



# 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 November

▶ According to the second advance GDP estimate released on December 8th, Japan's Q3 real GDP expanded an annualized +22.9% QoQ, marking the first increase in four quarters. The figure was higher than the final market consensus forecast (+18.03%). On the other hand, APIR's final CQM forecast of +20.9%, the average of the expenditure-side forecast (+20.3%) and production-side forecast (+21.4%), was identical to the first advance GDP estimate.

▶ MITI's Industrial Production Index in October rose +3.8% MoM, marking the fifth consecutive month in positive territory. Although production level in October was +6.8% higher than the Q3 average, it remained below its level in February, when the Covid-19 pandemic began.

▶ October data on total planned construction, capital goods shipments and inventories of final-demand goods have been released. As a result, we made upward revisions in our forecasts for private residential construction and changes in private inventories, but a downward revision in our forecast for private capital investment.

▶ According to the BOJ, real exports in October increased for the fifth month in a row (+4.5% MoM). Real imports increased for the second consecutive month (+3.4% MoM). Compared to the Q3 average, real exports and imports in October increased respectively +10.4% and +4.2%. The amount of total trade (exports + imports) is expanding.

### ● 2020 Q4 real GDP growth forecast update

▶ Our forecast for real GDP growth (expenditure side) in 2020 Q4 is an annualized +7.9% QoQ. The production-side forecast figure is an annualized +6.4% QoQ. The average of the two is an annualized +7.1% (Figure 1). The GDP base year in Japan's national accounts has recently changed from 2011 to 2015. As a result, our growth forecast pattern has changed to a certain extent.

### ● 2020 Q4 inflation forecast update

▶ In November, the Tokyo Consumer Price Index (CPI) decreased -0.7% YoY. Whereas on a YoY basis November was the second consecutive month of decline, on a MoM basis (-0.3%, seasonally adjusted), it was the fourth straight month of decline.

▶ Our CQM forecasts for the private final consumption expenditure deflator and the domestic demand deflator in 2020 Q3 are respectively -0.3% and -0.1% QoQ. As the terms of trade have improved, we forecast an overall GDP deflator of -0.2% QoQ (Figure 2).

Fig 1 CQM Forecast: Real GDP growth rate Oct-Dec (Q4) 2020 (% QoQ annualized growth)

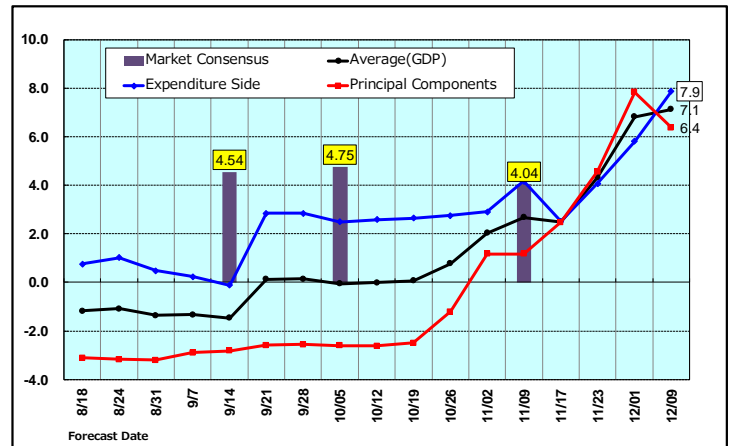
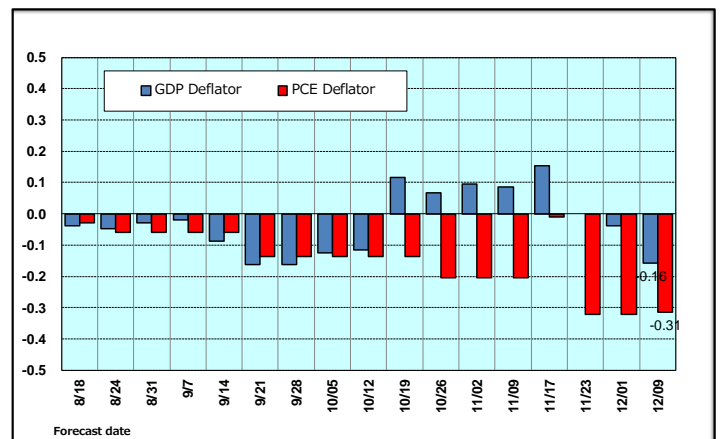


