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Japanese report: 13 Dec 2021

October 2021 Machinery Orders

Non-manufacturing heading towards comeback in wide range of industries; private sector demand achieves growth for first time in three months

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Summary

- According to statistics for machinery orders in October 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the first time in three months at +3.8% m/m, while at the same time exceeding market consensus (Bloomberg survey: +1.8%). The Cabinet Office maintained its assessment for machinery orders at “signs of stalling in their recovery.”
- Manufacturing orders declined for the first time in two months at -15.4% m/m. Looking at performance by industry, orders experienced a reactionary decline in chemical and chemical products, non-ferrous metals, and other industries. On the other hand, non-manufacturing orders (excluding ships and electrical power) achieved growth for the first time in two months at +16.5%. A broad range of industries showed signs of making a comeback, centering on transportation & postal activities, which was helped by large-scale projects (exceeding 10 bil yen). Overseas demand grew for the first time in three months at +17.2%.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to experience a moderate recovery. With the state of emergency and other measures having been lifted, domestic growth is expected to shift from manufacturing to non-manufacturing, which will become the new leader in orders. 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 see a comeback in a broad range of industries due to the recovery in consumption of services in the domestic economy.

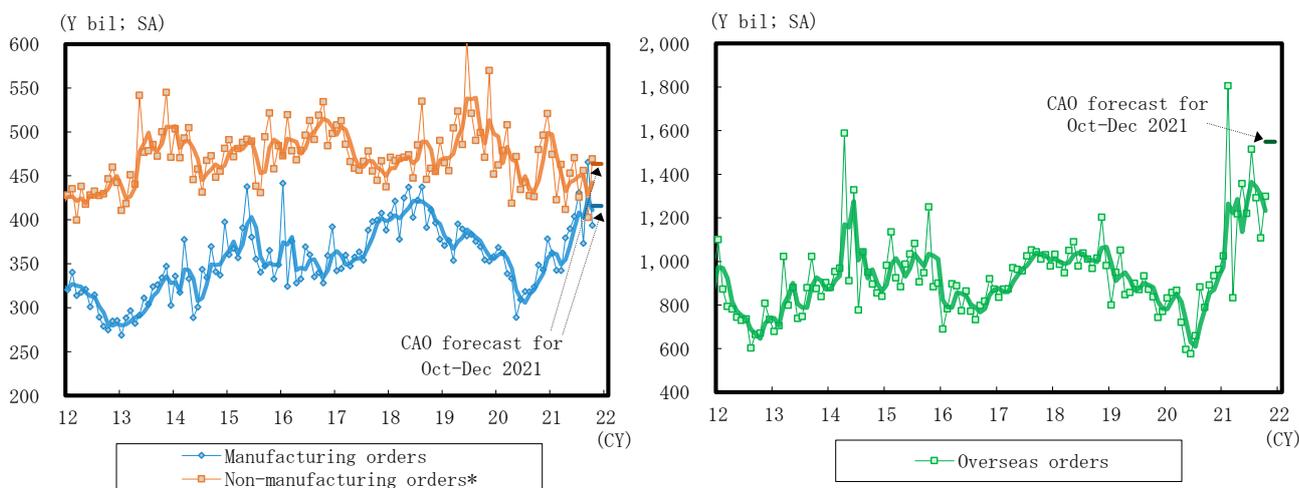
Machinery Orders (m/m %; SA)												Chart 1
	2020		2021									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Machinery orders (private sector)*	1.1	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	0.9	-2.4	-0.0	3.8
Market consensus (Bloomberg)												1.8
DIR Economist estimate												0.9
Manufacturing orders	-1.6	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	6.7	-13.4	24.8	-15.4
Non-manufacturing orders*	3.4	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	-9.5	7.1	-11.7	16.5
Overseas orders	4.8	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	24.1	-14.7	-14.2	17.2

