

# **Recent Economic Developments**

**- Monthly Economic Report, April 22 2021 -**

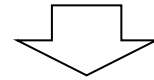
**April 28, 2021**

**Cabinet Office**  
**Government of Japan**

<Assessment of the current state of the Japanese economy>

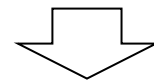
February

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.



April

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

**(Unchanged)**

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

	February	March	April
Private consumption	Private consumption has been in a weak tone recently.	Unchanged	Unchanged
Business investment	Business investment is showing movements of picking up recently.	Unchanged	Business investment is picking up.(↑)
Exports	Exports are increasing.	Exports are increasing at a slower pace recently.(↓)	Exports are increasing at a slower pace.(→)
Industrial production	Industrial production is picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are picking up as a whole, while weakness is seen in non-manufacturers due to the influence of the infectious disease.	Unchanged	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show cautiousness recently, mainly among non-manufacturers.	Firms' judgments on current business conditions show movements of picking up, although some severe aspects remain.(↑)	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>

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.

April

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, April 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.

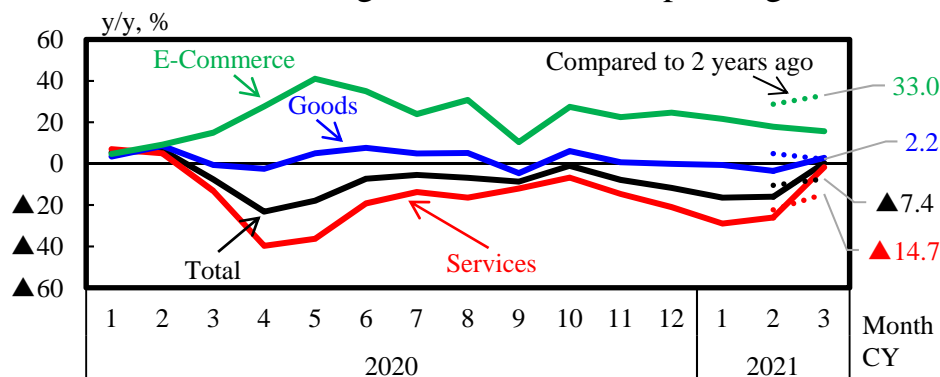
The government decided to implement priority measures such as for prevention of the spread of disease in designate 10 prefectures in accordance with the mended Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, on April 1st, 9th and 16th, and will thoroughly continue to implement measures prioritizing prevention of the 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 and the FY2021 budget swiftly and properly. 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 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.

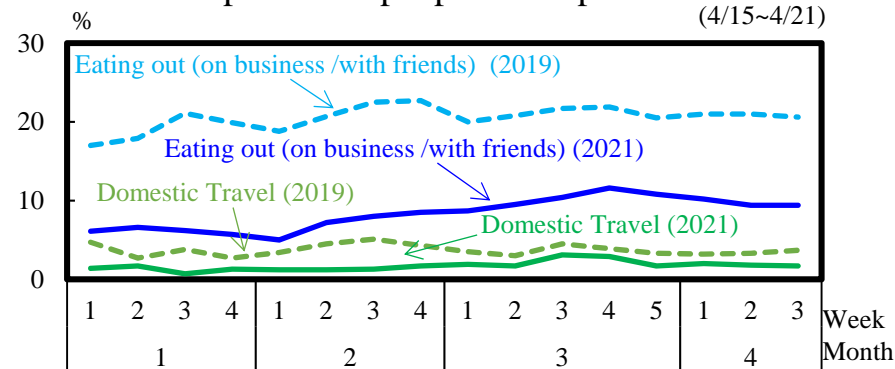
## — Private consumption —

- Consumption trends based on card spending in March show that E-Commerce is strong and goods spending continue to hold firm, while service spending is weak due to the spread of infectious disease.
- According to the sales data, sales of 5 home appliances have been remaining above the level of past years. Sales of eating-out remain weak level. According to the household data, the proportion of people spending on eating-out and traveling is low.
- Weekly consumption is at low levels due to the implementation of the state of emergency and priority measures such as for prevention of the spread of disease, though it still remain slightly above the levels during the period of the state of emergency in spring of 2020. As a whole, private consumption has been in a weak tone.

