

Chapter 2 International trade and investment trends in Japan

Section 1 International trade trend in Japan in 2013

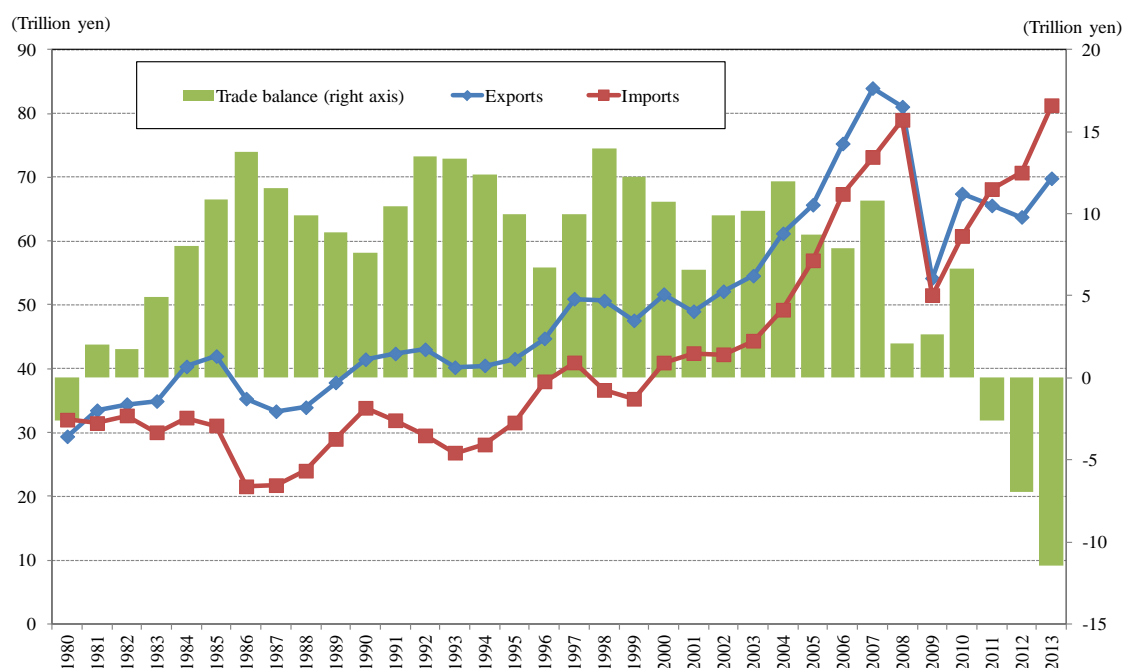
1. Overview of the international trade trend

Japan's trade balance in 2013 (as measured by the Trade Statistics, compiled by the Ministry of Finance) registered a record deficit of 11,468.4 billion yen. The deficit in 2013 was far larger than the one in 2012 (deficit of 6,941.1 billion yen), which rewrote a record deficit for the first time since 1980, when Japan was struck by the second oil crisis (Figure I-2-1-1).

The value of exports increased 9.5% from the previous year to 69,774.2 billion yen, representing the first growth in three years. Meanwhile, the value of imports increased 14.9% from the previous year to a record high of 81,242.5 billion yen due to an increase in the value of imports of fossil fuels for thermal power generation and robust domestic demand, marking the fourth consecutive year of growth. The increased value of imports is a major cause of Japan's trade deficit.

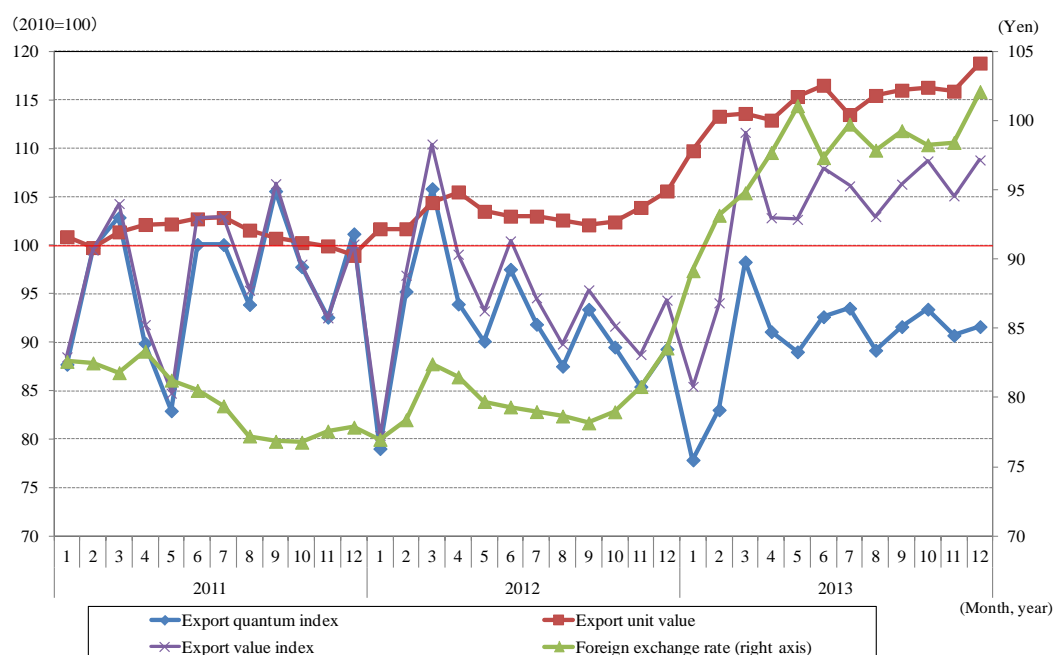
As for recent movements of various indexes of exports and imports, the export unit value and the export value index have been rising in line with the yen's weakening since late 2012. On the other hand, the export quantum index has remained weak compared with 2011 and 2012, when the yen was strengthening, but is now showing signs of recovery (Figure I-2-1-2). As for import-related indexes, the import unit value and the import value index have been rising steeply in line with the yen's weakening since late 2012, while the import quantum index was trending somewhat lower in 2013 compared with 2012, it has been rising since October (Figure I-2-1-3).

