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# August Trade Statistics

**Exports continue growth trend due to worldwide increase in demand for semiconductors**

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## Summary

- According to August trade statistics, export value grew by +18.1% y/y, exceeding last month's result of +13.4%. The main factor behind growth was an increase in the growth rate of export volume to Asia. The Japan Customs rate in August was 110.77 yen/dlr, representing yen depreciation of 7.3% in y/y terms.
- Looking at seasonally adjusted values, we see export value at +1.2% m/m, its second consecutive month of growth, and export volume increasing for the fourth consecutive month at +2.7% (seasonal adjustment by DIR). Looking at export volume by source of demand, exports to Asia grew by +3.6%, while exports to the US declined by -2.2%. Meanwhile, exports to the EU declined by -1.7%.
- As for the future of exports, we see steady growth continuing for the overseas economy bringing moderate growth in exports. However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed is expected to implement further interest rate hikes, as well as asset reduction, and this could lead to a downturn in the US economy, while encouraging capital outflows from the emerging nations.

## Trade Statistics

Chart 1

	2016	2017							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Export value (y/y %)	5.4	1.3	11.3	12.0	7.4	14.9	9.6	13.4	18.1
Market consensus (Bloomberg)									14.3
DIR estimate									14.6
Import value (y/y %)	-2.5	8.4	1.3	15.9	15.2	17.9	15.5	16.3	15.2
Export volume (y/y %)	8.4	-0.3	8.3	6.6	4.2	7.5	4.0	2.6	10.4
Export price (y/y %)	-2.7	1.6	2.8	5.0	3.2	6.9	5.5	10.5	7.0
Import volume (y/y %)	3.6	6.3	-4.3	4.2	4.9	5.4	4.2	3.2	2.4
Import price (y/y %)	-5.9	2.0	5.8	11.3	9.8	11.8	10.8	12.7	12.5
Trade balance (Y100 mil)	6,359	-10,919	8,111	6,103	4,792	-2,064	4,414	4,217	1,136

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

## Trade balance in black for third consecutive month

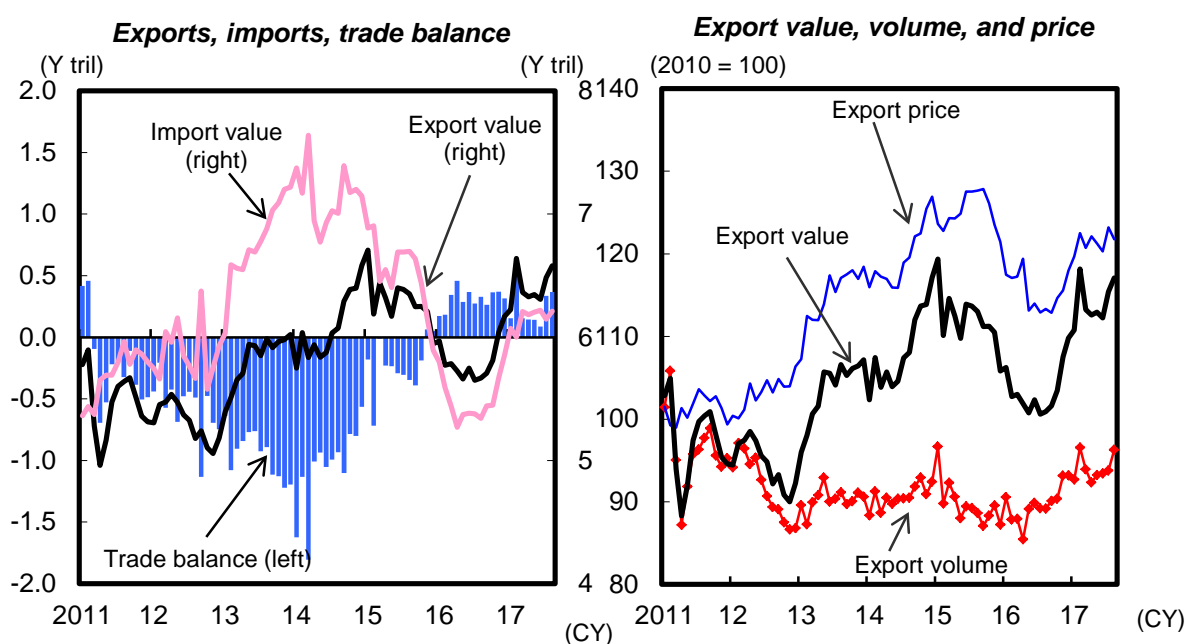
According to August trade statistics, the trade balance was in the black for the third consecutive month at +113.6 bil yen. Export value grew by +18.1% y/y with market consensus at +14.3%. Growth in export value exceeded last month's result of +13.4%, while import value also grew by +15.2% y/y, slightly down from last month's result of +16.3%.

