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October 2022 Machinery Orders

Recovery in non-manufacturing picks up pace, while private sector demand (excluding ships and electrical power) achieves growth for first time in three months

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Summary

- According to statistics for machinery orders in October 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the first time in three months at +5.4% m/m, exceeding market consensus (Bloomberg survey: +1.8%). However, looked at on average, orders at this point in time lie somewhere between marking time and a slight decline. The Cabinet Office has therefore left its assessment for machinery orders at “recovery showing signs of stalling.”
- Manufacturing orders suffered a decline for the second consecutive month at -6.4% m/m. A wide range of industries suffered declines in orders in October. As fears of recession in the US and Europe grow, shrinking overseas demand is causing increasing concern regarding possible stagnation centering on export-oriented industries. On the other hand, non-manufacturing orders (excluding ships and electrical power) reflected the quickening recovery in non-manufacturing orders at +14.0%. Capex related demand associated with data centers contributed to major growth in orders for the information services industry.
- As for the future of private sector demand (excluding ships and electrical power), we expect it will follow a moderate growth trajectory. Capital expenditure centering on the non-manufacturing sector will likely increase with the support of the Nationwide Travel Support program and a recovery in inbound consumption. However, the influence of the 8th wave of COVID-19 infections and uncertainty for the future of overseas economies may be a drag on capex.

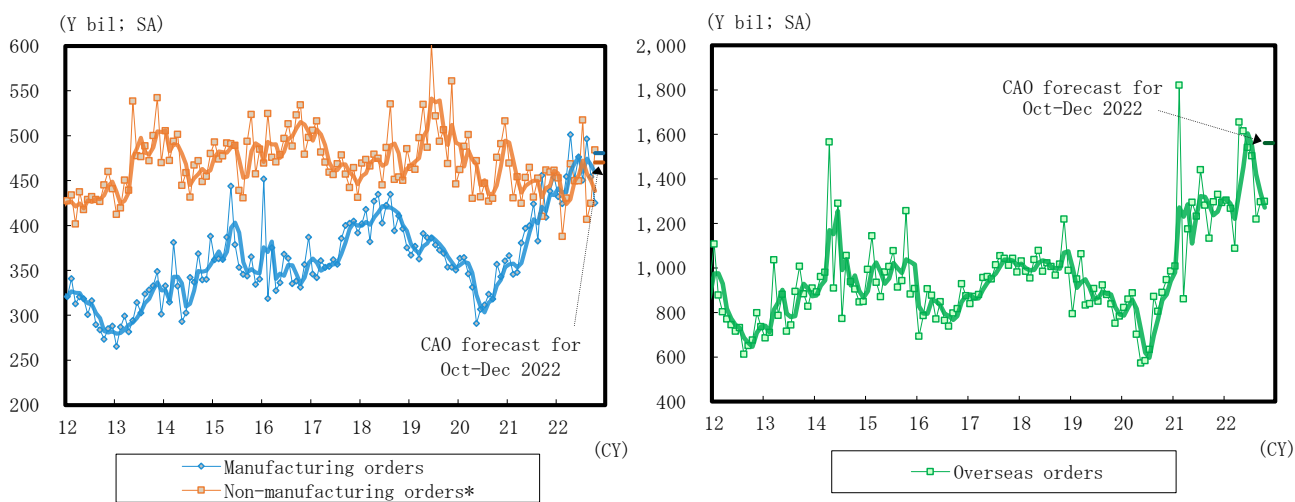
Machinery Orders (m/m %; SA)													Chart 1
	2021		2022										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Machinery orders (private sector)*	2.4	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	-5.8	-4.6	5.4	
Market consensus (Bloomberg)												1.8	
DIR Economist estimate												1.6	
Manufacturing orders	7.1	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	10.2	-8.5	-6.4	
Non-manufacturing orders*	-0.5	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	-21.4	4.4	14.0	
Overseas orders	2.6	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-2.4	-18.9	6.3	0.2	

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

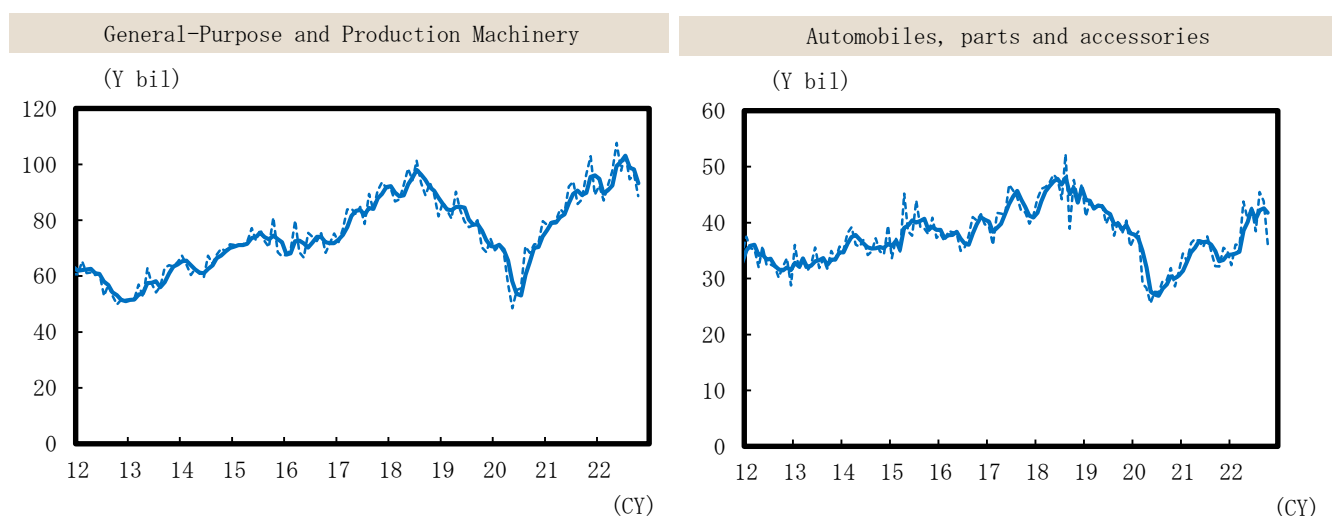


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MMA basis.

