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September Trade Statistics

Performance weak for exports of consumer goods to the EU and capital goods headed for the US and Asia

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Summary

- According to September 2015 trade statistics, export value grew for the thirteenth consecutive month at +0.6% y/y. However, growth slowed in comparison to the previous month's +3.1%, as well as falling below market consensus (+3.8%). Meanwhile, import value declined by -11.1% y/y, its ninth consecutive month of decline, and the trade balance was in the red for the sixth consecutive month at -114.5 bil yen.
- This month's results confirm that overseas demand continues to be stagnant. Performance is expected to remain weak for the time being. The US carries the weight of sagging crude oil prices and a strong dollar, while Asia continues to make adjustments for overcapacity. Hence exports of capital goods and materials to the US and Asia should be expected to continue unfavorably.
- However, exports are expected to gradually recover despite some ups and downs along the way. 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 centering on consumer goods can be avoided.

Trade Statistics

Chart 1

	2015								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Export value (y/y %)	17.0	2.5	8.5	8.0	2.4	9.5	7.6	3.1	0.6
Market consensus (Bloomberg)									3.8
DIR estimate									-0.7
Import value (y/y %)	-9.1	-3.6	-14.4	-4.1	-8.6	-2.9	-3.1	-3.1	-11.1
Export volume (y/y %)	11.1	-2.1	3.2	1.8	-3.8	0.0	-0.7	-4.1	-3.9
Export price (y/y %)	5.3	4.7	5.1	6.0	6.4	9.5	8.4	7.5	4.6
Import volume (y/y %)	-6.3	4.5	-10.3	0.1	-5.3	-1.4	-2.9	-2.9	-2.0
Import price (y/y %)	-3.0	-7.7	-4.6	-4.2	-3.5	-1.5	-0.2	-2.4	-9.3
Trade balance (Y100 mil)	-11,738	-4,285	2,227	-593	-2,206	-744	-2,705	-5,694	-1,145

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

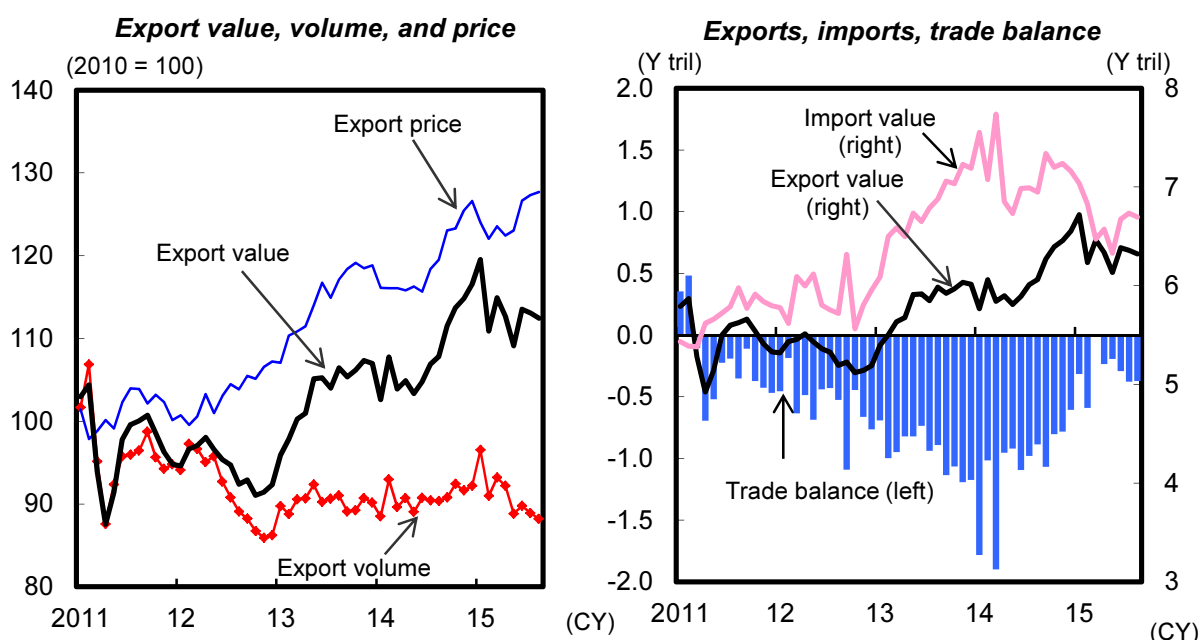
Export volume continues to decline

According to September 2015 trade statistics, export value grew for the thirteenth consecutive month at +0.6% y/y. However, growth slowed in comparison to the previous month's +3.1%, as well as falling below market consensus (+3.8%). Weak results were made all the worse by the fact that there was one less business day in the month compared to September of last year. Export volume fell by -3.9% y/y, its third consecutive month of declines, while export price at +4.6% grew less than last month (+7.5%). Meanwhile, import value declined by -11.1% y/y, its ninth consecutive month of decline, and the trade balance was in the red for the sixth consecutive month at -114.5 bil yen.

