au Jibun Bank

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au Jibun Bank Japan Manufacturing PMI®

Softer deterioration in manufacturing conditions at end of 2024

Key findings

Slower falls in production and demand

Renewed increase in employment

Inflationary pressures strengthen

au Jibun Bank Japan Manufacturing PMI

sa, >50 = improvement since previous month

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

Data were collected 05-16 December 2024.

Japan's manufacturing economy moved closer to stabilisation at the end of 2024, amid softer and modest falls in new orders and output. Moreover, firms reported an increase in employment for the ninth time in ten months, reversing the slight fall seen in November, and the strongest since April. That said, the level of outstanding business continued to decline sharply in the absence of new order growth. On the price front, input price inflation strengthened to reach a four-month high as higher raw material prices and exchange rate weakness was sustained. In turn, prices charged rose at the steepest rate since July.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – recorded 49.6 in December, up from 49.0 in November and indicative of a slight contraction in the health of the Japanese manufacturing sector that was the softest for three months.

Latest data showed there was a softer decrease in output at the end of the year. The rate of decline was only marginal, and eased from that seen in the month prior. Firms signalled often that muted demand was behind the latest contraction, though there were some mentions of the introduction of new products. Manufacturers also indicated a softer preference for the use of existing inventories, as the rate of depletion of finished item holdings was only fractional.

There were reports that new order volumes moved closer to stabilisation during December, as the rate of reduction eased to the softest for six months. At the same time, new export demand remained muted amid evidence of low demand from key markets, most notably mainland China and the US.

Against the backdrop of softer moderations in output and demand, employment growth resumed, reversing the marginal reduction from November. The rate of job creation was modest, yet reached the highest recorded since April. Increased capacity and sustained

Comment

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

"The final batch of PMI data for 2024 painted a picture of a near-stabilisation in Japanese manufacturing sector conditions during December. The headline reading moved closer to neutrality amid softer reductions in both production and new order intakes. Firms were buoyed enough from the softer moderations to take on additional staff at the end of the year, partly in preparation for a future improvement in demand conditions, as well as to fill existing labour shortages. There were indications that destocking efforts continued, though to a lesser degree for finished items in particular, while backlog depletion continued at a steep pace.

"Prices data meanwhile remained stubbornly high, and accelerated in the final month of 2024. Cost burdens rose to the greatest extent since August amid higher raw material and labour costs, while the weakness of the yen compounded price pressures. As a result, manufacturers opted to pass costs to clients to a greater degree, with output charges being raised at the strongest rate for five months and solidly overall."

falls in new orders meant that manufacturers were able to remain on top of existing workloads in December, as backlogs of work were depleted sharply once again.

Japanese manufacturing companies noted that input price inflation picked up at the end of 2024. Input prices rose to the steepest degree since August, with the weak yen and higher raw material and labour costs cited as key sources of inflation. Firms responded by raising their own charges, and at the strongest rate for five months.

Despite the improving picture for production, purchasing activity was lowered for the third month in a row and at a moderate pace. Meanwhile, stocks of purchases were also depleted for the third month running and to the greatest extent since January 2021 as firms opted to use existing stocks of inputs to complete production. Positively, there was only a marginal lengthening in average lead times for inputs in December. Manufacturers often mentioned that while delivery delays and driver shortages were still prevalent, material availability had continued to improve.

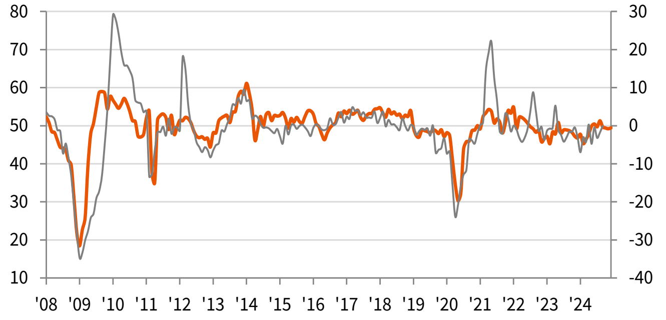
Confidence in the future remained positive in December, and remained relatively strong in the context of the series history. Firms often predicted hopes that the mass production of newly-launched products and business expansion plans formed the basis of positive sentiment, as well as optimism that the semiconductor and autos markets would continue to recover.

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.

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 05-16 December 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.

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

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