



Japanese Economy Monthly Forecast

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Yoshihisa Inada

Head of the Center for Quantitative Economic Analysis, APIR

e-mail: inada-y@apir.or.jp

Headlines

● Review of data released in February

▶ This forecast reflects the latest official statistics released at the end of February and the beginning of March, including the first advance GDP estimate for 2021 Q4. About one-third of the data needed for an accurate Q1 GDP estimate have been released. Data on household consumption and public works are not available yet.

▶ According to the first advance GDP estimate, 2021 Q4 real GDP grew an annualized +5.4% QoQ. Although this was the first positive figure in two quarters, it remained below both the market consensus forecast and APIR's final CQM forecast.

▶ The 2021 Q4 Synthetic Consumption Index increased +2.7% QoQ, logging the first positive growth in two quarters. However, judging from data on human movement, we forecast a decline of -3.1% MoM in January.

▶ Planned residential construction expenditure in January increased for the first time in three months, while capital goods shipments declined for the first time in four months. Comparing the January figures with the 2021 Q4 average, the former increased +6.4%, while the latter declined -0.8%.

▶ In January, exports fell for the first time in four months (-3.3% MoM), while imports increased for the first time in two months (+1.4%). Compared to the 2021 Q4 average, the export volume index fell -1.3% in January, while the import volume index rose +3.8%. As a result, net exports made a significant negative contribution to GDP growth in January.

● 2022 Q1 real GDP growth forecast update

▶ Our forecast for real GDP growth (expenditure side) in 2022 Q1 is -0.9% QoQ. This translates to an annualized -3.7%. The production-side forecast figure is an annualized -0.7% QoQ. The average of the two is an annualized -2.2% (Figure 1). Economic activity is expected to stagnate due to the impact of measures aimed at curbing the spread of COVID-19.

● 2022 Q1 inflation forecast update

▶ In January, the national Consumer Price Index (CPI) increased +0.5% YoY, marking the fifth consecutive month in positive territory. The Corporate Services Price Index rose +1.2% YoY, marking the 11th month of inflation. The overall inflation trend is accelerating.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2022 Q1 are respectively +0.2% and +0.3% QoQ. As the terms of trade are improving, we forecast a GDP deflator of +0.4% QoQ in Q1 (Figure 2).

Fig 1 CQM Forecast: Real GDP Growth Rate Jan-Mar (Q1) 2022 (% , QoQ annualized growth)

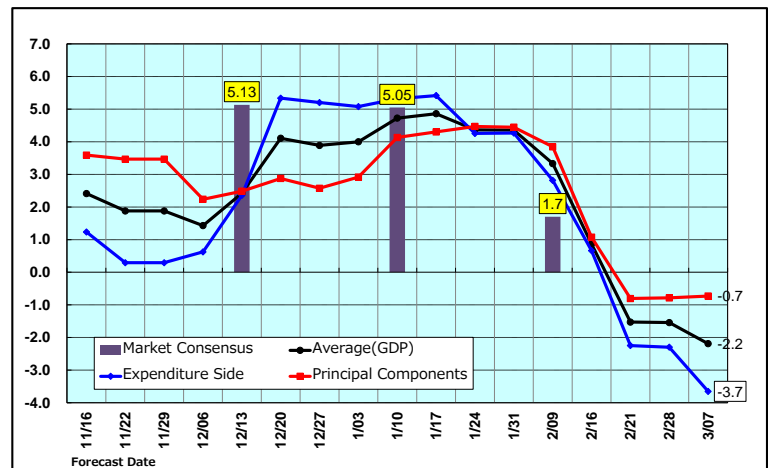
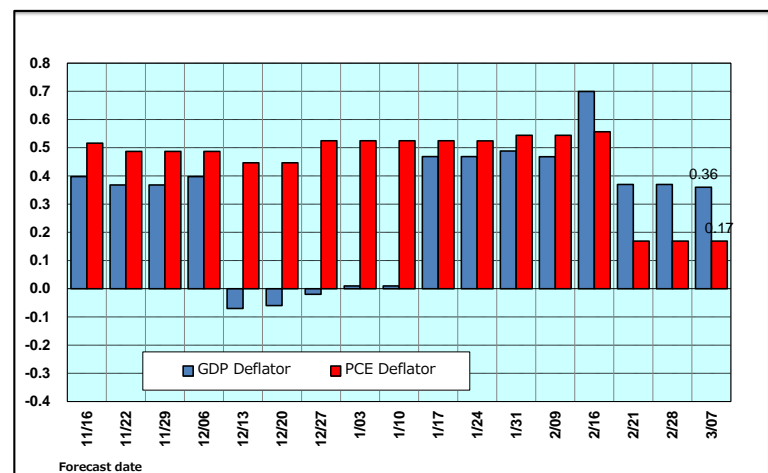


