

21 April 2014 (No. of pages: 3)

Japanese report: 21 Apr 2014

# March Trade Statistics

## Export volume continues to Fluctuate

Economic Analysis Office  
**Tsutomu Saito**

### Summary

- According to March 2014 trade statistics, export volume recorded its 13th consecutive monthly gain in monetary terms at +1.8% y/y, but fell below market consensus (+6.5%). Results showed exports maintaining a low tone. Export price was up 4.4% y/y, continuing growth, but export volume declined for the first time in 2 months recording -2.5% y/y, becoming a factor in pushing down exports overall. In seasonally adjusted terms export amount fell for the first time in 2 months, registering -2.7% in month-to-month terms.
- Export volume index on a seasonally adjusted basis (DIR) declined for the first time in 2 months registering -2.0% m/m. By region, exports to the EU fell -2.9% while exports to Asia were down -4.9% m/m helping to push the overall figures down. In contrast, US figures were up by +2.4% m/m, registering growth for the first time in 2 months.
- In the future, the strengthening trend in exports should gradually become apparent. During the last month production lines at factories in Japan were focusing on domestic shipments in preparation for last minute demand associated with the impending increase in the consumption tax. For this reason, domestic shipments have experienced a reaction decline since April, but gradually the percentage of shipments of export goods should recover.
- The March import amount made y/y gains for the 17th consecutive month at +18.1% y/y. Meanwhile, the import price grew by 5.8% in y/y terms in a continuation of the recent trend, though slowing somewhat. The major increase in import amount in March is due mainly to the increase in import volume, growing a whopping +11.6% in year-to-year terms. As a result, Japan continued to register a trade deficit for the 21<sup>st</sup> month in a row at 1,446 billion yen. The trade deficit for FY2013 was at a historic high of 13.75 trillion yen.

### Trade Statistics

Chart 1

	2013						2014		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Export value (y/y %)	12.2	14.6	11.4	18.6	18.4	15.3	9.5	9.8	1.8
Market consensus (Bloomberg)									6.5
DIR estimate									6.5
Import value (y/y %)	19.7	16.2	16.7	26.3	21.2	24.8	25.1	9.0	18.1
Export volume (y/y %)	1.8	1.9	-1.8	4.4	6.2	2.5	-0.2	5.4	-2.5
Export price (y/y %)	10.2	12.5	13.5	13.6	11.5	12.4	9.7	4.2	4.4
Import volume (y/y %)	2.4	-1.9	-2.1	6.4	3.4	4.7	8.0	-0.5	11.6
Import price (y/y %)	16.9	18.4	19.2	18.7	17.2	19.1	15.9	9.6	5.8
Trade balance (Y100 mil)	-10,325	-9,714	-9,432	-11,004	-13,011	-13,072	-27,950	-8,025	-14,463

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

## Export volume continues to fluctuate

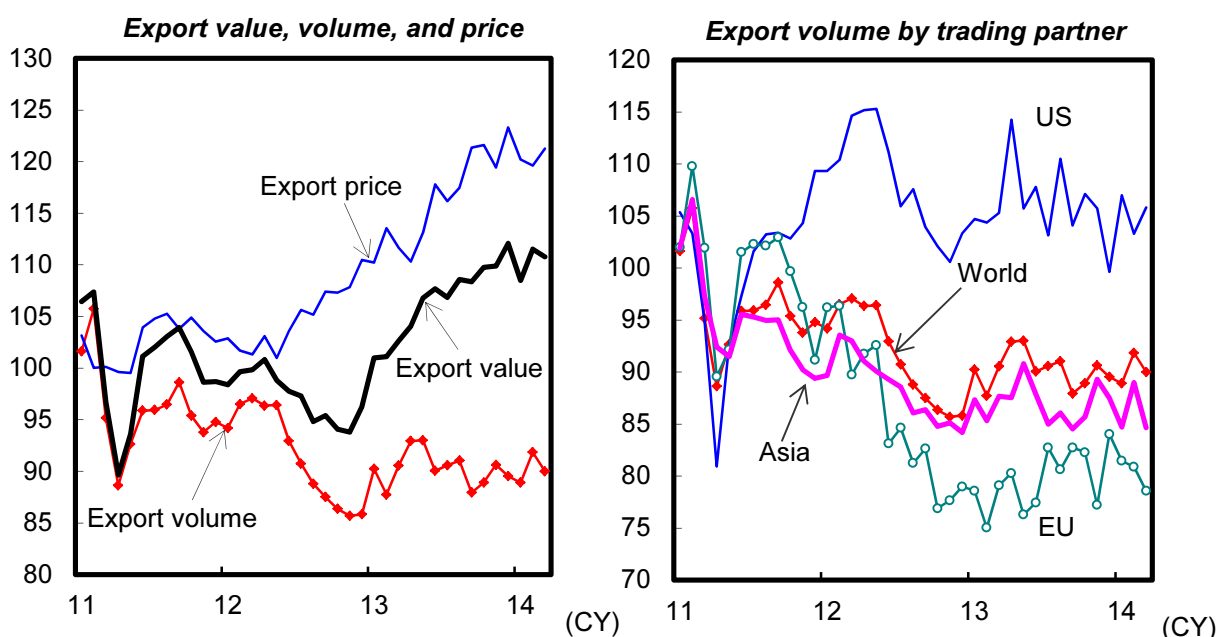
According to March 2014 trade statistics, export volume recorded its 13th consecutive monthly gain in monetary terms at +1.8% y/y, but fell below market consensus (+6.5%). Results showed exports maintaining a low tone. Export price was up 4.4% y/y, continuing growth, but export volume declined for the first time in 2 months recording -2.5% y/y, becoming a factor in pushing down exports overall. In seasonally adjusted terms export amount fell for the first time in 2 months, registering -2.7% in month-to-month terms.

