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November Trade Statistics

Exports advanced for second consecutive month, driven by those to Asian trading partners

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Summary

- In the November 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the ninth month in a row (up 18.4%), overshooting the market consensus (up 18.0%). Breaking down export value, export price remains on a strong uptrend (up 11.6%) and export volume saw the second monthly gain in a row (up 6.1%), pushing up export value. On a seasonally adjusted m/m basis, export value posted the first slide in two months (down 0.2%), while posting the 12th 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 second m/m gain in a row (up 1.9%). By trading partner, exports to the EU and US declined, while those to Asian trading partners saw a boost (up 4.1%), pushing up the headline index.
- We anticipate export volume continuing to firm up going forward, centering on exports to the US and Asian trading partners. Imports from Japan to the US are expected to increase gradually, as consumer spending in the US has been on a steady uptrend. The EU economy is expected to continue growing, albeit at a moderate pace, and exports to the EU from Japan are also likely to return to an uptrend. While Asian economies are likely to recover at a moderate pace, Asian emerging economies are likely to have bottomed. Thus, exports to Asian trading partners will likely prop up overall exports from Japan.

Trade Statistics		Chart 1								
	2013									
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Export value (y/y %)	1.1	3.8	10.1	7.4	12.2	14.6	11.5	18.6	18.4	
Market consensus (Bloomberg)									18.0	
DIR estimate									16.9	
Import value (y/y %)	5.6	9.5	10.1	11.8	19.7	16.1	16.6	26.2	21.1	
Export volume (y/y %)	-7.1	-3.0	-1.2	-5.0	1.8	1.9	-1.8	4.4	6.1	
Export price (y/y %)	8.9	7.0	11.5	13.1	10.2	12.5	13.6	13.6	11.6	
Import volume (y/y %)	-4.5	2.5	-2.2	-5.0	2.4	-1.9	-2.1	6.4	5.0	
Import price (y/y %)	10.6	6.9	12.5	17.6	16.9	18.3	19.1	18.6	15.4	
Trade balance (Y100 mil)	-3,669	-8,848	-9,981	-1,817	-10,295	-9,679	-9,378	-10,927	-12,929	

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

Export volume advanced for second consecutive month

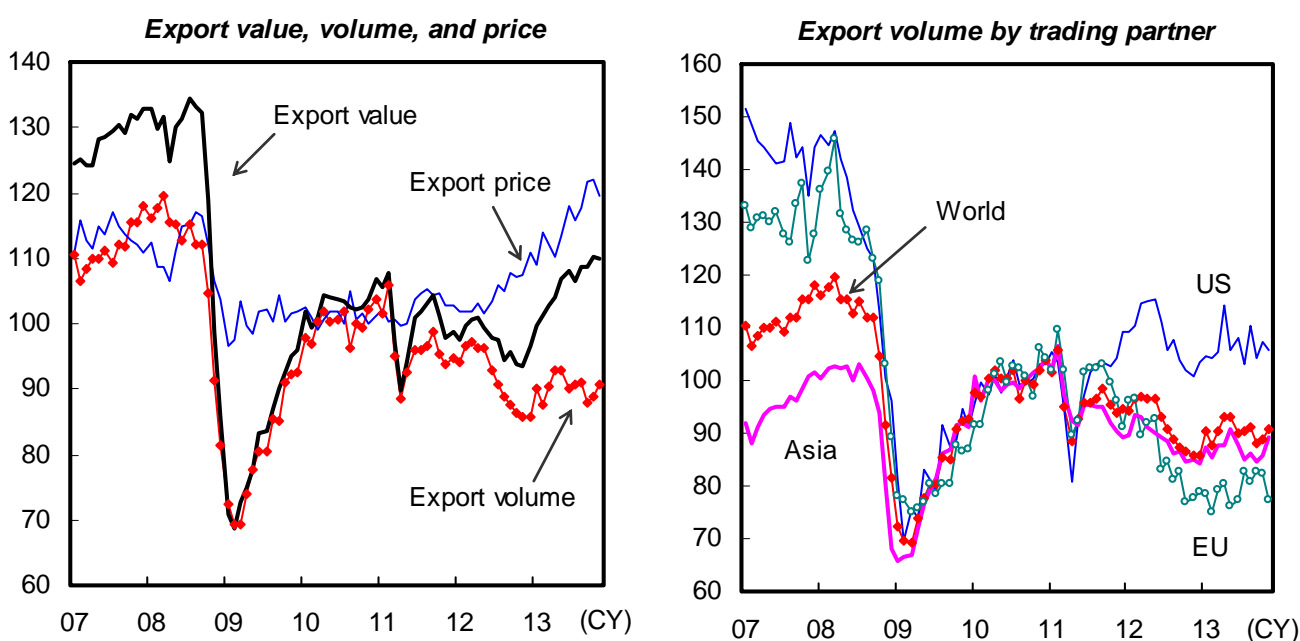
In the November 2013 Trade Statistics (Ministry of Finance), export value posted a y/y advance for the ninth month in a row (up 18.4%), overshooting the market consensus (up 18.0%). Breaking down export value, export price remains on a strong uptrend (up 11.6%; converted to yen from contracted currencies; this basis hereafter) and export volume saw the second monthly gain in a row (up 6.1%), pushing up export value. On a seasonally adjusted m/m basis, export value posted the first slide in two months (down 0.2%), while it posted the 12th 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 second m/m gain in a row (up 1.9%). By trading partner, exports to the EU and US declined, while those to Asian trading partners saw a boost (up 4.1%), pushing up the headline index. Underlying export volume to the EU was on an uptrend but has lost momentum, perhaps temporarily, as the EU economy bottomed out, but the recovery is showing signs of slowing. In the US, the growing pace of imports has been limited compared to the steadiness in the economy there, which corresponds to a leveling off of exports from Japan to the US. In contrast, exports to Asian trading partners began showing signs of firming up, driving overall export volume.

