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# Japan's Economy Increasingly Dependent on Imports

*Import ratio increases due to measures against COVID-19, greening, and digitalization.*

Economic Research Dept.  
**Wakaba Kobayashi**  
Research Division  
**Kanako Nakamura**

## Summary

- While the recovery in domestic demand, including personal consumption and capital investment, has been moderate up to this point, imports have recovered to a level prior to the spread of COVID-19, and have remained steady. With this as background, there is an increasing reliance on imports for domestic supply of goods. This is especially so for the import penetration rate in consumer goods and capital goods, which is rising.
- By product category, while the decline in shipments of a wide range of domestic products such as automobiles, household appliances, and capital goods including conveyors due to stagnant economic activities and supply constraints caused by the spread of COVID-19, imports expanded to meet demand for countermeasures against infectious diseases such as COVID-19 vaccines, as well as demand for products oriented towards greening and digitalization, such as photovoltaic modules, power conversion equipment, and semiconductors including integrated circuits. Substitution of imported products for domestic products was seen only in some electrical machinery and petroleum products, and this substitution has not necessarily brought downward pressure on GDP through the rising import penetration rate. Domestic products shipments will gradually recover as the economy recovers and supply constraints relax. Import penetration will gradually decline, but the effect of this on GDP expansion is expected to be limited.
- When analyzed using the Input-Output Table, the impact of substitution of imported products for domestic products has been minor. However, attention should be paid to the decline in the international competitiveness of domestic products when it comes to items indispensable for greening and digitalization. If, in the future, greening and digitalization-related percentages of private capital investment increase, and dependence on imports grows, the impact on production will also increase.

Attention

This report is a summary translation. The official document is only in Japanese.