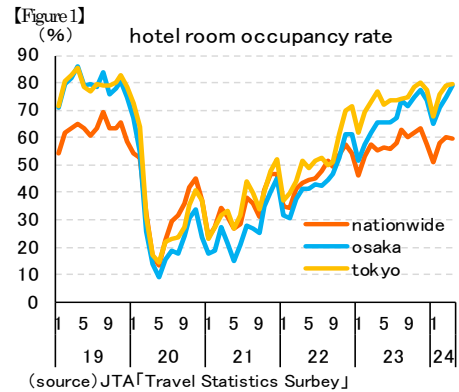


Economic Short Comment (10 Jul 2024)

The ratio of foreign visitors in hotels in Kyoto and Tokyo exceeds 50%
 ~ Unsustainable level, be cautious changes in market conditions ~

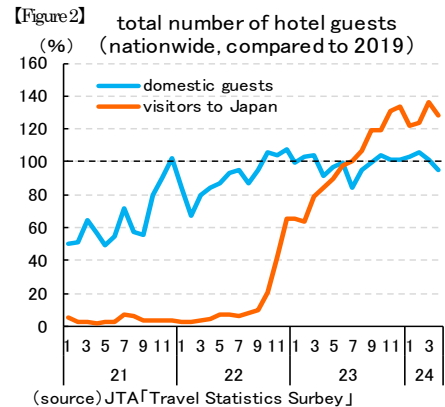
● Increase in Hotel Occupancy Rate

The hotel occupancy rate is steadily recovering. The trend is on the rise nationwide, in Tokyo, and in Osaka, and it can be said that it has returned to the level before the pandemic (Figure 1). Despite the severe labor shortage in the industry, there are still many hotels and inns that find it difficult to operate at full capacity, but overall, the occupancy rate continues to rise. In addition, the accommodation fee continues to rise, and the current level exceeds 1.3 times that before the pandemic. As a result, sales are significantly higher than before the pandemic. With these various tailwinds, the hotel industry is now considered one of the few thriving industries, along with department stores and others.



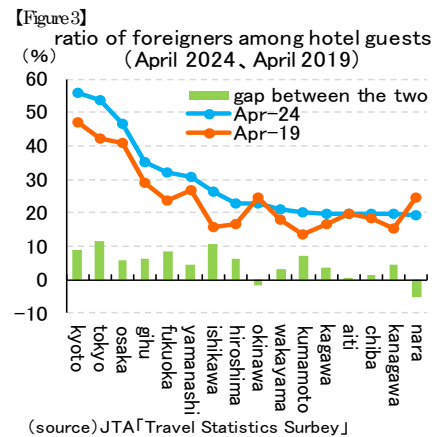
● Polarization of Inbound and Domestic Customers

However, the seemingly thriving hotel industry cannot be simply described as such. This is because the polarization of inbound and domestic customers is progressing. Currently, while the increase in inbound continues, the fatigue of domestic customers is beginning to stand out. Figure 2 shows the transition compared to before the pandemic for domestic and inbound customers, and there is a clear difference in brightness and darkness. Factors contributing to the slowdown of domestic customers include the rising trend of accommodation fees and the expansion of saving consciousness due to the decrease in real wages. Now, the increase in hotel demand is supported by inbound, and as evidence, the ratio of inbound to hotel guests is significantly increasing.



● Comparison of the Situation by Area and Before the Pandemic

Regarding the ratio of inbound to hotel guests, as of the most recent April 2024, Kyoto has the highest ratio in the country at 55.9% (Figure 3). Compared to April 2019 before the pandemic, it is an increase of nearly 9 points. Like Kyoto, Tokyo also has a level exceeding 50%, and these two prefectures have more than half of their hotel guests being inbound. Following them, Osaka is also at 40.7%, with inbound making up nearly half of the ratio. The noticeable increase compared to before the pandemic is in Ishikawa, as well as in Kyushu forces such as Fukuoka and Kumamoto. For Kumamoto, the impact of the

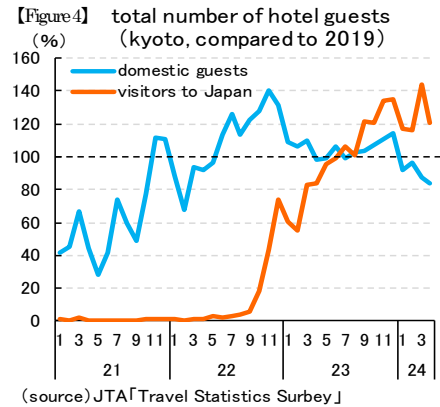


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construction of Taiwan TSMC's semiconductor factory is considered significant.

● **About Future Prospects**

Even looking at the national average, it has recently risen to 27.9%, an increase of about 6 points compared to before the pandemic. The recent April is the cherry blossom viewing season, and it is a time when inbound increases, so it is undeniable that the foreigner ratio tends to increase. However, looking at the movement in Kyoto, for example, it is not just that inbound is increasing, but the decrease in domestic customers is becoming prominent (Figure 4). In such a situation, if inbound were to slow down, it would be unavoidable that the overall hotel demand would cool down at once. In the future, if changes in the external environment such as rapid yen appreciation occur, attention will be needed to the possibility that the supply and demand of the hotel market may deteriorate more than expected along with the decrease in inbound.



(Reference)

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