

Recent Economic Developments

- Monthly Economic Report, October 23 2020 -

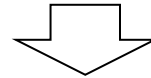
November 12, 2020

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

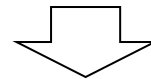
August

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.



October

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

(Unchanged)

(Unchanged)

<Assessment of the current state of the Japanese economy>

	August	September	October
Private consumption	Private consumption is picking up recently.	Private consumption is picking up, while weakness can be seen in some sectors.(↓)	Private consumption is picking up.(↑)
Business investment	Business investment is in a weak tone recently.	Business investment is showing weakness.(↓)	Unchanged
Exports	Exports show movements of picking up.	Exports are picking up.(↑)	Unchanged
Industrial production	Industrial production shows movements of picking up in some sectors.	Industrial production shows movements of picking up.(↑)	Unchanged
Corporate profits	Corporate profits are decreasing substantially, due to the influence of the infectious disease.	Unchanged	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.	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.(↑)	Unchanged
Prices	Consumer prices are flat.	Unchanged	Unchanged

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

<Short-term prospects>

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.

October

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, October 23, 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 specify reforms in the Growth Strategy Council, which was newly established, along a major direction and priority issues discussed in the Council on Economic and Fiscal Policy, based on the " Basic Policies for Economic and Fiscal Management and Reform 2020 " and so on.

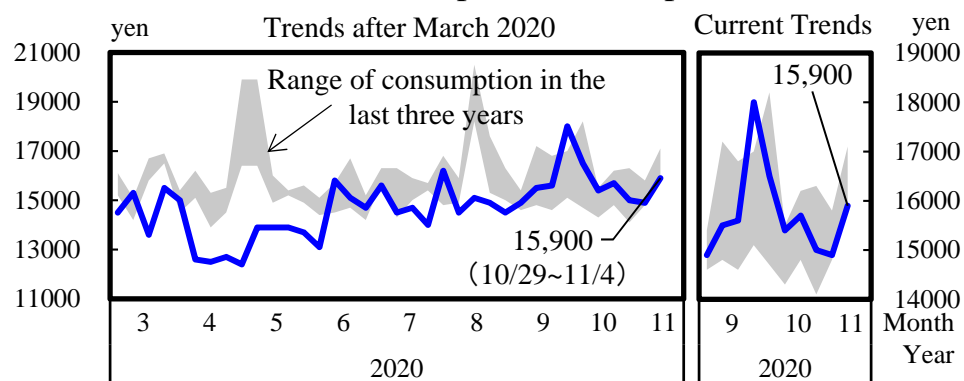
The Government will continue to implement the " Emergency Economic Measures to cope with the Novel Coronavirus " including the FY2020 supplementary budget, and the FY2020 second supplementary budget as soon as possible, and carefully examine the status of the disease and the economic trend in Japan and 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.

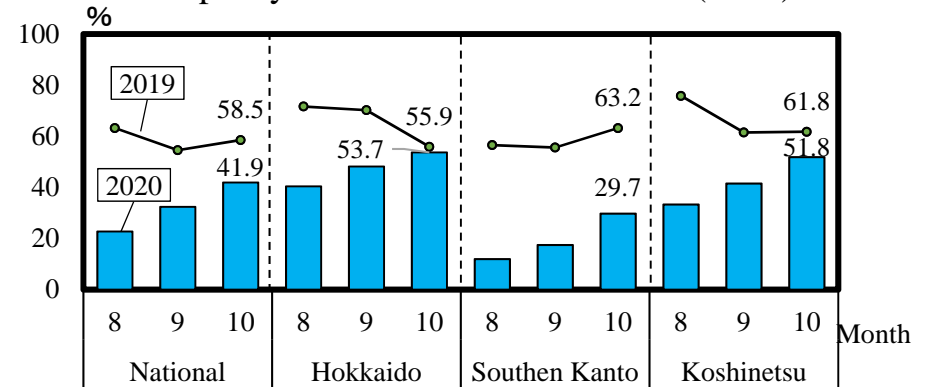
— Private consumption —

- Weekly consumption has recovered to the level of the past three years since September. Sales of home appliances increased from the level in 2018 (in order to eliminate the effect of the consumption tax hike in 2019). Services spending, which appeared pausing in the summer, started to pick up mainly in travel. Occupancy rates for accommodations also increased moderately. In sum, private consumption is picking up.
- DI of Economy Watchers Survey (related to household activity) at the end of October increased from the previous month in both the Current and Future economic condition (direction). DI for Current economic conditions (level) is still low, but it is also improving.

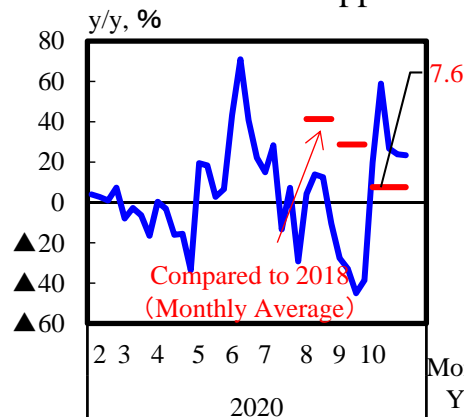
Private consumption amount per week



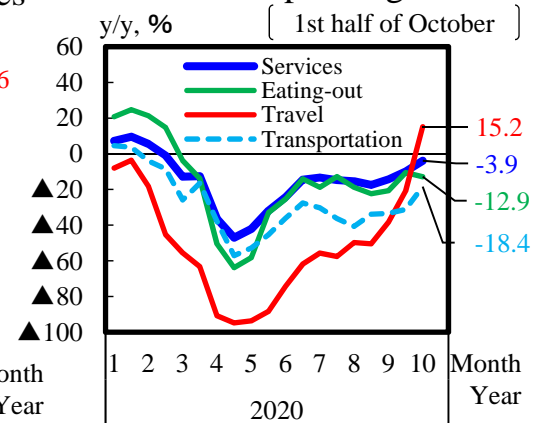
Occupancy rates for accommodations (2020)



