

## An Idea for Investing in 2021

Some investors look into the sales trends of consumer durables as they try to predict the future of the economy or examine where to invest, because the economy and corporate earnings are likely to grow if big-ticket items that people seldom buy are selling well. In particular, the top three consumer durables with the largest markets, namely automobiles, housing and smartphones, have drawn attention from investors. The sales of daily services or basic goods are relatively stable while those of consumer durables tend to fluctuate wildly. That's why they believe the sales trend of the latter is the key.

That said, the spread of the coronavirus dealt a crushing blow to service industries which had been relatively resilient to economic downturns. So the recovery of demand in sectors other than consumer durables should be necessary in the future recovery phase.

Now let us look at consumption-goods markets other than the top three durables mentioned above.

### Top 10 consumption items and the average consumption per household in 2019

Category			Item	Consumption (JPY)		Growth rate	Variation coefficient	Example
Big	Mid	Small		Y2000	Y2019			
10	1	-	Other expenses	215,567	252,779	17%	0.05	cosmetics, beauty shops, aesthetic salons, cigarettes
7	2	-	Auto-related expenses	206,392	228,028	10%	0.05	purchase costs, petrol, tyres, vehicle inspection
9	4	-	Education/ Entertainment fees	202,848	192,479	-5%	0.03	accommodation fee on trip, lesson fee, gym, pachinko parlor
1	12	-	Eating-out expenses	188,496	169,369	-10%	0.05	restaurant, food delivery, school lunch
7	3	-	Communication costs	104,469	135,667	30%	0.06	smartphone, telecom rates, postage, moving costs
10	3	-	Social expenses	205,891	132,158	-36%	0.16	maintenance fee, obituary gift, wedding money gift, other gifts
2	1	-	Rent	169,784	130,234	-23%	0.09	rent
1	9	-	Cooked food costs	90,888	112,801	24%	0.08	frozen food, boxed lunch, prepared food
3	1	-	Electric bills	99,045	109,203	10%	0.06	rent
2	2	-	Repair, Maintenance fees	92,555	90,132	-3%	0.07	home installations, renovation, fire insurance

Source: "Family Income and Expenditure Survey" by Statistics Bureau, Ministry of Internal Affairs and Communications. SMDAM (Tokyo) used data from Y2000-2019 in calculation of variation coefficient.

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The chart on page 1 shows the top 10 consumption items in 2019 and the average consumption per household. The top item was overhead expenses (cosmetics, beauty shops, aesthetic salons, cigarettes etc.). As you know, there are many leading companies such as **Kao**, **Recruit** and **JT** operating in this area. The second-ranked item was auto-related expenses, which includes not only purchase costs but also maintenance fees (petrol, tyres, vehicle inspection). The third-ranked item was education/entertainment fees which is the money that people spend on their hobbies. Then follows eating-out expenses, communication costs and social expenses.

This chart shows that many consumption items other than consumer durables were also hit by the coronavirus pandemic. You may find an investment opportunity in these industries next year.

You can also use household survey results to find a new ideas for long-term investments.

The chart below shows items in descending order of consumption growth rates. While it is often said that the Japanese food industry has little room to expand given the limited size of Japanese stomachs, consumption in dried fruits, yogurt, frozen foods and beverages all grew sharply. We can also find strong growth in defensive sectors such as consumables for home use, communication and hair dressing/beauty care. I was surprised that consumption in equipment materials and the maintenance of automobiles had increased. It might be interesting for you to invest in companies that are related to these items.

### Items in descending order of consumption growth rates from Y2000 to 2019

Category			Item	Consumption (JPY)		Growth rate	Variation coefficient	Example
Big	Mid	Small		Y2000	Y2019			
6	2	-	Nutritional supplements	7,592	13,123	73%	0.14	health food, supplement
1	6	2	Processed fruits	1,756	2,862	63%	0.24	canned food, dried fruit
1	4	2	Dairy product	12,009	17,627	47%	0.18	powder milk, yogurt, cheese
10	1	5	Other expenses	97,486	135,382	39%	0.10	ceremonial occasions, child/nursing care, medical insurance
2	2	1	Equipment materials	19,894	26,616	34%	0.11	kitchen, bathtub, bricks, construction cost
4	5	-	Consumables for home use	22,367	29,268	31%	0.10	detergent, insecticide, air refresher, tissue
7	3	-	Communication	104,469	135,667	30%	0.06	smartphone, telecom rates, postage, moving cost
6	1	-	Pharmaceuticals	20,774	26,848	29%	0.12	drug, quasi-drug
1	9	1	Cooked staple food	38,607	49,726	29%	0.08	frozen food, boxed lunch, rice ball, savoury bread
1	10	3	Other beverages	22,203	28,315	28%	0.08	juice milk beverages, mineral water
1	10	2	Coffee, Cocoa	8,538	10,743	26%	0.09	coffee, cocoa, coffee beverages
10	1	2	Hair dressing, Beauty care	39,291	48,744	24%	0.06	cosmetics, shampoo, beauty equipment
7	2	2	Bicycle	2,900	3,595	24%	0.17	road bike, electrically assisted bicycle
6	4	-	Healthcare service	63,340	78,078	23%	0.06	medical fees (hospital charges), maternity expenses, massage cost
1	9	2	Other cooked products	52,281	63,074	21%	0.07	frozen food, cut vegetable, a variety of prepared foods
4	1	2	Heating/ Cooling Equipment	11,050	13,305	20%	0.13	air conditioner, humidifier, air purifier
9	4	4	Education, Entertainment	84,692	101,890	20%	0.06	admission fee, subscription for sports club, viewing fee, pachinko parlor
7	2	3	Maintenance of automobiles	139,580	166,733	19%	0.06	petrol, tyre, vehicle inspection, ETC
1	1	4	Other grains	3,621	4,248	17%	0.09	flour, rice cake, barley, rice with a variety of grains
4	1	1	Durable items for home use	17,978	20,997	17%	0.06	home appliances (cooking range, washing machine, fridge)

Source: "Family Income and Expenditure Survey" by Statistics Bureau, Ministry of Internal Affairs and Communications

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Note: Daiwa SB Investments Ltd. (DSBI) merged with Sumitomo Mitsui Asset Management Company, Limited (SMAM) on 1 April 2019.

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