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February 2023 Machinery Orders

Machinery orders (excluding ships and electrical power) decline, but general tone remains unchanged

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Summary

- According to statistics for machinery orders in February 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the first time in three months at -4.5% m/m. Looking at orders by industry, manufacturing orders achieved growth due mainly to large projects (exceeding 10 bil yen), while non-manufacturing suffered a decline due mostly to the reaction to the previous month's performance. Excluding these temporary variables, no significant change can be seen in the underlying tone for either manufacturing or non-manufacturing. The Cabinet Office has left its assessment for machinery orders unchanged at "stalling."
- Manufacturing orders grew for the first time in two months at +10.2% m/m. The main factor was upward pressure from large projects in non-ferrous metals (+330.8%), but if this temporary factor is removed, overall growth in manufacturing was weak. Meanwhile, non-manufacturing orders (excluding ships and electrical power) declined for the first time in two months at -14.7%. This was due to the appearance of a reactionary decline in response to the sharp growth in January orders experienced by construction, and transportation and postal activities. These two industries suffered declines of -54.7% and -20.3% respectively in February. However, non-manufacturing orders (excluding ships and electrical power) are still exceeding the Jan-Mar period corporate forecast of the Machinery Orders (as of Dec. 2022), hence the overall tone is not bad.
- As for the future of private sector demand (excluding ships and electrical power), the move toward a moderate growth trend is expected to continue, with the non-manufacturing industry taking the lead. Replacement investment and upgrading of facilities is expected with domestic consumption of services recovering and the easing of border measures in regard to arrivals from China. On the other hand, manufacturing orders will likely continue to be on the weak side due to fears of a downswing for exports associated with shrinking overseas demand.

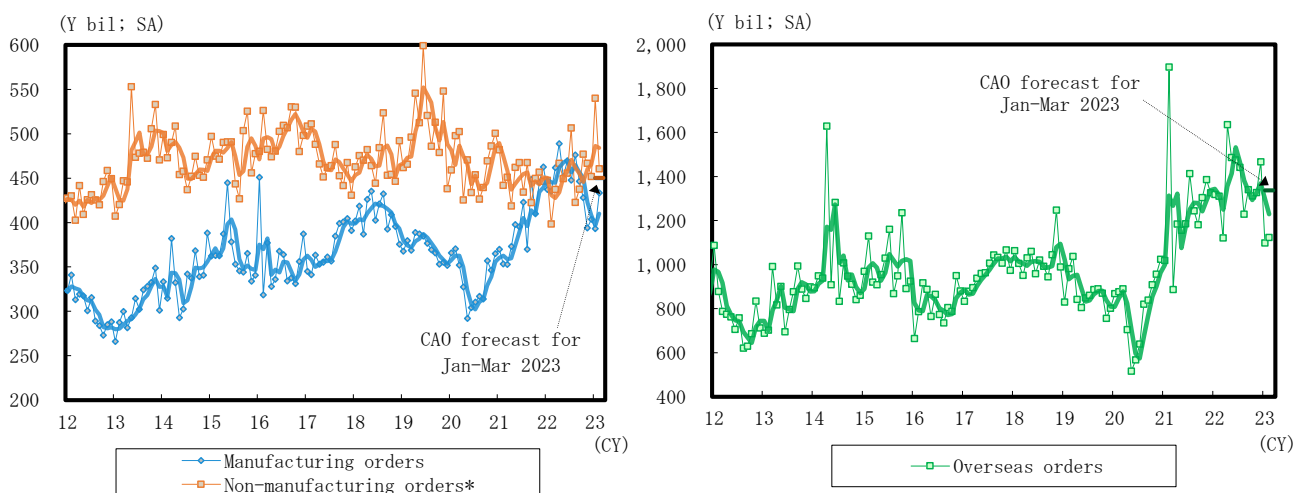
Machinery Orders (m/m %; SA)													Chart 1	
	2022											2023		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Machinery orders (private sector)*	6.3	8.4	-4.5	0.6	3.8	-4.6	-3.2	3.5	-6.7	0.3	9.5	-4.5		
Market consensus (Bloomberg)												-6.3		
DIR Economist estimate												-4.4		
Manufacturing orders	6.1	5.9	-7.6	3.9	-4.6	6.3	-6.3	-4.1	-8.0	2.5	-2.6	10.2		
Non-manufacturing orders*	9.7	6.8	-3.7	1.4	11.2	-16.6	3.5	9.0	-2.1	-3.2	19.5	-14.7		
Overseas orders	-14.5	46.0	-9.2	-0.7	-2.3	-14.7	9.0	-2.1	1.2	10.5	-25.2	2.3		

