

# **Recent Economic Developments**

**- Monthly Economic Report, November 25 2020 -**

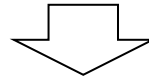
**December 14, 2020**

**Cabinet Office  
Government of Japan**

<Assessment of the current state of the Japanese economy>

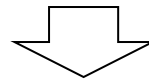
September

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 recently.



November

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

**(Unchanged)**

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# <Assessment of the current state of the Japanese economy>

	September	October	November
Private consumption	Private consumption is picking up, while weakness can be seen in some sectors.	Private consumption is picking up.( ↑ )	Unchanged
Business investment	Business investment is showing weakness.	Unchanged	Business investment is decreasing recently. ( ↓ )
Exports	Exports are picking up.	Unchanged	Unchanged
Industrial production	Industrial production shows movements of picking up.	Unchanged	Industrial production is picking up.( ↑ )
Corporate profits	Corporate profits are decreasing substantially, due to the influence of the infectious disease.	Unchanged	Corporate profits are decreasing substantially as a whole due to the influence of the infectious disease, despite a smaller decline in some large companies.(→)
Firms' judgments on business conditions	Firms' judgments shows movements of improvement, although some severe aspects remain.	Unchanged	Unchanged
Employment situation	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	Unchanged
Prices	Consumer prices are flat.	Unchanged	Unchanged

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

## <Short-term prospects>

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.

November

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, full attention should be given to the further downside risks to the domestic and foreign economy which are affected by the influence of the infectious disease. Also attention should be given to the effects of fluctuations in the financial and capital markets.

# <Policy stance>

(Monthly Economic Report, November 25, 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.

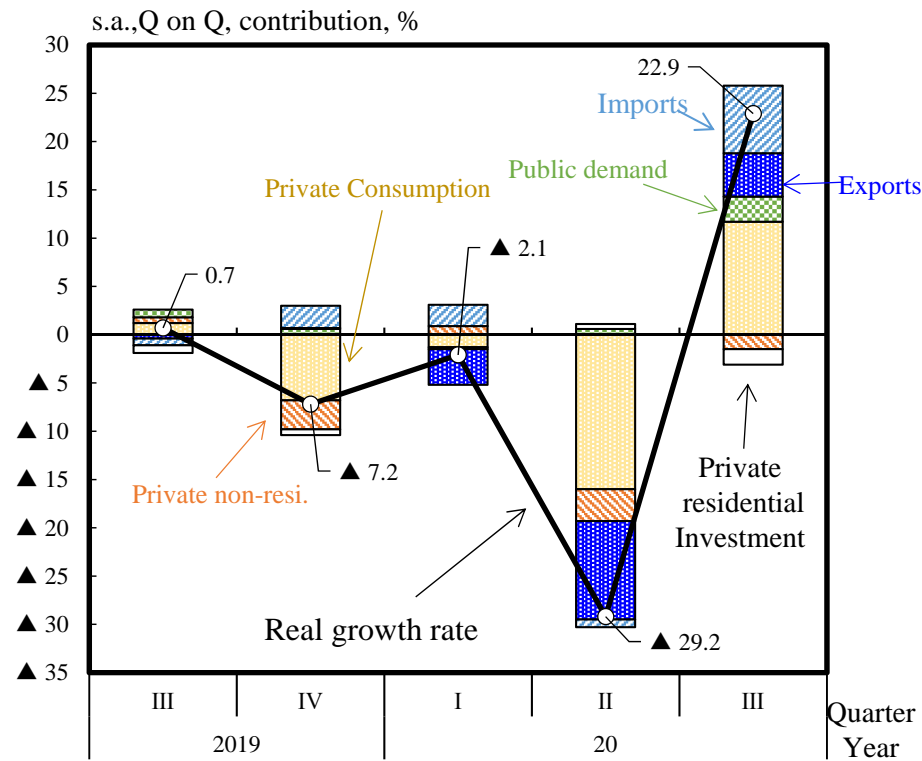
The Government will implement the " Emergency Economic Measures to cope with the Novel Coronavirus " including the FY2020 supplementary budget, and the FY2020 second supplementary budget, and swiftly develop a new economic stimulus package to prevent the spread of the Novel Coronavirus and support employment and businesses, and return to a path of economic growth led by private sector demand such as ensuring the economic trend towards recovery and calling for private investment for Post-Corona era.

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.

