

**Recent Economic Developments**  
**- Monthly Economic Report, January 18 2022 -**

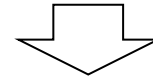
**January 27, 2022**

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

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

November

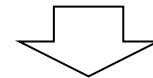
The Japanese economy continues to show weakness in picking up, although the severe situation due to the Novel Coronavirus is gradually easing.



December

The Japanese economy shows movements of picking up recently as the severe situation due to the Novel Coronavirus is gradually easing.

**(Changed)**



January

The Japanese economy shows movements of picking up recently as the severe situation due to the Novel Coronavirus is gradually easing.

**(Unchanged)**

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

	November	December	January
Private consumption	Private consumption shows movements of picking up, while some weakness remains.	Private consumption is picking up recently. ( ↑ )	Unchanged
Business investment	Business investment is picking up.	Business investment appears to be pausing for picking up. ( ↓ )	Unchanged
Exports	Exports are almost flat.	Unchanged	Unchanged
Industrial production	Industrial production appears to be pausing for picking up.	Unchanged	Industrial production shows movements of 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.	Firms' judgments on current business conditions show movements of picking up. ( ↑ )	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.	Employment situation shows picking up in some components such as job offers, while weakness remains due to the influence of the infectious disease. ( ↑ )	Unchanged
Prices	Consumer prices show steady movements.	Unchanged	Unchanged

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

## <Short-term prospects>

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.

December

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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 all possible measures against infectious diseases and continuing economic and social activities. However, full attention should be given to the further increase in downside risks due to the effects of the Novel Coronavirus and supply-side constraints and raw material prices. Also attention should be given to the effects of fluctuations in the financial and capital markets.

# <Policy stance>

(Monthly Economic Report, January 18, 2022)

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.

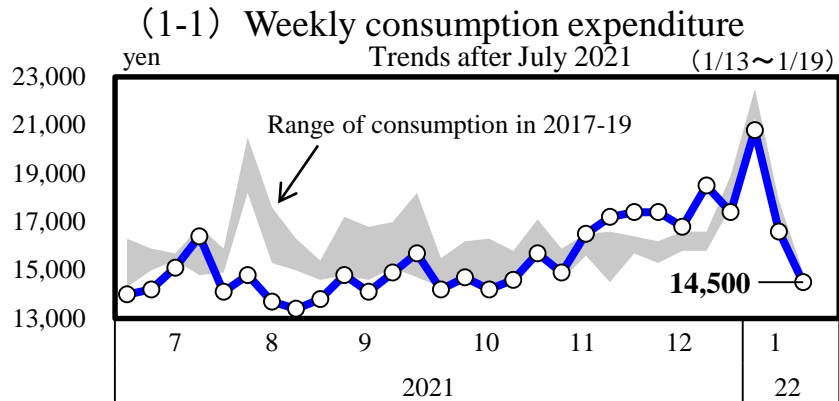
The Government decided to implement priority measures such as for prevention of the spread of disease in designate 3 prefectures from January 9 through 31. The Government will ensure that the medical systems established to prepare for the re-spread of infections are run properly. In addition, the Government will maintain the framework for border control measures and further strengthen the series of steps of prevention, testing, and early treatment to prepare for the worst-case scenario. Regarding the COVID-19 vaccine, the pace of the third dose for medical personnel and the elderly will be further accelerated, and after March, the third dose for the general public will also be accelerated, and the Government will create an environment where socioeconomic activities can continue as much as possible, ensuring safety and security.

The Government will support the current economy while paying close attention to downside risks. Even in a situation where the infection is re-spreading, 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 implement the "Economic Measures for Overcoming Coronavirus Infections and Opening Up a New Era" (November 19th, Cabinet Decision) and the FY2021 supplementary budget swiftly and properly, and work for early passage of the FY2022 budget and the related bills.