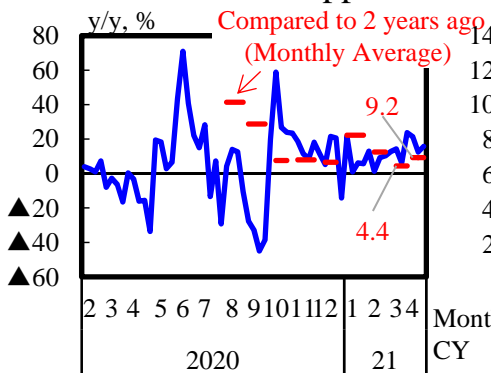
Trends in goods and services spending



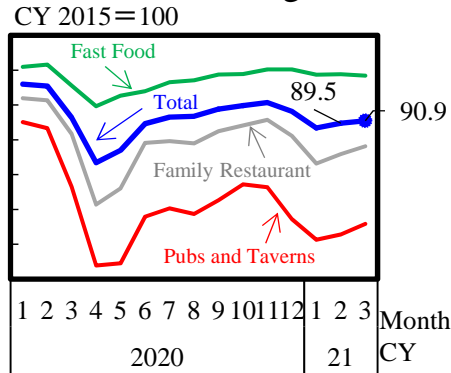
Proportion of people who spend (4/15~4/21)



