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February 2021 Machinery Orders

Recovery experiences a lull in both the manufacturing and non-manufacturing industries

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Summary

- According to statistics for machinery orders in February 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined significantly at -8.5% m/m against the expectations for growth on the part of market consensus, which recorded +2.5%. Both the manufacturing and non-manufacturing industries declined for the second consecutive month.
- Looking at performance by industry, manufacturing orders declined by -5.5% m/m. Order amounts declined for non-ferrous metals, ship building, and foods & beverages. Meanwhile, non-manufacturing orders (excluding ships and electrical power) also suffered a decline at -10.9%. A wide range of industries suffered declines, including other non-manufacturing (which encompasses accommodations and food services), agriculture, forestry & fishing, and construction. Other non-manufacturing suffered a decline for the second consecutive month due to the effects of the extended state of emergency.
- Overseas demand achieved major growth at +76.2% m/m. The amount in orders received was at its highest since this statistic first began. Chemical machinery brought a major contribution to overall growth with large-scale orders (exceeding 10 bil yen).
- As for the future of private sector demand (excluding ships and electrical power), a shift into a moderate recovery phase is expected. Exports are expected to experience growth centering on the US and China, whose economies are seen achieving a favorable recovery, and this in turn is expected to increase the willingness of corporations to engage in capex. On the other hand, priority measures to keep the spread of COVID-19 in check were implemented in some regions from April. This is expected to cause a decline in orders in accommodations and food services, which will bring downward pressure on overall results. However, the impact is expected to be minor for private sector demand overall.

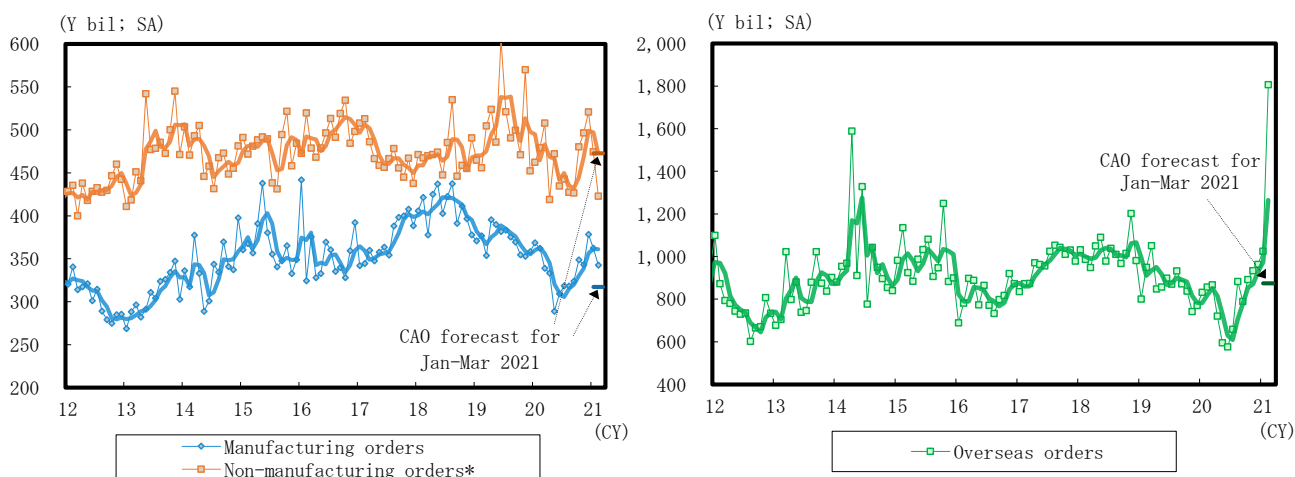
Machinery Orders (m/m %; SA)												Chart 1	
	2020											2021	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Machinery orders (private sector)*	-0.0	-10.2	1.4	-5.1	3.7	0.5	-3.6	12.6	1.1	5.3	-4.5	-8.5	
Market consensus (Bloomberg)												2.5	
DIR Economist estimate												4.2	
Manufacturing orders	-6.5	-1.6	-13.3	7.0	3.0	-0.0	1.7	7.7	-1.6	10.3	-4.2	-5.5	
Non-manufacturing orders*	6.1	-17.5	12.7	-7.9	1.8	-3.5	-0.2	12.6	3.4	4.9	-8.9	-10.9	
Overseas orders	1.1	-17.0	-17.3	-3.4	14.4	34.1	-10.7	13.0	4.8	3.1	6.4	76.2	

