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August Trade Statistics

Exports sag, especially in trade with the advanced nations

Economic Intelligence Team
Shunsuke Kobayashi

Summary

- According to August 2015 trade statistics, export value grew for the twelfth consecutive month at +3.1% y/y. However, growth has slowed considerably in comparison to the previous month's +7.6%, as well as falling below market consensus (+4.3%). Meanwhile, import value declined by -3.1% y/y, its eighth consecutive month of decline, and the trade balance was in the red for the fifth consecutive month at -569.7 bil yen.
- This month's results confirm that overseas demand continues to be stagnant. However, momentum has left behind its worst period, though performance is expected to remain weak for the time being. The US carries the weight of sagging crude oil prices and a strong dollar. It should therefore be noted that capital goods, a major export item to the US, may continue to perform unfavorably.
- However, exports are expected to move toward a moderate recovery despite ups and downs. The US household sector continues to maintain a steady undertone, and exports centering on durables are expected to recover and enter a growth phase. As for the EU economy, the collapse in the price of crude oil and the effects of quantitative easing initiated by the ECB are encouraging a comeback. Recovery and expansion should continue in the future. Meanwhile in Asia, China's real economy is beginning to show signs of pulling out of the doldrums due to the lowering of its reserve deposit rate and interest rate, and there is a good chance that further declines in demand can be avoided.

Trade Statistics

Chart 1

| | 2014 | 2015 | | | | | | | |
|------------------------------|--------|---------|--------|-------|------|--------|------|--------|--------|
| | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Export value (y/y %) | 12.8 | 17.0 | 2.5 | 8.5 | 8.0 | 2.4 | 9.5 | 7.6 | 3.1 |
| Market consensus (Bloomberg) | | | | | | | | | 4.3 |
| DIR estimate | | | | | | | | | 3.5 |
| Import value (y/y %) | 1.9 | -9.1 | -3.6 | -14.4 | -4.1 | -8.6 | -2.9 | -3.2 | -3.1 |
| Export volume (y/y %) | 3.9 | 11.1 | -2.1 | 3.2 | 1.8 | -3.8 | 0.0 | -0.7 | -4.2 |
| Export price (y/y %) | 8.6 | 5.3 | 4.7 | 5.1 | 6.0 | 6.4 | 9.5 | 8.4 | 7.6 |
| Import volume (y/y %) | -1.8 | -6.3 | 4.5 | -10.3 | 0.1 | -5.3 | -1.4 | -2.9 | -0.7 |
| Import price (y/y %) | 3.8 | -3.0 | -7.7 | -4.6 | -4.2 | -3.5 | -1.5 | -0.2 | -2.4 |
| Trade balance (Y100 mil) | -6,656 | -11,738 | -4,285 | 2,227 | -593 | -2,206 | -744 | -2,684 | -5,697 |

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

Export volume continues to decline

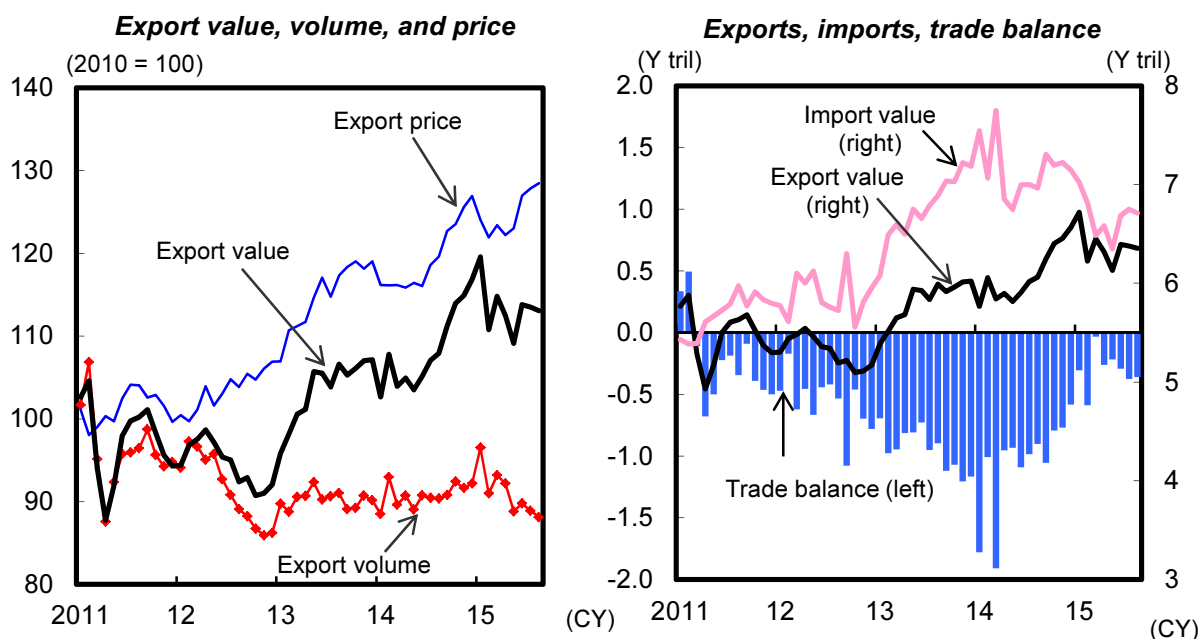
According to August 2015 trade statistics, export value grew for the twelfth consecutive month at +3.1% y/y. However, growth has slowed considerably in comparison to the previous month's +7.6%, as well as falling below market consensus (+4.3%). Meanwhile, import value declined by -3.1% y/y, its eighth consecutive month of decline, and the trade balance was in the red for the fifth consecutive month at -569.7 bil yen.

