

The Statistics Behind Japanese Inbound Tourism



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In a *Japan SPOTLIGHT* interview for the Jan./Feb. 2016 issue, Ryuichi Matsuyama, then president of the Japan National Tourism Organization (JNTO), mentioned that in terms of Japanese GDP, the construction industry and tourism industry are almost the same size – the former accounting for about 27 trillion yen and the latter 24 trillion yen (https://www.jef.or.jp/journal/pdf/205th_Interview_02.pdf). He said the construction industry could be considered a basic industry in terms of its significant impact upon the whole economy, while tourism is not generally considered a key industry for the nation but rather a business catering to people's leisure and pastime requirements. Thereafter, the Japanese tourism industry reached 39 trillion yen in 2019 in terms of GDP. But then Covid-19 hit the industry in 2020 and its impact remains, though the most critical period seems to be over. Due to the severe restrictions on entry into Japan and movement within the nation, both inbound and outbound tourism declined drastically, having a disastrous impact on the

economy. With the gradual modification of the restrictions, however, as the pandemic's impact on health wanes, the statistics for tourism have started to return gradually towards the 2019 figures. Today, inbound tourist numbers in Japan have reached about two-thirds of the 2019 level and outbound numbers about one-third.

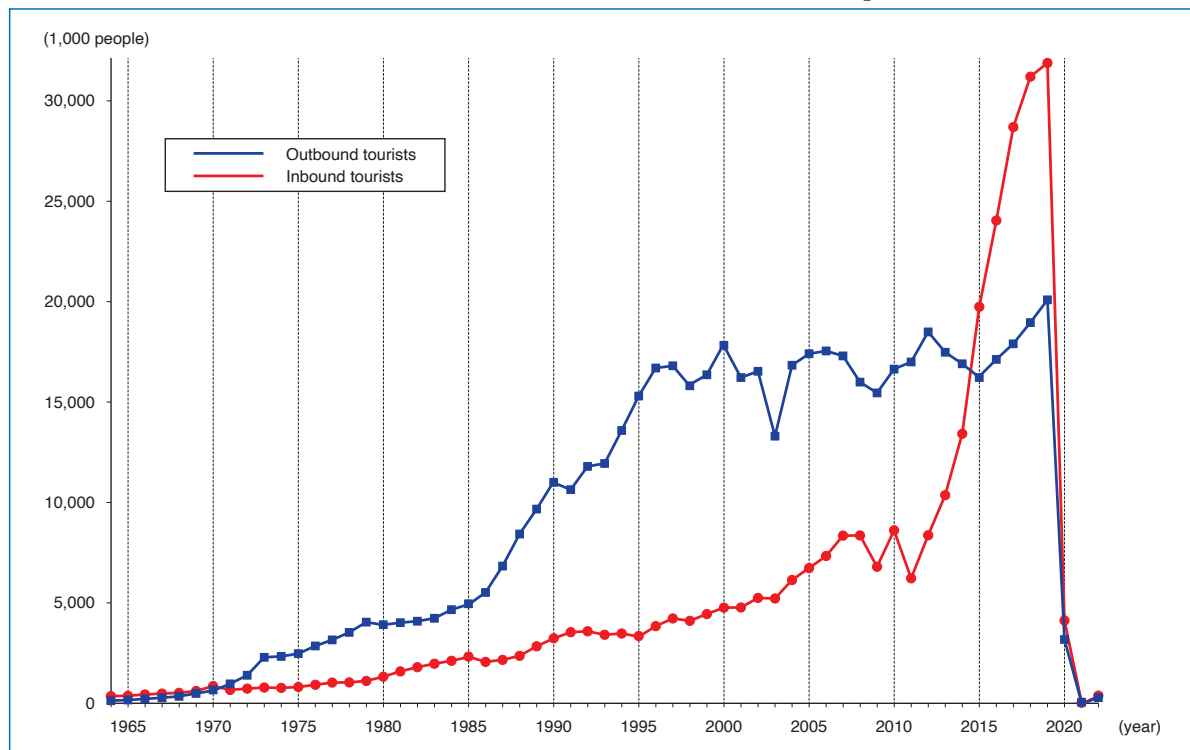
This article will give some detailed statistics from the Japan Tourism Agency related to inbound tourism that should be kept in mind as a background to further policy discussions.

