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## au Jibun Bank Japan Manufacturing PMI®

### Manufacturing business conditions deteriorate slightly in September

#### Key findings

Output levels fall for second time in three months

Slowest rise in employment levels in current seven-month sequence

Output charge inflation reaches lowest since June 2021

The health of the Japanese manufacturing sector deteriorated for the third month running during September, reflecting a renewed fall in production levels and a sustained drop in new orders. Employment levels rose at the softest rate in the current sequence.

On the price front, average operating expenses remained historically elevated, yet firms only partially passed these higher costs on to clients. Output charges rose at the softest rate since mid-2021.

At 49.7 in September, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – dipped fractionally lower from 49.8 in August to indicate a slight decline in overall operating conditions.

Output fell for the second time in three months at the end of the third quarter, with the respective seasonally adjusted index only fractionally below the neutral 50.0 threshold. Firms often indicated a lack of incoming new business as a result of economic weaknesses. However, this was partially offset by firms opting to complete outstanding orders. As a result, backlogs of work fell at moderate pace that extended the current sequence of depletion to two years.

The level of new orders placed with Japanese manufacturers also fell in September, and at a moderate pace that was little-changed from that in August. Where sales fell, firms mentioned a stagnating economy and staff shortages were behind the reduction. International demand was also subdued, as new export sales contacted at a solid rate that was the strongest since March.

Japanese manufacturers continued to raise employment levels during the latest survey period. That said, the rate of job creation was fractional and the softest in the current seven-month sequence.

Input inventories were also raised in September, following two consecutive monthly reductions as firms held pre-production

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, S&P Global PMI.  
Data were collected 12-23 September 2024.

#### Comment

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

*"The latest PMI results for Japan revealed muted trends across the manufacturing industry, with output and new orders now both in contraction territory. Moreover, the rate of job creation slowed to a crawl while other companies noted that vendor performance had also deteriorated."*

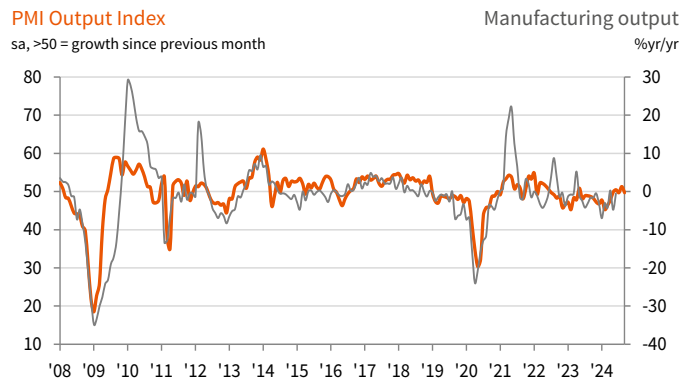
*"Manufacturers used this opportunity to purchase and store inputs in preparation for an eventual recovery in demand conditions. Other firms mentioned that lengthening delivery times had also encouraged advance purchases in order to protect against delays."*

*"Businesses remained confident that output would rise over the coming 12 months, with the degree of optimism above the long-run average. That said, the level of positive sentiment eased August to reach the softest since the end of 2022, with some manufacturers mentioning concern about the timing of a demand recovery."*

inventories in preparation for an eventual demand recovery. Similarly, manufacturers also increased input purchases slightly. There was evidence however that vendor performance worsened in September, as indicated by a renewed lengthening in delivery times that was the most pronounced for seven months.

The survey's price indices showed that inflationary pressures remained elevated across Japan's manufacturing industry. Firms mentioned higher labour, logistics and raw material prices had been key factors behind higher cost burdens. Positively, the rate of inflation eased from August to reach the lowest for five months. Firms opted to partially pass these higher costs to clients in the form of raised output charges. The rate of output price inflation eased however and was the slowest seen since June 2021.

Business confidence remained positive in September, reflecting expectations that the demand and mass production of new products would be successful. Firms were also hopeful for a wider economic recovery, with particular emphasis on the semiconductor and automobile sectors. The degree of confidence eased from August however, and slipped to the lowest since December 2022.



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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 12-23 September 2024.

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