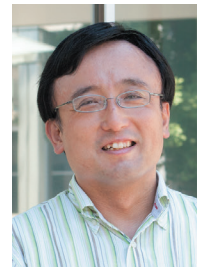


Base Year Revision to the Indices of Tertiary Industry Activity



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By Nobuo Iizuka

Recovery After Consumption Tax Rate Hike Weak with Base Year Revision

The Indices of Tertiary Industry Activity (ITIA) is calculated every month to comprehensively capture production activities of sectors which belong to the tertiary industry. Indices which indicate levels of activity for individual sectors such as information and communication, transport and postal services, and retail are created, and then the index for the entire tertiary industry is derived by taking a weighted average using whatever percentage of value-added each sector produces for the base year as weights. Most recently, the base year has been revised to 2015, and release of corresponding data began on April 17, 2020.

As shown in the *Chart*, when comparing the trends in ITIA for the previous base year 2010 and the new base year 2015 for the period until January 2020, there is no major difference. (For the purpose of comparison, the index for base year 2010 has been converted to year

2015=100 to draw the chart.) But looking at the trends after the consumption tax was raised in October 2019, recovery is weaker for base year 2015 compared to the base year 2010.

One likely factor behind this is the rise in weight for retail trade for base year 2015. Weights in ITIA are determined using the value-added values in the “Input-Output Tables for Japan” (Ministry of Internal Affairs and Communications). The weight for retail trade was 1,028.1 over 10, 000 for base year 2010, but rose to 1,182.6 for base year 2015.

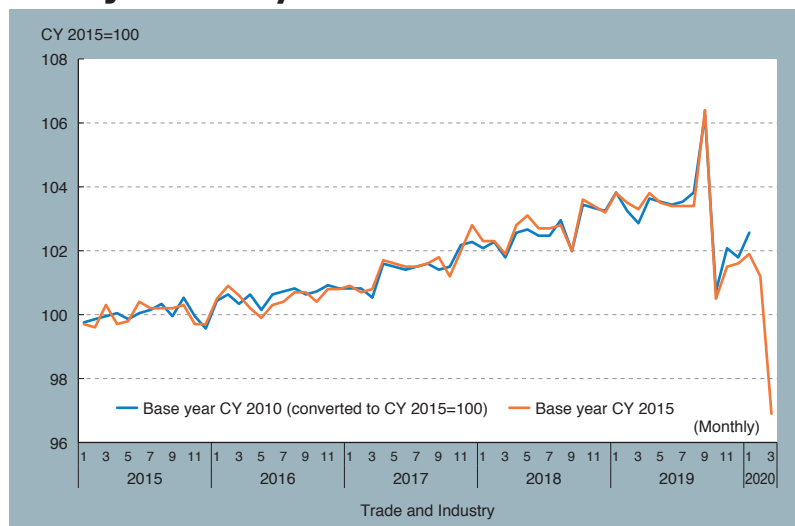
Wholesale Trade & Living and Amusement-Related Services Show Drop

The restraint in economic activities since March 2020, which came as part of efforts to stop the spread of Covid-19 infections, is said to be having a great impact especially on tertiary industry activities. In fact, ITIA for March 2020, released on May 18, was 96.9, which is lower by 5.7% compared to the same month in the previous year. The drop expanded from the 1.4% decline in January 2020 and 1.1% decline in February. The March 2020 level is lower by 3.6% compared to the 100.5 in October 2020 immediately after the consumption tax rate was raised.

Looking at the breakdown for January to March 2020 in *Table 1*, the largest drop is in Wholesale Trade (January: -5.7%, February: -6.4%, March: -5.8%). Looking at the breakdown for Wholesale Trade, wholesale trade activities for Textile and Apparel and Machinery and Equipment have gone down significantly. Another large drop was seen in the Living and Amusement-Related Services for the period January to March 2020. The drop was 0.5% in January, 2.0% in February, and 28.8% in March.

