

Japan Capital Goods

Jan JMTBA orders: -14% YoY; China improved, Japan still weak

Industry Overview

Jan orders -14% YoY; slightly below expectations

Japan Machine Tool Builders' Association (JMTBA) published the final orders data for December. Orders fell 14% YoY (-13% MoM) to ¥111bn, decelerating from December (-10%) and reverting to a decline rate similar to that in Nov (-14% YoY), as noted in our report [Japan Capital Goods: Jan JMTBA data: Orders declined 14% YoY, slightly below expectations, 13 February 2024](#). China continued to improve, albeit off a lower YoY base, and the US remained relatively firm. On the other hand, momentum in Japan and Europe slowed. Overall, however, we believe some adjustment in Jan after a stronger-than-expected Dec was to be expected, and the latest recovery in the [BofA Japan FA Indicator](#) suggests that YoY order growth could improve into the spring. For February, we expect orders to decline by around 15% YoY.

China continued to improve, while Europe weakened

Exports momentum picked up from -10% YoY in Dec to -6% YoY in Jan, led by continued improvements in China (-19% YoY → -6% YoY), though this was at least partly due to a low YoY base. US orders also held up relatively well (-9% YoY → -7% YoY). On the other hand, Europe saw weaker momentum (+1% YoY → -20% YoY), as Germany and other key countries continued to slow down. The MoM rate of -14% in Europe was also below seasonal trends.

Momentum continued to improve in China, driven by general machinery-related orders (-12% YoY → -1% YoY), which we see as one indicator for demand from small- to medium-sized enterprises and end-markets that are less exposed to structural tailwinds. Autos also improved (-16% YoY → -7% YoY) off a low base. On the other hand, electronics-related orders, which we think is useful in gauging trends for Fanuc's Robomachine segment orders, remained weak (-27% YoY / -21% MoM), though holding flattish in Jan vs. the Oct-Dec average. Overall, we believe incremental improvements in China are largely consistent with the China-related macro data points we follow.

Domestic orders declined 29% YoY

Domestic orders deteriorated from -9% YoY in Dec to -29% YoY in Jan, reverting to Nov levels (-28% YoY). Momentum slowed across all industries: industrial machinery (-10% YoY → -32% YoY), autos (-2% YoY → -11% YoY), and electronics (-21% YoY → -48% YoY). Demand remains weak, but we believe the previous month saw some one-off benefits from large-scale orders. January trends seem largely consistent with those in November, and therefore we do not think underlying demand deteriorated significantly.

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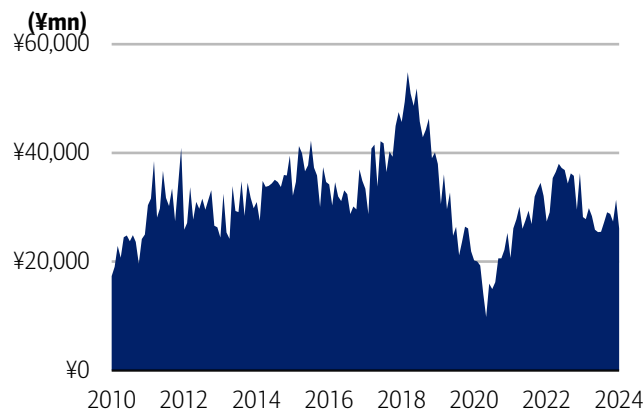
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Exhibit 1: Global auto-related orders

Auto-related orders -17% MoM

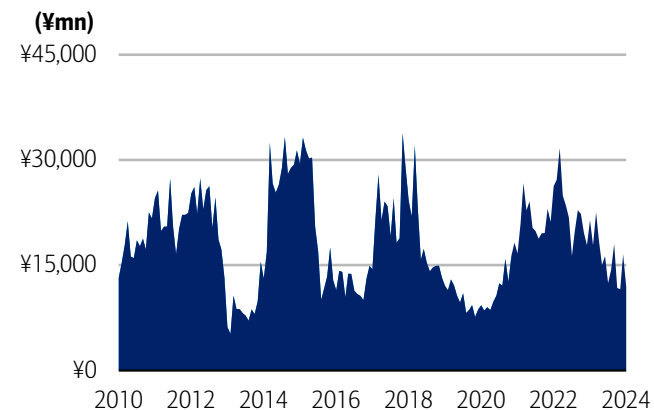


Source: JMTBA, BofA Global Research

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Exhibit 2: Global electronics/precision-related orders

Electronics/precision-related orders -28% MoM

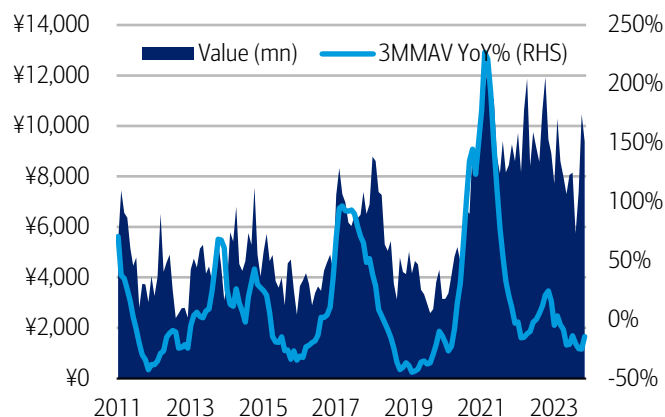


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Exhibit 3: China machine tool orders – General machinery

China general machinery-related orders -10% MoM

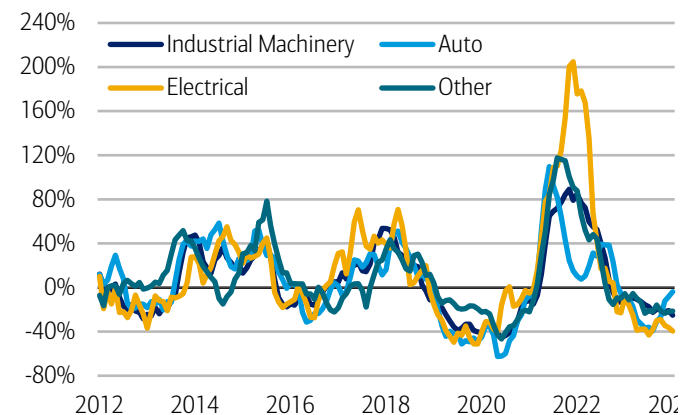


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Exhibit 4: Domestic machine tool orders by key end-markets (YoY 3MAVG %)

Most end-markets are still weak

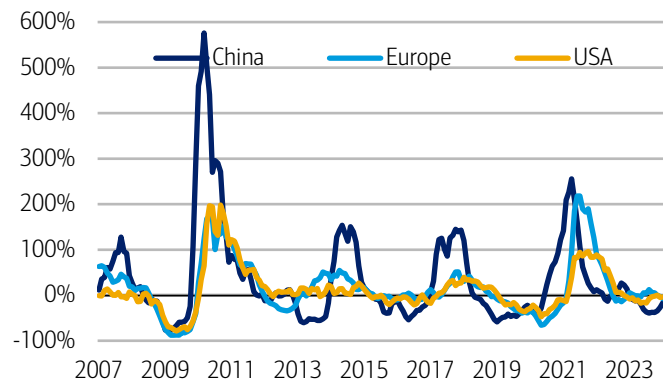


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Exhibit 5: Japan machine tool orders (3MMAV YoY%) by key region/country

All regions still sluggish

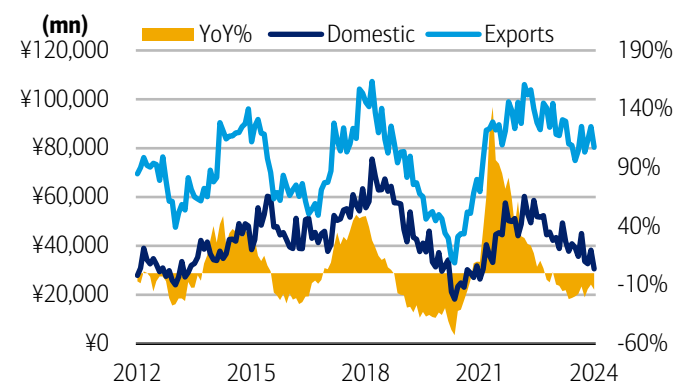


Source: JMTBA, BofA Global Research

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Exhibit 6: Japan machine tool orders (absolute and YoY%)

YoY growth is negative



Source: JMTBA, BofA Global Research

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