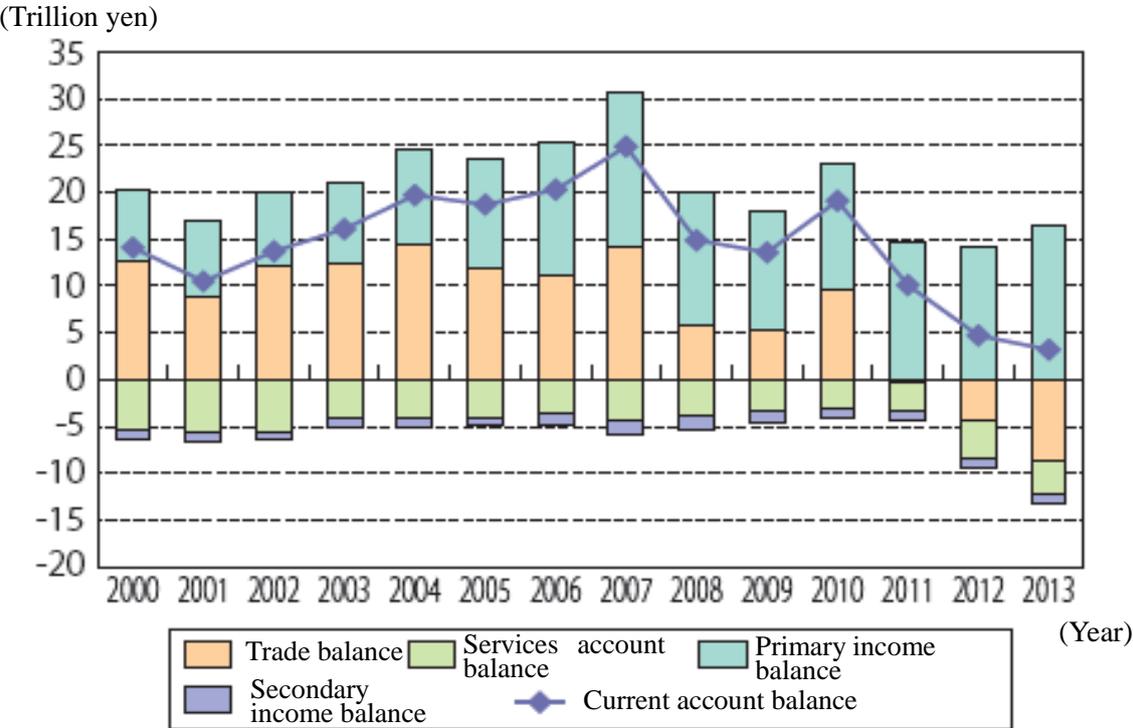


Section 6 Current account balance trend in Japan

1. Current account balance trend in Japan

In 2013, the current account balance registered a surplus of 3,234.3 billion yen, representing the third consecutive year of decline in the surplus and the smallest amount of surplus since 1985, the earliest year for which comparable data is available. The primary income surplus came to 16,475.5 billion yen, the second highest level on record and the services account deficit shrank to 3,478.6 billion yen. However, as the trade balance (balance of payments basis) recorded the largest-ever deficit, 8,773.4 billion yen, the current account surplus narrowed (Figure I-2-6-1).

Figure I-2-6-1 Trends in current account balance (2000-2013)



Source: *Balance of Payments* (Ministry of Finance).

2. International comparison of the current account balance

The United States has been recording a current account deficit, as its primary income and services account surpluses have been more than offset by its huge trade deficit. However, the current account deficit is narrowing because the trade deficit is shrinking while the primary income and services account surpluses are growing (Figure I-2-6-2).

Like the United States, the United Kingdom has been recording a current account deficit, as its services account and primary income surpluses have been more than offset by its trade deficit. Although the services account surplus has been growing, the trade deficit has remained little changed. As a result, the United Kingdom’s current account deficit fluctuates depending on changes in the

primary income surplus (Figure I-2-6-3).

