



Economic Report 2025

JAPAN

20 June 2025

Executive Summary

The Japanese economy grew by 0.1% in 2024. Consumption increased only moderately as persistent inflation (2.5%) continued to outpace wage increases. The central bank further normalized monetary policy. After significant depreciation, the Yen stabilized. The government continues expansive fiscal policy, increasing defence spending and investments in economic security such as funding critical and emerging technologies including semiconductors. Debt remained high, at 237% of GDP.

Japan saw record-high exports and solid imports in 2024. China remained its most important trading partner, and the US its biggest export market. US tariffs on cars and car parts would have a significant impact. Japan reaffirms its commitment to a rules-based international order, free trade and the WTO. It prioritizes efforts to expand and upgrade the free trade zone CPTPP, building a link with the EU. Japan increasingly integrates security considerations, launching new partnerships with Europe.

Economic relations between Japan and Switzerland remain strong. Bilateral trade stood at CHF 15.3 billion in 2024, with increased exports, record imports and pharmaceutical and chemical products as the major trading good. With increased investments, Switzerland became the seventh most important investor in Japan. The sectors of chemicals, cleantech, finance and health offer growth potential. Swiss companies also look at Japan to find reliable partners in their efforts to diversify supply chains.

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1 ECONOMIC OUTLOOK AND POLICY DEVELOPMENTS

Japan eyes new GDP goal for 2040 despite short-term uncertainties

The nation's Cabinet Office estimates that nominal Gross Domestic Product (GDP) grew by 3.1% to JPY 609.5 trillion (\$4 trillion) in 2024.¹ Real GDP grew by 0.17% to JPY 557.4 trillion, a fourth positive year. After a negative first quarter, the remaining three quarters posted growths in household consumption, business investments, and exports. Three consecutive quarterly gains in consumption, which was 54% of nominal GDP in 2024, is the first such occurrence since 2015.

The Cabinet adopted a 2040 outlook of JPY 1000 trillion nominal GDP (\$6.6 trillion) in June 2024 as the JPY 600 trillion target set in 2015 came within reach.² The government assumes three percent yearly gains in both nominal GDP and wages, as well as doubling of business investments from current levels. As a reference, Japan was ranked 22nd in 2023 among OECD members in terms of real GDP per capita, as compared to 2000 when Japan was the second highest.

In April 2025, the International Monetary Fund (IMF) outlook projected Japan to grow by 0.55% for the year in real GDP, a downgrade from 1.1% compared to the previous projection in October 2024. The economy is off to a slow start in 2025. GDP shrunk 0.04% in the January to March period. Consumption was almost flat due to increasing food prices, most notably the doubling of rice price from the year before that has prompted the government to release its rice reserves. Exports shrunk and will likely be further impacted as tariffs set by the Trump administration take effect, in particular on cars.

Political dealmaking after 2024 elections weakens fiscal discipline

Lawmakers passed a \$746.3 billion budget for fiscal year 2024 (April 2024 to March 2025). With a view to stimulating consumption amid persistent inflation, it included an one-time tax rebate to middle class and handouts to low-income households at a cost of \$21.8 billion. Tax revenues were expected to cover 61.7% of this initial budget.

Shigeru Ishiba succeeded Fumio Kishida as Prime Minister on 1 October 2024. Political dynamics will drive shifts in policy stances more than the leadership change, in wake of the ruling Liberal Democratic Party (LDP) and its coalition partner Komeito coming short of a Lower House majority for the first time since 2009 in the 27 October elections. The two-party coalition now needs votes from at least one of three opposition parties. This has amplified the role of politics in fiscal policymaking.

The December 2024 passage of a \$91.8 billion extra budget is a result of such compromises the ruling coalition minority made with the three opposition parties. Equivalent to 12.3% of the 2024 full-year budget, the extra spending focuses on disaster resilience, economic growth, and inflation countermeasures. The government will issue \$44.2 billion in bonds (JGBs), or 48% of total. The opposition Democratic Party for the People (DPFP) agreed to the spending, in exchange for a tax code revision that leaves low-earning households with more disposable income after taxes. It argued that raising the tax-free ceiling for income tax, which had been unchanged at \$6,827 since 1995, would encourage part-time employees to take up more work and enhance productivity. Although the ruling coalition and the DPFP could not agree on how the resulting revenue shortfall can be compensated, lawmakers still approved a tax code revision that raised that exemption on 31 March 2025 to \$10,605.

Unprecedented inter-party dealmaking also continued towards the Parliament's 31 March 2025 approval of the \$763.6 billion budget for fiscal year 2025 (April 2025 to March 2026), the highest in yen terms.³ More than a third covers social insurance expenditure, almost eight percent goes to defense, and almost a quarter to debt servicing- all record monetary amounts. A record tax revenue is expected to cover 68% of this initial spending, with the government issuing bonds equivalent to a quarter of this budget. Ishiba's coalition revised the bill twice to meet another opposition party's demand to make high school education free and later cancel an earlier effort to roll back high-cost medical care reimbursement.

Lawmakers have already called for an extra spending bill to deal with the impact of US tariffs, and have proposed ideas such as cash handouts and lower sales taxes. While Mr. Ishiba intends to do so only after the July Upper House elections, he has announced the return of utility discounts for households from July to September and a preventative gasoline price control to keep national average under \$1.16 per liter due to the Israel-Iran conflict, both funded with existing public money.

¹ Cabinet Office (CAO), "Quarterly estimates of GDP: January-March 2025, revised second preliminary" (9 June 2025), https://www.esri.cao.go.jp/jp/sna/data/data_list/sokuhou/files/2025/qe251_2/pdf/jikei_1.pdf, accessed 10 June 2025; converted from JPY 609.4 trillion at 2024 average currency exchange rate of JPY 151.47/ USD.

