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November Trade Statistics

Export volume wins major growth; auto exports to US show strength

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Summary

- According to November 2016 trade statistics, export value declined for the fourteenth consecutive month by -0.4% y/y. The extent of the decline shrank significantly in comparison to the previous month, while at the same time exceeding market consensus. Last October export volume suffered a decline, but the November result jumped considerably. This was the main factor behind November's export value being on the up side. Import value declined for the 23rd consecutive month by -8.8% y/y, bringing the trade balance into the black for the third consecutive month at +152.5 bil yen.
- Export value in seasonally adjusted terms grew for the fourth consecutive month at +4.3% m/m, while export volume grew as well for the third consecutive month by +4.5% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to the US grew for the third consecutive month at +1.7%. Meanwhile, EU exports grew for the third consecutive month by +0.9%, with exports to Asia up for the second consecutive month at +4.0%. As for export volume by product, export volume of autos to the US grew, while exports of auto parts to both Asia and the US also won major growth. Export volume of ICs to Asia, which had weakened temporarily, grew along with export volume of recording media, leading overall performance to positive gains.
- As for the future of exports, there is a very good possibility that moderate growth can be maintained due to the continuing growth in overseas economies. However, more time will likely be required for overseas demand to build a sustainable recovery. In addition, if protectionist sentiments, such as are seen in the Trump administration now forming, begin to spread around the world, there is a risk that global trade value will shrink significantly. We therefore urge caution as regards overall lingering risks.

Trade Statistics

Chart 1

	2016									
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Export value (y/y %)	-6.8	-10.1	-11.3	-7.4	-14.0	-9.6	-6.9	-10.3	-0.4	
Market consensus (Bloomberg)									-2.3	
DIR estimate									-1.2	
Import value (y/y %)	-14.9	-23.3	-13.7	-18.7	-24.6	-17.2	-16.2	-16.5	-8.8	
Export volume (y/y %)	-1.0	-4.6	-2.4	3.1	-2.4	0.8	4.7	-1.4	7.4	
Export price (y/y %)	-5.8	-5.7	-9.1	-10.1	-11.9	-10.3	-11.1	-9.0	-7.3	
Import volume (y/y %)	5.2	-7.5	3.6	0.4	-4.0	3.8	-1.5	-2.4	3.6	
Import price (y/y %)	-19.0	-17.0	-16.7	-19.1	-21.5	-20.2	-14.9	-14.4	-12.0	
Trade balance (¥100 mil)	7,491	8,207	-429	6,907	5,104	-229	4,932	4,960	1,525	

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

Export volume makes switch to y/y gains; trade balance in black for third consecutive month

According to November 2016 trade statistics, export value declined for the fourteenth consecutive month by -0.4% y/y. The extent of the decline shrank significantly in comparison to the previous month (-10.3% y/y in October), while at the same time exceeding market consensus at -2.3%. Last October export volume suffered a decline of -1.4% y/y, but the November result jumped to +7.4%. This was the main factor behind November's export value being on the up side. Meanwhile, import value declined for the 23rd consecutive month by -8.8% y/y, bringing the trade balance into the black for the third consecutive month at +152.5 bil yen. Since mid-November the yen has been weak, but since this is not reflected in the trade statistics till three weeks later, the Japan Customs rate for November was 104.94 yen to the dollar. As a result, the export price declined in y/y terms by -7.3%. The recent shift to a weak yen is expected to show up in trade statistics in December and beyond.

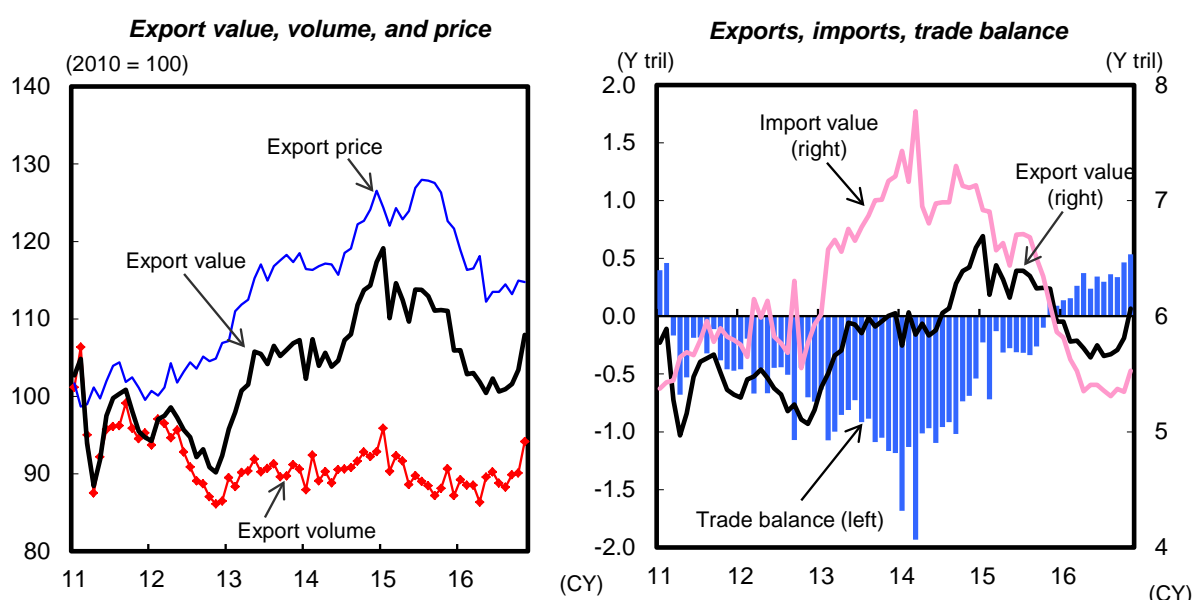
Export volume grows for third consecutive month; auto exports to US continue growth

