



## WUSATA Japan Monthly Report February 2023

### Executive Summary

February 2023 was said to be in Japan the timing to have opened the door more widely to the new normal after the 3-year pandemic. The rising cost of everyday items in Japan continued to make many consumers anxious amid stagnant wage growth but toward the new 'era' after COVID people were eager to catch up on things they have missed out on during the pandemic years, going on trips, dining out with friends and enjoying entertainment services. As reported, core consumer prices in Japan jumped 4.2 percent in January from a year earlier, rising at the fastest pace since September 1981 on higher energy and food prices according to the Japanese government release on February 24<sup>th</sup>. Excluding volatile fresh food items, the core consumer price index was above the Bank of Japan's 2 percent inflation target for the 10th straight month. Food prices went up 7.4 percent, including for products such as fried chicken, potato chips, and hamburgers, as companies passed on the increase in raw material, transportation fees and other costs to consumers. Japan has seen inflation grow, as the weaker yen coupled with the Bank of Japan's ultraeasy monetary easing policy has raised import costs. On global basis, Russia's war against Ukraine and the consequent disruption to supply chains have kept pushing up raw materials and energy costs.



Photo taken on Feb. 4, 2023, shows Fukuoka Airport's international terminal crowded with passengers. (Kvodo)

COVID-19 pandemic has led to Japanese consumers making more purchase-buying decisions based on clean labels and nutrition claims. Behind that lies the willingness to live healthier and prevent sickness. Organic, Natural, Premium and Specialty are the keywords more so ever even if the prices rise and the consumer's pocket is tight. Yet, consumers continue purchasing as their buying intentions shift. In 2023, they will think more about where, when, what, and how often they buy from brands.

On bright side in February, increased spending on "special occasions" like Valentine's Day was quite obvious. Chocolates sales at the retail store ends grew very much as the St. Valentine's Day approached. Also, Japanese consumers tended to choose and buy natural food over processed foods, drink less alcohol, and foods and drinks that support their health. With on-going recession Japan faces increasing prices for several goods but it does not mean consumers will spend less. These consumer mind-set shift may not appear in the POS data or commercial stats immediately, but it is not too much to say there are more audience receptive and sensitive to the messages and information about health food and drinks.



People hunt out chocolates for Valentine's Day at a department store in Osaka, western Japan, on Jan. 16,

## Market Intelligence Update:

According to the Bank of Japan (BOJ) Turning to the current situation of Japan's economy, the overall picture shows that it has picked up, particularly in terms of business fixed investment and private consumption, as the resumption of economic activity has progressed while public health has been protected from COVID-19.

BOJ has maintained its monetary easing policy because the 2 percent inflation target has yet to be achieved in a "stable and sustainable fashion," accompanied by wage growth. Japan's economy expanded an annualized real 0.1 percent in October to December of 2022, downgraded from an increase of 0.6 percent reported earlier, as private consumption growth was slower than initially thought. GDP is the total value of goods and services produced in a country. The world's third-largest economy rebounded from an unexpected contraction in July-September but lacked momentum. Accelerating inflation has been hurting household sentiment, even as a recovery in demand for services that was depressed in the COVID-19 pandemic has been supporting consumption, a key driver of economic growth. Private consumption, which accounts for more than half of the economy, rose 0.3 percent, slower than an earlier reading of 0.5 percent but still marking an increase for the third straight quarter. The GDP data does not change the assessment of the economy but gives the impression that households are curbing spending on goods in the face of rising prices. Uncertainty also remains over China, a key trading partner for Japan, though the ending of its strict "zero-COVID" policy is widely seen by economists as a plus for the world's second-largest economy. A recovery in the number of visitors from China is expected to provide a boost to the Japanese economy, with their spending during travel treated as exports in GDP. Japan has seen a gradual return of inbound tourists with the easing of strict border controls imposed amid the coronavirus pandemic.