Figure I-2-1-1 Trends in trade value and trade balance



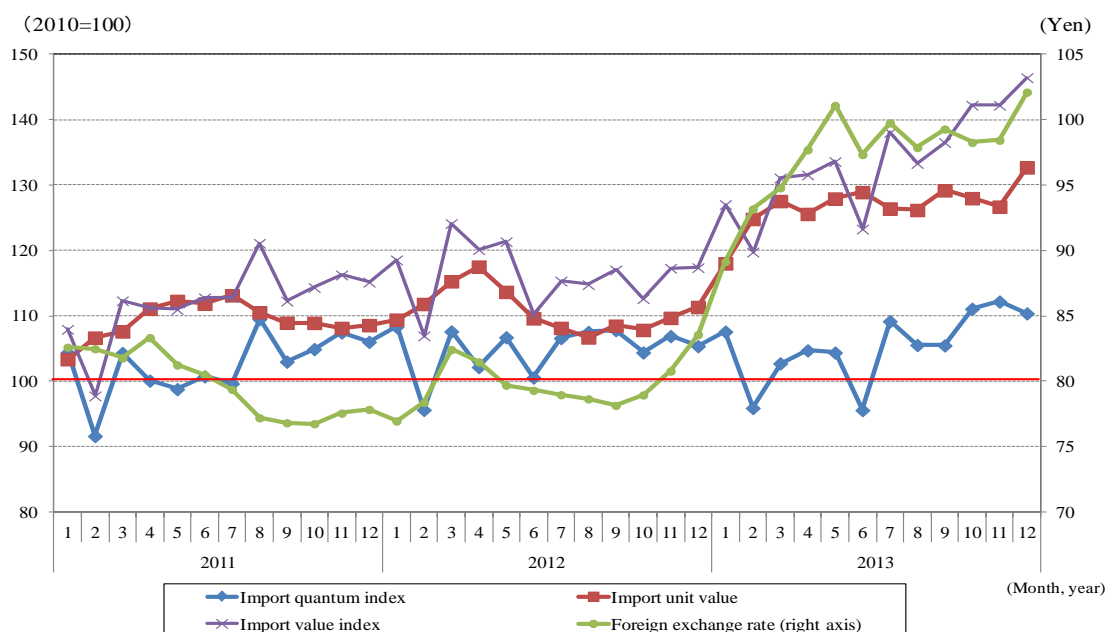
Source: Trade Statistics of Japan (Ministry of Finance).

Figure I-2-1-2 Trends in export-related indexes



Source: Trade Statistics of Japan (Ministry of Finance).

Figure I-2-1-3 Trends in import-related indexes



Source: Trade Statistics of Japan (Ministry of Finance).

2. Trade trend by partner country/region and by commodity

By country/region, the value of exports to the United States came to 12,928.2 billion yen (up 15.6% from the previous year), making the country Japan's biggest export destination, due to increases in exports of motor vehicles, organic chemicals, etc. The balance of trade with the United States registered a surplus of 6,113.3 billion yen, and the surplus increased for the second consecutive year.

In trade with China, the value of exports increased for the first time in three years, amounting to 12,625.2 billion yen (up 9.7% from the previous year), due mainly to growth in exports of organic chemicals. However, as the value of imports rose to a record high of 17,660 billion yen (up 17.4% from the previous year) due to the impact of the increased imports of communication devices, the trade balance registered a deficit of 5,034.8 billion yen, rewriting a new record for the second consecutive year. In trade with the EU, while exports increased, led mainly by exports of motor vehicles, the trade balance showed the largest-ever deficit, 648.7 billion yen, setting a new record deficit for the second consecutive year, due to an increase in imports of medical products, motor vehicles, etc. In trade with ASEAN, the value of exports recorded a relatively low growth rate due to the effects of reduced demand in the region, and the trade balance recorded a deficit of 658.5 billion yen (Table I-2-1-4 and Figure I-2-1-5).

