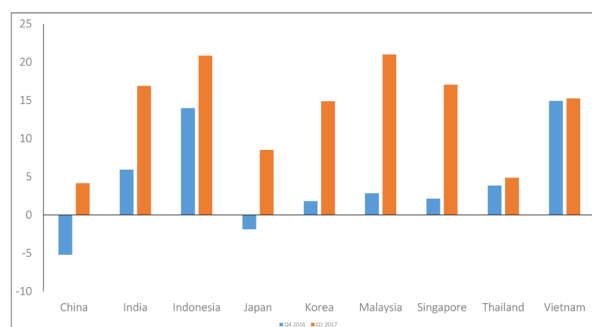


## East Asia: An Unexpected Increase in Exports in Q1 2017

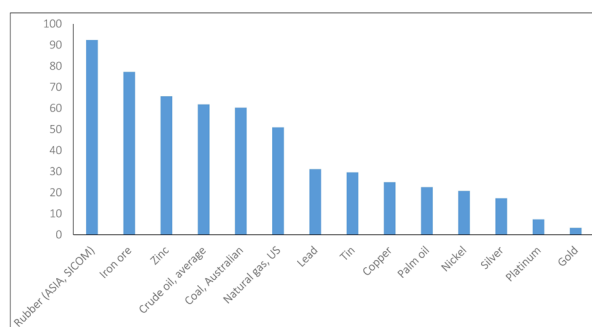


**Figure 1. East Asian Countries' Quarterly Goods Export Growth (% YoY)**



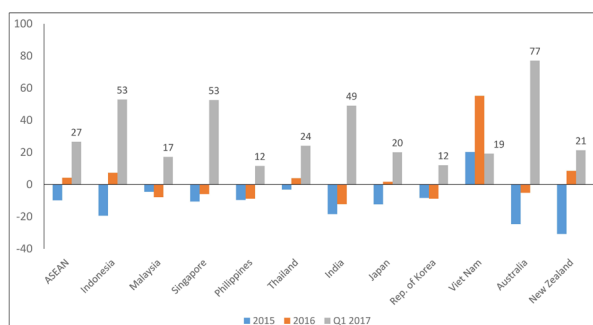
Source: National statistics agencies, via CEIC, 2017.

**Figure 2. Commodity Price Increase Q1 2017 (% YoY)**



Source: The World Bank, 2017

**Figure 3. East Asia Goods Export Total Value to China Growth (% YoY)**



Source: General Administration of Customs China, via CEIC, 2017.

East Asian exports performed robustly in the first quarter of 2017 compared to the same period last year (Figure 1). East Asia's export growth had two main drivers in Q1 2017. First, a significant oil and commodity prices increase benefited Southeast Asian countries with a high reliance on the primary commodity and its derivatives exports such as Indonesia, Malaysia, Singapore, and Thailand (Figure 2). Second, continuing robust economic activity in China and India in the first quarter of 2017, registering growth rates of 6.9% and 7.3%, respectively<sup>1</sup>. China's growth in the first quarter of 2017 was driven by growth in activity of its manufacturing sector, which increased demand for raw materials, manufactured goods, and capital goods from other East Asian countries, resulting in double-digit export growth of East Asian products to China (Figure 3).

The positive trend is also the continuation of the strong overall economic performance in the fourth quarter of 2016. The trend is expected to continue, although the outlook for the economies of East Asian countries faces some downside risks, such as a more protectionist United States (US) trade policy, volatility in Chinese financial markets, and an escalation of the tensions on the Korean Peninsula.

<sup>1</sup> India Q1 2017 growth is based on the Economist Intelligence Unit's forecast.

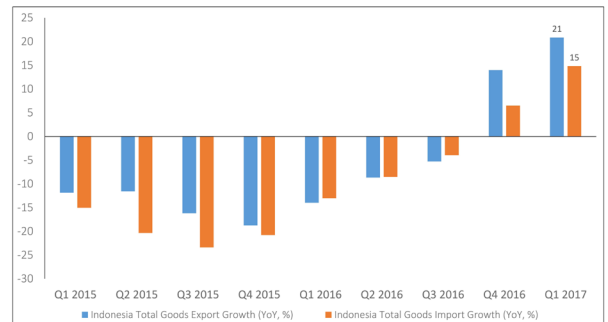
## INDONESIA

The total value of Indonesia's goods exports increased by 21% while imports increased by 15% in Q1 2017 compared to Q1 2016 (Figure 4). Based on the product classification of non-oil and gas exports, the total value of mineral fuels exports during that period increased by 49.6%, exports of rubber and its derivatives increased by 73.2%, and chemical products exports by 46.3%. China, Japan, and the US remained the main destination of Indonesian exports, together accounting for 33.7% of Indonesian exports during Q1 2017. The growth of imports was driven mainly by raw materials and intermediate goods (up 18%), capital goods (up 6.5%), and consumption goods (up 4.8%).

