

## PMI slumped in April

**Thursday, 5 May 2016**

- The Nikkei whole economy PMI slumped from 52.0 in March to contraction territory at 49.4 in April, marking the first contraction since May 2015, the lowest reading since November 2012 and the sharpest drop for the data series going back to May 2013.
- The deterioration was attributed to a steep fall in new orders (lowest since October 2015) that contributed to the weaker output reading of 51 (vis-à-vis 56.8 in March and the slowest since September 2013). This suggests that domestic business confidence appears to have been dented amid the weaker external demand conditions since 1Q16.
- While we had anticipated some weakness, the April print surprised on the downside, especially in the wake of the recent manufacturing PMI and the recent business surveys which had suggested slightly less bearish sentiments.
- Nevertheless, this data reinforces our view that 2Q GDP is likely to be lackluster and should 1Q16 flash growth estimates (which already reflected some deceleration in the services sectors) be revised down, the probability of a technical recession remains on the cards.

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