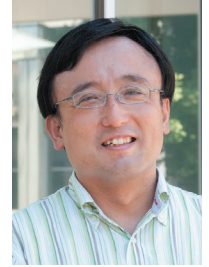


US-China Trade War: What Is the Impact on Japanese Exports?



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Two Types of Statistics Related to Exports

Since the beginning of 2018, the US-China trade war has resulted in the United States and China both imposing additional tariffs on each other. The protectionist trade policies of President Donald Trump are beginning to impact the trend in Japanese trade, with export value to the US and China each accounting for 20% of total Japanese exports.

There are two types of statistics that capture the trends in Japanese trade. One is the Value of Exports and Imports in the Trade Statistics of Japan published by the Ministry of Finance, and the statistics tables of this article also show the breakdown by region. The other statistic is the Real Exports and Real Imports published by the Bank of Japan (BOJ). Real Exports and Real Imports are calculated every month by the BOJ using the Value of Exports and Imports in the Trade Statistics of Japan and the Export Price and Import Price Index which the BOJ publishes. While the Value of Exports and Imports not only captures fluctuations in volume but also in prices (including fluctuations in exchange rates), Real Exports and Real Imports exclude price fluctuations. As it is created in consistence with the Real Exports and Real Imports of the GDP statistics, it has been more focused in recent years.

Chart 1 compares the recent trends in Japan's export value against real exports. For the purpose of comparison, export value has been converted to an index with the year 2015 being 100. In 2016, Japan's export value decreased by 7.4% compared to the previous year, but real exports continued to expand mildly. It can be seen that the decrease in export value was greatly impacted by a decrease in prices, or to put it differently, by the sharp appreciation of the yen (2015 average of 121 yen = \$1, compared to 2016 average of 108.8 yen = \$1).

On the other hand, there have not been sharp fluctuations in the yen/dollar exchange rate in recent years, and thus there has not been much difference

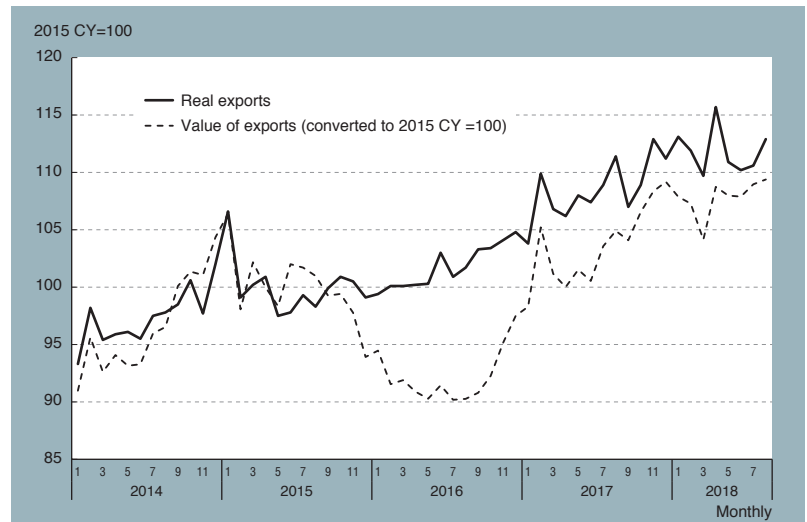
between the movements of the export value and real exports. It can be noted that since the end of 2017, the expansionary trend which had been occurring has slowed down. Looking at the export value, 2017 saw continued expansion by around more than 10% compared to the previous year, but for the period between January and March 2018, it was a 4.9% increase, and a 7.5% increase for the period between April and June, showing a slowdown in expansion. Moreover, it was a 3.9% increase in July, and a 6.6% increase for August, showing a sharp contraction in growth.

