

28 December 2021 (No. of pages: 2)

Japanese report: 28 Dec 2021

November 2021 Industrial Production

Government's economic assessment revised upwards in response to sharp recovery in motor vehicles industry

Economic Research Dept.
Kazuma Kishikawa

Summary

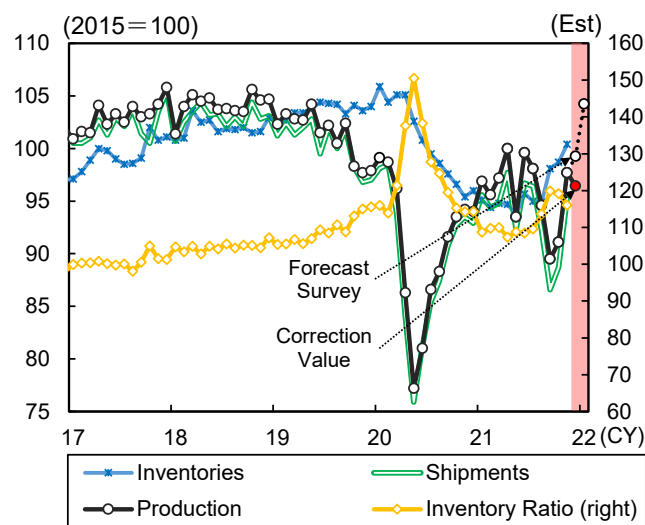
- The November 2021 indices of industrial production grew for the second consecutive month at +7.2% m/m, while at the same time exceeding market consensus at +4.8%. Motor vehicles experienced a sharp recovery as parts supply constraints eased up, increasing overall results by +4.9%pt. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment upwards to “shows signs of an upward movement”.
- As for the future of industrial production, performance is expected to move toward a moderate recovery phase. Motor vehicles and semiconductor-related goods are expected to lead in overall industrial growth. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees December 2021 production up by +1.6% in comparison to the previous month (or -1.3% when corrected for production plan bias (mode)). Meanwhile, January 2022 production is expected to be up by +5.0%. However, it should be noted that some additional production cuts by motor vehicle manufacturers have not been included in the calculation of the index.
- The November Indexes of Business Conditions are to be published on January 11, 2022, and the leading index, the composite index, is expected to be up by +1.5pt to 103.0, while the coincident index is expected to be up by +3.8pt to 93.6. Based on the predicted value, the assessment of the coincident index will automatically be left at “weakening.”

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

	2020										
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Industrial Production	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.8	7.2	
Market consensus (Bloomberg)										4.8	
DIR estimate										4.5	
Shipments	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.4	7.4	
Inventories	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.6	1.7	
Inventory ratio	1.0	0.2	-2.4	1.3	-0.3	1.0	3.7	5.5	-0.6	-2.6	

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

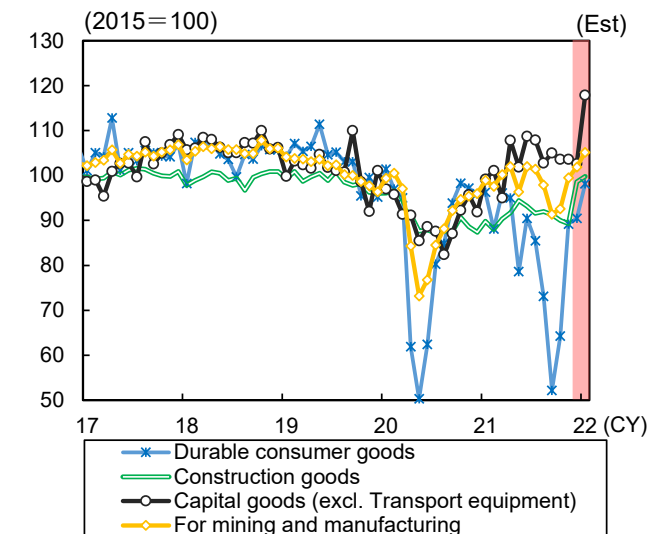
Production, Shipment, and Inventories Chart 2



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.