



Japanese Economy Monthly Forecast

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Headlines

● Review of data released in April

▶ This forecast reflects data released by April 30. Most official data required for a complete calculation of 2021 Q1 GDP have already been released, except for statistics on household consumption, public construction and the international balance of payments for March.

▶ The Synthetic Consumption Index, which is a comprehensive indicator of private final consumption expenditure, rose +1.3% in February, marking the first increase in four months. The January-February average was -2.3% lower than the 2020 Q4 average.

▶ The Index of Industrial Production increased for the first time in two months in March (+2.2% MoM). The Q1 change was +3.0% QoQ, marking the first increase in three quarters. The Ministry of Economy, Trade and Industry (METI) kept its assessment of the economy as “recovering”.

▶ March data on total planned construction, capital goods shipments and inventories of final-demand goods is now available. The February construction cost deflator has also been released. As a result, we have made upward revisions in our forecasts for real private residential investment and changes in private inventories, but a downward revision in our forecast for real private capital investment and public fixed capital formation.

▶ On a volume basis, exports in March increased for the first time in two months (+6.4% MoM), while imports kept expanding for the second consecutive month (+0.4% MoM). Compared to 2020 Q4, 2021 Q1 exports and imports increased +3.2% and +4.1%, respectively. Since the latter growth figure was greater, net exports made a negative contribution to GDP growth in Q1.

● 2021 Q1 real GDP growth forecast update

▶ Our forecast for real GDP growth (expenditure side) in 2021 Q1 is an annualized -4.9% QoQ. The production-side forecast figure is an annualized -4.5% QoQ. The average of the two is an annualized -4.7%. In our previous report, the expenditure-side and the production-side figures diverged noticeably. However, in our latest forecast there is a convergence trend (Figure 1).

● 2021 Q1 inflation forecast update

▶ In March, the national Consumer Price Index (CPI, seasonally adjusted) increased +0.2% MoM, marking the third consecutive month in positive territory. The Q1 figure was +0.5% QoQ, the first increase in four quarters.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2021 Q1 are respectively +0.5% and +0.3% 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) 2021 (% , QoQ annualized growth)

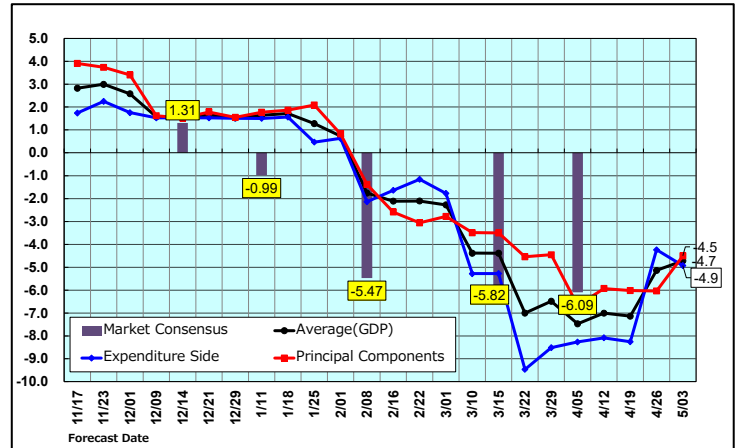
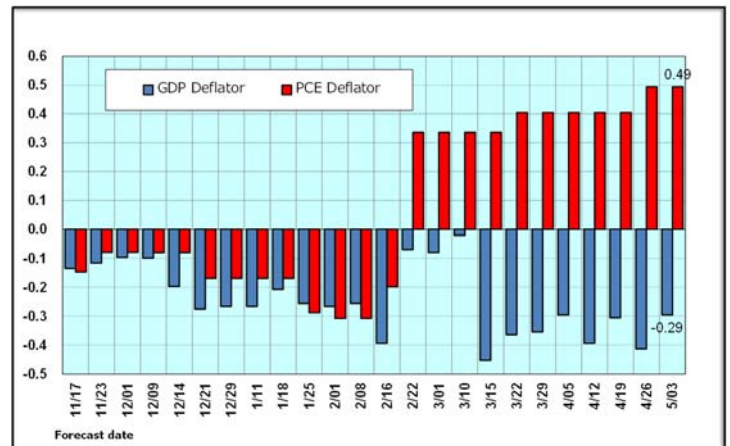


Fig 2 CQM Forecast: Inflation Jan-Mar (Q1) 2021 (% , QoQ growth)



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.

