



WUSATA Japan Monthly Report January 2023

Executive Summary

A January of 2023 Japanese economy showed diversified trends in terms of the common national sentiment and government intention for ending the COVID era surrounded by somewhat uncontrollable international politics and military disputes.

In tourism sector the estimated number of foreign visitors to Japan in January increased by some 130,000 from the previous month to almost 1.5 million entries. According to the data from the JNTO, travelers from South Korea constituted the largest share with 565,200 visitors, followed by Taiwan at 259,300 and Hong Kong at 151,900. The United States came fourth with 88,100 visitors. China was eighth, with a revival in visitor numbers from the country widely seen as the key to Japan's inbound tourism industry making a full recovery. By category, educational and entertainment spending rose 8.2 percent on strong travel demand. Spending on transportation and communication grew 6.0 percent with more people using trains and airplanes, according to the data.

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. The impact of the coronavirus is diminishing," a ministry official said. The data is a key indicator of private consumption, which accounts for more than half of the country's gross domestic product.



Market Intelligence Update:

Average income for consumption in 2022 December alone marked the first rise in nine months, helped by higher bonuses and corporate allowances to ease the impact of inflation. However the rebound may be as temporary, with one of its government officials saying that "real wages will continue to decline for the time being." The Japanese labor/employment situation continued to indicate low flights as Japan's real wages dropped 0.9 percent in 2022 from the previous year for the first decline in two years amid rising inflation while household spending continued recovering moderately 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 the government's loud calling on business leaders to raise wages in line with inflation to create a positive growth cycle.

According to the Food Category Trend Survey, the 2022 year-end sales season was strong due to the Christmas shopping season coinciding with the weekend and the increase in the number of home comers, and an increase was observed across the board from the previous month. The rise in the unit price of each dish due to price increases, the desire to save money, and the recovery of demand for home meals due to the spread of infection are also considered to be factors for the positive performance. Although Christmas and year-end sales were strong, many commented that the number of purchase points decreased due to soaring prices at other times. Until now, the main factors behind the upward and sluggish performance have something do with slightly declining home meal consumption. People are tired of staying home, cooking and eating every meal for themselves and their families. Price hikes of so many retail products for consumers also make particularly single house holders and senior generation to look for already made or the dishes some professionals would prepare and feed for more convenience and fun. Various consumption measures such as subsidies and wage increases for soaring energy prices, measures to stimulate consumption by local governments using cashless payments, and expansion of child allowances have become a hot topic, but the ripple effect is not uniform. Retail chains are trying to keep attracting consumers by the seasonal promotions and cultural events toward spring season.

In the Business Sentiment Survey, still there are cautious views persisted among the retail and food service sectors in the outlook for consumer purchase intentions, and they remained at the previous month's level. Japan has one of the world's oldest populations, with nearly 30% of its citizens over age 65. Many live in depopulated rural areas that lack easy access to daily necessities. Labor shortages in its cities and new rules limiting overtime for truck drivers also make it difficult for businesses to keep up with pandemic-fueled e-commerce and delivery demands. The cutie robot for delivery service is now in trial use in a local city of Japan---they may be another brighter accent to promote convenience and food shopping pleasure in Japanese daily life.

