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November Trade Statistics

Export volume to Asia and the EU wins major recovery

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Summary

- According to November 2015 trade statistics, export value fell for the second consecutive month by -3.3% y/y. However, 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. EU and Asia import value was down by -10.2% y/y in its eleventh consecutive month of decline, while the trade balance recorded a deficit of -379.7 bil yen.
- This month's results suggest that overseas demand has pulled out of its worst period. 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 exports to the EU, 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 further declines in demand centering on consumer goods will be avoided.

Trade Statistics

Chart 1

	2015								
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Export value (y/y %)	8.5	8.0	2.4	9.5	7.6	3.1	0.5	-2.2	-3.3
Market consensus (Bloomberg)									-1.6
DIR estimate									-1.3
Import value (y/y %)	-14.4	-4.1	-8.6	-2.9	-3.1	-3.1	-11.0	-13.4	-10.2
Export volume (y/y %)	3.2	1.8	-3.8	0.0	-0.7	-4.1	-3.9	-4.6	-3.1
Export price (y/y %)	5.1	6.0	6.4	9.5	8.4	7.5	4.6	2.5	-0.3
Import volume (y/y %)	-10.3	0.1	-5.3	-1.4	-2.9	-0.7	-1.9	-3.8	1.6
Import price (y/y %)	-4.6	-4.2	-3.5	-1.5	-0.2	-2.4	-9.2	-10.0	-11.7
Trade balance (¥100 mil)	2,227	-593	-2,206	-744	-2,705	-5,715	-1,200	1,083	-3,797

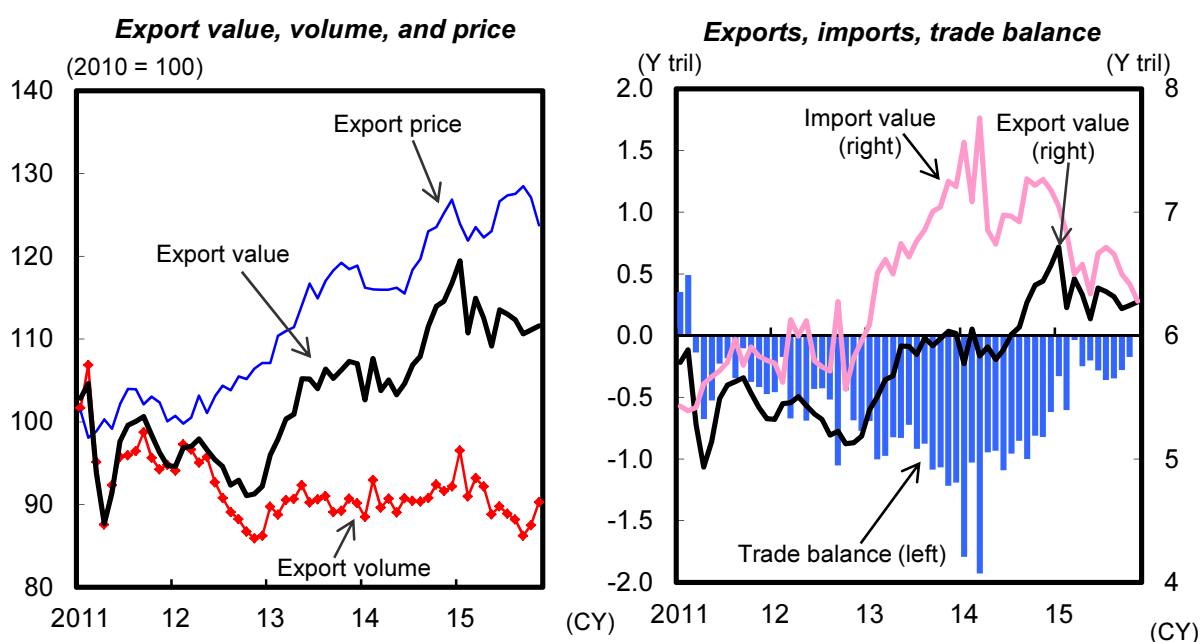
Source: Ministry of Finance, Bloomberg; compiled by DIR.

