

Nikkei Japan Manufacturing PMI®

Output continues to fall amid weak demand

Key points:

- Domestic and external demand conditions deteriorate
- Firms slow the rate of hiring amid production cutbacks
- Output expectations turn negative for first time since November 2012

Data collected May 13 - 23

Latest survey data revealed weakness in Japan's manufacturing economy has persisted into the midway point of the second quarter. Output was reduced for a fifth successive month as demand from both domestic and overseas markets declined. Concerned about the lack of incoming new work, firms reduced inventories and scaled back input purchasing. The rate of job creation also eased, dipping to the lowest since November 2016.

Elsewhere, there was a notable development regarding the business outlook, which turned pessimistic for the first time in six-and-a-half years.

The headline **Nikkei Japan Manufacturing Purchasing Managers' Index™ (PMI)®** – a composite single-figure indicator of manufacturing performance – edged lower to 49.8 in May, from 50.2 during April. While there was little movement in the main output and new order components, the fall to the employment sub-index was the main factor contributing to the month-on-month dip in the PMI.

Although job creation was sustained in May, with firms reporting graduate recruitment as a factor underpinning the rise in manufacturing employment, the rate of increase was only mild and the weakest in two-and-a-half years. A softer rise in workforce numbers came amid lower output requirements, with new order intakes dipping for the fifth straight month in May. The decline was slightly weaker than in April, however. Makers of both capital and intermediate goods saw drops to sales, while consumer goods producers reported an expansion in demand.

Panellists indicated that the downturn in new orders had been a reflection of weakness both domestically and overseas. New export business fell for the sixth consecutive month in May, which firms attributed to challenging economic conditions

Nikkei Japan Manufacturing PMI



Sources: Nikkei, IHS Markit

at key trading partners such as China, as well as greater competition internationally.

With appetite for Japanese goods dwindling, firms trimmed their inventory levels and scaled back buying purchasing activity. Stocks of both finished goods and inputs declined in May. Post-production holdings were reduced at the fastest pace since January, while input stocks were cut for the sixth time in seven months.

Despite lower quantity of purchases at Japanese manufacturers, supply chain pressures were maintained in May, with delivery times lengthening. According to panellists, stock shortages at vendors drove the deterioration in supplier efficiency.

There were reports from some firms that suppliers had raised charges during May, contributing to another monthly increase in operating costs. Although the rise was solid overall, it was little-changed from April's 20-month low. Output charges were subsequently lifted, albeit modestly, as firms sought to share part of the burden with clients.

Lastly, having shown signs of a slight recovery in April, future output expectations turned pessimistic in May for the first time since November 2012, amid concern towards heightened trade tensions between the US and China, as well as the planned sales tax hike later this year.

Continued...

Comment:

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

“There were no signs a let-up in the recent manufacturing downturn during May, as output and new orders both slipped for fifth successive months. Weak demand from Japan’s key trade partner, China, as well as signs of an increasingly sluggish domestic economy, have impacted sales volumes. Sub-sector data also indicated the area where manufacturing softness had hit hardest, with investment goods producers leading the decline in order books. Given the importance of capital goods to Japan’s foreign trade, it would suggest further difficulties lie ahead for Japanese exporters.

“With the upcoming sales tax hike and upper house elections in July, there lies ahead potential banana skins for Japanese firms to avoid. Re-escalated trade tensions between China and the US merely add to existing concerns for manufacturers. Subsequently, businesses cast a downbeat assessment for the year ahead for the first time in six-and-a-half years.”

-Ends-

Nikkei Japan Manufacturing PMI[®] is sponsored by **NIKKEI**

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 Shimpo (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/>

NIKKEI 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

Joanna Vickers, Marketing and Communications
Telephone +44 207 260 2234
E-mail: joanna.vickers@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 early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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](#).