Gross domestic product (GDP) growth also looks favourable. The Indonesian economy grew by 5.0% in Q1 2017 compared to Q1 2016. Based on expenditure, GDP growth was driven by domestic consumption (up 4.9%), exports (8.0% higher), and gross capital formation (up 4.8%). In terms of sectoral growth, manufacturing,

agriculture, forestry and fishery, and wholesale and retail trade were the main drivers of growth, with respective increases of 4.2%, 7.1%, and 4.8%, year-on-year.

**Figure 4. Indonesia Goods Export and Import Movement**



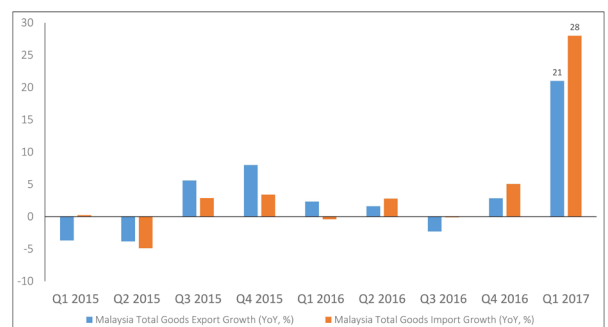
Source: Statistics Indonesia, 2017.

## MALAYSIA

Malaysia's total value of exports grew by 21% in Q1 2017 compared to 2% in Q1 2016 (Figure 5), driven by the country's major export products – electronic and electrical products (which rose by 18.3%, year-on-year), palm oil and palm oil-based products (up 35.9%), and refined petroleum products (up 47%).

Domestically, one consumption indicator, Malaysia's motor vehicle sales, saw an increase in Q1 2017 of 7.3%, year-on-year, compared with a decrease of 22% in Q1 2016.

**Figure 5. Malaysia Goods Export and Import Movement**



Source: Department of Statistics Malaysia, 2017

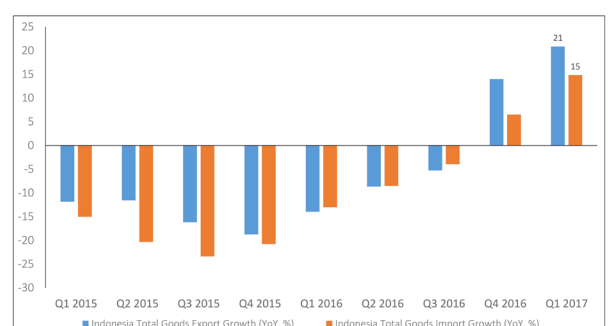
## SINGAPORE

Singapore, in Q1 2017, saw its strongest growth in goods trade since 2010, with the value of total exports rising by 17% and the value of total imports increasing by 16%, year-on-year (Figure 6). This could augur well for regional trade as Singaporean trade has always been seen as the bellwether of it. The improvement of trade can be seen in the increase of the total value of electronic products exports, which rose by 5.2% in March 2017 compared to the same period in 2016, and in the 42.8% year-on-year export growth of petrochemicals.

Singapore's GDP grew by 2.5% in the first quarter of 2017, driven mainly by manufacturing industries, which expanded 6.6% compared to Q1 2016. Singapore's Production Manufacturing Index (PMI) reached 51.2 at the end of Q1 2017, with the PMI of electronics reaching 51.8. PMI (a PMI above 50 indicates expansion, a PMI below

50 a contraction). These are the highest numbers since January 2015, indicating that the first quarter of 2017 saw a major expansion of Singapore's manufacturing sector.

**Figure 6. Singapore Goods Export and Import Movement**



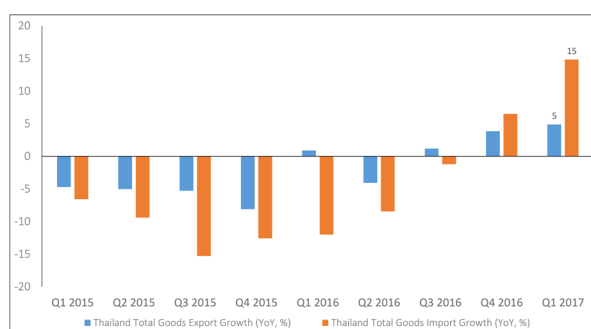
Source: Department of Statistics Singapore, 2017.

