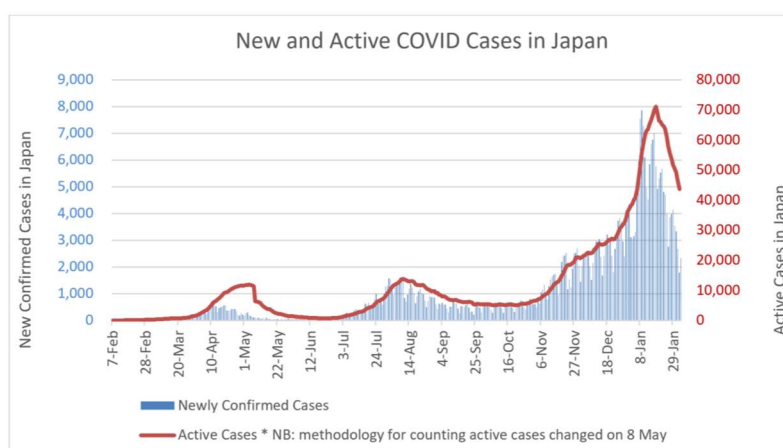


Prepared by the New Zealand Embassy in Tokyo.

## Summary

- On 2 February, the Japanese Government extended the current COVID-19 related state of emergency – which is modest in scope – out to 7 March.
- New infection numbers have been on a consistent downwards trend since around 20 January, but deaths and serious cases – as lagging indicators – remain at or near record highs.
- Prime Minister Suga has appointed a trusted lieutenant, Administrative and Regulatory Reform Minister Taro Kono, to lead the logistics of the vaccine roll-out, which will be available first to healthcare workers from mid-February.
- New Zealand’s goods exports to Japan in December were up 2.8% year on year, and up 1.7% for 2020 (January-December) with large increases from apples (more than doubled), honey (almost doubled), pumpkins, squash and gourds (+51%), natural milk products (+51%), frozen beef (+46%), and kiwifruit (+19%) compared to 2019.
- This report includes an introduction to Japan’s booming e-commerce sector.
- Japan economic indicators:

Indicator	Latest data	Timeframe
GDP	+5.3%	Q3 2020
Goods exports	-11%	2020 calendar year
Goods imports	-14%	
Goods trade balance	NZ\$9 billion surplus	
Tourism trade balance	NZ\$7.4 billion surplus (but -80%)	
Services trade balance	NZ\$47 billion deficit	
Consumer confidence index	30 points (less than 50 = pessimism)	January 2021
Business confidence index	31 points (less than 50 = pessimism)	
Consumer prices	-1.2%	December 2020
Average wages	-3.2%	
GDP (IMF 2021 estimate)	+3.1%	2021 calendar year



# Report

## COVID-19: second state of emergency

- The current state of emergency is modest in scope; it primarily calls for voluntary restraint regarding drinking and dining after 8pm – see our [Economy Update \(15 January\)](#) for details.
- New infection numbers in Japan have been on a consistent downwards trend since around 20 January. However, as lagging indicators, deaths and serious cases remain at or near record highs so the strain on the medical system has yet to ease, prompting a decision by the Government on 2 February to extend the state of emergency through to 7 March.
- Japan's daily rate of 25 confirmed cases per million people as of 5 February is still low by [international standards \(external link\)](#). The world's worst affected countries – such as Israel, Portugal, Spain, and USA – are all in the 350-800 range (as of 8 February).
- Japan has tightened its border settings to reduce the risk of importing cases of COVID-19 and has suspended a short term business travel scheme operating between Japan and 10 other Asian countries with relatively low rates of COVID infection. For details, please check with [Japan Immigration \(external link\)](#), [Japan Ministry of Foreign Affairs \(external link\)](#), or your local Japanese Embassy or Consulate.

## Japan's vaccine rollout strategy

- Prime Minister Suga has appointed a trusted lieutenant, Administrative and Regulatory Reform Minister Taro Kono, to lead the logistics of the vaccine roll-out.
- Japan plans to start offering the Pfizer/BioNTech vaccine to healthcare workers from mid-February. Regulatory approval is expected on 12 February, and the first shipment should arrive in Japan on 14 February. Japan also has Advance Purchase Agreements with Moderna and Astra Zeneca, as well as some domestic vaccine candidates working through clinical trials.
- Elderly and those with pre-existing conditions should start to receive vaccines from early-April. The general population may be in line from July.

