

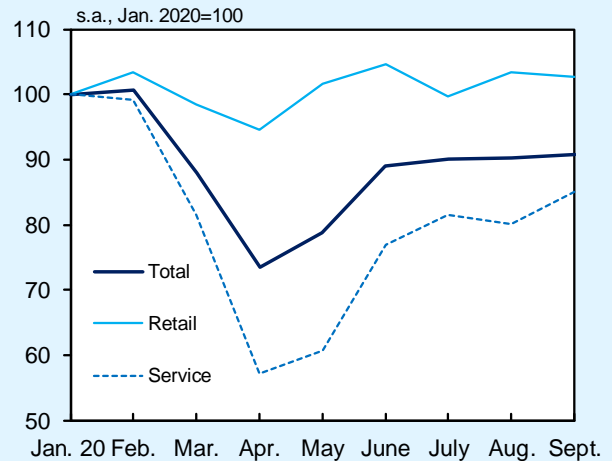
(Box 4) Developments in Face-to-Face Services Consumption

This box outlines developments to date in face-to-face services consumption during the COVID-19 pandemic by making use of data such as high-frequency data, and examines the outlook for such consumption.

Consumption of face-to-face services -- such as dining out, travel, and entertainment -- has been most strongly affected by COVID-19. Although such consumption seems to have moved out of the worst stage, which was from April through May this year, the pace of its pick-up has been slow and it has remained at a low level to date. In fact, looking at a high-frequency consumption indicator based on credit card transaction data, services consumption, compared with goods consumption, not only registered a sharp decline for the April-May period but has also seen a marked delay in a subsequent pick-up (Chart B4-1). In addition, mobility changes based on location tracking data -- which have high correlation with selective expenditures for services -- have been susceptible to developments in the number of confirmed cases of COVID-19; such changes have picked up gradually as a trend since the state of emergency was lifted, but the pick-up leveled off around summer in reflection of a resurgence in the number of confirmed new cases (Chart B4-2).

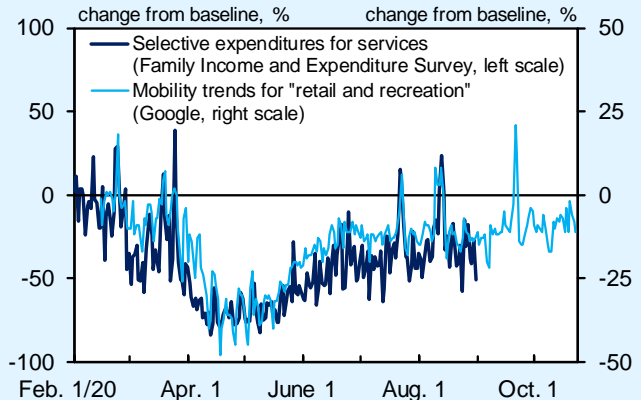
Looking at the breakdown of business activity in the face-to-face services industry, a pick-up in restaurants as well as eating and drinking

Chart B4-1: Consumption Developments Based on Credit Card Spending



Source: NOWCAST, Inc./ JCB, Co., Ltd., "JCB Consumption NOW."
 Note: Figures are from the reference series in "JCB Consumption NOW," which take changes in the number of consumers into account. Seasonally adjusted based on staff calculations.

Chart B4-2: Mobility Trends and Selective Expenditures for Services



Sources: Ministry of Internal Affairs and Communications; Google LLC "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: October 29, 2020.
 Notes: 1. The baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020.
 2. Figures for selective expenditures for services are the sum of expenditure on public transportation, recreational services (accommodation services, etc.), and meals outside the home. The latest figure is for August 31.
 3. Figures for mobility trends for "retail and recreation" are mobility trends for places such as restaurants, shopping centers, and theme parks. The latest figure is for October 23.

