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March Trade Statistics

Trade surplus becomes well established despite stagnant export volume

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Summary

- According to March 2016 trade statistics, export value fell for the sixth consecutive month by -6.8% y/y. Export volume in seasonally adjusted terms also continued somewhat of a decline in month-to-month terms. With the exception of the effects of major growth in exports to the EU due to special factors, it would be difficult to claim March results as having shown strength in any way. Import value declined for the fifteenth consecutive month at -14.9% y/y, especially in the area of petroleum products, while the trade balance was in the black to the tune of +755 bil yen, its second consecutive month of surplus. Looking at the trade balance in seasonally adjusted terms, this was the fifth consecutive month of trade surplus.
- As for the future of exports, there is a very good possibility that performance will continue to mark time, with some ups and downs along the way. While demand related to household consumption remains favorable, supported by the accommodative financial environment worldwide, performance of materials and capital goods remains weak. This is a reflection of corporate sector demand, which is affected by low operating rates worldwide, and low prices of natural resources. We therefore believe that recovery for exports of materials and capital goods will take quite a bit more time. Meanwhile, caution is required as regards stagnant export value, which is a reflection of the progressively stronger yen since the beginning of the year, since it will likely influence corporate earnings on a yen basis.

Trade Statistics

Chart 1

	2015						2016		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Export value (y/y %)	7.6	3.1	0.5	-2.2	-3.4	-8.0	-12.9	-4.0	-6.8
Market consensus (Bloomberg)									-7.0
DIR estimate									-5.5
Import value (y/y %)	-3.3	-3.2	-11.0	-13.4	-10.2	-18.0	-17.8	-14.2	-14.9
Export volume (y/y %)	-0.7	-4.1	-3.9	-4.6	-3.1	-4.4	-9.1	0.2	-1.0
Export price (y/y %)	8.3	7.5	4.6	2.5	-0.3	-3.8	-4.1	-4.2	-5.8
Import volume (y/y %)	-2.9	-0.7	-1.9	-3.8	1.7	-5.0	-5.0	-2.3	5.2
Import price (y/y %)	-0.4	-2.5	-9.3	-9.9	-11.6	-13.7	-13.5	-12.2	-19.1
Trade balance (Y100 mil)	-2,614	-5,675	-1,213	1,048	-3,875	1,389	-6,477	2,422	7,550

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

Trade surplus becomes well established despite stagnant export volume

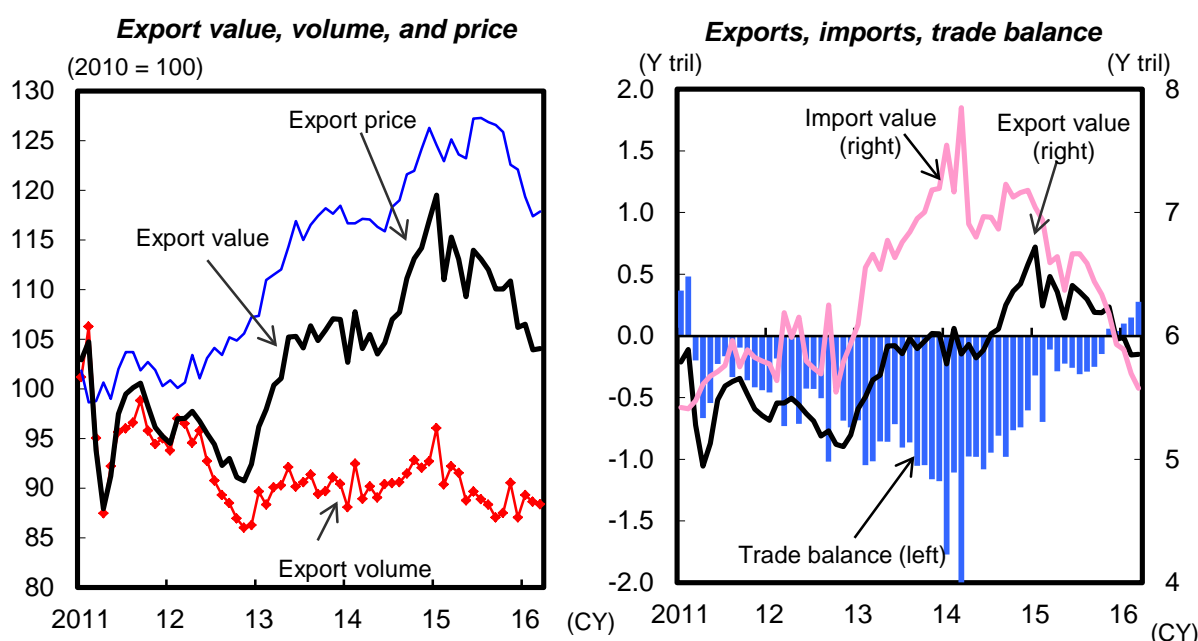
According to March 2016 trade statistics, export value fell for the sixth consecutive month by -6.8% y/y, with market consensus (-7.0%) at pretty much the same level. The decline in export value was due to the strong yen and the decline in export prices (-5.8%) especially in the area of petroleum products. Export volume was also down at -1.0%, falling for the first time in two months.

