

1 May 2023 (No. of pages: 2)

Japanese report: 28 Apr 2023

March 2023 Industrial Production

Production indices rise for the second consecutive month as motor vehicles industry maintains strong performance

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Summary

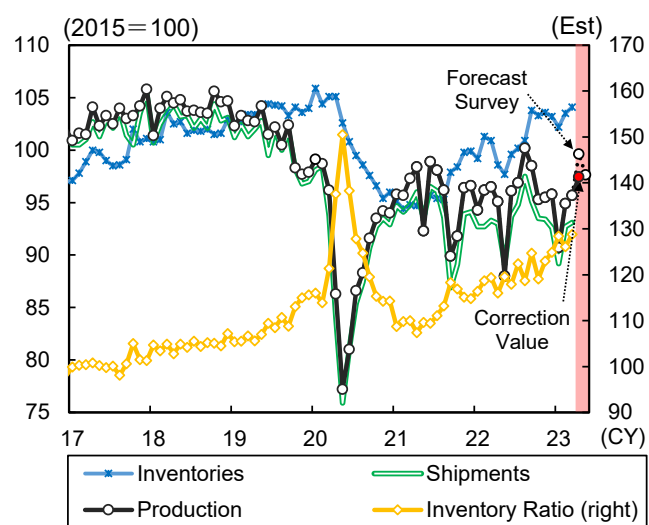
- The March 2023 indices of industrial production grew for the second consecutive month at +0.8% m/m. The motor vehicles industry boosted the overall index for the second consecutive month. In contrast to sluggish exports, industrial production shows some signs of a pickup on the back of a robust domestic economy. The Ministry of Economy, Trade and Industry (METI) revised upward its assessment of the underlying tone to "Industrial Production shows signs of increase at a moderate pace." In the January-March period, the index fell for the second consecutive quarter to -1.8% q/q. In FY2022, it declined by 0.3% y/y, a significant slowdown from FY2021 (+5.9%).
- As for the future of industrial production, the indices are expected to continue marking time with the competing influences of increasing production due to the easing up of supply constraints and shrinking overseas demand. Production is expected to shift into a growth trend between now and the second half of the year with the mitigating of downward pressure from the US and European economies, and a recovery in consumption of goods in China.
- The March 2023 Indexes of Business Conditions are to be published on May 10, 2023. The leading index is expected to be up by +0.0pt to 98.0, while the coincident index is expected to be up by +0.0pt to 98.6. Based on the predicted value, the assessment of the coincident index will automatically be left at "weakening."

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

	2022							2023			Mar
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Industrial Production	9.2	0.8	3.4	-1.7	-3.2	0.2	0.3	-5.3	4.6	0.8	
Market consensus (Bloomberg)										0.4	
DIR estimate										0.8	
Shipments	5.0	1.2	2.8	-2.5	-1.7	-0.1	-0.9	-3.7	3.9	0.4	
Inventories	1.9	0.6	0.7	2.9	-0.5	0.3	-0.4	-1.0	1.3	0.6	
Inventory ratio	-1.4	3.8	-3.0	5.1	-4.5	3.3	1.5	2.8	-1.8	2.1	

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

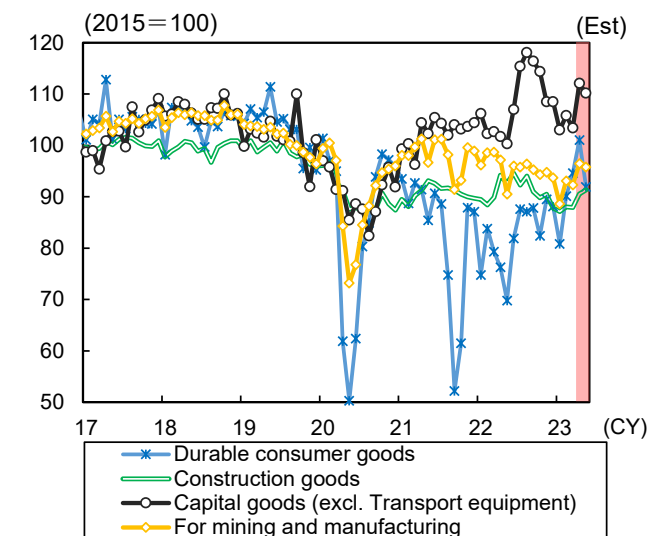
Production, Shipment, and Inventories Chart 2



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.