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# Regional Economic Report (Summary) July 2016

Bank of Japan

This report summarizes the reports from all regional research divisions, mainly at the Bank's branches in Japan, and is based on data and other information gathered for the meeting of general managers of the Bank's branches held today. The English translation is based on the Japanese original.

Compared with the last assessment in April 2016, the Chugoku region revised its assessment downward, reporting that relatively weak movements had been observed in some aspects, including production, and the Kyushu-Okinawa region also revised its assessment downward, noting visible effects of the Kumamoto Earthquake. Meanwhile, the other seven regions reported that their assessments regarding the pace of economic improvement had remained unchanged.

The Tokai region noted that its economy had been expanding at a moderate pace as a trend, and seven regions (excluding Tokai and Kyushu-Okinawa) reported that the economy had continued its moderate recovery trend, or had been recovering moderately, or had continued to recover. These reports were based on the assessments that, although exports and production had been sluggish, due mainly to the effects of the slowdown in emerging economies, on the domestic demand side, business fixed investment had been on a moderate increasing trend, and against the background of steady improvement in the employment and income situation, private consumption had been resilient despite relatively weak developments seen in some indicators. Meanwhile, the Kyushu-Okinawa region reported that the economy had been picking up moderately with the alleviation of supply-side constraints, despite its ongoing weakness, mainly in tourism, following a rapid downshift induced by the Kumamoto Earthquake.

Region	Assessment in April 2016	Changes from the previous assessment <sup>1</sup>	Assessment in July 2016
Hokkaido	The economy has been recovering moderately.	⇒	The economy has been recovering moderately.
Tohoku	The economy has continued its moderate recovery trend, as production has continued to be somewhat weak, affected mainly by the slowdown in emerging economies.	⇒	The economy has continued its moderate recovery trend, although production has been affected mainly by the slowdown in emerging economies.
Hokuriku	The economy has continued to recover.	⇒	The economy has continued to recover, although sluggish movements have been observed in some aspects.
Kanto-Koshinetsu	The economy has continued to recover moderately, although exports and production have been affected mainly by the slowdown in emerging economies.	⇒	The economy has continued to recover moderately, although exports and production have been affected mainly by the slowdown in emerging economies.

<sup>1</sup> With regard to the changes from the previous assessment, arrows pointing to the upper right or lower right indicate changes in the pace of improvement or deterioration compared with the previous assessments, respectively. For example, an acceleration in the pace of improvement or deceleration in the pace of deterioration is indicated with an arrow pointing to the upper right. A horizontal arrow pointing to the right indicates that the pace of improvement or deterioration in economic conditions has remained unchanged compared with the previous assessments.

Tokai	The economy has been expanding at a moderate pace as a trend, although exports and production appear to have declined temporarily, affected by a suspension of production in automobile-related industries.	⇒	The economy has been expanding at a moderate pace as a trend, despite fluctuations seen in exports and production, due to a plant accident in automobile-related industries and to the effects of the Kumamoto Earthquake.
Kinki	The economy has been recovering moderately, although exports and production have been affected by the slowdown in emerging economies.	⇒	The economy has been recovering moderately, although exports and production have been affected by the slowdown in emerging economies.
Chugoku	The economy has been recovering moderately.	↘	The economy has continued its moderate recovery trend, although relatively weak movements have been observed in some aspects.
Shikoku	The economy has continued to recover moderately.	⇒	The economy has continued to recover moderately.
Kyushu-Okinawa	The economy has continued to recover moderately, albeit being affected mainly by the slowdown in emerging economies.	↘	The economy has been picking up moderately with the alleviation of supply-side constraints, despite its ongoing weakness, mainly in tourism, following a rapid downshift induced by the Kumamoto Earthquake.

As for public investment, the Kyushu-Okinawa region reported that it had gradually begun to pick up, and restoration-related construction orders also had been seen in the aftermath of the Kumamoto Earthquake. Three regions (Hokkaido, Kinki, and Shikoku) noted that it had bottomed out, the Hokuriku region reported that it had started to pick up, the Tohoku region noted that it had been at a high level, and the Kanto-Koshinetsu region reported that it was increasing. On the other hand, the Tokai and Chugoku regions reported that public investment was on a declining trend, although it remained at a high level.

