

News Release

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Markit Global Business Outlook Survey: Japan

Business confidence surges to post-crisis high

- **Business confidence hits post-crisis high**
- **Employment intentions hit two-year high**
- **First price rise in survey history**

Business confidence in Japan has risen to its highest seen since the recovery began from the global financial crisis in 2008-09.

Survey responses from over 500 companies operating across manufacturing and services showed that the number of firms expecting to see an increase in their business activity levels over the next 12 months exceeds those anticipating a downturn by 23 percent. That compares with a net balance of just 7 percent in the previous (October) survey and is the highest reading seen since the survey began in 2009.

Manufacturers are slightly more upbeat about the year ahead than service providers, although the business mood has brightened considerably in both sectors since late last year. Manufacturers' optimism hit the highest since June 2011, while service sector confidence surged to a record high.

The upturn in activity is expected to be driven by new business growth, the outlook for which is likewise the brightest since the survey commenced in 2009, which is in turn expected to contribute to a survey record increase in corporate profits.

The depreciating yen was by far the most commonly cited driver of the expected improvement in demand over the coming year. Companies also based their optimism on faster economic growth abroad and at home, the latter often linked to government policy, including increased infrastructure spending.

However, when looking at threats to businesses, by far the most commonly cited concern was the impact of a weakened yen via higher imported raw material and energy prices. Input price inflation is

expected to jump sharply in the coming year, pushing up selling prices for goods and services for the first time in the survey's history.

There was good news on the labour market, with firms' employment intentions hitting the highest for two years, picking up in both services and manufacturing, with the former set to create the bulk of the new jobs.

Planned capital expenditures have also risen, although remain relatively subdued, suggesting that companies still remain somewhat reluctant to boost investment spending.

The relatively downbeat investment outlook in part reflects the fact that Japanese companies remain less positive about the coming year than their counterparts in the US, UK and even the Eurozone as a whole, as well as being less upbeat than companies in each of the BRICs.

The global survey of 11,000 companies was conducted by Markit in mid-February based on representative samples of manufacturing and private sector service providers in all major developed countries and the four largest emerging 'BRIC' economies.

Comment:

Chris Williamson, Chief Economist at survey compilers Markit:

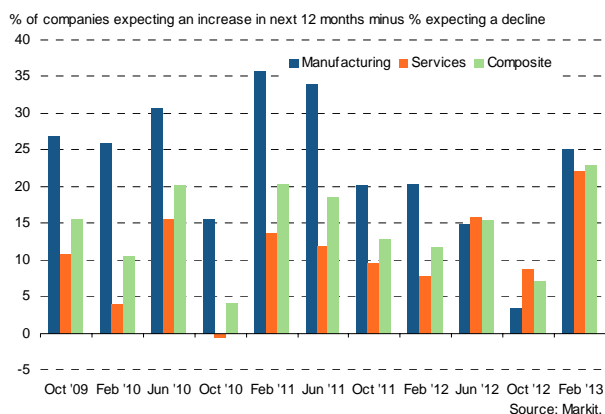
"Business confidence has improved dramatically since having slumped to a post-crisis low back in October, with firms more optimistic than at any time since the recovery from the 2008-9 crisis began.

"Anecdotal evidence from companies indicated that the brighter outlook was linked to the weakened yen and more aggressive government policies designed to boost the economy, in addition to signs of stronger demand in export markets, including other Asian economies, the US and, to a lesser extent, the eurozone.

“However, the weaker yen was also the most commonly cited cause of concern for business, via the potential impact on higher imported input prices, including fuel costs. These higher costs are expected to feed through to an increase in firms’ selling prices, contrasting with falling prices in previous surveys, and raising hopes of an end to deflation.

“The data therefore suggest that Japan will continue to pull out of its recession and that rising business confidence has created a platform for stronger economic growth in 2013.”

Expected activity levels in 12 months’ time



Overview of data:

Japan composite

	Jun-12	Oct-12	Feb-13
Business Activity	+15	+7	+23
Business Revenues	+6	+2	+17
New Orders	+13	+6	+19
Profits	+6	+2	+10
Employment	+7	+5	+9
Capital Expenditure	+12	+8	+10
Input Prices	+3	+0	+17
Output Prices	-4	-10	+6

