

# WEAK CURRENCY BOOSTS THE PURCHASING POWER OF FOREIGN TOURISTS IN JAPAN



The yen's current weakness is boosting the purchasing power of a record number of foreign tourists visiting Japan, making it a more affordable destination for travelers looking to save money.

## Record Number of Visitors in March

According to JNTO (the Japan National Tourism Organization), the Japanese archipelago welcomed some 3.1 million foreign tourists in March, an absolute one-month record. **This is notably attributed to the cherry blossom season and the exchange rate.**

During the first quarter of 2024, foreign tourists visiting Japan increased their average spending per person by 52% compared to the same period in 2019, which was the pre-pandemic reference year. This has caused a rise in prices, such as a bowl of ramen noodles that now cost 8 euros, compared to 5.8 euros at the beginning of the week. Additionally, luxury watches that cost the equivalent of 5,600 euros in 2019 are now worth only around 4,000 euros. However, tourists can benefit from a tax refund by presenting their passports.

According to the JNTO statistics, Australian holidaymakers are the top spenders, followed by the British and the Spanish. While this situation is good news for traders, it is negatively affecting the consumption of Japanese households, which has been in constant decline since March 2023. Japanese people are experiencing weakened purchasing power due to inflation and the yen's weakness, which is linked to the discrepancy between Japan's accommodative monetary policy and those observed in the United States or Europe.

## Japan Should Remain an Attractive Tourist Destination

Japanese media have been surprised by the recent opening of new restaurants with prices explicitly aimed at tourists, which are too expensive for the average Japanese salary in yen. According to Akiko Kohsaka, a tourism economist at the Japan Research Institute, even beyond currency effects, **Japanese products and services in Japan may seem inexpensive to tourists, especially for the quality they receive in exchange.**

However, the cheap yen can encourage tourists to spend more money, which can help boost the economy. For instance, tourists may opt to stay in better hotels, extend their stay in Japan, or purchase branded items. Kohsaka is confident that Japan will remain attractive even if the national currency recovers. The figures prove her right: Japan was one of the first Asian destinations to recover spectacularly after the end of the health crisis.

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