

Regional Economic Effects Generated by Foreign Visitors: A Case Study of the Toyama Prefecture

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Introduction

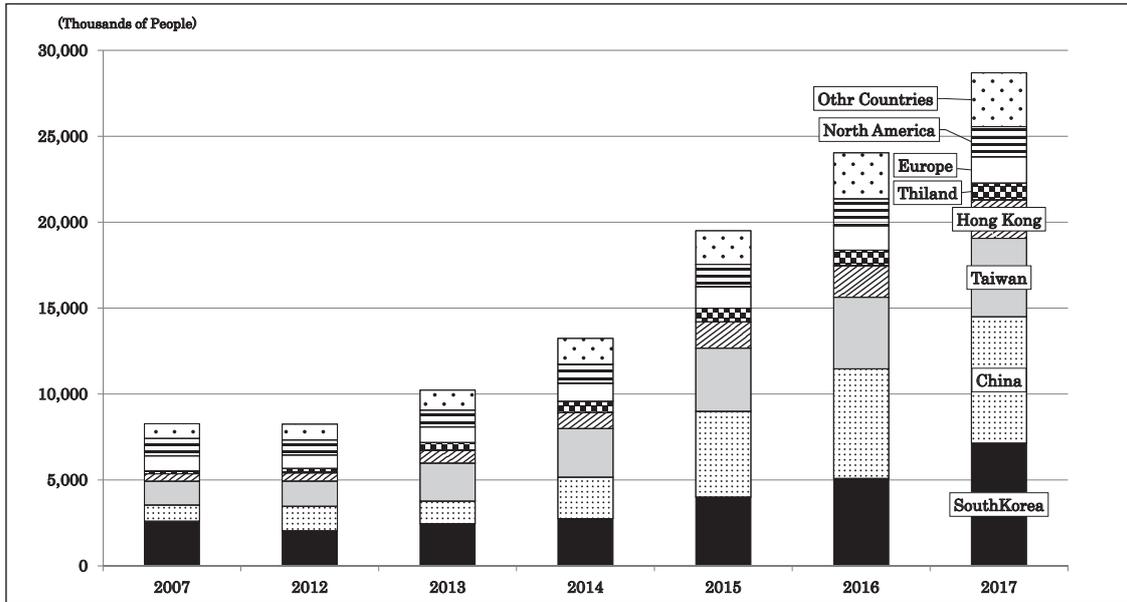
Considering the rapid increase of foreign visitors to Japan and their economic impact on Japanese regions, this paper reviews the regional economic effects seen in Toyama Prefecture,¹ mainly using statistical data and input-output tables.

The number of foreign visitors coming to Japan has increased. About 29 million of foreigners visited Japan in 2017, which is nearly three times as many as in 2013—which surpassed 10 million for the first time. Figure 1 shows the number of foreign visitors for 2007, and 2012 to 2017. 2017 reached an all-time high. Among many foreign countries or regions, two main sending countries are China and South Korea. Indeed, 7.36 million Chinese and 7.14 million South Koreans visited Japan in 2017. Moreover, when one includes Hong Kong and Taiwan, East Asia has become the main market for Japan now as shown at Figure 1. In addition, visitors from Southeast Asian, European and North American countries have also increased gradually. Japan's Government is making efforts to receive more foreigners and has a target to receive 40 million annual foreign visitors to Japan in 2020. Furthermore, although the total number of foreigners has increased, they largely head to popular areas such as Tokyo, Osaka/Kyoto, Hokkaido and Okinawa. Figure 2 indicates the ranking of the number of foreign hotel guests among 47 prefectures. In 2017, Tokyo had about 19 million foreign hotel guests registering first place, followed by Osaka and Hokkaido. Toyama was ranked 29th in 2017, meaning that Toyama has not been a popular area for foreigners even if the annual number has been increasing.

The differences in visitors among the prefectures is also large, but more importantly, those differences have been wide, too. The net increased quantity from 2013 to 2017 is summarized in Figure 3. In that sense, an adequate balance of the number of foreign visitors in each prefecture (region) is important because congestion generated by too many visitors focused in certain popular areas might be dissatisfactory for tourists. For instance, in order to attain the 40 million tourist target, many Japanese regions must also be visited if the Japanese government thinks that it is important to avoid negative feedback on account of congestion, lack of hotel rooms and hospitality, and so on. Such regional exposure will lead to more foreigners coming, generating better effects, too (i.e., economic benefits, international knowledge dispersion, and so forth.) These should be incentive enough for regions to make optimal policy choices to adequately receive more foreigners.

