

Japan's Current Account Surplus Continues



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Japan's Balance of Payments

The Balance of Payments (BOP) is a statistical statement that systematically summarizes the economic transactions of an economy with the rest of the world during any given period. Each transaction is categorized as Current Account, Financial Account, and Capital Account depending on its content. Of these, the most closely monitored statistic is the Current Account which records transactions and current transfers of goods, services and income.

Japan's Current Account has continued to show a surplus for a number of years. Available data under the current standard is limited to data from 1996 onwards, but going back in time and looking at data under the old standard, the Current Account has continued to be in surplus for 35 years since it first went into surplus in 1981. On the other hand, the leading component of the surplus has been changing. Until the early 2000s, the leading component of the surplus was the Trade Balance of goods which subtracts the import value of goods from the export value of goods. But in recent years, the center of the surplus has become Primary Income which subtracts overseas payments from overseas interest and dividend receipts (*Chart 1*).

The theoretical relationship of the three balances in the Balance of Payments is "Current Account + Capital Account – Financial Account = 0". Countries with a Current Account surplus basically have a Financial Account surplus, or in other words, tend to have higher overseas investment over domestic investment. Japan has high overseas investment, and its fruit returns to Japan as interest and dividends, and therefore this contributes to a Primary Account surplus.

The Current Account surplus trend

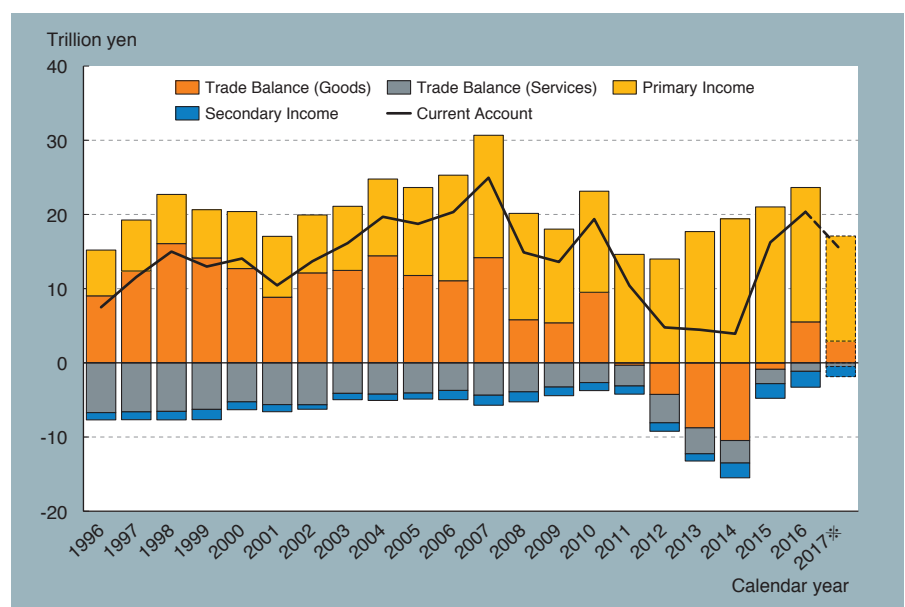
continues this year and the cumulative amount of surplus from January to August is 15.2 trillion yen. The rate of increase is about the same as in 2016.

Service Account Deficit Shrinking

Looking at the breakdown and the pattern of Japan's Current Account, for many years the Trade Balance of goods remained in surplus, while the Trade Balance of services was in deficit. The Trade Balance of goods went into deficit in 2011 with the Great East Japan Earthquake, but eventually came back into surplus after 2016 with the impact of falling oil prices and other factors.

Meanwhile, the Trade Balance of services deficit is steadily shrinking (*Chart 2*). One of the forces behind this is the balance of Charges for

CHART 1
Trend in current account



Note: The number in 2017 is cumulative amount from January to August
Source: "Balance of Payments", Ministry of Finance

the Use of Intellectual Property n.i.e. in surplus since 2003, and the amount of this surplus is expanding every year. The main reason behind this is thought to be that as Japanese manufacturing businesses expand into overseas markets, they are receiving royalties from their local subsidiaries, based on the performance of local production, on patents and know-how that the Japanese parent company own.

Another force is the Travel Balance which has been in surplus since 2015. This reflects the fact that the amount foreign tourists are spending in Japan exceeds the amount Japanese residents are spending overseas. In the early 2000s, the number of foreign visitors coming to Japan was less than 5 million a year, but this number has now expanded to 24 million in 2016.

