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December 2023 Industrial Production

Downswing in production of light vehicles due to halt of operations at Daihatsu Motor has minor impact on production indices

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Summary

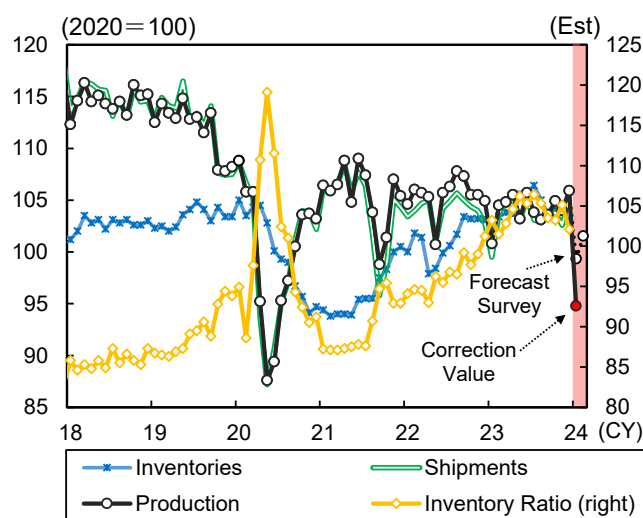
- The December 2023 indices of industrial production grew for the first time in two months by +1.8% m/m. In addition to General-purpose and business oriented machinery and chemicals (excluding inorganic, organic chemicals, and medicine), semiconductor production equipment and semiconductor related products such as MOS ICs (memory) were also favorable. As for motor vehicles, a major component in the index, a narrow range of growth was achieved. Although there was a downswing in production of light passenger cars due to the halt of operations at Daihatsu Motor, this was compensated for by favorable performance for regular passenger cars and trucks. 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 with some fluctuations. With the silicon cycle picking up further, production increases are expected in related industries, and this is likely to bring upward pressure on the production index. On the other hand, overseas demand is expected to experience a slowdown centering on the US and Europe, hence care should be taken regarding the possibilities of a downturn in domestic production activity. In addition, the influence of the halt of operations at the factories of Daihatsu Motor is expected to be limited.
- The November 2024 Indexes of Business Conditions are to be published on February 7, 2024, and the leading index is expected to be up by +1.1pt to 108.7, while the coincident index is expected to be up by +1.5pt to 116.1. Based on the predicted value, the underlying tone for December 2023 is automatically left unchanged at "improving".

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

	2023										
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Industrial Production	0.3	0.7	-2.2	2.4	-1.8	-0.7	0.5	1.3	-0.9	1.8	
Market consensus (Bloomberg)										2.5	
DIR estimate										2.5	
Shipments	0.9	-0.2	-1.1	1.6	-1.8	-0.3	0.6	0.4	-1.2	2.5	
Inventories	0.4	-0.1	1.8	0.2	0.6	-1.3	-1.3	0.6	0.0	-1.2	
Inventory ratio	1.3	1.8	1.5	-0.8	1.0	-1.0	-1.7	-0.3	1.8	-2.9	

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

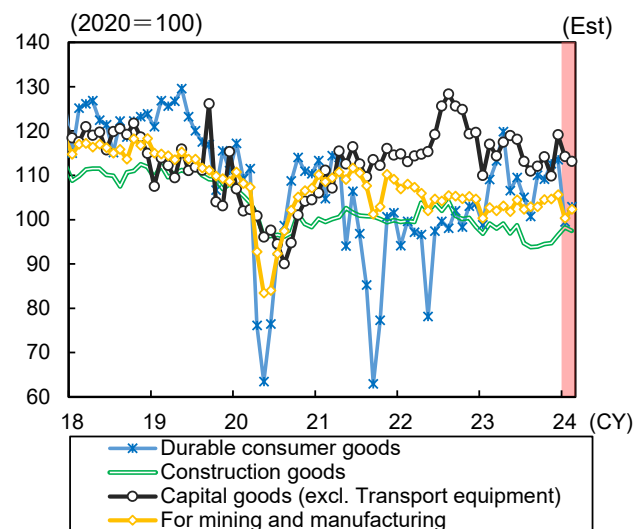
Production, Shipment, and Inventories Chart 2



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.