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December 2023 Machinery Orders

Private sector demand (excluding ships and electric power) grows for the first time in two months due to major growth in orders from manufacturing industry

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Summary

- According to statistics for machinery orders in December 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders grew for the first time in two months by +2.7% m/m. There was major growth in manufacturing (+10.1%), making up for a -2.2% decline in non-manufacturing (excluding ships and electric power). The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing orders grew for the first time in two months. Orders from chemical and chemical products won significant growth, contributing to overall performance. Meanwhile, non-manufacturing orders (excluding ships and electric power) declined for the second consecutive month. Transportation and postal activities, as well as telecommunications, experienced reactionary declines in comparison to the previous month’s performance.
- Machinery orders in 2023 (excluding ships and electric power) declined for the first time in three years by -3.6% y/y. In the manufacturing sector (-7.3%), orders were sluggish due to weak overseas demand against the backdrop of monetary tightening in Europe and the US, and the slow recovery of the Chinese economy. In the non-manufacturing sector (excluding ships and electric power) (+0.0%), capital investment in response to the normalization of the economy provided underlying support, but even so, growth in orders was limited to a narrow range.
- 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 be cautious about capital investment against a backdrop of strong uncertainty about the outlook for overseas economies. Caution should be exercised with the possibility of a downturn in corporate capital investment 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
	2023											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Machinery orders (private sector)*	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	-0.5	1.4	0.7	-4.9	2.7
Market consensus (Bloomberg)												2.7
DIR Economist estimate												2.9
Manufacturing orders	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	2.2	-1.8	0.2	-7.8	10.1
Non-manufacturing orders*	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	-3.8	5.7	1.2	-0.4	-2.2
Overseas orders	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	-7.1	18.2	-3.4	2.5	-0.3

Source: Cabinet Office, Bloomberg; compiled by DIR.

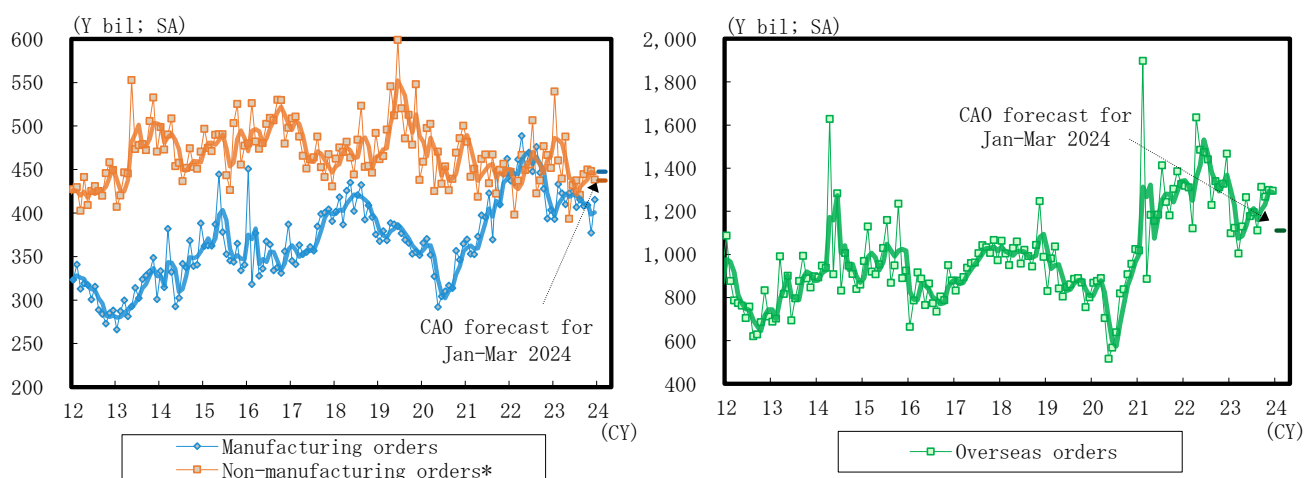
*excl. those for shipbuilding and from electric utilities.

