

## The path of private consumption's recovery will become clearer after restrictions on movement are eased

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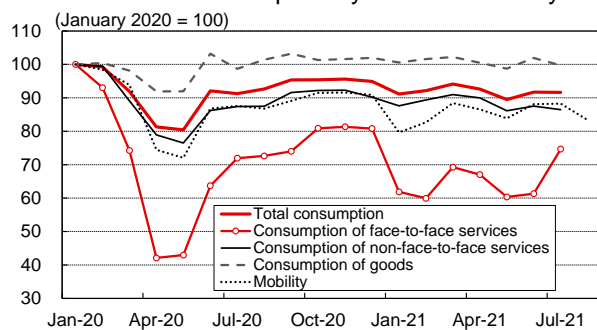
With the vaccine rollout well under way, attention has now turned to the question of what will happen to the restrictions on movement after vaccines have been administered and the impact this will have on consumption activities. On 3<sup>rd</sup> September, the Subcommittee on Novel Coronavirus Disease Control published their recommendations for the easing of restrictions on movement after vaccinations have been distributed. On the 9<sup>th</sup> September, the government announced its plan for easing various restrictions in response to the recommendations (namely easing restrictions for dining establishments that receive third-party approval or use the Vaccine and PCR Testing Package, events, travel and schools).

The continual introduction and lifting of states of emergency and priority preventative measures since the start of the year appears to have affected consumption; there was a significant decrease in the average level of the Consumption Activity Index in the period from January to July 2021 compared with the period October to December 2020: -3.2% points. It appears the fall in consumption of face-to-face services was particularly large (Chart 1). After the state of emergency is lifted, mobility and consumption of face-to-face services, which have been significantly constrained up until now due to various restrictions, are expected to recover.

There is a persistent sense of caution about the spread of infection due to concerns about the pressure on health care when new COVID-19 variants emerge and there is another rise in cases. As a result, there is a great deal of uncertainty about the degree to which consumption of face-to-face services will recover from now, which has led to multiple assumptions about the path of recovery for consumption (Chart 2). Nevertheless, the Subcommittee on Novel Coronavirus Disease Control said that the rate of vaccination (adults) for those who had already received one dose and intend to get their second soon and half of those who said they will wait and see is around 70%. Moreover, the period last autumn when the "Go-To" campaigns were implemented (while the spread of infection was lower, restrictions were eased and mobility increased, and consumption of face-to-face services during this time was around 80% of that recorded in January 2020) can be used as a rough guide to gauge the degree to which face-to-face services are restarted thanks to a sense of security among vaccinated people after restrictions are eased. Based on this assumption, the most likely scenario is that, after restrictions are eased, private consumption will increase by around 1.9% from the baseline compared with the first half of the year (this equates to roughly a 7.9% increase quarter-on-quarter annualised in the October-December quarter).

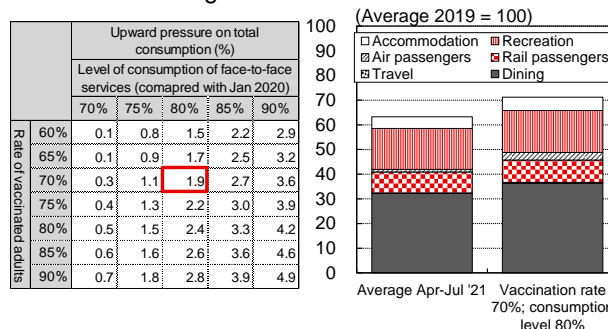
Even in Japan, where it seems consumption has been slow to pick up, it appears the trend of recovery will finally become clearer. However, taking into account the possibility that waves of infection can occur after vaccination, both the easing and lifting of various restrictions one by one alongside medical developments that foster a sense of security for consumers (e.g. strengthening health care systems and the development and distribution of treatments that are easy to administer) will be important in achieving further recovery of consumption.

