

【Fundamentals Navigator】

Japan trade data (September 2020): Exports to the US swing to growth

(original Japanese report issued on October 19, 2020)

Exports to China also remain strong; expecting overseas demand to make substantial contribution to real GDP growth in Jul-Sep amid falling imports

Export values continued to improve in September, with the decline narrowing to 4.9% YoY, the first single-digit decline in seven months. Exports to the US rose 0.7%, up YoY for the first time since July 2019, with the recovery led by an increase for automobiles and a narrowing in the decline for general machinery. Exports to China, which started recovering before other nations, saw a double-digit rise as brisk demand for general machinery and automobiles more than offset a pullback in electronic components demand after rush shipments to telecom equipment majors ahead of tighter US sanctions. We estimate that average real exports for Jul-Sep were up by around 12.7% over the average for Apr-Jun 2020. In sharp contrast, we estimate the average figure for real imports was down 7.0% over the same period, due in part to a pullback from strong demand in Apr-Jun. We forecast that overseas demand will make a substantial contribution to real GDP growth in Jul-Sep.

(1) Overview: Export values continued to improve in September, falling just 4.9% YoY for the first single-digit decline in seven months (Aug -14.8%). Import values continued their string of double-digit declines but improved slightly from the preceding month (-17.2%, vs. -20.8% in Aug). The trade balance came to a JPY675.0bn surplus, and on a seasonally adjusted basis, marked the third straight month of surplus, totaling JPY475.8bn (Aug: JPY357.2bn surplus).

(2) Exports to US: Exports to the US rose 0.7% YoY in value terms (Aug -21.3%), up YoY for the first time since July 2019. Transportation equipment, which represents 40% of US-bound shipments, was up 12.2% YoY (Aug -8.6%; autos up 21.6%, -1.7% in Aug) and continued to lead the recovery in US exports. General machinery, which accounts for 19% of US-bound shipments, fell again, but the decline narrowed to 19.4% (vs. -34.8% in Aug, -30.2% in Jul). Exports for several product categories including pumps/centrifuges rose YoY.

(3) Exports to China: Exports rose 14.0% YoY in value terms, a third straight month of growth and up from August (+5.1%). General machinery, which accounts for 22% of exports to China, was up 20.7% (Aug +6.0%) as demand remained brisk for SPE (accounts for 7% of exports to China), which rose 47.2% (Aug +35.6%). Transportation equipment (11% of exports) gained 23.5%, outpacing the 18.7% rise in August. Growth slowed for electrical equipment (21% of exports) to a 4.4% rise (Aug +5.6%). We attribute the slowdown to a 14.5% drop for semiconductors and other electronic components (6% of exports), the first decline in three months (Aug +10.0%), and a pullback in demand after rush shipments to telecom equipment majors ahead of tighter US sanctions (effective from 15 Sep).

Preliminary results
(Bloomberg market forecasts)

Exports: -4.9% YoY
(Market forecast: -2.4% YoY)
Export volume index: -7.7% YoY
Export price index: +3.0% YoY

Imports: -17.2% YoY
(Market forecast: -21.4% YoY)
Import volume index: -8.4% YoY
Import price index: -9.6% YoY

Trade balance:
JPY675.0bn surplus
(Market forecast: JPY980.7bn surplus);
vs. -JPY129.1bn (deficit) a year earlier

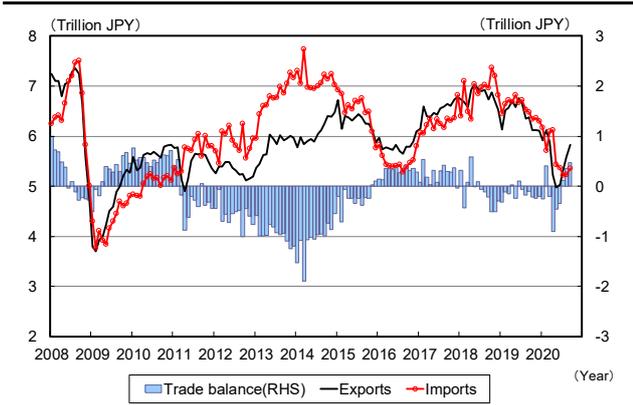
Trade balance (seasonally adjusted):
JPY 475.8bn surplus

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- (4) **Exports to the EU:** Exports improved to a 10.6% YoY decline (Aug -19.2%). While the pace of recovery is slower than that for the US and China, exports continue to pick up. This is true especially for transportation equipment (29% of EU-bound exports), which improved to a decline of 8.1% (Aug -24.9%).
- (5) **Imports:** Audio & imaging equipment (2% of total import value) was up 0.5% (Aug -9.4%) and furniture (1% of total imports) increased 0.6% (Aug -2.6%), with both product categories rising YoY for the first time in eight months. Gains such as these suggest the rebound in domestic consumption is now also starting to show in imports. Computer imports (4% of total) also remain strong, rising 15.0% (Aug +18.5%). Meanwhile, growth in overall imports was weighed on by a 39.2% drop (Aug +22.0%) for telecom equipment (e.g., smartphones), which represent 4% of total import value and tend to fluctuate sharply from month to month.
- (6) **Real exports:** We estimate that average real exports for Jul-Sep were up by around 12.7% over the average for Apr-Jun 2020. In sharp contrast, the average for real imports was down 7.0% over the same period, due in part to a pullback in special demand for masks. Based on these figures, we believe overseas demand (goods trade) will contribute 2.5ppt to real GDP in Jul-Sep. Meanwhile, we expect auto exports to major countries/regions to slow ahead, given that the recent rebound was spurred in part by policy measures. We think imports will eventually start to recover as domestic consumption in Japan appears to have bottomed.

