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April Trade Statistics

Export volume grows for first time in 2-months, imports decline sharply as effects of last minute demand wear off

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Summary

- According to April 2014 trade statistics, exports in monetary terms were up +5.1% y/y, the 14th consecutive month of growth, outperforming market consensus (+4.8%) by just a tad. The export price was up +3.0% y/y, a somewhat slower growth rate than last month when it was at +4.4%, while export volume grew in year-to-year terms for the first time in 2 months, recording +2.0% y/y. In seasonally adjusted terms export amount grew for the first time in 2 months, registering +0.6% in month-to-month terms.
- Export volume index on a seasonally adjusted basis (DIR) grew for the first time in 2 months registering +1.6% m/m. By region, exports to the US were up +2.4% m/m, while EU gained +3.7% and Asia was up by +0.1%, confirming robust growth in exports in April.
- As for the future, export volume is expected to gradually show an increasingly unambiguous return to a growth trend. As has been confirmed by April figures, the March bottleneck which developed due to the prioritization of domestic shipments has been resolved, and export volume is expected to get back on track in the future with the help of recovery in overseas demand.
- In monetary terms, April imports made y/y gains for the 18th consecutive month at +3.4% y/y, but shrunk quite a bit in terms of growth rate (+18.1% y/y in March). The import price continued to grow by 4.7% in y/y terms, while import volume suffered a y/y decline at -1.3%, causing a major decrease in import amount. Imports grew through the end of March due to last minute demand prior to the increase in the consumption tax and growth in imports of crude oil and petroleum products in anticipation of the increase in taxes on oil and coal. These influences appear to have run their course in April. As a result of the above factors, Japan's trade balance was in the red for the 22nd month in a row at 808.9 bil yen.

Trade Statistics

Chart 1

	2013					2014				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Export value (y/y %)	14.6	11.4	18.6	18.4	15.3	9.5	9.8	1.8	5.1	
Market consensus (Bloomberg)									4.8	
DIR estimate									3.9	
Import value (y/y %)	16.2	16.7	26.3	21.2	24.8	25.1	9.0	18.1	3.4	
Export volume (y/y %)	1.9	-1.8	4.4	6.2	2.5	-0.2	5.4	-2.5	2.0	
Export price (y/y %)	12.5	13.5	13.6	11.5	12.4	9.7	4.2	4.4	3.0	
Import volume (y/y %)	-1.9	-2.1	6.4	3.4	4.7	8.0	-0.5	11.6	-1.3	
Import price (y/y %)	18.4	19.2	18.7	17.2	19.1	15.9	9.6	5.9	4.7	
Trade balance (Y100 mil)	-9,714	-9,432	-11,004	-13,011	-13,072	-27,950	-8,047	-14,460	-8,089	

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

Export volume grows for first time in 2-months

According to April 2014 trade statistics, exports in monetary terms were up +5.1% y/y, the 14th consecutive month of growth, outperforming market consensus (+4.8%) by just a tad. The export price was up +3.0% y/y, a somewhat slower growth rate than last month when it was at +4.4%, while export volume grew in year-to-year terms for the first time in 2 months, recording +2.0% y/y. In seasonally adjusted terms export amount grew for the first time in 2 months, registering +0.6% in month-to-month terms.

Export volume index on a seasonally adjusted basis (DIR) grew for the first time in 2 months registering +1.6% m/m. By region, exports to the US were up +2.4% m/m, while EU gained +3.7% and Asia was up by +0.1%, confirming robust growth in exports in April.

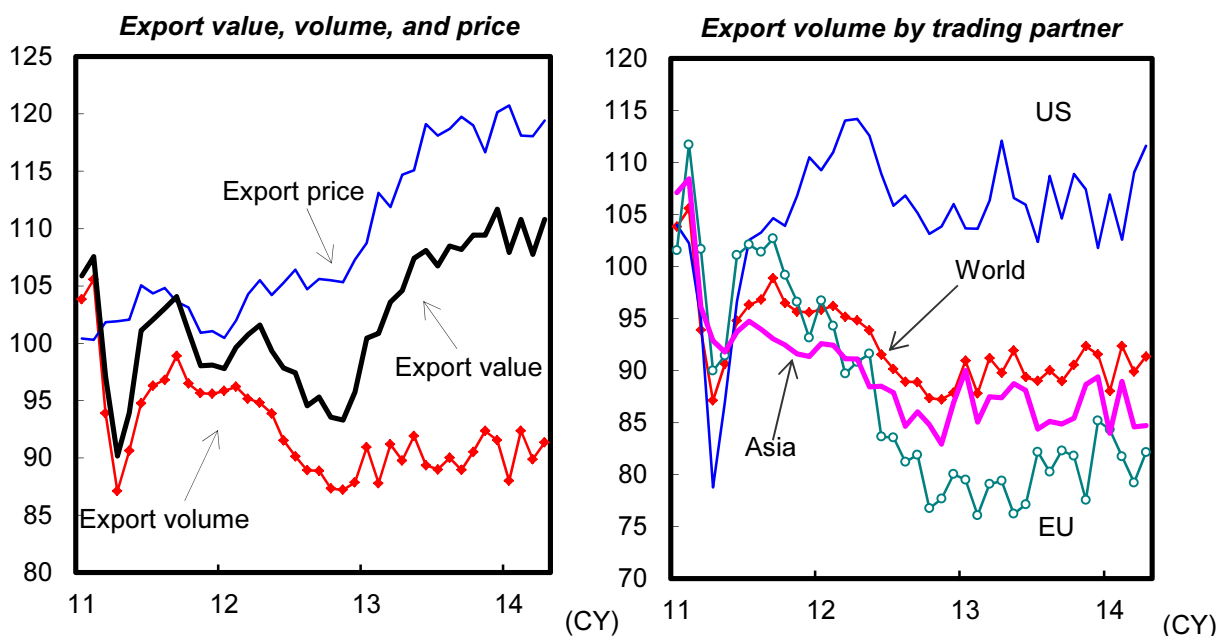
Exports of autos and auto parts to the US as well as other transport equipment helped to pull in positive growth in exports overall. Automobile manufacturers had been focusing on domestic shipments through March, but these figures indicate that in April they began to increase exports. Growth in exports was also seen to China and the Asian NIEs focusing on transport equipment. Meanwhile, exports to the EU also made gains, helped along by growth in general machinery and electrical machinery exports.

