

Recent Economic Developments

- Monthly Economic Report, July 22 2020 -

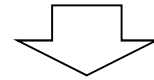
August 6, 2020

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

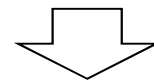
May

The Japanese economy is worsening rapidly in an extremely severe situation, due to the Novel Coronavirus.



June

The Japanese economy is still in an extremely severe situation due to the Novel Coronavirus, but it almost stopped deteriorating.



July

The Japanese economy is still in a severe situation due to the Novel Coronavirus, but it is showing movements of picking up recently.

(Changed)

(Changed)

<Assessment of the current state of the Japanese economy>

	May	June	July
Private consumption	Private consumption is decreasing rapidly, due to the influence of the infectious disease.	Private consumption is showing movements of picking up recently as the state of emergency was lifted.(↑)	Private consumption is picking up recently.(↑)
Business investment	Business investment is in a weak tone recently. (↓)	Unchanged	Unchanged
Exports	Exports are decreasing rapidly, due to the influence of the infectious disease. (↓)	Unchanged	Exports are bottoming out, although the influence of the infectious disease remains.(↑)
Industrial production	Industrial production is decreasing, due to the influence of the infectious disease.	Unchanged	Industrial production shows signs of picking up recently in some sectors, although it is decreasing as a whole.(↑)
Corporate profits	Corporate profits are decreasing rapidly, due to the influence of the infectious disease.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are deteriorating rapidly, due to the influence of the infectious disease.	Firms' judgments show signs of improvement, although some severe aspects remain.(↑)	Firms' judgments shows movements of improvement, although some severe aspects remain.(↑)
Employment situation	Employment situation shows some weak movements further, due to the influence of the infectious disease. (↓)	Employment situation is showing weakness, due to the influence of the infectious disease.	Unchanged
Prices	Consumer prices are flat recently.	Unchanged	Unchanged

Note: ↑ denotes upward revision and ↓ denotes downward revision.

<Short-term prospects>

May

An extremely severe situation is expected to remain due to the influence of the infectious disease for the time being, although the socio-economic activities will be resumed gradually with taking measures to prevent the spread of infectious diseases. Also, attention should be given to the effects of fluctuations in the financial and capital markets.

June

The economy is expected to move toward picking up from an extremely severe situation, supported by the effects of the policies while the socio-economic activities will be resumed gradually with taking measures to prevent the spread of infectious diseases. However, attention should be given to the trend of domestic and overseas infections, and the effects of fluctuations in the financial and capital markets.

July

The economy is expected to show movements of picking up, supported by the effects of the policies while the socio-economic activities will be resumed gradually with taking measures to prevent the spread of infectious diseases. However, attention should be given to the risk that domestic and overseas infections would affect economies. Also, full attention should be given to the economic impact of The Heavy Rain Event of July 2020, and the effects of fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, July 22, 2020)

The Government will make effort toward the reconstruction and revitalization from the Great East Japan Earthquake.

Through balancing the efforts to prevent the spread of the Novel Coronavirus and to increase socio-economic activities step-by-step and coping with disasters becoming ever more severe and frequent, the Government will thoroughly secure people ' lives, daily lives, employments, and businesses with determination to avoid a return to deflation absolutely. The Government will aim to realize the high-quality economy and society that we create through building a new normal for everyday life, as the basic direction of the blueprint of an economy and society in a new future after we overcome the social issues that have been revealed by the recent spread of infections.

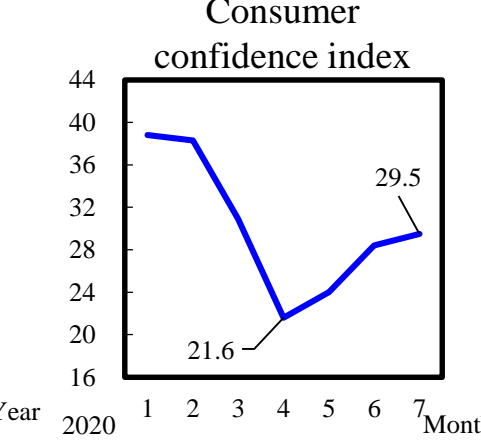
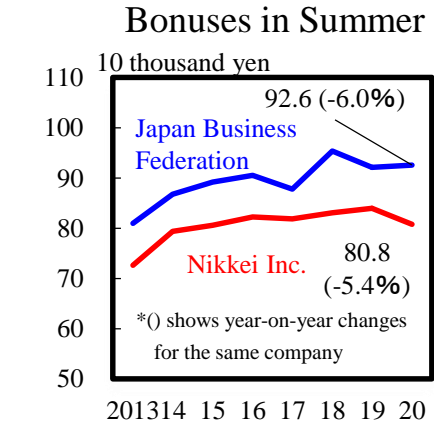
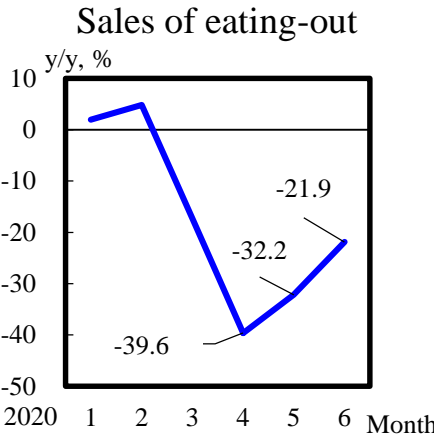
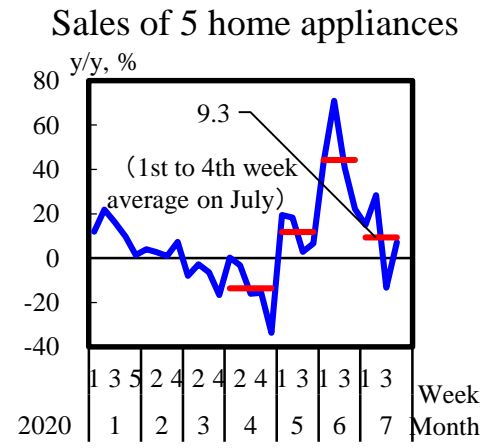
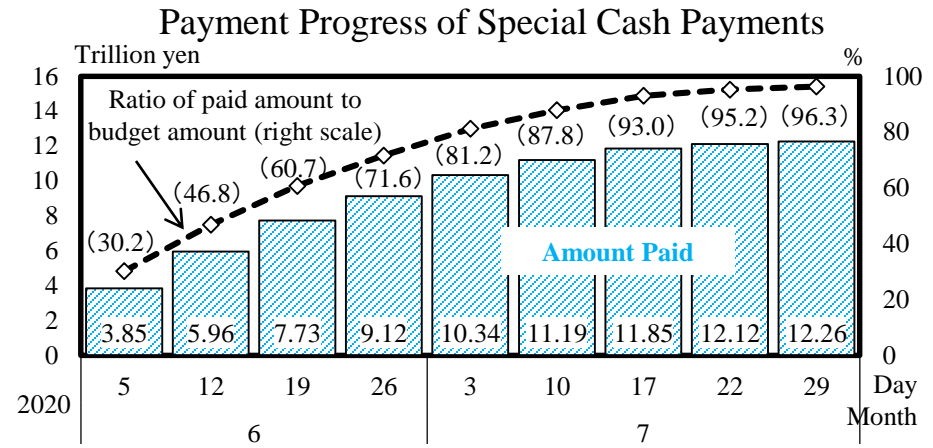
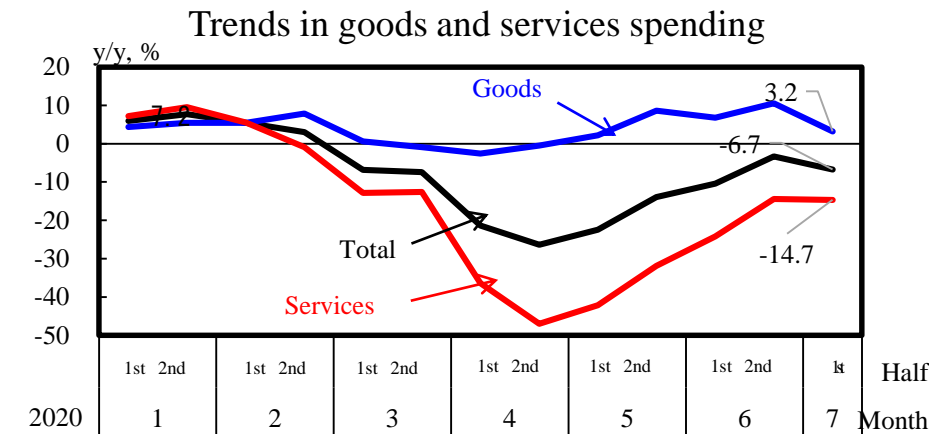
To this end, the Government decided the “Basic Policies for Economic and Fiscal Management and Reform 2020 ~ Overcoming crisis towards a new future ~”, the “Action Plan of the Growth Strategy” and so on on July 17th .

