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Japanese report: 19 Aug 2024

June 2024 Machinery Orders

Apr-Jun period private sector demand (excluding ships and electric power) exceeds expectations, but even so, records first decline in two quarters

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Summary

- According to statistics for machinery orders in June 2024, private-sector orders (excluding ships and electric power) grew for the first time in three months by +2.1% m/m. However, looking at the three-month rolling average, it was actually the second consecutive month of decline at -1.4%. The Cabinet Office has left its assessment for machinery orders unchanged at “signs of stalling in their recovery.”
- Manufacturing orders declined for the first time in two months. Electrical machinery experienced a reactionary decline in comparison to the previous month, becoming a major factor in bringing down overall performance. Meanwhile, non-manufacturing orders (excluding ships and electric power) grew for the first time in two months. Growth was achieved in wholesale and retail trade, and telecommunications, but out of a total of eleven industries, only three exhibited growth.
- Apr-Jun period private sector demand (excluding ships and electric power) declined by -0.1% q/q, exceeding the corporate outlook as of March (-1.6%), but even so, this still represents a decline for the first time in two quarters. Manufacturing orders won +2.8%, defying the outlook (at -2.0%), but non-manufacturing (excluding ships and electric power) declined by -3.7%, falling somewhat below the outlook (-4.0%).
- As for the future of private sector demand (excluding ships and electric power), on average a move toward moderate growth is expected. Amid a strong corporate appetite for capex spending, renewal investment, which had been postponed for some time, and labor-saving investment are expected to increase. On the other hand, it should be noted that the implementation of capex spending could be delayed due to construction projects falling behind schedule as a result of labor shortages and the soaring price of capital goods.

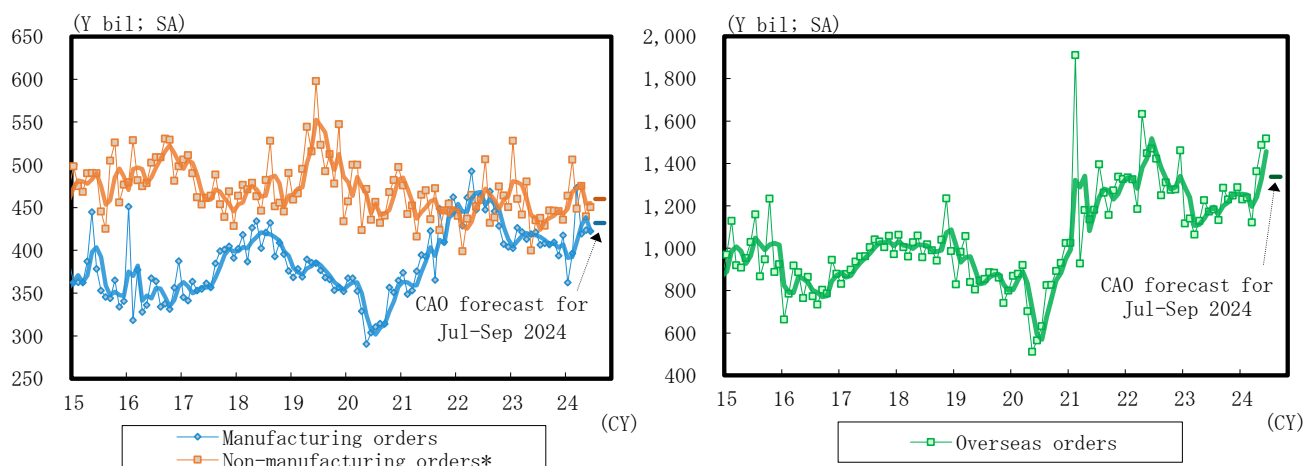
Machinery Orders (m/m %; SA)**Chart 1**

	2023					2024								
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Machinery orders (private sector)*	-1.3	-0.2	1.2	-0.1	-3.7	1.9	-1.7	7.7	2.9	-2.9	-3.2	2.1		
Market consensus												0.9		
DIR Economist estimate												-0.4		
Manufacturing orders	-3.5	0.4	-0.4	0.7	-3.9	6.0	-13.2	9.4	19.4	-11.3	1.0	-0.3		
Non-manufacturing orders*	0.7	-2.1	4.2	-0.1	-0.1	-2.3	6.5	9.1	-11.3	5.9	-7.5	2.4		
Overseas orders	0.8	-4.2	13.4	-4.2	1.4	3.1	-4.4	0.7	-9.4	21.6	9.1	2.0		

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

* excluding ships and electric power.

