

20 November 2023 (No. of pages:3)

Japanese report: 16 Nov 2023

September 2023 Machinery Orders

Jul-Sep period private sector demand (excluding ships and electric power) declines for second consecutive quarter

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Summary

- According to statistics for machinery orders in September 2023, the leading indicator for domestic capex and private sector demand (excluding ships and electric power), orders grew for the first time in three months by +1.4% m/m. While manufacturing declined for the first time in two months at -1.8%, non-manufacturing (excluding ships and electric power) grew for the first time in two months at +5.7%. The Cabinet Office has left its assessment for machinery orders unchanged at “stalling.”
- Manufacturing saw a reactionary decline in the chemical and chemical products industry, which recorded major growth during the previous month, thereby bringing negative pressure on overall performance. Meanwhile, non-manufacturing orders (excluding ships and electric power), buoyed overall performance due to the second consecutive month of major growth in orders for the goods leasing industry.
- As for the future of private sector demand (excluding ships and electric power), on average the move toward moderate growth is expected to continue. Capital investment is likely to increase centering on the non-manufacturing industries as there is still significant room for recovery in domestic services consumption. However, caution must be exercised with the sluggish overseas economy associated with continued high interest rates in the US and Europe, which could reduce the appetite for capital investment by domestic companies, particularly in the manufacturing sector.

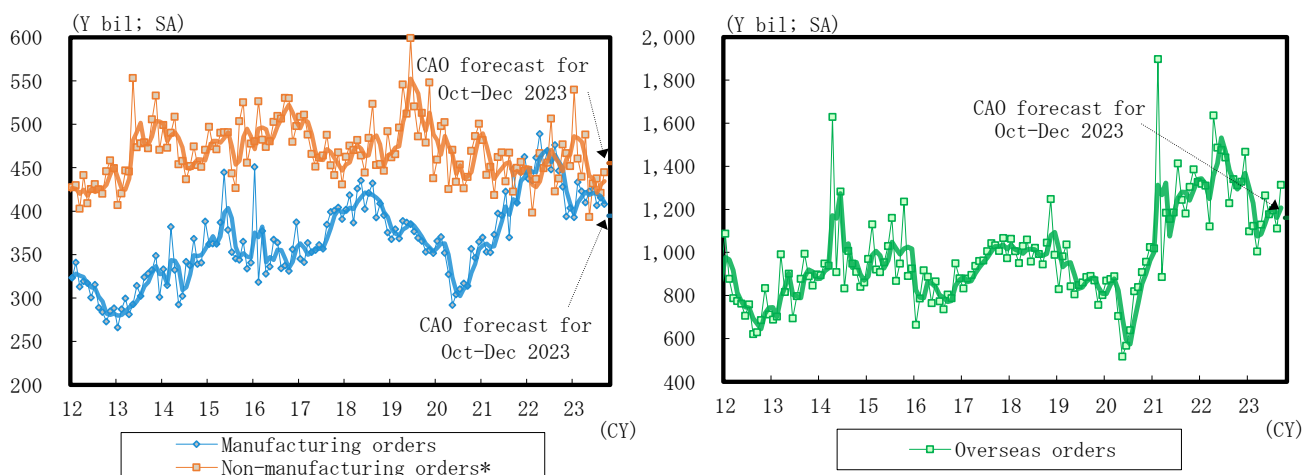
Machinery Orders (m/m %; SA)												Chart 1
	2022			2023								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Machinery orders (private sector)*	3.5	-6.7	0.3	9.5	-4.5	-3.9	5.5	-7.6	2.7	-1.1	-0.5	1.4
Market consensus (Bloomberg)												0.9
DIR Economist estimate												0.5
Manufacturing orders	-4.1	-8.0	2.5	-2.6	10.2	-2.4	-3.0	3.2	1.6	-5.3	2.2	-1.8
Non-manufacturing orders*	9.0	-2.1	-3.2	19.5	-14.7	-4.5	11.0	-19.4	9.8	1.3	-3.8	5.7
Overseas orders	-2.1	1.2	10.5	-25.2	2.3	-10.5	12.3	12.0	-6.9	1.6	-7.1	18.2