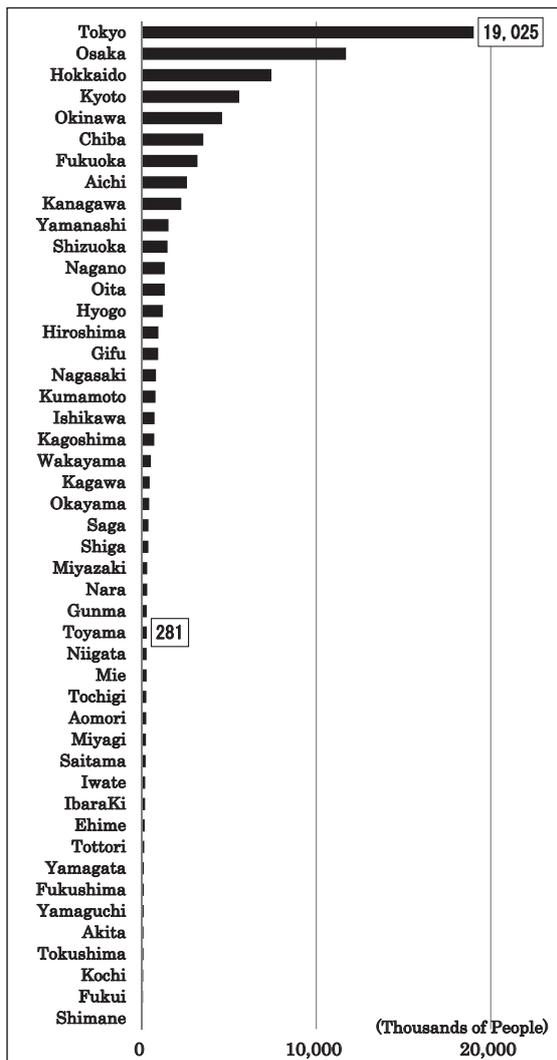
1 Toyama Prefecture is located at the central area of Japan, facing the Sea of Japan.

Figure 1: Number of Foreign Visitors to Japan



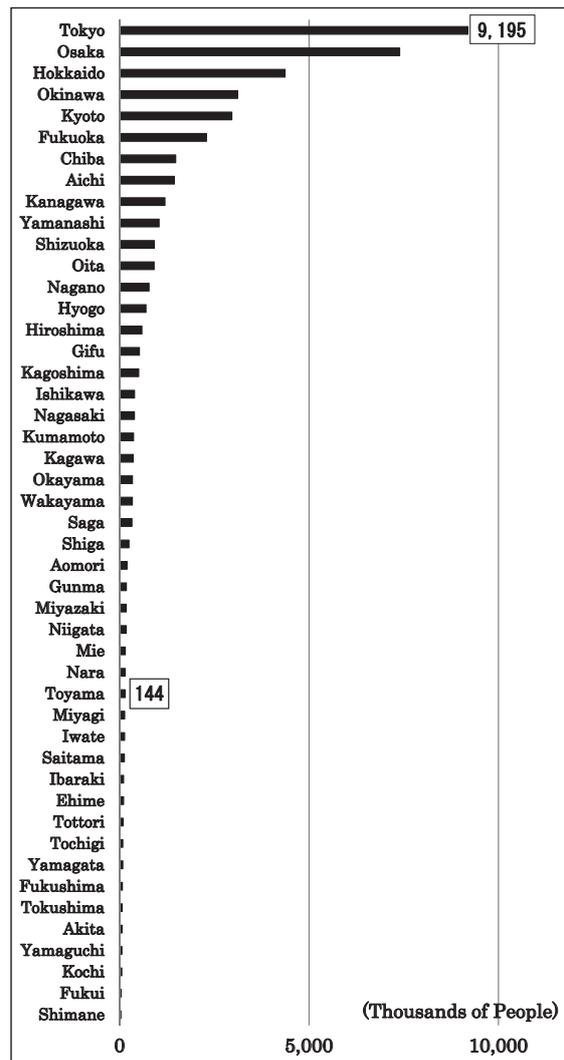
Source: JNTO [13]

Figure 2: Number of Foreign Hotel Guests among Prefectures in 2017



Source: Japan Tourism Agency [8]

Figure 3: Net Increase Number of Foreign Hotel Guests among Prefectures from 2013 to 2017



