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Japanese Economy Stands to Benefit from V-shaped Recovery in US

Expectations for a drastic increase in exports are growing, but elimination of supply constraints is an issue.

Economic Research Dept.
Masahiko Hashimoto
Kazuma Kishikawa

Summary

- In the US, there is growing expectation for a V-shaped recovery due to the normalization of the economy thanks to COVID-19 vaccinations and large-scale economic countermeasures. A rapid recovery in US domestic demand is likely to have a positive effect on trading partners' economies through increased imports.
- Although the impact on Japan's exports is expected to be smaller than Canada, Mexico and China, exports to the US by Japan are expected to grow at a high rate due to Japan's relatively high export sensitivity.
- An estimate of Japan's export function confirms that Japanese exports to the US increase by 3.8% for every 1% of increase in US domestic demand. Based on our US economic outlook, real exports to the United States in 2021 are estimated to increase by about 4.8 tril yen in comparison to 2020, pushing up real GDP by about 0.9%. By industry, transport equipment, which accounts for the largest share of US exports, tends to benefit particularly from expansion of US domestic demand.
- However, the shortage of semiconductors, which serve as parts and materials, has been forcing worldwide automobile manufacturers to reduce production. Significant increases in automobile production are likely to be difficult for the time being, and the recovery in automobile exports, which is expected to drive exports to the US, is likely to be delayed until the shortage of semiconductors is resolved.

Attention

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