Looking at major commodities, the value of exports increased particularly for transport equipment (up approx. 1.3 trillion yen) and chemicals (up 1.1 trillion yen) and also for other commodities. Compared with 2010, the year before the Great East Japan Earthquake, the value of exports grew for all commodities except for electrical machinery. However, chemicals were the only commodity for which the value of exports was higher than the level in 2008, before the global economic crisis had a huge impact on international trade (Figure I-2-1-6). The value of imports grew particularly for mineral fuels (up approx. 3.3 trillion yen) and also for other commodities compared with the previous year.

Compared with the pre-earthquake 2010 level, the value of imports increased particularly for mineral fuels (up approx. 10.0 trillion yen) and electrical machinery (up approx. 2.2 trillion yen) and also for other commodities. For transport equipment, electrical machinery and foodstuff, the value of imports was higher than the level in 2008 (Figure I-2-1-7).

Finally, regarding the contributions to trends in the value of exports and imports by trading partner country/region (compared with the previous year), increases in U.S.-bound exports of transport equipment (contribution ratio of 1.40% compared with the previous year) and machinery (0.41%) and China-bound exports of chemicals (0.71%) made positive contributions to growth in the value of exports. On the other hand, a decrease or a lack of growth in ASEAN-bound exports of machinery (-0.19%), transport equipment (0.00%), etc. slowed the growth in the value of exports (Table I-2-1-8). As for imports, increases in imports of mineral fuels (2.87%) from the Middle East, imports of electrical machinery (1.40%) and machinery (0.69%) from China made major contributions to the growth in the value of imports (Table I-2-1-9).

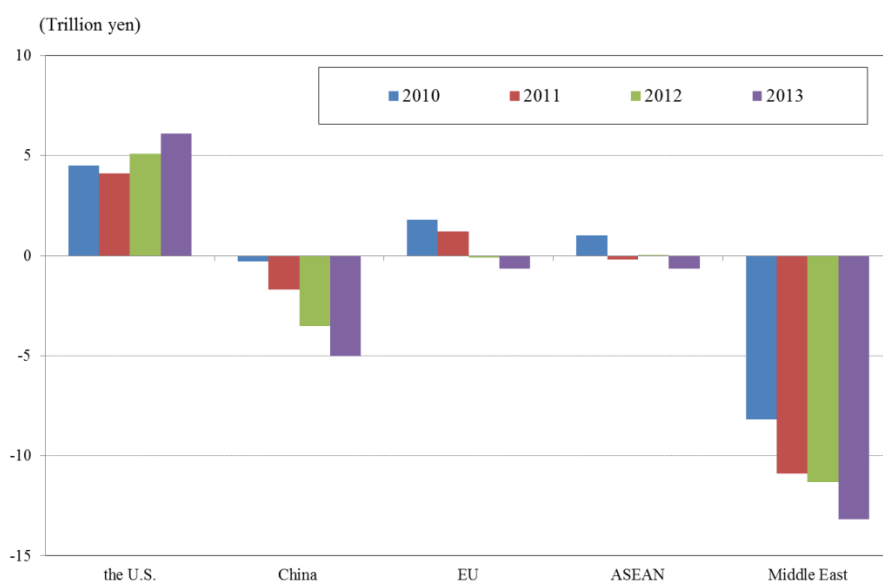
Table I-2-1-4 Trade value in Japan by partner country and region

Unit: Trillion yen	Exports value	Imports value	Balance value	Trade value	Percent change of exports	Percent change of imports
the U.S.	12.9	6.8	6.1	19.7	15.6%	12.0%
China	12.6	17.7	-5.0	30.3	9.7%	17.4%
(EU)	7.0	7.6	-0.6	14.6	7.7%	15.2%
(ASEAN)	10.8	11.5	-0.7	22.3	4.8%	11.5%
(Middle East)	2.5	15.7	-13.2	18.1	9.5%	15.7%

Notes: "Percent change" means "Percent change from the same term in the preceding year."

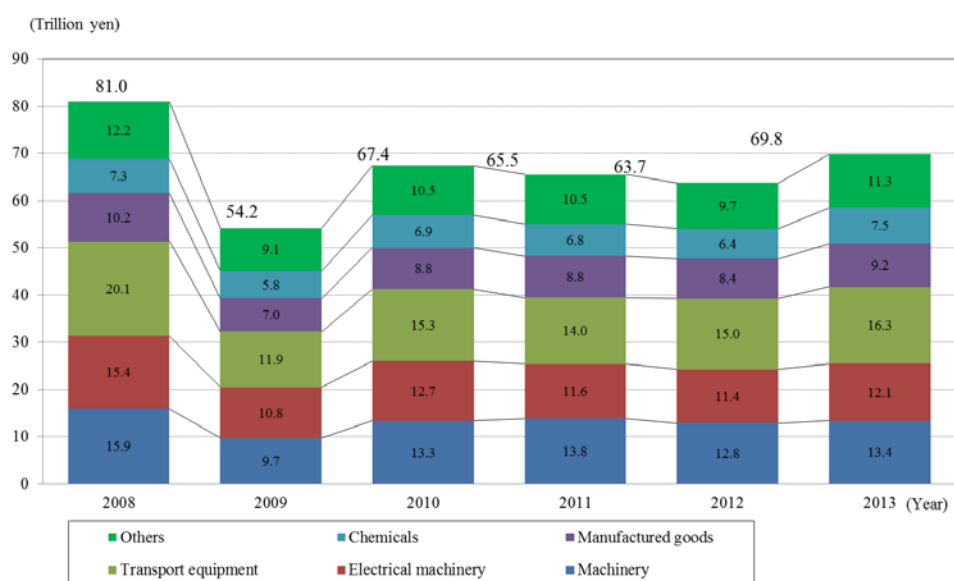
Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-5 Trends in trade balance by partner country and region



