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# March 2021 Machinery Orders

Private sector demand grows for first time in three months due to large-scale orders in transportation & postal activities

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## Summary

- According to statistics for machinery orders in March 2021, 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 +3.7% m/m, while at the same time falling below market consensus at +5.0%. Manufacturing pretty much marked time, while non-manufacturing managed only a small margin of growth excluding the special factor of large-scale orders (exceeding 10 bil yen).
- Looking at performance by industry, though only a small amount, manufacturing orders declined for the third consecutive month at -0.1% m/m. Order amounts declined for ship building and non-ferrous metals, as well as other transport equipment. Meanwhile, non-manufacturing orders (excluding ships and electrical power) grew for the first time in three months at +9.5%. Orders grew for transportation & postal activities due to two large-scale orders for railway cars, while information services and construction also achieved growth.
- Overseas demand suffered a major decline at -53.9% m/m. Most likely this was a reactionary decline in response to the previous month's major growth. That said, performance is at its lowest since September 2020. It is possible that overseas demand is losing its momentum.
- As for the future of private sector demand (excluding ships and electrical power), gradual recovery is expected to continue. 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 to engage in capex in the manufacturing industry. On the other hand, a state of emergency has been implemented for the third time in some regions of domestic Japan from April. This is expected to cause a decline in orders in the food service and accommodations industries, but the impact is expected to be minor for private sector demand overall.

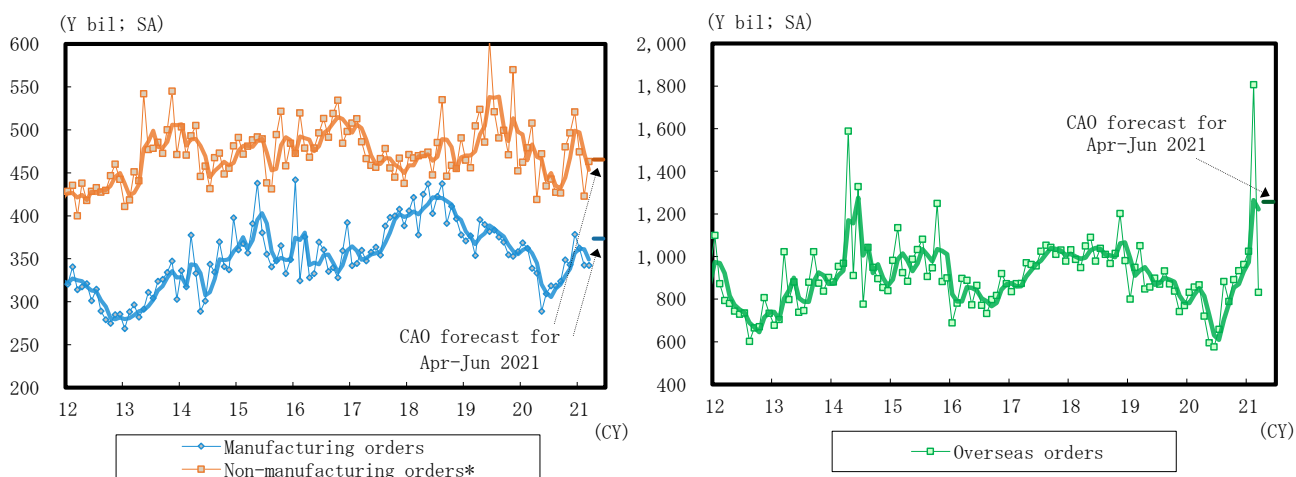
Machinery Orders (m/m %; SA)													Chart 1
	2020										2021		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Machinery orders (private sector)*	-10.2	1.4	-5.1	3.7	0.5	-3.6	12.6	1.1	5.3	-4.5	-8.5	3.7	
Market consensus (Bloomberg)												5.0	
DIR Economist estimate												3.5	
Manufacturing orders	-1.6	-13.3	7.0	3.0	-0.0	1.7	7.7	-1.6	10.3	-4.2	-5.5	-0.1	
Non-manufacturing orders*	-17.5	12.7	-7.9	1.8	-3.5	-0.2	12.6	3.4	4.9	-8.9	-10.9	9.5	
Overseas orders	-17.0	-17.3	-3.4	14.4	34.1	-10.7	13.0	4.8	3.1	6.4	76.2	-53.9	

