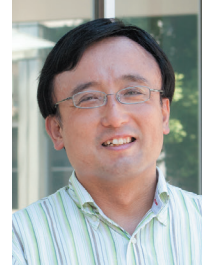


Japanese Labor Market Under the Coronavirus Pandemic



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Rise in Unemployment Rate Remains Small

The end of the coronavirus pandemic which began in early 2020 is nowhere in sight. On May 7, the Japanese government decided to extend the State of Emergency declaration until the end of May, and also expanded the applicable areas. What is most worrying in these circumstances is the impact on the labor market, such as rises in unemployment.

The unemployment rate, which looks at the relationship between demand and supply in the labor market, rose to 3.1% in October 2020, but has since been declining. The April 2021 unemployment rate was 2.8%. The unemployment rate is a ratio which shows unemployed persons as a percentage of the labor force, and the number of unemployed persons for April 2021 was 1.94 million, up only by 300,000 compared to January 2020.

Unemployed persons are those who are not employed within the labor force. If the number of employed persons decreases, the number of unemployed persons increases, but if the labor force decreases simultaneously, then the increase in unemployed persons is suppressed. *Chart 1* shows the factor analysis of the change in unemployed persons compared to January 2020 based on this thinking. When the first State of Emergency Declaration was made in April 2020, the number of employed persons decreased by 1.12 million people, but the labor force also decreased sharply and the increase in unemployed persons remained at 120,000. Since then, both the decrease in the number of employed and in the labor force have been shrinking compared to January 2020 as economic activities reopened with the cancellation of the declaration. The most recent figures for April 2021 show that the number of employed persons decreased by 830,000 people.

Support by Increase in Employed Persons in Medical & Welfare Sectors

Let us examine the change in the number of employed by industry sector. In the January-April 2020 period the average number of employed people was 66.76 million, up by 70,000 from the same period of the previous year (*Chart 2*). Together with the impact of the recession which

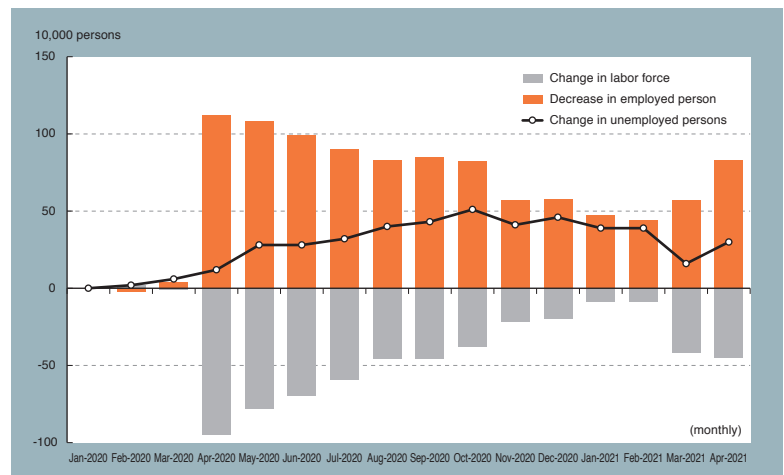
began in the fall of 2018, employment in manufacturing decreased by 150,000 people, and with the impact of the first State of Emergency declaration, employment in accommodations, eating and drinking services decreased by 170,000 people. This, however, was covered by an increase in employment in the medical, healthcare and welfare fields by 300,000 and in the wholesale and retail trade by 180,000.

On the other hand, in January-April 2021 the average number of employed persons was 66.47 million, down by 290,000 compared to the same period the previous year. The main factor behind the decrease was accommodations, eating and drinking services which saw a decline by 360,000 compared to the previous year. By contrast, the medical, healthcare and welfare sectors saw an increase of 280,000 compared to the previous year, supporting the total number. As such, the varying degrees of impact of the coronavirus pandemic on each industry are affecting the number of employed persons.

It is also noteworthy that the reason why the decrease in the number of employed persons is under control is because many people on leave are counted as employed. Of all people who have jobs but have done no work during the surveyed periods, persons on leave refer to those who are being paid or are expecting to be paid salaries

CHART 1

Change in unemployed persons compared to January 2020



Source: "Labour Force Survey", Statistics Bureau of Japan

and wages from employers, or those who are self-employed and continue to hold onto the businesses they manage but have been on leave no more than 30 days.

