

# **Recent Economic Developments**

**- Monthly Economic Report, April 21 2022 -**

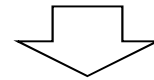
**May 9, 2022**

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

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

February

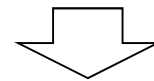
The Japanese economy continues to show movements of picking up, although some weaknesses are seen as a severe situation due to the Novel Coronavirus remains.



March

The Japanese economy continues to show movements of picking up, although some weaknesses are seen as a severe situation due to the Novel Coronavirus remains.

**(Unchanged)**



April

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

**(Changed)**

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

	February	March	April
Private consumption	Private consumption appears to be pausing for picking up recently.( ↓ )	Unchanged	Private consumption shows movements of picking up recently.( ↑ )
Business investment	Business investment shows movements of picking up.( ↑ )	Unchanged	Unchanged
Exports	Exports are almost flat.	Unchanged	Unchanged
Industrial production	Industrial production shows movements of picking up.	Unchanged	Unchanged
Corporate profits	Corporate profits are picking up, although some weaknesses remain in non-manufacturers due to the influence of the infectious disease.	Corporate profits are improving as a whole, although some weaknesses remain in non-manufacturers due to the influence of the infectious disease.( ↑ )	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions show movements of picking up.	Firms' judgments on current business conditions appear to be pausing for picking up.( ↓ )	Unchanged
Employment situation	Employment situation shows picking up 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.	Consumer prices are rising moderately recently.( → )	Unchanged

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

## <Short-term prospects>

February

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 spread of 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.

March

The economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while all possible measures are being taken against infectious diseases and economic and social activities move toward normalization. However, full attention should be given to the further increase in downside risks due to rising raw material prices and fluctuations in the financial and capital markets and supply-side constraints while the uncertainties surrounding the state of affairs of Ukraine. Also attention should be given to the effects of the Novel Coronavirus.

April

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# <Policy stance>

(Monthly Economic Report, April 21, 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.

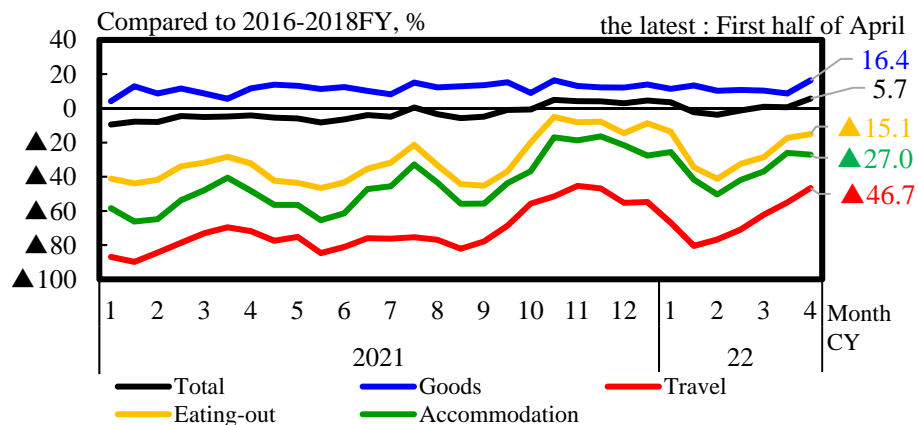
The Government will implement the “Economic Measures for Overcoming Coronavirus Infections and Opening Up a New Era”, the FY2021 supplementary budget, and the FY2022 budget swiftly and properly. Also, the Government will steadily implement the emergency measures to respond to oil prices hike, which compiled on March 4. Furthermore, in order to respond urgently and agilely to the impact of soaring crude oil prices and commodity prices triggered by the situation in Ukraine on people's lives and economic activities, and to ensure the recovery of socio-economic activities from the COVID-19 crisis, the Government will compile comprehensive emergency measures to counter sharply rising crude oil prices, commodity prices, and the like, within April.

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.

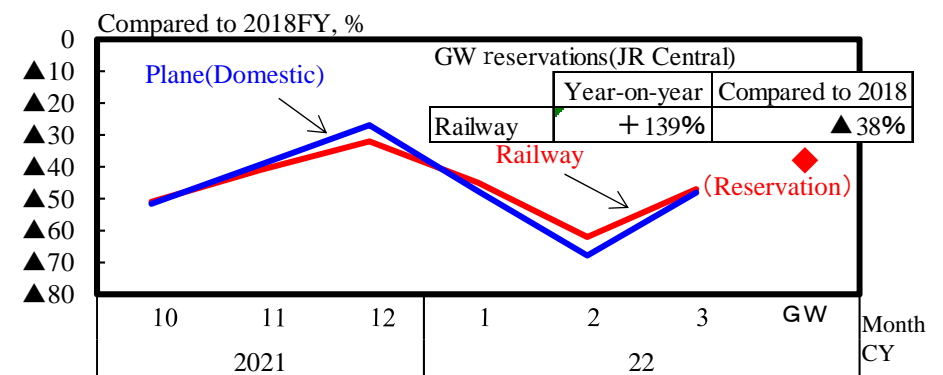
## — Private consumption —

- Private consumption shows movements of picking up recently. Consumption of services such as eating-out and travel shows movements of picking up, partly due to the lifting of quasi-emergency measures for COVID-19. Weekly consumption expenditure is gradually improving through April.
- Transportation usage was up in March, and train reservation for the Golden Week (GW) period is also higher than the previous year.
- On the other hand, against a backdrop of rising prices of lifestyle-related products, etc consumer confidence is in a weak tone and its impact on future consumption should be noted.

