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November 2022 Industrial Production

Economic assessment revised downwards for second consecutive month due to production cuts associated with reactionary decline and shrinking overseas demand

Economic Research Dept.
Kazuma Kishikawa

Summary

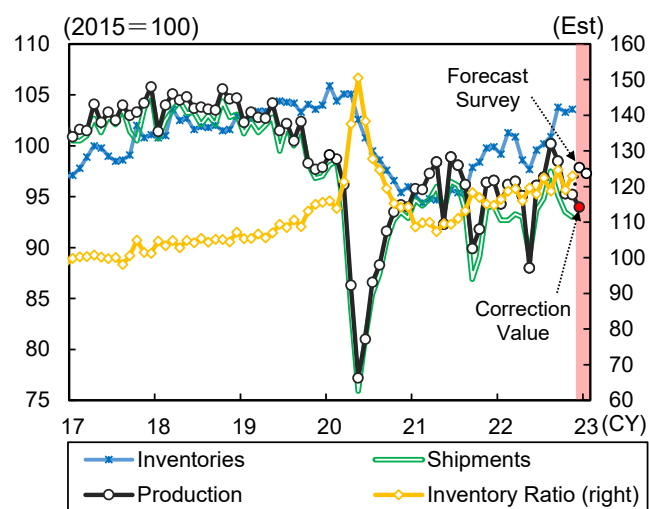
- The November 2022 indices of industrial production declined for the third consecutive month at -0.1% m/m. Despite progress in recovery for the motor vehicles industry, a major sector in Japan's economy, capital goods continued to exhibit lax performance with weak overseas demand. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment downwards for the second consecutive month to "industrial production has weakened."
- As for the future of industrial production, the indices are expected to mark time with the competing influences of the easing up of supply constraints and shrinking overseas demand, but then later, production is expected to shift back into a growth trend. In addition to the motor vehicles industry, other machinery with an accumulated order backlog will likely contribute to boosting the index. In the US and Europe, major export destinations, the economy is in a downturn with monetary tightening. And the production indices will likely be susceptible to the question of whether economic normalization goes smoothly in China as it shifts into living with corona.
- The November 2022 Indexes of Business Conditions are to be published on January 11, 2023, and the leading index, the composite index, is expected to be down by -1.2pt to 97.4, while the coincident index is expected to be down by -0.5pt to 99.1. Based on the predicted value, the assessment of the coincident index will automatically remain at "improving."

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

	2022									
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Industrial Production	2.0	0.3	-1.5	-7.5	9.2	0.8	3.4	-1.7	-3.2	-0.1
Market consensus (Bloomberg)										-0.2
DIR estimate										-0.4
Shipments	0.0	0.6	-0.3	-4.1	5.0	1.2	2.8	-2.5	-1.7	-0.5
Inventories	2.1	-0.4	-2.3	-0.9	1.9	0.6	0.7	2.9	-0.5	0.3
Inventory ratio	2.0	0.6	-2.8	3.1	-1.4	3.8	-3.0	5.1	-4.5	3.3

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

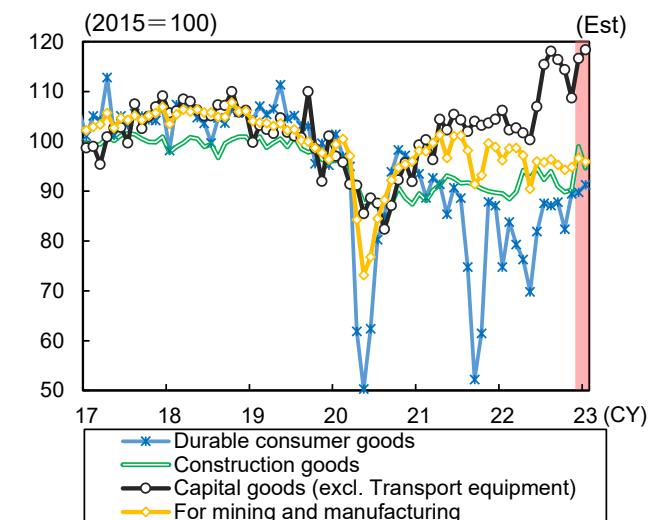
Production, Shipment, and Inventories Chart 2



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.