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

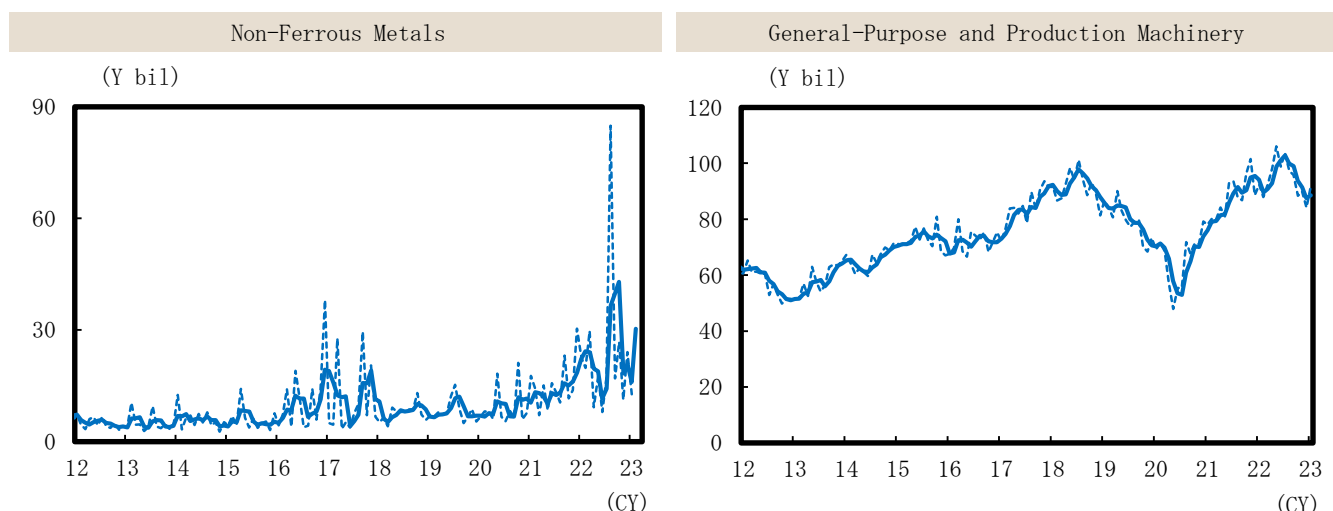


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

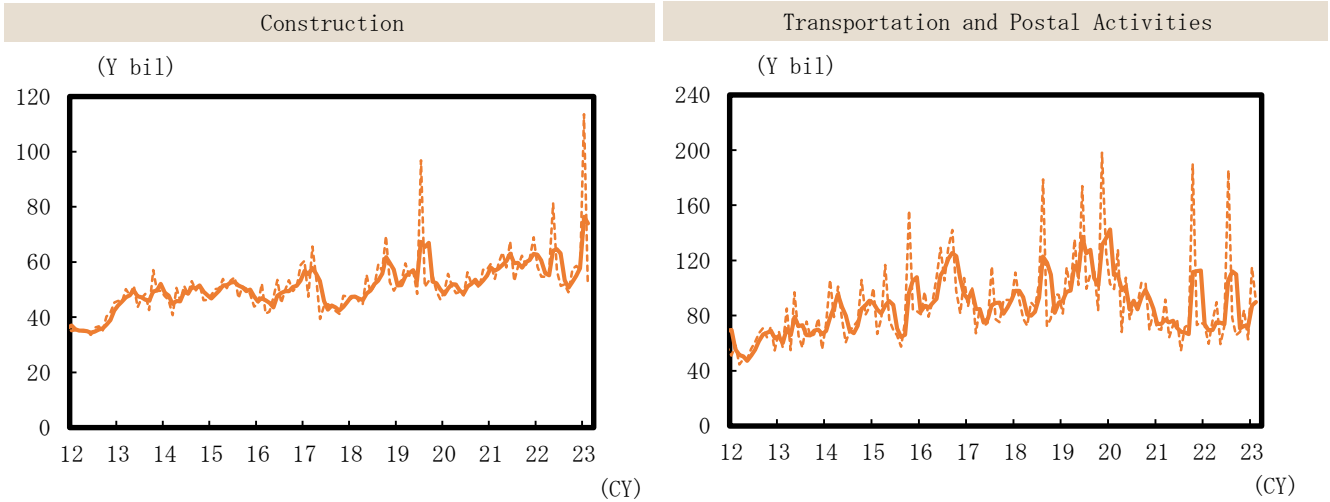
