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October Trade Statistics

Export volume saw first gain in two months, but stagnation ongoing

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Summary

- In the October 2013 *Trade Statistics* (Ministry of Finance), export value posted a y/y advance for the eighth month in a row (up 18.6%), overshooting the market consensus (up 16.2%). Breaking down export value, export price remains on a strong uptrend (up 13.6%) and export volume saw the first gain in two months (up 4.4%), pushing up export value. On a seasonally adjusted m/m basis, export value posted the first gain in two months (up 1.5%), while it posted the 11th consecutive gain on a three-month moving average basis, indicating that the underlying uptrend continues.
- The Export Volume Index (seasonally adjusted by DIR) posted the first m/m gain in two months (up 1.1%). By trading partner, exports to the EU declined, while those to the US and Asian trading partners increased, pushing up the headline index. Underlying export volume to the EU began to firm up but has lost momentum, perhaps temporarily, as the EU economy bottomed out, but the recovery pace is showing signs of slowing. Exports to the US and Asian trading partners have been on an advance-retreat trend. As a whole, export volume has leveled off.
- The US and EU economies are expected to continue growing, and emerging economies are likely to stabilize amid a cooling down of currencies of emerging market economies. We anticipate export volume to return to an uptrend.

| Trade Statistics | | Chart 1 | | | | | | | | |
|------------------------------|--------|---------|--------|--------|--------|---------|--------|--------|---------|--|
| | 2013 | | | | | | | | | |
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | |
| Export value (y/y %) | -2.9 | 1.1 | 3.8 | 10.1 | 7.4 | 12.2 | 14.6 | 11.5 | 18.6 | |
| Market consensus (Bloomberg) | | | | | | | | | 16.2 | |
| DIR estimate | | | | | | | | | 16.2 | |
| Import value (y/y %) | 12.0 | 5.6 | 9.5 | 10.1 | 11.8 | 19.7 | 16.1 | 16.5 | 26.1 | |
| Export volume (y/y %) | -12.8 | -7.1 | -3.0 | -1.2 | -5.0 | 1.8 | 1.9 | -1.8 | 4.4 | |
| Export price (y/y %) | 11.4 | 8.9 | 7.0 | 11.5 | 13.1 | 10.2 | 12.5 | 13.6 | 13.6 | |
| Import volume (y/y %) | 0.3 | -4.5 | 2.5 | -2.2 | -5.0 | 2.4 | -1.9 | -2.1 | 6.3 | |
| Import price (y/y %) | 11.6 | 10.6 | 6.9 | 12.5 | 17.6 | 16.9 | 18.3 | 19.1 | 18.6 | |
| Trade balance (Y100 mil) | -7,813 | -3,669 | -8,848 | -9,981 | -1,817 | -10,295 | -9,679 | -9,343 | -10,907 | |

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

Export volume saw first gain in two months

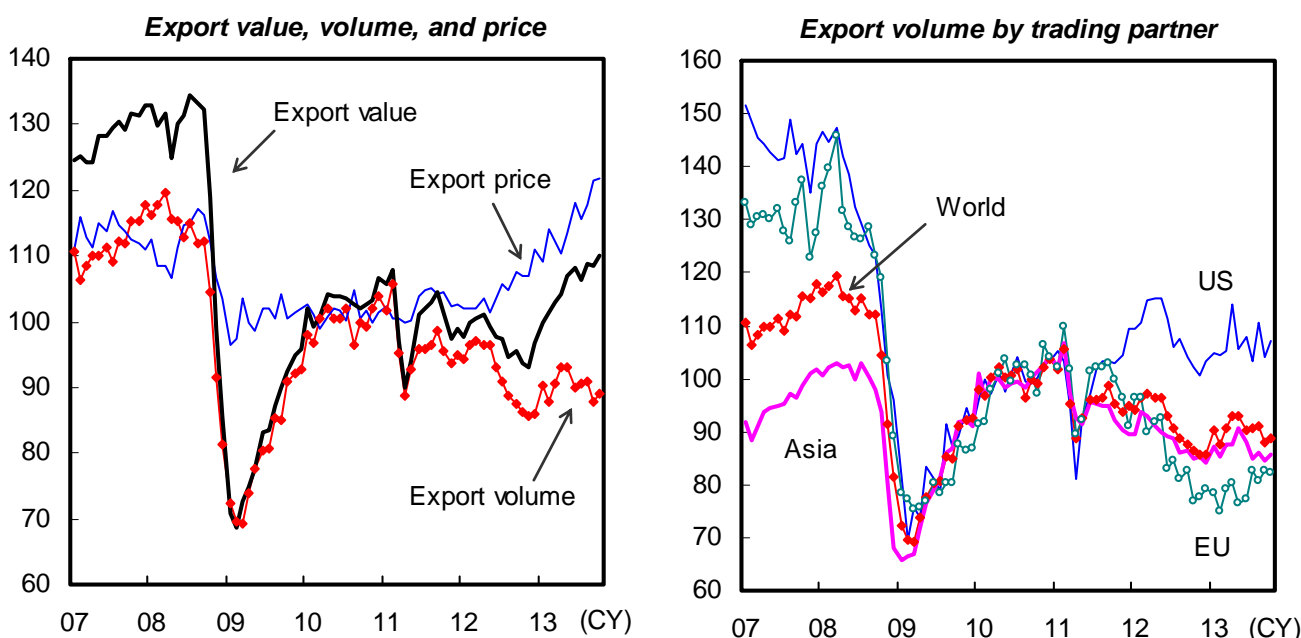
In the October 2013 *Trade Statistics* (Ministry of Finance), export value posted a y/y advance for the eighth month in a row (up 18.6%), overshooting the market consensus (up 16.2%). Breaking down export value, export price remains on a strong uptrend (up 13.6%) and export volume saw the first gain in two months (up 4.4%), pushing up export value. On a seasonally adjusted m/m basis, export value posted the first gain in two months (up 1.5%), while it posted the 11th consecutive gain on a three-month moving average basis, indicating that the underlying uptrend continues.

