



Japanese Economy Monthly Forecast

April 2024

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 April. Except for some data on household consumption-related indicators, public works, and the balance of payments, which are not available yet, almost all data necessary for an accurate estimate of Q1 GDP have been released.

▶ The Index of Industrial Production in March rose +3.8% MoM, marking the first increase in three months. On a quarterly basis, however, the Q1 change was -5.4% QoQ, marking the first decline in two quarters. According to METI's assessment, the underlying tone of production is "steady but weakening".

▶ Comparing the January-March average with the previous quarter, the number of working people increased by +40,000, marking the fifth consecutive quarter of growth, and the number of employees increased by +150,000, marking the fourth consecutive quarter of growth.

▶ Compared with the previous quarter, planned construction expenditure in Q1 decreased by -4.8%, and capital goods shipments declined by -8.4%. Comparing the January-February average with the 2023 Q4 average, the real consumption trend index was -0.2% lower. Meanwhile, public works expanded by +4.5%. The weakness in private-sector demand is noticeable across all components: final consumption, residential investment, and business investment.

▶ Compared to the previous quarter, real exports and real imports in Q1 declined by -2.5% and -4.5%, respectively (BOJ basis). The contribution of real net exports of goods to GDP growth in Q1 was positive, but the contribution of services exports was negative.

● 2024 Q1 real GDP growth forecast update

▶ APIR's expenditure-side CQM forecast for real GDP growth in 2024 Q1 is an annualized -2.9% QoQ. On the other hand, the production-side forecast figure is an annualized -1.7%. The average of the two forecasts is an annualized -2.3%, which is lower than the market consensus forecast figure of -0.54% (Figure 1).

● 2024 Q1 inflation forecast update

▶ In March, the nation-wide CPI rose by +2.6%, marking the 31st month of inflation. The inflation rate slowed for the first time in two months. The core-core CPI (excluding fresh food and energy prices) rose by +2.9%. Core-core CPI inflation has continued for 24th consecutive months, it has been decelerating for seven months in a row.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2024 Q1 are respectively +0.1% and +0.3% QoQ. Since the terms of trade are expected to deteriorate, we forecast a headline inflation rate (GDP deflator) of +0.1% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jan-Mar (Q1) 2024 (% , QoQ annualized growth)

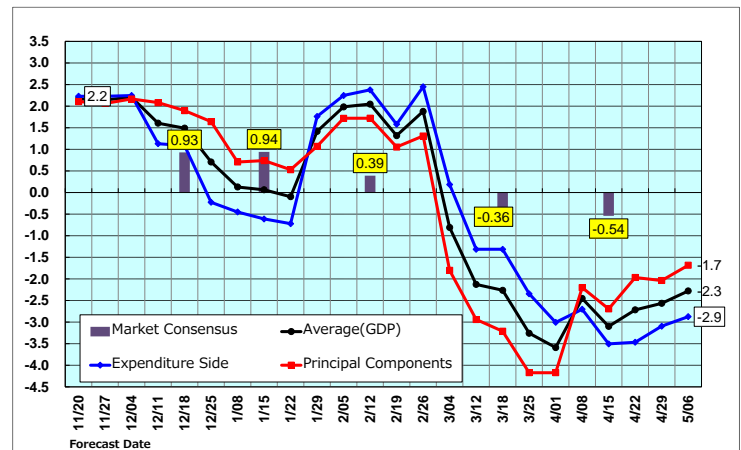
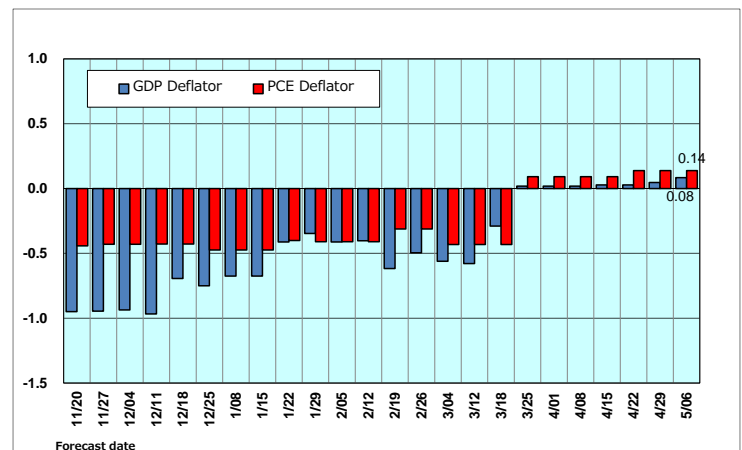


