

Japan

Japan's exports plunged at record pace in November, as signposted by PMI

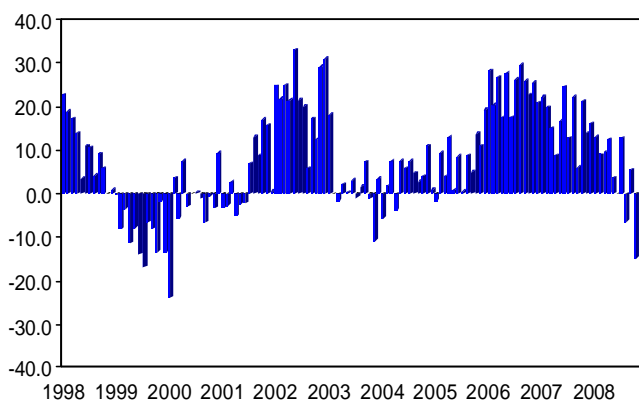
Key findings

- Japan's exports plummeted 26.7% from a year earlier.
- PMI anticipated severe drop in export orders.

Japanese export demand collapsed in November

The Japanese Customs Office reported that exports dropped by an unprecedented 26.7% year-on-year in November. Furthermore, official data indicated that car exports fell 31.9% from a year earlier (see chart 1), while electronics tumbled 29%. Meanwhile, exports to China and the US – Japan's two largest trading partners – dropped 24.5 and 33.8 percent respectively. Japanese exporters have been thwarted by a severe reduction in global demand over recent months, reflecting fears of a protracted economic downturn and negative shocks to credit lines. The strength of the Yen also contributed to the record drop in demand for Japanese goods in November, amplifying the woes of Japanese exporters.

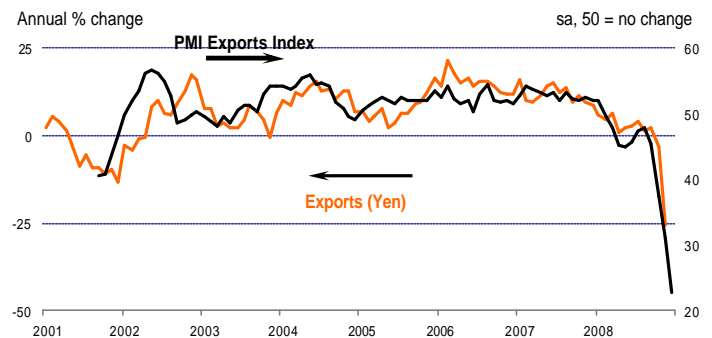
Chart 1: Japan Total Car Exports, A%C



PMI predicted sharp decline in exports

The PMI correctly anticipated the severe reduction in Japanese exports in November (see chart 2), as highlighted by a fall in November's seasonally adjusted New Export Orders Index to a new survey-record low of 31.1, a drop of 6.4 points from the previous month. Moreover, as PMI data are released approximately a month in advance of official METI data it is not only an accurate indicator of trends in Japanese export volumes, but also a more timely measure of Japan's export performance.

Chart 2: PMI New Export Orders Index vs. Official METI Export Data



Export demand set to weaken further

Provisional data (for the first twenty days of December) published on the 9th January by the Japanese Customs Office indicated that the pace of decline accelerated in December. This is in line with December's PMI New Exports Orders Index, which recorded a further 8.4 point drop to a new survey-low of 22.7. Japan's reliance on export-led growth suggests that its economy will slip deeper into recession moving into 2009, with a prolonged downturn highly likely.

The next Japan Manufacturing PMI is released on the 30th January 2009. To find out how to receive data from the surveys, or obtain copies of the reports please contact economics@markit.com

Alex Hamilton

Economist

Markit

Tel: +44 1491 418 676

Email: alex.hamilton@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.