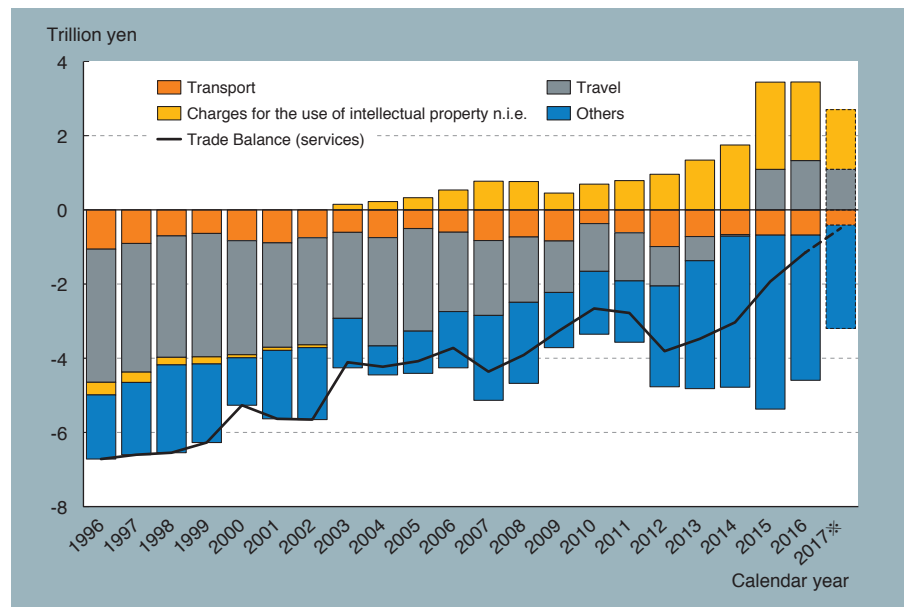
Standard Revision in 2014 & Important Points on Data Observation

Japan's BOP statistics are compiled in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) published by the International Monetary Fund (IMF) in 2008. While the Imports and Exports of the Trade Statistics introduced in the previous article of this series count goods and services that passed through customs, the Balance of Payments focuses on and records the transfer of ownership between residents and non-residents.

BPM6 has been revised to reflect being thorough in this transfer of ownership principle. For example, if a resident purchases wealth from a non-resident and resells it to another resident without passing through customs, and if the resident who purchased the goods then resells them to another non-resident, then the transactions of the first and the last non-resident will each be recorded as import and export.

Therefore, there are instances where the import and export value differ greatly between the Trade Statistics and the Balance of

CHART 2
Trend in trade balance (services)



Note: The number in 2017 is cumulative amount from January to August
Source: "Balance of Payments", Ministry of Finance

Payments. It is especially apparent for the 2014 data when the standard year was revised. While exports in the Trade Statistics grew by 4.8% compared to the previous year, exports in the Balance of Payments grew by 9.2%, and imports in the Trade Statistics grew by 5.7% while imports in the Balance of Payments grew by 10.4%, both showing a growth rate of double for the Balance of Payments data. This is because data before 2013 were simply rearrangements of data based on the old standard (BPM5). It is important to note this point when observing the trends in data sets.

Note: This article has been written based on available information as of Oct. 10, 2017. **JS**

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ECONOMIC INDICATORS FOR JAPAN

