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# August 2022 Machinery Orders

Private sector demand (excluding ships and electrical power) down, mainly due to reactionary decline

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## Summary

- According to statistics for machinery orders in August 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 -5.8% m/m, while at the same time falling below market consensus (Bloomberg survey: -2.8%). Non-manufacturing declined significantly due mainly to a reactionary decline in response to the previous month's results, while in addition, a wide range of industries experienced a slowing of their recovery. Looked at on average, the order amount for private sector demand (excluding ships and electrical power) marked time, with the overall tone of performance seen as neither good nor bad. The Cabinet Office has therefore left its assessment for machinery orders unchanged at "showing signs of picking up."
- Manufacturing orders shifted into growth at +10.2% m/m. one of the major reasons was a boost from large projects (exceeding 10 bil yen) in non-ferrous metals, but even without that, there was a small margin of growth overall. As for non-manufacturing orders (excluding ships and electrical power), a major decline in orders was experienced at -21.4%. In addition to the reactionary decline in response to the sharp growth in orders for railway rolling stock thought to have originated from transportation and postal activities in July, a broad range of other industries and types of equipment were stagnant.
- As for the future of private sector demand (excluding ships and electrical power), a gradual move toward a growth trend is expected. Non-manufacturing and export industries are expected to be the leaders in capex spending with the recovery in domestic consumption of services and the Chinese economy's getting back on track. On the other hand, increasing risk of economic slowdown in the US and Europe could hinder corporate willingness to invest in capex. Hence caution is required.

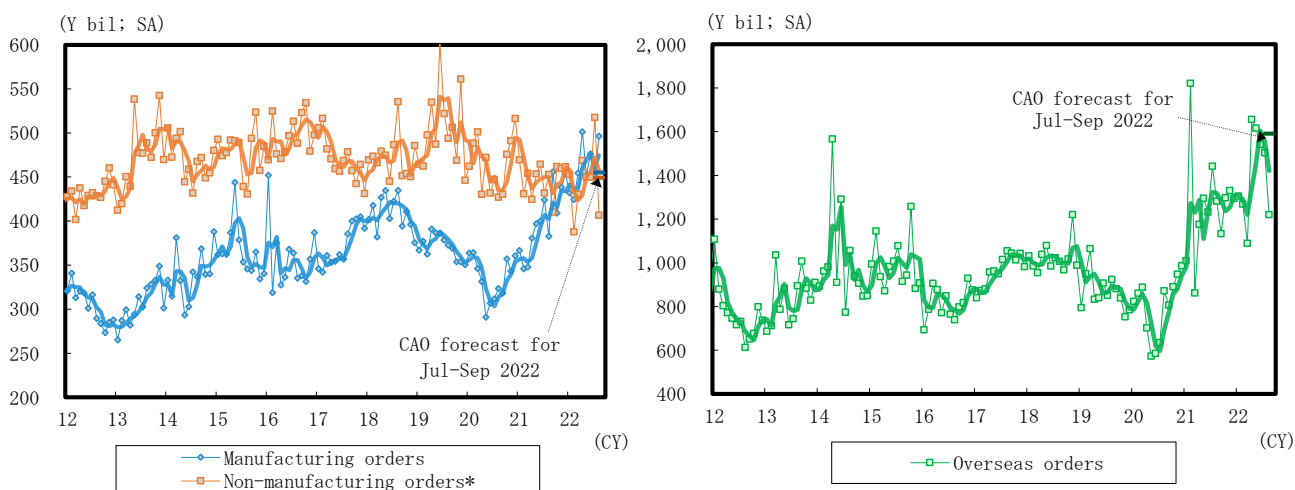
Machinery Orders (m/m %; SA)													Chart 1
	2021				2022								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
Machinery orders (private sector)*	0.5	2.5	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	-5.8	
Market consensus (Bloomberg)												-2.8	
DIR Economist estimate												-1.2	
Manufacturing orders	19.1	-10.2	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	10.2	
Non-manufacturing orders*	-9.4	12.6	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	-21.4	
Overseas orders	-11.6	14.5	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-2.4	-18.9	

