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# July 2021 Machinery Orders

Private sector demand shifts into growth for first time in two months, but outcomes contrast sharply depending on industry

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## Summary

- According to statistics for machinery orders in July 2021, 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 +0.9% m/m, but did not reach the level of market consensus. There was a sharp disparity between the favorable manufacturing industries and the non-manufacturing industries, which were lagging in recovery.
- Looking at performance by industry, manufacturing orders continued in a favorable recovery, growing for the fourth consecutive month at +6.7% m/m. Orders grew for electrical machinery, ship building, automobiles, parts and accessories. On the other hand, non-manufacturing orders (excluding ships and electrical power) declined for the first time in three months by -9.5%. Construction, transportation & postal activities, as well as wholesale and retail trade, which had large-scale projects (exceeding 10 bil yen) during the previous month, all suffered declines. Overseas demand grew for the first time in two months at +24.1% in a continuation of its dynamic growth trend.
- As for the future of private sector demand (excluding ships and electrical power), recovery will likely continue. As for manufacturing orders, exports to the US and Europe are expected to continue providing underlying support. Meanwhile, non-manufacturing orders are expected to pick up the pace of recovery benefitting from the current trend toward economic normalization, with investment in transportation & postal activities, aircraft and rolling machines, and other areas which had been postponed, expected to resume. However, it should be noted that there is still a risk of downturn depending on the status of COVID-19 infections.

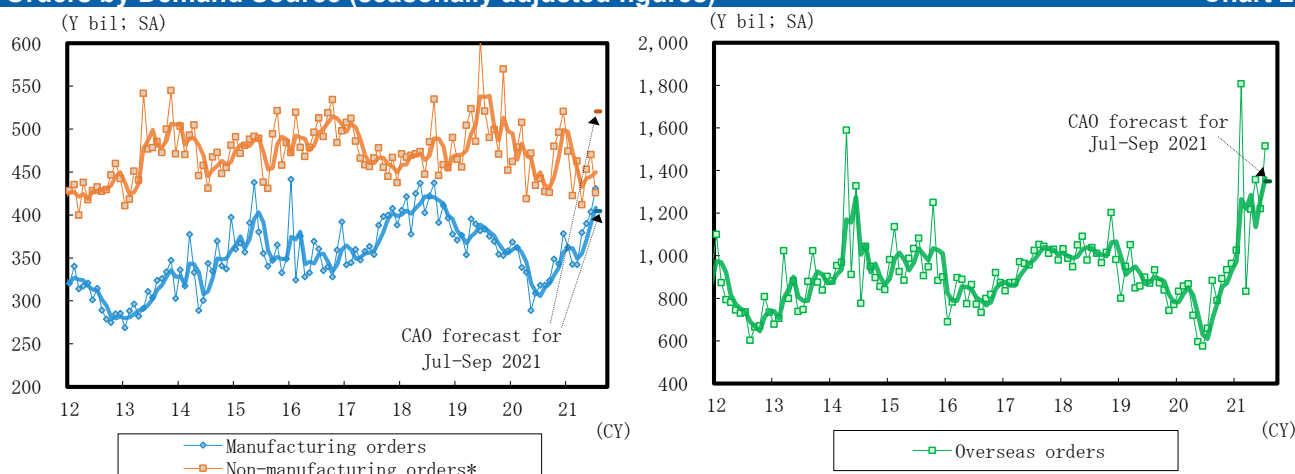
Machinery Orders (m/m %; SA)													Chart 1
	2020					2021							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Machinery orders (private sector)*	0.5	-3.6	12.6	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	0.9	
Market consensus (Bloomberg)												2.5	
DIR Economist estimate												3.6	
Manufacturing orders	-0.0	1.7	7.7	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	6.7	
Non-manufacturing orders*	-3.5	-0.2	12.6	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	-9.5	
Overseas orders	34.1	-10.7	13.0	4.8	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	24.1	

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

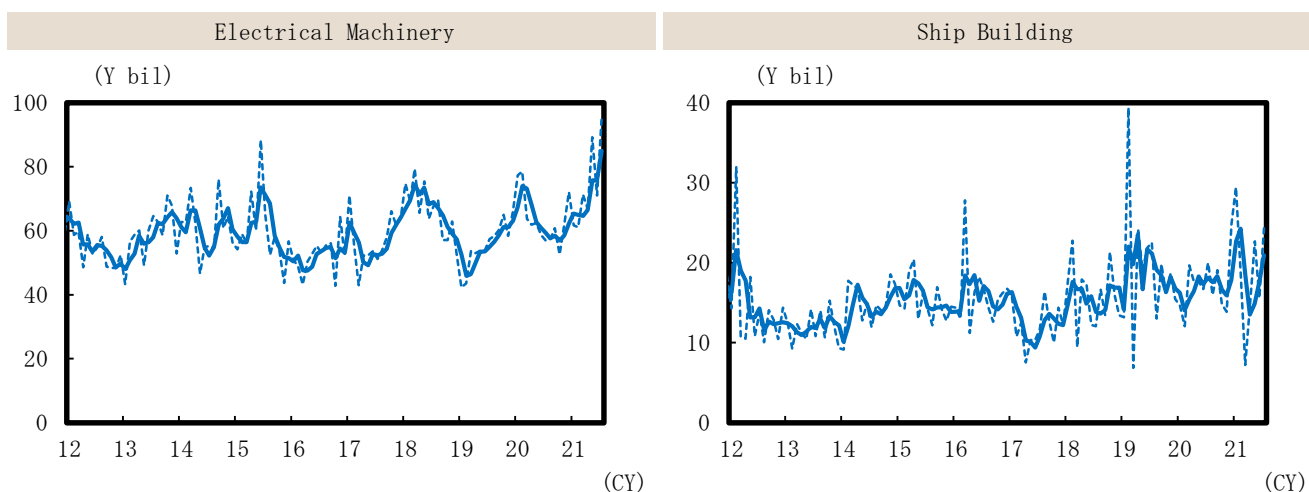


Source: Cabinet Office (CAO); compiled by DIR.

