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Japanese report: 31 May 2022

April 2022 Industrial Production

Index shifts into decline as stagnant exports cause ripple effect

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Summary

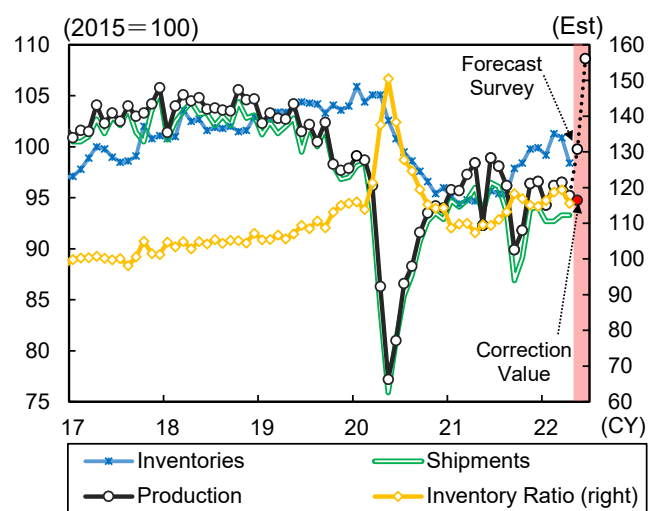
- The April 2022 indices of industrial production declined for the first time in three months at -1.3% m/m, while at the same time falling below market consensus (-0.2% according to the Bloomberg survey). April exports to China were slow, and the effects of disruption of the supply chain due to the spread of COVID-19 in China have clearly become manifest. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment downwards to “pausing.”
- As for the future of industrial production, the index is expected to continue marking time. The index will likely come under downward pressure with recovery production in motor vehicles held back for the time being due to difficulty in procuring parts as a result of the shortage in semiconductors, and disruption of the supply chain in China. In addition, there is great downside risk to production as business sentiment worsens due to rising costs associated with the weak yen and the high price of resources associated with the Ukraine crisis.
- The April 2022 Indexes of Business Conditions are to be published on June 7, and the leading index, the composite index, is expected to be up by +3.1pt to 103.9, while the coincident index is expected to be down by -0.1pt to 97.4. Based on the predicted value, the assessment of the coincident index will automatically remain at “improving.”

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

	2021						2022				
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Industrial Production	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	0.3	-1.3	
Market consensus (Bloomberg)										-0.2	
DIR estimate										-1.2	
Shipments	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	0.6	0.0	
Inventories	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	-0.4	-2.5	
Inventory ratio	1.6	1.9	4.5	-1.2	-1.5	-0.3	1.4	2.0	0.6	-3.2	

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

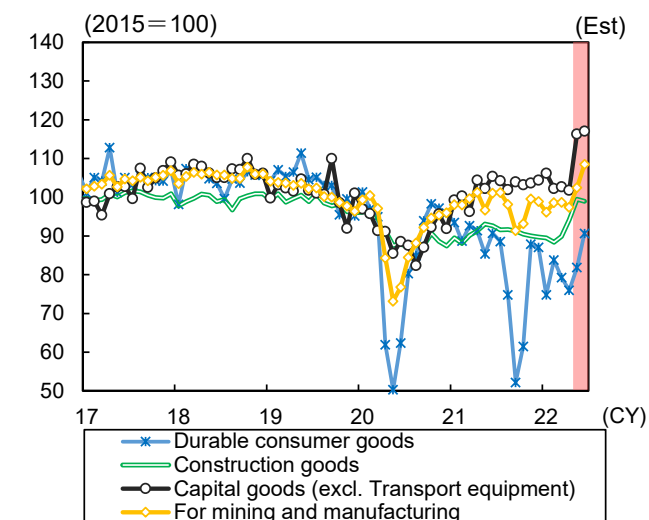
Production, Shipment, and Inventories Chart 2



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.