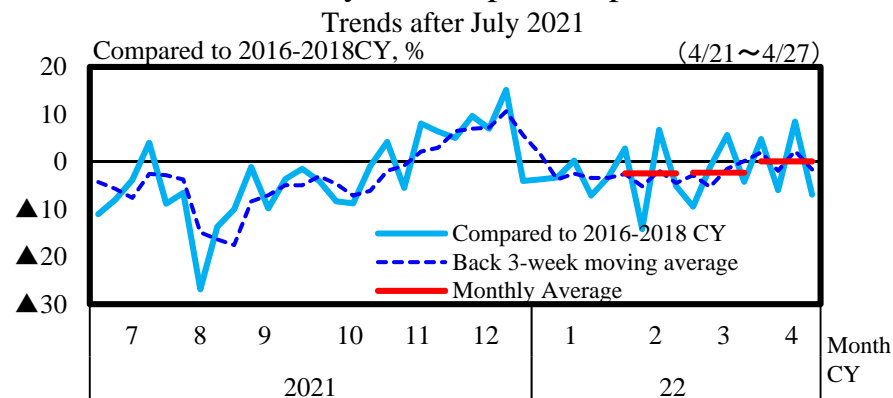
(1-1) Consumption based on credit card expenditures



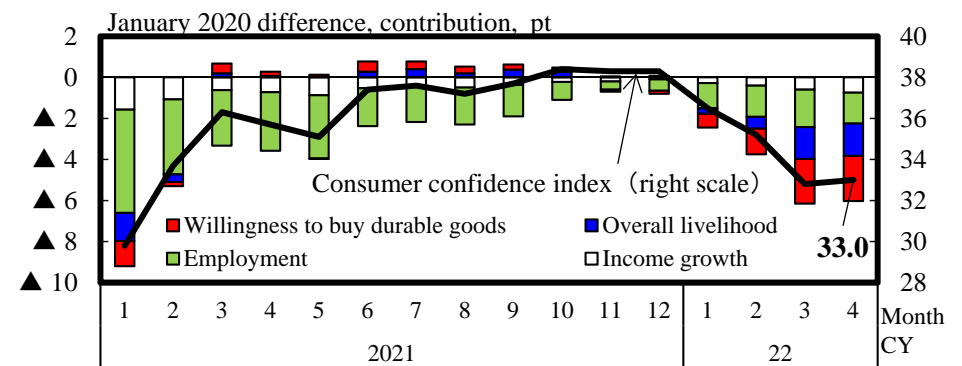
(1-3) Transportation usage



(1-2) Weekly consumption expenditure



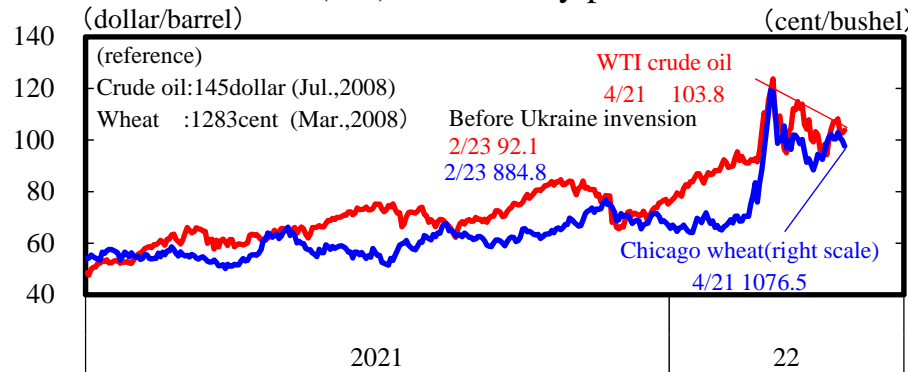
(1-4) Consumer confidence as measured by Consumer confidence index



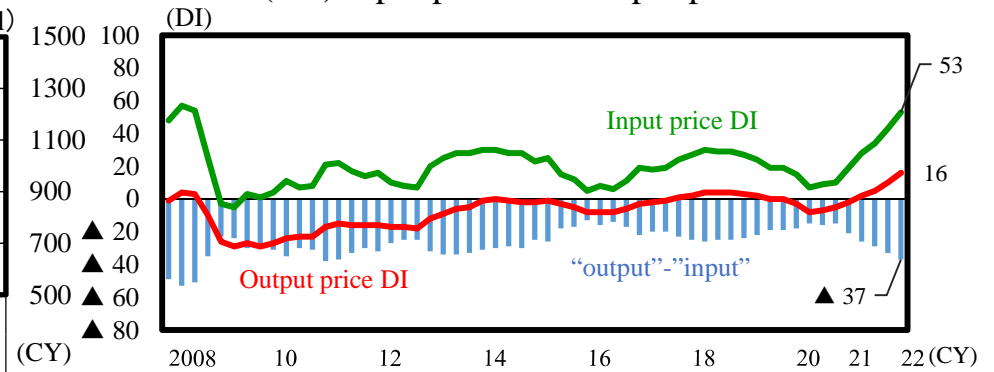
## — Prices —

- Commodity market prices, including Crude oil and grains remain high and unstable due to the situation in Ukraine. Producer prices continue to rise, and the number of items with rising prices is increasing.
- Output price DI of companies is the highest level since 1980. However, input price DI has also continued to rise. Therefore, attention should be paid to the impact of the rise in producer prices on corporate profits.
- CPI for all items is rising at an increasing rate due to the higher energy and foods prices.

