

Japan Economy's Digest

February 9~ 15, 2010

The Office of Commercial Affairs,

Royal Thai Embassy in Tokyo, Japan

1. Japan still world's No. 2 economy with 4Q GDP jump

Japan held its title as the world's second-biggest economy after fourth-quarter growth beat expectations and kept the country just ahead of a surging China. Real gross domestic product grew at an annual pace of 4.6 percent in the October-December period, the government said Monday. The average forecast of 15 economists polled by The Associated Press was annualized growth of 3.4 percent.

Japan's nominal GDP for the 2009 calendar year came to about \$5.1 trillion, topping China's domestic output of \$4.9 trillion.

On the surface, the results reflect how Japan has benefited from government stimulus measures at home and around the world, which have bolstered global trade and persuaded Japanese households to boost spending. GDP, or the total value of the nation's goods and services, has climbed now for three straight quarters and looks unlikely to retreat this year.

Consumer spending, which accounts for about 60 percent of the economy, rose 0.7 percent from the previous quarter as shoppers took advantage of incentives on cars and home appliances. More confident companies are also starting to invest in factories and equipment. Analysts predict that consumer demand will almost certainly decelerate, hindering growth in the months ahead. Exacerbating woes is a viscous cycle of falling prices and wages, along with a shrinking population and tax base.

GDP fell a record 5 percent in 2009, the Cabinet Office report said in its report.

In contrast, China's red-hot economy is expanding at a furious pace. Fourth quarter growth jumped to 10.7 percent, bringing overall 2009 growth to 8.7 percent.

It is soaring demand from China and other Asian markets that has lifted Japan from its own downturn, helping to offset persistent domestic weaknesses. Japanese exports in December rose for the first time since the collapse of Lehman Brothers in late 2008, powering industrial production up 2.2 percent from the previous month.

The annualized headline GDP figure corresponds to quarterly growth of 1.1 percent. Corporate capital spending climbed 1 percent in the first expansion since January-March 2008. Public investment fell 1.6 percent, while exports jumped 5 percent.

Source: Daily Yomiuri, February 15, 2010

2. Indonesian caregivers take mock test in Japanese

Indonesian caregivers working in Japan have sat for a mock test ahead of the national nursing qualification exam they will take in the coming years. The test was conducted by the labor and welfare ministry to determine what kind of support foreign care workers should receive.

The examinees answered two versions of the test, one with and one without kana phonetic syllables written alongside the Chinese characters to aid reading of the Japanese. The training

project, which started in 2008 under a bilateral economic partnership agreement, requires Indonesian caregivers to pass Japan's qualification test within 4 years if they want to continue working in the country.

But concerns have been raised over the test, because it is written in Chinese characters, which are difficult for the foreign examinees, who are learning Japanese while working. The ministry plans to use the test results to determine what kind of assistance measures to provide for foreign care workers.

Source: NHK News, February 15, 2010

3. Beer shipments slump 12.9%

Domestic shipments of beer and beerlike drinks in January slumped 12.9 percent from a year earlier to 19.43 million cases, hitting the lowest level for the reporting month since relevant data began in 1992, according to figures released Friday by major brewers. Overall shipments declined for the first time in two months as regular beer shipments tumbled 11.9 percent to 9.84 million cases, due in part to lower consumption among young people. One case holds 20 633-milliliter bottles. Shipments of low-malt "happoshu" beer plummeted 32.8 percent to 3.44 million cases, while those of inexpensive, so-called third-category beerlike alcoholic drinks rose 2.1 percent to 6.15 million cases, a record high for January with consumers tightening their belts amid the economic downturn. As a result, third-category beer surpassed 30 percent of overall shipments. Particularly popular in this category were Kinmugi produced by Suntory Liquors Ltd. and Mugi to Hop made by Sapporo Breweries Ltd.

Source: The Japan Times, February 13, 2010

4. Sapporo Brewery's future moves could reshape beer industry

Sapporo Holdings Ltd.'s future moves could hold the key to a realignment of the slumping beer industry after Kirin Holdings Co. and Suntory Holdings Ltd. abandoned their planned merger, say industry insiders.

Even though Japan's beer industry is expected to continue to be dominated by four major companies, Kirin, Suntory, Asahi Breweries Ltd. and Sapporo for now, there are potential moves toward realignment.

The beer market in Japan has shrunk because a growing number of consumers have switched from regular beer to less expensive "third-category" beer due to the recession. As a result, massive amounts of advertising and sales promotion costs have increased the burden for beer manufacturers. Under these circumstances, brewery companies are expected to form business tie-ups with their domestic competitors to make up for a downfall in business overseas.

Kirin and Suntory unified the rings of their beer cans in 2007 while jointly procuring cardboard boxes and jointly shipping their products in some regions. Kirin has also cooperated with Sapporo in joint shipments in some areas of Hokkaido and is willing to cooperate with other rival firms on individual business projects.

Asahi President Hiroshi Ogita denied that the company will merge with Sapporo or any other domestic competitor. "There is no possibility that we'll engage in an M&A with any domestic liquor company."

Beer, Beer-like Drinks in '09	
1 Kirin Brewery	37.7
2 Asahi Breweries	37.5
3 Suntory	12.3
4 Sapporo Breweries	11.7
5 Orion Breweries	0.9
Soft Drinks in '08	
1 Coca-Cola group	29.4
2 Suntory Beverage & Food	18.3
3 Kirin Beverage	11.1
4 Ito En	9.2
5 Asahi Soft Drinks	7.7
Others	24.3

Instead, Asahi is placing priority on its overseas businesses such as increasing its stake in Tsingtao Brewery Co. in China.

Pointing to the possibility that Steel Partners could propose that Western brewing companies that are aspiring to launch businesses in Japan take over Sapporo Holdings, industry sources say the brewery company is likely to hold the key to the realignment of the industry. (By Jun Kubota, Mainichi Shimbun)

Source: Mainichi Japan, February 9, 2010

5. Big Retailers Embrace Online Sales As Outlets Slump

With sales at outlets reeling, major retailers are strengthening their Internet-based operations in a bid to tap the double-digit growth in the online market. AEON Co. (8267) plans to double the number of stores handling online sales to about 120 in the year ending February 2011. Ito-Yokado Co., will increase the number of stores handling online sales to about 130 from the current 120. Seven & I set up Seven Net Shopping Co., which offers a service at about 13,000 Seven-Eleven Stores nationwide. Nomura Research Institute Ltd. projects that Japan's e-commerce market will expand 80% to 11.95 trillion yen between fiscal 2014 and fiscal 2009.

Source: The Nikkei Feb. 14 edition

6. Japanese Coffee Suppliers Resume Selling Mocha Beans

After months of sales suspension due to safety concerns, Japan's coffee sellers will resume selling mocha coffee beans this spring, since quality inspection systems have been improved. Major coffee suppliers including Ajinomoto General Foods Inc. (AGF) and Key Coffee Inc. decided to freeze selling the Ethiopian beans in April 2008, when residual pesticides were detected in amounts higher than government regulations permit, resulting in a sharp decline in imports.

Source: The Nikkei Feb. 9 morning edition