Source: *Trade Statistics of Japan* (Ministry of Finance).

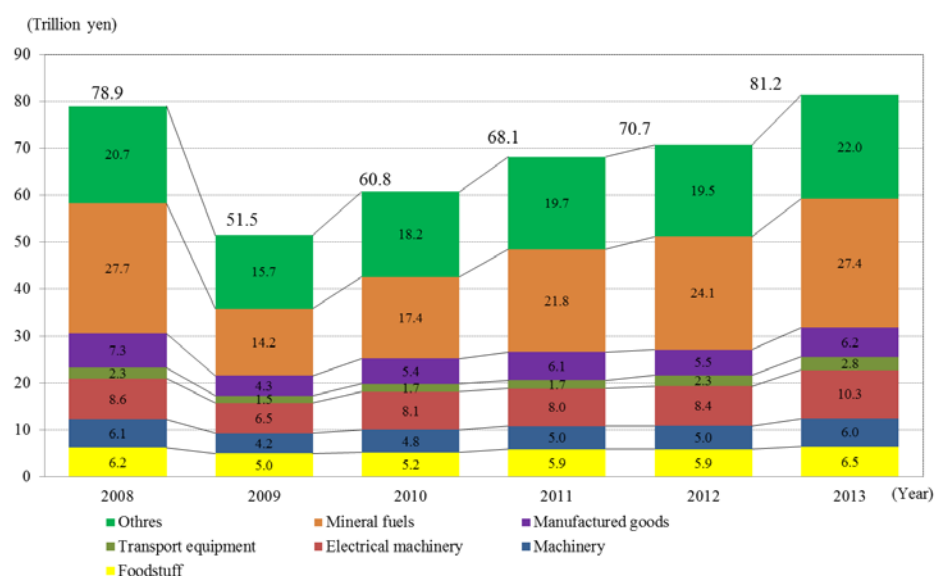
Figure I-2-1-6 Trends in export value by principal commodity



Notes: Machinery: power generating machines, parts of computer; Electrical machinery: semiconductors, etc.; Manufactured goods: Iron and steel products, nonferrous metals; Chemicals: organic chemicals, plastic materials.

Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-7 Trends in import value by principal commodity



Notes: Machinery: power generating machines, computers and units; electrical machinery: telephony & telegraphy, semiconductors, etc.; Manufactured goods: iron and steel products, nonferrous metals.
Source: Trade Statistics of Japan (Ministry of Finance).

Table I-2-1-8 Contribution degree of trends in export value by trading partner country and region

	Grand Total	Foodstuff	Raw Materials	Mineral fuels	Chemicals	Manufactured goods	Machinery	Electrical machinery	Transport equipment	Others
World	9.45	0.13	0.23	0.80	1.79	1.15	0.81	1.01	2.10	1.43
the U.S.	2.73	0.02	0.00	0.03	0.19	0.09	0.41	0.27	1.40	0.33
China	1.75	0.01	0.10	0.02	0.71	0.19	0.12	0.11	0.23	0.27
EU	0.78	0.01	0.01	0.09	0.10	-0.02	0.26	0.13	0.12	0.09
ASEAN	0.78	0.00	0.04	0.14	0.18	0.37	-0.19	0.02	0.00	0.23
Middle East	0.34	0.00	0.00	0.01	0.00	0.00	-0.05	0.01	0.34	0.03
Others	3.07	0.09	0.08	0.52	0.62	0.53	0.26	0.47	0.02	0.48

Source: Trade Statistics of Japan (Ministry of Finance).

Table I-2-1-9 Contribution degree of trends in import value by trading partner country and region

	Grand Total	Foodstuff	Raw Materials	Mineral fuels	Chemicals	Manufactured goods	Machinery	Electrical machinery	Transport equipment	Others
World	14.93	0.88	0.83	4.75	0.76	1.04	1.37	2.65	0.67	1.98
the U.S.	1.04	0.06	0.14	0.11	0.10	0.05	0.25	0.13	0.08	0.11
China	3.71	0.11	0.03	0.01	0.12	0.33	0.69	1.40	0.13	0.89
EU	1.42	0.12	0.10	0.02	0.25	0.09	0.19	0.14	0.32	0.19
ASEAN	1.67	0.11	0.06	0.17	0.06	0.27	0.13	0.39	0.05	0.43
Middle East	3.01	0.00	0.01	2.87	0.02	0.04	0.01	0.06	0.00	0.00
Others	4.08	0.47	0.51	1.57	0.20	0.26	0.10	0.52	0.10	0.36

Source: Trade Statistics of Japan (Ministry of Finance).

