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August 2022 Industrial Production

Wide range of industries achieve growth as easing up of supply constraints progresses

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Summary

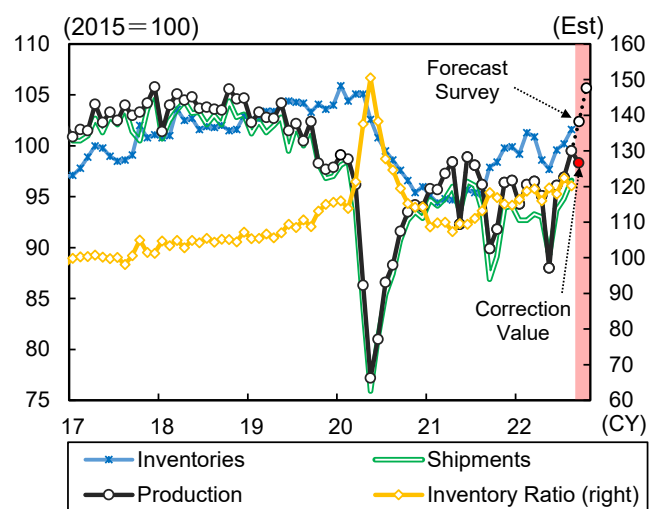
- The August 2022 indices of industrial production grew for the third consecutive month at +2.7% m/m, while at the same time exceeding market consensus (+0.2% according to the Bloomberg survey). August results differed from July when the majority of industries suffered declines – not only did a wide range of industries see improvements with the easing up of supply constraints, but strong demand for semiconductor manufacturing equipment provided a tailwind. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment upwards to “shows signs of increase at a moderate pace.”
- As for the future of industrial production, the index is expected to continue its tone of moderate growth. The easing up of supply constraints will likely provide a boost to the index. Meanwhile, growth in production will be encouraged by the accumulation of work-in-progress inventories of motor vehicles. On the other hand, increasing worries regarding a possible downturn of the US and European economies, as well as the future of China’s Zero-COVID policy remain cause for concern. Particular attention should be paid to the impact on motor vehicles and related industries, which are susceptible to fluctuations in overseas demand.
- The August 2022 Indexes of Business Conditions are to be published on October 7, and the leading index, the composite index, is expected to be up by +1.6pt to 100.5, while the coincident index is expected to be up by +1.7pt to 101.8. 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							
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Industrial Production	5.0	0.2	-2.4	2.0	0.3	-1.5	-7.5	9.2	0.8	2.7
Market consensus (Bloomberg)										0.2
DIR estimate										0.2
Shipments	5.4	0.2	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.2	1.9
Inventories	1.4	0.1	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.6	1.4
Inventory ratio	-1.5	-0.3	1.4	2.0	0.6	-2.8	3.1	-1.4	3.8	-1.8

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

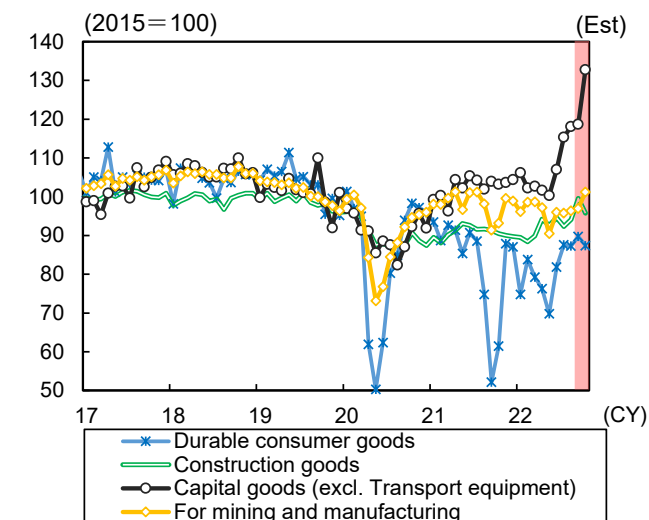
Production, Shipment, and Inventories Chart 2



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.