

Engendering a sense of security among consumers appropriately will be key for consumption recovery

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12 NOVEMBER 2020

(ORIGINAL JAPANESE VERSION RELEASED ON 30 OCTOBER 2020)

In the Family Income and Expenditure Survey for August published by the Ministry of Internal Affairs and Communications, real disposable income (workers' households of two or more people) rose by 0.8% YoY. There was a significant slowing of disposable income growth from the previous month due mainly to the fact that the issuing of Special Cash Payments has finished for the most part. Nevertheless, looking at "salaries and wages" alone reveals growth remains firm as the increase in "salaries and wages other than households" made up for the decrease in "households' salaries and wages" (Chart 1 upper).

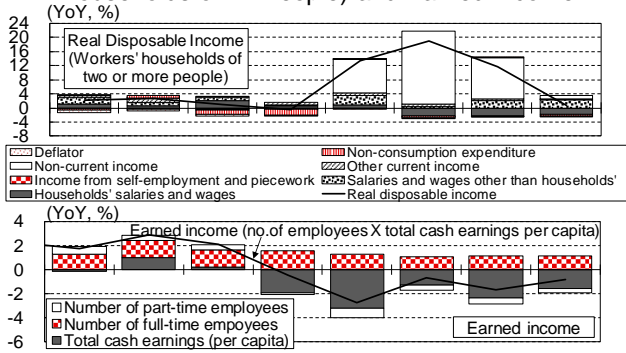
The Ministry of Health, Labour and Welfare's Monthly Labour Survey covering business establishments reveals growth of earned income turned negative and dropped by 0.8% YoY in August; however, the result was largely affected by some industries, such as transport services and accommodation, eating and drinking services, and it does not appear that the deterioration of the situation as a whole is accelerating (Chart 1 lower). This is because "the number of full-time employees" has maintained a stable upward trend, even during the COVID-19 pandemic, despite the continued slump in "total cash earnings (per capita)" caused by the fall in overtime pay. According to the Ministry of Internal Affairs and Communication's Labour Force Survey, the number of "non-regular employees" has decreased significantly, whereas there is little change in the number of "regular employees" as it maintains its year-on-year increase, which in turn has contributed to underpinning income.

Although there has not been a large collapse on the income front, consumption is still slow to recover with real consumption expenditure (workers' households of two or more people) recording growth of -6.7% YoY in August (Chart 2 upper). This slow recovery is due to the continued slump in face-to-face services resulting from a sense of caution about infection. The government has launched several policies to support the service sector, which continues to face difficult circumstances. Such policies include the "Go To Travel" campaign. However, the current situation regarding rail usage is still far from normal at 50% of last year's levels in October, even after Tokyo was included in the campaign (Chart 2 lower).

As well as fiscal support for households and businesses, consumer "lifestyle security" will be an important issue in generating a recovery in the consumption of face-to-face services in the future. To promote "Go To Travel", the government is taking steps to improve the situation and has called for small scale, dispersed travel where trips are kept to small numbers of people

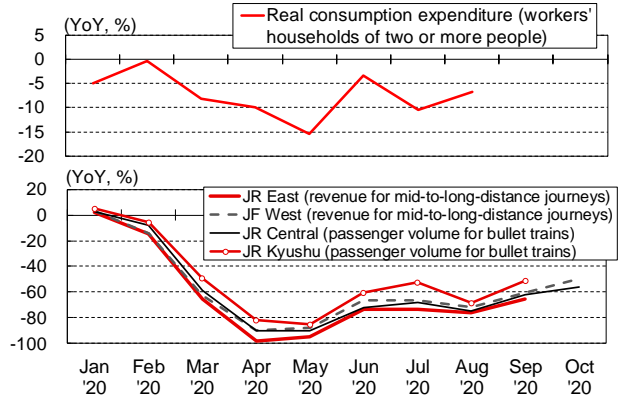
and are staggered over a period. Meanwhile, it is also analysing the relationship between the movement of people and the spread of infection, and will make use of policies in the future. It appears Japan has entered the “with COVID” era where the use and dissemination of knowledge about public health will be directly tied to stimulating consumption and developing industries.