The Bank of Japan continues monetary easing with a view to doing its utmost to support financing mainly of small and medium-sized 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 —

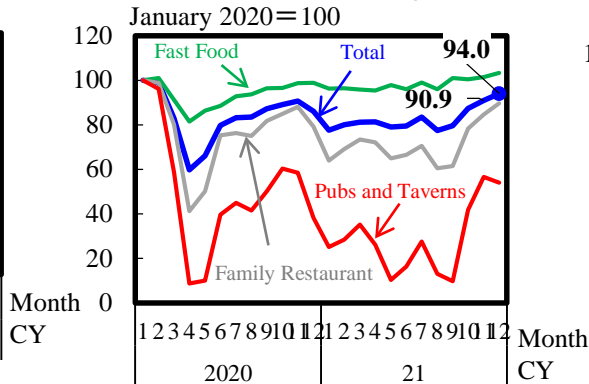
- Private consumption is picking up. Weekly consumption expenditure has been almost the same level as normal years (2017-19) since late December last year. Year-end and New Year sales are reported to be stronger than last year.
- Service consumption for eating-out and travel continues to pick up. Year-end and New Year's transportation usage figures, while lower than FY2019, recovered to a level well above last year.
- The flow of people in retail and entertainment facilities during the year-end and New Year holidays increased from last year. It is important to create an environment where socioeconomic activities can continue as much as possible by taking all possible measures to strengthen the medical care delivery system, promote vaccination, and secure therapeutic drugs.



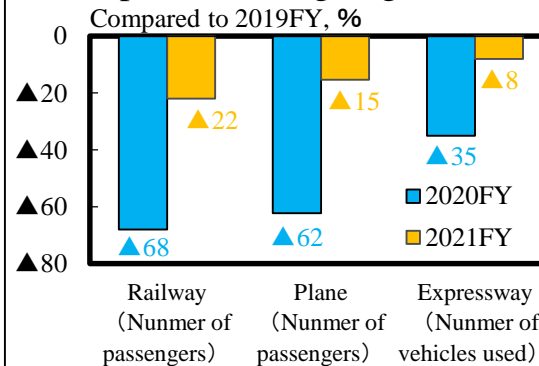
(1-2) Comments from firms about Year-end and New Year consumption trends

- <Department store>
  - In the Christmas shopping season, the day of the event was a Saturday this year. As a result, Christmas cake sales were up 10% from the previous year, with both advance reservations and sales on the day being brisk. Reservations for Osechi dishes also exceeded the previous year's level.
- <Consumer electronics store>
  - Sales at the beginning of the year were higher than the previous year, though not as high as two years ago. Air conditioners sold well due to the drop in temperature.
- <Food service industry>
  - Sales of eating-out, including take-out, was strong due to an increase in the number of occasions for relatives to gather after returning home for the first time in two years.

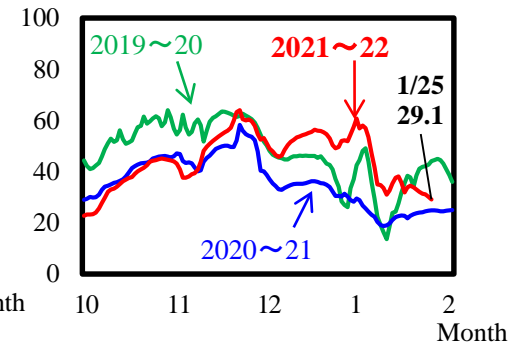
(1-3) Sales of eating-out



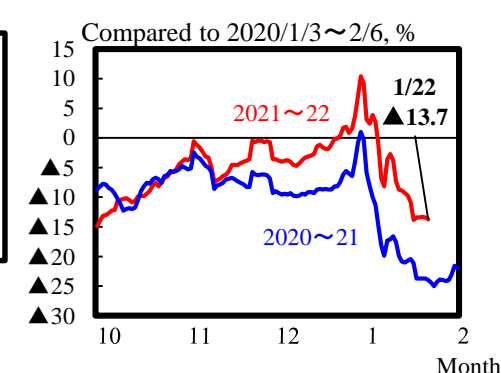
(1-5) Year-end and New Year's transportation usage figures



(1-4) Occupancy rates for accommodations



(1-6) Community mobility trends for retail and entertainment

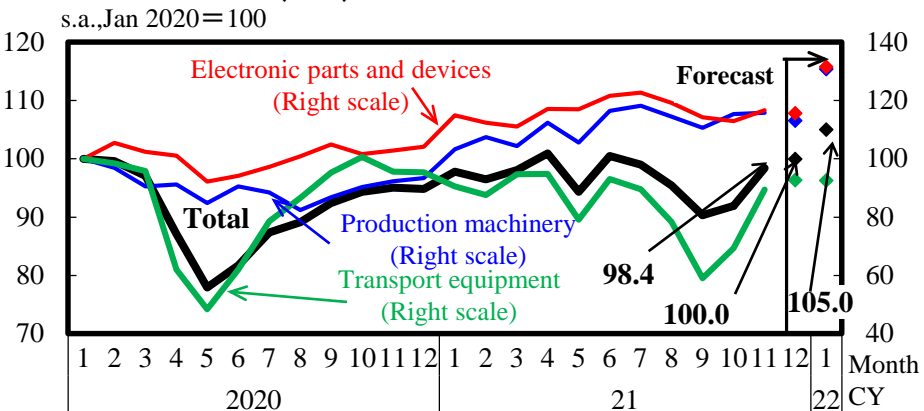


Sources: Macromill, Inc. ; Published documents from firms ; Japan Foodservice Association ; Kyushu Economic Research Center ; Google LLC;

