

## PANTHEON ASIAN DATA WRAP

- Japan: The flash PMI dropped precipitously to 48.5 in February, from 50.3 in January. Bloomberg reports no consensus.
- Japan: The all-industry activity index dropped 0.4% m/m in December, after a downwardly-revised 0.5% in November, below the consensus for a 0.2% fall. Net revisions were -0.2pp.
- Korea: The contraction in 20-day exports moderated to -11.7% y/y in February, from -14.6% in January. Bloomberg reports no consensus.

### ***PMI sends the BoJ a wake-up call***

The flash PMI dropped precipitously to 48.5 in February, from 50.3 in January. Bloomberg reports no consensus. The trend was always going to be down from October, when the sector was buoyed by catch-up growth after the Q3 natural disasters, with China's slowdown in the driving seat thereafter. But we were surprised by the extent of the drop in February, after the already steep decline from 52.6 in December.

The forward-looking indices offer little hope of a swift turnaround, with the future output expectations index turning negative for the first time since the end of 2012, and the new orders index dropping further below 50. The new export orders index ticked up, but only minimally, and it remained well below 50.

The backlog of works index fell further, to below 45, heightening our conviction that a likely rebound in hiring activity in Q1 will be brief. The report also suggests a loss of momentum in price gains.

These data ought to wake up the BoJ to the seriousness of the manufacturing slowdown. Until now, the BoJ has seen risks to external demand as balanced "on the whole", with only nods made to China's weakening.

### ***Japan's all-industry activity index reveals that October was a one-hit wonder***

The all-industry activity index dropped 0.4% m/m in December, after a downwardly revised 0.5% in November, below the consensus for a 0.2% fall. Net revisions were -0.2pp.

Construction *plunged* 2.1% m/m in December, following a downwardly-revised 1.1% *jump* in November. The numbers suggest that post-disaster reconstruction was short-lived. A second supplementary budget should help on this front in Q1, but these data imply little underlying momentum in construction.

Despite the downgrade and the weak December print, however, the index still paints a much rosier picture of Q4 growth than did the national accounts, with GDP growth hampered by net trade and inventories.

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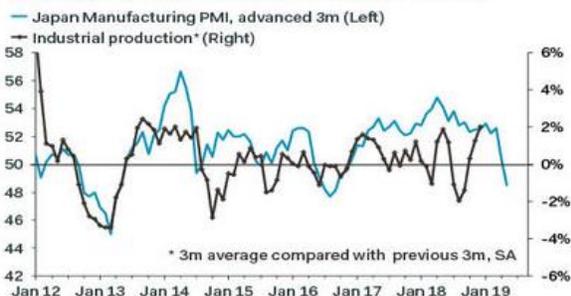
## Another month, another poor outturn for Korean exports

Korean exports in the first 20 days of February fell by 11.7% y/y, marking a moderation from the 14.6% drop in the same period in January. Bloomberg reports no consensus. We expected a more modest decline, but base effects related to Chinese New Year appear to have done a lot of damage. This year's earlier holiday fell completely within the first 20 days of the month, whereas the 2018 break started in mid-February, affecting only part of the sampling period.

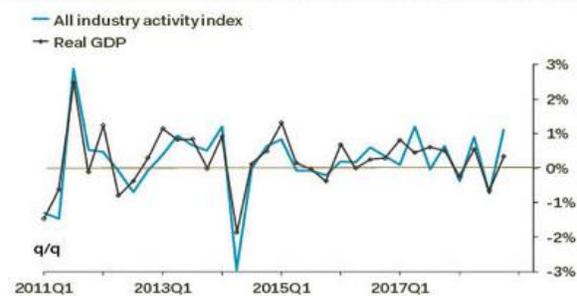
That aside, trends at the margin still are deteriorating, and fast. 20-day exports plunged at a seasonally-adjusted annualised rate of 48.1% in the three months to February, compared with the previous three months, deeper than the 40.2% collapse in the three months to January.

February's 20-day data suggest that exports contracted by 5.0% y/y for the full month, marking only a marginal improvement from the 5.8% fall in January. Leading indicators, particularly out of China—Korea's main export market—point to steeper declines in the coming months, with no real relief in sight until the latter stages of 2019.

THE MANUFACTURING PMI PAINTS A BLEAK H1 FOR JAPAN



JAPAN'S ALL-INDUSTRY ACTIVITY INDEX PAINTS A ROSIER Q4 STORY



CONTRACTION IN KOREAN EXPORTS LIKELY MODERATED IN FEB.

