

Recent Economic Developments
- Monthly Economic Report, March 23 2021 -

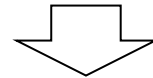
March 31, 2021

Cabinet Office
Government of Japan

<Assessment of the current state of the Japanese economy>

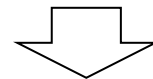
January

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



February

The Japanese economy shows weakness in some components although it remains in picking up in a severe situation due to the Novel Coronavirus.



March

The Japanese economy shows weakness in some components although it remains in picking up in a severe situation due to the Novel Coronavirus.

(Changed)

(Unchanged)

<Assessment of the current state of the Japanese economy>

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

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.

February

The economy is expected to pick 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 even after the state of emergency is lifted. 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.

March

The economy is expected to pick 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 movement of infections would affect the domestic and foreign economy. Also attention should be given to the effects of fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, March 23, 2021)

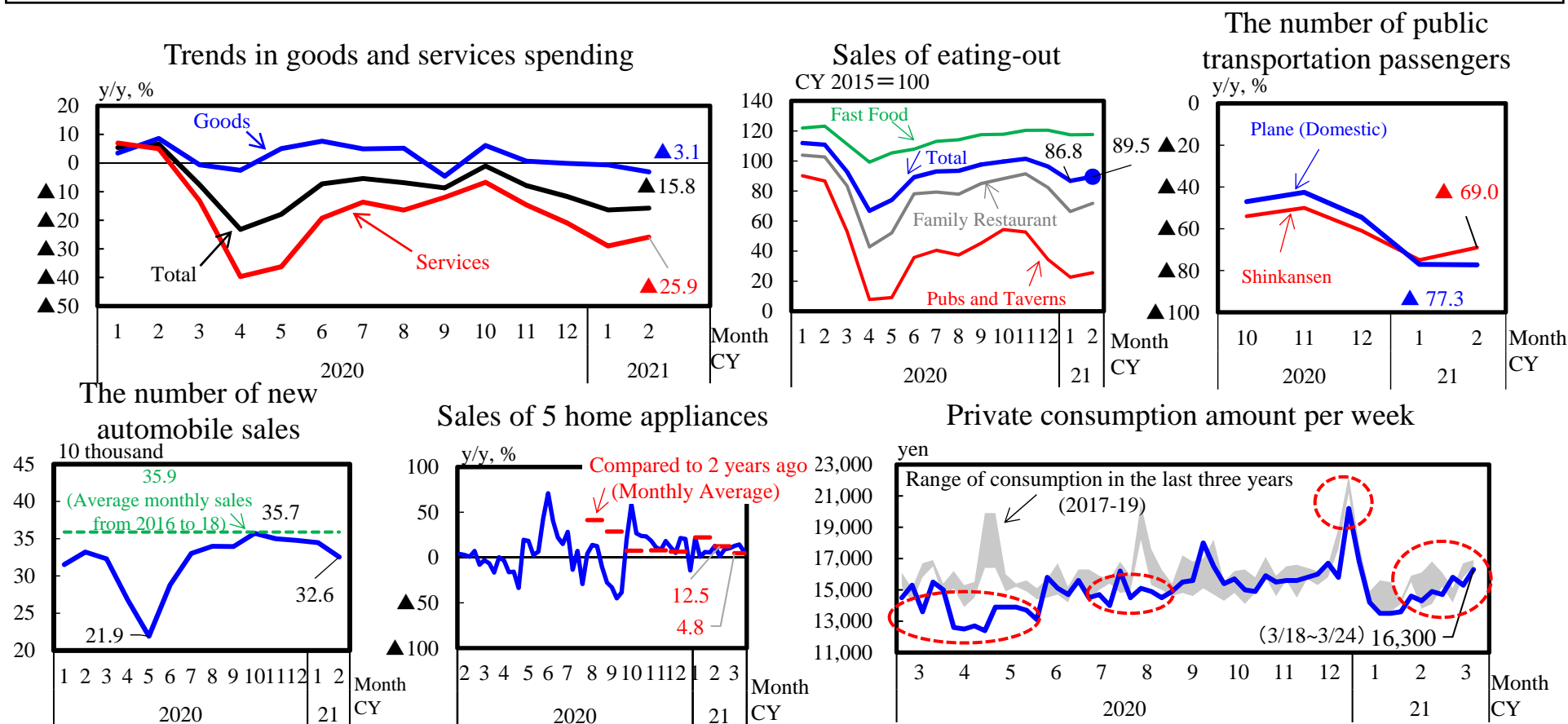
The Government will make effort toward the reconstruction and revitalization from the Great East Japan Earthquake and coping with disasters becoming ever more severe and frequent. The Government will thoroughly secure people's lives and livelihoods through protecting employment and keeping businesses 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 had lifted the state of emergency in 4 prefectures which had been extended the duration for two weeks on March 21st. The Government will thoroughly continue to implement measures prioritizing prevention of the re-spread of infections, and 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 implement "Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope" etc. and the FY2020 third supplementary budget swiftly and properly, and work for early passage of the FY2021 budget and the related bills. The Government will swiftly implement the "Emergency Support Measures for Non-Permanent Workers and Others" compiled on March 16th. The Government will continue to implement necessary support measures in a timely manner through utilizing reserve fund while paying careful attention to the status of the disease and the economic impact.

