Chapter 5

Toward Sustainable Inbound Tourism

Section 1
Robust Inbound Tourism Demand and Stagnant Domestic Travel Demand

INADA, Yoshihisa; MATSUBAYASHI, Yoichi; NOMURA, Ryosuke

Introduction

Section 1 analyzes the characteristics of inbound tourism demand nationwide and in the Kansai region, as well as domestic travel demand in 2024, using key statistics. The structure is as follows.

Section 1.1 organizes the number of international visitors to Japan by country/region and clarifies their characteristics. Section 1.2 analyzes how consumption has changed by examining the total spending and average spending per visitor.

Section 1.3 focuses on domestic travel demand, organizing and analyzing the characteristics of the number of domestic travelers, domestic travel expenditure, and per capita spending.

Finally, the summary section organizes the analysis results obtained thus far and identifies challenges for inbound tourism demand and domestic travel demand.

1. Changes in Inbound Tourist Numbers

Nationwide

Let's examine the change in inbound tourist numbers (Figure 5-1-1). Following the "*Bakugai*" phenomenon in 2014, the number of foreign visitors steadily increased, reaching a record high of 31.86 million in 2019 before the COVID-19 pandemic. However, from 2020 onwards, inbound tourism demand vanished due to the COVID-19 pandemic, causing visitor numbers to plummet. From the latter half of 2022, partly due to the government easing border measures,

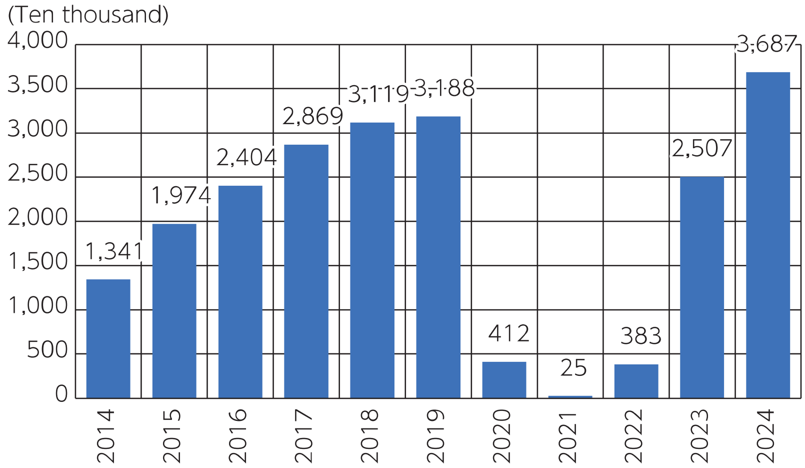

Figure 5-1-1 Change in Inbound Tourist Arrivals: 2014-2024

Source: Japan National Tourism Organization (JNTO), "Inbound Visitor Statistics"

a recovery trend emerged. By 2023, the number recovered to 25.07 million, reaching approximately 80% of pre-COVID-19 pandemic levels (a 21.4% decrease compared to 2019). Entering 2024, the number of international visitors to Japan continued to show a positive change, exceeding pre-COVID-19 pandemic levels at 36.87 million. This recovery is attributed to pent-up travel demand released during the COVID-19 pandemic, coupled with the weakening of the yen[1].

Looking at the number of foreign visitors to Japan by country/region (Table 5-1-1), China had the highest number in 2019 before the COVID-19 pandemic at 9.594 million, followed by South Korea at 5.585 million, Taiwan at 4.891 million, Hong Kong at 2.291 million, and the U.S. at 1.724 million. In 2023, economic and social activities normalized following the pandemic, showing a recovery trend. By country/region, South Korea led with 6.956 million visitors (+24.6% compared to 2019), followed by Taiwan with 4.202 million (-14.1%), China with 2.425 million (-74.7%), Hong Kong with 2.114 million (-7.7%), and the U.S. at 2.046 million (+18.7%). During this period, China's recovery lagged behind other countries and regions due to factors including an economic slowdown and changes in China-Japanese relations.

In 2024, South Korea recorded the highest number at 8.818 million (+57.9% compared to 2019). China followed with 6.981 million (-27.2%), Taiwan with 6.044 million (+23.6%), the U.S. with 2.725 million (+58.1%), and Hong Kong with 2.683 million (+17.1%). While other countries and regions have surpassed pre-COVID-19 pandemic levels, China has yet to recover to its pre-COVID-19 pandemic level, showing a slow pace of recovery.

1) Examining the yen-dollar exchange rate change in 2024, the yen rapidly weakened from 146.6 yen per dollar in January to 153.7 yen per dollar in December.