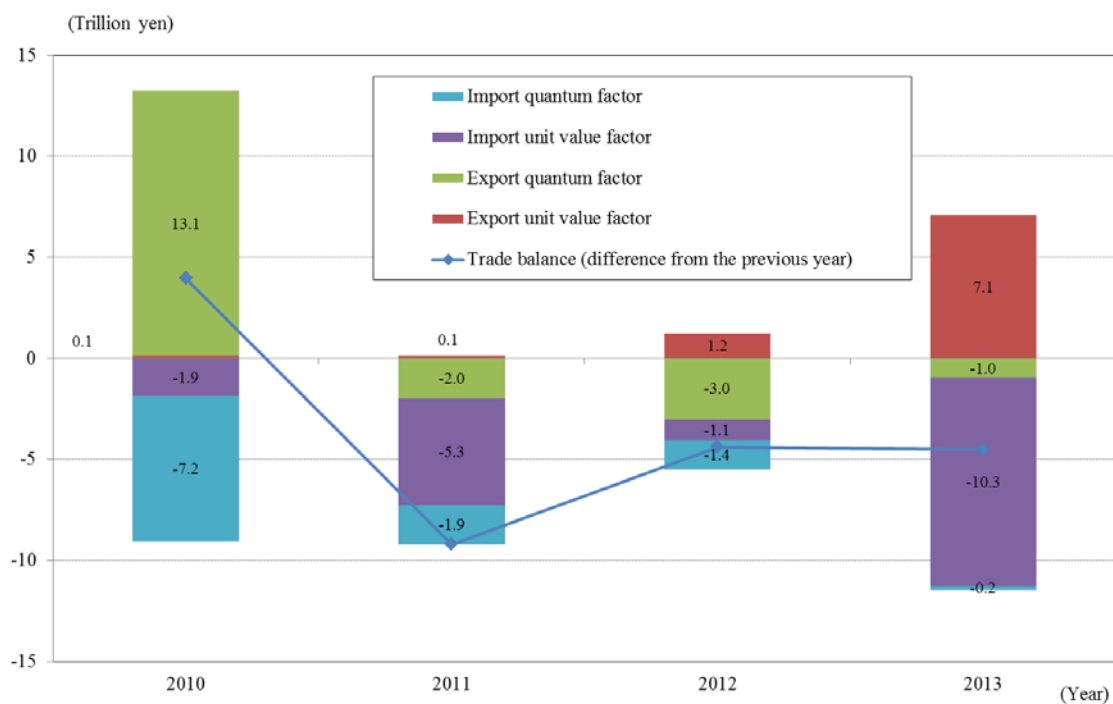
3. Trade trends as viewed from price and volume factors

Japan's trade deficit increased by approximately 4.5 trillion yen in 2013 compared with 2012. A breakdown of the increase into export volume, export price, import volume and import price factors shows that an export price rise contributed to trade balance improvement, while an import price rise was the greatest factor for the expansion of the trade deficit (made a contribution of approx. 10.3 trillion yen to the increase in the trade deficit), followed by an export volume decline (a contribution of approx. 1.0 trillion yen) and an import volume increase (a contribution of approx. 0.2 trillion yen) (Figure I-2-1-10).

According to a factor breakdown of quarterly figures, in the first and second quarters, an import price rise and an export volume decline contributed to the trade deficit. However, in the third quarter, export volume started increasing, contributing to trade balance improvement. In the third quarter, an import price rise contributed to the trade deficit, and in the fourth quarter, an import price rise and an import volume increase contributed to it (Figure I-2-1-11). In 2005, when the yen was weakening, an import price rise and an import volume increase contributed to the trade deficit throughout the year while export volume declined in the first and second quarters but started increasing in the third quarter as was the case in 2013, thereby contributing to trade balance improvement (Figure I-2-1-12).

