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Japanese report: 12 Jul 2021

May 2021 Machinery Orders

Manufacturing and non-manufacturing boosted by private sector demand, with overall orders recording growth for the third consecutive month

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Summary

- According to statistics for machinery orders in May 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the third consecutive month at +7.8% m/m, while at the same time considerably exceeding market consensus at +2.4%. Both manufacturing and non-manufacturing achieved growth, with non-manufacturing doing especially well with double-digit growth.
- Looking at performance by industry, manufacturing orders grew for the second consecutive month at +2.8% m/m, hitting its highest level since April 2019. Order grew for electrical machinery, ship building, and other manufacturing. Meanwhile, non-manufacturing orders (excluding ships and electrical power) shifted into a growth phase with orders at +10.0%. Telecommunications achieved growth for the first time in six months, while other non-manufacturing, finance & insurance also recorded growth in orders. Overseas demand grew for the second consecutive month at +11.4% m/m. as of this point there are still major fluctuations, but the growth phase appears to be continuing.
- 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 with overseas economies, centering on the US and China, as well as Europe, seen continuing their recovery, and this in turn is expected to increase the willingness to engage in capex in the manufacturing industry. Meanwhile, the BOJ June Tankan survey suggests that corporations are displaying a strong willingness to engage in capex. On the other hand, a fourth state of emergency against Tokyo has been declared in Japan, and the number of new COVID-19 infections are growing nationwide. The food service and accommodations industries are therefore expected to continue experiencing stagnant orders. However, the impact is expected to be minor for private sector demand overall.

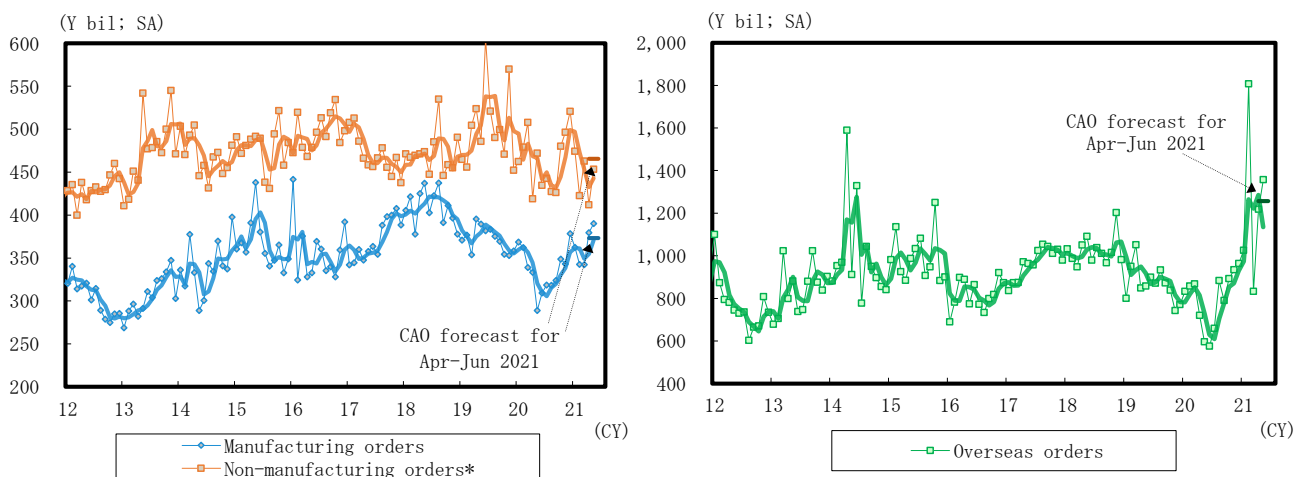
Machinery Orders (m/m %; SA)										Chart 1				
	2020								2021					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
Machinery orders (private sector)*	-5.1	3.7	0.5	-3.6	12.6	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8		
Market consensus (Bloomberg)												2.4		
DIR Economist estimate												2.7		
Manufacturing orders	7.0	3.0	-0.0	1.7	7.7	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8		
Non-manufacturing orders*	-7.9	1.8	-3.5	-0.2	12.6	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0		
Overseas orders	-3.4	14.4	34.1	-10.7	13.0	4.8	3.1	6.4	76.2	-53.9	46.2	11.4		