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2022 (% , QoQ growth)



We used the Current Quarter Model (CQM) methodology developed by Professor Emeritus L. R. Klein to create two forecasting models for the Japanese economy: a demand-side model and a production-side (principal component analysis) model. We refer to the forecasts by the former model as the main series, and those by the latter model, as well as the average of both models, as the reference series. Forecasts made using the CQM model are renewed continuously, incorporating the latest weekly data, which makes it possible to determine and trace the impacts of the latest short-term trends on macroeconomic conditions.

Table 1: Main Economic Indicators (latest)

Release Date	Data Month	Economic Indicator	Value/ Index Score	Change	
				MoM	YoY
3/4	January	Labor Force Survey			
		Total employment (millions)	66.93	-0.19	
		Total unemployment (millions)	1.91	+0.04	
		Unemployment rate (%)	2.8%	+0.1%pt	
	January	General Job Placement Situation			
		Job offers-to-applicants ratio	1.20	+0.03pt	
	December	Synthetic Consumption Index (2015=100)	98.0	+0.4%	
3/3	February	Consumer Confidence Index (SA)	35.3	-1.4	
3/2	February	Food Buffer Stock (billion JPY)	-17.7		+1.1
3/1	February	New Car Sales (vehicles)	289,848		-19.9%
2/28	January	Indices of Industrial Production (preliminary figures, 2015=100)			
		Production	95.2	-1.3%	
		Shipments	93.7	-1.8%	
		Inventories	99.0	-1.8%	
	January	Current Survey of Commerce (preliminary figures)			
		Retail trade (billion JPY)	12,295.0	-1.9%	+1.6%
	January	New Housing Starts			
		New housing starts (SA, Unit)	59,690	-2.1%	+2.1%
		Planned residential construction expenditure (billion JPY)	1,121.4	+8.3%	+12.1%
	December	Construction Costs Deflator (2015=100)			
	Housing construction	116.1		+7.7%	
	Public works	113.5		+4.0%	
2/25	December	Index of Business Conditions (revised figures, 2015=100)			
		Leading indicators	104.8	+0.9	
		Coincident indicators	92.7	-0.1	
		Lagging indicators	94.1	+0.8	
	January	Manufacturing Industry Input-Output Price Index (2011=100)			
		Input price	113.5		+18.2%
		Output price	108.0		+9.4%
February	Tokyo Consumer Price Index (2020=100)				
	Core index	100.4	+0.3%	+0.5%	
2/24	December	Monthly Labor Statistics (final figures)			
		Total cash salary per capita (JPY)	545,609		-0.4%
		Total working hours	138.3		+1.1%
2/22	January	Corporate Services Price Index (2015=100)			
	Overall index	105.5		+1.2%	
2/18	January	National Consumer Price Index (2020=100)			
		Core index	100.1	0.0%	+0.2%
2/17	December	Private Core Machinery Orders (billion JPY)	932.4	+3.6%	
	December	General Construction Statistics			
		Private non-residential construction (billion JPY)	865.6		+7.3%
		Public works (billion JPY)	2,064.3		-13.1%
	January	Trade Statistics (customs clearance level)			

