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April Trade Statistics

Trade balance in the black for third consecutive month

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Summary

- According to April trade statistics, export value grew for the fifth consecutive month at +7.5% y/y, while at the same time falling below market consensus at +8.0%. Export volume in y/y terms grew less than in the previous month (+4.1% in April as compared to +6.6% in March), while export price also grew less than in the previous month (+3.2% in April as compared to +5.0% in March). Meanwhile, the Japan Customs rate in April was at 110.92 yen/dlr, meaning yen appreciation of 0.3% in y/y terms.
- Export value in seasonally adjusted terms suffered a decline for the second consecutive month at -0.2% m/m, along with export volume which also declined at -1.7% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to the US were up by +3.1% m/m, while exports to the EU were also up at +2.1%, both for the first time in two months. On the other hand, exports to Asia were down for the second consecutive month at -1.0%.
- As for the future of exports, we see moderate growth continuing due to the underlying strength of overseas economies. However, we advise caution as regards downside risk in the area of overseas demand. If US trade policy under the Trump administration becomes more protectionist, this could cause global trade to stagnate. We expect this issue to remain a risk factor for the mid to long-term.

Trade Statistics

Chart 1

	2016					2017				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Export value (y/y %)	-9.6	-6.9	-10.3	-0.4	5.4	1.3	11.3	12.0	7.5	
Market consensus (Bloomberg)									8.0	
DIR estimate									6.5	
Import value (y/y %)	-17.0	-16.1	-16.3	-8.7	-2.5	8.4	1.3	15.8	15.1	
Export volume (y/y %)	0.8	4.7	-1.4	7.4	8.4	-0.3	8.3	6.6	4.1	
Export price (y/y %)	-10.3	-11.1	-9.0	-7.3	-2.7	1.6	2.8	5.0	3.2	
Import volume (y/y %)	3.8	-1.6	-2.5	3.6	3.6	6.3	-4.3	4.2	5.0	
Import price (y/y %)	-20.1	-14.8	-14.1	-11.9	-5.9	2.0	5.8	11.2	9.7	
Trade balance (Y100 mil)	-346	4,866	4,812	1,465	6,359	-10,919	8,111	6,140	4,817	

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

Trade balance in the black for third consecutive month

According to April trade statistics, export value grew for the fifth consecutive month at +7.5% y/y, while at the same time falling below market consensus at +8.0%. Export volume in y/y terms grew less than in the previous month (+4.1% in April as compared to +6.6% in March), while export price also grew less than in the previous month (+3.2% in April as compared to +5.0% in March). Meanwhile, the Japan Customs rate in April was at 110.92 yen/dlr, meaning yen appreciation of 0.3% in y/y terms.

Meanwhile, import value grew for the fourth consecutive month at +15.1% y/y. Looking at import value in terms of price and volume factors, we see that the import price was up by +9.7%, while import volume grew by +5.0%. As a result, the trade balance was in the black for the third consecutive month at +481.7 bil yen.

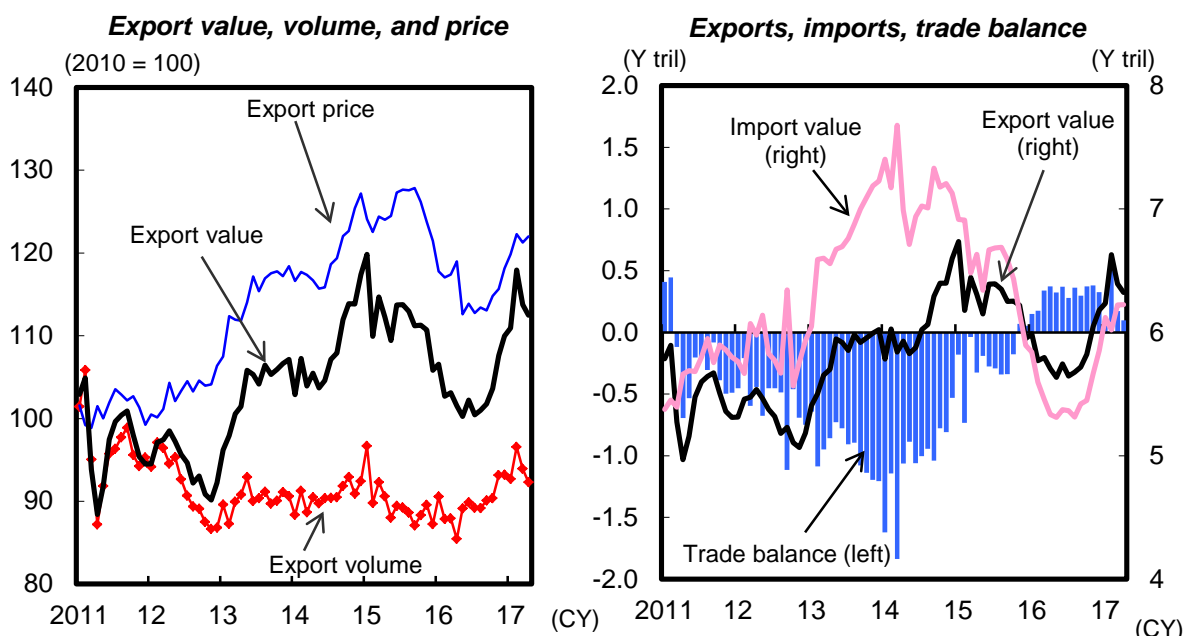
Export volume to US & EU grows, while Asia declines

Export value in seasonally adjusted terms suffered a decline for the second consecutive month at -0.2% m/m, along with export volume which also declined at -1.7% (seasonal adjustment by DIR).

