

Global Economy : IMF World Economic Outlook, January update 2021

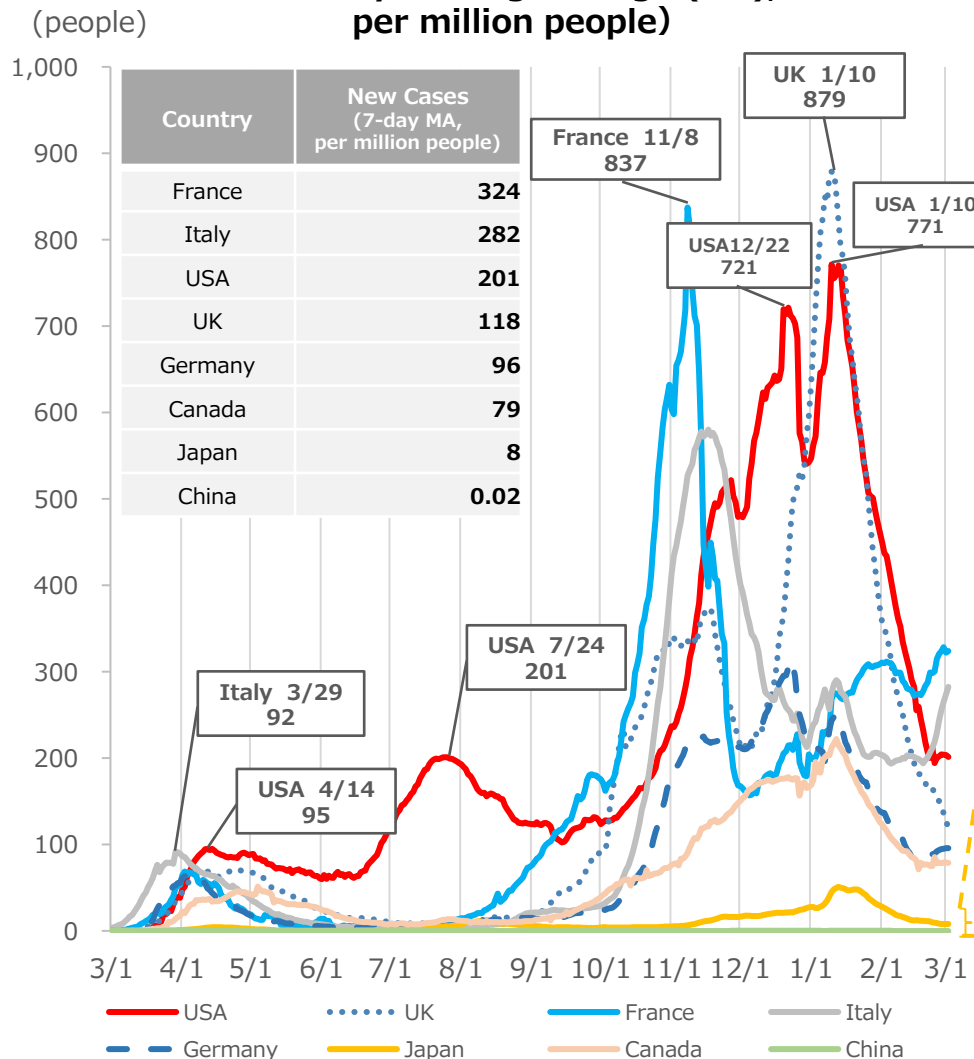
Overview of the World Economic Outlook Projections

(Year over year, Percent change)

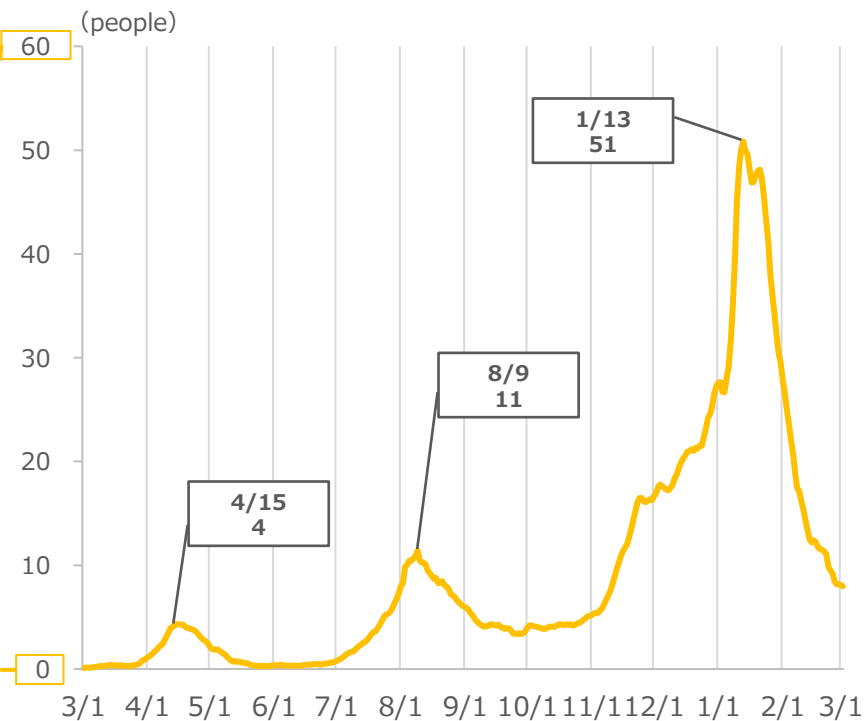
	2020					2021					2022		
	As of Jun. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Jun. 2020	Difference from Oct. 2020	As of Jun. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Jun. 2020	Difference from Oct. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Oct. 2020
World Output	-4.9	-4.4	-3.5	1.4	0.9	5.4	5.2	5.5	0.1	0.3	4.2	4.2	0.0
Advanced Economies	-8.1	-5.8	-4.9	3.2	0.9	4.8	3.9	4.3	-0.5	0.4	2.9	3.1	0.2
Japan	-5.8	-5.3	-5.1	0.7	0.2	2.4	2.3	3.1	0.7	0.8	1.7	2.4	0.7
United States	-8.0	-4.3	-3.4	4.6	0.9	4.5	3.1	5.1	0.6	2.0	2.9	2.5	-0.4
Euro Area	-10.2	-8.3	-7.2	3.0	1.1	6.0	5.2	4.2	-1.8	-1.0	3.1	3.6	0.5
Germany	-7.8	-6.0	-5.4	2.4	0.6	5.4	4.2	3.5	-1.9	-0.7	3.1	3.1	0.0
United Kingdom	-10.2	-9.8	-10.0	0.2	-0.2	6.3	5.9	4.5	-1.8	-1.4	3.2	5.0	1.8
Emerging Market and Developing Economies	-3.0	-3.3	-2.4	0.6	0.9	5.9	6.0	6.3	0.4	0.3	5.1	5.0	-0.1
Emerging and Developing Asia	-0.8	-1.7	-1.1	-0.3	0.6	7.4	8.0	8.3	0.9	0.3	6.3	5.9	-0.4
China	1.0	1.9	2.3	1.3	0.4	8.2	8.2	8.1	-0.1	-0.1	5.8	5.6	-0.2

COVID-19 : Daily New Confirmed Cases per million

Daily New Confirmed Cases in Selected Countries
(7-day moving average (MA), per million people)



Daily New Confirmed Cases in Japan
(7-day MA, per million people)

