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January 2018 Trade Statistics

Export volume declines after momentary boost from shift in Lunar New Year season and ships

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Summary

- According to January 2018 trade statistics, export value grew by +12.2% y/y, while market consensus was at +9.4%. This represents a higher growth rate than the previous month (+9.3%). The Japan Customs rate in January was 112.47 yen/dlr, representing yen appreciation of 3.4% in y/y terms.
- Export volume (seasonally adjusted by DIR) was down for the first time in four months at -0.3% m/m. Looking at export volume by source of demand, exports to the US (-3.6%) and to Asia (-1.2%) brought downward pressure on overall performance. As for exports to the US, motor vehicles suffered a major decline. As for exports to Asia, the floor was raised considerably by the performance of exports to China due to the shift in dates of the Lunar New Year season in comparison to last year. However, a decline was still experienced on an m/m basis. On the other hand, positive factors included exports to the EU (+2.9%). Exports to the EU were given a major boost by growth in exports of ships.
- As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. As for China's economy, many factors which could lead to a future slowdown are present, while favorable economic performance in the US and the EU is a factor which should lead to moderate growth in exports. However, the trend in the exchange rate is a point of concern. While the effects of a strong yen are not as damaging in the era of overseas production, they are not absent. If the yen continues to appreciate in the future, Japanese products will lose their price competitiveness, and this could in turn bring downward pressure on export volume.

Trade Statistics

Chart 1

	2017									2018
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Jan
Export value (y/y %)	14.9	9.7	13.4	18.1	14.1	14.0	16.2	9.3		12.2
Market consensus (Bloomberg)										9.4
DIR estimate										9.4
Import value (y/y %)	17.9	15.5	16.3	15.3	12.1	19.0	17.3	14.9		7.9
Export volume (y/y %)	7.5	4.0	2.6	10.4	4.8	3.8	5.5	4.5		9.2
Export price (y/y %)	6.9	5.5	10.5	7.0	8.9	9.8	10.1	4.6		2.8
Import volume (y/y %)	5.4	4.2	3.2	2.4	-0.2	3.2	2.6	5.9		2.6
Import price (y/y %)	11.8	10.8	12.6	12.6	12.4	15.3	14.3	8.5		5.2
Trade balance (¥100 mil)	-2,064	4,414	4,220	1,095	6,640	2,807	1,071	3,587		-9,434
The Japan Customs rate (yen/dlr)	111.47	110.91	112.41	110.77	109.48	112.40	113.54	112.48		112.47

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

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Economic Research

Export value down by -1.1% m/m

According to January 2018 trade statistics, export value grew by +12.2% y/y, while market consensus was at +9.4%. This represents a higher growth rate than the previous month (+9.3%). Meanwhile, import value also grew by +7.9%, but the extent of growth was lower than the previous month (+14.9%). The trade balance was in the red for the first time in eight months at -943.4 bil yen. Major expansion in the growth rate of export value was thought to be the influence of major growth in exports to China (+30.8% y/y), and the fact that the Chinese lunar new year fell in February this year rather than in January as it did in 2017.

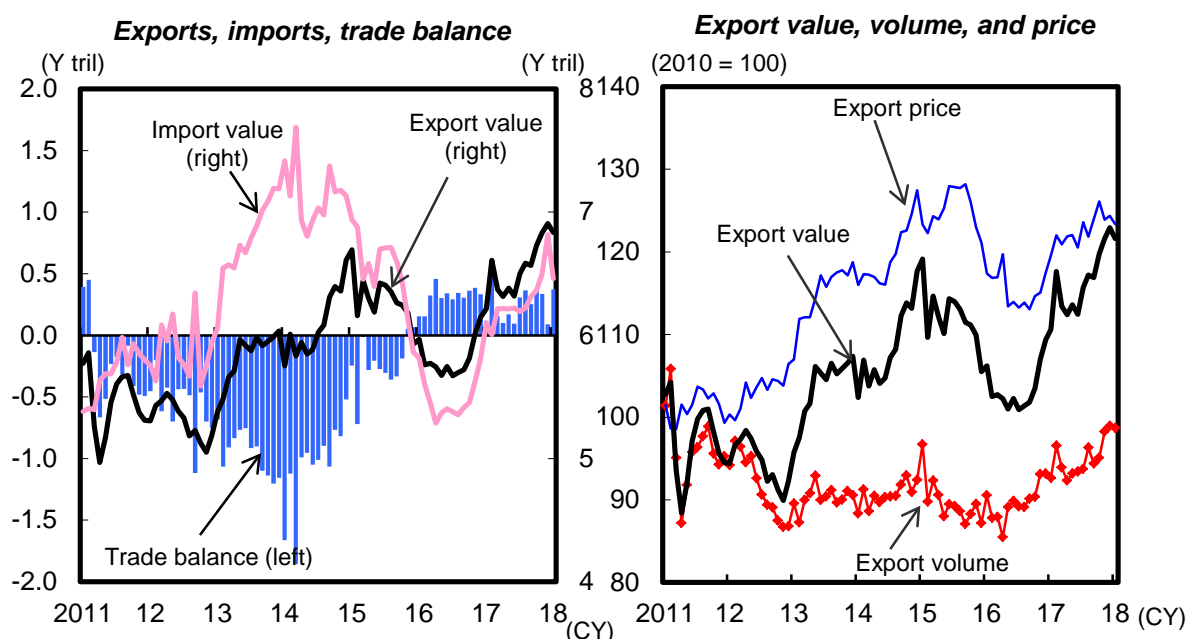
Looking at export value in terms of price and volume factors, we see that the volume factor in export value grew by +9.2% y/y, growing at a more accelerated rate than the previous month (+4.5%). As for the price factor, growth of +2.8% was achieved, in this case registering slower growth than in the previous month (+4.6%).