The Export Volume Index (seasonally adjusted by DIR) posted the first m/m gain in two months (up 1.1%). By trading partner, exports to the EU declined, while those to the US and Asian trading partners increased, pushing up the headline index. Underlying export volume to the EU began to firm up but has lost momentum, perhaps temporarily, as the EU economy bottomed out, but the recovery pace is showing signs of slowing. Exports to the US and Asian trading partners have been on an advance-retreat trend. As a whole, export volume has leveled off.

Import value advanced y/y for the 12th consecutive month (up 26.1%). Import volume saw the first gain in three months (up 6.3%), while import price saw a persistent surge (up 18.6%), meaning the price increase due to the weaker yen continued to push up import value. As a result, the trade balance posted a deficit of Y1,090.7 billion, a negative figure for the 16th consecutive month. Considering the persistently high-volume imports of energy sources, the trade balance is likely to continue posting negative figures. However, the margin of trade deficit is likely to narrow gradually, accompanying higher export volume.

Export Value, Volume, Price and Export Volume by Trading Partner (2010 = 100)

Chart 2



Source: Ministry of Finance; compiled by DIR.

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

Exports by goods; transportation equipment, general machinery, electrical machinery, chemicals drove exports

Export value by major item increased y/y across the board, due in part to price rises driven by the weaker yen. Especially in October, transportation equipment, general machinery, electrical machinery, and chemicals made significant contributions to y/y growth.

Export value of transportation equipment increased y/y for the sixth month in a row (up 24.0%), accelerating the pace of growth from the previous month. Strong growth was maintained in exports of such equipment to the US (up 32.9%) and EU (up 31.1%), although the pace of growth decelerated from the previous month. Meanwhile, those to China surged (up 107.9%) in reaction to the previous year's plunge related to the Chinese boycott of Japanese products, accelerating the pace of growth in overall export value of transportation equipment.

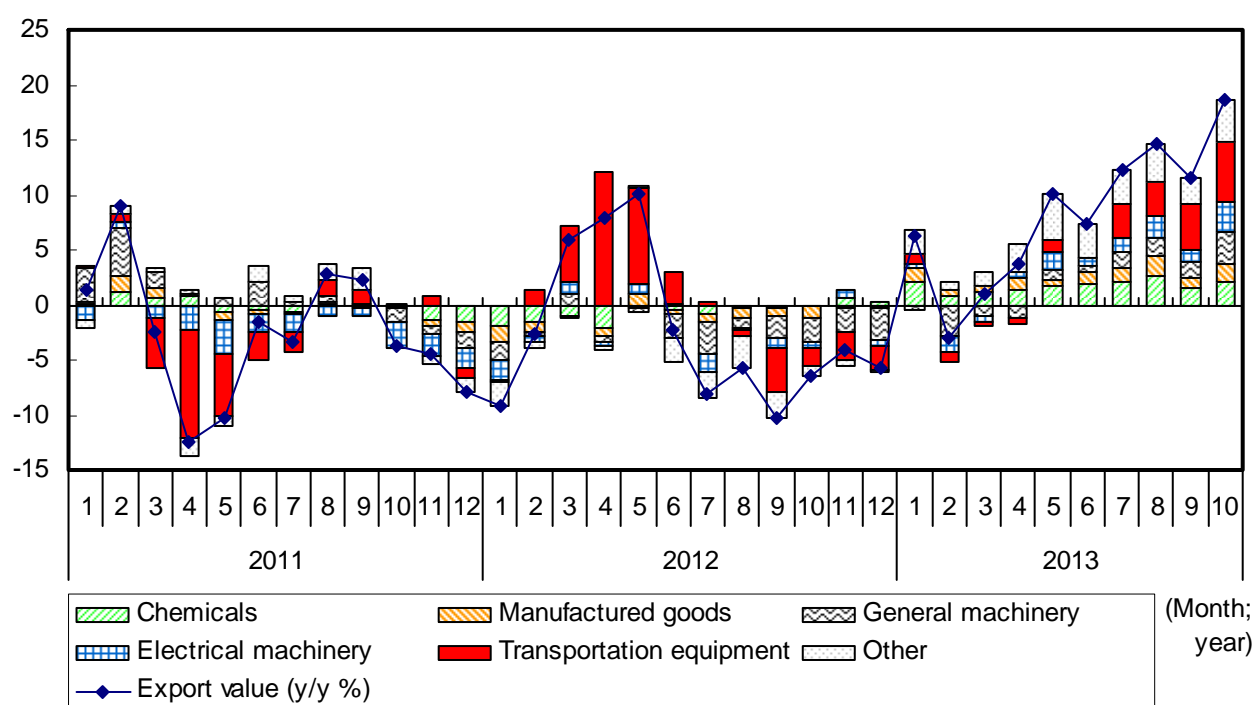
Export value of general machinery increased y/y for the sixth month in a row (up 15.0%). Exports by trading partner increased y/y across the board and accelerated the pace of growth from the previous month as well. Exports of such machinery to the US, EU, and Asian trading partners increased 14.8%, 24.6%, and 13.3%, respectively. Especially, those of power-generating machines to the US and EU increased 19.8% and 34.2%, pushing up overall exports of such machinery. Those of cargo handling machines to ASEAN increased, driving overall exports of such machinery as well.

