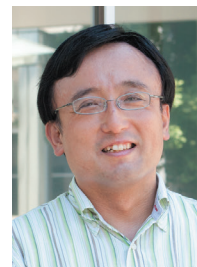


Comparing the Japanese Economic Outlooks of the Government, Bank of Japan & Private Sector



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Has the Optimistic Bias of Government Forecasts Dissolved?

The State of Emergency declaration was cancelled on Sept. 30, 2021 for all the prefectures in Japan. The real GDP growth rate (preliminary results) for the period July to September 2021, which was released on Nov. 15 by the Cabinet Office, was -0.8%, showing negative growth for the first time in two quarters, but a recovery in private consumption is expected after October.

By the time this article appears in early January 2022, the government's economic outlook would have been released for fiscal 2022. As indicated in an earlier article of this series (March/April 2020 issue, Government Economic Outlook – Stronger Optimism Bias (https://www.jef.or.jp/journal/pdf/230th_Economic_Indicators.pdf), since 2013 when the so-called “Abenomics” policies were launched, the optimistic bias of the economic outlook by the government has been getting stronger. On the other hand, the premiership has changed from Shinzo Abe to Yoshihide Suga and now to Fumio Kishida during the coronavirus pandemic.

This article will compare the recent government economic outlook with the Bank of Japan (BOJ) outlook and with the forecast consensus of the private sector. It is hoped that it will be useful in observing the government's economic outlook for fiscal 2022.

Economic & Price Outlook Released by BOJ Every 3 Months

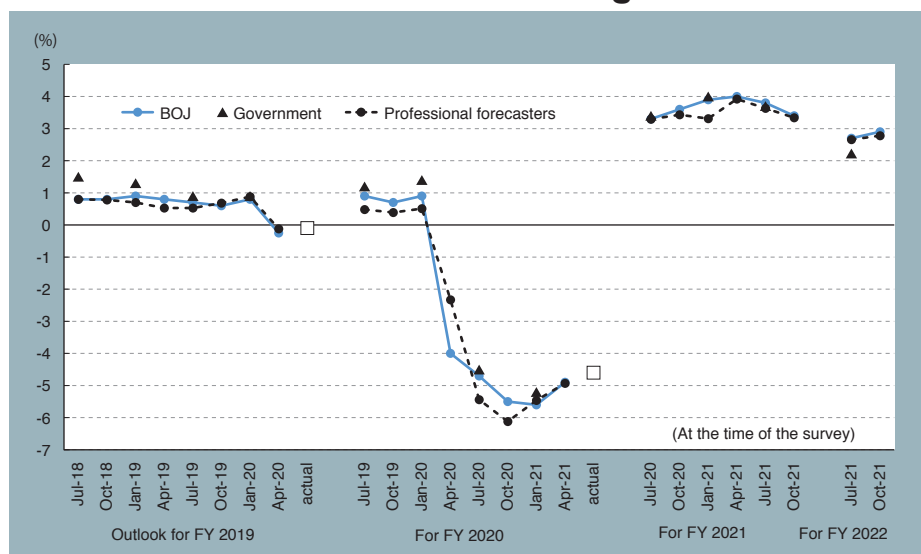
The government's economic outlook is released four times every fiscal year. Taking fiscal 2020 as an example, outlooks were published in (i) “Cabinet Office Mid-Year Economic Projection” released on July 29, 2019, (ii)

“Economic Forecast and Basic Attitude Towards Economic and Fiscal Management” as decided by the Cabinet on Jan. 20, 2020, (iii) “Cabinet Office Mid-Year Economic Projection” released on July 30 2020, and (iv) “Economic Forecast and Basic Attitude Towards Economic and Fiscal Management” as decided by the Cabinet on Jan. 18, 2021. Of these, (ii) is generally regarded as being the main government economic outlook, and they are all published as Estimated Results in (iv).

