

Embargoed until 0930 JST (0030 UTC) 1 April 2024

au Jibun Bank Japan Manufacturing PMI®

Softer contraction in Japan's manufacturing sector

Key findings

Output and new orders fall at slower rates

Strongest rise in employment since last July

Output price inflation reaches highest for three months

March 2024 data were collected 12-21 March 2024.

Overall business conditions among Japanese manufacturers deteriorated for the tenth consecutive month in March, though the rate of contraction eased from the previous survey period amid softer reductions in both output and new orders. Firms continued to associate the declines to weak customer demand in domestic and external markets, which meant firms adjusted production accordingly. At the same time however, firms looked to keep on top of capacity requirements by raising employment levels for the first time in three months. On the price front, firms recorded a further softening in the rate of input price inflation, bringing it to a 37-month low and in line with the long-run average. That said, prices charged for manufactured goods rose at the strongest rate since last December as firms looked to protect margins.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – rose from 47.2 in February to 48.2 in March to signal a deterioration in the health of the Japanese manufacturing sector. The reduction was modest, and eased to the softest for four months.

Contributing to the sub-50.0 PMI reading was a further solid contraction in output levels in March, though the rate of decline eased from that seen in February. The downturn reportedly reflected production adjustments in response to weaker demand.

There was also a sustained contraction in new orders at the end of the first quarter of 2024. The rate of decline eased from February, and was the softest for five months, though remained solid overall. According to panellists demand in both domestic and international markets continued to cool. As such, the rate of contraction in the latter was the most marked seen since February 2023.

Weak customer demand allowed firms to work through existing orders, as signalled by a stronger fall in backlogs of work. Moreover, the rate of depletion was the second-strongest in the current

continued...

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



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

Comment

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

"The performance of the Japanese manufacturing sector remained downbeat at the end of the first quarter of 2023, though there were signs that the worst of the weakness had passed. The headline PMI rose to the highest in four months amid softer reductions in both output and new order inflows. That said, the average reading for the first quarter (47.8) was the weakest quarterly reading since the third quarter of 2020 (46.7).

"Meanwhile, inflationary pressures remained marked in the latest survey period, though the rate of input price inflation eased to the weakest in just over three years and was broadly in line with the long-run average. That said, selling price inflation picked up to a three-month high as firms looked to protect profit margins by passing higher expenses on to customers.

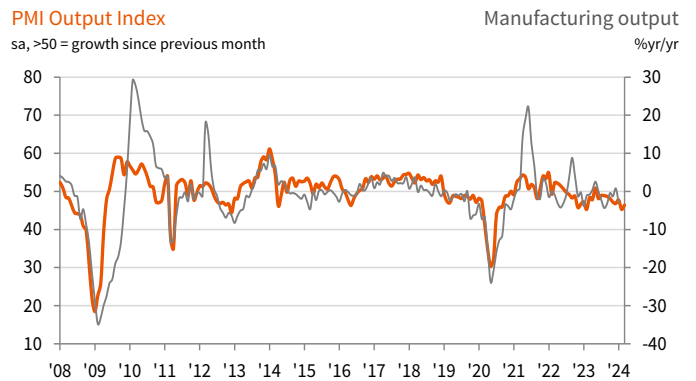
"The near-term outlook appears subdued as the lack of new order inflows allowed firms to continually clear outstanding business. The rate of depletion was the second-strongest for 18 months and provides a bellwether that the coming months will remain muted. That said, firms were optimistic that this period would pass over the coming year and a broad-based economic and demand recovery would help to stimulate orders and new product launches."

18-month sequence. Firms often indicated they kept on top of capacity requirements to work through outstanding business. As such, manufacturers raised employment levels for the first time in three months and at the strongest rate since last July.

On the prices front, input cost pressures continued to ease in the latest survey period. Input prices rose at a strong rate that was nonetheless the softest since February 2021, and in line with the long-run average. Average cost burdens were driven up by higher raw material, transport and fuel costs. Charged price inflation however picked up for the time in nearly a year to reach the strongest since last December.

Mirroring demand developments, firms reduced input purchases in March, extending the current contractionary sequence to 20 months. The latest decrease was solid but the softest since last October. Latest data also pointed to efforts to wind down stocks as holdings of both pre- and post-production inventories fell for the third month in a row. There were also mentions that the disruption in the Red Sea and Panama Canal had played a part in a further lengthening of delivery times.

Business sentiment remained elevated in March and was marked overall. Firms centred hopes on a broad domestic and global demand recovery, which would in turn stimulate sales and new products.



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: +82 2 6001 3128
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.

March 2024 data were collected 12-21 March 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 trade marks 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.