

A momentary rise in bankruptcies due to COVID-19 was avoided, but employment has been affected

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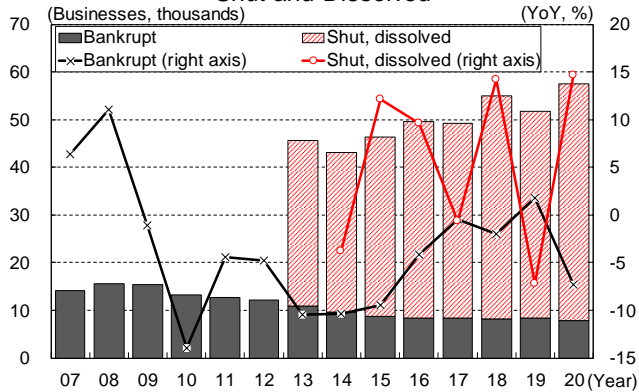
Many businesses faced difficult conditions in 2020 due to the spread of COVID-19. However, the number of bankruptcies that year was less than the previous year for the first time in two years at 7,773 and did not increase like it did during the global financial crisis, which had been a concern (Chart 1). It is thought that a sharp rise in bankruptcies was avoided due to an improvement in businesses' balance sheets that took place during the period of economic recovery that had continued since the end of 2012, as well as a certain amount of assistance for businesses in terms of funding from various large-scale support measures which were introduced quickly by the government and the Bank of Japan in response to the COVID-19 pandemic.

Similarly, despite a clear increase of 14.6% YoY in "shut" and "dissolved" businesses (cases where business activities had stopped excluding bankruptcies) in 2020, it is unlikely that this rise was a temporary rise brought about by COVID-19 and is due to pre-existing structural trends, such as an increase in the age of executives and a shortage of business successors. As a result, macro statistics related to a halt in business activities appear to have avoided a catastrophe, despite suffering the "largest post-war economic crisis". Even in the labour market, although the number of unemployed increased by around 400,000 compared with pre-COVID-19 levels, there has not been a large deterioration like the one seen during the global financial crisis for the most part as of this point in time. This is due to the widespread use of government measures to support employment by businesses and a rise in employment in industries which experienced an increase in demand owing to the pandemic, such as "healthcare and welfare" and "information and telecommunications".

Nevertheless, it is important to keep a close eye on the rise in uncertainty about the future of the economy as a state of emergency was called in some regions again at the start of the year. For example, looking at the number of stores in the dining-out industry, which is easily affected by people refraining from going outside and eating in groups, the large decrease in "pubs and Japanese-style bars" and "restaurants" stands out. In turn, it appears a reduction in the scale of business activities has had a negative impact on employment, with the number of employees in the dining-out industry falling around 10% YoY (Chart 2). Currently, priority is being given to detailed actions targeting the regions and industries affected by the re-established state of emergency. Meanwhile, there is also a possibility that a shift will take place in the composition of industries due to trends in the medium and long term, such as

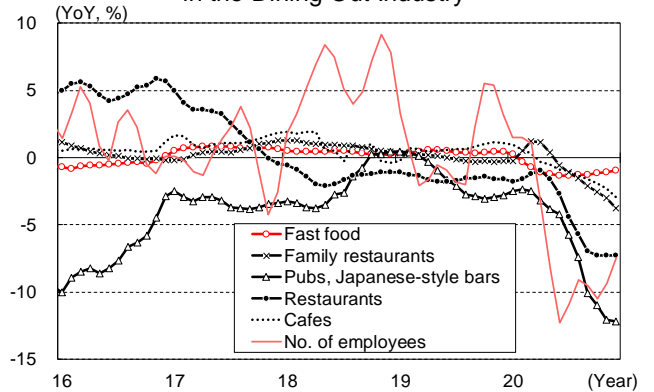
digitalisation and green energy. Therefore, it is hoped that a system will be established and disseminated as soon as possible allowing workers to move to new fields more easily.