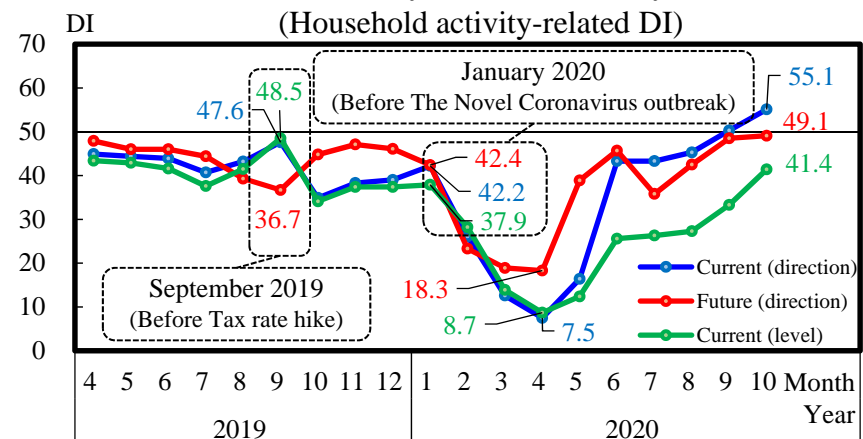
Sales of 5 home appliances



Services spending



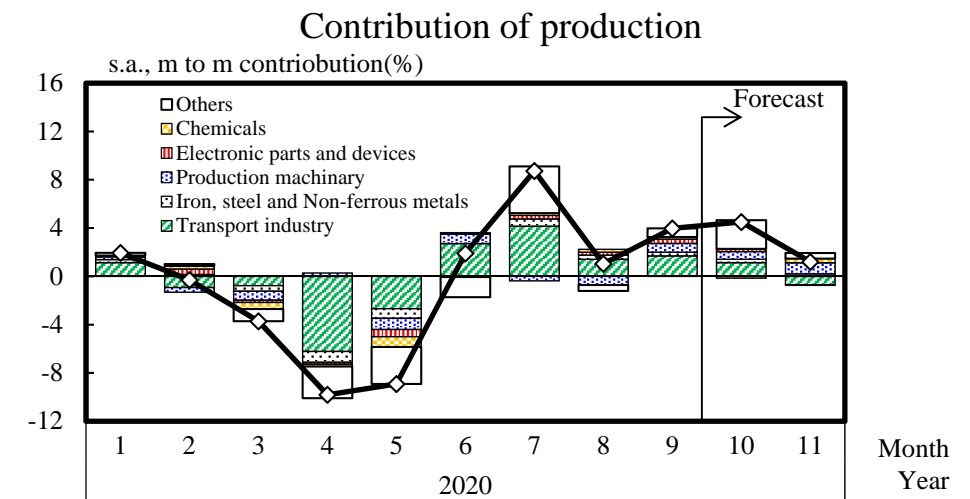
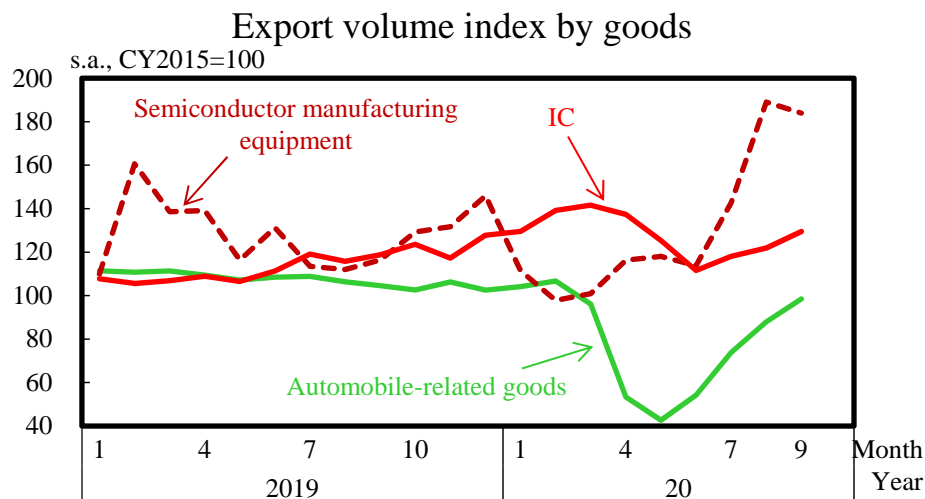
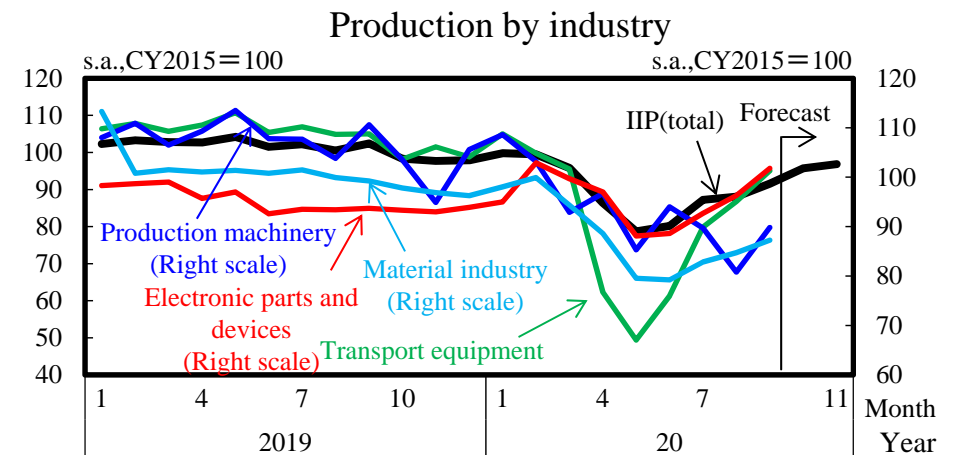
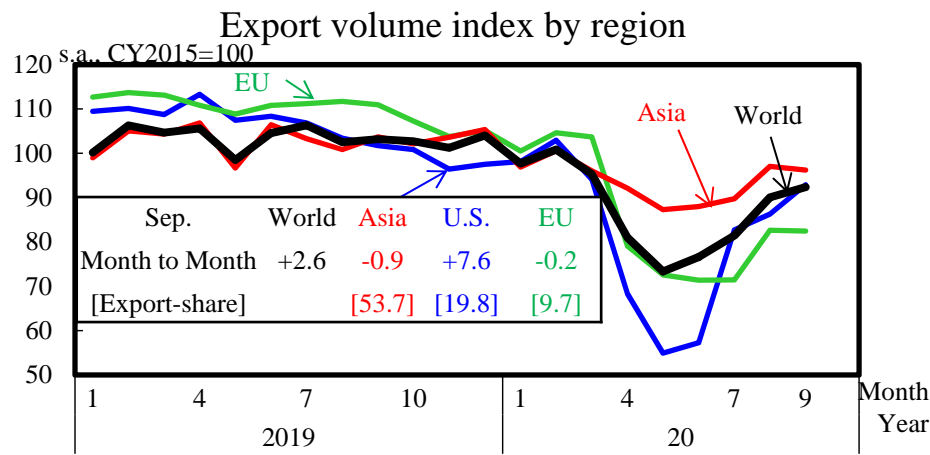
Economy Watchers Survey



