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Japanese report: 18 Sep 2024

July 2024 Machinery Orders

While non-manufacturing performs well, declines in manufacturing become a drag on orders

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Summary

- According to statistics for machinery orders in July 2024, private-sector orders (excluding ships and electric power) declined for the first time in two months by -0.1% m/m. Orders in non-manufacturing (excluding ships and electric power) were favorable, but manufacturing suffered mainly due to reactionary declines experienced by some industries. The Cabinet Office has left its assessment for machinery orders unchanged at “signs of stalling in their recovery.”
- Manufacturing orders declined for the second consecutive month. Ship building experienced a reactionary decline in comparison to the previous month, becoming a factor in pushing down overall performance. Meanwhile, non-manufacturing orders (excluding ships and electric power) grew for the second consecutive month. Growth in orders was achieved in a broad range of industries, including transportation and postal activities which saw large-scale projects.
- As for the future of private sector demand (excluding ships and electric power), a move toward moderate growth is expected. Amid a strong corporate appetite for capex spending, renewal investment, which had been postponed for some time, is 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.

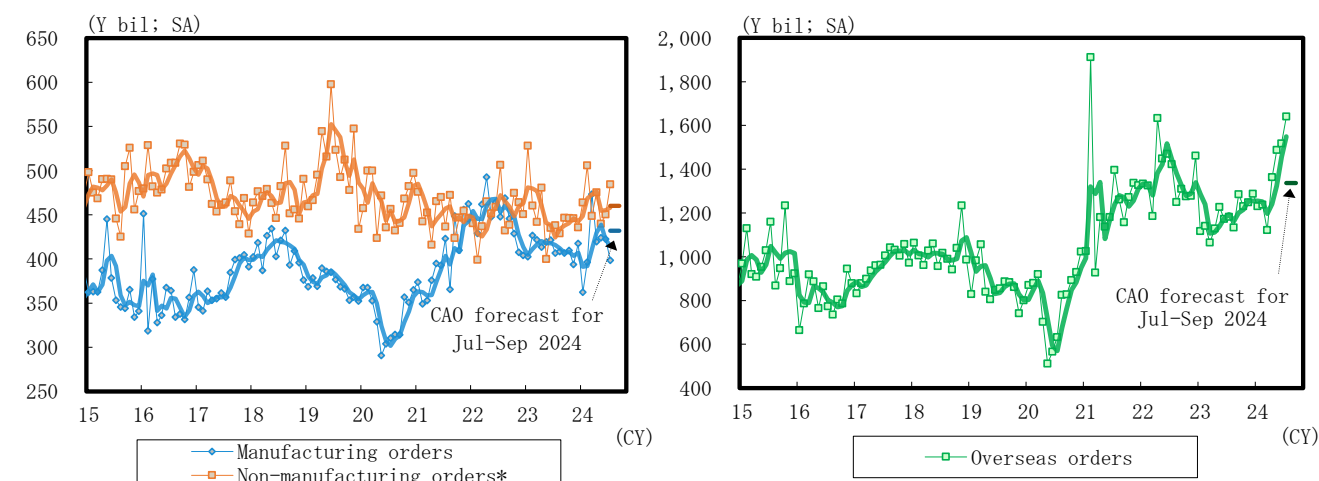
Machinery Orders (m/m %; SA)													Chart 1
	2023					2024							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Machinery orders (private sector)*	-0.2	1.2	-0.1	-3.7	1.9	-1.7	7.7	2.9	-2.9	-3.2	2.1	-0.1	
Market consensus												0.5	
DIR Economist estimate												0.6	
Manufacturing orders	0.4	-0.4	0.7	-3.9	6.0	-13.2	9.4	19.4	-11.3	1.0	-0.3	-5.7	
Non-manufacturing orders*	-2.1	4.2	-0.1	-0.1	-2.3	6.5	9.1	-11.3	5.9	-7.5	2.4	7.5	
Overseas orders	-4.2	13.4	-4.2	1.4	3.1	-4.4	0.7	-9.4	21.6	9.1	2.0	8.0	

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)

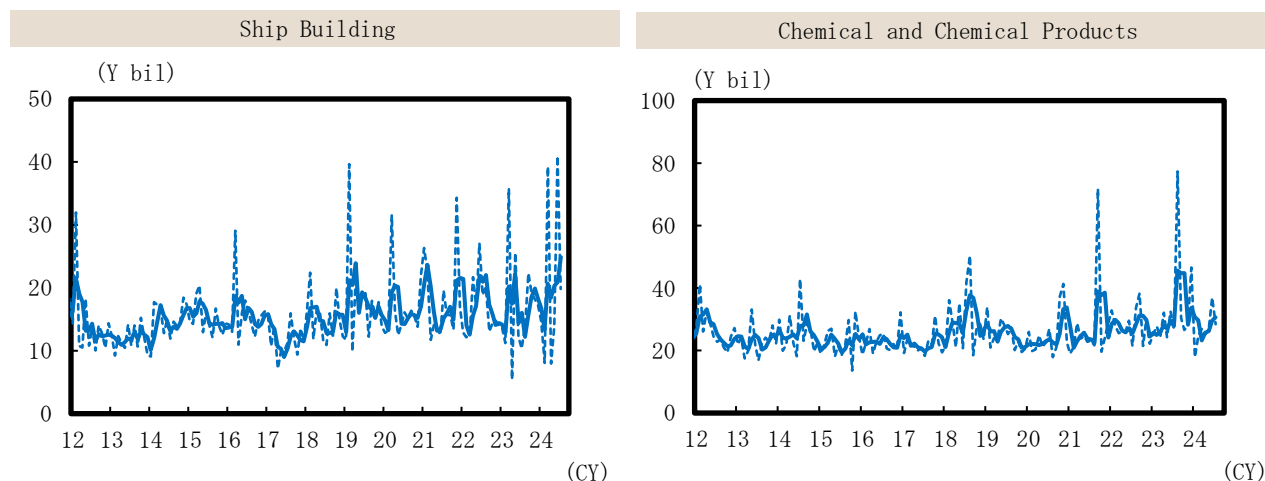


Source: Cabinet Office (CAO); compiled by DIR.

* excluding ships and electric power.

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Manufacturing)

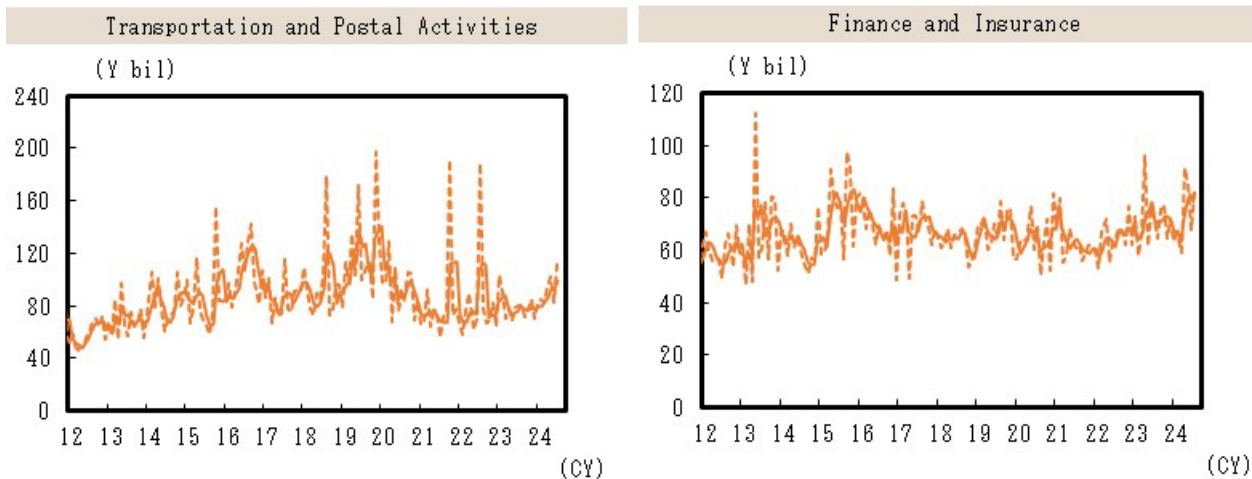


Source: Cabinet Office (CAO); compiled by DIR.

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing)

Chart 4

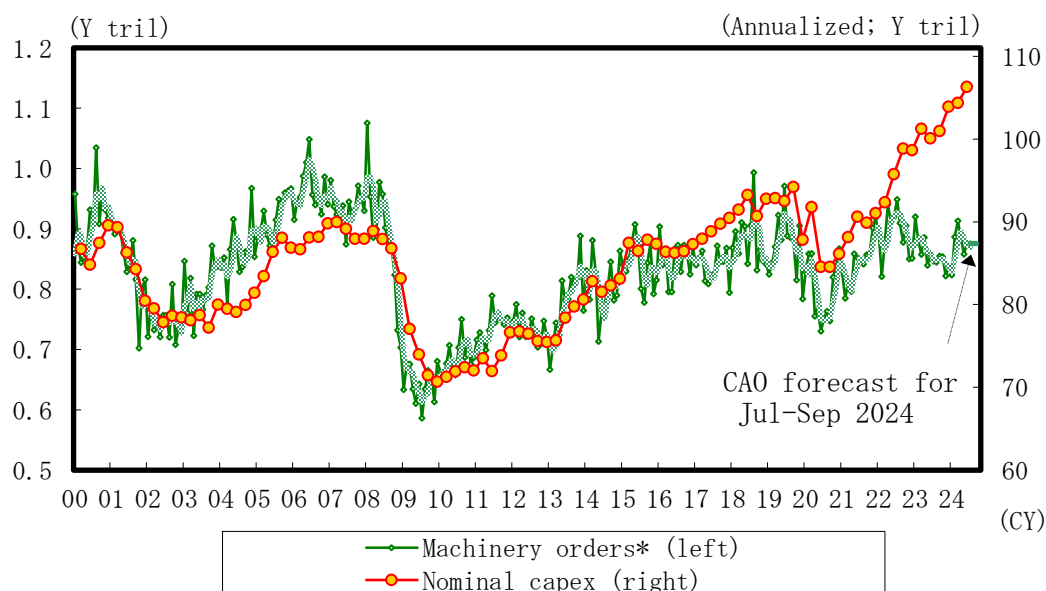


Source: Cabinet Office (CAO); compiled by DIR.

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.