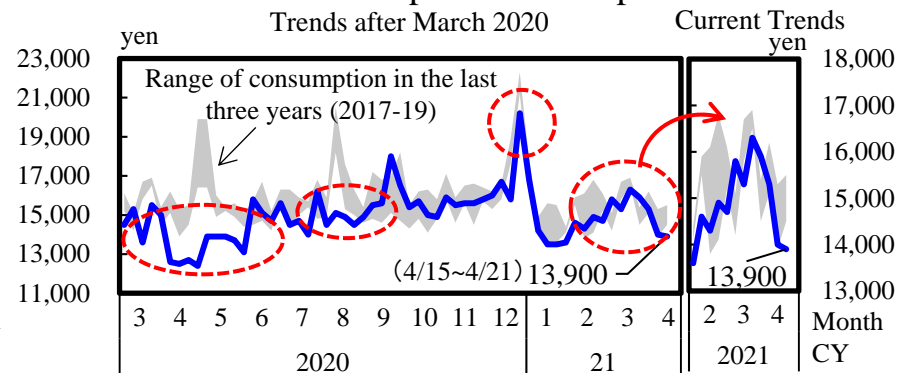
Sales of 5 home appliances



Sales of eating-out



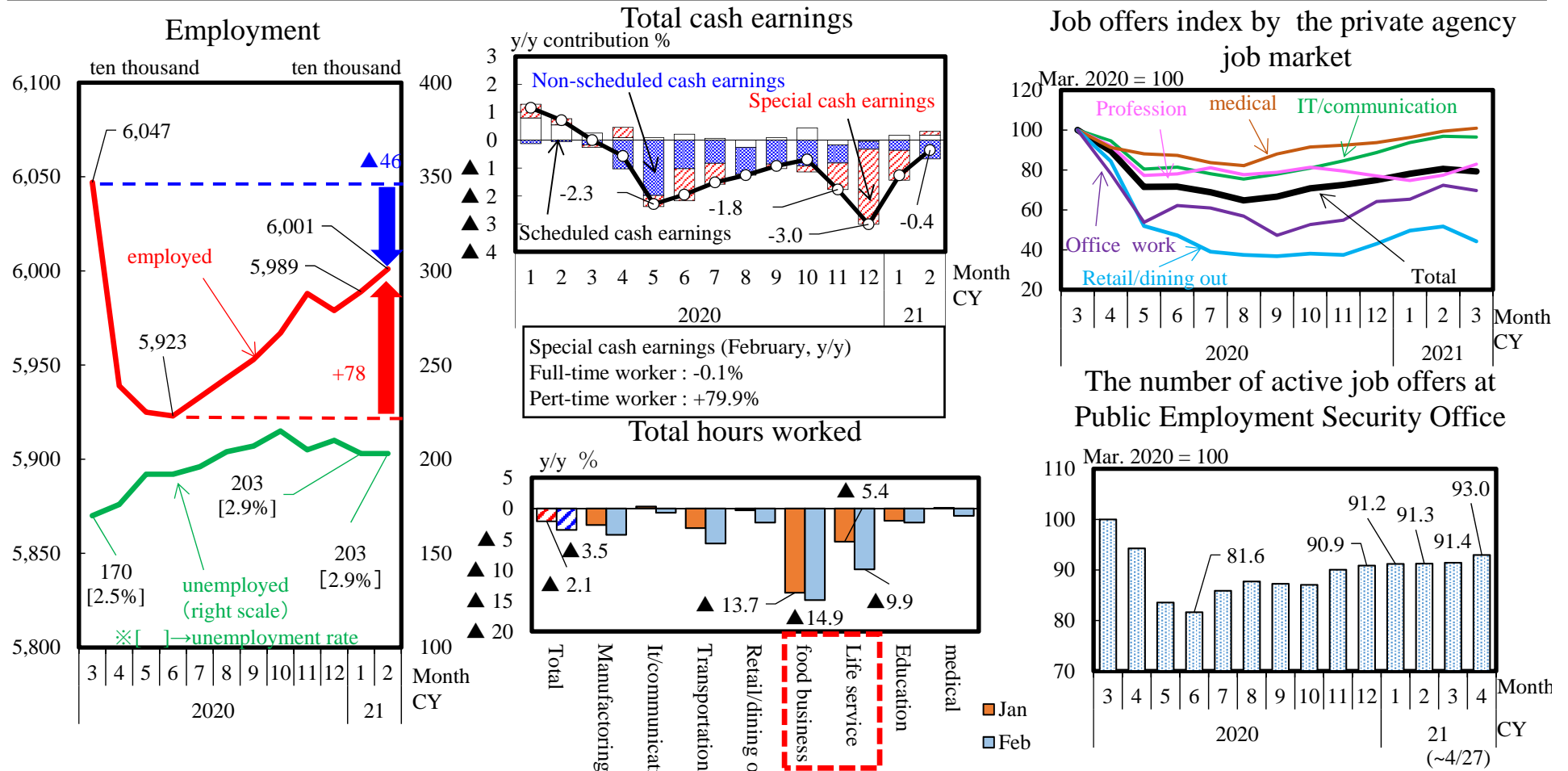
Private consumption amount per week



Sources: NOWCAST, INC. ; JCB Co. Ltd ; Ministry of Economy, Trade and Industry ; Japan Foodservice Association ; Macromill, Inc.

## — Employment Situation —

- The number of employees in February has increased by 780,000 since June last year, but is 460,000 fewer than the level in March last year. The number of unemployed persons remains unchanged at 2.03 million.
- In terms of wages, the negative contribution of special cash earnings, including bonuses, lowered significantly in February, and wages are showing movements of picking up. However, in terms of total hours worked, there are large differences across sectors, with a large decrease in the food and drink service and living related service.
- The number of job offers at the private and public agencies appears to be pausing for picking up. Overall, the employment situation remains weak.

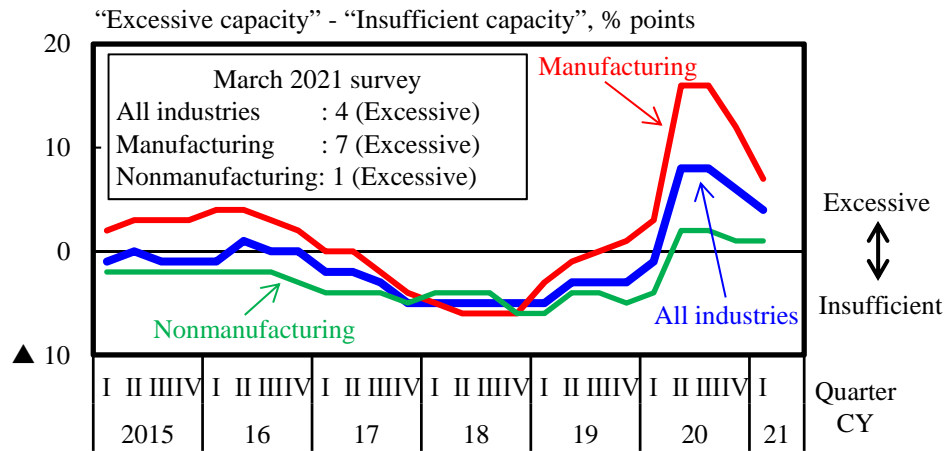


Source: PERSOL CAREER CO., LTD., Ministry of Health, Labor and Welfare, Ministry of Internal Affairs and Communications

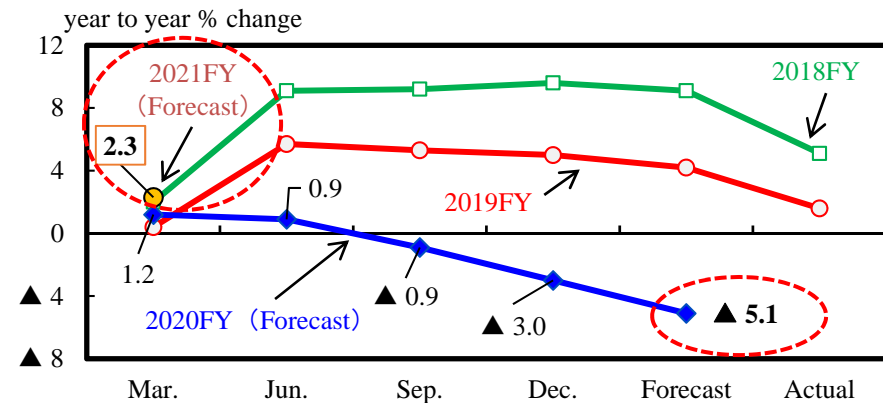
## — Trends in Business investment — (Share of investment: Machinery 46%, Structure 25%, Software 10%, R&D 18%)

- According to the BOJ March Tankan survey, the number of “excessive production capacity” is declining, while still remaining outpaced that of “insufficient capacity” mainly amongst manufacturers. Business investment is picking up, mainly among machinery investment.
- Investment plan is projected to increase in FY2021, while that for FY2020 is expected to decline compared to FY2019. In particular, software investment and R&D investment are expected to increase.