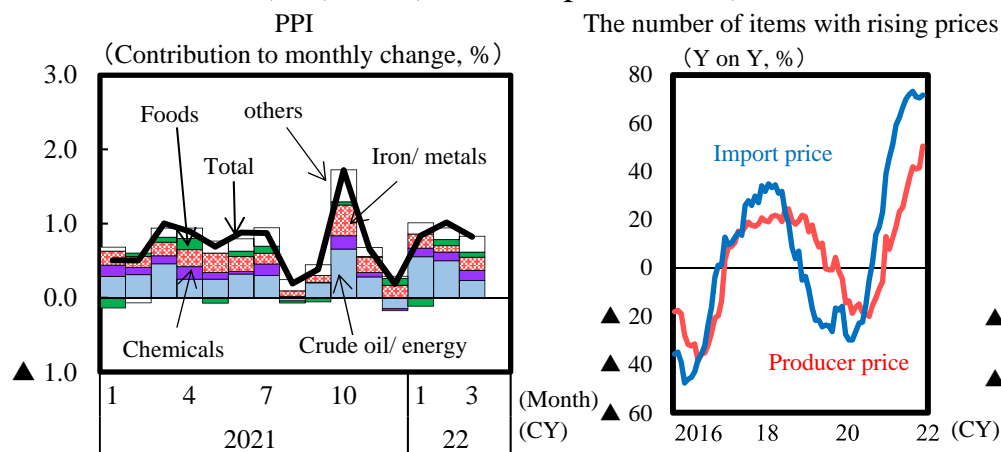
(2-1) Commodity prices



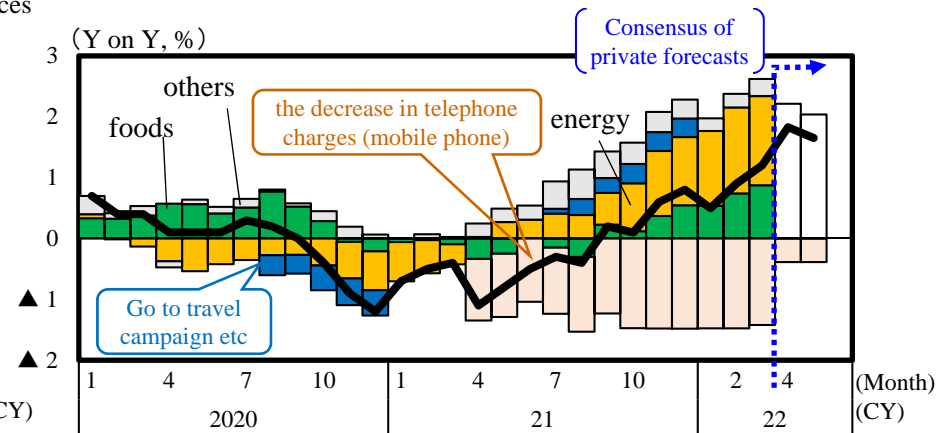
(2-3) Input price DI/ Output price DI



(2-2) PPI (Producer price index)



(2-4) CPI (Consumer price index)



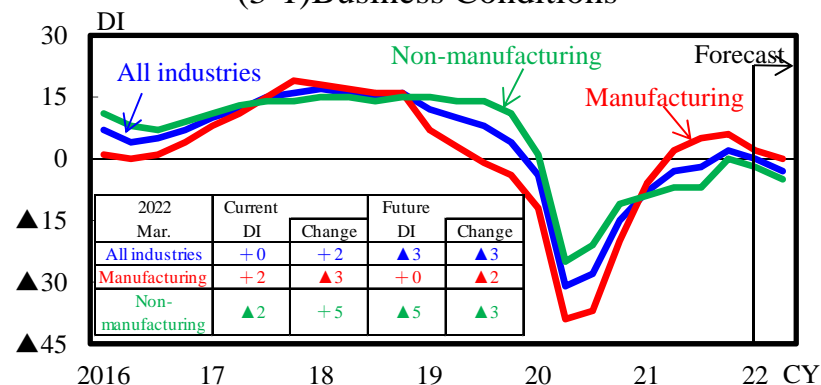
Source : Bloomberg, Ministry of Internal Affairs and Communications, Bank of Japan, Japan Center for Economic research.

Note : The CPI's forecast is calculated by using the forecasted consumer price inflation rate (core) in the ESP Forecast Survey (year-on-year, quarterly basis), and the telephone charges (mobile phone) is assumed to remain unchanged from the March 2022 level.

