

Embargoed until 0930 JST (0030 UTC) 4 September 2019

## Jibun Bank Japan Services PMI®

Including Jibun Bank Japan Composite PMI®

### Activity grows at sharpest rate since October 2017

#### Key findings

Relatively sharp rise in service sector output in August...

...but new business growth eases to 13-month low

Business confidence remains subdued

Business activity at Japanese service providers increased at a historically sharp rate during August, with growth picking up notably from those seen so far in 2019. New business increased, supporting output, however the rate of growth softened. Nevertheless, backlogs of work rose at a sharper pace, encouraging firms to add to their workforces.

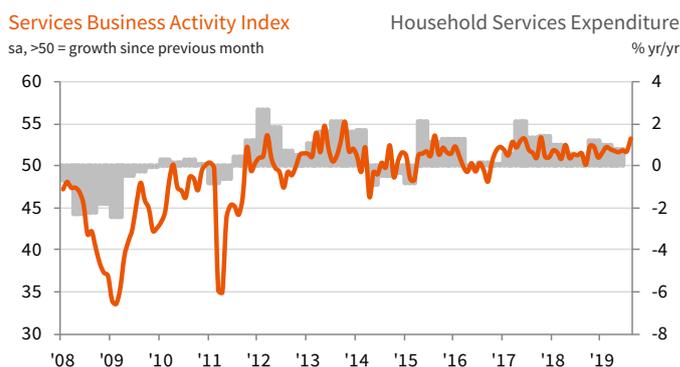
Elsewhere, input costs continued to rise, leading firms to hike their charges. Businesses were optimistic of higher output over the next 12 months, however confidence was subdued overall.

The Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50 indicates an overall increase compared to the previous month, and below 50 an overall decrease.

The seasonally adjusted Business Activity Index rose to a near two-year high of 53.3 in August. This was up from 51.8 in July, signalling an upward shift in growth momentum in Japan's service sector. By historical standards, the rate of expansion was sharp and a notable improvement from the average seen in the year-to-date.

Sustained growth of new business supported the rise in activity during August. As has been the case for just over three years, latest survey data pointed to greater demand for Japanese



Sources: Jibun Bank, IHS Markit, Cabinet Office Japan

services. Sales to both new and existing clients reportedly drove the expansion in workloads, while new business from overseas markets increased at the fastest pace for nine months. Despite this, the rate of increase in aggregate order books was the weakest since July 2018. Some companies suggested that demand had been dented by unfavourable weather.

Nevertheless, demand pressures were sufficiently strong to cause backlogs of work to accumulate in August. Outstanding business increased at the fastest pace in six months.

To enhance operating capacities, Japanese service providers expanded recruitment during the latest survey period, extending the current sequence of employment growth to 32 months. Although the rate of job creation was marginal and the weakest for one-and-a-half years, it was stronger than the long-run survey average.

Anecdotal evidence indicated that increased staffing numbers exerted upward pressure on costs. Input prices rose moderately in August, however, with the rate of inflation the softest since April 2018. Meanwhile, output prices increased modestly and at a quicker rate.

Looking ahead, Japanese service providers retained a positive outlook over the coming 12 months. Expectations of stronger sales and planned strategic changes supported optimism, according to firms. That said, uncertainty over the economic impact of the consumption tax hike was partly to blame for optimism remaining unchanged from July's near two-year low.

## Jibun Bank Japan Composite PMI®

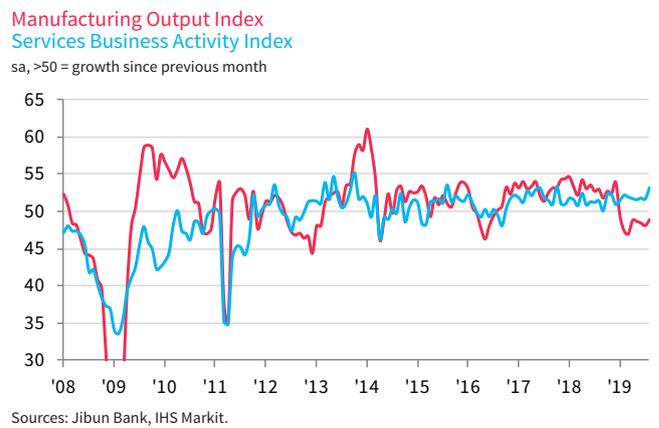
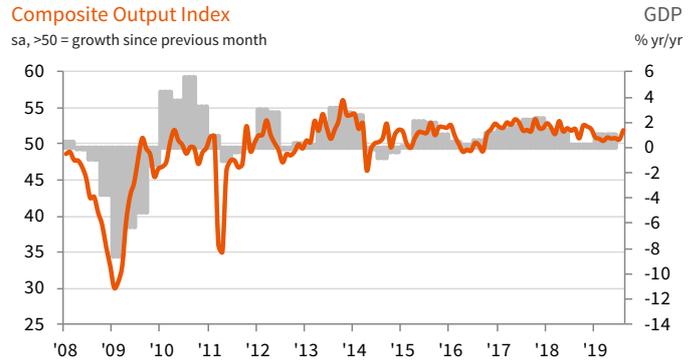
### Private sector output growth accelerates to eight-month high