Since the government began implementing policies for businesses to maintain employment, such as subsidies for employment adjustment, the number of people on leave increased by 4.2 million in April 2020 compared to the same month the previous year, but the number has since then been decreasing. In the January-April 2021 period the average number of people on leave was 2.2 million, down by 800,000 compared to the same period the previous year.

It is thought that the decrease in the number of employed persons is under control not because the number of those on leave has increased, but more due to underpinnings by industries which are seeing growth in employment such as medical, healthcare and welfare. As the business operations in the fields of accommodations, eating and drinking services are expected to face further challenges with the prolonged State of Emergency declaration, to what extent other industries can support employment is being closely watched.

Labor Force Participation Rate of Middle-Aged Workers Declining

With labor participation by women and the elderly progressing, Japan's labor force population bottomed in 2012 and continued increasing until 2019. The coronavirus pandemic caused a temporary decline, but as noted above this has been shrinking since early 2021.

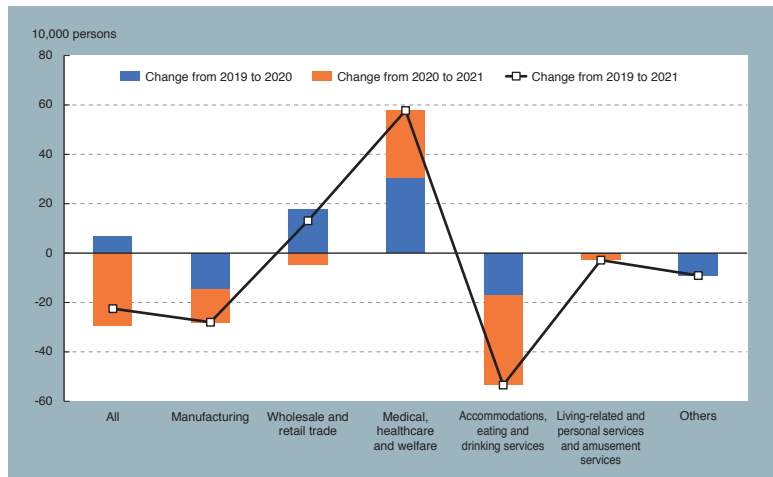
As with employed people, let us examine the trend for the January-April period averages. The January-April 2020 average was 68.47 million people, up by 98,000 from the same period the previous year. The January-April 2021 average, on the other hand, was 68.44 million people. This is larger than the average for the January-April 2019 period.

On the other hand, looking at age groups, the fluctuation in the labor force population is not uniform (Chart 3). While the number of those in their 30s to 40s has been decreasing, there has been an increase in more elderly groups within the labor force. The January-April 2019 average labor force population for the 40-44 age group was 7.25 million people, down by 600,000 from two years ago. In contrast, the labor force population for the 50-54 age group increased by 350,000 from two years ago.

The change in labor force population by age group also includes the impact of the change in population within each age group. In examining the labor force participation rate (=labor force population for each age group divided by population), the January-April 2021 average labor force participation rate for the 40-44 age group saw a decline from two years ago at 88.0%. The 45-49 age group also similarly declined, but the labor participation rate for the over 50s rose compared to two years ago.

CHART 2

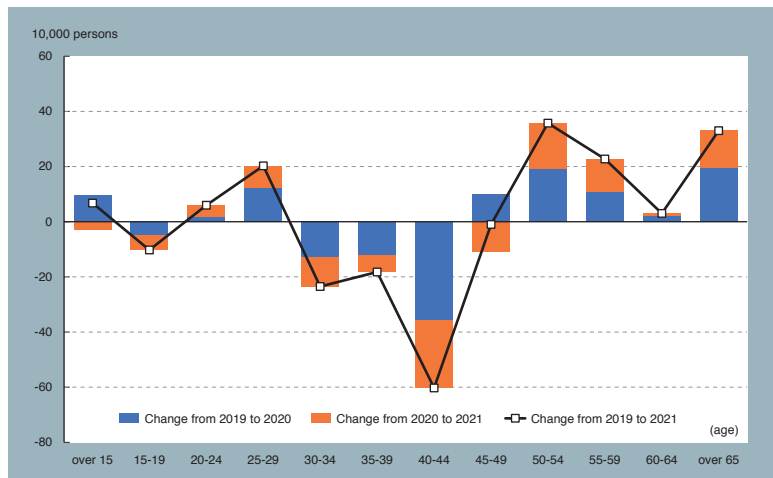
Change in employed persons (January-April average)



Source: "Labour Force Survey", Statistics Bureau of Japan

CHART 3

Change in labor force (January-April average)



Source: "Labour Force Survey", Statistics Bureau of Japan

The decrease in the labor force population played a short-term role in halting the rise in the unemployment rate, but the declining labor force participation rate for the middle-aged group is an issue of concern with regard to the future growth of the Japanese economy. Whether it will recover going forward should be closely monitored.

