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Japanese report: 13 Oct 2021

August 2021 Machinery Orders

Private sector demand declines for first time in two months due to major downturn in manufacturing industry

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Summary

- According to statistics for machinery orders in August 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders declined for the first time in two months at -2.4% m/m, contrary to market consensus. The Cabinet Office downgraded its assessment for machinery orders from July's "signs of picking up" to "signs of stalling in their recovery".
- Manufacturing orders declined for the first time in five months at -13.4% m/m, pulling down private sector demand (excluding ships and electrical power) along with it. Looking at performance by industry, orders declined for electrical machinery, general-purpose and production machinery, and ship building. On the other hand, non-manufacturing orders (excluding ships and electrical power) grew for the first time in two months by +7.1%. Wholesale and retail trade, transportation & postal activities, as well as telecommunications all contributed to growth. Overseas demand declined for the first time in two months at -14.7%.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to mark time for the time being, after which it will likely shift into a moderate recovery phase. As for manufacturing orders, growth in exports to the US and Europe is expected to provide support, while capital expenditure associated with semiconductors, which continue to suffer from a shortage, is also expected to buoy performance. Meanwhile, non-manufacturing orders are expected to move steadily toward a comeback benefitting from the trend toward economic normalization, with investment in transportation & postal activities, aircraft and rolling machines, and other areas which had been postponed, expected to resume.

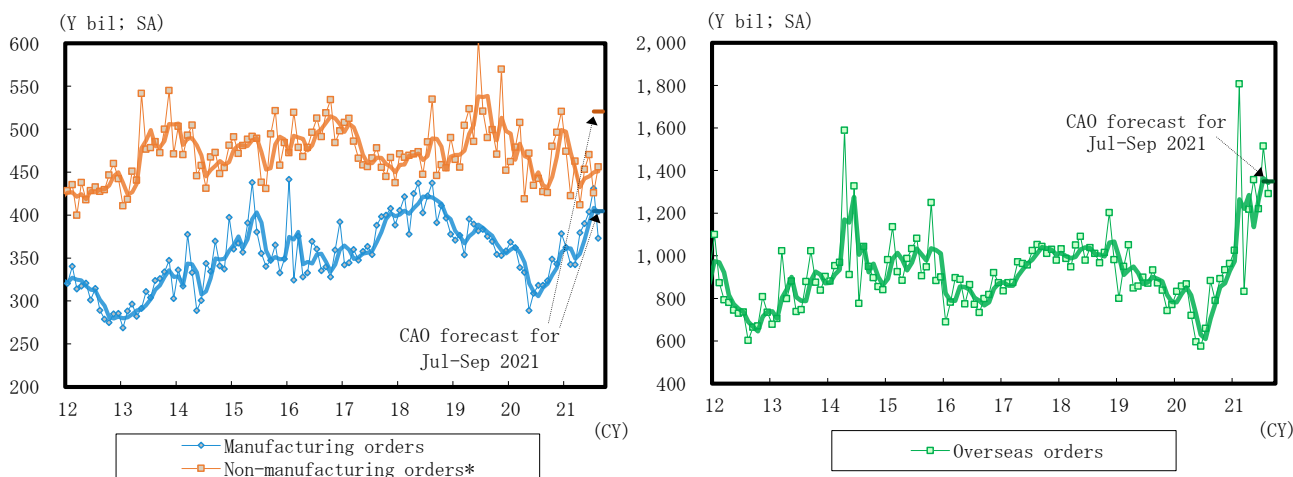
Machinery Orders (m/m %; SA)													Chart 1
	2020				2021								Aug
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		
Machinery orders (private sector)*	-3.6	12.6	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	0.9	-2.4	
Market consensus (Bloomberg)												1.4	
DIR Economist estimate												1.7	
Manufacturing orders	1.7	7.7	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	6.7	-13.4	
Non-manufacturing orders*	-0.2	12.6	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	-9.5	7.1	
Overseas orders	-10.7	13.0	4.8	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	24.1	-14.7	

