



WUSATA Japan Monthly Report

July 2022

Executive Summary

According to the recent report by the Japanese Government Cabinet Office, the Japan's world's third largest economy recovered to its pre-pandemic size in the second quarter of 2022 as consumer spending picked up following the end of coronavirus curbs on businesses. Gross domestic product grew at an annualized pace of 2.2% in the second quarter of this year, coming in below the median estimate of 2.6%. That lifted the size of the economy to ¥542.1 trillion, above what it was at the end of 2019. But the outlook remains uncertain due to a resurgence in COVID-19 infections, slowing global growth, supply constraints and rising raw material prices that are boosting households' living costs. The second-quarter growth was driven largely by a 1.1% rise in private consumption, which accounts for more than half of Japan's GDP while the rise was smaller than market forecasts for a 1.3% increase. The end of pandemic restrictions on businesses in late March helped spur the economy. The report came out as downside risks mount at home and abroad. Japan has been reporting record COVID-19 infection cases with daily numbers continuing to top 200,000 this month. The government has so far kept economic activity as normal as possible without bringing back restrictions. Japan's summer holidays in full swing with lack of COVID restrictions with reservations for domestic trains and flights leaving Tokyo reaching a peak as travelers took advantage of a lack of coronavirus restrictions for the first time in three years. While more people headed abroad for their break, numbers are nevertheless far below the pre-COVID-19 era as new cases across the country remain elevated, hitting record highs in recent weeks. As the government is becoming increasingly concerned about a rise in COVID-19 cases across the country, there are growing doubts about the start of a nationwide travel subsidy program in early July as initially planned. The pace of increase in new cases was accelerating, and the number of hospitalized patients has more than doubled in half a month. Tokyo Governor Koike expressed alarm at the development as "the cases are increasing in a surprising manner" and indicated the 7th wave in the metropolitan area would arrive soon.



Fans watch Game 1 of Japanese baseball's two-game All-Star series at PayPay Dome in Fukuoka on July 26, 2022. (Kyodo) ==Kyodo

Market Intelligence Update:

In Japan's key trading partners, growth is slowing with the U.S. and Europe fighting inflation and China sticking to its "COVID zero" policy. The war in Ukraine continues to disrupt food and energy supplies while the crisis in Taiwan adds to geopolitical risks. Inflation remains relatively moderate in Japan, but consumption may cool with prices rising faster than wages. After factoring in inflation, paychecks in Japan have been falling for three months in a row through June. Buoyed by surging sales of luxury goods, Japan's gross domestic product in the second quarter returned to pre-pandemic levels, but concerns are already being raised that the recovery could be short-lived. Personal consumption was the primary factor behind the high growth figure in the second quarter. Purchases of luxury items by the well-off were especially brisk at high-end department stores. Japanese consumers spent more for buying expensive watches and jewelry, making the sales exceed the pre-pandemic levels for four straight months until July.

Retail Sector: A market analyst said on Asahi Shimbun News that various restrictions on foreign travel might have prompted people to buy domestic goods instead of spending on travel abroad. Purchases by the affluent are even offsetting the lack of spending of foreign tourists whose inbound numbers are still severely restricted and the most staggering sector during the pandemic like Japanese department store chains have fully come back as clear destination for those main stream Japanese consumers to spend more for the values and high quality goods. According to the Japan Department Stores Association, sales in June at all outlets surged by 11.7 percent over June 2021. That was the fourth straight month sales increased year-on-year.

Foodservice Sector: Foodservice sector slowly tended to come back as the drinking-out needs in July showed some recovery. According to the recent research done by One Compath, 70% of general consumers search on-line for and decide the destination of their eating and drinking-out based on 'Kuchikomi info=word of mouth comments posted on major gourmet sites on-line. In the same research, 80% said they use Google to search for the new places and find how much positive word of mouth comments are posted. More foodservice operators such as Izakaya (Japanese style pub) restaurant chains like Colowide company are working on introducing digital transformation system via smartphone app to offer the customers completely non-contact services in actual restaurant outlets. Food service chain operators hope non-contact service could contribute severe shortage of manpower in the kitchens and the halls of bars, hotels and restaurants in major cities.



Looking outside the country, a group named as 'ChefooDo' formed by top Japanese chefs will open a theme park in China as part of efforts to further popularize Japanese food culture in the world's second-largest economy. Financially and politically supported by the Japanese government's 'export made-in-Japan food & beverage' policy, ChefooDo said in a recent press release that it would collaborate with leading Chinese food conglomerate Bright Food (Group) Co. to bring the interactive facility to life, providing visitors with the opportunity to learn about and sample different styles of Japanese cuisine. The group, which signed a business partnership with Bright Food at the end of June, established a local subsidiary in Shanghai in July to foster exchanges between chefs and the food industry of the two countries, according to the press release.

The partnership will also involve producing television programs to promote Japanese 1000 culture, building a factory to produce processed food for Chinese consumers, and advancing food-related trade through the introduction of specialty products from Japan which may create new competition for the US products.

In July 2022, the following Japan market-related reports and news were released for the US food and

Japan: Japan 249th Food Safety Group

Japan's Ministry of Health, Labour and Welfare (MHLW) proposed revisions to Japan's maximum residue levels for eight agricultural chemicals (Acynonapyr, Fenarimol, Fenpyrazamine, Flonicamid, Fluxametamide, Glufosinate, Penthiopyrad, and Trifloxystrobin) for various agricultural commodities. MHLW also proposed a revision of the analytical method for Trenbolone Acetate. Interested U.S. parties should submit their comments to PlantDivision@usda.gov for plant products and to TFAA.FAS.AnimalDivision@usda.gov for animal products by July 15, 2022.

Japan: Japan Retains Butter and NFDM TRQs in JFY2022

On June 3, Japan's Ministry of Agriculture, Forestry, and Fisheries affirmed that it would maintain the tariff-rate quota volumes for butter at 7,600 MT and non-fat dry milk (NFDM) at 750 MT for Japanese fiscal year (JFY) 2022, in line with its previous announcement in January.



*Challenges and Opportunities
for the Western US Food Ingredients
In the Japanese Food Processing & Distribution*

*Prepared by WUSATA Japan/R & L Associates Co., Ltd.
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Food Export Midwest-Northeast
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Great American Seafood

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