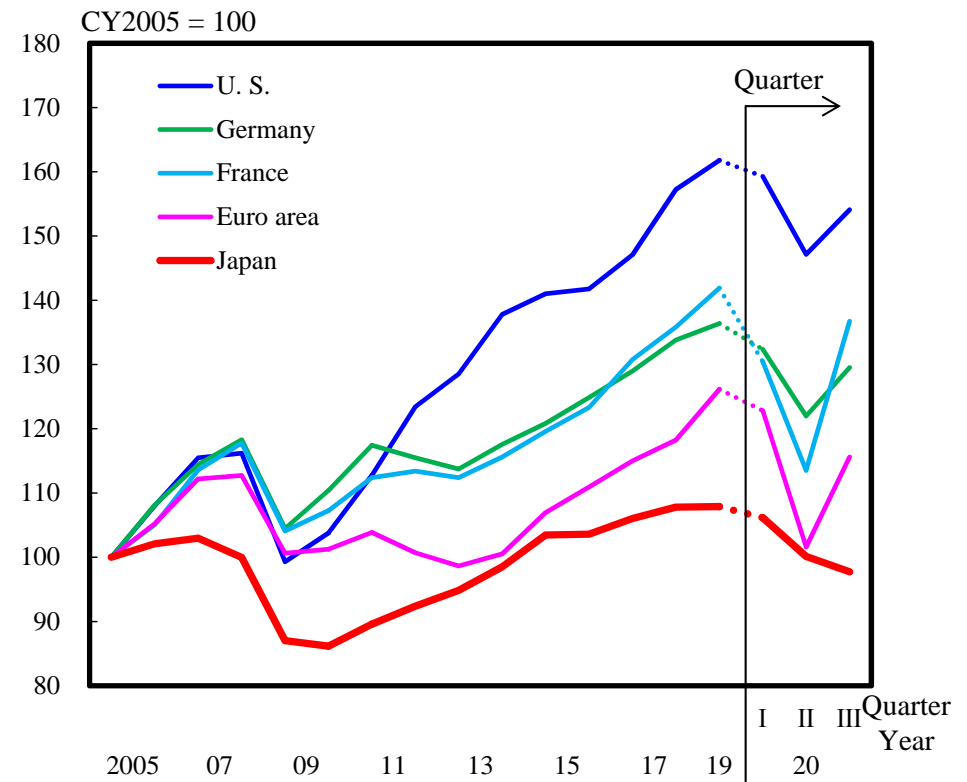
## – GDP: Jul. – Sep. 2020 –

- The real GDP growth rate in Japan for the Jul.- Sep. 2020 period (Second preliminary) increased by 22.9% at an annualized rate for the first time in four quarters, due to the gradual resumption of socio-economic activities in Japan and abroad, and the effects of various supportive measures such as the Special Cash Payment.
- However, investment decreased for the second consecutive quarters. Looking at past trends, Japan's investment growth has been low compared to major developed countries. The economy is still in the process of recovery, and it is important to take measures to promote investment for the future, including digital investment.

Real GDP growth rate in Japan



Investment in major developed countries



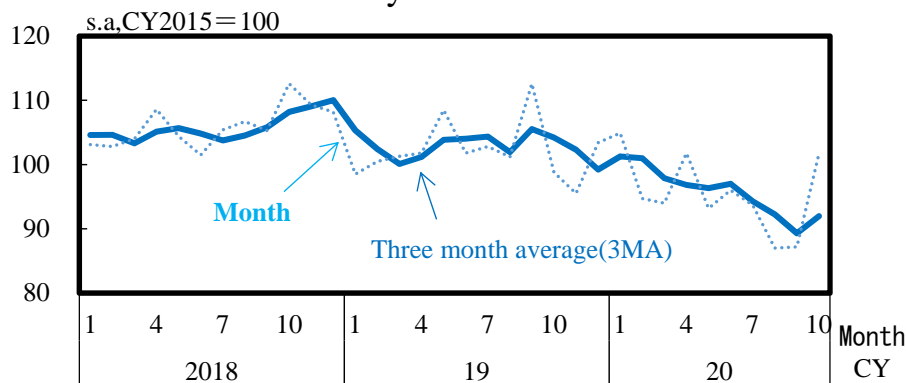
Source: Cabinet Office, United States Department of Commerce, Federal Statistical Office, National Institute of Statistics and Economic Studies, Eurostat

Note: "Investment" in Euro area and Germany includes private investment and government investment.

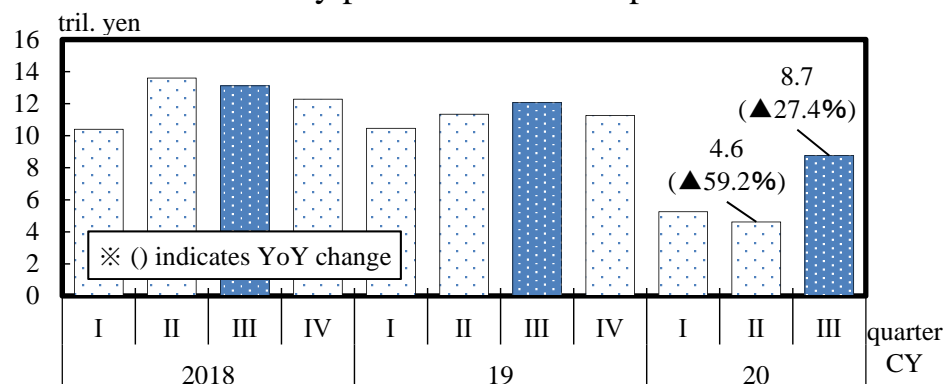
## — Trends in Business Activities —

- For the business investment, the machinery investment is decreasing. The figure of software investment plan for FY2020 suggests the increase from the previous year, however the progress from April to October is lower than the previous year.
- Corporate profits are decreasing substantially, despite a smaller decline from a year ago in some large companies compared to the previous quarter.