### Consumption Trends (Retail & Foodservice in general):

Retail sales in Japan rose by 6.3% year over year in January 2023, topping market forecasts of 4.0% and accelerating from a 3.8% growth a month earlier. This was the 11<sup>th</sup> straight month of increase in retail trade and the steepest pace since May 2021, as consumption strengthened further as the economy fully reopened following the removal of all pandemic restrictions. Sales growth accelerated for general merchandise, fashion apparel & accessories, food & beverages (5.4% vs 3.2%) and others. On a monthly basis, retail trade increased by 1.9% in January, the second consecutive month of rise, after a 1.1% gain in December. \*Sourced by Ministry of Economy, Trade & Industry (METI)

In the specialty food market, the tendency for spending more to buy premium quality among the Japanese upper-middle consumers has been strengthened during the past three years. Premium coffee, high-class wines, artisan tea, special-flavored salts, and more are in high demand. High-quality products from abroad come with an outstanding customer experience that is worth purchasing. As a foreign brand with specialties and premium goods, the growing interest in high-end food and beverages provides positive growing opportunities. As the major consumer interest turns to health-supporting products, the beverage and food industry needs to keep up with the demand. The supply of versatile goods, such as functional drinks, including fruit juices, sports drinks, energy beverages, fermented drinks, and non-alcoholic beverages, is expected to expand in 2023. They are supposed to benefit the metabolism, maintain energy levels, reduce inflammation, and more.



Corporate profits have been at high levels on the whole, mainly reflecting the easing of supply-side constraints, although current profits for the July-September quarter of 2022 declined slightly from the previous quarter (Chart 2). Business sentiment is more or less unchanged on the whole. The Bank of Japan's December 2022 *Tankan* (Short-Term Economic Survey of Enterprises in Japan) showed that sentiment for nonmanufacturing has improved, mainly for private consumption-related industries such as eating and drinking services, accommodations, and retail. However, sentiment for manufacturing has been more or less flat due to the effects of high raw material costs and production adjustments for IT-related goods.

With corporate profits being at high levels, business fixed investment has continued to increase moderately. This increase has been driven mainly by digital- and labor saving-related investments, investment intended for construction of logistics facilities on the back of an expansion in e-commerce, and investment related to urban redevelopment projects.

### 2023-February Supermarket Sales Stats, based on 270 member retail chain store companies

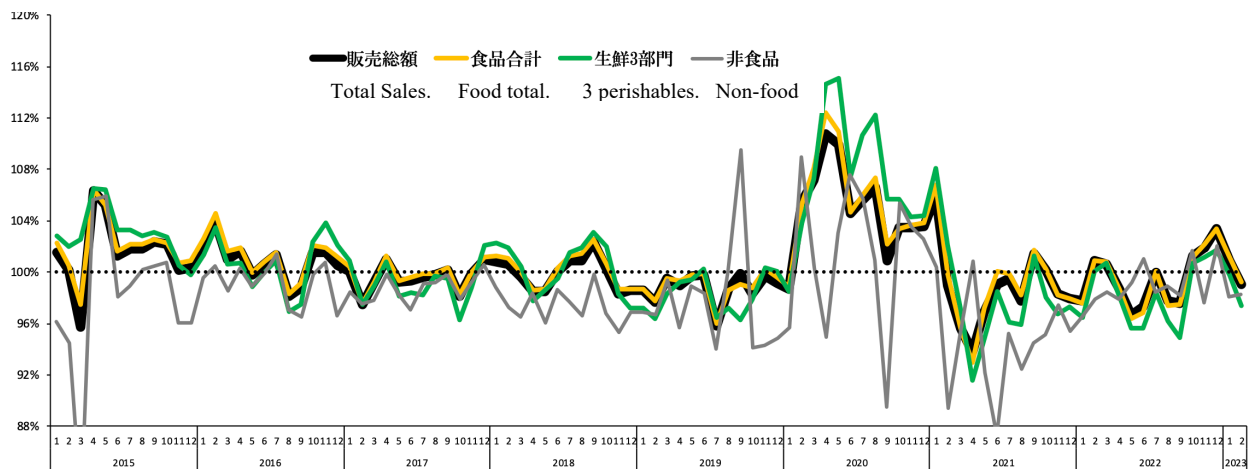
By National Supermarket Association of Japan