Sources: Macromill, Inc. ; Ministry of Economy , Trade and Industry; NOWCAST,INC. ; JCB Co.,Ltd ; Kyushu Economic Research Center ; Cabinet Office.

— Export & Production —

- Exports continue to pick up. In addition to automobile-related goods, ICT-related goods, which include Integrated Circuit (IC) and Semiconductor manufacturing equipment, are increasing recently.
- Production of material industry and electronic parts and devices as well as transport equipment has been increasing in response to the recovery of exports. According to the forecast, production is expected to continue to pick up in October and November.



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

— Employment Situation —

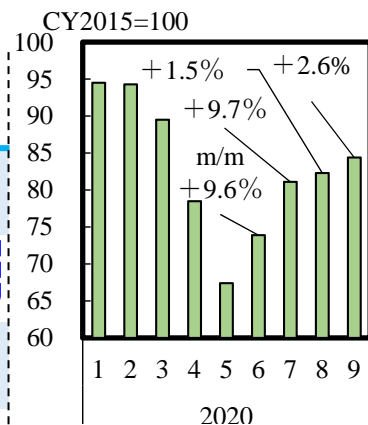
- Although attention should be given to the gradual increase in the number of unemployed persons, some steady movements are observed as production is picking up. The number of employees is gradually increasing and the number of furloughed workers is generally decreasing to the level in March.
- Overtime hours worked are increasing, and a decline in total cash earnings is gradually diminishing. The number of active job offers is also bottoming out, with the gradual improvement of the year on year change. On the whole, the employment situation shows steady movements in some components, while weakness remains.

Employment status 2020 (seasonally adjusted)

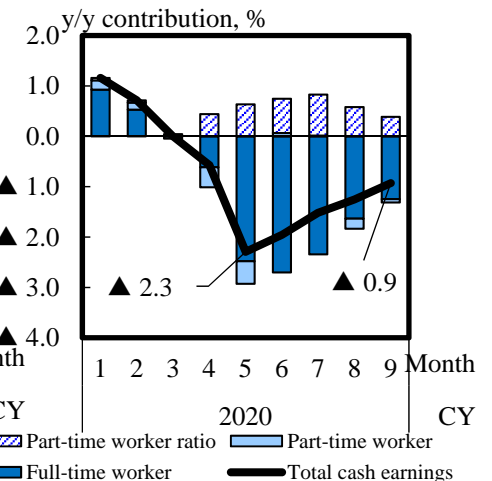
	Employed	Employees	The number of furloughed workers	Unemployed	Unemployment rate	Non-labor force
Mar.	6,732 [2,996]	6,054 [2,744]	200 [128]	172 [69]	[2.5%]	4,180 [2,662]
	↓ (▲107) [▲70]	↓ (▲105) [▲74]	↓ (+452) [+262]	↓ (+6) [▲1]	+0.1 %pt	↓ (+94) [+68]
Apr.	6,625 [2,926]	5,949 [2,670]	652 [390]	178 [68]	[2.6%]	4,274 [2,730]
	↓ (+34) [+19]	↓ (▲12) [+11]	↓ (▲461) [▲279]	↓ (+27) [+20]	+0.4 %pt	↓ (▲71) [▲43]
⋮						
Aug.	6,659 [2,945]	5,937 [2,681]	191 [111]	205 [88]	[3.0%]	4,203 [2,687]
	↓ (▲4) [+9]	↓ (+13) [+13]	↓ (+20) [+15]	↓ (+1) [▲5]	+0.0 %pt	↓ (+10) [▲2]
Sep.	6,655 [2,954]	5,950 [2,694]	211 [126]	206 [83]	[3.0%]	4,213 [2,685]
Apr. → Sep.	(+30) [+28]	(+1) [+24]	(▲441) [▲264]	(+28) [+15]	+0.4 %pt	(▲61) [▲45]

