



**Viewpoint**

# One-click report : Japan

March 1st 2024

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## Briefing sheet

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### Political and economic outlook

- Japan has the world's third-largest economy and is a leading exporter of vehicles, machinery, electronics and robotics. Rapid demographic ageing, tepid wage growth and weak consumer spending are the main constraints on economic expansion.
- A fundraising scandal has dealt a further blow to the public standing of the ruling Liberal Democratic Party (LDP), forcing it to reform its faction system. EIU still expects the prime minister Kishida Fumio, to call an early election for the lower house of parliament this year, and the LDP's majority will be significantly reduced.
- The primary fiscal account will remain in deficit over 2024-28, owing to persistent demand for public spending on welfare provision, public health and defence. The government will push for positive real wage growth and to increase defence spending to 2% of GDP by 2027, while also bolstering supply-chain resilience, particularly for energy.
- We expect economic growth to decelerate to 1.3% in 2024, from 1.9% in 2023. Strengthening export conditions and moderating inflation in 2024 will support consumption and investment in strategic manufacturing industries such as semiconductors. The economy will grow steadily at about 1.1% per year in 2025-28.
- The yen will strengthen against the US dollar in 2024, as monetary policy settings diverge. We expect the Federal Reserve (the US central bank) to start cutting interest rates by mid-2024, while the Bank of Japan (BOJ, the central bank) will further unwind its ultra-loose monetary policy by ending its negative policy rate this year.
- Japan's economic growth in the forecast period will be slower than that of South Korea, owing to the limitations of domestic demand as a growth-driver. However, economic strength will be stronger than in the 2010s, amid more optimistic business sentiment.

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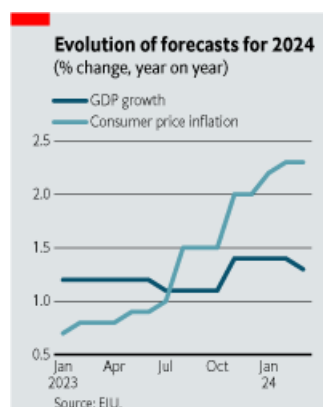
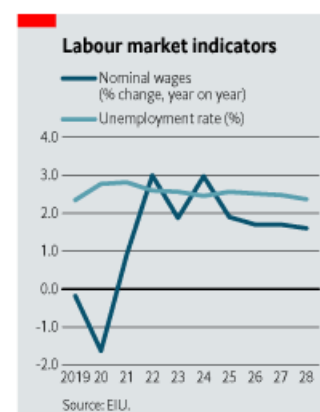
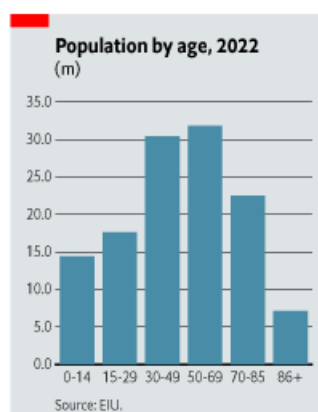
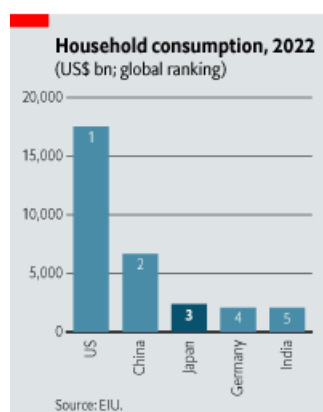
- Japan will deepen collaboration with the US, as well as with allies in Europe and Asia, in defence, supply-chain resilience and technology. Relations with China will be in risk-management mode as Japan insulates its economic interests from geopolitical tensions.

## Key indicators

	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
Real GDP growth (%)	1.9	1.3	1.2	1.0	1.3	1.1
Consumer price inflation (av; %)	3.3	2.3	1.4	1.3	1.4	1.2
Government balance (% of GDP)	-5.2	-4.6	-4.0	-3.8	-3.5	-3.2
Current-account balance (% of GDP)	3.6	2.7	2.7	2.8	2.6	3.0
Short-term interest rate (av; %)	0.0	0.1	0.1	0.2	0.2	0.3
Unemployment rate (%)	2.6	2.5	2.6	2.5	2.5	2.4
Exchange rate ¥:US\$ (av)	140.5	135.9	114.8	107.8	105.3	104.8

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts.

## Market opportunities



## Key changes since January 23rd

- We have revised down our real GDP growth forecast for 2024 to 1.3%, from 1.4% previously, owing to weaker than expected private consumption and investment in the last quarter of 2023, which w

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do not expect to improve much in early 2024.

## The month ahead

- March 18th-19th—BOJ monetary policy meeting: We expect the central bank to retain its negative interest rate, opting to wait for the results of the spring wage negotiations for evidence of stronger wage growth.
- March 22nd—Consumer price index (February): We expect inflationary pressure to continue to ease on a sequential basis, but consumer price inflation will remain above 2.5% in the first quarter of the year.

## Major risks to our forecast

Scenarios, Q4 2023	Probability	Impact	Intensity
A large earthquake hits the country	Moderate	High	12
A cross-Taiwan Strait military conflict occurs, and Japan gets involved	Low	Very high	10
Armed clashes break out with China in the East China Sea	Low	Very high	10
China imposes economic restrictions targeting Japan amid souring bilateral relations	Moderate	Moderate	9
Japan tightens and expands foreign investment restrictions	Moderate	Moderate	9

Note. Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: EIU.

## Forecast summary

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### Forecast summary

(% unless otherwise indicated)

	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
Real GDP growth	1.9	1.3	1.2	1.0	1.3	1.1
Industrial production growth	-1.1	2.5	1.6	1.8	1.7	1.2
Gross fixed investment growth	1.7	2.2	1.5	1.6	1.2	1.3
Unemployment rate (av)	2.6	2.5	2.6	2.5	2.5	2.4
Consumer price inflation (av)	3.3	2.3	1.4	1.3	1.4	1.2
Consumer price inflation (end-period)	2.6	1.8	1.3	1.4	1.3	1.2
Short-term interbank rate	1.5	1.5	1.5	1.5	1.5	1.5

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Government balance (% of GDP)	-5.2	-4.6	-4.0	-3.8	-3.5	-3.2
Exports of goods fob (US\$ bn)	714.1	778.0	975.7	1,132.2	1,208.6	1,303.5
Imports of goods fob (US\$ bn)	759.4	829.8	1,016.8	1,169.8	1,244.2	1,324.8
Current-account balance (US\$ bn)	149.9	119.7	146.7	169.4	164.9	198.1
Current-account balance (% of GDP)	3.6	2.7	2.7	2.8	2.6	3.0
Exchange rate ¥:US\$ (av)	140.5	135.9	114.8	107.8	105.3	104.8
Exchange rate ¥:US\$ (end-period)	140.9	123.0	110.5	105.5	104.8	104.3
Exchange rate ¥:€ (av)	152.1	149.5	130.6	124.5	122.6	122.6
Exchange rate ¥:€ (end-period)	155.7	137.8	127.1	122.4	122.6	122.0

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts.

## Political stability

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Japan's political outlook is stable, owing to the dominance of the Liberal Democratic Party (LDP). Risks to stability have risen since 2023, however, owing to a series of scandals involving LDP members and general voter fatigue in relation to the party's lengthy incumbency. Debates within the LDP and the opinions of Komeito, the junior partner in the ruling coalition, exert greater influence over policymaking than scrutiny by opposition parties.

Public approval ratings have been declining for the cabinet led by the prime minister, Kishida Fumio owing to growing public discontent over high cost-of-living pressures, badly implemented policies and repeated political scandals linked to the ruling party. The LDP's lacklustre showing in parliamentary by-elections in October 2023 reflected the government's declining popularity. Nevertheless, the LDP's well-established nationwide organisational capability remains strong.

A fundraising scandal exposed in late 2023 will force the LDP to curb the powers enjoyed by its various internal factions. This will curb their ability to recommend candidates for cabinet and senior party leadership positions and raise political funds for their members. These measures will not, however, end the role that these factions play in policy deliberation, nor eliminate their importance in the Japanese political scene; important party decisions will remain heavily influenced by groups of members of parliament (MPs) centred on certain party grandees. These changes will nevertheless create an opportunity for Mr Kishida to gain support from moderate LDP MPs as many existing factions disband and reorganise. A surge in support for him is unlikely, however, given perceptions that the prime minister's political standing has been fatally damaged by both the recent political scandals and persistently low public ratings for his cabinet. The reforms will also fail to boost public enthusiasm for the ruling party.

Japan's liberal and left-wing opposition parties have been weakened by their successive defeats in parliamentary elections, resulting from a lack of policy reform ideas and low public confidence in their competence to govern. The left-wing opposition will not succeed in eroding the LDP's political

dominance during the forecast period. Public support for Nippon Ishin no Kai (Ishin), a centre-right opposition party, will continue to grow as it gathers votes from conservatives who are dissatisfied with the LDP's policy choices; the party will aim to establish itself as a force that can work with and challenge the LDP on the national stage. However, it shares many policy preferences with the LDP and is in no position to challenge that party's national rule.

## Election watch

[Japan](#) | [Politics](#) | [Forecast](#) | [Election watch](#)

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The LDP (together with Komeito) commands a comfortable majority in the House of Representatives (the lower house of parliament), holding 293 seats in the 465-member chamber. This enables the ruling coalition to control the selection process for the chairs of parliamentary standing committees which helps to facilitate the legislative process for its key initiatives.

The next elections for the lower and upper houses are scheduled for October 2025 and July 2025 respectively. However, snap polls are common in Japan, and we expect the lower-house election to be called in the second half of 2024: Mr Kishida hopes to secure a public mandate for his plans to raise taxes in order to finance increases in the defence and social welfare budgets, as well as to strengthen his personal standing following the LDP fundraising scandal. We expect the LDP-Komeito coalition to retain a majority, albeit much reduced, with Ishin becoming a major opposition party. The result of any snap election will influence the LDP presidency election, scheduled for September 2024.

The seat tally of the main opposition, the Constitutional Democratic Party, fell significantly in the 2021 vote, while Ishin almost quadrupled its representation, becoming the third-largest party in the lower house. Both developments further weakened the ability of the left-leaning opposition bloc to scrutinise policymaking and to obstruct the ruling coalition's legislative programme.

## International relations

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The security alliance with the US is the foundation of Japan's defence strategy and heavily influences its diplomatic relations. The deepening of relations with the US consequently remains a strategic priority. The US supports Japan's decision to increase defence spending and expand the role of the Self-Defence Forces (SDF). Japan will prioritise freedom of navigation in the Indo-Pacific region, given the importance of trade and energy security to the country. Japan's alignment with US-led restrictions on the export of semiconductor technology to China signals that it will work more closely with the US to strengthen supply-chain security for important products such as microchips.



Changes in the global and regional security environment—including worsening ties with Russia, a greater military threat from North Korea and increased Chinese activity in the East and South Chi Seas—has pushed Japan to rethink its constitutional right to collective self-defence. This will lead Japan to bolster its national defence capabilities. For the incumbent government, however, constitutional amendments to recognise officially the “armed organisation” status of the SDF and to expand its role in international operations are a lower priority than economic reforms.

Japan will continue to forge closer defence and supply chain ties with Asian and European partners, particularly Australia, India and South-east Asian countries. It will also preserve close ties to major energy exporters in the Middle East, in order to secure a stable energy supply via fossil-fuel trade and clean energy collaboration. The desire to maintain cordial ties with the Gulf states will lead Japan to adopt a cautious approach with regard to the ongoing Israel-Hamas conflict, to avoid antagonising the Gulf states.

Following the South Korean government’s decision to put historical disputes aside, bilateral ties have improved substantially. The countries will co-operate more closely on defence and supply-chain resilience for products such as semiconductors and energy, owing to shared concerns over regional security. However, sustained co-operation in these areas is subject to domestic political dynamics in both countries; a more nationalist turn by either government or a resurgence of the territorial dispute over the Dokdo/Takeshima islands could derail bilateral collaboration.

Ties with China will remain tense, particularly over security issues. The territorial dispute over the Senkaku/Diaoyu Islands will be a perennial issue, with China’s increasing aerial and maritime activity in the disputed area having raised the risk of minor skirmishes. Meanwhile, US participation in any potential (but unlikely) military conflict across the Taiwan Strait would probably lead to Japanese involvement; US troops stationed in Japan would be deployed, and the country would also provide logistics and intelligence support to the US. This would substantially damage relations with China and risk Japan becoming drawn into a wider economic and military conflict. Despite these concerns China and Japan are keen to reduce their security tensions, given their deeply intertwined economic interests. Japan will face the challenge of balancing its economic ties with China with managing its geopolitical concerns. We expect Japan to accelerate its “de-risking” process, in order to reduce its dependence on China during the forecast period. The risk of a sudden deterioration in relations (including in ways that could damage Japanese business interests, such as Chinese consumer boycott or other coercive economic measures) will persist throughout 2024-28.

## Policy trends

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Amid heightened geopolitical tensions, Japan has shifted its attention to improving supply-chain resilience and energy security. The government will enhance economic security by offering better protection for the country’s supply chains and encouraging the reshoring of manufacturing, particularly in strategic industries such as microchips and green energy-related products. These

efforts will intensify over 2024-28. Given China's enormous consumer market, supply-chain realignment will not prompt complete Japanese corporate divestment from the country. New investment in China by Japanese companies will decline, amid reshoring and regional diversification efforts, which will benefit South-east Asia and India more than other regions.

Mr Kishida's key domestic policy directives focus on two areas: promoting wage growth and reversing the decline in the birth rate. The "new form of capitalism" initiative centres on a fairer distribution of income in favour of middle-class households and more investment in human capital. This will be implemented via targeted tax incentives and subsidies for employers to improve in-work training, skills upgrades and strong wage growth, rather than raising tax rates on corporate profits or increasing wealth taxes. We expect an improvement in wage growth over the forecast period, which will lead to a minor but positive impact on household consumption. The government is also working on a comprehensive plan to encourage young families to have children, which entails providing subsidies, changes to work culture and more childcare support.

The government is proactive at allocating resources to encourage development of key industries, with the revival of the semiconductor industry a primary goal. The establishment of Rapidus Corporation, a chipmaker pooling resources from several domestic manufacturing companies and supported by a state fund, and the success in attracting TSMC, the world-leading Taiwanese chipmaker, to build chip fabs in Kumamoto prefecture, are two examples of industrial policies facilitating the development of local supply chain, technological knowhow and manufacturing capacity.

The transition to renewable energy has gained urgency following Russia's invasion of Ukraine. We expect the government to continue to ease regulations on clean energy investment and international co-operation, and to extend the feed-in tariff scheme for solar power and offshore wind farms. These measures will stimulate innovation and investment in renewable energy and carbon capture and storage technologies, as well as the use of green hydrogen and ammonia. The renewable sector's share in the power mix will expand over the forecast period, but the goal of carbon neutrality by 2050 is unlikely to be achieved without broader use of nuclear power.

## Fiscal policy

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Expansionary policy will remain necessary to supplement private-sector demand. We expect the fiscal deficit to remain large, at 4.6% of GDP in 2024, narrowing from 5.2% of GDP in 2023. A planned temporary tax cut in 2024 will constrain fiscal resources for other government priorities, such as childcare support and defence upgrades. The budget for fiscal year 2023/24 (April-March) raised defence spending to the equivalent of 1.2% of GDP (from a long-held tradition of 1%), in line with the government's stated target of bringing it to about 2% of GDP by 2027/28.

Public expenditure will aim to incentivise businesses to promote digitalisation and to invest in research and development, particularly in important industries such as semiconductors, artificial intelligence, robotics and renewable energy. The government will also implement measures, including

tax credits and direct subsidies, to support childcare and encourage greater wage increases. These features will continue in the forecast period.

Heavy social security expenditure and debt-service costs will yield persistent fiscal deficits in 2024-28. The planned rise in defence spending up to 2027 is large, at ¥43trn (US\$290bn). Satisfying all of these demands will scupper the government's fiscal consolidation plan. We expect the fiscal deficit, while remaining substantial, to narrow gradually to the equivalent of 3.2% of GDP by 2028.

High public debt levels will constrain the scale of monetary policy normalisation by the central bank as low borrowing costs are needed to ensure sustained debt serviceability. Most debt is denominated in yen and owned domestically, reducing potential currency risks.

## Monetary policy

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In 2024-25 the central bank will remain preoccupied with ensuring sustained economic growth and stable, moderate inflation. In addition, it will seek to rein in the distorting effects of ultra-accommodative monetary policy by normalising its policy settings.

The Bank of Japan (BoJ, the central bank) has removed a hard cap on its yield curve control and allowed the ten-year bond yield to rise to around 1%. We expect the BOJ to look for an opportunity to adjust its negative policy rate, in particular when evidence emerges of sustained real wage growth. Our baseline assumption is that conditions will be sufficient to move to a zero policy rate by the third quarter of 2024, amid anticipated strong wage growth following the annual spring pay negotiations. We expect the central bank to eventually adopt a marginally positive rate in 2025. Adjustments to the policy rate will be slow, owing to concerns about the impact on the economy and the sustainability of public debt.

Even these modest anticipated steps will mark a significant change in BOJ policy and have wider repercussions. For example, the repatriation of Japanese capital, as domestic yields rise, will have the effect of pushing up borrowing costs in other global debt markets.

## Global forecast data

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	2023	2024	2025	2026	2027	2028
<b>Economic growth (%)</b>						
US GDP	2.5	1.8	1.6	2.0	2.1	2.0
Developed economies GDP	1.5	1.4	1.7	1.9	1.9	1.8
EU27 GDP	0.5	1.0	1.7	1.9	1.8	1.8
World GDP	2.5	2.4	2.6	2.7	2.7	2.6
World trade	-0.3	2.4	3.3	3.5	3.5	3.4
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	4.1	2.5	2.1	2.3	2.3	2.4
Developed economies CPI	4.5	2.4	1.9	2.0	2.0	2.0
EU27 CPI	6.1	2.7	2.2	2.1	2.0	2.0
Manufactures (measured in US\$)	3.9	3.7	4.6	2.9	2.2	3.0
Oil (Brent; US\$/b)	82.6	79.7	75.6	71.2	67.0	63.8
Non-oil commodities (measured in US\$)	-15.1	-4.3	1.0	0.8	1.4	2.5
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	5.1	5.1	4.2	3.2	2.5	2.5
€ 3-month interbank rate (av; %)	3.4	3.6	2.5	1.8	1.8	1.8
US\$:€ (av)	1.08	1.10	1.14	1.16	1.17	1.17
¥:US\$ (av)	140.5	135.9	114.8	107.8	105.3	104.8

## Economic growth

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We forecast that real GDP will expand by 1.3% in 2024, slowing from 1.9% in 2023. Growth will be supported by improving private consumption on the back of moderating inflation and government policy that supports investment in strategic industries. A broad rebound in business investment will be curtailed, however, by the less competitive yen, high input costs and soft external demand. Export growth will pick up pace in the second half of the year, outpacing import growth. This will allow the external sector to make a net positive contribution to growth in 2024.

Headline expansion will proceed moderately in 2025-28, supported by improving external demand, stable employment and government policies that advocate faster wage growth. GDP growth will remain inhibited by unfavourable demographics, including persistent labour shortages driven by

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Japan's shrinking and ageing population. However, private consumption will increase steadily as expectations of deflation dissipate.

The government will deploy tax incentives to encourage investment in industrial digitalisation, clean energy technology and infrastructure. Defence and related sectors will also receive a boost from a sharp rise in spending. Japan's export sector, led by its machinery and automotive industries, will retain a strong global position, although efforts to revive the country's semiconductor manufacturing sector will face competitive challenges from regional peers.

### Economic growth

%	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
GDP	1.9	1.3	1.2	1.0	1.3	1.1
Private consumption	0.7	1.2	1.4	1.3	1.5	1.3
Government consumption	0.9	1.2	0.9	0.8	1.2	1.1
Gross fixed investment	1.7	2.2	1.5	1.6	1.2	1.3
Exports of goods & services	3.0	2.8	3.8	3.3	3.0	3.1
Imports of goods & services	-1.3	2.5	3.1	3.0	2.4	3.0
Domestic demand	0.8	1.4	1.3	1.2	1.4	1.3
Agriculture	-11.6	1.2	0.9	0.4	1.2	1.1
Industry	4.0	1.3	1.4	1.7	1.8	1.1
Services	6.5	1.3	1.1	0.7	1.0	1.1

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts.

## Inflation

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Consumer prices will increase by 2.3% on average in 2024. Heightened geopolitical tensions and adverse weather conditions will keep energy and food prices elevated, which will translate into persistent inflation in the first half of the year. Anticipated stronger wage growth will help to support consumer demand and moderate inflation in 2024-25.

We forecast that Japan will not fall back into deflation, but that consumer price inflation will remain modest, averaging 1.3% in 2025-28. This will nevertheless be sufficient for the central bank to claim success in reversing the country's deflationary mindset. In the near term, wage growth will be constrained by systemic limits on labour mobility and by backward-benchmarked wage negotiations that are heavily influenced by corporate interests.

## Exchange rates

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The yen will strengthen gradually over the course of 2024, when anticipated monetary easing in the US will narrow the bilateral interest-rate differential. We expect the exchange rate to reach ¥123:US\$1 by end-2024, from ¥141:US\$1 at end-2023.

We forecast that the yen's nominal exchange rate against the US dollar will strengthen further in 2025-28, in line with rate cuts in the US. The currency's strength will be bolstered further by the anticipated conclusion of Japan's negative policy rate in the second half of 2024. On a real effective exchange rate, the yen's appreciation will be gradual (and not returning to 2010 levels), curtailing the decline in export competitiveness.

## External sector

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Japan's current-account surplus will persist in 2024-28, owing largely to strong profit repatriation from overseas investments and a steady narrowing of the goods trade deficit. The services account will remain in deficit until 2028, as services imports will grow more quickly than exports, even as tourism recovers, owing largely to business service expenses. We expect a substantial surplus on the primary income account throughout the forecast period, owing to the large stock of overseas direct and portfolio investment.

Japan will continue to pursue multilateral trade deals. The country is an influential member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a mega-regional trade deal but it is unlikely to support China's efforts to join.

## Country forecast overview: Business environment rankings

[Japan](#) | [Business](#) | [Business environment](#) | [Rankings overview](#)

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Value of index <sup>a</sup>		Global rank <sup>b</sup>		Regional rank <sup>c</sup>	
2019-23	2024-28	2019-23	2024-28	2019-23	2024-28
7.41	7.67	24	23	6	6

<sup>a</sup> Out of 10. <sup>b</sup> Out of 82 countries. <sup>c</sup> Out of 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

- An improvement in Japan's overall score will nudge the country up in the global ranking in 2024-25. Progress will be driven by improved scores for market opportunities, infrastructure and foreign trade and exchange controls.

## Business environment at a glance

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### Policy towards private enterprise and competition

2024-25: More policy incentives are implemented to encourage investment in strategic industries such as semiconductors, clean energy and electric vehicle batteries.

2026-28: Digital transformation policy helps small and medium-sized enterprises, including start-ups, to compete and collaborate with big businesses in technology and services industries.

### Policy towards foreign investment

2024-25: The government introduces more tax incentives and public funding to encourage foreign investment in and collaboration on semiconductor manufacturing, artificial intelligence (AI), robotics and renewable energy.

2026-28: The government encourages Japanese firms to increase overseas investment in the extraction and processing of materials critical to clean energy and the manufacture of semiconductors and batteries.

### Foreign trade and exchange controls

2024-25: Japan continues to deepen economic partnership with the EU, including an agreement on rules governing cross-border data transfers.

2026-28: Japan's connectivity in global trade improves with the expansion of comprehensive trade deals, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

### Taxes

2024-25: The government rolls out new tax incentives to support young families, with a view to improving the birth rate.

2026-28: The government raises the top rate of corporate tax to finance increases in defence and childcare spending.

### Financing

2024-25: The consolidation of regional banks makes headway through mergers and acquisitions, with co-ordinated regulatory support, while megabanks step up their digitalisation drive.

2026-28: Fintech and deregulation reshape financial services and initiate a transition to a cashless and paperless economy.

## The labour market

2024-25: Tax incentives are provided for employers to boost wage growth, ushering in an era of real wage growth.

2026-28: More measures are unveiled to increase the participation of women and migrant workers in the labour force.

## Infrastructure

2024-25: Urban renewal needs drive infrastructure policy priorities at the central- and local-government levels.

2026-28: "Compact city", "smart city", "digital garden city" and other digital infrastructure initiatives increasingly reshape the urban and rural landscape in the capital, Tokyo, and outlying prefectures.

## Technological readiness

2024-25: The government guides research-and-development investment to the AI and robotics industries.

2026-28: Japan's 6G telecommunications development gains momentum after the country's hosting of the 2025 World Exposition in Osaka.

# Market opportunities: Social indicators and living standards

[Japan](#) | [Business](#) | [Market opportunities](#) | [Social indicators and living standards](#)

June 1st 2023

## Social indicators and living standards

	2022		2027	
	Japan	Asia & Australasia (av)	Japan	Asia & Australasia (av)
<b>Health</b>				
Healthcare spending (% of GDP)	11.4	6.2	9.8	6.0
Healthcare spending (US\$ per head)	3,893	551	4,855	720
Infant mortality rate (per 1,000 live births)	1.9	18.6	1.8	17.8



## One-click report : Japan ,March 6th 2024

Physicians (per 1,000 population)	2.7	1.5	2.9	1.6
<b>Food and beverages</b>				
Food, beverages & tobacco (% of household spending)	19.3	27.6	18.5	26.4
Meat consumption (kg per person)	51.2	34.1	53.7	36.6
Milk consumption (litres per person)	72.8	75.0	75.1	83.2
Coffee & tea consumption (kg per person)	4.5	1.3	4.8	1.4
<b>Consumer goods in use (per 1,000 population)</b>				
Passenger cars	491	125	490	152
Telephone main lines	412	87	260	76
Mobile phone subscribers	1,690	1,110	1,880	1,230
Television sets	835	740	876	943
Personal computers	754	425	750	463
<b>Households</b>				
No. of households (m)	51.5	997.8	51.0	1,049
No. of people per household (av)	2.4	3.8	2.4	3.7
<b>Income and income distribution</b>				
Median household income (US\$)	40,590	18,860	55,280	23,200
Average monthly wage (US\$)	2,820	956	3,420	1,290
Gini index	32.9 <sup>a</sup>	–	–	–

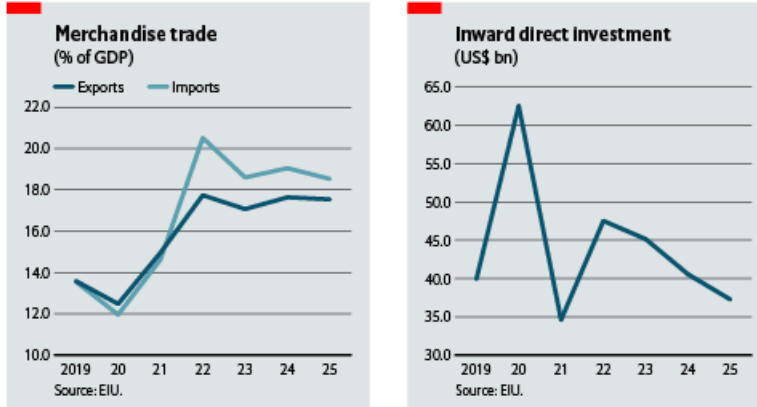
<sup>a</sup> Latest available year.

Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; Pyramid Research; EIU estimates and forecasts.

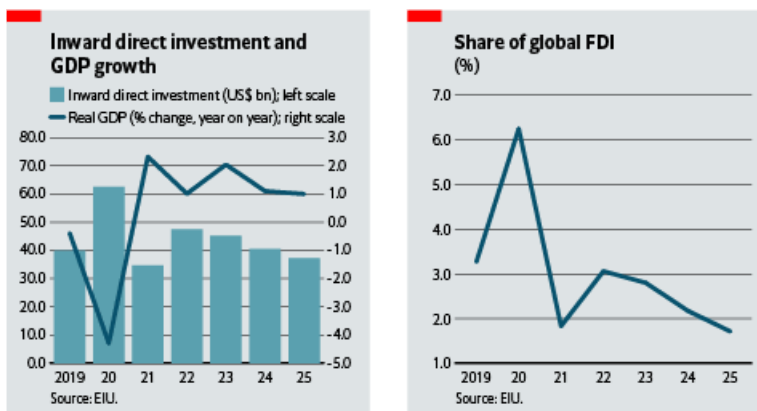
## Global position

Japan | Regulation | Global position

September 1st 2023



Japan's economy had begun to recover from the coronavirus (covid-19) pandemic, but a sharp rise in energy and commodity prices combined with global supply-chain disruptions have blunted the recovery outlook. The government's push for digitalisation and improved supply chain resilience has created new opportunities for foreign investment. However, Japan has also increased scrutiny of foreign direct investment in strategic domestic industries for national security purposes. Informal barriers such as exclusive supplier networks and business alliances also persist, presenting operational challenges. The country has set its sights on reversing decades-old trends of suppressed wages and lacklustre domestic investment, but long-term economic prospects are clouded by a rapidly ageing population. The alliance with the US will remain the cornerstone of Japan's foreign policy, while defence and economic co-operation with other allied countries, including Australia and South Korea, will grow. Relations with China will become more strained, but Japan will try to avoid direct conflict to balance its security and economic interests with the country.



## Regulatory/market assessment

[Japan](#) | [Regulation](#) | [Regulatory/market assessment](#)

September 1st 2023

- The Act on the Promotion of Economic Security by Integrated Implementation of Economic Measures came into force in phases beginning in 2023. The law increases government intervention in safeguarding strategic technologies and reinforcing critical supply chains. The government has tightened technology governance in 14 industries, including energy, information technology, finance and transport.
- In April 2023 the Council for Promotion of Foreign Direct Investment in Japan published its Action Plan for Attracting Human and Financial Resources from Overseas. The strategy aims to increase inward foreign direct investment into Japan to ¥100trn by 2030 by stimulating investment in strategic sectors (such as semiconductors) and restructuring global supply chains of Japanese firms among other initiatives.
- In May 2023 the Diet (parliament) approved a “green transformation” plan that aims to raise ¥150trn through public-private investments to finance large-scale clean energy projects. It also permits the government to extend the lifespan of nuclear reactors beyond the previous 60-year limit and replace old nuclear plants with new ones.
- In December 2022 the Diet enacted a ¥28.9trn budget to help households cope with elevated inflation. Support measures include ¥3.11trn to reduce electricity and gas expenses of households and another ¥3.02trn to retain government subsidies to oil wholesalers in order to prevent a rise in gasoline and kerosene prices.
- In July 2023 the Central Minimum Wage Council recommended an increase of ¥41 in the average hourly minimum wage to ¥1,002 for fiscal year 2023/24 (ending March 31st). This marked the largest increase since the country started setting minimum wages by the hour in 2002 and is in line with the government’s goal of raising the median average minimum wage across Japan to ¥1,000 or higher.

## Regulatory/market watch

[Japan](#) | [Regulation](#) | [Regulatory/market watch](#)

September 1st 2023

- Japan’s political outlook is stable, owing to the dominance of the Liberal Democratic Party (LDP), led by the prime minister, Kishida Fumio. EIU expects Mr Kishida to call an early general election before the end of 2023, at which he is likely to lead the LDP to another victory with a large majority. This would allow him to push his agenda of raising taxes to fund increases in the defence and social welfare budgets.
  - After easing restrictions related to the coronavirus (COVID-19) pandemic throughout 2021–22, in March 2023 the government formally decided to downgrade the legal status of the virus to the same
-

category as other common infectious diseases. As of May 2023 (latest available), just over 83% of Japan's total population had received a full initial course of vaccination against the coronavirus.

- In July 2023 the Ministry of Economy, Trade and Industry added advanced semiconductor-manufacturing equipment to its export control list. Although the move does not explicitly target China, it is widely seen as Japan following a US-led initiative to tighten export controls on semiconductor technology shipments to the country. Such developments may invite retaliatory action by China in the coming years.
- Relations with South Korea, which had been tense due to long-standing disputes over historical issues that have their origins in Japan's colonial rule over the Korean peninsula, have started to improve. In March 2023 both countries returned each other to favourable trading partner status, and Japan lifted restrictions on exports of key technology components to South Korea (in place since 2019).
- In 2021 Japan was among the nearly 140 economies that endorsed the OECD global tax deal. The agreement aims to introduce sweeping changes to international tax rules, including a 15% minimum corporate tax and provisions to tax large companies based on where their goods and services are sold. Wider implementation is scheduled for 2025, but it could take longer, reflecting ongoing disagreements among signatory countries.

## Long-term outlook: The long-term outlook

[Japan](#) | [Economy](#) | [Long-term outlook](#) | [Long-term outlook](#)

June 1st 2023

	2023-30	2031-50	2023-50
<b>Population and labour force (% change; annual av)</b>			
Total population	-0.56	-0.66	-0.63
Working-age population	-0.67	-1.26	-1.09
Working-age minus total population	-0.11	-0.60	-0.46
Labour force	-0.25	-1.20	-0.93
<b>Growth and productivity (% change; annual av)</b>			
Growth of real GDP per head	1.4	0.9	1.0
Growth of real GDP	0.8	0.2	0.4
Labour productivity growth	1.0	1.4	1.3
Growth of capital stock	0.2	0.3	0.3
Total factor productivity growth	0.9	0.9	0.9

Initial conditions: Japan's economic performance was disappointing during the 1990s, largely reflecting the prolonged deflationary adjustment that took place following the bursting of the economic bubble in 1990-91. Productivity also deteriorated during the period, reflecting labour market rigidities and the lingering impact of overinvestment in the late 1980s. Although growth

accelerated strongly in 2003-07, owing mainly to rapidly expanding demand for Japanese goods from China and other emerging markets, the economy was hit hard by the 2008-09 global financial crisis and then by the 2011 earthquake and tsunami. As a result, Japan's status as an economic power has diminished. Measured in purchasing power parity terms, Japan's economy had slipped to fourth place globally by 2011, behind the US, China and India, where it has since remained. Japan's adverse demographic trends and strong social resistance to large-scale immigration suggest a subdued long-term outlook, despite the country's strengths in innovation, especially in information technology and telecommunications, as well as its highly skilled workforce.

## The shrinking population remains a major cause for concern

**Demographic trends:** Japan has one of the most rapidly ageing populations in the world. The forecasted decline of about 20m in the total population in 2023-50 will not be the only worrying aspect of Japan's demographic profile. The proportion of people aged 65 and over will rise from 29% in 2022 to 37.5% by 2050. Japan's demographic problems will be complicated by a low birth rate, which will remain well below replacement level in the long term. According to the Ministry of Health, Labour and Welfare, the number of annual births fell to a record low in 2022, remaining below 1m for a seventh consecutive year. The number of children as a proportion of the total population will decline slightly from about 12.5% in 2022 to 11.6% in 2050. The working-age population will shrink from 72.5m in 2022 to 53.3m in 2050. The government will make further efforts to raise the labour-force participation rate in the period to 2050. There is scope for an increase in the participation rate among the over-65s, but the main thrust of government policy will be to increase the participation rate of women in the workforce, which—at 54.2% of the female working-age population in 2022—is still low. The use of large-scale immigration to offset the demographic crunch will remain politically unviable although there will be a modest increase in the number of "guest workers" from abroad in the medium term, particularly when the threat of the covid-19 pandemic recedes.

**External conditions:** Japan faces a number of external challenges in the next couple of decades, most of which are related to the rise of China as well as increasing frictions with Russia following the war in Ukraine, and the associated threat to Japan's political and economic position in Asia. Japan has territorial disputes with both powers, and its concern will be preserving its ability to protect its interests in that context. Intensifying geopolitical tensions will accelerate efforts in Japan over the interpretation of the country's right to self-defence and to implement the government's plan to increase its defence budget to the equivalent to 2% of GDP by 2027 (from a previously long-held level of 1% of GDP). It will also push the country to tighten its close alliance with the US (potentially to the point of hosting US nuclear weapons) and develop greater co-operation with other US allies such as Australia. In the event of a Chinese effort to annex Taiwan, which is a significant risk over the long term, Japan would probably find itself directly involved in any US effort to support Taiwan's defence. The government will take full advantage of the Economic Partnership Agreement (EPA) with the EU which has been in force since 2019. Japan will benefit from the Regional Comprehensive Economic Partnership (RCEP), which came into force in January 2022 and is the first economic agreement to include Japan, China and South Korea, in addition to the member states of the Association of South-East Asian Nations (ASEAN) and Australia and New Zealand. Japan has also been seeking

closer economic co-operation with key ASEAN and European countries, as well as other regional powers such as India and Australia, on a bilateral basis and under the umbrella of the Quad (an informal diplomatic grouping between the US, Japan, Australia and India) and the Indo-Pacific Economic Framework for Prosperity (IPEF), a US-led regional economic structure focused on enhancing supply-chain resilience and sustainability. Japanese skills in high-technology industries suggest that the country will continue to enjoy an advantage in the production of higher-value-added goods, while leaving lower-value-added production to lower-cost countries, such as the member states of ASEAN.

**Institutions and policy trends:** Policymaking is likely to remain centralised in the decades ahead and will focus on structural reform. The "new form of capitalism" policy initiative that was introduced by the prime minister, Kishida Fumio, which seeks to address income inequality and promote faster wage growth in the private sector, will set the tone. The current Liberal Democratic Party (LDP) government and future administrations will find ways to increase labour market flexibility and contain labour costs, while addressing growing disparities related to the heavy segmentation of the labour market. Major discrepancies between the employment conditions of regular and non-regular staff overlap largely with other structural issues, such as a gender wage gap. More broadly, reforming the entrenched corporate culture, which includes chronic overworking and *karoshi* ("death by overwork") will be a major challenge. The urgent need to ameliorate Japan's parlous fiscal position will also lead to an increasing focus on tax policy over the early part of the long-term forecast period, and indirect taxes are likely to rise, while thresholds for income tax will probably be lowered.

**Long-term performance:** The country's economic growth will be relatively lacklustre over the period to 2050, averaging 0.4% per year. However, as the population will be contracting more rapidly than GDP, this will actually represent a fairly impressive performance. On a per capita basis, real GDP growth will average 1% per year. This optimistic outlook is based on a number of assumptions, including a rolling programme of economic reforms that will improve levels of competition in the economy; an increase in the female and elderly workforce participation rates; and a boost to productivity, aided by technological innovation and wider application. The rising prevalence of capital-intensive methods will help to keep labour productivity growth at an annual average of 1.3% 2023-50 (a moderate deceleration from current levels). However, these rates will not be fast enough to prevent Japan from slipping down the global rankings. Geopolitical tensions involving the US and China, as well as the threat posed by North Korea, are among the biggest long-term risks to Japan's economic trajectory.

### Income and market size

	2022	2030	2050
<b>Income and market size</b>			
Population (m)	124.0	118.5	103.8
GDP (US\$ bn at market exchange rates)	4,233.6	6,493.8	10,319.4
GDP per head (US\$ at market exchange rates)	34,160	54,790	99,430
Private consumption (US\$ bn)	2,346.4	3,491.3	5,201.5
Private consumption per head (US\$)	18,930	29,460	50,120

## One-click report : Japan ,March 6th 2024

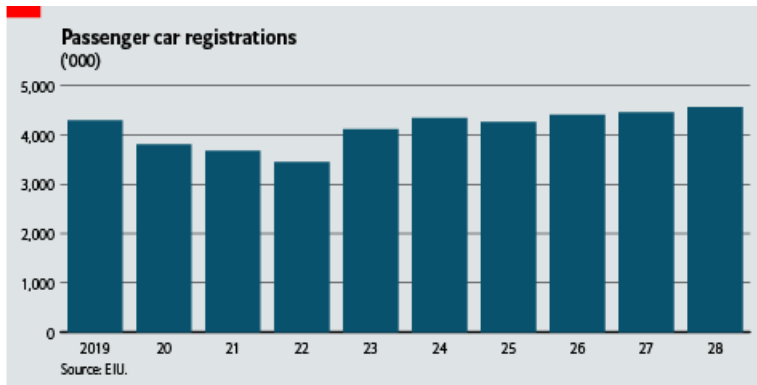
GDP (US\$ bn at PPP)	5,845.3	7,539.7	11,752.8
GDP per head (US\$ at PPP)	47,160	63,620	113,240
Exports of goods & services (US\$ bn)	914.6	1,669.1	5,208.4
Imports of goods & services (US\$ bn)	1,076.2	1,682.1	4,754.2
<b>Memorandum items</b>			
GDP per head (at PPP; index, US=100)	62.6	64.2	60.5
Share of world population (%)	1.6	1.4	1.1
Share of world GDP (% at market exchange rates)	4.3	4.4	2.6
Share of world GDP (% at PPP)	3.6	3.2	2.1
Share of world exports of goods & services (%)	2.9	3.6	3.7

## Automotive

[Japan](#) | [Automotive](#) | [Overview](#)

November 23rd 2023

- Japan is the third-largest automotive market in the world (after China and the US), with about 4.2m vehicles registered in 2022 (marking a marginal year-on-year decline), according to the Japan Automobile Manufacturers Association (JAMA). This figure represents the entire market for four-wheeled motor vehicles, including commercial vehicles (CVs) and minicars.
- The domestic market for new vehicles contracted by 5.6% to 4.2m in 2022, following an even bigger drop in 2021, according to JAMA. However, sales have recovered strongly in the first ten months of 2023. New passenger car sales rose by 17.2% from the same period in 2022. In January-October 2023 new light CV sales rose by 2.5%, and new medium and heavy CVs posted stronger growth of 19.5% year on year. Over EIU's 2024-28 forecast period new-car sales are expected to rise at a compound annual growth rate (CAGR) of 2.3%, driven by an average increase of 35% in sales of electric vehicles (EVs). Sales of new CVs will record a CAGR of 2.1%.
- Japan is the world's third-largest automotive producer after China and the US, with output of about 7.84m vehicles in 2022, according to the International Organisation of Motor Vehicle Manufacturers (OICA). It was also the world's biggest exporter, but in the first half of 2023 China claimed to have taken that position after its exports of EVs soared.
- Japan's government and automotive industry are aiming to achieve full electrification of new passenger cars by 2035, although the roadmap for this target remains unclear. The industry has been relatively slow to launch EVs, despite its early lead in hybrid EVs (HEVs). An industrial policy aimed at developing hydrogen fuel-cell vehicles (FCEVs) has had only limited success.
- Toyota Motor, the country's flagship automotive manufacturer, was the world's top-selling automaker for a third straight year in 2022, ahead of Volkswagen Group (Germany) and Hyundai Motor Group (South Korea). The company, including its Lexus, Daihatsu and Hino brands, sold 10.5m vehicles worldwide that year.



- Of Toyota's 2022 sales, around one-quarter (2.6m units) were HEVs, but only 24,000 were battery EVs (BEVs). Toyota claims to have put more than 24.6m BEVs, HEVs, plug-in hybrid EVs (PHEVs) and FCEVs on the road globally as at September 2023. The company plans to have electrified options available for all Toyota and Lexus models sold globally by 2025 and aims to boost sales of BEVs to 1.5m by 2026.

## Consumer goods

[Japan](#) | [Consumer goods](#) | [Overview](#)

January 5th 2024

- With a population of 124.2m, Japan is one of the world's largest retail markets. Consumers are well off, with more than 73% of households expected to earn more than US\$25,000 in 2024. The government's economic policy focuses on boosting domestic demand and achieving sustained real GDP growth under its "new form of capitalism" initiative, which envisions increasing the average national minimum wage to ¥1,000 (US\$7)/hour. Nevertheless, real wage growth has so far been trailing the inflation rate. An ageing population has led to tight labour market conditions, which will exert pressure on nominal wages in the coming years.
- The post-pandemic return of international shopping tourists had given a much-needed boost to the ongoing retail sales recovery and is built into the government's economic growth strategy as an engine of retail spending recovery.
- The digitalisation of the consumer economy is also prioritised in the Basic Plan on Consumer Policy, updated every five years by the Consumer Affairs Agency. The next update for the policy's 2025-29 plan will address the role of digital platforms in the retail sector. Existing retail supply-chain digitalisation efforts in the policy agenda of the Ministry of Economy, Trade and Industry (METI) include the popularisation of RFID (radio frequency identification) for contactless checkout and real-time inventory management capabilities.
- Slow digitalisation remains a stumbling block for long-term growth in the retail sector and the broader economy, as the business environment remains technologically conservative. An entrenched dependence on analogue-style business practices such as using hard-copy paperwork,



## One-click report : Japan ,March 6th 2024

hanko signing stamps and facsimiles, and a deep-rooted consumer preference for cash over non-cash alternatives are considered major impediments to digitalisation.

- At the same time digital platforms face significant regulatory scrutiny. The Act on Improving Transparency and Fairness of Digital Platforms (TFDPA), enacted in 2020, requires digital platform operators to meet transparency and fairness standards through self-policing and to submit annual assessment reports to the METI. The Japan Fair Trade Commission (JFTC) has also been increasingly assertive in regulating digital or e-commerce businesses, with Amazon (US) among the JFTC's recent enforcement targets.
- The retail sector is likely to experience logistics challenges in 2024. Starting April 2024 the government will limit annual overtime of truck drivers to 960 hours in an effort to make the job more attractive. However, this policy is likely to create a shortage of drivers, and push up transport costs and goods delivery timelines.
- Labour shortages are a long-standing feature of Japan's retail sector, with long-term implications including increased hiring of migrant workers, and a rollout of robots and automated services. The labour-intensive nature of the retail sector in Japan contributes to increasing cost pressure. The share of part-time workers has reached 72% of the entire food retail workforce, far higher than 24% across all industries, according to a 2022 METI report.
- Increased use of robots in the e-commerce supply chain is considered one of the solutions. Amazon has introduced about 2,600 self-propelled robots at its new fulfilment centre in Chiba. Robots pick up shelves containing ordered goods and automatically deliver them to a human handler. Bic Camera (an electronics retailer), Askul (a mail-order company) and Nike (a US sports equipment maker) have also adopted warehouse robots.

### Retail sales

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
Retail sales (¥ trn)	151.9	146.5	150.5	154.4	163.8	169.2	172.3	176.5	180.7	184.1
Retail sales (US\$ trn)	1.4	1.4	1.4	1.2	1.2	1.2	1.5	1.6	1.7	1.8
Retail sales, volume growth (%)	-0.9	-3.6	3.0	0.1	2.8	1.2	0.7	1.1	1.0	0.9
Retail sales, US\$ value growth (%)	0.9	-1.5	-0.1	-14.3	-1.4	4.3	22.5	10.7	4.8	2.6
Non-food retail sales (US\$ trn)	1.0	0.9	1.0	0.8	0.8	0.9	1.1	1.2	1.2	1.3
Food retail sales (US\$ trn)	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.5
Consumer price inflation (av; %)	0.5	0.0	-0.2 <sup>a</sup>	2.5 <sup>a</sup>	3.2 <sup>b</sup>	2.0	1.1	1.3	1.4	1.2

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

Sources: Edge by Ascential; EIU.

# Energy

[Japan](#) | [Energy](#) | [Overview](#)

November 15th 2023

- EIU forecasts that gross domestic energy consumption will decrease for a second consecutive year in fiscal year 2023/24 (April-March) amid tepid economic growth and still-high global energy prices. We expect Japan's energy consumption to fall at an annual average of 0.9% during our forecast period, from 2024/25 to 2033/34, reflecting improved energy efficiency, population decline and broadly flat GDP growth in Japan.
- We expect domestic oil, natural gas and coal consumption to fall by annual averages of 1.9 %, 1.6% and 2.4% respectively in the forecast period as the resource-poor island country seeks to increasingly use nuclear power and renewable energy sources in order to decarbonise and reduce reliance on energy imports. We forecast that domestic electricity consumption will decrease by less than 1% per year in 2022-31, largely owing to a drop in demand from the country's declining population. The share of nuclear power and renewables, especially solar and wind, in Japan's electricity-generation mix will increase steadily in the forecast period.
- Following Russia's invasion of Ukraine in February 2022, Japan has been phasing out imports of coal and oil from Russia, and prohibiting new Japanese investment in that country. Although coal-fired power generation by some domestic utilities might be affected in the short term, so far they have been sourcing alternative supplies from Australia and Indonesia. Several domestic companies have been purchasing Russian crude oil for more than US\$60/barrel—the price cap agreed on by the governments of Japan, other G7 nations and Australia in December 2022—reportedly, following an exception for imports in January 2023-June 2024 authorised by the US government.
- In April-September 2023 Russia provided 8.3% of Japan's liquefied natural gas (LNG) imports, although supply from the former declined by 21.4% year on year. This supply will continue to wane but will remain essential to Japan's energy security in a tight global LNG market. Mitsui and Mitsubishi, both Japanese conglomerates, retain their respective stakes in the Sakhalin 2 project (which supplies LNG and some crude oil to Japan) in Russia's Far East, despite the downgrade of the Russian government's credit rating, Japan's sanctions against future investments in Russia's gas sector, the exit of a project partner, and the establishment of a new local project operator. Sanctions imposed by the US in November 2023 on Russia's Arctic LNG 2 project, which is likely to commence operations by early 2024 and in which Mitsui and Japan Organization for Metals and Energy Security hold stakes, pose risks to efforts to ensure the stability of Japan's energy supply.
- We expect Japan's prime minister, Kishida Fumio, to refrain from calling an early general election until early 2024, at which he will lead the ruling Liberal Democratic Party to victory, retaining its majority. This will hold him in good stead to win an LDP leadership race in September 2024 and extend his time as prime minister. He will oversee a period of political stability and reform-minded

## One-click report : Japan ,March 6th 2024

policymaking. This will afford him ample opportunities to implement his policy agenda, which favours nuclear and renewable power, with little resistance from opposition parties.

**Energy: key indicators**

	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>	2033 <sup>t</sup>
GDP (US\$ bn at market exchange rates)	4,239 <sup>c</sup>	4,104	4,226	5,531	6,014	6,227	6,415	7,719
Real GDP (% change, year on year)	1.0 <sup>c</sup>	2.0	1.4	1.0	1.2	1.1	1.1	0.9
Population (m)	124.0	123.3	122.6	122.0	121.3	120.6	119.9	116.4
Population (% change, year on year)	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6
Gross domestic energy consumption (ktoe)	391,700	388,608 <sup>b</sup>	387,797	380,508	378,768	378,147	378,270	355,6
Gross domestic energy consumption (% change, year on year)	-2.0	-0.8 <sup>b</sup>	-0.2	-1.9	-0.5	-0.2	0.0	-2.3

Note. Forecasts for all dates are available via EIU's data tool.

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> Actual.

Sources: EIU; © OECD/IEA 2023 IEA statistics, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), licence: [www.iea.org/t&c](http://www.iea.org/t&c).

**Financial services**

[Japan](#) | [Finance](#) | [Overview](#) | [Financial services](#) | [Overview](#)

December 1st 2023

- Japan's financial sector is one of the world's largest. Financial firms, particularly those that are focused on the domestic market, face a challenging operating environment, compounded by extremely low interest rates and margins, a conservative savings culture and an ageing population. Foreign firms remain niche players in Japan's heavily regulated banking and insurance markets, but have stronger positions in investment banking and capital market activities.
- The prolonged period of economic weakness and asset deflation following the burst of the economic bubble in the early 1990s led to the stagnation of the Japanese financial services sector. An entrenched deflationary mindset still poses obstacles to growth and innovation in the sector. Nevertheless, the country's economic success in earlier decades means a large balance of assets held abroad; this amounted to ¥1,338trn (US\$9.5trn) in outstanding international investment positions, including direct and portfolio investments, at the end of 2022, according to the Ministry of Finance (MOF).
- The economic policy agenda of the prime minister, Kishida Fumio, pivots on the concept of a "new form of capitalism", which calls for a fairer distribution of income in favour of middle-class households. The government will prioritise supporting economic growth, which will necessitate continued fiscal stimulus in 2024. It will push for greater wage growth and will seek to bolster the resilience of domestic supply chains.
- The government has formalised its push for a shift from savings to investment into a "doubling asset-based incomes plan", which includes the expansion of the existing investment savings accou

programme and the creation of a new mechanism to encourage citizens to move savings into earning assets. The plan also reiterates a commitment to create an environment that is conducive market entry by foreign asset managers.

- Japan's household balance sheets currently remain lopsided in favour of risk-free assets, with more than 50% of assets in cash and deposits. However, the government's policy initiatives and tax incentives designed to lure household cash into investment should encourage households to shift some of their savings into higher-returning risk assets and increase the demand for such assets in the medium and long term.
- EIU expects economic growth to decelerate to 1.4% in 2024, from an estimated 1.8% in 2023. Despite only a modest recovery in trade growth, moderating inflation in 2024 will support consumption and investment in strategic manufacturing industries such as semiconductors. The economy will grow steadily at about 1.2% a year in 2025-28.
- Japan's financial sector generated about 4.3% of GDP in 2021, according to the Cabinet Office. This was down from 4.7% a decade earlier. Around 1.6m people, or 2.4% of the overall labour force, worked in the industry in 2022. This was down from 2.6% in 2011.
- The financial services sector has a heavy outward orientation in terms of direct investment. According to the Bank of Japan (BOJ, the central bank), the outward direct investment position held by the finance and insurance sector amounted to ¥63.5trn (US\$449bn) at the end of 2022, equivalent to about two-thirds of manufacturing assets held abroad (¥97.7trn).
- According to the BOJ's assessment of domestic capital-raising conditions in September 2023, firm demand for credit increased moderately on the back of increased economic activity and higher input costs. On the supply side, businesses perceived that the lending attitudes of financial institutions remained accommodative, and primary-market demand for commercial paper and corporate bonds continued to be favourable, with firms' funding costs hovering at historically low levels. The year-on-year rate of increase in the outstanding balance of bank lending stayed at around 3.5%.
- The BOJ will maintain its ultra-loose monetary policy, even though it has made tweaks to its yield curve control policy three times since December 2022, increasing its tolerance of higher yields on long-term government bonds. The latest tweak, announced in October 2023, confirmed the central bank's willingness to allow yields to rise above 1%—a hard ceiling it had set in July of that year—as a precursor to an end to the current policy of negative short-term interest rates. The BOJ has held its benchmark lending rate at -0.1% since 2016.
- The unwinding of the country's complex quantitative easing mechanism, in place since 2001, remains a likely scenario for monetary policy in 2024-25, based on the shared understanding between the BOJ and the MOF on the need to tolerate current price inflation over the central bank's long-term inflation target of 2% and to support real wage growth in the medium and long term.
- The country's unique monetary policy environment has made it difficult for any Japanese financial institution to prosper. Accordingly, financial firms will continue to implement cost-cutting programmes, especially branch closures. Meanwhile, the government will provide support for a round of consolidation in the regional banking sector, which is considered to be most vulnerable.

Fintech is set for strong growth, driven by the sustained "digital transformation" push in both the public and private sectors.

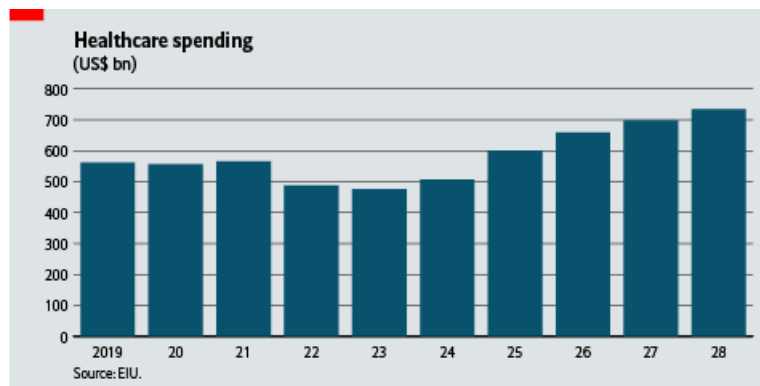
## Healthcare

Japan | Healthcare | Spending

December 11th 2023

### Overview

- Japan's total healthcare spending reached US\$561bn in 2019 (11% of GDP, according to the OECD) making it the third-highest spender on healthcare worldwide, behind the US and China. EIU estimates that this share rose to 11.5% in 2022 and remained stable the next year, placing the country above most OECD countries and on a par with the UK and France.
- According to the Ministry of Health, Labour and Welfare (MHLW), in fiscal year 2022 (April-March) annual healthcare spending increased by 4% year on year to ¥46trn (US\$308bn). The annual growth rate slowed from 4.6% recorded in the previous fiscal year. Population ageing is the biggest driver of healthcare spending growth with its impact translating into a 0.9 percentage point increase in that fiscal year.
- On the whole, the quality of healthcare in Japan is high by international standards. According to Healthcare Mapped, a report published by Radar Healthcare (UK) in June 2022, Japan has one of the highest scores in the world for the quality of healthcare provided to residents. Despite a large population, estimated at about 123m in 2023, Japan maintains a fairly low annual compulsory healthcare cost per person, at an average of US\$4,654.
- Overall healthcare spending will remain relatively high in our forecast period (2024-28), driven by the need to care for the country's ageing population and the elevated level of inflation. Spending on elderly and long-term care will remain the biggest driving factor.



- Despite the rising market share of generics, pharmaceutical sales growth will outpace overall healthcare spending growth. Healthcare spending will grow at a compound annual growth rate (CAGR) of

## One-click report : Japan ,March 6th 2024

2.7% in nominal currency terms (9.1% in US dollar terms). Pharmaceutical sales, on the other hand will rise at a robust CAGR of 5.2% in nominal currency terms during our forecast period.

- The government's healthcare agenda includes reform of social support and long-term care under the "work longer and pay more" mandate, which seeks to contain the rising cost of caring for Japan's elderly population. The government will also seek to curb pharmaceutical price inflation and promote technological innovations to keep people healthy well into old age.
- Nevertheless, the country's ageing population will continue to strain the healthcare system, with 30% of the total population aged over 60, according to the World Health Organisation. The nationwide rollout of community-based integrated care in Japan should culminate in 2025. This concept refers to a self-contained form of elderly care provided by community healthcare systems encompassing acute care, long-term care, in-home care and elderly welfare.
- In September 2023 the government launched the Cabinet Agency for Infectious Disease Crisis Management as a dedicated central government agency responsible for planning and co-ordinating measures against future outbreaks of infectious disease.

## Funding sources

- The MHLW provides centralised policy guidance for healthcare development in Japan and operates various policy panels. General government expenditure, including compulsory schemes, accounts for 85.7% of total health spending in 2021, according to provisional data from the OECD. The remainder was financed by voluntary spending, including private insurance and household out-of-pocket (OOP) spending.

### Healthcare expenditure

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>c</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
Healthcare spending (US\$ bn)	561.3	555.9	565.6 <sup>a</sup>	487.3	475.7	506.7	600.0	659.3	697.6	734.4
Healthcare spending (¥ bn)	61,202.6	59,352.9 <sup>b</sup>	62,088.4	64,064.9	67,315.8	70,956.7	69,884.6	71,042.8	73,424.5	76,932
Healthcare spending (% of GDP)	11.0	11.0 <sup>b</sup>	11.3	11.5	11.5	11.7	11.2	11.1	11.2	11.4

### Spending by source

Public/compulsory spending (US\$ bn)	471.3	471.8	484.7 <sup>a</sup>	416.8	401.0	432.5	514.2	565.6	595.7	624.3
Public/compulsory spending (% of total)	84.0	84.9	85.7	85.5	84.3	85.4	85.7	85.8	85.4	85.0
Government schemes (% of public spending)	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7

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Social security funds (% of public spending)	90.3	90.3 <sup>b</sup>	90.3	90.3	90.3	90.3	90.3	90.3	90.3	90.3
Private healthcare spending (US\$ bn)	90.0	84.2	80.9 <sup>a</sup>	70.5 <sup>a</sup>	74.6	74.2	85.8	93.7	101.9	110.2
Private healthcare spending (% of total)	16.0	15.1	14.3 <sup>a</sup>	14.5 <sup>a</sup>	15.7	14.6	14.3	14.2	14.6	15.0
Out of pocket (% of private spending)	80.4	78.9	77.6 <sup>a</sup>	79.0	78.5	78.4	78.6	78.5	78.5	78.5
Voluntary insurance (% of private spending)	19.5	21.1	22.4	21.0	21.5	21.6	21.4	21.5	21.5	21.5
External healthcare spending (US\$ bn)	0.0	0.0	0.0 <sup>a</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

Sources: US Bureau of the Census; UN; OECD; World Bank; EIU.

- The MHLW reports the spending breakdown differently, although it confirms that the majority of funding comes from compulsory sources. The ministry's latest annual survey, released in November 2022, reports that 38.4% of total health spending in 2020 was funded by the central and local governments. Nearly half (49.5%) was covered by health insurance premiums.
- Under Japan's universal health insurance system, all residents must be covered by one of two programmes: Employees' Health Insurance (EHI) or National Health Insurance (NHI). Under the universal health insurance system, healthcare providers are paid reimbursements on a fee-for-service basis.
- According to the MHLW's latest monthly reimbursement update, the coverage ratio of medical expenses reimbursed by NHI was 84% in April 2023. Residents pay monthly premiums to one of these schemes as well as a proportion of the cost of their treatment via co-payments. Co-payment are set at 30% in general with lower rates available for the elderly.
- For large companies, EHI coverage is arranged through health insurance societies. NHI caters for everyone else, including smaller companies, the self-employed, irregular workers and the unemployed. The NHI scheme runs a persistent deficit, as increases in spending on medical and other care outpace contributions.
- Japan has a long-term care insurance scheme, funded by a mixture of compulsory premiums for those aged over 40, national and local taxation, and user co-payments. An insurance programme for those aged over 75 covers 90% of medical expenses incurred for elderly care. Health insurance coverage is automatically switched to long-term care insurance from NHI for people turning 75.
- According to MHLW data, 35.9m people were covered by long-term care insurance at end-May 2023. Of those, 7m qualified for some form of long-term care delivered through in-home care, community-based care and facility-based care.

- The mandate to make the NHI more financially sustainable tops the health insurance reform agenda. The latest NHI reform was implemented in 2021 to pass some of the cost of long-term care to high-income earners. Accordingly, co-payments for long-term care recipients earning ¥2m (US\$13,375) or more a year have increased by 20%.
- As part of the government's drive for digitalisation in the healthcare sector and to comply with a law that was enacted in June 2023, physical health insurance cards will be replaced by chip-enabled cards that carry a personal identification number.

## Private health insurance

- The remaining 30% of costs not covered by statutory health insurance are covered by private health insurance, which can be employer-sponsored or bought privately. Voluntary healthcare payment schemes accounted for 3.2% of current expenditure on health in 2021, down from 3.5% in 2010, according to provisional data from the OECD, and OOP spending accounted for 11.1% (latest data available).
- Private health insurance is available from life and non-life insurance companies as stand-alone policies or rider benefits. According to the latest survey released from the Japan Institute of Life Insurance in September 2021, 93.6% of Japanese households had private health insurance in 2021. The ratio was 66.7% for cancer insurance.

## Telecommunications

[Japan](#) | [Telecommunications](#) | [Overview](#)

January 16th 2024

- EIU forecasts that mobile subscriptions will grow by 1.8% per year on average in 2024-28. Japan has one of the most saturated markets for mobile services in Asia, with a high mobile penetration rate, estimated at 175% in 2023. The country launched 5G services in early 2020. Network operators have experienced the gradual adoption of retail 5G connections and are investing in the enterprise portfolio to monetise the next-generation network.
- Rakuten, a digital company with a presence in the media, e-commerce, telecoms and fintech sectors, is in trouble as it strives to arrest a decline in its already small customer base and attempts to raise funds to build more base stations and offer better coverage. The market, which has reached saturation point, is likely to see some consolidation in the mobile segment. The government is expected to propose a revision to the existing NTT Act whereby it could offer up its 34% stake in the operator, a move that its rivals will oppose.
- The government is looking to boost domestic semiconductor manufacturing; the first step in that direction is a subsidy package of about US\$3.5bn for a new fabrication plant. The facility is being jointly developed by Sony and Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest contract chipmaker, and is scheduled to begin production by 2024.



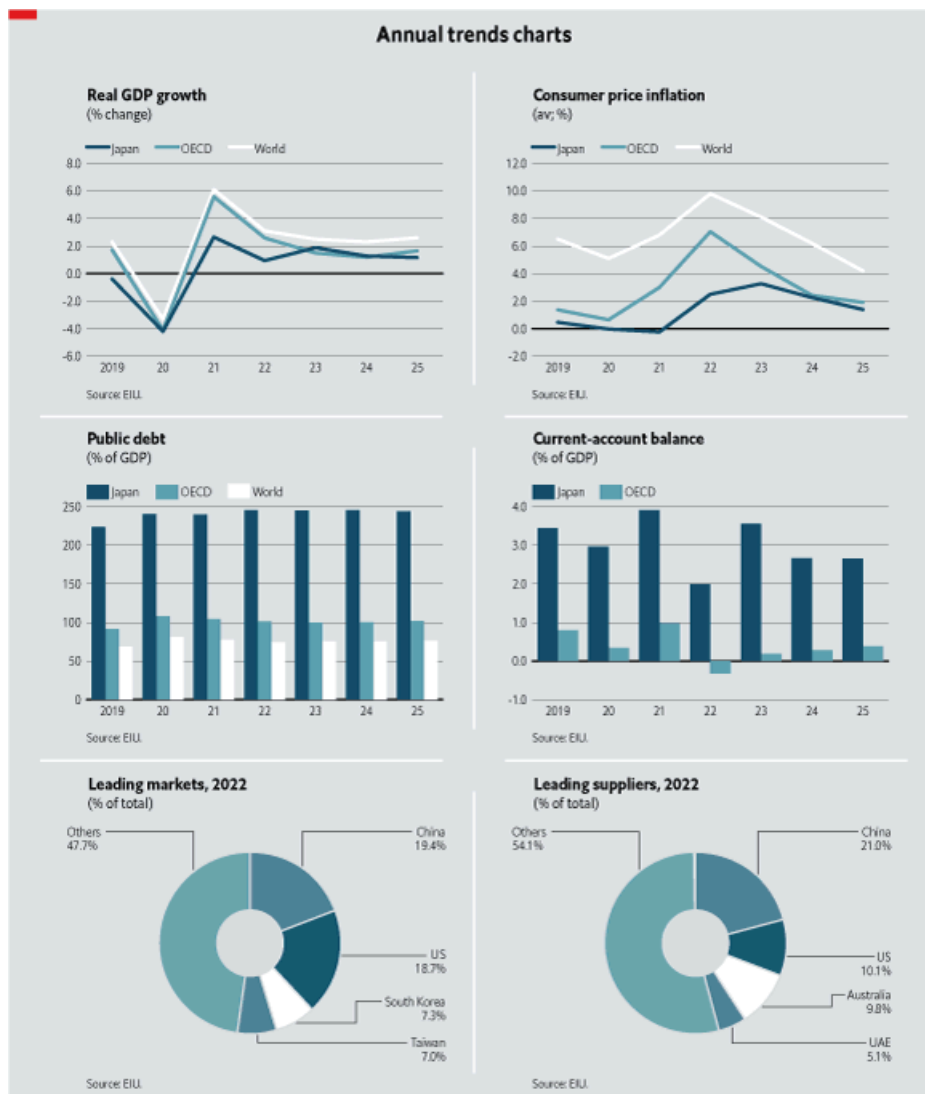
One-click report : Japan ,March 6th 2024

- The Japanese government is also mulling over labour reform to enable growth in the semiconductor and artificial intelligence (AI) industries. Japan has been missing from the long list of global AI tool launches, but SoftBank is starting out by aiming to create a Japanese version of ChatGPT, a free AI system developed by OpenAI (US). We can expect more efforts from the industry, start-ups and the government in the AI space.

## Data and charts: Annual trends charts

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Annual trends charts](#)

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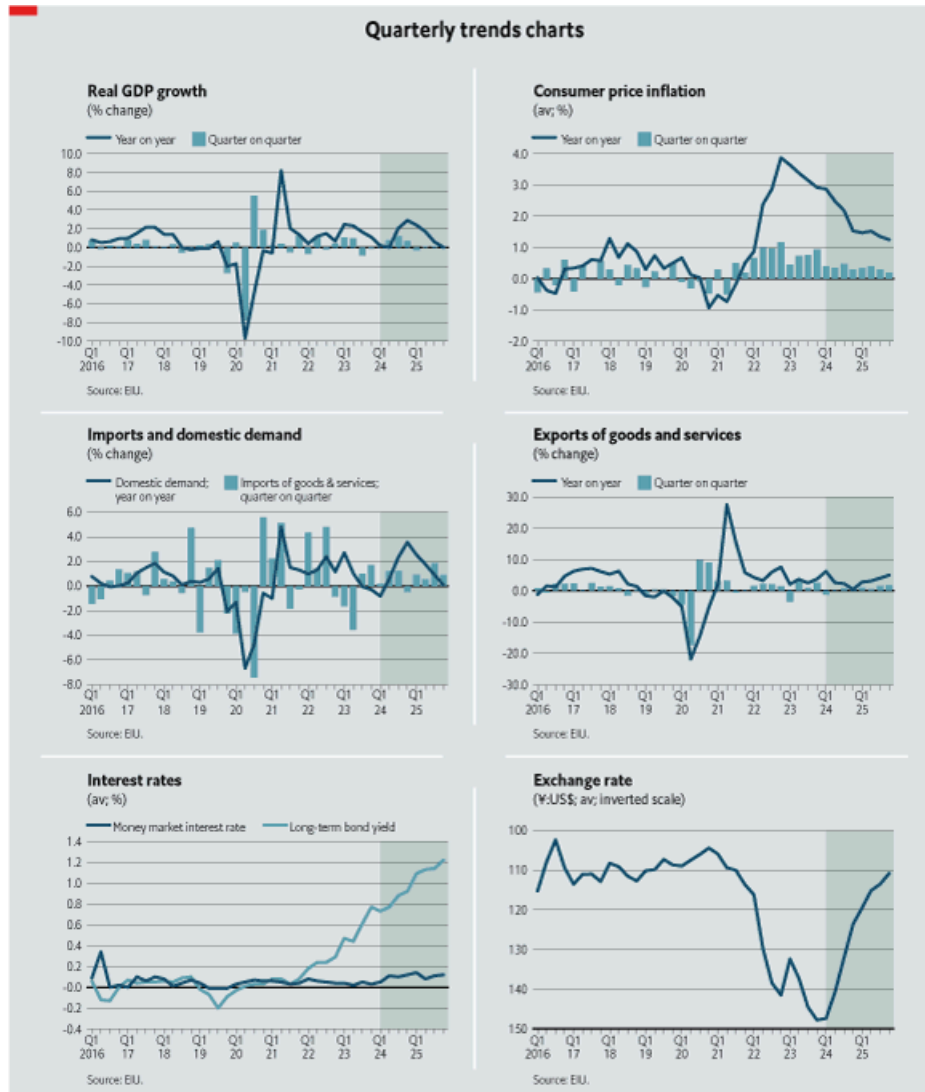


## Data and charts: Quarterly trends charts

# One-click report : Japan ,March 6th 2024

Japan | Economy | Charts and tables | Quarterly trends charts

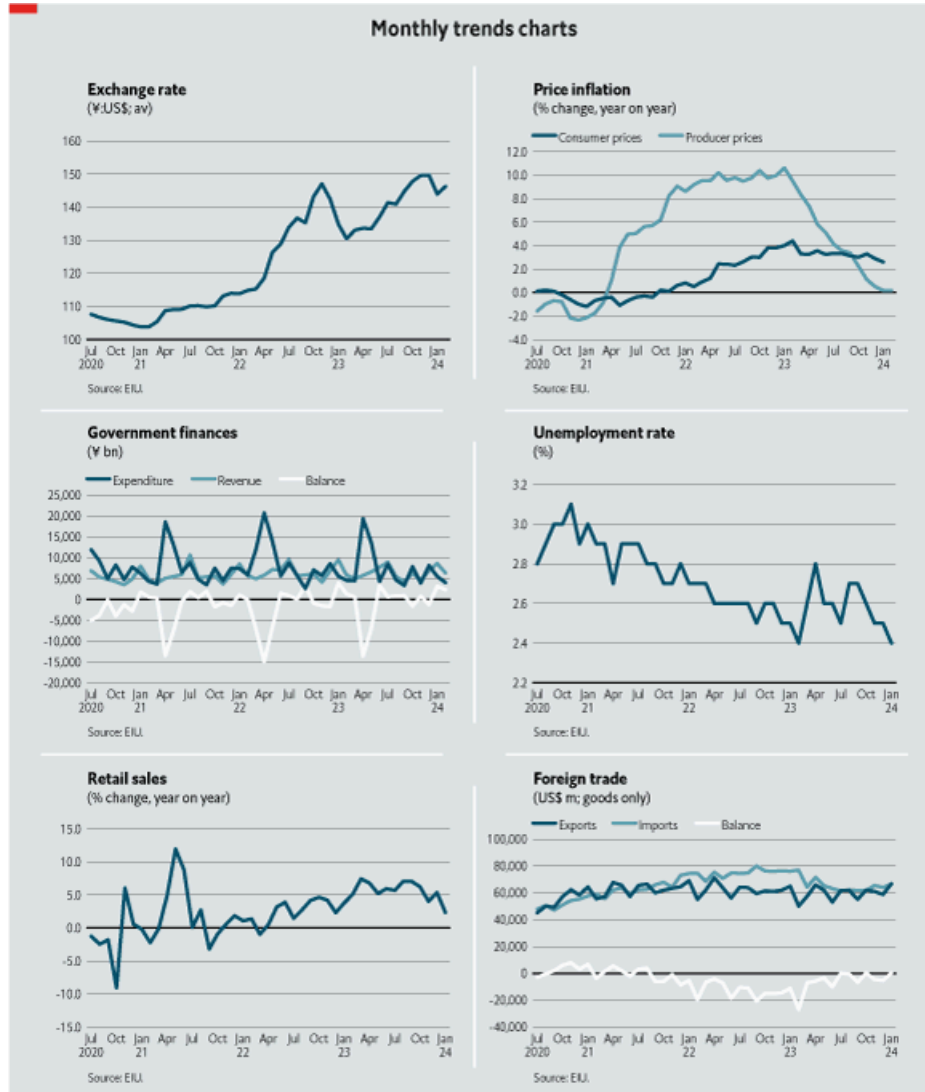
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# Data and charts: Monthly trends charts

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## Data summary: Gross domestic product, current market prices

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March 1st 2024

### Gross domestic product, at current market prices

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
<b>Expenditure on GDP (¥ trn at current market prices)</b>										
GDP	557.9	539.8	552.6	559.7	591.5	611.1	633.0	647.7	665.7	682.0
Private consumption	304.4	291.8	295.8	311.1	322.5	333.8	343.2	352.0	362.4	371.5
Government consumption	111.3	113.2	117.5	120.9	123.9	128.2	130.5	133.3	136.8	139.9
Gross fixed investment	142.5	137.6	140.7	145.3	151.6	150.3	149.7	142.9	151.9	158.5
Exports of goods & services	97.4	83.8	100.2	120.6	128.7	136.4	134.4	138.6	144.2	151.6
Imports of goods & services	99.0	85.3	103.0	141.6	137.9	139.6	127.3	129.6	135.6	145.6
Stockbuilding	1.4	-1.3	1.4	3.5	2.8	2.0	2.5	10.5	6.0	6.0
Domestic demand	559.5	541.3	555.4	580.8	600.7	614.3	625.9	638.8	657.1	675.9
<b>Expenditure on GDP (US\$ bn at current market prices)</b>										
GDP	5,117.1	5,056.0	5,033.8	4,257.6	4,210.2	4,495.3	5,514.9	6,011.1	6,325.1	6,510.0
Private consumption	2,791.6	2,732.9	2,694.9	2,366.2	2,295.3	2,455.4	2,990.1	3,267.1	3,443.1	3,546.0
Government consumption	1,020.6	1,060.2	1,070.4	919.5	881.9	943.3	1,137.3	1,237.0	1,299.6	1,336.0
Gross fixed investment	1,307.3	1,289.0	1,281.5	1,105.4	1,079.1	1,105.5	1,304.1	1,326.7	1,443.2	1,513.0
Exports of goods & services	893.6	785.1	912.4	917.2	915.8	1,003.5	1,170.7	1,285.9	1,370.5	1,447.0
Imports of goods & services	908.4	798.7	938.6	1,077.2	981.7	1,027.1	1,109.1	1,203.1	1,288.3	1,389.0
Stockbuilding	12.4	-12.5	13.1	26.6	19.8	14.7	21.8	97.4	57.0	57.3
Domestic demand	5,131.9	5,069.6	5,060.0	4,417.7	4,276.1	4,518.9	5,453.3	5,928.3	6,242.9	6,452.0
<b>Economic structure (% of GDP at current market prices)</b>										
Private consumption	54.6	54.1	53.5	55.6	54.5	54.6	54.2	54.4	54.4	54.5
Government consumption	19.9	21.0	21.3	21.6	20.9	21.0	20.6	20.6	20.5	20.5
Gross fixed investment	25.5	25.5	25.5	26.0	25.6	24.6	23.6	22.1	22.8	23.2
Stockbuilding	0.2	-0.2	0.3	0.6	0.5	0.3	0.4	1.6	0.9	0.9
Exports of goods & services	17.5	15.5	18.1	21.5	21.8	22.3	21.2	21.4	21.7	22.2
Imports of goods & services	17.8	15.8	18.6	25.3	23.3	22.8	20.1	20.0	20.4	21.3
<b>Memorandum items</b>										
Real personal disposable income (% change)	1.1	4.1	-3.6	-0.7	-1.5	1.5	1.3	0.9	1.1	1.1
National savings ratio (%)	29.2	28.2	29.6	28.6	29.7	27.6	26.7	26.5	26.3	27.2

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Gross domestic product, at constant prices

[Japan](#) | [Economy](#) | [Charts and tables](#) | [GDP at constant prices](#)

March 1st 2024

### Gross domestic product, at constant prices

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
<b>Real expenditure on GDP (¥ trn at chained 2011 prices)</b>										
GDP	552.5	529.3	543.4	548.5	558.7	565.9	572.4	578.4	585.7	592.0
Private consumption	300.7	287.4	289.6	295.9	297.8	301.4	305.7	309.5	314.1	318.0
Government consumption	110.5	113.1	116.9	118.9	119.9	121.3	122.4	123.4	124.9	126.0
Gross fixed investment	139.7	134.7	134.5	132.6	134.8	137.9	140.0	142.2	143.9	145.0
Exports of goods & services	103.9	91.9	102.8	108.2	111.5	114.7	119.0	122.8	126.5	130.0
Imports of goods & services	103.6	96.6	101.6	109.6	108.1	110.8	114.2	117.6	120.5	124.0
Stockbuilding (% of GDP)	1.4	-1.1	1.3	2.9	2.1	1.9	1.7	1.5	1.7	1.9
Domestic demand	552.3	534.0	542.3	550.3	554.7	562.5	569.7	576.6	584.6	592.0
<b>Real expenditure on GDP (% change)</b>										
GDP	-0.4	-4.2	2.6	0.9	1.9	1.3	1.2	1.0	1.3	1.1
Private consumption	-0.6	-4.4	0.8	2.2	0.7	1.2	1.4	1.3	1.5	1.3
Government consumption	1.9	2.4	3.4	1.7	0.9	1.2	0.9	0.8	1.2	1.1
Gross fixed investment	0.6	-3.6	-0.1	-1.4	1.7	2.2	1.5	1.6	1.2	1.3
Exports of goods & services	-1.5	-11.6	11.9	5.3	3.0	2.8	3.8	3.3	3.0	3.1
Imports of goods & services	1.0	-6.8	5.1	7.9	-1.3	2.5	3.1	3.0	2.4	3.0
Stockbuilding (% contribution to GDP growth)	-0.1	-0.5	0.5	0.3	-0.1	0.0	0.0	0.0	0.0	0.0
Domestic demand	0.0	-3.3	1.6	1.5	0.8	1.4	1.3	1.2	1.4	1.3
<b>Real contribution to GDP growth (% points)</b>										
Private consumption	-0.3	-2.4	0.4	1.1	0.4	0.7	0.8	0.7	0.8	0.7
Government consumption	0.4	0.5	0.7	0.4	0.2	0.3	0.2	0.2	0.3	0.2
Gross fixed investment	0.1	-0.9	0.0	-0.3	0.4	0.5	0.4	0.4	0.3	0.3
External balance	-0.5	-0.9	1.1	-0.5	0.9	0.1	0.2	0.1	0.1	0.1

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Gross domestic product by sector of origin

[Japan](#) | [Economy](#) | [Charts and tables](#) | [GDP by sector of origin](#)

March 1st 2024

### Gross domestic product by sector of origin

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
<b>Origin of GDP (¥ trn at chained 2015 prices)</b>										
GDP at factor cost	549.9	524.9	541.7	554.7	565.0	572.3	578.9	584.9	592.3	598.7
Agriculture	5.0	4.8	5.1	5.7	5.0	5.1	5.1	5.2	5.2	5.3
Industry	162.8	155.6	166.3	164.2	170.8	173.1	175.5	178.5	181.6	183.6
Services	359.8	345.4	351.4	365.4	389.2	394.1	398.3	401.2	405.4	409.8
<b>Origin of GDP (real % change)</b>										
Agriculture	4.4	-3.7	6.2	10.9	-11.6	1.2	0.9	0.4	1.2	1.1
Industry	-1.7	-4.4	6.8	-1.2	4.0	1.3	1.4	1.7	1.8	1.1
Services	-0.2	-4.0	1.7	4.0	6.5	1.3	1.1	0.7	1.0	1.1
<b>Origin of GDP (% of factor cost GDP)</b>										
Agriculture	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Industry	29.6	29.6	30.7	29.6	30.2	30.2	30.3	30.5	30.7	30.7
Services	65.4	65.8	64.9	65.9	68.9	68.9	68.8	68.6	68.5	68.5
<b>Memorandum item</b>										
Industrial production (% change)	-2.7	-10.4	5.4	-0.2 <sup>a</sup>	-1.1	2.5	1.6	1.8	1.7	1.2

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Growth and productivity

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Growth and productivity](#)

March 1st 2024

### Growth and productivity

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
<b>Growth and productivity (%)</b>										
Labour productivity growth	-1.3	-3.7	2.3	0.8	1.5	1.1	1.0	1.0	1.1	1.1
Total factor productivity growth	-1.0	-4.1	2.4	1.1	1.7	1.2	0.9	0.9	1.1	1.0
Growth of capital stock	0.1	-0.1	-0.1	-0.2	-0.1	0.1	0.1	0.2	0.3	0.3
Growth of potential GDP	-0.4	-4.2	2.6	0.9	1.9	1.3	1.2	1.0	1.3	1.1
Growth of real GDP	-0.4 <sup>c</sup>	-4.2 <sup>c</sup>	2.6 <sup>c</sup>	0.9 <sup>c</sup>	1.9	1.3	1.2	1.0	1.3	1.1
Growth of real GDP per head	0.0	-3.8	3.2	1.5	2.4	1.8	1.7	1.6	1.8	1.7

## One-click report : Japan ,March 6th 2024

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> Actual.

## Data summary: Economic structure, income and market size

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Economic structure, income and market size](#)

March 1st 2024

### Economic structure, income and market size

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
<b>Population, income and market size</b>										
Population (m)	125.8	125.2	124.6	124.0	123.3	122.6	122.0	121.3	120.6	119.9
GDP (US\$ bn at market exchange rates)	5,117 <sup>c</sup>	5,056 <sup>c</sup>	5,034 <sup>c</sup>	4,258 <sup>c</sup>	4,210	4,495	5,515	6,011	6,325	6,510
GDP per head (US\$ at market exchange rates)	40,679	40,369	40,396	34,349	34,147	36,657	45,219	49,563	52,446	54,219
Private consumption (US\$ bn)	2,792 <sup>c</sup>	2,733 <sup>c</sup>	2,695 <sup>c</sup>	2,366 <sup>c</sup>	2,295	2,455	2,990	3,267	3,443	3,540
Private consumption per head (US\$)	22,192	21,821	21,626	19,089	18,616	20,023	24,517	26,938	28,550	29,517
GDP (US\$ bn at PPP)	5,404 <sup>c</sup>	5,358 <sup>c</sup>	5,599 <sup>c</sup>	5,896 <sup>c</sup>	6,222	6,466	6,671	6,895	7,143	7,399
GDP per head (US\$ at PPP)	42,964	42,783	44,932	47,564	50,468	52,725	54,702	56,853	59,232	61,602
Personal disposable income (¥ trn)	315.7	329.8	319.8	326.9	331.8	344.4	353.8	361.8	370.9	379.9
Personal disposable income (US\$ bn)	2,895	3,089	2,914	2,487	2,362	2,534	3,082	3,357	3,524	3,621
Growth of real disposable income (%)	1.1	4.1	-3.6	-0.7	-1.5	1.5	1.3	0.9	1.1	1.1
<b>Memorandum items</b>										
Share of world population (%)	1.65	1.63	1.61	1.58	1.58	1.57	1.56	1.50	1.48	1.46
Share of world GDP (% at market exchange rates)	5.89 <sup>c</sup>	5.97 <sup>c</sup>	5.24 <sup>c</sup>	4.27 <sup>c</sup>	4.04	4.10	4.70	4.82	4.82	4.73
Share of world GDP (% at PPP)	4.00 <sup>c</sup>	4.01 <sup>c</sup>	3.79 <sup>c</sup>	3.60 <sup>c</sup>	3.54	3.49	3.43	3.35	3.29	3.23
Share of world exports of goods (%)	3.77 <sup>c</sup>	3.69 <sup>c</sup>	3.46 <sup>c</sup>	3.12 <sup>c</sup>	3.12	3.30	3.88	4.27	4.36	4.48

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> Actual.



## Data summary: Fiscal indicators

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Fiscal indicators](#)

March 1st 2024

### Fiscal indicators

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	202
<b>Fiscal indicators (% of GDP)</b>										
General government expenditure	38.4	45.7	43.9	44.1	42.6	41.1	39.9	39.5	38.9	38.5
Interest	0.5	0.5	0.3	0.1	0.0	0.0	0.1	0.2	0.4	0.3
Non-interest	37.9	45.2	43.6	44.0	42.6	41.1	39.7	39.3	38.5	38.2
General government revenue	35.4	36.7	37.6	38.3	37.5	36.5	35.9	35.7	35.4	35.3
Budget balance (incl social security surplus)	-3.0	-9.0	-6.2	-5.8	-5.2	-4.6	-4.0	-3.8	-3.5	-3.2
Primary balance	-2.6	-8.5	-5.9	-5.7	-5.2	-4.6	-3.9	-3.6	-3.1	-2.9
General government debt	223.7	240.3	240.0	245.6	244.8	245.6	243.9	244.3	243.6	243.

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Monetary indicators

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Monetary indicators](#)

March 1st 2024

### Monetary indicators

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	202
<b>Monetary indicators</b>										
Exchange rate ¥:US\$ (av)	109.0	106.8	109.8	131.5	140.5	135.9	114.8	107.8	105.3	104.
Exchange rate ¥:US\$ (year-end)	108.7	103.2	115.2	131.8	140.9	123.0	110.5	105.5	104.8	104.
Exchange rate ¥:€ (av)	122.1	121.8	129.9	138.5	152.1	149.5	130.6	124.5	122.6	122.
Exchange rate ¥:€ (year-end)	122.1	126.6	130.4	140.6	155.7	137.8	127.1	122.4	122.6	122.
Real effective exchange rate (av), CPI-based	76.6	77.3	70.7	61.0	58.0	59.9	69.0	72.0	73.3	73.1
Purchasing power parity ¥:US\$ (av)	103.2	100.7	98.7	94.9	95.1	94.5	94.9	93.9	93.2	92.2
Money supply (M2) growth (%)	2.4	6.5	6.4	3.3	2.5	0.9	5.8	4.3	5.1	4.7
Domestic credit growth (%)	3.6	6.4	2.5	0.0	4.1	0.2	5.6	4.0	5.0	4.7
Commercial banks' prime rate (year-end; %)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Deposit rate (av; %)	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3
Money market rate (av; %)	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.3

## One-click report : Japan ,March 6th 2024

Yield on long-term government bonds  
(av; %)

-0.1 0.0 0.1 0.2 0.6 0.8 1.1 1.3 1.3 1.3

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Employment, wages and prices

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March 1st 2024

### Employment, wages and prices

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2028 <sup>b</sup>
<b>The labour market (av)</b>										
Labour force (m)	68.9	68.8	69.1	69.0	69.3	69.3	69.5	69.5	69.6	69.5
Labour force (% change)	3.2	0.7	0.4	-0.1	0.3	0.1	0.2	0.0	0.2	-0.1
Employment (m)	67.2	66.9	67.1	67.2	67.5	67.6	67.7	67.7	67.9	67.9
Employment (% change)	0.9	-0.6	0.4	0.2	0.4	0.2	0.1	0.1	0.2	0.0
Unemployment (m)	1.6	1.9	1.9	1.8	1.8	1.7	1.8	1.8	1.7	1.6
Unemployment rate (%)	2.4 <sup>c</sup>	2.8	2.8	2.6	2.6	2.5	2.6	2.5	2.5	2.4
<b>Wage and price inflation (% except labour costs per hour)</b>										
Consumer prices (av)	0.5 <sup>c</sup>	0.0 <sup>c</sup>	-0.2 <sup>c</sup>	2.5 <sup>c</sup>	3.3	2.3	1.4	1.3	1.4	1.2
Producer prices (av)	0.2 <sup>c</sup>	-1.2 <sup>c</sup>	4.6 <sup>c</sup>	9.8 <sup>c</sup>	4.2	1.6	1.1	1.3	1.2	1.4
GDP deflator (av)	0.6 <sup>c</sup>	1.0 <sup>c</sup>	-0.3 <sup>c</sup>	0.3 <sup>c</sup>	3.7	2.0	2.4	1.3	1.5	1.3
Private consumption deflator (av)	0.5 <sup>c</sup>	0.3 <sup>c</sup>	0.6 <sup>c</sup>	2.9 <sup>c</sup>	3.0	2.3	1.4	1.3	1.4	1.2
Government consumption deflator (av)	0.3 <sup>c</sup>	-0.6 <sup>c</sup>	0.4 <sup>c</sup>	1.2 <sup>c</sup>	1.6	2.3	0.9	1.3	1.4	1.2
Fixed investment deflator (av)	0.8 <sup>c</sup>	0.1 <sup>c</sup>	2.4 <sup>c</sup>	4.8 <sup>c</sup>	2.6	-3.0	-1.9	-6.0	5.0	3.0
Average nominal wages	-0.2	-1.6	0.9	3.0	1.9	3.0	1.9	1.7	1.7	1.6
Average real wages	-0.6	-1.6	1.1	0.5	-1.3	0.7	0.5	0.4	0.3	0.4
Unit labour costs (¥-based; av)	2.4	3.2	-0.8	1.3	-0.1	1.9	0.9	0.7	0.6	0.5
Unit labour costs (US\$-based)	3.7	5.4	-3.5	-15.4	-6.6	5.3	19.5	7.3	3.0	1.0
Labour costs per hour (¥)	2,919	2,872	2,898	2,985	3,041	3,131	3,191	3,245	3,300	3,35
Labour costs per hour (US\$)	26.8	26.9	26.4	22.7	21.6	23.0	27.8	30.1	31.4	32.0

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> Actual.

## Data summary: Current account and terms of trade

[Japan](#) | [Economy](#) | [Charts and tables](#) | [Current account and terms of trade](#)

March 1st 2024

### Current account and terms of trade

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028 <sup>c</sup>
<b>Current account (US\$ bn)</b>										
Current-account balance	176.5	150.0	196.7	84.8	149.9	119.7	146.7	169.4	164.9	198.1
Current-account balance (% of GDP)	3.4	3.0	3.9	2.0	3.6	2.7	2.7	2.8	2.6	3.0
Goods: exports fob	695.2	630.5	749.7	751.7	714.1	778.0	975.7	1,132.2	1,208.6	1,303.8
Goods: imports fob	-693.7	-603.9	-733.1	-869.3	-759.4	-829.8	-1,016.8	-1,169.8	-1,244.2	-1,324.2
Trade balance	1.4	26.6	16.7	-117.5	-45.3	-51.8	-41.1	-37.6	-35.6	-21.3
Services: credit	209.5	163.7	170.9	169.4	204.6	222.4	290.7	334.3	366.9	395.5
Services: debit	-219.5	-198.1	-209.3	-211.5	-227.5	-243.8	-302.0	-350.6	-372.7	-393.8
Services balance	-10.0	-34.4	-38.4	-42.1	-22.8	-21.4	-11.3	-16.3	-5.9	1.7
Primary income: credit	313.5	281.1	347.4	376.4	396.9	370.5	421.3	429.1	441.6	436.3
Primary income: debit	-115.6	-99.4	-107.3	-113.0	-149.4	-146.2	-188.6	-175.2	-202.4	-184.8
Primary income balance	197.9	181.7	240.1	263.4	247.5	224.3	232.7	254.0	239.2	251.5
Secondary income: credit	32.3	31.2	28.0	30.4	31.5	33.6	44.5	48.5	48.6	47.4
Secondary income: debit	-45.1	-55.4	-49.5	-49.5	-60.9	-65.1	-78.2	-79.2	-81.4	-81.2
Secondary income balance	-12.8	-24.2	-21.5	-19.1	-29.4	-31.4	-33.6	-30.6	-32.9	-33.8
<b>Terms of trade</b>										
Export price index (US\$-based; 2010=100)	83.7	82.8	87.2	84.6	82.3	88.0	96.8	102.5	106.0	108.8
Export prices (% change)	2.5	-3.7	5.3	-2.9	-2.7	6.8	10.1	5.8	3.4	2.7
Import price index (US\$-based; 2010=100)	86.3	79.0	93.4	108.5	96.8	97.7	97.8	102.3	107.2	113.3
Import prices (% change)	12.7	-12.2	18.2	16.1	-10.8	0.9	0.1	4.5	4.8	5.8
Terms of trade (2010=100)	97.0	104.8	93.3	78.0	85.0	90.0	99.0	100.2	98.9	96.0
<b>Memorandum item</b>										
Export market growth (%)	-1.0 <sup>b</sup>	-3.6 <sup>b</sup>	13.1 <sup>b</sup>	3.6 <sup>b</sup>	-1.4	2.7	3.3	3.4	3.5	3.6

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Data summary: Foreign direct investment

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March 1st 2024

### Foreign direct investment

	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>	2028
<b>Foreign direct investment (US\$ bn)</b>										
Inward FDI flows	39.9	62.5	35.2	49.3	29.6	35.6	41.3	40.8	38.3	38.4
Inward FDI flows (% of GDP)	0.8	1.2	0.7	1.2	0.7	0.8	0.7	0.7	0.6	0.6
Inward FDI flows (% of gross fixed investment)	3.1	4.8	2.7	4.5	2.7	3.2	3.2	3.1	2.7	2.5
Outward FDI flows	-258.2	-150.1	-210.1	-171.9	-172.2	-160.4	-172.6	-160.4	-170.0	-180.
Net FDI flows	-218.3	-87.6	-174.9	-122.6	-142.6	-124.8	-131.2	-119.6	-131.8	-142.
Stock of inward FDI flows	314.6	387.8	356.3	348.0	377.6	413.2	454.5	495.4	533.6	572.1
Stock of inward FDI flows per head (US\$)	2,192.4	2,501.0	3,096.3	2,859.3	2,807.5	3,062.5	3,369.4	3,726.8	4,084.4	4,424
Stock of inward FDI flows (% of GDP)	5.5	6.1	7.7	7.1	8.2	9.0	9.2	8.2	8.2	8.4
<b>Memorandum items</b>										
Share of world inward FDI flows (%)	3.24	5.12	2.61	3.33	1.87	2.16	2.42	2.29	2.05	1.98
Share of world inward FDI stock (%)	0.92	1.14	0.95	0.85	0.86	0.90	0.96	1.00	1.03	1.06

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Political structure

[Japan](#) | [Summary](#) | [Political structure](#)

March 1st 2024

### Official name

Japan

### Form of government

Representative democracy

### The executive

The prime minister is chosen by a ballot of the Diet (parliament) and appoints a cabinet, the majority of whom must also be members of parliament

## Head of state

Emperor Naruhito

## National legislature

Bicameral Diet, comprising the House of Representatives (the lower house), which has a total of 465 seats, most of which represent geographical constituencies, with the remainder filled by proportional representation, elected every four years; and the 245-member House of Councillors (the upper house) half of which is elected every three years for six-year terms

## Legal system

A Supreme Court, appointed by the cabinet, presides over a legal system of lesser courts divided into four arms: the High Court, district courts, family courts and summary courts

## National elections

The last election for the lower house was held in October 2021; the next poll is scheduled for 2025. A poll for half of the seats in the upper house was held in July 2022; the next election, also for half of the seats, is due in 2025

## National government

The Liberal Democratic Party (LDP) was re-elected in the October 2021 lower-house election, winning 261 seats; its coalition partner, the Komeito party, won 32 seats. The coalition has a majority in both the lower house and the upper house

## Main political organisations

Government: coalition of the LDP and Komeito

Opposition: Constitutional Democratic Party; Nippon Ishin no Kai; Democratic Party for the People; Japan Communist Party; Social Democratic Party; Reiwa Shinsengumi

## Main members of the cabinet

Prime minister: Kishida Fumio

Minister of finance: Suzuki Shunichi

Chief cabinet secretary: Hayashi Yoshimasa

## Key ministers

Agriculture, forestry & fisheries: Sakamoto Tetsushi

Defence: Kihara Minoru

Economic security: Takaichi Sanae

Economy, trade & industry: Saito Ken

Education, culture, sports, science & technology: Moriyama Masahito

Environment: Ito Shintaro

Foreign affairs: Kamikawa Yoko

Health, labour & welfare: Takemi Keizo

Internal affairs & communications: Matsumoto Takeaki

Justice: Koizumi Ryuji

Land, infrastructure, transport & tourism: Saito Tetsuo

Reconstruction: Tsuchiya Shinako

## State ministers

Digital reform: Kono Taro

Disaster management: Matsumura Yoshifumi

Economic revitalisation: Shindo Yoshitaka

Policies related to children: Kato Ayuko

## Central bank governor

Ueda Kazuo

## Basic data

[Japan](#) | [Summary](#) | [Basic data](#)

March 1st 2024

### Land area

377,899 sq km

### Population

123.3m (2023; UN)

## Main towns

Population in million (2020 Population Census):

Tokyo (capital): 14.0

Yokohama: 3.8

Osaka: 2.8

Nagoya: 2.3

Sapporo: 2.0

Fukuoka: 1.6

Kobe: 1.5

Kyoto: 1.5

## Climate

Temperate, with the monsoon season in June, seasonal winds and typhoons in August-September, and heavy snow in December-February on the Japan Sea side

## Weather in Tokyo (altitude 5.3 metres)

Hottest month, August, 29°C; coldest month, January, 7.6°C; driest month, August, 9.5 mm rainfall; wettest month, September, 319.5 mm rainfall

## Language

Japanese

## Measures

Mainly metric system; local measures include: 1 tsubo = 3.3 sq metres; 1 sun = 3 cm; 1 ri = 4 km; 1 ka = 1.8 km (used for sea distances)

## Currency

Yen (¥); ¥1 = 100 sen. Average exchange rates in 2023: ¥140.5:US\$1; ¥151.9:€1

## Fiscal year

April 1st-March 31st

## Time

9 hours ahead of GMT

## One-click report : Japan ,March 6th 2024

## Public holidays

January 1st (New Year); January 9th (Coming of Age Day); February 11th (National Foundation Day)  
 February 23rd (Emperor's Birthday); March 21st (Vernal Equinox); April 29th and May 3rd-5th  
 (Golden Week holidays); July 17th (Marine Day); August 11th (Mountain Day); September 18th  
 (Respect for the Aged Day); September 23rd (Autumnal Equinox); October 9th (Sports Day);  
 November 3rd (Culture Day); November 23rd (Labour Thanksgiving Day)





**One-click report : Japan ,March 6th 2024**

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## One-click report : Japan ,March 6th 2024

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### **Symbols for tables**

"0 or 0.0" means nil or negligible; "n/a" means not available; "-" means not applicable

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