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# June 2021 Machinery Orders

**Private sector demand declines for first time in four months due to reactionary decline**

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## Summary

- According to statistics for machinery orders in June 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the first time in four months at -1.5% m/m. While orders declined overall, by source of demand, both manufacturing and non-manufacturing achieved growth. Differences are seen with the overall figures in performance by industry if we include ships in manufacturing, or when we look at the seasonally adjusted figures.
- Looking at performance by industry, manufacturing orders grew for the third consecutive month at +3.6% m/m, hitting the 400 bil yen level for the first time since October 2018. Orders grew especially general-purpose and production machinery, non-ferrous metals, and information & communication electronics equipment. Meanwhile, non-manufacturing orders (excluding ships and electrical power) grew by +3.8%. Wholesale and retail trade achieved especially high growth due to large-scale projects (exceeding 10 bil yen), while other non-manufacturing, including construction and transportation & postal activities, also recorded growth in orders. Overseas orders experienced a reactionary decline in response to the rapid growth it had experienced through the previous month. Performance declined for the first time in three months at -10.0%.
- As for the future of private sector demand (excluding ships and electrical power), recovery is expected to continue. In addition to increase in exports to the US and Europe, investment in decarbonization and digitalization are also expected to provide underlying support. Meanwhile, non-manufacturing, which had been lagging in recovery, is also expected to shift into a growth phase during the Jul-Sep period as investment which had been postponed is likely resumed.

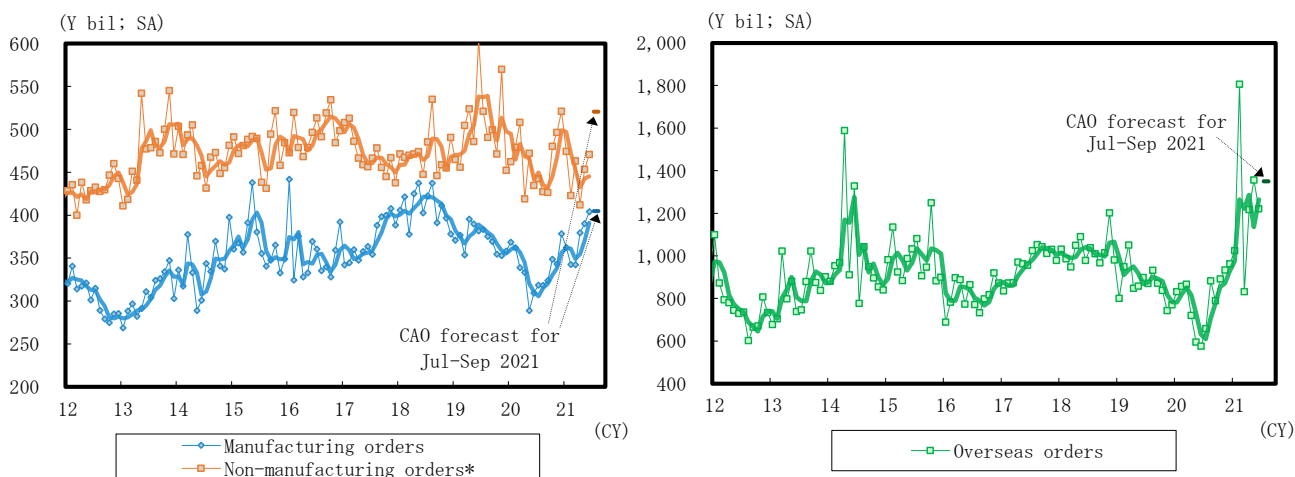
Machinery Orders (m/m %; SA)													Chart 1
	2020						2021						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Machinery orders (private sector)*	3.7	0.5	-3.6	12.6	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	
Market consensus (Bloomberg)												▲2.8	
DIR Economist estimate												▲3.3	
Manufacturing orders	3.0	-0.0	1.7	7.7	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	
Non-manufacturing orders*	1.8	-3.5	-0.2	12.6	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	
Overseas orders	14.4	34.1	-10.7	13.0	4.8	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	