Table 5-1-1 Comparison of Inbound Tourist Arrivals by Country/Region

Country/Area	Number of foreign visitors to Japan (persons)			Growth rate: %			Share: %		
	2019	2023	2024	2019	2023	2024	2019	2023	2024
Grand Total	31,882,049	25,066,067	36,870,148	2.2	-21.4	15.6	100.0	100.0	100.0
South Korea	5,584,597	6,958,494	8,817,765	-25.9	24.6	57.9	17.5	27.8	23.9
China	9,594,394	2,425,157	6,981,342	14.5	-74.7	-27.2	30.1	9.7	18.9
Taiwan	4,890,602	4,202,434	6,044,316	2.8	-14.1	23.6	15.3	16.8	16.4
Hong Kong	2,290,792	2,114,402	2,683,391	3.8	-7.7	17.1	7.2	8.4	7.3
Thailand	1,318,977	995,558	1,148,848	16.5	-24.5	-12.9	4.1	4.0	3.1
Singapore	492,252	591,267	691,226	12.6	20.1	40.4	1.5	2.4	1.9
Malaysia	501,592	415,712	506,883	7.1	-17.1	1.1	1.6	1.7	1.4
Indonesia	412,779	429,382	517,651	4.0	4.0	25.4	1.3	1.7	1.4
Philippines	613,114	622,293	818,659	21.7	1.5	33.5	1.9	2.5	2.2
Vietnam	495,051	573,916	621,173	27.3	15.9	25.5	1.6	2.3	1.7
India	175,896	166,394	233,061	14.2	-5.4	32.5	0.6	0.7	0.6
United Kingdom	424,279	321,482	437,230	27.0	-24.2	3.1	1.3	1.3	1.2
France	336,333	277,436	385,071	10.3	-17.5	14.5	1.1	1.1	1.0
Germany	236,544	233,410	325,870	9.8	-1.3	37.8	0.7	0.9	0.9
Italy	162,769	152,305	229,785	8.5	-6.4	41.2	0.5	0.6	0.6
Spain	130,243	115,873	182,284	9.5	-11.0	40.0	0.4	0.5	0.5
Russia	120,043	41,965	99,264	26.6	-65.0	-17.3	0.4	0.2	0.3
U.S.A.	1,723,861	2,045,854	2,724,594	12.9	18.7	58.1	5.4	8.2	7.4
Canada	375,262	425,874	579,445	13.5	13.5	54.4	1.2	1.7	1.6
Mexico	71,745	94,684	151,835	4.8	32.0	111.6	0.2	0.4	0.4
Australia	621,771	613,062	920,196	12.5	-1.4	48.0	2.0	2.4	2.5
Others	1,072,989	1,026,590	1,453,270	7.6	-4.3	35.4	3.4	4.1	3.9

Note: 2019 figures are calculated as YoY changes; 2023 and 2024 figures are compared to 2019.
Source: Japan National Tourism Organization (JNTO), "Inbound Visitor Statistics"

Comparing market shares in 2019 and 2024, China's share has dropped from 30.1% before the pandemic to 18.9%. Meanwhile, South Korea (17.5% → 23.9%) and Taiwan (15.3% → 16.4%) each saw increases during this period[2]. It is also notable that the U.S. expanded its share from 5.4% in 2019 to 7.4% in 2024.

Kansai

In line with the national trend, the number of foreign visitors to Kansai has also been showing a steady change. Figure 5-1-2 shows the change in foreign arrivals via Kansai International Airport (hereafter referred to as KIX). After reaching

2) However, note that South Korea experienced a significant decline in the latter half of 2019 due to deteriorating Japan-South Korea relations.

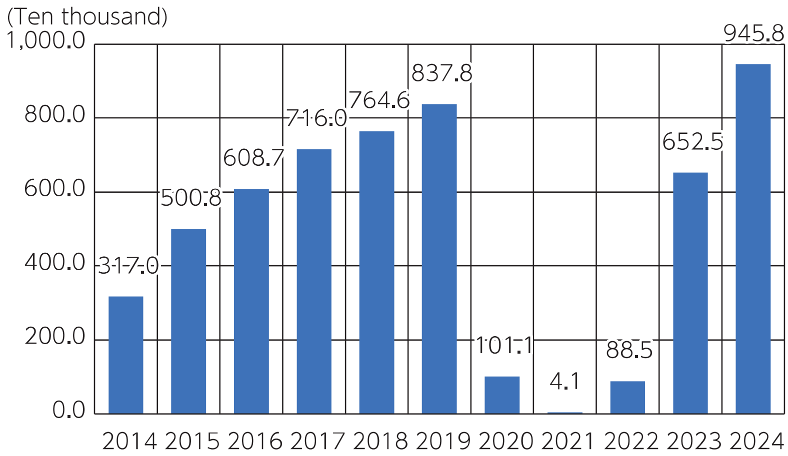

Figure 5-1-2 Change in Foreign Arrivals via Kansai International Airport: 2014-2024

Source: Compiled from the Ministry of Justice's "Immigration Control Statistics"

a pre-COVID-19 pandemic record high of 8.378 million in 2019, inbound tourism demand vanished from 2020 to 2021, mirroring the national pattern. From 2022 onward, a gradual recovery trend emerged. By 2023, arrivals reached 6.525 million, recovering to about 80% of pre-COVID-19 pandemic levels (down 22.1% compared to 2019). In 2024, the pace of increase accelerated further, surpassing pre-COVID-19 pandemic levels with 9.458 million arrivals (+12.9% compared to 2023). Thus, foreign arrivals at KIX have also shown steady growth, mirroring the national trend. Next, let's examine the number of foreign arrivals by country/region.

Table 5-1-2 compares the number of foreign visitors arriving via KIX by country/region for 2019, 2023, and 2024.

In 2019, China had the highest number at 3.303 million, consistent with the national trend. Although numbers dropped significantly due to the COVID-19 pandemic, they showed a recovery trend in 2023 at 2.225 million and reached 2.481 million in 2024. However, this recovery remains at only about 70% of pre-pandemic levels (down 24.9% from 2019), indicating a slow pace of recovery similar to the national trend. Meanwhile, looking at other East Asian regions, by 2024, South Korea recovered from the COVID-19 pandemic to 2.501 million (+65.9% compared to 2019), Taiwan to 1.346 million (+22.5% compared to 2019), and Hong Kong to 721,000 (+19.3% compared to 2019).

