

14 September 2022 (No. of pages:3 )

Japanese report: 14 Sep 2022

# July 2022 Machinery Orders

Orders for railway rolling stock surge, surpassing forecast of private sector demand (excluding ships and electrical power) for Jul-Sep period

Economic Research Dept.  
**Kazuma Kishikawa**

## Summary

- According to statistics for machinery orders in July 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the second consecutive month at +5.3% m/m, defying market consensus (Bloomberg survey: -0.6%). Overall order volume exceeded the original outlook for the Jul-Sep period (monthly average). However, the main reason for growth was upward pressure from orders for railway rolling stock, which tend to experience major fluctuations, hence this is not considered to be a clear sign of improvement. The Cabinet Office has therefore left its assessment for machinery orders unchanged at “showing signs of picking up.”
- Manufacturing orders suffered a decline for the first time in two months at -5.4% m/m. The major reason was a reactionary decline in response to the growth experienced during the previous month. As for non-manufacturing orders (excluding ships and electrical power), major growth was achieved at +15.1%. Transportation and postal activities providing a boost to overall performance with the help of orders for railway rolling stock.
- As for the future of private sector demand (excluding ships and electrical power), gradual improvement from the current level is expected, with a shift into an increasing growth trend. On the domestic front, there are a number of positive factors in September and beyond, including improvement in the COVID-19 situation and an increase in foreign tourism (inbound demand), as well as the easing up of the shortage in semiconductors. On the other hand, the sense of uncertainty associated with the risk of the US and European economies suffering a downturn and the resurgence in COVID-19 infections in China may have an influence on the willingness of corporations to invest in capex. Hence caution is required.

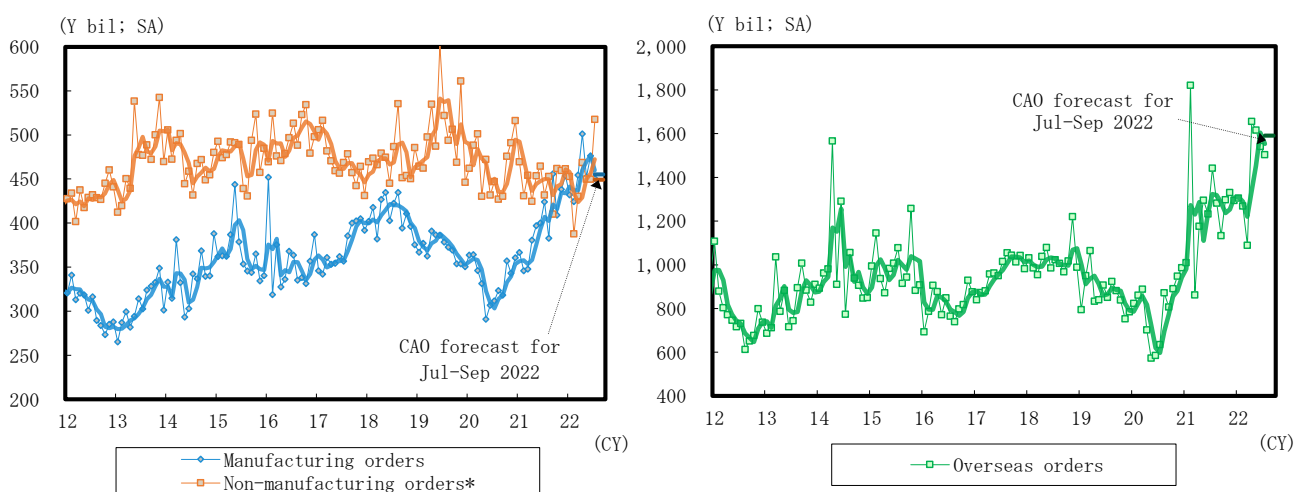
Machinery Orders (m/m %; SA)													Chart 1
	2021					2022							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Machinery orders (private sector)*	-1.4	0.5	2.5	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	
Market consensus (Bloomberg)												-0.6	
DIR Economist estimate												-0.4	
Manufacturing orders	-9.8	19.1	-10.2	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	
Non-manufacturing orders*	4.9	-9.4	12.6	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	
Overseas orders	-11.1	-11.6	14.5	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-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

