

20 November 2017 (No. of pages: 3)

Japanese report: 20 Nov 2017

October Trade Statistics

Export volume gets a lift from EU and Asia due to rising demand for semiconductor manufacturing equipment

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Summary

- According to October trade statistics, export value grew by +14.0% y/y, while falling below market consensus at +15.7%. The extent to which export value grew shrank just slightly in comparison to the previous month's result of +14.1%. Growth in export volume to Asia was behind positive performance. The Japan Customs rate in October was 112.40 yen/dlr, representing yen depreciation of 9.8% in y/y terms.
- Looking at the seasonally adjusted values, we see export value up at +2.0% m/m, with export volume growing for the first time in two months at +0.7% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to the US were down by -2.2% m/m due to declines suffered in exports of both semiconductor manufacturing equipment and automobiles. On the other hand, exports to the EU (+4.1% m/m) helped push up overall results, with Asia also positive at +3.9%.
- As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed is continuing its tight money policy. This could bring downward pressure on the US economy, while at the same time encouraging capital outflows from the emerging nations.

Trade Statistics

Chart 1

	2017									
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Export value (y/y %)	11.3	12.0	7.4	14.9	9.6	13.4	18.1	14.1	14.0	
Market consensus (Bloomberg)									15.7	
DIR estimate									16.0	
Import value (y/y %)	1.3	15.9	15.2	17.9	15.5	16.3	15.3	12.1	18.9	
Export volume (y/y %)	8.3	6.6	4.2	7.5	4.0	2.6	10.4	4.8	3.8	
Export price (y/y %)	2.8	5.0	3.2	6.9	5.5	10.5	7.0	8.9	9.8	
Import volume (y/y %)	-4.3	4.2	4.9	5.4	4.2	3.2	2.4	-0.2	3.2	
Import price (y/y %)	5.8	11.3	9.8	11.8	10.8	12.6	12.6	12.3	15.2	
Trade balance (Y100 mil)	8,111	6,103	4,792	-2,064	4,414	4,220	1,095	6,677	2,854	

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

Trade balance in black for fifth consecutive month

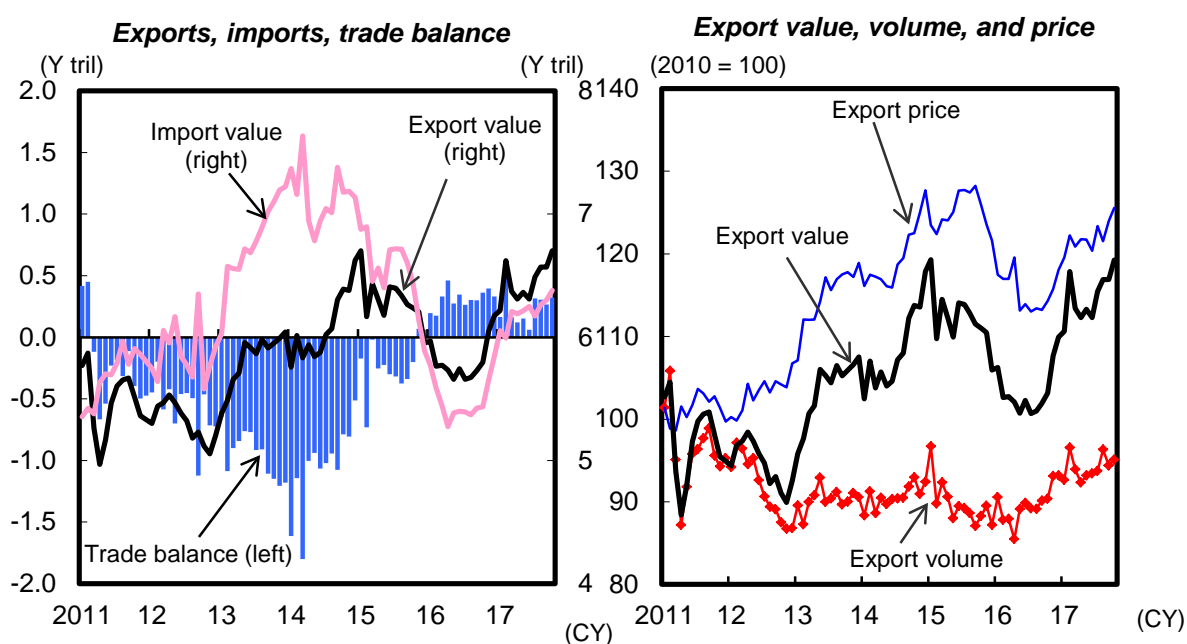
According to October trade statistics, export value grew by +14.0% y/y, while falling below market consensus at +15.7%. The extent to which export value grew shrank just slightly in comparison to the previous month's result of +14.1%. Meanwhile, import value grew by +18.9% y/y in comparison to the previous month's +12.1%, thereby increasing its rate of growth. The trade balance was in the black for the fifth consecutive month at +285.4 bil yen.