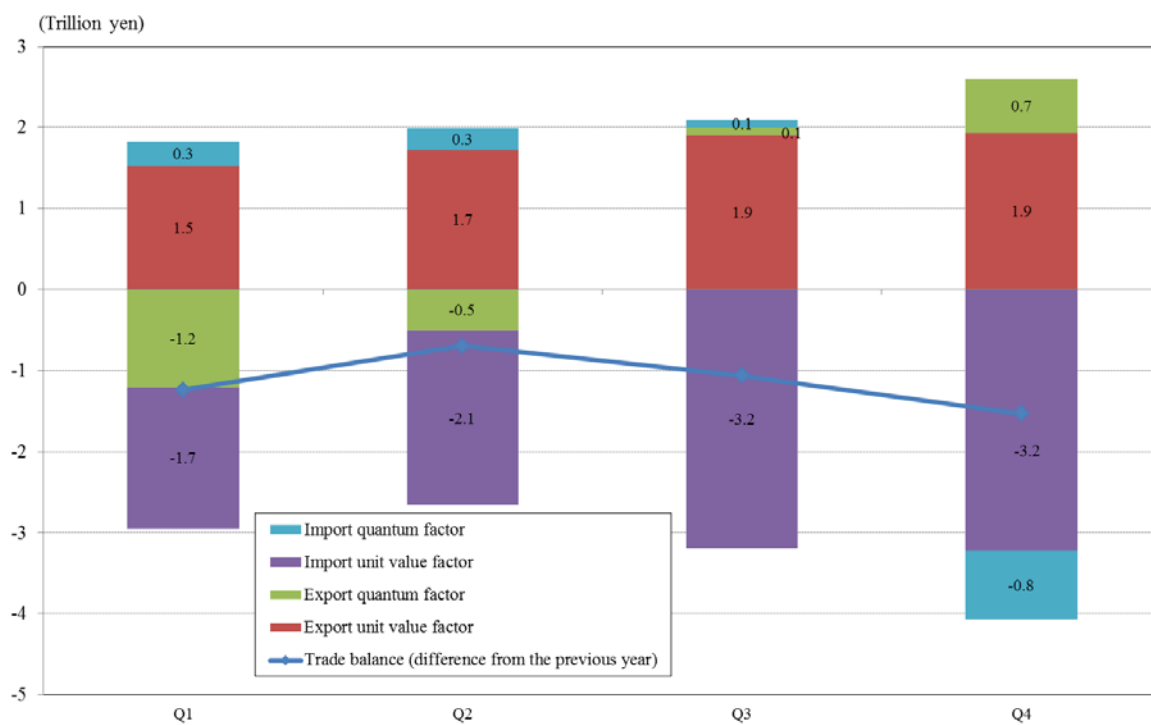
A look at the contributions by commodity to the export volume decline, import volume increase and import price rise - which were factors for the expansion of the trade deficit in 2013 - shows that declines in exports of machinery and electrical machinery were the major contributing factors. However, the margin of decline for these commodities has continued to narrow, and in October, their exports started to increase. In addition, exports of motor vehicles and transport equipment continued to decline until June but have shown signs of recovery since July (Figure I-2-1-13). Regarding import volume, imports of LNG, motor vehicles, etc. contributed to the volume increase. Imports of petroleum declined on an annual basis but have recently been growing significantly (Figure I-2-1-14). As for import price, prices of most items were on an uptrend throughout the year, but prices of petroleum, LNG and electrical machinery made particularly large contributions to the import price rise (Figure I-2-1-15).

Figure I-2-1-10 Factor breakdown of trade balance (difference from the previous year)



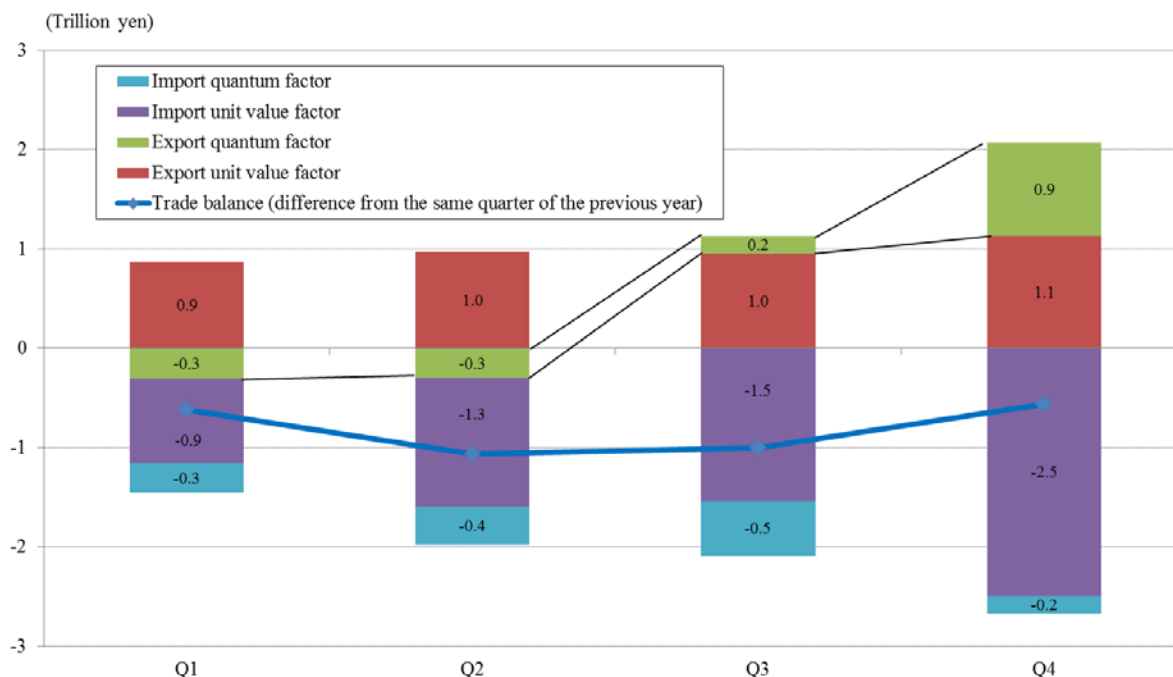
Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-11 Factor breakdown of trade balance in 2013 (difference from the same quarter of the previous year)