Main Economic Indicators (latest)

| Release Date | Data Month | Economic Indicator | Value/ Index Score | Change | | |
|--------------|---|---|-----------------------|----------|---------|--|
| | | | | MoM | YoY | |
| 4/30 | March | Labor Force Survey | | | | |
| | | Total employment (millions) | 66.84 | -0.13 | | |
| | | Total unemployment (millions) | 1.80 | -0.23 | | |
| | | | Unemployment rate (%) | 2.6% | -0.3%pt | |
| | March | General Job Placement Situation | | | | |
| | | Job offers-to-applicants ratio | 1.10 | +0.01%pt | | |
| | March | Indices of Industrial Production (preliminary figures, 2015=100) | | | | |
| | | Production | 97.7 | +2.2% | | |
| | | Shipments | 95.2 | +0.8% | | |
| | | Inventories | 94.5 | +0.1% | | |
| April | Consumer Confidence Index (SA) | 34.7 | -1.4 | | | |
| April | Tokyo Region Consumer Price Index (2015=100) | | | | | |
| | Core | 101.4 | -0.4% | -0.2% | | |
| 4/28 | March | Current Survey of Commerce (preliminary figures) | | | | |
| | | Retail trade (billion JPY) | 13,498.0 | +1.2% | +5.2% | |
| | March | New Housing Starts | | | | |
| | | New housing starts (SA, Unit) | 71,787 | +9.0% | +1.5% | |
| | | Planned residential construction expenditure (billion JPY) | 1,240.2 | +14.4% | +1.6% | |
| | February | Construction Costs Deflator (2011=100) | | | | |
| | | Housing construction | 113.7 | | +0.2% | |
| | | Public works | 116.0 | | +0.1% | |
| March | Manufacturing Industry Input-Output Price Index (2011=100) | | | | | |
| | Input price | 97.7 | | +3.5% | | |
| | Output price | 100.4 | | +2.2% | | |
| 4/26 | February | Index of Business Conditions (revised figures, 2015=100) | | | | |
| | | Leading indicators | 98.7 | +0.6 | | |
| | | Coincident indicators | 89.9 | -1.8 | | |
| | | Lagging indicators | 91.2 | -0.1 | | |
| | March | Corporate Services Price Index (2015=100) | | | | |
| | Overall index | 105.3 | | +0.7% | | |
| 4/23 | February | Monthly Labor Statistics (final figures) | | | | |
| | | Total cash salary per capita (JPY) | 265,702 | | -0.4% | |
| | | Total working hours | 130.8 | | -3.5% | |
| | March | National Consumer Price Index (2015=100) | | | | |
| | Core index | 101.8 | +0.2% | -0.1% | | |
| 4/21 | February | Synthetic Consumption Index (2015=100) | 94.2 | +1.3% | | |
| 4/20 | February | Industrial Activity Index (2015=100) | 96.7 | -0.1% | | |
| | February | Tertiary Industry Activity Index (2015=100) | 97.0 | +0.3% | | |
| | February | General Construction Statistics | | | | |
| | | Private non-residential construction (billion JPY) | 796.3 | | -7.7% | |
| | Public works (billion JPY) | 2,163.5 | | +5.2% | | |
| 4/19 | February | Indices of Industrial Production (final figures, 2015=100) | | | | |
| | | Production capacity index | 97.1 | | -1.2% | |