NOTE: This article was written based on available information as of May 28, 2021. **JS**

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| Calendar year, Quarter and Month | Real GDP | | Nominal GDP | | IIP rate of increase over previous year/term (month) (%) | CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%) |
|----------------------------------|--|--|-----------------------|--|---|---|
| | Amount (trillion yen) | Rate of increase over previous year/term (%) | Amount (trillion yen) | Rate of increase over previous year/term (%) | | |
| 2013 | 528.2 | 2.0 | 508.7 | 1.6 | -0.3 | 0.4 |
| 2014 | 529.8 | 0.3 | 518.8 | 2.0 | 2.0 | 2.6 |
| 2015 | 538.1 | 1.6 | 538.0 | 3.7 | -1.2 | 0.5 |
| 2016 | 542.1 | 0.8 | 544.4 | 1.2 | 0.0 | -0.3 |
| 2017 | 551.2 | 1.7 | 553.1 | 1.6 | 3.1 | 0.5 |
| 2018 | 554.3 | 0.6 | 556.2 | 0.6 | 1.1 | 0.9 |
| 2019 | 554.4 | 0.0 | 559.8 | 0.7 | -3.0 | 0.6 |
| 2020 | 528.5 | -4.7 | 538.6 | -3.8 | -10.4 | -0.2 |
| 2020/2nd Qtr. | 500.2 | -8.1 | 510.1 | -7.8 | -16.8 | -0.1 |
| 3rd Qtr. | 526.7 | 5.3 | 538.4 | 5.6 | 9.0 | -0.2 |
| 4th Qtr. | 541.5 | 2.8 | 551.6 | 2.4 | 5.7 | -0.9 |
| 2021/1st Qtr. | 536.1 | -1.0 | 544.4 | -1.3 | 2.9 | -0.4 |
| 2020/Sept. | — | — | — | — | 3.7 | -0.3 |
| Oct. | — | — | — | — | 2.1 | -0.7 |
| Nov. | — | — | — | — | 0.7 | -0.9 |
| Dec. | — | — | — | — | -0.2 | -1.0 |
| 2021/Jan. | — | — | — | — | 3.1 | -0.6 |
| Feb. | — | — | — | — | -1.3 | -0.4 |
| March | — | — | — | — | 1.7 | -0.1 |
| April | — | — | — | — | 2.9 | -0.1 |
| Sources | "SNA (National Accounts of Japan)", Cabinet Office | | | | "Indices of Industrial Production", Ministry of Economy, Trade and Industry | "Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|-------------------------------|---|-------------------------------------|---|---------------------------------------|---|-------------------------------------|---|
| | Exports amount (trillion yen) | Exports rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount (trillion yen) | Imports rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to US (trillion yen) | Exports to US rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from US (trillion yen) | Imports from US rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to EU (trillion yen) | Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2013 | 69.8 | 9.5 | 81.2 | 14.9 | 12.9 | 15.6 | 6.8 | 12.0 | 5.9 | 8.8 |
| 2014 | 73.1 | 4.8 | 85.9 | 5.7 | 13.6 | 5.6 | 7.5 | 10.7 | 6.4 | 8.2 |
| 2015 | 75.6 | 3.4 | 78.4 | -8.7 | 15.2 | 11.5 | 8.1 | 6.9 | 6.7 | 4.4 |
| 2016 | 70.0 | -7.4 | 66.0 | -15.8 | 14.1 | -7.1 | 7.3 | -9.2 | 6.5 | -2.8 |
| 2017 | 78.3 | 11.8 | 75.4 | 14.1 | 15.1 | 6.9 | 8.1 | 10.5 | 7.1 | 9.5 |
| 2018 | 81.5 | 4.1 | 82.7 | 9.7 | 15.5 | 2.4 | 9.0 | 11.4 | 7.7 | 7.8 |
| 2019 | 76.9 | -5.6 | 78.6 | -5.0 | 15.3 | -1.4 | 8.6 | -4.2 | 7.4 | -3.0 |
| 2020 | 68.4 | -11.1 | 67.8 | -13.7 | 12.6 | -17.3 | 7.4 | -13.9 | 6.3 | -15.1 |
| 2020/2nd Qtr. | 14.3 | -25.3 | 16.3 | -15.8 | 2.2 | -44.7 | 1.9 | -13.5 | 1.3 | -29.9 |
| 3rd Qtr. | 16.7 | -13.0 | 15.8 | -19.9 | 3.2 | -13.7 | 1.7 | -19.5 | 1.5 | -20.2 |
| 4th Qtr. | 19.4 | -0.7 | 17.4 | -11.8 | 3.7 | -0.2 | 1.8 | -17.1 | 1.8 | -2.3 |
| 2021/1st Qtr. | 19.2 | 6.0 | 18.7 | 1.9 | 3.3 | -4.9 | 2.0 | -3.4 | 1.8 | 2.9 |
| 2020/Sept. | 6.1 | -4.9 | 5.4 | -17.1 | 1.2 | 0.6 | 0.6 | -10.3 | 0.6 | -10.6 |
| Oct. | 6.6 | -0.2 | 5.7 | -13.1 | 1.3 | 2.5 | 0.6 | -15.4 | 0.6 | -2.7 |
| Nov. | 6.1 | -4.2 | 5.8 | -11.0 | 1.2 | -2.5 | 0.6 | -13.8 | 0.6 | -2.6 |
| Dec. | 6.7 | 2.0 | 6.0 | -11.5 | 1.2 | -0.7 | 0.6 | -21.8 | 0.6 | -1.6 |
| 2021/Jan. | 5.8 | 6.4 | 6.1 | -9.5 | 1.0 | -4.8 | 0.6 | -14.1 | 0.5 | -1.6 |
| Feb. | 6.0 | -4.5 | 5.8 | 11.9 | 1.1 | -14.0 | 0.6 | -3.6 | 0.6 | -3.3 |
| March | 7.4 | 16.1 | 6.7 | 5.8 | 1.2 | 4.8 | 0.8 | 6.6 | 0.7 | 12.8 |
| April | 7.2 | 38.0 | 6.9 | 12.8 | 1.3 | 45.1 | 0.7 | 5.8 | 0.7 | 39.5 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |

| Calendar year, Quarter and Month | Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%) | Active job openings-to-applicants ratio (time(s)) | Unemployment rate (%) | M2 rate of increase over previous year/ the same term (month) of the previous year (%) | Balance of payments | | Yen/\$ rate (averaged during the term) |
|----------------------------------|---|--|---|--|--|--------------------------------|--|
| | | | | | Trade balance (trillion yen) | Current balance (trillion yen) | |
| 2013 | -0.2 | 0.93 | 4.0 | 3.6 | -8.8 | 4.5 | 97.6 |
| 2014 | 0.5 | 1.09 | 3.6 | 3.4 | -10.5 | 3.9 | 105.8 |
| 2015 | 0.1 | 1.20 | 3.4 | 3.6 | -0.9 | 16.5 | 121.0 |
| 2016 | 0.6 | 1.36 | 3.1 | 3.4 | 5.5 | 21.4 | 108.8 |
| 2017 | 0.4 | 1.50 | 2.8 | 4.0 | 4.9 | 22.8 | 112.2 |
| 2018 | 1.4 | 1.61 | 2.4 | 2.9 | 1.1 | 19.5 | 110.4 |
| 2019 | -0.4 | 1.60 | 2.4 | 2.4 | 0.2 | 19.3 | 109.0 |
| 2020 | -1.2 | 1.18 | 2.8 | 6.5 | 3.0 | 17.5 | 106.8 |
| 2020/2nd Qtr. | -1.7 | 1.20 | 2.7 | 5.3 | -1.5 | 1.4 | 107.6 |
| 3rd Qtr. | -1.2 | 1.06 | 3.0 | 8.5 | 1.5 | 5.3 | 106.1 |
| 4th Qtr. | -2.1 | 1.04 | 3.1 | 9.1 | 2.5 | 5.3 | 104.5 |
| 2021/1st Qtr. | -0.3 | 1.10 | 2.8 | 9.5 | 1.4 | 6.2 | 105.9 |
| 2020/Sept. | -0.9 | 1.04 | 3.0 | 9.0 | 0.9 | 1.7 | 105.7 |
| Oct. | -0.7 | 1.04 | 3.1 | 9.0 | 1.0 | 2.1 | 105.2 |
| Nov. | -1.8 | 1.05 | 3.0 | 9.1 | 0.6 | 1.9 | 104.4 |
| Dec. | -3.0 | 1.05 | 3.0 | 9.1 | 1.0 | 1.3 | 103.8 |
| 2021/Jan. | -1.3 | 1.10 | 2.9 | 9.4 | -0.1 | 0.6 | 103.7 |
| Feb. | -0.4 | 1.09 | 2.9 | 9.6 | 0.5 | 2.9 | 105.4 |
| March | 0.6 | 1.10 | 2.6 | 9.4 | 1.0 | 2.7 | 108.7 |
| April | 1.6 | 1.09 | 2.8 | 9.2 | 0.3 | 1.3 | 109.1 |
| Sources | "Monthly Labour Survey", Ministry of Health, Labour and Welfare | "Employment Referrals for General Workers", Ministry of Health, Labour and Welfare | "Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications | "Money Stock", Bank of Japan | "Balance of Payments", Ministry of Finance | | Bank of Japan |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|---|---|---|---|--|--|--|--|