The Government will continue to implement the "Emergency Economic Measures to cope with the Novel Coronavirus " (Cabinet Decision on April 20th) including the FY2020 supplementary budget, and the FY2020 second supplementary budget as soon as possible, and carefully examine the status of the disease and the economic trend in Japan and overseas and impact on people's lives, and take flexible actions as needed without delay. The Government will swiftly compile a policy package towards the rebuilding of daily lives and livelihoods of the disaster victim by the Heavy Rain Event of July 2020.

The Bank of Japan enhances monetary easing with a view to doing its utmost to support financing mainly of firms and maintaining stability in financial market. The Government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity, prices and financial conditions.

- Private Consumption -

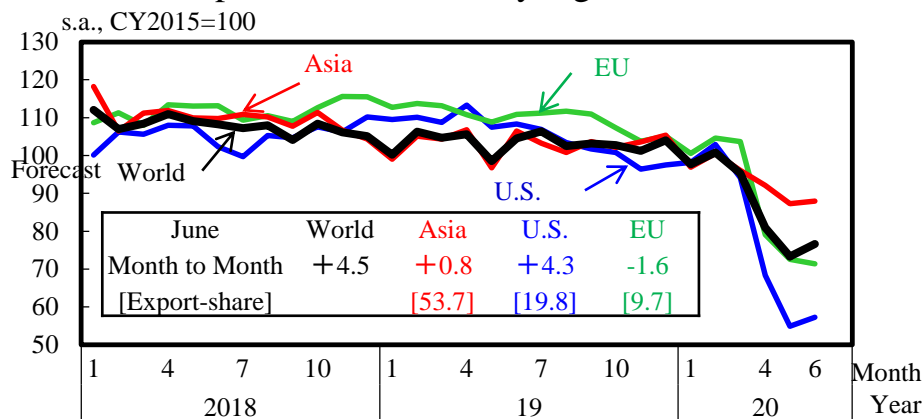
- Private consumption is picking up. Consumption trends based on card spending are moving upwards. By item, home appliance sales have increased, and sales of eating-out have picked up.
- Looking at the background of consumption trends, the Payments of Special Cash payments have been steadily progressing, and the bonuses in summer remained at the recent level although they declined from a year ago. Consumer confidence is picking up although attention should be given to the downward pressure due to an increase in the number of infected people since July.



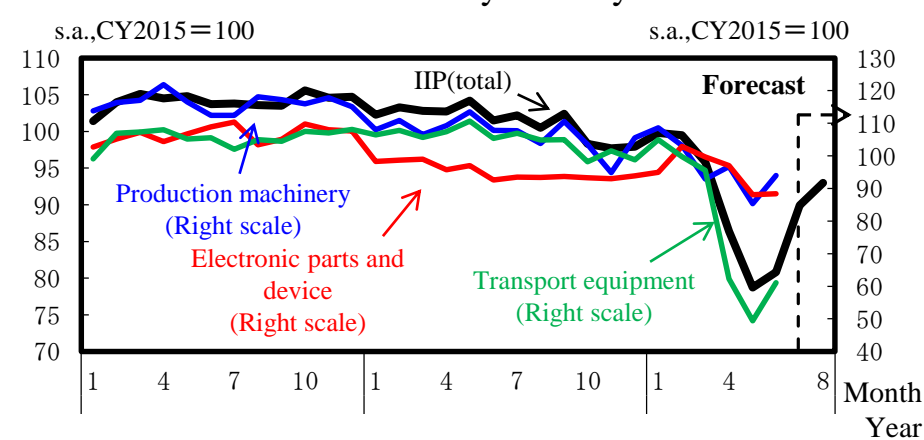
- Export & Production -

- Goods exports are bottoming out after the resumption of overseas economic activities. Automobile-related goods bottom out significantly.
- According to the forecast, production bottomed out in May and begins to pick up in June and thereafter. In particular, the increase in production of transportation industry, including automobiles, makes a significant contribution.

