

19 March 2018 (No. of pages: 4)

Japanese report: 19 Mar 2018

February 2018 Trade Statistics

Export growth is sluggish even when averaged out in consideration of Lunar New Year

Economic Research Dept.
Yota Hirono
Shunsuke Kobayashi

Summary

- According to February 2018 trade statistics, export value grew by +1.8% y/y, while market consensus was at +1.4%. This represents a major decline in growth rate in comparison to the previous month (+12.3%). China export value for January and February maintained growth of +7.5% for the total of those months. This puts y/y growth in the single digits for the first time since January 2017 due to the major influence of the Chinese Lunar New Year period. Performance lacked strength even when averaged out.
- Export volume (seasonally adjusted by DIR) was down for the first time in two months at -4.4% m/m. Looking at export volume by source of demand, exports to Asia (-6.5% m/m) brought downward pressure on overall performance, while exports to the EU were also down at -4.3%. On the other hand, positive factors included exports to the US (+5.8% m/m). Meanwhile, looking at export volume to China based on the total of January and February, we see performance of +3.6% y/y, which represents a slowdown in comparison to the double-digit growth experienced continually between February and December of 2017. Hence weakness was seen in the area of volume as well.
- 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. The main point of concern is that US intentions to move toward protectionism have begun to appear with import restrictions to be implemented in regard to iron & steel, and aluminum. News reports state that the US is now in negotiation with a number of countries which hope to be named as exceptions to the new restrictions, and we are keeping a close watch on future developments.

Trade Statistics

Chart 1

	2017							2018	
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Export value (y/y %)	9.7	13.4	18.1	14.1	14.0	16.2	9.4	12.3	1.8
Market consensus (Bloomberg)									1.4
DIR estimate									-3.7
Import value (y/y %)	15.7	16.5	15.5	12.3	19.0	17.3	15.0	7.7	16.5
Export volume (y/y %)	4.0	2.6	10.4	4.8	3.8	5.5	4.5	9.3	-2.1
Export price (y/y %)	5.5	10.5	7.0	8.9	9.8	10.1	4.6	2.7	4.0
Import volume (y/y %)	4.3	3.2	2.4	-0.2	3.2	2.6	5.9	2.6	11.7
Import price (y/y %)	10.9	12.9	12.8	12.5	15.3	14.3	8.6	5.0	4.4
Trade balance (¥100 mil)	4,332	4,066	968	6,538	2,786	1,052	3,562	-9,441	34
The Japan Customs rate (yen/dlr)	110.91	112.41	110.77	109.48	112.40	113.54	112.48	112.47	109.26

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

Export value declines by -1.0% due to effects of Lunar New Year

According to February 2018 trade statistics, export value grew by +1.8% y/y, while market consensus was at +1.4%. This represents a major decline in growth rate in comparison to the previous month (+12.3%). Meanwhile, import value also grew by +16.5%, recording a higher rate of growth than the previous month (+7.7%). The trade balance was in the black for the first time in two months at +3.4 bil yen. The major slowdown in the growth rate of export value was due to the influence of a decline in exports to China (-9.7% y/y), due to the fact that the Chinese lunar new year fell in February this year rather than in January as it did in 2017.

China export value for January and February maintained growth of +7.5% for the total of those months. This puts y/y growth in the single digits for the first time since January 2017 due to the major influence of the Chinese Lunar New Year period. Performance lacked strength even when averaged out.

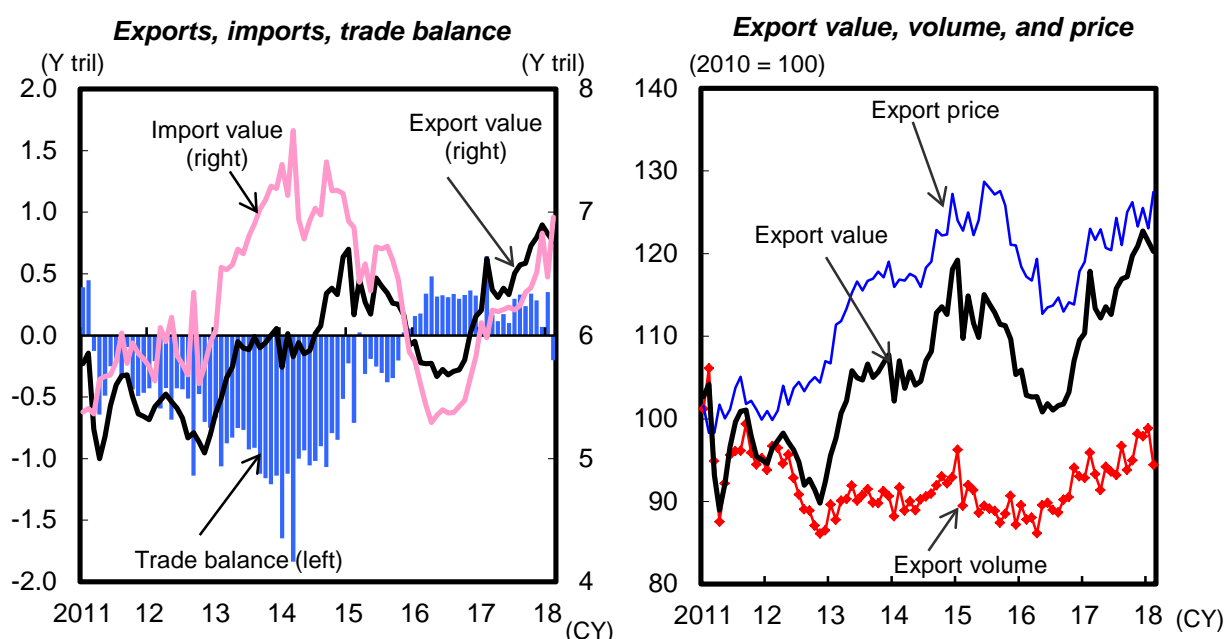
Looking at export value in terms of price and volume factors, we see that the volume factor in export value declined by -2.1% y/y in a slowdown in comparison to the previous month (+9.3%). As for the price factor, growth of +4.0% was achieved, in this case registering higher growth than in the previous month (+2.7%).

