

## Nikkei Flash Japan Manufacturing PMI®

### Manufacturing sector flatlines as demand weakens and production is reduced

#### Key points:

- Flash Japan Manufacturing PMI® falls to 50.0 in January (52.6 – December), ending longest expansionary run for over a decade.
- Exports decline at strongest pace in two-and-a-half years
- Production scaled back for first time since July 2016, while confidence lowest in over six years.

Data collected 11 – 22 January.

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	No change
Output	Decrease, change of direction
New Orders	Decrease, change of direction
New Export Orders	Decrease, faster rate
Employment	Increase, slower rate
Backlogs of Work	Decrease, change of direction
Output Prices	Increase, rate unchanged
Input Prices	Increase, slower rate
Stocks of Purchases	Decrease, faster rate
Stocks of Finished Goods	Decrease, faster rate
Quantity of Purchases	Decrease, change of direction
Suppliers' Delivery Times	Lengthened, slower rate
Future Expectations	Positive, weaker optimism

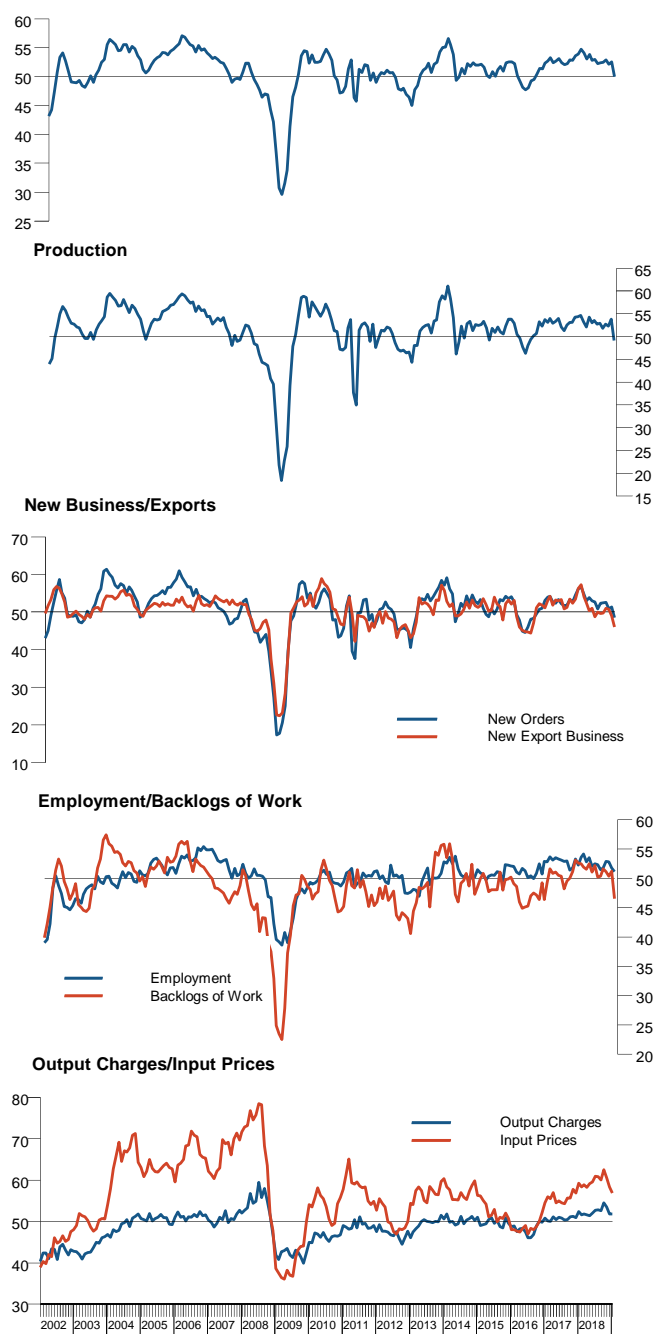
#### Comment:

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

*“Preliminary PMI data for January bodes ill for Japan’s manufacturing sector, indicating the end of a near two-and-a-half-year growth run as the index dropped to 50.0. The underlying picture will raise concern given renewed reductions were seen in new orders and output. Further signs that the downturn in the global trade cycle could yet worsen were also signalled, with new export orders falling at the sharpest rate since July 2016. The widely-anticipated rebound in Q4 should not distract from the bigger picture. Domestic economic weakness compounded with slowing global growth coincided with the lowest level of business confidence for over six 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 January data are published on February 1<sup>st</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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