

As COVID-19 continues to spread, there are fears that Japan's recovery will be slow

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In Japan, COVID-19 vaccinations are being administered, but the number of new cases has started to rise, and the government has tightened and extended restrictions again. A fourth state of emergency was declared in Tokyo on 12th July, which the government then extended until 31st August and expanded to the three prefectures surrounding the capital and to Osaka.

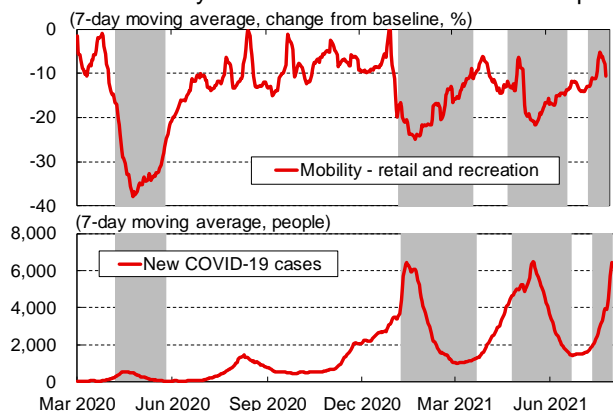
As various restrictions are repeatedly introduced and lifted, there are concerns about the burden this will have on the economy. However, the fall in private consumption appears to be small compared with periods when a state of emergency was declared in the past. Each time a state of emergency is imposed, the decrease in mobility – which is related to the level of consumption – grows smaller. Currently, the decrease in mobility is small compared with those under previous states of emergency (Chart 1). It is likely that total mobility for the whole country will decrease from its present level owing to the expansion of the current state of emergency to additional regions, and downward pressure on certain industries will increase. However, it appears that a large slump in short-term private consumption and the economy will be avoided.

Instead, the subject of concern is that a prolonged rise in infections caused by the lack of a decline in mobility will lead to a delayed easing of restrictions and therefore a slow pace of recovery in private consumption. There are fears of a fall in consumer sentiment and consumption itself owing to extended restrictions. In fact, stagnation of sentiment could also lead to a decrease in consumption of not only services, but also goods, which have been growing in resilience to the COVID-19 pandemic (Chart 2).

In Japan, the decision to tighten or ease restrictions depends on the trend of new COVID-19 cases. There is a rise in new cases in some other major countries that are administering vaccinations, yet there are also those where restrictions have been eased based on a decision that takes into account all factors, such as the healthcare system, and where the economy is recovering. While there are discussions taking place in Japan about how much capacity there is to strengthen the healthcare system, the number of new cases among the elderly, many of whom have been vaccinated, is relatively low, and the increase in the number of serious cases has been curbed. The government said it will finish administering the vaccine to all those who want it by the end of November and is expected to achieve a rate of vaccination that is comparable to the levels of other major countries. It appears the COVID-19 pandemic will be

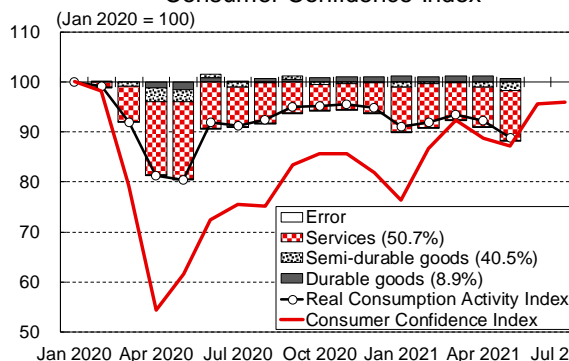
prolonged, based on current mobility levels. In order to balance both public measures and economic activities, Japan has started to shift to a phase where it is strengthening its medical care system and considering restrictions based on comprehensive decision-making.

