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# December 2012 Trade Statistics

## Exports signaling a bottoming

Economic Research Dept  
Masahiko Hashimoto

### Summary

- In the December 2012 Trade Statistics (Ministry of Finance), export value declined 5.8% y/y, a wider slide than consensus expectations (down 4.2%). On a seasonally adjusted basis, however, export value increased 2.4% m/m, the second consecutive monthly gain, indicating that the underlying trend began to signal an end to persistent declines.
- Import value increased 1.9% y/y, the second consecutive monthly gain—import volume remained flat y/y, import prices increased 1.8%, the second monthly gain in a row. As a result, the trade balance posted a deficit of Y641.5 billion, a negative figure for the sixth consecutive month. On a seasonally adjusted basis, it posted a deficit of Y800.7 billion, a negative figure for the 22<sup>nd</sup> month in a row.
- In our provisional estimate based on the December Trade Statistics, real exports and imports will likely decline q/q in Oct-Dec 2012 and foreign demand should post a negative contribution of 0.2-percentage points to GDP growth.
- We anticipate exports bottoming in Oct-Dec 2012 and turning around thereafter. Exports to the EU will likely remain sluggish for the time being, dragged down by ongoing economic stagnation there. In contrast, those to the US and Asian trading partners will likely increase, driving overall exports, supported by an ongoing moderate economic recovery in the case of the former and a bottoming of economies in the case of the latter.

Trade Statistics									Chart 1
	2012								
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Export value (y/y %)	7.9	10.0	-2.3	-8.1	-5.8	-10.3	-6.5	-4.1	-5.8
Market consensus (Bloomberg)									-4.2
DIR estimate									-4.2
Import value (y/y %)	8.1	9.4	-2.2	2.2	-5.3	4.2	-1.5	0.9	1.9
Export volume (y/y %)	4.7	9.3	-2.3	-10.2	-4.2	-11.1	-8.1	-7.5	-12.2
Export price (y/y %)	3.1	0.6	0.1	2.4	-1.6	0.9	1.7	3.6	7.3
Import volume (y/y %)	1.9	8.5	-0.7	7.0	-2.1	4.2	-1.0	-0.9	0.0
Import price (y/y %)	6.1	0.9	-1.5	-4.5	-3.3	-0.1	-0.5	1.8	1.8
Trade balance (Y100 mil)	-5,239	-9,172	592	-5,226	-7,638	-5,649	-5,546	-9,548	-6,415

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

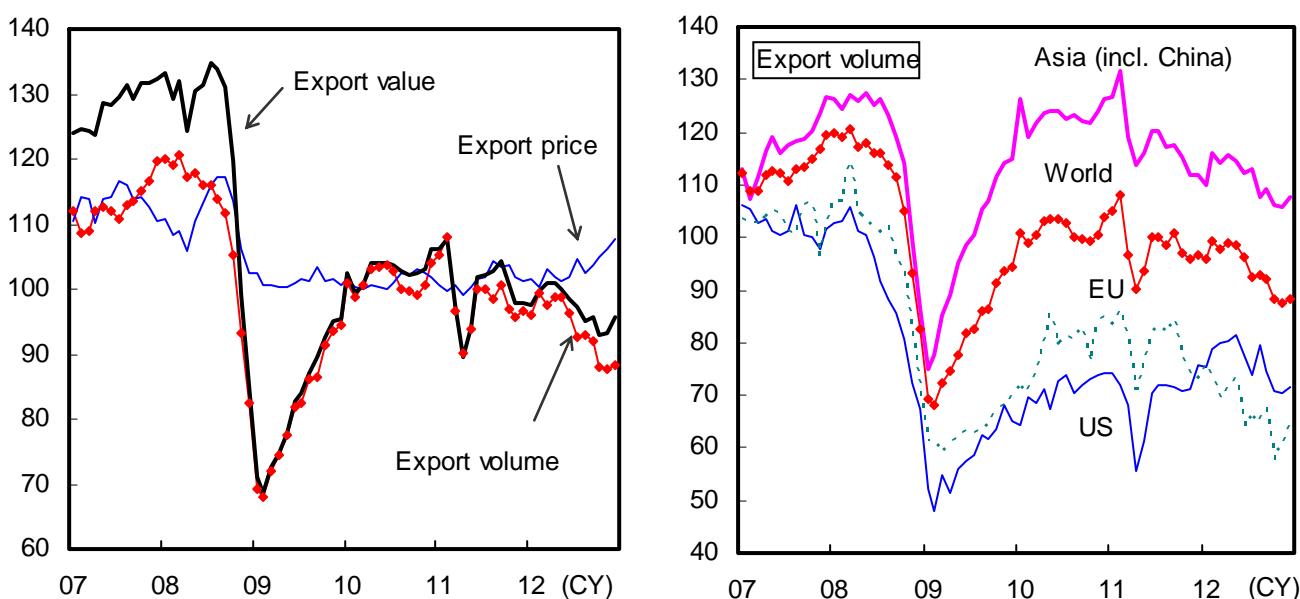
## Second consecutive monthly gain in export value

