Japanese economy broadly stagnant in November

Key findings

Flash Composite Output Index, Nov: 49.9
(Oct Final: 49.1)

Flash Services Business Activity Index, Nov: 50.4
(Oct Final: 49.7)

Flash Manufacturing PMI, Nov: 48.6
(Oct Final: 48.4)

Today sees the latest release of the Jibun Bank Flash Japan Composite PMI®. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of private sector sector operating conditions in Japan. The estimate is typically based on approximately 85%-90% of total PMI survey responses each month and is designed to provide an accurate indication of final PMI data.

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

“October PMI data was difficult to interpret as a result of the temporary negative shocks caused by the sales tax and typhoon. However, we can now deduce from the November PMI data that there is a strong possibility of Japan’s economy contracting in the fourth quarter. We have seen little rebound following these temporary factors, especially in the service sector where the impact of the tax rise and poor weather was most prominent.

“The service sector, which was boasting reasonable rates of growth up until September, has recorded a marked easing in growth momentum. With manufacturing malaise still strikingly apparent, PMI-implied growth rates in the service sector are insufficient to offset Japan’s industrial woes.

“Stock in export demand, the protracted US-China trade war and limited policy levers stack up against the chances of improvements in Japan’s economy. Without any drive from the service sector, a quarterly contraction in Q4 seems highly likely.”
Jibun Bank Flash Japan Manufacturing PMI®

The Jibun Bank Japan Manufacturing PMI® is compiled by IHS Markit from survey responses from a panel of around 400 manufacturers. The headline figure is the Purchasing Managers' Index (PMI), a composite single-figure indicator of manufacturing performance. The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) continued to signal a difficult business environment for Japanese manufacturers, with the index posting below the 50.0 no-change mark for the seventh month in a row. At 48.6, from 48.4 previously, latest survey data indicated further economic decline, with output and new orders remaining in contraction.

Jibun Bank Flash Japan Services PMI®

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 headline Jibun Bank Japan Business Activity Index rebounded into growth territory following October's sales tax- and typhoon-impacted figure. That said, at 50.4, the respective index signalled only marginal growth that was notably slower than the average seen during the first three quarters of the year.
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Methodology
The Jibun Bank Japan Composite PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies and a panel of around 400 manufacturers. The service sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panels are 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.

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 headline figure is the Composite Output Index. This index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The Composite Output Index may be referred to as the ‘Composite PMI®’ but is not comparable with the headline manufacturing PMI figure.

The services headline index 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 to 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 headline manufacturing figure is the Purchasing Managers’ Index® (PMI®), a composite single-figure indicator of manufacturing performance. The PMI® is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI® calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Flash indices are released approximately one week before the final indices. Flash indices are typically based on approximately 85%-90% of total PMI survey responses each month and are designed to provide an accurate indication of the final indices.

Final 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.

November 2019 Flash data were collected 12-20 November 2019. For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Jibun Bank Japan PMI® is sponsored by Jibun Bank Corporation
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.

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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.

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