

14 December 2023 (No. of pages:3)

Japanese report: 14 Dec 2023

October 2023 Machinery Orders

Orders achieve second consecutive month of growth with help of large projects

Economic Research Dept.
Kiyoka Ishikawa

Summary

- According to statistics for machinery orders in October 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders grew for the second consecutive month by +0.7% m/m. Manufacturing also grew for the first time in two months at +0.2%, and non-manufacturing (excluding ships and electric power) grew for the second consecutive month at +1.2%. The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing saw large projects (exceeding 10 bil yen) in other manufacturing, bringing a major boost to overall performance. Minus this effect, results might be judged to have been a bit weak. Meanwhile, non-manufacturing orders (excluding ships and electric power) achieved growth in orders in wholesale and retail trade, while in addition, large projects in transportation and postal activities were a boost to overall performance.
- As for the future of private sector demand (excluding ships and electric power), on average a move toward moderate growth is expected. Capex is likely to increase centering on the non-manufacturing industries as there is still significant room for recovery in domestic services consumption. However, caution must be exercised with the sluggish overseas economy associated with continued high interest rates in the US and Europe, which could reduce the appetite for capex by domestic companies, particularly in the manufacturing sector.

Machinery Orders (m/m %; SA)													Chart 1
	2022		2023										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Machinery orders (private sector)*	-6.7	0.3	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	-0.5	1.4	0.7	
Market consensus (Bloomberg)												-0.4	
DIR Economist estimate												-0.8	
Manufacturing orders	-8.0	2.5	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	2.2	-1.8	0.2	
Non-manufacturing orders*	-2.1	-3.2	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	-3.8	5.7	1.2	
Overseas orders	1.2	10.5	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	-7.1	18.2	-3.4	

Source: Cabinet Office, Bloomberg; compiled by DIR.

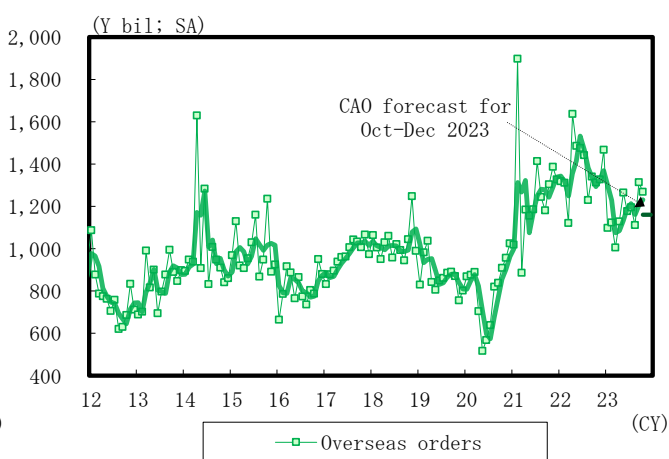
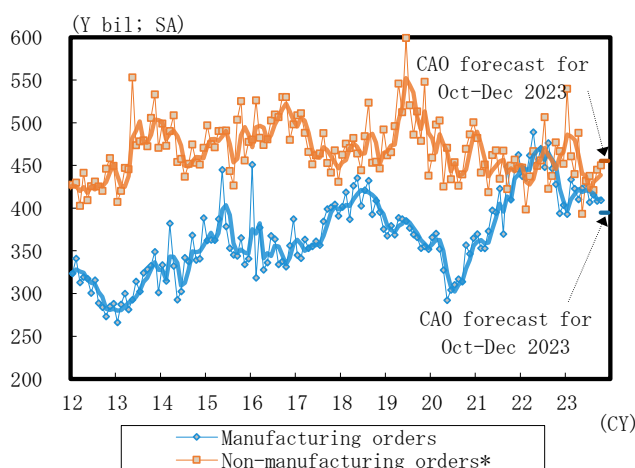
*excl. those for shipbuilding and from electric utilities.

Source: Cabinet Office (CAO), Bloomberg; compiled by DIR.

* excluding ships and electric power.

Note: Figures on market consensus from Bloomberg.

Orders by Demand Source (seasonally adjusted figures) Chart 2

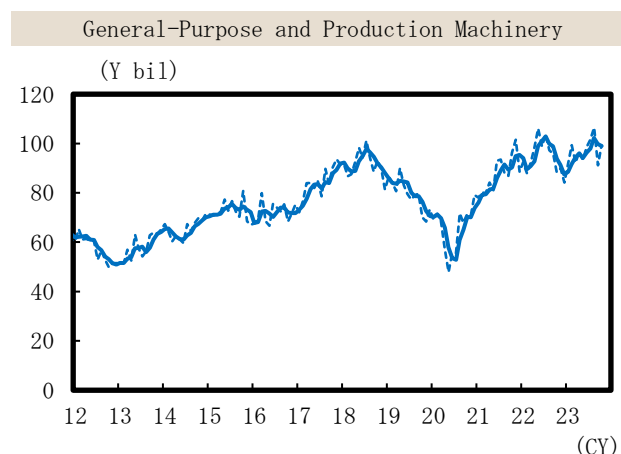
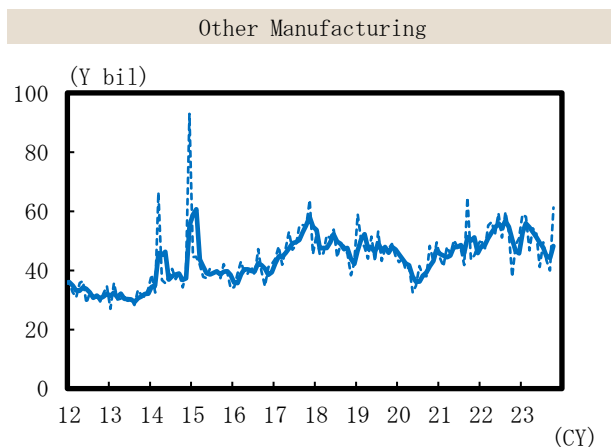


