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March 2023 Trade Statistics

FY2022 trade deficit expected to hit historic high; Jan-Mar period overseas demand may see negative growth

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Summary

- According to March 2023 trade statistics, export value grew by +4.3% y/y, (-0.8% m/m in seasonally adjusted terms). Meanwhile, import value was up by +7.3% y/y (-1.2% on a seasonally adjusted basis). As a result, the trade deficit shrank moderately at -754.5 bil yen (-1,209.9 bil yen seasonally adjusted). Looking at FY2022 overall, the trade deficit recorded a historic high at -21,728.5 bil yen. Export volume declined by -3.9% y/y, while import volume maintained some stability at -1.6%, and import inflation brought upward pressure on import value.
- The rate of contribution of overseas demand to the Jan-Mar period real GDP growth rate is expected to take a negative turn. Export volume (seasonally adjusted by DIR) was down by -4.9% q/q, with declines in export volume to China (-10.3%) and the EU (-9.3%) the primary cause of the sluggish performance. On the other hand, import volume declined by a relatively small amount at -1.9%. Meanwhile, the rapid recovery in foreign visitors to Japan in recent weeks has propped up the export of services, but on a value basis, it was not enough to compensate for the decline in export of goods.
- Export volume in March (seasonally adjusted by DIR) marked time in comparison to the previous month. Exports of motor vehicles to the US and Europe were favorable as the shortage in semiconductors eased up further, but due to shrinking overseas demand, other goods created a drag on overall performance. Looking at export volume by source of demand, exports to the US were up by +2.4%, with the EU also up by +1.7%, while exports to Asia fell into decline at -4.3%.
- Export volume is expected to see an approaching decline in the future due mainly to the economic slowdown in the US. Meanwhile China is expected to see a recovery in the future, but the comeback in consumption of goods is a bit slow, and upward pressure on Japanese exports to that country will likely be limited. On the other hand, opinions have grown stronger of late that the Fed will bring a halt to interest rate hikes sometime in the middle of the year. If this becomes a reality, export volume could take a turn in the direction of positive growth with other positive factors helping, including the recovery in China's economy and the mitigation of supply constraints.

