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July Trade Statistics

Gains in export value slow but export volume continues to firm up

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Summary

- In the July 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the fifth month in a row (up 12.2%) but slightly undershot consensus expectations (up 12.8%). Meanwhile, it posted the first m/m slide in eight months (down 1.8%; seasonally adjusted), indicating a slowdown in the pace of growth of export value.
- Export volume posted the first y/y advance in 14 months (up 1.8%), while its level has been firming up. By trading partner, the Export Volume Index to Asian trading partners saw the second y/y slide in a row. However, that to the US saw the first advance in three months and that to the EU posted the first gain in 14 months, pushing up overall export volume.
- We anticipate export value continuing to increase, as export volume gains momentum accompanying the global economic recovery, centering on the US, and the lagging effects of the weaker yen since end-2012. Meanwhile, the EU economy is signaling a bottoming out of the ongoing recession, indicating export volume to the EU is likely to firm up gradually. However, emerging market economies, centering on China, warrant a close watch.

Trade Statistics		Chart 1								
	2012		2013							Jul
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Export value (y/y %)	-4.1	-5.8	6.3	-2.9	1.1	3.8	10.1	7.4	12.2	
Market consensus (Bloomberg)									12.8	
DIR estimate									12.8	
Import value (y/y %)	0.9	1.9	7.1	12.0	5.6	9.5	10.1	11.8	19.6	
Export volume (y/y %)	-7.7	-11.8	-1.5	-12.8	-7.1	-3.0	-1.2	-5.0	1.8	
Export price (y/y %)	3.9	6.8	7.9	11.4	8.9	7.0	11.5	13.1	10.2	
Import volume (y/y %)	-0.5	-0.6	-0.7	0.3	-4.5	2.5	-2.2	-4.9	2.4	
Import price (y/y %)	1.4	2.6	7.9	11.6	10.6	6.9	12.5	17.6	16.8	
Trade balance (Y100 mil)	-9,570	-6,457	-16,335	-7,813	-3,669	-8,848	-9,981	-1,823	-10,240	

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

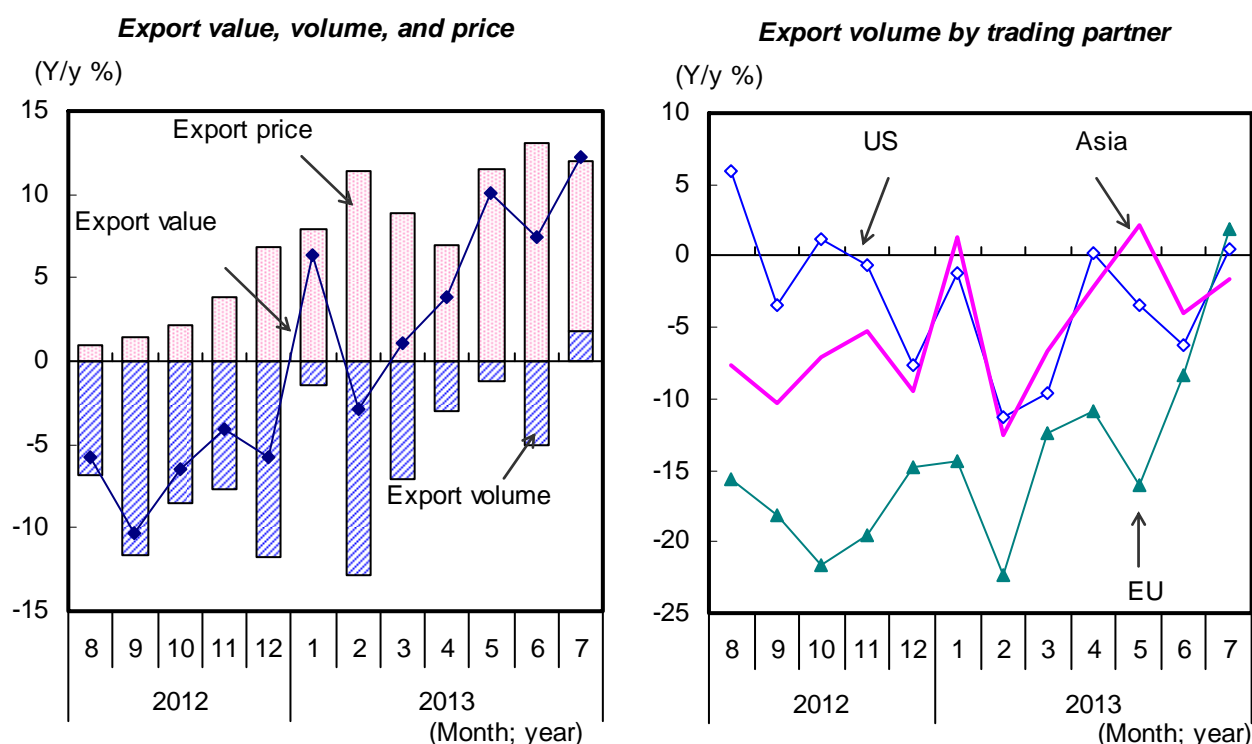
Export volume saw first y/y advance in 14 months