CHART

Trends in ITIA (comparing base year 2015 & base year 2010)



Source: “Indices of Tertiary Activity”, Ministry of Economy, Trade and Industry

Impact of Refraining from Economic Activities Evident

The impact of refraining from economic activities on the services industry can be clearly observed when looking at the breakdown of Living and Amusement-Related Services (Table 2). The most significant drop from January to March was in Accommodations. While it was a rise of 8.8% in January compared to the previous year, it was a drop of 50.3% in March. Miscellaneous Living-Related and Personal Services saw a 2.4% decline in January, an 8.5% decline in February, and a further drop of 37.9% in March. Looking at the breakdown, Travel Agencies fell by 4.1% in January, 15.8% in February, and 69.0% in March, with its decline very visible. It is similar for Cinemas.

It should be noted that not all of the data used in calculations of the indices (Basic Statistics) would be available when ITIA is released. According to the Ministry of Economy, Trade and Industry, roughly 30% of Basic Statistics out of the total weights have yet to be released. How the released data after March 2020 will be revised in the future should also be closely watched.

Note: The article has been written with available information as of May 18, 2020.



TABLE 1

Year-on-year change of Tertiary Industry Activity

| | Weights | 2020 | | |
|---|--------------|-------------|-------------|-------------|
| | | Jan. | Feb. | Mar. |
| Tertiary Industry | 10000 | -1.4 | -1.1 | -5.7 |
| Electricity, Gas, Heat Supply & Water | 378.3 | -4.0 | 1.0 | -1.3 |
| Information & Communications | 946.9 | -2.1 | -0.4 | 0.5 |
| Transportation & Postal Activities | 968.8 | 0.0 | -1.0 | -18.3 |
| Wholesale Trade | 1350.5 | -5.7 | -6.4 | -5.8 |
| Finance & Insurance | 878.5 | -1.3 | -1.9 | 2.9 |
| Goods Rental & Leasing (includes Automobile Rental & Leasing) | 249.1 | 1.8 | 2.2 | 1.0 |
| Business-Related Services | 881.7 | 0.3 | -2.1 | -1.0 |
| Retail Trade | 1182.6 | -2.1 | 0.2 | -5.4 |
| Retail Estate | 809.2 | -1.1 | 0.2 | -1.2 |
| Medical, Health Care & Welfare | 1238.9 | 0.8 | 1.9 | 2.1 |
| Living & Amusement-Related Services | 1115.5 | -0.5 | -2.0 | -28.8 |

Source: "Indices of Tertiary Industry Activity", Ministry of Economy, Trade and Industry

TABLE 2

Year-on-year change of Tertiary Industry Activity

| | Weights | 2020 | | |
|--|---------------|-------------|-------------|--------------|
| | | Jan. | Feb. | Mar. |
| Living & Amusement-Related Services | 1115.5 | -0.5 | -2.0 | -28.8 |
| Accommodations | 90.3 | 8.8 | -6.7 | -50.3 |
| Eating & Drinking Places, Take Out & Delivery Services | 408.2 | -0.7 | -0.6 | -28.6 |
| Laundry, Beauty & Bath Services | 131.8 | 4.9 | -3.5 | -26.2 |
| Miscellaneous Living-Related & Personal Services | 99.9 | -2.4 | -8.5 | -37.9 |
| Services for Amusement & Hobbies | 234.3 | -1.7 | 1.0 | -32.8 |
| Learning Support | 94.6 | -0.9 | -1.6 | -3.8 |
| Pet Clinic | 10 | -42.8 | -4.8 | 6.2 |
| Automobile Maintenance Services for Individuals | 46.4 | -9.0 | 3.5 | -11.7 |

Source: "Indices of Tertiary Industry Activity", Ministry of Economy, Trade and Industry

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ECONOMIC INDICATORS FOR JAPAN