Chart 1: Number of Businesses that are Bankrupt, Shut and Dissolved



Note: Data for "shut" and "dissolved" businesses before 2012 are not shown due to discontinued data
 Source: Tokyo Shoko Research, MUFG Bank Economic Research Office

Chart 2: Number of Establishments and Employees in the Dining Out Industry



Note: 3-month moving average
 Source: Ministry of Internal Affairs and Communications, Japan Foodservice Association, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of Jan. 29, 2021

	Fiscal	Fiscal	2020			2020				
	2018	2019	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC
Real GDP Growth Rate <% changes from previous period at SA annual rate>	0.3	-0.3	-2.1 (-2.0)	-29.2 (-10.3)	22.9 (-5.7)	***	***	***	***	***
Industrial Production Index	0.3	-3.8	0.4 (-4.5)	-16.9 (-19.8)	8.7 (-12.8)	1.0 (-13.8)	3.9 (-9.0)	4.0 (-3.0)	-0.5 (-3.9)	-1.6 (-3.2)
Production										
Shipments	0.2	-3.6	-0.6 (-5.2)	-16.8 (-19.9)	9.1 (-13.5)	1.5 (-14.2)	3.9 (-9.8)	4.9 (-3.0)	-1.2 (-4.0)	-1.6 (-3.4)
Inventory	0.2	2.9	2.3 (2.9)	-5.3 (-3.4)	-3.3 (-5.7)	-1.3 (-5.9)	-0.5 (-5.7)	-1.8 (-8.1)	-1.5 (-9.0)	1.1 (-8.4)
Inventory/Shipments Ratio (2015=100)	105.0	112.3	116.5 [105.9]	141.7 [107.3]	122.2 [109.3]	123.2 [110.7]	117.8 [108.8]	113.9 [113.1]	111.4 [115.0]	113.6 [115.6]
Index of Tertiary Industries Activity	1.1	-0.7	-1.1 (-2.8)	-10.1 (-13.0)	6.2 (-8.6)	0.8 (-8.5)	2.3 (-8.6)	1.6 (-1.4)	-0.7 (-3.7)	
Domestic Corporate Goods Price Index	2.2	0.1	-0.4 (0.5)	-2.4 (-2.3)	0.9 (-0.8)	0.1 (-0.6)	-0.2 (-0.8)	-0.2 (-2.1)	-0.1 (-2.3)	0.5 (-2.0)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	0.6	-0.2 (0.6)	-0.3 (-0.1)	-0.2 (-0.2)	-0.3 (-0.4)	0.0 (-0.3)	-0.2 (-0.7)	-0.1 (-0.9)	0.0 (-1.0)
Index of Capacity Utilization (2015=100)	102.5	98.3	95.1 [101.6]	75.2 [102.1]	85.6 [100.2]	84.6 [99.3]	90.0 [99.5]	95.4 [96.3]	92.6 [95.6]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	2.8	-0.3	-0.7 (-1.0)	-12.9 (-19.1)	-0.1 (-14.1)	0.2 (-15.2)	-4.4 (-11.5)	17.1 (2.8)	1.5 (-11.3)	
Manufacturing	3.8	-8.1	1.8 (-3.4)	-16.6 (-19.9)	3.0 (-15.0)	-0.6 (-13.2)	2.0 (-12.7)	11.4 (1.1)	-2.4 (-3.1)	
Non-manufacturing Excl.Electric Power & Ship building	2.1	6.2	-5.1 (0.6)	-9.7 (-18.4)	-2.5 (-13.4)	-6.9 (-16.6)	3.2 (-10.7)	13.8 (4.3)	5.6 (-17.1)	
Shipments of Capital Goods (Excl.Transport Equipment)	-0.2	-5.5	-0.4 (-5.7)	-8.4 (-12.7)	-4.6 (-19.8)	-8.3 (-21.4)	2.7 (-22.8)	13.4 (-1.8)	3.1 (4.0)	-6.7 (-7.9)
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)	85.0 (-10.0)	80.9 (-12.4)	81.3 (-10.1)	80.7 (-9.1)	80.3 (-9.9)	81.3 (-8.3)	81.9 (-3.7)	78.4 (-9.0)
Total floor	(1.0)	(-4.5)	(-10.2)	(-13.8)	(-13.1)	(-14.6)	(-9.2)	(-10.2)	(-4.7)	(-7.9)
Sales at Retailers	1.6	-0.4								
Real Consumption Expenditures of Households over 2 persons (SA)	0.0	-0.4	-2.3 (-3.5)	-4.5 (-9.8)	3.6 (-8.3)	1.7 (-6.9)	3.8 (-10.2)	2.1 (1.9)	-1.8 (1.1)	
Propensity to Consume (SA, %)	69.2	66.9	64.8 [69.9]	54.8 [66.9]	62.7 [71.8]	64.0 [70.4]	67.9 [74.2]	66.8 [65.8]	67.1 [67.6]	[63.2]
Overtime Hours Worked (All Industries, 5 employees or more)	-1.7	-2.5	-1.9 (-4.1)	-21.0 (-24.4)	12.3 (-14.6)	1.5 (-14.1)	1.5 (-13.4)	2.4 (-11.1)	-0.5 (-10.2)	
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	96	93	43	35	41	28	35	34	
Ratio of Job Offers to Applicants (SA, Times)	1.62	1.55	1.44 [1.63]	1.21 [1.62]	1.05 [1.59]	1.04 [1.59]	1.03 [1.58]	1.04 [1.58]	1.06 [1.57]	1.06 [1.57]
Unemployment Rate (SA, %)	2.4	2.4	2.4	2.8	3.0	3.0	3.0	3.1	2.9	2.9
Economy Watcher Survey (Judgment of the present condition D.I.%)	47.8	38.7	27.8 [46.0]	20.7 [44.5]	44.8 [43.8]	43.9 [43.1]	49.3 [46.6]	54.5 [36.9]	45.6 [38.8]	35.5 [39.7]
Bankruptcies (Number of cases)	8,110 (-3.1)	8,631 (6.4)	2,164 (12.9)	1,837 (-11.4)	2,021 (-7.4)	667 (-1.6)	565 (-19.5)	624 (-20.0)	569 (-21.7)	558 (-20.7)