As for import value, the volume factor grew by +2.6% y/y, representing a slower growth rate in comparison to the previous month (+5.9%). As for the price factor, growth of +5.2% was achieved, but growth was slower in comparison to the previous month (+8.5%). The Japan Customs rate in January was 112.47 yen/dlr, representing yen appreciation of 3.4% in y/y terms.

Looking at the seasonally adjusted values, we see export value down by -1.1% m/m, while import value was down by -5.2%. The trade balance in seasonally adjusted terms was in the black at +373.3 bil yen, exceeding the extent of growth during the previous month when it was at +90.7 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.

Export volume declines after momentary boost from shift in Lunar New Year season and ships

Export volume (seasonally adjusted by DIR) was down for the first time in four months at -0.3% m/m. As is explained further in the below, export volume declined after a momentary boost from the shift in the Lunar New Year season and exports of ships.

Looking at export volume by source of demand, exports to the US (-3.6% m/m) and to Asia (-1.2%) brought downward pressure on overall performance. As for exports to the US, motor vehicles suffered a major decline, as well as auto parts, bringing down overall performance. Exports to the US have been gradually declining since their peak in the summer of 2017, apparently influenced by declines in motor vehicles and semiconductor manufacturing equipment.

As for exports to Asia, the floor was raised considerably by the performance of exports to China due to the shift in dates of the Lunar New Year season in comparison to last year. However, a decline was still experienced on an m/m basis, meaning that results were weaker than they may have seemed when we look at the actual numbers. In terms of goods, declines in exports of ICs and iron & steel brought down overall results. Rapid growth in the export of ICs was experienced last year due to demand for new model smart phones in December 2017, and now we are seeing the reactionary decline.

On the other hand, positive factors included exports to the EU (+2.9% m/m). Exports to the EU were given a major boost by growth in exports of ships, but no outstanding growth occurred for any of the other major commodities. Overall, the tone was weak.

Moderate growth seen for export volume

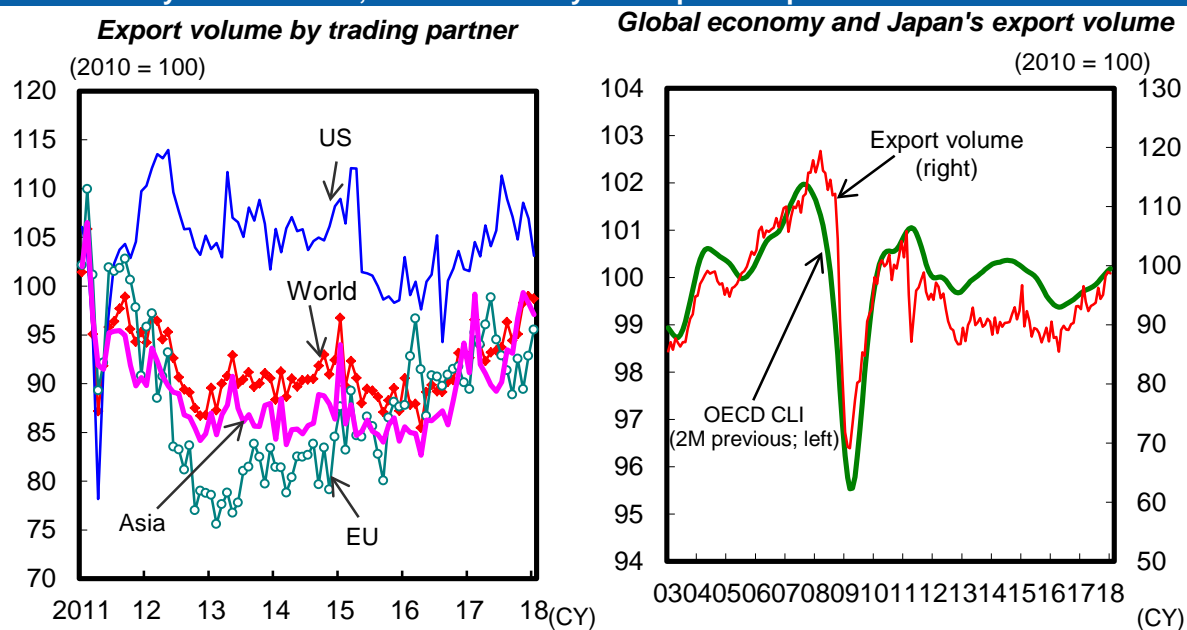
As for the future of exports, we see underlying strength continuing for the overseas economy bringing moderate growth in Japan's exports. As for China's economy, many factors which could lead to a future slowdown are present, including the effects of monetary tightening, and the negative influence of the slump in housing sales on related investment and consumption. However, the US economy should benefit from tax reform, and the EU is expected to maintain its recent favorable performance. This factor, along with the US situation, should be a boost to Japan's exports.

The major point of concern is the trend in the exchange rate. Since the latter part of January 2018, the yen/dlr rate has shown a trend towards yen appreciation. While the effects of a strong yen are not as damaging in the era of overseas production, they are not absent. If the yen continues to appreciate in the future, Japanese products will lose their price competitiveness, and this could in turn bring downward pressure on export volume.

The shift in dates of the Lunar New Year season in comparison to last year brought a major boost to exports to China in January, but then this same factor will likely keep export performance down in February. However, since in effect January performance will be offset by February, the effect on the overall trend is almost nonexistent.

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.