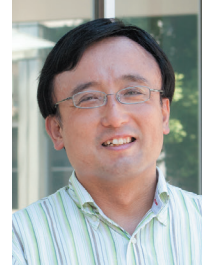


Are Japanese Exports on Expansion Track?



Author Nobuo Iizuka

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The Trade Statistics of Japan

Exports and capital investment are often called the engine of economic prosperity. In Japan, exports have been on a recovery trend since last summer, and have been one of the driving forces behind the real GDP growth rate. One of the key sources in observing the trends in exports is the Trade Statistics of Japan. The Trade Statistics of Japan are compiled and published by the Ministry of Finance and the Customs under the provision of the Customs Law and the relevant international conventions.

Commonly called the Customs Statistics, the Trade Statistics of Japan count goods that have passed through Customs, namely goods that have been exported and imported. In this regard, they differ from the Balance of Payments which includes exports and imports of services, and from the System of National Accounts (SNA) which shows exports and imports as a component of GDP.

Exports amount data is released by region and also by product. The Japanese exports amount for 2016 was roughly 70 trillion yen, but more than half of that went to Asia (roughly 37 trillion yen). In addition, of exports to Asia, 12 trillion yen went to China. On the other hand, 14 trillion yen went to the United States, and it can be observed that the US and China are Japan's major export destinations.

Looking at exports amount for 2016 by product, the largest was in transport equipment such as automobiles and auto parts, at roughly 17 trillion yen. In addition, machinery-related products such as transport machinery, general machinery, and electronic machinery made up more than 70% of exports at 53 trillion yen.

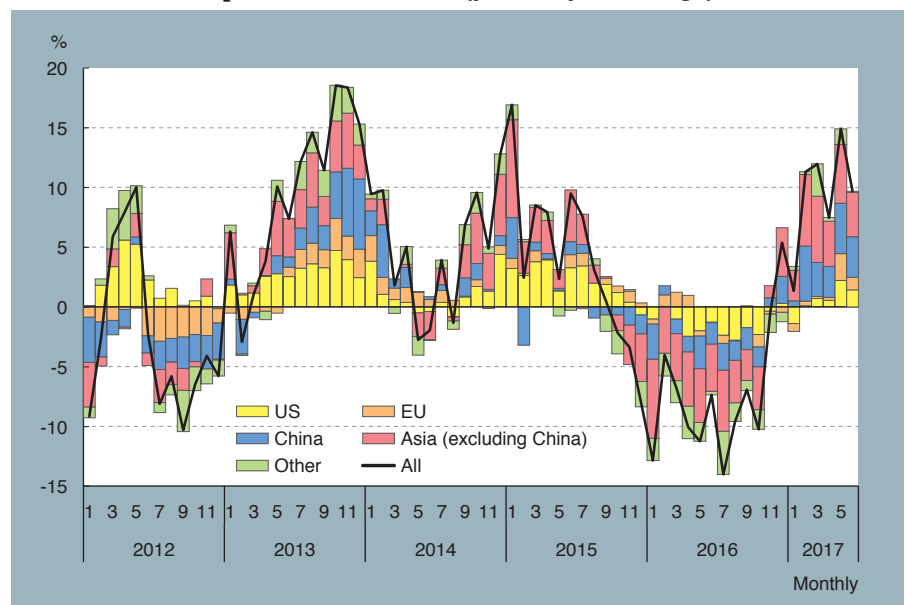
Mixture of Price Factors & Volume Factors

As shown in *Chart 1*, exports amount began to show a year-on-year upward trend at the end of 2012 when Abenomics started. However, it then began a downward trend in October 2015, and at one point a decrease of more than 10% was recorded. Then the upward trend came back in December 2016, and the increase range has been slowly expanding. The most recent data for June 2017 shows a year-on-year increase of 9.7%. Looking at the breakdown, the contribution of Asia, including China, is large. For June 2017, the contribution of China was 3.4%, and the rest of Asia excluding China was at 3.7%. Looking at the figures by commodity, the contribution of machinery-related products was at 1.2%.