Order Amounts by Industry (Manufacturing) Chart 3



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

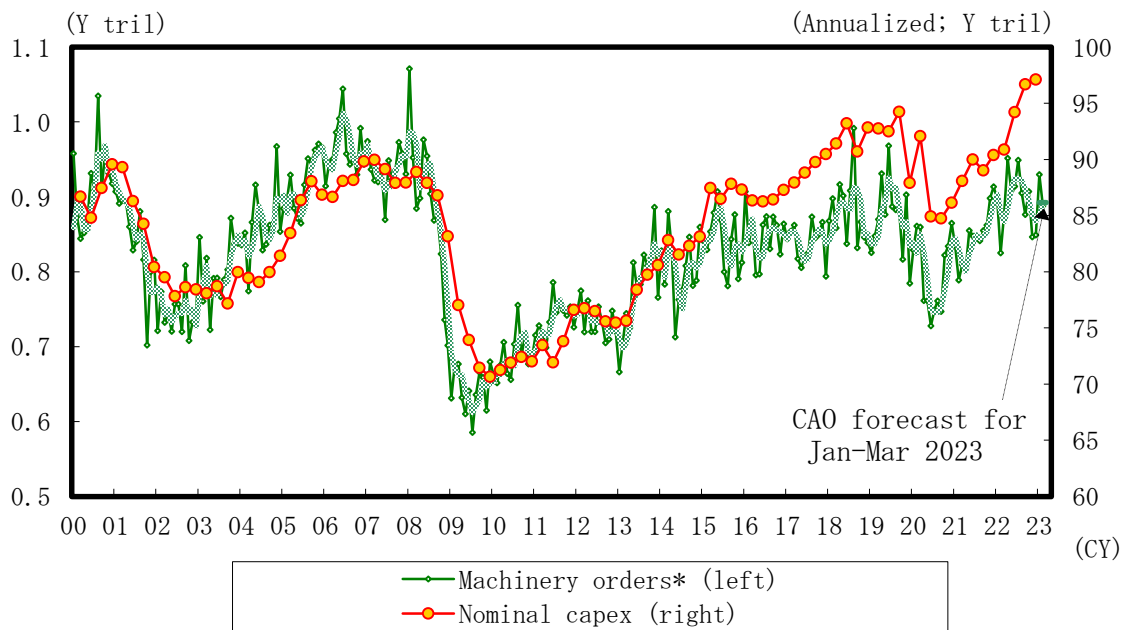
Note: Thick lines 3M/MA basis.

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.