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Jibun Bank Flash Japan Composite PMI®

Including Jibun Bank Flash Japan Manufacturing and Services PMI®

Japanese economy ends fourth quarter in stagnation

Key findings

Flash Composite Output Index, Dec: 49.8
(Nov Final: 49.8)

Flash Services Business Activity Index, Dec: 50.6
(Nov Final: 50.3)

Flash Manufacturing PMI, Dec: 48.8
(Nov Final: 48.9)

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 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.

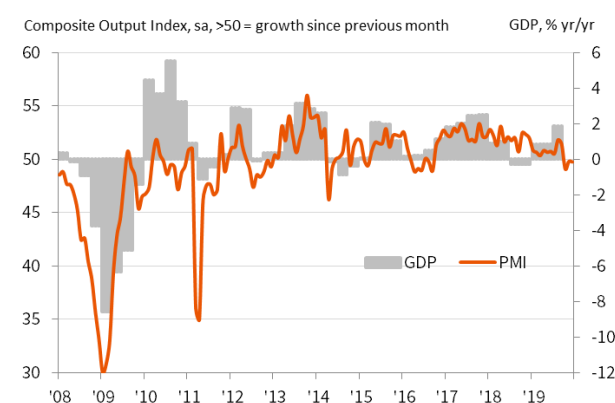
Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

“Latest survey data showed that the Japanese economy remained stagnant in December, following on from a similar outturn in November. Taking fourth quarter survey data as a whole, the poor performance in October could see Japan’s economy dip into contraction.”

“The most disconcerting takeaway from fourth quarter survey data has been the marked loss of momentum in the service sector, which alongside domestic consumption, has been a key driving force of the economy in 2019, negating much of the manufacturing malaise. It is now clear that the service sector is unable to offset the industrial weakness, which does not bode well for growth prospects in 2020.”

“That said, the recent stimulus package launched by Abe has the potential to breathe life back into the domestic economy. Indeed, this will certainly alleviate pressure on the Bank of Japan to take immediate policy action if the economic outlook worsens.”

Jibun Bank Japan Composite Output Index



Index summary

Index	Sector	Interpretation
Output	Composite	Unchanged rate of decline
	Manufacturing	Stronger decline
	Services	Stronger growth
New Orders	Composite	Expansion, from decline
	Manufacturing	Weaker decline
	Services	Stronger growth
New Export Orders	Composite	Weaker decline
	Manufacturing	Weaker decline
	Services	Stronger growth
Employment	Composite	Unchanged rate of growth
	Manufacturing	Weaker growth
	Services	Stronger growth
Backlogs of Work	Composite	Stronger decline
	Manufacturing	Weaker depletion
	Services	Decline, from growth
Output Prices	Composite	Deflation, from inflation
	Manufacturing	Unchanged rate of deflation
	Services	Deflation, from inflation
Input Prices	Composite	Weaker inflation
	Manufacturing	Stronger inflation
	Services	Weaker inflation
Future Output	Composite	Weaker positive outlook
	Manufacturing	Stronger positive outlook
	Services	Weaker positive outlook
Stocks of Purchases	Manufacturing	Weaker decline
Stocks of Finished Goods	Manufacturing	Stronger decline
Quantity of Purchases	Manufacturing	Weaker decline
Suppliers' Delivery Times	Manufacturing	Quicker, from slower

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)® was broadly unchanged at 48.8 in December (48.9 in November), signalling an eighth successive contraction in the Japanese goods-producing economy. Output and new orders both declined amid reports of unfavourable demand conditions, leading firms to cut output prices further in a bid to stimulate sales. Spare capacity was also evidenced by falling backlogs of work and the first improvement in supplier delivery times since April 2016.

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 Business Activity Index signalled back-to-back months of growth in output during December as business activity recovers following the sales tax hike and typhoon in October. That said, the expansion was only marginal overall and only slightly faster than in November. On a positive note, new business and employment both increased at the fastest rates in six months.

Jibun Bank Japan Composite Output PMI®

PMI, sa, >50 = improvement since previous month

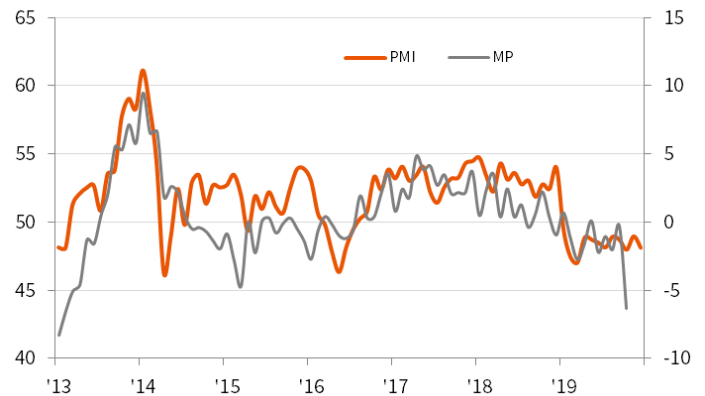


Sources: Jibun Bank, IHS Markit.

Manufacturing output

PMI Manufacturing Output Index
sa, >50 = growth since previous month

Manufacturing production
%yr/yr

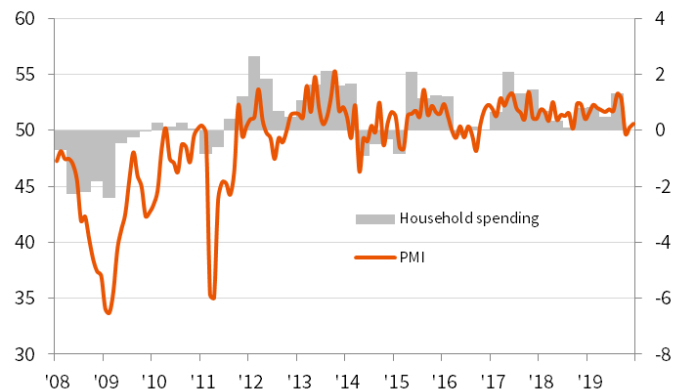


Sources: Jibun Bank, IHS Markit, METI.

Services business activity

PMI Services Business Activity Index
sa, >50 = growth since previous month

Household spending, services
%yr/yr



Sources: Jibun Bank, IHS Markit, Cabinet Office.

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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 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 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 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.

December 2019 flash data were collected 05-12 December 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.

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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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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