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What is Needed to Improve Productivity in Non-Manufacturing: A Key to Regional Revitalization?

A combination of tailored support measures based on industry-specific challenges is crucial

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Summary

- The labor productivity (LP) gap between the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, and Chiba) and other regions (43 prefectures outside the Tokyo metropolitan area) is particularly pronounced in non-manufacturing industries. Regional analysis of the factors contributing to this gap indicates that improving LP in industries facing challenges related to the *quality* of capital stock is crucial in areas such as the Hokuriku region and Okinawa. Meanwhile, in regions such as Kyushu, Tohoku, and Chugoku, focusing on industries with issues related to the *quantity* of capital stock is deemed more effective.
- Further analysis by industries reveals challenges in both the *quality* and *quantity* of capital stock within industries in regional areas such as finance & insurance and health & social services. To address the *quality* issues, it is important to provide support for the expansion of corporate sales from both supply and demand perspectives. Concerning *quantity* issues, policies that promote more efficient capital investment, including labor-saving investments, would be most effective.
- In industries where the capital equipment ratio is high, but capital productivity is low, such as retail and accommodations, eating & drinking services, support for optimization of capital equipment through capital restructuring would be effective. In industries like Business-to-business (B2B) services, which exhibit high capital productivity despite a low capital equipment ratio, increasing LP to levels comparable with the Tokyo metropolitan area can be achieved through support from the government, municipalities, and regional financial institutions to accelerate capital investment.