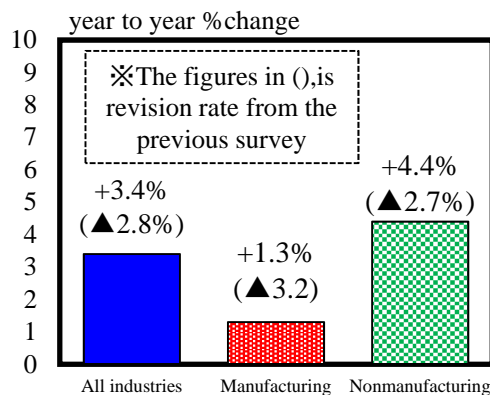
Machinery investment



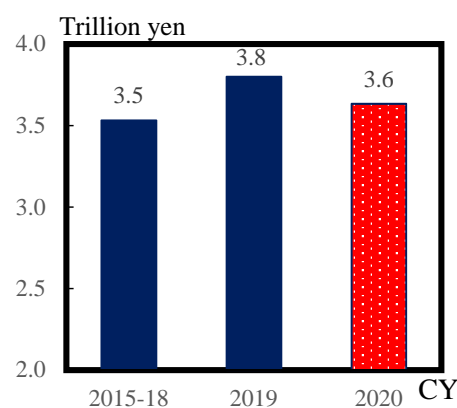
Ordinary profit of listed companies



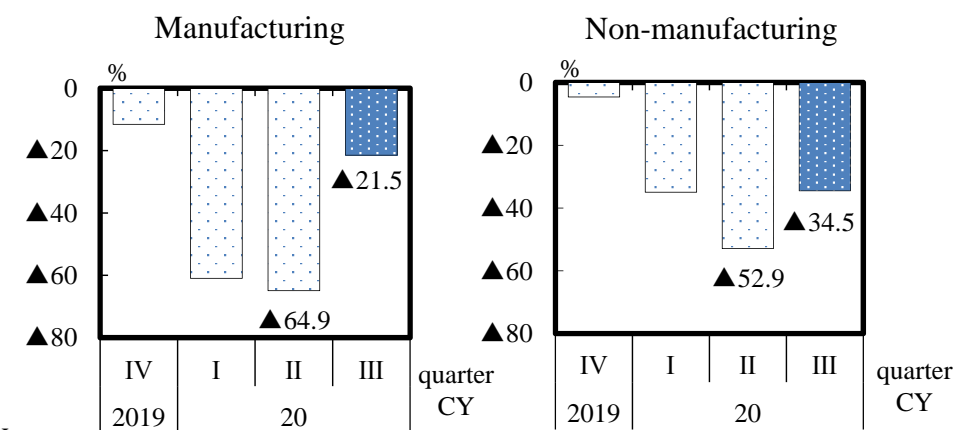
Software investment plan  
(2020FY, December 2020  
Tankan survey)



Software investment  
(The total :  
April to October)



Ordinary profit by sector (YoY change)

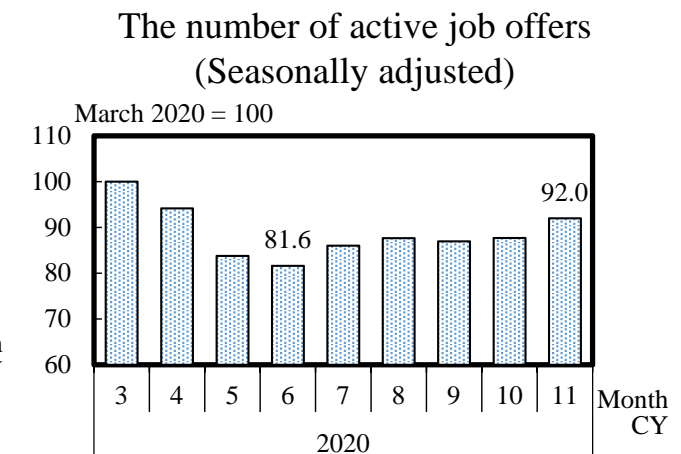
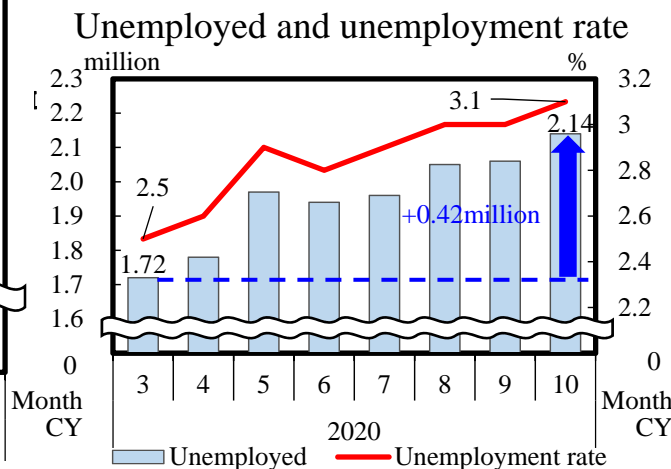
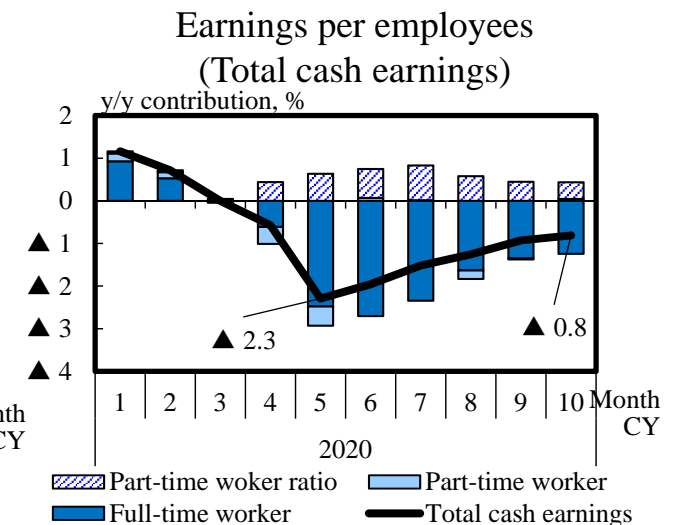
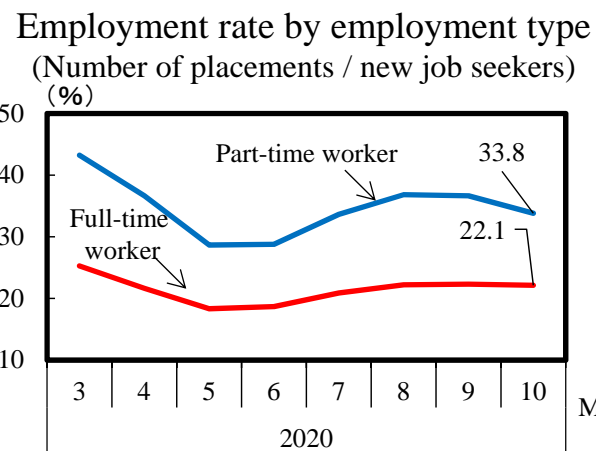
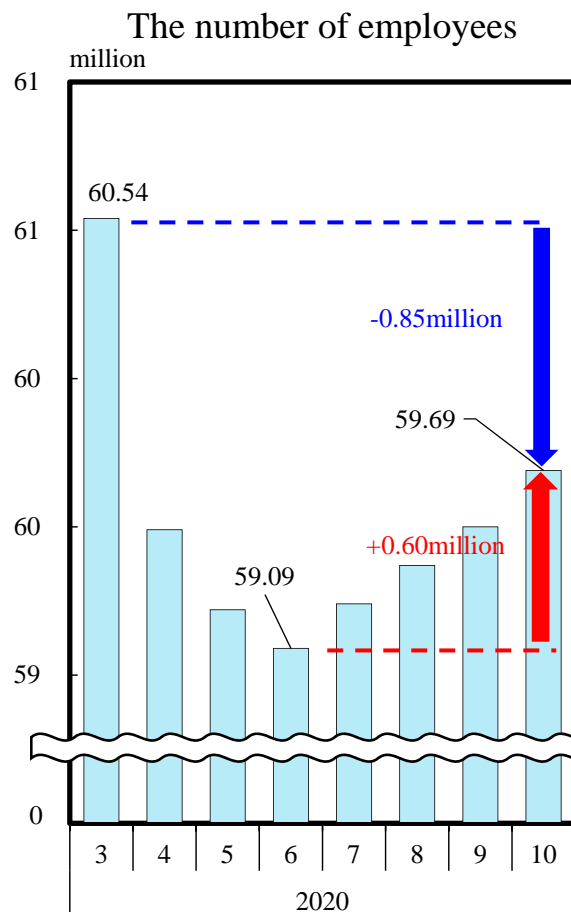