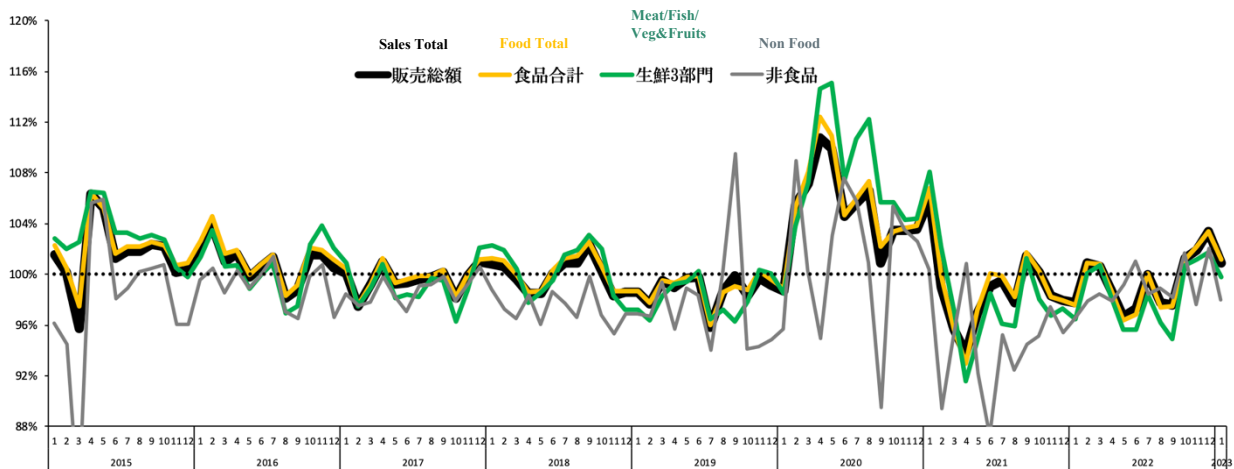


Retail Trends:

Japanese consumers have come to demand more safe, wholesome, healthy and reliable food products. According to the Japan Supermarket Chain Association, the overall sales index in the major supermarket chain stores in December 2022 was +4.6 from the previous month. Based on the Business Trends Survey, the sales rose significantly from the previous month to 13.1, and the DI (diffusion index) of revenue also rose to 5.8, the first positive position since March '22. The DI for perishable goods and food purchase DI have remained at record high levels, and the DI for selling prices and customer prices have remained high. Although the DI for visitors increased slightly, it remained in negative territory.

Supermarket sales stats research vs. same month of the previous year since January 2015

Total sales/Food Total/Three Perishables (meat/fish/fresh produce) Total/Non-Food Total



More price raise by the major frozen food makers:

<p>○「ニチレイフーズ」 2月1日の納品分から家庭用の冷凍食品のほぼ全品を出荷価格でおよそ6%から20%値上げ。</p>	<p>Nichirei Foods: will raise 6%~20% of the prices for almost all consumer products from Feb. 1st shipping out.</p>
<p>○「マルハニチロ」 2月1日の納品分から出荷価格で、冷凍食品106品をおよそ2%から17%、缶詰など56品をおよそ5%から25%、すりみ食品39品をおよそ4%から22%、カップゼリー23品をおよそ7%から15%値上げ。</p>	<p>Maruha Nichiro: 106 of frozen food will be price-raised by 2~17%, canned 56 items will be, by 5~25%, surimi</p>
<p>○「ニッスイ」 2月1日の納品分からちくわの磯辺揚げやちゃんぽんなど家庭用の冷凍食品84品を出荷価格でおよそ6%から25%値上げ。</p>	<p>Nissui: Surimi products and consumer frozen food items will be raised for the prices by 6~25% after Feb. 1st 2023.</p>
<p>○「味の素冷凍食品」 2月1日の納品分から家庭用の冷凍食品51品を出荷価格でおよそ6%から16%値上げ。</p>	<p>Ajinomoto Frozen Food: Starting from Feb. 1st, prices of 51 items of home-meal frozen food will be price-raised by</p>
<p>○「テーブルマーク」 2月1日の納品分から家庭用の冷凍食品66品を出荷価格でおよそ3%から19%値上げ。</p>	<p>Tablemark (former Katokichi): From Feb. 1st, the prices will be raised for 66 frozen home meal food items from</p>
<p>○「日清製粉ウェルナ」 2月1日の納品分からカルボナーラなどの家庭用の冷凍食品18品を税抜き希望小売価格でおよそ8%から9%値上げ。</p>	<p>Nisshin Seifun Wellna: 18 items of frozen pasta consumer products will be higher-prices from Feb. 1st by 8~9%.</p>



Foodservice Sector

What the COVID brought was not only self-restraint from going out, but also a great legacy that the restaurant industry had to overcome, such as a shortage of human resources and solutions to combat soaring costs of food supplies. The population decline has not stopped here in Japan, casting a shadow on the working-age population, and the number of people working in restaurants who have been forced to close their businesses has not yet returned. With soaring costs, restaurants are under pressure to improve management efficiency by DX (=digital innovation) at once.

