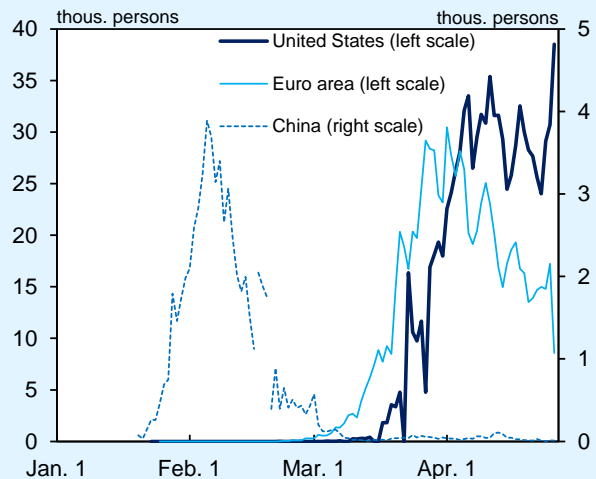


(Box 1) Developments in Overseas Economies since the Outbreak of COVID-19

Since the January 2020 Outlook Report, overseas economies have become depressed rapidly, reflecting the impact of the COVID-19 pandemic. These economies are expected to remain depressed until the spread of COVID-19 subsides. This box starts by looking at economic developments in China, where the outbreak of COVID-19 and its impact on economic activity were first observed, and then examines recent developments in the U.S. and European economies.

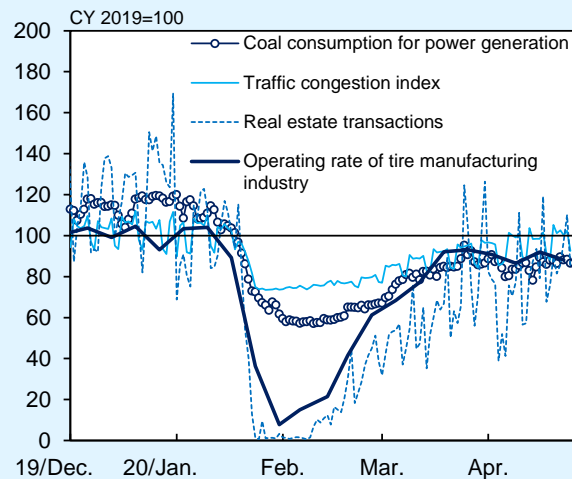
In China, COVID-19 spread rapidly from late January, but the pace decelerated from around early February as the Chinese authorities implemented strict preventive measures against this spread, such as restrictions on people's movement and going outside, as well as the suspension of operations at factories (Chart B1-1). Recently, the spread has subsided. Meanwhile, under the strict preventive measures, supply constraints, such as labor shortage and supply chain disruptions materialized, and a decline in demand was brought about by increasing cautiousness in households' and firms' sentiment. Thus, economic activity plunged in a wide range of industries (Chart B1-2). Since early February, however, as the spread of COVID-19 started to subside, the preventive measures have been loosened and factories have resumed their operations, leading to a rise in their operating rates. Electricity consumption also has been recovering, and economic activity seems to be showing signs of a pick-up on the whole.

Chart B1-1: Confirmed New Cases of COVID-19 in Major Economies



Source: CEIC.
 Note: Figures are calculated based on World Health Organization (WHO) data. There is a discontinuity in the data for February 17 to 19 for China due to the difference in the basis. Figures for China from March 16 onward are from the National Health Commission of the People's Republic of China.

Chart B1-2: High-Frequency Indicators for China

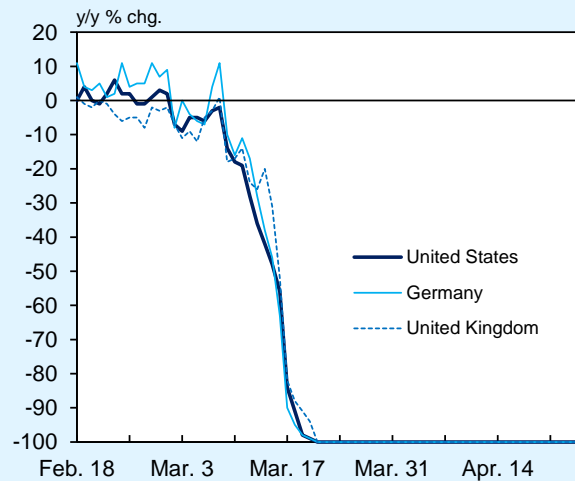


Source: Wind.
 Note: Coal consumption for power generation consists of the coal consumption of six major electricity producers. The traffic congestion index shows the average for 100 cities. Figures for real estate transactions are based on the total traded area for major cities. Operating rate figures for the tire manufacturing industry are based on the survey results of tire manufacturers for passenger cars.