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

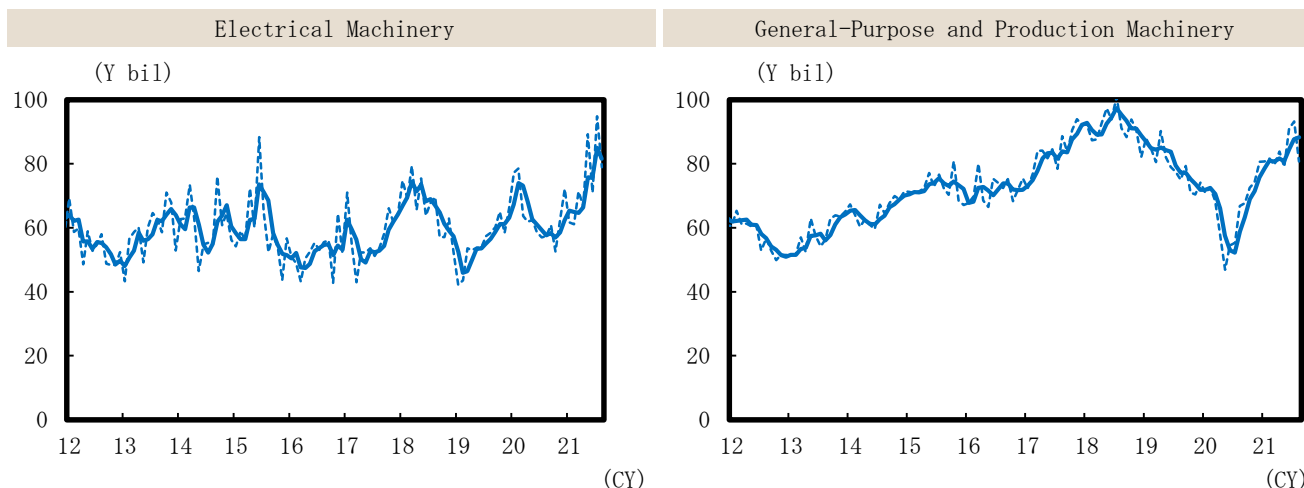


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

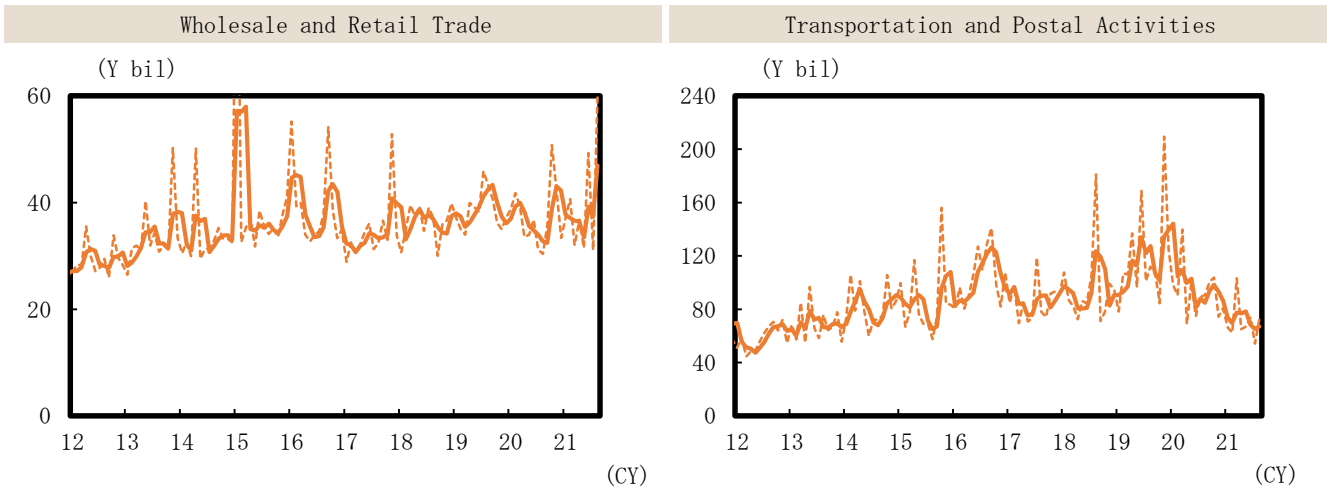
Order Amounts by Industry (Manufacturing) Chart 3



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

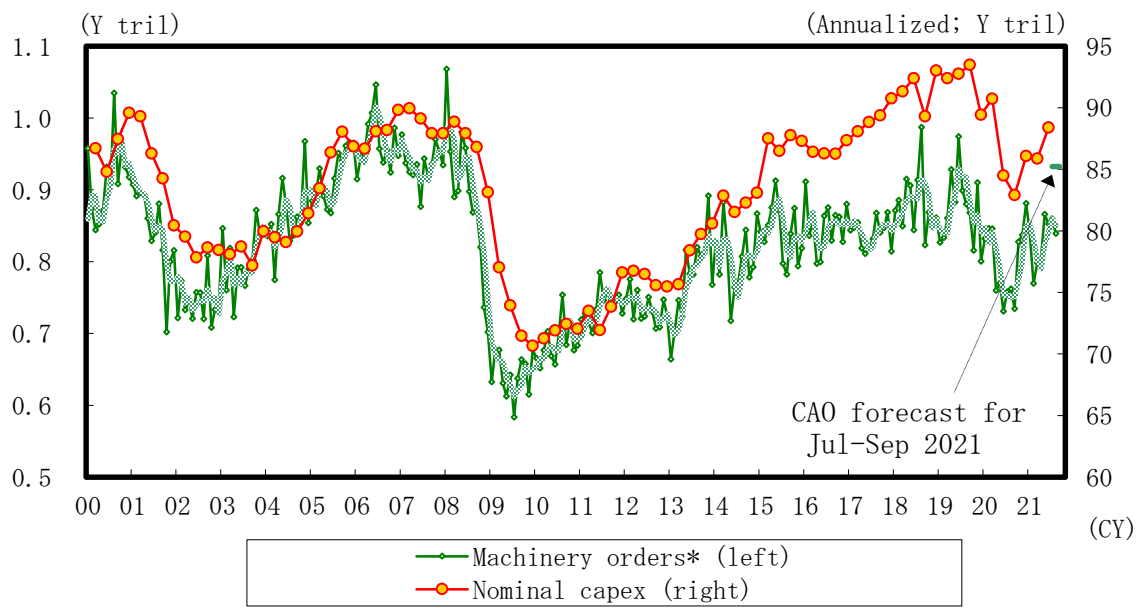
Note: Thick lines 3M/MA basis.

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.