Export volume shows signs of bottoming out

According to November 2015 trade statistics, export value fell for the second consecutive month by -3.3% y/y. However, 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. EU and Asia import value was down by -10.2% y/y in its eleventh consecutive month of decline, while the trade balance recorded a deficit of -379.7 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 -11.7% y/y. Meanwhile, import volume grew for the first time in seven months by +1.6%. Import value in seasonally adjusted terms declined for the fourth consecutive month by -2.2% 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.

Export volume to Asia and the EU recovers

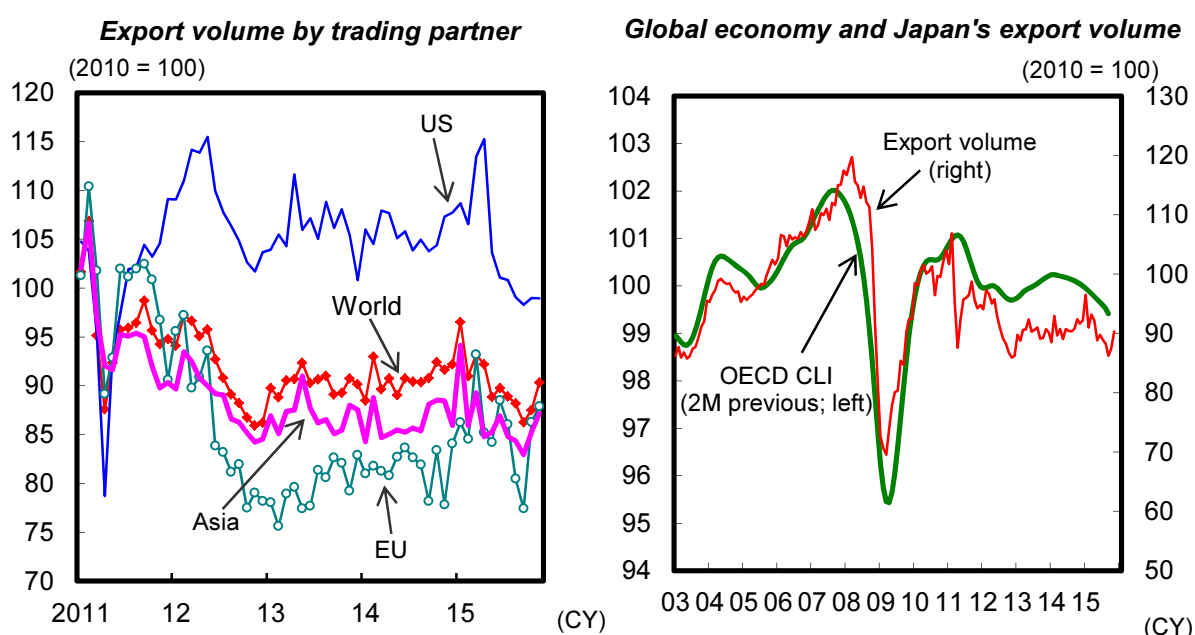
The seasonally adjusted figure for export value was up by +0.5% m/m. Meanwhile, export volume was up by +3.2% m/m (seasonally adjusted figures estimated by DIR), the second consecutive month of growth. Looking at performance by trading partner, export volume to Asia (+2.2% m/m) and the EU (+1.9%) was especially notable. Exports to Asia centering on capital goods and materials have been in a continual decline since the beginning of the year. This has been due mostly to turmoil in global money flow and the resulting decline in the economies of the emerging nations. However, these negative factors have temporarily receded thanks in part to China's monetary easing, and a recovery has begun in exports due especially to demand for consumer goods. 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. However, 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.

This month's results suggest that overseas demand has pulled out of its worst period. Of course, the recent recovery in exports is for the most part the rebound from recent declines, and it is expected to take some time before we see a return to sustained, full-scale growth in exports. It is likely that the current situation will continue for a while, with the US corporate sector carrying the weight of sagging crude oil prices and a strong dollar, and Asia still making adjustments for overcapacity.

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 exports to the EU, 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 further declines in demand centering on consumer goods will 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.