

Expanding “Inbound tourism consumption”

The trend of “inbound tourism consumption” can be captured by “the trend of foreign tourists’ consumption” released by the Japan Tourism Agency every three months. The amount of consumption by foreign tourists to Japan is estimated on a questionnaire survey. Length of stay, travel satisfaction level and activities during the stay in Japan can also be found in the survey. For a monthly consumption trend, it can be found in the “Sales and visitors’ trend of foreign tourists” released by the Japan Department Stores Association.

Point 1

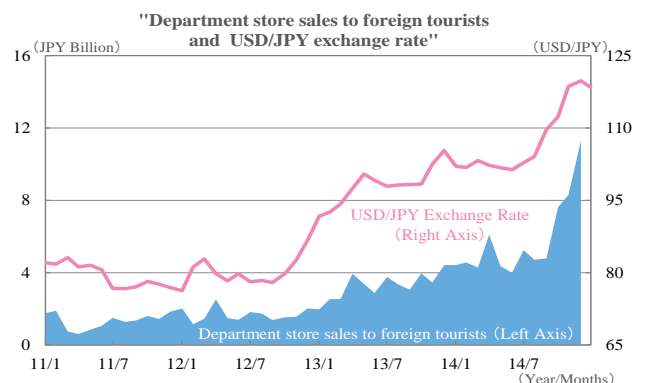
2014 “Inbound tourism consumption”- Historical high of JPY2trillion Accompanied by the historical high of foreign tourists’ numbers and increase in visitors from other Asian countries is outstanding

- According to the announcement made by the Japan Tourism Agency on January 20, total consumption in Japan by foreign tourists (“Inbound tourism consumption”) for 2014 rose by 43% y-o-y to the historical high of JPY2trillion. All consumption items including food & beverages, lodging, transportation and entertainment services increased, and particularly, shopping amount increased significantly by 54% to JPY714billion. By region, consumption by visitors from China (PRC) doubled from that of the previous year to JPY558billion, more than one quarter of the total consumption of the foreign visitors. Consumption by visitors from Thailand, Taiwan and Malaysia also grew significantly beyond 40% y-o-y, respectively.
- According to the announcement made by the Japan National Tourist Organization (JNTO) on January 20, a total of 13.41 million foreign tourists are estimated to visit Japan in 2014, 29% increase from 2013, showing the record high. The number of visitors from other Asian countries, particularly from China(PRC), Thailand and Malaysia, increased significantly. Thanks to the depreciation of Yen, foreign tourists seem to enjoy shopping as they feel prices in Japan have become lower compared to those in the past.

Point 2

“Inbound tourism consumption” accelerated since the latter half of 2014 Weakened yen and expansion of duty free items range made a positive impact

- The “inbound tourism consumption” has accelerated since the latter half of 2014 supported by progress of Yen depreciation. According to the statistics of “General merchandise sales to foreign tourists (except for expendables recently selected as new duty free items)” announced by the Japan Department Stores Association, the monthly sales started to show a rise from last October (JPY7.6billion in October, JPY8.1billion in November, and JPY11.3billion in December which was 2.5 times of the previous year) while they had been moving relatively stable around JPY5billion level during July to September of 2014.
- The sales of well-known brand items sharply expanded as they look less expensive in Yen compared with in local currency basis because of weakened yen. Increase in shop visitors thanks to the relaxation of duty free items range to expendables such as cosmetics and foods from 2014 October also made a positive impact on the consumption increase.



(Note) Data Period: Department store sales is from Jan. 2011 to Dec. 2014.
USD/JPY exchange rate is from Jan. 2011 to Jan. 2015 using month end closing price. Closing price of 26th for Jan. 2015.

(Source) SMAM, based on Bloomberg L.P. and the Japan Department Store Association data

Further increase in “inbound tourism consumption” expected Under the government’s “Visit Japan” promotion and weaker yen

■ Government measures to promote foreigners inbound tourism, “Visit Japan” campaign

The government is implementing several measures to attract foreign tourists to visit Japan such as relaxation of visa rules, expansion of duty free item range, and “visit Japan” campaign advertisement activities in overseas countries. These measures seem to be effective in increasing numbers of foreign tourists from abroad. The government goal of receiving 20 million foreign tourists in Japan, which was originally considered a tough hurdle, is now more likely to be achieved earlier than expected .

■ Increase in consumption at city centres and tourists spots expected

Given the divergence in the direction of interest rate policies of the US and Japan, JPY is likely to receive a depreciative pressure in the FX market. Therefore, further increase in “inbound tourism consumption” by foreign tourists is expected to sustain on the currency movement tendency. Such consumption increase through the expansion of “inbound tourism consumption” is welcomed and expected to see more growth by retailers in the busy areas of city centres such as Tokyo and Osaka, and also famous tourist spots in regional areas where many of foreign tourists have started to pay more visits than before.

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