

【Fundamentals Navigator】

Japan trade data (Jun 2021): Exports up MoM; US demand solid

(original Japanese report issued on July 21, 2021)

Exports to US still sluggish for automobiles but boosted by general machinery; machinery orders, foreign demand high

Export value soared 48.6% YoY in June, maintaining sharp growth amid a rebound from last year's depressed levels, but MoM growth was only modest on a seasonally adjusted basis. Exports to the US grew meaningfully in June, with solid shipments of general machinery offsetting sluggishness in automobiles due to the semiconductor shortage. Machinery orders and foreign demand trended at high levels. Exports to China slowed, mainly for general machinery (which had remained strong for some time), but we expect such exports to remain on an uptrend for now, considering robust capital spending within China's domestic manufacturing industry. Imports rose MoM, remaining on a modest uptrend overall as categories such as telephony/telegraphy provided a boost amid slowing growth in pharmaceuticals.

(1) Overview: Export and import value both continued to grow sharply YoY in June. On a seasonally adjusted basis, exports were up 2.4% and imports up 4.0%. With growth in imports outpacing that in exports, the trade balance (SA) worsened MoM and ended up as a deficit for the first time in four months.

(2) Exports to US: Export value jumped 85.5% YoY (May: +87.9%, June 2020: -46.6%). This indicates a clear rebound from the year-earlier slump, and we also estimate that export volume (SA) rose MoM, as in May. With capex picking up in the US, general machinery shipments were strong, driven by construction/mining machinery and motors. Auto exports see-sawed amid lingering impact from a production slump due to the semiconductor shortage.

(3) Exports to EU: Export value jumped 51.1% YoY (May: +69.6%; June 2020: -28.6%), but we estimate that export volume (SA) fell MoM. General machinery shipments were solid, but overall exports were apparently weighed down by automobiles, as with exports to the US.

(4) Exports to China: Export value advanced 27.7% YoY (May: +23.6%). Growth in export volume (SA) appears to have halted. General machinery exports continued to trend at high levels, with SPE remaining on an uptrend, but the pace of growth slowed. Meanwhile, automobile exports were solid in June, with basically no YoY change in volume but a double-digit rise in value as the latter was boosted by growth for high-price vehicle models.

(5) Imports: Growth in pharmaceutical imports slowed MoM, and imports of computers and furniture have recently weakened due to diminished demand. In contrast, telephony/telegraphy imports trended solidly, while crude oil and LNG imports were boosted by a continued rise in prices.

Preliminary results**(Bloomberg market forecasts)**

Exports: +48.6% YoY

(Market forecast: +46.2% YoY)

Export volume index: +37.2% YoY

Export price index: +8.3% YoY

Imports: +32.7% YoY

(Market forecast: +28.2% YoY)

Import volume index: +8.2% YoY

Import price index: +22.6% YoY

Trade balance:

JPY383.2bn surplus

(Market forecast: JPY460.0bn surplus);

vs. JPY-291.0bn (deficit) a year earlier

Trade balance (seasonally adjusted):

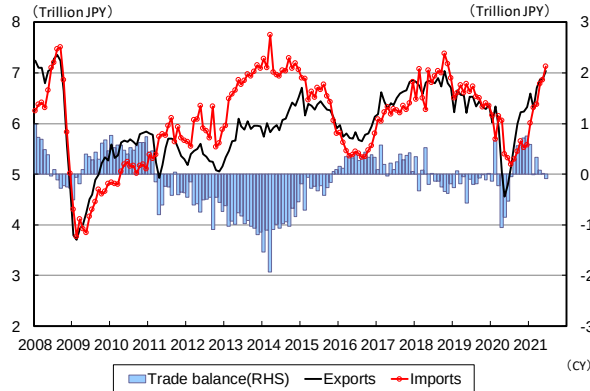
JPY-90.2bn deficit

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Real imports (adjusted for price fluctuations) remained on a gradual uptrend thanks to a recovery in domestic demand.

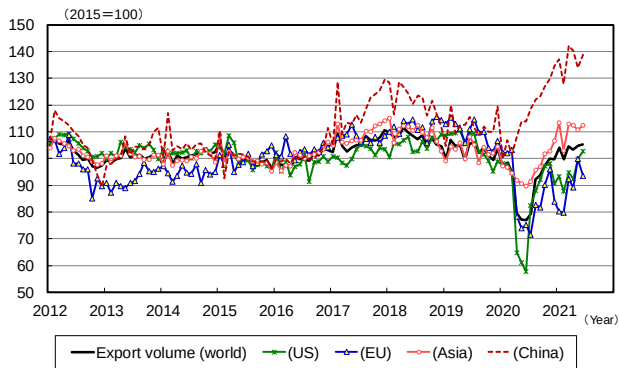
(Market forecast: JPY22.6bn surplus vs. JPY19.6bn surplus last month)

