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Japanese report: 18 Jan 2024

November 2023 Machinery Orders

Private sector demand (excluding ships and electric power) declines for the first time in three months due to significant drop in orders from manufacturing industry

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Summary

- According to statistics for machinery orders in November 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders declined for the first time in three months by -4.9% m/m. Both manufacturing (-7.8%) and non-manufacturing (excluding ships and electric power) (-0.4%) suffered declines, with the drop in manufacturing orders especially significant. The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing saw a reactionary decline manifesting in other manufacturing, which had experienced large projects (exceeding 10 bil yen) during the previous month. In addition, general-purpose and production machinery, as well as information and communication electronics equipment, also became negative factors for overall performance. Meanwhile, non-manufacturing orders (excluding ships and electric power), found underlying support coming from large projects in telecommunications, but finance and insurance were sluggish.
- As for the future of private sector demand (excluding ships and electric power), performance is expected to continue marking time for the time being. Corporations may become more cautious about capex against a backdrop of strong uncertainty about the outlook for overseas economies. Caution should be exercised with the possibility of a downturn in corporate capex as the risk of a delay in interest rate cuts in the US and Europe, and a slow recovery in the Chinese economy become more apparent.

Machinery Orders (m/m %; SA) Chart 1

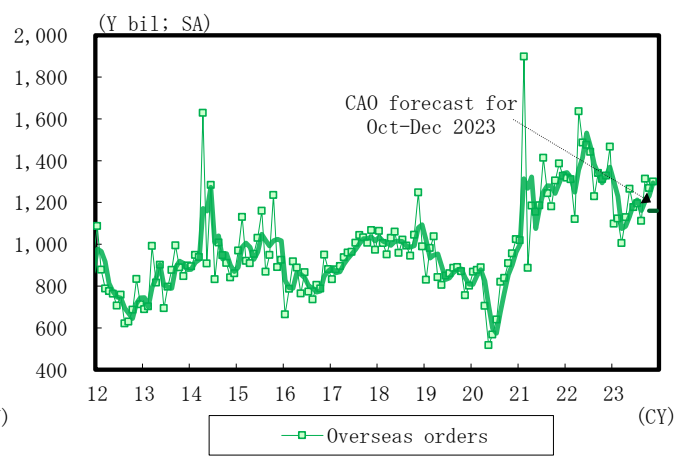
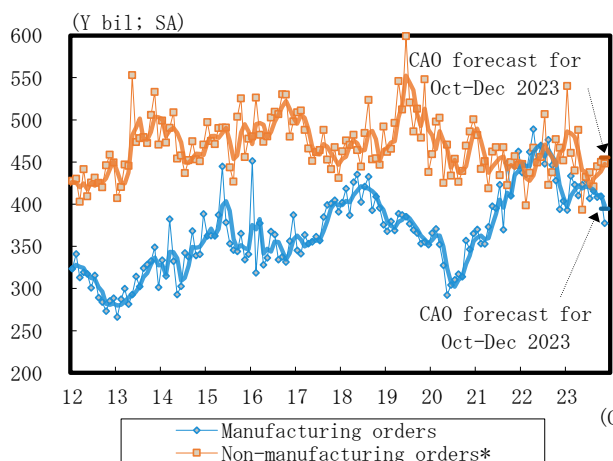
	2022		2023									
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Machinery orders (private sector)*	0.3	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	-0.5	1.4	0.7	-4.9
Market consensus (Bloomberg)												▲0.8
DIR Economist estimate												▲1.2
Manufacturing orders	2.5	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	2.2	-1.8	0.2	-7.8
Non-manufacturing orders*	-3.2	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	-3.8	5.7	1.2	-0.4
Overseas orders	10.5	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	-7.1	18.2	-3.4	2.5

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

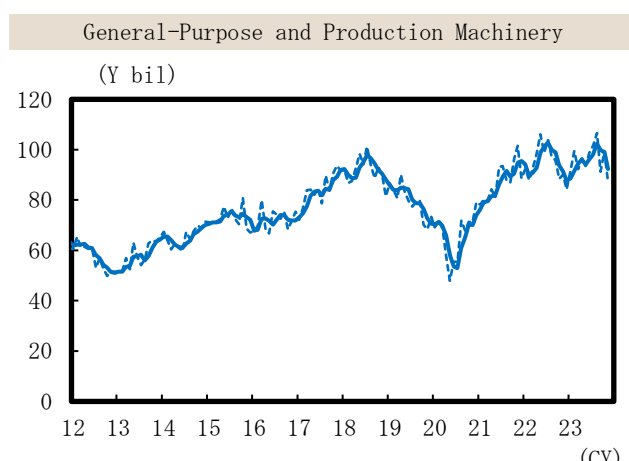
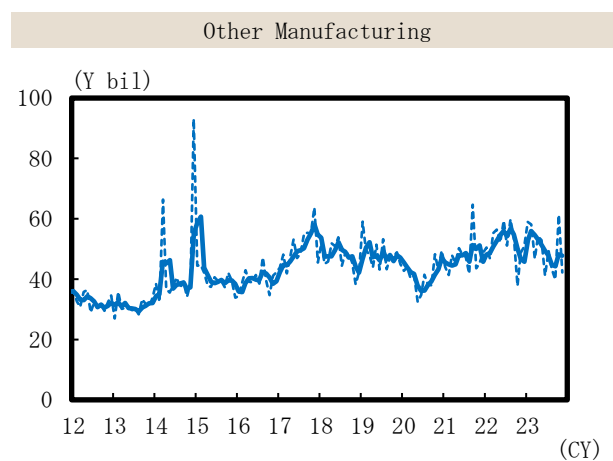


