

# Factor Decomposition of Japan's Current Account Balance

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## Abstract

Combined with the global financial crisis and the great earth quake with tsunami, Japan's current account turned deficit, ending 26 years of trade surplus. However, it is puzzling that Japan's current account remain long in deficit despite the sharp depreciation of the Japanese yen began since the end of 2012. We construct price and quantity indices for each partner country and industry for Japanese exports and imports between 1988 and 2014. With this dataset, we estimate price elasticity and pass-through elasticity at country and industry level.

Keywords: Current account balance;

JEL classification codes: F14, F32

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