

Recent Economic Developments

- Monthly Economic Report, January 22 2021 -

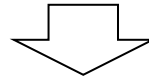
January 27, 2021

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

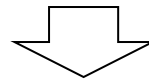
November

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



December

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



January

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>

	November	December	January
Private consumption	Private consumption is picking up.	Private consumption is picking up as a whole, while weakness can be seen in some sectors.(↓)	Private consumption appears to be pausing for picking up.(↓)
Business investment	Business investment is showing weakness.	Unchanged	Business investment is starting to level off.(↑)
Exports	Exports are picking up.	Exports are increasing.(↑)	Unchanged
Industrial production	Industrial production shows movements of picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are decreasing substantially, due to the influence of the infectious disease.	Corporate profits are decreasing substantially due to the influence of the infectious disease, but the rate of decline is becoming smaller as a whole.(↑)	Unchanged
Firms' judgments on business conditions	Firms' judgments show movements of improvement, although some severe aspects remain.	Unchanged	Firms' judgments on current business conditions show cautiousness recently, mainly among non-manufacturers.(↓)
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>

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, 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.

December

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while 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 contraction in the socio-economic activities due to the spread of the infectious disease. Also attention should be given to the effects of fluctuations in the financial and capital markets.

January

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while taking measures to prevent the spread of infectious diseases. However, full attention should be given to the further increase in downside risks due to the spread of the infectious diseases in Japan and abroad. Also attention should be given to the effects of fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, January 22, 2021)

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 thoroughly secure people's lives and livelihoods through protecting employment and keeping businesses with determination to avoid a return to deflation absolutely while taking all possible measures towards prevention of the spread of the Novel Coronavirus. The Government will achieve a strong economic growth again through intensive reforms including regulatory reforms and necessary investments for the new purpose including realizing digitization and green society , based on the "Basic Policies for Economic and Fiscal Management and Reform 2020 " and so on.

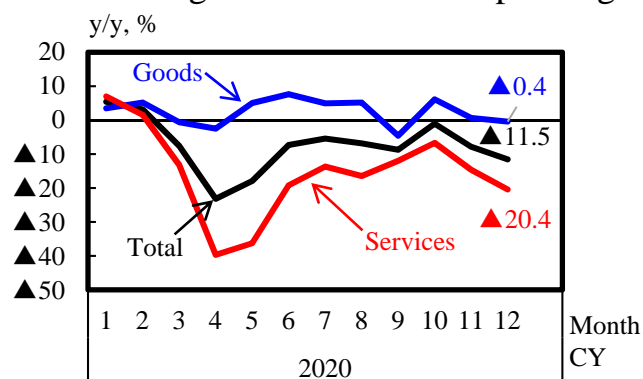
The Government issued a declaration of a state of emergency for designate 11 prefectures subject to measures under a state of emergency in accordance with the mended Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response on January 7th and 13th, and will thoroughly implement measures prioritizing prevention of the spread of infections based on the declaration. The Government will take all possible intensive and efficient support measures for economic impact. Moreover, the Government will achieve a path of economic growth led by private sector through increasing productivity and encouraging continuous wage increases while boldly calling for private investment to growth sectors. The Government will work for early passage of the FY2020 third supplementary budget, the FY2021 budget and the related bills to specify the "Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope" and so on, and will implement support measures through utilizing reserve fund.

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 pay careful attention to the economic impact of the infections and conduct appropriate monetary policy management, and achieve the price stability target of two percent in light of economic activity, prices and financial conditions.

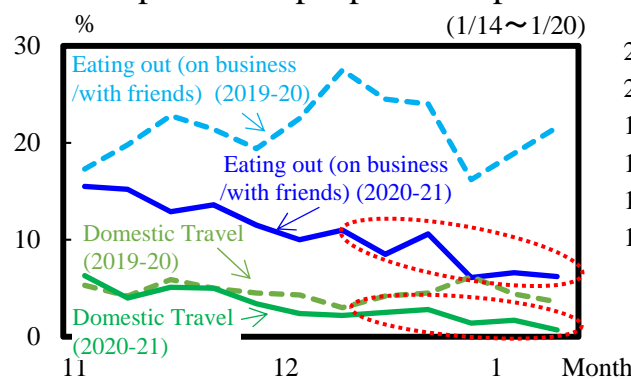
– Private consumption –

- Consumption trends based on card spending in December show that goods spending holds firm, although service spending is weak. It is pointed out that goods spending holds firm due to the demand for staying at home and seasonal products.
- The proportion of people spending on services such as eating-out and travel declined due to the infection spreads. Looking at the usage of transportation, the number of passengers declined from a year ago in December, and the Year-end and New Year period.
- Under these situations, weekly consumption is weaker than past levels in the latter half of December. Looking at figures in January, private consumption appears to be pausing for picking up.