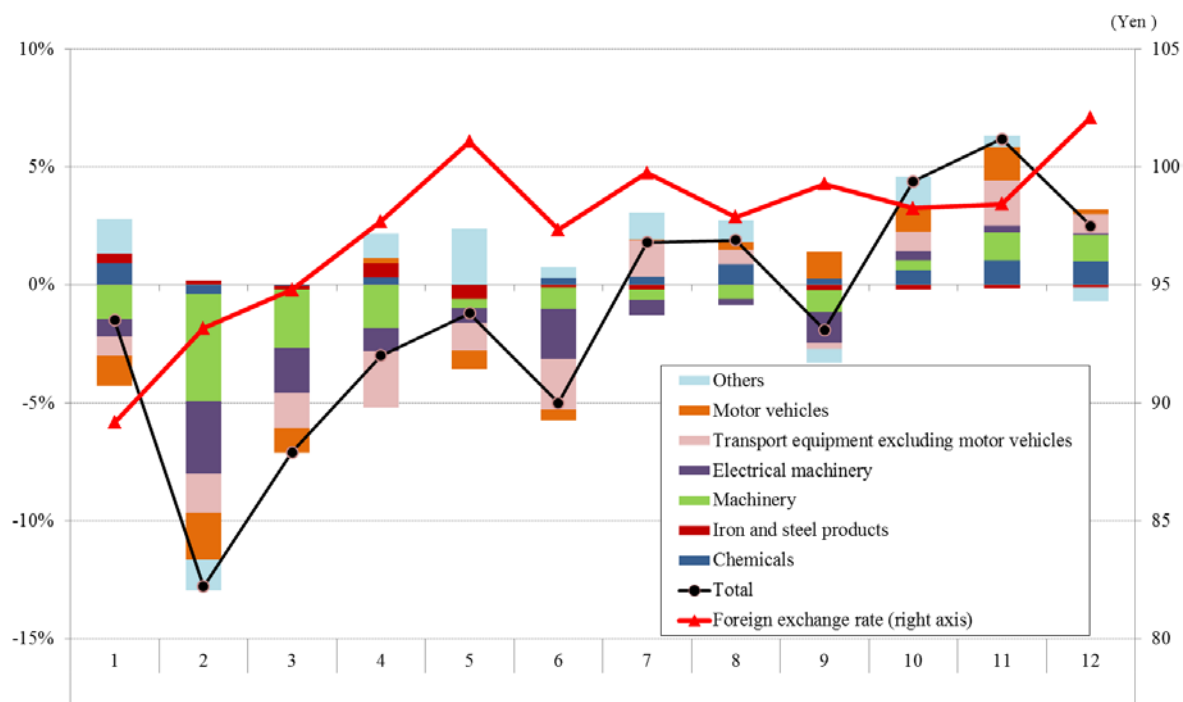
Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-12 Factor breakdown of trade balance in 2005 (difference from the same quarter of the previous year)