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2024 (% , QoQ growth)



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	
5/2	April	Food Balance (billion JPY)	+6.3		+8.6	
	April	Consumer Confidence Index (SA)	38.3	-1.2		
5/1	April	New Car Sales (vehicles)	258,762		-10.6%	
4/30	March	Labor Force Survey				
		Total employment (millions)	67.60	-0.23		
		Total unemployment (millions)	1.82	0.00		
			Unemployment rate (%)	2.6%	0.0%pt	
	March	General Job Placement Situation				
		Job offers-to-applicants ratio	1.28	+0.02%pt		
	March	Indices of Industrial Production (preliminary figures, 2020=100)				
		Production	101.1	+3.8%		
		Shipments	100.0	+4.3%		
			Inventories	102.7	+1.1%	
	March	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	14,691.0	-1.2%	+1.2%	
	March	New Housing Starts				
		New housing starts (SA, Unit)	64,265	-4.4%	-12.8%	
		Planned residential construction expenditure (billion JPY)	1,222.6	-4.8%	-2.4%	
February	Construction Costs Deflator (2015=100)					
	Housing construction	123.4		+1.6%		
		Public works	122.8		+3.1%	
4/26	April	Tokyo Region Consumer Price Index (2020=100)				
		Core	106.4	-0.4%	+1.6%	
March	Producer Price Index for Intermediate and Final Demand (2015=100)					
	Capital goods	108.7		+3.6%		
		Consumer goods	113.1		+2.5%	
4/25	February	Index of Business Conditions (revised, 2020=100)				
		Leading indicators	111.8	+2.3		
		Coincident indicators	111.6	-0.7		
		Lagging indicators	106.8	+1.6		
4/24	March	Corporate Services Price Index (2015=100)				
		Overall index	111.0		+2.3%	
4/23	February	Monthly Labor Statistics (final figures)				
		Gross average salary per worker (JPY)	281,087		+1.4%	
		Total working hours	134.6		-0.5%	
4/22	February	General Construction Statistics				
		Private non-residential construction (billion JPY)	915.0		-4.2%	
		Public works (billion JPY)	2,165.2		+6.7%	
4/19	March	National Consumer Price Index (2020=100)				
		Core index	106.8	+0.1%	+2.6%	
4/18	February	Tertiary Industry Activity Index (2015=100)	102.1	+1.5%		
4/17	March	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	+366.5	+23.9%	+1,117.3	

		Exports (billion JPY)	9,469.6	+2.6%	+7.3%
		Imports (billion JPY)	9,103.1	+3.9%	-4.9%
4/15	February	Private Core Machinery Orders (billion JPY)	886.8	+7.7%	
	March	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,624.3		+6.2%
		Number of contracts	16,231		-8.9%
4/12	February	Indices of Industrial Production (final figures, 2020=100)			
		Production	97.4	-0.6%	
		Shipments	95.9	-0.7%	
		Inventory	101.6	+0.6%	
		Production capacity index	98.4		+0.1%
		Capacity utilization ratio	98.1	-0.5%	
4/10	March	Domestic Corporate Price Index (2020=100)			
		Corporate Price	120.7	+0.2%	+0.8%
		Export Price	137.5	+0.4%	+8.5%
		Import Price	163.8	-0.4%	+1.4%
	February	Information Services Industry Sales (billion JPY)	1,283.7		+9.2%
4/9	March	Consumer Confidence Index (SA)	39.5	+0.5	
4/8	February	Monthly Labor Statistics (preliminary figures)			
		Gross average salary per worker (JPY)	282,265		+1.8%
		Total working hours	135.1		-0.1%
	March	Economy Watchers Survey			
		Current Conditions Diffusion Index	49.8	-1.5	
		Business Outlook Diffusion Index	51.2	-1.8	
	February	Balance of Payments			
		Current account (billion JPY)	+2,644.2	-50.2%	+20.2%
		Exports (billion JPY)	8,097.1	-1.3%	+5.5%
		Imports (billion JPY)	8,378.0	+7.0%	+1.4%
4/5	February	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	279,868	+1.1%	+2.8%
		Real consumption expenditure		+1.4%	-0.5%
	February	Consumption Trend Index (2020=100)	103.7	+0.2%	
	February	Consumption Activity Index (2015=100)	96.0	+0.6%	
	February	Index of Business Conditions (preliminary figures, 2020=100)			
		Leading indicators	111.8	+2.3	
		Coincident indicators	110.9	-1.2	
		Lagging indicators	107.4	+1.4	

