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September 2021 Machinery Orders

Manufacturing shifts into major growth, but non-manufacturing suffers decline as private sector demand marks time

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Summary

- According to statistics for machinery orders in September 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders marked time at -0.0% m/m, contrary to market consensus. The Cabinet Office maintained its assessment for machinery orders at “signs of stalling in their recovery.”
- Manufacturing orders achieved major growth for the first time in two months at +24.8% m/m, providing underlying support for private sector demand (excluding ships and electrical power) overall. Looking at performance by industry, orders grew for chemical and chemical products (due to large-scale projects (exceeding 10 bil yen)), non-ferrous metals, and general-purpose and production machinery. On the other hand, non-manufacturing orders (excluding ships and electrical power) suffered a decline for the first time in two months at -11.7%. Wholesale and retail trade, as well as telecommunications experienced a reactionary decline in response to the previous month's performance, while in addition, sluggish performance was seen in a broad range of industries. Overseas demand declined for the second consecutive month at -14.2%, though the level of performance remains high.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to shift into a moderate recovery phase after marking time for the time being. As for manufacturing, capital expenditure in semiconductors in order to keep up with recovery production in motor vehicles is expected to buoy performance. Meanwhile, non-manufacturing is expected to move steadily toward a comeback benefitting from investment in transportation & postal activities, aircraft and rolling machines which has resumed, backed by the recovery in consumption of services in the domestic economy.

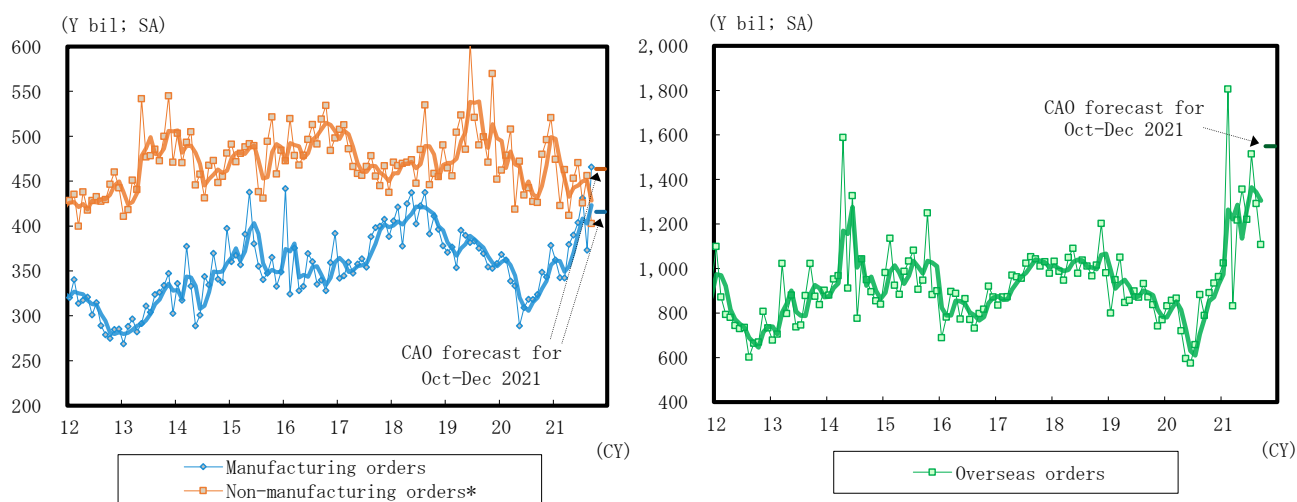
Machinery Orders (m/m %; SA)												Chart 1
	2020			2021								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Machinery orders (private sector)*	12.6	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	0.9	-2.4	-0.0
Market consensus (Bloomberg)												1.5
DIR Economist estimate												4.0
Manufacturing orders	7.7	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	6.7	-13.4	24.8
Non-manufacturing orders*	12.6	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	-9.5	7.1	-11.7
Overseas orders	13.0	4.8	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	24.1	-14.7	-14.2

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)