Movements in Inbound Tourism Before & After the Pandemic

Chart 1 shows the numbers of inbound and outbound tourists for the period 1964-2022. Covid-19's disastrous impact on both is significant. Until 2019, both numbers increased significantly and inbound tourists in particular totaled around 32 million in 2019, with

CHART 1

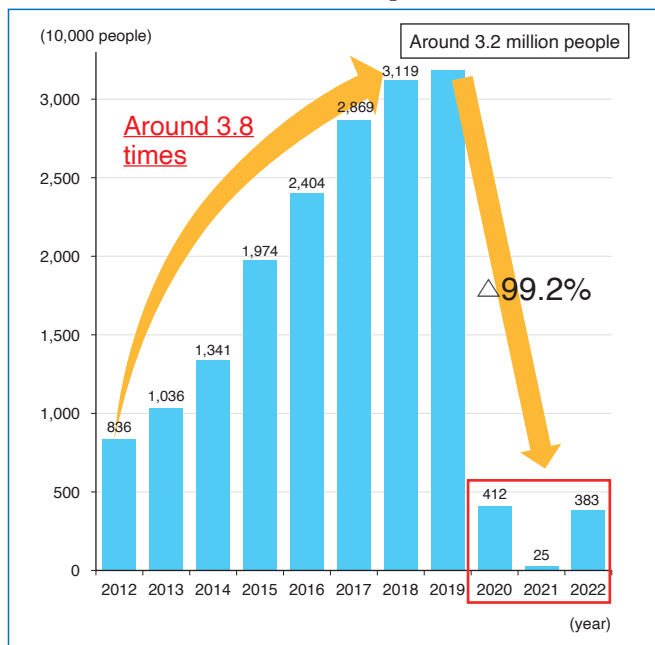
Movements in Inbound & Outbound tourism in Japan (1964-2022)



Source: Japan National Tourism Organization (JNTO)

CHART 2

Inbound tourism in Japan (2012-2022)



Source: Japan National Tourism Organization (JNTO)

their consumption reaching about 4.8 trillion yen. Both figures fell dramatically in 2020, 2021 and 2022, at most by 99.2% for inbound tourists and 97.5% for outbound (Chart 2 & 3). The latest trend in recovery in inbound tourism can be seen in Chart 4 since October 2022, when the upper limit on entrant numbers was lifted and the ban on personal visits and travel without visas was loosened.

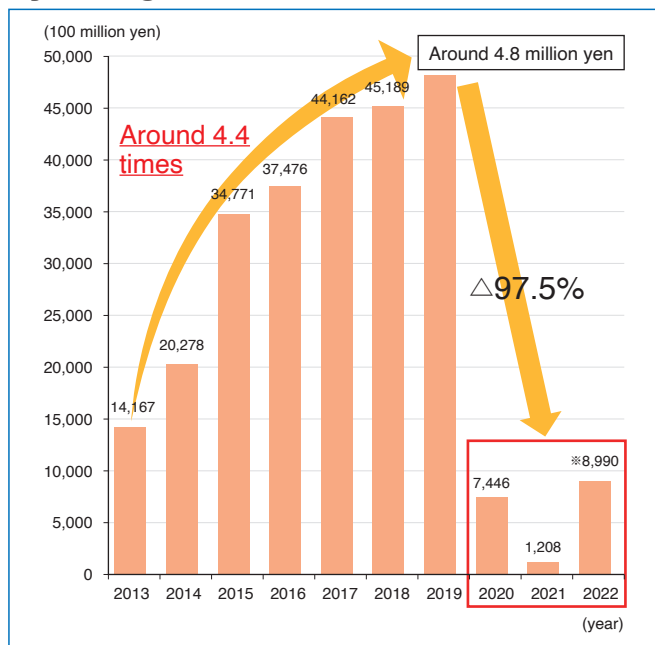
The impact on domestic consumption by inbound and outbound tourists has been tremendous. Consumption by inbound tourists declined by around 5 trillion yen – from 4.8 trillion yen in 2019 to 0.1 trillion yen in 2021 – while that of outbound tourists plummeted by more than 10 trillion yen, from 21.9 trillion yen in 2019 to 9.2 trillion yen in 2021. The figure of 32 million inbound tourists in 2019 was the 12th largest in the world and the third-largest in Asia, following China and Thailand. It is notable that 83% of all inbound tourists in Japan in 2019 were from Asia, with no less than 70% of them coming from China, South Korea and Taiwan.