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
	2023Q4					2024Q1					2024Q2				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
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															
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					
2/12	2.0	1.7	1.9	0.2	1.0	2.4	1.7	2.0	-0.4	-0.4					
<u>2/15</u>	<u>-0.4</u>			<u>0.4</u>	<u>0.2</u>										
2/19						1.6	1.1	1.3	-0.6	-0.3	0.6	0.7	0.6	-0.2	-0.1
2/26						2.4	1.3	1.9	-0.5	-0.3	0.4	0.6	0.5	-0.3	-0.1
3/04						0.2	-1.8	-0.8	-0.6	-0.4	0.1	0.9	0.5	-0.3	-0.1
3/11	0.4*			0.4*	0.2*										
3/12						-1.3	-2.9	-2.1	-0.6	-0.4	0.6	1.0	0.8	-0.3	-0.1
3/18						-1.3	-3.2	-2.3	-0.3	-0.4	0.6	1.1	0.9	-0.1	-0.1
3/25						-2.3	-4.2	-3.3	0.0	0.1	-0.5	0.6	0.0	0.0	0.2
4/01						-3.0	-4.2	-3.6	0.0	0.1	-0.8	0.6	-0.1	0.1	0.2
4/08						-2.7	-2.2	-2.5	0.0	0.1	-0.8	0.3	-0.3	0.1	0.2
4/15						-3.5	-2.7	-3.1	0.0	0.1	-0.7	-0.1	-0.4	0.3	0.2
4/22						-3.5	-2.0	-2.7	0.0	0.1	0.5	0.2	0.3	0.4	0.3
4/29						-3.1	-2.0	-2.6	0.0	0.1	0.8	0.2	0.5	0.4	0.3
5/06						-2.9	-1.7	-2.3	0.1	0.1	1.4	1.8	1.6	0.3	0.3

Note: Underlined figures are 1st preliminary estimates.

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

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	562,578	557,983	558,510	554,453	556,406	548,375	558,921	551,920	558,381
Private Consumption	297,936	296,921	296,172	295,970	296,526	295,859	297,748	298,114	296,750
Residential Investment	18,733	18,615	18,433	18,113	17,683	18,346	18,546	18,288	18,473
Nonresidential Investment	89,713	89,605	91,439	90,183	90,605	88,623	90,474	89,874	90,235
Change in Private Inventory	3,655	994	279	679	1,313	2,927	2,279	3,025	1,402
Government Consumption	119,737	120,072	119,876	119,915	120,416	118,857	119,890	119,327	119,900
Public Investment	26,884	26,614	26,413	27,285	27,509	25,807	26,523	25,853	26,799
Change in Public Inventory	-33	-43	-51	-32	-116	22	-12	37	-39
Net Exports	5,121	5,108	6,195	2,587	2,717	-1,358	3,374	-1,842	4,753
Exports of Goods & Services	111,249	112,288	115,188	109,745	111,755	108,215	111,484	108,739	112,117
Imports of Goods & Services	106,127	107,179	108,993	107,158	109,039	109,572	108,109	110,581	107,364
Gross National Income	583,870	580,132	581,377	580,243	581,266	564,726	579,244	567,174	581,405
Memo:									
Total Demand	668,705	665,163	667,503	661,611	665,445	657,948	667,030	662,502	665,746
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.0	-0.8	0.1	-0.7	0.4				
SAAR	4.2	-3.2	0.4	-2.9	1.4				
% Change Year Ago	2.3	1.6	1.3	-0.4	-1.1	1.0	1.9	1.5	1.2
Private Consumption	-0.7	-0.3	-0.3	-0.1	0.2				
% Change Year Ago	0.3	-0.1	-0.5	-1.3	-0.5	2.2	0.6	2.7	-0.5
Residential Investment	1.8	-0.6	-1.0	-1.7	-2.4				
% Change Year Ago	3.1	2.1	0.4	-1.6	-5.6	-3.5	1.1	-3.4	1.0
Nonresidential Investment	-1.4	-0.1	2.0	-1.4	0.5				
% Change Year Ago	1.2	-0.9	2.5	-0.9	1.0	1.9	2.1	3.4	0.4
Government Consumption	-0.1	0.3	-0.2	0.0	0.4				
% Change Year Ago	0.8	1.0	0.1	0.0	0.6	1.7	0.9	1.4	0.5
Public Investment	2.2	-1.0	-0.8	3.3	0.8				
% Change Year Ago	5.4	3.2	2.4	3.7	2.3	-9.6	2.8	-6.1	3.7
Exports of Goods & Services	3.8	0.9	2.6	-4.7	1.8				
% Change Year Ago	3.7	2.5	3.7	2.4	0.5	5.3	3.0	4.7	3.1
Imports of Goods & Services	-3.6	1.0	1.7	-1.7	1.8				
% Change Year Ago	-1.4	-5.0	-2.6	-2.6	2.7	7.9	-1.3	6.9	-2.9
Gross National Income	2.1	-0.6	0.2	-0.2	0.2				
SAAR	8.7	-2.5	0.9	-0.8	0.7				
% Change Year Ago	3.5	3.2	2.0	1.5	-0.4	-0.1	2.6	0.4	2.5
Total Demand	0.3	-0.5	0.4	-0.9	0.6				
SAAR	1.1	-2.1	1.4	-3.5	2.3				
% Change Year Ago	0.0	14.4	0.6	-0.8	-0.5	2.0	1.4	2.4	0.5
Contribution to GDP Growth Rate									
Domestic Demand	-0.6	-0.7	-0.1	-0.1	0.3	1.5	0.9	2.0	-0.2
Private Demand	-0.7	-0.7	0.0	-0.2	0.2	1.6	0.6	2.0	-0.5
Public demand	0.1	0.0	-0.1	0.2	0.1	-0.2	0.3	0.0	0.3
Net Exports	1.7	-0.1	0.2	-0.6	0.0	-0.5	1.0	-0.4	1.4