Looking at market share in 2024, China's share significantly declined from 39.4% in 2019 to 26.2%. Conversely, South Korea (18.0% → 26.5%), Taiwan (13.1% → 14.2%), Hong Kong (7.2% → 7.6%), and the U.S. (2.6% → 3.0%) each expanded their shares. Comparing the 2024 national share with the Kansai region, China stands out with a +7.3-point increase and South Korea with a +2.6-point increase. This is likely due to the recovery of Asian-bound LCC (low-cost carrier) flights operating to KIX.

Table 5-1-2 Comparison of Foreign Arrivals at Kansai International Airport by Country/Region

Country/Area	Number of Foreign Arrivals (Persons)			Growth rate: %			Share: %		
	2019	2023	2024	2019	2023	2024	2019	2023	2024
Grand Total	8,378,039	6,525,181	9,457,919	9.6	-22.1	12.9	100.0	100.0	100.0
South Korea	1,510,776	2,225,330	2,507,015	-30.2	47.3	65.9	18.0	34.1	26.5
China	3,302,710	938,093	2,481,547	43.6	-71.6	-24.9	39.4	14.4	26.2
Taiwan	1,098,555	1,047,888	1,346,114	4.2	-4.6	22.5	13.1	16.1	14.2
Hong Kong	604,787	616,362	721,332	-1.9	1.9	19.3	7.2	9.4	7.6
Thailand	310,615	256,471	312,945	18.6	-17.4	0.8	3.7	3.9	3.3
Singapore	114,459	159,884	181,801	25.7	39.7	58.8	1.4	2.5	1.9
Malaysia	150,760	128,035	156,267	-1.5	-15.1	3.7	1.8	2.0	1.7
Indonesia	85,643	92,925	111,552	12.5	8.5	30.3	1.0	1.4	1.2
Philippines	198,265	169,201	234,043	50.4	-14.7	18.0	2.4	2.6	2.5
Vietnam	148,247	175,005	196,250	55.9	18.0	32.4	1.8	2.7	2.1
India	21,599	17,286	31,420	17.7	-20.0	45.5	0.3	0.3	0.3
United Kingdom	59,632	40,221	59,613	34.5	-32.6	-0.0	0.7	0.6	0.6
France	61,340	45,957	76,753	18.7	-25.1	25.1	0.7	0.7	0.8
Germany	35,255	25,845	50,874	15.3	-26.7	44.3	0.4	0.4	0.5
Italy	24,571	18,486	35,599	22.1	-24.8	44.9	0.3	0.3	0.4
Spain	28,072	21,079	56,968	10.8	-24.9	102.9	0.3	0.3	0.6
Russia	9,496	6,658	23,034	81.5	-29.9	142.6	0.1	0.1	0.2
U.S.A.	220,341	193,296	284,318	24.6	-12.3	29.0	2.6	3.0	3.0
Canada	55,437	48,866	74,023	15.7	-11.9	33.5	0.7	0.7	0.8
Mexico	4,574	4,200	10,056	18.8	-8.2	119.9	0.1	0.1	0.1
Australia	94,752	87,772	155,290	17.9	-7.4	63.9	1.1	1.3	1.6
Others	238,153	206,321	351,105	20.3	-13.4	47.4	2.8	3.2	3.7

Note: 2019 figures are calculated as YoY changes; 2023 and 2024 figures are compared to 2019.
Source: Compiled from the Ministry of Justice's "Immigration Control Statistics"

Following the subsidence of the COVID-19 pandemic, the number of international visitors to Japan rebounded sharply, exceeding 36.87 million in 2024. With the impact of the Osaka-Kansai Expo in 2025, surpassing 40 million visitors was within sight. However, the current situation faces significant risks. Specifically, the decline in Chinese visitors due to deteriorating Japan-China relations.

Comparing the share of international visitors by country/region for Japan nationwide (January-October cumulative) and for the Kansai region (January-August cumulative) in 2025, Chinese visitors hold a high share in both areas (Figure 5-1-3). Particularly in Kansai, the share of Chinese visitors is 35.5%, which is 12.4 percentage points higher than the national share of 23.1%, suggesting the impact will be more pronounced.

Furthermore, in the case of the deterioration of Japan-China relations following the nationalization of the Senkaku Islands in September 2012, it took one year for the full impact of the decline in Chinese visitors to be felt. Therefore, regarding the impact of the current deterioration in Japan-China relations, it is necessary to monitor the situation over a relatively longer time horizon.