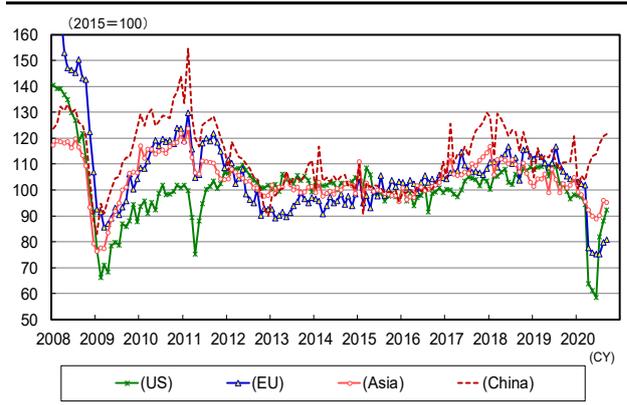
(Market forecast: JPY848.7bn surplus)
vs. JPY357.2bn surplus last month

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



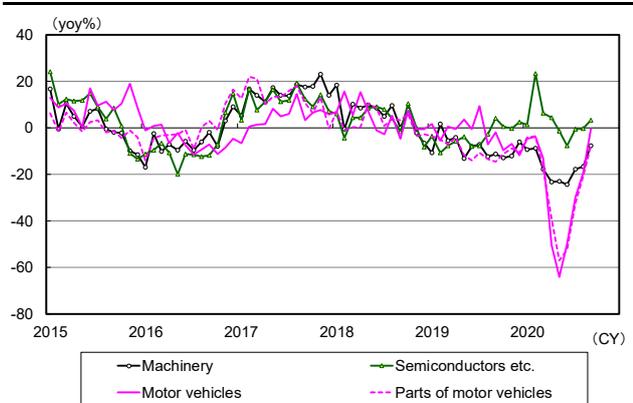
Note: SA
Source: MUMSS, from MoF Trade Statistics

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



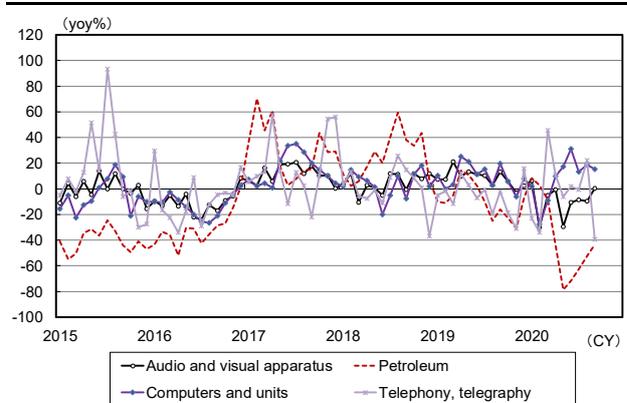
Note: SA by MUMSS.
Source: MUMSS, from MoF Trade Statistics

Figure 3. Exports (key product categories)



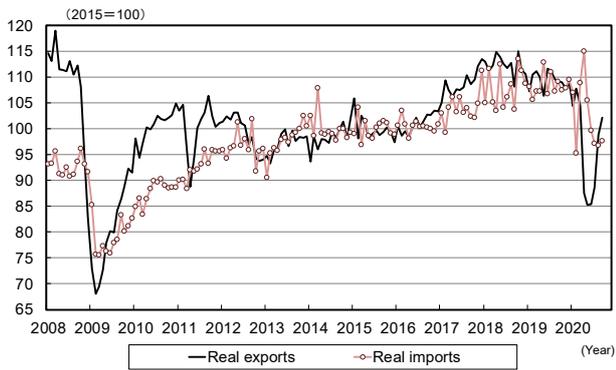
Source: MUMSS, from MoF Trade Statistics

Figure 4. Imports (key product categories)



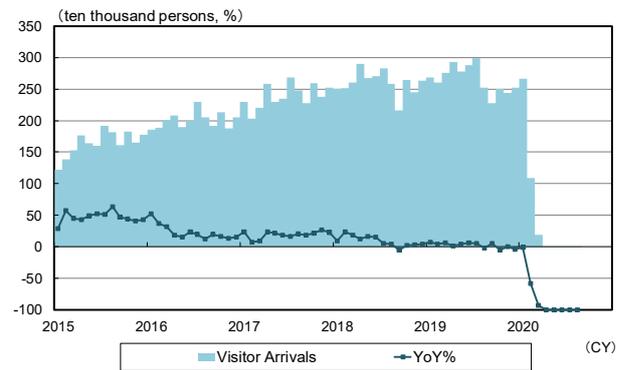
Source: MUMSS, from MoF Trade Statistics

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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