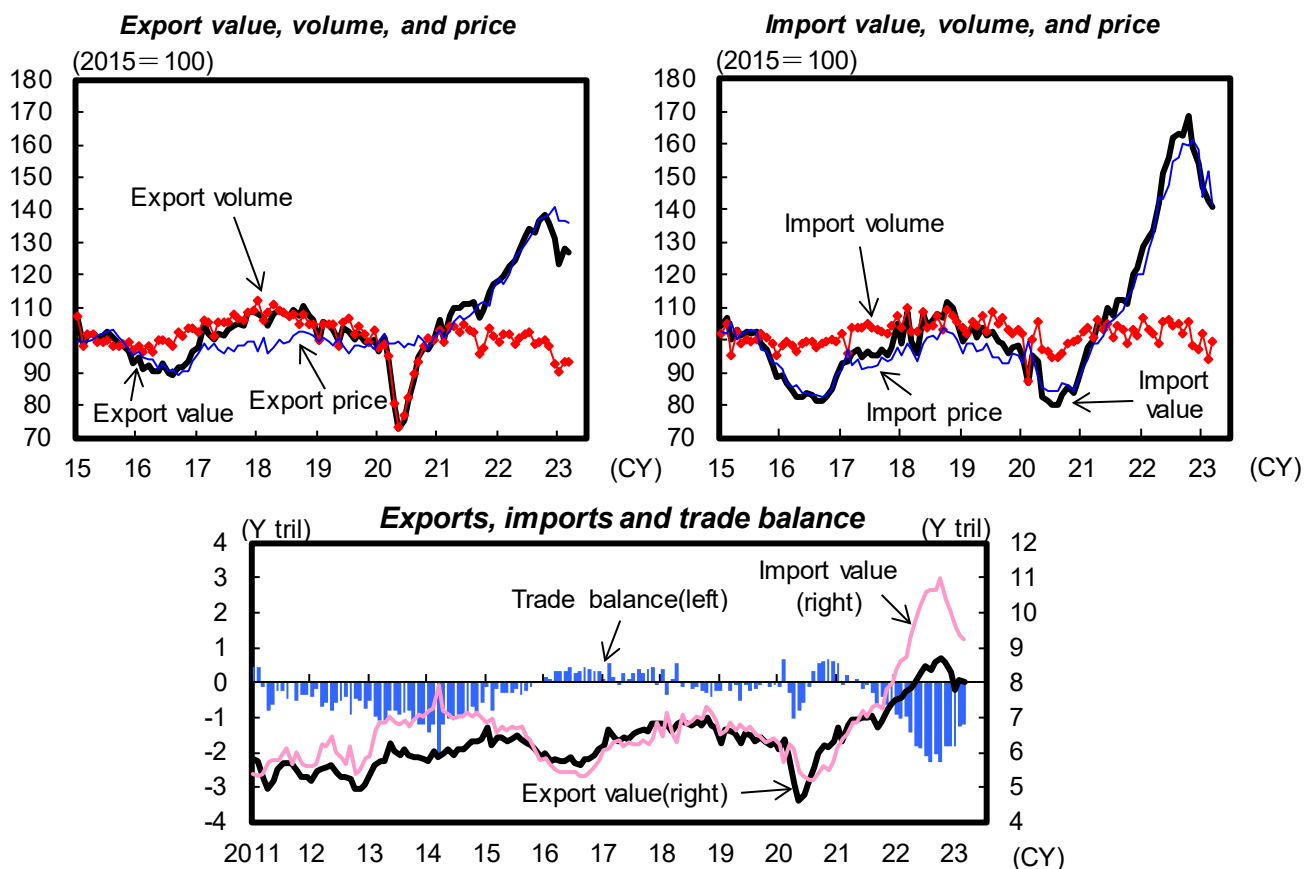
Trade Statistics **Chart 1**

	2022						2023		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Export value (y/y %)	19.0	22.0	28.9	25.3	20.0	11.5	3.5	6.5	4.3
Market consensus (Bloomberg)									2.4
DIR estimate									2.5
Import value (y/y %)	46.9	49.3	45.8	53.6	30.3	20.8	17.6	8.3	7.3
Export volume (y/y %)	-1.9	-1.1	3.8	-0.3	-3.6	-7.0	-10.9	-7.8	-8.1
Export price (y/y %)	21.4	23.4	24.2	25.7	24.4	19.9	16.1	15.5	13.6
Import volume (y/y %)	2.3	2.8	-1.6	5.7	-4.7	-6.4	-2.3	-7.8	-2.6
Import price (y/y %)	-0.0	-0.0	48.2	45.4	-0.0	29.0	20.4	17.4	10.2
Trade balance (Y100 mil)	-14,219	-27,904	-20,992	-21,715	-20,319	-14,586	-35,064	-8,981	-7,545
Export value (SA, m/m %)	1.7	-1.0	2.8	1.2	-1.7	-3.3	-6.1	3.7	-0.8
Export volume (SA, m/m %)	0.2	-3.2	0.2	0.9	-1.9	-5.3	-3.0	3.5	0.0
Export price (SA, m/m %)	1.5	2.2	2.6	0.3	0.2	2.1	-3.2	0.1	-0.8
Import value (SA, m/m %)	3.7	0.7	-0.1	3.4	-5.6	-2.9	-5.0	-2.8	-1.2
Import volume (SA, m/m %)	-1.2	0.1	-3.0	3.7	-6.6	-1.1	4.8	-7.9	6.0
Import price (SA, m/m %)	5.0	0.6	2.9	-0.3	1.1	-1.8	-9.4	5.6	-6.8
Trade balance (SA, Y100 mil)	-21,236	-22,864	-20,365	-22,956	-18,284	-18,098	-18,043	-12,530	-12,099
The Japan Customs rate (yen/dlr)	136.05	135.08	139.81	145.09	146.43	137.90	132.08	130.38	134.97

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

Note: Volume and price seasonally adjusted by DIR.

Export (Value, Volume and Price), Import (Value, Volume and Price) and Trade Balance **Chart 2**

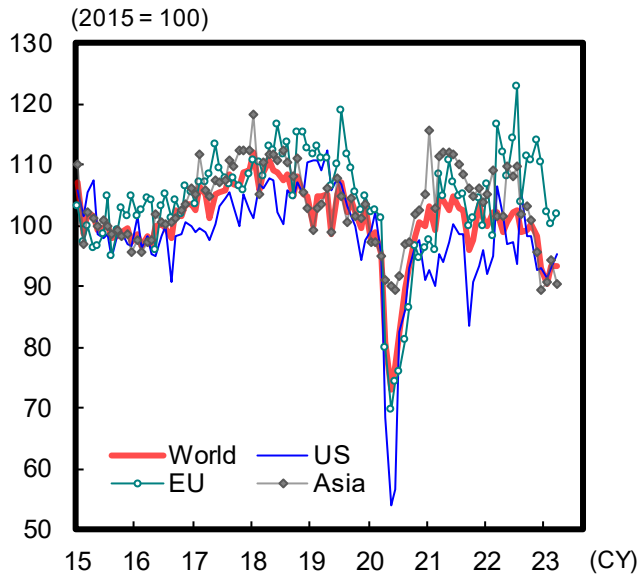


Source: Ministry of Finance; compiled by DIR.

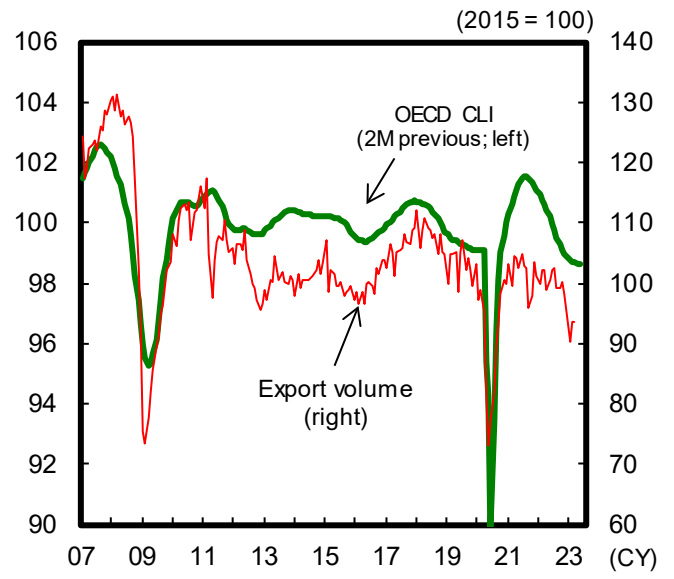
Note: Export volume and export price seasonally adjusted by DIR.

Export Volume by Trade Partner; Global Economy and Japan's Export Volume **Chart 3**

Export volume by trading partner



Global economy and Japan's export volume



Source: Ministry of Finance; OECD; compiled by DIR.
 Notes: 1) OECD CLI (Composite Leading Indicator): G20 countries.
 2) Export volume seasonally adjusted by DIR.