

Recent Economic Developments

- Monthly Economic Report, September 24 2020 -

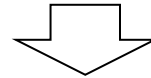
October 12, 2020

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

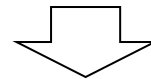
July

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



August

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



September

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

(Unchanged)

(Unchanged)

<Assessment of the current state of the Japanese economy>

	July	August	September
Private consumption	Private consumption is picking up recently.	Unchanged	Private consumption is picking up, while weakness can be seen in some sectors.(↓)
Business investment	Business investment is in a weak tone recently.	Unchanged	Business investment is showing weakness.(↓)
Exports	Exports are bottoming out, although the influence of the infectious disease remains.	Exports show movements of picking up.	Exports are picking up.(↑)
Industrial production	Industrial production shows signs of picking up recently in some sectors, although it is decreasing as a whole.	Industrial production shows movements of picking up in some sectors.	Industrial production shows movements of picking up.(↑)
Corporate profits	Corporate profits are decreasing rapidly, due to the influence of the infectious disease.	Corporate profits are decreasing substantially, due to the influence of the infectious disease.	Unchanged
Firms' judgments on business conditions	Firms' judgments shows movements of improvement, although some severe aspects remain.	Unchanged	Unchanged
Employment situation	Employment situation is showing weakness, due to the influence of the infectious disease.	Unchanged	Employment situation shows steady movements in some components such as the number of employees, while weakness remains, due to the influence of the infectious disease.(↑)
Prices	Consumer prices are flat.	Unchanged	Unchanged

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

<Short-term prospects>

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.

August

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while the socio-economic activities will be resumed 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 effects of fluctuations in the financial and capital markets.

September

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while the socio-economic activities will be resumed with taking measures to prevent the spread of infectious diseases. However, attention should be given to situation in domestic and overseas infections and the effects of fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, September 24, 2020)

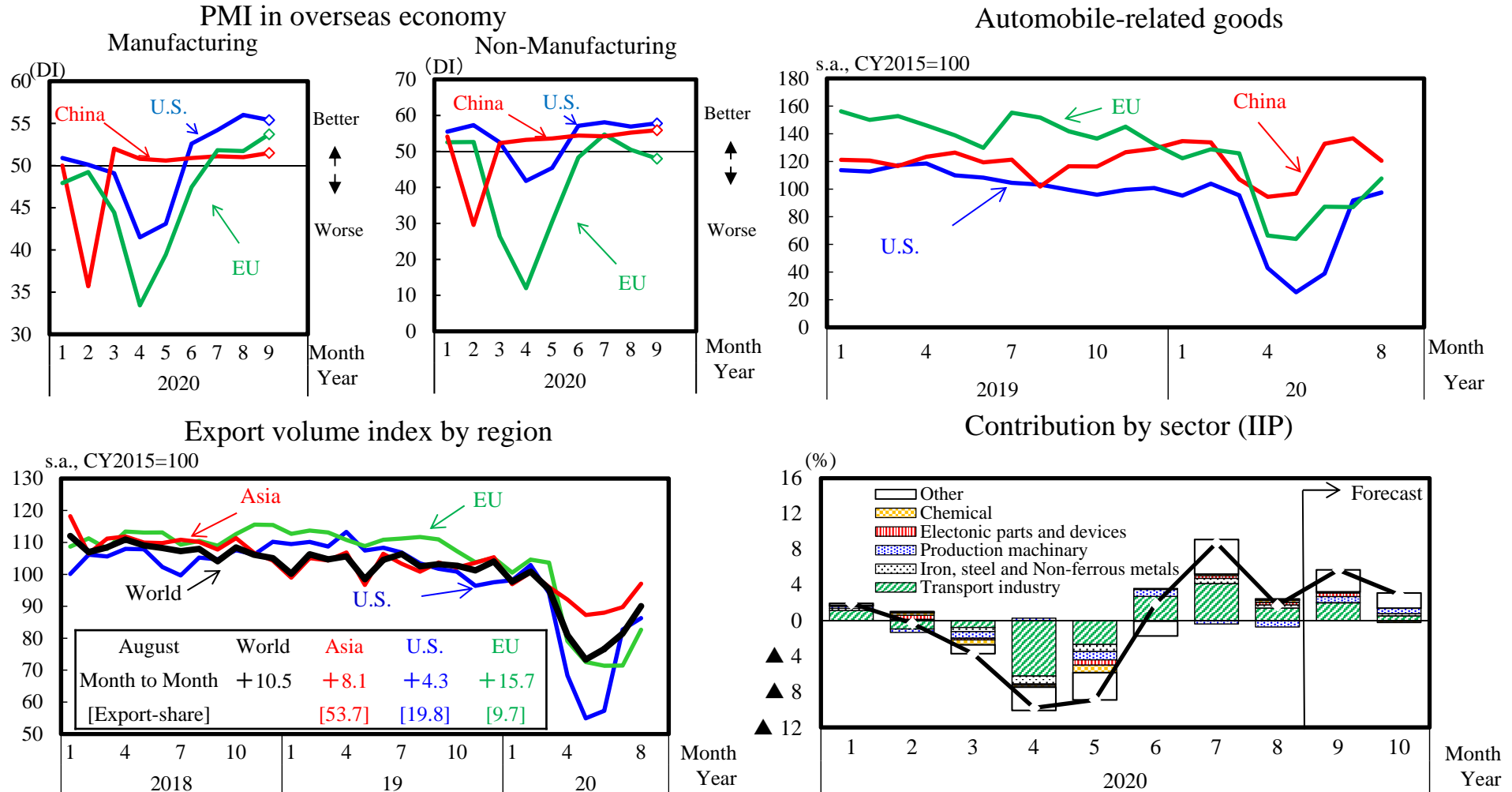
The Government will make effort toward the reconstruction and revitalization from the Great East Japan Earthquake and coping with disasters becoming ever more severe and frequent. The Government will balance prevention of the spread of the Novel Coronavirus and economic activities, and thoroughly secure people's daily lives through protecting employment and keeping businesses with determination to avoid a return to deflation absolutely. The Government will achieve a strong economic growth again through intensive reforms including regulatory reforms and necessary investments for the new purpose including digitization that have been revealed by the spread of infections. For the major policies of that, the Government will develop an action plan that will clarify the policy objectives and the policy schedule and so on by the end of this year, based on the "Basic Policies for Economic and Fiscal Management and Reform 2020 " and so on.