Looking at export and import value in terms of price and volume factors, we see that the volume factor in export value grew in the area of exports centering on Asia, and this caused the extent of growth in export value to reach about the same level as the previous month. As for import value, both the volume factor and the import price contributed to gains, resulting in a higher rate of growth. The Japan Customs rate in October was 112.40 yen/dlr, representing yen depreciation of 9.8% in y/y terms.

Looking at the seasonally adjusted values, we see that export value was up by +2.0% m/m, while import value was up by +1.2%, resulting in a seasonally adjusted trade balance in the black at +322.9 bil yen. The extent to which the trade balance was in the black increased in comparison to last month's result of +266.6 bil yen.

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.

Growth in export volume to Asia compensates for decline in export volume to the US, leading to overall growth

Export volume (seasonally adjusted by DIR) won growth for the first time in two months at +0.7% m/m.

Looking at export volume by source of demand, exports to the US were down by -2.2% m/m, due to major declines suffered in exports of both semiconductor manufacturing equipment and automobiles. As for automobile exports, considering how the US domestic market has been showing signs of peaking out, they have continued favorably up to this point, but now the growth trend for auto exports appears to be quieting down.

On the other hand, exports to the EU (+4.1% m/m) helped push up overall results, with Asia also positive at +3.9%. As for exports to the EU, major growth in exports of semiconductor manufacturing equipment helped push up overall results. Meanwhile, exports of automobile, whose share of overall exports is large, remained at a high level even as the current growth rate moves closer to peaking out. Exports of semiconductor manufacturing equipment are also on the rise in Asia, with major growth in this area leading to positive results overall. Exports of ICs declined a bit, but are maintaining at a high level, hence there is no need for excessive worries here. Manufacturing equipment for semiconductors and other products are growing rapidly in terms of their share of overall exports in a continued increase in global demand for semiconductors.

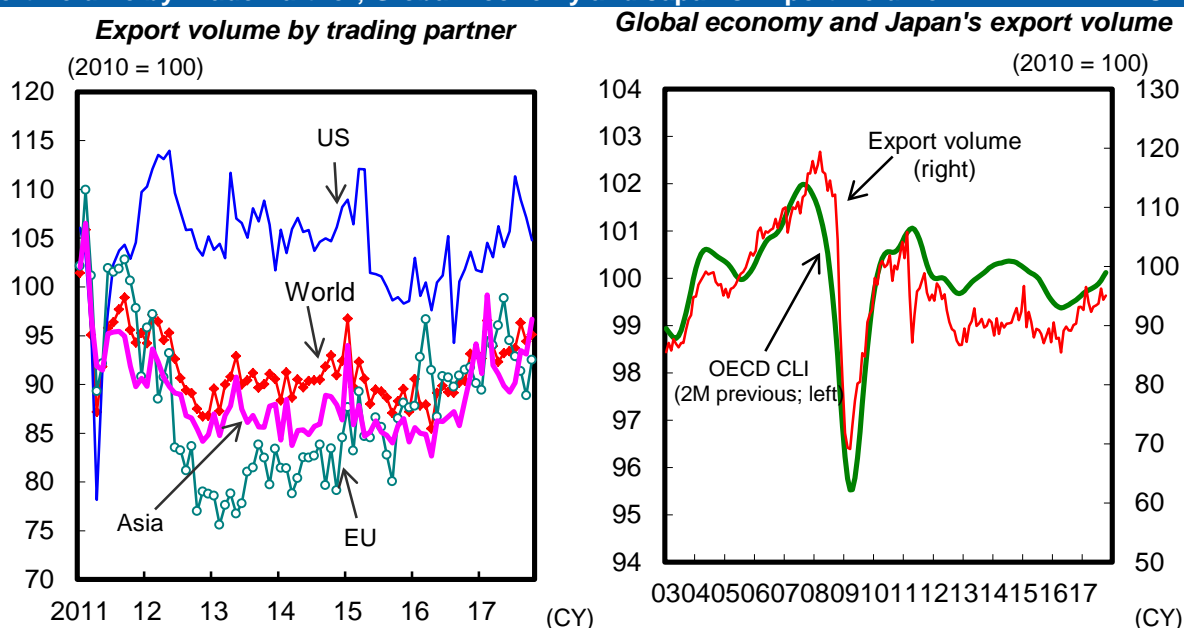
Moderate growth seen for export volume

As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. With global demand for semiconductors on the rise, exports of semiconductors and semiconductor manufacturing equipment to the US and Asia are expected to see a growth trend despite fluctuations.

The US economy is in a recovery phase, and exports to that country are expected to win moderate growth. Meanwhile, exports to the EU are expected to expand with the EU economy shifting into a balanced growth phase backed by personal consumption, which has been the leader in growth in the past, and recent growth in fixed capital formation such as capex.

However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed is continuing its tight money policy. Passenger vehicles, Japan's major export to the US, have already been showing signs of local demand peaking out. Meanwhile, tight money policy could bring downward pressure on the US economy, while at the same time encouraging capital outflows from the emerging nations. Moreover, the ECB is also expected to begin the tapering process starting next year, with reduction in asset purchases also having been announced. This could become a factor bringing downward pressure on the EU economy, and hence caution is advised.

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.