Chart 1: Mobility and New COVID-19 Cases in Japan



Note: Shaded areas denote state of emergency periods
 Source: Ministry of Health, Labour and Welfare, Google, MUFG Bank Economic Research Office

Chart 2: Real Consumption Activity Index and the Consumer Confidence Index



Note: Figures in brackets in the legend show the percentage of each item as a total of the real Consumption Activity Index
 Source: Cabinet Office, Bank of Japan, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1. Main Economic Indicators

As of Aug. 2, 2021

	Fiscal	Fiscal	2020		2021	2021				
	2019	2020	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN
Real GDP Growth Rate <% changes from previous period at SA annual rate>	-0.5	-4.6	22.9 (-5.6)	11.7 (-1.1)	-3.9 (-1.6)	***	***	***	***	***
Industrial Production Index	-3.8	-9.5	9.0 (-13.0)	5.7 (-3.5)	2.9 (-1.0)	-1.3 (-2.0)	1.7 (3.4)	2.9 (15.8)	-6.5 (21.1)	6.2 (22.6)
Production										
Shipments	-3.6	-9.8	9.2 (-13.5)	5.9 (-3.5)	2.0 (-1.4)	-1.3 (-3.2)	0.4 (3.4)	3.1 (16.2)	-5.5 (21.5)	4.3 (18.7)
Inventory	2.8	-9.8	-3.2 (-5.7)	-1.6 (-8.4)	-1.3 (-9.8)	-0.7 (-9.5)	0.4 (-9.8)	-0.1 (-9.8)	-1.1 (-8.7)	2.3 (-4.8)
Inventory/Shipments Ratio (2015=100)	122.5	122.9	124.0 [109.3]	114.6 [114.6]	109.5 [117.1]	109.8 [113.9]	110.0 [121.4]	107.4 [137.6]	108.8 [150.5]	108.5 [138.3]
Index of Tertiary Industries Activity	-0.7	-6.9	6.4 (-8.6)	2.3 (-2.9)	-0.7 (-3.0)	-0.3 (-5.6)	2.4 (1.7)	-0.8 (9.9)	-2.7 (10.3)	
Domestic Corporate Goods Price Index	0.1	-1.4	0.9 (-0.8)	-0.2 (-2.1)	1.5 (-0.3)	0.5 (-0.6)	1.0 (1.2)	0.9 (3.8)	0.8 (5.1)	0.6 (5.0)
Consumer Price Index(SA, total, excl.fresh foods)	0.6	-0.4	-0.2 (-0.2)	-0.2 (-0.9)	0.3 (-0.4)	0.1 (-0.4)	0.2 (-0.1)	-0.5 (-0.1)	0.2 (0.1)	0.1 (0.2)
Index of Capacity Utilization (2015=100)	98.2	87.4	85.1 [100.2]	92.6 [95.6]	95.6 [94.6]	93.0 [95.0]	98.2 [93.0]	99.3 [80.2]	92.5 [70.4]	92.5 [75.3]
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	-0.3	-8.8	-0.3 (-14.1)	12.9 (1.2)	-5.3 (-2.5)	-8.5 (-7.1)	3.7 (-2.0)	0.6 (6.5)	7.8 (12.2)	
Manufacturing	-8.1	-8.5	3.1 (-15.0)	11.4 (0.8)	-2.2 (0.8)	-5.5 (-2.8)	-0.1 (2.9)	10.9 (14.2)	2.8 (37.9)	
Non-manufacturing Excl.Electric Power & Ship building	6.2	-9.0	-2.2 (-13.4)	15.5 (1.4)	-9.2 (-4.8)	-10.9 (-10.1)	9.5 (-4.9)	-11.0 (0.1)	10.0 (-4.7)	
Shipments of Capital Goods (Excl.Transport Equipment)	-5.5	-6.6	-1.6 (-18.7)	5.2 (-0.4)	7.8 (5.2)	-0.9 (6.3)	-4.7 (8.2)	14.5 (20.7)	-3.1 (23.6)	3.5 (22.5)
Construction Orders	-5.9	-0.3								
Private	-8.7	-4.9								
Public	-3.2	29.6								
Public Works Contracts	6.8	2.3								
Housing Starts 10,000 units at Annual Rate, SA	88.4 (-7.3)	81.2 (-8.1)	81.3 (-10.1)	80.5 (-7.0)	83.0 (-1.8)	80.8 (-3.7)	88.0 (1.5)	88.3 (7.1)	87.5 (9.9)	86.6 (7.3)
Total floor										
Sales at Retailers	-0.4	-2.8								
Real Consumption Expenditures of Households over 2 persons (SA)	-0.4	-4.9	3.1 (-8.3)	4.1 (0.7)	-3.9 (-2.0)	2.4 (-6.6)	7.2 (6.2)	0.1 (13.0)	-2.1 (11.6)	
Propensity to Consume (SA, %)	66.9	61.3	62.5 [70.2]	65.8 [69.1]	65.2 [70.0]	63.5 [66.8]	68.8 [63.0]	65.8 [60.6]	62.7 [53.5]	51.7 [51.7]
Overtime Hours Worked (All Industries, 5 employees or more)	-2.5	-13.9	11.1 (-14.6)	2.9 (-9.6)	1.5 (-6.6)	-2.0 (-9.7)	4.9 (-1.9)	1.9 (12.2)	-3.6 (27.6)	
Total Cash Earnings (Regular Employees Only: All Industries, 5 employees or more)	0.0	-1.5								
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	96	36	35	35	33	28	42	60	95	
Ratio of Job Offers to Applicants (SA, Times)	1.55	1.10	1.06 [1.60]	1.04 [1.57]	1.10 [1.45]	1.09 [1.45]	1.10 [1.40]	1.09 [1.30]	1.09 [1.18]	1.13 [1.12]
Unemployment Rate (SA, %)	2.4	2.9	3.0	3.0	2.8	2.9	2.6	2.8	3.0	2.9
Economy Watcher Survey (Judgment of the present condition D.I.%)	38.7	37.7	44.6 [43.5]	43.7 [37.1]	40.5 [28.2]	41.3 [27.9]	49.0 [14.9]	39.1 [9.4]	38.1 [17.0]	47.6 [40.0]
Bankruptcies (Number of cases)	8,631 (6.4)	7,163 (-17.0)	2,021 (-7.4)	1,751 (-20.8)	1,554 (-28.2)	446 (-31.5)	634 (-14.3)	477 (-35.8)	472 (50.3)	541 (-30.6)

