

17 August 2022 (No. of pages:3)

Japanese report: 17 Aug 2022

June 2022 Machinery Orders

Private sector demand (excluding ships and electrical power) achieves a small amount of growth, significantly exceeding quarterly outlook

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Summary

- According to statistics for machinery orders in June 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the first time in two months at +0.9% m/m. Although the recovery from the previous month's decline is somewhat weak, there were large-scale projects (exceeding 10 bil yen) providing support, and this helped bring performance significantly above the quarterly outlook. The Cabinet Office has therefore left its assessment for machinery orders unchanged at "showing signs of picking up."
- Manufacturing orders grew for the first time in two months at +5.4% m/m. There were two large-scale projects which boosted overall performance. As for non-manufacturing orders (excluding ships and electrical power), performance marked time in comparison with the previous month. Results were mixed, with finance and insurance, as well as transportation and postal activities providing a boost to overall performance, while orders for construction declined.
- As for the future of private sector demand (excluding ships and electrical power), while July appears to have experienced a decline due to the worsening domestic COVID-19 situation, demand is expected to shift into a moderate growth phase beyond that point. A recovery in domestic consumption of services and a comeback for the Chinese economy are expected to provide a tailwind. On the other hand, the sense of uncertainty has recently been growing stronger centering on the US and European economies. Tightening monetary policies could chip away at the desire to invest in capex, and there is still risk of a resurgence in COVID-19 infections in China. Hence caution is required.

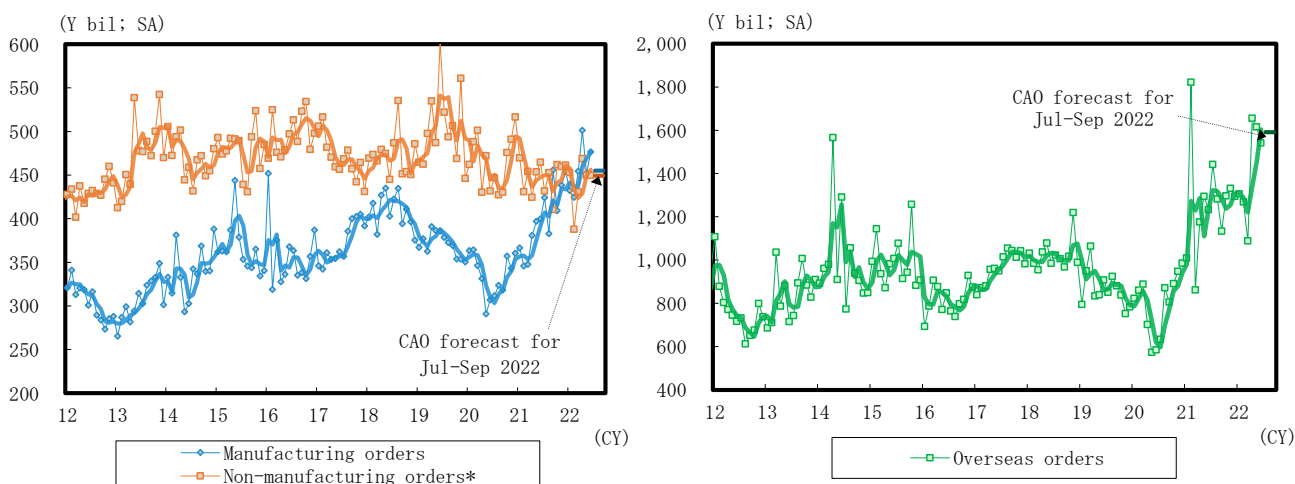
Machinery Orders (m/m %; SA)													Chart 1
	2021						2022						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Machinery orders (private sector)*	0.3	-1.4	0.5	2.5	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	
Market consensus (Bloomberg)												1.0	
DIR Economist estimate												0.8	
Manufacturing orders	6.1	-9.8	19.1	-10.2	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	
Non-manufacturing orders*	-7.1	4.9	-9.4	12.6	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	
Overseas orders	16.9	-11.1	-11.6	14.5	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	