Germany has maintained a trade surplus amounting to around 200 billion dollars and has also been recording an income surplus. Therefore, although it has been registering a services account deficit, Germany has maintained a current account surplus. Currently, although Germany's income surplus is not growing much, its current account surplus is increasing due to growth in the trade surplus (Figure I-2-6-4).

France's balance of payments structure is similar to that of the United States and the United Kingdom. While France has maintained services account and primary income surpluses, its huge trade deficit has been offsetting those surpluses, resulting in a current account deficit. Currently, France's current account deficit is growing because the services account and primary income surpluses are growing only slightly and the trade deficit is increasing (Figure I-2-6-5).

The ROK has maintained a current account surplus due to a trade surplus. Although ROK's current account surplus declined steeply as a result of a sharp decrease in the trade deficit due to the global economic crisis, the trade surplus has improved since 2009. Moreover, the primary income balance has been recording a surplus since 2008 and the services account balance also turned into a surplus in 2012. Consequently, ROK's current account surplus increased sharply in 2012 (Figure I-2-6-6).

Above, we looked at the current account balance trends, etc. in Japan and other countries. The United States, the United Kingdom and France have maintained an income surplus through active outward investments and have also recorded a services account surplus. However, as the surpluses have not been sufficient to offset a trade deficit, these countries have been registering a current account deficit. Meanwhile, Germany and ROK have maintained a current account surplus due to a huge trade surplus. Japan's current account surplus has been shrinking since 2011 because of a growing trade deficit. In light of the examples of other countries, concerns have been expressed that if the socio-economic situation remains as it is, Japan's current account balance may turn into a deficit in the future. If Japan is to maintain a current account surplus, it is important for the country to further reduce the already shrinking services account deficit by inviting more tourists and increasing earnings from charges for the use of intellectual property n.i.e., further increase the income surplus by improving the rate of return on foreign direct investments and narrow the trade deficit by strengthening export competitiveness and ensuring stable, low-cost resource procurement.

Figure I-2-6-2 Trends in current account balance in the U.S.

