

Prepared by the New Zealand Embassy in Tokyo

Summary

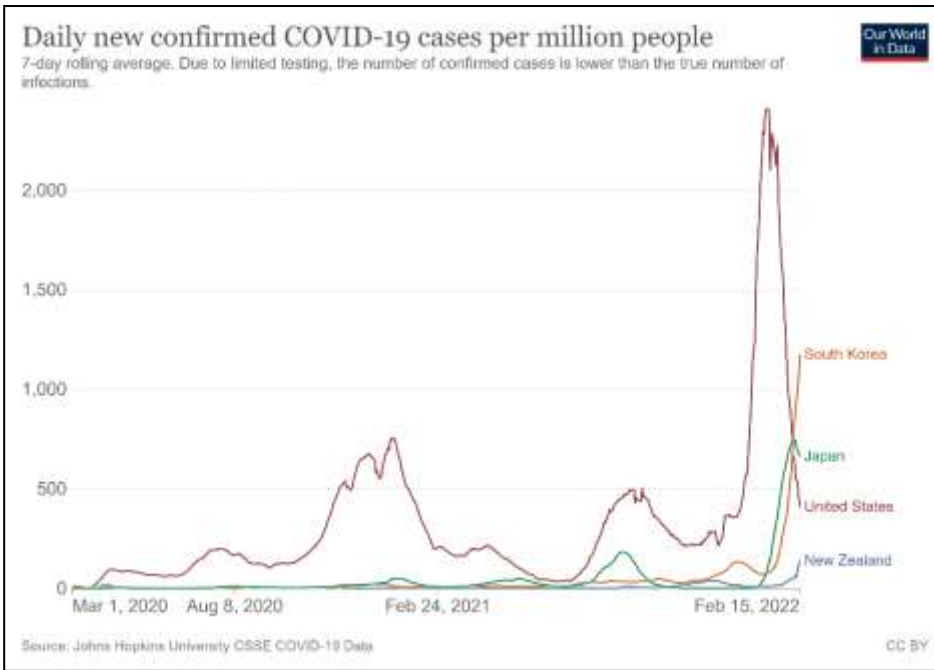
- **COVID-19:** Daily new infections nationwide hit new records of over 100,000 cases per day in early February but appear to have now peaked, after Government imposed restrictions on the opening hours of bars and restaurants across Japan.
- **Booster roll out:** Japan's booster roll out has been slow in comparison to other advanced economies; only around 10 percent of the population had received a third vaccine dose by mid-February.
- **Border restrictions:** Japan's border was effectively closed to foreign nationals in November 2021 in response to the Omicron variant, but on 17 February 2022 Prime Minister Kishida announced that from March 2022 Japan will allow new entries of foreign nationals for reasons other than tourism, such as foreign students and business travelers..
- **Japan market trends:** We take a look at Japan's fresh fruit, frozen food, fintech, and e-commerce markets.
- **New Zealand's goods exports to Japan** in Q4 2021 were NZ\$969 million, up +30% compared to Q4 2020. On an annual basis (January-December 2021), goods exports were up +1.5% on 2020, totalling NZ\$3.6 billion – a record high since 2002.
- **New Zealand goods imports from Japan** for Q4 2021 increased by 33% year-on-year to \$1.2 billion, with continued strong demand for vehicles (+34% to \$774 million).
- **In the news:** We take a look at flying cars; Japan's food exports; the Regional Comprehensive Economic Partnership (RCEP); already low tourist numbers fall even further; Panasonic's electric vehicle batteries; and excess milk production.
- **Economy:** Japan's economy rebounded in Q4 2021, growing +1.3% quarter-to-quarter (QtQ) (+5.4 percent annualised), after a revised contraction of -0.7% in the previous quarter (due to the Delta outbreak). For the calendar year 2021, Japan's GDP grew 1.7% – the first expansion in three years (following contractions of -4.5% in 2020, and -0.2% in 2019.) Some economists predict the economy will shrink in Q1 2022, due to Omicron-related restrictions (estimated to cost NZ\$35 billion in consumer spending), supply chain challenges, surging import costs, and semiconductor shortages. But others are hopeful PM Kishida's record NZ\$740 billion stimulus may outweigh these downward pressures, signalling the much-anticipated recovery to pre-pandemic levels.