In the July 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the fifth month in a row (up 12.2%) but slightly undershot consensus expectations (up 12.8%). Meanwhile, it posted the first m/m slide in eight months (down 1.8%; seasonally adjusted), indicating a slowdown in the pace of growth of export value. Breaking down export value, export price remains on a strong uptrend (up 10.2% y/y), but the margin of advance narrowed from the previous month, as the weak-yen trend since end-2012 was trading water. Meanwhile, export volume posted the first advance in 14 months (up 1.8%), while its level has been firming up. By trading partner, the Export Volume Index to Asian trading partners saw the second y/y slide in a row. However, that to the US saw the first advance in three months and that to the EU posted the first gain in 14 months, pushing up overall export volume.

Import value advanced y/y for the ninth consecutive month (up 19.6%). Import prices jumped (up 16.8%), meaning the shift to a weaker yen in end-2012 continued to push up import value. In addition, reflecting higher domestic demand, import volume saw the first y/y advance in three months (up 2.4%), also driving up the import value. As a result, the trade balance posted a deficit of Y1,024 billion, a negative figure for the 13th consecutive month.

Export Value, Volume, Price and Export Volume by Trading Partner

Chart 2



Source: Ministry of Finance; compiled by DIR.

Export value steady y/y in general

Export value increased y/y across the board, indicating exports are firming up in general. Especially, transportation equipment, chemicals, and general machinery made significant contribution to y/y growth.

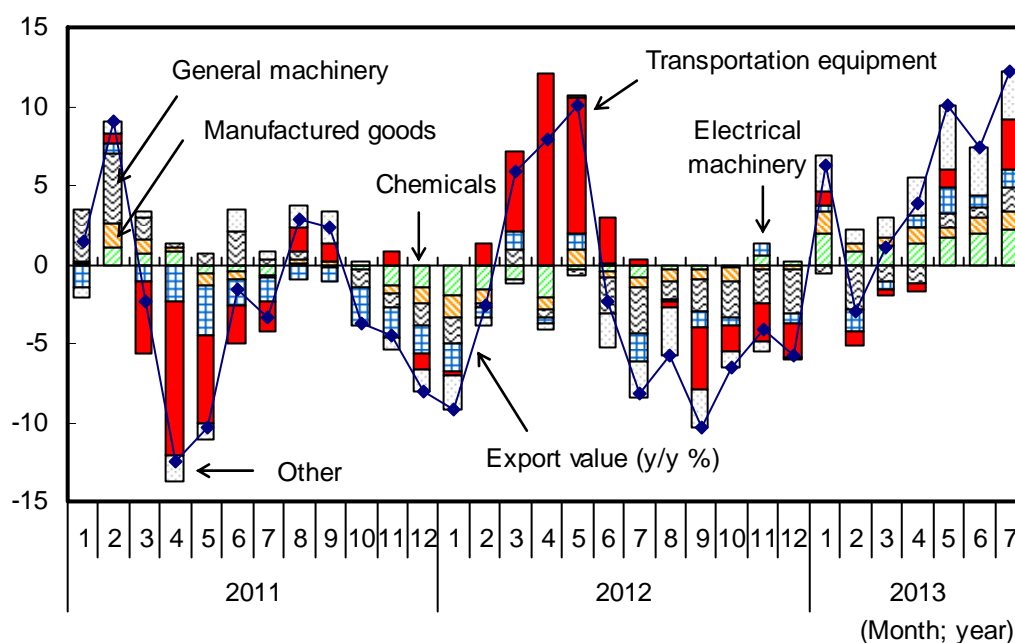
Export value of transportation equipment increased y/y for the third month in a row (up 13.5%), accelerating the uptrend from the previous month. By trading partner, exports of transportation equipment to the US, the major destination of such exports, were steady (up 27.2%), driving such exports overall. In addition, mainly due to an advance in shipments of auto parts, those to the EU posted the first gain in 14 months (up 12.2%), also contributing to pushing up such exports as a whole. Those to Asian trading partners saw the first advance in three months, thanks to a gain in those to China (up 4.9%), despite slides in those to Asian NIEs (down 3.7%) and ASEAN (down 3.3%).