		Trade balance (billion JPY)	-2,191.1	+69.7%	+569.7%
		Exports (billion JPY)	6,332.0	+0.1%	+9.6%
		Imports (billion JPY)	8,523.1	-4.9%	+39.6%
2/16	December	Tertiary Industry Activity Index (2015=100)	98.9	+0.4%	
2/15	December	Indices of Industrial Production (final figures, 2015=100)			
		Production	96.5	-1.0%	
		Shipments	95.4	+0.1%	
		Inventory	100.8	+0.1%	
		Production capacity index	96.2		-1.1%
		Capacity utilization ratio	96.5	-0.4%	
	January	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	520.9		-17.7%
		Number of contracts	9,385		-16.4%
2/10	January	Domestic Corporate Price Index (2015=100)			
		Corporate Price	109.5	+0.6%	+8.6%
		Export Price	103.2	+0.4%	+12.5%
		Import Price	119.9	-0.2%	+37.5%
2/8	December	Monthly Labor Statistics (preliminary figures)			
		Total cash salary per capita (JPY)	546,580		-0.2%
		Total working hours	138.4		+1.1%
	December	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	317,206	+0.5%	+0.7%
		Real consumption expenditure		+0.1%	-0.2%
	December	Consumption Trend Index (2020=100)	102.2	-0.1%	
	December	Information Services Industry Sales (billion JPY)	1,441.0		+6.5%
	January	Economy Watchers Survey			
		Current Conditions Diffusion Index	37.9	-19.6	
		Future Conditions Diffusion Index	42.5	-7.8	
	December	Balance of Payments			
		Current account (billion JPY)	-370.8	-42.5%	-1,487.3
		Exports (billion JPY)	7,797.2	-4.2%	+18.7%
		Imports (billion JPY)	8,115.9	+2.6%	+44.8%
2/7	December	Consumption Activity Index (2015=100)	95.3	0.0%	
	December	Index of Business Conditions (preliminary, 2015=100)			
		Leading indicators	104.3	+0.4	
		Coincident indicators	92.6	-0.2	
		Lagging indicators	94.2	+0.8	
2/4	November	Synthetic Consumption Index (2015=100)	96.9	+2.1%	

Table 2: CQM Forecast: GDP Tracking

Forecast date	Real GDP				Deflator		Real GDP			Deflator		Real GDP			Deflator	
	Expenditure side	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE
	2021Q3	2021Q4			2022Q1						2022Q1					
	SAAR (%)	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
11/16		6.3	7.1	6.7	-0.5	-0.2	1.2	3.6	2.4	0.4	0.5					
11/22		6.4	6.1	6.2	-0.5	-0.3	0.3	3.5	1.9	0.4	0.5					
11/29		6.4	6.1	6.3	-0.5	-0.3	0.3	3.5	1.9	0.4	0.5					
12/06		6.9	6.8	6.8	-0.5	-0.3	0.6	2.2	1.4	0.4	0.5					
12/08	-3.6*															
12/13		6.4	5.0	5.7	-0.9	-0.4	2.4	2.5	2.4	-0.1	0.4					
12/20		6.9	6.1	6.5	-0.9	-0.4	5.3	2.9	4.1	-0.1	0.4					
12/27		6.7	5.6	6.1	-0.7	-0.1	5.2	2.6	3.9	-0.0	0.5					
1/03		7.7	7.0	7.4	-0.7	-0.1	5.1	2.9	4.0	0.0	0.5					
1/10		7.7	7.4	7.5	-0.7	-0.1	5.3	4.1	4.7	0.0	0.5					
1/17		7.9	7.4	7.6	-0.7	-0.1	5.4	4.3	4.9	0.5	0.5					
1/24		7.5	7.6	7.5	-0.7	-0.0	4.3	4.5	4.4	0.5	0.5					
1/31		7.4	7.6	7.5	-0.7	-0.0	4.3	4.4	4.4	0.5	0.5					
2/09		6.5	6.7	6.6	-0.6	-0.0	2.8	3.8	3.3	0.5	0.5					
2/15		5.4			-0.8	-0.5										
2/16							0.7	1.1	0.9	0.7	0.6	2.3	0.0	1.2	-0.1	-0.8
2/21							-2.2	-0.8	-1.5	0.4	0.2	2.6	0.2	1.4	-0.1	-0.8
2/28							-2.3	-0.8	-1.5	0.4	0.2	2.5	0.2	1.4	-0.1	-0.8
3/07							-3.7	-0.7	-2.2	0.4	0.2	3.2	0.7	2.0	-0.1	-0.8

Note: Underlined figures are 1st preliminary estimates, and figures marked by * are 2nd preliminary estimates.

