

## A third state of emergency tests private consumption resilience

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The state of emergency that was declared at the start of the year has only just been completely lifted, yet already “there is no doubt that Japan is entering a fourth wave of infections” (Subcommittee on Novel Coronavirus Disease Control). At the start of April, the government implemented priority preventative measures in 11 prefectures, but the spread of infection did not stop, and a third state of emergency was declared on 25<sup>th</sup> April in Tokyo, Osaka, Kyoto and Hyogo which is due to end on 11<sup>th</sup> May. Although the areas where these measures have been implemented account for less than 50% of real GDP, other regions have also been urged to reduce opening hours and, when these affected areas are included in the total, the share of real GDP is almost 60% – close to the level affected by the second state of emergency (Table 1). In areas where priority preventative measures have been applied, restaurants and other eateries have been asked to close by 8PM. Under this state of emergency, eating and drinking establishments that serve alcohol have been asked to close along with large shopping centres (excluding shops which sell necessities). Compared with the second state of emergency, the restrictions this time are more stringent.

It is important to note that, as the COVID-19 pandemic continues, the stringency of restrictions and the level of mobility are not necessarily proportional. In addition, as progress is made in balancing infection prevention with economic activities, private consumption is also becoming less closely tied to mobility due to an increase in online consumption among other factors (Chart 1). Taking the assumption that “mobility will fall during the third state of emergency to around the same level it did during the second one and will then recover to the same level recorded at the end of March” and then applying this to the relationship between mobility and private consumption in January and February, private consumption in April is estimated to be 1.0% lower than it was in March and 3.5% lower in May compared with March. If the figure for June is placed at the same level as the estimate for May, private consumption is forecast to increase 1.3% YoY in the April-June quarter. As such, the level of growth will likely be positive, albeit lower than previous assumptions (Chart 1).

While there are expectations of progress in the vaccine rollout going forwards, the virus is still spreading, particularly the very infectious variants, and there is an undeniable possibility that even after the third state of emergency, economic restrictions will be repeatedly tightened and eased. It appears that private consumption is more resilient than it was in spring last year, but it is important to remain vigilant of downside risks in the future.

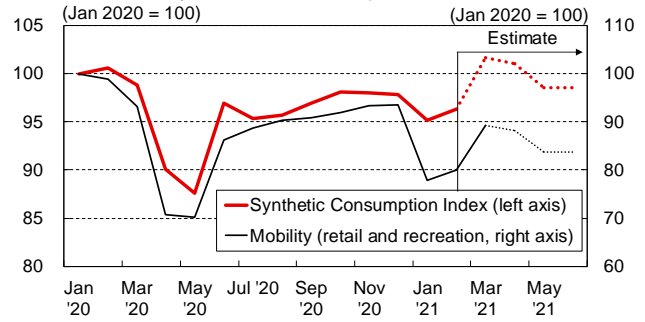
Table 1: Regions Affected by the State of Emergency (as of 28 April)

	Start	Scheduled End	Prefecture	Affected Towns and Cities	% of Real GDP	
State of Emergency	25 April	11 May	Tokyo	Whole area	19.3	
			Osaka	Whole area	7.1	
			Hyogo	Whole area	3.8	
			Kyoto	Whole area	1.9	
Priority Preventative Measures	5 April	11 May	Miyagi	Sendai	1.0	
	12 April	11 May	Okinawa	9 authorities including Naha	0.6	
	20 April	11 May	Kanagawa	9 authorities including Yokohama and Kawasaki	6.3	
	20 April	11 May	Saitama	15 authorities including Saitama and Kawaguchi	2.2	
	20 April	11 May	Chiba	12 authorities including Ichikawa and Funabashi	3.7	
	20 April	11 May	Aichi	Nagoya	2.4	
	25 April	11 May	Ehime	Matsuyama	0.3	
	Total of local authorities that enacted priority preventative measures					<b>48.7</b>
	Other local authorities that requested restaurants shorten their opening hours (local authorities that did not implement priority preventative measures)					9.3
Total					<b>58.0</b>	
Reference: State of emergency in Jan-Mar 2021 (11 prefectures)					<b>60.0</b>	

Note: Share of real GDP calculated by Economic Research Office based on 2017 data (Kanagawa and Chiba do not published prefectural accounts by authorities, so the figure for priority preventative measures uses the total for those prefectures)

Source: Cabinet Office, each local authority, MUFG Bank Economic Research Office

Chart 1: Mobility Trend (Retail and Recreation) and the Synthetic Consumption Index



Note: 1. The dotted mobility line is an estimate assuming mobility will fall by around the same amount as it did during the second state of emergency and will then recover until the end of Mar.

