

18 June 2014 (No. of pages: 3)

Japanese report: 18 Jun 2014

May Trade Statistics

Export volume declines for first time in 2-months, imports also continue to decline

Economic Analysis Office
Tsutomu Saito

Summary

- According to May 2014 trade statistics, exports in monetary terms were down -2.7% y/y, their first decline in fifteen months, and fell below market consensus as well (-1.3% y/y). Declines were due mainly to export volume having fallen in y/y terms for the first time in two months, at -3.4%. In seasonally adjusted terms export amount also fell for the first time in 2 months, registering -1.2% in month-to-month terms.
- The export volume index on a seasonally adjusted basis (DIR) fell for the first time in 2 months registering -2.1% m/m. By region, exports to the US were suffered a major decline of -4.7% m/m, thereby pushing overall figures down. Meanwhile, the EU gained +0.1% and Asia was up by +0.9%, continuing their recent growth, if only by a small margin.
- In monetary terms, May imports fell y/y for the first time in nineteen months at -3.6%. The major decline suffered by import volume suffered at -4.0% y/y is thought to be the cause of the decline in import amount. Import volume fell in April due to a reaction decline after the increase in the consumption tax, and that situation seems to have remained unchanged in May. As a result, Japan's trade balance was in the red by 909 bil yen, the second consecutive month of year-to-year declines in the trade deficit.

Trade Statistics

Chart 1

	2013				2014					
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Export value (y/y %)	11.4	18.6	18.4	15.3	9.5	9.8	1.8	5.1	-2.7	
Market consensus (Bloomberg)									-1.3	
DIR estimate									1.5	
Import value (y/y %)	16.7	26.3	21.2	24.8	25.1	9.0	18.2	3.4	-3.6	
Export volume (y/y %)	-1.8	4.4	6.2	2.5	-0.2	5.4	-2.5	2.0	-3.4	
Export price (y/y %)	13.5	13.6	11.5	12.4	9.7	4.2	4.4	3.0	0.7	
Import volume (y/y %)	-2.1	6.4	3.4	4.7	8.0	-0.5	11.6	-1.3	-4.0	
Import price (y/y %)	19.2	18.7	17.2	19.1	15.9	9.6	5.9	4.7	0.5	
Trade balance (Y100 mil)	-9,432	-11,004	-13,011	-13,072	-27,950	-8,047	-14,507	-8,117	-9,090	

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

Export volume declines for first time in 2-months

According to May 2014 trade statistics, exports in monetary terms were down -2.7% y/y, their first decline in fifteen months, and fell below market consensus as well (-1.3% y/y). Declines were due mainly to export volume having fallen in y/y terms for the first time in two months, at -3.4%. In seasonally adjusted terms export amount also fell for the first time in 2 months, registering -1.2% in month-to-month terms.

The export volume index on a seasonally adjusted basis (DIR) fell for the first time in 2 months registering -2.1% m/m. By region, exports to the US were suffered a major decline of -4.7% m/m, thereby pushing overall figures down. Meanwhile, the EU gained +0.1% and Asia was up by +0.9%, continuing their recent growth, if only by a small margin.

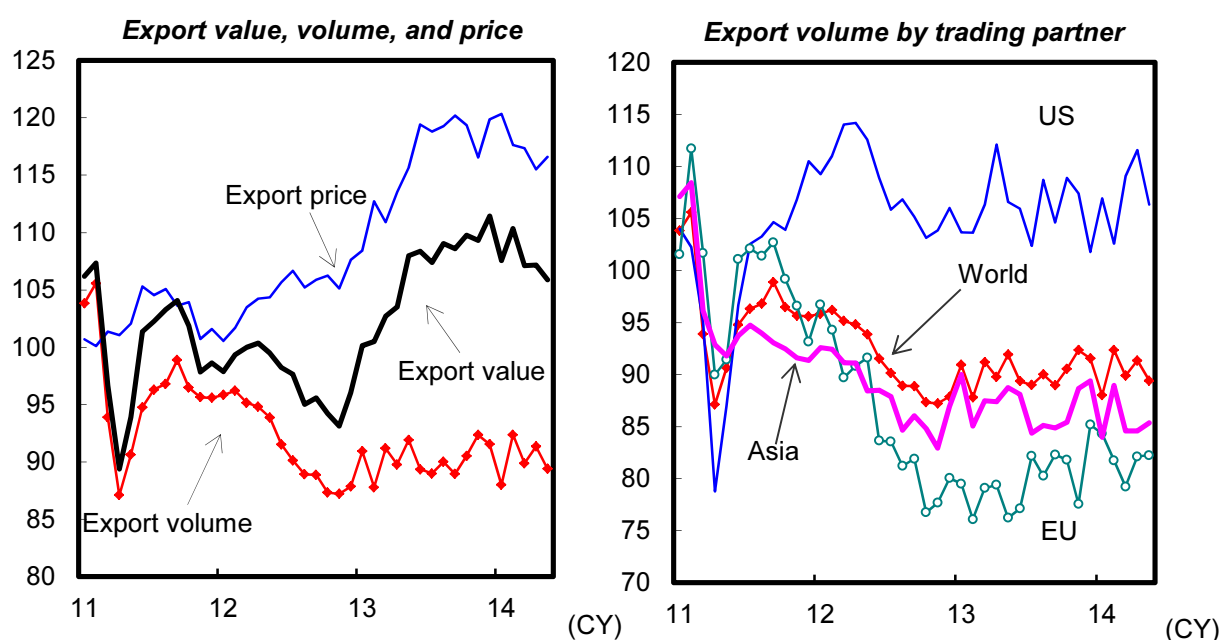
Declines in export volume of autos to the US brought down export volume overall. However, the decline is seen as being merely the reaction to last month's growth, so all in all, auto exports are seen as gradually regaining strength. As for auto parts, their growth trend continues. Exports to the EU grew for the second consecutive month, with a recovery in export volume of autos especially notable. Exports of electronic parts and general machinery also appear to be in a growth trend, providing a solid foothold for overall performance. As for exports to Asia, there was an especially major decline in exports to Thailand as the political situation there remains unstable.