Looking at export volume by source of demand, exports to the US were up by +3.1% m/m, while exports to the EU were also up at +2.1%, both for the first time in two months. On the other hand, exports to Asia were down for the second consecutive month at -1.0%. Exports to the US saw growth in non-ferrous metals and computers, while in addition, exports of passenger vehicles, which had been taking a breather recently, as well as two-wheelers also helped push overall performance up. As for exports to the EU, passenger vehicles and auto parts appeared to be taking a breather, while exports of non-ferrous metals and computers registered growth. Meanwhile, exports to Asia appeared to be taking a breather in terms of volume in the area of ICs.

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.

Import value declines for first time in two months

Looking at import value in seasonally adjusted terms, we see a decline for the first time in two months at -0.1% m/m, with import volume also down for the first time in two months at -1.0% (seasonal adjustment by DIR). On the other hand, import price grew for the first time in two months at $+1.1\%$.

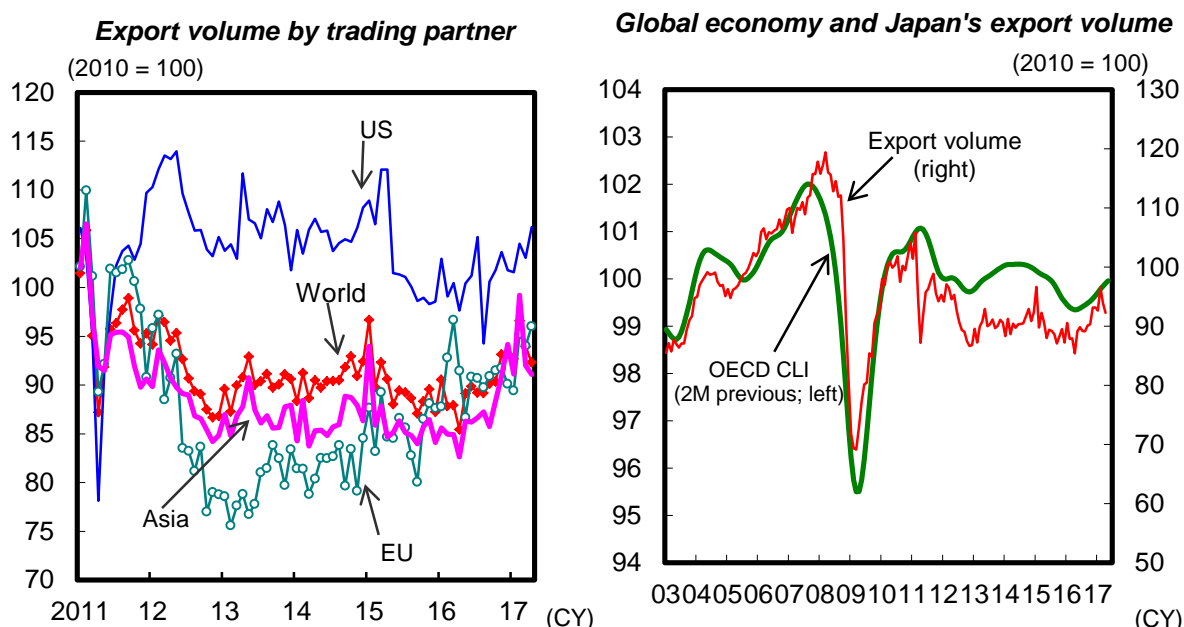
Moderate growth trend seen continuing in future, but caution recommended regarding Trump risk

As for the future of exports, we see moderate growth continuing due to the underlying strength of overseas economies. While exports to the US continue to be up and down, exports to the EU and Asia are expected to maintain a steady undertone. The decline in unemployment in the EU along with growth in disposable income suggest that the employment and income environments are in good shape, and this should bring improvements in consumer confidence, while giving a lift to Japan's exports of consumer goods as well. As for the Asian economy, orders of construction equipment originating from China are expected to maintain positive performance.

However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed implemented an interest rate hike in March, and this is expected to be repeated multiple times during the rest of the year. The pace of growth in personal consumption in the US weakened during the Jan-Mar period of 2017, and doubts are on the rise regarding President Trump's ability to follow through on policy statements. The major sticking point is the appearance of downside risk in the US economy. If US trade policy under the Trump administration becomes more protectionist, this could cause global trade to stagnate. We expect this issue to remain a risk factor for the mid to long-term. Geopolitical risk is on the rise as well with heightened tensions associated with the North Korean situation.

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.