



Media Report for The Tasmanian Department of Economic Development and Tourism 21-27 February 2009

Politics/Economy/Social

Saturday, 21 February, 2009

Reliance On Exports Making Japan Vulnerable To Global Slump: BOJ

A reliance on exports and a higher percentage of domestically procured parts have made the nation particularly susceptible to the global economic downturn, with industrial production sustaining a deeper drop here than in the U.S., according to a Bank of Japan analysis released Friday.

Industrial production for the October-December quarter slipped 3.2% from the previous quarter in the U.S., where the global financial crisis and economic downturn originated. But Japan logged a drop of 12% in the same period.

The sectors that have been hit hard -- automobiles, electrical machinery and general machinery -- account for about half of Japan's overall production, but make up only about 20% of U.S. output. Food and tobacco, which are generally less affected by economic trends, account for a larger percentage of total production in the U.S.

And Japan exported 21.5% of all products it shipped in 2008, up 5.7 percentage points from 10 years earlier because of growing demand in emerging markets and resource-producing nations. This high export ratio makes Japan more vulnerable to the global economic downturn.

Also, manufacturers in Japan procure many parts locally, so the weakening of final demand hurts a broad range of suppliers. For example, many components for Japan-made vehicles are produced domestically as well. Japanese manufacturers imported 11% of all supplies used for production in 2007, compared with 24% by American manufacturers.

An increase in exports has the effect of boosting domestic production manyfold compared with actual growth in demand, but now the opposite is occurring.

(Summarised from the Nikkei 21 Feb. morning edition)

Industry/Market – Australia

Wednesday, 25 February, 2009

Australian delegation to visit Japan in early March to seek infrastructure-related business opportunities

An Australian delegation will visit Japan from 2 - 6 March to strengthen business ties between the two countries in the development and management of public infrastructure, such as railways, roads and hospitals. The delegation will visit Tokyo, Sapporo, Osaka and Fukuoka to explore new business opportunities between Japan and Australia by promoting exchanges between Australian and Japanese business communities involved in this field.

The delegation, led by Australia Japan Business Co-operation Committee Chairman Sir Rod Eddington and Minister for Infrastructure, Transport and Regional Development and Local Government Anthony Albanese, is expected to consist of approximately 30 people, including representatives from major construction company Leighton Holdings.

Some Australians believe that the development of public transport and medical facilities has been left behind amid high economic growth backed by the resources boom. The Labor Government, led by Prime Minister Kevin Rudd, made 'the development of infrastructure appropriate to an advanced country' one of its key election promises. The Labor Party came to power when it won the general election in 2007 after 11 years in opposition.

The Government decided to introduce a massive stimulus plan worth AUD 42 billion to prop up the Australian economy, which has been slowing down due to the global financial crisis. The plan focuses on development of infrastructure, including the construction and renovation of public schools. Sir Rod Eddington said that he would like to introduce business opportunities in Australia to the Japanese construction sector, which is suffering from the economic downturn.

For many years, the economic relationship between Japan and Australia has been based on resources and energy, including iron ore, coal and LNG, and agricultural products such as beef and wheat. But Australia's business community is seeking to strengthen ties with Japan in the service sector as well. The delegation will be visiting regional cities in Japan. Sir Rod Eddington said that he hoped that the delegation's visit would serve as a chance to advance the Japan-Australia relationship by incorporating a broader range of sectors and regions. Sir Rod Eddington is a former CEO of British Airways. He is currently serving as the Chairman of the ANZ Bank and Chairman of Infrastructure Australia, a Government committee studying the future of infrastructure development in Australia. (Nikkei Sangyo Shimbun, 25 Feb. morning)

Monday, 23 February, 2009

Onward Donates Y10mn To Australian Environmental Group

Apparel maker Onward Kashiyama Co. said Monday it will donate 10 million yen from wool product sales to an Australian environmental protection group.

The company said it will donate the money to the Australian Landcare Management Certification System, a nonprofit organization in New South Wales, for use in environmental protection activities.

The donation is part of wool clothing sales from five brands including "gotairiku" and "J.Press," both for menswear, and "icb" for women's wear during a five-month campaign between Aug. 1 and Dec. 31 last year to appeal for wool products the company says are environmentally friendly.

The company said Australia is the largest clothing-use wool producer in the world, but wool production has been declining in recent years due to droughts amid global warming.

Industry/Market – Japan

Thursday, 26 February, 2009

Lawson's am/pm Purchase May Spark Convenience Store Shakeout

Lawson Inc.'s acquisition of am/pm Japan Co. could lead to a major realignment in the convenience store industry in which big players swallow up struggling smaller firms in an increasingly saturated market.

Lawson, the nation's second-largest convenience store chain operator, said Wednesday that it has reached an agreement to acquire seventh-ranked am/pm for a total of 14.5 billion yen. Lawson is to buy all am/pm shares from Rex Holdings Inc. and merge with its smaller rival by around spring 2010.

This would be the first major industry shakeout since the 2001 merger that gave birth to Circle K Sunkus Co. "We hope to keep this up," Lawson President Takeshi Niinami said at a news conference, referring to mergers and acquisitions. Stores bearing the am/pm name will keep it for the time being, but their owners will be able to turn them into Lawsons if they prefer, Niinami said.

The acquisition will expand Lawson's domestic store network to more than 10,000. By absorbing am/pm, which has some 800 stores in greater Tokyo, Lawson will control roughly 3,300 stores in that key market. This will allow Lawson to threaten Seven & i Holdings Co. unit Seven-Eleven Japan Co., which leads the industry and has about 4,000 stores in the region.

Lawson will leverage its purchasing power and distribution network to slash am/pm's costs. It also intends to aggressively sell its private-label products priced at 100 yen at am/pm stores in order to attract increasingly frugal consumers.

Niinami indicated that Lawson will not move to close down all am/pm stores that are not in the black. "While there are 100-200 unprofitable am/pm stores, we will revamp them through such steps as changing them into Lawson Store 100s," he said, referring to convenience stores that sell items for 100 yen each.

(The Nikkei 26 Feb. morning edition)

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