

News Release

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

Slower decline in manufacturing output in May

Key points:

- Output and new orders fall for the second month running, but at slower pace
- Exports continue to fall
- Rate of job creation eases

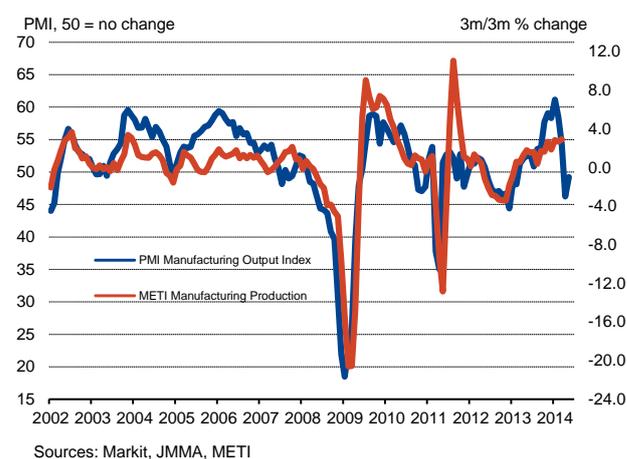
Summary:

Japanese manufacturing firms saw a decline in output for the second month running in May alongside a continued fall in new orders and new export orders. That said, rates of decline for both new orders and output eased from those seen in April. Employment numbers grew in May for the tenth month running, albeit at a slower pace.

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 49.9 in May, up from 49.4 in April. This signalled a broad stabilisation in business conditions in the sector, following the decline in April.

Output fell for the second month running in May. Similar to April, panellists commented on a decline in demand due to the sales tax increase. That said, the deterioration in output eased in comparison to the previous month. Following a similar trend, new orders continued to fall with panellists again blaming the sales tax rise. However, the decline in new orders was only slight and weaker than in the previous month, with the seasonally adjusted New Orders Index moving closer to the 50.0 no-change mark.

Alongside the falls in output and new orders was also a reduction in new export business. That said, the rate of decline was marginal.

Markit/JMMA Manufacturing PMI: Output Index

Sources: METI, Markit, JMMA.

May recorded the fastest fall in work outstanding since July 2013. Japanese manufacturing companies attributed this to a drop in business after the increase in sales tax.

Despite falls in output and new orders, Japanese manufacturers in May saw employment growth for the tenth month running as companies took on extra staff in anticipation of workload growth. That said, the rate of job creation eased to the slowest since last November.

Buying activity declined for the second month running in May. Firms commented on a decrease in purchasing because of a drop in new orders. In contrast, stocks of purchases continued to expand, but the rate of accumulation slowed to the weakest in five months. All three market groups posted rises in stocks of purchases, which was led by intermediate good producers.

Prices charged declined in May, and at the fastest rate since April 2013. Japanese manufacturing companies commented that competitive pressures

had led them to cut their prices. In contrast to selling prices, input costs continued to rise. Firms blamed the weakness of the yen which led to higher imported raw material prices and implementation of the sales tax rise in April.

Vendor performance improved for the first time in eight months in May, with the seasonally adjusted Suppliers' Delivery Times Index signalling the greatest shortening of lead times since December 2012.

Comment:

Commenting on the Japanese Manufacturing PMI survey data, **Amy Brownbill**, Economist at Markit, which compiles the survey, said:

“Output and new orders continued to fall in May which was mainly blamed on the sales tax rise implemented last month. That said, the rates of deterioration eased.

“Employment numbers continued to grow, with panellists signalling some optimism about future growth of incoming new orders. However, the degree to which staffing levels rose was weaker, while purchasing activity declined and output charges were cut. There is subsequently some uncertainty over how well the economy will perform in H2 2014.”

-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 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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