

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 08:15 (Japan), 28 December 2012**  
**23:15 (UK), 27 December 2012**

### Markit/JMMA Japan Manufacturing PMI™

#### Downturn of manufacturing sector accelerated during December

##### Key points:

- Output and new orders register sharpest contractions for 20 months
- Employment, purchasing and stocks all continue to be cut
- Output charges lowered further as input prices remain unchanged

##### Summary:

Latest data from Markit/JMMA indicated that the performance of the Japanese manufacturing sector continued to deteriorate in December. Output, new orders and employment all fell compared to one month ago while margins remained under pressure as output charges declined amid ongoing price competition.

After adjusting for seasonal factors, the headline Markit/JMMA *Purchasing Managers' Index™* (PMI™) registered a level of 45.0 in December. Down from 46.5, the PMI subsequently posted a 44-month low.

Output continued to decline markedly, with the sharpest contraction again seen in the capital goods producing sector. Total manufacturing production has now fallen for seven months in a row, with the latest reduction the sharpest seen since April 2011.

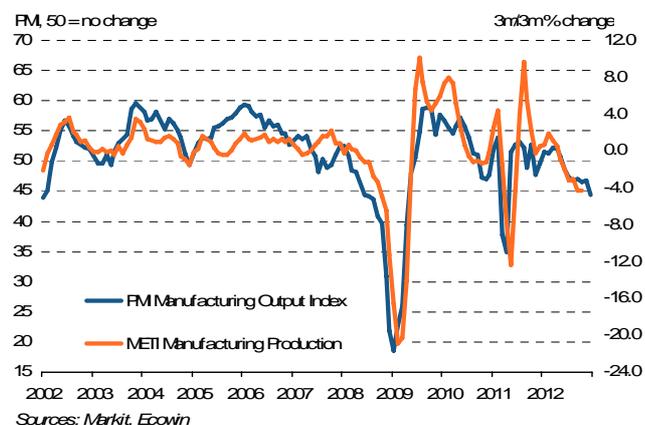
Falling volumes of incoming new business was the primary factor driving manufacturing output lower in December. As was the case with output, the fall in new order volumes was the steepest since April 2011, although the rate of decline was considerably sharper than seen for production.

New export order volumes also continued to fall in December, with companies reporting that demand

from Chinese and European markets remained sluggish.

The fall in orders from abroad was the steepest since July, with investment goods producers recording the steepest reduction.

##### Markit/JMMA Manufacturing PMI: Output Index



Sources: Cabinet Office, Markit, JMMA.

Anecdotal evidence from the survey panel suggested that client demand had generally fallen due to a combination of uncertainty over the direction of domestic and global economies, as well as a desire to reduce stock holdings.

These factors also influenced manufacturers' own purchasing and inventory decisions in December. Buying activity was cut to the greatest degree since April 2011, with companies commenting that lower order book volumes and reduced production requirements had discouraged purchasing. Both pre- and post production stocks were also lowered in the latest survey period.

Evidence of spare capacity was again provided by the latest survey, with backlogs of work declining at a sharp and accelerated pace (the steepest for 43 months). Reduced new orders reportedly enabled companies to lower their work outstanding, and also led to a further cut in staffing levels. Payroll numbers were reduced in December for the third month in succession.

Input prices were unchanged during December, ending a six-month period of inflation. While some panellists commented that the cost of naphtha had risen, others reported that weak underlying demand for inputs had placed downward pressure on prices. For a similar reason, manufacturers' own output charges were cut further in December as the poor economic environment exacerbated competitive pressures.

**Comment:**

Commenting on the Japanese Manufacturing PMI survey data, **Paul Smith, Senior Economist** at Markit and author of the report said:

*“Japan’s manufacturing sector continued to struggle against the dual headwinds of weak domestic and external demand forces during December. Output declined at a marked rate, but it was the severity of the fall in new orders that was particularly worrying, especially for capital goods.”*

*“With Japan already in technical recession, this latest set of figures will do little to suggest that the economy has shown any underlying performance improvement in the final months of the year.”*

-Ends-

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**Notes to Editors:**

The Markit/JMMA Japan Manufacturing *PMI™* is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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, 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 Markit/JMMA 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.

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 Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

**About JMMA**

**Japan Materials Management Association (JMMA)** is a voluntary organization, established by members in 1958. JMMA contributes to the practice of business management in the field of research, education, books and standardization of materials / purchasing management. In relation to education, JMMA is the organization which trains Purchasing Managers, the specialists of materials / purchasing. JMMA is the organization which gives the certification of "Certified Purchasing Manager (CPM)", the globally recognized certification for purchasing managers. JMMA is also the representative of IFPMM (International Federation of Purchasing and Materials Management) in Japan. JMMA, 6F Iwamotochokiita-bld, 1-8-15, Chiyoda-ku, Tokyo, Japan. Tel: +81 3 5687 3477; Fax: +81 3 5687 3660 email: [info\\_jmma@jmma.gr.jp](mailto:info_jmma@jmma.gr.jp) website: [www.jmma.gr.jp](http://www.jmma.gr.jp)

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**About PMIs**

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 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 [www.markit.com/economics](http://www.markit.com/economics).

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