The Government will continue to implement the "Emergency Economic Measures to cope with the Novel Coronavirus" 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 hesitation or delay.

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.

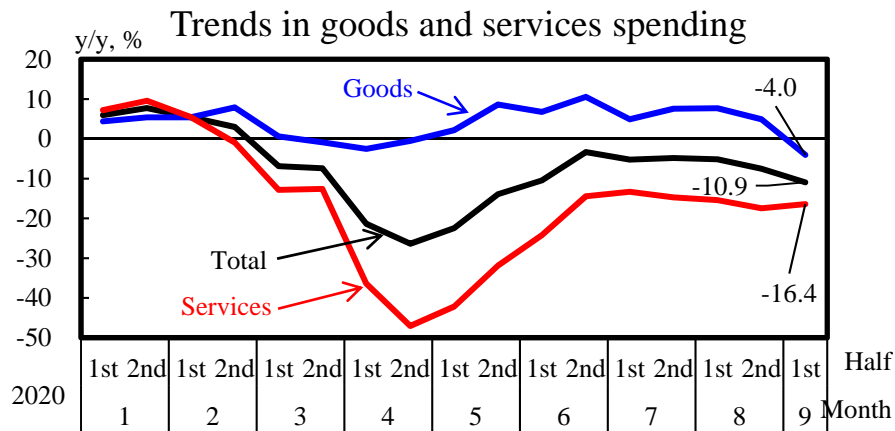
— Export & Production —

- Exports are picking up, while economic activities are recovering in major trading partners. By goods, exports of automobile-related goods, mainly to U.S., are increasing.
- Production of manufacturing industry has been increasing in response to the recovery of exports since June. According to the forecast, production is expected to continue to pick up in September and October.



– Private consumption –

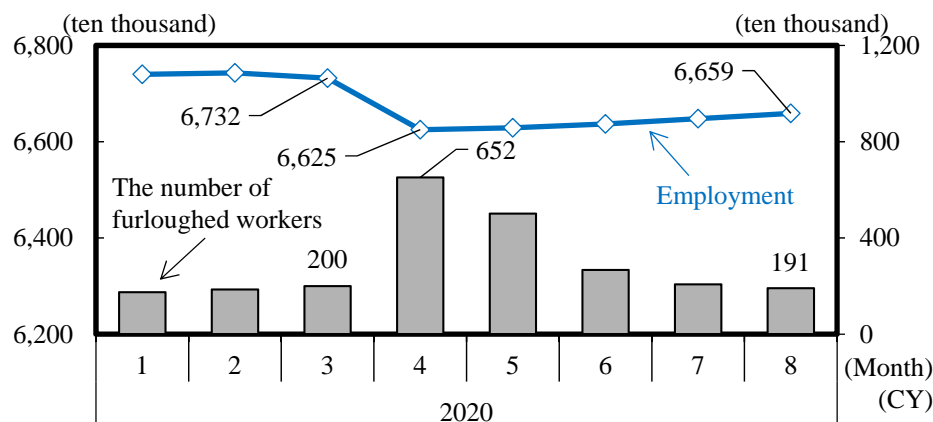
- Consumption trends based on card spending in August appeared to be pausing mainly on services such as travel and eating out. From the sales side, automobile sales increased, but sales of eating out were almost flat. However, in September, private consumption amount per week has held firm at the same level as the past three years. On the whole, private consumption is picking up, while weakness can be seen in some sectors.
- DI of Economy Watcher Survey improved in August. Both the current and the future conditions are up from the previous month in the household, corporate and employment fields.



