



How 2020 Tokyo Olympics Games May Influence Fastener Demand in Japan

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Introduction

When Japan hosted the Games in 1964, it was not only the first ever to be held in Asia, it also marked the country's emergence from the post-war era and its return to the global stage as a major economic force. Will Tokyo's 2020 Olympics be a game-changer for Japan once again?

The Tokyo Olympics may still be one and half years away, but it has already created quite a buzz. The 2020 Tokyo Summer Olympics will boost the Japanese economy as much as 30 trillion yen (\$350 billion) by the year of the Games, according to a report by the Bank of Japan. Tokyo's 2020 Olympics could offer a temporary boost to Japan's economy. According to the Bank of Japan, this can take two forms. One is the increase in infrastructure spending ahead of the event; the other is the growth in inbound tourism.

Construction investment related to the Olympics, such as the building and refurbishment of stadiums, athletes' villages, hotels, and transport development, is expected to reach ¥8-10 trillion. Projects are well underway. The central bank estimates that this could push up GDP by an annualised 0.4%-0.6% through 2018-19.

The Fastener Industry and Olympics 2020

The direct effect of the Olympics 2020 is on construction fasteners. It will increase the domestic usage of fasteners in Japan. If Japanese fastener industry considers the impact of Olympics 2020 in their industry, then they should invest in this industry for increasing their production capacity. This type of view will be caused to improve exported fastener numbers.

Following items can be in the focus of attention:

1. Types of Construction Fasteners

A. Anchors, Studs, Bolts, Nuts, Screws and Washers that are made of Carbon Steel, Stainless Steel, Aluminium, Brass and Silicon Bronze.

2. Different Types of Fasteners Used in Rail Construction

B. All different types of fasteners used in the automotive industry.

C. Rail Spikes, Screw Spikes, Fang Bolts, Spring Spikes are fasteners used in the rail construction.

Transportation by rail is one of the most cost-effective ways of transporting heavy goods over land. It can also be used for the regular transportation of items in a much smaller scale, such as a commercial setting. For instance, there are many mines around the world that still use rail as a means of transporting ore. This simply proves the reliability and affordability of this form of transport.

What is the Real Opportunity of Olympics 2020 for Japan's Fastener Industry?

Tokyo's 2020 Olympics suggests that although the economic impact is positive, it is unlikely to be large or sustainable, with investment peaking between 2018 and 2019. It is a clue for the fastener industry, for success they shouldn't scarify long term investment because of short-term sale opportunities and its benefits. Some of the long-term benefits for the fastener industry are:

1. Unemployment Rate

Japan's unemployment rate, at 2.4% in January, has fallen to a 24-year low. Furthermore, the jobs-to-applicant's ratio, at 1.59, is the highest since the 1970s. Fastener companies are increasingly offering full-time, permanent positions as they struggle to overcome the labour crunch.

2. Purchasing Recovery

Companies' economized policies decreased their consumption and/or made them price sensitive. It has been one of the fasteners' producer challenges. In our view, shortcomings in the price may affect the quality of Made-in-Japan goods. Consumers' company growth situations push the managers to be

inclined to save. Rising inquiries in the construction and transportation sectors are potential boosts to changing the purchasing treats leading up to the 2020 Olympics.

3. Inbound Consumption

When Tokyo hosts the Olympics 2020, absorbing the foreign and domestic investments will be yielded to improve the capacity of fastener producers. These investments have become a big economic engine. The following table shows the size of further opportunities for Japanese fastener industry.

Construction investment related to the Tokyo Olympics

Major construction projects

	Project	Scale	Start (including planning)	Completion
Facilities	National Olympic Stadium	Upper limit of ¥155 bn	2016	2019
	Sports facilities / Olympic village	Around ¥0.3 tn	2017	2019
Accommodation	Private hotels	Around ¥0.8 tn	2015	2020
Transportation	Three Loop Roads of the National Capital Region	Around ¥2 tn	2000	2020
	Direct route between Haneda and Narita, etc.		Undetermined	Around 2020
Redevelopment	Toyosu and Tsukiji	Around ¥4 tn	2014	2018
	Nihonbashi and Ginza		2014	2018
	Shinagawa and Tamachi		2017	2020
	Shinjuku, Shibuya, and Ikebukuro		2014	Around 2020
	Waterfront casino	Around ¥0.8 tn	Undetermined	--

Total amount: ¥8.1 tn

Sources: Bank of Japan (Economic Impact of the Tokyo 2020 Olympic Games, January 2016), Capital Group

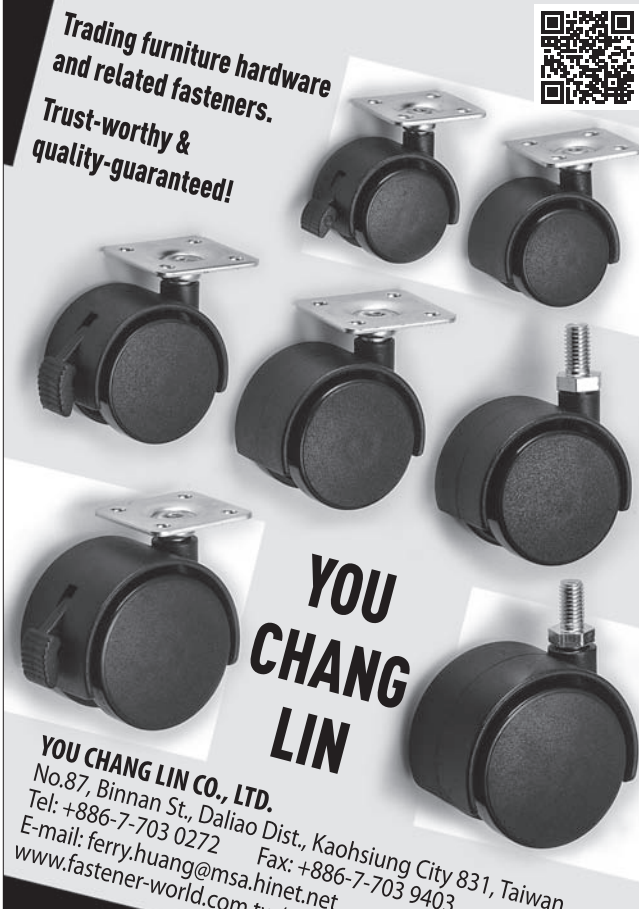
4. Stock Market Re-rating

Just as the 1964 Olympics reshaped the international image of Japan from a war-ravaged country to a modern and technologically advanced nation, Tokyo's 2020 Olympics offers an opportunity to change the perennial perception of Japan as the land of lost decades. The Games could cast the country in a more positive light – and attract greater foreign investors' interest. These welcome developments may trigger a re-rating of shares.

5- Staying Prudent and Proactive


There are potential, broad based benefits of the Olympic Games in Japan but it's not a theme in itself. For Japanese equities, our longstanding investment themes are intact. Investors remain keen on companies that can capture the growth in the Internet of Things and factory automation. The fastener industry can act proactively restructuring to attract banks and financial companies that are poised to benefit from a reflationary environment, as well as niche-growth companies with global competitive advantages.

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Last Word

The estimate by the municipal government does not include changes in Japan's overall economic condition and falls in demand following the events. However, some of the economists don't believe that the Olympics can change Japan's economy. They believe that the challenge, however, is that the Olympic building boom could turn to burst as infrastructure investment tapers off after the Games. Shinichiro Kobayashi, senior economist at Mitsubishi UFJ Research and Consulting, said Japan is good at working toward a goal like the Olympics because of a strong work ethic and organizational ability but hasn't succeeded at reshaping its economy. ■

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