

# SMAM **Japan** News Letter

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## Prices at Superstore Largely Rising Thanks to Solid Consumer Appetite

Prices of foods and household groceries at superstores are largely rising by more than the tax hike implemented on 1 April, revealed a Nikkei survey monitoring point-of-sales data for 80 major items at 800 stores nationwide.

In fact, pretax prices of 63 items, or almost 80% of products surveyed, were higher in April than in March, contrary to prior expectations that price competition would heat up due to likely weaker demand after the tax hike. Pretax price of grocery maker Kao's liquid hand soap soared 17% MoM, followed by sliced process cheese and soy source, both rising 6%.

Meanwhile, pretax price declined for only 16 items, including mineral water and powdered detergent, both down more than 2%.

There were a couple of factors behind the price appreciation according to a Nikkei report on 22 May. Most prominent was that superstores offered fewer discount sales after they concentrated them in March in order to take in pre-tax-hike demand. A national supermarket said they did not have to offer many special sales as consumer appetite remained relatively strong even after the tax hike.

This situation is reinforced by industry data announced on 21 May. April same-store sales at nationwide superstores dropped only 5.4% YoY, following a 9.4% surge in March, indicating combined sales for the two months were higher than the same period last year (See chart below).

Another factor cited by some stores for higher prices was difficulties of offering discount sales because urgently replenishing insufficient stocks in early April caused higher purchase costs which have been also pushed up by higher material and wage costs.

Separately, department store like-to-like sales for April dropped 12% YoY, the first decline in six months, with big ticket items and cosmetics in particular hit severely. However, the aggregate sales decline was better than -14% in April 1997, the last time Japan's sales tax was raised, from 3% to 5%.

So far, drops in demand caused by the sales tax hike appear within or even better than expectations, a favourable sign for not only relevant industries but Japan's overall economy.



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