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April Trade Statistics

Exports to EU and Asia mark time; trade balance falls back into red

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Summary

- According to April 2015 trade statistics, export value grew for the eighth consecutive month at +8.0% y/y, with the extent of growth slowing just slightly in comparison with the previous month, which recorded +8.5%. Performance exceeded market consensus (+6.0%). Meanwhile, import value declined by -4.2% y/y, its fourth consecutive month of declines. The extent of decline was considerably less than the previous month (-14.5%). This resulted in the trade balance falling back into the red at -53.4 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 +6.0% y/y. (Last month growth was +5.1% y/y.) Export volume growth rate slowed somewhat at +1.8% y/y as compared to last month's +3.2%, while the seasonally adjusted figure for export value fell for the first time in two months at -1.5% m/m, due mostly to declines in exports to the EU and Asia.
- 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, with both strengths and weakness expected to be seen as we move forward. On the other hand, growth in domestic demand is seen, along with a growth trend in import volume. Meanwhile, with the price of crude oil gradually moving toward bottoming out after its collapse provided a major factor in the rapid reduction in the trade deficit, the trade balance is now expected to hover at around zero as we move forward.

Trade Statistics

Chart 1

	2014					2015			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Export value (y/y %)	-1.3	6.9	9.6	4.9	12.8	17.0	2.5	8.5	8.0
Market consensus (Bloomberg)									6.0
DIR estimate									6.5
Import value (y/y %)	-1.4	6.2	3.1	-1.6	1.9	-9.1	-3.6	-14.5	-4.2
Export volume (y/y %)	-3.0	2.8	4.8	-1.7	3.9	11.1	-2.1	3.2	1.8
Export price (y/y %)	1.7	4.0	4.6	6.7	8.6	5.3	4.7	5.1	6.0
Import volume (y/y %)	-4.6	3.0	-1.8	-6.9	-1.8	-6.3	4.5	-10.3	0.1
Import price (y/y %)	3.3	3.2	5.1	5.8	3.8	-3.0	-7.7	-4.6	-4.3
Trade balance (Y100 mil)	-9,532	-9,620	-7,418	-8,988	-6,656	-11,738	-4,285	2,274	-534

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

Trade balance falls back into red due to stagnant exports and import recovery

According to April 2015 trade statistics, export value grew for the eighth consecutive month at +8.0% y/y, with the extent of growth slowing just slightly in comparison with the previous month, which recorded +8.5%. Performance exceeded market consensus (+6.0%). Meanwhile, import value declined by -4.2% y/y, its fourth consecutive month of declines. The extent of decline was considerably less than the previous month (-14.5%). This resulted in the trade balance falling back into the red at -53.4 bil yen.

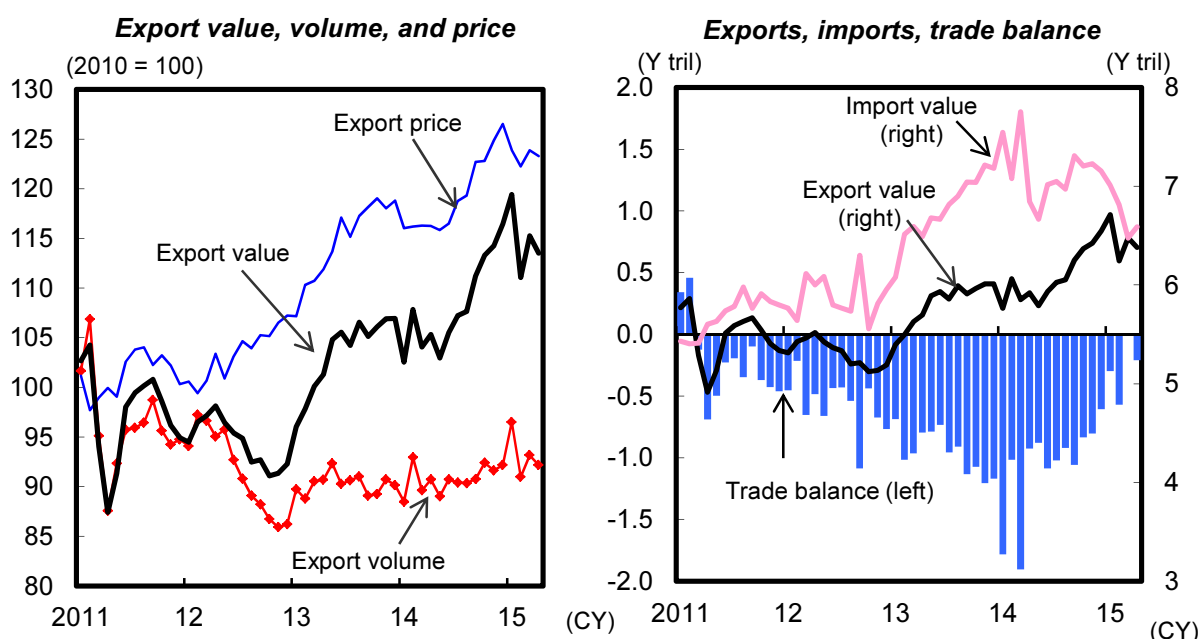
Looking at export value in terms of the price factor and the volume factor, we see that the weak yen brought upward pressure on results, with the export price increasing its growth rate to +6.0% y/y. (Last month growth was +5.1% y/y.) Export volume growth rate slowed somewhat at +1.8% y/y as compared to last month's +3.2%, while the seasonally adjusted figure for export value fell for the first time in two months at -1.5% m/m, eliminating some of the gains made during the previous month, which saw +3.8%.