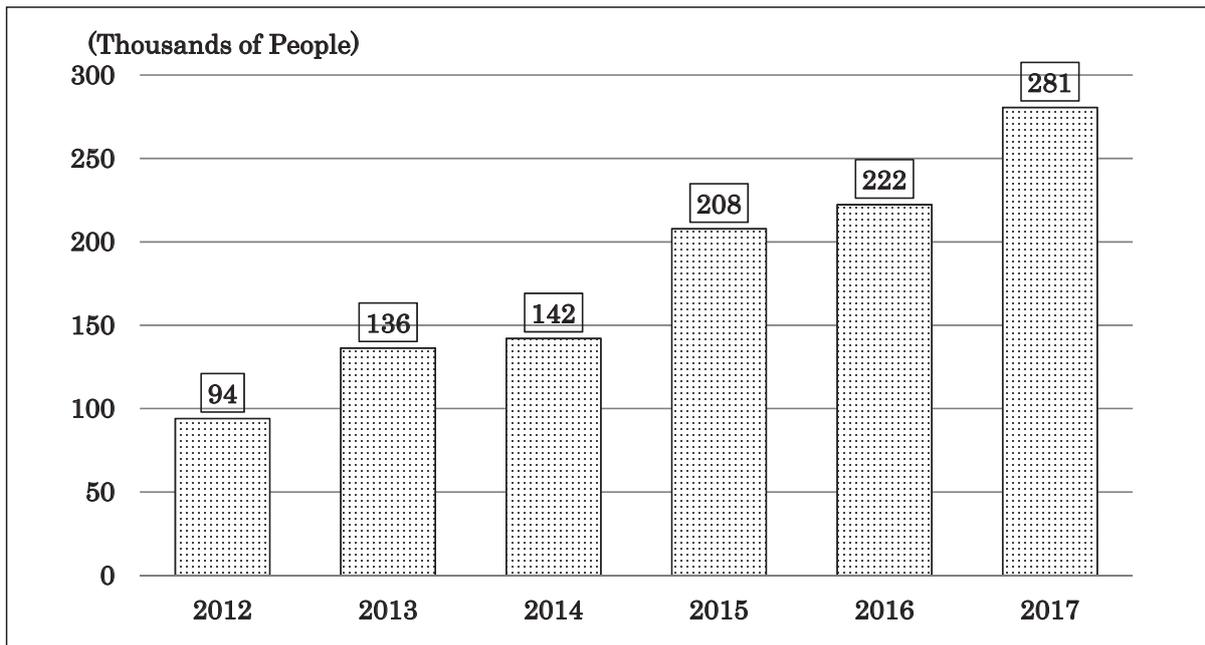
Source: Japan Tourism Agency [8]

Features of Toyama Prefecture

As noted earlier, accepting foreigners provides many benefits for a region—especially economic ones. So, the purpose in this paper is to review those regional economic effects from tourism, considering the case of Toyama Prefecture, whose touristic features have been confirmed.

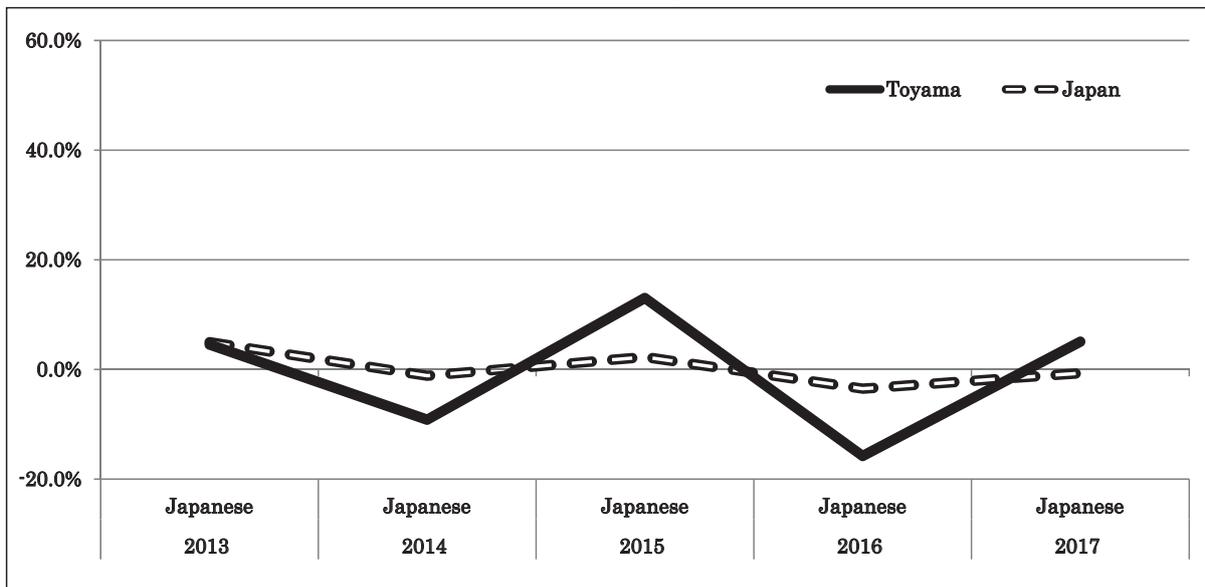
Figure 4 shows foreign hotel guests in Toyama Prefecture, 2012–2017. Year 2012 saw about 94 thousand of them, rising to around 281 thousand in 2017—nearly a threefold increase. As noted in Figure 2, Toyama is not a famous first-time foreigner tourist destination. However, many foreign repeat visitors go to regional areas like Toyama. Indeed, some regions in Japan consider foreign repeat visitors as their main target.

