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Japanese report: 31 Jan 2025

December 2024 Industrial Production

Production indices grow for first time in two months, but gains remain small with overall weak results

Economic Research Dept.
Kanako Nakamura

Summary

- The December 2024 indices of industrial production grew for the first time in two months by +0.3% m/m, while at the same time exceeding market consensus (+0.1% according to Bloomberg Survey). However, looking at results by industry, only five industries, including production machinery and electronic parts and devices, saw increases. 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. Semiconductor related goods are expected to be the main growth factor for the time being due to the recovery of the silicon cycle. However, if the demand for semiconductor manufacturing equipment in China slows down and export control regulations from Japan are tightened, domestic production in Japan may decline. In addition, a gradual economic slowdown is expected in the US and Europe, and this could cause exports to slow down and become a negative factor for Japan’s industrial production, hence caution is required.
- The December 2024 Indexes of Business Conditions are to be published on February 7, 2025, and the leading index is expected to be up by +0.5pt m/m to 108.0, and the coincident index is expected to be up by +1.1pt to 116.5. Based on the predicted value, the assessment of the coincident index for December 2024 will automatically be left unchanged at “halting to fall.”

Industrial Production (m/m %; SA basis)

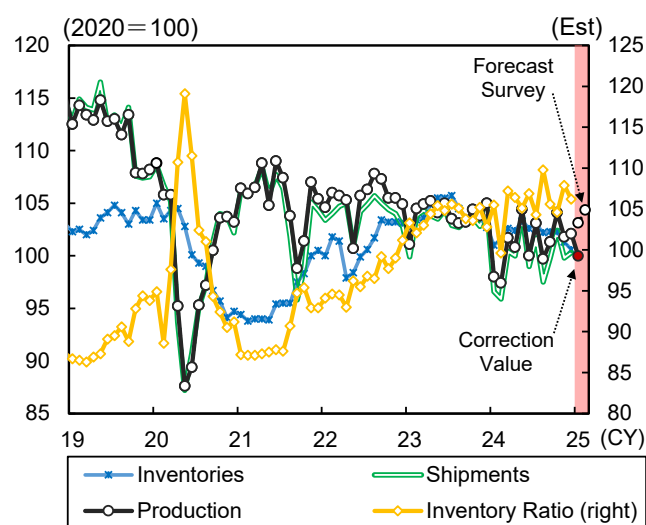
Chart 1

	2024									
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Industrial Production	4.4	-0.9	3.6	-4.2	3.1	-3.3	1.6	2.8	-2.2	0.3
Market consensus (Bloomberg)										0.1
DIR estimate										-0.4
Shipments	4.7	-0.4	3.9	-4.7	2.7	-4.1	2.4	2.6	-2.5	0.5
Inventories	1.0	-0.2	0.9	-0.7	0.4	-0.8	0.1	0.0	-1.0	-0.7
Inventory ratio	7.6	-0.7	-1.2	1.7	-2.4	5.3	-3.8	-0.9	3.2	-1.6

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

Production, Shipments, and Inventories

Chart 2

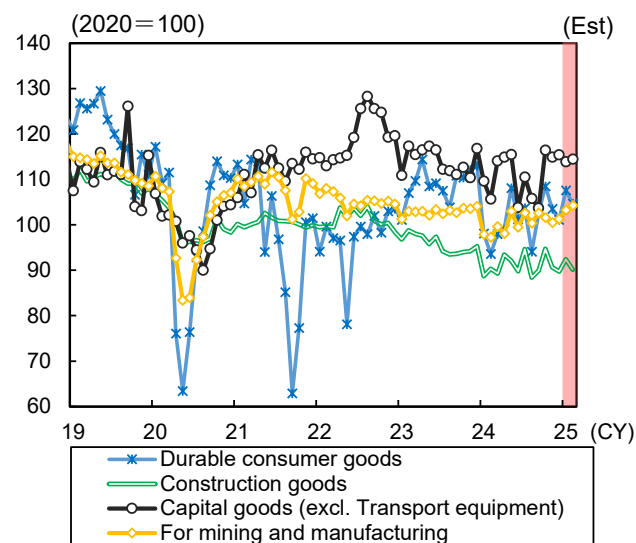


Source: Ministry of Economy, Trade, and Industry (METI), compiled by DIR.

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.