

## 【Fundamentals Navigator】

## Japan trade data (Jul 2021): Exports slip MoM, but capital goods growth continues

(original Japanese report issued on August 18, 2021)

### US-bound construction equipment rises, Chinese SPE demand remains solid

Exports grew 37.0% YoY in value terms in July (June: +48.6%). They were down 0.0% MoM, slipping for the first time in five months. Exports to the US declined modestly MoM, but we believe construction equipment and other capital goods remain on the rise. Chinese demand for semiconductor production equipment (SPE) seems to have lost momentum, but the outlook appears bright given the sustained high overseas demand in machinery order data for computing equipment, most of which is represented by SPE. (Some 40% of Japan's SPE exports go to China.) Auto exports to the US are picking up but are unlikely to achieve a full-scale recovery given the reduced levels of domestic production caused by the chip shortage.

**(1) Overview:** Export values narrowed YoY in July while receding 0.0% MoM for the first drop in five months. Imports dipped 1.6% MoM, ending a seven-month uptrend. The trade balance improved slightly to the first surplus in two months.

**(2) Exports to US:** Export values were up 26.8% YoY (June: +85.7%), slowing from last July's dramatic upturn. Exports were down MoM in volume terms after a two-month rise. Capital goods demand continued to grow, including general machinery, led upward by engines/turbines and construction/mining equipment, and electrical machinery, boosted by electrical measuring equipment. Auto exports picked up somewhat but are unlikely to achieve a full-scale recovery given the reduced production levels caused by the chip shortage.

**(3) Exports to China:** Export values grew 18.9% YoY (June: +27.7%). Export volumes (seasonally adjusted basis) remain unsteady on a MoM basis. While SPE appears to have lost momentum, China accounts for 40% of Japan's SPE exports, and machinery orders show that overseas demand for computing equipment (most of which is estimated to be SPE) remained buoyant as of June. As such, the near-term SPE outlook remains solid. Among other products, semiconductors/digital components and auto parts were steady.

**(4) Imports:** Computers remained weak, the Olympic-driven rise in audio/visual equipment demand petered out, and clothing declined. Price-adjusted real imports were down MoM in July, but we believe the underlying trend is still upward.

### Preliminary results

#### (Bloomberg market forecasts)

Exports: +37.0% YoY  
(Market forecast: +39.4% YoY)  
Export volume index: +25.2% YoY  
Export price index: +9.5% YoY

Imports: +28.5% YoY  
(Market forecast: +35.3% YoY)  
Import volume index: +2.1% YoY  
Import price index: +25.9% YoY

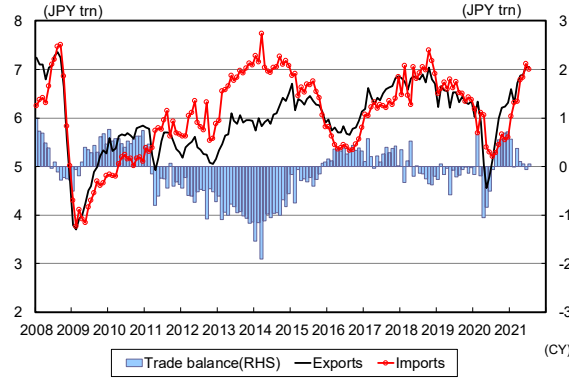
Trade balance:  
JPY441.0bn surplus  
(Market forecast: JPY196.4bn surplus);  
vs. JPY-14.8bn (deficit) a year earlier

Trade balance (seasonally adjusted):  
JPY52.7bn surplus  
(Market forecast: JPY125.1bn)

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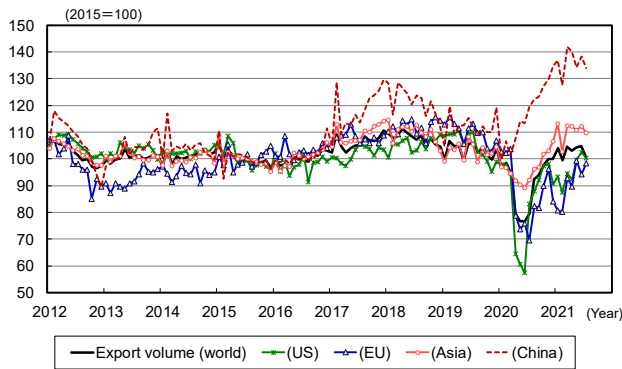
surplus)  
vs. JPY-62.7bn deficit last month

