

## News Release

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

#### Solid rises in output and new orders support continued expansion of Japanese manufacturing economy

##### Key points:

- Strong performance of investment goods sector drives growth in April
- Best gain in new orders for 26 months
- Weak yen supports overseas sales, but also drives up operating costs

##### Summary:

A modest improvement of Japanese manufacturing operating conditions was signalled during April. Led by a strong performance from investment goods producers, solid net rises in output and new orders were recorded. Yen depreciation also supported a gain in new export sales, but also raised the cost of imported goods which in part led to the sharpest rise of input costs for 19 months.

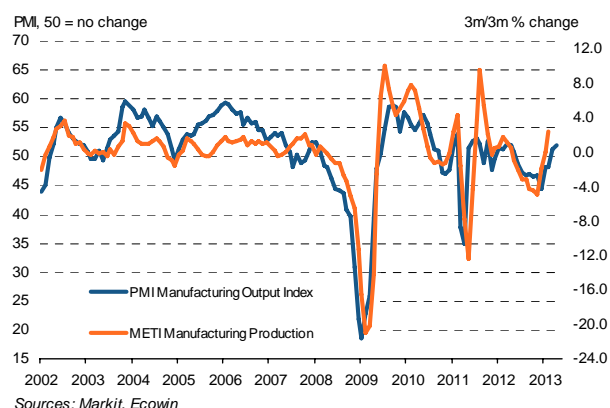
The headline seasonally adjusted Markit/JMMA Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing economy – rose to 51.1 in April, up from March's 50.4 and a 13-month high. The PMI has shown steady improvement since the start of 2013 and has posted readings above the 50.0 no-change mark in each of the past two survey periods.

April's survey data indicated a further rise in manufacturing output. Growth was modest, but still the sharpest in over a year as a particularly strong performance from the investment goods category offset ongoing weakness in the consumer and intermediate sectors.

Similar market group trends were observed for new orders data, with investment goods producers supporting a solid increase in sales for the sector as a whole. There was evidence of improved domestic and overseas demand, with clients

reportedly investing in plant equipment and raising inventory holdings. A depreciation of the yen helped to support a solid rise in new export sales.

##### Markit/JMMA Manufacturing PMI: Output Index



Sources: Cabinet Office, Markit, JMMA.

While supporting a rise in exports, a further impact of a weaker currency was to raise the price of imported raw materials. Latest data showed that average input costs rose for the fourth month in succession, and at the sharpest rate in over a year-and-a-half. Margins subsequently remained under pressure as a net fall in output charges was recorded for the twenty-first month in a row.

Despite the best increase in total new orders for 26 months, manufacturers were again able to keep on top of workloads, as signalled by a twenty-third successive monthly decline in work outstanding. Capacity was reported to be sufficient in dealing with the dual requirements of incoming and existing contracts, although manufacturers were also able to utilise post-production inventories. April's survey indicated a fall in warehouse stocks for the twelfth month running.

There was also a decline in pre-production inventories recorded during April, despite a net rise in purchasing activity for the second month in a row. Average lead times for the delivery of inputs were again little moved.

Staffing levels declined for a seventh successive month, although the fall was marginal as employment growth was recorded in the intermediate and investment goods sectors. The non-replacement of leavers was the principal reason reported by those panellists that signalled a fall in payroll numbers.

**Comment:**

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

*“A relatively positive start to the second quarter was signalled by April’s PMI survey, with the data consistent with Japan’s manufacturing economy expanding in the region of 2% on the three-month on three-month measure.*

*“This would represent a solid growth performance, maintaining the trend that was observed in the first quarter of the year and latest anecdotal evidence suggests a weaker yen is playing a part in the expansion by raising export volumes.*

*“In contrast, however, a depreciated currency continues to hurt manufacturers on the cost side by raising the price of imported raw materials. Latest data showed that input prices increased at the fastest rate for over a year-and-a-half.”*

-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](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)

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**About PMIs**

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