

3 July 2023 (No. of pages: 2)

Japanese report: 30 Jun 2023

May 2023 Industrial Production

Production index declines for first time in four months as pickup in motor vehicle production pauses

Economic Research Dept.
Kazuma Kishikawa

Summary

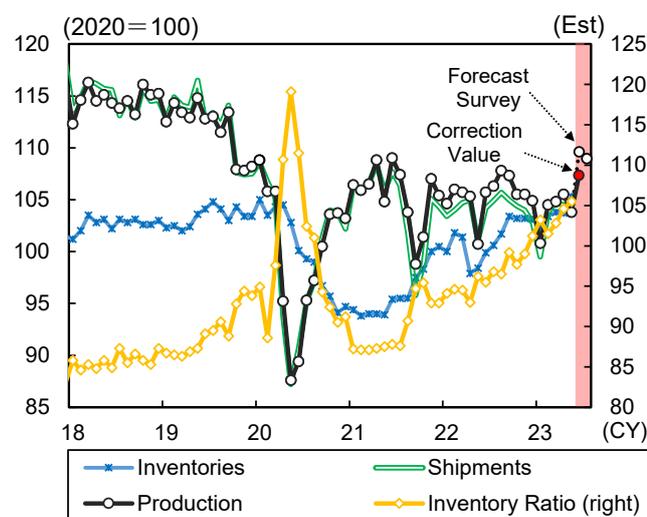
- The May 2023 indices of industrial production declined for the first time in four months at -1.6% m/m, falling below market consensus (-1.0%, according to the Bloomberg survey). Recovery in the motor vehicles industry experienced a pause, while overall there was a slight decline in production. The Ministry of Economy, Trade and Industry has therefore left its economic assessment unchanged at “Industrial Production shows signs of increase at a moderate pace.” The indices of industrial production were revised starting in April so as to conform to the 2020 standards. The breakdown of industries was changed with some items being revised or eliminated, and the weight per item was adjusted.
- As for the future of industrial production, the indices are expected to remain in a moderate growth tone. With the possibility of additional interest rate hikes in the US within the year increasing, the slow recovery of overseas demand could have a negative impact on Japanese exports and production. However, even as overseas demand shrinks, an exceptional increase in production is expected for motor vehicles, for which excess demand is accumulating.
- The May 2023 Indexes of Business Conditions are to be published on July 7, 2023, and the leading index is expected to be at around 109, while the coincident index is expected to be at around 114. Meanwhile, the Indexes of Business Conditions will be switched to the 2020 standard starting with the May results. Since the threshold used to calculate the index will be changed, the predicted value should be taken with a grain of salt.

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

	2022					2023					May
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr		
Industrial Production	1.4	-0.5	-1.7	0.0	-0.6	-3.9	3.7	0.3	0.7	-1.6	
Market consensus (Bloomberg)										-1.0	
DIR estimate										-2.4	
Shipments	0.8	-0.7	-0.6	-0.4	-1.2	-3.2	4.3	0.9	-0.2	-0.6	
Inventories	1.1	1.7	-0.2	0.0	-0.1	-0.7	1.0	0.4	-0.1	1.5	
Inventory ratio	-0.3	2.8	-1.5	1.3	2.2	2.0	-1.6	1.3	1.8	0.9	

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

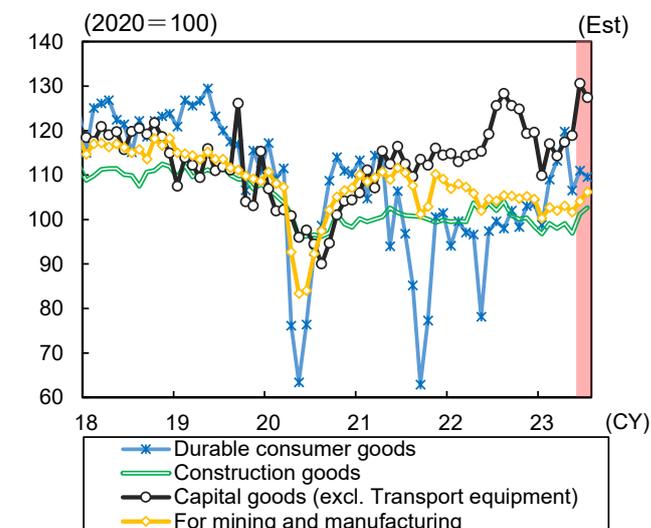
Production, Shipment, and Inventories Chart 2



Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

Note: The predicted value of the Production Forecast Survey (the red circle) is the Correction Value 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.