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April Trade Statistics

Effects of Kumamoto earthquake on trade are limited

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Summary

- According to April 2016 trade statistics, export value fell for the seventh consecutive month by -10.1% y/y. Results were generally aligned with market consensus at -9.9%. While export price showed signs of bottoming out, export volume declined, bringing downward pressure on export value. Import value also declined for the sixteenth consecutive month at -23.3% y/y. This put the trade balance in the black for the third consecutive month at +823.5 bil yen. Looking at the trade balance in seasonally adjusted terms, the extent to which trade balance was in the black increased in comparison to the previous month, suggesting that the trade surplus has become well established.
- 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. The effects of monetary easing in the world economy overall produces a financial environment which is expected to provide support for relatively favorable demand in the area of consumer goods. However, we expect that it will take quite a bit more time for a significant and sustainable recovery in demand for materials and capital goods (in other words corporate sector demand) to take hold as low operating rates continue, along with the decline in raw materials prices. 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				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Export value (y/y %)	3.1	0.5	-2.2	-3.4	-8.0	-12.9	-4.0	-6.8	-10.1	
Market consensus (Bloomberg)									-9.9	
DIR estimate									-9.5	
Import value (y/y %)	-3.2	-11.0	-13.4	-10.2	-18.0	-17.8	-14.2	-14.9	-23.3	
Export volume (y/y %)	-4.1	-3.9	-4.6	-3.1	-4.4	-9.1	0.2	-1.0	-4.6	
Export price (y/y %)	7.5	4.6	2.5	-0.3	-3.8	-4.1	-4.2	-5.8	-5.7	
Import volume (y/y %)	-0.7	-1.9	-3.8	1.7	-5.0	-5.0	-2.4	5.2	-7.5	
Import price (y/y %)	-2.5	-9.3	-9.9	-11.6	-13.7	-13.5	-12.0	-19.1	-17.1	
Trade balance (Y100 mil)	-5,675	-1,213	1,048	-3,875	1,389	-6,477	2,399	7,542	8,235	

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

Though some industries were affected by the Kumamoto earthquake, the extent of decline in overall export volume is limited

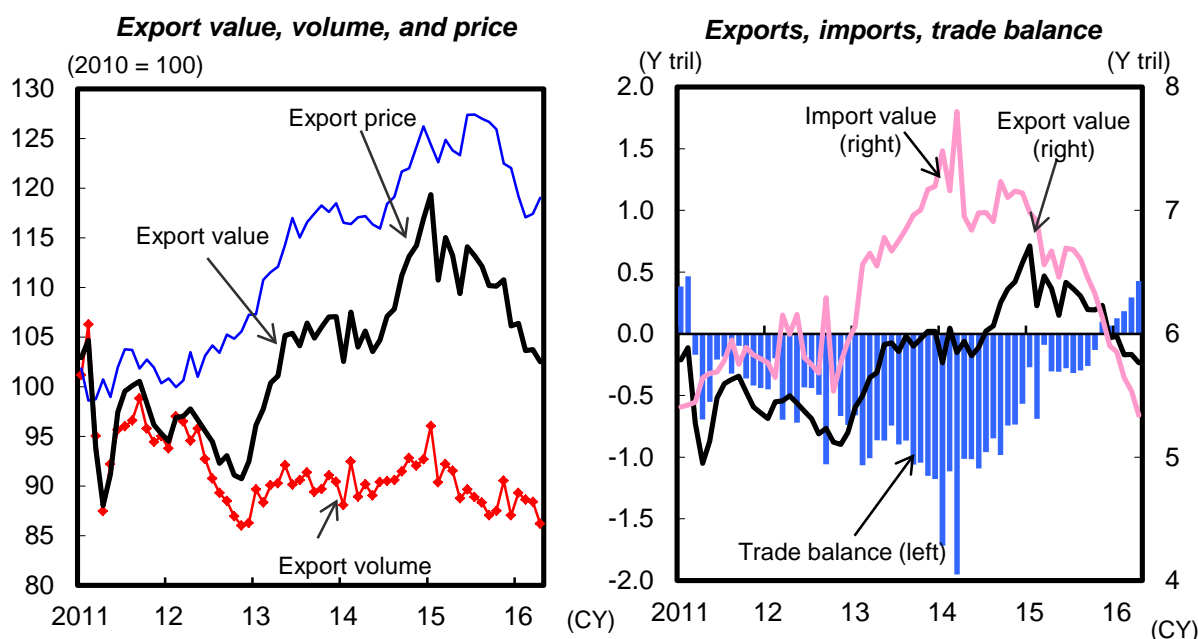
According to April 2016 trade statistics, export value fell for the seventh consecutive month by -10.1% y/y. Results were generally aligned with market consensus at -9.9%. While export price showed signs of bottoming out, export volume declined, bringing downward pressure on export value. Import value also declined for the sixteenth consecutive month at -23.3% y/y. This put the trade balance in the black for the third consecutive month at +823.5 bil yen. Looking at the trade balance in seasonally adjusted terms, the extent to which trade balance was in the black increased in comparison to the previous month, suggesting that the trade surplus has become well established.

