

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit Japan Manufacturing PMI™

Manufacturing production contracts for first time since July 2014

Key points:

- Headline PMI slips just below 50.0 no-change mark
- Falls in both production and new orders
- Input price inflation eases to weakest in over two years

Summary:

Latest data signalled worsening operating conditions in the Japanese manufacturing sector. Production contracted for the first time since July 2014, underpinned by a further decline in new orders. Meanwhile, growth in new export orders slowed to the weakest in the current 10-month sequence of expansion. On the price front, input price inflation eased to the slowest in over two years.

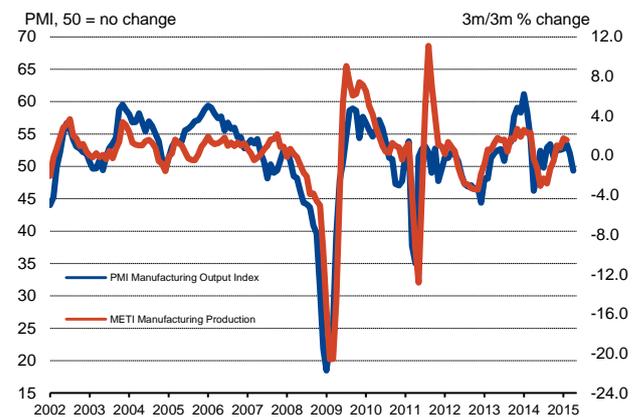
The headline Markit Japan Manufacturing *Purchasing Managers' Index™* (PMI)™ is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of sector operating conditions.

At 49.9 in April, the headline PMI signalled a fractional deterioration in operating conditions in the Japanese manufacturing sector for the first time in almost a year. Furthermore, the headline PMI has only posted below the 50.0 no-change mark three times in the past two years.

Reflecting an overall downturn in the manufacturing sector, production decreased for the first time since July 2014. According to anecdotal evidence, this was underpinned by a further decline in total new work.

New orders at Japanese goods producers decreased for the second successive month in April. Moreover, the rate of decline was the fastest since when the higher sales tax was implemented in April last year. Several companies commented on challenging market conditions and reduced demand from both domestic and international clients leading to the latest decrease. All three sectors registered falls in sales volumes, with intermediate goods producers noting a slightly quicker decline.

Markit Manufacturing PMI: Output Index



Despite reports of a weakening yen against the dollar, new export orders growth slowed to the weakest in the current 10-month period of expansion. This was reflected in the sector data as all three surveyed sectors signalled weaker international demand.

Contrasting with contractions in production and new orders, manufacturers hired additional staff in April. However, the rate of growth was weak and below the average over the past 12 months. Meanwhile, volumes of unfinished work declined for the second

straight month. Moreover, the rate of depletion was the fastest since November 2014.

On the price front, purchasing prices continued to rise, although at the weakest rate since February 2013. Where prices rose, firms frequently mentioned the depreciation of the yen driving up imported raw material costs. Meanwhile, charges declined for the third month in a row, but only at a slight pace.

Comment:

Commenting on the Japanese Manufacturing PMI survey data, **Amy Brownbill**, Economist at Markit, which compiles the survey, said:

“The latest PMI data signalled worsening operating conditions in the Japanese manufacturing sector. Manufacturing production contracted for the first time since July 2014 in April. This was underpinned by a further fall in new orders, with the rate of decline the fastest since when the higher sales tax increase was implemented in April last year. Panellists reported a fall in demand from both domestic and international clients and challenging economic conditions as the main factors behind the decline in new work.

“Despite reports of a weakening yen against the dollar, new orders from abroad slowed to the weakest in the current ten-month sequence of expansion. Meanwhile input price inflation eased to the weakest in over two years, while charges continued to fall, albeit at a slight pace”.

-Ends-

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Notes to Editors:

The Markit 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, 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 Markit 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.

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 Markit. Please contact economics@markit.com.

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About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for 32 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 www.markit.com/economics.

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