The Bank of Japan implemented measures for further effective and sustainable monetary easing with a view to achieving the price stability target of two percent on March 19th. 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 –

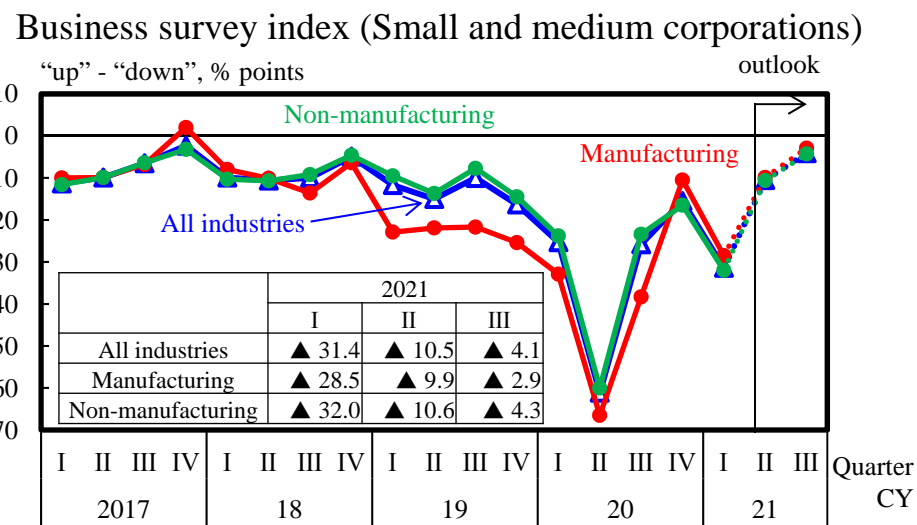
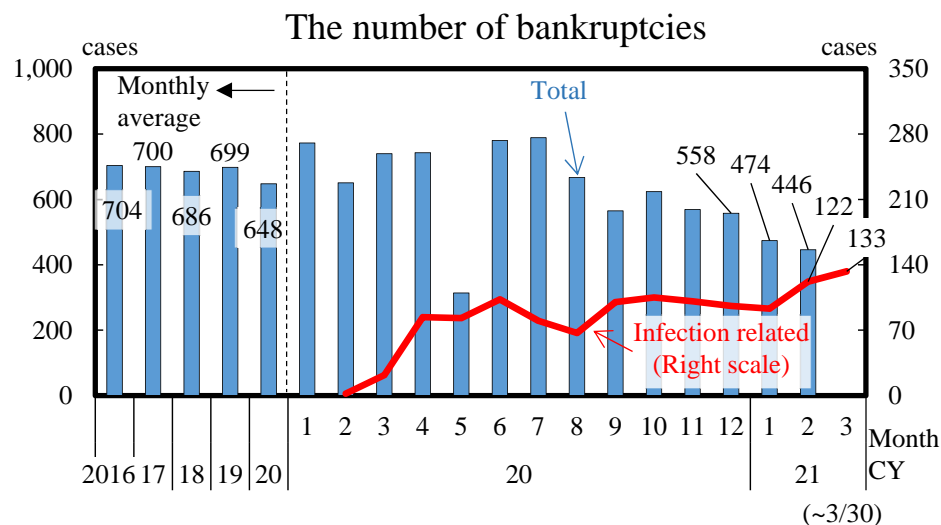
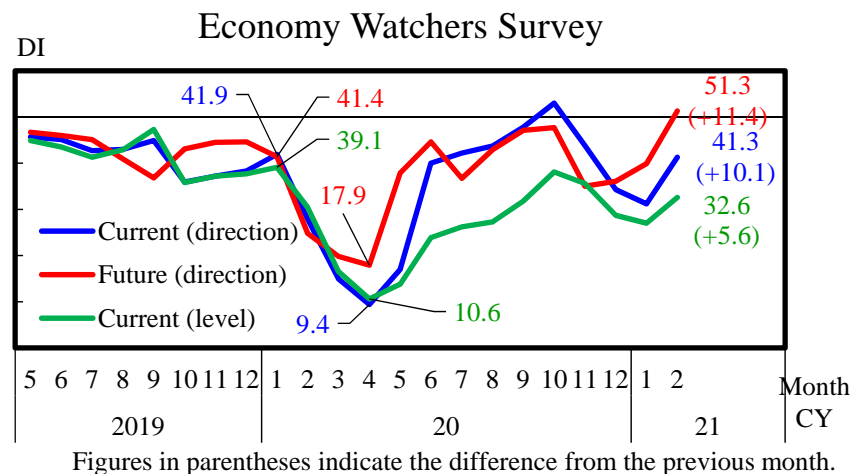
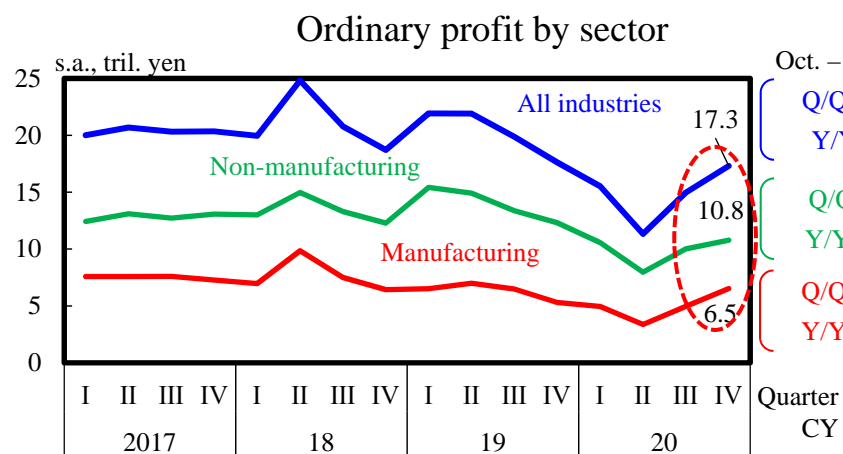
- Consumption trends based on card spending in February show that goods spending holds firm as a whole, while service spending is weak as people refrain from going out due to the spread of infectious diseases.
- According to the sales data, the number of new automobile sales is in a weak tone recently, while sales of 5 home appliances have been remaining above the level of past years. Sales of eating-out remain weak level. The number of passengers remains far below from a year ago.
- Weekly consumption remains above levels during the period of the state of emergency in spring of 2020. However, as a whole, private consumption has been in a weak tone.



