

13 April 2022 (No. of pages:3)

Japanese report: 13 Apr 2022

February 2022 Machinery Orders

Private sector demand declines for second consecutive month due to sharp drop in orders reported by the non-manufacturing industry

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Summary

- According to statistics for machinery orders in February 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the second consecutive month at -9.8% m/m, while at the same time falling steeply below market consensus at -1.5%. The Cabinet Office revised its assessment for machinery orders downwards to “recovery showing signs of stalling.”
- Manufacturing orders declined for the second consecutive month at -1.8% m/m. Looking at performance by industry, reactionary declines were experienced in all industries which registered growth during the previous month, including chemical & chemical products, and general-purpose and production machinery. Non-manufacturing orders (excluding ships and electrical power) suffered a sharp decline at -14.4%. In addition to the reactionary decline experienced in information services in response to the previous month’s results, transportation and postal activities and other industries also suffered from declines due to the spread of COVID-19 in Japan.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to continue marking time in the short-term. In addition to the slowdown in Japan’s exports industry overall, the growing sense of uncertainty regarding the future due to Russia’s invasion of Ukraine has brought a growing trend in the tendency for corporations to hold back on capex spending. On the other hand, according to the BOJ March Tankan survey, the appetite for capex spending is strong amongst corporations, and is expected to increase over the medium term, especially in the manufacturing sector.

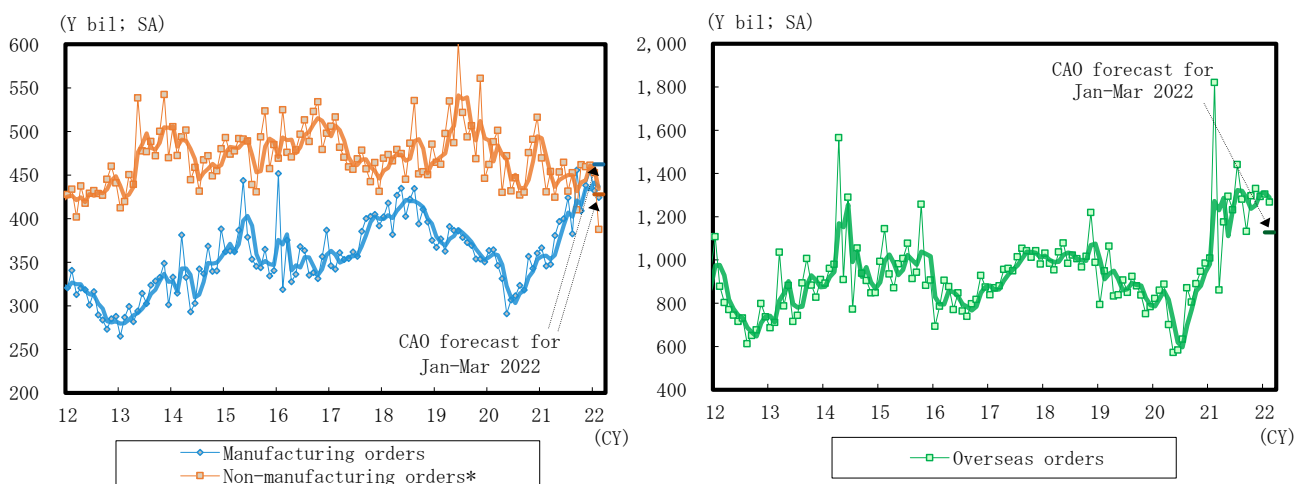
| Machinery Orders (m/m %; SA) | | | | | | | | | | | | | Chart 1 | |
|------------------------------------|-------|------|------|------|------|-------|-------|-------|------|------|------|-------|---------|--|
| | 2021 | | | | | | | | | | | 2022 | | |
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | | |
| Machinery orders (private sector)* | 3.7 | 0.2 | 6.3 | -0.7 | 0.3 | -1.4 | 0.5 | 2.5 | 2.4 | 3.1 | -2.0 | -9.8 | | |
| Market consensus (Bloomberg) | | | | | | | | | | | | -1.5 | | |
| DIR Economist estimate | | | | | | | | | | | | -0.5 | | |
| Manufacturing orders | 0.6 | 9.5 | 4.3 | 0.7 | 6.1 | -9.8 | 19.1 | -10.2 | 7.1 | 3.5 | -4.8 | -1.8 | | |
| Non-manufacturing orders* | 5.4 | -6.5 | 6.8 | 2.4 | -7.1 | 4.9 | -9.4 | 12.6 | -0.5 | 0.4 | -1.9 | -14.4 | | |
| Overseas orders | -52.7 | 36.5 | 10.1 | -4.8 | 16.9 | -11.1 | -11.6 | 14.5 | 2.6 | -2.8 | 0.9 | -2.8 | | |

