

22 April 2015 (No. of pages: 4)

Japanese report: 22 Apr 2015

March Trade Statistics

Trade balance moves into black for first time in 2-years and 9-months

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Summary

- According to March 2015 trade statistics, export value grew for the seventh consecutive month at +8.5% y/y, with the extent of growth also exceeding the previous month, which recorded +2.5%. Meanwhile, import value declined considerably at -14.5% y/y, bringing the trade balance back into the black for the first time in two years and nine months at +229.3 bil yen.
- Looking at export value in terms of the price factor and the volume factor, we see that the weak yen brought upward pressure on results, with the export price increasing its growth rate to +5.1% y/y. Export volume moved back into a growth phase at +3.3% y/y recovering from the previous month's dismal results (-2.1% y/y), helping to push up export value. The seasonally adjusted figure for export value was also up by +3.7% m/m, achieving growth for the first time in two months. It appears that in the balance, export value is maintaining its growth trend after having hit a low during the previous month due to the Lunar New Year factor in the Sinosphere.
- The trade balance is expected to continue moving deeper into the black at a moderate pace as a result of the growth trend in export volume backed by the recovery in overseas economies. However, the rapidly falling price of crude oil, which has been a major factor in reducing the trade deficit these past months, is moving closer to hitting bottom. In addition, as domestic demand increases, import volume is expected to match that with a return to a growth trend, meaning that there is a good chance the pace of the expanding trade surplus may slow down soon. Hence the trade deficit is expected to continue hovering at around zero.

Trade Statistics

Chart 1

	2014						2015		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Export value (y/y %)	3.9	-1.3	6.9	9.6	4.9	12.8	17.0	2.5	8.5
Market consensus (Bloomberg)									8.5
DIR estimate									8.5
Import value (y/y %)	2.4	-1.4	6.2	3.1	-1.6	1.9	-9.1	-3.6	-14.5
Export volume (y/y %)	1.0	-3.0	2.8	4.8	-1.7	3.9	11.1	-2.1	3.3
Export price (y/y %)	2.9	1.7	4.0	4.6	6.7	8.6	5.3	4.7	5.1
Import volume (y/y %)	-0.4	-4.6	3.0	-1.8	-6.9	-1.8	-6.3	4.5	-10.3
Import price (y/y %)	2.8	3.3	3.2	5.1	5.8	3.8	-3.0	-7.7	-4.6
Trade balance (Y100 mil)	-9,665	-9,532	-9,620	-7,418	-8,988	-6,656	-11,738	-4,250	2,293

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

Trade balance moves into black for first time in 2-yr and 9-months

According to March 2015 trade statistics, export value grew for the seventh consecutive month at +8.5% y/y, with the extent of growth also exceeding the previous month, which recorded +2.5%. Meanwhile, import value declined considerably at -14.5% y/y, bringing the trade balance back into the black for the first time in two years and nine months at +229.3 bil yen.

