

22 May 2023 (No. of pages:3 )

Japanese report: 22 May 2023

# March 2023 Machinery Orders

## Private sector demand for the Jan-Mar Period falls below corporate outlook

Economic Research Dept.  
**Kiyoka Ishikawa**  
**Kazuma Kishikawa**

### Summary

- According to statistics for machinery orders in March 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders declined for the second consecutive month at -3.9% m/m. The main reason for the negative result was a reactionary decline in response to large projects (exceeding 10 bil yen) during the previous month. 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 -2.4% m/m. This was due to a reactionary decline in response to last month’s large projects in non-ferrous metals (-72.2%). Meanwhile, non-manufacturing orders (excluding ships and electric power), declined for the second consecutive month at -4.5%. A decline in orders for rolling stock (included in transport equipment) brought downward pressure on overall performance.
- Jan-Mar period private sector demand (excluding ships and electric power) grew for the first time in three quarters at +2.6% q/q, falling below the December 2022 corporate outlook of +4.3%. While manufacturing (+1.9%) fell below the corporate outlook of +13.6%, non-manufacturing grew by +3.2%, thereby defying the corporate outlook of -4.7%.
- As for the future of private sector demand (excluding ships and electric power), the move toward a moderate growth trend is expected to continue, with the non-manufacturing industry taking the lead. A recovery in consumption of services is expected due mainly to COVID-19 having been shifted to Category V Infectious Diseases and end of border control measures. The recovery should boost the appetite for capital investment, especially in the non-manufacturing sector.

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

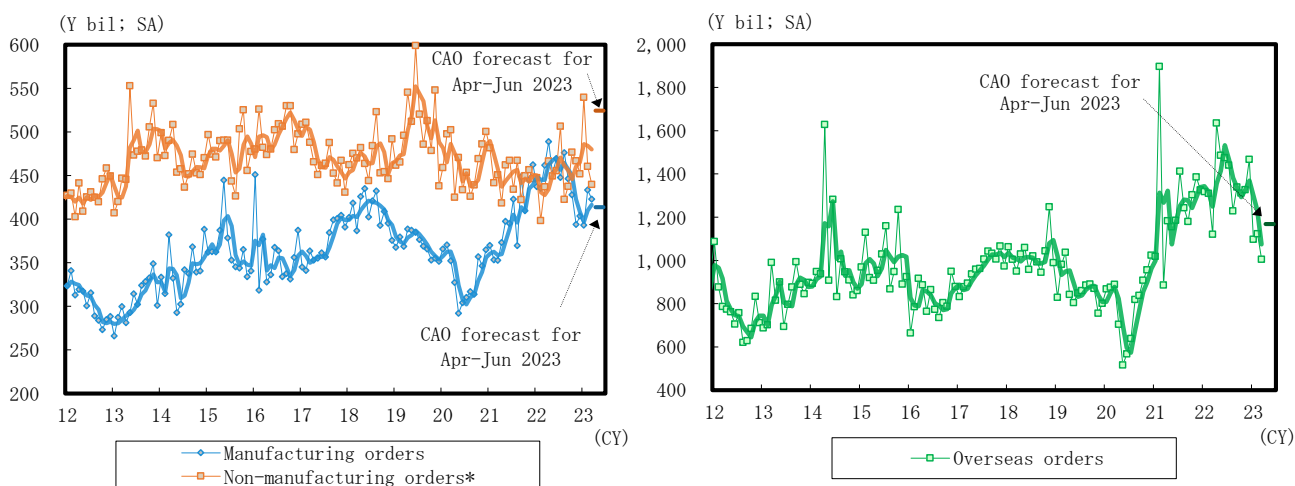
	2022										2023		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Machinery orders (private sector)*	8.4	-4.5	0.6	3.8	-4.6	-3.2	3.5	-6.7	0.3	9.5	-4.5	-3.9	
Market consensus (Bloomberg)												0.4	
DIR Economist estimate												1.1	
Manufacturing orders	5.9	-7.6	3.9	-4.6	6.3	-6.3	-4.1	-8.0	2.5	-2.6	10.2	-2.4	
Non-manufacturing orders*	6.8	-3.7	1.4	11.2	-16.6	3.5	9.0	-2.1	-3.2	19.5	-14.7	-4.5	
Overseas orders	46.0	-9.2	-0.7	-2.3	-14.7	9.0	-2.1	1.2	10.5	-25.2	2.3	-10.5	

