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# Future of Japan's Economy According to Semimacro Analysis

*The gradual economic recovery may continue, but employment may decrease significantly due to leveling off of demand.*

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## Summary

- The impact of the spread of COVID-19 and the request for voluntary restraint accompanying the declaration of emergency on corporate activities varies depending on the industry. Since March, when the effects of the spread of infection became apparent, transport equipment and other industries contributed significantly to the decline in overall corporate activities in manufacturing, while living and amusement-related services declined significantly in non-manufacturing.
- One of the reasons for the decline in production in the transport equipment industry is that domestic and overseas motor vehicle sales were artificially restrained due to restrictions and self-restraint of economic activity. Although pent-up demand is expected to emerge for a while, motor vehicle sales after the dissipation of pent-up demand will be sluggish due to the slow recovery of the employment and income environment. Meanwhile, with the spread of infection expected to continue for the long-term, the practice of self-restraint in relation to consumption of services requiring travel & commuting, and face-to-face contact is seen continuing. It will likely be difficult for living and amusement-related services to recover to levels seen before the spread of COVID-19 for the time being.
- The motor vehicle industry has a wide range of supplier industries which are affected by whatever happens in the industry, and the ripple effect in the service industry is of comparable size. Attention should therefore be paid to the possibility of further employment adjustments in a wide range of industries, unless the level of economic activity can be restored over the long-term in industries such as transport equipment, and living and amusement-related services.

## Attention

This report is a summary translation. The official document is only in Japanese.