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au Jibun Bank Japan Manufacturing PMI®

Manufacturing conditions deteriorate at slowest rate in five months

Key findings

Output and new orders decline modestly

Rates of input cost and output charge inflation ease

Optimism around year-ahead strengthens from April's recent low

Latest PMI data indicated that business conditions faced by Japanese manufacturers deteriorated at the softest pace in 2025 so far in May. The downturn in new orders eased notably on the month, while production levels were cut only modestly. Nevertheless, firms continued to trim their purchasing activity and reduced their inventories of both pre- and post-production items. Inflationary pressures meanwhile eased, with rates of input cost and output charge inflation slowing to 14- and 47-month lows, respectively.

Business confidence around the year-ahead picked up from April's post-pandemic low, with improved expectations around future output fuelling a stronger rise in employment.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – increased from 48.7 in April to 49.4 in May, to signal a deterioration in the health of the sector for the eleventh successive month. That said, the latest reading was consistent with only a marginal rate of decline that was the weakest in the year to date.

Data split by sector indicated a fresh improvement in operating conditions faced by investment goods makers, while conditions deteriorated at a softer pace across the intermediate goods segment. The health of the consumer goods sector meanwhile weakened after an improvement in April.

Helping to lift the headline index was a softer decline in overall new work received by Japanese manufacturers in May. Total new business fell modestly, with lower sales generally linked to subdued demand conditions amid US tariffs and increased client hesitancy. The decline in new export orders also moderated since April, but remained solid overall.

Softer demand conditions led to a further reduction in factory output across Japan during May. The rate of contraction was modest, however, despite quickening slightly from April.

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, S&P Global PMI.
Data were collected 12-22 May 2025.

Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

"Manufacturing conditions in Japan moved closer to stabilisation in May, according to latest PMI data, with companies signalling a softer decline in sales and improved jobs growth. The downturn in output was meanwhile relatively mild and similar to that seen in April.

"Businesses noted that subdued global demand conditions, influenced by US tariffs and increased client hesitancy, negatively impacted new orders and production schedules.

"Nonetheless, there were tentative signs of a potential improvement in the sector's performance over the coming year, as sentiment regarding future output strengthened in May. Additionally, staffing levels increased at the fastest pace in over a year, as firms aimed to build capacity in anticipation of improvements in global demand conditions."

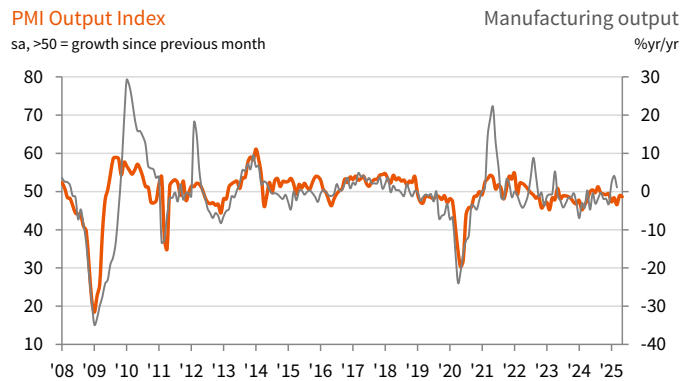
When assessing the year-ahead outlook for output, optimism strengthened from April's near five-year low. Growth projections were often supported by forecasts of firmer global demand conditions and new product releases. However, some firms expressed concerns over US tariffs, inflation and a shrinking population.

Positive expectations for the year ahead, as well as efforts to fill outstanding vacancies, led to a further increase in employment. Though modest, the rate of job growth was the strongest since April 2024. Higher staffing levels and reduced intakes of new work enabled firms to work through unfinished business at a solid pace.

In line with the trend seen for new orders, purchasing activity declined at a softer and only modest rate during May. Companies meanwhile downwardly adjusted their inventories of both purchased inputs and finished items, and at faster rates than in the previous month.

Manufacturers in Japan signalled another marginal deterioration in supplier performance during May. A number of companies suggested that material and labour shortages at some vendors had stretched delivery times.

Average input costs faced by Japanese goods producers increased at a softer pace in May, with the rate of inflation the weakest in 14 months. At the same time, selling price inflation also eased in May, with charges rising at the softest rate in nearly four years.



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 12-22 May 2025.

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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