

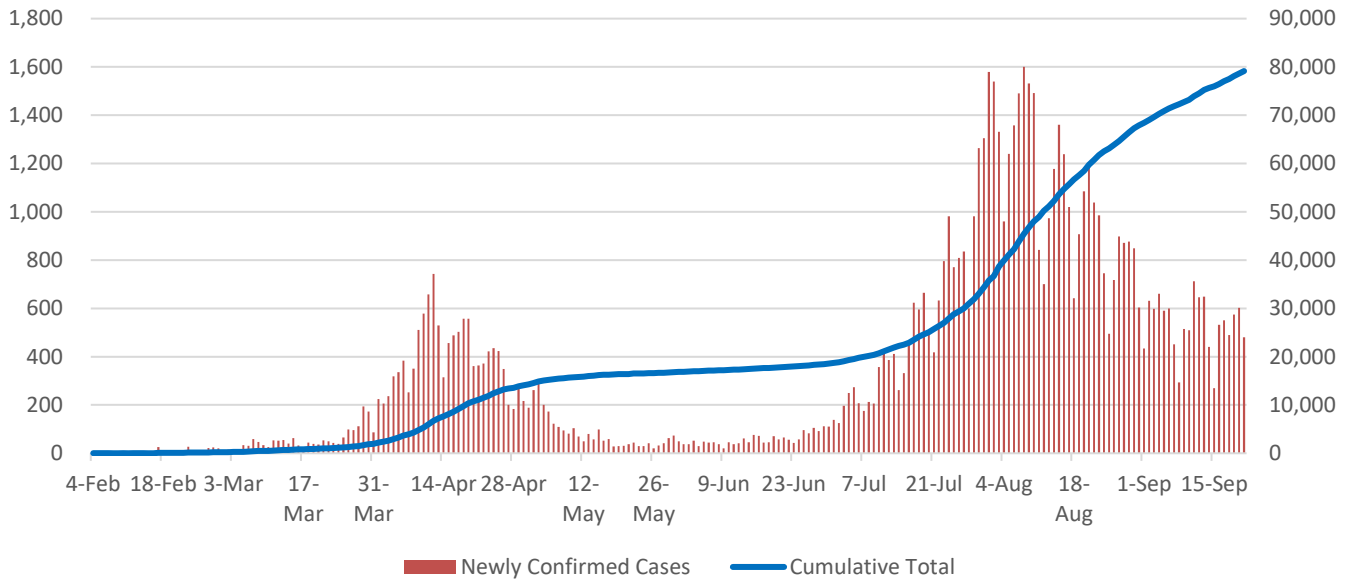
Prepared by the New Zealand Embassy in Tokyo

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Overview

- Japan's 'second wave' of COVID-19 infections peaked in early August, and began a steady decline (see chart below). The number of active COVID-19 cases in Japan was 6,146 on 20 September, down from a high of 13,724 on 10 August
- As a result of the falling infection rates, the Government has eased some of the few remaining restrictions on event sizes and opening hours for venues selling alcohol
- Mobility data for the recent holiday weekend beginning 19 September showed the number of people at the domestic terminal at Tokyo's Haneda Airport, as well as at train stations and shopping districts nationwide, had basically returned to pre-pandemic levels
- Despite the clear pick-up in activity and consumer sentiment, some sectors of the economy are struggling. Japan's exports in August were 15% lower than a year earlier, the sixth month in a row of double digit drops, year on year
- Economic forecasts are still for negative growth in 2020 and it will be 2021 before total GDP returns to pre-COVID levels
- New Zealand's goods exports to Japan in August were 6 percent down on the same month last year, but the year to date (Jan-Aug) figure was 6 percent up on the same period in 2019 and the highest nominal figure in the past 10 years
- Japan's new Prime Minister Yoshihide Suga has vowed to continue the major economic policies of his predecessor with some changes of emphasis, notably in the areas of digitalisation of government services and regulatory reform ('Abenomics' to 'Suganomics')
- This monthly report also includes an introduction to the 'Silver Economy' in Japan which has the highest percentage of people over 65 in the world.

