

## Weak Japan manufacturing PMI clouds stronger outlook

Positive sentiment on the Japanese economy has come in for some re-assessment following a further decline in the manufacturing PMI for May.



Source: iStock

# 52.0

## May manufacturing PMI

(Previously 52.7)

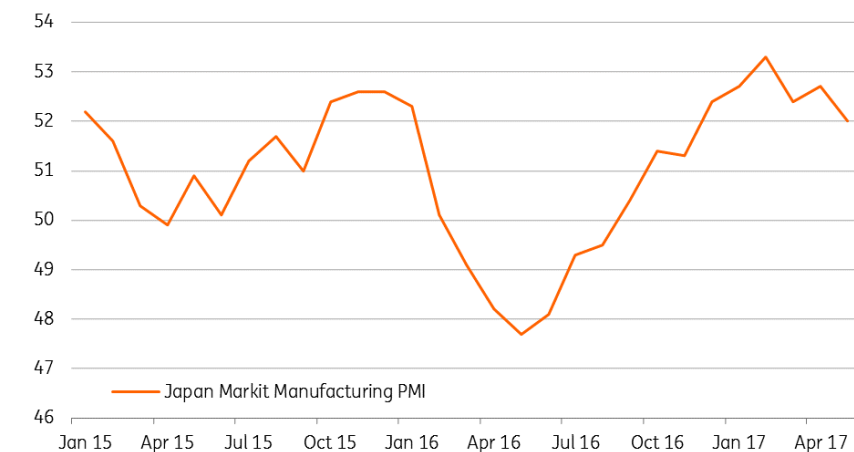
Worse than expected

It's a six month low, but we wouldn't get too alarmed yet.

This is fairly noisy data, and the index still remains comfortably above the 50 boom / bust threshold, with the latest reading within (though at the lower end of) the range that is has fluctuated between since last November.

Weak investment figures in the latest GDP data are likely to be more reflective of the manufacturing sector than services, and weaker new orders data in this latest may hint at some further manufacturing weakness to come.

## Japan manufacturing declines in May



Source: Macrobond

But Japan’s economy is less tied to the manufacturing cycle than it once was. And despite an April dip, the service sector PMI is still trending higher.

Even then, these PMI surveys have a very spotty record of tracking broader economic activity trends. GDP tracks neither series well (unless inverted). And on past records, GDP has further to pick up in the short to medium term.

### The bottom line

With the picture on Japanese activity at best mixed – we see no change in BoJ policy for the foreseeable future. And for this to change, we will not only need activity indicators to strengthen more consistently, but core inflation to stop trending ever deeper into negative territory.

### Author

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial

instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.