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Japanese report: 28 Apr 2022

March 2022 Industrial Production

Index grows by a small margin as COVID-19 infection situation improves

Economic Research Dept.
Kazuma Kishikawa

Summary

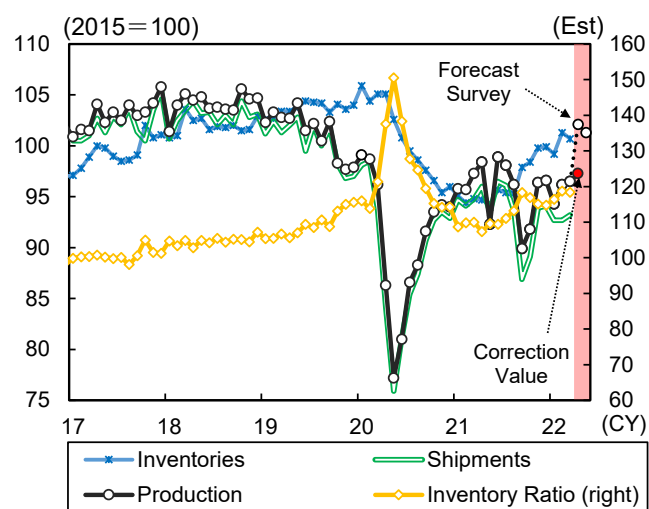
- The March 2022 indices of industrial production grew for the second consecutive month at +0.3% m/m, while at the same time falling slightly below market consensus (+0.5% according to the Bloomberg survey). While some components achieved growth supported by strong global demand for semiconductors and improvements in the COVID-19 infection situation, production cuts in motor vehicles became a drag on overall growth, which recorded only a small margin of gains.
- As for the future of industrial production, the index is expected to be limited to moderate growth. While the COVID-19 infection situation has been improving both in Japan and overseas, difficulty in procuring parts due to the shortage of semiconductors and the spread of COVID-19 in China will likely continue to hold down motor vehicle production. Meanwhile, import disruptions due to economic sanctions against Russia and higher transportation costs also pose downside risk. High resource prices and rising transportation costs may worsen the profitability of corporations, restraining them from expanding production and capex.
- The March 2022 Indexes of Business Conditions are to be published on May 11, and the leading index, the composite index, is expected to be up by +0.9pt to 100.9, while the coincident index is expected to be up by +0.2pt to 97.0. Based on the predicted value, the assessment of the coincident index will automatically be placed at “improving.”

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

	2021							2022			Mar
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Industrial Production	7.2	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	0.3	
Market consensus (Bloomberg)										0.5	
DIR estimate										0.5	
Shipments	3.2	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	0.5	
Inventories	1.6	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	-0.6	
Inventory ratio	-0.2	1.6	1.9	4.5	-1.2	-1.5	-0.3	1.4	2.0	-0.3	

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

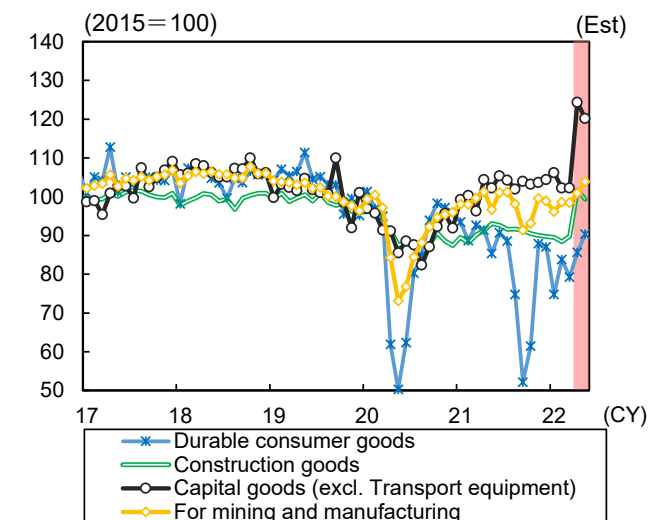
Production, Shipment, and Inventories Chart 2



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.