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May 2024 Machinery Orders

Private sector demand (excluding ships and electric power) declines for second consecutive month due to downturn in non-manufacturing orders

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Summary

- According to statistics for machinery orders in May 2024, private-sector orders (excluding ships and electric power) declined for the second consecutive month by -3.2% m/m. While orders for manufacturing grew by a small margin providing underlying support for overall performance, non-manufacturing (excluding ships and electric power) suffered a major decline. The Cabinet Office revised its assessment for machinery orders downwards to “signs of stalling in their recovery.”
- Manufacturing orders grew for the first time in two months. Electrical machinery and information and communication electronics helped push up overall performance, but overall results were lackluster. Meanwhile, non-manufacturing orders (excluding ships and electric power) declined for the first time in two months. The major factor bringing performance down were telecommunications and real estate.
- As for the future of private sector demand (excluding ships and electric power), performance is expected to continue marking time. Regarding statistics for machinery orders, companies are cautious in their outlooks for private-sector demand (excluding ships and electric power) for the Apr-Jun period (-1.6% q/q). It is possible that companies are not yet ready to take the plunge into capex spending with persistently high prices of capital goods and other factors. On the other hand, the BOJ's Tankan survey shows firm capex plans for FY2024, and renewal investment and labor-saving investment are expected to be more active.

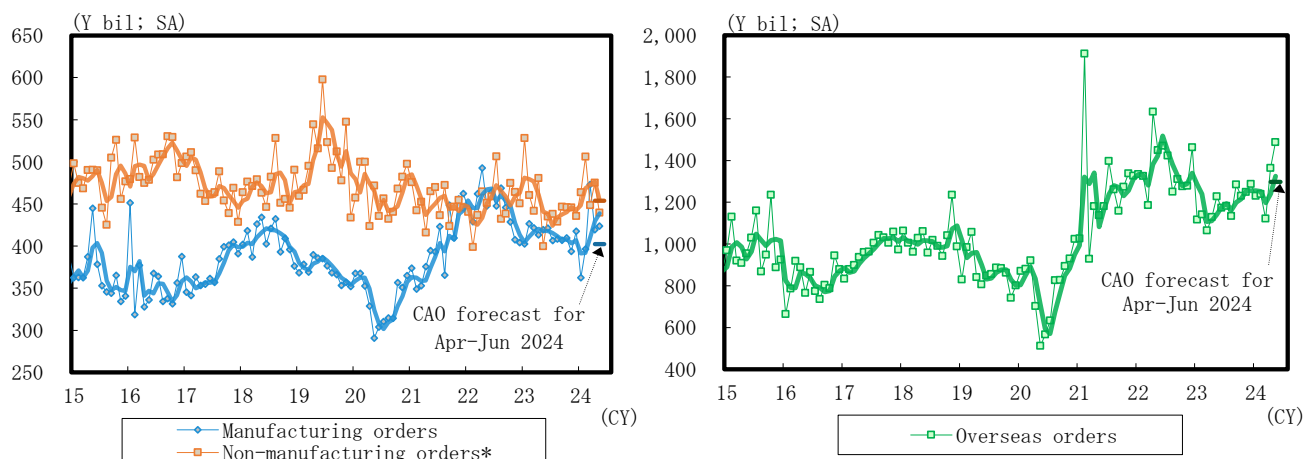
Machinery Orders (m/m %; SA)**Chart 1**

	2023					2024							
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Machinery orders (private sector)*	2.1	-1.3	-0.2	1.2	-0.1	-3.7	1.9	-1.7	7.7	2.9	-2.9	-3.2	
Market consensus (Bloomberg)												0.8	
DIR Economist estimate												1.5	
Manufacturing orders	0.5	-3.5	0.4	-0.4	0.7	-3.9	6.0	-13.2	9.4	19.4	-11.3	1.0	
Non-manufacturing orders*	8.8	0.7	-2.1	4.2	-0.1	-0.1	-2.3	6.5	9.1	-11.3	5.9	-7.5	
Overseas orders	-4.4	0.8	-4.2	13.4	-4.2	1.4	3.1	-4.4	0.7	-9.4	21.6	9.1	

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

* excluding ships and electric power.

