



Japanese Economy Monthly Forecast

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Headlines

● Review of data released in April

▶ This forecast reflects data released by the end of April. With the exception of household consumption and public works-related indicators, most data required for an accurate estimation of 2022 Q1 GDP have been released.

▶ In March, the Index of Industrial Production rose slightly (+0.3% MoM), marking the second consecutive monthly increase. As a result, the Q1 average was +0.8% higher than the 2021 Q4 average. Production grew modestly, partly due to supply constraints caused by a shortage of semiconductors.

▶ In February, the real Consumption Trend Index (-0.4% MoM) and the real Consumption Activity Index (-1.1% MoM) both declined for the third consecutive month. Judging from data on human movement, the Q1 Synthetic Consumption Index is likely to have declined -0.7% QoQ.

▶ Planned residential construction expenditure increased +1.8% QoQ in Q1. However, if the rising prices of construction materials are factored in, it is likely that there was a decline in real terms. On the other hand, capital goods shipments declined by -3.3% QoQ. As a result, both residential and capital investment are likely to have shrunk in Q1.

▶ In March, the export volume index increased for the second month in a row (+1.8% MoM). The import volume index rose for the first time in two months (+2.1% MoM). Relative to 2021 Q4, Q1 exports were +0.9% higher, and imports were +3.1% higher. As the latter grew more, the contribution of net exports to growth in Q1 was negative.

● 2022 Q1 real GDP growth forecast update

▶ Our forecast for real GDP growth (expenditure side) in 2022 Q1 is an annualized -3.2% QoQ. The production-side forecast figure is an annualized -1.7%. The average of the two is an annualized -2.4% (Figure 1). Our forecast is lower than the market consensus forecast figure (+0.64%).

● 2022 Q1 inflation forecast update

▶ In March, the National Consumer Price Index (CPI) rose +0.4% YoY, marking the fifth consecutive monthly increase. The core CPI increased by the same amount, logging a second straight month of inflation. On a QoQ basis, Q1 CPI inflation was +0.7%, core CPI inflation being +0.6%. Both indicators increased for the third quarter in a row in Q1.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2022 Q1 are both +0.6% QoQ. However, as the terms of trade are deteriorating, we forecast a GDP deflator of +0.4% QoQ (Figure 2).

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

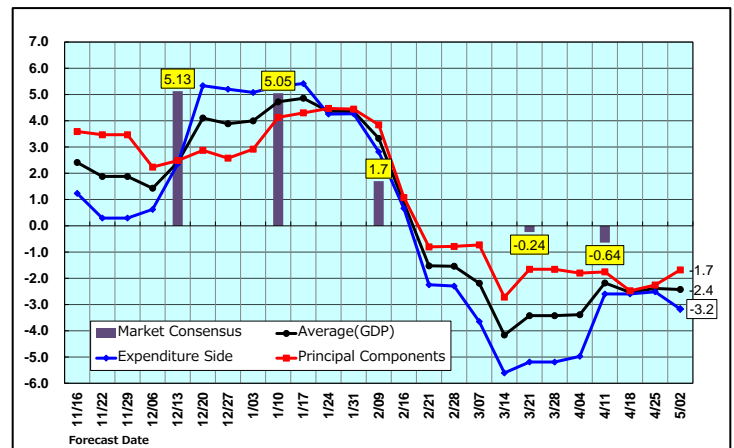
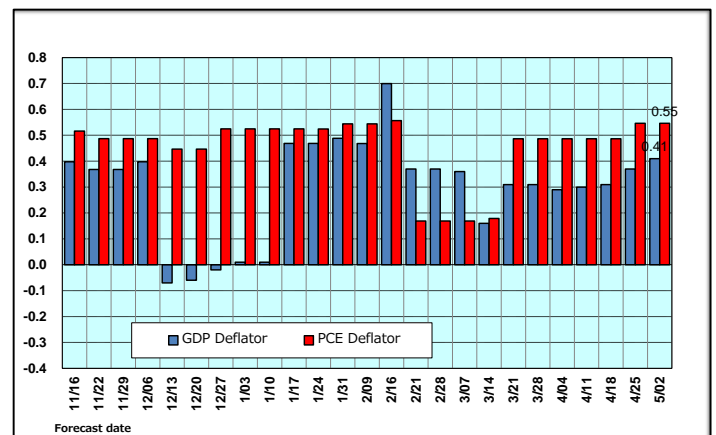


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2022 (% , QoQ growth)