² CAO, "Basic policy on economic and fiscal management and reform 2024" (21 June 2024), https://www5.cao.go.jp/keizai-shimon/kaigi/cabinet/honebuto/2024/2024_basicpolicies_en.pdf, accessed 22 April 2025.

³ Ministry of Finance (MOF), Fiscal 2025 budget outline (31 March 2025), https://www.mof.go.jp/policy/budget/budger_workflow/budget/fy2025/fy2025.html, accessed 24 April 2025. Converted from JPY 115.2 trillion, at 2025 year-to-date average currency exchange rate of JPY 150.87/ USD.

The government had long seen a primary balance surplus to be within reach in 2025, which would enhance its ability to reduce debt. Instead, the government now expects the first surplus since 1991 in 2026. Government debt reached \$8.7 trillion at the end of March 2025, a record in yen terms.⁴ The IMF estimates gross debt to be 236.7% of GDP in 2024, below the highest of 258.4% in 2020. At the same time, households owned a record \$14.7 trillion in assets as of 2024. Japan was the second largest creditor country in the world in 2024 with net foreign assets increasing by almost 13% to \$3.5 trillion. Prior to Germany taking the top spot in 2024, Japan had been the top creditor since 1991.

Central bank tries to stay the course in normalizing monetary policy

The Bank of Japan (BOJ) has executed several shifts to end expansionary monetary policy that had been in place since March 2013. It raised the short-term interest rate target from -0.1% to +0.5% in three steps from March 2024 to January 2025. The latest target is the highest since October 2008. The BOJ also decided to decrease monthly purchases of long-term JGBs.⁵ It has yet to make public an orderly path to diversify its \$3.7 trillion in JGBs as of 2024, which is 52% of the outstanding bonds.

One factor driving decisions on normalization is persistent inflation. Monthly Consumer Price Index (CPI) excluding fresh food has been at least two percent since April 2022. After averaging at 2.5% in 2024, the CPI has been at least three percent for six months until May 2025. Another factor is wage hikes. Average nominal wages rose by a record 4.1% in 2024. Early indications show that wage hikes continue at similar levels in 2025. However, wage growth is not fully in effect yet as real wage growth was -0.3% in 2024, the third year wages trailed inflation.

MOF has tried to halt the yen's decline by conducting four rounds of foreign exchange interventions in spring and summer 2024, totalling \$101.2 billion. After a strong depreciation over the past years, the currency somewhat stabilized in 2024, trading between 166 and 180 against the Swiss franc.

Security clearance is the latest economic security tool on hand

Economic security remains a priority. The government continues to implement the 2022 Economic Security Promotion Act. As of May 2025, the government has provided subsidies for 125 projects boosting domestic supply of critical goods, totalling a maximum \$9.7 billion.⁶ One of them is the September 2024 decision to cover up to a third of lithium battery plant costs by automobile manufacturers Mazda, Nissan, Subaru, and Toyota.⁷ In February 2025, the Cabinet also enacted an ordinance empowering the government to temporarily purchase factories that produce critical materials in case of supply emergency. Separately, the Ministry of Economy, Trade and Industry (METI) expanded the list of critical and emerging technologies with dual use risks to be subject to export controls from 28 May 2025.⁸ Some categories such as advanced semiconductor-producing devices, quantum computers, and certain software would need clearance for exports, regardless of destination. The government has also begun requiring critical infrastructure operators such as electric power, water, and healthcare to register the IT devices and software they use.⁹

Finally, the government has enacted the May 2024 law on expanding the system of security clearances to the economic sector exactly one year later. The Cabinet has approved 19 criteria for risk assessments in granting security clearance to private sector workers in critical technology sectors, especially in dual-use ones. Violators would be subject to no more than five years imprisonment or maximum \$33,141 in fines. Japan had been the last G7 country without such a security clearance policy, which had hindered international collaboration on sensitive matters. The government seeks to establish an "economic security thinktank" as early as April 2026, in which employees with security clearances can gather intelligence and build networks abroad.¹⁰

⁴ MOF, "Central government debt as of 31 March 2025 (9 May 2025), <https://www.mof.go.jp/english/policy/jgbs/reference/qbb/e202412.html>, accessed 12 May 2025; converted from JPY 1323.7 trillion at 2024 average currency exchange rate at JPY 151.47.

⁵ BOJ, "Decision on the plan for the reduction of the purchase amount of JGBs" (31 July 2024), https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2024/k240731a.pdf, accessed 31 July 2024 converted from JPY 4.9 trillion, at 2024 average currency exchange rate of 151.47/ USD and from JPY 2.9 trillion at 2025 year-to-date average currency exchange rate of JPY 150.87/ USD.

⁶ CAO, "Efforts at supply chain resilience" (1 May 2025), https://www.cao.go.jp/keizai_anzen_hosho/suishinhou/supply_chain/supply_chain.html, accessed 1 May 2025; converted from JPY 1.47 trillion at 2025 year-to-date average currency exchange rate of JPY 150.87/ USD.

⁷ METI, "Storage battery" (20 December 2024), https://www.meti.go.jp/policy/economy/economic_security/battery/index.html, accessed 1 May 2025.

⁸ METI, "Outline of foreign exchange and export management regulation revisions: critical, emerging categories" (3 April 2025), https://www.meti.go.jp/policy/anpo/law_document/seirei/20250403_gaiyo.pdf, accessed 3 June 2025.

⁹ CAO, "Outline of the essential infrastructure system and required information" (May 2025) https://www.cao.go.jp/keizai_anzen_hosho/suishinhou/infra/doc/pamphlet_dounyu_eng.pdf, accessed 15 April 2025.