| Calendar year, Quarter and Month | Real GDP | | Nominal GDP | | IIP rate of increase over previous year/term (month) (%) | CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%) |
|----------------------------------|--|--|-----------------------|--|---|---|
| | Amount (trillion yen) | Rate of increase over previous year/term (%) | Amount (trillion yen) | Rate of increase over previous year/term (%) | | |
| 2012 | 498.8 | 1.5 | 495.0 | 0.7 | 0.6 | -0.1 |
| 2013 | 508.8 | 2.0 | 503.2 | 1.7 | -0.3 | 0.4 |
| 2014 | 510.7 | 0.4 | 513.9 | 2.1 | 2.0 | 2.6 |
| 2015 | 516.9 | 1.2 | 531.3 | 3.4 | -1.2 | 0.5 |
| 2016 | 519.6 | 0.5 | 535.5 | 0.8 | 0.0 | -0.3 |
| 2017 | 530.9 | 2.2 | 545.9 | 1.9 | 3.1 | 0.5 |
| 2018 | 532.4 | 0.3 | 546.9 | 0.2 | 1.1 | 0.9 |
| 2019 | 535.9 | 0.7 | 553.7 | 1.3 | -3.0 | 0.6 |
| 2019/2nd Qtr. | 539.4 | 0.5 | 555.9 | 0.6 | 0.0 | 0.8 |
| 3rd Qtr. | 539.4 | 0.0 | 558.1 | 0.4 | -1.1 | 0.5 |
| 4th Qtr. | 529.4 | -1.9 | 549.5 | -1.5 | -3.6 | 0.6 |
| 2020/1st Qtr. | 526.4 | -0.6 | 546.8 | -0.5 | 0.4 | 0.6 |
| 2019/Sept. | — | — | — | — | 1.9 | 0.3 |
| Oct. | — | — | — | — | -4.0 | 0.4 |
| Nov. | — | — | — | — | -0.6 | 0.5 |
| Dec. | — | — | — | — | 0.2 | 0.7 |
| 2020/Jan. | — | — | — | — | 1.9 | 0.8 |
| Feb. | — | — | — | — | -0.3 | 0.6 |
| March | — | — | — | — | -3.7 | 0.4 |
| April | — | — | — | — | -9.8 | -0.2 |
| Sources | "SNA (National Accounts of Japan)", Cabinet Office | | | | "Indices of Industrial Production", Ministry of Economy, Trade and Industry | "Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|-------------------------------|---|-------------------------------------|---|---------------------------------------|---|-------------------------------------|---|
| | Exports amount (trillion yen) | Exports rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount (trillion yen) | Imports rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to US (trillion yen) | Exports to US rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from US (trillion yen) | Imports from US rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to EU (trillion yen) | Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2012 | 63.7 | -2.7 | 70.7 | 3.8 | 11.2 | 11.7 | 6.1 | 2.5 | 5.4 | -13.9 |
| 2013 | 69.8 | 9.5 | 81.2 | 14.9 | 12.9 | 15.6 | 6.8 | 12.0 | 5.9 | 8.8 |
| 2014 | 73.1 | 4.8 | 85.9 | 5.7 | 13.6 | 5.6 | 7.5 | 10.7 | 6.4 | 8.2 |
| 2015 | 75.6 | 3.4 | 78.4 | -8.7 | 15.2 | 11.5 | 8.1 | 6.9 | 6.7 | 4.4 |
| 2016 | 70.0 | -7.4 | 66.0 | -15.8 | 14.1 | -7.1 | 7.3 | -9.2 | 6.5 | -2.8 |
| 2017 | 78.3 | 11.8 | 75.4 | 14.1 | 15.1 | 6.9 | 8.1 | 10.5 | 7.1 | 9.5 |
| 2018 | 81.5 | 4.1 | 82.7 | 9.7 | 15.5 | 2.4 | 9.0 | 11.4 | 7.7 | 7.8 |
| 2019 | 76.9 | -5.6 | 78.6 | -5.0 | 15.3 | -1.4 | 8.6 | -4.2 | 7.4 | -3.0 |
| 2019/2nd Qtr. | 19.1 | -5.5 | 19.4 | -0.1 | 4.0 | 6.3 | 2.2 | -0.4 | 1.8 | -5.1 |
| 3rd Qtr. | 19.2 | -5.0 | 19.7 | -4.9 | 3.7 | -1.4 | 2.1 | -5.5 | 1.8 | 1.3 |
| 4th Qtr. | 19.5 | -7.8 | 19.8 | -11.9 | 3.7 | -13.0 | 2.2 | -13.7 | 1.8 | -9.5 |
| 2020/1st Qtr. | 18.1 | -5.5 | 18.3 | -7.2 | 3.5 | -9.2 | 2.1 | -5.8 | 1.8 | -8.6 |
| 2019/Sept. | 6.4 | -5.2 | 6.5 | -1.4 | 1.2 | -7.9 | 0.6 | -11.5 | 0.6 | 2.3 |
| Oct. | 6.6 | -9.2 | 6.6 | -14.7 | 1.3 | -11.4 | 0.7 | -16.9 | 0.6 | -10.8 |
| Nov. | 6.4 | -7.9 | 6.5 | -15.6 | 1.2 | -12.9 | 0.7 | -10.2 | 0.6 | -9.1 |
| Dec. | 6.6 | -6.3 | 6.7 | -4.8 | 1.2 | -14.9 | 0.7 | -13.6 | 0.6 | -8.6 |
| 2020/Jan. | 5.4 | -2.6 | 6.7 | -3.6 | 1.1 | -7.7 | 0.7 | -12.2 | 0.5 | -6.5 |
| Feb. | 6.3 | -1.0 | 5.2 | -13.9 | 1.3 | -2.6 | 0.6 | -5.9 | 0.6 | -7.7 |
| March | 6.4 | -11.7 | 6.4 | -5.0 | 1.2 | -16.5 | 0.7 | 1.1 | 0.6 | -11.1 |
| April | 5.2 | -21.9 | 6.1 | -7.1 | 0.9 | -37.8 | 0.7 | 1.8 | 0.5 | -28.0 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |

| Calendar year, Quarter and Month | Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%) | Active job openings-to-applicants ratio (time(s)) | Unemployment rate (%) | M2 rate of increase over previous year/ the same term (month) of the previous year (%) | Balance of payments | | Yen/\$ rate (averaged during the term) |
|----------------------------------|---|--|---|--|--|--------------------------------|--|
| | | | | | Trade balance (trillion yen) | Current balance (trillion yen) | |
| 2012 | -0.9 | 0.80 | 4.3 | 2.5 | -4.3 | 4.8 | 79.8 |
| 2013 | -0.2 | 0.93 | 4.0 | 3.6 | -8.8 | 4.5 | 97.6 |
| 2014 | 0.5 | 1.09 | 3.6 | 3.4 | -10.5 | 3.9 | 105.8 |
| 2015 | 0.1 | 1.20 | 3.4 | 3.6 | -0.9 | 16.5 | 121.0 |
| 2016 | 0.6 | 1.36 | 3.1 | 3.4 | 5.5 | 21.4 | 108.8 |
| 2017 | 0.4 | 1.50 | 2.8 | 4.0 | 4.9 | 22.8 | 112.2 |
| 2018 | 1.4 | 1.61 | 2.4 | 2.9 | 1.1 | 19.4 | 110.4 |
| 2019 | -0.3 | 1.60 | 2.4 | 2.4 | 0.4 | 20.1 | 109.0 |
| 2019/2nd Qtr. | -0.1 | 1.62 | 2.4 | 2.5 | -0.0 | 4.5 | 109.8 |
| 3rd Qtr. | -0.3 | 1.59 | 2.3 | 2.4 | -0.1 | 5.7 | 107.3 |
| 4th Qtr. | -0.1 | 1.57 | 2.3 | 2.6 | 0.3 | 3.7 | 108.7 |
| 2020/1st Qtr. | 0.6 | 1.44 | 2.4 | 3.0 | 0.5 | 5.8 | 108.9 |
| 2019/Sept. | 0.5 | 1.58 | 2.4 | 2.4 | -0.0 | 1.6 | 107.4 |
| Oct. | 0.0 | 1.58 | 2.4 | 2.4 | 0.2 | 1.8 | 108.1 |
| Nov. | 0.1 | 1.57 | 2.2 | 2.7 | -0.0 | 1.4 | 108.9 |
| Dec. | -0.2 | 1.57 | 2.2 | 2.7 | 0.1 | 0.5 | 109.2 |
| 2020/Jan. | 1.0 | 1.49 | 2.4 | 2.8 | -1.0 | 0.6 | 109.4 |
| Feb. | 0.7 | 1.45 | 2.4 | 3.0 | 1.4 | 3.2 | 110.0 |
| March | 0.1 | 1.39 | 2.5 | 3.3 | 0.1 | 2.0 | 107.4 |
| April | -0.6 | 1.32 | 2.6 | 3.7 | -1.0 | 0.3 | 107.9 |
| Sources | "Monthly Labour Survey", Ministry of Health, Labour and Welfare | "Employment Referrals for General Workers", Ministry of Health, Labour and Welfare | "Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications | "Money Stock", Bank of Japan | "Balance of Payments", Ministry of Finance | | Bank of Japan |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|---|---|---|---|--|--|--|--|
