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September 2024 Machinery Orders

Jul-Sep period private-sector orders (excluding ships and electric power) falls below expectations, declining for second consecutive quarter

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Summary

- According to statistics for machinery orders in September 2024, private-sector orders (excluding ships and electric power) declined for the third consecutive month by -0.7% m/m, contrary to market consensus (Bloomberg survey: +1.5%). Orders for manufacturing suffered a minor decline, while non-manufacturing (excluding ships and electric power) registered growth. The Cabinet Office has left its assessment for machinery orders unchanged at “signs of stalling in their recovery.”
- Manufacturing orders declined for the fourth consecutive month. Electrical machinery and business oriented machinery suffered declines in orders along with other industries. Meanwhile, non-manufacturing orders (excluding ships and electric power) grew for the first time in two months. Telecommunications and goods leasing achieved growth in orders.
- Jul-Sep period private-sector orders (excluding ships and electric power) declined for the second consecutive quarter at -1.3% q/q contrary to the forecast as of June (+0.2%). The decline in manufacturing was especially steep at -7.2% in comparison to the forecast (+2.4%). It is possible that capex spending may be experiencing delays due to the labor shortage. Non-manufacturing (excluding ships and electric power) grew by +1.4% with the help of large-scale projects (exceeding 10 bil yen), exceeding the forecast of +1.1%.
- As for the future of private sector demand (excluding ships and electric power), moderate growth is expected. Amid a strong corporate appetite for capex spending, renewal investment, which has 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 high price of capital goods.

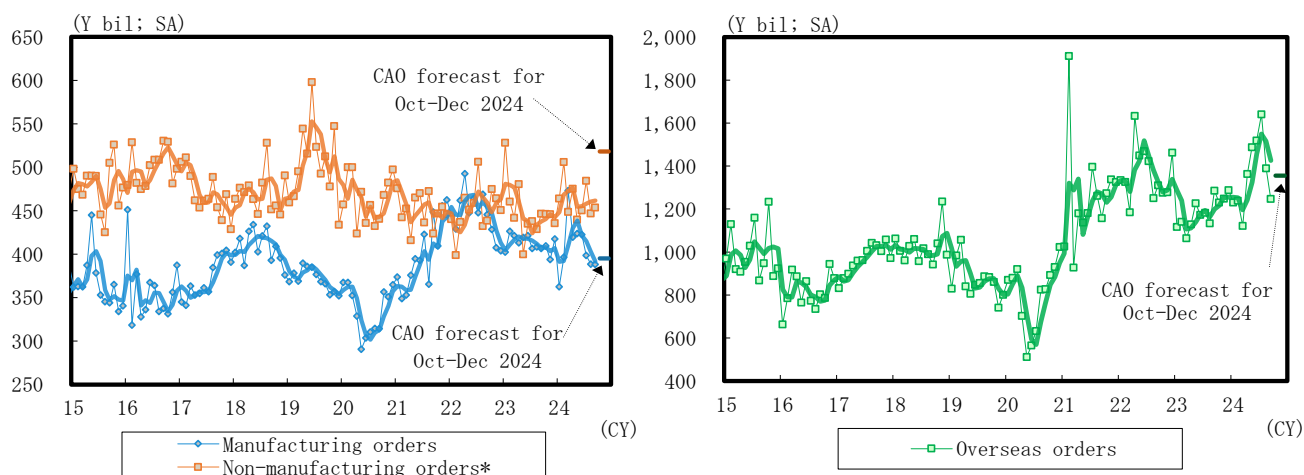
Machinery Orders (m/m %; SA)**Chart 1**

	2023			2024									Sep
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Machinery orders (private sector)*	-0.1	-3.7	1.9	-1.7	7.7	2.9	-2.9	-3.2	2.1	-0.1	-1.9	-0.7	
Market consensus												1.5	
DIR Economist estimate												2.3	
Manufacturing orders	0.7	-3.9	6.0	-13.2	9.4	19.4	-11.3	1.0	-0.3	-5.7	-2.5	-0.0	
Non-manufacturing orders*	-0.1	-0.1	-2.3	6.5	9.1	-11.3	5.9	-7.5	2.4	7.5	-7.7	1.5	
Overseas orders	-4.2	1.4	3.1	-4.4	0.7	-9.4	21.6	9.1	2.0	8.0	-15.3	-10.3	

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

* excluding ships and electric power.