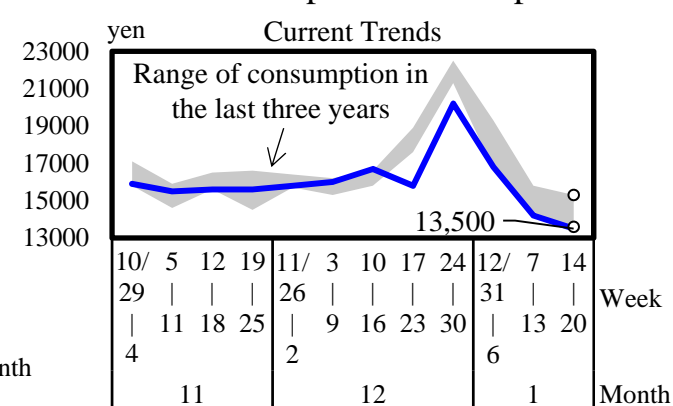
Trends in goods and services spending



Proportion of people who spend (1/14~1/20)



Private consumption amount per week



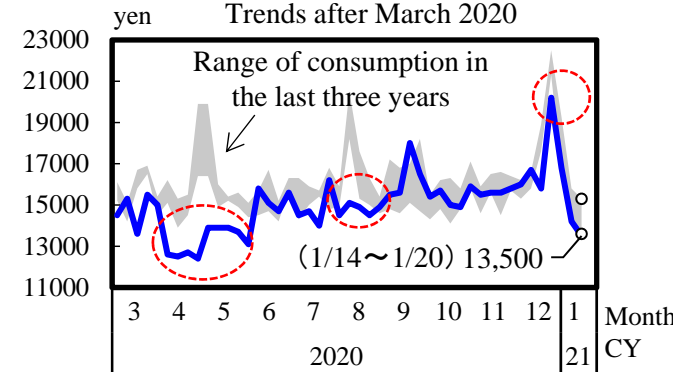
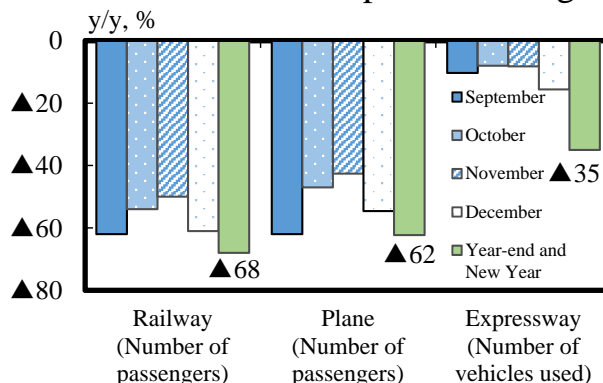
Hearing about sales of goods from firms

<Supermarket>
Sales of food and alcoholic beverages are strong due to the demand for home-cooked meals.

<Department store>
Sales of furniture, household goods and Osechi are strong due to the demand for staying at home, although the number of customers declined.

<Clothing store>
Sales of winter clothing increased due to a drop in temperature in mid-December.

Situation of transportation usage



Sources: NOWCAST, INC. JCB Co.,Ltd ; Macromill, Inc. ; Published documents from firms.

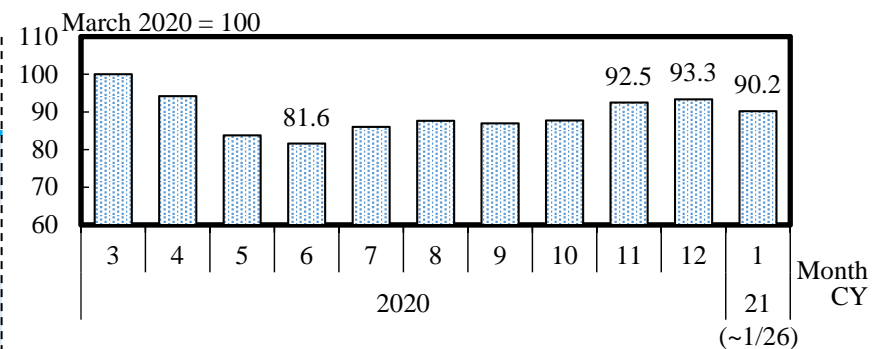
– Employment Situation –

- The number of employees has been increasing by 910,000 since June, but is still 540,000 fewer than the level in March. The number of unemployment is 260,000 more than in March. The number of active job offers has been flat since December, so attention should be given to the short-term prospects.
- While scheduled and non-scheduled cash earnings continue to improve, special cash earnings, including bonuses, decreased significantly in November. Winter bonuses are weak reflecting the deterioration of corporate profits due to the effects of infectious diseases.
- 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.

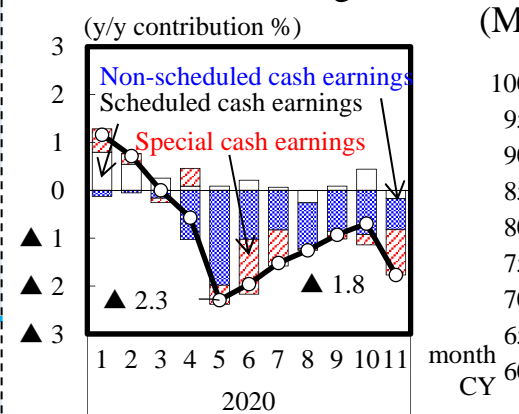
Employment status 2020 (seasonally adjusted)

	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]
⋮						
Jul.	6,637 [2,951]	5,909 [2,670]	267 [155]	194 [75]	[2.8%]	4,243 [2,694]
⋮						
Oct.	6,658 [2,965]	5,969 [2,708]	193 [116]	214 [83]	[3.1%]	4,187 [2,667]
	(+43) [+36]	(+31) [+27]	(+2) [▲2]	(▲16) [▲8]	▲0.2 %pt	(▲29) [▲29]
Nov.	6,701 [3,001]	6,000 [2,735]	195 [114]	198 [75]	[2.9%]	4,158 [2,638]
Mar. → Nov.	(▲31) [+5]	(▲54) [▲9]	(▲5) [▲14]	(+26) [+6]	+0.4 %pt	(▲22) [▲24]
Jul. → Nov.	(+64) [+50]	(+91) [+65]	(▲72) [▲41]	(+4) [+0]	+0.1 %pt	(▲85) [▲56]