Export value in seasonally adjusted terms grew for the fourth consecutive month at +4.3% m/m, while export volume grew as well for the third consecutive month by +4.5% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to the US grew for the third consecutive month at +1.7%. Meanwhile, EU exports grew for the third consecutive month by +0.9%, with exports to Asia up for the second consecutive month at +4.0%.

As for export volume by product, export volume of autos to the US grew, while exports of auto parts to both Asia and the US also won major growth. Export volume of ICs to Asia, which had weakened temporarily, grew along with export volume of recording media, leading overall performance to positive gains. On the other hand, exports of iron & steel, as well as non-ferrous metals and other raw materials were disappointing.

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.

Import value continues y/y decline, but extent of decline shrinks due to rebound in price of crude oil

Looking at import value in terms of price factors and volume factors, we see that the import price declined by -12.0% y/y, while import volume grew by +3.6%. The unit price of crude oil imports at one point recorded a y/y decline of over 40%, but as of November the extent of the decline had shrunk to -10.5% y/y. The negative effect on import value overall has also been reduced considerably.

In seasonally adjusted terms, import value grew for the first time in two months by +3.4% m/m, while import volume grew for the second consecutive month by +1.6% (seasonal adjustment by DIR). The trade balance in seasonally adjusted terms was in the black at +536.1 bil yen.

Moderate growth trend seen in future

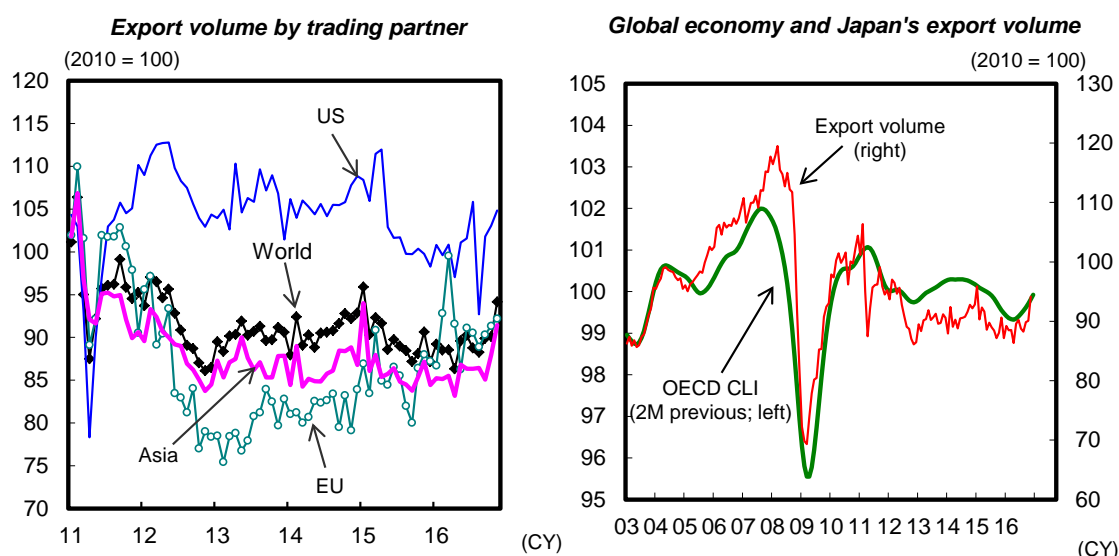
As for the future of exports, there is a very good possibility that moderate growth can be maintained due to the continuing growth in overseas economies. Exports of consumer goods to the US are expected to maintain underlying strength backed by improvements in the US employment environment. In the long-term, risk may likely increase as the Trump administration formally takes hold of the reins of power, but in the short-term, possibilities are high that the economy will speed up, and this will be a plus factor for exports for the immediate future.

However, growth in corporate earnings will likely stay on the low side, meaning that growth in exports of capital goods will be limited. As for exports to the EU, the effects of the ECB quantitative easing are encouraging a comeback. All in all, recovery is expected to continue. As for the Asian economy, risks remain due to economic and financial trends in the first world economies, but economies in Asia appear to have bottomed out. With major fluctuations in the prices of metals and other materials, chances are high that the cautious attitude will continue as regards capital goods, but demand for consumer goods is expected to recover.

More time will likely be required for overseas demand to build a sustainable recovery. In addition, if protectionist sentiments, such as are seen in the Trump administration now forming, begin to spread around the world, there is a risk that global trade value will shrink significantly. We therefore urge caution as regards overall lingering risks.

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