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Japanese report: 18 Jan 2023

November 2022 Machinery Orders

Private sector demand (excluding ships and electrical power) shifts into a decline due to continued downtrend in orders from manufacturers

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Summary

- According to statistics for machinery orders in November 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders shifted into a decline for the first time in two months at -8.3% m/m, falling significantly below market consensus (Bloomberg survey: -1.0%). The major factor behind the decline was shrinking overseas demand, which led to a decline in orders from the manufacturing industry. The Cabinet Office has therefore revised its assessment for machinery orders downward to “stalling.”
- Manufacturing orders suffered a decline for the third consecutive month at -9.3% m/m. Electrical machinery, one of major export industries, pulled overall performance down with a decline of -32.7%. Meanwhile, non-manufacturing orders (excluding ships and electrical power), suffered a decline for the first time in three months at -3.0%. However, the main factor behind the decline was a reactionary decline experienced by information services (-27.6%) after the major growth registered in the previous month. A wide range of other industries actually experienced major growth, hence the non-manufacturing industries overall are achieving favorable performance.
- As for the future of private sector demand (excluding ships and electrical power), a shift into a moderate growth trend is expected. There is still much room for recovery in domestic consumption of services, hence growth in capex is seen in the non-manufacturing industries. On the other hand, orders may decline further for manufacturing centered on export-oriented industries, due to the economic downturn in the US and Europe.

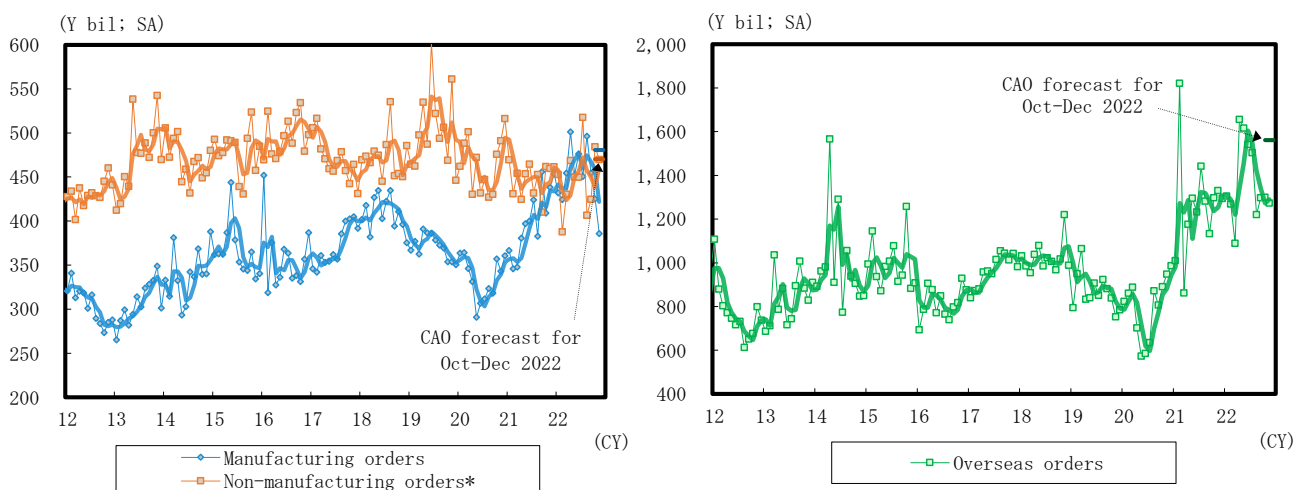
Machinery Orders (m/m %; SA)													Chart 1
	2021		2022										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Machinery orders (private sector)*	3.1	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	-5.8	-4.6	5.4	-8.3	
Market consensus (Bloomberg)												-1.0	
DIR Economist estimate												-1.5	
Manufacturing orders	3.5	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	10.2	-8.5	-6.4	-9.3	
Non-manufacturing orders*	0.4	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	-21.4	4.4	14.0	-3.0	
Overseas orders	-2.8	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-2.4	-18.9	6.3	0.2	-2.0	

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

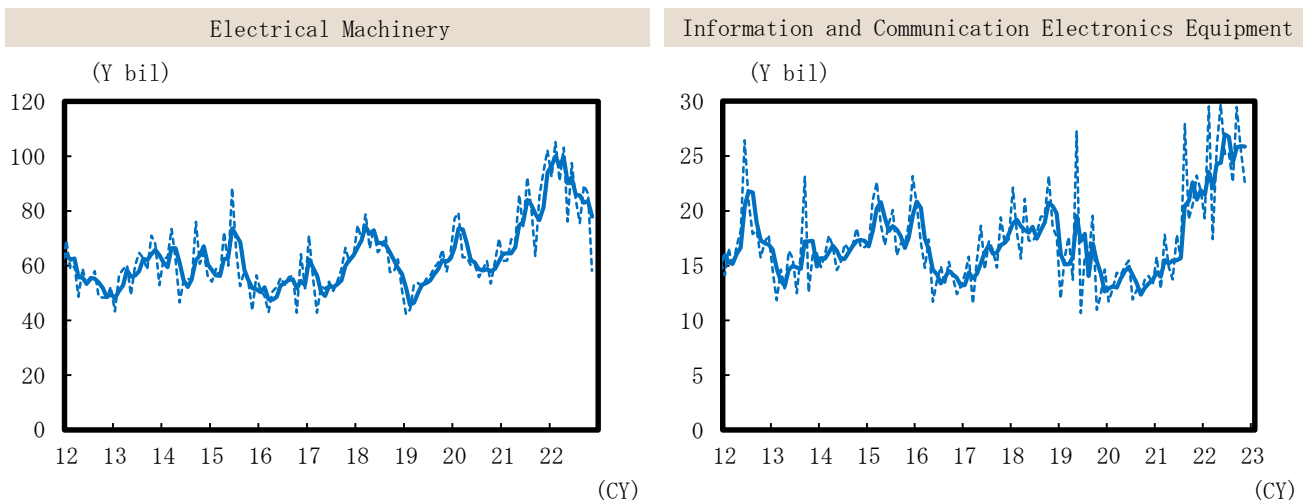


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

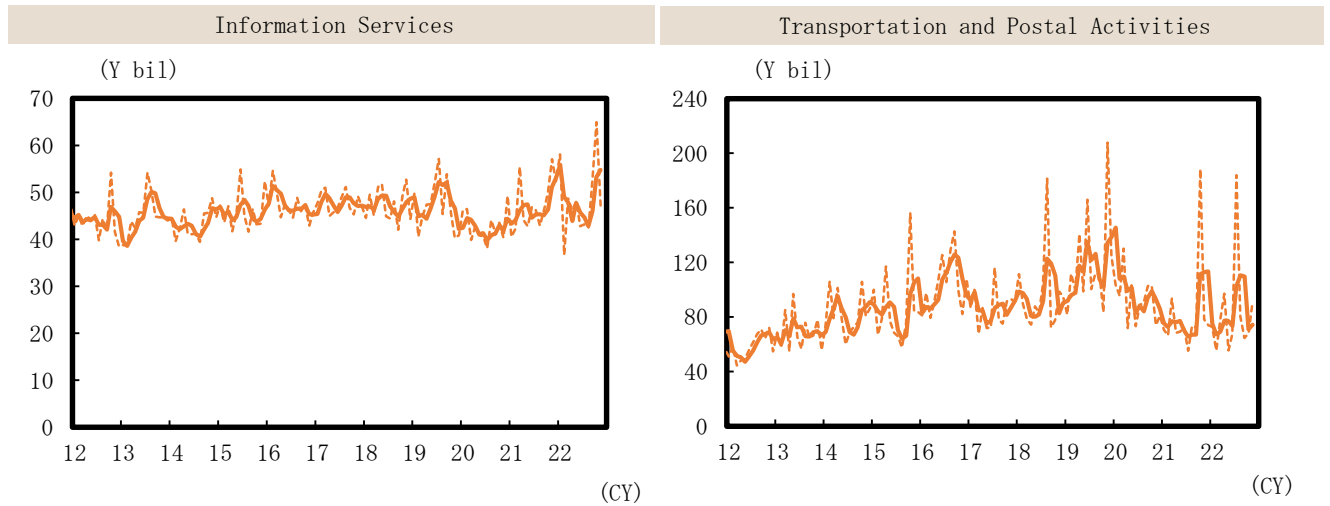
Order Amounts by Industry (Manufacturing) Chart 3



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

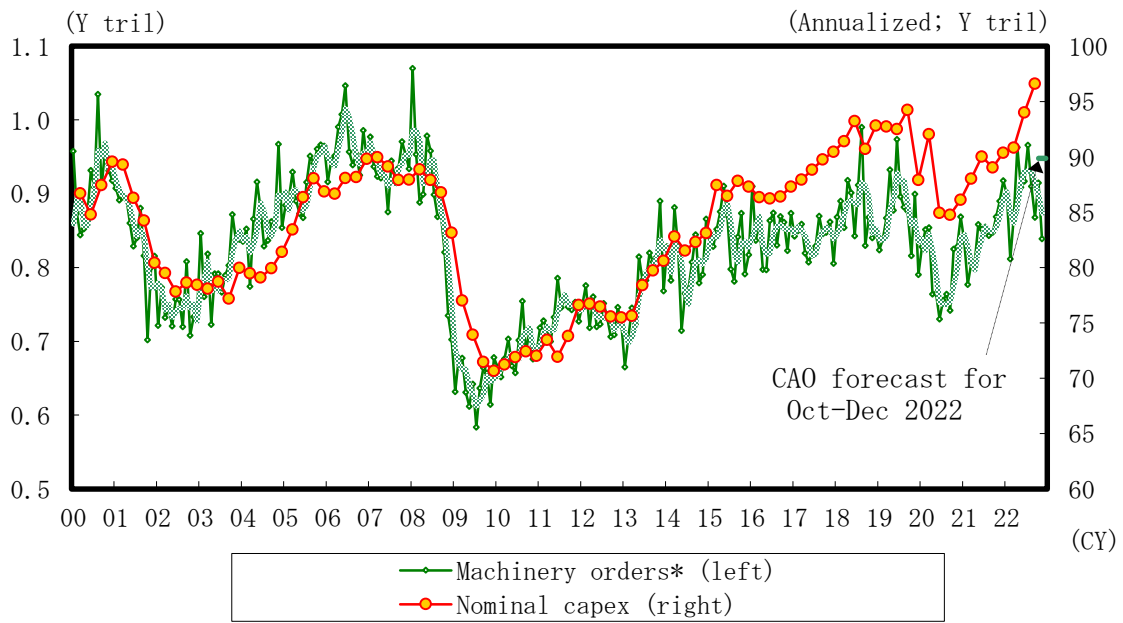
Note: Thick lines 3M/MA basis.

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.

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