

Country Report Japan

Chemical industry data and facts

September 2024

Japan's chemical industry in crisis

In 2023, the chemical and pharmaceutical industry in Japan generated a turnover of 199.1 billion euros, falling below the 200 billion euro mark for the first time since 2010. Although this still put Japan in fourth place behind China, the USA and Germany in terms of the highest turnover in the chemical industry, the gap to Germany increased significantly. On the other hand, it was only 3.5 billion short of the next-ranked country, India. Japan's chemical and pharmaceutical industry is at risk of losing a great deal of its importance.

In 2023, Japan's chemical and pharmaceutical production was down 3.9 per cent on the previous year. This accelerated the downward trend in Japan. Over the past five years, the average decline was 2.3 per cent. While pharmaceutical production increased, the decline was due to the development of chemical production. High prices for raw materials and energy, as well as weak demand from China – Japan's most important sales market – and other countries, slowed chemical production. Investments in the industry, which had remained almost constant in recent years, fell sharply by 5.6 per cent in 2023. Japan invested around 9.2 billion euros in its chemical and pharmaceutical plants.

HIGH DEMAND FOR PHARMACEUTICALS

Japan's chemical and pharmaceutical industry is heavily geared towards basic chemicals – with a particular focus on petrochemicals. 22.5 per cent of sales in 2023 were accounted for by petrochemicals. However, this represented a significant decline compared to previous years. Inorganic chemicals, on the other hand, saw strong growth. The share of sales of fine and speciality chemicals also declined, with their overall share for an industrialised country like Japan being very weak. The share of pharmaceuticals is also lower than in the past.

The Japanese trade balance in chemical-pharmaceutical products was negative in 2023 for the second year in a row. Although the trade deficit narrowed considerably compared to 2022, it still amounted to 3.2 billion euros. The deficit was most recently due exclusively to the sharp increase in imports of pharmaceuticals, which now account for over 40 per cent of imports. Domestic production is far from able to meet the strong demand. By contrast, the trade balance for chemical products (excluding pharmaceuticals) was positive.

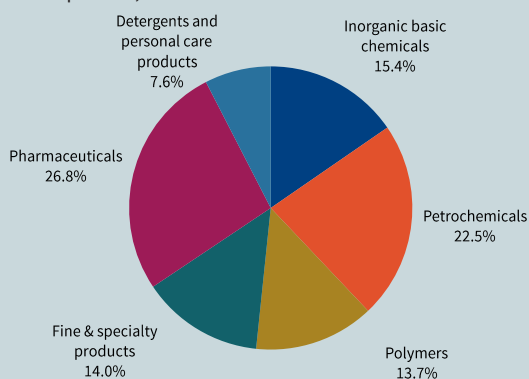
AFTER CHINA, GERMANY'S MOST IMPORTANT TRADE PARTNER IN ASIA

In 2023, Germany exported chemical and pharmaceutical goods worth around 5.9 billion euros to Japan. These accounted for around 2.3 per cent of German chemical and pharmaceutical exports. Conversely, 2.2 per cent of German chemical and pharmaceutical imports came from Japan. In 2023, these were goods worth 3.9 billion euros. The trade balance with Japan was thus positive again. In Asia, Japan is Germany's most important trading partner after China.

As a production location, Japan plays only a minor role for German companies. Less than 1 per cent of direct investment was made in Japan in 2022. In 2021 (more recent data is not available), 24 subsidiaries of German chemical and pharmaceutical companies were active in Japan. Together, they generated a turnover of around 5.7 billion euros and employed 5,000 people.

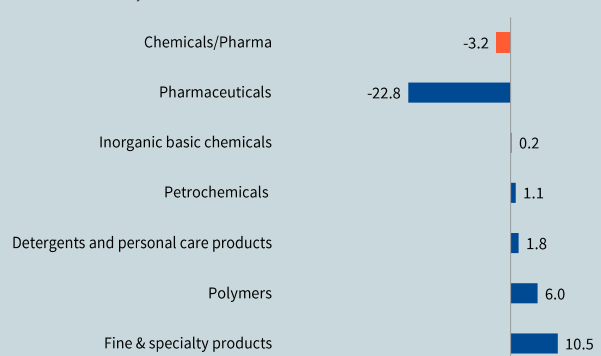
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Structure of Japan's chemical industry
shares in percent, 2023



Sources: Chemdata International, VCI

Japan's trade balance for chemicals
in billion euro, 2023



Sources: Chemdata International, VCI