Export value of chemicals increased y/y for the ninth month in a row (up 22.4%). By trading partner, exports of chemicals increased across the board. Those to the US, the EU, and Asia advanced 21.9%, 7.8%, and 25.7%, respectively, maintaining the ongoing firm trend in general. Especially, exports of organic compounds increased (up 50.3%), centering on those to China and Asian NIEs, pushing up exports of overall chemicals.

Export value of general machinery increased y/y for the third month in a row (up 7.4%). By trading partner, partly because the level was low a year ago, exports of general machinery to the EU increased substantially (up 24.1%), driving overall such exports. Those to Asian trading partners posted the third gain in a row (up 3.2%), firming up gradually. Those to the US posted the seventh gain in a row (up 7.0%), remaining steady.

Breakdown of Export Value by Goods (% pt)

Chart 3



Source: Ministry of Finance; compiled by DIR.

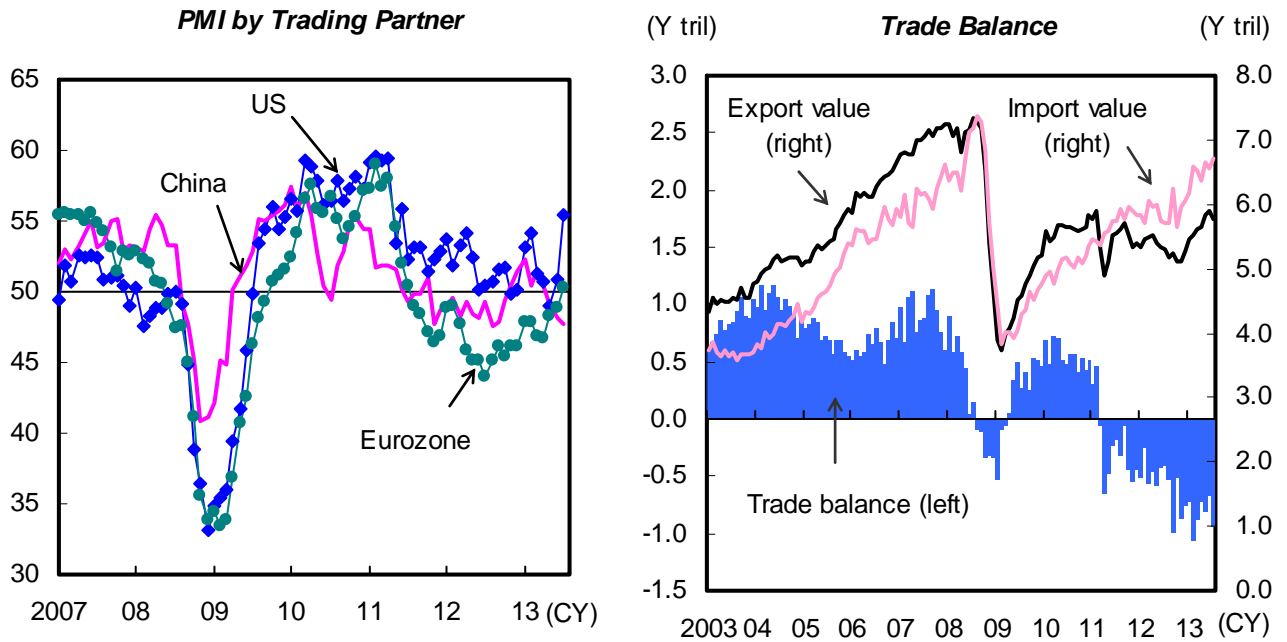
Note: Other=sum of foods, mineral fuels, raw materials, and "other".

Exports to EU likely to firm up

We anticipate export value continuing to increase, as export volume gains momentum accompanying the global economic recovery, centering on the US, and the lagging effects of the weaker yen since end-2012. Meanwhile, the EU economy is signaling a bottoming out of the ongoing recession, indicating export volume to the EU is likely to firm up gradually. However, emerging market economies, centering on China, warrant a close watch. Meanwhile, we expect imports to increase gradually, 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.

PMI by Trading Partner and Trade Balance **Chart 4**



Source: Institute for Supply Management, HSBC, Markit, Bloomberg, Ministry of Finance; compiled by DIR.