Table 3-1: Gross Domestic Product at Chained 2015 Price: Y Billion

	Quarterly			Forecast		CY		FY	
	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2020	2021	2020	2021
GDP/GDE									
Gross Domestic Products	538,033	534,327	541,388	536,379	540,587	528,231	537,142	525,768	537,532
Private Consumption	289,074	286,361	294,070	289,358	291,521	285,206	289,251	283,012	289,716
Residential Investment	18,917	18,611	18,436	18,565	18,830	19,016	18,664	18,823	18,632
Nonresidential Investment	86,268	84,201	84,540	85,012	86,088	85,389	84,813	83,942	85,005
Change in Private Inventory	-169	370	-291	896	925	651	-98	452	202
Government Consumption	115,087	116,330	115,946	116,193	116,703	113,042	115,417	113,765	115,889
Public Investment	28,532	27,678	26,774	26,316	26,380	29,126	28,116	29,528	27,325
Change in Public Inventory	-20	-64	-1	7	-8	-24	-29	-32	-20
Net Exports	389	1,065	2,323	441	558	-4,491	1,186	-4,049	1,055
Exports of Goods & Services	103,044	102,749	103,728	104,828	105,098	91,666	102,344	91,918	103,587
Imports of Goods & Services	102,655	101,684	101,405	104,388	104,540	96,158	101,157	95,967	102,533
Gross National Income	557,022	548,423	552,654	547,434	553,648	550,532	553,377	548,243	551,383
Memo:									
Total Demand	640,688	636,011	642,793	640,766	645,127	624,388	638,300	621,735	640,064
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.6	-0.7	1.3	-0.9	0.8				
SAAR	2.4	-2.7	5.4	-3.7	3.2				
% Change Year Ago	7.3	1.2	0.7	0.3	0.5	-4.5	1.7	-4.5	2.2
Private Consumption	0.7	-0.9	2.7	-1.6	0.7				
% Change Year Ago	6.9	0.5	1.6	0.8	0.8	-5.2	1.4	-5.4	2.4
Residential Investment	1.0	-1.6	-0.9	0.7	1.4				
% Change Year Ago	-2.9	0.2	-0.7	-0.8	-0.5	-7.9	-1.9	-7.8	-1.0
Nonresidential Investment	2.0	-2.4	0.4	0.6	1.3				
% Change Year Ago	3.2	1.2	0.4	0.5	-0.2	-6.5	-0.7	-7.5	1.3
Government Consumption	0.7	1.1	-0.3	0.2	0.4				
% Change Year Ago	3.0	2.0	0.8	1.7	1.4	2.3	2.1	2.5	1.9
Public Investment	-3.3	-3.0	-3.3	-1.7	0.2				
% Change Year Ago	-2.0	-5.9	-10.8	-10.8	-7.5	3.9	-3.5	5.2	-7.5
Exports of Goods & Services	3.1	-0.3	1.0	1.1	0.3				
% Change Year Ago	26.8	16.3	6.1	4.9	2.0	-11.8	11.6	-10.5	12.7
Imports of Goods & Services	3.8	-0.9	-0.3	2.9	0.1				
% Change Year Ago	4.8	11.7	5.5	5.5	1.8	-7.2	5.2	-6.7	6.8
Gross National Income	0.2	-1.5	0.8	-0.9	1.1				
SAAR	0.7	-6.0	3.1	-3.7	4.6				
% Change Year Ago	6.3	-0.3	-1.6	-1.5	-0.6	-3.9	0.5	-3.9	0.6
Total Demand	1.1	-0.7	1.1	-0.3	0.7				
SAAR	4.4	-2.9	4.3	-1.3	2.8				
% Change Year Ago	0.0	9.4	1.4	1.1	0.7	-4.9	2.2	-4.9	2.9
Contribution to GDP Growth Rate									
Domestic Demand	0.7	-0.8	1.1	-0.6	0.8	-3.7	0.7	-3.9	1.4
Private Demand	0.7	-0.8	1.4	-0.5	0.7	-4.4	0.5	-4.6	1.4
Public demand	0.0	0.1	-0.2	0.0	0.1	0.7	0.2	0.8	0.0
Net Exports	-0.1	0.1	0.2	-0.3	0.0	-0.8	1.0	-0.6	0.9

