

Country Insight Snapshot

Japan

April 2025



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: October 2021 (DB2d → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country/region risk. Customers should actively manage their risk exposure.

WorldWatch Headline

Japan's economic fundamentals remain strong but face uncertainty due to US policies stemming from the blanket tariff hike to 24% and currency manipulation claims.

Recent Changes

- A 25% tariff on US auto imports came into effect on 2 April 2025; Japanese carmakers have extensive ties to the US auto supply chain.
- Rice prices have nearly doubled in the last year as consumers have stockpiled over fears of a megaquake, disrupting supplies; the government completed its first auction of reserve rice in early March.
- In early February, Prime Minister Shigeru Ishiba held fruitful discussions with US President Donald Trump in the White House, reaffirming Japan's position as the US's closest ally in the Asia Pacific region.

Events to Watch

- Automobiles accounted for more than a quarter of all Japanese exports to the US in 2024; the hike in auto tariffs would directly impact this trade as well companies in the car supply chain.
- Japan's infrastructure is becoming more vulnerable to cyberattacks; a new cybersecurity bill was unveiled in parliament in mid-February.
- Prime Minister Ishiba's positive meeting with US President Trump in February will help boost his ratings, although there will be concerns about the White House's stance on the US's various security pacts, including that with Japan, which was signed in 1951.

Call to Action

- Expect a possible downgrade in Japan's growth outlook as US reciprocal tariffs of 24% are activated in early April; President Trump could also force Japan to further restrict semiconductor sales to the Chinese Mainland.
- Track government efforts to oversee AI; note that the proposed regulations unveiled in late February are less stringent than those adopted in the EU.
- Monitor the attempts of Prime Minister Ishiba's government to navigate what will be choppy waters as it tries to push legislation through parliament.



COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: May 2024 (DB3b → DB3c)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country/region risk. Customers should actively manage their risk exposure.

Risks and Opportunities

- Automobiles accounted for more than a quarter of all Japanese exports to the US in 2024; the hike in auto tariffs would directly impact this trade as well companies in the car supply chain.
- The possibility of interest rate hikes could impact firms' investment activity and may lower the government's ability to raise capital; however, higher rates should also increase bank profits, which could be used to expand lending.
- The government's late 2024 stimulus package was substantial and is expected to drive growth; however, it is argued that, like some previous measures, the package might fall short of its intended impact.
- The push for carbon neutrality in the auto sector by 2050 – which means a complete shift to electric vehicles (EVs) – has raised concerns about possible job losses.
- The lifting of the US's suspension of LNG export permits means that Japan will not be forced to seek possibly more expensive gas supplies from other sources.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	OA
Usual Terms	0-90 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
ECGD	Medium- or long- term cover only
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

Source: Export Credit Agencies

Call to Action

- Factor in a moderate improvement in economy-wide **payments performance** in 2025 and 2026 due to a forecast acceleration in real GDP growth.
- Expect a possible downgrade in Japan's growth outlook as US reciprocal tariffs of 24% are activated in early April; President Trump could also force Japan to further restrict semiconductor sales to the Chinese Mainland.
- Track the implementation of the government's latest stimulus package; Prime Minister Ishiba's administration has been accused of simply using the package to increase its electoral support.
- Monitor any opportunities created by government efforts to accelerate digitisation across the economy; be prepared to possibly offer higher salaries to secure workers with appropriate IT skills.
- Note that climate change, a widening income gap and rising poverty levels are among the medium- to long-term challenges facing the Japanese government and wider society.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: October 2024 (DB2d → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country/region risk. Customers should actively manage their risk exposure.

Risks and Opportunities

- Under WTO rules, Japan is obliged to import a minimum of 682,000 tonnes of rice a year, although much of this is used for processing and feed; the country's rice farmers are protected from rice imports by a massive 778% import tariff.
- The time, cost and documentary requirements to import and export in Japan continue to be broadly in line with average levels found in the OECD.
- Japan's infrastructure is becoming more vulnerable to cyberattacks; a new cybersecurity bill was unveiled in parliament in mid-February 2025.
- The government is considering a tightening of regulations related to crypto asset transactions amid a recent rise in fraudulent activities in this area.

Call to Action

- Factor in the likely reopening of more nuclear plants as the government looks to reduce its dependency on imported LNG (which accounts for 90% of domestic LNG needs).
- Have contingency plans and backup facilities in place for catastrophic events, especially natural disasters (including flooding, earthquakes and adverse weather).
- Consider revising payment terms on trade with any Japanese counterparties operating in the agricultural sector, given the likelihood of crops being damaged by extreme temperatures.
- Regularly assess the digital capabilities of potential business partners based in Japan, especially their defence against cyberattacks; become familiar with the proposed new cyber legislation.
- Track government efforts to [oversee AI](#); note that the proposed regulations unveiled in late February are less stringent than those adopted in the EU.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: May 2024 (DB3b → DB3c)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country/region risk. Customers should actively manage their risk exposure.

