

Japanese Trade Trends in 2005

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Summary

- Japanese trade posted new records for the third consecutive year with \$598.2 billion in exports and \$518.6 billion in imports. Imports increased rapidly due to rising oil prices, but exports were rather sluggish, causing the trade surplus to decline \$30.8 billion to \$79.6 billion, the first fall in four years.
- By volume, exports increased 0.8% and imports 2.9%, both up for the fourth straight year.
- China and the U.S. were the main export destinations. Strong exports of autos helped the U.S. share of Japanese exports rise for the first time in four years. The leading imports were from the Middle East, up due to skyrocketing oil prices.
- Oil rose 40.5% to \$51.10/barrel, oil imports soared 42.7% to \$80 billion.

1. Imports and Exports Both Reach New Highs

Exports in 2005 rose 5.9% to \$598.2 billion and imports jumped 14.1% to \$518.6 billion, both new records for the third straight year (Fig. 1). Export growth, however, was significantly slower than its 20.3% pace in 2004, while imports climbed by double digits as oil prices soared. The trade surplus fell \$30.8 billion to \$79.6 billion, the first decline in four years.

By volume, exports rose 0.8% and imports 2.9%, both increases for the fourth straight year, although at slower paces than in 2004. Export volume in the first half showed the first year-on-year decline since the second quarter of 2002, but growth returned in the second half, aided by the weaker yen. Quarterly year-on-year growth rates were -1.9%, -1.1%, 0.9% and 5.1%, respectively. Import volume climbed 2.9%, down from 7.0% in 2004, but still representing solid growth.

Fig. 1 Japanese Trade Trends

							(\$ billion, %)			
		2001	2002	2003	2004	2005	2005			
							Q1	Q2	Q3	Q4
World	Exports	405.2	415.9	469.9	565.0	598.2	114.3	147.4	150.6	155.9
	% YoY	-15.7	2.6	13.0	20.3	5.9	7.0	6.5	6.3	3.9
	Imports	351.1	336.8	381.5	454.7	518.6	121.5	127.9	133.3	135.9
	% YoY	-7.9	-4.1	13.3	19.2	14.1	13.7	16.6	15.8	10.5
	Trade balance	54.1	79.0	88.3	110.4	79.6	22.8	19.5	17.3	19.9
	% YoY	-45.7	46.2	11.8	22.1	-30.8	-5.2	-9.3	-9.3	-7.1
	Export volume index	90.5	97.7	102.5	113.4	114.4	107.2	112.6	116.0	121.4
	% YoY	-9.5	8.0	4.9	10.6	0.8	-1.9	-1.1	0.9	5.1
Import volume index		98.0	100.0	107.1	114.6	117.9	114.8	116.6	119.0	120.9
	% YoY	-2.0	2.0	7.1	7.0	2.9	3.1	3.6	4.1	0.7
Exchange rate (¥/\$)	Average during period	121.5	125.3	115.9	108.2	110.2	104.5	107.6	111.2	117.3
	% YoY	-11.3	-3.0	8.1	7.2	-1.8	2.6	1.9	-1.2	-9.7
Crude oil import price	\$/barrel	25.3	24.6	29.2	36.4	51.1	40.7	49.7	56.1	57.3
	% YoY	-11.4	-2.6	18.6	24.5	40.5	29.6	42.6	45.9	41.3

Note 1: FY 2000 = 100 for volume indices.

Note 2: Exchange rates averages of median interbank rates during periods.

Sources: Ministry of Finance & BOJ

2. Trade by Region

China and the U.S. drove Japanese exports in 2005, while costlier oil from the Middle East pushed up imports.

