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August Trade Statistics

Export volume increased moderately

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Summary

- In the August 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the sixth month in a row (up 14.7%), almost on par with consensus expectations (up 14.5%). Meanwhile, it posted the first m/m gain in two months (up 2.2%; seasonally adjusted) and posted the ninth consecutive gain on a three-month moving average basis, indicating the underlying uptrend continues.
- The Export Volume Index (seasonally adjusted by DIR) posted the first m/m gain in three months (up 1.2%). Export volume has firmed up in general, albeit at a moderate pace. By trading partner, the index to the EU declined after advancing substantially in July. However, the index to Asian trading partners and to the US increased and pushed up overall export volume.
- We anticipate export value continuing to increase, factoring in the global economic recovery, centering on the US, and considering the lagging effects of the weaker yen since end-2012 being felt. Meanwhile, the EU economy is signaling a bottoming out of the ongoing recession, indicating export volume to the EU is also likely to firm up gradually from persistent stagnation. However, ASEAN economies have slowed down, and the possibility of weakening exports to Asian trading partners warrants a close watch.

Trade Statistics										Chart 1
	2012	2013								
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
Export value (y/y %)	-5.8	6.3	-2.9	1.1	3.8	10.1	7.4	12.2	14.7	
Market consensus (Bloomberg)									14.5	
DIR estimate									14.4	
Import value (y/y %)	1.9	7.1	12.0	5.6	9.5	10.1	11.8	19.6	16.0	
Export volume (y/y %)	-11.8	-1.5	-12.8	-7.1	-3.0	-1.2	-5.0	1.8	1.9	
Export price (y/y %)	6.8	7.9	11.4	8.9	7.0	11.5	13.1	10.2	12.5	
Import volume (y/y %)	-0.6	-0.7	0.3	-4.5	2.5	-2.2	-5.0	2.4	-1.4	
Import price (y/y %)	2.6	7.9	11.6	10.6	6.9	12.5	17.6	16.8	17.7	
Trade balance (¥100 mil)	-6,457	-16,335	-7,813	-3,669	-8,848	-9,981	-1,817	-10,279	-9,603	

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

Export value remains on uptrend, reflecting higher export price

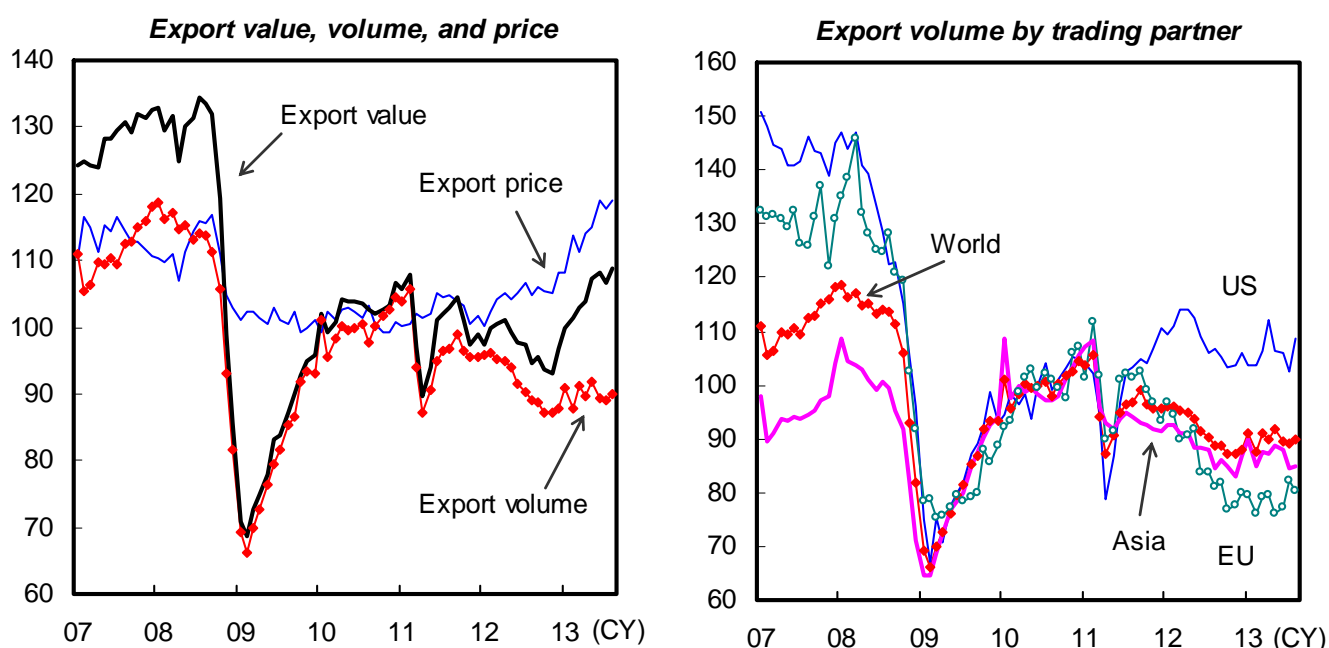
In the August 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the sixth month in a row (up 14.7%), almost on par with consensus expectations (up 14.5%). Meanwhile, it posted the first m/m gain in two months (up 2.2%; seasonally adjusted) and posted the ninth consecutive gain on a three-month moving average basis, indicating the underlying uptrend continues. Breaking down export value, export price remains on a strong uptrend (up 12.5% y/y), benefitting from ongoing weak-yen effects. Meanwhile, export volume surpassed a year-earlier level for the second month in a row (up 1.9%).