ten thousand 【】 →female

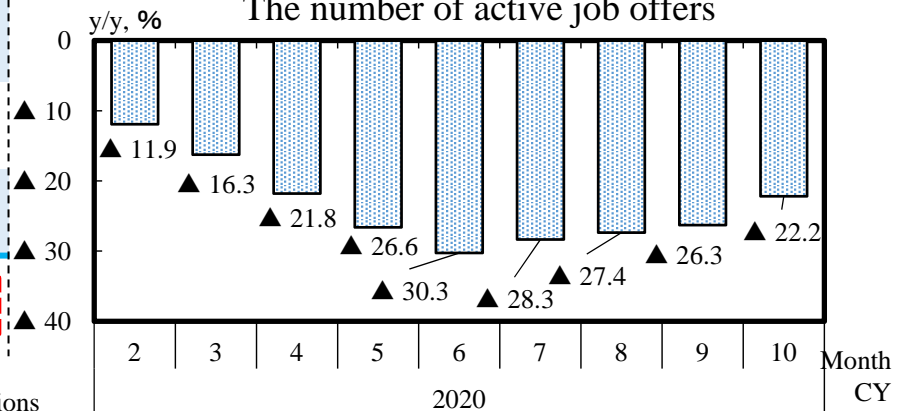
Overtime hours worked



Total cash earnings



The number of active job offers

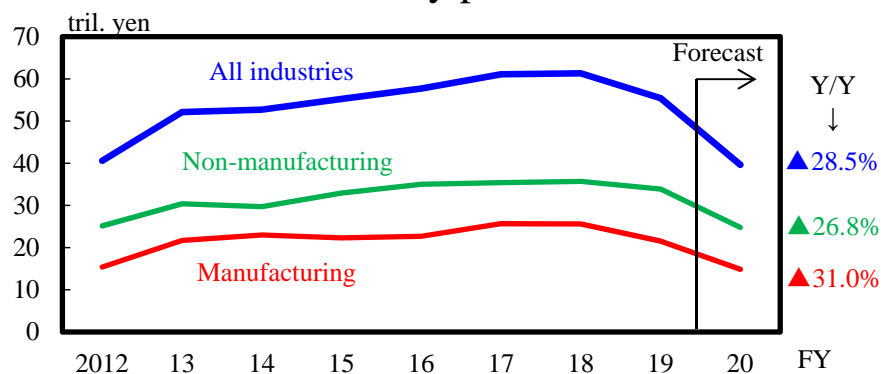


Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications

— Trends in Business Activities —

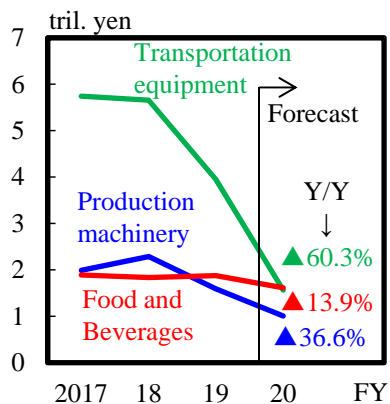
- Corporate profits are expected to decline in FY2020. Profits in the “transportation equipment”, “accommodations, eating and drinking services” and “transport and postal activities” sectors are expected to decrease substantially.
- Firms’ judgments on current business conditions show a small improvement, but some severe aspects remain. The number of corporate bankruptcies is almost flat, although close attention should be paid on future developments.

Ordinary profit

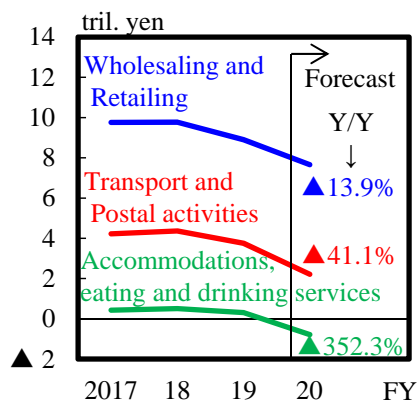


Ordinary profit by sector (2020FY Forecast)