The softening of export value was primarily due to stagnant growth in export volume. Export volume was down by -4.2% y/y, registering a slowdown in comparison to the previous month's -0.7%. Growth in export price also slowed slightly at +7.6% y/y in comparison to the previous month's +8.4%.

Import value in terms of price and volume factors shows a continued decline in import price in year-to-year terms due mainly to the decline in the price of crude oil. Performance was down by -2.4% y/y. Meanwhile, import volume declined for the fourth consecutive month by -0.7%. In month-to-month terms, the extent of the decline narrowed somewhat in comparison to the previous month's -3.2%. However, in seasonally adjusted terms, import value declined for the first time in two months by -0.6%.

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.

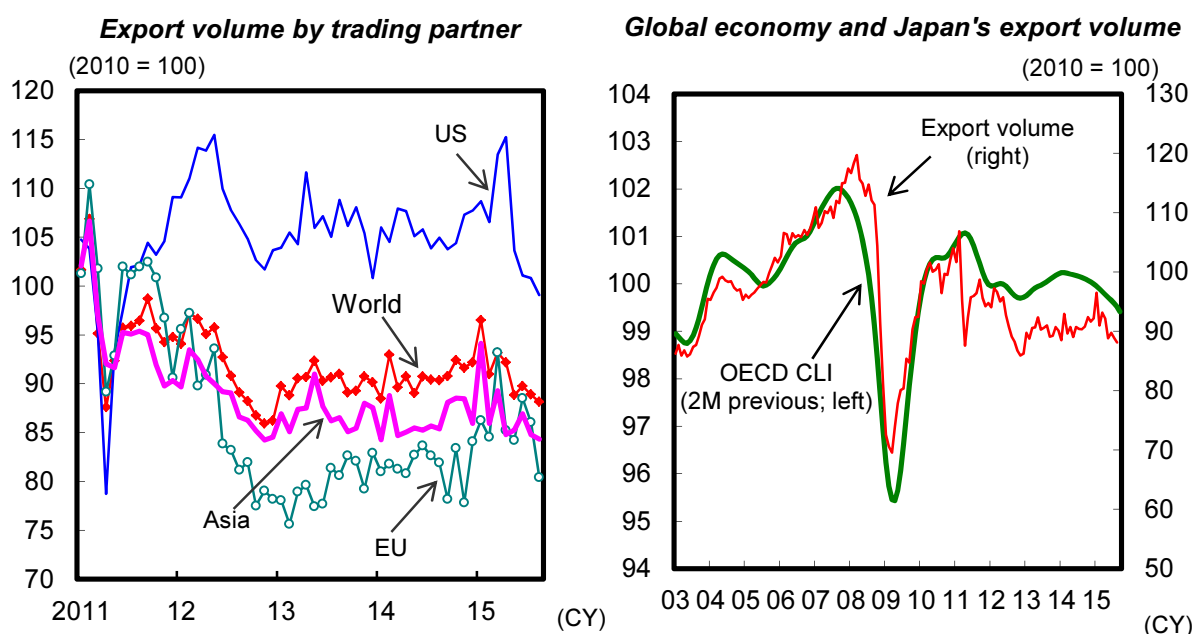
Exports sag, especially in trade with the advanced nations

The seasonally adjusted figure for export value was down by -0.4% m/m. Meanwhile, export volume was down by -0.9% m/m (seasonally adjusted figures estimated by DIR), its second consecutive month of decline. Looking at performance by trading partner, export volume to the EU suffered an especially large decline at -6.6% m/m. Special factors such as the number of ships leaving port during the previous month contributed to the decline, as well as the dwindling influence of major growth for iron and steel products in July. The steep drop in automobile exports, which had been maintaining favorable performance since the beginning of the year, is also worrisome. Exports to the US (-1.7%) reflected that country's weak corporate sector, with dull performance for various goods, but especially capital goods. Meanwhile, Asian export volume dropped slightly at -0.6% on fears caused by the explosion at a chemical warehouse in the port of Tianjin, as well as turmoil in the financial markets. However, it appears that the worst may be over.

This month's results confirm that overseas demand continues to be stagnant. However, momentum has left behind its worst period, though performance is expected to remain weak for the time being. The US carries the weight of sagging crude oil prices and a strong dollar. It should therefore be noted that capital goods, a major export item to the US, may continue to perform unfavorably. However, exports are expected to move toward a moderate recovery despite ups and downs. The US household sector continues to maintain a steady undertone, and exports centering on durables are expected to recover and enter a growth phase. As for the EU economy, the collapse in the price of crude oil and the effects of quantitative easing initiated by the ECB are encouraging a comeback. Recovery and expansion should continue in the future. Meanwhile in Asia, China's real economy is beginning to show signs of pulling out of the doldrums due to the lowering of its reserve deposit rate and interest rate, and there is a good chance that further declines in demand can be avoided.

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.