

Economics

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Economic Indicators Forecast

Week ahead

- **January all-industry activity index** — Given the actual January tertiary industry activity index (+2.1% MoM) and actual industrial production data (+1.3% MoM), the all-industry activity index in January probably rose by 2.8% MoM after five consecutive months of decline.
- **February customs clearance trade balance** — Our February trade balance forecast is ¥1150.0bn before seasonal adjustment and ¥1009.4bn on a seasonally adjusted basis.
- **February nationwide consumer prices** — The nationwide core CPI (CPI excluding fresh food) likely declined 0.3% YoY after falling 0.2% YoY in January.

Developed Markets Economics & Rates Strategy

Kiichi Murashima

+81-3-6270-4981

kiichi.murashima@citi.com

Jin Kenzaki

+81-3-6270-4997

jin.kenzaki@citi.com

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Economic Indicators

			Market forecast
Mar. 22 (Tue) 1:30 p.m. Tokyo Time	All Industry Activity Index (Jan)	Forecast: 2.8% Mo.-Mo.; 1.6% Yr.-Yr. Previous: -0.2% Mo.-Mo.; 1.9% Yr.-Yr.	2.1% MoM (-1.6~3.5) 0.8% YoY (-2.5~1.7)
	Given the actual January tertiary industry activity index (+2.1% MoM) and actual industrial production data (+1.3% MoM), the all-industry activity index in January probably rose by 2.8% MoM after five consecutive months of decline. We expect that the construction industry activity index in January will increase by 1.2% MoM after -0.1% MoM the previous month. The government services etc. index should remain flat MoM for a second consecutive month. Based on these estimates, the average level of January and February all-industry activity indexes would be about 2.6% higher than the fourth-quarter average.		
Mar. 24 (Thu) 8:50 a.m. Tokyo Time	Customs Clearance Trade Balance (Feb)	Forecast: ¥1150.0 Billion NSA; ¥1009.4 Billion SA Previous: ¥647.3 Billion NSA; ¥191.8 Billion SA	¥902.4bn NSA (660.0bn~1150.0bn)
	Our February trade balance forecast is ¥1150.0bn before seasonal adjustment and ¥1009.4bn on a seasonally adjusted basis. Growth in the yen value of exports in February likely picked up to +13.6% YoY from +1.4% YoY in January. Growth in the volume of exports probably rose by 11.8% year on year (2.3% in January). Real exports (the seasonally adjusted nominal export value divided by the seasonally adjusted export price index) likely rose by 6.6% month on month after +0.7% MoM in January. If this estimate is accurate, the average level of January and February real exports would be about 7.0% higher than the fourth quarter average. Meanwhile, growth in the yen value of imports in February likely increased by 4.3% YoY following +12.5% YoY in January. Growth in the volume of imports probably rose by 2.9% YoY (+11.2% in January). Real imports (the seasonally adjusted nominal import value divided by the seasonally adjusted import price index) probably declined by 7.6% MoM after +6.0% MoM in January. Our forecast would place the average level of January and February real imports 3.2% higher than the fourth quarter average.		
Mar. 25 (Fri) 8:30 a.m. Tokyo Time	Nationwide Consumer Prices, Overall (Feb)	Forecast: 0.0% Yr.-Yr.; 0.1% SA Mo.-Mo. Previous: 0.0% Yr.-Yr.; 0.0% SA Mo.-Mo.	0.0% (-0.2~0.1)
	Excluding Fresh Food (Feb)	Forecast: -0.3% Yr.-Yr.; 0.0% SA Mo.-Mo. Previous: -0.2% Yr.-Yr.; 0.0% SA Mo.-Mo.	-0.3% (-0.6~0.2)
	Excluding Food (Excl. Alcoholic Beverages) and Energy (Feb)	Forecast: -0.7% Yr.-Yr.; 0.0% SA Mo.-Mo. Previous: -0.6% Yr.-Yr.; 0.0% SA Mo.-Mo.	
	The nationwide core CPI (CPI excluding fresh food) likely declined 0.3% YoY after -0.2% YoY in January. Ten special factors (electricity, gas, communications, rice, petroleum products excluding propane gas, tobacco, medical services, public and private high school fees and charges for accident insurance) likely pushed up the core CPI growth by 0.20ppt after +0.24ppt in January. The contributions of electricity and gas charges were likely -0.01 and 0.04ppt in February, after 0.01 and 0.05ppt contributions the previous month, because of the fuel cost adjustment. Petroleum product prices excluding propane gas likely pushed up core CPI growth by 0.31ppt after +0.32ppt in January. The core CPI adjusted for special factors likely decreased 0.61% YoY in February, following a 0.54% year-on-year drop in January. On the other hand, the core of core CPI (CPI excluding food (excluding alcoholic beverages) and energy) probably declined by 0.7% YoY after -0.6% YoY in January.		
Mar. 25 (Fri) 8:30 a.m. Tokyo Time	Tokyo Consumer Prices, Overall (Mar)	Forecast: -0.1% Yr.-Yr.; -0.1% SA Mo.-Mo. Previous: -0.1% Yr.-Yr.; 0.1% SA Mo.-Mo.	-0.1% (-0.2~0.1)
	Excluding Fresh Food (Mar)	Forecast: -0.3% Yr.-Yr.; 0.0% SA Mo.-Mo. Previous: -0.4% Yr.-Yr.; 0.0% SA Mo.-Mo.	-0.3% (-0.4~0.1)
	Excluding Food (Excl. Alcoholic Beverages) and Energy (Mar)	Forecast: -0.3% Yr.-Yr.; -0.1% SA Mo.-Mo. Previous: -0.3% Yr.-Yr.; 0.0% SA Mo.-Mo.	
	Tokyo's core CPI (CPI excluding fresh food) likely declined 0.3% YoY after -0.4% YoY in February. Ten special factors (electricity, gas, communications, rice, petroleum products excluding propane gas, tobacco, medical services, public and private high school fees and charges for accident insurance) will likely push down the core CPI growth by 0.01ppt in March, after a 0.00ppt contribution in February. The contributions of electricity and gas charges were likely -0.02 and -0.01ppt in March, after 0.00 and 0.01ppt contributions in February, because of the fuel cost adjustment. Petroleum product prices excluding propane gas will probably push up core CPI growth by 0.09ppt after +0.07ppt in February. The core CPI adjusted for these ten special factors likely decreased 0.37% YoY after -0.48% YoY in February. On the other hand, the Tokyo core of core CPI (CPI excluding food (excluding alcoholic beverages) and energy) probably declined 0.3% YoY for a third consecutive month.		

Source: METI, MoF, MIC, Kyodo News, Citi Investment Research and Analysis.

Appendix A-1

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