

【Fundamentals Navigator】

Japan trade data (August 2020): Autos continue to drive export comeback

(original Japanese report issued on September 16, 2020)

Overseas demand positive for 3Q real GDP amid weak imports

The falloff in export values continued to ease in August with a 14.8% YoY decline (July -19.2%). Automobiles again led the export comeback. The downturn in auto export values has narrowed to single digits for the US and improved to a smaller if still double-digit decrease for the EU. We estimate that real exports were up an average 7% for July and August over the average for 2Q 2020. Meanwhile, imports turned upward for communications equipment to match the ongoing uptrend in PCs, but continued to wane overall as in the preceding month in reaction to the robust 2Q figures. We believe overseas demand (goods trade) will contribute positively to real GDP in 3Q.

- (1) **Overview:** Export and import values were down a respective 14.8% and 20.8% YoY. Both were improvements over the preceding month (July -19.2%, -22.3%) thanks to a relatively large gain in exports. The trade balance came to a JPY248.3bn surplus, a turnaround from the previous year's deficit, and the seasonally adjusted surplus climbed to JPY350.6bn (July: JPY41.3bn surplus).
- (2) **Exports to US:** Exports to the US eroded again in value terms with a 21.3% YoY falloff (July -19.5%, June -46.6%). Export volumes continued to strengthen with a decline of 20.1% (July -21.5%). Transportation equipment, which represents 39% of US-bound shipments, was down 8.6% in a continuation of the previous month's sharp improvement (July -10.5%, June -60.4%). The decline in automobiles remained in single digits with a 3.5% drop (July -6.7%, June -63.3%). In contrast, general machinery, which account for 20% of US-bound shipments, worsened to a 34.8% decrease (-30.2%, -45.5%), and semiconductor production equipment (SPE) and construction/mining equipment both declined.
- (3) **Exports to China:** Exports rose 5.1% YoY in a continued if somewhat weaker uptrend (July: +8.2%). Transportation equipment, which accounts for 10% of exports to China, gained a stronger 18.7% (July +17.9%, June +7.1%), underpinned by a steady 29.0% increase in autos shipments (July +19.0%). General machinery, which accounts for 23% of demand, was up 6.0% (July +8.9%, June -3.3%) as metal processing equipment posted its first downturn in three months, though SPE grew faster than in the preceding month. Growth remained positive for electrical equipment, which represents 22% of exports, with a 5.6% rise (+12.2%, -0.8%), despite slower results for electronic components.
- (4) **Exports to the EU:** Exports improved to a 19.2% YoY decline after an accelerated falloff the previous month (July -30.5%, June -28.4%). Transportation equipment, which represents 25% of EU-bound exports, was down a smaller 24.9% (July -48.3%) on contributions from autos and auto parts. Electrical equipment, which accounts for 20%, remained in retreat with a 7.4% drop (-18.3%), but marked the

Preliminary results (Bloomberg market forecasts)

Exports: -14.8% YoY
(Market forecast: -16.1% YoY)
Export volume index: -14.9%
YoY
Export price index: +0.1% YoY

Imports: -20.8% YoY
(Market forecast: -17.8% YoY)
Import volume index: -11.6%
YoY
Import price index: -10.4% YoY

Trade balance:
JPY248.3bn
(Market forecast: -JPY15.0bn
(deficit));
vs. -JPY152.2bn (deficit) a year
earlier

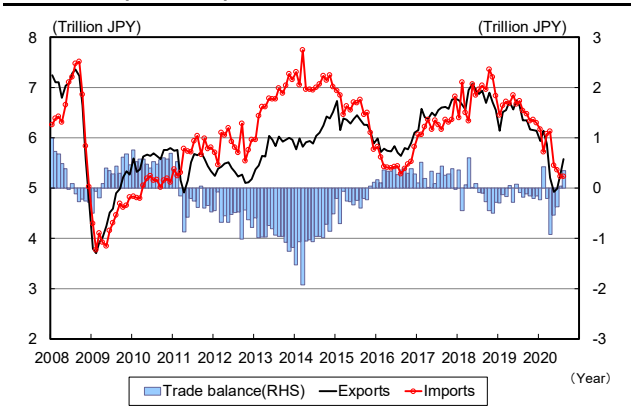
Trade balance (seasonally
adjusted):
JPY 350.6bn
(Market forecast: JPY23.3bn)
vs. JPY41.3bn last month

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first single-digit decrease in five months.