Sources: NOWCAST, INC. ; JCB Co. Ltd ; Japan Automobile Dealers Association ; Japan Light Vehicle and Motorcycle Association ; Ministry of Economy, Trade and Industry ; Japan Foodservice Association ; Published documents from firms ; Macromill, Inc.

— Trends in Business Activities —

- In 4Q 2020, corporate profits in manufacturers and non-manufacturers increased from 3Q. Particularly, manufacturers' profits surged from a year ago. The number of corporate bankruptcies is decreasing thanks to the government's financial support.
- In the Economy Watchers Survey in February, both current and future judgements rose sharply. Small and medium corporations' judgments on business conditions are expected to improve in coming quarters.

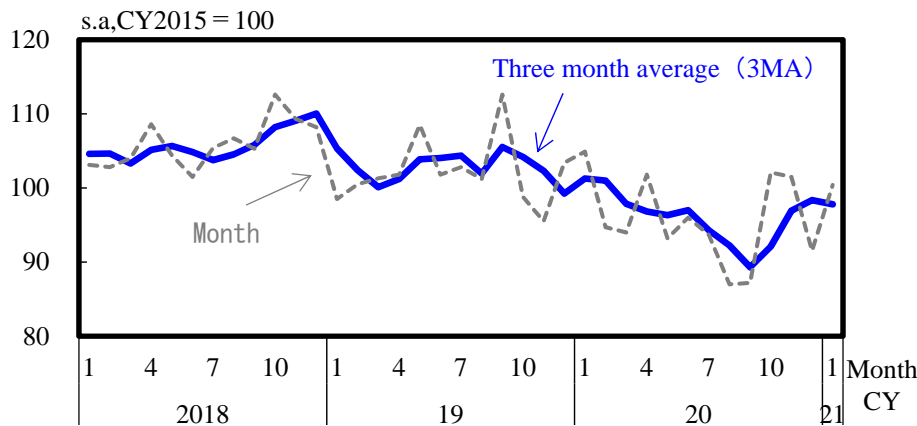


Source: Ministry of Finance, Tokyo Shoko Research, Cabinet Office

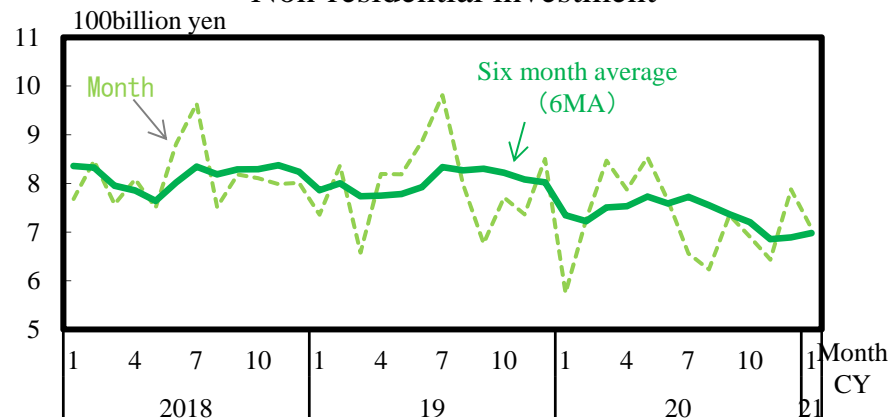
— Trends in Business investment — (Share of investment: Machinery 46%, Structure 25%, Software 10%, R&D 18%)

- Business investment is picking up recently mainly due to the machinery investment. However non-residential investment is almost flat.
- According to the Business Outlook Survey in Jan.-Mar. period, investment plan for FY2020 is expected to decline by 9.2% compared to FY2019 due to the cautious stance of companies. On the other hand, investment plan for FY2021 is expected to increase by 7.6% compared to FY2020. Software investment is expected to increase significantly.

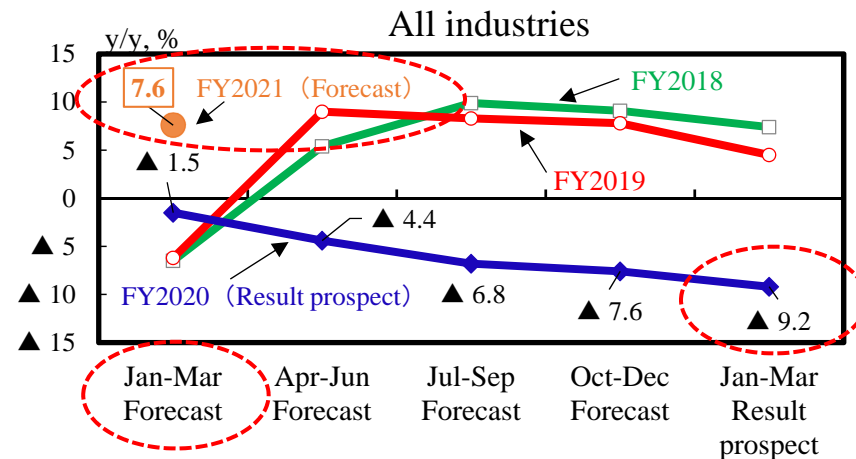
Machinery investment



Non-residential investment



Business Outlook Survey (Jan.-Mar. 2021)