| Calendar year, Quarter and Month | Real GDP | | Nominal GDP | | IIP rate of increase over previous year/term (month) (%) | CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%) |
|----------------------------------|--|--|-----------------------|--|---|---|
| | Amount (trillion yen) | Rate of increase over previous year/term (%) | Amount (trillion yen) | Rate of increase over previous year/term (%) | | |
| 2008 | 499.3 | -1.1 | 520.7 | -2.1 | -3.4 | 1.5 |
| 2009 | 472.2 | -5.4 | 489.5 | -6.0 | -21.9 | -1.3 |
| 2010 | 492.0 | 4.2 | 500.4 | 2.2 | 15.6 | -1.0 |
| 2011 | 491.5 | -0.1 | 491.4 | -1.8 | -2.8 | -0.3 |
| 2012 | 498.8 | 1.5 | 495.0 | 0.7 | 0.6 | -0.1 |
| 2013 | 508.8 | 2.0 | 503.2 | 1.7 | -0.8 | 0.4 |
| 2014 | 510.5 | 0.3 | 513.7 | 2.1 | 2.1 | 2.6 |
| 2015 | 516.2 | 1.1 | 530.2 | 3.2 | -1.2 | 0.5 |
| 2016 | 521.5 | 1.0 | 537.1 | 1.3 | -0.1 | -0.3 |
| 2016/3rd Qtr. | 522.3 | 0.2 | 536.6 | 0.0 | 1.6 | -0.5 |
| 4th Qtr. | 524.4 | 0.4 | 539.4 | 0.5 | 1.8 | -0.3 |
| 2017/1st Qtr. | 525.9 | 0.3 | 538.8 | -0.1 | 0.2 | 0.2 |
| 2nd Qtr. | 529.2 | 0.6 | 542.8 | 0.7 | 2.1 | 0.4 |
| 2017/Jan. | — | — | — | — | -2.1 | 0.1 |
| Feb. | — | — | — | — | 3.2 | 0.2 |
| Mar. | — | — | — | — | -1.9 | 0.2 |
| Apr. | — | — | — | — | 4.0 | 0.3 |
| May | — | — | — | — | -3.6 | 0.4 |
| Jun. | — | — | — | — | 2.2 | 0.4 |
| Jul. | — | — | — | — | -0.8 | 0.5 |
| Aug. | — | — | — | — | 2.0 | 0.7 |
| Sources | "SNA (National Accounts of Japan)", Cabinet Office | | | | "Indices of Industrial Production", Ministry of Economy, Trade and Industry | "Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|-------------------------------|---|-------------------------------------|---|---------------------------------------|---|-------------------------------------|---|
| | Exports amount (trillion yen) | Exports rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount (trillion yen) | Imports rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to US (trillion yen) | Exports to US rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from US (trillion yen) | Imports from US rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to EU (trillion yen) | Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2008 | 81.0 | -3.5 | 79.0 | 8.0 | 14.2 | -15.9 | 8.0 | -3.7 | 11.4 | -7.8 |
| 2009 | 54.2 | -33.1 | 51.5 | -34.8 | 8.7 | -38.6 | 5.5 | -31.4 | 6.7 | -41.0 |
| 2010 | 67.4 | 24.4 | 60.8 | 18.0 | 10.4 | 18.8 | 5.9 | 7.2 | 7.6 | 12.8 |
| 2011 | 65.5 | -2.7 | 68.1 | 12.1 | 10.0 | -3.4 | 5.9 | 0.3 | 7.6 | 0.0 |
| 2012 | 63.7 | -2.7 | 70.7 | 3.8 | 11.2 | 11.7 | 6.1 | 2.5 | 6.5 | -14.7 |
| 2013 | 69.8 | 9.5 | 81.2 | 14.9 | 12.9 | 15.6 | 6.8 | 12.0 | 7.0 | 7.7 |
| 2014 | 73.1 | 4.8 | 85.9 | 5.7 | 13.6 | 5.6 | 7.5 | 10.7 | 7.6 | 8.4 |
| 2015 | 75.6 | 3.4 | 78.4 | -8.7 | 15.2 | 11.5 | 8.1 | 6.9 | 8.0 | 5.3 |
| 2016 | 70.0 | -7.4 | 66.0 | -15.8 | 14.1 | -7.1 | 7.3 | -9.2 | 8.0 | -0.0 |
| 2016/3rd Qtr. | 17.0 | -10.2 | 16.1 | -19.3 | 3.3 | -11.6 | 1.8 | -10.1 | 1.9 | -2.3 |
| 4th Qtr. | 18.5 | -1.9 | 17.2 | -9.3 | 3.8 | -3.9 | 1.9 | -2.2 | 2.0 | -5.3 |
| 2017/1st Qtr. | 19.0 | 8.5 | 18.7 | 8.6 | 3.6 | -0.7 | 2.0 | 9.2 | 2.1 | -0.1 |
| 2nd Qtr. | 18.8 | 10.5 | 18.1 | 16.2 | 3.6 | 6.8 | 2.0 | 12.1 | 2.1 | 10.0 |
| 2017/Jan. | 5.4 | 1.3 | 6.5 | 8.4 | 1.1 | -6.6 | 0.7 | 11.9 | 0.6 | -5.6 |
| Feb. | 6.3 | 11.3 | 5.5 | 1.3 | 1.2 | 0.4 | 0.6 | -0.6 | 0.7 | 3.3 |
| Mar. | 7.2 | 12.0 | 6.6 | 15.9 | 1.4 | 3.5 | 0.7 | 16.4 | 0.8 | 1.4 |
| Apr. | 6.3 | 7.5 | 5.9 | 15.2 | 1.2 | 2.6 | 0.6 | 9.8 | 0.7 | 2.2 |
| May | 5.9 | 14.9 | 6.1 | 17.9 | 1.1 | 11.6 | 0.7 | 7.4 | 0.7 | 19.8 |
| Jun. | 6.6 | 9.7 | 6.2 | 15.5 | 1.3 | 7.1 | 0.7 | 19.3 | 0.7 | 9.6 |
| Jul. | 6.5 | 13.4 | 6.1 | 16.3 | 1.3 | 11.5 | 0.7 | 14.0 | 0.7 | 8.3 |
| Aug. | 6.3 | 18.1 | 6.2 | 15.2 | 1.2 | 21.8 | 0.6 | 5.7 | 0.7 | 13.7 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |

ECONOMIC INDICATORS FOR JAPAN

| Calendar year, Quarter and Month | Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%) | Active job openings-to-applicants ratio (time(s)) | Unemployment rate (%) | M2 rate of increase over previous year/ the same term (month) of the previous year (%) | Balance of payments | | Yen/\$ rate (averaged during the term) |
|----------------------------------|--|--|---|--|--|--------------------------------|--|
| | | | | | Trade balance (trillion yen) | Current balance (trillion yen) | |
| 2008 | -0.3 | 0.88 | 4.0 | 2.1 | 5.8 | 14.9 | 103.3 |
| 2009 | -3.9 | 0.47 | 5.1 | 2.7 | 5.4 | 13.6 | 93.5 |
| 2010 | 0.5 | 0.52 | 5.1 | 2.8 | 9.5 | 19.4 | 87.8 |
| 2011 | -0.2 | 0.65 | 4.6 | 2.7 | -0.3 | 10.4 | 79.8 |
| 2012 | -0.9 | 0.80 | 4.3 | 2.5 | -4.3 | 4.8 | 79.8 |
| 2013 | -0.4 | 0.93 | 4.0 | 3.6 | -8.8 | 4.5 | 97.6 |
| 2014 | 0.4 | 1.09 | 3.6 | 3.4 | -10.5 | 3.9 | 105.8 |
| 2015 | 0.1 | 1.20 | 3.4 | 3.6 | -0.9 | 16.2 | 121.0 |
| 2016 | 0.5 | 1.36 | 3.1 | 3.4 | 5.5 | 20.3 | 108.8 |
| 2016/3rd Qtr. | 0.5 | 1.37 | 3.1 | 3.3 | 1.5 | 5.8 | 102.4 |
| 4th Qtr. | 0.4 | 1.41 | 3.0 | 3.7 | 1.7 | 4.1 | 109.4 |
| 2017/1st Qtr. | 0.2 | 1.44 | 2.9 | 4.1 | 1.1 | 6.0 | 113.6 |
| 2nd Qtr. | 0.5 | 1.49 | 2.9 | 3.9 | 0.9 | 4.6 | 111.1 |
| 2017/Jan. | 0.3 | 1.43 | 3.0 | 3.9 | -0.8 | 0.1 | 114.7 |
| Feb. | 0.4 | 1.43 | 2.8 | 4.1 | 1.1 | 2.9 | 113.1 |
| Mar. | 0.0 | 1.45 | 2.8 | 4.2 | 0.9 | 3.0 | 113.0 |
| Apr. | 0.5 | 1.48 | 2.8 | 3.9 | 0.5 | 2.0 | 110.1 |
| May | 0.6 | 1.49 | 3.1 | 3.8 | -0.1 | 1.7 | 112.2 |
| Jun. | 0.4 | 1.51 | 2.8 | 3.9 | 0.5 | 0.9 | 110.9 |
| Jul. | -0.6 | 1.52 | 2.8 | 4.0 | 0.6 | 2.3 | 112.5 |
| Aug. | 0.9 | 1.52 | 2.8 | 4.0 | 0.3 | 2.4 | 109.9 |
| Sources | "Monthly Labour Survey", Ministry of Health, Labour and Welfare | "Employment Referrals for General Workers", Ministry of Health, Labour and Welfare | "Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications | "Money Stock", Bank of Japan | "Balance of Payments", Ministry of Finance | | Bank of Japan |