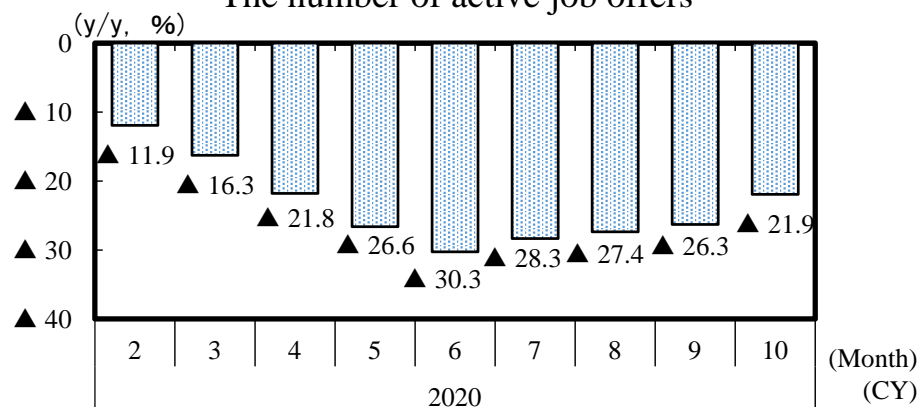
— Employment Situation —

- While the employment situation is weak, the number of employed population has increased moderately since May, and the number of furloughed workers, which surged in April, decreased to near the level of March in August. In addition, the number of active job offers has increased for the four consecutive months until October.
- There are signs that wages have stopped declining. The year-on-year rate of change in total cash earnings has narrowed for the third consecutive month since June. Although the overall bonus (special cash earnings) this summer declined from a year ago, the introduction of the equal pay for equal work system has improved the bonus treatment for part-time workers.

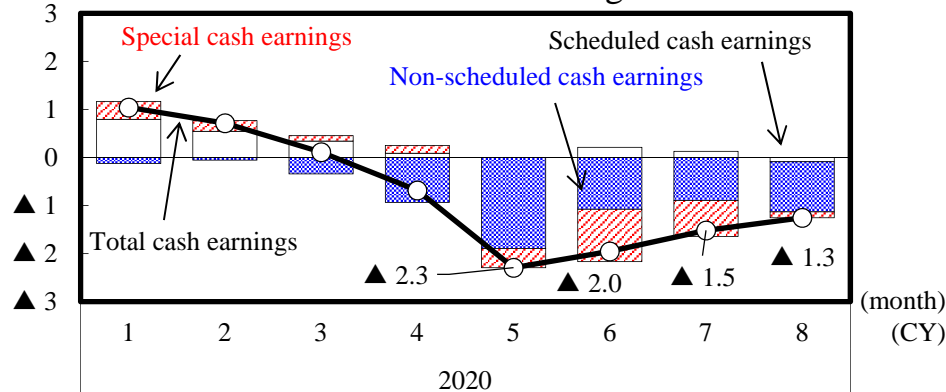
The number of employed and furloughed workers