The BOJ thoroughly monitors future economic and price outlooks and upward and downward swing factors at its Policy Committee and the Monetary Policy Meeting which meets four times a year (January, April, July, and October), and the results are released in its “Outlook for Economic Activity and Prices”. The real GDP growth rate and outlook for the rate of rise in consumer prices (the median of the Policy Committee forecast) are released in this report, and it can be compared with the government outlook for January and July.

In addition, the Japan Center for Economic Research conducts the

CHART 1
Trends in the outlook for real GDP growth



Source: Cabinet Office “Economic Outlook”, Bank of Japan “Outlook for Economic Activity and Prices”, JCER “ESP Forecast Survey”, and Cabinet Office “Quarterly Estimates of GDP”

“ESP Forecast Survey” which is a monthly survey of forecast values for major indicators of the Japanese economy by 40 professional forecasters of the outlook for the Japanese economy, and the results are released at the beginning of each month. For forecasts for January, April, July and October, the ESP survey is released at the beginning of the month and the BOJ’s forecast is later in the month, and although there is a time lag comparisons are possible.

The three above-mentioned forecasts are combined and shown in [Chart 1](#) and [Chart 2](#).

Outlooks for GDP Growth by Government, BOJ & Private Sector Getting Closer

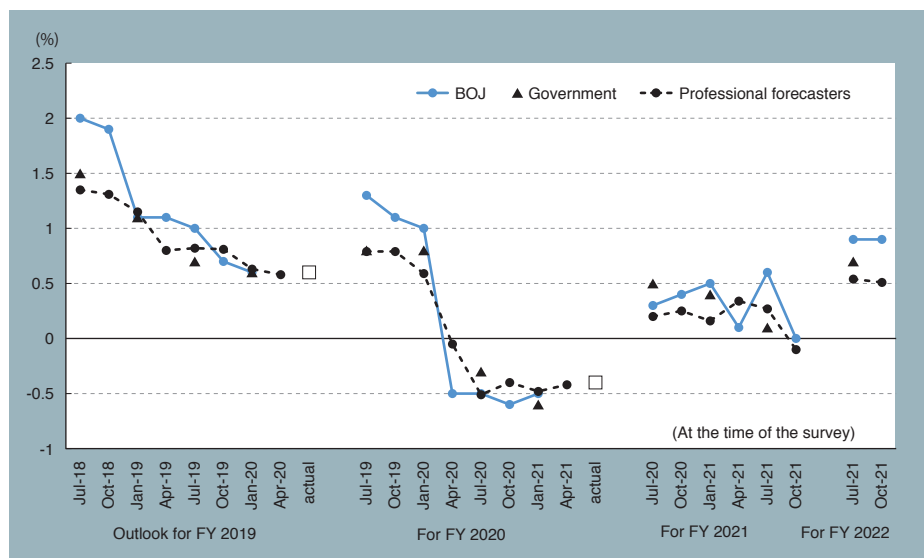
Looking at [Chart 1](#) which compares the real GDP growth rate, it shows that the government’s economic outlooks predict slightly higher growth rates compared to the professional forecasters at the time of the release in January 2019 for the fiscal 2019 outlook, January 2020 for the fiscal 2020 outlook, and January 2021 for the fiscal 2021 outlook. For fiscal 2019 and 2020, the outlook was also higher than that of the BOJ. For the fiscal 2022 outlook, it is also expected that the government’s outlook will be higher than that of the professional forecasters and the BOJ. However, upon calculation of the mid-year economic projection in July 2021, it is worth noting that the first forecast from the government was lower than that of the professional forecasters and the BOJ, which is an unusual phenomenon.

Furthermore, assuming the actual figure for real GDP (first preliminary figure) for the July to September 2021 period, even if the latter half of fiscal 2021 is zero growth, the real GDP growth rate for fiscal 2021 will be 1.7%. The estimated growth rate for fiscal 2021 as of October 2021 is 3.4% by the BOJ and 3.34% by the professional forecasters, and high growth is forecasted for the latter half of the fiscal year. If fiscal 2022 is on this track, there is a chance that the outlook for fiscal 2022 by the BOJ and the professional forecasters will be revised upwards.

