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May Trade Statistics

Exports to EU record favorable results

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Summary

- According to May trade statistics, export value grew for the sixth consecutive month at +14.9% y/y, while at the same time falling below market consensus at +16.0%. Export volume in y/y terms grew more than in the previous month (+7.5% in May as compared to +4.1% in April), while export price also grew more than in the previous month (+6.9% in May as compared to +3.2% in April). Meanwhile, the Japan Customs rate in May was at 111.47 yen/dlr, representing yen depreciation of 2.3% in y/y terms.
- Export value in seasonally adjusted terms marked time at -0.0% m/m, while export volume grew for the first time in three months at +1.0% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to the EU were up for the second consecutive month at +2.9% m/m, while exports to the US were down for the first time in two months at -2.0% along with those to Asia, which declined for the third consecutive month at -1.3%. Exports to the US were up and down, while those to the EU maintained favorable results. Exports to Asia have recently been weak.
- As for the future of exports, we see steady growth continuing for the overseas economy with a focus on exports to the EU. Growth is expected to be extremely moderate. However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed is expected to implement further interest rate hikes, as well as asset reduction, and this is expected to trigger a downturn in the US economy, while encouraging capital outflows from the emerging nations.

Trade Statistics

Chart 1

	2016				2017					May
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr		
Export value (y/y %)	-6.9	-10.3	-0.4	5.4	1.3	11.3	12.0	7.5	14.9	
Market consensus (Bloomberg)									16.0	
DIR estimate									16.0	
Import value (y/y %)	-16.1	-16.3	-8.7	-2.5	8.4	1.3	15.9	15.2	17.8	
Export volume (y/y %)	4.7	-1.4	7.4	8.4	-0.3	8.3	6.6	4.1	7.5	
Export price (y/y %)	-11.1	-9.0	-7.3	-2.7	1.6	2.8	5.0	3.2	6.9	
Import volume (y/y %)	-1.6	-2.5	3.6	3.6	6.3	-4.3	4.2	5.0	5.4	
Import price (y/y %)	-14.8	-14.1	-11.9	-5.9	2.0	5.8	11.3	9.7	11.8	
Trade balance (Y100 mil)	4,866	4,812	1,465	6,359	-10,919	8,111	6,103	4,811	-2,034	

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

Trade deficit recorded for first time in four months

According to May trade statistics, export value grew for the sixth consecutive month at +14.9% y/y, while at the same time falling below market consensus at +16.0%. Export volume in y/y terms grew more than in the previous month (+7.5% in May as compared to +4.1% in April), while export price also grew more than in the previous month (+6.9% in May as compared to +3.2% in April). Meanwhile, the Japan Customs rate in May was at 111.47 yen/dlr, representing yen depreciation of 2.3% in y/y terms.

Meanwhile, import value grew for the fifth consecutive month at +17.8% y/y. Looking at import value in terms of price and volume factors, we see that the import price was up by +11.8%, while import volume grew by +5.4%. As a result, the trade balance was in the red for the first time in four months at -203.4 bil yen. Import volume grew due to favorable domestic demand, while the import price grew as well, due to a weaker yen and higher price of crude oil in y/y terms. This is the major factor behind the trade deficit. If the foreign exchange market continues in the same vein, the yen will remain weak in y/y terms until the trend peaks out after summer. In the meantime the import price should continue to experience upward pressure.

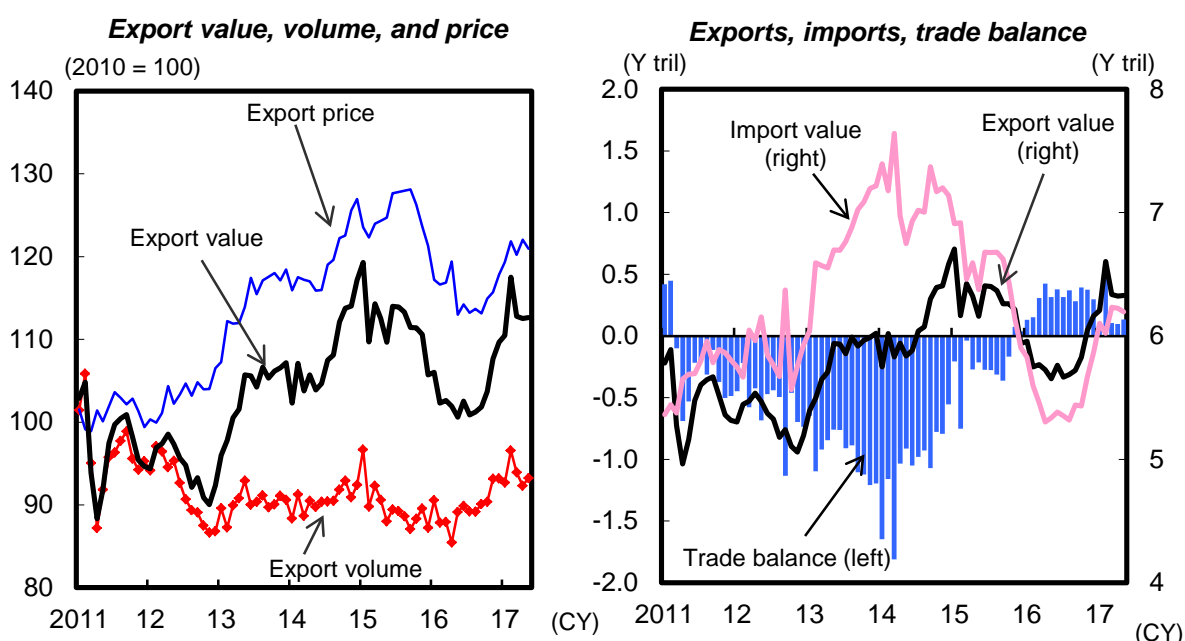
Export volume to EU grows, while US and Asia decline

