

23 July 2015 (No. of pages: 3)

Japanese report: 23 Jul 2015

# June Trade Statistics

## Sluggishness continues centering on exports to US

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### Summary

- According to June 2015 trade statistics, export value grew for the tenth consecutive month at +9.5% y/y, remaining more or less in line with market consensus (+10.0%). Although this was an improvement in comparison to the previous month's +2.4%, the main reasons for that improvement were the number of business days in June and the effect of the weak yen. Export volume continued on a weak note due to sluggish exports to the US. Meanwhile, import value declined by -2.9% y/y, its sixth consecutive month of decline and trade balance was in the red for the third consecutive month at -69 bil yen.
- On the whole, this month's results indicate that the recovery in overseas demand and the trend toward expansion in trade have temporarily shifted to a standstill. In the US, falling crude oil prices and a strong dollar have put the brakes on further advances in the corporate sector. Possibilities are that sluggishness will continue for capital goods, Japan's major export to the US.
- As for the future of exports, we retain our previous opinion that the moderate growth trend will continue despite some ups and downs along the way. The US economy maintains a steady undertone centering on the household sector, and recovery is seen in exports of durable goods. As for the EU economy, the collapse in the price of crude oil and the effects of quantitative easing initiated by the ECB are encouraging a gradual comeback. This could become a major pull for Japanese exports. Meanwhile in Asia, possibilities are high that the difficult phase for the economy, centering on China, will continue for the midterm. At the same time, China's real economy is beginning to show signs of pulling out of the doldrums due to the lowering of its reserve deposit rate and interest rate. This is expected to bring a recovery in exports of capital goods, which have been stagnant of late.

Trade Statistics		Chart 1								
	2014			2015						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Export value (y/y %)	9.6	4.9	12.8	17.0	2.5	8.5	8.0	2.4	9.5	
Market consensus (Bloomberg)									10.0	
DIR estimate									7.4	
Import value (y/y %)	3.1	-1.6	1.9	-9.1	-3.6	-14.4	-4.1	-8.7	-2.9	
Export volume (y/y %)	4.8	-1.7	3.9	11.1	-2.1	3.2	1.8	-3.8	0.0	
Export price (y/y %)	4.6	6.7	8.6	5.3	4.7	5.1	6.0	6.4	9.5	
Import volume (y/y %)	-1.8	-6.9	-1.8	-6.3	4.5	-10.3	0.1	-5.3	-1.4	
Import price (y/y %)	5.1	5.8	3.8	-3.0	-7.7	-4.6	-4.2	-3.5	-1.6	
Trade balance (¥100 mil)	-7,418	-8,988	-6,656	-11,738	-4,285	2,227	-593	-2,172	-690	

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

## Weak tone continues for export volume

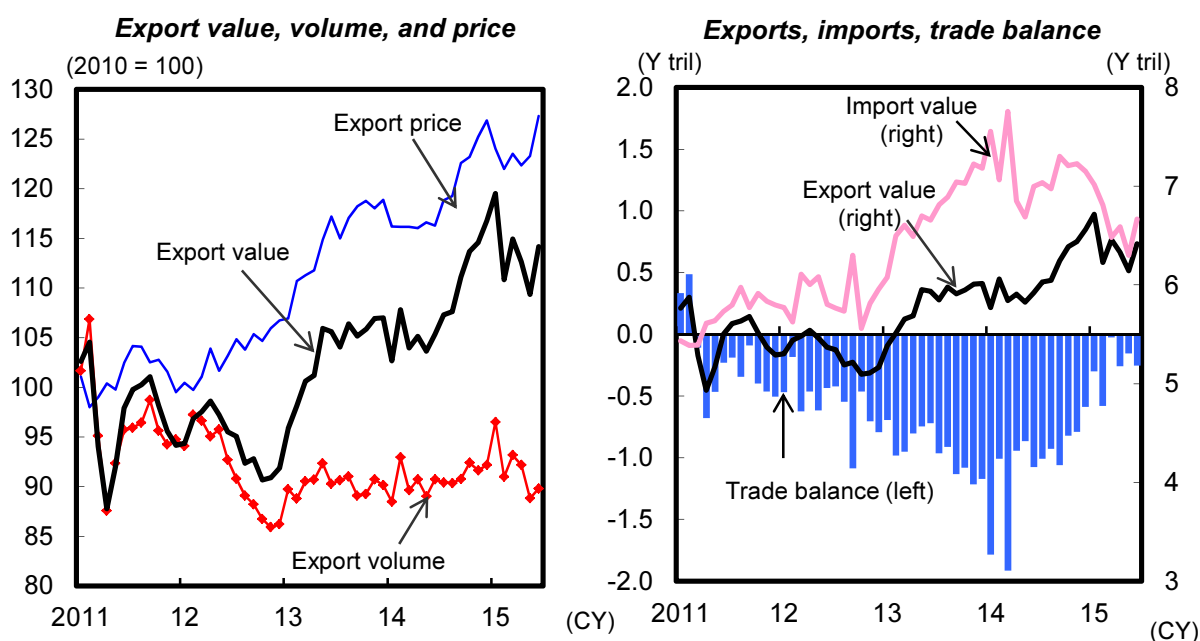
According to June 2015 trade statistics, export value grew for the tenth consecutive month at +9.5% y/y, remaining more or less in line with market consensus (+10.0%). Although this was an improvement in comparison to the previous month's +2.4%, the main reasons for that improvement were the number of business days in June and the effect of the weak yen. Export volume continued on a weak note due to sluggish exports to the US. Meanwhile, import value declined by -2.9% y/y, its sixth consecutive month of decline and trade balance was in the red for the third consecutive month at -69 bil yen.

