News Release

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au Jibun Bank Japan Manufacturing PMI®

Strongest deterioration in manufacturing conditions for ten months

Key findings

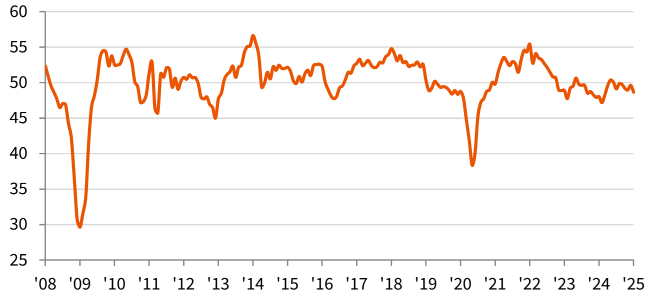
Sharpest fall in output since last March amid stronger decline in orders

Business confidence eases to softest since December 2022

Input price inflation eases to nine-month low

au Jibun Bank Japan Manufacturing PMI

sa, >50 = improvement since previous month



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

Data were collected 09-24 January 2025.

The health of the Japanese manufacturing sector deteriorated for the seventh successive month at the start of 2025, reflecting stronger reductions in production levels and new order inflows. The near- and medium term outlooks for demand also appeared muted as the level of outstanding business fell sharply and business confidence eased to the lowest in just over two years. That said, optimism remained strong overall, and firms continued to take on additional staff. Average operating expenses rose at the softest rate since last April, albeit one that remained well above the series average.

At 48.7 in January, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – fell from 49.6 in December to indicate a modest decline in overall operating conditions that was nonetheless the most pronounced since last March.

Output fell for the fifth consecutive month at the start of the year, with the respective seasonally adjusted index indicative of a moderate decline in production levels. Moreover, the contraction was the steepest for ten months as firms often indicated that a lack of new orders had led to output cuts.

The level of new orders placed with Japanese manufacturers also fell in January, and at a moderate pace that was the most pronounced for six months. Where sales fell, firms mentioned sustained weakness in client confidence, particularly in the semiconductor and automotive segments. International demand was also soft, as new export sales contracted though the latest fall was the softest in the current 35-month sequence and fractional.

In the absence of new orders. goods producers opted to complete existing orders, as signalled by another sharp reduction in backlogs of work. At the same time, firms mentioned that additional experienced staff had been taken on as part of attempts to stimulate sales, which contributed to a second successive monthly increase in employment levels.

Comment

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

"The first batch of PMI results for Japan's manufacturing sector revealed that muted trends were sustained across the industry at the start of 2025. Both output and new orders fell deeper into contraction territory. Moreover, the rate of job creation slowed on the month, while outstanding business fell sharply.

"In response to subdued demand conditions, manufacturers opted to adjust their inventories by lowering holdings of finished items and raw materials. At the same time, lower production requirements also meant firms lowered input purchases, and at the sharpest rate in nearly a year.

"Businesses remained confident that output would rise over the coming 12 months, though the degree of optimism eased to the lowest since December 2022. Firms were optimistic about an eventual demand recovery, but concerns were raised regarding the timing of any such improvement."

PMI® by S&P Global

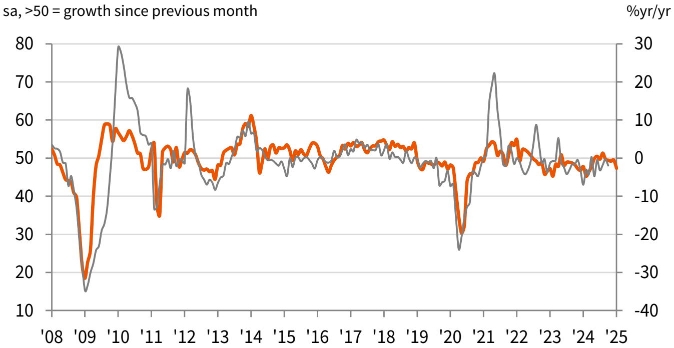
Business confidence remained positive in January, reflecting expectations that new production launches and customer numbers would be successful. Firms were also hopeful of a wider economic recovery, with notable emphasis on the automobile and semiconductor sectors. The degree of confidence eased on the month, however, to the lowest since December 2022.

Input purchases were lowered for the fourth month running during January, with the latest reduction the steepest since last March amid lower production requirements. The weakness in output and demand also contributed to sustained declines in holdings of both pre- and post-production inventories, as manufacturers opted to adjust inventories in line the with the current muted demand environment.

There was evidence, however, that vendor performance deteriorated in January, though the extent to which lead times lengthened was the softest in the current-five-month sequence and only fractional.

The survey's price indices showed that inflationary pressures remained elevated across the Japanese manufacturing sector. Firms mentioned that higher labour, logistics, raw material and utility prices had been key factors behind higher cost burdens. Positively, the rate of inflation eased from December to reach the lowest for nine months. Firms opted to partially pass higher costs to clients though raised output prices, though the rate of charge inflation also eased on the month.

PMI Output Index



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 09-24 January 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.

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

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.

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