au Jibun Bank Flash Japan Composite PMI®
Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Downturn remains substantial despite easing further

Key findings

Flash Composite Output Index, Jul: 43.9
(Jun Final: 40.8)

Flash Services Business Activity Index, Jul: 45.2
(Jun Final: 45.0)

Flash Manufacturing Output Index, Jul: 41.2
(Jun Final: 32.3)

Today sees the latest release of the au 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 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, Bernard Aw, Principal Economist at IHS Markit, said:

“The Japanese economy continued to struggle at the start of the third quarter, with the latest flash PMI data indicating a further sharp contraction in business activity during July. While the easing of emergency measures provided some relief, especially to the domestic sector, Japan’s growth continued to be adversely affected by subdued global trade flows and restrictions on travel. All of these factors continued to weigh heavily on demand, with total new orders falling further, dragged down by a substantial decline in new exports.

“As the economy remained mired in a downturn, companies sought to contain costs and survive the pandemic by cutting jobs. Employment continued to fall in July, with factory jobs reduced at a sharper rate than seen in the service sector. Rising unemployment adds to fears that consumption may weaken in the coming months.

“Any hopes of a robust recovery need to be tempered as business sentiment about the year-ahead outlook remained pessimistic on balance.”
au Jibun Bank Flash Japan Composite PMI®

The au 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 au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI®) which measures the overall health of the manufacturing sector rose from 40.1 in June to 42.6 in July, but nevertheless signalled a further sharp deterioration in the health of the manufacturing sector. Production and new orders continued to fall at substantial rates, albeit slower than in June. The rate of decline in employment accelerated further and was marked overall. Meanwhile, Japanese goods producers continued to reduce both purchasing activity and inventories.

au Jibun Bank Flash Japan Services PMI®

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 au Jibun Bank Flash Japan Services Business Activity Index edged up from 45.0 in Juneto 45.2 in July. However, by remaining below 50.0, the latest figure indicated a further decline in output across the service sector. New business inflows continued to contract, albeit at a slower pace than in June and at a modest rate. The amount of incomplete work fell again, indicating a further development of spare capacity which, in turn, dampened hiring. Service sector employment fell for a fifth consecutive month in July.
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Methodology
The au 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 sector covers include consumer (excluding retail, transport, information, communication, finance, insurance, real estate and business services. The panel is sized 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 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 headline services 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 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 Time 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 final index values.

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.

July 2020 flash data were collected 13-20 July 2020. For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

The au Jibun Bank Japan PMI® is compiled by IHS Markit

The au Jibun Bank is an internet retail bank established in 2008 by a joint investment of KDDI - a major telecommunications 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.

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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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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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