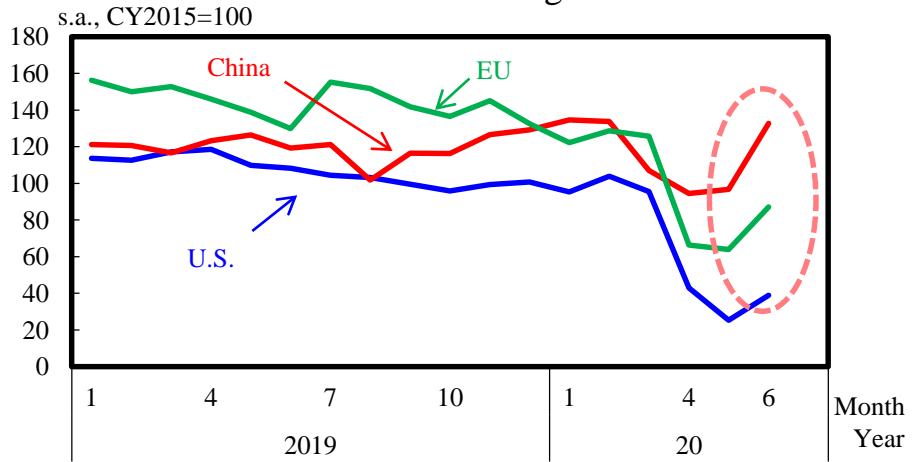
Export volume index by region



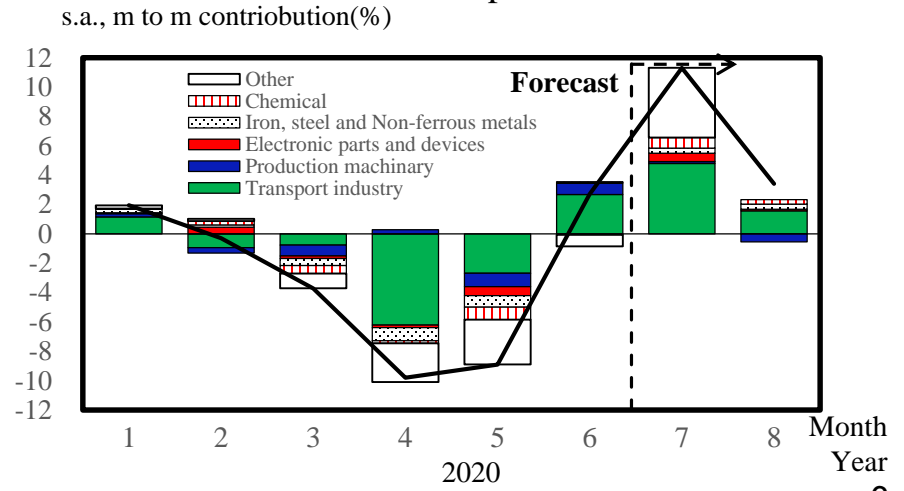
Production by industry



Automobile-related goods



Contribution of production

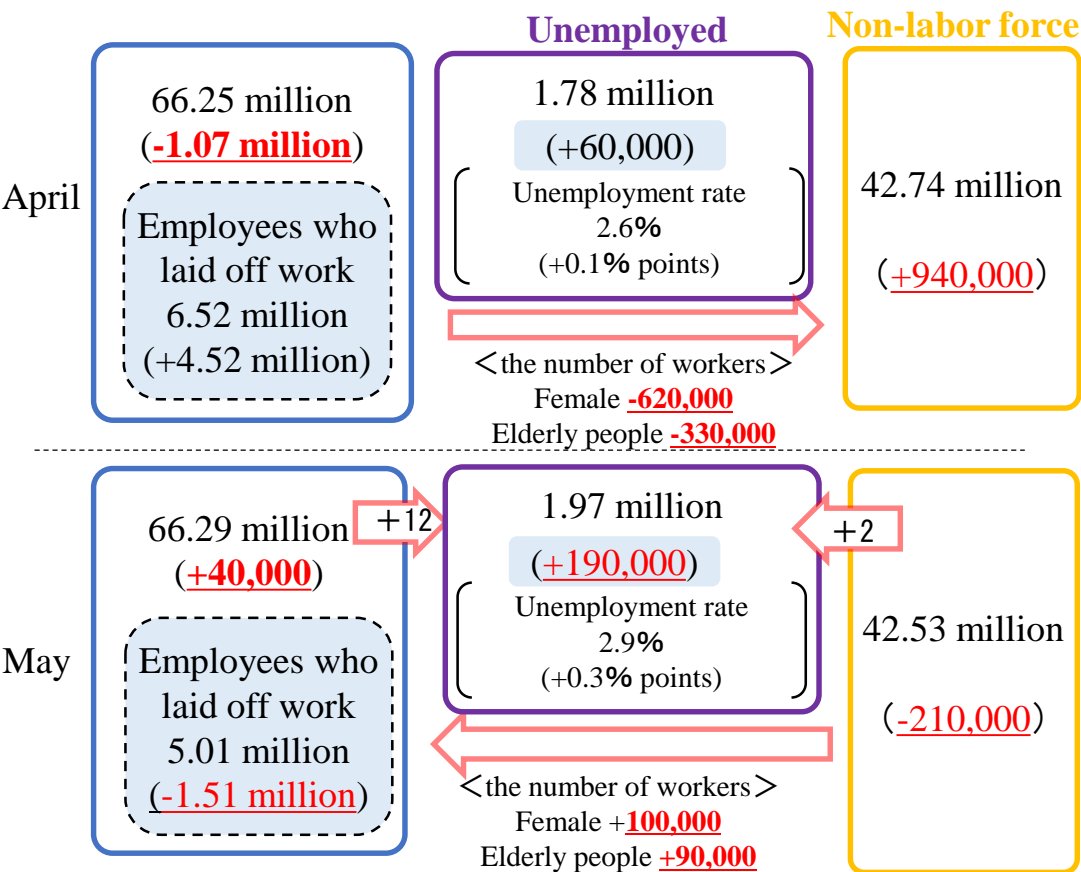


Sources: Ministry of Finance; Ministry of Economy, Trade and Industry

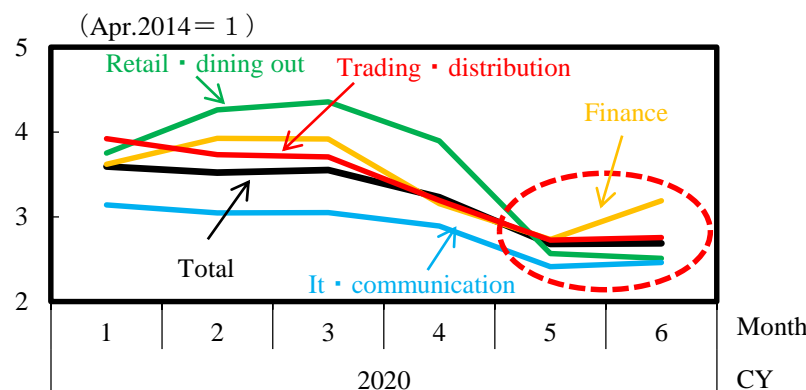
– Employment Situation –

- In April, the movement toward non-labor force occurred, mainly among women and the elderly. The number of employees who laid off work was 5.1 million, as some returned to work in May. Support for employment adjustment subsidies is important for companies that protect employment.
- The number of job offers in the private agency remained flat in June, and the decline of the number of daily available jobs offers from a year ago at “Hello Work” narrowed in July.

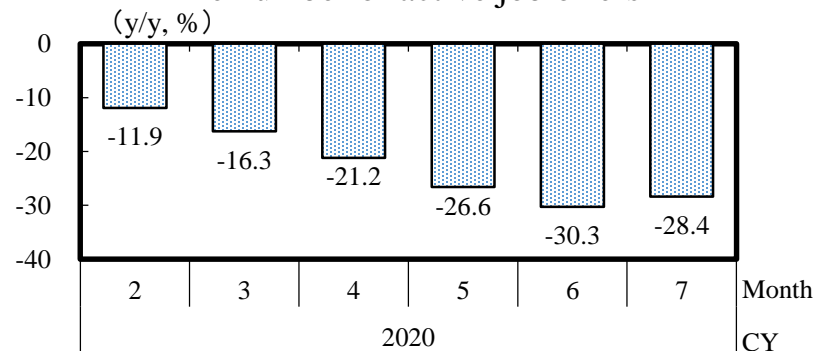
Employment status in April and May 2020 (seasonally adjusted)