Outlook Higher for CPI Inflation by BOJ

In contrast, looking at [Chart 2](#), which compares the CPI inflation

CHART 2
Trends in the outlook for real CPI inflation



Source: Cabinet Office “Economic Outlook”, Bank of Japan “Outlook for Economic Activity and Prices”, JCER “ESP Forecast Survey”, and Statistics Bureau of Japan “Consumer Price Index”

rate, a trend can be observed where the BOJ outlook is higher than the government’s and the professional forecasters’ outlooks when there is still more than one year until the actual figures are released, for example January 2020 showing the fiscal 2020 outlook. It should be noted with care that the government forecasts CPI for all items, while the BOJ and the private sector forecast all items less fresh food, but this may be partly because the BOJ has set out an inflation target.

For the fiscal 2022 outlook also, the BOJ forecasts a 0.9% inflation rate as of October 2021, while the private outlook is a 0.51% inflation rate. The government’s outlook in its mid-year economic projection in July 2021 was 0.7%. There is growing inflationary pressure due to recent factors such as rises in energy prices, but whether it turns out that the BOJ outlook was also optimistic for fiscal 2022 should be carefully watched.

NOTE: This article was based on available information as of Nov. 18, 2021.

JS

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Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2013	528.2	2.0	508.7	1.6	-0.2	0.4
2014	529.8	0.3	518.8	2.0	2.0	2.6
2015	538.1	1.6	538.0	3.7	-1.2	0.5
2016	542.1	0.8	544.4	1.2	0.0	-0.3
2017	551.2	1.7	553.1	1.6	3.1	0.5
2018	554.4	0.6	556.3	0.6	1.1	0.9
2019	553.1	-0.2	558.5	0.4	-3.0	0.6
2020	528.2	-4.5	538.2	-3.6	-10.4	-0.2
2020/4th Qtr.	538.9	2.3	547.6	1.8	5.7	-0.9
2021/1st Qtr.	535.0	-0.7	543.5	-0.7	2.9	-0.5
2nd Qtr.	537.6	0.5	543.8	0.1	1.1	-0.6
3rd Qtr.	532.8	-0.9	538.2	-1.0	-3.7	-0.0
2021/March	—	—	—	—	1.7	-0.3
April	—	—	—	—	2.9	-0.9
May	—	—	—	—	-6.5	-0.6
June	—	—	—	—	6.5	-0.5
July	—	—	—	—	-1.5	-0.2
Aug.	—	—	—	—	-3.6	0.0
Sept.	—	—	—	—	-5.4	0.1
Oct.	—	—	—	—	1.8	0.1
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	5.9	8.8
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	6.4	8.2
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	6.7	4.4
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	6.5	-2.8
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	7.1	9.5
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	7.7	7.8
2019	76.9	-5.6	78.6	-5.0	15.3	-1.4	8.6	-4.2	7.4	-3.0
2020	68.4	-11.1	68.0	-13.5	12.6	-17.3	7.5	-13.7	6.3	-15.1
2020/4th Qtr.	19.4	-0.8	17.5	-11.4	3.7	-0.2	1.8	-16.7	1.8	-2.3