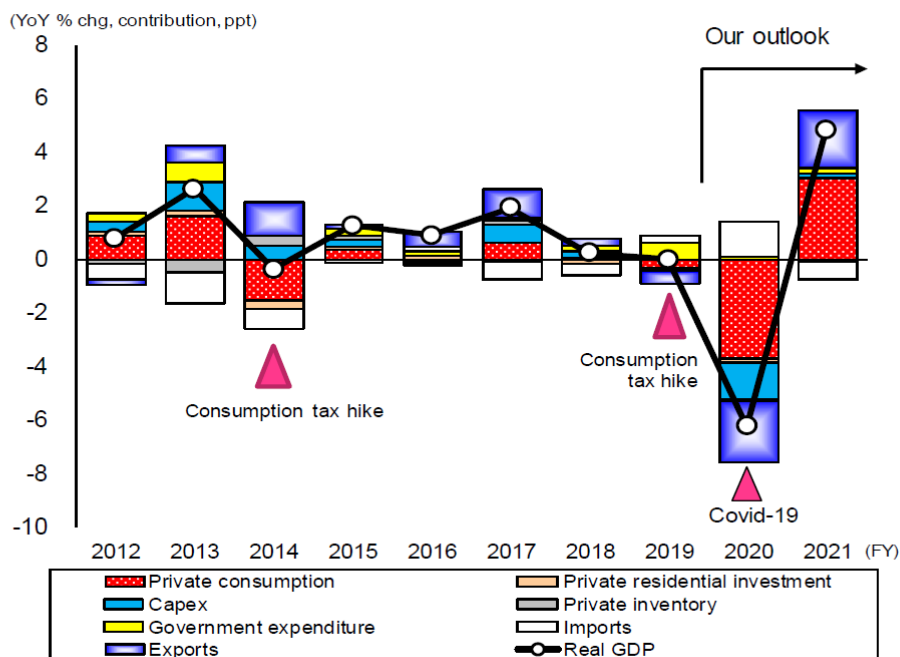
COVID-19 Cases in Japan: New Cases and Cumulative Total



Economic Overview

- The OECD’s latest assessment¹ (released 16 September) for Japan is that “the virus continues to be contained effectively without economy-wide shutdowns... little change is expected in the growth outlook (-5.8% for 2020), with fiscal support helping to sustain activity”
- SMBC Bank’s latest forecast for Japan’s economy² is a “V-shaped recovery from a major bottom in Apr-Jun”, driven by “recoveries from major slumps in private consumption and exports” with the expectation that “real GDP in Jan-Mar 2021 will be around 96.7% of the pre-COVID level”.

Outlook for real GDP growth



Sources: CAO, SMBC NIKKO estimates

¹ <http://www.oecd.org/economic-outlook/>

² https://www.smbcnikko.co.jp/en/news/2020/pdf/200908_01e.pdf

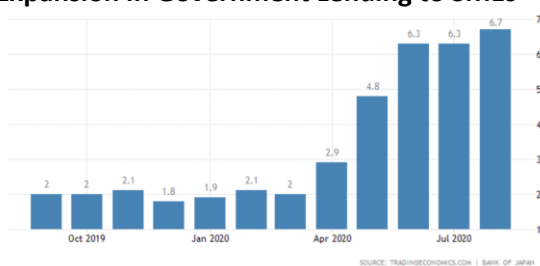
Consumer and household spending down on normal but picking up

- Private consumption has picked up since the slump of Apr-May under the state of emergency, but August consumption remained below the level of the past 3 years
- Part of the recovery is due to the one off Government special cash payments made to 58m households totalling Y12.6 trillion (NZ\$180 billion)
- Another positive factor is the easing of some Government restrictions on event sizes and opening hours
- On 15 September the Tokyo metropolitan government lifted a request for alcohol-serving business operators such as restaurants and bars to close at 10 p.m.
- The central government relaxed a rule limiting the size of crowds at sports matches, movie theatres and other events, starting on Saturday 19 September, the first day of a four-day holiday
- 13,106 fans turned out at Yokohama Stadium for the September 19 baseball game between the Yokohama DeNA BayStars and Yomiuri Giants
- The four day weekend in September also saw a surge in domestic travel
- Reservations for domestic flights with All Nippon Airways for Saturday 19 September totalled 87,000, the highest level since February 28
- Earlier in the month of September, mobility data was showing a 20 percent drop on normal levels but for the recent holiday weekend the number of people at the domestic terminal at Tokyo's Haneda Airport, as well as at train stations and shopping districts nationwide, had basically returned to pre-pandemic levels.