The number of active job offers



(y/y contribution %) Total cash earnings



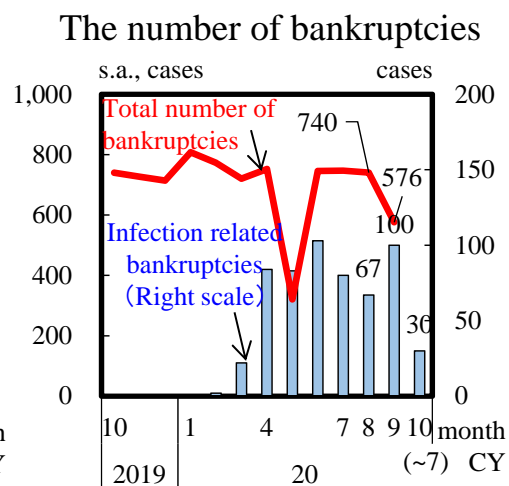
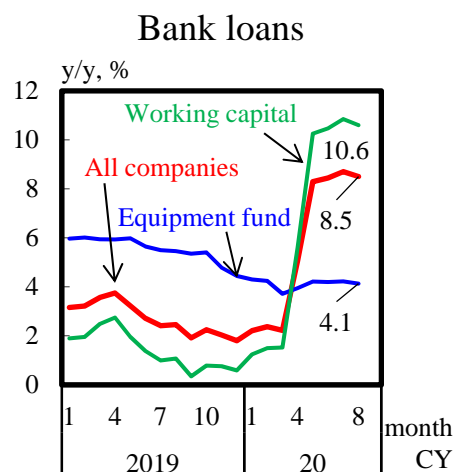
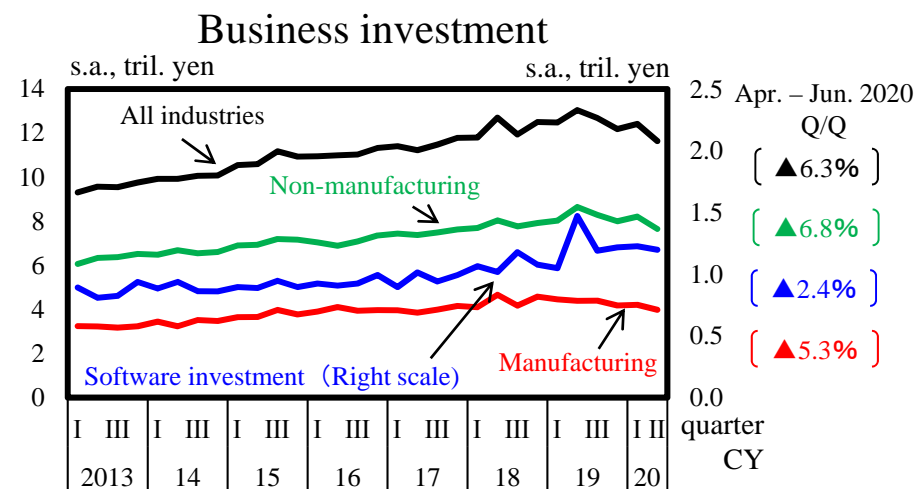
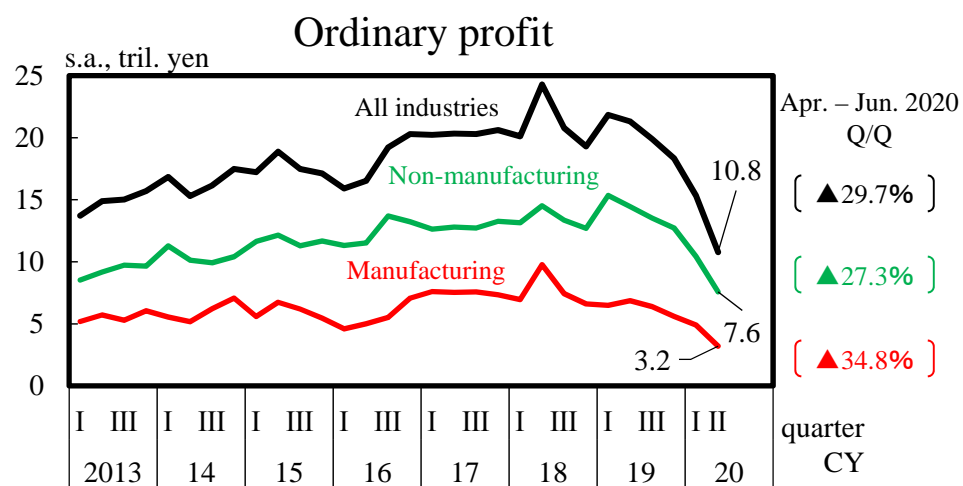
Total cash earnings and special cash (Jun.-Aug. average 2020)

	Total cash earnings (yen)			
	Total	y/y (%)	Special cash earnings (yen)	y/y (%)
Total	102,215	-0.2	4,654	16.9
Construction	120,251	2.1	8,347	40.9
Electricity, gas	179,335	14.0	31,110	72.8
Scientific research	144,963	2.2	11,030	47.4
Living-related and personal services	92,060	-1.9	2,846	68.8
Education, learning support	103,120	8.7	8,119	102.7

Source: Ministry of Health, Labor and Welfare;
Ministry of Internal Affairs and Communications

— Trends in Business Activities and Business investment —

- Corporate profits decreased substantially due to stagnation by infection disease. However, with the government's financial support, bank loans increased. The total number of bankruptcies is almost flat.
- Due to the decline of corporate profits and uncertainty of a future, business investment is showing weak movements. As for a short-term prospects, software investment plan is solid, however the aggregate figure suggests that companies are cautious.