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



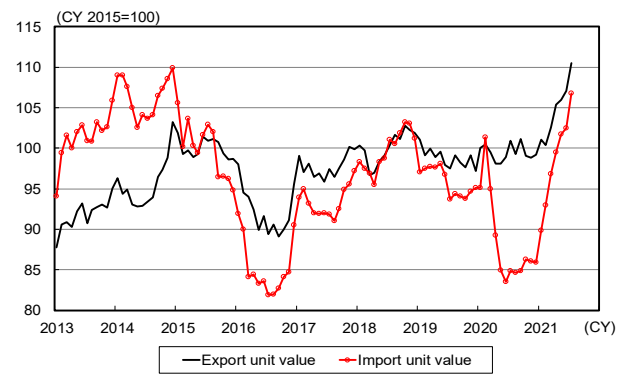
Note: SA  
Source: MUMSS, from MoF Trade Statistics

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



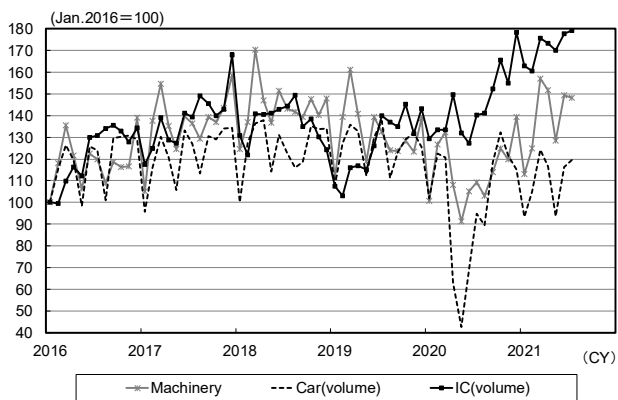
Note: SA by MUMSS  
Source: MUMSS, from MoF Trade Statistics

**Figure 3. Exports and imports value index (CY 2015=100)**



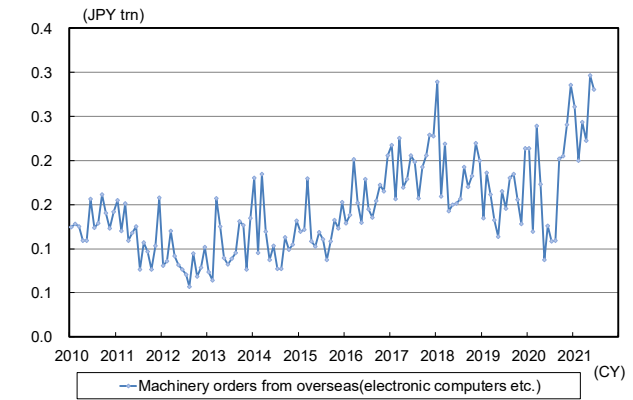
Source: MUMSS, MUMSS, from MoF Trade Statistics

**Figure 4. Export volume (key product categories)**



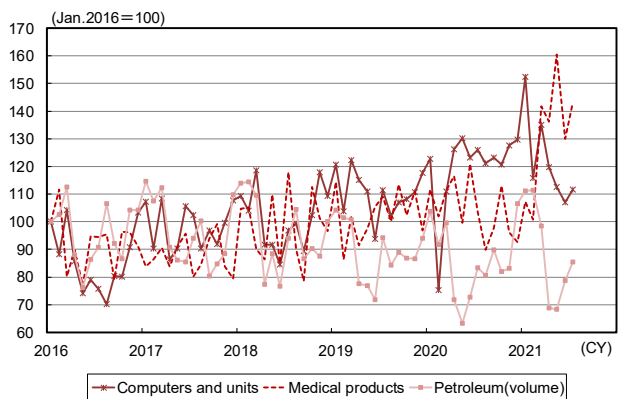
Note: Index based on non-adjusted figures  
Source: MUMSS, from MoF Trade Statistics

**Figure 5. Machinery orders (overseas orders)**



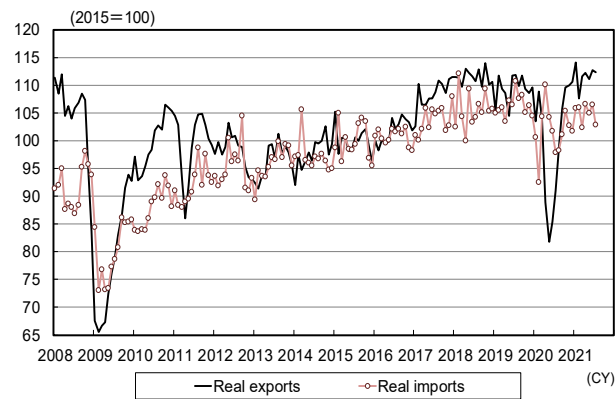
Source: MUMSS, from Cabinet Office machinery orders data

**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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