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September Trade Statistics

Export volume marks time; weak yen bolsters export value growth trend

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Summary

- According to September 2014 trade statistics, export value grew for the first time in two months at +6.9% y/y, and exceeded market consensus (+6.5% y/y). This was due to export volume having grown for the first time in two months by +2.8% y/y, along with a progressively weaker yen which increased the extent of growth in export price to +4.0% y/y. Growth in export price was the main factor in pushing up the seasonally adjusted figure for export value to +3.1% m/m. Export value is strengthening its growth trend.
- The export volume index in seasonally adjusted terms (DIR) also grew for the first time in two months at +1.1% m/m. Export volume continues to mark time. In export volume by region, declines were seen in US (-1.1% m/m) and EU exports (-6.3%), while figures were propped up considerably by export volume to Asia at +4.2% m/m.
- Export volume is expected to gradually move toward a growth trend in the future. However, as of this point, there are increasing signs that overseas economies may be facing a slowdown, so attention should be paid to increasing risk of a delay in recovery. Japan is expected to continue running up a trade deficit with expanding domestic demand and continued growth seen for both import volume and value, plus the progressive weakening of the yen has continued past August.

Trade Statistics

Chart 1

	2014								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Export value (y/y %)	9.5	9.8	1.8	5.1	-2.7	-1.9	3.9	-1.3	6.9
Market consensus (Bloomberg)									6.5
DIR estimate									6.0
Import value (y/y %)	25.1	9.0	18.2	3.4	-3.5	8.5	2.4	-1.4	6.2
Export volume (y/y %)	-0.2	5.4	-2.5	2.0	-3.4	-1.7	1.0	-2.9	2.8
Export price (y/y %)	9.7	4.2	4.4	7.0	0.7	-0.3	2.9	1.6	4.0
Import volume (y/y %)	8.0	-0.5	11.6	-1.3	-4.0	7.2	-0.3	-4.6	3.0
Import price (y/y %)	15.9	9.6	5.9	6.9	0.5	1.2	2.7	3.3	3.1
Trade balance (Y100 mil)	-27,950	-8,047	-14,507	-8,149	-9,108	-8,285	-9,649	-9,497	-9,583

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

Export Value Grows in Y/Y Terms for First Time in Two Months

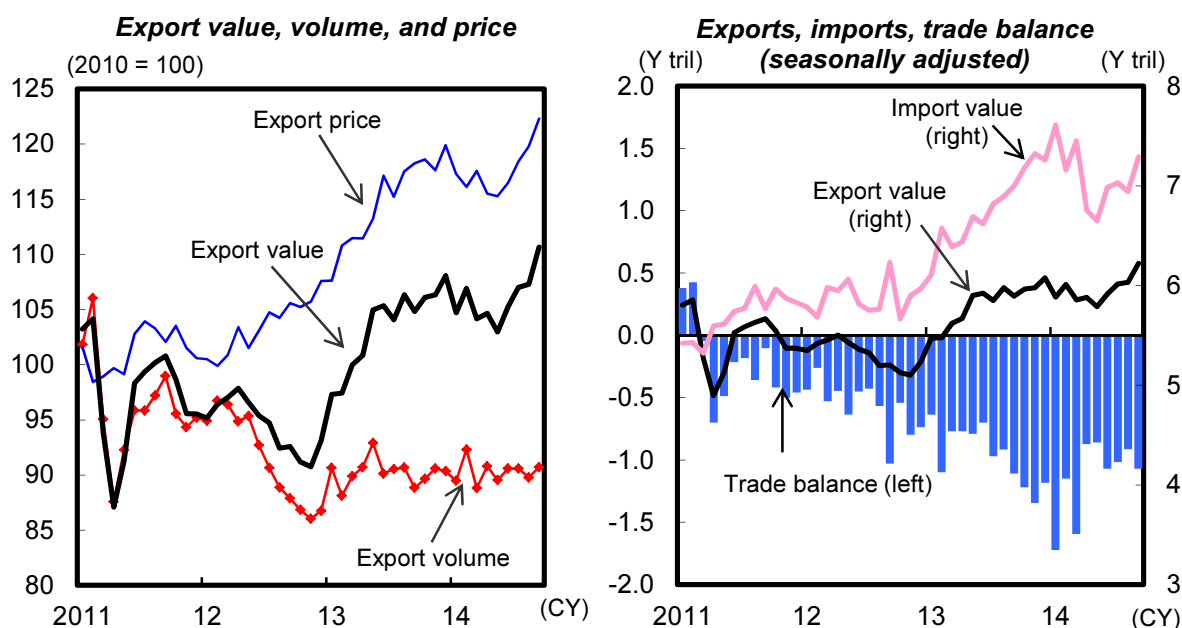
According to September 2014 trade statistics, export value grew for the first time in two months at +6.9% y/y, and exceeded market consensus (+6.5% y/y). This was due to export volume having grown for the first time in two months by +2.8% y/y, along with a progressively weaker yen which increased the extent of growth in export price to +4.0% y/y. Growth in export price was the main factor in pushing up the seasonally adjusted figure for export value to +3.1% m/m. Export value is strengthening its growth trend.