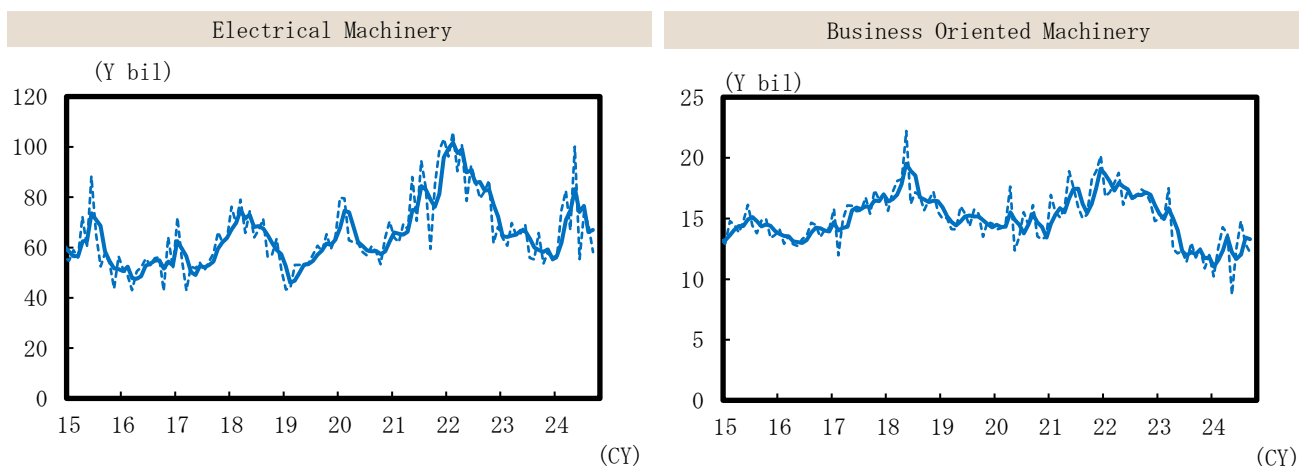
Note: Figures on market consensus from Bloomberg.

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.

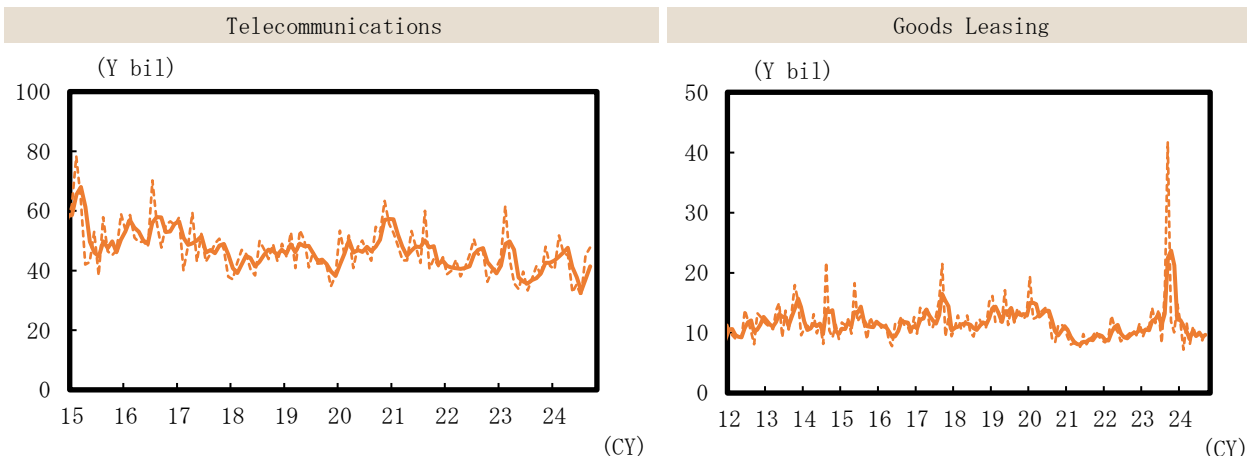
Order Amounts by Industry (Manufacturing)**Chart 3**

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

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing)

Chart 4

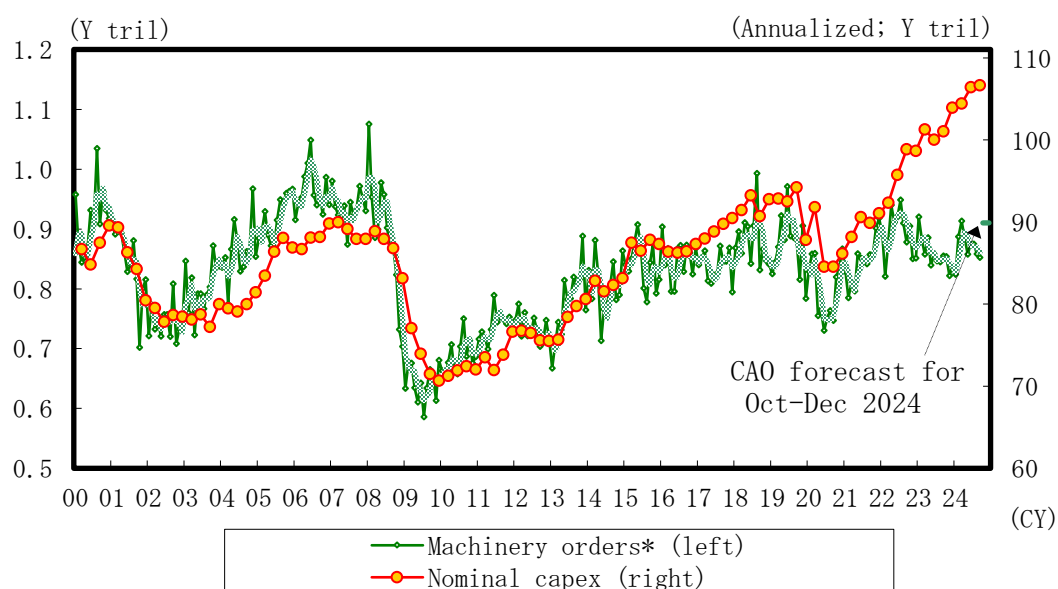


Source: Cabinet Office (CAO); compiled by DIR.

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.