Figure 4: Number of Foreign Hotel Guests in Toyama Prefecture



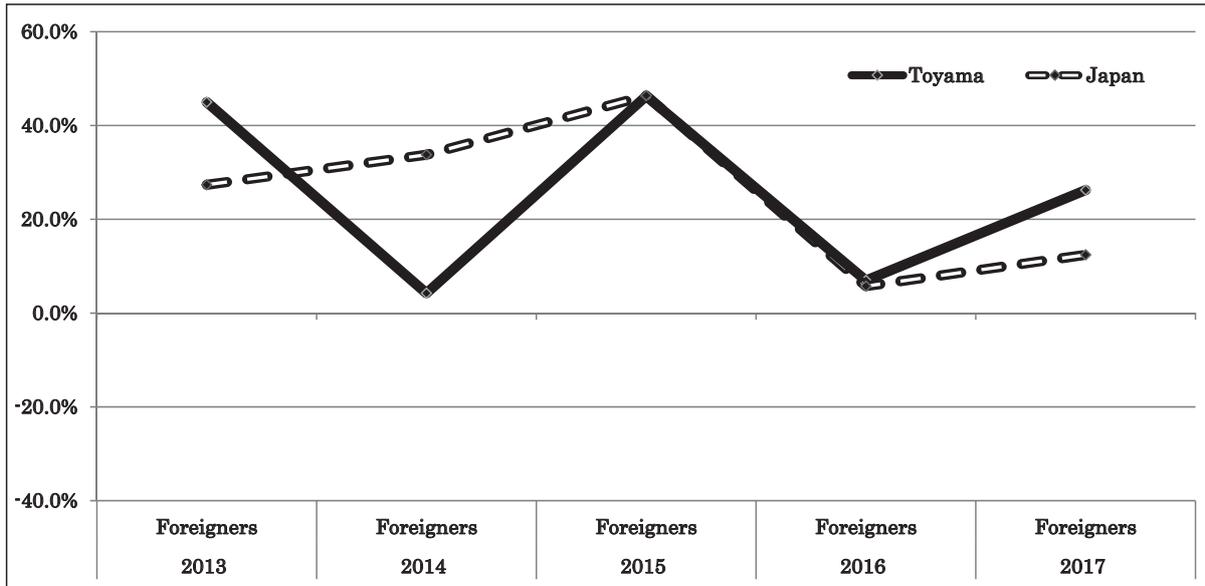
Source: Japan Tourism Agency [3]-[8]

Figure 5: Year to Year Increase Rate of Japanese Hotel Guests in Number



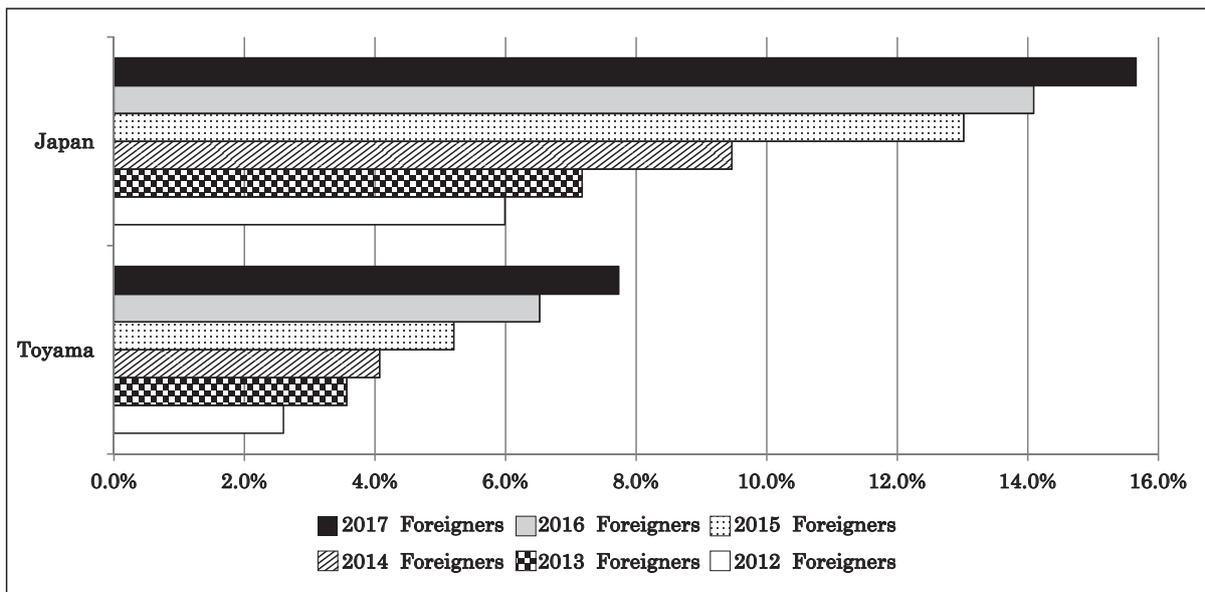
Source: Japan Tourism Agency [3]-[8]

Figure 6: Year to Year Increase Rate of Foreign Hotel Guests in Number



Source: Japan Tourism Agency [3]-[8]

