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# Jibun Bank Japan Manufacturing PMI®

## Softer manufacturing conditions continue in June

### Key findings

Output and new work fall at fastest rates since March

Subdued export demand amid US-China trade tensions

Factory gate prices decline for first time since December 2016

June data indicated that overall business conditions deteriorated for the second month running in the Japanese manufacturing sector. Survey respondents noted that US-China trade frictions and subdued global automotive sector trends had contributed to weaker manufacturing performance.

Subdued export demand resulted in the sharpest drop in new work from abroad since January. An associated decline in pressure on business capacity led to more cautious staff hiring in June, with employment growth easing to its weakest for just over two-and-a-half years.

The headline Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® – a composite single-figure indicator of manufacturing performance – registered 49.3 in June, down from 49.8 in May and below the crucial 50.0 no-change threshold for the second consecutive month. The latest reading signalled a marginal deterioration in manufacturing sector business conditions and was the lowest since March.

Lower production volumes and another decrease in new work were the main factors holding back the headline PMI in June. Latest data indicated the sharpest fall in output since March. Moreover, production volumes have now fallen for six months in a row, which is the longest period of decline since 2012-13.

Goods producers in Japan signalled a modest drop in new orders during June, which survey respondents often linked to weaker overseas demand conditions. Reflecting this, export sales decreased for the seventh successive month and at one of the fastest rates since mid-2016. Manufacturers widely reported that lower sales to clients in China had acted as a brake on new export orders.

Softer demand led to a lack of pressure on business capacity in June, which was highlighted by a sharp and accelerated reduction in backlogs of work across the manufacturing sector. The latest fall in unfinished work was the largest since January 2013.

Jibun Bank Japan Manufacturing PMI  
sa, >50 = improvement since previous month



Sources: Jibun Bank, IHS Markit.

### Comment

Commenting on the latest survey results, Tim Moore, Associate Director at IHS Markit, said:

*"Japanese manufacturers continued to suffer from the slowdown in global trade volumes and weaker overseas demand conditions in June.*

*"The latest decline in new orders from abroad was one of the sharpest seen over the past three years. Survey respondents linked the fall in exports to softer demand from customers in China, alongside a drag on sales from global trade frictions and weakness in the automotive sector.*

*"Backlogs of work decreased to the largest extent since the start of 2013, which reflected falling volumes of new work and a subsequent lack of pressure on business capacity.*

*"Intermediate goods producers reported the sharpest drop in order books during June, driven by subdued export demand and disruptions to international supply chains from US-China trade frictions.*

*"Manufacturers of capital equipment also signalled an export-led downturn in sales during June, while consumer goods producers bucked the overall trend by achieving a sustained rise in new work."*

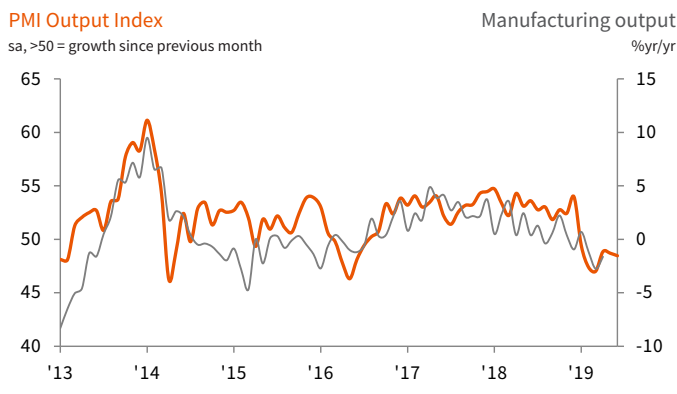
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Manufacturers responded to reduced workloads by introducing more cautious staff hiring policies in June, particularly in relation to replacing voluntary leavers. Where an increase in employment numbers was reported, this often reflected efforts to avoid staff overtime. The overall rate of job creation was the slowest since November 2016.

Input buying fell at the steepest pace for four months in June. Goods producers noted that weaker demand and efforts to streamline inventories had dampened their purchasing activity. The latest decline in pre-production inventories was the greatest since January. In contrast, stocks of finished goods were accumulated for the first time in four months, which survey respondents linked to lower-than-expected sales.

Weaker demand for manufacturing inputs across both domestic and international markets resulted in slower cost inflation in June. The overall rate of input price inflation was the least marked for two-and-a-half years.

However, operating margins remained under pressure, as signalled by a reduction in average prices charged by manufacturers for the first time since December 2016.



## Contact

Joe Hayes  
Economist  
IHS Markit  
T: +44 1491 461 006  
[joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

The 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.

June 2019 data were collected 12-21 June 2019.

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

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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).

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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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).