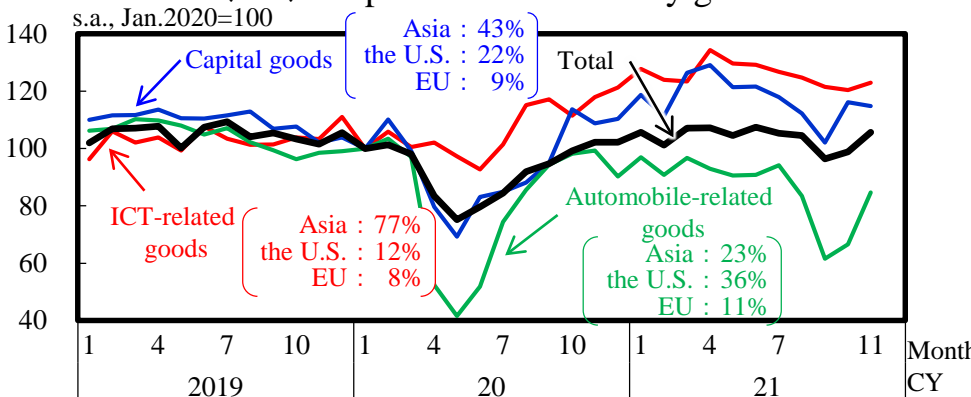
# Industrial Production & Exports

- Industrial production is picking up. As the shortage of parts supply has eased, transportation machinery has picked up, and the recovery has begun to spread to other industries such as plastic products and steel and non-ferrous metals.
- Exports are almost flat. While automobile-related goods are picking up, capital goods are slowing down, and ICT-related goods are almost flat. However, exports of ICT-related goods are expected to increase due to the expansion of digital-related demand, including 5G base stations and components of cell phones. 5G-related investment is expected to increase further worldwide.

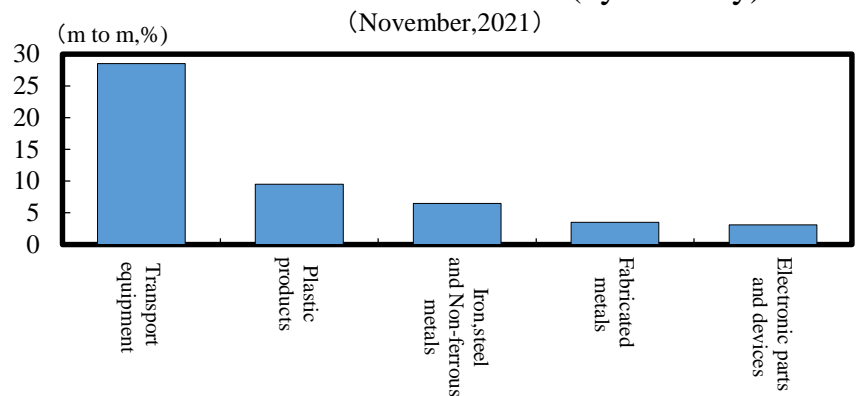
(2-1) Industrial Production



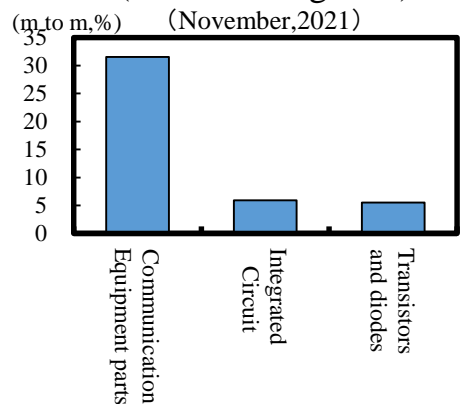
(2-3) Export volume index by goods



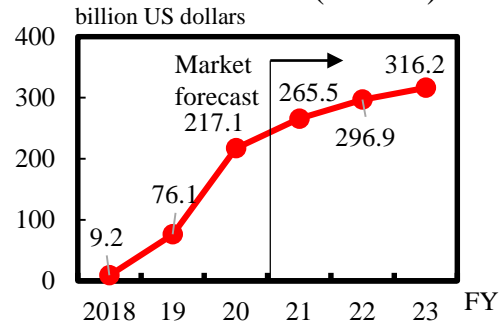
(2-2) Industrial Production (by industry)