services has been weak, mainly for chain restaurants and *izakaya* (Japanese-style bars), both of which basically provide services on the premises (Chart B4-3). The nighttime population of selected downtown areas in Tokyo and the number of visitors to restaurants have been at low levels (Chart B4-4). However, with the number of confirmed new cases of COVID-19 being at a constrained level, positive developments have started to be seen to date, partly because pent-up demand has materialized, due mainly to the effects of the "Go To Eat" campaign.²⁵ Turning to the accommodation services industry, although its business activity has been underpinned by the "Go To Travel" campaign, its pick-up temporarily paused during the summer season, pushed down mainly by the shortened school summer holiday and by the broadened sense of self-restraint from visiting hometowns. Since the turn of September, when an increase in the number of confirmed cases remained constrained, the year-on-year rate of decrease in the number of people at airports has decelerated and it is highly likely that domestic travel has picked up gradually again (Chart B4-5). Business activity of the amusement services industry has remained lower than the pre-pandemic level -- mainly for theaters, performance and theatrical companies, amusement parks, and theme parks -- since social distancing has been a constraint on, for example, the scale of events and the number of customers. Meanwhile, business activity of the medical services industry has picked up from the bottom hit in the April-May period, but it has remained below the pre-pandemic level. This is

Chart B4-3: Developments in Activity in the Face-to-Face Services Industry

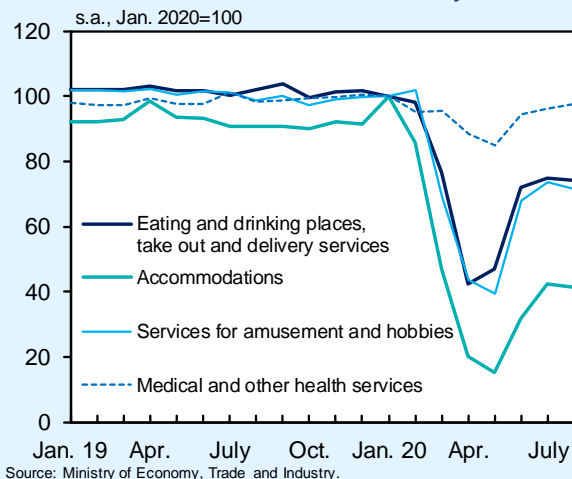
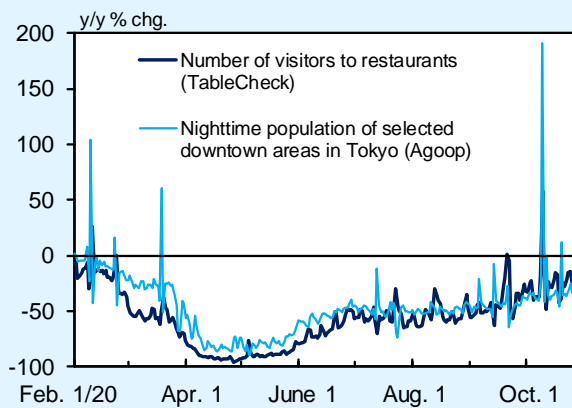
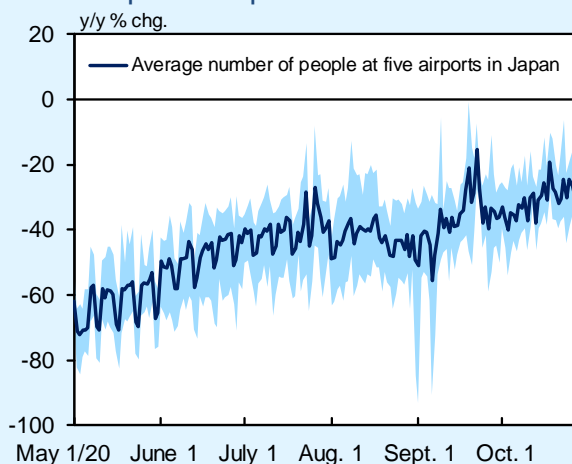


Chart B4-4: Number of Visitors to Restaurants



Notes: 1. Figures for the number of visitors to restaurants show the number of visitors per restaurant, and are for about 4,800 restaurants that have installed the reservation and customer management system for restaurants provided by TableCheck Inc. The latest figure is for October 26.
2. Figures for the nighttime population of selected downtown areas in Tokyo show the aggregate population between 20h-24h within a 500 m radius centered on Ginza, Shinjuku, and Roppongi stations. The figures for 2019 are estimated using data for the aggregate population within the 900 m x 900 m square areas centered around the same stations. The latest figure is for October 28.