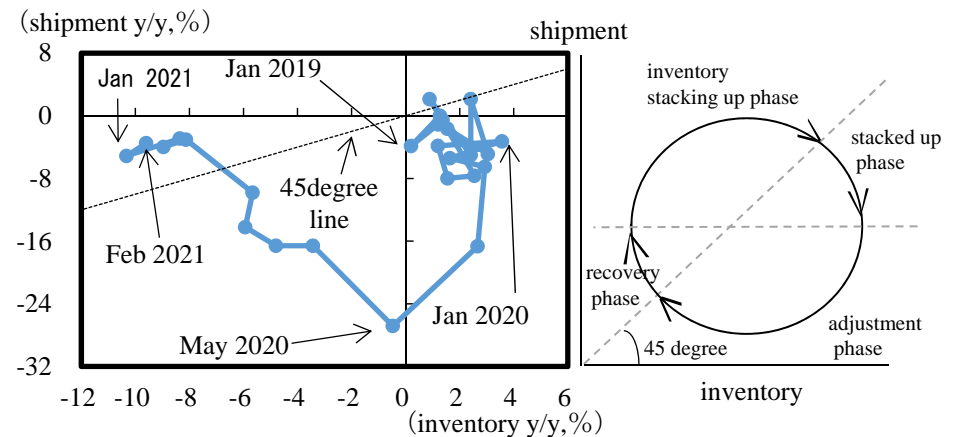
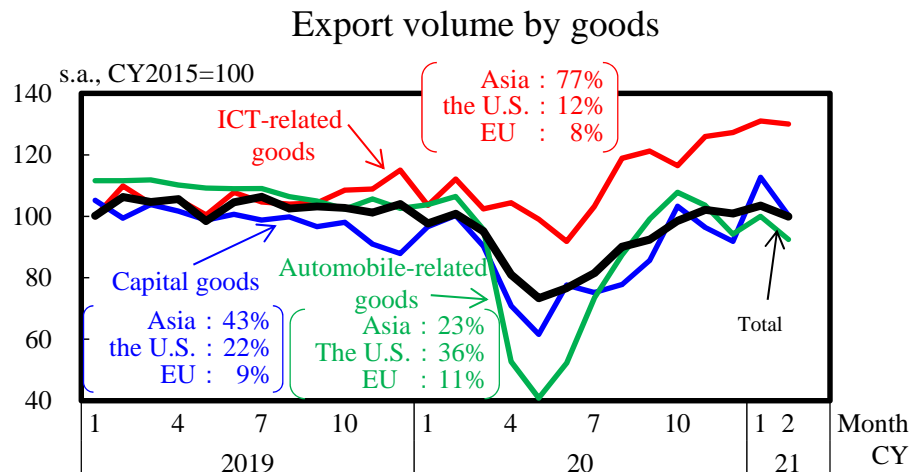
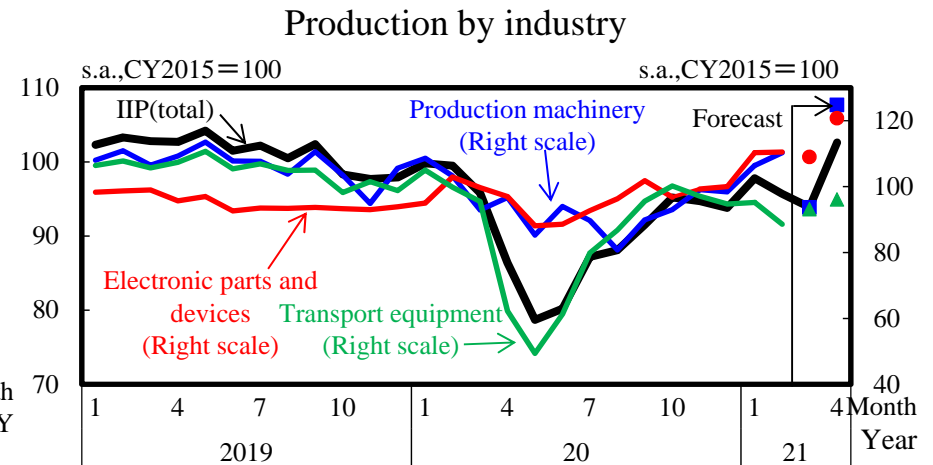
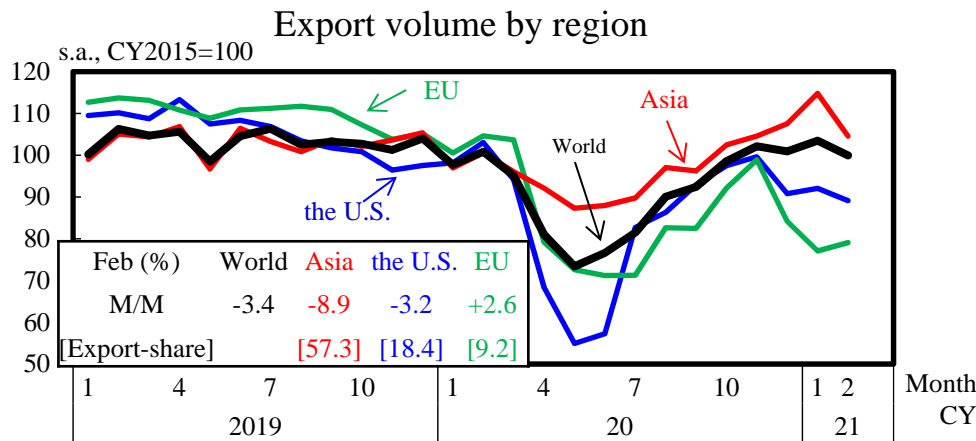
Business investment FY2020, FY2021 (outlook)

