

Recent Economic Developments

- Monthly Economic Report, November 25 2021 -

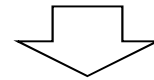
December 2, 2021

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

September

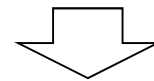
The Japanese economy remains in picking up, although the pace has weakened in a severe situation due to the Novel Coronavirus.



October

The Japanese economy remains in picking up, although the pace has weakened in a severe situation due to the Novel Coronavirus.

(Unchanged)



November

The Japanese economy continues to show weakness in picking up, although the severe situation due to the Novel Coronavirus is gradually easing.

(Judgement on the current economic state is unchanged)

<Assessment of the current state of the Japanese economy>

	September	October	November
Private consumption	Private consumption shows weakness further.	Unchanged	Private consumption shows movements of picking up, while some weakness remains.(↑)
Business investment	Business investment is picking up.	Unchanged	Unchanged
Exports	Exports continue to increase moderately.	Exports are increasing at a slower pace.(↓)	Exports are almost flat.(↓)
Industrial production	Industrial production is picking up, although some weakness is seen recently.	Unchanged	Industrial production appears to be pausing for picking up.(↓)
Corporate profits	Corporate profits are picking up, although some weaknesses remain 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 movements of picking up, although some severe aspects remain.	Unchanged	Unchanged
Employment situation	Employment situation shows steady movements in some components such as job offers, while weakness remains, due to the influence of the infectious disease.	Unchanged	Unchanged
Prices	Consumer prices show steady movements recently.	Unchanged	Consumer prices show steady movements.(→)

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 taking measures to prevent the spread of infectious diseases, and accelerating vaccinations. However, full attention should be given to the further increase in downside risks due to the situation of infections in domestic and overseas and negative effects through the supply chains. Also attention should be given to the effects of fluctuations in the financial and capital markets.

October

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November

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while economic and social activities move toward normalization. However, full attention should be given to the further increase in downside risks due to supply-side constraints and raw material prices. Also attention should be given to the effects of the Novel Coronavirus on the Japanese and overseas economies and fluctuations in the financial and capital markets.

<Policy stance>

(Monthly Economic Report, November 25, 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. In order to extricate Japan from deflation, bold monetary policy, flexible fiscal policy, and the promotion of growth strategies will be engaged in.

Based on the “Overview of Efforts to Ensure Peace of Mind in Preparation for the Next Spread of COVID-19 Infections” (November 12th, the Novel Coronavirus Response Headquarters decision), the Government will further strengthen a series of steps for prevention and discovery through to early treatment by making vaccines, screening, and pharmaceutical treatments widely available. The Government will also prepare for another possible wave of infections, assuming the worst situation. The Government will work to enable people to continue their daily lives and socio-economic activities while preventing the spread of infection through exploiting the vaccine and test package.

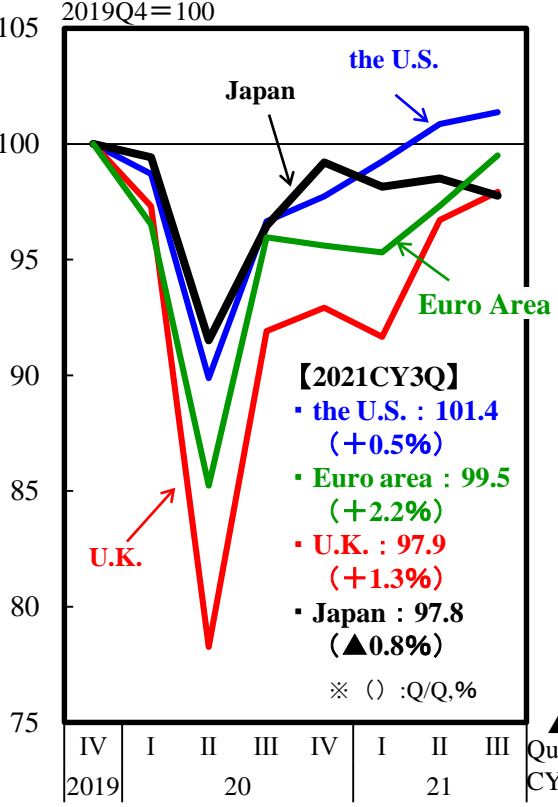
The Government will support the current economy while paying close attention to downside risks. Even if the infection spreads again, the Government will secure people’s livelihoods, employments, and businesses, and prevent further deterioration of economy. In addition, the Government will trigger a new form of capitalism, realize a virtuous cycle of growth and distribution, and put the economy on a self-sustained growth path. To this end, the Government will smoothly and steadily implement the “Economic Measures for Overcoming Coronavirus Infections and Opening Up a New Era” (November 19th, Cabinet decision), submit the FY2021 supplementary budget to the Diet swiftly, and work for early passage of it. In the meantime, the Government continues to pay careful attention to the status of the infection and its impact on businesses and livelihoods, and implement necessary measures in a flexible manner through utilizing the reserve fund and others.

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.

