

Nikkei Flash Japan Manufacturing PMI™

Output falls at fastest rate in over two years, underpinned by a sharp drop in new orders

Key points:

- Flash Japan Manufacturing PMI™ at 47.6 (48.2 in April). Flash headline PMI signals sharpest decline in operating conditions since December 2012.
- Flash Japan Manufacturing Output Index at 46.9 (47.8 in April). Production decreases at most marked rate in over two years.

Data collected 12– 19 May.

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

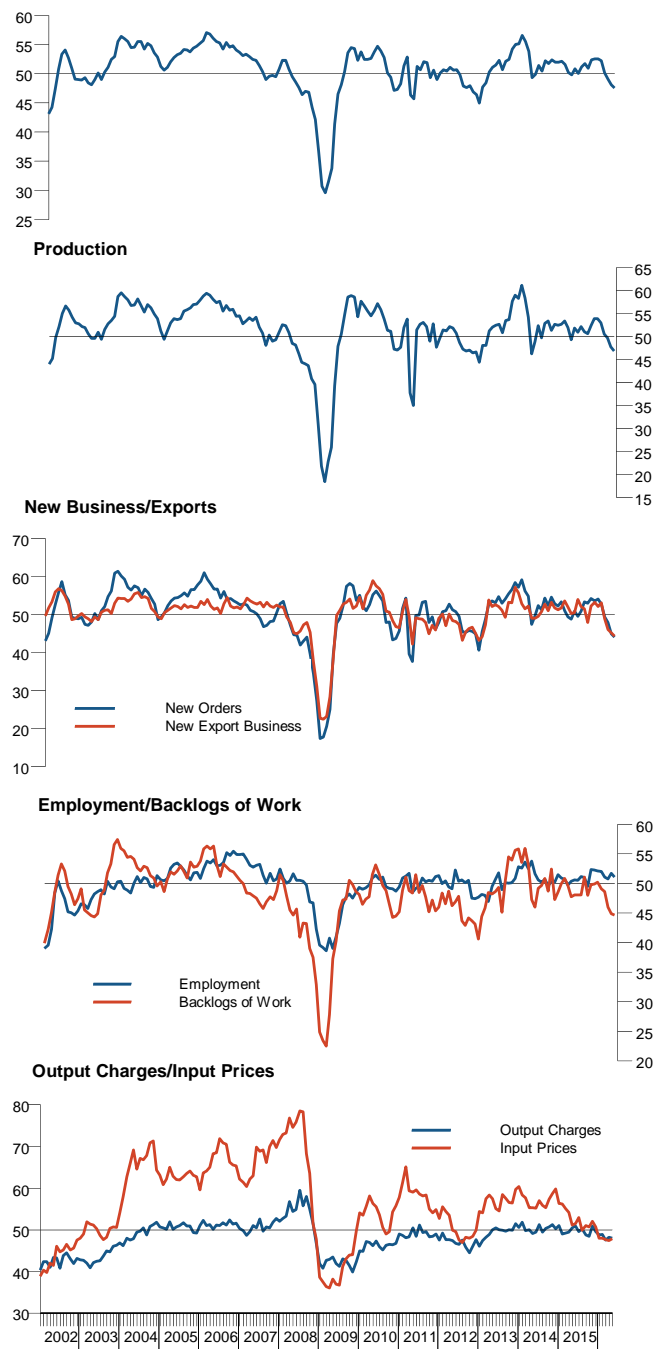
Comment:

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

“Manufacturing conditions deteriorated at a faster rate mid-way through the second quarter of 2016, suggesting the aftermath of the earthquakes were still weighing heavily on goods producers. Both production and new orders declined sharply and at the quickest rates in 25 and 41 months respectively. One of the primary reasons behind the fall in total new orders was a marked contraction in foreign demand, which saw the sharpest fall in over three years. Goods producers were also less optimistic towards their hiring policies with the rate of job creation easing from April’s three-month record.”

Nikkei Flash Japan Manufacturing PMI

sa, 50 = no change on previous month
Purchasing Managers' Index (PMI)



-Ends

Sources: Nikkei, Markit
compiled by markit

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Note to Editors:

Final May data are published on June 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.

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.

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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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.

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