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Japanese report: 30 Jul 2021

June 2021 Industrial Production

Production index grows for the first time in two months due to rebound in production of motor vehicles

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Summary

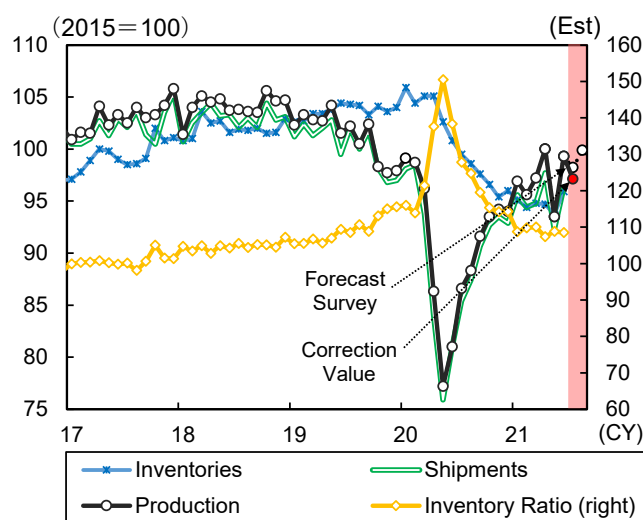
- The June 2021 indices of industrial production grew by +6.2% m/m, while at the same time exceeding market consensus at +5.0%, recovering to nearly the level seen in January 2020 just before the COVID-19 pandemic began. In addition to the rebound in production of motor vehicles, which had suffered major production cuts in May as a result of the shortage in semiconductors, a broad range of industries experienced a rebound in production in response to the previous month's cuts.
- 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 as a means of handling the worldwide shortage in semiconductors. Production of motor vehicles is also expected to experience make-up production, but the recovery is expected to be moderate due to the influence of spread of the COVID-19 infection in Southeast Asia, which is the major source for supply of parts, and residual influence of the shortage in semiconductors. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees July 2021 production down by -1.1% in comparison to the previous month (or -2.2% when corrected for production plan bias, mode). Meanwhile, August is expected to be up by +1.7%.
- The June Indexes of Business Conditions is to be published on August 6, and the leading index, the composite indexes, is expected to be up by +2.0pt to 104.6, while the coincident index is expected to be up by +3.6pt to 95.7. Based on the predicted value, the assessment of coincident index should be left unchanged at "improving."

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

	2020				2021						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Industrial Production	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.2	
Market consensus (Bloomberg)										5.0	
DIR estimate										6.5	
Shipments	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.3	
Inventories	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.3	
Inventory ratio	-4.2	-3.5	-1.0	0.1	-4.9	1.0	0.2	-2.4	1.3	-0.3	

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

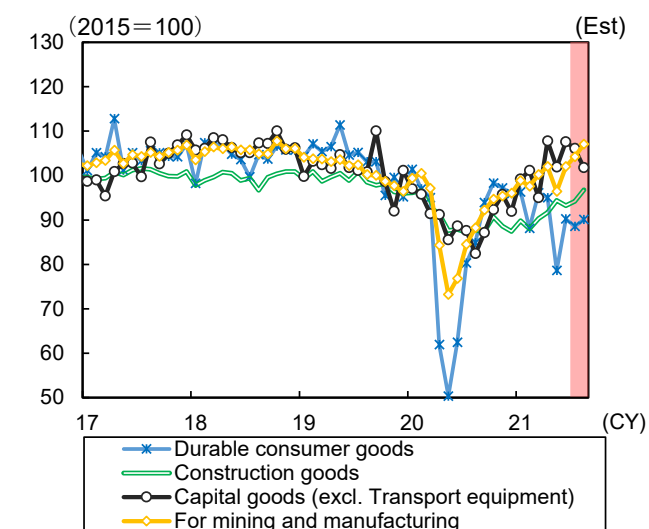
Production, Shipment, and Inventories Chart 2



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.