Job offers index by the private agency job market



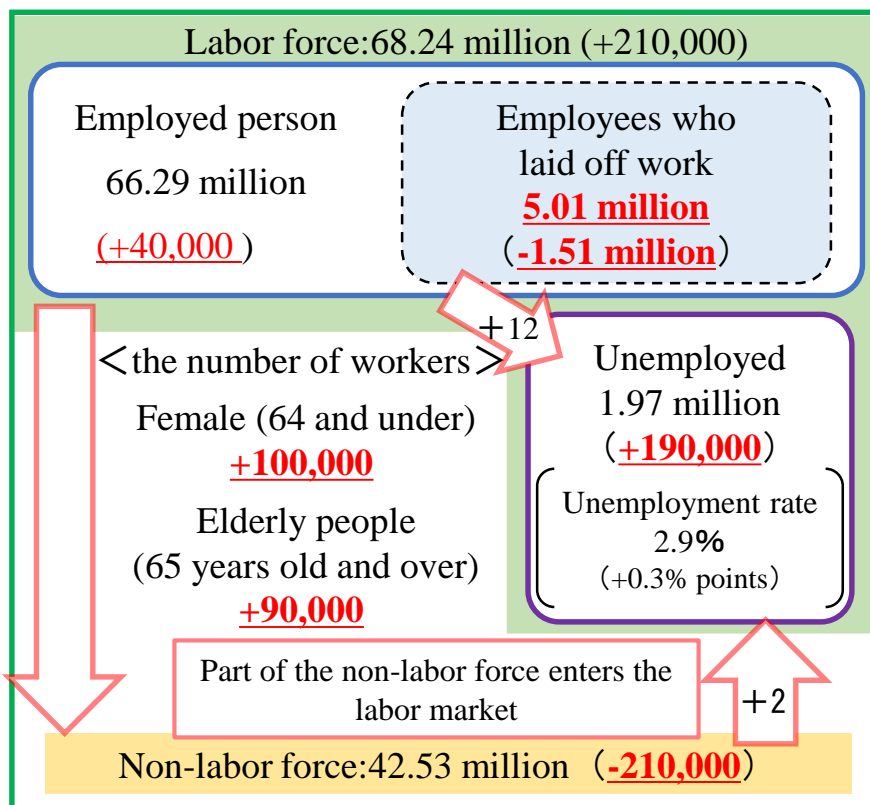
The number of active job offers



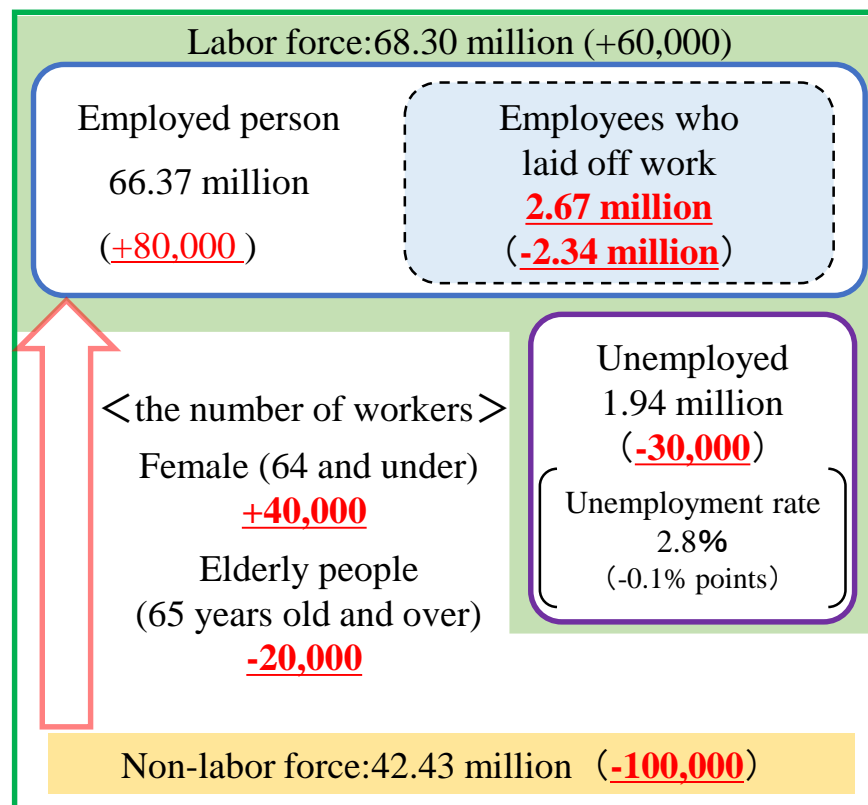
– Employment Situation (2) –

- In June, the labor force population increased by 60,000 while the non-labor force population decreased by 100,000, suggesting that people gradually returned to the labor market. The number of unemployed decreased by 30,000, and the unemployment rate dropped by 0.1 percentage points to 2.8%.
- The number of employees who laid off work decreased to 2.67 million in June.

Employment status in May 2020 (seasonally adjusted)
Population over 15 years old: 110.77 million (±0)



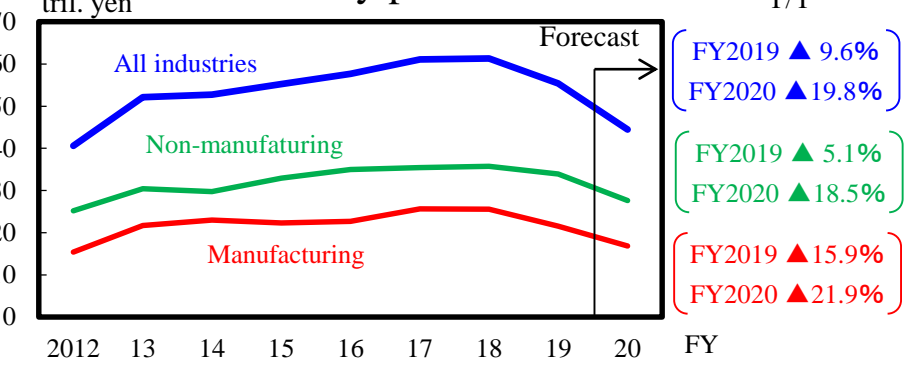
Employment status in June 2020 (seasonally adjusted)
Population over 15 years old: 110.73 million (-40,000)



