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## au Jibun Bank Japan Manufacturing PMI®

### Manufacturing output falls at sharpest rate since aftermath of 2011 tsunami

#### Key findings

Production volumes slump at fastest rate for almost nine years

COVID-19 pandemic leads to sharpest drop in demand since April 2011

Supply chain issues intensify further since February

Japan's manufacturing sector slid deeper into contraction territory during March, according to the latest PMI survey data. Production volumes were reduced to the greatest extent since April 2011, the immediate aftermath of the tsunami. The sharp drop in output was in response to a substantial decline in new orders, with panel members attributing this to the coronavirus disease 2019 (COVID-19) pandemic.

Order cancellations and severe supply chain disruptions further compounded demand-side losses. Supplier delivery times lengthened markedly, while employment fell for the first time since September 2015.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® – a composite single-figure indicator of manufacturing performance – fell to 44.8 in March, down from 47.8 in February, signalling a steep deterioration in manufacturing business conditions.

The headline PMI's two principal components, new orders (30%) and output (25%) were by far the largest drags in March. According to latest survey data, the COVID-19 pandemic resulted in the sharpest decline in demand for Japanese goods for almost nine years. All three market sectors registered steep and accelerated declines in new orders, with intermediate goods makers observing the strongest deterioration.

Panel members indicated that the drop in sales reflected reduced client demand across both domestic and external markets. New export orders fell markedly overall in March amid reports of severe economic distress among key trading partners in China and other parts of Asia.

In response to steep declines in order books, Japanese manufacturers reduced output in March. Significant cutbacks or outright production halts were mentioned by some panel members. Overall, the rate of decrease was sharp and accelerated to the

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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 March as a result of the global COVID-19 pandemic which on top of the international supply chain paralysis caused by shutdowns in China, and now other parts of the world, has also dealt a severe blow to export demand."*

*"The consequence was the steepest drop in goods production since the aftermath of the devastating tsunami in April 2011. Furthermore, firms reported an aggressive drop in new orders from the previous month, reflecting lower client demand in domestic and external markets."*

*"The likelihood of the manufacturing recession deepening in the coming months is high. Latest data showed a sharp fall in inventories of inputs, which firms are going to find challenging to replenish in order to sustain factory production. There were reports among some panel members of production schedules being suspended, particularly those in the automotive sector. Overall, the cascading impact of COVID-19 on the global economy is diminishing the chances of a V-shaped recovery."*

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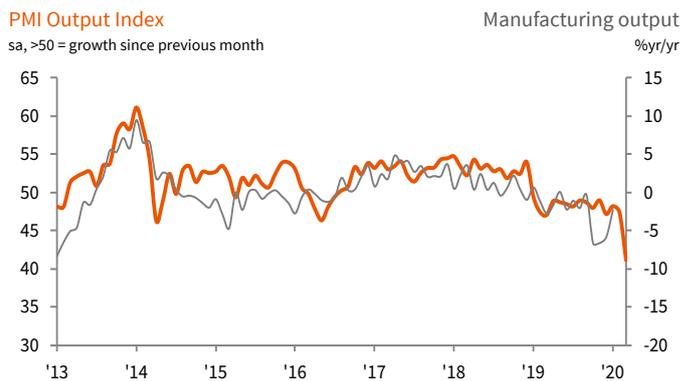
strongest seen since the aftermath of the tsunami in April 2011.

Production schedules also faced strong supply-side hindrances during the latest survey period. Input delivery times lengthened at a faster rate than in February amid continued disruption across international supply chains, particularly in China. Overall, vendor performance deteriorated at the quickest rate since May 2011.

For the first time since September 2015, employment fell during the latest survey period. A number of surveyed companies attributed the reduction in workforce numbers to retirements, although lower output requirements were also partly blamed. That said, the rate of job shedding was marginal overall.

Looking ahead, Japanese manufacturers reported the most negative outlook for output over the coming 12 months since data this index began in July 2012. COVID-19 was the predominant theme underpinning downbeat sentiment, with firms concerned that it could lead to a deep and protracted recession.

Elsewhere, prices data showed deflationary trends across both input costs and output charges in March. Lower market rates for inputs such as oil, chemicals and some metals were passed through to clients though lower selling prices. Overall, output charges fell at the strongest rate in three-and-a-half years.



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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.

March 2020 data were collected 12-24 March 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 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.

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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)