¹⁰ CAO, "Science, technology, and innovation and economic security" (17 March), <https://www8.cao.go.jp/cstp/tyousakai/kihon7/4kai/shiryo1.pdf>, accessed 1 May 2025.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Chemical, finance, and health sectors may offer opportunities

Analyzing Japan's economic structure over a six-year period until the latest available data of 2023 shows that monetary value of the primary and manufacturing sectors have reached record highs, while services trail 2016 peak by 2.8%.¹¹ In the primary sector, the category of agriculture gained by 19% over the 2018 to 2023 period. In manufacturing, only five of the fifteen subsectors contributed to the gains. Chemicals, electronic components and devices, and transport equipment posted two-digit growths, with the first two subsectors gaining by more than 20%. The electrical and general-purpose machineries subsectors saw less than three percent in gains. In services, the subsector of finance and insurance gained 25% and reached a record value for the third consecutive year in 2023. The other two subsectors that posted double-digit growths were human health and social work activities and electricity services.

In terms of imports, the subsector of mining took the largest share in 2023 at 20%. Other significant categories were professional activities (9.5%), chemicals (7.6%), and IT equipment (5.6%). While electronic components only took a four percent share, imports in this sub-category alone have risen in value by almost 56% between 2018 and 2023. Chemicals, petroleum and coal products, and basic metals were other manufacturing subsectors where imports grew by more than 30% in values over this period. Professional activities, information and communication, and finance and insurance were the three service subsectors where imports grew by at least 50% in the six-year period.

Real GDP and import growth in the financial and insurance subsector suggest further opportunities for Swiss service providers, and synergies with Japan's latest push to elevate Tokyo and other major cities as international financial hubs. In addition, similar trends in the field of chemicals, and double-digit growth in electronic components and devices, as well as human health may suggest favorable market conditions for Swiss companies in the fields of biotechnology and pharmaceuticals, as well as in medical technology.

The Swiss Business Hub Japan (SBH) sees clean technology, biotechnology and pharmaceuticals as well as medical technology as main priorities in 2025 in terms of opportunities for Swiss companies in the Japanese market, based on its own survey. Statistical trends above suggest those three fields to indeed be promising in recent years. Some companies also look at Japan to find reliable partners in their efforts to diversify supply chains and to build long-term partnerships, including in joint development.

Multi-year state aid aimed at generative AI breakthrough begins

Japan sees generative artificial intelligence (AI) as a technology that is critical to its long-term economic growth, not least in light of the demographic decline.¹² It aims to invest \$66.3 billion in the hardware and software components of advanced semiconductors and AI capacity during the period between April 2025 to March 2030. The government expects the private sector to contribute another \$265.1 billion. The fiscal 2024 supplementary and the fiscal 2025 budgets have allocated an initial \$12.6 billion of this fund.

One intended target is the advanced semiconductor project Rapidus, which aims to mass-produce two-nanometer logic chips by 2027. Success of this effort would leapfrog Japan's domestic chip-making capability by more than four generations. Rapidus leadership has been seeking both public and private funds totaling \$33.1 billion. After already providing \$12.18 billion, the government aims to institutionalize public backing of Rapidus over a multi-year timeframe. A law revision from April 2025 enables government-affiliated public entities to use the funds to acquire investment stakes in Rapidus.

Rapidus itself provides opportunities for Swiss companies, either directly or indirectly, for suppliers of semiconductor machinery. In addition, this new seven-year fund also sponsors development of next-generation chips and basic research into AI-chips, providing further opportunities to Swiss stakeholders.

Space Strategy Fund is open to ideas from start-ups

Japan also sees outer space as a tactical investment target. The Japan Space Exploration Agency (JAXA) is operating a \$6.6 billion Space Strategy Fund to support private sector's space-related technology development over a decade-long period from 2024.¹³ Analysis of a first group of recipients shows that 23% were start-ups and another 26% were universities and research institutes. A call for applications for a second \$2 billion tranche is open until September 2025, providing opportunities for Swiss stakeholders in the field.¹⁴

¹¹ CAO, "National accounts for 2023" (January 2025),

https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2023/2023annual_report_e.html, accessed 2 May 2025.

¹² CAO, "Stimulus towards sustainable growth and people's safety" (22 November 2024),

https://www5.cao.go.jp/keizai1/keizaitaisaku/2024/1122_taisaku.pdf, accessed 8 May 2025.

¹³ CAO Space Development Strategy Promotion Secretariat, "Overview of Space Strategy Fund" (April 2024), <https://www8.cao.go.jp/space/committee/27-kagaku/kagaku-dai61/siryou1-2.pdf>, accessed 9 May 2025; converted from JPY 1 trillion, at 2025 year-to-date average currency exchange rate of JPY 150.87/ USD.

¹⁴ JAXA, "Planned public solicitations for Space Strategy Fund (18 April 2025)

<https://fund.jaxa.jp/content/uploads/koboyotei20250418.pdf>, accessed 9 May 2025.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Japan notes geopolitical power balance shifts, debt surge, and supply chain disruption as major challenges in its 2024 diplomatic blue book. It seeks to address such issues by (1) maintaining the multilateral trade regime and promoting economic partnership pacts, (2) encouraging companies at home to expand abroad, and (3) support resource diplomacy and inbound investments.

The country has concluded 21 bilateral and multilateral free trade pacts such as economic partnership agreements (EPA) with 50 countries between 2002 and 2022.¹⁵ These pacts cover almost 79% of Japan's trade, a share that is ahead of Switzerland's 75.5%, China's 48%, European Union (EU)'s 47%, and US' 46%. Concluding EPA talks with the Gulf Cooperation Council (GCC) would raise coverage to almost 87%. The two parties met in Riyadh in December 2024, a first since 2009. In parallel, Japan has held EPA negotiations with Bangladesh and UAE in 2024 and in the first half of 2025. Finally, both houses of Parliament in April 2025 ratified revisions to the 2008 bilateral EPA with Indonesia.