The number of active job offers (Seasonally adjusted)

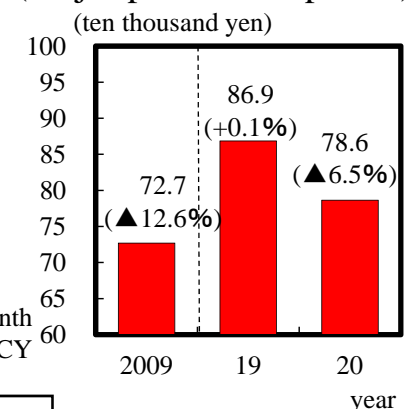


Total cash earnings



Special cash earnings (November, y/y)
 Full-time worker : ▲13.5%
 Part-time worker : + 8.6%

Winter bonus (Major private companies)

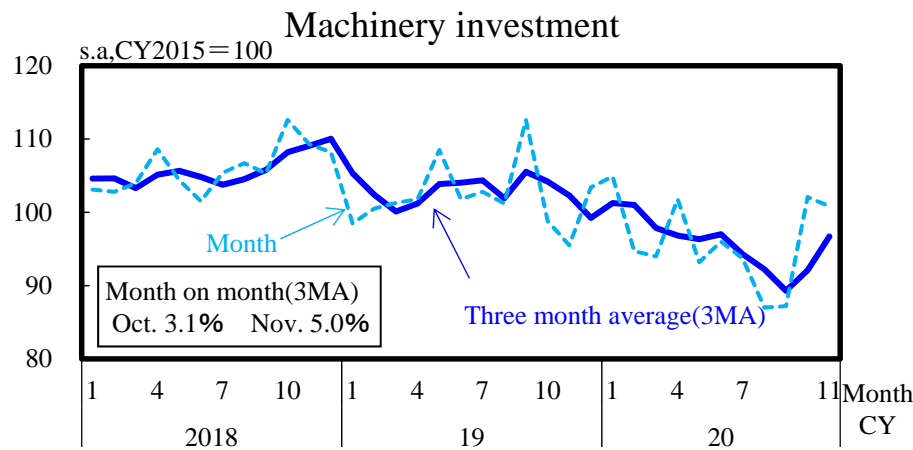


※()→y/y, same company

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

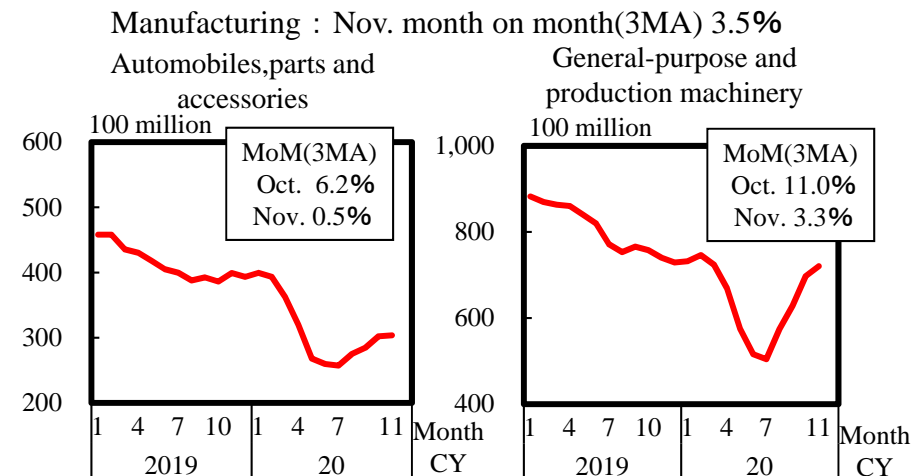
— Trends in Business investment — (Share of investment : Machinery 46%, Structure 25%, Software 10%, R&D 18%)

- Business investment is starting to level off as machinery investment is bottoming out, although non-residential and software investment is still weak.
- For the domestic private machinery orders, which is a leading indicator of machinery investment, the orders from manufacturing (ex. Automobile or Production industry) are increasing due to the pick up of production. For non-manufacturing, the orders which seems to be related to 5G or E-commerce are increasing from Telecommunications or Wholesale and retail trade industries.

