

Prepared by the New Zealand Embassy in Tokyo

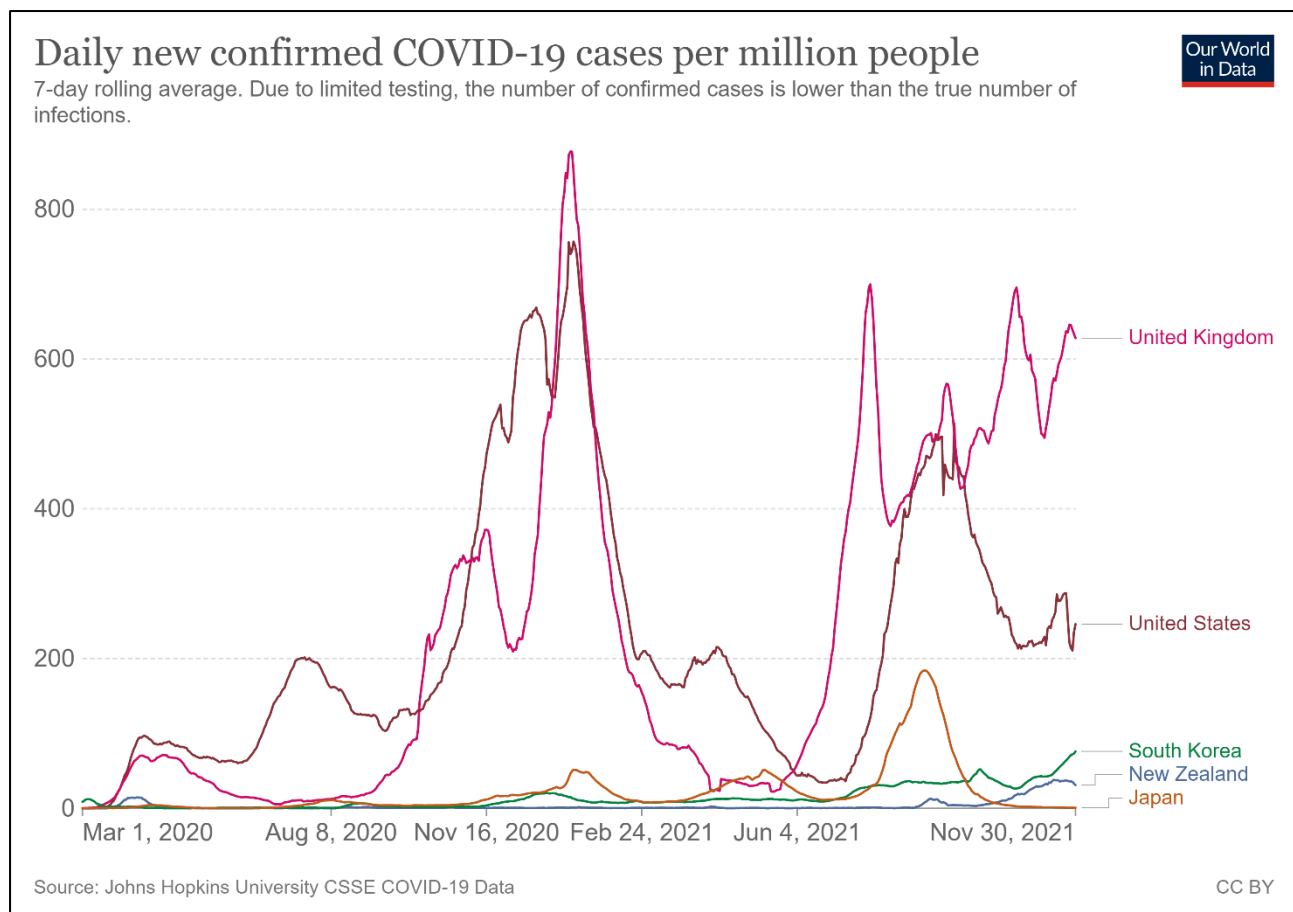
Summary

- **COVID-19:** Japan's fourth **state of emergency** was lifted at the end of September, easing restrictions on attendance at events, dining out, amongst other infection counter-measures. Japan now has fewer daily infections per capita than New Zealand (see graph below).
- **Vaccinations:** Japan is the most vaccinated country in the G7, with 77% of the total population fully vaccinated, and 79% having received at least one dose. In comparison, 70% of New Zealand's total population (not eligible population) is fully vaccinated, with 76% having received at least one dose.
- **Domestic vaccine "passport":** The Japanese Government is currently working towards the introduction of a digital domestic COVID-19 vaccine "passport" by the end of the year, but it is unclear in what situations the "passport" will be used. Japanese law precludes a vaccine mandate in the workplace.
- **Border restrictions:** Japan has tightened its border restrictions in response to the Omicron variant. Starting from Wednesday 1 December 00:00, newly arriving foreign nationals from all countries are unable to enter Japan. This includes individuals who have already been issued with a visa to enter Japan.
- **Government stimulus:** Prime Minister Kishida has announced a stimulus package of NZ\$990 billion, including fiscal spending of NZ\$700 billion, estimated to boost real GDP by 5.6%. The package includes \$1,250 in financial assistance per child, and payments to businesses affected by COVID-19 restrictions.
- **New Zealand's goods exports to Japan** for Q3 2021 increased by 10% year-on-year to NZ\$835 million, but were down 6% year to date (January –September) compared to 2020 (when goods exports to Japan were at record high levels). The top five earners for Q3 were: fruit and nuts (+26% to \$190 million), dairy (-8% to \$107 million), aluminium (-6% to \$104 million), meat (+66% to \$100 million), wood and wood products (-3% to \$80 million).
- **New Zealand goods imports from Japan** for Q3 2021 increased by 64% year-on-year to \$1.15 billion, led by strong demand for (mostly second-hand) vehicles (+89% to \$782 million).
- **NZ Inc visit to Hokkaido:** Ambassador Cooper and Trade Commissioner Pettigrew, alongside MPI and Education NZ representatives, visited Sapporo to reinvigorate collaboration on agriculture, agri-tech, renewable energy, education, sports, tourism, and indigenous issues. A new Honorary Consul in Hokkaido – Mr Akio Nagamura – was also inaugurated.
