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## Expanding Travel Surplus Helps Improve Japan's Services Account

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Japan's services account has been in deficit for a long time, but the deficit has been rapidly narrowing mainly due to an improvement in the travel account that reflects increased consumption expenditures of foreign visitors to Japan. The surplus of the travel account increased to ¥1.8 trillion in 2017, helping improve the services deficit to ¥0.7 trillion, which was a bit smaller than the deficit of ¥1.1 trillion recorded in 2016 (Figure 1).

According to the regional balance of payments data, released by the Ministry of Finance on May 10, the travel account with Asia and Oceania continued to run a large surplus (¥2.1 trillion) in 2017, contributing to an expansion of total amount in the travel account surplus. The travel balance with Europe also maintained its small surplus (¥2.8 billion) while the balance with North America continued to be in deficit (¥0.3 trillion). China (surplus of ¥1.0 trillion) accounted for slightly less than half of the surplus with Asia and Oceania, and such East Asian countries as Republic of Korea (¥0.4 trillion), Taiwan (¥0.3 trillion) and Hong Kong (¥0.2 trillion) followed (Figure 2).

Figure 1 : Services Balance of Japan

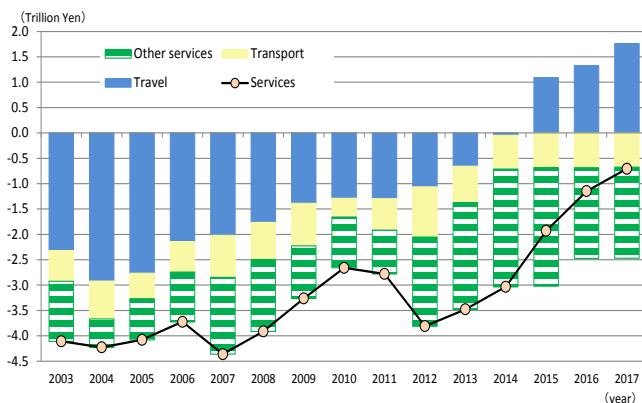
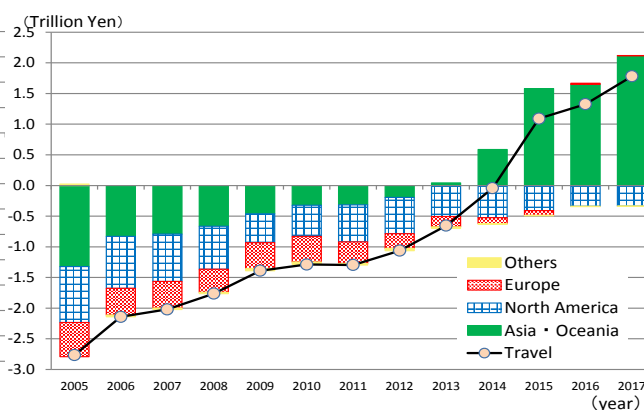


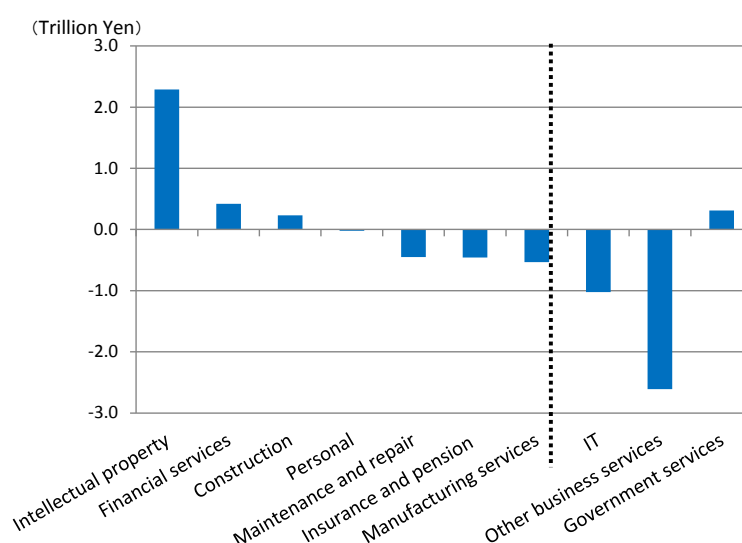
Figure 2 : Regional Travel Balance



(Source) Ministry of Finance; The Balance of Payments Statistics

The services account excluding the travel account has shown no clear trends with transport balance recording deficits ranging from ¥0.5 trillion to ¥1 trillion and other services deficits of ¥0.5 trillion to ¥2.5 trillion. The other services account covers wide-ranging items and in 2017 the balance recorded deficits in more than half numbers of component items including (i) other business services<sup>1</sup>, (ii) telecommunications, computer, and information services, and (iii) manufacturing services on physical inputs owned by others, while the balances on such items as (i) charges for the use of intellectual property n.i.e., (ii) financial services and (iii) construction recorded a surplus (Figure 3). Specifically the balance on charges for the use of intellectual property ran a large surplus of ¥2.3 trillion.

Figure 3 : Breakdowns of Other Services Balance (2017)



(Source) Ministry of Finance; The Balance of Payments Statistics

The surplus in the account of charges for the use of intellectual property is mostly accounted for by the receipts of the charges for the use of intellectual property by the automobile industry, which represented the receipts mainly by companies headquartered in Japan from their subsidiaries in North America. The surplus in the balance reveals that it depends much on a larger receipt of charges on the part of the parent companies from their subsidiaries centering on the automobile industry, and that these charges do not necessarily come from patented advanced technologies which Japanese companies have developed and put into wider external use. Although the balance on charges for the use of intellectual property is expected to run a stable surplus if a certain level of overseas production of the automobile industry will be maintained, there is no clear sign that conditions have been established for the surplus to expand beyond the level as expected above. The present situation that the expanding surplus on the travel account supports the improvement of the services balance is likely to continue for some time to come.

<sup>1</sup> It consists of research and development services, consulting services, trade related services and others.

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