



# Japanese Economy Monthly Forecast

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## Headlines

### ●Review of data released in April

▶We have forecast 2018Q1 GDP incorporating basic data released up to April 27. The majority of basic monthly data covering Q1 GDP has now been released.

▶**Index of Industrial production (IIP)** for March rose by 1.2% MoM for the second consecutive month. Production drop in January due to a heavy snowfall made January-March quarter IIP fall by 1.4% QoQ for the first slide in eight quarters.

▶Shipment indices for Q1 **durable consumption and non-durable consumption** both fell QoQ, for the first quarterly decline in two quarters. Supply side data suggests that real **private final consumption expenditure (PFCE)** will stall in Q1.

▶After March data updates, forecast levels for **real private housing** and **real private capital expenditure** in Q1 are both revised downwards from last week, but that for **change in corporate inventory** was revised upwards.

▶**Public works contract amounts** had a drop of 6.5% QoQ in Q1, the first slide in two quarters. Contract amounts are showing some signs that **real public fixed capital formation** (government investment) is expected to have been subdued in Q1.

▶According to March trade statics, **net goods exports** for Q1 fell from the Q4 in volume terms, and flat in real value terms.

### ●2018Q1 GDP growth forecast update

▶This week's Current Quarter Model **expenditure-side forecast for real GDP** in 2018Q1 is +0.0% QoQ annualized growth. **Domestic demand** is forecast to make a contribution of +0.1%pts QoQ to real GDP growth, and **net exports** to make a contribution of -0.1%pts QoQ.

▶Our Current Quarter Model's **principal components analysis (production-side) forecast** was +1.3% QoQ annualized real GDP growth. After updating March data, the production-side GDP growth rate forecast bounced back. As the forecast trend (Figure 1) shows, the average of our demand and production side real GDP growth forecasts point to a middle of 0%.

### ●2018Q1 inflation forecast update

▶In March, the seasonally adjusted overall **consumer price index** fell 0.4% MoM for the first slide in five months. For January-March quarter, it rose 0.6% from the previous quarter.

▶This week, the Current Quarter Model forecasts the **private final consumption expenditure deflator** to grow by 0.5% QoQ in 2018Q1, and the **domestic demand deflator** to also grow by 0.3% QoQ. As terms of trade are expected to worsen, the **GDP deflator** is forecast to fall just -0.1% QoQ in Q1 (see Figure 2).

Fig 1 CQM Forecast: Real GDP growth rate Jan-Mar (Q1) 2018 (% , QoQ annualized growth)

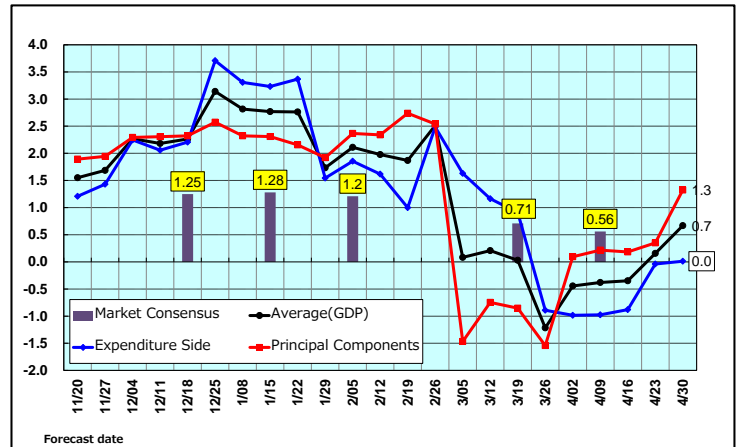
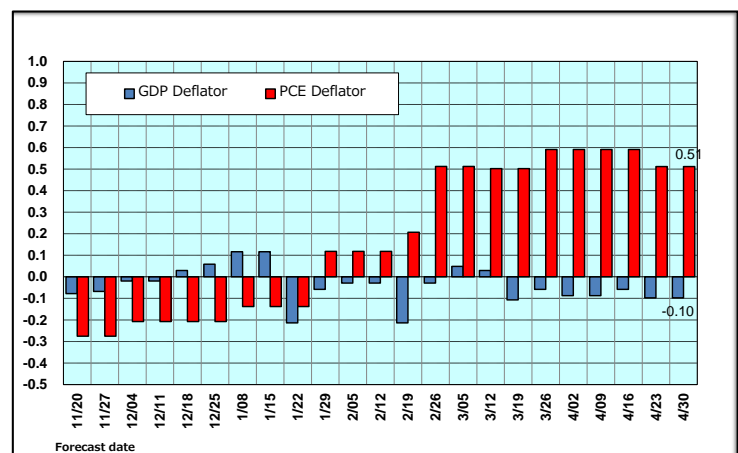


