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# August 2023 Machinery Orders

**Private sector demand (excluding ships and electric power) declines for the second consecutive month, contrary to prior expectations**

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## Summary

- According to statistics for machinery orders in August 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders declined for the second consecutive month by -0.5% m/m. Manufacturing grew for the first time in two months at +2.2%, while non-manufacturing (excluding ships and electric power) suffered a decline for the first time in three months at -3.8%. The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing saw overall performance buoyed by major growth in chemical and chemical products. Meanwhile, non-manufacturing orders (excluding ships and electric power), recorded limited growth in a wide range of industries, but finance and insurance suffered a major decline, driving down overall performance.
- 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, caution must be exercised with the prolonged monetary tightening in the US and Europe, and the real estate slump in China, as well as other factors which could dampen overseas demand and reduce the appetite for capex by domestic companies, particularly in the manufacturing sector.

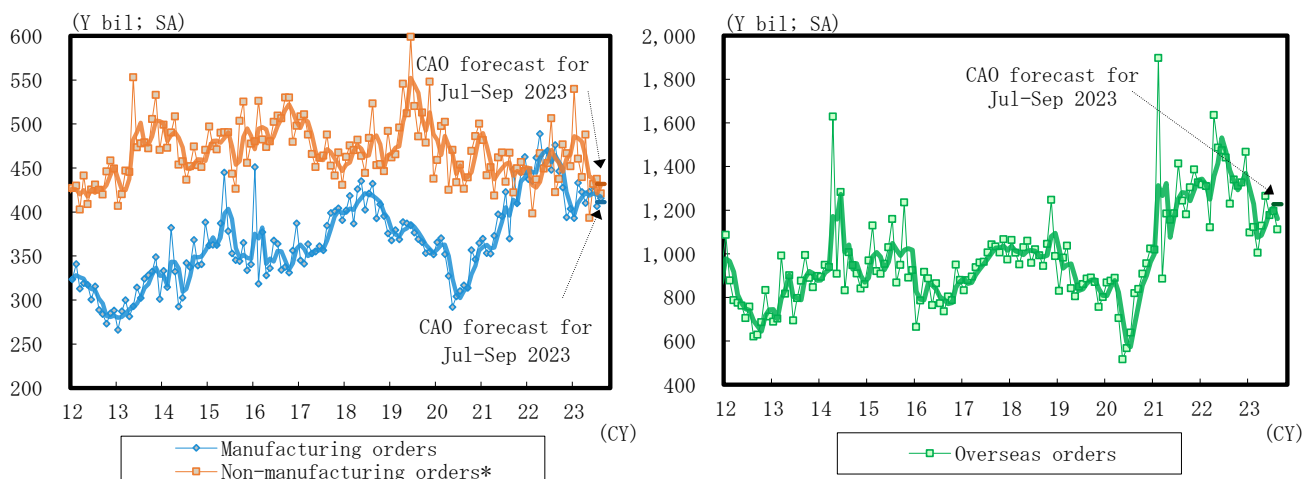
Machinery Orders (m/m %; SA)													Chart 1
	2022				2023								Aug
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		
Machinery orders (private sector)*	-3.2	3.5	-6.7	0.3	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	-0.5	
Market consensus (Bloomberg)												0.6	
DIR Economist estimate												2.3	
Manufacturing orders	-6.3	-4.1	-8.0	2.5	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	2.2	
Non-manufacturing orders*	3.5	9.0	-2.1	-3.2	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	-3.8	
Overseas orders	9.0	-2.1	1.2	10.5	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	-7.1	

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

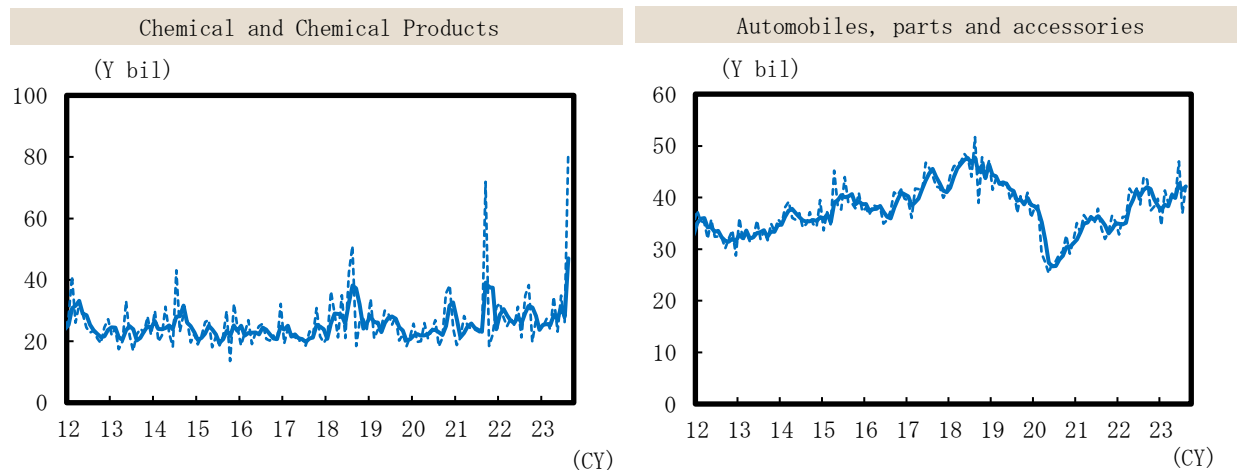


Source: Cabinet Office (CAO); compiled by DIR.

\* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

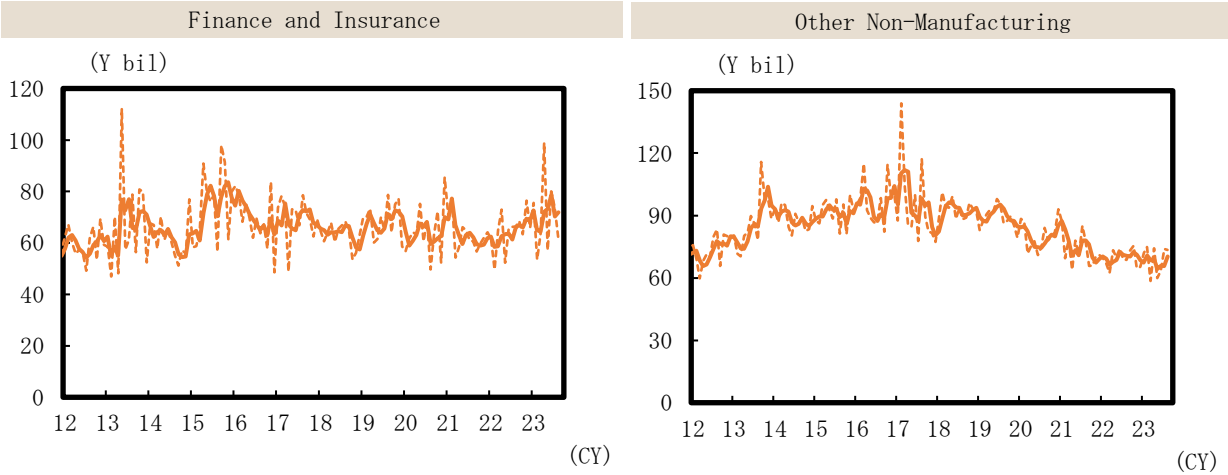
**Order Amounts by Industry (Manufacturing)** Chart 3



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

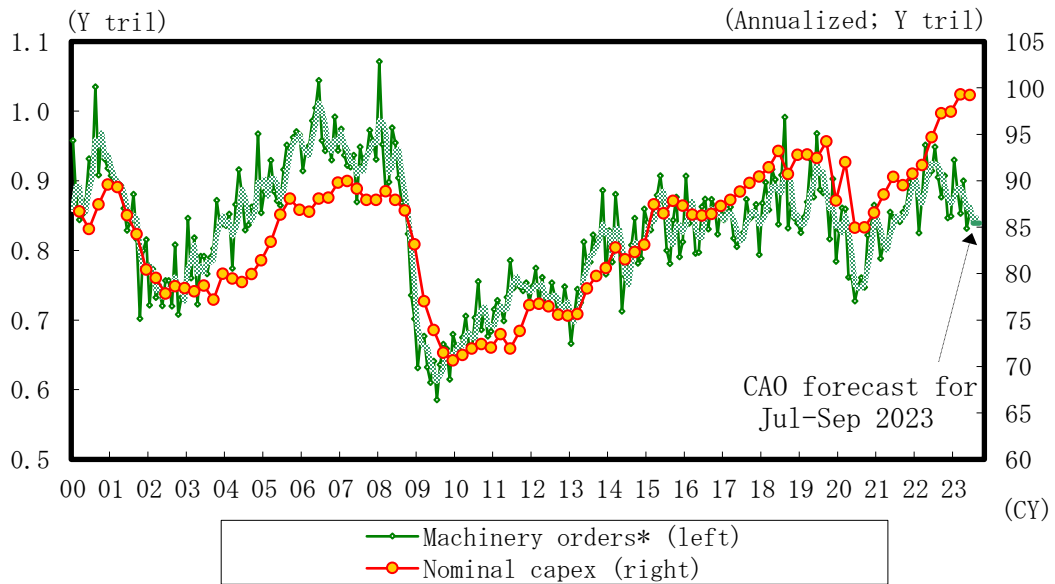
Note: Thick lines 3M/MA basis.

**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.