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# June Trade Statistics

## Weaker yen boosting export value, export volume trading water

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### Summary

- In the June 2013 Trade Statistics (Ministry of Finance), export value increased 7.4% y/y but undershot consensus expectations (up 10.0%). However, it posted a y/y advance for the fourth month in a row and posted a m/m gain for the seventh month in a row (up 1.1%; seasonally adjusted) confirming the ongoing uptrend continues.
- The Export Volume Index (seasonally adjusted by DIR) posted the second m/m slide in a row (down 0.9%), indicating that the export volume is trading water. Shipments to the US and Asian trading partners increased from the previous month but those to Europe declined, dragging down overall export volume. However, overall export volume advanced for the fourth consecutive month on a three-month moving average basis, confirming the firming up continues in volume terms.
- We anticipate export value continuing to increase, as export volume growth should intensify. By trading partner, export volume to the EU is likely to remain sluggish for the time being, while that to the US and Asian trading partners is likely to drive overall export volume, supported by the ongoing moderate economic recovery there. While Chinese and other emerging economies are signaling a slowdown and warrant a close watch, the shift to a weaker yen in end-2012 is likely to continue to push up export volume.

Trade Statistics										Chart 1
	2012			2013						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Export value (y/y %)	-6.5	-4.1	-5.8	6.3	-2.9	1.1	3.8	10.1	7.4	
Market consensus (Bloomberg)									10.0	
DIR estimate									12.8	
Import value (y/y %)	-1.5	0.9	1.9	7.1	12.0	5.6	9.5	10.1	11.8	
Export volume (y/y %)	-8.1	-7.5	-12.2	-5.9	-15.8	-9.8	-5.3	-4.8	-7.3	
Export price (y/y %)	1.7	3.6	7.3	13.0	15.3	12.1	9.6	15.7	15.9	
Import volume (y/y %)	-1.0	-0.9	0.0	-1.1	-0.1	-5.5	2.0	-2.4	-5.3	
Import price (y/y %)	-0.5	1.8	1.9	8.3	12.1	11.7	7.4	12.8	18.0	
Trade balance (Y100 mil)	-5,562	-9,570	-6,457	-16,335	-7,813	-3,669	-8,848	-9,964	-1,808	

Source: Ministry of Finance, Bloomberg; compiled by DIR.

## Export volume trading water

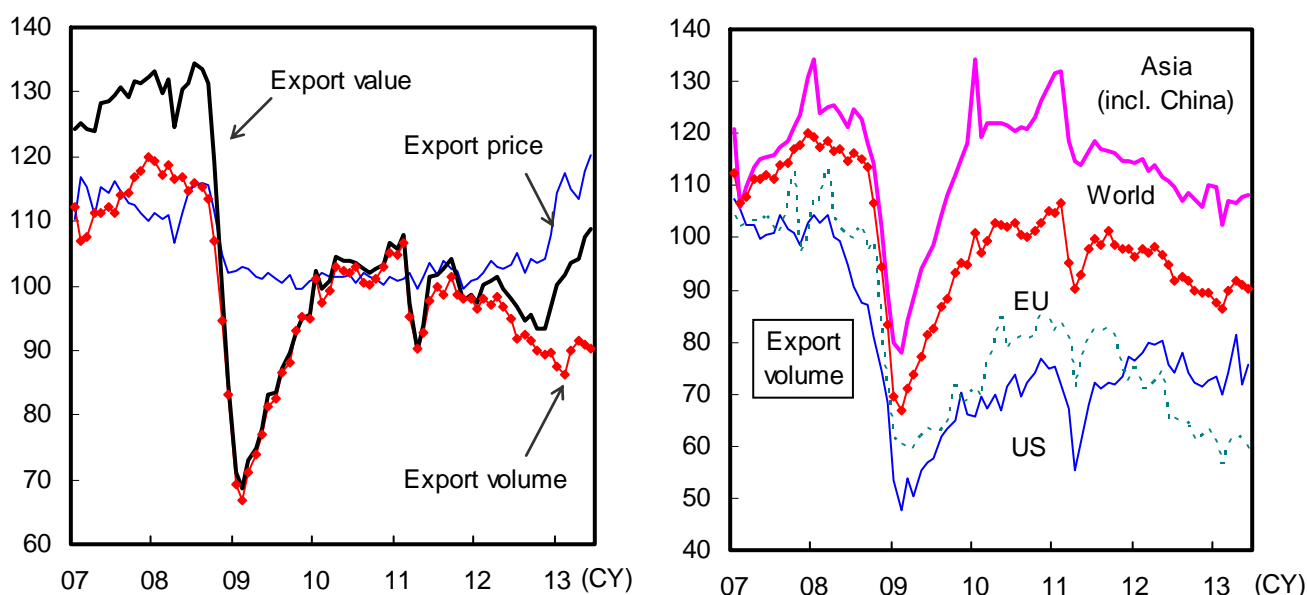
In the June 2013 Trade Statistics (Ministry of Finance), export value increased 7.4% y/y but undershot consensus expectations (up 10.0%). However, it posted a y/y advance for the fourth month in a row and posted a m/m gain for the seventh month in a row (up 1.1%; seasonally adjusted), confirming the ongoing uptrend continues. Breaking down export value, the substantial advance in export price (up 15.9% y/y), benefiting from the weak-yen effect, has contributed to pushing up export value. Meanwhile, export volume posted a y/y slide for the 13<sup>th</sup> consecutive month (down 7.3%).