- **Japan New Zealand Business Council:** Over 150 business leaders gathered on 16 November for the annual JNZBC conference for a hybrid (in-person and online) discussion of: "how can we create safe, healthy and sustainable societies in the post-COVID era?"
- **In the news:** We take a look at: small wooden satellites in space; space food; genome-edited tomato goes on shelves; staff-less dairy; paper over plastic; hydrogen fuelled aircraft; Toyota investing in battery development; electric motorcycles; demand for second hand cars; and coal divestment.
- **Economic Indicators:** Japan's economy shrank 0.8% from the previous quarter (or 3.0% annualised) in Q3 2021, with semiconductor shortages dampening automobile exports and the fourth state of emergency sapping private consumption, according to government figures released on 15 November.
- **Economic forecast:** Bank of Japan forecasts the Japanese economy will bounce back to pre-COVID levels during the first half of 2022, supported by the dramatic decline of domestic COVID cases, and the government's continued monetary easing and planned fiscal stimulus. But the economy still faces some headwinds, such as supply chain issues and rising food and energy costs, which may constrain consumption and investment.

Indicator	Q3 2021	Q2 2021
Real GDP growth	-0.8% quarter to quarter (QtQ) (Q2→Q3) -3.0% Annualised	+0.4% QtQ
Private consumption	-1.1% QtQ -4.5% Annualised	+0.9% QtQ
Capital expenditure (Private non-residential investment)	-3.8% QtQ -14.4% Annualised	+2.2% QtQ
Goods & services exports	-2.1% QtQ -8.3% Annualised	+3.2% QtQ
Goods & services imports	-2.7% QtQ -10.5% Annualised	+5.3% QtQ
Consumer confidence index	39.2 points (↑1.4) in Oct 2021	37.8 points (↑0.1) in July 2021 (<50 = pessimism)
Business confidence index (<i>tankan</i>)	18 points (↑4) in Sept 2021 (>zero = optimism)	14 points (↑9) in June 2021 (>zero = optimism)
Consumer price Index	+0.2% in Sept 2021	-0.4% in June 2021

Covid-19

- Japan's fourth COVID-19 state of emergency ended on 30 September following a month of consistent decline in infection numbers. There are still a number of theories around what caused the sudden decline in infection numbers. It appears likely that a combination of seasonal variation, state of emergency restrictions, the end of the Olympics and Obon period, and Japan's vaccine programme would have been contributing factors. Japan is now enjoying significantly better infection numbers on a per capita basis than in many parts of the world, including New Zealand.