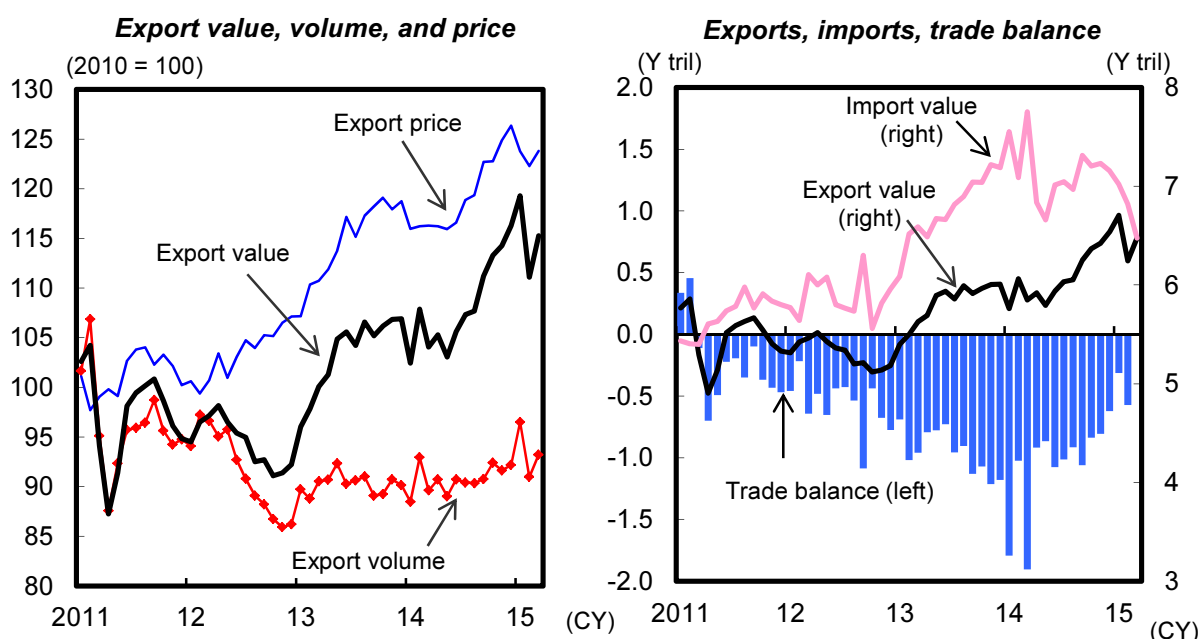
Looking at export value in terms of the price factor and the volume factor, we see that the weak yen brought upward pressure on results, with the export price increasing its growth rate to +5.1% y/y. Export volume moved back into a growth phase at +3.3% y/y recovering from the previous month's dismal results (-2.1% y/y), helping to push up export value. The seasonally adjusted figure for export value was also up by +3.7% m/m, achieving growth for the first time in two months. It appears that in the balance, export value is maintaining its growth trend after having hit a low during the previous month due to the Lunar New Year factor in the Sinosphere.

Import value for March 2015 suffered a year-to-year decline for the third consecutive month at -14.5% y/y. Import prices have been falling (-4.6% y/y) due to the continued collapse in the price of crude oil. Meanwhile, import volume suffered a major decline at -10.3% y/y as if to show the reverse side of the previous year's high performance trend. It also became a factor in pushing down import value. Import value on a seasonally adjusted basis was down for the fourth consecutive month at -5.0% m/m. The downward trend is due mostly to the collapse in the price of crude oil.

Due to the above, the trade balance went back into the black for the first time in two years and nine months at +229.3 bil yen. This was due to the increase in exports and the decline in imports resulting from the collapse in the price of crude oil. In addition, there is a certain seasonal element, as the month of March tends to have a higher export value. This was also a factor in getting the trade balance back in the black. In seasonally adjusted terms, the trade balance was in the black by +3.3 bil yen for the first time since February 2011. The basic tone is now definitely one moving in the direction of a positive trade balance.

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.

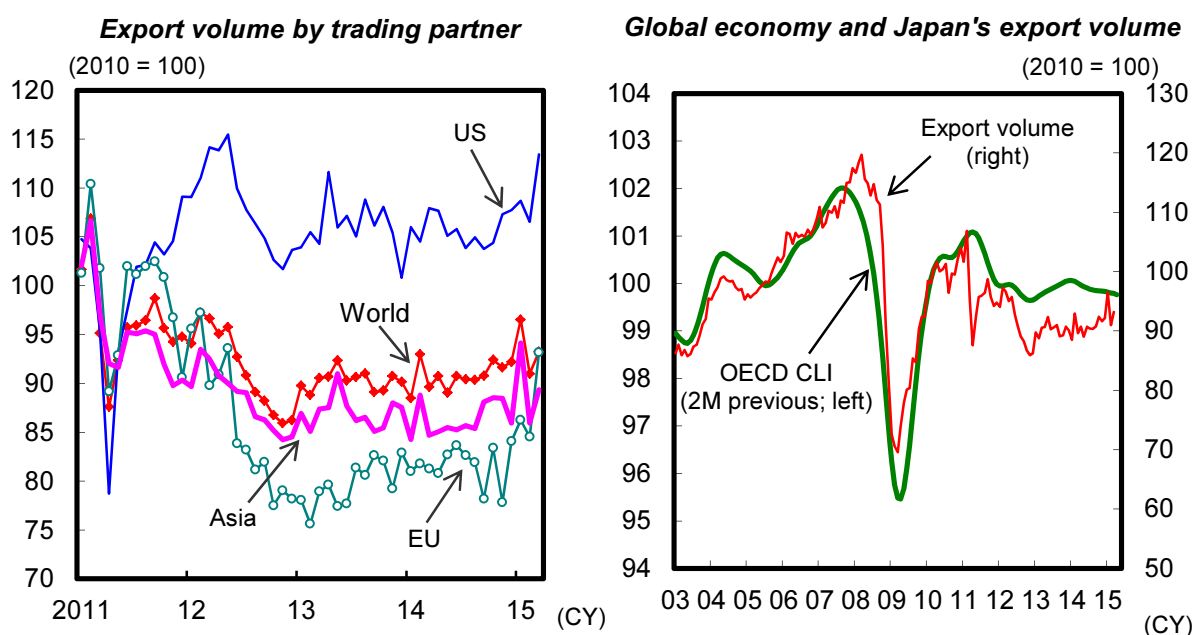
Export volume achieves m/m growth for first time in two months, EU exports help push overall results up

