

## Japan: industrial production declines while consumption gains

Today's Japanese data releases were a bit mixed. Together with improved labour market conditions and better consumer sentiment, consumption is likely to lead to a GDP rebound in the second quarter. But weak production suggests the rebound will be modest



Domestic demand is leading Japan's recovery

**-1.3%** Industrial production  
%MoM, sa

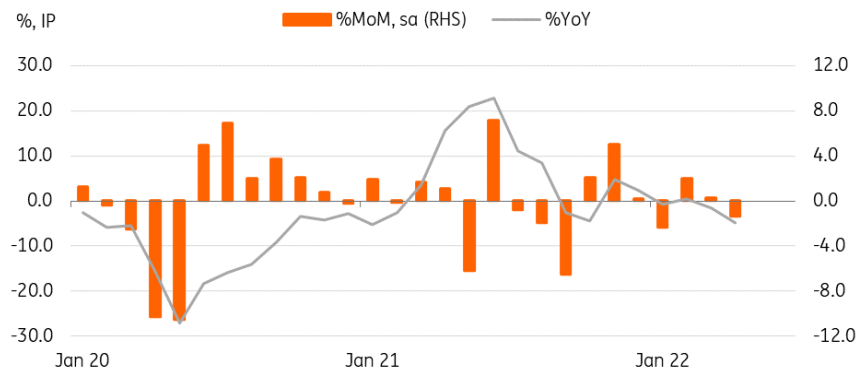
Lower than expected

### Industrial production dropped in April, the first fall in three months

Production activity has been hit hard by ongoing global supply chain disruptions. April industrial production declined by -1.3% month-on-month, seasonally-adjusted (vs 0.3% in March) which is more than the market consensus of -0.2%. Among the largest declines, semiconductors (-7.1%),

machineries (-2.7%), and automobiles (-3.0%) were down most notably. Meanwhile, shipments were unchanged compared to the previous month, with declines mostly concentrated in automobiles, semiconductors, and petrochemicals, mainly due to China's recent lockdowns.

## April IP was weaker than expected

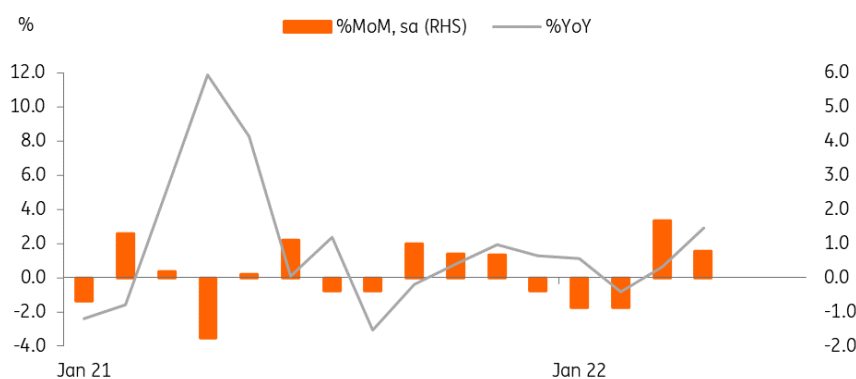


Source: CEIC

## Retail sales rise for two consecutive months

Retail sales grew 0.8%MoM sa in April while March data was revised down to 1.7% (vs 2.0% previously). The reopening effect has supported consumption activity as apparel jumped 12.8% after declining in the previous three months, and general merchandise sales gained three months in a row. However, higher commodity prices appeared to partially suppress consumption. Fuel sales contracted -1.6% in April (vs -0.5% in March) while supermarket sales fell -1.2% in April (vs -0.6% in March).

## Retail sales have risen for the second month in a row



Source: CEIC

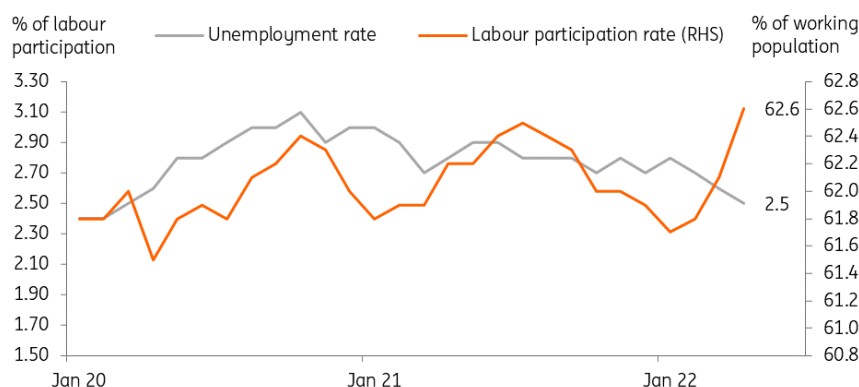
## Improved labour conditions and better consumer sentiment signals a steady recovery in consumption

Labour conditions in Japan improved in April. The jobless rate dropped to 2.5% (vs 2.6% which was the market consensus and the rate in March) while the labour participation rate continued to advance to 62.6% (vs 62.1% in March). In addition, the job-to-application ratio ticked up to 1.23 (vs

1.22 in March).

Meanwhile, consumer sentiment appeared to make gradual progress thanks to an improved Covid-19 situation. The consumer confidence index rose to 34.1 (vs 33.8 market consensus) with all sub-indices improved. The overall livelihood index rebounded firmly – for the first time in five months – while income growth also increased.

## Labour conditions continued to improve



Source: CEIC

## Bank of Japan looks to signs of wage growth

We ought to be on the lookout for tighter labour market conditions leading to wage growth, which is what the Bank of Japan has been looking at to gauge a sustainable inflation trend. Today's improved consumer sentiment on income and employment gives a positive signal for now.

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