

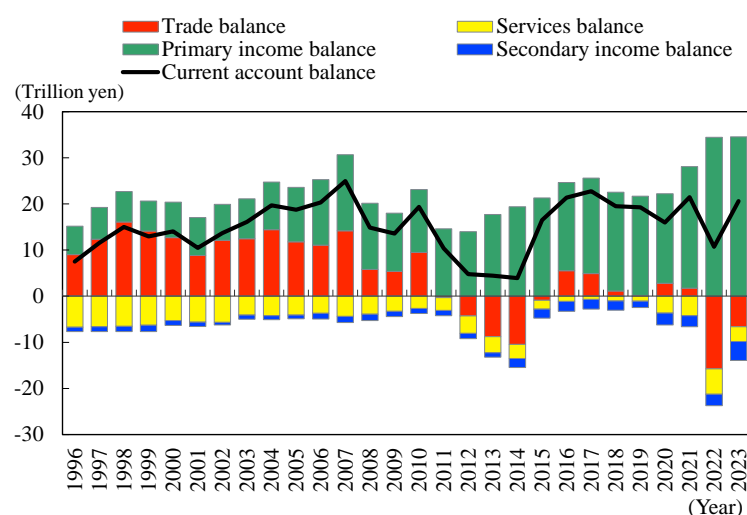
Section 2 Trends in the Japanese current account balance

The previous section looked at trends concerning Japanese global companies and global value chains surrounding those companies. This section examines the trends in Japanese goods and services trade and investments by looking at Japan's current account balance. In 2022, while Japan recorded the largest-ever trade deficit due to resource price rises and the yen's depreciation, its current account balance was underpinned by the primary income surplus, which hit a record high. In 2023, because of the narrowing of the trade deficit caused by a decrease in the value of imports of mineral fuels due to a lull in resource price rises, the current account surplus expanded from the previous year. Below, we look at the status of the current account balance in detail.

1. Current account balance

In 2023, the current account balance registered a surplus of 20,629.5 billion yen, up 92.5% from the surplus of 10,714.4 billion yen in the previous year (Figure I-3-2-1). A breakdown of the current account balance shows that the primary income surplus again hit a record high, as it did in the previous year. On the other hand, the trade balance and services balances again recorded deficits, as they did in the previous year, but the deficits narrowed from the previous year, leading to the expansion of the current account balance.

Figure I-3-2-1. Changes in current account balance in Japan



Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

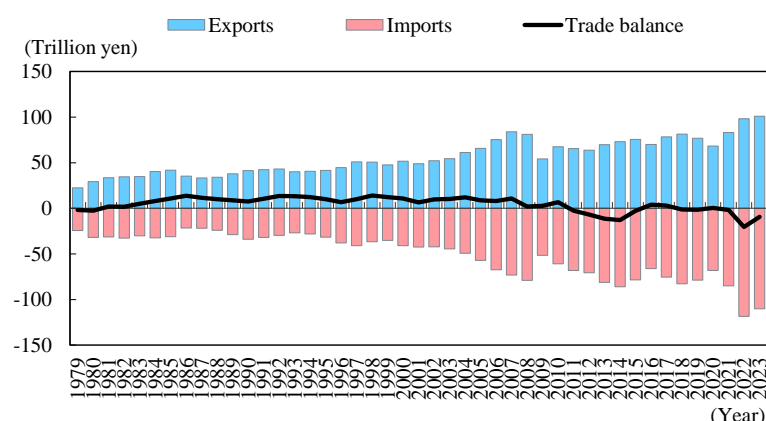
2. Trade balance

In 2023, the trade balance registered a deficit of 6,629.0 billion yen, narrowing 57.9% from the deficit of 15,743.6 billion yen in the previous year.²⁵ If we look at the trade balance in terms of export and import value based on the Trade Statistics, compiled by the Ministry of Finance, we find that the

²⁵ Ministry of Finance and Bank of Japan, *Balance of Payments Related Statistics*.

export value increased 2.8% from the previous year to 100,873.8 billion yen, while the import value declined 7.0% to 110,195.6 billion yen. The net effect was the narrowing of the trade deficit (Figure I-3-2-2).

