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au Jibun Bank Japan Manufacturing PMI®

Manufacturing business conditions improve in May

Key findings

PMI rises above 50.0 for first time in a year

Output and new orders broadly stable

Employment and input stocks expand

Data were collected 10-23 May 2024.

The health of Japan's manufacturing economy improved for the first time in a year during May, reflecting another round of job creation, a renewed increase in pre-production inventories and broadly stable volumes of new orders and production. Elsewhere, an intensification of cost pressures urged companies to hike their output prices to a greater extent.

At 50.4 in May, up from 49.6 in April, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – posted above the neutral mark of 50.0 for the first time in a year and therefore indicated a mild improvement in operating conditions.

Output was broadly stable in May, with the respective sub-index close to the no-change mark and rising to a 12-month high. Some firms indicated that a lack of incoming new business and shortages of key components weighed on production. However, this was partially offset by tentative improvements in demand for specific products at other companies.

The level of new orders placed with Japanese manufacturers was also broadly stable in May, with some companies noting a recovery in new business intakes at their units. Where sales fell, panellists cited subdued demand trends and sufficient stock levels at clients. There were also mentions of fewer biddings for public work and a lack of investment.

International orders decreased, with survey participants indicating weak demand from mainland China, Europe, North America and Vietnam. The overall rate of reduction was modest, however, and similar to April.

As has been the case in each month since August 2022, Japanese manufacturers trimmed purchasing activity in May. The rate of decline was modest, however, and little-changed since April. Supplier performance was broadly stable in May, as indicated by

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au Jibun Bank Japan Manufacturing PMI
sa, >50 = improvement since previous month



Sources: au Jibun Bank, S&P Global PMI.

Comment

Commenting on the latest survey results, Pollyanna De Lima at S&P Global Market Intelligence, said:

"The latest PMI results for Japan revealed encouraging trends across the manufacturing industry, with new orders and output broadly stable and businesses remaining optimistic about the year ahead. Input stocks rose as materials purchased in recent months arrived, boding well for production and cautiously suggesting that a gradual recovery in the near-term are on the cards."

"Factory employment rose but continued to be affected by retirements, with firms often highlighting difficulties finding suitable candidates to replace leavers."

"Another challenge faced by goods producers was an intensification of cost pressures, as yen depreciation added strain on imported item prices. Coupled with rising wage costs, the increase in input prices underpinned the sharpest upturn in output charges for a year. This is an undesirable outcome considering that domestic and external demand remain subdued."

the respective seasonally adjusted index posting only fractionally below the 50.0 threshold.

Input inventories nevertheless increased in May, reportedly due to the arrival of previously purchased items. The expansion was the first in five months and slight overall. Similarly, there was a renewed uptick in holdings of finished products.

The filling of existing vacancies spurred job creation in May. Moreover, the latest increase in employment was the third in successive months. Subsequently, increased capacity continued to facilitate the clearing of pending workloads.

Price gauges showed an intensification of inflationary pressures across Japan's manufacturing industry. Input costs rose to the greatest extent in 13 months, amid reports of greater outlays on labour, materials and transportation. Yen weakness was also reported as a factor behind rising international prices. Firms then lifted their selling charges at the fastest pace in a year.

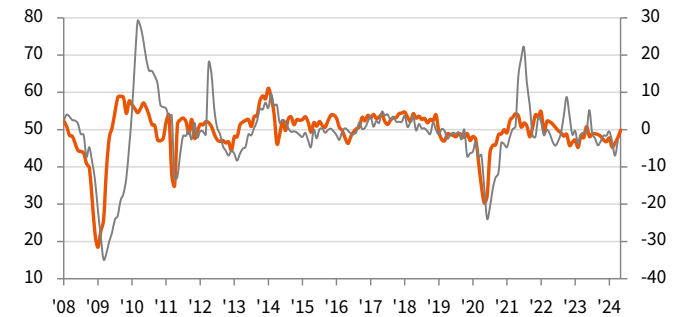
Business confidence remained positive in May, reflecting expectations that marketing efforts and new product releases would be successful. Firms also hope for a recovery in the automobile and semiconductor segments. The degree of confidence weakened slightly from April, but remained above the long-run trend.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing output

%yr/yr



Sources: au Jibun Bank, S&P Global PMI, METI via S&P Global Market Intelligence.

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Methodology

The au Jibun Bank Japan Manufacturing PMI® is compiled by S&P Global from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 10-23 May 2024.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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