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

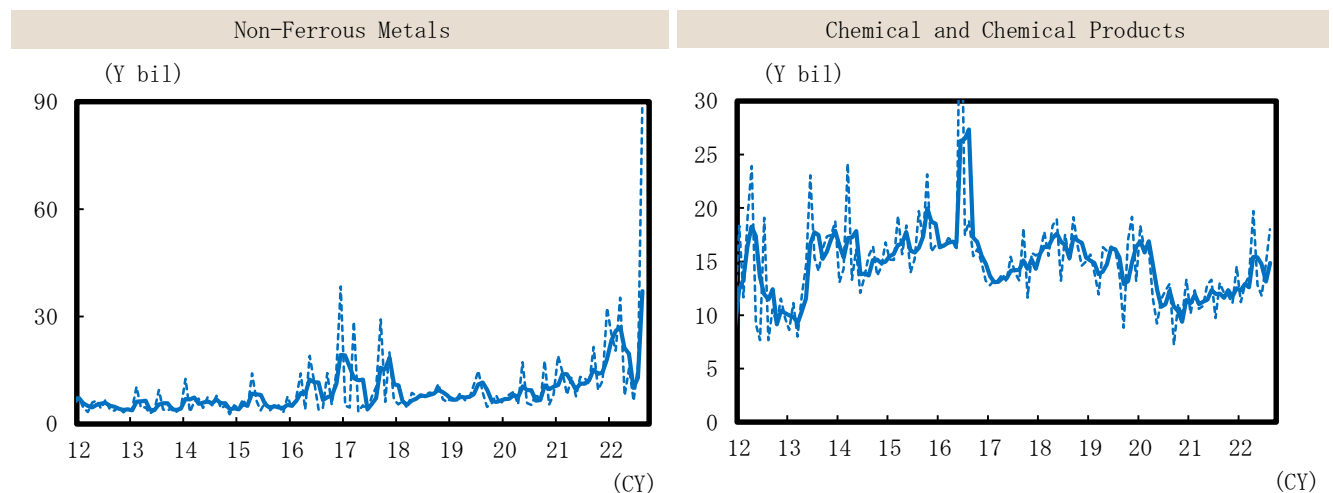


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

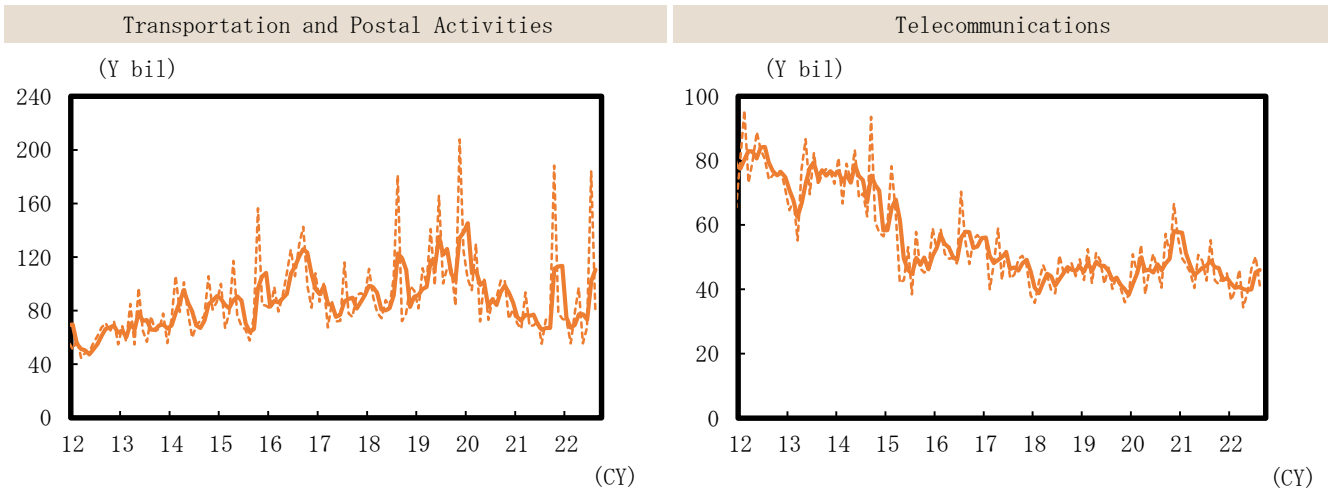
**Order Amounts by Industry (Manufacturing)** Chart 3



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

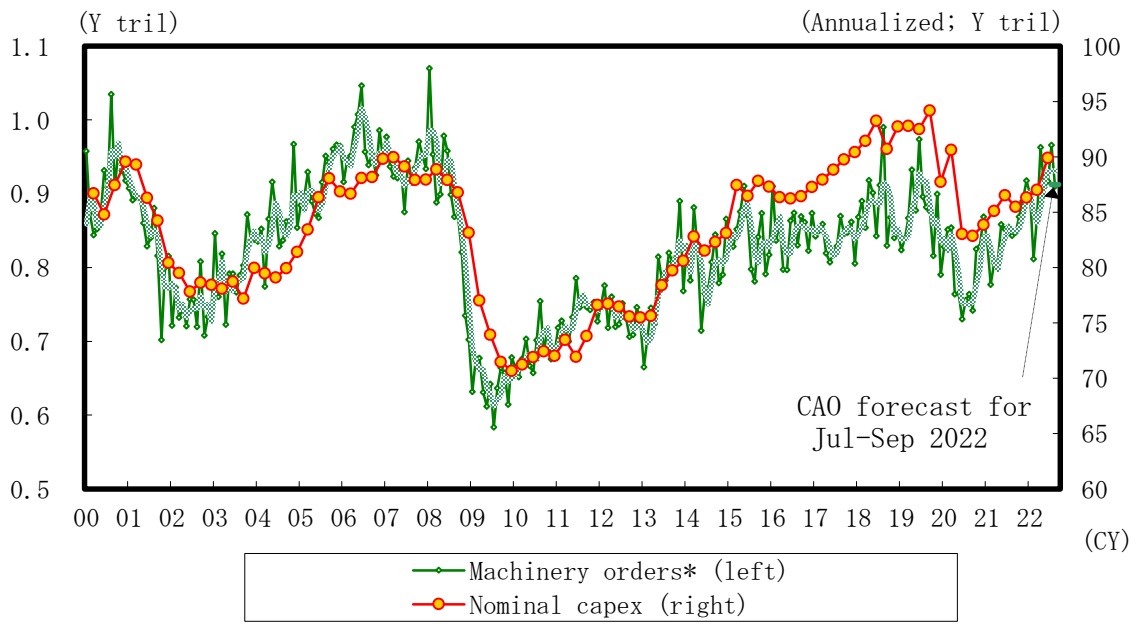
Note: Thick lines 3M/MA basis.

**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.