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November 2021 Machinery Orders

Government assessment of economy revised upwards to “signs of picking up,” due to continued growth in private sector

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Summary

- According to statistics for machinery orders in November 2021, the leading indicator for domestic capex and private sector demand (excluding ships and electrical power), orders grew for the second consecutive month at +3.4% m/m, while at the same time exceeding market consensus (Bloomberg survey: +1.0%). The Cabinet Office revised its assessment for machinery orders upwards to “signs of picking up.”
- Manufacturing orders grew for the first time in two months at +12.9% m/m. Looking at performance by industry, major contributions to growth came from electrical machinery, general-purpose and production machinery, and other major industries. On the other hand, non-manufacturing orders (excluding ships and electrical power) suffered a decline for the first time in two months at -0.8%. Transportation & postal activities, which saw large-scale projects exceeding 10 bil. yen during the previous month, pulled overall performance down along with it, though a broad range of other industries actually saw growth. Overseas demand grew for the second consecutive month at +0.7%.
- As for the future of private sector demand (excluding ships and electrical power), performance is expected to continue marking time. With the rapid spread of the Omicron variant of COVID-19 and the implementation of measures to prevent its further spread, capex is likely to decline centering on service industries associated with moving about and close contact. On the other hand, capex in semiconductors and related industries both in the domestic market and overseas is expected to provide underlying support for the overall economy.

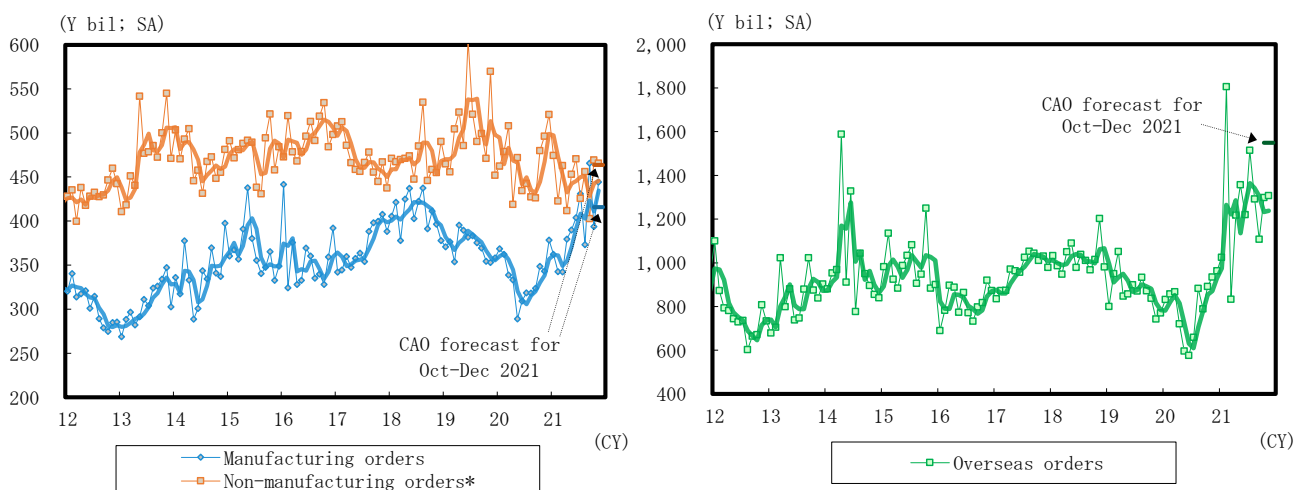
Machinery Orders (m/m %; SA)												Chart 1
	2020		2021									
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Machinery orders (private sector)*	5.3	-4.5	-8.5	3.7	0.6	7.8	-1.5	0.9	-2.4	-0.0	3.8	3.4
Market consensus (Bloomberg)												1.0
DIR Economist estimate												-4.4
Manufacturing orders	10.3	-4.2	-5.5	-0.1	10.9	2.8	3.6	6.7	-13.4	24.8	-15.4	12.9
Non-manufacturing orders*	4.9	-8.9	-10.9	9.5	-11.0	10.0	3.8	-9.5	7.1	-11.7	16.5	-0.8
Overseas orders	3.1	6.4	76.2	-53.9	46.2	11.4	-10.0	24.1	-14.7	-14.2	17.2	0.7

