

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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Markit/JMMA Japan Manufacturing PMI™

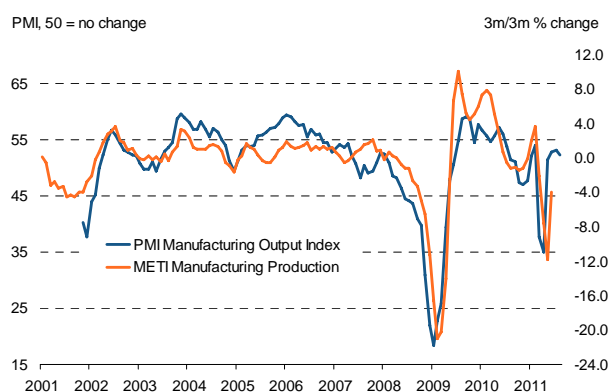
Output growth eases to three-month low, despite faster rise in new business

- New order growth at six-month high
- Fastest fall in new export business since April
- Input cost inflation slowest in seven months

Summary:

PMI™ survey data showed Japanese manufacturing output growth easing to a three-month low in August, despite a faster expansion of incoming new business. In contrast, new export orders fell at the fastest rate since April. Meanwhile, staff numbers rose for the second month in succession. On the price front, the rate of input price inflation eased, but remained marked nonetheless, while output charges fell at a marginal rate.

Manufacturing Production



Sources: Cabinet Office, Markit.

After adjusting for seasonal variation, the Markit/JMMA Purchasing Managers' Index™ (PMI™) posted 51.9 in August, down slightly from 52.1 in the previous month, signalling a moderate improvement in manufacturing sector operating conditions.

Incoming new business received by Japanese manufacturing firms rose solidly in August, with the

pace of growth reaching a six-month high. According to respondents, the latest rise reflected improved domestic demand conditions. The ongoing recovery in the automobiles sector was also cited as having supported growth.

Manufacturing production in Japan rose at the slowest pace for three months during August. This in part reflected a further reduction in new export business during the latest survey period. Although only modest, the pace of decline in new export orders was the fastest since April. Where a drop was signalled, this was commonly linked to the current strength of the yen and subdued demand from China.

An expansion of production capacity enabled firms to reduce their backlogs of work in August, with the pace of depletion quickening to the sharpest in eight months.

Workforce numbers rose marginally for a second successive month in August. Employment growth was linked to continued gains in new work. Where a drop in staff levels was signalled, respondents attributed this to the non-replacement of departing staff.

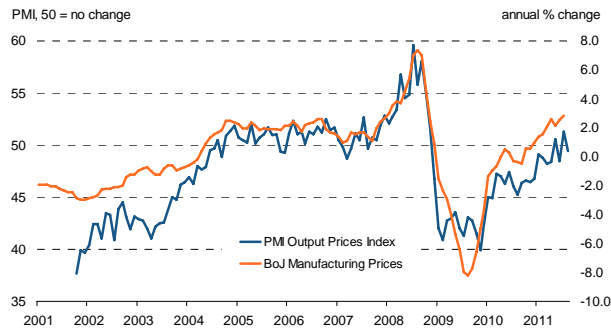
Average supplier performance deteriorated for the twenty-fourth month running in August, mainly reflecting supply shortages at vendors. However, the incidence of delivery delays was much lower than that seen in the period from March to May.

Greater output requirements led to a further rise in input buying during August, although the pace of growth was the slowest in the current four-month period of expansion. Meanwhile, stocks of purchases rose fractionally for a second month in succession.

Average input costs faced by Japanese manufacturers rose again in August. Despite easing to the slowest in seven months, the rate of inflation

was sharp. Higher raw material prices were cited as the main driver of inflation. The rise in average costs was insufficient to prevent a renewed decline in output prices, however, as competition for new business suppressed 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:

"PMI survey data suggest that domestic demand drove overall manufacturing expansion in August, as new export business continued to fall amid persistent yen strength and reports of sluggish demand from China. Reports from survey respondents suggested that overall new order growth was in part supported by recovery in the autos sector.

"Despite higher new order levels, manufacturing output growth eased in August, which in turn contributed to the weakest rise in input buying for four months. A better supply side situation in recent months has enabled firms to acquire additional inputs, but a slowdown in purchasing suggests that the current period of inventory accumulation following March's earthquake and tsunami could be nearing an end. On a final note, PMI survey responses indicate that fears surrounding summer power outages have not yet materialised."

-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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