2. The dotted Synthetic Consumption Index line is an estimate based on the index for Jan-Feb and the relationship with mobility

Source: Cabinet Office, Google, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

## MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

### 1. Main Economic Indicators

As of Apr. 28, 2021

	Fiscal	Fiscal	2020			2020		2021		
	2018	2019	2Q	3Q	4Q	NOV	DEC	JAN	FEB	MAR
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	-16.8 (-20.3)	9.0 (-13.0)	5.7 (-3.5)	0.7 (-4.1)	-0.2 (-2.9)	3.1 (-5.3)	-1.3 (-2.0)	
Production										
Shipments	0.2	-3.6	-16.9 (-20.3)	9.2 (-13.5)	5.9 (-3.5)	0.9 (-4.1)	-0.6 (-3.2)	2.9 (-5.3)	-1.3 (-3.2)	
Inventory	0.2	2.8	-4.1 (-3.3)	-3.2 (-5.7)	-1.6 (-8.4)	-1.2 (-9.1)	0.6 (-8.4)	-0.9 (-10.2)	-0.7 (-9.5)	
Inventory/Shipments Ratio (2015=100)	105.0	112.5	142.1 [107.3]	124.0 [109.3]	114.6 [114.6]	114.2 [115.0]	114.3 [115.6]	108.7 [116.0]	109.8 [113.9]	[121.4]
Index of Tertiary Industries Activity	1.1	-0.7	-10.1 (-13.1)	6.4 (-8.6)	2.3 (-2.9)	0.0 (-3.8)	-0.4 (-3.5)	-1.0 (-5.4)	0.3 (-5.0)	
Domestic Corporate Goods Price Index	2.2	0.1	-2.5 (-2.3)	0.9 (-0.8)	-0.2 (-2.1)	-0.1 (-2.3)	0.5 (-2.0)	0.4 (-1.6)	0.6 (-0.6)	0.8 (1.0)
Consumer Price Index(SA, total, excl.fresh foods)	0.8	0.6	-0.3 (-0.1)	-0.2 (-0.2)	-0.2 (-0.9)	-0.1 (-0.9)	0.0 (-1.0)	0.5 (-0.6)	0.1 (-0.4)	0.2 (-0.1)
Index of Capacity Utilization (2015=100)	102.5	98.2	75.3 [102.1]	85.1 [100.2]	92.6 [95.6]	91.9 [95.6]	92.7 [94.9]	95.7 [95.7]	93.0 [95.0]	[93.0]
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)	1.1 (-11.3)	5.3 (11.8)	-4.5 (1.5)	-8.5 (-7.1)	
Manufacturing	3.8	-8.1	-12.9 (-19.9)	3.1 (-15.0)	11.4 (0.8)	-1.6 (-3.1)	10.3 (3.9)	-4.2 (1.1)	-5.5 (-2.8)	
Non-manufacturing Excl.Electric Power & Ship building	2.1	6.2	-8.5 (-18.4)	-2.2 (-13.4)	15.5 (1.4)	3.4 (-17.1)	4.9 (18.1)	-8.9 (1.7)	-10.9 (-10.1)	
Shipments of Capital Goods (Excl.Transport Equipment)	-0.2	-5.5	-6.3 (-12.8)	-1.6 (-18.7)	5.2 (-0.4)	3.7 (5.7)	-1.1 (-5.4)	9.6 (-0.4)	-0.9 (6.3)	
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)	80.9 (-12.4)	81.3 (-10.1)	80.5 (-7.0)	81.9 (-3.7)	78.4 (-9.0)	80.1 (-3.1)	80.8 (-3.7)	
Total floor	(1.0)	(-4.5)	(-13.8)	(-13.1)	(-7.6)	(-4.7)	(-7.9)	(0.1)	(-2.9)	
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)	-1.6 (1.1)	0.2 (-0.6)	-7.3 (-6.1)	2.4 (-6.6)	
Propensity to Consume (SA, %)	69.2	66.9	54.8 [66.9]	62.7 [71.8]	65.9 [65.5]	66.4 [66.8]	64.4 [63.5]	63.4 [64.9]	63.5 [66.8]	[63.0]
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)	0.0 (-10.2)	1.3 (-7.6)	0.5 (-8.0)	-2.0 (-9.7)	
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	96	43	35	35	34	35	29	28	
Ratio of Job Offers to Applicants (SA, Times)	1.62	1.55	1.20 [1.62]	1.06 [1.60]	1.04 [1.57]	1.05 [1.57]	1.05 [1.55]	1.10 [1.51]	1.09 [1.45]	[1.40]
Unemployment Rate (SA, %)	2.4	2.4	2.7	3.0	3.0	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]	43.8 [37.2]	34.3 [38.3]	31.2 [41.9]	41.3 [27.9]	49.0 [14.9]
Bankruptcies (Number of cases)	8,110 (-3.1)	8,631 (6.4)	1,837 (-11.4)	2,021 (-7.4)	1,751 (-20.8)	569 (-21.7)	558 (-20.7)	474 (-38.7)	446 (-31.5)	634 (-14.3)