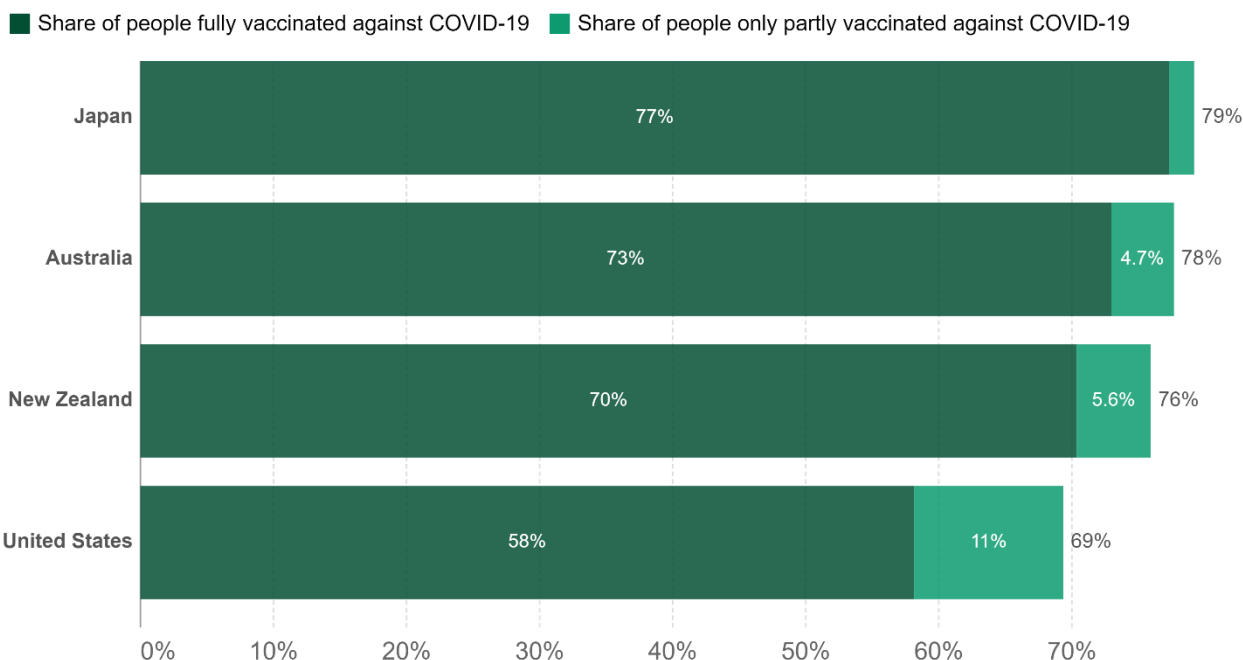
Japan's vaccination rollout and vaccine "passport"

- After a slow start, Japan is now the most vaccinated country in the G7, with 77% of the total population fully vaccinated, and 79% having received at least one dose. New Zealand's total population (not eligible population) figures are 76% (fully vaccinated) and 70% (one dose).

Share of people vaccinated against COVID-19, Nov 30, 2021

Our World
in Data

Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.



Source: Official data collated by Our World in Data. This data is only available for countries which report the breakdown of doses administered by first and second doses in absolute numbers.
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- The Japanese Government is currently working towards the introduction of a digital domestic COVID-19 vaccine “passport” by the end of the year, but it is unclear in what situations it will be used. To apply for the vaccine “passport”, you will need a smart phone and a “My Number” government-issued ID card – currently only held by 38% of the population – which could hinder the adoption of vaccine “passports”.
- Vaccine mandates have been explicitly unlawful under Japan’s Immunisation Act since 1994. A supplementary resolution added to the law in 2020 states that “unvaccinated people should not be subject to discrimination, bullying, or disadvantageous treatment at school or the workplace”. Companies are able to: i) instruct their employees to receive regular PCR testing and ii) require their unvaccinated employees to either work from home or reassign them to a different position, but cannot force their employees to be vaccinated or dismiss them because of their unvaccinated status.

