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# November Trade Statistics

**Export volume grows for the second consecutive month due to growth in exports of automobiles to the US and ICs to Asia**

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## Summary

- According to November trade statistics, export value grew by +16.2% y/y, while market consensus was at +14.7%, thereby expanding the extent of growth in comparison to the previous month (+14.0%). Growth in export volume to the US and Asia provided backing for these results. The Japan Customs rate in November was 113.54 yen/dlr, representing yen depreciation of 8.2% in y/y terms.
- Looking at the seasonally adjusted values, we see export volume up for the second consecutive month by +3.4% m/m. Looking at export volume by source of demand, the US was up by +3.4% as a result of growth in exports of automobiles and automobile parts, while exports to Asia grew by +2.7% due to an increase in exports of ICs and iron & steel. On the other hand, the negative factor was exports to the EU where were down by -3.4% due to a major decline in exports of automobiles, and computer parts.
- 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 the current trend in monetary policies in the US and Europe. In the US, the Fed is continuing its tight money policy, and the ECB has announced that it will begin reducing its asset purchases (tapering) beginning next year. There is risk that tight money policy on the part of central banks in both the US and Europe could bring downward pressure on those economies.

## Trade Statistics

Chart 1

	2017								
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Export value (y/y %)	12.0	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2
Market consensus (Bloomberg)									14.7
DIR estimate									13.4
Import value (y/y %)	15.9	15.2	17.9	15.5	16.3	15.3	12.1	18.9	17.2
Export volume (y/y %)	6.6	4.2	7.5	4.0	2.6	10.4	4.8	3.8	5.5
Export price (y/y %)	5.0	3.2	6.9	5.5	10.5	7.0	8.9	9.8	10.1
Import volume (y/y %)	4.2	4.9	5.4	4.2	3.2	2.4	-0.2	3.2	2.6
Import price (y/y %)	11.3	9.8	11.8	10.8	12.6	12.6	12.4	15.2	14.2
Trade balance (¥100 mil)	6,103	4,792	-2,064	4,414	4,220	1,095	6,640	2,846	1,134

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

## Export value grows by +2.2% m/m; trade balance in black for sixth consecutive month

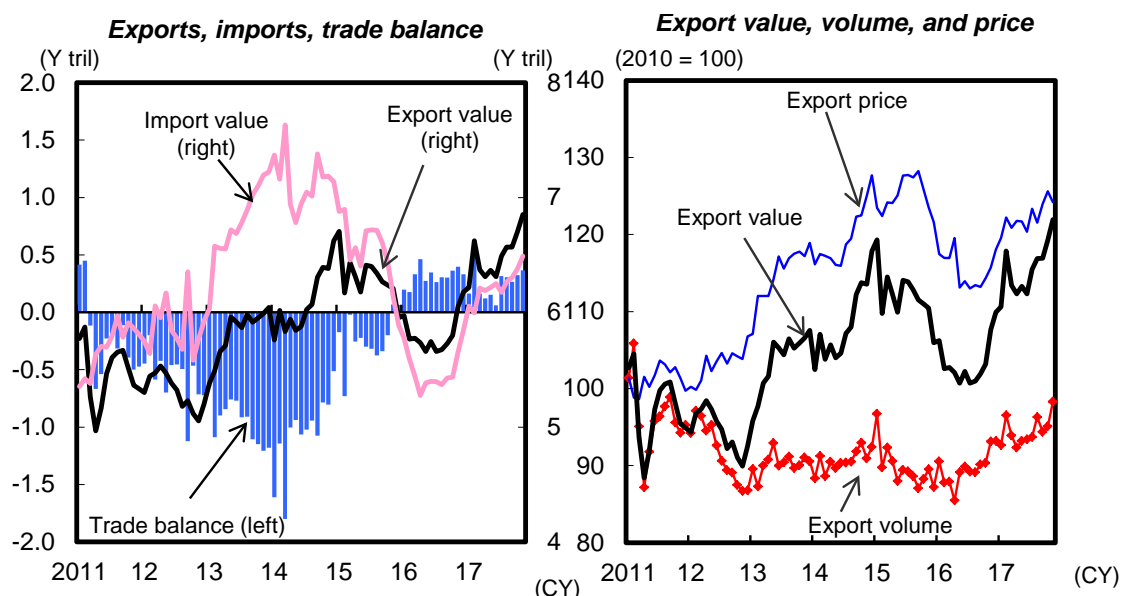
According to November trade statistics, export value grew by +16.2% y/y, while market consensus was at +14.7%, thereby expanding the extent of growth in comparison to the previous month (+14.0%). In contrast, the extent to which import value grew (+17.2%) shrank in comparison to the previous month's result of +18.9%. Meanwhile, the trade balance was in the black for the sixth consecutive month at +113.4 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 for exports centering on the US and Asia, and as a result, the extent of growth in export value grew to a greater extent than the previous month. As for import value, both the volume factor and the price factor contributed to gains, but the rate of growth was slower. As for the extent of growth in the import price in comparison to the previous year, November registered +14.2% in comparison to the previous month, shrank somewhat at +15.2%. However, it is currently moving upward again due to growth in the price of crude oil. The Japan Customs rate in November was 113.54 yen/dlr, representing yen depreciation of 8.2% in y/y terms.

