

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:15 (Japan), 28 February 2014
23:15 (UK), 27 February 2014

Markit/JMMA Japan Manufacturing PMI™

Japanese manufacturers record sharp rise in employment in February

Key points:

- Twelfth successive month of output growth
- Sharpest rate of job creation in seven years
- Prices charged increase at sharpest pace since October 2008

Summary:

February saw business conditions at Japanese manufacturers improve sharply, though the pace of expansion eased from January's near eight-year high. Both output and new orders increased for the twelfth consecutive month, whilst employment rose at the sharpest pace since February 2007. Inflationary pressures were evident in both input prices and manufacturers' charges, with the PMI data signalling the fastest increase in output prices since October 2008.

The headline seasonally adjusted Markit/JMMA Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing economy – posted at 55.5 in February, down marginally from January's near eight-year high of 56.6. This was the twelfth consecutive month of growth, with the latest reading signalling a sharp improvement of operating conditions in the Japanese manufacturing sector.

Japanese manufacturing output expanded sharply in February, though the rate of growth eased from January's survey-record high. The latest production growth was attributed by survey respondents to fuller order books and increased capital investment.

Echoing the trend seen in output, new orders at Japanese manufacturers rose for the twelfth consecutive month in February. Whilst the pace of growth eased from January's near eight-year high it nevertheless remained strong. Evidence from

respondents suggested that an expansion of domestic demand, in part a response to the forthcoming rise in the sales tax, contributed to the latest increase in new orders. Moreover, data suggested that the latest rise was indeed largely driven by domestic sales, as new export order growth eased for the third month running to a level indicative of only a modest expansion.

Markit/JMMA Manufacturing PMI: Output Index

Sources: Cabinet Office, Markit, JMMA.

Reflecting the sharp increases in production registered in recent months, Japanese manufacturing employment rose for the seventh month running in February, and at the sharpest rate in seven years. Fuller order books and expected increased staff turnover due to retirements were cited by respondents as key drivers behind the latest job creation.

Backlogs of work at Japanese goods producers increased sharply in February, which marked the seventh consecutive month of growth. Moreover, the pace of expansion accelerated from January, and was sharper than the long-run series average. Some respondents attributed the latest accumulation of outstanding business to increased

demand, particularly from public construction projects.

February saw prices charged by Japanese manufacturers increase at the sharpest pace since October 2008. Panellists cited the need to pass on higher raw material prices to customers as contributing to the latest rise. In line with this, input prices rose sharply in February, though the pace of inflation eased from January's 34-month high. Anecdotal evidence attributed the latest increase to the weakness of the yen and product shortages.

Comment:

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

"February's PMI data signalled a further sharp improvement in operating conditions at Japanese manufacturers. Twelve months of concurrent expansions in output and new orders were reflected in a further sharp increase in backlogs of work. Moreover, employment growth accelerated to a seven-year high in February.

"However, April's forthcoming sales tax hike looks set to test the current sequence of expansion, particularly given the recent slow-down evident in new export order growth, indicating that the current expansion is primarily driven by domestic demand. Moreover, prices charged at Japanese manufacturers rose at the sharpest pace since October 2008, potentially exacerbating the impact of the soon to be implemented higher sales tax."

-Ends-

For further information, please contact:

Markit

Paul Smith, Senior Economist
Telephone +44-1491-461-038
Email paul.smith@markit.com

Alex Brog, Corporate Communications
Telephone: +44 207 264 7602
Email: alex.brog@markit.com

Michitomo Yamakita, Sales & Marketing
Telephone +813-6402-0126
Email michitomo.yamakita@markit.com

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.

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 website: www.jmma.gr.jp

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see www.markit.com

About PMI

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.

The intellectual property rights to the Japan Manufacturing *PMI*[™] provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[™] and *PMI*[™] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.