Figure 7: Ratio of Foreign Hotel Guests among All Hotel Guests



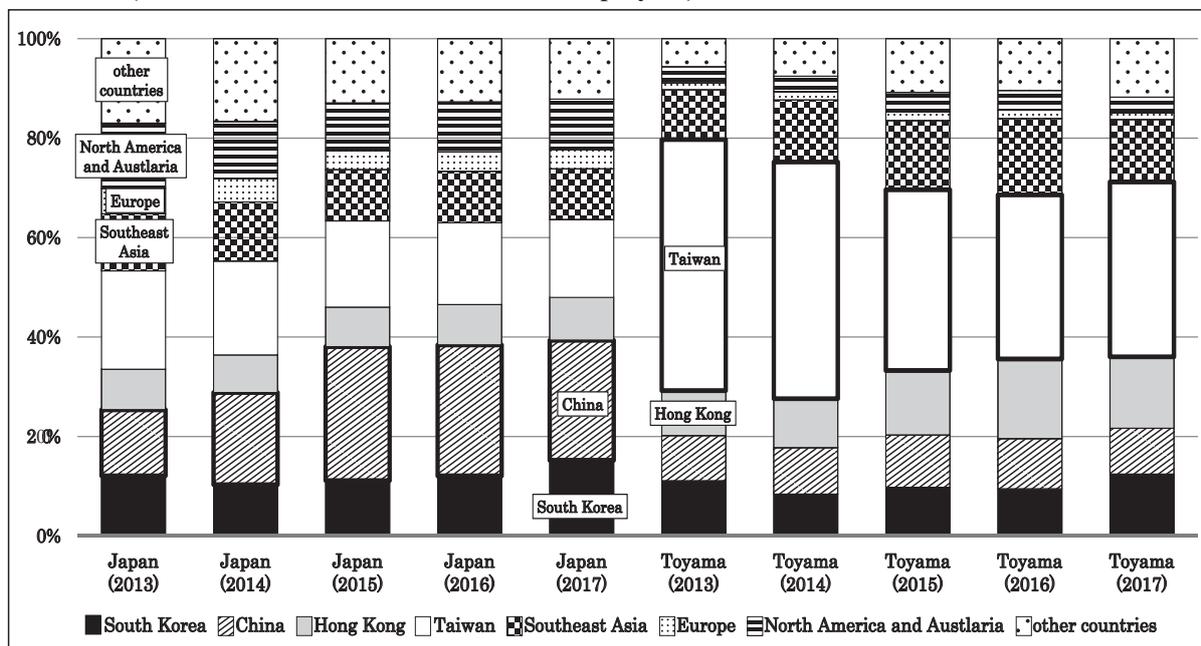
Source: Japan Tourism Agency [3]-[8]

Figure 5 shows the annual rate of increase comparison for Japanese hotel guests for Toyama and the whole of Japan from 2013 to 2017. The trend for Japan is relatively stable, even if some years had decreased numbers from the previous ones. However, Toyama has experienced greater fluctuation, oscillating from 20% to minus 20% around the mean, much wider than the behavior of Japan as a whole. Figure 6 shows the annual increasing rate of foreign hotel guests, for Japan as a whole and Toyama, from 2013 to 2017. Both Japan and Toyama figures oscillate, but no decrease from prior years is noted and their increased are relatively high compared to the Japan case when positive. Considering Toyama in greater detail, the number of foreign hotel guests has increased since 2012, meaning that the increase rate of foreign hotel guests in Toyama has continued to be positive since 2012, even if

there are some fluctuation in the rates. Comparing the increased rate for the whole of Japan and Toyama, similarity exists between them, except for the change in 2014 wherein Toyama had a relatively low rate of increase. In addition, its increase in rates has not always exceeded that of Japan’s, as Figure 6 indicates—consider the rate in 2015, where Japan is slightly higher than Toyama, for example.

Next, according to Figure 7, the proportion of foreign hotel guests as a percentage of all hotel guests in Japan is larger than Toyama. In 2012, Japan’s average was about 6%, but only 2.6% in Toyama, and 15.7% was Japan’s average, while it was just 7.7% in Toyama, in 2017, meaning that both proportions become larger. Yet, basically, those for Japan are higher than Toyama. If Toyama wants to attract more foreign visitors, it might need to put into practice more effective (inbound) policies.

Figure 8: Shares of Foreign Countries or Regions in Japan and Toyama Prefecture (Accommodations with 10 or More Employees)



*Southeast Asia includes Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

*Europe includes UK, France and Germany, and North America includes USA and Canada.

Source: Japan Tourism Agency [4]-[8]

Figure 8 shows the proportion of foreign hotel guests in Japan and Toyama from 2013 to 2017. Hotel guests from China are the highest in Japan, followed by South Koreans. Different from Japan’s trend, Taiwanese tourists have ranked highest for foreign hotel guests in Toyama (since 2012), followed by those from Hong Kong, South Korea and China.² However, despite some differences, both Japan and Toyama share similar data regarding people from East Asia being the highest proportion, on the whole. Recently, the proportion of tourists from Southeast Asia has also increased.