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Import value advanced y/y for the tenth consecutive month (up 16.0%). Import volume saw the first y/y slide in two months (down 1.4%), while import price saw a surge (up 17.7%), meaning 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 Y960.3 billion, a negative figure for the 14th consecutive month.

Export Value, Volume, Price and Export Volume by Trading Partner (2010 = 100)

Chart 2



Source: Ministry of Finance; compiled by DIR.

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

Export value steady y/y

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

Export value of transportation equipment increased y/y for the fourth month in a row (up 15.2%), accelerating the growing pace from July. By trading partner, exports of such equipment to the US, the

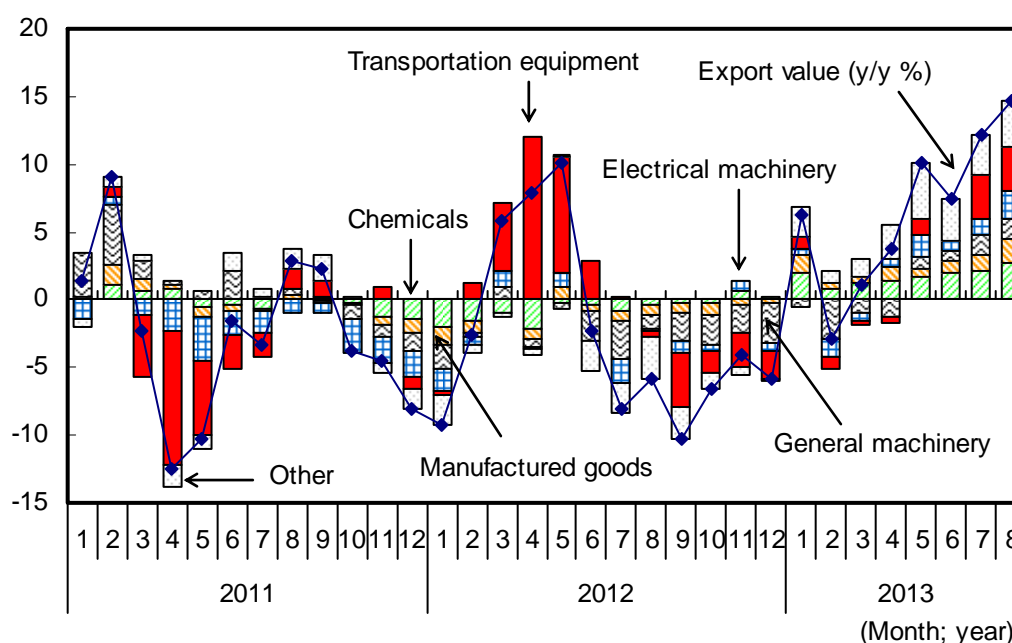
major destination of such exports, remained steady (up 32.0%), driving such exports overall. Those to the EU continued to post a substantial gain (up 23.8%) following a turnaround in July. Those to Asian trading partners accelerated the growing pace from July to up 12.3%, thanks to the first gain in three months in those to Asian NIEs (up 27.7%) and the first gain in four months in those to ASEAN (up 6.2%).