Report

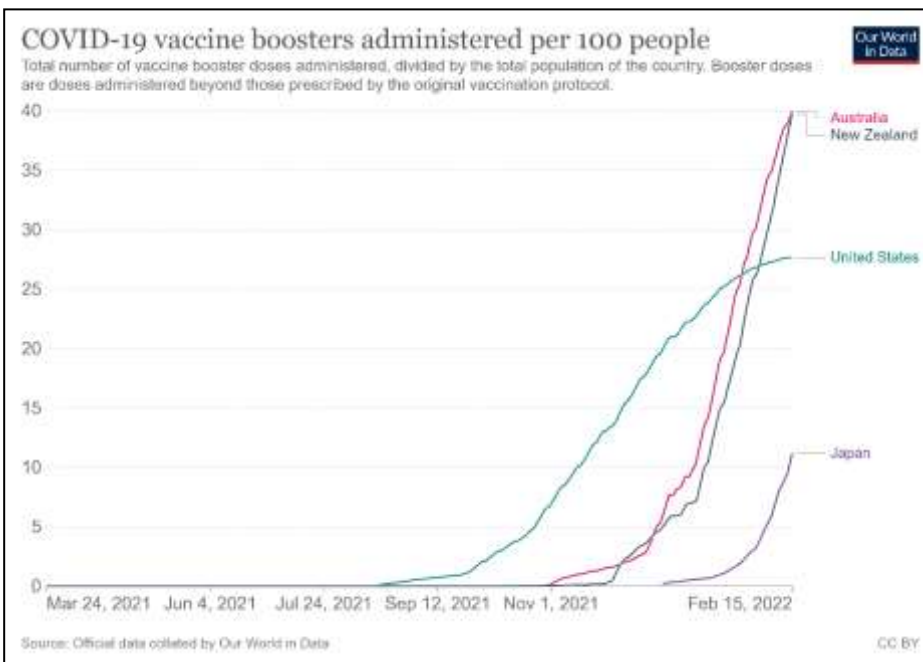
Indicator	Period	Figure		
Real GDP growth	Q4 2021	+1.3% QtQ	+5.4% Annualised	
Private consumption	Q4 2021	+2.7% QtQ	11.2% Annualised	
Capital expenditure (Private non-residential investment)	Q4 2021	+0.4% QtQ	1.6% Annualised	
Goods & services exports	Q4 2021	+1.0% QtQ	3.9% Annualised	
Goods & services imports	Q4 2021	-0.3% QtQ	-1.1% Annualised	
Consumer confidence index (>50 = optimism)	Q4 2021	36.7 points (↓2.4) in Jan 2022		
Business confidence index (<i>tankan</i>) (>zero = optimism)	Dec 2021		Manufacturing:	Non-manufacturing
		Large:	+18 (no change)	+9 (↑7)
		Medium:	+6 (no change)	+1 (↑7)
		SMEs:	-1 (↑2)	-1 (↑6)
CPI general (all items)	Dec 2021	+0.1% month-on-month		

COVID-19

- Daily new COVID-19 infections exploded in Japan in January 2022 and hit new records of over 100,000 cases per day in early February.
- In response, the government placed 70% of Japan's prefectures under a quasi-state of emergency which restricted restaurant and bar operations (limiting alcohol sales, operating hours, and size of groups dining together). This measure has had a positive impact on infections numbers which appear to have peaked, but has slowed consumer spending. The quasi-state of emergency is scheduled to be lifted by 6 March.



- **Boosters:** Japan's roll out of its booster shot programme has been described as the slowest in the OECD. The government is prioritising medical workers and people aged over 65 years, but by mid-February only 10% of Japan's entire population had received its third shot.



- **Border restrictions:** Japan's border was effectively closed to foreign nationals in November 2021 in response to the Omicron variant, but on 17 February 2022 Prime Minister Kishida announced that from March 2022 Japan will allow

new entries of foreign nationals for reasons other than tourism, such as foreign students and business travelers. The mandatory self-isolation period for all arrivals who have had a booster vaccine shot will be reduced to three days and some arrivals from low risk countries may be exempted from self-isolation requirements (provided they have proof of boosters and negative test results).

Japan: market trends

- **Fresh fruit:** Although overall fresh fruit consumption is declining in Japan, kiwifruit and bananas continued to show good growth during 2021, with consumption +5% and +3% year-on-year, respectively. In terms of expenditure, bananas (14%), apples (12%) and mandarins (12%) led the pack, with kiwifruit accounting for 6% (despite only making up 3.6% of consumption).
- Following the outbreak of COVID-19, consumer **demand for frozen food** has increased significantly: +19% in 2020 and +3% in 2021, year-on-year. Many consumers who tried frozen food for the first time after COVID struck realised their negative image of frozen food (vs fresh food) was not accurate. This trend is illustrated by the strong demand for freezers (+170% in 2020 and +44% in 2021, year-on-year).
- **Japan's fintech market** – with a current sales value of NZ\$15 billion – is expected to grow significantly due to government support. Fintech has not penetrated the Japanese economy to the same degree as comparable major economies, but the pandemic has increased the market's need to digitise. Japan's large population of high-net-worth individuals, high cash holdings, and overall market size provide significant opportunities for New Zealand fintech initiatives. For more information, check out: [Financial services in Japan: 5 areas of opportunity – myNZTE](#).
- Japan has the world's third largest and fastest growing **e-commerce market**, spurred on by changing consumer preferences since the COVID outbreak. It offers multiple opportunities and options for New Zealand businesses looking to sell online, with two main channels: third-party marketplaces (e.g. Amazon and Rakuten) and direct through an online store of your own. Knowing the opportunities and limitations of each helps you make the right choice for your business. For more information, check out: [Selling in Japan: marketplaces or your online store? - myNZTE](#) and [4 ways to grow your online business in Japan - myNZTE](#).