Chart 1: Real Disposable Income (Workers' Households of 2+ People) and Earned Income



Note: "Earned income" is the number of employees multiplied by the total cash earnings per capita
 Source: Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, MUFG Bank Economic Research Office

Chart 2: Consumption Expenditure and Rail Usage



Note: JR West and JR East results for Oct are aggregate of data up until 14th Oct
 Source: Ministry of Internal Affairs and Communications, East Japan Railway Company, West Japan Railway Company Central Japan Railway Company, Kyushu Railway Company, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of Oct. 30, 2020

	Fiscal	Fiscal	2019	2020		2020				
	2018	2019	4Q	1Q	2Q	MAY	JUN	JUL	AUG	SEP
Real GDP Growth Rate <% changes from previous period at SA annual rate>	0.3	0.0	-7.0 (-0.7)	-2.3 (-1.8)	-28.1 (-9.9)	***	***	***	***	***
Industrial Production Index	0.3	-3.8	-3.6 (-6.8)	0.4 (-4.5)	-16.9 (-19.8)	-8.9 (-26.3)	1.9 (-18.2)	8.7 (-15.5)	1.0 (-13.8)	4.0 (-9.0)
Production										
Shipments	0.2	-3.6	-3.9 (-6.5)	-0.6 (-5.2)	-16.8 (-19.9)	-8.9 (-26.8)	4.8 (-16.6)	6.6 (-16.6)	1.5 (-14.2)	3.8 (-9.9)
Inventory	0.2	2.9	0.7 (1.2)	2.3 (2.9)	-5.3 (-3.4)	-2.6 (-0.5)	-2.4 (-3.4)	-1.5 (-4.8)	-1.3 (-5.9)	-0.3 (-5.5)
Inventory/Shipments Ratio (2015=100)	105.0	112.3	114.6 [105.6]	116.5 [105.9]	141.7 [107.3]	148.6 [107.0]	138.0 [109.4]	125.7 [108.5]	123.2 [110.7]	118.6 [108.8]
Index of Tertiary Industries Activity	1.1	-0.7	-3.1 (-2.4)	-1.1 (-2.8)	-10.1 (-13.0)	-3.5 (-17.4)	9.0 (-8.3)	0.1 (-8.8)	0.8 (-8.5)	
Domestic Corporate Goods Price Index	2.2	0.1	1.1 (0.2)	-0.4 (0.5)	-2.4 (-2.3)	-0.5 (-2.8)	0.7 (-1.6)	0.6 (-0.9)	0.1 (-0.6)	-0.2 (-0.8)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	0.6	0.5 (0.6)	-0.2 (0.6)	-0.3 (-0.1)	0.0 (-0.2)	0.1 (0.0)	0.1 (0.0)	-0.4 (-0.4)	0.1 (-0.3)
Index of Capacity Utilization (2015=100)	102.5	98.3	95.6 [104.7]	95.1 [101.6]	75.2 [102.1]	70.6 [102.7]	75.0 [101.8]	82.2 [101.8]	84.6 [99.3]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	2.8	-0.3	-1.8 (-1.5)	-0.7 (-1.0)	-12.9 (-19.1)	1.7 (-16.3)	-7.6 (-22.5)	6.3 (-16.2)	0.2 (-15.2)	
Manufacturing	3.8	-8.1	-2.8 (-10.2)	1.8 (-3.4)	-16.6 (-19.9)	-15.5 (-27.4)	5.6 (-18.0)	5.0 (-19.0)	-0.6 (-13.2)	
Non-manufacturing Excl.Electric Power & Ship building	2.1	6.2	3.6 (6.2)	-5.1 (0.6)	-9.7 (-18.4)	17.7 (-7.0)	-10.4 (-25.2)	3.4 (-14.3)	-6.9 (-16.6)	
Shipments of Capital Goods (Excl.Transport Equipment)	-0.2	-5.5	-7.0 (-9.5)	-0.4 (-5.7)	-8.4 (-12.7)	-9.0 (-21.2)	6.7 (-9.1)	-1.0 (-14.4)	-8.3 (-21.4)	2.6 (-22.9)
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)	86.5 (-9.3)	86.3 (-10.0)	80.0 (-12.4)	80.9 (-12.0)	79.0 (-12.8)	82.8 (-11.3)	81.9 (-9.1)	81.5 (-9.9)
Total floor	(1.0)	(-4.5)	(-7.7)	(-10.2)	(-13.8)	(-15.2)	(-14.4)	(-15.6)	(-14.6)	(-9.2)
Sales at Retailers	1.6	-0.4								
Real Consumption Expenditures of Households over 2 persons (SA)	0.0	-0.4	-5.2 (-2.9)	-2.3 (-3.5)	-4.5 (-9.8)	-0.1 (-16.2)	13.0 (-1.2)	-6.5 (-7.6)	1.7 (-6.9)	
Propensity to Consume (SA, %)	69.2	66.9	65.5 [69.2]	64.8 [69.9]	54.8 [66.9]	53.2 [69.7]	51.7 [63.6]	56.6 [70.8]	64.0 [70.4]	[74.2]
Overtime Hours Worked (All Industries, 5 employees or more)	-1.7	-2.5	-1.8 (-2.4)	-1.9 (-4.1)	-21.0 (-24.4)	-14.1 (-30.7)	9.6 (-23.9)	9.7 (-16.2)	1.5 (-14.1)	
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	107	94	43	25	30	35	41	
Ratio of Job Offers to Applicants (SA, Times)	1.62	1.55	1.57 [1.63]	1.44 [1.63]	1.21 [1.62]	1.20 [1.62]	1.11 [1.61]	1.08 [1.59]	1.04 [1.59]	1.03 [1.58]
Unemployment Rate (SA, %)	2.4	2.4	2.3	2.4	2.8	2.9	2.8	2.9	3.0	3.0
Economy Watcher Survey (Judgment of the present condition D.I.%)	47.8	38.7	38.5 [48.0]	27.8 [46.0]	20.7 [44.5]	15.5 [44.2]	38.8 [44.1]	41.1 [41.6]	43.9 [43.1]	49.3 [46.6]
Bankruptcies (Number of cases)	8,110 (-3.1)	8,631 (6.4)	2,211 (6.8)	2,164 (12.9)	1,837 (-11.4)	314 (-54.8)	780 (6.3)	789 (-1.6)	667 (-1.6)	565 (-19.5)