## New Zealand goods exports to Japan up 2.8% in December, and 1.7% in 2020 (Jan-Dec)

- New Zealand's goods exports to Japan in December 2020 were NZ\$235 million, up 2.8% compared to December 2019.
- On an annual basis (January-December 2020), goods exports were up 1.7% on the same period in 2019, totalling NZ\$3,562 million – a record high since 2010.

Rank	Industry	December 2020		
		\$ Millions	% Change	% Share
1	Dairy	62.9	6.2	26.8
2	Metal and metal products	41.6	-18.6	17.7
3	Meat and meat products	29.5	-8.5	12.5
4	Forestry and wood products	28.1	1.9	11.9
5	Miscellaneous F&B products	22.6	21.1	9.6
6	Horticulture	8.1	8.9	3.4
7	Fisheries	5.9	-3.6	2.5
	<i>Subtotal of leading Industries</i>	198.7	N/A	84.6
	Other goods	36.3	N/A	15.4
	<b>Total</b>	<b>235.0</b>	<b>2.8</b>	<b>100.0</b>

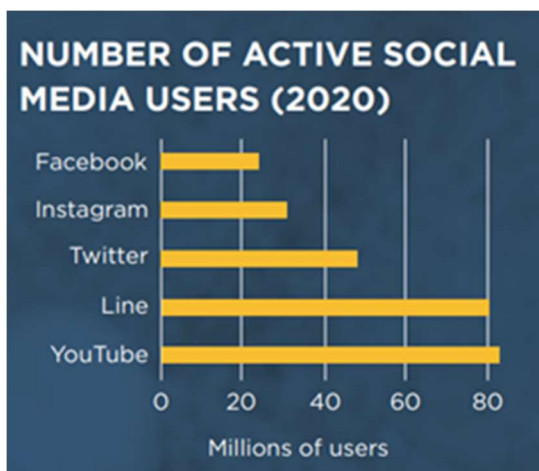
Rank	Industry	Annual CY2020 (Jan - Dec 2020)		
		\$ Millions	% Change	% Share
1	Horticulture	903.4	21.0	25.4
2	Dairy	760.1	0.7	21.3
3	Metal and metal Products	523.8	-13.3	14.7
4	Meat and meat products	395.6	10.5	11.1
5	Forestry and wood products	335.6	-17.8	9.4
6	Miscellaneous F&B products	238.1	12.6	6.7
7	Fisheries	68.8	-24.7	1.9
	<i>Subtotal of leading Industries</i>	3,225.4	N/A	90.5
	Other goods	336.8	N/A	9.5
	<b>Total</b>	<b>3,562.2</b>	<b>1.7</b>	<b>100.0</b>

- Up for the month of December:
  - Dairy was up 6%, due to strong performances by cheese and curd (+36% at HS4 level), butter (+27% at HS4 level) year on year.
  - A high demand for healthy foods and medical instruments continued, with honey up 99%, casein up 15%, and ozone therapy and other therapeutic respiration apparatus up 360% year on year.
- Up for the 2020 calendar year:
  - Horticulture was the leading sector – both in terms of value (NZ\$903 million) and increase (+21%) – with large gains from kiwifruit (+19%), pumpkins, squash and gourds (+51%), and apples (more than doubled).
  - Dairy was the second largest sector in terms of value (NZ\$760 million) – the highest on record since 1997. There was a large increase in natural milk products (+51%), but decreases in fresh and curd cheese (-26%) and butter (-21%).
  - Meat and meat products increased 11% to NZ\$396 million, with frozen beef up 46% and fresh or chilled sheep meat up 5%.
  - Miscellaneous F&B was up 13% to NZ\$238 million, with honey almost doubling in value to NZ\$71 million. (This category also includes: food preparations, sauces, flour, sugar, eggs etc.)
- Down for the 2020 calendar year:
  - Fisheries exports decreased 4% to NZ\$5.9 million in the month of December year on year, and were down 25% to NZ\$69 million for 2020. In response to COVID-19, Japanese consumers ate out less frequently at restaurants last year, resulting in a significant decrease in demand for imported fish such as chilled salmon.
  - Forestry and wood products were up 2% to NZ\$28 million in the month of December, but down 18% in 2020 to NZ\$336 million.
  - Metal and metal products were down 19% at NZ\$42 million in the month of December, and down 13% in 2020 to NZ\$524 million.
- As we have reported in previous months, about 20% of New Zealand’s exports to Japan are tourism and education services which have been severely impacted by the border closures in New Zealand.

