

On Regional Business Cycles in Japan: An Analysis by Prefectural Composite Indexes

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Abstract

The purpose of the paper is to analyze regional business cycle movements in Japan. We construct regional monthly Composite Index (CI) by 47 prefectures over the period of 1985-2010. In order to characterize deviations of regional economies from the nationwide economy, we match each prefectural CI sequence to the national CI sequence. High performance of the matching indicates that deviations involve leads and lags of the timing of business cycle and time trend, yet certain disparity is observed for some prefectures. The analysis also suggests that there is a certain structural change between the post-bubble era in the 1990s and the long expansion phase in 2002-8; only limited number of prefectures show better performance than national average while majority of others tend to fall behind in the expansion phase. Also, we investigate factors that exert influences on regional economies, and find that public investment, growth of money lending, and export demand positively contribute to regional economies.