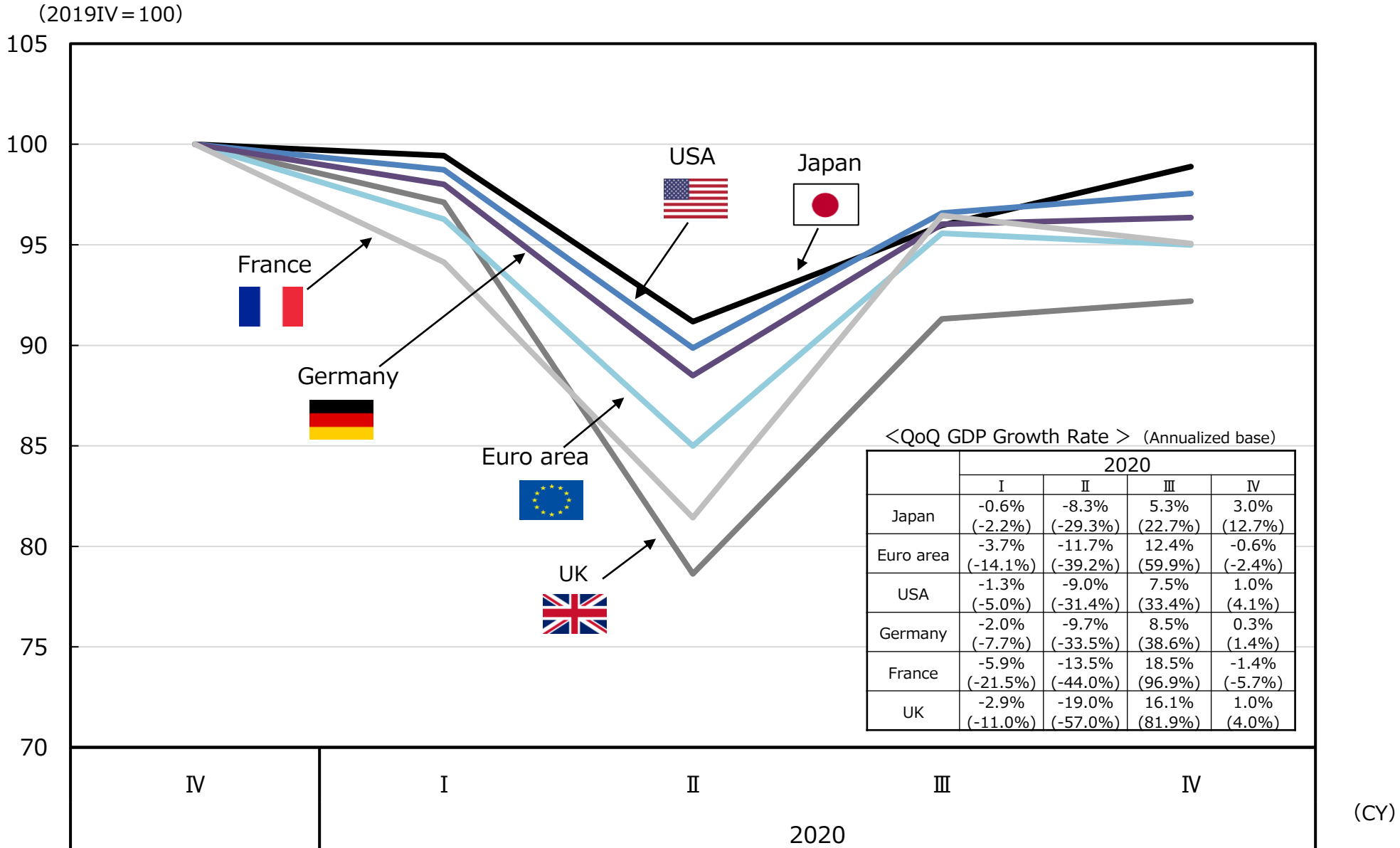


(Note1) As of March 2

(Note2) A slight decrease over the end-of-year holiday season and other short-term trends in data may be influenced by presentation, testing and reporting delays owing to the end-of-year holiday season.

(Source) WHO

Real GDP (quarterly) - International Comparison

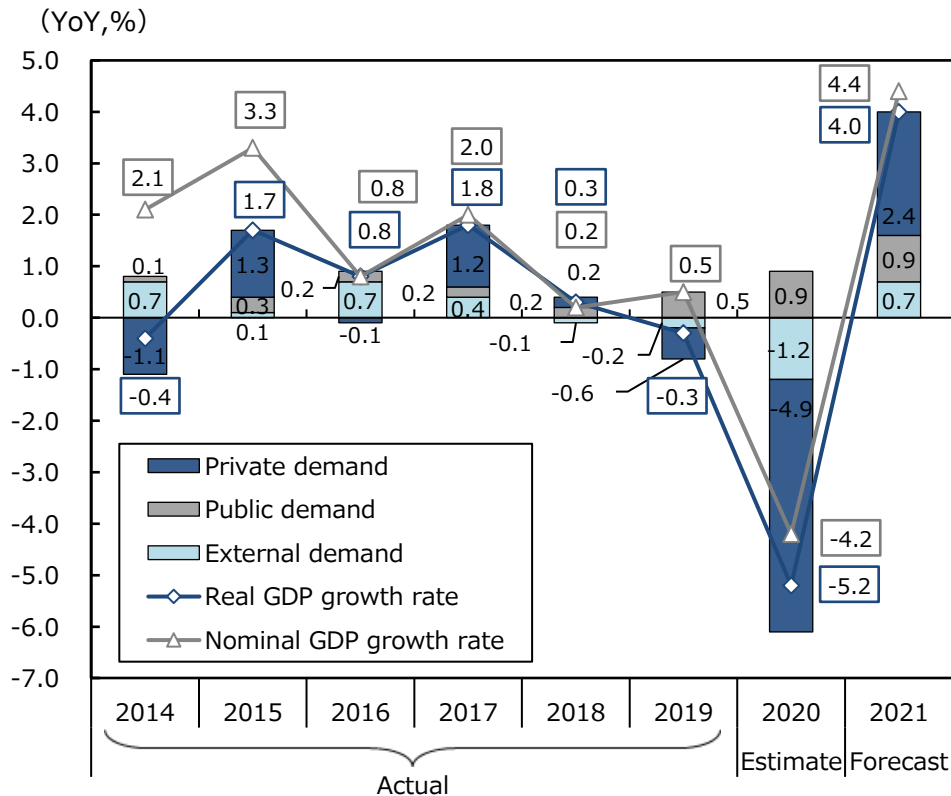


(Sources) Cabinet Office, Japan Center for Economic Research, Department of Commerce (USA), Congressional Budget Office, Federal Statistical Office Germany, Institut national de la statistique et des etudes economiques (France), European Commission, Bank of England

Economic outlook for FY2020 - 2021

- In FY2020, despite the subsequent economic recovery from a large drop in the second quarter, GDP is projected to contract by approximately 5.2% in real terms and 4.2% in nominal terms.
- In FY2021, GDP is projected to increase by approximately 4.0% in real terms and 4.4% in nominal terms, driven by economic support and stimulation of private demand by public expenditure, and an autonomous recovery of private demand, supported by the smooth and steady implementation of "Comprehensive Economic Measures".

