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# September 2022 Industrial Production

Indices suffer due to reactionary decline in comparison to previous month's performance and economic slump in China

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## Summary

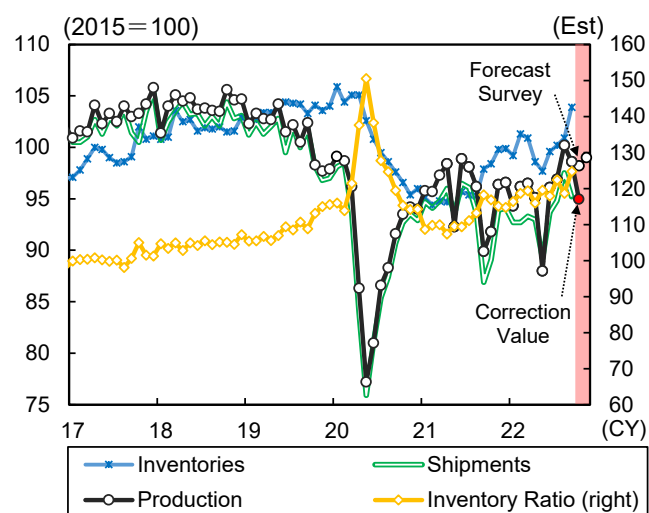
- The September 2022 indices of industrial production declined for the first time in four months at -1.6% m/m, while at the same time falling below market consensus (-0.8% according to the Bloomberg survey). The shift into decline was due to the reaction to favorable August results. However, when all is averaged out, positive factors continue to bring influence, including the lifting of the lockdown in Shanghai and the recovery associated with the loosening of supply constraints. The Ministry of Economy, Trade and Industry has therefore left its economic assessment unchanged at “shows signs of increase at a moderate pace.”
- As for the future of industrial production, the indices are expected to move toward extremely moderate growth. With the easing up of supply constraints, motor vehicle production, a major sector in Japan's economy, is continuing to normalize, and is expected to boost the index further in the future. On the other hand, shrinking overseas demand is expected to bring downward pressure. Factors requiring continued caution include the decision of the October National Congress of the Chinese Communist Party to continue the Zero-COVID policy, and the reality of the economic slowdown in the US and Europe.
- The September 2022 Indexes of Business Conditions are to be published on November 8, and the leading index, the composite index, is expected to be down by -4.0pt to 97.3, while the coincident index is expected to be down by -0.7pt to 101.1. 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								
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Industrial Production	0.2	-2.4	2.0	0.3	-1.5	-7.5	9.2	0.8	3.4	<b>-1.6</b>	
Market consensus (Bloomberg)										-0.8	
DIR estimate										-0.7	
Shipments	0.2	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.2	2.8	<b>-2.4</b>	
Inventories	0.1	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.6	0.7	<b>3.0</b>	
Inventory ratio	-0.3	1.4	2.0	0.6	-2.8	3.1	-1.4	3.8	-3.0	<b>5.1</b>	

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

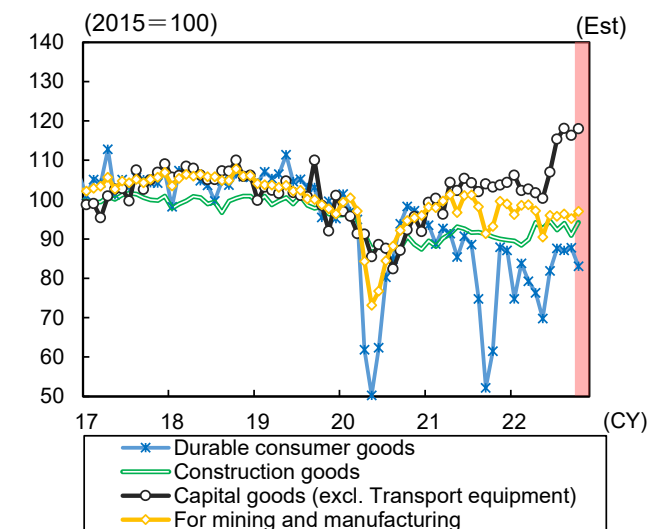
**Production, Shipment, and Inventories Chart 2**



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.