

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:15 (Japan), 29 November 2013
23:15 (UK), 28 November 2013

Markit/JMMA Japan Manufacturing PMI™

Manufacturing operating conditions improve at sharpest pace in over seven years

Key points:

- Sharpest rise in production since September 2009
- Growth in new export orders hits 42-month high
- Employment rises at marginal pace

Summary:

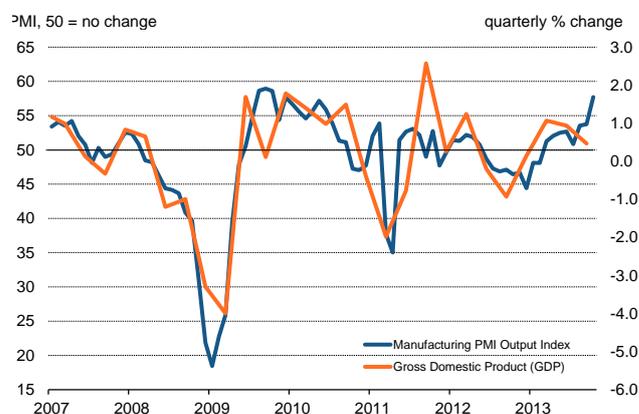
Business conditions improved sharply at Japanese manufacturers in November, led by strong demand in both domestic and foreign markets. Output grew at the fastest pace in 50 months, whilst new orders rose at the sharpest rate since February 2006. New business from abroad expanded at a similarly sharp pace, aided by both a weak yen and growth recovery in foreign markets. Meanwhile, reflective of strong output and new order growth, employment expanded at a sharper 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 55.1 in November, up from 54.2 in October. This signalled the strongest improvement in operating conditions in the Japanese manufacturing sector since July 2006. November marked the ninth successive month in which the PMI posted above the 50.0 no-change mark, the longest period of growth in nearly three years.

Production expanded for the ninth successive month in November, and the rate of output growth accelerated for the fourth month running to the sharpest recorded since September 2009. Fuller order books and advanced demand before April's scheduled sales tax rise were identified by some respondents as key drivers of November's production growth.

Following the pattern seen in output, new orders rose for the ninth month running, whilst the pace of growth accelerated for a fourth successive month to the sharpest recorded since February 2006. Some panellists attributed this growth in new business to a recovery in demand for exports in Thailand and Hong Kong. Supporting this, growth in new export orders hit a 42-month high in November.

Markit/JMMA Manufacturing PMI: Output Index



Sources: Cabinet Office, Markit, JMMA.

Outstanding business also grew at an accelerated pace, recording the sharpest rate of expansion since April 2006 in November. This was the fourth successive month of accumulation of backlogs of work.

In response to two successive months of sharp growth in output and new orders, employment expanded at Japanese manufacturers at a fractionally faster pace than recorded in October. This was the fourth successive month of growth in payroll numbers and, though relatively small, the latest expansion was the sharpest in the sequence.

Input prices increased for the eleventh month in succession in November. The pace of inflation eased fractionally from October, but remained relatively strong. Respondents cited the rising cost of raw materials, in particular crude oil and naphtha, as the key drivers behind cost-inflation. Meanwhile output prices were unchanged from October, continuing a five-month sequence of virtual stagnation. Anecdotal evidence suggested that the impact of rises in raw material prices was offset by competitive pressures.

Comment:

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

“Business conditions in the Japanese manufacturing economy improved for the ninth consecutive month and at a rapid pace in November, driven for the most part by an expansion of both foreign and domestic demand.

“New export orders, buoyed by the weak yen, hit a 42-month growth high in November. If the pace of this expansion is maintained into 2014, it may serve to compensate for the expected weakening of consumer demand following April’s scheduled consumer tax hike. Exports could be further bolstered by the outcome of the Trans-Pacific Partnership deal, due to conclude in December.

“The latest data also indicated that manufacturing employment rose at a non-negligible pace for the first time since June, marking a welcome respite from the virtual stagnations recorded in August, September and October. Whether this signals an improvement in employers’ confidence in the recovery’s sustainability remains to be seen, but the latest growth nonetheless offers a welcome improvement.”

-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

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