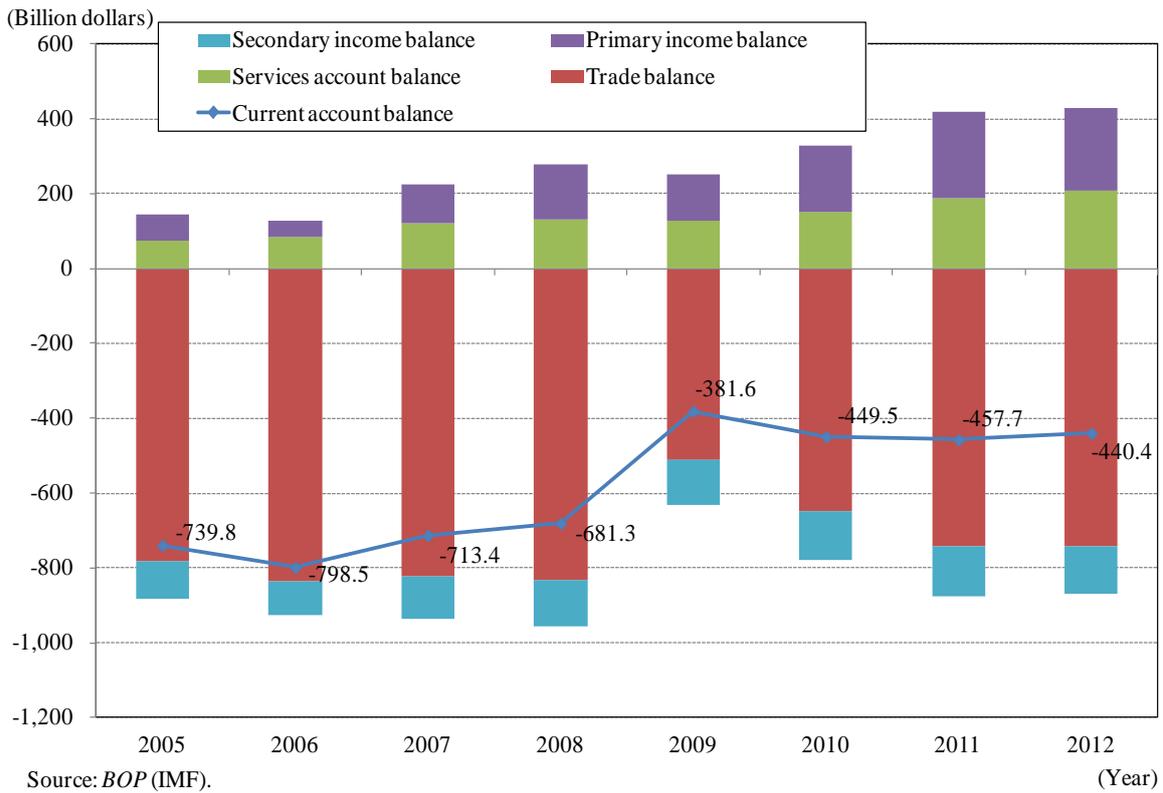


Figure I-2-6-3 Trends in current account balance in UK

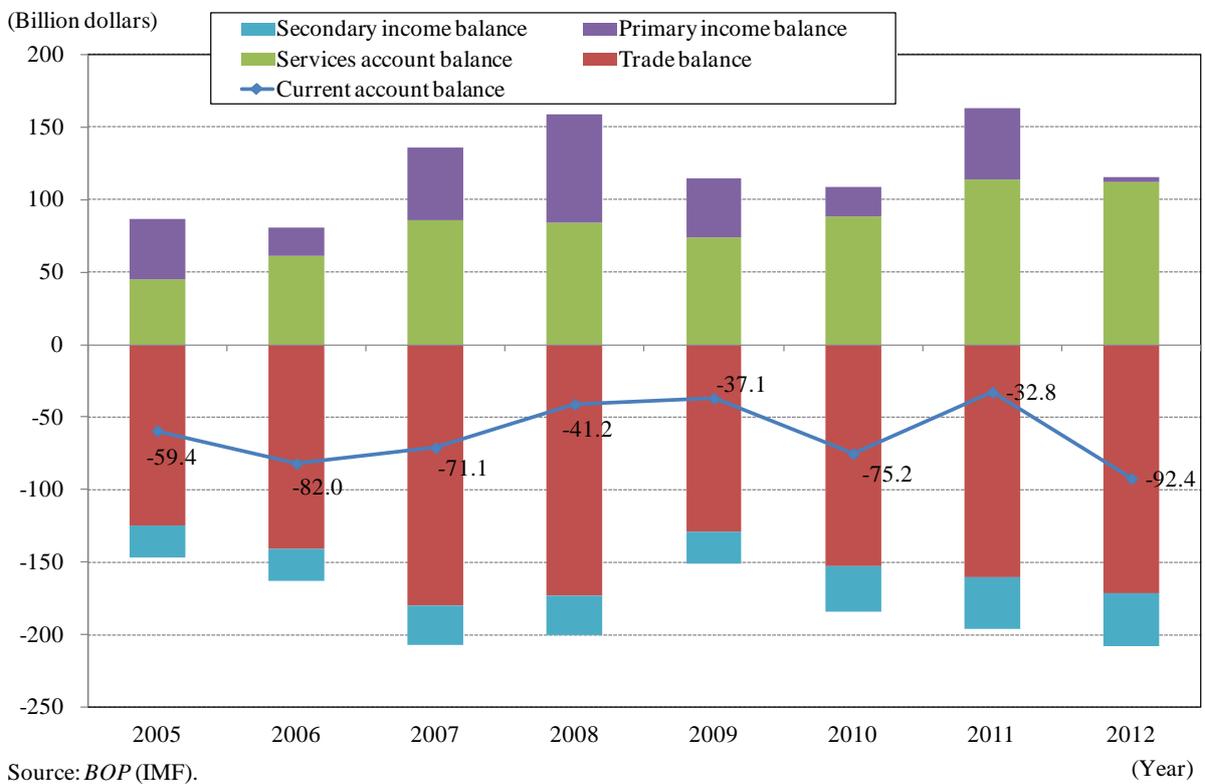