Import volume down in y/y terms as last minute demand runs its course

In monetary terms, April imports made y/y gains for the 18th consecutive month at +3.4% y/y, but shrunk quite a bit in terms of growth rate (+18.1% y/y in March). The import price continued to grow by 4.7% in y/y terms, while import volume suffered a y/y decline at -1.3%, causing a major decrease in import amount. Imports grew through the end of March due to last minute demand prior to the increase in the consumption tax and growth in imports of crude oil and petroleum products in anticipation of the increase in taxes on oil and coal. These influences appear to have run their course in April. As a result of the above factors, Japan's trade balance was in the red for the 22nd month in a row at 808.9 bil yen.

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 volume may strengthen its return to growth as overseas demand recovers

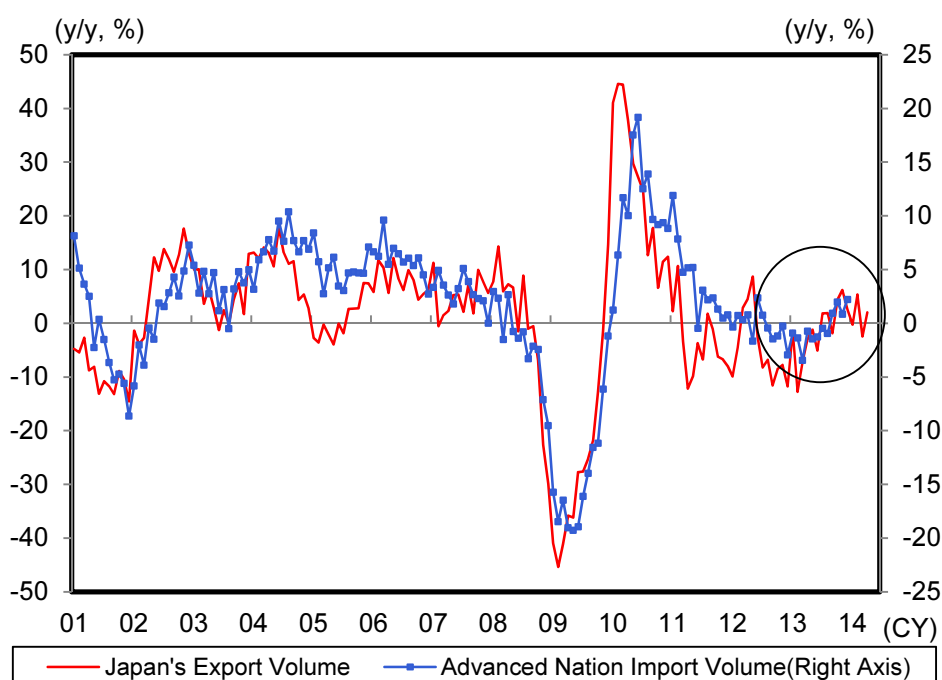
In the future, the strengthening trend in exports should gradually become more apparent. As has been confirmed by April figures, the March bottleneck which developed due to the prioritization of domestic shipments has been resolved. Moreover, imports by advanced nations, which had been in a decline, have returned to a growth trend, while sluggish growth in overseas economies, yet another factor in slow growth for exports, is gradually being resolved (see Chart 3).

Economic expansion continues in the US backed by robust personal consumption. If the recovery in the corporate sector, centering mostly on capex, gains momentum, imports of Japanese goods are expected to gradually increase. As for the EU, gradual economic recovery continues, and is expected to do so further in the future. Therefore possibilities are good that exports to those countries will recover and enter a growth trend. Meanwhile, the Asian NIEs and ASEAN countries are expected to improve at a quickening pace, encouraged by the US economic recovery. While downward pressure from China's slowing economy remains, exports to Asia should also gradually strengthen their growth trend.

Trade deficit expected to shrink gradually in the future

Japan is expected to continue running a trade deficit in the future. However, export volume is expected to begin picking up, and import growth is expected to slow down somewhat due to the easing off of the effects of last minute demand. Hence we expect the trade deficit to gradually shrink.

Import Volume of Advanced Countries and Japan's Export Volume Chart 3



Source: Netherlands Bureau for Economic Policy Analysis (CPB), Ministry of Finance; compiled by DIR.