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

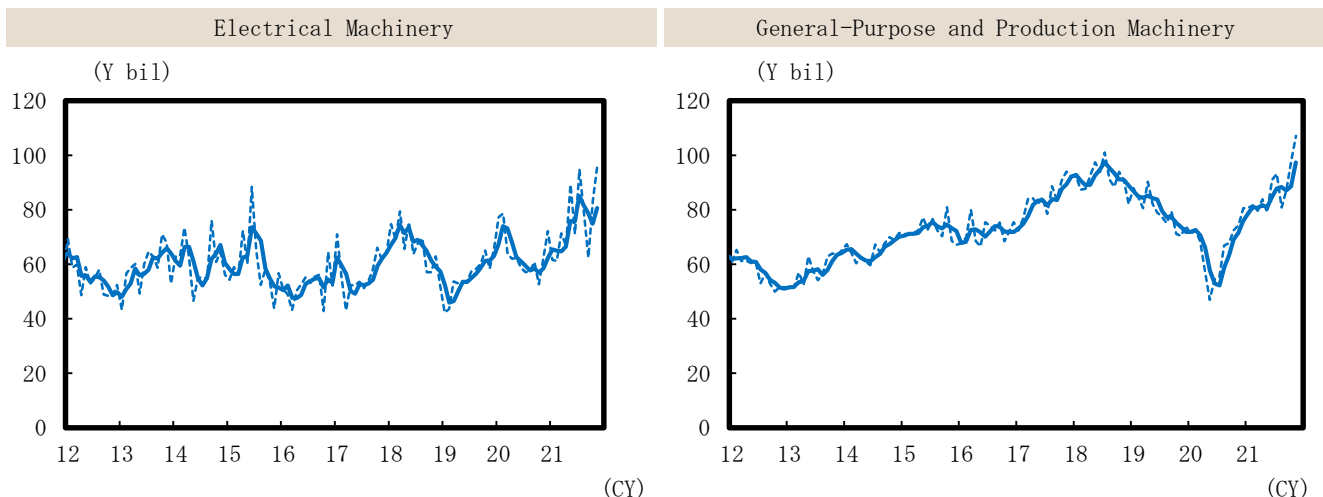


Source: Cabinet Office (CAO); compiled by DIR.

*excl. those for ships and from electric utilities.

Note: Thick lines 3M/MA basis.

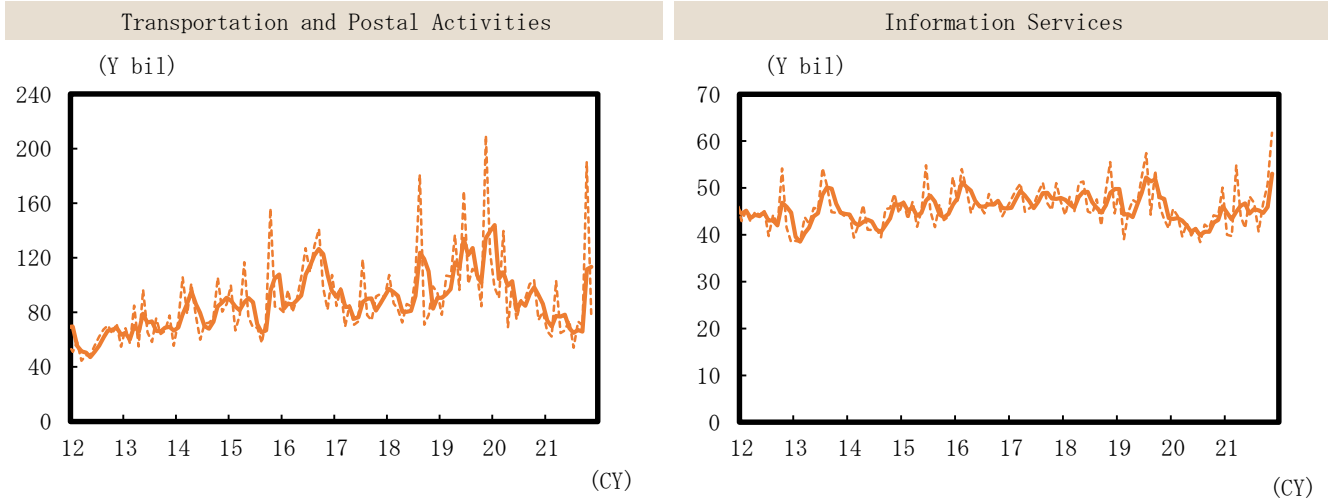
Order Amounts by Industry (Manufacturing) Chart 3



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

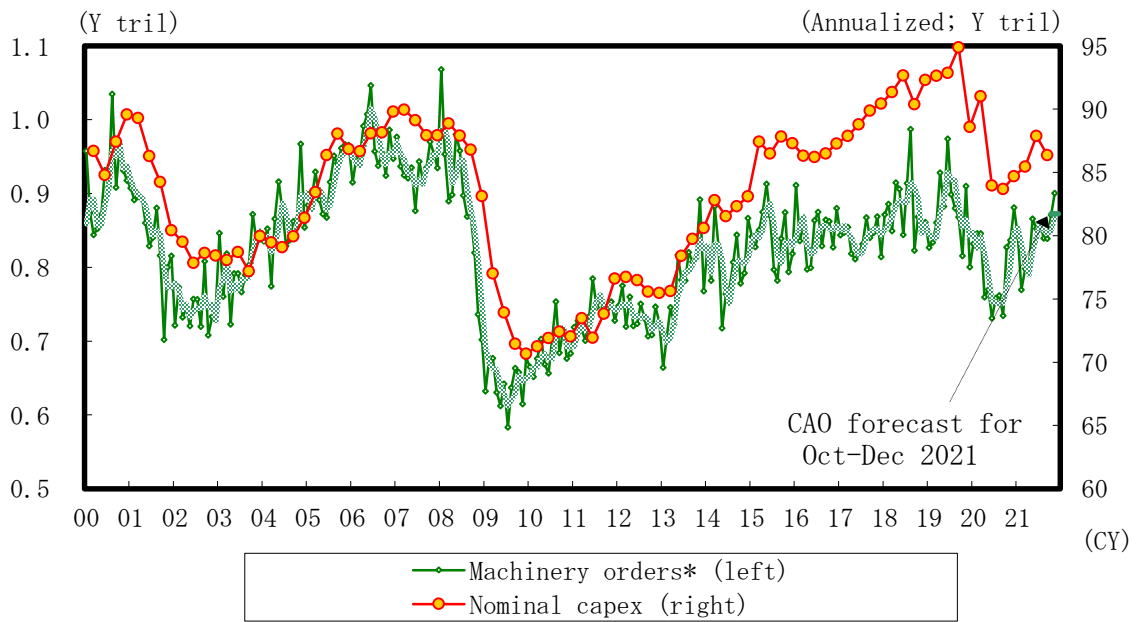
Note: Thick lines 3M/MA basis.

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.