

## “Private Consumption” is expected to recover from April

A year has passed since the consumption tax was raised. The tax hike was expected to affect the private consumption marginally, however, many of the consumption data continued declining and slow to recover since last summer. The y-o-y retail sales are likely to turn positive from this April, as last year’s figures were so low.

### Point 1

#### March consumption dragged by rush demand ahead of consumption tax hike in the previous year

##### Some data show improvement

- March retail sales of department stores, convenience stores and supermarkets (existing store sales basis hereafter) declined further y-o-y across the country compared with those in February, as the sales of March in the previous year had risen sharply due to rush demand ahead of consumption tax hike. However, the consumption seems to improve as the sales of foods whose rush demand was limited, increased y-o-y in supermarkets and the number of customers also grew y-o-y in convenience stores.

### Point 2

#### Sales of Department stores continue to increase due to inbound tourism consumption

##### Customers of convenience stores increased two months in a row

- Nationwide department store sales in March declined nearly 20% y-o-y, however, slightly increased compared with those in March 2013. Positive signs are seen as the sales of special promotion events rose favorably and those to foreign visitors expanded to double y-o-y.
- Convenience stores sales in March continued regardless of the impact by the consumption tax hike. The sales of daily foods such as lunch box and bread increased for three consecutive months and the number of customers (existing store basis) increased two months in a row. March sales (excluding tobacco) grew from the same month of the previous year.
- Supermarket sales in March increased y-o-y for fresh foods such as meat, fish and vegetable, while those for household goods, clothes and storable processed foods decreased.

#### Consumer Confidence Index & Consumer Perception Indices

(Households of two or more persons, seasonally adjusted)

	2014				2015		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Consumer Confidence Index	39.8	39.1	38.4	39.3	39.5	40.9	41.7
(m-o-m change, points)	-0.9	-0.7	-0.7	0.9	0.2	1.4	0.8
(y-o-y change, points)	-5.5	-2.5	-4.6	-2.4	-1.2	2.1	4.1
Overall livelihood	37.1	36.6	35.8	36.5	36.2	38.4	38.8
(m-o-m change, points)	-1.6	-0.5	-0.8	0.7	-0.3	2.2	0.4
(y-o-y change, points)	-5.0	-1.3	-4.1	-2.0	-1.4	2.3	3.6
Income growth	38.2	38.1	37.8	38.7	38.5	38.8	39.4
(m-o-m change, points)	-0.3	-0.1	-0.3	0.9	-0.2	0.3	0.6
(y-o-y change, points)	-2.2	0.1	-1.9	-0.4	-0.2	0.5	1.4
Employment	46.3	45.2	43.9	45.0	45.5	46.5	47.8
(m-o-m change, points)	-0.7	-1.1	-1.3	1.1	0.5	1.0	1.3
(y-o-y change, points)	-5.7	-2.0	-5.0	-3.6	-3.8	-0.8	1.9
Willing to buy durable goods	37.5	36.6	35.9	36.9	37.8	39.8	40.6
(m-o-m change, points)	-1.1	-0.9	-0.7	1.0	0.9	2.0	0.8
(y-o-y change, points)	-9.0	-6.5	-7.5	-3.8	0.8	6.5	9.5

(Source) SMAM, based on Cabinet Office, Japan data.

## Consumer sentiment is likely to improve led by increase in corporate earnings and wages

### ■ “Consumer Confidence Survey” improved for four consecutive months

The "Consumer Confidence Survey (Households of two or more persons)" published by the Cabinet Office on April 17<sup>th</sup> improved m-o-m for four consecutive months. All the Consumer Perception Indices such as “Overall livelihood,” “Income growth,” “Employment” and “Willingness to buy durable goods” of which the Consumer Confidence Index is composed, improved.

### ■ Wage growth and bonus increase should further improve consumption

Wages are expected to grow this year higher than the previous year. In addition, consumer confidence can be anticipated to improve this year as the negative impact is likely to fade away a year after the consumption tax hike and there is two years left before the next tax hike that is rescheduled to 2017. Bonus increase is also expected to boost the consumption thanks to upbeat corporate earnings.

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