



# Japanese Economy Monthly Forecast

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## Headlines

### ● Review of data released in March

▶ This forecast reflects data released by the end of March. About two-thirds of the data required for an accurate estimation of 2022 Q1 GDP have been released, except for data on household consumption and public works.

▶ In February, the Index of Industrial Production rose slightly (+ 0.1% MoM), marking the first increase in three months. As a result, the January-February average was +0.8% higher than the 2021 Q4 average. The Ministry of Economy, Trade and Industry (METI) upgraded its assessment, stating the economy is showing signs of picking up.

▶ In January, the real consumption trend index fell for the first time in five months (-0.8% MoM). The real consumption activity index fell for the second consecutive month (-2.9% MoM). As a result, the January composite consumption index is likely to have declined MoM.

▶ Planned residential construction expenditure fell for the first time in two months in February (-4.8% MoM), but the January-February average was +3.8% higher than the 2021 Q4 average. Capital goods shipments declined for the second month in a row (-3.8% MoM). The January-February average was -2.5% lower than the 2021 Q4 average.

▶ The February export volume index increased for the first time in two months (+1.5% MoM). The January-February average remained unchanged relative to the 2021 Q4 average. On the other hand, the January-February average of the import volume index rose +2.6% relative to 2021 Q4. As a result, the contribution of net exports to growth in the January-February period was negative.

### ● 2022 Q1 real GDP growth forecast update

▶ Our forecast for real GDP growth (expenditure side) in 2022 Q1 is -1.3% QoQ, which translates to an annualized -5.0%. The production-side forecast figure is an annualized -1.8%. The average of the two is an annualized -3.4% (Figure 1). 2022 Q1 economic activity is expected to be lackluster due to the impact of measures aimed at curbing the spread of COVID-19.

### ● 2022 Q1 inflation forecast update

▶ In February, the National Consumer Price Index (CPI) increased +0.9% YoY, marking the sixth consecutive monthly increase. The Corporate Services Price Index rose +1.1%, marking 12th straight months of inflation.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2022 Q1 are both +0.5% QoQ. However, as the terms of trade are deteriorating, we forecast a GDP deflator of +0.3% QoQ (Figure 2).

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

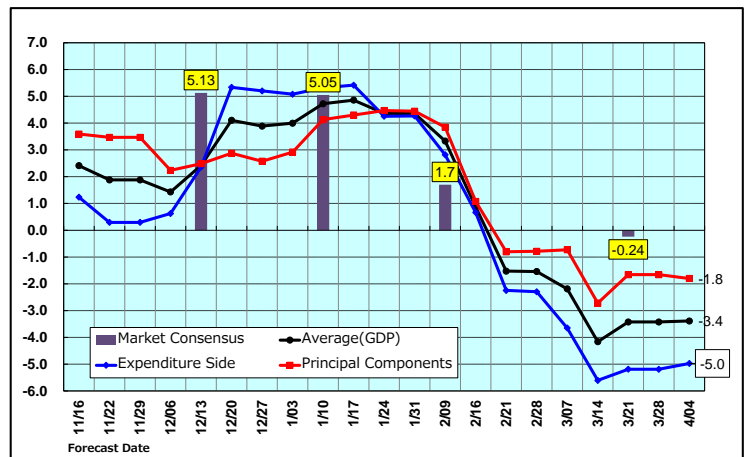
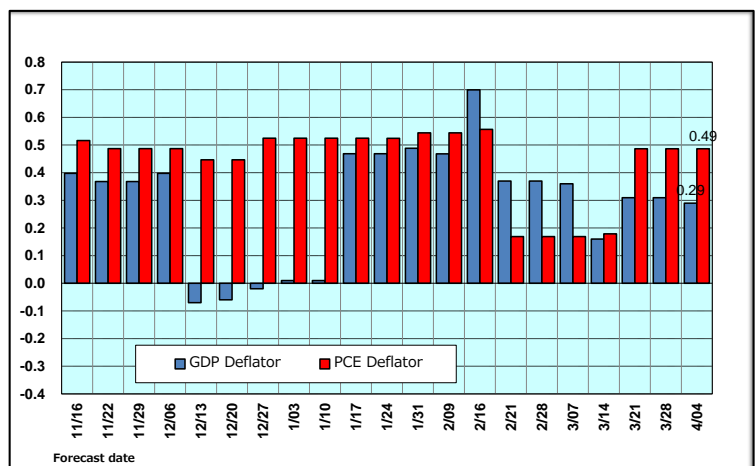


