

Using Seasonality to Identify Front-loading of Public Works in Japan

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Abstract

Seasonality of public investment is worthy of being studied for capturing the action lag of fiscal policy. Employing a basic structural model, this paper estimates time-varying seasonal component of Japanese public investment to derive front-loading of public works aimed at devising for stimulative measures. We determine that the seasonality is alleviated (the government accelerates public investment) after the first oil crisis in the 1970s (albeit transient) and during about two decades after the collapse of bubble in the early 1990s to decrease action lag. The estimated seasonal component also provides more specified evidence in favor of the Japanese government's endeavor to revive the economy; that is, public investment in the first quarter of the fiscal year increases, particularly as regards the last two decades.

Keywords: seasonal component, front-loading of public works, action lag

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