【Fundamentals Navigator】

Japan consumption data (December 2020): Dining, travel slump on pandemic and policy

(original Japanese report issued on February 5, 2021)

Online shopping grows further; renewed emergency to keep spending down in Jan, muted in Feb
Consumer spending on dining and travel slumped in December in the face of the widening pandemic and government countermeasures (request for shortened business hours, phased suspension of Go To travel campaign). Goods consumption did not drop notably, underpinned by buoyant sales of heating equipment and clothing as temperatures fell. Online shopping made further gains amid the pandemic. Available data for January at this stage show no big change in goods purchasing, but dining and travel look to have tumbled further under the renewed state of emergency. We believe consumption overall will decline. With the extension in the state of emergency to 7 March, spending looks to remain muted in February.

(1) Current Survey of Commerce: Nominal retail sales in December, an indicator of goods consumption trends, were down 0.3% YoY (November: +0.6%) and down 0.8% MoM s.a. (-2.1%), the latter a second straight decline. Machinery/appliances slipped 2.0% MoM s.a. (+7.2%) after a one-month gain as strong heating equipment sales failed to offset the backlash from the launch of new smartphone models the previous month. Food/beverage products dropped 1.1% (-1.5%) in a continued downtrend, hurt by falling vegetable prices. At the same time, clothing prices turned around with a 5.8% gain (-1.6%), supported by low temperature, and automobiles continued their recovery, climbing 3.6% (-0.7%).

(2) Services consumption: Down due to the pandemic and government policy. The Japan Foodservice Association reports that restaurant sales sank 15.5% YoY in December (November -7.8%, October -5.7%). The downturn worsened from previous months on the widening pandemic, reduced business hours, and calls for large groups to refrain from dining out. Pubs and *izakaya* (-60.9%) were particularly badly hit. The Japan Tourism Agency says that the number of domestic hotel guests (Japanese) was down 24.4% (-16.1%), the first worsening in the figure in four months. We attribute this to the phased suspension in the Go To travel campaign, which was eventually extended nationwide on 28 December.

(3) Household data: The Household Income and Expenditure Survey revealed that real spending (households of two or more persons) declined 0.6% YoY in December (November: +1.1%) but turned upward on a MoM s.a. basis at 0.9% (-1.8%). The winter chill boosted sales of clothing and footwear, up 9.6% MoM s.a. (-1.3%), and heating equipment and

December 2020

Current Survey of Commerce (28 Jan)

Nominal retail sales value: -0.3% YoY

Family Income and Expenditure Survey (5 Feb)

Real Consumption Expenditures: Two-or-more-person households -0.6% YoY

Consumption Trend Index (5 Feb)

All households: +0.6% YoY
Two-or-more-person households: +0.0% YoY,
Single-person households: +2.7% YoY
(real terms)

other furniture/appliances, up 2.2% (-13.4%). Culture/recreation slid 3.5% (-1.7%). Durable goods and game software remained firm, but spending on culture/recreation services (e.g. accommodations, package tours, theatrical and sporting events) remained depressed.
Travel/communication dipped 0.2% (-4.6%) due to railway and air fares, while food fell 1.2% (+1.4%) on lower restaurant spending. The related Survey of Household Economy found that a record 54.55% of household purchased items online. The purchasing amount also jumped another 23.6% YoY, with food deliveries and digital books more than doubling.

(4) Outlook: We anticipate an even worse drop in spending on dining and travel in January in the wake of the renewed state of emergency for 11 prefectures. Goods spending was relatively firm, automobile sales (passenger cars, including minicars) remained positive with a 7.8% YoY gain, and METI's METI-POS retail sales data show a steady performance at supermarkets from the shift in demand away from restaurants. Still, we believe spending overall will decline. With the one-month extension of the state of emergency in 10 prefectures to 7 March, we expect spending to remain sluggish in February as well.

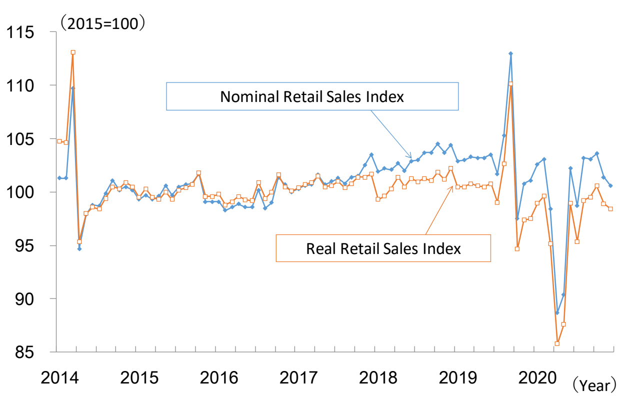
Figure 1. Overview of consumption statistics