In the December 2012 Trade Statistics (Ministry of Finance), export value declined 5.8% y/y, a wider slide than consensus expectations (down 4.2%). On a seasonally adjusted basis, however, export value increased 2.4% m/m, the second consecutive monthly gain, indicating that the underlying trend began to signal an end to persistent declines. Looking at export volume (seasonally adjusted; DIR estimate) by trading partner, that to the US, EU, and Asian trading partners increased from the previous month, posting the first gain in four months as a whole (up 0.8% m/m). This, combined with an improved environment surrounding exports, such as recoveries in overseas economies and the shift to a weaker yen, raised expectations that exports would pick up going forward.

On the import front, import value increased 1.9% y/y, the second consecutive monthly gain—import volume remained flat y/y, while import prices increased 1.8%, the second monthly gain in a row. As a result, the trade balance posted a deficit of ¥641.5 billion, a negative figure for the sixth consecutive month. On a seasonally adjusted basis, it posted a deficit of ¥800.7 billion, a negative figure for the 22<sup>nd</sup> month in a row.

In our provisional estimate based on the December Trade Statistics, real exports and imports will likely decline q/q in Oct-Dec 2012 and foreign demand should post a negative contribution of 0.2 percentage points to GDP growth.

**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.

## Ongoing y/y slide in exports continues

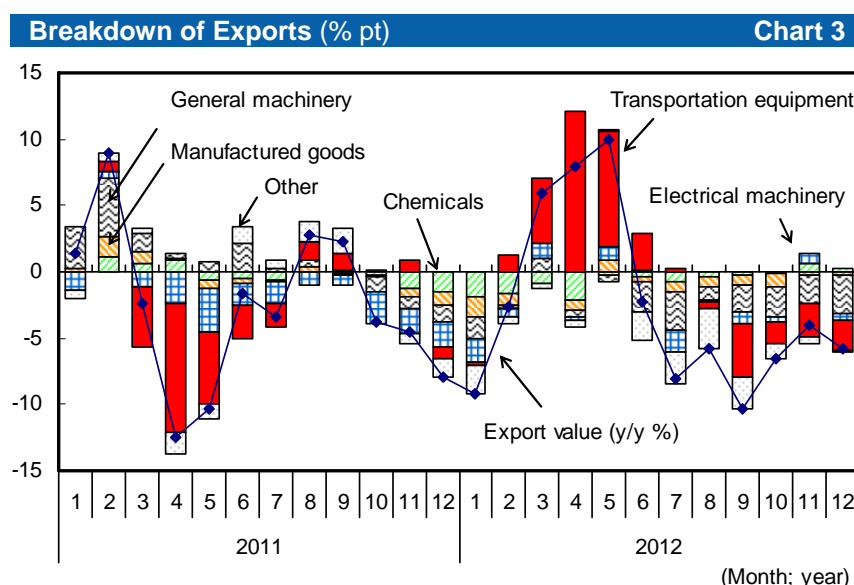
Exports of transportation equipment and general machinery dragged down overall export value.

Those of transportation equipment declined 9.5% y/y, the fifth monthly slide in a row. Those to the US, the major export destination, remained flat y/y. However, those to the EU continued to drop (down 18.1%), those to China plunged (down 47.5%), and those to Asian NIEs tumbled (down 48.8%), dragging down such exports as a whole. Among goods shipped to China, automobiles continued to

loose traction following dives in October and November due to worsening Japan-China relations but narrowed the margin of decline (from down 68.6% in Nov to down 52.8%), indicating that the adverse impact of the boycott of Japanese goods in China is playing out.

