

Japan Capital Goods

Jan JMTBA data: Orders declined 14% YoY,
slightly below expectations

Industry Overview

Orders declined 14% YoY in Jan

The Japan Machine Tool Builders' Association (JMTBA) published the preliminary machine tool orders data for Jan. Orders fell 14% YoY (to ¥110.9bn). YoY growth momentum decelerated from Dec (-10% YoY), reverting to a rate of decline similar to that in Nov (-14% YoY). The slower momentum was largely due to domestic orders, which weakened after a rebound in Dec. Overall, Jan orders were lower than our expectation for a decline of around 10% YoY. That said, we believe some adjustment in Jan after a stronger-than-expected Dec was to be expected, and we see no reason to believe underlying demand deteriorated significantly.

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 the bias of risk is to the upside in YoY growth over the coming months.

We continue to 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 weakened

Domestic orders deteriorated from -10% YoY in Dec to -30% in Jan. However, this is similar to -28% YoY in Nov and, while demand is weak, we see no reason to believe that overall trends deteriorated significantly. Exports held up relatively well, with momentum improving from -10% YoY in Dec to -6% YoY in Jan.

Feb orders could decline around 15% YoY

Based on seasonal trends and a lackluster demand environment, we believe orders could decline by around 15% YoY in Feb.

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Timestamp: 13 February 2024 06:04AM EST

Exhibit 1: Japan machine tool orders

JMTBA orders -14% YoY

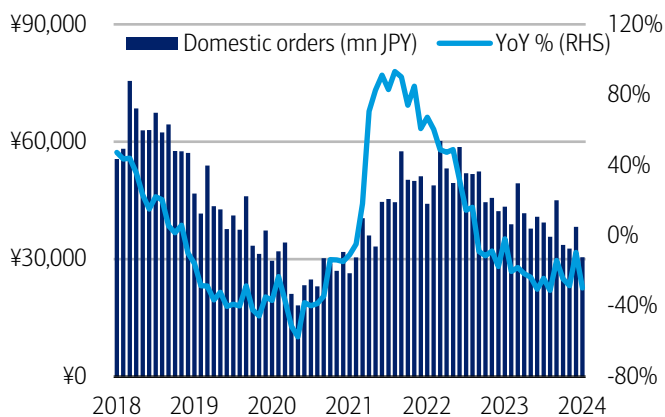


Source: JMTBA, BofA Global Research

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Exhibit 2: Domestic machine tool orders trend

Domestic orders -20% MoM

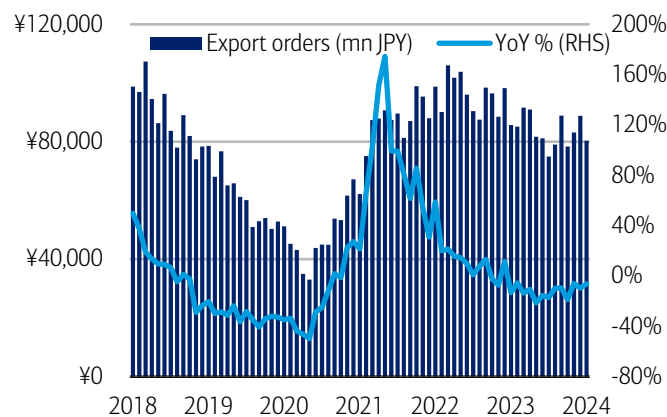


Source: JMTBA, BofA Global Research

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Exhibit 3: Export machine tool orders trend

Export orders -10% MoM

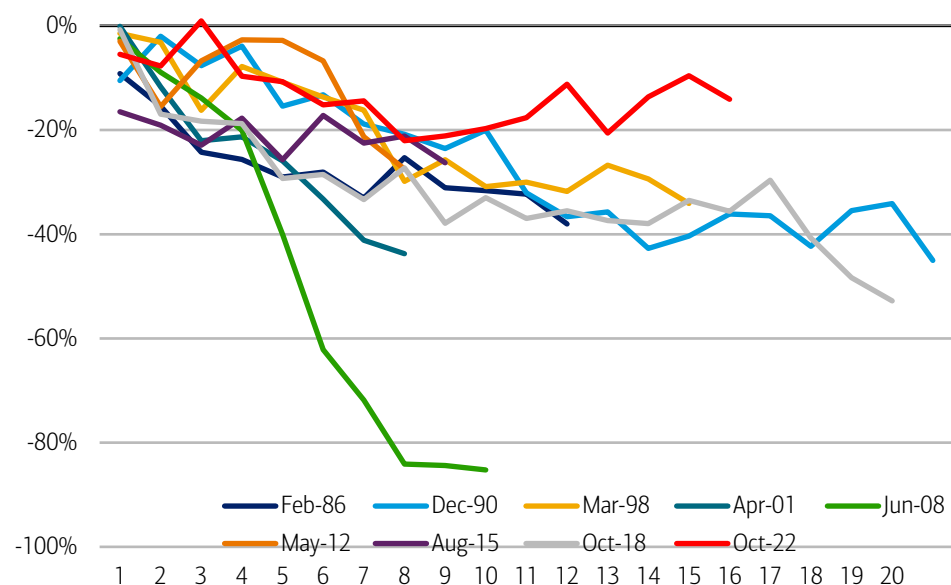


Source: JMTBA, BofA Global Research

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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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