

# APIR Trend Watch No.49

## Typhoon No. 21 influence on the Kansai economy — Focusing on damage in Kansai International Airport<sup>1</sup> —

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### Introduction

Typhoon No. 21 has caused severe damage to the Kansai region. Kansai International Airport (KIX) has suffered from unforeseen flooding of Runway A (Terminal 1 side) and Apron, a tanker colliding into the airport access bridge, etc. It is necessary to show respect to those working hard day and night in order to speed up the reopening process of the airport.

The Kansai economy is benefitting from 2 types of export: the so-called service export of inbound tourism (inbound consumption is classified as service export in statistics), and the export of electronic components and devices, both of which go through the KIX, which is an arterial infrastructure of the Kansai and the Japanese economy.

Even a 1-day early recovery will help to keep these benefits. Considering all the caused damage, it still remains unknown as to when the airport will function as per usual again. Currently, it is crucial to gather all the information about what effect the damage will have on the Kansai economy and how important it is to reopen the early at full scale.

### 1. KIX as a base for inbound tourism

There were around 28.7 million foreign visitors to Japan in 2017, around 12 million or 40% of which were Kansai visitors, and the number is growing (Figure 1). KIX is ranking No.2 in Japan after Narita airport according to the number of arrivals, however in case of arrivals from Asian countries, KIX is in the leading position. Due to improving income levels in Asian countries, relaxed visa regulations, increase of LCC flying into KIX (Figure 2), Kansai inbound tourism is growing.

Visitor spending in Kansai reached nearly 885.5 billion JPY in 2017, which is 16.4% more than previous year. It accounts to 1% of the 83 trillion JPY worth Kansai Gross Regional Product

<sup>1</sup> This paper is translated from the Japanese version originally published September 7, 2018.

(GRP) (Figure 3). It is expected that the tourism from Asian countries will be promoted even further in the future. Inbound tourism makes a substantial impact on relevant private demand industries. Therefore, not only reopening KIX as soon as possible is extremely important, but it is also crucial to eliminate damage caused anxiety and prevent any reputation loss.

In the age when information travels all over the world in an instant, we fear that uneasiness towards a certain destination point will immediately affect tourism. Even though it is difficult to compare the levels of damage, recovery to the point of one month before the Kumamoto earthquake is expected to take almost 1 year (Figure 4). Osaka earthquake, even if not so high, also had a level of influence<sup>2</sup>. Therefore, it is important to publish precise information about the recovery situation and international visitors' support. This way it will be possible to develop trust in Japan's measures to tackle natural disasters. Then, it will be necessary to spread information regarding safety and charm of Kansai's strong soft infrastructure overseas.

## 2. KIX as a base for export of goods

It is feared that export of goods will also suffer from damage.

According to statistics of 2017, Kansai accounts to 21.2% (16.6 trillion JPY) of Japan's exports. KIX operates 7.2% (5.6 trillion JPY) of exports, which is one third of that of Kansai. Moreover, 48.7% (2.7 trillion JPY) exports passing KIX was electrical equipment, especially electronic components such as semiconductors (1.3 trillion JPY) which account to 32.2% of the national share (Figure 5).

A crucial point is that there was possibly formed a global supply chain, where most of the components are of high value added and are produced only in Japan due to technological reasons. They are then exported through KIX to China and Southeast Asian countries, and used to make finished products. Factories are likely to fear such export related problems which will strongly affect this supply chain.

However, there are also other problems apart from the industrial product exports. There has been a growing export of agricultural products from Kansai in recent years, due to high evaluation of Japan's food products and the recent *Washoku* boom. Kansai accounts to the 29% (23.4 billion JPY) of Japan's agricultural products' export, among which KIX explains one fifth or 6% (4.9 billion JPY). In the last 5 years, KIX export value has rapidly grown by 80% (Figure 6.). It is very likely that due to problems in export the needs of sellers and buyers will not be met.

