

News Release

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

Manufacturing production grows at modest pace

Key points:

- Output rises at faster rate than previous month
- New orders rise for fourth month running
- Payroll numbers decline for first time in 14 months, albeit at a weak pace

Summary:

September data from Markit/JMMA showed manufacturing output rising for the second successive month, as both new orders and new export business remained in modest growth territory. Consequently, purchasing activity rose for the fourth successive month, with panellists commenting on higher production and incoming new orders. Payroll numbers, meanwhile, declined for the first time in fourteen months in September, albeit at a weak pace. On the price front, output charges rose from a fall in the previous month, while average costs continued to rise at a modest rate.

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 51.7 signalling an improvement in operating conditions in Japan's manufacturing sector. Although easing slightly from the previous month's 52.2, the index posted above the long-run series average (50.6).

New business remained in growth territory for the fourth month in a row in September. Despite easing slightly from the previous month, just under one-fifth of panellists noted higher incoming new orders in comparison to only 14% that signalled a decline. Some surveyed companies attributed the latest rise to the development and launching of new products. Consequently, output increased for the second successive month. Furthermore, the pace of growth

quickenened, with both intermediate and investment good producers registering a rise in production.

Higher production requirements meant that goods producers increased their input buying over the month, which in turn made it harder for suppliers' to improve their delivery schedules. Vendor performance worsened for the third month in a row in September. That said, the rate at which suppliers' delivery times lengthened was only fractional, with 93% of surveyed companies noting no change in times in comparison to the previous month.

Markit/JMMA Manufacturing PMI: Output Index

Sources: Markit, JMMA, METI

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Despite modest growth in output and new orders, staff numbers declined for the first time in 14 months in September. However, the pace of decline was only fractional, with the vast majority of panellists (87%) noting no change in comparison to the previous month.

September's survey showed average costs faced by good producers rising for the twenty-first successive month. The rate of increase in

purchasing costs stayed broadly in-line with the previous month. Where a rise in input prices was signalled, companies mentioned higher raw material and energy costs.

Average selling prices, meanwhile, rose for the third time since the sales tax was implemented in April. Reports from panellists suggested that a steep hike in raw material and energy costs were the main drivers behind the rise in charges.

Comment:

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

“Latest data showed manufacturing production growing at a modest rate, with output and new orders both remaining in growth territory. Furthermore, the pace of output growth quickened from the previous month, with a quarter of panellists noting higher production.

“Staff numbers, however, declined for the first time in fourteen months, highlighting the underlying softness that currently exists in Japan’s goods producing sector.”

-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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