Figure I-2-6-4 Trends in current account balance in Germany

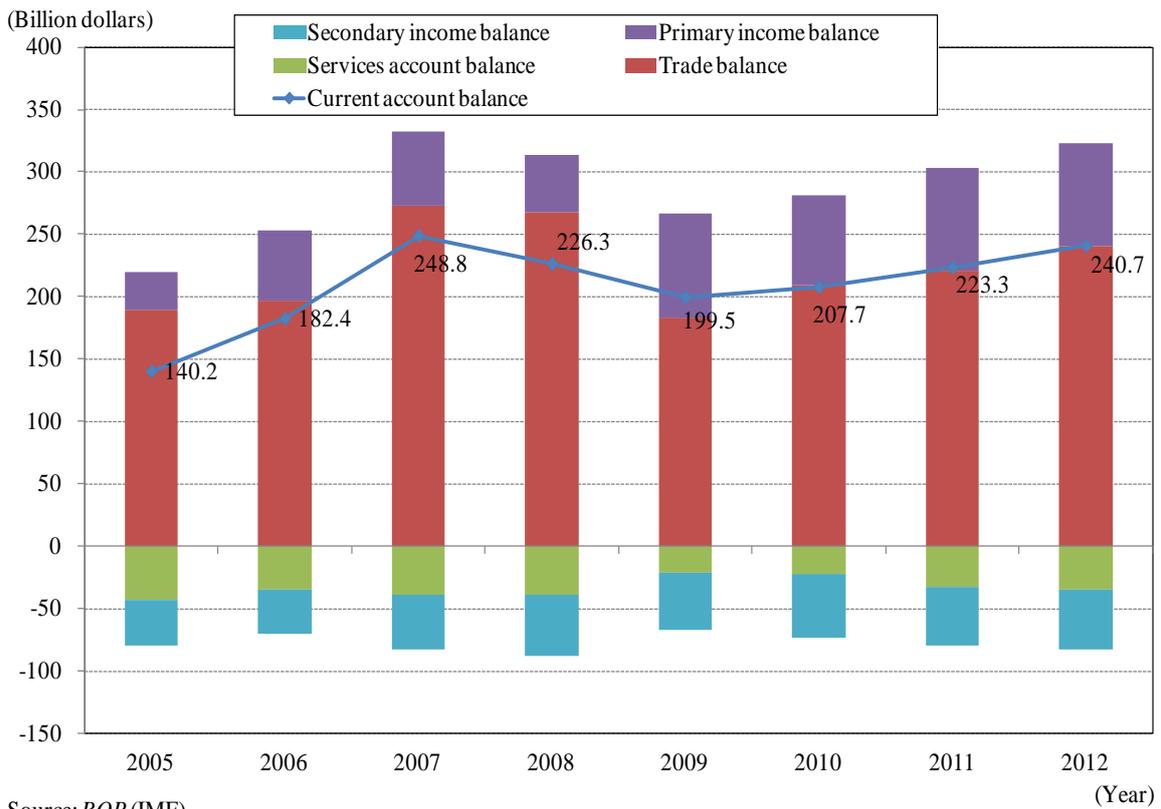


Figure I-2-6-5 Trends in current account balance in France

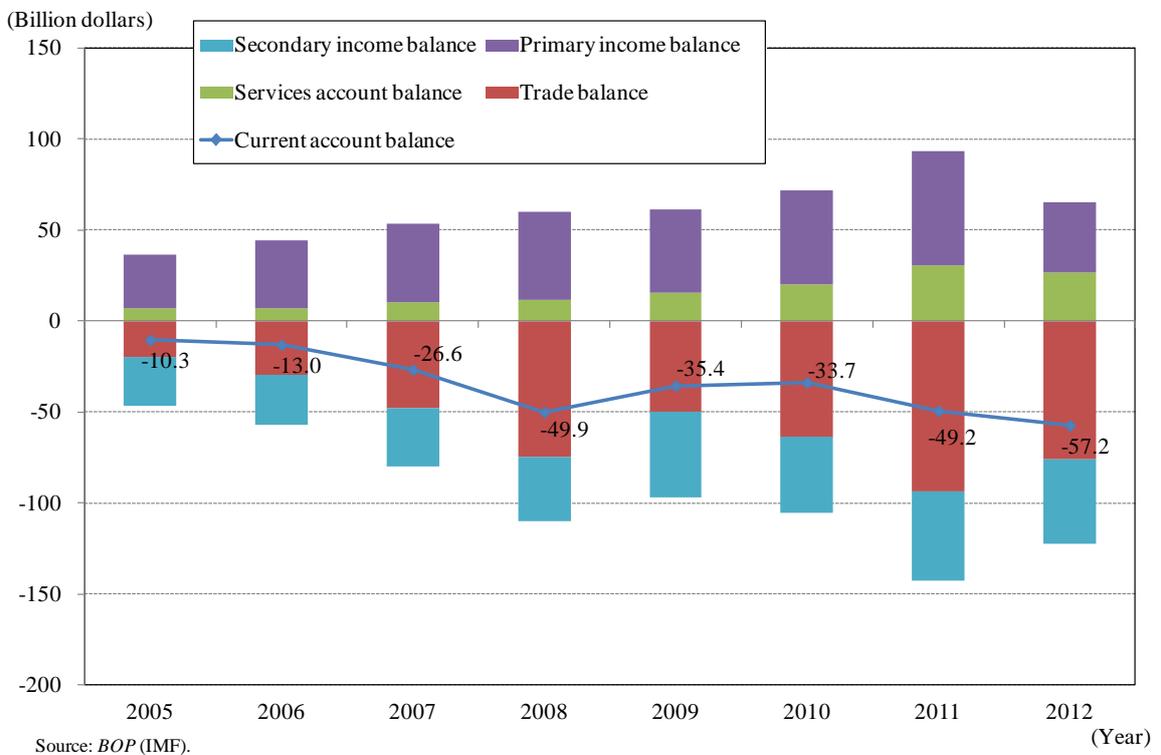