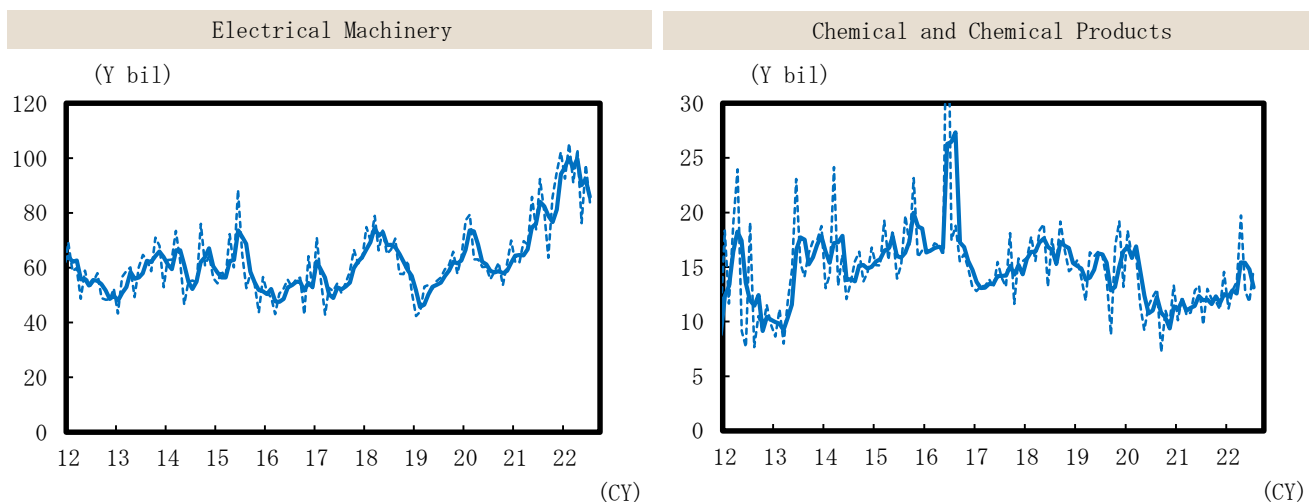


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

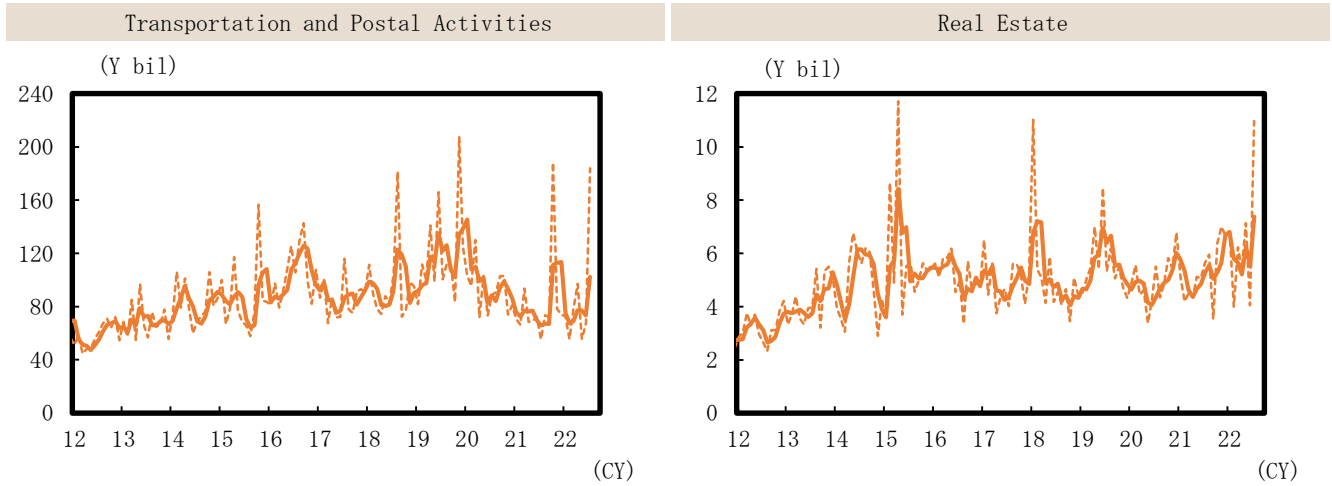
**Order Amounts by Industry (Manufacturing)** Chart 3



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

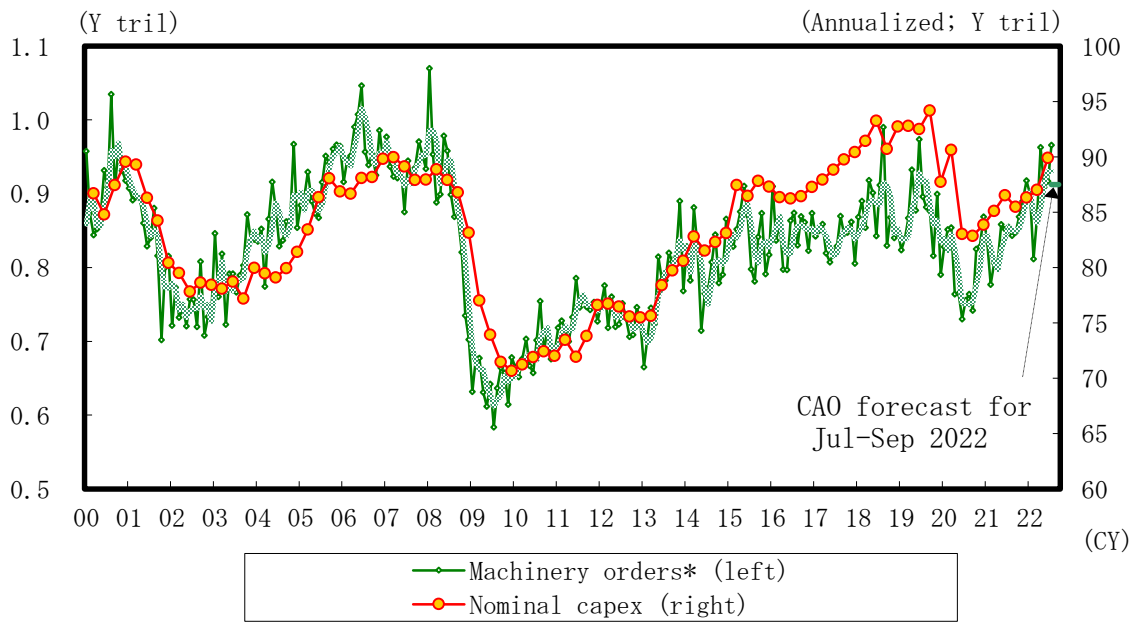
Note: Thick lines 3M/MA basis.

**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.