Table 3-2: Gross Domestic Product at Current Prices: Y Billion

	Quarterly			Forecast		CY		FY	
	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2020	2021	2020	2021
GDP/GDE									
Gross Domestic Products	544,827	539,122	541,845	538,729	542,368	538,155	542,290	535,546	541,131
Private Consumption	292,023	289,645	295,857	291,602	291,429	289,499	292,300	286,978	292,282
Residential Investment	20,553	20,889	21,107	21,591	21,861	20,021	20,621	19,832	21,035
Nonresidential Investment	87,863	86,347	87,238	88,461	90,133	86,027	86,604	84,496	87,477
Change in Private Inventory	-464	-97	-562	411	331	289	-406	70	-178
Government Consumption	115,634	117,707	116,658	117,275	117,297	113,185	116,140	113,706	116,819
Public Investment	30,361	29,767	29,095	28,657	28,629	30,449	30,067	30,911	29,470
Change in Public Inventory	-23	-130	-6	-19	-32	-15	-50	-28	-45
Net Exports	-1,119	-5,007	-7,541	-9,247	-7,281	-1,300	-2,987	-419	-5,729
Exports of Goods & Services	99,496	101,076	105,085	106,326	106,655	83,729	99,797	84,125	102,996
Imports of Goods & Services	100,615	106,082	112,626	115,573	113,936	85,029	102,784	84,544	108,724
Gross National Income	565,464	559,540	563,281	559,695	563,579	557,672	562,839	554,703	561,995
Memo:									
Total Demand	645,442	645,204	654,472	654,302	656,303	623,185	645,073	620,090	649,855
Compensation of Employee	288,366	288,209	287,289	288,679	288,013	283,352	288,174	283,664	288,136
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.2	-1.0	0.5	-0.6	0.7				
SAAR	0.9	-4.1	2.0	-2.3	2.7				
% Change Year Ago	6.3	0.0	-0.7	-0.9	-0.5	-3.6	0.8	-3.9	1.0
Private Consumption	0.3	-0.8	2.1	-1.4	-0.1				
% Change Year Ago	6.1	0.1	1.4	0.1	-0.2	-5.0	1.0	-5.5	1.8
Residential Investment	3.3	1.6	1.0	2.3	1.3				
% Change Year Ago	0.4	6.8	8.4	8.5	6.4	-6.9	3.0	-7.3	6.1
Nonresidential Investment	2.9	-1.7	1.0	1.4	1.9				
% Change Year Ago	4.6	3.1	3.1	3.6	2.6	-6.7	0.7	-7.9	3.5
Government Consumption	1.0	1.8	-0.9	0.5	0.0				
% Change Year Ago	3.6	2.9	2.0	2.4	1.4	1.7	2.6	1.7	2.7
Public Investment	-2.3	-2.0	-2.3	-1.5	-0.1				
% Change Year Ago	0.2	-3.3	-7.2	-7.7	-5.7	4.7	-1.3	5.5	-4.7
Exports of Goods & Services	6.3	1.6	4.0	1.2	0.3				
% Change Year Ago	36.6	25.4	17.9	13.5	7.2	-14.1	19.2	-12.1	22.4
Imports of Goods & Services	9.7	5.4	6.2	2.6	-1.4				
% Change Year Ago	20.7	33.3	34.5	26.0	13.2	-14.2	20.9	-13.4	28.6
Gross National Income	0.3	-1.0	0.7	-0.6	0.7				
SAAR	1.2	-4.1	2.7	-2.5	2.8				
% Change Year Ago	6.6	0.4	-0.5	-0.7	-0.3	-3.9	0.9	-4.2	1.3
Memo:									
Total Demand	1.6	0.0	1.4	0.0	0.3				
SAAR	6.5	-0.1	5.9	-0.1	1.2				
% Change Year Ago	0.0	17.4	4.0	3.0	1.7	0.0	-5.2	0.0	-5.3
Compensation of Employee	-0.4	-0.1	-0.3	0.5	-0.2				
% Change Year Ago	2.9	2.3	1.2	-0.3	-0.1	-1.2	1.7	-1.5	1.6