The Export Volume Index (seasonally adjusted by DIR) posted the second m/m slide in a row (down 0.9%), indicating that the export volume is trading water. Shipments to the US and Asian trading partners increased from the previous month but those to Europe declined, dragging down overall export volume. However, overall export volume advanced for the fourth consecutive month on a three-month moving average basis, confirming the firming up continues in volume terms.

Meanwhile, import value advanced y/y for the eighth consecutive month (up 11.8%). Import volume saw the second m/m slide in a row (down 5.3%) but import prices jumped (up 18.0%). The shift to a weaker yen in end-2012 continued to push up import value. As a result, the trade balance posted a deficit of ¥180.8 billion, a negative figure for the 12<sup>th</sup> consecutive month. While the deficit narrowed substantially from the previous month, this owes much to a seasonal factor—exports tend to increase in June. Indeed, the deficit narrowed to ¥598.7 billion on a seasonally adjusted basis, but the margin of decline was not prominent.

Taking into account the June trade statistics, we have estimated GDP-based real exports and imports for the Apr-Jun 2013 quarter. In our tentative estimates, real exports and imports increased from the previous quarter, with foreign demand (net exports) making a positive contribution of 0.3 percentage points to GDP growth.

**Export Value, Volume, Price and Export Volume by Trading Partner (2005 = 100; SA basis) Chart 2**



Source: Ministry of Finance; compiled by DIR.

Note: Export value seasonally adjusted by Ministry of Finance; other by DIR.

## Shipments to EU also bottomed out on value basis

Export value increased y/y across the board excluding transportation equipment, indicating exports are firming up in general. Especially, chemicals, manufactured goods, and electrical machinery pushed up the value.

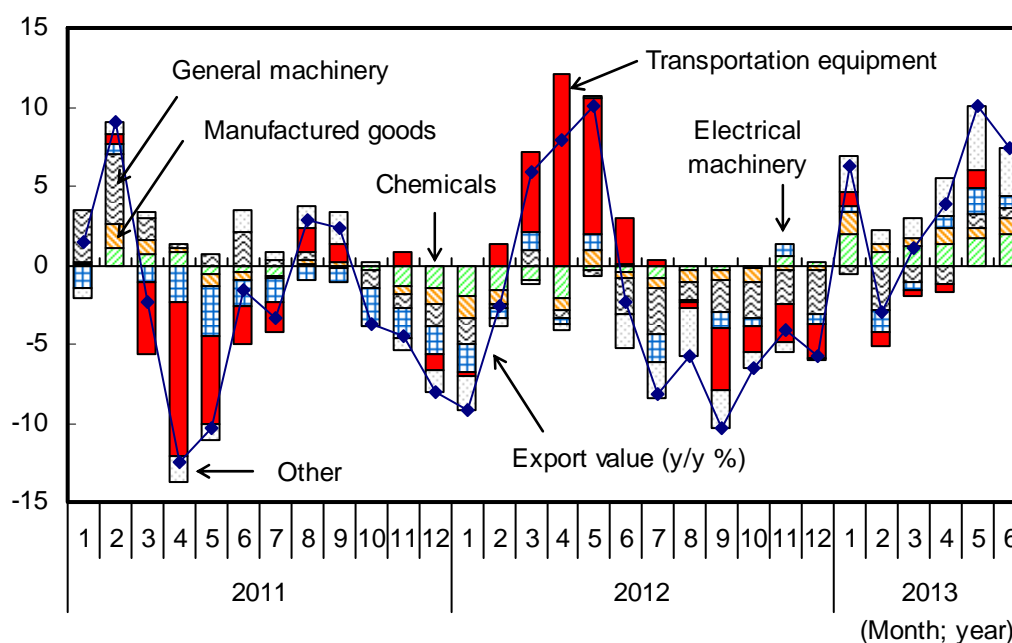
Export value of chemicals increased y/y for the eighth month in a row (up 20.6%). Behind this was a prominent gain in exports of organic compounds (up 53.4%), centering on those to China and Asian NIEs. By trading partner, exports of chemicals increased across the board, maintaining the ongoing firm trend in general. Exports to the US, EU, and Asian trading partners advanced 24.9%, 16.9%, and 20.7%, respectively.

