

【Fundamentals Navigator】

Japan trade data (Jan 2021): Exports buoyed by late Lunar New Year

(original Japanese report issued on February 17, 2021)

Exports to China steady even discounting New Year factor, to US remain solid

Export growth accelerated to 6.4% YoY in January in monetary terms (December: +2.0%). Exports to China grew 37.5% (+10.2) thanks to a late Lunar New Year holiday, but growth was solid even discounting that factor. US-bound exports waned 4.8% (-0.7%), but the key categories of automobiles and general machinery remained firm on a seasonally adjusted basis. The recent strength of overseas machinery orders suggests that general machinery exports should trend higher for the foreseeable future. Autos could be weighed down for now by disruptions in parts supply but should remain underpinned by steady demand in the US and China.

(1) Overview: Exports rose 6.4% YoY in January in monetary terms (December: +2.0%) for a second and faster monthly gain. Imports fell 9.5% (-11.6%), but this was the first single-digit drop since April last year. The trade balance declined JPY323.9bn but remained in surplus at JPY392.8bn.

(2) Exports to US: Export values fell a sharper 4.8% YoY (December: -0.7%). Transportation machinery was down 6.7% YoY (+2.1%, 36% of US-bound exports) for the first decline in five months, but we estimate that the volume of auto exports was up MoM on a seasonally adjusted basis, indicating that local auto sales remain a supporting factor. General machinery fell 7.9% YoY (-5.8%, 22%) while holding roughly unchanged MoM on a seasonally adjusted basis.

(3) Exports to EU: Export values dropped 1.6% YoY (December: -1.6%). Export volumes declined at a faster pace, but this was offset by higher export prices on euro appreciation and a shift to higher-end products.

(4) Exports to China: Export values rose 37.5% YoY (December: +10.2%) in a sharp increase in growth. This is the largest rise since the rebound from the financial crisis in April 2010 (+41.3%). Most major products saw rises, with general machinery up 44.3% (December +6.0%, 23% of China-bound exports) and electrical machinery up 32.0% (+8.1%, 21%). The figures were buoyed by the delayed Lunar New Year schedule, which fell on 1 February this year compared to last year's 24 January. Still, Lunar New Year is a volatile factor every year, and given that this was the strongest performance in 11 years, we believe exports to China remain solid.

(5) Imports: Mineral fuels fell a narrower 27.0% YoY (December -36.3%, 18% of imports) while communication equipment rose 49.2% (+10.0%, 6%). Among mineral fuels, LNG import volumes were up again YoY on higher demand for thermal-generated electricity. In contrast, fabrics and

Preliminary results
(Bloomberg market forecasts)

Exports: +6.4% YoY
(Market forecast: +6.8% YoY)
Export volume index: +5.3% YoY
Export price index: +1.0% YoY

Imports: -9.5% YoY
(Market forecast: -5.5% YoY)
Import volume index: -4.3% YoY
Import price index: -5.5% YoY

Trade balance:
JPY-323.9bn surplus
(Market forecast: JPY-625.0bn surplus);
vs. JPY-1,315.1bn (surplus) a year earlier

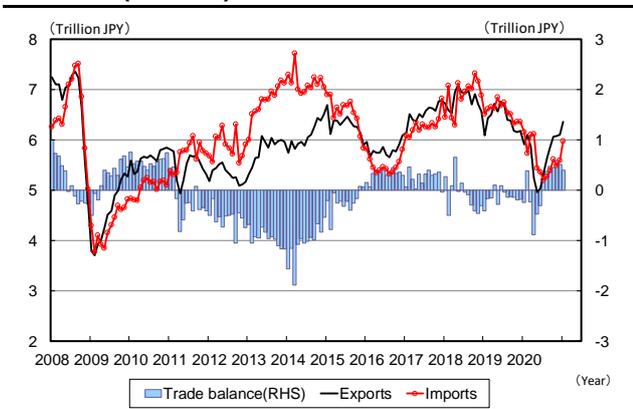
Trade balance (seasonally adjusted):
JPY 392.8bn surplus
(Market forecast: JPY497.0bn surplus)
vs. JPY512.3bn surplus last month

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textile products, which include masks, declined 4.2% (+9.3%, 1%) in the first downturn since February 2020, signaling a waning in special demand.