For Toyama, the target is not first-time Japan visitors but rather repeat ones because they desire new

2 There are direct flights from 4 foreign cities to Toyama: Seoul of South Korea, Shanghai and Dalian of China, and Taipei of Taiwan.

experiences in Japan when they come again. Toyama's main features are its natural attractiveness and special sea foods. Some of them can be only seen and almost only eaten in Toyama. So, Toyama's promotion should be to make foreigners realize such attractions. From these aspects, the main target policies of Toyama should be to promote: (1) "foreign repeat visitors to Japan," (2) foreign visitors to Japan, especially those who do not often experience heavy snows in their homelands (or have not seen snow) because Toyama is famous for its snowfalls, especially in mountainous areas, and (3) Japanese food lovers, especially those who want to eat special sea foods.

Results of I-O Analysis and Next Steps Pertaining to the Issue at Hand

In this section, economic effects on Toyama Prefecture is estimated and analyzed. The first step is the estimation of the expenditure by foreigners in Toyama, which is important for the economic analysis. Usually, the number of foreign visitors themselves to Toyama would need to be counted, but economically speaking, the number of foreign hotel guests might be more useful for the analysis because when a person arrives at a regional airport but simply passes through the region doing nothing there, no economic benefit is perceived, for example. Accordingly, greater consumption by foreigners has a greater economic effect that is important to a regional economy.³

Table 1: Estimated Foreigners Consumption in Toyama Prefecture

	Consumption per Foreigner	Number of Foreign Hotel Guests	Total Consumption (¥ Million)
1)	4,407	100,797	444.2
2)	8,623	94,000	810.6
3)	18,948	142,070	2,691.9
4)	11,705	222,270	2,601.7

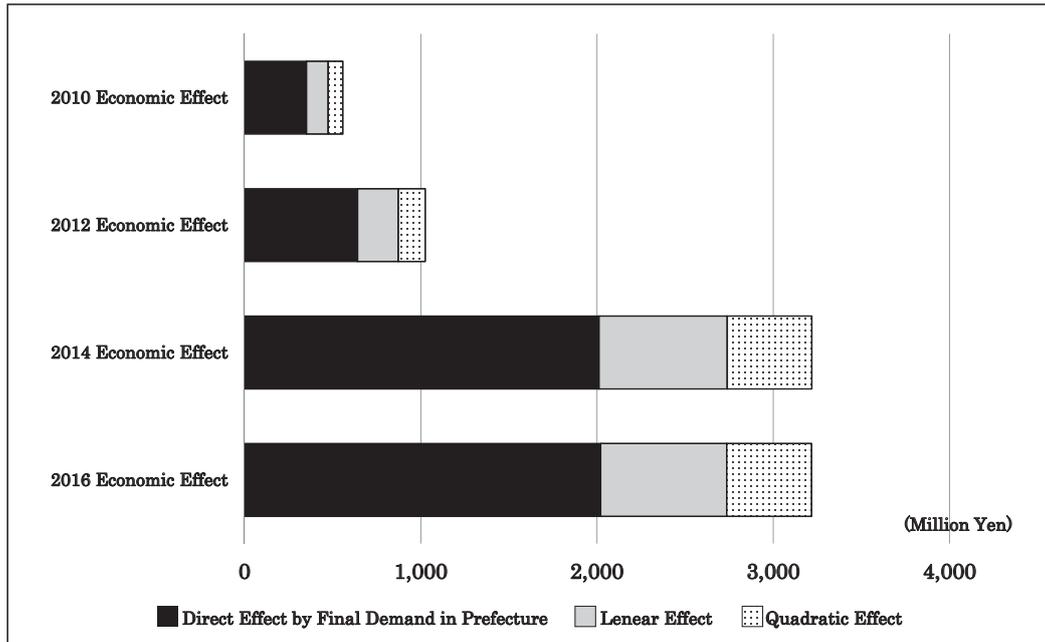
1): Year 2010, 2) Year 2012, 3) Year 2014, 4) Year 2016

Source: Author's Estimation using Japan Tourism Agency [2], [3], [5], [7], [9]-[12]

First, the number of foreign hotel guests in Toyama are estimated rendering a time series of economic effects on Toyama, from 2011 input-output table from Toyama.⁴ Table 1 shows each year's estimated expenditure from Japan Tourism Agency (JTA) surveys and the number of foreign hotel guests. For example, there estimated about ¥ 2.6 billion of consumption by foreign hotel guests in Toyama in 2016. Next, from the expenditures, economic ripple effects in 2010, 2012, 2014 and 2016 are estimated (by using a 2011 input-output table). Figure 9 shows the economic ripple effects of estimated years in Toyama. For example, there were about ¥ 3.2 billion of economic ripple effects in 2016, according to the estimation of the input-output analysis, so ¥ 2.6 billion of the total expenditure generated ¥ 3.2 billion in economic benefits. From the effects in 2014 and 2016, the economic impacts were bigger than from the former two years estimated. Basically, it is inferred that the more foreigners come to Toyama, the more there are economic (or economic ripple) effects. However, the volume that they consume for items such as accommodation fees, foods and souvenirs, differs yearly, according to the surveys, so the economic

³ Another reason is statistics difficulty to get an adequate number to analyze in a region.