Figure I-3-2-2. Changes in trade balance in Japan



Note: The data in 2023 are confirmed values. The figure shows the import values with the positive and negative values reversed.

Source: *Trade Statistics of Japan* (MOF).

Looking at the export value by item, we find that an increase in exports of transportation equipment (mainly vehicles) contributed to the rise in the overall export value, whereas decreases in exports of chemicals, mineral fuels, and electrical machinery (mainly semiconductors, etc.) made a negative contribution (Table I-3-2-3).

Table I-3-2-3. Export value in Japan (by major item)

	Export value (billion yen) 2022	Export value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (% pts) 2022→2023
Total	98,173.6	100,873.8	2.8	2.8
Food	1,136.6	1,127.4	-0.8	0.0
Crude materials	1,582.9	1,606.7	1.5	0.0
Mineral fuels	2,196.8	1,616.6	-26.4	-0.6
Chemicals	11,793.8	11,024.0	-6.5	-0.8
Manufactured goods	11,818.1	11,544.5	-2.3	-0.3
Machinery	18,908.9	18,446.1	-2.4	-0.5
Electrical machinery	17,337.1	16,749.0	-3.4	-0.6
Transport equipment	19,057.0	23,632.7	24.0	4.7
Others	14,342.5	15,126.9	5.5	0.8

Note: The data in 2023 are confirmed values.

Source: *Trade Statistics of Japan* (MOF).

On the import side, a steep decline in imports of mineral fuels due to a lull in resource price rises contributed to the decrease in the overall import value. Declines in imports of chemicals and manufactured goods (mainly non-ferrous metals) also contributed to the decrease in the overall import value (Table I-3-2-4).

Table I-3-2-4. Import value in Japan (by major item)

	Import value (billion yen) 2022	Import value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (%pts) 2022→2023
Total	118,503.2	110,195.6	-7.0	-7.0
Food	9,494.2	9,339.0	-1.6	-0.1
Crude materials	8,149.7	7,185.6	-11.8	-0.8
Mineral fuels	33,699.0	27,333.8	-18.9	-5.4
Chemicals	13,331.4	11,547.6	-13.4	-1.5
Manufactured goods	10,276.8	9,068.2	-11.8	-1.0
Machinery	9,286.9	9,593.9	3.3	0.3
Electrical machinery	17,285.6	17,819.5	3.1	0.5
Transport equipment	3,389.1	4,133.6	22.0	0.6
Others	13,590.4	14,174.5	4.3	0.5

Note: The data in 2023 are confirmed values.

Source: *Trade Statistics of Japan* (MOF).

By region, while increases in exports to the United States and the EU contributed to the increase in the overall export value, exports to Asia, including China, NIEs3, and ASEAN, decreased (Table I-3-2-5).

Table I-3-2-5. Export value in Japan (by major region)

	Export value (billion yen) 2022	Export value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes(%pts) 2022→2023
Total	98,173.6	100,873.8	2.8	2.8
China	19,003.7	17,764.1	-6.5	-1.3
NIEs3	18,321.1	17,177.1	-6.2	-1.2
ASEAN	15,543.9	14,717.5	-5.3	-0.8
India	1,831.4	2,235.2	22.0	0.4
Other Asian countries	706.2	604.1	-14.5	-0.1
Oceania	2,815.7	3,018.5	7.2	0.2
U.S.	18,255.0	20,260.3	11.0	2.0
Central and South America	3,736.9	4,352.2	16.5	0.6
EU	9,358.5	10,374.3	10.9	1.0
Middle East	2,781.5	3,551.8	27.7	0.8
Africa	1,271.8	1,399.1	10.0	0.1
Others	4,547.8	5,419.6	19.2	0.9

Notes: The data in 2023 are confirmed values. NIEs3 in this table consists of the ROK, Taiwan, and Hong Kong.