Entry restrictions reintroduced for some foreign nationals

- **Border restrictions:** Japan has tightened its border restrictions in response to the Omicron variant. Starting from Wednesday 1 December 00:00, newly arriving foreign nationals from all countries are unable to enter Japan. This includes individuals who have already been issued with a visa to enter Japan.
- Japanese citizens and returning foreign nationals with the status of residence will still be able to re-enter Japan if they have a re-entry permit. Full details available on the [Ministry of Foreign Affairs website](#).

Prime Minister Kishida’s NZ\$990 billion stimulus package

- Prime Minister Kishida has announced an economic stimulus package of NZ\$990 billion, including fiscal spending of NZ\$700 billion, estimated to boost real GDP by 5.6%. He emphasised his government would focus on reviving the economy before considering the government’s fiscal situation.
- The stimulus package – which will be considered by parliament in December – includes \$1,250 in financial assistance to those 18 years or younger, and payments to businesses whose sales decreased significantly due to COVID-19 restrictions.

- The government is also considering restarting its “Go To Travel” and “Go To Eat” campaigns of discounts at hotels and restaurants, to reinvigorate the hospitality sector.

New Zealand goods exports to Japan up 10% year-on-year in Q3 2021

- New Zealand’s total goods exports to Japan for Q3 2021 were NZ\$835 million, **up** 10% from Q3 2020, but **down** 2% compared to Q3 2019 (i.e. pre-COVID-19) – sectoral analysis is provided below.
 - The year-to-date (January-September) goods export figure was NZ\$2.6 billion, **down** 6% compared to the same period last year. For year-to-date, meat products (+14%) and metal and metal products (+9%) were **up**; and horticulture (-13%); dairy (-14%); miscellaneous F&B including honey (-29%); and fisheries (-10%) were **down**.
 - The following sectors **increased** in Q3 2021 compared to Q3 2020:
 - **Horticulture (+22% to \$219 million)** – kiwifruit (+25% to \$178 million); apples (+103% to \$5.4 million); frozen vegetable (+50% to \$9.6 million) including sweetcorn (+118% to \$2.5 million); peas (+60% to \$2.4 million). As foreshadowed in our Q2 report, kiwifruit arrived to market slightly earlier than usual last year, and slightly later than usual this year, causing the bumper Q3 figures. Shipping delays from New Zealand meant that apple arrivals were also late to market this year.
 - **Dairy (+0.7% to \$148 million)** – cheese and curd (-4% to \$73 million), albumins (-19% to \$14 million), butter (-27% to \$6 million), milk and cream (+150% to \$5 million). As reported previously, Japan MAFF has heavily restricted the volume of imported butter, due to large stockpiles of domestic butter caused by decreased dairy consumption following the COVID-19 outbreak.
 - **Meat and meat products (+65% to \$107 million)** – frozen boneless beef (+123% to \$32 million); chilled boneless beef (+14% to 25 million); cow tongues (+322% to \$18 million); edible offal (+200% to \$23 million); chilled and frozen sheepmeat (+21% to \$20 million).
 - **Fish and seafood products (+18% to \$20 million)** – frozen fish (+71% to \$8 million) including Jack and Horse Mackerel (+34% to \$2 million); fresh and chilled fish (-16% to \$4.9 million); molluscs (-18% to \$1.2 million).
 - The following sectors decreased in Q3 2021 compared to Q3 2020:
 - Metal and metal products (-4% to \$111 million) – unwrought aluminium (-6% to \$104 million); structures (+31% to \$4.7 million).
 - Forestry and wood products (-2% to \$86 million) – although slightly down overall, the following items were up: particle board (+37% to \$7 million); chemical woodpulp (+130% to \$1.2 million).
 - Miscellaneous F&B (-17% to \$46 million) – natural honey (-51% to \$9.2 million) due to the massive spike in demand for of Manuka honey (for its health properties) last year following the onset of the COVID-19 pandemic. There were some notable increases including: soups and broths up by 400% to \$1.6 million.
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- Ambassador Cooper recently led an NZ Inc delegation (MFAT, NZTE, MPI, Education NZ) to Hokkaido, Japan's major food growing region with an economy about the same size as New Zealand's (NZ\$234 billion for the year ending March 2019). They had productive meetings with a range of political and business leaders to reinvigorate cooperation under the New Zealand Embassy-Hokkaido Partnership Agreement. They discussed opportunities for increased collaboration on agriculture, agri-tech, renewable energy, education, sports, tourism, and indigenous issues.
- Mr Akio Naganuma was inaugurated as New Zealand's new Honorary Consul to Hokkaido on 28 October, with Ambassador Cooper presenting him a letter of certification from the Governor-General of New Zealand. Mr Naganuma (Chairman of Sapporo-based confectionary maker Kinotoya) and his staff at the [new Honorary Consulate in Sapporo](#) will carry out notarial services for New Zealanders living in Hokkaido and promote the region's ties with New Zealand.