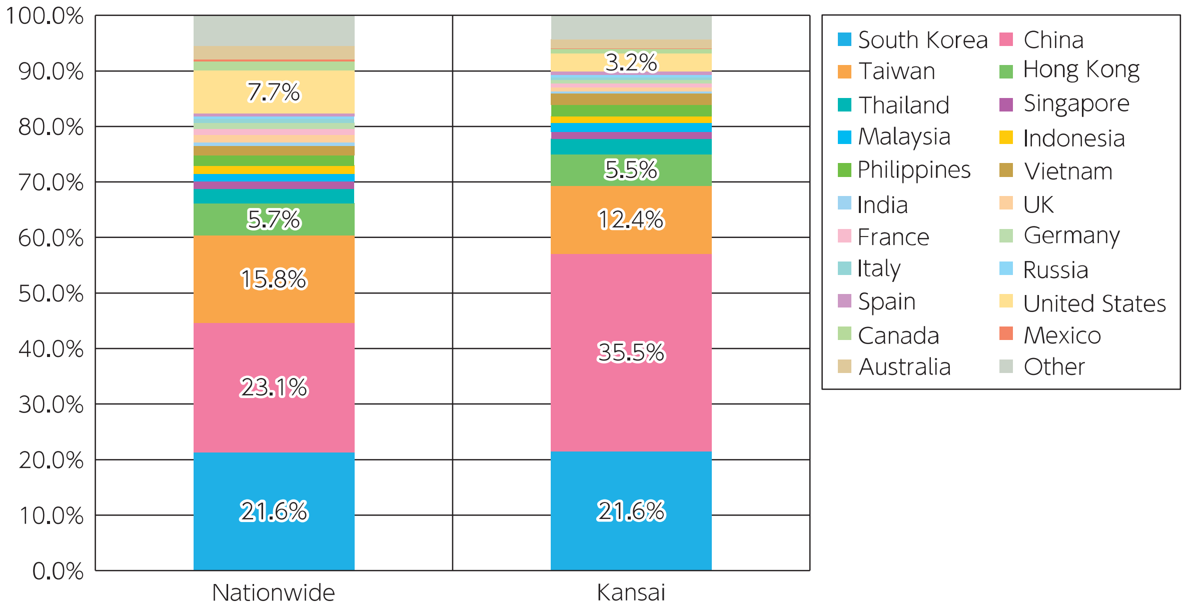

Figure 5-1-3 Comparison of Foreign Visitor Share by Country/Region: 2025: Nationwide vs. Kansai

Note: Nationwide figures represent the cumulative share of international visitors to Japan from January to October; Kansai figures represent the cumulative share of foreign arrivals by nationality at KIX from January to August.

Source: Prepared by the author based on Japan National Tourism Organization (JNTO) 'Inbound Visitor Statistics' and Ministry of Justice 'Immigration Control Statistics'

2. Changes in Consumption Trends Among Inbound Tourists

Section 1.1 confirmed that both nationwide and in the Kansai region, the number of inbound tourists has surpassed pre-COVID-19 levels and continues to show steady changes. Section 1.2 focuses on the consumption and per capita spending of inbound tourists in 2024 to examine their characteristics.

(1) Visitor Spending Reaches Second-Largest Scale After Apparel Industry

Nationwide

Figure 5-1-4 shows the change in visitor spending (all purposes combined). Driven in part by the "spending spree" phenomenon, spending surged to 3.5 trillion yen in 2015. From 2016 onward, spending increased steadily, reaching a pre-COVID-19 pandemic record high of 4.8 trillion yen in 2019. While spending

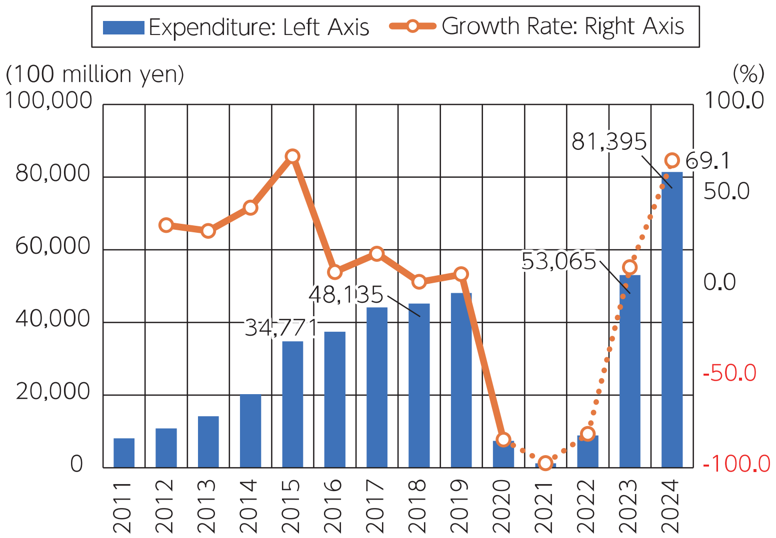

Figure 5-1-4 **Change in Foreign Visitor Expenditures in Japan: 2011-2024**

Note: Growth rate since 2020 are compared to 2019.
Source: Compiled from the Japan Tourism Agency's 'International Visitor Survey'

plummeted in 2020 and 2021 due to the COVID-19 pandemic, it showed a recovery trend from 2022, surpassing the pre-COVID-19 pandemic level (4.8 trillion yen) to reach 5.3 trillion yen in 2023. In 2024, partly due to yen depreciation, spending reached 8.1 trillion yen (+69.1% compared to 2019), matching the market size of Japan's domestic apparel industry[3].

Kansai

Furthermore, in line with the national trend, foreign visitor spending in Kansai also increased significantly (Figure 5-1-5)[4]. From 2018, when statistics became available, spending expanded, reaching 1.3 trillion yen in 2019 before the COVID-19 pandemic[5]. In 2023, partly due to recovery from the pandemic, spending reached 1.1 trillion yen. In 2024, the growth pace accelerated further, showing a substantial increase to 2.0 trillion yen (+59.7% compared to 2019).