Figure I-2-6-6 Trends in current account balance in ROK

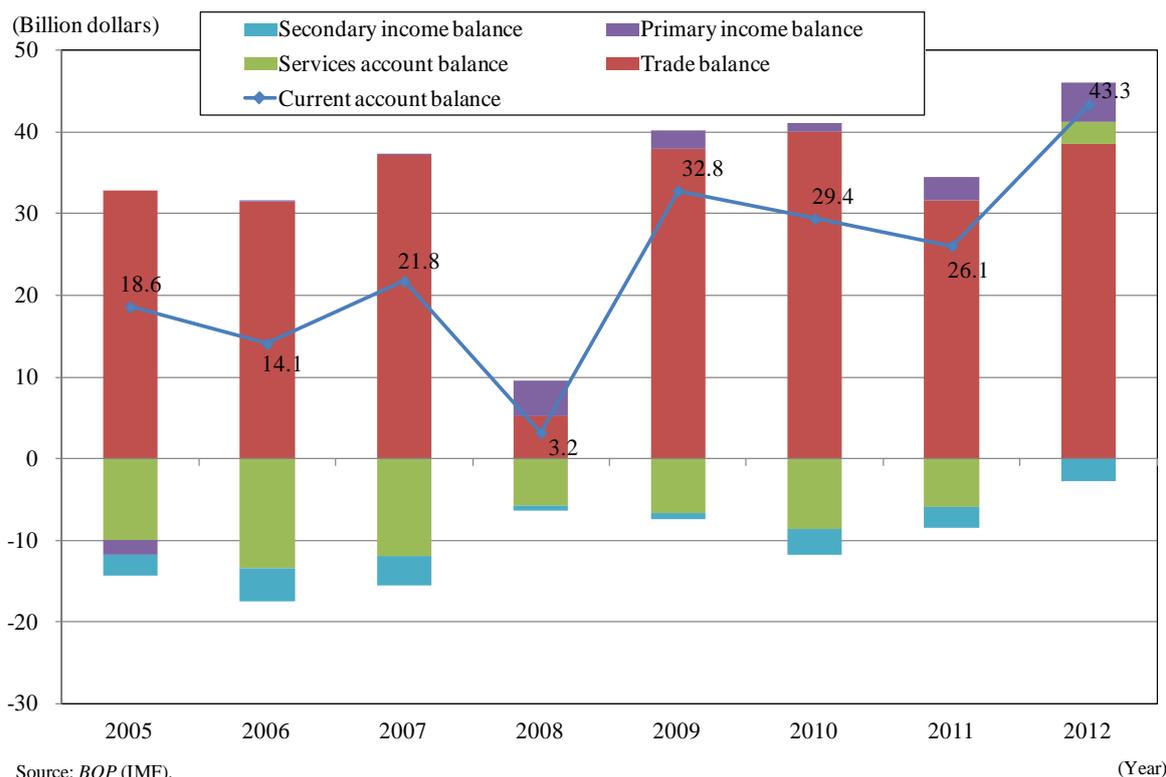


Figure I-2-6-7 Trends in worldwide current account balance

