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# March 2021 Industrial Production

**Production index grows for first time in two months due to recovery production in motor vehicles and growth in production oriented toward overseas markets**

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## Summary

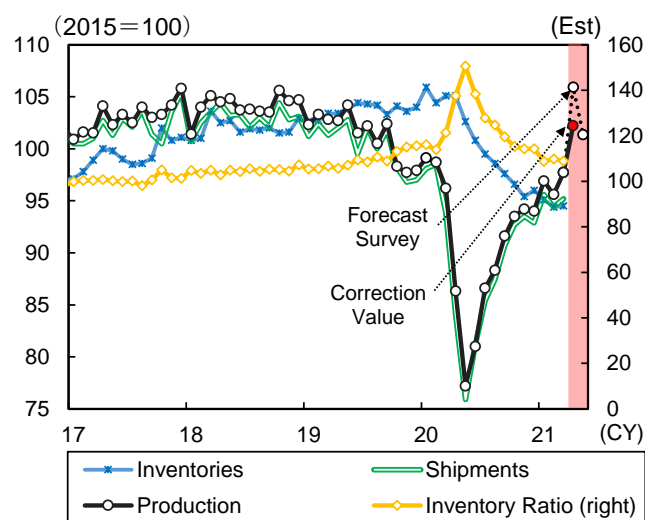
- The March 2021 indices of industrial production grew for the first time in two months at +2.2% m/m, defying market consensus, which had predicted a decline of -2.0%. Recovery production in motor vehicles resolved the shortage of parts supply influenced by the February earthquake off the coast of Fukushima, while in addition, growth in overseas demand encouraged an increase in motor vehicle production, which brought a positive contribution to overall performance. Meanwhile, inorganic & organic chemicals, as well as plastic products also contributed to growth.
- As for the future of industrial production, moderate growth is expected. Consumption demand and an increase in investment demand due to worldwide dissemination of the COVID-19 vaccine is expected to provide a push to production growth in a broad range of industries. Meanwhile, growth in production of semiconductors, such as integrated circuits and so on, as well as semiconductor products machinery is expected in response to the worldwide shortage in semiconductors. Although a state of emergency has been declared in domestic Japan for the third time around, the effect on industrial production will likely be minor. On the other hand, declines in motor vehicle production due to the above-mentioned shortage of semiconductors are expected to be a negative factor, hence care should be taken regarding the possibility that the extent of declines could still grow in the future. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees April 2021 production up by +8.4% in comparison to the previous month, (+4.6% corrected for production plan bias ,mode). Meanwhile, May is expected to be down by -4.3%.
- The March Indexes of Business Conditions is to be published on May 12, and the composite indexes, the leading index is expected to be up by +5.1pt to 103.8, while the coincident index is expected to be up by +3.0pt to 92.9. Based on the predicted value, the assessment of coincident index should be automatically revised upwards to "improving."

**Industrial Production (m/m %; SA basis) Chart 1**

	2020							2021			Mar
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Industrial Production	4.9	6.9	2.0	3.7	2.1	0.7	-0.2	3.1	-1.3	<b>2.2</b>	
Market consensus (Bloomberg)										-2.0	
DIR estimate										-1.8	
Shipments	6.9	5.3	2.3	3.8	2.2	0.9	-0.6	2.9	-1.3	<b>0.8</b>	
Inventories	-1.8	-1.3	-0.9	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	<b>0.1</b>	
Inventory ratio	-8.1	-7.6	-2.4	-4.2	-3.5	-1.0	0.1	-4.9	1.0	<b>-0.8</b>	

Source: Ministry of Economy, Trade, and Industry; Bloomberg; compiled by DIR.

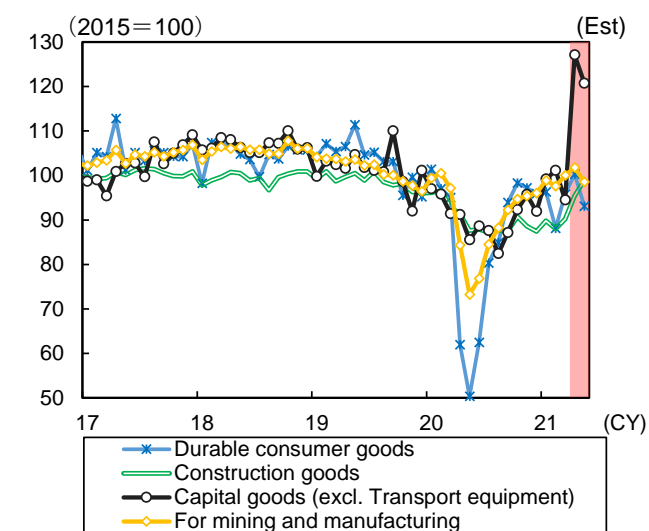
**Production, Shipment, and Inventories Chart 2**



Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

Note: The predicted values of the Production Forecast Survey (the red circle) are the correction values for the Indices of Industrial Production (mode).

**Production Index and Breakdown by Types of Goods Chart 3**



Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

Note: Values for most recent 2-months of production index from METI Production Forecast Survey.