

Japan's industrial production plummets in August

Several idiosyncratic factors have weighed on industrial production in Japan, but a technical payback is expected from this year's fourth quarter onwards. Retail sales have improved gradually, and we expect the BoJ to deliver a 25bp hike from that point too



Japan's Tokyo Tower

-3.3%

Industrial production

% MoM, sa

Lower than expected

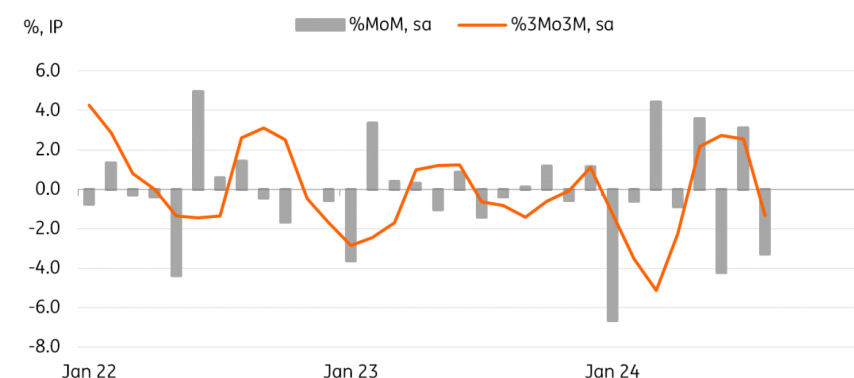
A large drop for IP

Japan's industrial production fell more than expected in August, by -3.3% month-on-month (vs. 3.1% in July, -0.5% market consensus).

We believe that the monthly fluctuation is related to the auto production disruptions caused by

the safety scandal. We also think that the government's alert on mega-earthquake warnings and typhoon-related factory closures also probably exaggerated the fall in production activity in August. However, Toyota resumed production in early September, and there have been no major earthquakes since the alert – so we expect activity to return to normal in the coming months. In turn, We expect sluggish growth in the third quarter of 2024 but stronger payback to be seen in fourth-quarter GDP.

Choppy IP due to several idiosyncratic factors



Source: CEIC

0.8%

Retail sales

%MoM, sa

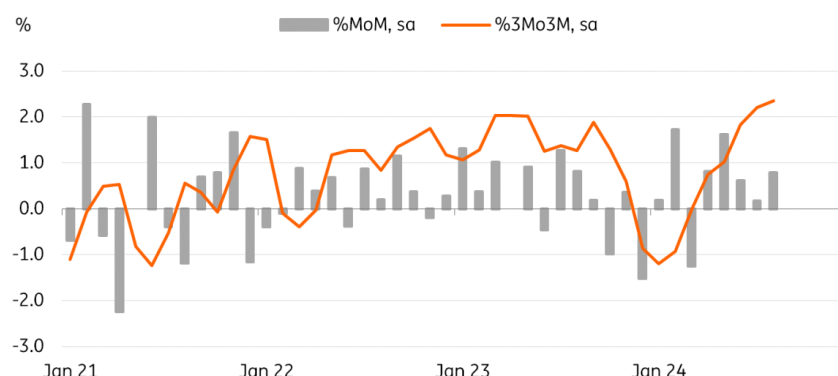
Higher than expected

Retail sales rose for six consecutive months, providing confidence for the BoJ

Meanwhile, retail sales rose 0.8% in August (vs. 0.2% in July, 0.5% market consensus). This component has risen for six consecutive months, demonstrating a continuation of relatively solid consumption. Car sales declined for the first time in four months (-3.49%), while other major consumption rose solidly, with increases in general merchandise (2.1%), apparel (12.2%), and food and beverages (2.0%).

The larger-than-expected decline in IP should be of concern for the Bank of Japan, but we think it's likely to normalise in the coming months. Retail sales have recently posted positive results, which should give the BoJ some confidence in continuing its policy normalisation.

Continued gains in retail sales should support the BoJ's policy normalisation



Source: CEIC

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.