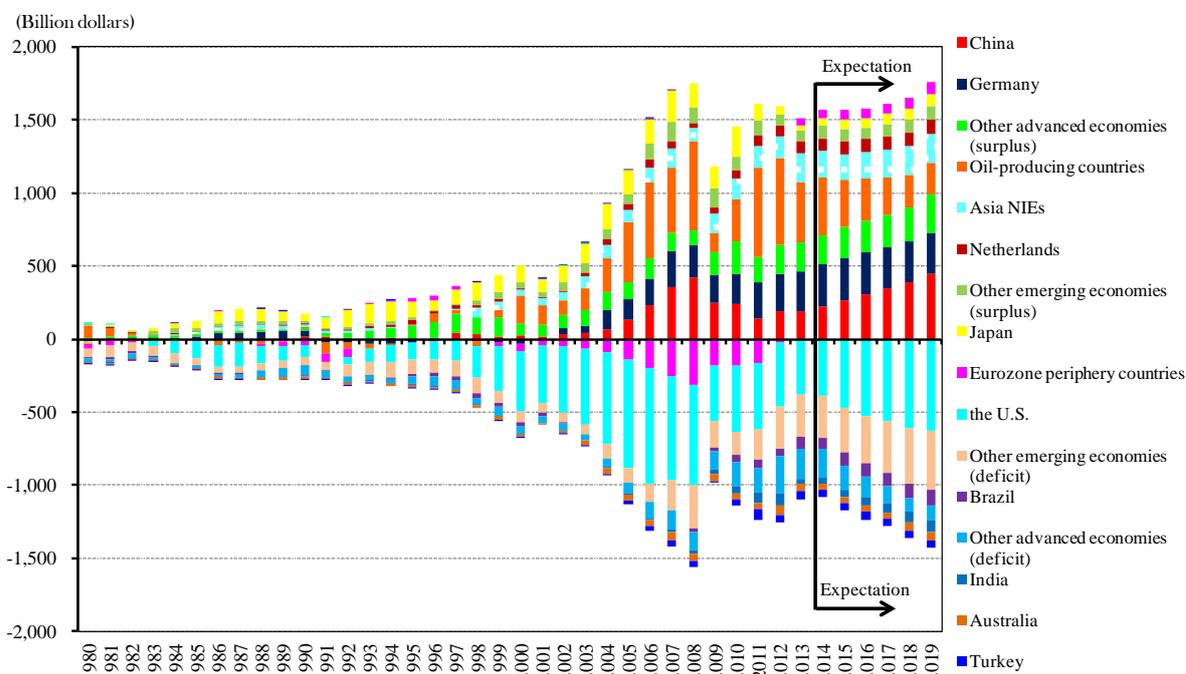


Table I-2-6-8 Expansion of current account surplus or reduction of current account deficit in countries