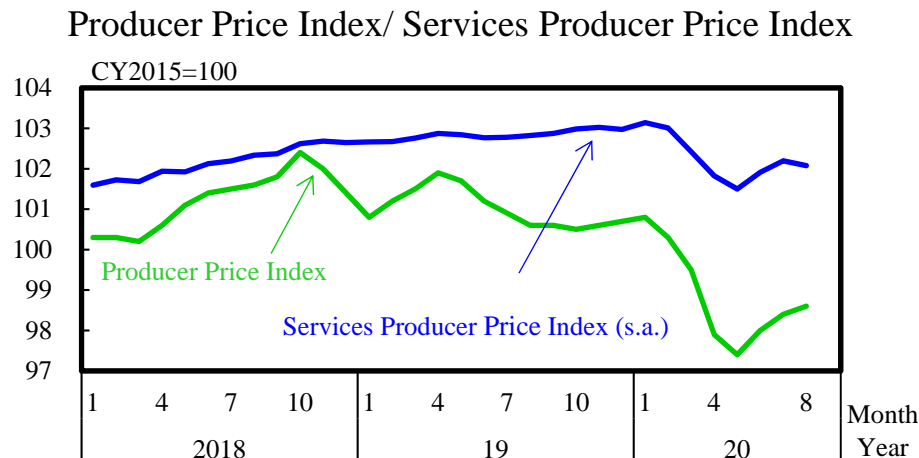
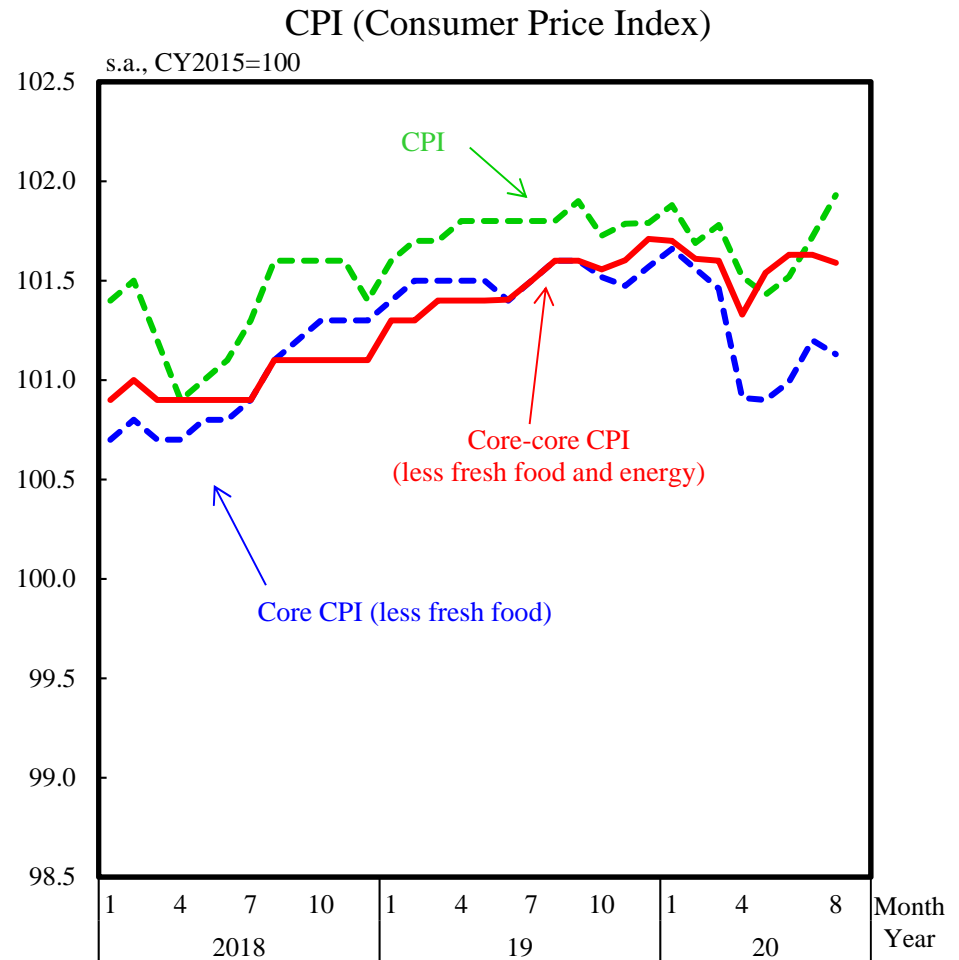
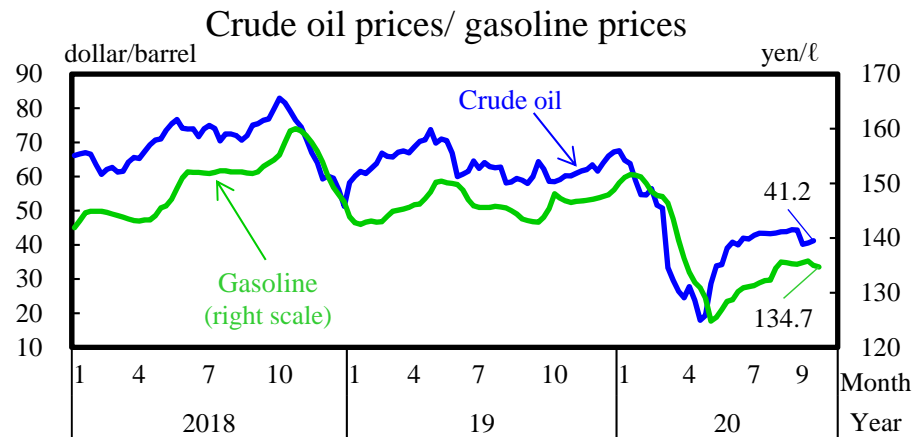
Business investment FY2020(outlook)
(Business Outlook Survey, July-September 2020)

		FY/FY, % [] :Apr.-Jun 2020	Investment (incl. software)	Software Investment
Total	All industries	▲6.8 [▲4.4]	3.5 [3.8]	
	Manufacturing	▲4.5 [▲1.9]	5.5 [7.3]	
	Non-manufacturing	▲8.1 [▲5.8]	2.9 [2.9]	
Large corporation	All industries	0.8 [5.9]	5.4 [8.2]	
	Manufacturing	3.7 [9.3]	7.8 [12.8]	
	Non-manufacturing	▲1.1 [3.5]	4.8 [7.0]	

Source: Ministry of Finance, Tokyo Shoko Research.