On the other hand, there is a mixture of fluctuations in both

CHART 1

Trends in exports amount (year-on-year change)



Source: "Trade Statistics of Japan", Ministry of Finance

volume and price behind fluctuations in exports amount. Price fluctuations also include effects of exchange rates to a certain extent. What affects domestic production activities more are not exports amount, but exports volume.

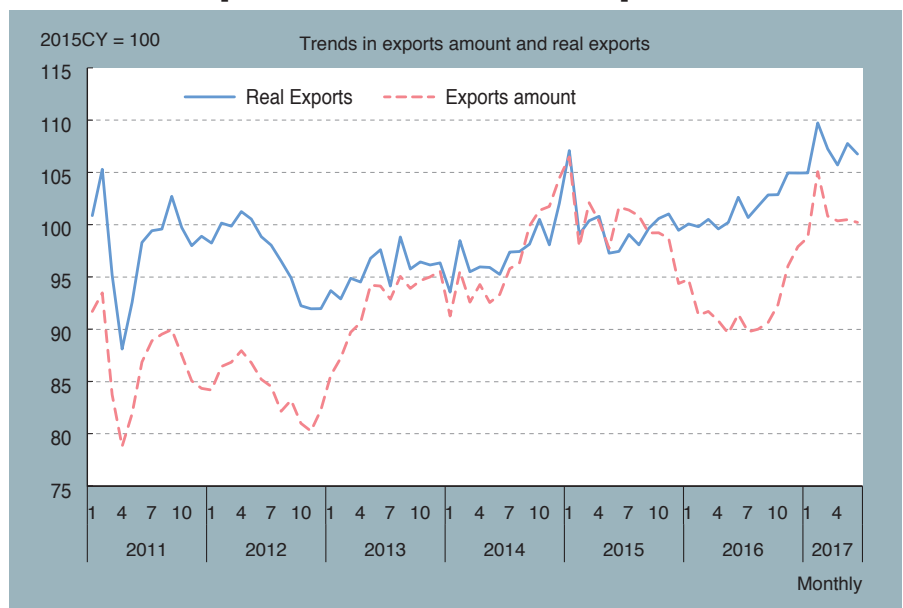
What is helpful in understanding exports from the volume side are the “Developments in Real Exports and Real Imports” figures which the Bank of Japan releases every month. Real exports and imports are calculated by dividing the nominal value, exports amount, by the price index. There are also indices in the Trade Statistics of the Ministry of Finance which track the fluctuations in volume and prices. But this quantity index also counts the number of automobiles, for example. Whether the car is expensive or cheap, one car is one car. The BOJ version of real exports and imports is often used because this type of change in added-value is taken into account, and because it is also consistent with the export and import data of real GDP.

Real Exports on Increasing Trend in Recent Years

Chart 2 shows the trends in real exports and exports amount (both seasonally adjusted and exports amount converted to an index with the value for 2015 = 100). Looking at the trends in the first half of 2013 when Abenomics started, while exports amount showed a great increase, nominal exports did not. The rapid increase in exports amount for this period was due to the yen’s sudden depreciation, and with it the export value which was converted to yen was inflated. In addition, when exports amount went down in the latter half of 2015, real exports stayed flat, and this is also because the strong yen and weak dollar during that period lowered the export value.

CHART 2

Trends in exports amount & real exports



Source: “Trade Statistics of Japan”, Ministry of Finance; “Developments in Real Exports and Real Imports”, Bank of Japan

Since last summer, real exports have been on an upward trend and real exports for June 2017 were up by 4% compared to the same period a year before. The increase to China was significant by region and to capital goods by goods type. A close watch is necessary to determine whether this export recovery will be sustainable amidst some concerns as to the future of the Chinese economy.

