

# Japan

## Flash Japan Manufacturing PMI signals stronger growth momentum in August

- Flash PMI reaches a three-month high of 52.8
- Stronger growth in total new business supported by faster increase in export sales
- Optimism towards the outlook fuels strong jobs growth

Latest Flash Japan PMI data show the manufacturing economy gaining momentum midway through the third quarter, ending a slowdown seen over the last two months.

At 52.8, up from 52.1 in July, the headline Nikkei Flash Manufacturing PMI signalled the strongest improvement in the health of the sector since May.

The pick-up in the PMI was supported by a steeper increase in output — the fastest for three months — as well as a quicker expansion in new business, that was in turn helped by stronger exports growth.

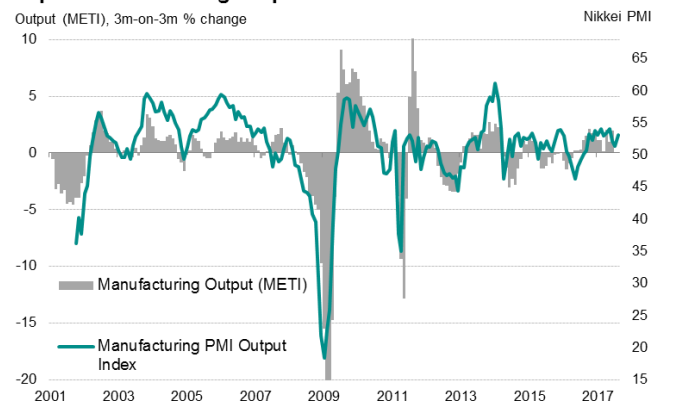
### Export sales increase at faster pace

Initial worries on the shifting of GDP growth engines to domestic demand following the release of second quarter GDP and recent PMI surveys could be allayed somewhat by the latest PMI data on export orders. After showing the weakest expansion for nearly a year during July, growth in new export sales quickened in August. That said, the rate of increase remained relatively modest, particularly compared to those seen earlier in the year.

### Staff numbers rise further as confidence remains strong

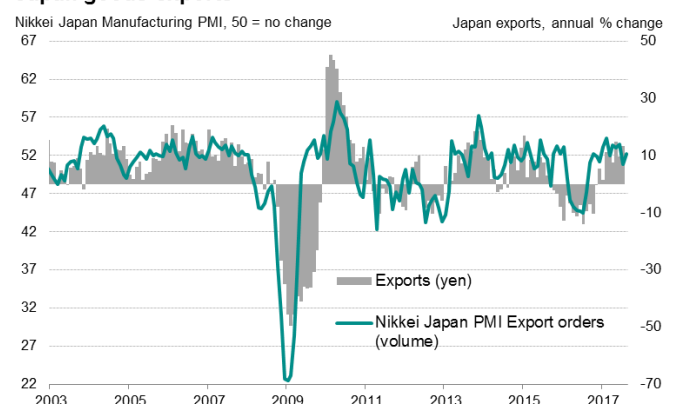
PMI data indicated that employment growth continued to run well above the historical average, with the hiring boom reflecting the positive mood within Japan's manufacturing sector. Optimism towards the year-ahead remained among the highest seen since the series began in 2012, despite dipping since July.

Japan manufacturing output



Sources: IHS Markit, Nikkei, METI

Japan goods exports



Sources: IHS Markit, Nikkei, MOF

Although companies continued to add to their payrolls, backlogs of work increased slightly during August. Outstanding work has now risen through much of 2017 to date, and stronger growth in sales may only add to capacity pressures going forward.

Another area of concern is that firms' profit margins were under greater pressure in August as input cost inflation reached a four-month high, but selling prices rose at a weaker pace.

---

## **Bernard Aw**

**Principal Economist**

**IHS Markit**

Tel: +65 6922 4226

Email: [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

[Click here](#) for more PMI and economic commentary.

For further information, please visit [www.ihsmarkit.com](http://www.ihsmarkit.com)