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February 2022 Industrial Production

Index wins only a margin of growth with recovery of motor vehicle production weaker than expected

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Summary

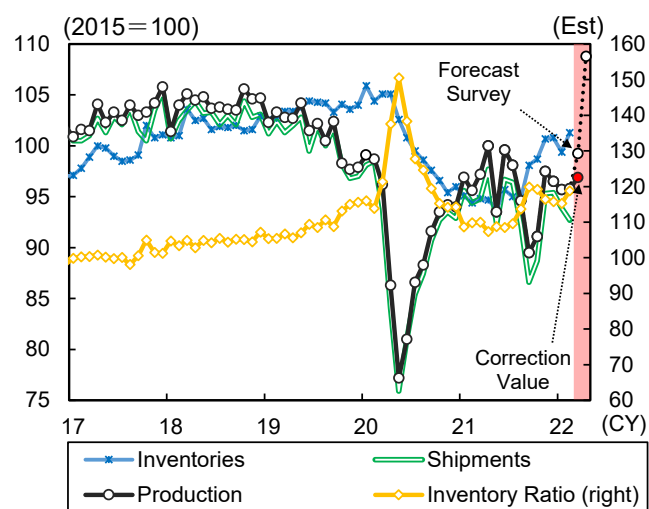
- The February 2022 indices of industrial production grew for the first time in three months at +0.1% m/m, while at the same time falling below market consensus (+0.5% according to the Bloomberg survey). The index shifted into a mild growth trend as the spread of COVID-19 in Japan peaked out, and the difficulty of procuring parts and materials eased up. However, the recovery of motor vehicle production was weaker than expected, and along with other factors led to a weak recovery in the index.
- As for the future of industrial production, the index is expected to mark time. Recovery production in motor vehicles and other industries will likely remain hindered by the shortage of semiconductors and supply chain disruption caused by Russia's invasion of Ukraine. The Ministry of Economy, Trade and Industry's Production Forecast Survey sees March production up by +3.6% in comparison to the previous month (or +1.1% when corrected for production plan bias (mode)). However, it should be noted that planned production cuts by a certain number of domestic motor vehicle manufacturers have not been included in the calculation of the index. The index in April is expected to be up by +9.6% due to major growth in production machinery and other industries.
- The February 2022 Indexes of Business Conditions are to be published on April 7, and the leading index, the composite index, is expected to be down by -2.7pt to 99.8, while the coincident index is expected to be down by -0.1pt to 95.5. 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	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Industrial Production	-6.5	6.5	-1.5	-3.6	-5.4	1.8	7.0	-1.0	-0.8	0.1	
Market consensus (Bloomberg)										0.5	
DIR estimate										0.5	
Shipments	-5.5	4.8	-0.3	-4.4	-6.1	2.4	7.4	0.1	-1.6	-1.3	
Inventories	-1.1	2.1	-0.7	-0.1	3.4	0.6	2.0	0.1	-1.4	1.9	
Inventory ratio	1.3	-0.3	1.0	3.7	5.5	-0.6	-2.3	-0.5	-0.4	3.0	

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

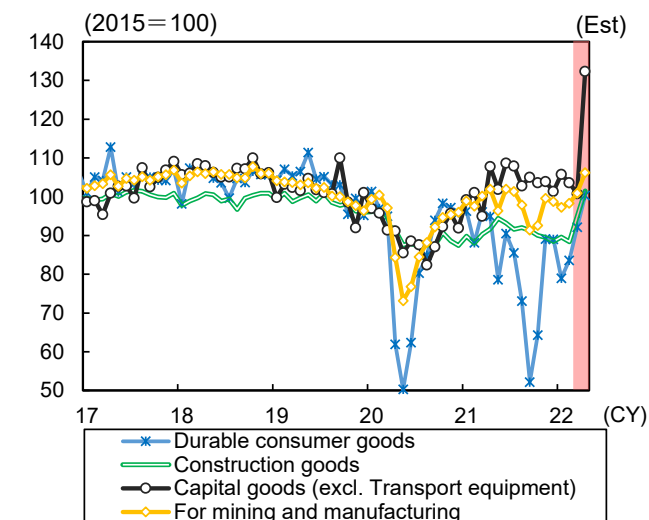
Production, Shipment, and Inventories Chart 2



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.