

Embargoed until 0930 JST (0030 UTC) 3 October 2019

# Jibun Bank Japan Services PMI®

Including Jibun Bank Japan Composite PMI®

## Activity growth remains resilient in September

### Key findings

Service sector output rises solidly in September...

...but new orders grow at weak pace relative to 2019 trend so far

Selling charges increase only fractionally

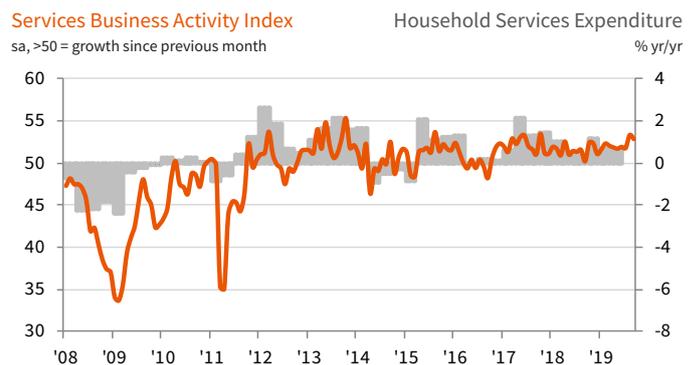
Latest survey data marked a thirty-sixth month of expansion in Japan's service sector, with panellists reporting solid order book volumes as a key driver behind sustained growth. That said, although new business increased in September, the improvement in demand was weaker than seen earlier in the year, while employment growth was only marginally faster than August's one-and-a-half-year low.

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 recorded 52.8 in September. This was down from August's 22-month peak of 53.3, but was above the average across the current three-year stretch of services output growth. According to anecdotal evidence, demand conditions were sufficiently supportive to drive activity higher, while some firms reported new client wins.

Greater inflows of new work were registered by Japanese service providers in September. Increased bookings and successful contract negotiations with clients spurred on the expansion. However, the improvement in demand was of a similar pace to those seen in July and August, both of which were relatively soft



Sources: Jibun Bank, IHS Markit, Cabinet Office Japan

in comparison to the first half of 2019. However, there was an accelerated expansion in new export sales during September. The rise in orders from external markets was the strongest since July 2018.

Signs of capacity pressure were evident through survey data on outstanding business, which showed the fastest rise in backlogs of work for seven months. In comparison to historical data, the rate of accumulation was strong overall.

Employment was expanded by Japanese service providers in September, although the rate of job creation was mild and only slightly faster than August's 18-month low. According to panellists, retirements had impacted payroll numbers.

Nevertheless, latest survey data indicated that businesses expect activity to be higher than present levels over the coming 12 months. Confidence strengthened to a three-month high in September, lifted by expansion plans and forecasts of stronger demand. Nonetheless, a number of firms expect the sales tax hike to have an adverse impact on the economy.

Elsewhere, Japanese service sector firms faced higher input prices in September. The rise in operating expenses was driven by higher shipping, labour and rent costs, according to panel comments. However, selling charges rose only fractionally during the latest survey period. Furthermore, the rate of increase was the slowest seen across the current 26-month sequence of inflation.

## Jibun Bank Japan Composite PMI®

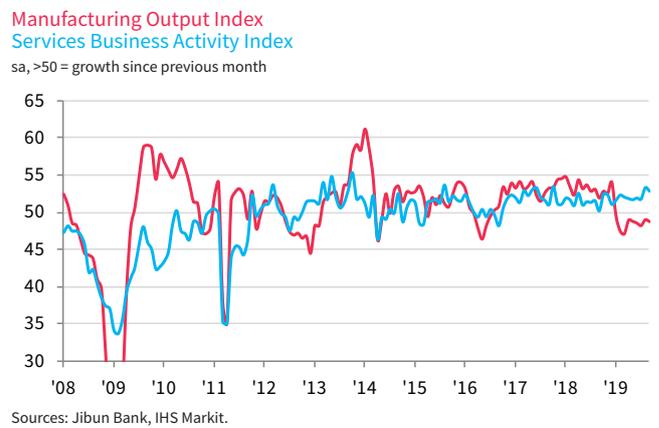
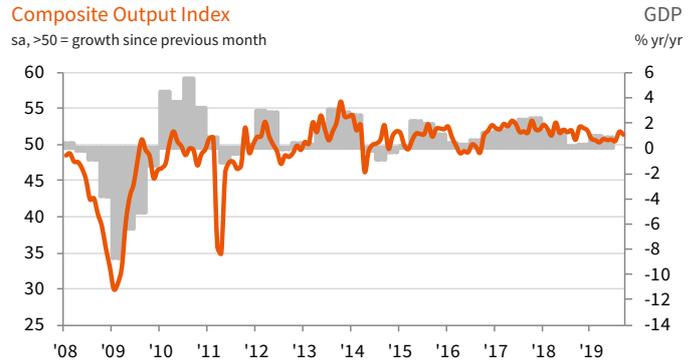
### Private sector output growth remains resilient in September

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service 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 recorded 51.5 during September. Although this was down from August's eight-month high of 51.9, it signalled the second-quickest rise in private sector output seen so far this year.

Nonetheless, the expansion remained unbalanced, with a resilient service sector offsetting the manufacturing downturn. Factory output declined for a ninth successive month, while the current growth sequence in services activity extended to three years.

The divergence in trends between the two sectors was also apparent in new orders, with services growth contrasting with manufacturing contraction. Employment growth was broad-based, however.



## Comment

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

"The service sector continued to be the driving force behind any economic expansion in Japan as we approach the year-end. It's looking like a decent quarter of growth is going to be recorded in advance of the sales tax hike, with the PMI for the third quarter pointing to annual GDP growth of around 1%.

"That said, forward-looking indicators from the services survey suggest that

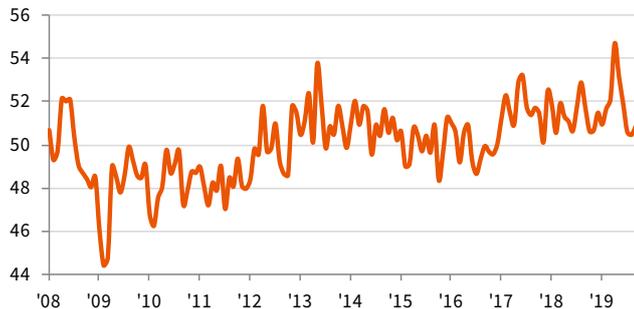
some cracks are beginning to appear. New order growth was weaker than the average in the year-to-date, which comes as a surprise given there has been no real surge of advance purchasing ahead of the scheduled tax rise next month. Furthermore, employment growth was muted amid reports of retirements.

"The alarming divergence between manufacturing and services, something which is apparent across many advanced economies, remains at large in Japan. However, underwhelming new business growth suggests that downside risks in

the service sector are appearing."

**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.

September 2019 data were collected 12-25 September 2019.

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

**About PMI**

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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.

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