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au Jibun Bank Japan Manufacturing PMI®

Manufacturing sector moves closer to stabilisation in August

Key findings

Renewed rise in production

Input purchases rise for first time in two years

Strongest increase in cost burdens since April 2023

Japan's manufacturing economy moved closer to stabilisation during August. There was a softer and modest fall in new orders, while output returned to expansion territory for the second time in three months. Moreover, firms reported an increase in input buying for the first time since July 2022 amid additional production requirements. Employment growth also picked up on the month, though the level of outstanding business continued to moderate sharply. On the price front, input price inflation strengthened to reach a 16-month high as higher raw material prices and exchange rate weakness was sustained.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – recorded 49.8 in August, up from 49.1 in July and indicative of a fractional contraction in the health of the Japanese manufacturing sector.

Latest data showed a renewed increase in output in August that was the second in the past three months. The rate of growth was modest, yet reached the highest since May 2022. Firms also signalled a softer preference for the use of existing inventories, with the rate of accumulation stagnating on the month. There were also reports of improving new order volumes, which declined again in August albeit at a softer rate than that seen in July. New export volumes meanwhile declined at a solid rate that was the most marked since March amid evidence of low demand from key export markets including Mainland China and South Korea.

Against the backdrop of rising output and softer downturn in demand, purchasing activity was raised for the first time since July 2022. The rise was only marginal, however. Meanwhile, stocks of purchases fell slightly for the second month running.

Japanese manufacturing companies noted that supplier performance had improved, as evidenced by the third shortening of lead times in the past five months. Firms often mentioned that

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, S&P Global PMI.
Data were collected 12-22 August 2024.

Comment

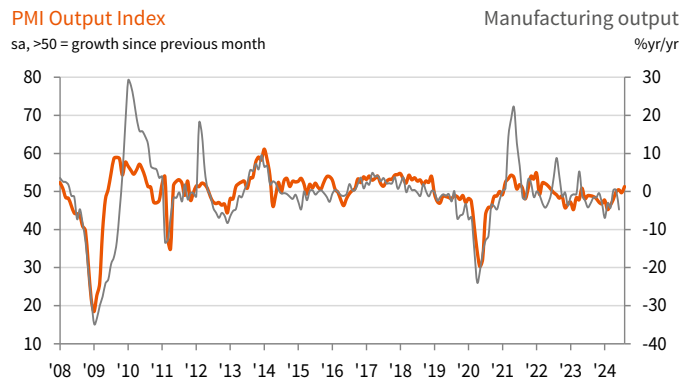
Commenting on the latest survey results, Usamah Bhatti at S&P Global Market Intelligence, said:

"The latest PMI data painted a mixed picture of Japanese manufacturing sector performance midway through the third quarter. The headline reading came close to stabilisation during August amid a renewed rise in production and a softer fall in new order intakes. Firms also mentioned taking on additional staff while destocking efforts appeared to ease. There were also indications of improved supplier performance as manufacturers mentioned more readily available inputs, particularly electrical components."

"Prices data meanwhile remained stubbornly high in August, providing further evidence of inflation picking up amid reports of a broad-based rise in input prices. That said, firms opted not to fully pass through higher cost burdens to customers in an effort to remain competitive, with the rate of charge inflation the least marked since mid-2021."

the availability of goods was generally better, particularly for electronics. That said, prices data showed that showed input price inflation picked up in August. Input prices rose to the steepest degree since April 2023. The weak yen and higher raw material prices were cited as key sources of inflation. Firms responded by raising their own charges, though at the softest rate since June 2021.

Confidence in the future gathered momentum in August, and remained relatively high in the context of the survey history. Firms often predicted a stronger domestic and global economic upturn. The overall degree of optimism was robust. These projections partly explained a sustained increase in employment. The rate of jobs growth was modest but gathered pace from that seen in July. Additional capacity meant that firms were able to comfortably keep on top of overall workloads, as indicated by a further solid fall in backlogs of work.



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.

Data were collected 12-22 August 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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