

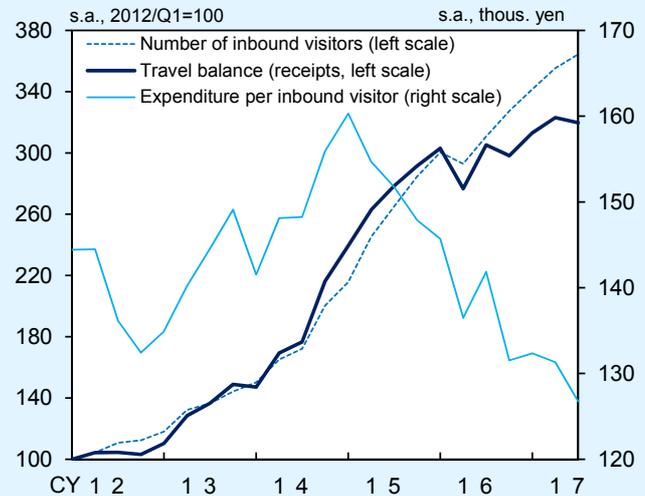
**(Box 1) Features of the Recent Developments in the Travel Balance**

The travel receipts (inbound demand), which are categorized as exports of services in the *Balance of Payments*, had been on an uptrend, underpinned in part by governmental measures to attract foreign tourists to Japan in view of the country hosting the Olympic Games, but the pace of increase has been decelerating somewhat since 2016 (Chart B1-1).

The number of inbound visitors has continued to increase on the whole, led by those from the NIEs, mainly South Korea, and the latest figure has reached almost 30 million on an annualized basis (Chart B1-2).<sup>31</sup> The number of inbound visitors from China also has been on an uptrend, albeit at a slower pace.

On the other hand, the expenditure per inbound visitor has declined recently, which is the reason behind the deceleration in the pace of increase in travel receipts (Chart B1-3).<sup>32</sup> Looking at this in detail, a notable contributing factor is the decline in the expenditure per visitor from China, which reflects somewhat of a waning in *bakugai* -- directly translated as "explosive buying" and descriptive of these visitors' voracious shopping

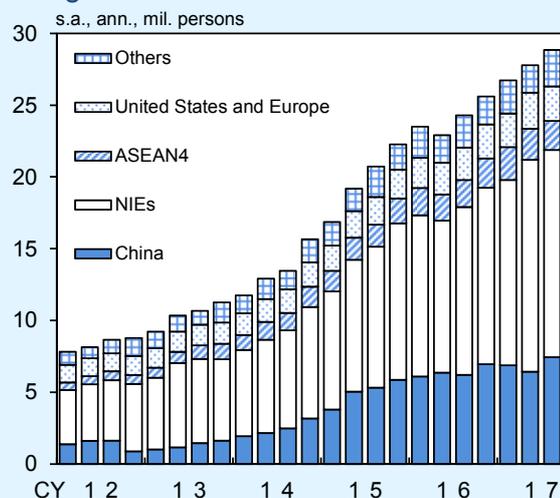
**Chart B1-1: Travel Balance (Receipts)**



Sources: Ministry of Finance and Bank of Japan; Japan National Tourism Organization (JNTO).

Notes: 1. Figures for 2017/Q3 are July-August averages.  
2. Expenditure per inbound visitor = travel balance (receipts) / number of inbound visitors

**Chart B1-2: Number of Inbound Visitors by Region**



Source: Japan National Tourism Organization (JNTO).  
Note: United States and Europe consist of the United States, Canada, the United Kingdom, France, and Germany.