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

Note: Thick lines 3M/MA basis.

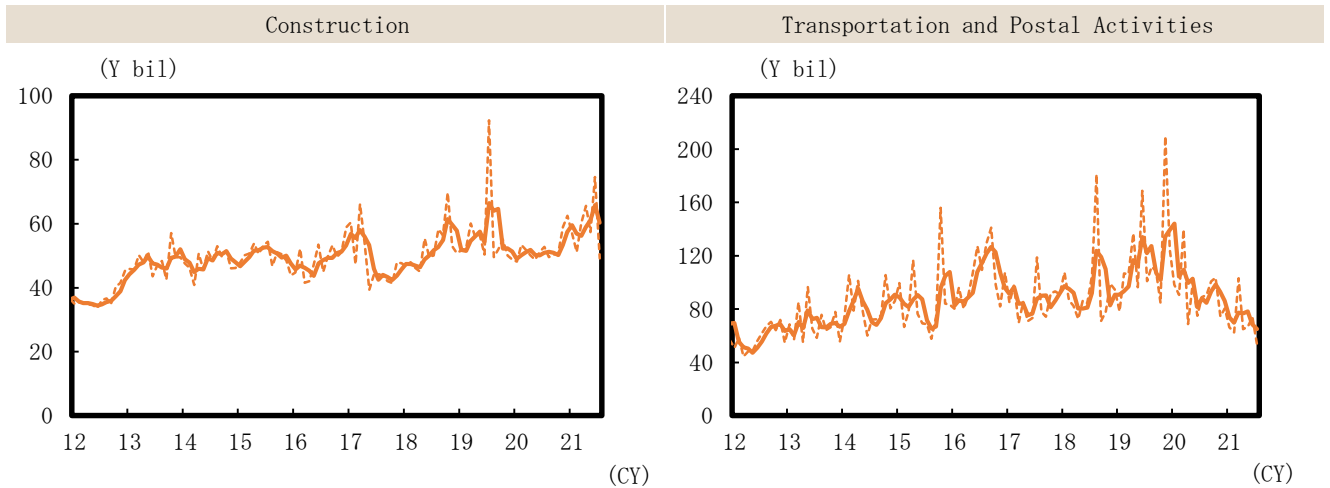
**Order Amounts by Industry (Manufacturing)** Chart 3



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

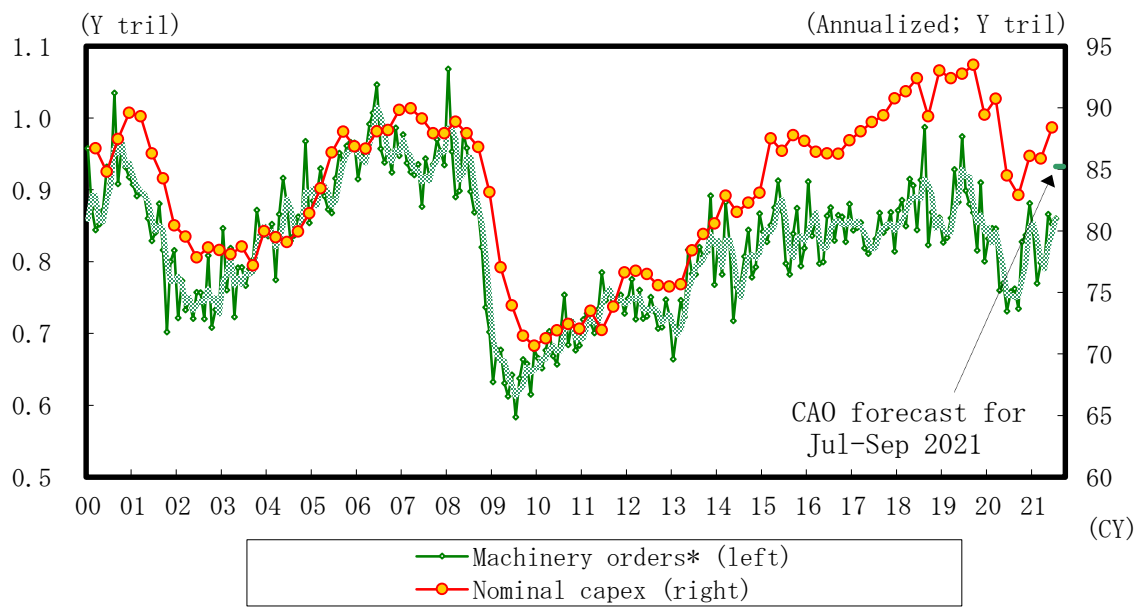
Note: Thick lines 3M/MA basis.

**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.