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 -9.3% y/y. Meanwhile, import volume declined for the fifth consecutive month by -2.0%. In month-to-month terms, the extent of the decline increased in comparison to the previous month's -3.1%. In seasonally adjusted terms, import value declined for the second consecutive month by -1.9%.

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.

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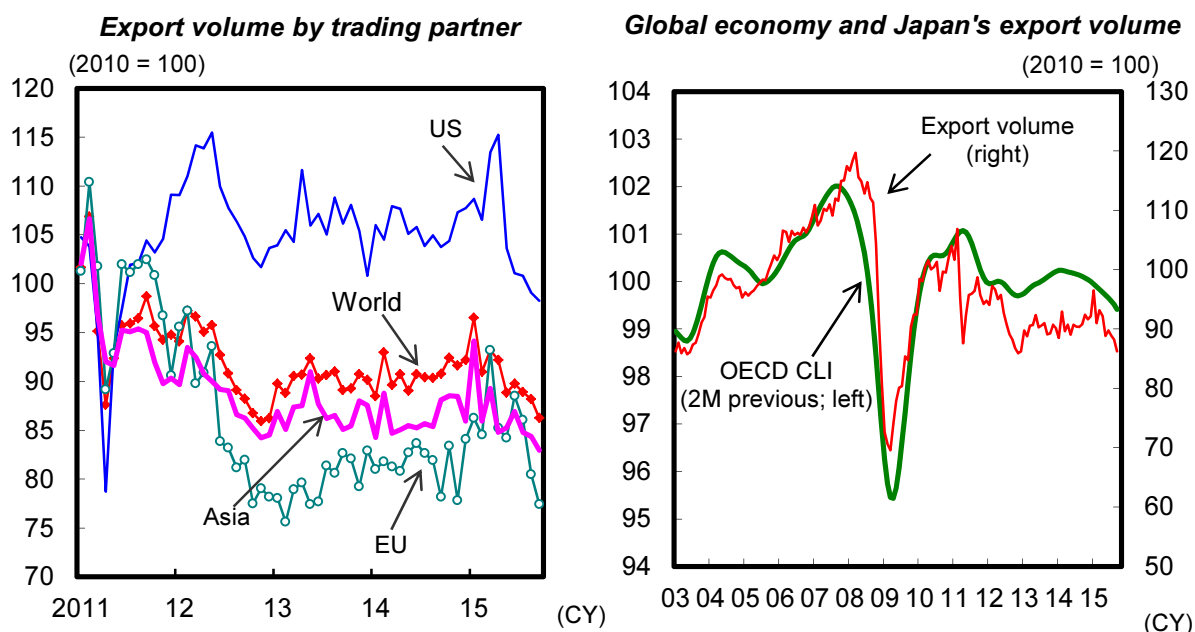
The seasonally adjusted figure for export value was down by -1.7% m/m. Meanwhile, export volume was down by -1.3% m/m (seasonally adjusted figures estimated by DIR), its third consecutive month of decline. Looking at performance by trading partner, export volume to the EU suffered an especially large decline at -3.8% m/m. Special factors such as the export of ships grew considerably in September, hence this is an overall decline. Performance was actually weaker than it appears in the headline. The decline in automobile exports, which had won considerable growth at the beginning of the year, is a worrisome factor. Meanwhile, exports to the US (-0.8%) reflected that country's weak corporate sector, with capital goods and materials weak despite automobiles keeping up a good fight with the help of favorable household consumption. Meanwhile, Asian export volume also remains soft at -1.7% with weak performance in capital goods and materials due to adjustments for overcapacity.

This month's results confirm that overseas demand continues to be stagnant. Performance is expected to remain weak for the time being. The US carries the weight of sagging crude oil prices and a strong dollar, while Asia continues to make adjustments for overcapacity. Hence exports of capital goods and materials to the US and Asia should be expected to continue unfavorably.

However, exports are expected to gradually recover despite some ups and downs along the way. 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 centering on consumer goods 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.