

News Release

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

November data show renewed reduction in Japanese private sector activity

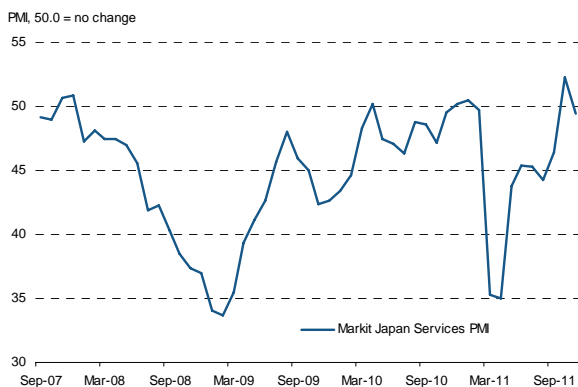
Key points:

- Overall output and new business both fall modestly in November
- Composite data show average input costs rising at slowest rate in three months
- Service sector business pessimism recorded for first time since April

Summary:

Japanese service providers reported a renewed reduction in output during November. Looking ahead, firms were pessimistic about the one-year business outlook for the first time in seven months. Marginal reductions in new and outstanding business were recorded, while companies continued to reduce their staff numbers on average. Meanwhile, output charges fell again during November, in spite of a further increase in average input costs.

Services Activity



Source: Markit.

After adjusting for seasonal factors, the Business Activity Index posted 49.5 in November, down from

52.3 in October, signalling a decline in Japanese service sector activity. The latest index reading was nonetheless indicative of only a marginal rate of reduction. By detailed sector, Post & Telecommunications registered a particularly marked decline in output. According to survey respondents, reduced activity reflected falling new business.

Meanwhile, manufacturing firms also reported a renewed reduction of output during the latest survey period. Consequently, the Composite Output Index posted below the neutral 50.0 threshold in November, signalling a fall in private sector activity. At 48.9, down from 52.4, the latest index reading was 3.5 points lower than that registered in October.

New business received by service providers fell in November. The pace of decline was only marginal, however, and slower than the long-run series average. Combined with a renewed reduction in new orders taken by manufacturers, overall new work decreased during November.

The level of outstanding business in the Japanese service sector fell during November, extending the current period of decline to 49 months. However, the rate of backlog depletion was marginal, and eased to the weakest since January. Composite data showed total unfinished business falling modestly in November.

November data signalled a further reduction in service sector staff numbers on average, although the rate of job shedding was only modest. In contrast, manufacturers reported a further increase in employee numbers during November, with growth reaching an eight-month high.

Average input prices faced by service sector firms increased for the second successive month during November, although the pace of inflation was only marginal. This, coupled with a moderation of input cost inflation in the manufacturing sector, meant that private sector costs rose at the slowest pace since August.

Output prices set by service providers fell again in November. The rate of deflation was solid, and unmoved from that seen in October. A similar trend was also recorded at the composite level.

November data signalled that Japanese service sector companies were pessimistic about the one-year business outlook for the first time in seven months. Nonetheless, the degree of pessimism was only slight. Where negative sentiment was recorded, this was attributed by survey participants to fears that economic conditions may deteriorate in the coming year.

Comment:

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

“PMI survey data showed a renewed decline in Japanese private sector activity during November, with both manufacturers and service providers reporting lower activity levels. Looking ahead, service sector firms expressed pessimism regarding the one-year business outlook, with the deteriorating economic climate the dominant theme among panellists expecting activity to be lower in 12 months’ time. On the price front, companies continued to reduce their selling prices, in spite of a further increase in average costs.”

-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.

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