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

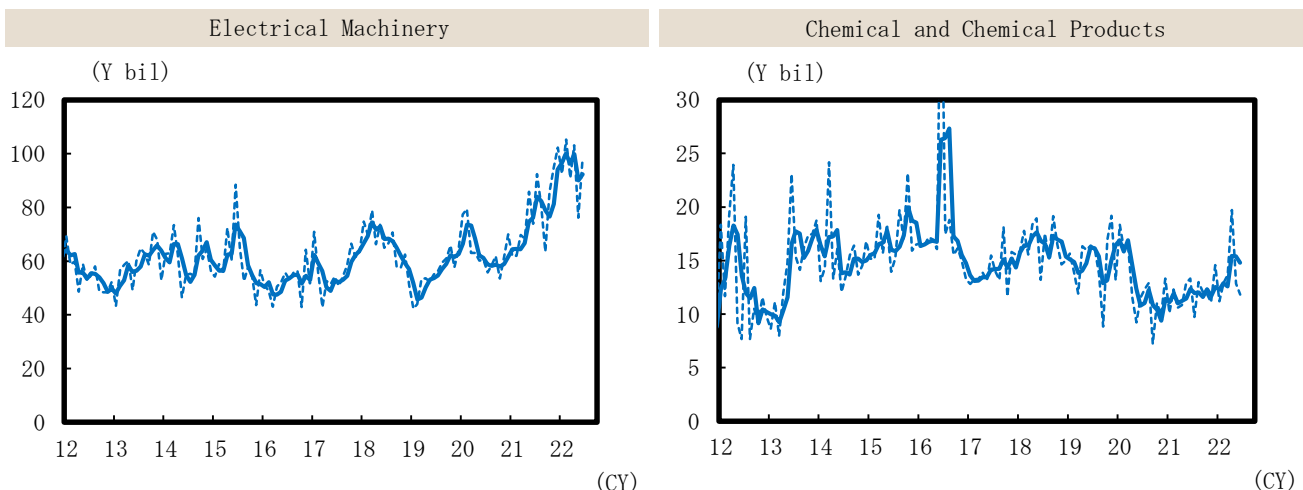


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MMA basis.

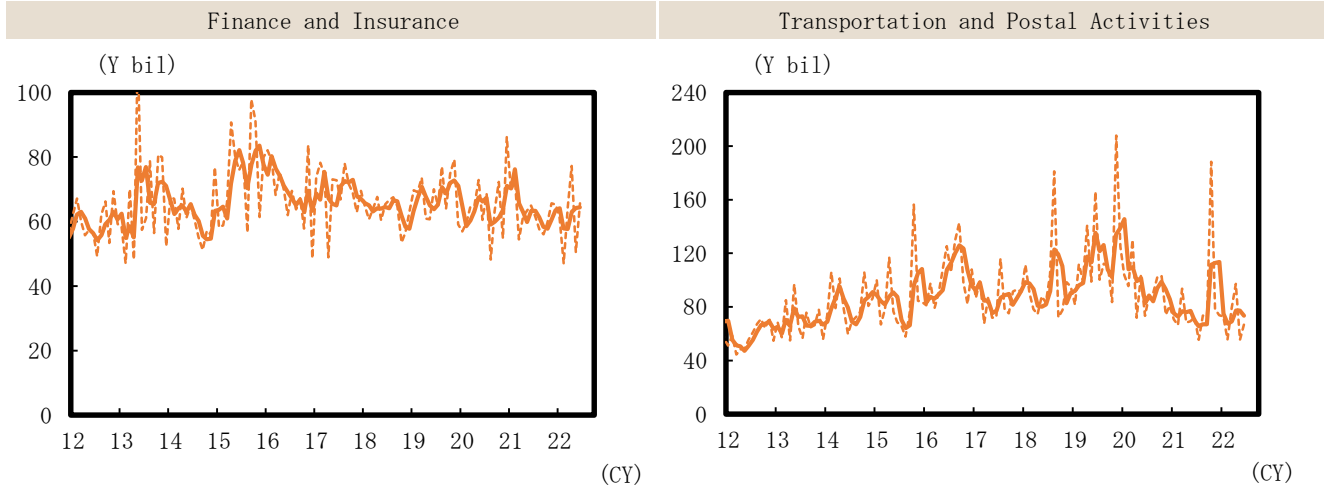
Order Amounts by Industry (Manufacturing) Chart 3



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

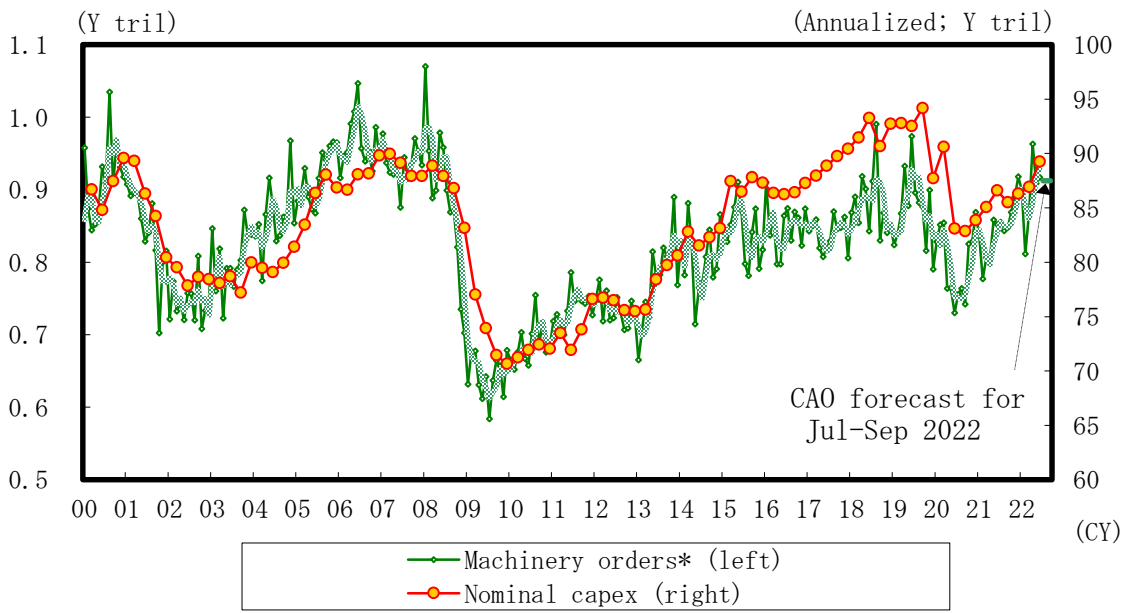
Note: Thick lines 3M/MMA basis.

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.