Quotidiano USA - ed. Europa THE WALL STREET JOURNAL EUROPE 15-GEN-2010
Diffusione: n.d. Lettori: n.d. Direttore: Patience Wheatcroft da pag. 10

# Japan machinery orders decline

BY TAKASHI MOCHIZUKI

TOKYO—Japan's core machinery orders, an important indicator of trends in corporate capital spending, fell to their lowest level on record in November, underscoring the continued sluggishness of the country's domestic demand.

However, although the core orders figure is the lowest since the government began compiling such data in April 1987, the overall trend remains firm as manufacturers are likely to be supported by overseas demand ahead, a cabinet official said.

Core orders dropped 11.3% from October to 625.3 billion yen ($6.84 billion), the cabinet office said. That was in stark contrast to the 1.2% mean increase forecast in a survey by Dow Jones Newswires and the Nikkei, and followed a 4.5% month-to-month decrease in October. Core orders exclude volatile orders from electric power companies and those for ships.

Behind the sharp drop were big declines in orders from both manufacturers, who placed 18.2% fewer orders, and from nonmanufacturers, whose total decreased 10.6%. The Cabinet Office said demand from the telecommunications and financial industries was especially weak.

Machinery-orders figures tend to be volatile, so a sharp downward swing in monthly data doesn't automatically mean a further weakening in capital investment is coming. Still, analysts say that overall, companies don't appear to have much desire to boost capital spending now due to the weak economy, and the orders data reflect that.

A recovery in orders is "unlikely to come until we get a more sustainable recovery in business investment, which probably won't come until the second half of this year," given persistent deflation and corporate cost-cutting, said Toshihiro Nagahama, senior economist at Daiichi Life Research Institute.

He said the yen's sharp rise in November weighed on orders from manufacturers as well. The dollar dropped to a 14-year low of 84.82 yen on Nov. 27. It was trading at around 91.45 yen late Thursday in Tokyo.

The Cabinet Office downgraded its assessment of machinery orders to say "weak movements are seen in some areas," compared with the earlier "movements toward bottoming out are seen." It was the first downgrade since November 2008.

Meanwhile, in another sign of deflation hitting the domestic economy, Bank of Japan data Thursday showed the nation's corporate goods price index fell 3.9% year-to-year in December for the 12th straight month of decline. That followed a revised 5% year-to-year drop in November.

The data also showed Japan's CGPI—which tracks prices of domestically produced and used goods traded among companies—plunged 5.3% in the year 2009, the fastest pace ever for a yearly figure.

The decline was mostly due to weak domestic demand as consumers rein in spending amid deflation. That is a concern for the economy given recently rising oil prices, because companies won't be able to pass higher costs on to consumers, which will result in further drops in company profits and then, consequently, in consumers' wages.

*—Andrew Monahan contributed to this article.*


Japan's Kan muted on yen
Japan machinery orders decline