Chart 1: Consumption by Item and Mobility



Note 1. "Mobility" is a monthly average of the median for "retail and recreation", "grocery and pharmacy" and "transit stations"  
 2. "Consumption of face-to-face services" and "consumption of non-face-to-face services" are based on data aggregated by the Economic Research Office which make up the Consumption Activity Index and are seasonally adjusted  
 Source: Bank of Japan, Google, MUFG Bank Economic Research Office

Chart 2: Estimated Upward Pressure on Consumption from Easing of Restrictions on Movement



Note: Premise of estimate is face-to-face consumption of the fully vaccinated will recover to 70-90% of the levels in Jan 2020, that of those not vaccinated will remain at the level it was in May 2021 - its most recent low point. Upward pressure is the estimated increase in private consumption from the amount forecast in the first half of FY2021  
 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 Oct. 4, 2021

	Fiscal	Fiscal	2020	2021		2021				
	2019	2020	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Real GDP Growth Rate <% changes from previous period at SA annual rate>	-0.5	-4.4	11.9 (-0.9)	-4.2 (-1.3)	1.9 (7.6)	***	***	***	***	***
Industrial Production Index	-3.8	-9.5	5.7 (-3.5)	2.9 (-1.0)	1.1 (19.9)	2.9 (15.8)	-6.5 (21.1)	6.5 (23.0)	-1.5 (11.6)	-3.2 (9.3)
Production										
Shipments	-3.6	-9.8	5.9 (-3.5)	2.0 (-1.4)	0.7 (18.8)	3.1 (16.2)	-5.5 (21.5)	4.8 (19.2)	-0.3 (11.2)	-3.8 (7.7)
Inventory	2.8	-9.8	-1.6 (-8.4)	-1.3 (-9.8)	0.9 (-5.0)	-0.1 (-9.8)	-1.1 (-8.7)	2.1 (-5.0)	-0.7 (-4.5)	-0.3 (-3.9)
Inventory/Shipments Ratio (2015=100)	122.5	122.9	114.6 [114.6]	109.5 [117.1]	108.2 [142.1]	107.4 [137.6]	108.8 [150.5]	108.5 [138.3]	109.6 [127.8]	113.3 [124.7]
Index of Tertiary Industries Activity	-0.7	-6.9	2.3 (-2.9)	-0.7 (-3.0)	-0.5 (7.5)	-0.7 (9.9)	-3.0 (10.1)	2.2 (2.9)	-0.6 (2.0)	
Domestic Corporate Goods Price Index	0.1	-1.4	-0.3 (-2.2)	1.6 (-0.3)	2.4 (4.5)	0.9 (3.7)	0.7 (4.9)	0.7 (5.0)	1.1 (5.6)	0.0 (5.5)
Consumer Price Index(SA, total, excl.fresh foods)	0.6	-0.4	-0.2 (-0.9)	0.3 (-0.5)	-0.5 (-0.6)	-1.1 (-0.9)	0.3 (-0.6)	0.1 (-0.5)	0.4 (-0.2)	-0.1 (0.0)
Index of Capacity Utilization (2015=100)	98.2	87.4	92.6 [95.6]	95.6 [94.6]	96.7 [75.3]	99.3 [80.2]	92.5 [70.4]	98.2 [75.3]	94.9 [81.9]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	-0.3	-8.8	12.9 (1.2)	-5.3 (-2.5)	4.6 (12.6)	0.6 (6.5)	7.8 (12.2)	-1.5 (18.6)	0.9 (11.1)	
Manufacturing	-8.1	-8.5	11.4 (0.8)	-2.2 (0.8)	12.1 (26.5)	10.9 (14.2)	2.8 (37.9)	3.6 (30.2)	6.7 (32.6)	
Non-manufacturing Excl.Electric Power & Ship building	6.2	-9.0	15.5 (1.4)	-9.2 (-4.8)	-1.8 (2.2)	-11.0 (0.1)	10.0 (-4.7)	3.8 (9.8)	-9.5 (-5.3)	
Shipments of Capital Goods (Excl.Transport Equipment)	-5.5	-6.6	5.2 (-0.4)	7.8 (5.2)	9.9 (22.7)	14.5 (20.7)	-3.1 (23.6)	4.6 (23.8)	-0.9 (21.2)	-3.0 (27.3)
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	81.2	80.5	83.0	87.5	88.3	87.5	86.6	92.6	85.5
Total floor	(-7.3)	(-8.1)	(-7.0)	(-1.8)	(8.1)	(7.1)	(9.9)	(7.3)	(9.9)	(7.5)
Sales at Retailers	-0.4	-2.8								
Real Consumption Expenditures of Households over 2 persons (SA)	-0.4	-4.9	4.1 (0.7)	-4.1 (-1.9)	3.6 (7.1)	0.7 (13.9)	-2.3 (12.5)	-3.1 (-4.3)	-0.9 (0.7)	
Propensity to Consume (SA, %)	66.9	61.3	65.8 [65.3]	65.2 [64.9]	61.7 [54.9]	65.8 [60.6]	62.7 [53.5]	57.0 [51.7]	62.8 [56.9]	[64.3]
Overtime Hours Worked (All Industries, 5 employees or more)	-2.5	-13.9	2.9 (-9.6)	1.5 (-6.6)	2.8 (19.1)	1.9 (12.2)	-3.6 (27.6)	2.1 (18.8)	2.7 (11.4)	
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	33	78	60	95	80	74	
Ratio of Job Offers to Applicants (SA, Times)	1.55	1.10	1.04 [1.57]	1.10 [1.45]	1.10 [1.20]	1.09 [1.30]	1.09 [1.18]	1.13 [1.12]	1.15 [1.09]	1.14 [1.05]
Unemployment Rate (SA, %)	2.4	2.9	3.0	2.8	2.9	2.8	3.0	2.9	2.8	2.8
Economy Watcher Survey (Judgment of the present condition D.I.%)	38.7	37.7	43.7 [37.1]	40.5 [28.2]	41.6 [22.1]	39.1 [9.4]	38.1 [17.0]	47.6 [40.0]	48.4 [42.2]	34.7 [43.7]
Bankruptcies (Number of cases)	8,631 (6.4)	7,163 (-17.0)	1,751 (-20.8)	1,554 (-28.2)	1,490 (-18.8)	477 (-35.8)	472 (50.3)	541 (-30.6)	476 (-39.7)	466 (-30.1)