New Zealand goods exports to Japan up +30% in Q4; and +1.5% in 2021 (Jan - Dec)

- New Zealand's goods exports to Japan in Q4 2021 were NZ\$969 million, up +30% compared to Q4 2020.
- On an annual basis (January-December 2021), goods exports were up +1.5% on 2020, totalling NZ\$3.6 billion – a record high since 2002, and the third highest on record since 1990.

Rank	Industry	Q4 2021		
		\$ Millions	Change	Share
1	Metal and metal products	240	+71%	25%
2	Dairy	231	+25%	24%
3	Forestry and wood products	107	+31%	11%
4	Meat and meat products	101	+24%	10%
5	Horticulture	95	+1%	9.7%
6	Miscellaneous F&B products	63	+7%	6.4%
7	Fisheries	14	-14%	1.4%
	<i>Subtotal of leading industries</i>	850	N/A	88%
	Other goods	119	N/A	12%
	Total	969	+30%	100%

Rank	Industry	Jan–Dec 2021		
		\$ Millions	Change	Share
1	Horticulture	794	-12%	22%
2	Dairy	724	-5%	20%
3	Metal and metal products	660	+26%	18%
4	Meat and meat products	458	+16%	13%
5	Forestry and wood products	360	+7%	9.9%
6	Miscellaneous F&B products	190	-20%	5.3%
7	Fisheries	61	-11%	1.7%
	<i>Subtotal of leading industries</i>	3,247	N/A	90%
	Other goods	369	N/A	10%
	Total	3,616	+1.5%	100%

- **Up** in Q4 2021 (compared to Q4 2020)
 - **Metal and metal products (+71% to \$240 million)** – not alloyed, unwrought aluminium (+85% to \$181 million); alloyed, unwrought aluminium (+46% to \$50 million).
 - **Dairy (+25% to \$231 million)** – cheese and curd (+20% to \$109 million), casein/caseinates (+67% to \$43 million); albumins (+85% to \$28 million), whey (+18% to \$20 million); butter (-15% to \$6 million); milk and cream (-30% to \$6.5 million).
 - **Forestry and wood products (+30% to \$107 million)** – Fibreboard incl MDF (+60% to \$44 million) million); Fuel wood in logs/wood chips/sawdust (+43% to \$18 million), rough wood (+30% to \$16 million).
 - **Meat and meat products (+24% to \$101 million)** – frozen beef (+92% to \$41 million); chilled beef (+21% to 22 million); chilled or frozen sheep meat (-11% to \$18 million) edible offal (+77% to \$17 million).
 - **Horticulture (+1.2% to \$94 million)** – kiwifruit (no change to \$63 million); fruit & vegetable juices (+36% to \$8.8 million); frozen vegetable (+13% to \$6.4 million); fresh or chilled vegetable (-39% to \$4.4 million); wine of fresh grapes (+4% to \$3.9 million).
 - **Miscellaneous F&B (+7% to \$62 million)** – food preparations (+20% to \$27 million), natural honey (-14% to \$14 million).
- **Down** in Q4 2021 (compared to Q4 2020)
 - Fish and seafood products (-14% to \$14 million) – frozen or chilled fish fillets and other fish meat (-1.8% to \$5.5 million) including frozen Pacific salmon fillet (+1,700% to \$943,000); other frozen fish (-30% to \$4.4 million), fresh and chilled fish (+23% to \$2.3 million).
- **Up** for the 2021 calendar year (year-on-year):
 - **Meat and meat products (+16% to \$458 million)** – frozen beef (+43% to \$179 million); chilled beef (+2.9% to 91 million); chilled or frozen sheep meat (-13% to \$91 million); edible offal (+62% to \$75 million).
 - **Metal and metal products (+26% to \$660 million)** – unwrought aluminium (+27% to \$629 million). [Note: The volume of aluminium exports decreased, but this was more than offset by the step increase in price.]
 - **Forestry and wood products (+7% to \$360 million)** – Fibreboard (+20% to \$148 million); Wood for fuel (+16% to \$59 million), Rough wood (+6% to \$51 million). (Note: this sector was buoyed by the high global price for timber.)
- **Down** for the 2021 calendar year (year-on-year):
 - **Horticulture (-12% to \$794 million)** – kiwifruit (-13% to \$590 million) [Note: kiwifruit volume was up +8%, and importers report a +3% increase in expenditure in yen]; fresh or chilled vegetables (-21% to \$59 million); apples, pears and quinces (-22% to \$30 million) [Note: Apple importers report a 30% increase in expenditure in yen]; fruit & vegetable juices -7% to \$30 million); frozen vegetables (+12% to \$27 million).
 - **Dairy (-5% to \$724 million)** – cheese and curd (-10% to \$342 million), casein (+17% to \$137 million); albumins (+6% to \$81 million), whey (+2% to \$73 million); butter (-33% to \$50 million)
 - **Miscellaneous F&B (-20% to \$190 million)** – food preparations (-13% to \$86 million), Honey (-45% to \$39 million) [Note: this is a return to 2019 levels, following record breaking figures in 2020 due to COVID].
 - **Fish and Seafood Products (-11% to \$61 million)** – frozen or chilled fish excluding fillets (-6.3% to \$27 million) [Note: importers say this was due to a decrease in demand for Hoki] including frozen Pacific salmon (+62% to