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

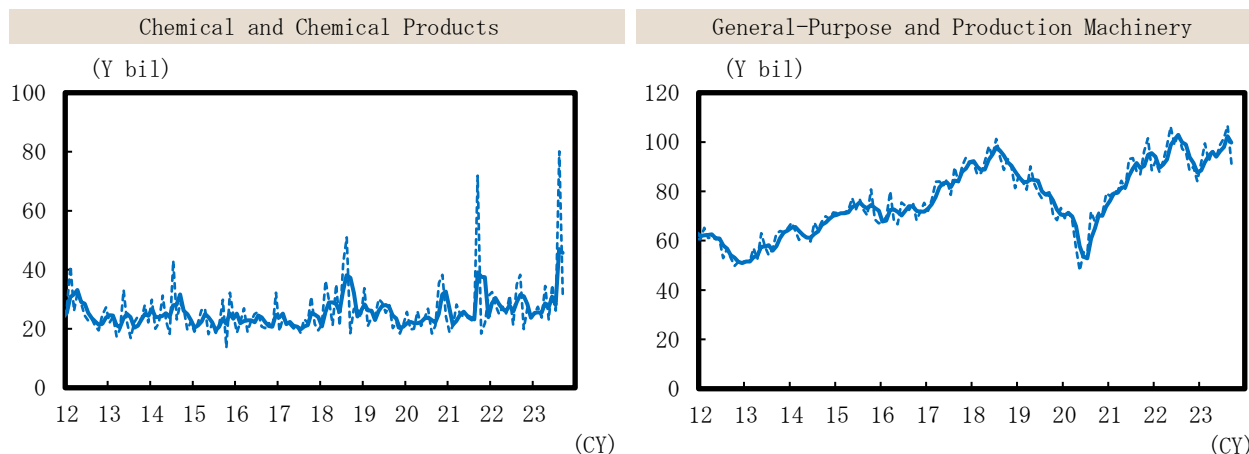


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

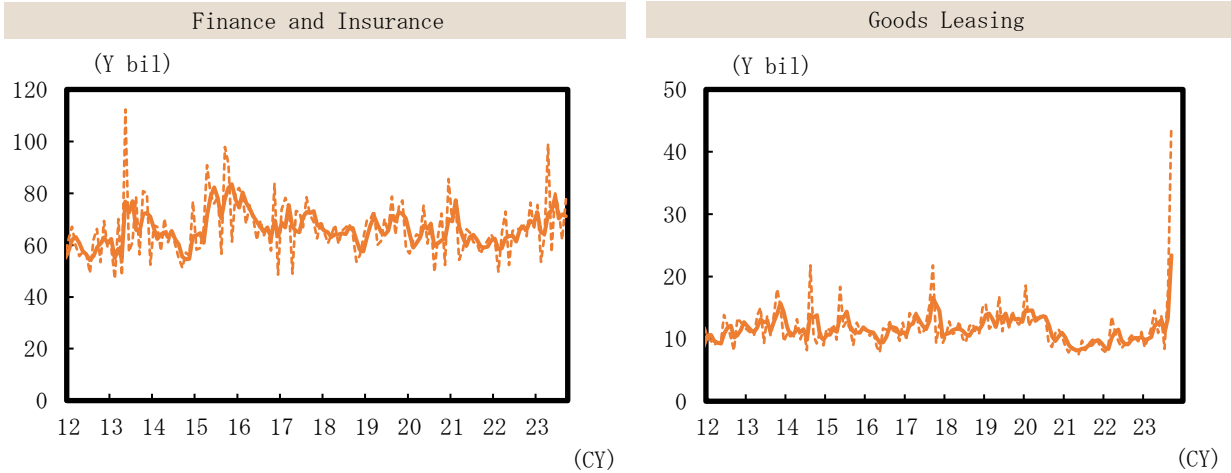
Order Amounts by Industry (Manufacturing) Chart 3



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

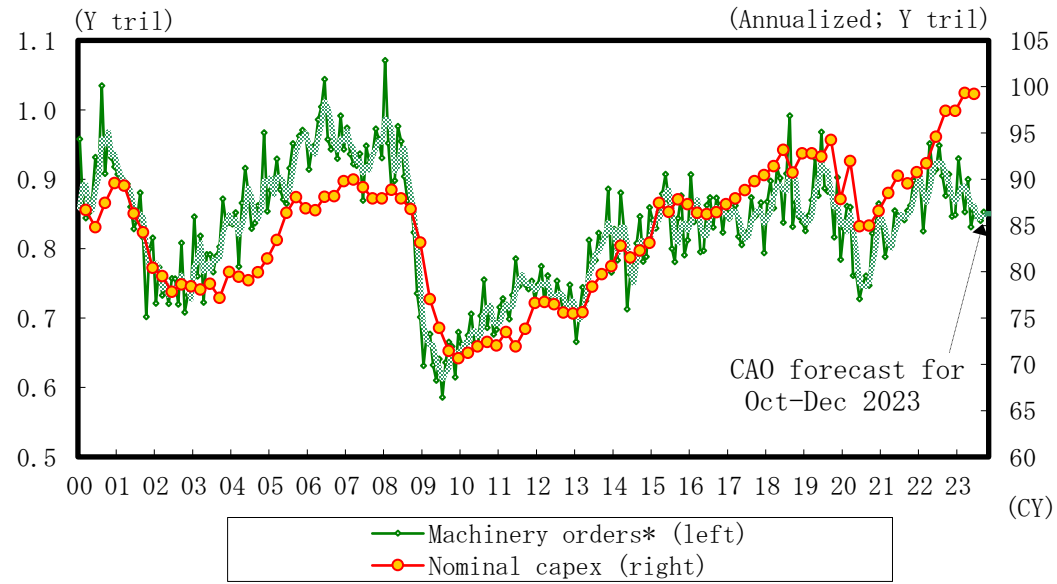
Note: Thick lines 3M/MA basis.

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.