(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. 4, 2021

	Fiscal	Fiscal	2020	2021		2021				
	2019	2020	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Customs Clearance (Exports in Yen Terms)	-6.0	-8.4	(-0.7)	(6.0)	(45.0)	(38.0)	(49.6)	(48.6)	(37.0)	(26.2)
Value	-1.6	1.1	(1.1)	(1.3)	(7.9)	(7.4)	(8.0)	(8.3)	(9.5)	(11.0)
Volumes	-4.4	-9.4	(-1.8)	(4.6)	(34.4)	(28.4)	(38.5)	(37.2)	(25.2)	(13.7)
Imports (In Yen terms)	-6.3	-11.6	(-11.8)	(1.9)	(23.8)	(12.9)	(28.0)	(32.8)	(28.6)	(44.7)
Value	-4.0	-8.6	(-8.9)	(-3.9)	(17.7)	(11.5)	(19.7)	(22.7)	(26.0)	(26.4)
Volumes	-2.4	-3.4	(-3.2)	(6.0)	(5.2)	(1.2)	(6.9)	(8.2)	(2.1)	(14.5)
Current Account (100 mil. yen)	189,273	182,533	52,848	62,609	42,066	13,218	19,797	9,051	19,108	
Goods (100 mil. yen)	4,839	39,017	25,227	13,742	9,401	2,895	20	6,485	6,223	
Services (100 mil. yen)	-17,172	-36,636	-8,412	-5,342	-15,567	-9,548	-2,555	-3,464	-5,849	
Financial Account (100 mil. yen)	207,987	155,130	36,951	50,964	18,240	-2,427	27,038	-6,370	9,619	
Gold & Foreign Exchange Reserves (\$1mil.)	1,366,177	1,368,465	1,394,680	1,368,465	1,376,478	1,378,467	1,387,508	1,376,478	1,386,504	1,424,284
Exchange Rate (¥/\$)	108.68	106.04	104.49	105.90	109.48	109.13	109.19	110.11	110.29	109.84

