

News Release

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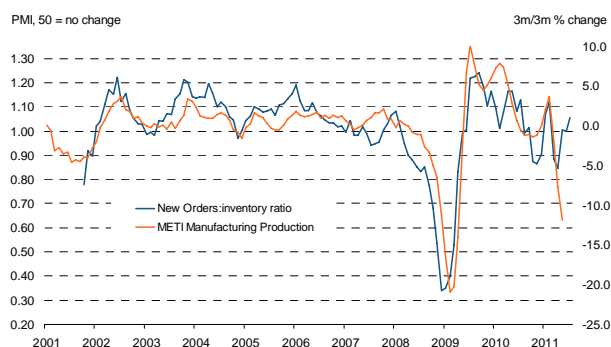
Markit/JMMA Japan Manufacturing PMI™

Manufacturing production rises at sharpest rate in five months

- Higher levels of new work and easing supply side pressures support output growth
- Staff numbers rise for first time since March
- Input cost inflation eases to six-month low

Summary:

Japan's manufacturing recovery gathered momentum in July, with renewed new order growth and easing supply side pressures supporting a faster expansion of production. Consequently, manufacturers added to their employee numbers for the first time in four months. On the price front, input cost inflation eased, but remained strong nonetheless, while output charges rose at a modest pace.

Manufacturing Production

Sources: Cabinet Office, Markit.

The seasonally adjusted Markit/JMMA *Purchasing Managers' Index™* (PMI™) climbed to a five-month high of 52.1 in July, up from 50.7 in June, signalling a moderate improvement in manufacturing sector operating conditions. The headline index has now posted above the neutral 50.0 threshold for three successive months.

Incoming new business received by manufacturing firms increased for the first time in five months, with

panellists attributing growth to improving domestic demand conditions and the success of promotional activities. In contrast, new export orders fell for a fifth successive month, mainly reflecting sluggish demand from external markets, with China and the US mentioned in particular.

Manufacturing output rose for the third month running in July, with the rate of expansion accelerating to the fastest since February. Survey respondents attributed higher production to renewed growth of overall new orders and, in some cases, efforts to build inventory holdings. This contributed to the most pronounced rise in stocks of finished goods for 29 months.

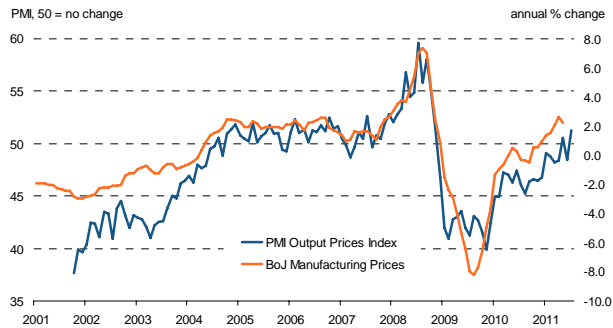
Easing supply side pressures also meant that manufacturers were able to raise their production levels, with the rate of delivery time lengthening the slowest in nine months. The marginal deterioration in vendor performance was in sharp contrast to the disruption following March's earthquake.

Greater output requirements led to a further rise in input buying during July. Purchasing growth was solid, and the sharpest in five months. Meanwhile, stocks of pre-production goods increased for the first time in 2011 so far. A number of panellists commented that they had been looking to build up safety stocks to guard against delivery delays.

Employment growth was recorded for the first time since March. Nonetheless, the pace of job creation was only marginal. Recruitment was mainly attributed by survey participants to higher workloads.

Average input costs rose sharply in July, albeit at the slowest pace in six months. Higher raw material prices were cited as the main driver of inflation. Manufacturers raised their factory gate charges accordingly. However, the rate of output price inflation was only modest, as competitive pressures restricted firms' pricing power.

Output Prices



Sources: Bank of Japan, Markit.

Comment:

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

“Japan’s manufacturing recovery continued at pace in July, as supply chain pressures eased and new business returned to growth. Firms continued to accumulate stocks of finished goods, some in anticipation of looming power outages, with the rate of growth the sharpest in 29 months. Meanwhile, manufacturers added to their staff numbers for the first time since the earthquake and tsunami, a trend that – if sustained in the coming months – will be seen as a vote of confidence in the economic outlook.”

-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

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.

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