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WUSATA Japan Monthly Report December 2022

Executive Summary

Seeing off the year of 2022 after three years of COVID era which enforced Japanese nation strict movement restriction and tremendous economic stress, this December 2022 will be remembered as a step entering into a stage where the people will go with-Corona for coming years. As reported in the past, a lot changed in Japan like in the rest of developed countries on social and personal level in terms of people's mind-set and lifestyle which impacted the commercial sector and food industry platforms. The major factor now impacting consumption and lifestyle became not COVID but more so of the economic drivers.

The Bank of Japan Gov. Haruhiko Kuroda voiced hoped that intensifying labor shortages would prod firms to raise wages, while he brushed aside the chance of a near-term exit from ultraloose monetary policy. A higher inflation rate could also prompt firms to shift towards wage increases. Japan's economy shrank in the third quarter, as global recession risk, China's faltering economy, a weak yen and higher import costs hurt consumption and businesses. The government last week revised up its growth forecast for the next fiscal year to 1.5%, from a 1.1 % expansion in the previous forecast from July.



In late 2022, recovery in private consumption, which makes up more than half of Japan's economy, unexpectedly shrank in the third quarter. The main reason was the price hikes of thousands of daily necessities and national brand food and drink items. While Japanese retail sales rose for a ninth straight month until November, it was mostly owing to the inflated prices consumers had to pay. The national sentiment of the majority indicated their actual income and consumption level in average were still at the low level as of the 2022 year-end. On the bright side, as Japanese border opened in early October, the number of travelers increased partially backed up by the Japanese government official support. Japan's real wages dropped 0.9 percent in 2022 from the previous

year for the first decline in two years amid rising inflation, government data showed Tuesday, while household spending continued recovering moderately following the coronavirus pandemic.

Market Intelligence Update:

As the Japanese labor market structure may be changed per revision of the Japanese Labor Standard Act in 2023 and 2024, Japan's foreign worker population hit record 1.82 million despite COVID impact. following the coronavirus pandemic. The slide in inflation-adjusted wages signaled that food, energy and other price increases, driven largely by Russia's invasion of Ukraine, outpaced pay hikes, despite Prime Minister Fumio Kishida calling on business leaders to raise wages in line with inflation to create a positive growth cycle.

Nominal wages, or the average total cash earnings per worker including base and overtime pay, grew 2.1 percent to 326,157 yen (\$2,400) a month, the second straight yearly increase and the sharpest gain in 31 years, the Ministry of Health, Labor and Welfare said in a preliminary report. In December (2022) alone, average real wages marked the first rise in nine months, helped by higher bonuses and corporate allowances to ease the impact of inflation. But the ministry sees the rebound as temporary, with one of its officials saying that "real wages will continue to decline for the time being."

Separate data showed the country's average household spending in 2022 rose a real 1.2 percent, increasing for the second consecutive year, as people have gradually resumed activities in the absence of recommended restrictions on movement due to COVID-19. Households of two or more people spent an average of 290,865 yen per month last year, the Ministry of Internal Affairs and Communications said. Compared with the pre-pandemic level of 2019, household spending in 2022 fell 3.5 percent. The rate of decline has shrunk from the 4.6 percent fall in 2021. Household spending in December alone slid 1.3 percent from a year earlier to 328,114 yen for the second consecutive month of decline as people spent less on food, it said. The data is a key indicator of private consumption, which accounts for more than half of the country's gross domestic product.

Retail sales grew 2.6% from the year earlier but short of a median forecast of 3.7%. The pace of annual growth in sales, a barometer of private consumption, slowed from 4.4% in October and 4.8% in September. On a seasonally adjusted basis, retail sales slipped 1.1% in November from the previous month, down for the first time in five months. Data showed last week that visitor arrivals to Japan jumped to nearly 1 million in November, the first full month after the country scrapped COVID-19 curbs that effectively halted tourism for more than two years. A government domestic travel subsidy campaign to help the pandemic-hit tourism industry, which started in mid-October, also encouraged people to spend on travel and travel goods.

