

11 July 2022 (No. of pages:3)

Japanese report: 11 Jul 2022

May 2022 Machinery Orders

Private sector demand (excluding ships and electrical power) suffers reactionary decline after previous month's gains, but underlying tone remains firm

Economic Research Dept.
Kazuma Kishikawa

Summary

- According to statistics for machinery orders in May 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the first time in three months at -5.6% m/m. This is believed to have been a reactionary decline in response to major growth recorded in the previous month. On the other hand, looking at the average posted for machinery orders in April and May this year, performance significantly outperformed the corporate outlook for the Apr-Jun period announced in March. Appetite for capital investment continues to improve, backed by progress in economic normalization both in Japan and abroad. Hence the underlying tone can be assessed as favorable.
- Manufacturing orders declined for the first time in three months at -9.8% m/m. Looking at performance by industry, key industries such as electrical machinery suffered reactionary declines in comparison to the previous month. Meanwhile, non-manufacturing orders (excluding ships and electrical power) also suffered a decline for the first time in three months at -4.1%. As in the case of manufacturing orders, transportation and postal activities suffered a reactionary decline in comparison to the previous month, as well as finance and insurance which saw a decline in orders.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to head toward a growth trend. Capex spending which had been delayed until now is expected to become active again, backed by progress in economic normalization in Japan and overseas. In particular, non-manufacturing orders are seen as having a large, upside margin. On the other hand, COVID-19 has begun spreading again in Japan, and monetary tightening in the US and Europe, as well as China's Zero COVID policy bring concerns of a possible global economic slowdown. Vigilance is required as the sense of uncertainty regarding the future grows stronger.

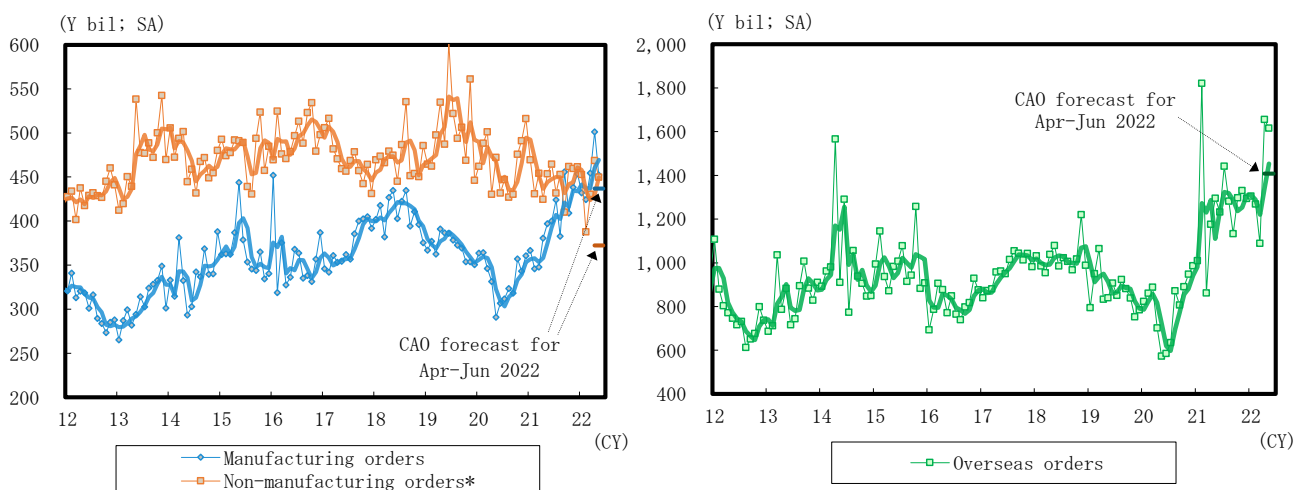
Machinery Orders (m/m %; SA)										Chart 1				
	2021								2022					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
Machinery orders (private sector)*	-0.7	0.3	-1.4	0.5	2.5	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6		
Market consensus (Bloomberg)												-5.5		
DIR Economist estimate												-4.5		
Manufacturing orders	0.7	6.1	-9.8	19.1	-10.2	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8		
Non-manufacturing orders*	2.4	-7.1	4.9	-9.4	12.6	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1		
Overseas orders	-4.8	16.9	-11.1	-11.6	14.5	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4		