Source: *Trade Statistics of Japan* (MOF).

As for imports, there was not a significant increase in imports from any region, while the overall value of imports from most regions declined. In particular, imports from Oceania and the Middle East, which are major import sources of mineral fuels, decreased, contributing to the decline in the overall import value (Table I-3-2-6).

Table I-3-2-6. Import value in Japan (by major region)

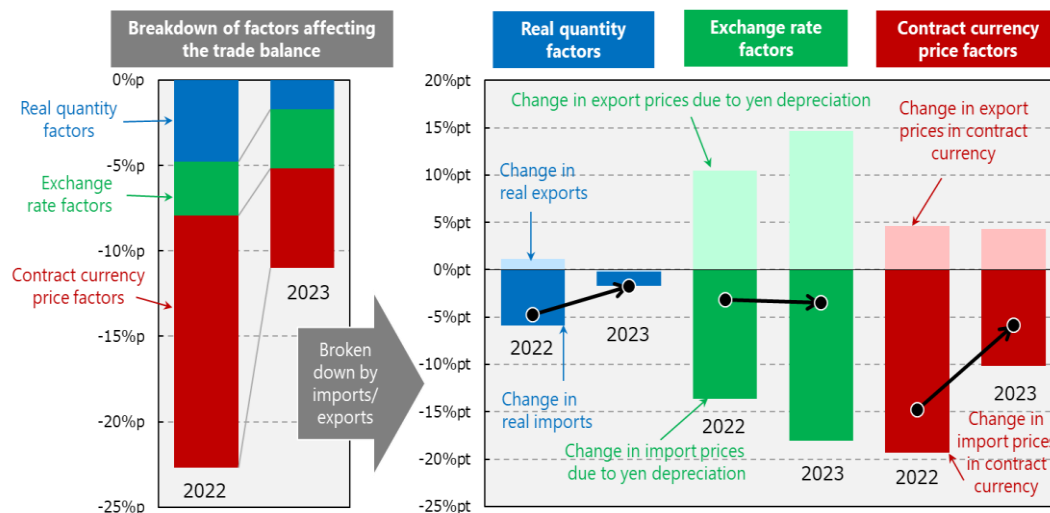
	Import value (billion yen) 2022	Import value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes(%pts) 2022→2023
Total	118,503.2	110,195.6	-7.0	-7.0
China	24,849.7	24,419.6	-1.7	-0.4
NIEs3	9,660.8	9,569.6	-0.9	-0.1
ASEAN	17,715.5	16,904.8	-4.6	-0.7
India	852.5	789.4	-7.4	-0.1
Other Asian countries	322.0	302.1	-6.2	0.0
Oceania	12,693.0	9,969.0	-21.5	-2.3
U.S.	11,758.9	11,546.5	-1.8	-0.2
Central and South America	4,853.5	4,724.0	-2.7	-0.1
EU	11,445.7	11,300.7	-1.3	-0.1
Middle East	15,607.8	13,330.1	-14.6	-1.9
Africa	1,980.8	1,518.0	-23.4	-0.4
Others	6,762.9	5,821.7	-13.9	-0.8

Note: The data in 2023 are confirmed values. NIEs3 in this table consists of the ROK, Taiwan, and Hong Kong.

Source: *Trade Statistics of Japan* (MOF).

