

## Jan-Mar 2014 Second Preliminary GDP Estimates - Further Upswing in Capex

### Second Preliminary Jan. – Mar. GDP Estimates

On June 9, the Cabinet Office released Jan.-Mar. 2014 second preliminary GDP estimates. The annualised q-o-q real GDP growth rate was +6.7% revised upward by 0.8% points from +5.9% in the initial release. The private consumption contributed to the revision by 0.4 points and the private capex by 1.6% points reflecting the rush demand ahead of the

consumption tax hike. Revisions and updates of data this time re-confirmed the impacts of the tax hike. Meanwhile, the private inventory investment contributed negative by 1.2 points. This downward adjustment well explains that companies did not increase their production capacities to meet the rush demand but instead made use of their inventories.

It has become much more likely that FY2014 real GDP growth will remain positive. One reason is that the “buffer” for FY2014 was +1.3% above potential growth rate of less than 1%. The “buffer” means the FY2014 real GDP growth rate calculated on the assumption that it would not grow from Jan.-Mar. 2014 level, in other words, the GDP growth would remain flat q-o-q for the whole four consecutive quarters in FY2014.

Unless Apr.-Jun. quarter growth declines more than 5.2%, positive growth can be achieved in FY2014 even with highly possible downturn of Apr.-Jun. quarter growth due to pullback of the rush demand and with relatively conservative GDP growth rate estimate to remain flat for the rest of the year. According to the “ESP forecast survey” (aggregation of economists’ forecast) released by Japan Center for Economic Research on June 6, q-o-q GDP growth forecasts (total average) were -4.18% for Apr.-Jun., +2.37% for Jul.-Sep., +1.66% for Oct.-Dec., +1.51% for Jan.-Mar., 2015 and for full FY2014 +0.85% y-o-y.

### ◇Comparizon of First and Second Preliminary Jan.-Mar. 2014 GDP Estimates

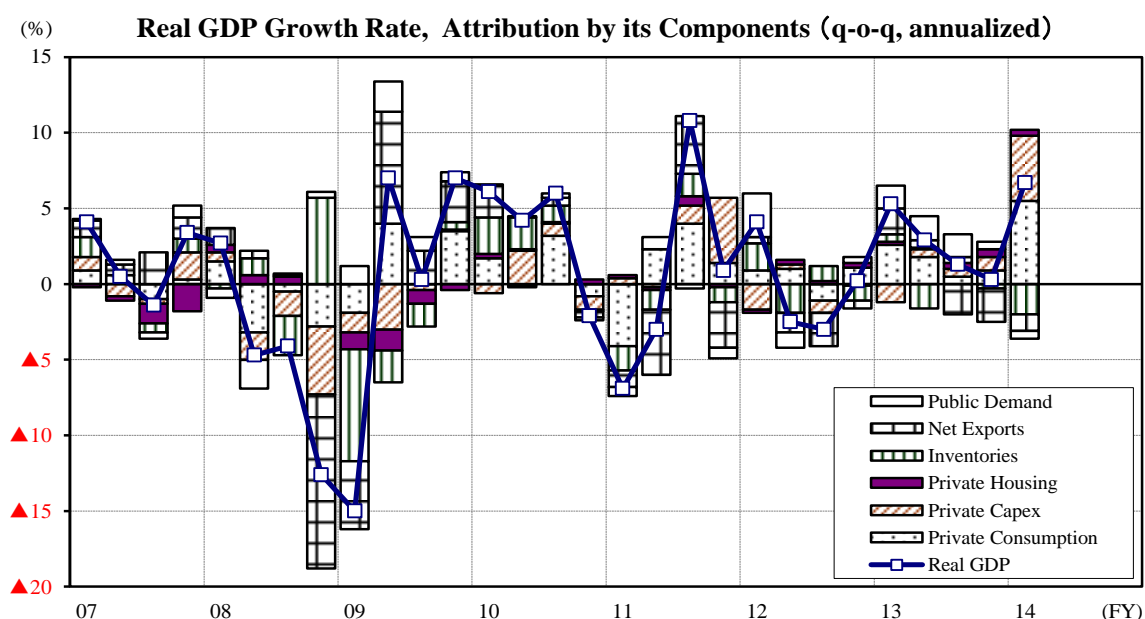
		(Q-o-Q Annualized: %)		
		1st Preliminary	2nd Preliminary	1st ⇒ 2nd
Attribution	Real GDP	+5.9	+6.7	+0.8
	Private Consumption	+5.1	+5.5	+0.4
	Private Housing	+0.4	+0.4	+0.0
	Private Capex	+2.7	+4.3	+1.6
	Inventories	-0.8	-2.0	-1.2
	Public Demand	-0.4	-0.5	-0.1
	Net Exports	-1.1	-1.1	+0.0
	Exports	+3.9	+3.9	+0.0
	Imports	-5.0	-5.0	+0.0

(Source) SMAM, based on the Cabinet Office data



## Future Outlook & Focus

I am a little bit concerned about the possible sharp fall of real private income, and that leads me to a cautious outlook on GDP growth as a whole. My GDP growth forecast would be around annualized -5.0% for Apr.-Jun. quarter reflecting a pullback of big upswing of Jan.-Mar. quarter and thereafter the growth rate to hover around +1.0% to +1.5% q-o-q for the rest of the year. Even with this assumption, the GDP growth rate of FY2014 will be +0.5% y-o-y. I believe that the domestic economy growth will remain positive unless external shock, such as stagnant global economy growths considerably detrimental to the Japanese economy, take place.



(Note) Horizon of data is from Jan-Mar 2007 to Jan-Mar 2014 (Second preliminary announcement)

(Source) SMAM, based on the Cabinet Office data

### ◇ Real GDP Growth Rate, Attribution by its Components

(Unit: %)

Year. Months of Qtr		12.10-12	13.1-3	13.4-6	13.7-9	13.10-12	14.1-3
Attribution	Real GDP	+0.2	+5.3	+2.9	+1.3	+0.3	+6.7
	Private Consumption	+1.1	+2.6	+1.8	+0.5	+0.9	+5.5
	Private Capex	-0.1	-1.2	+0.5	+0.5	+0.9	+4.3
	Private Housing	+0.3	+0.2	+0.1	+0.4	+0.5	+0.4
	Inventories	-1.0	+0.5	-1.6	+0.4	-0.3	-2.0
	Net Exports	-0.5	+1.7	+0.5	-2.0	-2.2	-1.1
	Public Demand	+0.4	+1.5	+1.6	+1.5	+0.5	-0.5

(Source) SMAM, based on the Cabinet Office data



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