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2018 (% , QoQ growth)



Based on the idea and method of Current Quarter Model developed by Professor L. R. Klein, we have applied them to a forecasting model for the Japanese economy. We forecast it using two models from demand side and production side (principal component analysis). We treat forecast of the former model as the main series and that of the latter model and the average of both model forecasts as the reference series.

発行日 Release Date	データ 該当月 Data Month	経済指標 Economic Indicator	数値・指標値 Value/ Index Score	動態 Change		
				前月比 MoM	前年比 YoY	
4/27	3月 March	<b>労働力調査</b> Labour Force Survey				
		就業者数 (100万人) Total employment (millions)	66.94	+0.48	-	
		失業者数 (100万人) Total unemployment (millions)	1.73	+0.04	-	
		失業率 Unemployment rate (%)	2.5	+0.0%pt	-	
	3月 March	<b>一般職業紹介状況</b> General Job Placement Situation				
		有効求人倍率 Job offer ratio	1.59	+0.01pt	-	
	3月 March	<b>鉱工業指数 (2010年=100: 速報値)</b> Indices of Industrial Production (interim figures, 2010=100)				
		生産 Production	103.9	+1.2%	-	
		出荷 Shipments	100.1	-0.2%	-	
		在庫 Inventory	113.7	+3.5%	-	
	3月 March	<b>商業動態統計 (速報値)</b> Current Survey of Commerce (interim figures)				
		小売業 (10億円) Retail trade (billion JPY)	12,664.0	-0.7%	+1.0%	
	3月 March	<b>新設住宅着工</b> New Housing Starts				
		新設住宅着工戸数 New housing starts (SA, Unit)	69,616	-0.7%	+1.0%	
		工事費予定額 (10億円) Planned dwelling construction cost (billion JPY)	1,124.0	-3.8%	-6.0%	
	2月 February	<b>建設工事費デフレーター (2011年=100)</b> Construction Costs Deflator (2011=100)				
		住宅建築 Housing construction	107.7		+2.2%	
		公共事業 Public works	108.8		+2.2%	
	4月 April	<b>東京都都区消費者物価指数 (2015年=100)</b> National Consumer Price Index (2015=100)				
		コア Core	100.4	-0.1%	+0.6%	
4/26	3月 March	<b>製造業部門別投入・産出物価指数 (2011年=100)</b> Manufacturing Industry Input-Output Price Index (2011=100)				
		投入物価 Input price	97.7	-	+2.4%	
		産出物価 Output price	99.4	-	+1.3%	
4/25	2月 February	<b>産業活動指数 (2010年=100)</b> Industrial Activity Indices (2010=100)				
		全産業 All industries	104.5	-1.8%	-	
		建設業 Construction industry	115.1	+1.7%	-	
4/24	2月 February	<b>景気動向指数 (2010年=100. 改訂値、前月差)</b> Index of Business Conditions (revised, 2010=100)				
		先行 Leading indicator	106.0	+0.1	-	
		一致 Consensus	116.1	+1.3	-	
		遅行 Lagging indicator	118.6	+0.4	-	
	3月 March	<b>企業向けサービス価格指数 (2010年=100)</b> Corporate Service Price Index (2010=100)				
		総合指数 Overall index	104.5	+0.5%	+0.5%	
4/20	2月 February	<b>第3次産業活動指数 (2010年=100)</b> Tertiary Industry Activity Index (2010=100)		105.2	0.0%	-
		<b>毎月勤労統計 (確報値)</b> Monthly Labour Statistics (interim figures)				
		現金給与総額 Total cash salary per capita (JPY)	265,434	-	+1.0%	
		総実労働時間 Total working hours	139.0	-	-2.2%	
	3月 March	<b>全国消費者物価指数 (2015年=100)</b> Tokyo Region Consumer Price Index (2015=100)				
		コア Core	100.6	-0.1%	+0.9%	
4/18	3月 March	<b>貿易統計 (通関ベース)</b> Trade Statistics (customs clearance level)				
		貿易収支 (10億円) Trade balance (billion JPY)	797.3	-	-32.1%	
		輸出 Exports (billion JPY)	7,381.9	-2.2%	+2.1%	
		輸入 Imports (billion JPY)	6,584.5	-6.9%	-0.6%	

