

Embargoed until 0930 JST (0030 UTC) 1 November 2024

au Jibun Bank Japan Manufacturing PMI®

Operating conditions deteriorate at sharpest rate for three months

Key findings

Quicker reductions in production and new orders

Renewed fall in purchasing, while employment levels stagnate

Output charges rise at strongest rate in three months

Japanese manufacturing production fell further at the start of the fourth quarter of 2024, as both output and new order inflows decreased at sharper rates. While the pace of reduction in the former was only marginal, it was the most pronounced for six months. Manufacturing performance was also held back by a broad stagnation in employment levels, a renewed fall in purchasing activity and steeper depletion of backlogs.

On the price front, input costs continued to rise at a marked rate that was nonetheless the softest since April. Despite this, manufacturers raised their selling prices to the greatest extent in three months.

Posting at 49.2 in October, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – fell from 49.7 in September to indicate a sharper deterioration in the health of the sector.

The latest contraction was led by a renewed and moderate decline in investment goods. There was also a softer fall at intermediate goods producers while consumer goods saw broadly stagnant conditions.

Factory output fell for the second successive month during October. While only marginal, the reduction was the most marked since April. Where a decline was signalled, survey participants commented weaker new orders, while there was also evidence that firms had excess inventories. As such, stocks of finished goods were also depleted further and at the strongest rate since February.

Overall new orders fell for the seventeenth month in a row in October, and at moderate pace. Demand retrenchment was cited as a key factor behind the fall, notably in the automotive and semiconductor sectors. International demand was also subdued, as manufacturers noted the sharpest fall in new export business since March, with particular emphasis on weak demand from the US and mainland China.

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



Sources: au Jibun Bank, S&P Global PMI.
Data were collected 10-24 October 2024.

Comment

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

"October PMI data revealed a stronger deterioration in the health of the manufacturing sector in Japan. Output fell only marginally but at the strongest rate since April while new orders contracted at the steepest pace for three months. Firms often mentioned weakness in domestic and global demand had weighed on sales and output, notably in semiconductors and autos."

"The weakness protruded into further metrics of the survey, with goods producers signalling a renewed fall in purchasing activity and broad stagnation in employment levels."

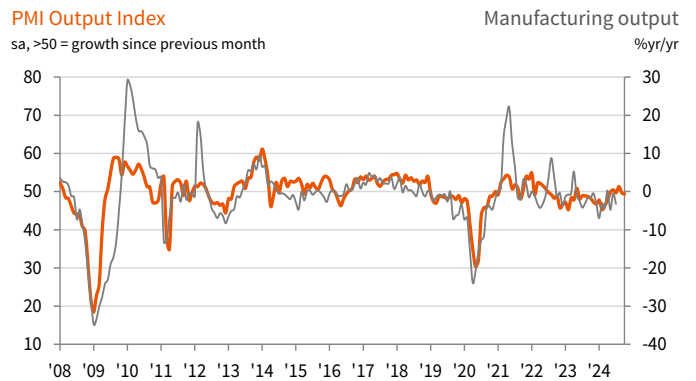
"The near-term outlook is clouded, as firms increasingly worked through backlogs of work, a sign that new order inflows are not enough to sustain production. Moreover, confidence was little-changed from the near-two year low seen in September, as firms highlighted concern regarding the timing of the recovery from the current economic malaise."

Muted manufacturing conditions also contributed to firms lowering purchases at the start of the fourth quarter. The reduction was moderate and the first since July. At the same time, goods producers signalled a further depletion of stocks of inputs, with anecdotal evidence attributing this to subdued demand environment which led firms to adjust inventories. Moreover, firms noted that delays in receiving inputs continued for a second successive month, as signalled by a further lengthening of delivery times.

There was a further marked increase in input prices at Japanese manufacturers in October, amid higher raw material, labour and utility prices. That said, the rate of inflation was the softest since April. Despite the slight softening, manufacturers raised selling prices at a stronger rate in October, and one that was the most prominent for three months.

In line with the trend for new orders, manufacturers redirected capacity to the completion of outstanding business in October. The rate of depletion of backlogs was sharp and the steepest in seven months. Moreover, firms signalled a broad stagnation in job creation amid weaker capacity pressures.

Optimism towards the year-ahead outlook for output remained positive, but was little-changed from September's 21-month low. Confidence was underpinned by expectations of a recovery in semiconductor and autos sector demand, alongside new product launches and improved global economic conditions.



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

Contact

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

SungHa Park
Corporate Communications
S&P Global
T: +81 3 6262 1757
sungha.park@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.

Data were collected 10-24 October 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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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.