Looking at export and import value in terms of price and volume factors, we see that growth in both export value and export volume were led by exports to Asia, leading to an increase in growth rate. Import value grew, with the volume factor up slightly and growth in the import price bringing upward pressure on import value overall. Meanwhile, the Japan Customs rate in August was 110.77 yen/dlr, representing yen depreciation of 7.3% in y/y terms. This is thought to have been the major factor behind growth in both import and export prices.

Looking at the seasonally adjusted values, we see export value at +1.2% m/m and import value also at +1.2%. As a result, the trade balance in seasonally adjusted terms was in the black at +367.3 bil yen. The extent to which the trade balance was in the black grew in comparison to last month's result of +363.1 bil yen.

### 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.

## Exports to Asia lead growth

Export volume (seasonally adjusted by DIR) grew for the fourth consecutive month at +2.7% m/m, representing a major increase in growth rate in comparison to the previous month, which recorded +0.4%.

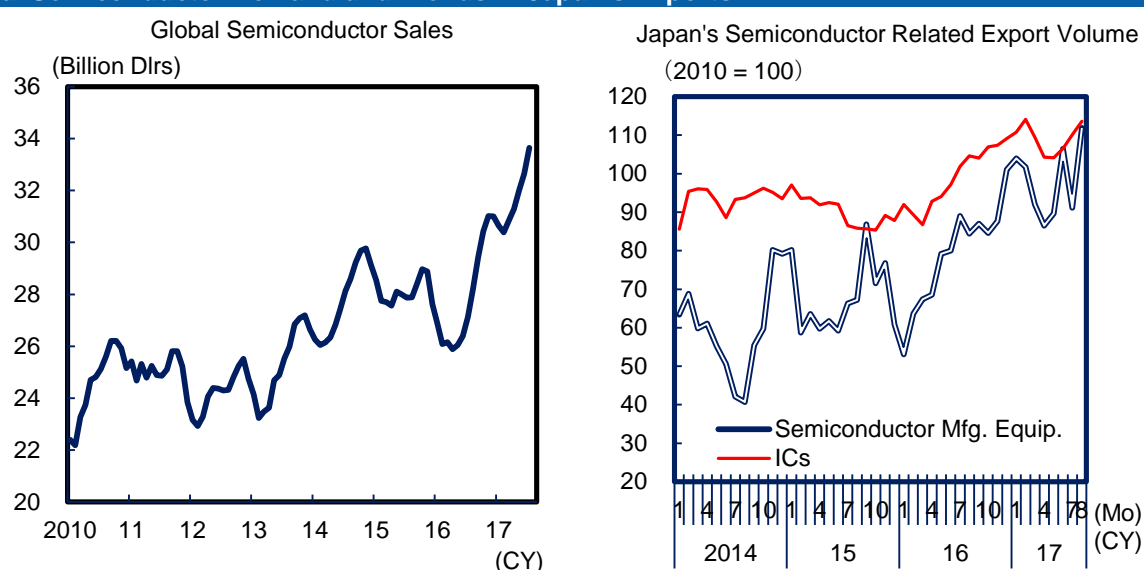
Looking at export volume by source of demand, exports to Asia lead growth with a major increase in growth rate at +3.6%. Growth in exports to Asia was especially large in the area of ICs as well as exports of semiconductor manufacturing equipment to China. On the other hand, the US domestic market is in a decline due to the slowdown of passenger vehicle sales, but even so, exports of Japanese automobiles grew. It was actually a downturn in sales of automobile parts and accessories which brought overall results down to -2.2%. Meanwhile, exports of semiconductor manufacturing

equipment to the US have been experiencing sharp growth, continuing at a high level in August. However, caution continues to be required due to the possibility of a reactionary decline. Exports to the EU continued to decline at -1.7% due to a reactionary decline in response to the previous month's major growth in exports of automobile parts and accessories. Exports to the EU declined for the third consecutive month, due likely to fluctuations in sales of ships and automobile related products. However, the general trend in exports to the EU is expected to achieve moderate growth in the future.