September import value achieved growth for the first time in two months at +6.2% y/y. With upward pressure from the weak yen, as well as the fallout from declines in the international commodities markets, the import price saw its growth rate shrink in m/m terms at +3.1% y/y. On the other hand, import volume grew for the first time in three months at +3.0%, thereby pushing up the figure for import value. Looking at import value in seasonally adjusted terms, major growth was experienced at +5.0% m/m. As a result, the trade balance was in the red for the 27th consecutive month at -958.3 bil yen, the first time in three months that the trade deficit has expanded in comparison with the previous year. On a seasonally adjusted basis the trade deficit hit -1.07 tril yen, an expansion in m/m terms.

Based on September results, provisional Jul-Sep period GDP figures have been estimated, along with contribution of imports and exports. According to the outlook, the extent of contribution from overseas demand on a q/q basis is expected to be 0%pt.

Export Value, Volume, Price and Trade Balance

Chart 2



Source: Ministry of Finance; compiled by DIR.

Note: Export volume and export price seasonally adjusted by DIR.

Export Volume Grows First Time in Two Months, but Remains Stagnant Overall

The export volume index in seasonally adjusted terms (DIR) also grew for the first time in two months at +1.1% m/m. Export volume continues to mark time. In export volume by region, declines were seen in US (-1.1% m/m) and EU exports (-6.3%), while figures were propped up considerably by export volume to Asia at +4.2% m/m.

Exports of electronic components such as semiconductors to Asia were favorable as well as exports of steel. Meanwhile, exports of automobiles to the NIEs and ASEAN also contributed to growth, along

with exports of automobile parts to China. On the other hand, major declines in exports to the EU created a drag on overall figures, with declines seen in major export products such as general machinery as well as automobiles.

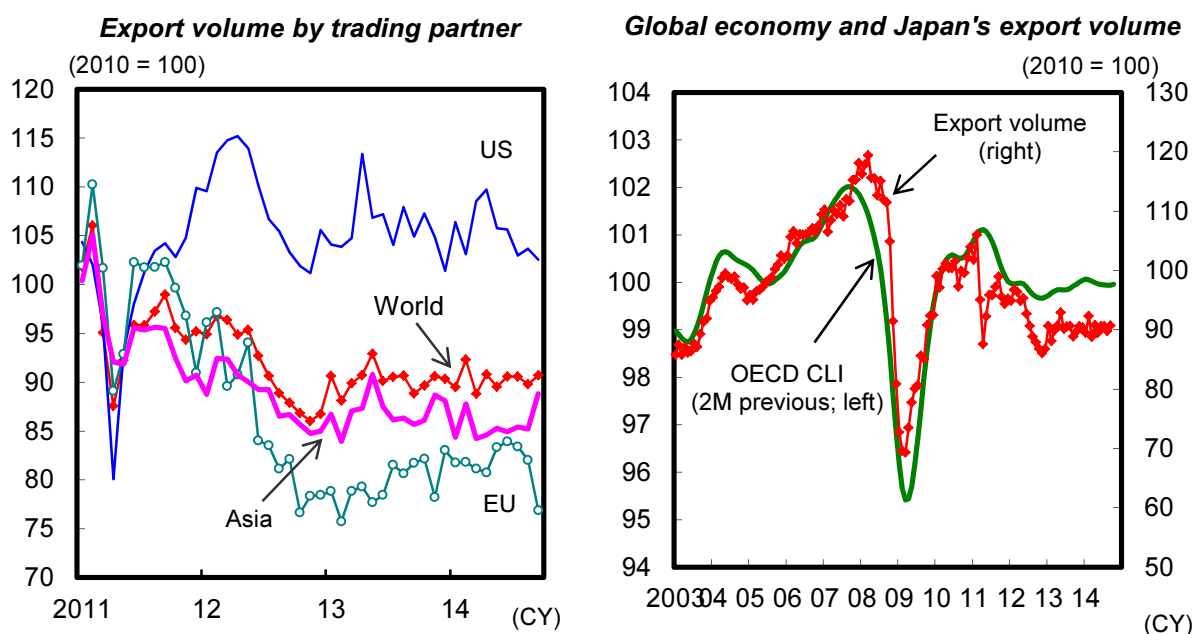
Overseas Economic Slowdown Increases Risk of Delay in Export Recovery

Export volume is expected to gradually move toward a growth trend in the future. However, as of this point, there are increasing signs that overseas economies may be facing a slowdown, so attention should be paid to increasing risk of a delay in recovery. Looking at economic trends by export trade partner, we see continued economic expansion in the US due to robust personal consumption. Automobiles, Japan's major export product to the US, are expected to experience sluggish growth due to the increase in local production carried out by Japanese auto makers, but with the recovery in the corporate sector, growth in exports is expected in the future, centering on capital goods. Meanwhile, signs of a slowdown are seen in the EU, as well as the emerging economies in Asia centering on China. Possibilities are high that export growth to these areas may be sluggish for some time. However, emerging economies in Asia with strong dependence on the US economy are likely to see a gradual increase in vitality led by US economic expansion. Meanwhile, the economy is expected to get back on track by early next year in the EU due to the monetary easing policy of the European Central Bank, though further adjustment is expected for the remainder of this year. These developments are not expected to break the back of exports overall by any means.

Japan is expected to continue running up a trade deficit with expanding domestic demand and continued growth seen for both import volume and value, plus the progressive weakening of the yen has continued past August. However, in the midterm, the trade deficit is expected to gradually shrink as a result of improved export volume supported by recovery in overseas economies.

Export Volume by Trade Partner; Global Economy and Japan's Export Volume

Chart 3



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.