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# December 2022 Machinery Orders

## Private sector demand weak in Oct-Dec period due to decline in manufacturing orders

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### Summary

- According to statistics for machinery orders in December 2022, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the first time in two months at +1.6% m/m. Manufacturing orders grew while non-manufacturing suffered a decline. Both cases were due to reactions to the previous month's performance. The Cabinet Office has therefore left its assessment for machinery orders unchanged at "stalling."
- Manufacturing orders grew for the first time in four months at +2.1% m/m. The main factor was a reaction to the previous declines. Industries other than motor-vehicle-related remain on the weak side. Meanwhile, non-manufacturing orders (excluding ships and electrical power), suffered a decline for the second consecutive month at -2.5%. While there were large projects (exceeding 10 bil yen) in transportation and postal activities, the order amounts were less than large projects of the previous month, putting the growth rate in the negative range.
- Oct-Dec period private sector demand (excluding ships and electrical power) declined for the second consecutive quarter at -5.0% q/q, falling significantly below the corporate outlook as of September of last year (+3.6%). The major cause is the fact that manufacturing orders (-14.0%) fell below the original outlook of +2.9%. On the other hand, non-manufacturing orders (excluding ships and electrical power) exceeded the original outlook of +4.6% at +4.7%.
- As for the future of private sector demand (excluding ships and electrical power), a shift into moderate growth is expected, with the non-manufacturing industry taking the lead. There is still much room for recovery in domestic consumption of services, and inbound consumption also promises growth, hence replacement investment and upgrading of facilities is expected.

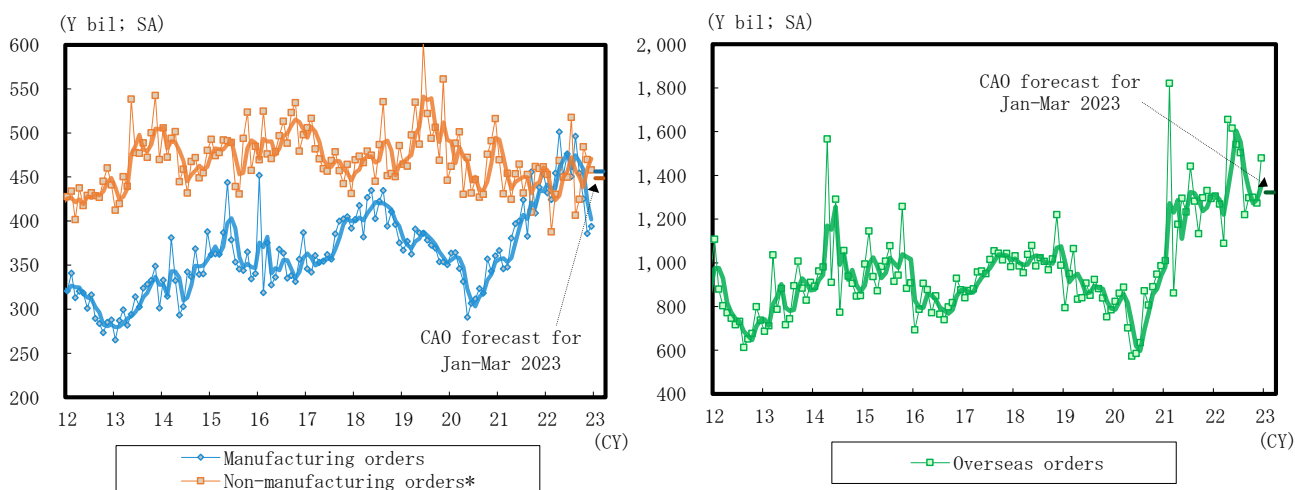
Machinery Orders (m/m %; SA)												Chart 1
	2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Machinery orders (private sector)*	-2.0	-9.8	7.1	10.8	-5.6	0.9	5.3	-5.8	-4.6	5.4	-8.3	1.6
Market consensus (Bloomberg)												2.8
DIR Economist estimate												4.9
Manufacturing orders	-4.8	-1.8	7.1	10.3	-9.8	5.4	-5.4	10.2	-8.5	-6.4	-9.3	2.1
Non-manufacturing orders*	-1.9	-14.4	11.0	8.9	-4.1	-0.0	15.1	-21.4	4.4	14.0	-3.0	-2.5
Overseas orders	0.9	-2.8	-14.2	52.1	-2.4	-4.6	-2.4	-18.9	6.3	0.2	-2.0	16.2

