

Nikkei Japan Manufacturing PMI™

Production increases at faster pace, amid return to new order growth

Key points:

- Headline PMI posts highest reading in five months
- Expansions in both production and new orders
- Inflationary pressures strengthen, although remain historically muted

Summary:

Operating conditions in the Japanese manufacturing sector improved in July. Production increased at the fastest rate since February, underpinned by a return to new order growth. Concurrently, employment rose at the quickest rate since December 2014 and buying activity expanded, reversing the trend observed in the prior month. Meanwhile, greater cost burdens were evident, as input prices rose, albeit at a weaker rate than the long-run series average.

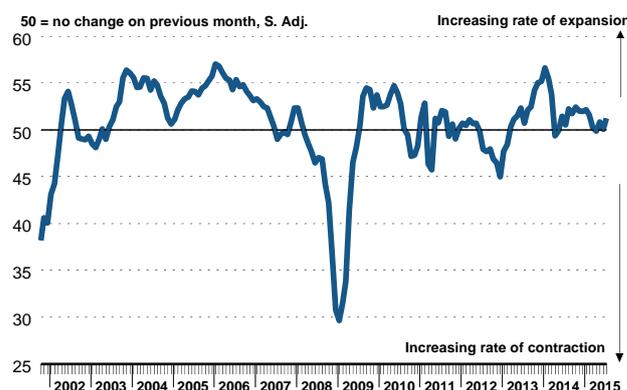
The headline Nikkei Japan Manufacturing Purchasing Managers' Index™ (PMI)™ is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall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

At 51.2 in July, up from 50.1 in June, the headline PMI signalled an improvement in operating conditions at Japanese manufacturers. Although marginal, growth was the quickest since February and stronger than the historical average. The latest reading reflected expansions in production, new orders, employment and stocks of purchases.

Indicative of an overall improvement in the manufacturing sector was a further increase in production. Output growth accelerated to a five-month high, with both consumer and investment goods producers recording expansions in production. According to anecdotal evidence, the securing of new clients and stronger demand conditions led to the latest increase.

Underpinning the expansion in output was a return to new order growth in July. Similar to production, the latest increase was the quickest since February and sharper than the long-run series average.

Nikkei Japan Manufacturing PMI



Sources: Nikkei, Markit

Survey companies mentioned advertising campaigns and a greater client base as factors behind the expansion in new work.

New orders from aboard at Japanese goods producers increased in July. Despite easing from June's 18-month record, the rate of expansion was in line with the average over the current 13-month sequence of growth. New product launches and success in gaining new international clients were cited as drivers behind greater foreign demand.

Subsequently, employment increased at the fastest rate this year so far. Meanwhile, buying activity rose for the second time in the past five months.

On the price front, purchasing costs increased amid reports of the depreciation of the yen against the dollar driving up raw material costs. However, the rate of appreciation was slower than the current 31-month period of inflation. Manufacturing charges, on the other hand, declined for the first time in three months, albeit at only a marginal rate.

Comment:

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

“Latest survey data signalled an improvement in operating conditions in the Japanese manufacturing sector. Growth in new orders resumed, supporting further increases in both output and employment. According to anecdotal evidence, stronger demand conditions and the securing of new clients led to the latest expansion in production. Meanwhile, growth in international demand eased from June’s 18-month record, but was nevertheless solid in the context of historical data.

“On the price front, inflationary pressures strengthened amid reports of the falling yen against the dollar driving up raw material costs. That said, the rate of increase was weaker than the long-run series average.”

-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 three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei will mark its 140th anniversary next year. Since our start in 1876 as the Chugai Bukka Shimpō (Domestic and Foreign Prices News), we have consistently provided high-quality reporting on economic and other news 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 three million. Adding further depth to our offerings are our premium content and strong digital technology, all underpinned by our excellent people. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve 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 nothing short of making 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.



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.



VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, we provide a forum on Asia, for Asia watchers everywhere.



ASEAN 100 / INDIA 40:
Gives readers an in-depth look into the 140 most powerful and influential companies in the region.



JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

For further information, please contact:

Markit (About PMI and its comment)

Amy Brownbill, Economist

Telephone 44-1491-461-063

Email amy.brownbill@markit.com

Joanna Vickers, Corporate Communications

Telephone 44-207-260-2234

E-mail joanna.vickers@markit.com

Nikkei inc.

Public Relations Office

Telephone 03-3270-0251

Notes to Editors:

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, 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.

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.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for over 30 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.

The intellectual property rights to the Nikkei Japan Manufacturing *PMI*[™] provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. 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 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 use the above marks under license. Markit is a registered trade mark of Markit Group Limited.