Export value in seasonally adjusted terms marked time at -0.0% m/m, while export volume grew for the first time in three months at +1.0% (seasonal adjustment by DIR).

Looking at export volume by source of demand, exports to the EU were up for the second consecutive month at +2.9% m/m, while exports to the US were down for the first time in two months at -2.0% along with those to Asia, which declined for the third consecutive month at -1.3%. Exports to the US were up and down, while those to the EU maintained favorable results. Exports to Asia have recently been weak.

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.

Import value achieves growth for first time in two months

Looking at import value in seasonally adjusted terms, we see growth for the first time in two months at +0.3% m/m, with import volume also down for the second consecutive month at -0.1% (seasonal adjustment by DIR). Meanwhile, import price was down for the first time in two months at -0.3%.

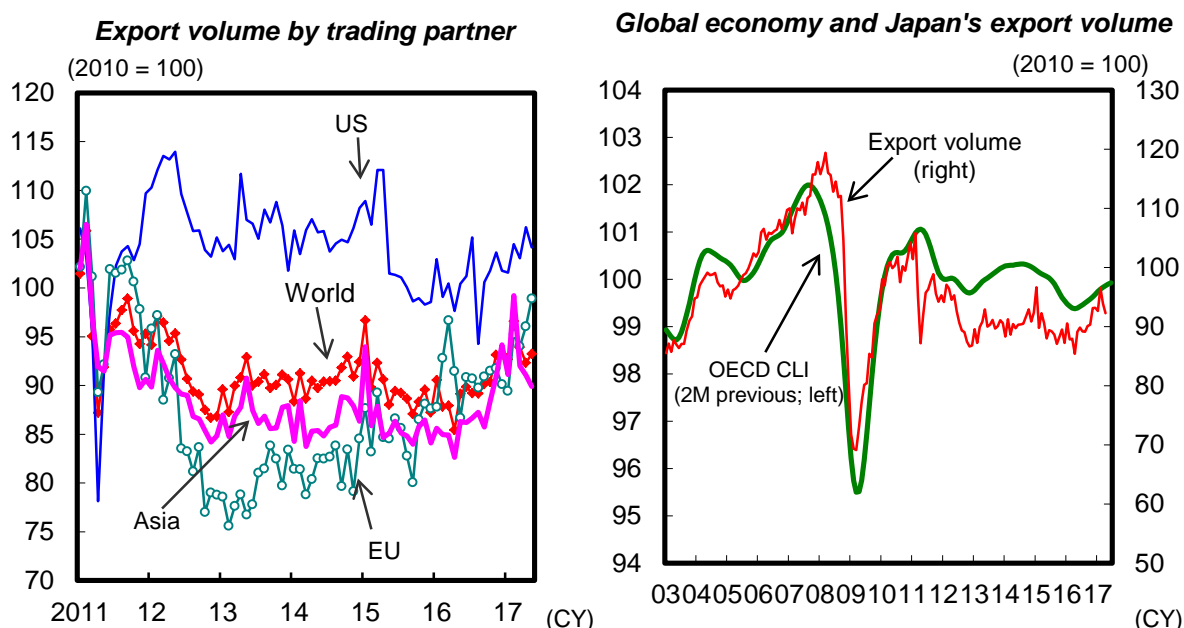
Growth seen continuing in future at an extremely moderate pace focusing on EU

As for the future of exports, we see steady growth continuing for the overseas economy with a focus on exports to the EU. Growth is expected to be extremely moderate. As for the US economy, personal consumption experienced a slowdown during the Jan-Mar period, but has a good chance of speeding up during the Apr-June period. However, automobile sales in the US are expected to be weak, so there is little chance that exports to the US will grow enough to lead export growth overall. Meanwhile, the EU economy is moving into a growth phase backed by personal consumption, which has led growth in the past, as well as growth in fixed capital formation. The EU economy is expected to experience well-balanced growth. As for the Asian economy, there are recent worries that it is now taking a breather, though exports have maintained a favorable level, especially in the areas of electronic parts and semiconductor manufacturing equipment due to the global IT cycle, as well as exports of construction equipment to China.

However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed implemented an interest rate hike in June, and further interest rate hikes, as well as asset reduction are expected within the year. Rising US interest rates are expected to bring downward pressure on its economy, while at the same time bringing the possibility of capital outflows from the emerging nations. On the other hand, the Chinese economy shows little chance of slowing down noticeably before the meeting of the National Congress of the Communist Party to take place this fall. However, beyond that point, there is risk of downward pressure on the economy due to a reactionary decline in demand, which has been kept artificially high by policy measures.

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.