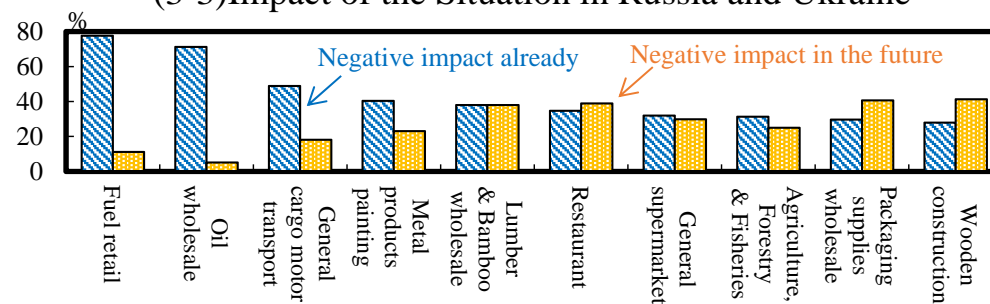
## — Trends in Business Activities —

- Firms' judgments on current business conditions appear to be pausing for picking up. According to the BOJ Mar. Tankan survey, they declined in many industries due to infectious diseases and rising raw material prices, and are expected to decline due to the situation in Ukraine.
- According to a private research firm, Japanese firms have already been affected by the rising fuel prices due to the situation in Russia and Ukraine, and many industries are expected to be negatively affected in the future.
- Ordinary profit in FY2022 is expected to be about the same level as in FY2021, although some manufacturing industries are expected to see a year-on-year decline.

(3-1) Business Conditions

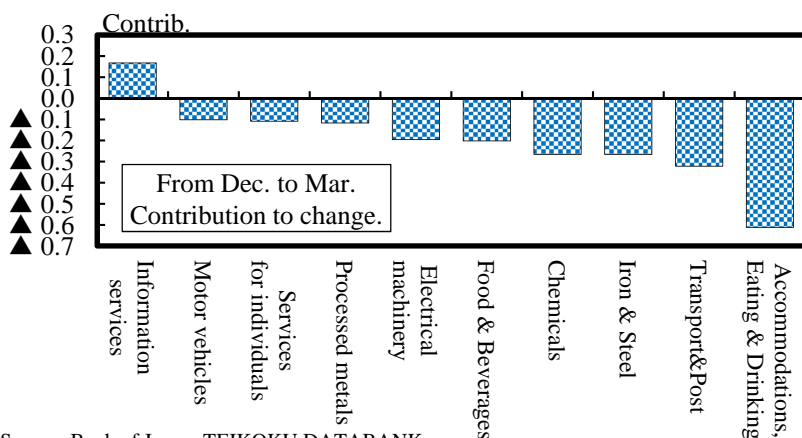


(3-3) Impact of the Situation in Russia and Ukraine

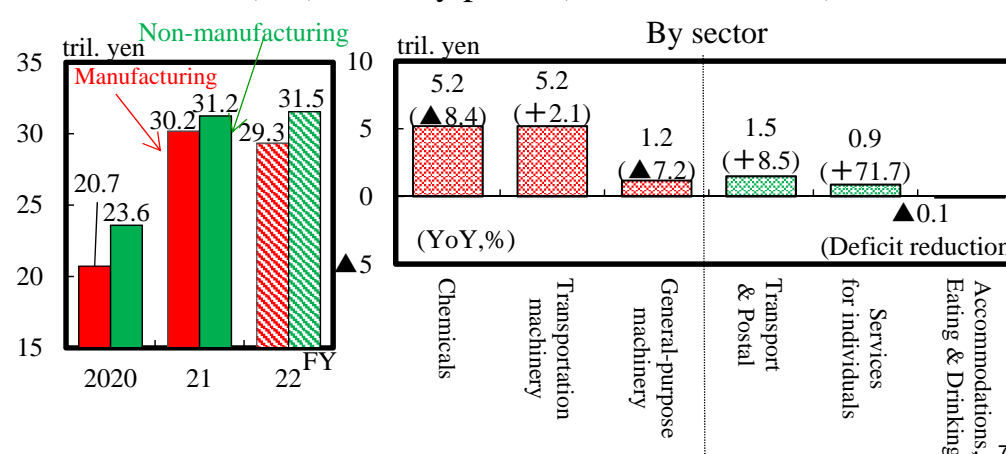


- We are even more concerned about the fuel price spike caused by restrictions on imports of Russian crude oil. (General cargo transportation)
- Where the cost of purchasing is rising due to the corona, the Ukrainian crisis is driving up fuel and grain prices at a considerable rate. (Poultry farming)

(3-2) Contribution to changes in Business Conditions



(3-4) Ordinary profit (2022FY Forecast)