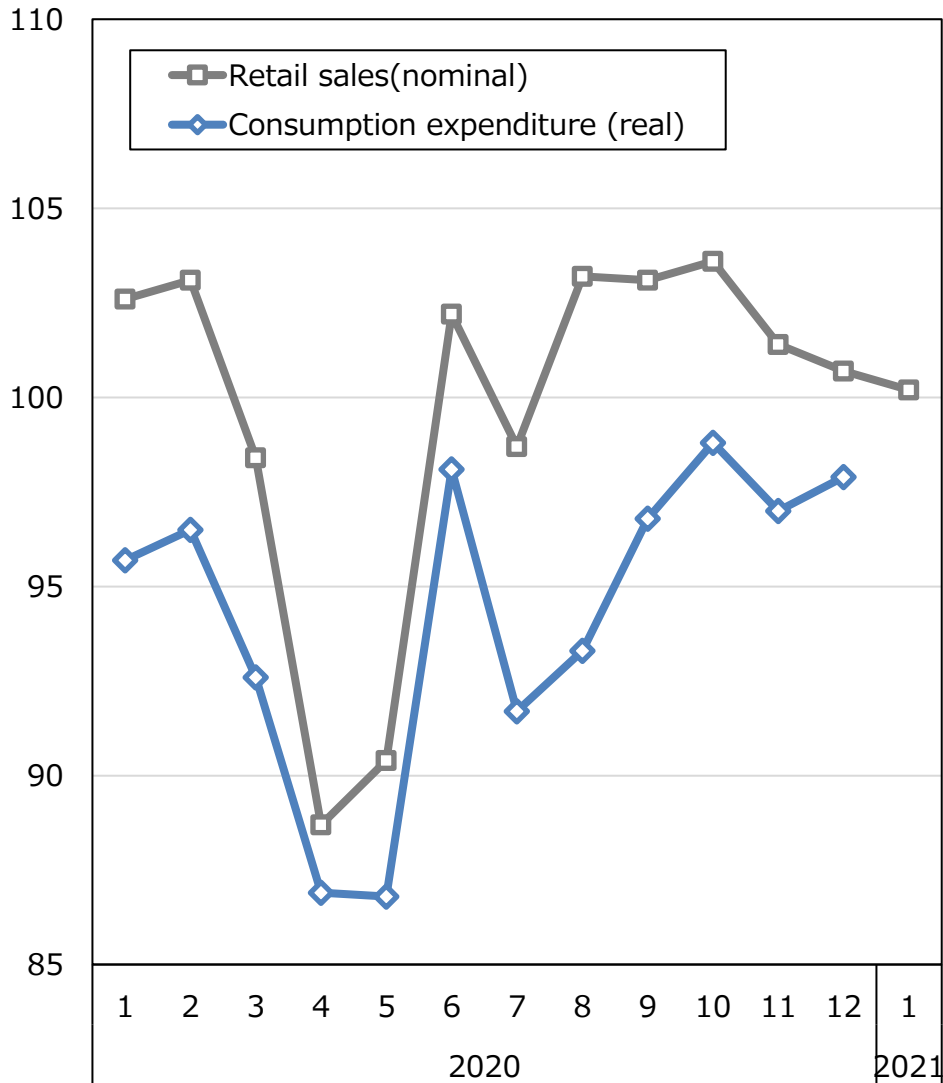
Real and Nominal GDP Growth Rate



	FY 2019 Actual (%)	FY 2020 Estimate (% Approx.)	FY 2021 Forecast (% Approx.)
Real GDP	-0.3	-5.2	4.0
Private consumption	-0.9	-6.0	3.9
Private non-residential Investment	-0.6	-8.1	2.9
Domestic demand	(-0.1)	(-4.0)	(3.3)
Private demand	(-0.6)	(-4.9)	(2.4)
Public demand	(0.5)	(0.9)	(0.9)
External demand	(-0.2)	(-1.2)	(0.7)
Nominal GDP	0.5 ¥559.7 T	-4.2 ¥536.1 T	4.4 ¥559.5 T
GDP Deflator	0.9	1.0	0.3
CPI	0.5	-0.6	0.4

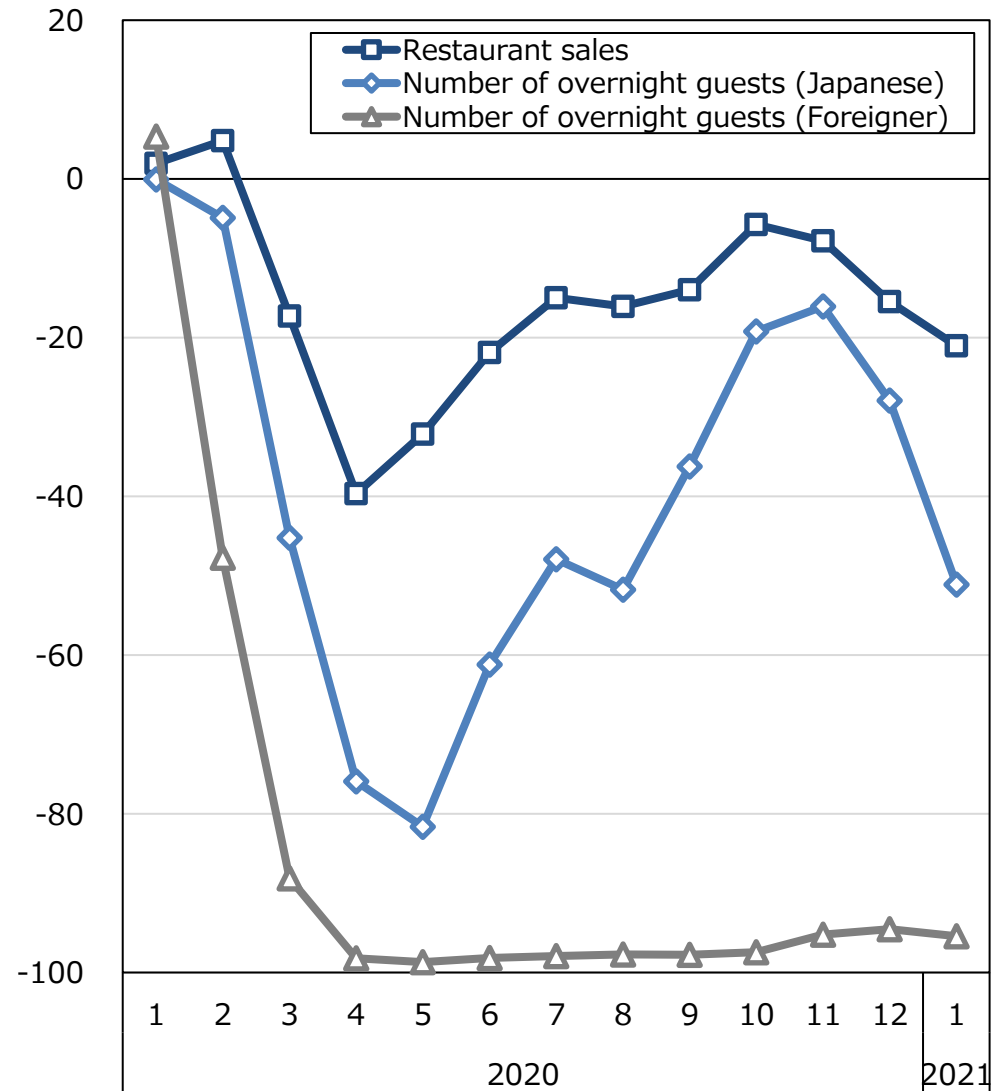
Household consumption

(CY2015=100, SA)



(Source) Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry

(YoY, %)