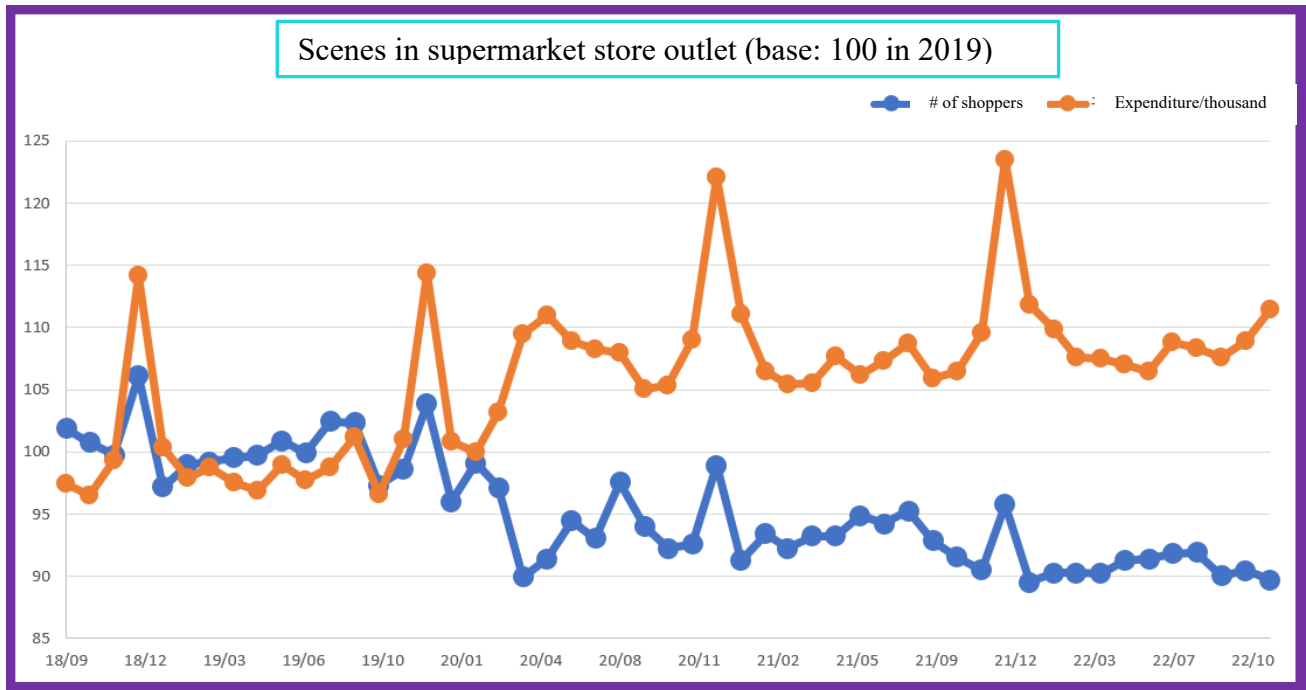
Separate data showed Japan's jobless rate fell to 2.5% in November, in line with a forecast in a Reuters poll, and down from 2.6% in October. The jobs-to-applicants ratio, a key gauge of job availability, was at 1.35, unchanged from October and holding at the highest level since March 2020. The accommodation and restaurant sector saw the sharpest rise in job offers in the reporting month, up 21.2% from a year earlier, likely buoyed by the government's domestic travel subsidy program and expectations for an increase in tourists around the New Year holidays following the removal of COVID-19 restrictions.

Retail Trends:

With the 2019 average as 100, the number of customers visiting the store and the sales amount per 1,000 customers are graphed.

In 2019, there was no significant discrepancy between the number of customers visiting the store and the sales amount per 1,000 people, but the number of customers began to decrease in March 2020 and decreased significantly in April. On the other hand, the sales amount per 1,000 customers has increased significantly, which is the opposite of the number of customers who visited the store. Due to the request to refrain from going out, consumers tried to reduce shopping out frequency and the time to stay in the store outlet by buying more items than they had used to before COVID. After that, although there were ups and downs due to swaying movement restrictions imposed by the government, the number of customers visiting the store and the sales