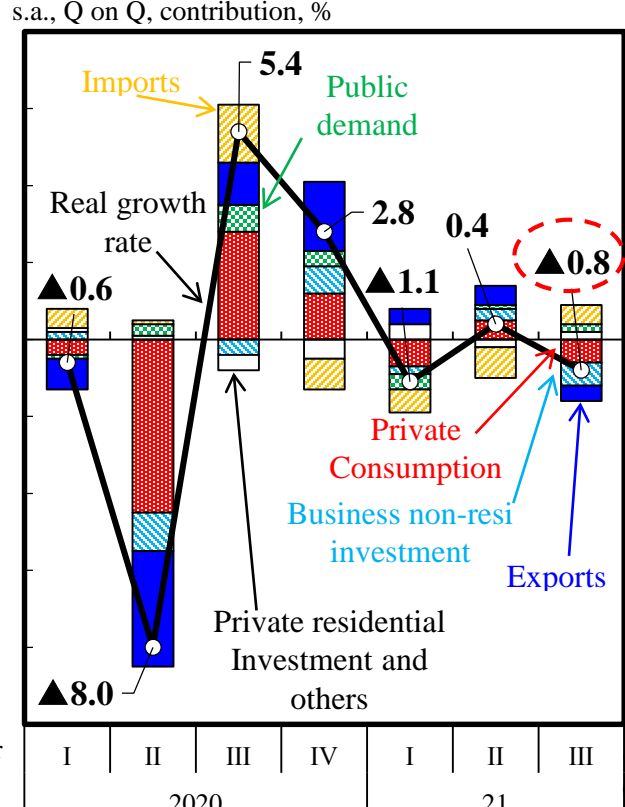
— GDP: Jul. – Sep. —

- The real GDP growth rate for the Jul. – Sep. 2021 period decreased by 0.8% for the first time in two quarters, while Euro Area and the U.S. posted positive growth in real GDP. Private consumption, business investment, and exports all declined from the previous quarter due to the extension of the State of Emergencies until September, semiconductor shortage and supply shortage caused by the spread of infection in Southeast Asia. As for private consumption, durable goods such as automobiles and semi-durable goods including clothing contributed negatively.
- Against the backdrop of the lifting of the SoEs and the effects of economic measures, the real GDP growth is expected to turn into positive growth in Oct. – Dec.

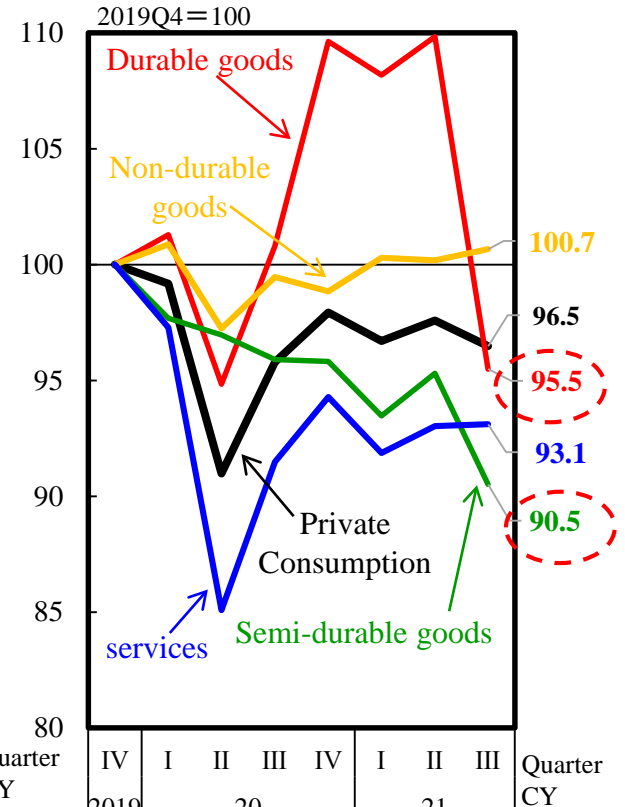
(1-1) Real GDP growth by country/region



(1-2) Real GDP growth rate



(1-3) Private consumption by form



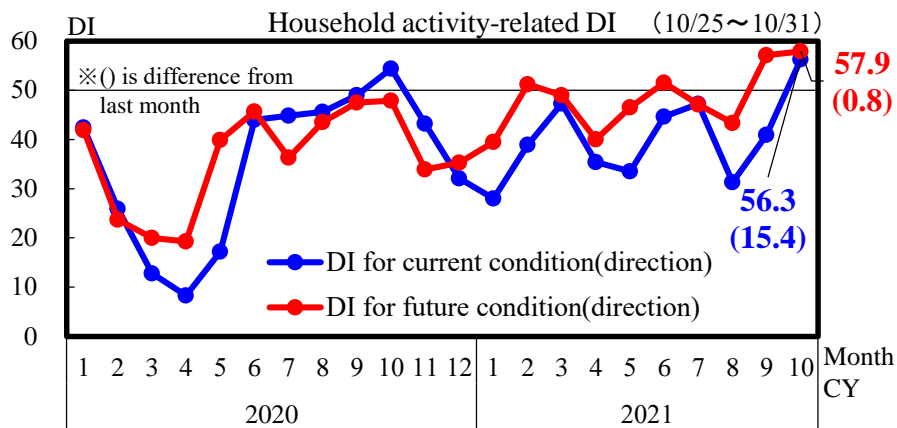
Source: Cabinet Office; US Department of Commerce; Eurostat; UK statistics Authority.

Note: "Private residential Investment and others" above includes private non-resi. investment and change in private inventories.

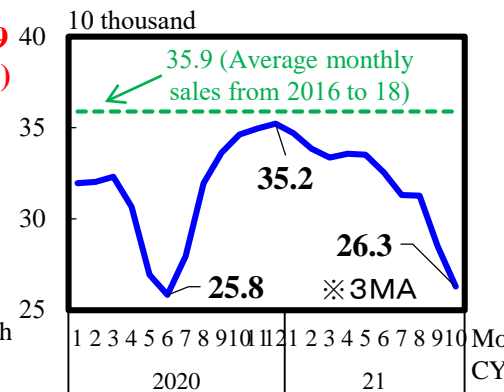
— Private consumption —

- In the October economy watchers survey, the household activity-related DI for current condition rose significantly due to the decrease in the number of infected people and the lifting of SoEs. Consumer confidence is showing movements of picking up.
- Weekly consumption expenditure shows a gradual recovery compared to the range of 2017-19 since the second half of October. Sales of new cars declined due to supply constraint.
- The occupancy rates of accommodations have continued to rise since October. Spending on eating-out and entertainment shows movements of picking up.
- Based on these results, private consumption shows movements of picking up, while some weakness remains.

