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Challenges Lurking Behind the Record-High Current Account Surplus

As Japanese companies increasingly earn income abroad, investment returns are playing a larger role

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Summary

- According to the Balance of Payments by the Ministry of Finance and the Bank of Japan, Japan's current account balance in 2025 posted a record-high surplus of 32.2 tril yen. Over the past two decades, the composition of the current account surplus has changed markedly: while the trade and services balance has shifted into deficit, the expanding surplus in the primary income balance — driven mainly by returns on overseas investments — has become the key factor pushing up the overall current account surplus.
- As the focus of capturing external demand has shifted from exports to investment income, the benefits of the current account surplus have become less likely to reach households. When exports rise, domestic production expands and households tend to benefit through higher employee compensation. By contrast, increases in overseas investment income have weaker spillover channels of this kind. Measures such as supporting household financial asset formation are important so that households can share more fully in the gains from overseas corporate expansion.
- The trade and services balance is likely to remain in deficit for the time being due to structural factors, such as energy-import dependence on the trade side, and payments including fees related to digital-related services and reinsurance on the services side. As a result, Japan's current account surplus is expected to remain reliant on the primary income balance. Over the medium term, meanwhile, population aging and the accompanying decline in the household saving rate are likely to exert downward pressure on the size of the current account surplus.