(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 Aug. 2, 2021

	Fiscal	Fiscal	2020		2021	2021				
	2019	2020	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN
Customs Clearance (Exports in Yen Terms)	-6.0	-8.4	(-13.0)	(-0.7)	(6.0)	(-4.5)	(16.1)	(38.0)	(49.6)	(48.6)
Value	-1.6	1.1	(2.2)	(1.1)	(1.3)	(-0.1)	(3.1)	(7.4)	(8.0)	(8.3)
Volumes	-4.4	-9.4	(-14.9)	(-1.8)	(4.6)	(-4.3)	(12.6)	(28.4)	(38.5)	(37.2)
Imports (In Yen terms)	-6.3	-11.6	(-19.9)	(-11.8)	(1.9)	(11.9)	(5.8)	(12.9)	(28.0)	(32.7)
Value	-4.0	-8.6	(-9.9)	(-8.9)	(-3.9)	(-8.3)	(1.9)	(11.5)	(19.7)	(22.6)
Volumes	-2.4	-3.4	(-11.1)	(-3.2)	(6.0)	(22.0)	(3.9)	(1.2)	(6.9)	(8.2)
Current Account (100 mil. yen)	189,273	182,533	52,844	52,848	62,609	29,427	26,493	13,218	19,797	
Goods (100 mil. yen)	4,839	39,017	14,614	25,227	13,742	5,278	9,865	2,895	20	
Services (100 mil. yen)	-17,172	-36,636	-9,503	-8,412	-5,342	-531	-432	-9,548	-2,555	
Financial Account (100 mil. yen)	207,987	155,130	51,340	36,951	50,964	16,057	23,168	-2,427	27,038	
Gold & Foreign Exchange Reserves (\$1mil.)	1,366,177	1,368,465	1,389,779	1,394,680	1,368,465	1,379,412	1,368,465	1,378,467	1,387,508	1,376,478
Exchange Rate (¥/\$)	108.68	106.04	106.19	104.49	105.90	105.36	108.65	109.13	109.19	110.11