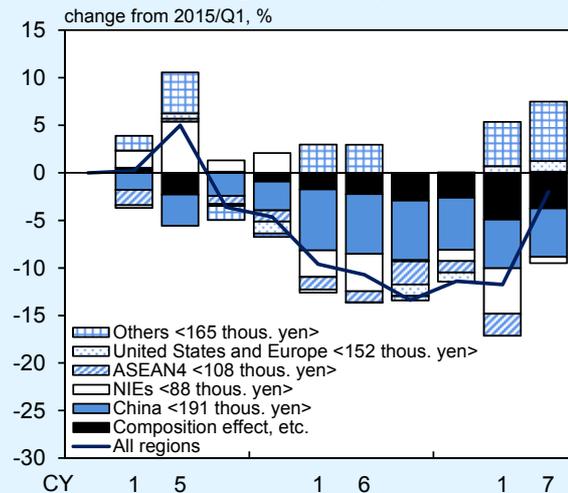
<sup>31</sup> In the Tourism Nation Promotion Basic Plan formulated in March 2017, the government aims at increasing the number of inbound visitors to 40 million by 2020.

<sup>32</sup> From July through September 2017, however, the expenditure per visitor from other regions -- "others" in Chart B1-3 -- significantly pushed up the expenditure per inbound visitor as a whole, which recovered to about the same level as that in 2015. At present, it is difficult to judge whether this is a temporary fluctuation.

behavior. These developments mainly seem to reflect the fact that the income levels of inbound visitors have become wide-ranging, and now include relatively low-income households. Meanwhile, with regard to changes in the share of expenditure per inbound visitor by region, which are included in "composition effect, etc." in Chart B1-3, their contributions to pushing down the expenditure per inbound visitor has been on a moderate increasing trend, because the share of visitors from the NIEs and the ASEAN4 -- for which the expenditures per visitor are relatively low -- has been increasing.

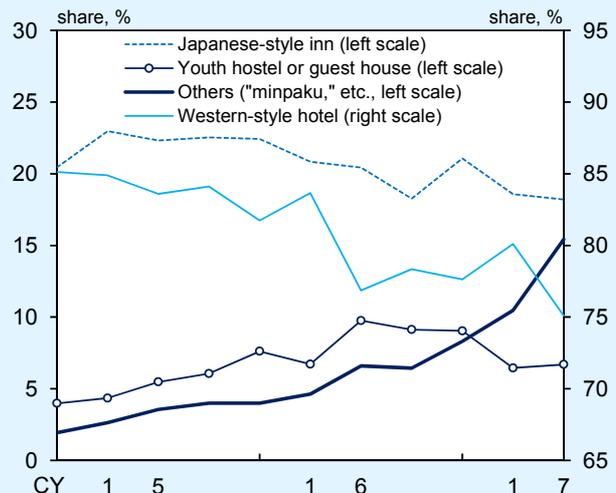
Of the inbound visitors, it appears that those with relatively low income levels tend to stay at cheap accommodations instead of Japanese-style inns and western-style hotels (Chart B1-4). By type of accommodation, the share of "others," which includes *minpaku* (private lodging), has increased recently. Judging from these developments, establishing an environment that allows inbound visitors to more easily use *minpaku* is expected to contribute to a further increase in the number of tourists to Japan going forward.<sup>33</sup>

Chart B1-3: Expenditure per Inbound Visitor



Sources: Japan Tourism Agency; Japan National Tourism Organization (JNTO).  
 Notes: 1. Figures are based on staff calculations using the "Consumption Trend Survey for Foreigners Visiting Japan," etc. Figures by region in angular brackets show the average expenditure per inbound visitor in 2016.  
 2. United States and Europe consist of the United States, Canada, the United Kingdom, France, and Germany.

Chart B1-4: Accommodations Used by Inbound Visitors



Source: Japan Tourism Agency.  
 Note: Figures show the share of each accommodation at which inbound visitors stayed in Japan (multiple answers are allowed, based on the "Consumption Trend Survey for Foreigners Visiting Japan").

<sup>33</sup> Mainly two types of *minpaku* are permitted under law: one that requires permission pursuant to the Inns and Hotels Act and one that is exceptionally allowed to operate in the National Strategic Special Zones specified by the government. After the enforcement of the new law that is planned to take place in June 2018, it will become possible to offer *minpaku* across the country through a relatively simple registration.