Import value surpassed the year-ago level for the 13th consecutive month (up 21.1% y/y). Import volume saw the second consecutive monthly gain (up 5.0%), while import price surged (up 15.4%; converted to yen from contracted currencies, this basis hereafter), 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 ¥1,292.9 billion, a negative figure for the 17th 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/electrical machinery, chemicals drove exports

Export value by major item increased y/y across the board, due in part to price rises (when converted to yen from contract currencies) driven by the weaker yen. Especially in November, 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 seventh month in a row (up 25.6%), accelerating the pace of growth from the previous month. Strong growth was maintained in exports of such equipment to the US (up 30.5%) and EU (up 20.8%), although the pace of growth decelerated from the previous month. Meanwhile, those to China surged (up 150.1%) 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.

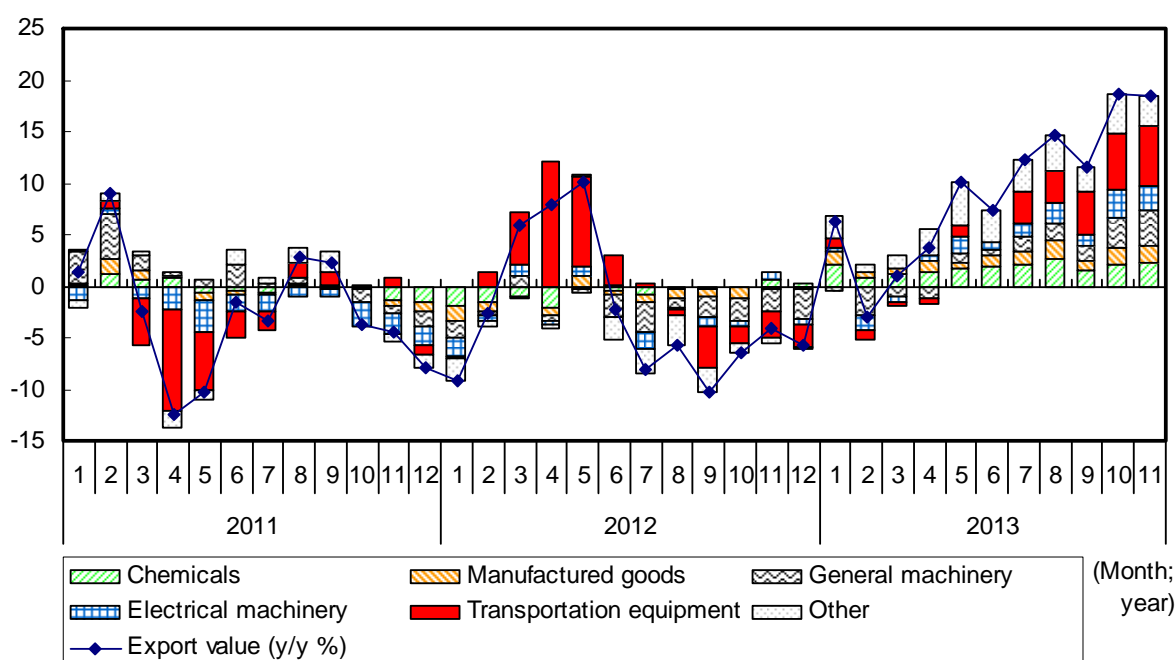
Export value of general machinery increased y/y for the seventh month in a row (up 18.4%). Exports by trading partner increased y/y across the board—those to the US, EU, and Asian trading partners increased 17.3%, 22.7%, and 20.9%, respectively. The pace of growth accelerated from the previous month for those to the US and Asian trading partners. Especially, those of power-generating machines to the US and Asian trading partners increased 16.1% and 25.9%, pushing up overall exports of such machinery.

