

Embargoed until 0930 JST (0030 UTC) 3 April 2020

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Services activity plummets at fastest rate since February 2009

Key findings

Output falls at near-record pace as COVID-19 pandemic hits demand

Employment declines as operating requirements slump

Business activity expected to fall sharply over the coming 12 months

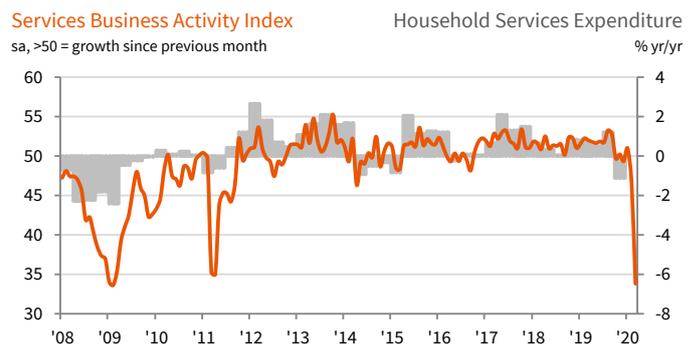
According to the survey data for March, service providers in Japan recorded a substantial drop in business activity that was just shy of the survey record seen in February 2009. The COVID-19 outbreak reportedly led to a severe fall in client demand, leading firms with lower workloads and in some cases, causing firms to cut their staffing numbers. Employment fell modestly on the previous month as reduced inflows of new business led to a marked increase in spare capacity.

The au 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 Japan Services Business Activity Index dropped by 13 points in March to 33.8, from 46.8, to signal a rapid acceleration in the decline in service sector output. The headline index during the latest survey period was close to the survey record seen in February 2009 (33.7) and consistent with a severe fall in business activity. According to panel members, the negative demand shock caused by the spread of COVID-19 had a detrimental effect on output.

Latest survey data pointed to a second successive fall in new business placed with Japanese service providers. Furthermore,



Sources: au Jibun Bank, IHS Markit, Cabinet Office Japan

the extent of the drop was the greatest since April 2011 which was the immediate aftermath of the tsunami. The global COVID-19 pandemic led to lower new work intakes from both domestic and overseas markets, with firms reporting business closures at key clients and event cancellations. New export orders fell at the strongest rate recorded since the series started in September 2014.

With new order intakes falling sharply, latest survey data highlighted a marked rise in spare capacity at Japanese service providers. This was evidenced by a marked decline in backlogs of work that was the fastest in almost nine years. As a consequence of lower operating requirements, companies reduced employment. There were also a number of panel members reporting increased retirements. Overall, the rate of job shedding was the quickest July 2016.

Meanwhile, the global COVID-19 pandemic led to a steep drop in business confidence during March. Expectations for business activity over the next 12 months sank into strong negative territory as companies were uncertain over the extent of the economic impact on both the domestic and global economy.

Lastly, operating costs faced by Japanese service providers increased in March. However, the rate of inflation slowed to the weakest in almost three-and-a-half years amid reports of lower staff costs and prices for certain inputs such as food. Output charges were reduced as firms responded to falling demand. The rate of deflation was steep and the sharpest since January 2012.

