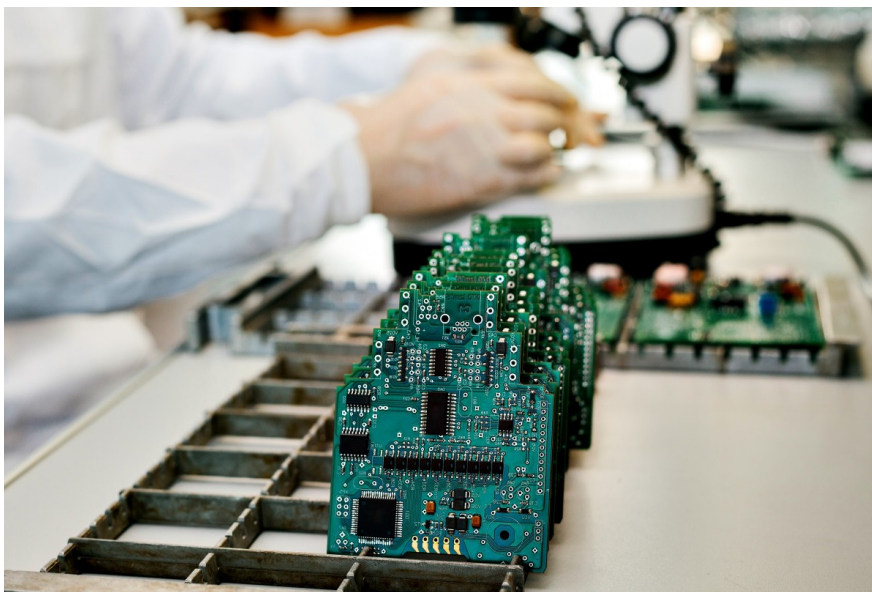


## North Asian production struggling

Disappointing year-on-year growth doesn't tell the whole story, but Japan and Korean production figures for October hint at a slow grind going into 2022 rather than strong growth



4.5, -4.7

Korean, Japanese Production

YoY%

Worse than expected

### Difficult to be precise, but big picture is one of moribund growth

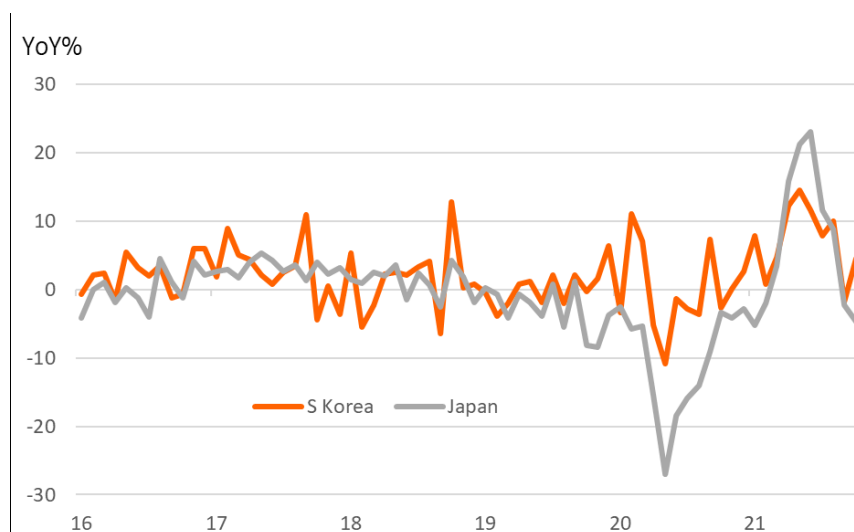
With the legacy of the 2020 pandemic impact still echoing through seasonal adjustments to economic data, we have to be a little more cagey than usual before drawing any firm conclusions from any data releases. But the overall impression from today's October production releases from both S Korea and Japan is to confirm that production is grinding forward at best, or possibly even stagnating.

The Korean numbers show October production up 4.5%YoY, which doesn't sound too bad. But it is hard to say that this is not just noise kicked up by messy historical data in 2020. Certainly, the

monthly seasonally adjusted data, to the extent that we can rely on them, are not very positive. Seasonally adjusted production in Korea has declined in each of the last three months, and in seven out of the ten months this year. In any case, low single-digit growth appears to be giving a more accurate picture of the situation than the base-distorted double-digit gains seen earlier in the year.

For Japan, it looks if anything a little worse. Year-on-year growth registered a 4.7% decline in October. Though the overall pattern of growth of both economies is strikingly similar - not surprising as their economic composition is also quite similar, with strong contributions from autos, electronics, metals and chemicals.

## Industrial production - Korea and Japan (YoY%)



Source: CEIC, ING

## It's not all terrible though

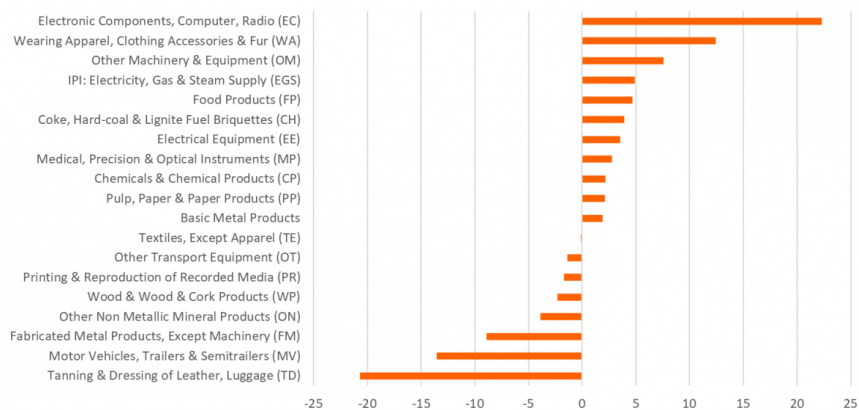
The detail of the reports shows that there is a widely differing performance by different components of production. We show the Korean breakdown here, though there are overlaps with the Japanese situation.

As has been the case for some time, and indeed, as is usually the case in Korea, the electronics sector is growing strongly, with some growth also evident in other machinery and equipment as well as apparel. At the other end of the spectrum is motor vehicles as well as items relating to international travel, such as leather and luggage.

The picture for Japan is much the same, with production growth of electronic parts towards the top of the growth league, and transport equipment right at the bottom.

The fact that the motor industry globally has been criticising a lack of semiconductors for its production growth is somewhat at odds with these figures, as the production of electronics seems to be proceeding at a decent pace. Either there is so much demand from other sectors for semiconductors that auto manufacturers are not getting what they need, or the output is being swallowed up in exports to other countries - China perhaps? Wherever the bottleneck is, it does not appear to be in semiconductor production.

## Korean production by component



Source: CEIC, ING

### Author

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@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 <http://www.ing.com>.