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October Trade Statistics

Export volume shows signs of comeback; care should be taken regarding slowdown in overseas economies

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Summary

- According to October 2014 trade statistics, export value grew for the second consecutive month at +9.6% y/y, considerably exceeding market consensus at +4.5% y/y. This was due to export volume having grown for the second consecutive month at +4.7% y/y, along with a progressively weaker yen which increased the extent of growth in export price to +4.6% y/y (it was +4.0% last month). As a result the seasonally adjusted figure for export value grew by +1.9% m/m, its fifth consecutive month of growth, thereby strengthening the growth trend.
- The export volume index in seasonally adjusted terms (DIR) also grew for the second consecutive month at +2.3% m/m. Export volume had been marking time up till now, but is beginning to show signs of a comeback due to the steady undertone of overseas economies and the gradual decline of the export price index on a contract currency basis (local prices in Japanese export destination countries).
- Export volume is expected to gradually move toward a growth trend in the future, as overseas economies recover. However, as of this point, there are increasing signs that overseas economies are facing a slowdown, so attention should be paid to increasing risk of a delay in recovery. Japan is expected to continue running a trade deficit with a comeback in import volume associated with expanding domestic demand and increasing import value. 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.

Trade Statistics

Chart 1

	2014									
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Export value (y/y %)	9.8	1.8	5.1	-2.7	-1.9	3.9	-1.3	6.9	9.6	
Market consensus (Bloomberg)									4.5	
DIR estimate									4.4	
Import value (y/y %)	9.0	18.2	3.4	-3.5	8.5	2.4	-1.4	6.2	2.7	
Export volume (y/y %)	5.4	-2.5	2.0	-3.4	-1.6	1.0	-2.9	2.8	4.7	
Export price (y/y %)	4.2	4.4	3.0	0.7	-0.3	2.9	1.6	4.0	4.6	
Import volume (y/y %)	-0.5	11.6	-1.3	-4.0	7.2	-0.3	-4.5	2.9	-2.1	
Import price (y/y %)	9.6	5.9	4.8	0.5	1.2	2.7	3.3	3.2	4.9	
Trade balance (Y100 mil)	-8,047	-14,507	-8,149	-9,108	-8,285	-9,649	-9,527	-9,606	-7,100	

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

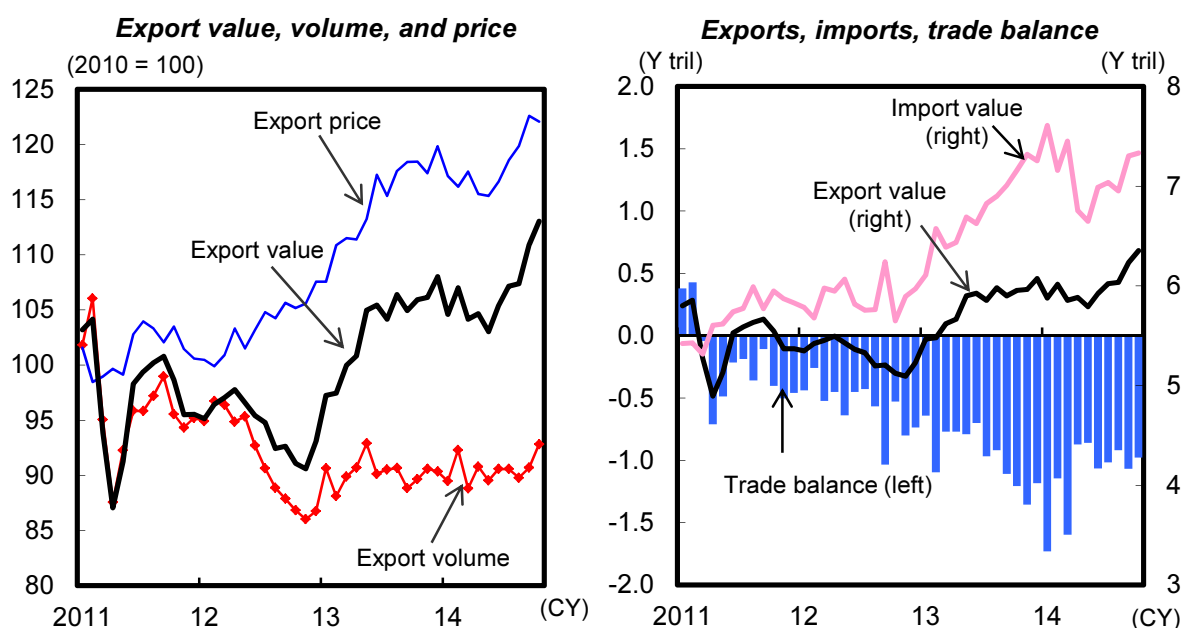
Export Value Grows for second consecutive month in Y/Y Terms

According to October 2014 trade statistics, export value grew for the second consecutive month at +9.6% y/y, considerably exceeding market consensus at +4.5% y/y. This was due to export volume having grown for the second consecutive month at +4.7% y/y, along with a progressively weaker yen which increased the extent of growth in export price to +4.6% y/y (it was +4.0% last month). As a result the seasonally adjusted figure for export value grew by +1.9% m/m, its fifth consecutive month of growth, thereby strengthening the growth trend.

