

Nikkei Flash Japan Manufacturing PMI®

Stronger declines in output and new orders lead sector to first downturn for two-and-a-half years in February

Key points:

- Flash Japan Manufacturing PMI® falls to 32-month low of 48.5 in February (from 50.3 in Jan).
- Deterioration in manufacturing sector reflects stronger falls in production and new orders.
- Future output expectations turn negative for the first time since November 2012.

Data collected 12 – 19 February.

Today sees the latest public release of the **Nikkei Flash Japan Manufacturing Purchasing Managers' Index™ (PMI®)**. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of manufacturing sector operating conditions in Japan. The estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate indication of final PMI data.

Flash Japan Manufacturing PMI® Summary

PMI	Decline, change of direction
Output	Decrease, faster rate
New Orders	Decrease, faster rate
New Export Orders	Decrease, slower rate
Employment	Increase, slower rate
Backlogs of Work	Decrease, faster rate
Output Prices	Increase, slower rate
Input Prices	Increase, slower rate
Stocks of Purchases	Decrease, slower rate
Stocks of Finished Goods	Decrease, slower rate
Quantity of Purchases	Decrease, faster rate
Suppliers' Delivery Times	Lengthened, slower rate
Future Expectations	Negative, change in outlook

Comment:

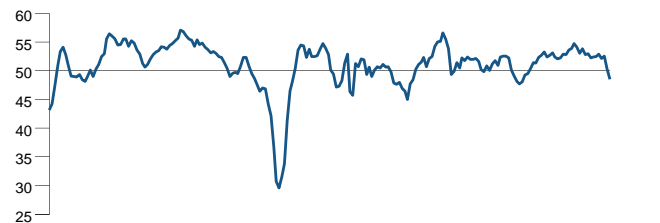
Commenting on the Japanese Manufacturing PMI survey data, **Joe Hayes, Economist** at IHS Markit, which compiles the survey, said:

“Survey data for Japan’s manufacturing sector ebbed into negative territory in February, reflecting sharper reductions in demand and production. Although the initial Q4 estimate revealed a bounce back in economic activity, the PMI suggests underlying business conditions are unfavourable. This was further highlighted by output expectations turning negative for the first time in over six years, which comes as no surprise given the international headwinds Japanese manufacturers are facing such as a China slowdown and the global trade cycle losing further steam. Unless service sector activity can offset manufacturing weakness, the chance of Japan entering a recession in 2019 looks set to rise.”

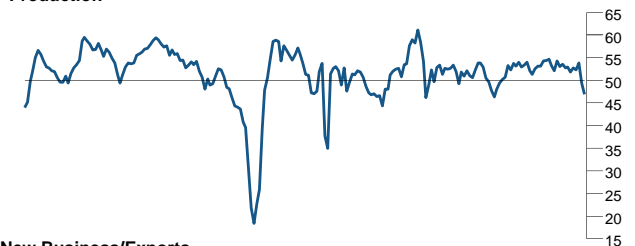
Nikkei Flash Japan Manufacturing PMI

sa, 50 = no change on previous month

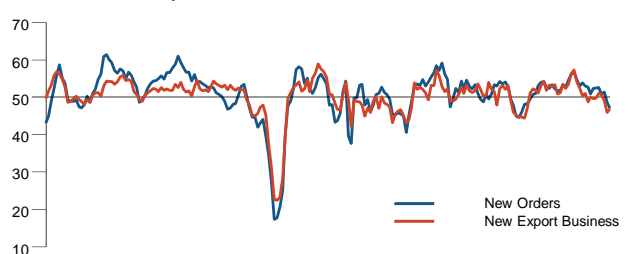
Purchasing Managers' Index (PMI)



Production



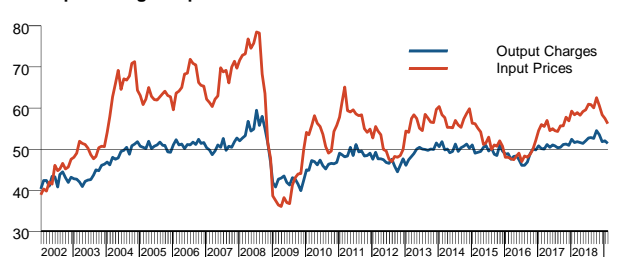
New Business/Exports



Employment/Backlogs of Work



Output Charges/Input Prices



-Ends-

Sources: Nikkei, IHS Markit

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Note to Editors:

Final February data are published on March 1st.

The Nikkei Japan Manufacturing PMI[®] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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. The **flash** estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2008 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias)

Index	Average difference	Average difference in absolute terms
Japan Manufacturing PMI ⁽¹⁾	0.0	0.3
Japan Manufacturing Output Index ⁽²⁾	0.0	0.5

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.

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.

Notes

1. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
2. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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