(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 Jan. 29, 2021

	Fiscal	Fiscal	2020			2020				
	2018	2019	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC
Customs Clearance (Exports in Yen Terms)	1.9	-6.0	(-5.5)	(-25.3)	(-13.0)	(-14.8)	(-4.9)	(-0.2)	(-4.2)	(2.0)
Value	2.5	-1.7	(-0.0)	(-0.3)	(2.3)	(0.1)	(3.0)	(1.5)	(-0.2)	(2.1)
Volumes	-0.6	-4.4	(-5.5)	(-25.1)	(-14.9)	(-14.9)	(-7.7)	(-1.6)	(-4.0)	(-0.1)
Imports (In Yen terms)	7.2	-6.3	(-7.2)	(-16.0)	(-20.1)	(-20.7)	(-17.4)	(-13.2)	(-11.1)	(-11.6)
Value	5.7	-3.9	(-0.3)	(-11.8)	(-9.9)	(-10.3)	(-9.7)	(-8.0)	(-8.9)	(-9.6)
Volumes	1.4	-2.4	(-7.0)	(-4.8)	(-11.4)	(-11.6)	(-8.4)	(-5.7)	(-2.4)	(-2.1)
Current Account (100 mil. yen)	195,916	201,408	58,016	14,162	52,911	20,998	16,498	21,447	18,784	
Goods (100 mil. yen)	6,341	6,665	5,031	-14,594	14,498	4,019	8,992	9,711	6,161	
Services (100 mil. yen)	-9,342	-4,777	-2,908	-13,625	-9,733	-3,272	-2,332	-3,846	-1,816	
Financial Account (100 mil. yen)	214,222	225,587	67,983	20,372	49,121	6,071	20,856	8,605	15,933	
Gold & Foreign Exchange Reserves (\$1mil.)	1,291,813	1,366,177	1,366,177	1,383,164	1,389,779	1,398,516	1,389,779	1,384,372	1,384,615	1,394,680
Exchange Rate (¥/\$)	110.88	108.68	108.86	107.60	106.19	106.04	105.74	105.24	104.40	103.82