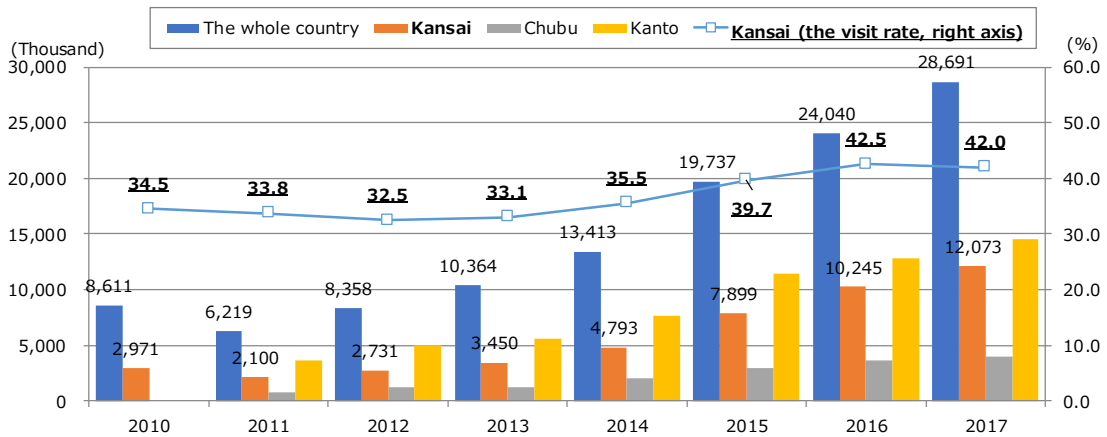
Failure in KIX's distribution function will not only have an impact on Kansai and the Japanese economy, but it will also affect global supply chains. Therefore, it is expected that all parties involved together with the government's support will cooperate and aim for an early recovery, even for 1 day, of the KIX distribution function, including running freight cars across the access bridge.

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<sup>2</sup> According to KPO Seoul report published by Kansai Travel Bureau (2018 June), due to the 18th June Osaka earthquake, cancellations by South Korea were reported on Osaka products/products passing through KIX. ([http://kansai.gr.jp/ktb/wordpress/wp-content/uploads/2018/08/201806\\_Seoul.pdf](http://kansai.gr.jp/ktb/wordpress/wp-content/uploads/2018/08/201806_Seoul.pdf))

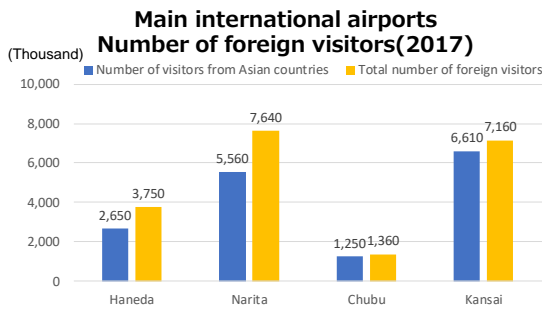
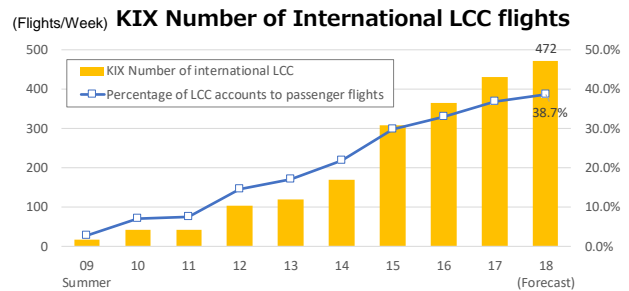
The typhoon came on the September 4th, and before dawn two days after an earth-quake hit the Iburi Region in Hokkaido. Such infrastructure damage severely affects the economy and it is a serious problem. However, even in times of major disasters, the order is not disrupted and stability of the Japanese society is praised in the whole world. We should turn this experience into a chance to show the world Japan's ability to resist crisis.

