

Nikkei Japan Manufacturing PMI™

Rising new export orders underpin growth in April

Key points:

- Faster rise in new export orders underpins further growth of output
- Purchasing activity increases markedly
- Price pressures intensify during April

Data collected April 11-21

April's survey of Japanese manufacturers indicated a further improvement in business conditions, as output, new orders and employment all continued to rise. Export sales strengthened amid reports of higher demand, while purchasing activity was raised to the greatest degree since the start of 2016.

Subsequent pressure on suppliers meant that delivery times lengthened markedly, exacerbated by stock shortages at vendors. Prices for inputs rose sharply and output charges were raised to the greatest degree for nearly two-and-a-half years.

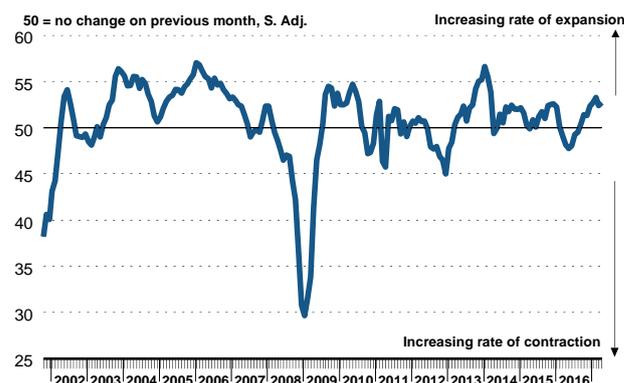
The headline Japan Manufacturing *Purchasing Managers' Index™ (PMI)™* – a composite single-figure indicator of manufacturing performance – edged higher to a level of 52.7 during April (from 52.4 in March). Posting above the 50.0 no-change mark for an eighth successive month, the index was at a level amongst the best seen in the past three years.

A ninth successive month of rising production was recorded during April, with the rate of expansion edging up since March. Panellists linked growth to higher levels of incoming new orders which rose at a solid, albeit slightly weaker rate. Foreign demand was a source of overall growth, with new export orders increasing to a greater degree amid reports of higher sales to markets across South East Asia.

Market group data indicated growth was concentrated in the capital goods sector, with this category enjoying the strongest rises in output and new orders during April.

Meanwhile, employment continued to rise across the manufacturing industry in April as companies took on extra staff to deal with rising workloads.

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Sources: Nikkei, IHS Markit

Workforce numbers have been increasing continuously since September last year, with the latest data showing growth at a pace close to February's near three-year peak. Capacity nonetheless remained under pressure, as evidenced by rising backlogs of work outstanding.

With production requirements rising, manufacturers chose to increase their purchasing activity to the greatest degree for 15 months in April. This served to place ongoing pressure on suppliers but, faced with stock shortages at their units, average delivery times from vendors lengthened to the greatest degree for two-and-a-half years.

Ongoing rises in demand also served to push-up the cost of raw materials during the month. Input price inflation accelerated during April to a 28-month high, with companies noting fuel and steel-related products as key sources of increased overall prices. Panellists sought to protect margins wherever possible via an increase in their own charges. Although modest, the latest rise was the greatest since November 2014.

Finally, business confidence strengthened during April with nearly a third of the panel forecasting growth in output. Client demand and new orders are widely forecast to rise, with growth also set to be supported by the launch of new products.

Comment:

Commenting on the Japanese Manufacturing PMI survey data, **Paul Smith**, senior economist at IHS Markit, which compiles the survey, said:

“Growth of the Japanese manufacturing sector is being sustained at a healthy clip at the start of the second quarter, with the data remaining consistent with underlying rises in official manufacturing production of around the 2% mark.

“Supported by strengthening overall demand across the South East Asia region, exports are a key driver of growth, particularly for capital goods, with the PMI data again revealing the investment goods sector as the engine of overall expansion in April.”

-Ends-

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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@ihsmarkit.com.

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