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# Mizuho Economic Outlook & Analysis

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## *Second round of the regional revitalization initiative starts from FY2020*

*Promoting central cities of regional economies is a key challenge*

### < Summary >

- ◆ The first round of the five-year regional revitalization plan will come to an end in FY2019 and the second round will resume from FY2020.
- ◆ Although the central cities of regional economies are in a net inflow position of young people coming from surrounding areas, the ongoing population outflow to the Tokyo area makes it essential to boost the central cities of regional economies in the second round of the regional revitalization initiative.
- ◆ We expect to see the development of unique business models in the central cities of regional economies as exemplified by the Super City initiative.

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## **1. Lackluster progress in addressing the concentration of the population in the greater Tokyo area**

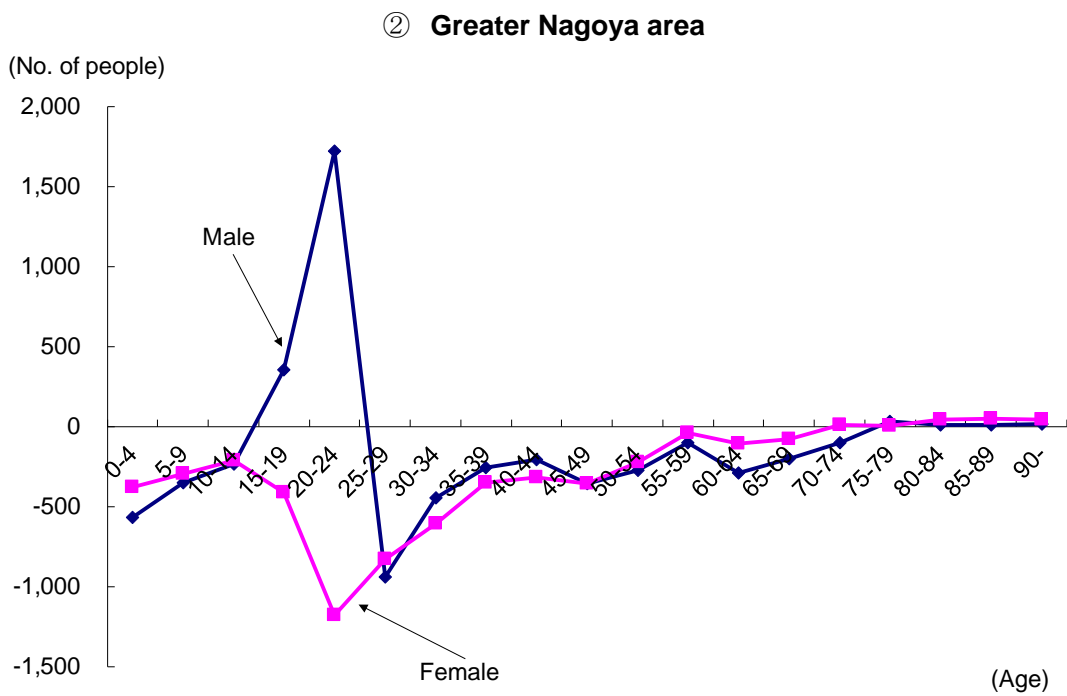
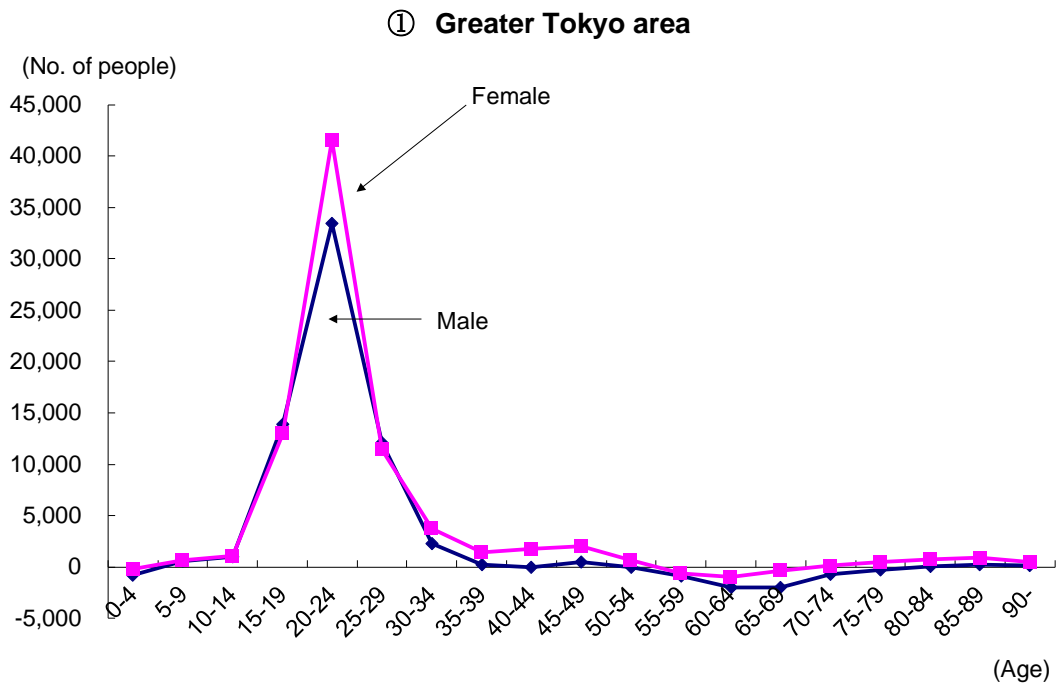
The regional revitalization initiative was launched in FY2015 to spread the effects of Abenomics and to tackle the issue of population decline by reversing the concentration of the nation's population in the greater Tokyo area and increasing the number of residents in regional areas (areas other than the three major metropolitan areas). While the government's initiative sets forth the target of balancing the population inflow and outflow for the greater Tokyo area by 2020 from a net inflow of 100,000 at the time when the target was formulated in 2013, the most recent "2018 Report on Internal Migration in Japan Derived from Resident Registers" by the Ministry of Internal Affairs and Communications reveals that the net inflow to the greater Tokyo area reached nearly 140,000 people, a figure far higher than when the target was first set.