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

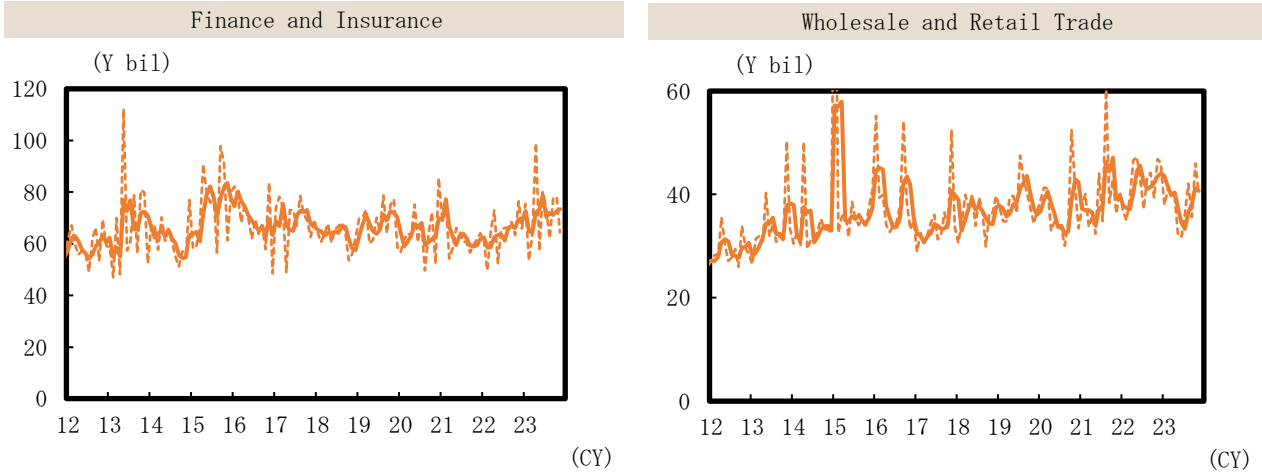
Order Amounts by Industry (Manufacturing) Chart 3



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

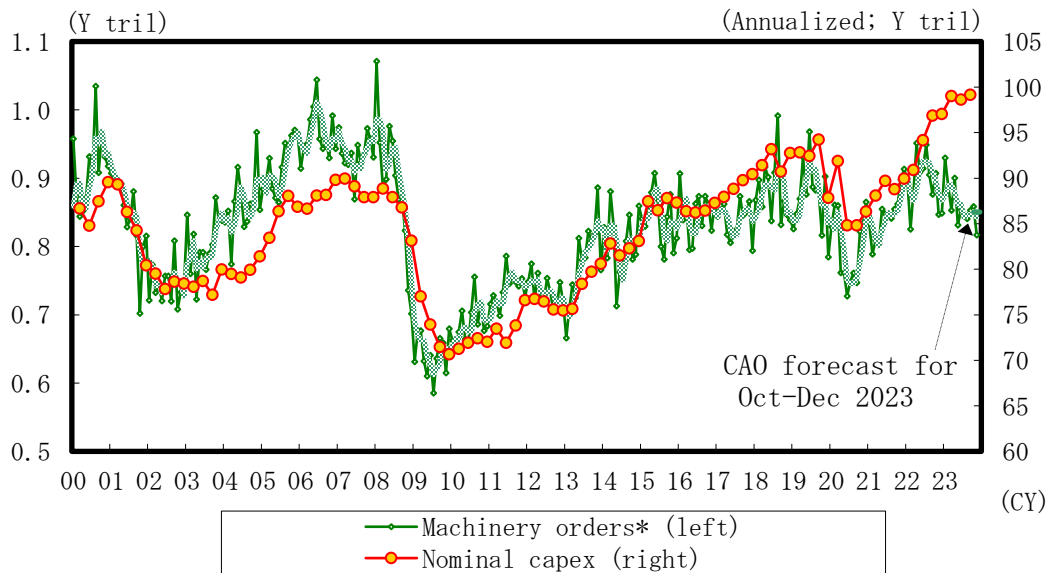
Note: Thick lines 3M/MA basis.

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.