4/17	2月 February	<b>鉱工業指数 (2010年=100: 確報値)</b> <b>Indices of Industrial Production (official, 2010=100)</b>			
		生産能力指数 Production capacity index	94.4	-	0.0%
		稼働率指数 Operation ratio index	101.2	+1.3%	-
		生産 Production	102.7	+2.0%	-
		出荷 Shipments	100.3	+1.6%	-
		在庫 Inventory	109.9	+0.5%	-
	2月 February	<b>建設総統計</b> <b>Overall Construction Statistics</b>			
		民間建築: 非居住 (10億円) Private construction: Non-residential (billion JPY)	886.0	-	+6.9%
		公共工事 (10億円) Public works (billion JPY)	2,041.1	-	+1.6%
4/13	3月 March	<b>公共工事前払金保証統計</b> <b>Public Works Advanced Securities Statistics</b>			
		請負金額 (10億円) Contract amount (billion JPY)	1,269.7	-	-14.5%
		請負件数 Number of contracts	16,314	-	-14.3%
	2月 February	<b>情報サービス業売上高 (10億円)</b> <b>Information Services Industry Sales (billion JPY)</b>	828.4	-	-1.7%
4/11	2月 February	<b>民間コア機械受注 (10億円)</b> <b>Private Core Machinery Orders (billion JPY)</b>	891.0	+2.1%	-
	3月 March	<b>国内企業物価指数 (2015年=100)</b> <b>Domestic Corporate Price Index (2010=100)</b>			
		企業物価 Corporate Price	100.3	-0.1%	+2.1%
		輸出物価 Export Price	95.2	-0.9%	-0.5%
		輸入物価 Import Price	95.0	-1.7%	+1.8%
4/10	2月 February	<b>消費総合指数 (2011年=100)</b> <b>Synthetic Consumption Index (2011=100)</b>	104.8	+0.5%	
	3月 March	<b>消費者態度指数 (前月差)</b> <b>Consumer Confidence Index (SA)</b>	44.3	0.0	-
4/9	3月 March	<b>景気ウォッチャー調査 (前月差)</b> <b>Economy Watchers Survey</b>			
		現状判断 DI Current Conditions Diffusion Index	48.9	+0.3	-
		先行き判断 DI Future Conditions Diffusion Index	49.6	-1.8	-
	2月 February	<b>国際収支</b> <b>Balance of Payments</b>			
		経常収支 (10億円) Current account (billion JPY)	2,076.0	-49.4%	-28.7%
		輸出 Exports (billion JPY)	6,423.5	-5.1%	+0.9%
		輸入 Imports (billion JPY)	6,234.8	+7.1%	+17.8%
4/6	2月 February	<b>毎月勤労統計 (速報値)</b> <b>Monthly Labour Statistics (interim figures)</b>			
		現金給与総額 Total cash salary per capita (JPY)	266,466	-	+1.3%
		総実労働時間 Total working hours	139.4	-	-1.9%
	2月 February	<b>景気動向指数 (2010年=100: 速報値、前月差)</b> <b>Index of Business Conditions (interim, 2010=100)</b>			
		先行 Leading indicator	105.8	+0.2	-
		一致 Consensus	115.6	+0.7	-
		遅行 Lagging indicator	119.8	+0.4	-
	2月 February	<b>消費活動指数 (2010年=100)</b> <b>Consumption Activity Index</b>	103.8	-0.2%	
	2月 February	<b>家計調査報告 (2人以上世帯:消費支出)</b> <b>Family Income and Expenditure Survey (households with 2 or more people)</b>			
		名目 Nominal consumption expenditure (JPY)	265,614	-1.6%	+0.9%
		実質 Real consumption expenditure	-	-1.5%	-0.9%
4/3	3月 March	<b>食料安定供給収支 (10億円)</b> <b>Stable Food Supply Payment Balance (billion JPY)</b>	45.9		+7.3
4/2	3月 March	<b>乗用車新車販売台数</b> <b>New Car Sales (vehicles)</b>	562,524	-	-3.6%