News Release

Embargoed until 0930 JST (0030 UTC) 1 April 2025

au Jibun Bank Japan Manufacturing PMI®

Manufacturing downturn deepens in March

Key findings

Output and new orders both fall solidly

Modest rise in staff numbers supports further decline in backlogs

Input costs continue to rise at historically sharp pace

au Jibun Bank Japan Manufacturing PMI

sa, >50 = improvement since previous month

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

Data were collected 11-24 March 2025.

Manufacturing conditions in Japan deteriorated at the strongest pace for a year in March, with firms signalling quicker falls of both production and new work. There were a number of reports of relatively subdued demand across both domestic and international client bases, which in turn led companies to cut back on input buying and inventories. Despite the weaker output and demand trends, companies increased their staffing levels in March amid a slight improvement in confidence around the 12-month outlook. Cost pressures remained elevated, with another sharp rise in input prices driving a further marked increase in output charges.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – fell from 49.0 in February to 48.4 in March, to signal a decline in the health of the sector for the ninth successive month. Though modest, the rate of deterioration was the quickest seen for a year.

Data broken down by sector indicated that operating conditions deteriorated at a faster pace across the intermediate and investment goods segments. Consumer goods makers meanwhile signalled the first decline in the health of its sector for eight months.

Manufacturing production in Japan fell for the seventh month running in March, and at the quickest pace in a year. The drop was commonly linked to weaker customer demand, with total new work falling at a similarly solid pace. New export business also declined again, albeit only marginally, with panellists citing muted demand conditions across key markets such as Mainland China and the US.

Lower sales and production requirements led factories to cut back on input buying again in March. Notably, the rate of decline was the quickest seen in just over a year and solid. Inventories of both pre- and post-production items were meanwhile trimmed as firms readjusted stock levels to reflect current demand conditions.

Supplier performance was broadly stable in March, helped in part

Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

"Japan's manufacturing sector slipped deeper into decline at the end of the first quarter of 2025, with the headline PMI hitting a one-year low. Indices for output and new orders fell further into contraction territory, as companies noted weaker demand from both domestic and international clients.

"Employment was a bright spot, as firms hired additional workers at the fastest pace in three months, amid signs of slightly stronger optimism around the year ahead. However, business confidence remained below the series average, with greater uncertainty over the global economic outlook and trade environment weighing on forecasts. Cost pressures also remained a key concern, and the latest survey showed historically strong increases in both input costs and selling prices in March, to suggest inflationary pressure across the sector remains acute."

PMI by S&P Global

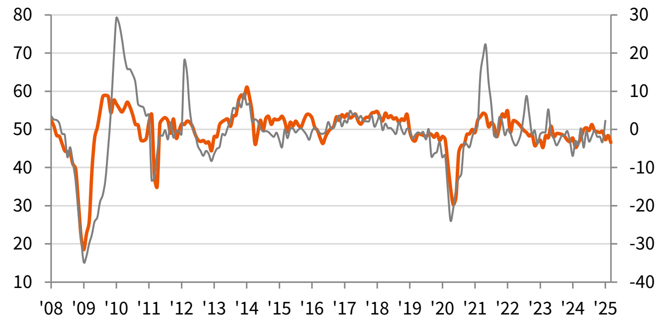
by reduced demand for inputs.

Although market conditions were relatively subdued, manufacturing firms in Japan added to their workforce numbers in March. Though modest, the rate of job creation was the quickest seen in 2025 so far. The upturn was linked to the filling of vacancies and in anticipation of higher workloads in the months ahead. Greater staff numbers and fewer orders meanwhile contributed to a further reduction in outstanding business, which fell solidly.

Cost pressures remained acute at the end of the first quarter, with firms signalling a further sharp rise in average input prices. Anecdotal evidence indicated that higher costs for labour, materials, energy and transport contributed to greater expenses, alongside an unfavourable exchange rate.

Firms partly passed on their higher cost burdens to customers in the form of higher selling prices. The rate of charge inflation softened to a five-month low, but remained solid overall.

When assessing the one-year outlook, Japanese goods producers were generally confident that output would rise from current levels over the next year. That said, the level of positive sentiment picked up only slightly from February and was the second-lowest since April 2022. Optimism was often linked to forecasts of firmer global demand and an associated boost to sales. However, a number of firms expressed concerns over inflation and increased uncertainty over the international trade environment.



Sources: au Jibun Bank, S&P Global PMI, METI via S&P Global Market Intelligence.

Contact

Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44 1491 461 010
annabel.fiddes@spglobal.com

SungHa Park
Corporate Communications
S&P Global
T: +81 3 6262 1757
sungha.park@spglobal.com
press.mi@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 11-24 March 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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.