

Embargoed until 0930 JST (0030 UTC) 3 March 2025

au Jibun Bank Japan Manufacturing PMI®

Operating conditions deteriorate for eighth month in a row

Key findings

Softer reductions in production and new orders

Employment levels stagnate, while optimism eases sharply

Input prices rise at joint-strongest rate since last August

Japanese manufacturing production fell further at the midpoint of the first quarter of 2025, though both output and new order inflows decreased at softer rates. The pace of reduction was only modest, but often attributed to weak sales and confidence in domestic and overseas markets. The subdued manufacturing performance was also reflected in a broad stagnation in employment levels and solid falls in purchasing activity and backlogs of work.

On the price front, input costs continued to rise at a robust rate that was the joint-strongest since last August (with December 2024). In response, manufacturers raised their selling prices at a faster rate.

Posting 49.0 in February, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – rose from 48.7 in January to indicate a softer deterioration in the health of the sector.

The latest contraction reflected further, albeit slower, declines in the intermediate and investment goods sectors. Business conditions improved modestly across the consumer goods segment.

Factory output fell for the sixth successive month during February. The reduction eased on the month and was only modest overall. Where a decline was signalled, survey participants commented on weaker new orders, while there was also evidence that firms had excess inventories. As such, stocks of finished goods were also depleted further and at the strongest rate for a year.

Overall new orders fell again in the latest survey month, extending the current sequence that began in June 2023. Demand retrenchment and weak client confidence were cited as the key factors behind the fall, notably in external markets. Manufacturers noted a slightly sharper decline in new export business in February, with particular emphasis on muted demand in the US and mainland China.

Muted manufacturing conditions meant that firms lowered

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 February 2025.

Comment

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

"February PMI data revealed a softer deterioration in the health of the manufacturing sector in Japan. Output and new orders fell modestly, but rates of decline eased from those seen at the start of the year. Firms often mentioned weakness in domestic and global manufacturing demand and confidence, with notable emphasis placed on muted conditions in key markets such as the US, Europe and mainland China.

"Malaise extended into further metrics of the survey, as goods producers signalled a sustained and solid fall in purchasing activity.

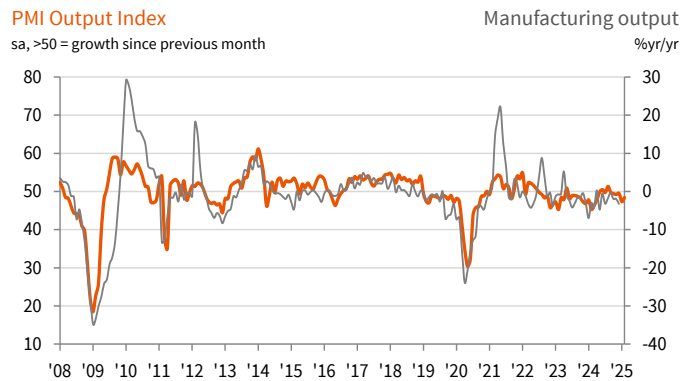
"The near-term outlook remains clouded, as firms continued to work through backlogs of work at a solid rate, a sign that new order inflows are not enough to sustain production. Moreover, confidence in the year-ahead outlook weakened from that seen in January to the lowest since mid-2020, as firms highlighted the potential downside risks of US protectionist trade policies and a slower-than-anticipated economic recovery."

purchases midway through the first quarter. The reduction was solid and little-changed from that in January. At the same time, goods producers signalled a further depletion of stocks of inputs, with anecdotal evidence attributing this to a subdued demand environment which led firms to adjust inventories accordingly. Moreover, firms noted that delays in receiving inputs continued into a sixth successive month, as indicated by a further lengthening of delivery times.

There was a further marked increase in input prices at Japanese manufacturers in February, amid higher labour, raw material and utility prices. The rate of inflation accelerated from January and was stronger than the long-run series average. In turn, manufacturers raised selling prices at a slightly quicker rate, with some mentions that unfavourable exchange rate fluctuations had impacted selling prices.

In line with a lack of incoming new orders, manufacturers continued to make inroads into outstanding business during February. The rate of depletion in backlogs was solid, but the softest recorded in five months. Firms also signalled a broad stagnation in employment amid weaker capacity pressures.

Expectations towards the year-ahead outlook for output remained positive but eased from January to the lowest since June 2020. Confidence was underpinned by an expected boost from the mass production of new products, though concerns were raised regarding the impact of a slow domestic recovery and the potential impact of US protectionist policies.



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
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 10-21 February 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.

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