The increase in export value was due mainly to price factors. Export price grew by +9.5% y/y compared to the previous month's +6.4% due to the progressively weakening yen since the end of May and continuing through June. Meanwhile, export volume was flat. While performance improved in comparison to the previous month's -3.8% y/y, this was due mainly to the number of business days in June (one more business day than June of last year in comparison to May, which had two fewer business days than in the previous year).

Import value in terms of price and volume factors shows a continued decline in import price in year-to-year terms due mainly to the decline in the price of crude oil. Performance was down by -1.6% y/y. However, the extent of the decline slowed somewhat in comparison to the previous month (-3.5%), reflecting the progressively weak yen. Meanwhile, import volume declined for the second consecutive month by -1.4%. However, this was due mainly to the number of business days in June, plus the extent of the decline has narrowed in comparison to the -5.3% of the previous month. Finally, in seasonally adjusted terms, import value grew for the first time in two months by +5.8% m/m.

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.

## Exports of capital goods to the US were weak, but automobile exports to the EU and Asia win recovery

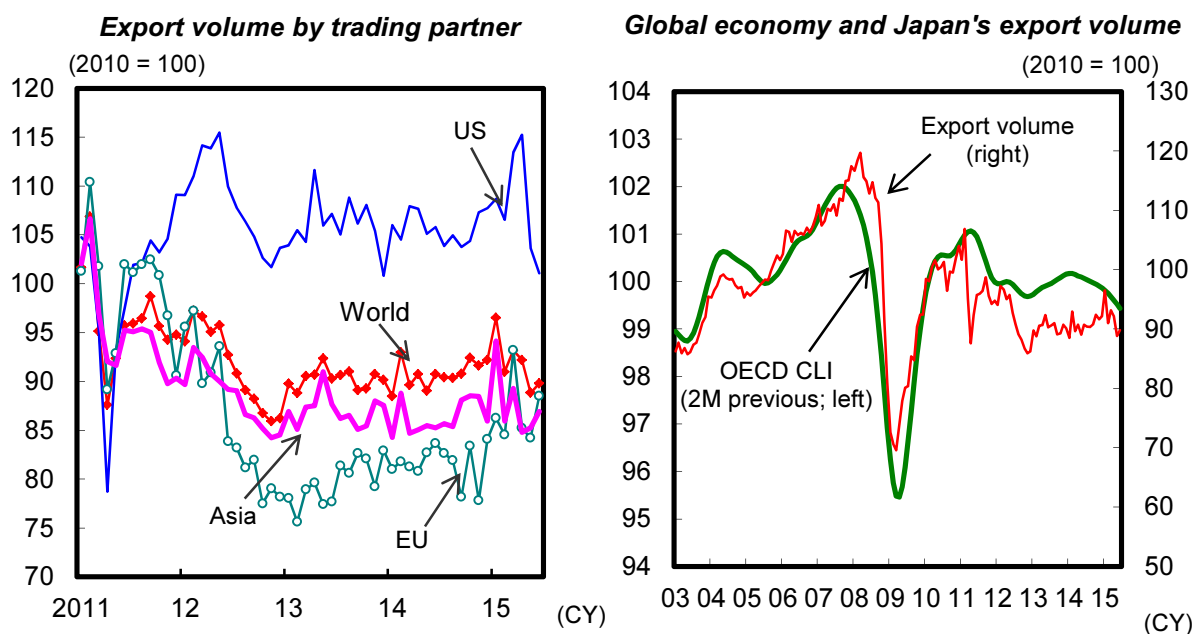
The seasonally adjusted figure for export value grew for the first time in three months at +4.4% m/m. Meanwhile, export volume was up by +1.1% m/m (seasonally adjusted figures estimated by DIR) showing a moderate improvement. Looking at performance by trading partner, export volume to the EU was up by +5.1%, contributing significantly to overall figures. There were some special factors present which helped to push figures up, such as the number of ships leaving port during the month, but these figures still point to an improving economy in Europe. Exports to Asia, which have recently been on the decline, were also up by +2.0% m/m. Though gradual, signs of economic improvement can be seen. On the other hand, export volume to the US was down by -2.5%, with continued sluggishness in the area of general machinery.

On the whole, this month's results indicate that the recovery in overseas demand and the trend toward expansion in trade have temporarily shifted to a standstill. In the US, falling crude oil prices and a strong dollar have put the brakes on further advances in the corporate sector. Possibilities are that sluggishness will continue for capital goods, Japan's major export to the US.

As for the future of exports, we retain our previous opinion that the moderate growth trend will continue despite some ups and downs along the way. The US economy maintains a steady undertone centering on the household sector, and recovery is seen in exports of durable goods. As for the EU economy, the collapse in the price of crude oil and the effects of quantitative easing initiated by the ECB are encouraging a gradual comeback. This promises to become a major pull for Japanese exports. Meanwhile in Asia, possibilities are high that the difficult phase for the economy, centering on China, will continue for the midterm. At the same time, China's real economy is beginning to show signs of pulling out of the doldrums due to the lowering of its reserve deposit rate and interest rate. This promises to bring a recovery in exports of capital goods, which have been stagnant of late.

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.