



Media Report for The Tasmanian Department of Economic Development and Tourism 4-9 April 2009

Politics/Economy/Social

Thursday, 9 April, 2009

OPINION: Markets, Public Looking To BOJ For Help On Crisis

The Bank of Japan has heavy expectations on its policy shoulders to fight the economic downturn and curb deflation.

In a recent interview with The Nikkei, BOJ Governor Masaaki Shirakawa emphasised the importance of financial system stability as key to preventing the economy from falling into a deflationary spiral. While the Japanese financial system remains relatively stable compared with those of the U.S. and Europe, a downturn in corporate earnings and the swoon in share prices threaten to harm banks' financial health.

With interest rate measures having reached their limits and its policy offerings growing even more complex, the BOJ must supply detailed and thorough explanations of its objectives and their anticipated effects.

Shirakawa acknowledged the challenges of providing accurate explanations in simple summaries. Within such restraints, the BOJ's must win understanding of the objectives of its initiatives. A strong dialogue with the markets and the people of Japan will then become imperative as the central bank strives to maximise the impact of its policies.

At the same time, the bank needs to coordinate with the government in the fight against the economic crisis. Shirakawa underscored the BOJ's current solid communication with the government. But if the central bank adopts policy measures requiring it to take big risks, market participants will focus on how the government steps in to offset any losses that may result.

If the coordinated roles played by the BOJ and the government are unclear, market confidence in the yen could be rattled and wipe out any benefits from policy initiatives.

--Translated from an article by Tetsuya Jitsu, manager of the Economic and Financial News Department

(The Nikkei April 9 morning edition)

Tuesday, April 7, 2009

Aso Orders Y10tn Extra Budget To Revive Economy

Prime Minister Taro Aso on Monday directed Finance Minister Kaoru Yosano to compile a new fiscal spending package equivalent to more than 2% of gross domestic product, to be financed by the largest supplementary budget ever.

The supplementary budget for fiscal 2009 is expected to weigh in at more than 10 trillion yen. Aso justified such massive spending by saying Japan's economic outlook is the worst among the developed nations. He added that a large-scale stimulus is necessary for "international cooperation."

Aso gave Yosano five priorities: creating a safety net for non-permanent workers; strengthening support for corporate funding; expanding solar power use; addressing concerns about nursing care and regional health services; and promoting regional economic development.

Specific proposals include creating a 1 trillion yen fund to lighten the financial burden on municipalities for public works projects and easing eligibility requirements for government-subsidized allowances for laid-off workers. Tax breaks are also expected to be included.

The package could be completed as early as Friday. Aso told senior Liberal Democratic Party officials Monday he aims for the supplementary budget to be submitted to the Diet before the Golden Week holidays in early May. It is likely to be the biggest since the roughly 7.7 trillion yen third supplementary budget for fiscal 1998 adopted under Prime Minister Keizo Obuchi.

(Summarised from the Nikkei April 7 morning edition)

Saturday, 4 April, 2009

Golden Week Bookings Spark Hopes For Leisure Spending

Leading travel agency JTB Corp. predicted Friday that this year's Golden Week vacation period will see a year-on-year rise in people travelling within Japan as well as those going abroad, pointing to signs of a recovery in vacation-related spending.

Travellers heading overseas are expected to surge 10.1% on the year to 500,000. This rise -- the first in three years -- is attributed to the yen's increased strength against major currencies, with South Korea and Australia seen as especially good bargains. Travellers to these countries are up 32.4% and 7.7%, respectively.

JTB sees domestic travellers increasing 2.9% to 21.4 million, rising for the first time in two years, thanks to reduced highway tolls and lower gasoline prices compared with a year earlier. The government's cash stimulus payments are also driving demand, according to JTB. The results are based on surveys and reservations at JTB and include stays of at least one night between April 25 and May 5.

This year, the national holidays that make up Golden Week over the end of April and early May are such that workers can enjoy extended vacations by tacking on extra days before or after.