In 2023, the yen depreciation trend continued from 2022. We identify the effects of this trend on the trade balance by looking at changes in the trade balance as broken down into three types of factors, i.e., real quantity factors, exchange rate factors, and contract currency price factors (Figure I-3-2-7). As was pointed out in the White Paper on International Economy and Trade 2024, Japan was confronted with its largest-ever trade deficit in 2022, which was attributable mainly to contract currency price factors, particularly a rise in mineral fuel import prices. In 2023, as the rise in mineral fuel import prices came to a lull, the pressure from contract currency price factors to tilt the trade balance toward the deficit side decreased, leading to an improvement in the trade balance. Moreover, while a rise in yen-denominated import prices due to the yen depreciation made a negative contribution to the trade balance, a rise in yen-denominated export prices made a positive contribution. The net effect of these price developments due to the yen depreciation was limited in 2023, as it was in 2022. On the other hand, although the yen depreciation provided a good opportunity for exports, the export value in real terms continued to be lacking in growth. One possible factor behind that situation is the fact that the yen depreciation's effect of increasing the export volume takes time to appear, and another is companies' tendency to seek the benefits of exports from exchange gains, rather than from a volume increase. Going forward, strengthening export competitiveness will also be a challenge.

Figure I-3-2-7. Breakdown of factors affecting the trade balance
(change from 2021 levels, estimates)



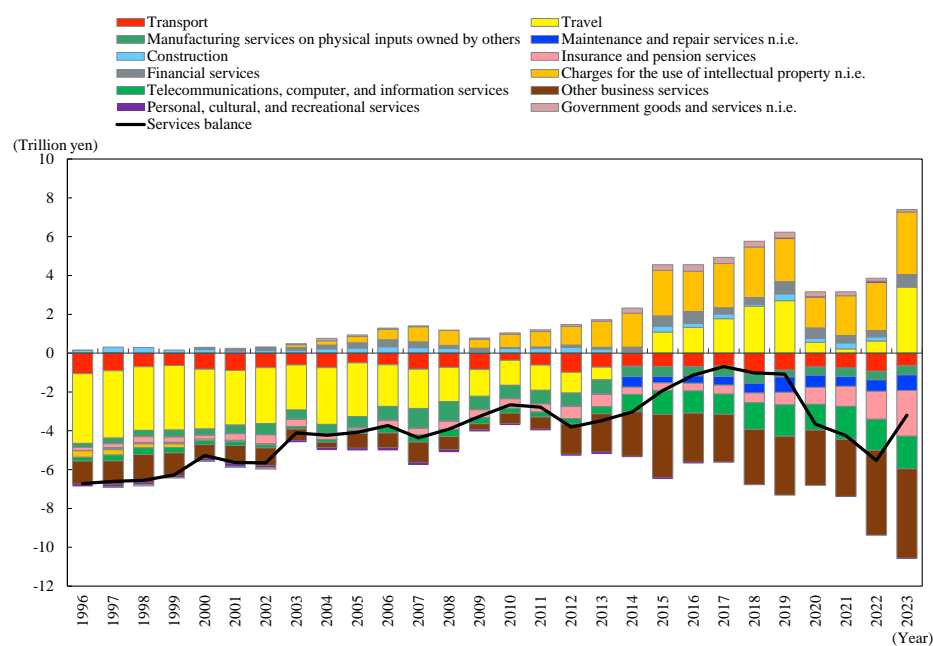
Note: For details of the analysis method, see Figure II-2-2-1 of the *White Paper on International Economy and Trade 2024*.

Source: *Corporate Goods Price Index and Real Exports and Imports* (Bank of Japan).

3. Services balance

In 2023, the services balance recorded a deficit of 3,202.6 billion yen, narrowing 42.1% from the deficit of 5,528.8 billion yen in the previous year (Figure I-3-2-8).

Figure I-3-2-8. Changes in services balance in Japan



Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

A breakdown of the services trade balance shows that the narrowing of the deficit was attributable mainly to an increase in travel-related receipts. As the number of foreign tourists to Japan recovered to around 80%²⁶ of the level before the COVID-19 pandemic, the value of travel-related receipts, which represents the value of consumption by foreign tourists in Japan, came to 5,224.1 billion yen, expanding 330.1% from 1,214.7 billion yen in the previous year (Table I-3-2-9). The value of travel-related payments, which represent the value of consumption by Japanese tourists abroad, came to 1,820.3 billion yen, up 208.2% from 590.6 billion yen in the previous year (Table I-3-2-10). The travel balance surplus increased from 624.2 billion yen in the previous year to a record high of 3,403.7 billion yen.

