

Recovery of consumption activities shows stark differences by item and dispelling uncertainty will be key

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7 AUGUST 2020

(ORIGINAL JAPANESE VERSION RELEASED ON 31 JULY 2020)

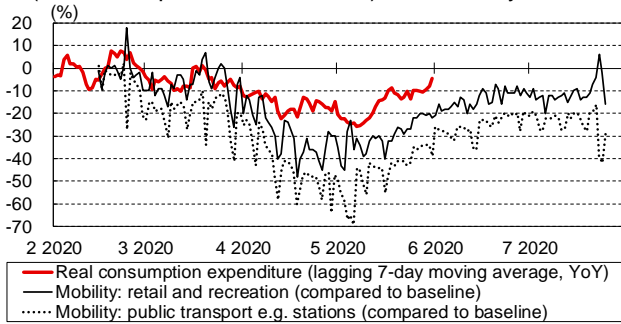
The Family Income and Expenditure Survey for May published by the Ministry of Internal Affairs and Communications reveals real consumption expenditure of households of two or more persons fell further from -11.1% YoY in April to -16.2% YoY. However, daily data shows that while consumption expenditure did drop to around -25% in early May, it had recovered to about -5% at the end of the month (Chart 1). This is thought to directly reflect the easing in mid to late May of requests that businesses reduce opening hours and individuals refrain from going outside as the state of emergency was lifted nationwide, as well as the subsequent return of the flow of people and consumption activities which had been kept to a minimum during the state of emergency.

According to the breakdown of consumption of items from early May until the end of the month, “furniture, bedding and electronic appliances” and “automobile-related costs” had recovered to the same level they were at last year and there was upward pressure from “food (excluding meals outside the home)”, which had experienced substitute demand due to COVID-19. On the other hand, the recovery of items that involve contact with other people was limited, such as “meals outside the home”, “public transport” and “travel and leisure” (Chart 2). The Cabinet Office’s Economy Watchers Survey for June shows comments such as “many customers are still not going out even after restrictions on travel were lifted” (worker at a leisure facility) and “there is a mood of not going out and there are not many customers dining out” (restaurant worker). Mobility trends by destination up until mid-July show the recovery peaked between -10% and -30% YoY for the most part (Chart 1), suggesting concerns about infection has restricted consumption activities, especially face-to-face services.

It is likely there will be a clear distinction in private consumption among items for which demand increased due to COVID-19, items that will return to the same level they were at before COVID-19 relatively quickly, and items that will not return to the same level soon. It is thought that the pace of recovery of private consumption as a whole will probably slow from now owing to people refraining from going outside and restrictions on customers in shops and at events. On the other hand, there are those in the Economy Watchers Survey that say, “eateries have adopted measures to prevent the spread of COVID-19, which has meant customers feel reassured and they are returning” (restaurant owner). For the demand that is unavoidably at low levels for the time being due to COVID-19, there appears to be some scope

for it to return to some extent using ingenuity along with a “new lifestyle” in order to dispel individuals’ uncertainty.

Chart 1: Real Consumption Expenditure (2-or-more-person households) and Mobility Trends

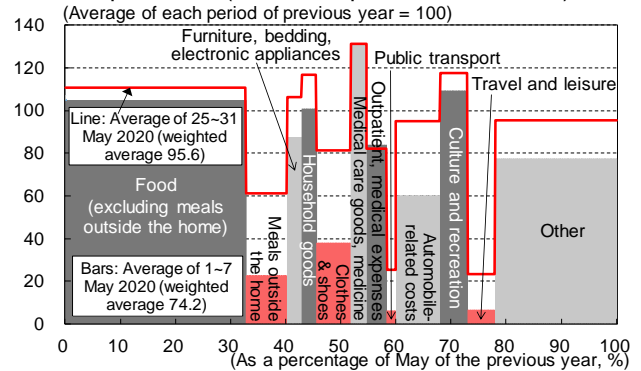


Note: 1. "Consumption expenditure" excludes items that many people pay for monthly and of unknown date

2. "Baseline" is median value for the corresponding day of the week during 3 Jan to 6 Feb 2020. "Retail" excludes grocery stores

Source: Ministry of Internal Affairs and Communications, Google, MUFG Bank Economic Research Office

