

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### Markit Japan Services PMI™ (with Composite PMI data)

## Services business activity returns to growth in March

#### Key points:

- Activity rebounds following weather related fall in February
- New business continues to improve
- Business sentiment at 21-month low

#### Summary:

Japanese service companies reported a rise in output in March following February's fall. Meanwhile, new business improved for the eighth month running and employment increased again.

However, business sentiment was the lowest since June 2012 as companies reported concerns around the effects on demand of the forthcoming sales tax rise.

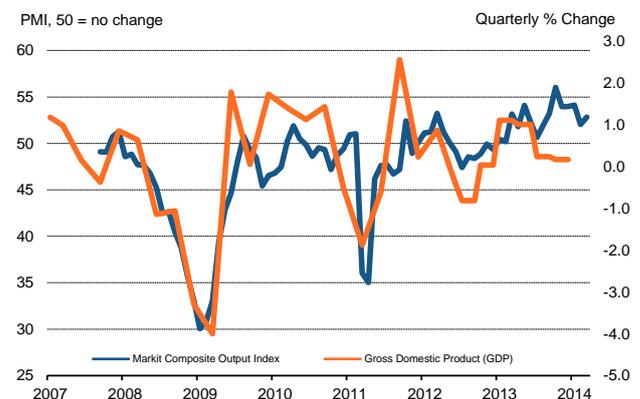
The headline seasonally adjusted Business Activity Index increased to a level of 52.2 from a reading of 49.3 reported in February. Posting above the crucial 50.0 no-change mark (which separates growth from contraction), the index signalled an expansion in Japanese services activity. Exactly 24% of panelists saw an improvement in business activity compared to February, when a slight decline was registered due to severe weather conditions.

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. The **Composite Output Index** nonetheless rose to 52.8 in March, from 52.0 in February, pointing to a further expansion in private sector output.

The seasonally adjusted New Business Index increased for Japanese service companies, with the reading in March above the series average. Anecdotal evidence signaled last-minute demand before the increase in the sales tax.

Alongside this increase in new business was a rise in incoming orders for Japanese manufacturers. Similar to services, the growth in new orders was attributed to the rise in demand before the increase in sales tax.

#### Private Sector Activity and GDP



Sources: Markit, Ecowin

Some service providers commented on expecting higher demand generated by the Olympic Games, the economic recovery and improved infrastructure. Subsequently, business confidence remained high among Japanese service companies. However, sentiment eased to the lowest observed for service companies in 21 months amid worries about the increase in sales tax, which is due to be implemented this month.

Following positive expectations for demand and economic recovery, both manufacturing and service companies added to their payroll numbers. However, employment grew at a slower rate in comparison to the previous month, as highlighted by the **Composite Employment Index**, which fell to a three-month low.

Due to the increase in demand before the sales tax, both services and manufacturing industries

commented on the difficulty in keeping up with business inflows. Volumes of work outstanding subsequently rose for the first time in four months for service companies, and for the eighth month running for manufacturers.

On the price front, prices charged by manufacturers declined for the first time in six months. In contrast, the price of inputs increased, which was partially blamed on the depreciation of the yen consequently leading to an increase in the prices of raw materials.

Resembling manufacturers, service companies saw their input prices rise. This was mainly attributed to a hike in fuel costs. As well as input costs, prices charged increased for the second month running. That said, the increase in March was only marginal as competitive pressures weighed on company price power.

**Comment:**

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

*“The latest data on the performance of the service sector was promising, with business activity increasing from the previous month of decline.*

*“With output, new orders and employment all on the rise, the expectation is for continued growth over the next 12 months. However, most of the anecdotal evidence suggests that the improvement in March was linked to the upcoming increase in the sales tax, which is due to be implemented this month. The question of whether this continued growth is sustainable will begin to be answered in next month’s survey”.*

-End-

## For further information, please contact:

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### Notes to Editors:

The Markit Japan Services *PMI*<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The Markit Japan Composite *PMI*<sup>™</sup> is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Japanese manufacturing and service sectors.

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 *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. *PMI* surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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).

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### About PMI

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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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