Export volume index on a seasonally adjusted basis (DIR) declined for the first time in 2 months registering -2.0% m/m. By region, exports to the EU fell -2.9% while exports to Asia were down -4.9% m/m helping to push the overall figures down. In contrast, US figures were up by +2.4% m/m, registering growth for the first time in 2 months.

Exports of electronic parts such as semiconductors and organic chemicals to Asia hit a downtrend. The weakening trend was especially noticeable in the case of China and the Asian NIEs. China's slowing economy may have something to do with this, so it will be necessary to keep an eye on developments there as we move forward. As for exports to the EU, month to month declines continue in general machinery and electrical machinery, contributing to the overall downturn. Meanwhile, automobile exports to the US appear to have recovered after the decline seen last month, becoming a factor encouraging growth in export volume there.

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.

## Import volume registers major increase. FY13 saw record trade deficit on an annual basis

The March import amount made y/y gains for the 17th consecutive month at +18.1% y/y. Meanwhile, the import price grew by 5.8% in y/y terms in a continuation of the recent trend, though slowing somewhat. The major increase in import amount in March is due mainly to the increase in import volume, growing a whopping +11.6% in year-to-year terms. Imports of electrical machinery and other

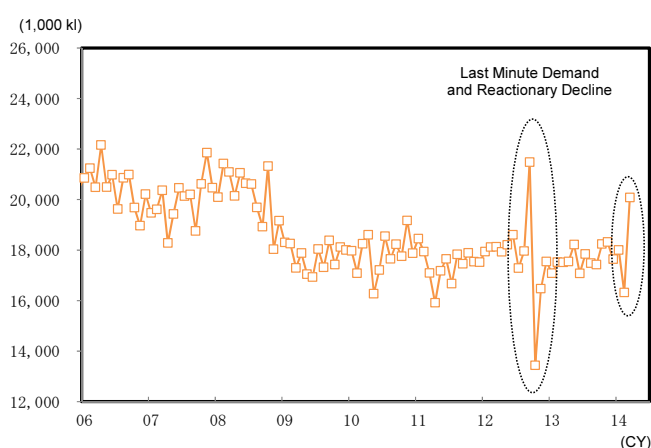
equipment experienced growth due to last minute demand prior to the increase in the consumption tax and the halting of Windows XP support. In addition, import volume of crude oil and petroleum products experienced major growth as well (see Chart 3). This is much like the last minute demand seen in September 2012 when the tax rate on petroleum and coal was raised. As a result of the above factors, Japan registered a trade deficit for the 21<sup>st</sup> month in a row at 1,446 billion yen. The trade deficit hit a historic high in FY2013 at 13.75 trillion yen.

## Shipments of export goods likely to increase gradually once reaction to last minute demand runs its course

In the future, the strengthening trend in exports should gradually become more apparent. During the last month production lines at factories in Japan were focusing on domestic shipments in preparation for last minute demand associated with the impending increase in the consumption tax. Chart 4 shows the percentage of domestic production accounted for by exports for Japan's 8 major automobile manufacturers. Here, we can see clearly that there were declines in the months of January and February of 2014. However, since domestic shipments experienced a reaction decline since April, the percentage of shipments of export goods should gradually recover.

Economic expansion continues in the US backed by robust personal consumption. If the recovery in the corporate sector, centering mostly on capex, gains momentum, imports of Japanese goods are expected to gradually increase. As for the EU, gradual economic recovery continues, and is expected to do so further in the future. Therefore possibilities are good that exports to those countries will recover and enter a growth trend. Meanwhile, the Asian NIEs and ASEAN countries are expected to improve at a quickening pace, encouraged by the US economic recovery. While downward pressure from China's slowing economy remains, exports to Asia should also gradually strengthen their growth trend.

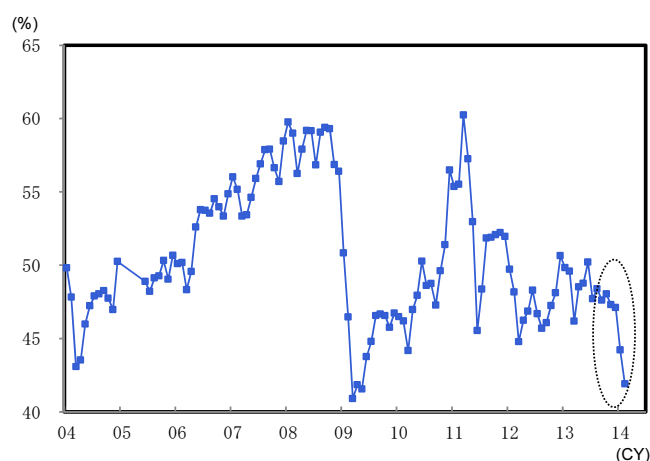
**Import Volume of Oil and Petroleum Products**  
Chart 3



Source: Ministry of Finance, compiled by DIR.

Note: Seasonal adjustment by DIR.

**Percentage of Domestic Production of 8 Major Automobile Manufacturers Accounted for by Exports**  
Chart 4



Source: Auto manufacturers, compiled by DIR.

## Trade deficit expected to shrink gradually

Japan is expected to continue running a trade deficit in the future. However, exports are expected to begin picking up when imports take a breathing spell after their peak due to last minute demand and then continue to decline. Hence we expect the trade deficit to gradually shrink after the middle of 2014.