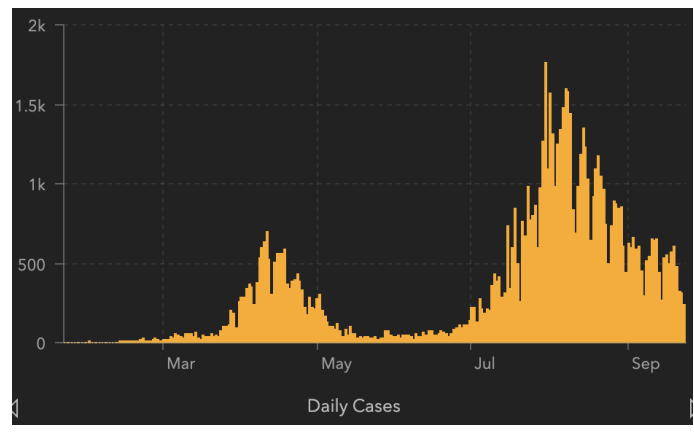


How Covid-19 Will Change Japan

October 1, 2020

Despite the absence of strict lockdown measures by the government, Japan has so far managed to contain the Covid-19 pandemic better than most countries. Japan has had two peaks so far: first in April, when daily confirmed case counts surpassed 700, and the second in the summer, when the country's largest single-day count marked 1,595 cases on August 7. Ironically, the World Health Organization praised Japan's response as a "success" in May, shortly after it had ended its state of emergency, only to see a bigger nationwide second wave months later. This clearly illustrates the need for the government as well as the general public to be vigilant by practicing social distancing and other precautionary measures to avoid another resurgence at the onset of flu season.

Though Japan has yet to see light at the end of the tunnel, the outbreak has triggered societal changes, some of which will likely remain permanently, and a big shift toward digitization. **Prime Minister Yoshihide Suga will be pressed not only to continue his predecessor's agenda but to restructure the economy to achieve growth. Under the prime minister's political leadership, BGA expects Japan to bring about new opportunities to clients.**



Covid-19 Cases in Japan, Source: [Johns Hopkins CSSE](#)

Please see below for a detailed exploration of how Covid-19 will affect Japan's economy, society and politics as well as a social intelligence survey. BGA will continue to monitor and keep you apprised as developments occur in Japan. If you have any questions or comments, please contact BGA Japan Managing Director Kiyooki "Kiyo" Aburaki at kaburaki@bowergroupasia.com.

Best Regards,
BGA Japan



Economy

Macroeconomic Pain Felt Throughout the Nation

The pandemic caused the most severe economic contraction on record, resulting in a drop to -7.9 percent in the second quarter, or -28.1 percent on an annualized basis — attributable to the decrease in domestic consumption and a fall in exports. The coronavirus outbreak added to an already slowing economy from the previous year, which suffered from a mix of weak consumer spending due to natural disasters, a consumption tax hike from 8 percent to 10 percent in October and a deteriorating global trade environment. The consumption suppression had a knock-on effect on corporate sector performance.

According to Tokyo Shoko Research’s study published in September, approximately 36,000 companies were shuttered so far this year, mostly due to the pandemic, amounting to roughly 1 percent of the 3.58 million firms in Japan. Of those that have closed, 31 percent were service-sector firms, followed by construction firms at 18 percent and retailers at 13 percent. While government and central bank aid have helped companies remain afloat, there are companies that have decided to close their doors due to diminishing prospects of a swift pick-up in business on the horizon.

Japan’s GDP Growth Rate	
QUARTER	%
Q1 2019	0.7
Q2 ‘19	0.4
Q3 ‘19	0
Q4 ‘19	-1.8
Q1 2020	-0.6
Q2 ‘20	-7.9

Source: [St. Louis Fed](#)

What To Expect From the Post-Covid Economy

Prime Minister Yoshihide Suga, who recently succeeded Shinzo Abe, repeatedly stressed within the first days of his tenure that his top priority is to revive the economy during the ongoing pandemic. Aside from the immediate demand stimulus policies that have been launched, such as the possible reduction in cell phone charges for consumers or the expansion of the “Go To Travel” subsidy campaign that aims to encourage domestic travel, the new administration is advancing digitization policies in various domains — including notably within government branches — to address the chronic bureaucratic structures that are weighing down on Japan’s society and economy. By creating a new digital agency, the government has committed to pushing an e-government agenda that is expected to have trickle-down effects on the rest of society, an ambitious plan that has failed to materialize in the last two decades. While it is too early to bank on a nationwide digital transformation, we can expect Suga to follow through on his promises by pushing forward key policies.

