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# Fears of Negative Growth in Japan's Economy due to Coronavirus

**Real GDP growth rate lowered by 1%pt or more as Coronavirus spreads and situation is prolonged.**

Economic Research Dept.  
Keiji Kanda  
Akane Yamaguchi

## Summary

- Comparing the present economic structure with that of 2003, when the SARS epidemic occurred, China's presence in the global economy has sharply increased. According to recent pilot studies, it is estimated that if China's economic growth rate declines by 1 percentage point per year, the global economic growth rate will decline by about 0.4 percentage points and Japan's economic growth rate will decline by about 0.3 percentage points.
- If the number of Chinese visitors to Japan declines by 1 million due to the ban on group travel by the Chinese government, Japan's GDP will be reduced by around 250 billion yen, including the ripple effect. Revenues are likely to deteriorate in industries such as hotels, inns, restaurants, department stores, and retailers, particularly in Shizuoka, Nara, Aichi, Yamanashi, Chiba, Mie, and Gifu, where the percentage of Chinese guests is high.
- We see two possible risk scenarios: [1] the Novel Coronavirus epidemic ends in about three months, and [2] the spread of Coronavirus becomes serious and the epidemic continues for about one year. Risk scenario [2] assumes that China's economic growth rate will decline by 1.4 percentage points per year, while the number of Chinese visitors to Japan will decline by 4 million per year and the yen will appreciate. In this case, Japan's real GDP growth rate is likely to be depressed by about 0.9 percentage points, and the Japanese economy in 2020 may turn to negative growth.
- The above results do not take into account the economic impact of the Coronavirus in countries and regions other than China, such as Japan, or the deterioration of the economy due to supply constraints such as supply chain disruptions. If the Coronavirus spreads and is prolonged, adverse effects on consumption related to the Tokyo Olympic Games and Paralympic Games will be unavoidable. Therefore, the actual impact of risk scenario [2] on the Japanese economy would likely exceed the above-mentioned 0.9 percentage points. Actual impact would then be at least 1 percentage point or more.