Fig. 2 Trade Trends of Major Economies

		(\$ billion, %)									
		2001	2002	2003	2004	2005	2005				
							Q1	Q2	Q3	Q4	
U.S.	Exports	121.7	118.5	115.4	126.8	134.9	32.8	33.3	33.1	35.7	
	% YoY	-14.8	-2.6	-2.6	9.9	6.3	7.2	7.4	4.9	5.9	
	Imports	63.5	57.6	58.7	62.4	64.5	15.3	16.7	16.5	16.0	
	% YoY	-12.3	-9.3	1.8	6.4	3.3	2.0	2.8	8.2	0.4	
	Export volume growth rate	-13.3	1.5	-5.7	3.6	2.1	-0.1	1.5	1.7	5.0	
	Import volume growth rate	-15.0	-10.1	-11.2	9.0	1.6	1.3	1.3	7.2	-2.5	
EU 25	Exports	64.7	61.1	71.9	88.9	88	22.6	21.6	21.2	22.6	
	% YoY	-17.6	-5.5	17.6	18.4	0.7	4.0	3.2	0.3	-4.2	
	Imports	44.8	43.7	48.8	57.8	59.1	15.1	14.9	14.5	14.5	
	% YoY	-4.6	-2.4	11.6	16.1	3.0	4.3	8.6	3.6	-4.1	
	Export volume growth rate	-13.7	-3.5	5.3	7.3	-5.2	-10.3	-6.4	-2.8	-1.5	
	Import volume growth rate	0.9	-1.2	-3.4	5.0	0.2	-1.7	1.2	2.1	-0.6	
East Asia 9	Exports	156.6	173.0	210.9	264.8	279.4	66.2	69.5	71.6	72.2	
	% YoY	-18.0	10.4	21.9	25.5	5.5	7.4	5.8	5.5	3.7	
	Imports	141.3	139.4	161.8	195.9	219.3	53.0	54.5	55.3	56.6	
	% YoY	-6.3	-1.4	16.0	21.1	11.9	16.5	15.0	10.9	6.3	
Asian NIEs	Exports	87.9	94.3	110.4	139.5	145.5	35.1	36.4	37.0	37.0	
	% YoY	-23.6	7.3	17.1	26.3	4.3	6.7	5.1	3.7	1.9	
	Imports	38.5	35.4	38.8	46.6	51.0	12.2	12.7	12.7	13.3	
	% YoY	-17.5	-8.0	9.8	20.0	9.5	9.0	9.4	10.8	8.9	
	Export volume growth rate	-16.4	14.2	8.1	12.5	-5.5	-3.6	-7.5	-8.1	-2.7	
	Import volume growth rate	-8.0	-3.8	3.5	4.4	5.8	-3.5	-3.0	9.4	18.8	
ASEAN 4	Exports	37.7	38.8	43.3	51.5	53.6	13.1	13.9	13.6	13.1	
	% YoY	-17.2	3.1	11.5	18.9	4.2	8.1	9.9	1.8	-2.2	
	Imports	44.8	42.3	47.8	55.1	59.2	14.6	14.7	15.0	14.8	
	% YoY	-8.4	-5.4	12.8	15.4	7.4	12.6	11.1	4.9	1.8	
	Export volume growth rate	-14.9	8.1	2.3	11.3	1.4	-1.0	3.0	1.2	2.5	
	Import volume growth rate	-2.4	-0.8	4.5	3.1	-1.6	3.7	-0.1	-4.6	-4.4	
China	Exports	31.1	39.9	57.2	73.8	80.3	18.0	19.2	21.0	22.1	
	% YoY	2.2	28.2	43.5	29.0	8.8	8.5	4.2	11.5	10.9	
	Imports	58.1	61.7	75.2	94.2	109.1	26.1	27.0	27.5	28.4	
	% YoY	5.1	6.2	21.9	25.3	15.8	22.8	20.3	14.5	7.5	
	Export volume growth rate	8.4	37.0	28.3	16.5	2.4	-5.0	-4.4	4.7	13.3	
	Import volume growth rate	8.9	11.7	16.4	13.4	11.2	12.0	15.4	10.3	7.5	

Note 1: Asian NIEs = Hong Kong, Korea, Singapore and Taiwan.