	FY/FY,% [] :Oct.-Dec 2020	Investment (incl. software)	Software Investment
FY2020	All industries	-9.2 [-7.6]	-3.2 [2.3]
	Manufacturing	-9.1 [-8.6]	-2.4 [4.0]
	Non-manufacturing	-9.2 [-7.1]	-3.4 [1.8]
FY2021	All industries	+7.6	+14.9
	Manufacturing	+7.9	+18.3
	Non-manufacturing	+7.4	+14.1

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

– Export & Production –

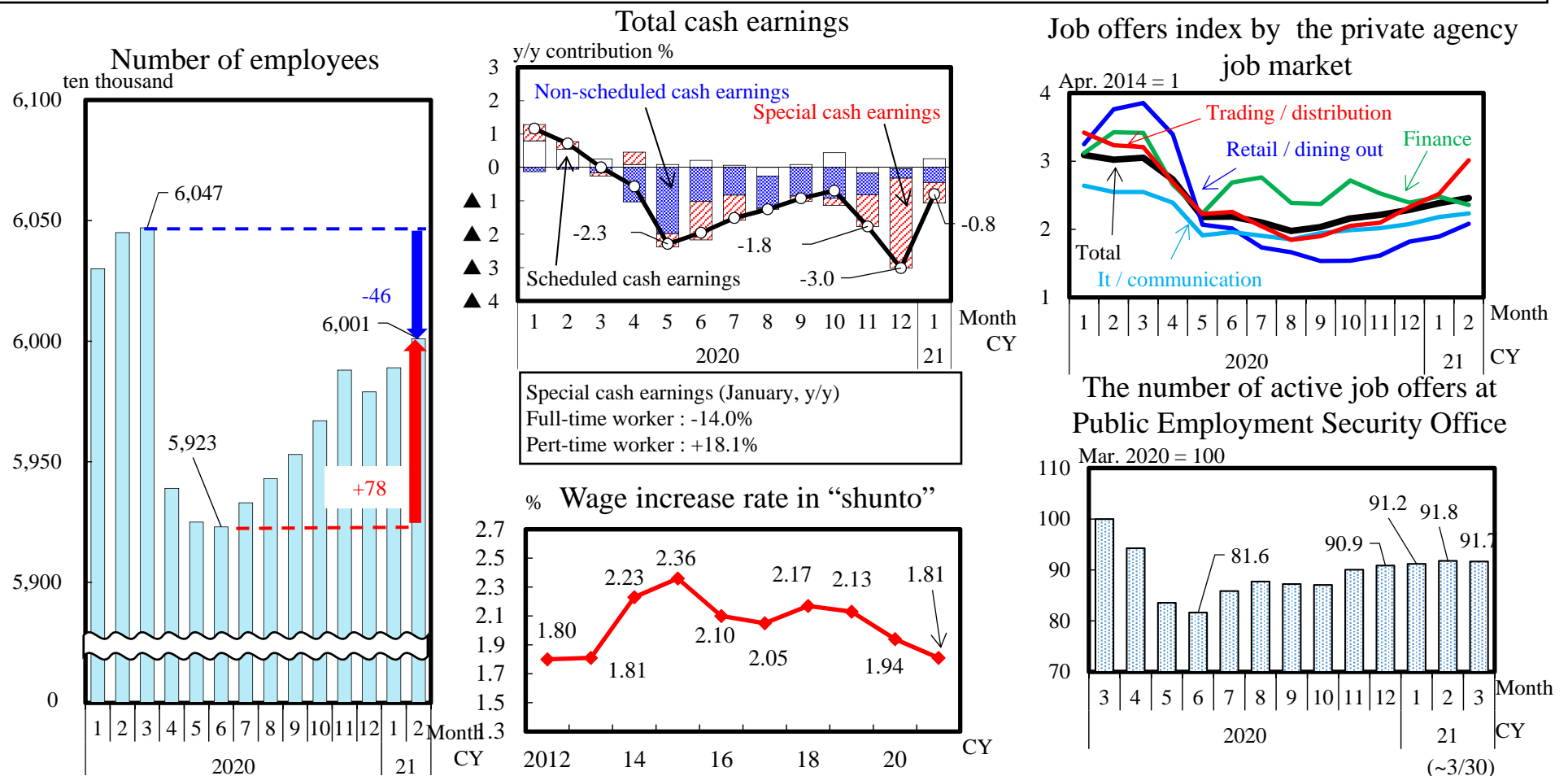
- Exports growth decelerates recently, especially towards U.S. and EU. While exports of ICT-related goods, which are mainly towards Asia, are on increasing trend, exports of automobile-related goods became flat as sales in the U.S. already returned to pre-Corona pandemic levels.
- Industrial production is picking up. Electronic parts and devices expand thanks to strong demand for 5G-related products. Inventory adjustment has also progressed since last summer.