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

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	595,043	594,848	598,006	594,138	598,008	559,710	591,881	566,481	595,509
Private Consumption	321,721	322,837	322,627	322,834	324,303	311,062	322,411	315,843	322,505
Residential Investment	22,215	22,074	21,917	21,527	21,045	21,780	22,018	21,800	21,933
Nonresidential Investment	98,498	99,336	102,247	101,554	102,726	94,591	99,756	96,889	100,409
Change in Private Inventory	5,352	978	325	670	1,509	3,596	2,433	3,616	1,831
Government Consumption	123,307	124,054	124,429	124,705	125,230	120,881	123,889	122,092	124,124
Public Investment	30,990	30,871	30,788	32,061	32,468	28,944	30,645	29,278	31,178
Change in Public Inventory	-31	-56	-63	-24	-90	-96	-10	-64	-43
Net Exports	-7,011	-5,246	-4,262	-9,188	-9,183	-21,047	-9,261	-22,973	-6,427
Exports of Goods & Services	125,850	130,799	137,201	132,835	136,446	120,571	128,660	123,245	131,671
Imports of Goods & Services	132,861	136,045	141,463	142,023	145,629	141,618	137,921	146,218	138,098
Gross National Income	629,796	629,087	633,366	633,078	636,175	593,729	625,825	600,549	631,332
Memo:									
Total Demand	727,904	730,892	739,469	736,161	743,637	701,328	729,802	712,699	733,607
Compensation of Employee	300,975	300,449	301,510	307,764	306,621	295,385	300,499	296,382	302,675
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	2.6	0.0	0.5	-0.6	0.7				
SAAR	10.7	-0.1	2.1	-2.6	2.6				
% Change Year Ago	6.3	6.7	5.4	2.4	0.5	1.3	5.7	2.3	5.1
Private Consumption	-0.3	0.3	-0.1	0.1	0.5				
% Change Year Ago	3.3	3.0	2.2	0.1	0.8	5.1	3.6	5.9	2.1
Residential Investment	1.6	-0.6	-0.7	-1.8	-2.2				
% Change Year Ago	2.7	1.3	0.0	-1.6	-5.3	3.4	1.1	1.5	0.6
Nonresidential Investment	-0.5	0.9	2.9	-0.7	1.2				
% Change Year Ago	4.6	2.3	5.6	2.6	4.3	6.2	5.5	7.8	3.6
Government Consumption	-0.5	0.6	0.3	0.2	0.4				
% Change Year Ago	3.3	1.9	0.9	0.7	1.6	2.9	2.5	2.8	1.7
Public Investment	3.2	-0.4	-0.3	4.1	1.3				
% Change Year Ago	8.6	6.2	4.9	6.7	4.8	-5.2	5.9	-1.7	6.5
Exports of Goods & Services	4.5	3.9	4.9	-3.2	2.7				
% Change Year Ago	5.6	4.1	7.5	10.3	8.4	20.4	6.7	18.7	6.8
Imports of Goods & Services	-5.9	2.4	4.0	0.4	2.5				
% Change Year Ago	-4.2	-11.9	-6.0	0.6	9.6	37.4	-2.6	32.3	-5.6
Gross National Income	3.0	-0.1	0.7	0.0	0.5				
SAAR	12.5	-0.4	2.7	-0.2	2.0				
% Change Year Ago	6.5	6.3	4.5	3.5	1.0	2.5	5.4	3.1	5.1
Memo:									
Total Demand	0.9	0.4	1.2	-0.4	1.0				
SAAR	3.7	1.7	4.8	-1.8	4.1				
% Change Year Ago	0.0	32.9	3.0	2.1	2.2	0.0	7.0	0.0	7.3
Compensation of Employee	0.8	-0.2	0.4	2.1	-0.4				
% Change Year Ago	2.4	1.6	1.2	3.1	1.9	2.3	1.7	2.4	2.1

