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Apr-Jun 2023 1st Preliminary GDP Estimate

High growth of +6.0% q/q annualized achieved. Major source of growth remains overseas demand with private sector demand unmoving

Economic Research Dept.
Keiji Kanda
Munehisa Tamura

Summary

- The real GDP growth rate for Apr-Jun 2023 (1st preliminary est) greatly exceeded market expectations with growth of +6.0% q/q annualized (+1.5% q/q). This represents the third consecutive quarter of positive growth, with the actual GDP amount hitting a historic high. Motor vehicle exports and inbound consumption (foreign visitors to Japan) grew, while imports declined, leading to a significant increase in net exports (overseas demand), the main reason for the high growth in real GDP. However, the situation is not as good as the GDP growth rate suggests, with domestic demand declining for the first time in two quarters.
- Our outlook for the real GDP growth rate in the Jul-Sep period of 2023 sees a decline of around -1% q/q annualized. The major factor here is an expected reactionary decline in comparison to the Apr-Jun period, while at the same time domestic demand is expected to move into a recovery phase. Widespread wage hikes and lower inflation rate will boost real wages and contribute to a recovery in personal consumption. The recovery in the number of Chinese visitors to Japan may accelerate in the Jul-Sep period following the lifting of the ban on group tours by the Chinese government, and the recovery in motor vehicle production seen in the Apr-Jun period is expected to continue in the Jul-Sep period. On the other hand, the downside risk to exports due to the deterioration of overseas economies remains a concern.

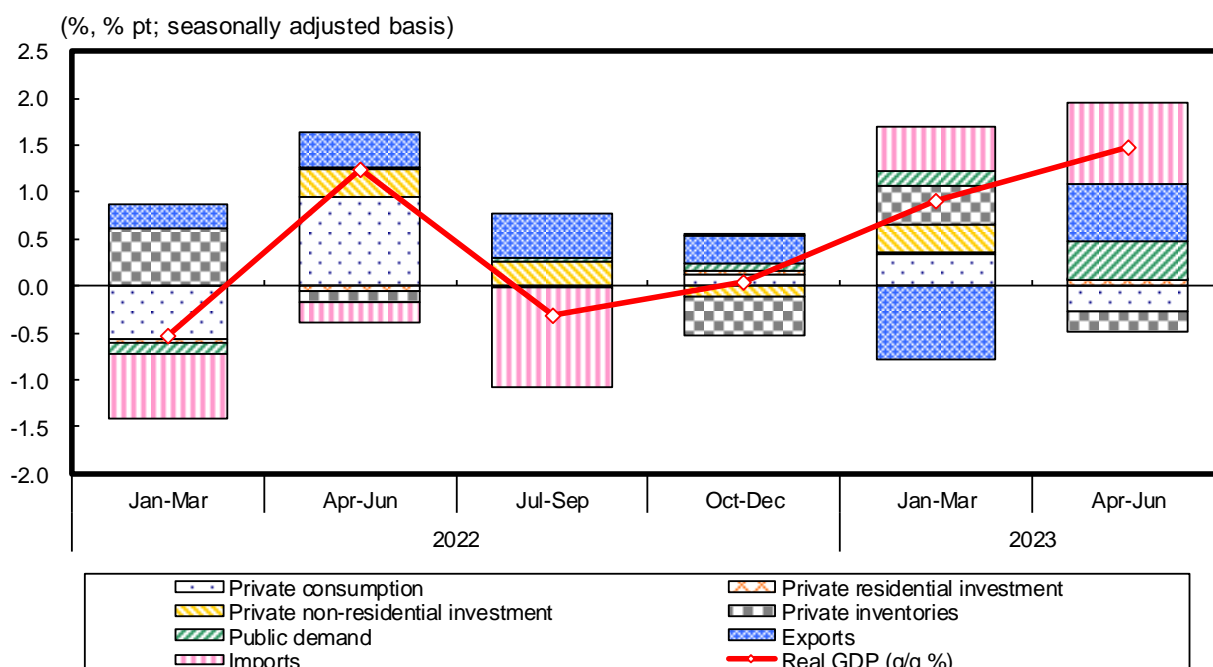
Apr-Jun 2023 GDP (1st Preliminary Estimate) Chart 1

		2022			2023	
		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Real GDP	Q/q %	1.3	-0.3	0.0	0.9	1.5
	Annualized Q/q %	5.1	-1.2	0.2	3.7	6.0
Private consumption	Q/q %	1.8	-0.0	0.2	0.6	-0.5
Private residential investment	Q/q %	-1.8	-0.1	0.9	0.7	1.9
Private non-residential investment	Q/q %	1.7	1.7	-0.7	1.8	0.0
Change in private inventories (contribution to real GDP growth)	Q/q % pts	-0.1	0.0	-0.4	0.4	-0.2
Government consumption	Q/q %	0.4	-0.0	0.2	0.1	0.1
Public investment	Q/q %	0.1	1.1	0.3	1.7	1.2
Exports of goods and services	Q/q %	1.9	2.4	1.5	-3.8	3.2
Imports of goods and services	Q/q %	1.1	5.5	-0.1	-2.3	-4.3
Domestic demand (contribution to real GDP growth)	Q/q % pts	1.1	0.3	-0.3	1.2	-0.3
Foreign demand (contribution to real GDP growth)	Q/q % pts	0.1	-0.6	0.3	-0.3	1.8
Nominal GDP	Q/q %	1.0	-0.8	1.2	2.3	2.9
	Annualized Q/q %	4.1	-3.3	4.9	9.5	12.0
GDP deflator	Q/q %	-0.2	-0.5	1.1	1.4	1.4
	Y/y %	-0.3	-0.4	1.2	2.0	3.4

Source: Cabinet Office; compiled by DIR.

Notes: 1) Due to rounding, contributions do not necessarily conform to calculations based on figures shown.
 2) Q/q figures are on a seasonally adjusted basis.

Contribution to Real GDP Chart 2



Source: Cabinet Office; compiled by DIR.