

19 December 2012 (No. of pages: 4)

Japanese report: 19 Dec 12

# November Trade Statistics

## Exports continued to decline

Economic Research Dept  
Masahiko Hashimoto

### Summary

- In the November Trade Statistics (Ministry of Finance), export value declined 4.1% y/y, a narrower slide than consensus expectations (down 5.5%). Export value slipped 0.1% m/m, the second consecutive monthly drop on a seasonally adjusted basis. Thus, the underlying deterioration continues.
- Import value increased 0.8% y/y, the first gain in two months—import volume declined 0.9%, the second monthly negative growth in a row, but import prices increased 1.8%, the first gain in six months. As a result, the trade balance posted a deficit of Y953.4 billion, a negative figure for the fifth consecutive month. On a seasonally adjusted basis, it posted a deficit of Y868.5 billion, a negative figure for the 21<sup>st</sup> month in a row.
- Although the worsening of exports continues, as our main scenario, we expect a gradual recovery from 2013 onward. Exports to the EU will likely remain sluggish for the time being, dragged down by ongoing economic stagnation there. In contrast, exports to the US are unlikely to deepen the bottom and should remain firm, supported by the ongoing moderate US economic recovery. Meanwhile, exports to Asian trading partners should recover gradually, accompanied by a bottoming of economies, centering on China.

Trade Statistics		Chart 1								
	2012									
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Export value (y/y %)	5.9	7.9	10.0	-2.3	-8.1	-5.8	-10.3	-6.5	-4.1	
Market consensus (Bloomberg)									-5.5	
DIR estimate									-5.9	
Import value (y/y %)	10.6	8.1	9.4	-2.2	2.2	-5.3	4.2	-1.5	0.8	
Export volume (y/y %)	3.7	4.7	9.3	-2.3	-10.2	-4.2	-11.1	-8.1	-7.5	
Export price (y/y %)	2.1	3.1	0.6	0.1	2.4	-1.6	0.9	1.7	3.6	
Import volume (y/y %)	3.1	1.9	8.5	-0.7	7.0	-2.1	4.2	-1.1	-0.9	
Import price (y/y %)	7.3	6.1	0.9	-1.5	-4.5	-3.3	-0.1	-0.5	1.8	
Trade balance (Y100 mil)	-871	-5,239	-9,172	592	-5,226	-7,638	-5,649	-5,511	-9,534	

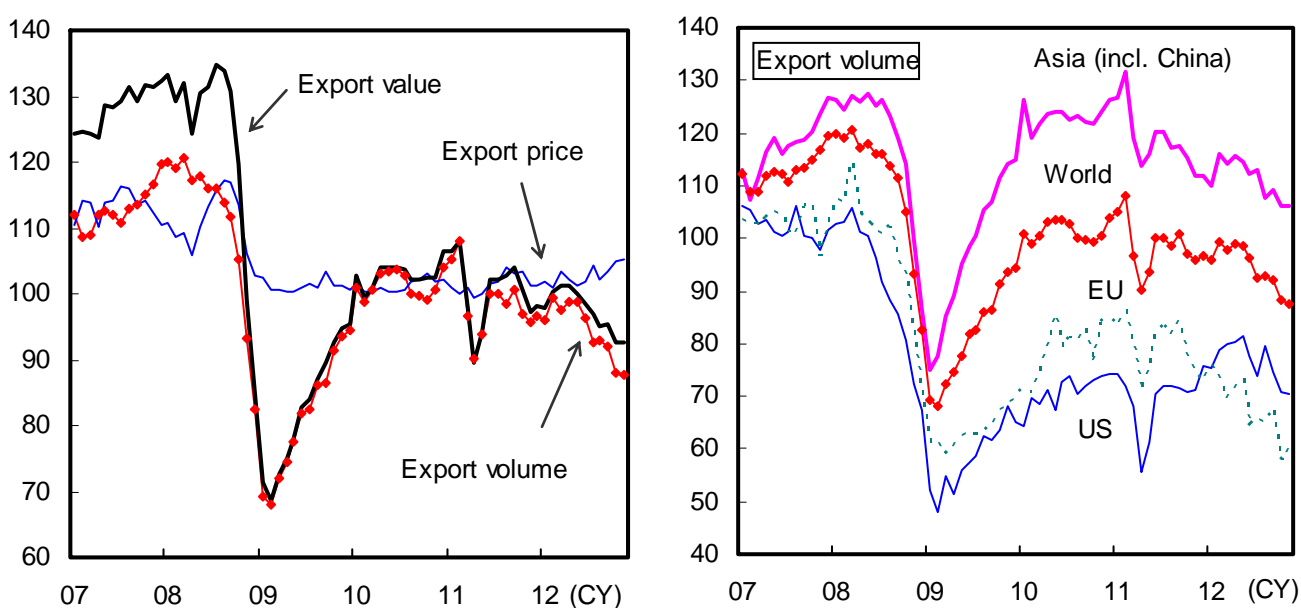
Source: Ministry of Finance, Bloomberg; compiled by DIR.

