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# July 2023 Industrial Production

**Production indices shift into negative in comparison to previous month due to major production cut in semiconductor manufacturing equipment**

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## Summary

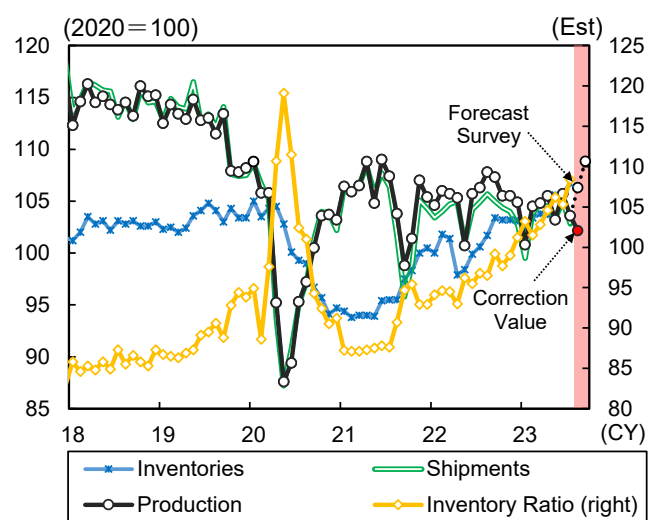
- The July 2023 indices of industrial production declined for the first time in two months at -2.0% m/m, while at the same time falling below market consensus (-1.4%, according to the Bloomberg survey). Although production advanced in the motor vehicles industry, a major component in the indices, the influence of this factor was exceeded by major production cuts in semiconductor manufacturing equipment. The Ministry of Economy, Trade and Industry has therefore revised its economic assessment downwards to “Industrial Production fluctuates indecisively.”
- As for the future of industrial production, for the time being the indices are expected to continue in a moderate growth tone on average, mainly due to recovery production in motor vehicles. On the other hand, the effect of recovery production on boosting the economy is expected to have run its course by some time in FY2023, and after that point, the indices of industrial production is likely to become sluggish due to weak overseas demand.
- The July 2023 Indexes of Business Conditions are to be published on September 7, 2023, and the leading index is expected to be down by -0.9pt to 108.0, while the coincident index is expected to be down by -1.1pt to 114.0. Based on the predicted value, the underlying tone for July is automatically left unchanged at "improving".

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

	2022			2023						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Industrial Production	-1.7	0.0	-0.6	-3.9	3.7	0.3	0.7	-2.2	2.4	<b>-2.0</b>
Market consensus (Bloomberg)										-1.4
DIR estimate										-1.3
Shipments	-0.6	-0.4	-1.2	-3.2	4.3	0.9	-0.2	-1.1	1.6	<b>-2.1</b>
Inventories	-0.2	0.0	-0.1	-0.7	1.0	0.4	-0.1	1.8	0.2	<b>0.9</b>
Inventory ratio	-1.5	1.3	2.2	2.0	-1.6	1.3	1.8	1.5	-0.8	<b>2.9</b>

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

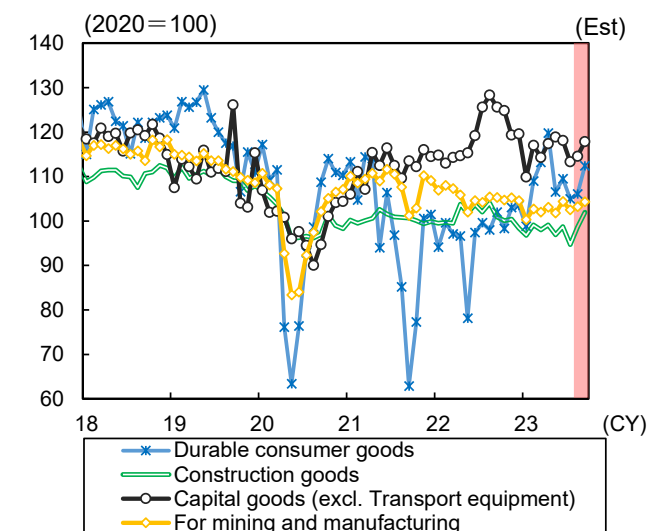
**Production, Shipment, and Inventories Chart 2**



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.