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## au Jibun Bank Japan Manufacturing PMI®

### Manufacturing PMI reaches highest level for three years

#### Key findings

Quicker expansions in output and new orders

Employment rises for first time in four months

Strongest degree of optimism since July 2017

April 2021 data were collected 12-23 April.

The Japanese manufacturing sector registered the strongest improvement in operating conditions in three years, according to the latest PMI® data. Firms reported the fastest expansions in production and incoming business since early-2018, as demand and confidence continued to recover from multiple waves of COVID-19 infections. At the same time, additional production requirements encouraged manufacturers to increase employment levels for the first time since December 2020. As a result, Japanese manufacturing firms expressed a stronger degree of positive sentiment regarding the year-ahead outlook for output.

At 53.6 in April, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – rose from 52.7 in March. This indicated the strongest improvement in the health of the sector since April 2018, which reflects a steady recovery from COVID-19 related disruption.

The improvement in the headline index was supported by a solid expansion in production volumes. Output increased for the third consecutive month in April, and at the fastest pace since April 2018. Firms linked growth to the ongoing recovery in demand, which led to increased orders for manufactured goods.

New orders, meanwhile, rose further in the latest survey period, with the pace of the expansion the fastest recorded for 38 months. According to anecdotal evidence, client confidence had continued to lift in both domestic and international markets. Furthermore, new export sales increased for the third month running, and at the quickest pace since February 2018 as demand improved in key markets, notably China.

At the same time, employment levels returned to expansion territory for the first time in four months in April. The rate of job creation was only marginal overall, yet it was the fastest recorded since February 2020. Firms noted higher capacity requirements due to increased orders, as well as taking on new graduates. In line with the trend in

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, IHS Markit.

#### Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

*"Latest PMI data pointed to a sustained expansion in the Japanese manufacturing sector at the start of the second quarter of 2021. Firms reported the quickest rates growth in both production and new orders since early-2018. Overall, the headline Manufacturing PMI was pushed to the highest level for three years.*

*"Improved operating conditions buoyed Japanese manufacturers to increase staffing levels for the first time since December. The pace of job creation was the quickest for 14 months, despite being only marginal overall.*

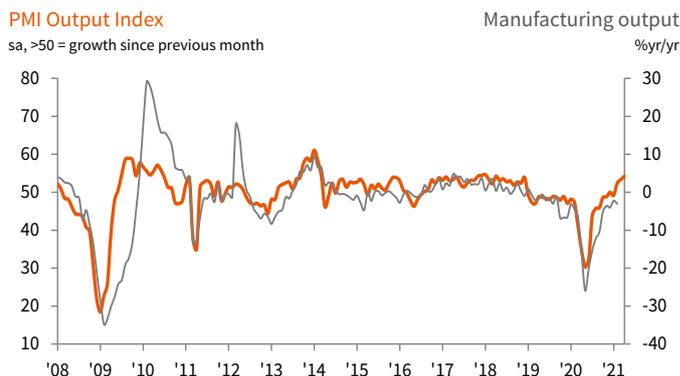
*"Japanese manufacturers continued to report a positive outlook for activity in the medium term. Close to 36% of panellists estimated that output levels would rise over the coming year. This was in line with the current IHS Markit forecast for industrial production to grow 7.7% in 2021, although this does not fully recover the output lost to the pandemic in 2020. Moreover, further disruption to the manufacturing sector cannot be ruled out as COVID-19 restrictions are reintroduced as infections rise once again."*

new orders, outstanding business rose for the second successive month. The pace of expansion was moderate overall, and the sharpest in just over seven years.

There were further reports that rising raw material prices placed sustained pressure on average cost burdens across Japanese manufacturers in April. Input prices have now risen in each of the last 11 months, with the rate of inflation quickening to the fastest since November 2018. Output prices, meanwhile, increased for the fifth month in a row, as firms sought to partially pass higher input costs to clients.

As output and orders continued to expand, buying activity increased for the second successive month. Moreover, the rise was moderate overall and the fastest reported for three years. Manufacturers in Japan noted ongoing difficulties in sourcing raw materials due to global shortages as well as some disruption caused by the fire at the Renesas chipmaking facilities and Suez Canal blockage. As a result, businesses utilised existing stocks of both inputs and finished goods.

Finally, business confidence regarding activity over the coming 12 months gathered pace in April. Positive sentiment was at its second-highest level since the survey first posed the question in July 2012. Optimism was underpinned by hopes of a broad economic recovery once the pandemic subsided.



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### Methodology

The au Jibun Bank Japan Manufacturing PMI® is compiled by IHS Markit 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 2021 data were collected 12-23 April.

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

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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 IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### 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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)