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



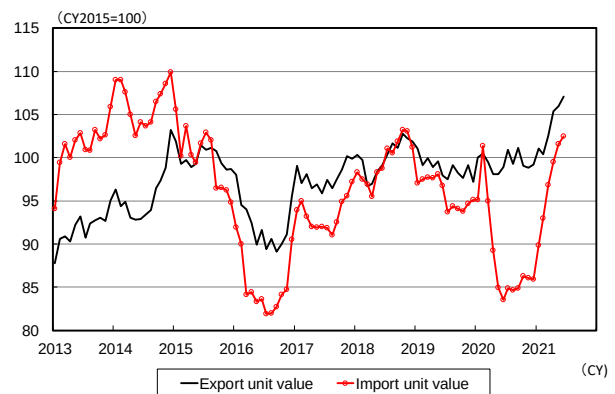
Note: SA
Source: MUMSS, from MoF Trade Statistics

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



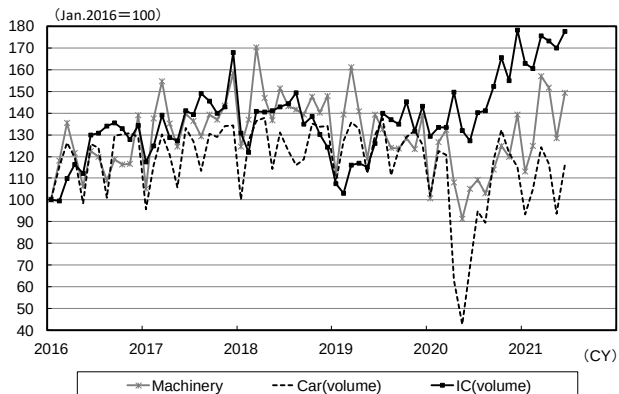
Note: SA by MUMSS
Source: MUMSS, from MoF Trade Statistics

Figure 3. Exports and imports value index



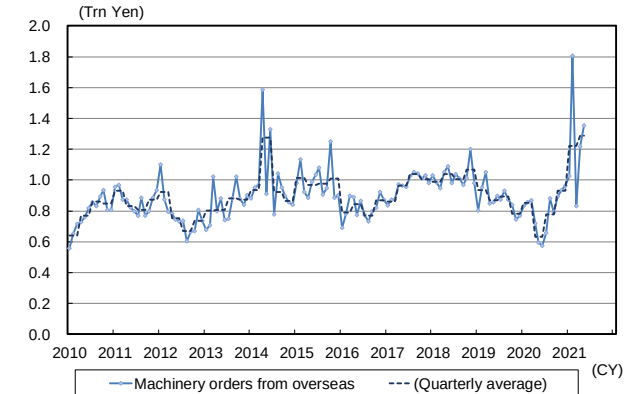
Source: MUMSS, MUMSS, from MoF Trade Statistics

Figure 4. Export volume (key product categories)



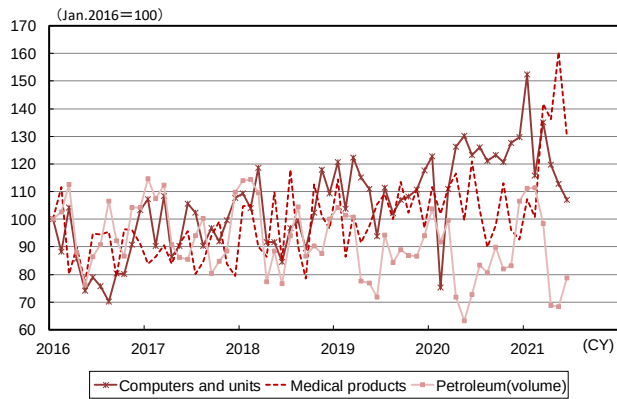
Note: Index based on non-adjusted figures
Source: MUMSS, from MoF Trade Statistics

Figure 5. Machinery orders (overseas orders)



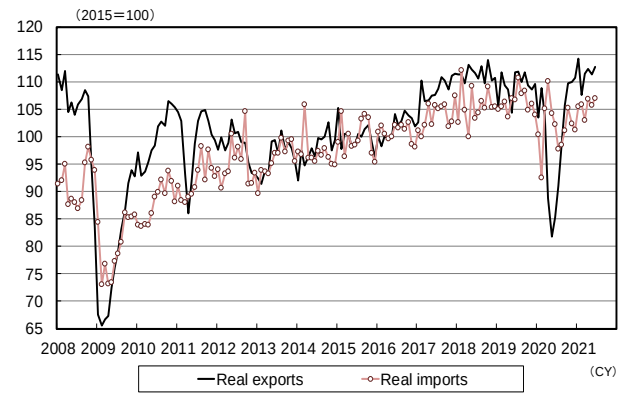
Source: MUMSS, from Cabinet Office machinery orders data

Figure 6. Imports volume (key product categories)



Note: Index based on non-adjusted figures
 Source: MUMSS, from MoF Trade Statistics

Figure 7. Real exports and imports



Note: Exports/imports (SA) adjusted using import/export prices and aggregate average
 Source: MUMSS, from MoF Trade Statistics and BoJ Corporate Goods Price Index

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Appendix A

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