Export value in seasonally adjusted terms was down by -1.2% m/m. Meanwhile, export volume fell by -2.5% (seasonal adjustment by DIR), showing signs of temporary weakness. This suggests the possibility of negative effects from the Kumamoto earthquake, but the extent of decline in export volume overall was limited, hence we can assume that the effects of the Kumamoto earthquake on trade statistics was also limited. Looking at export volume by source of demand, US exports were down by -3.6%, while EU exports were also down by -7.4%, and exports to Asia down by -2.9%. Exports of automobiles to the US decline, suggesting the possibility that this may have been due to the partial shutdown of factory operations in the Kyushu area due to the Kumamoto earthquake. As for exports to the EU, the export of ships, considered to be a special factor to begin with, though one which provided major upward pressure in the past, appears to have peaked out.

Meanwhile, looking at import value in terms of price factors and volume factors, we see that the import price continues to decline, though at -17.1% y/y, the extent to which it declined this time around was less than in the previous month when it was down by -19.1% y/y. Import price now shows signs of bottoming out as the decline in the price of crude oil gradually comes to a stop. Import volume declined for the first time in two months by -7.5%. In seasonally adjusted terms, import value declined for the tenth consecutive month at -2.1%.

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.

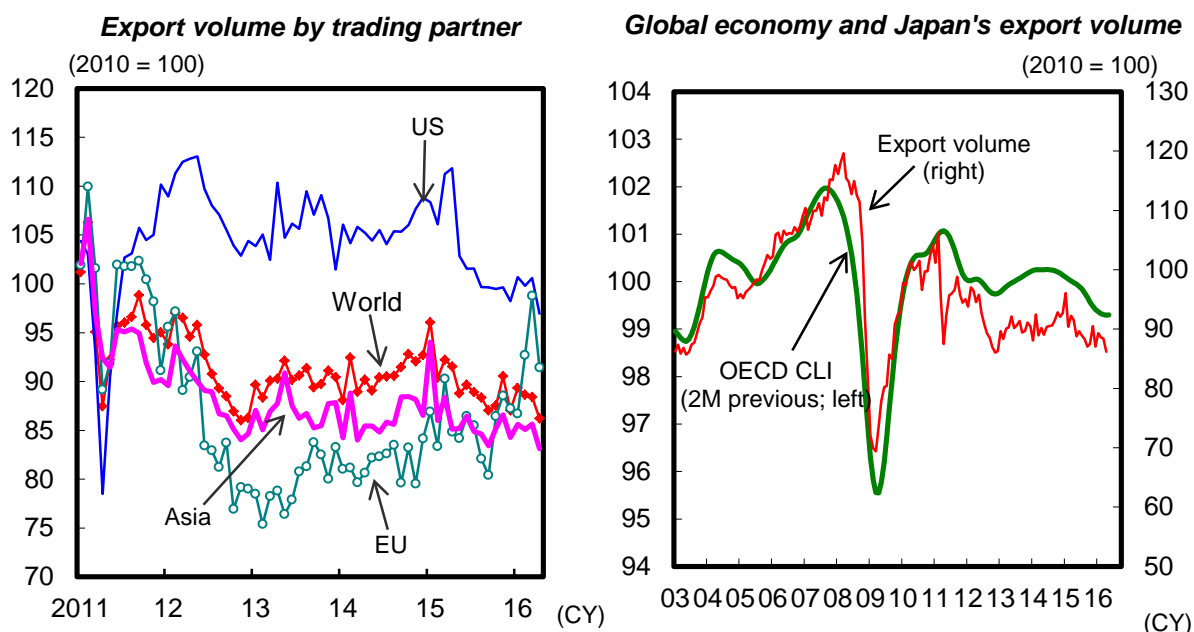
Worldwide corporate demand unfavorable, while household consumption is favorable

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. The US economy continues its slowdown, 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, exports to the EU are 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