| | | | | | |
|------|----------|--|---------|--------|----------|
| | | Capacity utilization ratio | 93.0 | -2.8% | |
| | | Production | 95.6 | -1.3% | |
| | | Shipments | 94.4 | -1.3% | |
| | | Inventory | 94.4 | -0.7% | |
| | March | Trade Statistics (customs clearance level) | | | |
| | | Trade balance (billion JPY) | 663.7 | +308.8 | +8756.6% |
| | | Exports (billion JPY) | 7,378.1 | +4.3% | +16.1% |
| | | Imports (billion JPY) | 6,714.4 | -0.7% | +5.7% |
| 4/15 | March | Public Works Advanced Securities Statistics | | | |
| | | Contract amount (billion JPY) | 1,515.6 | | +1.9% |
| | | Number of contracts | 18,727 | | -1.0% |
| 4/14 | February | Private Core Machinery Orders (billion JPY) | 769.8 | -8.5% | |
| 4/12 | March | Domestic Corporate Price Index (2015=100) | | | |
| | | Corporate Price | 102.1 | +0.8% | +1.0% |
| | | Export Price | 95.4 | +2.8% | +5.5% |
| | | Import Price | 94.6 | +3.8% | +5.6% |
| 4/8 | February | Information Services Industry Sales (billion JPY) | 993.2 | | -4.3% |
| | March | Consumer Confidence Index (SA) | 36.1 | +2.2 | |
| | March | Economy Watchers Survey | | | |
| | | Current Conditions Diffusion Index | 49.0 | +7.7 | |
| | | Future Conditions Diffusion Index | 49.8 | -1.5 | |
| | February | Balance of Payments | | | |
| | | Current account (billion JPY) | 2,916.9 | +19.9% | -4.7% |
| | | Exports (billion JPY) | 6,075.2 | +0.2% | -4.0% |
| | | Imports (billion JPY) | 5,551.0 | +12.5% | +11.8% |
| 4/7 | February | Consumption Activity Index (2011=100) | 95.7 | +1.3% | |
| | February | Index of Business Conditions (preliminary, 2015=100) | | | |
| | | Leading indicators | 99.7 | +1.2 | |
| | | Coincident indicators | 89.0 | -1.3 | |
| | | Lagging indicators | 91.6 | +0.2 | |
| 4/6 | February | Monthly Labor Statistics (preliminary figures) | | | |
| | | Total cash salary per capita (JPY) | 265,972 | | -0.2% |
| | | Total working hours | 131.0 | | -3.4% |
| | January | Monthly Labor Statistics (final figures) | | | |
| | | Total cash salary per capita (JPY) | 271,761 | | -1.3% |
| | | Total working hours | 128.5 | | -2.1% |
| | February | Family Income and Expenditure Survey (households with 2 or more people) | | | |
| | | Nominal consumption expenditure (JPY) | 252,451 | +2.3% | -7.1% |
| | | Real consumption expenditure | | +2.4% | -6.6% |
| | February | Consumption Trend Index (2015=100) | 93.8 | +0.8% | |
| 4/2 | March | Food Buffer Stock (billion JPY) | +55.9 | | -0.6 |
| 4/1 | March | New Car Sales (vehicles) | 510,386 | | +5.2% |