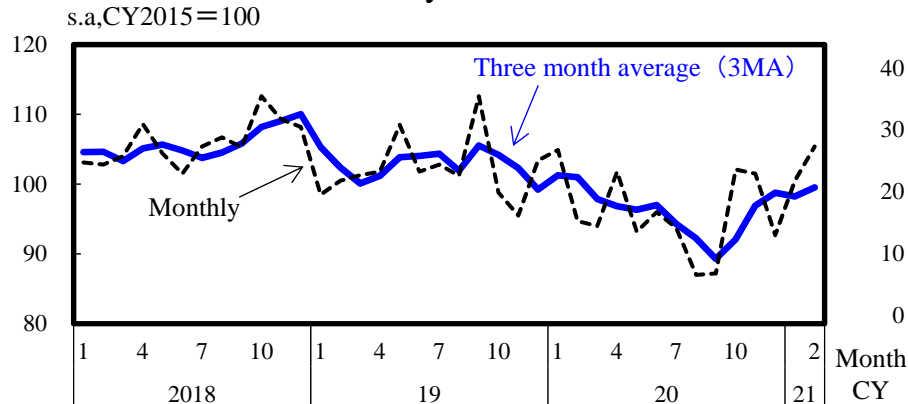
Production Capacity: Diffusion index (Tankan survey)



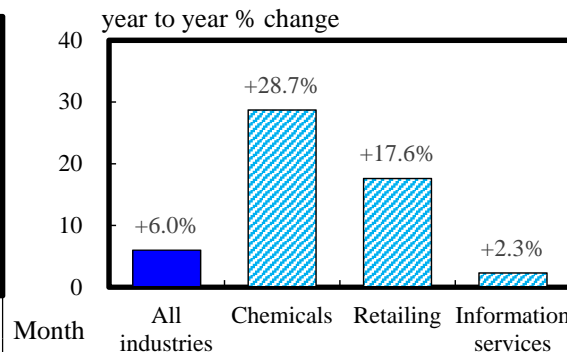
Business Investment Plan (Tankan survey)



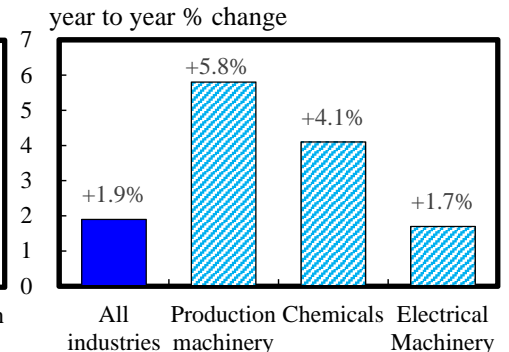
Machinery investment



Software investment (2021FY Forecast)



R&D investment (2021FY Forecast)