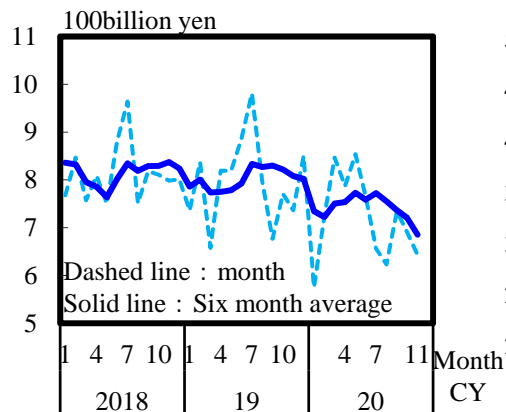


Machinery orders

(leading indicator of machinery investment ,three month average)

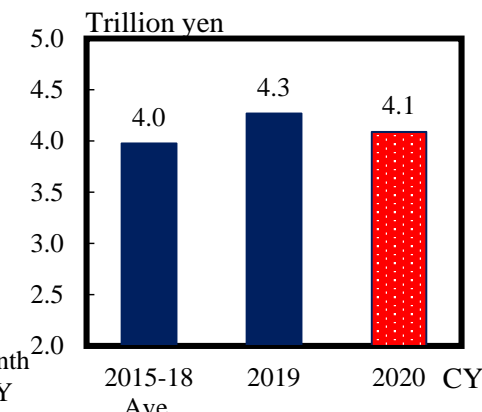


Non-residential investment



Software investment

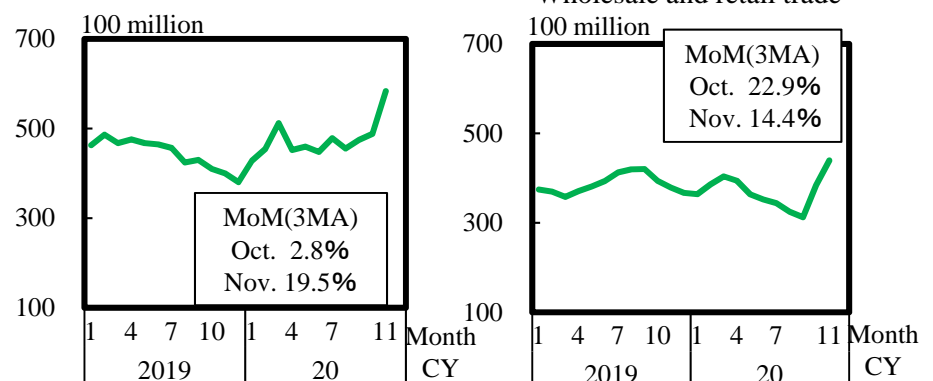
(The total : April to November)



Non-manufacturing : Nov. month on month(3MA) 7.5%

Telecommunications

Wholesale and retail trade

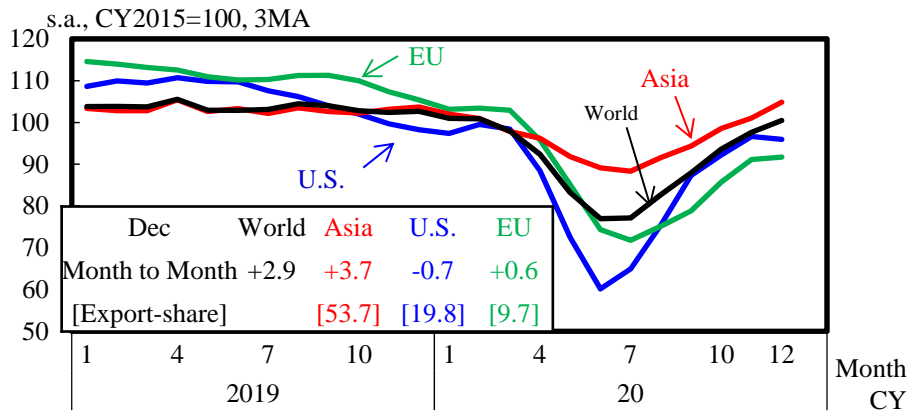


1. Source: Ministry of Economics, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, Cabinet office

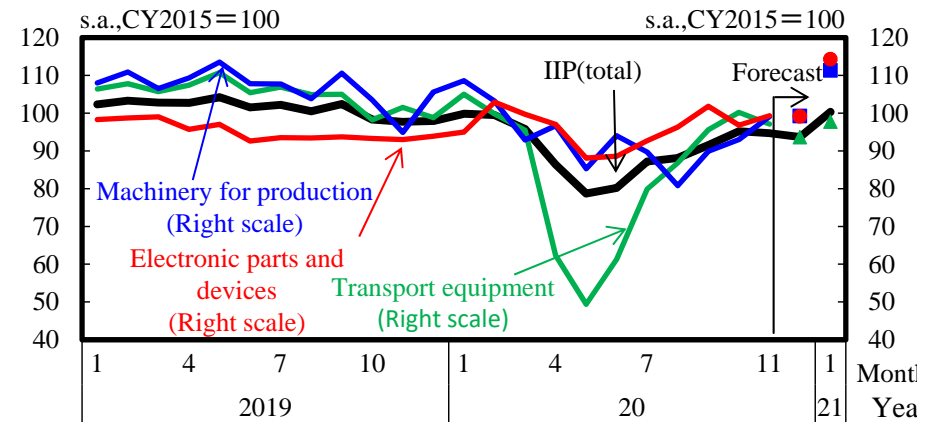
– Export & Production –

- Exports are increasing. Exports of ICT-related goods towards Asia are steadily increasing. Also, capital goods used for investment are picking up recently.
- Industrial production continues to pick up. Machinery for production is recently picking up due to the increase of capital goods exports and the bottoming out of domestic demand for machinery investment.
- The recovery in demand and production of capital goods is also confirmed by shipping indices.

