

## Nikkei Flash Japan Manufacturing PMI<sup>®</sup>

### Output cutbacks continue as domestic and international demand conditions remain fragile

#### Key points:

- Flash Japan Manufacturing PMI<sup>®</sup> falls to 49.6 in May, from 50.2 in April.
- Output and new orders decrease for fifth successive month
- Businesses cast pessimistic outlook towards the coming year for the first time in six-and-a-half years

Data collected 13 – 21 May.

Today sees the latest public release of the **Nikkei Flash Japan Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>)**. 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<sup>®</sup> Summary

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

#### Comment:

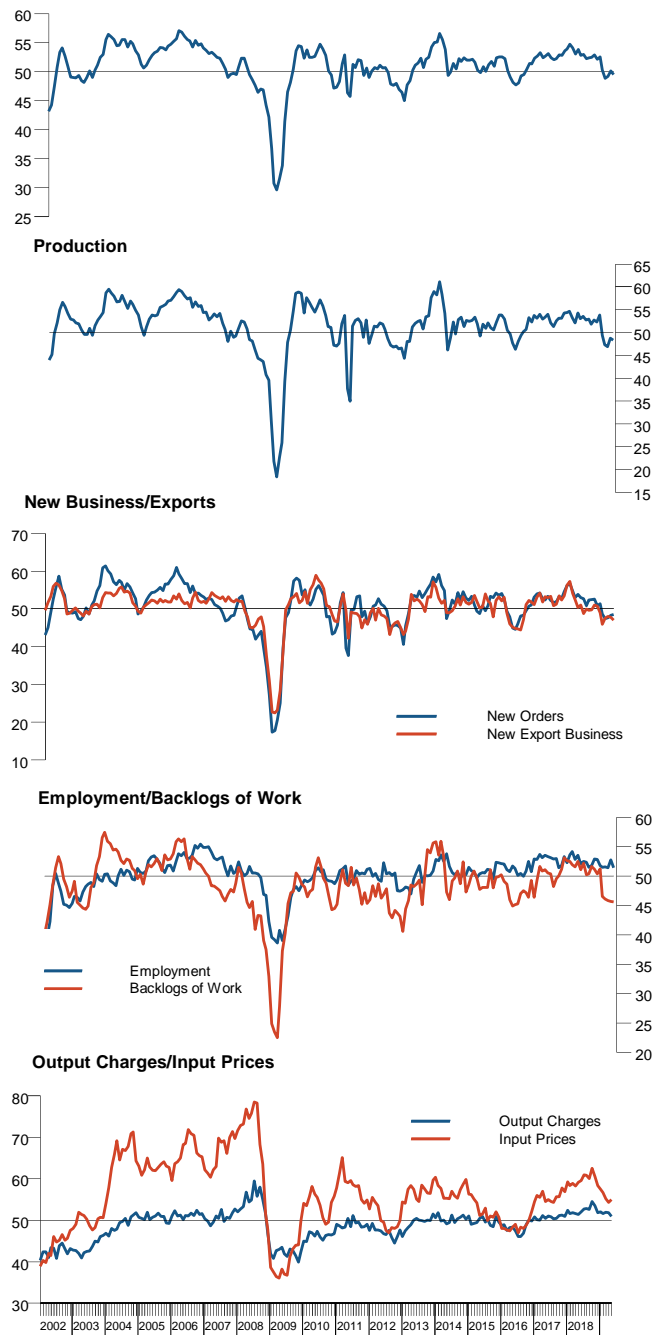
Commenting on the Japanese Manufacturing PMI survey data, **Joe Hayes, Economist** at IHS Markit, which compiles the survey, said:

*“Following some tentative signs that the downturn in Japan’s manufacturing sector had softened in April, flash data for May revealed these were short-lived, as output and export orders fell at stronger rates. The re-escalation of US-China trade frictions has heightened concern among Japanese goods producers. Underlying growth weakness across much of Asia led to struggling exports, which fell at the sharpest rate in four months. Difficulties on the international front merely add to uncertainties domestically, with upcoming upper house elections in July, and the impending sales tax hike later this year. Subsequently, sentiment turned negative in May for the first time in six-and-a-half years.”*

#### Nikkei Flash Japan Manufacturing PMI

sa, 50 = no change on previous month

Purchasing Managers' Index (PMI)



-Ends-

Sources: Nikkei, IHS Markit

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**Note to Editors:**

Final May data are published on June 3<sup>rd</sup>.

The Nikkei Japan Manufacturing PMI<sup>®</sup> 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 <sup>(1)</sup>	0.0	0.3
Japan Manufacturing Output Index <sup>(2)</sup>	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](mailto: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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