Source: Cabinet Office, 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

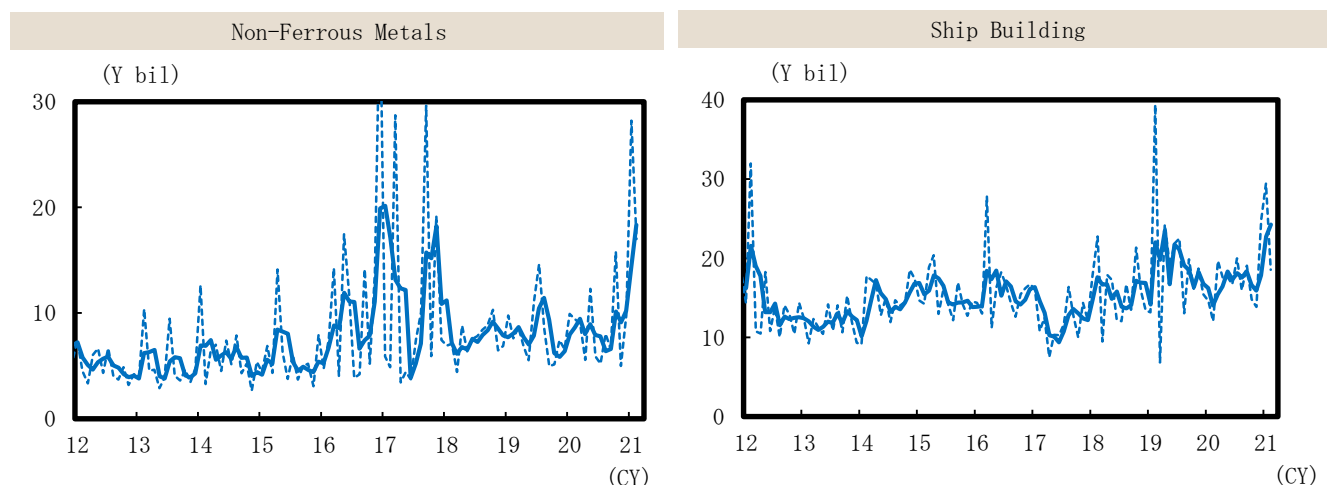


Source: Cabinet Office (CAO); compiled by DIR.

*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.

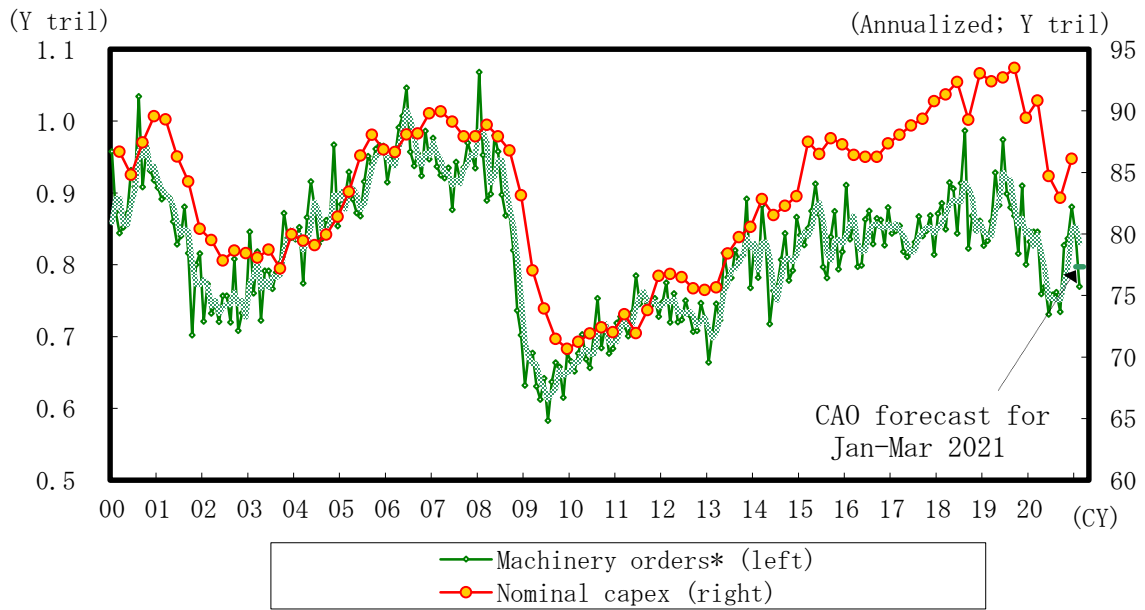
Note: Thick lines 3M/MA basis.

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.