Import value in terms of price and volume factors shows a continued to decline in import price in year-to-year terms due mainly to the decline in the price of crude oil. Performance was down by -4.3% y/y. The extent of the decline slowed somewhat in comparison to the previous month (-4.6%), reflecting the price of crude oil, which seems to have hit bottom. On the other hand, import volume was at 0.1%, a considerable gain in comparison to last month's decline of -10.3%. This is thought to reflect the last minute demand prior to last year's increase in consumption tax and the reactionary decline which followed. In seasonally adjusted terms, import value was up by +1.8% m/m, achieving growth for the first time in five months. It appears that the decline in imports which had continued until this point has finally hit bottom.

As a result of exports marking time and imports recovering, the trade balance fell back into a deficit for the first time in two months at -53.4 bil yen. In seasonally adjusted terms, the trade balance was in the red by -208.7 bil yen for the first time in two months.

Export Value, Volume, Price and Trade Balance

Chart 2



Source: Ministry of Finance; compiled by DIR.

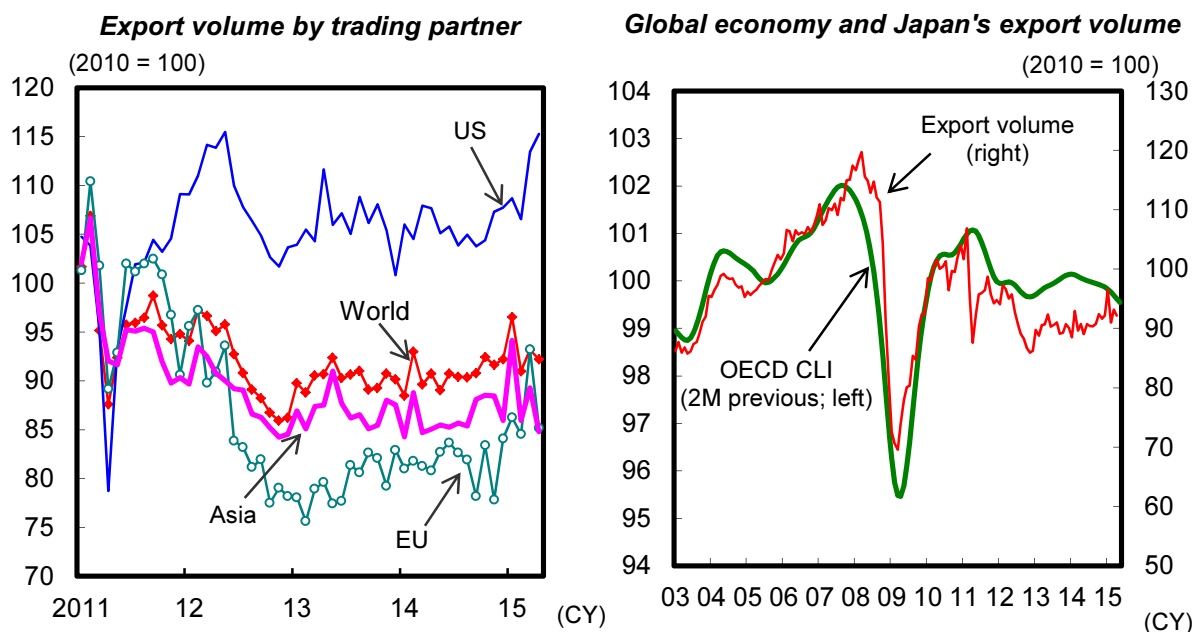
Note: Export volume and export price seasonally adjusted by DIR.

Exports to EU and Asia mark time

As for export volume by region (seasonally adjusted figures estimated by DIR), U.S. volume was up by +1.6% m/m while export volume to the EU was down by -8.6% and Asia was down by -5.0%. Overall, export volume was down by -1.0% m/m. However, in contrast to export volume to the U.S., which retained its favorable performance, growth in export volume to the EU and Asia suffered slowdowns in comparison to the previous month's performance. The EU was especially favorable last month, so this month's performance is seen as a reactionary decline. Meanwhile, aside from the growth rate as such, results were especially weak for export volume to Asia.

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.

Both imports and exports expected to exhibit moderate growth

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, with both strengths and weakness expected to be seen as we move forward. Looking at exports by trading partner, with the underlying strength in the US economic expansion, exports are expected to maintain their growth trend, centering on capital goods which are exhibiting favorable performance. Automobiles, Japan's major export product to the US, are expected to see growth as local production operating rates reach saturation. While performance is somewhat weaker than usual due to bad weather and labor strikes, there is a chance that these issues could cause a delay in expected interest rate hikes, which promises to bring more momentum to economic growth both for the US economy and the world economy.

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. Growth in exports declined considerably in April in reaction to the major growth experienced during the previous month, but the moderate growth trend is expected to continue. As for Asia, the level of exports has been low even when considering the factor of the Lunar New Year season. Watchfulness is recommended as we move forward as the Asian economies continue their slowdown. However, if China's attempts to lower its reserve deposit rate are successful along with the lowering of interest rates, its real economy should get a lift, and this would also promise to bring a recovery in exports of capital goods, which have been stagnant of late.

As for the future of the trade balance, the collapse in the price of crude oil was a major factor in the rapid reduction in the trade deficit recently, but now is gradually moving toward bottoming out. Moreover, growth in domestic demand is seen, along with a growth trend in import volume. At the same time, the growth trend in terms of export volume is expected to continue in association with the recovery in overseas economies. As a result, the trade balance is now expected to hover at around zero as we move forward.