

The Impact of Inbound tourism on regional economic development: Evidence from Japanese commuting zone-level data¹

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Abstract

This study investigates the regional economic consequences of tourism expansion, conceptualizing it as a positive demand shock to the local tradable service sector. While traditional regional development strategies emphasize manufacturing exports, we examine how inbound tourism—a growing form of service trade—serves as a catalyst for regional revitalization. Focusing on the rapid increase in inbound tourists to Japan during the 2010s, we employ a shift-share instrumental variable (SSIV) approach using a novel commuting-zone level dataset to identify causal effects. Our results reveal that inbound tourism significantly enhances regional fundamentals, including per capita income, youth population, and commercial land prices. Crucially, we find a stark asymmetry between tourist origins: while inbound travel drives structural transformation, domestic tourism yields negligible effects on income and population. These gains are spatially concentrated and moderated by regional heterogeneity, with leisure-oriented and seasonal destinations experiencing more pronounced growth. Our findings suggest that strategic promotion of foreign tourism can effectively mitigate regional decline by optimizing resource utilization and population dynamics.

Keywords: Inbound tourism, Regional economic development

JEL classification: E24, F14, F16, F61, Z32

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