

Japan doubled energy imports from US

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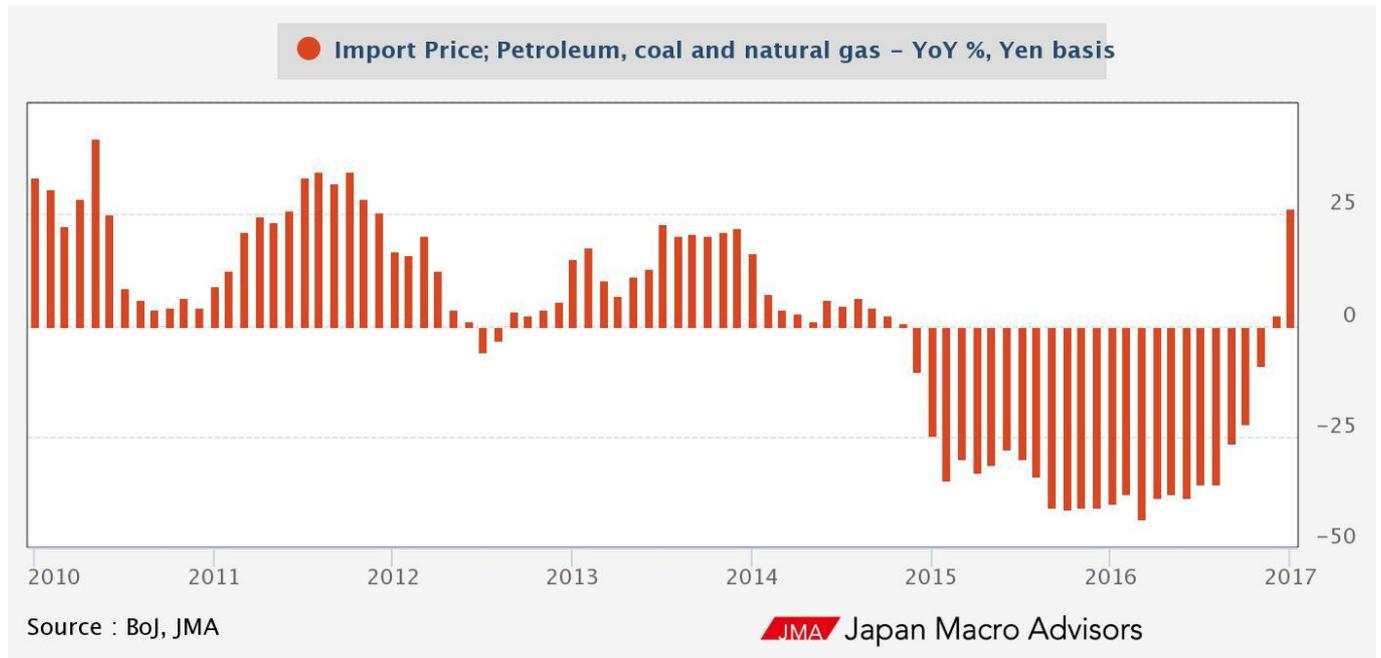
Executive Summary

The rising energy prices are starting to reduce Japan's trade deficit. In January 2017, Japan's trade surplus fell to 156 billion yen, equivalent to mere 0.3% of GDP in annualized terms. January 2017 also marks the first month Japan started to import LNG from the United States. As the result, energy imports from US more than doubled from a year ago. The news must be a godsend for the Shinzo Abe administration.

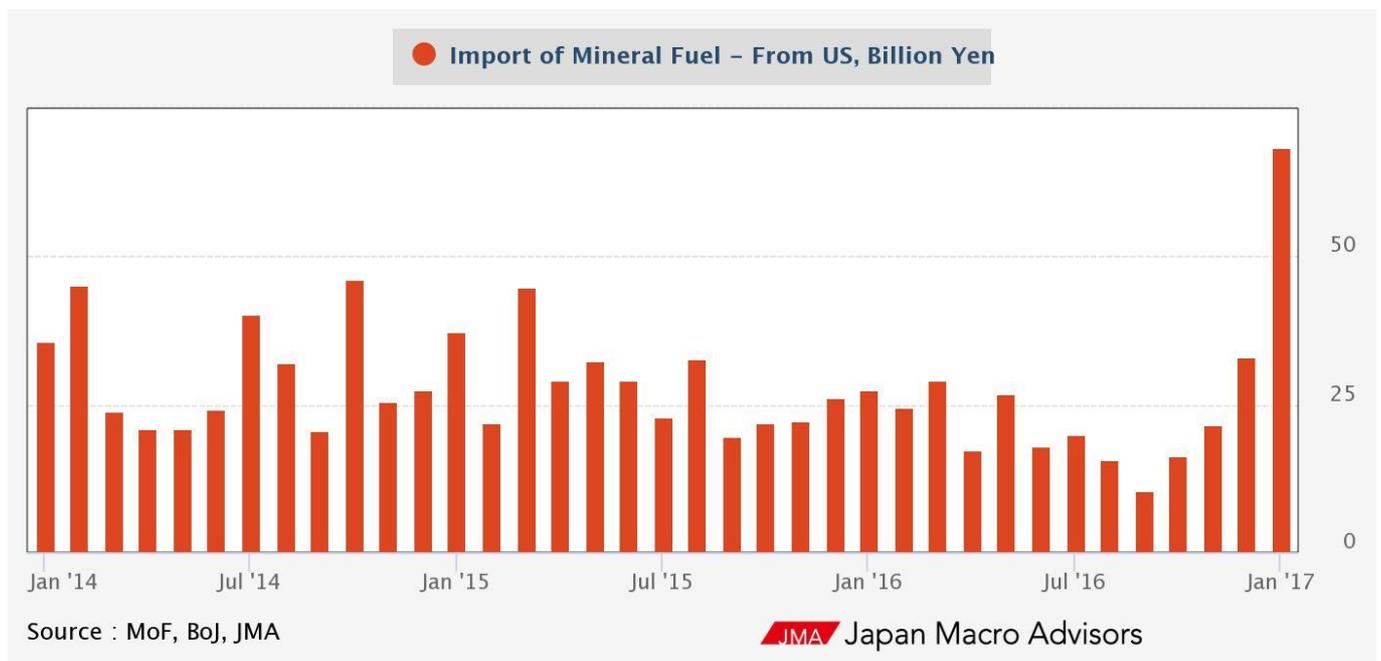
In January 2017, Japan's trade balance fell significantly to 155.5 billion Yen from 327.5 billion Yen in December 2016, after a seasonal adjustment. The decline in the trade balance is mainly caused by an increase in imports. Imports grew by 8.5% year on year (YoY), a first YoY increase since December 2014.



