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au Jibun Bank Japan Manufacturing PMI®

Manufacturing sector moves closer to stabilisation in April

Key findings

Slower falls in both production and new work

Employment growth accelerates to 19-month high

Price indices remain well above trends

April 2024 data were collected 11-23 April 2024.

Japan's manufacturing economy moved closer to stabilisation in April. Output and new orders both fell, albeit at slower rates, whilst there was a further reduction in purchasing activity. Employment growth nonetheless picked up, whilst destocking continued to slow. Confidence in the future remained positive. On the price front, output price inflation accelerated to an 11-month high as firms sought to pass on higher input costs to clients.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – recorded 49.6 in April. Although still below the crucial 50.0 no-change mark, the index posted its highest level for eight months and was noticeably higher than March's 48.2.

Latest data showed that output was down again in April, extending the current period of contraction to 11 months. The rate of decline was however modest and the lowest recorded by the survey since last October. Firms again continued to signal a preference for utilising existing inventories rather than raising output. There were also reports that a lack of incoming new orders had weighed on production. Amid reports of soft demand and destocking at clients, new orders were also down for an eleventh successive month. That said, the degree to which sales fell was marginal and eased noticeably for a second month running. New export volumes also declined amid evidence of low demand from key export markets like China and the US.

Against a backdrop of subdued underlying trends in output and new orders, purchasing activity was reduced for a twenty-first successive month. The cut was modest, and the lowest recorded since October 2022. Stocks of purchases continued to be utilised wherever possible, and this meant inventories of inputs fell again in April (albeit marginally).

Meanwhile, companies noted that supplier performance had improved, as evidenced by the first shortening of lengthening lead

continued...

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sa, >50 = improvement since previous month



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

Comment

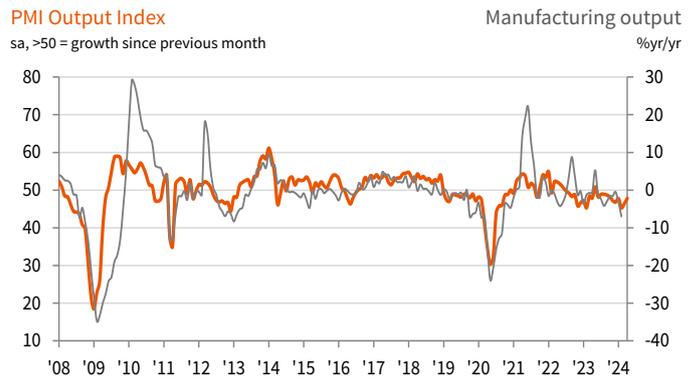
Commenting on the latest survey results, Paul Smith at S&P Global Market Intelligence, said:

"The latest PMI data continued to paint a fairly subdued picture of Japanese manufacturing sector performance, although another rise in the headline PMI points to a sector heading towards at least stabilisation in the near-term. Output and new orders both fell to slower degrees, whilst there was a reduced rate of destocking as firms signalled hopes of a turn upwards in the inventory cycle. Indeed, with expectations of higher sales in the coming months, goods manufacturers are hopeful that output will move into growth territory soon and are preparing for this accordingly by taking on additional workers."

"Meanwhile, prices data provided further evidence of inflation picking up amid reports of a broad-based increase in input prices. And firms perceived that market demand was sufficiently strong to allow them to raise their own charges to the steepest degree in just under a year during April."

times in nine months. Apart from semi-conductors, the availability of goods was noted to be generally better. That said, prices data showed that inflation rates picked up in April. On the cost front, input prices rose to the steepest degree of the year so far, with inflation remaining above trend. Metals were a key source of upward cost pressure, although inputs in general continued to increase in price. Firms responded by raising their own charges to the greatest degree in 11 months.

Confidence in the future meanwhile was unchanged since March, and therefore remained relatively high in the context of the survey history. Firms are looking for the global inventory cycle to turn upwards, and for a general improvement in demand over the next 12 months. These projections in part explained a second successive monthly rise in employment. The rate of growth was solid and the best recorded by the survey since September 2022. Additional capacity meant that firms were able to comfortably keep on top of overall workloads: backlogs of work were cut again in April for a nineteenth successive month, with the rate of contraction remaining marked despite easing to the lowest since last October.



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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.

April 2024 data were collected 11-23 April 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.

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