

“Travel Balance” Turned Positive! – Contribution to Economy Expected

1. What is “Travel Balance” ?

The “travel balance” is calculated by subtracting the amount Japanese travelers spend abroad from the amount spent by visitors to Japan. It is one of the items of balance of services under a statistics called balance of payments announced by the Ministry of Finance Japan every month.

2. Latest Trend

On June 9, the Ministry of Finance announced April balance of payments (provisional). The travel balance was the surplus of 17.7 billion yen which turned positive after almost 44 years since July 1970 when World Expo was held in Osaka. Surplus of travel balance means that the amount spent by visitors to Japan was more than that of Japanese travelers spent abroad. This was mainly due to the increase in number of tourists to Japan thanks to weakening JPY and relaxed visa rules for Southeast Asian countries.

According to Japan National Tourist Organization (JNTO), a total of 1.23 million foreign tourists visited Japan in April, up 33.4% year on year. As a single month, it has broken the historical high for two consecutive months. In Asia, visitors in April from Taiwan (+48,400), Thailand (+28,300) and Hong Kong (+14,900) increased substantially from the previous month. The number of tourists from Taiwan, Thailand, Philippines and Vietnam hit a record high.

On the other hand, the number of Japanese traveled abroad declined for four consecutive months to 1.19 million (-4.4% y-o-y). It has peaked out in 2012 (18.49 million) and declined to 17.43 million (-5.5% y-o-y) in 2013 and continued to decline month on month in year 2014.

2014 Monthly Visitor Arrivals

(Unit : Persons)

| | January | Change (%, y-o-y) | February | Change (%, y-o-y) | March | Change (%, y-o-y) | April | Change (%, y-o-y) |
|--------------------|----------------|----------------------|----------------|----------------------|------------------|----------------------|------------------|----------------------|
| Grand Total | 944,009 | 41.2 | 880,020 | 20.6 | 1,050,500 | 22.6 | 1,231,500 | 33.4 |
| Asia | 766,525 | 48.6 | 722,395 | 22.1 | - | - | - | - |
| Korea | 255,517 | 9.0 | 231,502 | -1.2 | 192,100 | -7.2 | 194,000 | -5.0 |
| China | 155,605 | 115.2 | 138,236 | 70.9 | 184,200 | 80.1 | 190,600 | 90.3 |
| Taiwan | 196,923 | 76.9 | 191,235 | 27.3 | 208,500 | 41.4 | 257,900 | 30.3 |
| Hong Kong | 63,503 | 103.3 | 64,809 | 14.6 | 64,400 | 8.4 | 79,300 | 44.1 |
| Thailand | 27,161 | 68.7 | 34,334 | 72.6 | 71,100 | 58.5 | 99,400 | 65.1 |
| Singapore | 10,888 | 53.2 | 10,370 | 2.3 | 16,400 | 22.3 | 18,700 | 28.2 |
| Malaysia | 13,961 | 83.5 | 14,109 | 28.5 | 23,400 | 74.6 | 25,200 | 71.2 |
| Indonesia | 7,129 | 6.8 | 6,527 | 32.2 | 14,300 | 7.2 | 16,900 | 8.8 |
| Philippines | 9,160 | 22.1 | 7,495 | 48.4 | 12,700 | 4.3 | 29,700 | 129.5 |
| Vietnum | 6,707 | 34.2 | 7,419 | 70.5 | 11,100 | 63.7 | 17,900 | 47.5 |
| India | 6,887 | 9.1 | 4,982 | 2.0 | 6,900 | 18.0 | 7,400 | 14.2 |
| Others | 13,084 | 28.4 | 11,377 | 23.6 | - | - | - | - |
| Europe | 56,833 | 13.3 | 58,659 | 11.5 | - | - | - | - |
| North America | 74,503 | 18.0 | 65,201 | 13.6 | - | - | - | - |
| Oceania | 40,928 | 17.4 | 29,567 | 23.8 | - | - | - | - |
| Others | 5,220 | 13.5 | 4,198 | 4.6 | - | - | - | - |

(Note) 1. Jan.-Feb. figures are provisional and Mar.-Apr. figures are estimated by JNTO.

2. “-” indicates that the figures are not available currently.

(Source) SMAM, based on JNTO data.

3. Future Outlook

Growth strategy of Abenomics aims to almost double the number of visitors to Japan by year 2020 to 20 million per annum by attracting more foreign tourists. The government has already relaxed visa rules to the people of Thailand and Malaysia which has pushed the number of visitors to Japan from those countries higher. 2020 Olympic games in Tokyo and the development of the legalization of casino are the two key events which could further increase the number of foreign tourists to Japan in the future.

Japan is known for a safe country to live as well as for its world-class tourist resources with a variety of culture, historical monuments and beautiful seasonal scenery. Positive effect to the economy could be expected with the sustainable increase of foreign tourists to Japan supported by the charm it has and by the government promotion.

Visitor Arrivals & Japanese Overseas Travelers

(Unit : Persons)

| | 2010 | 2011 | change | 2012 | change | 2013 | change |
|-----------------------------|------------|------------|--------|------------|--------|------------|--------|
| Visitor Arrivals | 8,611,175 | 6,218,752 | -27.8% | 8,358,105 | 34.4% | 10,363,904 | 24.0% |
| Japanese Overseas Travelers | 16,637,224 | 16,994,200 | 2.1% | 18,490,657 | 8.8% | 17,472,748 | -5.5% |

(Note) 1. JNTO compiled the data of the Ministry of Justice and recalculated it to bring the visitor figures in line with the international standards.

2. The figures for 2013 is provisional.

(Source) SMAM, based on JNTO data

Disclaimer

Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter "SMAM"), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM's judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indexes belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM's authorization, or from disclosing this material to a third party.

Registered Number: Kanto Regional Finance Bureau (KINSYO) No.399

Member of Japan Investment Advisers Association and the Investment Trusts Association, Japan

© Sumitomo Mitsui Asset Management Company, Limited



Sumitomo Mitsui Asset Management