(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 Oct. 30, 2020

	Fiscal	Fiscal	2019	2020			2020				
	2018	2019	4Q	1Q	2Q	MAY	JUN	JUL	AUG	SEP	
Customs Clearance (Exports in Yen Terms)	1.9	-6.0	(-7.8)	(-5.5)	(-25.3)	(-28.3)	(-26.2)	(-19.2)	(-14.8)	(-4.9)	
Value	2.5	-1.7	(-4.2)	(-0.0)	(-0.3)	(-1.4)	(1.0)	(3.5)	(0.1)	(3.0)	
Volumes	-0.6	-4.4	(-3.8)	(-5.5)	(-25.1)	(-27.3)	(-26.9)	(-21.9)	(-14.9)	(-7.7)	
Imports (In Yen terms)	7.2	-6.3	(-11.9)	(-7.2)	(-16.0)	(-26.1)	(-14.4)	(-22.3)	(-20.7)	(-17.4)	
Value	5.7	-3.9	(-7.8)	(-0.3)	(-11.8)	(-13.5)	(-13.7)	(-9.6)	(-10.3)	(-9.8)	
Volumes	1.4	-2.4	(-4.5)	(-7.0)	(-4.8)	(-14.6)	(-0.8)	(-14.0)	(-11.6)	(-8.5)	
Current Account (100 mil. yen)	194,848	197,092	37,483	56,999	13,448	10,588	1,184	14,683	21,028		
Goods (100 mil. yen)	6,341	6,665	2,743	5,031	-14,594	-5,118	-186	1,373	4,132		
Services (100 mil. yen)	-9,342	-4,777	1,455	-2,908	-13,625	-2,711	-2,974	-3,495	-3,166		
Financial Account (100 mil. yen)	213,154	221,271	22,347	66,966	19,658	6,982	4,334	21,094	5,600		
Gold & Foreign Exchange Reserves (\$1mil.)	1,291,813	1,366,177	1,323,750	1,366,177	1,383,164	1,378,239	1,383,164	1,402,475	1,398,516	1,389,779	
Exchange Rate (¥/\$)	110.88	108.68	108.72	108.86	107.60	107.31	107.56	106.78	106.04	105.74	