The Aging Society & Tourism Industry

The aging of society and depopulation due to a declining fertility rate is a common challenge for many countries, not only Japan but also China, Russia, South Korea and several European nations. Even the United States with a growing population is beginning to be concerned about it. Meanwhile, countries like India and Indonesia are seeing a growth in their young population. This demographic change among nations could create significant changes in global wealth distribution, and eventually nations with growing economies and an increasing youth population could attract more tourists as well as labor and human resources. The transitions in the percentage of the

CHART 3

Movements in amount of consumption by foreign tourists



Source: Japan Tourism Agency estimated from "Statistical Research on the Trend of Tourists' Consumption"

elderly population among major nations reveal that Japan is the world's most rapidly aging society, with South Korea and China behind (Chart 5).

According to the National Institute of Population and Social Security Research, depopulation in Japan will continue due to its declining fertility rate, and the population of 127 million in 2015 will fall to 88 million in 2065 – an increase in the percentage of the population aged 65 and over from 27% in 2015 to 38%. Reflecting this, the working-age population will be around 45 million in 2065 compared to about 77 million in 2015 – a 40% decline.

This demographic change will, of course, mean a decline in economic growth potential, but its impact will not be limited to only the supply side of the economy. The demand side will be affected with the decrease in personal consumption due to depopulation. Assuming that annual personal consumption per person is 1.3 million yen, a decline in the permanent population of just one person will need to be offset by the consumption of eight non-resident tourists, as consumption per foreign tourist visiting Japan is around 160,000 yen per visit. So the promotion of inbound tourism will be essential to compensate for the negative impact of depopulation on economic growth.

Additionally, consumption by foreign tourists is assumed to have a secondary impact on production and employment. According to the Japan Tourism Agency, the 29.2 trillion yen worth of consumption by tourists in 2019 was assessed as having resulted in a 55.8 trillion yen increase in production among retailers, hotels, restaurants, travel agents, transportation services, and agriculture, forestry, and fishery and food processing, as well as helping to create 4.56 million jobs in those sectors.