| Calendar year, Quarter and Month | Foreign Trade Statistics | | | | | | | | | |
|----------------------------------|--|---|---|---|---|---|--|--|--|--|
| | Imports amount from EU (trillion yen) | Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to Asia (excluding China) (trillion yen) | Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from Asia (excluding China) (trillion yen) | Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%) | Exports amount to China (trillion yen) | Exports to China rate of increase over previous year/ the same term (month) of the previous year (%) | Imports amount from China (trillion yen) | Imports from China rate of increase over previous year/ the same term (month) of the previous year (%) |
| 2008 | 7.3 | -4.8 | 27.0 | -2.0 | 17.2 | 4.1 | 12.9 | 0.9 | 14.8 | -1.4 |
| 2009 | 5.5 | -24.3 | 19.1 | -29.3 | 11.6 | -32.8 | 10.2 | -21.0 | 11.4 | -22.9 |
| 2010 | 5.8 | 5.5 | 24.7 | 29.5 | 14.1 | 22.0 | 13.1 | 27.8 | 13.4 | 17.3 |
| 2011 | 6.4 | 10.1 | 23.8 | -3.9 | 15.7 | 11.7 | 12.9 | -1.4 | 14.6 | 9.2 |
| 2012 | 6.6 | 3.6 | 23.3 | -1.8 | 16.3 | 3.3 | 11.5 | -10.8 | 15.0 | 2.7 |
| 2013 | 7.6 | 15.2 | 25.2 | 8.1 | 18.3 | 12.6 | 12.6 | 9.7 | 17.7 | 17.4 |
| 2014 | 8.2 | 6.8 | 26.1 | 3.5 | 19.4 | 6.2 | 13.4 | 6.0 | 19.2 | 8.6 |
| 2015 | 8.6 | 5.6 | 27.1 | 3.7 | 18.9 | -2.6 | 13.2 | -1.2 | 19.4 | 1.3 |
| 2016 | 8.2 | -5.5 | 24.7 | -8.7 | 16.2 | -14.5 | 12.4 | -6.5 | 17.0 | -12.4 |
| 2016/3rd Qtr. | 2.0 | -10.9 | 6.1 | -10.5 | 3.9 | -17.4 | 3.0 | -10.8 | 4.2 | -17.8 |
| 4th Qtr. | 2.1 | -9.9 | 6.6 | 1.3 | 4.2 | -9.1 | 3.5 | 2.4 | 4.4 | -11.1 |
| 2017/1st Qtr. | 2.1 | -1.7 | 6.9 | 13.9 | 4.6 | 6.4 | 3.4 | 16.3 | 4.5 | 0.8 |
| 2nd Qtr. | 2.1 | 9.9 | 6.7 | 11.6 | 4.5 | 16.5 | 3.6 | 19.2 | 4.3 | 7.4 |
| 2017/Jan. | 0.7 | -4.5 | 2.0 | 7.4 | 1.6 | 6.7 | 0.9 | 3.1 | 1.8 | 7.3 |
| Feb. | 0.7 | -7.4 | 2.3 | 17.5 | 1.4 | 1.3 | 1.2 | 28.2 | 1.1 | -17.9 |
| Mar. | 0.7 | 7.1 | 2.6 | 16.3 | 1.6 | 10.9 | 1.3 | 16.4 | 1.6 | 10.4 |
| Apr. | 0.7 | 5.5 | 2.3 | 10.9 | 1.4 | 13.2 | 1.2 | 14.8 | 1.4 | 7.5 |
| May | 0.7 | 12.5 | 2.1 | 13.4 | 1.5 | 19.6 | 1.1 | 23.8 | 1.4 | 9.6 |
| Jun. | 0.7 | 11.6 | 2.3 | 10.6 | 1.6 | 16.7 | 1.2 | 19.6 | 1.5 | 5.2 |
| Jul. | 0.7 | 3.2 | 2.3 | 13.4 | 1.6 | 23.2 | 1.2 | 17.7 | 1.5 | 13.2 |
| Aug. | 0.8 | 12.4 | 2.3 | 17.0 | 1.5 | 16.4 | 1.2 | 25.8 | 1.5 | 11.0 |
| Sources | "Trade Statistics of Japan", Ministry of Finance | | | | | | | | | |