

News Release

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:15 (Japan), 5 April 2011
00:15 (UK), 5 April 2011

Markit Japan Services PMI™ (with Composite PMI data)

Private sector activity fell at the sharpest rate in two years amid severe disruption caused by the Tohoku earthquake

Key points:

- Steepest decline in overall new business since April 2009.
- Input cost inflation in Japan's private sector remained marked.
- Service providers the most pessimistic about the one-year business outlook for over two years.

The devastation caused by the Tohoku earthquake on 11 March affected the response rate to the March Services PMI survey, but we nevertheless still received around 60% of the total average number of PMI responses.

On a regional basis, responses from Tohoku region (which accounts for around 6% of Japanese service sector output) were worst affected with just 6% of the average number of monthly replies received. Responses from Kanto region (which accounts for the largest proportion of services output at 40%) were at 63% of the average number, while we received around 64% of the average number of responses from Kansai region (which accounts for 17% of services output).

Data collection for the March Services PMI survey opened on 11 March, with the survey closing on 28 March.

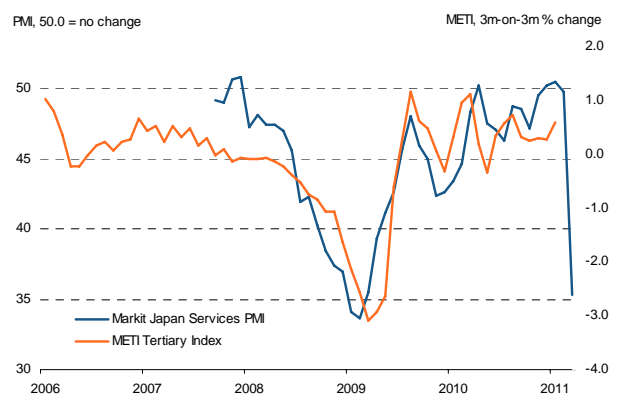
The sympathies of all at Markit are with the Japanese people as their country recovers from this terrible disaster.

Summary:

PMI survey data pointed to a marked decline in Japanese service sector activity during March, mainly reflecting extensive disruption caused by the Tohoku earthquake. As a result, firms were the most pessimistic about the one-year business outlook since March 2009. Meanwhile, a sharp reduction in new work drove another decline in employment, and output prices continued to fall.

The headline Business Activity Index fell by almost fifteen index points to a near-record low of 35.3 in March, posting its largest month-on-month decline since data were first compiled in September 2007.

Services Activity



Sources: Markit, METI.

Meanwhile, manufacturing output also fell sharply, with the pace of contraction quickening to the sharpest in two years. Consequently, a composite Output Index covering activity across both manufacturing and services fell steeply from 51.0 in February to 36.1, signalling the fastest rate of contraction in private sector output for two years. Moreover, the month-on-month decline in the index was the greatest in the series history.

New business received by service providers fell sharply in March, with the rate of contraction quickening to the fastest in sixteen months. This, coupled with a substantial deterioration in manufacturers' new order books, contributed to the most marked reduction in overall new business for almost two years.

Staff numbers in the Japanese service sector fell again in March, extending the current period of decline to thirty-two months. Moreover, the rate of job shedding was the sharpest since September 2010. In contrast, employment rose in the manufacturing sector, with job creation quickening since February. However, this was insufficient to prevent another reduction in private sector employment.

Both manufacturing firms and service providers recorded an increase in average input costs during March. However, rates of inflation differed, with input prices rising at the fastest rate for two-and-a-half years in manufacturing, whilst only a fractional increase was recorded in the service sector. At the composite level, private sector cost inflation held relatively steady at a marked rate.

Output prices set by Japanese private sector firms fell at a faster rate in March, reflecting sharper declines in both the manufacturing and service sectors. Service providers cited client requests for lower prices and competition for new business as factors contributing to the latest decline in output prices.

Service sector business expectations turned negative during March, with data indicating a strong degree of pessimism. This was predominantly linked by respondents to the Tohoku earthquake. Negativity was recorded across all sectors covered by the survey, with firms operating in the Post & Telecommunications sector the most pessimistic.

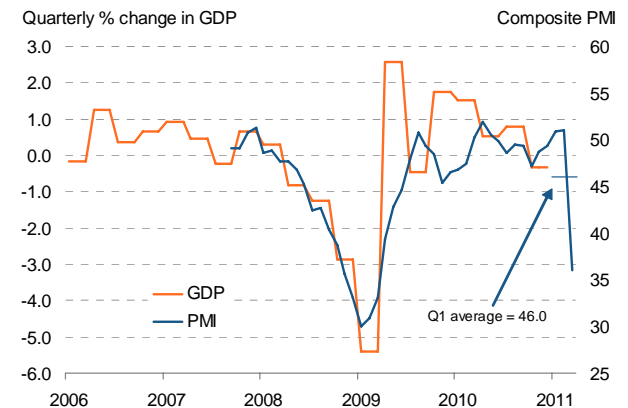
Comment:

Commenting on the Japanese Services PMI survey data, Alex Hamilton, economist at Markit and author of the report said:

"Today's PMI data provide the first snapshot of business conditions in Japan's service sector following the Tohoku earthquake. The headline index posted its largest month-on-month decline since data were first compiled in September 2007, signalling the fastest reduction in service sector activity for two years. The contraction was broad-based across services industries, with Hotels & Restaurants seeing the steepest decline."

"Taken together with the manufacturing PMI figures released last week, today's services data provide a first indication of the likely path for GDP in Q1 – and point to a decline of 0.5% on the quarter."

Gross Domestic Product (GDP)



Sources: Markit, Cabinet Office.

-End-

For further information, please contact:

Markit

Alex Hamilton, Economist
Telephone +44-1491-461-076
Email alex.hamilton@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44 781 581 2162
Email caroline.lumley@markit.com

Soji Nagano, Sales & Marketing
Telephone +813-6402-0126
Email soji.nagano@markit.com

Notes to Editors:

The Markit Japan Services PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The Markit Japan Composite PMI™ is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Japanese manufacturing and service sectors.

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 Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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 Markit

Markit is a leading, global financial information services company with over 2,000 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 please see www.markit.com

About PMIs

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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.

The intellectual property rights to the Japan Services and Composite PMI™ provided herein is owned by Markit Group. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.