

ECONOMIC PULSE

JAPAN: INDUSTRY IS HOLDING UP

Despite the still very severe difficulties in the automotive sector and for gas and electricity suppliers, Japanese industry is holding up. The record level of profits recorded by Japanese manufacturers in the second quarter, as reported in the Ministry of Finance’s quarterly survey, was a first significant factor.

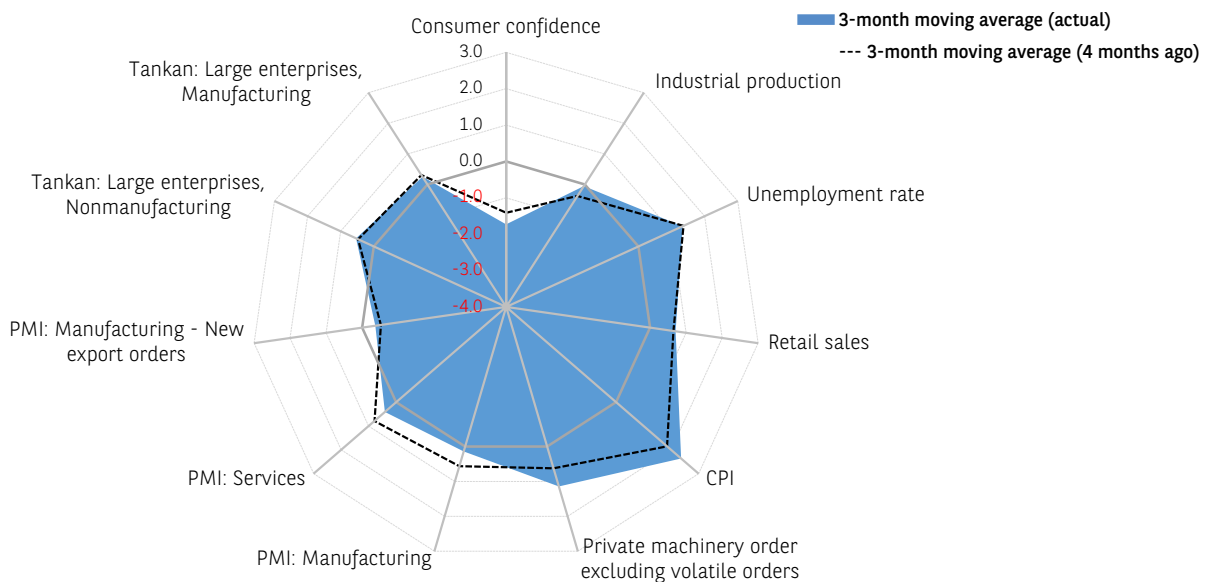
In addition, the September Tankan survey was better than expected. The general diffusion index improved by 1 point (3) compared with an expected drop of the same magnitude. Confidence in the non-manufacturing sector was the most positive surprise, with a rise in the diffusion index of 1 point (5) compared to an expected drop of 4 points. The lifting of entry restrictions in the country from 11 October has undoubtedly contributed to this improvement (the announcement was made on 22 September and the survey was conducted between 29 August and 30 September). The indicator for industry fell slightly (-1 point to 0), but it did not derail, thanks to improving figures in textiles, the oil industry, and metallurgy. Although on the rise, confidence in the automotive sector has nonetheless still deteriorated significantly (-19), confirming the difficulties faced by the sector, such as disruption for certain components and a slowdown in Chinese demand. Unsurprisingly, the index of gas and electricity suppliers fell sharply once again (down by 4 points, to -11).

The gradual unblocking of global production chains has enabled Japanese companies to catch up on some of the backlog accumulated over the previous months, and this was reflected in a significant increase in industrial production in August (+2.7% m/m). The latter has reached its highest level in three years. Projections by the ministry for industry (METI) for September and October also show an expected total increase of 6.2% over the two months. However, these figures are often subject to major revisions.

In relation to households, the outlook is not so positive: the consumer confidence index, assessed by the Cabinet Office, fell in September. Purchasing intentions for consumer durables were the lowest ever recorded since the survey started in 1982. Indeed inflation continues to erode household purchasing power, even though it is still lower than in other industrialised countries: it accelerated to 3.0% in August year-on-year and to 2.7% for the measure followed by the Bank of Japan (which excludes perishable foods).

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JAPAN: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

