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Japanese report: 31 Oct 2023

September 2023 Industrial Production

Production indices far below expectations due to slump in capital goods

Economic Research Dept.
Kazuma Kishikawa

Summary

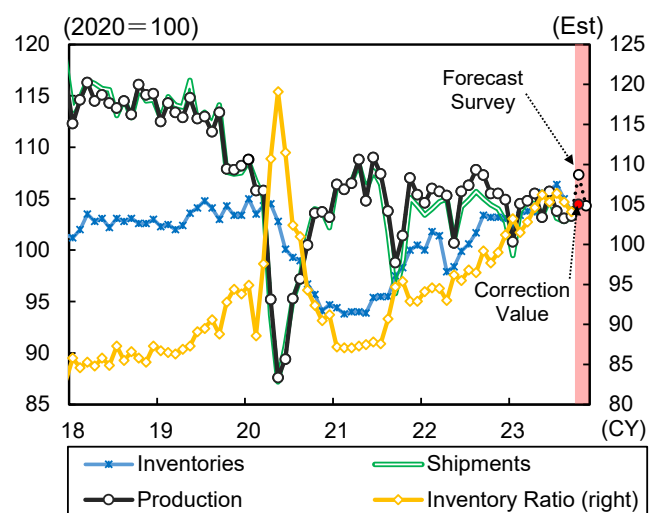
- The September 2023 indices of industrial production grew for the first time in three months by +0.2% m/m. While the motor vehicles industry has been in a recovery, the production of capital goods and related parts was down in the production machinery and electrical machinery, and information and communication electronics equipment industries. The production index was well below the forecast (corrected) in the Indices of Industrial Production Forecast in August. The Ministry of Economy, Trade and Industry has left its economic assessment unchanged at "Industrial Production fluctuates indecisively."
- As for the future of industrial production, the indices are expected to continue marking time. Recovery production in motor vehicles is expected to provide support for overall performance through the first half of 2024. On the other hand, capital goods are expected to continue in a weak tone. There is risk of a downswing in demand for capital goods in both the domestic and overseas markets. Another point of caution is that moving into an inventory adjustment phase could place a damper on production of a broad range of goods.
- The September 2023 Indexes of Business Conditions are to be published on November 8, 2023, and the leading index is expected to be down by -0.1pt to 109.1, while the coincident index is expected to be up by +0.1pt to 114.7. Based on the predicted value, the underlying tone for September is automatically left unchanged at "improving".

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

	2022		2023							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Industrial Production	-0.6	-3.9	3.7	0.3	0.7	-2.2	2.4	-1.8	-0.7	0.2
Market consensus (Bloomberg)										2.5
DIR estimate										3.9
Shipments	-1.2	-3.2	4.3	0.9	-0.2	-1.1	1.6	-1.8	-0.3	0.4
Inventories	-0.1	-0.7	1.0	0.4	-0.1	1.8	0.2	0.6	-1.3	-1.1
Inventory ratio	2.2	2.0	-1.6	1.3	1.8	1.5	-0.8	1.0	-1.0	-1.1

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

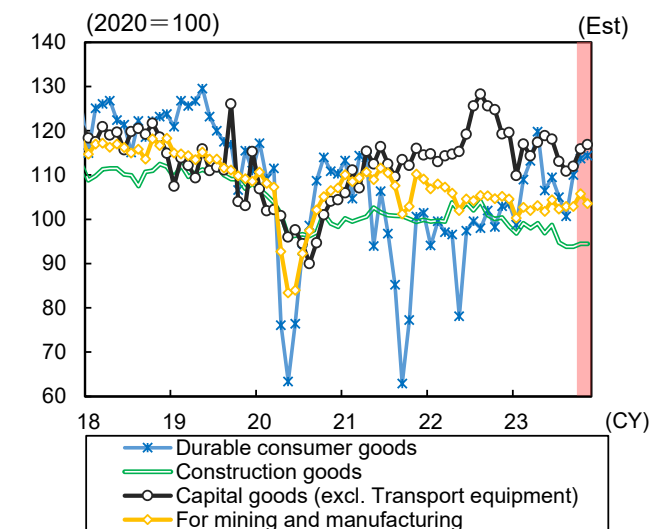
Production, Shipment, and Inventories Chart 2



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

Note: The predicted 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.