

1 June 2021 (No. of pages: 2)

Japanese report: 31 May 2021

April 2021 Industrial Production

Production index grows in a broad range of industries due to increased investment demand overseas and growth in domestic and overseas demand for semiconductors

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Summary

- The April 2021 indices of industrial production grew for the second consecutive month at +2.5% m/m, recording its highest level since September 2019, but falling below market consensus, which had predicted growth of +3.9%. Production grew in a broad range of industries due to increased capital expenditure related demand overseas, and growth in domestic and overseas demand for semiconductors. However, production of motor vehicles was weak due to the shortage of semiconductors. Looking at performance by industry, major growth in production was reported by general-purpose and business oriented machinery, electrical machinery, and information and communication electronics equipment, and production machinery.
- As for the future of industrial production, moderate growth is expected. Progress in the normalization of economic activity due to worldwide dissemination of the COVID-19 vaccine is expected to provide a push for 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 manufacturing equipment is expected. On the other hand, the margin of growth in the production index is expected to be held back for the time being, limited to a relatively narrow range due to production cuts in motor vehicles associated with the shortage in semiconductors. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees May 2021 production down by -1.7% in comparison to the previous month, (-2.5% corrected for production plan bias, mode). Meanwhile, June is expected to be up by +5.0%. Automobile manufacturers have recently been making even bigger production cuts, and there is a good possibility that performance will remain on the downside in June.
- The April Indexes of Business Conditions is to be published on June 7, and the composite indexes, the leading index, is expected to be up by +1.2pt to 103.7, while the coincident index is expected to be up by +2.6pt to 95.6. Based on the predicted value, the assessment of coincident index should be automatically leaved unchanged at "improving."

Industrial Production (m/m %; SA basis)

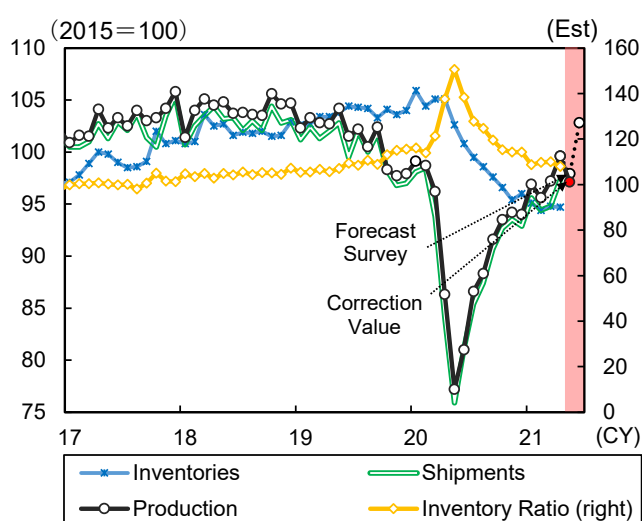
Chart 1

	2020						2021				
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Industrial Production	6.9	2.0	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	2.5	
Market consensus (Bloomberg)										3.9	
DIR estimate										5.2	
Shipments	5.3	2.3	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	2.6	
Inventories	-1.3	-0.9	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	
Inventory ratio	-7.6	-2.4	-4.2	-3.5	-1.0	0.1	-4.9	1.0	0.2	-1.8	

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

Production, Shipment, and Inventories

Chart 2

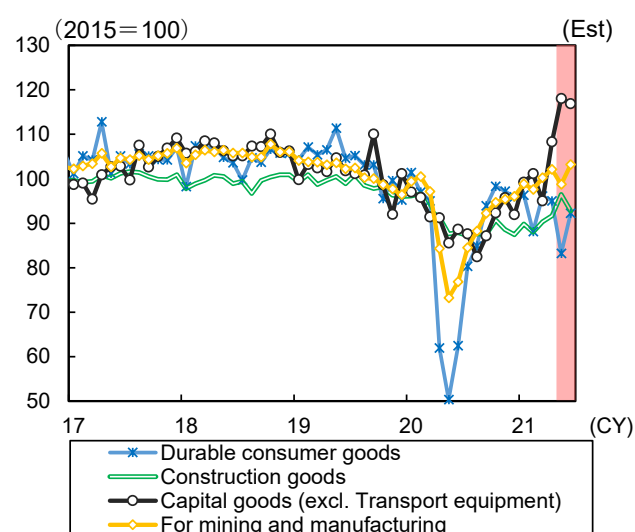


Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

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.