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

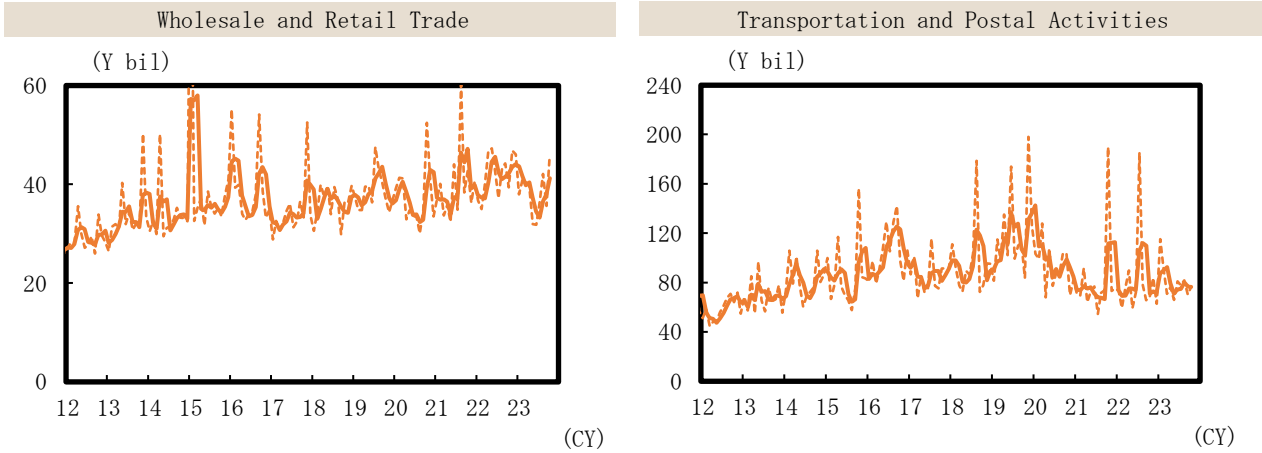
Order Amounts by Industry (Manufacturing) Chart 3



Source: Cabinet Office (CAO); compiled by DIR.

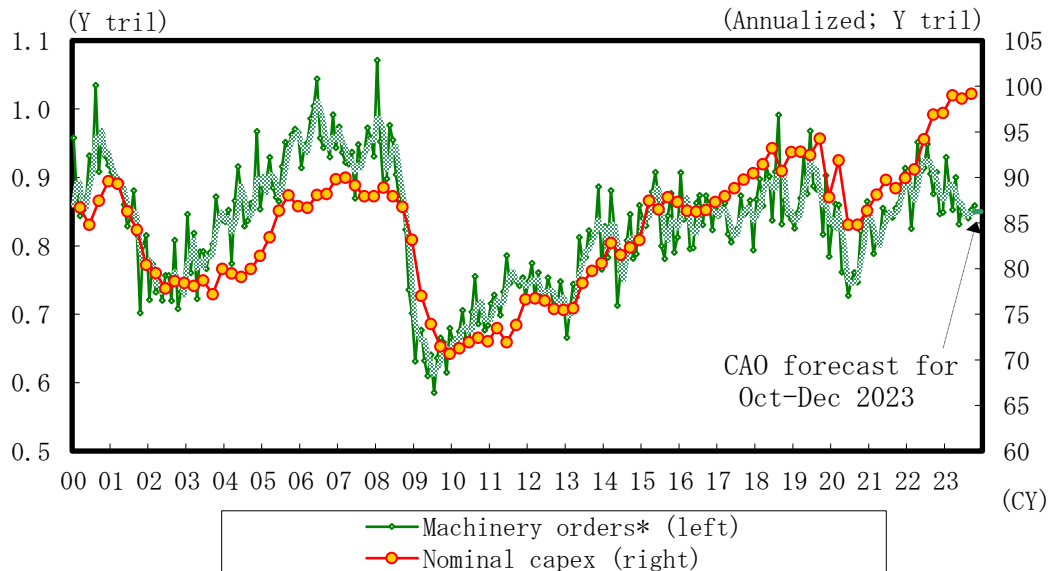
Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing) Chart 4



Source: Cabinet Office (CAO); compiled by DIR.
 Note: Thick lines 3M/MA basis.

Domestic Demand and Nominal Capex (seasonally adjusted figures) Chart 5



Source: Cabinet Office (CAO); compiled by DIR.
 * excluding ships and electric power.
 Note: Thick lines 3M/MA basis.