2021/1st Qtr.	19.2	6.0	18.7	1.9	3.3	-4.9	2.0	-3.4	1.8	2.9
2nd Qtr.	20.7	45.0	20.2	23.6	3.7	70.0	2.3	19.6	1.9	52.0
3rd Qtr.	20.8	24.9	21.6	36.8	3.7	14.5	2.2	31.2	1.9	28.0
2021/March	7.4	16.1	6.7	5.7	1.2	4.8	0.8	6.6	0.7	12.8
April	7.2	38.0	6.9	12.7	1.3	45.1	0.7	5.7	0.7	39.5
May	6.3	49.6	6.5	27.7	1.1	87.9	0.7	28.5	0.6	69.6
June	7.2	48.6	6.8	32.5	1.3	85.7	0.8	27.3	0.7	51.1
July	7.4	37.0	6.9	28.1	1.4	26.8	0.7	24.1	0.6	46.1
Aug.	6.6	26.2	7.2	44.5	1.2	22.8	0.8	33.7	0.6	29.9
Sept.	6.8	13.0	7.5	38.3	1.2	-3.3	0.8	36.0	0.6	12.1
Oct.	7.2	9.4	7.3	26.7	1.3	0.3	0.7	18.5	0.7	12.1
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2013	-0.2	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.5	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.6	-0.9	16.5	121.0
2016	0.6	1.36	3.1	3.4	5.5	21.4	108.8
2017	0.4	1.50	2.8	4.0	4.9	22.8	112.2
2018	1.4	1.61	2.4	2.9	1.1	19.5	110.4
2019	-0.4	1.60	2.4	2.4	0.2	19.2	109.0
2020	-1.2	1.18	2.8	6.5	3.0	15.9	106.8
2020/4th Qtr.	-2.1	1.04	3.1	9.1	2.5	4.8	104.5
2021/1st Qtr.	-0.3	1.10	2.8	9.5	1.4	5.8	105.9
2nd Qtr.	1.0	1.10	2.9	7.7	1.0	3.7	109.4
3rd Qtr.	0.5	1.15	2.8	4.7	0.0	4.3	110.1
2021/March	0.6	1.10	2.6	9.5	1.0	2.5	108.7
April	1.4	1.09	2.8	9.3	0.3	1.2	109.1
May	1.9	1.09	3.0	8.0	0.0	1.8	109.1
June	0.1	1.13	2.9	5.9	0.6	0.7	110.1
July	0.6	1.15	2.8	5.3	0.6	1.7	110.3
Aug.	0.6	1.14	2.8	4.7	-0.4	1.5	109.8
Sept.	0.2	1.16	2.8	4.2	-0.2	1.0	110.2
Oct.	0.2	1.15	2.7	4.2	0.2	1.2	113.1
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2013	7.0	15.6	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	7.5	6.9	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	7.8	4.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	7.4	-5.0	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2017	8.0	7.0	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2018	8.8	10.6	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2019	8.8	0.3	26.6	-7.6	19.0	-5.3	14.7	-7.6	18.5	-3.9
2020	7.8	-12.1	24.1	-9.4	17.2	-9.4	15.1	2.7	17.5	-5.1
2020/4th Qtr.	2.0	-10.5	6.7	-1.5	4.4	-7.2	4.4	8.1	4.8	1.9
2021/1st Qtr.	2.1	5.4	6.9	7.4	4.8	0.9	4.0	25.4	4.7	23.4
2nd Qtr.	2.4	27.0	7.4	37.9	4.9	24.1	4.6	28.4	5.0	7.0
3rd Qtr.	2.4	29.1	7.7	35.1	5.2	30.5	4.5	14.0	5.0	19.7
2021/March	0.8	18.7	2.6	14.5	1.8	9.8	1.6	37.2	1.6	10.1
April	0.8	15.9	2.6	32.0	1.7	21.8	1.6	33.8	1.8	0.8
May	0.8	38.3	2.2	38.7	1.5	23.6	1.4	23.6	1.6	4.4
June	0.8	28.6	2.5	43.7	1.7	26.9	1.6	27.7	1.6	17.6
July	0.7	13.2	2.6	42.2	1.8	26.4	1.6	18.9	1.6	12.4
Aug.	0.9	54.0	2.5	35.4	1.7	38.0	1.4	12.6	1.6	23.4
Sept.	0.8	23.8	2.6	28.5	1.7	27.8	1.5	10.3	1.8	23.9
Oct.	0.8	18.9	2.6	18.5	1.8	18.0	1.6	9.6	1.7	11.4
Sources	"Trade Statistics of Japan", Ministry of Finance									