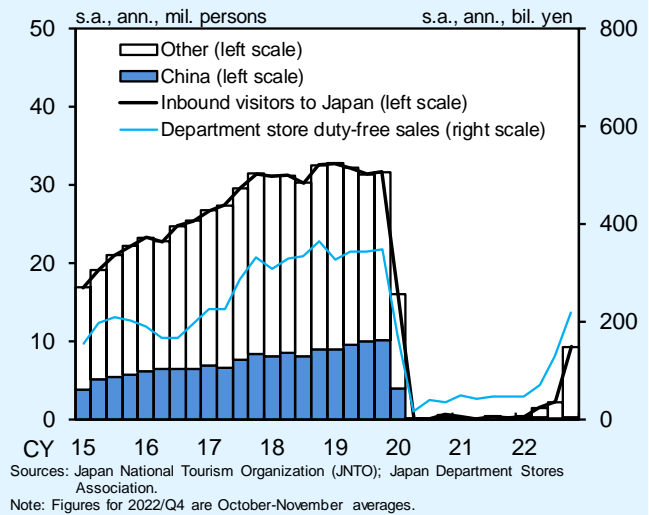


**(Box 1) Recent Developments in Inbound Tourism Demand**

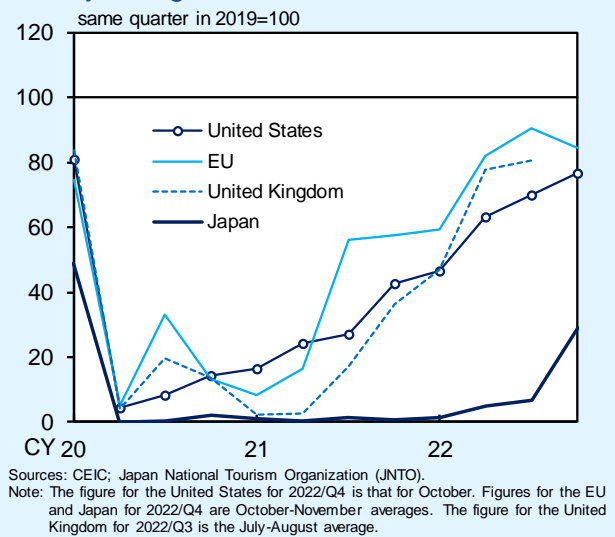
The number of inbound visitors to Japan had been at an extremely low level since the outbreak of COVID-19 but has turned to a clear increase, given the government's relaxation of entry restrictions in October 2022 (Chart B1-1). In addition, the expenditure per inbound visitor seems to be at a high level, considering that sales of duty-free goods at department stores have recovered more rapidly than the number of inbound visitors. Therefore, inbound visitors' consumption in Japan (i.e., inbound tourism demand) has picked up, supported by the recovery in both the number of inbound visitors and the expenditure per such visitor, and this has boosted Japan's economic recovery.

The outlook for inbound tourism demand is examined from the perspectives of the number of inbound visitors and the expenditure per such visitor. First, the number of inbound visitors is highly likely to follow a clear increasing trend for the time being. In fact, in countries where COVID-19 border controls were eased earlier than in Japan, the number of inbound visitors has been on an uptrend. In the United States and Europe in particular, the number has already recovered to a level close to that seen prior to the pandemic (Chart B1-2). However, the number of Chinese tourists -- which accounted for around 30 percent of the number of inbound visitors to Japan before the pandemic -- has remained at an extremely low level, and thus future developments warrant close monitoring. In addition, the pace of recovery in overseas economies has slowed

**Chart B1-1: Number of Inbound Visitors to Japan and Duty-Free Sales**



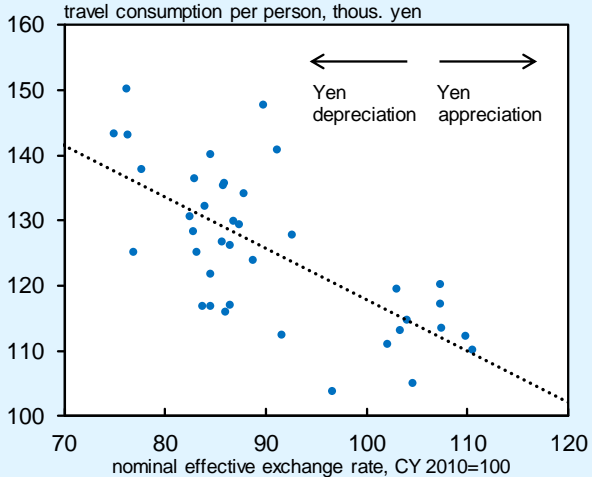
**Chart B1-2: Number of Inbound Visitors to Major Regions**



recently, and this may affect the number of inbound visitors to Japan.

Second, there seems to have been a moderate correlation between an increase in the expenditure per inbound visitor and a depreciation of the yen (Chart B1-3). The expenditure per such visitor is likely to be at a relatively high level for the time being, partly due to the past depreciation of the yen. It is expected that this, coupled with the rise in the number of inbound visitors, will lead to an increase in inbound tourism demand.

**Chart B1-3: Exchange Rate and Inbound Visitor Spending**



Sources: BIS; Japan Tourism Agency.  
Note: The sample period is from 2010/Q2 to 2019/Q4. The broad-based nominal effective exchange rate is used.