Otherwise, Japan has continued to emphasize the central role of the WTO and enhance existing multilateral agreements. Indonesia became the latest applicant to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in September 2024. Members begun accession talks with Costa Rica in November. Prime Minister Ishiba reaffirmed in May that Japan will lead efforts in expanding as well as reviewing and upgrading the treaty. Japan also supports closer ties between CPTPP and other blocs such as the EU and ASEAN, based on shared values and objectives. Japan and the EU held their fifth joint committee on the 2019 EPA in July 2024. Technical committees have met thirteen times from 2024 to the first quarter of 2025, covering areas such as trade in goods and regulations including the EU's Green Deal Industrial Plan and the carbon border adjustment mechanism. At the trilateral economic ministerial gathering in March 2025, Japan, China, and South Korea agreed they would strive for a FTA of higher quality than the Regional Comprehensive Economic Partnership (RCEP). Japan agreed to a strategic dialogue with Mercosur, short of EPA talks, also in March.

Japan is deepening ties on economic security with partner countries. For instance, at the inaugural meeting of foreign and industry ministers with the UK in March 2025, both sides reaffirmed that they need to build resilient supply chains together, as well as align policies on promoting and protecting critical technologies.¹⁶ Japan and the EU launched a transparent, resilient, and sustainable supply chain initiative at their fifth high-level economic dialogue in May 2024. In the fall of 2025, Japan will host an international conference called the "Economic Security Global Forum Weeks".¹⁷ As part of longstanding efforts to diversify supply of critical minerals, METI held senior working-level talks with South Korea in February 2025, where the two sides decided to jointly develop and produce in third countries. In March, Japan and France each agreed to invest EUR 100 million in southwestern France to extract and refine rare earth elements used in electric vehicles. This follows a May 2024 pact to cooperate in rare earths.

2024 also saw Japan address trade issues with China. They held four export control dialogues from January 2024 to March 2025. Separately, the two sides resolved China's anti-dumping measures against Japan's stainless steel on July 2024, a case that saw Japan use the WTO dispute resolution mechanism. Furthermore, the two sides made progress towards lifting the August 2023 ban by China of Japanese seafood imports after the fourth technical talks in Beijing in May 2025.

3.2 Outlook for Switzerland

Switzerland and Japan concluded a Free Trade and Economic Partnership Agreement (FTEPA) in 2009. It is a pioneer agreement and was the first comprehensive free trade deal with an advanced economy for Japan. It serves companies well overall. A January 2025 survey by the Japan External Trade Organization (JETRO) for instance shows that Japanese companies operating in Switzerland are generally satisfied with the 2009 FTEPA.

Switzerland has sought to engage Japan to modernize and upgrade the FTEPA since 2018. Japan opposes this, arguing for instance that Japanese companies are not sufficiently interested. During an official visit of Federal Councillor Ignazio Cassis to Japan in April 2025, Japan and Switzerland agreed to explore ways of strengthening exchanges in innovation and digital trade, as well as on economic and trade policies.

¹⁵ METI, "2024 White Paper on International Economy and Trade" (9 July 2024), <https://www.meti.go.jp/report/tshaku2024/pdf/3-1-4.pdf>, accessed 12 July 2024.

¹⁶ METI and MOFA, "Japan-UK economic 2+2 ministers' meeting" (7 March 2025), https://www.meti.go.jp/english/press/2025/0307_002.html, accessed 2 May 2025.

¹⁷ METI, "Economic Security Global Forum Weeks" to be held during 2025" (4 June 2025), <https://www.meti.go.jp/press/2025/06/20250604004/20250604004.html>, accessed 6 June 2025.

4 FOREIGN TRADE

4.1 Developments and general outlook

In relation to its GDP, the share of Japan's exports and imports of goods and services consistently trail the OECD average by about ten percentage points. Goods exports totalling \$707 billion and imports of \$742.2 billion in 2024 each comprise less than 20% share of real GDP for the year.¹⁸

4.1.1 Trade in goods

Exports in yen value rose to new records for the third year in a row in 2024, halving the trade deficit to \$35.2 billion, which is about a quarter of the historical high in 2022. Exports of the largest sub-category of passenger vehicles (15.1% share) increased by 3.9% to \$106.7 billion, setting a fourth consecutive yearly record. The next two sub-categories of semiconductor parts (4.3% share) and machinery (4.2%) also saw records while iron and steel products, the fourth largest, saw the lowest value since 2009.

Imports rose by two percent in 2024 to trail just behind the record in 2022. Decline in purchases of the two largest subcategories of petroleum (9.7% share) and of liquefied natural gas (LNG, 5.5%) and the fourth largest of coal (4%) contributed to the slowdown. In fact, coal imports' 23% decline lifted pharmaceuticals (4.4% share) up to third largest import subcategory.

Trends with Japan's three largest trading partners

Japan exported to the US the most ever for the second straight year, totalling \$140.6 billion (+5.1%). Exports of the three largest sub-categories of passenger cars (27.7% share), motor vehicle parts (5.8%), and general machinery (5.1%) all rose in value, even as unit sales declined. The US was the second largest source of imports by Japan at \$83.6 billion (+9.5%), with record monetary value in yen terms. Sales of US pharmaceuticals (9% share) recovered from a two-digit decline in 2023. The next two largest sub-categories of general machineries (8.5% share) and grains (5%) rose by almost 25% each. Energy commodity imports of liquefied petroleum gas (fourth largest at 4.4% share) and LNG (sixth largest at 4.3%) both rose, with the latter rising by almost 15%.