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2022 (% , QoQ growth)



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	
4/1	March	<b>New Car Sales (vehicles)</b>	426,393		-16.5%	
3/31	February	<b>Indices of Industrial Production (preliminary figures, 2015=100)</b>				
		Production	95.8	+0.1%		
		Shipments	92.7	-1.3%		
		February	Inventories	101.3	+1.9%	
		February	<b>New Housing Starts</b>			
	New housing starts (SA, Unit)		64,614	+6.4%	+6.3%	
		January	Planned residential construction expenditure (billion JPY)	1,130.2	-4.8%	+9.8%
	January	<b>Construction Costs Deflator (2015=100)</b>				
Housing construction		116.2		+8.1%		
		Public works	113.9		+4.7%	
3/30	February	<b>Current Survey of Commerce (preliminary figures)</b>				
		Retail trade (billion JPY)	11,537.0	-0.8%	-0.8%	
3/29	February	<b>Labor Force Survey</b>				
		Total employment (millions)	66.93	0.00		
		Total unemployment (millions)	1.88	-0.03		
		February	Unemployment rate (%)	2.7%	-0.1%pt	
		February	<b>General Job Placement Situation</b>			
	Job offers-to-applicants ratio		1.21	+0.01%pt		
		February	<b>Manufacturing Industry Input-Output Price Index (2011=100)</b>			
		Input price	114.9		+17.7%	
		Output price	109.0		+9.8%	
3/25	February	<b>Corporate Services Price Index (2015=100)</b>				
		Overall index	105.7		+1.1%	
	March	<b>Tokyo Region Consumer Price Index (2020=100)</b>				
		Core	100.8	+0.3%	+0.8%	
3/23	January	<b>Index of Business Conditions (revised figures, 2015=100)</b>				
		Leading indicators	102.5	-1.2		
		Coincident indicators	95.6	-0.1		
		Lagging indicators	94.3	-0.6		
3/18	January	<b>Tertiary Industry Activity Index (2015=100)</b>	97.9	-0.7%		
	January	<b>General Construction Statistics</b>				
		Private non-residential construction (billion JPY)	851.6		+7.2%	
		Public works (billion JPY)	1,994.0		-14.6%	
	February	<b>National Consumer Price Index (2020=100)</b>				
		Core index	100.5	+0.4%	+0.6%	
3/17	January	<b>Private Core Machinery Orders (billion JPY)</b>	899.6	-2.0%		
3/16	January	<b>Indices of Industrial Production (final figures, 2015=100)</b>				
		Production	95.7	-0.8%		
		Shipments	93.9	-1.6%		
		Inventory	99.4	-1.4%		
		Production capacity index	95.8		-1.3%	
		Capacity utilization ratio	93.4	-3.2%		

	February	<b>Trade Statistics (customs clearance level)</b> Trade balance (billion JPY) Exports (billion JPY) Imports (billion JPY)	-668.3 7,190.1 7,858.3	+32.8% -0.5% +2.7%	-844.2 +19.1% +34.0%
3/15	February	<b>Public Works Advanced Securities Statistics</b> Contract amount (billion JPY) Number of contracts	589.7 9,502		-9.1% -6.7%
3/11	January  January	<b>Family Income and Expenditure Survey (households with 2 or more people)</b> Nominal consumption expenditure (JPY) Real consumption expenditure <b>Consumption Trend Index (2020=100)</b>	  287,801 102.5	  -0.7% -1.2% -0.8%	  +7.5% +6.9%
3/10	January February	<b>Information Services Industry Sales (billion JPY)</b> <b>Domestic Corporate Price Index (2015=100)</b> Corporate Price Export Price Import Price	1,068.1  110.7 104.6 122.2	  +0.8% +1.2% +2.0%	+4.8%  +9.3% +12.7% +34.0%
3/8	January  January January  February  January	<b>Monthly Labor Statistics (preliminary figures)</b> Total cash salary per capita (JPY) Total working hours <b>Consumption Activity Index (2015=100)</b> <b>Index of Business Conditions (preliminary, 2015=100)</b> Leading indicators Coincident indicators Lagging indicators <b>Economy Watchers Survey</b> Current Conditions Diffusion Index Future Conditions Diffusion Index <b>Balance of Payments</b> Current account (billion JPY) Exports (billion JPY) Imports (billion JPY)	274,172 128.9 92.4 103.7 94.3 93.1 37.7 44.4 -1,188.7 6,562.0 8,166.3	  -2.9%  -1.0 -0.5 -1.6 -0.2 +1.9	+0.9% +0.3%       -76.4% +15.2% +39.9%
3/4	December	<b>Synthetic Consumption Index (2015=100)</b>	98.0	+0.4%	
3/3	February	<b>Consumer Confidence Index (SA)</b>	35.3	-1.4	
3/2	February	<b>Food Buffer Stock (billion JPY)</b>	+17.7		-1.1

