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May 2024 Industrial Production

Motor vehicles achieve growth in production as factories go back online, bringing growth in production index for first time in two months

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Summary

- The May 2024 indices of industrial production grew for the first time in two months by +2.8% m/m. Motor vehicles shifted back into growth in production as factories went back online, bringing a major boost to overall performance. Electrical machinery, and Information and communication electronics equipment was also a contributing factor to overall growth, along with automotive items such as electric lighting fixtures for motor vehicles. The Ministry of Economy, Trade, and Industry has left its economic assessment unchanged at “Industrial Production fluctuates indecisively, but it has weakened.”
- As for the future of industrial production, the indices are expected to grow at a fairly moderate pace. Domestic production of motor vehicles is expected to be back to normal, and recovery production is expected. However, the authentication fraud issue has not completely faded into the background, hence growth will likely keep to a moderate pace. In addition, production of semiconductor related goods is expected to grow. However, caution is required in regard to the risk of downward pressure on the production indices due to the strengthening of export control regulations, which are expected to cause a decline in sales of semiconductor related goods in China.
- The May 2024 Indexes of Business Conditions are to be published on July 5, 2024, and the leading index is expected to be up by +0.6pt to 111.5, while the coincident index is expected to be up by +1.2pt to 116.4. Based on the predicted value, the assessment of coincident index for May 2024 has automatically been left unchanged at "signaling a possible turning point."

Industrial Production (m/m %; SA basis)

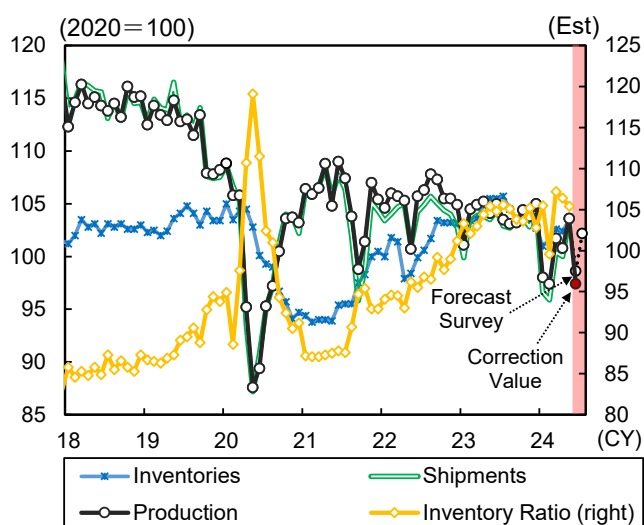
Chart 1

	2023					2024					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Industrial Production	-0.4	0.1	1.2	-0.6	1.2	-6.7	-0.6	4.4	-0.9	2.8	
Market consensus (Bloomberg)										2.0	
DIR estimate										1.8	
Shipments	-0.2	0.6	0.3	-0.8	1.6	-7.5	-0.7	4.7	-0.4	3.5	
Inventories	-1.1	-0.9	0.0	0.0	-0.9	-1.7	0.6	1.0	-0.2	1.1	
Inventory ratio	-0.5	-1.2	-0.2	1.5	-2.3	2.6	-5.6	7.6	-0.7	-0.9	

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

Production, Shipment, and Inventories

Chart 2

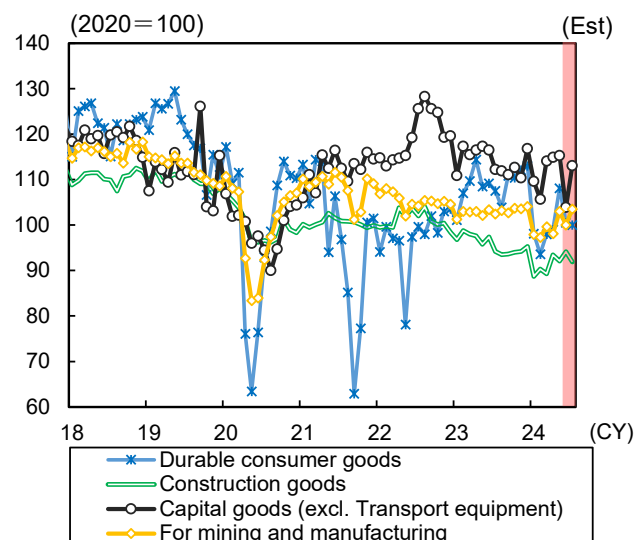


Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

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.