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	
4/28	March	Indices of Industrial Production (preliminary figures, 2015=100)				
		Production	96.5	+0.3%		
		Shipments	93.2	+0.5%		
			Inventories	100.7	-0.6%	
	March	Current Survey of Commerce (preliminary figures)				
		Retail trade (billion JPY)	13,628.0	+2.0%	+0.9%	
	March	New Housing Starts				
		New housing starts (SA, Unit)	76,120	+6.3%	+6.0%	
		Planned residential construction expenditure (billion JPY)	1,248.9	-3.5%	+0.7%	
	February	Construction Costs Deflator (2015=100)				
	Housing construction	117.5		+8.7%		
	Public works	115.1		+5.1%		
4/26	March	Labor Force Survey				
		Total employment (millions)	67.11	+0.18		
		Total unemployment (millions)	1.79	-0.09		
		Unemployment rate (%)	2.6%	-0.1%pt		
	March	General Job Placement Situation				
		Job offers-to-applicants ratio	1.22	+0.01%pt		
	March	Manufacturing Industry Input-Output Price Index (2011=100)				
	Input price	118.2		+18.3%		
	Output price	110.6		+10.0%		
4/25	February	Index of Business Conditions (revised figures, 2015=100)				
		Leading indicators	100.0	-1.2		
		Coincident indicators	96.8	+0.5		
		Lagging indicators	95.0	+0.5		
	March	Corporate Services Price Index (2015=100)				
	Overall index	106.7		+1.3%		
4/22	February	Monthly Labor Statistics (final figures)				
		Total cash salary per capita (JPY)	268,898		+1.2%	
		Total working hours	130.3		-0.4%	
	March	National Consumer Price Index (2020=100)				
	Core index	100.9	+0.4%	+0.8%		
4/21	February	General Construction Statistics				
		Private non-residential construction (billion JPY)	850.6		+8.7%	
	Public works (billion JPY)	1,905.3		-14.9%		
4/20	February	Tertiary Industry Activity Index (2015=100)	96.8	-1.3%		
	March	Trade Statistics (customs clearance level)				
		Trade balance (billion JPY)	-412.4	-15.6%	-1,028.0	
		Exports (billion JPY)	8,460.9	+1.7%	+14.7%	
	Imports (billion JPY)	8,873.3	-0.5%	+31.2%		
4/19	February	Indices of Industrial Production (final figures, 2015=100)				
		Production	96.2	+2.0%		
		Shipments	92.7	0.0%		

		Inventory	101.3	+2.1%	
		Production capacity index	95.7		-1.4%
		Capacity utilization ratio	94.2	+1.5%	
4/15	March	Public Works Advanced Securities Statistics			
		Contract amount (billion JPY)	1,449.9		-4.3%
		Number of contracts	17,901		-4.4%
4/13	February	Private Core Machinery Orders (billion JPY)	811.4	-9.8%	
4/12	March	Domestic Corporate Price Index (2015=100)			
		Corporate Price	112.0	+0.8%	+9.5%
		Export Price	107.9	+3.0%	+13.1%
		Import Price	126.5	+3.3%	+33.4%
4/8	February	Information Services Industry Sales (billion JPY)	1,130.1		+6.0%
	March	Consumer Confidence Index (SA)	32.8	-2.4	
	March	Economy Watchers Survey			
		Current Conditions Diffusion Index	47.8	+10.1	
		Future Conditions Diffusion Index	50.1	+5.7	
	February	Balance of Payments			
		Current account (billion JPY)	1,648.3	+180.7%	-42.5%
		Exports (billion JPY)	7,299.3	+2.7%	+19.8%
		Imports (billion JPY)	7,476.2	+7.4%	+34.2%
4/7	February	Consumption Activity Index (2015=100)	90.7	-1.1%	
	February	Index of Business Conditions (preliminary, 2015=100)			
		Leading indicators	100.9	-1.6	
		Coincident indicators	95.5	-0.1	
		Lagging indicators	96.5	+2.2	
4/6	March	Food Buffer Stock (billion JPY)	-101.1		-45.2
	January	Synthetic Consumption Index (2015=100)	97.3	-0.3%	
4/5	February	Monthly Labor Statistics (preliminary figures)			
		Total cash salary per capita (JPY)	269,142		+1.2%
		Total working hours	130.7		-0.1%
	February	Family Income and Expenditure Survey (households with 2 or more people)			
		Nominal consumption expenditure (JPY)	257,887	-2.3%	+2.2%
		Real consumption expenditure		-2.8%	+1.1%
	February	Consumption Trend Index (2020=100)	101.5	-0.4%	
4/1	March	New Car Sales (vehicles)	426,393		-16.5%
3/25	March	Tokyo Region Consumer Price Index (2020=100)			
		Core	100.8	+0.3%	+0.8%

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			2022Q2			2022Q2			2022Q2				
	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				
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				
4/11							-2.6	-1.8	-2.2	0.3	0.5	2.0	3.2	2.6	-0.4	-0.6				
4/18							-2.6	-2.5	-2.5	0.3	0.5	1.9	3.0	2.5	-0.4	-0.6				
4/25							-2.5	-2.3	-2.4	0.4	0.5	1.9	3.7	2.8	-0.4	-0.5				
5/02							-3.2	-1.7	-2.4	0.4	0.5	1.8	4.1	2.9	-0.5	-0.5				