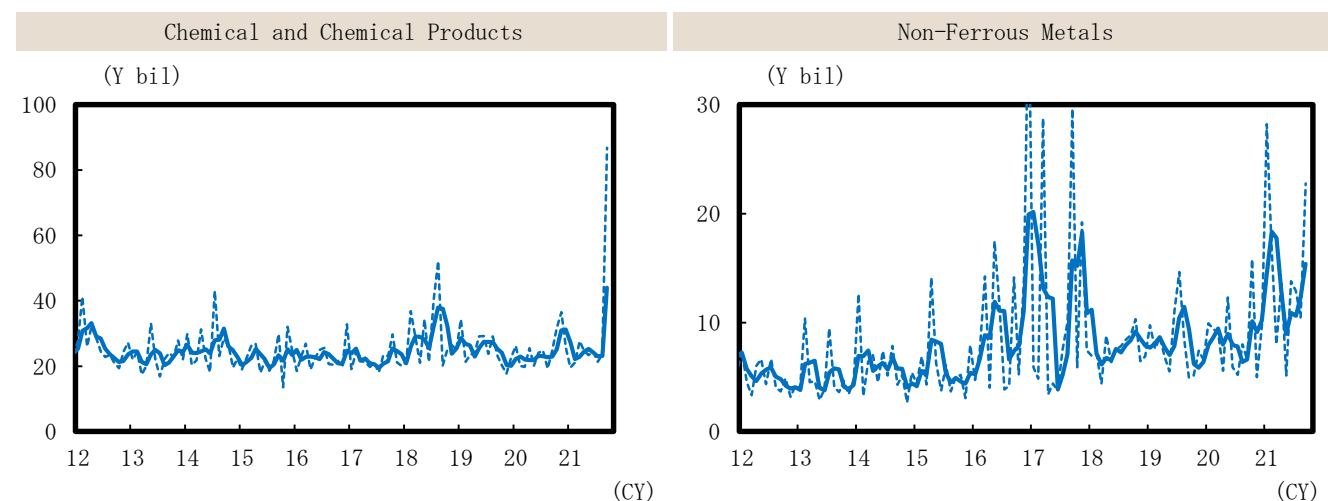


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Manufacturing)

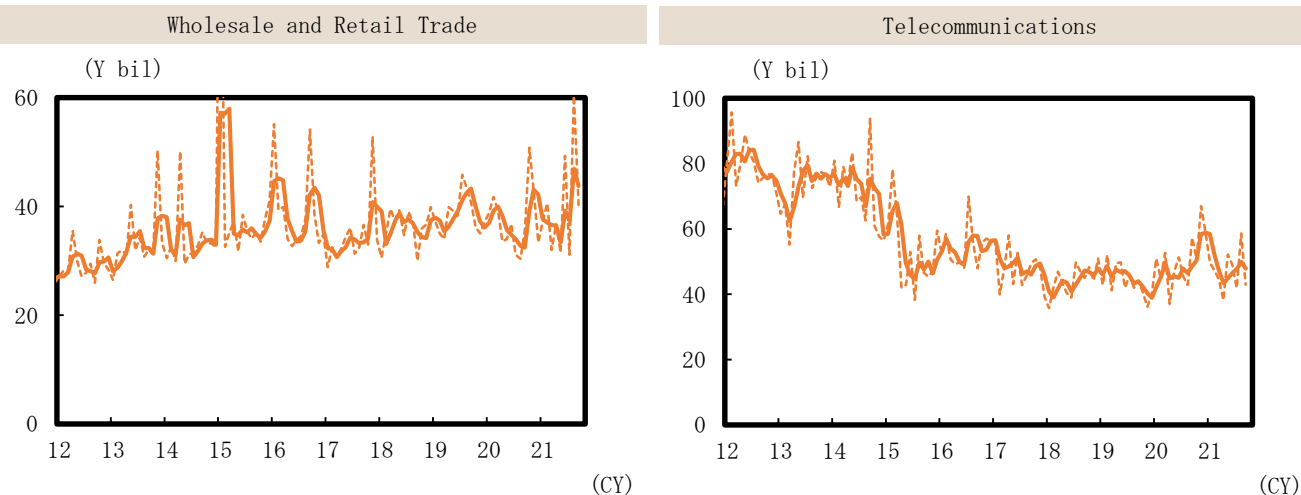


Source: Cabinet Office (CAO); compiled by DIR.

Note: Thick lines 3M/MA basis.

Order Amounts by Industry (Non-Manufacturing)

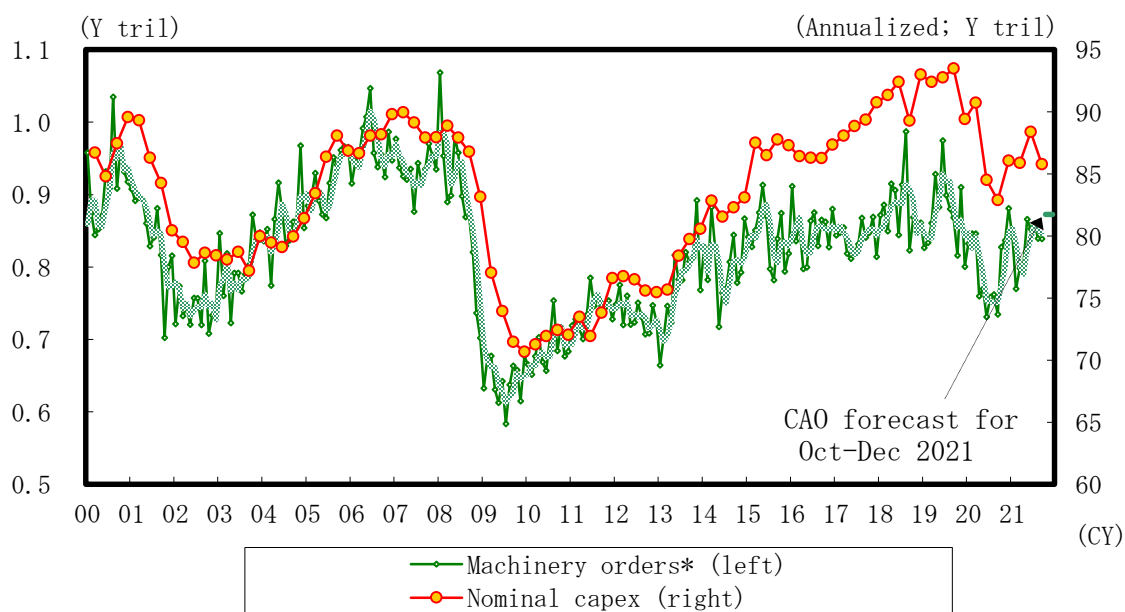
Chart 4



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.