CQM Forecast: GDP Tracking

| 予測日 | 実質GDP | | | デフレーター | | 実質GDP | | | デフレーター | | 実質GDP | | | デフレーター | | | |
|--------------|----------------------|-----|--------|--------------|--------------|----------------------|--------|------|--------|------|----------------------|----------|--------|--------|--------|--|--|
| | 生産サイド | | | GDP | PCE | 生産サイド | | | GDP | PCE | 生産サイド | | | GDP | PCE | | |
| | 支出サイド (主成分分析 平均 モデル) | | | | | 支出サイド (主成分分析 平均 モデル) | | | | | 支出サイド (主成分分析 平均 モデル) | | | | | | |
| | 2020Q4 | | | | | | 2021Q1 | | | | | | 2021Q2 | | | | |
| 前期比年率(%) | | | 前期比(%) | | | 前期比年率(%) | | | 前期比(%) | | | 前期比年率(%) | | | 前期比(%) | | |
| 11/17 | 2.5 | 2.5 | 2.5 | 0.2 | 0.0 | 1.7 | 3.9 | 2.8 | -0.1 | -0.1 | | | | | | | |
| 11/23 | 4.1 | 4.6 | 4.3 | 0.0 | -0.3 | 2.3 | 3.7 | 3.0 | -0.1 | -0.1 | | | | | | | |
| 12/01 | 5.8 | 7.8 | 6.8 | 0.0 | -0.3 | 1.8 | 3.4 | 2.6 | -0.1 | -0.1 | | | | | | | |
| 12/08 | | | | | | | | | | | | | | | | | |
| 12/09 | 7.9 | 6.4 | 7.1 | -0.2 | -0.3 | 1.5 | 1.6 | 1.6 | -0.1 | -0.1 | | | | | | | |
| 12/14 | 7.9 | 7.0 | 7.5 | -0.2 | -0.3 | 1.5 | 1.5 | 1.5 | -0.2 | -0.1 | | | | | | | |
| 12/21 | 11.6 | 7.3 | 9.4 | -0.4 | -0.6 | 1.5 | 1.8 | 1.7 | -0.3 | -0.2 | | | | | | | |
| 12/29 | 11.7 | 6.7 | 9.2 | -0.4 | -0.6 | 1.5 | 1.6 | 1.5 | -0.3 | -0.2 | | | | | | | |
| 1/11 | 11.7 | 7.7 | 9.7 | -0.4 | -0.6 | 1.5 | 1.8 | 1.6 | -0.3 | -0.2 | | | | | | | |
| 1/18 | 12.2 | 7.6 | 9.9 | -0.4 | -0.6 | 1.6 | 1.9 | 1.7 | -0.2 | -0.2 | | | | | | | |
| 1/25 | 12.9 | 7.4 | 10.1 | -0.4 | -0.6 | 0.5 | 2.1 | 1.3 | -0.3 | -0.3 | | | | | | | |
| 2/01 | 12.8 | 7.5 | 10.2 | -0.4 | -0.6 | 0.6 | 0.8 | 0.7 | -0.3 | -0.3 | | | | | | | |
| 2/09 | 11.9 | 7.0 | 9.5 | -0.4 | -0.6 | -2.1 | -1.4 | -1.8 | -0.3 | -0.3 | | | | | | | |
| 2/15 | 12.7 | | | -0.5 | -0.4 | | | | | | | | | | | | |
| 2/16 | | | | | | -1.6 | -2.6 | -2.1 | -0.4 | -0.2 | 0.2 | 0.0 | 0.1 | -0.5 | -0.2 | | |
| 2/22 | | | | | | -1.2 | -3.1 | -2.1 | -0.1 | 0.3 | 0.8 | 0.1 | 0.5 | -0.5 | -0.2 | | |
| 3/01 | | | | | | -1.8 | -2.8 | -2.3 | -0.1 | 0.3 | 1.4 | -0.5 | 0.5 | -0.5 | -0.2 | | |
| 3/09 | 11.7* | | | -0.5* | -0.4* | | | | | | | | | | | | |
| 3/10 | | | | | | -5.3 | -3.5 | -4.4 | 0.0 | 0.3 | 2.7 | -0.2 | 1.2 | -0.5 | -0.2 | | |
| 3/15 | | | | | | -5.3 | -3.5 | -4.4 | -0.5 | 0.3 | 2.6 | -0.2 | 1.2 | -1.0 | -0.2 | | |
| 3/22 | | | | | | -9.5 | -4.5 | -7.0 | -0.4 | 0.4 | -0.1 | -0.6 | -0.3 | -1.0 | -0.2 | | |
| 3/29 | | | | | | -8.5 | -4.5 | -6.5 | -0.4 | 0.4 | 0.1 | -0.6 | -0.3 | -1.0 | -0.2 | | |
| 4/05 | | | | | | -8.3 | -6.7 | -7.5 | -0.3 | 0.4 | -0.2 | -1.2 | -0.7 | -1.0 | -0.2 | | |
| 4/12 | | | | | | -8.1 | -5.9 | -7.0 | -0.4 | 0.4 | 0.6 | -0.7 | -0.1 | -1.0 | -0.2 | | |
| 4/19 | | | | | | -8.3 | -6.0 | -7.1 | -0.3 | 0.4 | 0.1 | -0.8 | -0.4 | -0.8 | -0.2 | | |
| 4/26 | | | | | | -4.2 | -6.0 | -5.1 | -0.4 | 0.5 | 3.2 | -0.6 | 1.3 | -0.7 | 0.0 | | |
| 5/03 | | | | | | -4.9 | -4.5 | -4.7 | -0.3 | 0.5 | 2.9 | 0.7 | 1.8 | -0.6 | 0.0 | | |

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