

## Savings amassed by households hold the key to Japan's economic recovery

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According to the Family Income and Expenditure Survey published by the Ministry of Internal Affairs and Communications, spending in real terms by two-or-more person households slumped significantly – a fall of 7.3% from the previous month. Around the end of 2020 and the start of this year, the government re-imposed restrictions on movement in response to a third wave of COVID-19 infections. This included requests that people stay at home and calling another state of emergency in some regions. As expected, this appears to have had a large impact on consumption.

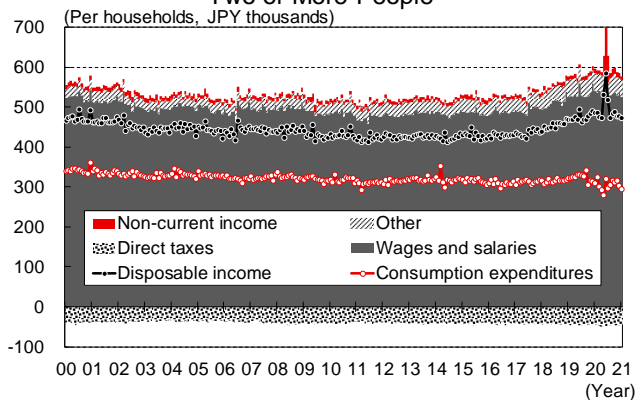
That being said, the overall trend of household income shows it has managed to avoid a considerable slump. There is a downward trend in “wages and salaries” of workers' households of two or more people owing to a decrease in overtime pay and bonuses. However, taking a long-term view, the level of income is still high, despite the unprecedented economic crisis, and “disposable income” is similarly high (Chart 1).

Meanwhile, it appears households continue to accumulate savings. According to the Flow of Funds for the October-December 2020 quarter published by the Bank of Japan on 17th March, there was a financial surplus of JPY 2.7 trillion in the household sector for that quarter, recording a surplus for the twelfth consecutive quarter (Chart 2). Currency deposits also increased by JPY 22.6 trillion in the same quarter (JPY 12.2 trillion if calculated over a moving average of four quarters to eliminate seasonal effects). It appears the absence of a large slump in income and suppressed consumption due to restrictions on movement and a reluctance to go out have resulted in an accumulation of household deposits. The amount of deposits accumulated over 2020 reached a cumulative total of JPY 48.7 trillion, which equates to around 16% of nominal private consumption in 2019. If these savings can be transformed into consumption, it would provide a huge boost to economic recovery.

Currently, there is a rise in expectations that the COVID-19 pandemic will draw to a close as the vaccine is being rolled out to medical staff, yet fears about a fourth wave of infection continue to rise and, when it comes to economic recovery, preventing infection and working to achieve safety and security are the top priorities. That being said, it is possible that these deposits accumulated by households will be the primary key to a genuine route of economic recovery in the future. As the government and corporations cope with uncertainty about the future in the medium and long term, which is said to be a cause of the structural weaknesses in

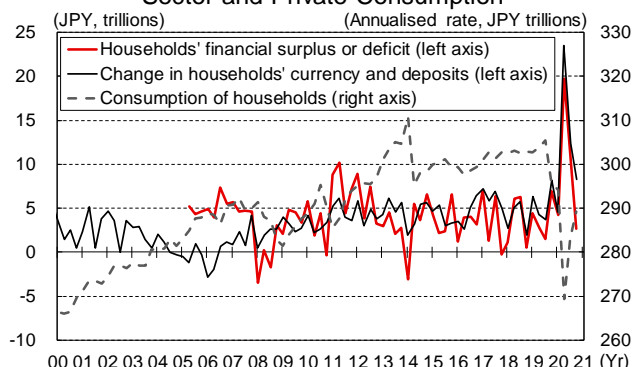
private consumption, it will be the quality and flexibility of the government's policies and corporations' business models that will be the deciding factors in whether household savings can be channelled into pent-up demand.