As for business fixed investment, the Hokuriku and Tokai regions reported that it was increasing steadily, or increasing significantly, five regions (Tohoku, Kanto-Koshinetsu, Kinki, Chugoku, and Shikoku) noted that it was increasing moderately, or had been on an increasing trend, or was increasing, and the Hokkaido region reported that it had been at a high level. Meanwhile, the Kyushu-Okinawa region noted that business fixed investment had been at a high level, although it had shown both upside and downside movements at some firms in the aftermath of the Kumamoto Earthquake, with investment plans being suspended and investment in the maintenance and repair of damaged equipment taking place.

Meanwhile, the Hokkaido region reported that business sentiment was improving, and the Hokuriku region noted that it had generally stayed at a favorable level recently, although cautious views regarding the outlook were increasing. On the other hand, the Kyushu-Okinawa region reported that business sentiment was deteriorating, both in manufacturing and nonmanufacturing, due partly to the effects of the Kumamoto

Earthquake, the Chugoku region noted that it had become somewhat cautious, and had shown deterioration in some industries, three regions (Tohoku, Tokai, and Kinki) reported that it had become somewhat cautious, and the Kanto-Koshinetsu and Shikoku regions noted that it had generally stayed at a favorable level, but some cautiousness had been observed in some industries.

As for private consumption, with the employment and income situation continuing to improve steadily, the Hokkaido region noted that it was recovering, and the Shikoku region reported that it was picking up moderately. Six regions (Tohoku, Hokuriku, Kanto-Koshinetsu, Tokai, Kinki, and Chugoku) noted that private consumption was picking up, or had been resilient, or had been firm as a whole, although relatively weak developments had been seen in some indicators. Meanwhile, the Kyushu-Okinawa region reported that private consumption had been relatively weak as a whole.

As for sales at department stores, it was noted that they had been solid, while there were reports that they had been below the previous year's level, notably in high-end products, or that they had been relatively weak recently. As for sales at supermarkets, it was reported that they had continued to improve, or had been firm. Furthermore, it was noted that sales at convenience stores had been firm, or were increasing.

As for automobile sales, it was noted that they had been below the previous year's level, while there were reports that they had been more or less flat, or had been solid.

As for sales of household electrical appliances, it was noted that they had been below the previous year's level, or that they had been relatively weak, while there were reports that they had been solid, or were picking up, or were recovering moderately.

As for travel-related demand, it was noted that demand had been relatively weak, while there were reports that it had been solid, primarily in domestic travel, or had been firm, chiefly in domestic travel. Meanwhile, it was noted that the number of foreign visitors to Japan had continued to increase, whereas there were reports that the number of both domestic and foreign visitors to Kumamoto and Oita Prefectures in particular had continued to be very slack, primarily due to the effects of the Kumamoto Earthquake on such tourism sites and those on consumer sentiment.

As for housing investment, the Shikoku region reported that movements toward a pick-up had recently paused, while the Tohoku region noted that it had been at a high level, and seven regions (Hokkaido, Hokuriku, Kanto-Koshinetsu, Tokai, Kinki, Chugoku, and Kyushu-Okinawa) reported that it was picking up moderately, or picking up.

As for production (industrial production), due mainly to the effects of the slowdown in emerging economies, five regions (Tohoku, Kanto-Koshinetsu, Kinki, Chugoku, and Shikoku) reported that the pick-up had paused, or that it had continued to be more or less flat. On the other hand, three regions (Hokkaido, Hokuriku, and Tokai)

reported that it had maintained a high level, or was increasing moderately. Meanwhile, the Kyushu-Okinawa region noted that production had turned upward, assisted mainly by the restoration of production facilities and the progress in production at alternative sites, after having declined significantly due to the effects of the Kumamoto Earthquake.

With regard to production by industry, the following developments were reported. Transportation equipment had been at a relatively high level as a whole, amid a decline in production related to small cars with engine sizes of 660cc or less, or had been increasing moderately as a trend, albeit with fluctuations due to a plant accident and to the effects of the Kumamoto Earthquake, while there were reports that it was declining, or had been more or less flat. General-purpose, production and business oriented machinery, electronic parts and devices, and electrical machinery had started to pick up, as firms, which had suspended operations due to the Kumamoto Earthquake, resumed their production activity, or had been at high levels, or were increasing moderately as a whole, while there were reports that production cutbacks had been observed at some firms, or that they had shown relatively weak movements in some aspects. Meanwhile, chemicals had turned upward, or was increasing moderately. Moreover, iron and steel had held back on production cuts.