While the majority of the increase in Tokyo's inflow population is young people migrating to start school or work, it is noteworthy that the excessive net inflow to the greater Tokyo area after the latter half of the 1990s is mainly attributable to the migration of women. Even in the most recent 2018 survey, females outnumbered males in the population inflow to the greater Tokyo area for the 20s and 30s age groups (**Chart 1-①**).

This trend is believed due to the increasing number of women receiving higher education. The gender gap in the university entrance rate, which was 28.3%pt (male 41.0%, female 12.7%) in 1975, dropped to 6.2%pt (male 56.3%, female 50.1%) in 2018, as the college-going rate of women continued to rise during the 1990s. Furthermore, according to the "School Basic Survey" by the Ministry of Education, Culture, Sports, Science and Technology, there was almost no gender gap in the number of newly hired university graduates in March 2018.

On the other hand, the greater Nagoya region, one of the three major metropolitan areas which is well-known for the concentration of manufacturing plants, is in a net inflow position for young men but a net outflow for young women (**Chart 1-②**), probably because factories do not present attractive workplaces for women with higher education. Setting up manufacturing plants has long been a typical method of reinvigorating regional economies, but it has proven ineffective in stopping the outflow of young women.

**Chart 1: Net inflow of people to the greater Tokyo and Nagoya areas by gender and age groups (2018, Japanese)**



Source: Made by MHRl based upon the Statistics Bureau, Ministry of Internal Affairs and Communications, 2018 Report on Internal Migration in Japan Derived from Resident Registers.

## **2. Central cities of regional economies see a net inflow of young people from surrounding areas who will eventually migrate to the greater Tokyo area**

The concept of regional revitalization suggests a “return to rural living,” where residents of the Tokyo area migrate to rural areas with pastoral landscapes. Since many rural municipalities already suffer from a population decline, to tackle this issue local governments tend to put their efforts into attracting people to rural areas when encouraging migration to or settlement in regional areas.

Nonetheless, the actual trend of population migration suggests a different story. We analyzed the net inflow of young people (age 15-39) to Sapporo City, one of the nation’s largest cities, and Asahikawa City, with the second largest population in Hokkaido, from 2010 to 2015 (**Chart 2**).

In the case of Sapporo City, while male and female populations aged 15-19, including those going to college, are in a net outflow position with respect to the greater Tokyo area, they are in a significant net inflow position from other cities in Hokkaido. The same trend has been observed for the 20-24 age group that includes people who have just started working. Noteworthy is the gender breakdown of the net inflow of people from age 20-24, with the number of women exceeding men by more than twofold. As women are more inclined to work in the service sector, that the data indicates that they tend to choose to live in Sapporo City where the service sector is the most developed in Hokkaido. On the other hand, if we focus on the net outflow of male and female populations aged 25-39 presumably due to changing jobs or relocation to suburban areas, while more men are migrating to other parts of Hokkaido rather than the Tokyo area, the number of women moving to the greater Tokyo area was five times greater than women moving to other cities in Hokkaido. One of the factors behind this trend may be that when women change jobs in the service industry, they are inclined to select the Tokyo area as it offers higher salaries compared with Sapporo City. A closer look at population migration to and from Sapporo City reveals Sapporo’s attraction of young people from other parts of Hokkaido and simultaneous outflow of the young population to the Tokyo area, with the exception of men in the 25-39 age group.

Meanwhile, the migration trend in Asahikawa City differs from that in Sapporo City. The major destinations of people flowing out of Asahikawa City are its suburban areas and Sapporo City, instead of the greater Tokyo area. For the age group 15-19, the net outflow of male and female populations to Sapporo City surpassed those migrating to the greater Tokyo area by more than twofold. For the 20-24 age group, while the net outflow of male population bound for the greater Tokyo area was larger compared with those bound for Sapporo City, the net outflow of female population was almost the same for the two destinations. Furthermore, for the age group 25-39, there was more net outflow of both

male and female populations to neighboring Higashikagura Town, where many detached homes have been constructed. In view of such background factors, the municipalities of Sapporo City and suburban areas are of greater concerns for Asahikawa City rather than the greater Tokyo area when formulating its depopulation measures.