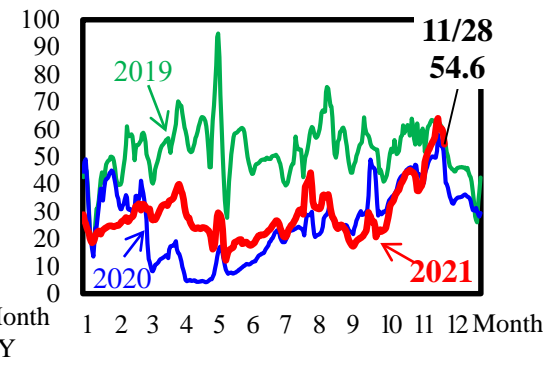
(2-1) Economy Watchers Survey



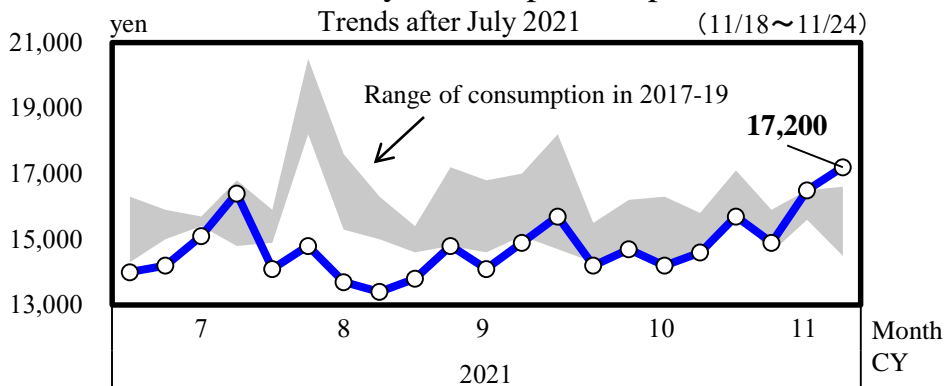
(2-3) Sales of new automobile



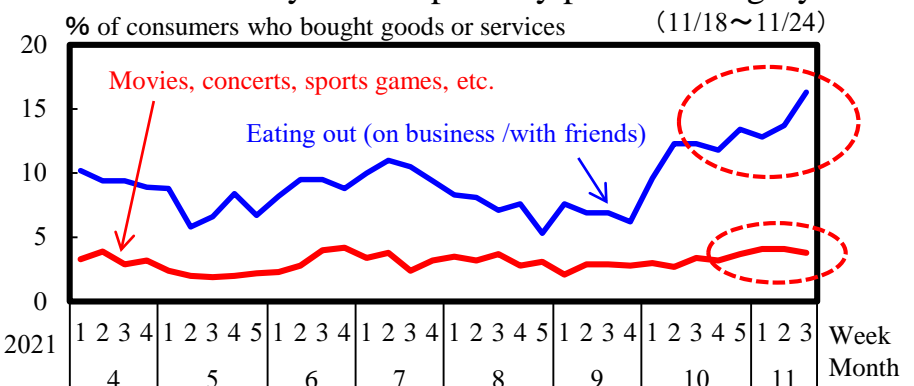
(2-4) Occupancy rates for accommodations



(2-2) Weekly consumption expenditure



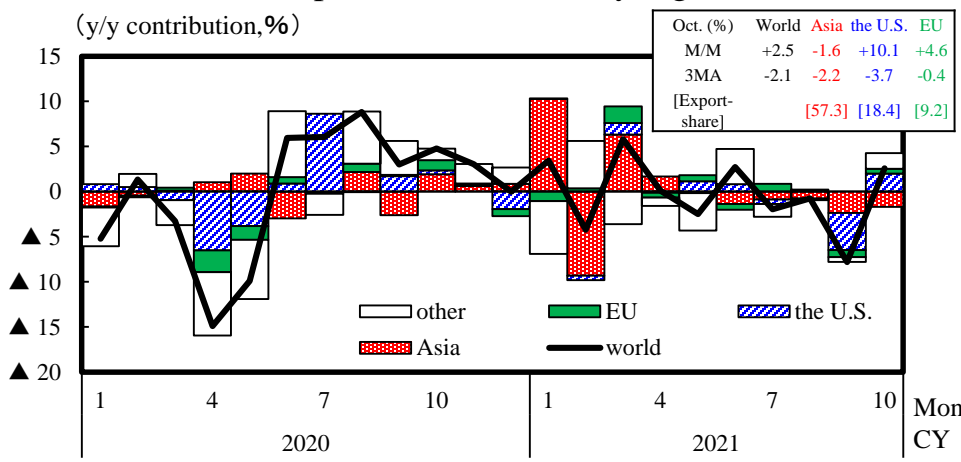
(2-5) Weekly consumption by product category