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

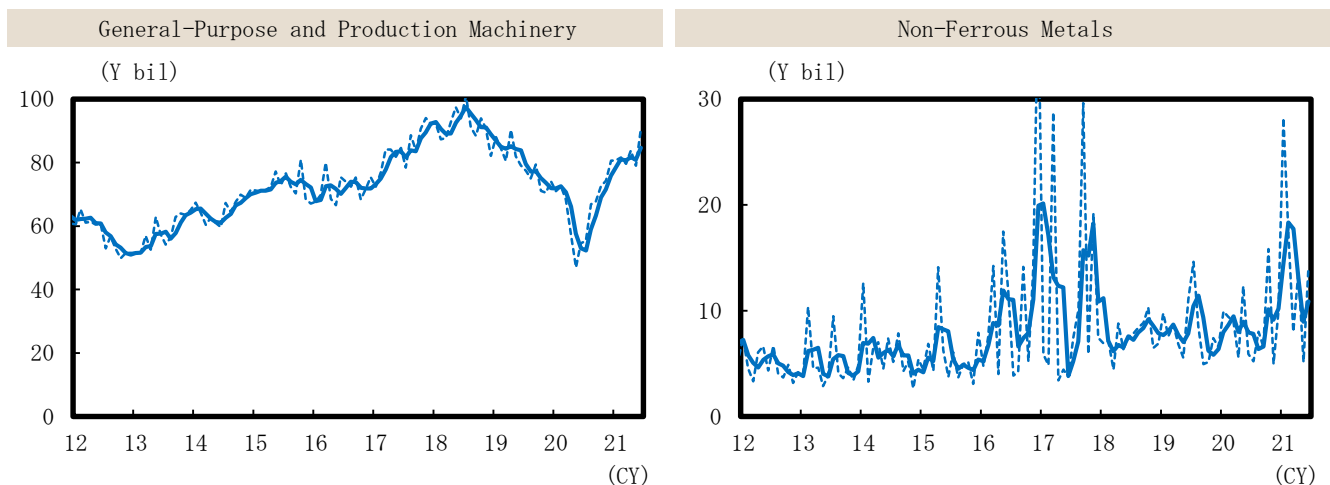


Source: Cabinet Office (CAO); compiled by DIR.

\*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.

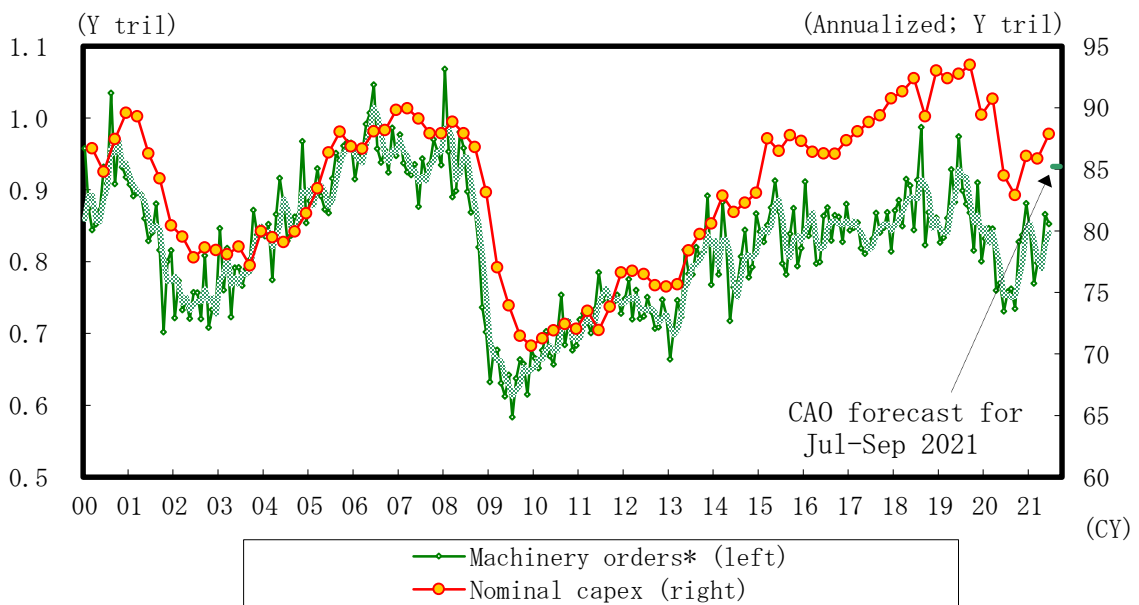
Note: Thick lines 3M/MA basis.

**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.