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Bloomberg: NCIXJP

Japan's economic growth picks up pace after deceleration

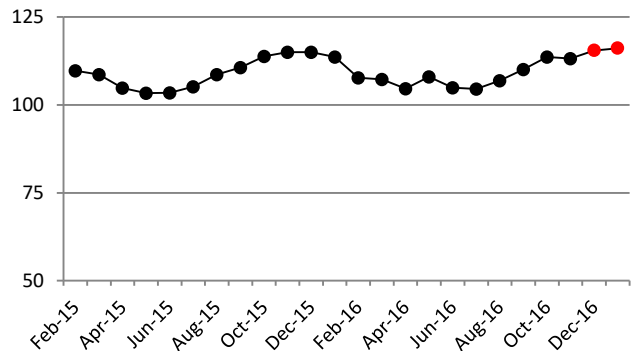
- The Japan NCI™ is at 115.47 for December, compared to 113.17 in November, and is forecast at 116.13 for January, suggesting that the deceleration of the past couple of months is coming to an end.
- The level of the NCI™ series has been revised upward to reflect positive surprises in the data flow, particularly in the Diffusion Index for November 2016.

NCI™ release data

| reference period | NCI™ Release Dates | |
|------------------|--------------------|------------|
| | 14/11/2016 | 14/12/2016 |
| Nov-16 | 110.22 (A) | 113.17 (U) |
| Dec-16 | 109.44 (F) | 115.47 (A) |
| Jan-17 | -- | 116.13 (F) |

Notes: (A), ACTUAL, denotes the estimate of economic activity for the current month; (F), FORECAST, the forecast for next month; (U) UPDATED, denotes updates reflecting data released since the last NCI publication date. Source: Now-Casting Economics Ltd

Revised NCI™ history



The newsflow: macroeconomic data releases since last month's NCI™

| Release Date | Release Name | Reference Period | Model Unit | Release Value* | Model Expectation | Impact of Data Releases | |
|--------------|---|------------------|------------|----------------|-------------------|-------------------------|---------------------|
| | | | | | | Japan NCI™ November | Japan NCI™ December |
| 14/12/2016 | Capacity Utilisation: Manufacturing | Oct-16 | Index | 98.10 | 97.49 | 1.41 | 0.24 |
| 12/12/2016 | Tertiary Industry Activity Index | Oct-16 | MoM % | 0.19 | 0.17 | 0.01 | 0.00 |
| 11/12/2016 | Machinery Orders | Oct-16 | MoM % | 4.10 | 1.97 | 0.03 | 0.01 |
| 08/12/2016 | MOF Survey Large Manuf. Companies | Q4'16 | Index | 7.50 | 4.97 | 0.61 | 1.27 |
| 08/12/2016 | Diffusion Index | Nov-16 | Index | 48.60 | 46.33 | 1.50 | 2.90 |
| 05/12/2016 | Consumer Confidence | Nov-16 | Index | 40.90 | 84.79 | -0.22 | -0.44 |
| 01/12/2016 | PMI: Manufacturing | Nov-16 | Index | 51.34 | 51.63 | -0.34 | -0.66 |
| 30/11/2016 | Housing Starts | Oct-16 | MoM % | -0.13 | -0.23 | 0.00 | 0.00 |
| 30/11/2016 | Construction Orders: Housing Units | Oct-16 | MoM % | 69.07 | 20.21 | -0.05 | -0.01 |
| 30/11/2016 | Small & Medium Enterprises Survey | Nov-16 | Index | 48.30 | 47.65 | -0.08 | 0.54 |
| 30/11/2016 | Small & Medium Ent. Survey: Manuf. | Dec-16 | Index | 47.90 | 47.05 | 1.17 | 2.41 |
| 30/11/2016 | Small & Medium Ent. Survey: Services | Dec-16 | Index | 49.80 | 48.49 | 0.53 | 0.20 |
| 30/11/2016 | Passenger Car Production | Oct-16 | MoM % | -4.37 | 1.75 | -1.50 | -0.34 |
| 30/11/2016 | Industrial Production Excl Construction | Oct-16 | MoM % | 0.10 | 0.56 | -2.17 | -0.48 |
| 28/11/2016 | Vehicle Sales | Oct-16 | MoM % | 1.54 | -0.14 | 1.09 | 0.24 |
| 28/11/2016 | Retail Sales | Oct-16 | MoM % | 2.86 | -0.28 | 4.25 | 0.94 |
| 28/11/2016 | Vehicle Sales | Oct-16 | MoM % | 1.54 | -0.14 | 1.09 | 0.24 |
| 20/11/2016 | Imports | Oct-16 | MoM % | -0.46 | 0.87 | -0.75 | -0.17 |
| 20/11/2016 | Exports | Oct-16 | MoM % | 1.61 | 0.78 | 0.83 | 0.19 |
| | | | | | | 7.41 | 7.08 |

Note: Released values are expressed in Model Units

Source: Now-Casting Economics Ltd and Official Data Sources

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Notes

What is the NCI™? The Now-Casting Index - NCI™ - is an index that measures the state of the business cycle. It is calculated from a broad set of economic indicators.

How to read the NCI™? The NCI™ is normalized to have a mean value of 100 and a standard deviation of 25 calculated over the estimation sample, which starts in 1995. Values above 100 indicate that real activity is growing above the mean.

NCI™ updates The NCI™ is updated in relation to surprises in data releases (*news*) computed as the difference between the release value and model-based now-cast for each input indicator. The weights attached to each *news* are also model-based.

Impact of data releases The impact of each data release on the NCI™ is the product of the economic *news* associated with that release and a model-based weight which reflects the importance of each variable and is a function of its timeliness. 'News' is defined in this context as the difference between the actual value of a release and the model's expectation of that value.

Impact of revisions The difference between the value of the NCI™ released today and the forecast of it made a month ago may be more or less than the total impact of all the releases listed in the table on page 1, because of the impact of any revisions to prior data releases made during this period.

Source of data The Now-Casting Index for Japan is produced by Now-Casting Economics Limited and is based on a model built on monthly and quarterly economic indicators covering production, labour, construction, domestic and international trade, services and surveys. Raw data are supplied by Haver Analytics. Now-Casting Economics releases the Japan NCI™ monthly for the current month together with a forecast for the next month and updates to the previous release. Forecast updates are based on data released since the last NCI™ publication. The model is estimated in real-time at each data release; now-casts of GDP and other macroeconomic series are published live within 30 minutes of the data release.

Now-Casting model The NCI™ is an output of the Now-Casting model, which is designed to capture commonalities among macroeconomic data while filtering out idiosyncratic noise. The model produces estimates of the real economic conditions in different countries in real time, taking into account non-synchronous data sampled at mixed frequency. The NCI™ and its revisions are produced automatically, without judgment or other intervention. The deep parameters of Now-Casting model are estimated at the beginning of every year; the NCI™ is the result of a pure out-of-sample forecast. Normalization is updated at the beginning of every year in concomitance with updates of deep parameters.

Now-Casting Economics Limited is a company delivering high-frequency information on current conditions in the world's major economies. The service covers the US, the Euro Area, China, Japan, Germany, France, Italy, Spain, the UK, Canada and Brazil, and is available by subscription. Weekly now-casts for the Euro Area are available free on the Now-Casting web site (www.now-casting.com).

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