#### **Market insights: digital commerce in Japan** (provided by NZTE Japan)

- With over 100 million internet users and an e-commerce market size estimated at over NZ\$166 billion annually, Japan’s e-commerce market is the fourth largest in the world.
- The majority of e-commerce sales in Japan take place via domestic websites, such as homegrown e-commerce marketplace Rakuten ([www.rakuten.com](http://www.rakuten.com) (external link)), which has 49,000 stores and 103 million users. The largest player in the space is Amazon Japan ([www.amazon.co.jp](http://www.amazon.co.jp) (external link)) with a market share of close to 9% including digital downloads and services. The top 100 e-commerce retailers account for 24% of total online sales.
- Covid-19 accelerated the growth of e-commerce, bringing forward digital purchasing trends by about four to five years. This growth is expected to continue in 2021 with Nomura Research Institute (NRI) predicting an 11% rise in online consumer spending.
- As COVID-19 started to spread in Japan in early 2020, between February and April alone, Amazon Japan and Rakuten each saw approximately one billion visits to their respective websites.

- A category that saw substantial growth was online meal kit home delivery, as more people stayed home and spent less time in supermarkets, only buying essential items. Food subscription delivery service Oisix Ra Daichi, a market leader in the space, saw its revenue in the first half of the financial year nearly double to NZ\$690 million as compared to the previous year. Its membership also grew 21% in 2020 to more than 270,000 and the company expects demand for its meal kit service to double to 12 million units this financial year. (See our [30 November 2020 update](#) for market insights into Japan's booming subscription economy.)
- The pandemic has had a lasting effect on consumer purchasing habits. 49% of consumers say they purchased more online in the previous 12 months due to COVID-19, and 85% of consumers say they will continue to purchase items online after the pandemic. Japanese consumers are increasingly looking for healthy, quality products online, which provides a strong opportunity for New Zealand. 2020 statistics show a 73% year-on-year increase in New Zealand food and beverage products purchased on Rakuten's marketplace.
- Despite a high smartphone and tablet penetration rate, with more than two devices per person, Japanese consumers largely use laptops and desktops for e-commerce purchases. Mobile commerce stands at only 47%. Credit and debit cards are the most popular payment type, accounting for over 60% of transactions. E-wallets such as Apple Pay, Rakuten Pay, Line Pay are gaining momentum in Japan, but account for less than 10% of e-commerce transactions.



- YouTube is the most popular social media channel in Japan with 82 million active users, followed by Line with 80 million users. These channels are much more popular than Facebook and Instagram which have 18 million and 29 million users respectively. Many Japanese use social media to review products prior to purchase, particularly in the food and beverage space.

- Omnichannel marketing is growing in Japan, with more integration of offline and online sales and marketing. There have been increased investments in state-of-the-art logistics, moving of transactions and fulfilment online, apps with in-store functionality, refitting of warehouses to handle home delivery as well as supply stores, and more emphasis on digital ads and social media.

- Similar to Amazon's acquisition of Whole Foods in the US, Rakuten has invested in supermarket chain Seiyu, and Amazon

Japan has developed a partnership with another supermarket chain called Life. Direct e-commerce sales and omnichannel sales are expected to continue growing with Nomura Research Institute predicting this will account for 50% of all retail sales in Japan by 2025.

- NZTE in Japan has engaged with Rakuten's online marketplace to promote New Zealand products through an online showcase with registered participants to be launched in March 2021. The program will raise awareness of New Zealand products through e-commerce channels, help New Zealand exporters engage in e-commerce in Japan, grow capabilities and encourage new business opportunities.
- As Japanese consumers move online, understanding customer behaviour, how to engage with in-market partners, and learning about the marketing touchpoints and digital interaction on a shopper's journey will greatly benefit exporters.
- Contact your NZTE representative to find out more about the Japan market and the Rakuten e-commerce program.