US tariff policies challenge Japan's trade in 2025. The imposition of 25% sectoral tariffs to all car imports in April and car parts in May directly hits Japan's two largest categories of goods it exports to the country. Japan also faces 14% additional "reciprocal tariffs" on top of the worldwide 10% duty. Prime Minister Ishiba and President Trump, and officials from both countries have exchanged and met numerous times including six senior Cabinet level meetings in the second quarter of 2025. Japan has continued to urge that all tariffs announced in 2025 be scrapped. According to media reports, areas of discussion include potential investments, such as in LNG infrastructure in the arctic region of Alaska or shipbuilding, as well as increased imports of agricultural goods such as corn and soybeans (included in the third largest import subcategory of grain) and LNG.

Meanwhile, China remains Japan's most important trading partner overall. Exports to China rose to the second highest ever, totalling \$124.5 billion (+6.2%). Although semiconductor-producing machineries (11.5% share) and IC chip parts (5%) constitute two of the three largest sub-categories, a closer look suggest nuanced views. Sales of both product categories reached a record in value, but the quantity was thirty percent lower than the peak in 2018 for chip-making machines and slightly below the peak in 2022 for IC chip parts. Beyond this, exports of plastics constituted the second largest sub-category of goods (6.7% share). China remains by far the largest source of imports for Japan at \$167 billion, the most ever on record in yen terms. Purchase increases in the two largest sub-categories of telephones and computers drove the rise.

The EU took a 9.3% share of Japan's exports behind the US and China after an almost four percent decline to \$65.7 billion.¹⁹ Lower sales of passenger cars and automobile parts, the top and third largest sub-categories, drove the drop. Germany was the largest buyer of Japanese products within the EU at a 2.7% fraction of overall exports, ahead of the Netherlands (1.6%) and France (0.9%). The UK took a 1.6% share of Japan's exports, as a reference. The second largest subcategory of scientific and optical instruments rose. Japan's imports from the EU rose by 3.8% to \$78.5 billion, a 10.5% share of overall imports. Increase in EU pharmaceutical purchases (20.2% share) drove the increase while motor vehicle purchases (8.8% share) saw a two-digit decline. Germany took the largest share at a 2.9% share of total imports, followed by Italy (1.6%) and France (1.5%). The UK took 1.1% share.

4.1.2 Trade in services

Japan posted a service deficit of \$18.3 billion in 2024, exporting \$227.9 billion and importing \$246.2

¹⁸ MOF, "Value of Exports and Imports by Calendar Year", https://www.customs.go.jp/toukei/shinbun/trade-st/2024/2024_117.pdf, accessed 14 May 2025; converted from JPY 107.1 trillion and 112.6 trillion respectively, at 2024 average currency rate of JPY 151.47/USD.

¹⁹ See Annex 3.

billion. After five consecutive years of widening from 2018 to a 20-year record in 2022, the deficit has shrunk for two years in a row. Since 2020, the two sectors that contributed the most to the service deficit were telecommunications/ IT and insurance/ pension. The latter's record deficit has continued since 2018. The telecom and IT deficit are also the largest on record, which reflects domestic appetite for digital services such as overseas streaming subscriptions. Travel and intellectual property continue to be the largest contributors to service exports, and both set new surplus records in 2024. The record travel surplus grew by 1.7 times in 2024, after an almost sevenfold increase in 2023. The 47% increase of inbound tourists in 2024 to almost 37 million is likely due to exchange rate trends that make traveling to Japan more attractive and traveling abroad for Japanese people less attractive. The US remained Japan's largest services trade partner with a 28% share, and a deficit for Japan of \$18.6 billion. It was followed by the EU (12.7%), Singapore (10%), China (7.3%) and the UK (6.9%), with Switzerland taking a 1.9% share. China overtook the UK due to an almost 54% increase in Japan's service exports.

4.2 Bilateral Trade

4.2.1 Trade in goods

Switzerland is the 22nd largest exporter to Japan and the fifth in Europe. It is the eighteenth largest importer from Japan and the fourth largest in Europe. Among Switzerland's largest trading partners in 2024, Japan rose to twelfth from fourteenth place (or to eight from ninth place if the EU member states are combined). With a volume of CHF 15.3 billion (+4.8%), bilateral trade represents a 2.1% share of Switzerland's total trade.²⁰ Among Asian economies, Japan remained the fourth largest trading partner, behind China, India, and Hong Kong. Swiss exports to the country rose by 6.4% to CHF 8.2 billion, short of record of CHF 9.4 billion observed in 2022. Meanwhile, imports from Japan rose by 3% to set a new record of CHF 7.1 billion. Last year, Switzerland's trade surplus slightly grew to CHF 1 billion.

2024 saw the largest category of Swiss exports of pharmaceutical and chemical products recover from the 32.4% decline in 2023. The CHF 3.8 billion (+7.3%) accounted for 46% of exports. Meanwhile, the second largest export category of precision instruments, watches and jewelry (share of 40.8%) set a record high for the third year in 2024 and reached CHF 3.3 billion, with watches alone accounting for almost CHF 2 billion (+7.8%). A 35.8% jump in natural (hard) cheese exports to CHF 4.9 million in 2024 is the highest such year-on-year gain since 2014. Meanwhile, chocolate sales dropped by 5.1% to CHF 13 million in the same year, the first decline in four years in monetary value.

A major factor in the rise in Swiss imports of Japanese goods in 2024 is a 26.8% growth in purchases of chemical and pharmaceutical products to a record CHF 2.7 billion, taking 37.8% of the overall import share. Annual growth to new records in value has continued since 2017. Precious metal imports slightly dropped to a 34.7% share of less than CHF 2.5 billion. Japanese vehicle sales to Switzerland totaled CHF 588.5 million for an 8.3% share of the imports, a 20.7% decline in export value from 2023.