October import value grew for the second month in a row at +2.7% y/y, though growth was more limited than the previous month. The import price grew +4.9% y/y, considerably more than the previous month's +3.2%. Though the decline in the international commodities market was a factor working toward a decline in prices, the increasingly weak yen became the more powerful factor, bringing strong upward pressure on import prices. Import volume declined for the first time in two months at -2.1% y/y, becoming a limiting factor in the rise in import value. Meanwhile, import value in seasonally adjusted terms was up by +0.4% m/m, maintaining pretty much the same level as the previous month. As a result, Japan ran a trade deficit for the twenty-eighth month straight at -710 bil yen. This was the first time in two months the deficit shrank in y/y terms. In seasonally adjusted terms the trade deficit was -977.5 bil yen, down from the previous month.

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 for second consecutive month bringing signs of a comeback

The export volume index in seasonally adjusted terms (DIR) also grew for the second consecutive month at +2.3% m/m. Export volume had been marking time up till now, but is beginning to show signs of a comeback due to the steady undertone of overseas economies and the gradual decline of the export price index on a contract currency basis (local prices in Japanese export destination countries). In export volume by region, all areas were up, including the US (+0.8% m/m), EU (+8.7%), and Asia (+0.5%). The especially notable figures for the EU are likely a reaction to the especially large decline of the previous month, and hence can be taken with a grain of salt.

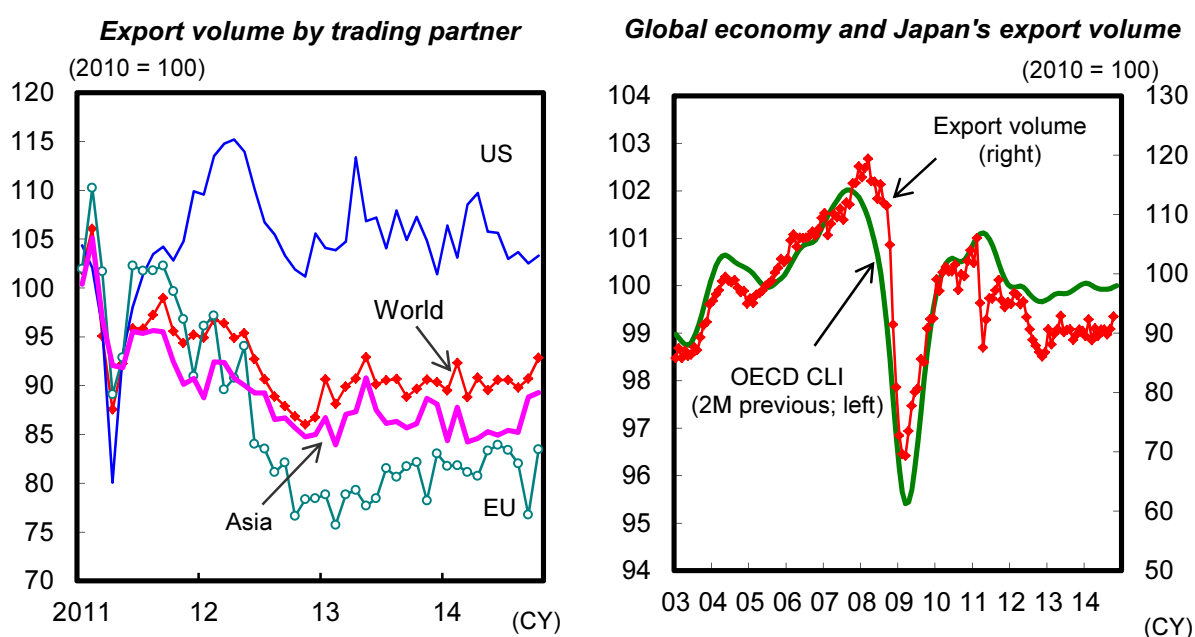
Exports seen moving toward growth trend, but care should be taken regarding overseas economic slowdown

Export volume is expected to gradually move toward a growth trend in the future, as overseas economies recover. However, as of this point, there are increasing signs that overseas economies are 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 experiencing sluggish growth due to the increase in local production carried out by Japanese auto makers, but as the corporate sector recovers, growth in exports is likely in the future, centering on capital goods. Meanwhile, a slowdown in growth is seen in the EU, as well as the emerging economies in Asia centering on China. 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 EU economy is expected to continue its adjustment for the rest of the year, but due to the expected continuation of the monetary easing policy of the European Central Bank, the economy should begin moving toward a comeback by the beginning of next year.

Japan is expected to continue running a trade deficit with a comeback in import volume associated with expanding domestic demand and increasing import value. 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. Meanwhile, the combination of an increasingly weak yen plus falling oil prices should keep the rise in import prices under control. Fluctuating prices could in turn contribute somewhat to reducing the trade deficit

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.