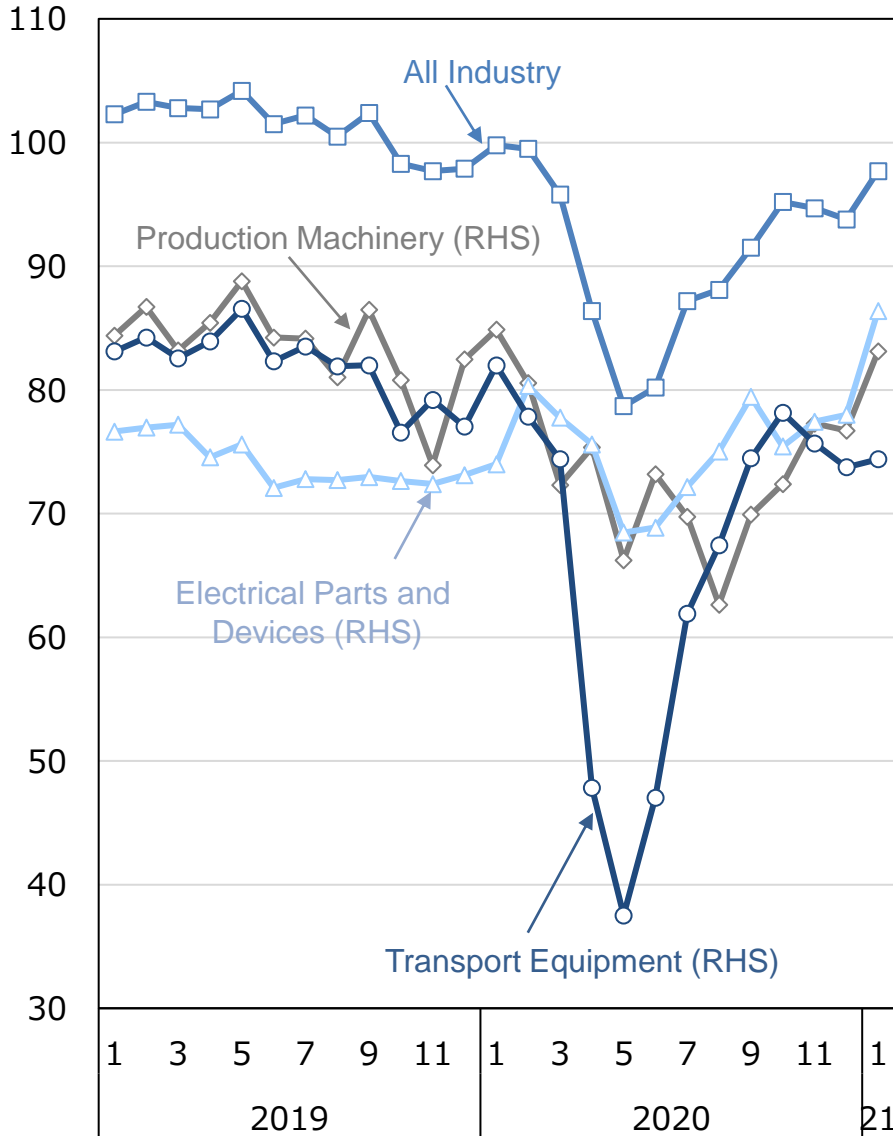


(Source) Japan Tourism Agency, Japan Food Service Association

Industrial Production and Exports

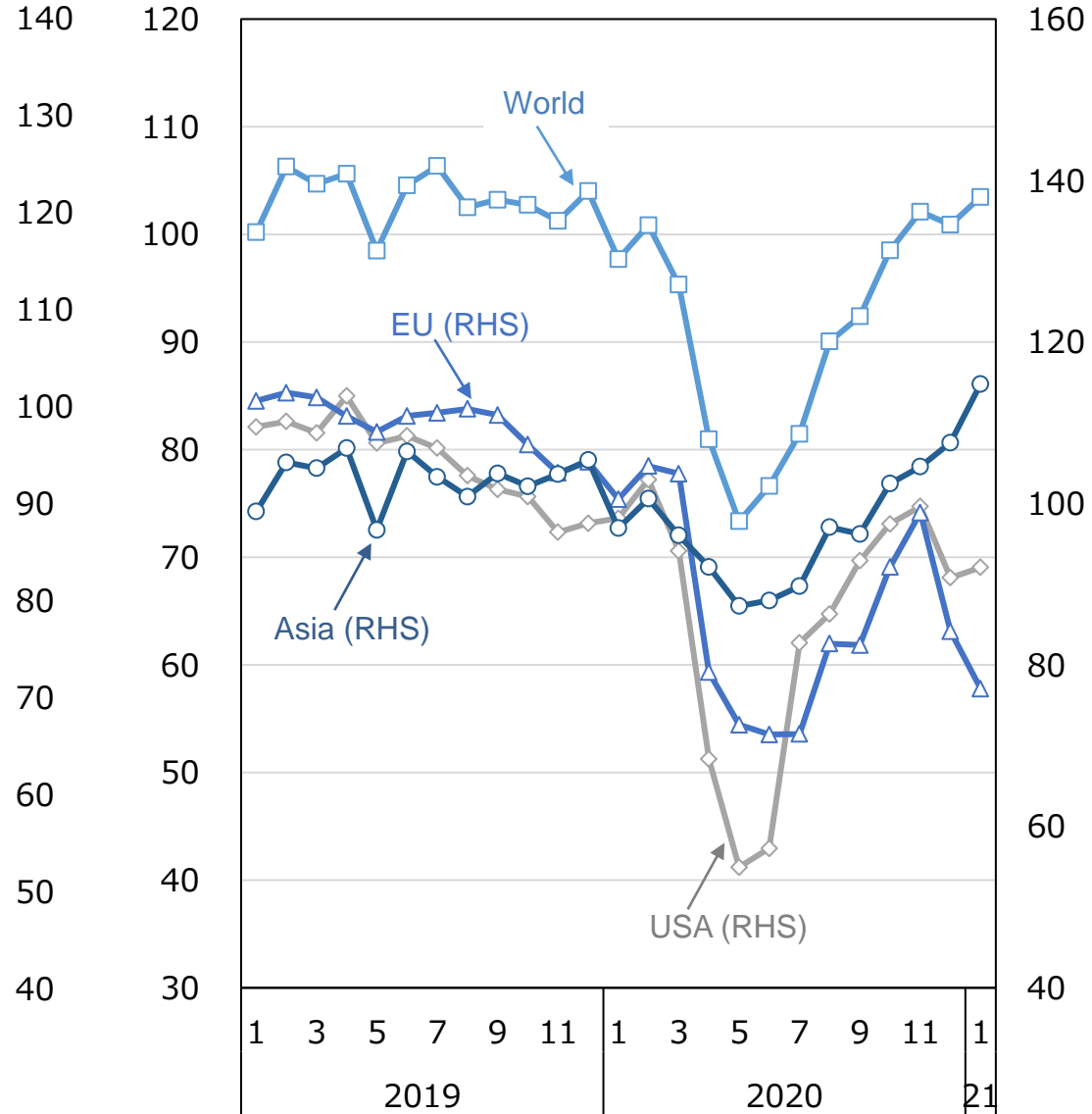
Industrial production index

(CY2015=100, SA)



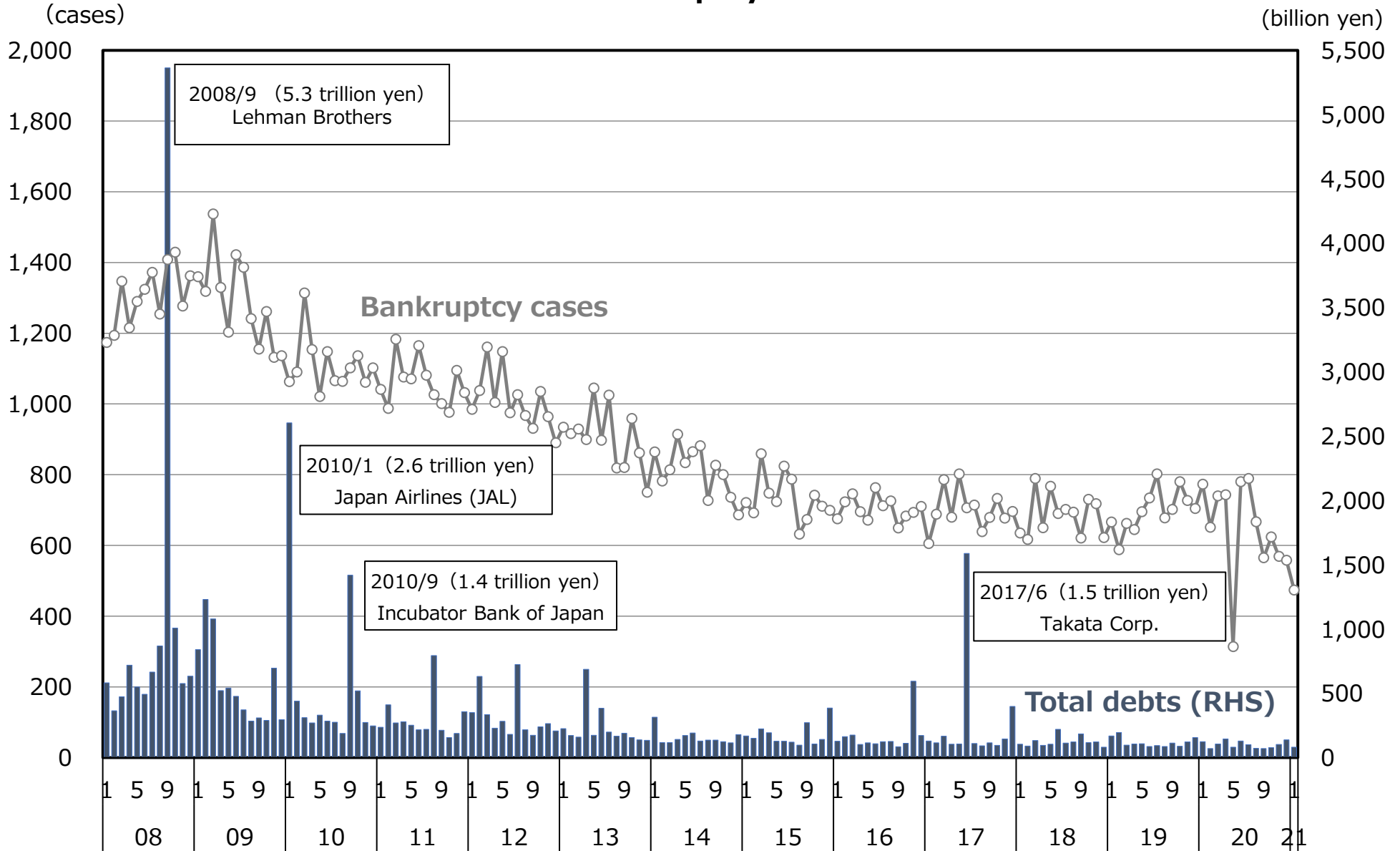
Export quantity

(CY2015=100, SA)