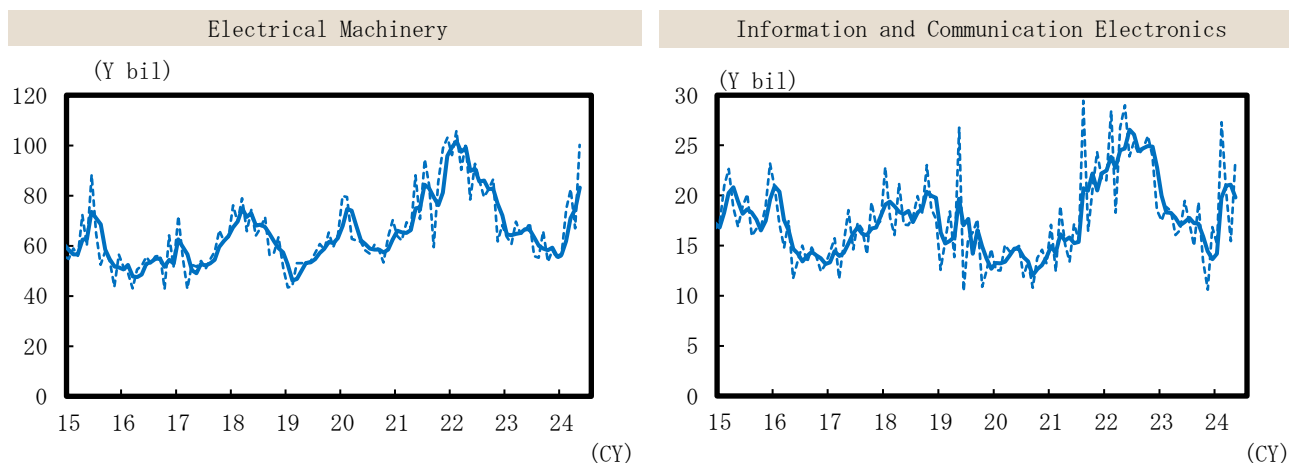
Note: Figures on market consensus from Bloomberg.

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.

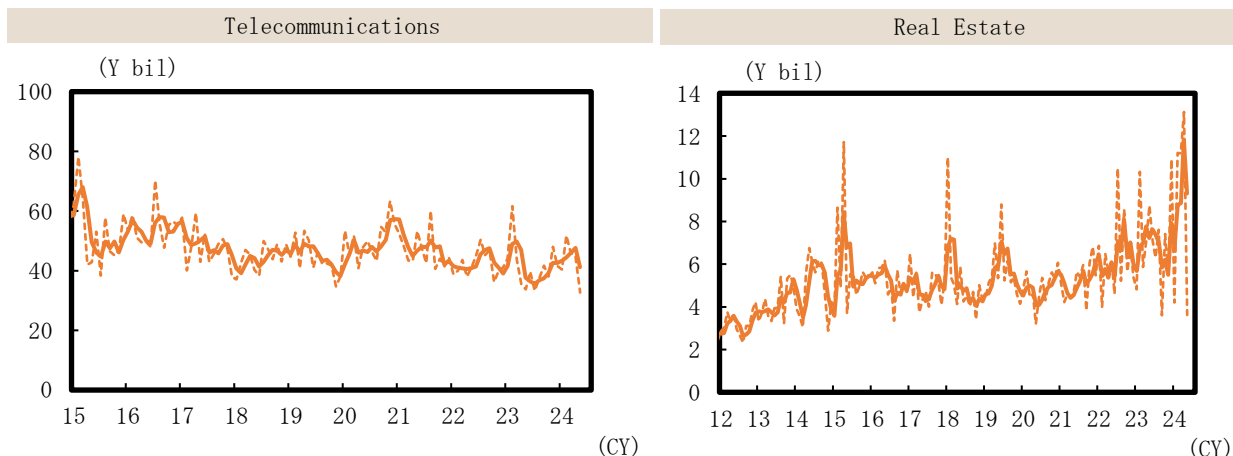
Order Amounts by Industry (Manufacturing)**Chart 3**

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

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing)

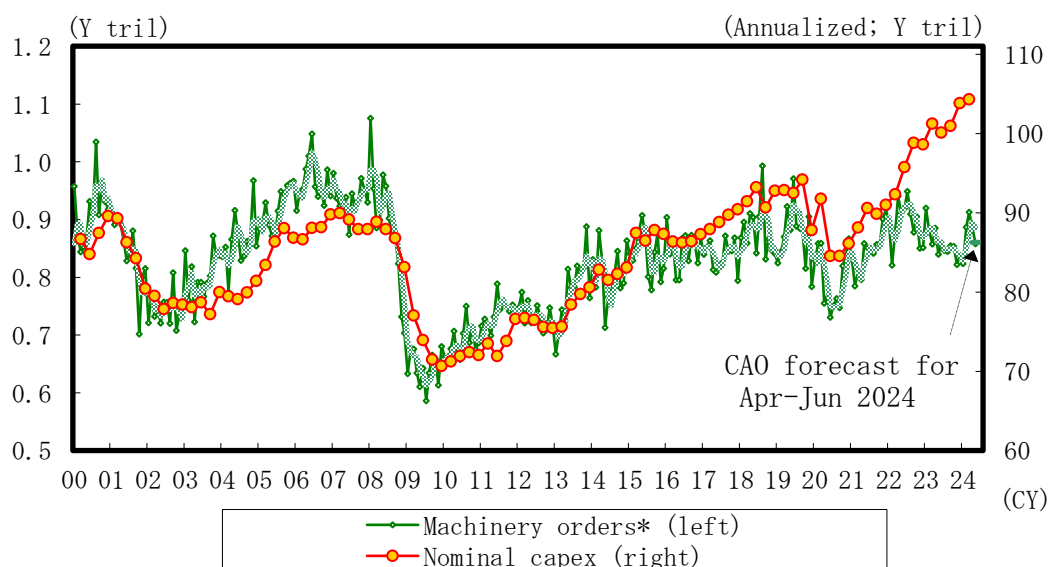
Chart 4



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.