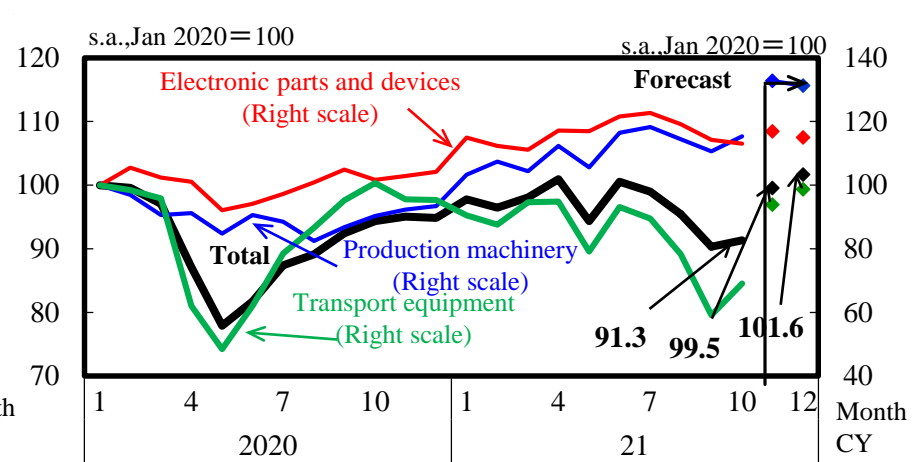
Exports & Industrial Production

- Exports to Asia have weakened due to slowdown in the recovery of the Chinese economy. Exports of automotive related goods decreased with reduction of production due to supply constraints.
- As for the industrial production, in addition to the decrease in automobile production, the increase in production machinery decelerated due to the slowdown in the recovery of the Chinese economy. Machine tool orders from Asia weakened while domestic demand is steady. In October, transport equipment and production machinery increased from the previous month.