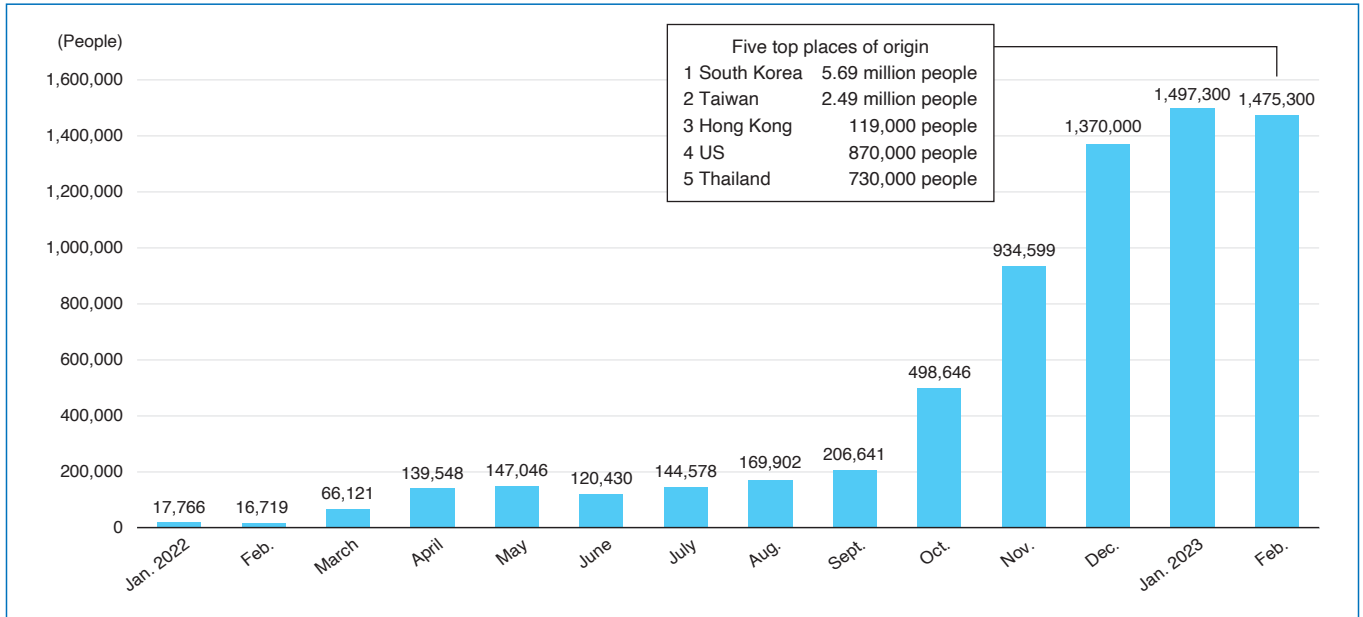
Japanese Local Economies Need Economic Stimulus

Japan's population is concentrated in urban areas, in particular

Tokyo and its suburbs. Though this area occupies only 0.6% of the nation's total land, around 30% of the population