— Prices —

- Producer prices are rising moderately recently, due to a recovery in oil prices, and restart of economic activities both in domestic and abroad.
- Core-core CPI (less fresh food and energy) is flat. Attention should be given to the short-term prospects.



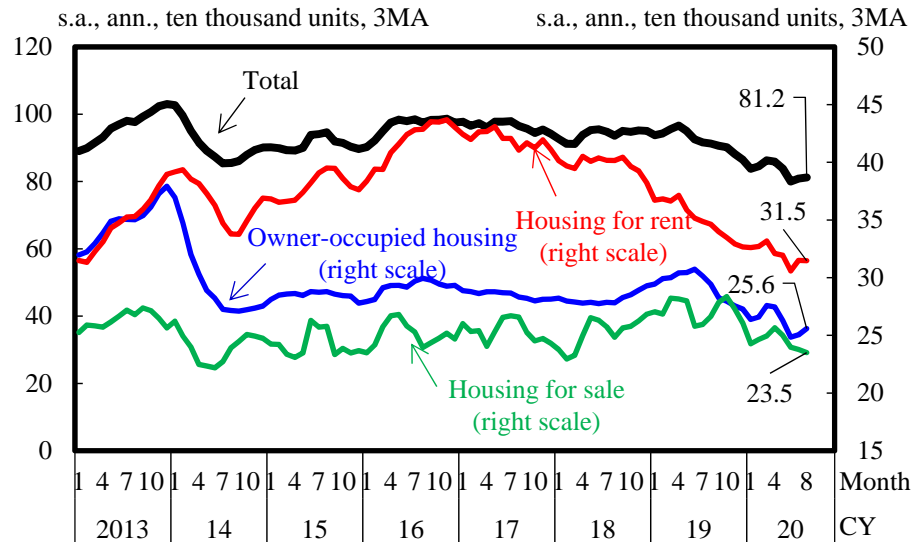
Source: Bank of Japan; Ministry of Internal Affairs and Communications; Agency for Natural Resources and Energy; Nikkei Economic Electronic Databank System; Cabinet Office

Note: Producer price index and services producer price index exclude the direct effects of the consumption tax increase. CPIs exclude the direct effects of the consumption tax increase, free early childhood education and nurseries, and the Go to Travel Campaign.

Reference

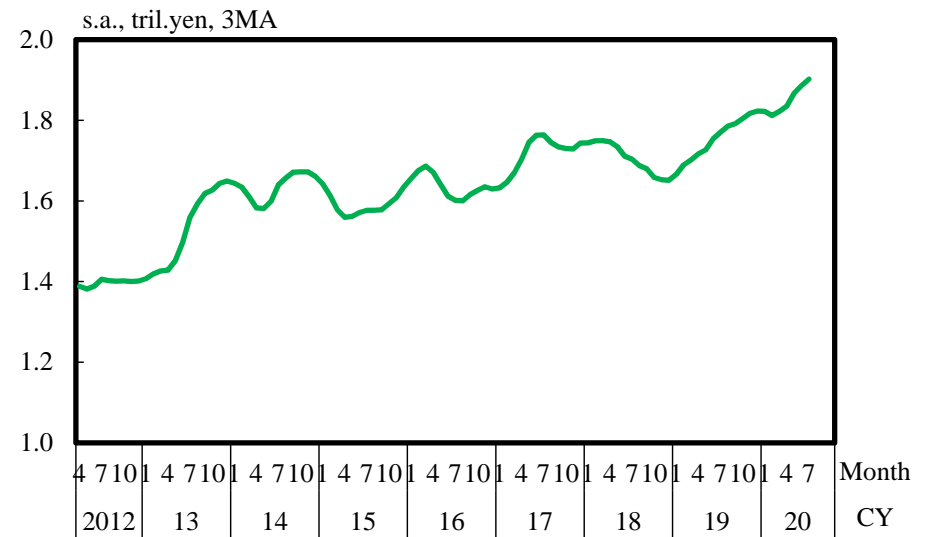
Housing investment is in a weak tone.