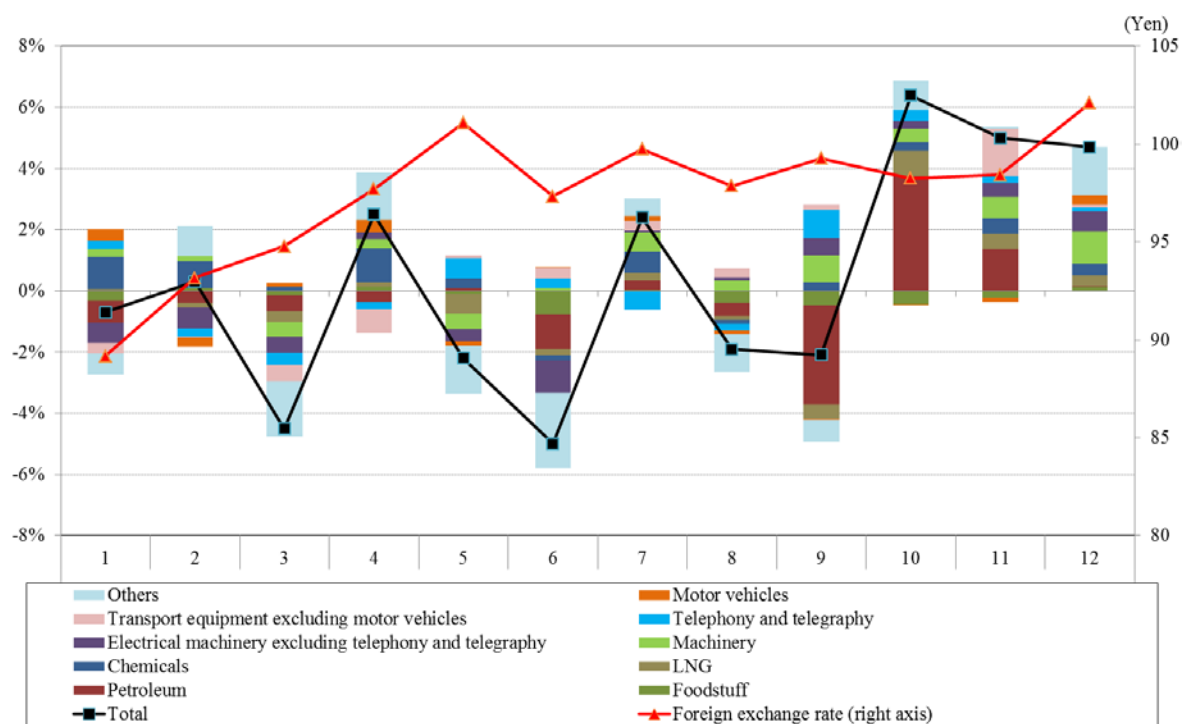
Notes: Values are based on the average exchange rate by month in a public notice publicized by director-generals of the Japan Customs: ¥104 to the dollar in Dec. 2004 => ¥119 to the dollar in Dec. 2005 (yen depreciation by 14%); ¥84 to the dollar in Dec. 2012=> ¥102 to the dollar in Dec. 2013 (yen depreciation by 21%).
Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-13 Contribution breakdown of export quantum in 2013 (year-on-year basis)



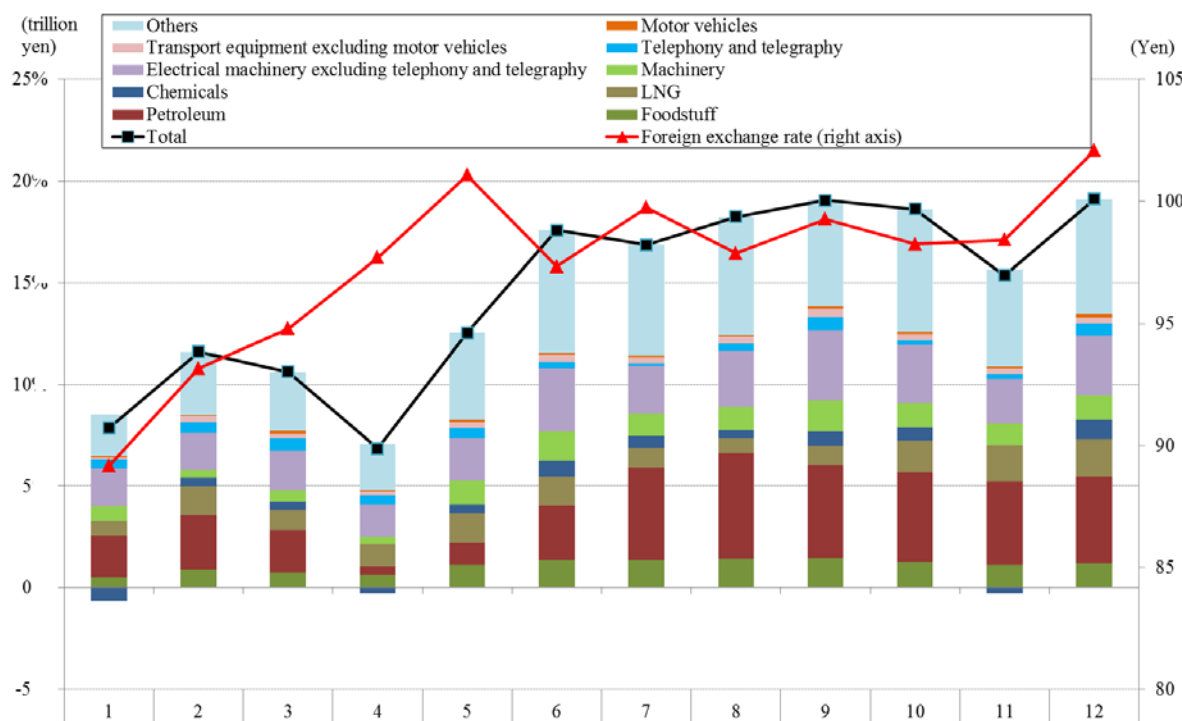
Source: *Trade Statistics of Japan* (Ministry of Finance).

Figure I-2-1-14 Contribution breakdown of import quantum in 2013 (year-on-year basis)



Source: Trade Statistics of Japan (Ministry of Finance).

Figure I-2-1-15 Contribution breakdown of import unit value in 2013 (year-on-year basis)



Source: Trade Statistics of Japan (Ministry of Finance).