

PM Datanote: Exports, Japan, Oct

In one line: Japan's Exports Fall Unexpectedly in September on Weaker Asian Shipments

- Japan: Exports fell 1.7% y/y in September, after climbing 5.5% in June. Consensus was 0.9%.

Japan's export value growth surprised to the downside, falling by 1.7% y/y in September, from a downwardly

revised 5.5% in August, falling short of the consensus forecast of 0.9%. The negative outturn was partly due to base effects and weaker momentum. On a seasonally adjusted monthly basis, exports fell 1.7% m/m SA in September, marking the second consecutive month of negative growth. In volume terms, exports fell 6.9% y/y compared to -2.7% in August, according to Ministry of Finance data.

By key markets, the plunge in exports

was largely driven by falling regional shipments to Asia, particularly to China and ASEAN. Export growth to Asia as a whole dropped to just 0.3% y/y in September, down from 11.4% in the previous month, barely contributing to headline growth (0.1pp vs. 6.0pp a month ago). Specifically, exports to China and ASEAN fell by 7.3% and 2.5%, respectively, in September, after rising 5.2% and 6.1% in August. The contribution to growth from these two markets was a combined -1.7pp this month, a

stark contrast to +1.8pp in August. Additionally, shipment growth to Hong Kong, Korea, Taiwan, and Thailand slowed sharply in September due to base effects, registering 8.1%, 4.4%, 12.9%, and -8.6%, respectively, down from 27.3%, 14.1%, 21.6%, and 5.0% in August. Across the pond, exports to the US fell by 2.4%, down from -0.7% a month ago, shaving 0.5pp off headline export growth. Meanwhile, exports to the EU continued to weaken in September, falling by 9.0%, broadly unchanged

from August, detracting 0.9pp from overall growth.

By key products, exports were weighed down by car-related exports, likely affected by the ongoing auto safety test scandal. In September, car-related exports fell by a sharp 10.1%, compared to -8.2% a month ago, subtracting 2.2pp from headline growth. In contrast, strength in semiconductor export demand helped offset the weakness in car shipments, growing by 17.2% (vs.

24.8%), adding 2.2pp to export growth. Notably, mineral fuel (-49.8%) and construction machinery (-33.3%) exports plunged in September, lowering headline growth by 1.0pp and 0.7pp, respectively, down sharply from the +0.4pp contribution a month ago. Elsewhere, all other major export items saw demand growth grind to a halt in the 12 months to September. Shipment growth of chemicals (1.3% vs. 6.7%), electrical machinery (0.8% vs. 8.7%), manufactured goods (-0.3% vs. 5.7%), and machinery (-3.3% vs.

7.9%) all slowed from a month ago. The combined contribution of these four items was -0.4pp in September, a sharp contrast to a 4.3pp lift in August.

Looking ahead, we expect Japan's export growth to remain lukewarm, though the external environment is increasingly uncertain. Slowing shipment growth from key traditional markets such as the US and the EU weighed on the headline figure in September, though admittedly, part of

the weakness was due to base effects. Future demand from China remains a concern due to persistently weak domestic demand. Despite the recent announcement of various support policies targeting the property sector and local government debt risks, we still lack details on implementation and timing. As a result, we believe the recovery in demand from China will be gradual at best, as the support policies will take time to materialise. Additionally, the renewed auto safety test scandal, which is affecting several

major carmakers, will likely continue to impact production and exports as car plant inspections proceed. Regarding monetary policy, we expect rates to remain on hold at the next BoJ meeting on 31 October. All eyes are on the upcoming general election on 27 October to see if the LDP maintains its lower house majority. On the economic data front, we will be looking for signs of recovery in the upcoming Q3 GDP release (mid-November), and whether the wage-price virtuous cycle is

intensifying.

Contributions to annual growth, pp



