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October Trade Statistics

Major growth in exports of automotive products to the EU

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Summary

- According to October 2015 trade statistics, export value fell for the first time in 14 months by -2.1% y/y. The main reason for the decline was sluggish growth in export prices (+2.5% in comparison to September's +4.6%). Export volume fell by -4.6% y/y, but looking at the seasonally adjusted value as discussed later in this report, volume is beginning to show signs of bottoming out, so these results are not necessarily all that bad. Import value was down by -13.4% y/y in its tenth consecutive month of decline, while the trade balance was in the black for the first time in seven months at +111.5 bil yen.
- This month's results suggest that overseas demand is gradually pulling out of its worst period. Complete recovery will of course take some time. Most of all caution is required regarding the US, whose corporate sector carries the weight of sagging crude oil prices and a strong dollar, as well as Asia, which needs to make more adjustments for overcapacity. This means that likely Japanese exports of capital goods and materials will continue unfavorably for some time. 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. When all is averaged out, the EU is entering a recovery phase. 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								
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Export value (y/y %)	2.5	8.5	8.0	2.4	9.5	7.6	3.1	0.5	-2.1
Market consensus (Bloomberg)									-2.0
DIR estimate									-5.0
Import value (y/y %)	-3.6	-14.4	-4.1	-8.6	-2.9	-3.1	-3.1	-11.0	-13.4
Export volume (y/y %)	-2.1	3.2	1.8	-3.8	0.0	-0.7	-4.1	-3.9	-4.6
Export price (y/y %)	4.7	5.1	6.0	6.4	9.5	8.4	7.5	4.6	2.5
Import volume (y/y %)	4.5	-10.3	0.1	-5.3	-1.4	-2.9	-0.7	-1.9	-3.8
Import price (y/y %)	-7.7	-4.6	-4.2	-3.5	-1.5	-0.2	-2.4	-9.3	-10.0
Trade balance (¥100 mil)	-4,285	2,227	-593	-2,206	-744	-2,705	-5,715	-1,158	1,115

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

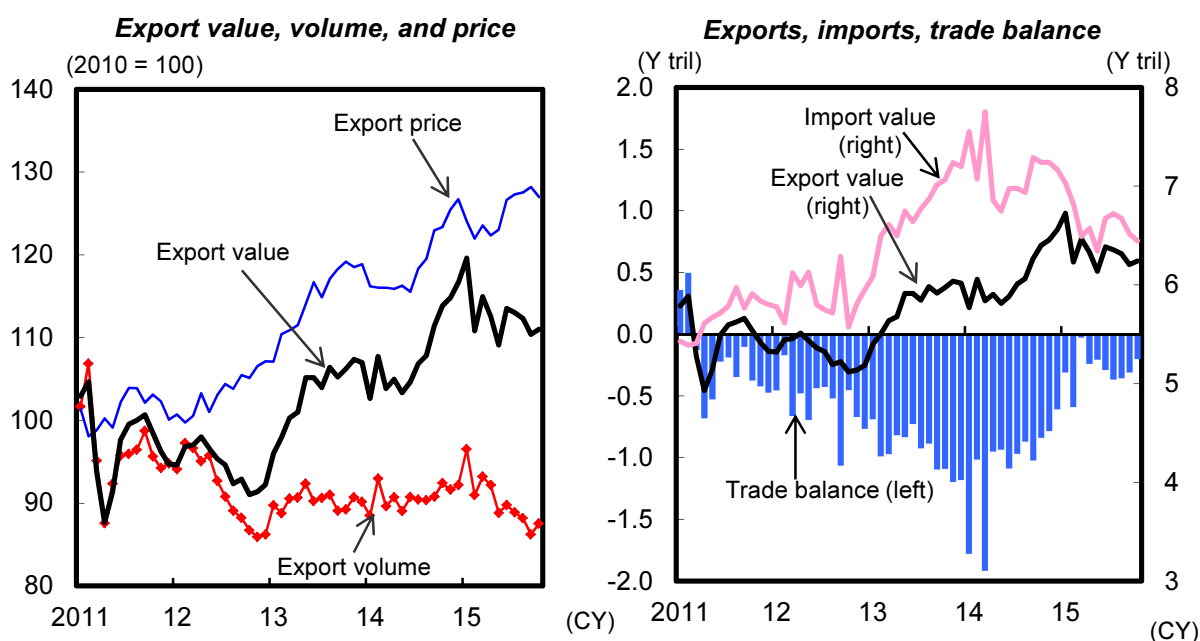
Export volume shows signs of bottoming out

