

Japan Capital Goods

December JMTBA data: Orders declined 10% YoY, better than expected

Industry Overview

Orders declined 10% YoY in December

The Japan Machine Tool Builders' Association (JMTBA) published the preliminary machine tool orders data for December after the market close on 15 January. Orders fell 10% YoY (to ¥126.6bn). YoY growth momentum improved further from November (-14% YoY) and October (-21% YoY), driven by domestic orders. Overall, December orders were better than our expectation of a decline of around 15% YoY.

Overall, YoY trends do appear to be improving gradually from May 2023 (-22% YoY) with some ups and downs. In the short term, we believe YoY growth could trend at current levels. However, as YoY comps get easier into the spring, we could start to see YoY growth momentum improve. Moreover, the latest uptick in the BofA Japan FA Indicator suggests that the bias of risk is to the upside in YoY growth over the coming months.

We believe the JMTBA data should help to reinforce the market's view that the factory automation cycle is in the process of bottoming out.

Domestic orders improved

Domestic orders improved significantly from -28% YoY in November to -11% in December. The MoM increase of 16% was at the higher end of seasonal trends. While we are wary of turning too optimistic on the outlook, given the possibility of one-off large-scale orders, we see no reason to believe that underlying demand is turning any worse. Exports momentum slowed somewhat from -6% YoY in November to -10% in December, but we believe this is partly due to a high base.

January orders could decline by around 10% YoY

January orders tend to decline MoM, and based on historical trends, we believe orders could decline by around 10% YoY.

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Kenjin Hotta >>
Research Analyst
BofAS Japan
+81 3 6225 7786
kenjin.hotta@bofa.com

Sayumi Konishi >>
Research Analyst
BofAS Japan
sayumi.konishi@bofa.com

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Timestamp: 16 January 2024 09:08AM EST

Exhibit 1: Japan machine tool orders

JMTBA orders -10% YoY

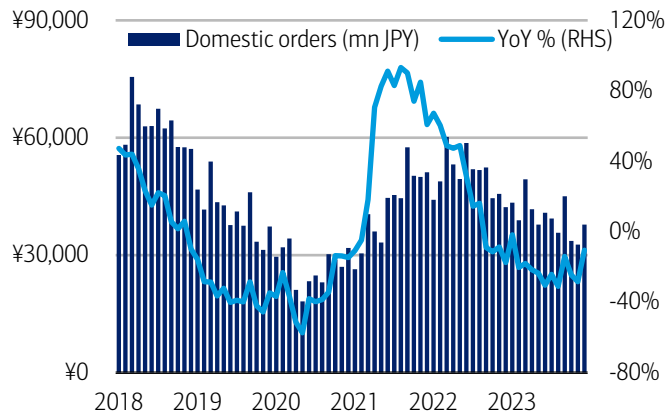


Source: JMTBA, BofA Global Research

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Exhibit 2: Domestic machine tool orders trend

Domestic orders +16% MoM

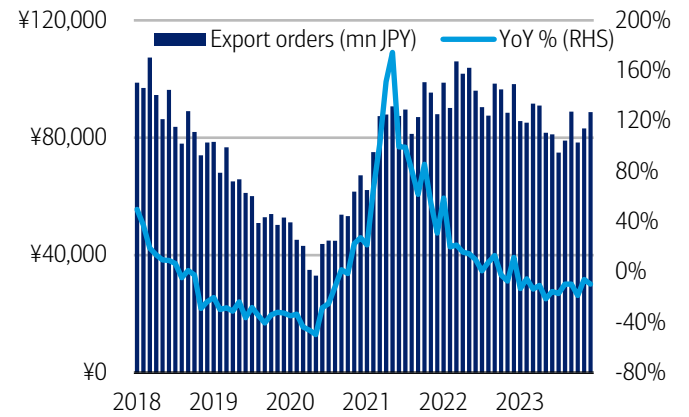


Source: JMTBA, BofA Global Research

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Exhibit 3: Export machine tool orders trend

Export orders +7% MoM

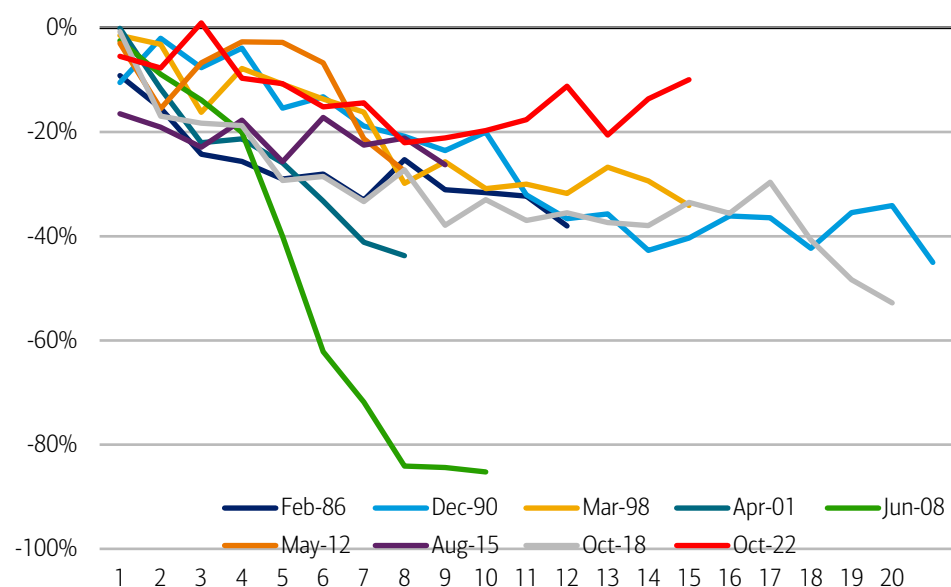


Source: JMTBA, BofA Global Research

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Exhibit 4: Machine tool orders from the month it breaches 0% YoY to when the YoY growth bottoms

It usually takes 8-9 months for orders momentum to bottom, but we need to be wary of prolonged downcycles



Source: JMTBA, BofA Global Research

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