

Embargoed until 0930 JST (0030 UTC) 1 March 2021

## au Jibun Bank Japan Manufacturing PMI®

### Manufacturing sector grows for first time since April 2019

#### Key findings

Output and new orders expand modestly

Input prices rise at fastest pace for two years

Positive sentiment reaches strongest since July 2017

February 2021 data were collected 11-19 February.

Businesses in the Japanese manufacturing sector signalled the first improvement in operating conditions since April 2019 in February. The higher headline PMI® reading was supported by modest expansions in both output and new order inflows. That said, manufacturers commented that supply chain disruption caused by the coronavirus disease 2019 (COVID-19) pandemic contributed to a sharp rise in input prices. As a result, input cost inflation rose to the fastest for two years. Nonetheless, businesses remained optimistic that production would rise over the coming 12 months.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – rose to 51.4 in February from 49.8 in January. This indicated the strongest improvement in the health of the sector since December 2018, as Japanese manufacturers gradually recovered from the impact of the pandemic.

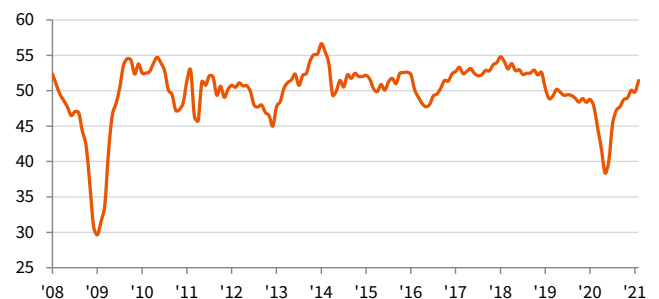
The improvement in the headline index was supported by a moderate expansion in output. Production volumes increased for the first time since December 2018, and at the fastest pace since the same period. Firms cited that a gradual recovery in demand had led to increased orders for manufactured goods.

Similarly, new orders expanded for the second successive month in the latest survey period. The pace of growth quickened from January and was the quickest since October 2018. Higher sales were commonly linked to increased orders for new products being launched as the pandemic impacts dissipated. Furthermore, new export sales increased for the first time in four months in February, as demand improved in key external markets, particularly in China.

At the same time, employment levels continued to decrease in February, although the pace was softer than that seen in the previous month and marginal overall. Firms often noted lower capacity requirements due to the pandemic as a key factor in job shedding, as well as the non-replacement of voluntary leavers. Despite an increase in new orders, outstanding business fell further in February. The rate

*continued...*

au Jibun Bank Japan Manufacturing PMI  
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:

*"February PMI data pointed to an expansion in the Japanese manufacturing sector for the first time in close to two years, as firms reported growth in both production and new orders. Overall, the headline Manufacturing PMI was pushed to the highest level since December 2018.*

*"While employment levels were reduced for the second consecutive month in February, the pace of decline was only fractional.*

*"Concern has been building throughout the Japanese manufacturing sector regarding ongoing supply chain disruption, which has induced sharp rises in the prices of raw materials. Cost burdens faced by firms rose at the sharpest pace in two years, which has partially translated into higher charges for clients to cover margins.*

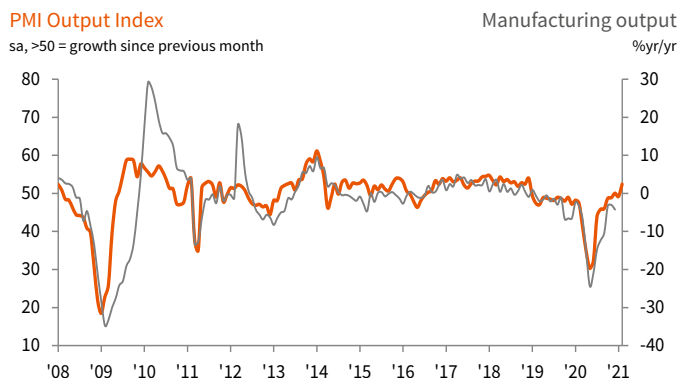
*"Japanese manufacturers continued to report a positive outlook beyond the immediate future. Over a third of respondents estimated that production volumes would increase over the coming 12 months, in line with the IHS Markit forecast for industrial production to grow 7.4% in 2021, although this is from a low base."*

of contraction was only modest, however, and was the softest in the 26-month sequence of decline.

Japanese manufacturers indicated a rise in cost burdens for the ninth consecutive month in the latest survey period. Moreover, the rate of input cost inflation accelerated from January and was the fastest registered for two years. Rising input costs were commonly attributed to higher raw material prices. Manufacturers also sought to partially pass through higher cost burdens to clients through prices charged in February, which increased for the third month in a row.

Despite rises in both production and new orders, buying activity fell for the twenty-sixth month in succession. That said, the decline was only fractional and the softest in the aforementioned sequence. Manufacturers in Japan noted ongoing difficulties in sourcing raw materials due to global COVID-19 restrictions, which led to a further deterioration in delivery times. As a result, firms utilised existing stocks of raw materials and semi-finished goods. A gradual recovery also meant some firms reported that they had streamlined some holdings of both pre-production inventories and finished goods.

Looking forward, business confidence regarding output over the year ahead strengthened to the highest since July 2017. Expectations were underpinned by hopes that an end to the pandemic would further improve operating conditions and support demand.



## Contact

au Jibun Bank  
[Grp-S-I-Room@jibunbank.co.jp](mailto:Grp-S-I-Room@jibunbank.co.jp)

Usamah Bhatti  
Economist  
IHS Markit  
T: +44 1344 328 370  
[usamah.bhatti@ihsmarkit.com](mailto:usamah.bhatti@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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.

February 2021 data were collected 11-19 February.

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

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### The au Jibun Bank Japan PMI is sponsored by au Jibun Bank Corporation

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click [here](#).

### 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)