

**【Fundamentals Navigator】****Japan consumption data (August 2020): Goods consumption picks up, but service consumption sluggish**

(original Japanese report issued on October 9, 2020)

**Amusement & leisure service spending likely improved in Sep, partly on policy effects**

Core statistics on personal consumption (household expenditure survey, real consumption expenditure, retail sales value) for August all showed narrower YoY declines as well as MoM increases on a seasonally adjusted basis for the first time in two months. Goods consumption was solid, and retail sales value figures showed a boost from rising temperatures for air conditioners and food & beverages, while motor vehicle sales continued to recover. The household expenditure survey also showed a YoY rise in goods consumption for the first time in two months, but spending on services was well below the year-earlier level (mainly in amusement & leisure services). High-frequency data seems to indicate reasonably solid goods consumption in September. Spending on amusement & leisure activities likely improved in September on benefits from Japan's slowing rate of new COVID-19 cases and the relaxation of requirements for holding events.

- (1) Current Survey of Commerce: Retail sales value data, which indicates goods consumption trends, showed a 1.9% YoY drop in August in nominal terms, marking a narrower decline than in July (-2.9%), and the first MoM increase on a seasonally adjusted basis in two months (+4.6% vs. -3.4% in Jul). Demand for seasonal products was boosted by high temperatures in August. Growth accelerated for food & beverages (convenience stores, etc.; +2.7% vs. 1.4%). For machinery & equipment (consumer electronics, etc.), growth was below the July rate overall (+3.8% vs. +8.1%) but accelerated for appliances, including air conditioners. Fabrics, apparel & accessories again fell sharply but improved narrowly from July (-17.4% vs. -19.1%). Meanwhile, motor vehicles have remained on a double-digit downtrend since April, but the pace of decline slowed in August (-14.1% vs. -15.8%), reflecting a bottom in new car sales.
- (2) Service consumption: Within service consumption, which is not covered by the Current Survey of Commerce, the improving trends seen earlier for restaurants and travel faltered. YoY declines in restaurant sales had been narrowing since peaking in April but widened again in August (-16.0% vs. -15.0% in Jul; Japan Foodservice Association). We believe this partly reflects negative impact from official requests to reduce operating hours, which were issued for izakayas (-59.0% vs. -52.8%) and other establishments in some areas. The pace of decline in the number of accommodation guests (Japanese) rose for the first time in three months (-51.5% vs. -47.9% in Jul; Japan Tourism Agency). Many people participated in the "Go To Travel" campaign that kicked off from late July, but this did not translate to a meaningful demand boost.
- (3) Household expenditure: The August household expenditure survey showed a 6.9% YoY drop in real consumption expenditure (households of two or more).

**August 2020****Current Survey of Commerce (30 Sep)**

Nominal retail sales value:  
-1.9% YoY

**Family Income and Expenditure Survey (9 Oct)**

Real Consumption Expenditures:  
Two-or-more-person households  
-6.9% YoY

**Consumption Trend Index (9 Oct)**

All households: -7.4% YoY  
Two-or-more-person households:  
-6.6% YoY,  
Single-person households:  
-9.0% YoY  
(real terms)

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This represents a smaller decline than in July (-7.6%), and spending was up MoM for the first time in two months on a seasonally adjusted basis (+1.7% vs. -6.5% in Jul). Spending on goods was up YoY for the first time in two months (+2.0% vs. -1.0%), boosted by beverages (+5.9% vs. -0.5%) and household consumables (+15.2% vs. 12.3%; incl. pesticides, etc.). Among durable goods, the pace of decline for motor vehicles narrowed (-18.2% vs. -35.8%), and spending on bicycles was brisk (+72.4% vs. +5.2%). Apparel consumption was sluggish (clothing: -29.2% vs. -25.3%). Meanwhile, spending on services continued to fall sharply (-15.0% vs. 15.8%). Basic expenditure picked up (healthcare -2.7% vs. -5.7%; incl. medical treatment fees), but spending on reading & recreation remained low (-37.6% vs. -40.6%). Spending on accommodation slumped even more sharply than in July (-47.1% vs. -39.3%), trending in tandem with guest numbers.

- (4) Outlook: Weekly data from the Ministry of Economy, Trade and Industry points to steeper YoY declines in areas such as consumer electronics in September. However, underlying trends appear reasonably solid considering that year-earlier levels were high due to rush demand ahead of the consumption tax hike. September figures will likely show MoM improvement for amusement & leisure services thanks to Japan's slowing rate of new COVID-19 cases, the relaxation of requirements for holding events, and expansion of eligibility for participation in the "Go To Travel" campaign.

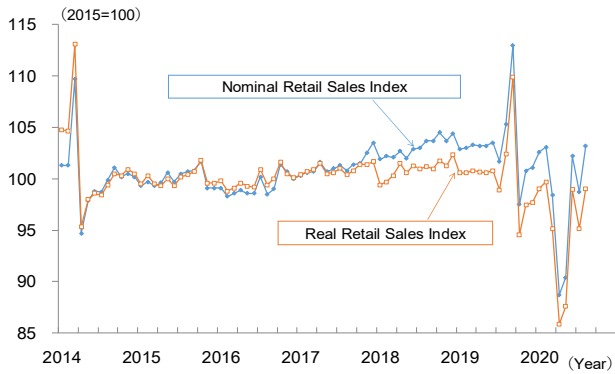
**Figure 1. Overview of consumption statistics**