(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 Apr. 28, 2021

	Fiscal	Fiscal	2020			2020		2021		
	2018	2019	2Q	3Q	4Q	NOV	DEC	JAN	FEB	MAR
Customs Clearance (Exports in Yen Terms)	1.9	-6.0	(-25.3)	(-13.0)	(-0.7)	(-4.2)	(2.0)	(6.4)	(-4.5)	(16.1)
Value	2.5	-1.6	(-0.4)	(2.2)	(1.1)	(-0.2)	(2.1)	(1.0)	(-0.1)	(3.1)
Volumes	-0.6	-4.4	(-25.0)	(-14.9)	(-1.8)	(-3.9)	(-0.1)	(5.3)	(-4.3)	(12.6)
Imports (In Yen terms)	7.2	-6.3	(-15.8)	(-19.9)	(-11.8)	(-11.0)	(-11.5)	(-9.4)	(11.9)	(5.8)
Value	5.7	-4.0	(-11.8)	(-9.9)	(-8.9)	(-9.1)	(-9.7)	(-5.5)	(-8.3)	(1.8)
Volumes	1.4	-2.4	(-4.6)	(-11.1)	(-3.2)	(-2.1)	(-2.0)	(-4.1)	(22.0)	(3.9)
Current Account (100 mil. yen)	193,980	189,273	14,232	52,844	52,848	18,949	12,791	6,444	29,169	
Goods (100 mil. yen)	5,658	4,839	-14,566	14,614	25,227	6,074	9,650	-1,301	5,242	
Services (100 mil. yen)	-12,172	-17,172	-13,378	-9,503	-8,412	-1,646	-3,127	-4,809	-757	
Financial Account (100 mil. yen)	216,356	207,987	15,875	51,340	36,951	12,287	17,447	9,177	16,461	
Gold & Foreign Exchange Reserves (\$1mil.)	1,291,813	1,366,177	1,383,164	1,389,779	1,394,680	1,384,615	1,394,680	1,392,058	1,379,412	1,368,465
Exchange Rate (¥/\$)	110.88	108.68	107.60	106.19	104.49	104.40	103.82	103.70	105.36	108.65

## 3. Financial Market Indicators

	Fiscal	Fiscal	2020			2020		2021			
	2018	2019	2Q	3Q	4Q	NOV	DEC	JAN	FEB	MAR	
Uncollateralized Overnight Call Rates	-0.062	-0.046	-0.044	-0.039	-0.026	-0.032	-0.026	-0.017	-0.016	-0.017	
			[-0.060]	[-0.059]	[-0.034]	[-0.043]	[-0.038]	[-0.032]	[-0.016]	[-0.047]	
Euro Yen TIBOR (3 Months)	0.062	0.026	-0.041	-0.062	-0.055	-0.055	-0.055	-0.055	-0.055	-0.065	
			[0.049]	[0.022]	[0.016]	[0.018]	[0.021]	[0.021]	[0.021]	[0.006]	
Newly Issued Japanese Government Bonds Yields (10 Years)	-0.095	0.005	0.030	0.015	0.020	0.030	0.020	0.055	0.150	0.120	
			[-0.165]	[-0.215]	[-0.025]	[-0.080]	[-0.025]	[-0.065]	[-0.155]	[0.005]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.751	0.720	0.670	0.680	0.684	0.681	0.684	0.685	0.683		
			(-0.050)	(0.010)	(0.004)	(-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	26,434	27,444	27,663	28,966	29,179	
			[21,276]	[21,756]	[23,657]	[23,294]	[23,657]	[23,205]	[21,143]	[18,917]	
M2(Average)	(2.7)	(2.6)	(5.3)	(8.5)	(9.1)	(9.1)	(9.1)	(9.4)	(9.6)	(9.5)	
Broadly-defined Liquidity(Average)	(2.0)	(1.9)	(3.3)	(5.2)	(5.6)	(5.6)	(5.7)	(5.8)	(5.9)	(5.9)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.2)	(2.1)	(4.7)	(6.5)	(6.2)	(6.2)	(6.2)	(6.0)	(6.2)	(6.3)
	Banks	(2.2)	(2.2)	(4.9)	(6.4)	(5.9)	(5.9)	(5.9)	(5.7)	(5.8)	(5.9)
	City Banks etc.	(1.0)	(2.0)	(6.3)	(7.7)	(6.8)	(6.9)	(7.1)	(6.5)	(6.7)	(6.7)
	Regional Banks	(4.3)	(4.5)	(3.7)	(5.0)	(4.7)	(4.7)	(4.6)	(4.7)	(4.8)	(4.9)
	Regional Banks II	(-0.4)	(-5.9)	(4.2)	(6.7)	(6.9)	(7.0)	(6.7)	(6.5)	(6.5)	(6.5)
	Shinkin	(2.1)	(1.1)	(2.9)	(7.1)	(8.2)	(8.3)	(8.3)	(8.3)	(8.5)	(8.6)
Deposits and CDs (Average)	Total(3 Business Condition)	(3.4)	(2.6)	(6.1)	(8.7)	(9.1)	(9.0)	(9.3)	(9.8)	(10.0)	(9.9)
	City Banks	(4.9)	(3.6)	(8.1)	(10.3)	(10.0)	(9.9)	(10.3)	(11.0)	(11.1)	(10.7)
	Regional Banks	(2.7)	(3.4)	(4.1)	(7.0)	(8.0)	(8.0)	(8.2)	(8.5)	(8.7)	(9.0)
	Regional Banks II	(-1.3)	(-5.5)	(3.1)	(6.8)	(8.1)	(8.1)	(8.3)	(8.5)	(8.7)	(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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