

News Release

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

Manufacturing production rises at fastest pace since February 2011

Key points:

- Rate of new order growth at 40-month high
- Backlogs rise at fastest pace since April 2006
- Employment little changed for second month running

Summary:

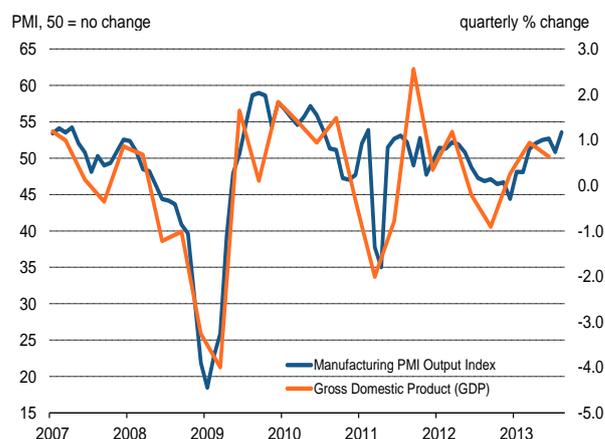
Business conditions continued to improve at a solid pace in the Japanese manufacturing sector in September. New orders rose at the fastest rate in over three years, output growth strengthened and backlogs grew at the fastest pace since April 2006. However, employment failed to respond to these developments and was broadly unchanged.

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 above the 50.0 no-change mark for the seventh consecutive month in September. The PMI rose from 52.2 in August to 52.5, the highest level recorded since February 2011.

Japanese manufacturing output expanded at the fastest rate for 31 months, and respondents cited strong sales in North America and an expansion of demand for automobiles as the key drivers. A number also mentioned that their customers' desire to secure shipments prior to the planned increase in sales tax next year had supported the expansion in demand. Meanwhile, new orders increased at the fastest pace in 40 months.

Following a marginal decline in August, new export orders rose at the sharpest pace for six months in September. The weak yen and an expansion of demand from China, South-East Asia and North America were cited as key drivers.

Employment stagnated in September, for the second successive month, in spite of the expansion in production. Whilst firms who increased their payroll numbers in September cited rising sales volumes as the key driver, the reasons cited by manufacturers who reduced staffing levels concerned mostly voluntary leaving. This implied that the rise in output and new orders failed to encourage recruitment to the extent necessary to offset the natural level of turnover in the Japanese manufacturing sector.

Markit/JMMA Manufacturing PMI: Output Index

Sources: Cabinet Office, Markit, JMMA.

Input prices rose in September for the ninth successive month, though the rate of inflation eased slightly. Respondents cited the weak yen and rising raw material prices as primary factors. Meanwhile, prices charged by Japanese manufacturers remained broadly unchanged for the third consecutive month in September. Anecdotal evidence indicated that the upward-pressure exerted by rising raw material prices was offset to a large degree by high competition.

Outstanding business rose sharply in September and at the fastest pace in over seven years. For the most part, panellists attributed larger backlogs to higher order volumes. Increased sales were also cited as a primary factor behind the rise in post-production inventories, which increased in September for the first time in 17 months.

Vendor performance remained broadly unchanged in September. Whilst manufacturers of intermediate goods reported a modest improvement, consumer and investment goods producers recorded a marginal increase in suppliers' delivery times.

Comment:

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

“The latest PMI data indicated a solid improvement in operating conditions in the Japan manufacturing industry. The PMI index itself was constrained to a degree by a stagnation of employment, but nevertheless posted at 52.5, the highest reading in over two-and-a-half years.

“Demand-driven growth supported by the weak yen was evident in output and new orders, which both rose at a solid pace in September. This expansion was not reflected in payroll numbers, and anecdotal evidence indicated that the demand for labour was of insufficient magnitude to offset natural turnover among Japanese manufacturers.

“Employment is however a lagging indicator, and before expanding recruitment manufacturers may desire several more months of solid growth as reassurance that the current expansion in demand will be sustained.”

-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

About Markit

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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.

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