Released on March 22<sup>nd</sup>, 2023

|   | Total sales (0,000 JPY) | Composition Ratio | % vs. prev. month |
|---|-------------------------|-------------------|-------------------|
| <b>Total Sales</b>                      | <b>91,768,009</b>       | <b>100.0%</b>     | <b>100.5%</b>     |
| <b>Total Food Sales</b>                 | <b>84,248,386</b>       | <b>91.8%</b>      | <b>100.7%</b>     |
| <b>*Total three perishables</b>         | <b>31,362,189</b>       | <b>34.2%</b>      | <b>98.9%</b>      |
| *Fresh produce                          | 12,422,996              | 13.5%             | 97.1%             |
| *Seafood                                | 7,926,763               | 8.6%              | 99.0%             |
| *Meat (beef, pork, chicken)             | 11,012,430              | 12.0%             | 100.9%            |
| <b>Deli, fresh bakery, bento, sushi</b> | <b>10,098,053</b>       | <b>11.0%</b>      | <b>104.6%</b>     |
| <b>Chilled &amp; Frozen</b>             | <b>18,633,039</b>       | <b>20.3%</b>      | <b>102.4%</b>     |
| <b>Grocery items</b>                    | <b>24,155,104</b>       | <b>26.3%</b>      | <b>100.3%</b>     |
| <b>Non-food</b>                         | <b>5,570,118</b>        | <b>6.1%</b>       | <b>99.2%</b>      |
| <b>Others</b>                           | <b>1,949,552</b>        | <b>2.1%</b>       | <b>93.8%</b>      |

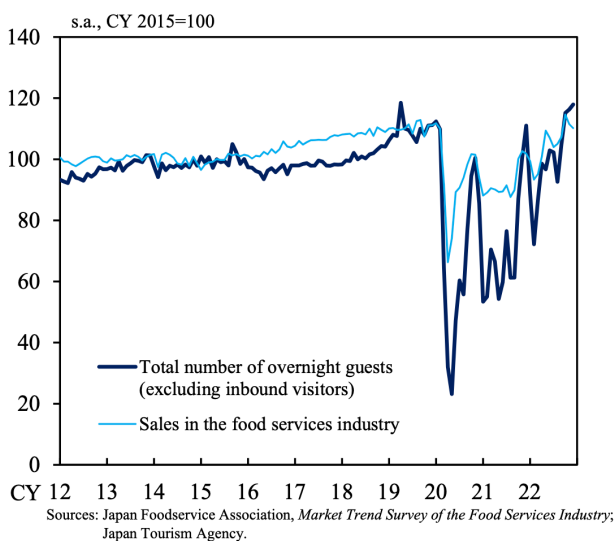
## Supermarket sales transition (vs. same month of previous year since January 2015~)