(Sources) Ministry of Finance , Ministry of Economy, Trade and Industry

Bankruptcy Cases

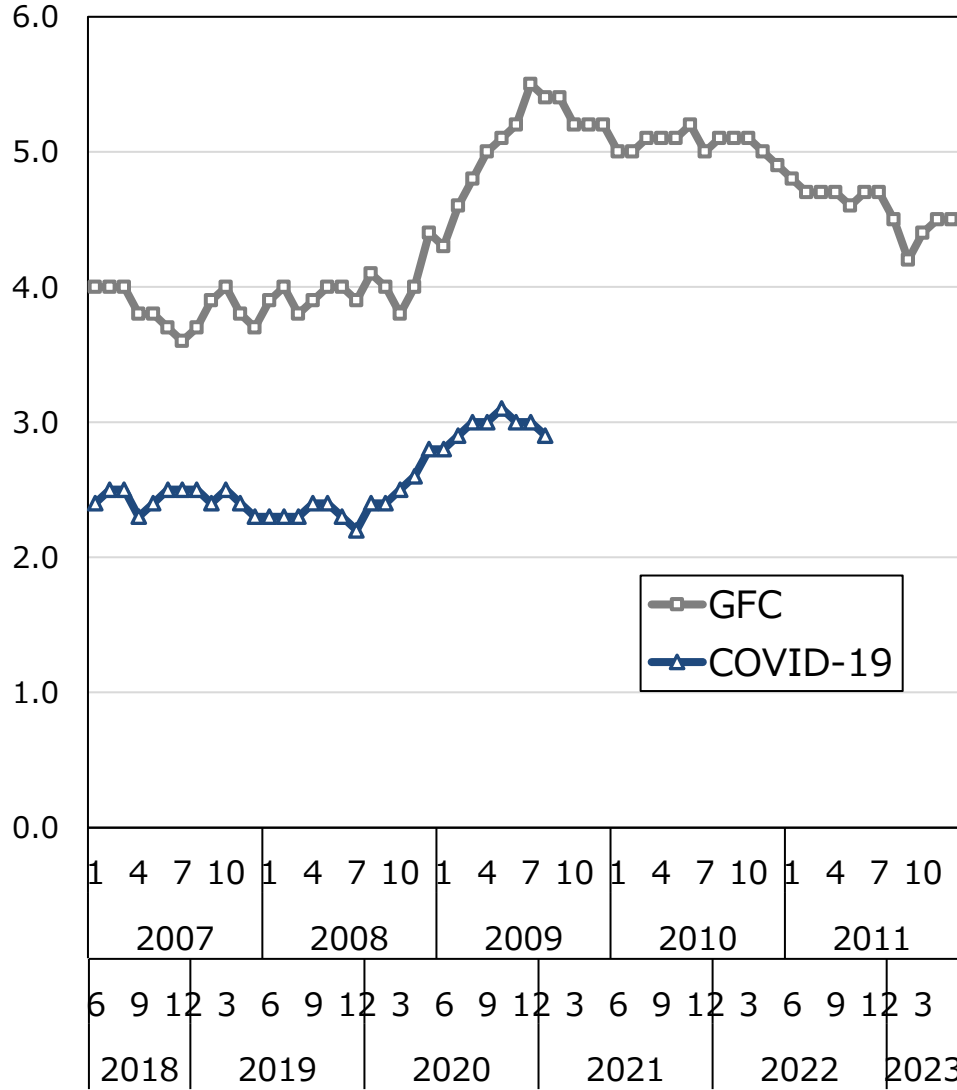


(Source) Tokyo Shoko Research

Employment

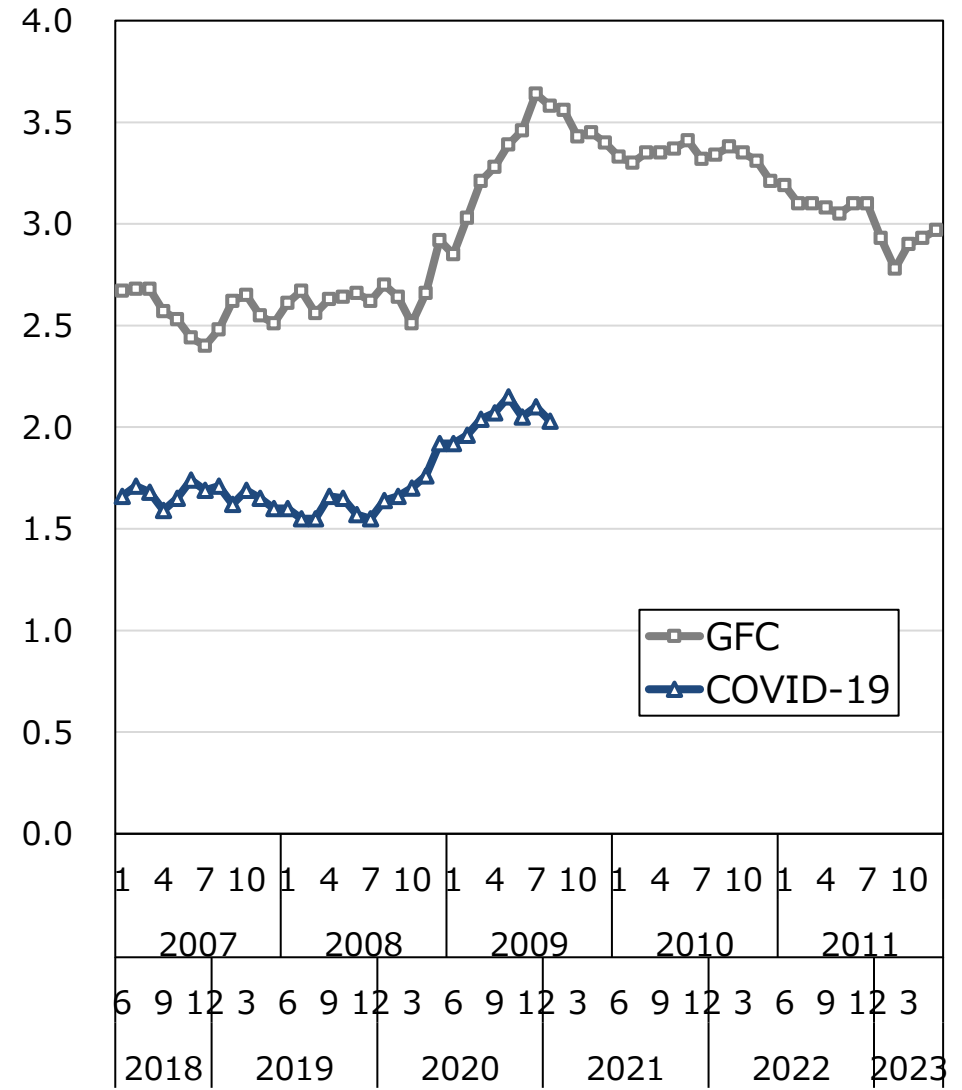
Unemployment rate

(%, SA)