⁴ 2011 input-output table of Toyama Prefecture is the newest one at the present.

Figure 9: Economic Effects in Toyama Prefecture by Foreigners Consumption

Source: Author's Estimation using Toyama Prefecture [14]

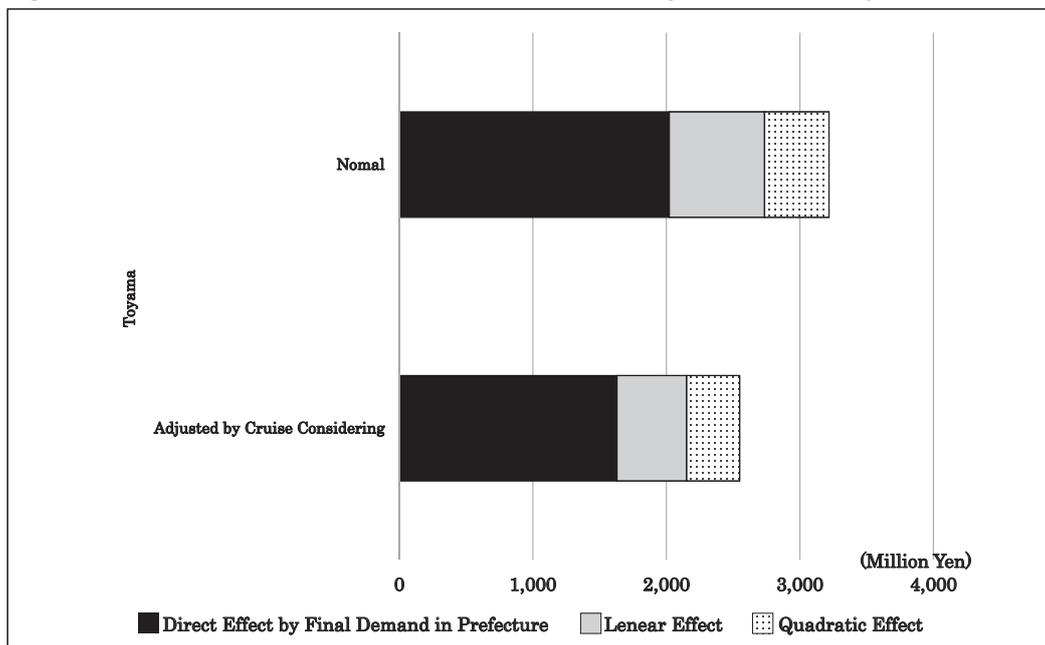
effect seen between 2014 and 2016 happen to be similar even if 2016 had more foreign hotel guests.

The next analysis considers yet another aspect of the region's situation. There are cruise-tours mainly from Asian countries or regions that dock at certain Japanese ports. The regions which have relatively big ports for cruises are making efforts to receive foreign cruise-tour users because they purchase many souvenirs, commodity goods and so on when they go around the downtown areas of a region, for example. So, to estimate the economic effect from cruise users and compare them with otherwise normal economic effects becomes important, too. As has been noted already, it is possible for cruise-tour users to eat lunch downtown in the region and buy some souvenirs, but it is also possible that after sightseeing and they might buy something personal or for a family member or friend, yet they head back to the cruise ship for dinner and usually stay in their cabin at night. From an economic point of view, the benefit is usually highest when a person stays at a hotel and eats dinner and orders drinks in the region because that kind of consumption generates the economic cycle in a region that, in turn, increases economic multiplier benefits. In that sense, even if the number of foreign visitors itself is the same, the economic effect might be lessened when some of them are cruise-tour users. So, in order to properly compare economic effects, the simulation is done with two versions: the normal tour version and the cruise one, wherein we suppose that (1) the number of foreign hotel guests and meals and drinking are cut in half, and (2) the expenditure on souvenirs doubles.

Figure 10 provides a comparison between the difference in Toyama in 2016 between the usual economic ripple effect and the adjusted economic ripple effect from cruise-tour users. In particular, the upper bar graph estimates the economic ripple effect on the normal version of foreign hotel guests' consumption, while the lower one is estimates its effect on the cruise-tour users when considering consumption variants. The estimation of the

economic effect by the cruise-tour users considering consumption version is about the 79.2% of the level obtained under the normal conditions. In estimating how much they need to pay for souvenirs or something else in order to offset the negative economic effect, it was found that they need to pay about 2.5 times as much as for souvenirs to reach the same level. If the number of foreign visitors to Toyama increases by both normal tours—including group tours and individual tours—and cruise tours, the results would be better. However, when a region wants to receive more foreigners, they usually use (invest) some budget to promote inbound policies. In that sense, if the region wants more foreign cruise-tour users, it modifies its budget accordingly to receive more cruise-tours such that the budget for normal tours might decrease, on account of those policies. Therefore, policymakers would do well to ponder more deeply what kind of inbound policies would be worth doing.