3. Financial Market Indicators

	Fiscal	Fiscal	2020			2020				
	2018	2019	1Q	2Q	3Q	AUG	SEP	OCT	NOV	DEC
Uncollateralized Overnight Call Rates	-0.062	-0.046	-0.032	-0.044	-0.039	-0.035	-0.054	-0.020	-0.032	-0.026
			[-0.054]	[-0.060]	[-0.059]	[-0.046]	[-0.059]	[-0.022]	[-0.043]	[-0.038]
Euro Yen TIBOR (3 Months)	0.062	0.026	0.016	-0.041	-0.062	-0.065	-0.055	-0.055	-0.055	-0.055
			[0.037]	[0.049]	[0.022]	[0.009]	[0.009]	[0.009]	[0.018]	[0.021]
Newly Issued Japanese Government Bonds Yields (10 Years)	-0.095	0.005	0.005	0.030	0.015	0.045	0.015	0.040	0.030	0.020
			[-0.095]	[-0.165]	[-0.215]	[-0.280]	[-0.215]	[-0.150]	[-0.080]	[-0.025]
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.751	0.720	0.720	0.668	0.673	0.670	0.673	0.677	0.672	
			(-0.009)	(-0.052)	(0.005)	(0.002)	(0.003)	(0.004)	(-0.005)	
The Nikkei Stock Average (TSE 225 Issues)	21,206	18,917	18,917	22,288	23,185	23,140	23,185	22,977	26,434	27,444
			[21,206]	[21,276]	[21,756]	[20,704]	[21,756]	[22,927]	[23,294]	[23,657]
M2(Average)	(2.7)	(2.6)	(3.0)	(5.3)	(8.5)	(8.6)	(9.0)	(9.0)	(9.1)	(9.2)
Broadly-defined Liquidity(Average)	(1.9)	(2.2)	(2.8)	(3.2)	(5.1)	(5.2)	(5.5)	(5.4)	(5.3)	(5.4)
Principal Figures of Financial Institutions										
Loans and Discount (Average)	Banks & Shinkin	(2.2)	(2.1)	(1.9)	(4.7)	(6.5)	(6.7)	(6.4)	(6.1)	(6.2)
	Banks	(2.2)	(2.2)	(2.1)	(4.9)	(6.4)	(6.6)	(6.2)	(5.9)	(5.9)
	City Banks etc.	(1.0)	(2.0)	(1.8)	(6.3)	(7.7)	(8.0)	(7.3)	(6.6)	(6.9)
	Regional Banks	(4.3)	(4.5)	(4.3)	(3.7)	(5.0)	(5.0)	(5.0)	(4.8)	(4.7)
	Regional Banks II	(-0.4)	(-5.9)	(-5.5)	(4.2)	(6.7)	(6.9)	(6.9)	(6.9)	(7.0)
	Shinkin	(2.1)	(1.1)	(1.0)	(2.9)	(7.1)	(7.3)	(7.8)	(8.0)	(8.3)
Deposits and CDs (Average)	Total(3 Business Condition)	(3.4)	(2.6)	(3.0)	(6.1)	(8.7)	(8.8)	(9.1)	(9.0)	(9.0)
	City Banks	(4.9)	(3.6)	(3.9)	(8.1)	(10.3)	(10.5)	(10.4)	(10.0)	(9.9)
	Regional Banks	(2.7)	(3.4)	(3.7)	(4.1)	(7.0)	(7.0)	(7.6)	(7.9)	(8.0)
	Regional Banks II	(-1.3)	(-5.5)	(-5.1)	(3.1)	(6.8)	(6.9)	(7.5)	(7.9)	(8.1)

(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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