Regarding charges for the use of intellectual property, the surplus increased to 3,221.0 billion yen from 2,466.7 billion yen in the previous year due to an increase in receipts of charges for the use of industrial property. A breakdown of charges for the use of industrial property shows that the deficit regarding charges for the use of copyrights expanded to 1,730.0 billion yen from 1,522.3 billion in the previous year.

Regarding telecommunications, computer, and information services, the deficit increased to 1,674.5 billion yen from 1,598.8 billion yen in the previous year.

As for other business services, the deficit expanded to 4,609.7 billion yen from 4,381 billion yen in the previous year due to an increase in payments concerning professional/management/consulting services.

As described above, while the deficit in the services balance narrowed due to a recovery in in-bound tourism, the deficit in the digital sector is growing as a trend, so the challenge is taking measures to enhance the digital sector's earning power, including human resource development. It is also important to increase exports of content, an area of strength for Japan.

²⁶ Japan National Tourism Organization (JNTO), *Number of Foreign Visitors*.

Table I-3-2-9. Service-related receipts in Japan (by breakdown)

		Value (billion yen) 2022	Value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (%pts) 2022→2023
Service receipts		22,275.0	28,755.0	29.1	29.1
	Transport	3,867.5	4,197.9	8.5	1.5
	Travel	1,214.7	5,224.1	330.1	18.0
		17,192.7	19,333.1	12.4	9.6
	Manufacturing services on physical inputs owned by others	197.3	210.5	6.7	0.1
	Maintenance and repair services n.i.e.	171.5	209.5	22.1	0.2
	Construction	936.3	941.1	0.5	0.0
	Insurance and pension services	278.1	312.5	12.4	0.2
	Financial services	1,564.5	1,873.1	19.7	1.4
	Charges for the use of intellectual property n.i.e.	6,109.3	7,242.7	18.6	5.1
	Charges for the use of copyrights n.i.e.	892.0	843.7	-5.4	-0.2
	Telecommunications, computer, and information services	1,353.0	1,566.0	15.7	1.0
	Other business services	5,880.0	6,258.7	6.4	1.7
	Personal, cultural, and recreational services	254.4	235.5	-7.4	-0.1
	Government goods and services n.i.e.	448.3	483.4	7.8	0.2

Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

Table I-3-2-10. Service-related payments (by breakdown)

		Value (billion yen) 2022	Value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (%pts) 2022→2023
Service- related payments		27,803.7	31,957.7	14.9	14.9
	Transportation	4,805.4	4,848.7	0.9	0.2
	Travel	590.6	1,820.3	208.2	4.4
		22,407.8	25,288.6	12.9	10.4
	Manufacturing services on physical inputs owned by others	634.3	681.6	7.5	0.2
	Maintenance and repair services n.i.e.	765.2	1,010.4	32.0	0.9
	Construction	722.1	921.9	27.7	0.7
	Insurance and pension services	1,713.9	2,670.6	55.8	3.4
	Financial services	1,234.0	1,247.0	1.1	0.0
	Charges for the use of intellectual property n.i.e.	3,642.6	4,021.8	10.4	1.4
	Charges for the use of copyrights n.i.e.	2,414.2	2,573.7	6.6	0.6
	Telecommunication, computer, and information services	2,951.7	3,240.5	9.8	1.0
	Other business services	10,261.0	10,868.3	5.9	2.2
	Personal, cultural, and recreational services	182.0	272.4	49.7	0.3
	Government goods and services n.i.e.	301.0	354.2	17.7	0.2