(2-4) Export Production (ICT-related goods)



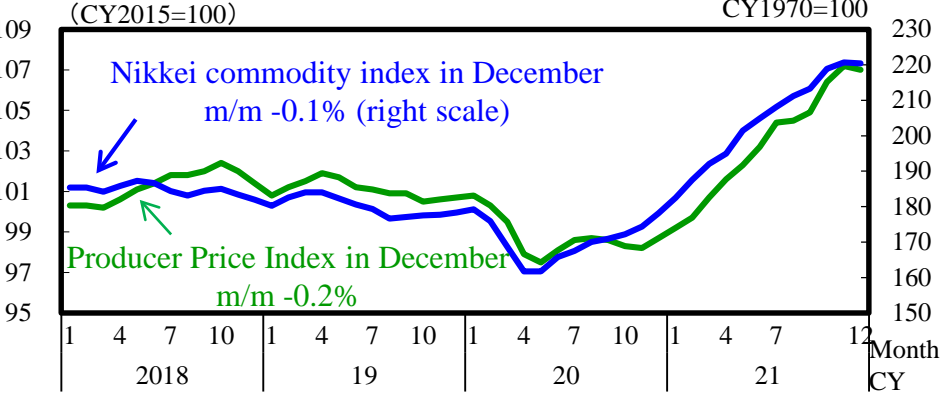
(2-5) 5G Base Station Market volume (Global)



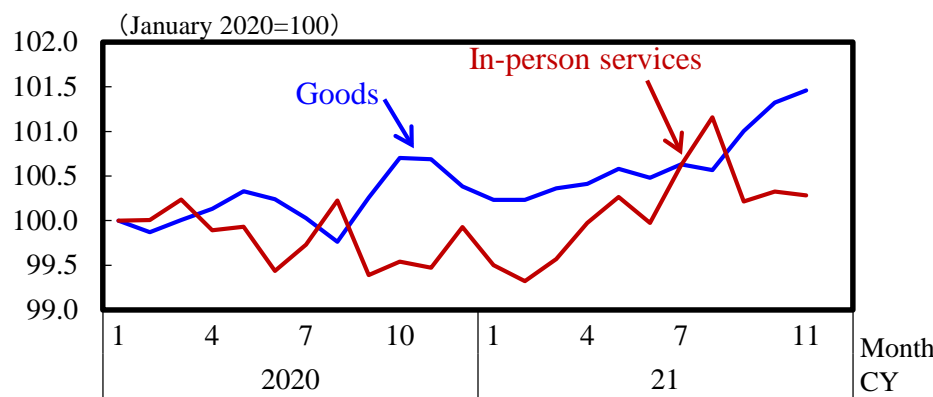
— Prices —

- Producer prices are rising at a slower pace recently due to the decelerated rise in commodity prices.
- Core-core CPI (excluding fresh foods and energy prices) shows steady movements. CPI for all items rises moderately due to the higher energy and commodity prices.
- Prices of in-person services rise at a slower pace than those of goods. Differences between output price diffusion index (DI) and input price DI are getting greater in such industries as hotels/restaurants and transportation/postal services. Progress in the pass-through of cost changes to prices is important.

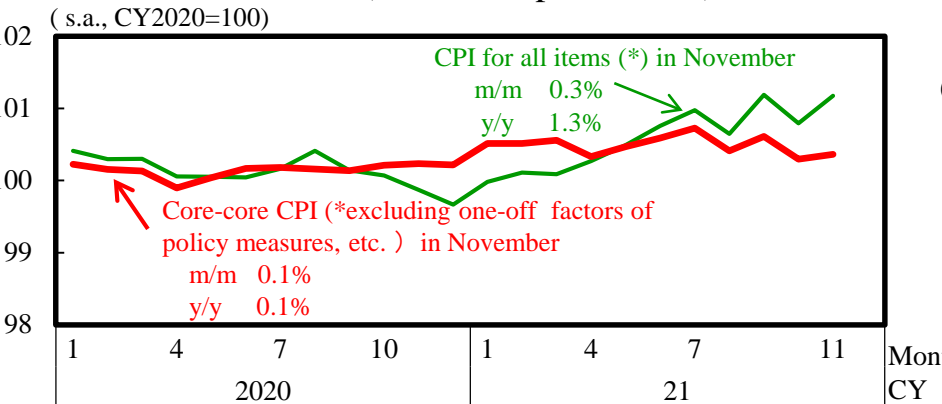
(3-1) Producer price index/ Nikkei commodity index for 42 materials