3. Financial Market Indicators

	Fiscal	Fiscal	2019	2020			2020				
	2018	2019	4Q	1Q	2Q	MAY	JUN	JUL	AUG	SEP	
Uncollateralized Overnight Call Rates	-0.062	-0.046	-0.034	-0.032	-0.044	-0.047	-0.048	-0.028	-0.035	-0.054	
			[-0.066]	[-0.054]	[-0.060]	[-0.050]	[-0.063]	[-0.071]	[-0.046]	[-0.059]	
Euro Yen TIBOR	0.062	0.026	0.016	0.016	-0.041	-0.042	-0.042	-0.065	-0.065	-0.055	
(3 Months)			[0.050]	[0.037]	[0.049]	[0.049]	[0.049]	[0.049]	[0.009]	[0.009]	
Newly Issued Japanese Government Bonds Yields	-0.095	0.005	-0.025	0.005	0.030	0.000	0.030	0.010	0.045	0.015	
(10 Years)			[-0.010]	[-0.095]	[-0.165]	[-0.095]	[-0.165]	[-0.160]	[-0.280]	[-0.215]	
Average Contracted Interest Rates	0.751	0.720									
on Loans and Discounts(City Banks)			0.729	0.720	0.668	0.674	0.668	0.667	0.669		
(% changes from previous period)			(-0.009)	(-0.009)	(-0.052)	(-0.019)	(-0.006)	(-0.001)	(0.002)		
The Nikkei Stock Average	21,206	18,917	23,657	18,917	22,288	21,878	22,288	21,710	23,140	23,185	
(TSE 225 Issues)			[20,015]	[21,206]	[21,276]	[20,601]	[21,276]	[21,522]	[20,704]	[21,756]	
M2(Average)	(2.7)	(2.6)	(2.6)	(3.0)	(5.3)	(5.1)	(7.2)	(7.9)	(8.6)	(9.0)	
Broadly-defined Liquidity(Average)	(1.9)	(2.2)	(2.3)	(2.8)	(3.3)	(3.0)	(4.4)	(4.7)	(5.3)	(5.6)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin		(2.2)	(2.1)	(1.9)	(1.9)	(4.7)	(4.8)	(6.3)	(6.4)	(6.4)
	Banks		(2.2)	(2.2)	(2.0)	(2.1)	(4.9)	(5.1)	(6.6)	(6.4)	(6.2)
	City Banks etc.		(1.0)	(2.0)	(1.8)	(1.8)	(6.3)	(6.7)	(8.7)	(7.9)	(8.0)
	Regional Banks		(4.3)	(4.5)	(4.3)	(4.3)	(3.7)	(3.7)	(4.5)	(4.9)	(5.0)
	Regional Banks II		(-0.4)	(-5.9)	(-5.7)	(-5.5)	(4.2)	(4.1)	(5.3)	(6.4)	(6.9)
Deposits and CDs (Average)	Shinkin		(2.1)	(1.1)	(1.0)	(1.0)	(2.9)	(2.7)	(4.5)	(6.2)	(7.3)
	Total(3 Business Condition)		(3.4)	(2.6)	(2.8)	(3.0)	(6.1)	(6.2)	(8.0)	(8.3)	(8.8)
	City Banks		(4.9)	(3.6)	(3.8)	(3.9)	(8.1)	(8.2)	(10.2)	(10.1)	(10.4)
	Regional Banks		(2.7)	(3.4)	(3.4)	(3.7)	(4.1)	(4.0)	(5.9)	(6.5)	(7.0)
Regional Banks II		(-1.3)	(-5.5)	(-5.4)	(-5.1)	(3.1)	(2.9)	(4.7)	(5.9)	(6.9)	

(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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