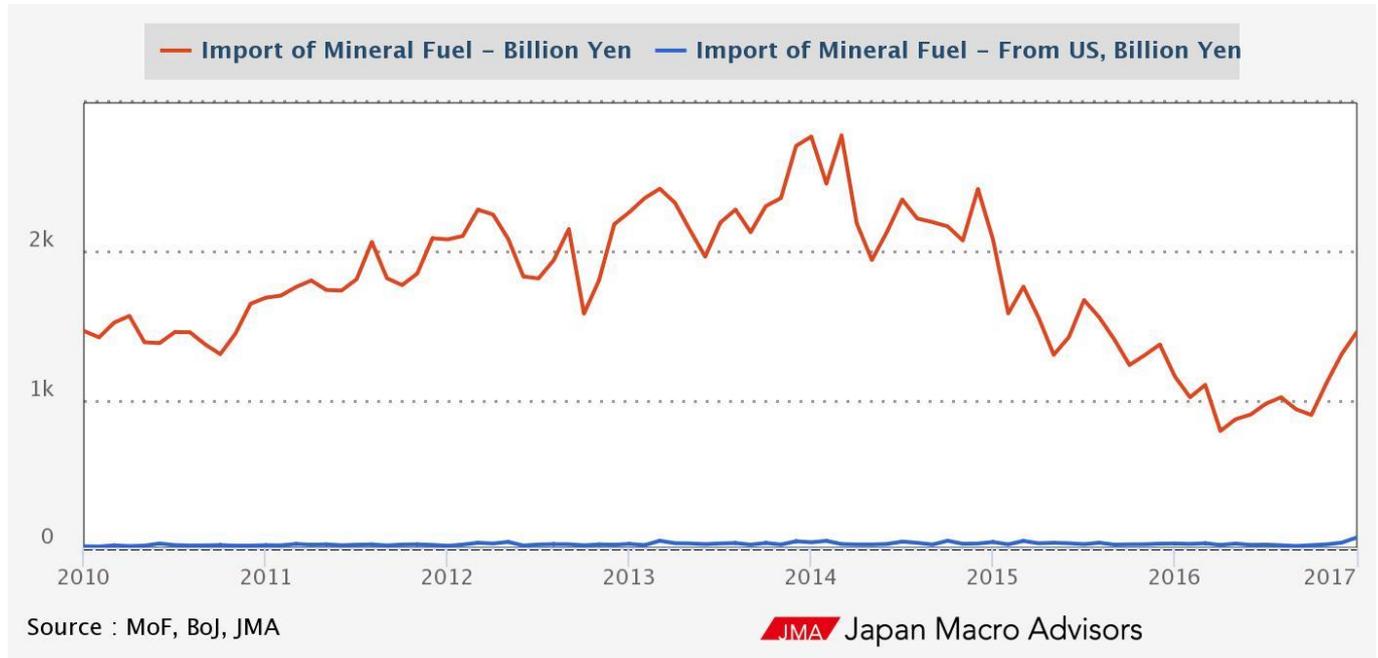
A part of the increase in imports can be attributed to the rise in international fuel price. The price of imported energy has risen by 26% YoY. As imports of energy accounts for roughly 20% of Japan's total import, the changes in international energy prices has a significant effect on Japan's total import bill.



January 2017 also marks as the first month when Japan started to import LNG from the United States (US). In January, Japan imported 16-billion-yen worth of LNG from US, up from zero in the whole of 2016. As a result, Japan's energy imports from US, including LPG and other petroleum products, more than doubled in January 2017.



The amount of energy imports from US is still tiny, compared to Japan's overall energy imports. Even after the doubling in January 2017, energy imported from US accounts for less than 5% of total energy imports.



The sharp increase in energy imports from US is a godsend for Abe administration though, as they struggle to contain a potential trade war with US. According to [Reuters](#), the Japanese government were considering ways to increase energy imports to placate President Trump before the Trump-Abe summit earlier this month. In principal, the Japanese government cannot decide where private sector utility companies import their energy from, but they are nevertheless under a strong influence of Japanese government. Pressuring utility companies to import more energy from US must also be a politically easier option than opening up domestic beef market to US. It will be interesting to see how an increase in energy imports from US could help reduce Japan's trade surplus with US.

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