Total sales/Food total/Three perishables/Non-food

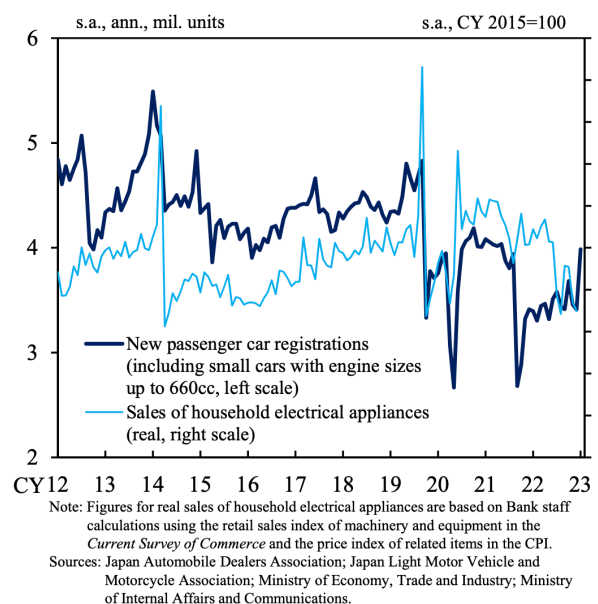


Private consumption has increased moderately, as the resumption of consumption activities has progressed while public health has been protected (Chart 4). Breaking down household consumption by services and goods, services consumption as a whole has increased with a pick-up in travel and dining-out. Specifically, although overseas travel has remained at a low level, domestic travel has increased not only for short but also long distances, partly due to the positive contribution of the government's domestic travel discount program. Dining-out has shown signs of a pick-up from the plunge seen during the pandemic, albeit mainly in terms of small groups (Chart 5). As for goods consumption, that of durable goods has seen the following developments: while sales of new cars have increased on the back of a pick-up in production reflecting the waning of supply-side constraints, sales of household electrical appliances have declined for seasonal items in particular, presumably due in part to relatively higher temperatures in November than in normal years. When fluctuations are smoothed out, consumption of nondurable goods has increased, mainly for clothes, although the effects of high inflation have been seen for food.

### Consumption of Services

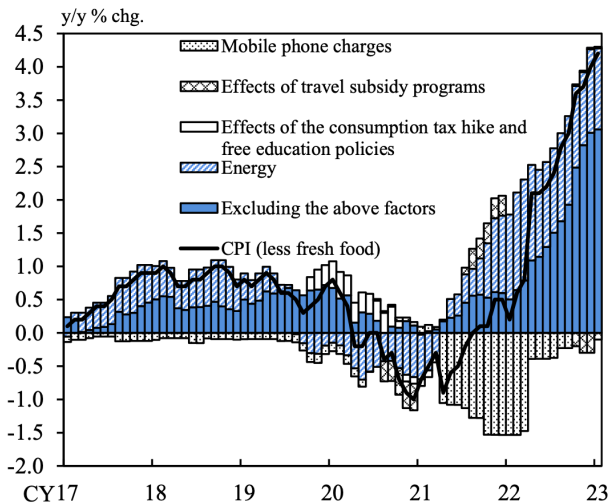


### Consumption of Durable Goods



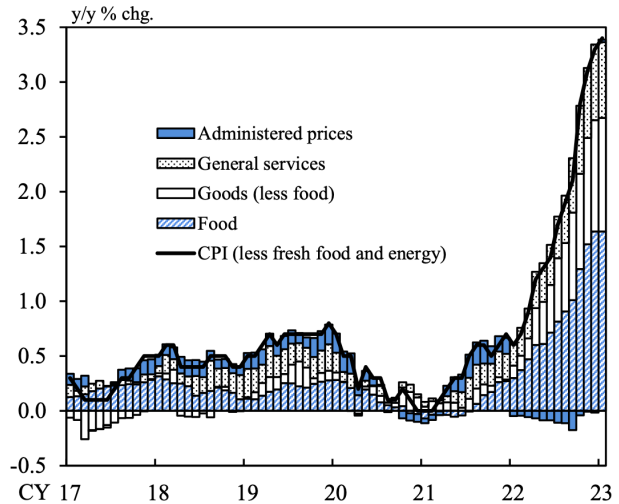
# Consumer Prices

## CPI (Less Fresh Food)



Notes: 1. Figures for "energy" consist of those for petroleum products, electricity, as well as manufactured and piped gas charges.  
 2. Figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are Bank staff estimates and include the effects of measures such as free higher education introduced in April 2020.  
 Source: Ministry of Internal Affairs and Communications.

## CPI (Excluding Temporary Factors)



Notes: 1. "Food" consists of "food products" and "agricultural, aquatic, and livestock products."  
 2. "Administered prices" excludes energy prices and consists of public services and water charges.  
 3. The CPI figures are Bank staff estimates and exclude the effects of the consumption tax hike, free education policies, travel subsidy programs, and mobile phone charges.  
 Source: Ministry of Internal Affairs and Communications.

Japan's economy has started to show signs of a virtuous cycle, as evidenced by the overall high levels of corporate profits and moves to increase wages. However, it is premature to conclude that the price stability target has been achieved. It is necessary for the BOJ to maintain monetary easing and thereby support the economy.

