>-1.9</b>	<b>2.1</b>	<b>2.5</b>				
% Change Year Ago	0.0	15.0	0.5	1.0	0.8	2.0	1.5	2.4	1.0
Contribution to GDP Growth Rate									
Domestic Demand	1.6	-0.7	-0.6	0.0	0.4	1.5	1.1	2.0	0.1
Private Demand	1.4	-0.8	-0.6	-0.1	0.3	1.6	0.7	2.0	-0.2
Public demand	0.1	0.0	0.0	0.0	0.1	-0.2	0.3	0.0	0.3
Net Exports	-0.3	1.6	-0.1	0.8	0.2	-0.5	1.1	-0.5	1.8

**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	580,081	595,066	594,998	600,902	601,775	559,710	592,762	566,490	598,185	
Private Consumption	322,456	322,077	323,427	326,751	325,857	311,063	323,678	315,849	324,528	
Residential Investment	21,897	22,200	22,085	22,041	22,091	21,780	22,056	21,800	22,104	
Nonresidential Investment	98,996	98,635	99,167	100,307	101,424	94,591	99,276	96,891	99,883	
Change in Private Inventory	3,821	5,225	1,254	26	769	3,596	2,582	3,617	1,819	
Government Consumption	123,872	123,395	124,212	124,795	125,311	120,881	124,068	122,092	124,428	
Public Investment	30,005	30,713	30,685	30,421	30,173	28,944	30,456	29,278	30,498	
Change in Public Inventory	110	-11	-18	98	59	-96	45	-64	32	
Net Exports	-21,076	-7,166	-5,812	-3,537	-3,910	-21,047	-9,398	-22,973	-5,106	
Exports of Goods & Services	120,548	125,666	129,504	136,812	138,868	120,571	128,132	123,245	132,712	
Imports of Goods & Services	141,624	132,832	135,316	140,349	142,778	141,618	137,530	146,218	137,819	
Gross National Income	611,694	629,667	628,688	630,298	632,233	593,729	625,087	600,558	630,221	
Memo:										
Total Demand	721,705	727,898	730,314	741,251	744,553	701,328	730,292	712,707	736,004	
Compensation of Employees	297,597	300,408	300,390	301,341	301,281	294,492	299,934	295,376	300,855	
	Upper Row: % change from the previous quarter					Lower Row: % change from a year earlier				
Gross Domestic Products	2.2	2.6	0.0	1.0	0.1					
<b>SAAR</b>	<b>9.3</b>	<b>10.7</b>	<b>0.0</b>	<b>4.0</b>	<b>0.6</b>					
% Change Year Ago	4.6	6.3	6.7	5.9	3.7	1.3	5.9	2.3	5.6	
Private Consumption	2.1	-0.1	0.4	1.0	-0.3					
% Change Year Ago	6.3	3.4	3.2	3.5	1.1	5.1	4.1	5.9	2.7	
Residential Investment	-0.1	1.4	-0.5	-0.2	0.2					
% Change Year Ago	0.4	2.7	1.4	0.6	0.9	3.4	1.3	1.5	1.4	
Nonresidential Investment	2.0	-0.4	0.5	1.2	1.1					
% Change Year Ago	8.9	4.7	2.4	3.3	2.5	6.2	5.0	7.8	3.1	
Government Consumption	0.6	-0.4	0.7	0.5	0.4					
% Change Year Ago	3.9	3.4	1.9	1.4	1.2	2.9	2.6	2.8	1.9	
Public Investment	2.3	2.4	-0.1	-0.9	-0.8					
% Change Year Ago	4.5	7.6	5.5	3.7	0.6	-5.2	5.2	-1.7	4.2	
Exports of Goods & Services	-5.8	4.2	3.1	5.6	1.5					
% Change Year Ago	9.9	5.6	3.3	6.9	15.2	20.4	6.3	18.7	7.7	
Imports of Goods & Services	-5.9	-6.2	1.9	3.7	1.7					
% Change Year Ago	15.3	-4.2	-12.1	-6.8	0.8	37.4	-2.9	32.3	-5.7	
Gross National Income	1.0	2.9	-0.2	0.3	0.3					
<b>SAAR</b>	<b>3.9</b>	<b>12.3</b>	<b>-0.6</b>	<b>1.0</b>	<b>1.2</b>					
% Change Year Ago	4.2	6.5	6.1	4.0	3.4	2.5	5.3	3.1	4.9	
Memo:										
Total Demand	0.5	0.9	0.3	1.5	0.4					
<b>SAAR</b>	<b>2.1</b>	<b>3.5</b>	<b>1.3</b>	<b>6.1</b>	<b>1.8</b>					
% Change Year Ago	0.0	32.4	2.6	3.2	3.2	0.0	7.0	0.0	7.3	
Compensation of Employees	0.5	0.9	0.0	0.3	0.0					
% Change Year Ago	1.5	2.4	1.9	1.7	1.2	2.0	1.8	2.0	1.9	