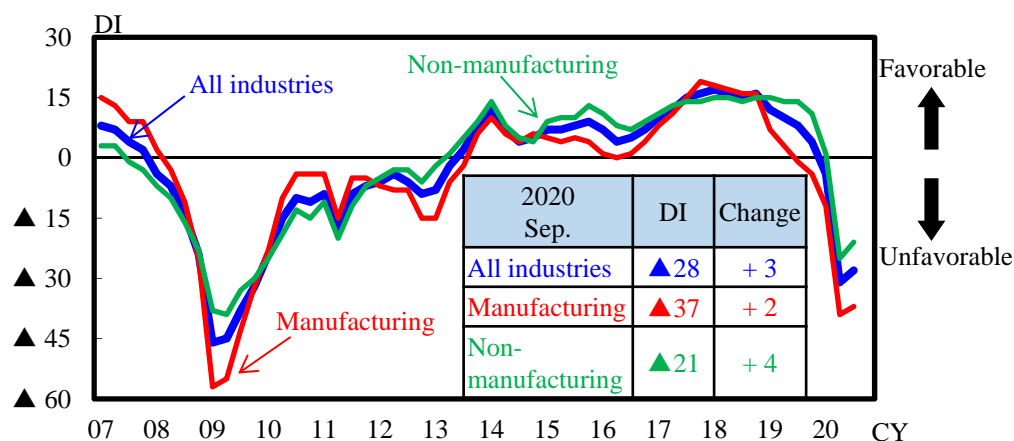
Manufacturing



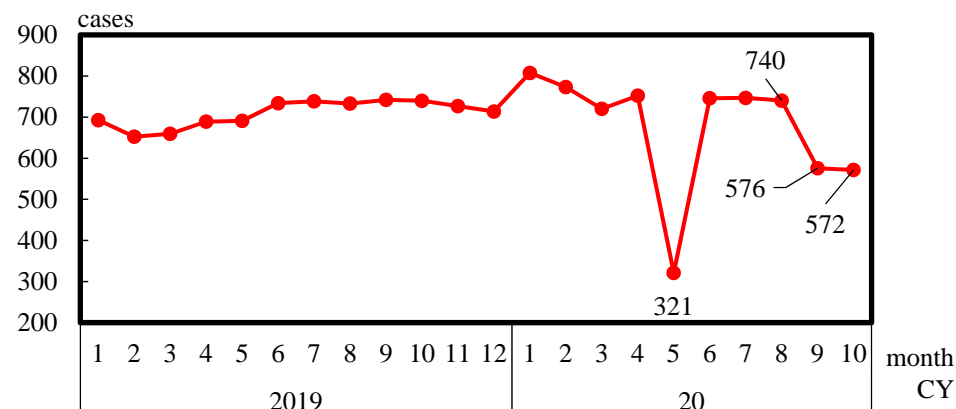
Non-manufacturing



Business Conditions (Tankan Survey)



The number of bankruptcies

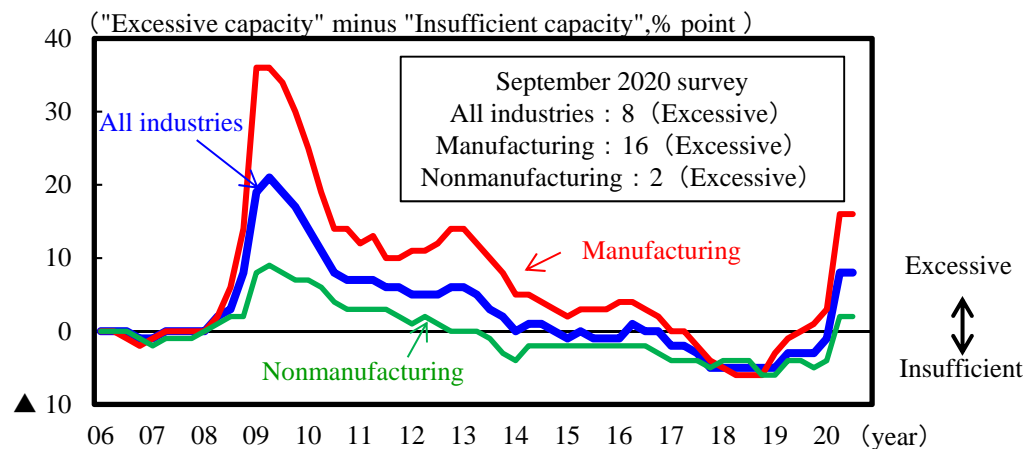


Source: Bank of Japan; Tokyo Shoko Research.

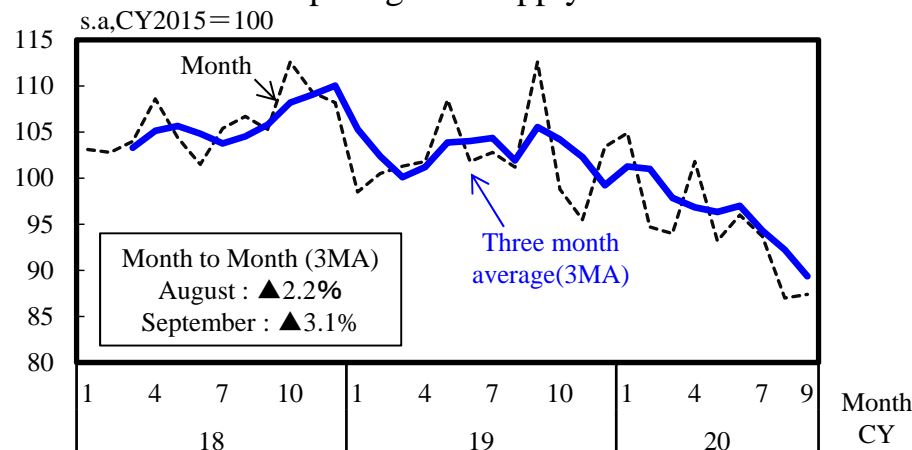
— Trends in Business investment —

- While the operating rate remains low, both manufacturers and nonmanufactures see their capacity to be excessive, so that business investment is showing weak movements.
- The aggregate figure of investment plan for FY2020 suggests that companies are cautious. The result of the September Tankan survey has revised downward from the June results. However the software investment plan is solid and has revised upward from June.