**Chart 2: Net inflow of people to Sapporo and Asahikawa cities by gender and age groups (2015)**

**Sapporo City**

**Male, No. of people**

**Female, No. of people**

Age group	15-19	20-24	25-39	Age group	15-19	20-24	25-39
From Hokkaido / outside Hokkaido total	2,546	970	-4,851	From Hokkaido / outside Hokkaido total	2,546	970	-4,851
From Hokkaido	2,492	1,784	-2,511	From Hokkaido	2,492	1,784	-2,511
From outside Hokkaido	-22	-1,025	-3,047	From outside Hokkaido	-22	-1,025	-3,047
o/w Tokyo area	-388	-1,584	-917	o/w Tokyo area	-388	-1,584	-917

**Asahikawa City**

**Male, No. of people**

**Female, No. of people**

Age group	15-19	20-24	25-39	Age group	15-19	20-24	25-39
From Hokkaido / outside Hokkaido total	-223	-777	-5	From Hokkaido / outside Hokkaido total	-83	-285	-494
From Hokkaido	-28	-265	-69	From Hokkaido	59	31	-401
o/w Sapporo City	-233	-178	214	o/w Sapporo City	-244	-239	-84
o/w Higashikagura Town	-3	0	-196	o/w Higashikagura Town	0	4	-216
From outside Hokkaido	-201	-543	9	From outside Hokkaido	-150	-335	-159
o/w Tokyo area	-115	-271	111	o/w Tokyo area	-90	-245	-95

Note: The figures above were derived by subtracting the number of people who lived in Sapporo or Asahikawa in 2010 but lived in other municipalities in 2015 (outflow) from the number of people who lived in other municipalities in 2010 but lived in Sapporo or Asahikawa in 2015 (inflow).

Source: Made by MHRI based upon the Statistics Bureau, Ministry of Internal Affairs and Communications, 2015 *Population Census of Japan*.

Thus, a major problem most regional municipalities now face is how to correct the population outflow to neighboring suburban cities, except for the central cities of regional economies such as cities designated by government ordinance and prefectural capitals. For example, the paper “Merits and Demerits of ‘1% return to pastoral regions’ ” (Matsuyama University, “Matsuyama University Review,” vol. 27, 2015, in Japanese only) by Torahiko Ichikawa revealed that Ehime Prefecture is experiencing a significant migration of population from suburban municipalities to Matsuyama City, the largest city in the prefecture.

It should also be noted that people moving to the greater Tokyo area mostly come from the central cities of regional economies such as cities designated by government ordinance or prefectural capitals. According to the “2018 Report on Internal Migration in Japan Derived from Resident Registers” compiled by the Statistics Bureau of the Ministry of Internal Affairs and Communications, population inflow to the greater Tokyo area in 2018 totaled 280,000, of which 70,000 came from the greater Nagoya and Osaka regions and

another 70,000 from prefectural capitals other than the three major metropolitan cities.

While there is a nationwide trend of people concentrating in the central cities of regional economies, a closer look reveals that migration from regional suburban cities to regional central cities and from regional central cities to the greater Tokyo area is a greater trend than population outflow from regional suburban cities to the greater Tokyo area.

### **3. Ideas to avoid making regional economies a “mini-Tokyo”**

The government selected 82 central cities of regional economies in 2018 mainly from prefectural capitals outside the Tokyo area and named them “central core cities.” These 82 central core cities include major cities in various regions in addition to prefectural capitals. In some prefectures, neighboring rival cities were selected such as Maebashi City and Takasaki City in Gunma Prefecture, and Nagano City and Matsumoto City in Nagano Prefecture. While it may be a challenge to promote both at the same time, the major focus of attention in the regional revitalization initiative is the reinvigoration of central core cities.

The central cities of regional economies are expected to emphasize business start-ups mainly in the service sector and to develop unique business model to avoid simply becoming miniature versions of Tokyo. They are expected to offer dream opportunities for young people in rural areas to originate and transmit new ideas to the world.

Under such circumstances, the government is preparing to implement concrete measures toward realizing its Super City concept. This initiative is to make use of AI (Artificial Intelligence) and big data through joint efforts between companies capable of realizing the latest technology and local governments in limited areas to create an “entirely future-oriented city” by fundamentally changing the way of today’s society.

In the world today, competition among cities is intensifying on a global scale, and the competitiveness of a specific city has a great impact upon the economic growth of the entire country. Hence, promoting the central cities of regional economies is also expected to make a positive contribution to Japan’s growth strategy. On the other hand, if it results in spoiling the attractiveness of Tokyo, which is the nation’s largest city, Japan’s growth potential will be negatively impacted. It is important to create a competitive environment among Japanese cities whereby the productivity of Tokyo will improve even further through competition with these central cities. In the light of this, competition among cities aimed at realizing an “entirely future-oriented city” involving companies, as seen in the Super City initiative, can be evaluated as an appropriate measure. We believe that regional policy making, including the regional revitalization initiative, should focus not only on rural areas but also on promoting the central cities of regional economies which is attracting Japan’s population.