**Table 3-3: Deflator : 2015=100**

	Quarterly			Forecast		CY		FY	
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	104.1	105.8	106.6	106.8	106.4	102.1	105.8	102.6	106.4
Private Consumption	107.5	108.0	108.6	109.7	109.2	105.1	108.4	105.9	108.9
Residential Investment	118.9	118.6	118.6	118.0	117.6	118.7	118.5	119.2	118.2
Nonresidential Investment	108.8	109.8	110.9	111.7	112.6	106.8	110.3	107.8	111.3
Government Consumption	103.4	103.0	103.4	103.6	103.6	101.7	103.3	102.3	103.4
Public Investment	114.2	115.2	116.0	115.7	114.4	112.2	115.3	113.1	115.3
Exports of Goods & Services	112.4	112.9	115.9	118.7	118.5	111.3	115.0	113.3	116.5
Imports of Goods & Services	128.3	124.5	125.8	131.7	132.8	129.0	127.6	132.0	128.7
Unit Profit	110.0	113.7	114.5	115.5	115.2	104.9	113.4	106.6	114.7
Unit Labor Cost	99.1	99.1	99.9	99.4	98.8	99.7	99.4	99.3	99.3
Upper Row: % change from the previous quarter Lower Row: % change from a year earlier									
Gross Domestic Products	1.0	1.7	0.7	0.2	-0.4				
	2.0	4.0	5.0	3.7	2.2	0.3	3.7	0.8	3.7
Private Consumption	1.2	0.5	0.6	1.0	-0.4				
	3.2	3.0	3.1	3.3	1.7	2.9	3.2	3.2	2.8
Residential Investment	-0.4	-0.3	0.0	-0.5	-0.3				
	1.7	-0.4	-0.8	-1.1	-1.1	7.2	-0.2	5.1	-0.8
Nonresidential Investment	0.2	1.0	1.0	0.8	0.8				
	3.8	3.3	3.2	3.0	3.5	4.2	3.3	4.3	3.3
Government Consumption	0.5	-0.3	0.3	0.2	0.0				
	2.3	2.5	0.9	0.7	0.2	1.2	1.6	1.3	1.1
Public Investment	0.4	0.9	0.7	-0.3	-1.2				
	3.6	3.0	2.9	1.7	0.2	4.9	2.8	4.7	1.9
Exports of Goods & Services	-2.3	0.4	2.7	2.4	-0.2				
	7.5	1.7	1.3	3.2	5.4	14.3	3.3	13.4	2.8
Imports of Goods & Services	-4.5	-3.0	1.1	4.7	0.9				
	10.7	-3.4	-7.7	-2.0	3.5	27.3	-1.1	23.6	-2.5
Unit Profit	0.0	3.4	0.7	0.9	-0.2				
	0.0	13.3	10.3	8.1	4.8	-0.4	8.1	1.1	7.6
Unit Labor Cost	0.0	0.1	0.7	-0.5	-0.6				
	0.0	13.1	0.2	-0.4	-0.3	1.0	-0.3	0.5	0.0