

24 January 2018 (No. of pages: 3)

Japanese report: 24 Jan 2018

December Trade Statistics

Export volume continues expansion phase; marking time at high level

Economic Research Dept.
Yota Hirono
Shunsuke Kobayashi

Summary

- According to December trade statistics, export value grew by +9.3% y/y, while market consensus was at +10.0%, registering a lower growth rate than the previous month (+16.2%). The Japan Customs rate in December was 112.48 yen/dlr, representing yen appreciation of 0.7% in y/y terms.
- Export volume (seasonally adjusted by DIR) won growth for the third consecutive month at +0.7% m/m. Looking at export volume by source of demand, exports to the EU (+3.9%) provided leverage for overall performance. The biggest performers in exports to the EU were computer parts and iron & steel, both of which helped to push up overall results. On the other hand, factors bringing negative pressure on results included exports to the US (-1.5%) and exports to Asia (-1.0%). As for exports to the US, a decline in autos and auto parts had a major negative effect. Meanwhile, exports to Asia saw a decline in semiconductor and other manufacturing equipment, as well as iron & steel, which brought downward pressure on overall results.
- As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. However, caution is urged regarding trends in monetary policies in the US and Europe. In the US, the Fed is continuing its tight money policy, and the ECB began further reducing its asset purchases in January this year. There is a strong possibility that normalization of monetary policy by central banks in the US and EU could bring downward pressure on those economies, hence caution is advised.

Trade Statistics

Chart 1

	2017									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Export value (y/y %)	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2	9.3	
Market consensus (Bloomberg)									10.0	
DIR estimate									10.0	
Import value (y/y %)	15.2	17.9	15.5	16.3	15.3	12.1	19.0	17.2	14.9	
Export volume (y/y %)	4.2	7.5	4.0	2.6	10.4	4.8	3.8	5.5	4.5	
Export price (y/y %)	3.2	6.9	5.5	10.5	7.0	8.9	9.8	10.1	4.6	
Import volume (y/y %)	4.9	5.4	4.2	3.2	2.4	-0.2	3.2	2.6	5.9	
Import price (y/y %)	9.8	11.8	10.8	12.6	12.6	12.4	15.3	14.2	8.5	
Trade balance (¥100 mil)	4,792	-2,064	4,414	4,220	1,095	6,640	2,807	1,122	3,590	
The Japan Customs rate (yen/dlr)	110.92	111.47	110.91	112.41	110.77	109.48	112.40	113.54	112.48	

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

Export value grows by +1.3% m/m; trade balance in black for seventh consecutive month

According to December trade statistics, export value grew by +9.3% y/y, while market consensus was at +10.0%, registering a lower growth rate than the previous month (+16.2%). Import value also grew by +14.9% y/y, in a similar shrinkage of growth rate in comparison to the previous month (+17.2%). Meanwhile, the trade balance was in the black for the seventh consecutive month at +359.0 bil yen.

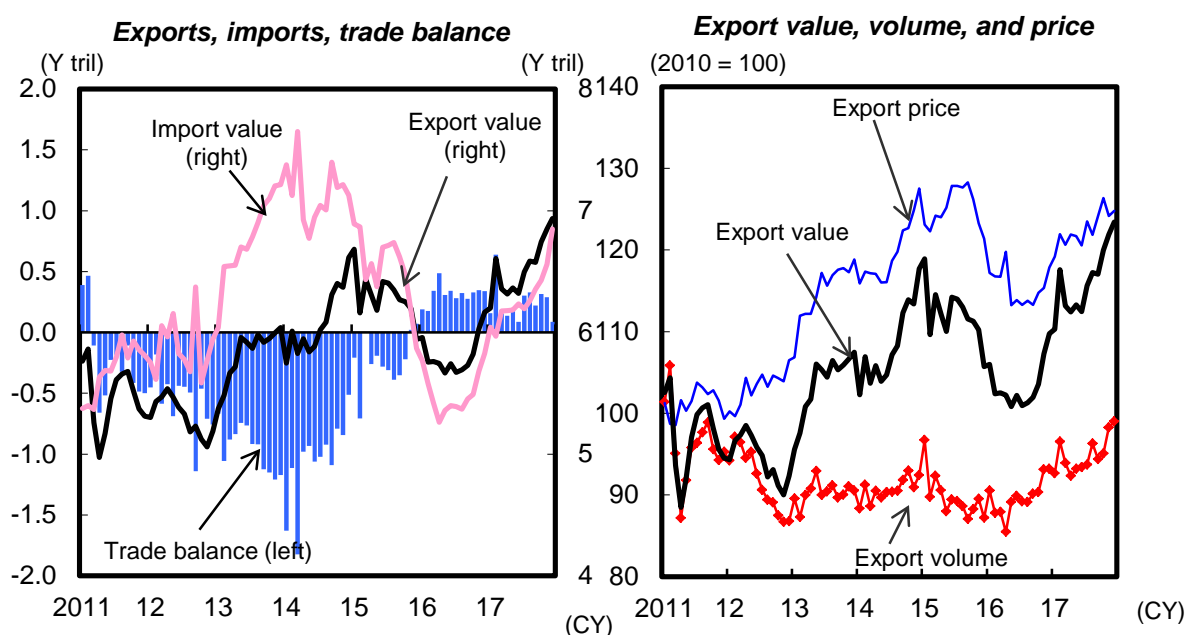
Looking at export value in terms of price and volume factors, we see that the volume factor in export value grew by +4.5% y/y, growing to a lesser extent in comparison to the previous month (+5.5%). As for the price factor growth of +4.6% was achieved, in this case as well the extent of growth was less than in the previous month (+10.1%).

