

## News Release

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

## Japanese manufacturing sector retains growth momentum during May

## Key points:

- Sharpest increase in output for 19 months
- Demand reportedly stronger from both domestic and overseas sources
- Stocks reduced to meet higher sales; employment rises for first time in eight months

## Summary:

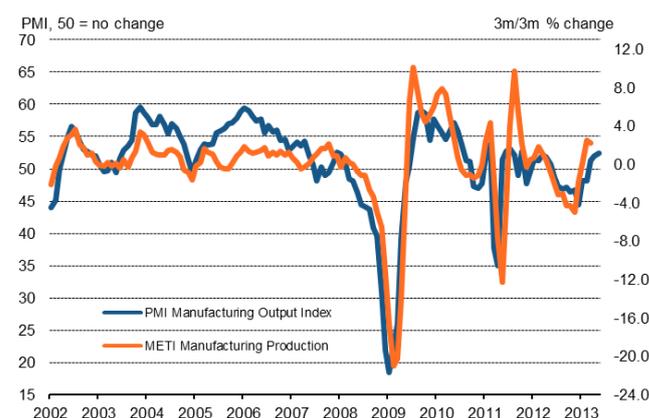
The recent strengthening of Japan's manufacturing sector was sustained in May, with output and orders continuing to rise at solid rates. Solid growth filtered through to the labour market, with manufacturers registering a net rise in staffing levels for the first time since last September.

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 – edged up to 51.5 in May, from 51.1 in April. The latest reading was the best recorded for 21 months and was indicative of modest growth. The PMI has also posted above the 50.0 no-change mark for three successive months.

Supporting the improvement in the PMI was an acceleration in the rate of production growth. Manufacturing output increased for the third month running and at the sharpest pace since October 2011 amid reports of fuller order books.

Total new orders rose at a solid rate during May. Panellists reported improved demand from both at home and abroad, with intermediate and investment goods producers indicating the sharpest growth. Yen depreciation was again cited as a factor supporting overseas sales, with China and the United States noted as sources of higher foreign demand. Growth of exports was solid and slightly sharper than in April.

## Markit/JMMA Manufacturing PMI: Output Index



Sources: Cabinet Office, Markit, JMMA.

With new orders continuing to increase at a sharper rate than output, a number of manufacturers sought to ensure that shipments were sustained by dipping into stock holdings. Inventories of finished goods fell for a thirteenth successive month in May and helped companies keep on top of workloads. Backlogs of work were lowered further, albeit to the weakest degree for 14 months.

Manufacturers also supported production via an increase in staffing levels. Although marginal, the rise in employment was the first since last September with consumer and intermediate goods producers both recording solid growth of payroll numbers since the previous survey period.

Meanwhile, there was little change in manufacturers' output charges during May despite a further sharp increase in input costs. Competitive pressures continued to restrict manufacturers' pricing power, according to the latest anecdotal evidence.

May's survey indicated that input prices continued to increase at a considerable rate. Yen depreciation was widely reported to have raised the price of imported goods with naphtha, metals and plastics all reported to have increased in cost.

Japan's manufacturers raised their purchasing activity slightly during May, not only to service increased current production, but also in anticipation of growth in the coming months. Although stocks of purchases continued to fall, the degree of inventory depletion was marginal and the slowest in ten months of stock reduction.

### **Comment:**

Commenting on the Japanese Manufacturing PMI survey data, **Paul Smith, Senior Economist** at Markit and author of the report said:

*"Markit's Japan Manufacturing PMI for May indicated that the "Abenomics" bounce is showing little sign of running out of steam as we head towards mid-year. Output rose at the sharpest pace for 19 months, led by a marked gain in new orders, both from at home and abroad.*

*"Panellists continued to indicate that the weak yen supported solid growth of export sales, although a weaker currency also had the less favourable impact of leading to a sharp increase in input costs.*

*"Such has been the recent improvement in the underlying health of the sector, manufacturers signalled a net rise in payroll numbers for the first time in eight months."*

-Ends-

## For further information, please contact:

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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](mailto: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](mailto:info_jmma@jmma.gr.jp) website: [www.jmma.gr.jp](http://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](http://www.markit.com/economics).

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