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

*excl. those for ships and from electric utilities.

Note: Figures on market consensus from Bloomberg.

Orders by Demand Source (seasonally adjusted figures) Chart 2

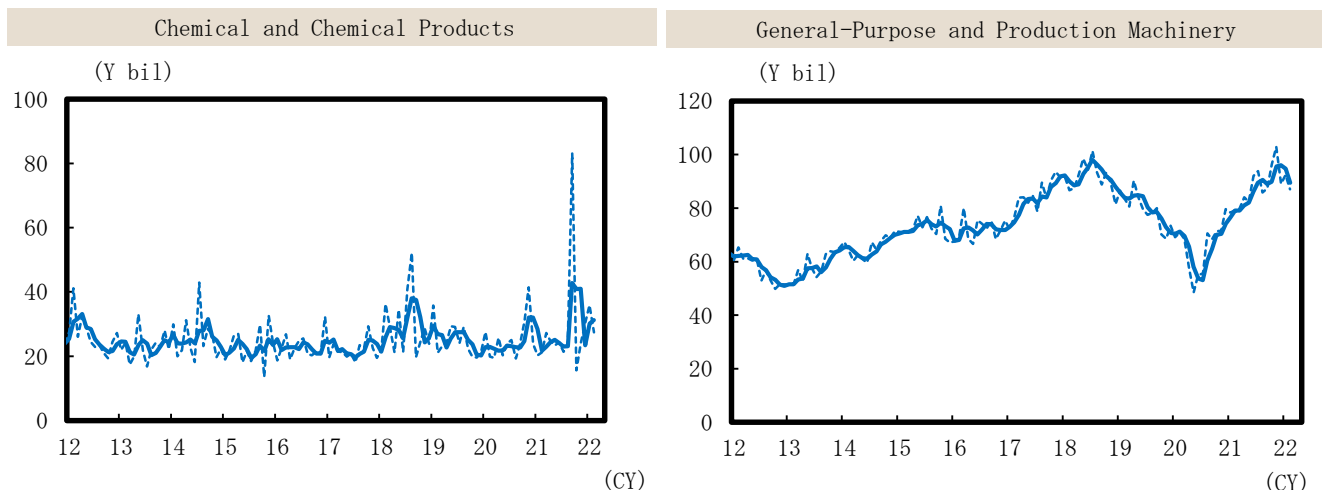


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MMA basis.

