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January 2023 Machinery Orders

Non-manufacturing orders achieved major growth exceeding market expectations

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Summary

- According to statistics for machinery orders in January 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the second consecutive month at +9.5% m/m, significantly exceeding market consensus (Bloomberg survey: +1.4%). Looking at orders by industry, non-manufacturing orders achieved major growth, while manufacturing orders to a turn for the worse, suffering a decline. On a single month basis, the results for manufacturing orders in January were counter to the corporate outlook for the Jan-Mar period (as of December 2022). The Cabinet Office has therefore left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing orders declined for the first time in two months at -2.6% m/m. The main factor was downward pressure on overall results from non-ferrous metals, with continued declining trends in electrical machinery, and information and communication electronics equipment. Meanwhile, non-manufacturing orders (excluding ships and electrical power), grew for the first time in three months at +19.5%. While there were no large projects (exceeding 10 bil yen), order amounts grew sharply for construction, and transportation and postal activities, pushing up overall results.
- As for the future of private sector demand (excluding ships and electrical power), the move toward a moderate growth trend is expected, with the non-manufacturing industry continuing to take the lead. There is still much room for recovery in domestic consumption of services, and inbound consumption is recovering rapidly. Hence replacement investment and upgrading of facilities is expected in response to this trend. In addition, willingness amongst domestic corporations to invest in facilities is also promising due to the economic recovery in China.

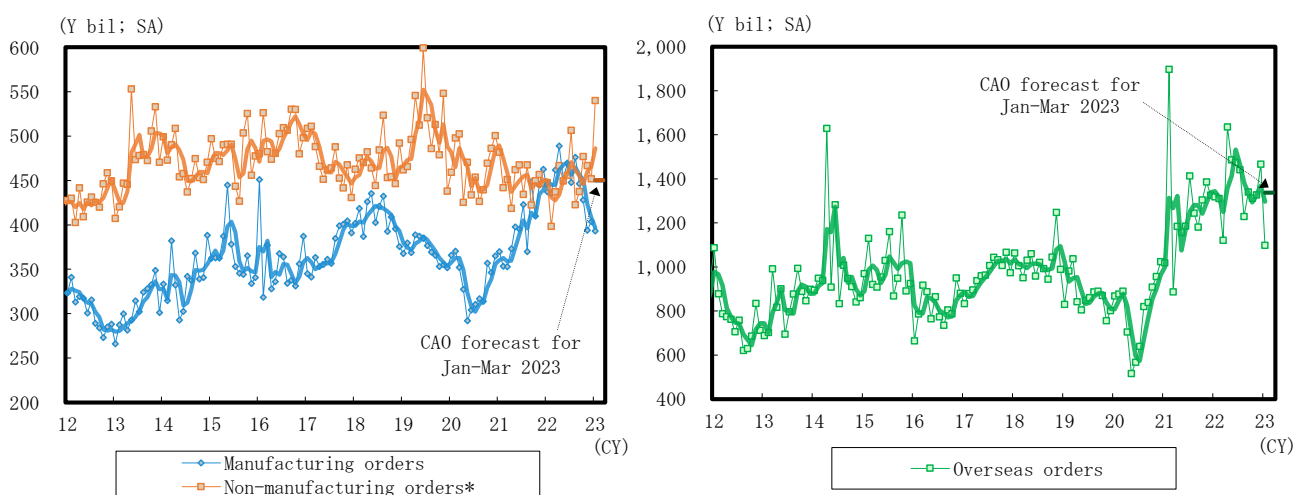
Machinery Orders (m/m %; SA)													Chart 1
	2022												2023
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Machinery orders (private sector)*	-8.1	6.3	8.4	-4.5	0.6	3.8	-4.6	-3.2	3.5	-6.7	0.3	9.5	
Market consensus (Bloomberg)												1.4	
DIR Economist estimate												1.6	
Manufacturing orders	-0.5	6.1	5.9	-7.6	3.9	-4.6	6.3	-6.3	-4.1	-8.0	2.5	-2.6	
Non-manufacturing orders*	-11.0	9.7	6.8	-3.7	1.4	11.2	-16.6	3.5	9.0	-2.1	-3.2	19.5	
Overseas orders	-0.6	-14.5	46.0	-9.2	-0.7	-2.3	-14.7	9.0	-2.1	1.2	10.5	-25.2	

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

*excl. those for ships and from electric utilities.

Note: Figures on market consensus from Bloomberg.