Note 2: ASEAN 4 = Indonesia, Malaysia, Philippines and Thailand

Note 3: ASEAN 4 export volume growth rates show ASEAN 10 data

Source: Ministry of Finance

A. Solid growth in U.S.-bound exports

Slower export growth was apparent in shipments to Southeast Asia, which grew 5.5% compared to 25.5% in 2004, and the EU 25, 0.7% versus 18.4%. Total imports entering both regions slowed from the start of 2005, a trend that was also reflected in imports from Japan. Exports to the U.S., however, remained comparatively buoyant, increasing for the second consecutive year to \$134.9 billion, up 6.3%. Auto exports jumped 9.2% to account for 26.8% of total U.S.-bound exports, a reflection of strong demand for fuel-efficient Japanese cars as oil prices soared. East Asia's share of Japanese exports fell for the first time in five years, while the U.S. share, 22.5%, rose for the first time in four years (Fig. 4).

Fig. 3 Geographic Contributions to Global Export Growth

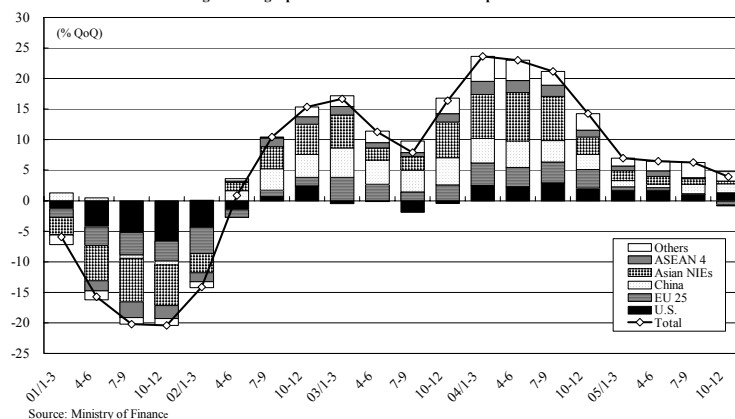
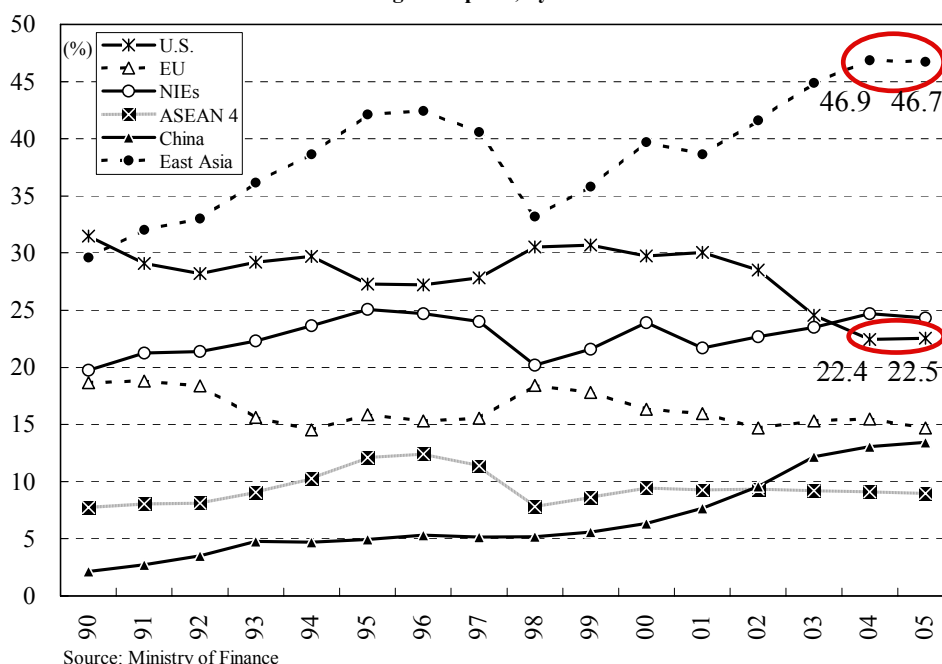