The three-year pandemic has greatly revised the way the restaurant industry works. The number of customers has dropped significantly due to requests for closures and of course stay-home was the requirement for the nation, etc. And about 10,000 customers have disappeared every year per outlet reportedly. The industry is exploring new sales styles in line with changes of consumer trends and preference.

Needless to say, the restaurant industry has been ravaged by the COVID. According to Table Check, which handles reservation services for thousands of restaurants nationwide, before the COVID, there were an average of 60 customers per day per outlet. However, in the first year of Corona in 2020, the number of people per day was almost an half less to 32, and the refraining from serving alcoholic beverages hit even harder the situation. In 2021 it fell further to 26 (per day per outlet in average).

Then in 2022, the number of people picked up to 35 a day, but compared to that in 2019, 25 people didn't come back. Annually, a restaurant outlet lost 10,352 customers in 2019; 10,352 in 2020, and 10,000 in 2021.

Lots of restaurant business operators are now trying to build thicker and bigger pillars with home-delivery and to-go menus which will require some financial and time investment plus legal arrangement. The success maker in the overall Japanese food service industry is McDonald's. The company tripled its delivery stations from 710 as of 2019 up to 2,191 last fall. *Marugame Seimen* udon noodle restaurant chain launched a takeaway "udon bento" box in the spring of 2021 which became a huge hit with more than 31 million meals moved about 170 stores set up to be capable of to-go menu sales counters. *Nagasaki Champon's* Ringer Hut chain has introduced new frozen meal vending machines in 80 restaurant locations, targeting after-business commuters and even for the need of home meal for the family dinner.

According to a summary by the Japan Foodservice Association recovery from the bottom varies depending on the location of the dining/drinking-out outlets. Also, per type of food/cuisines the pictures look quite different. Western-style fast food (burgers, sandwiches and pizzas) and rotating sushi restaurants did very well even during the pandemic. On the other hand, sales of Japanese and western style pub restaurants and beer halls were considered to be the enemies of the government's infection control measurement. So as of December 2022, only 60% sales of total Foodservice industry were recovered, compared with that of November 2019.

USDA Japan released the following reports in January 2023 relevant to the US food and beverage export to Japan:

Report Name (#JA2022-0112): Visitors Return Boosting Economic Activity for Restaurant and Hotel Industry

https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=%20Visitors%20Return%20Boosting%20Economic%20Activity%20for%20Restaurant%20and%20Hotel%20Industry%20%20_Tokyo%20ATO_Japan_JA2022-0112.pdf

Report Highlights:

The return of international visitors to Japan has started to offer glimpses of positive economic activity among the hotel and restaurant industries. Hotels experienced guest stay increases of 32.5 percent year over year, to 42.1 million, up 5.8 percent compared to October 2019. October restaurant sales soared to nearly 15 percent year over year on an all-store basis, levels not seen since before the global pandemic. Japan's reopening and travel promotion efforts have laid a strong foundation for economic recovery heading into the new year.

WUSATA generic events:

Contractor participated in the WUSATA winter strategic planning meeting in Portland, Oregon, from January 17th to 20th. Lots of learning and team-building session was very meaningful to and empowering the overseas representative to connect better the Western US suppliers and Japanese trade and further to consumers.

FOODEX Japan 2023: March 7 ~ 10, 2023 @Tokyo Big Sight

Buyer recruitment for the pet-food IB mission in June is coming over the horizon.

Regular trade services including trade lead follow-ups and networking is and will be on-going!

To be continued to the next month...