Export value of electrical machinery increased y/y for the eighth month in a row (up 12.0%). Exports of electrical measuring instruments advanced 21.5% and semiconductors increased 10.7%, pushing up exports of overall electrical machinery.

Export value of chemicals increased y/y for the 13th month in a row (up 21.4%). Exports of organic compounds increased 33.1% and plastics increased 18.2%, centering on Asian trading partners, pushing up exports of overall chemicals.

Breakdown of Export Value by Goods (% pt)

Chart 3



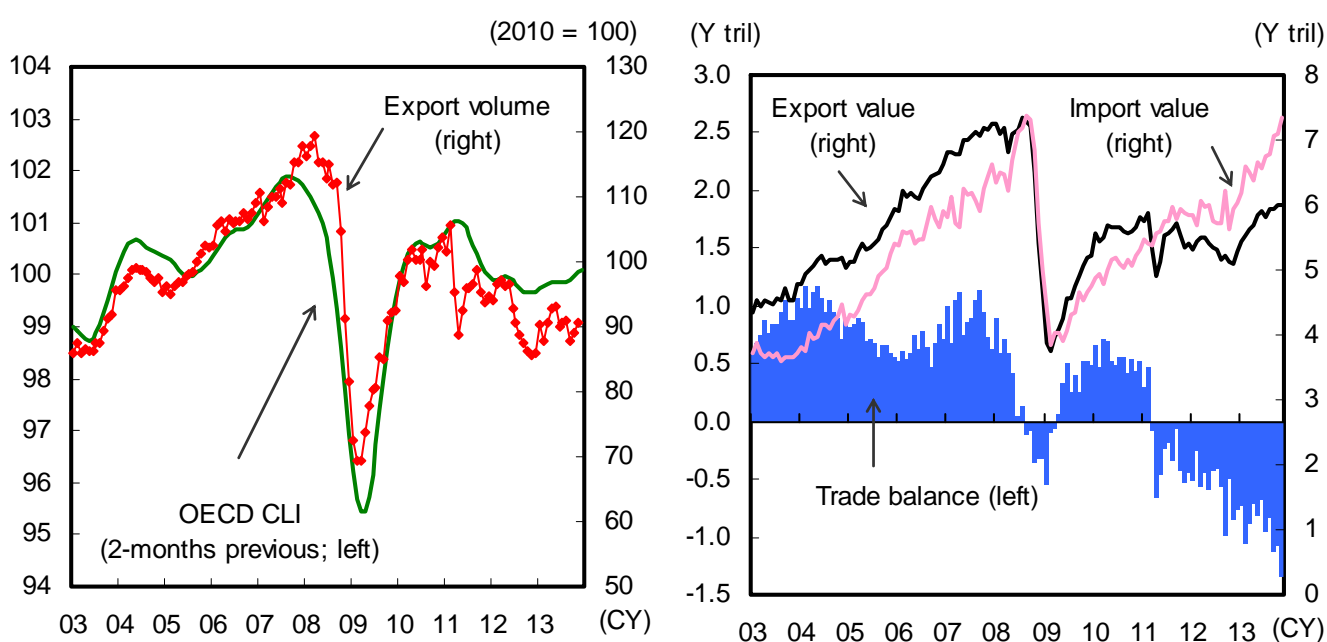
Source: Ministry of Finance; compiled by DIR.

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

Export volume likely to continue firming up

We anticipate export volume to continue firming up going forward, centering on exports to the US and Asian trading partners. Imports from Japan to the US are expected to increase gradually, as consumer spending in the US has been on a steady uptrend. The EU economy is expected to continue growing, albeit at a moderate pace, and exports to the EU from Japan are also likely to return to an uptrend. Asian emerging economies are likely to have bottomed, as evidenced by currencies of emerging market economies calming down after a period of substantial fluctuation. Asian economies are likely to recover, but at a moderate pace, factoring in a slowdown in the Chinese economy, as well as slower economic growth in the EU, a major destination of exports from Asia. Even so, exports to Asian trading partners will likely prop up exports from Japan.

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.