**Table 2: CQM Forecast: GDP Tracking**

Forecast date	Real GDP	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			QoQ (%)		2022Q1			QoQ (%)		2022Q2			QoQ (%)	
	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		<u>5.4</u>			<u>-0.8</u>	<u>-0.5</u>										
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
3/09		4.6*			-0.8*	-0.5*										
3/14							-5.6	-2.7	-4.2	0.2	0.2	2.7	2.4	2.6	-0.4	-0.8
3/21							-5.2	-1.7	-3.4	0.3	0.5	3.5	2.6	3.1	-0.3	-0.6
3/28							-5.2	-1.7	-3.4	0.3	0.5	3.5	2.6	3.1	-0.3	-0.6
4/04							-5.0	-1.8	-3.4	0.3	0.5	2.9	3.3	3.1	-0.3	-0.6

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	537,992	534,176	540,211	533,366	537,188	528,231	536,792	525,767	536,436
Private Consumption	289,059	286,247	293,173	288,779	290,765	285,206	288,995	283,011	289,315
Residential Investment	18,917	18,611	18,431	18,444	18,587	19,016	18,664	18,823	18,601
Nonresidential Investment	86,268	84,189	84,476	84,131	84,603	85,389	84,794	83,942	84,766
Change in Private Inventory	-178	330	-412	1,716	850	651	-147	452	364
Government Consumption	115,084	116,362	115,954	116,206	116,716	113,042	115,422	113,765	115,901
Public Investment	28,515	27,649	26,595	25,489	25,526	29,126	28,060	29,528	27,062
Change in Public Inventory	-20	-64	1	8	-7	-24	-29	-32	-19
Net Exports	393	1,078	2,406	-993	563	-4,491	1,211	-4,049	721
Exports of Goods & Services	103,044	102,744	103,701	105,778	107,556	91,666	102,336	91,918	103,817
Imports of Goods & Services	102,651	101,666	101,295	106,771	106,993	96,158	101,125	95,967	103,096
Gross National Income	556,978	548,260	551,398	541,201	545,187	550,532	553,003	548,242	549,460
Memo:									
Total Demand	640,643	635,843	641,505	640,137	644,182	624,389	637,917	621,734	639,532
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.6	-0.7	1.1	-1.3	0.7				
<b>SAAR</b>	<b>2.4</b>	<b>-2.8</b>	<b>4.6</b>	<b>-5.0</b>	<b>2.9</b>				
% Change Year Ago	7.3	1.2	0.4	-0.3	-0.1	-4.5	1.6	-4.5	2.0
Private Consumption	0.7	-1.0	2.4	-1.5	0.7				
% Change Year Ago	6.9	0.5	1.3	0.6	0.6	-5.2	1.3	-5.4	2.2
Residential Investment	1.0	-1.6	-1.0	0.1	0.8				
% Change Year Ago	-2.9	0.2	-0.7	-1.5	-1.7	-7.9	-1.9	-7.8	-1.2
Nonresidential Investment	2.0	-2.4	0.3	-0.4	0.6				
% Change Year Ago	3.2	1.1	0.3	-0.5	-1.9	-6.5	-0.7	-7.5	1.0
Government Consumption	0.7	1.1	-0.4	0.2	0.4				
% Change Year Ago	3.0	2.0	0.9	1.7	1.4	2.3	2.1	2.5	1.9
Public Investment	-3.4	-3.0	-3.8	-4.2	0.1				
% Change Year Ago	-2.0	-5.9	-11.4	-13.7	-10.5	3.9	-3.7	5.2	-8.4
Exports of Goods & Services	3.1	-0.3	0.9	2.0	1.7				
% Change Year Ago	26.8	16.3	6.0	5.8	4.4	-11.8	11.6	-10.5	12.9
Imports of Goods & Services	3.8	-1.0	-0.4	5.4	0.2				
% Change Year Ago	4.8	11.7	5.4	7.9	4.2	-7.2	5.2	-6.7	7.4
Gross National Income	0.2	-1.6	0.6	-1.8	0.7				
<b>SAAR</b>	<b>0.7</b>	<b>-6.1</b>	<b>2.3</b>	<b>-7.2</b>	<b>3.0</b>				
% Change Year Ago	6.3	-0.3	-1.8	-2.7	-2.1	-3.9	0.4	-3.9	0.2
Total Demand	1.1	-0.7	0.9	-0.2	0.6				
<b>SAAR</b>	<b>4.4</b>	<b>-3.0</b>	<b>3.6</b>	<b>-0.9</b>	<b>2.6</b>				
% Change Year Ago	0.0	9.3	1.2	1.0	0.6	-4.9	2.2	-4.9	2.9
Contribution to GDP Growth Rate									
Domestic Demand	0.7	-0.8	0.9	-0.6	0.4	-3.7	0.6	-3.9	1.2
Private Demand	0.7	-0.9	1.2	-0.5	0.3	-4.4	0.4	-4.6	1.3
Public demand	0.0	0.1	-0.3	-0.2	0.1	0.7	0.2	0.8	-0.1
Net Exports	-0.1	0.1	0.2	-0.6	0.3	-0.8	1.0	-0.6	0.8