Risks and Opportunities

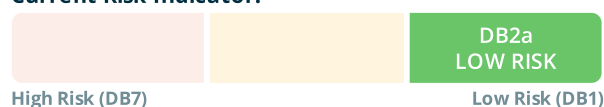
- We have downgraded the market environment outlook to 'deteriorating' due to uncertainty stemming from US trade policies and their potential impact on the country's investment climate.
- Any exemptions to the US's trade with Japan following the imposition of reciprocal tariffs will involve extensive negotiations; however, the takeover of US Steel by Nippon Steel seems to have made progress.
- Data protection has been strengthened after parliament approved legislation in mid-2024 whereby only certain individuals can access classified economic information.
- Japan has ongoing significant exposure to the Chinese Mainland in the semiconductor space, especially in EVs; simultaneously, Chinese firms continue to buy assets or set up subsidiaries in Japan's domestic semiconductor supply chain.
- A yen appreciation and US tariffs in 2025 will weaken the corporate profits of Japanese exporters, leaving them with less liquidity available for investment.

Call to Action

- Track subsequent **US announcements on tariffs**; President Trump may try to pressure Japan to restrict semiconductor sales to the Chinese Mainland in return for possible tariff exemptions.
- Closely follow the implementation of the Japan-EU strategic partnership agreement (SPA); adjust your commercial exposure accordingly, with a possible view to leveraging these new arrangements.
- Be aware of the legislation on access to classified economic information, for which individuals will have to go through a rigorous screening process, including an assessment of their personal history.
- Note that import cover is currently running at over 13 months, comfortably in excess of the three-month minimum recommended by the IMF.
- Continue to carefully check and comply with the framework of Japanese sanctions against Russia; factor in possible changes to this framework at relatively short notice.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: N/A → DB2a
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country/region-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

- Prime Minister Ishiba faces various challenges, including a stagnant economy and various recent political scandals, in trying to restore public confidence in the ruling Liberal Democratic Party (LDP).
- On top of these challenges, the prime minister heads a minority government, meaning that he has to work closely with the opposition to avoid political gridlock in parliament.
- Prime Minister Ishiba's positive meeting with President Trump in February will help boost his ratings, although there will be concerns about the White House's stance on the US's various security pacts, including that with Japan, which was signed in 1951.
- Political intervention in the judicial process is not an issue; contractual rights are respected, but slow procedures usually lead to out-of-court settlements.
- Japan is currently a signatory to 31 active bilateral investment treaties and 19 active treaties that contain investment-related provisions.

Call to Action

- Monitor the attempts of Prime Minister Ishiba's government to navigate what will be choppy waters as it tries to push legislation through parliament.
- Closely track the [US administration's approach to Japan](#) and Asia Pacific; expect Japan to continue to be the US's most important ally in the region.
- Factor in continued poor relations between Japan and Russia; Moscow has previously accused Tokyo of getting too close to Washington; also monitor relations with the Chinese Mainland and North Korea.
- Note that foreign-qualified lawyers are allowed to participate in arbitration cases in Japan; build this into any relevant corporate planning.
- Track strengthened investor protection due to bilateral and multilateral agreements; note that Japan prioritises security for its large overseas investment base.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2020	2021	2022	2023	2024	2025f	2026f	2027f	2028f	2029f
Real GDP growth (%)	-4.2	2.7	0.9	1.5	0.1	0.8	1.1	1.5	1.6	1.7
Nominal GDP in USDbn	5,054	5,038	4,263	4,213	4,024	4,189	4,266	4,342	4,450	4,537
Nominal GDP in local currency	539.6tn	553.1tn	560.5tn	591.9tn	609.4tn	628.3tn	648.4tn	673.1tn	698.6tn	725.9tn
GDP per Capita in USD	40,018	40,089	34,107	33,876	32,515	34,027	34,845	35,672	36,769	37,710
Population (year-end, m)	126.3	125.7	125	124.4	123.8	123.1	122.4	121.7	121	120.3
Exchange rate (yr avge, USD-LCU)	106.8	109.8	131.5	140.5	151.5	150	152	155	157	160
Current Account in USDbn	149.9	196.2	89.8	158.6	193	185	200	220	240	260
Current Account (% of GDP)	3	3.9	2.1	3.8	4.8	4.4	4.7	5.1	5.4	5.7
FX reserves (year-end, USDbn)	1,344.3	1,356.2	1,178.3	1,238.5	1,159.7	1,290	1,305	1,326.1	1,335	1,340
Import Cover (months)	20.1	17.3	13.1	15	13.3	14.2	13.9	13.6	13.1	12.7
Inflation (annual avge, %)	-0	-0.2	2.5	3.3	2.7	2.3	2.1	2.3	2.2	2.2
Govt Balance (% GDP)	-9.1	-6.1	-4.4	-4.2	-6.1	-2	-0.5	0.5	1	1.2

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Japan	Mainland China	S. Korea	Germany	US
Income per Capita (USD)	34,027	13,786	37,077	53,638	88,284
Country Population (m)	123.1	1,416.1	51.7	84.1	347.3
Internet users (% of population)	84.9	77.5	97.4	92.5	97.1

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
Potential FX/Bank Delays	0-1 week
Potential Local Delays	0-1 week

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Japan	Asia Pacific	World
Restrictions on non-Residents' Accounts	0	0.09	0.16
Restrictions on Payments for Imports	0	0.74	0.69
Restrictions on Payments for Invisible and other Current Transfers	1	0.87	0.92

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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