Exports to the US Down from Previous Year

Chart 2 shows the breakdown by region in the fluctuations of Japan's export value compared to the same month the previous year. Looking at contributions to the 11.8% increase in 2017, while China was 3.6 points, Asia (excluding China) was at 4.7 points, the US at 1.4 points, the European Union at 1.0 points, and other regions were

CHART 1

Trend in the value of exports & real exports



Source: "Trade Statistics of Japan", Ministry of Finance, "Developments in Real Exports and Real Imports", Bank of Japan

at 1.1 points, and of these contributions, exports to the US fell to 0.4 points in the accumulated amount from January to August of 2018. Looking more closely at other regions, exports to Canada and Mexico, which are being shaken by the renegotiation of NAFTA with the US, fell to zero.

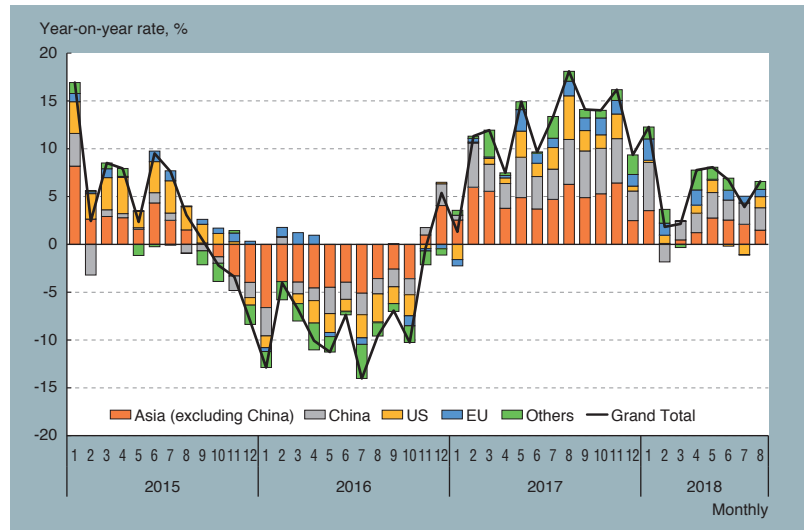
On the other hand, exports to China and Asia (excluding China) have slowed but remained at 2.0 points and 1.7 points. Similar movements can be observed in the breakdown by region for Real Exports published by the BOJ. Looking at the seasonally-adjusted index, exports to the US and to other regions have been on a declining trend since April 2018, but exports to China and to Asia (excluding China) continue to follow a mildly upward trend. However, there also seems to be a factor where exports of Japanese cars increased as a substitute demand for the drop in sales of US cars in China due to the trade war between the US and China, and it is worth watching whether this is sustainable.

Exports of Transport Equipment Down from Previous Year

Chart 3 shows the fluctuation by product for Japanese export value compared to the same month the previous year. Looking at the breakdown of contributions by region, Chemicals were at 1.5 points, Manufactured Goods such as iron and steel at 1.2 points, Machinery at 3.0 points, Electrical Machinery at 2.0 points, Transport Equipment at 1.3 points and Others at 2.9 points. Of these, Transport Equipment fell to 1.0 points in the accumulated amount from January to August of 2018. It was a positive 1.3 points in 2017. Meanwhile, Japan's total exports of Transport Equipment were mostly supported by the growth of its exports to the Middle East, China and Russia.

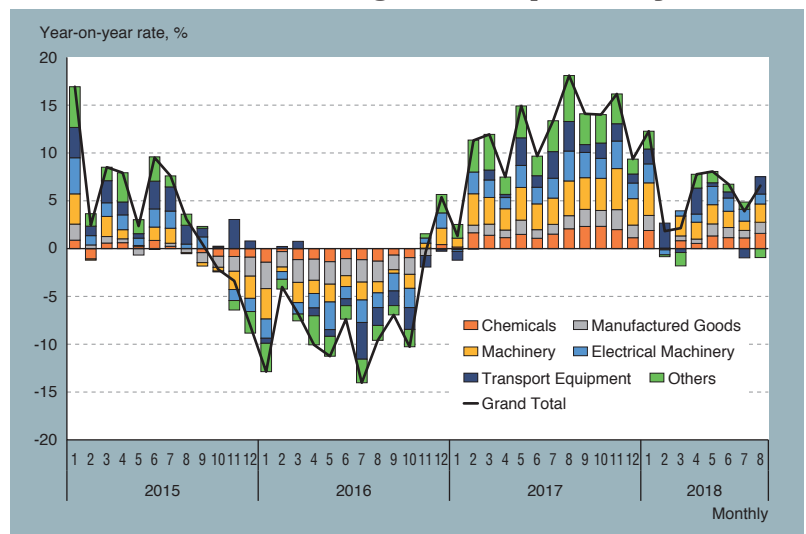
However, at this point, the additional tariffs on automobiles that Trump is considering have not been implemented. It has also been pointed out that the heavy rain in western Japan in early July which forced the temporary shutdown of factories mainly of automobile manufacturers may have had a negative impact on exports. Future trends continue to require close observation.

