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au Jibun Bank Japan Manufacturing PMI®

Factory output rises for first time in over a year

Key findings

Marginal increase in Japanese manufacturing production

New orders fall further, albeit slightly

Jobs expand as business confidence hits six-month

Japanese manufacturing production rose marginally at the end of the second quarter, supported by sustained job creation, the clearing of backlogs and stock-building efforts. Moreover, business sentiment improved to its best in 2024 so far. In a less favourable perspective, demand conditions remained subdued as evidenced by further contractions in total new orders and international sales. Concurrently price pressures intensified.

Posting at the neutral mark of 50.0 in June, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – indicated no change in the overall health of the sector. This followed a marginal improvement in operating conditions in May, when the headline figure registered 50.4.

Factory output expanded for the first time in over a year during June, albeit marginally. Where growth was signalled, survey participants commented on the clearing of outstanding business and stock building efforts. A few firms also suggested that a pick-up in demand for key products supported the rise.

Overall new orders fell for the thirteenth successive month in June, but the pace of reduction was only slight. Demand retrenchment was cited as the key determinant of lower sales by those firms that reported a fall, although several businesses also commented on weaknesses in the automotive and semiconductor sectors.

A further decline in international sales contributed to the fall in total new business. Export orders decreased for the twenty-eighth month in a row and at the quickest pace since March. Anecdotal evidence highlighted deteriorating demand from Asia (particularly China and Thailand), Europe and North America.

Notwithstanding the current demand environment, manufacturers in Japan forecast an improvement in client appetite in the medium-term. Combined with expectations of a recovery in the automobile

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



Sources: au Jibun Bank, S&P Global PMI.
Data were collected 10-21 June 2024.

Comment

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

“Notably, the latest PMI data revealed the first rise in Japanese factory production for over a year, and a rebound in business confidence. Although employment continued to be impacted by retirements, there was another round of net job creation in June.

“However, there were some concerning aspects in the latest figures, with companies grappling with heightened cost pressures as yen depreciation exacerbated the price of imported materials. Labour was another factor straining budgets. There was clear evidence that the sharp rise in overall purchasing prices was not caused by supply-chain issues, as delivery times in fact improved to the greatest extent in over 15 years.

“Manufacturers raised their selling prices at the strongest rate in over a year as a result, an unfavourable consequence given that both domestic and external demand remain weak.”

and semiconductor sectors, the launch of new products and advertising, this pushed business confidence to a six-month high.

Optimism towards the year-ahead outlook for output continued to underpin job creation, with firms often commenting that existing vacancies had been filled. Employment rose for the fourth consecutive month, though at a moderate pace that was broadly similar to May.

There was a sharper increase in input prices at goods producers, which they attributed to higher copper, crude oil, electronic components, labour, transportation and utility costs. The rate of inflation climbed to a 14-month high. Subsequently, selling prices were raised to the greatest extent in over a year.

Trends for inventories were generally consistent, with both input and output stocks expanding for the second month running and at broadly similar rates to those seen in May. The rise in raw material holdings was associated with the arrival of previously purchased inputs, while the uptick in finished goods inventories was attributed to unsold goods being placed into warehouses.

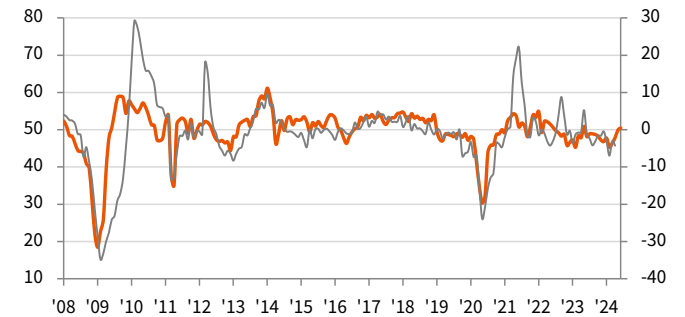
On the supply-side, there was a renewed improvement in lead times amid higher stock levels at vendors and subdued input demand. Indeed, there was another fall in purchasing activity which extended the current downturn to 23 months.

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 10-21 June 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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