Export volume index by region

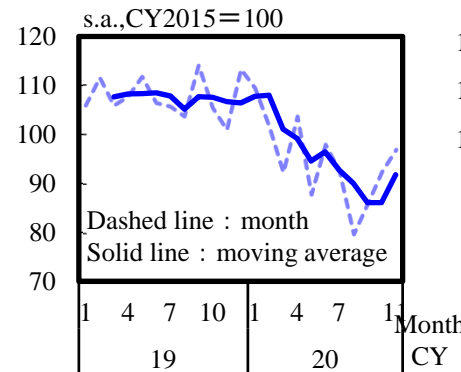


Production by industry

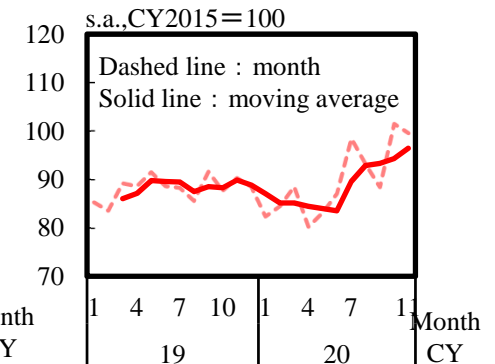


Shipments of capital goods

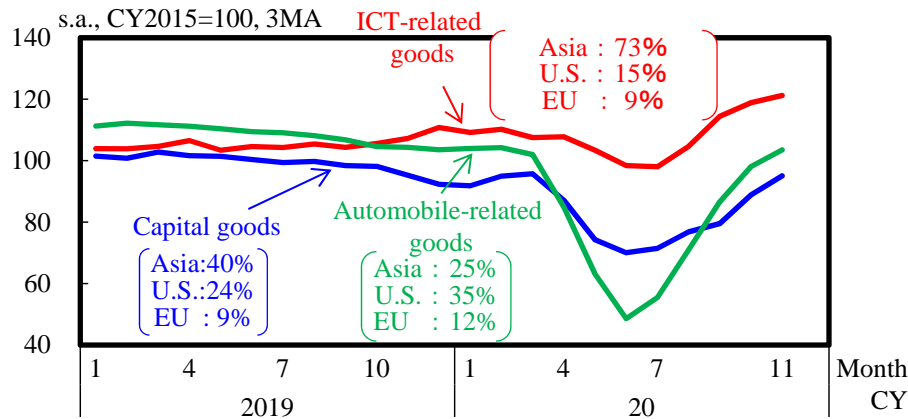
For manufacturing equipment



For communication and broadcasting



Export volume by goods



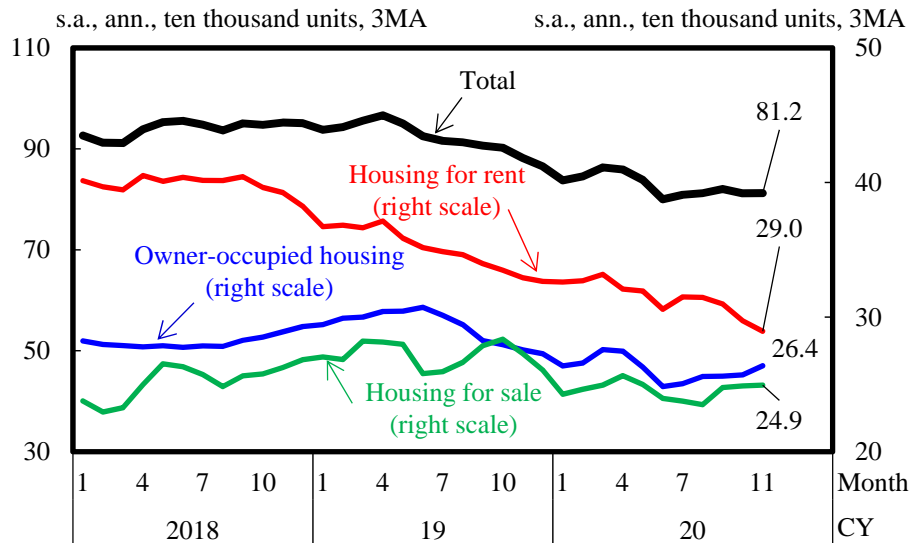
Sources: Ministry of Finance, Ministry of Economy, Trade and Industry

Reference

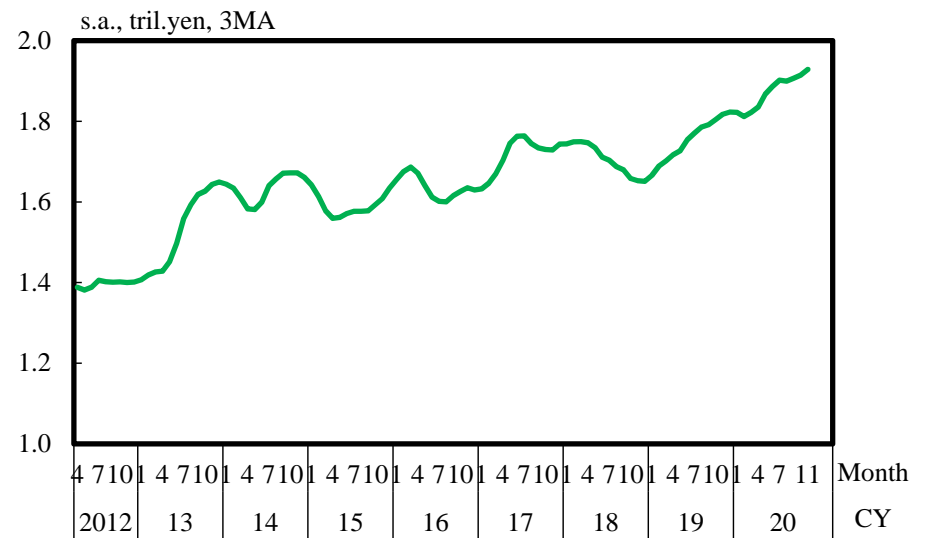
Housing investment is almost flat.