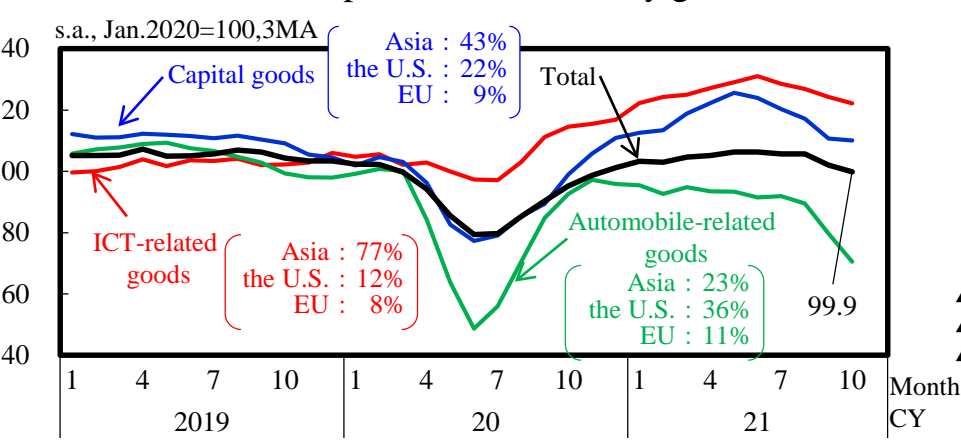
(3-1) Export volume index by region



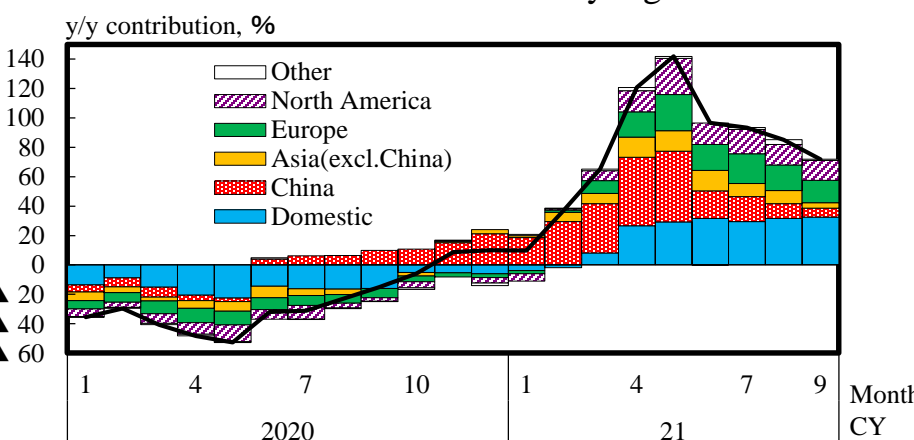
(3-3) Industrial Production



(3-2) Export volume index by goods



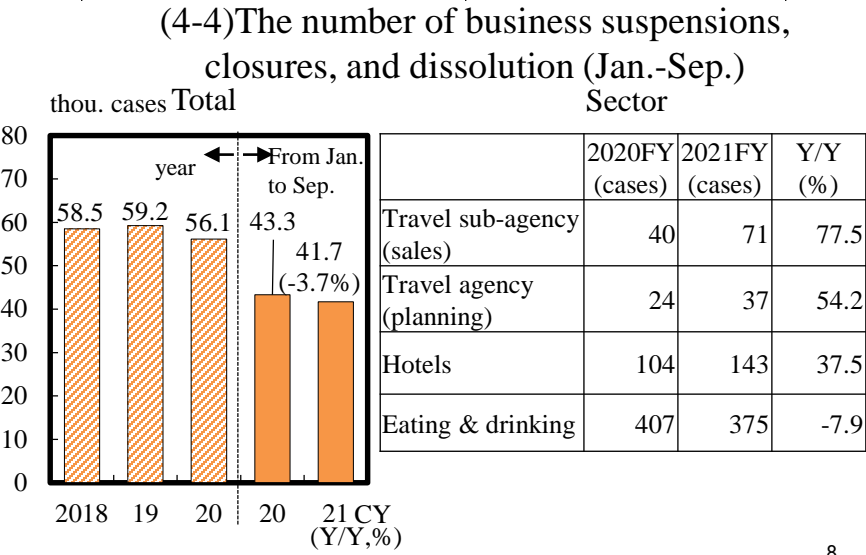
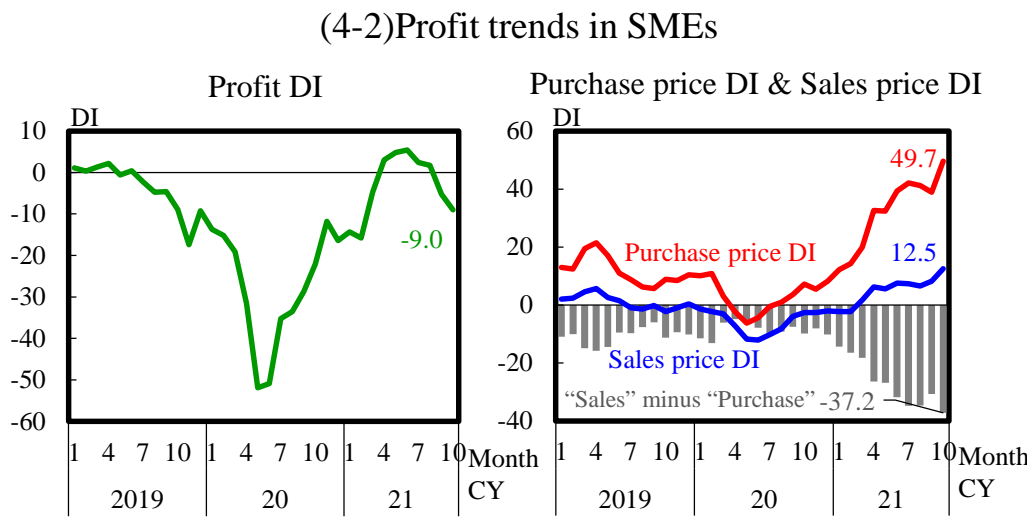
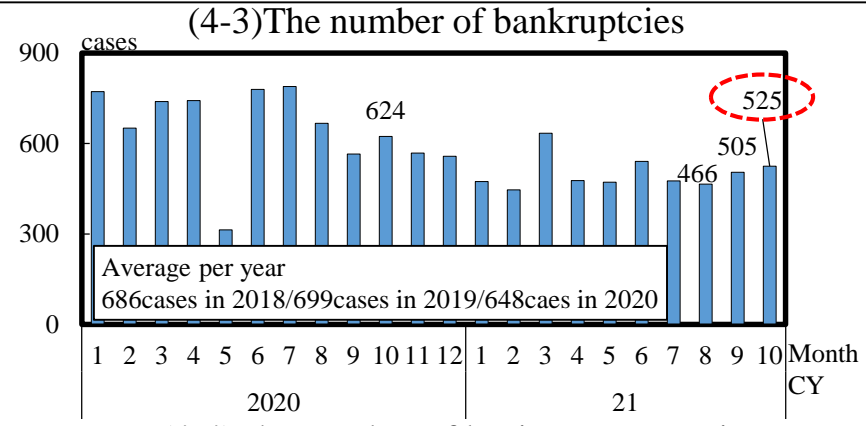
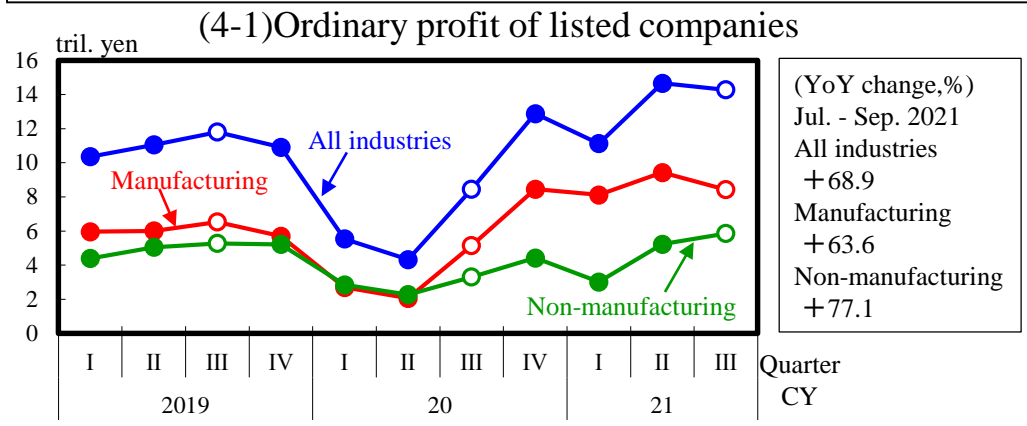
(3-4) Machine tool orders (by region)



Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; Japan Machine Tool Builders' Association.