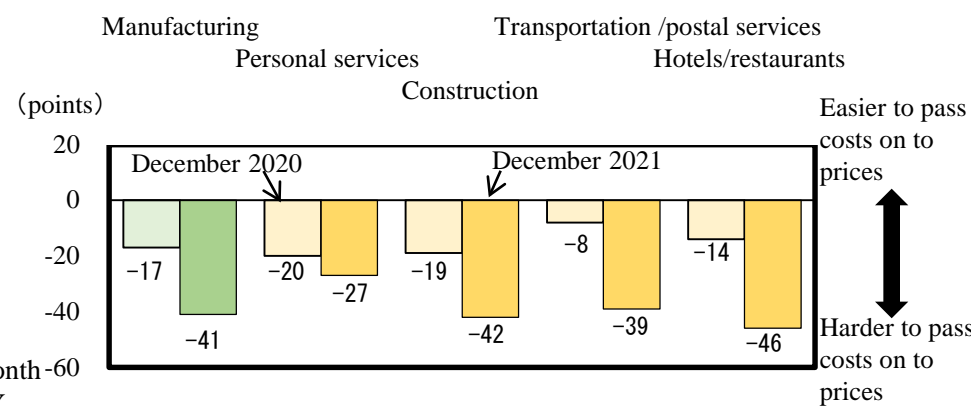
(3-3) CPI (Goods/ In-person services)



(3-2) CPI(Consumer price index)



(3-4) Output price DI minus input price DI



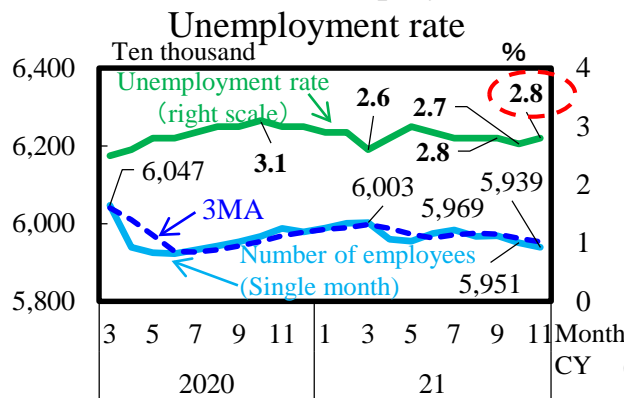
Source: Nikkei NEEDS; Ministry of Internal Affairs and Communications; Bank of Japan; Cabinet Office.  
 Note: In CPIs, "one-off factors of policy measures, etc." means the direct effects of the Go to Travel Campaign and a decrease in telephone charges (mobile phone) in April 2021, etc. Core-core CPI 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.



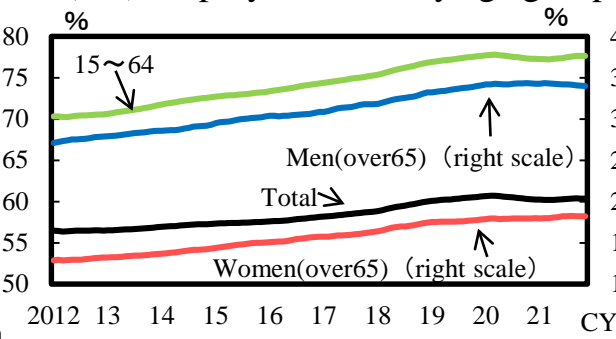
# — Employment Situation —

- The employment situation is picking up such as job offers, while weakness still remain. The number of employees and unemployment rate are almost flat in November. The number of firms offering job openings at Public Employment Security Office is picking up.
- The employment rate of the elderly (over 65) has been on an improving trend as employment opportunities for the elderly have been secured, but the rising tempo has slowed down after the spread of the infection. By industry, the number of them employed by food business and construction decreased, while by medical and retail increased.
- Total cash earnings in November was flat year-on-year. The hourly wages for part-time workers have improved significantly since October, when the state of emergency was lifted, due to a shortage of labor caused by a rapid recovery in demand.