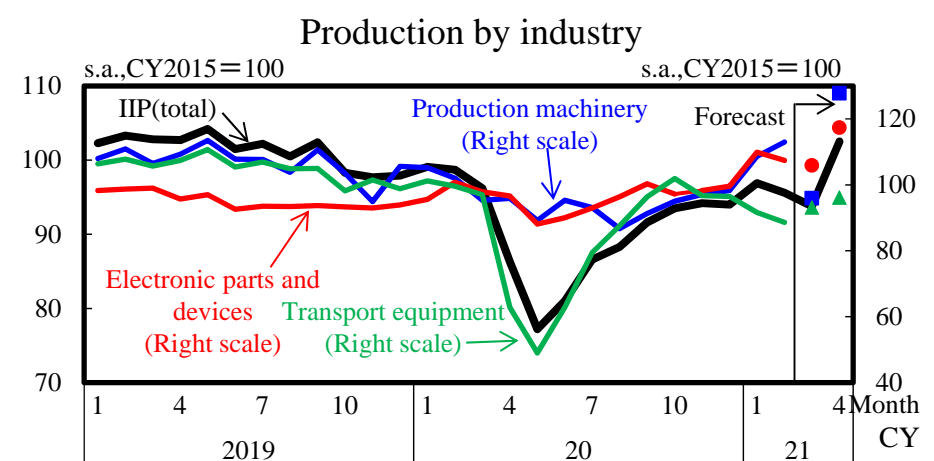
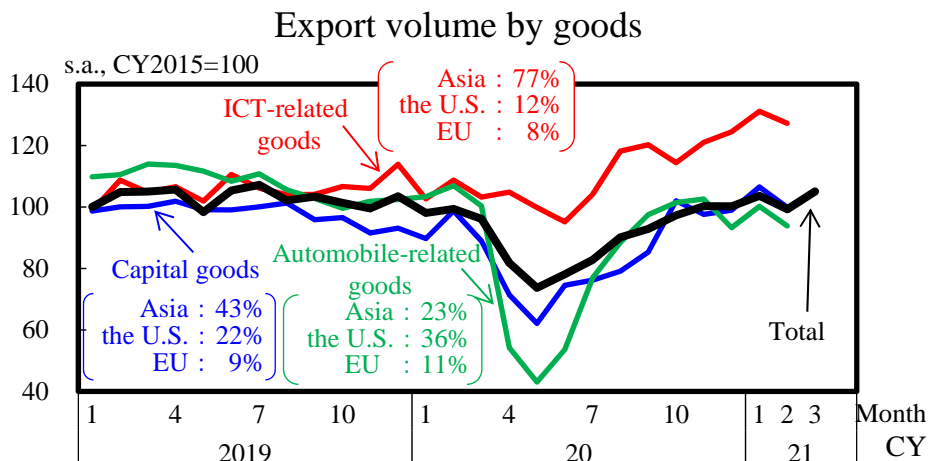
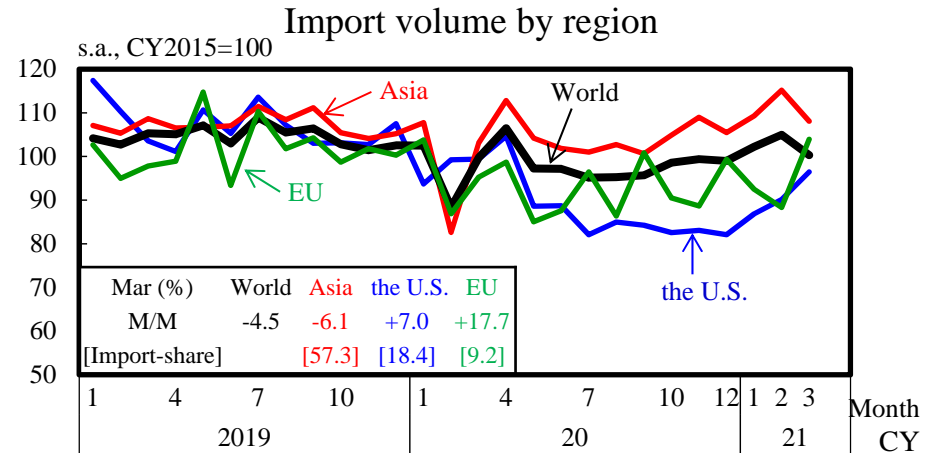
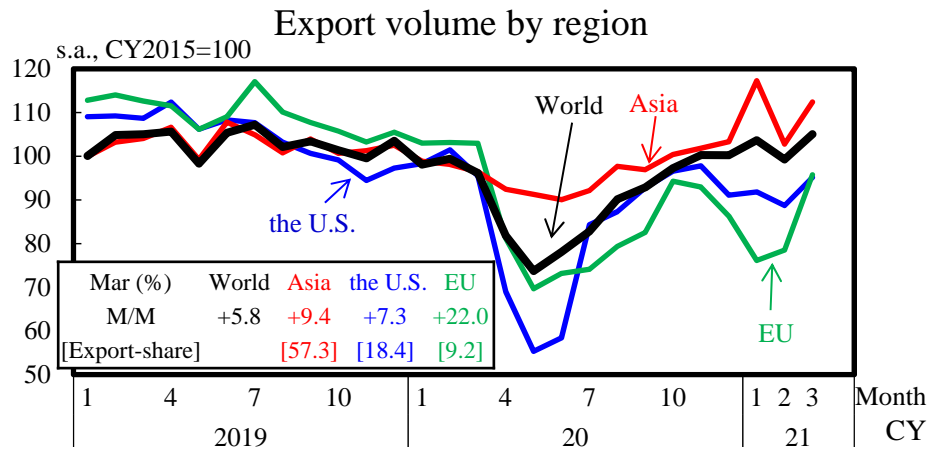
1. Sources: Bank of Japan; Tankan, Ministry of Economics, Trade and Industry.