— Trends in Business Activities —

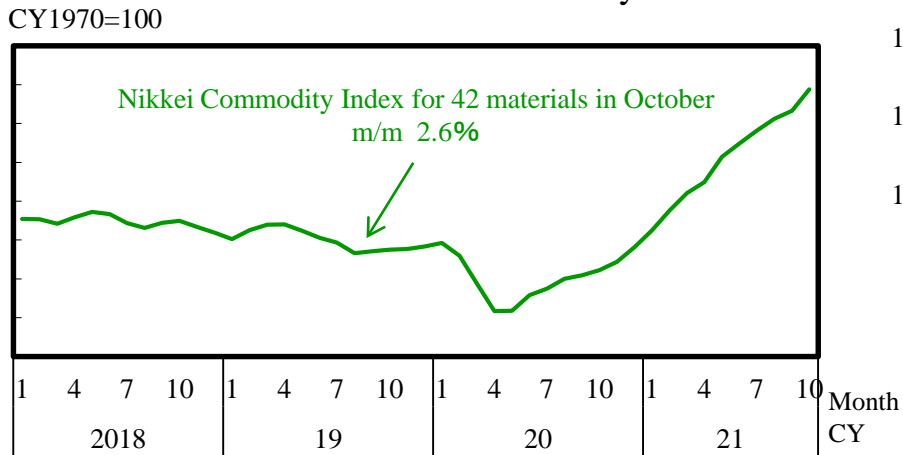
- Ordinary profit of listed companies in both manufacturing and non-manufacturing industries for Jul. – Sep. increased compared to the previous year.
- Profit DI worsens for SMEs in Oct. Purchase price DI is rising due to rising resource prices, while sales price DI shows a gradual increase. SMEs face difficulties on passing costs on to sales prices.
- The number of corporate bankruptcies remains at a low level with the government’s financial support. In the period from Jan. – Sep. of this year, the number of business suspensions, closures, and dissolutions remain at the lower level than the same period last year, though the number in tourism sector has increased from last year.



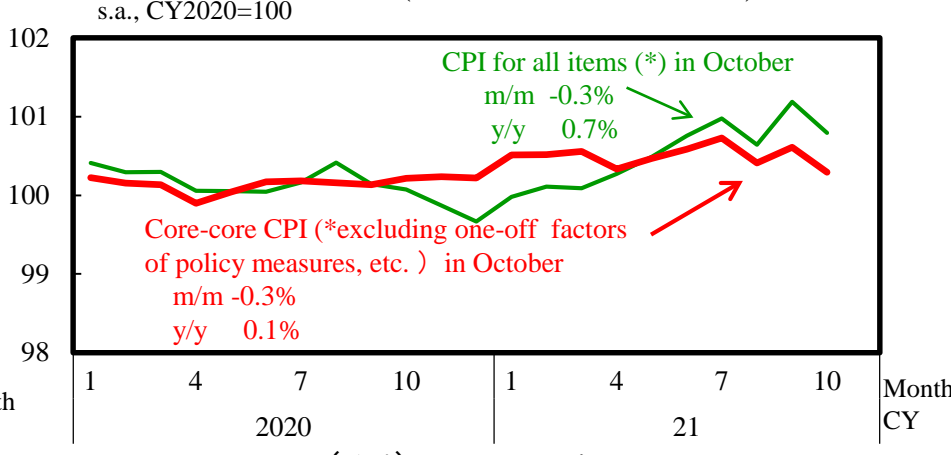
— Prices —

- Domestic commodity prices such as gasoline and steel are rising against a backdrop of the considerable rises of international commodity prices. Producer Price Index is also rising due to higher energy and metal prices.
- Core-core CPI shows steady movements. CPI for all items, which affect the public perception of current price levels, is rising moderately due to the rises in resource prices. Electricity price is expected to rise in the months ahead. Attention needs to be paid to the influence of the price hike on households' budget.

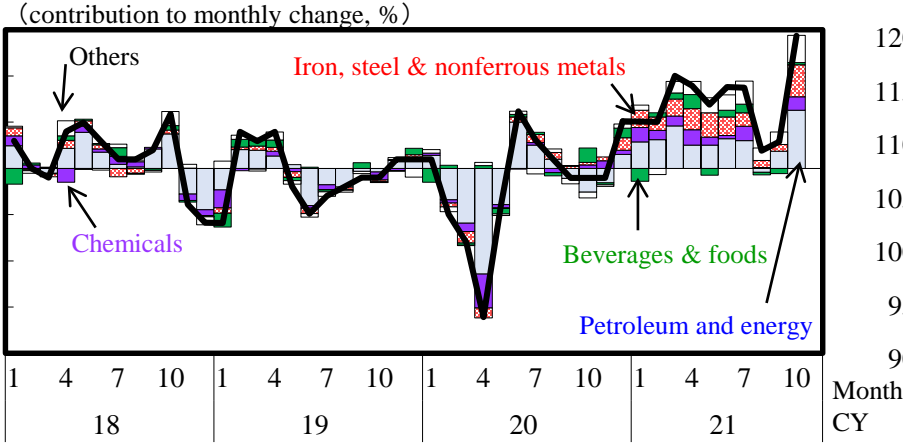
(5-1) Trend in domestic commodity market



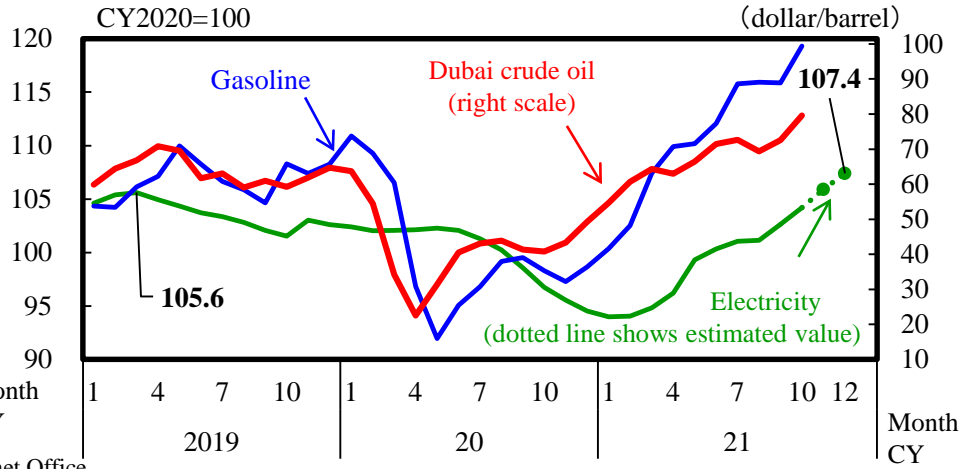
(5-3) CPI(Consumer Price Index)



