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# September 2022 Machinery Orders

**Weak rebound from previous month's decline, private sector demand (excluding ships and electrical power) declines for second consecutive month**

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## Summary

- According to statistics for machinery orders in September 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the second consecutive month at -4.6% m/m, defying market consensus (Bloomberg survey: +0.7%). In addition to reactionary decline in response to the previous month's large-scale projects (exceeding 10 bil yen), rebound from the previous month's decline was weak in some industries. Jul-Sep results suffered an m/m decline for the first time in two quarters at -1.6%. The Cabinet Office has therefore revised its assessment for machinery orders downwards to "recovery showing signs of stalling."
- Manufacturing orders suffered a decline for the first time in two months at -8.5% m/m. The main reason was a reactionary decline in response to a large-scale project in non-ferrous metals which pushed up the order amount for the previous month. As for non-manufacturing orders (excluding ships and electrical power), growth was achieved for the first time in two months at +4.4%. However, rebound from the previous month's steep decline was limited. A major cause was the weak recovery in transportation and postal activities as the seventh wave of COVID-19 infections was still in the middle of subsiding.
- As for the future of private sector demand (excluding ships and electrical power), when all is averaged out, a move toward a moderate growth trend is expected. Capital expenditure in the non-manufacturing sector will likely increase with the support of the Nationwide Travel Support program and a recovery in inbound consumption. Meanwhile, the Cabinet Office's official outlook for the Oct-Dec period of 2022 also shows a shift into growth at +3.6% q/q. On the other hand, deterioration of the external environment with interest rate hikes in the US and Europe could hinder corporate willingness to invest in capex. Hence caution is required.

**Machinery Orders (m/m %; SA) Chart 1**

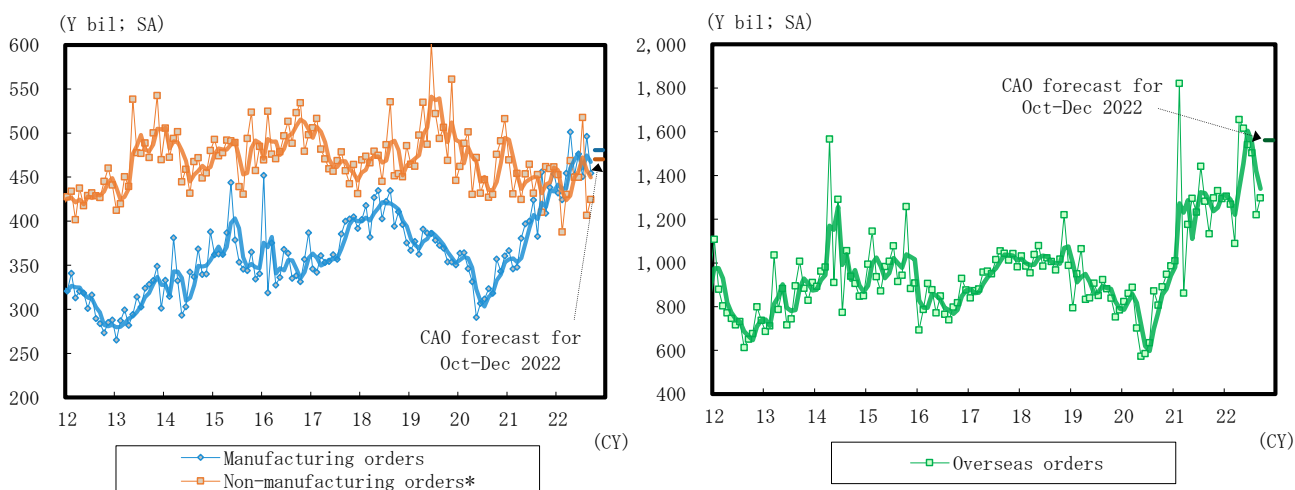
	2021			2022								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Machinery orders (private sector)*	2.5	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	-5.8	-4.6
Market consensus (Bloomberg)												0.7
DIR Economist estimate												2.2
Manufacturing orders	-10.2	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	10.2	-8.5
Non-manufacturing orders*	12.6	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	-21.4	4.4
Overseas orders	14.5	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-2.4	-18.9	6.3

