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# March 2022 Machinery Orders

## Orders continue to mark time despite boost from large-scale projects

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### Summary

- According to statistics for machinery orders in March 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the first time in three months at +7.1% m/m, while at the same time exceeding market consensus at +3.9%. Orders were on the high side due to large-scale projects, but performance overall continued to mark time. The Cabinet Office left its assessment for machinery orders unchanged at “recovery showing signs of stalling.”
- Manufacturing orders grew for the first time in three months at +7.1% m/m. Looking at performance by industry, large-scale projects in non-ferrous metals gave a major boost to performance. Meanwhile, non-manufacturing orders (excluding ships and electrical power) were up by +11.0% in a recovery from the previous month’s sharp decline. Overall performance received a major boost from orders in transportation and postal activities backed by the complete lifting of priority measures to prevent the spread of disease (quasi-emergency measures).
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to continue marking time. While there is room for upward movement due to large-scale projects, the outlook for the Apr-Jun period sees a decline for the second consecutive quarter at -8.1% q/q. While Japan’s domestic economy is moving toward normalization, recent events such as Russia’s invasion of Ukraine and the spread of COVID-19 in China have brought an increase in the sense of uncertainty. The future doesn’t look bright for either exports or production, hence it would be difficult to expect aggressive capex spending in manufacturing or related service industries.

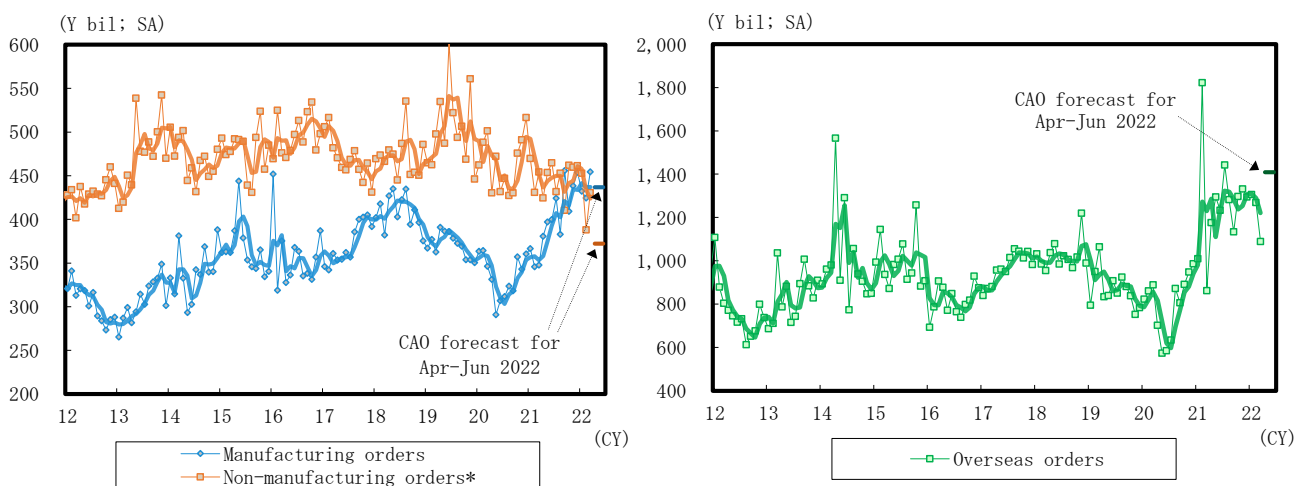
Machinery Orders (m/m %; SA)													Chart 1
	2021						2022						Mar
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Machinery orders (private sector)*	0.2	6.3	-0.7	0.3	-1.4	0.5	2.5	2.4	3.1	-2.0	-9.8	7.1	
Market consensus (Bloomberg)												3.9	
DIR Economist estimate												2.5	
Manufacturing orders	9.5	4.3	0.7	6.1	-9.8	19.1	-10.2	7.1	3.5	-4.8	-1.8	7.1	
Non-manufacturing orders*	-6.5	6.8	2.4	-7.1	4.9	-9.4	12.6	-0.5	0.4	-1.9	-14.4	11.0	
Overseas orders	36.5	10.1	-4.8	16.9	-11.1	-11.6	14.5	2.6	-2.8	0.9	-2.8	-14.2	