\$4.9 million); frozen fish fillets (-4% to \$14.3 million) including Pacific salmon (+1,900% to \$2.5 million); fresh and chilled fish (-16% to \$13 million) including Pacific salmon (+45% to \$6.4 million). [Note: importers report a decrease in the demand for fresh fish due to a downturn at high-end sushi restaurants.]

In the news...

- **Flying cars:** ANA Holdings, Toyota Motors, and US mobility firm Joby Aviation are planning a business tie-up in the field of flying cars. With the entry of Japan's largest airline (ANA Holdings), the air transportation network can be fully developed to reach places that are too close or impractical for an airplane but inconveniently far by bus or taxi.
- **Japan's food exports hit record high:** Japan's food exports increased by over 25% in 2021 compared to 2020, reaching a value of nearly NZ\$16 billion. Mainland China was the largest market for Japanese agricultural and food products, followed by Hong Kong, the United States, and Taiwan.
- **First economic pact:** Japan and South Korea established their first formal trade agreement on 1 February when the Regional Comprehensive Economic Partnership (RCEP) took effect in South Korea. RCEP came into effect for Japan, New Zealand and eight other countries at the start of 2022. South Korea is Japan's third largest trading partner after China and the United States.
- **Overseas visitor numbers fall even further:** Around 353,000 foreign nationals entered Japan in 2021, a 92% decline from 2020 when 4.3 million foreigners entered the country. In the pre-pandemic year of 2019, a record of over 30 million foreigners entered Japan.
- **Future lies in electric cars:** Electronics giant Panasonic plans to establish new production lines at its plant in Wakayama Prefecture in western Japan to mass produce high-capacity batteries for American electric vehicle maker Tesla. Panasonic's net profit for the April-December period grew 50% from the same period a year earlier in part because of robust sales of batteries for electric cars.

Japan: latest economic indicators

- **GDP** – Japan's GDP rebounded an annualised +5.4% in Q4 2021, or +1.3% on a seasonally adjusted quarterly basis, mainly driven by private consumption that grew +2.7% quarter to quarter.
 - **Private consumption** – which makes up around half of Japan's GDP – increased +2.7% in Q4 from the previous quarter (+11% annualised). The recovery in private consumption was prompted after the lifting of COVID-19 restrictions in October 2021, but the re-introduction of restrictions in Q1 2022 will again reduce consumption.
 - **Capital expenditure/corporate plant investment** (private non-residential investment) was up +0.4% in Q4 (+1.6% annualised), from -2.4% in Q3.
 - **Goods and service exports** – up +1.0% (+3.9% annualised) in Q4 2021.
 - **Goods and services imports** – down 0.3% (-1.1% annualised) in Q4 2021.
 - **Consumer confidence index** – fell 2.4 points to a 5-month low of 36.7 in January 2022 from 39.1 in December 2021, due to uncertainties caused by growing Omicron cases in most parts of the country.
 - **Business confidence index** – The Bank of Japan's Tankan survey index showed continued optimism among large corporations in both manufacturing (+18) and non-manufacturing (+2) business while SMEs in both business fields showed more pessimistic outlook (-1 in manufacturing, -4 in non-manufacturing business).
 - **Consumer prices** – The general CPI for all products increased +0.1% month-on-month in December. The average CPI for 2021 (Jan-Dec) was -0.2%, significantly different from the high inflation rates in many developed countries.
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