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

— Employment Situation —

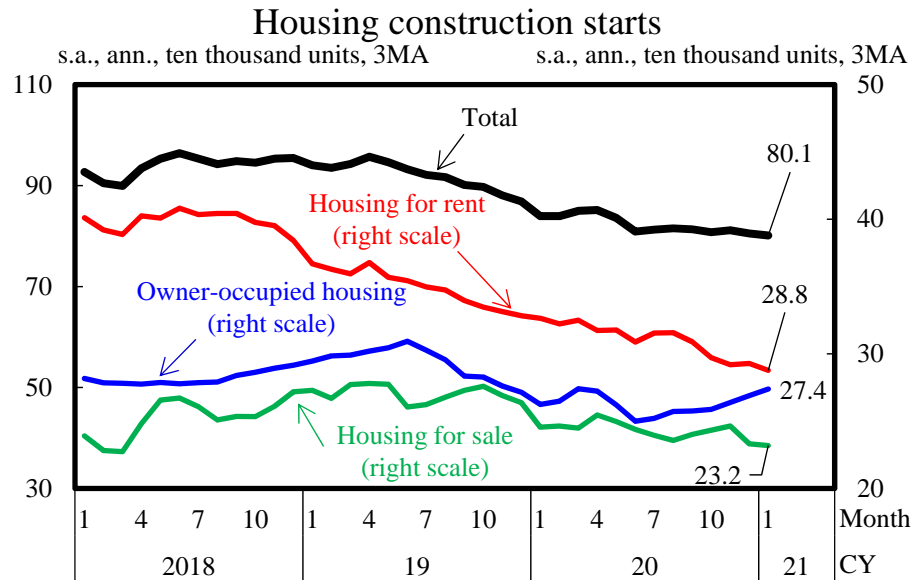
- The number of employees has increased by 780,000 since June last year, but is 460,000 fewer than the level in March last year.
- In terms of wages, the negative contribution of special cash earnings, including bonuses, lowered in January. Wage increases in “shunto” (spring wage negotiation) were 1.81% according to RENGO (Japanese Trade Union Confederation).
- Although the number of job offers at the private and public agencies remains firm, they are below the level of March last year. Overall, the employment situation remains weak.