# THAILAND

The total value of Thailand's goods exports rose by 5% in Q1 2017 compared to Q1 2016 (Figure 7). The increase was driven mainly by rising manufactured goods exports, which made up 12.6% of Thailand's total exports and expanded by 8.7%. This increase was due mainly to processed rubber, which rose by 64.7%, computers and components, which rose by 18.4%, and fuel oil, which was up 53.9%, year-on-year.

Domestically, private consumption indicators also looked favourable, with private consumption expanding by 2.9% in Q1 2017 compared to the same period in 2016. The improvement was due mainly to strong motor vehicle sales, which increased by 15.9% in Q1 2017.

**Figure 7. Thailand Goods Export and Import Movement**



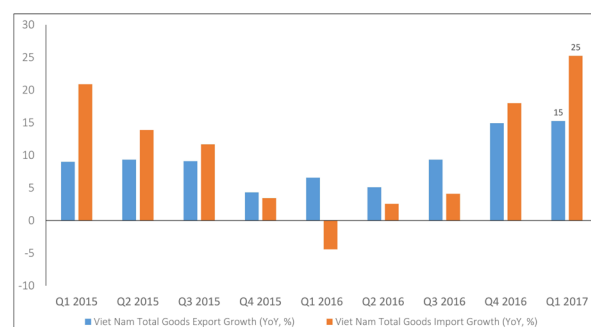
Source: Ministry of Commerce, Thailand, 2017.

# VIET NAM

The total value of Viet Nam's goods exports rose by 15% in Q1 2017, year-on-year, driven mainly by computers and electrical products export growth of 47.8% and textiles and garments exports growth of 10% (Figure 8). Viet Nam's number one export product, telephones and mobile phones, declined, however, with exports falling by 6.1% in Q1 2017 compared to Q1 2016. Vietnamese exports remained concentrated in three main markets: the US, the European Union, and China, which together accounted for 51.7% of Viet Nam's total exports, and rose by 4.0%, 7.9%, and 47.8%, year-on-year, respectively.

Domestically, the Vietnamese economy grew by 5.1% in Q1 2017. The growth was supported by strong domestic consumption, with Viet Nam's retail sales increasing by 9.8% in Q1 2017, and motor vehicle sales rising by 5.9%, year-on-year.

**Figure 8. Viet Nam Goods Export and Import Movement**



Source: Vietnam Customs, 2017.





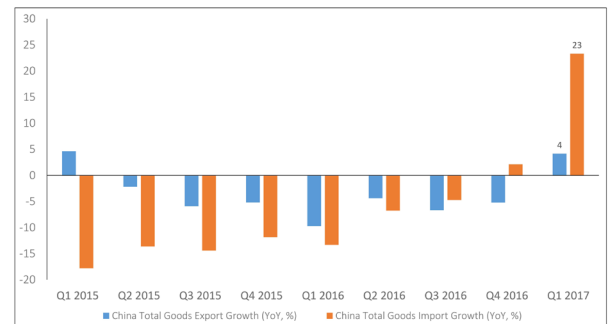
## CHINA

China's GDP grew by 6.9% in the first 3 months of 2017, driven mainly by strong investment and manufacturing output. On the investment side, fixed-asset investment expanded by 9.2% year-on-year as a result of strong performances of the agriculture and industrial sectors. On the ownership side, investment growth was driven by private companies' investment rising to a 15-month high with a 7.7% year-on-year expansion in Q1. On the manufacturing side, industrial production rose by 7.6% in March compared to the same month in 2016. Retail sales growth was 10.9% in March 2017, maintaining the average growth rate registered in Q4 2016.

On the external side, Chinese imports increased by 23% while its total export value rose by 4% in Q1 2017 (Figure 9). The strong growth of import value is due to a rapid expansion of demand for mineral fuels, lubricants, and related materials, which saw growth of 68.4%, and machinery and transport equipment, which rose by 10% compared to the same period last year. This development benefited the whole region as every East Asian country booked double-digit

growth of total export value to China, with demand for raw materials increasing and commodity prices rising. As a result of the sharp increase in imports, China's Q1 2017 trade surplus fell to US\$66 bn, its lowest level since Q1 2014.

**Figure 9. China Goods Export and Import Movement**



Source: General Administration of Customs China, via CEIC, 2017.