Public investment shows steady performance.

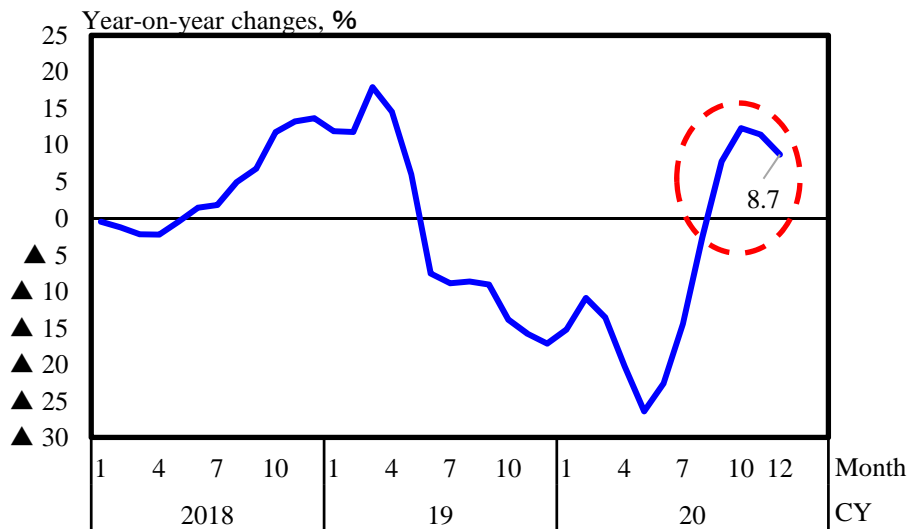
Housing construction starts



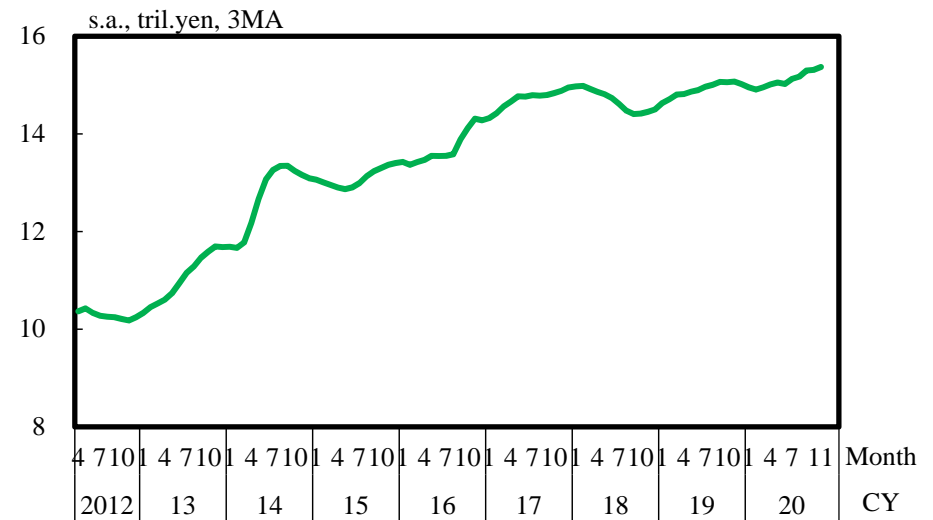
Amount of public construction completed



Orders of Owner-occupied housing



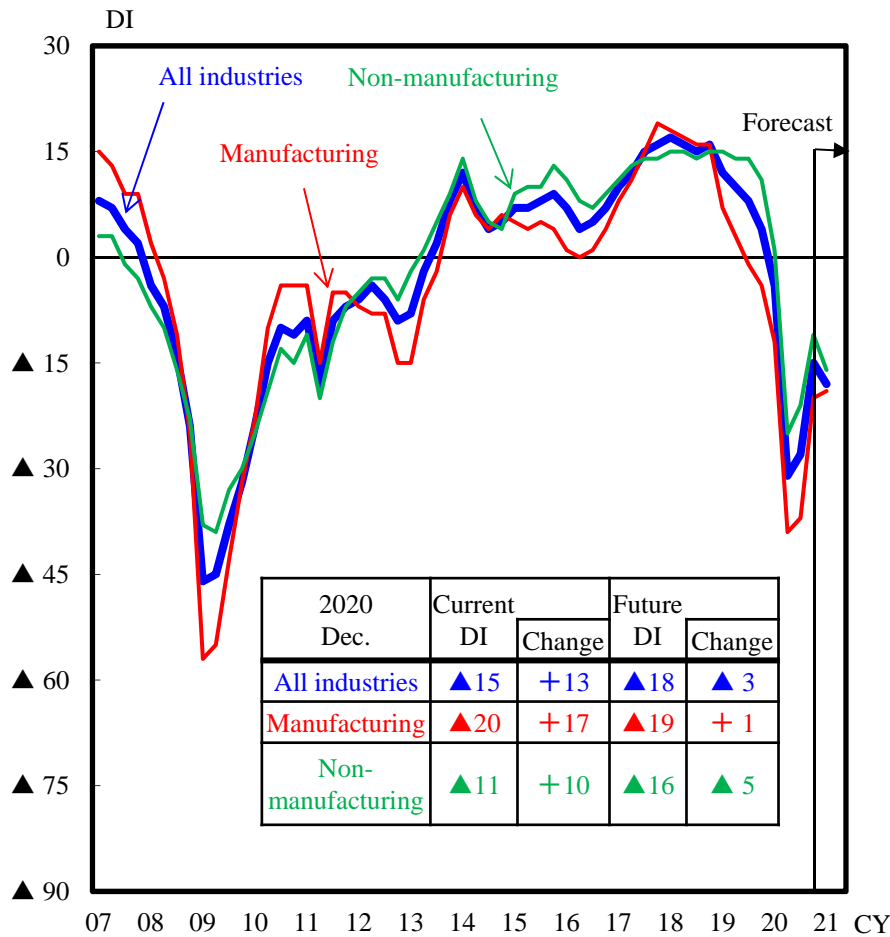
Public construction work remained



Source: Ministry of Land, Infrastructure, Transport and Tourism. IR information of each company.