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

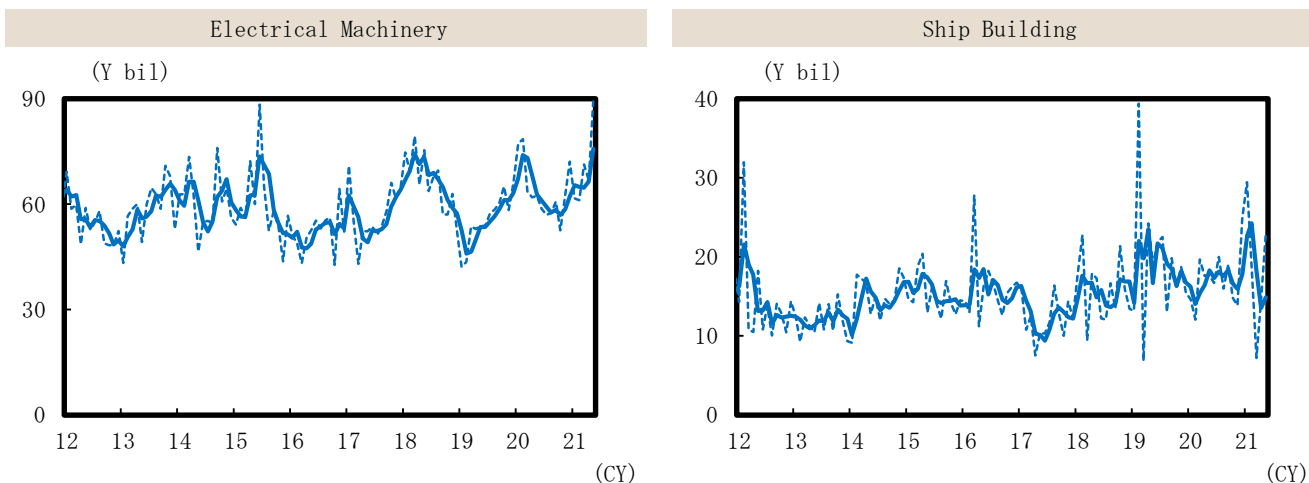


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

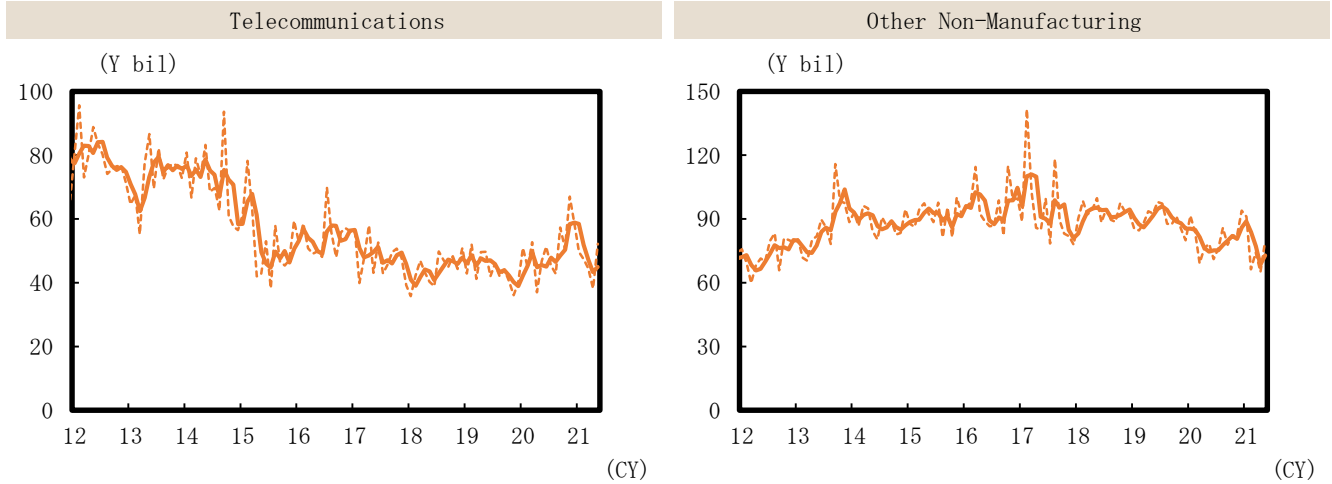
Order Amounts by Industry (Manufacturing) Chart 3



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

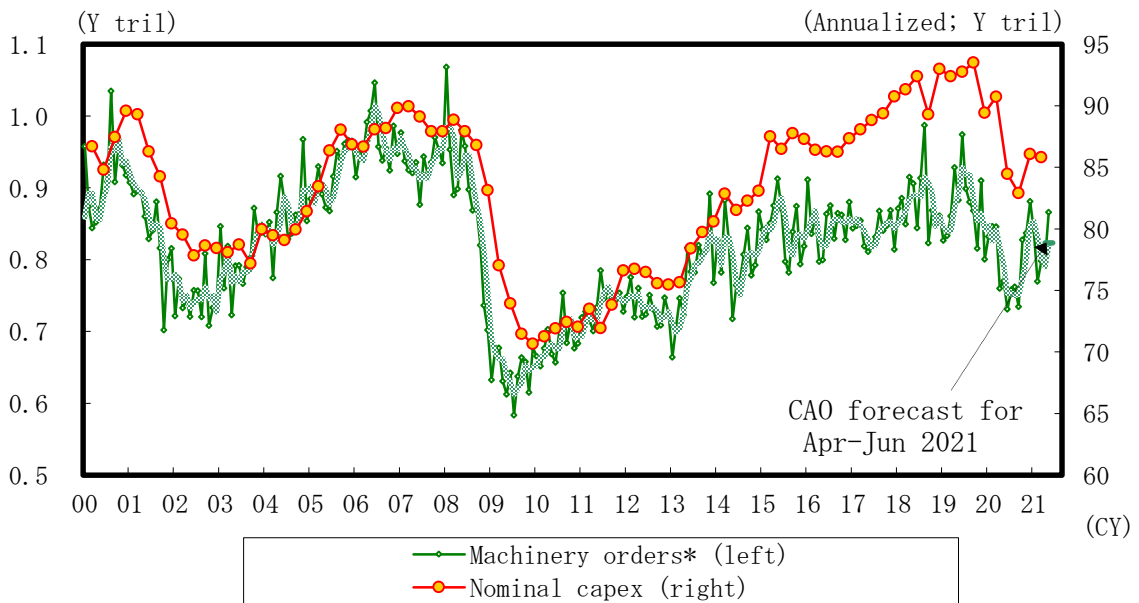
Note: Thick lines 3M/MA basis.

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.