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# September 2021 Industrial Production

**Cuts in motor vehicle production expand, causing Jul-Sep period production to fall into the negative range**

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## Summary

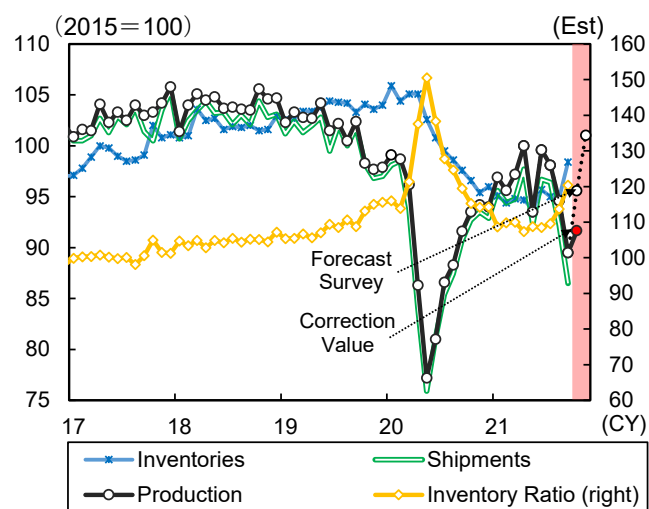
- The September 2021 indices of industrial production declined for the third consecutive month at -5.4% m/m, while at the same time falling below market consensus at -2.7%. Motor vehicles suffered further production cuts, pulling the production index down along with it by 3.7% pts. Due to this development, the Jul-Sep period indices of industrial production declined by -3.7%, the first decline it has suffered since the coronavirus crisis first hit in the Apr-Jun period of 2020. The Ministry of Economy, Trade and Industry has therefore kept its economic assessment at “pausing”.
- As for the future of industrial production, performance is expected to achieve moderate growth. As for the motor vehicles industry, a major component in the index, the worst of this difficult period is seen as having passed. However, the global shortage in semiconductors continues to cause a bottleneck in supply, and therefore it is expected to take time for motor vehicle production to return completely to normal. On the other hand, growth is expected in both domestic and overseas demand from the end of the year into the beginning of next year as supply constraints ease up and this should quicken the pace of recovery in the overall production index. The Ministry of Economy, Trade and Industry’s Production Forecast Survey sees October 2021 production up by +6.4% in comparison to the previous month (or +2.4% when corrected for production plan bias, mode). Meanwhile, November production is also expected to be up by +5.7%.
- The September Indexes of Business Conditions are to be published on November 8, and the leading index, the composite index, is expected to be down by -2.7pt to 98.6, while the coincident index is expected to be down by -3.8pt to 87.5. Based on the predicted value, the assessment of the coincident index should be revised downwards to “pausing.”

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

|                              | 2020 |      |      |     |      |      |      |      |      |             |
|------------------------------|------|------|------|-----|------|------|------|------|------|-------------|
|                              | Dec  | Jan  | Feb  | Mar | Apr  | May  | Jun  | Jul  | Aug  | Sep         |
| Industrial Production        | -0.2 | 3.1  | -1.3 | 1.7 | 2.9  | -6.5 | 6.5  | -1.5 | -3.6 | <b>-5.4</b> |
| Market consensus (Bloomberg) |      |      |      |     |      |      |      |      |      | -2.7        |
| DIR estimate                 |      |      |      |     |      |      |      |      |      | -3.2        |
| Shipments                    | -0.6 | 2.9  | -1.3 | 0.4 | 3.1  | -5.5 | 4.8  | -0.3 | -4.4 | <b>-6.2</b> |
| Inventories                  | 0.6  | -0.9 | -0.7 | 0.4 | -0.1 | -1.1 | 2.1  | -0.7 | -0.1 | <b>3.7</b>  |
| Inventory ratio              | 0.1  | -4.9 | 1.0  | 0.2 | -2.4 | 1.3  | -0.3 | 1.0  | 3.7  | <b>5.9</b>  |

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

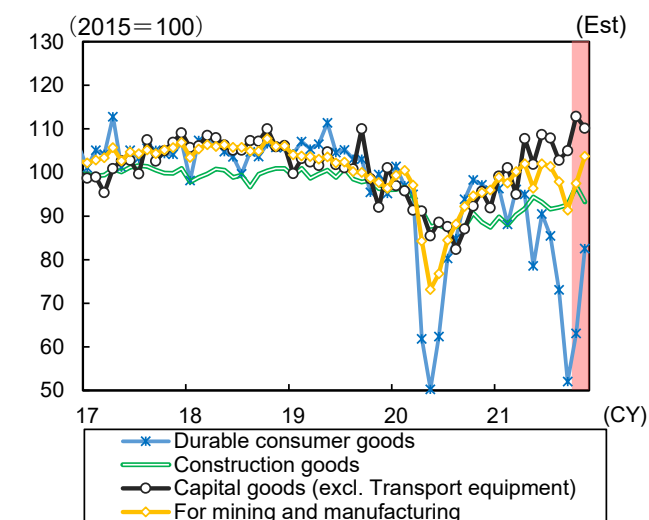
**Production, Shipment, and Inventories Chart 2**



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.