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Impact of Expanding Automobile Production Cuts Due to Difficulty in Procuring Parts

Impact on real GDP of up to -1.2 tril yen if auto output declines by 660,000 units

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Summary

- In addition to the worldwide shortage of semiconductors, the spread of COVID-19 has reduced the operating rate of factories in Southeast Asia, which are suppliers of parts for Japanese automobile manufacturers, causing the scale of automobile production cuts to expand. If domestic auto production declines by 660,000 units in FY2021 (actual results in the Apr-Jun period and estimated figures for major manufacturers known at this time), the direct impact on real GDP will be around -0.3 tril yen. It will reach around -0.6 tril yen when short-term impact on other industries is combined. If the situation continues in the long-term, the negative impact will spread to a wide range of industries through the supply chain, and downward pressure on real GDP will increase to around -1.2 tril yen.
- It is currently known that major manufacturers are expected to cut production by about 290,000 units in the Jul-Sep period, exceeding the Apr-Jun period (about 220,000 units), and putting greater downward pressure on GDP. Similarly, major manufacturers currently expect to cut production by 150,000 units in the Oct-Dec period. Manufacturers plan on recovering production this fall and beyond, but the outlook is uncertain regarding the status of infections in Southeast Asia. Against the backdrop of robust demand, the impact of the worldwide shortage of semiconductors may be prolonged, and it looks like there will be limits to recovery production in the second half of FY2021. Automobile production is expected to move into a growth trend through FY2022, but the pace of growth will probably remain moderate.

Attention

This report is a summary translation. The official document is only in Japanese.