## Exports declined for second month in a row

In the November Trade Statistics (Ministry of Finance), export value declined 4.1% y/y, a narrower slide than consensus expectations (down 5.5%). Export value declined 0.1% m/m, the second consecutive monthly slide on a seasonally adjusted basis. Thus, the underlying deterioration continues. Looking at export volume (seasonally adjusted; DIR estimate) by trading partner, while that to the EU increased from the previous month, that to the US and Asian trading partners declined, resulting in a slide of 0.5% m/m as a whole. Signs of a breakout from the economic doldrums among Asian trading partners, centering on China, have raised expectations that exports to such partners may have bottomed. However, they continued to decline.

On the import front, import value increased 0.8% y/y, the first gain in two months—import volume declined 0.9%, the second monthly negative growth in a row, but import prices increased 1.8%, the first gain in six months. As a result, the trade balance posted a deficit of ¥953.4 billion, a negative figure for the fifth consecutive month. On a seasonally adjusted basis, it posted a deficit of ¥868.5 billion, a negative figure for the 21<sup>st</sup> month in a row.

Export Value, Volume, Price and Export Volume by Trading Partner (2005 = 100; SA basis) **Chart 2**



Source: Ministry of Finance; compiled by DIR.

Note: Export value seasonally adjusted by Ministry of Finance; other by DIR.

## Transportation equipment/general machinery to EU/Asia declined

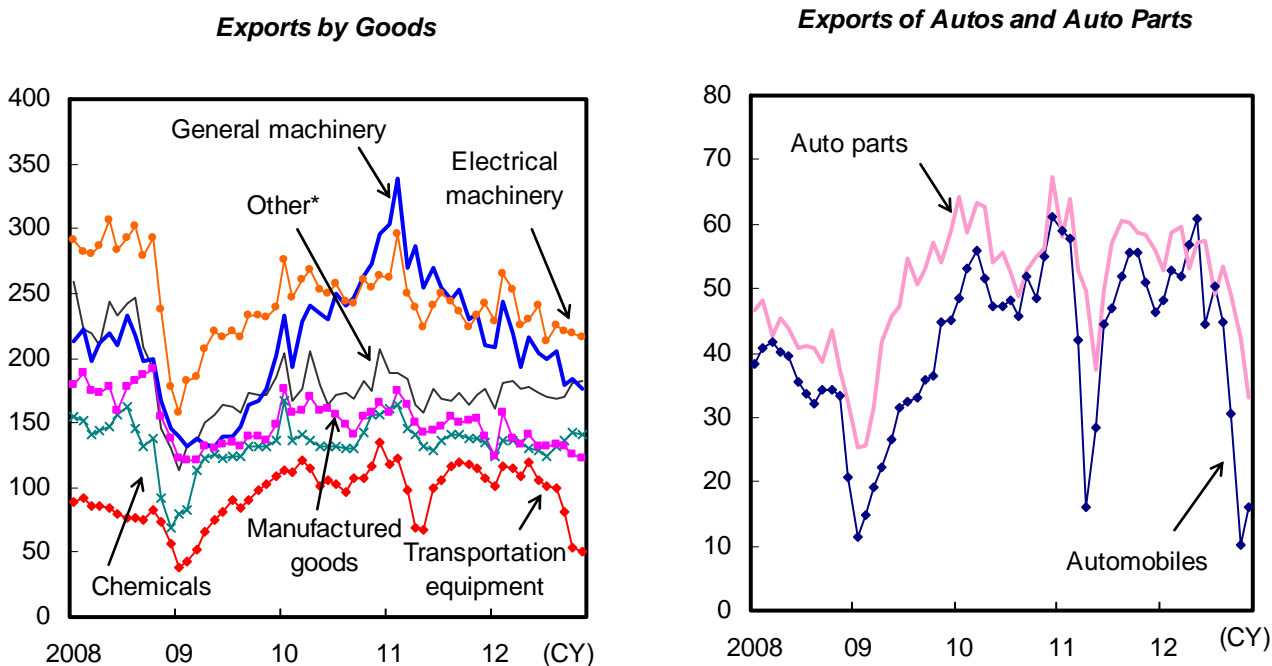
Exports of transportation equipment, and general machinery dragged down overall export value.

Those of transportation equipment declined 10.1% y/y, the fourth monthly slide in a row. Those to the US, the major export destination, increased for the second consecutive month (up 9.6%), while those to the EU continued to drop (down 34.6%) and those to China plunged (down 55.4%) amid a boycott of Japanese goods in China due to worsening Japan-China relations. However, among goods shipped to China, automobiles narrowed the margin of decline (from down 82.0% in October to down 68.6%). On a seasonally adjusted basis (DIR estimate), automobile exports to China increased from October, indicating that the adverse impact of the boycott is easing.

