

Prepared by the New Zealand Embassy in Tokyo

Summary

- The COVID-19 related state of emergency in Tokyo and surrounding prefectures was lifted on 21 March, following a two-week extension. The extension was estimated to have caused a NZ\$9 billion drop in consumer spending, according to economic commentators.
- New infection numbers have stabilised following a sharp drop in the early part of the state of emergency, but deaths and serious cases – as lagging indicators – have taken longer to ease. There is therefore still some strain on the healthcare system.
- In mid-February, Japan began the roll-out of the Pfizer/BioNTech vaccine to healthcare workers.
- This report includes an introduction to NZTE's Kia Ora New Zealand Showcase on Rakuten Ichiba, the largest ecommerce marketplace in Japan.
- New Zealand's goods exports to Japan dropped by 21% year-on-year in January 2021, compared to what was a bumper month in January 2020. New Zealand exports were also down to Australia (-4%) and the US (-16%), but up to China (+3%) and South Korea (+3%) in January 2021.

| Sector | New Zealand Exports To: | | | | |
|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|--------------------------|
| | Japan (4) | China (1) | Australia (2) | USA (3) | South Korea (5) |
| Dairy | -24% (NZ\$65 million) | +19% (NZ\$544 million) | -14% (NZ\$68 million) | -51% (NZ\$54 million) | -12% (NZ\$34 million) |
| Metal and metal products | -3.2% (NZ\$46 million) | +9% (NZ\$2 million) | +21% (NZ\$22 million) | -50% (NZ\$3 million) | +62% (NZ\$21 million) |
| Meat and meat products | -30% (NZ\$23 million) | -10% (NZ\$300 million) | +15% (NZ\$7 million) | -8% (NZ\$142 million) | +9% (NZ\$18 million) |
| Miscellaneous F&B products | -21% (NZ\$20 million) | -41% (NZ\$48 million) | -23% (NZ\$81 million) | +36% (NZ\$13 million) | -26% (NZ\$14 million) |
| Horticulture | -4.3% (NZ\$19 million) | -32% (NZ\$11 million) | +36% (NZ\$81 million) | -6% (NZ\$48 million) | +50% (NZ\$6 million) |
| Forestry and wood products | -46% (NZ\$17 million) | +9% (NZ\$238 million) | +36% (NZ\$42 million) | -9% (NZ\$19 million) | +8% (NZ\$23 million) |
| Fish and seafood products | -9.2% (NZ\$3 million) | -37% (NZ\$30 million) | +4% (NZ\$19 million) | -24% (NZ\$14 million) | +25% (NZ\$1 million) |
| TOTAL | -21% (NZ\$204 million) | +3% (NZ\$1,293 million) | -4% (NZ\$570 million) | -16% (NZ\$407 million) | +3% (NZ\$126 million) |

