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Circumstances for Revising Figures on Private Non-residential Investment in the Second Preliminary GDP Figures for October –December 1999

June 9, 2000

Economic Research Institute

Economic Planning Agency

We clearly declare here that we processed the basic statistics of non-residential investments by financial and insurance corporations in the second preliminary GDP figures for October-December 1999 which was released on May 11, 2000, judging the propriety deliberately from a purely statistical perspective, and that we did not conduct this process due to any external indication, nor did we manipulate the statistics for any political purpose.

We released the revised policy on May 25 because we had obtained the results of the closer investigation and clarified the policy for taking measures corresponding such results, not due to the pressure from the domestic and foreign press.

The following indicates the actual circumstances leading to the release of the revised policy. Please note that the revised figures were just released together with the first preliminary GDP figures for January-March 2000, today.

1. Our Practice in Estimation

(1) The Economic Planning Agency will release the second preliminary GDP figures around two months after the release of the first preliminary GDP figures. New data that become available during these two months are used to revise the first preliminary figures to the second preliminary ones.

(2) To estimate the amount of investment by financial institutions in the first preliminary GDP figures, the “projected amounts” of investments by the financial and insurance corporations derived from the “Business and Investment Survey of Incorporated Enterprises” prepared by the Economic Planning Agency are used. The second preliminary figures can be estimated by replacing the “projected amounts” of investment used for the first preliminary figures with the “actual amounts” available in the above survey.

(3) Such practice has been published, and the names of the basic statistics that are additionally used to revise the first preliminary figures to the second preliminary ones are listed in the documents disclosed at the time of the release of the second preliminary GDP figures.

2. Measurement taken at the release of the initial second preliminary figures for October-December 1999 and subsequent circumstances.

(1) Since the scale of the revision from the "projected amounts" of investment by the financial and insurance corporations to the "actual amounts" in the above survey for October to December 1999 was extraordinarily larger than ever before, namely a 36% decline, we judged that a closer examination was needed prior to use the "actual amounts" in computations, and the replacement with the "actual amounts" was temporarily postponed at the release of the second preliminary GDP figures from a purely statistical perspective.

(2) We clearly explained this measurement responding to the questions asked by some members of the press immediately after the release (articles about our explanation appeared in the newspapers as of May 12), and further gave an explanation in the press conference held by the Administrative Vice-Minister of EPA on the day following the release.

(3) Whenever the amount of investment is not reported in a response to the questionnaire of the above mentioned survey, it is assumed that the respondent has made no investment during the period in aggregating the data. In this time closer examination, it was reviewed in detail whether this process could result in the large discrepancy between the "projected amounts" and the "actual amounts" or not.

(4) As the results from the investigation revealed that there was no problem with replacing the "projected amounts" with the "actual amounts" as usual, the Director-General of the Economic Research Institute released the revised policy of the second preliminary GDP figures for October-December (see the attached document) at the press conference held on May 25.

(ANNEX)

The Result of the closer examination of the "Business and Investment Survey of Incorporated Enterprises" Used in Estimation of Private Non-Residential Investment in the Second Preliminary GDP Figures for October-December 1999, and Related Future Measures

May 2000

Economic Planning Agency
Economic Research Institute

1. As one of the primary statistics to estimate figures for private non-residential investment in the first preliminary GDP figures, "projected amounts" of investments by financial and insurance corporations derived from the "Business and Investment Survey of Incorporated Enterprises (Research Bureau of the Economic Planning Agency)" are used. "Actual amounts" of investments by financial and insurance corporations derived from the above survey are available in time for the second preliminary GDP figures. Therefore, "projected amounts" are usually replaced by "actual amounts" in computing the second preliminary GDP figures.

2. A review of investments by financial and insurance corporations during October-December 1999 as found in the above survey shows that the correction between the "projected" and the "actual amounts" was extraordinary larger than ever before. It was therefore judged that closer examination was needed prior to use the "actual amounts" in computations. As such, it was decided to temporarily postpone the replacement of the "projected amounts" with the "actual amounts" in the computation of the second preliminary GDP figures.

Note: Scale of correction (October-December 1999):

$$\frac{(\text{the "actual amounts"} - \text{the "projected amounts"})}{\text{the "projected amounts"}} = -36\%$$

3. Whenever the amount of investment is not reported in a response to the questionnaire of the above survey, it is assumed that the respondent has made no investment during the period in aggregating the data. The closer

examination of aggregated data was deliberately implemented with the attention to this treatment.

4. As a result, it was found that there was no significant difference from the “actual amounts” if aggregations were carried out only for those corporations reporting amounts of their investments.

5. In view of this result, it was decided that the figures for private non-residential investment for October-December 1999 would be re-computed based on the usual method of using the “actual amounts” by financial and insurance corporations during October-December 1999 as derived from the above survey. The revised figures shall be announced at the same time as the first preliminary GDP figures for January-March 2000. As for private non-residential investment for January-March 2000, the usual method shall be followed whereby “projected amounts” of investments by financial and insurance corporations in the above survey are used in the computation of the first preliminary GDP figures.

Note: Investments by financial and insurance corporations in the “Business and Investment Survey of Incorporated Enterprises”.

October-December 1999: Year-over-year change in “actual amounts”:-38%

January-March 2000: Year-over-year change in “projected amounts”:-34%

(Reference)

What impact would the use of the “actual amounts” of investments by financial and insurance corporations in the above survey have on real GDP for October-December 1999?

1. Regarding GDP figures for October-December 1999, re-computations will be carried out and the results will be announced at the same time as the first preliminary GDP figures for January-March 2000. Before the time, it is not possible to accurately revise the figures that will result.

2. However, rough estimates indicate the following possibilities:

[1] Impact on quarter-to-quarter real GDP change
for October-December 1999: approx. -0.2%

[2] Impact on year-over-year real GDP change
for fiscal 1999: approx. -0.05%

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