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

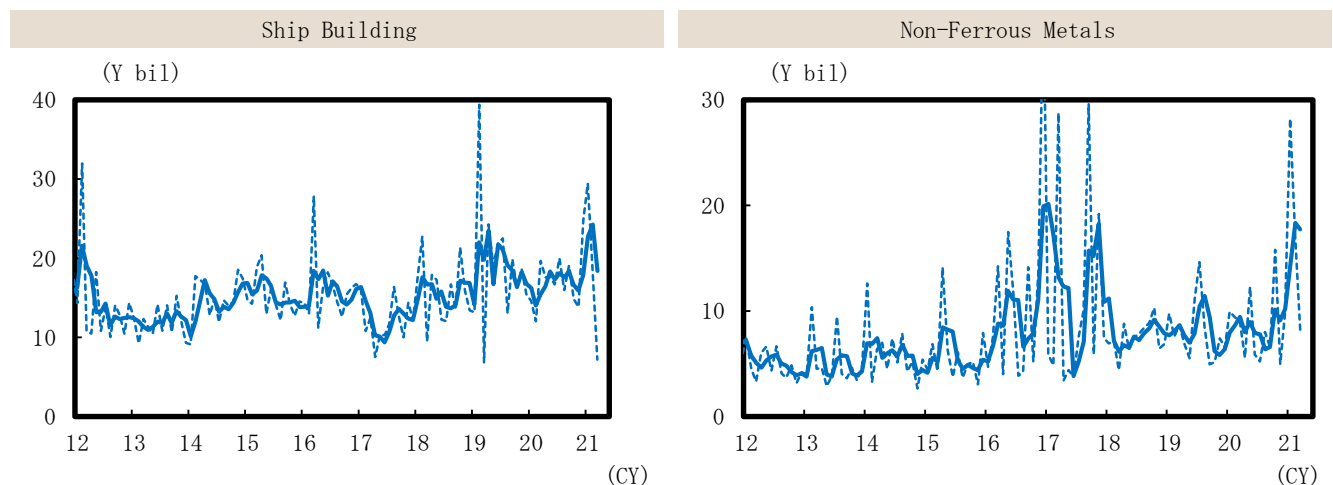


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

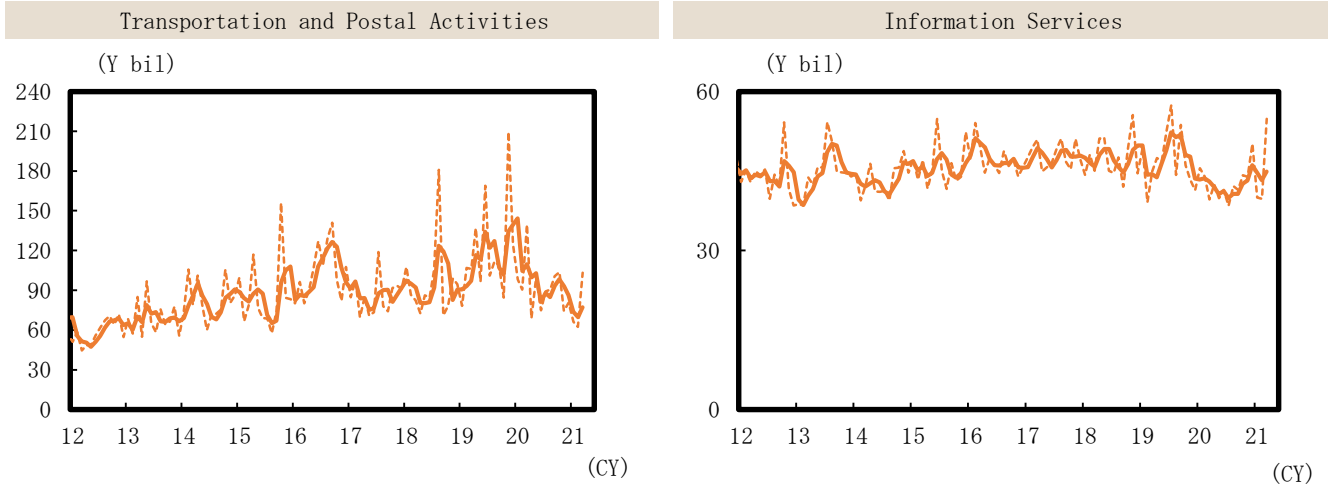
**Order Amounts by Industry (Manufacturing)** Chart 3



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

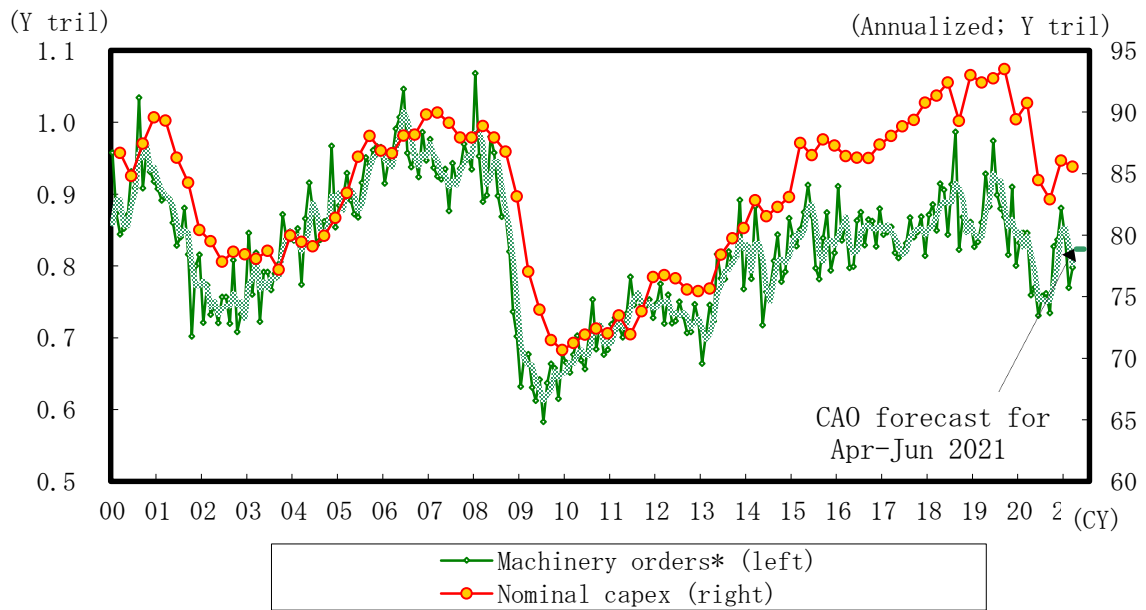
Note: Thick lines 3M/MA basis.

**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.