		2008	2009	2010	2011	2012	2013	Changes in current account balance from 2008 to 2013 (billion dollars)
Major advanced economies	the U.S. (right axis)	-681.3	-381.6	-449.5	-457.7	-440.4	-379.3	302.1
	Switzerland	11.0	53.7	81.0	59.0	60.9	62.5	51.6
	Netherlands	37.5	41.3	57.5	79.1	72.6	83.2	45.6
Eurozone periphery countries	Spain	-154.1	-70.4	-62.3	-55.4	-14.8	9.5	163.6
	Italy	-66.1	-42.0	-72.3	-67.2	-7.7	16.1	82.2
	Greece	-51.2	-36.0	-29.9	-28.7	-5.9	1.7	52.9
	Portugal	-32.0	-25.6	-24.3	-16.7	-4.3	1.2	33.2
	Ireland	-15.0	-5.2	2.4	2.8	9.3	14.4	29.4
Central and Eastern Europe	Romania	-23.8	-6.8	-7.3	-8.2	-7.5	-2.0	21.8
	Poland	-35.0	-17.2	-24.0	-25.0	-17.2	-9.3	25.6
	Hungary	-11.4	-0.3	0.3	0.6	1.3	4.1	15.5
	Bulgaria	-12.0	-4.3	-0.7	0.1	-0.5	1.1	13.1
Asia	Viet Nam	-10.8	-6.6	-4.3	0.2	9.1	11.3	22.1
	Singapore	26.4	32.7	58.9	63.3	49.4	54.4	28.0
	Taiwan	27.5	42.9	39.9	41.7	50.7	57.4	29.9
	ROK	3.2	32.8	29.4	26.1	48.1	70.7	67.5
Middle East	UAE	22.3	7.8	7.2	50.9	66.6	59.1	36.8
	Qatar	26.6	6.4	23.8	52.0	62.3	59.2	32.6
	Kuwait	60.2	28.3	37.0	67.2	79.8	71.9	11.7
	Pakistan	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	11.4

Source: WEO, April 2014 (IMF).

Table I-2-6-9 Reduction of current account surplus or expansion of current account deficit in countries

		2008	2009	2010	2011	2012	2013	Changes in current account balance from 2008 to 2013 (billion dollars)
Major advanced economies	Japan	159.9	146.6	204.0	119.3	60.4	34.3	-125.5
	Canada	1.8	-40.0	-56.7	-49.0	-62.3	-58.9	-60.7
	UK	-25.5	-31.4	-61.9	-36.0	-92.7	-84.6	-59.1
	Hong Kong	29.5	18.0	12.4	12.9	7.3	8.6	-20.9
Northern Europe	Sweden	43.9	25.4	29.4	32.3	31.8	32.9	-11.1
	Norway	72.4	44.4	50.2	66.4	71.7	54.4	-18.0
	Finland	7.1	4.2	3.6	-3.9	-4.1	-2.1	-9.3
Major emerging economies	China (right axis)	420.6	243.3	237.8	136.1	193.1	188.7	-231.9
	Russia (right axis)	103.9	50.4	67.5	97.3	72.0	33.0	-70.9
	Malaysia	39.4	31.4	27.1	33.5	18.6	11.8	-27.6
	Brazil	-28.2	-24.3	-47.3	-52.5	-54.2	-81.4	-53.2
	India	-27.9	-38.2	-45.9	-78.2	-88.2	-37.2	-9.3
	Indonesia	0.1	10.6	5.1	1.7	-24.4	-28.5	-28.6
	Turkey	-40.4	-12.1	-45.4	-75.1	-48.5	-65.0	-24.6
South Africa	-19.6	-11.5	-7.2	-9.4	-20.0	-20.4	-0.8	
Middle East and Africa	Libya	37.1	9.4	14.6	3.2	29.0	-1.9	-38.9
	Algeria	34.4	0.4	12.2	19.8	12.3	0.9	-33.5
	Venezuela	32.1	2.3	8.8	24.4	11.0	9.9	-22.2
	Nigeria	29.3	14.0	13.4	8.8	20.4	13.4	-15.8
	Iraq	16.8	-8.9	4.1	22.3	14.5	0.0	-16.8
	Argentina	6.0	7.5	1.0	-2.5	-0.3	-4.5	-10.5

Source: WEO, April 2014 (IMF).