Export value of manufactured goods increased y/y for the sixth month in a row, accelerating the uptrend (up 7.5%). Exports to the US declined for the second consecutive month (down 0.7%). However, exports to the EU, ASEAN, and Asian NIEs increased 3.2%, 6.7%, and 4.9%, respectively, thanks to steady exports of iron/steel and nonferrous metals.

Export value of electrical machinery increased y/y for the third month in a row (up 4.0%). Behind this were higher exports of semiconductors/other components, as was the case the previous month. However, while those to Asian NIEs remained stable, those to China declined for the first time in three months. By trading partners, exports of electrical machinery to the US (up 7.3%) and Asian trading partners (up 2.5%) maintained the uptrend, while those to the EU saw the first gain in 14 months (up 5.3%).

Breakdown of Export Value (% pt)

Chart 3



Source: Ministry of Finance; compiled by DIR.

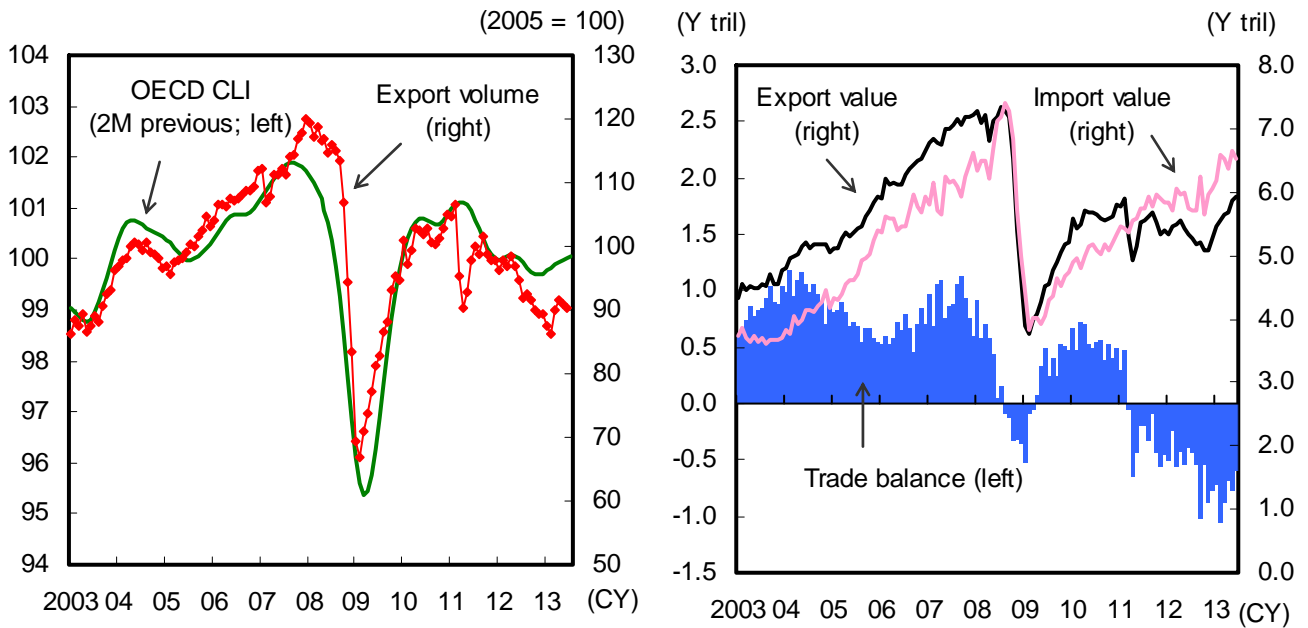
Note: Other=sum of foods, mineral fuels, raw materials, and "other".

## Weaker-yen effects to emerge in full swing, spurring export volume

We anticipate export value continuing to increase, as export volume will intensify growing pace. By trading partner, export volume to the EU is likely to remain sluggish for the time being, dragged down

by the ongoing recession there. In contrast, that to the US and Asian trading partners is likely to drive overall export volume, supported by the ongoing moderate economic recovery there. While Chinese and other emerging economies are signaling a slowdown and warrant a close watch, the shift to a weaker yen in end-2012 is likely to continue to push up export volume. Meanwhile, we expect import value to follow a moderate uptrend, reflecting higher domestic demand. Considering the persistently high volume imports of LNG and other sources of energy, the trade balance is unlikely to turn to a surplus for the time being. However, the margin of trade deficit is likely to narrow, accompanying higher export volume.

**Global Economy and Japan's Export Volume and Trade Balance** **Chart 4**



Source: Ministry of Finance; OECD; compiled by DIR.  
 Notes: 1) OECD CLI (Composite Leading Indicator): OECD member and six non-member countries.  
 2) Export volume seasonally adjusted by DIR.