Export value of chemicals increased y/y for the tenth month in a row (up 25.9%). By trading partner, exports of chemicals increased across the board. Those to the US, the EU, and Asian trading partners advanced 29.4%, 14.1%, and 25.5%, respectively, maintaining the ongoing firm trend in general. Especially, exports of organic compounds surged (up 62.7%), centering on those to China and the US, pushing up exports of overall chemicals.

Export value of electrical machinery increased y/y for the fifth month in a row (up 10.7%). By trading partner and product, exports to ASEAN of semiconductors/other electronic components, the major product in this category, posted the first gain in three months, driving overall such exports. Those to the EU also contributed to pushing up exports of electrical machinery, reflecting surges in those of batteries and electrical measuring instruments.

Breakdown of Export Value by Goods (% pt)

Chart 3



Source: Ministry of Finance; compiled by DIR.

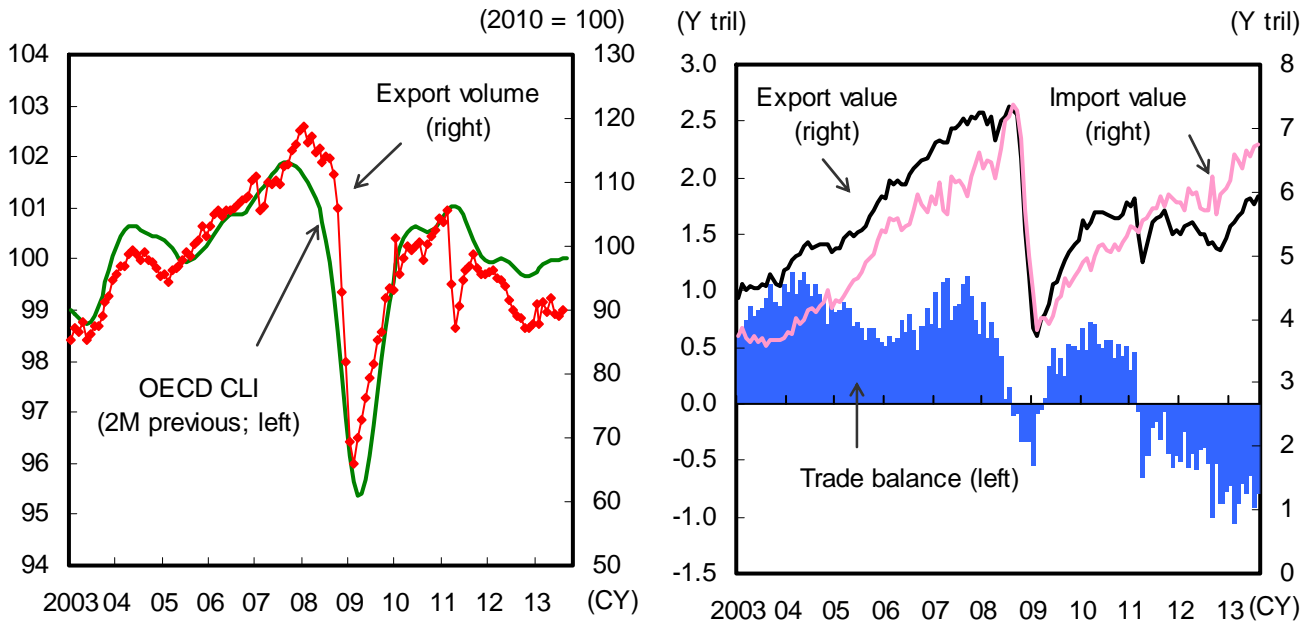
Note: Other=sum of foods, mineral fuels, raw materials, and "other".

Possibility of slowdown in exports to Asian trading partners warrants watch

We anticipate export value continuing to increase, factoring in the global economic recovery, centering on the US, and considering the lagging effects of the weaker yen since end-2012 being felt. Meanwhile, the EU economy is signaling a bottoming out of the ongoing recession, indicating export volume to the EU is also likely to firm up gradually from persistent stagnation. However, ASEAN economies have slowed down, and the possibility of weakening exports to Asian trading partners warrants 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, and factoring in crude oil prices shifting higher reflecting geopolitical risks in the Middle East, the trade balance is

likely to post negative figures for the time being. However, the margin of trade deficit is likely to narrow gradually, 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.