

The Japanese economy: topic of the month

Do not overrate the economic impact of events surrounding Japan’s transition into a new era accompanying the Imperial accession

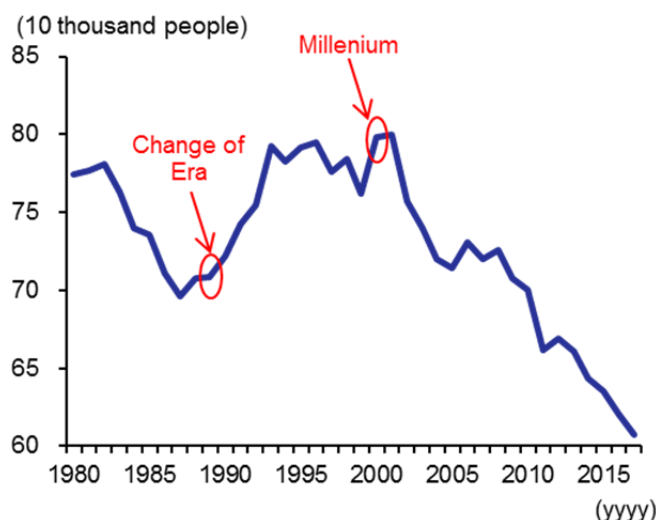
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In May 2019, Japan is scheduled to enter a new era along with the accession of the new Emperor. There is excitement that the economic impact of Japan’s transition to a new era will provide support for the Japanese economy.

However, at the time of the previous change of era in 1989, Japan’s real GDP growth rate (+5.3%) slowed down from the previous year (+6.8%). If past experience is any guide, the change of era will not necessary serve as a driver of the economy.

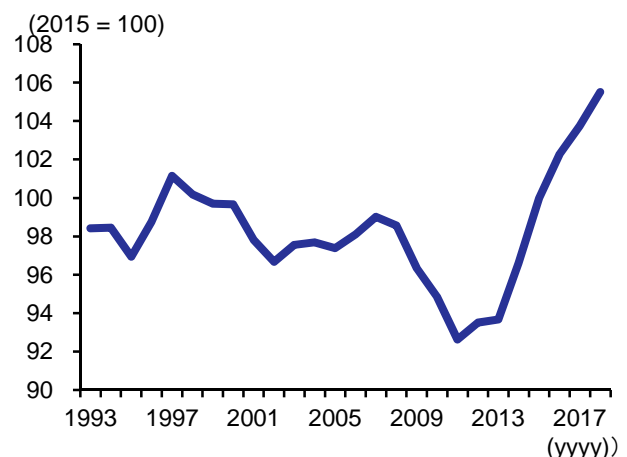
Even so, there are views that the economic impact will grow larger this time. In comparison with the previous change of era following the demise of Emperor Showa, this time will be the first living succession in 200 years. We may expect the rise of a celebratory atmosphere, leading to the improvement of consumer confidence. In particular, there are high hopes that the event will boost marriage-related demand through a temporary rise in number of marriages (**Chart 1**).

[Chart 1: Number of marriages]



Source: Made by MHRI based upon Ministry of Health, Labour and Welfare, *Vital Statistics*

[Chart 2: Hotel accommodations (CPI)]



Note: Data up to November for 2018. Excludes the impact of The consumption tax hike

Source: Made by MHRI based upon Ministry of Internal Affairs and Communications, *Consumer Price Index*

But, the number of marriages is following a downward trend due to the intensification of Japan's demographic aging and dwindling birthrate in the 2000s. Reflecting these trends, wedding ceremony services have fallen by approximately 30 percent from 2000 to 2017 (Ministry of Economy, Trade and Industry, *Indices of Tertiary Industry Activity*). Therefore, even if a temporary rise of marriage-related demand on par with the millennium celebrations were to occur, its economic impact would be smaller.

While there may be a temporary rise of domestic travel due to the Golden Week holidays running for 10 days (from April 27 to May 6) next year due to the events surrounding the imperial accession, this should not be overrated. This stems from soaring hotel accommodations (**Chart 2**) due to the fact that hotel operations rates are running at historical high levels because of the rise in demand generated by foreign inbound tourists. There may be an increase in people staying close to home in order to avoid high costs and congestion, day trips, and people opting for overseas trips from a budget perspective.

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