Chart 1: Household Income of Workers' Households of Two or More People



Note: Seasonal adjustment carried out by Economic Research Office  
 Source: Ministry of Internal Affairs and Communications, MUFG Bank Economic Research Office

Chart 2: Financial Surplus or Deficit in the Household Sector and Private Consumption



Note: Seasonal adjustment of "change in households' currency and deposits" carried out by Economic Research Office  
 Source: Bank of Japan, Cabinet Office, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

## MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

### 1. Main Economic Indicators

As of Mar. 31, 2021

	Fiscal	Fiscal	2020			2020			2021	
	2018	2019	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Real GDP Growth Rate <% changes from previous period at SA annual rate>	0.3	-0.3	-29.3 (-10.3)	22.8 (-5.8)	11.7 (-1.4)	***	***	***	***	***
Industrial Production Index	0.3	-3.8	-16.9 (-19.8)	8.7 (-12.8)	6.4 (-3.2)	4.0 (-3.0)	-0.5 (-3.9)	-1.0 (-2.6)	4.3 (-5.2)	-2.1 (-2.6)
Production										
Shipments	0.2	-3.6	-16.8 (-19.9)	9.1 (-13.5)	6.8 (-3.3)	4.9 (-3.0)	-1.2 (-4.0)	-1.1 (-2.9)	3.2 (-5.1)	-1.5 (-3.5)
Inventory	0.2	2.9	-5.3 (-3.4)	-3.3 (-5.7)	-2.3 (-8.4)	-1.8 (-8.1)	-1.5 (-9.0)	1.1 (-8.4)	0.0 (-10.3)	-1.0 (-9.6)
Inventory/Shipments Ratio (2015=100)	105.0	112.3	141.7 [107.3]	122.2 [109.3]	113.0 [114.6]	113.9 [113.1]	111.4 [115.0]	113.6 [115.6]	107.1 [115.2]	108.2 [112.5]
Index of Tertiary Industries Activity	1.1	-0.7	-10.1 (-13.0)	6.2 (-8.6)	2.7 (-2.9)	1.5 (-1.4)	-0.7 (-3.8)	-0.3 (-3.6)	-1.7 (-6.1)	-1.7 (-6.1)
Domestic Corporate Goods Price Index	2.2	0.1	-2.5 (-2.3)	0.9 (-0.8)	-0.2 (-2.1)	-0.2 (-2.1)	-0.1 (-2.3)	0.5 (-2.0)	0.5 (-1.5)	0.4 (-0.7)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	0.6	-0.3 (-0.1)	-0.2 (-0.2)	-0.2 (-0.9)	-0.2 (-0.7)	-0.1 (-0.9)	0.0 (-1.0)	0.5 (-0.6)	0.1 (-0.4)
Index of Capacity Utilization (2015=100)	102.5	98.3	75.2 [102.1]	85.6 [100.2]	93.8 [95.6]	95.4 [96.3]	92.6 [95.6]	93.3 [94.9]	97.7 [97.4]	97.7 [95.6]
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	2.8	-0.3	-10.4 (-19.1)	-0.3 (-14.1)	12.9 (1.2)	12.6 (2.8)	1.1 (-11.3)	5.3 (11.8)	-4.5 (1.5)	-4.5 (1.5)
Manufacturing	3.8	-8.1	-12.9 (-19.9)	3.1 (-15.0)	11.4 (0.8)	7.7 (1.1)	-1.6 (-3.1)	10.3 (3.9)	-4.2 (1.1)	-4.2 (1.1)
Non-manufacturing Excl.Electric Power & Ship building	2.1	6.2	-8.5 (-18.4)	-2.2 (-13.4)	15.5 (1.4)	12.6 (4.3)	3.4 (-17.1)	4.9 (18.1)	-8.9 (1.7)	-8.9 (1.7)
Shipments of Capital Goods (Excl.Transport Equipment)	-0.2	-5.5	-8.4 (-12.7)	-4.6 (-19.8)	12.4 (-1.8)	13.4 (-1.8)	3.1 (4.0)	-5.1 (-6.4)	8.9 (-1.7)	2.9 (4.8)
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 (-12.4)	80.9 (-10.1)	81.3 (-7.0)	81.3 (-8.3)	81.9 (-3.7)	78.4 (-9.0)	80.1 (-3.1)	
Total floor	1.0	(-4.5)	(-13.8)	(-13.1)	(-7.7)	(-10.2)	(-4.7)	(-7.9)	(0.1)	
Sales at Retailers	1.6	-0.4								
Real Consumption Expenditures of Households over 2 persons (SA)	0.0	-0.4	-4.5 (-9.8)	3.6 (-8.3)	4.3 (0.7)	2.5 (1.9)	-1.6 (1.1)	0.2 (-0.6)	-7.3 (-6.1)	
Propensity to Consume (SA, %)	69.2	66.9	54.8 [66.9]	62.7 [71.8]	65.9 [65.5]	66.6 [65.9]	66.4 [66.8]	64.4 [63.5]	63.4 [64.9]	66.8 [66.8]
Overtime Hours Worked (All Industries, 5 employees or more)	-1.7	-2.5	-19.5 (-24.4)	11.1 (-14.6)	2.9 (-9.6)	1.4 (-11.1)	0.0 (-10.2)	1.3 (-7.6)	0.5 (-8.0)	
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	43	35	35	35	34	35	24	
Ratio of Job Offers to Applicants (SA, Times)	1.62	1.55	1.20 [1.62]	1.06 [1.60]	1.04 [1.57]	1.04 [1.58]	1.05 [1.57]	1.05 [1.55]	1.10 [1.51]	1.09 [1.45]
Unemployment Rate (SA, %)	2.4	2.4	2.7	3.0	3.0	3.1	3.0	3.0	2.9	2.9
Economy Watcher Survey (Judgment of the present condition D.I.%)	47.7	38.7	22.1 [45.7]	44.6 [43.5]	43.7 [37.1]	53.0 [35.9]	43.8 [37.2]	34.3 [38.3]	31.2 [41.9]	41.3 [27.9]
Bankruptcies (Number of cases)	8,110 (-3.1)	8,631 (6.4)	1,837 (-11.4)	2,021 (-7.4)	1,751 (-20.8)	624 (-20.0)	569 (-21.7)	558 (-20.7)	474 (-38.7)	446 (-31.5)