Exports of general machinery declined 13.3% y/y, the ninth monthly slide in a row. Factors responsible were persistent stagnation in those to the EU (down 15.2%), and ongoing declines in those to Asian trading partners (down 14.8%), which account for a large proportion of such exports. At the same time, those to the US saw the first decline in five months (down 6.8%). In addition, after increasing for some time, those to ASEAN were flat y/y and have shifted to a downtrend.

After signaling improvement in November, exports of electrical machinery turned to a decline in December (down 3.3% y/y), due mainly to a slide in those of electronic components/devices to China.



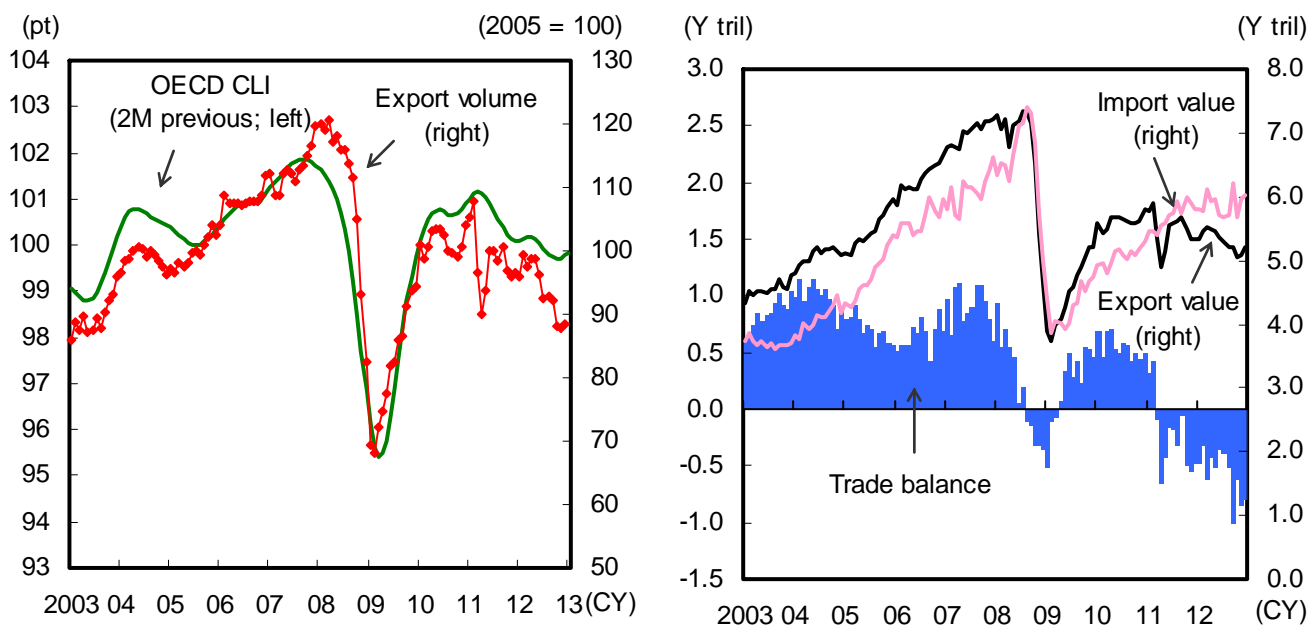
## Recovery in exports vs. narrowing trade deficit

We anticipate exports bottoming in Oct-Dec 2012 and turning around thereafter. Exports to the EU will likely remain sluggish for the time being, dragged down by ongoing economic stagnation there. In contrast, those to the US and Asian trading partners will likely increase, driving overall exports, supported by an ongoing moderate economic recovery in the case of the former and a bottoming of economies in the case of the latter.

While imports have been flat, we expect them to enter an uptrend, accompanied by increases in import volume, reflecting a recovery in the domestic economy. At the same time, import prices are likely to increase due to the recent shift to a weaker yen. Thus, the trade deficit is likely to widen for the time being, but the deficit margin is likely to narrow gradually, accompanied by increases in export volume.

## 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.