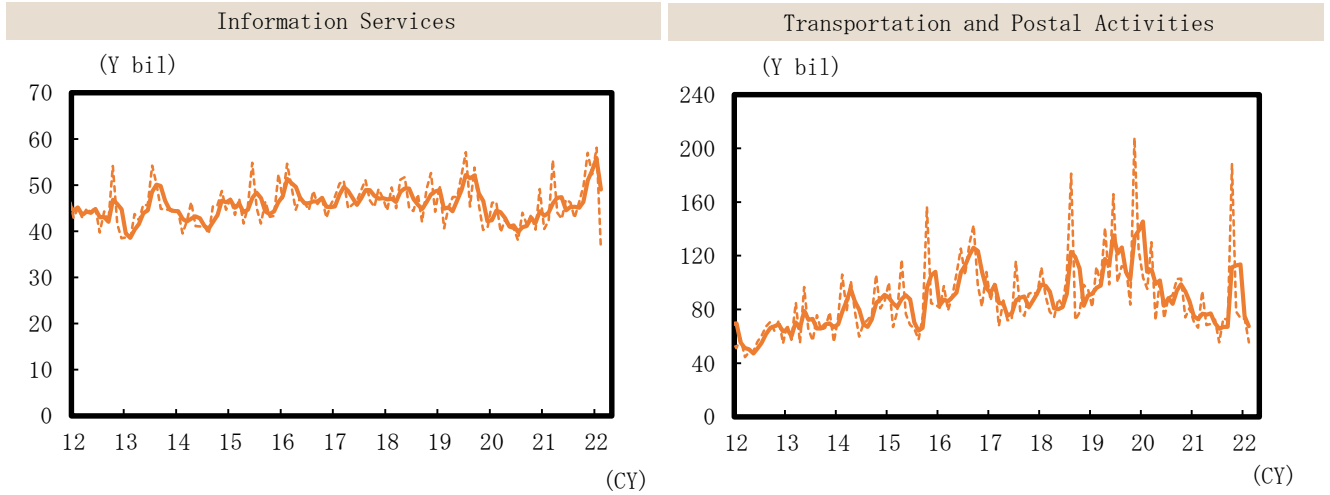
Order Amounts by Industry (Manufacturing) Chart 3



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

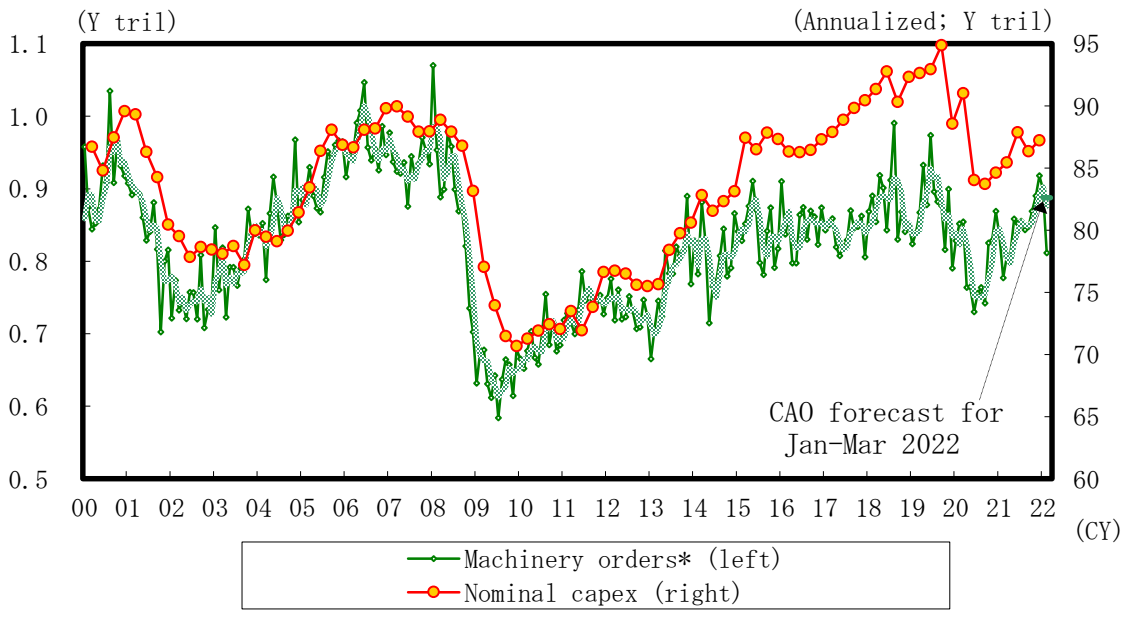
Note: Thick lines 3M/MMA basis.

Order Amounts by Industry (Non-Manufacturing) Chart 4



Source: Cabinet Office (CAO); compiled by DIR.
 Note: Thick lines 3M/MMA basis.

Domestic Demand and Nominal Capex (seasonally adjusted figures) Chart 5



Source: Cabinet Office (CAO); compiled by DIR.
 *excl. those for ships and from electric utilities.
 Note: Thick lines 3M/MMA basis.