Note: This article was written based on information that was available as of July 28, 2017. **JS**

Nobuo Iizuka is a professor of the Department of Economics at Kanagawa University. He worked for the *Nihon Keizai Shimbun (Nikkei)* and the Japan Center for Economic Research for more than 20 years, and is one of the most highly-regarded commentators on Japanese business and the economy.

ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2008	499.3	-1.1	520.7	-2.1	-3.4	1.5
2009	472.2	-5.4	489.5	-6.0	-21.9	-1.3
2010	492.0	4.2	500.4	2.2	15.6	-1.0
2011	491.5	-0.1	491.4	-1.8	-2.8	-0.3
2012	498.8	1.5	495.0	0.7	0.6	-0.1
2013	508.8	2.0	503.2	1.7	-0.8	0.4
2014	510.5	0.3	513.7	2.1	2.1	2.6
2015	516.2	1.1	530.2	3.2	-1.2	0.5
2016	521.5	1.0	537.1	1.3	-0.1	-0.3
2016/3rd Qtr.	522.2	0.3	536.7	0.1	1.6	-0.5
4th Qtr.	524.5	0.4	539.4	0.5	1.8	-0.3
2017/1st Qtr.	526.4	0.4	539.2	0.0	0.2	0.2
2nd Qtr.	531.5	1.0	545.4	1.1	2.1	0.4
2016/Nov.	—	—	—	—	1.0	-0.4
Dec.	—	—	—	—	0.7	-0.2
2017/Jan.	—	—	—	—	-2.1	0.1
Feb.	—	—	—	—	3.2	0.2
Mar.	—	—	—	—	-1.9	0.2
Apr.	—	—	—	—	4.0	0.3
May	—	—	—	—	-3.6	0.4
Jun.	—	—	—	—	2.2	0.4
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2008	81.0	-3.5	79.0	8.0	14.2	-15.9	8.0	-3.7	11.4	-7.8
2009	54.2	-33.1	51.5	-34.8	8.7	-38.6	5.5	-31.4	6.7	-41.0
2010	67.4	24.4	60.8	18.0	10.4	18.8	5.9	7.2	7.6	12.8
2011	65.5	-2.7	68.1	12.1	10.0	-3.4	5.9	0.3	7.6	0.0
2012	63.7	-2.7	70.7	3.8	11.2	11.7	6.1	2.5	6.5	-14.7
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	7.0	7.7
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	7.6	8.4
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	8.0	5.3
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	8.0	-0.0
2016/3rd Qtr.	17.0	-10.2	16.1	-19.3	3.3	-11.6	1.8	-10.1	1.9	-2.3
4th Qtr.	18.5	-1.9	17.2	-9.3	3.8	-3.9	1.9	-2.2	2.0	-5.3
2017/1st Qtr.	19.0	8.5	18.7	8.6	3.6	-0.7	2.0	9.2	2.1	-0.1
2nd Qtr.	18.8	10.5	18.1	16.2	3.6	6.8	2.0	12.1	2.1	10.0
2016/Nov.	6.0	-0.4	5.8	-8.7	1.2	-1.8	0.6	-5.0	0.6	-2.2
Dec.	6.7	5.4	6.0	-2.5	1.4	1.4	0.7	9.7	0.7	-4.0
2017/Jan.	5.4	1.3	6.5	8.4	1.1	-6.6	0.7	11.9	0.6	-5.6
Feb.	6.3	11.3	5.5	1.3	1.2	0.4	0.6	-0.6	0.7	3.3
Mar.	7.2	12.0	6.6	15.9	1.4	3.5	0.7	16.4	0.8	1.4
Apr.	6.3	7.5	5.9	15.2	1.2	2.6	0.6	9.8	0.7	2.2