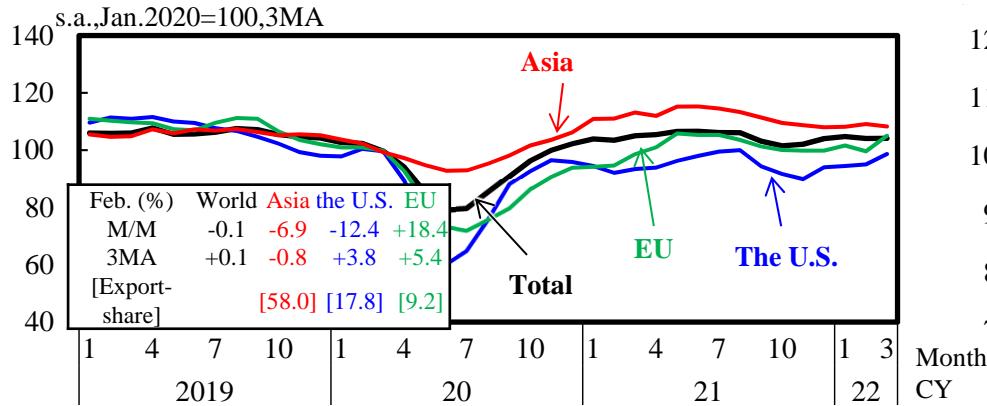




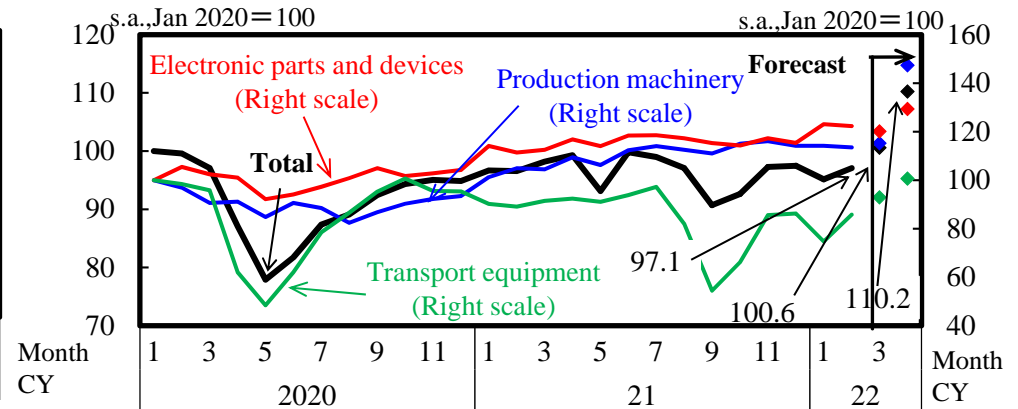
## – Industrial Production & Exports –

- Exports are almost flat. Against the backdrop of a pickup in production activity in China and other factors, exports to Asia, which have been weakening are now almost flat. Exports to the U.S. and Europe also remained flat. By goods, Machinery such as semiconductor manufacturing equipment and Chemicals such as plastics made positive contributions.
- Industrial production is picking up. Production machinery, electronic parts and devices are increasing moderately. Both internal and external demand for Machine tools shows steady movements.

