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# January 2022 Industrial Production

Index suffers decline due to production cuts in motor vehicles despite production growth in broad range of industries

Economic Research Dept.  
**Kazuma Kishikawa**

## Summary

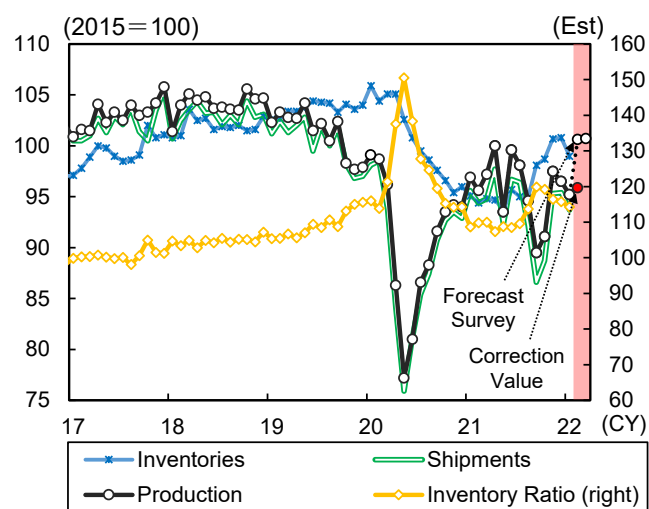
- The January 2022 indices of industrial production declined for the second consecutive month at -1.3% m/m, while at the same time falling below market consensus (-0.7% according to the Bloomberg survey). Major production cuts were seen in motor vehicles, due to the worldwide shortage of semiconductors, as well as factory shutdowns associated with the spread of COVID-19 in Japan. On the other hand, growth in production was seen in a wide range of industries centering on semiconductor related industries and production machinery, which had suffered a decline in production during the previous month.
- As for the future of industrial production, we expect only a moderate recovery. Recovery production in motor vehicles will remain hindered somewhat due to the influence of the shortage of semiconductors. On the other hand, export related goods are seen providing underlying support for the index due to the fact that the spread of COVID-19 has peaked out in the US and Europe. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees February 2022 production up by +5.7% in comparison to the previous month (or +0.7% when corrected for production plan bias (mode)). Meanwhile, March 2022 production is expected to be up by +0.1%. However, it should be noted that some additional production cuts by domestic motor vehicle manufacturers have not been included in the calculation of the index.
- The January 2022 Indexes of Business Conditions are to be published on March 8, and the leading index, the composite index, is expected to be down by -1.2pt to 103.6, while the coincident index is expected to be down by -0.6pt to 92.1. 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**

	2021										2022
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Industrial Production	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.8	7.0	-1.0	-1.3	
Market consensus (Bloomberg)										-0.7	
DIR estimate										-0.2	
Shipments	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.4	7.4	0.1	-1.8	
Inventories	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.6	2.0	0.1	-1.8	
Inventory ratio	-2.4	1.3	-0.3	1.0	3.7	5.5	-0.6	-2.3	-0.5	-1.3	

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

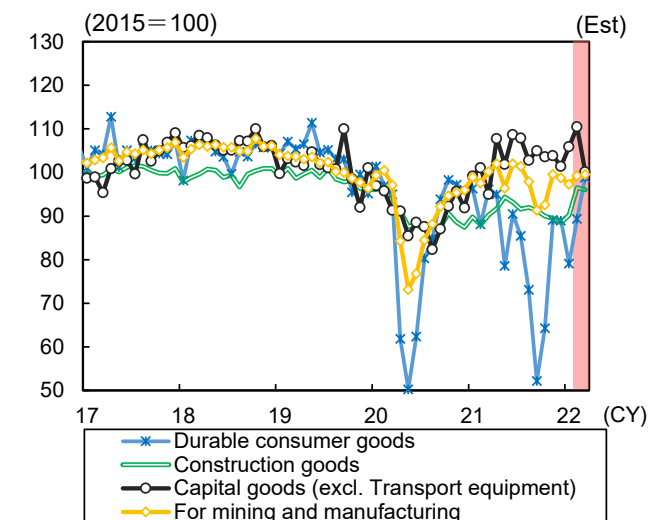
**Production, Shipment, and Inventories Chart 2**



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.