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and services sectors according to official GDP data. The Japan Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Jibun Bank Japan Composite Output Index increased in August to 51.9, from 50.6 in July, signalling the fastest expansion in private sector output since December last year. Growth was lifted by the service sector, where activity increased at the fastest rate for almost two years. Manufacturing production continued to decline, although the contraction was the slowest in seven months.

Volumes of new work continued to rise in August. Growth eased and was only marginal, however, weighed down by a sharper fall in manufacturing demand and weaker sales growth in the service sector. That said, backlogs of work rose for the first time in 2019 so far, while job creation was sustained and broad-based across both sectors.

Lastly, business confidence remained subdued, while input costs and output prices both increased from July.



### Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

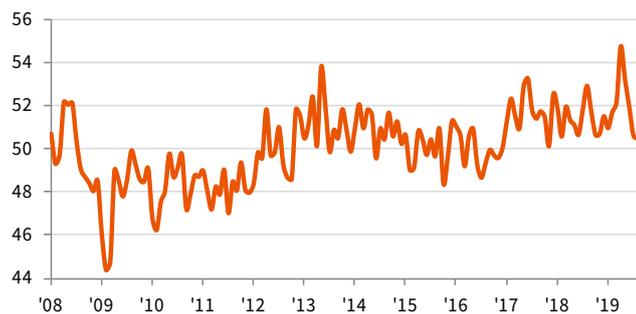
"Japan's service sector shifted up a gear in August, with activity growing at the sharpest rate in nearly two years.

"At face value, this can be taken as a positive signal ahead of the consumption tax hike staged for October, suggesting that the resilience the domestic market has exhibited in 2019 so far has been sustained into Q3.

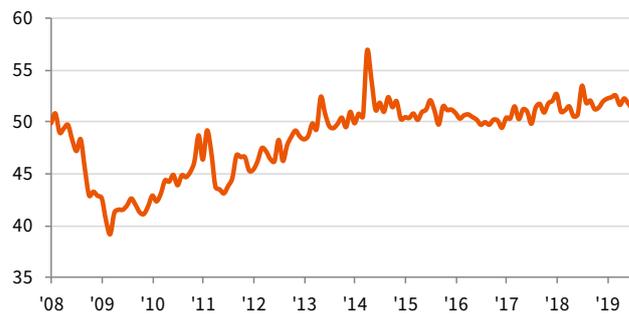
"Nevertheless, there were signs to suggest caution, particularly in the forward-looking indicators. The New Order Index fell for a third straight month and pointed to only marginal growth in sales, while optimism towards the future held steady at the subdued level seen in July.

"Latest data pointed to a sharper rise in backlogs of work, which will fuel the current activity growth trend, but the New Orders Index has little room left to the downside until outright contraction is signalled."

**Services Employment Index**  
sa, >50 = growth since previous month



**Services Prices Charged Index**  
sa, >50 = inflation since previous month



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### Methodology

The Jibun Bank Japan Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2019 data were collected 12-27 August 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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Jibun Bank is an internet retail bank established in 2008 by a joint investment of KDDI – a major telecommunication service provider – and MUFG Bank – Japan's largest bank –. As a "smartphone-centric bank", Jibun Bank has over 3.4 million customer accounts and focuses on providing high-quality financial services via smartphones.

Jibun Bank provides unique services such as "Smartphone ATM", a service allowing to deposit and withdraw money from teller machine without cash card by just scanning a QR code shown on the smartphone app, and "AI Foreign Currency Forecast", a foreign currency trading support tool that predict the rise of foreign exchange rate based on past trend deep learned by an AI (artificial intelligence).

As a member of the "au Financial Group", Jibun Bank aims to play a major role in providing comprehensive smartphone-centric banking services in line with the "Smart Money Concept" and enhance customer experience.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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