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July Trade Statistics

Trade deficit shrinks slightly; export volume remains stagnant

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Summary

- According to July 2014 trade statistics, exports in monetary terms were up +3.9% y/y, the first time in three months the statistic achieved year-to-year growth. Meanwhile, figures were pretty much in line with market consensus (+3.8% y/y). On a seasonally adjusted basis, the export amount was up +1.5% m/m, its second consecutive month of growth. Exports in monetary terms have gradually declined since the end of 2013 due mainly to the decline in export prices. However, export prices have recently experienced a turnaround, and hence export amount is now showing signs of a comeback as well.
- The July import amount achieved y/y growth for the second consecutive month at +2.3%. While import volume was down in year-to-year terms for the first time in two months at -0.4%, the import price grew by +2.7%, thereby outperforming its former growth rate and pushing up the import amount.
- The trade balance was in the red by 964 bil yen, the first time in two months the trade deficit shrank in year-to-year terms. On a seasonally adjusted basis the trade deficit hit 1.02 tril yen, shrinking just slightly in m/m terms.
- The export volume index on a seasonally adjusted basis (DIR) fell in m/m terms for the first time in two months at -0.1%. Export volume continued to mark time.

Trade Statistics

Chart 1

	2013		2014						
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Export value (y/y %)	18.4	15.3	9.5	9.8	1.8	5.1	-2.7	-1.9	3.9
Market consensus (Bloomberg)									3.8
DIR estimate									4.9
Import value (y/y %)	21.2	24.8	25.1	9.0	18.2	3.4	-3.5	8.4	2.3
Export volume (y/y %)	6.2	2.5	-0.2	5.4	-2.5	2.0	-3.4	-1.7	0.9
Export price (y/y %)	11.5	12.4	9.7	7.0	4.4	3.0	0.7	-0.3	3.0
Import volume (y/y %)	3.4	4.7	8.0	-0.5	11.6	-1.3	-4.0	7.2	-0.4
Import price (y/y %)	17.2	19.1	15.9	6.9	5.9	4.8	0.5	1.1	2.7
Trade balance (¥100 mil)	-13,011	-13,072	-27,950	-8,047	-14,507	-8,149	-9,108	-8,232	-9,640

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

Export Amount Achieves Y/Y Growth for First Time in Three Months; Trade Deficit Shrinks Slightly

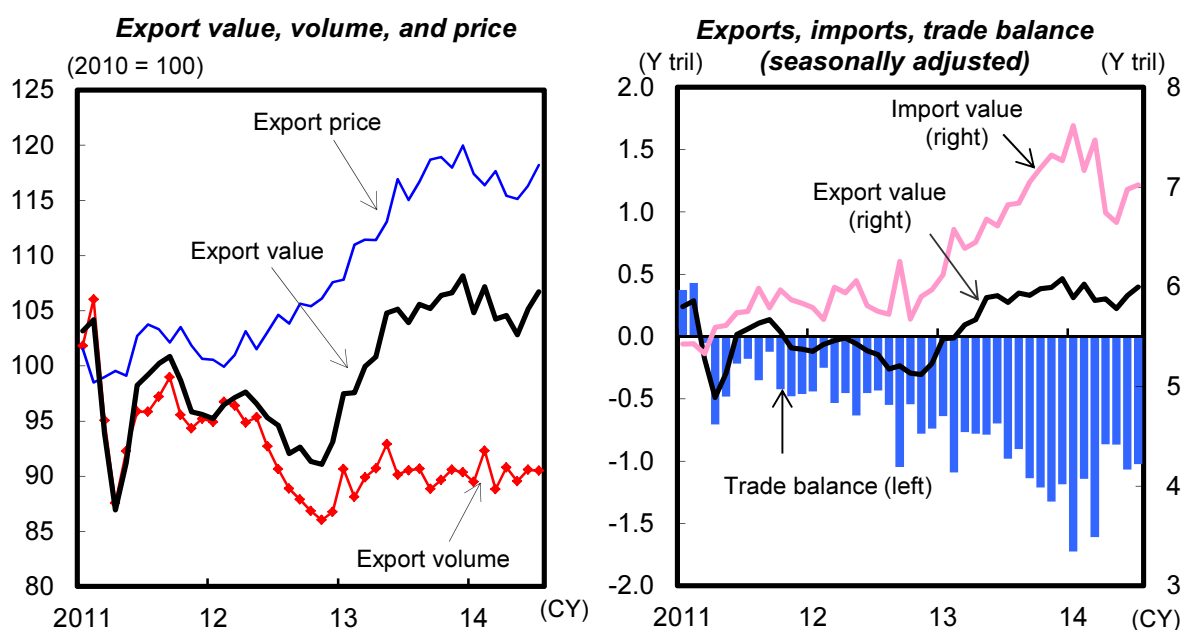
According to July 2014 trade statistics, exports in monetary terms were up +3.9% y/y, the first time in three months the statistic achieved year-to-year growth. Meanwhile, figures were pretty much in line with market consensus (+3.8% y/y). Export volume grew in y/y terms for the first time in three months at +0.9%, with export prices up also by +3.0% y/y, the first increase in export prices in two months. On a seasonally adjusted basis, the export amount was up +1.5% m/m, the second consecutive month of growth. Exports in monetary terms have gradually declined since the end of 2013 due mainly to the decline in export prices. However, export prices have recently experienced a turnaround, and hence export amount is now showing signs of a comeback as well.

