

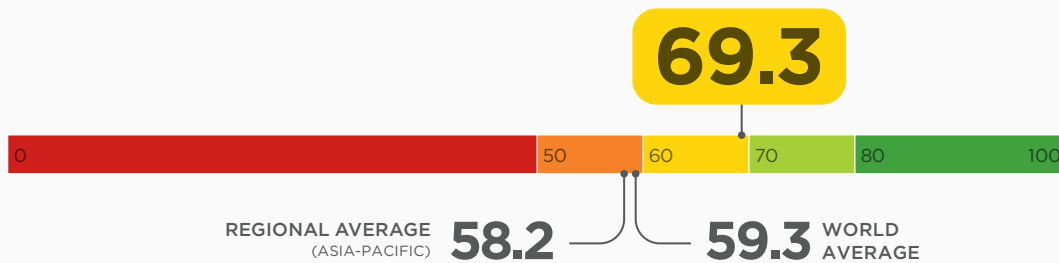
JAPAN



Japan's economic freedom score is 69.3, making its economy the 31st freest in the 2023 *Index*. Its score is 0.6 point lower than last year. Japan is ranked 6th out of 39 countries in the Asia-Pacific region, and its overall score is above the world and regional averages.

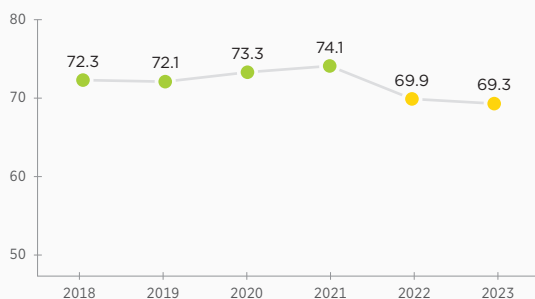
The Japanese economy benefits from relatively good levels of economic freedom in all areas. The foundations of economic freedom are supported by an effective judicial framework and the absence of corruption. However, Japan's overall progress in moving toward greater economic freedom has been uneven, and the economy remains stagnant.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -5.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
125.7 million

GDP (PPP):
\$5.6 trillion
1.6% growth in 2021
5-year compound annual growth -0.2%
\$44,739 per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
-0.3%