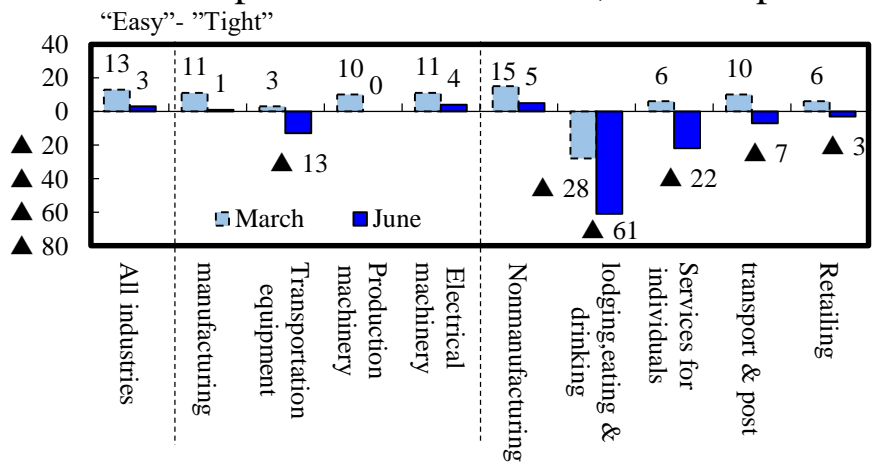
Trends in Business Activities

- According to “Tankan Survey”, corporate profits are expected to decline further in FY2020. Profits in the “transportation equipment”, “accommodations, eating and drinking services” and “services for individuals” sectors are expected to drop significantly, and their corporate financial positions are worse compared to levels in March.
- Meanwhile, the government’s financial support is in steady progress. The number of bankruptcies increased to its previous level in June, after a temporary drop in May.

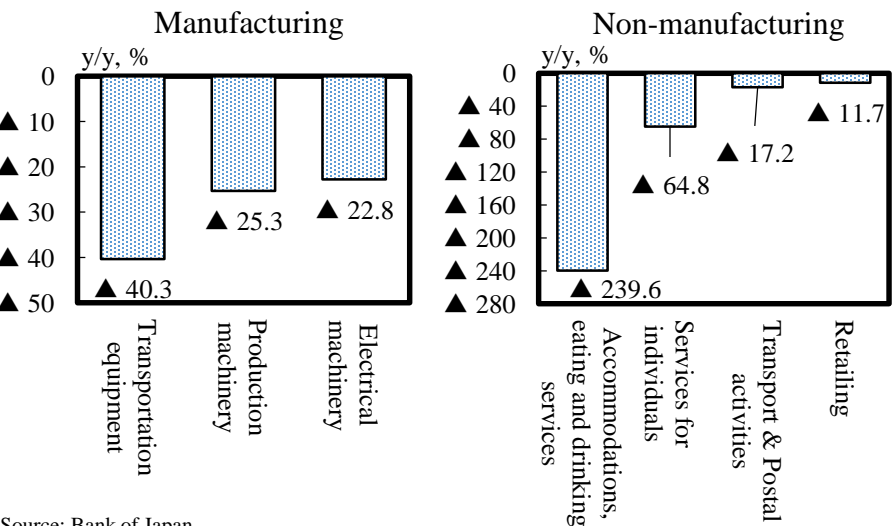
Ordinary profit



Financial position DI (Tankan, all enterprises)



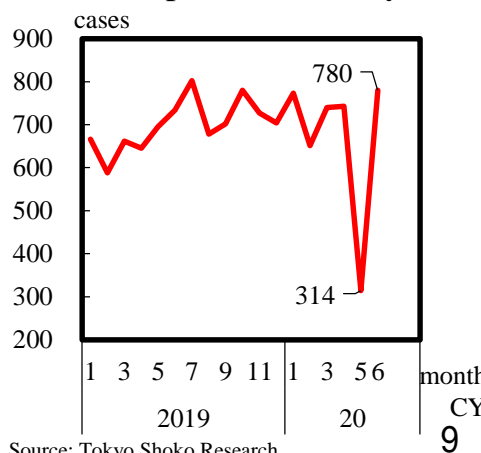
Ordinary profit by sector(2020FY Forecast)



