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Japanese report: 30 Nov 2023

October 2023 Industrial Production

Production indices rise, suggesting a recovery in the silicon cycle

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Summary

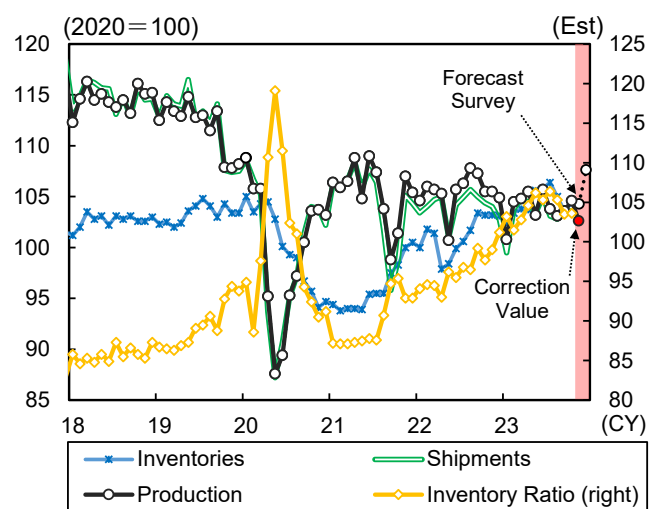
- The October 2023 indices of industrial production grew for the second consecutive month by +1.0% m/m. Looking at on average the indices have been marking time since the middle of the year, and the Ministry of Economy, Trade and Industry has left its economic assessment unchanged at "Industrial Production fluctuates indecisively." As for performance of specific industries, electronic parts and devices were at a high level in the index for the first time in a year. The main reason was a major increase in the production of ICs, suggesting a recovery in the silicon cycle.
- As for the future of industrial production, the indices are expected to continue marking time. Recovery production in motor vehicles is expected to continue make up for the weak performance in capital goods. Capital goods are expected to take time to get through inventory adjustment, and production will likely continue at a low level for the time being. On the other hand, motor vehicles maintain a large margin for progress in recovery production centering on the domestic market, and are expected to continue providing underlying support for overall production.
- The October 2023 Indexes of Business Conditions are to be published on December 7, 2023, and the leading index is expected to be down by -1.3pt to 107.6, while the coincident index is expected to be up by +0.1pt to 114.8. Based on the predicted value, the underlying tone for October is automatically left unchanged at "improving".

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

	2023									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production	-3.9	3.7	0.3	0.7	-2.2	2.4	-1.8	-0.7	0.5	1.0
Market consensus (Bloomberg)										0.8
DIR estimate										0.9
Shipments	-3.2	4.3	0.9	-0.2	-1.1	1.6	-1.8	-0.3	0.6	0.2
Inventories	-0.7	1.0	0.4	-0.1	1.8	0.2	0.6	-1.3	-1.3	0.8
Inventory ratio	2.0	-1.6	1.3	1.8	1.5	-0.8	1.0	-1.0	-1.7	0.1

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

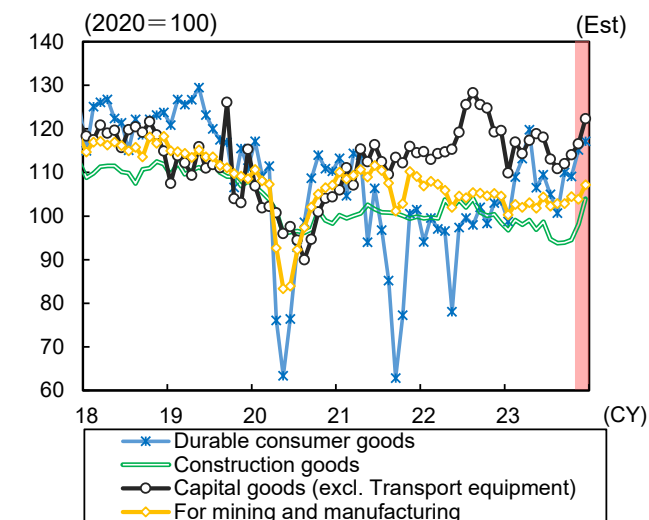
Production, Shipment, and Inventories Chart 2



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.