Exports of general machinery declined 10.3% y/y, the eighth monthly slide in a row. Factors responsible were stagnation in those to the EU (down 16.9%) and a drop in those to Asian trading partners (down 14.1%), which account for a large proportion of such exports. Among the latter, ongoing declines were prominent for those to China (down 24.5%) and Asian NIEs (down 21.6%). Those to ASEAN were firm, increasing for the fourth consecutive month (up 4.9%). However, the margin of gain has narrowed and such exports have been on a downtrend on average.

Exports From Japan to China by Goods (¥ bil; SA basis)

Chart 3



Source: Ministry of Finance; compiled by DIR.

\*Sum of foods, low materials, mineral fuels, and 'other' goods.

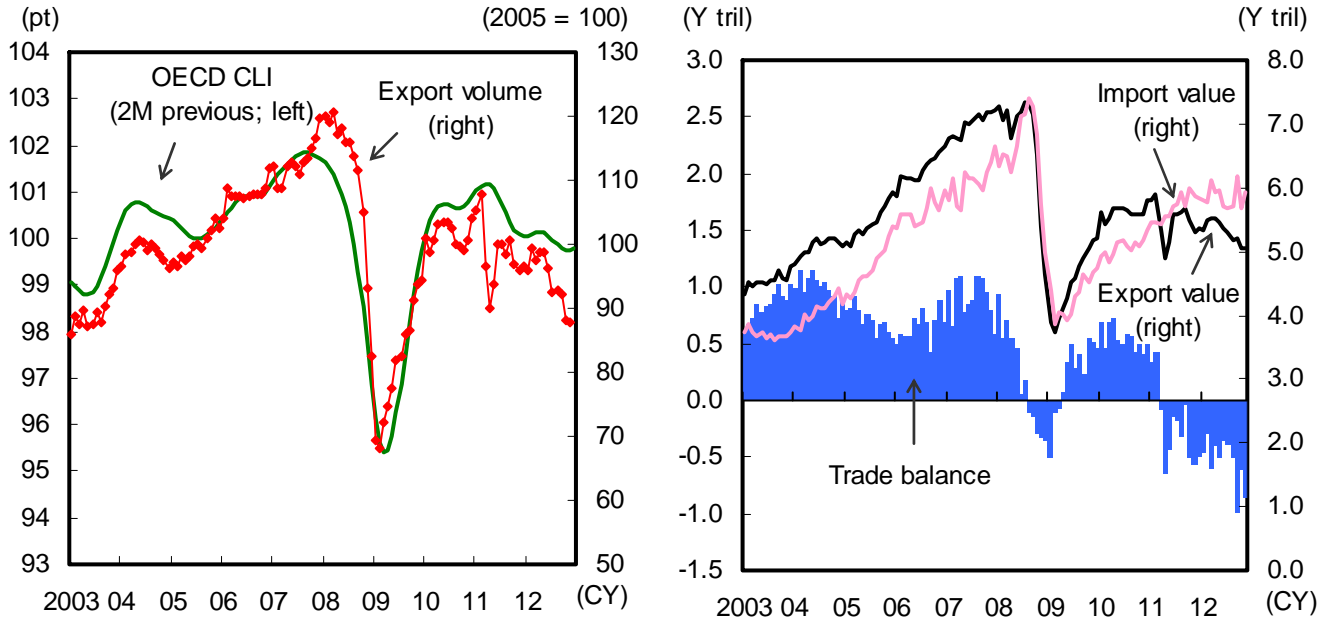
Note: Seasonally adjusted by DIR.

## Gradual recovery in exports vs. ongoing trade deficit

Although the worsening of exports continues, as our main scenario we expect a gradual recovery from 2013 onward. Exports to the EU will likely remain sluggish for the time being, dragged down by ongoing economic stagnation there. In contrast, exports to the US are unlikely to deepen the bottom and should remain firm, supported by the ongoing moderate US economic recovery. Meanwhile, exports to Asian trading partners should recover gradually, accompanied by a bottoming of economies, centering on China.

Meanwhile, given the ongoing stagnation in Japan's economy, import volume is unlikely to gain momentum. Thus, import value is likely to remain flat. Accordingly, the ongoing deficit in the trade balance is likely to continue for the time being, but the deficit margin is likely to narrow moderately from 2013 onward, accompanied by increases in exports.

**Global Economy and Japan's Export Volume and Trade Balance** **Chart 4**



Source: Ministry of Finance; OECD; compiled by DIR.  
 Notes: 1) OECD CLI (Composite Leading Indicator): OECD member and six non-member countries.  
 2) Export volume seasonally adjusted by DIR.