As for import value, the volume factor grew by +11.7% y/y, representing a higher growth rate in comparison to the previous month (+2.6%). As for the price factor, growth of +4.4% was achieved, but growth was slower in comparison to the previous month (+5.0%). As for volume, a wide range of items won y/y growth, especially nonferrous metals and computers and units, whose growth provided leverage for overall performance. The Japan Customs rate in February was 109.26 yen/dlr, representing yen appreciation of 3.7% in y/y terms.

Looking at the seasonally adjusted values, we see export value down by -1.0% m/m, while import value was up by +7.5%. The trade balance in seasonally adjusted terms was in the red at -201.5 bil yen, taking a negative turn in comparison to the previous month when it was at +352.3 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 for first time in two months due to effects of Chinese Lunar New Year and reactionary decline in ship exports to EU

Export volume (seasonally adjusted by DIR) was down for the first time in two months at -4.4% m/m. As is explained further in the below, exports to China for the total of the months of January and February were weak due to the influence of the Lunar New Year season. Looking at export volume by source of demand, exports to Asia (-6.5% m/m) brought downward pressure on overall performance, while exports to the EU were also down at -4.3%. Exports to Asia saw plastic materials suffering a major decline, while ICs, included in semiconductors etc., also contributing to the overall decline. A wide variety of other items also suffered declines, affected by the shift in dates of the Lunar New Year season as was explained earlier in this report. As for exports to the EU, none of the major items suffered serious declines. This was seen as a reactionary decline in comparison to the previous month's major growth in exports of ships.

Meanwhile, as was seen in the case of export value, looking at export volume to China based on the total of January and February, we see performance of +3.6% y/y, which represents a slowdown in comparison to the double-digit growth experienced continually between February and December of 2017. Hence weakness was seen in the area of volume as well. The decline was especially steep for ICs and plastic materials.

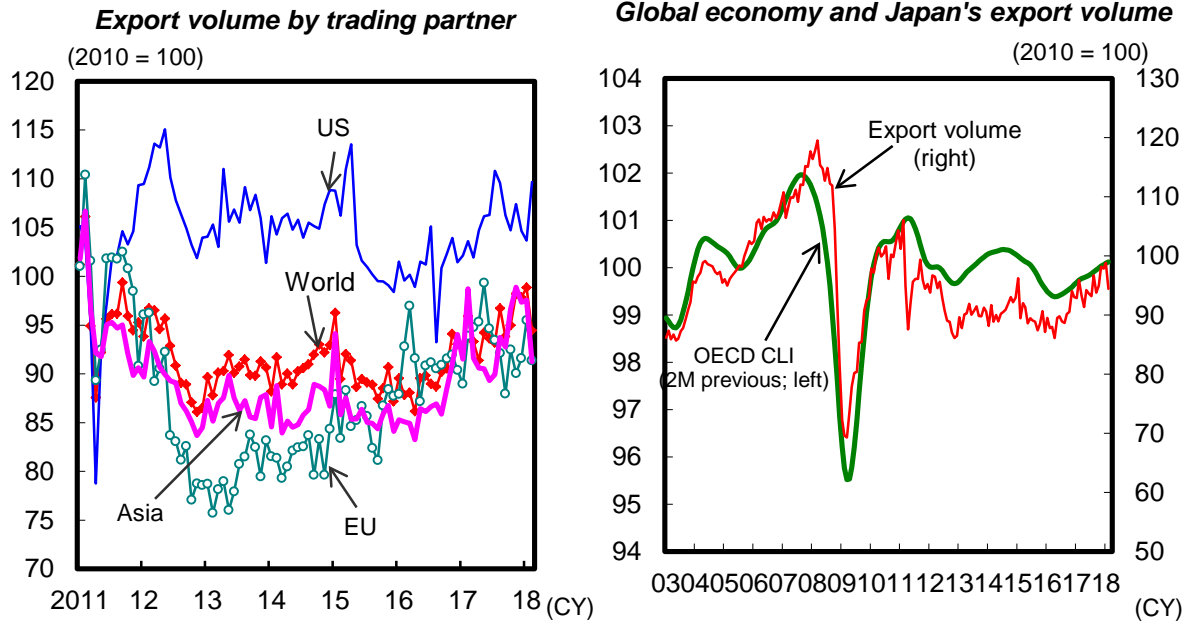
On the other hand, positive factors included exports to the US (+5.8% m/m). Exports to the US were given a boost by major growth in motor vehicle exports, as well as semicon machinery etc. Both of these helped to improve overall performance. Exports of semicon machinery etc. to the US went soft in around October 2017, but recently they have been maintaining a firm undertone.

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 that US intentions to move toward protectionism have begun to appear with import restrictions to be implemented in regard to iron & steel, and aluminum. News reports state that the US is now in negotiation with a number of countries which hope to be named as exceptions to the new restrictions, and we are keeping a close watch on future developments.

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.