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

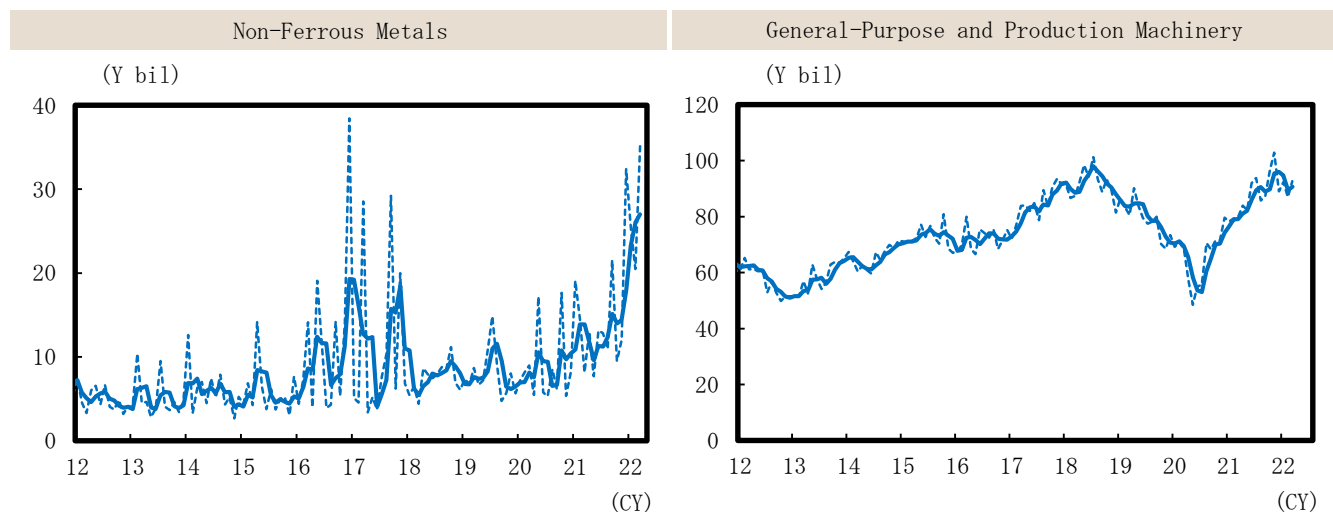


Source: Cabinet Office (CAO); compiled by DIR.

\*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MMA basis.

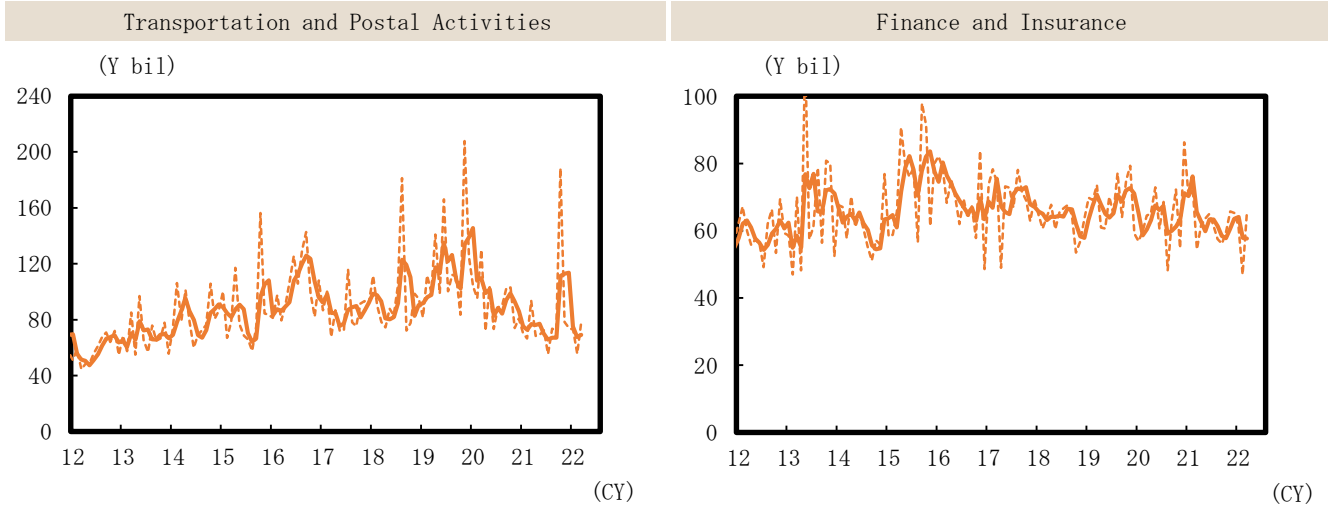
Order Amounts by Industry (Manufacturing) Chart 3



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

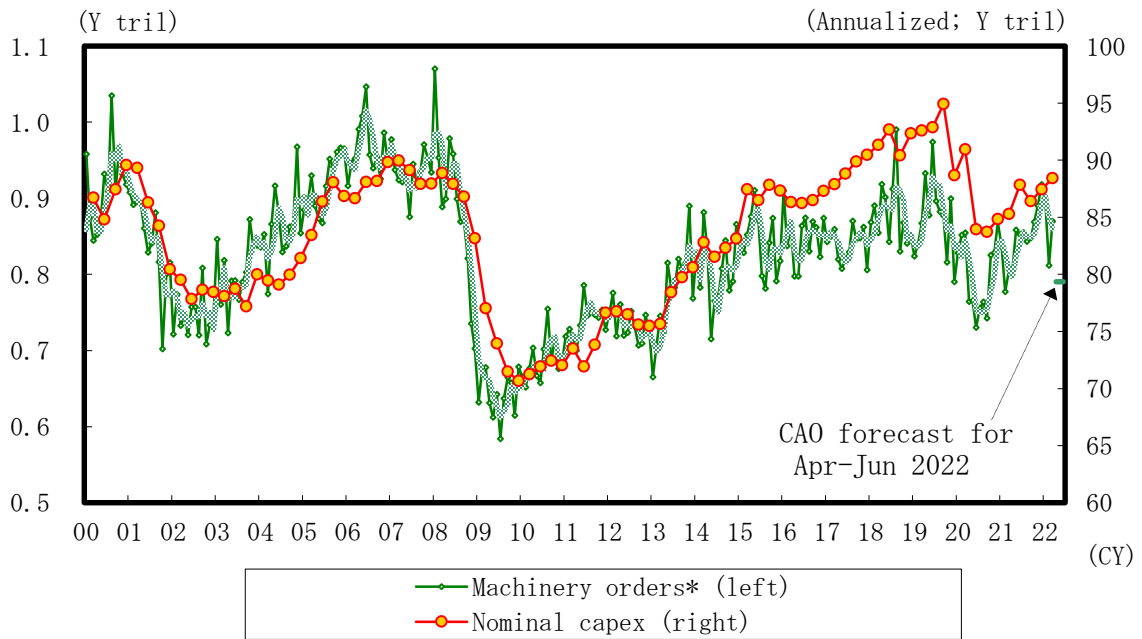
Note: Thick lines 3M/MMA basis.

**Order Amounts by Industry (Non-Manufacturing) Chart 4**



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