**Figure 1: Number of foreign visitors and the visit rate**

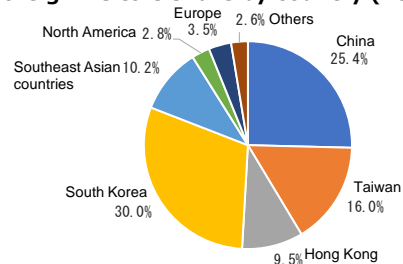


Source: "International visitor survey" Japan Tourism Agency

**Figure 2: Number of foreign arrivals through Kansai International Airport**

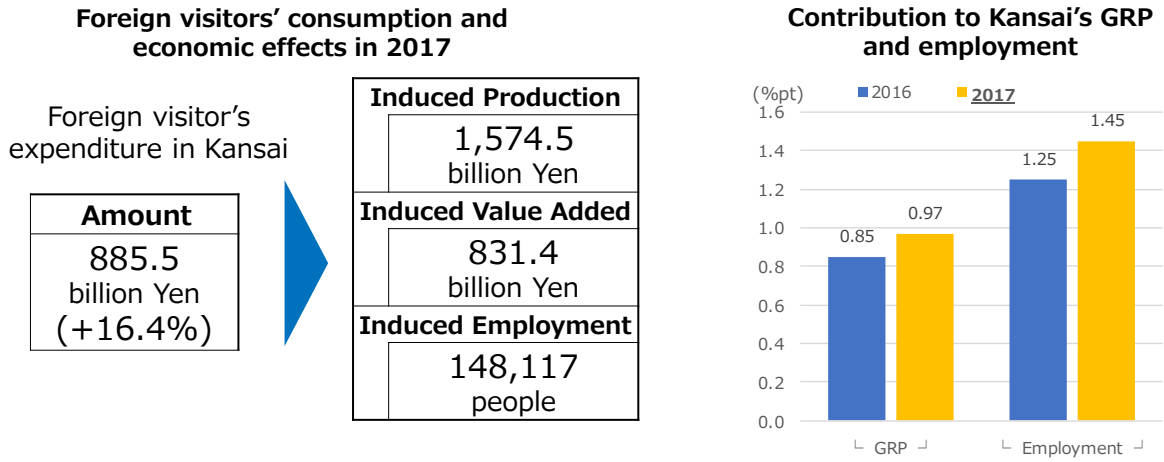


**KIX foreign visitors share by country (2017)**



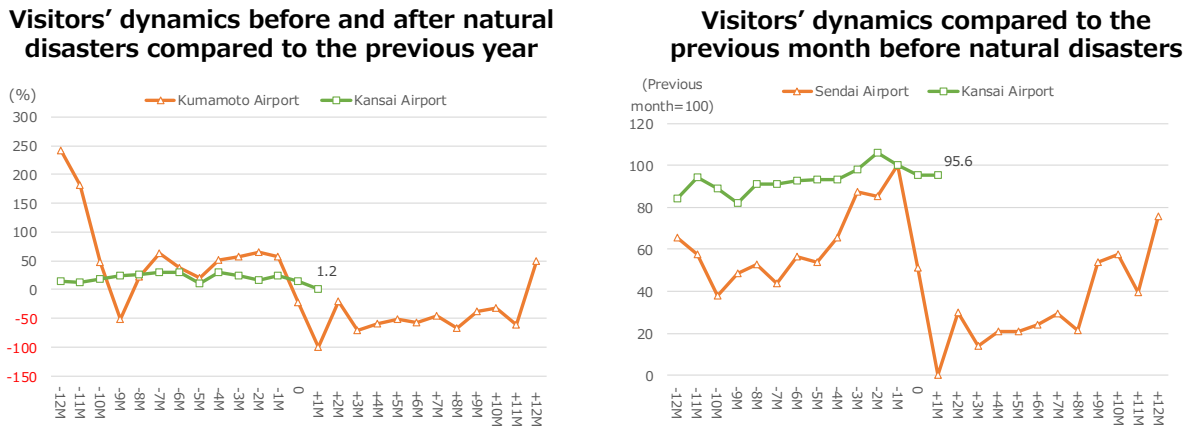
Source: "Statistical Survey on Legal Migrants" Ministry of Justice, Kansai airport publication

