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Japanese report: 31 Aug 2022

July 2022 Industrial Production

Motor vehicle production makes progress in recovery while wide range of other industries hit low tone

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Summary

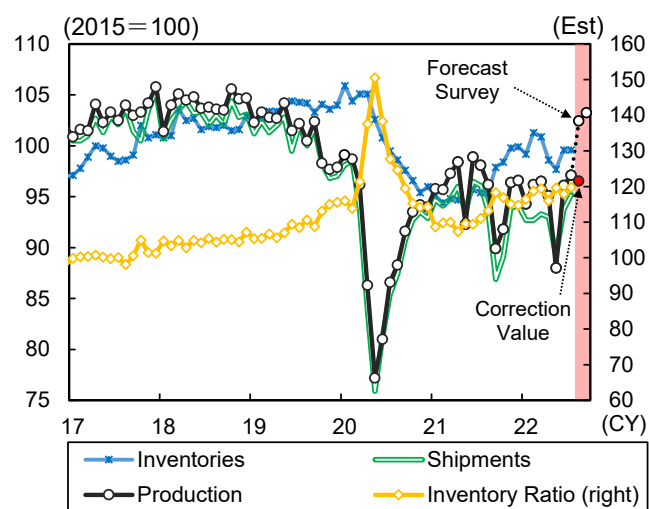
- The July 2022 indices of industrial production grew for the second consecutive month at +1.0% m/m, defying market consensus (-0.5% according to the Bloomberg survey). However, the number of industries recording growth was fewer than that of industries declining, hence results are thought to be due to some industries experiencing an acceleration of the easing up of supply constraints, or a single-month fluctuation. The Ministry of Economy, Trade and Industry has therefore maintained its economic assessment of “Industrial Production fluctuates indecisively.”
- As for the future of industrial production, the index is expected to mark time through the fall of 2022, and then shift into a growth phase, due to accelerating motor vehicle production associated with the easing up of the shortage in semiconductors. Exports to China are expected to recover as that country’s economy normalizes, and motor vehicle production, which carries a major weight in the index, continues to head toward a comeback, but rising interest rates in the US and Europe will be a factor bringing downward pressure.
- The July 2022 Indexes of Business Conditions are to be published on September 7, and the leading index, the composite index, is expected to be down by -0.8pt to 100.1, while the coincident index is expected to be up by +1.4pt to 100.0. 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						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Industrial Production	2.1	5.0	0.2	-2.4	2.0	0.3	-1.5	-7.5	9.2	1.0
Market consensus (Bloomberg)										-0.5
DIR estimate										-1.7
Shipments	2.5	5.4	0.2	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.6
Inventories	0.5	1.4	0.1	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.0
Inventory ratio	-1.2	-1.5	-0.3	1.4	2.0	0.6	-2.8	3.1	-1.4	1.6

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

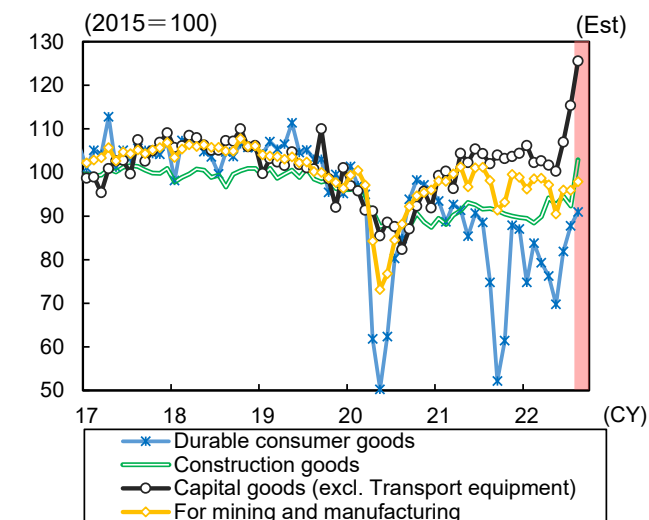
Production, Shipment, and Inventories Chart 2



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.