4.2.2 Trade in services

Switzerland ran a service trade deficit of CHF 132 million with Japan in 2024, according to the Swiss National Bank (SNB). The central bank's data notes the service deficit has continued for six years dating back to 2019.²¹ Swiss service exports increased by 1.5% to a record of almost CHF 3.2 billion. Volume-wise, the 1.9% share of Switzerland's service trade volume makes it Japan's eleventh largest services trading partner (if EU is not counted as one and tenth if the EU is counted as one).²² The three largest components of Switzerland's service exports were license fees (27.4% share), insurance and pension services (17.8%), and transport (16.8%). The three largest categories of Switzerland's service imports from Japan were license fees (44.1% share), followed by research and development (20.8%) and transport (17.5%).

²⁰ Federal Office for Customs and Border Security, "Swiss-Impex", <https://www.gate.ezv.admin.ch/swissimpex/public/bereiche/waren/result.xhtml>, accessed 19 May 2025.

²¹ SNB, "Swiss balance of payments- current account services, by country- Year" [https://data.snb.ch/en/topics/aube/cube/bopserva?fromDate=2012&dimSel=D0\(J\)](https://data.snb.ch/en/topics/aube/cube/bopserva?fromDate=2012&dimSel=D0(J))

²² MOF, "Regional balance of payments for 2023 cy" (12 May 2025), https://www.mof.go.jp/policy/international_policy/reference/balance_of_payments/regional/rbpcy2024.pdf, accessed 19 May 2025.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

Japan's inward foreign direct investments (FDI) totalled \$351.9 billion in 2024, a 4.5% increase from the year before in yen terms.²³ Equivalent to 8.8% of the nominal GDP, the share remains one of the lowest in the world after UNCTAD data in 2022 showed Japan as 196th out of 199 countries in this regard. Appetite for inbound FDI is growing, in contrast to decades of scepticism towards foreign interference. LDP lawmakers formed a Parliamentary league in April 2025 with a focus on expanding inbound FDI, with former finance minister Taro Aso as senior advisor. In June 2025, the government has updated its 2030 inbound FDI target of \$711.6 billion to \$795.4 billion and set a new \$994.2 billion target for no later than 2035.²⁴ It is considering allocating public funds for localities to use towards attracting FDI. In 2024, the US remained the largest investor with a share of 20%, followed by the UK (17%) and Singapore (11%). Investments in non-manufacturing outnumbered those in manufacturing by about twice during the period between 2020 to 2024.²⁵

Meanwhile, Japan's outward FDI grew by 13.8% to about \$2.1 trillion in 2024. The US is the top destination with a share of 35.3%, followed by the UK (7.6%) and the Netherlands (7.4%). To reduce trade surplus with the US, Japan may invest even more in the US after Prime Minister Ishiba announced an outbound FDI target of \$1 trillion, a 22% increase from \$819.4 billion of existing investments at end of 2024. A step in this direction is Nippon Steel's June 2025 takeover of US Steel for \$25 billion that includes at least \$11 billion in US-based investments and the US government getting one golden share of US Steel in perpetuity.²⁶

Government doubles down on closing investment screening loopholes

The Finance Ministry has further refined its investment screening policy by revising regulations under the Foreign Exchange and Foreign Trade Act. One additional rule in effect since 19 May 2025 is that investors originating in countries with laws that may require those investors to share intelligence with their government that plan to invest one percent or more stake in certain companies recognized as critical to Japan's national security such as in nuclear power and telecommunication must seek prior notification without exception.²⁷

5.2 Bilateral investments

According to Japanese data, Switzerland has invested \$19.3 billion in Japan at the end of 2024, a 37% increase in yen terms. It overtook the Cayman Islands as the seventh largest investor while remaining as the fourth largest European investor. The latest figure in 2023 for "Ultimate Investor" method ranks Switzerland as the second largest investor from Europe behind France and fifth largest overall.²⁸ Investments in the manufacturing sector amounted to about \$10 billion or 70%. Chemicals and pharmaceuticals (50.1% share of total inbound FDI) and electric machinery (13.7%) contributed the most investments. The non-manufacturing sector amounted to \$4.3 billion, with the two largest sectors being wholesale and retail (16.3%) as well as finance and insurance (11.3%). Anecdotally, significant investments by Swiss companies were recently made in cutting-edge manufacturing and in R&D.

Japan's investment position in Switzerland stood at \$41.6 billion at the end of 2024, a 9.2% gain in yen terms. Japan is the most important Asian investor in Switzerland. At 1.8% of Japan's outbound FDI, the Confederation remains the ninth most important destination and the fourth largest in Europe after the UK, Netherlands, and Germany. Investments in the manufacturing sector totalled \$3.6 billion (share of 9.8%) and non-manufacturing \$36.5 billion (90.2%). Japanese FDI in wholesale and retail was the largest sector at a share of 62.9%, followed by finance and insurance (20.1%).

²³ MOF, "Regional direct investment positions" (28 May 2024), https://www.mof.go.jp/policy/international_policy/reference/iip/rdip2024.xls, accessed 28 May 2025; converted from JPY 53.3 trillion at 2024 average currency exchange rate of JPY 151.47/USD.

²⁴ CAO, "Inbound FDI promotion program 2025" (2 June 2025), <https://www.cao.go.jp/invest-japan/committee/program2025.pdf>, accessed 20 June 2025; converted from JPY 120 and 150 trillion at 2025 year-to-date average currency exchange rate of JPY 150.87/ USD.

²⁵ MOF, "Inward direct investment position, breakdown by region and industry 2024" (27 May 2025), https://www.mof.go.jp/policy/international_policy/reference/iip/dip2024.xlsx, accessed 2 June 2025.

²⁶ Nippon Steel, "Nippon Steel Corporation and US Steel finalize historic partnership" (18 June 2025), https://www.nipponsteel.com/common/secure/en/news/20250618_100.pdf, accessed 20 June 2025.

