

25 January 2016 (No. of pages: 3)

Japanese report: 25 Jan 2016

# December Trade Statistics

## Balance of trade shows positive undertone as commodity prices fall

Economic Intelligence Team  
**Shunsuke Kobayashi**

### Summary

- According to December 2015 trade statistics, export value fell for the third consecutive month by -8.0% y/y, while also falling below market consensus at -7.0% y/y. Export prices declined, especially in the area of petroleum products. Meanwhile, export volume also suffered, with the extent of y/y decline exceeding that of the previous month adding further to the overall sense of weakness in these results. Looking at performance by export goods, household consumer related demand was favorable, supported by financial environments influenced by monetary easing in all regions. Results tended to confirm the structural changes going on in world economies, with materials and capital goods unfavorable due to slow demand in the corporate sector reflecting the low operating rates for industry worldwide and the continuing decline in the price of crude oil.
- As for the future of exports, the gradual recovery along with some ups and downs is expected to continue. The US economy continues to maintain a firm undertone focusing on the household sector, and promises to bring a continued growth trend in exports of durable goods. 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 expected to continue recovering. 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 most likely be avoided.
- The balance of trade was in the black for the first time in two months at 140.2 billion yen. The seasonally adjusted value for the balance of trade also improved due to falling import prices of petroleum products, recording positive figures for the second consecutive month. The trade deficit shrank considerably during calendar year 2015 by a total of 2.8 trillion yen, bringing it closer to the level of 2011 (2.6 trillion yen).

### Trade Statistics

### Chart 1

	2015									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Export value (y/y %)	8.0	2.4	9.5	7.6	3.1	0.5	-2.2	-3.3	-8.0	
Market consensus (Bloomberg)									-7.0	
DIR estimate									-6.3	
Import value (y/y %)	-4.1	-8.6	-2.9	-3.1	-3.1	-11.0	-13.3	-10.2	-18.0	
Export volume (y/y %)	1.8	-3.8	0.0	-0.7	-4.1	-3.9	-4.6	-3.1	-4.4	
Export price (y/y %)	6.0	6.4	9.5	8.4	7.5	4.6	2.5	-0.3	-3.8	
Import volume (y/y %)	0.1	-5.3	-1.4	-2.9	-0.7	-1.9	-3.8	1.6	-5.0	
Import price (y/y %)	-4.2	-3.5	-1.5	-0.2	-2.4	-9.2	-9.9	-11.7	-13.7	
Trade balance (Y100 mil)	-593	-2,206	-744	-2,705	-5,715	-1,200	1,048	-3,813	1,402	

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

## Balance of trade shows positive undertone as commodity prices fall

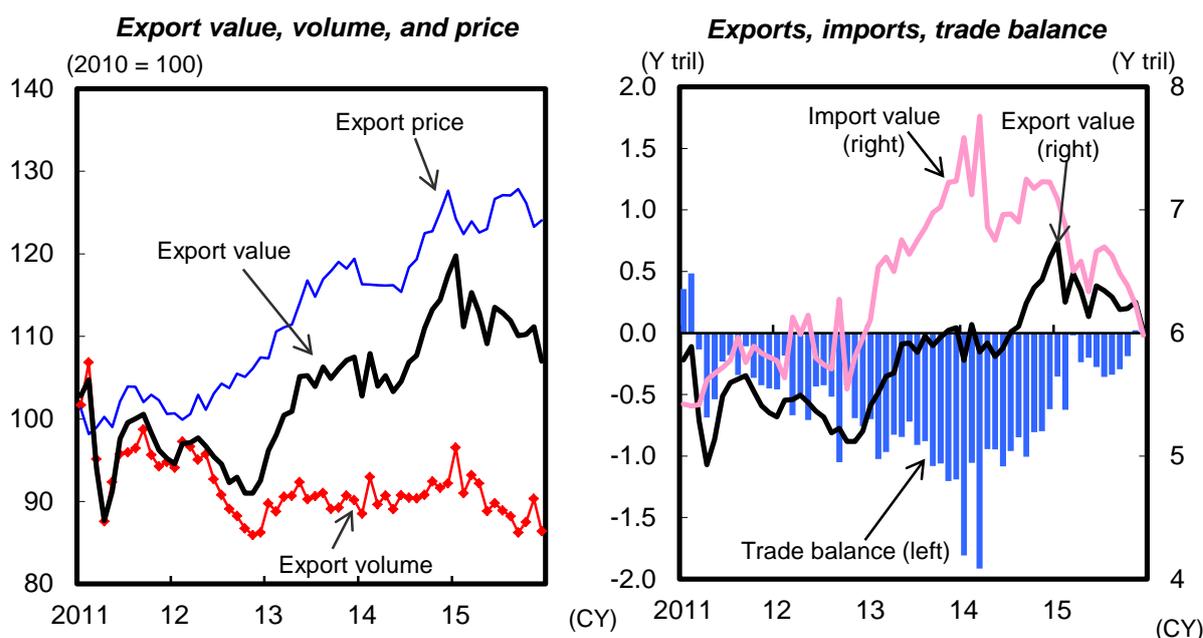
According to December 2015 trade statistics, export value fell for the third consecutive month by -8.0% y/y, while also falling below market consensus at -7.0% y/y. Export prices declined by -4.4%, especially in the area of petroleum products. Meanwhile, export volume also suffered, with the extent of y/y decline exceeding that of the previous month adding further to the overall sense of weakness in these results.