Fig 2 CQM Forecast: Inflation Oct-Dec (Q4) 2020 (% QoQ growth)



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
12/8	October	<b>Monthly Labor Statistics (preliminary figures)</b>			
		Total cash salary per capita (JPY)	270,095		-0.8%
		Total working hours	140.9		+0.2%
	October	<b>Family Income and Expenditure Survey (households with 2 or more people)</b>			
		Nominal consumption expenditure (JPY)	283,508	+1.9%	+1.4%
		Real consumption expenditure		+2.1%	+1.9%
	October	<b>Consumption Trend Index (2015=100)</b>	96.0	+1.1%	
	November	<b>Economy Watchers Survey</b>			
		Current Conditions Diffusion Index	45.6	-8.9	
		Future Conditions Diffusion Index	36.5	-12.6	
12/7	October	<b>Consumption Activity Index (2011=100)</b>	97.8	+0.9%	
	October	<b>Index of Business Conditions (preliminary, 2015=100)</b>			
		Leading indicators	93.8	+0.5	
		Coincident indicators	89.7	+4.9	
12/2	November	<b>Food Buffer Stock (billion JPY)</b>	+29.4		+11.8
	November	<b>New Car Sales (vehicles)</b>	336,908		+6.7%
	November	<b>Consumer Confidence Index (SA)</b>	33.7	+0.1	
12/1	October	<b>Labor Force Survey</b>			
		Total employment (millions)	66.58	+0.03	
		Total unemployment (millions)	2.14	+0.08	
		Unemployment rate (%)	3.1%	+0.1%pt	
	October	<b>General Job Placement Situation</b>			
	Job offers-to-applicants ratio	1.04	+0.01pt		
11/30	October	<b>Indices of Industrial Production (preliminary figures, 2015=100)</b>			
		Production	95.0	+3.8%	
		Shipments	94.7	+4.6%	
		Inventories	95.9	-1.6%	
	October	<b>New Housing Starts</b>			
		New housing starts (SA, Unit)	70,685	-1.6%	-8.3%
		Planned residential construction expenditure (billion JPY)	1,174.8	-7.7%	-12.0%
	September	<b>Construction Costs Deflator (2011=100)</b>			
	Housing construction	111.7		-1.1%	
	Public works	114.1		-0.8%	
11/29	October	<b>Current Survey of Commerce (preliminary figures)</b>			
	Retail trade (billion JPY)	12,430.0	+0.4%	+6.4%	
11/27	November	<b>Tokyo Region Consumer Price Index (2015=100)</b>			
	Core	101.3	-0.1%	-0.7%	

	September	<b>Manufacturing Industry Input-Output Price Index (2011=100)</b> Input price Output price	93.8 97.5		-4.0% -1.7%
11/26	September	<b>Index of Business Conditions (revised figures, 2015=100)</b> Leading indicators Coincident indicators Lagging indicators	92.5 81.1 91.7	+4.0 +1.7 +0.2	
11/25	September October	<b>Monthly Labor Statistics (final figures)</b> Total cash salary per capita (JPY) Total working hours <b>Corporate Services Price Index (2015=100)</b> Overall index	269,323 135.9 104.2		-0.9% -1.7% -0.6%
11/20	October September	<b>National Consumer Price Index (2015=100)</b> Core index <b>Synthetic Consumption Index (2011=100)</b>	101.3 97.9	-0.2% +1.6%	-0.7%
11/18	October	<b>Trade Statistics (customs clearance level)</b> Trade balance (billion JPY) Exports (billion JPY) Imports (billion JPY)	872.9 6,566.1 5,693.2	-28.6% +2.6% +5.1%	+7,719.8% -0.2% -13.3%
11/17	September	<b>General Construction Statistics</b> Private non-residential construction (billion JPY) Public works (billion JPY)	818.6 1,960.6		-11.2% +6.8%
11/16	September	<b>Indices of Industrial Production (final figures, 2015=100)</b> Production capacity index Capacity utilization ratio Production Shipments Inventory	97.3 90.0 87.2 85.8 99.3		-0.5% +6.4% +8.7% +6.6% -1.5%
11/13	October	<b>Public Works Advanced Securities Statistics</b> Contract amount (billion JPY) Number of contracts	1,342.7 26,752		-0.4% -7.8%
11/12	September September September October	<b>Tertiary Industry Activity Index (2015=100)</b> <b>Industrial Activity Index (2015=100)</b> <b>Private Core Machinery Orders (billion JPY)</b> <b>Domestic Corporate Price Index (2015=100)</b> Corporate Price Export Price Import Price	96.8 95.6 719.3 99.9 90.1 82.5	+1.8% +2.3% -4.4% -0.2% -0.1% -0.1%	-2.1% -1.7% -10.6%
11/10	September	<b>Information Services Industry Sales (billion JPY)</b>	1,279.1		-9.0%