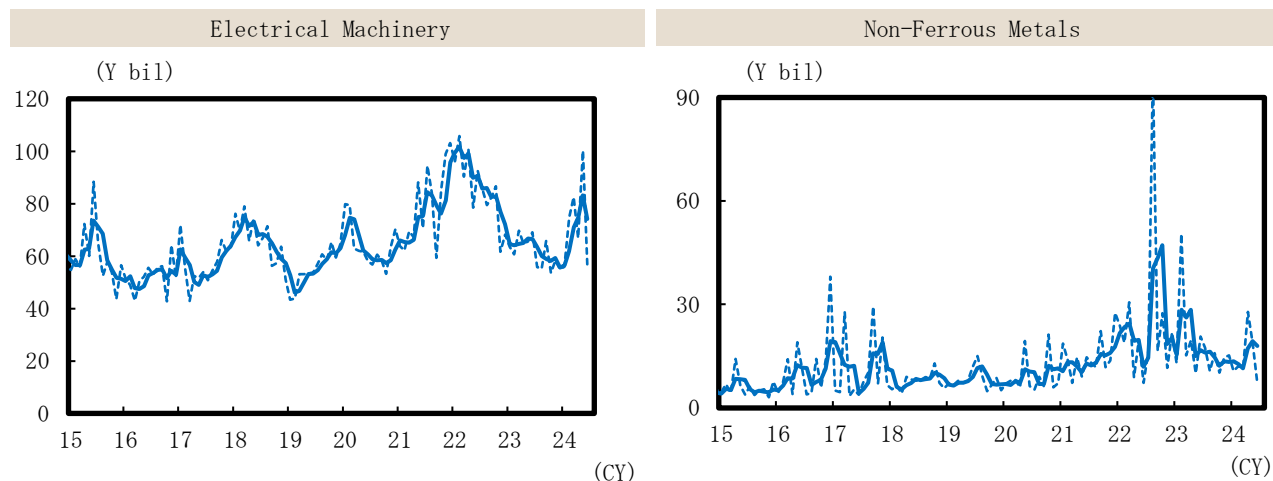
Note: Figures on market consensus from Bloomberg.

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.

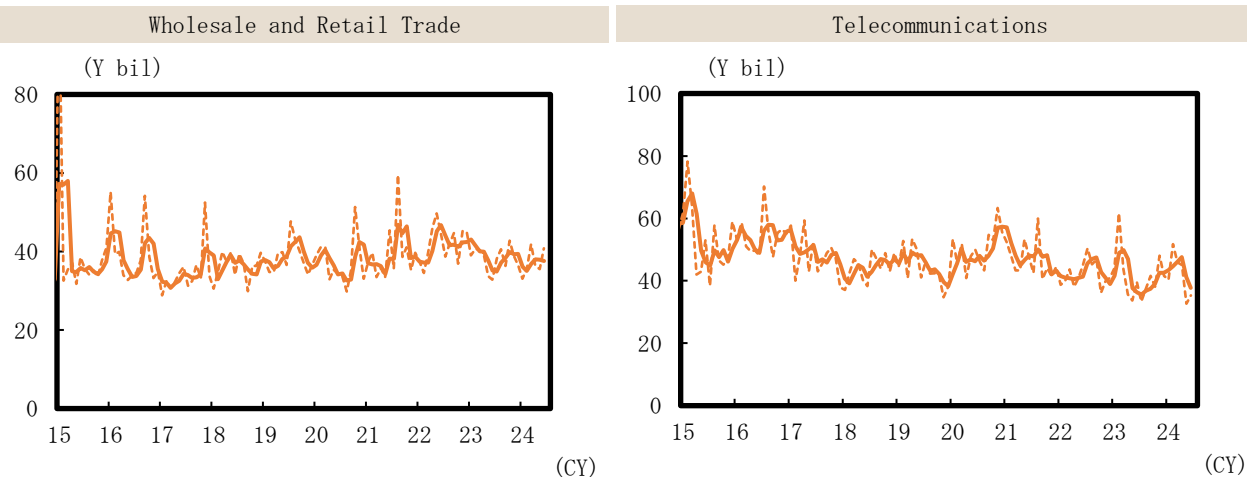
Order Amounts by Industry (Manufacturing)**Chart 3**

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

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing)

Chart 4

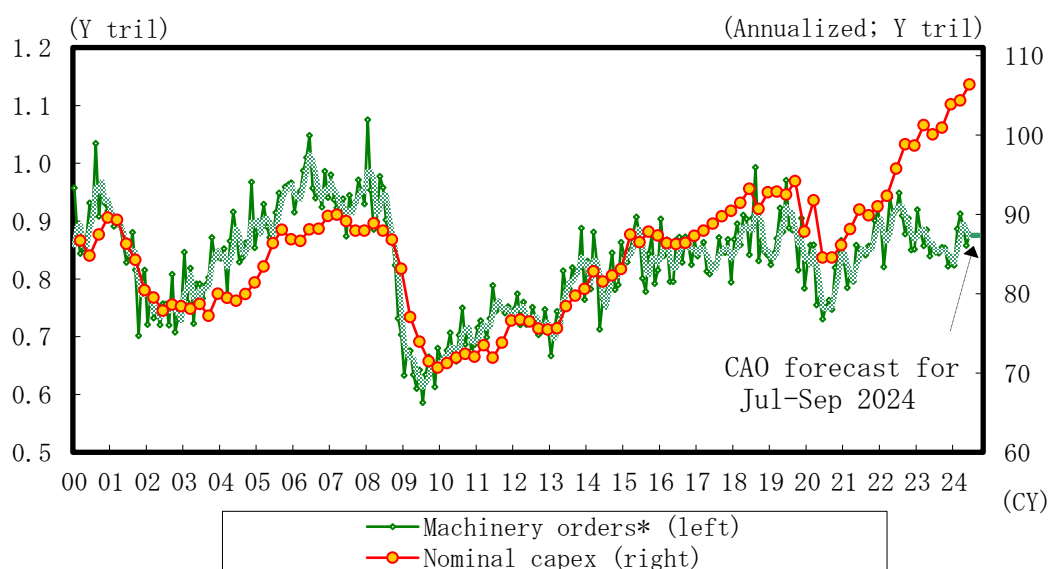


Source: Cabinet Office (CAO); compiled by DIR.

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.