(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 Mar. 31, 2021									
	Fiscal	Fiscal	2020			2020			2021	
	2018	2019	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB
Customs Clearance (Exports in Yen Terms)	1.9	-6.0	(-25.3)	(-13.0)	(-0.7)	(-0.2)	(-4.2)	(2.0)	(6.4)	(-4.5)
Value	2.5	-1.6	(-0.4)	(2.2)	(1.1)	(1.5)	(-0.2)	(2.1)	(1.0)	(-0.1)
Volumes	-0.6	-4.4	(-25.0)	(-14.9)	(-1.8)	(-1.6)	(-3.9)	(-0.1)	(5.3)	(-4.3)
Imports (In Yen terms)	7.2	-6.3	(-15.8)	(-19.9)	(-11.8)	(-13.1)	(-11.0)	(-11.5)	(-9.4)	(11.8)
Value	5.7	-4.0	(-11.8)	(-9.9)	(-8.9)	(-8.0)	(-9.1)	(-9.7)	(-5.5)	(-8.3)
Volumes	1.4	-2.4	(-4.6)	(-11.1)	(-3.2)	(-5.5)	(-2.1)	(-2.0)	(-4.1)	(22.0)
Current Account (100 mil. yen)	195,916	201,408	14,162	52,911	51,887	21,447	18,784	11,656	6,468	
Goods (100 mil. yen)	6,341	6,665	-14,594	14,498	25,522	9,711	6,161	9,651	-1,301	
Services (100 mil. yen)	-9,342	-4,777	-13,625	-9,733	-9,097	-3,846	-1,816	-3,435	-4,809	
Financial Account (100 mil. yen)	214,222	225,587	20,372	49,121	42,367	8,605	15,933	17,828	9,201	
Gold & Foreign Exchange Reserves (\$1mil.)	1,291,813	1,366,177	1,383,164	1,389,779	1,394,680	1,384,372	1,384,615	1,394,680	1,392,058	1,379,412
Exchange Rate (¥/\$)	110.88	108.68	107.60	106.19	104.49	105.24	104.40	103.82	103.70	105.36