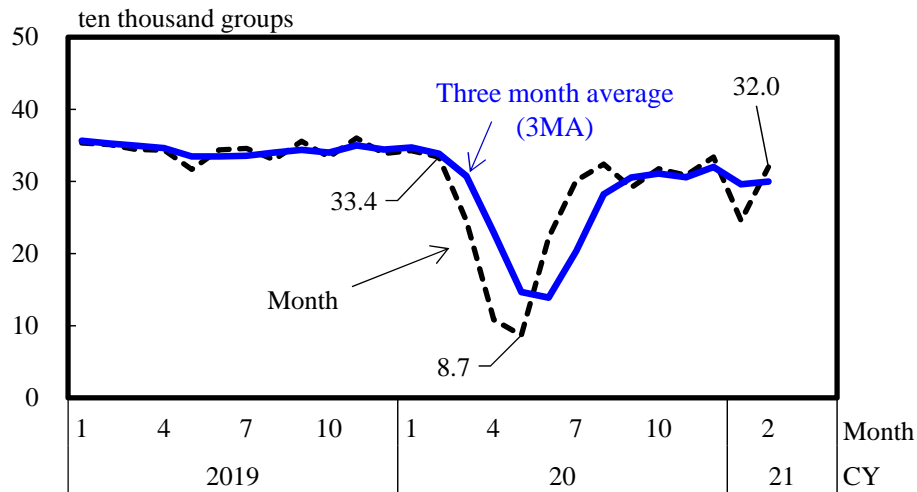
Source: PERSOL CAREER CO., LTD., Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications, RENGO

Reference

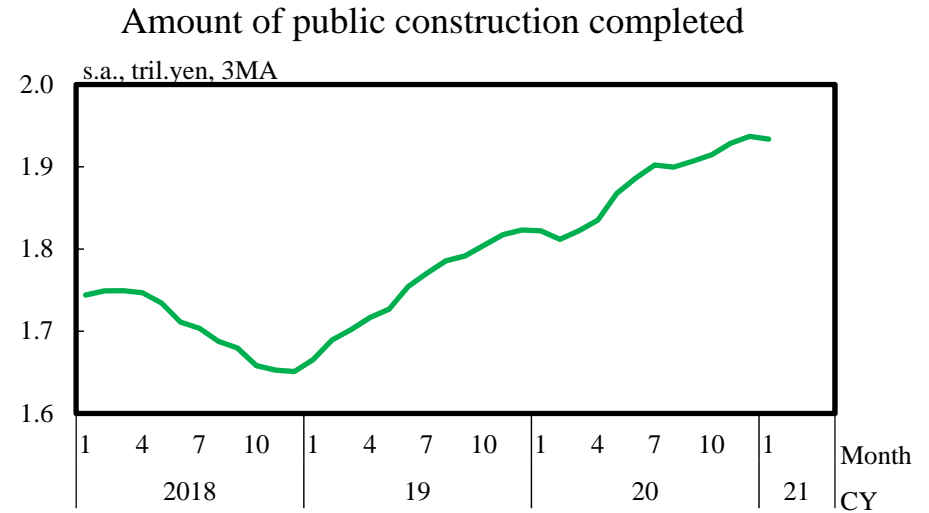
Housing investment is almost flat.



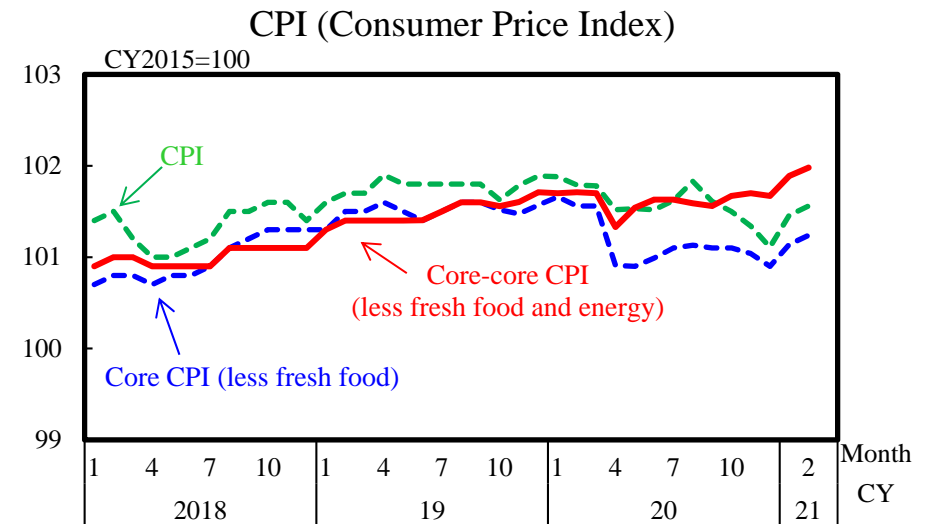
Number of the housing exhibition visitors (couples)



Public investment shows steady performance.



Consumer prices are flat



Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Exhibitor Conference, The Machinami Foundation, Ministry of Internal Affairs and Communications, Cabinet Office.

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