| | Imports amount from EU (trillion yen) | Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to Asia (excluding China) (trillion yen) | Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from Asia (excluding China) (trillion yen) | Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to China (trillion yen) | Exports to China rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from China (trillion yen) | Imports from China rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2012 | 6.1 | 3.9 | 23.3 | -1.8 | 16.3 | 3.3 | 11.5 | -10.8 | 15.0 | 2.7 |
| 2013 | 7.0 | 15.6 | 25.2 | 8.1 | 18.3 | 12.6 | 12.6 | 9.7 | 17.7 | 17.4 |
| 2014 | 7.5 | 6.9 | 26.1 | 3.5 | 19.4 | 6.2 | 13.4 | 6.0 | 19.2 | 8.6 |
| 2015 | 7.8 | 4.6 | 27.1 | 3.7 | 18.9 | -2.6 | 13.2 | -1.2 | 19.4 | 1.3 |
| 2016 | 7.4 | -5.0 | 24.7 | -8.7 | 16.2 | -14.5 | 12.4 | -6.5 | 17.0 | -12.4 |
| 2017 | 8.0 | 7.0 | 28.0 | 13.3 | 18.6 | 14.8 | 14.9 | 20.5 | 18.5 | 8.5 |
| 2018 | 8.8 | 10.6 | 28.8 | 2.9 | 20.0 | 7.8 | 15.9 | 6.8 | 19.2 | 4.0 |
| 2019 | 8.8 | 0.3 | 26.6 | -7.6 | 19.0 | -5.3 | 14.7 | -7.6 | 18.5 | -3.9 |
| 2019/2nd Qtr. | 2.2 | 5.9 | 6.6 | -7.4 | 4.6 | -3.0 | 3.6 | -8.7 | 4.5 | 0.0 |
| 3rd Qtr. | 2.3 | 1.9 | 6.6 | -8.8 | 4.7 | -3.4 | 3.6 | -9.4 | 4.7 | -2.1 |
| 4th Qtr. | 2.2 | -4.7 | 6.8 | -7.9 | 4.8 | -10.2 | 4.0 | -5.1 | 4.7 | -12.2 |
| 2020/1st Qtr. | 2.0 | -6.6 | 6.4 | -3.2 | 4.7 | -2.6 | 3.2 | -5.3 | 3.8 | -16.7 |
| 2019/Sept. | 0.8 | 13.3 | 2.3 | -8.3 | 1.6 | 1.9 | 1.2 | -6.7 | 1.6 | -0.9 |
| Oct. | 0.7 | -9.8 | 2.2 | -11.7 | 1.6 | -12.5 | 1.3 | -10.4 | 1.6 | -15.4 |
| Nov. | 0.8 | -4.8 | 2.3 | -5.9 | 1.5 | -12.6 | 1.3 | -5.4 | 1.6 | -16.4 |
| Dec. | 0.7 | 1.0 | 2.3 | -6.1 | 1.6 | -5.2 | 1.4 | 0.8 | 1.5 | -3.5 |
| 2020/Jan. | 0.7 | -2.0 | 1.9 | -1.6 | 1.7 | 0.5 | 0.9 | -6.4 | 1.7 | -5.7 |
| Feb. | 0.6 | -8.2 | 2.2 | 2.8 | 1.5 | -5.0 | 1.1 | -0.4 | 0.7 | -47.1 |
| March | 0.7 | -9.7 | 2.3 | -9.7 | 1.6 | -3.4 | 1.2 | -8.7 | 1.4 | -4.4 |
| April | 0.7 | -6.8 | 1.9 | -15.2 | 1.4 | -7.4 | 1.2 | -4.0 | 1.7 | 11.8 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |