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July 2023 Machinery Orders

Manufacturing suffers decline with non-manufacturing registering only a modest increase

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Summary

- According to statistics for machinery orders in July 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders declined for the first time in two months by -1.1% m/m. Manufacturing suffered a decline for the first time in three months at -5.3%, while non-manufacturing (excluding ships and electric power) grew for the second consecutive month at +1.3%, registering only modest gains. The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing saw overall performance dragged down by electrical machinery, as well as automobiles, parts and accessories. Meanwhile, non-manufacturing orders (excluding ships and electric power), recorded growth in other non-manufacturing. Against the backdrop of a recovery in consumption of domestic services, orders are increasing for interpersonal contact services.
- As for the future of private sector demand (excluding ships and electric power), on average the move toward moderate growth is expected to continue. Capex is likely to increase centering on the non-manufacturing industries backed by the recovery in consumption of domestic services. However, it should be noted that there is a downside risk due to weak overseas demand and the possibility of sluggish growth in new orders as the level of order backlog remains high.

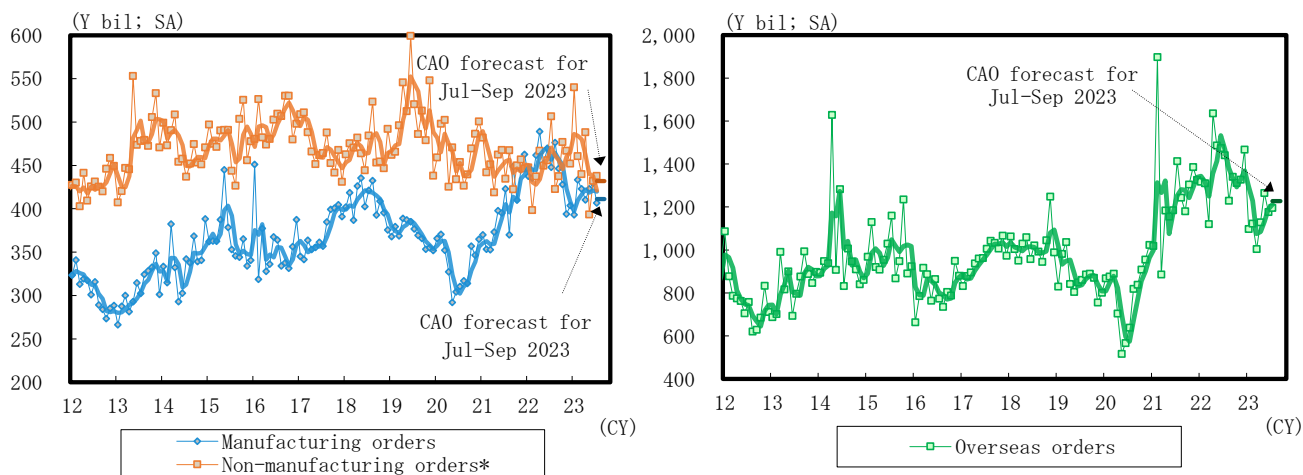
Machinery Orders (m/m %; SA)													Chart 1
	2022					2023							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Machinery orders (private sector)*	-4.6	-3.2	3.5	-6.7	0.3	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	
Market consensus (Bloomberg)												▲0.8	
DIR Economist estimate												▲0.1	
Manufacturing orders	6.3	-6.3	-4.1	-8.0	2.5	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	
Non-manufacturing orders*	-16.6	3.5	9.0	-2.1	-3.2	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	
Overseas orders	-14.7	9.0	-2.1	1.2	10.5	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	

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

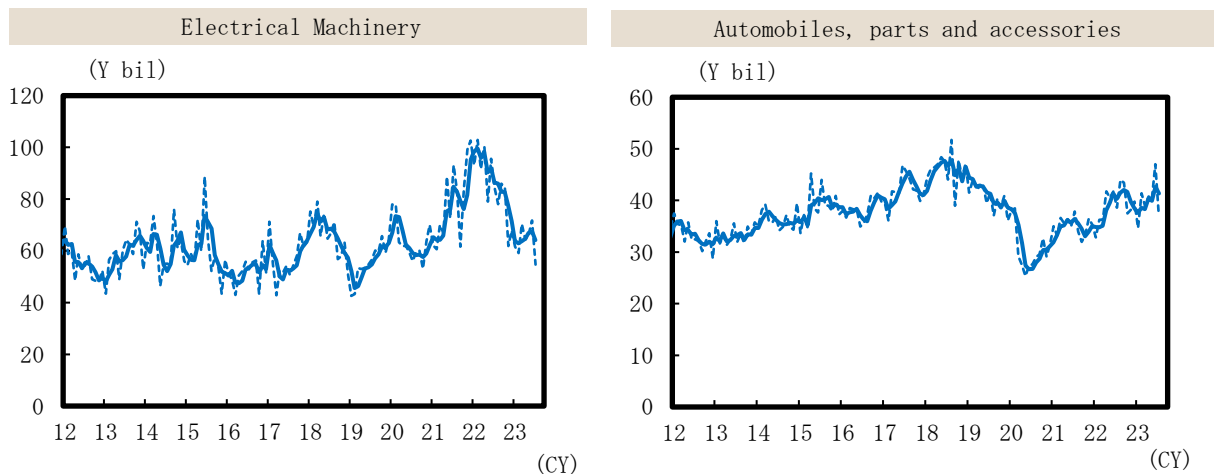


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

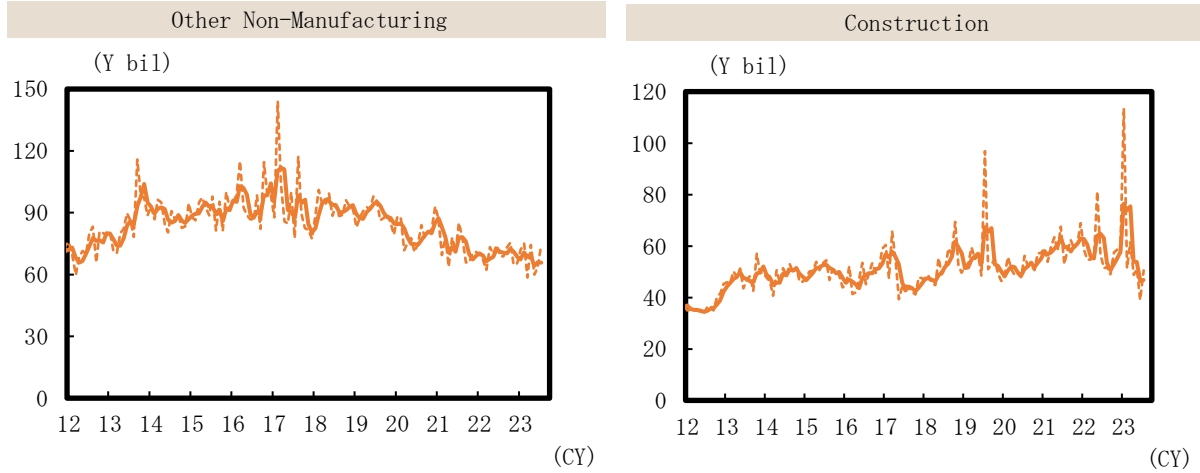
Order Amounts by Industry (Manufacturing) Chart 3



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

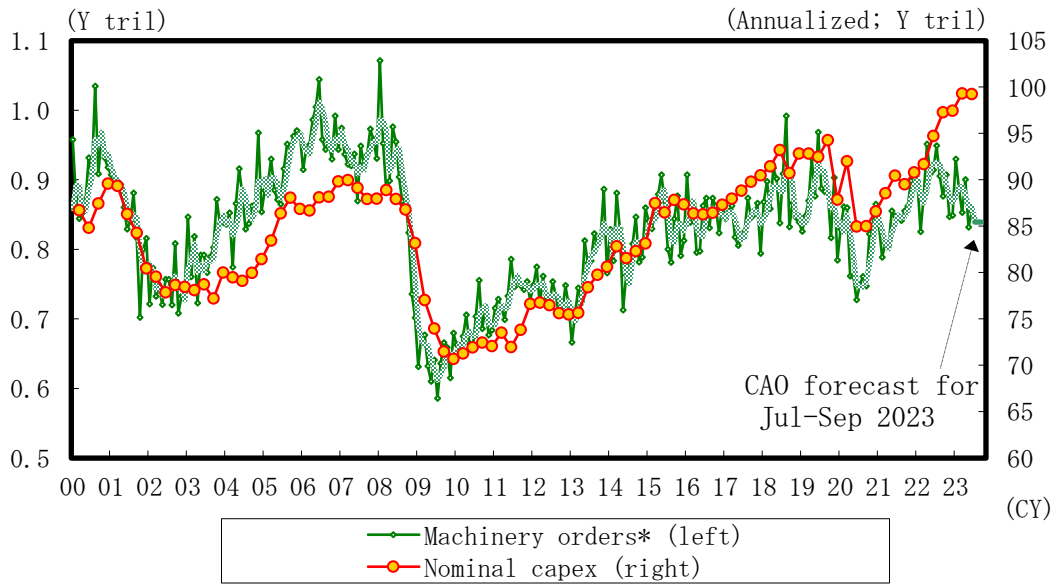
Note: Thick lines 3M/MA basis.

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.