Japan manufacturing sector

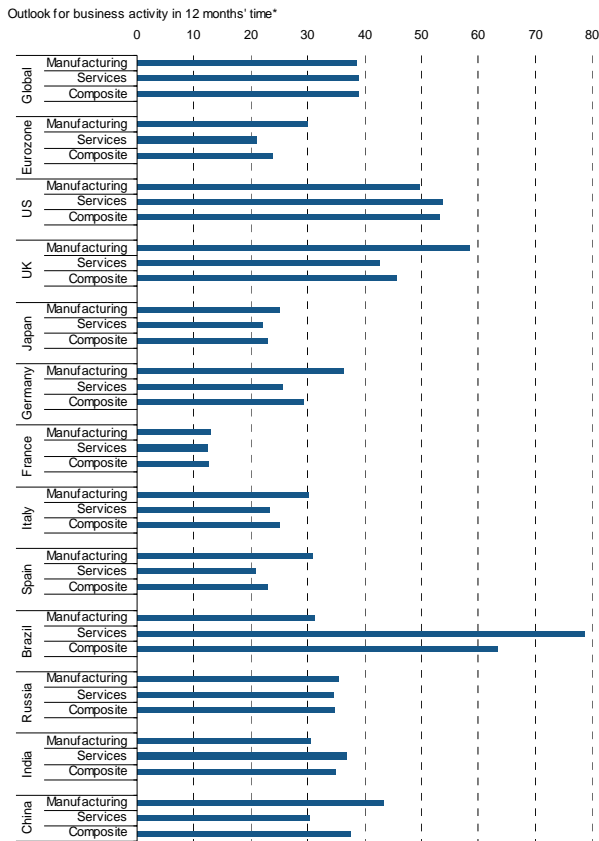
	Jun-12	Oct-12	Feb-13
Business Activity	+15	+3	+25
Business Revenues	+8	+0	+16
New Orders	+16	+5	+31
Profits	+3	-1	+13
Employment	+3	-2	+2
Capacity Utilisation	+10	+4	+21
Capital Expenditure	+10	+5	+7
R&D Expenditure	+12	+11	+10
Input Prices	-6	-3	+22
Output Prices	-15	-21	+0
Inventory: Output Ratio	-11	-11	-2

Japan service sector

	Jun-12	Oct-12	Feb-13
Business Activity	+16	+9	+22
Business Revenues	+5	+3	+18
New Orders	+11	+6	+14
Profits	+7	+3	+9
Employment	+9	+8	+12
Capital Expenditure	+14	+9	+12
Outsourcing	+8	+7	+11
Input Prices	+7	+2	+15
Output Prices	+0	-5	+8
Staff Costs	+10	+5	+13
Service Costs	+3	+1	+8
Non-Staff Costs	+10	+4	+10

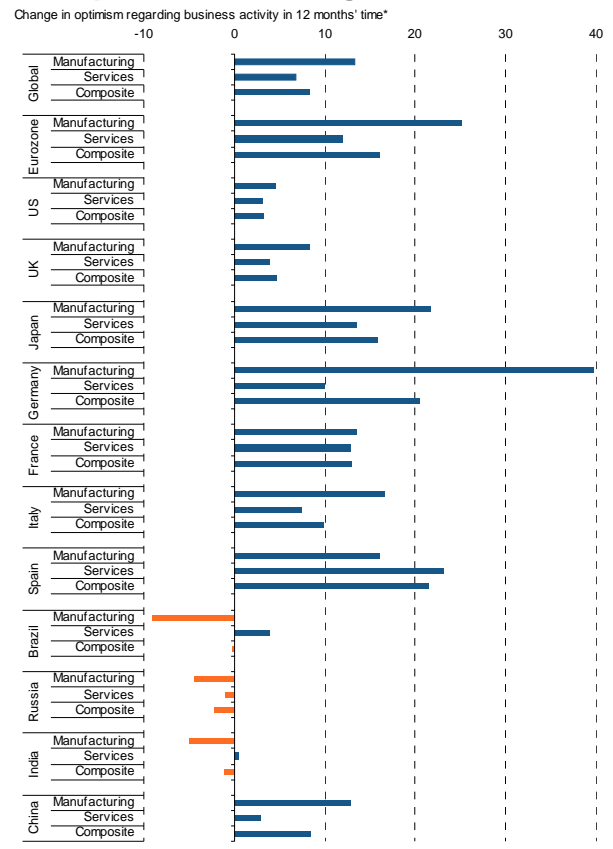
All figures are net balances (percent expecting a rise minus percent expecting a decline)

Business activity outlook



* chart shows net balance of optimism less pessimists in February.

How optimism has changed since October



* chart shows net balance of optimism less pessimists in February compared to net balance in October.

Full data available on request, please contact economics@markit.com

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Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by Markit Economics and is based on a survey of around 11,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 12 and 26.

The countries covered by the survey are the US, Japan, Germany, the UK, France, Italy, Spain, Ireland, Austria*, the Netherlands*, Greece*, the Czech Republic*, Poland*, Brazil, Russia, India and China. (* Manufacturing only)

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that Markit Economics operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 11,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP and company size. This panel forms the basis for the survey. The current report is based on responses from around 6,300 firms.

About Markit

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index™ (PMI™) series, which is now available for 32 countries and key regions including the Euro zone and BRIC. The PMIs have become one of 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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