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## au Jibun Bank Japan Manufacturing PMI®

### Manufacturing production falls at sharpest rate since March 2009

#### Key findings

Plummeting demand leads to further sharp production cutbacks

Supply chain disruptions intensify as COVID-19 pandemic continues

Manufacturing employment falls at strongest rate since mid-2009

Data were collected 7-23 April 2020.

Japan's manufacturing downturn intensified during April, according to the latest PMI data, as production volumes fell at an even faster pace than seen in March as the coronavirus disease 2019 (COVID-19) pandemic caused a further severe drop in domestic and overseas demand. Supply chain dislocations were once again apparent as vendors shut down their operations, causing shortages of inputs.

Employment fell at the fastest rate since June 2009 as lower operating requirements caused some firms to cut their workforces. Meanwhile, expectations slumped to their most negative since the index began in 2012.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® – a composite single-figure indicator of manufacturing performance – dropped to an eleven-year low of 41.9 in April, down from 44.8 in March, to signal a sharp decline in business conditions across the goods-producing sector.

Latest survey data pointed to a severe reduction in Japanese manufacturing production that was the strongest since March 2009. According to panel members, output cuts were a consequence of the global COVID-19 pandemic, which had led to a collapse in demand and factory shutdowns. Market group data revealed sharper downturns among consumer, intermediate and investment goods makers.

Order books plunged deeper into contraction at the start of the second quarter. Latest data signalled the most severe drop in sales for over 11 years amid reports of order cancellations. Key clients suspending their operations also had a strong impact on workloads, according to respondents. Demand from overseas plummeted during April, outpacing the sharp decline recorded in March by a large margin. Overall, new export orders fell at a rate not seen since the height of the global financial crisis in early 2009. Declines were overwhelmingly attributed to the global COVID-19 pandemic, which had caused external demand to collapse.

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, IHS Markit.

#### Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

*"Japan's manufacturing downturn deepened in April as international supply chain paralysis intensified and global demand sank further. Factory shutdowns and below-capacity operations overseas are having a cascading effect on Japanese goods producers, who in turn are cutting or completely suspending production due to closures at their clients and suppliers."*

*"Declines in output and new orders are running at rates not seen since the height of the global financial crisis in early-2009. Based on comparisons with official statistics, the latest survey data suggest manufacturing output declined by approximately 15% on an annual basis in April."*

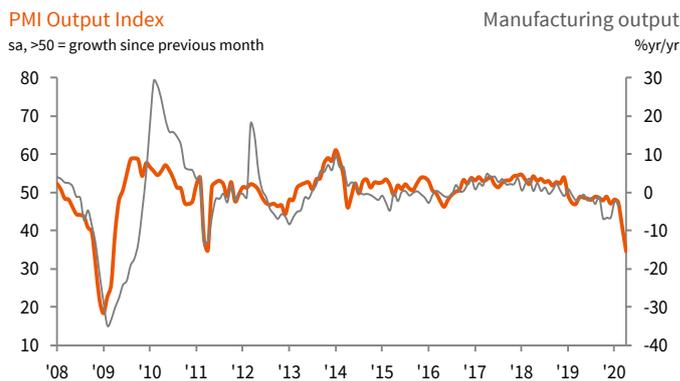
*"The outlook for goods producers in Japan will be strongly linked to the global recovery, when that eventually happens. However, the latest figures show that until we're past the peak of the COVID-19 pandemic and export demand can begin its slow recovery, a sizeable chunk of Japan's manufacturing economy is set to remain effectively shut down."*

Looking ahead, survey respondents expect conditions to remain highly challenging over the next 12 months. Japanese manufacturers predict production volumes to fall sharply across the coming year, with negative forecasts primarily linked to uncertainty surrounding COVID-19. A number of firms were uncertain as to when the economy would begin to recover, which weighed heavily on sentiment.

As a result of lower production requirements, employment and purchasing activity were reduced during April. Staffing numbers fell at the fastest pace since mid-2009 amid reports of restructuring. In line with lower input demand, buying levels were cut substantially.

Manufacturing supply chains remained under intense pressure in April as the global COVID-19 pandemic severely disrupted international shipments. There were widespread reports that vendors had shut down or operated below capacity. Overall, supplier performance deteriorated at the fastest rate in nine years.

Lastly, input prices fell at the fastest rate since September 2016 amid lower oil prices. Output charges were subsequently cut for the third month running.



Sources: au Jibun Bank, IHS Markit, METI.

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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 2020 data were collected 7-23 April 2020.

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)