3) According to Yano Research Institute (2024), the total domestic apparel retail market size in 2023 (men's clothing, women's clothing, and baby/children's clothing combined) was 8.3564 trillion yen.
4) Here, Greater Kansai refers to the 10 prefectures of Fukui, Mie, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, and Tokushima.
5) Due to the impact of the COVID-19 pandemic, the survey was suspended from Q2 2020 to Q1 2023, resulting in missing data for this period. Furthermore, the annual data for 2023 represents cumulative figures up to December, requiring caution when making comparisons.

Part I
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Part IV

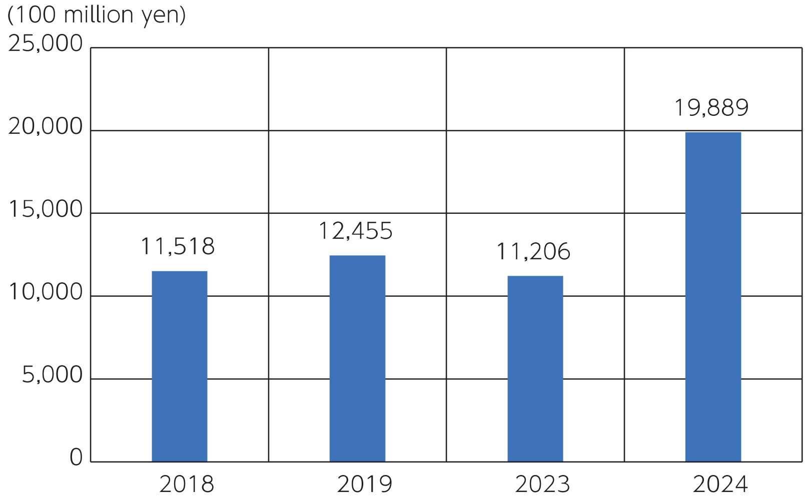

Figure 5-1-5 Change in Expenditures by Foreign Visitors to Japan: 2018-19, 2023-24: Kansai

Note: Figures for 2023 are cumulative totals through the April-December period
Source: Prepared based on the Japan Tourism Agency's "International Visitor Survey"

(2) Steadily Increasing Per Capita Spending

Nationwide

Looking at the change in per capita spending by foreign visitors to Japan (Figure 5-1-6), spending rose significantly to 176,000 yen in 2015, partly due to the impact of 'shopping spree'. Since then, it has hovered around 160,000 yen, reaching 158,000 yen in 2019.

The spending per visitor reached 235,000 yen in 2022 and 213,000 yen in 2023, surpassing the 200,000 yen mark. A notable feature is that while the

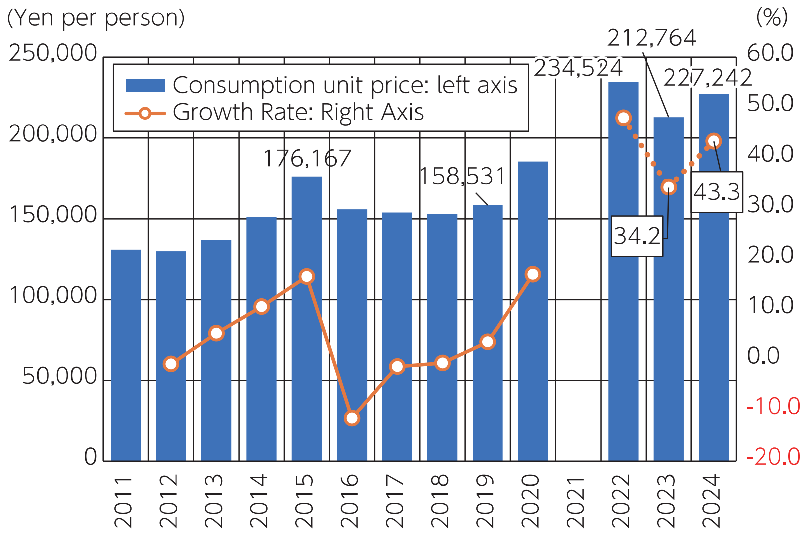

Figure 5-1-6 Change in Spending Per Foreign Visitor to Japan: 2011-2024: Nationwide

Note: Growth rates from 2022 onward are calculated relative to 2019. The 2022 figure is an estimated value for Q4.
Source: Based on the Japan Tourism Agency's "International Visitor Survey"

number of international visitors surpassed the pre-COVID-19 pandemic peak in 2024, the average spending per visitor had already exceeded that level in 2022[6]. In 2024, it reached 227,000 yen (+43.3% increase compared to 2019), achieving the government's 2025 target of 200,000 yen and approaching the 2030 government target of 250,000 yen.

Kansai

Figure 5-1-7 compares the average spending per foreign visitor in each Kansai prefecture between 2019 and 2024. Looking at the 2024 figures, Osaka prefecture had the highest average spending at 92,000 yen (+24.9% from 2019), followed by Mie prefecture at 63,000 yen (+42.5%), and Kyoto prefecture at 52,000 yen (+54.4%). In contrast, Nara prefecture's per capita spending was 9,000 yen (+24.1%), a relatively low level compared to other prefectures. Therefore, for Nara prefecture, creating programs that stimulate spending by international visitors remains a key challenge to increase per capita spending.

Table 5-1-3 breaks down the average spending per foreign visitor to Japan by expense category. A notable feature is the significant increase in accommodation expenses (Nationwide: +62.1% compared to 2019, Kansai: +102.2%), entertainment and other service expenses (Nationwide: +67.7%, Kansai: +75.0%), and food and beverage expenses (Nationwide: +40.8%, Kansai: +55.3%) both nationwide and in the Kansai region. Additionally, shopping expenses increased both nationally (+23.8% compared to 2019) and in the Kansai region (+11.6%).