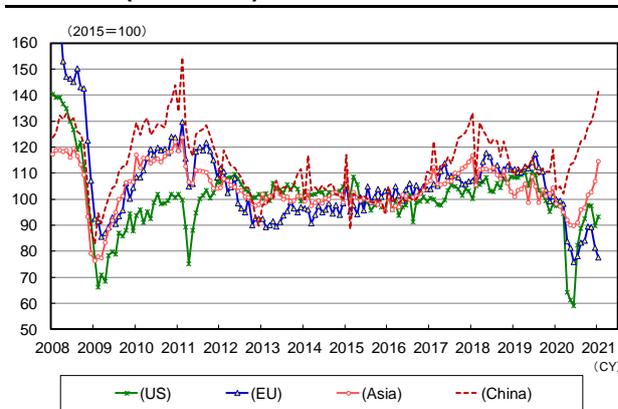
(6) Export/import forecast: General machinery exports look to remain on the rise for now given the strength of overseas machinery orders (+26.0% QoQ in 4Q 2020). Automobile exports could be hurt by disruptions in parts supply from production halts after the 13 February earthquake, but should remain underpinned overall by demand remaining solid in the US and China. We believe imports will come back slowly but consistently. The boost in import values from the purchase of vaccines will depend on timing and other factors, but currently available information suggests around JPY600bn.

Figure 1. Exports, imports, and trade balance (JPY trn)



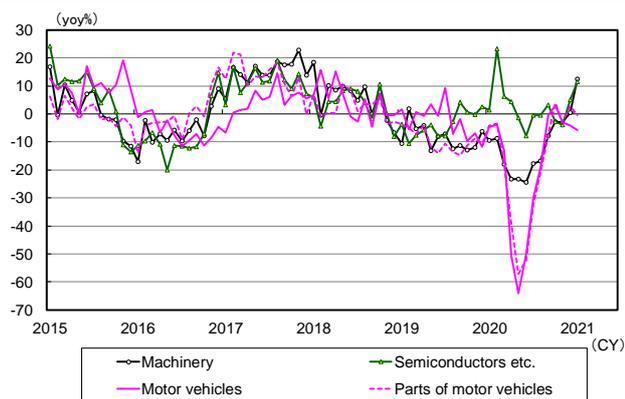
Note: SA
Source: MUMSS, from MoF Trade Statistics

Figure 2. Export volume index by destination (2015=100)



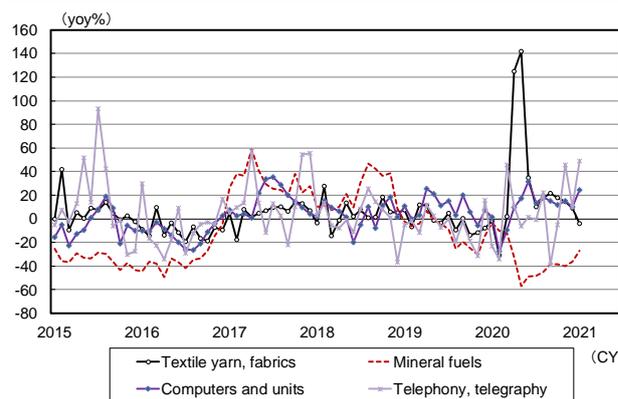
Note: SA by MUMSS
Source: MUMSS, from MoF Trade Statistics

Figure 3. Exports (key product categories)



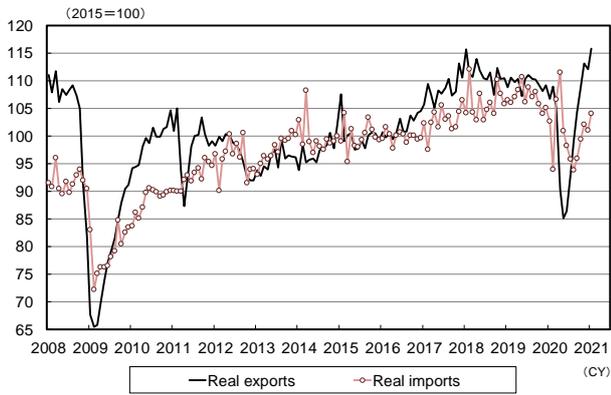
Source: MUMSS, from MoF Trade Statistics

Figure 4. Imports (key product categories)



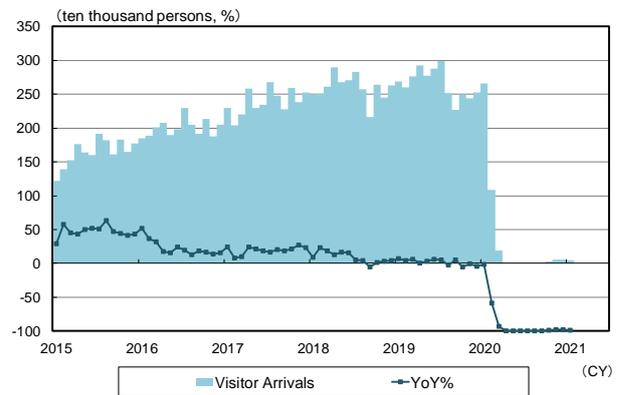
Source: MUMSS, from MoF Trade Statistics

Figure 5. Real exports and imports



Note: SA
 Source: MUMSS, from MoF Trade Statistics and BoJ Corporate Goods Price Index

Figure 6. Visitor arrivals



Source: MUMSS, from JNTO visitor arrivals data

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Appendix A

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