Asian Economic Monthly

Falling commodity prices and sluggish demand of the emerging countries depress Asian exports

AKI FUKUCHI
YUMA TSUCHIYA
ECONOMIC RESEARCH OFFICE

30 MARCH 2016
(ORIGINAL JAPANESE VERSION RELEASED ON 18 MARCH 2016)

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
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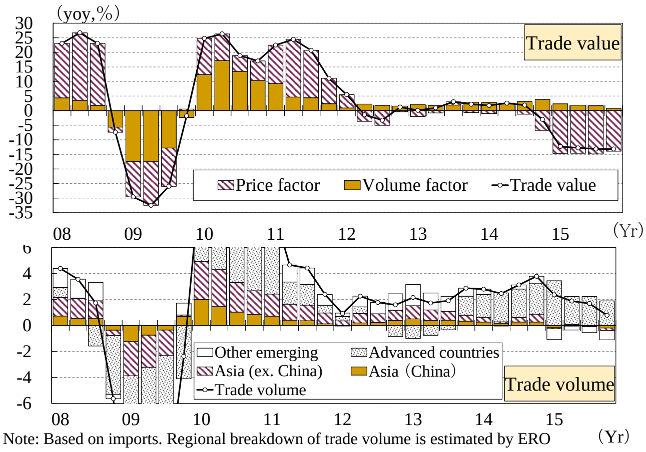
Exports in Asian countries remained depressed. In Indonesia which has a high dependency on resources, exports had a big drop of 14.3% yoy in January-February, reflecting the further fall of resource prices since latter half of last year, and Malaysia saw its exports decrease by 19.9% in January, with its width of decrease expanding from that of the previous month. Exports continue to register year-on-year-losses even in NIEs which have a low dependency rate on resource exports.

Stagnant exports are not limited to Asia. The world trade has also been registering double digit decrease yoy since 2015. Breaking the changes of the world trade down into price factor and quantity factor, it is confirmed that the decrease of the world trade since the latter of 2014 can be more accounted for by the price factor (the fall of commodity prices) (Chart 1). On the other hand for trade volume, although its growth rate has been decelerating due to the decrease of the emerging countries, with supported of the advanced countries it has maintained positive growth. The fall of resource prices that has led to the decrease of export volume is considered to be mainly caused by the decrease of demand in emerging countries, especially in China which is in the midst of adjustment process of excessive investment/excessive production, but it has also caused, coupled with the decrease of resource-related investment reflecting the price falls and sluggish economic growth in the resource-rich countries, weak global demand for goods.

The fall of commodity prices is unexceptionally the main cause of sluggish exports in Asia (ex. China). However, given the large share in exports, accompanied by deceleration of investment and production adjustment the impact of China's decline in demand may not be ignored. A look at the exports to China by product reveals that both NIEs and ASEAN have had a big drop in materials (Chart 2). In Korea, the fall of exports to Middle East, the largest destination of automobiles next to the US, has depressed the total exports with the negative contribution of ▲3.7% point in January-February, although the sluggish growth of the resource rich economies has also heavily weighted on the exports.

Looking ahead, the present export structure is expected to continue where in terms of volume decrease of demand from China will be compensated by the growth of demand from the advanced countries with expanding economy buoyed by domestically oriented demand. Meanwhile, oil prices, which hold the key for the outlook of the price factor, are beginning to pick up since the middle of February, supported by the agreement of four major countries to freeze increase in crude oil production. For the time being, it is expected that the pickup of oil prices will exert a greater impact to gradually stave off the fall of exports.

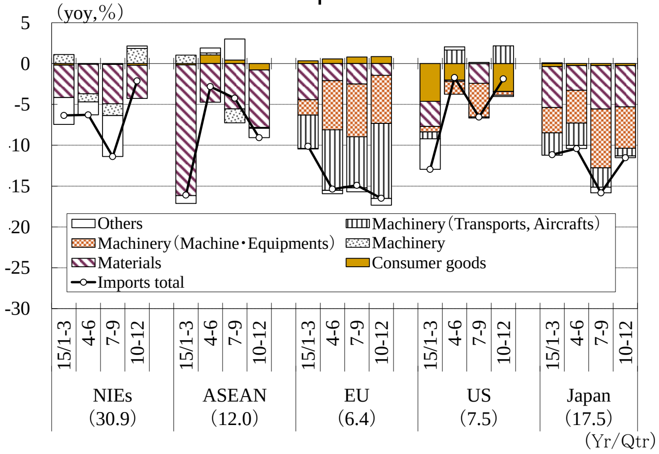
Chart 1：Value and Volume of World Trade



Note: Based on imports. Regional breakdown of trade volume is estimated by ERO based on import values in 2005.

Source: Compiled by BTMU based on the data of the IMF, Netherlands Bureau of Economic Analysis and China's Bureau of Statistics.

Chart 2：Exports to China



Notes:Based on China's import statistics. Materials include minerals, chemicals, plastic/natural rubber and metals. Numbers in () show the share in percent of China in exports of each area/country.

Source:Compiled by BTMU based on data of China Customs (GACC), the IMF and national data.

For further details, please contact the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ

Chief Manager Ishimaru Tel: 03-3240-3204

Directed by Shingo Takeshima <shingo_takeshima@mufg.jp>

Written by Aki Fukuchi <aki_fukuchi@mufg.jp>

Yuma Tsuchiya <yuuma_tsuchiya@mufg.jp>