²⁷ MOF, "Cabinet approves amendment on inward direct investment" (1 April 2025), https://www.mof.go.jp/english/policy/international_policy/fdi/News_and_Communications/20250331134457.html, accessed 2 June 2025.

²⁸ MOF, "Regional Direct Investment Position- Ultimate Investor" (27 May 2025), https://www.mof.go.jp/policy/international_policy/reference/iip/rdip_ui.xlsx, accessed 29 May 2025.

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

Swiss stakeholders in Japan work in a “Team Switzerland” approach, using synergies to further improve bilateral framework conditions, defend and promote interests of Swiss companies in Japan, and attract Japanese investments into Switzerland. Over the past years, the Swiss government has expanded its footprint in Japan, with the opening of the Consulate in Osaka/Swissnex in Japan (September 2023) as well as Honorary Consulates in Kyushu/Fukuoka (2022) and Hokkaido/Higashikawa (2024). In line with its own strategies and Japanese policy priorities, Switzerland puts an emphasis on fostering innovation collaboration. From April to October 2025, the Swiss Pavilion at the World Expo in Osaka provides unique opportunities to research stakeholders and companies to enhance such cooperation. Under the motto “From Heidi to Hi-Tech”, the Pavilion showcases a high-performing Swiss innovation ecosystem with a focus on quantum and robotics, health and life sciences as well as sustainability and energy.

The Embassy of Switzerland in Tokyo maintains regular exchanges with Japanese authorities and facilitates official meetings, consultations and negotiations between the governments of both countries. Integrated into the Embassy, the Swiss Business Hub Japan (SBH) promotes Swiss exports to Japan and supports SMEs with respect to market entry and market expansion projects. It advises and supports companies with basic information and in-depth advice (market intelligence, business partner search, regulatory advice). The SBH also organizes events, delegation visits and Swiss Pavilions at trade fairs. In 2025, it runs pavilions at “Fuel Cell Expo” (clean energy), “Japan Health” (life sciences), “Bio Japan” (biotechnology) and “Mass-Trans Innovation” (railway). The SBH also facilitates investments by Japanese companies into Switzerland. It focuses on promoting the competitive advantages of business location Switzerland and strengthening the Swiss innovation ecosystem, with emphasis on the focus ecosystem health and digital. Based on a mandate by Switzerland Innovation, it facilitates R&D collaboration between Japanese conglomerates and Swiss innovation parks. In 2024, it supported 34 Japanese companies with respect to concrete R+D projects with Switzerland’s innovation parks in focus areas such as decarbonization technologies, advanced manufacturing, space tech and life sciences.

The Science and Technology Office at the Embassy and Swissnex in Japan support Swiss companies and startups in identifying innovative Japanese industry partners through means such as trend scouting or study tours. They also facilitate industry-academia collaboration in fields such as artificial intelligence, quantum, robotics, energy and pharmaceuticals. Mandated by Innosuisse, Swissnex brings Swiss deep-tech start-ups and university spin-offs for evaluation and market entry into Japan. It does so also by organizing Swiss Pavilions at trade fairs, in 2025 for instance at “SusHi Tech” the “Global Startup Expo” or “STS Forum” and, together with the SBH, at “Bio Japan” and “Smart Energy Week”. In 2024, it supported 63 startups, in particular within the context of the Innosuisse Internationalisation Camp.

In their efforts, the official representations of Switzerland work closely together with the Swiss Chamber of Commerce and Industry in Japan (SCCIJ), which provides a platform for Swiss companies in Japan and Japanese companies with ties to Switzerland. It has more than 200 members, about two-thirds of which are companies. The Chamber hosts events nearly every week and runs a scholarship program. It is also part of the European Business Council in Japan (EBC), which seeks to further improve the business environment for European companies. The EBC publishes a digital white paper, issues recommendations and engages in lobbying authorities. Swiss companies are encouraged to bring up potential challenges and participate in any of its 22 committees covering many sectors.

6.2 The host country's interest in Switzerland

Switzerland is primarily a summer destination for Japanese travelers. In 2024, the hotel industry recorded more than 240,000 overnight stays, a 25% increase compared to 2023. With daily expenses of CHF 290, Japanese visitors focused on high quality and are among the biggest spenders. Early figures in 2025 show relatively positive signs, with overnights reaching around 75% of the pre-pandemic level. There is a trend of a more meaningful way of traveling, increased mono-destination and long-stay products. Switzerland Tourism’s markets Switzerland as a destination for both leisure and business travel. Its office is integrated into the Embassy. Supported by the government, Japan’s railway and food businesses successfully sold train station lunchboxes called “Ekiben” at Zurich main station in February 2025, seen as a first-ever test to gauge foreign markets for the iconic product. The interest for high quality private education remains high, with Swiss boarding and hotel management schools represented in the market.

Switzerland remains the ninth most important destination for Japanese investments. Around 200 Japanese firms operate in Switzerland (sales office, R+D, regional headquarters) and are responsible for 10,000 jobs. There is an increased interest in Switzerland's ecosystem for open innovation and research and development (R&D) collaboration with Swiss innovation parks. In Japan, the Swiss financial center enjoys a strong reputation both in terms of quality and specialization of services. A number of Swiss financial service providers have established a presence in Japan.

