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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity falls at quicker pace in July

Key findings

Output and new orders both drop at faster rates

Renewed contraction in employment

Expectations for activity remain strong

Data were collected 12-27 July 2021.

Japanese service providers indicated that business conditions remained subdued in July. Both activity and new business inflows decreased at a quicker pace compared to June. At the same time, there was a reduction in payroll numbers among service sector firms for the first time since December 2020 amid weakening demand conditions as COVID-19 restrictions remained in place amid a sustained rise in case numbers. As a result, the level of positive sentiment softened from June, yet remained at a historically high level overall.

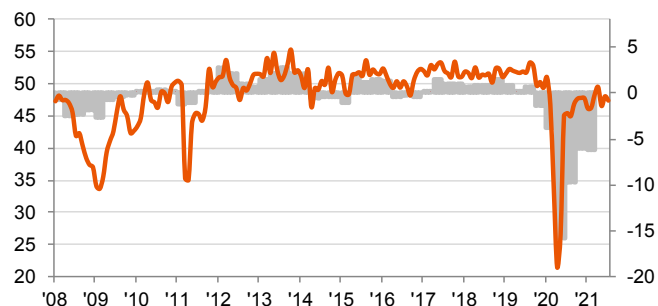
The au Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

At 47.4 in July, the seasonally adjusted Japan Services Business Activity Index dipped from 48.0 in June, signalling a sustained and quicker contraction in activity. The latest reduction was moderate overall as companies saw activity hampered by the recent surge in COVID-19 cases.

Similarly, new business inflows fell at a faster pace in the latest survey period. This extended the current sequence of decline to 18 months, with the latest reduction modest overall. Panellists noted that demand remained depressed due to ongoing state of

Japan Services PMI Business Activity Index Household Services Expenditure
sa, >50 = growth since previous month % yr/yr



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

emergency restrictions. Aggregate new orders fell at a quicker pace than new export orders, which reduced at the softest pace since the current sequence began in February 2020.

As activity and orders were scaled back in light of rising infections, Japanese service providers reduced employment levels for the first time in seven months. The fall was only fractional, yet was marked by the first sub-50.0 reading of the seasonally adjusted Employment Index since December 2020. Concurrently, there was evidence that existing capacity was used to complete existing projects, as the level of outstanding business was reduced for the twentieth month running. However, the rate of backlog depletion was the softest in the current series of decline.

Average cost burdens rose for the eighth time in as many months in July. The rate of inflation accelerated to the quickest since April amid higher raw material, staff and fuel costs. Panel members signalled that the increase in input prices was partially passed through to clients, however some firms commented that costs were absorbed, and discounts were offered in an attempt to attract customers. As a result, the rate of charge inflation was the softest in the current four-month sequence of rising charges.

Business optimism regarding activity in the next 12 months remained strong in July, despite softening from June's recent high. Firms cited hopes that the pandemic would recede as the vaccine rollout continues, triggering a broad based recovery in demand. Some firms also noted a successful Olympics may provide a further boost to activity.

au Jibun Bank Japan Composite PMI®

Downturn in private sector activity continues in July

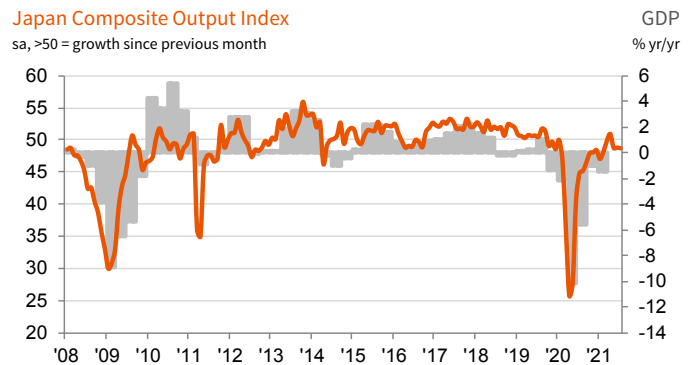
The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and service sectors - dipped to 48.8 in July from 48.9 in June, signalling a third consecutive monthly decrease in private sector output. The Index has remained broadly unchanged since May, signalling a modest rate of decline. In July, a quicker expansion in manufacturing production was offset by a swifter decline in the larger services sector.