The July import amount achieved y/y growth for the second consecutive month at +2.3%. While import volume was down in year-to-year terms for the first time in two months at -0.4%, the import price grew by +2.7%, thereby outperforming its former growth rate, thereby pushing up the import amount. Looking at import amount in seasonally adjusted terms, performance was up +0.6% in m/m terms. The effects of the reactionary decline after the increase in consumption tax last April are gradually being resolved, and import volume is slowly making a comeback in m/m terms following improvements made in personal consumption which has breathed life back into domestic demand.

The trade balance was in the red by 964 bil yen, the first time in two months the trade deficit shrank in year-to-year terms. On a seasonally adjusted basis the trade deficit hit 1.02 tril yen, shrinking just slightly in m/m terms.

Export Value, Volume, Price and Trade Balance

Chart 2



Source: Ministry of Finance; compiled by DIR.

Note: Export volume and export price seasonally adjusted by DIR.

Export Volume Remains Stagnant with Month-to-Month Decline of -0.1%

The export volume index on a seasonally adjusted basis (DIR) fell in m/m terms for the first time in two months at -0.1%. Export volume continued to mark time. By region, export volume to Asia exhibited some growth at +0.6% m/m, while US exports were down by -2.5% and the EU was down similarly by -0.7%, thereby bringing overall export volume down along with them.

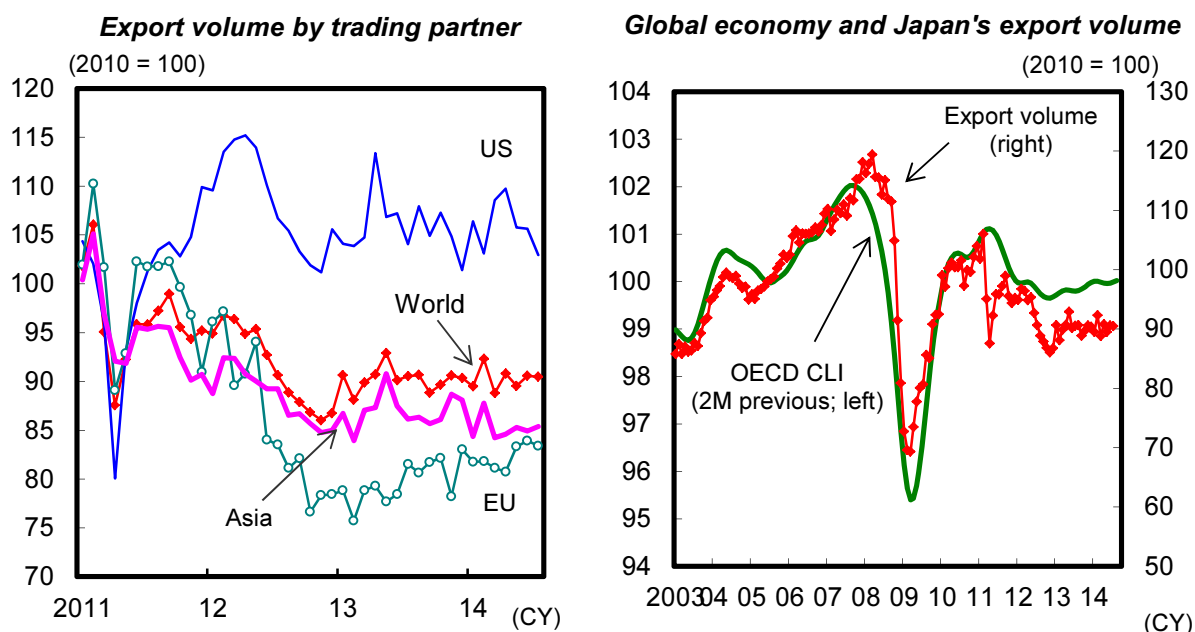
Exports of major electronic parts to the ASEAN and Asian NIEs grew, helping to push up overall results. However, exports of automobiles to the US declined, and this was the major factor in bringing down export volume overall. As for exports to the EU, automobiles managed a return to growth, but electrical devices and general machinery appeared to be in a downtrend.

Export Volume Moves toward Growth trend in Response to Recovery in Overseas Demand

As for the future of export volume, performance is expected to gradually move toward a growth trend. Looking at economic trends by region, the US economy is continuing to expand backed by robust personal consumption. Automobiles, Japan's major export to the US, continue to mark time due to progress in Japanese auto makers moving their production to the US. However, as the corporate sector recovers, export growth is also promised, centering on capital goods. The EU has experienced somewhat of a slowdown of late, but gradual economic expansion is expected to continue. Exports to the EU have continued to achieve gradual growth, and this pattern is expected to continue. Recovery in the US and EU economies is also expected to give a lift to the Asian countries, which are seen making more rapid improvement. Meanwhile, China, which had been stagnating recently, is beginning to show signs of a comeback due to effective economic policy. Therefore, exports to Asia, though still dragging their feet at the moment, are also expected to gradually increase momentum.

Export Volume by Trade Partner; Global Economy and Japan's Export Volume

Chart 3



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.