

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### Markit Japan Services PMI™ (with Composite PMI data)

#### Stabilisation of Japanese private sector activity signalled by latest PMI findings

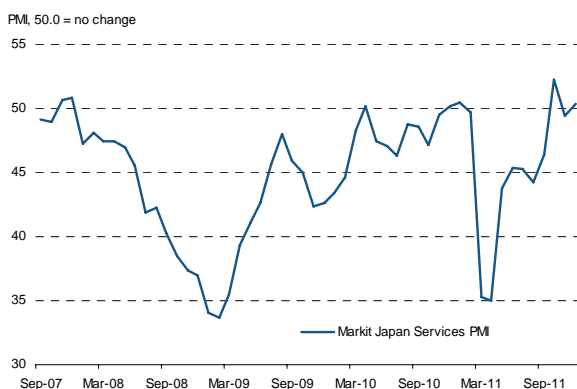
##### Key points:

- Overall business activity rises at negligible rate in December
- Job shedding remains marginal
- Service providers report renewed business optimism

##### Summary:

Business activity in the Japanese service sector returned to growth during December, although the rate of expansion was only slight. Looking ahead, companies expressed renewed optimism about the one-year business outlook. Meanwhile, new business fell marginally over the month, however, and firms continued to reduce their staff numbers on average. On the price front, output charges fell again, in spite of a further increase in average costs.

##### Services Activity



Source: Markit.

The headline seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in

business activity at their companies compared to one month ago – posted 50.4 in December, up from 49.5 in November. This signalled a marginal expansion of Japanese services output.

Meanwhile, *PMI™* data showed manufacturing output falling for a second successive month in December, albeit at a slower rate than in November. Consequently, the Composite Output Index registered 50.1, up from 48.9, a level indicative of a negligible rate of private sector output growth.

The level of incoming new business received by Japanese service providers fell further in December. However, the rate of decline in new work was only slight, and slower than the long-run trend. Anecdotal evidence suggested that reduced new order intakes reflected weak underlying demand. Moreover, service sector firms recorded a weaker decline in new business than manufacturers.

Spare capacity remained evident in the Japanese service sector during December, with latest data signalling another reduction in outstanding business volumes. Nonetheless, the pace of backlog depletion was only modest, and weaker than rates seen throughout much of the series history.

Service providers reported a further reduction in staff numbers during December, with the rate of job shedding remaining modest. A greater number of retirements was given by survey participants as the main reason behind the latest decrease in staffing levels. In contrast, manufacturing firms recorded an expansion of workforce numbers over the month.

Output price discounting among service sector firms continued during December, extending the current period of deflation to 46 months. The latest

decline in average tariffs was solid, and the sharpest in four months. Where a fall in charges was recorded, respondents mentioned strong competition for new business. At the composite level, output charges fell at the fastest rate since August.

The overall decline in output prices set by service providers occurred in spite of a further increase in average costs. Although only modest, the rate of input price inflation was the fastest since April. This, coupled with a stronger increase in average costs faced by manufacturing firms, meant that the overall pace of input price inflation was the highest since June.

Japanese service providers expect business activity, with a moderate degree of optimism, to be higher in 12 months' time. Panellists attributed the positive forecast to expectations of better demand conditions and business expansion plans. By sector, firms in the Hotels & Restaurants sector expressed the greatest confidence in the one-year business outlook.

**Comment:**

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

*"The story of December's survey findings is one of stabilisation, with weak service sector activity growth offsetting manufacturing weakness indicated by PMI data released last week. New and outstanding business fell across both sectors, while service sector firms noted a continued fall in employee numbers. A better employment situation was signalled by manufacturers, however, with job creation the highest in nine months. Looking forward, services companies were cautiously optimistic regarding future activity levels."*

-End-

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## 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](mailto:economics@markit.com).

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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](http://www.markit.com/economics).

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