| | Imports amount from EU (trillion yen) | Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to Asia (excluding China) (trillion yen) | Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from Asia (excluding China) (trillion yen) | Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to China (trillion yen) | Exports to China rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from China (trillion yen) | Imports from China rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2013 | 7.0 | 15.6 | 25.2 | 8.1 | 18.3 | 12.6 | 12.6 | 9.7 | 17.7 | 17.4 |
| 2014 | 7.5 | 6.9 | 26.1 | 3.5 | 19.4 | 6.2 | 13.4 | 6.0 | 19.2 | 8.6 |
| 2015 | 7.8 | 4.6 | 27.1 | 3.7 | 18.9 | -2.6 | 13.2 | -1.2 | 19.4 | 1.3 |
| 2016 | 7.4 | -5.0 | 24.7 | -8.7 | 16.2 | -14.5 | 12.4 | -6.5 | 17.0 | -12.4 |
| 2017 | 8.0 | 7.0 | 28.0 | 13.3 | 18.6 | 14.8 | 14.9 | 20.5 | 18.5 | 8.5 |
| 2018 | 8.8 | 10.6 | 28.8 | 2.9 | 20.0 | 7.8 | 15.9 | 6.8 | 19.2 | 4.0 |
| 2019 | 8.8 | 0.3 | 26.6 | -7.6 | 19.0 | -5.3 | 14.7 | -7.6 | 18.5 | -3.9 |
| 2020 | 7.7 | -12.6 | 24.1 | -9.4 | 17.2 | -9.5 | 15.1 | 2.7 | 17.5 | -5.2 |
| 2020/2nd Qtr. | 1.9 | -15.9 | 5.3 | -18.9 | 4.0 | -13.6 | 3.6 | -2.1 | 4.6 | 3.7 |
| 3rd Qtr. | 1.9 | -16.6 | 5.7 | -14.2 | 4.0 | -15.0 | 3.9 | 9.1 | 4.2 | -9.5 |
| 4th Qtr. | 2.0 | -11.0 | 6.7 | -1.5 | 4.4 | -7.5 | 4.4 | 8.1 | 4.8 | 1.8 |
| 2021/1st Qtr. | 2.1 | 5.7 | 6.9 | 7.4 | 4.8 | 0.9 | 4.0 | 25.4 | 4.7 | 23.4 |
| 2020/Sept. | 0.7 | -14.0 | 2.0 | -10.3 | 1.4 | -13.1 | 1.3 | 14.0 | 1.4 | -11.7 |
| Oct. | 0.6 | -11.4 | 2.2 | 1.0 | 1.5 | -9.8 | 1.5 | 10.2 | 1.5 | -3.4 |
| Nov. | 0.6 | -17.2 | 2.1 | -9.0 | 1.5 | -5.7 | 1.4 | 3.8 | 1.7 | 7.0 |
| Dec. | 0.7 | -4.0 | 2.4 | 3.6 | 1.5 | -6.7 | 1.6 | 10.2 | 1.6 | 1.8 |
| 2021/Jan. | 0.7 | -2.3 | 2.1 | 10.9 | 1.5 | -8.2 | 1.2 | 37.5 | 1.7 | -1.0 |
| Feb. | 0.6 | 0.4 | 2.2 | -2.9 | 1.5 | 1.5 | 1.2 | 3.4 | 1.4 | 114.6 |
| March | 0.8 | 19.0 | 2.6 | 14.5 | 1.8 | 9.8 | 1.6 | 37.2 | 1.6 | 10.1 |
| April | 0.8 | 16.6 | 2.6 | 32.0 | 1.7 | 21.7 | 1.6 | 33.8 | 1.7 | 0.7 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |