Japan

Introduction

Japan is an island nation in East Asia. Located in the Pacific Ocean, it borders China, North Korea, South Korea, Russia, Taiwan, the Sea of Japan, the Sea of Okhotsk, and the East China Sea. It is an archipelago of 6,852 islands, most of which are mountainous, and many are volcanic. The government system is a parliamentary government with a constitutional monarchy. The chief of state is the emperor, and the head of government is the prime minister. Japan has a market economy in which the prices of goods and services are determined in a free price system. Japan is a member of the Asia-Pacific Economic Cooperation (APEC) and the Trans-Pacific Partnership (TPP).

Key Economic Facts

Income Level (by per capita GNI): High Income Level of Development: Developed GDP, PPP (current international $): $4,630.94 billion (2014)
GDP growth (annual %): -0.10% (2014)
GDP per capita, PPP (current international $): $36,426.30 (2014)
Manufacturing, value added (% of GDP): 18.53% (2013)
Current account balance (BoP, current US$): $24.02 billion (2014)
Inflation, consumer prices (annual %): 2.75% (2014)
Labor force, total: 65,559,495 (2013)
Unemployment, total (% of total labor force) (modeled ILO estimate): 4.00% (2013)
Imports of goods and services (current US$): $934.28 billion (2013)
Exports of goods and services (current US$): $794.58 billion (2013)

GDP Composition %

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Industry</th>
<th>Manufacturing</th>
<th>Services</th>
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<tr>
<td>1</td>
<td>26</td>
<td>19</td>
<td>73</td>
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*Although Manufacturing is included in the Industry figures, it is also separately reported because it plays a critical role in economy.

Risk Assessment (Provided by Coface)

Country rating: A1 - The political and economic situation is very good. A quality business environment has a positive influence on corporate payment behavior. Corporate default probability is very low on average.

Business Climate rating: A1 - The business environment is very good. Corporate financial information is available and reliable. Debt collection is efficient. Institutional quality is very good. Intercompany transactions run smoothly in environments rated A1.

Strengths

- Exclusive geographic position in a dynamic region
- Very high national savings level (around 23% of GDP)
- 90% of public debt held by domestic investors
- Favourable yen exchange rate (monetary easing by Bank of Japan)

Weaknesses

- Government instability (seven prime ministers in seven years)
- Worsening public finances
- Decline in economically active population and growing proportion of workers without job security
- Low productivity of SMEs
- Uncertainties over nuclear energy question

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