Table 3-3: Deflator : 2015=100

	Quarterly			Forecast		CY		FY	
	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2022	2023	2022	2023
GDP/GDE									
Gross Domestic Products	105.8	106.6	107.1	107.2	107.5	102.1	105.9	102.6	106.7
Private Consumption	108.0	108.7	108.9	109.1	109.4	105.1	108.3	105.9	108.7
Residential Investment	118.6	118.6	118.9	118.9	119.0	118.7	118.7	119.2	118.7
Nonresidential Investment	109.8	110.9	111.8	112.6	113.4	106.8	110.3	107.8	111.3
Government Consumption	103.0	103.3	103.8	104.0	104.0	101.7	103.3	102.3	103.5
Public Investment	115.3	116.0	116.6	117.5	118.0	112.2	115.5	113.1	116.3
Exports of Goods & Services	113.1	116.5	119.1	121.0	122.1	111.3	115.3	113.3	117.4
Imports of Goods & Services	125.2	126.9	129.8	132.5	133.6	129.0	127.6	132.2	128.6
Unit Profit	113.4	114.5	115.2	112.1	113.6	104.6	113.1	106.2	113.8
Unit Labor Cost	99.3	99.9	100.2	103.0	102.3	100.0	99.8	99.7	100.6
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	1.5	0.8	0.4	0.1	0.3				
	3.9	5.0	4.0	2.9	1.6	0.3	3.8	0.8	3.9
Private Consumption	0.4	0.7	0.2	0.1	0.3				
	3.0	3.1	2.7	1.4	1.3	2.9	3.0	3.2	2.6
Residential Investment	-0.2	0.0	0.3	0.0	0.1				
	-0.4	-0.8	-0.4	0.0	0.4	7.2	0.0	5.1	-0.4
Nonresidential Investment	1.0	1.0	0.9	0.7	0.7				
	3.3	3.2	3.0	3.6	3.3	4.2	3.3	4.3	3.3
Government Consumption	-0.4	0.3	0.5	0.2	0.0				
	2.5	0.9	0.8	0.6	1.0	1.2	1.6	1.3	1.2
Public Investment	1.0	0.6	0.5	0.8	0.4				
	3.0	2.9	2.5	2.9	2.4	4.9	3.0	4.7	2.8
Exports of Goods & Services	0.6	3.0	2.3	1.6	0.9				
	1.8	1.6	3.7	7.7	7.9	14.3	3.6	13.4	3.7
Imports of Goods & Services	-2.4	1.4	2.3	2.1	0.8				
	-2.8	-7.2	-3.6	3.4	6.7	27.3	-1.2	23.8	-2.7
Unit Profit	0.0	0.9	0.6	-2.7	1.4				
	0.0	14.1	8.6	2.1	0.2	-0.8	8.2	0.7	7.2
Unit Labor Cost	0.0	0.6	0.3	2.8	-0.7				
	0.0	14.0	-0.1	3.6	3.0	1.3	-0.2	0.8	0.9