Production Capacity: Diffusion index (Tankan survey)



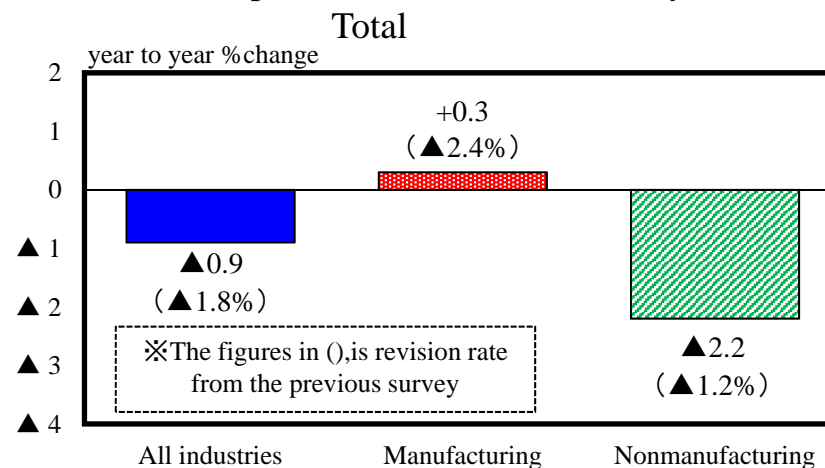
Capital goods supply



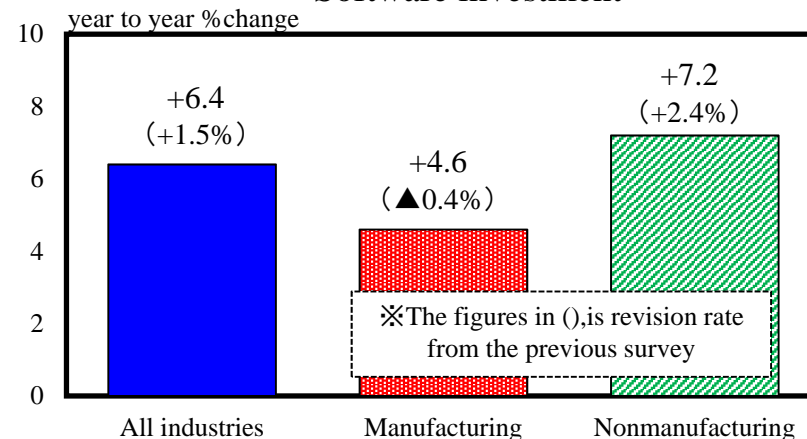
1.Sources:Bank of Japan ; Tankan, Ministry of Economics , Trade and Industry.

2.Fixed investment ; Software , R&D , and Fixed Investment excluding land purchasing expenses . All Enterprises base.

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



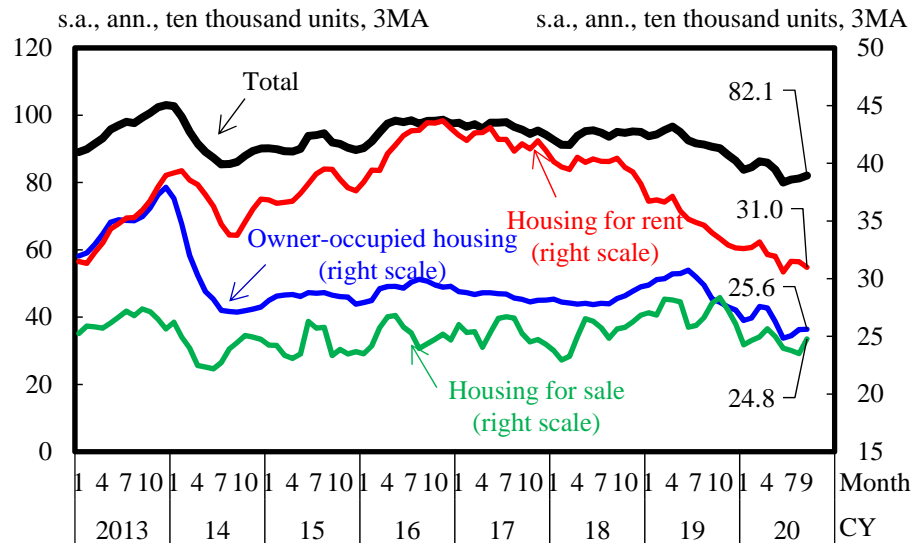
Software investment



Reference

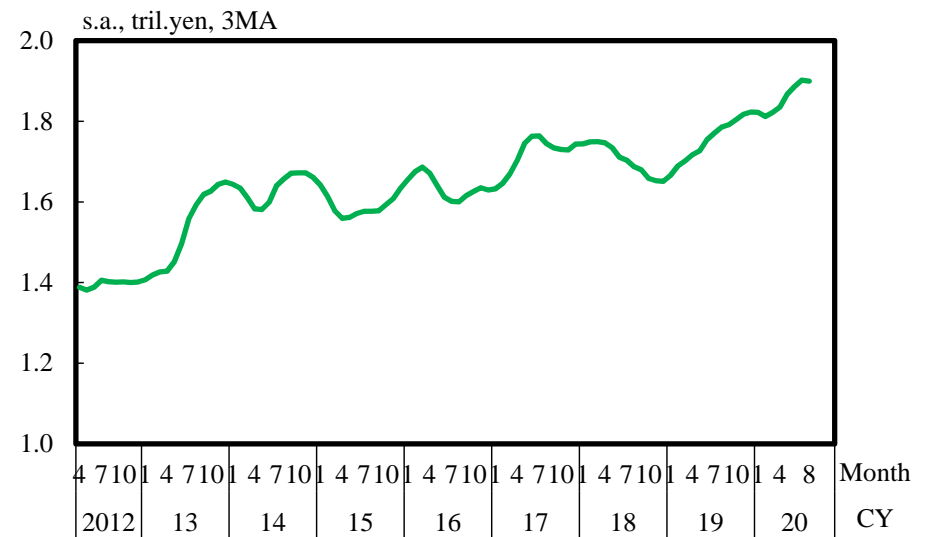
Housing investment is in a weak tone.