ANNEX 1 – Economic structure

Economic structure of Japan

	Year 2018	Year 2023
Distribution of GDP		
Primary sector	0.94%	1.01%
Manufacturing sector	26.7%	26.8%
Services	72.4%	72.2%
- of which public services	4.84%	4.86%

Distribution of employment		
Primary sector	3.92%	3.43%
Manufacturing sector	22.81%	21.97%
Services	73.27%	74.61%
- of which public services	2.87%	2.99%

Source: Cabinet Office, “Gross Domestic Product and Factor Income classified by Economic Activities” (January 2025), https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2023/2023annual_report_e.html

ANNEX 2 – Main economic data

Japan's main economic data

	2024	2025	2026
GDP (USD bn)	4,026	4,186	4,373
GDP per capita (USD)	32,498	33,956	35,653
Growth rate (% of GDP)	0.08%	0.55%	0.58%
Inflation rate (%)	2.7%	2.4%	1.7%
Unemployment rate (%)	2.6%	2.6%	2.6%
Fiscal balance (% of GDP)	-2.6%	-2.8%	-3.1%
Current account balance (% of GDP)	4.8%	3.4%	3.3%
Total external debt (% of GDP)	236.7%	234.9%	233.7%

Source: IMF, World Economic Outlook (April 2025),
<https://www.imf.org/en/Publications/WEO/weo-database/2025/April>

ANNEX 3 – Trade partners

Trade partners of Japan Year: 2024

Rank	Country	Exports from host country (USD million*)	Share	Change ²⁹	Rank	Country	Imports by host country (USD million*)	Share	Change ³⁰
1	US	140,597	19.9%	5.1%	1	China	167,066	22.5%	3.6%
2	China	124,530	17.6%	6.2%	2	US	83,625	11.3%	9.6%
3	S. Korea	46,381	6.6%	6.7%	3	Australia	52,902	7.1%	-11.9%
4	Taiwan	45,344	6.4%	14.2%	4	UAE	36,824	5.0%	7.4%
5	Hong Kong	35,916	5.1%	18.8%	5	S. Korea	31,431	4.2%	9.2%
6	Thailand	26,553	3.8%	-2.3%	6	Taiwan	30,522	4.1%	-7.5%
7	Singapore	19,839	2.8%	14.2%	7	S. Arabia	29,816	4.0%	-7.3%
8	Germany	17,363	2.5%	-3.2%	8	Vietnam	26,752	3.6%	11.7%
9	India	17,196	2.4%	16.5%	9	Thailand	24,677	3.3%	3.6%
10	Vietnam	17,067	2.4%	7%	10	Indonesia	23,341	3.1%	3.5%
22	Switzerland	5,950	0.8%	20.3%	18	Switzerland	8,220	1.1%	4.9%
	EU	65,799	9.3%	-3.9%		EU	78,359	10.5%	3.9%
	Total USD	707,010	100%	6.2%		Total USD	743,111	100%	2.0%
	Total JPY	107,087,928				Total (JPY)	112,559,131		

Source: MOF, Value of Exports and Imports by Area (Country),
https://www.customs.go.jp/toukei/shinbun/trade-st/2024/2024_117.pdf

* In millions of dollars, converted from a defined average currency exchange rate for 2024 at JPY 151.47/USD

²⁹ Change from the previous year in %

³⁰ Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and Japan

	Export (CHF million)	<i>Change (%)</i>	Import (CHF million)	<i>Change (%)</i>	Balance (in million)	Volume (in million)
2019	8,136	4.8%	4,526	-3.1%	3,610	12,662
2020	7,056	-13.3%	4,989	10.2%	2,067	12,045
2021	7,716	9.4%	4,893	-1.9%	2,823	12,6009
2022	9,378	21.5%	5,720	16.9%	3,658	15,098
2023	7,682	-18.1%	6,889	20.4%	793	14,571
<i>(Total 1)*</i>	7,608	-18.1%	4,369	5.2%	3,239	11,977
2024	8,170	6.4%	7,095	3.0%	1,075	15,265
<i>(Total 1)*</i>	8,084	6.2%	4,629	6%	3,455	12,713

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

Exports	2023 (% of total)	2024 (% of total)
1. Chemical, pharmaceutical products	46.1%	46.5%
2. Precision instruments, clocks, watches, jewellery	39.9%	40.8%
3. Machines, appliances, electronics	6.2%	5.4%
4. Forestry and agricultural products, fisheries	2.9%	2.2%

Imports	2023 (% of total)	2024 (% of total)
1. Chemical, pharmaceutical products	30.7%	37.8%
2. Precious metals and gemstones	36.5%	34.7%
3. Vehicles	10.8%	8.3%
4. Machines, appliances, electronics	10.1%	8.2%

Source: Federal Office for Customs and Border Security, <https://www.gate.ezv.admin.ch/swissimpex/>

ANNEX 5 – Main investing countries

Main investing countries in Japan

Year: 2024

Rank	Country	Direct investment (USD millions*, stock)	Share	Variation (stock)	Inflows over past year (USD m)
1	United States	70'224	20.0%	-14.3%	-11'763
2	United Kingdom	59'992	17.1%	3.9%	2'244
3	Singapore	40'104	11.4%	14.6%	5'099
4	Netherlands	24'382	6.9%	11.0%	2'046
5	France	21'977	6.3%	0.98%	214
6	Hong Kong	21'516	6.1%	17.0%	3'127
7	Switzerland	19'279	5.5%	37.3%	5'240
8	Cayman Islands	16'176	4.6%	-9.6%	-1'718
9	Taiwan	9'817	2.8%	15%	1'283
10	Germany	9'322	2.7%	0.83%	77
	EU	72'070	20.5%	10.7%	6'957
	Total USD	351.9 billion	100%	4.5%	15.1 billion
	<i>Total JPY</i>	<i>53.3 trillion</i>			<i>2.3 trillion</i>

Source: Ministry of Finance, Regional Direct Investment Position (Liabilities)

https://www.mof.go.jp/policy/international_policy/reference/iip/rdip2024.xlshttps://www.mof.go.jp/policy/international_policy/reference/iip/rdip2023.xls

*Based on an average currency exchange rate for 2024 at JPY 151.47/USD.