

Nikkei Flash Japan Manufacturing PMI[®]

Goods producers observe strongest improvement in business conditions for six months

Key points:

- Flash Japan Manufacturing PMI[®] rises to 53.1 in October, from 52.5 in September.
- Growth of key macroeconomic variables (output, new orders and employment) all accelerate.
- Rates of input cost and output price inflation both quicken to multi-year highs.

Data collected 12 – 22 October.

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	Increase, faster rate
Output	Increase, faster rate
New Orders	Increase, faster rate
New Export Orders	Increase, change of direction
Employment	Increase, faster rate
Backlogs of Work	Increase, faster rate
Output Prices	Increase, faster rate
Input Prices	Increase, faster rate
Stocks of Purchases	Increase, slower rate
Stocks of Finished Goods	Increase, change of direction
Quantity of Purchases	Increase, slower rate
Suppliers' Delivery Times	Lengthened, faster rate
Future Expectations	Positive, weaker optimism

Comment:

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

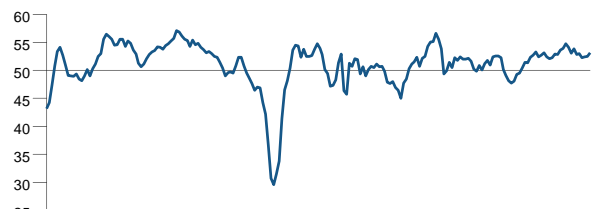
“Following a rather disappointing slew of PMI data over the third quarter, Japan’s manufacturing sector looks set to start Q4 on a more upbeat note. The latest survey indicated stronger expansions in all the key barometers of macroeconomic health, with output, new order and employment growth quickening since September. Furthermore, export sales rose for the first time since May, despite several respondents highlighting problems arising from global trade tensions.”

“That said, next month’s data will be important to assess whether the latest growth rebound is a transitory response to weakness resulting from recent natural disasters.”

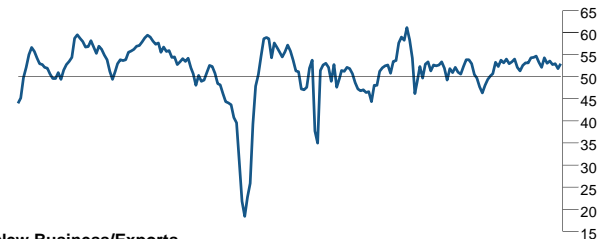
Nikkei Flash Japan Manufacturing PMI

sa, 50 = no change on previous month

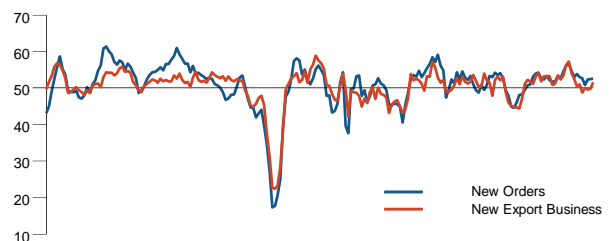
Purchasing Managers' Index (PMI)



Production



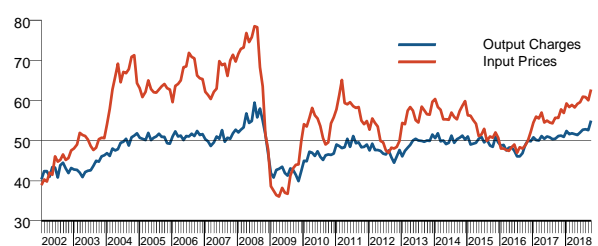
New Business/Exports



Employment/Backlogs of Work



Output Charges/Input Prices



-Ends-

Sources: Nikkei, IHS Markit

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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
 Email jerrine.chia@ihsmarkit.com

Bernard Aw, 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

Note to Editors:

Final October data are published on November 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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