Chart 2: Year-on-Year Comparison of Consumption Expenditure (2-or-more person households)



Note: "Consumption expenditure" excludes items that many people pay for monthly and of unknown date

Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

(Translated by Elizabeth Foster)

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of July. 31, 2020

	Fiscal	Fiscal	2019		2020	2020				
	2018	2019	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN
Real GDP Growth Rate <% changes from previous period at SA annual rate>	0.3	0.0	0.0 (1.7)	-7.2 (-0.7)	-2.2 (-1.7)	***	***	***	***	***
Index of All Industries Activity	0.9	-1.2	0.4 (1.3)	-3.2 (-2.8)	-0.8 (-3.2)	-0.7 (-2.3)	-3.5 (-5.2)	-7.6 (-13.0)	-3.5 (-17.4)	
Industrial Production Index	0.3	-3.8	-1.1 (-1.1)	-3.6 (-6.8)	0.4 (-4.5)	-0.3 (-5.7)	-3.7 (-5.2)	-9.8 (-15.0)	-8.9 (-26.3)	2.7 (-17.7)
Production										
Shipments	0.2	-3.6	-0.1 (-0.2)	-3.9 (-6.5)	-0.6 (-5.2)	1.0 (-5.4)	-5.8 (-6.5)	-9.5 (-16.6)	-8.9 (-26.8)	5.2 (-16.3)
Inventory	0.2	2.9	-1.1 (0.9)	0.7 (1.2)	2.3 (2.9)	-1.7 (1.6)	1.9 (2.9)	-0.3 (2.7)	-2.6 (-0.5)	-2.4 (-3.4)
Inventory/Shipments Ratio (2015=100)	105.0	112.3	109.3 [105.0]	114.6 [105.6]	116.5 [105.9]	112.5 [105.5]	121.9 [106.7]	138.5 [105.6]	148.6 [107.0]	138.2 [109.4]
Domestic Corporate Goods Price Index	2.2	0.1	-0.6 (-0.9)	1.1 (0.2)	-0.3 (0.6)	-0.5 (0.7)	-0.9 (-0.5)	-1.5 (-2.4)	-0.5 (-2.8)	0.6 (-1.6)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	0.6	-0.1 (0.5)	0.5 (0.6)	-0.2 (0.6)	-0.1 (0.6)	-0.1 (0.4)	-0.5 (-0.2)	0.0 (-0.2)	0.1 (0.0)
Index of Capacity Utilization (2015=100)	102.5	98.3	100.2 [101.9]	95.6 [104.7]	95.1 [101.6]	95.6 [102.0]	92.2 [101.5]	79.9 [101.8]	70.6 [102.7]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	2.8	-0.3	-4.7 (-2.7)	-1.8 (-1.5)	-0.7 (-1.0)	2.3 (-2.4)	-0.4 (-0.7)	-12.0 (-17.7)	1.7 (-16.3)	
Manufacturing	3.8	-8.1	-3.5 (-10.2)	-2.8 (-10.2)	1.8 (-3.4)	-1.7 (-7.0)	-8.2 (-3.2)	-2.6 (-15.0)	-15.5 (-27.4)	
Non-manufacturing Excl.Electric Power & Ship building	2.1	6.2	-9.3 (3.6)	3.6 (6.2)	-5.1 (0.6)	5.0 (1.1)	5.3 (0.9)	-20.2 (-19.6)	17.7 (-7.0)	
Shipments of Capital Goods (Excl.Transport Equipment)	-0.2	-5.5	1.4 (-0.7)	-7.0 (-9.5)	-0.4 (-5.7)	1.0 (-5.7)	-9.1 (-9.3)	1.4 (-7.8)	-9.0 (-21.2)	6.5 (-9.2)
Construction Orders	6.5	-5.9								
Private	14.5	-8.7								
Public	-15.0	-3.2								
Public Works Contracts	1.1	6.8								
Housing Starts 10,000 units at Annual Rate, SA	95.3 (0.7)	88.4 (-7.3)	90.6 (-5.4)	86.5 (-9.3)	86.3 (-10.0)	87.1 (-12.3)	90.5 (-7.6)	79.7 (-12.9)	80.7 (-12.3)	79.0 (-12.8)
Total floor										
Sales at Retailers	1.6	-0.4								
Real Consumption Expenditures of Households over 2 persons (SA)	0.0	-0.4	2.5 (4.1)	-5.2 (-2.9)	-2.3 (-3.5)	0.8 (-0.3)	-4.0 (-6.0)	-6.2 (-11.1)	-0.1 (-16.2)	
Propensity to Consume (SA, %)	69.2	66.9	71.8 [70.2]	65.5 [69.2]	64.8 [69.9]	66.7 [69.9]	63.0 [69.5]	60.7 [67.9]	53.2 [69.7]	63.6
Overtime Hours Worked (All Industries, 5 employees or more)	-1.7	-2.5	-0.8 (-1.0)	-1.8 (-2.4)	-1.9 (-4.1)	-0.2 (-3.8)	-5.1 (-6.5)	-12.3 (-18.9)	-14.1 (-30.7)	
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	0.9	0.0								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	1	97	100	107	94	94	93	74	25	
Ratio of Job Offers to Applicants (SA, Times)	1.62	1.55	1.59 [1.63]	1.57 [1.63]	1.44 [1.63]	1.45 [1.63]	1.39 [1.62]	1.32 [1.63]	1.20 [1.62]	1.11 [1.61]
Unemployment Rate (SA, %)	2.4	2.4	2.3	2.3	2.4	2.4	2.5	2.6	2.9	2.8
Economy Watcher Survey (Judgment of the present condition D.I.%)	47.8	38.7	43.8 [48.2]	38.5 [48.0]	27.8 [46.0]	27.4 [47.1]	14.2 [44.9]	7.9 [45.3]	15.5 [44.2]	38.8 [44.1]
Bankruptcies (Number of cases)	8,110 (-3.1)	8,631 (6.4)	2,182 (8.2)	2,211 (6.8)	2,164 (12.9)	651 (10.7)	740 (11.8)	743 (15.2)	314 (-54.8)	780 (6.3)