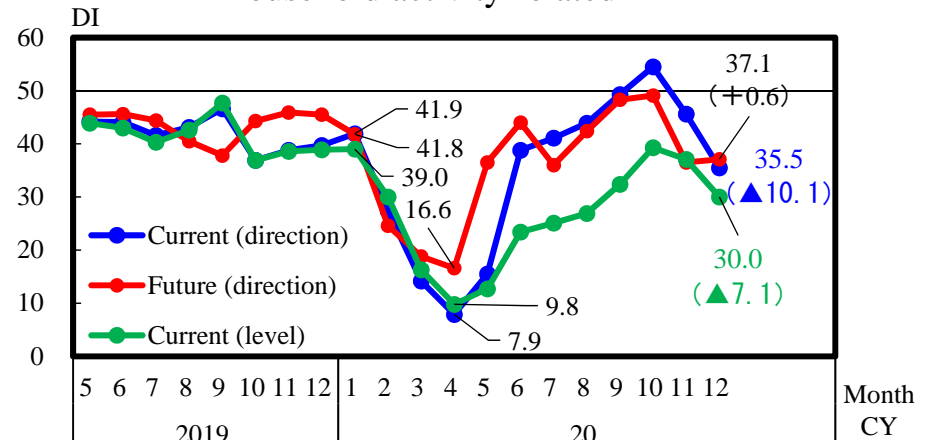
Firms' judgments on current business conditions show cautiousness recently, mainly among non-manufacturers

Business Conditions (Tankan Survey)



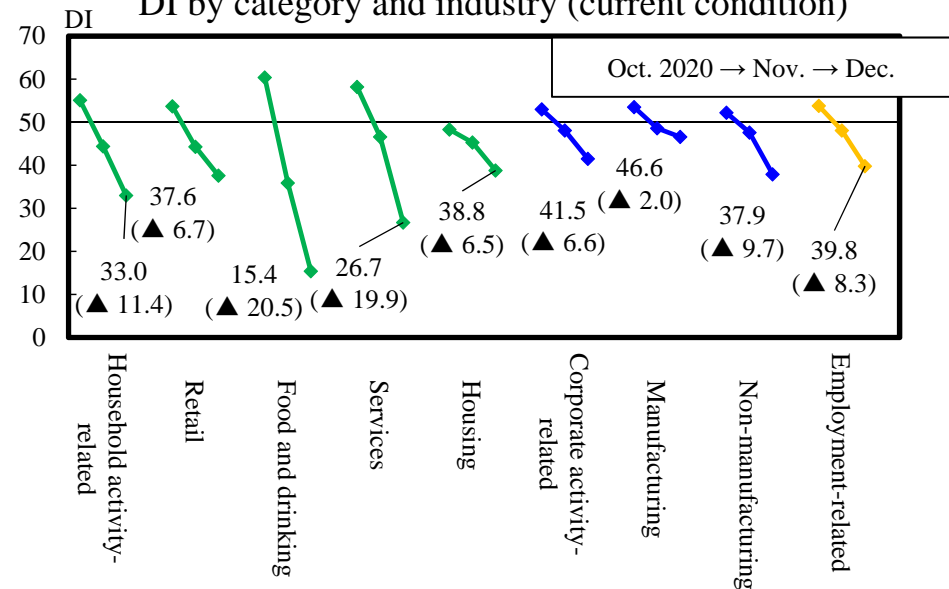
Economy Watchers Survey
(Survey period: December 25 to 31, 2020)

Household activity-related DI



Figures in parentheses indicate the difference from the previous month.