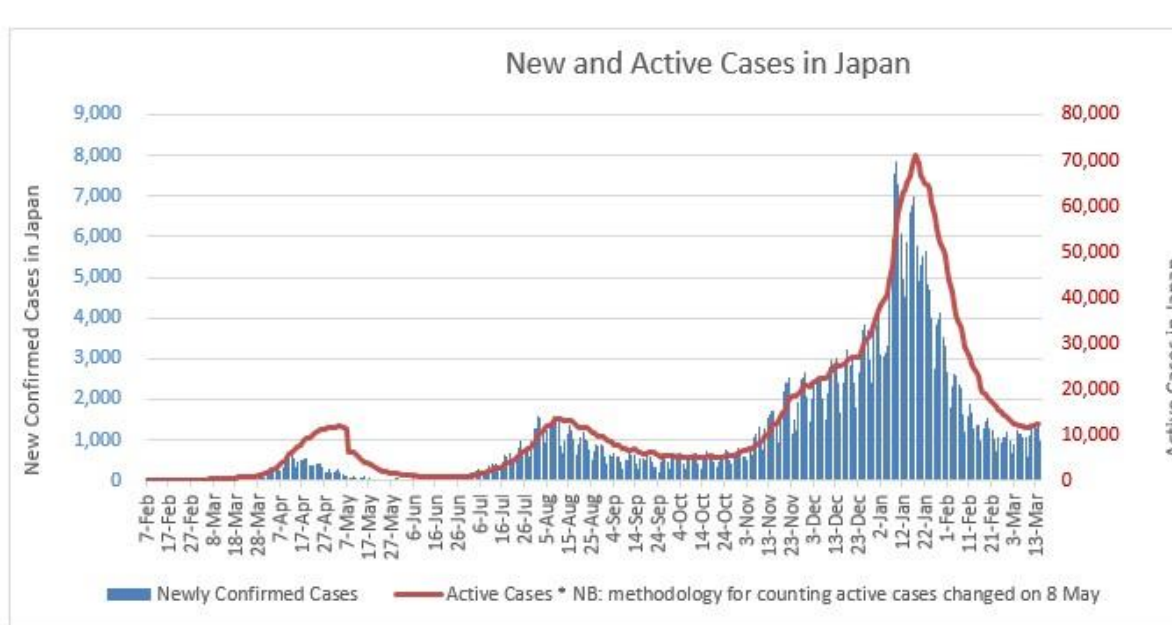
- We provide a news roundup on: Taiwanese pineapples, Japanese grapes, US beef safeguards, Olympics without overseas spectators, travel sales plunging, hotel guests halving, new Office for Flying Vehicles, hydrogen-power fuel cells, and renewable energy promotion.
- Japan economic indicators

| Indicator | Latest data | Timeframe |
|---------------------------|--|----------------|
| GDP: annual | -4.8% | Jan – Dec 2020 |
| GDP: quarterly | +2.8% (or 12% in annualized terms) | Oct – Dec 2020 |
| Private consumption | +9% | Oct – Dec 2020 |
| Capital investment: | -1.5% | Jan 2021 |
| Goods exports | -4.5% | Feb 2021 |
| Goods imports | -12% | Feb 2021 |
| Consumer confidence index | 34 points (↑4) (less than 50 = pessimism) | January 2021 |
| Business confidence index | 41 points (↑10) (less than 50 = pessimism) | |
| Consumer prices | -0.6% | January 2021 |

Report

COVID-19: second state of emergency

- The 10-week state of emergency concluded on 21 March due to the end of the third wave (see graph below). The state of emergency was modest in scope, primarily calling for voluntary restraint regarding drinking and dining after 8pm – see our Economy Update (15 January)([external link](#)) for details. However it was clearly effective in bringing the number of new infections in Japan down from a high around 8,000 per day in early January to around 1,000 per day from late-February onwards. The current COVID-19 situation in Japan is comparable to late-October (before the third wave).



- The two-week extension of the state of emergency for the Tokyo metropolitan area – which accounts for 30% of Japan's GDP – is estimated to have caused a NZ\$9 billion drop in consumer spending, according to Nomura Research Institute's Executive Economist Takahide Kiuchi. Restaurant sector sales nationwide dropped 21% year-on-year in January, as a result of the state of emergency.
- 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. It appears unlikely

this business travel will be immediately reinstated at the end of the state of emergency.

Japan's vaccine rollout strategy

- Japan began the roll-out of the Pfizer/BioNTech to healthcare workers from mid-February. Progress has been very slow, due to a lack of vaccine doses and associated equipment.
- The elderly should start to receive vaccines from 12 April, and numbers are expected to ramp up as supply of vaccines improves from late-April. The general population may be in line from July.