			2019		2020											
			Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Report on the Current Survey of Commerce																
Retail Sales (Nominal)		YoY%	-2.1	-2.6	-0.4	1.6	-4.7	-13.9	-12.5	-1.3	-2.9	-1.9	-8.7	6.4	0.6	-0.3
General Merchandise		〃	-4.4	-5.1	-3.4	-4.6	-20.9	-42.9	-35.2	-11.1	-12.3	-12.2	-24.4	-0.4	-10.1	-9.5
Fabrics Apparel & Accessories		〃	-0.1	-6.4	-0.9	-3.5	-22.7	-54.1	-34.6	-6.3	-19.1	-17.7	-24.1	-4.0	-7.7	-4.4
Food & Beverages		〃	0.3	-0.2	0.5	3.6	-0.6	0.3	1.9	2.7	1.4	2.4	1.5	3.6	0.3	-1.4
Motor Vehicles		〃	-6.1	-3.6	-1.7	-1.1	-1.4	-23.7	-35.1	-17.0	-15.8	-13.8	-16.0	16.7	3.0	3.9
Machinery & Equipment		〃	-8.1	-11.1	-2.8	1.9	-7.1	-13.5	-6.2	16.2	8.1	3.9	-24.3	27.3	26.2	16.4
Fuel		〃	-6.8	-3.3	0.2	2.8	-6.4	-22.1	-28.4	-14.8	-12.4	-6.9	-8.1	-0.6	-10.2	-8.4
Medicine & Toiletry Stores		〃	2.5	3.4	4.2	9.2	1.6	3.0	-3.2	3.2	1.2	1.7	-6.9	3.1	-0.8	1.7
Family Income and Expenditure Survey																
Two-or-more-person Households	Real consumption expenditure	YoY%	-2.0	-4.8	-3.9	-0.3	-6.0	-11.1	-16.2	-1.2	-7.6	-6.9	-10.2	1.9	1.1	-0.6
Workers' households	Real consumption expenditure	YoY%	-1.4	-4.1	-4.9	-0.4	-8.1	-10.0	-15.5	-3.4	-10.4	-6.7	-7.7	2.8	1.6	-2.0
	Real disposable income	〃	2.7	-1.7	2.3	2.7	0.9	-0.6	13.4	18.9	11.7	0.8	2.9	2.6	-0.4	-1.3
No-occupation households	Real consumption expenditure	〃	-4.1	-5.7	-1.5	1.2	-2.9	-10.9	-16.9	3.4	-3.3	-6.7	-14.5	2.0	-0.9	0.9
Survey of Household Economy																
Expenditure ordered over the Internet		YoY%	4.2	3.5	8.9	-1.0	-4.6	5.9	16.5	20.3	15.1	8.8	2.6	37.9	33.2	23.6

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"

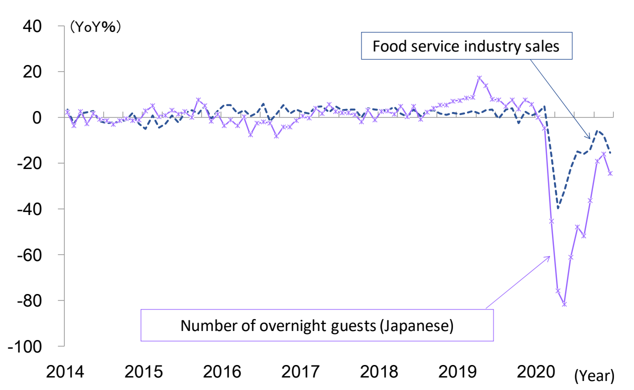
Figure 2. Retail sales value



Note: Real figures calculated by MUMSS

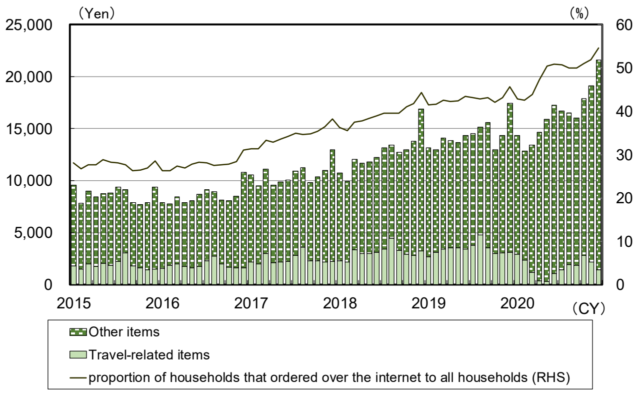
Source: MUMSS, from METI's Monthly Report on the Current Survey of Commerce and MIC's CPI data

Figure 3. Indicators of services consumption



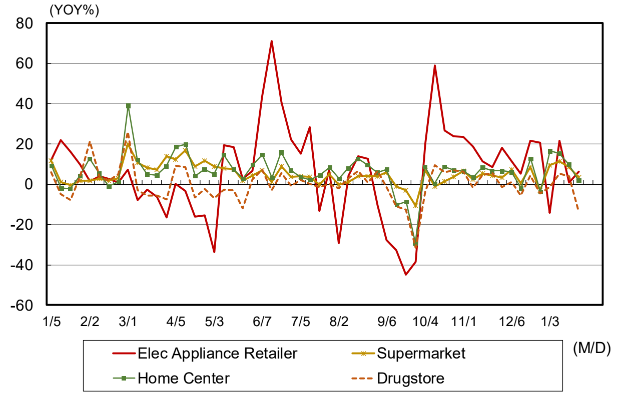
Source: MUMSS, from related surveys by food service industry association JF (on restaurant industry) and Japan Tourism Agency (on accommodation)

Figure 4. Spending on online shopping (households of two or more persons)



Source: MUMSS, from MIC "Survey of Household Economy" data

Figure 5. Retail sales (weekly)



Source: MUMSS, from METI data

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Appendix A

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