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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Services activity remains subdued amid further reduction in new business

Key findings

Activity and new orders decrease again in August

Staffing levels scaled back

Slight fall in input costs

Data were collected 12-25 August 2020.

The effects of the coronavirus disease 2019 (COVID-19) pandemic continued to be felt in the Japanese service sector during August. Business activity was scaled back further amid a faster reduction in new orders. Meanwhile, companies continued to signal caution when making hiring decisions. There was a lack of inflationary pressure, with both input costs and output prices falling modestly over the month.

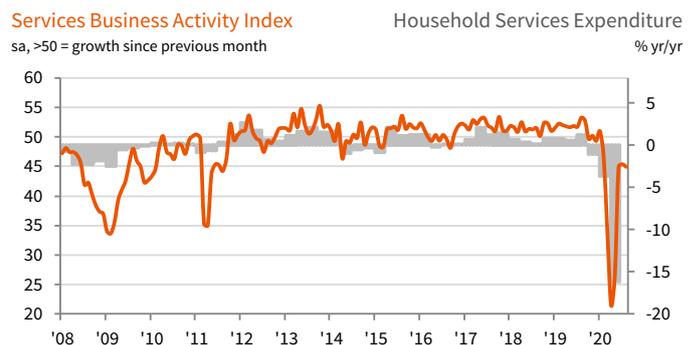
The au Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 posted 45.0 in August, down marginally from the reading of 45.4 in July and in line with that seen in June. The latest figure signalled a further reduction in activity, albeit one that was again much softer than during the worst of the current downturn, which stretches back to February.

Where business activity decreased, the impact of the COVID-19 pandemic was again the principal cause, according to respondents. Some panellists reported restrictions on activity, while others highlighted a lack of customers.

Similarly, new orders continued to fall in August, extending the



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

current sequence of decline to seven months. The reduction was faster than seen in July. New export orders fell particularly rapidly again, reflecting the impact of COVID-19 on international demand for services.

Service providers continued to scale back employment in line with reduced workloads. Staffing levels were down for the sixth month running in August, with the pace of reduction unchanged from the previous month. Despite this, companies were still able to deal with incoming new orders and work through outstanding business. That said, the pace of depletion in backlogs of work was the weakest for six months.

After having been broadly stable in each of the previous two months, input costs ticked down in August. Where input prices decreased, anecdotal evidence suggested that this was mainly due to lower staff costs. The marginal reduction was recorded in spite of some reports of higher expenditure on COVID-19 related items such as hygiene and ventilation products.

A lack of cost inflationary pressure and efforts to secure sales led companies to reduce their selling prices, the sixth month running that has been the case. The modest fall was broadly in line with that seen in July.

Uncertainty caused by the COVID-19 pandemic resulted in subdued business sentiment. Confidence was slightly lower than in the previous month, with broadly similar proportions of respondents predicting a rise in activity as forecasting a fall. Sentiment was lower than the series average.

au Jibun Bank Japan Composite PMI®

Further softening of downturn in August

The au Jibun Bank Japan Composite* Output Index - which measures combined output in the manufacturing and service sectors - rose to 45.2 in August from 44.9 in July. Although remaining below the 50.0 no-change mark, the reading was the highest since February as the private sector continued to stabilise following the severe downturn caused by the COVID-19 pandemic. Output fell more quickly in the service sector than at manufacturing firms.

A further marked decline in new orders was registered, with the rate of contraction quickening from that seen in July.

Falling workloads led companies to lower their staffing levels for the sixth month running, with job cuts signalled across both the manufacturing and service sectors.

Input prices were unchanged, as a rise in manufacturing costs was cancelled out by a fall at service providers. Meanwhile, output prices decreased modestly again.

* 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.

Composite Output Index

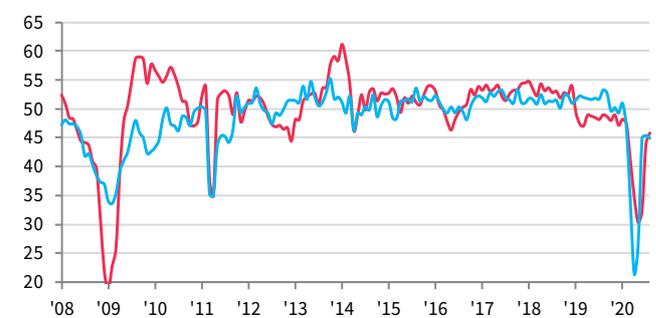
sa, >50 = growth since previous month



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

Manufacturing Output Index
Services Business Activity Index

sa, >50 = growth since previous month



Sources: au Jibun Bank, IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

"The COVID-19 pandemic continued to hang over the Japanese service sector in August, halting previous momentum towards recovery amid fragile customer demand and a considerable degree of uncertainty.

"This uncertainty was evident in company predictions for output over the coming year, which on balance came out as broadly neutral.

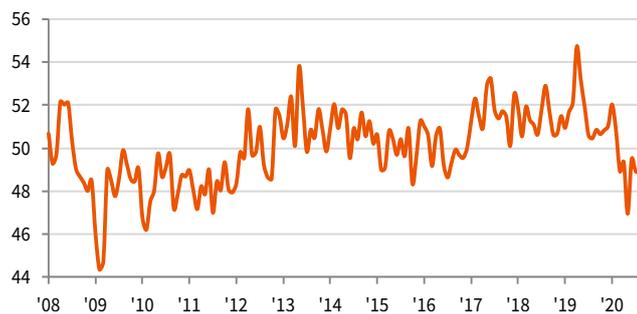
"With little sign of a strong rebound and a lack of clarity as to how things will progress, caution was again evident

with respect to hiring decisions.

"Services saw output fall more quickly than manufacturing for the first time since May, suggesting that the sector is more impacted by the lingering effects of the pandemic on demand. Any return to growth will likely depend on confidence among companies and customers alike that the virus has been brought under control."

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

Andrew Harker
 Economics Director
 IHS Markit
 T: +44 1491 461 016
andrew.harker@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.

August 2020 data were collected 12-25 August 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)

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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.

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