Housing construction starts

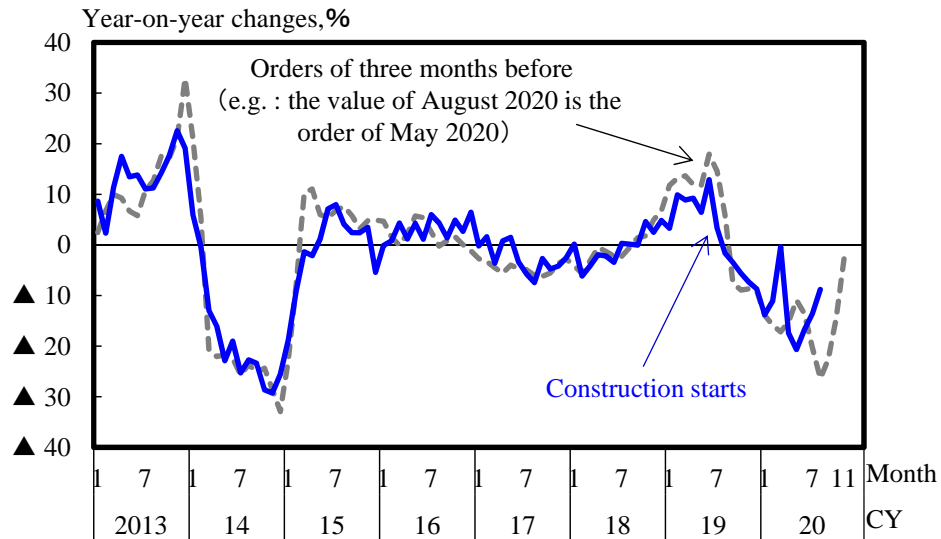


Public investment shows steady performance.

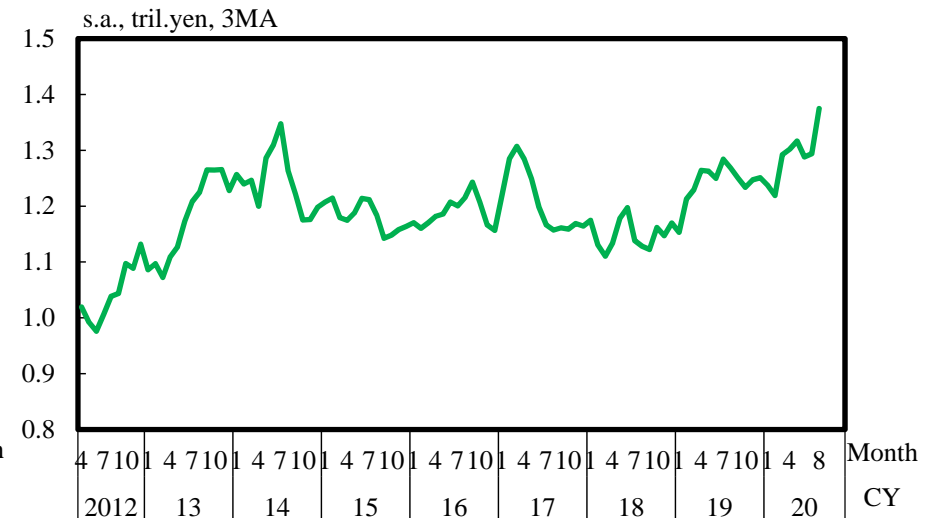
Amount of public construction completed



Construction starts and orders of Owner-occupied housing



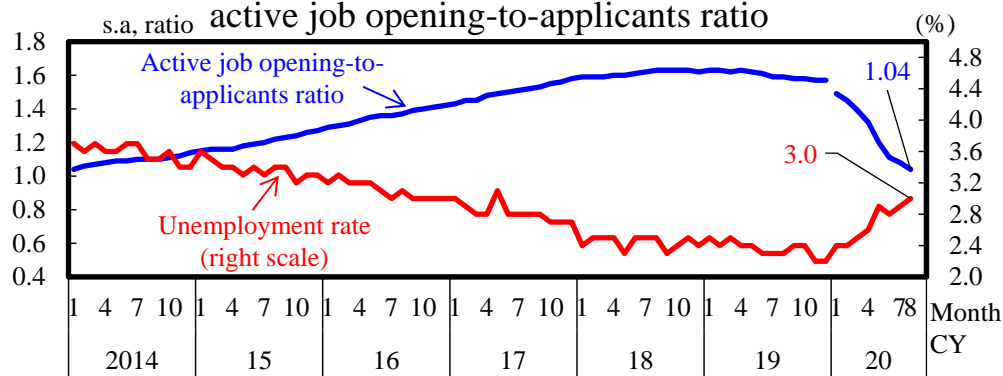
Contracted value of public construction



Source: Ministry of Land, Infrastructure, Transport and Tourism. IR information of each company. East Japan Construction Surety Co.,Ltd.,etc.