Chart B4-5: Developments in the Number of People at Airports



Notes: 1. The five airports are New Chitose Airport, Haneda Airport (the average of Terminals 1 and 2), Osaka International Airport, Fukuoka Airport, and Naha Airport. The latest figure is for October 28.
2. Figures are adjusted for differences between weekdays and weekends/holidays.
3. The shaded area shows the range between the highest and lowest year-on-year rates of change in the average number of people at the five airports in Japan.

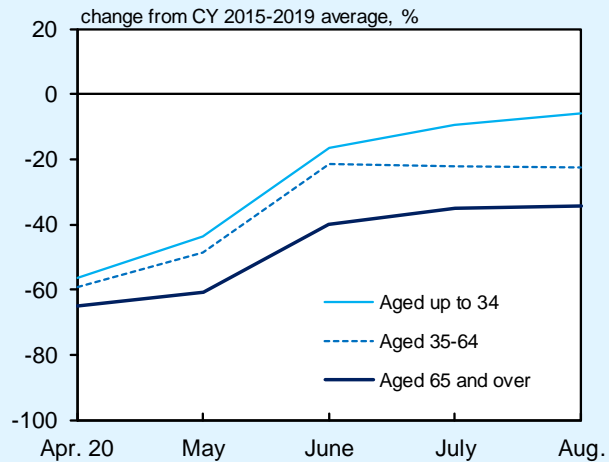
²⁵ The year-on-year rate of change in the number of visitors to restaurants surged temporarily in early October. This is due to a reactionary increase from a drop in the number last year because of the effects of the typhoon.

because there have been persistent moves -- mainly among seniors and child-rearing households, both of which have been highly vigilant against COVID-19 -- to refrain from going to the hospital for such purposes as treatments that can be postponed to some extent.

The weak pick-up in face-to-face services consumption seems largely attributable to the cautiousness of senior households (for which the head is aged 65 years and older) -- of which consumption accounts for nearly 40 percent of overall private consumption. Compared with other age groups, seniors -- who are considered to have a relatively high risk of severe illness due to COVID-19 -- are more inclined to constrain spending activity that involves going out or contacting with others when the number of confirmed new cases increases. This could be a major factor behind the pause in the pick-up in face-to-face services consumption through the summer season. In fact, looking at consumption developments by age of the household head, by using the data from the *Family Income and Expenditure Survey*, they show the following: although it is necessary to take into account, for example, the size of fluctuations due to sample bias, consumption of services, such as dining out and travel, by seniors saw a larger decline and its subsequent pick-up has been slower in pace compared with other age groups (Chart B4-6). Regarding the outlook, with the impact of COVID-19 remaining, this cautious stance of seniors is projected to constrain the pace of the pick-up in private consumption.

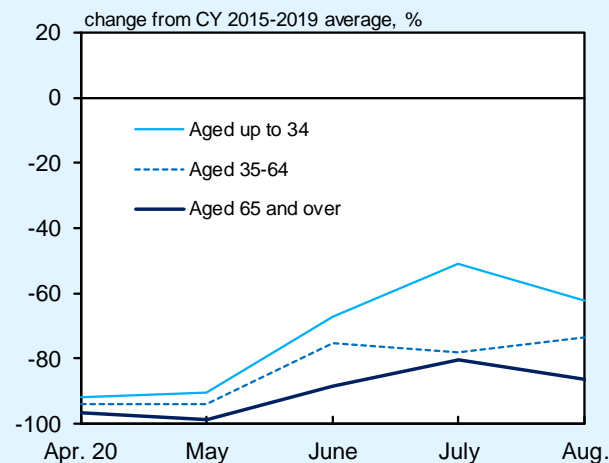
Chart B4-6: Developments in Consumption by Age

1. Eating Out



Source: Ministry of Internal Affairs and Communications.
 Note: Figures are for two-or-more-person households and compiled by the age of the household head.