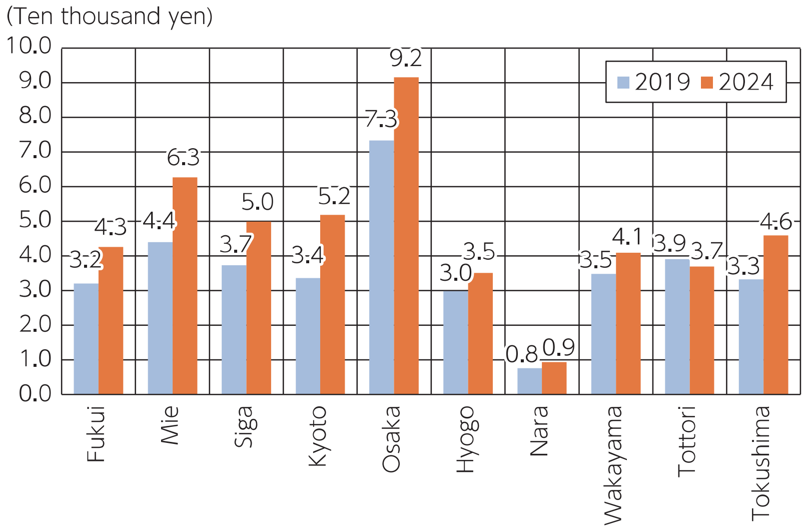

Figure 5-1-7 Comparison of Spending Per Foreign Visitor to Japan: 2019/2024: Kansai

Source: Prepared based on the Japan Tourism Agency's "International Visitor Survey"

6) One contributing factor is the increase in average length of stay due to longer visits by foreign tourists. The Japan Tourism Agency (2024) also notes this point.

Table 5-1-3 Comparison of Expenditure Per Unit by Category: 2019/2024: Nationwide and Kansai

Unit: Yen, %

	Nationwide		
	2019	2024	Comparison with 2019
Total	158,531	226,851	43.1
Accommodation fee	47,336	76,743	62.1
Food and beverage expenses	34,740	48,907	40.8
transportation expenses	16,669	24,398	46.4
Entertainment and Other Service Fees	6,383	10,706	67.7
shopping expenses	53,331	66,046	23.8
Others	73	50	-31.5

Unit: Ten thousand yen, %

	Kansai		
	2019	2024	Comparison with 2019
Total	4.8	6.5	35.9
Accommodation fee	1.0	2.1	102.2
Food and beverage expenses	0.9	1.4	55.3
transportation expenses	0.1	0.2	69.2
Entertainment and Other Service Fees	0.2	0.3	75.0
shopping expenses	1.9	2.1	11.6
Others	0.0	0.0	-13.3

Source: Prepared based on the Japan Tourism Agency's "International Visitor Survey"

Thus, 2024 is characterized by steady growth not only in goods consumption but also in experience consumption.

Furthermore, foreign visitor spending nationwide for Q3 2025 totaled 2.131 trillion yen (Q2: 2.5043 trillion yen). While this represents an 11.1% increase compared to the same period last year, continuing double-digit growth since economic activity normalized in 2024, the growth rate slowed from the previous quarter (+17.0%). Furthermore, the average per-person spending for the same period was 219,000 yen, a 0.2% decrease compared to the same period last year, marking the second consecutive quarters decline.

While inbound tourist spending reached a record high in 2024, signs of change in consumption trends are emerging in 2025, including a slight decline in average spending per person.

3. Stagnation in Domestic Travel Demand

Sections 1.1 and 1.2 highlighted inbound tourism demand and analyzed its characteristics since the COVID-19 pandemic. In contrast to the steady change in inbound tourism demand, the recovery of domestic travel demand has been sluggish since the pandemic. Section 1.3 uses key statistics to clarify the characteristics of domestic travel demand nationwide and in the Kansai region since the pandemic.

(1) Sluggish Growth in Domestic Traveler Numbers

Figure 5-1-8 shows the change in total domestic travelers nationwide and in the Kansai region. For both areas, traveler numbers generally increased slightly or remained flat since 2010, peaking in 2017 (Nationwide: 647.51 million; Kansai: 130.45 million). In 2019, before the COVID-19 pandemic, the figures were 587.1 million for the nation and 119.3 million for the Kansai region, representing slight increases from the previous year. However, in 2020 and 2021, traveler numbers declined significantly due to the impact of the COVID-19 pandemic[7]. In 2022, a recovery trend emerged, partly due to the easing of infection conditions in the latter half of the year and partly due to the impact of the government's nationwide travel support program aimed at stimulating travel demand. However, the subsequent recovery pace has been slow. As of 2024, the nationwide figure stood at 539.25 million and the Kansai region at 105.98 million, still failing to recover to pre-COVID-19 pandemic levels. Several factors may explain the stagnation