May	5.9	14.9	6.1	17.9	1.1	11.6	0.7	7.4	0.7	19.8
Jun.	6.6	9.7	6.2	15.5	1.3	7.1	0.7	19.4	0.7	9.6
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2008	-0.3	0.88	4.0	2.1	5.8	14.9	103.3
2009	-3.9	0.47	5.1	2.7	5.4	13.6	93.5
2010	0.5	0.52	5.1	2.8	9.5	19.4	87.8
2011	-0.2	0.65	4.6	2.7	-0.3	10.4	79.8
2012	-0.9	0.80	4.3	2.5	-4.3	4.8	79.8
2013	-0.4	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.4	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.6	-0.9	16.2	121.0
2016	0.5	1.36	3.1	3.4	5.5	20.3	108.8
2016/3rd Qtr.	0.5	1.37	3.1	3.3	1.5	5.8	102.4
4th Qtr.	0.4	1.41	3.0	3.8	1.7	4.1	109.4
2017/1st Qtr.	0.2	1.44	2.9	4.1	1.1	6.0	113.6
2nd Qtr.	0.2	1.49	2.9	3.9	1.0	4.5	111.1
2016/Nov.	0.5	1.41	3.1	3.8	0.3	1.4	108.3
Dec.	0.5	1.43	3.1	3.9	0.8	1.1	116.0
2017/Jan.	0.3	1.43	3.0	4.0	-0.8	0.1	114.7
Feb.	0.4	1.43	2.8	4.1	1.1	2.9	113.1
Mar.	0.0	1.45	2.8	4.2	0.9	3.0	113.0
Apr.	0.5	1.48	2.8	4.0	0.6	2.0	110.1
May	0.6	1.49	3.1	3.8	-0.1	1.7	112.2
Jun.	-0.4	1.51	2.8	3.9	0.5	0.9	110.9
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2008	7.3	-4.8	27.0	-2.0	17.2	4.1	12.9	0.9	14.8	-1.4
2009	5.5	-24.3	19.1	-29.3	11.6	-32.8	10.2	-21.0	11.4	-22.9
2010	5.8	5.5	24.7	29.5	14.1	22.0	13.1	27.8	13.4	17.3
2011	6.4	10.1	23.8	-3.9	15.7	11.7	12.9	-1.4	14.6	9.2
2012	6.6	3.6	23.3	-1.8	16.3	3.3	11.5	-10.8	15.0	2.7
2013	7.6	15.2	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	8.2	6.8	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	8.6	5.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	8.2	-5.5	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2016/3rd Qtr.	2.0	-10.9	6.1	-10.5	3.9	-17.4	3.0	-10.8	4.2	-17.8
4th Qtr.	2.1	-9.9	6.6	1.3	4.2	-9.1	3.5	2.4	4.4	-11.1
2017/1st Qtr.	2.1	-1.7	6.9	13.9	4.6	6.4	3.4	16.3	4.5	0.8
2nd Qtr.	2.1	9.9	6.7	11.6	4.5	16.5	3.6	19.2	4.3	7.4
2016/Nov.	0.7	-13.2	2.1	2.8	1.4	-5.1	1.1	4.4	1.5	-9.8
Dec.	0.7	-4.8	2.4	11.8	1.4	-4.9	1.3	12.4	1.5	-4.9
2017/Jan.	0.7	-4.5	2.0	7.4	1.6	6.7	0.9	3.1	1.8	7.3
Feb.	0.7	-7.4	2.3	17.5	1.4	1.3	1.2	28.2	1.1	-17.9
Mar.	0.7	7.1	2.6	16.3	1.6	10.9	1.3	16.4	1.6	10.4
Apr.	0.7	5.5	2.3	10.9	1.4	13.2	1.2	14.8	1.4	7.5
May	0.7	12.5	2.1	13.4	1.5	19.6	1.1	23.8	1.4	9.6
Jun.	0.7	11.6	2.3	10.6	1.6	16.6	1.2	19.6	1.5	5.2
Sources	"Trade Statistics of Japan", Ministry of Finance									