

The background features a close-up of a notebook with several pages. The pages contain colorful bar charts and circular diagrams. A silver pen lies horizontally across the bottom of the notebook. The overall scene is brightly lit, suggesting a professional or analytical environment.

ECOPULSE

January 2023

MONTHLY PULSE OF ECONOMIC INDICATORS



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Inflation continues to rise

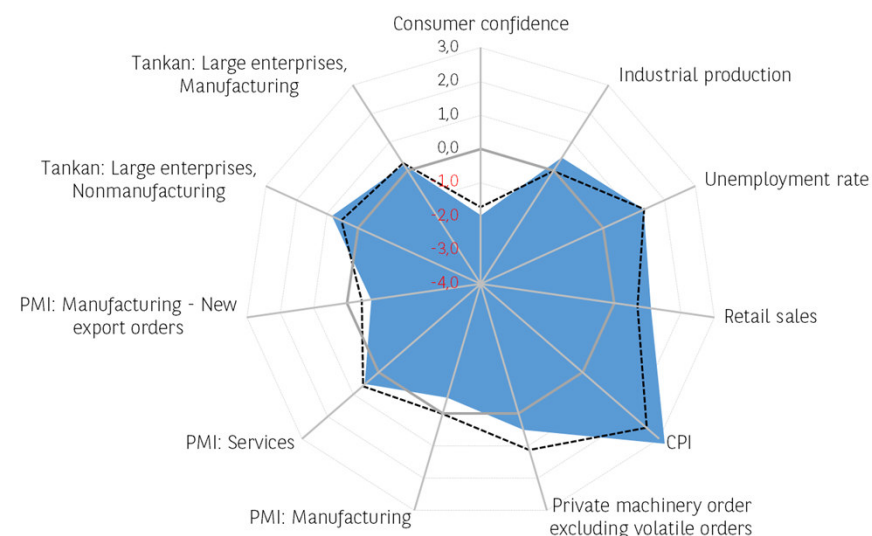
Despite some adjustments to its lending programmes, the Bank of Japan (BoJ) kept its monetary policy unchanged at the meeting on 18 January. However, the pressure on Government bond rates remains high and inflation is still rising. At 4.0% y/y in December, the rise in the CPI was the largest for over forty years (December 1981), while the underlying measure followed by the BoJ (CPI excluding energy only) accelerated even more significantly (4.1% y/y).

Inflation continues to weigh on consumer confidence, while a large proportion of Japanese households will see further increases in the price of electricity next March, with most suppliers having announced price increases from this month.

However, the labour market remains resilient, supported by more job openings (898,947 in November, the highest level since December 2019). Compared to the number of new jobseekers, job openings were at 2.42, close to the record high reached in April 2019 (2.49). The unemployment rate has been broadly stable since spring, even falling slightly in November from 2.6% to 2.5%. However, employment fell by 230,000 in November, the biggest monthly drop in four years, if we exclude the sharp contraction in April 2020 linked to the health crisis.

Prospects for growth in Japan remain low. After a contraction in real GDP of 0.2% q/q in Q3 2022, we are forecasting an increase of 0.7% q/q in Q4. GDP would therefore remain below the pre-Covid level, which, after the United Kingdom, would correspond to the least significant post-pandemic recovery in the G8 countries. Retail sales rose by 0.4% in the first two months of Q4 2022, compared to the Q3 average, while industrial production was up 1.9%.

Economic indicators quarterly changes



Source: Refinitiv, BNP Paribas

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

GDP growth q/q: actual, carry-over and forecasts

	Actual		Forecast	Carry-over	Forecast		Carry-over	Annual growth forecasts (y/y)			
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	end 2022	Q1 2023	Q2 2023	mid 2023	2022	2023	2024
	-0,5	1,1	-0,2	0,7	0,7	0,2	0,1	1,0	1,2	0,9	0,3

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