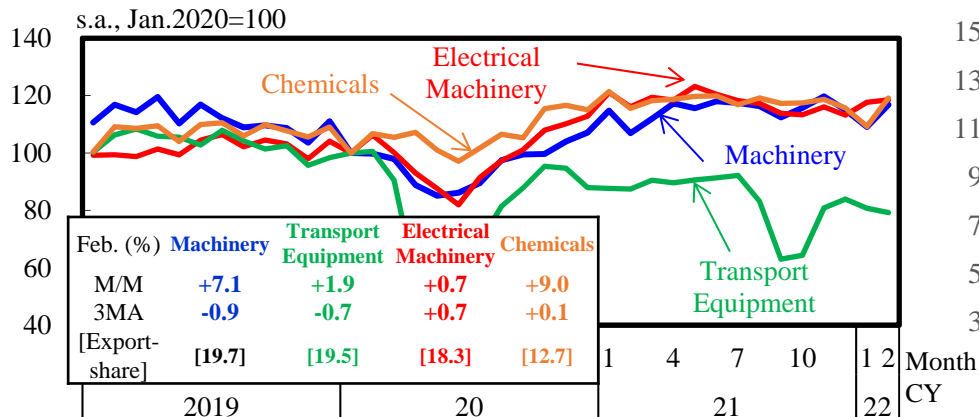
(4-1) Export volume index by region



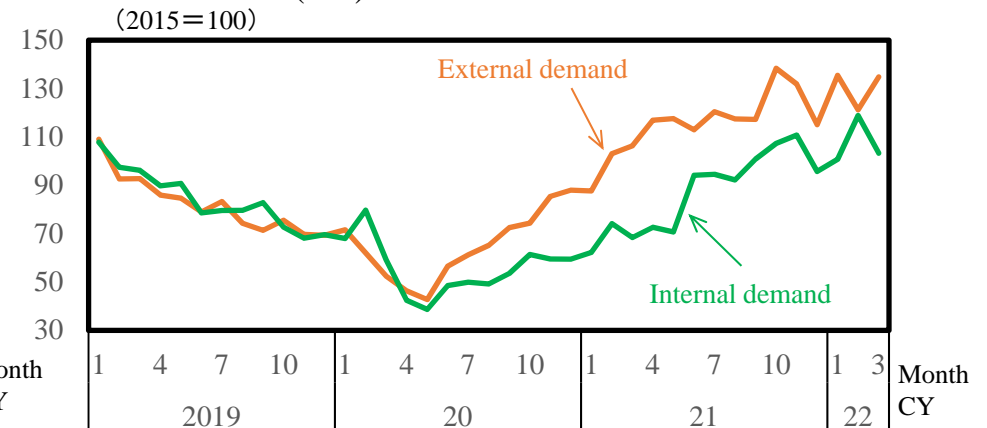
(4-3) Industrial production



(4-2) Export volume index by goods



(4-4) Machine tool orders

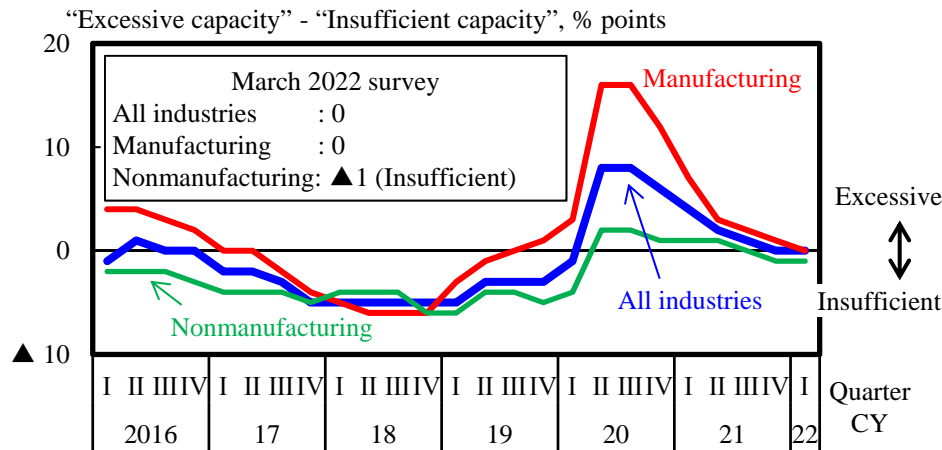


Sources: Ministry of Finance; Ministry of Economy, Trade and Industry

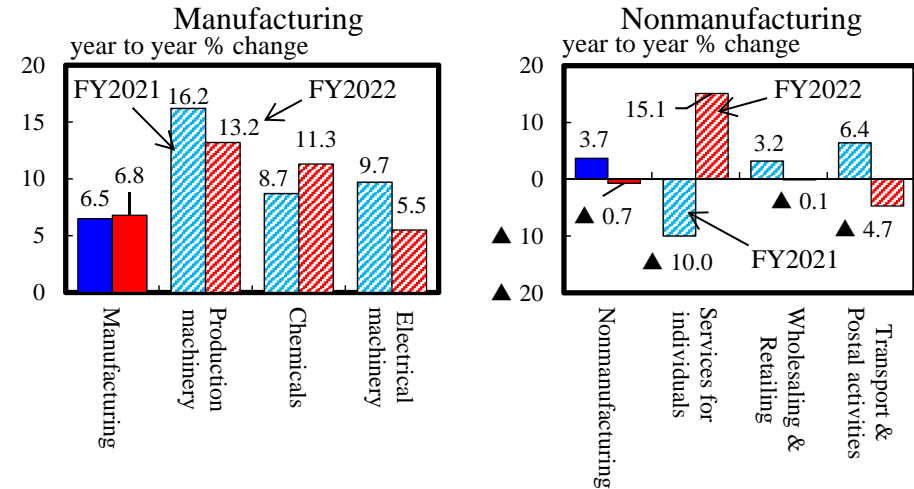
## — Business Investment —

- According to the BOJ March Tankan survey, there is no excess production capacity remaining both in manufacturers and non-manufacturers. Business investment is expected to continue to increase in FY2022 especially in software, with the exception of some non-manufacturers.
- The level of business investment has tended to be low compared to profit levels. Future improvements in profits will be expected to lead to more active investment.

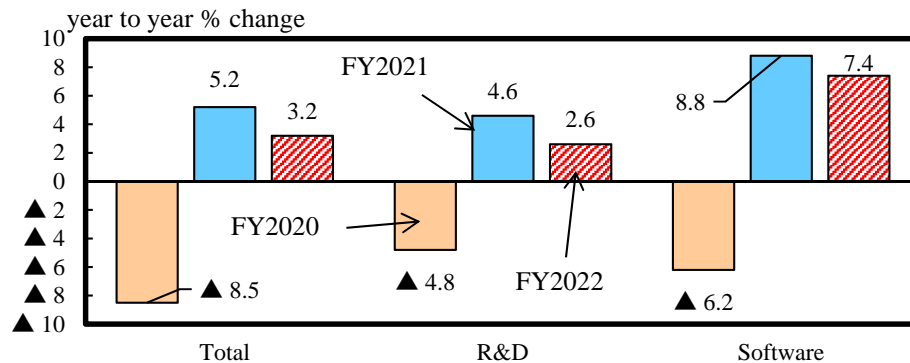
(5-1) Production Capacity: Diffusion index (Tankan survey)