1. Source: Bank of Japan ; Tankan, Ministry of Economics, Trade and Industry, NIKKEI NEEDS

2. Reference: Breakdown of business investment : machinery investment(46%), structure investment(24%), software investment(11%), R&D investment(19%).

## — Employment Situation —

- Employment situation shows steady movements in some components such as the number of employees, which has been increasing since July. However, the total number of employees is still 850,000 fewer than the level in March, implying that the employment rate is still at a low level. The employment situation remains weak, with the number of unemployed persons still increasing gradually.
- Although a decline in earnings per employees is diminishing and the number of active job offers is increasing, it is taking some time to pick up.



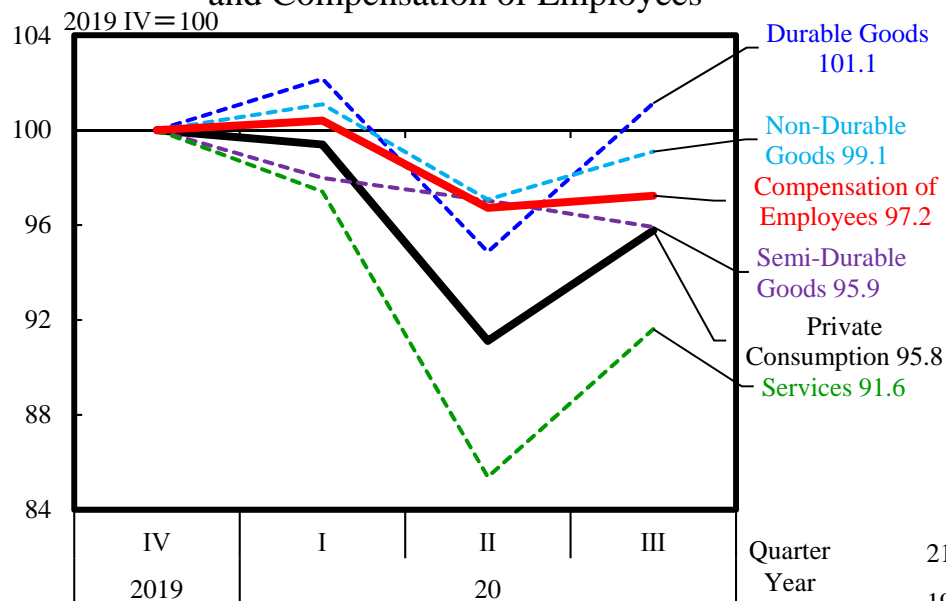
Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications



## — Private consumption —

- Private consumption is, partly due to the effects of various policies, picking up, while compensation of employees has stopped declining. However, all types of spending increased in the July - September period, although service consumption is still low.
- Eating-out sales in October are increasing, and new automobile sales in November remain at a high level. Weekly consumption has remained at the level of the past three years in November, but attention should be given to the downside risks due to the recent increase in the number of infected people in Japan.