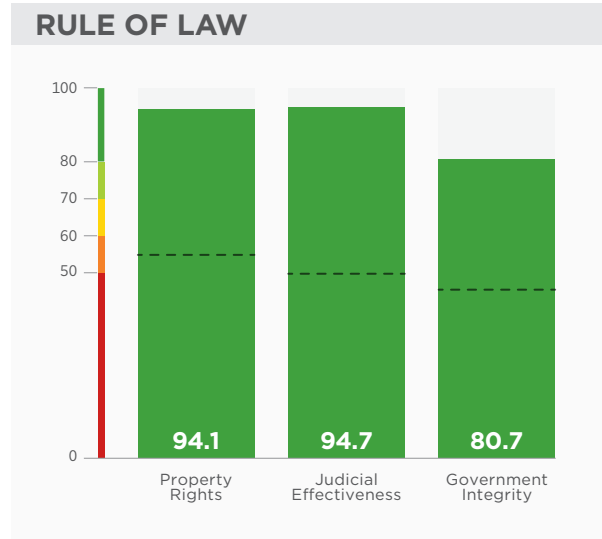
FDI INFLOW:
\$24.7 billion

PUBLIC DEBT:
262.5% of GDP

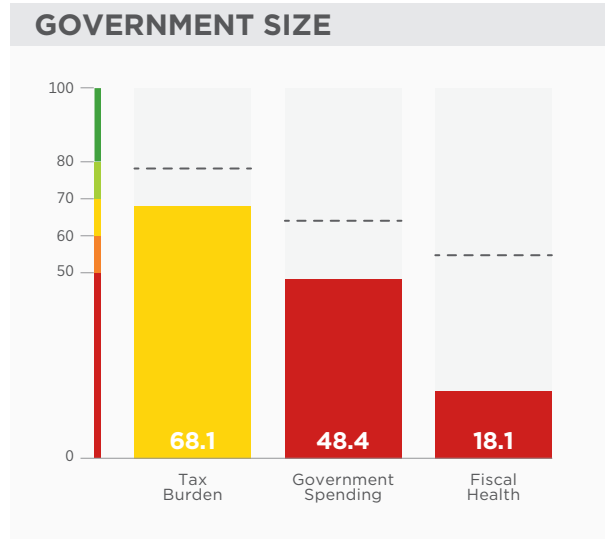
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Japan has long been a global economic power. The July 2022 Japanese parliamentary elections, which were held shortly after the assassination of former Prime Minister Shinzo Abe, resulted in gains for Abe's Liberal Democratic Party (LDP). Prime Minister Fumio Kishida, also from the LDP, was elected in October 2021 and faces rising discontent because of inflation and increases in the cost of living as he seeks to encourage growth and reinvigorate Japan's sluggish economy. Japan's principal exports include cars, circuits, electronics, and heavy machinery.

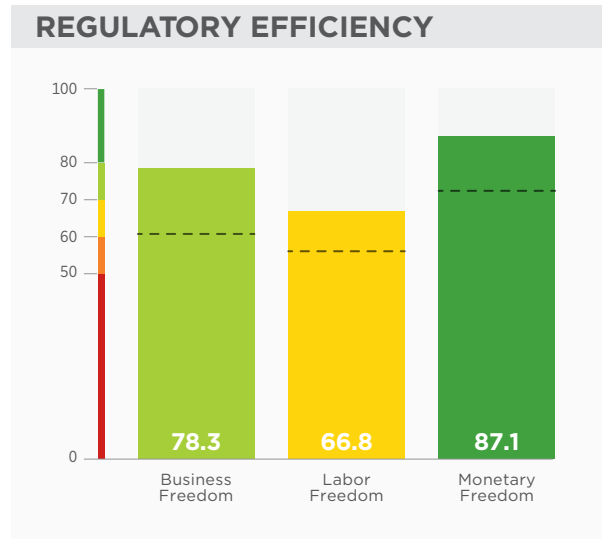
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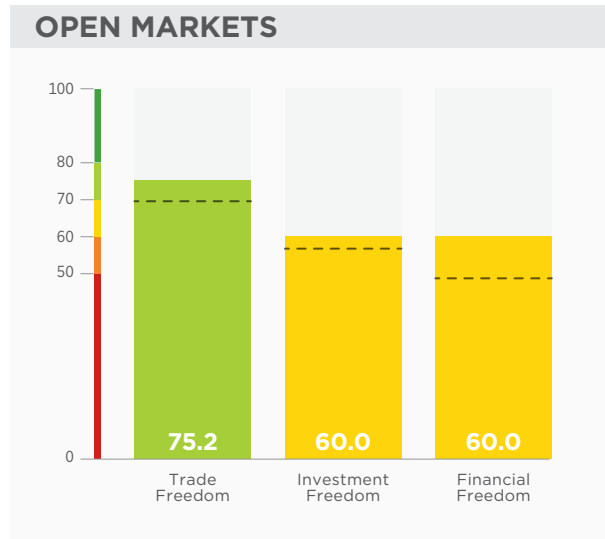
The overall rule of law is well respected in Japan. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 40.8 percent and 23.2 percent. The tax burden equals 31.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 41.5 percent and -6.2 percent of GDP. Public debt equals 262.5 percent of GDP.



Although the regulatory framework is relatively streamlined, structural problems discourage greater entrepreneurial growth. The labor market functions well, but a propensity for lifetime employment guarantees and seniority-based wages impedes the development of a more flexible labor market. Inflation has been minimal.



The trade-weighted average tariff rate is 2.4 percent, and more than 300 nontariff measures are in force. The government screens foreign investment in some sectors. The competitive financial sector offers a wide range of modern financial services, but the state still maintains a presence.