Society and Politics

Shake-up of the Political Landscape

The outbreak of Covid-19 has had huge impacts on the nation’s politics and has created a clear opening for Suga to shape a new political landscape out to next year and beyond. Despite a relatively successful pandemic response and a bold stimulus package amounting to 40 percent of GDP, former Prime Minister Shinzo Abe’s government had lost public support; a Kyodo public opinion poll had shown that only 36 percent of the respondents supported the Abe government, while 49 percent did not. An



important factor behind their dissatisfaction was limited or low availability of Covid-19 testing, which resulted from a lack of effective coordination among government ministries and relevant organizations. At the same time, many in Japan were frustrated because of the government's slow release of much-needed universal cash handouts. To be fair, the issue was rooted less in the reluctance of Japanese bureaucrats to provide financial assistance per se and more in governmental and social institutions, which have strongly resisted digitization and have irrationally prevented the use of personal data.

The Japanese public welcomed the new prime minister in September, when Suga emphasized his determination to carry out regulatory reforms by fighting a stovepiped bureaucracy and digital transformation. In fact, the Suga government was launched with a 66 percent approval rating (according to a Kyodo survey), the fourth highest rating in the last three decades for a cabinet at its inauguration.

The Suga Administration and the Task at Hand

The new government is well positioned to establish itself for the long term as Suga seems to be thoroughly prepared to produce real and tangible policy results. Suga fine-tuned his skills to effectively manage the bureaucracy during his tenure as Abe's chief cabinet secretary, and he has strong political connections with senior officials involved in the setting and execution of major policy goals. Suga's choice of ministers also shows his aggressiveness to achieve his top policy agenda items. For example, Suga picked Taro Kono as the minister to be on the front line of regulatory and institutional reforms. Kono has a long history of leading Liberal Democratic Party (LDP) discussions on policy, and his stature rose when, as defense minister, he promoted a robust policy response to the threat posed by North Korea's missile program.



Prime Minister Yoshihide Suga

The next general election must be held before October 2021, when the term of the current members of the House of Representatives will expire. There is a growing view in political circles that Suga will prioritize policy outcomes over dissolving the Diet. With a series of "quick wins" that result in wider public support and without any effective challenges from the opposition parties, the LDP and Suga could have a good chance to win the election. In this case, Suga may not have strong rivals in the LDP presidential election scheduled for next year.



Social Intelligence Spotlight: **Japan**

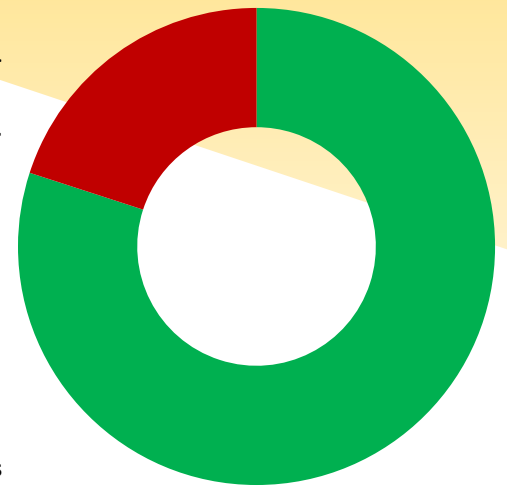
This week's Social Intelligence Spotlight examines conversations in Japanese across Japan's digital space on the government's Covid-19 response. The bulk of discussion during the reporting period revolved around the policy priorities of Prime Minister Yoshihide Suga as he assumes his new role. Facebook and Twitter users were largely supportive of Suga's dual emphasis on aggressive pandemic management and shepherding economic recovery through employment subsidies and interest-free loans. Though the prime minister has said his approach is not markedly different from that of his predecessor, former Prime Minister Shinzo Abe, social media users praised Suga's attention to appropriate resource allocation in hospitals and his call for more information-sharing across the 23 wards of Tokyo. In addition, a number of social media users approved of the expansion of testing to mitigate the pandemic outbreak and Prime Minister Suga's efforts to deconcentrate the swelling of Covid-19 cases in Tokyo. Roughly one-fourth of mentions underlined the prime minister's dedication to vaccine and therapeutics multilateralism — ensuring proper distribution and equitable access — which he articulated during his address to the UN General Assembly.

The speech coincides with recent discussions with heads of state, including U.S. President Donald Trump, Canadian Prime Minister Justin Trudeau and Russian President Vladimir Putin, in which Suga affirmed Japan's commitment to vaccine cooperation and bilateral efforts to counter the pandemic.

Suga's plan to ease travel restrictions by October and admit foreign visitors other than tourists was met with mixed enthusiasm. A portion of social media users were wary of the policy and endorsed a more cautious approach instead. Other users supported the proposition as well as Suga's efforts to increase domestic tourism through the "Go To Travel" subsidy scheme.

Social intelligence detected few posts expressing negative sentiment on Suga's Covid-19 response. Noteworthy mentions included a distrust of Suga's optimism on Japan's recovery, as social media users disagreed that hosting the summer Olympics in 2021 would signal Japan's success in handling the pandemic. In addition, there was criticism of Suga's plan to reduce mobile phone charges to help alleviate the economic burden from Covid-19, and a limited number of users suggested the alleviation of consumption taxes as a more effective alternative.

Social Media Sentiment September 24 to 30



■ Positive (80%) ■ Negative (20%)