New Zealand Product Showcase Launched Online in Japan

(provided by NZTE Japan)

- The New Zealand Trade & Enterprise (NZTE) team in Tokyo are excited to launch the Kia Ora New Zealand Showcase on Rakuten Ichiba, the largest ecommerce marketplace in Japan. With 49,000 shops on Rakuten and over 100 million members, the Kia Ora New Zealand program will create more awareness and opportunity to purchase New Zealand products as well as grow the capability & know how of New Zealand exporters in the NZ\$160 billion Japanese ecommerce market. Initially 25 companies from New Zealand have signed up with over 450 items available and more joining in April. The showcase will run for 12 months with further content creation, and increased support from media and influencers in the pipeline. The showcase features a range of New Zealand F&B, health & beauty products and home care items at <https://event.rakuten.co.jp/area/global/newzealand>. The Kia Ora New Zealand Showcase is operated in collaboration with the [Made with Care](#) global campaign. If you are interested to find out more about the Kia Ora New Zealand Showcase & ecommerce opportunities in Japan, please contact your NZTE representative in New Zealand.



Na to rourou, na taku rourou ka ora ai te iwi

(マオリ語)

— あなたの食べ物と私の食べ物を持ち寄れば、みんなを豊かにできる —



New Zealand goods exports to Japan down 21% in January 2021

- New Zealand's goods exports to Japan in January 2021 were NZ\$204 million, down 21% compared to the bumper January last year (NZ\$260 million), but broadly similar to previous January figures – NZ\$212 million (2019), NZ\$218 million (2018), and \$179 million (2017).
- All main industry sectors decreased in January 2021:
 - **Dairy** (-23.8% to \$65.3 million) – due to weak performances by butter (-33%), cheddar and Colby cheese (-18%), and milk albumin (-13%) year on year. Casein (+12%) was the only dairy category to show year-on-year growth in January.
 - **Metal and metal products** (-3.2% to \$45.5 million) – unalloyed aluminium was down (-9%), but aluminium alloys were up (+16%).
 - **Meat and meat products** (-29.5% to \$23.0 million) – frozen boneless beef (-27%) and fresh boneless beef (-24%) and chilled boneless sheepmeat (-34%) were both down.
 - **Miscellaneous Food and Beverage Products** (-20.8% to \$19.5 million) – food preparations were down (-30%), honey was the only positive news (+5%).
 - **Horticulture** (-4.3% to \$19.3 million) – capsicums were down (-10%), with pumpkins, squash and gourds up slightly (+3%).
 - **Forestry and wood products** (-45.6% to \$16.9 million) – softwood chips (-97%), hardwood chips (-16%), and medium density fibreboard >9mm (-14%) were all down.
 - **Fish and seafood products** (-9.2% to \$3.4 million). 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.

| Rank | Industry | January 2021 | | |
|------|---------------------------------------|--------------|--------------|--------------|
| | | \$ Millions | % Change | % Share |
| 1 | Dairy | 65.3 | -23.8 | 31.9 |
| 2 | Metal and metal products | 45.5 | -3.2 | 22.2 |
| 3 | Meat and meat products | 23.0 | -29.5 | 11.3 |
| 4 | Miscellaneous F&B products | 19.5 | -20.8 | 9.6 |
| 5 | Horticulture | 19.3 | -4.3 | 9.5 |
| 6 | Forestry and wood products | 16.9 | -45.6 | 8.3 |
| 7 | Fisheries | 3.4 | -9.2 | 1.7 |
| | <i>Subtotal of leading Industries</i> | 193.0 | N/A | 94.4 |
| | Other goods | 11.5 | N/A | 5.6 |
| | Total | 204.5 | -21.2 | 100.0 |

- 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.