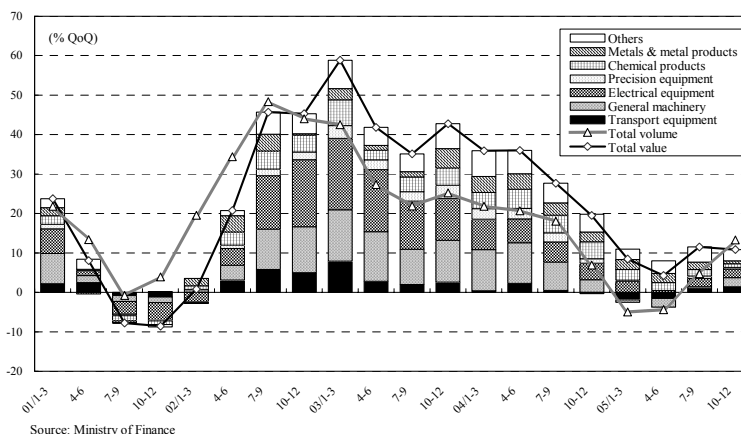
Fig. 4 Exports, by Destination



B. Exports to China rebound in second half

Exports to China rose 8.8% to \$80.3 billion (Fig. 2). After growing at a double-digit rate from 2002 to 2004, the pace slowed due to excess inventories of electrical and transport equipment in the first half of 2005. In the second half, however, exports of AV and other electronic products grew 7.6% year on year to \$13 billion, helping overall growth resume a double-digit pace (Fig. 5). Year-on-year growth rates by quarter were 8.5%, 4.2%, 11.5% and 10.9%, respectively. The end of electronic product inventory reductions in China was a key factor behind rejuvenated exports of these products.

Fig. 5 Exports to China



C. Increased exports to Middle East and Russia

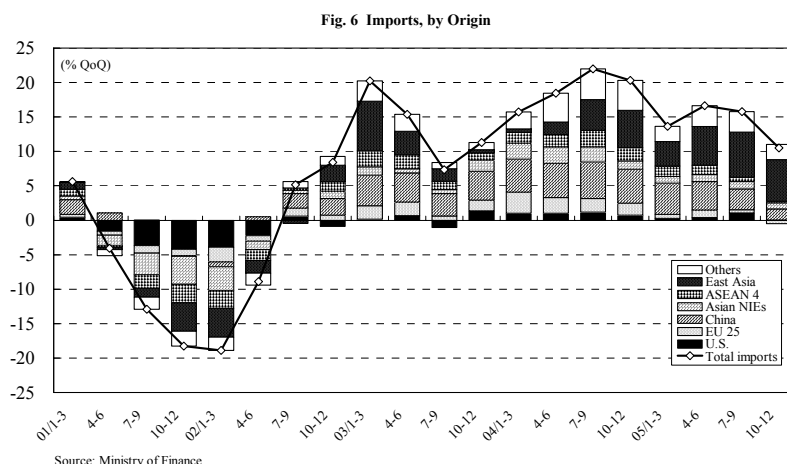
Exports of capital goods were vigorous to Russia, other CIS countries (former USSR) and the Middle East as the economies of these resource-producing countries picked up due to the rising prices of oil and other primary goods. Exports to the Middle East jumped 14.6% to \$16.6 billion, led by cars and other transport equipment (\$8.3 billion, up 15.2%) and metals such as steel and metal products (\$1.6 billion, up 55.3%). Exports to Russia and the CIS skyrocketed 37.9% to \$5.2 billion, propelled by cars and other transport equipment (\$3.2 billion, up 62.1%), primarily exports of used cars to Russia (\$4.5 billion, up 44.2%).

There was also double-digit growth in exports to Central and South America, which rose 16.0% to \$25.1 billion. A free trade agreement (FTA) between Japan and Mexico came into effect in April 2005, boosting exports 33.5% to \$6.9 billion. Before the FTA, 58,000 cars could be brought into the country duty free, but the FTA more than doubled this to 120,000, which helped exports of “other” transport equipment soar 47.8% to \$2 billion.