- “How can we create safe, healthy and sustainable societies in the post-COVID era?” Over 150 business leaders from New Zealand and Japan gathered on 16 November for a hybrid (in-person and online) discussion of this pressing issue for the 47th Joint Meeting of the JNZBC, co-hosted by New Zealand Chair Ian Kennedy and Japan Chair Akira Ichikawa.
- Key findings included:
 1. The importance of communication. It was great to see each other’s faces virtually, but nothing beats in-person engagement. There was a strong hope that both governments would find a way to ease travel restrictions between New Zealand and Japan as soon as possible.
 2. The importance of innovative partnerships to create sustainable societies. The need for a major shift in energy policy to transition from fossil fuels to renewables and reduce carbon emissions; practical affordable ways to increase dependable production of safe healthy food to meet the needs of a growing global population; and importantly also the role of technology in extending the boundaries of what is possible including collaboration in the new frontier of space.
 3. The need for public/private sector action. To provide an environment for new business models to leverage the benefits of digitisation, biometrics and other tech innovation drawing on the wisdom of both countries.
- Next year’s in-person JNZBC conference will be hosted by Japan on 20-22 November 2022 in Beppu (sister city of Rotorua).



- In June 2021, Minister for Trade and Export Growth Damien O'Connor led New Zealand's first ever [“Virtual Trade Mission”](#), with Japan – New Zealand's fourth largest trading partner – selected as the destination. It was attended by 40 business leaders from New Zealand and Japan in the premium food and beverage (F&B), technology, and renewable energy sectors, which together represent 60% of exports to Japan.
- On 16 November, Ambassador Cooper and Trade Commissioner Pettigrew hosted an “in-person” reception for the Japanese VTM participants, with Minister O'Connor kicking off the event with a video message: “As I have engaged with my counterparts around the world this year, I have been struck by the increasingly important role technology plays in connecting us. But I look forward to building on our virtual engagement with an in person visit to Japan in future. New Zealand remains committed to strengthening economic ties with Japan, and we look forward to marking the 70th anniversary of diplomatic relations next year.”

In the news...