Export value in seasonally adjusted terms was up by +0.1% m/m. Meanwhile, export volume fell by -0.3% (seasonal adjustment by DIR), and continues to mark time. Looking at export volume by source of demand, EU exports were up by +6.5% due to major growth in exports of ships, while exports to the US were also up, though by a small percentage at +0.8% along with exports to Asia, up by +0.7%. As for performance in terms of types of goods, exports of automobiles and related parts remain favorable. Exports of automobiles to both the US and EU continue to expand, while exports of automobiles to China are also growing considerably due to the effects of economic policy. Meanwhile, exports of materials and capital goods, mainly to Asia and the US, continue to perform unfavorably. The weak performance for materials and capital goods are a reflection of corporate sector demand, which is affected by low operating rates worldwide, and low prices of natural resources. On the other hand, these results also confirm the structural trend whereby demand related to household consumption remains favorable, supported by the accommodative financial environment.

Meanwhile, import value declined for the fifteenth consecutive month at -14.9% y/y. Looking at import value in terms of price factors and volume factors, we see that the import price continues to decline due to the collapse in the price of crude oil and the progressively strong yen. The import price was down by -19.1% y/y. On the other hand, import volume grew for the first time in four months by +5.2%. In seasonally adjusted terms, import value declined for the eighth consecutive month at -2.1%. The trade balance was in the black to the tune of +755 bil yen, its second consecutive month of surplus. Looking at the trade balance in seasonally adjusted terms, the improvement was due to the decline in import prices, especially in the area of petroleum products, making this the fifth consecutive month of trade surplus.

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.

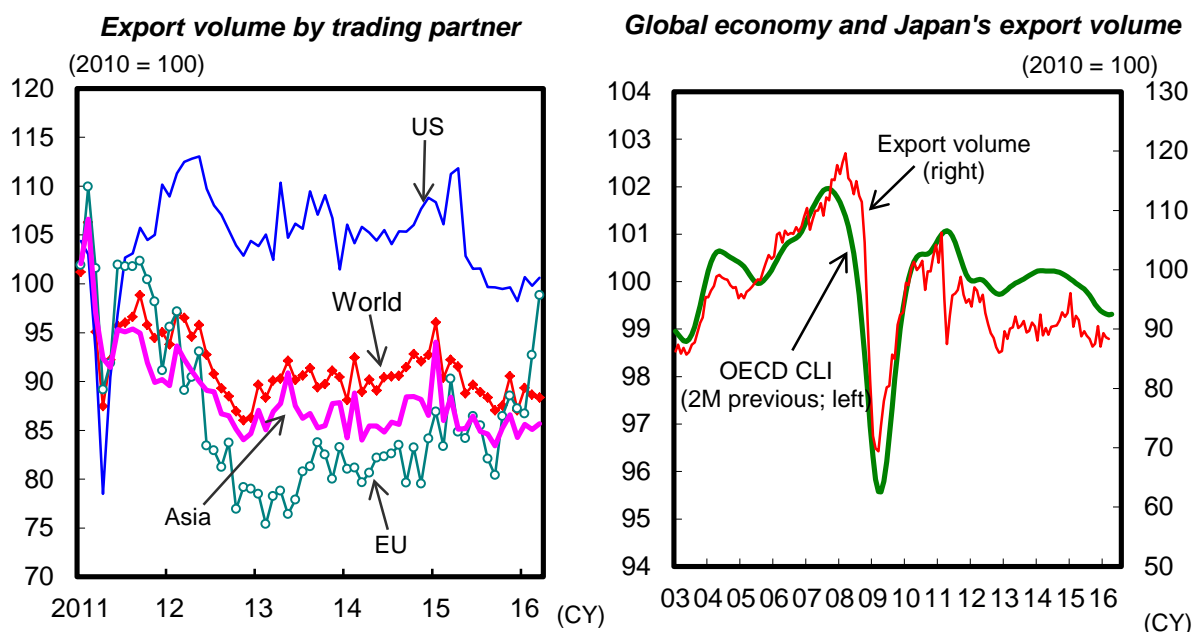
Worldwide corporate demand expected to be unfavorable, while demand related to household consumption is expected to be favorable

As for the future of exports, there is a very good possibility that performance will continue to mark time, with some ups and downs along the way. There are signs of a slowdown in the US economy, but backed by improvements in the employment environment, exports of consumer goods to the US will likely continue a steady undertone. As for exports to the EU, the low 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. The Asian economy shows signs of capital outflow beginning to slow down due to the slowdown of the US economy as well as the depreciation of the dollar and the decline in interest rates. As suggested here, the favorable turn in the external environment and the effects of monetary easing are expected to find themselves reflected in a recovery in demand for consumer goods.

However, we expect that it will take quite a bit more time for a significant and sustainable recovery in overseas demand to take hold. There is a good possibility that exports of capital goods and materials to both the US and Asia will continue to be unfavorable due to the past collapse in the price of crude oil and the strong dollar, which are a burden on the US corporate sector, and the continuing necessity of adjustments which Asian economies still need to carry out in regard to overcapacity. Meanwhile, caution is required as regards stagnant export value, which is a reflection of the progressively stronger yen since the beginning of the year, since it will likely influence corporate earnings on a yen basis.

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