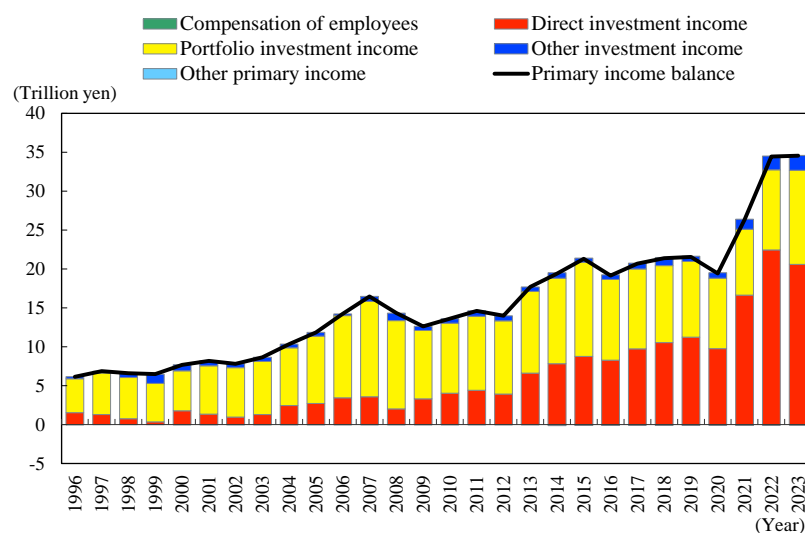
Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

4. Primary income balance

In 2023, the primary income balance registered a record-high surplus of 34,557.3 billion yen, up from the previous year's surplus of 34,462.1 billion yen (Figure I-3-2-11). This was attributable mainly to an increase in the surplus regarding portfolio investment income.

Figure I-3-2-11. Changes in the primary income balance in Japan



Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

A breakdown of the primary income balance shows that the surplus regarding direct investment income, which represents receipts of dividends from and receipts and payments of interest and other items to and from overseas subsidiaries, narrowed to 20,603.3 billion yen from 22,457 billion yen in the previous year. This was particularly due to a fall in receipts of income on equity (Table I-3-2-12).

Regarding portfolio investment, which represents receipts and payments of stock dividends and bond interest, the surplus expanded to 12,095.3 billion yen from 10,287.8 billion yen in the previous year. This was attributable to an increase in bond interest receipts.

Regarding other investment income, which represents interest receipts and payments concerning loans, borrowings, and deposits, the surplus increased to 1,890.0 billion yen from 1,779.5 billion yen in the previous year. This was due to an increase in interest income receipts.

As for compensation of employees, because of an increase in payments, the deficit expanded to 28.3 billion yen from 24.2 billion yen in the previous year (Table I-3-2-13).

Table I-3-2-12. Primary income receipts in Japan (by breakdown)

			Value (billion yen) 2022	Value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (%pts) 2022→2023
Primary income receipts			49,411.2	55,675.6	12.7	12.7
	Compensation of employees		27.3	31.9	16.6	0.0
	Investment income		49,362.2	55,603.5	12.6	12.6
		Direct investment income	27,090.1	26,056.4	-3.8	-2.1
		Portfolio investment income	18,523.0	20,986.6	13.3	5.0
		Other investment income	3,749.1	8,560.6	128.3	9.7
	Other primary income		21.7	40.2	85.3	0.0

Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).

Table I-3-2-13. Primary income payments in Japan (by breakdown)

			Value (billion yen) 2022	Value (billion yen) 2023	Growth rate (%) 2022→2023	Contribution to the changes (%pts) 2022→2023
Primary income payments			14,949.1	21,118.3	41.3	41.3
	Compensation of employees		51.5	60.1	16.7	0.1
	Investment income		14,837.8	21,015.0	41.6	41.3
		Direct investment income	4,633.1	5,453.1	17.7	5.5
		Portfolio investment income	8,235.2	8,891.3	8.0	4.4
		Other investment income	1,969.6	6,670.5	238.7	31.4
	Other primary income		59.7	43.2	-27.6	-0.1

Note: The data in 2023 are preliminary values.

Source: *Balance of Payments Related Statistics* (Bank of Japan, MOF).