- **Small wooden satellites in space:** Kyoto University and Sumitomo Forestry are planning to send the world's first wooden satellite into space in 2023. The project aims to develop new technology for commercial satellites and help to protect the environment in space. The satellite's semiconductors will be made of metal, plastic and other materials, but its body (which measures 10-11 centimetres on each side) will be made of wood.
- **Space food:** Japan's Ministry of Agriculture, Forestry and Fisheries is working to establish a system for producing food in space, in preparation for extended trips for the exploration of the moon and Mars. The Ministry oversees a total budget of approximately NZ\$4 million to provide financial support to consortiums of universities, companies and other organizations researching and developing such systems.
- **Genome-edited tomato goes on shelves:** A Japanese start-up has started selling a tomato variety developed with genome editing technology, the first food product of this kind to enter the Japanese market. The tomato variety has modified genes which contain four to five times the usual amount of a substance that can prevent blood pressure from rising. According to the start-up, the tomatoes do not contain any genes that are not naturally found in vegetables.
- **No staff convenience store:** A trial with a staff-less convenience store in Tokyo is being run to address chronic staff shortages in Japan's convenience store industry. Shoppers enter the store by using their smartphones and a dedicated app for the store, and checkout without going through a cash register. Artificial intelligence analyses footage from cameras and data from sensors in store to identify products customers bought. Up to 10 people can shop simultaneously.
- **Paper over plastic:** A number of Japanese companies have recently turned to paper as a more environmentally friendly alternative to plastic products. One example is a fishery firm which became the first company to use water-resistant cardboard products to replace its standard Styrofoam containers to transport fresh fish packed with ice.
- **Hydrogen fuelled aircraft:** In a bid to promote the future commercialization of hydrogen aircraft, the Japanese Government plans to study the development of infrastructure for stockpiling large quantities of hydrogen at airports and supplying it to aircraft. There are high hopes that hydrogen, along with biofuel made from used oil and grains, will be the aviation fuel of the future.
- **Toyota invests in battery development:** Toyota will spend approximately NZ\$19 billion by 2030 on the development and supply of batteries for electric and hybrid vehicles, as international competition over low emissions technology intensifies.
- **Electric motorcycles:** Kawasaki Heavy Industries, which currently produces only petrol-powered motorcycles, has announced that all of its main models sold in Japan and Western markets will run on electricity by 2035. The company has not yet decided whether it will develop new brands or produce electricity-powered versions of its current models.
- **Demand for second hand cars surges:** The prices of used cars at wholesale auctions are now at their highest levels in 10 years, driven by demand from consumers who can not travel overseas and a global shortage of semiconductors. According to Japan's leading used car auction platform, the average auction price in June was approximately NZ\$10,600 up 18.8 percent from the same month a year earlier.
- **Coal divestment:** Insurance company [Tokio Marine Holdings](#) will stop underwriting new insurance policies and extending fresh loans for coal mine development projects, becoming the first Japanese non-life insurer to halt investment in coal mining. The move will target fuel coal that is mainly used for electricity generation, and not raw coal used to produce iron and steel, therefore only affecting coal-fired power plants.

Japan: latest economic indicators

- GDP – Japan's GDP contracted an annualised 3.0% in Q3 2021, or 0.8% on a seasonally adjusted quarterly basis, with private consumption, private and public investment, and goods and services exports all contracting.
 - Private consumption – which makes up around half of Japan's GDP – decreased 1.1% in Q3 from the previous quarter (-4.5% annualised) after climbing +0.9% in Q2. The Q3 decrease reflected a sharp decline in automobile sales (as automakers were forced to cut output because of the semiconductor shortage and parts supply disruptions in South East Asia) and continued weakness in the services sector (due to state of emergency restrictions). The Tokyo Olympics (23 July – 8 August) did not support spending because spectators were
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prohibited from most events.

- Capital expenditure/corporate plant investment (private non-residential investment) fell to -3.8% in Q3 (-14.4% annualised).
- Goods and service exports – fell -2.1% (-8.3% annualised) in Q3 mainly because of declines in new car exports amid production cuts by automakers due to the ongoing chip shortage. This was a step backward from Q2 at +3.2%, which marked the first turnaround in two quarters.
- Goods and services imports fell -2.7% (-10.5% annualised) in Q3 – breaking the previous three consecutive quarterly increase – reflecting lacklustre domestic demand and sluggish imports of car parts.
- Consumer confidence index - increased by 1 point to 39.2 in October 2021 – the strongest reading since May 2019 – with improvements in the main sub-indices of income growth (up 1.0 points to 39.1) and employment perceptions (up 4.9 points to 41.0).
- Business confidence index – The Bank of Japan's index for big manufacturers' sentiment increased 4 points to 18 in Q3 2021, the fifth consecutive quarter of improvement and the highest reading since Q4 2018.
- Consumer prices – The “core” CPI – which excludes the cost of fresh food and energy – increased 0.2% year-on-year and increased 0.4% month on month.
- Qatar's preparations are steaming ahead to welcome over 1.5 million football fans in just over a years' time. With COVID safety a priority, all visitors will need to be vaccinated.
- As the host of a global event Qatar has faced greater scrutiny of the situation for workers and introduced a number of new measures particularly for those working on World Cup infrastructure.

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