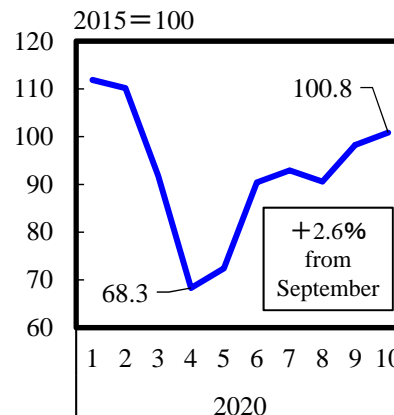
Real Private Consumption Classified by Type and Compensation of Employees



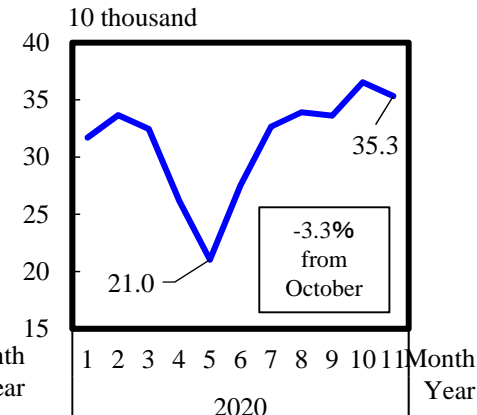
2020 III (s.a., Q on Q)	Private Consumption	+5.1%
	Durable Goods [ 8.4 ]	+6.6%
	Non-Durable Goods [ 27.6 ]	+2.1%
	Semi-Durable Goods [ 5.2 ]	▲1.1%
	Services [ 58.8 ]	+7.3%
	Compensation of Employees	+0.5%

※ The figures in the parentheses are the weight in Domestic Final Consumption Expenditure of Households