reside there. As young people from rural regions are attracted to this area, the population between 15-29 years old in those places is declining

CHART 4

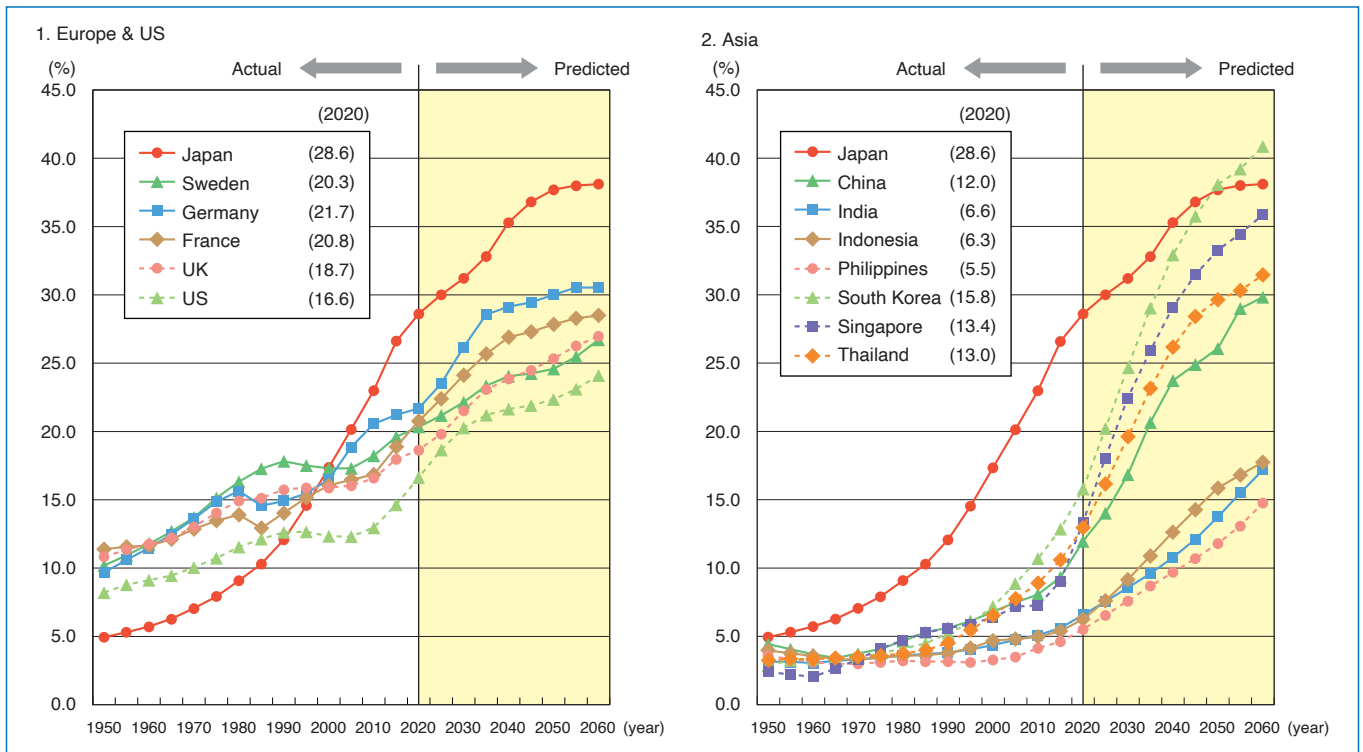
Movements in Inbound tourist numbers in Japan (Jan. 2022-Feb. 2023)



