【Fundamentals Navigator】

Japan consumption data (February 2021): Goods spending edges up, dining/travel still sluggish

(original Japanese report issued on April 6, 2021)

State of emergency ended in March but business hours still constrained, slow recovery ahead

Goods consumption improved somewhat in February. Clothing picked up as the weather warmed, and PCs and other computing equipment also grew. Dining and travel spending remained sluggish as in January amid the continued state of emergency in ten prefectures. We expect a slow recovery in consumption in March. While the state of emergency was lifted nationwide during the month, it remained in force in Tokyo and three surrounding prefectures until 21 March, and restaurants and bars in many areas are still being asked to close early. As a result, a strong comeback in dining and travel spending would appear unlikely. Spending is down YoY for some goods, but this is looks to be largely a backlash from last year's spike in demand for masks and related items. We believe goods consumption overall remains firm.

(1) Survey of Commerce: Nominal retail sales, an indicator of goods consumption, was steady overall in February, improving to a decline of 1.5% YoY (January: -2.4%) while rising 3.1% MoM (-1.7%) for the first upturn in three months. General merchandise (e.g., department store sales) were up 12.2% YoY (-11.2%). Clothing picked up as the weather warmed, and fabrics/apparel/accessories turned upward, if only slightly, with a 1.5% gain (-16.8%). Machinery/equipment rose 7.2% (-4.6) on a recovery in computers. Automobiles posted a ninth straight increase at 1.4% (+8.0%).

(2) Services consumption: Spending remained stagnant under the state of emergency. Restaurant sales slumped 22.3% YoY (January: -21.0%, Japan Foodservice Association). The number of domestic hotel guests (Japanese) fell 46.0% (-49.7%, Japan Tourism Agency). Still, those results were less drastic than during the first state of emergency in April and May last year, when restaurant sales slid 39.6% and 32.2% and domestic hotel guest numbers plunged 75.9% and 81.6%.

(3) Family Income and Expenditure Survey: Real spending (two-or-more-person households) declined 6.6% YoY in February (January: -6.1%), worsening from the preceding month. At the same time, the Ministry of Internal Affairs estimates that real spending adjusted for last year's leap year effect was down 4.3%, slightly better than January. The adjusted MoM figure was up 2.4% (-7.3%), recovering after a one-month drop. On an adjusted MoM basis, foods were up 4.0% (-4.2%) and clothes/footwear was up 22.5% (-23.4%), offsetting the previous month's decrease. Culture/recreation improved 3.8% (-13.3%), a modest comeback from January's double-digit downturn. PCs bounced back after a slowdown the preceding two months, but recreational services fell

February 2021

Current Survey of Commerce (30 Mar)

Nominal retail sales value

: -1.5% YoY

Family Income and Expenditure Survey (6 Apr)

Real Consumption Expenditures:

Two-or-more-person households

-6.6% YoY

Consumption Trend Index (6 Apr)

All households: -6.0% YoY

Two-or-more-person households:

-6.7% YoY,

Single-person households: -3.8% YoY

(real terms)

32.4% (-33.3%), including a 52.4% drop in accommodation charges (-56.0%). Furniture/household utensils retreated 1.3% (+0.2%) on reduced demand for heating equipment, and miscellaneous was down another 9.3% (-4.7%) on weakness in bags and jewelry.

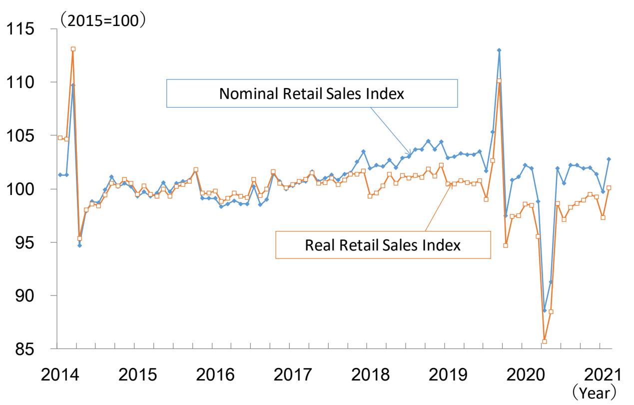
(4) Outlook: We expect a gradual rebound in personal spending in March. The removal of the state of emergency should lead to increased spending on dining and travel. That said, the emergency did not end in Tokyo and three surrounding prefectures until 21 March. Given that restaurants and bars in many areas are still being asked to close early, albeit under slightly looser conditions, a strong comeback in dining and travel spending would appear unlikely. Goods spending should remain solid. The worsening YoY decline at superstores since the end of February shown in weekly data (METI-POS retail sales) is partly a backlash from the elevated demand last year for masks and paper goods. We should note that special pandemic prevention measures are being newly imposed in Osaka and five other cities (representing 5% of the nation's population) in April and May, including a renewed tightening of constraints on restaurant operating hours.