Looking at the seasonally adjusted values, we see export value up at +2.2% m/m, while import value grew by +1.7%. The trade balance was in the black at +364.1 bil yen, increasing the extent of its growth in comparison to the previous month when it was at +349.3 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.

## Exports to US and Asia grow

Export volume (seasonally adjusted by DIR) won growth for the second consecutive month at +3.4% m/m. Looking at export volume by source of demand, exports to the US (+3.4%) and Asia (+2.7%) provided leverage for overall performance.

As for the US, growth in exports of automobiles and automobile parts appears to have given overall performance a boost. Exports of automobiles performed fairly well in consideration of the fact that there has been a sense that the US market is about to peak out. As for exports to Asia, growth in exports of ICs and iron & steel appears to have brought a major contribution. Exports of ICs to Asia are maintaining at a high level.

On the other hand, exports to the EU brought downward pressure at -3.4% m/m. This was due especially to the decline in exports of automobiles and computer parts. Exports of automobiles, whose share of exports to the EU is large, remained favorable until the first half of 2017, but shifted into a downward trend during the 2<sup>nd</sup> half.

Export volume of semiconductor manufacturing equipment, which had been maintaining favorable growth until recently, suffered a major decline (-14.6% m/m) in terms of seasonally adjusted values in November (seasonal adjustment performed by DIR). While they maintain a high level, one should remain cautious as they could peak out at any time.

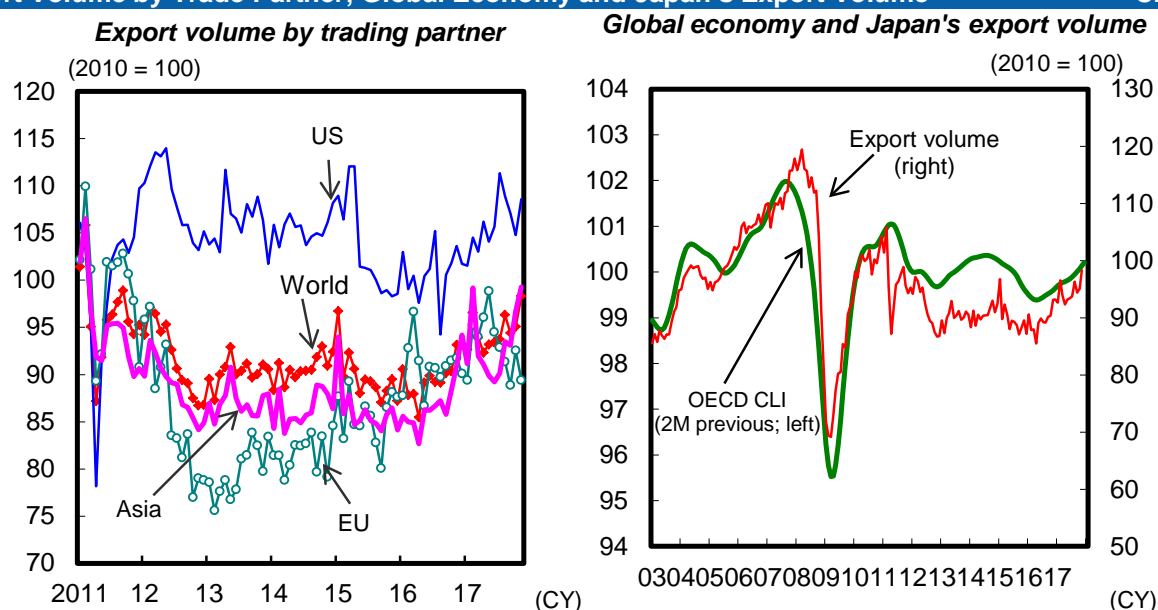
### Moderate growth seen for export volume

As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. The US economy is in a recovery phase. Growth was led by capital investment, reflecting a high level of business confidence, and favorable growth is expected to be maintained in the future. Exports to the US 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.

Issues requiring caution include Chinese economic slowdown and the current trend in monetary policies in the US and Europe. The Chinese economy may be moving into a slowdown now that the leverage it had gained during the run-up to the meeting of the National Congress of the Communist Party is falling by the wayside and environmental regulations are being strengthened. There is risk that this could become a negative factor for exports to China.

In the US, the Fed is continuing its tight money policy, and this could bring downward pressure on the economy. Moreover, it could trigger capital outflows from the emerging nations. Meanwhile, the ECB has announced that it will begin reducing its asset purchases (tapering) beginning next year. There is risk that tight money policy could bring downward pressure on the EU economy.

**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.