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) Chart 2

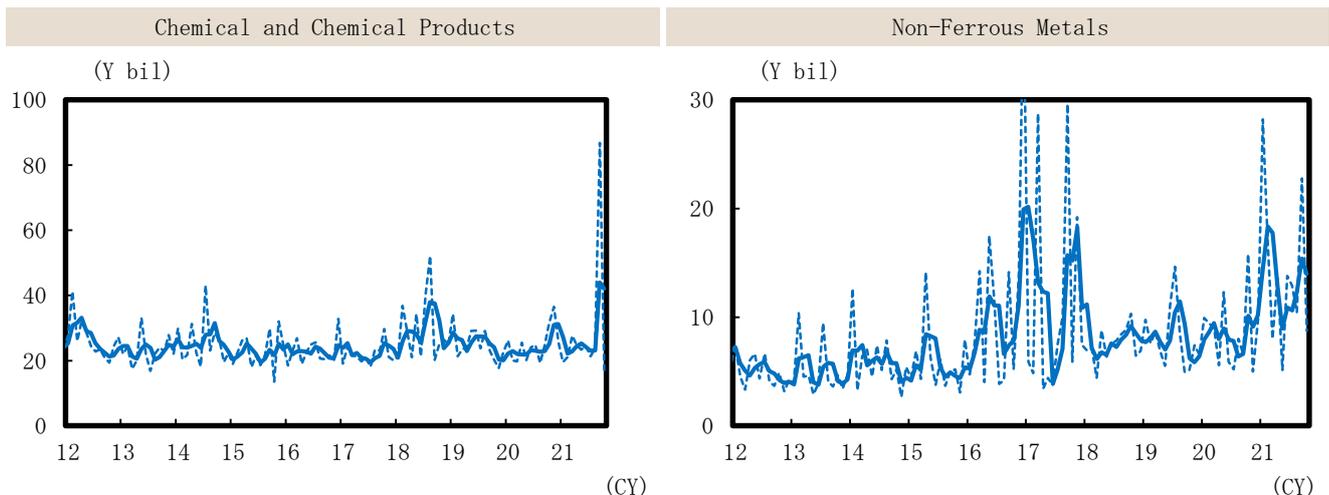


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

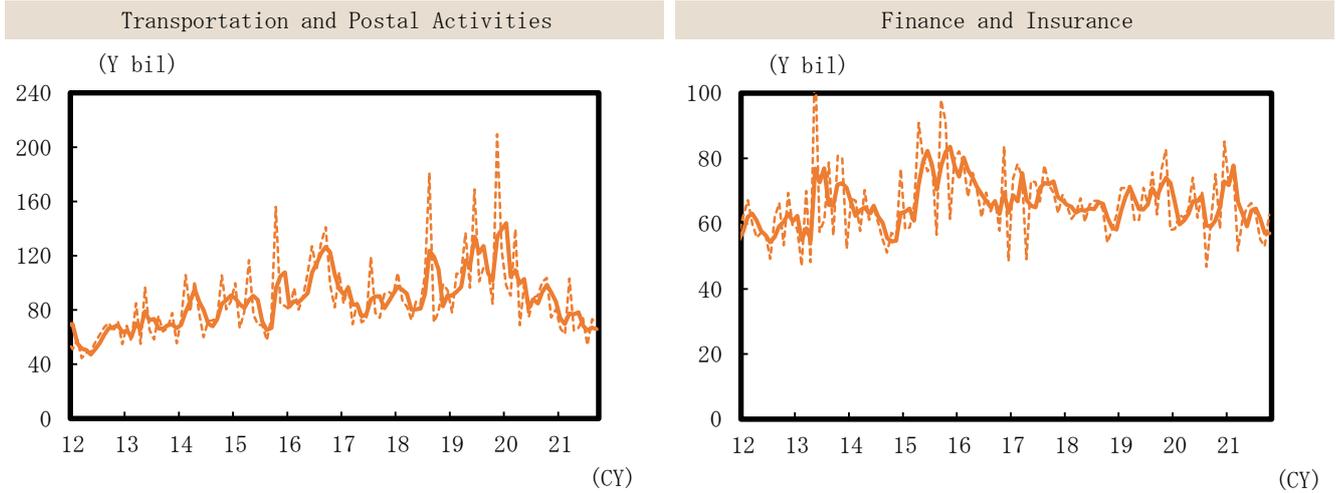
Order Amounts by Industry (Manufacturing) Chart 3



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

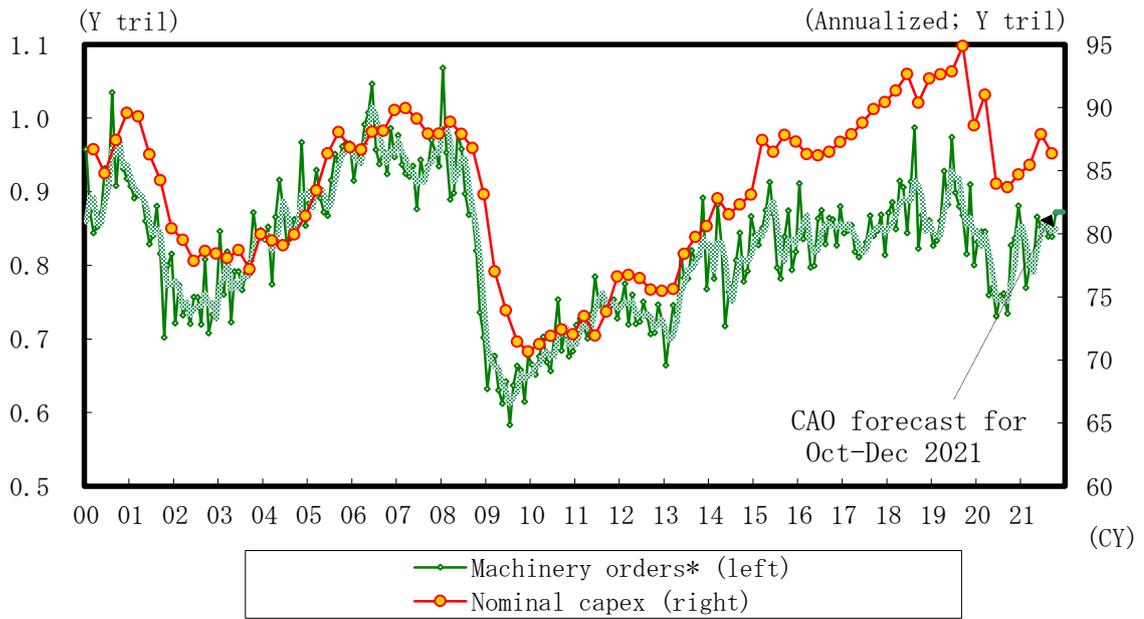
Note: Thick lines 3M/MA basis.

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.