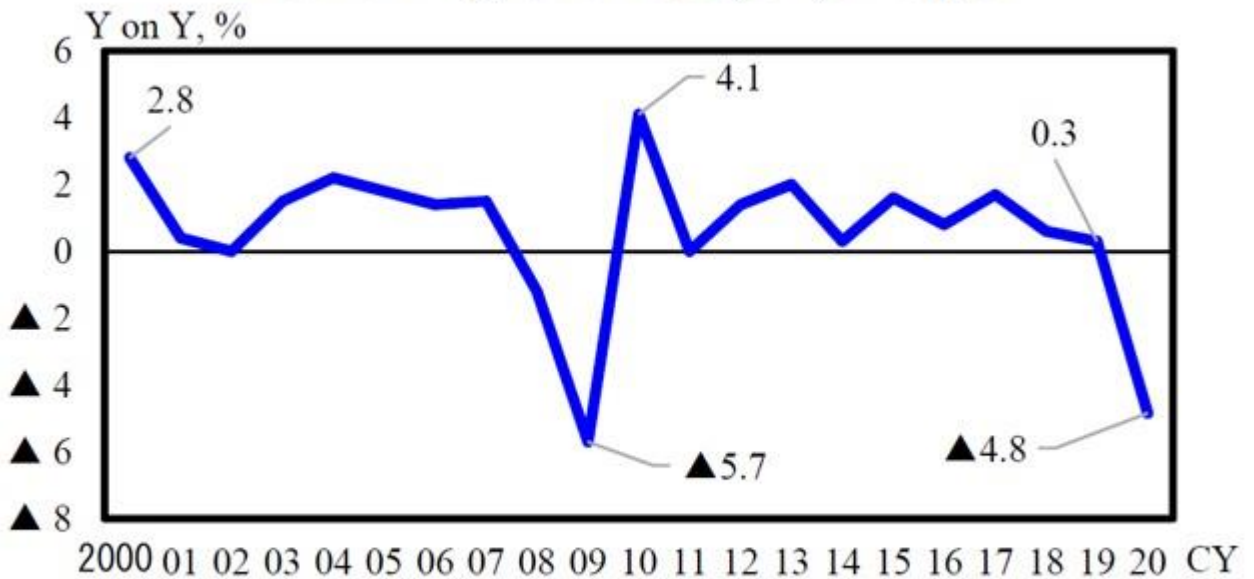
In The News ...

- **Taiwanese pineapples:** Following China's ban on pineapples imported from Taiwan (from 1 March), Japan has pre-ordered 10,000 tonnes of Taiwanese pineapples, a record amount (Japan imported 2,100 tonnes last year). Taiwan exported 45,000 tonnes of pineapples last year, 95% of which went to China.
- **Japanese grapes:** The production of grapes in Japan fell to 160,000 tonnes in 2020, a 5% decrease from 2019, and the lowest level on record. Hot temperatures and low rainfall in Yamanashi Prefecture during the 2020 summer months were to blame. Budou Senshin is now growing Japanese style table grapes in the Hawke's Bay to take advantage of counter-seasonality.
- **US beef safeguards:** Japan temporarily raised its import tariff (from 26% to 39%) on US beef for 30 days from 17 March after shipments exceeded the agreed annual quota of 242,000 tonnes (April 2020-March 2021). US beef imports have increased following the US-Japan trade agreement came into effect in last year, reducing beef tariffs to CPTPP levels.
- **Olympics without overseas spectators:** Japan announced on 20 March that it will exclude overseas spectators from attending the Olympics and Paralympics in order to curb COVID-19 infections. 1 million overseas spectators were expected to visit Japan to attend the games, providing a much needed boost to the tourism and hospitality sectors.
- **Travel sales plunge:** Major travel agency H.I.S. reported an 81% decrease year-on-year in sales to NZ\$496 billion over November 2020 to January 2021. Domestic travel in November and December increased due the government's Go To Travel campaign, but sales plummeted when the government declared a state of emergency in January and suspended the campaign.
- **Hotel guests halved:** The number of nights that guests stayed at hotels and "ryokan" inns in Japan in 2020 decreased 49% year-on-year to 305 million in 2020. Japanese travellers were down 40%; with overseas guests down 84%.
- **Office for Flying Vehicles:** Japan's transport ministry has announced it will establish an office responsible for flying vehicles on 1 April 2021. The Japanese government plans to see electric-powered flying vehicles in practical use by 2023. The new office will be responsible for vehicle safety standards, pilot requirements and vehicle registration.
- **Green tech:** Toyota announced it will start selling its hydrogen-power fuel cell in April 2021 for use by power companies, and train and ship operators. Based on Toyota's Mirai automobile's technology, the new 250kg fuel cell uses electricity generated via a chemical reaction between hydrogen and oxygen, and does not emit carbon dioxide.
- **30% Female Executives Initiative:** The Japan Business Federation (Keidanren) said that 53 member companies – including Toyota and Hitachi – have joined its initiative to have at least 30% of executive positions filled by women at each company by 2030. Keidanren also announced a woman would fill one of its 20 vice chair posts for the first time.