D. Imports driven by Middle East

Imports from the Middle East grew substantially due to surging oil prices (Fig. 6). Value leapt 39.8% to \$87.7 billion, led by Saudi Arabia (\$28.7 billion, 55.7%) and the United Arab Emirates (\$25.3 billion, up 38.2%).

China accounted for the largest share of total imports, as value rose 15.8% to \$109.1 billion, the third straight year of double-digit growth. Leading imports were office equipment (\$1.4 billion, up 20.5%) and other machinery and equipment (\$44.4 billion, up 19.6%). This was aided by increased employment and rising demand for PCs in the revitalized Japanese economy.



3. Trade by Product

A. Transport equipment exports strong

Export value was boosted by cars (\$90.5 billion, up 6.3%) and other transport equipment (\$138.5 billion, up 6.3%) and metals such as steel (\$27.7 billion, up 19.1%) and metal products (\$43.5 billion, up 15.9%) (Fig. 7).

Fig. 7 Exports, by Product (2005)

	World		U.S.		EU 25		China		Asian NIEs		ASEAN 4	
	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate
Total	598,215	5.9	134,889	6.4	88,036	-1.0	80,340	8.8	145,467	4.3	53,622	4.2
Foodstuffs	2,894	10.6	510	12.6	111	-2.0	353	19.9	1,401	10.3	216	30.4
Textiles & textile products	8,377	-2.7	641	-1.2	721	-1.6	3,508	-1.4	1,720	-9.9	649	-1.1
Chemical products	53,273	10.4	6,931	-0.1	6,537	2.3	10,466	14.3	20,286	16.1	4,843	7.7
Non-metallic mineral products	6,947	10.9	840	-8.1	840	12.9	820	-8.0	3,135	23.9	687	2.8
Metals & metal products	43,493	15.9	4,097	12.0	2,265	6.4	8,481	18.9	14,191	12.1	8,323	20.9
Steel	27,724	19.1	1,626	34.6	668	12.2	5,649	15.7	9,489	11.7	5,707	29.7
General machinery	121,776	4.6	30,433	8.1	21,940	5.6	17,080	0.3	25,411	-4.8	12,272	10.0
Electrical equipment	132,459	-0.2	23,547	0.9	20,716	-6.9	20,780	7.2	41,676	-3.2	14,415	-1.9
Transport equipment	138,524	6.3	49,803	8.4	21,857	-7.8	4,040	-3.4	8,206	17.2	6,063	-2.8
Automobiles	90,467	6.3	36,209	9.2	14,909	-9.1	1,291	-21.4	2,643	11.4	2,373	-11.4
Auto parts	25,497	7.7	9,288	2.6	3,522	9.9	2,581	9.0	2,008	2.5	3,102	7.3
Precision equipment	23,549	-2.3	3,823	-5.0	2,926	-7.5	4,208	5.9	10,079	-3.1	1,093	-12.8
Others	66,924	15.1	14,263	11.7	10,124	13.6	10,603	29.0	19,363	17.3	5,062	-3.3

Source: Ministry of Finance

The U.S. remained the leading market for Japanese car exports, but shipments to Russia were also strong, soaring 60.9% to \$3 billion. Steel exports were robust to China (\$5.6 billion, up 15.7%) and the ASEAN4 (\$5.7 billion, up 29.7%), especially Thailand (\$3.1 billion, up 39.0%). The demand for Japanese steel rose as Japanese manufacturers, especially carmakers, continued shifting production to these countries. Exports to China were buoyed by healthy demand for high-quality Japanese steel sheet needed for car production.

B. Rising oil prices boost import value

Major imports in 2005 were mineral fuels (\$132.2 billion, up 34.0%) and machinery and equipment (\$153.2 billion, up 7.8%) (Fig. 8).

