

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit/JMMA Japan Manufacturing PMI™

Continued expansion in output for Japanese manufacturers

Key points:

- Thirteenth successive month of output growth
- Employment growth recorded for the eighth consecutive month
- Sharp increase in suppliers' delivery times

Summary:

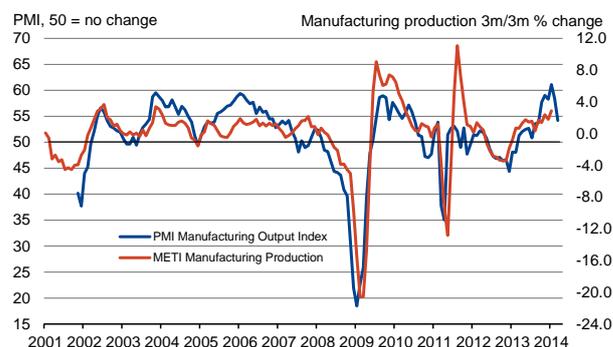
Japanese manufacturing firms saw an expansion in output for the thirteenth consecutive month in March. However in comparison to February, output for the manufacturing sector grew at a slower rate. Similar trends were observed for new orders, employment and purchasing activity. Meanwhile, output prices decreased marginally whilst input prices continued to increase and suppliers' delivery times lengthened to the greatest extent since December 2011.

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 53.9 in March, down from 55.5 in February. This was the thirteenth consecutive month of improvement, although business conditions strengthened at the slowest pace since September last year.

Output continued to expand, which companies attributed to a hike in demand before the increase in the sales tax. However, the expansion in output was slower than February and the weakest seen in six months. Panellists partly blamed the weakening of the expansion of output on factories being damaged by heavy snow.

Alongside the increase in output, new orders and new export orders rose. The level of new orders rose again in line with the trend since March 2013. Similar to the explanation mentioned for output, the growth in new orders was attributed to the rise in

demand before the increase in sales tax. Export orders continued to grow with 22% of firms reporting higher new business from abroad. Firms commented that new orders from China and the Philippines contributed to the growth in exports.

Markit/JMMA Manufacturing PMI: Output Index

Sources: METI, Markit, JMMA.

A rise in work outstanding was observed in March, which followed the trend of data for the past eight months. The rise in outstanding work led to an expansion in employment. Japanese manufacturing companies hired new workers in March for the eighth consecutive month, although both employment and work outstanding rose at slower rates in comparison to the previous month.

Due to the rise in demand before the sales tax, Japanese manufacturing companies increased their stocks of finished goods. Firms experienced a second consecutive month of growth in the number of goods awaiting shipment, although the rate of accumulation in March was only marginal.

Buying capacity and stocks of purchases each rose at solid rates in March. Manufacturing firms attributed the rise in the volume of items purchased to the increase in new incoming orders and production. According to anecdotal evidence,

stocks of purchases increased in order to cope with raised demand before the sales tax.

Delivery times by suppliers increased for the sixth successive month in March with the rate of deterioration the strongest seen since December 2011.

Comment:

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

“Output was reported to have increased for the thirteenth consecutive month in March. However, firms attributed this increase in output to last minute demand before the increase in the sales tax from 5% to 8%, which is due to be implemented in April this year.

“It will be interesting to see whether output in the manufacturing industry will continue to grow as fast after the increase in the sales tax is implemented. When an increase in sales tax was introduced in 1997, the overall fall in demand contributed to a prolonged downturn, and there will be concern of something similar happening again”.

-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.

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

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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.

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