

(Box 1) Impact on Japan's Economy of Disruptions in Production and Logistics in China Due to the Spread of COVID-19

In China, the rapid spread of COVID-19 from March to April of this year led to strict public health measures, including lockdowns in some cities such as Shanghai, which resulted in a contraction in business activities and logistics. This contraction in Chinese production and logistics has not only brought about a decline in exports from Japan to China but has also put downward pressure on production in Japan through reduced supplies from China (Chart 10). This box outlines the impact of the production and logistics disruptions in China, focusing mainly on the impact of reduced supplies on Japan's economy.

China's exports and production declined clearly for April, mainly as a result of the contraction in business activities due to lockdowns and other public health measures (Chart B1-1). In particular, exports and production of automobile- and IT-related goods declined significantly, consequently intensifying global supply-side constraints once again.

Since China accounts for a large share of global exports of IT-related goods and automobile parts, and Japan also is dependent on imports from China for these goods, production and logistics disruptions in China have affected Japan's economy through the intensification of supply-side constraints (Chart B1-2).

Chart B1-1: China's Manufacturing PMI and Exports

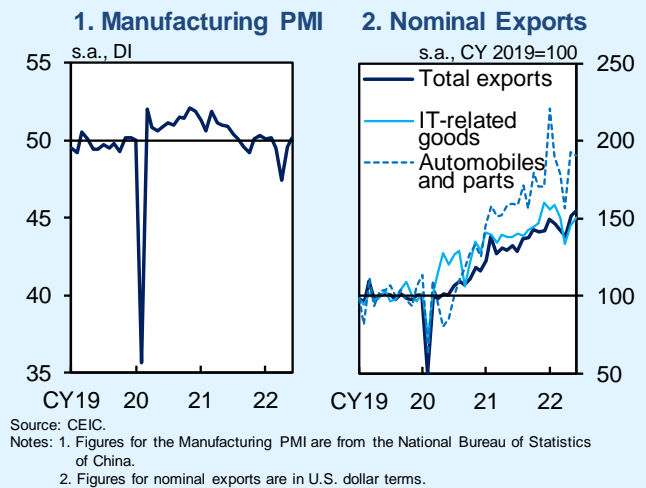
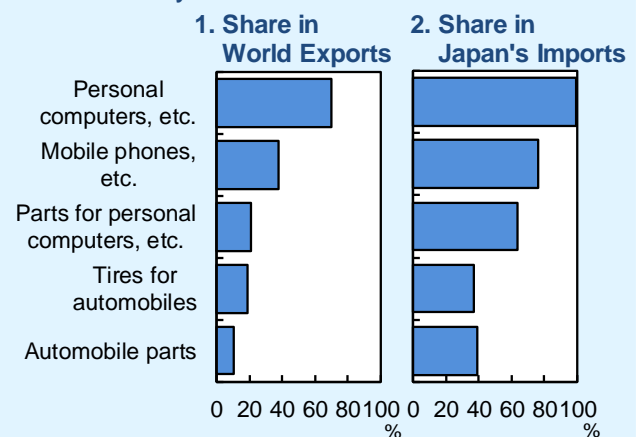


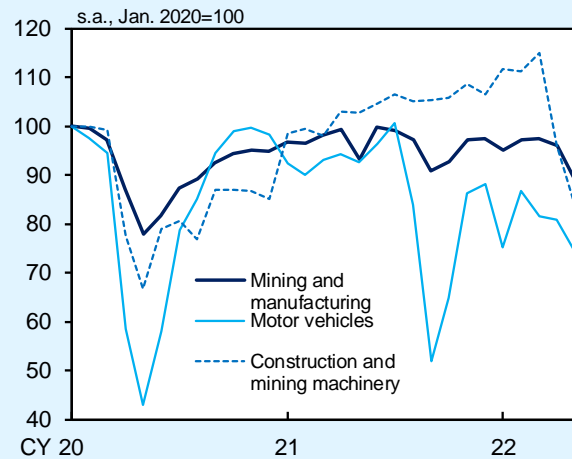
Chart B1-2: China's Export Share by Commodity



Source: Trade Map, International Trade Centre, <https://marketanalysis.intracen.org>.
Note: Figures are based on trade values as of 2021.

In fact, Japan's imports from China declined clearly for April, and it seems that procurement from China has become difficult for a wide range of goods such as electronic components and automobile parts. Under these circumstances, developments in Japan's industrial production suggest that many items, including automobiles and construction machinery, have been affected by supply-side constraints (Chart B1-3). The effects have spread to domestic consumption, such as automobile sales, in addition to exports.

Chart B1-3: Japan's Industrial Production (by Industry)



Since May, with the number of COVID-19 cases generally being contained and lockdowns and other public health measures being eased, Chinese exports and production have gradually normalized, and the logistics situation has also improved (Chart B1-4). However, normalization, especially in land transportation, is expected to take more time, and if strict public health measures such as lockdowns are reinstated due to a resurgence of COVID-19, supply-side constraints could become prolonged and expand. Given that -- amid the ongoing global shortage of products such as semiconductors -- supply-chain disruptions caused by the spread of COVID-19 at home and abroad have repeatedly had a significant impact on production in Japan, developments continue to warrant attention.

Chart B1-4: Suppliers' Delivery Times PMI for China