Housing construction starts

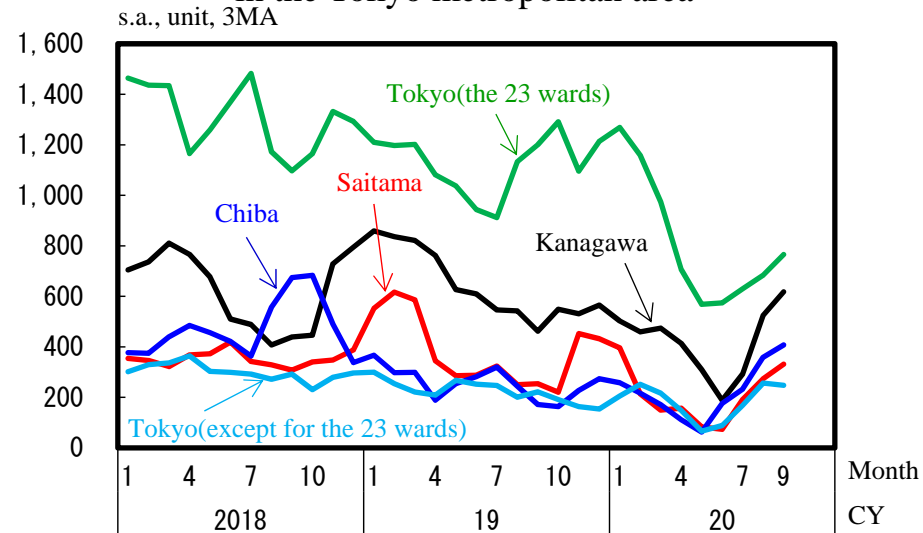


Public investment shows steady performance.

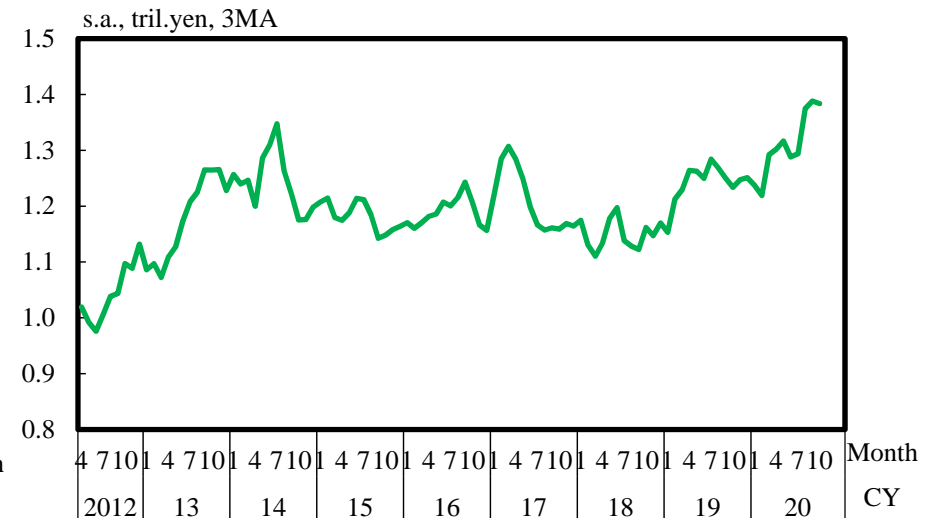
Amount of public construction completed



The number of supplies of condominiums in the Tokyo metropolitan area



Contracted value of public construction

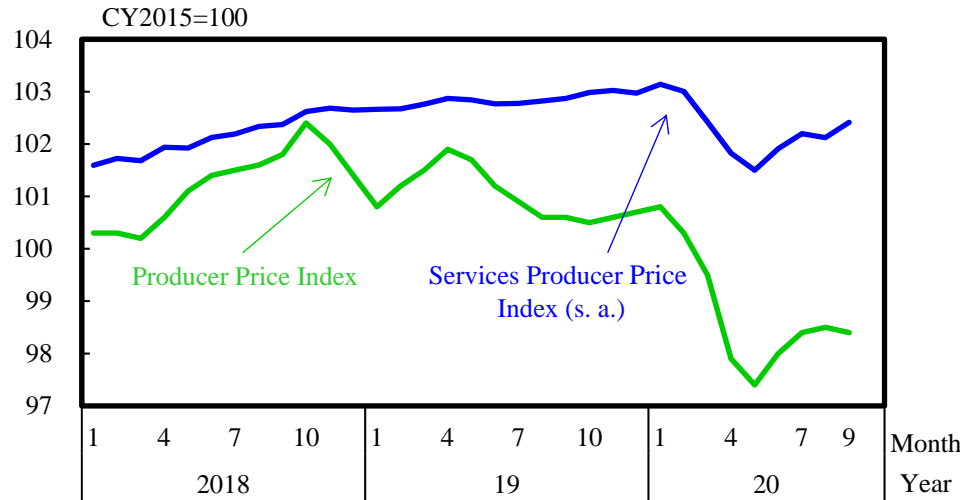


Source: Ministry of Land, Infrastructure, Transport and Tourism. Real Estate Economic Institute Co., LTD. East Japan Construction Surety Co., Ltd., etc.

