

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 10:35 (Japan), 1 June 2015**  
**02:35 (UK), 1 June 2015**

# Markit Japan Manufacturing PMI™

## Operating conditions improve at Japanese manufacturers

### Key points:

- Headline PMI posts above 50.0 no-change mark
- Return to growth of both production and new orders
- Input prices rise at weakest rate in nearly two-and-a-half-years

### Summary:

Latest data signalled an improvement in operating conditions in the Japanese manufacturing sector. Growth in both production and new orders resumed, having fallen in the previous survey period. Concurrently, employment growth was sustained for the second straight month, while buying activity increased for the first time in three months. Meanwhile, input prices rose at the weakest rate in the current 29-month sequence of inflation.

The headline Markit Japan Manufacturing Purchasing Managers' Index™ (PMI)™ is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of sector operating conditions.

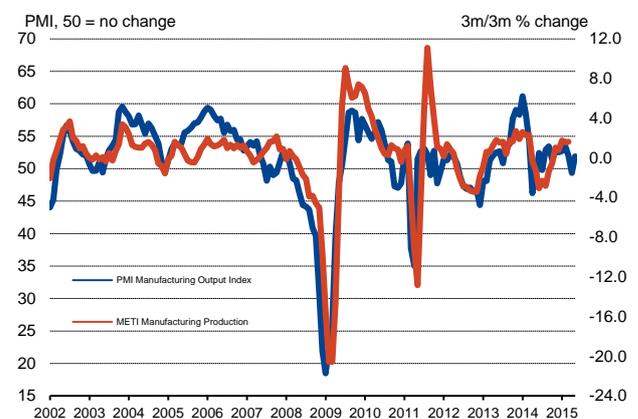
At 50.9 in May, up from 49.9 in April, the headline PMI signalled a return to positive improvements in operating conditions at Japanese manufacturers. Although modest overall, the latest expansion was in line with the average seen this year so far.

Reflective of an overall improvement in operating conditions was a return to production growth. According to survey participants, the latest expansion was supported by an increase in client demand and greater productivity. Both consumer and investment goods producers signalled

expansions in output, with the former registering the faster rate.

A rise in production was matched by an increase in new orders at Japanese goods producers. The rate of expansion was marginal but nevertheless above the long-run series average. Several panellists mentioned enhanced advertising and new product launches as the main drivers behind greater new work intakes.

### Markit Manufacturing PMI: Output Index



Sources: Markit, METI

Concurrently, new orders from abroad remained in growth territory for the eleventh successive month. That said, the rate of expansion was fractional, with the vast majority of monitored firms noting no change in comparison to the prior month.

As a result of a return to both production and new orders growth, manufacturers' hired additional staff in May. Although marginal, the rate of expansion was above the average over the past year. Both consumer and investment goods producers registered growth in employment. Meanwhile, volumes of unfinished work were depleted for the third straight month, albeit at a weak rate.

On the price front, input costs continued to increase, although at the weakest rate in the current 29-month sequence of inflation. Where purchasing prices rose, firms mentioned the depreciation of the yen driving up imported raw material prices. Subsequently, charges increased, albeit at a weak rate.

**Comment:**

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

*“The latest PMI signalled an improvement in operating conditions in the Japanese manufacturing sector. Both growth in production and new orders resumed, having contracted in the previous survey period. According to survey participants a rise in client demand helped by new product launches and enhanced marketing strategies led to the latest increase in new work intakes. Subsequently, employment growth was sustained for the second straight month.*

*“However, despite reports of a falling yen/dollar rate, new exports orders growth was weak and lower than the average for the current 11-month sequence of expansion. Meanwhile, input price inflation eased to the weakest rate in nearly two-and-a-half years, while charges rose for the first time in four months, albeit at a weak rate.”*

-Ends-

**For further information, please contact:**

**Markit**

Amy Brownbill, Economist  
Telephone +44-1491-461-063  
Email [amy.brownbill@markit.com](mailto:amy.brownbill@markit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@markit.com](mailto:joanna.vickers@markit.com)

Keiko Yamaguchi, Sales & Marketing  
Telephone +813-6402-0837  
Email [keiko.yamaguchi@markit.com](mailto:keiko.yamaguchi@markit.com)

**Notes to Editors:**

The Markit Japan Manufacturing *PMI*<sup>TM</sup> 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 Japan Manufacturing *PMI*<sup>TM</sup> 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](mailto:economics@markit.com).

**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 3,500 people in 10 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see [www.markit.com](http://www.markit.com).

**About PMI**

*Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>TM</sup>) surveys are now available for over 30 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).

The intellectual property rights to the Japan Manufacturing *PMI*<sup>TM</sup> 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*<sup>TM</sup> and *PMI*<sup>TM</sup> 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.