

28 December 2023 (No. of pages: 2)

Japanese report: 28 Dec 2023

November 2023 Industrial Production

Production indices maintain firm undertone, while silicon cycle expects further improvement

Economic Research Dept.
Kazuma Kishikawa

Summary

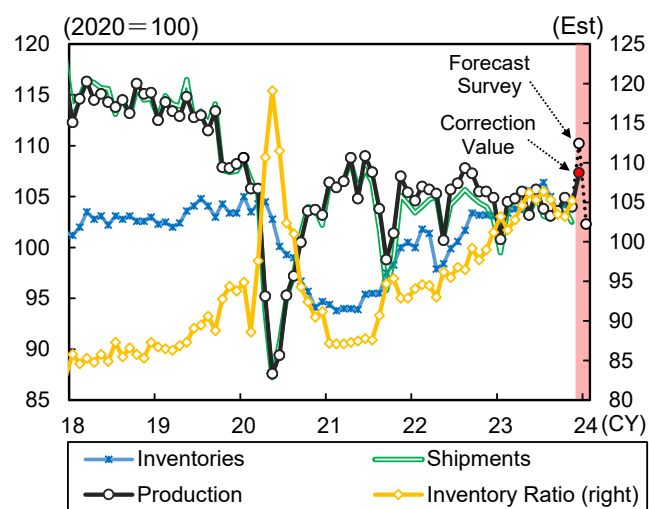
- The November 2023 indices of industrial production declined for the first time in three months by -0.9% m/m. While the export volume index (seasonally adjusted by the Cabinet Office), which is highly linked to the production index, fell sharply in November (-5.6%), the production index was firm. As for performance of specific industries, the motor vehicles industry saw a reactionary decline in small passenger cars, which had increased significantly in the previous month. On the other hand, there were indications of a further recovery in the silicon cycle, such as a large increase in production of MOS ICs for the second consecutive month. 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 a mixture of favorable and unfavorable factors. Recovery production in regular passenger cars is expected to continue providing underlying support for overall performance, while the silicon cycle entering a recovery phase is expected to bring upward pressure on the production index. On the other hand, capital goods are expected to be a drag on overall performance with continued sluggish demand centering on overseas economies. In addition, in the short-term, the influence of the halt of operations at the factories of Daihatsu Motor is expected to hold down the production index somewhat.
- The November 2023 Indexes of Business Conditions are to be published on January 11, 2024, and the leading index is expected to be down by -1.1pt to 107.8, while the coincident index is expected to be down by -1.4pt to 114.5. Based on the predicted value, the underlying tone for November is automatically left unchanged at "improving".

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

	2023									
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Industrial Production	3.7	0.3	0.7	-2.2	2.4	-1.8	-0.7	0.5	1.3	-0.9
Market consensus (Bloomberg)										-1.6
DIR estimate										-2.4
Shipments	4.3	0.9	-0.2	-1.1	1.6	-1.8	-0.3	0.6	0.4	-1.3
Inventories	1.0	0.4	-0.1	1.8	0.2	0.6	-1.3	-1.3	0.6	0.1
Inventory ratio	-1.6	1.3	1.8	1.5	-0.8	1.0	-1.0	-1.7	-0.3	1.9

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

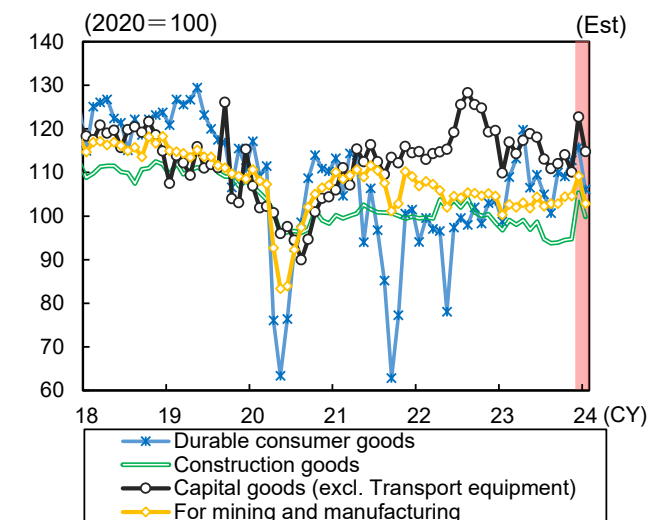
Production, Shipment, and Inventories Chart 2



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.