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



## – Export & Production –

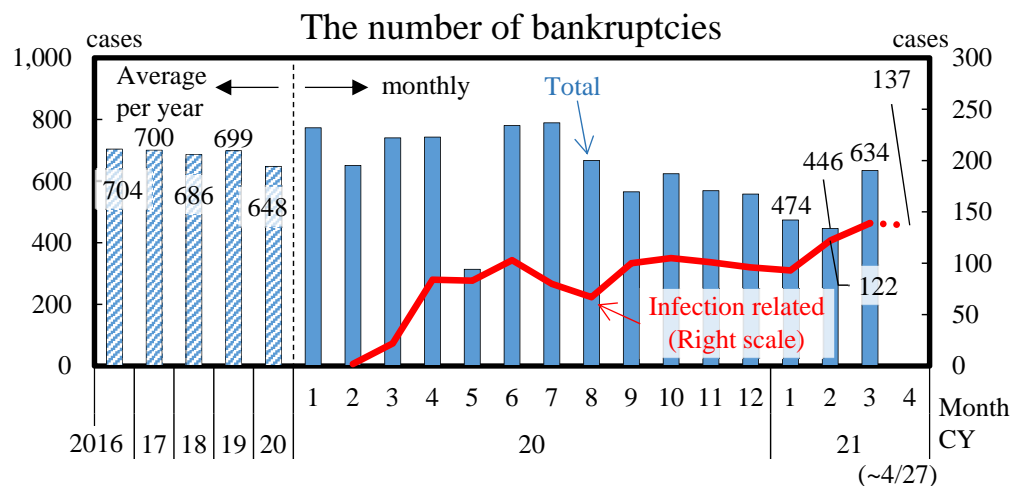
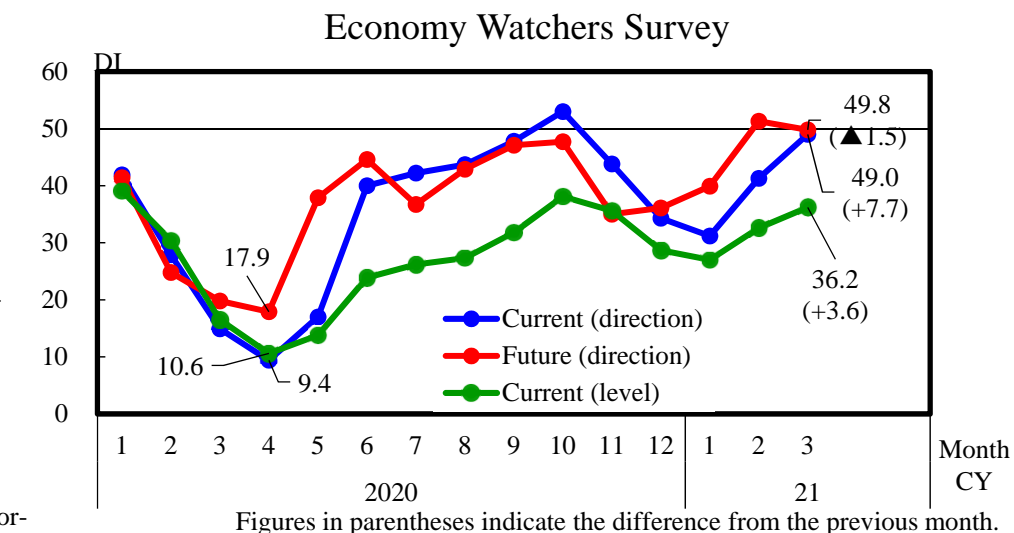
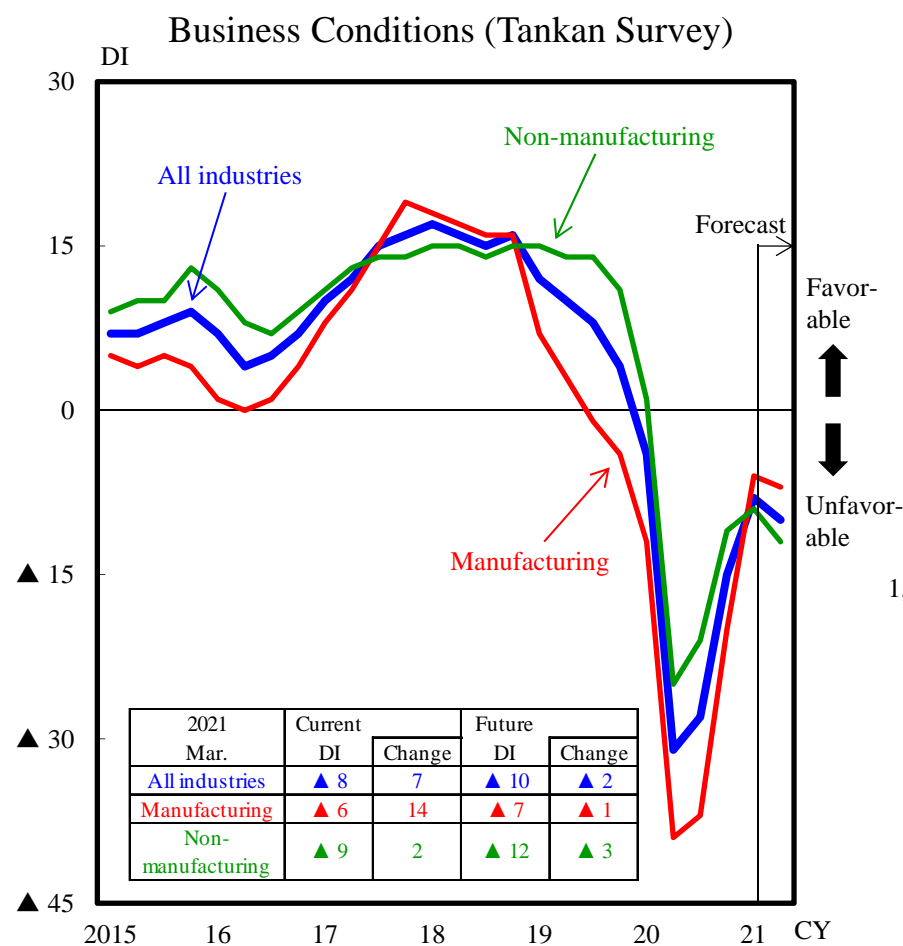
- Exports are increasing at a slower pace. Exports of ICT-related goods (e.g. semiconductor machinery), which are mainly towards Asia, are on increasing trend. Imports show movements of picking up, mainly those from Asia.
- Industrial production is picking up. Electronic parts and devices expand thanks to strong demand for 5G-related products. However, full attention should be given to the impact of supply constraints on semiconductor products, which are in short supply worldwide.