Unemployed person

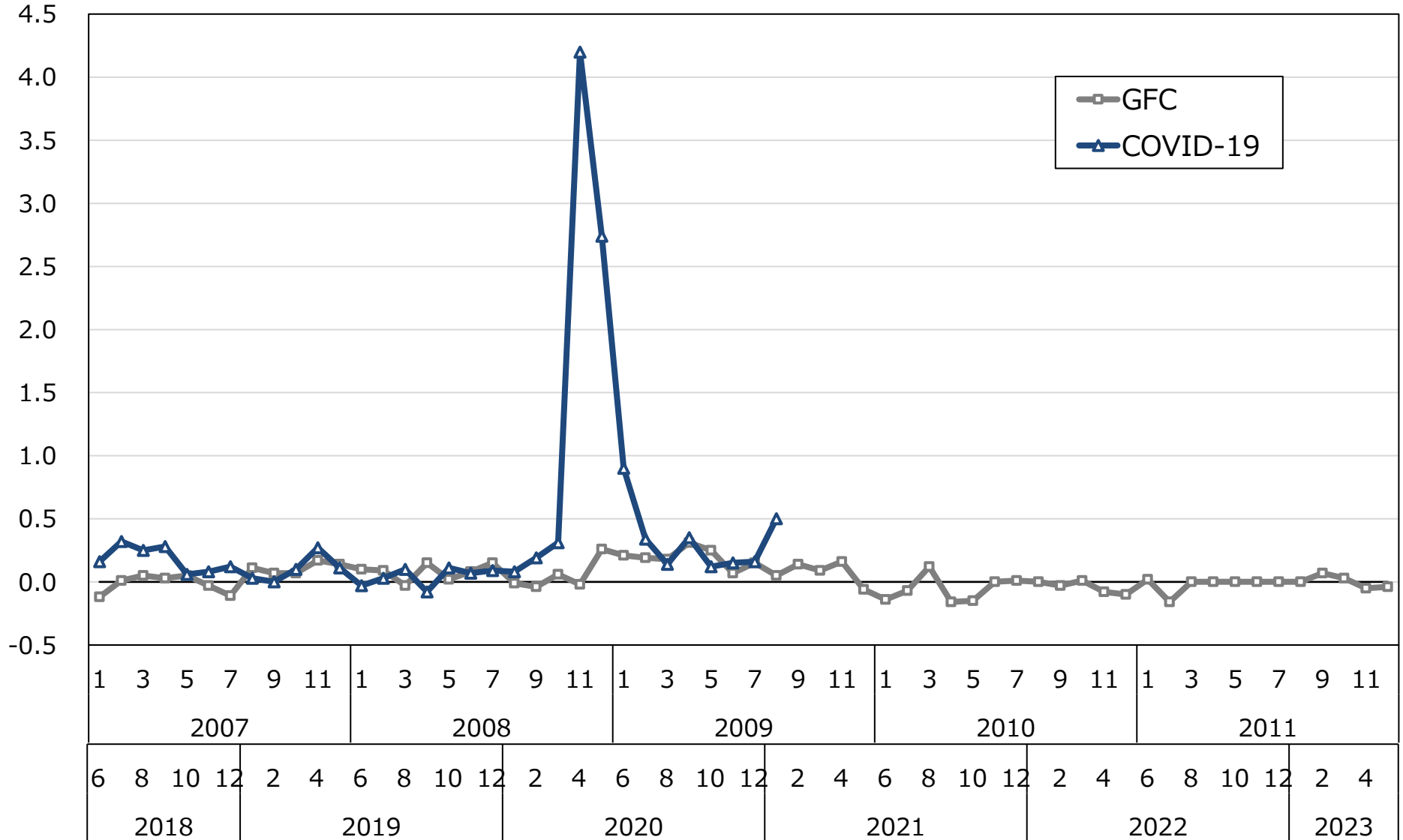
(million people, SA)



Employment

Employed person not at work

(YoY, million people)



(Source) Ministry of Internal Affairs and Communications

Effect of Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope

- The smooth and steady implementation of these economic measures will create a virtuous cycle of the economy, through increasing public spending and stimulating private-sector demand including capital investment, combined with a self-sustaining recovery in private-sector demand.
- The direct effect of these economic measures is estimated to be **approximately 3.6%** of real GDP (Around 0.5% in FY2020, 2.5% in FY2021, and 0.6% in FY2022 and beyond).
- These economic measures are estimated to support and create **around 600,000 jobs** by FY2021.

Estimated Increase in GDP

Around 3.6%

Containment measures for COVID-19

Additional subsidy for securing beds at hospitals, 1.5 trillion-yen increase in "Local Revitalization Grant for the Novel Coronavirus Disease" etc.

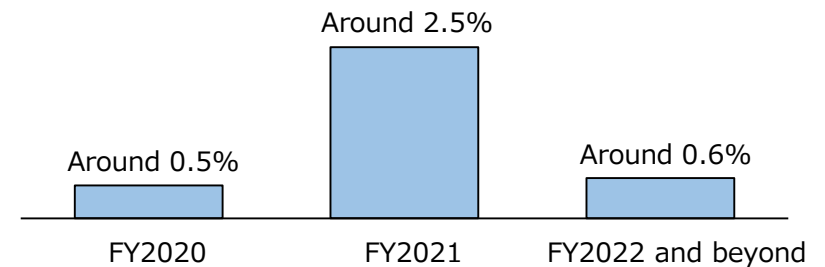
Promoting structural change & positive economic cycles for Post-Corona era

2 trillion-yen fund to support innovative technology developments which contribute to achieving 2050 carbon neutral target, Go To campaign, Extending and then gradually decreasing job retention scheme etc.

Securing safety and relief with respect to disaster management

Promoting resilience regarding disaster management, Recovery from aftermaths of natural disasters etc.

Real GDP Increase Expected to Emerge



Supporting and Creating Employment

Around 600,000 jobs by FY2021

*Estimated Increase in GDP by Economic and Fiscal Measures Related to COVID-19

Comprehensive Economic Measures (Emerged after FY2020)	Around 1.1%
First Supplementary Budget for the FY2020	Around 3.3%
Second Supplementary Budget for the FY2020	Around 2.0%

* Excludes reserve fund, which have not been decided to be used at this time.

Japan's Measures to Promote Structural Change for Post-Corona Era

Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope
(Cabinet Decision on December 8, 2020)

Digitalization

① Establishment of Digital Government

- Promotion of Standardization and Commonization of Local Government Information Systems
- Online Tax Payment, Registration, Passport Application, and Other Administrative Procedures

② Promotion of the Spread of My Number cards and Their Further Utilization

- System Development for Integrating Driver's Licenses and My Number Cards (National Police Agency)
- Strengthening Measures to Promote My Number Cards

③ Further Promotion of ICT in Education, Medical Care, Welfare, etc.

- Making Online Medical Care and Patient Compliance Instruction Permanent

④ Improvement of Environment for Development and Utilization of New Technologies in the Digital Field

- Measures to Strengthen the Infrastructure of Post-5G Information and Communications Systems
- Beyond 5G Research & Development Promotion Project
- Promoting Digital Transformation through the Development Bank of Japan

⑤ Promoting Regulatory Reform toward Digitalization

Realization of Green Society

① Developing New Technologies for Carbon Neutrality

- Funding Project to Provide Continuous Support for Innovative Technology Development toward Carbon Neutrality

② Changing the Lifestyles of the People to Realize Green Society

- Promote the Spread of Electric Vehicles and Fuel-cell Vehicles
- Tax System to Promote Decarbonization Investment by Enterprises
- Promotion of the Spread of Wooden Houses with High Energy-saving Performance
- Green Housing Point System

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19

Purchases of CP and corporate bonds: amount outstanding of about 20 tril. yen at maximum (previous amount outstanding of about 5 tril. yen)

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

Further active purchases of JGBs and T-Bills

Enhancement of the U.S. Dollar Funds-Supplying Operations

Active Purchases of ETFs and J-REITs

ETFs: annual pace of about 6 tril. yen

→ annual pace with the upper limit of about 12 tril. yen (for the time being)

J-REITs: annual pace of about 90 bil. yen

→ annual pace with the upper limit of about 180 bil. yen (for the time being)

Key Points of Decisions Made on December 18, 2020

- Economic activity and prices have remained under prolonged downward pressure due to the impact of COVID-19.
- In this situation, there is a need to support the economy and thereby achieve the price stability target of 2%.