Export volume is picking up, with trend strengthening due to recovery of overseas demand

In the future, the strengthening trend in exports should gradually become more apparent. In terms of exports by region, expansion in exports to the US continues due to firm performance of 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 as well as political instability in Thailand remains, exports to Asia should also gradually strengthen their growth trend.

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.

Import volume continues to decline due to effects of last minute demand

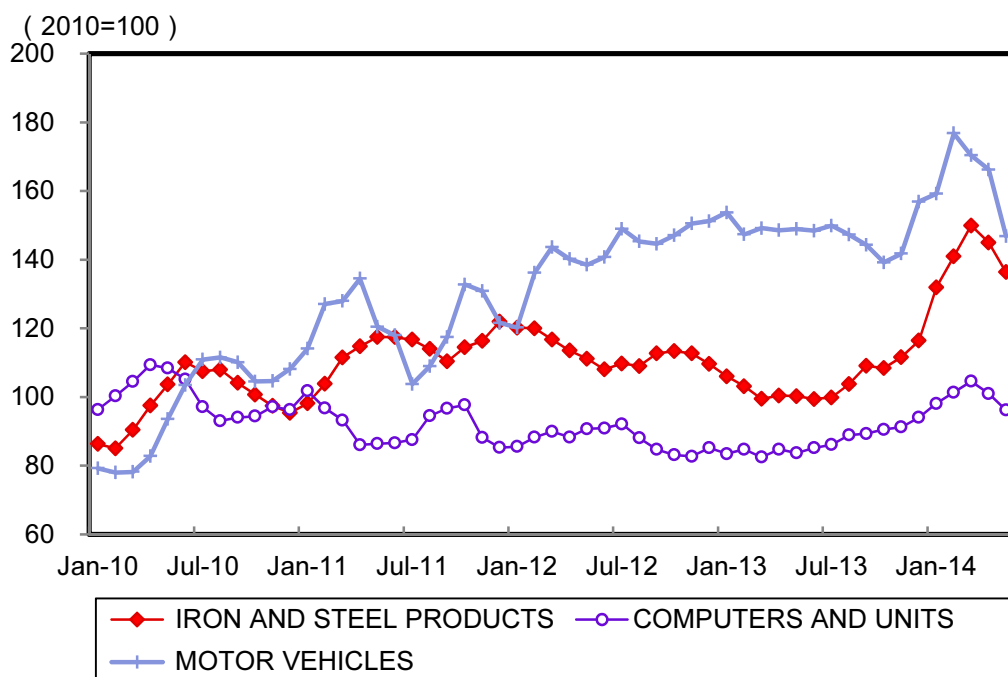
In monetary terms, May imports fell y/y for the first time in nineteen months at -3.6%. The major decline suffered by import volume suffered at -4.0% y/y is thought to be the cause of the decline in import amount. Import volume fell in April due to a reaction decline after the increase in the consumption tax, and that situation seems to have remained unchanged in May. As a result, Japan's trade balance was in the red by 909 bil yen, the second consecutive month of year-to-year declines in the trade deficit.

Import volume suffers considerable decline in areas of automobiles, PCs, and iron & steel

Taking a look now at import volume, autos and PCs, where demand was high before the increase in consumption tax, now suffer from noticeable declines. Iron & steel also fell into a decline after April, though just before that import volume was seeing continuing growth due to considerable demand from the construction and auto industries. As a result of the declines experienced in April and May, import volume now approaches the level where it was before the appearance of last minute demand, and is expected to return to normal within the next few months. By that time domestic demand should be back in an expansion phase, and imports are expected to win back gradual growth.

Changes in Import Volume by Product Type

Chart 3



Source: Ministry of Finance; compiled by DIR.

Note: Seasonal adjustment figures are in terms of the 3-month moving average. Seasonal adjustment by DIR.

Trade deficit expected to shrink gradually in the future

The trade deficit has fallen in year-to-year terms for two consecutive months, though it is expected to take quite some time before positive figures are seen. However, we expect the trade deficit to shrink gradually in the future due to the following factors. (1) Export volume stands a good chance of getting back on its feet, and (2) Import volume is expected to continue growing gradually in tandem with growth in domestic demand.