Japan: latest economic indicators

- GDP decreased 4.8% in 2020 from the previous year, the largest drop since the Global Financial Crisis in 2009, and the second largest since data started being compiled in 1955. For the October-December quarter, however, GDP grew by 2.8% (or 12% in annualized terms) from the previous quarter, with Japan's economy continuing to experience a strong recovery.
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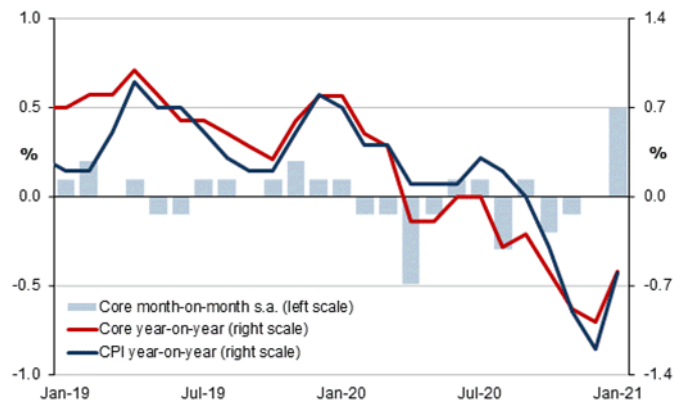
Real GDP growth rate (CY) in Japan



Graph: Cabinet Office

- Private consumption – accounting for more than half of Japan’s GDP – increased 9% in the October-December quarter, despite spiking COVID-19 infection rates.
- Capital investment: core machinery orders – the leading indicator for capital spending over the coming 3-6 month period – decreased 1.5% month-on-month in January, the lowest level since June 2020.
- Goods exports from Japan decreased 4.5% year-on-year to NZ\$77 billion in February 2021 – the first decrease in three months – with weak demand for mineral fuels (-41%), ships (-28%) and automobiles (-13%). Exports decreased to the United States (-14%) and the European Union (-3%), but increased to China (+3%).
- Goods imports to Japan rose 12% year-on-year to NZ\$74 billion in February 2021, the first rise in 22 months, primarily due to increases in manufactured goods (+29%), machinery (+29%), and electrical machinery (+32%). Imports from China more than doubled (+115%), compared to February last year, when the world’s second largest economy was severely affected by COVID-19.
- Consumer confidence index increased slightly to 34 points in February 2021, the highest since February 2020. However, the index is still well below the 50-threshold, indicating pessimism among consumers when asked about the economy for the coming six months.
- Business confidence index rose 10 points to 41 points in February 2021 compared to the previous month, for workers whose jobs are sensitive to economic trends, for example taxi drivers and hospitality sector workers. This was the sharpest increase since June 2020, and followed the government’s moves to begin lifting the state of emergency. A score below 50 indicates pessimism.
- Consumer prices decreased 0.6% year-on-year in January 2021, after falling 1.2% in December 2020 – the largest decrease since April 2010. Economic commentators are expecting CPI to turn positive from mid-2021.

Japan Inflation Chart



Note: Year-on-year and seasonally adjusted month-on-month variation of consumer price index in %.

Source: Statistics Bureau (SB) and FocusEconomics calculations.

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