Extension of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19)

- Extension by 6 months: end-March 2021 → end-September 2021
* Further extension will be considered if necessary.
- Adjustments to the Special Program
 - Purchases of CP and corporate bonds: combine the maximum amount of additional purchases for each asset, making a total of 15 tril. yen
 - Special Operations to facilitate financing: remove the upper limit of 100 bil. yen on funds provided to each eligible counterparty against loans that financial institutions make on their own

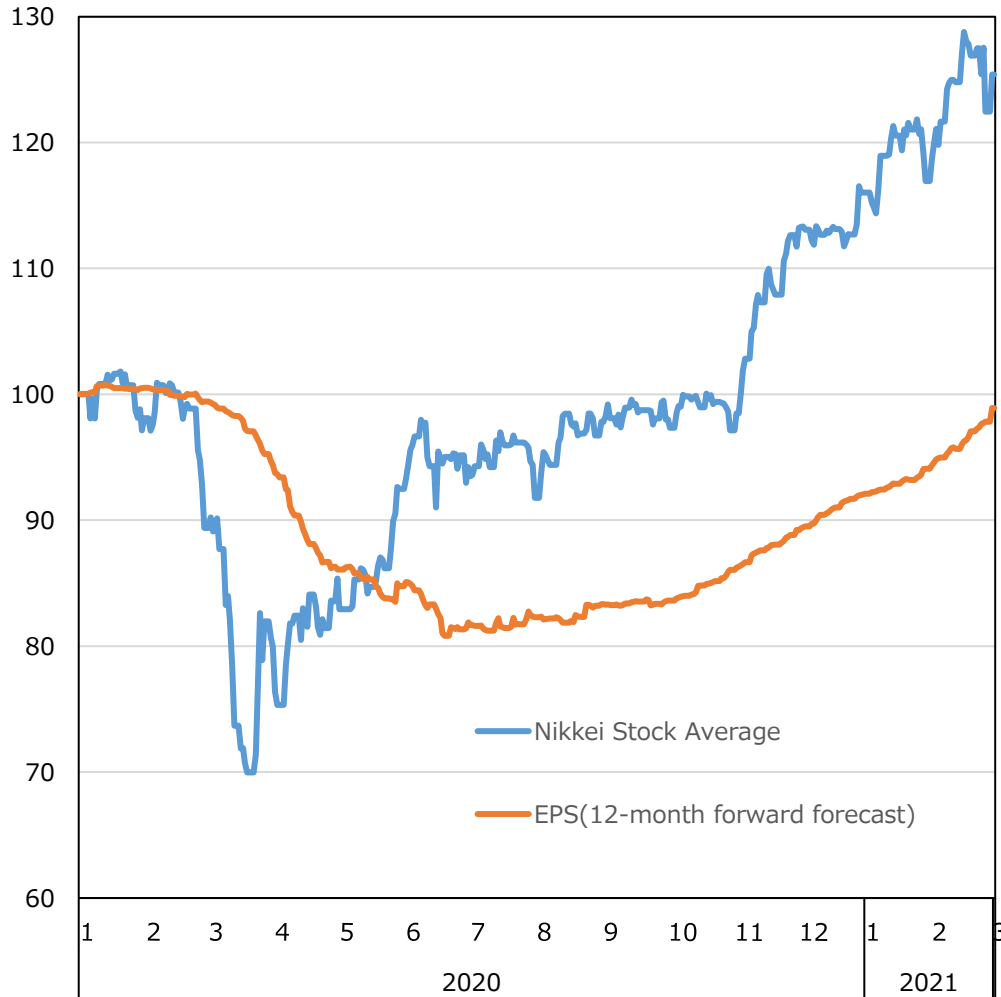
Assessment for Further Effective and Sustainable Monetary Easing to Achieve the Price Stability Target of 2%

- The Bank judges that there is no need to change the framework of "QQE with Yield Curve Control."
- The Bank will assess various measures under this framework and make public its findings, likely at the March 2021 MPM.

Stock Price and EPS

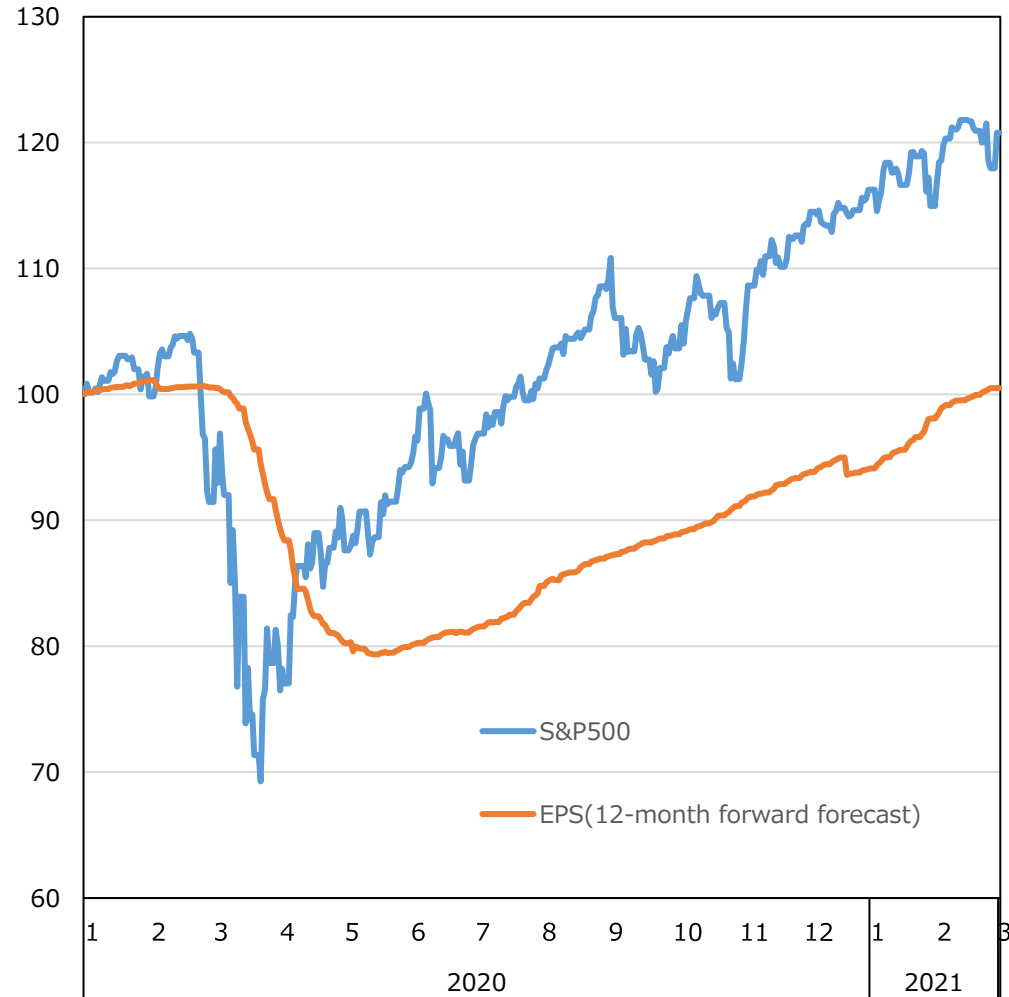
<Japan>

(Beginning of 2020=100)



<USA>

(Beginning of 2020=100)