Export volume achieved growth in seasonally adjusted terms (seasonal adjustment by DIR) at +2.5% m/m, registering growth for the first time in two months. Looked at by region, export volume to the US was up by +6.5% m/m while the EU was up by +10.2% and Asian export volume was up by +3.9%. Export volume registered growth in all regions of the world, especially the EU, which helped to push up overall results. As for Asia, the fluctuations of the Lunar New Year season averaged out in flat results, but export volume to the US and EU appears to have become even more energetic in its growth trend.

As for month-to-month change in export volume by region and types of goods, exports to the US saw automobiles, Japan's major export product there, achieve growth, while in addition, exports of general machinery, reflecting their generally positive performance in recent months, were also a major factor in pushing up results. As for exports to the EU, automobiles have continued their comeback since hitting bottom at the end of 2014 and registered growth in the current month as well, helping to push overall results up. Meanwhile exports to Asia have been gradually making a comeback after the previous month's major declines in exports to China due to the Lunar New Year, and ultimately contributed to the overall positive figures. Exports grew in a wide range of merchandise, especially in chemicals and general machinery which won considerable gains. Exports to the Asian NIEs also won growth, especially in the area of general machinery and automobiles. On the other hand, exports of automobiles suffered a decline to the ASEAN countries, causing a bit of a drag on overall results.

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.

Trade deficit expected to continue hovering at around zero

As for the future of exports, the growth trend in terms of export volume is expected to continue in association with the recovery in overseas economies. Meanwhile, our outlook for the economy by trading partner sees the US slowing down somewhat due to weather factors which are bringing some downward pressure on the economy, though a basic underlying strength continues, which should see that economy continue to expand in the future. Automobiles, Japan's major export product to the US,

are expected to continue experiencing sluggish growth due to the increase in local production carried out by Japanese auto makers in the US, but growth in exports is expected in the future centering on capital goods, which are now showing strength. Meanwhile, the decline in the price of crude oil and the additional quantitative easing policy of the European Central Bank is helping the Euro Zone move toward a comeback. Hence exports to Europe are expected to experience moderate growth. As for Asia, the decline in the Chinese economy brings in a certain danger factor, but emerging economies in Asia other than China with strong dependence on the US economy are likely to see an acceleration of the recovery led by US economic expansion. Meanwhile, since exports to Asia are mostly production goods going into products whose final destination is the US and Europe, further growth is expected in the future centering on electronic parts which have maintained a strong undertone as of late.

The trade balance is expected to continue moving deeper into the black at a moderate pace as a result of the growth trend in export volume backed by the recovery in overseas economies. However, the rapidly falling price of crude oil, which has been a major factor in reducing the trade deficit these past months, is moving closer to hitting bottom. In addition, as domestic demand increases, import volume is expected to match that with a return to a growth trend, meaning that there is a good chance the pace of the expanding trade surplus may slow down soon. Hence the trade deficit is expected to continue hovering at around zero.