Japan posts first annual trade deficit since 1980

ERIC TALMADGE - Associated Press - Associated Press

Japan reported its first annual trade deficit since 1980 as it imported expensive energy to offset the impact of its devastating tsunami and exporters grappled with the rising value of the yen.

The 2.49 trillion yen ($32 billion) shortfall for 2011 reflects a 2.7 percent decline in the value of Japan's exports to 65.55 trillion yen ($843 billion). In December, the trade balance was a deficit of 205.1 billion yen, according to the Finance Ministry figures released Wednesday.

A major factor behind the figures was the impact of the expensive energy imports Japan turned to after the March disaster touched off a nuclear crisis and led the country to shut down, or not restart, a large portion of its reactors, said Martin Schulz, senior economist with the Fujitsu Research Institute.

He said pressure to import energy will continue to weigh heavily on Japan for the next year, but will subside as the country pursues greater efficiency measures.

He also said the drop in the value of exports also reflects that Japan is shifting toward overseas production.

"Japan's exports are really focused on high value exports and this market is fairly strong," he said. "Japan's competitiveness is not going down, but it is producing overseas."

Still, the data underscore the growing pressures facing the world's third-largest economy, which relies heavily on exports to drive growth. A persistently strong yen, Europe's debt problems and the recent flooding in Thailand are eroding gains made since the March earthquake in Japan disrupted manufacturing.

The turmoil in Europe and the U.S. has driven up the yen as global investors flock to the currency as a relative safe haven. The yen hit multiple historic highs against the dollar last year.

A rising yen shrinks the value of overseas earnings when repatriated and makes Japanese products less competitive in overseas markets. The yen has weakened to around 77 to the dollar recently, but exporters say it is still too high.

The currency levels have forced manufacturers including Nissan Motor Co. and Panasonic Corp. to shift some production overseas.

Source URL (retrieved on *07/22/2014 - 12:35pm*):

http://www.ecnmag.com/news/2012/01/japan-posts-first-annual-trade-deficit-1980