**Figure 3: Foreign visitors' consumption and economic ripple effects**



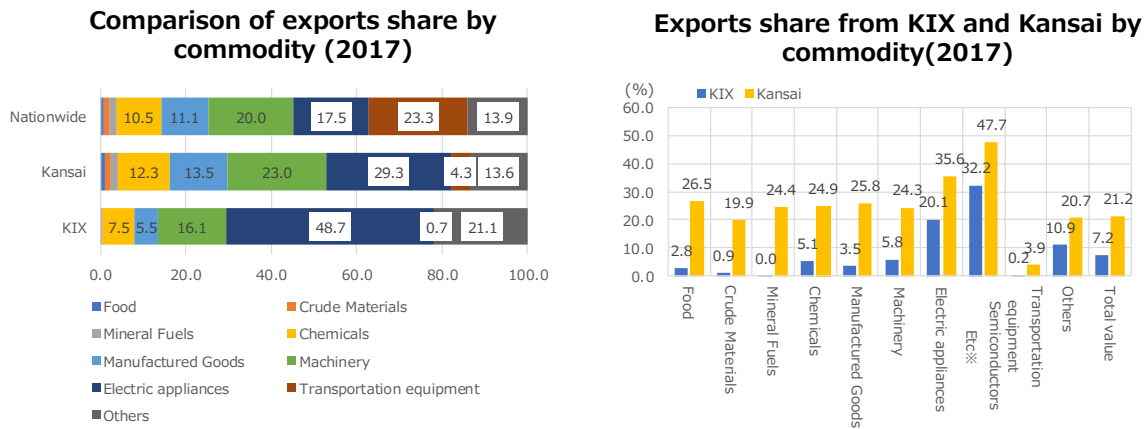
Source: "Trend Watch No.48" APIR

**Figure 4: Visitors' dynamics before and after natural disasters**



Source: "Statistical Survey on Legal Migrants" The Ministry of Justice

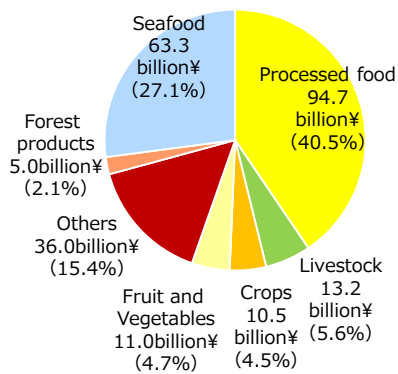
**Figure 5: Impact on export of electronic components**



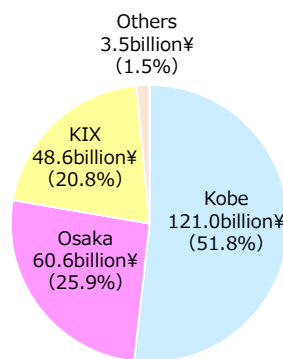
Sources: "Foreign trade statistics" Ministry of Finance, Osaka customs

**Figure 6: Impact on export of agricultural products**

**Kansai agricultural product exports' value and share by commodity (2017)**



**Kansai agricultural product exports' value and share by port (2017)**



	(Billion Yen, %)		
	2013	2017	17/13
Kobe port	82.7	1210	146.3
Osaka port	39.3	606	154.2
KIX	26.7	486	182.2

Sources: "Foreign trade statistics" Ministry of Finance, Osaka Customs

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- This report is based on author's opinion and does not reflect the stance of the research institution.
- This report is based on reliable data; however, it does not prove it to be accurate or complete. The content is subject to change without prior notice.