(Notes)

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

The figures in () indicate % changes from previous year.

[] show the comparable figure of the previous year.

2. Balance of Payments

As of July 31, 2020

	Fiscal	Fiscal	2019		2020	2020				
	2018	2019	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN
Customs Clearance (Exports in Yen Terms)	1.9	-6.0	(-5.0)	(-7.8)	(-5.5)	(-1.0)	(-11.7)	(-21.9)	(-28.3)	(-26.2)
Value	2.5	-1.7	(-2.8)	(-4.2)	(-0.0)	(1.4)	(-0.6)	(-0.7)	(-1.4)	(1.0)
Volumes	-0.6	-4.4	(-2.3)	(-3.8)	(-5.5)	(-2.4)	(-11.2)	(-21.3)	(-27.3)	(-26.9)
Imports (In Yen terms)	7.2	-6.3	(-4.9)	(-11.9)	(-7.2)	(-13.9)	(-5.0)	(-7.1)	(-26.1)	(-14.4)
Value	5.7	-3.9	(-7.0)	(-7.8)	(-0.3)	(4.2)	(-2.6)	(-8.4)	(-13.5)	(-13.7)
Volumes	1.4	-2.4	(2.3)	(-4.5)	(-7.0)	(-17.3)	(-2.5)	(1.5)	(-14.6)	(-0.8)
Current Account (100 mil. yen)	194,848	197,092	57,155	37,483	56,999	31,464	19,268	2,627	11,768	
Goods (100 mil. yen)	6,341	6,665	-665	2,743	5,031	13,723	1,212	-9,665	-5,568	
Services (100 mil. yen)	-9,342	-4,777	-1,933	1,455	-2,908	-1,644	158	-6,302	-925	
Financial Account (100 mil. yen)	213,154	221,271	65,424	22,347	66,966	26,162	30,198	-9,490	9,857	
Gold & Foreign Exchange Reserves (\$1mil.)	1,291,813	1,366,177	1,322,581	1,323,750	1,366,177	1,359,036	1,366,177	1,368,567	1,378,239	1,383,164
Exchange Rate (¥/\$)	110.88	108.68	107.30	108.72	108.86	109.96	107.29	107.93	107.31	107.56

