

Embargoed until 0930 JST (0030 UTC) 01 July 2022

au Jibun Bank Japan Manufacturing PMI®

Manufacturing sector expands at softer pace in June

Key findings

Output growth slows amid near-stagnation in new orders

Prices charged for goods rise at sharpest pace on record

Business optimism improves to three-month high

June 2022 data were collected 13-23 June 2022.

Businesses in the Japanese manufacturing sector signalled a further improvement in operating conditions in June, though the rate of expansion eased from that seen in May. Companies often noted that rising costs and sustained material shortages contributed to a slower rise in production levels, while new orders rose only fractionally. Ongoing supply chain disruption and delivery delays led to a further rapid increase in costs, resulting in a sharp increase in factory gate prices that was the quickest in the survey history. That said, firms were increasingly confident that these issues would dissipate in the year ahead, as the level of business confidence rose to the highest since March.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance - dipped from 53.3 in May to 52.7 in June. This indicated a seventeenth consecutive monthly improvement in the health of the sector, although the pace of expansion was the joint-softest since last September.

The weaker headline reading was partly due to a near-stagnation of new orders. While remaining in expansion territory, the latest increase in sales was only fractional and the slowest in the current nine-month sequence of growth. The slowdown in demand was commonly linked to rising prices and weaker client confidence amid sustained material shortages and delivery delays. Firms also noted a reduction in new export sales in June for the fourth consecutive month, although the decline was only modest, as persistent weakness in China due to lockdowns were partially offset by stronger demand in North America.

Production growth also slowed in June. The rate of expansion was only marginal and the slowest recorded in four months. Firms noted that material shortages and surging prices had weighed on output volumes.

Japanese manufacturers indicated a rise in cost burdens for the twenty-fifth consecutive month in June. That said, the rate of input cost inflation eased for the first time in four months and was the slowest since February, albeit still rapid overall. Rising input prices were widely attributed to higher raw material costs and a weaker yen

continued...

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



Sources: au Jibun Bank, S&P Global.

Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"June PMI data pointed to a softer expansion of the Japanese manufacturing sector. The health of the sector improved at the joint-lowest rate for nine months amid a broad stagnation in new order inflows and slowing output growth. Panel members often commented that rising price and supply pressures amid sustained disruption and delays had held back activity in the sector.

"Substantial inflationary pressures, which dampened output and demand in the latest survey period, were attributed to severe material shortages and delivery delays, particularly for semiconductors. While input price inflation eased for the first time in four months, firms increasingly passed on their higher cost burdens to clients, as factory gate charges rose at the fastest rate in the survey history. Moreover, firms also sought to build safety stocks of raw materials to protect against future price rises and disruptions.

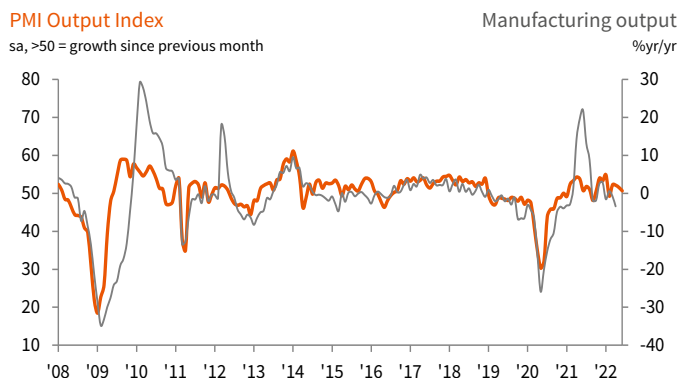
"That said, the degree of optimism regarding the 12-month outlook for output strengthened to a three-month high in June, with hopes that the end to supply chain disruption and easing of inflationary pressures would provide a welcome boost to demand and production. This is broadly in line with the estimate for industrial production to grow just 2% in 2022 before an acceleration in 2023."

which also made imported material more expensive. Nonetheless, manufacturers often sought to pass higher costs on to customers through higher output charges, which rose at the fastest rate in the survey history.

Buying activity rose for the ninth time in as many months in June. Growth eased to the slowest in this sequence, however, and was only modest, as attempts to secure additional raw materials were hindered by delivery delays, material shortages and higher prices. As a result of additional purchases, firms built up their stocks of raw materials and finished items to protect against future disruption and price rises, with stocks of finished items rising for the first time since January. Suppliers' delivery times meanwhile lengthened at the slowest rate for four months, albeit still rapidly overall.

Concurrently, employment levels continued to increase in June, with the rate of job creation broadly unchanged from May's modest pace. In line with the trend for new orders, outstanding business also rose at a softer pace. A number of monitored firms attributed the latest accumulation in backlogs to material shortages.

Looking ahead, business confidence regarding output over the coming year remained robust. The degree of optimism strengthened to a three-month high amid hopes that supply chain disruption and inflationary pressures will diminish, and that the pandemic will subside globally.



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

Contact

au Jibun Bank
Grp-S-I-Room@jibunbank.co.jp

Usamah Bhatti
 Economist
 S&P Global Market Intelligence
 T: +44 1344 328 370
usamah.bhatti@spglobal.com

Joanna Vickers
 Corporate Communications
 S&P Global
 T: +44 207 260 2234
joanna.vickers@spglobal.com

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.

June 2022 data were collected 13-23 June 2022.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

The au Jibun Bank Japan PMI is sponsored by au Jibun Bank Corporation

The au Jibun Bank is an internet retail bank established in 2008 by a joint investment of KDDI – a major telecommunication service provider – and MUFG Bank – Japan's largest bank –. As a "smartphone-centric bank", au Jibun Bank focuses on providing high-quality financial services via smartphones.

The au Jibun Bank provides unique services such as "Smartphone ATM", a service allowing to deposit and withdraw money from teller machine without cash card by just scanning a QR code shown on the smartphone app, and "AI Foreign Currency Forecast", a foreign currency trading support tool that predict the rise of foreign exchange rate based on past trend deep learned by an AI (artificial intelligence).

As a member of the "au Financial Group", au Jibun Bank aims to play a major role in providing comprehensive smartphone-centric banking services in line with the "Smart Money Concept" and enhance customer experience.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com.

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

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.

ihsmarkit.com/products/pmi.html.