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	535,876	538,279	528,231	536,792	525,767	537,064
Private Consumption	289,059	286,247	293,173	291,127	291,796	285,206	288,995	283,011	289,901
Residential Investment	18,917	18,611	18,431	18,316	18,242	19,016	18,664	18,823	18,569
Nonresidential Investment	86,268	84,189	84,476	84,136	84,198	85,389	84,794	83,942	84,767
Change in Private Inventory	-178	330	-412	842	678	651	-147	452	146
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	25,009	24,813	29,126	28,060	29,528	26,942
Change in Public Inventory	-20	-64	1	133	141	-24	-29	-32	12
Net Exports	393	1,078	2,406	522	2,110	-4,491	1,211	-4,049	1,100
Exports of Goods & Services	103,044	102,744	103,701	105,781	107,275	91,666	102,336	91,918	103,817
Imports of Goods & Services	102,651	101,666	101,295	105,259	105,165	96,158	101,125	95,967	102,718
Gross National Income	556,978	548,260	551,398	545,502	547,208	550,532	553,003	548,242	550,535
Memo:									
Total Demand	640,643	635,843	641,505	641,135	643,444	624,389	637,917	621,734	639,782
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.6	-0.7	1.1	-0.8	0.4				
SAAR	2.4	-2.8	4.6	-3.2	1.8				
% Change Year Ago	7.3	1.2	0.4	0.2	0.1	-4.5	1.6	-4.5	2.1
Private Consumption	0.7	-1.0	2.4	-0.7	0.2				
% Change Year Ago	6.9	0.5	1.3	1.4	0.9	-5.2	1.3	-5.4	2.4
Residential Investment	1.0	-1.6	-1.0	-0.6	-0.4				
% Change Year Ago	-2.9	0.2	-0.7	-2.2	-3.6	-7.9	-1.9	-7.8	-1.4
Nonresidential Investment	2.0	-2.4	0.3	-0.4	0.1				
% Change Year Ago	3.2	1.1	0.3	-0.5	-2.4	-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	-6.0	-0.8				
% Change Year Ago	-2.0	-5.9	-11.4	-15.3	-13.0	3.9	-3.7	5.2	-8.8
Exports of Goods & Services	3.1	-0.3	0.9	2.0	1.4				
% Change Year Ago	26.8	16.3	6.0	5.8	4.1	-11.8	11.6	-10.5	12.9
Imports of Goods & Services	3.8	-1.0	-0.4	3.9	-0.1				
% Change Year Ago	4.8	11.7	5.4	6.4	2.4	-7.2	5.2	-6.7	7.0
Gross National Income	0.2	-1.6	0.6	-1.1	0.3				
SAAR	0.7	-6.1	2.3	-4.2	1.3				
% Change Year Ago	6.3	-0.3	-1.8	-1.9	-1.8	-3.9	0.4	-3.9	0.4
Total Demand	1.1	-0.7	0.9	-0.1	0.4				
SAAR	4.4	-3.0	3.6	-0.2	1.4				
% Change Year Ago	0.0	9.3	1.2	1.2	0.4	-4.9	2.2	-4.9	2.9
Contribution to GDP Growth Rate									
Domestic Demand	0.7	-0.8	0.9	-0.5	0.2	-3.7	0.6	-3.9	1.3
Private Demand	0.7	-0.9	1.2	-0.2	0.1	-4.4	0.4	-4.6	1.4
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	-0.3	0.3	-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	544,693	538,923	540,745	538,619	538,210	538,155	541,903	535,546	540,745
Private Consumption	291,899	289,524	295,165	294,703	293,934	289,499	292,038	286,978	292,823
Residential Investment	20,553	20,888	21,091	21,386	21,364	20,021	20,617	19,832	20,979
Nonresidential Investment	87,863	86,343	87,218	87,675	88,471	86,027	86,598	84,496	87,275
Change in Private Inventory	-470	-150	-746	542	687	289	-472	70	-206
Government Consumption	115,644	117,732	116,658	117,304	117,347	113,185	116,151	113,706	116,835
Public Investment	30,348	29,720	28,903	27,365	27,009	30,449	30,006	30,911	29,084
Change in Public Inventory	-24	-126	-3	85	92	-15	-49	-28	-17
Net Exports	-1,119	-5,007	-7,541	-10,441	-10,693	-1,300	-2,987	-419	-6,027
Exports of Goods & Services	99,496	101,076	105,085	109,281	113,530	83,729	99,797	84,125	103,734
Imports of Goods & Services	100,615	106,082	112,626	119,722	124,223	85,029	102,784	84,544	109,761
Gross National Income	565,331	559,342	562,181	559,176	559,599	557,672	562,452	554,703	561,507
Memo:									
Total Demand	645,308	645,006	653,371	658,341	662,433	623,185	644,687	620,090	650,507
Compensation of Employee	288,352	288,141	287,116	291,055	289,515	283,352	288,104	283,664	288,666
Upper Row : % change from the previous quarter Lower Row : % change from a year earlier									
Gross Domestic Products	0.2	-1.1	0.3	-0.4	-0.1				
SAAR	0.8	-4.2	1.4	-1.6	-0.3				
% Change Year Ago	6.3	0.0	-1.0	-0.9	-1.2	-3.6	0.7	-3.9	1.0
Private Consumption	0.3	-0.8	1.9	-0.2	-0.3				
% Change Year Ago	6.1	0.0	1.1	1.2	0.7	-5.0	0.9	-5.5	2.0
Residential Investment	3.3	1.6	1.0	1.4	-0.1				
% Change Year Ago	0.4	6.9	8.3	7.5	3.9	-6.9	3.0	-7.3	5.8
Nonresidential Investment	2.9	-1.7	1.0	0.5	0.9				
% Change Year Ago	4.6	3.1	3.1	2.6	0.7	-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	-5.3	-1.3				
% Change Year Ago	0.2	-3.3	-7.8	-12.0	-11.0	4.7	-1.5	5.5	-5.9
Exports of Goods & Services	6.3	1.6	4.0	4.0	3.9				
% Change Year Ago	36.6	25.4	17.9	16.7	14.1	-14.1	19.2	-12.1	23.3
Imports of Goods & Services	9.7	5.4	6.2	6.3	3.8				
% Change Year Ago	20.7	33.3	34.5	30.5	23.5	-14.2	20.9	-13.4	29.8
Gross National Income	0.3	-1.1	0.5	-0.5	0.1				
SAAR	1.2	-4.2	2.0	-2.1	0.3				
% Change Year Ago	6.6	0.4	-0.7	-0.8	-1.0	-3.9	0.9	-4.2	1.2
Memo:									
Total Demand	1.6	0.0	1.3	0.8	0.6				
SAAR	6.5	-0.2	5.3	3.1	2.5				
% Change Year Ago	0.0	17.3	3.7	3.6	2.7	0.0	-5.2	0.0	-5.3
Compensation of Employee	-0.4	-0.1	-0.4	1.4	-0.5				
% Change Year Ago	2.9	2.3	1.1	0.5	0.4	-1.2	1.7	-1.5	1.8