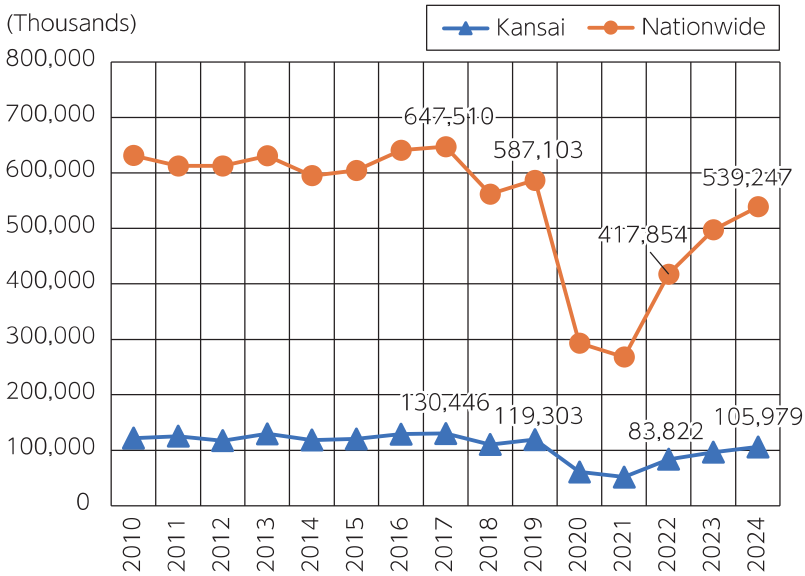

Figure 5-1-8 Change in Domestic Traveler Numbers: 2010-2024: Nationwide and Kansai

Source: Prepared from the Japan Tourism Agency's "National Tourism Survey"

7) During this period, to support the slumping domestic travel demand, the government and local authorities implemented the "Go To Travel Campaign" and various prefectural-level initiatives to stimulate travel demand.

in domestic travel numbers. For example: 1) Rising accommodation costs and other expenses due to inflation since 2022[8)], and 2) Nominal wage growth failing to keep pace with inflation, leading to continued declines in real wages and increased household thriftiness. These factors likely contribute to a growing tendency to postpone travel.

(2) Domestic Travel Expenditures Exceeding Pre-COVID-19 Pandemic Levels

Figure 5-1-9 shows the change in domestic travel expenditure nationwide and in the Kansai region. In 2019, expenditures were 21.9 trillion yen nationwide and 4.1 trillion yen in Kansai. However, travel expenditures declined from 2020 (Nationwide: 9.9 trillion yen, Kansai: 2.0 trillion yen) to 2021 (Nationwide: 9.2 trillion yen, Kansai: 1.7 trillion yen).

In 2022, partly due to the aforementioned travel demand stimulation measures, spending rebounded significantly to 17.2 trillion yen nationwide and 3.5 trillion yen in the Kansai region. The recovery pace continued in 2023, reaching 21.9 trillion yen nationwide and 4.1 trillion yen in Kansai. Furthermore, the national figure approached the government target of 22 trillion yen for 2025[9)]. In 2024, spending continued to rise, reaching 25.1 trillion yen nationally and

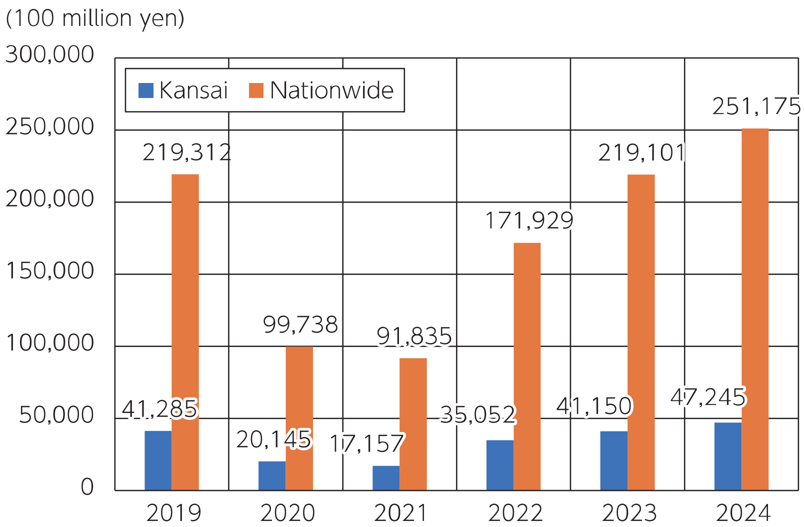

Figure 5-1-9 Change in domestic travel expenditures: 2019-24: Nationwide and Kansai

Source: Prepared from the Japan Tourism Agency's "National Tourism Survey"

8) Looking at the National Consumer Price Index, lodging fees were 114.6 in 2022 (down 1.0% YoY), but rose significantly to 134.3 in 2023 (up 17.3% YoY) and 154.1 in 2024 (up 14.7% YoY).

9) The government target for domestic travel spending is detailed in the Japan Tourism Agency (2023).

4.7 trillion yen in the Kansai region—both the highest levels since comparable statistics became available in 2010.

As mentioned earlier, the number of domestic travelers has not recovered to pre-COVID-19 pandemic levels and continues to struggle to grow. On the other hand, domestic travel spending has recovered to pre-COVID-19 pandemic levels. This is thought to be partly due to the impact of rising prices, which has increased travel costs such as accommodation fees. In other words, this suggests that the average spending per person is increasing.

(3) Rising Per-Person Domestic Travel Expenditure

Figure 5-1-10 shows the change in per-person domestic travel expenditure for the entire country and the Kansai region. In 2019, the expenditure per person was 37,000 yen nationwide and 35,000 yen in Kansai. In 2020 and 2021, due to the COVID-19 pandemic restrictions limiting inter-prefectural travel, expenditure per person declined both nationwide and in Kansai.