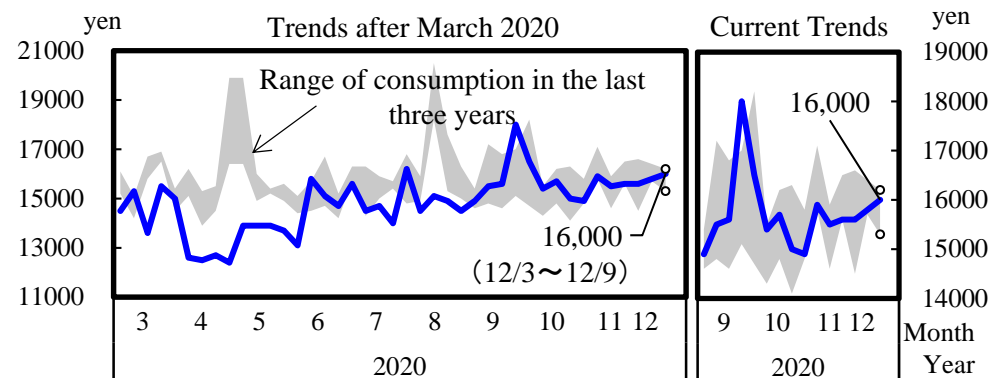
Sales of eating-out



New automobile sales



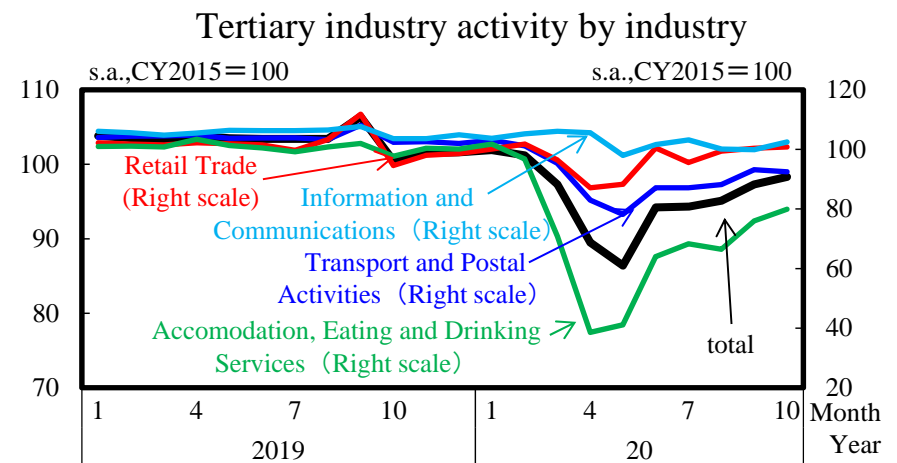
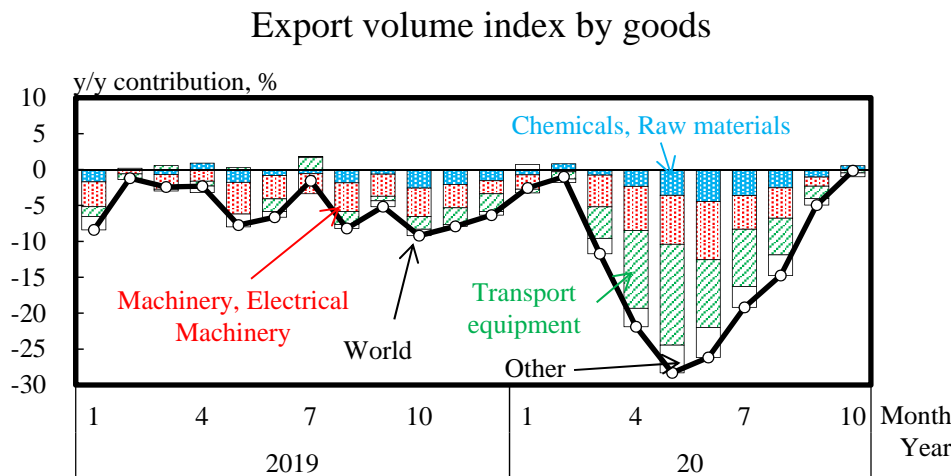
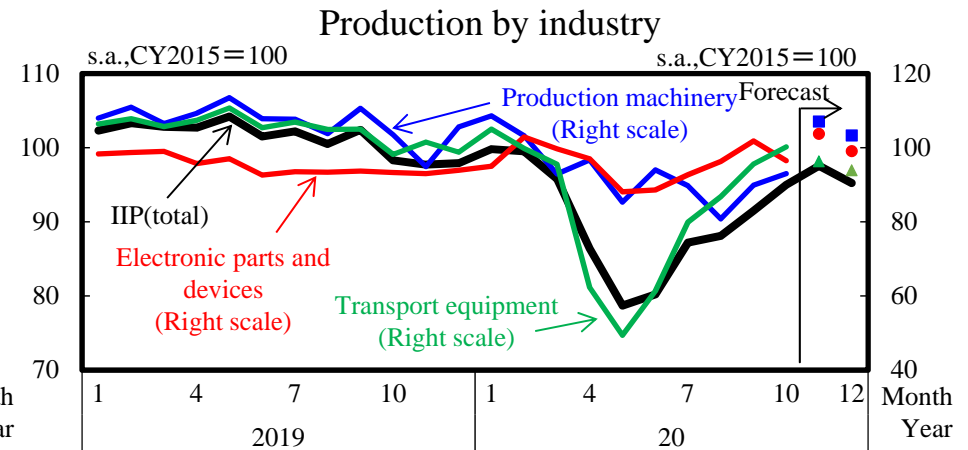
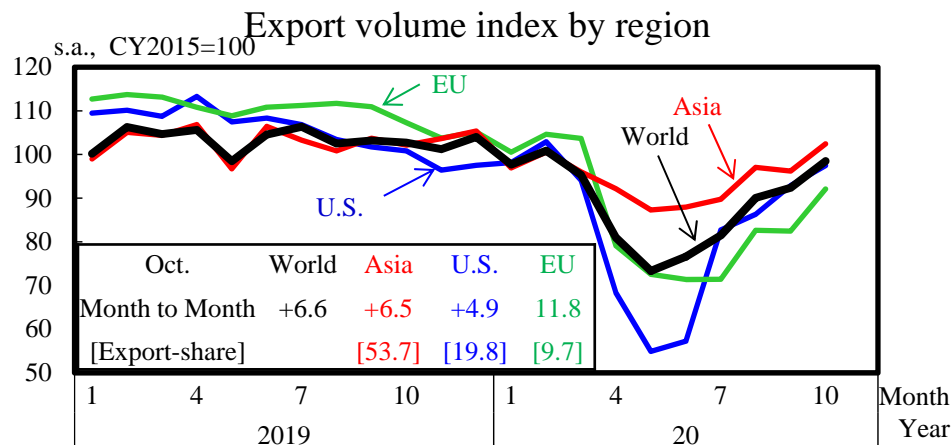
Private consumption amount per week



Sources: Cabinet Office. ; Japan Foodservice Association ; Japan Automobile Dealers Association ; Japan Light Motor Vehicle and Motorcycle Association ; Macromill, Inc.

## – Export & Production –

- Exports continue to pick up. By goods, a wide range of goods are increasing, including Transportation equipment (automobile) and Machinery, Electrical machinery (IC and semiconductor manufacturing equipment).
- Industrial production has been increasing in response to the recovery of exports and consumption. According to the forecast, production is expected to continue to pick up until November. Non-manufacturing industry has also been increasing in response to the increase of domestic consumption.