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

### Japan: Japan 253rd Food Safety Group

Japan's Ministry of Health, Labour and Welfare (MHLW) proposed revisions to Japan's maximum residue levels for 9 agricultural chemicals (Iprodione, Metobromuron, Paraquat dichloride (Paraquat), Pyridachlometyl, Isoprothiolane, Diminazene, Dipropyl isocinchomeronate, Mafoprazine, and Pyrimethamine) for various agricultural commodities. In addition, MHLW proposed to designate calcium phytate as a food additive with a proposal of specifications and standards to follow. Lastly, MHLW proposed to revise food additive standards for cupric sulfate. Interested U.S. parties should submit their comments to [PlantDivision@usda.gov](mailto:PlantDivision@usda.gov) for plant products and to [TFAA.FAS.AnimalDivision@usda.gov](mailto:TFAA.FAS.AnimalDivision@usda.gov) for animal products by February 17, 2023.

### Japan: Japan Proposes Biofuel Standards for 2023-2027 and Opens Comment Period

Japan's Ministry of Economy, Trade and Industry (METI) published a draft notification for biofuel standards from Japanese fiscal year 2023 through 2027. METI will accept public comments in Japanese on the text until 6 PM on March 2, 2023 (Japan time). METI intends to implement the new biofuel standards from April 1, 2023.

## USDA Accepting Applications for Trade Mission to Japan

**WASHINGTON, Feb.13, 2023** – The U.S. Department of Agriculture’s Foreign Agricultural Service (FAS) is accepting applications from exporters of U.S. farm and food products for a two-city trade mission to Japan, June 5-8. The trade mission offers U.S. agribusinesses the potential to increase or expand their sales to Japan, one of the United States’ top five agricultural export markets. U.S. exports of agricultural products to Japan exceeded \$14.6 billion in 2022.

“As one of the largest economies in the world, Japan provides many exciting opportunities for the high-value agricultural and food products offered by U.S. exporters. Japanese consumers value the quality and convenience of U.S. products,” said FAS Administrator Daniel B. Whitley. “This trade mission will help many U.S. agribusinesses establish new business connections with their Japanese counterparts and further expand U.S. agricultural exports to this key Asian market.”

Trade mission participants will travel to Tokyo and Osaka, connecting with potential customers and learning first-hand from government and industry leaders about local market conditions. FAS staff in Japan will arrange meetings between U.S. businesses and potential buyers in the country. Participants will also visit local retail stores and food manufacturers to round out the program.

Japan is a high-value market that imports more consumer-oriented products than any other market in Asia and will pay a premium for high-quality products. Strong opportunities exist for U.S. exporters of meat and meat products, tree nuts, dairy products (cheeses), condiments and sauces, fresh vegetables, processed fruit, eggs and egg products, beer, distilled spirits, wine, and consumer-oriented goods.

## Japan’s Reopening Signals Export Opportunities

Japan has a well-developed food retail market that demands high-quality, high-value agricultural and food products. Despite reduced economic activity during the COVID-19 pandemic, trade data show that agricultural imports have remained resilient. As Japan’s top supplier of agricultural products, the United States is a stable and reliable partner with a long-standing relationship. Although competition in Japan has intensified in recent years, U.S. suppliers can find many opportunities to market consumer-oriented products that follow Japanese retail trends. The U.S. Department of Agriculture’s (USDA) Foreign Agricultural Service (FAS) maintains a website to help U.S. food and beverage exporters to navigate the Japanese market: [USDAJapan.org](https://www.usda.gov/japan).

### **WUSATA generic events:**

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

*California Ag Trade Mission to Japan: March 12 ~ 17, 2023 in Tokyo, Nagoya and Osaka/Kobe, headed by CDFA Secretary & WUSATA current president, Ms. Karen Ross*

*Buyer recruitment for the pet-food IB mission in June will be initiated from early April, 2023.*

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

*To be continued to the next month...*