

Software Investment & Job Growth in Japan

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GLOBAL SOVEREIGN DEBT

Developed Markets

- Amid declining business investment in 2020, software investment remains a bright spot.
- Changes to face-to-face contact protocols because of COVID are driving labor-saving investments.
- Large companies in Japan tend to avoid laying off regular employees, opting instead to reduce the fixed costs through attrition, a hiring freeze or eliminating part-time jobs.

COVID-19 has adversely affected overall business fixed investment in Japan, with all industries as a whole expecting the declining trend of business investment for 2020, according to September Bank of Japan Tankan survey. However, one bright spot is software investment, for which many firms expect a significant growth in spending, driven by the continuing trend of enhancing business efficiency and undertaking labor-saving investment. Behind this trend, there are strong pressures for further job cuts in the sectors that require new means of contact as a result of COVID-19.

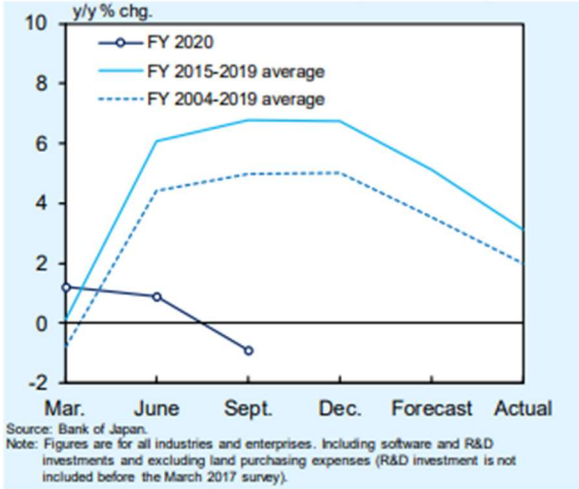
Japanese firms have started taking an active approach to making fixed investment for labor-saving while the demand for a substitution of face-to-face services grows due to the prolonged impact of COVID-19.

The number of employed persons in so-called face-to-face service industries, such as accommodation and health care, increased thanks to an inbound tourism boom and an aging population; COVID-19 has turned this trend downward. Large companies in Japan tend to avoid laying off regular employees, opting instead to reduce the fixed costs through attrition, a hiring freeze or eliminating part-time jobs.

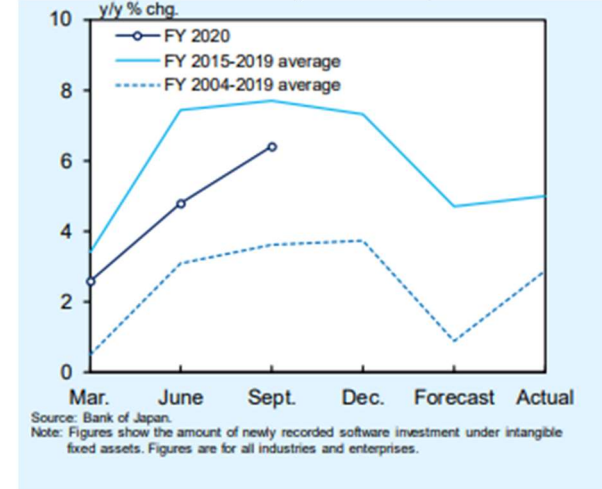
Recent corporate earnings also show a bifurcation in the economy, with tech companies such as Sony and Nintendo enjoying decent profits while airlines and restaurant chains report big losses and job cuts.

Prime Minister Yoshihide Suga’s policy initiatives include the digital transformation of Japanese society. It remains to be seen how this policy can create new job opportunities lost by COVID-19.

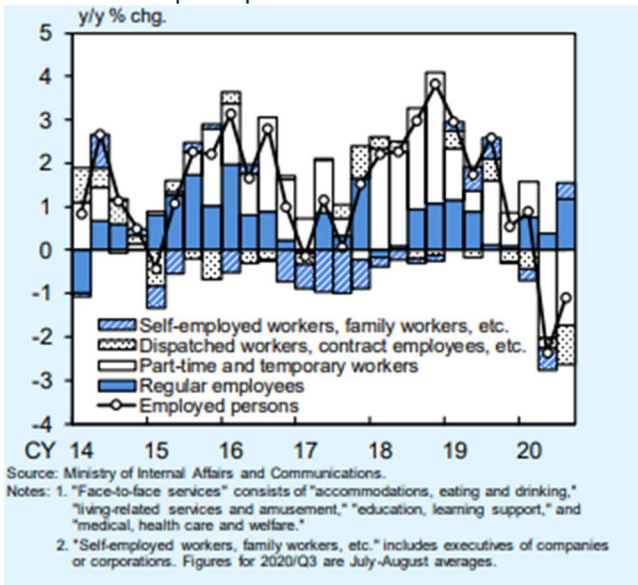
Business Fixed Investment Palns (BOJ Tankan)



Software Investment Palns (BOJ Tankan)



Number of Employed persons in Face to Face Services



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*As of September 30, 2020
20-1436716