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

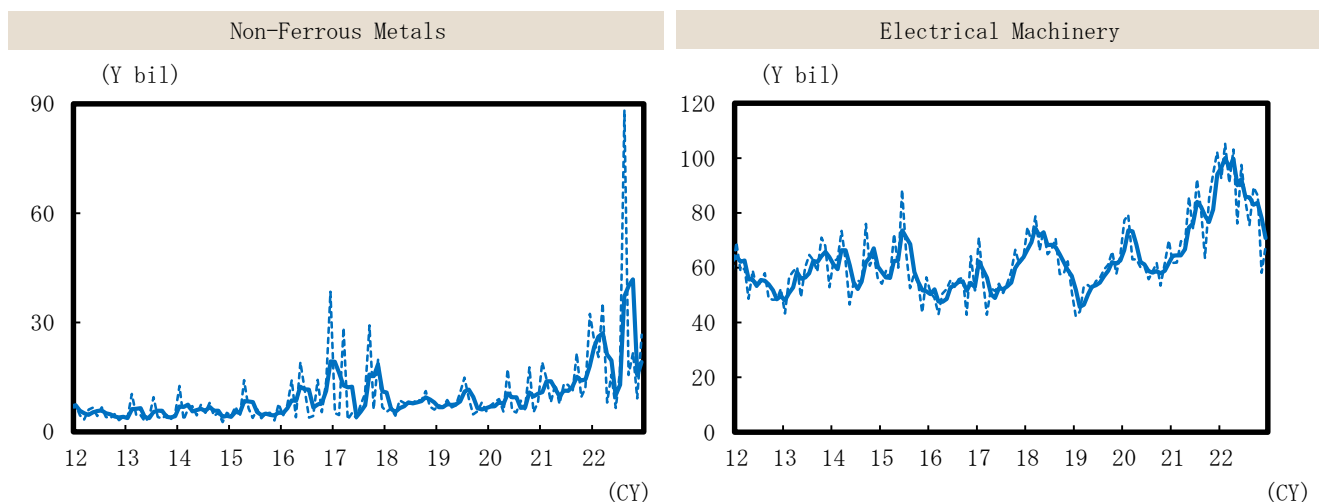


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

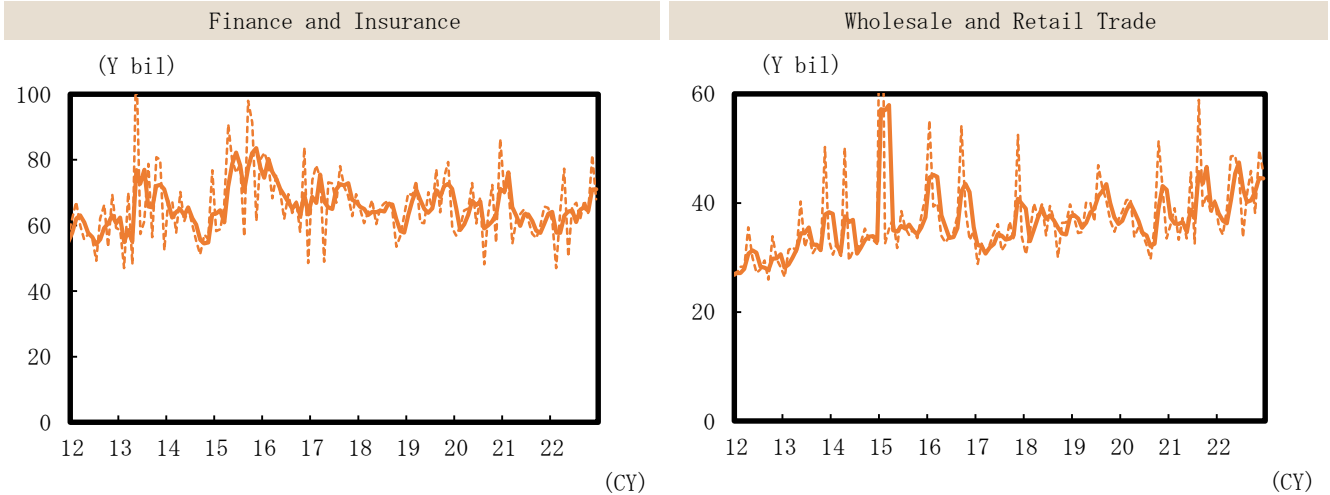
**Order Amounts by Industry (Manufacturing)** Chart 3



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

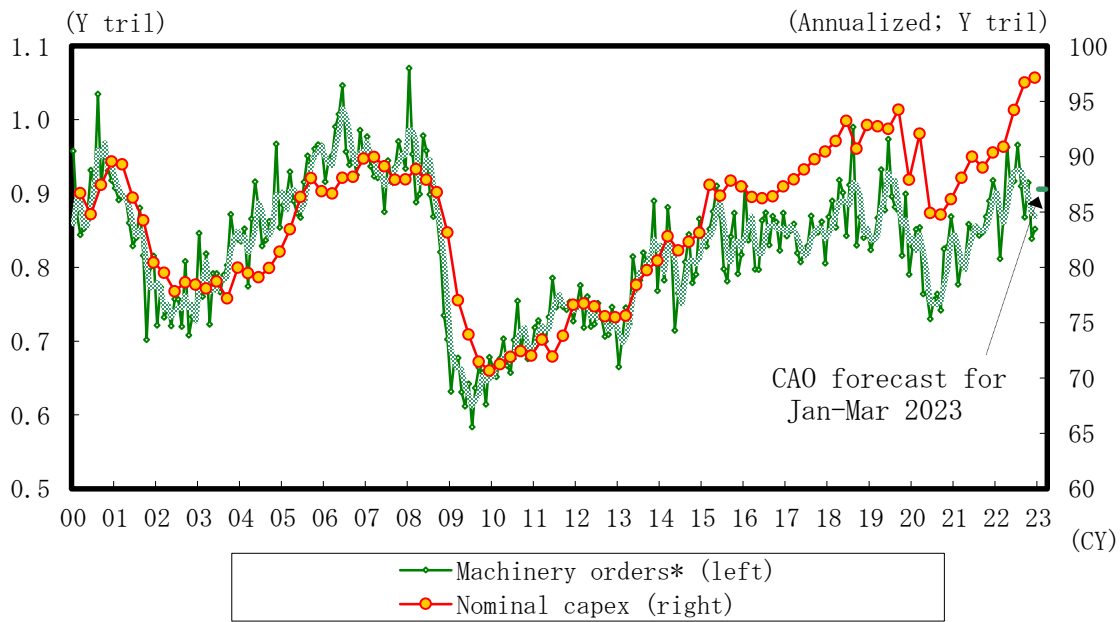
Note: Thick lines 3M/MA basis.

**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.