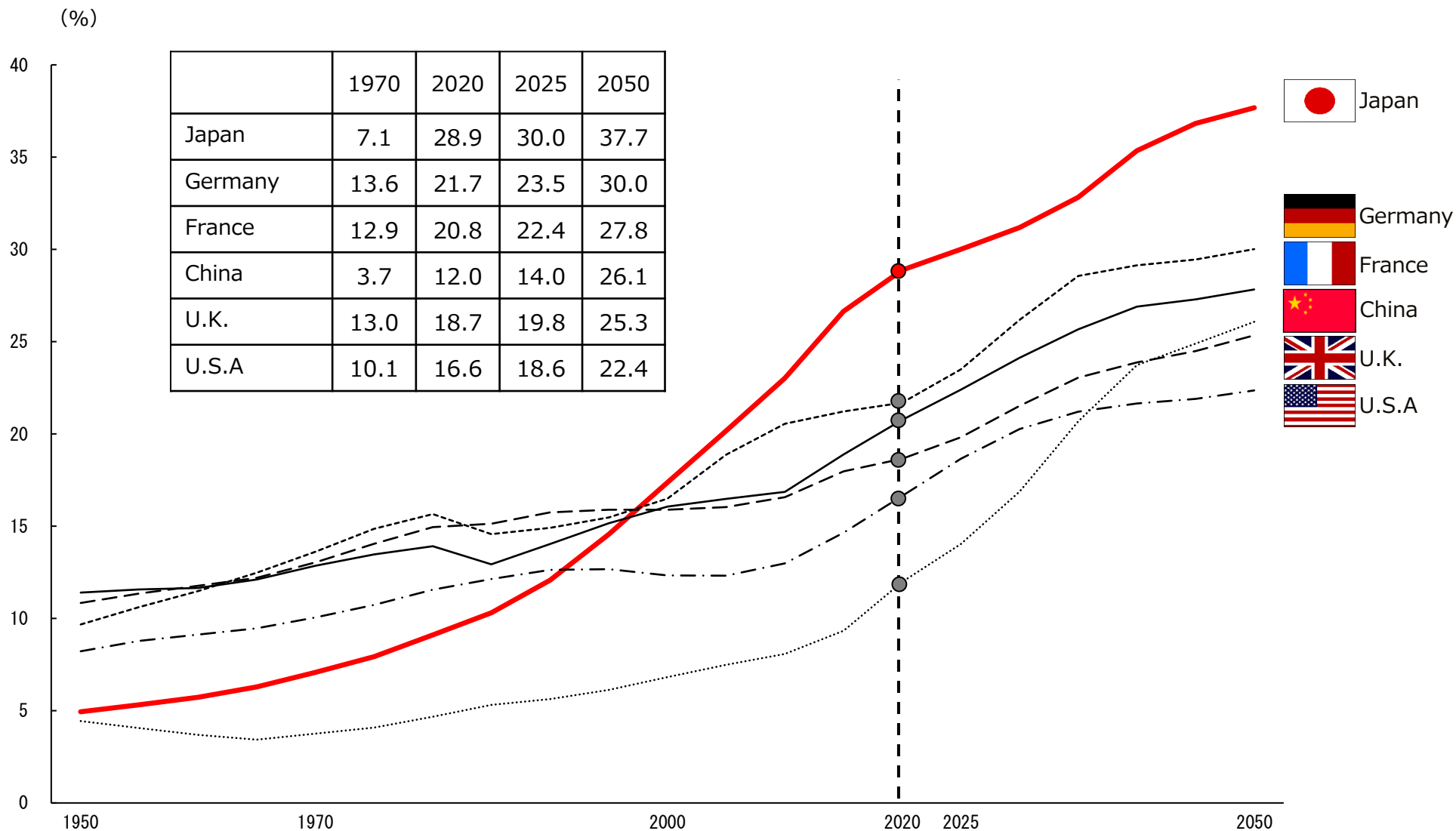


(Note) • Indexation using the value on January 1, 2020 as 100.

• EPS (12-month forward forecast) is the consensus forecast (average of analysts' forecasts) of net income per share for the next 12 months.

(Source) Bloomberg, as of March 2, 2021

Population Aged 65 and Over (as a share of total population)

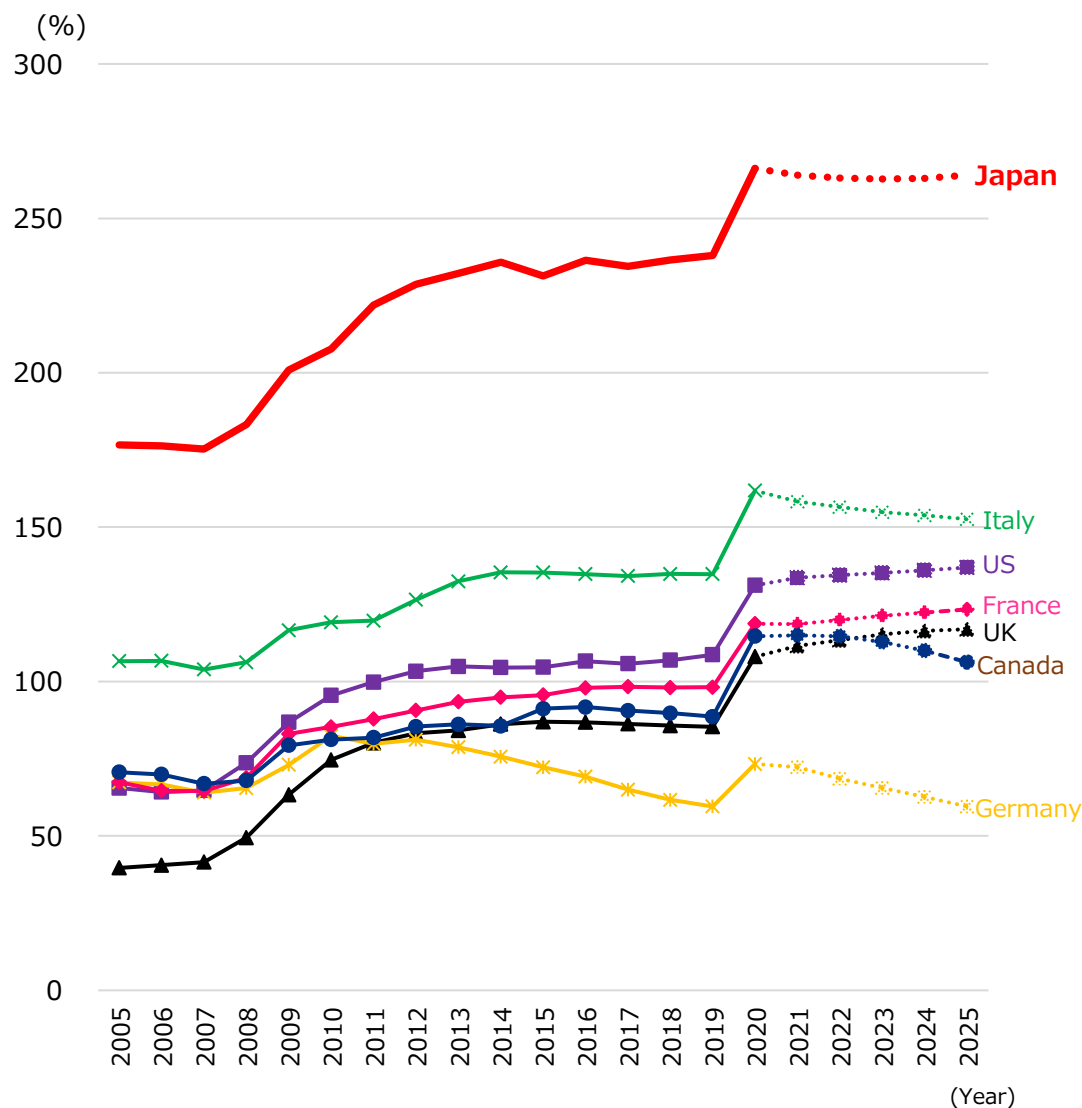


(Source) Japan : 1950-2019: Ministry of Internal Affairs and Communications "Population Estimates"
 2020-2050: National Institute of Population and Social Security Research "Japanese Future Demographic Projections" (April, 2017)
 Other countries: "World Population Prospects: the 2019 Revision" (United Nations).

General Government Gross Debt (Percent of GDP)

	(%)										
CY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Japan	176.6	176.3	175.3	183.3	200.9	207.7	221.9	228.7	232.2	235.8	231.3
U.S.	65.5	64.2	64.7	73.7	86.8	95.5	99.8	103.3	104.9	104.5	104.6
U.K.	39.6	40.5	41.5	49.4	63.3	74.6	80.1	83.2	84.2	86.2	86.9
Germany	67.3	66.7	64.0	65.5	73.0	82.4	79.8	81.1	78.7	75.7	72.2
France	67.4	64.6	64.5	68.8	83.0	85.3	87.8	90.6	93.4	94.9	95.6
Italy	106.6	106.7	103.9	106.2	116.6	119.2	119.7	126.5	132.5	135.4	135.3
Canada	70.6	69.9	66.9	67.9	79.3	81.2	81.8	85.4	86.1	85.6	91.2

CY	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Japan	236.4	234.5	236.6	238.0	266.2	264.0	263.0	262.8	263.0	264.0
U.S.	106.6	105.7	106.9	108.7	131.2	133.6	134.5	135.2	136.0	136.9
U.K.	86.8	86.2	85.7	85.4	108.0	111.5	113.4	115.3	116.4	117.0
Germany	69.2	65.0	61.6	59.5	73.3	72.2	68.5	65.5	62.6	59.5
France	98.0	98.3	98.1	98.1	118.7	118.6	120.0	121.3	122.3	123.3
Italy	134.8	134.1	134.8	134.8	161.8	158.3	156.6	154.9	153.8	152.6
Canada	91.7	90.5	89.7	88.6	114.6	115.0	114.7	112.8	110.0	106.2



(Source) IMF "World Economic Outlook," "Fiscal Monitor" (Oct, 2020)

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined).

(Note2) Projections start after 2019. It should be noted that the Japan's figure does not reflect the expected increase in outstanding cross debt as a result of the draft third supplementary budget for FY2020 and the draft budget for FY2021.