Financial support from public financial institutions (cumulative)

	May 31th	June 30th	July 20th
Public financial institutions	6.9	10.0	11.4
Private financial institutions (interest free loan)	2.7	6.7	9.1

The number of bankruptcies (Monthly)



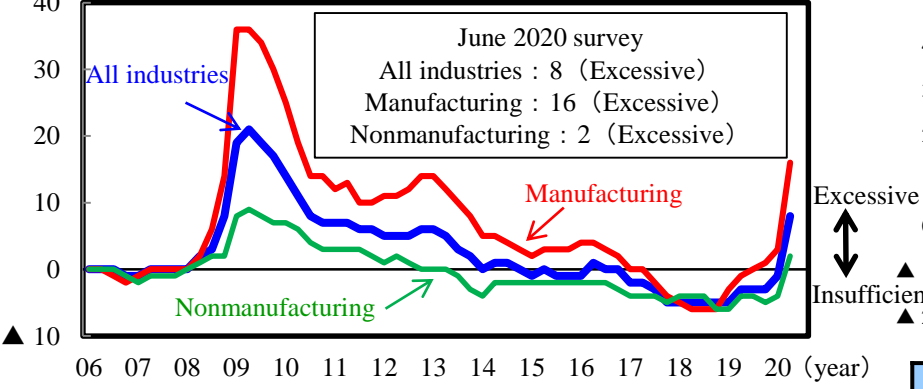
Source: Bank of Japan.

Source: Tokyo Shoko Research.

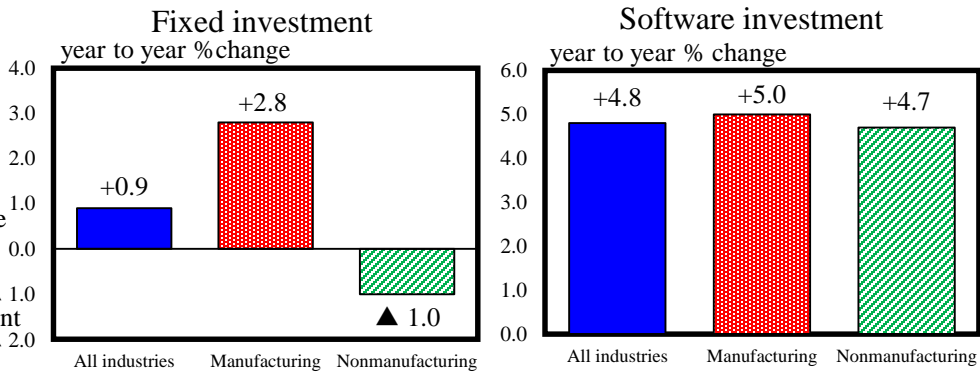
—Business investment—

- While industrial production is in low level, production capacity of both manufacturing and nonmanufacturing is becoming excessive, so that business investment is in a weak tone.
- The aggregate figure of investment plan for FY2020 suggests that companies are cautious due to the decrease in corporate profits and to the uncertain future. However, the software investment is still solid. Also there are some sectors which will investment for new technology and logistic facility.

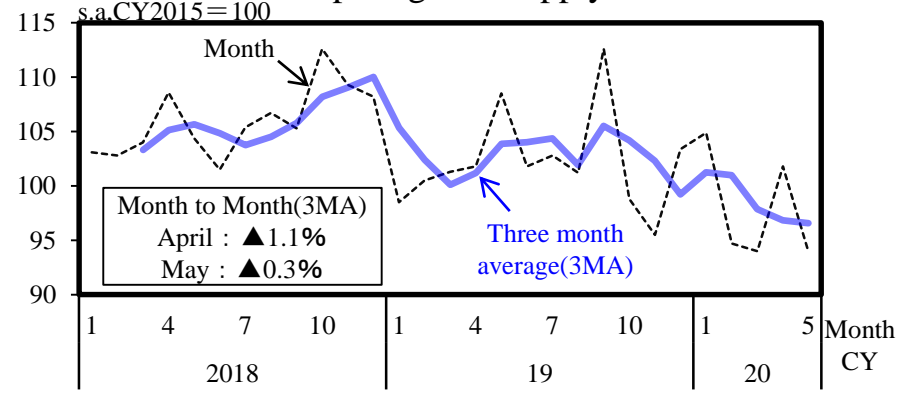
Production Capacity: Diffusion index (Tankan survey)
 ("Excessive capacity" minus "Insufficient capacity", % point)



Fixed investment(2020FY Forecast)(June2020 Tankan survey)



Capital goods supply

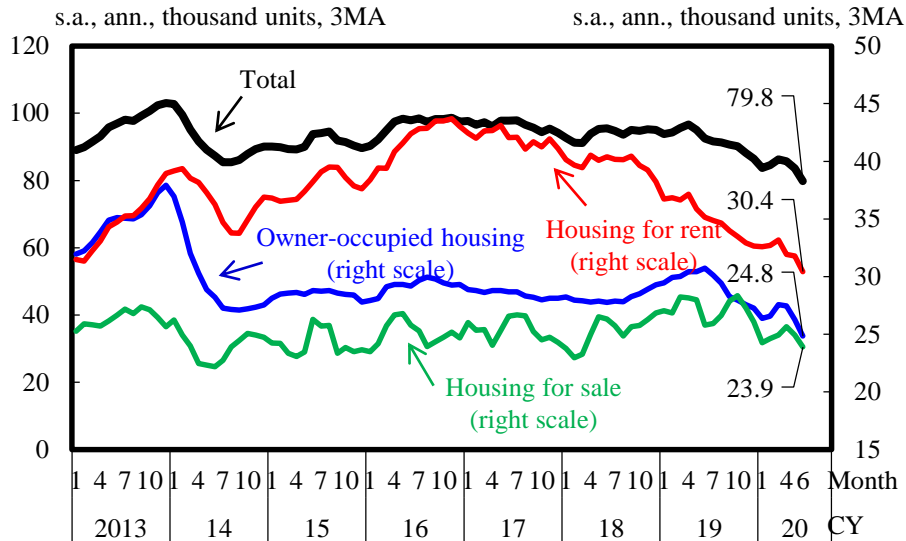


	Sectors	y/y	Backgrounds
Manufacturing	Nonferrous metals	+16.1%	New materials for latest technology(Next-generation automobiles, semiconductor, electronics)
	Food & Beverages	+12.9%	Logistic facilities(refrigerating warehouse),improvement of efficient production process of factory, laver-saving
	Chemicals	+10.0%	Materials for lithium ion batteries to be installed on automobiles(EVs), Optical film for electronics
Nonmanufacturing	Real estate	+5.1%	Urban redevelopment, Logistic facilities, Commercial facilities
	Transport& postal activities	+2.1%	Upgrade of speed or safety measures of train, Real-estate development, Logistic facilities
	communications	+1.1%	Networking infrastructure, financial service

1.Sources:Bank of Japan ; Tankan, Ministry of Economics , Trade and Industry , Investor Relations(IR)
 2.Fixed investment ; Software , R&D , and Fixed Investment excluding land purchasing expenses . All Enterprises base.

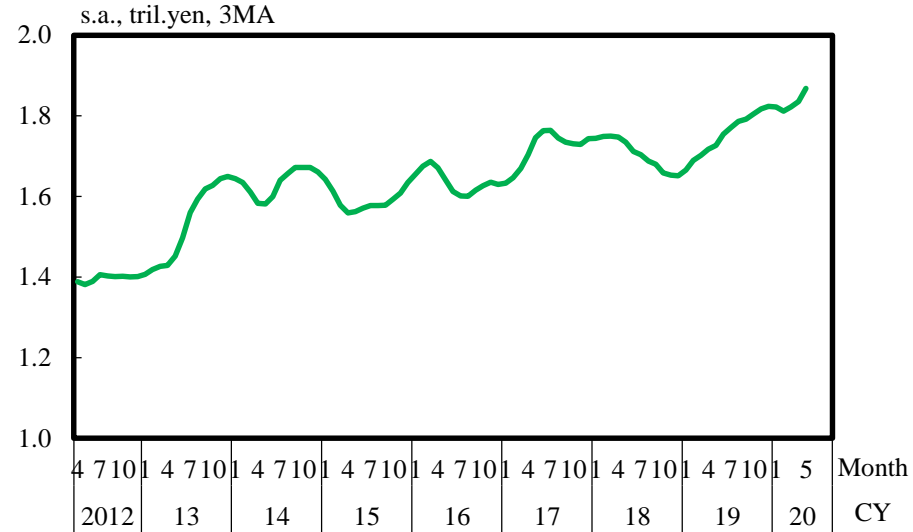
Housing investment is in a weak tone.

Housing construction starts

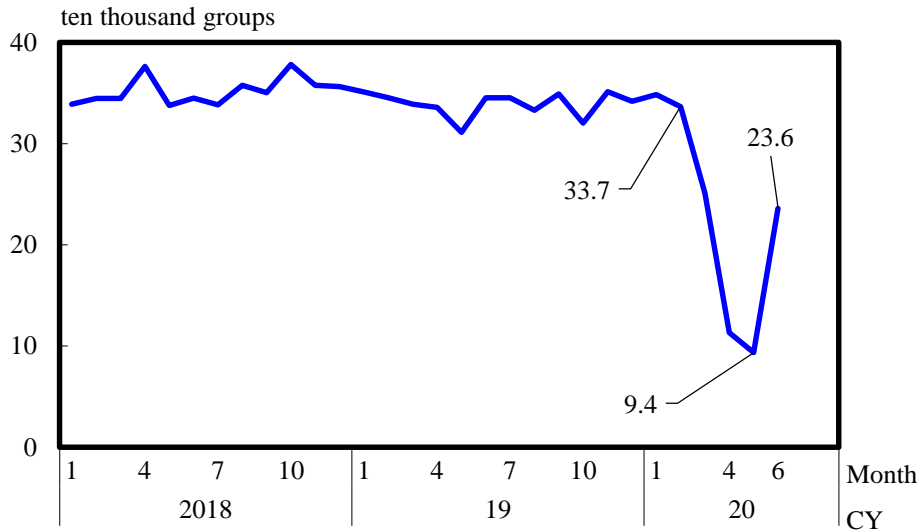


Public investment shows steady performance.

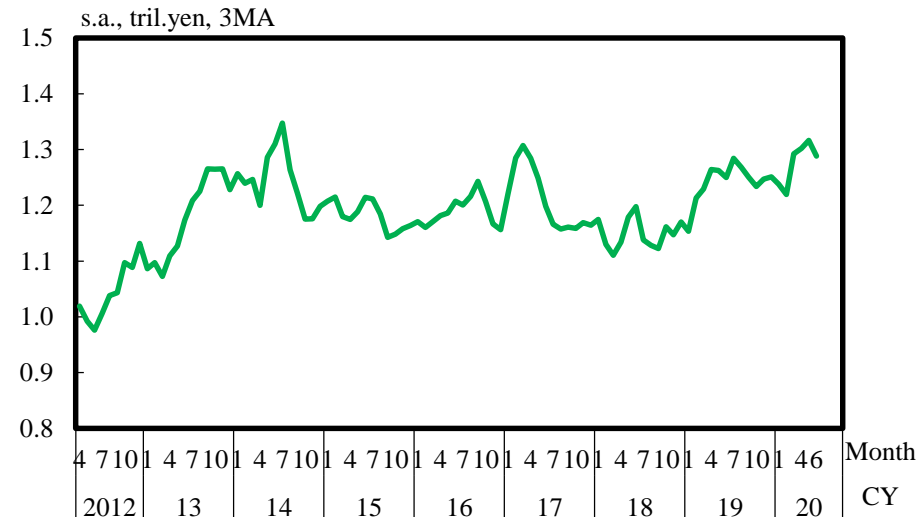
Amount of public construction completed



Number of the housing exhibition visitors (couples)

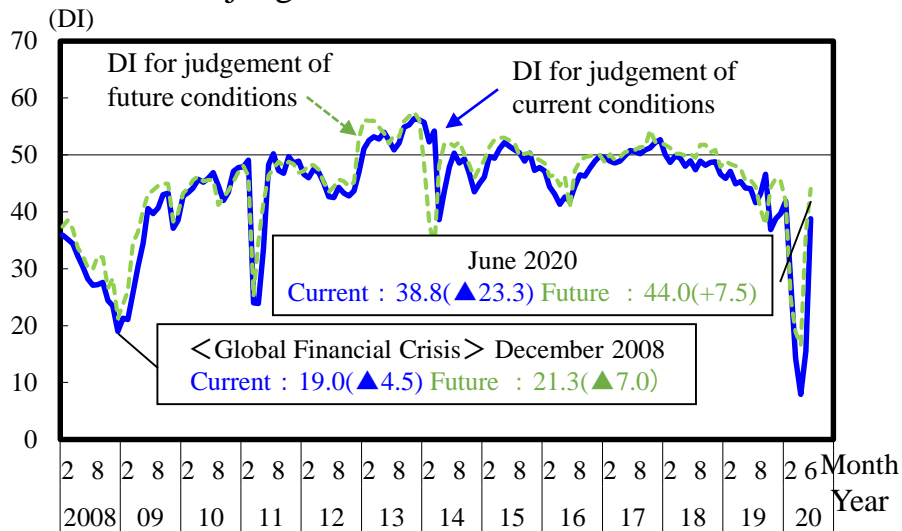


Contracted value of public construction

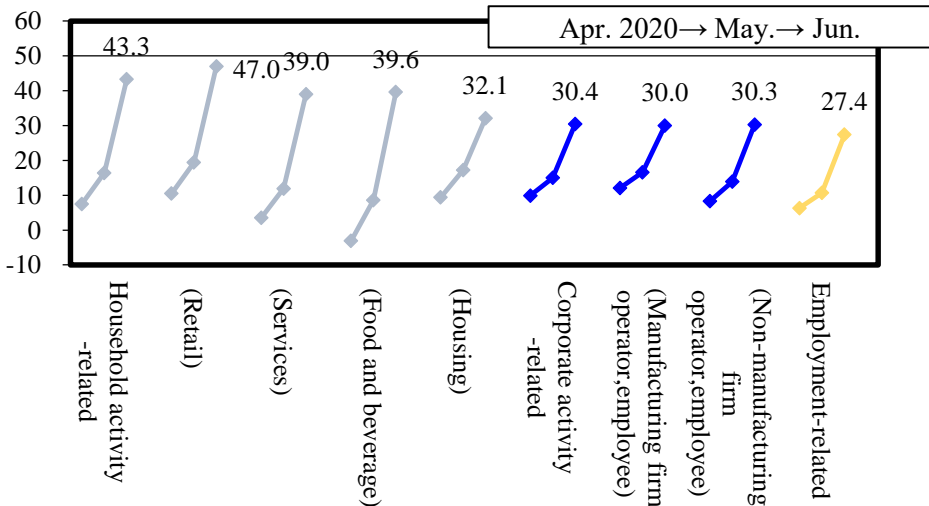


Economy Watchers Survey (Survey period: June 25 to 30)

DI for judgement of current conditions

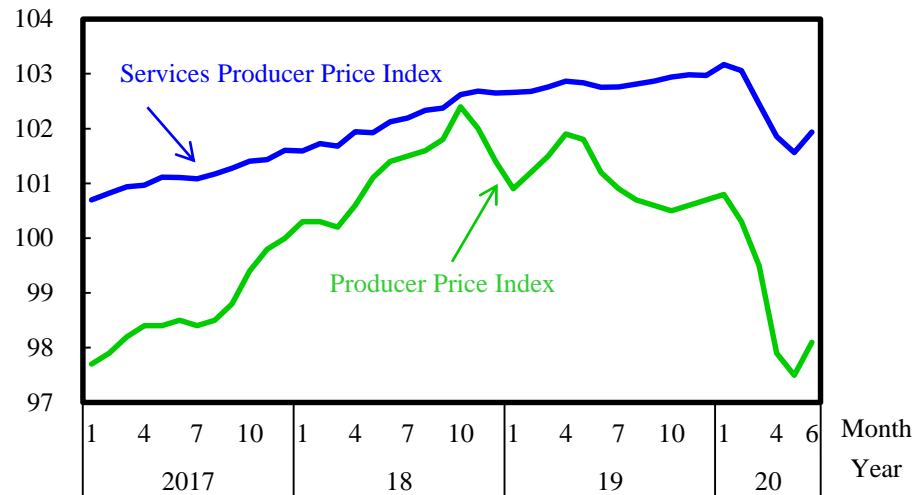


DI by sector (current conditions)

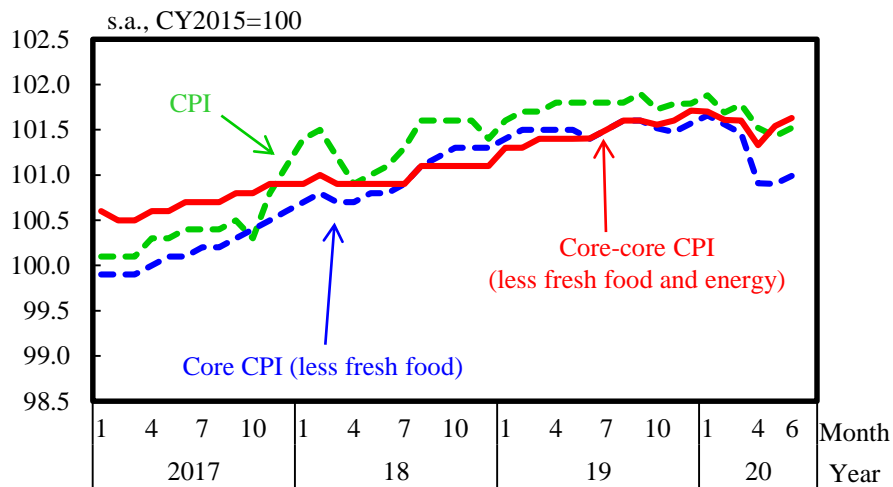


Producer prices bottom out.
Consumer prices are flat.

Producer Price Index/ Services Producer Price Index CY2015=100



CPI (Consumer Price Index)



Note: The figures in parentheses show the difference from the previous month. Producer price index and services producer price index exclude consumption tax. CPIs exclude the direct effects of the consumption tax increase and free early childhood education and nurseries.

Source: Bank of Japan; Ministry of Internal Affairs and Communications; Cabinet Office