Aggregate new orders meanwhile moved towards stabilisation in July, falling only fractionally amid a sharper upturn in factory orders. This contributed to the softest reduction in outstanding business in the current three-month sequence.

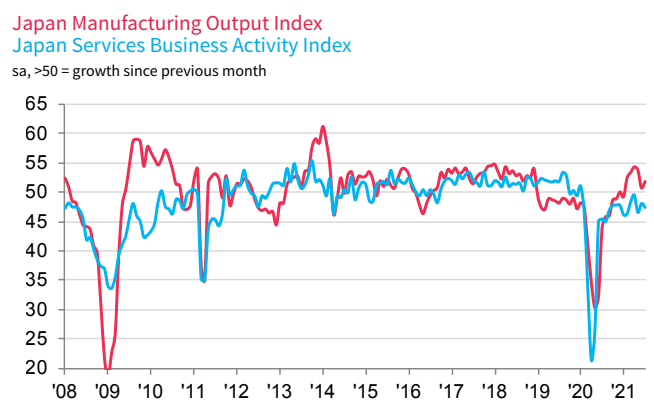
Employment levels in the Japanese private sector rose for the sixth successive month in July. The rate of job creation eased however, and was only slight following a renewed contraction at service providers.

Firms in both sectors remained optimistic that activity would rise in the coming year, as the level of positive sentiment stayed at historically high levels.

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



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



Sources: au Jibun Bank, IHS Markit.

Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

"The Japanese services economy signalled that demand conditions remained subdued in the wake of a resurgence in COVID-19 cases in July. Latest PMI data indicated quicker reductions in both business activity and new orders, as panel members highlighted ongoing restrictions to curb the spread of the virus had dampened client confidence and sales.

"Moreover, lower demand led Japanese service providers to decrease staffing levels for the first time since December 2020, while firms also noted softer, albeit still strong optimism regarding the year-ahead outlook for business activity.

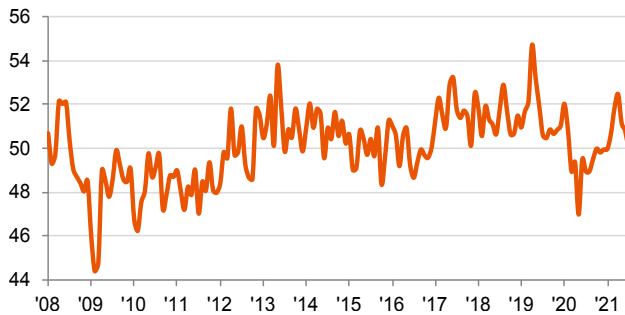
"Overall private sector activity remained in contraction territory in July, as a modest upturn in manufacturing output was offset by an accelerated fall in the larger services sector.

"Nonetheless, private sector businesses in Japan reported ongoing optimism

regarding the outlook for activity over the coming 12 months. Firms cited hopes that the impact of the pandemic would subside amid an ever-accelerating vaccine rollout, which would provide a boost to both domestic and external demand. Some firms also commented that they were expecting an uplift in sales during and after the Tokyo Olympics, despite the event being staged behind closed doors. This is in line with the forecast from IHS Markit estimating that the Japanese economy will grow 2.4% in 2021."

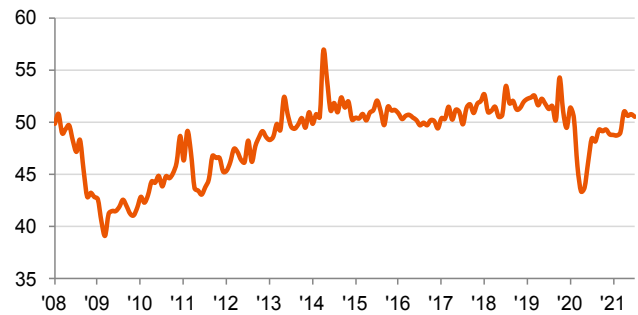
Japan Services Employment Index

sa, >50 = growth since previous month



Japan Services Prices Charged Index

sa, >50 = inflation since previous month



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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.

July 2021 data were collected 12-27 July 2021.

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.
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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.

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