According to October 2015 trade statistics, export value fell for the first time in 14 months by -2.1% y/y. The main reason for the decline was sluggish growth in export prices (+2.5% in comparison to September's +4.6%). Export volume fell by -4.6% y/y, but looking at the seasonally adjusted value as discussed later in this report, volume is beginning to show signs of bottoming out, so these results are not necessarily all that bad. Import value was down by -13.4% y/y in its tenth consecutive month of decline, while the trade balance was in the black for the first time in seven months at +111.5 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 -10.0% y/y. Meanwhile, import volume declined for the sixth consecutive month by -3.8%. Import value was down by -13.4%, increasing the extent of its decline in comparison to the previous month. In seasonally adjusted terms, import value declined for the third consecutive month by -1.1% m/m.

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.

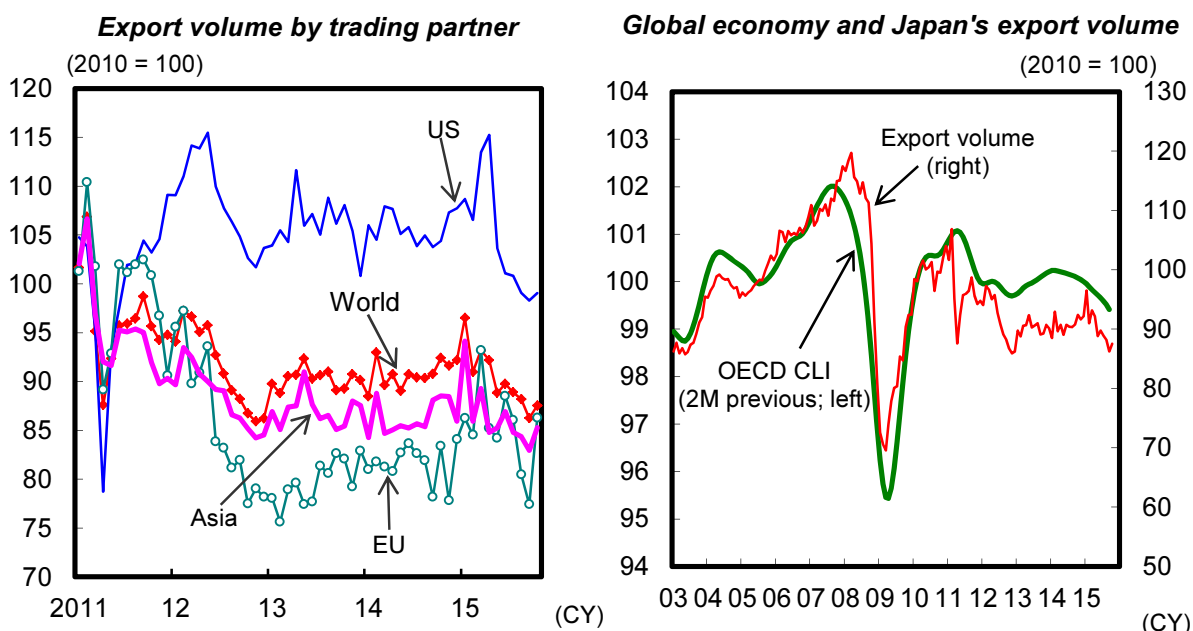
Exports of automotive products to the EU achieve major growth

The seasonally adjusted figure for export value was up by +0.6% m/m. Meanwhile, export volume was up by +1.5% m/m (seasonally adjusted figures estimated by DIR), the first time in four months that it has achieved growth. Looking at performance by trading partner, export volume to the EU grew considerably at +11.4% m/m. Exports to the EU grew considerably between the end of last year and the beginning of this year, but then fell into a decline which lasted until last September. Recently exports of automobiles and related products such as auto parts and iron & steel have again been exhibiting major growth, suggesting that the Eurozone consumer market may be on its way back. In addition, modest growth is also evident in exports to the US (+0.8% m/m) and Asia (+2.8%).

This month's results suggest that overseas demand is gradually pulling out of its worst period. Complete recovery will of course take some time. Most of all caution is required regarding the US, whose corporate sector carries the weight of sagging crude oil prices and a strong dollar, as well as Asia, which needs to make more adjustments for overcapacity. This means that likely Japanese exports of capital goods and materials will continue unfavorably for some time.

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. When all is averaged out, the EU is entering a recovery phase. 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.