Source: Japan National Tourism Organization (JNTO)

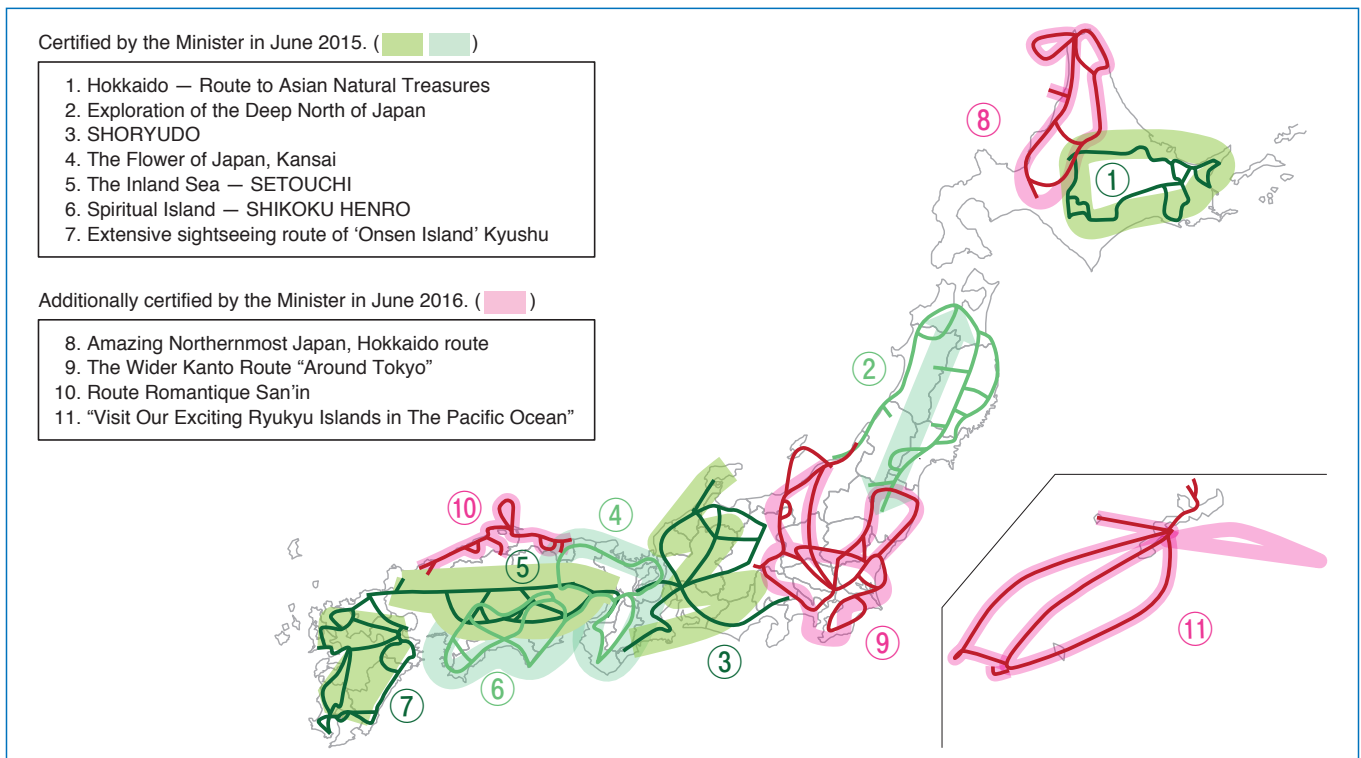
CHART 5

Transitions in aging populations (percentage of those over 65 years old to total population)



Source: UN, World Population Prospects: the 2019 Revision

Eleven routes for amazing round trips to discover new charms in Japan



Source: Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism

more than in the Tokyo area – by around 30% in 2000-2015, compared to 20% in the Tokyo area during the same period. The decline in the number of births has also been more significant in regional economies than in the Tokyo area – around 20% compared to around 5% in Tokyo in 2000-2015, according to the Cabinet Office. Reflecting this impact, regional economies in Japan are shrinking today and failing to provide sufficient job opportunities. Moreover, with the outflow of young people to the Tokyo area, in certain key sectors of an aging society such as caregiving for the elderly there is a serious shortage of labor. To strengthen the functions of such sectors, there is a need for additional local government expenditure on public infrastructures. Yet the serious decline in the number of residents in these regions would be an impediment to this, since their local government's expenditure would be limited by declining tax revenues due to depopulation.

Promoting Tourism to Restore Regional Economies

Though many regional economies in Japan face the challenge of economic growth, their business potential is often referred to as robust and stable. This is because their tourism resources are significant. According to the Ministry of the Environment, in March 2018 there were 2,983 hot spring resorts and around 28,000 sources all over Japan, the highest number in the world, followed by China. Hot spring resorts are among the most popular tourism spots in Japan, attracting visitors from all over the world. There are also 25 World Heritage sites, the fourth-highest number in Asia after China,

India and Iran, according to the Ministry of Foreign Affairs. But there are obviously many other attractions in Japan. Our committee members Mohan Gopal and Mukesh Williams have written articles for *Japan SPOTLIGHT* that introduce some of these, such as the place of the legend of Yukihi (an 8th century Chinese empress) in the March/April 2022 issue (https://www.jef.or.jp/journal/pdf/242nd_HRAC.pdf) or the Marumo Ryokan and café in May/June 2023 (https://www.jef.or.jp/journal/pdf/249th_Culture.pdf). The *Japan SPOTLIGHT* Sept./Oct. 2017 issue also highlighted the rich resources for tourism in Japan (<https://www.jef.or.jp/jspotlight/backnumber/detail/215/>). The Destination Management Organization (DMO) mentioned in it was expected to play a key role in promoting tourism, as planning round trips that take in numerous neighboring tourism spots is considered crucial for enhancing tourism. *Chart 6* shows tourist spots all over Japan that could be parts of round trips.

In this way, regional Japanese economies could stimulate local tourism, and thereby expand job opportunities for their young people and mitigate depopulation. With good jobs, more younger people may be persuaded to settle in their hometowns and to marry and have children, thereby contributing to the prevention of depopulation. This would lead to the restoration of a Japanese economy that has suffered from zero growth during the last three decades.

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