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 $):** $5,702.29 billion (2022)
- **GDP growth (annual %):** 1.03% (2022)
- **GDP per capita, PPP (current international $):** $45,572.72 (2022)
- **Manufacturing, value added (% of GDP):** 20.48% (2021)
- **Current account balance (BoP, current US$):** $90.96 billion (2022)
- **Inflation, consumer prices (annual %):** 2.50% (2022)
- **Labor force, total:** 68,931,322 (2022)
- **Unemployment, total (% of total labor force) (modeled ILO estimate):** 2.64% (2022)
- **Imports of goods and services (current US$):** $937.98 billion (2021)
- **Exports of goods and services (current US$):** $911.09 billion (2021)

GDP Composition %

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>Services</td>
<td>70</td>
</tr>
<tr>
<td>Industry</td>
<td>29</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20</td>
</tr>
</tbody>
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*Roughly Manufacturing is included in the Industry figures, it is also separately reported because it plays a critical role in economy.*

Rankings

- **Index**
  - Corruption Perceptions Index: 18 / 178
  - EY Globalization Index: 43 / 60
  - Global Competitiveness Index: 5 / 141
  - Global Enabling Trade Index: 16 / 136
  - Global Manufacturing Competitiveness Index (GMCI): 4 / 40
  - Global Services Location Index: 21 / 60
  - Index of Economic Freedom: 30 / 179
  - International Logistics Performance Index (LPI): 5 / 160
  - Inward FDI Potential Index: 24 / 139
  - KOF Index of Globalization: 39 / 185
  - Networked Readiness Index (NRI): 10 / 139
  - Open Budget Index: 28 / 117

Risk Assessment (Provided by Coface)

**Country rating:** A2 - The political and economic situation is good. A basically stable and efficient business environment nonetheless leaves room for improvement. Corporate default probability is 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**
- Privileged location in a dynamic region
- High level of national savings rate (around 25% of GDP)
- Public debt is over 90% owned by local investors
- Advanced technology products and diversified industrial sector
- Trade agreement with the EU and Transpacific Partnership (December 2018)
- Regional trade agreements (RCEP, CPTPP)
- Excellent corporate payment behavior

**Weaknesses**
- Rapidly aging population, risk of surging social security costs
- Reduction of the workforce and low immigration contribution, increasing share of precarious workers
- Difficulty in fiscal consolidation and reversing deflationary pressures
- Low growth potential, low productivity of SMEs
- Stagnant real wage growth

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