(5-2) Producer Price Index



(5-4) Energy prices



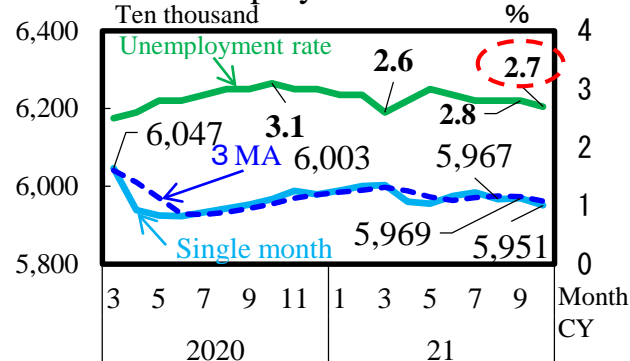
Source: Nikkei NEEDS; Ministry of Internal Affairs and Communications; Bank of Japan; Cabinet Office.
 Note: In CPIs, "one-off factors of policy measures, etc." means the direct effects of the Go to Travel Campaign and a decrease in telephone charges (mobile phone) in April 2021, etc. Core-core CPI excludes fresh food and energy prices. Producer price index excludes extra charges for summer electricity and the direct effects of the consumption tax increase. Estimated values for electricity are calculated by Cabinet Office.

— Employment Situation —

- Amid continued weakness in the employment situation, the number of people employed in October showed steady movements. In Jul. – Sep. in 2021, while the number of employees in Women (non-regular) decreased the number of employees in Women (regular) increased compared to 2019. Although the unemployment rate shows steady movements in 2.7%, long-term unemployed increased mainly among men.
- The number of firms offering job openings at Public Employment Security Office is picking up in November, though the level is lower, compared to the same month of 2019.
- Total cash earnings in September continuously increased from a year ago. The real wage income of employees is generally regaining the level of pre-COVID-19.

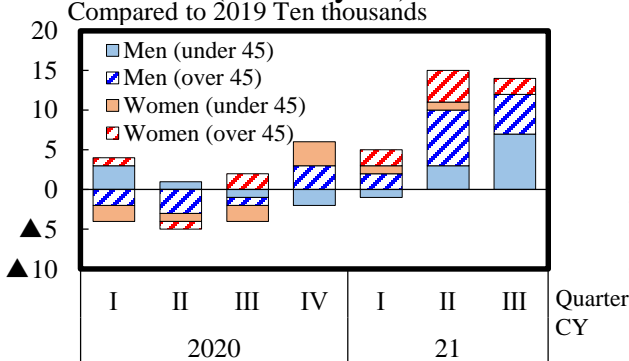
(6-1) Number of employees and

Unemployment rate



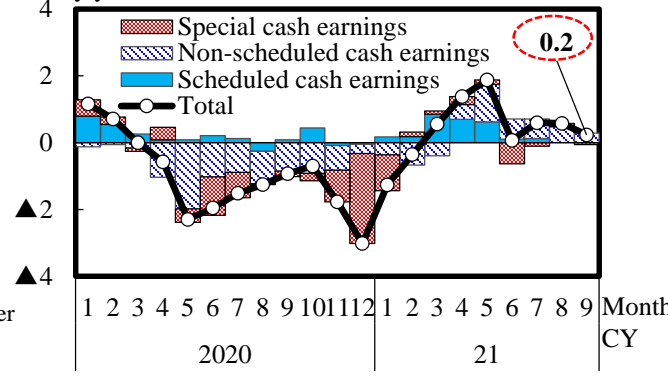
(6-3) Long-term unemployed

(Over a year)



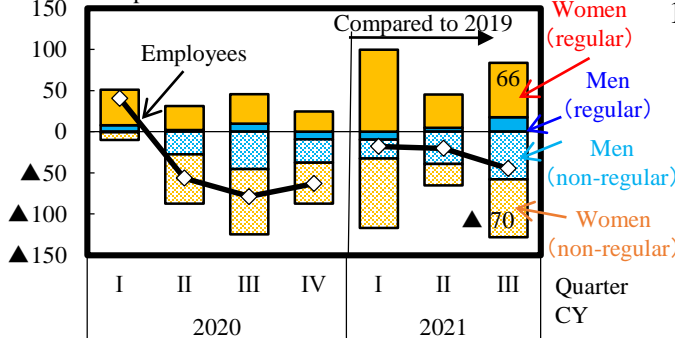
(6-5) Total cash earnings

y/y contribution, %



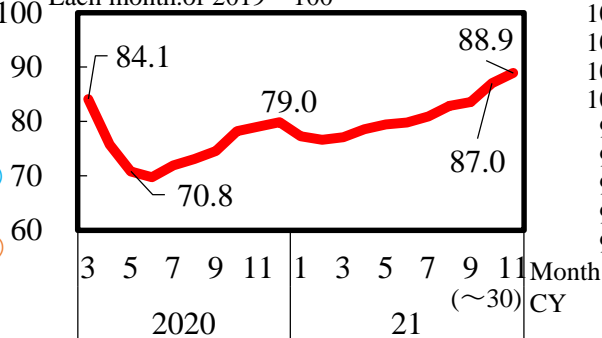
(6-2) Number of employees by gender and employment status