		2019					2020								
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
<b>Report on the Current Survey of Commerce</b>															
Retail Sales (Nominal)	YoY%	1.8	9.2	-7.0	-2.1	-2.6	-0.4	1.6	-4.7	-13.9	-12.5	-1.3	-2.9	-1.9	
General Merchandise	"	0.2	14.0	-13.3	-4.4	-5.1	-3.4	-4.6	-20.9	-42.9	-35.2	-11.1	-12.3	-12.2	
Fabrics Apparel & Accessories	"	4.6	2.0	-5.9	-0.1	-6.4	-0.9	-3.5	-22.7	-54.1	-34.6	-6.3	-19.1	-17.4	
Food & Beverages	"	0.7	1.2	-1.9	0.3	-0.2	0.5	3.6	-0.6	0.3	1.9	2.7	1.4	2.7	
Motor Vehicles	"	2.2	16.9	-16.8	-6.1	-3.6	-1.7	-1.1	-1.4	-23.7	-35.1	-17.0	-15.8	-14.1	
Machinery & Equipment	"	12.1	37.8	-14.7	-8.1	-11.1	-2.8	1.9	-7.1	-13.5	-6.2	16.2	8.1	3.8	
Fuel	"	-3.6	-0.1	-12.7	-6.8	-3.3	0.2	2.8	-6.4	-22.1	-28.4	-14.8	-12.4	-7.1	
Medicine & Toiletry Stores	"	6.0	16.4	0.6	2.5	3.4	4.2	9.2	1.6	3.0	-3.2	3.2	1.2	1.6	
<b>Family Income and Expenditure Survey</b>															
Two-or-more-person Households	Real consumption expenditure	YoY%	1.0	9.5	-5.1	-2.0	-4.8	-3.9	-0.3	-6.0	-11.1	-16.2	-1.2	-7.6	-6.9
Workers' households	Real consumption expenditure	YoY%	1.4	7.7	-5.2	-1.4	-4.1	-4.9	-0.4	-8.1	-10.0	-15.5	-3.4	-10.4	-6.7
	Real disposable income	"	-2.5	-1.4	0.1	2.7	-1.7	2.3	2.7	0.9	-0.6	13.4	18.9	11.7	0.8
No-occupation households	Real consumption expenditure	"	3.8	11.9	-7.3	-4.1	-5.7	-1.5	1.2	-2.9	-10.9	-16.9	3.4	-3.3	-6.7
<b>Survey of Household Economy</b>															
Expenditure ordered over the Internet	YoY%	12.9	22.7	0.0	4.2	3.5	8.9	-1.0	-4.6	5.9	16.5	20.3	15.1	8.8	

Note: Family Income and Expenditure Survey figures for 2019 are adjusted for fluctuations

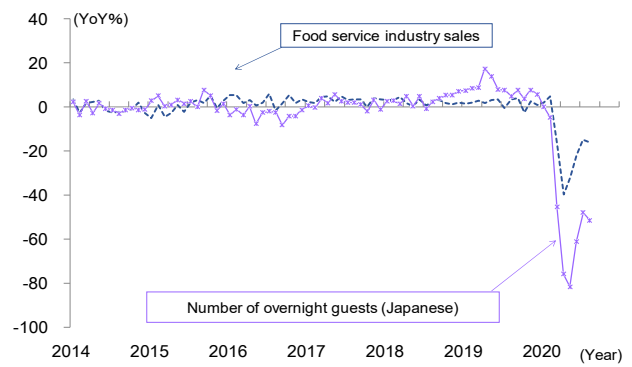
Source: MUMSS, from Ministry of Economy, Trade and Industry (METI) "Current Survey of Commerce", Ministry of Internal Affairs and Communications (MIC) "Family Income and Expenditure Survey", "Consumption Trend Index (Micro)" and "Survey of Household Economy"

**Figure 2. Retail sales**



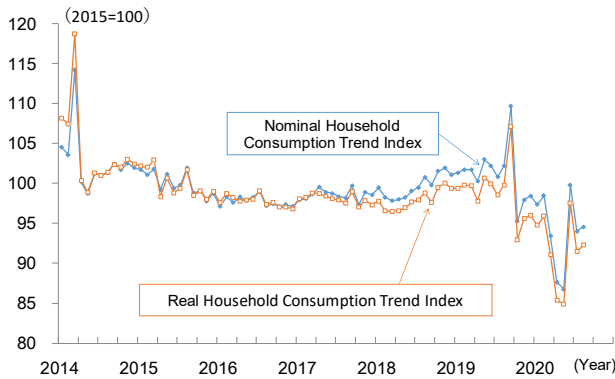
Note: Real figures calculated by MUMSS  
 Source: MUMSS, from METI's Monthly Report on the Current Survey of Commerce and MIC's CPI data

**Figure 3. Indicators of services consumption**



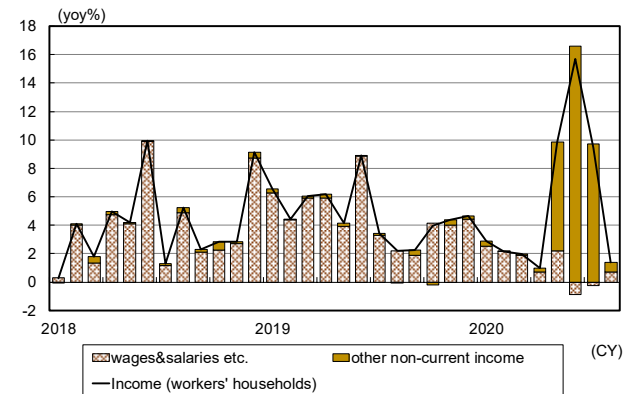
Source: MUMSS, from related surveys by food service industry association JF (on restaurant industry) and Japan Tourism Agency (on accommodation)

**Figure 4. Household consumption (households of two or more persons)**



Source: MUMSS, from MIC Consumption Trend Index (CTI)

**Figure 5. Income (workers' households)**



Source: MUMSS, from MIC's Family Income and Expenditure Survey

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## Appendix A

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