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# December 2022 Industrial Production

Indices of Industrial Production suffer decline for first time in two months; economic security is a concern for the future

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## Summary

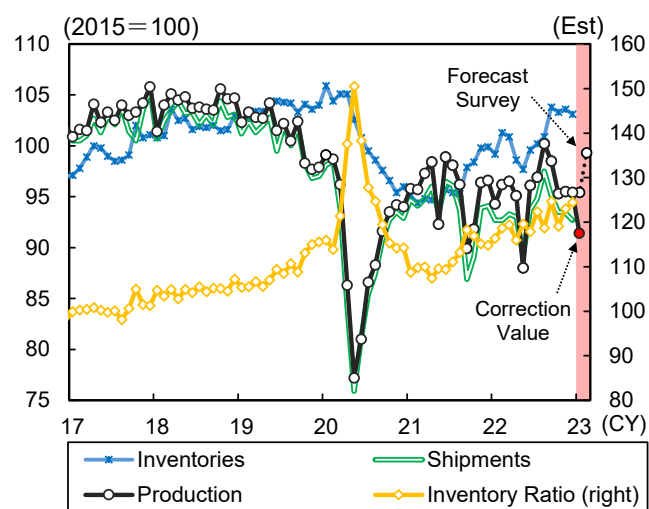
- The December 2022 indices of industrial production declined for the first time in two months at -0.1% m/m, while at the same time exceeding the Ministry of Economy, Trade and Industry's Production Forecast Survey of the previous month (-1.3% corrected for production plan bias (mode)). Export volume, which has a close linkage with the production index, fell sharply in December with weak overseas demand. On the other hand, domestic demand was favorable, providing underlying support for domestic production. The Ministry of Economy, Trade and Industry has therefore left its economic assessment unchanged at "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 supply constraints and shrinking overseas demand. Machinery, centering on the motor vehicles industry, a major component in the indices, will likely contribute to boosting the indices. On the other hand, the economic downturn in the US and Europe is expected to cause production of export-oriented products to be sluggish. In addition, the export restrictions on semiconductor-related goods to China due to economic security issues are becoming a reality. Even as the Chinese economy normalizes, the boost to Japan's production indices may remain limited.
- The December 2022 Indexes of Business Conditions are to be published on February 7, 2023, and the leading index is expected to be down by -0.3pt to 97.1, while the coincident index is expected to be down by -0.4pt to 98.9. 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									
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Industrial Production	0.3	-1.5	-7.5	9.2	0.8	3.4	-1.7	-3.2	0.2	<b>-0.1</b>
Market consensus (Bloomberg)										-1.0
DIR estimate										-1.6
Shipments	0.6	-0.3	-4.1	5.0	1.2	2.8	-2.5	-1.7	-0.1	<b>-0.7</b>
Inventories	-0.4	-2.3	-0.9	1.9	0.6	0.7	2.9	-0.5	0.3	<b>-0.5</b>
Inventory ratio	0.6	-2.8	3.1	-1.4	3.8	-3.0	5.1	-4.5	3.3	<b>1.2</b>

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

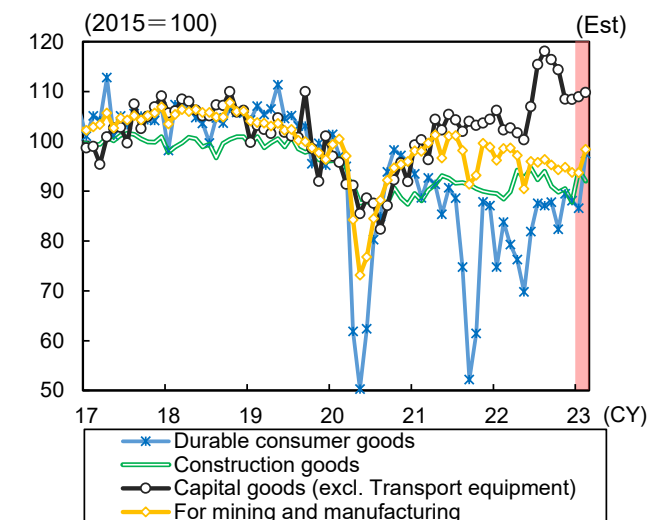
**Production, Shipment, and Inventories Chart 2**



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.