## 3. Financial Market Indicators

	Fiscal	Fiscal	2020	2021		2021					
	2019	2020	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG	
Uncollateralized Overnight Call Rates	-0.046	-0.031	-0.026	-0.017	-0.019	-0.012	-0.017	-0.029	-0.036	-0.034	
			[-0.034]	[-0.032]	[-0.044]	[-0.036]	[-0.047]	[-0.048]	[-0.028]	[-0.035]	
Euro Yen TIBOR (3 Months)	0.026	-0.054	-0.055	-0.058	-0.067	-0.065	-0.065	-0.072	-0.072	-0.072	
			[0.016]	[0.016]	[-0.041]	[-0.039]	[-0.042]	[-0.042]	[-0.065]	[-0.065]	
Newly Issued Japanese Government Bonds Yields (10 Years)	0.005	0.120	0.020	0.120	0.050	0.090	0.080	0.050	0.015	0.020	
			[-0.025]	[0.005]	[0.030]	[-0.050]	[0.000]	[0.030]	[0.010]	[0.045]	
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	0.720	0.686	0.684	0.686	0.687	0.688	0.691	0.687	0.688		
			(0.004)	(0.002)	(0.001)	(0.002)	(0.003)	(-0.004)	(0.001)		
The Nikkei Stock Average (TSE 225 Issues)	18,917	29,179	27,444	29,179	28,792	28,813	28,860	28,792	27,284	28,090	
			[23.657]	[18,917]	[22.288]	[20,194]	[21,878]	[22.288]	[21,710]	[23,140]	
M2(Average)	(2.5)	(8.1)	(9.1)	(9.5)	(7.7)	(9.3)	(8.0)	(5.9)	(5.3)	(4.7)	
Broadly-defined Liquidity(Average)	(1.8)	(4.9)	(5.5)	(5.8)	(6.7)	(6.8)	(7.2)	(5.9)	(5.5)	(5.2)	
Principal Figures of Financial Institutions											
Loans and Discount (Average)	Banks & Shinkin	(2.1)	(5.9)	(6.2)	(6.2)	(3.0)	(4.8)	(2.8)	(1.4)	(0.9)	(0.6)
	Banks	(2.2)	(5.8)	(5.9)	(5.8)	(2.4)	(4.3)	(2.2)	(0.7)	(0.5)	(0.3)
	City Banks etc.	(1.9)	(6.9)	(6.9)	(6.6)	(0.8)	(3.9)	(0.2)	(-1.6)	(-1.5)	(-1.6)
	Regional Banks	(4.5)	(4.5)	(4.7)	(4.8)	(3.8)	(4.2)	(4.1)	(3.2)	(2.7)	(2.4)
	Regional Banks II	(-5.9)	(6.1)	(6.9)	(6.5)	(3.6)	(6.3)	(3.0)	(1.4)	(0.4)	(-0.0)
	Shinkin	(1.1)	(6.7)	(8.2)	(8.5)	(7.1)	(8.3)	(7.5)	(5.6)	(3.7)	(2.4)
Deposits and CDs (Average)	Total(3 Business Condition)	(2.6)	(8.5)	(9.1)	(9.9)	(7.8)	(9.5)	(8.0)	(6.1)	(5.7)	(5.1)
	City Banks	(3.6)	(9.9)	(10.0)	(10.9)	(7.9)	(9.9)	(8.0)	(6.1)	(5.8)	(5.2)
	Regional Banks	(3.4)	(7.0)	(8.0)	(8.7)	(8.2)	(9.3)	(8.6)	(6.8)	(6.4)	(6.0)
	Regional Banks II	(-5.5)	(6.7)	(8.1)	(8.7)	(5.4)	(8.4)	(4.9)	(3.0)	(1.4)	(0.7)

(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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