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October 2024 Industrial Production

Production of semiconductor manufacturing equipment increases significantly, and recovery production in motor vehicles continues

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Summary

- The October 2024 indices of industrial production grew for the second consecutive month by +3.0% m/m, while at the same time falling below market consensus (+4.0% according to Bloomberg Survey). Demand was vigorous for export related goods centering on semiconductor manufacturing equipment, while in addition, recovery production in motor vehicles also continued. 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 mark time. Recovery production in motor vehicles is expected to provide underlying support for the rest of 2024, while in addition, 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 domestic production, which could occur if there is a lull in demand for semiconductor production equipment in China and if export control regulations are strengthened, causing a decline in the amount of sales of semiconductor production equipment in China. In addition, caution is advised as exports are expected to be sluggish due to the gradual economic slowdown in the US, and this will be a negative factor for production in Japan.
- The October 2024 Indexes of Business Conditions are to be published on December 6, 2024, and the leading index is expected to be down 0.3pt m/m to 108.8, and the coincident index is expected to be up by +2.5pt to 117.8. Based on the predicted value, the assessment of the coincident index for October 2024 will automatically be left unchanged at “halting to fall.”

Industrial Production (m/m %; SA basis)

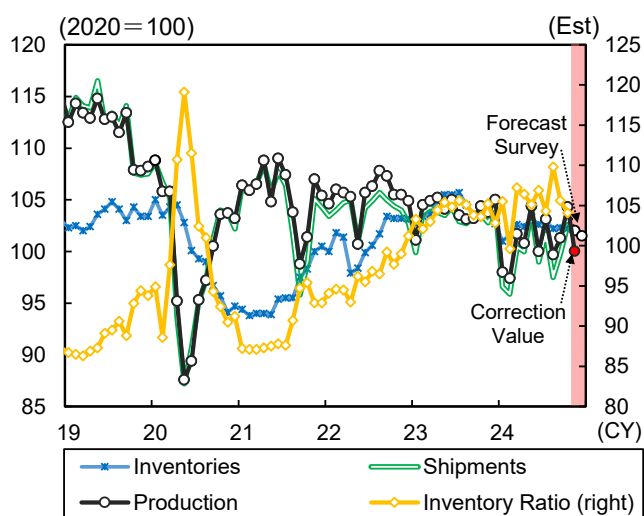
Chart 1

	2024									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production	-6.7	-0.6	4.4	-0.9	3.6	-4.2	3.1	-3.3	1.6	3.0
Market consensus (Bloomberg)										4.0
DIR estimate										4.0
Shipments	-7.5	-0.7	4.7	-0.4	3.9	-4.7	2.7	-4.1	2.4	2.8
Inventories	-1.7	0.6	1.0	-0.2	0.9	-0.7	0.4	-0.8	0.1	-0.1
Inventory ratio	2.6	-5.6	7.6	-0.7	-1.2	1.7	-2.4	5.3	-3.8	-1.4

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

Production, Shipments, and Inventories

Chart 2

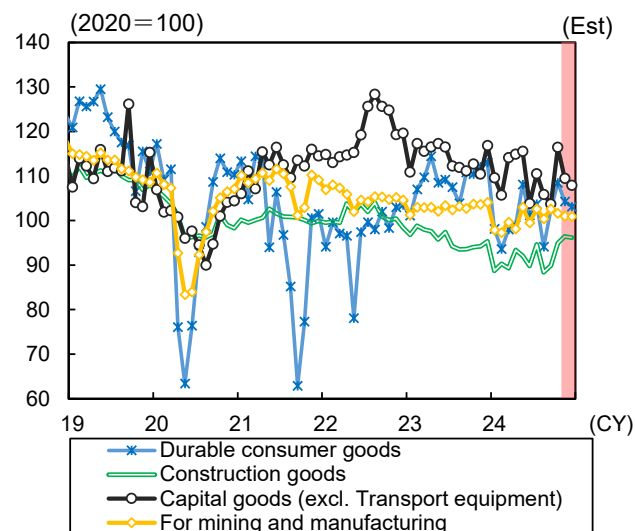


Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

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.