

Telling Trends

Around the 20th of each month, the public relations chief of the Japan Department Stores Association calls reporters to the association's office in the lively Tokyo commercial center of Nihombashi to provide them with statistics on department store sales throughout Japan for the preceding month.

It has long been one of the givens of Japan's distribution industry that the monthly sales of department stores are strongly influenced by the weather, and that the principal factor affecting consumers' propensity to spend is the overall business cycle. The monthly association press conferences have always been just as predictable, with the PR officer explaining his figures with such comments as "low temperatures boosted sales of heavy coats," or "department store sales were good because corporations paid out larger winter bonuses than last year."

But the second half of 1987 brought a dramatic change in this familiar routine. Suddenly reporters were bombarding the dismayed PR officer with questions, demanding detailed explanations of the consumer trends reflected in department store sales statistics.

There were two reasons for this turnabout. One was that personal consumption sales, including department store and superstore sales, suddenly began to soar. Department store sales of such high-priced items as furniture and precious metals began expanding by an annualized 4-8% over the previous year. Sales growth in January-September was no less impressive, registering 6.7%.

The other reason, even more important than the first, was that for the first time ever this growth in personal consumption was "self-sustaining," moving independently of weather maps and business trends. Past economic recoveries were invariably led by export-oriented



Photo: Matsuya Department Store

Sales by department stores and superstores are now regarded as a gauge of the health of the economy.

corporations, but this time personal consumption itself has been the locomotive pulling the Japanese economy toward recovery. Department store and superstore sales have become a leading indicator of the health of the economy.

This change in the pattern of Japanese economic expansion is the cumulative result of structural changes over many years, including evolving lifestyles and shifts in family composition resulting from urbanization. But the factor that most brought these changes to the surface was the appreciation of the yen beginning in 1985. The rising yen stabilized consumer prices at low levels, while automobile and electrical appliance manufacturers were forced to launch all-out efforts to sell their products at home to free themselves of their dependence on suddenly unprofitable exports.

A second key element was the so-

called assets effect. Land and stock prices in Japan have soared over the past few years and many consumers have realized hefty capital gains. Psychologically, the impact of these ballooning latent assets was enough to further stimulate consumers' propensity to spend.

Personal consumption growth is likely to remain brisk in 1989. A ¥1.8 trillion tax cut scheduled for fiscal 1988 and a ¥2.06 trillion cut in fiscal 1989 will certainly help keep up the momentum, while increased corporate earnings will translate into income growth. Of all the components of domestic demand, it will again be personal consumption playing the leading role in pulling the economy toward expansion in 1989.

Department stores and superstores will be the biggest and most direct beneficiaries of brisk personal spending. They can also look forward to another boom stimulated by relaxed application of the law on opening of large retail stores and business hours. Longer business hours should be especially effective in increasing sales. All things considered, the PR officer of the Japan Department Stores Association can expect to be busy for some time to come.

(Tatsuhiko Tanaka, economist)

Department Store and Superstore Sales

(¥ billion)

	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988 (estimate)
Department stores	6,645.0 (3.5)	6,907.0 (3.9)	7,214.5 (4.5)	7,596.1 (5.3)	8,090.5 (6.5)
Superstores	10,025.7 (4.8)	10,594.5 (5.7)	10,985.7 (3.7)	11,611.4 (5.7)	12,464.5 (7.3)

Note: Figures in parentheses represent growth rate over the previous year.

Sources: Japan Department Stores Association; Japan Chain Stores Association