

## **“April Machinery Orders - Maintained Stability Despite Pullback of Tax Hike”**

### **April Machinery Orders**

On June 12, the Cabinet Office released April Machinery Orders. Core machinery orders (private-sector excluding shipbuilding and electric power companies) was - 9.1% m-o-m. The impact of the pullback of the rush demand ahead of the consumption tax hike was not that substantial and this decline remained broadly in line with the projected Apr.-Jun. 2014 increase of 0.4% on quarter on quarter bases. Core machinery orders has maintained its stability.

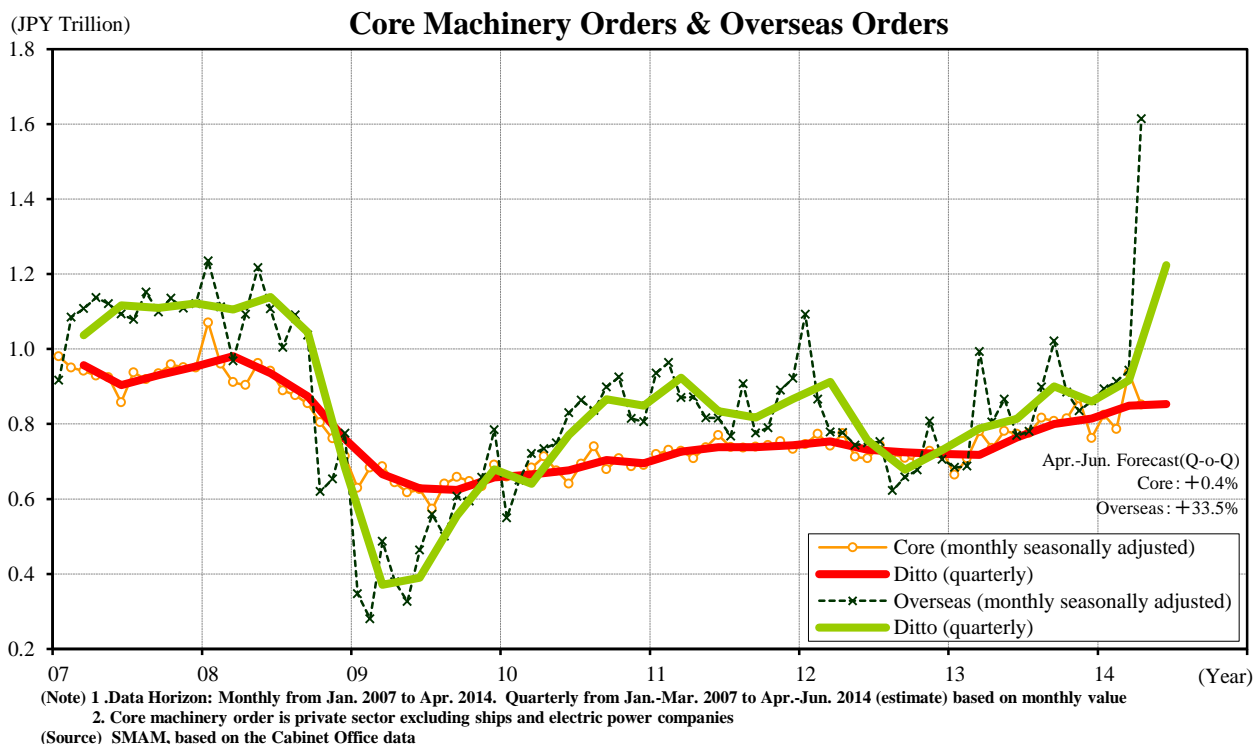
The increase in orders other than domestic private-sector machinery were prominent this time. Overseas orders increased substantially by 71.3% m-o-m as a function of large orders for chemical machinery. As a single month, this increase marked the second highest growth (after + 73.8% m-o-m in March 2009) since the survey began in April 1987. Also, government orders was +40.5% exceeding 40% since April 2007. The increase in orders of electronic & communication equipment from the provinces was prominent.

The major contributors of Core machinery orders, both positive and negative, from the manufacturing sector were chemical & chemical products (+34.3% m-o-m), general machinery (+9.4% m-o-m), ship building (+30.2% m-o-m) and other transport equipment (-57.0% m-o-m) etc. From non-manufacturing sector were finance & insurance (+74.7% m-o-m), transportation & postal activities (+39.0% m-o-m), wholesale & retail trade (+77.0% m-o-m) and telecommunications (-25.3% m-o-m). In addition, trend of orders received by industries such as automobile, construction, real estate and goods leasing are recovering. This trend indicates that overall forward-looking investment motivation of corporations is getting stronger.

### **Future Outlook and Focus**

I hold a view that core machinery orders, like consumer spending, will gradually improve after this summer as the impact of pullback from the rush demand before tax hike will fade away, unless serious external shock, pulling down the whole economy, would happen. I also believe the possibility of machinery orders to continue its upward trend, going forward. The reason behind this is that the corporations cannot stay away from forward-looking investment activities, as JPY's depreciation makes overseas investment less advantageous against domestic ones.





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