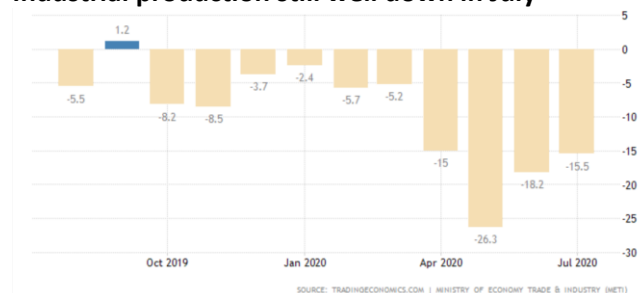
Business profits down, borrowing up

- Corporate profits are down significantly from a year ago; the tourism and restaurant sectors in particular are struggling
- Two of Japan's largest rail operators expect to report their largest full-year net losses since their 1987 privatization: East Japan Railway projects a NZ\$6b loss for fiscal 2020; West Japan Railway estimates a NZ\$3.5b loss
- International passenger numbers at Tokyo Narita Airport were down 97% in August 2020 compared to 2019; sales at the airport's 300 restaurants, retail shops and duty-free stores totalled NZ\$3.5b in 2019 but were 95% down in August resulting in the permanent closure of some shops
- The shift to online shopping has contributed to a 22% fall in department store sales in August compared to last year and the permanent closure of some department stores including one 146 year old store in Fukushima
- Overall bank lending in Japan expanded 6.7 percent year-on-year in August of 2020, following a 6.3 percent increase in the prior month. It was the highest growth rate on record supported by Government guarantees for 24.4 trillion yen (NZ\$350b) in interest free and collateral free loans (see left hand chart below)
- Industrial production has improved over the past three months but is still well down on the same period last year (see right hand chart below)

Expansion in Government Lending to SMEs



Industrial production still well down in July



New Zealand Exports to Japan

- New Zealand's goods exports to Japan in August were 6 percent down on the same month last year but the year to date (Jan-Aug) figure was 6 percent up on the same period in 2019 and the highest Jan-Aug level in the past 10 years.
- Some New Zealand's goods exports to Japan enjoyed record levels of demand over March-May, particularly fresh produce which has been seen in Japan as desirable for boosting good health
- Wood and aluminium products have been affected by the slow-down in housebuilding and auto production in Japan due to the domestic recession and reduction in overseas demand
- As mentioned in our July report, about 20 percent of New Zealand's exports to Japan are tourism and education services which have been severely impacted by the border closures in New Zealand.

Up on Last Year (Jan-Jul 2020)		Down on Last Year (Jan-Jul 2020)	
Fresh Apples	Δ189%	MDF products	-20-26%
Natural Honey	Δ140%	Butter	-20%
Frozen beef	Δ63%	Aluminium	-12%
Squash	Δ51%	Pacific Salmon	-19%
Therapeutic respirators	Δ48%		
Whey proteins	Δ22%		
Kiwifruit	Δ21%		

Abenomics to Sugaomics

- Japan's new Prime Minister Yoshihide Suga has vowed to continue the major economic policies of his predecessor with some changes of emphasis
- The key pillars of 'Abenomics' which guided the economic policy of Japan for the past 8 years were: expansionary monetary and fiscal policy and growth enhancing reforms
- Under the unchanged leadership at the Bank of Japan, expansionary monetary policy will continue to deliver interest rates close to zero, unlimited purchases of Government bonds, and purchases of corporate bonds
- The new Suga-led administration will also continue to implement the huge fiscal stimulus package equivalent to 20 percent of Japan's nominal GDP to counter the economic implications of COVID-19 which was announced by the Government in April 2020. Prime Minister Suga has stated his willingness to pass a third supplementary budget if required this year
- On the regulatory reform front, Suga has indicated an interest in going further than his predecessor. His priorities are fast forwarding the digitalisation of the Japanese public service, reducing the high prices charged by Japan's mobile phone companies and reducing regulatory red-tape.

Post Insights: The 'Silver Economy'

- Japan's rapidly aging society now has a record 36 million people aged 65 or older; that's 29 percent of the overall population, and expected to hit 35 percent by 2040
 - The percentage of people in this age group in Japan is the highest for any country or region in the world, followed by Italy's 23.3 percent and Portugal's 22.8 percent
 - 9 million of the over 65s are in still in paid employment, many part-time - a record 13.3 percent of the country's entire workforce
 - The market for senior consumers 60 years and older (the so called "Silver Economy") has been rapidly expanding
 - Various research institutions estimate that it has reached 100 trillion yen (NZ\$1.43 trillion) in recent years and is
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predicted to continue to grow by 1 trillion yen (NZ\$14.3 billion) every year

- The older generation in Japan also hold much higher levels of savings than younger cohorts (see chart below)
- The average savings held by Japanese people over 60 is approximately 23 million yen (NZ\$333,000)
- With one in three women in Japan over 65 and one in four men, New Zealand companies looking to export to Japan should consider the opportunities in this market
- We have included an illustrative list below of the types of businesses that target the ‘silver economy’.

