

1 December 2022 (No. of pages: 2)

Japanese report: 30 Nov 2022

October 2022 Industrial Production

Production of export-oriented items weak as overseas demand shrinks

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Summary

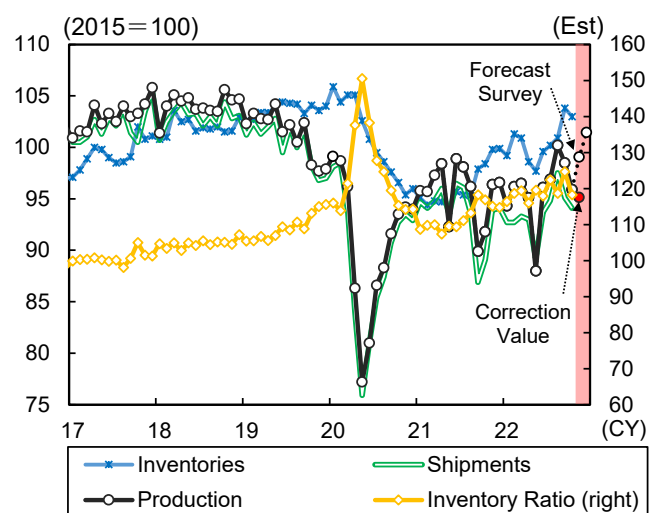
- The October 2022 indices of industrial production declined for the second consecutive month at -2.6% m/m, while at the same time falling below market consensus (-1.8% according to the Bloomberg survey). The motor vehicle industry, a major sector in Japan's economy, continued making a comeback, but results were weighted down by declines in production of some capital goods and electronic parts. As the recovery in China's economy slowed further, semiconductor related goods, which have a high export ratio, became a drag on overall performance. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment downwards to "picking up slowly, but shows signs of decrease in part."
- As for the future of industrial production, the indices are expected to mark time. Although production structure continues to make progress towards normalization in the motor vehicle industry, downside risk in overseas demand centering on the increasing spread of COVID-19 in China, remains large. The recovery trend is expected to continue for motor vehicles, which is under the tight demand-supply situation both in the domestic and overseas economies, but industries where overseas demand is weakening, such as capital goods and electronic parts, will likely bring downward pressure on the indices.
- The October 2022 Indexes of Business Conditions are to be published on December 8, and the leading index is expected to be up by +0.7pt to 98.2, while the coincident index is expected to be down by -0.9pt to 100.5. Based on the predicted value, the assessment of the coincident index will automatically remain at "improving."

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

	2022									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production	-2.4	2.0	0.3	-1.5	-7.5	9.2	0.8	3.4	-1.7	-2.6
Market consensus (Bloomberg)										-1.8
DIR estimate										-1.1
Shipments	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.2	2.8	-2.5	-1.1
Inventories	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.6	0.7	2.9	-0.8
Inventory ratio	1.4	2.0	0.6	-2.8	3.1	-1.4	3.8	-3.0	5.1	-5.1

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

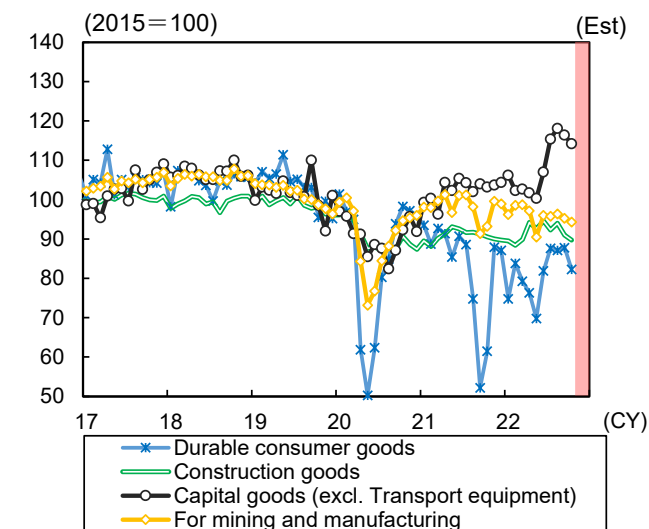
Production, Shipment, and Inventories Chart 2



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.