DI by category and industry (current condition)



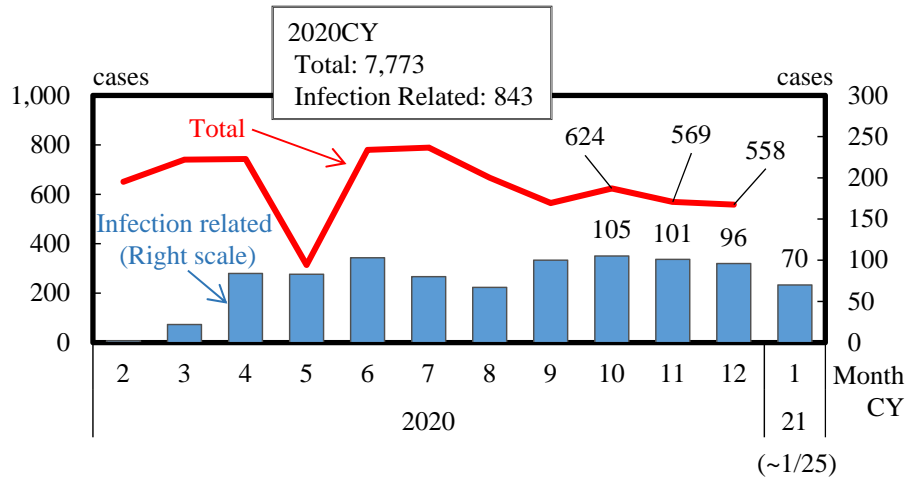
Figures in parentheses indicate the difference from the previous month.

Source: Bank of Japan and Cabinet Office

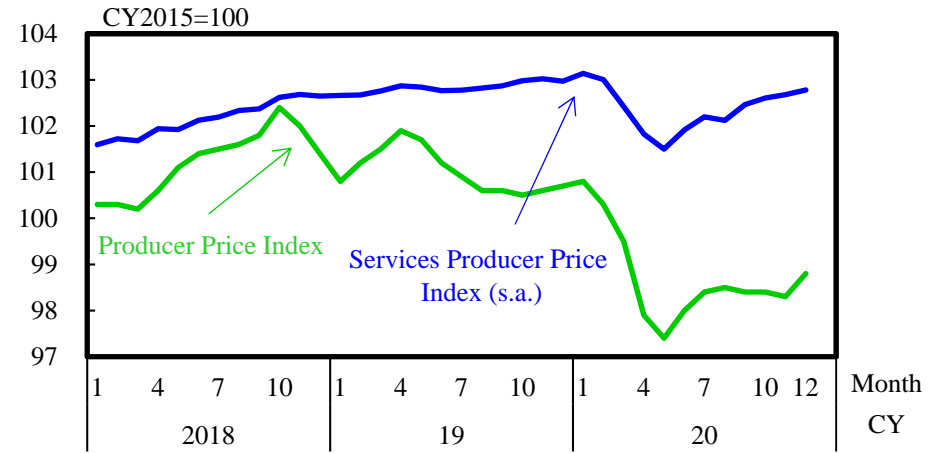
Corporate bankruptcies are decreasing moderately;
business suspensions and closures are increasing

Producer prices are rising moderately recently.

The number of bankruptcies

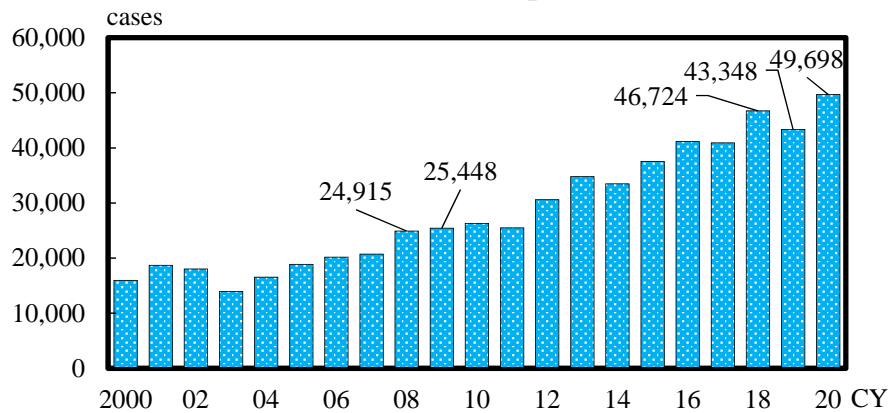


Producer Price Index/ Services Producer Price Index

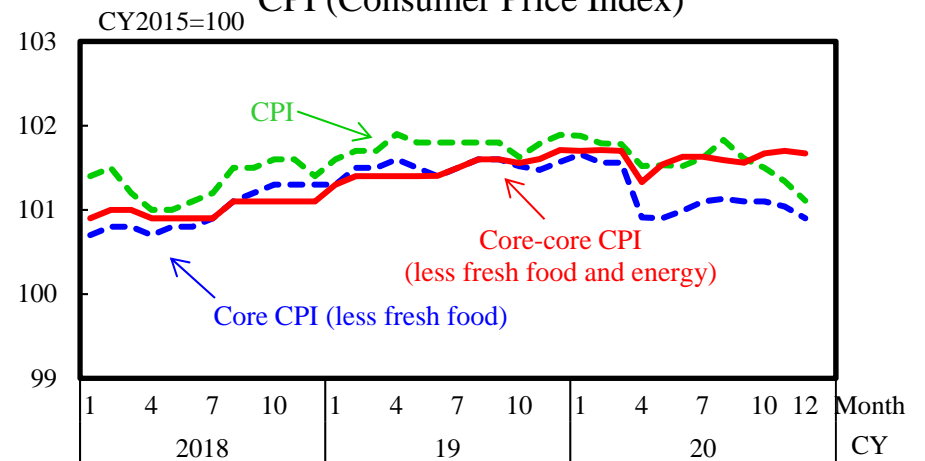


Consumer prices are flat.

The number of business suspensions and closures



CPI (Consumer Price Index)



Source: 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.