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

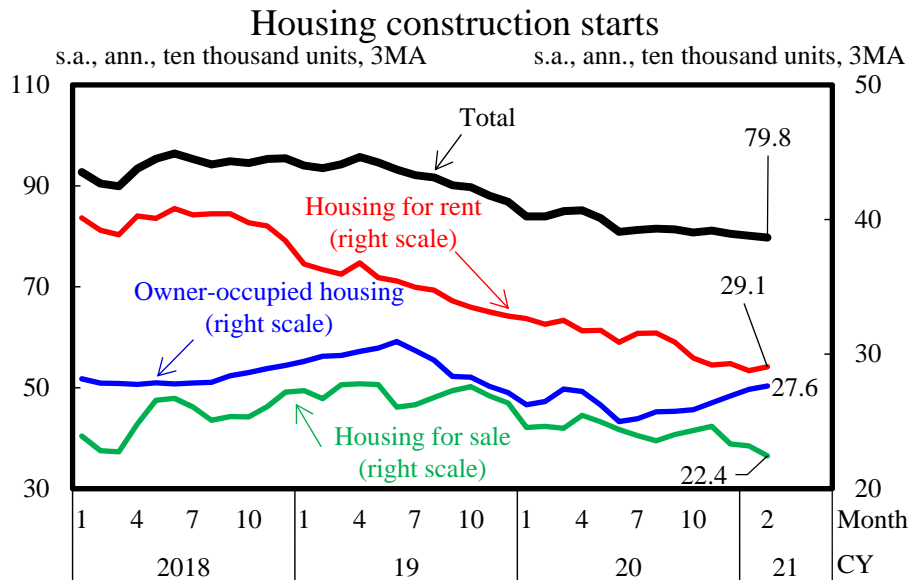
## — Trends in Business Activities —

- Firms' judgments on current business conditions show movements of improvement, although the number of "unfavorable" views still exceeds that of "favorable" views.
- In the Economy Watchers Survey in March, current judgements rose for the second consecutive month but the future judgment for the next two to three months fell slightly. The number of corporate bankruptcies remains lower than last year thanks to the government's financial support.