Although the spread of COVID-19 has subsided in China recently, a rapid spread has been observed in Europe and the United States (Chart B1-1). Since mid-March, strict preventive measures -- similar to those conducted in China -- have been implemented in these economies, thereby affecting a wide range of economic activities. Demand has dropped sharply for many firms in the services industry, mainly due to restrictions on going outside. Looking at the number of seated diners at restaurants, for example, it declined significantly from mid-March and there have been almost no diners recently (Chart B1-3). In the manufacturing sector, there have been supply constraints, including disruptions in the domestic and overseas supply chain, as well as suspension of operations at factories as a measure to prevent the spread of COVID-19. Regarding the automobile sector, it is becoming more likely that suspension of operations at factories will be extended; in addition to such constraints on the supply side, there has been a decline on the demand side, due mainly to restrictions on going outside (Chart B1-4). That said, according to the recent market forecasts, motor vehicle sales are expected to pick up gradually as the impact of the spread of COVID-19 wanes, and exceed this year's levels in 2021.

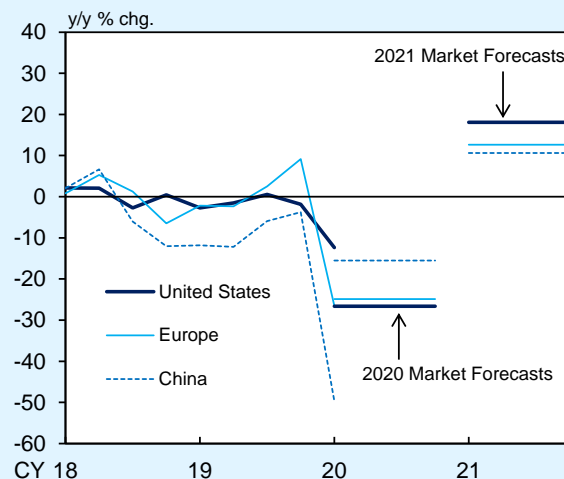
A rapid depression in the European and U.S. economies also has exerted a large impact on the employment side. In the United States, initial claims for unemployment insurance have increased significantly, exceeding the past peak level (Chart B1-5). In Germany, the number of firms introducing short-time work has surged. Attention needs to be paid to developments in the

Chart B1-3: Seated Diners at Restaurants in the United States and Europe



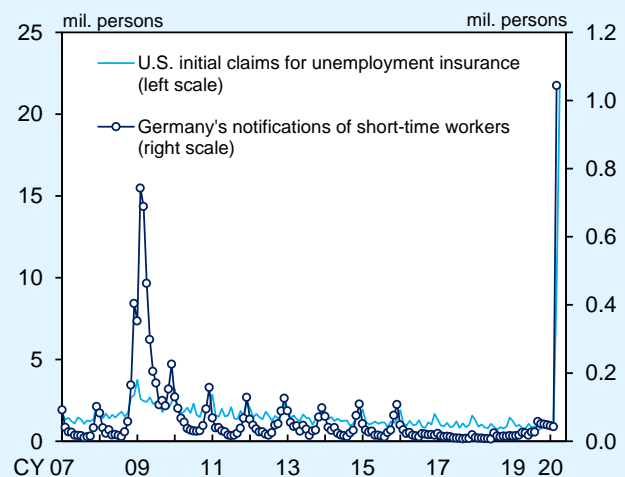
Source: OpenTable.
Note: Figures are based on year-over-year seated diners at restaurants on the OpenTable online network.

Chart B1-4: Motor Vehicle Sales in Major Economies



Source: IHS Markit.
Note: Figures are based on passenger vehicle sales, including commercial vehicles of less than six tons in terms of gross vehicle weight. Figures for 2020/Q1 are estimates. Figures for the market forecasts are as of April 15.

Chart B1-5: Labor Market Indicators in the United States and Germany



Sources: Haver; German Federal Employment Agency.
Note: Monthly figures for the United States are obtained by adding up weekly figures. The figure for April 2020 is based on data up to the week ending April 18.

employment and income situation, which is a key factor for a pick-up in overseas economies.

In response to the aforementioned impact of the spread of COVID-19, each country and region has not only strengthened its health care systems but also aggressively announced or implemented large-scale fiscal policy measures, such as employment measures and support for small and medium-sized firms, both of which are aimed at mitigating downward pressure on the economy (Chart B1-6).

Overseas economies are expected to remain depressed for the time being. However, as the impact of the spread of COVID-19 wanes -- as seen in China recently -- their growth pace is likely to increase. This is because pent-up demand and a recovery in production from the decline brought about by the spread of COVID-19 are expected to exert upward pressure on these economies, and the effects of aggressive macroeconomic policies taken by each country and region also are likely to materialize. Nevertheless, there are high uncertainties regarding the consequences of the spread of COVID-19, the timing of the spread subsiding, and the magnitude of its impact on the economy, and thus these factors warrant attention.

Chart B1-6: Main Fiscal Policy Measures in Major Economies

United States	<ul style="list-style-type: none"> Expansion of unemployment benefits, extension of the periods that benefits are paid, and cash payments to individuals Support for financing such as to small and medium-sized enterprises and the aviation industry
EU	<ul style="list-style-type: none"> Employment measures including compensation for the loss of earnings attributable to the short-time work Support for financing such as through providing guarantees with a focus on small and medium-sized enterprises
China	<ul style="list-style-type: none"> Employment measures including incentives for small and medium-sized enterprises to promote the recruitment of college graduates Reduction of corporate burden such as through tax cuts Increase in the issuance of local government special bonds to provide funding for key projects, etc.

Sources: National governments, etc.