Table 3-3: Deflator : 2015=100

	Quarterly			Forecast		CY		FY	
	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2020	2021	2020	2021
GDP/GDE									
Gross Domestic Products	101.3	100.9	100.1	100.4	100.3	101.9	101.0	101.9	100.7
Private Consumption	101.0	101.2	100.6	100.8	100.0	101.5	101.0	101.4	100.9
Residential Investment	108.7	112.2	114.5	116.3	116.1	105.3	110.4	105.4	112.9
Nonresidential Investment	101.9	102.6	103.2	104.1	104.7	100.7	102.2	100.6	102.9
Government Consumption	100.5	101.2	100.6	100.9	100.5	100.1	100.6	100.0	100.8
Public Investment	106.4	107.6	108.7	108.9	108.5	104.5	107.0	104.6	107.9
Exports of Goods & Services	96.6	98.4	101.3	101.4	101.5	91.3	97.5	91.4	99.4
Imports of Goods & Services	98.0	104.3	111.1	110.7	109.0	88.4	101.5	88.1	106.0
Unit Profit	103.4	101.9	102.0	101.2	102.1	104.7	102.7	104.0	102.1
Unit Labor Cost	99.5	100.1	98.5	99.9	98.9	99.5	99.6	100.1	99.5
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.4	-0.4	-0.8	0.4	-0.1				
	-1.0	-1.2	-1.4	-1.2	-0.9	0.9	-0.9	0.7	-1.2
Private Consumption	-0.4	0.1	-0.5	0.2	-0.8				
	-0.7	-0.5	-0.2	-0.7	-1.0	0.3	-0.5	0.0	-0.5
Residential Investment	2.2	3.3	2.0	1.6	-0.2				
	3.5	6.7	9.2	9.4	6.9	1.1	4.9	0.5	7.2
Nonresidential Investment	0.8	0.7	0.6	0.8	0.6				
	1.3	2.0	2.7	3.0	2.8	-0.3	1.4	-0.5	2.3
Government Consumption	0.3	0.7	-0.6	0.3	-0.4				
	0.6	0.9	1.1	0.7	0.0	-0.6	0.5	-0.8	0.9
Public Investment	1.1	1.1	1.0	0.2	-0.3				
	2.3	2.8	4.1	3.5	2.0	0.7	2.4	0.4	3.1
Exports of Goods & Services	3.1	1.9	3.0	0.1	0.1				
	7.7	7.8	11.1	8.3	5.1	-2.7	6.8	-1.9	8.7
Imports of Goods & Services	5.7	6.4	6.5	-0.3	-1.6				
	15.2	19.4	27.4	19.4	11.2	-7.6	14.9	-7.2	20.4
Unit Profit	0.0	-1.5	0.1	-0.9	0.9				
	0.0	1.5	-3.5	-1.9	-1.3	-1.8	-1.9	-2.0	-1.8
Unit Labor Cost	0.0	0.6	-1.6	1.4	-1.0				
	0.0	14.2	0.5	-0.5	-0.6	3.4	0.0	3.2	-0.6