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June 2023 Industrial Production

Production indices rise due to increased production of parts in response to recovery production of motor vehicles and other factors

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Summary

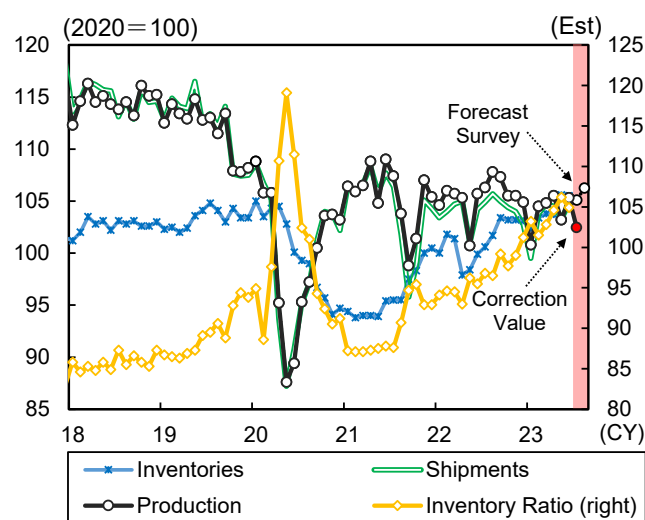
- The June 2023 indices of industrial production rose for the first time in two months at +2.0% m/m, while falling somewhat below market consensus (+2.4%, according to the Bloomberg survey). Production grew in a wide range of industries centering on the motor vehicles industry, which saw an increase in the production of parts in response to recovery production of motor vehicles. 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.”
- As for the future of industrial production, the indices are expected to remain in a moderate growth tone. The motor vehicle industry is expected to provide an upward push to production for sometime due to recovery production of motor vehicles. However, caution is needed regarding the possibility that a contraction in foreign demand due to monetary tightening in the US and Europe could have a negative impact on domestic production.
- The June 2023 Indexes of Business Conditions are to be published on August 7, 2023, and the leading index is expected to be up by +0.1pt to 109.3, while the coincident index is expected to be up by +1.2pt to 115.5. Based on the predicted value, the underlying tone for June is automatically left unchanged at "improving".

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

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

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

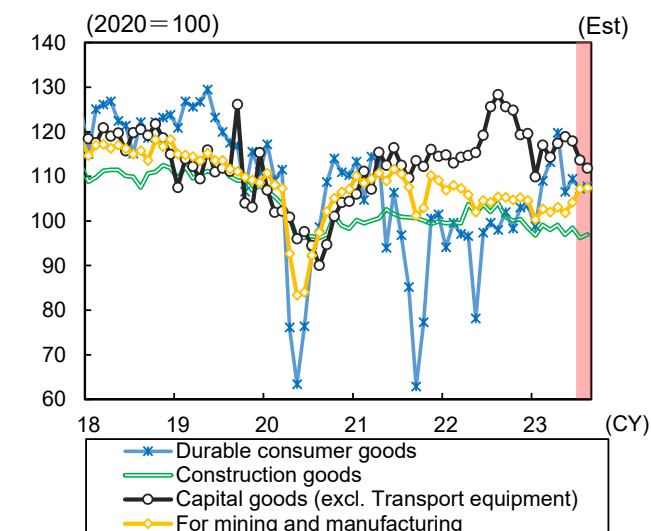
Production, Shipment, and Inventories Chart 2



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.