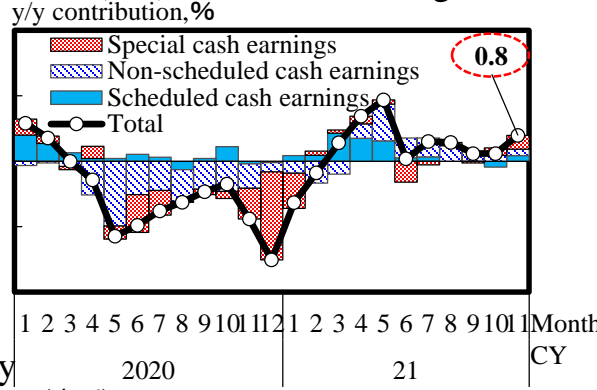
(4-1) Number of employees and unemployment rate



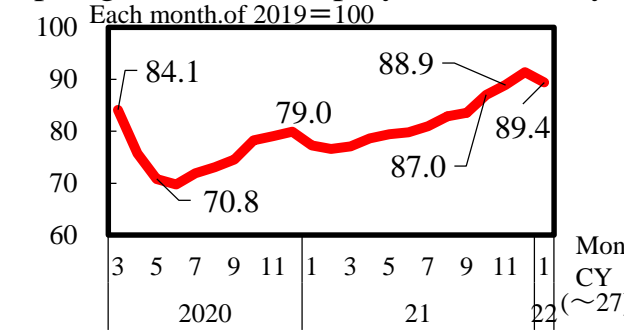
(4-3) Employment rate by age group



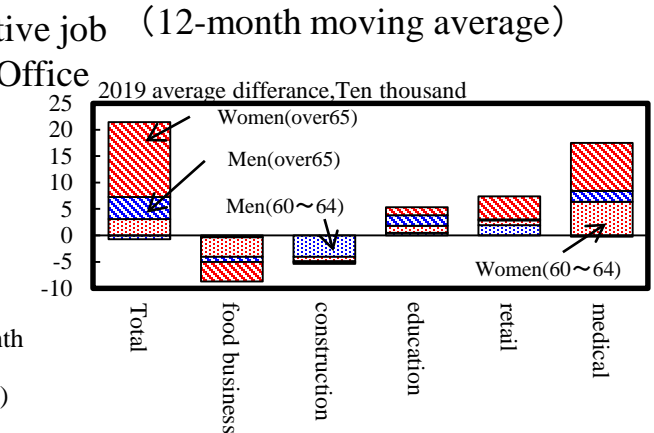
(4-5) Total cash earnings



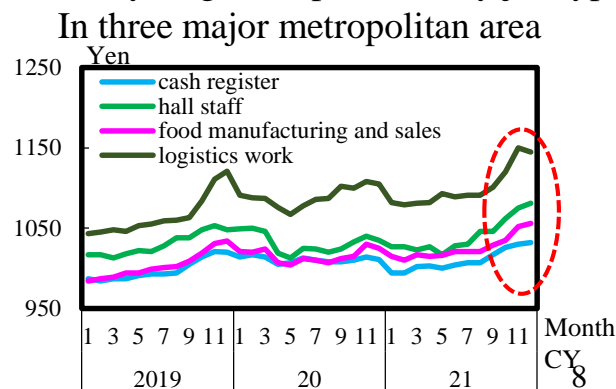
(4-2) The number of firms offering the active job openings at Public Employment Security Office



(4-4) Number of elderly employees by industry (12-month moving average)



(4-6) The hourly wages for part-time by job type

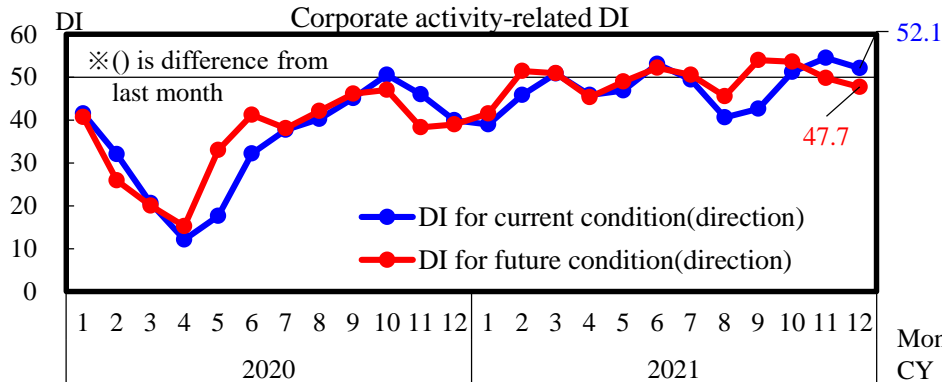


Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications; Jobs Research Center