Figure 1. Overview of consumption statistics

			2020											2021	
			Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Report on the Current Survey of Commerce															
Retail Sales (Nominal)		YoY%	1.6	-4.7	-13.9	-12.5	-1.3	-2.9	-1.9	-8.7	6.4	0.6	-0.2	-2.4	-1.5
General Merchandise		〃	-4.6	-20.9	-42.9	-35.2	-11.1	-12.3	-12.2	-24.4	-0.4	-10.1	-9.5	-17.4	-10.0
Fabrics Apparel & Accessories		〃	-3.5	-22.7	-54.1	-34.6	-6.3	-19.1	-17.7	-24.1	-4.0	-7.7	-4.5	-17.8	-17.9
Food & Beverages		〃	3.6	-0.6	0.3	1.9	2.7	1.4	2.4	1.5	3.6	0.3	-1.0	-0.1	-1.8
Motor Vehicles		〃	-1.1	-1.4	-23.7	-35.1	-17.0	-15.8	-13.8	-16.0	16.7	3.0	4.4	6.0	6.0
Machinery & Equipment		〃	1.9	-7.1	-13.5	-6.2	16.2	8.1	3.9	-24.3	27.3	26.2	15.9	12.5	11.2
Fuel		〃	2.8	-6.4	-22.1	-28.4	-14.8	-12.4	-6.9	-8.1	-0.6	-10.2	-8.4	-9.6	-9.4
Medicine & Toiletry Stores		〃	9.2	1.6	3.0	-3.2	3.2	1.2	1.7	-6.9	3.1	-0.8	1.3	-1.1	-5.2
Family Income and Expenditure Survey															
Two-or-more-person Households	Real consumption expenditure	YoY%	-0.3	-6.0	-11.1	-16.2	-1.2	-7.6	-6.9	-10.2	1.9	1.1	-0.6	-6.1	-6.6
Workers' households	Real consumption expenditure	YoY%	-0.4	-8.1	-10.0	-15.5	-3.4	-10.4	-6.7	-7.7	2.8	1.6	-2.0	-4.1	-6.9
	Real disposable income	〃	2.7	0.9	-0.6	13.4	18.9	11.7	0.8	2.9	2.6	-0.4	-1.3	-2.3	-0.6
No-occupation households	Real consumption expenditure	〃	1.2	-2.9	-10.9	-16.9	3.4	-3.3	-6.7	-14.5	2.0	-0.9	0.9	-8.4	-8.5
Survey of Household Economy															
Expenditure ordered over the Internet		YoY%	-1.0	-4.6	5.9	16.5	20.3	15.1	8.8	2.6	37.9	33.2	23.6	18.0	22.8

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"

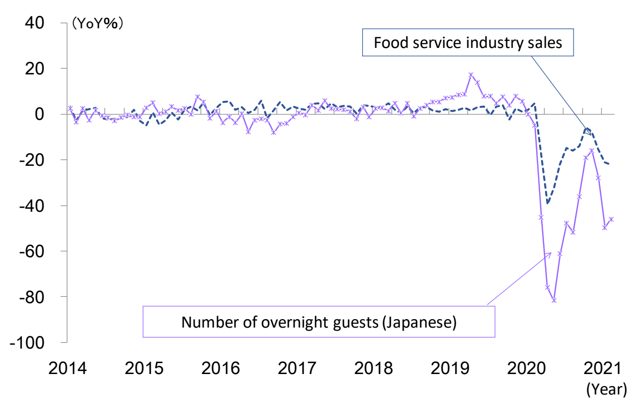
Figure 2. Retail sales value



Note: Real figures calculated by MUMSS

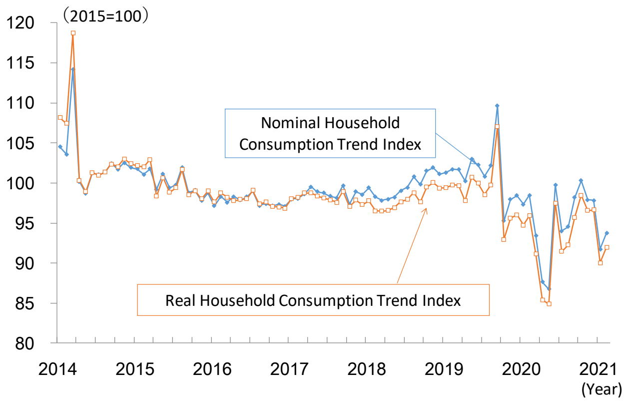
Source: MUMSS, from METI's Monthly Report on the Current Survey of Commerce and MIC's CPI data

Figure 3. Indicators of services consumption



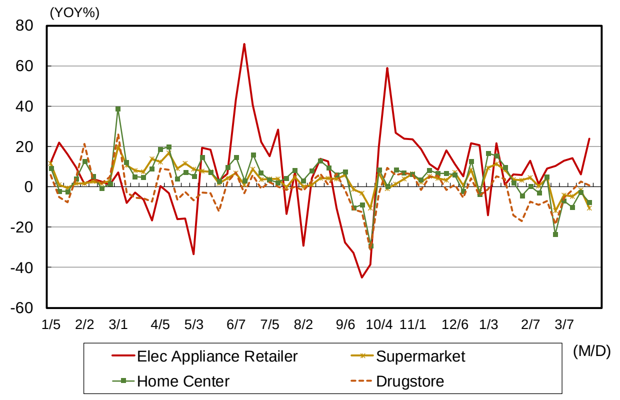
Source: MUMSS, from related surveys by food service industry association JF (on restaurant industry) and Japan Tourism Agency (on accommodation)

Figure 4. Household Consumption Trend Index



Source: MUMSS, from MIC "Household Consumption Trend Index" data

Figure 5. Retail sales (weekly)



Source: MUMSS, from METI-POS retail sales data

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Appendix A

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