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

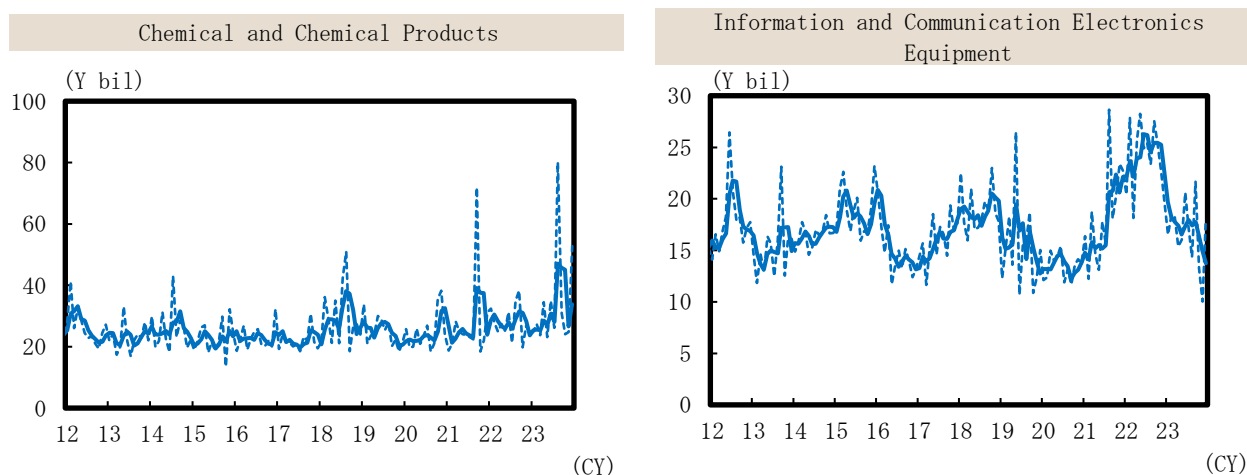


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

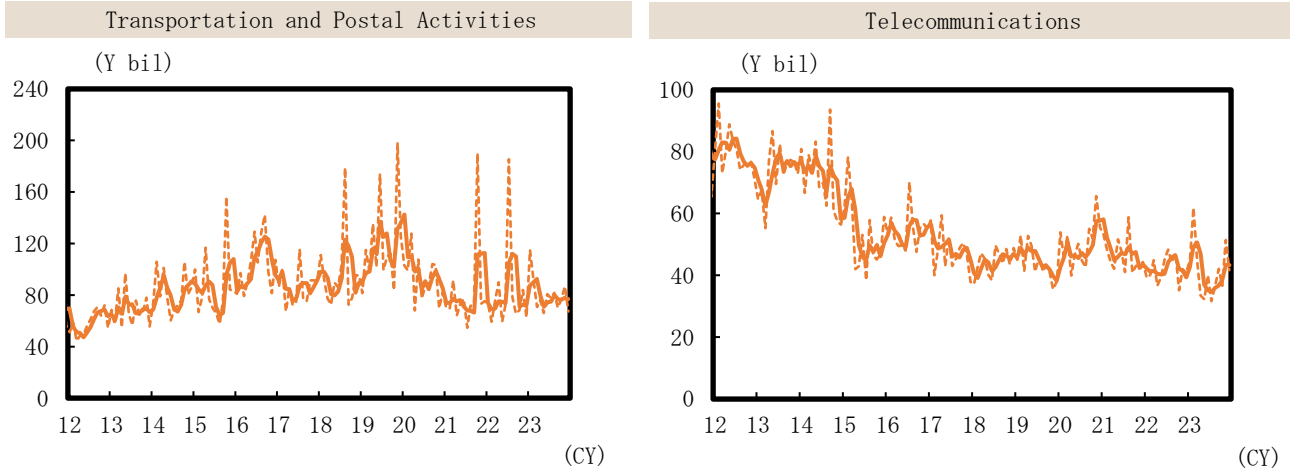
Order Amounts by Industry (Manufacturing) Chart 3



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

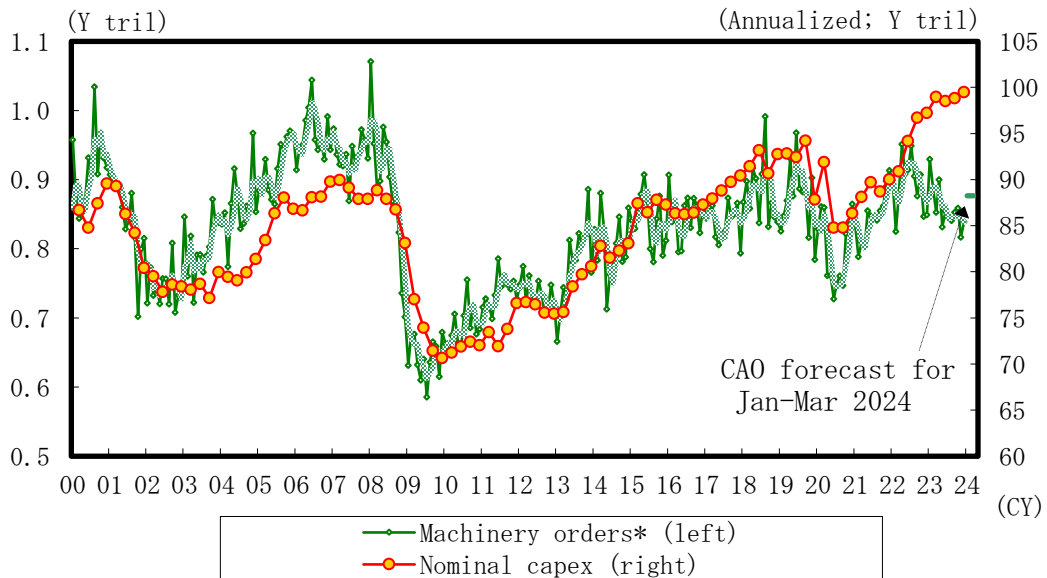
Note: Thick lines 3M/MA basis.

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.