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**

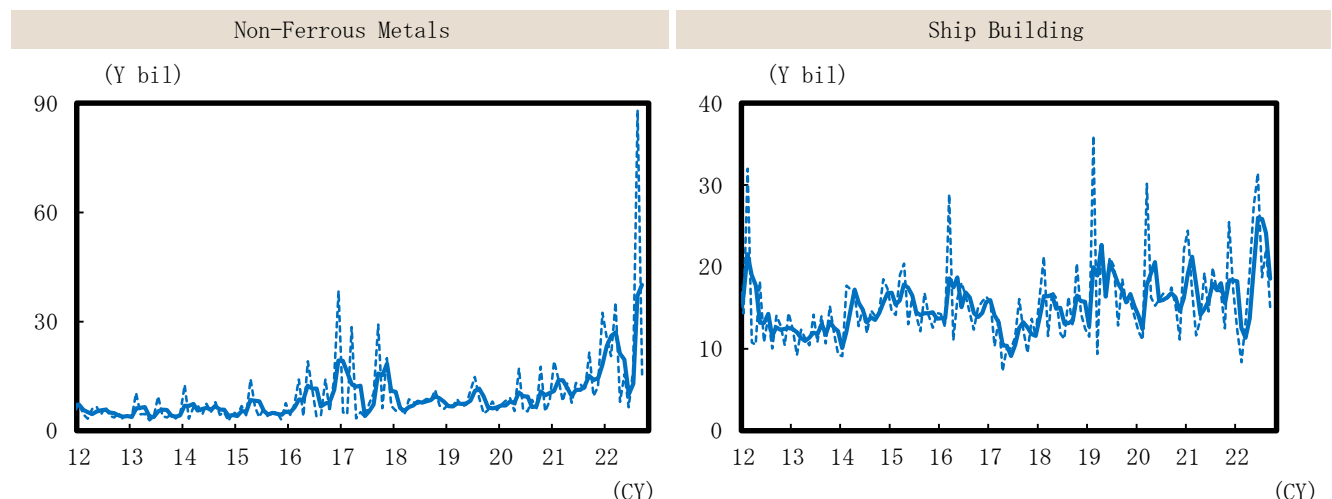


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

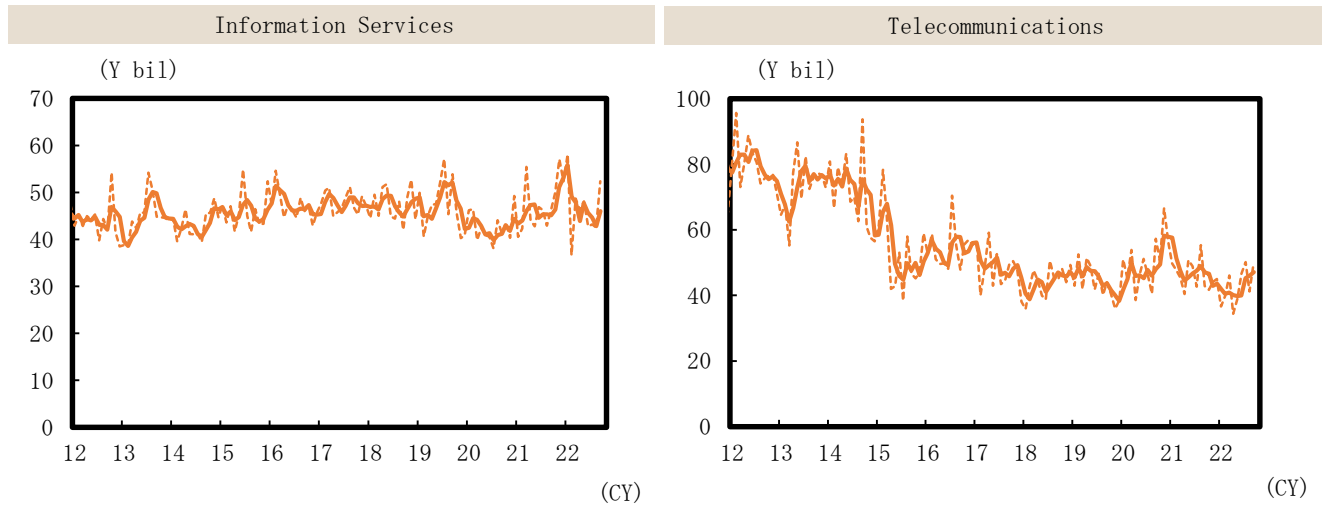
**Order Amounts by Industry (Manufacturing) Chart 3**



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

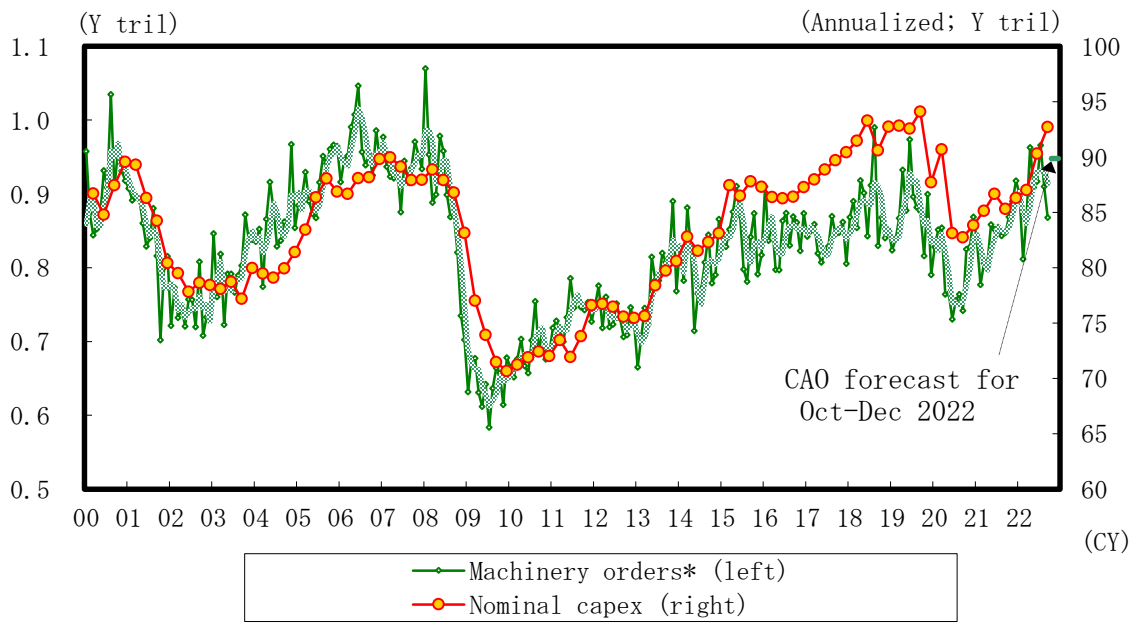
Note: Thick lines 3M/MA basis.

**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.