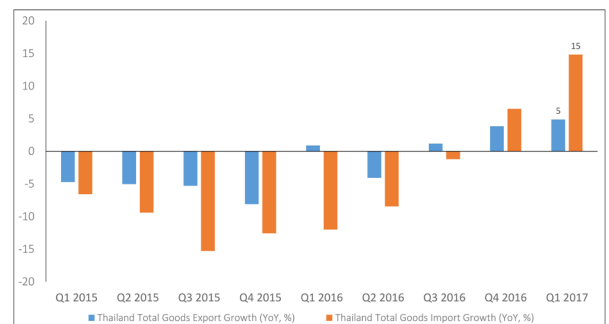
## INDIA

India's total value of goods exports expanded by 17% in Q1 2017 while its imports expanded by 25% compared to the same period last year. The increase in the total value of Indian exports was mainly driven by a very sharp increase of iron and steel exports of 191.7%, and of petroleum products exports by 43.9%, whereas the total value of drugs and biologics, and gold, both major Indian export products, fell by 3.9% and 4.7%, respectively. On the imports side, strong growth was driven mainly by crude petroleum (up 84%), gold (up 81%), and coal, coke, and briquettes (up 48%).

Domestically, the Indian economy was driven mainly by consumption activity, which made up 56% of its GDP in 2016. In the first quarter of 2017, signs of robust consumption activity were the strong growth of consumer non-durables production output, which rose by 10.5% compared to the same period last year. A 1.5% year-on-year contraction of capital goods production output in Q1 2017, however,

bodes ill for the sustainability of Indian economic growth in the short term, as capital goods output growth is seen as the bellwether of the economy's overall economic growth prospects.

**Figure 10. India Goods Export and Import Movement**



Source: Ministry of Commerce and Industry, India, 2017.

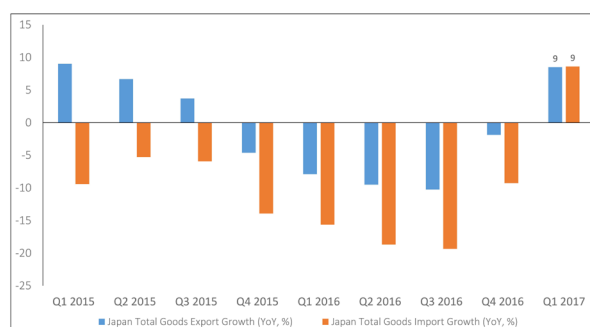


# JAPAN

The total value of Japan's goods exports rose by 9% in Q1 2017, year-on-year (Figure 11), an expansion mainly driven by its top three exports, which make up 61% of Japan's total exports: machinery, electrical machinery, and transport equipment. Machinery, which includes power generating machines and construction machines, grew by 12.4%. Electrical machinery, which includes semiconductors and electrical power machinery, rose by 8%. And the total value of transport equipment exports, which includes motor vehicles and railway vehicles, increased by just 0.35%.

Domestically, both retail and wholesale trade in Japan expanded in the first quarter of 2017 – retail trade rose by 1.2% and wholesale trade by 0.9%. These numbers are a positive sign as in Q1 2016 retail trade contracted by 0.3% while wholesale trade contracted by 5.7%.

**Figure 11. Japan Goods Export and Import Movement**



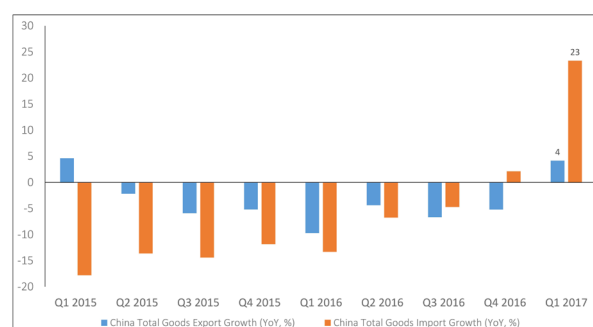
Source: Ministry of Finance, Japan, 2017.

# KOREA

The economy of the Republic of Korea expanded by 2.8% in Q1 2017, recovering from slower growth in the second half of 2016. Annual fixed investment in Q1 2017 grew by 9.5%, year-on-year, the fastest growth since Q1 2010. The expansion of fixed investment was mainly driven by an increase in public infrastructure spending. An expansion of exports by 15% was driven by improved demand for China's top three export products: semiconductors products (which rose by 44.7%), automobiles (up 3.0%), and petrochemicals (up 38.4%) (Figure 12).

Although the economy performed well both domestically and externally, the increased possibility of a military conflict with its immediate neighbour, North Korea, is a downside risk, as it could have a devastating impact on the Republic of Korea's economy.

**Figure 12. Rep of. Korea Goods Export and Import Movement**



Source: Korea Customs Service, 2017.

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