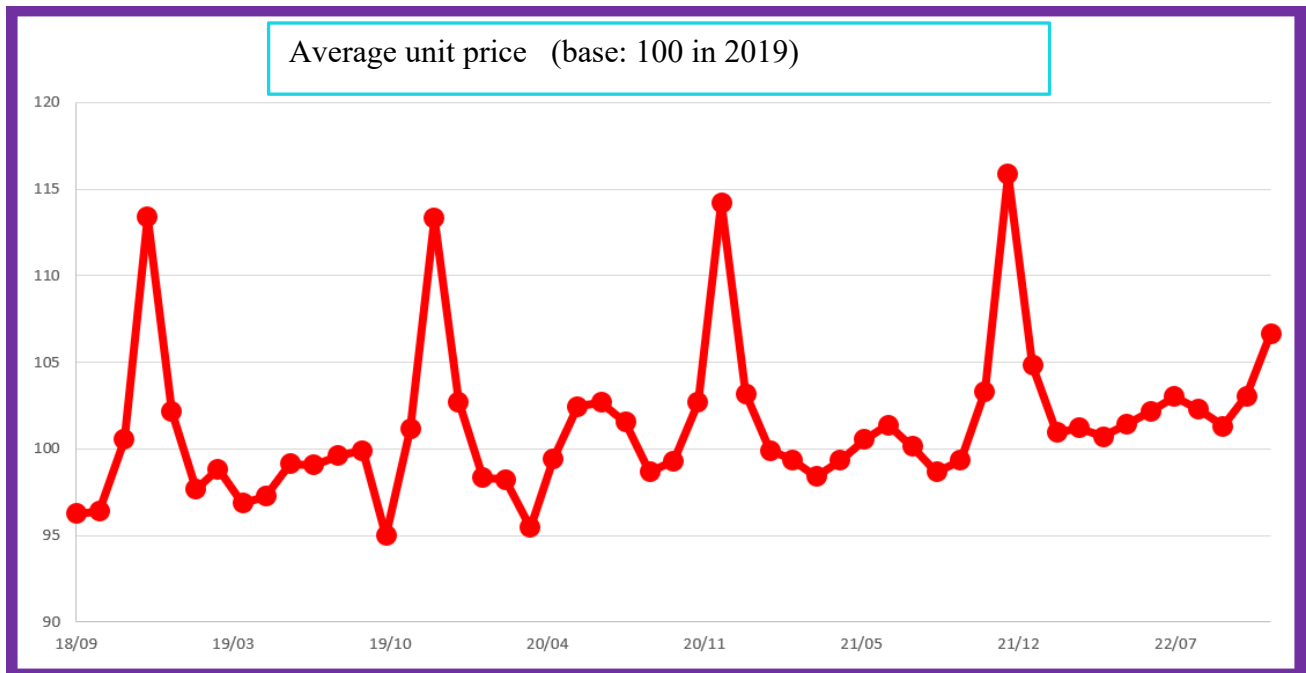
amount per thousand people remained relatively flat. The trend didn't change much in 2022, when the Omicron variant, which is less likely to cause severe coronaviruses, is the center. The number of customers has decreased by about 10% compared to 2019. On the other hand, the sales value per 1,000 people has also increased by just under 10% compared to 2019. There seems to be no change in purchasing behavior, such as reducing the number of times you go to the supermarket and buying more at once.



The actual number of items purchased per person is in the third graph. The 2019 average was 100, showing the number of purchase points went up due to the pandemic. Especially in the early days of the pandemic when the coronavirus was not yet well understood, it increased by more than 10%. After that, it became subdued with a growth rate of about 6%; then in 2022, the number of purchases tends to decrease.

Looking at prices, they have been rising consistently since the pandemic. In 2022, the number of customers visiting the store is decreasing, and the number of purchases is also decreasing. The landscape is completely

different from before Corona. With utility bills and the price of everything going up, supermarkets may have entered the winter era.



Foodservice Sector

The size of the foodservice industry sales in December 2022 was 301.5 billion yen in total combined of those in the three major regions of Japan. The year-on-year rate of change (hereinafter referred to as "year-on-year") was +20 billion yen (107.1%), which was a year-on-year increase for 13 consecutive months. The foodservice sector entered a busy season during the eighth wave of the new coronavirus infection, but the year-on-year increase and rate of increase were higher than in November, and the trend was recovering. The 2019 year-on-year rate (compared to pre-pandemic times) was 74.6%, higher than the previous month's 73.1%. The unit price of eating out exceeded the previous year for 14 consecutive months, and the rate and frequency of eating out also decreased from the previous month compared to 19 years (compared to before the corona disaster). The total number of food-based businesses in the restaurant market was 105.2% (83.2% compared to 2019), and the total number of drinking-based businesses was 113.2% (63.9% compared to 2019), both exceeding the previous month. Among the 16 major business categories, the market size has expanded year-on-year in 13 business categories such as "izakaya (Japanese style pub restaurant)", and compared to 2019, family restaurants, cafeterias, dining, and Western style cuisine restaurants marked 97.4%, coming nearer to the pre-corona level.

According to the Japan Foodservice Association's December 2022 survey, overall sales for the same month (December) showed an increase of 8.6% year-on-year. The eighth wave of the new coronavirus epidemic arrived and the number of new infections continued to increase, but the demand for eating out is showing a return. The increase in customer unit price due to the increase in product prices also contributed to the sales in this sector as well.







To be continued to the year of 2023...