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

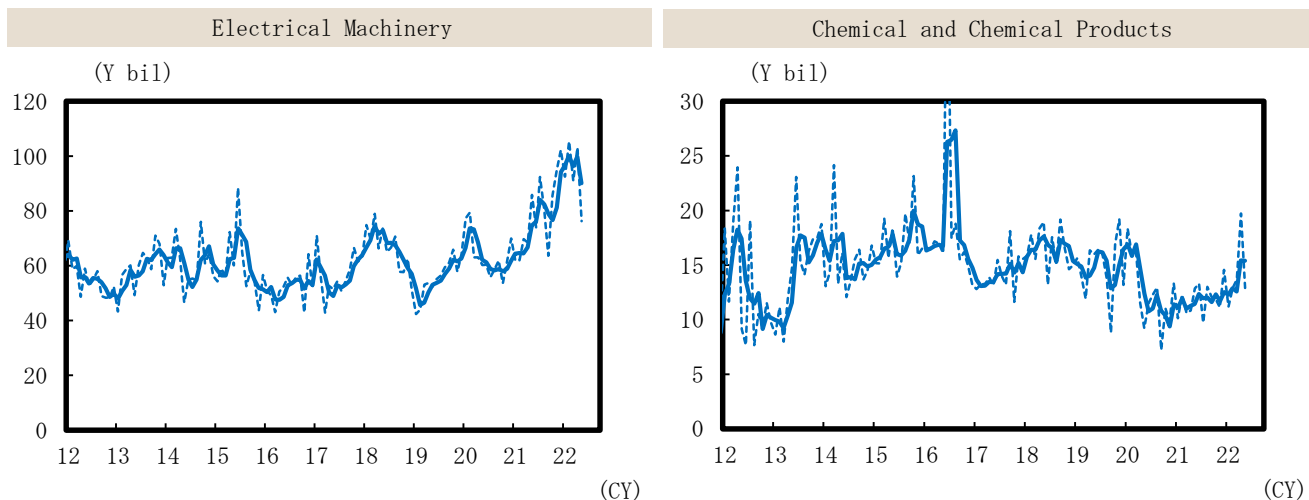


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

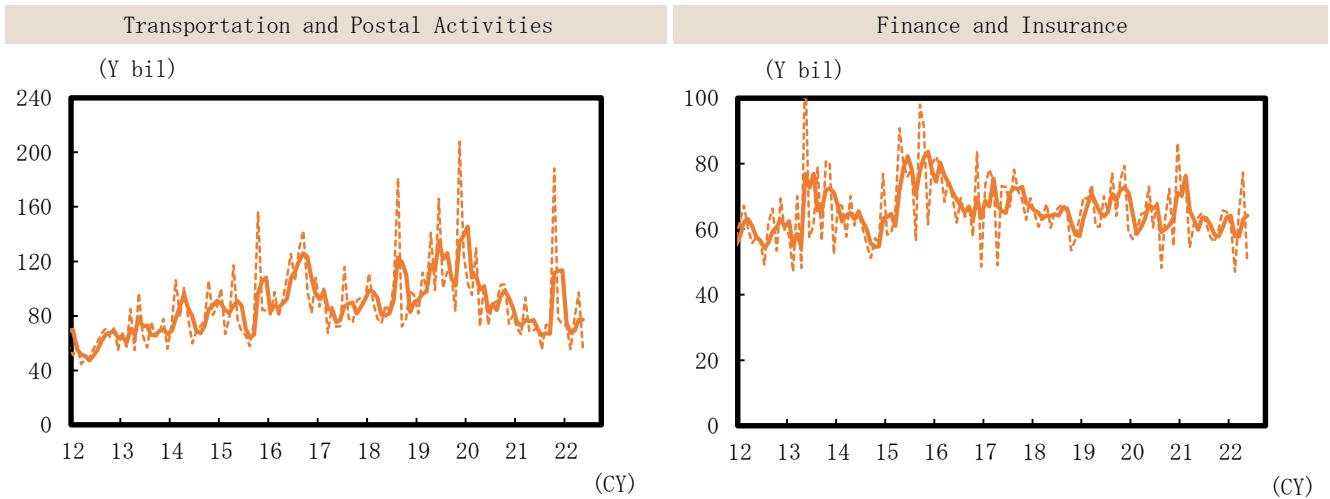
Order Amounts by Industry (Manufacturing) Chart 3



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

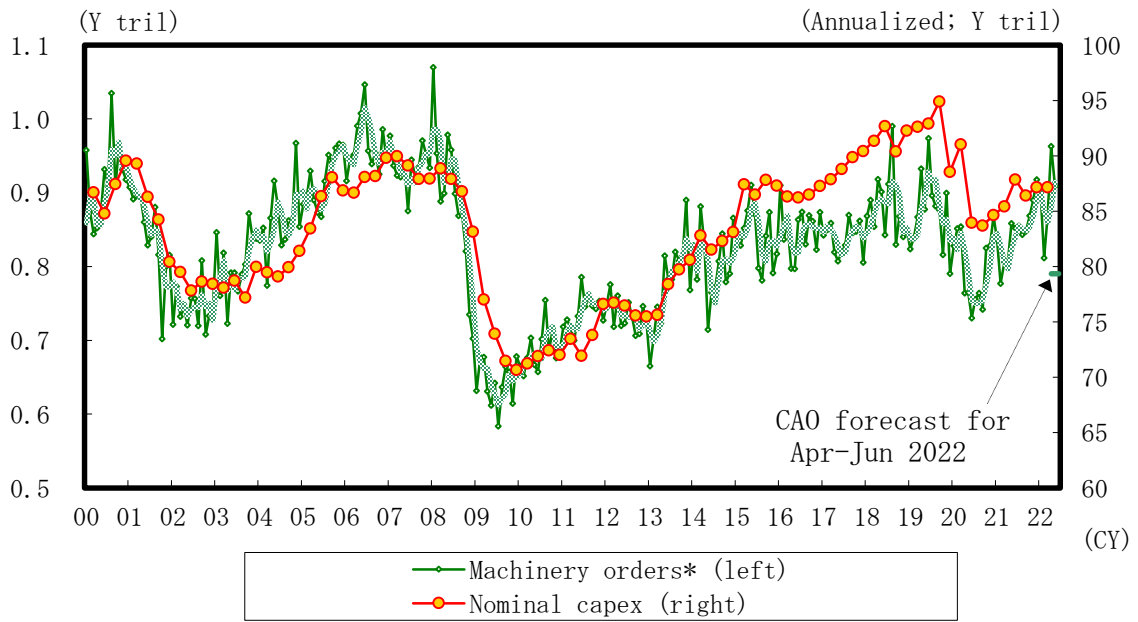
Note: Thick lines 3M/MA basis.

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.
 *excl. those for ships and from electric utilities.
 Note: Thick lines 3M/MA basis.