

Nikkei Japan Manufacturing PMI®

Output falls for first time in two-and-a-half years

Key points:

- Japan Manufacturing PMI hits 29-month low
- New export orders decline at sharpest pace since July 2016
- Business confidence falls for eighth month running

Data collected January 11 - 24

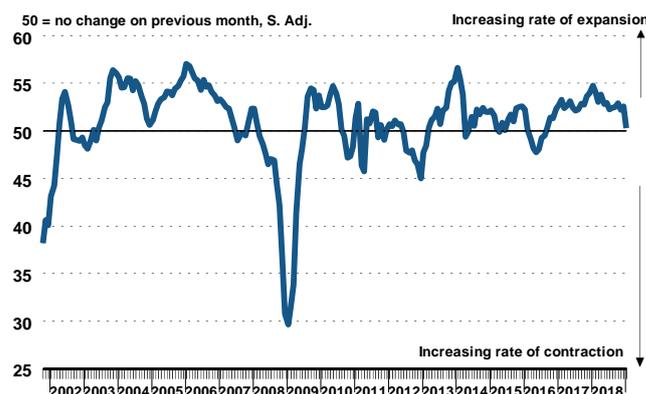
The Japanese manufacturing sector began 2019 with a notably softer improvement in business conditions. The headline PMI fell to the lowest since August 2016 amid coincident declines in both output and new orders for the first time in two-and-a-half years. A stronger deterioration in international demand was also recorded in January. In turn, firms made inroads into their backlogs of work, reduced stocks and scaled back input buying. Meanwhile, business confidence weakened for the eighth straight month, and employment growth eased.

The headline **Nikkei Japan Manufacturing Purchasing Managers' Index™ (PMI)®** – a composite single-figure indicator of manufacturing performance – signalled a marginal improvement in business conditions during January. The headline figure fell to 50.3, from 52.6 in December, the lowest since August 2016.

The PMI was pulled down by the output sub-index during January. Survey data indicated the first decline in manufacturing production for two-and-a-half years, ending the longest sequence of growth since the global financial crisis. Panellists attributed the downturn to weak demand. Although the rate of decrease was only mild, it was a stark contrast to the solid expansion in December.

January data pointed to weaker sales performances in Japan's goods-producing sector. New orders fell for the first time since September 2016 amid reports of fewer workloads from both domestic and international clients. Panellists also mentioned reduced orders for semi-conductor-related items. Meanwhile, export orders fell for a second successive month and to the greatest extent since July 2016. Lower demand from China and the USA was mentioned by some manufacturers.

Nikkei Japan Manufacturing PMI



Sources: Nikkei, IHS Markit

Reduced workloads enabled firms to allocate resources to clearing outstanding business. Backlogs fell for the first time since August 2017. With production requirements dropping, Japanese manufacturers lowered purchasing activity. Stocks of both finished goods and inputs were also scaled back due to unfavourable demand conditions, according to panel members. Decreased input demand alleviated some of the pressures on supply chains in January, but stock shortages and capacity problems at vendors resulted in further input delivery delays.

Job creation in Japan's manufacturing sector was nonetheless sustained during January as firms sought reinforcements to support growth. That said, employment increased only modestly and at the joint-weakest pace in just over two years.

Elsewhere, higher transportation, energy and material costs contributed to another monthly rise in purchasing prices. However, the rate of inflation was the slowest since December 2017. Nonetheless, output charges were raised to a stronger degree.

The downward trend in business confidence extended into January, with optimism easing for an eighth month in a row. The scheduled consumption tax rise and further escalations to Sino-US trade tensions hampered sentiment.

Continued...

Comment:

Commenting on the Japanese Manufacturing PMI survey data, **Joe Hayes**, Economist at IHS Markit, which compiles the survey, said:

“Japan Manufacturing PMI data brought bad news for the global trade cycle at the start of 2019, with new export orders falling at the sharpest rate in two-and-a-half years. Anecdotal evidence suggested that sales of goods relating to semi-conductors had particularly suffered, which bodes ill for other Asian exporters. Meanwhile, domestic markets also showed signs of frailty as total demand declined for the first time since September 2016.

“With Abe set to levy the consumption tax this year, and Sino-US trade tensions still lurking, domestic weakness in Japan further adds to already existing challenges. Business sentiment continued to drop, with survey data registering an eighth straight month where confidence has slipped. Falling inventories and cut backs to production suggest that manufacturers are bracing for further economic difficulty.”

-Ends-

Nikkei Japan Manufacturing PMI[®] is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpō (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Joe Hayes, Economist
Telephone +44 1491 461 006
Email: joseph.hayes@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail: jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail: bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Japan Manufacturing PMI® is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: 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 © 2019 IHS Markit Ltd. All rights reserved.

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 <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Nikkei Japan Manufacturing PMI® 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 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 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. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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