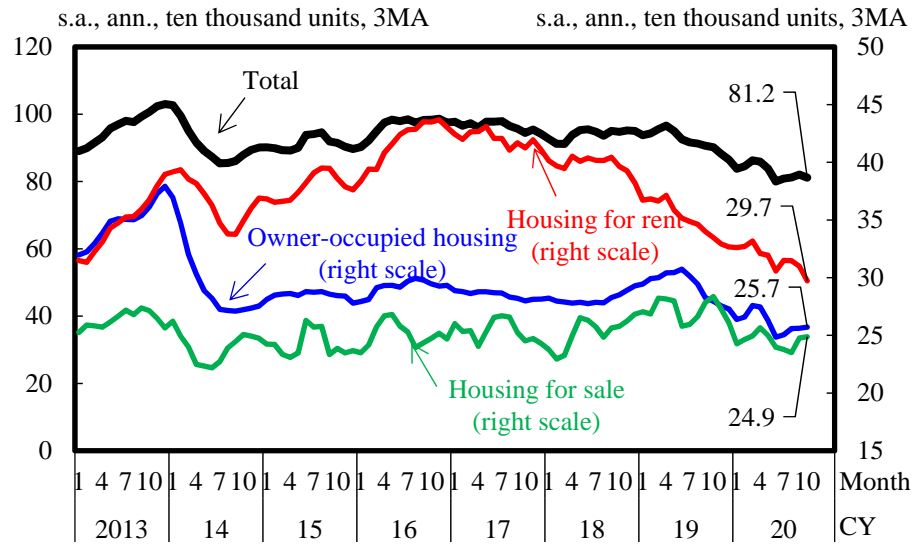


Sources: Ministry of Finance, and Ministry of Economy, Trade and Industry

# Reference

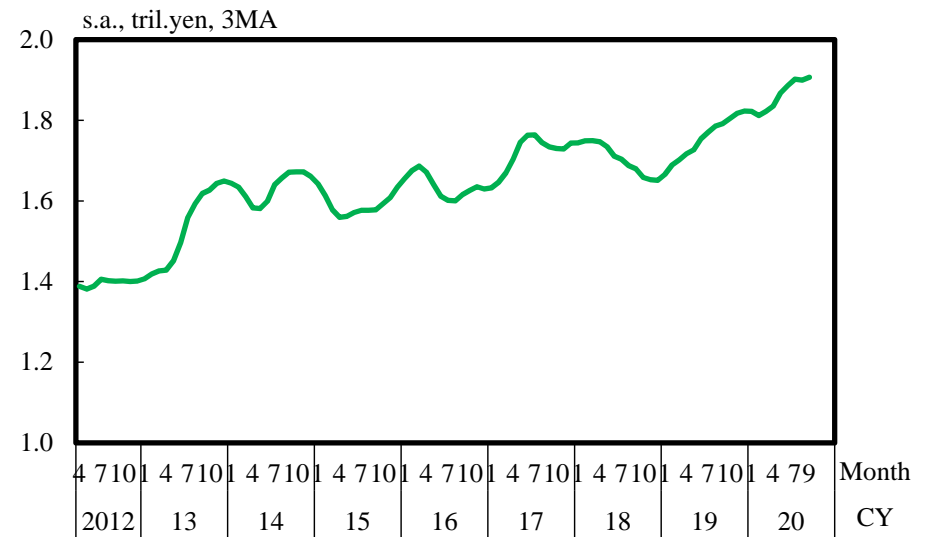
## Housing investment is in a weak tone.

### Housing construction starts

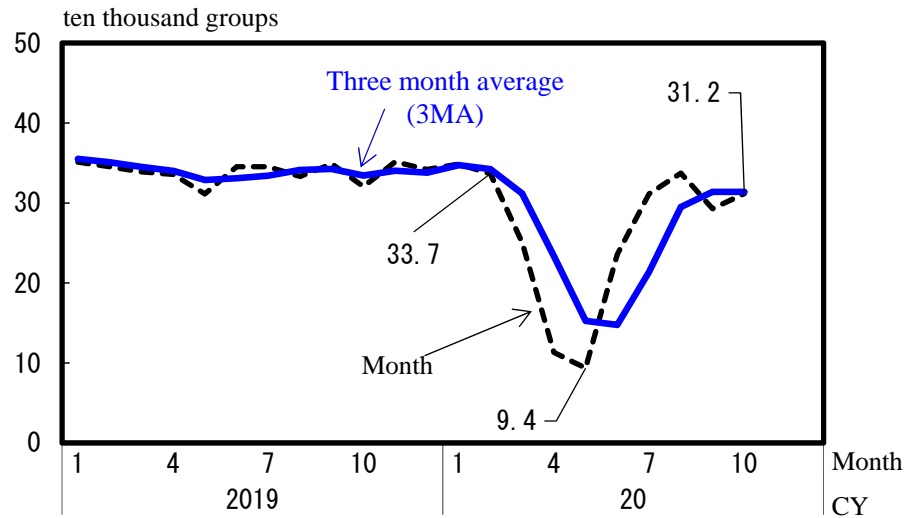


## Public investment shows steady performance.

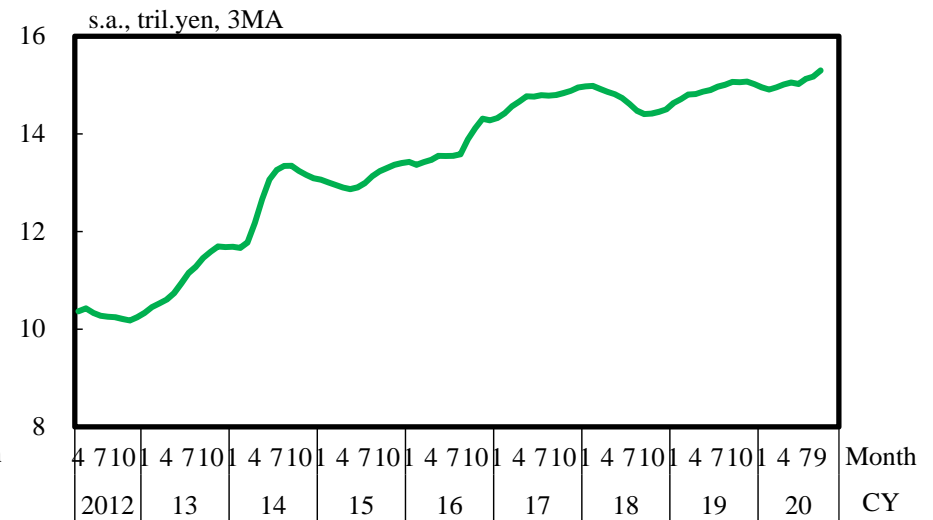
### Amount of public construction completed