But JTB says average spending on overseas Golden Week vacations has fallen 14.9% to 216,800 yen, mostly because of reduced airline fuel surcharges. And with consumers increasingly pinching their pennies, spending on domestic Golden Week vacations is down 5.6% to 36,900 yen.

(Summarised from the Nikkei April 4 morning edition)

Saturday, 4 April, 2009

Govt Mulling Subsidies For Green Cars To Rev Up Car Sales

To prop up flagging auto sales and help reduce emissions of global warming gases, the government is considering introducing up to 300,000 yen or so in subsidies for people who buy hybrid and other environmentally friendly vehicles.

The subsidies under consideration would cover hybrid and electric vehicles, as well as gasoline- and diesel-engine cars that meet certain emissions requirements.

Those who buy minicars meeting the criteria would receive 100,000 yen in subsidies, with the amount increasing to 200,000 yen for those purchasing larger qualifying vehicles. Furthermore, people who are upgrading to green new cars from cars that are at least 13 years old would receive an additional 100,000 yen or so in subsidies.

The government is looking to introduce the new subsidies before summer and keep them until the end of fiscal 2009.

This latest effort to shore up demand for environmentally friendly cars comes as tax breaks on such vehicles took effect Wednesday. The automobile acquisition and weight taxes are waived for these cars, enabling a person buying a 2 million yen hybrid weighing 1.3 tons to save 150,000 yen.

Nearly 10 million cars that are 13 or more years old are still in use in Japan, accounting for about 13% of all registered vehicles. The subsidies and tax breaks are expected to generate an additional 1 million units in annual sales of new cars.

Germany has been offering, with great success, subsidies equivalent to roughly 300,000 yen to people upgrading to new cars from ones at least nine years old. Similar measures have already been introduced in some other European countries, and the U.S. is considering going down the same road.

(Summarised from the Nikkei April 4 morning edition)

Industry/Market – Australia

Wednesday, 8 April, 2009

Sumitomo Getting Into Power Generation Down Under

Sumitomo Corp. is entering the business of electricity generation in Australia, having acquired 70% of concession rights to a 320,000kw fossil fuel power plant for an estimated 6 billion yen.

The trading house's power generation business has focused on Asia and the Middle East. It will now purchase several power stations in Australia, where electricity demand is expected to grow steadily, to develop that nation into a big market for the business. Acquisitions will be handled via a Sydney-based wholly owned subsidiary formed in December.

Sumitomo has bought the 70% of the concession rights to the Kwinana Power Station, located outside Perth, Western Australia, from a local investment fund. The power plant came onstream last November and has a 25-year contract with a state-run power utility.

(Summarised from the Nikkei April 8 morning edition)

Industry/Market – Japan

Monday, 6 April, 2009

Oji Develops Low-Cost Ethanol Production Method Using Tree Scrap

Oji Paper Co. has come up with a low-cost method of producing bio-ethanol from the parts of a tree not suited for making paper.

Manufacturing bio-ethanol from timber is now three times more expensive than making it from such plants as sugar cane and corn, but it does not drive up food prices by limiting the amount of produce available to consumers.

The challenge with trees is that the cellulose fibres are bound together by lignin, and it is difficult and costly to isolate the cellulose so it can be decomposed to obtain the sugars fermented to make ethanol.

Oji has developed a chemical process using an alkaline solution to increase the internal pressure of the cellulose fibres and create fissures in the lignin. Once that is accomplished, the lignin can be broken apart using the same mechanical methods used in pulp manufacture. Since this chemical processing makes it easier to break down the stubborn material, the pulping machinery can get the job done while using 100 times less energy.

With this technology, Oji said it can produce bio-ethanol for around the same cost as making it from food crops.

Bark, branches and leaves that cannot be used for papermaking account for more than 30% of a tree, and are usually discarded or used as fertiliser.

(Summarised from the Nikkei Business Daily April 6 edition)

Disclaimer

Austrade makes no warranty, express or implied, as to the fitness for a particular purpose, or assumes any legal liability for the accuracy or usefulness of any information contained in this Media Report. Any consequential loss or damage suffered as a result of reliance on this information is the sole responsibility of the user.