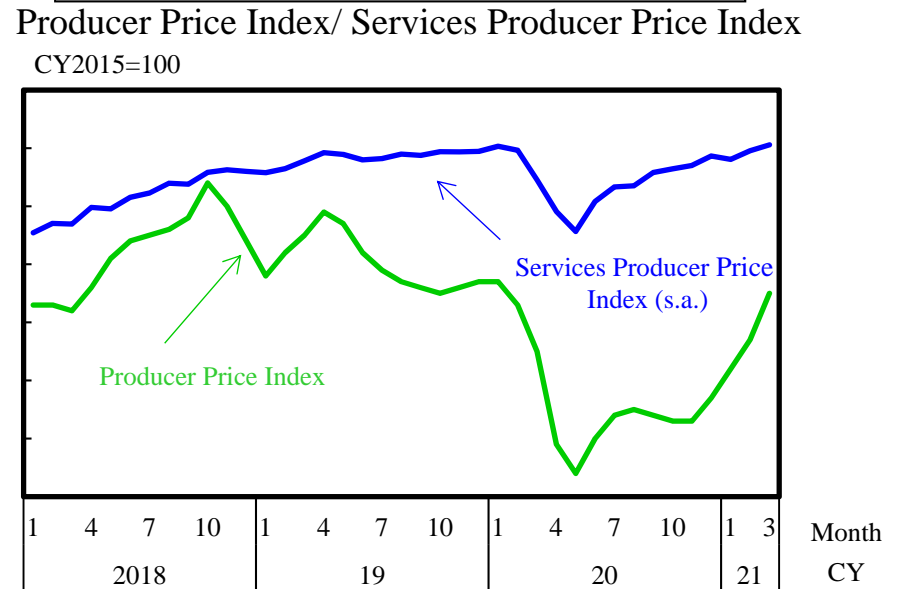


# Reference

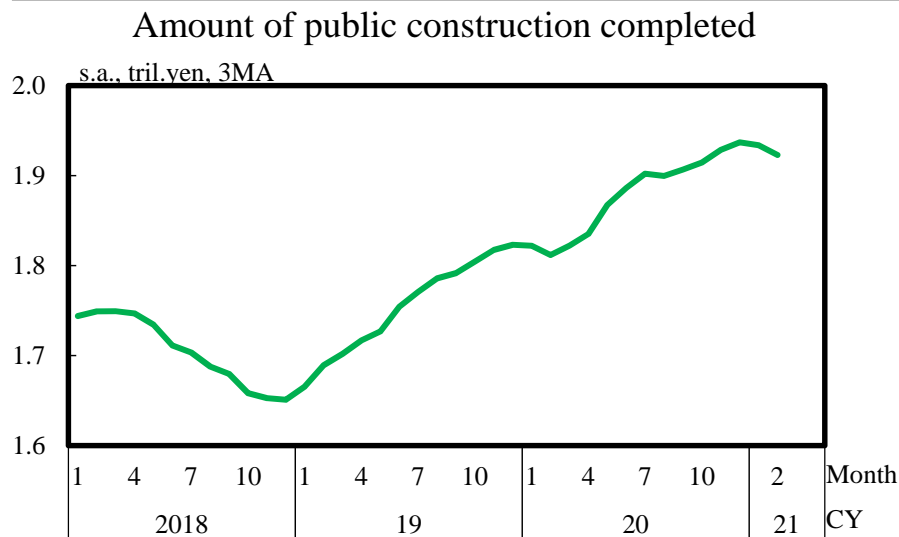
**Housing investment is almost flat.**



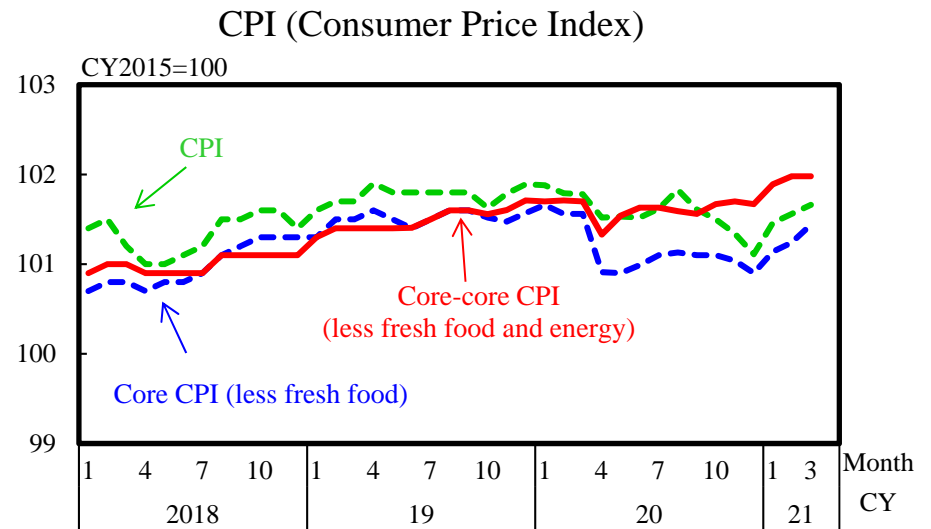
**Producer prices are rising moderately.**



**Public investment holds firm at a high level**



**Consumer prices are flat.**



Source: Ministry of Land, Infrastructure, Transport and Tourism, 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.