### Number of the housing exhibition visitors (couples)



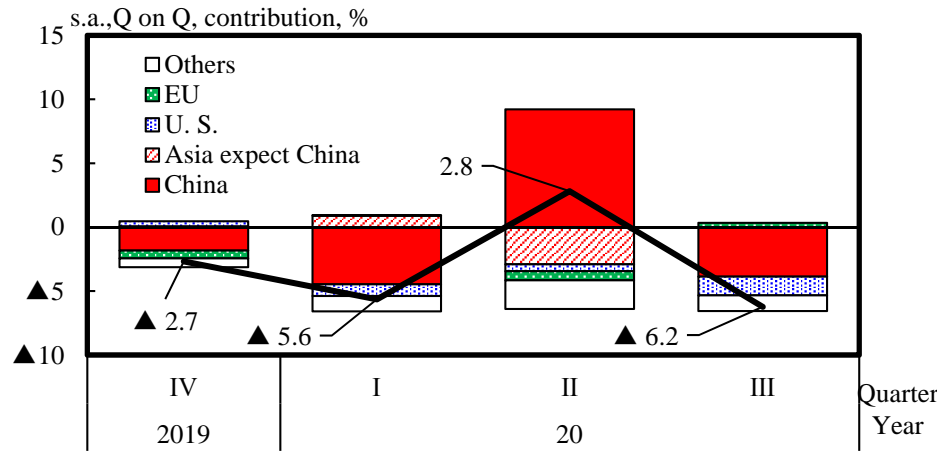
### Public construction work remained



Source: Ministry of Land, Infrastructure, Transport and Tourism. Housing Exhibiter Conference, The Machinami Foundation.

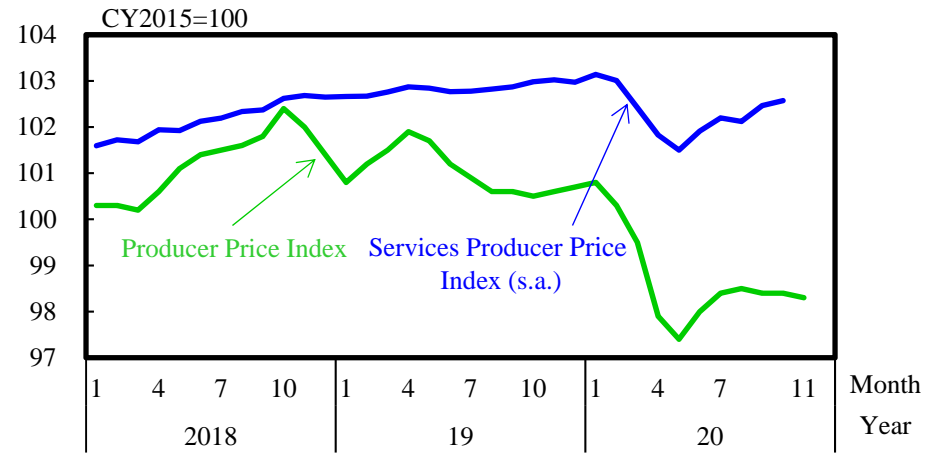
Imports are in a weak tone recently.

Import volume index by region



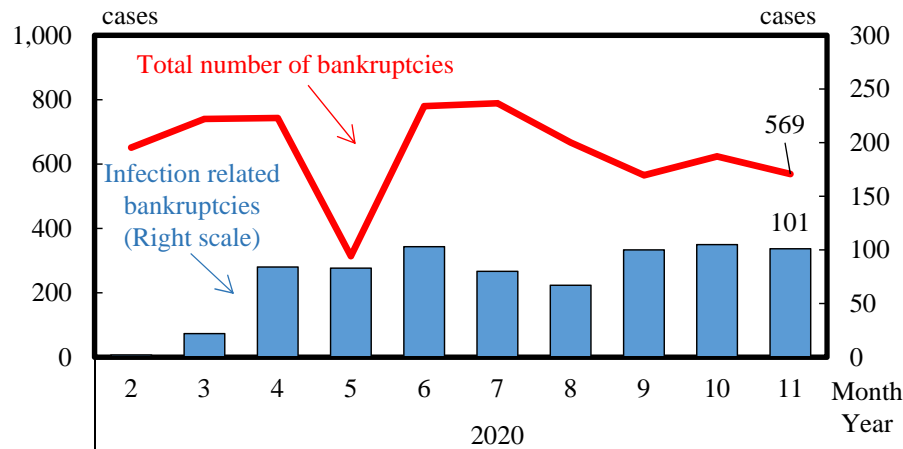
Producer prices are flat recently.

Producer Price Index/ Services Producer Price Index



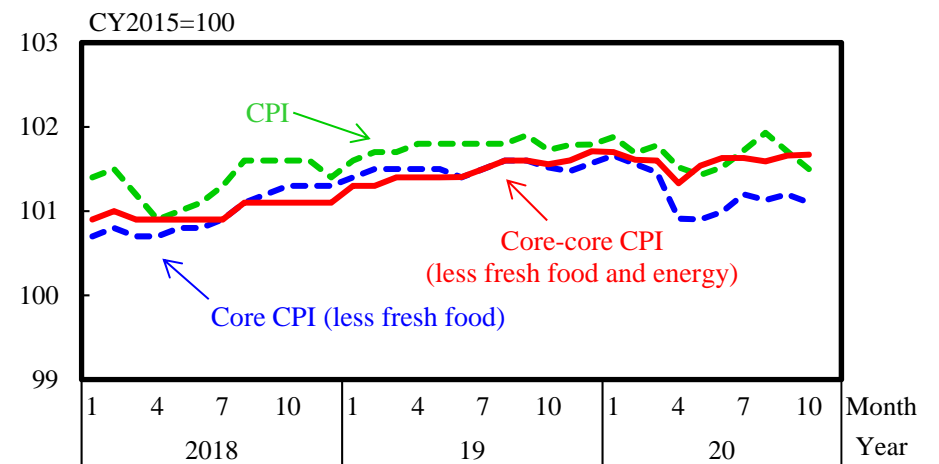
The number of corporate bankruptcies is almost flat.

The number of bankruptcies



Consumer prices are flat.

CPI (Consumer Price Index)



Source: Ministry of Finance, Tokyo Shoko Research; Bank of Japan; Ministry of Internal Affairs and Communications; 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.