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January 2023 Industrial Production

Indices of Industrial Production decline significantly due to worsening overseas demand and Chinese New Year

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Summary

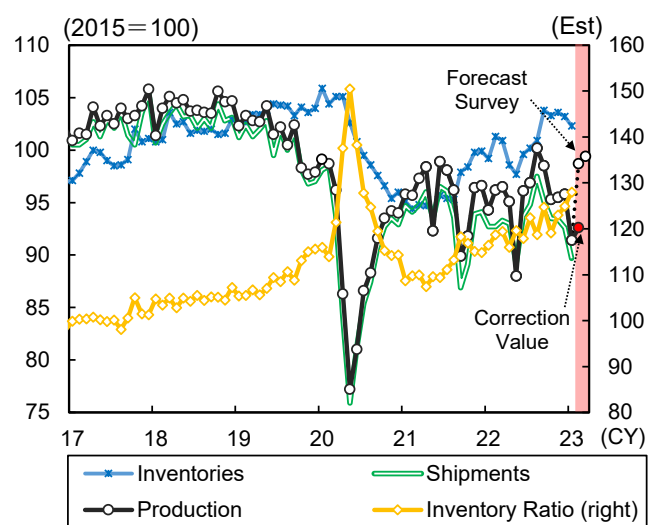
- The January 2023 indices of industrial production declined for the first time in three months at -4.6% m/m. Components with a high export ratio were prominent said decline, a strong indication of the effects of deteriorating overseas demand. In addition, the Chinese New Year season fell early in January, bringing another aspect to the downturn in exports, meaning that we need to take a balanced view of the trend. The Ministry of Economy, Trade and Industry has 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 up of supply constraints, increased production of products oriented toward the domestic market, and shrinking overseas demand. On the domestic side, the easing up of the shortage of semiconductors is expected to encourage a comeback for motor vehicles, a major component in the indices. On the other hand, the economic downturn in the US and Europe is expected to cause production of export-oriented products to continue to be sluggish. Exports to China, where the economy is recovering, may also suffer a downturn due to the US request to Japan for restrictions on exports of semiconductor-related goods to China.
- The January 2023 Indexes of Business Conditions are to be published on March 8, 2023, and the leading index is expected to be down by -1.1pt to 96.1, while the coincident index is expected to be down by -3.4pt to 95.7. Based on the predicted value, the assessment of the coincident index will automatically be placed at “weakening.”

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

	2022										2023
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Industrial Production	-1.5	-7.5	9.2	0.8	3.4	-1.7	-3.2	0.2	0.3	-4.6	
Market consensus (Bloomberg)										-2.9	
DIR estimate										-2.6	
Shipments	-0.3	-4.1	5.0	1.2	2.8	-2.5	-1.7	-0.1	-0.9	-3.1	
Inventories	-2.3	-0.9	1.9	0.6	0.7	2.9	-0.5	0.3	-0.4	-0.9	
Inventory ratio	-2.8	3.1	-1.4	3.8	-3.0	5.1	-4.5	3.3	1.5	2.5	

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

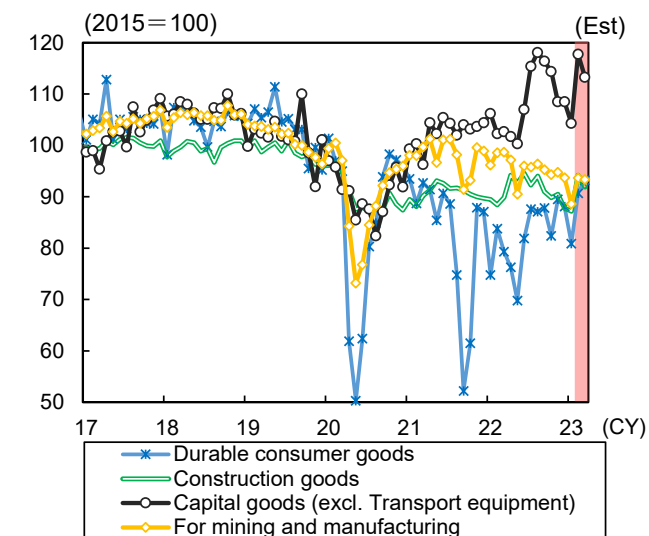
Production, Shipment, and Inventories Chart 2



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.