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November Trade Statistics

Weak yen pushes up value of both imports and exports

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Summary

- According to November 2014 trade statistics, export value grew for the third consecutive month at +4.9% y/y, falling below market consensus at +7.0% y/y. This was due to the progressively weak yen, which caused export price to grow by +6.7% y/y, while extent of growth last month also expanded by +4.6% y/y. On the other hand, export volume fell by -1.7% y/y, the first time it has suffered a y/y decline in three months. As a result, the growth rate in export value since last month shrank. The seasonally adjusted figure for export value grew by +0.3% m/m, its sixth consecutive month of growth. The growth trend continued as prices rose due to the progressively cheaper yen, which bolstered export value.

- November import value declined for the first time in three months at -1.7% y/y. 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 the import price to +5.7% y/y, a wider range of growth than the previous month (+4.8%). On the other hand, import volume suffered a decline for the second consecutive month at -6.9%, becoming a factor in pushing down import value. As a result, the trade balance recorded a deficit for the twenty-ninth consecutive month at -891.9 bil yen. However, this actually represented a y/y shrinkage of the deficit for the second consecutive month.

- The export volume index in seasonally adjusted terms (DIR) fell for the first time in three months at -1.4% m/m. However, the extent of growth in November was greater than the extent of decline in October, leading the three-month moving average to grow for the fourth consecutive month. We can therefore deduce that export volume is very gradually making a comeback.

Trade Statistics **Chart 1**

	2014 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Export value (y/y %)	1.8	5.1	-2.7	-1.9	3.9	-1.3	6.9	9.6	4.9
Market consensus (Bloomberg)									7.0
DIR estimate									7.0
Import value (y/y %)	18.2	3.4	-3.5	8.5	2.4	-1.4	6.3	3.1	-1.7
Export volume (y/y %)	-2.5	2.0	-3.4	-1.6	1.0	-2.9	2.8	4.8	-1.7
Export price (y/y %)	4.4	3.0	0.7	-0.3	2.9	1.6	4.0	4.6	6.7
Import volume (y/y %)	11.6	-1.3	-4.0	7.2	-0.3	-4.5	3.0	-1.7	-6.9
Import price (y/y %)	5.9	4.8	0.5	1.2	2.7	3.3	3.2	4.8	5.7
Trade balance (Y100 mil)	-14,507	-8,149	-9,108	-8,285	-9,649	-9,527	-9,641	-7,369	-8,919

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

Export value wins y/y growth for third consecutive month do to rise in prices

According to November 2014 trade statistics, export value grew for the third consecutive month at +4.9% y/y, falling below market consensus at +7.0% y/y. This was due to the progressively weak yen, which caused export price to grow by +6.7% y/y, while extent of growth last month also expanded by +4.6% y/y. On the other hand, export volume fell by -1.7% y/y, the first time it has suffered a y/y decline in three months. As a result, the growth rate in export value since last month shrank. The seasonally adjusted figure for export value grew by +0.3% m/m, its sixth consecutive month of growth. The growth trend continued as prices rose due to the progressively cheaper yen, which bolstered export value.

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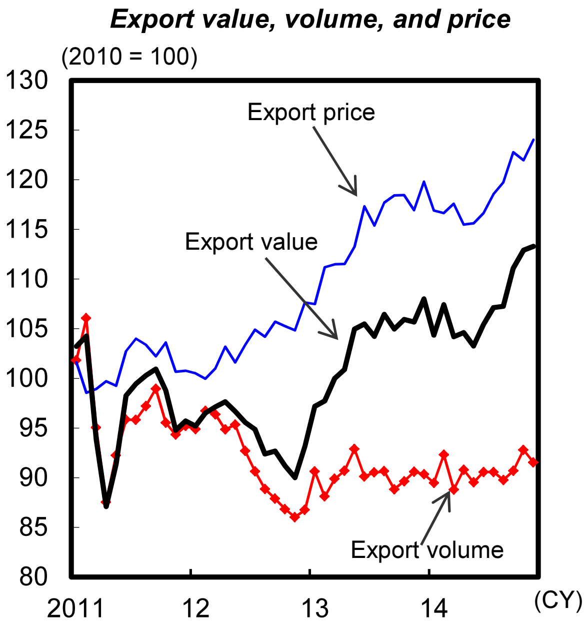
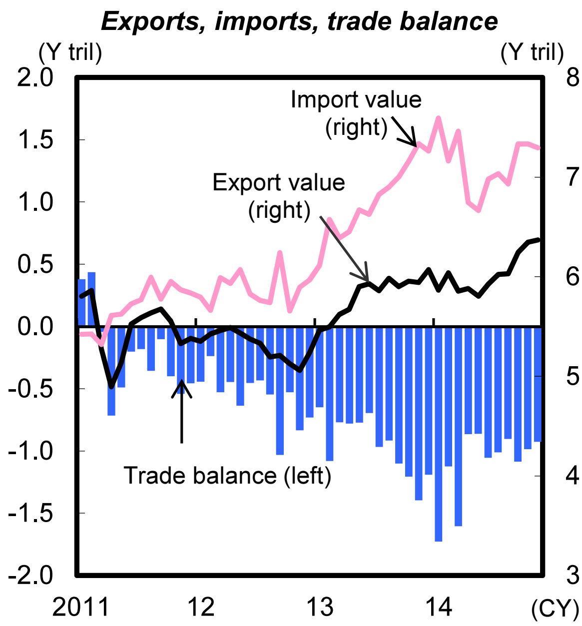
Export Value, Volume, Price and Trade Balance **Chart 2**





