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Jul-Sep 2023 2nd Preliminary GDP Estimate

GDP results revised downwards to -2.9% q/q annualized, with increased downward pressure from private sector inventories

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Summary

- The real GDP growth rate for Jul-Sep 2023 (2nd preliminary est) was revised downwards to -2.9% q/q annualized. A wide range of demand components were revised in the current GDP report due in part to the reflection of estimates in the Annual Report on National Accounts for 2022. Of these, contribution from private sector inventories declined by 0.2%pt in comparison to the 1st preliminary report. While exports grew during the Jul-Sep period, capital expenditure and personal consumption were sluggish, bringing a strong sense of stagnation. In fact, GDP suffered negative growth for the first time in four quarters, with final demand excluding fluctuation of inventories declining by -1.0% q/q annualized, meaning that the decline was small considering the fact that the Apr-June period results were +4.9%.
- The 2023 Oct-Dec period real GDP growth rate is expected to be at +2.8% q/q annualized. Recovery production is expected for motor vehicles as supply constraints are resolved, and this should boost consumption of durables. The declining inflation rate is expected to contribute to a recovery in personal consumption. Capex is currently sluggish due to the slowdown in the US and European economies and the semiconductor market being in an adjustment phase, but the Oct-Dec period is expected to shift into a growth phase with a rebound from two consecutive quarters of decline and a recovery for the Chinese economy. On the other hand, downside risk to exports due to the deterioration of overseas economies remains a concern.

Jul-Sep 2023 GDP (2nd Preliminary Estimate)

Chart 1

		2022		2023			
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	
						First	Second
Real GDP	Q/q %	-0.1	0.2	1.2	0.9	-0.5	-0.7
	Annualized Q/q %	-0.4	1.0	5.0	3.6	-2.1	-2.9
Private consumption	Q/q %	0.1	-0.0	0.9	-0.6	-0.0	-0.2
Private residential investment	Q/q %	0.4	0.7	0.3	1.7	-0.1	-0.5
Private non-residential investment	Q/q %	1.8	-0.8	1.8	-1.3	-0.6	-0.4
Change in private inventories (contribution to real GDP growth)	Q/q % pts	0.0	-0.2	0.7	-0.3	-0.3	-0.5
Government consumption	Q/q %	0.2	0.5	0.2	-0.1	0.3	0.3
Public investment	Q/q %	1.1	-0.1	1.9	1.5	-0.5	-0.8
Exports of goods and services	Q/q %	2.2	1.5	-3.6	3.8	0.5	0.4
Imports of goods and services	Q/q %	4.9	-0.7	-1.5	-3.3	1.0	0.8
Domestic demand (contribution to real GDP growth)	Q/q % pts	0.4	-0.2	1.6	-0.7	-0.4	-0.6
Foreign demand (contribution to real GDP growth)	Q/q % pts	-0.5	0.4	-0.4	1.6	-0.1	-0.1
Nominal GDP	Q/q %	-0.3	1.7	2.2	2.6	-0.0	-0.0
	Annualized Q/q %	-1.4	7.0	9.3	10.7	-0.2	-0.0
GDP deflator	Q/q %	-0.2	1.5	1.0	1.7	0.5	0.7
	Y/y %	-0.3	1.5	2.3	3.8	5.1	5.3

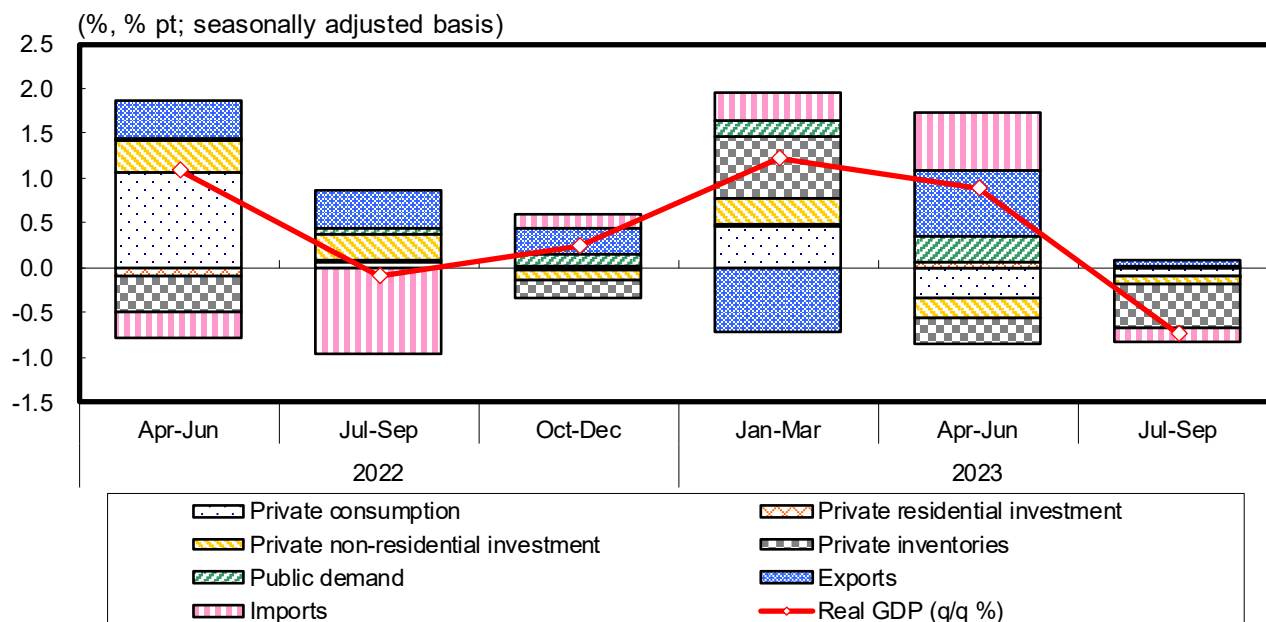
Source: Cabinet Office; compiled by DIR.

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.