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	544,693	538,923	540,745	535,447	537,407	538,155	541,903	535,546	539,952	
Private Consumption	291,899	289,524	295,165	292,157	292,325	289,499	292,038	286,978	292,186	
Residential Investment	20,553	20,888	21,091	21,482	21,647	20,021	20,617	19,832	21,003	
Nonresidential Investment	87,863	86,343	87,218	87,641	88,761	86,027	86,598	84,496	87,266	
Change in Private Inventory	-470	-150	-746	1,244	629	289	-472	70	-30	
Government Consumption	115,644	117,732	116,658	117,308	117,349	113,185	116,151	113,706	116,836	
Public Investment	30,348	29,720	28,903	27,815	27,730	30,449	30,006	30,911	29,196	
Change in Public Inventory	-24	-126	-3	-18	-30	-15	-49	-28	-43	
Net Exports	-1,119	-5,007	-7,541	-12,183	-11,004	-1,300	-2,987	-419	-6,463	
Exports of Goods & Services	99,496	101,076	105,085	108,463	111,063	83,729	99,797	84,125	103,530	
Imports of Goods & Services	100,615	106,082	112,626	120,645	122,067	85,029	102,784	84,544	109,992	
Gross National Income	565,331	559,342	562,181	554,311	556,778	557,672	562,452	554,703	560,291	
Memo:										
Total Demand	645,308	645,006	653,371	656,092	659,474	623,185	644,687	620,090	649,944	
Compensation of Employee	288,352	288,141	287,116	289,715	288,579	283,352	288,104	283,664	288,331	
	Upper Row : % change from the previous quarter					Lower Row : % change from a year earlier				
Gross Domestic Products	0.2	-1.1	0.3	-1.0	0.4					
<b>SAAR</b>	<b>0.8</b>	<b>-4.2</b>	<b>1.4</b>	<b>-3.9</b>	<b>1.5</b>					
% Change Year Ago	6.3	0.0	-1.0	-1.5	-1.3	-3.6	0.7	-3.9	0.8	
Private Consumption	0.3	-0.8	1.9	-1.0	0.1					
% Change Year Ago	6.1	0.0	1.1	0.4	0.1	-5.0	0.9	-5.5	1.8	
Residential Investment	3.3	1.6	1.0	1.9	0.8					
% Change Year Ago	0.4	6.9	8.3	7.9	5.3	-6.9	3.0	-7.3	5.9	
Nonresidential Investment	2.9	-1.7	1.0	0.5	1.3					
% Change Year Ago	4.6	3.1	3.1	2.6	1.0	-6.7	0.7	-7.9	3.3	
Government Consumption	1.0	1.8	-0.9	0.6	0.0					
% Change Year Ago	3.6	2.9	2.0	2.4	1.5	1.7	2.6	1.7	2.8	
Public Investment	-2.4	-2.1	-2.7	-3.8	-0.3					
% Change Year Ago	0.2	-3.3	-7.8	-10.5	-8.6	4.7	-1.5	5.5	-5.5	
Exports of Goods & Services	6.3	1.6	4.0	3.2	2.4					
% Change Year Ago	36.6	25.4	17.9	15.8	11.6	-14.1	19.2	-12.1	23.1	