Source: Ministry of Finance; compiled by DIR.
Note: Export volume and export price seasonally adjusted by DIR.

Export volume declines for first time in three months due to slow EU business

The export volume index in seasonally adjusted terms (DIR) fell for the first time in three months at -1.4% m/m. However, the extent of growth in November was greater than the extent of decline in October, leading the three-month moving average to grow for the fourth consecutive month. We can therefore deduce that export volume is very gradually making a comeback. Looking at regional trends, exports to the US grew by +4.1% m/m while Asia remained flat (0.0% m/m). The overall figure for export volume was pushed down by the decline in exports to the EU, down -7.8% m/m.

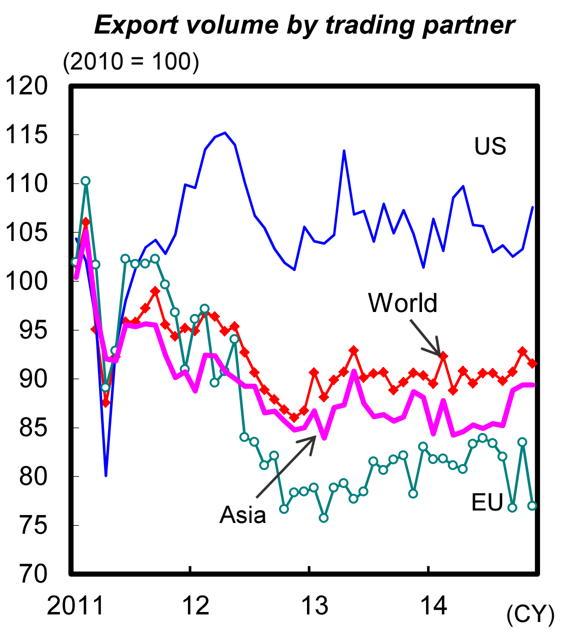
Automobiles, Japan's major export product to the US, experienced a decline in export volume in comparison to the previous month. However, exports of electrical machinery and iron & steel products appear to have brought up the overall results. As for exports to Asia, China suffered a decline, while growth in electronic components and devices provided support for exports to the Asian NIEs and the ASEAN. Meanwhile, exports to the EU declined somewhat in the area of major products such as general machinery, electrical machinery, and transport equipment. This was most likely a reaction to last month's performance when exports to the EU grew considerably.

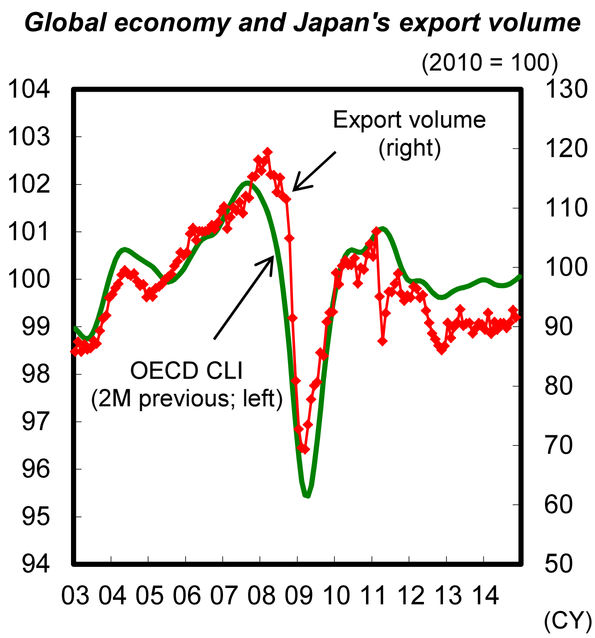
Weak yen and low price of crude oil contribute to shrinking of trade deficit

Export volume is expected to gradually move toward a growth trend in the future, as overseas economies recover. 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 and China, bringing a worrisome factor into the mix. However, the expected continuation of the monetary easing policy of the European Central Bank should prod the economy to begin moving toward a comeback by the beginning of next year. Meanwhile, emerging economies in Asia other than China with strong dependence on the US economy are likely to see a gradual increase in vitality led by US economic expansion. Therefore, exports to both Asia and the EU are seen gradually moving toward a growth trend.

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, 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 rate of increase in import prices below that of export prices. Finally, the differential achieved through price fluctuation 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.