Many regions reported that the employment and income situation was improving.

Many regions reported that supply and demand conditions in the labor market had continued to improve steadily, or were tightening. As for household income, many regions noted that it was improving steadily, or increasing moderately.

Region	Public investment	Business fixed investment	Private consumption
Hokkaido	Has bottomed out	Has been at a high level	Recovering on the back of steady improvement in the employment and income situation
Tohoku	Has been at a high level, primarily in construction orders related to the restoration following the earthquake disaster	Increasing moderately	Has been resilient, although relatively weak developments have been seen in some indicators
Hokuriku	Has started to pick up	Increasing steadily	Picking up on the back of improvement in the employment and income situation and the growth in the number of visitors associated with tourism, although sluggish movements have been observed in some indicators

Kanto-Koshinetsu	Increasing	Increasing	Has been resilient, although relatively weak developments have been seen in some indicators
Tokai	On a declining trend, although it remains at a high level	Increasing significantly	Has been picking up as a trend, although sluggish movements have been observed in some indicators
Kinki	Has begun to bottom out	Has been on an increasing trend	Has been firm as a whole, amid improvement in the employment and income situation, although recovery has been sluggish in some indicators
Chugoku	Declining moderately	Increasing moderately	Has been resilient as a whole, although relatively weak developments have been seen in some indicators
Shikoku	Has bottomed out	Increasing moderately	Picking up moderately
Kyushu-Okinawa	Has gradually begun to pick up, assisted partly by large projects in areas not affected by the Kumamoto Earthquake, and restoration-related construction orders also have been seen in the aftermath of the earthquake	Has been at a high level, although it has shown both upside and downside movements at some firms in the aftermath of the Kumamoto Earthquake, with investment plans being suspended and investment in the maintenance and repair of damaged equipment taking place	Has been relatively weak as a whole, with continued cautiousness seen in consumer sentiment and an ongoing plunge in tourism, although the effects of the Kumamoto Earthquake on business operations and logistics have eased

Region	Housing investment	Production	Employment and income
Hokkaido	Picking up moderately	Increasing moderately	Supply and demand conditions in the labor market are improving steadily. Household income is recovering.
Tohoku	Has been at a high level	Has been more or less flat	The employment and household income situation is improving

Hokuriku	Picking up	Has been more or less flat at a high level	The employment and household income situation is improving steadily
Kanto-Koshinetsu	Has resumed its pick-up	Has continued to be more or less flat	Household income is increasing moderately, as supply and demand conditions in the labor market continue to improve steadily
Tokai	Picking up steadily	Has been increasing moderately as a trend, albeit with fluctuations due to a plant accident in automobile-related industries and to the effects of the Kumamoto Earthquake	Supply and demand conditions in the labor market are tightening and household income is improving steadily
Kinki	Picking up	Has recently been more or less flat. Meanwhile, inventories have been at a somewhat high level.	With supply and demand conditions in the labor market continuing to improve, household income is improving further
Chugoku	Picking up	Has been more or less flat as a whole, although relatively weak movements have been observed in some aspects	The employment and household income situation has continued to improve steadily
Shikoku	Movements toward a pick-up have recently paused	The pick-up has paused	Supply and demand conditions in the labor market have continued to improve steadily and household income is picking up moderately
Kyushu-Okinawa	Picking up moderately, although delays have been observed for some construction work due to the effects of the Kumamoto Earthquake	Has turned upward, assisted mainly by the restoration of production facilities and the progress in production at alternative sites, after having declined significantly due to the effects of the Kumamoto Earthquake	Supply and demand conditions in the labor market are improving steadily and household income is picking up moderately

### Appendix: Prefectures Included in Each Region

Region	Prefectures
Hokkaido	Hokkaido
Tohoku	Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima
Hokuriku	Toyama, Ishikawa, and Fukui
Kanto-Koshinetsu	Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Niigata, Yamanashi, and Nagano
Tokai	Gifu, Shizuoka, Aichi, and Mie
Kinki	Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama
Chugoku	Tottori, Shimane, Okayama, Hiroshima, and Yamaguchi
Shikoku	Tokushima, Kagawa, Ehime, and Kochi
Kyushu-Okinawa	Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, and Okinawa

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