Compared to 2019 Ten thousands



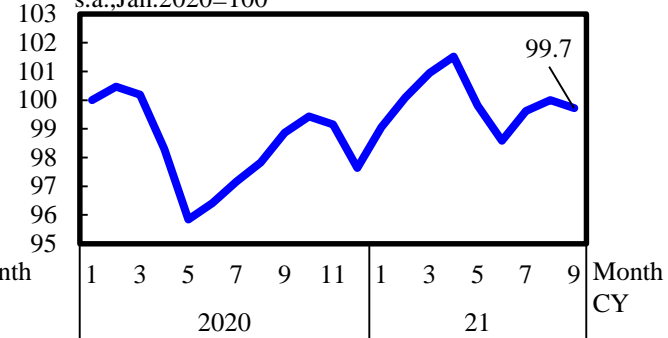
(6-4) The number of firms offering the active job openings at Public Employment Security Office

Each month of 2019 = 100



(6-6) The real wage income of employees

s.a., Jan. 2020 = 100

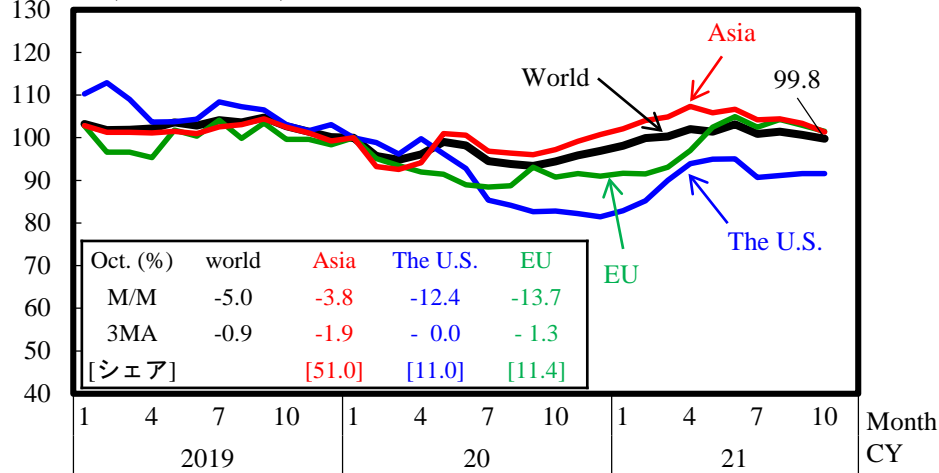


Reference

(7-1) Imports are in a weak tone recently

Import volume by region

(s.a., Jan.2020=100, 3MA)

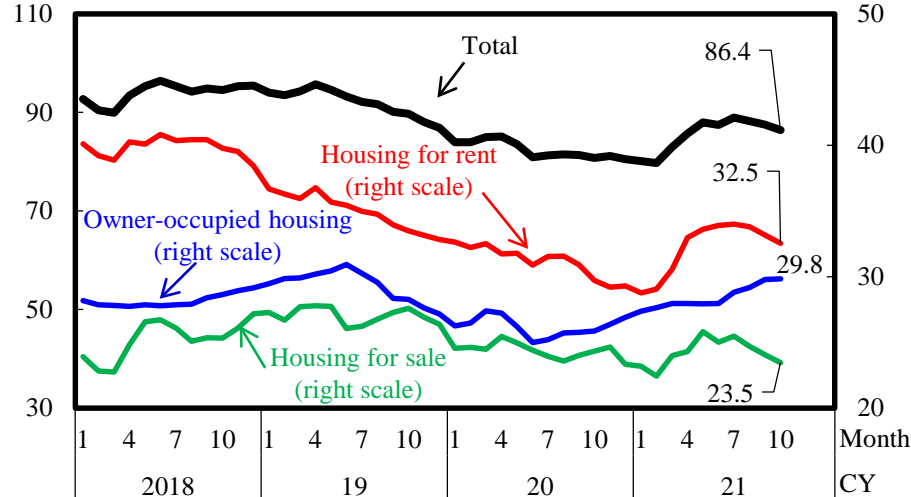


(7-3) Housing investment has been showing movements of picking up recently.

Housing construction starts

s.a., ann., ten thousand units, 3MA

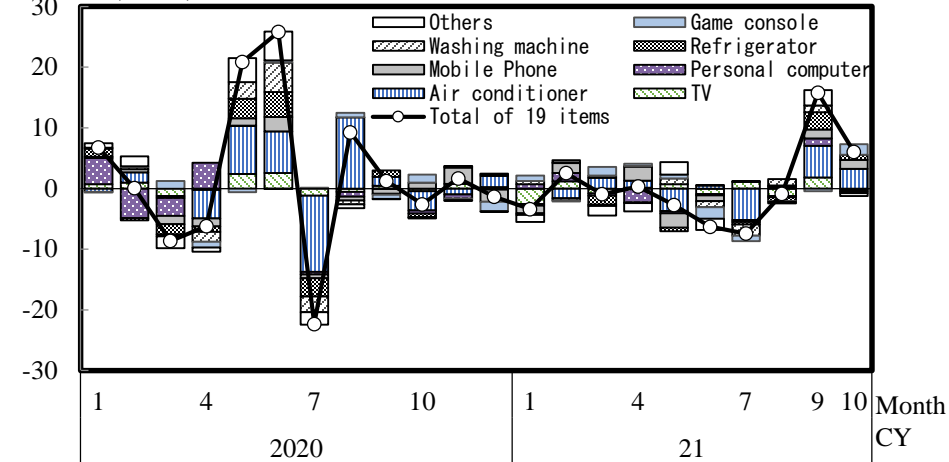
s.a., ann., ten thousand units, 3MA



(7-2) Sales of home appliances is showing movements of picking up recently.

Sales of 19 home appliances

s.a., m/m., %



(7-4) Business investment is picking up.

Machinery investment and orders (exc. volatile orders)

2015CY=100

Billion yen

