

Consumer Spending Cooling Nationwide

Japan's seasonally adjusted GNP grew only 0.3% in the April-June period (1.1% on an annual basis) from the January-March period. The growth rate represented a sharp decline from 1.1% in the previous quarter, due primarily to a fall in consumer spending, which accounts for nearly 60% of GNP, according to preliminary figures released by the Economic Planning Agency.

According to an announcement by the Japan Department Stores Association, total sales at 269 department stores

throughout Japan operated by 115 companies declined 5.6% in September from the same month of the previous year, posting the seventh consecutive year-on-year decline since March (Fig. 1). The decline was recorded in all regions and cities, and sales of all five key items (clothes, personal goods, household goods, foods and miscellaneous goods) sagged below the year-earlier levels. This happened for the second straight month (Fig. 2).

Except for a brief anomalous period

following the introduction of the consumption tax in 1989, it was the first time that such a phenomenon had occurred since consumer spending statistics on the present formula started in January 1965.

This showed that consumer confidence had been badly shaken. Consumers throughout the country were shying away from buying even general commodities, let alone paintings, jewelry and other expensive items.

Fig. 1 Sales at Department Stores Nationwide

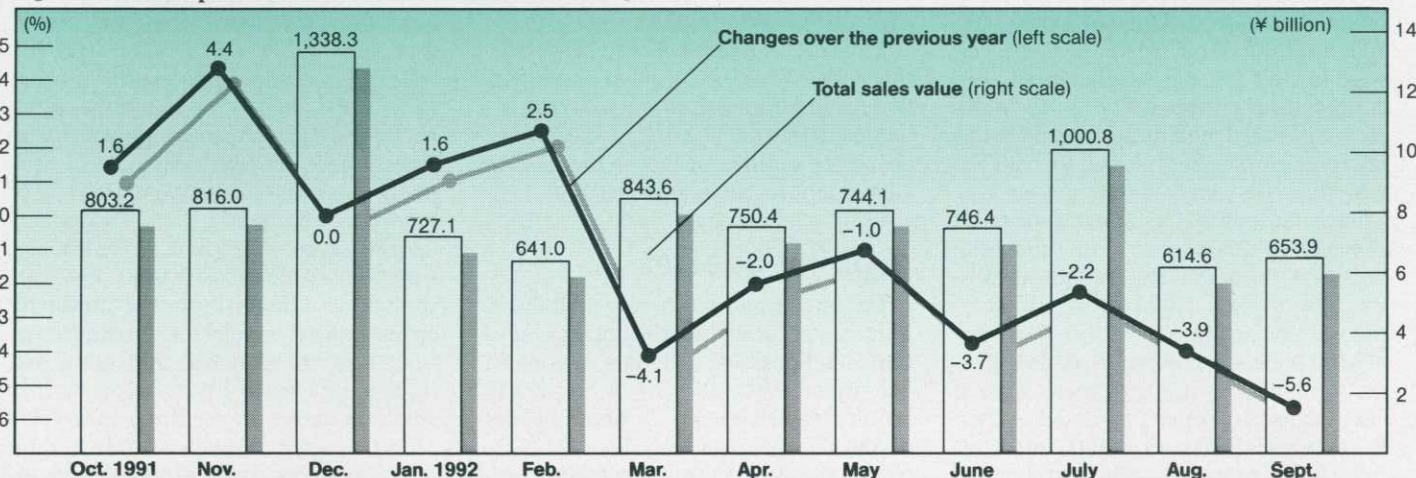


Fig. 2 Changes in Sales Indexes over the Previous Year