Import value was also down for the twelfth consecutive month at -18.0%. Looking at import value in terms of price and volume factors, import prices continued to decline due mostly to falling prices of petroleum products. Import price was down by -13.7% y/y. Meanwhile, import volume was down for the first time in two months at -5.0%. Import value in seasonally adjusted terms down by -4.0%, declining for the fifth consecutive month.

The balance of trade was in the black for the first time in two months at 140.2 billion yen. The seasonally adjusted value for the balance of trade also improved due to falling import prices of petroleum products, recording positive figures for the second consecutive month. The trade deficit shrank considerably during calendar year 2015 by a total of 2.8 trillion yen, bringing it closer to the level of 2011 (2.6 trillion yen) when operation was halted at nuclear power plants throughout Japan.

### 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.

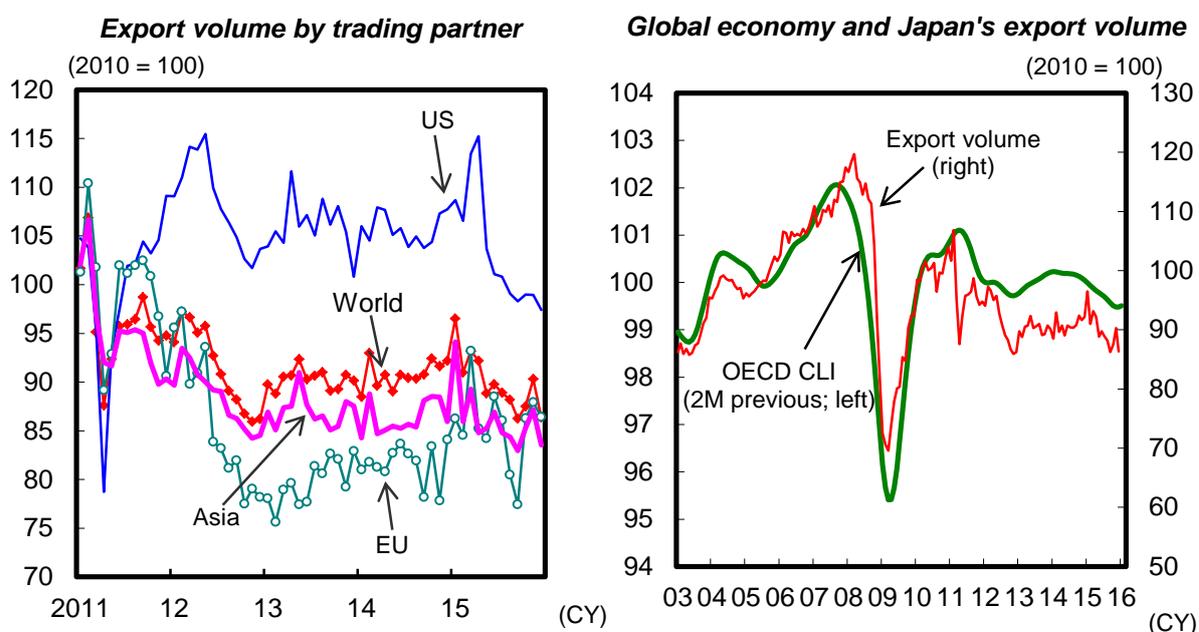
## Worldwide corporate demand unfavorable, while household consumer related demand is favorable

Export value in seasonally adjusted terms was down by -3.8% m/m. Meanwhile, export volume was down -4.4% (seasonal adjustment by DIR), suffering a decline for the first time in three months. Looking at export volume by source of demand, exports to the US were down by -1.5%, while EU exports were down by -1.7% and Asia was down by -4.2%, bringing the first decline in three months for all sources of demand. Performance in terms of types of goods differed from region to region. Exports to the US and Asia continue to experience a drag on performance due mostly to capital goods and materials. Meanwhile, the decline in exports to the EU seems most likely to be a correction in response to the previous month's performance which was almost too strong. Exports of automobiles and related parts continue to win favorable performance. Generally speaking, low operating rates are being experienced worldwide, and prices of natural resources continue to fall. Materials and capital goods are unfavorable due to slow demand in the corporate sector. But at the same time, household consumer related demand has been favorable, supported by financial environments influenced by monetary easing in all regions. Results tended to confirm the structural changes going on in world economies.

This month's results suggest that it will take some time for overseas demand to achieve a complete and sustained recovery, giving further credence to the previous outlook for this sector. Falling prices for petroleum products and the strong dollar create a drag on the US corporate sector, while possibilities are high that exports of capital goods and materials to Asia will continue to be unfavorable as corporations continue to work through the process of adjustment for excess capacity. As for the future of exports, the gradual recovery along with some ups and downs is expected to continue. The US economy continues to maintain a firm undertone focusing on the household sector, and promises to bring a continued growth trend in exports of durable goods. 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 expected to continue recovering. 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 most likely 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