

Nearly 70% of Japanese households to cut spending post-tax hike
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Nearly 70% of Japanese households plan to cut back on spending after the sales tax increase that was implemented yesterday, a central bank survey showed, underscoring concern that the economy may start to lose support from private consumption.

Many policymakers already expect household spending to cool following the tax hike, but how soon it rebounds will be key to whether the economy can make a sustained exit from years of deflation, particularly as export growth remains sluggish.

In the survey conducted in the month to March 4, 40.8% said they front-loaded purchases of goods or planned to do so ahead of the sales tax hike, while 58.2% said they had no plan to do so.

Among the goods they purchased were household electronics, cars and daily necessities, the Bank of Japan survey showed on Wednesday.

Boding ill for the outlook, 69.6% said they would cut back on spending after the tax increase, while 10.6 percent said the tax hike would not affect their spending, according to the survey.

The survey, which targeted 4,000 households of which 2,195 replied, was conducted as part of a quarterly poll on households to measure their sentiment on the economy and prices. – Reuters, April 2, 2014.

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