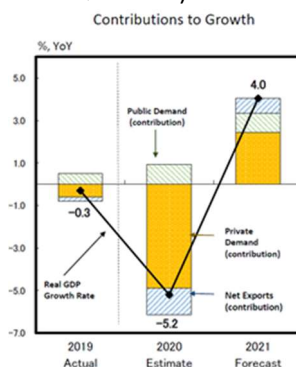
#### Japan: latest economic indicators

- GDP grew 5.3% in Q3 2020 compared to the previous quarter. (The official GDP figure for Q4 2020 will be released on 15 February.)
- Goods exports from Japan dropped 11% in 2020 compared to the previous year – the largest decrease since the global financial crisis – with COVID-19 depressing demand for industrial products, such as automobiles. But exports grew for the first time in 24 months in December 2020, increasing 2% year-on-year. Double digit growth was seen by raw materials (+24%), foodstuffs (+14%), and chemicals (+10%). Egg exports, particularly to Hong Kong, more than doubled in value in 2020, with the Japanese practice of pouring a raw egg and soy sauce over steaming hot rice a new trend.
- Goods imports to Japan decreased 14% in 2020 compared to the previous year, primarily due to the falling price of crude oil and other energy resources.
- Goods trade surplus of NZ\$9 billion was achieved in 2020, Japan's first surplus in three years.

- Tourism surplus dropped by about 80% to NZ\$7.4 billion in 2020, due to travel restrictions, but remained in the black for the sixth straight year. Only 4.1 million foreign tourists visited Japan in 2020, down 87% from the previous year. All Nippon Airways group posted a net loss of NZ\$4.1 billion in the April – December 2020 period, a record for the major Japanese airline. AirAsia Japan, a Japan-based affiliate of the Malaysian low-cost carrier, filed for bankruptcy in November, the first Japanese airline to do so, with NZ\$275 million in debt.
- Services trade as a whole registered a NZ\$47 billion deficit in 2020, down significantly from the first ever surplus (+NZ\$1.6 billion) in 2019
- Primary income balance (returns on overseas investments) logged a surplus of NZ\$273 billion in 2020, the fourth largest surplus since 1996, reflecting the high levels of investment Japan’s private sector has made offshore in recent decades.
- Supermarket sales were up 3% to NZ\$165 billion in 2020, in contrast to restaurants, convenience stores, department stores and department stores, which have been hard hit by COVID-19 restrictions. With increased opportunities to cook at home, supermarkets saw growth in sales of livestock products (+8%), agricultural products (+7%), and fishery products (+6%).
- Consumer confidence index decreased to 30 points in January, the lowest since August 2020. The index moved further below the 50-threshold, indicating increased pessimism among consumers when asked about the economy for the coming six months. All of the main sub-indices deteriorated: consumers were more pessimistic about their overall livelihood, income growth and employment opportunities, and were less willing to buy durable goods.
- Business confidence index dropped 3 points to 31 points in January compared to the previous month, for workers whose jobs are sensitive to economic trends, for example taxi drivers and hospitality sector workers. This is the lowest level since May 2020, when Japan announced its first state of emergency. A score below 50 indicates pessimism.
- Consumer prices decreased 1.2% year on year in December – the largest decrease since April 2010 – sparking fears of deflation.
- Average wages dropped 3.2% year on year in December – the fastest decline since the global financial crisis in December 2009. The Labour Ministry expects the wage situation to “remain severe” for the foreseeable future, due to COVID-19.
- Foreign workers numbers in Japan hit a record high level – 1.7 million – in October 2020. The rate of increase (4%) has slowed significantly from the previous year (14%), due to the impact of COVID-19. In 2020, Viet Nam (26%), China (24%), and the Philippines (11%) were the major sending countries. Foreign worker numbers increased over the previous year in healthcare (+27%) and construction (+19%), but decreased slightly in the hospitality industry (-2%).

### Latest economic forecasts

- The International Monetary Fund (IMF) updated its [World Economic Outlook \(external link\)](#) report on 26 January. It now projects Japan’s economy will grow 3.1% in 2021 – up 0.8 percentage points from an earlier estimate – on the basis of PM Suga’s NZ\$1 trillion stimulus package. (See our [Economy Update of 15 January](#) for details.)
- Japan’s Cabinet Office forecasts negative real GDP growth (-5.2%) for FY2020 (April 2020 – March 2021), but expects the economy to rebound (+4.0%) in FY2021. This is on the back of positive projected movement between FY2020 and FY2021 for private consumption (-6.0%→+3.9%), business investment (-8.1%→+2.9%) and exports (-13.7%→+11.4%).



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