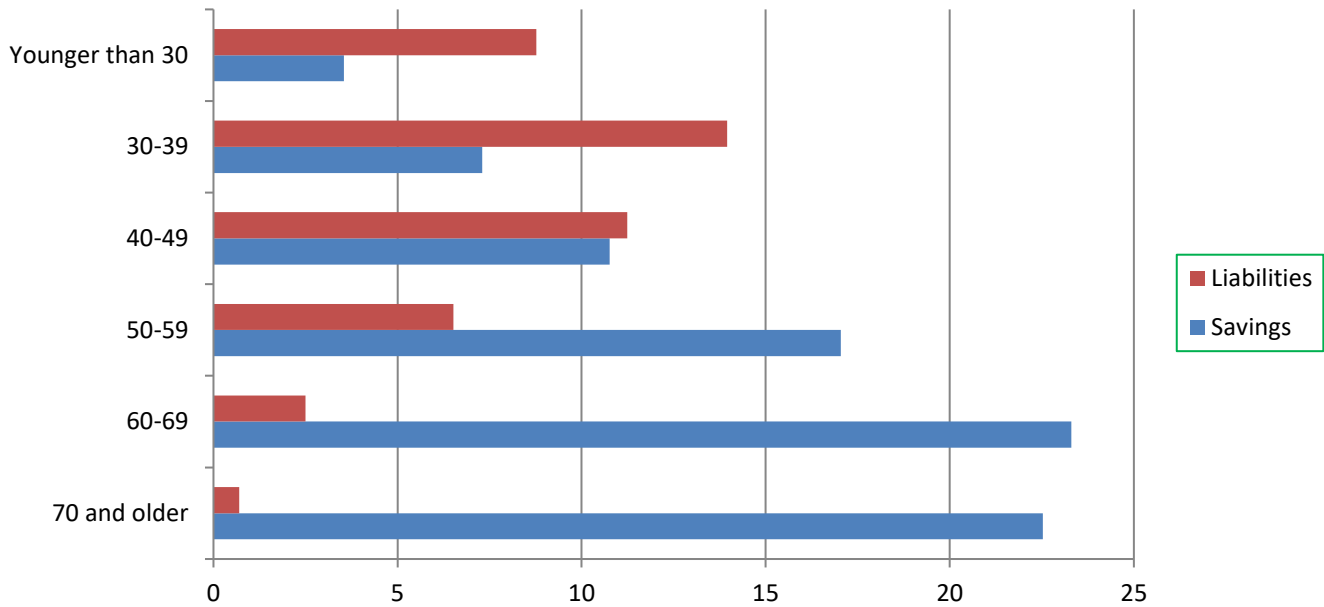


Chart 1: Savings and Liabilities Held by Age Group of Household Head 2019 (in Million Yen)

<Source: e-Stat, Japanese Government Statistics>

Category/purpose	Industry	Business
Anti-aging/prevent becoming frail	Fitness centres	Preventive health/fitness programmes for the elderly
	Food manufacturing Functional food	Anti-aging supplements Functional food
Health check/management	Electric appliances/ Precision machines	Weight scale with a muscle strength meter Electronic sphygmomanometer for home use
	Health check service providers	Easy health check service at shopping centres and train stations
		Low cost health check service
Dementia prevention	Medical service providers	Check the level of dementia causative agents
	Cram schools	Special programmes to help prevent dementia
	Karaoke	Developing Karaoke + Exercise programmes for ‘brain activation’
Healthy longevity	Government administration	Discount for the elderly for public transportation
	Leisure	Travel plans catered for the elderly
	Entertainment/fun activities	No gambling, no smoking, no drinking game/play centres for the elderly (e.g. mahjong)
		Point system for walking seniors
Support for independent life (Transport)	Automobile	Autonomous driving system
	Automobile	Super small EV
	Bicycle	Electric drive assisted bikes
	Electric appliances/Precision machines	Electric drive assisted wheelchairs
Support for independent life (Meals)	Cafes/Restaurants	Meal delivery
	Cafes/Restaurants	Community restaurant
	Food manufactures specialised for nursing care	Easy to eat food made for the elderly: firmness and viscosity are strictly controlled and labeled
	Housework help	Housework support by visiting helpers
	Nursing home	Residence nursing homes for the elderly

Support for independent life (Daily living support/home watch)	Home security/transport	Home watch service for the elderly
	Leisure/sports	Ground golf, park golf
	Electric appliances/Precision machines	QR-coded tags for the elderly Home appliances that are light-weight and easy to use
Support for independent life (Leisure)	Nursing care/travel	Tours for the elderly in need of physical support
	Pet	Support in caring for pets, funerals for pets
	Electric appliance, precision machines, robots, ITs	Robot suits, rehabilitation support machines
Home care support (Robots, IoTs)	Electric appliance, precision machines, robots, ITs Electric appliances/Precision machines	Automatic toilet aiding systems
		Communication robots
		Home appliances for the elderly
Comfortable living support	Clothing makers	Under garments for the long-term care recipients
	Pharmaceutical	Diapers/pads for the elderly
		Wigs, hair growth products
Financial	Insurance products for the elderly	
Housing	Real estate/Renovation	Barrier-free housing
		Renovation for barrier-free houses

<Translated from a report by Nobuhiro Maeda, Chief Researcher, NLI Research Institute>

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