As for import value, the volume factor grew by +5.9% y/y, representing a higher growth rate in comparison to the previous month (+2.6%). As for the price factor, growth of +8.5% was achieved, but growth was slower in comparison to the previous month (+14.2%). The import price is in a growth trend due to growth in the price of crude oil, but the pace has been slowed due to yen appreciation. The Japan Customs rate in December was 112.48 yen/dlr, representing yen appreciation of 0.7% in y/y terms.

Looking at the seasonally adjusted values, we see export value up at +1.3% m/m, while import value grew by +4.4%. The trade balance was in the black at +86.8 bil yen, considerably below the extent of its growth in the previous month when it was at +289.6 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 EU grow centering on computer parts

Export volume (seasonally adjusted by DIR) won growth for the third consecutive month at +0.7% m/m. Export volume continues its expansion phase, but it has been marking time at a high level.

Looking at export volume by source of demand, exports to the EU (+3.9%) provided leverage for overall performance. The biggest performers in exports to the EU were computer parts and iron & steel,

both of which helped to push up overall results. Computer parts suffered a major decline in November 2017, so these results represent a rebound.

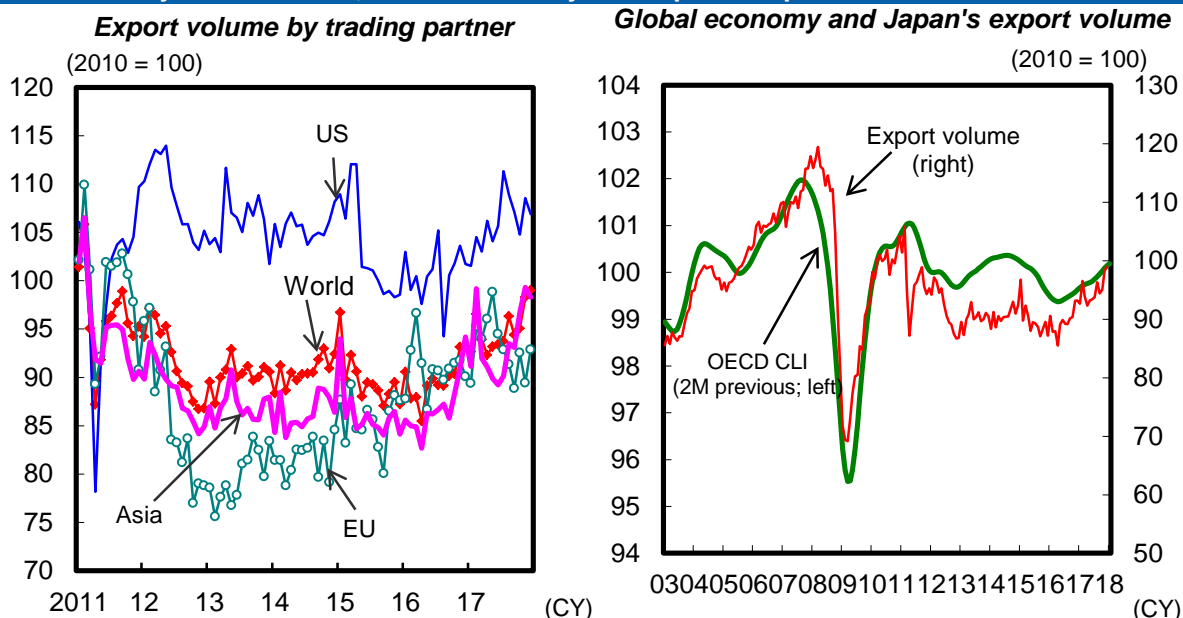
On the other hand, factors bringing negative pressure on results included exports to the US (-1.5% m/m) and exports to Asia (-1.0%). As for exports to the US, a decline in autos and auto parts had a major negative effect. Meanwhile, exports to Asia saw a decline in semiconductor and other manufacturing equipment and iron & steel, which brought downward pressure on overall results.

Moderate growth seen for export volume

As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. The US economy is in a recovery phase. Growth was led by capital investment, reflecting a high level of business confidence, and favorable growth is expected to be maintained in the future. Exports to the US are expected to win moderate growth with the help of cuts in corporate tax, which were decided in December 2017. Meanwhile, exports to the EU are expected to expand with the EU economy shifting into a balanced growth phase backed by personal consumption. Exports to the EU are also expected to win moderate growth in the future.

Issues requiring caution include trends in monetary policies in the US and Europe. In the US, the Fed is continuing its tight money policy, and this could bring downward pressure on the economy. Moreover, it could trigger capital outflows from the emerging nations. Meanwhile, the ECB began further reducing its asset purchases in January this year. The period of asset purchasing has been extended somewhat, and there is a strong possibility that normalization of monetary policy will be gradual, but there are still plenty of factor which could bring downward pressure on the EU economy, hence caution is advised.

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.