# — Trends in Business Activities —

- Firms' judgments on current business conditions show movements of picking up. Looking at corporate activity-related DI in Economy Watchers Survey, DI for current condition continues to exceed the threshold value of 50. On the other hand, DI for future condition is below the threshold value of 50, indicating caution about the spread of infection in Omicron stocks, rising raw material prices, and shortages of goods, including semiconductors.
- Business investment is expected to increase in FY2021, especially in software investment. Firm-based training is found to reinforce the effect of software investment on productivity, which points to the importance of investing in human capital in order to maximize the positive impact of digitalization.

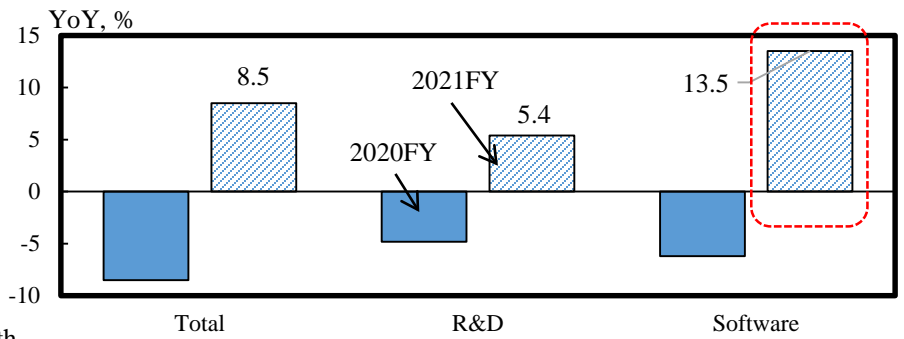
(5-1) Economy Watchers Survey



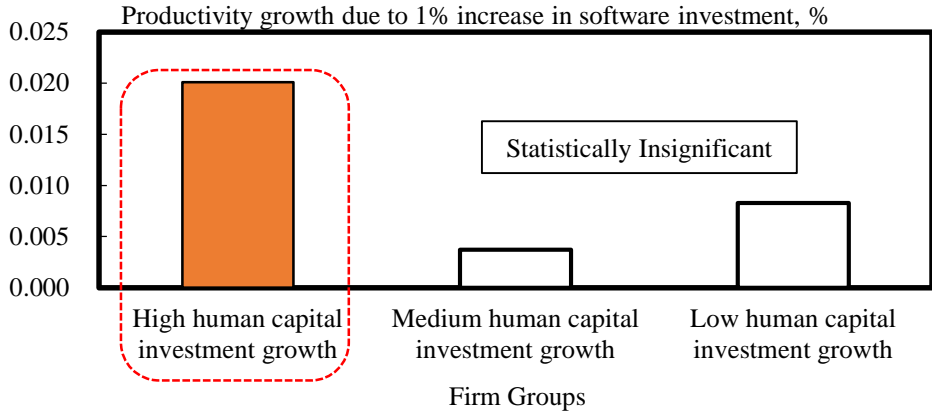
(5-2) Items in short supply

Goods	Main factor
<b>semiconductor</b>	Demand for semiconductors is growing in a wide range of fields, from automobiles to home appliances.
<b>Urea water</b>	A shortage of coal, the raw material for urea water, has led to restrictions on the export of urea water in China.
<b>chicken</b>	Shutdown of meat plants due to lockdown in Thailand, a major import destination.
<b>Water heater</b>	Shutdown of parts plants in Vietnam due to lockdown.