Imports of Goods & Services	9.7	5.4	6.2	7.1	1.2					
% Change Year Ago	20.7	33.3	34.5	31.5	21.3	-14.2	20.9	-13.4	30.1	
Gross National Income	0.3	-1.1	0.5	-1.4	0.4					
<b>SAAR</b>	<b>1.2</b>	<b>-4.2</b>	<b>2.0</b>	<b>-5.5</b>	<b>1.8</b>					
% Change Year Ago	6.6	0.4	-0.7	-1.7	-1.5	-3.9	0.9	-4.2	1.0	
Memo:										
Total Demand	1.6	0.0	1.3	0.4	0.5					
<b>SAAR</b>	<b>6.5</b>	<b>-0.2</b>	<b>5.3</b>	<b>1.7</b>	<b>2.1</b>					
% Change Year Ago	0.0	17.3	3.7	3.3	2.2	0.0	-5.2	0.0	-5.3	
Compensation of Employee	-0.4	-0.1	-0.4	0.9	-0.4					
% Change Year Ago	2.9	2.3	1.1	0.1	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	100.0	101.9	100.9	101.9	100.7
Private Consumption	101.0	101.1	100.7	101.2	100.5	101.5	101.0	101.4	101.0
Residential Investment	108.7	112.2	114.4	116.5	116.5	105.3	110.4	105.4	112.9
Nonresidential Investment	101.9	102.6	103.3	104.2	104.9	100.7	102.2	100.6	103.0
Government Consumption	100.5	101.2	100.6	101.0	100.5	100.1	100.6	100.0	100.8
Public Investment	106.4	107.5	108.7	109.1	108.6	104.5	107.0	104.6	107.9
Exports of Goods & Services	96.6	98.4	101.3	102.5	103.3	91.3	97.5	91.4	99.7
Imports of Goods & Services	98.0	104.3	111.2	113.0	114.1	88.4	101.6	88.1	106.6
Unit Profit	103.4	101.9	101.9	100.0	100.5	104.7	102.6	104.0	101.8
Unit Labor Cost	99.5	100.1	98.6	100.8	99.7	99.5	99.6	100.1	99.7
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	-0.4	-0.4	-0.8	0.3	-0.4				
	-1.0	-1.2	-1.4	-1.2	-1.2	0.9	-0.9	0.7	-1.2
Private Consumption	-0.4	0.2	-0.5	0.5	-0.6				
	-0.8	-0.5	-0.2	-0.2	-0.4	0.3	-0.5	0.0	-0.4
Residential Investment	2.2	3.3	2.0	1.8	0.0				
	3.5	6.7	9.1	9.6	7.2	1.1	4.9	0.5	7.2
Nonresidential Investment	0.8	0.7	0.7	0.9	0.7				
	1.3	2.0	2.8	3.1	3.0	-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	0.1	-0.6	0.5	-0.8	0.9
Public Investment	1.1	1.0	1.1	0.4	-0.5				
	2.3	2.8	4.1	3.6	2.1	0.7	2.4	0.4	3.2
Exports of Goods & Services	3.1	1.9	3.0	1.2	0.7				
	7.7	7.8	11.2	9.4	6.9	-2.7	6.8	-1.9	9.0
Imports of Goods & Services	5.7	6.5	6.6	1.6	1.0				
	15.2	19.4	27.6	21.9	16.4	-7.6	14.9	-7.2	21.1
Unit Profit	0.0	-1.5	0.0	-1.9	0.5				
	0.0	1.5	-3.7	-3.0	-2.8	-1.8	-2.0	-2.0	-2.1
Unit Labor Cost	0.0	0.6	-1.5	2.2	-1.1				
	0.0	14.2	0.6	0.4	0.2	3.4	0.1	3.2	-0.4