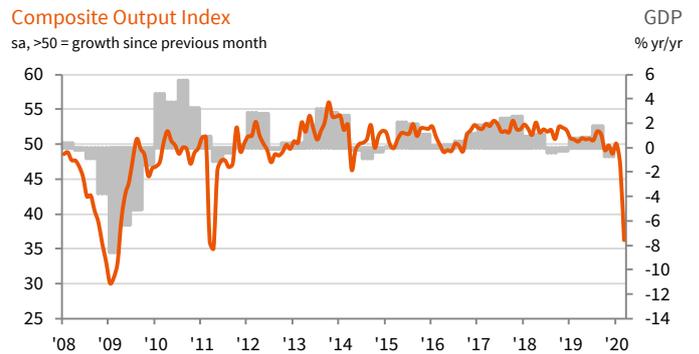
au Jibun Bank Japan Composite PMI®

Private sector output falls at sharpest rate since 2011 tsunami aftermath

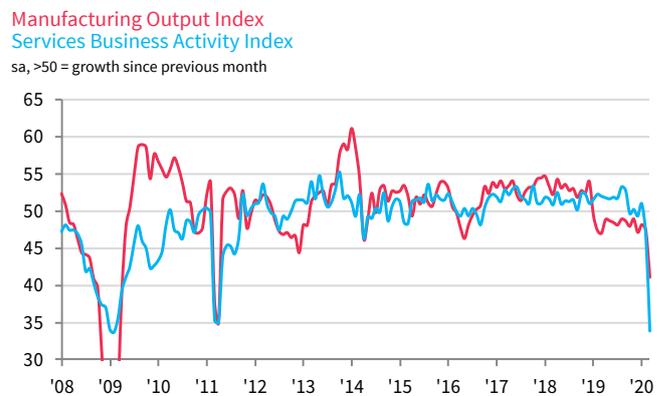
Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and services sectors according to official GDP data. The Japan Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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

The au Jibun Bank Japan Composite Output Index dropped substantially in March to 36.2, from 47.0 in February, signalling a severe decline in private sector business activity from the previous month. The services economy was the main driving force behind the downturn, although manufacturing production also fell at a sharp rate. Overall, this equated to an aggregate fall in output that was the sharpest since April 2011.

Demand conditions deteriorated substantially in March as the global COVID-19 pandemic reduced both domestic and external inflows of new work across the private sector. Total new export orders fell at the steepest rate since the series began in September 2014. In turn, both manufacturers and service providers recorded lower employment levels for the first time in almost five years.



Sources: au Jibun Bank, IHS Markit, Cabinet Office Japan.



Sources: au Jibun Bank, IHS Markit.

Comment

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

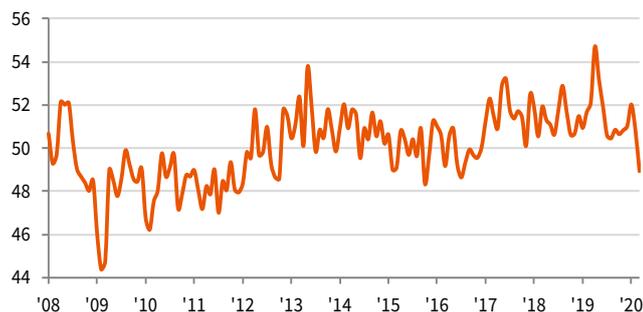
"The global COVID-19 pandemic caused severe disruption to Japan's services economy in March. There had already been some knock back in February from reduced tourism, particularly from China, but latest data show that the economic impact has become widespread.

"The headline index for the service sector sank by 13 points to reach a low not seen since the global financial crisis. This signals how aggressive and sudden the drop in activity has been as people stop partaking in non-essential activities.

"During the March survey period (12-26 March), the outbreak in Japan was not even close to the scale seen in Europe and the latest combined manufacturing and services PMI data already point to GDP contracting at an annual rate of around 8%. If the outbreak were to escalate in Japan such that widespread lockdowns are imposed, GDP in the second quarter could be poised for an annual decline in excess of 10%."

Services Employment Index

sa, >50 = growth since previous month



Services Prices Charged Index

sa, >50 = inflation since previous month



Contact

au Jibun Bank
Grp-S-I-Room@jibunbank.co.jp

Joe Hayes
 Economist
 IHS Markit
 T: +44 1491 461 006
joseph.hayes@ihsmarkit.com

Bernard Aw
 Principal Economist
 IHS Markit
 T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
 Public Relations
 IHS Markit
 T: +1 781 301 9311
katherine.smith@ihsmarkit.com

Methodology

The au 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.

March 2020 data were collected 12-26 March 2020.

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.
[ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html)

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

The au Jibun Bank Japan PMI is sponsored by au Jibun Bank Corporation

The au 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", au Jibun Bank focuses on providing high-quality financial services via smartphones.

The au 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", au 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.