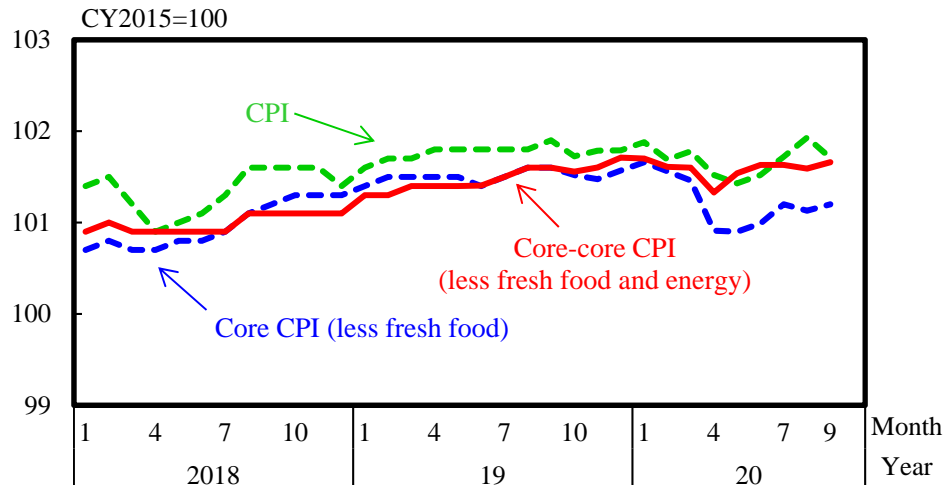
Producer prices are rising at a slower tempo recently.
Consumer prices are flat.

Occupancy rate for accommodations
(2020)

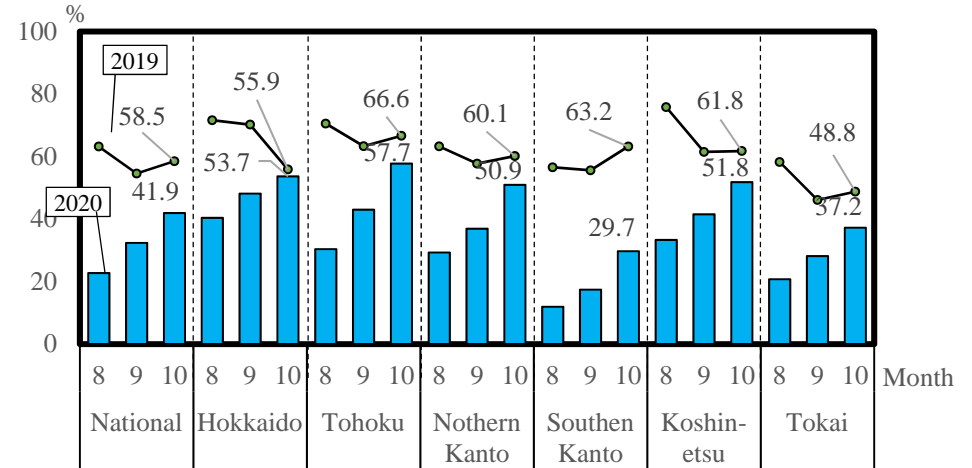
Producer Price Index/ Services Producer Price Index



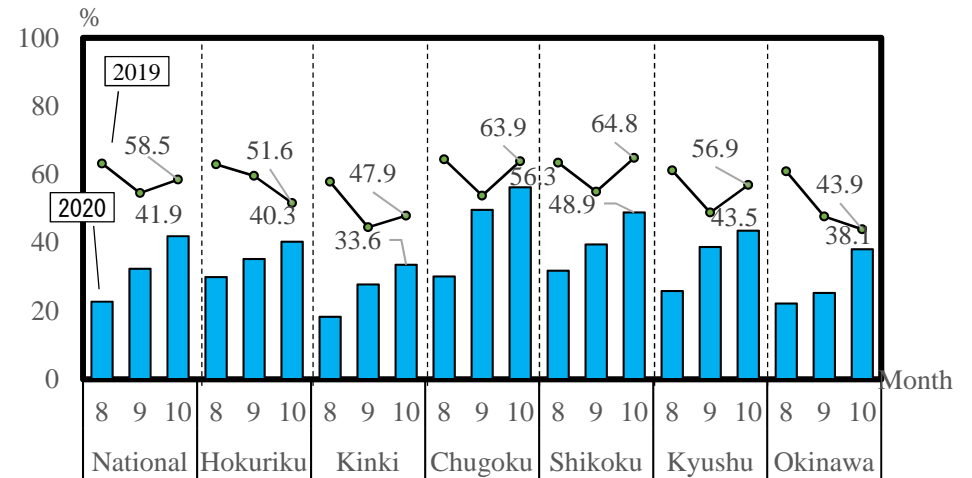
CPI (Consumer Price Index)



East Japan



West Japan



Source: Bank of Japan; Ministry of Internal Affairs and Communications; Cabinet Office; Kyushu Economic Research Center

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.