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**

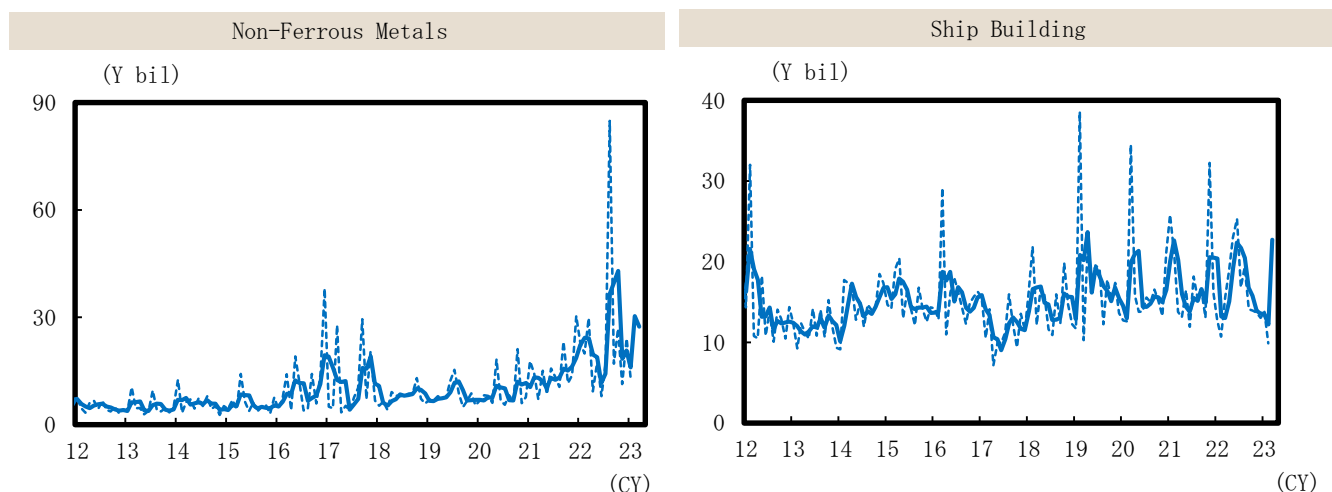


Source: Cabinet Office (CAO); compiled by DIR.

\*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

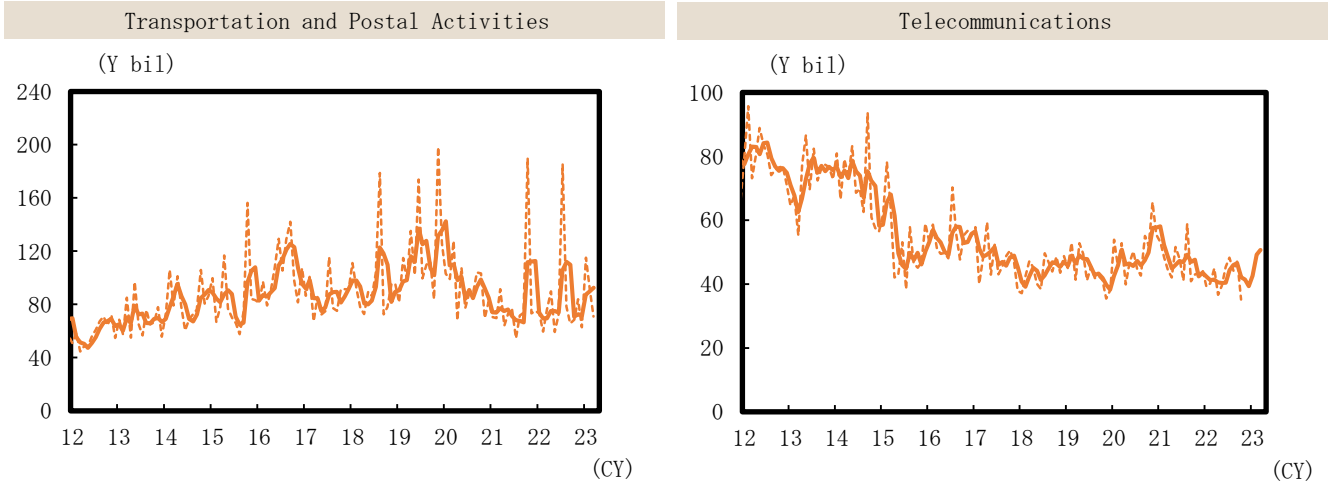
**Order Amounts by Industry (Manufacturing) Chart 3**



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

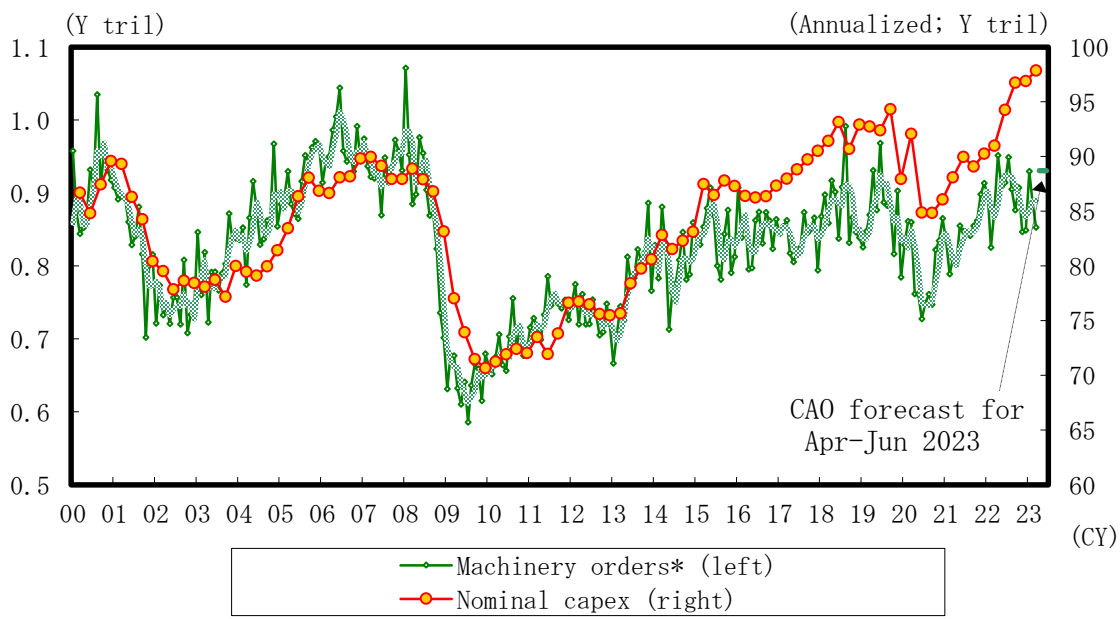
Note: Thick lines 3M/MA basis.

**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.