



World Economic Situation and Prospects

Weekly Highlight

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3 March 2014

Japan: decomposing the recent deterioration in trade balance

After continuously maintaining a surplus in the balance of merchandise trade for 30 years, Japan has been experiencing a deficit in trade since 2011. The magnitude of the deficit has accelerated rapidly, increasing from 2.6 trillion yen in 2011 (0.5 per cent of gross domestic product (GDP)) to 11.5 trillion yen in 2013 (2.4 per cent of GDP).

The deterioration of the balance in trade merchandise can be attributed to multiple factors, each factor playing a different role at various stages (see table). The main factor behind the deterioration of the trade balance has been increasing imports. In 2011, after the de facto shutdown of all nuclear power plants, more mineral fuels were imported for power-generation. Import volume increased by 1.7 per cent, but the price jumped by more than 23 per cent in that year and caused the import cost for fuels to increase by more than 4.4 trillion, almost half of the increase of the deficit for that year. For the two following years, the effect of increased imports of mineral fuels was still noticeable, although milder than 2011. Import volume and unit cost for other types of goods continued to expand and pushed the deficit higher, particularly in 2013.

To a lesser extent, the trends in exports have also contributed to the higher trade deficit. The export volume of machinery,¹ for example, which accounted for about 60 per cent of total exports in 2010, declined for three years in a row and accumulated an 11 per cent loss. However, the raised export price in 2013

has put the export value for machinery back to the level of 2010. Exports of other types of merchandise displayed similar patterns.

It is worthwhile to note that the significant depreciation of the Japanese yen in 2013 has caused a noticeable increase in both export and import prices. Before the impacts of depreciation on the trade quantum are fully realized, the effect on the trade balance may stay on the negative side.

Table
Development of trade balance in Japan, 2010–2013

	2010	2011	2012	2013	2011	2012	2013
I. Current price	Level (billion yen)				Change (billion yen)		
Trade balance	6,635	-2,565	-6,941	-11,480	-9,199	-4,376	-4,539
Exports: total	67,400	65,546	63,748	69,787	-1,853	-1,799	6,039
Machinery	41,225	39,437	39,243	41,745	-1,788	-194	2,503
Others	26,174	26,110	24,505	28,041	-65	-1,605	3,536
Imports: total	60,765	68,111	70,689	81,267	7,346	2,577	10,578
Mineral fuels	17,398	21,816	24,088	27,433	4,418	2,272	3,345
Machinery	14,608	14,696	15,754	19,061	88	1,057	3,308
Others	28,759	31,599	30,847	34,773	2,840	-752	3,926
II. 2010 price	Level (billion yen)				Percentage change		
Trade balance	6,635	2,509	-2,063	-3,258			
Exports: total	67,400	64,840	61,736	60,818	-3.8	-4.8	-1.5
Machinery	41,225	39,849	38,167	36,698	-3.3	-4.2	-3.8
Others	26,174	24,992	23,570	24,120	-4.5	-5.7	2.3
Imports: total	60,765	62,331	63,799	64,076	2.6	2.4	0.4
Mineral fuels	17,398	17,689	18,663	18,528	1.7	5.5	-0.7
Machinery	14,608	15,001	15,408	15,754	2.7	2.7	2.2
Others	28,759	29,641	29,728	29,794	3.1	0.3	0.2
III. Deflator	Index (2010 = 100)				Percentage change		
Exports: total	100	101.1	103.3	114.7	1.1	2.1	11.1
Machinery	100	99.0	102.8	113.8	-1.0	3.9	10.6
Others	100	104.5	104.0	116.3	4.5	-0.5	11.8
Imports: total	100	109.3	110.8	126.8	9.3	1.4	14.5
Mineral fuels	100	123.3	129.1	148.1	23.3	4.7	14.7
Machinery	100	98.0	102.2	121.0	-2.0	4.4	18.3
Others	100	106.6	103.8	116.7	6.6	-2.7	12.5

Source: UN/DESA, based on data from the Ministry of Finance, Japan.

¹ Also includes electrical machinery and transport equipment.