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## au Jibun Bank Japan Manufacturing PMI®

### Slight deterioration in Japanese manufacturing conditions

#### Key findings

New orders fall at softer rate

Faster rate of input price inflation

Softest rise in employment levels in 29-month sequence

August 2023 data were collected 10-23 August 2023.

The downturn in the Japanese manufacturing sector remained fractional midway through the third quarter of 2023. Weak domestic and global economic trends reportedly contributed to sustained contractions in production and order books. That said, firms also mentioned that rising prices had also been a factor in subdued operating conditions. Input prices saw a renewed acceleration during August, reaching a three-month high amid higher raw material and labour costs as well as a weakened currency. Higher labour costs faced by Japanese manufacturers fed into the labour market, as firms reported the softest rise in employment levels in the current sequence which started in April 2021.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – was unchanged at 49.6 in August to indicate a third consecutive deterioration in the health of the Japanese manufacturing sector, albeit one that was only fractional overall.

There was a slower reduction in new order inflows during August. While firms registered a third consecutive reduction, the rate of contraction was only marginal overall. Weak client confidence and subdued economic conditions reportedly weighed on new orders, though some firms mentioned that new product launches had partially offset the decline. Similarly, the rate of reduction in foreign demand for Japanese manufactured goods eased to the slowest for 13 months.

Despite this, production levels at Japanese goods producers decreased at a moderate pace that was unchanged from that seen in July.

Manufacturers commented that inflationary pressures accelerated from July remained historically sharp. Average cost burdens increased at a quicker pace for the first time since September 2022 to reach a three-month high amid ongoing reports of high raw material and labour costs, and exchange rate weakness. Firms sought to protect profit margins however, and increasingly passed

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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:

*"August PMI data saw the Japanese manufacturing sector remain in contraction territory midway through the third quarter of 2023. However, the rate of deterioration was unchanged from July and only fractional, owing to a slower reduction in new orders, while production levels were cut at an unchanged pace from July."*

*"Firms mentioned however that August brought with it renewed accelerations in cost pressures. Input prices rose at a quicker pace for the first time since September 2022, pushing the rate of input cost inflation to a three-month high. This was often attributed to high raw material prices, labour costs and a weakened yen. That said, Japanese manufacturers raised their selling prices at the weakest rate in two years."*

*"Higher labour costs in particular also weighed on the employment index during August. The rate of job creation broadly stalled, with the latest increase the slowest recorded in the 29-month sequence. Firms noted that the filling of existing vacancies due to staff shortages were offset by a number of voluntary resignations as staff looked for higher paying jobs."*

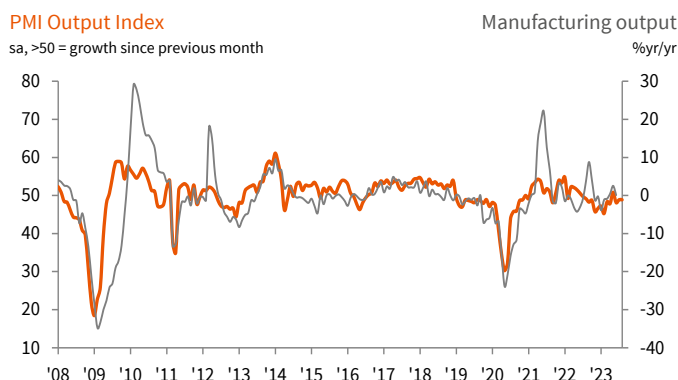
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rising costs to clients through higher selling prices. That said, output changes were raised at the slowest rate in two years.

Higher labour costs also contributed to a broad stagnation in the rate of job creation in the Japanese manufacturing sector. Employment levels rose at a fractional pace that was the weakest in the current 29-month sequence. Nonetheless, as new orders remained in contraction territory, firms allocated resources to completing outstanding business, which reduced for an eleventh consecutive month.

There was evidence to suggest that supply pressures picked up for the first time in four months during August, as indicated by a renewed lengthening in suppliers' delivery times. That said, the deterioration was only slight. Elsewhere on the supply side, manufacturers indicated a sustained trimming of input buying, although the reduction was the slowest since last October. Firms also increased their holdings of pre-production inventories albeit at the softest rate for seven months, while holdings of finished items fell back into contraction territory for the first time since May and at the strongest rate for six months.

The year-ahead outlook for output remained positive during August. Firms were hopeful of a strong market recovery which would encourage new product launches, sales and increased operating capacity. While marked overall, business confidence eased to the lowest since February.



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.

August 2023 data were collected 10-23 August 2023.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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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### 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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