News Release EMBARGOED UNTIL: 0930 (Tokyo) / 0030 (UTC) March 1st 2019

Nikkei Japan Manufacturing PMI®

Manufacturing production declines at fastest rate since May 2016

Key points:

- Headline PMI in contraction territory for first time since August 2016
- Demand conditions deteriorate at stronger rate
- Business outlook broadly neutral having fallen for ninth straight month

Data collected February 12 - 21

Japanese goods producers recorded a sharper downturn in output during February, while new order intakes declined at a quickened pace. As a result, the headline PMI dipped into contraction territory for the first time in two-and-a-half years. New export business also continued to decline amid lower sales to China. As a result, output charges were raised at a slower rate and businesses pared back their output expectations for a ninth successive month.

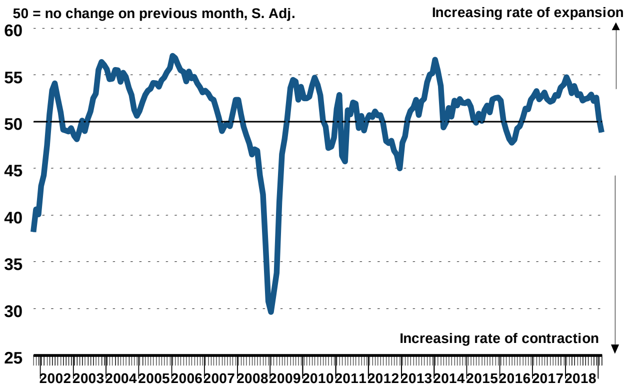
On the upside, employment increased, input costs rose at the softest pace in 16 months and efficiency gains at suppliers helped delivery times broadly stabilise.

The headline **Nikkei Japan Manufacturing *Purchasing Managers' Index™ (PMI)®*** – a composite single-figure indicator of manufacturing performance – pointed to the first contraction in the Japanese manufacturing economy since August 2016 during February. The headline figure fell to 48.9, from 50.3 in January, the lowest in 32 months.

Latest survey data showed a second straight monthly decline in production volumes at Japanese manufacturers. The contraction was moderate, but the most pronounced since May 2016. Panellists linked the fall in output to reduced new order intakes. Deteriorating demand conditions were signalled in the February PMI survey. New work placed with Japanese goods producers dropped at the fastest rate in over two-and-a-half years. Furthermore, the decrease in order books was broad-based across both domestic and foreign markets, with falling new export sales also recorded. Although overseas orders fell at a slower rate than in January, it was the second-sharpest decline for two-and-a-half years.

Intensified downturns in demand and output coincided with a further easing of business confidence in February. Future output expectations

Nikkei Japan Manufacturing PMI



Sources: Nikkei, IHS Markit

were pared back for the ninth month running, leading sentiment to fall towards broadly neutral territory. Global trade frictions, downbeat demand forecasts and the impending consumption tax hike were cited as risks to the outlook.

Nonetheless, employment increased, as has been the case in every month since September 2016. Structural changes and the recruitment of trainees supported job creation in February. That said, the rise in staffing numbers was only modest and weaker than the average across the current upturn. However, with new business falling, firms were able to channel additional labour resources to help fulfil outstanding orders. Backlogs of work declined at the sharpest rate in 32 months.

Elsewhere, input lead times were close to stabilising in February amid reports of efficiency gains at suppliers. Vendor performance deteriorated only marginally. Reduced purchasing activity also helped ease pressure on supply chains. Input buying fell at the quickest rate since July 2016.

Cost burdens continued to rise in February, with raw materials, labour and transport mentioned as sources of inflation. The increase was marked, but the softest in 16 months. As a result, firms were able to raise output prices at a slower pace.

Continued…

Comment:

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

"Sharper reductions in output and demand drove the Japanese manufacturing economy into contraction during the midway point of Q1, compounding reductions already recorded in January. Global trade frictions and weak domestic manufacturing demand pose considerable risks to Japan's goods producers. As such, firms pared back expectations to near-neutrality. The rebound seen in the official Q4 GDP estimate does not appear to be reflective of underlying economic conditions in Japan.

"With the consumption tax hike set to come into play later this year, weak domestic demand will only heighten fears that the economy could be poised for a downturn. Focus turns towards service sector data, which will need to show signs of resilience in order to offset the manufacturing drag."

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

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting 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 two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved 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 to make 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.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

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

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)
Joe Hayes, Economist
Telephone +44 1491 461 006
Email: joseph.hayes@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail: jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail: bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)
Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified by GDP and company workforce size. 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.

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.

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.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI
Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 https://ihsmarkit.com/products/pmi.html.