### CQM Forecast: GDP Tracking

Forecast date	Real GDP			Deflator		Real GDP			Deflator		Real GDP			Deflator	
	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE	Expenditure side	Production side (PCA)	Average	GDP	PCE
	2020Q3					2020Q4					2021Q1				
	SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)		SAAR (%)			QoQ (%)	
5/19	-0.2	-0.6	-0.4	-0.1	0.0										
5/25	-1.7	-0.5	-1.1	-0.1	0.0										
6/01	-1.9	0.9	-0.5	-0.1	0.0										
<b>6/08</b>															
6/09	-0.2	-0.2	-0.2	-0.1	0.0										
6/15	-0.2	0.7	0.2	0.6	0.0										
6/22	-1.5	0.3	-0.6	0.6	0.0										
6/29	-1.5	0.3	-0.6	0.6	0.0										
7/06	-2.0	-2.1	-2.1	0.6	0.0										
7/13	-2.1	-2.4	-2.3	0.0	0.0										
7/20	-2.9	-2.6	-2.7	0.0	0.0										
7/27	0.2	-2.7	-1.3	0.0	0.0										
8/03	0.4	-1.3	-0.4	0.0	0.0										
8/12	5.4	-0.6	2.4	0.0	0.0										
8/17															
8/18	4.7	0.0	2.3	0.0	0.2	0.8	-3.1	-1.2	0.0	0.0					
8/24	12.1	10.5	11.3	0.0	0.4	1.0	-3.2	-1.1	0.0	-0.1					
8/31	13.2	10.5	11.8	0.0	0.4	0.5	-3.2	-1.4	0.0	-0.1					
9/07	12.1	15.2	13.6	0.1	0.4	0.2	-2.9	-1.3	0.0	-0.1					
<b>9/08</b>															
9/14	10.1	14.8	12.5	0.1	0.4	-0.1	-2.8	-1.5	-0.1	-0.1					
9/21	7.7	16.4	12.0	0.0	0.3	2.9	-2.6	0.1	-0.2	-0.1					
9/28	7.7	16.3	12.0	0.0	0.3	2.9	-2.6	0.1	-0.2	-0.1					
10/05	7.8	17.1	12.4	-0.1	0.3	2.5	-2.6	-0.1	-0.1	-0.1					
10/12	12.9	17.8	15.4	-0.2	0.3	2.6	-2.6	0.0	-0.1	-0.1					
10/19	12.9	17.7	15.3	-0.1	0.3	2.7	-2.5	0.1	0.1	-0.1					
10/26	17.2	18.8	18.0	-0.2	0.2	2.8	-1.2	0.8	0.1	-0.2					
11/02	17.8	20.1	18.9	-0.2	0.2	2.9	1.2	2.0	0.1	-0.2					
11/09	20.3	21.4	20.9	-0.2	0.2	4.2	1.2	2.7	0.1	-0.2					
11/16	21.4			0.3	0.1	0.0	0.0	0.0	0.0	0.0					
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	<b>22.9*</b>			<b>0.2*</b>	<b>0.3*</b>										
12/09						7.9	6.4	7.1	-0.2	-0.3	1.5	1.6	1.6	-0.1	-0.1

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