Export value of electrical machinery increased y/y for the seventh month in a row (up 15.0%). Exports to Asian trading partners of semiconductors increased 7.6%, electrical apparatus gained 8.4%, and electrical measuring instruments advanced 8.5%, pushing up exports of overall electrical machinery.

Export value of chemicals increased y/y for the 12th month in a row (up 19.7%). Exports of organic compounds increased 38.3% and plastics increased 14.3%, centering on Asian NIEs and China, pushing up exports of overall chemicals.

Breakdown of Export Value by Goods (% pt)

Chart 3



Source: Ministry of Finance; compiled by DIR.

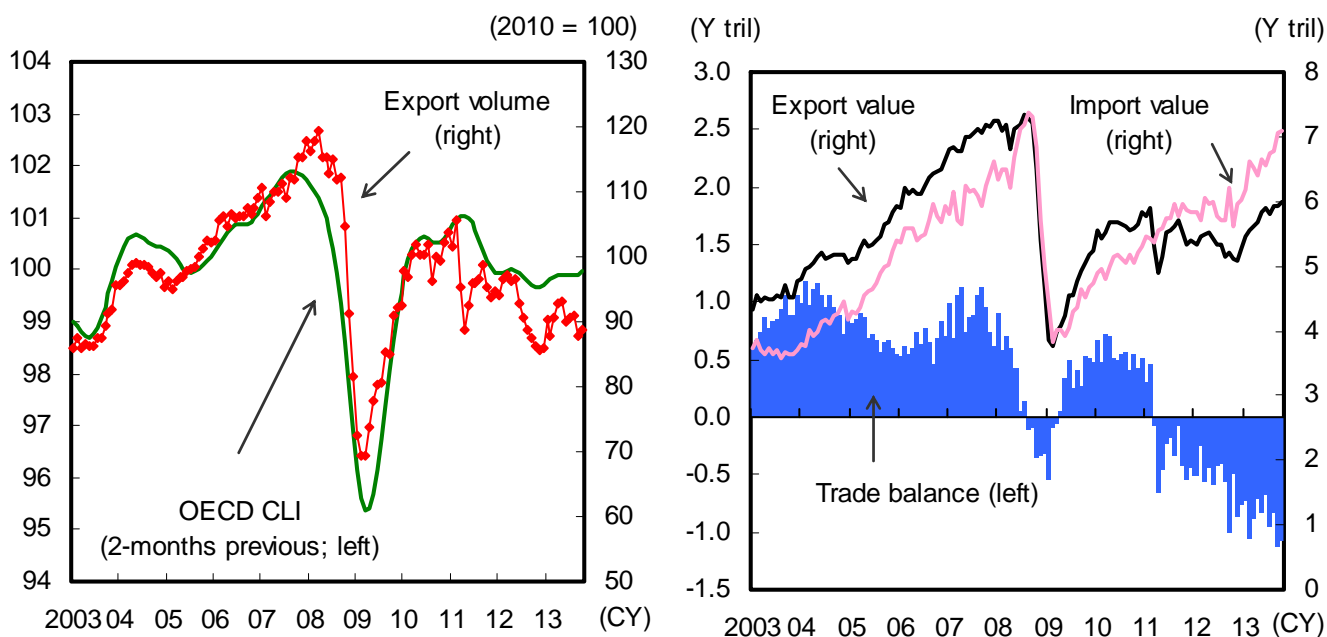
Note: Other=sum of foods, mineral fuels, raw materials, and "other".

Export volume likely to turn around

We anticipate export volume turning around going forward. Supported by a steady uptrend in consumer spending in the US, imports from Japan to the US are expected to increase gradually. The EU economy is expected to continue growing, albeit at a moderate pace, and exports to the EU are also likely to return to an uptrend. As evidenced by currencies of emerging market economies beginning to calm down after a period of substantial fluctuation, Asian emerging economies are likely to stabilize gradually. However, it will take some time for those economies to gain momentum. Thus, exports to Asian trading partners are likely to turn around but at a very moderate pace.

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.