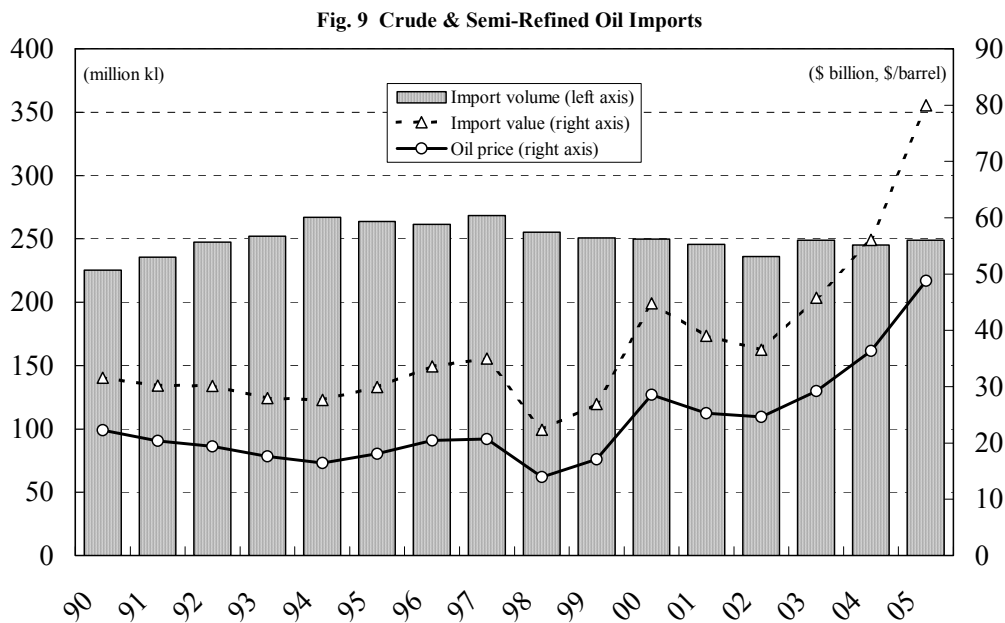
Fig. 8 Imports, by Product (2005)

	World		U.S.		EU 25		China		Asian NIEs		ASEAN 4	
	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate
Total	518,638	14.1	64,497	3.3	59,066	2.2	109,105	15.8	51,048	9.5	59,153	7.4
Foodstuffs	50,710	3.5	13,377	3.5	5,558	-2.4	7,903	6.8	2,699	-7.0	4,342	5.7
Raw materials	31,945	12.4	3,578	-4.2	2,052	2.3	1,688	9.0	997	13.4	5,672	18.9
Mineral fuels	132,204	34.0	1,218	-17.8	141	6.1	3,301	1.8	3,674	9.5	15,938	19.2
Chemical products	39,445	11.9	8,087	3.7	14,252	6.4	4,281	40.8	4,769	21.6	2,416	19.5
Machinery & equipment	153,199	7.8	30,413	4.3	24,071	2.3	44,424	19.6	25,483	5.2	20,089	-2.1
Textile products	28,301	4.6	553	7.4	2,331	-4.2	21,245	5.3	1,150	10.4	1,291	1.3
Non-metallic mineral products	5,873	7.4	558	-7.0	1,089	-2.7	1,817	15.3	590	24.4	699	18.4
Metals & metal products	27,235	16.5	1,750	28.3	2,344	10.7	6,278	25.2	4,835	31.6	1,535	12.6
Others	49,726	9.8	4,965	2.4	7,227	-1.9	18,169	20.6	6,851	11.8	7,172	1.4

Source: Ministry of Finance

Accelerating imports of crude oil and partially refined petroleum products (\$80 billion, up 42.7%) due to soaring prices drove up imports of mineral fuels (Fig. 9). The import price of crude oil rose from \$36.40 a barrel in 2004 (up 24.5% from the year before) to \$51.10 in 2005, a 40.5% increase. Oil prices surged on vastly expanded global demand and speculation on reduced production capacity and unstable supplies.

AV equipment (\$14.6 billion, up 13.6%) boosted imports of machinery and equipment. The leading categories of imports were mobile phones, portable music players and other finished products from China, thanks to brisk consumer spending in Japan.



Source: Ministry of Finance