

1 August 2024 (No. of pages: 2)

Japanese report: 31 Jul 2024

June 2024 Industrial Production

Production indices suffer decline in all industries with production cuts in motor vehicles and semiconductor related goods

Economic Research Dept.

Kiyoka Ishikawa

Summary

- The June 2024 indices of industrial production declined for the first time in two months by -3.6% m/m. Motor vehicle production was down due to the halts in production at some factories, bringing downward pressure on overall performance. In addition, in production machinery, the downturn in production of semiconductor related goods was prominent, with production cuts in semiconductor production equipment, and electronic parts and devices suffering a production decline in MOS-ICs. Until recently this sector had been experiencing rapid growth, hence it is thought that this represents a reactionary decline.
- As for the future of industrial production, the indices are expected to move toward a moderate growth phase. Domestic production of motor vehicles is expected to be back to normal, and recovery production is expected. In addition, the recovery of the silicon cycle is expected to be a positive factor leading to growth in production of semiconductor related goods. 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 June 2024 Indexes of Business Conditions are to be published on August 7, 2024, and the leading index is expected to be down by -2.4pt to 108.8, while the coincident index is expected to be down by -3.4pt to 113.7. Based on the predicted value, the assessment of the coincident index for June 2024 has automatically been left unchanged at "halting to fall."

Industrial Production (m/m %; SA basis)

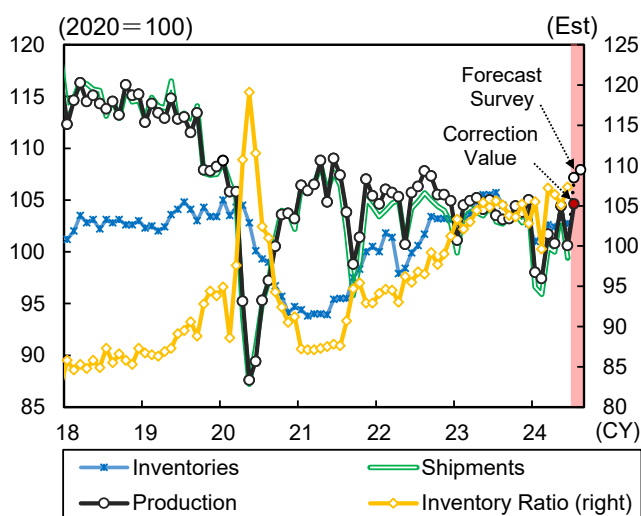
Chart 1

	2023				2024						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Industrial Production	0.1	1.2	-0.6	1.2	-6.7	-0.6	4.4	-0.9	3.6	-3.6	
Market consensus (Bloomberg)										-4.5	
DIR estimate										-3.5	
Shipments	0.6	0.3	-0.8	1.6	-7.5	-0.7	4.7	-0.4	3.9	-4.3	
Inventories	-0.9	0.0	0.0	-0.9	-1.7	0.6	1.0	-0.2	0.9	-0.6	
Inventory ratio	-1.2	-0.2	1.5	-2.3	2.6	-5.6	7.6	-0.7	-1.2	2.1	

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

Production, Shipment, and Inventories

Chart 2

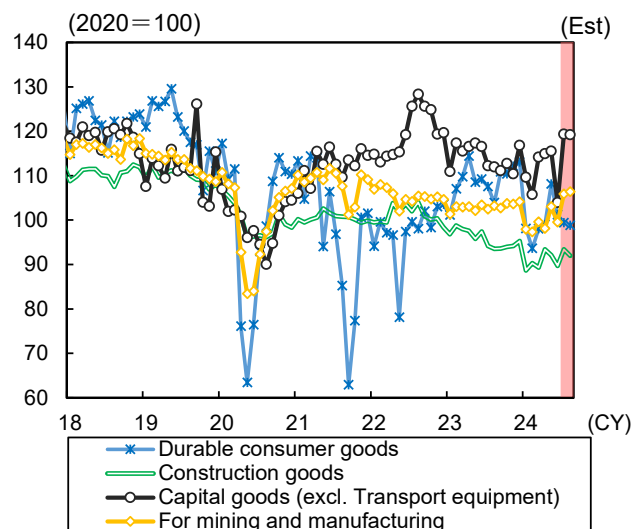


Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

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.