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Oct-Dec 2023 1st Preliminary GDP Estimate

Second consecutive quarter of negative growth brings strong sense of stagnation in domestic demand

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Summary

- The real GDP growth rate for Oct-Dec 2023 (1st preliminary est) was down by -0.4% q/q annualized (-0.1% q/q). Though only a narrow range of decline, it was the second consecutive quarter of negative growth. While exports grew, private sector demand components such as personal consumption and capex were sluggish, creating a strong sense of stagnation. The GDP deflator was +3.8% y/y, achieving positive growth for the fifth consecutive quarter, while unit labor costs were +0.3% y/y, remaining near zero percent for the third consecutive quarter. This suggests that upward pressure on prices from the wage side is still not sufficient at present.
- The outlook for the real GDP growth rate in the Jan-Mar period of 2024 sees growth of around +0.2% q/q annualized (+0.0% q/q). Production activities will likely be restrained due to the suspension of operations at some automobile manufacturers' plants, and a reactionary decline in intellectual property rights and other royalties will be evident in the export of services. On the other hand, personal consumption and capex are expected to shift into growth. The impact of the 2024 Noto Peninsula Earthquake on GDP is expected to be limited, but the indices of industrial production and other data for January to be released in the near future will be closely watched. On the other hand, the downside risk to exports due to the deterioration of overseas economies will continue to require attention.

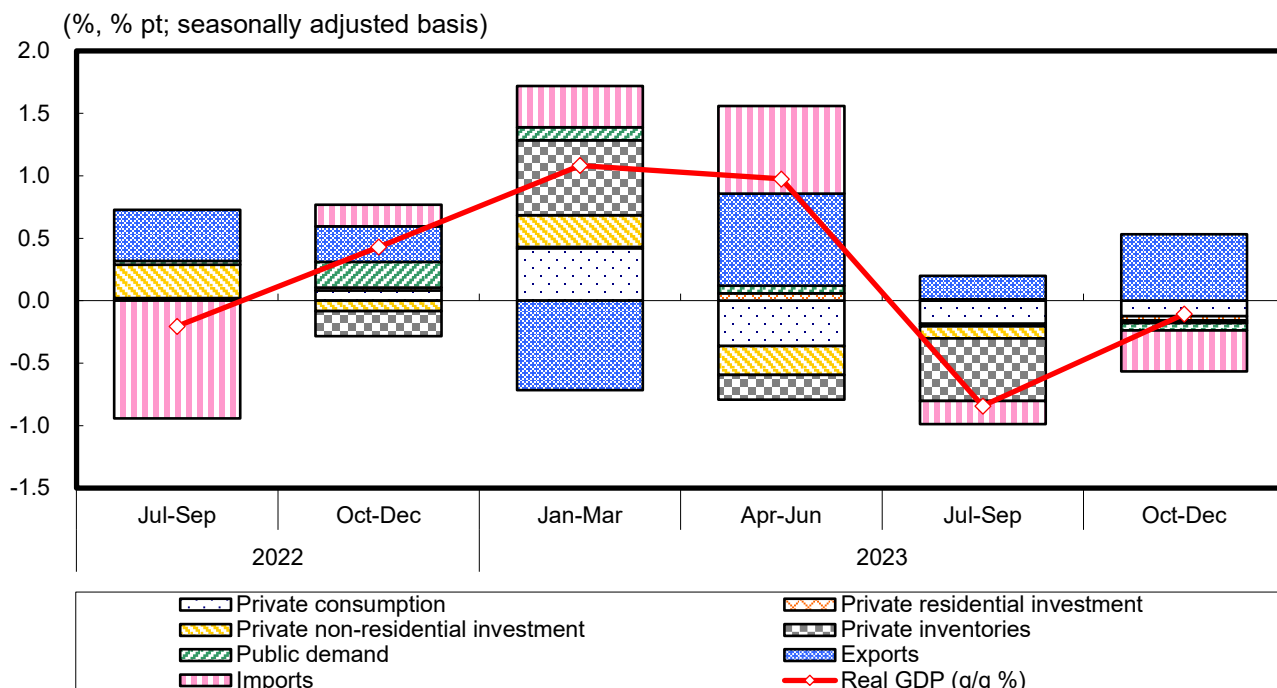
Oct-Dec 2023 GDP (1st Preliminary Estimate) Chart 1

			2022	2023			
			Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Real GDP	Q/q %		0.4	1.1	1.0	-0.8	-0.1
	Annualized Q/q %		1.7	4.4	4.0	-3.3	-0.4
Private consumption	Q/q %		0.2	0.8	-0.7	-0.3	-0.2
Private residential investment	Q/q %		0.7	0.3	1.8	-0.6	-1.0
Private non-residential investment	Q/q %		-0.5	1.6	-1.4	-0.6	-0.1
Change in private inventories (contribution to real GDP growth)	Q/q % pts		-0.2	0.6	-0.2	-0.5	-0.0
Government consumption	Q/q %		0.7	0.1	-0.1	0.3	-0.1
Public investment	Q/q %		0.0	2.0	2.2	-1.0	-0.7
Exports of goods and services	Q/q %		1.4	-3.5	3.8	0.9	2.6
Imports of goods and services	Q/q %		-0.8	-1.6	-3.6	1.0	1.7
Domestic demand (contribution to real GDP growth)	Q/q % pts		0.0	1.5	-0.7	-0.8	-0.3
Foreign demand (contribution to real GDP growth)	Q/q % pts		0.4	-0.4	1.7	0.0	0.2
Nominal GDP	Q/q %		1.9	2.3	2.5	-0.1	0.3
	Annualized Q/q %		7.6	9.4	10.4	-0.2	1.2
GDP deflator	Q/q %		1.4	1.2	1.5	0.8	0.4
	Y/y %		1.4	2.3	3.7	5.2	3.8

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.