As of this time growth remains pronounced in exports of semiconductor manufacturing equipment due to rising global demand for semiconductors. This may be due to progress in the shift to autonomous cars, as well as AI (artificial intelligence) and IoT (the internet of things). The market for semiconductor manufacturing equipment tends to experience major fluctuations, bringing the possibility of disturbance factors to performance of export volume. However, we expect the growth trend in this field to continue.

### Global Semiconductor Demand and Trends in Japan's Exports

Chart 3



Source: Ministry of Finance, Semiconductor Industry Association; compiled by DIR.

Notes: 1) Global semiconductor sales are expressed as a 3-month backward moving average.

2) Semiconductor related export volume is seasonally adjusted by DIR.

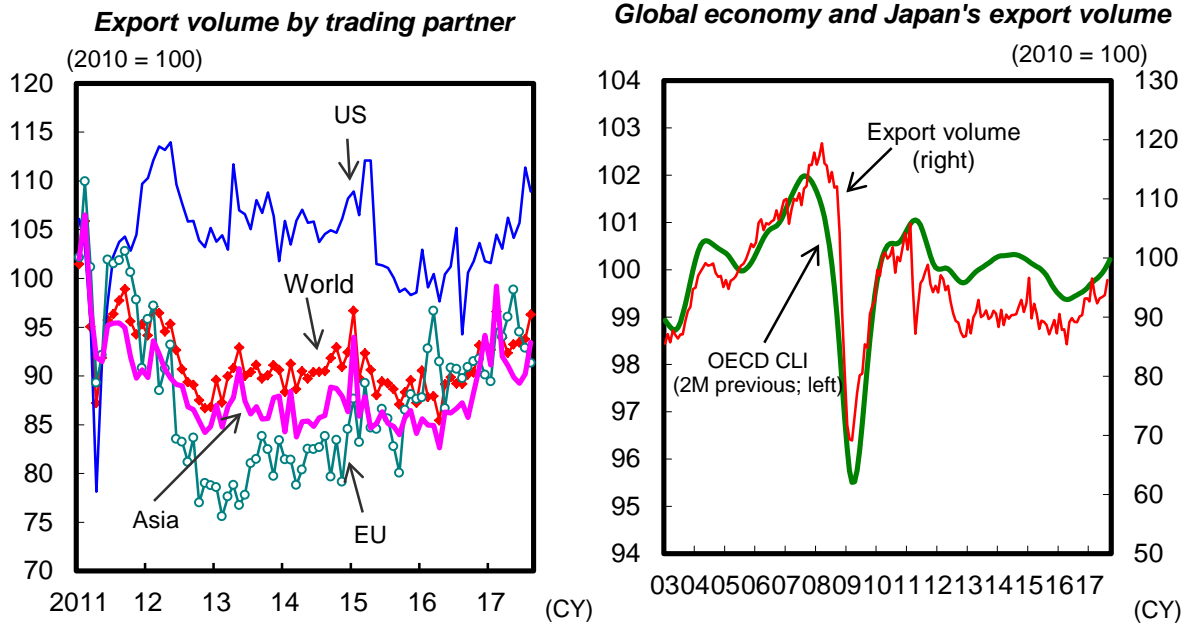
### Moderate growth seen for export volume

As for the future of exports, we see steady growth continuing for the overseas economy bringing moderate growth in exports. With global demand for semiconductors on the rise, exports of semiconductors and semiconductor manufacturing equipment to the US and Asia are expected to see a growth trend despite fluctuations. While there is some weakness developing in automobile sales, the US economy is in a recovery phase, and exports to that country are expected to win moderate growth. Meanwhile, exports to the EU are expected to expand with the EU economy shifting into a balanced growth phase backed by personal consumption, which has been the leader in growth in the past, and recent growth in fixed capital formation such as capex.

However, we advise caution as regards downside risk in the area of overseas demand. In the US, the Fed raised the interest rate in June this year, and is expected to implement further interest rate hikes within the year, as well as asset reduction. If interest rates rise, it could lead to a downturn in the US economy, while encouraging capital outflows from the emerging nations. Meanwhile, the EU is expected to begin the tapering process starting next year, with reduction in asset purchases likely to be announced in the near future. This could become a factor bringing downward pressure on the EU economy, and hence caution is advised. In addition, geopolitical risk is also increasing with the recent

developments surrounding North Korea bringing fears of possible fluctuations in the foreign exchange market.

**Export Volume by Trade Partner; Global Economy and Japan's Export Volume** **Chart 4**



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.