3. Financial Market Indicators

	Fiscal	Fiscal	2019		2020	2020					
	2018	2019	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN	
Uncollateralized Overnight Call Rates	-0.062	-0.046	-0.059	-0.034	-0.032	-0.016	-0.047	-0.036	-0.047	-0.048	
			[-0.063]	[-0.066]	[-0.054]	[-0.055]	[-0.044]	[-0.068]	[-0.050]	-0.063	
Euro Yen TIBOR (3 Months)	0.062	0.026	0.022	0.016	0.016	0.021	0.006	-0.039	-0.042	-0.042	
			[0.077]	[0.050]	[0.037]	[0.030]	[0.050]	[0.050]	[0.049]	[0.049]	
Newly Issued Japanese Government Bonds Yields (10 Years)	-0.095	0.005	-0.215	-0.025	0.005	-0.155	0.005	-0.050	0.000	0.030	
			[0.125]	[-0.010]	[-0.095]	[-0.015]	[-0.095]	[-0.045]	-0.095	[-0.165]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.751	0.720	0.738	0.729	0.720	0.726	0.720	0.693	0.674	0.668	
			(-0.011)	(-0.009)	(-0.009)	(-0.001)	(-0.006)	(-0.027)	(-0.019)	(-0.006)	
The Nikkei Stock Average (TSE 225 Issues)	21,206	18,917	21,756	23,657	18,917	21,143	18,917	20,194	21,878	22,288	
			[24,120]	[20,015]	[21,206]	[21,385]	[21,206]	[22,259]	[20,601]	[21,276]	
M2(Average)	(2.7)	(2.6)	(2.4)	(2.6)	(3.0)	(3.0)	(3.2)	(3.7)	(5.1)	(7.2)	
Broadly-defined Liquidity(Average)	(1.9)	(2.2)	(1.8)	(2.3)	(2.8)	(2.8)	(2.7)	(2.5)	(3.1)	(4.4)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.2)	(2.1)	(2.1)	(2.0)	(2.0)	(2.1)	(2.0)	(2.9)	(4.8)	(6.2)
	Banks	(2.2)	(2.3)	(2.3)	(2.1)	(2.1)	(2.2)	(2.2)	(3.1)	(5.1)	(6.5)
	City Banks etc.	(1.0)	(2.1)	(2.2)	(1.9)	(1.9)	(2.1)	(2.0)	(3.4)	(6.6)	(8.6)
	Regional Banks	(4.3)	(4.5)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(2.8)	(3.7)	(4.6)
	Regional Banks II	(-0.4)	(-5.9)	(-5.7)	(-5.7)	(-5.5)	(-5.5)	(-5.5)	(3.2)	(4.1)	(5.3)
	Shinkin	(2.1)	(1.1)	(1.1)	(1.0)	(1.0)	(1.0)	(1.0)	(1.6)	(2.7)	(4.5)
Deposits and CDs (Average)	Total(3 Business Condition)	(3.4)	(2.6)	(2.3)	(2.8)	(3.0)	(3.0)	(3.4)	(4.2)	(6.2)	(8.0)
	City Banks	(4.9)	(3.6)	(3.1)	(3.8)	(3.9)	(3.8)	(4.7)	(5.9)	(8.2)	(10.2)
	Regional Banks	(2.7)	(3.4)	(3.1)	(3.4)	(3.7)	(3.8)	(3.7)	(2.5)	(4.0)	(5.9)
	Regional Banks II	(-1.3)	(-5.5)	(-5.4)	(-5.4)	(-5.1)	(-5.0)	(-5.0)	(1.7)	(2.9)	(4.6)

(Notes)

Newly Issued Japanese Government Bonds Yields and Interest rates are averages. The Nikkei Stock Average is as of month-end. Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable. The figures in () indicate % changes from previous year. [] show the comparable figure of the previous year.

(Sources)

Cabinet Office, National Accounts, Machinery Orders; METI, Indices of Tertiary Industry Activity, Industrial Production, Current Survey of Commerce; MOF, Trade Statistics, Balance of Payments; MPMHAPT, Consumer Price Index, Family Income and Expenditure Survey, Labour Force Survey; MHLW, Monthly Labour Survey; Ministry of Land, Infrastructure, and Transport, Economic Construction Statistics; BOJ, Corporate Price Index, Financial and Economic Statistics Monthly, etc.

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