Orders by Demand Source (seasonally adjusted figures) Chart 2

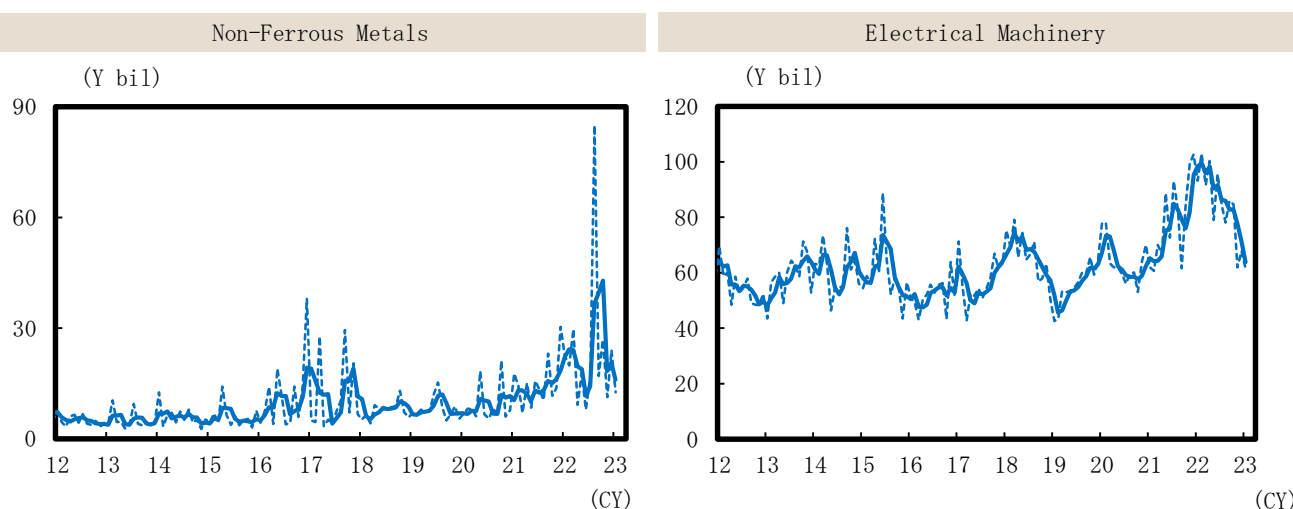


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

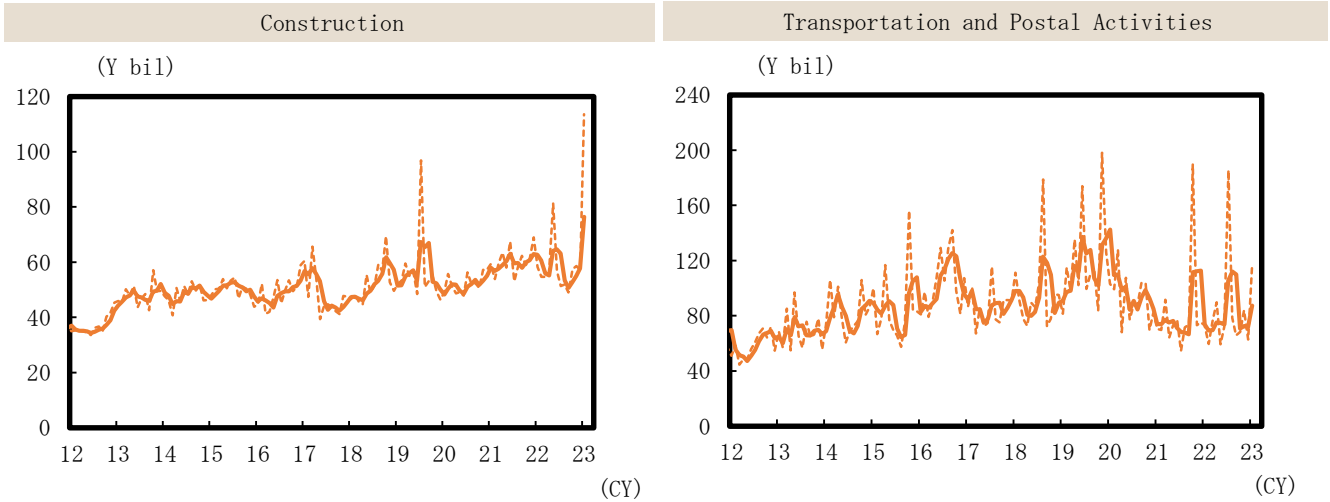
Order Amounts by Industry (Manufacturing) Chart 3



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

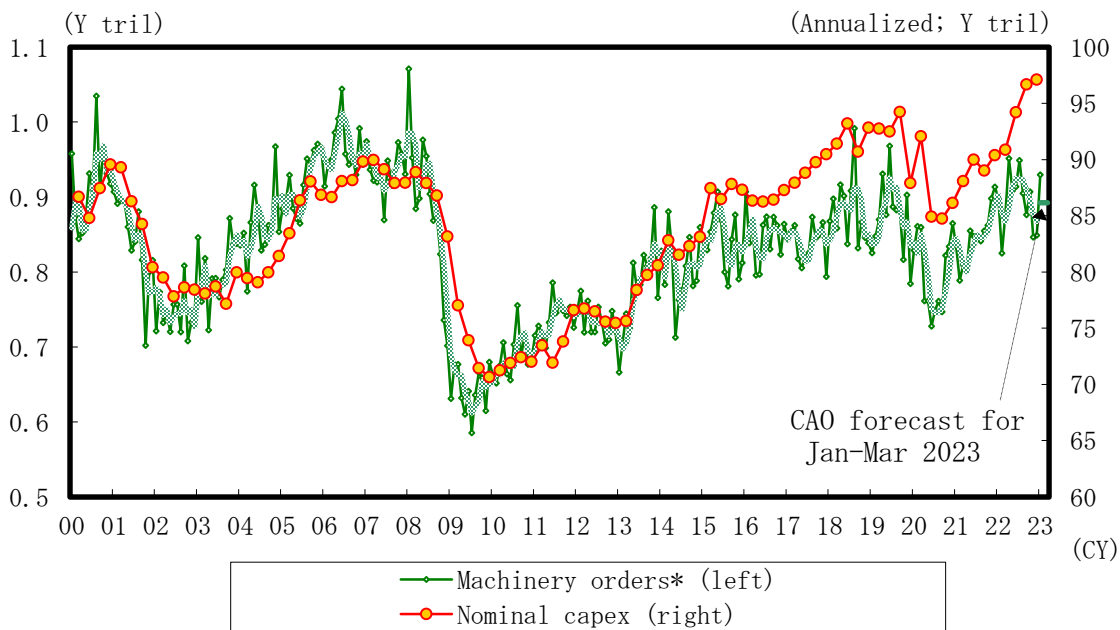
Note: Thick lines 3M/MA basis.

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.
 *excl. those for ships and from electric utilities.
 Note: Thick lines 3M/MA basis.