Japan’s export value rises at fastest pace in three years

By Jonathan Soble in Tokyo

The yen value of Japan's exports rose by the biggest margin in three years in May, aided by policies that have softened the country's currency, in the latest evidence that the government’s “Abenomics” revival campaign is lifting earnings at global manufacturers.

Japanese exports fetched ¥5.768tn ($60.5bn) in May, an increase of 10.1 per cent compared with the same month a year earlier, Ministry of Finance data showed on Wednesday.

The improved data came after Prime Minister Shinzo Abe declared that he had won backing from Group of Eight leaders on Tuesday for Tokyo’s radical three-pronged stimulus policy. He also sought to play down concerns at the G8 that the sharp depreciation of the yen prompted by Abenomics could spark currency wars with Japan's trade rivals.

Foreigners did not actually buy more made-in-Japan products in May: the ministry's index of export volumes decreased for the 12th consecutive month, by 4.8 per cent. But the weakening of the yen meant that what they did buy was worth more, once the proceeds were converted into Japanese currency.

The yen hit a seven-year low against other major currencies last month in response to looser Japanese monetary policy, another element of Mr Abe's stimulus effort, reaching ¥103 to the US dollar. That compared to an exchange rate of around ¥80 to the dollar a year earlier.

The yen’s fall has been less straightforwardly beneficial for the economy as a whole, however. The cost of imports has also risen, a problem that has been exacerbated by Japan’s increased reliance on foreign oil and gas since the Fukushima nuclear accident in 2011.

The yen value of imports rose by 10 per cent in May and exceeded the value of exports for the 11th straight month. The trade deficit, at ¥993.9bn, was 9.5 per cent bigger than in May 2012.

Among Japan’s key trading destinations, exports to the US rose 16.3 per cent from a year earlier, the fastest pace since May 2012. While shipments to China increased 8.3 per cent, the quickest pace since February 2011.

Mr Abe is counting on reinvigorated exporters to divert at least part of their expanded earnings to wage increases and investment in Japanese factories and equipment.
But the continued decline in the physical volume of exports suggests the latter goal, of increased capital spending, will be a challenge to achieve. Companies do not need new factories if they are exporting fewer goods, even if those goods are earning them more yen.

"Exports have been in recovery mode since March, but the slower pace of the comeback in volume compared with value suggests that the uptrend is being driven by the yen's depreciation rather than strong demand," said Yuichiro Nagai, an analyst at Barclays Research.

Additional reporting, Jamie Smyth in Belfast

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