2. Travel



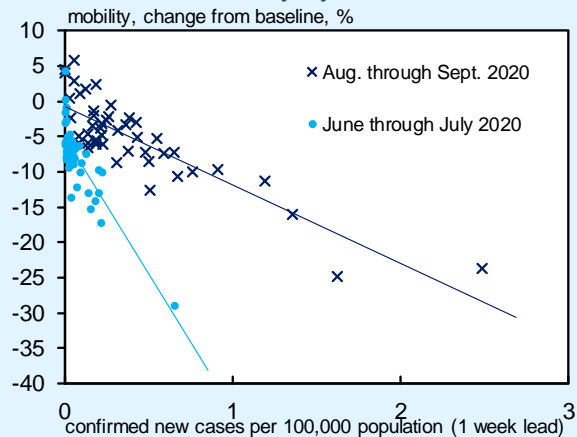
Source: Ministry of Internal Affairs and Communications.
 Notes: 1. Figures are for two-or-more-person households and compiled by the age of the household head.
 2. Figures are the sum of expenditures on accommodation services and package tours.

On the other hand, the relationship between consumer vigilance against COVID-19 and consumption activity involving going out or contacting with others may have gradually been changing over time. Looking at the relationship between the number of confirmed new cases per population and mobility changes at the prefecture level, it seems that, for a more recent sample period, the rate of decline in mobility in response to an increase in the number of confirmed cases has become somewhat moderate (Chart B4-7).²⁶

This can be investigated more precisely by using a quantitative method (panel local projection) that employs daily prefectural-level panel data for the June-September period. The estimation results indicate that the extent to which an increase in the number of confirmed cases reduces mobility is statistically significantly smaller for a more recent sample period (Chart B4-8). In the meantime, medical institutions have made progress in addressing COVID-19, mainly in metropolitan areas, and an increase in the number of confirmed severe cases has been constrained. Given these factors, there is a possibility that consumer behavior has been changing over time, in that they simultaneously respond to COVID-19 -- such as being vigilant against it and taking preventive measures -- and engage in consumption activities that involve going out and contacting with others.

In conclusion, face-to-face services consumption has remained susceptible to developments in COVID-19, such as changes in the number of

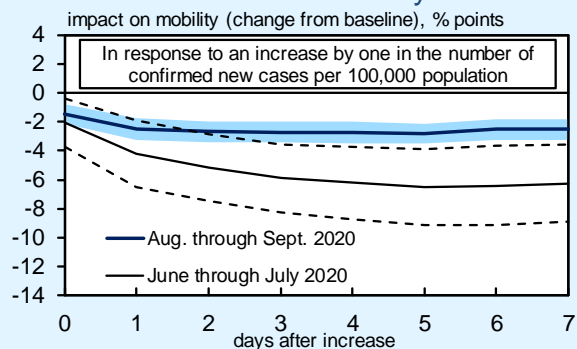
Chart B4-7: Confirmed New COVID-19 Cases and Mobility by Prefecture



Sources: Local governments in Japan; Ministry of Internal Affairs and Communications; Google LLC "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: October 29, 2020.

- Notes: 1. The percent change in mobility shows that in visits to places such as restaurants, shopping centers, and theme parks. The baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020.
- 2. Figures are prefecture-level averages for each period indicated in the legend.

Chart B4-8: Impact of an Increase in COVID-19 Cases on Mobility



Sources: Local governments in Japan; Ministry of Internal Affairs and Communications; Japan Meteorological Agency; Google LLC "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: October 29, 2020.

- Notes: 1. The percent change in mobility shows that in visits to places such as restaurants, shopping centers, and theme parks. The baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020.
- 2. Figures are estimated using panel local projection employing daily prefecture-level data on mobility and confirmed new COVID-19 cases (7-day backward moving average). Explanatory variables include lagged dependent variables, temperature, precipitation, day-of-the-week dummies, and dummies for holidays and the *bon* festival period. The shaded area and the broken lines indicate the 90 percentile bands.

²⁶ The data for the number of confirmed new cases are one-week prior to data for mobility, considering that it takes some time for the change in the number of confirmed new cases to affect mobility.

confirmed new cases. As for the outlook, it is highly likely that the pace of a pick-up in such consumption will be only moderate, with spending behavior, mainly by seniors, continuing to be cautious. However, given that consumer behavior under the COVID-19 pandemic seems to have been changing recently, the pick-up trend in face-to-face services consumption is projected to continue for the time being, supported also by the effects of demand stimulus measures including the "Go To" campaign (covering such areas as travel, dining out, and events).