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	100.5	100.0	101.9	100.9	101.9	100.7
Private Consumption	101.0	101.1	100.7	101.2	100.7	101.5	101.0	101.4	101.0
Residential Investment	108.7	112.2	114.4	116.8	117.1	105.3	110.4	105.4	113.0
Nonresidential Investment	101.9	102.6	103.3	104.2	105.1	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	109.4	108.9	104.5	107.0	104.6	108.0
Exports of Goods & Services	96.6	98.4	101.3	103.3	105.8	91.3	97.5	91.4	99.9
Imports of Goods & Services	98.0	104.3	111.2	113.7	118.1	88.4	101.6	88.1	106.8
Unit Profit	103.4	101.9	101.9	100.2	100.3	104.7	102.6	104.0	101.8
Unit Labor Cost	99.5	100.1	98.6	100.8	99.8	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	0.4	-0.5				
	-1.0	-1.2	-1.4	-1.1	-1.2	0.9	-0.9	0.7	-1.2
Private Consumption	-0.4	0.2	-0.5	0.6	-0.5				
	-0.8	-0.5	-0.2	-0.2	-0.3	0.3	-0.5	0.0	-0.4
Residential Investment	2.2	3.3	2.0	2.0	0.3				
	3.5	6.7	9.1	9.8	7.8	1.1	4.9	0.5	7.3
Nonresidential Investment	0.8	0.7	0.7	0.9	0.8				
	1.3	2.0	2.8	3.2	3.2	-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	0.7	-0.5				
	2.3	2.8	4.1	3.9	2.3	0.7	2.4	0.4	3.3
Exports of Goods & Services	3.1	1.9	3.0	2.0	2.4				
	7.7	7.8	11.2	10.3	9.6	-2.7	6.8	-1.9	9.3
Imports of Goods & Services	5.7	6.5	6.6	2.3	3.9				
	15.2	19.4	27.6	22.7	20.5	-7.6	14.9	-7.2	21.3
Unit Profit	0.0	-1.5	0.0	-1.6	0.0				
	0.0	1.5	-3.7	-2.8	-3.0	-1.8	-2.0	-2.0	-2.0
Unit Labor Cost	0.0	0.6	-1.5	2.2	-1.0				
	0.0	14.2	0.6	0.4	0.3	3.4	0.1	3.2	-0.4