(5-3) Business Investment Plan (BOJ Tankan)



(5-4) Complementarities between Training and Software Investment

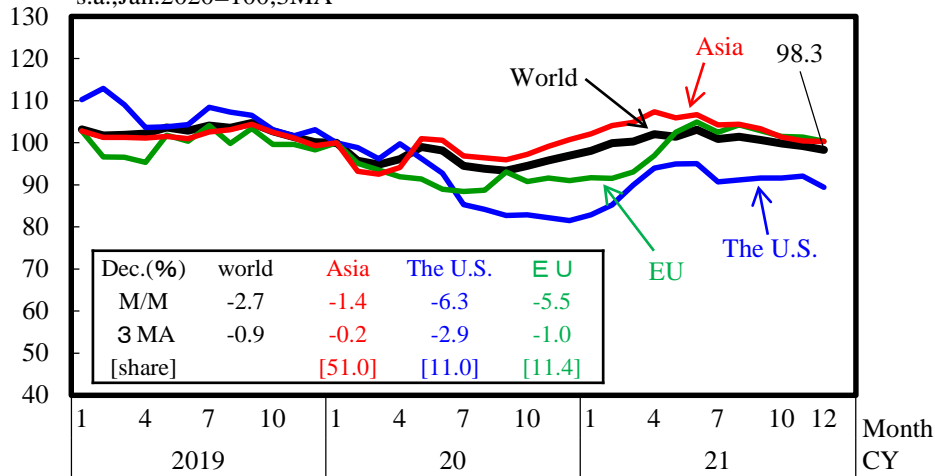


# Reference

## Imports are in a weak tone

### Import volume by region

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

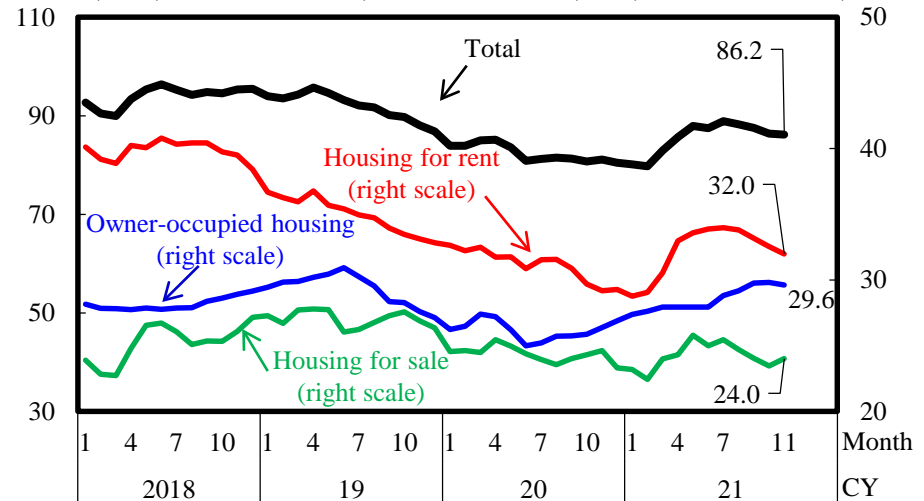


## Housing investment is almost flat.

### Housing construction starts

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

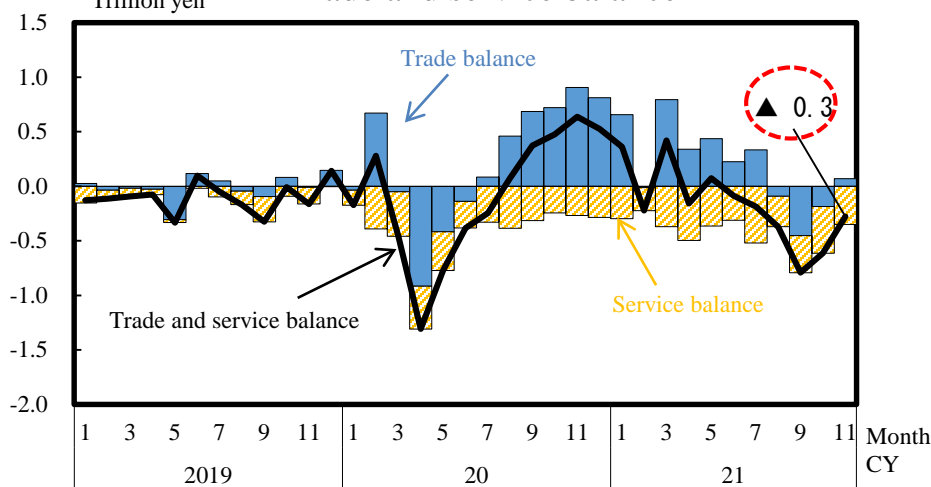
s.a., ann., ten thousand units, 3MA



## Trade and service balance is in deficit

### Trade and service balance

Trillion yen



## The number of corporate bankruptcies is almost flat.

### The number of bankruptcies

cases