## 3. Financial Market Indicators

	Fiscal	Fiscal	2020			2020			2021		
	2018	2019	2Q	3Q	4Q	OCT	NOV	DEC	JAN	FEB	
Uncollateralized Overnight Call Rates	-0.062	-0.046	-0.044	-0.039	-0.026	-0.020	-0.032	-0.026	-0.017	-0.016	
			[ -0.060]	[ -0.059]	[ -0.034]	[ -0.022]	[ -0.043]	[ -0.038]	[ -0.032]	[ -0.016]	
Euro Yen TIBOR (3 Months)	0.062	0.026	-0.041	-0.062	-0.055	-0.055	-0.055	-0.055	-0.055	-0.055	
			[ 0.049]	[ 0.022]	[ 0.016]	[ 0.009]	[ 0.018]	[ 0.021]	[ 0.021]	[ 0.021]	
Newly Issued Japanese Government Bonds Yields (10 Years)	-0.095	0.005	0.030	0.015	0.020	0.040	0.030	0.020	0.055	0.150	
			[ -0.165]	[ -0.215]	[ -0.025]	[ -0.150]	[ -0.080]	[ -0.025]	[ -0.065]	[ -0.155]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.751	0.720	0.670	0.680	0.684	0.685	0.681	0.684	0.685	0.683	
			(-0.050)	(0.010)	(0.004)	(0.005)	(-0.004)	(0.003)	(0.001)	(-0.002)	
The Nikkei Stock Average (TSE 225 Issues)	21,206	18,917	22,288	23,185	27,444	22,977	26,434	27,444	27,663	28,966	
			[ 21,276]	[ 21,756]	[ 23,657]	[ 22,927]	[ 23,294]	[ 23,657]	[ 23,205]	[ 21,143]	
M2(Average)	(2.7)	(2.6)	(5.3)	(8.5)	(9.1)	(9.0)	(9.1)	(9.1)	(9.4)	(9.6)	
Broadly-defined Liquidity(Average)	(1.9)	(2.2)	(3.2)	(5.1)	(5.4)	(5.4)	(5.3)	(5.3)	(5.7)	(6.0)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.2)	(2.1)	(4.7)	(6.5)	(6.2)	(6.1)	(6.2)	(6.2)	(6.0)	(6.2)
	Banks	(2.2)	(2.2)	(4.9)	(6.4)	(5.9)	(5.9)	(5.9)	(5.9)	(5.7)	(5.9)
	City Banks etc.	(1.0)	(2.0)	(6.3)	(7.7)	(6.8)	(6.6)	(6.9)	(7.1)	(6.5)	(6.7)
	Regional Banks	(4.3)	(4.5)	(3.7)	(5.0)	(4.7)	(4.8)	(4.7)	(4.6)	(4.7)	(4.8)
	Regional Banks II	(-0.4)	(-5.9)	(4.2)	(6.7)	(6.9)	(6.9)	(7.0)	(6.7)	(6.5)	(6.5)
	Shinkin	(2.1)	(1.1)	(2.9)	(7.1)	(8.2)	(8.0)	(8.3)	(8.3)	(8.3)	(8.5)
Deposits and CDs (Average)	Total(3 Business Condition)	(3.4)	(2.6)	(6.1)	(8.7)	(9.1)	(9.0)	(9.0)	(9.3)	(9.8)	(10.0)
	City Banks	(4.9)	(3.6)	(8.1)	(10.3)	(10.0)	(10.0)	(9.9)	(10.3)	(11.0)	(11.1)
	Regional Banks	(2.7)	(3.4)	(4.1)	(7.0)	(8.0)	(7.9)	(8.0)	(8.2)	(8.5)	(8.7)
	Regional Banks II	(-1.3)	(-5.5)	(3.1)	(6.8)	(8.1)	(7.9)	(8.1)	(8.3)	(8.4)	(8.8)

(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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