CHART 2
Contribution to changes of exports by area



Source: "Trade Statistics of Japan", Ministry of Finance

CHART 3
Contribution to changes of exports by item



Source: "Trade Statistics of Japan", Ministry of Finance

Note: This article has been written based on information obtained as of Sept. 27, 2018.

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ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2009	472.2	-5.4	489.5	-6.0	-21.9	-1.3
2010	492.0	4.2	500.4	2.2	15.6	-1.0
2011	491.5	-0.1	491.4	-1.8	-2.8	-0.3
2012	498.8	1.5	495.0	0.7	0.6	-0.1
2013	508.8	2.0	503.2	1.7	-0.8	0.4
2014	510.7	0.4	513.9	2.1	2.1	2.6
2015	517.6	1.4	532.0	3.5	-1.2	0.5
2016	522.6	1.0	538.5	1.2	-0.1	-0.3
2017	531.6	1.7	546.6	1.5	4.4	0.5
2017/3rd Qtr.	533.6	0.6	549.4	0.8	0.5	0.6
4th Qtr.	534.8	0.2	551.1	0.3	1.6	0.9
2018/1st Qtr.	533.6	-0.2	549.0	-0.4	-1.3	0.9
2nd Qtr.	537.6	0.7	552.8	0.7	1.3	0.8
2018/Jan.	—	—	—	—	-4.5	0.9
Feb.	—	—	—	—	2.0	1.0
March	—	—	—	—	1.4	0.9
April	—	—	—	—	0.5	0.7
May	—	—	—	—	-0.2	0.7
June	—	—	—	—	-1.8	0.8
July	—	—	—	—	-0.2	0.8
Aug.	—	—	—	—	0.2	0.9
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2009	54.2	-33.1	51.5	-34.8	8.7	-38.6	5.5	-31.4	6.7	-41.0
2010	67.4	24.4	60.8	18.0	10.4	18.8	5.9	7.2	7.6	12.8
2011	65.5	-2.7	68.1	12.1	10.0	-3.4	5.9	0.3	7.6	0.0
2012	63.7	-2.7	70.7	3.8	11.2	11.7	6.1	2.5	6.5	-14.7
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	7.0	7.7
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	7.6	8.4
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	8.0	5.3
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	8.0	-0.0
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	8.7	8.5
2017/3rd Qtr.	19.6	15.1	18.4	14.8	3.8	14.4	2.0	12.4	2.2	11.1
4th Qtr.	20.9	13.0	20.2	17.0	4.1	7.5	2.0	7.8	2.3	13.4
2018/1st Qtr.	19.9	4.9	20.1	7.5	3.7	1.9	2.1	4.6	2.3	9.7
2nd Qtr.	20.2	7.5	19.4	7.5	3.7	2.9	2.2	7.2	2.3	8.1
2018/Jan.	6.1	12.3	7.0	7.8	1.1	1.2	0.7	8.5	0.7	20.3
Feb.	6.5	1.8	6.5	16.6	1.3	4.3	0.6	5.3	0.8	11.5
March	7.4	2.1	6.6	-0.5	1.4	0.2	0.7	0.6	0.8	0.3
April	6.8	7.8	6.2	6.0	1.3	4.3	0.7	4.0	0.8	14.1
May	6.3	8.1	6.9	14.1	1.1	5.8	0.8	20.0	0.7	0.7
June	7.1	6.7	6.3	2.6	1.3	-0.9	0.7	-2.1	0.8	9.3
July	6.7	3.9	7.0	14.7	1.3	-5.2	0.7	11.2	0.8	6.4
Aug.	6.7	6.6	7.1	15.3	1.2	5.3	0.8	21.4	0.7	7.1
Sources	"Trade Statistics of Japan", Ministry of Finance									

ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2009	-3.9	0.47	5.1	2.7	5.4	13.6	93.5
2010	0.5	0.52	5.1	2.8	9.5	19.4	87.8
2011	-0.2	0.65	4.6	2.7	-0.3	10.4	79.8
2012	-0.9	0.80	4.3	2.5	-4.3	4.8	79.8
2013	-0.4	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.4	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.6	-0.9	16.5	121.0
2016	0.5	1.36	3.1	3.4	5.5	21.1	108.8
2017	0.4	1.50	2.8	4.0	5.0	22.0	112.2
2017/3rd Qtr.	0.2	1.52	2.8	4.0	1.8	7.0	111.0
4th Qtr.	0.7	1.57	2.7	3.9	1.2	4.3	112.9
2018/1st Qtr.	1.4	1.59	2.5	3.2	0.7	5.9	108.2
2nd Qtr.	2.2	1.60	2.4	3.1	1.1	5.0	109.1
2018/Jan.	1.2	1.59	2.4	3.4	-0.7	0.6	110.7
Feb.	1.0	1.58	2.5	3.2	0.2	2.1	107.9
March	2.0	1.59	2.5	3.1	1.2	3.2	106.0
April	0.6	1.59	2.5	3.2	0.6	1.9	107.5
May	2.1	1.60	2.2	3.2	-0.3	1.9	109.7
June	3.3	1.62	2.4	3.1	0.8	1.2	110.0
July	1.6	1.63	2.5	2.9	-0.0	2.0	111.4
Aug.	0.9	1.63	2.4	2.9	-0.2	1.8	111.1
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2009	5.5	-24.3	19.1	-29.3	11.6	-32.8	10.2	-21.0	11.4	-22.9
2010	5.8	5.5	24.7	29.5	14.1	22.0	13.1	27.8	13.4	17.3
2011	6.4	10.1	23.8	-3.9	15.7	11.7	12.9	-1.4	14.6	9.2
2012	6.6	3.6	23.3	-1.8	16.3	3.3	11.5	-10.8	15.0	2.7
2013	7.6	15.2	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	8.2	6.8	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	8.6	5.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	8.2	-5.5	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2017	8.8	7.4	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2017/3rd Qtr.	2.2	10.3	7.0	14.7	4.6	18.4	3.7	24.1	4.5	8.3
4th Qtr.	2.4	11.5	7.5	13.0	4.9	18.2	4.2	21.9	5.1	17.0
2018/1st Qtr.	2.4	13.8	7.1	3.4	5.1	10.4	3.7	8.8	4.6	2.1
2nd Qtr.	2.3	8.8	7.1	6.1	4.7	6.4	4.0	11.9	4.5	3.4
2018/Jan.	0.8	18.3	2.2	9.6	1.7	10.2	1.2	30.8	1.7	-3.3
Feb.	0.7	11.2	2.3	0.3	1.6	16.8	1.1	-9.7	1.5	39.2
March	0.8	11.8	2.6	1.3	1.7	5.1	1.4	10.8	1.3	-16.8
April	0.7	9.0	2.3	3.4	1.5	5.4	1.3	10.9	1.5	2.3
May	0.8	12.0	2.3	7.6	1.7	10.3	1.3	13.9	1.6	8.7
June	0.8	5.2	2.5	7.2	1.6	3.7	1.4	11.1	1.5	-0.5
July	0.9	29.2	2.4	6.0	1.7	7.2	1.4	11.9	1.6	6.7
Aug.	0.8	5.7	2.4	4.1	1.7	8.3	1.4	12.1	1.5	6.0
Sources	"Trade Statistics of Japan", Ministry of Finance									