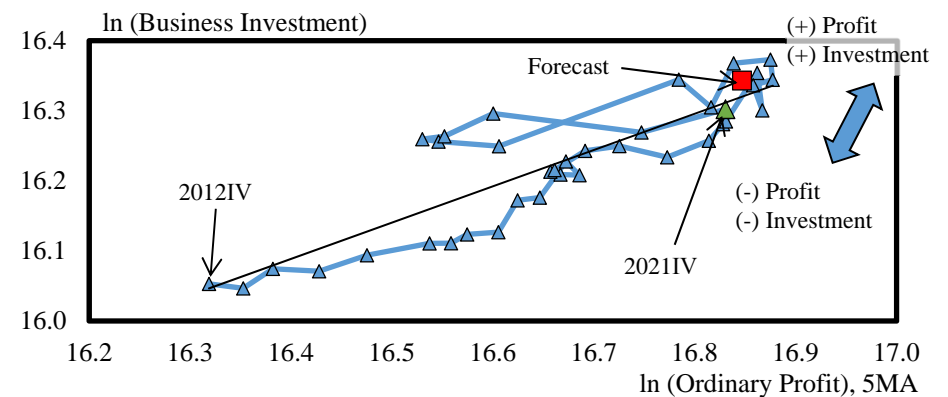
(5-3) Business Investment Plan by sector (Tankan survey)



(5-2) Business Investment Plan (Tankan survey)



(5-4) Relationship between Business Investment and Profit

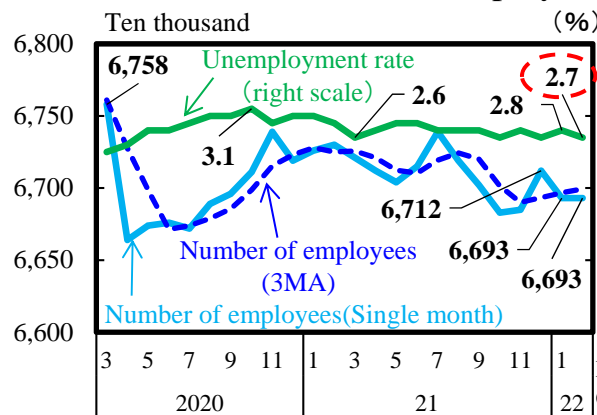


## — Employment Situation —

- The employment situation has been weak, but the number of employees and unemployment rate are almost flat. The employment rate as a whole remained unchanged, while the employment rate for women aged 25-64 is on an upward trend.
- While the excess of employment (Tankan Survey) declined in a wide range of industries, the number of firms offering job openings on the internet at Public Employment Security Office continues to increase from the previous year, indicating that job openings are picking up.
- Total cash earnings in February increased over the previous year, due to an increase in the scheduled cash earnings of part-time workers against a backdrop of labor shortages, etc. Wage increases for FY 2022 in “shunto” (spring wage negotiation) stands at 2.11% according to RENGO (Japanese Trade Union Confederation).

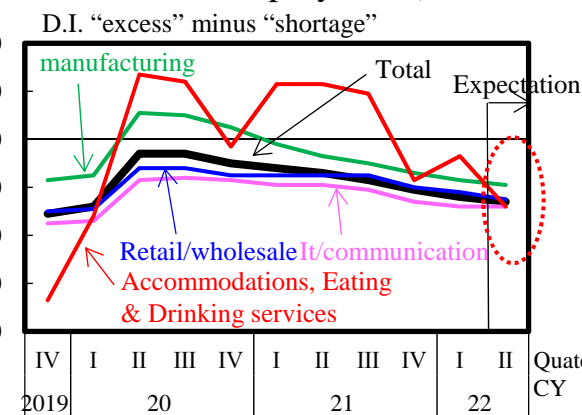
(6-1)

Number of Workers and Unemployment rate

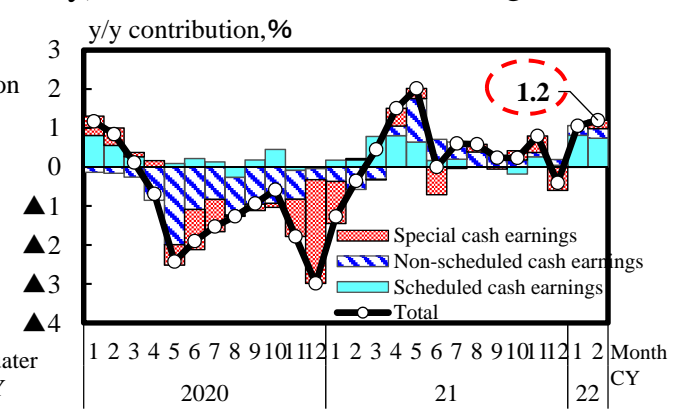


(6-3)

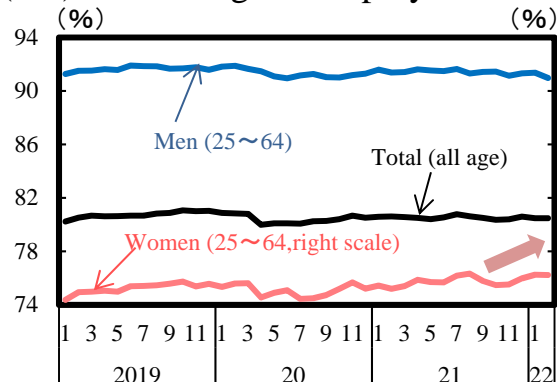
The excess of employment(Tankan Survey)