3. Financial Market Indicators

	Fiscal	Fiscal	2020		2021	2021						
	2019	2020	3Q	4Q	1Q	FEB	MAR	APR	MAY	JUN		
Uncollateralized Overnight Call Rates	-0.046	-0.031	-0.039	-0.026	-0.017	-0.016	-0.017	-0.012	-0.017	-0.029		
			[-0.059]	[-0.034]	[-0.032]	[-0.016]	[-0.047]	[-0.036]	[-0.047]	[-0.048]		
Euro Yen TIBOR (3 Months)	0.026	-0.054	-0.062	-0.055	-0.058	-0.055	-0.065	-0.065	-0.065	-0.072		
			[0.022]	[0.016]	[0.016]	[0.021]	[0.006]	[-0.039]	[-0.042]	[-0.042]		
Newly Issued Japanese Government Bonds Yields (10 Years)	0.005	0.120	0.015	0.020	0.120	0.150	0.120	0.090	0.080	0.050		
			[-0.215]	[-0.025]	[0.005]	[-0.155]	[0.005]	[-0.050]	[0.000]	[0.030]		
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.720	0.686	0.680	0.684	0.686	0.683	0.686	0.688	0.691			
			(0.010)	(0.004)	(0.002)	(-0.002)	(0.003)	(0.002)	(0.003)			
The Nikkei Stock Average (TSE 225 Issues)	18,917	29,179	23,185	27,444	29,179	28,966	29,179	28,813	28,860	28,792		
			[21,756]	[23,657]	[18,917]	[21,143]	[18,917]	[20,194]	[21,878]	[22,288]		
M2(Average)	(2.6)	(8.1)	(8.5)	(9.1)	(9.5)	(9.6)	(9.4)	(9.2)	(7.9)	(5.9)		
Broadly-defined Liquidity(Average)	(1.9)	(4.9)	(5.2)	(5.5)	(5.7)	(5.8)	(5.7)	(6.8)	(7.2)	(5.9)		
Principal Figures of Financial Institutions												
Loans and Discount (Average)	Banks & Shinkin	Banks & Shinkin	(2.1)	(5.9)	(6.5)	(6.2)	(6.1)	(6.2)	(4.8)	(2.8)	(1.4)	
		Banks	(2.2)	(5.8)	(6.4)	(5.9)	(5.8)	(5.8)	(5.9)	(4.2)	(2.2)	(0.8)
		City Banks etc.	(2.0)	(6.9)	(7.7)	(6.8)	(6.6)	(6.7)	(6.7)	(3.9)	(0.2)	(-1.6)
		Regional Banks	(4.5)	(4.5)	(5.0)	(4.7)	(4.8)	(4.8)	(4.9)	(4.2)	(4.2)	(3.2)
		Regional Banks II	(-5.9)	(6.1)	(6.7)	(6.9)	(6.5)	(6.5)	(6.5)	(6.3)	(3.0)	(1.4)
	Shinkin	(1.1)	(6.7)	(7.1)	(8.2)	(8.5)	(8.5)	(8.6)	(8.3)	(7.5)	(5.6)	
Deposits and CDs (Average)	Total(3 Business Condition)	Total(3 Business Condition)	(2.6)	(8.5)	(8.7)	(9.1)	(9.9)	(10.0)	(9.9)	(9.5)	(8.0)	(6.1)
		City Banks	(3.6)	(9.9)	(10.3)	(10.0)	(10.9)	(11.1)	(10.7)	(9.9)	(8.0)	(6.1)
		Regional Banks	(3.4)	(7.0)	(7.0)	(8.0)	(8.7)	(8.7)	(9.0)	(9.3)	(8.6)	(6.8)
		Regional Banks II	(-5.5)	(6.7)	(6.8)	(8.1)	(8.7)	(8.7)	(8.8)	(8.4)	(4.9)	(3.0)

(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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