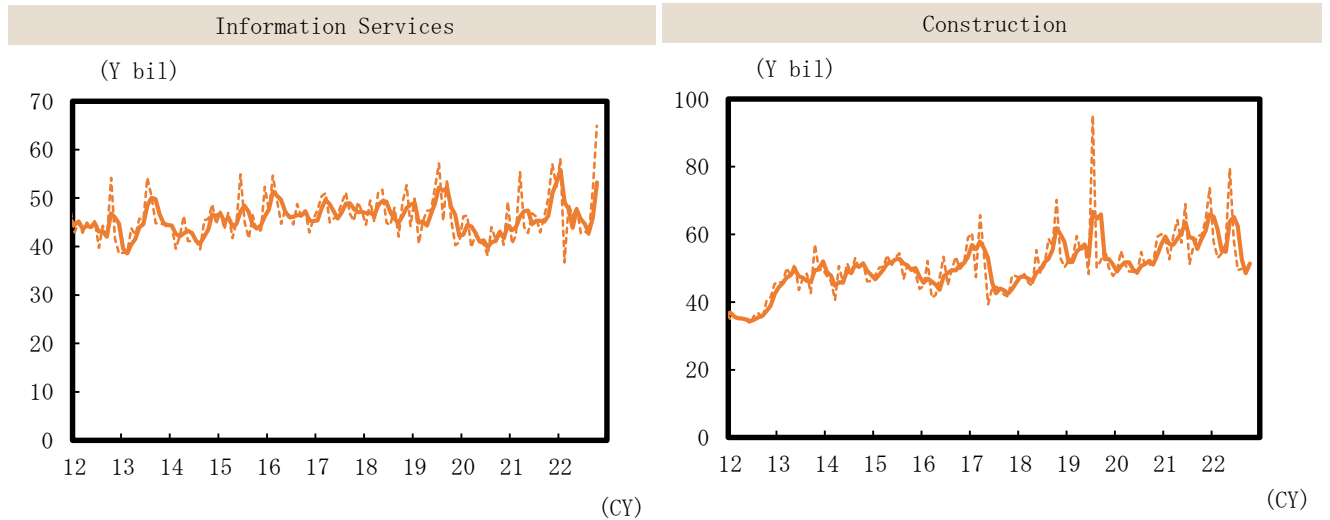
Order Amounts by Industry (Manufacturing) Chart 3



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

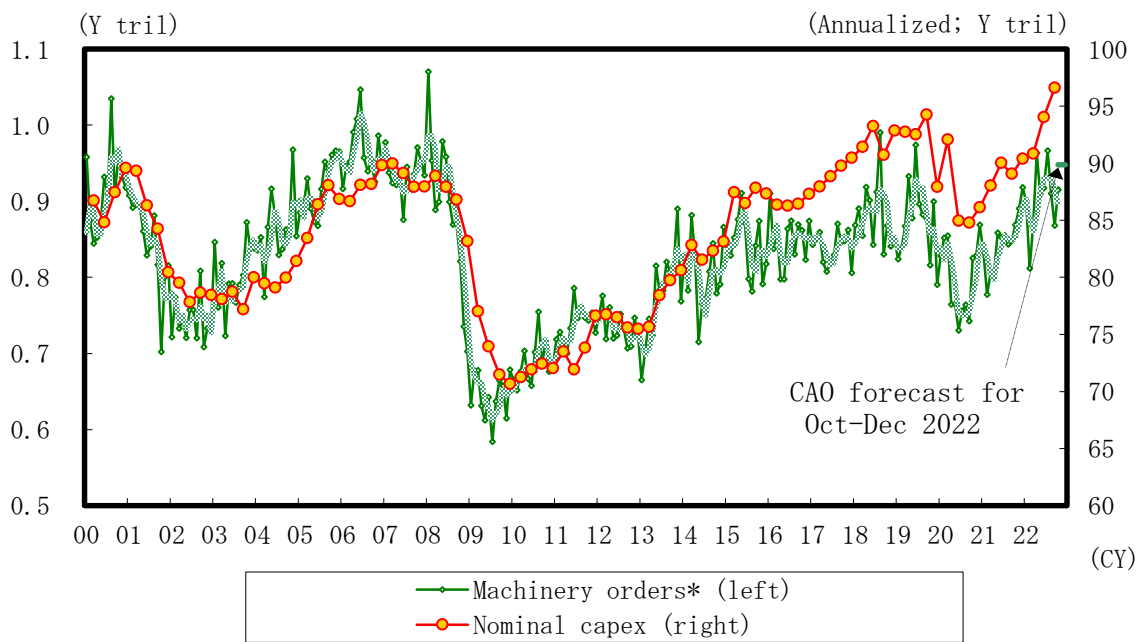
Note: Thick lines 3M/MMA basis.

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.