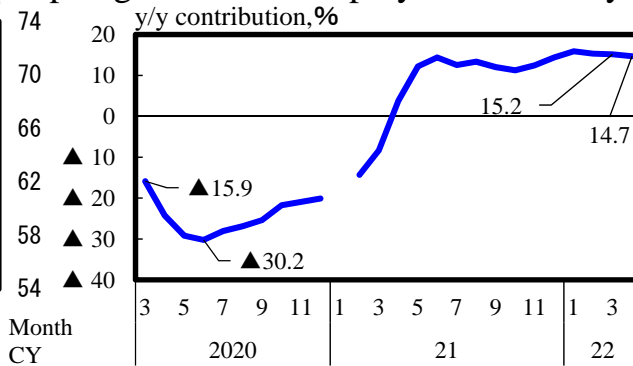
(6-5) Total cash earnings



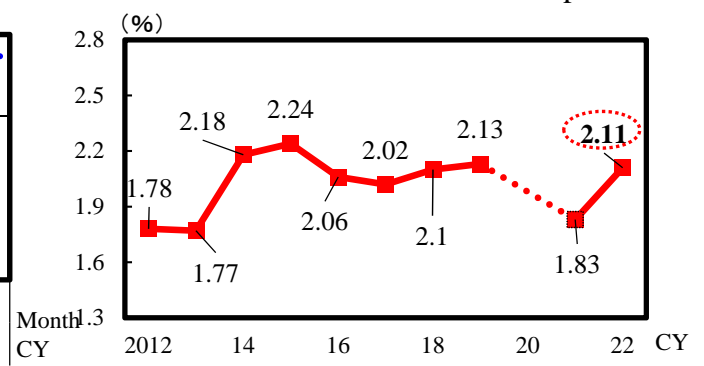
(6-2) Percentage of employment



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



(6-6) Wage increase rate in “shunto” (Results of the 4th round of responses)

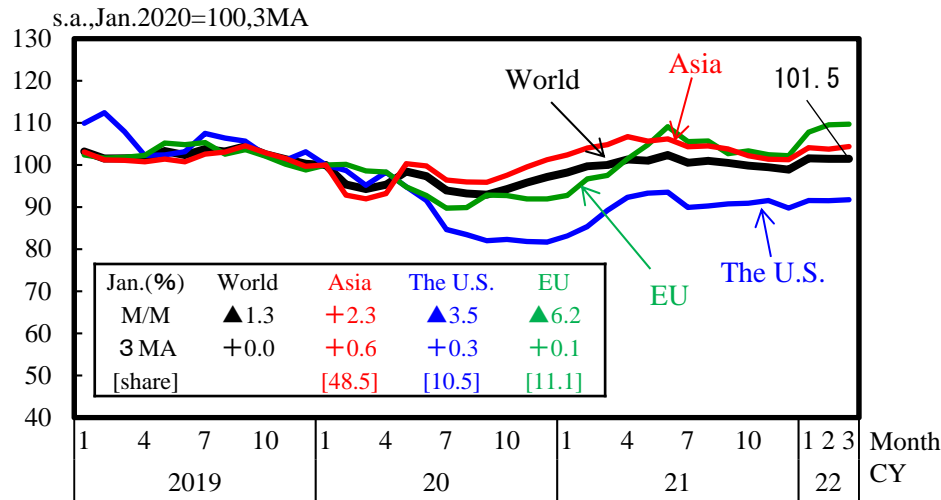


Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications; Bank of Japan; RENGO

# Reference

(7-1) Imports are almost flat

Import volume by region



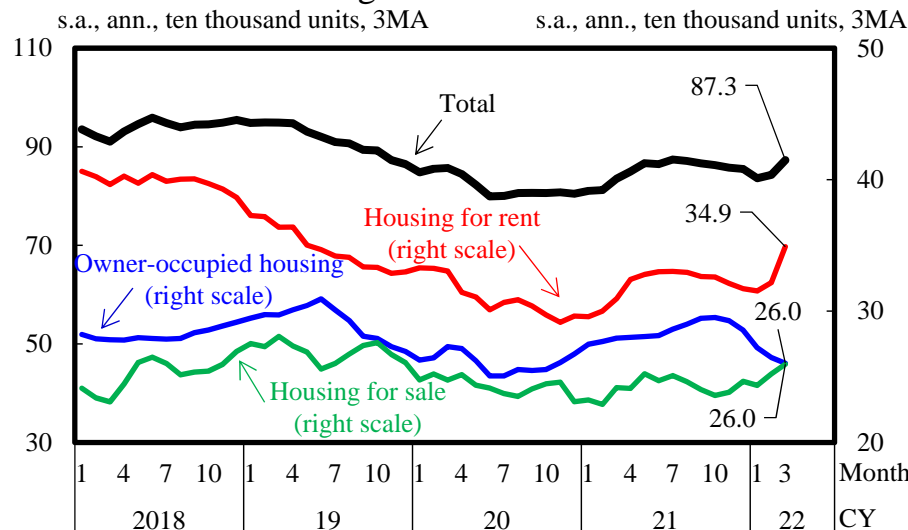
(7-3) Public investment has shown a steady movement recently.

Contracted value of public construction



(7-2) Housing investment has been in a weak tone recently.

Housing construction starts



(7-4) The number of corporate bankruptcies is almost flat

The number of bankruptcies

