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Japanese report: 30 Nov 2021

October 2021 Industrial Production

Motor vehicles move toward comeback due to easing of supply constraints, but growth trend is weak

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Summary

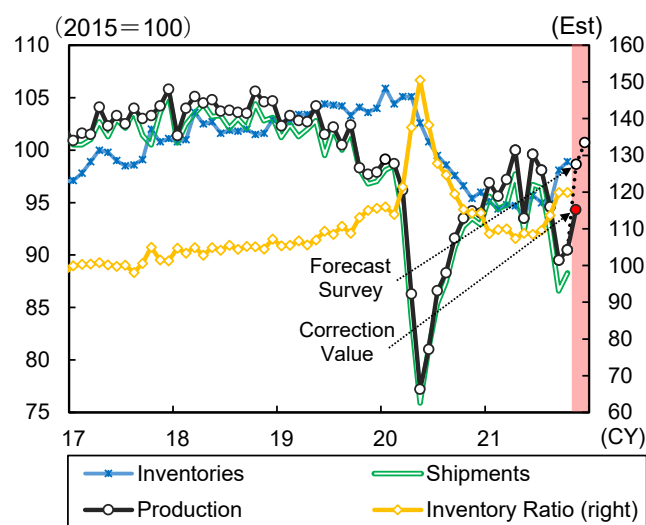
- The October 2021 indices of industrial production grew for the first time in four months at +1.1% m/m, while at the same time falling below market consensus at +1.9%. Motor vehicles saw major production increases as supply constraints eased up, but the growth rate fell below the previous month's predicted value, showing the growth trend to be on the weak side. 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 move toward a moderate growth phase. As for the motor vehicles industry, a major component in the index, recovery is expected to continue. 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. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees November 2021 production up by +9.0% in comparison to the previous month (or +4.2% when corrected for production plan bias, mode). Meanwhile, December production is also expected to be up by +2.1%. However, it should be noted that the index does not include the greatest risk factor to Japan's economy in its calculations – that of the new COVID-19 variant, Omicron.
- The October Indexes of Business Conditions are to be published on December 7, and the leading index, the composite index, is expected to be up by +1.8pt to 102.7, while the coincident index is expected to be up by -1.2pt to 89.9. Based on the predicted value, the assessment of the coincident index has automatically been left at "weakening."

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

	2020									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.1
Market consensus (Bloomberg)										1.9
DIR estimate										2.2
Shipments	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.0
Inventories	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.8
Inventory ratio	-4.9	1.0	0.2	-2.4	1.3	-0.3	1.0	3.7	5.5	0.0

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

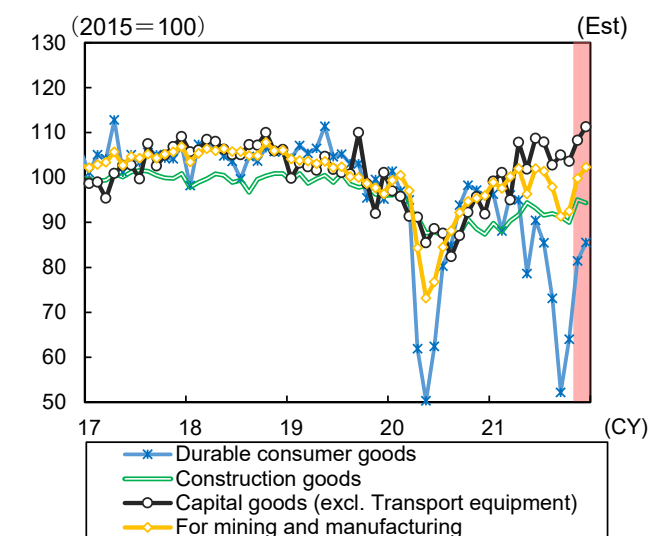
Production, Shipment, and Inventories Chart 2



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.