Employment situation

Unemployment rate and

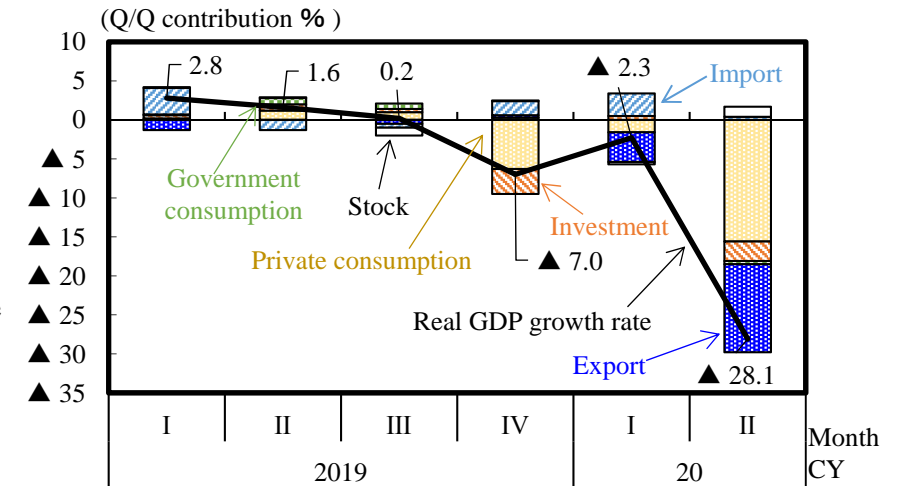


Employment status 2020 (seasonally adjusted) million [] →female

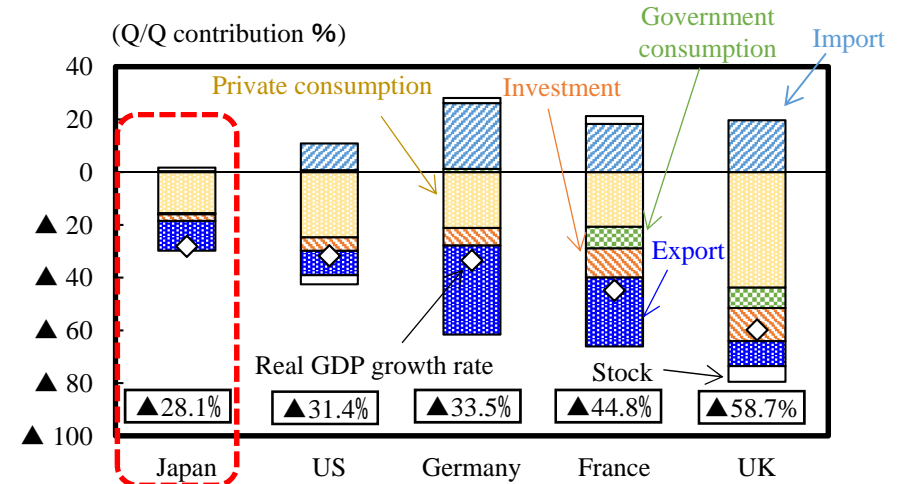
	Employed	The number of furloughed workers	Unemployed	Unemployment rate	Non-labor force
Mar.	67.32 [29.96]	2.00 [1.28]	1.72 [0.69]	[2.5%]	41.80 [26.62]
	↓ (▲1.07) 【▲0.70】	↓ (+4.52) 【▲2.62】	↓ (+0.06) 【▲0.01】		↓ (+0.94) 【▲0.68】
Apr.	66.25 [29.26]	6.52 [3.90]	1.78 [0.68]	[2.6%]	42.74 [27.30]
	↓ (+0.04) 【▲0.21】	↓ (▲1.51) 【▲0.87】	↓ (+0.19) 【▲0.07】		↓ (▲0.21) 【▲0.28】
May.	66.29 [29.47]	5.01 [3.03]	1.97 [0.75]	[2.9%]	42.53 [27.02]
	↓ (+0.08) 【▲0.04】	↓ (▲2.34) 【▲1.48】	↓ (▲0.03) 【▲0.00】		↓ (▲0.10) 【▲0.08】
Jun.	66.37 [29.51]	2.67 [1.55]	1.94 [0.75]	[2.8%]	42.43 [26.94]
	↓ (+0.11) 【▲0.18】	↓ (▲0.60) 【▲0.39】	↓ (+0.02) 【▲0.08】		↓ (▲0.17) 【▲0.11】
Jul.	66.48 [29.33]	2.07 [1.16]	1.96 [0.83]	[2.9%]	42.26 [27.05]
	↓ (+0.11) 【▲0.12】	↓ (▲0.16) 【▲0.05】	↓ (+0.09) 【▲0.05】		↓ (▲0.23) 【▲0.18】
Aug.	66.59 [29.45]	1.91 [1.11]	2.05 [0.88]	[3.0%]	42.03 [26.87]
	↓ (+0.11) 【▲0.12】	↓ (▲0.16) 【▲0.05】	↓ (+0.09) 【▲0.05】		↓ (▲0.23) 【▲0.18】
Apr. →Aug.	+0.34 【▲0.19】	▲4.61 【▲2.79】	+0.27 【▲0.20】	+0.4 %pt	▲0.71 【▲0.43】

Real GDP (Apr.-Jun. 2020)

Japan's real GDP



Real GDP for major countries and regions (Apr.-Jun. 2020)



Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications
U.S. Department of Commerce; Federal Statistical Office of Germany; INSEE National Statistics
Office of France; U.K. Office for National Statistics.