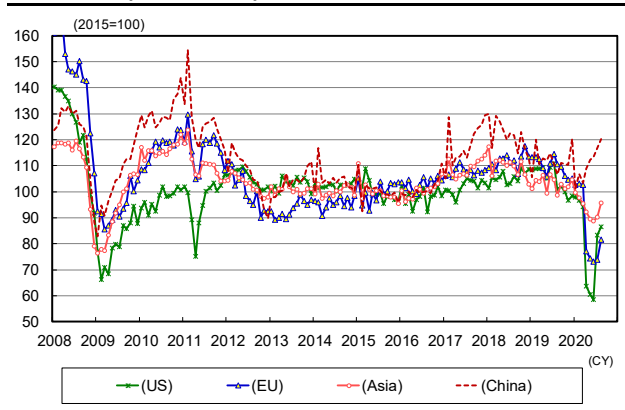
- (5) **Imports:** Computers, which represent 4% of total import values, were up a greater 18.5% YoY (July +13.3%), and communications equipment, also 4% of imports, entered positive territory with a 22.0% gain (-0.6%). Petroleum, 6% of imports, was down 52.5% (-63.1%). While this category boosted the total value of imports, that was due to price factors, while import volumes remained markedly below the previous year.
- (6) **Real exports:** We estimate that real exports were up by an average of around 7% for July and August over the average for 2Q 2020. Conversely, the average figure for real imports was down 7.5% after a buoyant showing in 2Q. We believe overseas demand (goods trade) will contribute positively to real GDP in 3Q..

Figure 1. Exports, imports, and trade balance (JPY trn)



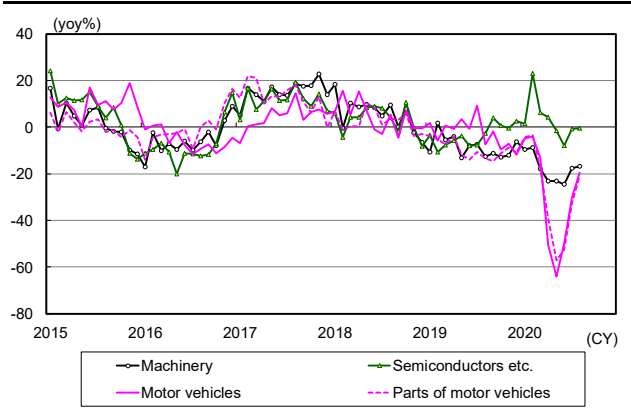
Note: SA
Source: MUMSS, from MoF Trade Statistics

Figure 2. Export volume index by destination (2015=100)



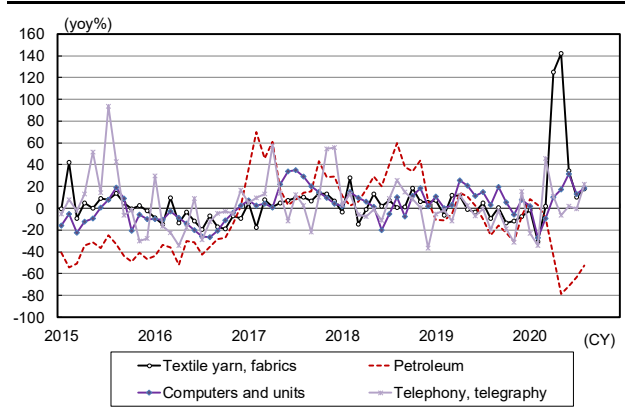
Note: SA by MUMSS.
Source: MUMSS, from MoF Trade Statistics

Figure 3. Exports (key product categories)



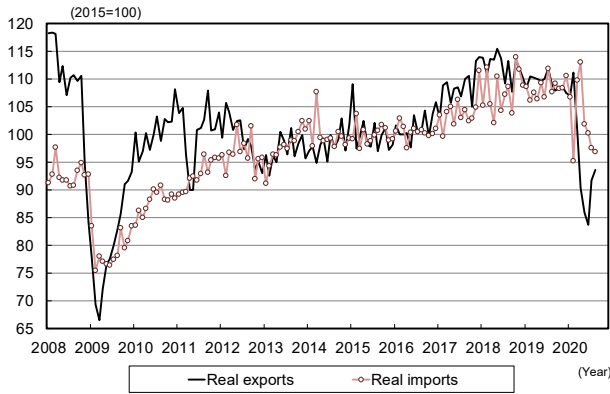
Source: MUMSS, from MoF Trade Statistics

Figure 4. Imports (key product categories)



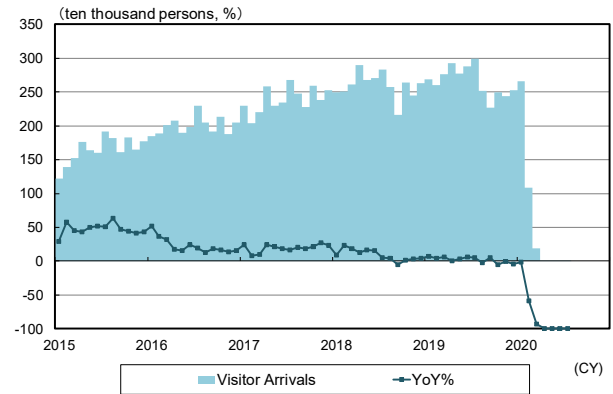
Source: MUMSS, from MoF Trade Statistics

Figure 5. Real exports and imports



Note: SA
Source: MUMSS, from MoF Trade Statistics

Figure 6. Visitor arrivals



Source: MUMSS, from JNTO visitor arrivals data

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Appendix A

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