

## Japan: November industrial production fell for the third month in a row

The recent release of data, including exports, retail sales, and industrial production, signals that the Japanese economy is still very fragile and thus supports the Bank of Japan's view that easing monetary policy should continue



Industrial production in Japan fell for the third consecutive month in November

# -0.1%

## Industrial Production

%MoM sa

Higher than expected

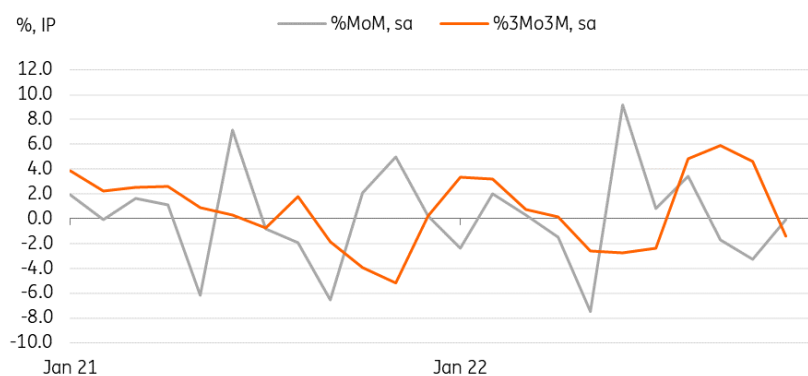
### Industrial production fell as global demand weakened

Japan's industrial production declined -0.1% month-on-month seasonally adjusted in November (vs -3.2% in October and -0.2% market consensus), recording a third consecutive monthly drop. In sequential terms, IP growth contracted to -1.4% 3Mo3M sa (vs 5.8% in September), meaning sluggish manufacturing activities will drag the current quarter's GDP. Even worse news is that

manufacturing output is likely to deteriorate in the first quarter of next year, given that IP is unlikely to rebound for the next few months. The sluggish exports in early December suggest a weak IP in December. China's reopening will eventually boost Japan's IP, but we think the positive effects will only be realized by the second quarter of 2023 or the second half of 2023.

In our view, the Bank of Japan will maintain its accommodative policy stance for a considerable time. The BoJ meeting minutes revealed that several board members distinguished yield curve control band widening from policy tightening while the BoJ announced an unscheduled bond buying, driving the JPY weakness, hitting 134 again this morning. The BoJ is trying to give the market a stronger signal that their easing policy has not come to an end yet.

## November IP contracted in sequential terms



Source: CEIC

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