With the recovery in travel demand and increases in accommodation costs, the average spending per traveler rose significantly nationwide (41,000 yen) and in the Kansai region (42,000 yen). This upward trend continued thereafter, reaching 44,000 yen nationwide (+17.9% compared to 2019) and 43,000 yen in Kansai (+23.1%) in 2023. The pace of increase accelerated further in 2024, reaching 47,000 yen nationwide (+24.7%) and 45,000 yen in the Kansai region (+28.8%). Thus, following the COVID-19 pandemic, the average spending per domestic

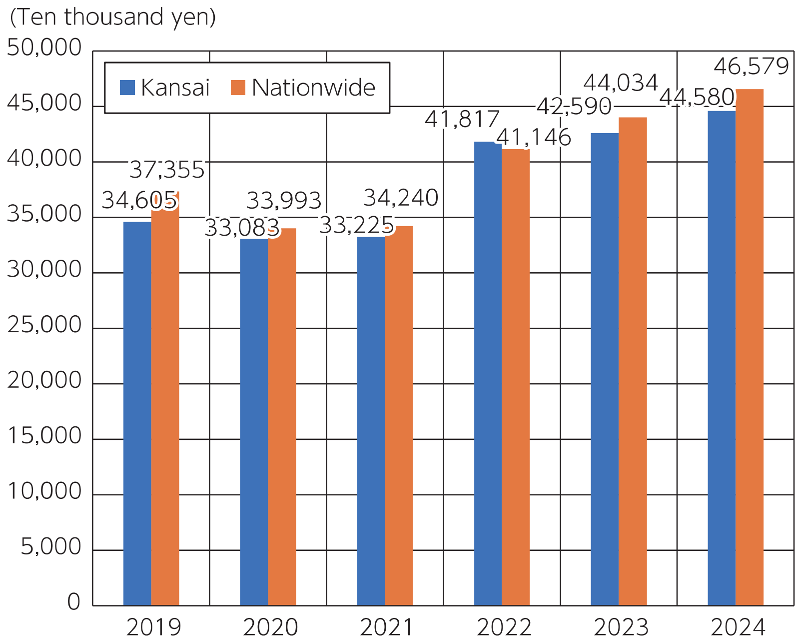

Figure 5-1-10 Change in Domestic Tourist Spending Per Person: 2019-24 Nationwide and Kansai

Source: Prepared from the Japan Tourism Agency's "National Tourism Survey" traveler rose significantly due to factors like inflation. Consequently, even as the number of domestic travelers remained sluggish, this increase in average spending contributed to the overall growth in domestic travel expenditure.

Summary

Organizing the content thus far, the implications derived from this analysis are as follows.

1) Alongside the recovery from the COVID-19 pandemic, the number of international visitors to Japan has steadily increased, bringing the government's 2016 target of 40 million visitors within sight[10). Furthermore, the total spending by international visitors has reached a record high, and the average spending per visitor has also been steadily rising. However, a key challenge lies in sustaining this upward trend in per capita spending. Entering 2025, the yen has shifted from its previous weakening trend to a strengthening trend, and signs of changes in visitor spending are beginning to emerge[11)]. Therefore, the ability to provide attractive, high value-added services for international visitors will become crucial.
2) The greatest future risk is a decline in the number of foreign visitors to Japan due to worsening Japan-China relations. As seen in the case of the nationalization of the Senkaku Islands in September 2012, it took a full year for the impact of the decline in Chinese visitors to be subside. Therefore, the impact of the current deterioration in Japan-China relations requires monitoring over a relatively long-term horizon. As pointed out in Chapter 3 of Inada et al. (2025), responding to risks stemming from deteriorating political relations, such as the current situation, requires a gradual and planned approach. Specifically, it will be important to rebuild the nationality portfolio by reducing reliance on specific countries/regions and promoting visits from a more diverse range of countries/regions.
3) While inbound tourism demand is growing, domestic travel demand is stagnating. Factors include: 1) rising travel costs, such as accommodation fees, due to inflation; and 2) persistent inflation leading to declining real wages, increasing thriftiness, and reducing travel opportunities[12)].

10) For specific details, refer to the Prime Minister's Office (2016).

11) In fact, the average spending per inbound visitor in Q1 2025 was 223,000 yen (a modest increase of +5.5% YoY), indicating a slight increase.

12) The Japan Tourism Agency (2025) points out additional factors beyond these, such as difficulty taking time off for work and reluctance to travel during crowded periods. It also mentions that health concerns act as a barrier to travel for the elderly.

4) From a medium- to long-term perspective, Japan's declining population raises concerns about future contraction in domestic travel demand. The challenge lies in how to sustainably maintain domestic travel demand under these circumstances. To achieve this, alongside steady increases in real wages, creating mechanisms to generate travel opportunities will be crucial[13]. This will require developing travel programs tailored to the preferences of young people, middle-aged individuals, and the elderly.

Section 2 examines the feasibility of achieving 60 million annual international visitors to Japan, focusing not only on the demand side but also the supply side of inbound tourism. It also identifies challenges highlighted by three imbalances surrounding inbound tourism demand and explores strategies for sustainable inbound tourism.

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13) For example, Aichi prefecture has established "Aichi Week," designating school holidays for experiential learning activities within families and communities. This initiative aims to encourage parents to take paid leave and create travel opportunities. For further details, refer to the Japan Tourism Agency (2025).