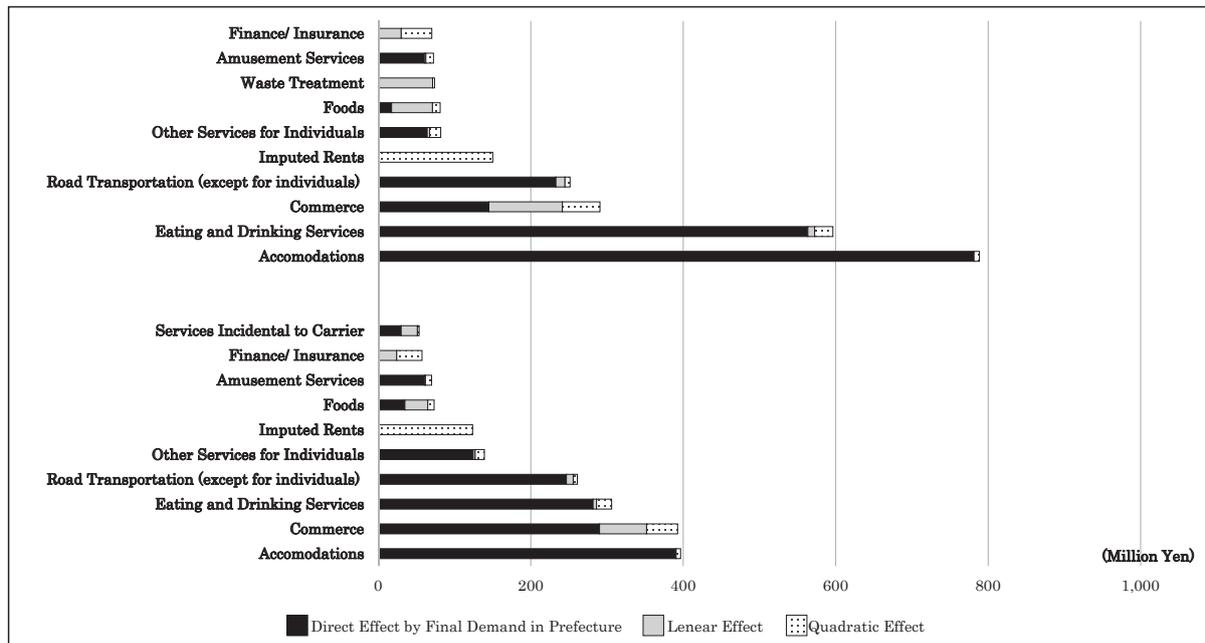
Figure 10: Economic Effects of Normal version and Adjusted Version by Cruise in 2016



Source: Author's Estimation using Toyama Prefecture [14]

Additionally, Figure 11 provides the estimation of economic effects among main industries between the normal tour version and the tour version which takes cruise users into account. The ten upper-graph bars are the normal version, while the lower ten the cruise-tourist version. Clearly, the economic effects pertaining to accommodations and meals or drinking services decrease more because, supposedly, several other industries' benefits also decrease on the whole, meaning that main industries would also be negatively influenced. Other regions might attain other results, but what Toyama should do is to make efforts to promote normal tourism inbound policies, rather than cruise-oriented promotion, in cases where the budget for total inbound policies is insufficient to make a decision regarding what category of inbound policies should be invested in.

Figure 11: Changes of Main Industrial Effects between normal Ver. and Cruise-tour Considering Ver. in Toyama



*The Lower Bar Graphs Are Adjusted Ver. by Cruise Effects, and the Upper Ones Are Normal Ver.

Source: Author's Estimation using Toyama Prefecture [14]

Conclusion

Many foreigners have visited Japan and their numbers have continued to increase rapidly since 2013. These foreigners usually visit popular areas of Japan such as Tokyo, but other areas of Japan have been also been on people's radar screens, leading to many positive effects, e.g., resulting economic benefits. Considering that scenario, Toyama Prefecture's regional economic effect from tourism is analyzed in this paper.

The results of the analysis suggest that the more foreign tourists that visit a region like Toyama, the greater the economic benefit will be. So, foreign visitors should be coveted from an economic benefits point of view, whenever a foreigners-accepting policy becomes a key public policy for a region. However, foreigner visitors arriving in a Japanese region as cruise-tour users, merely a tourist passing through a region, the economic effect could be negative compared to normal tourist activity. Thus, adequate government investment for inbound policies should be undertaken to be most effective economically.

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